

BANCO DE ESPAÑA

economic bulletin

January 2002

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Abbreviations

AIAF	Association of Securities Dealers	HICP	Harmonised index of consumer prices
BE	Banco de España	ICT	Information and communications technology
BIS	Bank for International Settlements	IMF	International Monetary Fund
CNE	Spanish National Accounts	INE	National Institute of Statistics
CNMV	National Securities Market Commission	INVERCO	Association of Collective Investment Institutions and Pension Funds
CPI	Consumer price index	LFA	Liquid financial assets
EAGGF	European Agricultural Guidance and Guarantee Fund	LIFFE	London International Financial Futures Exchange
ECB	European Central Bank	MEFF	Financial Futures and Options Market
ECOFIN	Council of the European Communities (Economic and Financial Affairs)	MEFF RF	Fixed-income derivatives market
EDP	Excessive Deficit Procedure	MEFF RV	Equity derivatives market
EMU	Economic and Monetary Union	MFIs	Monetary financial institutions
EONIA	Euro overnight index average	MMFs	Money market funds
EPA	Official Spanish Labour Force Survey	MROs	Main refinancing operations
ERDF	European Regional Development Fund	NCBs	National Central Banks
ESA 79	European System of Integrated Economic Accounts	NPIs	Non-profit institutions
ESA 95	European System of National and Regional Accounts	OECD	Organisation for Economic Co-operation and Development
ESCB	European System of Central Banks	PPP	Purchasing power parity
EU	European Union	QNA	Quarterly National Accounts
EU15	The fifteen current European Union Member States	SCLV	Securities Clearing and Settlement Service
EUROSTAT	Statistical Office of the European Communities	SDRs	Special Drawing Rights
FIAMM	Money market funds	TARGET	Trans-European Automated Real-Time Gross Settlement Express Transfer system
FIM	Securities funds	TFP	Total factor productivity
GDP	Gross domestic product	ULCs	Unit labour costs
GNP	Gross national product	VAT	Value Added Tax
GVA	Gross value added		

<i>Countries</i>		<i>Currencies</i>	
BE	Belgium	ESP	Peseta
DK	Denmark	EUR	Euro
DE	Germany	JPY	Japanese yen
GR	Greece	USD	United States dollar
ES	Spain		
FR	France		
IE	Ireland		
IT	Italy		
LU	Luxembourg		
NL	Netherlands		
AT	Austria		
PT	Portugal		
FI	Finland		
SE	Sweden		
UK	United Kingdom		
US	United States		

Conventions used

M1	Notes and coins held by the public + sight deposits.
M2	M1 + deposits redeemable at notice of up to three months + deposits with an agreed maturity of up to two years.
M3	M2 + repos + shares in money market funds and money market instruments + debt securities issued with an agreed maturity of up to two years.
bn	Billions (10^9).
m	Millions.
pp	Percentage points.
...	Not available.
—	Nil, non-existence of the event considered or insignificance of changes when expressed as rates of growth.
»	Less than half the final digit shown in the series.

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Quarterly report on the Spanish economy

1. Overview

The onset of 2002 has seen the culmination of the introduction of the euro as a common currency for the twelve euro area countries. The changeover of notes and coins has unfolded successfully thanks to the resolute collaboration of all the parties involved, namely the European monetary authorities, financial institutions and retailers, and companies and individuals. The pace of the rise in demand for the new currency has exceeded all earlier forecasts, reflecting the high degree of acceptance by the general public, and marks a great step forward in the project of European integration. The complex process witnessed in the opening days of the year is part of a far-reaching structural change which, by smoothing trade and improving market transparency, will boost competition in the euro area. Its concurrence with a weak world economy and sagging trade has posed no obstacle to the introduction of the new currency.

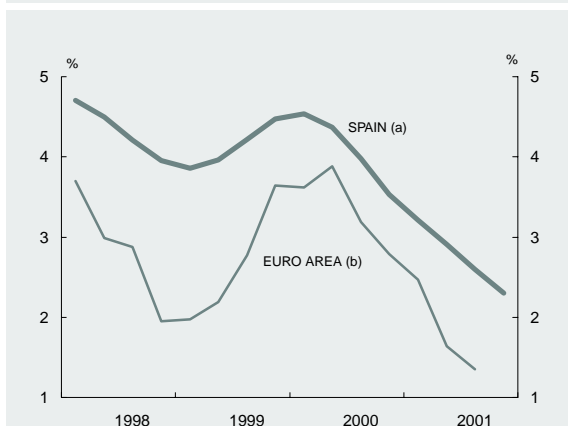
Against a far from propitious international background, the pace of growth of the Spanish economy fell during Q4 last year to an estimated real GDP rate of around 2.3%, three-tenths of a percentage point down on the INE figure released for Q3. This result places GDP growth for the year 2001 at 2.8% on average, 1.3 points down on 2000. These figures confirm that, despite the slowdown in its growth rate, the Spanish economy continued to move ahead last year in the process of real convergence with the euro area countries, whose estimated average growth for the year was 1.5%.

The main underpinnings of the Spanish economy's buoyancy in the final quarter were spending by households (on consumer goods and housing) and, to a lesser extent, by general government. Meanwhile, exports and investment in capital goods (and thus industrial activity) were affected by the deterioration in foreign markets and the associated uncertainty. This same pattern governed developments in the euro area economies and in the United States, although the declines in investment and, especially, in exports were sharper in the US economy, turning the real output rate negative. Recession continues to dog the Japanese economy, and the global downturn has spread to many emerging economies, with the notable exception of certain major countries such as Russia or China.

Despite this considerably depressed international picture, the latest figures released are, in general, relatively promising, as they would be consistent with expectations that the deceleration in the main economies in late 2001 is bottoming out. That would pave the way during the current year to a slow recovery which, however, is not free from uncertainty, particularly as regards its timing and intensity.

CHART 1

Gross domestic product



Sources: ECB, Instituto Nacional de Estadística and Banco de España.

(a) Non-centred annual rate of change calculated on the basis of the trend-cycle series.

(b) Non-centred annual rate of change calculated on the basis of the seasonally adjusted series.

In the United States the fall in real GNP has been sharper than expected. But the US economy's growth potential remains very high following the surge in productivity in the preceding years and given its capacity to incorporate and benefit from the latest technological innovations. This process has not yet run its course, as is demonstrated by the fact that, even in recession, the growth rate of productivity has been relatively high. The markedly expansionary macroeconomic policy stance adopted, which placed the federal funds interest rate at 1.75% on 11 December, and the end of the military conflict in Afghanistan are factors which should also contribute to putting the recession behind.

The cyclical change in the US economy is pivotal if markets are to recover and the uncertainty still besetting worldwide activity is to clear. That would particularly help the many south-east Asian and Latin American emerging economies that have been affected by the downturn in world trade. The deep-seated crisis in which Argentina is immersed is a case apart, with specific connotations clearly separating it from the other countries in the area, and whose effects are confined to developments within Argentina.

Turning to the euro area, the preliminary annual growth rate of real GDP for Q3 last year was 1.4%; in quarter-on-quarter terms, the rate was, for the second period running, 0.1%. The data available for Q4 indicate that the area may have ended last year in a stagnant position, albeit with appreciable differences between the economies in the zone. The most positive aspect of the latest data published is, perhaps, the fact that the slow-

CHART 2

Harmonised indices of consumer prices



Sources: Eurostat and European Central Bank.

down in gross fixed capital formation appears to have eased, a development in step with an incipient improvement in business expectations. The factor most blackening the picture would be the notable slide in exports, in response to the strong contraction of world markets. It is these two variables – investment and exports – which must trigger and drive a sustained pick-up in the European economies.

The macroeconomic policies pursued by the European authorities have continued along the lines set in previous quarters, as the changes in the economic outlook at home and abroad became apparent. The European Central Bank (ECB), given the improved inflationary expectations (partly associated with the fall in oil and other commodity prices on international markets), the decline in the pace of industrial activity and the scaling back of growth prospects for the area, cut its official interest rates once again on 8 November by half a percentage point to their current level of 3.25%. National fiscal authorities have not adopted significant specific measures of an expansionary hue beyond letting the automatic stabilisers operate freely. It should be noted, however, that the initial situation was one in which appreciable tax cuts had been agreed in certain countries and in which the budget deficits of certain members had reached a sizeable level. According to the forecasts accompanying the updated stability programmes, a worsening of structural balances is not generally expected in the coming year.

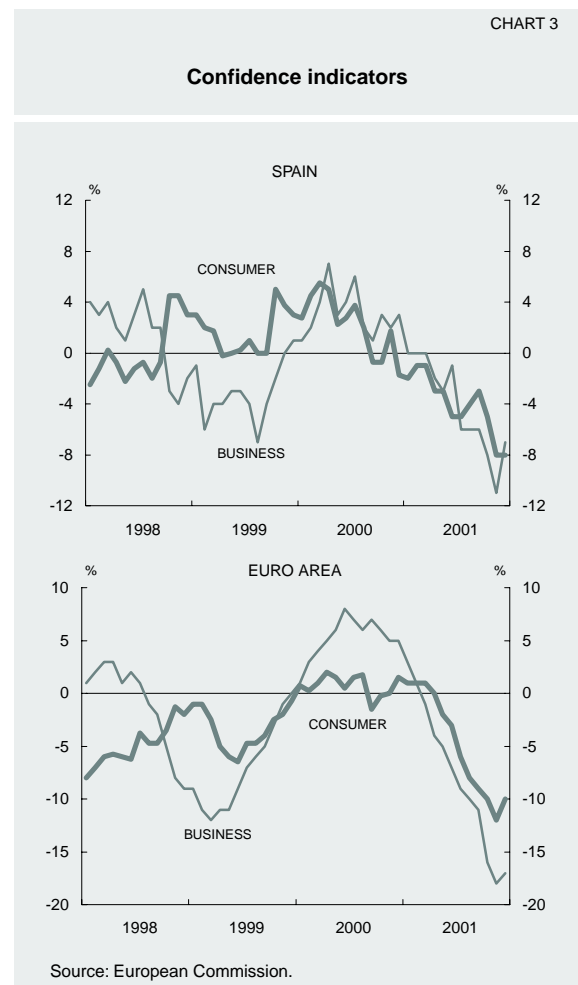
Monetary conditions across the euro area are tailored to the current economic situation and to how developments are most plausibly expected to unfold. Money market interest rates have responded to the fall in official rates and are holding stable. The growth of the aggregate

M3 is very high, but should be assessed with caution. This is because exceptional and temporary factors relating to the public's increased preference for liquidity in a context of heightened uncertainty have influenced its course. The growth rate of lending continues to decelerate, albeit more slowly. Forward rates have moved upwards, correcting the expectations which, to date, markets had held about further – and modest – cuts in rates in the coming months. These shifts, which have also occurred on other markets, may be due to a more favourable perception of future economic developments in Europe and, in general, internationally, following the release of certain relatively favourable data referred to above.

As regards prices, the euro area-wide inflation rate continued to slow in the closing months of the year. The twelve-month growth rate of the HICP stood at 2.1% at end-2001. Although the reduction in the rate of increase of consumer prices (from the high of 3.4% last May) is largely due to the trend of energy prices, it will foreseeably continue over the coming year as other sectors begin to benefit from the fall in energy and other commodity prices. Nonetheless, it would be unwise to rule out a scenario in which these favourable expectations might be dampened due to the ongoing demands for wage rises in the key industries of certain euro area economies being met.

The relative stability of national demand continues to be essentially determined, as in previous quarters, by consumer spending and private and public investment in construction, and by the positive contribution of stockbuilding, since investment in capital goods is showing no signs of picking up. Yet the keynote in the economy in the closing months of 2001 was, perhaps, the behaviour of external demand. Here, a fall in the real rate of change of exports of goods and services combined with a continuing modest but stable growth rate of imports, in step with the course of domestic demand. This marks a difference between the recent trend of the Spanish economy and that of the euro area as a whole, since the deterioration in exports in the latter has largely been offset by lower imports.

Goods exports are forecast to have posted negative year-on-year rates in Q4. This is duly anticipated by the latest figure available (for October), which denotes a continuation of the notable shrinkage in exports initiated last June, as the decline in world trade began to affect European markets. If, as is foreseeable, the fall in world markets should have bottomed out in the final months of 2001, a more adverse performance by goods exports (but not by tourism, according to the latest indicators) in that period



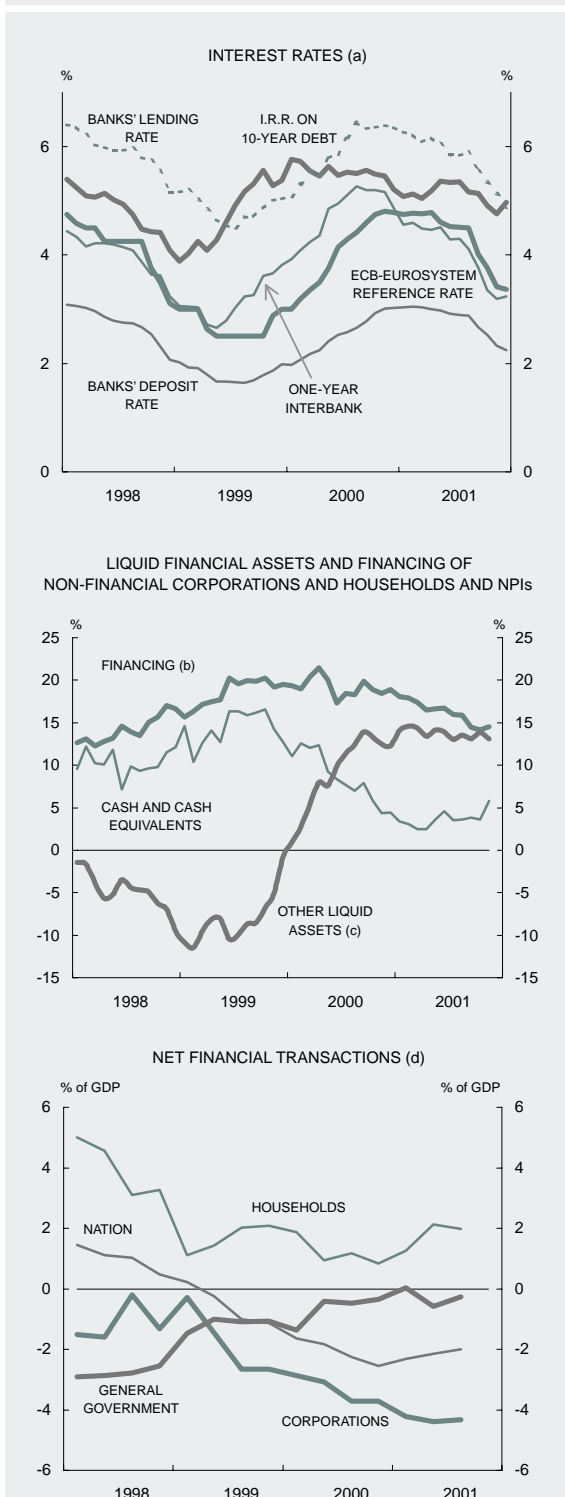
cannot be ruled out. That would further accentuate the negative contribution of net external demand to real GDP growth in Q4 and, as a result, the estimated growth rate for this variable would be reduced by one or more tenths of a percentage point.

During 2001 Q4 the Spanish economy followed the same patterns of behaviour that had characterised the rest of the year. Net jobs continued to be created, albeit at a lesser pace than previous quarters (especially in industry, where the deceleration in real value added was most marked). The inflation rate fell as the movements in oil and oil-related prices were stripped out, meaning the CPI at the end of the year was running at a twelve-month growth rate of 2.7% (2.9% in terms of the harmonised index, leaving the inflation differential with the euro area as a whole at seven-tenths of a point). And finally, the State budget deficit eased, whereby its December outturn will foreseeably prove compatible with the attainment of overall general government budgetary stability.

If confirmed, the results for Q4 would close a year in which the Spanish economy posted

CHART 4

Financial indicators of the Spanish economy



Source: Banco de España.

(a) The series are averages of daily data.

(b) Includes bank loans extended by resident and non-resident credit institutions, fixed-income securities and financing through securitisation funds.

(c) Includes deposits with agreed maturity, repos, bank securities, residents' cross-border deposits and shares in money-market funds.

(d) Cumulative four-quarter data.

more modest growth than in previous years, but growth which was nevertheless still high compared with most of its trading partners. Specifically, real GDP growth is estimated at 2.8% on average in 2001, with an increase in national demand of slightly less than 3% (4.2% in 2000) and a negative contribution of net external demand of 0.2 percentage points, more or less unchanged on the previous year. Particularly notable in the productive branches was the slowdown in value added in industry, proving far greater than that in market services and, above all, construction.

It should be borne in mind, however, that annual average values may mask widely differing patterns of behaviour over the course of the year. Thus, the slowdown by national demand on average in 2001 was partly due to the spillover effect of the notable loss of buoyancy in 2000. Though this continued in 2001, it did so to a much lesser extent. Conversely, the apparent stability in the negative contribution of external demand in average terms in both years fails to disclose its notable tendency to improve during 2000 and a notable deterioration during 2001.

As has often been the case, it was consumption and investment in construction which most contributed to the growth of national demand in 2001. Notwithstanding, the annual average increases in these variables will be lower than in the previous year, especially that of household consumption, whose real growth rate may be almost one and a half percentage points below the figure of 4% recorded in the year 2000. The differences in government consumption will be much less, as they will in construction; indeed, they may not even amount to half a percentage point, since the modest slowdown in residential investment has been offset by the greater robustness of public works. Investment in equipment, on the other hand, has been very slack as it reacted promptly (before exports did) to the change in economic climate and worsening business expectations. The negative real rate of change of this variable for the year on average may be close to 2%.

The behaviour of household expenditure last year was in response to a wide range of factors. Although the losses in financial wealth and the context of uncertainty in which decisions were taken bore adversely on consumption, the real increase in disposable income was appreciable (provisionally estimated at around 3%), albeit approximately half a percentage point lower than the previous year. The growth of employee compensation, which was likewise lower than in 2000, was pivotal to the increase in disposable income since the contribution of general government was, although positive, fairly modest.

The saving ratio is estimated to have recovered slightly, as did household lending capacity, since the robustness of investment in housing – further boosted by the falling returns on alternative forms of financial investment – lost momentum as the year unfolded.

The provisional data available on the quarterly financial accounts of the Spanish economy confirm the recovery in household financial saving last year. The pick-up was essentially due to the fall in household debt, against a background of increasing uncertainty. Corporations, however, retained considerable debt ratios, despite the slowdown in investment. This was possibly attributable to their lesser resource-generating capacity and to the strong demand for funds, against a background of low interest rates, to finance the foreign investment flows of recent years.

In any event, the improvement in household and general government lending capacity has provided for an appreciable fall in the nation's financing requirements (amounting to perhaps one percentage point relative to GDP). This relates, in turn, to the decline in the deficit on goods and services transactions with the rest of the world (where the fall in oil prices was instrumental) and to bigger capital transfers being received.

As earlier discussed, the data available to date suggest the balanced budget programmed for the overall general government sector in 2001 will be attained. Stability in the ratio of total expenditure to GDP and an improvement of three-tenths of a point in the corresponding revenue/GDP ratio (chiefly due to capital revenue and social security contributions) are foreseen. In terms of agents, the bigger central government deficit is expected to be offset by the surplus on social security. The recent enactment of the legislation on the financing of the regional (autonomous) governments and the Law of Budgetary Stability have entailed significant headway in the co-ordination of, and co-responsibility between, different tiers of Spanish government. And that should result in greater transparency of public finances. The Updated Stability Programme, recently approved by the Commission, confirms the authorities' commitment to fiscal stability as established in the EU. That said, if the macroeconomic scenario were worse than programmed (depending on international economic developments), the Programme does not rule out the possibility of a modest fiscal imbalance, of a few tenths of a point of GDP, as a consequence of the operation of the automatic stabilisers and without any deterioration in the structural deficit.

One of the salient features of the Spanish economy in 2001 was its capacity to continue

generating jobs. Employment growth in terms of equivalent jobs is estimated to have been around 2.5%, six-tenths of a point down on the previous year, meaning apparent productivity growth was very low. This was not the case, however, in the market economy, where productivity actually picked up, especially in services and, to a lesser extent, in industry.

Wages tended to quicken in most branches, as did unit labour costs. Nonetheless, the market-economy unit output surplus widened in 2001, especially in the opening months of the year. The increase in margins was greater in services and in construction, although in this latter variable the widening was much less than in the previous year. In industry, although there was no recurrence of the shrinkage in unit margins seen the previous year (due partly to the recovery in the related value-added deflator, in the face of the fall in input prices, especially energy inputs), the pick-up was not significant.

The prevailing pattern is thus one which is harmful to the more competitive industries and one which, by allowing cost increases above those of our trading partners to become embedded, may ultimately erode the economy's competitiveness.

This fact can be deduced from an analysis of price behaviour. In 2001 the CPI posted an annual average growth rate of 3.6%, although it moved on a declining trend over the course of the year, resulting in a twelve-month increase of 2.7% at end-December. The correction came about basically because of the performance of energy prices, as other components evidenced greater downward stickiness. In any event, the gap with the euro area countries, which stood in early 2001 at around 1.4 percentage points (in HICP terms), has tended to narrow and, in Q4, it held at 0.7 percentage points.

The Spanish economy may be emerging from the slowdown running at a modest growth rate, but this rate has been consistently higher than that of the other euro area countries and has provided for continuing net job creation. The advantages of adopting a framework of macroeconomic stability are thus clear to see: there has been headway in real convergence during the weaker phases of the business cycle, and the sharp contractions formerly generated by the build-up of imbalances have been avoided. To sustain this new pattern in the long run, when the initial effects of the economy's change of regime have petered out, it is essential to preserve competitiveness and thus prevent price and cost differentials with our fellow euro area members being perpetuated.

2. The external environment

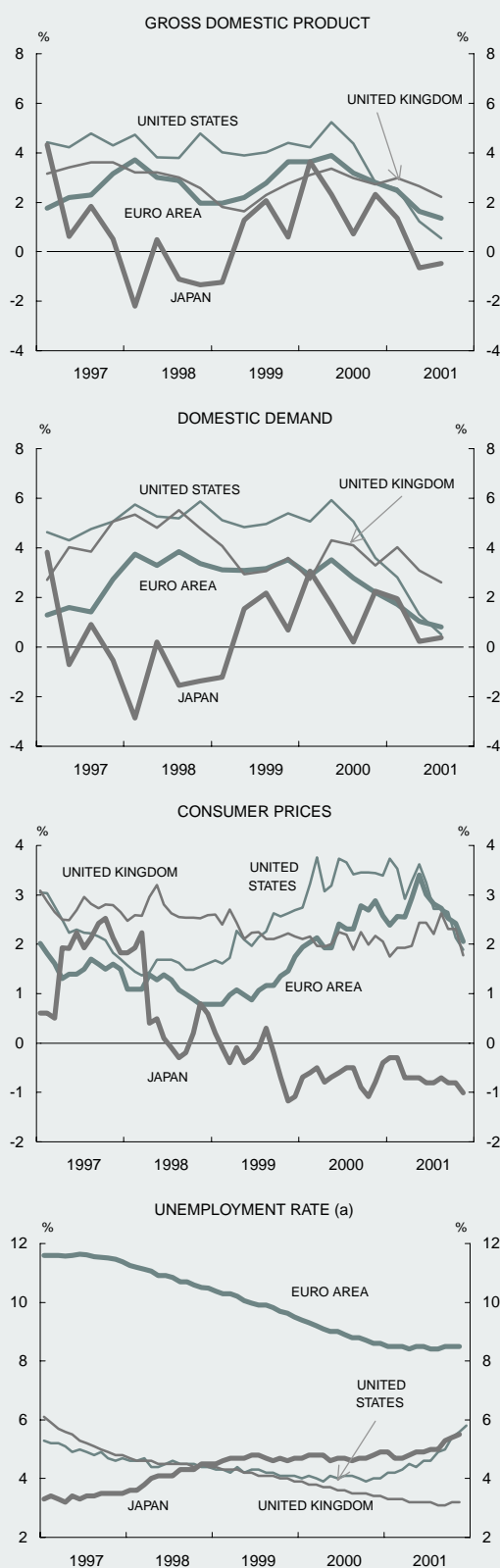
The information available for 2001 Q4 indicates that economic conditions in the external environment of the euro area have exacerbated the slowdown seen in Q3. Although certain signs of an improvement in the United States have emerged very recently, uncertainty as to how soon and strong the US recovery will be remain high. In addition, the Japanese economy is in recession and facing increasingly greater risks in respect of financial stability. Furthermore, the decline in world trade has checked the growth expectations of the emerging countries, which have also been affected by the Argentine crisis.

The final US Q3 data showed a decline of 1.3% in GDP (in annualised quarterly terms). The contraction was due to gross fixed capital formation falling, albeit at a lesser rate than in the previous quarter, to the continuing adjustment of inventories and to the slowdown in private consumption, although this variable continues to grow at relatively high levels given the country's current cyclical position. The slowing trend continued for most of Q4. Industrial output fell by 6% year-on-year and retail sales grew, though at a lower rate (shifting from a year-on-year rate of 7.1% in October to 3.8% in December). Corporations continued shedding jobs, especially in October and November, and the unemployment rate rose to 5.8% in December. However, some recently released indicators appear to signal that the worst of the recession may be behind in certain industries. The NAPM manufacturing and services indices have, like the leading indicators index, picked up more than expected in recent months, orders for capital goods (machinery) and electronic components have increased and inventories continue to be adjusted at a very high rate. Consequently, the decline in industrial output might shortly come to an end. As regards the factors underpinning consumption, consumer confidence has risen and the falls in employment appear to have moderated. But one of the key variables of this recession, namely corporate earnings, has yet to recover. That is needed, over and beyond the end of the adjustment of inventories, so that private investment may regain momentum, this being hampered by excess capacity. On the other hand, however, low interest rates may help lighten corporations' financing costs and thus increase their profits.

Turning to prices, the absence of inflationary pressures is increasingly patent. Testifying to this is the reduction in the private consumption deflator, which has dipped from 2.2% in Q2 to 1.6% in Q3, and – above all – the performance of producer prices (which declined by 1.8% year-on-year in December) and of import prices (down 8.9% year-on-year in the same month).

CHART 5

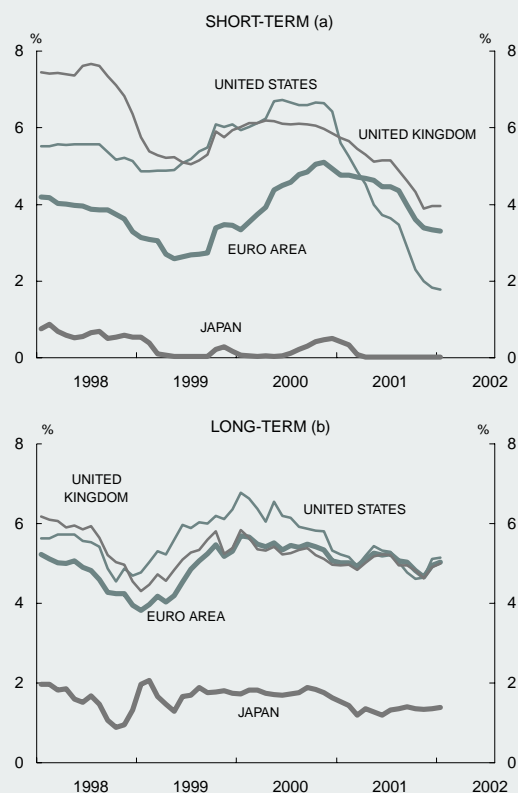
Main macroeconomic indicators Annual rates of change



Sources: Banco de España, national statistics and Eurostat.
(a) As a percentage of the labour force.

CHART 6

Interest rates



Source: Banco de España.

(a) Three-month interbank market interest rate. Euro area: until December 1998, weighted average of the eleven euro-area countries; thereafter, three-month EURIBOR.
(b) Ten-year government bond yields. Euro area: until December 1998, weighted average of the eleven euro-area countries.

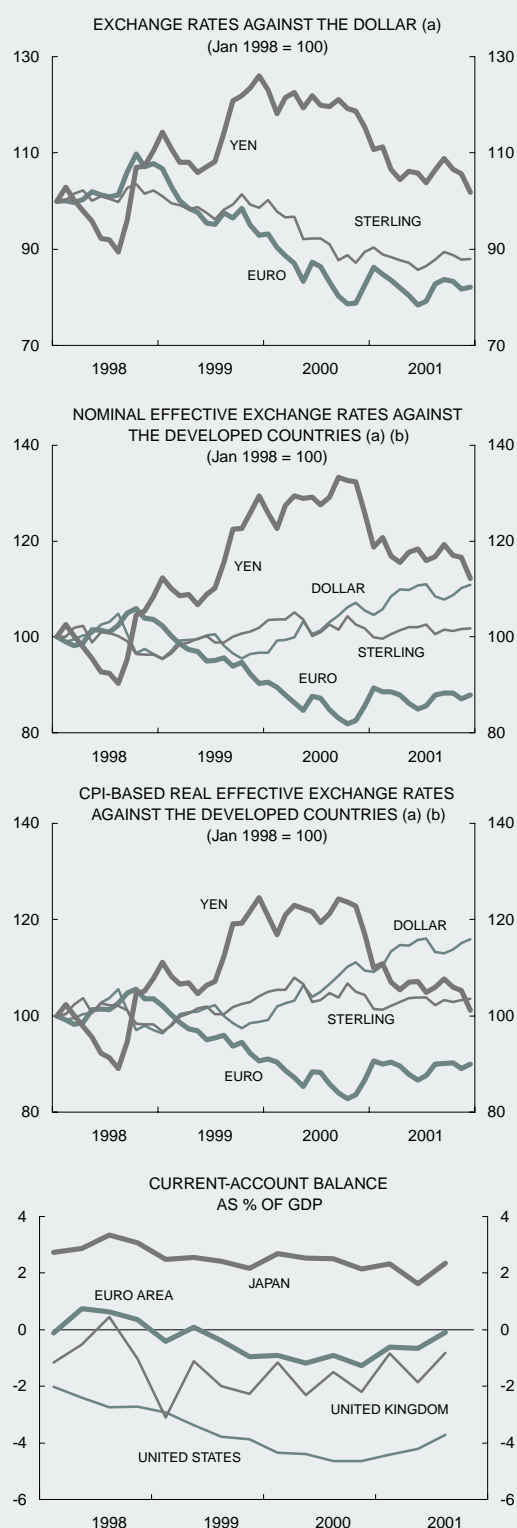
The CPI has also been more restrained, moving from 2.6% in September to 1.6% in December, although the underlying rate edged up from 2.6% to 2.7% in that same period.

During Q4, and judging by the favourable trend of securities markets and the trajectory of the yield curve, the financial markets appear to have discounted a speedier recovery in the US economy than most analysts appear to expect. Nonetheless, in the opening weeks of 2002, the lack of clear evidence of a pick-up, combined with the subsequent slowdown in prices, has bolstered expectations that the Federal Reserve may pursue lower interest rates for some time longer or that the turnaround in rates may be somewhat longer in coming.

In Japan, on preliminary figures, real GDP fell in 2001 Q3 at an annualised quarter-on-quarter rate of 2.2%. The main factors behind this were the falls in private consumption (6.6%) and in exports (12.4%), while private invest-

CHART 7

Exchange rates and current-account balances



Sources: Banco de España, BIS and national statistics.
(a) A fall in the index denotes a depreciation of the currency against the dollar or the rest of the currencies making up the grouping and vice versa.

(b) Before 1999 the euro is represented by an approximate indicator devised by the BIS on the basis of the effective exchange rates of the euro-area countries.

ment grew by 4.4%, as a result of the headway in corporate restructuring. The main economic activity indicators for Q4 trended negatively, in line with expectations. That augurs a further decline in real GDP during 2002, pending the specific form of the Government's reform plans. Mention should be made of the prolonged decline in the composite coincident indicator of activity, the collapse in industrial production and the ongoing fall in plant capacity. Likewise, business confidence indices (Tankan survey) continued to decline. The only positive development concerns exports, the rate of decline of which has eased slightly since November, against the background of the depreciation of the yen. Unemployment climbed to 5.5% in November, an all-time high, heralding a very negative outlook for consumption. The deflationary trend of consumer prices was further accentuated, with year-on-year falls of 0.8% and 1% in October and November, respectively. The yen, for its part, depreciated against the dollar by around 10% in Q4, standing at over 130 yen per dollar. The Nikkei index regained its August level in November, but slipped back once more in December when the announcement of structural reforms was again deferred and the depth of the recession was confirmed.

In the United Kingdom, private consumption grew by more than 4%, driven by low interest rates, the rise in house prices and low unemployment. This has checked the slowdown in British GDP growth to 1.8% in annualised quarter-on-quarter terms (2.2% year-on-year) in Q3, despite the contraction of private investment and recession in industry. Industrial output continued to decline at an annual rate of close to 5% in Q4, while the growth of retail sales was above 6% and that of house prices above 15%. The registered unemployment rate held stable at 3.2%. Inflation slowed to below the Bank of England target: 1.9% in December on the RPIX (Retail Price Index, excluding mortgage interest payments) measure, and 1% in terms of the HICP. The Bank of England has measured out its interest rate cuts, reducing its base rate first in October and then in November to a level of 4% (against 6% at end-2000).

As regards the central and eastern European countries, the stagnant world economy coupled with the brisk real appreciation of some of the currencies in this area has notably harmed the region's exports. The latest data on economic activity show a widespread slowdown in the area, with heavy reductions in the growth rate of industrial output. However, moderate inflation has allowed monetary and fiscal policy to sustain internal demand in the region to some extent, albeit at the expense of bigger budget deficits. The fall in imports and oil prices has slightly improved their

current-account balances. Russia, by contrast, has been adversely affected by falling oil prices. But it is nevertheless exhibiting firm growth which might reach 5.5% by the end of the year, underpinned by sizeable budget and current-account surpluses and by high currency reserves.

During 2001 Q4, the falling trend of the south-east Asian economies' exports worsened, this decline having been the driving force of the slowdown in train since early last year. The available indicators of activity in 2001 Q4 point to further falls in the pace of output and in these countries' GDP growth rates. The exception is China, which continued to expand at a brisk pace thanks to the lesser influence of foreign disturbances on its economy and to massive foreign direct investment inflows. Against this backdrop, the low inflation rates of most countries eased further in October and November and some (China, Hong Kong, Singapore and Taiwan) continued to show deflationary pressures. The currency markets generally held stable. But there have been incipient signs of a possible change in the situation, especially for the Korean won, since the further weakening of the yen against the dollar in the closing weeks of 2001.

The situation in Latin America has been marked by events in Argentina. These gave rise to a burgeoning crisis further to the deterioration of the Argentine economic and political situation in Q4. Industrial output fell by 12.4% year-on-year, activity in the construction industry fell by 18.6%, unemployment climbed to 18.3% and inflation ended the year at a negative rate (-1.5%). Tax revenue in Q4 fell by 16.8% on the previous year, making compliance with the IMF-set deficit target impossible. Despite securing a pact with the provinces to reduce monthly State transfers to them and to see though the conversion of domestic debt, the imposition of

exchange controls and of a freeze on bank deposits, in the face of massive withdrawals thereof, resulted in social unrest and violent demonstrations. There was likewise marked political instability in late 2001 and early 2002. Various measures were decreed, including most notably: the suspension of payments to foreign creditors; the abandonment of the currency board and the devaluation of the peso, with a dual exchange rate arrangement; the partial and asymmetrical "peso-ification" of bank balance sheets and of other contracts in foreign currency; a freeze on dollar deposits, at least until 2003; and the possibility of introducing price controls on staple goods.

In Brazil there has been a recovery in the exchange rate and a narrowing of sovereign debt spreads thanks to the economic policies pursued and to the adjustment of domestic demand. That has improved the trade balance, bringing it into surplus. The indicators of demand and activity remain negative, but they are showing signs of an improvement. On the negative side is the December inflation rate. It rose to 7.7%, above the target set by the monetary authorities.

The Mexican economy evidences a contrast between its financial and productive variables: the former are favourable, while the latter reveal an economy still in recession. The outlook for the industrial sector worsened in Q4, the upshot of a heavy decline in exports (12.3% in October and November) and in revenue from the oil and in-bond industries. However, the exchange rate has been very strong, spreads have narrowed to 300 b.p. and the inflation rate stood at 4.4% in December, below the target of 6.5%. Economic policies have been prudent and the tax reform has finally been approved, though it is not as far-reaching as previously announced.

3. The euro area and the monetary policy of the European Central Bank

The information available on economic activity in the euro area in the final quarter of 2001 suggests that growth was again non-existent or slightly negative. The weakness that activity had shown throughout the year was reinforced by the negative effects arising from the September terrorist attacks, leading to a further deterioration in world trade and the postponement of spending decisions by economic agents, amid the prevailing climate of uncertainty. However, the stance of economic policy over the last few months (with interest rate reductions and the operation of budgetary automatic stabilisers), the gains in purchasing power associated with the slowdown in inflation and the absence of significant economic imbalances should be conducive to an early resumption of growth in the euro area. In fact, some confidence indicators for December have shown a slight improvement, but such trends must still be interpreted with great caution.

3.1. Economic developments

According to the second National Accounts estimate, euro area GDP grew by 0.1% in Q3 last year, in quarter-on-quarter terms, which was the same as the average rate in the previous three months. In year-on-year terms, the rise in GDP was 1.4%, 0.2 percentage points down on the rate in Q2 (see Chart 8). The weak expansion of output is explained by the slowdown in private and government consumption, by the slackness of gross fixed capital formation, which held steady at Q2 levels, and by the reduction in the contribution of inventories to output. Overall, domestic demand reduced the quarter-on-quarter growth of output by 0.1 percentage points. Meanwhile, although net external demand contributed 0.2 percentage points to the quarter-on-quarter growth of output, both exports and imports faltered considerably, with trade flows slowing sharply in the first nine months of the year. Box 1 analyses the euro area's external trade by area and product with the information available for 2001.

The National Accounts country breakdown shows diverse GDP growth rates across countries. In some countries, such as France and Italy, output growth was positive and higher than in the previous quarter. In Spain, although there was a slight slowdown, GDP grew at a seasonally adjusted quarter-on-quarter rate of 0.3%, which was well above the rate for the area as a whole. By contrast, in Germany and, especially, in the Netherlands, output fell in quarter-on-quarter terms. In the case of Germany, the estimate of the Institute of Statistics for average growth during 2001 is also known. This rate was 0.6%, implying a slight slowdown in activity in Q4. Diver-

gent behaviour is also seen among the main components of demand. While the growth rate of private consumption fell in Germany it rose in France and Spain. At the same time, the weakness of investment was not so apparent in other euro area countries as it was in Germany.

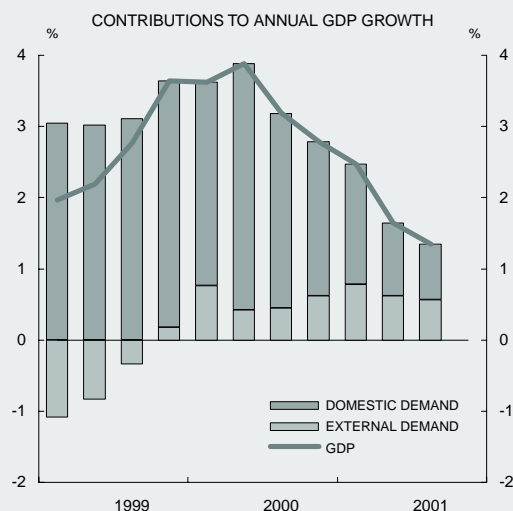
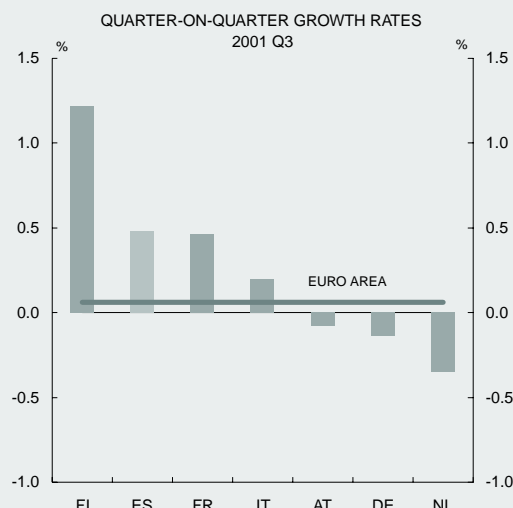
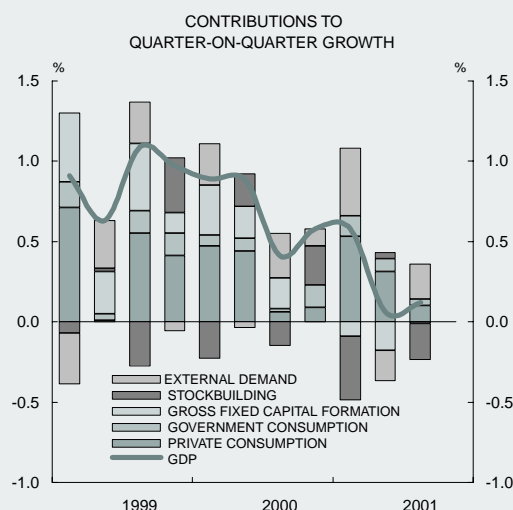
On the supply side, the slowdown in output in Q3 affected the industrial sector (including energy) more strongly than other sectors and its GVA fell by 0.4%, in quarter-on-quarter terms. Most of the other branches recorded quarter-on-quarter rates similar to those in the previous quarter, with the exception of construction, where the notable decline since mid-2000 came to a halt in the summer months.

The information available on Q4 signals a further deterioration in activity, which would make the growth rate for the year as a whole around 1.5%. In fact, relative to Q3, the industrial production index showed negative growth in October and November. For their part, the European Commission's industrial confidence indicator and the manufacturing purchasing managers' index stood at lower levels on average than in the previous quarter. However, sentiment indicators in December were more favourable than in previous months, although it is difficult to distinguish to what extent this signals the start of a sustained recovery or a simple correction, following the sharp slowdown in the previous months owing to the terrorist attacks of 11 September. On the demand side, private consumption indicators remained unfavourable in the final quarter of the year. The retail-sales indicator again recorded a negative quarter-on-quarter rate in October and the consumer and retail confidence indicators worsened on average in Q4 although, as in the case of the industrial sector, consumer confidence improved slightly in December. Investment and exports indicators meanwhile showed a further loss of momentum in Q4, extending the trend established at the beginning of the year. Likewise, industrial order books, capacity utilisation and, in particular, the indicators of expectations of exports and foreign orders deteriorated significantly in Q4. Finally, Confidence Survey information reflects a further increase in the level of inventories in Q4 above the desired level, which may indicate that inventory adjustment is still not complete.

The behaviour of the determinants of agents' spending was generally consistent with its weakness in the latter part of 2001. Notable, in particular, were the slower rate of growth of employment and the cumulative loss of value of financial wealth since the beginning of the year, despite the recovery in share prices in the final months. Also the climate of uncertainty, exacerbated by

CHART 8

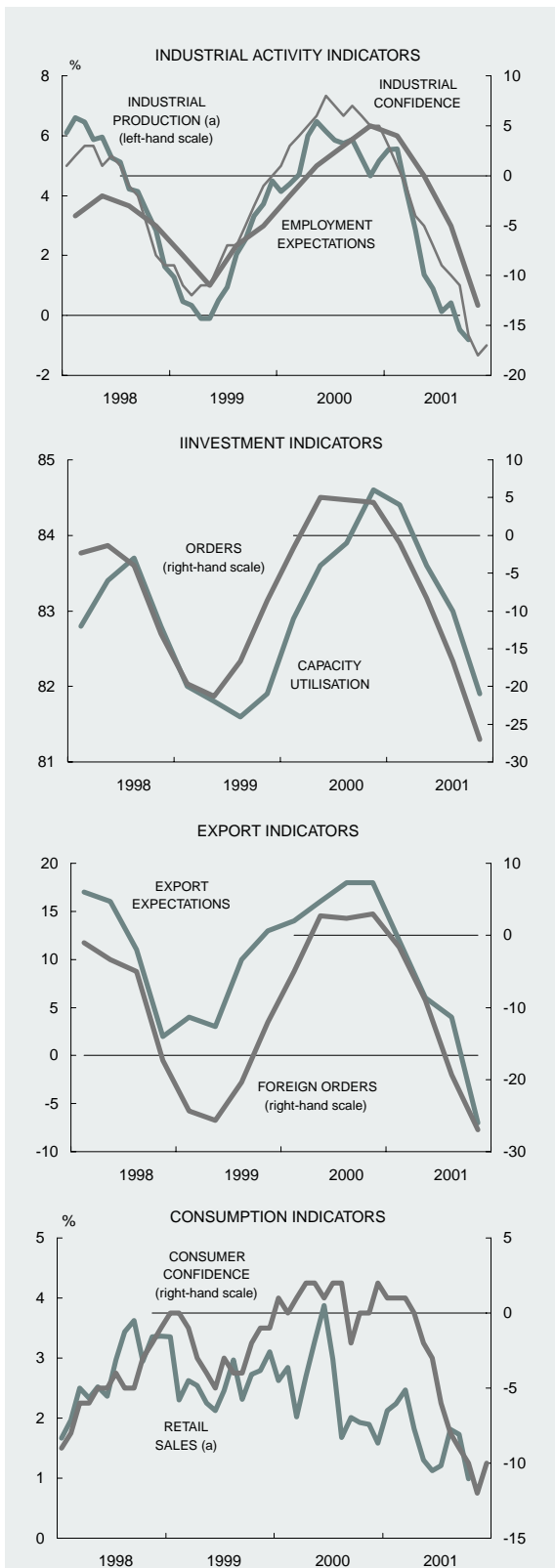
GDP in the euro area



Sources: Eurostat and national statistics.

CHART 9

Euro area. Real indicators



Sources: Eurostat and European Commission.

(a) Non-centred annual percentage changes calculated on the basis of the quarterly moving average of the seasonally adjusted series.

the terrorist attacks of 11 September, may have led to a postponement of corporate-investment and household-consumption decisions, and a further moderation in foreign trade. However, the decline in inflation, which translates into a higher purchasing power for labour incomes, and the favourable financing conditions may have partly off-set the aforementioned negative effects.

Employment growth in Q3 ran at 0.2%, the same rate as in Q2, which would make the annual rate of change 1.3%, down 0.3 percentage points on the previous quarter. Accordingly, apparent labour productivity was again close to zero in that period. The slowdown in the rate of job creation has entailed a slight rise in the euro area unemployment rate in recent months, to 8.5% in November, 0.1 percentage points above the average Q3 rate. The employment indicators, obtained from opinion surveys, for the final quarter, signal a further decline. However in this case too, the most recent data, for December, show a certain halt in the deterioration seen previously.

The area price indicators continued to show a moderating of inflationary pressures in Q4, largely owing to the progressive disappearance of the effects of the rise in oil prices and the food crises in 2001. However, the indicators of core inflation show greater downward stickiness (see Chart 10). As for the determination of domestic prices, unit labour costs in Q3 increased at an annual rate of 2.5%, the same rate as in the previous quarter, which has narrowed margins slightly, since the GDP deflator rose by 2% in that period, 0.5 percentage points less than in the previous quarter (see Chart 10).

As measured by the HICP, the slowdown in prices in the final quarter of 2001 was significant, since the annual rate of change in December was 0.4 percentage points down on September at 2.1%. The average inflation rate in the euro area in 2001 thus stood at 2.7%, as against 2.4% in 2000. The reduction in the rate of inflation in the final quarter of the year was basically attributable to the fall in energy and unprocessed food prices, since the component that includes services and non-energy processed goods (the IPSEBENE) increased by 2.5% year-on-year in December, as against 2.4% in September. Most countries in the area recorded improvements in price behaviour during Q4 2001. The inflation differential between the countries with the highest and lowest rates (the Netherlands and France (1) respectively)

(1) The country with the lowest inflation rate in December was Luxembourg (0.9%). However, since its behaviour that month was not normal and, in consequence, distorts the trend in the inflation differential, this extreme value has been excluded from the comparison.

Developments in the volume of euro area foreign trade by geographical area and type of product

The slowdown in euro-area GDP during 2001 coincided with a sharp loss of momentum in foreign trade. Indeed, according to euro area national accounts data, average growth of goods and services exports fell from 11.9% in 2000 to 0.8% in 2001 Q3, compared with the same period a year earlier. Imports also slowed at a similar rate, with a year-on-year rate of change of -0.6% in Q3, which was far below the growth of the previous year (10.7%). The notable weakness of trade flows in the euro area is a phenomenon shared by the vast majority of other economic areas of the world. Thus, according to IMF estimates, there may have been an abrupt reduction in the rate of growth of world trade in 2001, as shown in the adjoining chart. Some contraction in world trade was foreseeable last year, following its heightened buoyancy in 2000, but the size of the deterioration was, nonetheless, greater than expected by the international agencies in the middle months of last year.

As seen in the adjoining chart, against a background of sharply slowing world trade and subdued economic activity in the euro area, the volume of euro-area goods exports and imports has been gradually worsening since mid-2000. In the first eight months of the year, real exports and imports of goods grew by only 2.7% and 0.5%, respectively, which amounted to the fastest slowdown in the volume of goods trade in the last eight years.

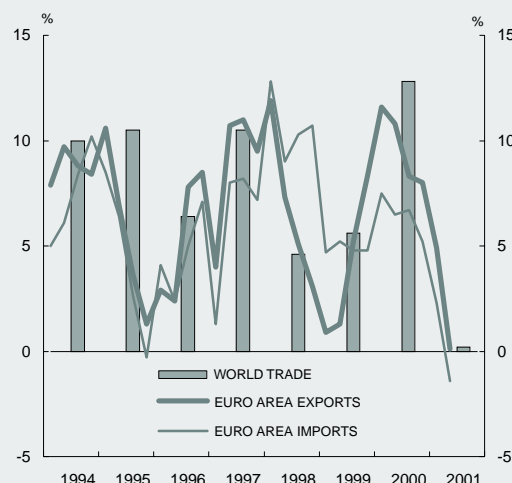
By geographical area, the slowdown in real exports has been across the board. In particular, the annual growth of real exports to other euro area countries fell from 7.5% in 2000 to only 1.8% in the period January-August of 2001. At the same time, the growth of exports to the rest of the world moderated from 12.1% in 2000 to 3.7% on average in the first eight months of 2001. Especially striking was the deceleration in euro-area exports to the twelve EU accession countries and Japan, followed by the slackness displayed by exports to the United Kingdom and the United States.

Although the table does not give a breakdown by product, during the first eight months of 2001 all the components of exports displayed a slowdown in their rate of change in relation to the same period a year earlier. This was particularly marked in the case of raw materials, oil, food and manufactures.

On the imports side, as shown in the lower part of the table, the notable moderation in real goods imports is reflected in all products, in line with the decline in domestic production and the weakening of final demand. In particular, the strong contraction in equipment investment (which, according to the national accounts information available for some countries, may have stood at -3% year-on-year in Q3, well below the average growth in 2000 (8.2%)) has been reflected in the imports of machinery and transport material, the grouping that has recorded the largest slowdown during the year. Somewhat more moderate was the loss of momentum in the components most directly related to private consumption, namely food, drink and tobacco, and other manufactures (including, inter alia, clothing, footwear, furniture and travel goods). This was in line with the trend in spending on this type of good, as indicated by euro area retail sales.

As regards the geographical origin of real imports, there was a notable reduction in the flow of imports from outside the euro area during the period January to August and, in particular, from Japan, the United States and the United Kingdom. This may be linked to the rise in the prices of their products relative to those of domestic euro area goods, owing to the depreciation of the euro exchange rate. Finally, imports from the EU accession countries, far from slowing down, have gained momentum.

**Real trade in goods
(Annual percentage change)**



	%	Annual percentage change		
		2001		
		JAN-AUG	Q1	Q2
2000	2000			

EXPORTS - BREAKDOWN BY AREA

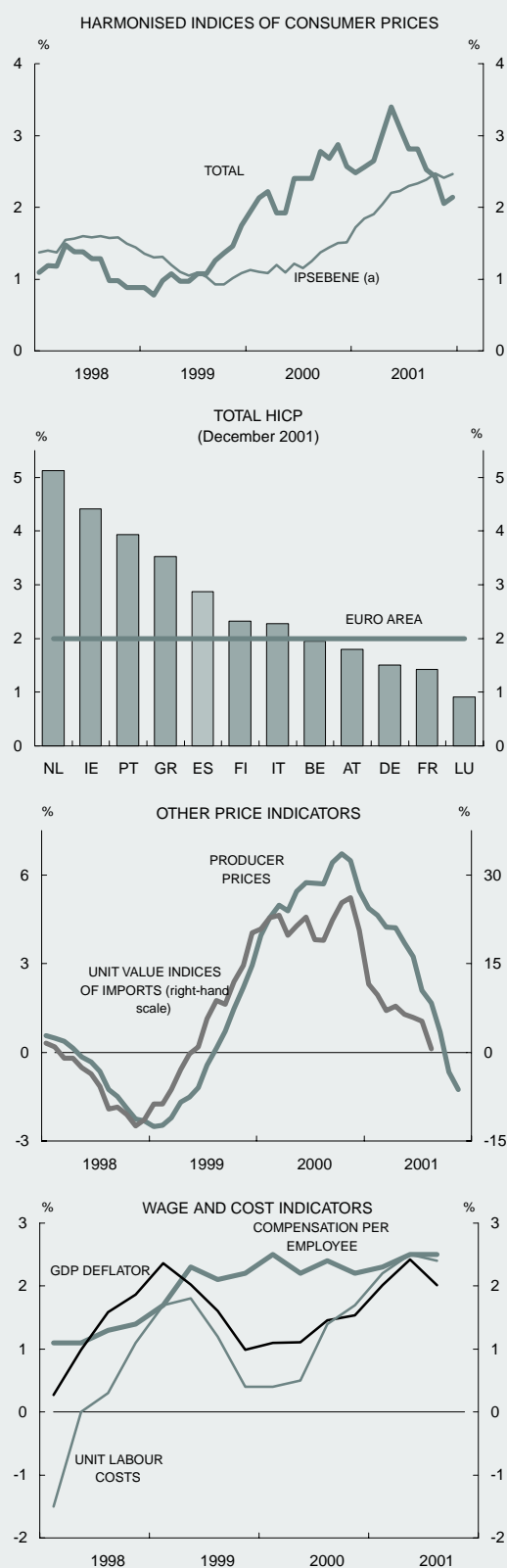
Total		9,6	2,7	4,9	0,1
Intra-euro area	53,1	7,5	1,8	4,0	-1,6
Extra-euro area	46,9	12,1	3,7	6,0	2,1
United Kingdom	8,7	7,2	3,1	3,8	1,3
Accession countries	6,7	20,1	0,1	6,5	-3,2
United States	7,3	14,4	3,4	7,1	0,7
Latin America	2,2	11,7	8,4	12,2	11,1
Japan	1,5	18,1	-0,8	3,6	-1,0
China	0,8	17,6	27,7	27,3	24,0
South-east Asia	1,3	18,3	7,3	20,4	-1,3

IMPORTS - BREAKDOWN BY PRODUCT

Total		6,5	0,5	2,3	-1,4
Food, beverages and tob.	8,3	1,5	-2,0	-1,2	-3,6
Commodities	4,4	3,7	-2,3	-2,5	-2,4
Oil and oil derivatives	5,4	5,6	-1,8	-1,3	-0,9
Manufactures	79,8	8,4	-2,3	0,3	-3,5
Chemicals	11,3	5,9	1,0	1,1	0,5
Raw material derivatives	16,2	7,8	-3,4	-1,9	-3,7
Machinery and transport	40,5	10,1	-2,5	1,8	-4,5
Other	11,8	5,8	-3,3	-2,6	-3,8

Sources: Eurostat and IMF.

CHART 10

**Euro area. Price, wage and cost indicators
Twelve-month percentage change**


Sources: Eurostat and ECB.

(a) Index excluding energy and fresh food prices.

held unchanged from September at 3.7 percentage points. Meanwhile, industrial prices (excluding construction) fell by 1.3% in November, relative to the same month of 2000. Underlying this notable contraction was the decline in the prices of intermediate goods and energy, and the slowdown in the prices of industrial consumer goods, which will tend to moderate the future course of final consumer prices.

The inflationary outlook is shaped by factors with opposite signs. On the one hand, the foreseeable weakening in import prices, attributable mainly to the possible stabilisation of the price of crude oil at around current levels, will tend to mitigate inflationary pressures. However, despite the prevailing climate of economic weakness, preliminary data for wage demands in the collective bargaining that has already begun would entail, if such demands were accommodated, higher wage increases than in 2001. Thus, possible pressure from unit labour costs, increases in indirect taxes in certain countries and a still uncertain impact on prices of the introduction of the euro may reduce the strength of the current disinflationary trend. At the same time, it should be noted that, although oil prices have remained subdued in the wake of the two-million-barrels-per-day cut in production, implemented on 1 January, they may tend to recover as world economic activity picks up, possibly in the second half of 2002. Moreover, as the current year elapses the base effect arising from the sharp falls in oil prices in 2001 will disappear.

On ECB estimates, the current account deficit of the euro area was reduced in the first ten months of 2001 to EUR 23 billion, from EUR 55.4 billion in the same period of 2000. This reduction was mainly due to the significant improvement in the goods balance and, to a lesser extent, in the services balance, which outweighed the increase in the overall deficit on the income and current transfers accounts. Taking into account the slight decline in the capital account balance, net borrowing vis-à-vis the rest of the world fell in the first ten months of the year by EUR 31.8 billion.

Turning to fiscal policy, the overall budget deficit of the euro area, according to the EC's autumn estimates, stood at 1.1% of GDP in 2001. This would represent a deterioration of 0.3 percentage points with respect to the previous year (see Table 1). For its part, the primary surplus would have been reduced by 0.4 percentage points. Overall, the deterioration in the budget position stems from the decision of the authorities to permit automatic stabilisers to operate in response to the worsening of the macroeconomic environment and, to a lesser extent, from the application, in certain cases, of tax

General government financial balances of euro area countries (a)

TABLE 1

% of GDP

	1998	1999	2000	2001	2002 (b)	2002 (c)
Belgium	-0.9	-0.6	0.1	-0.2	0.0	-0.2
Germany	-2.2	-1.6	-1.3	-2.5	-2.0	-2.7
Greece	-2.5	-1.8	-1.1	-0.3	0.8	0.3
Spain	-2.6	-1.1	-0.4	0.0	0.0	-0.2
France	-2.6	-1.6	-1.4	-1.5	-1.4	-2.0
Ireland	2.1	2.3	4.5	1.4	0.7	1.8
Italy	-2.8	-1.8	-1.5	-1.1	-0.5	-1.2
Luxembourg	3.3	3.7	6.2	4.1	2.8	2.7
Netherlands	-0.8	0.4	1.5	1.0	1.0	0.5
Austria	-2.3	-2.2	-1.5	0.0	0.0	-0.4
Portugal	-1.9	-2.1	-1.8	-2.2	-1.8	-1.6
Finland	1.3	1.9	6.9	4.7	2.6	2.9
MEMORANDUM ITEM:						
Euro area						
Primary balance	2.6	3.0	3.2	2.8	2.7	2.4
Total balance	-2.2	-1.3	-0.8	-1.1	-0.9	-1.4
Public debt	73.1	72.7	70.5	68.7	67.2	68.4

Sources: European Commission and national stability programmes.
(a) As a percentage of GDP. Proceeds from the sale of UMTS licences not included. Deficit (-) / surplus (+).
(b) Stability programme targets unveiled between November and December 2001.
(c) European Commission projections (autumn 2001).

cuts. At the individual country level the position varied greatly. Two-thirds of the member states have achieved, according to the preliminary information available, positions close to budget balance or surplus. However, four countries (France, Italy, Germany and Portugal) recorded a deficit of more than 1% of GDP. In the latter two cases the deficit was close to or exceeded 2% of GDP.

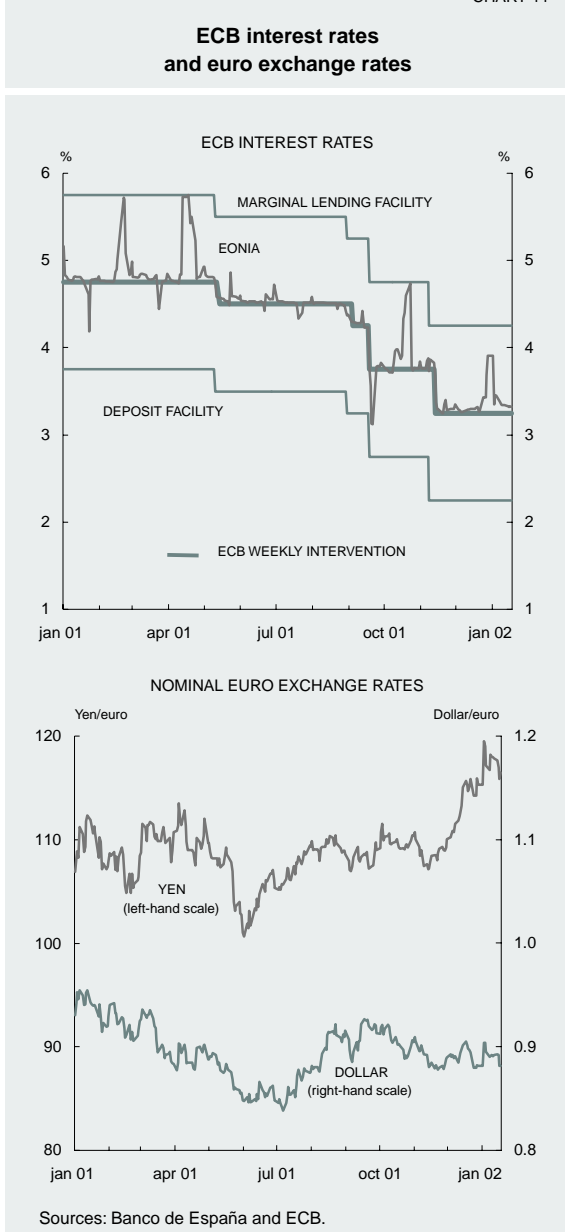
All the countries of the area unveiled their stability programmes at the end of last year. The economic growth hypotheses contained in these documents (which, for 2002, are generally more optimistic than the forecasts of international agencies) entail a slight improvement in the aggregate budgetary position this year with balance reached in 2004. In particular, the updated stability programmes of the countries with the largest deficits in 2001 have confirmed the target, already laid down in the programmes prepared a year earlier, of achieving a balanced budget in 2004 (2003 in the case of Italy). In order for fiscal policy to be able to make a proper contribution to the ultimate aim of securing sustained non-inflationary economic growth and, also, to preserve the credibility of the multilateral budget vigilance mechanisms existing in Europe, it is very important that this commitment is fulfilled. Attainment of these medium-term tar-

gets will require a considerable effort, since some countries are now in the difficult position of having to maintain a balance between, on the one hand, allowing automatic stabilisers to help sustain activity in the short run and, on the other, pressing ahead with budget consolidation. Those countries that have already balanced their budgets have sufficient leeway to allow automatic stabilisers to operate.

3.2. Monetary and financial developments

The Governing Council of the ECB, having assessed the signs of abatement in inflationary pressures that accumulated after the summer, the weakness of indicators of activity and the downward revision to the growth prospects for the area, partly as a result of the global climate of uncertainty emanating from the September terrorist attacks, decided to reduce official interest rates by 50 basis points on 8 November. Following this cut, which brought the cumulative reduction since May 2001 to 150 basis points, the minimum bid rate on the main refinancing operations of the Eurosystem stood at 3.25% (see Chart 11). At its two subsequent meetings, held at the beginning of December and January 2002, the Governing Council left official ECB interest rates unchanged.

CHART 11



During Q4, the cut in official ECB interest rates was passed rapidly through to money market rates. At the end of the year there was a temporary increase in EONIA, associated with disquiet among agents regarding the possibility of a liquidity shortage at the beginning of 2002, as a consequence of the introduction of euro notes and coins (Box 2 describes the main characteristics of this process). When the ECB had confirmed its intention of meeting any liquidity shortage, EONIA fell back to around 3.3%. As can be seen in Chart 12, expectations of reductions in official interest rates in the euro area moderated during Q4, especially following the last ECB rate cut in November. Markets are currently showing no expectations of a reduction in official rates in the coming months, but rather signalling a possible rise

from next summer, in line with the profile of recovery of the economy according to most existing forecasts. As regards long-term interest rates, the yield on 10-year government bonds in Germany rose by 60 basis points from mid-November to reach 4.9% at the beginning of January. During that same period, the yield on US government bonds rose by somewhat more, from around 4.3% to 5.1%, so that there was a widening of the spread over German debt.

The gradual decline in the lending and deposit interest rates of euro-area credit institutions that commenced in December 2000 continued in Q4. In November 2001, the interest rates on housing and corporate loans at more than one year stood 40 basis points below their September levels. Spanish banks' synthetic rates were reduced, between September and December, by 70 basis points in the case of lending instruments and 43 in the case of deposit instruments (see Table 2).

On the foreign exchange markets the euro depreciated against the US dollar by 0.5% in 2001 Q4. There was a slight appreciation of the euro in early January, attributable to the introduction of euro notes and coins, which turned out to be temporary. Against the yen, however, the euro appreciated significantly during Q4 (see Chart 11). As at the close of this bulletin, the nominal effective exchange rate of the euro vis-à-vis the developed countries stood at around the September level.

During Q4, euro area stock markets recovered appreciably from their late-September lows. Up to a point this was a return to normality following the severe impact of the September attacks. These developments were not unrelated to the economic policy decisions taken during the period and the course of the political and military conflict, which led to improvements in the confidence of agents regarding the situation and prospects for the international political environment and for economic developments in the main industrialised countries and in the euro area in particular. In any case, the year ended with the Dow Jones EURO STOXX index down almost 20% on its end-2000 level and with the Madrid Stock Exchange General Index down 6%. By 28 January the Dow Jones EURO STOXX Broad Index had fallen by 1.6%, which was similar to the decline in the Madrid Stock Exchange General Index, although in the latter case the events in Argentina have affected the prices of certain large corporations.

Euro area M3, having been adjusted for the holdings of liquid assets of non-residents, ac-

Key aspects of the introduction of euro notes and coins in the euro area and in Spain

The introduction of euro banknotes and coins from 1 January 2002 marked the culmination of the process of European monetary integration, in which the decisive step was taken three years ago with the creation of the euro and the establishment of a single monetary policy. After the first few weeks of circulation of the single currency, the operations to replace the national currencies have been, on balance, very satisfactory, both in terms of the rapidity of the exchange and the use of the new currency and, especially, of the favourable acceptance of the euro by Europe's citizens.

The success of the changeover to the euro is largely attributable to the large-scale frontloading of new banknotes and coins at the end of last year. This complex operation was executed in an orderly manner, with euro banknotes and coins first being frontloaded to credit institutions and, then, sub-frontloaded by the latter to businesses and shops. Finally, from mid-December, the public had access to the coins, through the acquisition of "starter kits". 150 million kits were sold, meaning that, on average, each citizen of the countries belonging to the monetary union acquired 14 of the new coins.

During the months leading up to the changeover, the demand for cash fell sharply in the euro area, owing to the desire of holders of European notes and coins to limit the balances that they would have to convert into euro. Consequently, compared with historic rates of growth of currency in circulation in the euro area as a whole (of around 4-5% per annum), there was a rapid slowdown during 2001 to an annual rate of -32% at the end of the year. A large part of the fall in the demand for cash was channelled towards other financial assets such as sight deposits and, to a lesser extent, deposits redeemable at notice of up to three months. Accordingly, the lower demand for cash does not appear to have affected the trends in the euro area monetary aggregates, as shown in the upper panel of the adjoining chart.

On 1 January 2002, all the frontloaded euro banknotes and coins became legal tender. For accounting purposes, therefore, EUR 133 billion of banknotes and EUR 12.4 billion of coins came into circulation that day. This represented approximately 44% of the national currency banknotes and coins in circulation at the end of December 2001.

During January to date, the stock of banknotes in circulation, calculated as the sum of the national currency and euro denominations, has recovered a profile of more moderate, although still slightly negative, growth. Thus, the total stock of banknotes in the euro area as a whole stood at EUR 326 billion on 25 January, with a growth rate in the month to date of -0.5% with respect to the same period a year earlier. In Spain, the growth in the stock of banknotes launched by the Banco de España in this same period was almost 8%. However, these data may not be representative of the growth of currency in circulation, since the cash held by credit institutions should be deducted. This cash traditionally represents a very low percentage of total cash in circulation, but it may be at relatively high levels during the early weeks of 2002 for logistical reasons associated with the changeover.

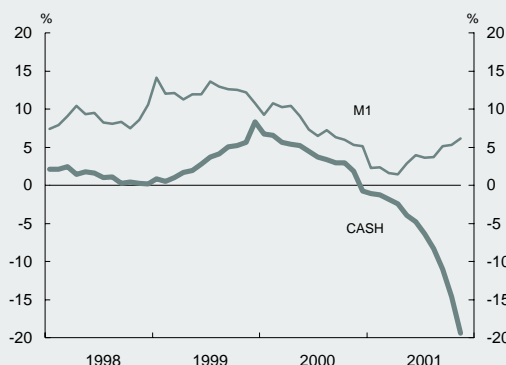
The degree to which the euro has supplanted the national currencies is clearly shown by the "euro progress ratio", which expresses the value of euro banknotes in circulation as a percentage of all banknotes (denominated in national currency and euro). Chart 2 shows the rapid introduction of the euro in the first few weeks of January: on 25 January, the ratio stood at 66% in the euro area as a whole and at a very similar level in Spain.

Some additional data complete the assessment of the degree of introduction of the euro in Spain. On 25 January 2002, the balance of euro banknotes launched by the Banco de España was 36.2 billion, of which 62% corresponded to low-denomination notes (5, 10, 20 and 50 euro) and 38% to high denomination notes (100, 200 and 500 euro). At that date, the stock of banknotes in pesetas had been reduced by 57% with respect to the level of 31 December 2001. The process of replacing the coins is proceeding somewhat more slowly, as is natural given that they are much more difficult to transport and handle. As at 25 January, the stock of coins in circulation in Spain was EUR 3.8 billion, of which EUR 1.6 billion corresponded to the new currency, i.e. the progress ratio for euro coins was 42%.

It may be concluded from these developments that the replacement of the national currency banknotes and coins held by the public by euro ones will have been almost fully completed before 28 February 2002. This is the last date set by most euro area countries for use of the national currencies as a means of payment. In any case, the latter may still be exchanged for euro at credit institutions several months thereafter (until 30 June in the case of Spain) and during a much longer period, which may even be unlimited (the case in Spain), at the central banks.

CHART 1

Cash and M1 in the euro area (a)

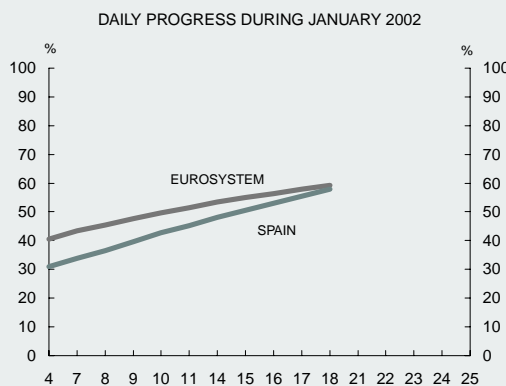


Source: ECB and Banco de España.

(a) Non-centred year-on-year rates based on the original series.

CHART 2

Euro progress ratio (a)



Sources: ECB and Banco de España.

(a) Euro banknotes as a proportion of total banknotes in circulation.

TABLE 2

Monetary and financial situation in the euro area and Spain

%

	1999	2000	2001				2002	
	DEC	DEC	AUG	SEP	OCT	NOV	DEC	JAN (c)
MONETARY VARIABLES (a):								
EURO AREA								
M3	5.7	4.0	5.9	6.8	7.4	8.0		
M1	10.7	5.1	3.7	5.1	5.3	6.1		
Credit to private sector	10.3	10.1	7.6	7.0	6.8	6.8		
SPAIN								
Cash and cash equivalents	12.7	4.4	3.6	3.8	3.6	5.8		
Other bank liabilities	3.9	19.7	14.1	12.5	12.4	10.7		
Mutual funds	-21.4	-27.3	6.5	12.2	18.7	23.5		
Financing to the private sector	19.5	18.9	15.9	14.5	14.1	14.5		
FINANCIAL MARKETS (b):								
EONIA	3.04	4.83	4.49	3.99	3.97	3.51	3.36	3.36
Three-month EURIBOR	3.44	4.94	4.35	3.98	3.60	3.39	3.35	3.32
Public debt								
Euro area ten-year bond yields	5.32	5.07	5.06	5.04	4.82	4.67	4.96	5.00
US-euro area ten-year bond spread	1.04	0.25	-0.03	-0.26	-0.20	-0.02	0.16	0.11
Spain-Germany ten-year bond spread	0.22	0.31	0.34	0.33	0.31	0.31	0.20	0.19
Spanish bank interest rates								
Synthetic deposit rate	1.98	3.02	2.88	2.67	2.53	2.32	2.24	
Synthetic lending rate	5.03	6.35	5.89	5.55	5.33	5.12	4.87	
USD/EUR exchange rate	1.011	0.897	0.900	0.911	0.906	0.888	0.892	0.892
Equities (d)								
Dow Jones EURO STOXX Broad Index	39.5	-5.9	-19.7	-30.5	-27.7	-22.3	-19.7	-4.4
Madrid Stock Exchange General Index	16.2	-12.7	-8.2	-18.0	-13.3	-6.4	-6.4	-3.9

Sources: European Central Bank and Banco de España.
(a) Annual percentage change.
(b) Monthly averages.
(c) Monthly average to 17 January 2002.
(d) Cumulative percentage change during the year. End-of-month data. Latest month: 16 January for the EURO STOXX and 17 January for the Madrid Stock Exchange.

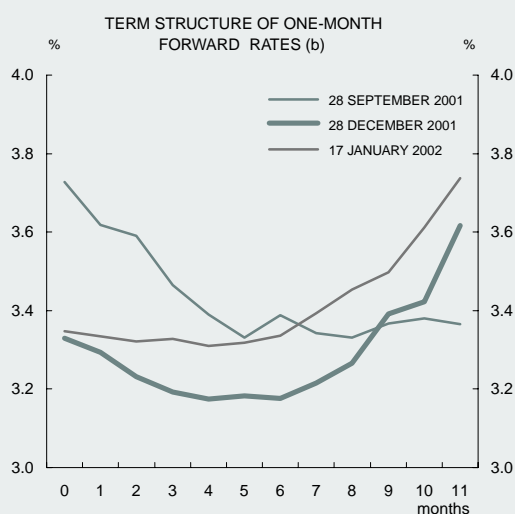
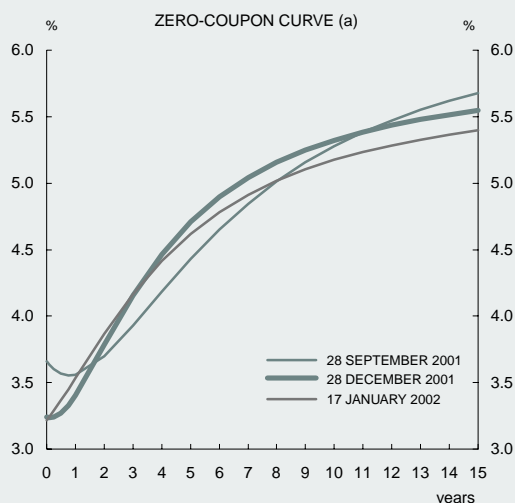
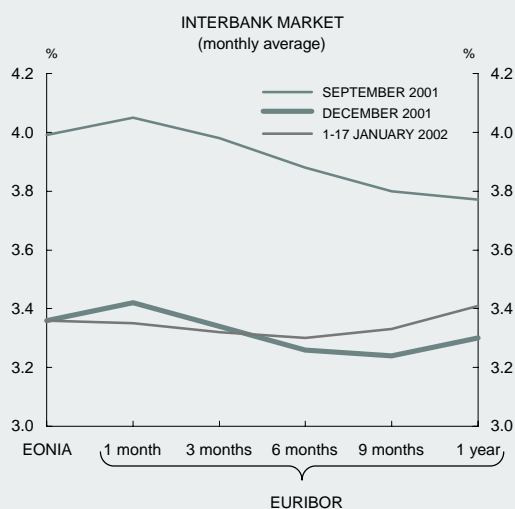
celerated significantly in Q4. In December, its year-on-year rate of change reached 8%, 0.5 percentage points up from October, so that its average year-on-year growth in the three-month period October-December rose to 7.8%, from 7.4% in the period September-November. However, this outcome does not appear to signal the existence of medium-term inflationary risks, since it is basically explained by a number of temporary factors, largely associated with an increase in the preference for liquidity amid the great uncertainty existing in financial markets. Meanwhile, the narrow aggregate M1 grew by 5% in December, as against 6% the preceding month. Within this aggregate, there was a significant reduction in cash and an increase in sight deposits. As explained in Box 2, this was related to the euro cash changeover. Finally, on 6 December 2001 the

Governing Council of the ECB decided to keep the reference value for annual M3 growth at 4.5%.

As for the counterparts of the monetary aggregates, in the final quarter of 2001 the gradual deceleration displayed by lending in the euro area to the resident private sector (the aggregate most closely linked to spending decisions) moderated, its annual rate of change in December (6.7%) being 0.4 percentage points down on September. The recent trend in lending has been outweighing the impact of the slowdown in output. According to the available data on lending by purpose and agent to Q3, the loss of momentum in lending during that period stemmed from both the behaviour of non-financial corporations and households and, among the latter, both from consumer credit

CHART 12

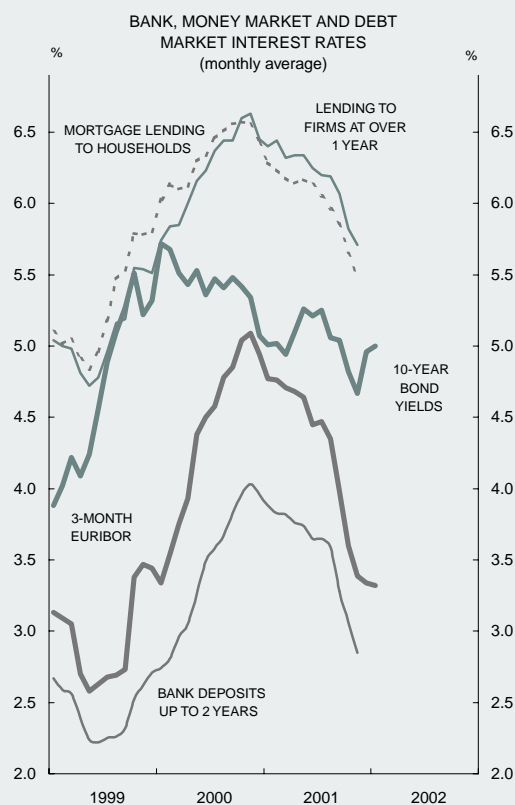
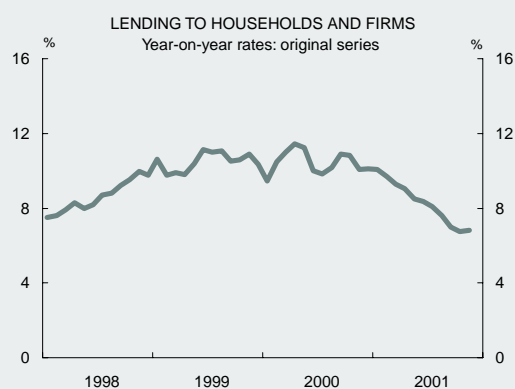
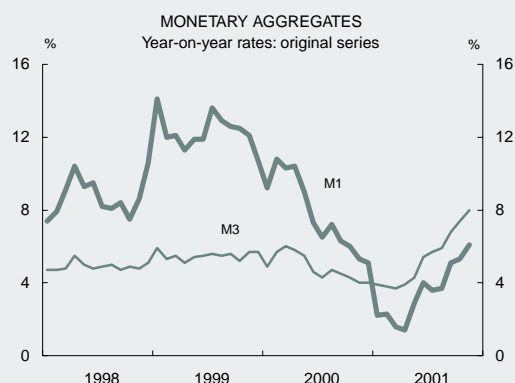
Euro area yield curves



Sources: Banco de España and ECB.
(a) Estimation based on swap market data.
(b) Estimated using Euribor data.

CHART 13

Monetary and credit aggregates and interest rates in the euro area



Sources: Banco de España and European Central Bank.

and lending for house purchases. In Spain, the slowdown in the financing granted to the non-financial private sector has been similar to that seen for the area as a whole, although such financing is still expanding at significantly higher rates. Indeed, the financing received by the

non-financial private sector increased at a year-on-year rate of 14.3% in December, as against 14.8% in September, while lending by resident institutions, which is its main component, slowed from 13.6% to 12.6% in the same period.

4. The Spanish economy

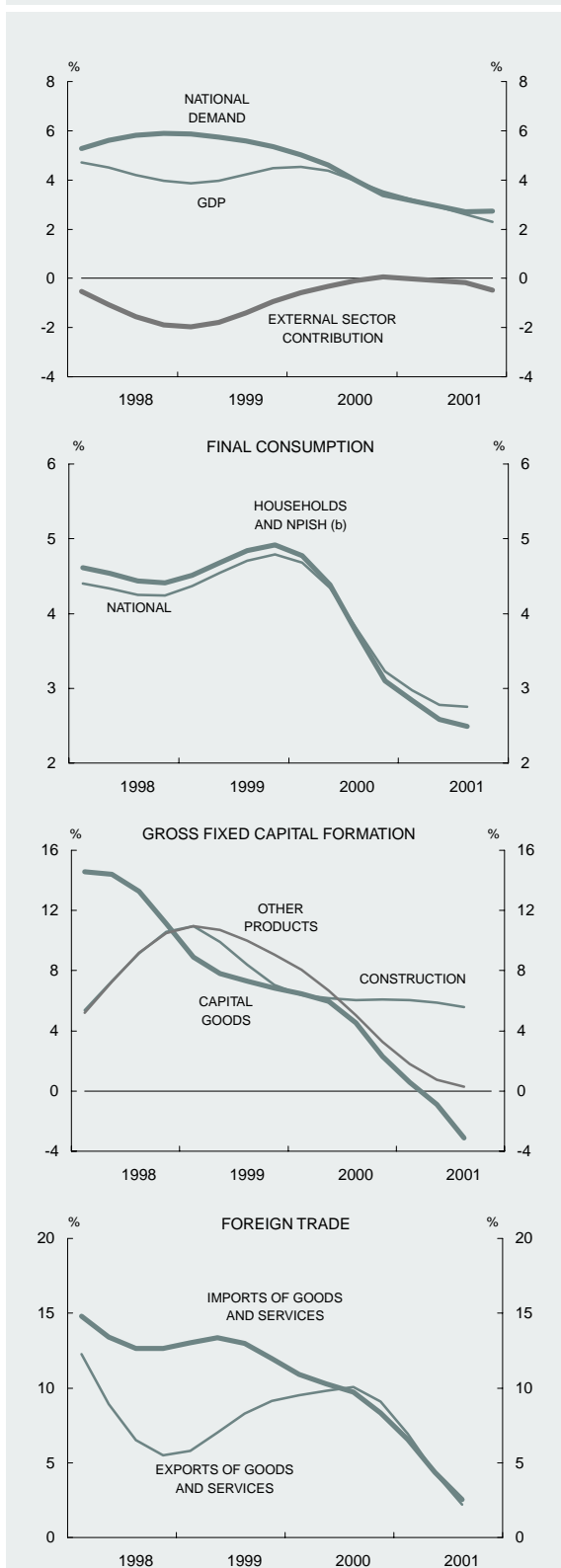
In the second half of 2001 the Spanish economy underwent the impact arising from the slow-down in the world economy. This had already been felt in the summer months and intensified in Q4, compounding the cyclical downturn in Spain. As a result, the contractionary nature of the contribution of external demand to GDP growth became progressively greater, owing to the loss of momentum of exports, while the slowing trend of domestic demand eased to some extent. The increase in domestic spending was sustained both by a favourable financial environment, to which the easing of monetary conditions was conducive, and by the economy's continuing capacity to generate employment. Nonetheless, productive investment, which had already been looking increasingly weak, turned clearly negative, having been particularly impacted by the downturn in export markets and the general deterioration in expectations. Overall, real GDP, after a rate of 2.6% in 2001 Q3 compared with a year earlier, would have posted an estimated rate of 2.3% in Q4 on the latest QNA figures, closing the year with an increase of 2.8%, more than one percentage point below that attained in 2000 (see Chart 14).

The growth of national demand in the second half of the year, when it ran at a rate of around 2.7% year-on-year, was relatively stable. This was due to the sustained course of private consumption and the continuing buoyancy of investment in construction, both of which factors helped offset the ongoing decline in capital investment. For the year as a whole, domestic spending is estimated to have increased by 2.9%, against 4.2% in 2000. The contribution of external demand to growth will have been of a similar magnitude in 2001 to that in 2000 (-0.2 percentage points), although with a very different profile. Whereas in the year 2000 it progressively improved, it followed the opposite pattern in 2001. It would have subtracted around half a point from GDP growth in Q4, amid a marked deterioration in exports and a sustained rate of increase in imports, against a backdrop of notably moderating import prices.

From the standpoint of activity, the loss of momentum in the final months of last year took the form of a fresh weakening in industrial activity which, at least in quarter-on-quarter terms, slipped back, and a sharper slowdown in market services. The moderation of productive activity translated into a further reduction in the growth rate of employment. After climbing 2.3% year-on-year in Q3, two-tenths of a point below the increase the previous quarter, the rate of change of employment would have drawn closer to 2% in the closing months of 2001, while unemployment was beginning to rise. These developments in output and employment meant

CHART 14

Main macroeconomic aggregates (a)



Sources: Instituto Nacional de Estadística and Banco de España.
(a) Non-centred annual percentage change, based on trend-cycle components.
(b) Non-profit institutions serving households.

that productivity held at a low rate which would not have exceeded 0.3% over the year as a whole.

The information available shows that salaried income rose during last year. The increase was greater in the market economy, giving rise to quickening unit labour costs, although this acceleration was perhaps less forceful than that indicated by QNA figures up to Q3. Adding to this behaviour by costs, which reflected both the increase in collectively bargained wage settlements and the slowdown in productivity, was a widening of margins, giving rise to an increase in the economy's domestic deflators. Nonetheless, the sound performance of import prices in the second half of the year provided for an easing in the main final price indicators similar to that observed in the euro area as a whole. This meant that the inflation differential narrowed to 0.7 percentage points in the final month of the year.

4.1. Demand

During the first three quarters of 2001, the slowing path on which household final consumption spending had embarked at the beginning of the year 2000 continued, albeit somewhat more mildly, placing the year-on-year growth rate of this variable at 2.5% in Q3. The as yet partial information available on the behaviour of consumption in Q4 indicates that its rate of increase would have held at around this figure, giving rise to an increase of 2.6% in the year as a whole. This growth, which is down by more than one point in relation to 2000 (4%), allowed the household saving ratio to recover some ground.

The indicators most directly related to household spending point to a degree of stability in the rate of expansion of private consumption in the closing months of 2001. On as yet incomplete information, the indicator of apparent consumption of consumer goods grew in this period at a similar rate to that posted in the preceding quarters (see Chart 15). The stable growth profile last year was the result of differing behaviour by the components of the index. The apparent consumption of food goods was notably buoyant, offsetting the negative performance of the non-food component and, in particular, of durable goods. The rate of increase of the retail sales index eased in November, with greater sluggishness becoming widespread across all its components, although food sales continued to post high increases in step with the information reflected by the apparent consumption index. The growth rate of new car registrations, which had picked up signifi-

cantly in the first two quarters of the year, tended to stabilise in the closing months, recording an increase of 2.2% in 2001 as a whole, compared with the decline of 2.4% in 2000. The consumer confidence indicator was on a declining course in Q4, a trend already observed in the preceding quarters. This was due essentially to the deterioration in employment prospects and the worsening perception of the possibility of saving in the near future, against a background of rising price expectations.

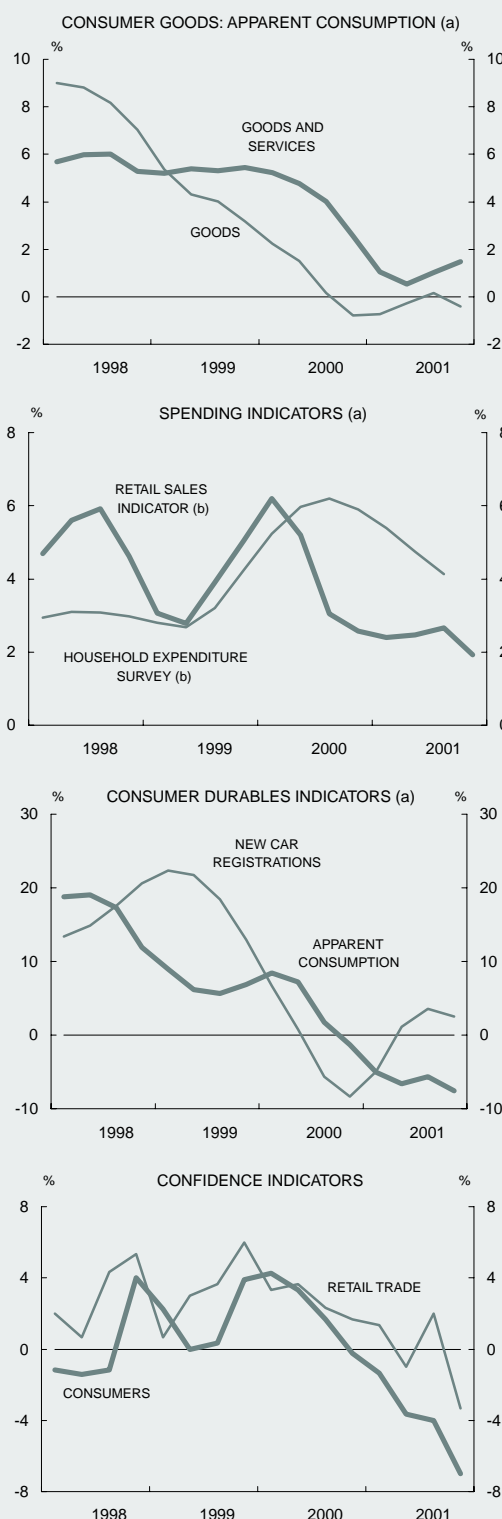
The slowdown in household consumption in the year 2001 as a whole is consistent with the estimated course of household real disposable income and with the loss of value seen in household financial wealth during the year, which was closely tied to stock market developments. The growth of salaried income was lower than in 2000, since the lower rate of job creation more than offset the bigger increase in compensation per employee. Moreover, the net contribution of general government to the growth of income was less expansionary than in previous years, partly because fiscal drag pushed direct tax payments up. The bigger increase in consumer prices in 2001 on average, compared with 2000, contributed to reducing purchasing power. Against this backdrop, the loss of value of net financial wealth helps explain both the lesser buoyancy of expenditure and the slight pick-up in the saving ratio during last year.

The latest QNA figures revised the year-on-year growth rate of government consumption appreciably upwards, in real terms, in the first half of the year 2001, placing the increase in this aggregate in Q3 at 3.6%. However, the information available means a slowdown in final general government consumption in Q4 may be estimated. And this would extend throughout 2002, in line with the balanced budget target for the overall general government sector for that year.

In 2001 Q3, the slowing trend that had characterised gross fixed capital formation since early 1999 continued, with a year-on-year growth rate of 2% being recorded, nine-tenths of a point down on the previous quarter. The reduction in the growth rate of investment in the summer months was mainly due to the significant contraction in investment in capital goods (-3.1% year-on-year), while the rate of increase of spending on construction and investment in other products eased only slightly. Gross fixed capital formation is estimated to have run in 2001 Q4 at a year-on-year growth rate close to that attained the previous quarter, owing to the continuing robustness of investment in construction, whereas investment in capital goods

CHART 15

Private consumption indicators



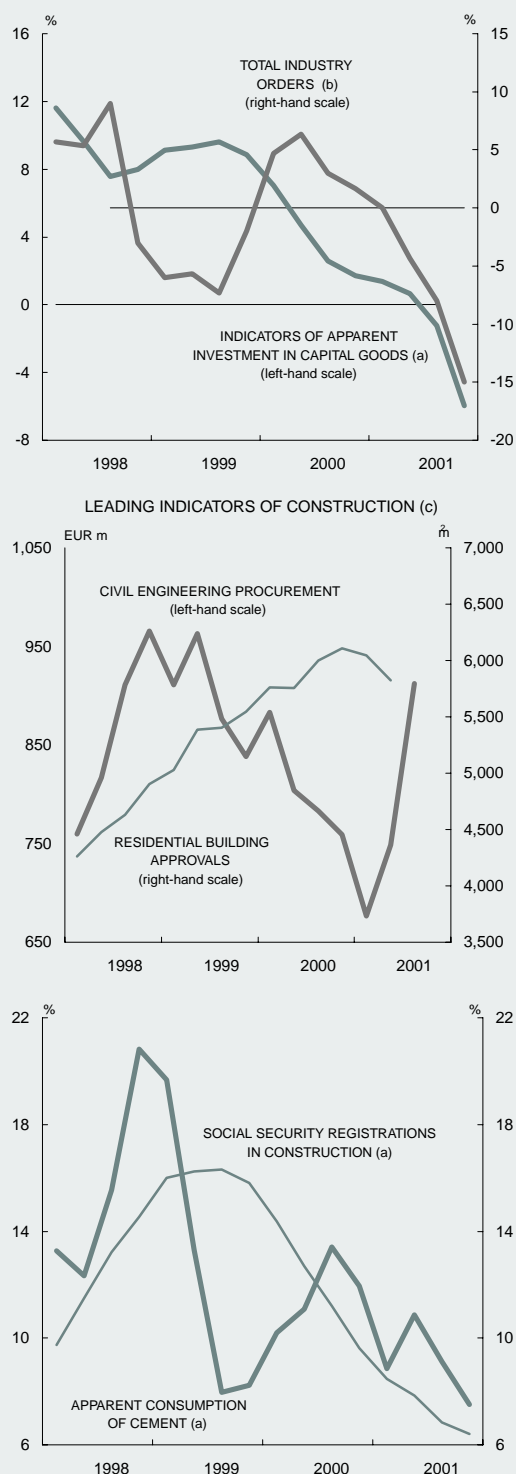
Sources: Instituto Nacional de Estadística, European Commission, Dirección General de Tráfico and Banco de España.

(a) Non-centred annual percentage change, based on the trend of the indicator.

(b) Deflated by the CPI.

CHART 16

Gross fixed capital formation indicators



Sources: Instituto Nacional de Estadística, European Commission, Ministerio de Fomento, OFICEMEN, Instituto Nacional de Empleo and Banco de España.

- (a) Non-centred percentage change on same quarter a year earlier, based on the trend of the indicator.
- (b) Level of original series.
- (c) Annual moving averages.

would have continued worsening. That would entail an increase in gross fixed capital formation of 2.7% for the year as a whole, almost three points less than in 2000.

As regards capital investment, the as yet incomplete information on the index of apparent investment in capital goods in Q4 saw its deteriorating profile steepen, as can be seen in the top panel of Chart 16. Along the same lines, expectations as to orders in industry, provided by the monthly Business Survey with information to December, worsened considerably from Q3 onwards owing to the decline in both national and foreign orders. The business climate indicator in the capital goods industry also fell back considerably in the final months of the year. The results of the half-yearly survey of investment in industry relating to last autumn, according to which entrepreneurs estimate a fall of 3% in investment in nominal terms in 2001, would warrant the contraction in capital investment reflected by QNA data to Q3. And bearing in mind the information available for Q4, this figure might stand at around -1.7% for the year as a whole.

Clearly, as earlier indicated, the slackness of export markets contributed to exacerbating, in the second half of last year, the progressive weakness that productive investment had previously been showing. The latest quarterly report of the Banco de España Central Balance Sheet Office reveals a slowdown in the results of non-financial corporations to Q3 last year, although the return on net assets and the leverage ratio (the differential between the aforementioned return and interest on financing received) remain high. That highlights the fact that their financial position remains sound and would not, in principle, pose an obstacle to a revival of investment plans, which might take place in the event of an improved economic outlook.

The economic information available indicates that investment in construction remained the most buoyant component of domestic demand in the second half of 2001, after increasing by 5.6% in Q3 on QNA figures. The coincident indicators provide evidence of a different sign on the profile of spending in the final quarter. Thus, the rate of increase of apparent consumption of cement continued to moderate until November and the employment indicators also point to a further mild easing in growth (see Chart 16). The production of construction materials held, to November, on the notably robust course initiated early last year.

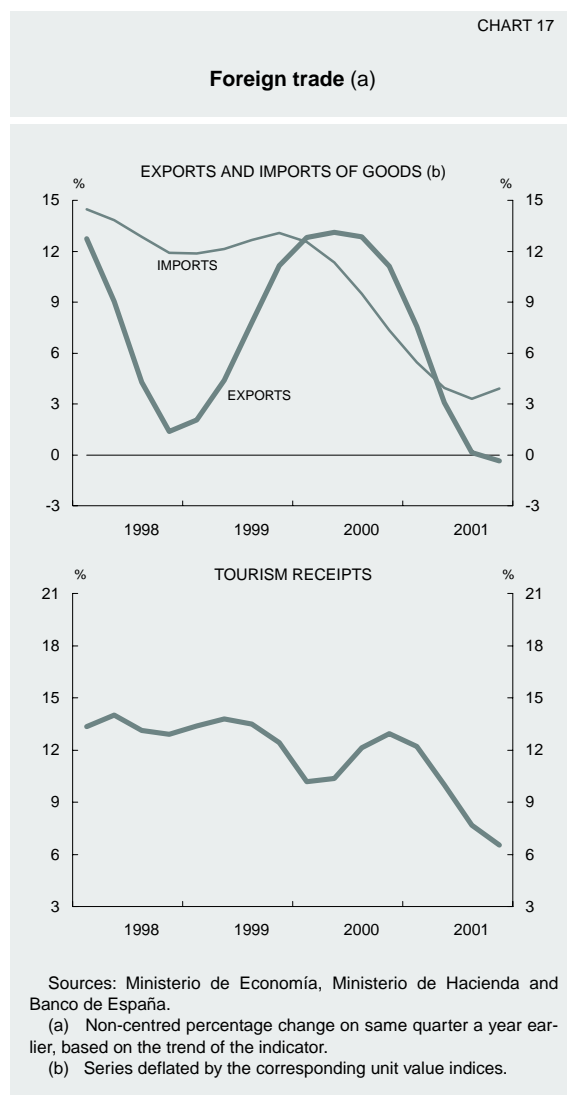
ECIC (Construction Industry Survey) data, which only cover the first half of 2001, reveal a rise in the value of works executed over this pe-

riod. This derives from a notable pick-up in civil engineering works and, to a lesser extent, in non-residential building, along with a slowdown in residential building, though this variable's growth is holding at a fairly positive rate. The data on government procurement (in respect both of civil engineering works and building) and building authorisations and architect associations' approvals would point to a prolongation of these trends in the second half of the year and in successive quarters (see Chart 16). In the case of residential building, this progressive moderation would be consistent with a slowdown in household disposable income and the marked increases in prices in the recent past.

On QNA results for 2001 Q3, stockbuilding contributed one-tenth of a point to GDP growth. The latest data, drawn from the monthly business survey to November, showed stocks were being maintained at notably higher levels than desired for the various types of goods, which would be consistent with a further positive contribution of stocks in Q4.

As indicated at the outset of this section, net external demand subtracted two-tenths of a point from GDP growth in Q3, confirming and adding to the change in sign seen the previous quarter. Moreover, the as yet incomplete information for 2001 Q4 would point to a further increase in the negative contribution for that period. Exports of goods and services, which had begun to slow slightly in the closing months of 2000, decelerated at a sharper pace last year as a result of sagging world trade and posted a year-on-year rate of 2.2% in the summer months. This rate fell once more in the final months of the year, in step with the heightened uncertainty and gloomier expectations prevailing after the terrorist attacks on 11 September. Furthermore, unlike in the year 2000, 2001 saw a loss in the competitiveness of exports derived from the trend of Spanish products' relative costs and prices, against the background of the euro's exchange rate stability. The growth rate of imports in Q3 on a year earlier also fell by two percentage points to 2.6%, in line with the moderation of final demand. That said, their rate of increase would have stabilised in Q4, underpinned by firm private consumption and the significant easing of their prices.

According to Customs figures, goods exports posted a real rate of change of -0.6% in October compared with the same month a year earlier, following zero growth on average in Q3. That accentuated the slowdown evident since last spring. Overall, the real growth rate of total exports eased during the first ten months of last year to 3.8%, against 12.5% twelve months



earlier, and the trend reflected in Chart 17 points to a further weakening of sales abroad in 2001 Q4.

In terms of geographical destination, sales to the European Union have been weak since mid-2000. In October nominal exports to the EU declined at a year-on-year rate of 0.9%, against a nominal increase of 7.8% in the first ten months of the year. Of particular significance was the loss of steam of exports to France and Germany, our main trading partners. The notably slowing profile of sales to non-Community markets that had begun in spring 2001 also steepened: in October exports to outside the Community posted a nominal decline of 1.6% year-on-year, and an increase of 5.9% overall in the first ten months of 2001 compared with 26.5% in the same period a year earlier. In respect of product groups, the growth rate of all components moderated notably between January and October, especially capital goods exports (-6.8% in real terms) and sales of con-

sumer goods, due partly to the lower demand for cars.

As to exports of services, the rate of nominal tourism receipts in 2001 Q3 moderated, in line with the trend initiated early last year (see Chart 17). This is in keeping with the behaviour of the real indicators – tourists entering Spain at borders and foreign visitors lodged in hotels – which, as from September, felt the impact on the industry of the terrorist attacks against the United States. Nonetheless, in the January-November period the number of tourists increased by 3.7%, up on the related figure of 2.3% in 2000. By country of origin, the worst results were for tourists from the United States and Latin America. The two biggest sources, namely the United Kingdom and Germany (which account for around 50% of total tourists), behaved in very different ways: whereas the growth rate of numbers of Britons remained positive, though more moderate than a year earlier, there was a strong contraction in the number of German tourists in the final months. Non-tourist services continued to moderate in Q3, in line with the greater sluggishness of goods exports and of foreign visitors entering the country. In addition, the loss of momentum of investment outflows during 2001 has interrupted the robustness of financial services seen in prior years.

On Customs data, the growth rate of real imports quickened to 5.5% in October on a year earlier, following a sharp reduction in Q3 as a whole. This result is partly influenced by the comparison with a period in which imports began to slow considerably. Indeed, over the first ten months of 2001 purchases abroad increased by 4.7% in real terms, half the growth recorded in the same period in 2000. Given the volatility characterising these flows, the assessment of a sole figure for Q4 necessarily requires caution, although the trend points to growth in real imports in this period of the order of that recorded in Q3 (see Chart 17). In respect of product groups, there was a notable slide (of 5.6% in real terms in the January-October period) in capital goods purchases, while consumer imports grew at a year-on-year rate of 10.5% over this same period, due mainly to the sizeable growth of purchases of food. Non-energy intermediate goods imports climbed by 5.7% in the first ten months of the year. Their rate of increase quickened in October against the background of a strong moderation of their prices and after slowing considerably in Q3. The decline in prices drove the growth of real energy imports, which rose by 5.8% between January and October.

Lastly, real service imports continued to slow in 2001 Q3, recording a growth rate of 3.4%

year-on-year on QNA figures. Nominal tourist expenditure decelerated mildly in this period, although over the first nine months of the year it increased by 13.4%, sustained by the greater stability of the euro throughout the period. As regards expenditure relating to non-tourist services, the Balance of Payments data moderated significantly in Q3, in line with the slowdown in goods exports and the loss of momentum of foreign investment.

4.2. Output and employment

From the standpoint of activity, all the productive branches in the economy contributed to the slowdown in GDP in 2001 Q3. In the primary branches this process was most marked in the summer, when the year-on-year rate of change of value added was virtually zero (0.1%) according to QNA estimates (see Chart 18). As in previous quarters, the loss of pace was caused by the fall in agricultural output, whereas livestock production held firm on an increasingly robust path. Paradoxically, the falls in agricultural output, which were extensive to a high number of crops, including most notably cereals, coincided with a very wet year overall, although the timing and geographical location of rainfall proved very harmful to yields.

Industrial activity in the year 2001 was marked by the sluggishness of the international economy and the diminished vigour of national demand. On QNA estimates, the slowing trend of industrial activity in 2001 Q3 steepened, and the year-on-year rate of advance of value added dipped to 1%, seven-tenths of a point below the figure for the previous quarter. There were cuts in output in the metal transforming industry, and these were extensive to all its component activities, but the reduction was particularly notable in the manufacture of information and communication technology (ICT) goods, such as electronic equipment and office machinery. According to the latest updated economic information, the loss of vigour in industrial activity became worse in the closing months of last year. After several months during which no clear trend was apparent, the industrial production index fell back appreciably in November. Behind this was the markedly contractionary behaviour of capital goods production, which was in turn greatly affected by the worsening business outlook. Indeed, the business climate indicator fell in Q4 owing to the deterioration in the value of orders and the production trend, while there was also a high level of unwanted stocks. Other indicators add to the impression that the turning point in industry has not yet come about; thus, the number of social security registrations turned negative in terms of its rate

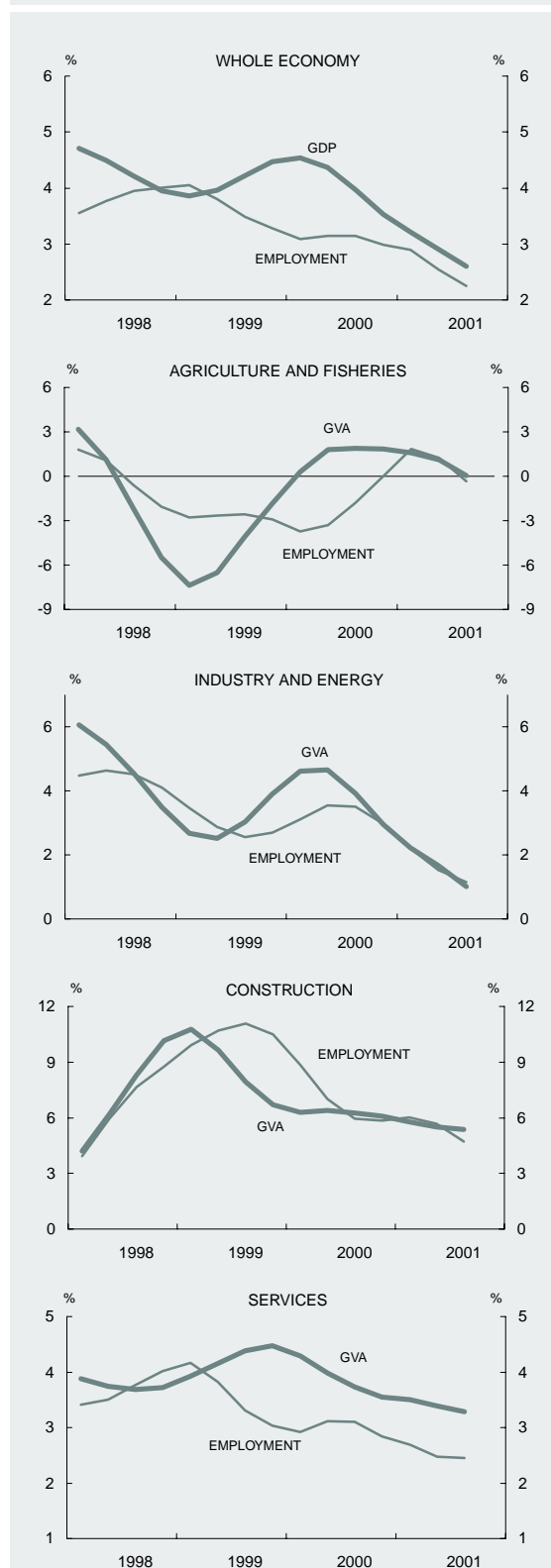
in November on a year earlier, following ten months of increasingly more modest year-on-year increases.

Construction continued to be the most buoyant activity in Q3 last year, despite the mild slowdown in value added. Its rate of change on a year earlier was 5.4% according to QNA estimates. In the year 2001, the buoyancy of construction was underpinned by civil engineering works (specifically infrastructure) and, to a lesser extent, by non-residential building. As discussed in the analysis of construction expenditure, the coincident indicators of this activity project a continuity of these trends for the final months of 2001.

The lesser thrust of activity in 2001 Q3 was also reflected in services, where slacker domestic consumption and the lesser pace of industrial production reduced the year-on-year growth rate of tertiary activities by one-tenth of a point to 3.3% on QNA figures. This was in line with the mildly slowing profile seen since the year 2000. The deterioration affected only market services, as the behaviour of services provided by general government was expansionary. The economic information relating to the final months of 2001 points to a further slowdown in most tertiary activities. In particular, both the retail trade business indicator for Q4 as a whole and the retail trade index in October and November were along these lines. However, social security registrations to November in retail and repair services point to their rate of advance having been maintained in the final quarter, in contrast to the declining profile observed over the year. The hotel and catering trade ultimately felt the impact of the terrorist attacks on 11 September, which accounts for the negative rates of change in both numbers of foreigners entering Spain at borders and overnight hotel stays, the information for which is to November. Activity in transport and communications also exhibited a slowing profile in the closing months of the year. This was due to the contraction in air transport in terms of both passengers and freight, and sluggishness in telecommunications, which the greater vigour of land transport could not offset. As to the remaining market service activities, diminished buoyancy is common to most, with the exception of real estate and rental services. The growth rate of the latter, according to the information on social security registrations to November, would have stabilised following the sharp deceleration during the first ten months of the year.

The easing of productive activity in 2001 Q3 was mirrored by employment. On QNA estimates, and measured in terms of equivalent full-time jobs, employment increased by 2.3%

CHART 18
Gross value added and employment by branch of activity (a)



Source: Instituto Nacional de Estadística.

(a) Non-centred percentage change on same quarter a year earlier, based on the trend-cycle series published by INE. Employment refers to full-time equivalent jobs.

year-on-year, two-tenths of a point down on the previous quarter. That made for a modest increase of 0.3% in apparent labour productivity, similar to that observed in the first half of the year. The slowdown in the generation of new jobs during the summer was reflected with greater intensity in social security registrations, which grew by 3.4% on a year earlier compared with 4.3% the previous quarter. The numbers of employed according to EPA (the labour force survey), for their part, held stable at a rate of 1.8% in the same period. The tendency towards more subdued employment growth might have continued in the final quarter of last year given the movements in social security registrations during that period (a year-on-year increase of 3.3%) and the increase in unemployment in the October-December period on a year earlier, compared with the decline seen up to Q3.

Drawing on QNA estimates, job creation lost momentum in all branches of activity between July and September except in non-market services. Construction continued to be the industry where job creation was most intense, although it was here that the year-on-year rate of increase in employment fell most (by 1 percentage point), to 4.7%. The slowdown in employment, which was much sharper than that in value added, provided for a recovery in apparent labour productivity following the falls in this variable over the past two years. The notable cut in the rate of increase in industrial activity in Q3 did not pass through in full to employment, the growth rate of which fell by only three-tenths of a point to 1.1% compared with the same period a year earlier. Productivity fell back by one-tenth of a point, it being estimated that it recorded zero growth over 2001 as a whole. In the primary sector, where employment had undergone an anomalous increase in the first half of the year, jobs declined slightly in the summer months, in line with the course of value added. Lastly, the rate of advance of employment in services held at 2.5%. Here, in the market services branches, employment continued on the sharply decelerating path seen since a year earlier. That placed its rate at 1.5% in Q3, after it had grown by 4.2% in the year 2000. By contrast, employment in non-market activities remained on a marked rising path.

The slowdown in employment in the first nine months of last year was sharper in the case of dependent employees, while growth was brisk in the case of the self-employed. This behaviour, which is to be expected in periods in which the economy is losing steam, took the form of a 0.4 percentage point reduction in the rate of change of dependent employment in Q3 to 2%, according to QNA figures. Conversely, the related rate for the self-employed was 3.6%,

three-tenths of a point up on the previous quarter. The more detailed information provided by the EPA shows that the main contribution to dependent employment continued to be provided by workers on permanent contracts. An increase of 2.8% was seen in this group in Q3 according to the EPA, outpacing the 1% year-on-year rise in employees on temporary contracts. The proportion of temporary to total employees stood at 31.9%, four-tenths of a point down on the same quarter a year earlier. Some of this reduction is due to the March 2001 reform measures, when allowances were re-introduced for the conversion of temporary contracts into permanent ones. It was, in fact, this type of permanent contract which most expanded over the course of the year according to the related INEM statistics. As regards part-time employment, the effects of the new regulations are not yet discernible, especially for permanent contracts under this heading. The numbers of wage-earners on a reduced working day rose by 1.3% in Q3, and part-time employees as a proportion of total employees fell to 7.9%. As to employees working part-time with a stable contract, numbers fell by 0.4%.

From the standpoint of labour supply, the EPA data revealed a marginal increase in the participation rate in Q3 to 51.8% (66.1% if the over-65s are excluded). The rise in the participation rate, which was less than in previous quarters, nonetheless entailed a further narrowing of the negative gap with the EU average. The increase made it possible to absorb in full the greater supply of labour, and unemployment fell once more, to a rate of 12.8%, two-tenths of a point down on Q2. This reduction principally affected the female unemployment rate and also resulted in a fresh decline in long-term unemployment, whose incidence stands at 42.2%. In year-on-year terms, the rate of decline of unemployment was 6.2%, having slackened slightly. In terms of numbers of INEM-registered unemployed, however, the fall was rather more modest (1.8%) in Q3 and, as earlier signalled, the resulting year-end increase compared with a year earlier was 1%, the first time there had been a rise since 1994.

4.3. Costs and prices

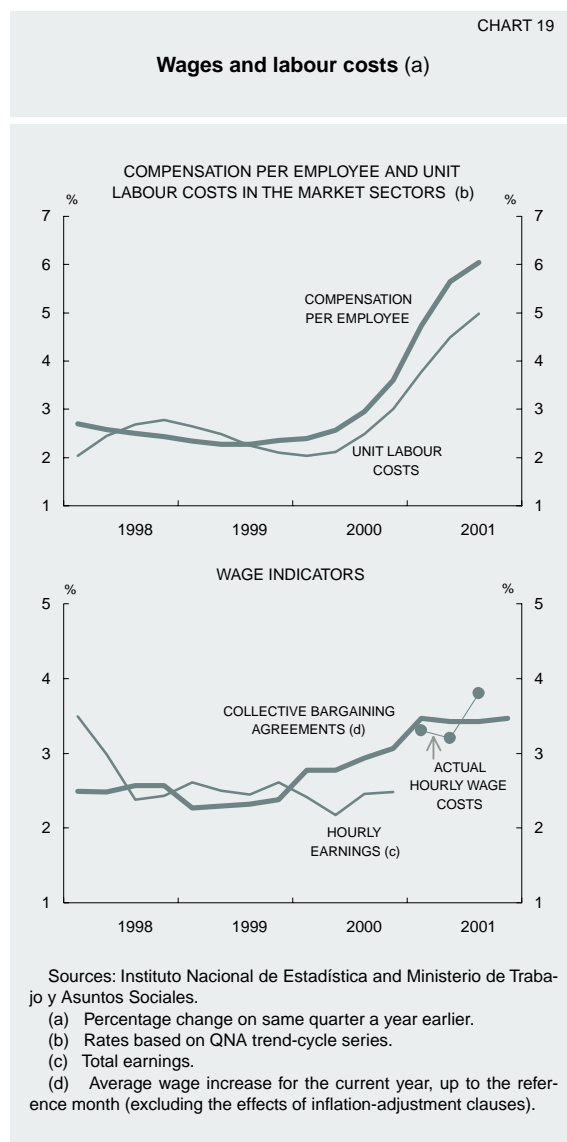
On QNA estimates, the GDP deflator increased by 3.9% in 2001 Q3 compared with the same period a year earlier. This figure was below the rate of 4% posted in the first half of the year, but substantially above the average for 2000 (3.4%). The rise in domestic inflationary pressures during 2001 was the outcome both of a widening of operating margins in the market economy and an increase in unit labour costs

which, according to QNA figures, intensified during the year to reach a rate of 4.3% in Q3. The acceleration was even sharper in the market economy, where labour costs would have increased by 6% in this period (see Chart 19). The bigger increase in unit labour costs in the market sector was the result of the acceleration of compensation per employee, while labour productivity, measured in terms of value added, climbed at a higher rate than in the year 2000.

The information provided by the short-term indicators available indicates that wages are trending more moderately than the QNA estimates would suggest. The labour costs index (LCI), based on actual hours worked, recorded an increase of 4.4% in Q3 on a year earlier owing to a rise of 3.8% in wage costs and of 6.1% in other costs. Across the branches of activity, the LCI increased by 3.9% in industry, 4.3% in construction and 4.9% in services. Per employee and month, the increases were somewhat lower: 4.1% for labour costs and 3.6% for wage costs. Although the wage increases reflected by the LCI are higher than those in earnings under the wage survey during the year 2000, the spliced series are not yet available. It is thus not possible to make a sufficiently grounded assessment of the scale of the acceleration in wages between the years 2000 and 2001 using both statistics.

Collectively bargained wage settlements recorded to 31st December 2001 stood at 3.5%, five-tenths of a point above the increase in 2000, before including inflation-adjustment clauses. Whereas revised collective bargaining agreements included a wage increase of 3.4%, in newly signed agreements the rise was 3.7%. Construction and agriculture are notable cases in point with respective increases of 4.1% and 4%, outpacing services (3.3%) and industry (4%). For the year 2002, wage settlements agreed in collective bargaining are expected to stand slightly above 2.5%, given the information available on pluriannual agreements in force in the year 2002 and in the light of the bargaining criteria adopted in the Interconfederal Agreement entered into by the most representative trade unions and employers' associations. The agreement stipulates that wage increases will be set with reference to the official inflation target (2%), with higher increases permitted if they are warranted by productivity gains, but without cancelling such gains out.

According to QNA estimates, the gross value added deflator of the branches making up the market economy grew at a rate of 4.5% in 2001 Q3, two-tenths of a point less than the previous quarter. As indicated, unit labour costs grew at a rate of 5% in Q3 compared with 4.5%

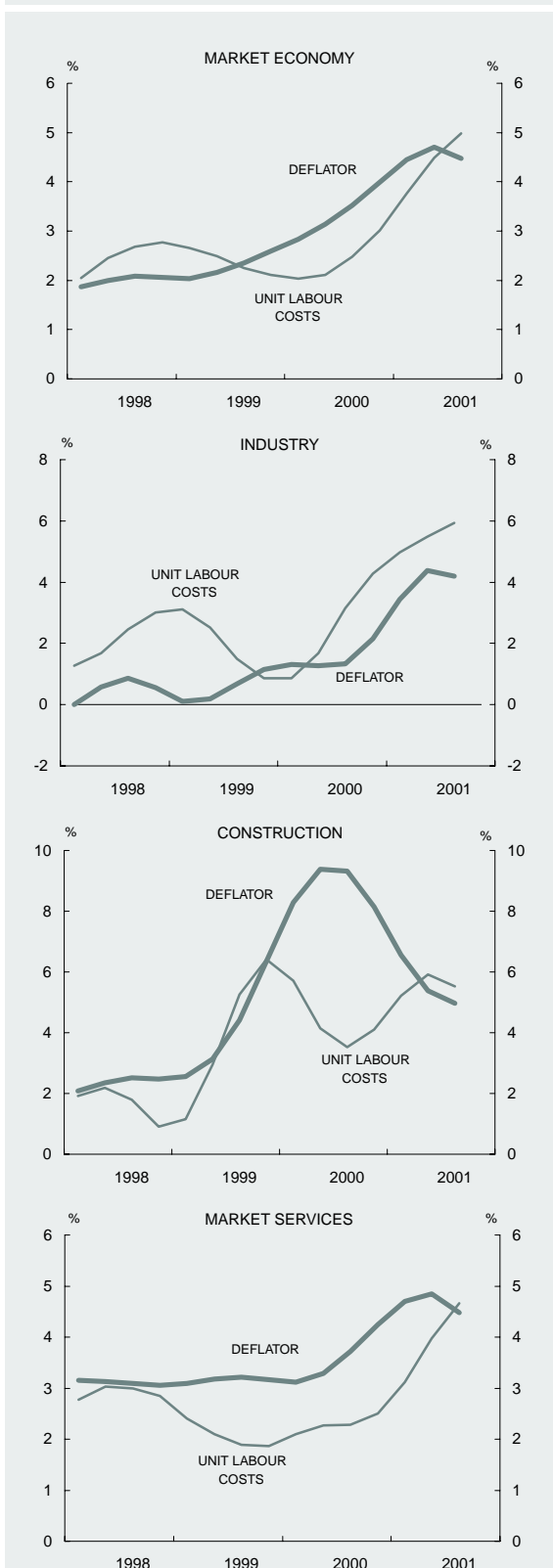


in the summer months. For the first three quarters as a whole, operating margins widened, although this increase was unevenly distributed both across branches and during the year. In industry, the rise in the value added deflator stabilised in Q3 at 4.2%, following the sharp acceleration the previous quarter, while unit labour costs quickened as a result of compensation per employee. Consequently, the gross unit operating margin narrowed anew (see Chart 20). The market services deflator also decelerated, despite the sharp rise in unit labour costs, with the unit margin narrowing slightly in relation to Q2 after having widened significantly in the first half of the year. Lastly, a slowdown similar to that in unit labour costs and in the value added deflator was discernible in construction. The unit operating margin held more or less stable after having increased strongly in Q1.

Final prices in the economy were favoured during 2001 by the sound performance of im-

CHART 20

Prices and costs by branch of activity (a)



Source: Instituto Nacional de Estadística.

(a) Non-centred annual percentage changes based on the QNA trend-cycle series.

port prices, which helped soften the impact of domestic cost pressures. The deflator of goods and services imports, which had increased by 5% year-on-year in Q1, posted a negative rate of 0.4% in Q3, and the behaviour of the import unit value indices means a sharper reduction may be estimated in Q4. The final demand deflator took up this moderating effect and increased by 2.9% in Q3, against 4.2% in Q1.

Turning to the most updated final price indicators, the consumer price index (CPI) continued in Q4 on the decelerating path embarked on in June. That said, the December figures show this process to have been interrupted, as the 12-month growth rate stood at 2.7%, unchanged on November, and seven-tenths of a point below the September figure (see Chart 21). Conversely, the IPSEBENE index (one of the habitual measures of core inflation) ceased to reflect the stability of the previous months, and its 12-month growth rate increased by three-tenths of a point to 3.8% at the close of the year (see Chart 21).

In Q4 the CPI was greatly influenced by the sound performance of the prices of its most volatile components, most particularly energy prices, which continued on the falling trend marking their course since mid-year. The reductions in energy prices were sharper in the case of liquid and other fuels, to which the favourable performance of oil prices on international markets and the relative stability of the euro exchange rate contributed. The slowdown in unprocessed food prices, dating back to the summer months, stepped up in December, a base effect which was the outcome of the sizeable increases in the prices at the end of the previous year. The growth rate of processed food prices, however, continued to increase during the closing months of 2001. Their 12-month growth rate in December stood at 5.3%, one percentage point up on the September figure. Service prices also rose in the closing months of 2001, reaching an end-year rate of 4.2%. Service price increases were steepest in tourism and hotels and catering, and also in the leisure industry and in entertainment events, which might be related to upward adjustments ahead of the changeover to the euro. Finally, the prices of non-energy industrial goods continued on the stable growth path observed since the closing months of 2000, posting a 12-month rate of 2.6%.

Between September and December, the inflation spread between Spain and the euro area, measured in terms of the harmonised index of consumer prices (HICP), narrowed by three-tenths of a point, leaving the gap at the end of the year at 0.6 percentage points. This reduction in the inflation gap during Q3 was the

result of the falls in energy prices in Spain, relative to the euro area, which enabled the higher rates recorded by processed food prices to be more than offset. The service prices differential held virtually unchanged in relation to September, standing at 1.2 percentage points in December.

The decelerating path characterising the producer price index since the end of last year continued, leading to negative rates of change being recorded in October and November. Once again, the adjustment in intermediate goods prices – which recorded successive declines both in monthly and annual terms, and which were particularly marked in the case of energy – has prompted the slowdown in the overall index. Adding further to this has been the slowdown (albeit to a lesser extent) in the remaining components. Lastly, the rate of increase of prices received by farmers declined following the burgeoning growth at the end of the first half of the year; the resulting 12-month rate stood at 4.2% in September.

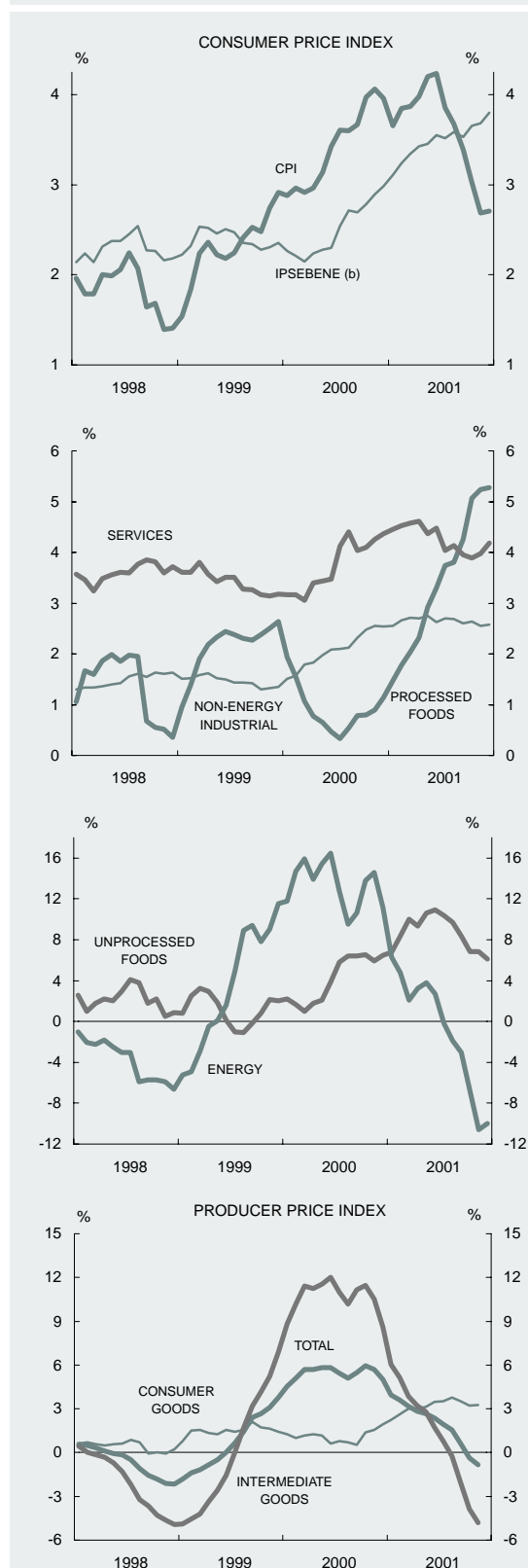
4.4. The State budget

Since the publication of the last quarterly report on the Spanish economy, two key pieces of legislation for general government conduct have been approved: the new financing arrangements for the ordinary-regime regional (autonomous) governments and the General Law on Budgetary Stability. The latter reinforces the procedures for further headway in the process of fiscal consolidation and the co-ordination mechanisms between the State and the regional governments. The new regional government financing arrangements provide a degree of financial autonomy that is consistent with the level of decentralisation of spending powers attained in recent years. December saw the approval of the State budget (Box 3 includes a list of the budgetary measures finally adopted) and the updating of the 2001-2005 Stability Programme for the Kingdom of Spain, which ratified the objective of an overall general government balanced budget in the year 2001 and its maintenance in 2002. Regarding the first of these objectives, the pick-up in tax receipts in the second half of last year and the sound performance of the social security budget outturn (see Box 4) indicate it will be met.

Turning to the State budget outturn, in the eleven months to November, and under National Accounts methodology, a surplus of EUR 4009 million (0.6% of GDP) was built up, compared with the surplus of EUR 2455 million (0.4% of GDP) recorded in the same period in 2000 (see Table 3). Receipts continued to re-

CHART 21

Price indicators (a) Spain



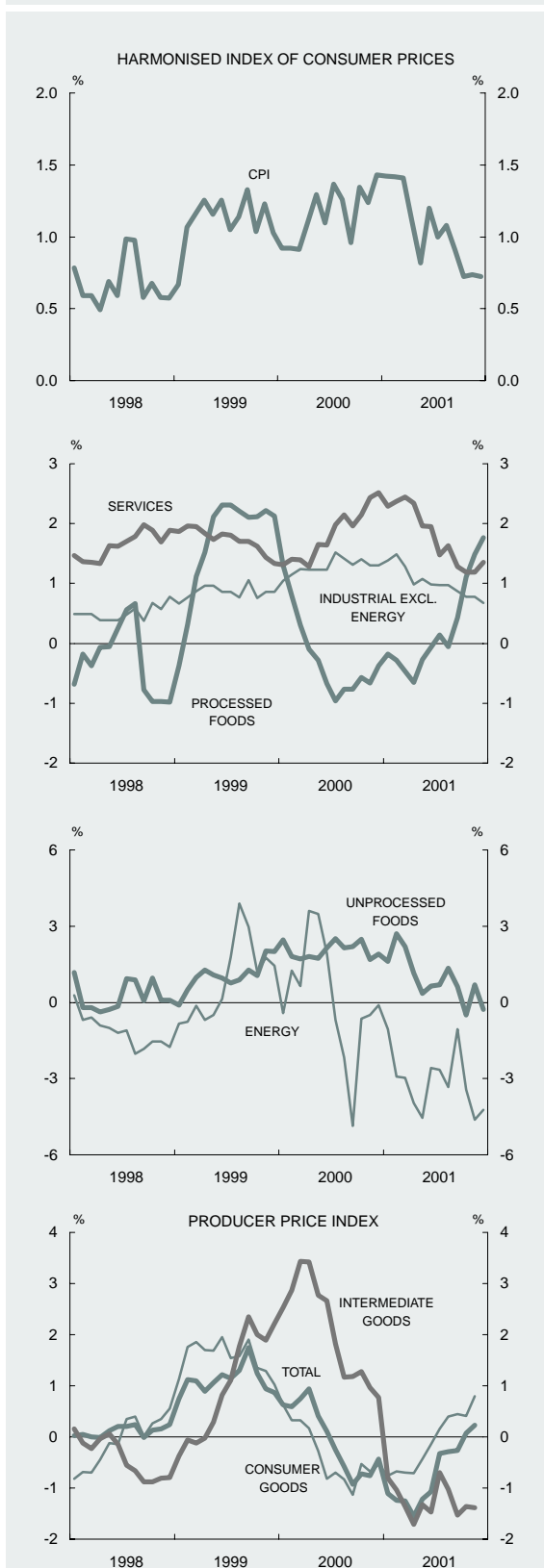
Source: Instituto Nacional de Estadística.

(a) Twelve-month percentage change based on the original series.

(b) Index excluding energy and fresh food.

CHART 22

Price indicators
Differential vis-à-vis the euro area (a)



Sources: Eurostat and Banco de España.

(a) Twelve-month percentage change based on the original series.

cover in the final months, posting an increase of 6.7% to November 2001 (3.8% at the end of Q3), slightly above the forecast in the initial State budget projection. Bearing on this favourable result was the bringing forward of the transfer to the State from the Social Security system (in connection with the healthcare responsibilities transferred to the Basque country and Navarra), which took place in November for an amount of EUR 1833 million, and which the previous year had arisen in December. That said, tax receipts – in particular from income and wealth tax – remained relatively buoyant. As a result, direct taxes increased by 6.8%, slightly below the official estimate for the year as a whole, and indirect taxes rose by 3.3% to November, albeit appreciably below the growth forecast for the whole year (4.4%).

Expenditure also accelerated significantly to a rate of 5.4% in November (compared with 4.6% at the end of Q3), in line with the officially estimated rate for the year as a whole. This acceleration was largely due to capital expenditure, which grew by 15.7% to November, owing substantially to the recovery in the extent of the investment outturn. Notable under current expenditure was the acceleration in final consumption to a rate of 3.6%, while current transfers to other regional governments held at a growth rate of 6.5%, in line with the initial projection.

In cash-basis terms, the State ran a surplus of EUR 392 million to November 2001, compared with the surplus of EUR 731 million in the same period a year earlier. On this measure, therefore, the performance was worse than in the year 2000, in contrast to the reduction in the cash-basis deficit (40.4%) envisaged in the initial projection for the year as a whole. However, in relation to Q3, revenue has accelerated to a growth rate of 5.5% in the January-November period (3.4% to September), while expenditure has also accelerated, but at a more moderate rate (5.8% to November, compared with 5.1% to September).

The acceleration in revenue, which placed the related growth rate in line with what was initially projected, was mainly due to the performance of personal income tax and to non-tax revenue, although indirect tax also quickened slightly. The exception to these positive developments was corporate income tax, the growth rate of which turned negative (–0.6%) in November, compared with the increase of 0.3% to September, and the 5% increase forecast in the initial projection for the year as a whole. The growth rate of personal income tax quickened to 11.4%, in step with the official estimate for the whole year. That reflects the pick-up in this

Main budgetary measures for the year 2002

The State Budget and its complementary legislation, approved on 31 December last year, include an extensive range of measures bearing both on revenue and expenditure, and which have a differentiated impact on the net tax take. A brief review of the measures follows.

Among the measures involving a rise in revenue are, first, the increase in VAT on certain goods and services (motorcycles, propane and butane, and motorway tolls); the rise in duties on production (alcohol, beer and tobacco); and the creation of a new duty on retail sales of certain hydrocarbons. This latter tax is split into two portions: the first relates to the State, the revenue from which is transferred to the regional (autonomous) governments and assigned to fund healthcare spending; and the second to the regional government, the revenue from which may be earmarked, moreover, to finance environmental measures.

Other measures that will provide for increased revenue will be the non-adjustment for inflation of the personal income tax schedule and personal and family allowances (letting fiscal drag operate), and the raising of the maximum Social Security bases (one point above forecast inflation) and of the bases of the lowest contribution groups, as a result of the finalisation of the process whereby the specific ceilings on these latter bases are removed.

In parallel, the accompanying budgetary legislation includes a raft of fiscal measures that will entail reductions in revenue and affect corporate income tax, on one hand, and the set of tax incentives for contributions to employee and individual pension schemes, on the other. The changes to corporate income tax are seen as spearheading a more thoroughgoing reform over the course of 2002, against a background in which the slowdown in activity and heightened international economic uncertainty advised shoring up companies financially and promoting investment. As a result, the qualifying limit for incentives for small and medium-sized companies (SMEs) has been raised from EUR 3 million to EUR 5 million of annual turnover; the period in which negative taxable income may be offset has been extended; provisioning for possible bad debts qualifies for deductions; and tax on capital gains ploughed back into companies has been reduced. The corporate income tax reform is also aimed at boosting technological development in Spanish firms (in which connection the allowance for research, development and investment activities has been amended) and at providing for greater tax neutrality for mergers.

The improved treatment of supplementary social welfare is secured through changes to both personal and corporate income tax. The latter tax establishes in relation to tax payable a new allowance of 10% applicable to contributions made by the company to employee pension schemes, under certain conditions. The percentage ceilings on contributions to pension schemes are lifted and the overall annual quantitative limit of EUR 7,212 per year is raised for each year after taxpayers pass the age of 52 up to a maximum limit for fund participants of 65 years of age or over.

The accompanying budgetary legislation introduces a further two measures which will lower tax revenue in 2002: the reduction of the charge on the use of the electromagnetic spectrum and, for employers, the cuts in and exemption from social security contributions for employees over 60 and 65, respectively.

The Budget for 2002 also includes a series of measures that will have a bearing on expenditure. Among those that will increase spending are the continuing rebates applicable to employers' social security contributions in the case of their offering permanent contracts, and the improvement in widows' and orphans' pensions and in minimum pensions, further to the application of the measures under the agreement on pensions entered into in April. The application of the State Pact for the reform of Justice and the adoption of the new regulation on professional military compensation will raise spending. Set against this, the 25% replacement ceiling on public-sector hiring will – with the exception of the Justice Department, the Armed Forces and small municipal councils – remain in place, as in previous years, reducing the growth rate of expenditure.

Lastly, mention should be made of certain provisions that will not have any influence on the general government deficit. This is either because they are removed on the consolidation of the various agents' accounts (increase in the transfer from the State to the Social Security system relating to the supplement to minimum pensions or the application of the new financing arrangements for the regional governments), or because they are considered to be financial transactions [increases in the provision to the pension reserve fund and in the capital contribution to the GIF (Railway Infrastructure Managing Entity)].

TABLE 3

State Budget outturn

EUR millions and %

	Outturn 2000	Percentage change 2000/1999	Initial proj. 2001	Percentage change 2001/2000	Outturn JAN-SEP Percentage change 2001/2000	Outturn		
	1	2	3	4=3/1	5	2000 JAN-NOV	2001 JAN-NOV	Percentage change 8=7/6
1. Revenue	118,693	7.5	125,063	5.4	3.4	109,818	115,848	5.5
Direct taxes	51,431	9.5	55,907	8.7	5.8	48,552	51,578	6.2
<i>Personal income tax</i>	32,152	4.9	35,935	11.8	8.6	30,581	34,063	11.4
<i>Corporate income tax</i>	17,207	17.5	18,072	5.0	0.3	15,902	15,799	-0.6
<i>Other (a)</i>	2,073	21.8	1,900	-8.3	2.8	2,069	1,715	-17.1
Indirect taxes	51,280	7.3	53,508	4.3	3.1	48,647	50,239	3.3
VAT	33,399	8.7	35,058	5.0	3.1	32,207	33,287	3.4
<i>Excise duties</i>	16,056	4.1	16,533	3.0	2.9	14,785	15,231	3.0
<i>Other (b)</i>	1,824	12.4	1,917	5.1	4.2	1,656	1,721	4.0
Other net revenue	15,982	2.4	15,648	-2.1	-4.6	12,620	14,031	11.2
2. Expenditure (c)	121,124	3.8	126,511	4.4	5.1	109,087	115,455	5.8
Wages and salaries	16,261	-9.2	16,789	3.2	2.6	14,279	14,710	3.0
Goods and services	2,372	-9.5	2,405	1.4	3.5	2,094	2,216	5.9
Interest payments	17,715	-7.3	18,011	1.7	4.0	17,030	17,696	3.9
Current transfers	72,826	12.1	77,514	6.4	6.7	65,758	69,924	6.3
Investment	6,033	4.9	5,750	-4.7	-7.1	5,245	5,368	2.3
Capital transfers	5,918	-7.4	6,042	2.1	9.0	4,682	5,541	18.4
3. Cash-basis balance (3=1-2)	-2,431	-61.7	-1,448	-40.4	22.2	731	392	-46.3
MEMORANDUM ITEM: NATIONAL ACCOUNTS (d):								
Revenue	119,208	7.6	126,447	6.1	3.8	109,985	117,306	6.7
Expenditure	122,971	4.7	129,716	5.5	4.6	107,531	113,296	5.4
Net lending (+) or borrowing (-)	-3,763	-43	-3,270	-13.1	24.1	2,455	4,009	63.3

Source: Ministerio de Hacienda.
(a) Includes the revenue from the tax on the income of non-residents.
(b) Includes taxes on insurance premiums and tariffs.
(c) Includes unclassified expenditure.
(d) The annual figures (columns 1 and 3) are from the Spanish Finance Ministry's reply to the Excessive Deficit Protocol, for 2000, and from the initial projection for 2001.

tax after having brought forward to mid-2001 the refunds for excess income tax paid the previous year. VAT quickened to a rate of 3.4%, albeit significantly below the official estimate for the whole of 2001, and excise duties posted a growth rate of 3%, coinciding with the official estimate. The favourable trend of non-tax revenue (11.2%) was mainly due, as mentioned, to the current transfer by the Social Security system to the State for the transfer of healthcare responsibilities to the Basque country and Navarra having been brought forward. Conversely,

revenue relating to profits obtained by the Banco de España (which have no bearing in National Accounts terms) diminished.

The acceleration in expenditure in relation to September has placed the related growth rate significantly above the initial projection for 2001 as a whole. This acceleration was essentially in capital expenditure, both on real investment and on transfers. Under current expenditure, purchases of goods and services quickened notably. Interest payments, though they have

Social Security budget outturn

On budgetary outturn data to October 2001, the Social Security System ran a surplus of EUR 9,738 million, 18.2% up on the same period a year earlier (see accompanying table). This improvement in the balance is in contrast to the reduction in the surplus initially projected for 2001 in relation to the 2000 outturn. Receipts held at a growth rate of 8.3% to October (far higher than budgeted), while expenditure slowed and increased by 7.1% (likewise outpacing the budgeted figure).

The high growth rate of receipts from social security contributions continued to slacken, standing at 9.2% in the period to October, far above the budgeted figure of 1.5% (a). This was partly due to the buoyancy of registrations, which grew by 3.9% on average over the course of 2001 (5% in 2000). The other major source of receipts – current transfers from the State – posted a higher-than-budgeted increase of 6.1% to October.

Expenditure on contributory pensions slowed and grew at a rate of 5.5% to October (6.9% to July), against initially projected growth of 3.9% for 2001. Nonetheless, it should be borne in mind that the comparison between the 2001 budget and the outturn for 2000 is distorted by the fact that the latter includes both the payment relating to the deviation by consumer-price inflation in 1999 and that corresponding to the year 2000. If the latter were excluded from the 2000 outturn, the budgetary forecast for 2000 would be growth of 6.1%, higher than the figure recorded to October. The number of contributory pensions increased by 1.1% to November 2001, in line with the figure budgeted and with the growth recorded in 2000. The growth rate of spending on temporary disability, for its part, stood at 14%, above budget.

With regard to INEM (National Employment Office) spending, expenditure on unemployment benefits increased by 10.4% to October 2001 against 3.1% in 2000. Behind this increase was the behaviour of the number of beneficiaries, which rose by 5.5% to October, compared with an average reduction of 2.7% in 2000. The rise in the number of beneficiaries and the slight growth in the number of registered unemployed (0.1% in 2001 as a whole compared with a 4.5% reduction in 2000) gave rise to a fresh increase in the eligibility ratio, which stood at 68.1% to October (64.7% in 2000).

Contributions received by INEM climbed by 9.1% to August, against a budgeted projection of 6.2%, while employment-promoting concessions on employers' contributions declined by 9.8% to August, in contrast to the budgeted increase of 3%.

(a) Nonetheless, the draft Social Security Budget for 2002 presents a forecast outturn entailing an increase of 6.5% in the System's social contributions for the year 2001 as a whole.

Social Security System (a) (Transfers to regional governments allocated) (b) (Current and capital transactions, in terms of recognised entitlements and obligations)

EUR millions and %

	Outturn	Budget		Outturn	Outturn JAN-OCT		
	2000	2001	% change	% change	2000	2001	% change
	1	2	3=2/1	4	5	6	7=6/5
1. Revenue	92,339	94,576	2.4	8.4	78,268	84,772	8.3
Social security contributions (c)	61,674	62,618	1.5	9.5	51,012	55,689	9.2
Current transfers	29,247	30,796	5.3	5.5	26,278	27,880	6.1
Other (d)	1,418	1,162	-18.0	31.9	977	1,203	23.1
2. Expenditure	88,680	92,267	4.0	7.7	70,029	75,034	7.1
Wages and salaries	13,610	14,355	5.5	6.0	11,607	12,328	6.2
Goods and services	8,570	8,967	4.6	8.2	6,922	7,534	8.8
Current transfers	65,232	67,514	3.5	7.9	50,765	54,295	7.0
Benefits	64,805	67,063	3.5	7.2	50,703	53,882	6.3
Contributory pensions	51,078	53,047	3.9	6.9	6,563	6,926	5.5
Sickness	3,784	3,557	-6.0	14.5	2,811	3,206	14.0
Other	9,942	10,459	5.2	6.2	41,329	43,750	5.9
Other current transfers	427	451	5.7	—	62	412	—
Other (e)	1,269	1,432	12.8	18.5	735	876	19.3
3. Balance	3,659	2,309	-36.9	15.4	8,239	9,738	18.2

Sources: Ministerio de Hacienda, Ministerio de Trabajo y Asuntos Sociales and Banco de España.

(a) Only data relating to the System, not to the entire social security funds sector, are given. This is because the figures for other social security funds are only available to July.

(b) Transfers to regional (autonomous) governments to finance the health-care and social-services responsibilities they have assumed have been distributed among the various expenditure captions on the basis of the percentages resulting from the general government accounts for 1997.

(c) Including surcharges and fines.

(d) Excluding surcharges and fines.

(e) Reduced by the disposal of investments.

TABLE 4
Balance of payments: summary table (a)

EUR m

	JAN-OCT	
	2000	2001
	Receipts	Receipts
Current account	174,199	193,269
Goods	101,626	109,304
Services	48,729	54,240
<i>Tourism</i>	28,772	31,738
<i>Other services</i>	19,957	22,502
Income	13,055	17,693
Current transfers	10,790	12,031
Capital account	5,162	5,404
	Payments	Payments
Current account	188,601	206,081
Goods	131,033	138,040
Services	28,083	30,457
<i>Tourism</i>	4,954	5,636
<i>Other services</i>	23,129	24,821
Income	20,747	27,632
Current transfers	8,738	9,952
Capital account	886	734
	Balance	Balance
Current account	-14,402	-12,812
Goods	-29,408	-28,735
Services	20,646	23,783
<i>Tourism</i>	23,819	26,102
<i>Other services</i>	-3,172	-2,319
Income	-7,692	-9,939
Current transfers	2,052	2,079
Capital account	4,276	4,669

Source: Banco de España.

(a) First provisional results.

slowed slightly, are also higher than forecast for the whole year, while both spending on wages and salaries and current transfers are in line with the official estimate for 2001 as a whole.

4.5. The Spanish balance of payments and capital account

In the period from January to October 2001, the joint cumulative balance on current and capital account resulted in a deficit of EUR 8143 million, EUR 1983 million less than in the same period a year earlier. This improvement was due both to the favourable performance of the current-account balance, the deficit on which fell by EUR 1589 million in the first ten months of the year compared with the same period in the year 2000, and to the better result on

the capital account, the surplus on which was EUR 394 million up on that for the related period in 2000 (see Table 4).

In the period January-October 2001, the cumulative trade-balance deficit showed an improvement of EUR 672 million compared with the same period the previous year. Measured in year-on-year terms, the negative balance fell by 2.3%, which is in contrast to the burgeoning increase seen the previous year. Although real goods export flows have sagged greatly since Q2 last year, with growth rates systematically lower than import flows, the notable improvement in the terms of trade during the period – arising essentially from the decline in imported energy prices – has provided for the above-mentioned reduction in the trade deficit in nominal terms. In services, the positive cumulative balance for the period January-October totalled EUR 23,783 million, up 15.2% on the results for the related period in the year 2000. The increase is attributable to a 9.6% rise in the tourism and travel balance and to a 26.9% reduction in the deficit on other services. Nominal tourism receipts and expenditure grew by 10.3% and 13.8%, respectively, over the first ten months of the year. That said, both items have been on a moderating trend since Q2. The increasingly buoyant trend that had marked tourism revenue since the closing months of 2000 was interrupted, with numbers of German tourists slipping heavily and the growth of flows of British tourists declining, these countries being the two main providers of visitors to Spain. In addition, the negative impact of the terrorist attacks of 11 September has made itself felt, with a heavy decline in tourists from the United States and, in general, from other non-European markets. Payments have also moderated in recent months, in step with weaker consumer confidence.

In the January-October period, the deficit on the income balance was EUR 2246 million higher than the same period the previous year. Revenue continued to grow, as in the year 2000, at a most substantial rate (35.5%), reflecting the strong investment abroad in recent years, which was interrupted in the course of last year. Payments also grew at a high rate (33.2%), the result of the forceful momentum of foreign investment in Spain in 2000, and which also weakened during last year.

The positive balance on current transfers in the first ten months of 2001 stood at EUR 2079 million, a marginal increase of EUR 27 million in relation to the balance in the same period the previous year. Revenue grew at a rate of 11.5% in this period, with notable increases in flows from the EU relating to the EAGGF-Guarantee fund and the European Social Fund. Payments, for their part, grew at a higher rate (13.9%),

with a notable surge in emigrants' remittances abroad. Finally, the capital-account surplus climbed by EUR 394 million in relation to the figure for the January-October 2000 period. This growth of 9.2% year-on-year was due to the pick-up in most structural funds from the EU (with the exception of those intended for the Cohesion Fund), which would be incorporating arrears arising in the previous year.

The lower net borrowing these figures imply would be the reflection of the improvement in the balances of households and firms' accounts, derived in turn from the progressive slowdown in residential investment and from sluggish private productive investment. Such developments have become apparent in recent months against a backdrop of lower growth and worsening expectations.

5. Financial flows in the Spanish economy

5.1. Financial flows in the economy as a whole

According to the latest information available on the financial accounts, in Q3 the cumulative four-quarter debit balance of the net financial transactions of the nation fell slightly to -2% of GDP (1) (see Table 5). This improvement is basically attributable to the behaviour of general government, whose net saving was positive during Q3. In cumulative four-quarter terms, however, the balance of general government net financial transactions stood at -0.3% of GDP. No significant changes were seen in the other institutional sectors with respect to the previous quarter. Accordingly, the net borrowing of non-financial corporations continued to exceed 4% of GDP, while the surplus balance of the financial transactions of households continued to sustain the recovery seen since the beginning of the year, standing at 2% of GDP.

The financial flows between sectors (lower part of Table 5) show an increase in the household saving channelled towards institutional investors, which amounted to 3% of GDP, as against 1.8% in the previous quarter. This intensification of the institutionalisation of household saving, evident since the beginning of 2001, is largely explained by the pick-up of investment in mutual funds, in particular, in money market funds (FIAMM). Meanwhile, during Q3, general government again increased the net financing received from resident credit institutions, which amounted to 1% of GDP. Credit institutions continued to make net acquisitions of government securities, while the Treasury reduced the deposits that it holds with these institutions (and which it manages through liquidity tenders). Finally, the net financing received by non-financial corporations from resident credit institutions fell slightly to -4.4% of GDP.

During 2001 Q3, the financial decisions of economic agents were taken amid greater cyclical weakness and a high degree of uncertainty. These factors, which continued to exist during the final quarter of 2001, have contributed to the slowdown in the financing of the private sector. This slowdown has been gradual, however, partly due to the relative laxity of financing conditions in Spain. On provisional December information, annual growth of loans granted by resident credit institutions to the non-financial private sector stood at 12.6% , as against 13.6% three months earlier.

(2) Throughout this chapter, including in the tables and charts, the figures refer to cumulative four-quarter data, unless stated otherwise.

TABLE 5

Net financial transactions and inter-sectoral flows
(Cumulative data for the last four quarters)

% GDP

	NET FINANCIAL TRANSACTIONS								
	1996	1997	1998	1999	2000		2001		
					Q3	Q4	Q1	Q2	Q3
Total economy	1.2	1.6	0.5	-1.1	-2.3	-2.6	-2.3	-2.2	-2.0
Non-financial corporations and households and NPIs	5.1	4.0	1.9	-0.6	-2.5	-2.9	-3.0	-2.3	-2.4
Non-financial corporations	-0.1	-0.5	-1.3	-2.7	-3.7	-3.7	-4.2	-4.4	-4.3
Households and NPIs	5.2	4.5	3.3	2.1	1.2	0.8	1.3	2.1	2.0
Financial institutions	1.0	0.7	1.1	0.5	0.8	0.7	0.6	0.7	0.6
General government	-4.9	-3.2	-2.6	-1.1	-0.5	-0.3	0.0	-0.6	-0.3
INTER-SECTORAL FLOWS (a)									
Households and NPIs	5.2	4.5	3.3	2.1	1.2	0.8	1.3	2.1	2.0
Vis-à-vis:									
Credit institutions (b)	-2.7	-6.7	-4.4	0.3	1.7	-0.2	-0.1	-0.2	-0.6
Institutional investors (c)	8.8	10.9	7.5	1.1	-0.7	0.4	1.0	1.8	3.0
Non-financial corporations	-0.1	-0.5	-1.3	-2.7	-3.7	-3.7	-4.2	-4.4	-4.3
Vis-à-vis:									
Credit institutions (b)	-0.3	-3.2	-4.3	-3.8	-5.6	-6.5	-5.8	-4.5	-4.4
Rest of the world	0.4	1.7	0.9	-0.7	-0.6	1.5	1.0	-0.3	0.0
General government	-4.9	-3.2	-2.6	-1.1	-0.5	-0.3	0.0	-0.6	-0.3
Vis-à-vis:									
Credit institutions (b)	-0.4	1.4	1.4	1.4	1.3	2.2	0.3	-0.5	-1.0
Institutional investors (c)	-5.9	-3.9	-2.6	1.7	3.5	3.5	3.8	3.6	2.8
Rest of the world	-0.2	-2.0	-1.1	-4.3	-4.7	-6.1	-4.9	-4.6	-3.3
Rest of the world	-1.2	-1.6	-0.5	1.1	2.3	2.6	2.3	2.2	2.0
Vis-à-vis:									
Credit institutions (b)	0.9	2.8	7.1	2.0	3.6	5.4	5.8	3.7	4.6
Institutional investors (c)	-0.9	-2.5	-6.3	-3.5	-4.4	-5.7	-5.5	-5.2	-5.0
Non-financial corporations	-0.4	-1.7	-0.9	0.7	0.6	-1.5	-1.0	0.3	0.0
General government	0.2	2.0	1.1	4.3	4.7	6.1	4.9	4.6	3.3

Source: Banco de España.

(a) A positive sign indicates the extension of financing to the counterpart sector. A negative sign denotes financing received from the counterpart sector.

(b) Defined in accordance with the First Banking Directive.

(c) Insurance corporations and collective investment undertakings.

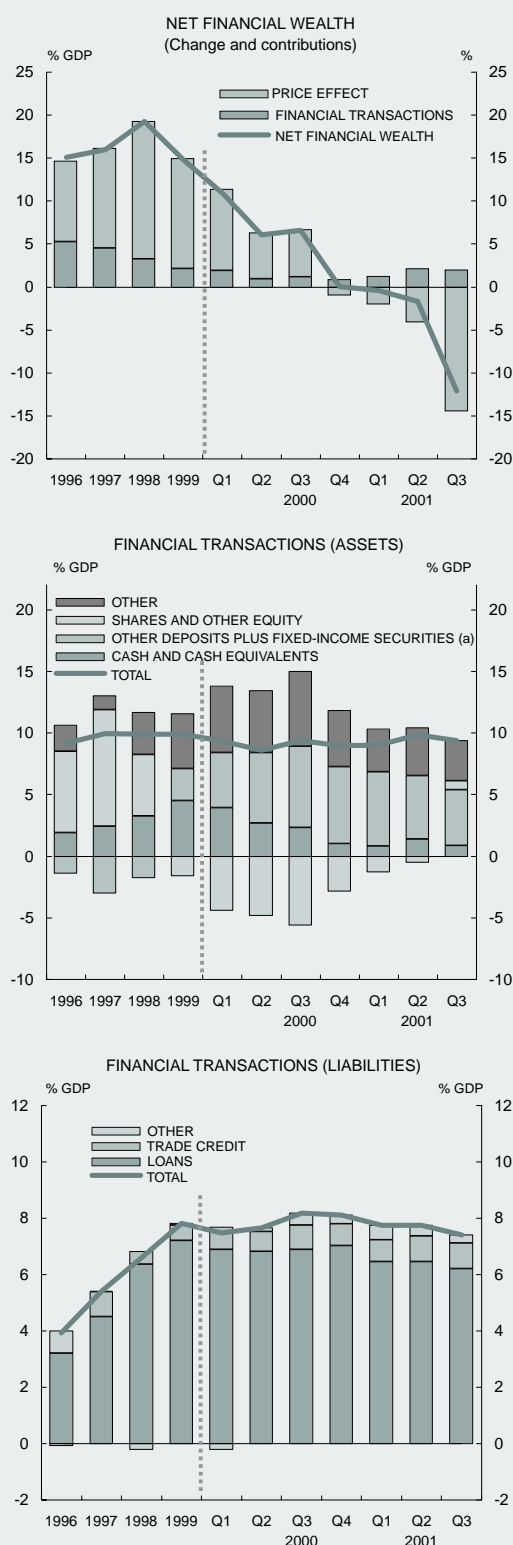
5.2. Financial flows of households

Between July and September 2001, the investment by households in financial assets exceeded the financing they received by 0.8% of GDP. Accordingly, the positive balance on their financial transactions remained on the path of recovery followed since the beginning of the year, to stand, in cumulative four-quarter terms, at 2% of GDP (see Table 5). However, a certain slowdown was discerned in the recovery of saving, which seems to have had its counterpart in relatively buoyant consumption, given the current cyclical position of the Spanish economy.

The recovery in household saving is occurring amid a decline in financial wealth that began in 2000 and that has been relatively steep, owing to the increasing exposure of households in recent years to changes in the prices of the most risky assets. Thus, the reduction in the value of the net financial assets of households (the so-called "price effect" in Chart 23) intensified after the terrorist attacks of 11 September, amounting to more than 14% of GDP over the last four available quarters. Although the immediate reaction of the prices of assets quoted on financial markets following the attacks has largely been corrected, the cumulative losses

CHART 23

Households and NPIs (Cumulative four-quarter data)



Source: Banco de España.

(a) Not including unpaid accrued interest, which is included under "other".

are still significant, especially given the climate of greater economic weakness and uncertainty.

Household investment in financial assets fell slightly during Q3, to stand at 9.4% of GDP (see Table 6 and Chart 23), while saving in the form of cash and cash equivalents declined to 0.8% of GDP, as compared with 1.4% in the previous quarter. This lower investment in more liquid assets was due to the fall in the demand for cash, which was not offset by greater investment in sight and savings deposits, although it does seem to have resulted in an increase in time deposits and, especially, in shares in money market funds (FIAMM). Thus, time deposits continued to grow at rates of more than 20%, although within the trend slowdown that commenced in late 2000, while investment in FIAMM, which was negative between 1998 and 2000, represented 0.8% of GDP during the last four available quarters.

As regards borrowing transactions, the trend of previous quarters continued to hold in Q3. The financing received by households amounted to 7.4% of GDP (7.7% in the first two quarters of 2001, as seen in Table 6), its annual growth rate decelerating from 15% in the previous quarter to 14% (see the memorandum item of Table 6). Credit granted by resident institutions, the main source of household financing, amounted to 5.8% of GDP, compared with 6.3% in the previous quarter. This deceleration did not entirely translate into lower household debt, since some of the loans removed from bank balance sheets (mainly mortgage loans) were not repaid, but transferred to other agents through securitisation (see Box 5).

The information available on its distribution by purpose indicates that the deceleration in the financing granted by resident institutions was particularly marked in the case of loans for house purchase, although they continued to grow at high annual rates: 19.8%, as against 22.4% in the previous quarter. Meanwhile, consumer finance continued to accelerate, to reach an annual growth rate of more than 25%. This was consistent with the relative strength of consumption, especially of durable goods.

The provisional information on the financial flows of the Spanish economy during 2001 Q4 points to continuity in the previously identified trends (3) (see Chart 24). On the financing side, the slowdown in loans from resident institutions continued. As for investment in financial assets,

(3) Note that these indicators provide aggregate information on the sectors households and non-financial corporations, so that the conclusions on the trends in household transactions must be interpreted with due caution.

TABLE 6

Financial assets and liabilities of households, NPIs and non-financial corporations
(Cumulative data for the last four quarters)

% GDP

	1998	1999	2000	2001		
				Q1	Q2	Q3
HOUSEHOLDS AND NPIs:						
Financial transactions (assets)	9.9	9.9	9.0	9.0	9.9	9.4
Cash and cash equivalents	3.2	4.5	1.0	0.8	1.4	0.8
Other deposits and fixed-income securities (a)	-1.8	2.6	6.2	6.1	5.1	4.5
Shares and other equity (b)	0.0	0.2	0.7	0.9	0.6	0.8
Mutual funds	5.0	-1.8	-3.6	-2.3	-1.2	-0.1
<i>FIAMM</i>	-1.1	-1.4	-1.3	-0.5	0.1	0.8
<i>FIM</i>	6.2	-0.5	-2.3	-1.8	-1.3	-0.9
Insurance technical reserves	2.5	3.3	3.5	2.6	2.6	2.5
Of which:						
<i>Life assurance</i>	1.3	2.1	2.1	1.3	1.2	1.0
<i>Pension funds</i>	1.0	0.9	1.1	1.0	1.1	1.2
Other	0.9	1.2	1.1	0.8	1.4	0.8
Financial transactions (liabilities)	6.6	7.8	8.1	7.7	7.7	7.4
Credit from resident credit institutions	5.9	6.5	6.8	6.3	6.3	5.8
Securitisation funds	0.5	0.6	0.1	0.1	0.0	0.2
Other	0.3	0.7	1.1	1.4	1.4	1.4
NON-FINANCIAL CORPORATIONS:						
Financial transactions (assets)	14.1	18.0	27.5	25.8	25.0	19.1
Cash and cash equivalents	1.5	0.7	0.9	0.3	0.6	0.7
Other deposits and fixed-income securities (a)	0.2	-0.1	0.9	1.3	0.8	-0.2
Shares and other equity	3.1	8.3	13.9	13.7	11.9	8.2
Of which:						
<i>Vis-à-vis rest of the world</i>	2.2	6.4	10.8	10.3	9.4	7.6
Other	9.3	9.1	11.7	10.6	11.8	10.3
Financial transactions (liabilities)	15.4	20.7	31.2	30.0	29.4	23.4
Credit from resident credit institutions	4.7	4.9	6.7	5.4	5.5	5.3
Securitisation funds	0.2	0.4	1.0	0.9	0.6	0.7
Foreign loans	1.6	3.0	3.3	4.0	4.2	2.6
Debt securities (a)	0.0	0.5	-0.5	-0.1	-0.2	-0.1
Shares and other equity	2.7	5.3	12.3	12.5	11.6	7.5
Other	6.3	6.6	8.2	7.2	7.7	7.3
MEMORANDUM ITEM: YEAR-ON-YEAR GROWTH RATES (%):						
Financing (c)	16.7	19.5	18.9	17.4	16.7	14.5
Households and NPIs	19.3	19.6	17.3	15.5	15.0	14.0
Non-financial corporations	14.7	19.5	20.1	18.9	18.0	14.8

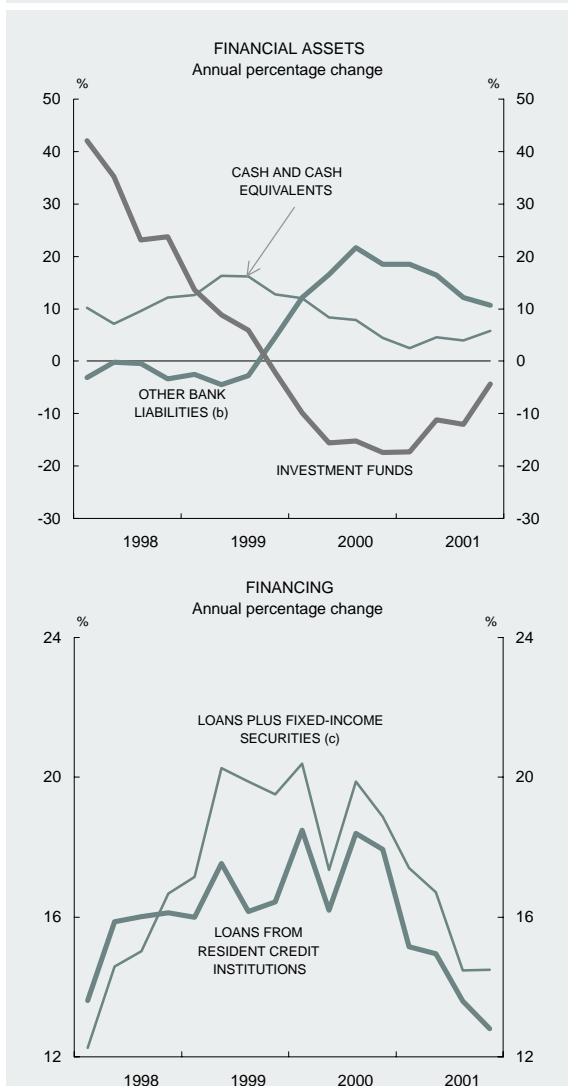
Source: Banco de España.
(a) Not including unpaid accrued interest, which is included under "Other".
(b) Not including mutual funds.
(c) Including bank credit extended by resident credit institutions, foreign loans, debt securities and financing through securitisation funds.

there was a recovery in cash and cash equivalents, since the intensification of the fall in cash seems to have been offset by a significant increase in investment in sight and saving deposits. The rate of growth of time deposits continued to slow, while investment in money market funds increased again.

It should be noted, finally, that the balance sheet position of households at the end of Q3 was adversely affected by the significant loss of financial wealth entailed by the decline in share prices. Thus, although the level of debt relative to GDP and relative to the value of their holdings of more liquid and less risky assets was stable,

CHART 24

**Non-financial corporations.
Households and NPIs (a)**



Source: Banco de España.

(a) The data for 2001 Q4 are provisional.

(b) Includes deposits with an agreed maturity, repos, bank securities and deposits abroad.

(c) Including loans from resident and non-resident credit institutions, securities issuance and financing through securitisation funds.

standing at 49% and 46% respectively (see Chart 25), household debt increased significantly when measured in terms of the total value of their financial assets. Specifically, the ratio of debt to total financial assets of households rose to 29.1%, up from 27.3% in the previous quarter.

5.3. Financial flows of non-financial corporations

In 2001 Q3, the balance of the financial transactions of non-financial corporations was -1.8% of GDP. In cumulative four-quarter terms,

their net financial requirements amounted to 4.3% of GDP, as against 4.4% in the previous quarter (see Table 5). Since the beginning of 2001 the financing gap of this sector, that is to say the financial resources needed to finance its domestic and foreign investment (see Chart 26), has been gradually narrowing. Accordingly, the worsening over the year of the balance of its financial transactions may be related to a reduced capacity to generate resources and to finance itself, against a background of less buoyant economic activity.

The acquisition of financial assets and liabilities was significantly lower in Q3 than in the same quarter of 2000. That year some large-scale financial transactions were executed, linked to the purchase of foreign companies and the financing of UMTS licences (see Chart 26 and Table 6).

Net corporate investment in financial assets amounted to 19.1% of GDP in 2001 Q3, down from 20% in the previous quarter. This reduction was particularly apparent in the acquisition of shares and other equity abroad (7.6% of GDP, as against 9.4% in the previous quarter). However, the volume of credit extended to the rest of the world held relatively steady as a consequence of the level reached by investment abroad. In comparison with other financial assets (see Table 6), the growing profile of investment in cash and cash equivalents should be noted, although their value is relatively small. This may partly reflect a higher preference for less risky financial assets against a background of growing uncertainty.

On the liabilities side, the reduction in flows was also notable, although somewhat smaller than in the case of assets. The accumulation of liabilities in 2001 Q3 represented 23.4% of GDP, down from 29.4% in the previous quarter. This reduction was particularly sharp in the case of share issuance, which fell from 11.6% of GDP in 2001 Q2 to 7.5%. Loans received from abroad also declined, although to a lesser extent (from 4.2% of GDP to 2.6%). It should be noted that in 2000 Q3 there was a large flow of foreign financing associated with the purchase of UMTS licences (4). In the year to date, the net financing raised through loans from abroad has been larger than that received through the issuance of shares, which may be explained at least partly by the adverse trend in share prices.

The volume of credit granted by resident institutions continued to slow, albeit gradually.

(4) The figures in the tables are cumulative data for the latest four quarters.

Recent developments in securitisation in Spain

Securitisation is a financial process that involves transforming any non-marketable asset capable of generating a stream of income into a marketable security. An independent institution (known as a securitisation fund) acquires the assets from the entity transferring them and issues securities (asset-backed bonds) against them. These bonds are normally standard debt securities and, most importantly, are marketable on organised markets. In the case of the "off-balance-sheet" variety of securitisation, the asset transferred is removed from the balance sheet of the transferring entity (a) and the credit risk is transferred to the bondholder. Securitisation incorporates in its design elements of credit improvement, which means that asset-backed bonds enjoy a higher credit rating than their underlying assets (b). Until 1998, securitisation regulations only provided for "mortgage securitisation", i.e. the securitisation of credit or loans secured by mortgage. That year, the securitisation of other non-mortgage assets was regulated, opening the way for financial and non-financial corporations to securitise all their assets, including future creditors' rights (c).

As seen in Chart 1, securitisation (in its off-balance-sheet form) has, in recent years, grown very considerably in Spain. In 2001, total outstanding asset-backed bonds exceeded EUR 21,000 million (excluding those arising from the nuclear moratorium). Similarly notable has been the growth of securitisation of non-mortgage assets. In 2000, 82% of securitisation involved the issuance of non-mortgage assets, while in 2001 the proportion was 70%. Also, new kinds of securitised credit have appeared, such as consumer credit and credit to small and medium-sized businesses, through a type of fund known as FTPyme (d), although the volume of these new forms is still negligible.

Outstanding securitisation is still small compared to government debt and other private fixed-income. However its recent development, as seen in Chart 2, has been very significant, relative to other alternative sources of financing for households and non-financial corporations. This expansion must be seen against a background characterised, on one hand, by an increase in net borrowing by banks, as a consequence of the strong demand for credit (mainly mortgage loans) and the more moderate growth in their deposits and, on the other, by increasing competition in banking, which has squeezed margins and made commission income relatively more important. In this setting, securitisation offers a new source of financing for banks, while enabling them to maintain their commission income and their relationship with customers, since very often the transferor entity remains responsible for the administration and management of the loans transferred until maturity (which in the case of mortgages is usually in the long term). Also, off-balance-sheet securitisation enables credit institutions to reduce their capital requirements.

Asset securitisation, especially in Spain, is conducive to the development of financial markets. It should be recalled that in recent years there has been high growth in the demand for securities, as a result of greater institutional investment, while the outstanding balance of public debt has been falling. Considering the traditional dependence of Spanish corporations on bank finance, securitisation offers possibly the most promising way of increasing, at least in the short term, the size and liquidity of the domestic private fixed-income markets. Thus, the potential for growth of securitisation in Spain is high, as is also clear from its current level relative to other European countries.

(a) There is also another form of securitisation known as "on-balance-sheet" securitisation. Here it is the entity holding the assets itself that issues securities backed by such assets (e.g. trade credit). The risk of non-payment on the underlying asset is not transferred to the holder of the security and the securitising entity keeps on its balance sheet both the asset and the liability issued. This form has also grown significantly in Spain in recent years. In particular, in 2001, a group of small and medium-sized savings banks issued a large volume of special mortgage-backed certificates (EUR 4,500 billion), which they then transferred to an asset securitisation fund.

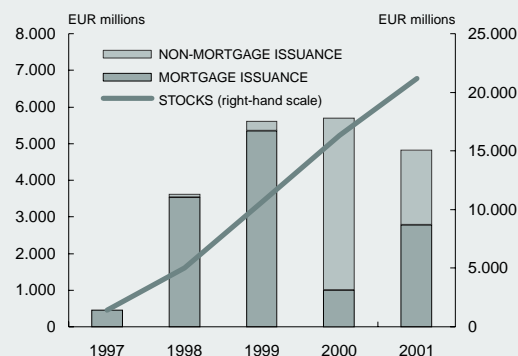
(b) One of the most common elements of improvement is subordination, which involves delaying payment on one series (the subordinated series) or making it subject to payment on another series (the senior series). Subordination may be limited to the principal or may also include the interest.

(c) Royal Decree 926/1998 of 14 May 1998 regulating asset securitisation funds.

(d) A Ministerial Order of 28 May 1999 lays down the regime and content of the promotion agreements that the Ministry of Economy and Finance can sign with asset-securitisation-fund management companies for the promotion of an asset securitisation fund, under the trade name "FTPyme".

CHART 1

Asset-backed bonds: Stocks and annual net issuance (a)

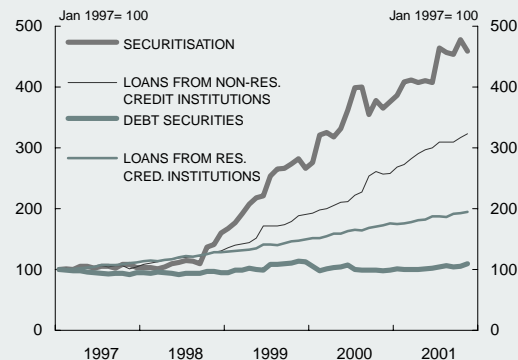


Source: Banco de España.

(a) Excluding nuclear moratorium stocks and the special mortgage certificates mentioned in note (a) to the text of this box.

CHART 2

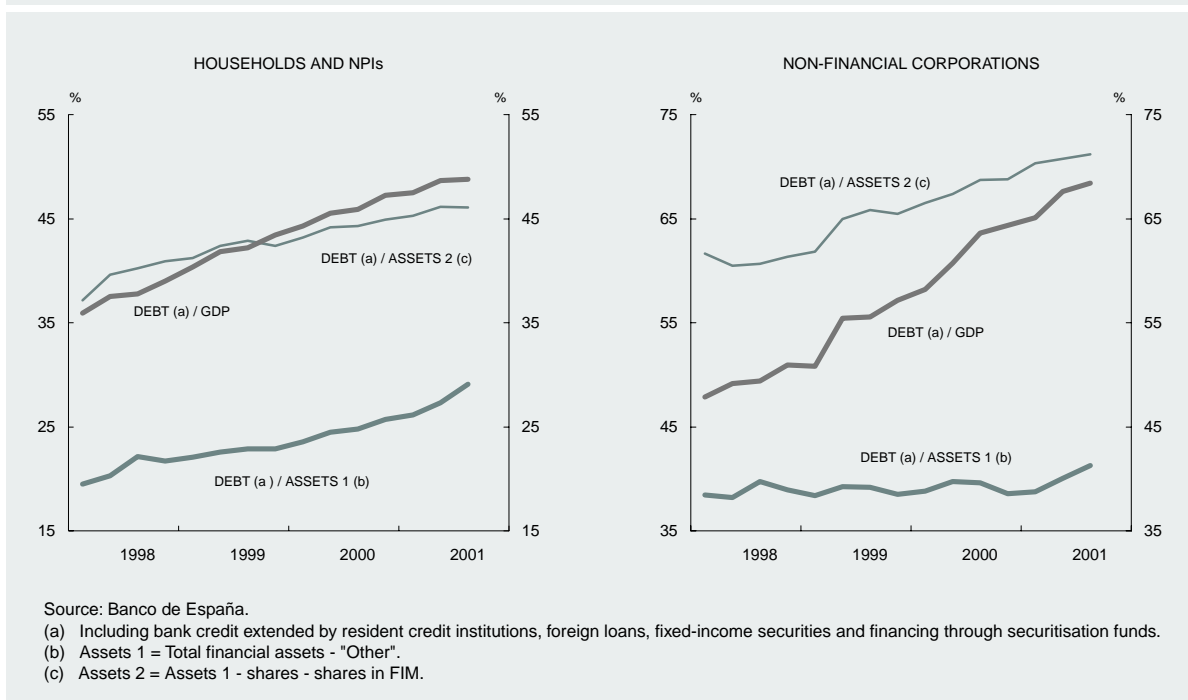
Financing of households and non-financial corporations in Spain



Source: Banco de España.

CHART 25

Debt ratios



According to the information on the distribution of credit by type, the slowdown was concentrated, in-line with events during the year, in the services sector and construction. The rate of growth of credit to the services sector, which represents over 50% of all credit to productive activities, fell to 11.1% in 2001 Q3 (from rates of 20% in late 2000). Credit to construction, meanwhile, slowed to 9.1% in Q3 (from rates of more than 20% in 2000).

These developments in the liabilities of corporations entailed a further slowdown in total financing received, the year-on-year growth of which stood at 14.8%, as against 18% in the previous quarter (see the memorandum item of Table 6). The provisional information on 2001 Q4 points to continuity in the patterns observed in Q3, albeit with a certain recovery in the financing raised through the issuance of debt securities.

The volume of financing received by non-financial corporations translated into a further increase in their debt ratios, especially in relation to the value of more risky assets, whose prices fell significantly after the attacks of 11 September. The level of debt of non-financial corporations (in the form of credit from resident banks, foreign loans, debt securities and financing through securitisation funds) stood at 68.4% of GDP and 71.2% of their more risky financial assets.

5.4. General government financial flows

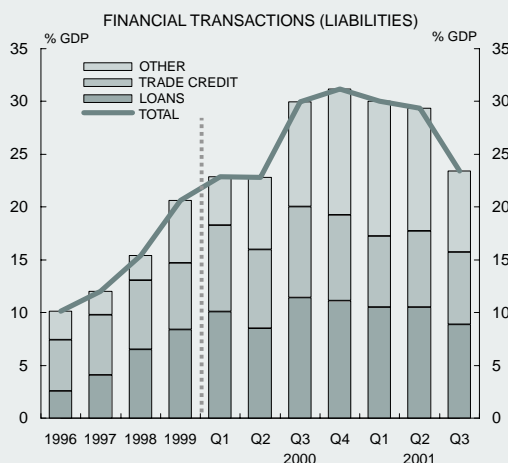
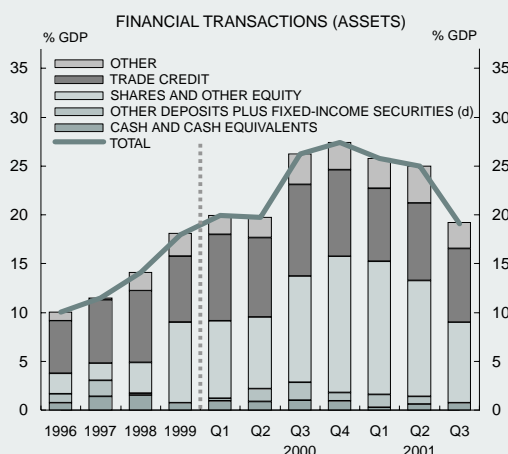
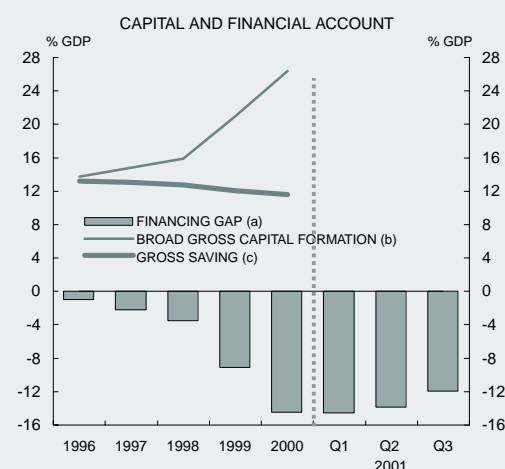
The balance of the financial transactions of general government was slightly positive during 2001 Q3 (see Chart 27). In cumulative four-quarter terms this entailed a reduction of 0.3 percentage points in its net borrowing, to -0.3% of GDP.

During Q3, general government net issuance of long-term securities amounted to EUR 5 billion, which was mostly acquired by non-residents, with the result that external financing increased by EUR 3.8 billion. Some of the funds raised through this issuance were used to reduce the net financing received through the issuance of short-term securities and loans by EUR 2.9 billion and EUR 0.8 billion respectively. At the same time, general government reduced the deposits held with credit institutions by EUR 3.9 billion, of which EUR 2.8 billion was associated with Treasury liquidity tenders.

Provisional Q4 data point to continuity in the net issuance of long-term securities and redemption of Treasury bills and loans. At the same time, some of the funds obtained were in the form of an increase in the deposits held with credit institutions, so that the *financial requirements*, an indicator of general government's recourse to the financial markets, which approximates the sector's saving, increased in the final quarter of the year (see Chart 27). Significantly,

CHART 26

Non-financial corporations (Cumulative four-quarter data)



Source: Banco de España.

(a) Financial resources that cover the gap between real and permanent financial investment and gross saving.

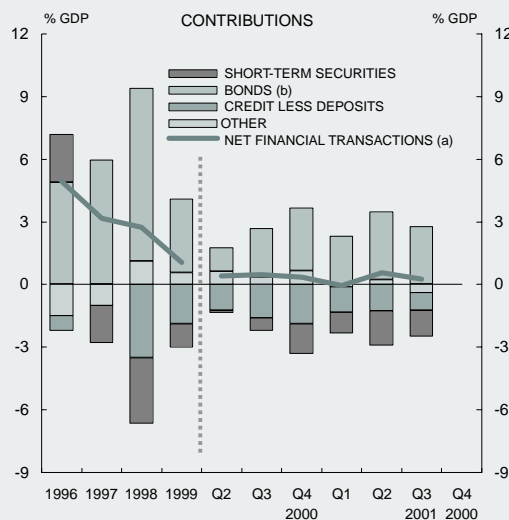
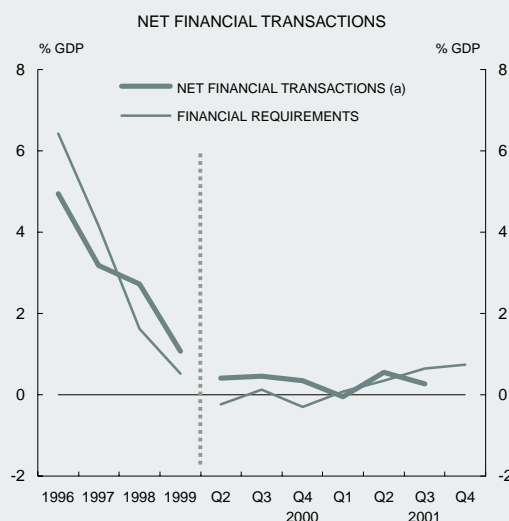
(b) Including gross capital formation, stockbuilding and foreign equities.

(c) Including capital transfers.

(d) Not including unpaid accrued interest, which is included under "other".

CHART 27

General Government (Cumulative four-quarter data)



Source: Banco de España.

(a) Sign changed.

(b) Not including unpaid accrued interest, which is included under other.

in December, Moody's raised its credit rating for Spanish public debt to the top grade, which will entail a reduction in the cost of finance for general government (see Box 6).

5.5. Financial flows between the Spanish economy and the rest of the world

The balance of the financial transactions of the nation during 2001 Q3 was somewhat less negative than in the same quarter a year earlier, standing at -2% of GDP (see Table 7). The rate of acquisition of external financial assets and liabilities had been falling over the year, owing firstly to the absence of extraordinary

TABLE 7

Financial transactions of the nation
(Cumulative data for the last four quarters)

% GDP

	1998	1999	2000	2001		
				Q1	Q2	Q3
Net financial transactions	0.5	-1.1	-2.6	-2.3	-2.2	-2.0
Financial transactions (assets)	12.3	15.0	24.3	25.2	23.2	16.2
Gold and SDRs	0.0	-0.2	0.0	0.0	0.0	0.0
Cash and deposits	3.2	1.8	2.8	3.7	2.7	-0.4
Credit system	0.0	3.7	2.6	3.0	2.0	-0.5
Other resident sectors	3.2	-1.9	0.2	0.7	0.6	0.1
Securities other than shares	3.4	2.8	3.8	5.3	6.6	5.7
Credit system	-1.4	-0.9	-0.3	0.4	1.8	1.0
Other resident sectors	4.7	3.7	4.1	4.8	4.9	4.8
Shares and other equity	4.3	9.8	15.1	13.2	10.9	8.1
Credit system	0.4	0.7	1.7	1.4	0.6	0.3
Other resident sectors	3.9	9.0	13.3	11.8	10.2	7.8
Of which:						
Non-financial corporations	2.2	6.4	10.8	10.3	9.4	7.6
Loans	1.4	0.8	2.6	3.0	3.1	2.7
Credit system	0.2	-0.2	0.5	0.6	0.6	0.7
Other resident sectors	1.2	0.9	2.1	2.3	2.4	2.0
Financial transactions (liabilities)	11.8	16.1	26.8	27.5	25.4	18.2
Deposits	5.9	4.2	7.3	8.7	6.7	5.0
Of which:						
Credit system	5.9	4.1	7.2	8.7	6.6	4.9
Debt securities issued	1.0	5.4	7.1	6.0	5.8	4.1
Credit system	0.2	0.9	0.8	0.7	0.8	0.7
General government	1.0	4.3	5.8	4.8	4.4	3.0
Other resident sectors	-0.2	0.2	0.5	0.4	0.5	0.4
Shares and other equity	2.9	3.9	8.9	8.9	8.6	6.1
Credit system	0.1	0.3	1.6	1.5	1.1	0.4
Other resident sectors	2.8	3.6	7.3	7.5	7.5	5.7
Loans	2.2	3.8	4.3	4.9	5.2	3.5
General government	0.1	0.0	0.1	0.1	0.0	0.1
Other resident sectors	2.1	3.7	4.2	4.9	5.2	3.4
Other, net (a)	-0.2	-1.2	-0.8	-1.0	-0.8	-0.5

Source: Banco de España.

(a) Includes the asset-side caption reflecting insurance technical reserves.

transactions like those in 2000, linked to the strategic purchases of foreign businesses. Secondly, the reduction in the financial flows with the rest of the world also seems to have been related to the greater uncertainty and weakness of the world's main economies, to the military conflict engendered by the terrorist attacks and to the worsening of the economic and political crisis in Argentina.

Investment in financial instruments issued by non-residents fell gradually over the year. In Q3 the value of net investment abroad amounted to 16.2% of GDP, as against 25.2% and 23.2%, respectively, in Q1 and Q2. The largest flows of investment, 8.1% of GDP in net terms, were used to purchase *shares and other equity*, and continue to be primarily related to permanent investment by the non-financial private sector. As

The raising of the credit rating for Spanish sovereign debt

The yield spread of Spanish long-term sovereign debt over German debt has been falling in recent years (see Chart 1). Between early 1995 and end-2001 it fell from over 500 basis points (b.p.) to around 20 b.p. The two main factors explaining this change are, first, the reduction in exchange rate risk, and its subsequent elimination with the commencement of Stage Three of EMU, and second, the lower credit risk on Spanish debt associated with the improvement in macroeconomic conditions in the Spanish economy and fiscal consolidation.

Against this background, on 13 December 2001, Moody's decided to raise the credit rating assigned to the long-term debt issued by the Spanish Treasury to the highest score (a rise of two grades). This rating is awarded to a small number of sovereign issuers (14, in the case of long-term issues in foreign currency) (a). As is well known, the debt issued by sovereign states is, like certain private issues of debt securities, subject to rating by rating agencies, which assess the creditworthiness of the issuers and assigns them a score based on certain criteria.

To illustrate the importance of credit ratings in the determination of the interest rates issuers have to pay, Chart 2 shows the average yield, in November 2001, on the 10-year benchmark issues of euro-area sovereign states, according to categories based on the credit ratings of Moody's and Standard & Poor's (b). The first category includes the highest rated benchmarks, while the lowest rated issues are in the seventh category (c). This chart reveals a clear relationship between ratings and yields, which suggests that the former are an important determinant of interest rates. Specifically, it can be seen that a one-category improvement in credit rating entails, on average, a four-basis-point fall in the yield (straight line). Obviously this is not the only determinant of negotiated interest rates, as shown by the significant differences in the yields between debt issues with a similar rating, especially in the first category.

Although the information used by the agencies to assess issues is basically public, announcements of changes in ratings usually have an impact on negotiated interest rates, insofar as they reinforce the market's perceptions of issuers' creditworthiness. In the case of Spanish debt, in the days following the announcement by Moody's of its decision to raise its rating, there was a reduction in the long-term yield spreads over the other issues of euro-area sovereign states with a similar maturity. For example, the spreads on the Spanish 10-year benchmark fell by an average of four basis points. The largest declines were seen in the spreads over the issues with the lowest yields and highest ratings, such as German debt (7-10 b.p.). These movements are in line with the relationship between interest rates and credit rating seen in Chart 2. In fact, in terms of this chart, the Moody's decision meant that Spanish debt moved from category 4 to category 2, with a reduction in the expected yield of some 8 b.p.

The reduction in the rates negotiated for Spanish debt as a result of the improvement in its credit rating will mean reduced interest charges for the Treasury over the coming years assuming, as seems likely, that this effect proves to be lasting.

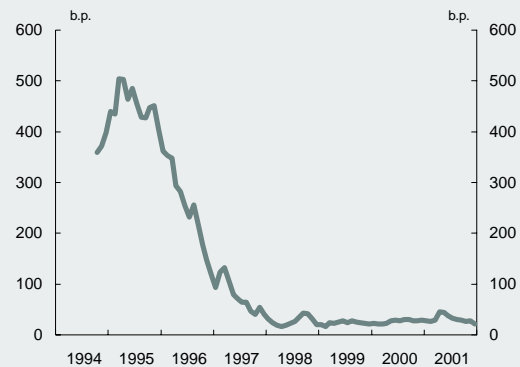
(a) Standard & Poor's has not, as yet, revised the rating of Spanish debt, which it is still rating at the second highest level.

(b) Probably the two agencies with the highest reputation.

(c) Specifically, categories 1, 3 and 5 include the issues that receive, respectively, the first, second and third best ratings from both agencies. The even categories include issues with different ratings from each agency. For example, those of category 2 are those that receive the highest rating from one agency and the second highest from the other. Finally, category 7 includes the debt with the lowest rating.

CHART 1

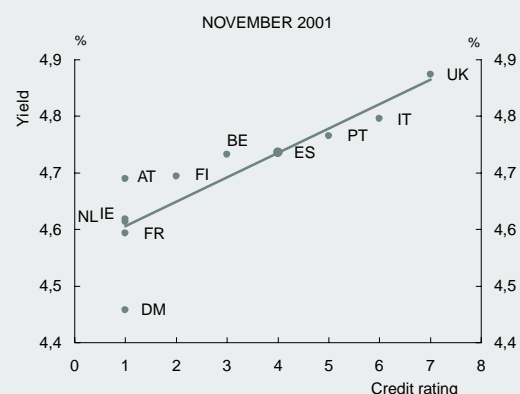
Yield spread between Spanish and German 10-year sovereign bonds



Source: Banco de España.

CHART 2

Yields on 10-year sovereign bonds and credit ratings



Sources: Reuters and Banco de España.

TABLE 8

**Net financial assets vis-à-vis the rest of the world (a)
(Q4 data)**

% GDP

	1996	1997	1998	1999	2000	2001 (b)
Total economy	-19.7	-20.6	-21.4	-22.8	-22.2	-21.4
Non-financial corporations and households and NPIs	-13.3	-10.8	-8.6	-9.3	-2.6	0.3
Non-financial corporations	-18.3	-17.1	-14.8	-16.9	-10.4	-7.6
Households and NPIs	5.0	6.3	6.2	7.7	7.9	7.9
Financial institutions	8.8	7.2	5.1	7.0	5.2	3.7
Credit institutions (c)	6.7	2.4	-5.4	-7.5	-12.5	-14.2
Institutional investors (d)	2.2	4.9	10.9	15.1	18.5	19.2
Other financial institutions	-0.1	-0.1	-0.4	-0.6	-0.8	-1.3
General government	-15.3	-17.0	-17.9	-20.5	-24.8	-25.4

Source: Banco de España.

(a) Calculated as the difference between the stock of financial assets and liabilities vis-à-vis the rest of the world according to quarterly financial accounts data.

(b) Q3 data.

(c) Defined according to the First Banking Directive.

(d) Insurance corporations and collective investment undertakings.

a consequence of this investment, the credit extended abroad by other resident sectors held at levels of around 2% of GDP.

The volume of liabilities accumulated vis-à-vis the rest of the world decelerated noticeably. In Q3, the net financing received from abroad represented 18.2% of GDP, as against 27.5% and 25.4% in Q1 and Q2 respectively. This reduction in funds raised was particularly notable in the case of non-financial corporations. General government, by contrast, obtained more financing through the placement of public debt abroad than in the first two quarters (although it was still less than in 1999 and 2000).

Provisional balance-of-payments information for October shows net capital inflows in all resident sectors. The flows of direct investment were very subdued and portfolio investment was concentrated in the acquisition of bonds, against a background of great uncertainty on

stock markets. Also, there was an especially large capital inflow in the form of long-term loans to the non-financial private sector.

As a result of these transactions and of the path of the exchange rate and of financial asset prices, the net external debit position of the national economy improved, to stand at -21.4% of GDP (see Table 8). The value of the net external financial assets of the non-financial private sector increased considerably and turned positive, owing to the improvement in the position of non-financial corporations. Institutional investors saw the value of their net external assets fall, although it remained higher than at the end of 2000. Finally, there was also an improvement in the position of credit institutions and general government, although these positions were still worse than in 2000.

29.01.2002.

Results of non-financial corporations in 2000 and the first three quarters of 2001 (1)

1. INTRODUCTION

As is customary at this time of year, the Banco de España presents here annual results for non-financial corporations, for 2000 in this instance (based on the annual data or CBA), and quarterly results, for 2001 Q3 (drawn from the quarterly database or CBQ). The quarterly data now available confirm the slowdown in productive activity foreshadowed in the articles in the July and October editions of the Economic bulletin, in contrast to the vigorous growth of gross value added (GVA) during 2000. In line with the preliminary data compiled on the basis of CBQ data for the four quarters of 2000, published in the April edition of the Economic bulletin, the GVA obtained by the CBA for 2000 grew at a nominal rate of 7.1% in relation to the previous year. However, in the first three-quarters of 2001 there was a reduction in the rate of change of the GVA to 4.8%, a trend that may possibly intensify in Q4 (Table 1 and Chart 1).

Both the growth in 2000 and the progressive slowdown during 2001 to date have been affected by the recent trend in oil prices, which rose significantly during 2000, especially in the second half of the year. Even when the upward bias of the firms in the refining business (which, like those in the business of marketing fuel, are better represented in the Central Balance Sheet Office sample of firms than those engaged in other activities) is discounted, 2000 still shows a very positive performance. This stemmed, among other factors, from the healthy behaviour of demand. However, the slowdown in the growth of manufacturing corporations has been gaining momentum during 2001 (Table 2 and Box 1). These are the corporations most exposed to competition and they have suffered the consequences of lower external demand

(1) The information in this article relates to the 6,173 corporations that had sent information by 31 October 2001 to the Central Balance Sheet Office Annual Survey (CBA), and to the 732 corporations which, on average, sent information on the first three quarters of 2001 to the Central Balance Sheet Office Quarterly Survey (CBQ) in the period to 16 November 2001. The CBA sample corporations account for 25.7% of the total GVA of the sector non-financial corporations, while the coverage is 13.6% in the case of the CBQ. The sending of data to the CBA is in a way dependent on the formal approval of the accounts of the corporations by their shareholders, which explains why the publication of the accounts for year n in the annual monograph of the Central Balance Sheet Office takes until November of the year $n+1$. The data sent by the corporations to the CBQ are not end-quarter data and, in most cases, are based on estimates, which enables them to be published in these articles with a lag of 3 months on the final month of the calendar quarter to which the latest published information refers. The information compiled and published by the CBQ is less detailed than that of the CBA, but, as can be seen in Chart 1, it is a leading indicator of the latter.

TABLE 1

Profit and loss account. Year-on-year performance
Growth rates of the same corporations on the same period a year earlier

Databases	CBA		CBQ (a)		
	1999	2000	00 Q1-Q4 / 99 Q1-Q4	00 Q1-Q3 (a)	01 Q1-Q3 (a)
Number of corporations/total national coverage	7951/30.7%	6173/25.7%	894 / 16.5%	915 / 16.8%	732 / 13.6%
1. VALUE OF OUTPUT (including subsidiaries)	9.0	16.1	17.1	18.2	3.6
Of which:					
1. Net amount of turnover and other operating income	10.7	17.8	22.3	23.0	5.0
2. INPUTS (including taxes)	11.3	20.4	23.0	25.2	3.0
Of which:					
1. Net purchases	12.8	24.7	28.5	31.7	1.1
2. Other operating costs	11.1	13.4	9.5	10.7	5.7
S.1. GROSS VALUE ADDED AT FACTOR COST [1 - 2]	4.6	7.1	8.0	7.6	4.8
3. Personnel costs	5.9	7.1	5.5	5.8	4.9
S.2. GROSS OPERATING PROFIT [S.1 - 3]	3.3	7.1	10.0	9.1	4.8
4. Financial revenue	5.9	23.9	23.0	16.4	36.5
5. Financial costs	-2.4	22.8	29.9	23.9	28.2
6. Corporate income tax	12.4	-10.5	-11.4	17.1	8.0
S.3. FUNDS GENERATED FROM OPERATIONS [S.2 + 4 - 5 - 6]	2.9	4.2	11.7	6.7	4.6
7. Depreciation and provisions and other [7.1 + 7.2 - 7.3]	-0.9	-6.6	12.6	-7.9	22.4
7.1. Depreciation and operating provisions	7.5	7.0	7.9	6.5	0.4
7.2. Capital losses and extraordinary expenses	-0.6	-7.4	25.9	-15.8	85.5
7.3. Capital gains and extraordinary revenue	4.1	-15.5	24.5	11.0	-1.9
S.6. ORDINARY NET PROFIT [S.2 + 4 - 5 - 7.1]	1.5	9.8	10.1	8.9	8.9
MEMORANDUM ITEM:					
S.4. TOTAL NET PROFIT [S.3 - 7] (% of GVA at factor cost) (t-1, t) (b)	16.1-14.9	14.3-16.1	18.2-18.5	23.8-27.2	25.1-21.1
PROFIT RATIOS					
R.1 Ordinary return on net assets (before taxes)	7.8	7.6	8.4	8.4	8.5
R.2 Interest on borrowed funds/ interest-bearing borrowing	5.0	5.1	5.4	5.3	5.4
R.3 Ordinary return on equity (before taxes)	9.5	9.4	10.4	10.4	10.7
R.4 Financial leverage (R.1 - R.2)	2.8	2.5	3.0	3.1	3.1
R.5 Debt ratio	43.4	47.3	45.5	45.1	47.9

Source: Banco de España.

(a) All the data in these columns have been calculated as the weighted average of the quarterly data.

(b) These ratios are obtained for the same corporations in periods t and t-1.

Note: internal accounting movements have been edited out of item 4, 5, 6, 7.2 and 7.3 in the calculation of rates.

TABLE 2.a

Value added, employees, personnel costs and compensation per employee
Breakdown by size, ownership status and main activity of corporations
(Growth rates of the same corporations on the same period a year earlier)

	Gross value added at factor cost				Employees (average for period)				Personnel costs				Compensation per employee			
	CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)		
	2000	00 Q1- Q4	00 Q1- Q3	01 Q1- Q3	2000	00 Q1- Q4	00 Q1- Q3	01 Q1- Q3	2000	00 Q1- Q4	00 Q1- Q3	01 Q1- Q3	2000	00 Q1- Q4	00 Q1- Q3	01 Q1- Q3
TOTAL	7,1	8,0	7,6	4,8	4,3	2,1	2,3	0,9	7,1	5,5	5,8	4,9	2,7	3,3	3,4	4,0
Total, excluding electricity	8,2	9,8	8,2	6,2	4,6	2,7	2,9	1,4	7,7	6,5	6,9	4,9	2,9	3,6	3,8	3,5
SIZE:																
Small	8,7	—	—	—	4,2	—	—	—	8,7	—	—	—	4,3	—	—	—
Medium	8,8	9,7	10,3	3,0	5,7	3,9	4,0	2,6	9,3	7,4	7,6	7,7	3,4	3,4	3,5	5,0
Large	6,9	7,8	7,5	4,9	4,1	2,0	2,2	0,7	6,8	5,3	5,7	4,6	2,6	3,2	3,4	3,9
STATUS																
Public-sector	7,5	10,5	8,7	9,5	-0,4	0,7	0,5	1,7	3,8	6,5	5,9	6,8	4,2	5,8	5,4	5,0
Private-sector	7,1	7,5	7,4	4,2	5,5	2,6	3,0	0,7	8,0	5,2	5,8	4,4	2,4	2,5	2,7	3,7
BREAKDOWN OF ACTIVITIES BEST REPRESENTED IN THE SAMPLE:																
Manufacturing	12,2	22,1	20,4	-6,1	2,7	2,0	2,0	0,1	6,7	6,1	6,1	3,8	4,0	4,0	4,0	3,7
Electricity, gas and water supply	1,3	1,9	5,6	0,1	-3,4	-5,1	-5,1	-3,9	-1,3	-2,6	-2,8	3,8	2,2	2,6	2,4	8,0
Wholesale and retail trade	6,6	1,3	0,1	14,7	9,9	7,9	8,2	6,4	11,1	9,3	9,6	9,8	1,1	1,3	1,3	3,2
Transport, storage and communications	1,0	2,0	0,9	11,0	-0,8	-2,7	-2,5	-3,3	3,6	2,9	3,7	1,1	4,4	5,8	6,4	4,6

Source: Banco de España.

(a) All the data in these columns have been calculated as the weighted average of the quarterly data.

and of a deceleration in domestic demand (affected mainly by the practical stagnation of gross capital formation), and also, although more recently, of the deterioration of expectations. The adverse performance of manufacturing during 2001 to date (with a fall in GVA of 6.1%) made a large contribution to the moderation of the growth of the aggregate of all firms, to a rate of 4.8% (as against 7.6% in the first nine months of 2000), a rate that is attributable to the buoyancy in the period of wholesale and retail trade and of communications.

This performance by activity in the latest period was accompanied by similar growth in both personnel costs and operating profits (or surplus), so that the rate of change of ordinary net profits and, in consequence, of the profitability ratios has stabilised. Accordingly, it can be stated that ordinary net profits and the profitability ratios calculated on the basis of these variables

have still not been affected by the slowdown in business activity and continue to reflect the buoyant situation experienced by corporations in the recent period. Nonetheless, corporate profits have decelerated, mainly as a consequence of the decline in capital gains and the increase in capital losses, so that the share of net profits in GVA has fallen from 25.1% to 21.1% in the first three quarters of 2001, according to CBQ data.

From an historical perspective, the CBA data available for 2000 and previous years, confirm that, since 1983, when the Central Balance Sheet Office was set up, resident non-financial corporations have modernised their productive structures, significantly increasing their returns and improving their capacity to create employment. These data may be consulted in a monograph published at the same time as this article, or at www.bde.es.

CHART 1

Non-financial corporations reporting to the Central Balance Sheet Office (a)



NUMBER OF CORPORATIONS						
CBA	8,032	8,054	8,135	7,951	6,173	
CBQ	725	722	835	883	894	732
% OF GDP OF THE SECTOR NON-FINANCIAL CORPORATIONS						
CBA	34.0	33.7	33.7	30.7	25.7	
CBQ	19.1	18.7	18.0	17.0	16.5	13.6

NUMBER OF CORPORATIONS						
CBA	8,032	8,054	8,135	7,951	6,173	
CBQ	725	722	835	883	894	732
% OF GDP OF THE SECTOR NON-FINANCIAL CORPORATIONS						
CBA	34.0	33.7	33.7	30.7	25.7	
CBQ	19.1	18.7	18.0	17.0	16.5	13.6

CBA data

CBQ data

Source: Banco de España.

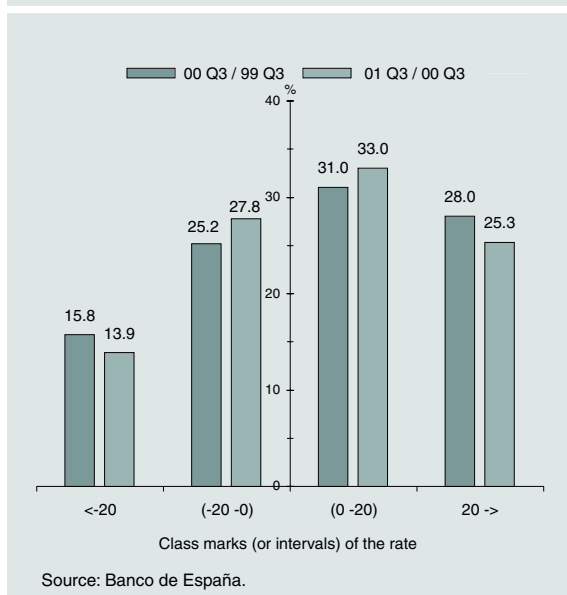
(a) Information available to 16 November 2001 (CBA and CBQ).

(b) The 1996, 1997, 1998, 1999 and 2000 data are based on information from the corporations included in the annual survey (CBA) and the average of the four quarters of each year in relation to the previous year (CBQ).

(c) Average of the first three quarters of 2001 over the same period of 2000.

CHART 2

**Distribution of corporations by rate of change in GVA at factor cost
(00 Q3 / 99 Q3, 01 Q3 / 00 Q3)**



In relation to employment, the increase in staffing levels during 2000 (for the sixth year running in the CBA, and at a rate of more than 4% for the last three) is consistent with the growth in productive activity in that period. On CBQ data, during 2001 to date, employment has continued to display positive rates, although significantly more moderate ones than in 2000. This growth in employment has led to an increase in personnel costs, both in 2000 as a whole and in the first three quarters of 2001, when average personnel costs were accelerating. This wage rise may be explained, to some extent, by the widespread application of inflation adjustment clauses in collective agreements, which have incorporated the increase in prices during 2000. Inflation in 2000 was strongly affected by the temporary effects of rises in unprocessed food and energy prices, which are now beginning to let up. However, whatever the reason for this drift, it is clear that the more increases in average compensation are tied to those in productivity the smaller will be the impact of the economic slowdown on employment.

The gross operating profit (or surplus) increased in 2000 at a much higher rate than in 1999, slowing down during the first nine months of 2001, along a similar path to that of GVA, as mentioned above. Financial costs, meanwhile, rose significantly in 2000, owing to the combined effect of the increase in borrowing in order to provide funds to resident subsidiary companies based abroad, in the form of share purchases or loans, and of the rise of 0.1 percent-

TABLE 2.b

**Employment and personnel costs
Detail according to changes in staff levels**

	Total CBQ corporations 01 Q1-Q3	Corporations increasing (or not changing) staff levels	Corporations reducing staff levels
No. of corporations	732	436	296
Personnel costs			
Initial situation 00 Q3-Q1 (EUR million)	12,974.2	6,327.7	6,646.5
Rate 01 Q1-Q3 / 00 Q1-Q3	4.9	11.7	-1.8
Average compensation			
Initial situation 00 Q1-Q3 (EUR)	27,054	24,621	30,075
Rate 01 Q1-Q3 / 00 Q1-Q3	4.0	3.9	5.3
Number of employees			
Initial situation 00 Q1-Q3 (000s)	478	257	221
Rate 01 Q1-Q3 / 00 Q1-Q3	0.9	7.5	-6.8
Permanent			
Initial situation 00 Q1-Q3 (000s)	394	204	190
Rate 01 Q1-Q3 / 00 Q1-Q3	1.1	5.6	-3.7
Non-permanent			
Initial situation 00 Q1-Q3 (000s)	84	53	31
Rate 01 Q1-Q3 / 00 Q1-Q3	0.0	14.8	-25.9

Source: Banco de España.

age points in the cost of borrowing. In the first nine months of 2001 financial costs continued to grow at similarly high rates as in 2000, for the same reasons. Indeed, it appears that the reductions in interest rates have still not been passed through to the cost of borrowing borne by corporations. However, the indicator that probably best summarises the medium-term outlook for business is the ordinary return (on net assets and on own funds), which held at high levels (of 8.5% and 10.7%, respectively, in the first nine months of 2001). As these high returns were accompanied by steady borrowing costs, the sector non-financial corporations continued to enjoy positive leverage at the same level as in the first three quarters of 2000, which shows that there do exist factors conducive to a recovery in investment. However, these factors may be inhibited by the deterioration in expectations and the increase in uncertainty, while the recent rise in corporate borrowing restricts the capacity of firms to commit themselves to new investment projects, especially in a cyclical downturn.

In short, following 2000, an excellent year for business as a whole, with the sectoral differences that will be described below, activity in 2001 has shown clear signs of deceleration, although the economy continued to grow. The path of oil prices in 2001, the tendency for inflation to fall and the additional reduction in inter-

TABLE 3

Purchases and turnover of corporations reporting data on purchasing sources and sales destinations
Structure

	CBA		CBQ	
	1999	2000	00 Q1-Q4 (a)	01 Q1-Q3 (a)
Total corporations	7,951	6,173	894	732
Corporations reporting source/destination	7,951	6,173	855	709
	%	%	%	%
Net purchase	100.0	100.0	100.0	100.0
SOURCE OF PURCHASES:				
Spain	64.1	62.5	73.2	79.0
Total abroad	35.9	37.5	26.8	21.0
<i>EU countries</i>	24.9	23.3	16.5	15.0
<i>Third countries</i>	11.0	14.2	10.3	6.0
Net turnover	100.0	100.0	100.0	100.0
SALES DESTINATIONS:				
Spain	80.6	80.9	84.8	86.9
Total abroad	19.4	19.1	15.2	13.1
<i>EU countries</i>	14.7	14.4	10.7	8.1
<i>Third countries</i>	4.7	4.7	4.5	5.1

Source: Banco de España.
(a) All the data in these columns have been calculated as the weighted average of the relevant quarters.

est rates are helping Spanish corporations to adapt to the uncertainty hanging over the international scene and to moderate its negative influence on domestic economic growth. Against this background, ongoing moderation in relation to margins and average wages is particularly important, as is the creation of conditions to sustain the growth of total factor productivity so that the firms can become more competitive, this being the basis of their future profitability and financial soundness.

2. ACTIVITY

As mentioned in the introduction, the CBA data confirm that 2000 was a year in which activity grew significantly, with nominal GVA growth rates of around 7%, considerably higher than those a year earlier. However, in the first three quarters of 2001, the nominal GVA growth rate fell to 4.8% on the same period of 2000. The healthy behaviour of 2000 was based on a recovery in external activity, and domestic consumption, which generally held at a good tempo for most of the year, until the fourth quarter, when both factors began to show signs of weakness. This downward trend in consumption and in foreign trade has been confirmed as 2001 has elapsed and it has had a significant impact on the results obtained by the corporations this year.

Also, the influence of the sharp swing in oil prices on the results of certain activities must be highlighted. On one hand, the strong oil price rises in 2000 increased considerably the GVA of corporations engaged in oil refining, and this was passed through to the performance of manufacturing as a whole, the sector in which refining is included (manufacturing corporations grew at a rate of 12.2% in this period according to the CBA). The fall in oil prices to low levels in 2001 has had an opposite effect to that in 2000, with sharp nominal reductions in GVA in refining, which, together with those also recorded in manufacturing other than refining, have led to a fall of 6.1% in 2001 to date in manufacturing as a whole, according to CBQ data. The analysis of imports and exports (see Table 3) illustrates the behaviour of foreign activity, showing that the percentage of sales to foreign markets declined during the first three quarters of 2001.

At the sectoral level, besides what has been said about the performance of manufacturing, wholesale and retail trade, which includes, inter alia, corporations marketing fuel, suffered the effects of the narrowing of the latter corporations' margins. These corporations were unable to pass through to the final consumer the higher price of their inputs, which led them to reduce their rate of growth significantly, in terms of GVA, to 6.6%. For their part, both the electricity and the trans-

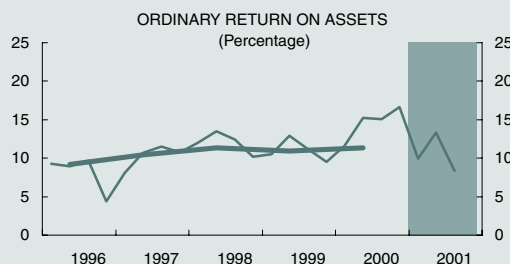
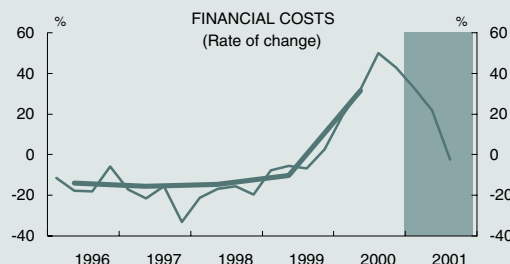
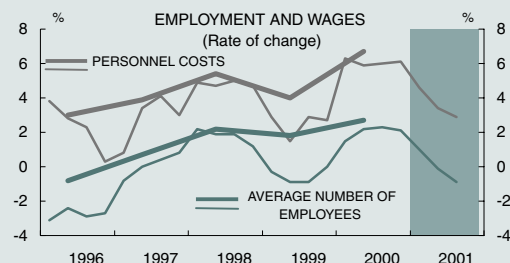
Manufacturing is well represented in the Central Balance Sheet Office samples. This is a considerable advantage, given the interest of this sector, which is not usually subject to regulations from the viewpoint of short-term economic analysis, and this is why a box is devoted specifically to this sector. There was a turning point in the trend in the activity of manufacturing firms reporting to the CBQ during the two periods analysed. On CBQ data, while GVA in manufacturing grew by 22.1% in 2000, in the first nine months of 2001 it fell by 6%. Two factors account for this turning point, which occurred in the second half of 2000, namely the weakness of foreign trade and the fluctuations in the price of oil, which saw significant increases in 2000, and major falls since the end of that year, down to low levels as at the close of data for 2001 Q3. In practice, all the manufacturing sub-sectors displayed the trends described above in both years, which reveals the importance of the first effect on the progress of manufacturing (the GVA of manufacturing corporations, excluding those engaged in refining, increased by 11.7% in 2000 and declined in 2001 by 2.8%).

In line with the trend in activity, employment increased significantly in 2000, at a rate of 2.7%. This is the highest rate recorded for this aggregate in the whole of the annual time series. However, during 2001 to date, the rate of increase of employment has been gradually slipping and by the end of Q3 it had reached 0.1%. The adjoining chart shows this progressive slowdown, which will require an improvement in the international situation to be reversed. Meanwhile, average compensation grew by 4% in 2000, slowing down in the first nine months of 2001 (3.7%). Financial costs increased notably, both in 2000 and in 2001. This, as in the case of the overall sample, is mainly explained by the increase in the borrowing of certain large firms. The cost of borrowing also contributed to the increase in financial costs in 2000, with minor increases, while in 2001 it remained practically unchanged. In any event, it is possible that the low level of this ratio has stimulated new investment. For its part, gross operating profit increased in 2000 by almost 20% and then fell by around 15% in the first three quarters of 2001, in step with productive activity. For this reason, the profitability of manufacturing corporations has fallen by three percentage points in 2001, although it remains high (10.9% in terms of the ordinary return on assets). In any case, the moderate upward trend in the cost of borrowing did not prevent manufacturing from continuing to show positive leverage in 2000 and in the first three months of 2001 (6.7 and 5 points respectively).

GROSS VALUE ADDED AT FACTOR COST (Rate of change)

The graph displays the percentage change in Gross Value Added at Factor Cost for three categories: CBA/CBQ, MANUFACTURING CBQ, and WITHOUT REFINING. The Y-axis represents the percentage change, ranging from -20% to 40%. The X-axis shows the years from 1996 to 2001. A shaded area highlights the period from 2000 to 2001, indicating a significant decline in growth rates for all categories.

Year	CBA/CBQ (%)	MANUFACTURING CBQ (%)	WITHOUT REFINING (%)
1996	0	-5	-5
1997	10	15	15
1998	10	10	10
1999	10	10	10
2000	25	10	10
2001	-15	-5	-5



Source: Banco de España.
(a) Information available to 16 November 2001 (CBA and CBQ).
The CBQ data are growth rates on the same quarter of the previous year.

TABLE 4

**Personnel costs, employees and average compensation
% of corporations in specific situations**

	CBA		CBQ			
	1999	2000	99 Q1-Q4 (a)	00 Q1-Q4 (a)	00 Q3	01 Q3
Number of corporations	7,951	6,173	883	894	873	533
Personnel costs	100.0	100.0	100.0	100.0	100.0	100.0
Falling	21.0	18.5	30.0	24.5	25.1	27.1
Constant or rising	79.0	81.5	70.0	75.5	74.9	72.9
Average number of employees	100.0	100.0	100.0	100.0	100.0	100.0
Falling	22.8	24.6	39.0	35.5	35.0	41.4
Constant or rising	77.2	75.4	61.0	64.5	65.0	58.6
Average compensation (relative to inflation) (b)	100.0	100.0	100.0	100.0	100.0	100.0
Lower growth	51.2	47.7	48.8	47.1	49.1	45.4
Higher or same growth	48.8	52.3	51.2	52.9	50.9	54.6

Source: Banco de España.

(a) Weighted average of the relevant quarters for each column.

(b) Twelve-month percentage change in the CPI.

port industries recorded moderate growth rates in 2000, affected by the reductions in prices and margins which have been affecting them in recent years, as a consequence of the liberalisation they are undergoing. As regards the first three quarters of 2001 and, again, leaving aside the manufacturing sector, which is referred to above (see Box 1), there was an improvement in wholesale and retail trade, whose GVA grew by 14.7%, largely as a consequence of the recovery in margins of firms selling fuel, while the electricity sector shows moderate increases, both due to the lower growth in demand for electricity and due to the reduction of receipts, owing to the fall in rates and the cut in the compensation received for the costs of transition to competition. Finally, it should be stressed that transport and communications have maintained a healthy tempo during the year to date (their GVA has risen by 11%), owing largely to the priority that telecommunications firms are giving to the generation of value, as opposed to a policy focused on gaining (or at least maintaining) market share, even at the cost of significant reductions in prices and margins, as applied in previous years. Also, as a consequence of the reduction in costs which mobile telephony corporations have benefited from, they have seen strong increases in their GVA in 2001. The situation of air transport in the latest period (from October 2001) has not been reflected in the accounts of the CBQ relating to the first three quarters of the year.

In terms of size, both in 2000 and in 2001 the large corporations have recorded lower rates of growth of activity, while medium and small corporations have displayed greater vigour. Finally, Chart 2 shows that while in 2000 Q3 28% of the corporations reported GVA growth of more than 20%, in 2001 Q3 only 25.3% were in this situation. This qualitative-type information is a further confirmation that a shift is taking place among the corporations towards more moderate levels of activity growth.

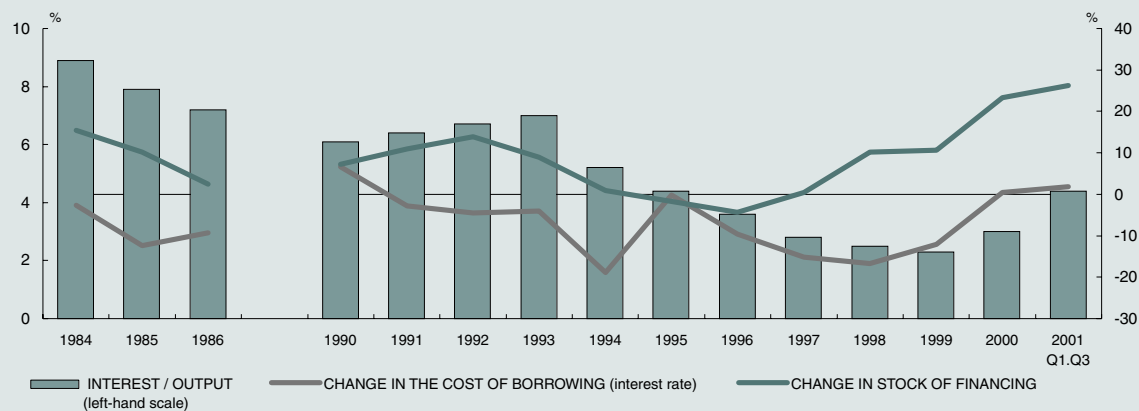
3. EMPLOYMENT AND PERSONNEL COSTS

One result drawn from the Central Balance Sheet Office databases in recent years has been the evidence of positive employment behaviour (2). Indeed, in 2000, for the sixth year running, the CBA corporations increased their staffing levels (by 4.3%). Notably, despite the

(2) The questionnaires the corporations send to the Central Balance Sheet Office (both for the CBA and the CBQ), and those for the filing of accounts at the Mercantile Registries (the basis of the CBBE/RM database which, as explained in Box 2, includes information on small firms), basically require information of an accounting type. Although the corporations are also asked for some employment data, these are necessarily less detailed and, therefore, more difficult to verify (see Box 5 of the 2000 edition of the *Resultados anuales de las empresas no financieras* published by the Central Balance Sheet Office, which is available on www.bde.es).

CHART 3

Financial costs and their components



Source: Banco de España.

bias of both samples of the central Balance Sheet Office towards large industrial firms (especially in the case of the CBQ), the staffing levels of non-financial corporations have, since 1998, increased at an annual rate of more than 4%. During the first three quarters of 2001 employment continued to grow, albeit more moderately (0.9%). As has become customary, this rate will be increased when the estimate for 2001 of the CBA becomes available. The latter includes in its sample, along with the CBQ corporations, other medium-size and small firms, which are more dynamic in terms of job creation. However, in line with activity, employment creation has clearly slowed somewhat in 2001, as shown by the stagnation of non-permanent employment in 2001 (with negative growth rates in the last two quarters), this being the type most immediately affected by economic downturns. This behaviour by non-permanent employment is also affected by the odd isolated but significant case in which non-permanent employment has been transformed into permanent during the first nine months of 2001, in order to secure the advantages offered by current legislation. In any case, it should be stressed that, on CBA data, permanent employment increased at a rate of more than 3% between 1998 and 2000, extending the growth path that commenced in 1995. And this despite the fact that some large firms of the sample have been affected by processes of modernisation and opening-up to foreign competition. In fact, as Table 2.1 shows, if the electricity sector, which is continuously reducing staffing levels, as a consequence of technological advances and the opening up to competition (as can be seen in time series included in the annual publication mentioned above) is disregarded, the rate for the other corporations would be 1.4% in the first three quarters of 2001.

At the sectoral level, the CBA data for 2000 show that the corporations recording the highest employment growth were to be found in manufacturing, wholesale and retail trade and construction, while job losses were concentrated in electricity, gas and water supply and in transport and communications. In the first nine months of 2001, wholesale and retail trade was again the industry to post the highest rates of employment growth (6.4%), building on the gains of recent years. Manufacturing recorded a rate of 0.1%, significantly down from the rate of 2% in the same period a year earlier and doubtlessly especially affected by the fall in external demand. The negative performance in electricity and transport and communications referred to above continued. However, in the case of electricity there has been a progressive reduction in the rate of decline of employment during 2001, which may signal the end of the workforce restructuring that has been taking place in recent years.

The lower growth of employment and the increase in average compensation in 2001 explain why personnel costs grew by 4.9%, two percentage points less than in 2000. Average compensation grew by 2.7% in 2000 (as against 1.4% in 1999), and by 4% in the first nine months of 2001, which shows a clear upward trend. In these circumstances it is very important that wage increases be linked to the productivity of the firm and the sector, so as to limit, insofar as is possible, the negative effects on medium-term business competitiveness, which is vital to sustain the level of job creation. Wholesale and retail trade deserves particular mention. As in previous periods its average compensation displayed more moderate behaviour, which perhaps explains why this sector has recorded the most continuity in terms of job creation.

TABLE 5

Gross operating profit, funds generated, ordinary return on assets and leverage
Breakdown by size, ownership status and main activity of corporations
(Ratios and growth rates of the same corporations on the same period a year earlier)

	Gross operating profit				Funds generated				Return on assets (R. 1) (a)				Leverage (a)			
	CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)		
	2000	00 Q1- Q4	00 Q1- Q3	00 Q1- Q3	2000	00 Q1- Q4	00 Q1- Q3	01 Q1- Q3	2000	00 Q1- Q4	00 Q1- Q3	01 Q1- Q3	2000	00 Q1- Q4	00 Q1- Q3	01 Q1- Q3
TOTAL	7,1	10,0	9,1	4,8	4,2	11,7	6,7	4,6	7,6	8,4	8,4	8,5	2,5	3,0	3,1	3,1
Total, excluding electricity	8,7	13,5	9,6	7,4	5,1	14,7	6,8	8,8	7,6	8,8	8,8	9,5	2,4	3,4	3,6	4,2
SIZE:																
Small	8,8	—	—	—	5,8	—	—	—	9,6	—	—	—	3,8	—	—	—
Medium	8,0	13,0	14,0	-2,9	9,2	14,0	14,1	-4,1	10,4	11,6	12,5	11,3	5,5	5,9	7,2	5,5
Large	7,0	9,8	8,9	5,1	4,6	11,6	6,4	5,1	7,4	8,3	8,3	8,4	2,3	2,9	3,0	3,0
STATUS:																
Public-sector	26,1	19,5	14,6	16,7	25,7	14,4	8,8	19,1	1,6	4,6	4,6	2,5	-3,7	-1,1	-1,0	-2,2
Private-sector	6,3	9,0	8,5	4,1	4,1	11,4	6,5	3,8	8,6	9,1	9,1	9,2	3,6	3,7	3,9	3,7
BREAKDOWN OF ACTIVITIES BEST REPRESENTED IN THE SAMPLE:																
Manufacturing	19,7	42,7	38,9	-14,8	13,9	40,6	26,3	-13,6	11,3	14,6	14,0	10,9	6,0	8,7	8,4	5,0
Electricity, gas and water supply	2,0	3,2	8,0	-0,8	1,1	3,5	6,4	-3,0	7,7	7,8	7,6	7,5	2,9	2,4	2,3	2,0
Wholesale and retail trade	1,0	-8,6	-11,0	21,2	-1,4	-2,2	-4,7	20,7	11,9	8,5	8,6	11,8	7,0	3,6	4,1	6,8
Transport, storage and communications	-1,2	1,5	-1,0	17,0	0,6	2,6	-1,4	14,5	6,4	7,8	8,0	12,1	0,9	1,5	1,7	6,9

Source: Banco de España.

(a) All the data in these columns have been calculated as the weighted average of the quarterly data.

Finally, Table 4 shows that in 2001 Q3 the percentage of firms reducing their staffing levels rose by six percentage points, to stand at 41.4% of the reporting firms in this period. It can also be seen that in 54.6% of the corporations average personnel costs rose by more than inflation in 2001 Q3, as against 50.9% the previous year. This confirms the need for more moderate wage growth tied to productivity gains, so as not to affect job creation.

4. PROFITS, MARGINS AND RATES OF RETURN

During 2000 activity grew at the same rate as personnel costs and also, therefore, as operating profits (or surplus), which grew by 7.1%. These two variables also grew at similar, albeit lower, rates during the first three quarters of

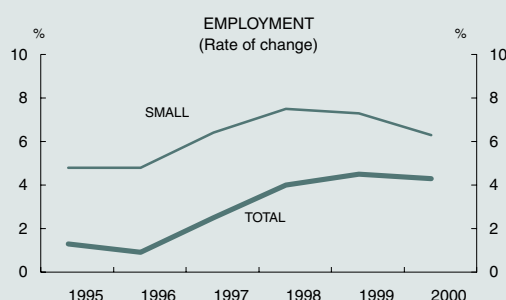
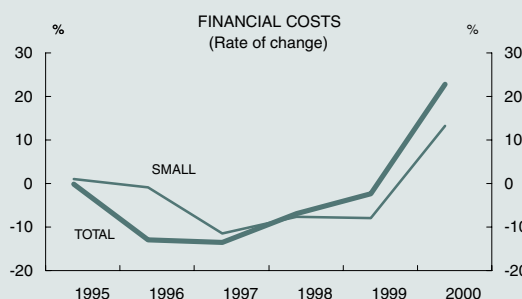
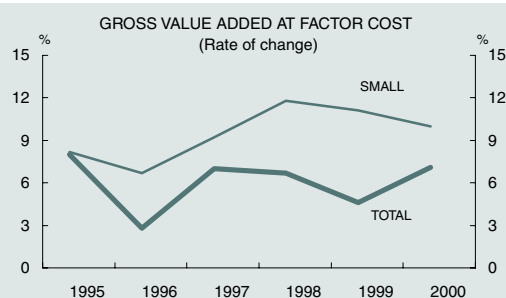
2001 (around 4.8%). Meanwhile, financial costs grew forcefully, both in 2000 (22.8%) and in the first nine months of 2001 (28.2%). This was partly attributable to the end of the downtrend in interest rates that had prevailed until 2000, but the factor that best explains the growth in financial costs is the raising of new funds to finance significant transactions for the purchase of financial assets (mainly shares) and loans to subsidiaries. Most of these transactions were executed in mid-2000 and therefore, since they are not reflected in the financial costs of the first two quarters of 2001, they continue to influence the rates calculated for 2001 (which compare the first three quarters of 2001 with the first three quarters of 2000). A breakdown of the increase in financial costs into its components can be seen more clearly in Table 5, which shows separately the impact that two factors (changes in rates and in financing) have had on

The results of small firms

The annual monograph of the Central Balance Sheet Office, as is well known, includes information from two databases. The main part of the publication (the white pages of the printed version) presents the results of the CBA, while those of the CBBE/RM (or CBB), obtained from the filing of accounts with Mercantile Registries, are presented in an annex (grey pages). This second database enables the performance of small firms, the segment that is least well represented in the CBA, to be analysed in 2000 and previous years. Although the information available in the CBB lacks the degree of detail available in the CBA, it is valid as a basis for calculating the variables that define activity, namely employment, compensation, margins and profits (not for returns, balance sheet structure or flows). In any case, the main value of the CBB is the large number of firms covered. In the 2000 monograph information is presented on 211,936 firms for 1999, and on 44,521 for 2000, respectively accounting for 10.6% and 2.2% of the GVA of the sector non-financial corporations. A significant fact, in that it departs from the general analysis for 2000 based on the CBA, is that although the activity of small Spanish firms continued to grow at a high rate in 2000 (their GVA grew by 10% in 2000), this rate was lower than the one recorded in 1999 (11.1%). All sectors of activity displayed very positive growth rates, although in every case, without exception, the rate was lower than in 1999. The adjoining chart shows that if, according to the CBA, 2000 was a year in which an expansionary growth path was recovered, the CBB shows that the productive activity of small firms began to slow down in 1999, and continued to do so in 2000. This difference in behaviour according to firm size is also corroborated by the CBA, where the more than 4,000 firms with these characteristics have recorded a decelerating GVA growth rate since 1999, a fact that is not apparent in the overall aggregate or in the sectoral analysis. An analysis of the reasons for this difference in behaviour between large and small firms is beyond the scope of this article. It would need to take into account the possible role of foreign markets in which, primarily, the large firms operate.

Personnel costs rose in 2000 by more than in 1999 (among the firms providing employment data they rose by 10.3%). However, and in line with the slight loss of momentum of activity, the growth of average employment decelerated, although it remained high. As a result, the expansion in personnel costs in small firms in 2000 did not stem from employment, but from average compensation, which rose by 3.8%, 1.4 percentage points more than in 1999. Although significant increases in employment were recorded in all sectors, the sector other services stood out again as the most dynamic (8.4% in 2000). Meanwhile, financial costs departed from the downward path they had been following in previous years, to record positive growth rates (13.2% in 2000) for the firms overall and in all sectors of activity. However, this heading still had a relatively low weight in the cost structure of firms. The information published, by law, by small firms is not sufficiently detailed to identify how much of this increase is due to the financial cost and how much to the new financing received. The SMEs in the CBB sample sustained a very high level of profitability, although it was slightly down on 1999. Thus the ordinary return on own funds (the only ratio that can be calculated using the information available in this database in the same way as it is calculated for the CBA) stood at 11.8% in 2000, only half a percentage point lower than in the previous year. At the sectoral level, the profitability of construction, other business services and hotels and catering was notable, standing in the range of 17% to 21.2%.

In short, Spanish SMEs ended 2000 with notable growth in their activity, although it was more moderate than in the previous year. Employment grew at high rates, although its trend is consistent with the general slowdown and also with rising average compensation. The maintenance of the profitability of small firms, which has begun to fall, will depend on the developments in the economy in general and on the adoption by the firms of measures to increase their competitiveness.



NUMBER OF CORPORATIONS (a)

CBA	8,128	8,032	8,054	8,135	7,951	6,173
CBB	130,786	173,575	223,470	238,471	211,936	44,521
% OF GDP OF THE SECTOR NON-FINANCIAL CORPORATIONS						
CBA	34.5	34.0	33.7	33.7	30.7	25.7
CBB	7.0	8.9	10.8	12.0	10.6	2.2

— CBA data
— CBBE/RM or CBB data

Source: Banco de España.

(a) Information available to 16 November 2001 (CBA and CBB).

(b) The data for the Employment and Personnel costs per employee charts relate to the sub-set of corporations with consistent employment data (50% of the total of CBB).

TABLE 6

**Structure of reporting corporations' ordinary returns
on net assets and on equity**

	CBQ			
	Ordinary return on net assets (R. 1)		Ordinary return on equity (R.3)	
	00 Q3	01 Q3	00 Q3	01 Q3
Total corporations	100.0	100.0	100.0	100.0
R ≤ 0 %	23.7	22.4	26.3	27.4
0 % < R ≤ 5 %	15.3	21.2	12.2	15.8
5 % < R ≤ 10 %	17.1	15.0	12.5	11.5
10 % < R ≤ 15 %	11.4	13.2	10.7	10.9
15 % < R	32.5	28.2	38.2	34.4
Number of corporations	873	533	873	533
MEMORANDUM ITEM:				
Average return	9.1	9.5	11.5	11.7
Source: Banco de España.				

the growth of financial costs in the first nine months of 2001 (the time series for this decomposition is shown in Chart 3):

	<i>01 Q1-Q3/00 Q1-Q3</i>
Change in financial costs	+28.2%
A. <i>Interest on borrowed funds</i>	
(1 + 2)	+28,3%
1. Due to the cost (interest rate)	+1,9%
2. Due to the amount of interest-bearing debt	+26,4%
B. <i>Commissions and cash discounts</i>	-0,1%

These data confirm that the growth of financial costs was basically due to the increase in external financing, which includes that received by other institutional sectors (financial institutions and the rest of the world) and intercompany financing (provided that there is an explicit cost). The restructuring of the Spanish corporate sector in recent years has enabled Spanish groups to emerge that have a strong international presence and strategies for diversification. This presence has been developed through subsidiaries which, being located abroad, do not feature in the Central Balance Sheet Office databases. In many cases, these subsidiaries are the ultimate destination for the borrowed funds raised by the parent companies. In addition, the electric utilities have been required by law to separate their activities of generation, transport, distribution and sale of electricity into different companies, even if they belong to the same group. This process, which accelerated from 1998, also helps explain the growth in financial costs, as will be explained

below. In any event, the increase in financial costs in 2000 and in 2001 was still, by historical standards, relatively small (around 4%) compared to total costs.

Ordinary net profits grew at high rates both in 2000 (9.8%) and in the first three quarters of 2001 (8.9%), owing to the significant dividend income received by certain large firms in the sample, which helped to offset the consequences of the slowdown in productive activity. Also contributing to this positive outturn was the small increase in depreciation and operating provisions, which was attributable both to the reduction in inventory provisions in 2001 and to the lower depreciation recorded by electric utilities. Part of this depreciation is linked to the income to compensate for the costs of the transition to competition (3), which decreased. In consequence, ordinary net profits, the numerator in the calculation of returns, did not decelerate, so that returns held at similar levels to those seen in 2000, which were already high. The ordinary return on assets (R.1) stood at 7.6% in 2000 and at 8.5% in the first nine months of 2001. However, when the quarterly (CBQ) data are used to obtain the rate for 2000, in the same way as the rate for the first three

(3) The costs of transition to competition are reflected in the balance sheets of the electric utilities as a right (asset) that has been realised through their inclusion in electricity bills and simultaneously written down. Insofar as these rights have been reduced at the end of 2000, the annual income received in this respect and the corresponding write downs have also decreased in comparison with those of the previous year.

TABLE 7

Capital and financial flows
(Structure: GVA at basic prices = 100)

Databases	% of GVA at basic prices		
	1998	1999	2000
Number of corporations / Total national coverage (a)	8135 / 33.7 %	7951 / 30.7 %	6173 / 25.7 %
Year	1998	1999	2000
1. Capital resources	31.5	30.8	29.6
1. Gross saving	29.5	29.6	30.0
2. Net capital transfers	2.0	1.2	-0.4
2. Uses of capital	25.4	31.7	31.8
1. Gross capital formation	24.1	30.6	31.0
2. Other uses of capital	1.3	1.1	0.8
3. Net lending (+). net borrowing (-) (1- 2.1 - 2.2 = -4)	6.1	-0.9	-2.2
4. Net increase in liabilities less net acquisition of financial assets	-6.1	0.9	2.2
1. Debt securities issued	-2.0	3.5	-3.0
2. Shares and other equity	-2.4	-21.8	8.0
3. Credit from credit institutions	4.8	3.8	9.4
4. Credit from rest of the world	4.9	11.1	19.8
5. Credit from other resident sectors	-5.3	-1.4	-10.9
6. Insurance technical reserves: pension funds	-0.1	0.7	-2.3
7. Trade credit and other liabilities net of other assets	-5.9	5.0	-2.7

Source: Banco de España.

(a) Measured in relation to the gross value added at basic prices of the sector non-financial corporations.

quarters of 2001 is obtained, it reaches 8.4%, which indicates that the level of profitability has still not fallen, despite the slowdown in 2001.

However, the performance of the sectors in this respect is uneven. The profitability of the manufacturing sector fell by three percentage points with respect to the first three quarters of 2000, owing to the above-mentioned performance. By contrast, both transport and communications and wholesale and retail trade have obtained rising returns in the year to date. In the case of the former, this was due to the improvements already mentioned in telecommunications companies, as a result of commercial strategies related to the entry of new competitors and after telephony had overcome a phase of saturation. Meanwhile, profitability in the wholesale and retail trade has returned to high levels in 2001, after a year in which the contraction of margins reduced the profitability of fuel distributors somewhat. In short, the levels of profitability achieved, together with the trend in the cost of borrowing, which held relatively steady during the periods analysed, enabled the corporations

to obtain once again, both in 2000 and in the first nine months of 2001, clearly positive leverages. Finally, it can be concluded from Table 6 that the percentage of firms with positive ordinary returns on assets in 2001 Q3 was higher than in the same quarter of 2000, but also there was a shift in numbers of firms towards more moderate levels of profitability, confirming what has already been discussed regarding the general trends in this period.

In short, the picture given by the information presented in the annual monograph of the Central Balance Sheet Office is one of generation of resources and employment, with some signs of weakening of demand at the end of the year, which has intensified in the first three quarters of 2001. In this setting, it is notable that the restructuring carried out in Spanish corporations, following a long period of boom, has put them in a position to confront present circumstances, which are less favourable than those of the recent past, with a reasonable level of growth and highly positive returns. In any event, it cannot be ruled out that, while the international

situation remains unclear, firms may postpone or slow down their investment decisions. However, there is a whole series of factors that may help to overcome the situation of deceleration that is currently affecting Spanish non-financial corporations. These include, *inter alia*, the healthy financial conditions, the gradual return to nominal stability, the current positive situation in some non-manufacturing sectors and the fact that jobs are still being created. The positive influence of these factors will be boosted in the event that the increases in average compensation turn out to be a temporary phenomenon.

5. INVESTMENT AND FINANCING

The above analysis is based on the information available in the CBQ and CBA databases presented in a format suited to business analysis, which does however incorporate elements of national accounting (GVA, for example). Flows of investment and financing and the balance-sheet position in the period (year) in question, in this case the year 2000, can also be studied on the basis of the CBA, but, for obvious reasons, not the CBQ, which collects information on a very small number of variables. Meanwhile, experience would suggest studying the concepts mentioned above, on the basis of CBA data organised in accordance with what Chapter III of the annual publication of the Central Balance Sheet Office, to which readers are referred, calls the presentation for the purposes of general economic analysis, which is none other than that of the national accounts.

In this respect, Table 7 shows balance-sheet changes arising from the transactions carried out in the period 1998 to 2000. The table integrates the capital and financial accounts of the corporations considered, which enable the trends in the investment and financing of the CBA corporations during the period in question to be studied. Such a study shows, in line with the CNE (National Accounts of Spain) for this

period, that the sample corporations kept the capital uses of 1999, in nominal terms, practically unchanged in 2000. Given the contraction in capital resources, this explains why the net borrowing of the reporting corporations rose during this period.

The second part of the Table presents the financial account. This shows that in 1999, and also in 2000, there was a significant net acquisition of shares and other equity (largely due to the increase in holdings in subsidiaries located abroad) and net incurrence of loan liabilities with the rest of the world and with resident financial institutions, for the most part to finance the acquisition of these holdings and also to finance other group companies ("loans to other resident sectors" and, to some extent, "trade credit"). The transactions mentioned also reflect the consequences of reorganisations carried out by major corporate groups in response to certain legal requirements (as in the case of the electric utilities, which have had to restructure themselves into groups of separate companies for each productive process). The net effect of these financial movements was a further increase in borrowing, which raised the funds necessary to cover the capital uses and the net acquisition of financial assets that could not be financed with the capital resources generated in the period. All these matters, relating to the national economy, can be consulted in the Financial Accounts of the Spanish Economy, published quarterly by the Banco de España at www.bde.es. As against that general reference, which does not suffer from the limitations that an approximation based on a group of corporations, like those of the CBA, may have, the one reflected here enables references to be made to the behaviour of the large corporate groups, of great importance in the current situation of the Spanish economy.

21.11.2001.

Quality bias in the measurement of prices: empirical evidence and macroeconomic implications for Spain

The authors of this article are Olympia Bover, Mario Izquierdo and María de los Llanos Matea of the Research Department.

1. INTRODUCTION

Technological progress, which goes hand in hand with economic development, gives rise to continuous and significant changes in the characteristics (and quality) of the goods and services produced by an economy, as well as to the appearance of new products. The statistical apparatus of each country needs to be able to detect these changes and incorporate them rapidly into the measurements of economic variables. However, notwithstanding the effort devoted, this incorporation is never complete, since the adaptation of statistics to new realities is a costly process requiring time and analysis. One of the problems generated by this insufficient adaptation is the biased measurement of price changes, since the statistical techniques applied are unable to distinguish between that part of the change in the price of a good that stems from a change in its characteristics and that part that represents a pure price change. This, in turn, has significant implications for the measurement of real magnitudes, because if the price indices used to deflate nominal magnitudes are biased, then the real magnitudes obtained will be too. In recent years, this type of measurement problem has particularly affected economic sectors in which technical progress has been most rapid, such as information technologies.

The traditional methods used by statistical offices to correct observed price changes for changes in the quality of products are often inadequate. As an alternative to these traditional methods, the literature and the experts of government statistical offices have, in some cases, been using the so-called hedonic method popularised by Zvi Griliches in the early sixties. The hedonic approach starts by assuming that the observed price of a good is a function of its characteristics. Accordingly, if the relationship between the price of the product and its characteristics (the hedonic function) is estimated, then an index can be constructed representing the path of prices for a constant level of quality (1). Countries that have adopted this methodology for productive sectors characterised by rapid technological progress, such as computers, have made significant corrections to the price indices for these products. Moreover, incorporation of these corrections into the deflators used to estimate macroeconomic magni-

(1) For further details of the hedonic methodology, see Bover and Izquierdo (2001).

tudes in real terms (such as investment and output) has entailed significant upward revisions to these variables.

Given the obvious importance to the economic authorities of having the most accurate possible measurement of growth and inflation, the Banco de España decided to undertake a research project with the aim of approximating the size of the biases that might be operating in the measurement of real magnitudes in Spain, as a consequence of the use of traditional techniques to compile price indices (2). This project had two basic elements. First, hedonic price equations were estimated for some of the products identified as having experienced particularly significant changes in quality: computers, cars and housing. Electrical household appliances and the products of the other ICT (information and communication technologies) industries also incorporate significant changes in quality, but the absence of suitable data has made it impossible to make the necessary estimates. Second, a macroeconomic exercise was carried out in an attempt to gauge the importance of the resulting bias in the estimation of the main macroeconomic aggregates. This exercise was, in turn, tackled in two phases. First (3), to obtain a point of reference, the price corrections that had been estimated in other economies pioneering the use of these techniques were applied to Spanish National Accounts data for the period 1986-1994, and second (the phase presented in this article), the price corrections deriving from the sectoral analysis for Spain were applied to the most recent National Accounts data (1995-1999).

The reasons for including computers among the three groups of products studied in this project are obvious, since the quality improvements in recent decades have been enormous. Processing power (associated with developments in the semiconductor industry) has doubled approximately every one and a half years and other computer components (hard disk, memory, monitor, graphics card, programmes, etc.) have also improved dramatically. As a result, today's computers are very different from those available a few years ago, even offering attributes that were not then available. Since a price index must compare the prices of identical products at two points in time, the adjustments made to take into account such blatant quality changes are particularly important in this sector and the hedonic methodology has been shown to be particularly suitable for this purpose. Thus, the hedonic price indices estimated for the computer sector in different countries show

average annual price reductions of 20% to 40%, depending on the type of product and the period considered, while in those countries that use more traditional techniques the price falls recorded are very small and in some cases prices even increase. Eurostat (4) recommends the use of hedonic methodology to calculate computer price indices and the statistical offices of at least the United States, Canada, Denmark, France and Sweden are applying them.

In the case of cars, quality improvements have also been unquestionable, although less dramatic than in computers. The first studies of hedonic prices in this sector were carried out in 1939, when Court estimated that, over the period 1925-1935, the price of new cars had fallen by 55% in the United States, when official US Statistical Office figures showed an increase of 45%. In Spain, the adjustment of the prices of this sector for quality changes is important in macroeconomic terms, given its weight in the economy: in 1999, it accounted for more than 5% of Spanish GDP, 6.5% of total household consumption and more than 15% of exports.

As regards housing, it should be noted that the US Bureau of Economic Analysis adopted hedonic techniques for the first time in 1963, precisely for the National Accounts deflator of new housing, in order to take into account the slow but constant improvements in the quality of construction. In all countries, residential construction has a considerable weight in investment and real output. Indeed, in Spain, gross fixed capital formation in residential construction accounted for 5.2% of GDP in 1999 and 21.1% of total gross fixed capital formation. Moreover, there is a growing consensus that the European harmonised index of consumer prices (HICP) should reflect owner-occupied housing by including an index of prices for new housing duly corrected for quality changes (5). This question is particularly important for Spain, since it has one of the highest percentages of owner-occupied housing (approximately 85%) in Europe.

Finally, it should be noted that although the estimates of hedonic functions presented in this article for the prices of computers, cars and housing are all based on the hedonic method, they differ in important aspects, as they have had to be adapted to the particular characteristics of each product and the information available in each case.

The article is structured as follows. Section 1 summarises the study carried out on computer

(2) See Banco de España (2001).

(3) See Izquierdo and Matea (2001a and 2001b).

(4) See Eurostat (1999).

(5) See Eurostat (2000).

prices, while Sections 3 and 4 summarise those on the prices of cars and housing, respectively. Section 5 then uses the results obtained for the biases due to changes in quality in these sectors to assess their impact on the measurement of Spanish macroeconomic variables over the period 1995-1999. Lastly, Section 6 presents some brief conclusions.

2. HEDONIC PRICE INDICES FOR PERSONAL COMPUTERS (6)

2.1. Model and data used

Traditional hedonic methodology was applied in the study of personal computers. As already mentioned, this methodology assumes that the observed price of a product is a function of its characteristics. Once the relevant characteristics of a product have been determined, the relationship between them and the observed price is estimated. The basic hedonic function can generally be written as:

$$\log P_{it} = \alpha_0 + \delta_t + \sum_k \beta_k \log c_{ikt} + \varepsilon_{it} \quad [1]$$

where P_{it} corresponds to the price of model i in period t , c_{ikt} is the level of the k characteristic in model i and ε_{it} is a shock term. To estimate δ_t dummy time variables are defined, such that

$$\delta_t = \sum_{t \neq 0} d_t D_t, \text{ where } D_t \text{ takes the value one in}$$

period t and zero in the rest of the periods. Note that d_t refers to the initial period and, therefore, provides the change between period t and the initial period in the estimated price net of changes in quality. Accordingly, on the basis of an estimation of these coefficients it is possible to construct an index of hedonic prices.

An important aspect of this methodology is the selection of the most relevant characteristics of each product, which requires intimate knowledge thereof. In the case of computers, the database used has been designed and provided by experts from the SEDISI (Spanish Association of Computer Sector Companies), and contains information for desktop and laptop computers between 1990 and 2000. In particular, data are available on computer price, manufacturer or distributor brand, processor speed, hard disk capacity, the amount of random access memory (RAM), CD-ROM availability (in the case of desktop computers). These are the variables that have been

most frequently used in the literature. Although they are all fundamental, it would nonetheless have been desirable to have other characteristics, such as the type of screen, the type of processor and the various computer accessories available. These have undoubtedly improved substantially in recent years and should therefore be taken into account when the relevant estimates are made.

The sample was compiled with information provided by distributors. Consequently, it is representative of sales to households, since firms usually buy directly from manufacturers. The price is the average price at which the distributor sells a computer, including the monitor and any other incorporated accessory. Both the price and the characteristics correspond to the computers sold by distributors in the year in question. As new features are continually being incorporated in this sector, the time a particular model remains on the market is very short. This, together with the fact that the frequency of the sample is annual, means that only one observation is available for each model.

For desktop computers, 132 observations per year are available on average. The majority of the computers in the sample are so-called cloned computers, i.e. computers assembled by distributors and sold under their name. The upper panel of Chart 1 shows the rates of change of the characteristics and prices of desktop computers, the importance of the quality improvements that have taken place being readily appreciated. Processor speed has grown each year at an average rate of 41%, RAM at a rate of 49% and hard disk capacity at 65%. Moreover, while in 1990 no computer had CD-ROM, in 2000 they all did. However, despite these marked improvements in the characteristics of computers, their average selling price fell at an annual rate of 13%.

As for laptops, the sample is somewhat smaller, with 67 observations per year on average, more than half of these being for brand computers. As before, the average characteristics of the laptops sold during the study period show substantial quality increases (see the lower panel of Chart 1). The average processor speed increased each year at a rate of 43%, RAM at 49% and hard disk capacity at 72%. All this occurred while the average price fell at a modest annual rate of 3%.

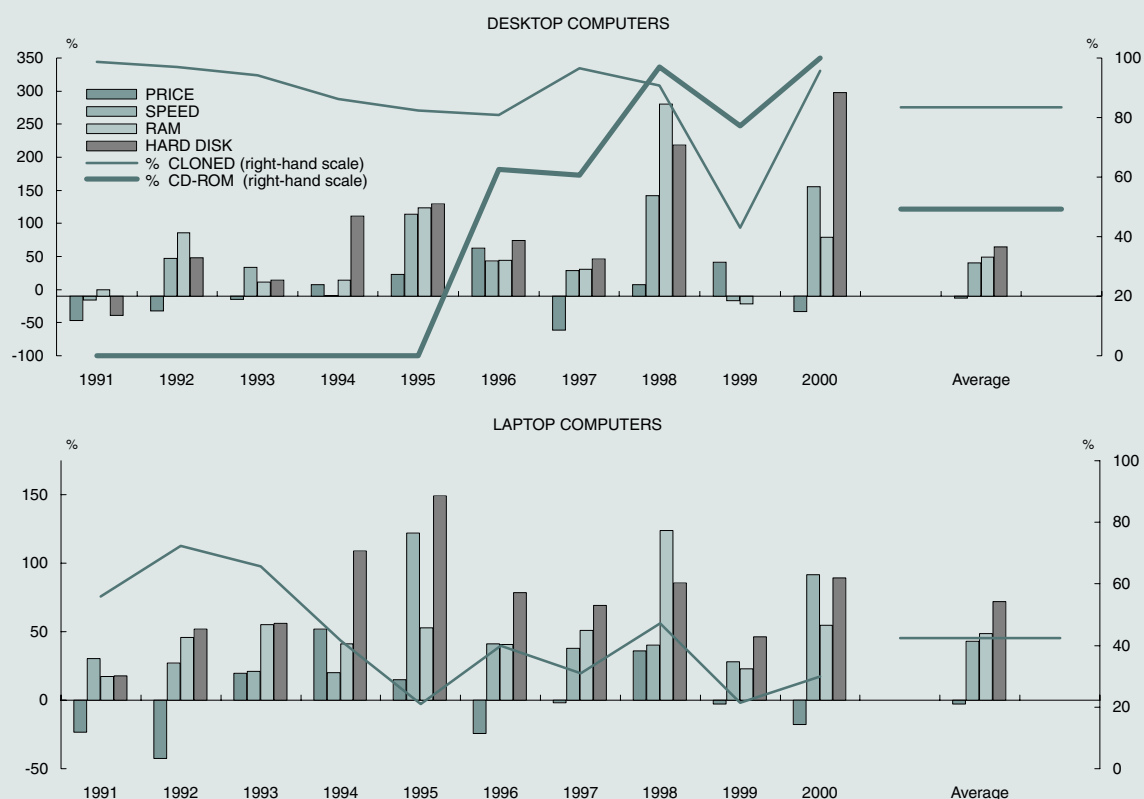
2.2. Estimation and results

Desktop and laptop computers have been analysed separately since, as they provide different services, they can be considered differ-

(6) This section summarises Izquierdo and Matea (2001c).

CHART 1

Changes in computer characteristics (a)



Source: Banco de España.

(a) Annual rates of change, except for CD-ROM and cloned computers, for which the percentage of computers with the characteristic concerned is depicted.

ent products. In this respect, Berndt and Rapaport (2001), with a set of characteristics like the one used here, but with data for the United States, conclude that the relationship between the prices of these two types of computer and their characteristics is not the same. In fact, in the literature independent regressions are usually constructed for each type of computer, as done, for example, by the Bureau of Labor Statistics (BLS) and the Institut National de la Statistique et des Études Économiques (INSEE).

The best approximation to the behaviour of the data is obtained, for both types of computer, when the logarithm of the prices is expressed as a function of the logarithm of the characteristics, i.e. with a regression of the equation [1] type. It has been revealed in diverse studies of the sector that the brand is usually also a significant characteristic, in that it reflects aspects such as prestige, guarantee, etc., that permit manufacturers to price computers with the same attributes differently. In this connection, dummy variables are included for each of the brands in the equation selected for laptops, while in the case of desktops it was better to

use a single dummy variable that takes the value one if the computer is cloned and zero if it is not.

At the same time, if a single equation is estimated for each type of computer then the coefficients of the characteristics are being held constant over time. This is an over-restrictive assumption, given the significant changes that have taken place. One way of relaxing this assumption (the one chosen) is to divide the sample into sub-samples for two consecutive periods and to estimate a regression for each of them. In each regression, except the initial one, the first period considered is the last one of the previous regression. This strategy keeps the coefficients of the characteristics constant within each of the consecutive periods, but allows them to vary between regressions. In fact, it is concluded from the results obtained that it is not acceptable to assume that the coefficients of the characteristics are the same over the estimation period.

The hedonic price indices are calculated on the basis of the temporary dummy variables in-

cluded in the hedonic regressions. Chart 2 depicts the quality-adjusted price indices obtained for desktop and laptop computers, as well as their year-on-year rates of change. According to these estimates, the prices of desktop computers have fallen at an average annual rate of 40% over the period 1990-2000. As seen in the lower panel of the chart, the price falls fluctuated around roughly this value in every year of the sample period [with the sole exception of 1990, when prices actually rose (7)], although the rate of fall accelerated in the second half of the decade.

As regards the price index for laptops, the average annual rate of decline estimated for the period 1990-2000 was 36%. 1994 was the only year in which there was an increase in the price of these products, which is not explained by the trends in the characteristics considered (8). From 1995, the indices return to a downward path, with significant reductions. In fact, in this case too, an acceleration in the downward movement is discerned in the second half of the decade.

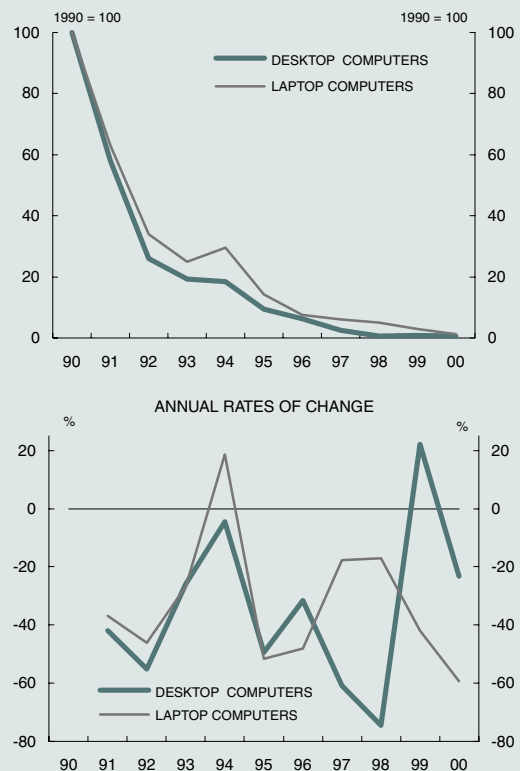
The hedonic price indices calculated separately for desktop and laptop computers have been aggregated to form a single index of hedonic prices for personal computers. As sales by type of computer are not available, the aggregation has been carried out by taking the simple mean. The result is an estimated average annual fall of 38% in the price of personal computers between 1990 and 2000.

Comparison of the path of this index with that of the consumer price index for the subclass of personal computers, typewriters, etc. enables the bias present in the Spanish case owing to insufficient adjustment of prices for the extraordinary changes in computer quality to be quantified. This subclass of the CPI is available from 1992, so that the comparison is limited to the period 1992-2000. During this time, the average annual rate of change of this subclass was -9%, while the hedonic index fell at a rate of 35%. In other words, the estimate of the quality bias in the Spanish CPI for computers is estimated, with all due caveats, as 26% per annum.

(7) This increase in prices may have been related to the worldwide scarcity of RAM components in the wake of the September 1999 earthquakes in Taiwan. The increase in the demand for computers caused by the arrival of the year 2000 may also have had an effect.

(8) One explanation for this behaviour may be the notable increase in the demand for laptop computers around that year, given that the successive reductions in their weight meant that such computers, from being merely transportable, had become true laptops.

**Hedonic price indices
for computers**



Source: Banco de España.

3. PRICE INDICES IN THE CAR SECTOR (9)

3.1. Methodology and data used

A monthly database supplied by the Automobile Studies Institute (IEA), with information on the prices and a wide range of characteristics of all the cars sold in Spain between January 1997 and December 2000, was used to measure quality improvements in the Spanish car industry and to calculate hedonic price indices. This database contains information on around 5,000 different versions of cars belonging to 200 models corresponding to 48 makes. The data on new registrations (the measure of sales of each car used), however, are available by model, which is why the basic unit of information of the study is the model [distinguishing by engine type (petrol or diesel)].

In principle, as already mentioned, the more the information available on car characteristics or quality indicators, the better the approximation of the quality changes. That said, these in-

(9) This section summarises Izquierdo, Licandro and Maydeu (2001).

CHART 3

Overall index of car quality



icators tend to be highly correlated. Top range cars are generally very sophisticated, while cars at the other end of the range have basic accessories. Consequently, it is difficult to identify the value of each of the indicators by estimating traditional hedonic regressions, since the discrete estimates of these values may be biased and display instability problems. However, if a small number of indicators are used, the valuation of quality improvements may be inaccurate (owing to the omission of significant variables), if not an underestimation.

This paper proposes an alternative methodology consisting of classifying the available car quality indicators into sub-indices reflecting different aspects of quality, which are subsequently grouped into an overall quality index. Statistical analysis of the data enables the indicators to be organised into sub-indices, and it is then possible to estimate the weight of each indicator in the relevant sub-index and the weight of each sub-index in the overall quality index. This methodology enables us to work with a large number of indicators, which may be reduced to a single quality index, thereby resolving the collinearity problems present in traditional hedonic regressions. Consequently, car quality can be measured by a readily interpretable index; and car prices, and how these move over time, can be estimated with the appropriate statistical accuracy.

The study departed from the information on 15 available indicators of car quality (10), which

(10) The available database contains a wider set of characteristics, but various problems, basically associated with a high incidence of lost data, prevented them from being used.

was summarised in a single overall quality index. The first step was to construct quality sub-indices, reflecting different aspects of the characteristics of cars. Using unrestricted factor analysis it was found that five such indices were necessary to satisfactorily reproduce the matrix of correlations between the original quality indicators. After testing numerous combinations, the 15 car quality indicators were grouped into the following five sub-indices: *a)* performance, based on acceleration and consumption indicators; *b)* power, based on volume and horsepower indicators; *c)* comfort, based on power steering, air-conditioning and front and back electric windows; *d)* safety, based on airbag, twin airbags, ABS and remote locking and *e)* luxury, based on computer, alloy rims and climate control. The second step was to construct an overall car quality index, as the first component extracted from the matrix of covariances between the five quality sub-indices, which enables the quality of each car to be summarised in a single number, readily interpretable in terms of the indicators that make it up. Chart 3 presents the average, weighted by sales, of the quality indices constructed for each model. This aggregate quality index can be seen to show substantial increases over the period of study (15% in four years).

3.2. Results

Having constructed the overall quality index for each car, an equation like [1], in which the set of characteristics in the regression has been replaced by the aforementioned index, can be readily estimated. Also included, are monthly dummy variables for the make and type of fuel, as explanatory factors, and the number of versions of each model, as an indicator of variety. The regressions were estimated – separately for diesel- and petrol-fuelled cars – by weighted least squares, with weights equal to the annual sales of the relevant model the previous year. Estimates were made for the complete data sample, for adjacent two-month periods and, finally, month by month. In the first two cases the temporary dummy variables give the path of car prices controlling for improvements in quality over the period, while in the third the monthly estimate of the price of quality is used to prepare the hedonic price index. Although the results obtained are very similar, the preferred estimation was that based on regressions for adjacent two-month periods. The hedonic car price index so constructed exhibits a clear downward trend, as can be seen in Chart 4. Specifically, it fell at an average annual rate of 2.1% between January 1997 and December 2000. The overall estimate for the complete data sample gives an average annual rate of 2.2%.

One of the advantages of having a synthetic quality index is the ability to obtain stable month-by-month estimates of the price of quality. On the basis of this series of monthly quality prices an index of prices of characteristics of cars can be constructed for a constant quality level. The path of this price index is very similar to that of the corrected price indices estimated by the other two methods, with an average annual rate of fall of 1.9%. It is worth mentioning that in each estimation the results obtained indicate that the overall quality index constructed represents very closely the set of characteristics used in traditional hedonic regressions: the adjusted R^2 of the regression using only the overall quality index in the regressions is very high (it exceeds 90%) and, in comparison with the regressions in which all the available indicators are included, the loss of explanatory power is very small.

Finally, as in the previous case, comparing the CPI for cars (11) and the estimated hedonic price index enables the overestimation of prices in this sector, arising from insufficient consideration of quality improvements, to be quantified. Chart 4 shows the path of both indices over the study period, the effect of the quality corrections being clearly visible. In terms of average annual rates of change, the CPI for cars grew at an annual rate of 1%, while the hedonic index fell at an average annual rate of 2.1%. Accordingly, the implicit quality bias during the study period, from January 1997 to December 2000, is 3.1% per annum.

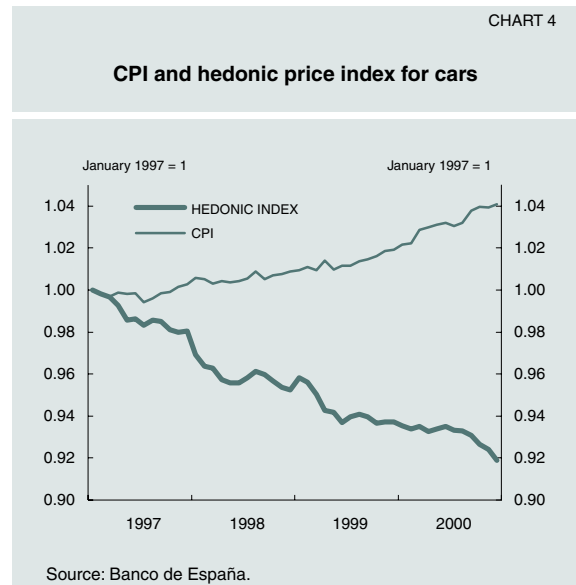
4. PRICE INDICES FOR NEW HOUSING (12)

4.1. Models and data used

In the study on the housing sector, inflation in the quality-adjusted prices of new housing is estimated in an alternative way to traditional hedonic methods. One particularly problematic aspect of conventional hedonic estimates for a product such as housing is that the omission of unobservable characteristics may seriously bias the results of the estimation. The exact location of housing, transport, traffic, proximity to services or construction quality are some of these characteristics, which are generally not ob-

(11) This comparison may be affected by the fact that the series of car prices published by the INE contains a series of prices for second-hand cars. However, the weight of this latter series is certainly small. Moreover, an index of traditional prices was constructed, following the INE methodology as faithfully as possible, based on the data for new cars only, and this gave an average annual growth rate of 1%.

(12) This section is a summary of Bover and Velilla (2001).



served but are relevant. In order to be able to bear these factors in mind and control very generally for the unobserved characteristics, we rely on the changes in prices of housing units belonging to the same housing development (or site). This ensures that price changes are not due to differences in house characteristics. That is the case insofar as houses on the same site share all the relevant characteristics (except size).

A property development takes the form of one or several blocks of apartments or various houses with similar quality standards built together on the same site. They may share certain facilities such as a garage area or garden. A site is usually on the market over an extended period of time, from 18 to 24 months on average. Therefore, the method proposed is based on the change in prices within sites over time to capture price increases net of changes in site characteristics.

To assess the extent of the quality adjustment in relation to identical data, the following equation is estimated as a benchmark:

$$(\log P_{it} - \log M_{it}) = \gamma_0 + \delta_t + u_{it} \quad [2]$$

where P_{it} is the price of dwelling i in year t and M is its floor area. The terms δ_t are coefficients of time dummy variables defined as changes in relation to the base-year value base γ_0 . The δ_t estimated in [2] is the measure used here of non-quality-adjusted house price inflation, which is equivalent to the average house price statistics usually available, defined in terms of price per square metre. Specifically, the growth rate of average prices with respect to the base year is approximately given by $\exp(\delta_t) - 1$.

The model with site-specific effects proposed to adjust for quality is:

$$\log P_{ijt} = \delta_t + \beta_j \log M_{ijt} + \zeta_j + v_{ijt} \quad [3]$$

where j represents the site. Note that additive and multiplicative site-specific effects (ζ_j and β_j , respectively) are permitted, as some site facilities may conceivably influence the price-to-size elasticity. Indeed, this elasticity is expected to be less the more shared services are paid on top of the dwelling itself. In this model all the dwelling characteristics (except size) are included in the site-specific effects, both observable and unobservable characteristics alike. The site-specific effects can be estimated by means of repeated observations over time, and the availability of different types of dwellings (as defined by floor area) at each site.

The data used cover newly constructed housing in some of the main Spanish cities and on the outskirts of Madrid during part of the nineties. The database, provided by the Spanish Development Ministry, contains half-yearly information on new housing (apartments and houses) available. The amount of information in this database is most substantial. For each site there are details on the different types of dwellings available. The difference between them lies essentially in floor surface area. Moreover, apart from the price and floor area of the dwelling, there is information on a series of site characteristics: municipal district, total number of dwellings on the site, total number of dwellings on offer, number of bedrooms, number of bathrooms, availability of garage space, central heating, air conditioning, fitted wardrobes, kitchen fittings, utility space, lift, garden, swimming pool and sports facilities, among others. The wide range of the characteristics collected is one of the main advantages of this data set. It makes it possible to estimate conventional hedonic equations and compare them with alternative methods of obtaining quality-adjusted house price indices.

The sample period used starts in 1993 and ends in 1997. The cities analysed are Barcelona, Bilbao, Cádiz and its outskirts, Madrid, outskirts of Madrid, Málaga, Sevilla, Valencia, Valladolid and Zaragoza. On average, there are observations of 23,000 dwellings per half-year period for all the cities, relating to approximately 1,570 property developments.

4.2. Results

Firstly, the estimates for cities of the various price indices obtained are given. Specifically,

for the different cities, Chart 5 shows the traditional average price per square metre index (the non-quality-adjusted reference indicator) and the hedonic index with site-specific effects proposed for housing quality adjustments. For most cities, the average per square metre index can be seen to outgrow, on average, the quality-adjusted index, although this is not so in all cases. This result has also been obtained in other countries over short periods [see Bureau of the Census (1997) and Fleming and Nellis (1985)] and has been attributed to short-term shifts towards lower-quality housing.

The estimated difference between the traditional average price per square metre index and the index proposed to adjust for quality is significant in most cities. This is evident in Chart 5, which depicts the confidence intervals of these two indices.

As earlier commented, standard hedonic equations have also been estimated and compared with the results obtained in the hedonic index with site-specific effects. Despite the fact that the database is fairly rich in observable characteristics, the course of quality-adjusted prices is very different, in both cases, for certain cities. Note that the models with site-specific effects, in addition to being robust to relevant but unobservable (and therefore omitted) characteristics, have a significant additional advantage. Indeed, unlike the traditional hedonic model (depicted in equation [1]), they require very few data on characteristics, namely: price, floor area and a single site identifier.

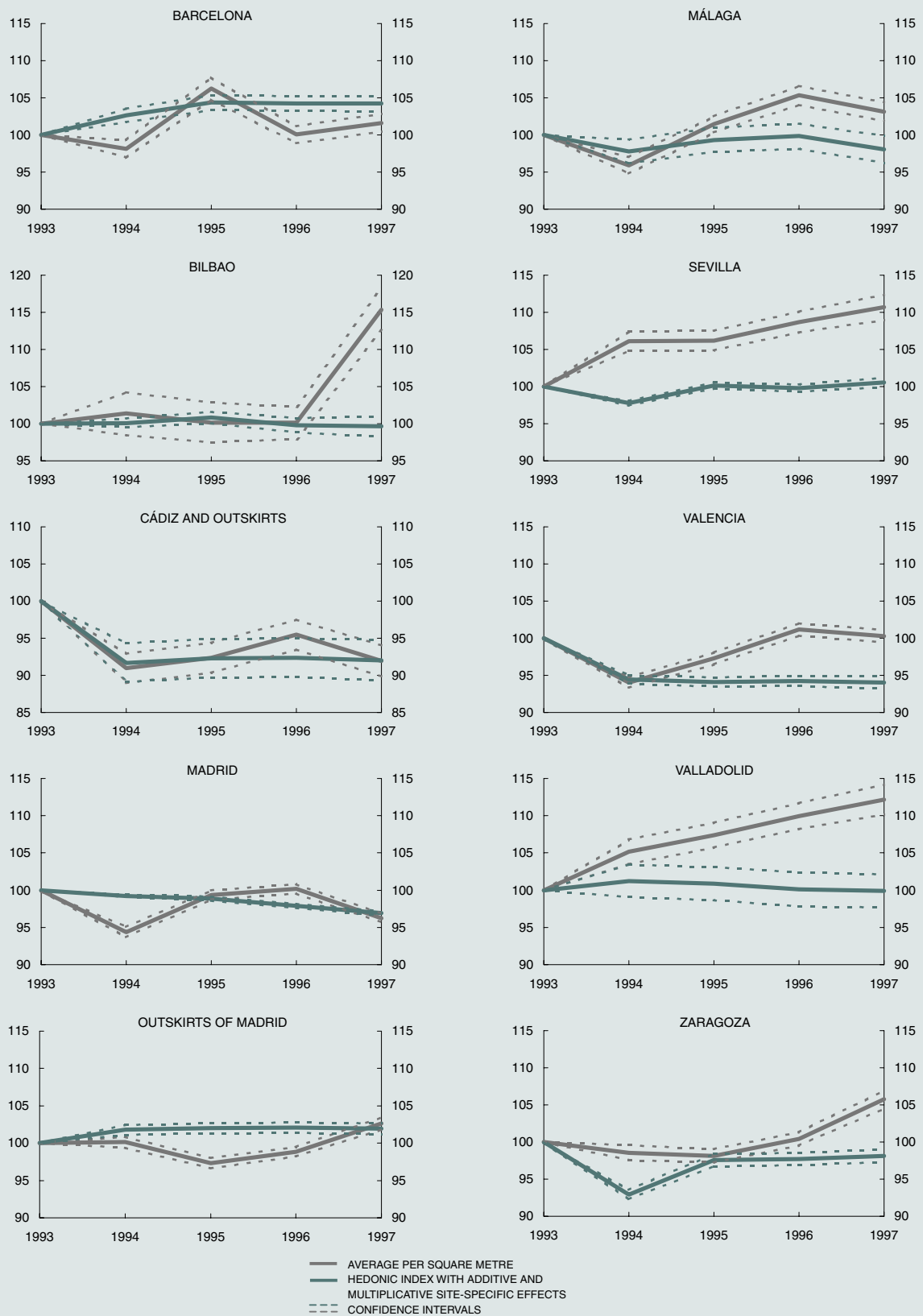
Thereafter, the previously obtained city indices have been used to prepare aggregate indices, which allows a more general assessment of the bias housing prices undergo when quality differences are not appropriately controlled for. The weights used are the city shares of dwellings in the sample. However, the results are robust to the use of different weights. The difference between the two aggregate indices, the average per square metre index and the hedonic index with site-specific effects is considerable. The upward bias due to increases in quality is estimated at between 0.75% and 1.2% per year throughout the period under analysis.

Finally, the quality-adjusted index is compared with the Spanish National Accounts residential construction deflator. The cumulative average growth of the official deflator was 3% for the period under study (13). By contrast, a cumulative annual decline of between 0.36% and

(13) A slight change was made to the definition of residential construction in 1995 and, therefore, there is a break in the index.

CHART 5

Estimated price indices for new housing and confidence intervals



Source: Banco de España.

0.56% is estimated for the quality-adjusted index. The upward bias of the residential construction deflator is therefore estimated at around 3.5% per annum for the period considered.

This is a sizeable discrepancy for a sector such as housing, and one that merits more detailed study. It is probably not only due to the fact that the Spanish National Accounts housing deflator is not adjusted for quality improvements in residential buildings, but also because it is affected by the very characteristics of the deflator, since what is largely involved here is an index based on the cost of construction industry factors. This problem of factor cost-based indices was earlier and originally highlighted in the Stigler report [see Price Statistics and Review Committee (1961)]. In fact, the difference in annual growth rates between the factor-based cost index and the non-quality-adjusted average price per square metre index is over 2 percentage points.

Lastly, the estimated indices are evidently based on a sample of cities that are not necessarily representative of the country as a whole. Nonetheless, for this to be responsible for the large discrepancy between the estimated index and the National Accounts deflator, housing inflation in the areas of Spain not studied here would have to be implausibly high. It may thus be concluded that, as in the case of the other two sectors analysed in this article, the results obtained are robust but should be treated with due caution.

5. MACROECONOMIC EFFECTS OF BIAS ARISING DUE TO CHANGES IN QUALITY

The empirical evidence provided in the foregoing sections confirms the presence of significant upward bias in the quantification methods habitually used to calculate the price indices of the three sectors analysed: computers, cars and housing. This is the result of an insufficient adjustment for quality changes in these products, changes which, in all the cases studied, are of great relevance. As these indices are used as indicators of the National Accounts deflators, the biases ultimately feed through to the macroeconomic variables in real terms. That not only biases the measurement of real GDP and its main components downwards, but also bears, for example, on the estimation of the economy's capital stock and on the measurement of total factor productivity.

Izquierdo and Matea (2001a and 2001b) furnished an initial estimation of the biases that

may have been incurred in the measurement of Spanish macroeconomic magnitudes in the period 1986-1994 owing to an insufficient adjustment of prices to changes in the quality of products, applying to Spain the empirical evidence available for other countries. On the data provided at that time, the growth rate of real Spanish GDP during that period might have been understated by around two or three-tenths of a percentage point per year. It is now viable to use the results of those sectors where it was possible to make specific estimates for the Spanish case and arrive at a new, more accurate evaluation of the impact of biases arising from changes in quality on the measurement of real GDP and its main components, for the period 1995-1999. On this occasion the information used stems basically from the National Accounts, whereas a year earlier it was drawn from the Input-Output Tables. This is due to the fact that, on one hand, the sectoral breakdown in the new National Accounts involves a greater degree of detail and, on the other, because the Input-Output Tables are only available to 1996.

5.1. Simulation exercises

To quantify the effect of quality biases on the assessment of Spanish macroeconomic magnitudes in real terms, disaggregated information on nominal spending on each of the products considered is needed, along with their implicit deflators. These deflators, which are overstated owing to the presence of quality biases, are adjusted by the magnitude indicated by the specific sectoral studies, thereby obtaining deflators net of the quality changes. On deflating the nominal quantities of each of the products analysed by their corresponding adjusted deflator, a new figure for real-terms spending becomes available. The aggregation of these real quantities to GDP, and its components, allows – through comparison with the original quantities – for estimation of the macroeconomic effects of the quality-bias adjustments to the deflators.

The estimated final impact for the different components of aggregate demand will depend directly on the scale of the quality adjustments applied to the deflators and on the relative significance of the products affected. In the case of GDP, this impact will be lessened as a consequence of which portion of these products are imported, since their deflators are also subject to these biases and must be adjusted. The type of index used to aggregate the new real quantities is also a relevant factor in the calculation of quality bias. The Laspeyres-type quantities indices, which are those used by National Accounts, are constructed with fixed weights

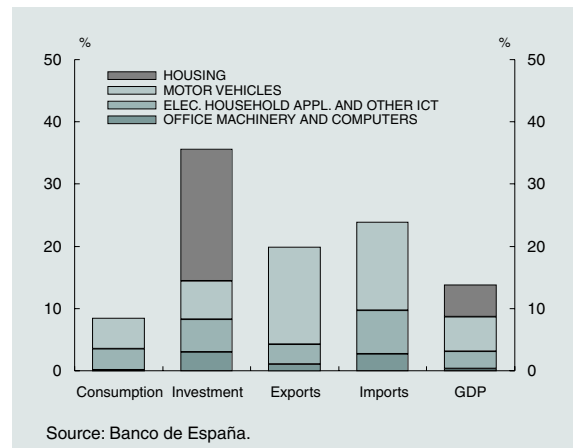
based on initial-year prices. As a result, they tend to overstate the effects of quality adjustments. This is due to the fact that a fixed-weight structure does not enable the effect of changes in relative prices to be captured which, in the case of the products subject to quality changes, are usually fairly marked. Given this circumstance, a Fisher quantities index, which is the geometric mean of a Laspeyres index and a Paasche index (which uses weights based on final-year prices), proves more appropriate.

Chart 6 shows the relative significance of the four sectors considered most sensitive to changes in quality: housing, motor vehicles (hereafter, cars), office machinery and computers (hereafter, computers), and household electrical appliances and other ICT goods, which account for something over 8% of consumption, more than one-third of investment and around 20% of foreign trade, equivalent to 14% of Spanish GDP in 1999. That marks an appreciable increase in respect of the size of these sectors in the period 1986-1994, essentially reflecting their greater weight in private consumption.

Although the estimations made in the computer and car sectors refer exclusively to consumer products, their results have been extended to investment in these types of goods and to associated foreign trade flows, so as to complete the information needed to perform the exercise. This has made certain additional assumptions about the related deflators necessary. As, with regard to household electrical appliances and other ICT products (encompassing the manufacture of electronic equipment, precision instruments, and communications equipment and services), it has not been possible to estimate possible biases in the Spanish case, biases based on the empirical evidence found in other countries have been applied, as was done in the exercise performed in Izquierdo and Matea (2001a and 2001b).

The information used to make all these calculations is from the Spanish National Accounts product breakdown, although it has been necessary to resort to complementary data sources. In particular, the breakdown of investment by product available in the National Accounts has been expanded by resorting to the 1995 and 1996 Input-Output Tables, and deflators had to be constructed for investment on the basis of producer price indices and import unit value indices. Customs records have been used for the breakdown of the foreign sector items, while their deflators have been compiled using unit value indices. Lastly, the periods of the sectoral studies for cars (1997-2000) and housing (1993-1997) do not coincide, and this has also been taken into account.

CHART 6
Weight of products with quality-adjusted prices in relation to nominal GDP components in 1999



Given the degree of uncertainty prevailing about the exact amount of the adjustments for changes in quality, Table 1 proposes two alternative exercises. The first is the result of the direct application of the biases obtained in the sectoral studies conducted, with the odd minor adjustment. The second allows the uncertainty surrounding some of the assumptions made to be confined.

Specifically, in the first case, A, the downward adjustments in the deflators of the GDP components involved in this exercise were 26% for computers, 3% for cars and 3% for housing. In the case of the deflators of household electrical appliances and other ICT products, for which evidence relating to the Spanish economy is not available, an adjustment of 2% was opted for, in line with the data for other countries (as earlier mentioned).

In case B, regard has been had to the uncertainty about the adjustments made in the deflators of investment and foreign trade items of computers and cars, for which there is no direct evidence, and to which – as will be recalled – the same cuts that were estimated for the consumption of these products were applied. Thus, to avoid an overstatement through this channel, the 26% adjustment for the computers deflator has now been reduced to 20% in the investment and foreign trade items. Likewise, the 3% reduction applied to the car consumption deflator now stands at 2% for these same items. Further, the adjustment to the housing investment deflator has been considerably reduced from 3% to 1%. The reason for this change is that there is reasonable doubt about whether the difference between the housing deflator and the estimated hedonic index can be attributed in full to improvements in quality. Differences in Na-

TABLE 1

Aggregate effects on the real annual average growth rate, 1995-1999

	Consumption	Investment	Exports	Imports	GDP
Exercise A (a)					
Adjusted Laspeyres - original Laspeyres	0.38	3.34	3.16	2.79	1.19
Adjusted Fisher - original Fisher	0.27	2.33	1.93	1.87	0.75
Adjusted Fisher - original Laspeyres	0.25	2.29	1.78	1.89	0.70
Exercise B (b)					
Adjusted Laspeyres - original Laspeyres	0.38	1.94	1.89	1.80	0.77
Adjusted Fisher - original Fisher	0.27	1.36	1.20	1.28	0.49
Adjusted Fisher - original Laspeyres	0.25	1.32	1.05	1.30	0.45
Source: Banco de España.					
(a) Adjustments applied: computers -26%, household electrical appliances and other ICT goods -2%, cars -3%, housing -3%.					
(b) Adjustments applied: consumer computers -26%, computers for other uses -20%, electrical household appliances and other ICT goods -2%, consumer cars -3%, cars for other uses -2%, housing -1%.					

tional Accounts coverage and the sample used or different methodological aspects of the quality adjustment in the calculation of the deflator could account for part of this difference. Therefore, in this second, more cautious scenario, it is opted to apply an adjustment of only 1%, which is the figure obtained if the respective courses of the average price per square metre of the sample and the hedonic index of housing prices are compared.

Although the results of these exercises should be interpreted with due caution, highly significant conclusions may be drawn. In both cases, the impact on real GDP and its components is very appreciable, particularly that relating to investment and the aggregates of the foreign sector. Moreover, it is clear that the type of index used in the aggregation is a fundamental element. As earlier indicated, estimates with Laspeyres quantities indices are overstated (these are those in the first line of each simulation), while those made with Fisher quantities indices (second line) provide a more appropriate measure of biases arising due to changes in quality that affect real variables. However, given that the National Accounts use Laspeyres-type quantities indices, it is also important to report the joint effect of introducing adjustments into the deflators owing to changes in quality and to change, at the same time, to Fisher-type quantities indices (third line).

As reflected in Table 1, in the first case considered (A) it is estimated that the real annual average growth of the Spanish economy for the period 1995-1999 could be understated by a figure fluctuating around 0.75 percentage points. In case B, where the risks of overstating the estimated effects have been limited, this fig-

ure diminishes to around half a percentage point. As earlier mentioned, the impact is particularly significant in the case of investment, where the upward adjustments are clearly in excess of two percentage points, in the first case, and somewhat lower than 1.5 percentage points in case B. Private consumption is the variable least affected, but the estimated biases are likewise significant, standing at approximately three-tenths of a percentage point of real growth per year. Finally, it is worth noting how the impact of the adjustments to imports and exports on GDP tends to cancel itself out in these years.

6. CONCLUSIONS

This article presents important empirical evidence on the differences between traditional price indices and price indices estimated using hedonic methodology, for three sectors of the Spanish economy, namely computers, cars and housing. The findings confirm the importance of correcting prices for quality biases to obtain an adequate view of their trends. In fact, when the deflators normally used in the National Accounts are corrected for the estimated biases, the real growth rates of the main macroeconomic aggregates are revised significantly upwards.

However, it should be pointed out that the extrapolation of empirical evidence on the magnitude of sectoral quality biases to Spanish National Accounts aggregates requires certain assumptions to be made that will affect the magnitudes eventually estimated. Moreover, the exercise does not take into account the changes in quality of other goods and services. In fact, in

some cases, there may have been losses of quality that would imply a bias in the opposite direction. Consequently, the estimates presented of the possible biases in the measurement of macroeconomic variables should be taken as indicative of the importance of taking the phenomenon of changes in the quality of products properly into consideration. It should also be noted that the adoption of hedonic methodology by statistics offices has its own problems. On one hand, it involves significant costs, so that it should only be adopted for certain key sectors, and on the other, the methodology itself has certain limitations which mean that some of its applications may be controversial.

A basic factor in studies like this is the availability of suitable databases, the characteristics of which sometimes influence the type of approximation methodology used. A special effort has been made in the studies presented here to obtain, analyse and edit the relevant information sources, notwithstanding which, the data used may have imposed certain biases on the results of the estimations. This should also be interpreted as an indication of the effort required to furnish the statistical agencies involved with adequate resources, if it is desired that they should continue with this line of research.

Analysis of the characteristics of the various goods studied shows that quality improvements have been significant in all cases. Those in the computer industry (speed, memory, capacity, etc.) particularly stand out, although improvements have also been notable in cars and housing. The particularities of the samples used have meant that approximations other than hedonic methodology have had to be used. For instance, in the case of cars, an overall quality index has been constructed for the industry to be introduced into the equation in place of the specific characteristics. In the case of housing, although information was available on a large number of characteristics, some of them are difficult to observe (such as location), and this may affect how good the estimates are. To resolve this problem residential property developments were taken as the unit of reference.

A measure of the bias arising from a partial or complete failure to correct the different rates of inflation for quality changes is obtained from the results of the estimates made. Specifically, the average annual growth of the price of computers is corrected downwards at an average annual rate of 26%; that of cars by 3% and that of housing also by 3%. The reference periods, with some variation, cover several years of the last decade. If these corrections are applied to the Spanish National Accounts deflators (for which purpose different information sources

and certain specific assumptions are required) a certain approximation is obtained of the magnitude of the bias in the measurement of the real growth rates of the main macroeconomic aggregates in the Spanish economy. Also, to make this exercise as complete as possible and comparable with other studies carried out at the international and domestic levels, as done in Izquierdo and Matea (2001a y 2001b) for the period 1986-1994, the electrical household appliances industry and the rest of the ICT industries have also been included, although it has not been possible to make the relevant estimates for the Spanish economy.

In order to set a range for assessing the results and to clarify some of the assumptions made, two alternative scenarios have been prepared: the first one uses the values of the estimates made for the Spanish economy and the international empirical experience in the electrical household appliances industry and in the rest of the ICT industries; the second corrects some of the estimated biases downwards, thereby reducing the risk of exaggerating the estimated effects, as a consequence of excessive generalisation of the results obtained in the sectoral analyses. It should also be taken into account that the formula for aggregating the results is important. It is well known that Laspeyres indices introduce an upward bias into aggregate results, since their structure of fixed weights does not allow changes in relative prices to be taken into account. A Fisher index is more suitable for assessing the phenomenon in question.

Having made these clarifications, it is estimated that the average annual growth of the real GDP of the Spanish economy during the period analysed may be biased downwards by an amount ranging from half a percentage point to three-quarters of a percentage point. The bias is especially significant in investment, where the underestimation may lie between 1.4 and 2.3 percentage points. The impact on consumption is much smaller, given the lower relative importance of the sectors responsible for the corrections, and may be put at 0.3 percentage points. The impact on external trade flows is also notable, being estimated, in all cases, at well over one percentage point.

28.11.2001

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Financial regulation: 2001 Q4

1. INTRODUCTION

In 2001 Q4, the period immediately preceding the withdrawal of the peseta and the introduction of euro banknotes and coins, a relatively significant number of provisions were enacted, some of which were of particular importance.

First, the law on the solvency of financial institutions was amended to extend the benefits applicable to State debt to the debt issued by local authorities, and to transpose Directive 98/31/EC of the European Parliament and of the Council of 22 June 1998 into Spanish law.

Four circulars were published by the Banco de España. The first amended the law on the transparency of transactions and customer protection, to regulate the performance of banking transactions without the physical presence of the customer, in particular, those carried out by internet. Also, it introduced the necessary provisions to ensure that, as from 1 January 2001, the monetary amounts in lists of rates appear solely in euro. The second laid down the information that institutions belonging to deposit guarantee funds must send annually to the Banco de España for calculation of their contributions to such funds. The third set up, within the National Electronic Clearing System (SNCE), the general subsystem for miscellaneous transactions, in order to rationalise clearing processes for means of payment. Also, the opportunity was taken to modify the period of adaptation of the SNCE to the euro. Finally, the fourth regulated the procedure for obtaining authorisation to be the proprietor of a currency-exchange bureau, the information such proprietors must submit to the Banco de España, and the scope and content of their own and their agents' obligations.

In relation to securities markets, the law on investor compensation schemes was implemented, with specific mention of the establishment of an exceptional regime for the distribution of compensation arising from the retroactive nature of the Investor Guarantee Scheme.

At the EU level, the various Community directives on the co-ordination of the listing conditions for negotiable securities have been coded and consolidated into a single text, for the purposes of greater clarity and rationality.

Procedures have been established for the total and immediate withdrawal of peseta coins from the present monetary system, notwithstanding that they shall all maintain their exchange value for an unlimited period of time.

As usual at this time of year, the measures included in the State budget for 2002 are discussed. These are primarily monetary, financial and fiscal and they are the first to have been drawn up in euro. The structure of the new financing arrangements for the regional (autonomous) governments is given a special mention. As in previous years, a number of fiscal, administrative and social measures have been adopted along with the Budget Law in order to facilitate the achievement of economic policy objectives. Administrative measures in the financial field include, determination of the method for marking and cancelling peseta banknotes, and a number of new measures to protect the euro against counterfeiting. As for the law on pension schemes and funds, the overall limit on contributions to individual and employment pension schemes is abolished, and the limit on contributions made by persons close to retirement is raised, while the position of ombudsman for participants in individual pension schemes is created.

Finally, there is a discussion of the new legal regime that will enable the services necessary to guarantee the safety and efficiency of communications with general government by electronic, computer and teleprocessing means to be introduced, and of ratification by Spain of the Treaty of Nice, signed by the Member States on 26 February 2001, which will enable the process initiated by the Treaty of Amsterdam to be concluded.

2. MODIFICATION OF THE SOLVENCY RULES FOR FINANCIAL INSTITUTIONS

The foundations for the law on solvency applicable to financial institutions (which include credit institutions), securities-dealer companies and securities agencies and insurance companies and their respective groups, with uniform treatment for all such entities, were laid by Royal Decree 1343/1992 of 6 November 1992 (1). This Royal Decree implements Law 13/1992 of 1 June 1992 (2) on own funds and the supervision of financial institutions on a consolidated basis.

The provisions for the minimum harmonisation necessary for investment services firms (ISFs) to be able to establish branches and freely provide services in other EU Member States with the sole authorisation of their home country were laid down by Council Di-

rective 93/22/EEC of 10 May 1993 on investment services in the securities field. Subsequently, Council Directive 93/6/EEC of 15 March 1993 on the capital adequacy of investment firms and credit institutions further harmonised the elements considered essential to ensure mutual recognition of ISFs, developed a common framework for the supervision of market risks incurred and the control of large exposures and completed the regulation of supervision on a consolidated basis of groups of credit institutions that contain sub-groups of investment firms. Finally, Directive 93/6/EEC was amended by Directive 98/31/EC of the European Parliament and of the Council of 22 June 1998 to adapt its provisions to current market risks.

Royal Decree 1419/2001 of 17 December 2001 (BOE of 5 January 2002), which partially amends Royal Decree 1343/1992, has recently been published. First, it adapts the law on solvency to article 50.3 of Law 39/1988 of 28 December 1988, which regulates local tax authorities. The wording of this article was amended by article 59 of Law 50/1998 of 30 December 1998 on fiscal, administrative and social measures to extend the benefits applicable to State debt to the public debt issued by local authorities. As a result, the latter is assigned a zero weighting for the purposes of calculating the solvency ratio and for the purposes of the law on large exposures.

Second, the Royal Decree transposes Directive 98/31/EC into Spanish law. On one hand, it widens the definition of the trading book to include *positions in gold*, which shall have a capital requirement of not less than 8% of the net position and be treated in a similar way to currency positions. On the other hand, it allows institutions that have first obtained the authorisation of the Banco de España to use internal risk management models to calculate the capital they require to cover market and foreign exchange risks. The aim is to ensure that the risk associated with portfolios whose management, based on the existence of daily market prices, makes special treatment advisable, is adequately covered. Also, the aim of allowing internal risk management models to be used is to adapt the instruments of supervision to market techniques and to promote an improvement in risk management by institutions.

Finally, the Royal Decree adapts the terminology of Royal Decree 1343/1992 to that established by other provisions with the status of law: Law 6/1997 of 14 April on the organisation and operation of the general State administration and Law 37/1998 of 16 November 1998, which amends Law 24/1988 of 28 July 1988 on the Securities Market.

(1) See "Regulación financiera: cuarto trimestre de 1992", in *Boletín económico*, Banco de España, January 1993, pp. 65-71.

(2) See "Regulación financiera: segundo trimestre de 1992", in *Boletín económico*, Banco de España, July-August 1992, pp. 82-86.

3. CREDIT INSTITUTIONS: CHANGES TO THE RULES ON TRANSPARENCY OF TRANSACTIONS AND CUSTOMER PROTECTION

Banco de España Circular (CBE) 8/1990 of 7 September 1990 (3) on the transparency of transactions and protection of customers implemented the Ministerial Order of 12 December 1989 (4), which extended to all credit institutions the rules that were initially only applicable to deposit money institutions. This Circular has since been updated to reflect the subsequent changes in the Spanish financial system that have had a particular impact on the operations of credit institutions with their customers. Specifically, CBE 3/1999 of 24 March 1999 (5) made some amendments to CBE 8/1990, in order to clarify, for the purposes of the changeover from the peseta to the euro, various aspects of the regulations on the transparency of transactions and the protection of customers, incorporating some of the rules contained in Law 46/1998 of 17 December 1998 on the introduction of the euro (6), and certain matters addressed in the Commission Recommendations of 23 April 1998 (7) concerning banking practices in relation to "charges for conversion to the euro" and "dual display of prices and other monetary amounts" during the transitional period (running from 1 January 1999 to 31 December 2001).

Meanwhile, Directive 97/5/EC of the European Parliament and of the Council of 27 January 1997 on cross-border credit transfers laid down the basic rules for individuals and businesses (in particular, small and medium-sized businesses) to be able to make credit transfers through credit institutions rapidly, reliably and cheaply from one part of the Community to another. This Directive was transposed into Spanish law by Law 9/1999 of 12 April 1999 (8), which regulates the legal system for transfers between EU Member States, and by a Ministerial Order of 16 No-

vember 2000 (9), which implemented this Law. These legal instruments contain, inter alia, certain requirements regarding the information that credit institutions must provide to their customers, and they authorise the Banco de España to determine and implement such requirements.

On this occasion, the increasing importance of communications with customers through channels that enable transactions to be carried out without the physical presence of the customer at the credit institution, especially via the Internet, requires the amendment of some of the provisions of CBE 8/1990 to ensure that the use of these media does not involve any reduction in the consumer protection systems established in that Circular.

To accomplish these two aims, CBE 8/1990 has been amended by *CBE 3/2001 of 24 September 2001* (BOE of 9 October 2001). It should be noted that this Circular also introduces the possibility of making credit institutions' lists of rates available to the public for consultation on the Banco de España website, for which purpose the relevant procedure must be followed. Also, it introduces the necessary provisions to ensure that from 1 January 2002 the monetary amounts of the rates shall appear solely in euro.

The most important provisions of the Circular are as follows:

3.1. Fund transfers

In the case of receipts of transfers, regulated in Law 9/1999, in which it is not expressly specified that the commission fees and charges are to be borne wholly or partly by the beneficiary, no commission fee or cost can be charged to the latter for the service. Also, when a transfer is ordered, the originator's institution shall be obliged to execute it for the full amount thereof unless the originator has specified that the costs of the credit transfer are to be borne wholly or partly by the beneficiary.

Credit institutions that regularly provide cross-border-credit-transfer services shall include in a special section in their list of rates the general terms and conditions that shall necessarily apply to such transactions unless other terms more favourable to the customer are contractually agreed. Also, the notice board shall indicate the existence of a special section in the list setting out the general terms and conditions applicable to this kind of transfer.

(3) See "Regulación financiera: tercer trimestre de 1990", in *Boletín económico*, Banco de España, October 1990, pp. 76 and 77.

(4) See "Regulación financiera: cuarto trimestre de 1989", in *Boletín económico*, Banco de España, January 1990, p. 35.

(5) See "Financial regulation: first quarter 1999", in *Economic bulletin*, Banco de España, April 1999, pp. 58-60.

(6) See "Financial regulation: fourth quarter 1998", in *Economic bulletin*, Banco de España, January 1999, pp. 83-90.

(7) See "Financial regulation: second quarter of 1998", in *Economic bulletin*, Banco de España, July 1998, pp. 92 and 93.

(8) See "Financial regulation: second quarter of 1999", in *Economic bulletin*, Banco de España, July 1999, pp. 63 and 64.

(9) See "Financial regulation: 2000 Q4", in *Economic bulletin*, Banco de España, January 2001, pp. 77 and 78.

3.2. Lists of commission rates

The previous Circular provided that, having been sent to the Banco de España by credit institutions, lists of rates were deemed approved when fifteen business days had elapsed without the Banco de España having made any specific statement, objection or recommendation with respect thereto. It is now provided that once the lists have been approved, credit institutions must give at least forty-eight hours' notice of their entry into force, when they shall be included on the Banco de España's website.

3.3. Banking transactions via Internet

Banks that offer the possibility of carrying out transactions via Internet shall include on their website their full company name and any trade name, the address of their registered office, their status as a credit institution subject to supervision by the Banco de España, as well as a mention of their inclusion in the relevant special administrative register kept by the Banco de España. They shall also include on their website, prominently and so as to catch the attention of potential customers, the information that they are required to post on their notice boards, such as their list of rates and valuation rules, so that it can be consulted simply and free of charge (apart from the cost of the Internet connection), without access being restricted to existing customers. At the same time, banks shall indicate on their traditional notice boards that their list of rates is also available on their website, giving the address thereof.

Also, the Circular extends the possibilities for credit institutions to be able to perform certain procedures and transactions provided for in CBE 8/1990 through electronic media, when the customer so decides. Specifically, when transactions are carried out electronically and delivery of the contractual document is required, such delivery may, at the customer's choice, be performed either by sending the document on a durable electronic device that can be read, printed or kept, or by sending written confirmation of the contract. In any event, the bank shall keep the customer's receipt. As for the individual messages that it is necessary to send pursuant to the provisions of CBE 8/1990, they can be sent electronically when the customer so requests, or when this was the procedure used when the contract was concluded and the contractual document so provides. Banks also have the possibility, in the case of mortgage loans, of sending their binding offers to the customer using electronic means.

3.4. Advertising on the Internet

CBE 8/1990 provided that any advertising by credit institutions of their financial operations, services or products, which refers to their cost or return to the public, must be authorised first by the Banco de España, envisaging that it would be disseminated through the traditional media. The new wording of this Circular broadens the regime for the authorisation of advertising by credit institutions on their own websites and also on those of third parties offering the services of a credit institution.

However, where advertising is limited to simulated calculations on the website of the bank or comparisons between the offers of different banks, it shall not be considered to be advertising for these purposes, provided that they do not include specific products. Also, information on the specific characteristics of transactions appearing on websites where they are carried out shall not be considered advertising either.

3.5. Transitional period of coexistence of the peseta with the euro

The Circular introduces the necessary provisions to ensure that from 1 January 2002 the monetary amounts in lists of rates appear exclusively in euro. Specifically, banks were required to send to the Banco de España before 30 November 2001 lists of commission rates with their monetary amounts denominated solely in euro. In the event that during the period between the sending of such lists and 1 January 2002 any bank should need to revise its rates, it shall send two versions of the revisions, one of them with the amounts in pesetas/euro and the other, with the same number of pages, with amounts only in euro.

Finally, it should be noted that the Circular specifies for those services whose rates are determined by prices per unit, e.g. "per item" in the case of special statements, or "per coupon" or "per dividend" in securities operations. In this case, the unit amounts in euro that must appear in the lists of rates as a consequence of the conversion to that unit may be expressed with up to six decimal places.

4. DEPOSIT GUARANTEE FUND: THE BALANCES USED TO CALCULATE CONTRIBUTIONS

The protection of credit institutions' customers was addressed in Directive 94/19/EC of 30

May 1994 (10) on deposit-guarantee schemes, which established a harmonised minimum level of protection for the aggregate deposits of each customer, irrespective of the EU country in which they are located. This Directive was partially transposed into Spanish law by Royal Legislative Decree 12/1995 of 28 December 1995 (11) on urgent budgetary, tax and financial measures, and by Royal Decree 2606/1996 of 20 December 1996 (12) on credit institutions' deposit guarantee funds. Recently, Royal Decree 948/2001 of 3 August 2001 on investor compensation schemes partially amended RD 2606/1996, in order to regulate the cover that credit institutions must provide for investment services.

RD 2606/1996 authorised the Banco de España to develop the technical and accounting aspects of the concept of guaranteed deposits and securities, and, also, RD 948/2001 authorised it to determine the valuation criteria to be applied to the various types of unlisted securities and financial instruments on the basis of which the annual contributions to the funds are calculated.

Both aspects were implemented in *CBE 4/2001 of 24 September 2001* (BOE of 9 October 2001), which also establishes the information that the institutions belonging to the funds have to send annually to the Banco de España for the purposes of calculating contributions.

Domestic credit institutions shall send the Banco de España, before 31 January each year, a statement (included in the annex to the Circular) relating to the calculation of the contributions to the Deposit Guarantee Fund (DGF) on the basis of the balances as at 31 December of the previous year. This same obligation applies to the branches in Spain of credit institutions authorised in *non-EU countries*, when the guaranteed deposits or securities endowed or entrusted to the branch are not covered by a guarantee scheme in their home country. For their part, the branches of foreign credit institutions that belong to the Deposit Guarantee Fund for Banks, in order to cover the difference in the level or scope of cover when the guarantee of the home country is more limited, shall send to the DGF the information requested in relation to their particular circumstances.

(10) See "Regulación financiera: segundo trimestre de 1994", in *Boletín económico*, Banco de España, July-August 1994, pp. 97-98.

(11) See "Regulación financiera: cuarto trimestre de 1995", in *Boletín económico*, Banco de España, January 1996, pp. 78-80.

(12) See "Regulación financiera: cuarto trimestre de 1996", in *Boletín económico*, Banco de España, January 1997, pp. 106-109.

To calculate the base for determining the contributions to the DGF, the following valuation criteria shall be followed:

- 1) Money deposits shall be valued using the same criteria as are used to record them in the balance sheet.
- 2) In the case of negotiable securities and financial instruments that are listed on a secondary market, they shall be valued at their listed price on the last day of trading of the year. The same criterion shall be followed for securities subject to repos.
- 3) In the case of negotiable securities and financial instruments that are not listed on any secondary market, the following criteria shall be applied:
 - Equities: shall be valued at their nominal value.
 - Debt securities: at redemption value.
 - Other financial instruments: at the estimated end-year market value, calculated in accordance with the generally accepted valuation procedures for the instrument concerned.

The Circular also amends some provisions of CBE 4/1991 of 14 June 1991. Inter alia, it underlines the need for credit institutions to identify in their internal accounting the deposits, funds, securities and financial instruments that are guaranteed and particularly emphasises the monitoring of the accounts representing custodial activity.

5. NATIONAL ELECTRONIC CLEARING SYSTEM: GENERAL SUBSYSTEM FOR MISCELLANEOUS TRANSACTIONS

The structure and operation of the National Electronic Clearing System (SNCE), made up of the National Exchange System (SNI) and the National Settlement System (SNL), were regulated by RD 1369/1987 of 18 September 1987, Ministerial Order of 29 February 1988 and CBE 8/1988 of 14 June 1988.

The setting up of the SNCE was an important step forward in the process of modernising the payments system in Spain, equipping it with an infrastructure capable of handling a larger flow of transactions and ensuring their immediate effectiveness in the domestic market. Subsequently, the Ministerial Order of 26 February 1996 simplified the administrative regime for the traditional Clearing Houses, retaining residually

and temporarily the documentary procedures that were used in these clearing houses, setting up the Single Clearing House System (Sistema de Cámara Única) for this purpose.

In order to rationalise the processes for clearing means of payment, *CBE 5/2001 of 24 September 2001* (BOE of 9 October 2001) set up the general subsystem for miscellaneous transactions, to accommodate those transactions that are still cleared through the Single Clearing House System. It also changed the period for adapting the SNCE to the euro.

This new subsystem is the last to have been developed, on account of the small volume of transactions concerned (less than 1% of the total cleared) and the temporary nature of the Single Clearing House System when it was set up in 1996. It is intended for the exchange, clearing and settlement of interbank-account reimbursements and other diverse transactions that cannot be processed by any of the other SNCE subsystems. Transactions eligible for exchanging and clearing must fulfil, inter alia, the following requirements: the originating institution must be a participant in the subsystem and the relevant payment or receipt must be at the branch, anywhere in Spain, of a participating institution. Transactions that can be cleared through other SNCE subsystems, according to the requirements in force from time to time, shall not be cleared through this one.

CBE 5/2001 also amends CBE 9/1998 of 30 October 1998, which adapted the SNCE to the euro. In fact, CBE 9/1998 of 30 October 1998 established, exceptionally, that the introduction and exchange of data in the SNCE between 1 January 2002 and 31 March 2002 and the amount of interbank transactions in pesetas before 1 January 2002 could be notified in that currency, without prejudice to their legal equivalence in euro, and that, as from 1 April, the amount of such transactions shall be expressed in euro. CBE 5/2001 has shortened this exceptional period, which shall now expire on 28 February 2002.

6. IMPLEMENTATION OF THE LEGAL REGIME FOR CURRENCY-EXCHANGE BUREAUX

Law 13/1996, of 30 December 1996, on fiscal, administrative and social measures, which was passed with the 1997 Budget Law, pointed to the need to complete the regulation of establishments other than credit institutions open to the public for currency exchange (hereafter, currency-exchange bureaux) with more comprehensive legislation, similar to that in other European countries, regarding the persons who

perform such operations, enabling the government to implement such legislation subsequently. This was done by Royal Decree 2660/1998 of 14 December 1998, which regulates the activity of these establishments while giving due regard to free competition and proper safeguards for customers. As regards its scope of application, the activity of these currency-exchange bureaux (or whatever else they may be called) was widened to include not only the exchange of currency (the purchase and sale of foreign banknotes) but also the management of credit transfers received from or sent abroad through credit institutions. Later, a *Ministerial Order of 16 November 2000* regulated specific aspects of the regime for currency-exchange bureaux and implemented certain obligations relating to the advertising and transparency of transactions for the sale and purchase of foreign currency and travellers' cheques executed by them, in order to ensure an adequate level of information and safeguards for customers.

The Banco de España has recently published *CBE 6/2001 of 29 October 2001* (BOE of 15 November 2001). This lays down the procedure for obtaining authorisation to be the proprietor of a currency-exchange bureau, the information such bureaux must present to the Banco de España, and the scope and content of their own and their agents' obligations.

According to the distinction made in RD 2660/1998 in relation to the business of currency-exchange bureaux, the Circular distinguishes between, on one hand, the legal regime for bureaux that only purchase and sell foreign banknotes and travellers' cheques and, on the other, those that also manage cross-border transfers. Its most salient features are described below.

6.1. Proprietors of bureaux that only purchase foreign banknotes and travellers' cheques with payment in euro.

Under RD 2660/1998, the proprietors of such bureaux must apply to the Banco de España for authorisation to pursue their activity, submitting the supporting documentation specified in the Royal Decree. Where the activity will be ancillary to other existing activities of the proprietor (e.g. credit institutions), it will only be necessary to evidence the applicant's main activity by presenting the latest receipt for the Economic Activities Tax.

As regards existing bureaux, the Circular provides that a new authorisation is required in the following cases:

- 1) When a new proprietor intends to continue the activity of an existing authorised proprietor, whether as a consequence of its inter vivos acquisition (under the transfer or partial assignment of a business), or through company operations (merger, demerger, transfer of assets and liabilities).
- 2) When the business is acquired *mortis causa* and the currency-exchange activity is the main one.
- 3) When a proprietor authorised to carry on such activity as an ancillary one intends that it should be its main activity.

The proprietor may commence the activity of purchasing foreign currency when authorisation has been notified and entered in the Register of Proprietors of Currency-Exchange Bureaux kept by the Banco de España.

The Circular also requires these bureaux to notify the Banco de España, within one month, of the following events: change of address of the proprietor or, in the case of legal persons, changes of name or registered office; a change in the nature of the business, i.e. from main to ancillary activity, and the opening of new premises for carrying on the authorised activity. They shall also send, within one calendar month of the quarter to which the data relate, a quarterly summary statement of the business carried out by the proprietor at all its premises, completing the forms annexed to the Circular.

With regard to consumer protection, the Circular sets out the minimum content and scope of the information that must be provided to the public on exchange rates, commissions and charges referred to by the Ministerial Order of 16 November 2000. Bureaux must post, in a perfectly visible place inside the premises, the following information:

- a) The minimum buying rates that shall apply to the foreign banknotes and travellers' cheques of non-euro area countries when the amount of the transaction does not exceed EUR 3,000.
- b) Until 28 February 2002, the conversion rates for the euro area legacy currencies, which shall be those resulting from their euro equivalent and which shall apply to the purchase of foreign banknotes and travellers' cheques denominated in such currencies.

In both cases, this information shall be accompanied by the commissions and charges, including the minimum ones, that apply to cur-

rency purchases, with indication of what they relate to when this is not clear from the name of the commission itself.

- c) A legible copy of the notification from the Banco de España of the authorisation and its entry number in the relevant registry.

Finally, bureaux shall deliver to customers a receipt for purchases of foreign banknotes and travellers' cheques, with a clear breakdown of the transaction.

6.2. Proprietors of bureaux that only purchase foreign banknotes or travellers' cheques and/or manage cross-border credit transfers

As in the previous case, the proprietors of such bureaux must apply to the Banco de España for authorisation to pursue their activity, submitting the supporting documentation specified in RD 2660/1998 and, in the case of the activity of managing cross-border transfers, the insurance policy provided for in the same Royal Decree (13). The proprietor may commence its activities when authorisation has been notified and entered in the Register of Proprietors of Currency-Exchange and/or Transfer-Management Bureaux kept by the Banco de España.

The proprietors of such bureaux may manage cross-border transfers relating to foreign travel expenses and the remittances of workers domiciled in Spain. Likewise, they may execute payment of transfers received from abroad for similar purposes to those included in their corporate objects. As regards the opening of branches abroad to manage transfers for purposes other than those mentioned above, the Banco de España shall be given one month's notice thereof.

As for the information they must submit to the Banco de España, the Circular requires them to notify certain events and information, including the following: information relating to the requirements to preserve authorisation; alterations to the articles of association; termination of any or all of the businesses they are authorised to pursue; and, the opening of new premises.

(13) This policy, taken out with an insurance company legally authorised to provide civil liability insurance, shall cover any liability to third parties that may arise from the activity of managing cross-border transfers. In the case transfers relating to foreign travel expenses and the remittances of workers domiciled in Spain, the insured amount shall be not less than EUR 300,506.05. In the case of other types of cross-border transfer the insured amount shall be not less than EUR 601,012.10.

As regards financial and accounting information, they shall notify the Banco de España of the following:

- 1) During the first quarter of each year, the balance sheet and profit and loss account of the previous year, which shall follow the principles and criteria of the General Plan of Accounting, using the forms annexed to the Circular.
- 2) Half yearly, within two months of the end of the calendar half in question, the accounting information relating to the balance sheet situation and the other information detailed in the annexes to the Circular.
- 3) Quarterly, within two months of the end of the calendar quarter in question, a summary statement of the business performed by the proprietor at all its premises.
- 4) When shares are acquired that entail a holding in the share capital of a person or group of companies amounting to or exceeding any of the following percentages: 10%, 25% or 50%. Likewise, share transfers shall be notified when they involve a holding being reduced to below one of these percentages.

In addition, these bureaux must send other information relating to agents authorised to manage cross-border transfers, as well as to the general terms and conditions applicable to transfers.

As regards consumer protection, as in the previous case, bureaux shall post in a perfectly visible place on their premises, the following information:

- a) The minimum buying and maximum selling rates or, if applicable, the single rates that they shall apply to the purchase and sale of travellers' cheques or foreign banknotes of non-euro area countries when the amount of the transaction does not exceed EUR 3,000.
- b) Until 28 February 2002, the conversion rates for the euro area legacy currencies, which shall be those resulting from their euro equivalent and which shall apply, exclusively, to the purchase and sale of foreign banknotes and travellers' cheques denominated in such currencies and to any transaction between them.
- c) The existence and functions of the Banco de España Complaints Service, which shall receive and process any complaints that

may be made by customers in relation to the actions of proprietors that infringe the good banking practices or customs applicable to their activity.

- d) Also, information on the law governing the transparency of transactions with customers and, in particular, the rules of this Circular.

The exchange and conversion rates shall be accompanied by details of the commissions and charges, including minimum ones, that apply to transactions, with indication of what they relate to.

The proprietors of bureaux shall provide and make available to their customers a document stating the general terms and conditions applicable to cross-border transfers. This document shall include the amount of and methods for calculating commissions and charges applicable to such transactions. These terms and conditions shall necessarily apply to all transfers, unless terms more favourable to the customer are contractually agreed. Customers shall also be provided, upon request, with a written offer (which may be sent by electronic means) containing the specific terms applicable to a transfer order. Finally, they shall deliver to the customer a receipt for the transaction containing at least the details specified in the Circular.

Also, the law governing the *agents* of proprietors of currency-exchange bureaux (14) contained in the Ministerial Order of 16 November 2000 has been implemented. The relationship with bureaux proprietors shall be stated in an agency agreement, the scope of which shall be limited to the type of transactions the proprietor is authorised to carry out. The powers of attorney shall be executed before a Notary Public and registered at the Mercantile Registry. It should be noted that agents may not act through sub-agents, or represent more than one proprietor. Moreover, vis-à-vis the customer, they shall fulfil the obligations arising from the rules of organisation and discipline, the rules relating to money laundering and any other rules regulating the activity of their principal. Bureaux proprietors shall be responsible for compliance by their agents with such rules and must implement adequate control procedures for this purpose. Likewise they shall have at each of their branches, available to the public, a duly updated list of their agents, indicating the scope of the powers granted. For their part, agents shall make available to their customers

(14) Agents are natural or legal persons to whom the proprietor of a currency-exchange bureau has granted power of attorney to act for and on its behalf in the execution of transactions with customers that form part of the ordinary business of the proprietor.

the general terms and conditions applied by their principals to cross-border transfers. They may not use their bank accounts to accept receipts of funds arising from the transfers ordered. However, they may use such accounts to obtain the amounts they must pay to the beneficiaries of transfers received and to channel to their principals the amounts received from their customers. Finally, agents shall post the minimum buying and maximum selling rates or, where applicable, the single rates that shall be applied by their principal.

Furthermore, the Circular describes the obligation of the proprietors of currency-exchange bureaux, when the amount of a transaction for the purchase or sale of foreign banknotes or travellers' cheques exceeds EUR 60,010.12 (or a lower amount, if it results from artificial division of a transaction that exceeds the amount indicated), to establish in advance, for statistical and tax purposes, the identity of the customer concerned. This shall be done by completion of the relevant form, a copy of which is annexed to the Circular.

7. INVESTOR COMPENSATION SCHEMES

Directive 97/9/EC of the European Parliament and of the Council of 3 March 1997, on investor compensation schemes, aimed to provide a minimum, harmonised level of protection for small investors in the event of ISFs (15) being unable to meet their obligations to their clients. This directive was incorporated into Spanish law by Law 37/1998 of 16 November 1998, reforming Law 24/1998 of 28 July 1998 on the securities market, which set up the Investment Guarantee Fund (IGF). Subsequently, Royal Decree 948/2001 of 3 August 2001 regulatorily implemented investor compensation schemes, both for ISFs and for credit institutions. The aim of these schemes is to offer investors a coverage mechanism (16) when, owing to insolvency, an ISF or credit institutions is unable to repay amounts of money or return securities or finan-

cial instruments held on their behalf. In no case will this scheme cover credit risk or losses arising from the fall in value of an investment on the market.

Recently, the implementation of the powers conferred on the Ministry of Economy by Royal Decree 948/2001 was regulated, as was the establishment of exceptional arrangements for the distribution of compensation arising from the backdating of the Investor Guarantee Scheme.

7.1. Implementation of regulations for investor compensation schemes

To add flexibility to and speed the institution of investment guarantee funds, and in conformity with the powers conferred by the aforementioned Royal Decree on the Ministry of Economy, the *Ministerial Order of 14 November 2001* was promulgated (BOE of 23 November). This authorises the Spanish National Securities Market Commission (CNMV) to establish the registers, accounting rules, capital and the formats for the financial statements and statistics of the IGF management companies, and the frequency with which they should be reported to the CNMV. The CNMV is likewise authorised to lay down the provisions needed to implement the investment and financing regime for IGFs, along with the information to be furnished to investors regarding both the cover they are to enjoy and the specific assumptions giving rise to the realisation of the guarantee provided by these funds (e.g. insolvency of a securities-dealer company).

Pursuant to this authorisation, and in order to provide for the preparation of the Fund's annual budget, *CNMV Circular 2/2201 of 23 November 2001* (BOE of 24 November) was issued. It indicates the information that member entities (17) should report to the IGF management company for the purposes of determining the basis for calculating the joint annual contribution of these entities.

The Circular establishes that the IGF management company shall obtain the necessary data from the member entities so as to have the information required for drawing up the annual budget and for the calculation of the provisional contributions of the member entities, along with other information contained in this budget. In particular, the member entities shall report annually to the management company, before 31

(15) Investment services firms include securities-dealer companies, securities agencies and portfolio management companies. Credit institutions, though they are not ISFs, may habitually perform all complementary services and activities provided their legal status and their articles of association specifically authorise and qualify them to do so.

(16) The IGF shall ensure that every investor receives the money value of their overall credit position with the firm, subject to an upper limit of EUR 20,000, which is equal to the minimum harmonised guarantee level advocated by Directive 97/9/EC, notwithstanding certain exceptions envisaged in Royal Decree 948/2001. The investor's position shall be determined by considering all the accounts open in the investor's name with the investment services firm, taking into account the sign of their balances, whatever the currency of denomination.

(17) The IGF member entities are securities-dealer companies and securities agencies, and the branches in Spain of foreign investment service firms that are member entities of an IGF and of its management company.

January each year, on the number of depositors and cash balances, and the securities and financial instruments deposited or those registered on behalf of third parties. A breakdown shall be made for both sets of information of what is covered and not covered by the Fund guarantee and of the amounts higher and lower than the maximum guaranteed amount, distinguishing between outstanding amounts of securities and financial instruments in Spanish and foreign central securities depositories, in accordance with the statement included in the annex to this Circular.

With regard to valuation criteria, for the purposes of calculating the base for determining the annual contributions to an IGF, the accounts or positions that member entities have deposited or booked in securities and financial instruments not traded on a secondary market will be valued applying the following criteria:

- a) Equities: face value.
- b) Fixed-income securities: redemption value.
- c) Financial instruments: estimated market value at year-end, calculated using generally accepted valuation procedures in respect of the instrument in question.

Finally, the member entities of an IGF shall exert permanent control of accounts representing transitory cash balances received from third parties and their securities and financial-instrument deposit and safekeeping activity. To do this, these entities shall keep the appropriate breakdown to monitor such accounts and identify them with their holders in their internal accounting base. These accounts shall be reconciled on an ongoing basis with the statements or certificates of third-party accounts issued by the central securities depositories of which the entity is a member; with the positions communicated by other entities to which the cash received and the securities and financial instruments held in safekeeping for third parties have been entrusted; and with the balances outstanding of cash and of financial securities and instruments directly recorded or held by the entity itself.

7.2. Compensation arising from the backdating of the investor guarantee scheme

The declaration of non-compliance, included in Article 5.1 of Royal Decree 948/2001, established that investors unable to obtain directly from a member entity of the fund the repayment of the money or the return of the assets belong-

ing to them could apply to the IGF management company to realise the guarantee given by the fund, provided that the ISF were declared insolvent, either through the courts (under the assumptions of suspension of payments and of bankruptcy) or through the administrative channel (by the CNMV).

In this respect, *Law 24/2001 of 27 December 2001* (BOE of 31 December), on Fiscal, Administrative and Social Measures, exceptionally established a specific regime to address compensation arising from declarations of non-compliance by investment service firms with their duty to repay and return the money and securities received prior to the date of the entry into force of this Law, namely 1 January 2002. The legislation establishes distribution arrangements between the Deposit and Investment Guarantee Funds. In this connection, compensation which, in accordance with the provisions of the second paragraph of the first final provision of Law 37/1998 of 16 November 1998, reforming Law 24/1998 of 28 July on the Securities Market, arises from declarations of non-compliance by ISFs (18), dictated prior to 1 January 2002, shall exceptionally be met jointly by the Guarantee Fund for Deposits in Banks, Savings Banks and Credit Co-operatives and the Investment Guarantee Fund.

The procedure to determine the amount each of the Funds must satisfy is as follows. First, it will be determined which portion is to be met by the Guarantee Funds for Deposits in Banks, Savings Banks and Credit Co-operatives, on one hand, and by the Investment Guarantee Fund, on the other. This amount will be distributed between the former and the latter in proportion to their cumulative net worth as at 31 December 2001. Once the portion to be paid by the Guarantee Funds for Deposits in Credit Institutions has been determined, the amount that each of the component funds must pay shall be distributed. This amount will be proportionate to the amounts of money and of securities and instruments deposited and registered in banks, savings banks and credit co-operatives as at 31 December 2001.

It will be for the CNMV to determine the net worth of the Investment Guarantee Fund. The

(18) Article 5.1 of Royal Decree 948/2001 of 3 August 2001 on investor compensation schemes envisages that investors unable to obtain directly from a member entity of the fund the repayment of the money or the return of the assets belonging to them could apply to the IGF management company to realise the guarantee given by the fund, provided that the ISF were declared insolvent, either through the courts (under the assumptions of suspension of payments and of bankruptcy) or through the administrative channel (by the CNMV).

Banco de España, for its part, will quantify the net worth of the Guarantee Funds for Deposits in Banks, Savings Banks and Credit Co-operatives, and determine the amount of money and of securities and instruments deposited and registered at banks, savings banks and credit co-operatives. Once the aforementioned percentages have been set, the Management Company of the Investment Guarantee Fund will demand from the other Funds the amounts the latter have to pay to meet the compensation.

The CNMV is further authorised to extend loans, with a charge to its resources, to the Management Company of the Investment Guarantee Fund so that, in the name and on behalf of the latter, it may undertake payment of the compensation which investors are due, in accordance with the provisions of Royal Decree 984/2001 of 3 August 2001 on investor compensation schemes. When an ISF has been declared bankrupt or has legally filed for the suspension of payments to creditors, prior to the date of the entry into force of the present provision, the period in which investors' rights, where appropriate, are to be satisfied shall be as from 1 January 2002.

8. CO-ORDINATION OF THE CONDITIONS OF ADMISSION OF TRADEABLE SECURITIES TO OFFICIAL LISTING IN THE EUROPEAN UNION

In step with the growth of European corporate activity, financing requirements on capital markets –among other things– have become bigger. In this respect, co-ordination of the conditions of admission of tradeable securities to official listing on the stock markets operating in EU Member States will provide for the readier listing, in each member country, of the securities from other Member States, as well as for the listing of the same security on several European bourses. Such co-ordination is also ideal for achieving equivalent investor safeguards across the Community, since more uniform guarantees will be offered to investors in the various Member States.

In recent years the co-ordination of the conditions of admission of tradeable securities to official listing across the EU has been amended and indeed overhauled (19) on several occa-

sions. For the sake of greater clarity and rationality, therefore, these directives were coded and re-grouped in a single text, namely *Directive 2001/34/EC of the European Parliament and of the Council of 28 May 2001* (OJEC of 6 July) on the admission of securities to official stock exchange listing and on information to be published on those securities.

The Directive is structured in several parts, chapters and sections. First, the definitions and scope are laid down. Second, the general provisions relating to the official listing of tradeable securities are detailed. Third, the special conditions for the official listing of tradeable securities and, in particular, the contents of the public offering prospectus drawn up for the admission of tradeable securities to official listing are established. And finally, the special conditions for the admission of bonds issued by a State, by its public territorial entities or by a public international agency.

One of the basic pillars of the Directive is the *mutual recognition* of the prospectus to be published for the admission of tradeable securities to official listing, since that is an important step towards the completion of the Community internal market. In this respect, the prospectus drawn up and approved under this regulation shall be recognised as a public offering prospectus in the other Member States in which admission to official listing is applied for, without these Member States being able to demand the inclusion of supplementary information in the prospectus.

Nonetheless, Member States' authorities may demand that the prospectus include specific information on the market of the admitting country, the tax regime for the securities, the agencies that ensure the financial service of the issuer in that country and the means of publishing announcements aimed at investors.

Finally, the European Union may recognise listing prospectuses drawn up and controlled by third countries, under conditions of reciprocity, provided that the regulations in such countries guarantee investors equivalent protection to that offered by Community regulations.

9. WITHDRAWAL OF LEGAL TENDER COINS DENOMINATED IN PESETAS

Law 10/1975 of 12 March 1975 on the Regulation of Coins, amended by Law 21/1986 of

(19) See Council Directive 79/279/EEC of 5 March 1979 on the admission of securities to official stock exchange listing; Council Directive 80/390/EEC of 17 March 1980 on the co-ordination of the requirements for the drawing up, scrutiny and distribution of the listing particulars to be published for the admission of securities to official stock exchange listing; Council Directive 82/121/EEC of 15 February 1982 on information to be published on a regular basis by compa-

nies the shares of which have been admitted to official stock-exchange listing; and Council Directive 88/627/EEC of 12 December 1988 on the information to be published when a major holding in a listed company is acquired or disposed of.

23 December 1986 of the 1987 State Budget, conferred powers on the Ministry of Economy and Finance to determine the coins which, in each case, should make up the national coin system and the related face values. These powers corresponded to the Ministry of Economy pursuant to Royal Decree 689/2000 of 12 May 2000, under which the basic organic structure of the Ministries of Economy and Finance was established.

Law 46/1998 of 17 December 1998 on the introduction of the euro, amended by Law 14/2000 of 29 December 2000 on fiscal, administrative and social measures, provided –as from 1 January 2002– for the physical introduction of euro-denominated coins and their replacement of peseta coins, as well as for the coexistence of both currencies until 28 February 2002. Thereafter, coins denominated in pesetas will cease to be legal tender and will retain only a conversion value at the conversion rate and according to the rounding rules in Law 46/1998.

Recently, the *Ministerial Order of 18 October 2001* (BOE of 7 November) was published. It establishes the procedures for the total and immediate withdrawal of peseta coins, without prejudice to their retaining a conversion value for an unlimited period of time.

In this respect, the Banco de España shall proceed, as from 1 January 2002, to withdraw all peseta-denominated coins that are deposited in or enter their vaults for their subsequent demonetisation. Credit institutions, for their part, shall withdraw peseta coins presented to them for exchange, delivering them in turn to the Banco de España.

As from 1 March, peseta coins will no longer be legal tender and their circulation will be prohibited. They will, however, maintain their face value, for conversion purposes, being exchangeable for the equivalent value in euro at the conversion rate. Coins may be so exchanged until 30 June 2002 at credit institutions and at the Banco de España. Thereafter, there will be an unlimited conversion period where exchange will be confined exclusively to the Banco de España.

Monthly, the Banco de España will submit the information requested by the Treasury to ensure proper knowledge is at hand of how demonetisation operations are unfolding and of the position of the Treasury's deposit in the different types of coin. Finally, a *Monitoring Committee* has been established, made up of representatives of the Treasury, the Banco de España and the FNMT (National Mint). The committee will act as a consultative body, offering

the correct interpretation of the precepts of this regulation.

10. STATE BUDGET FOR THE YEAR 2002

As usual in December, the State Budget for the year 2001 has been approved by *Law 23/2001 of 27 December 2001* (BOE of 31 December 2001).

Since the euro came into circulation on 1 January this year, the Budget for 2002 is the first to have been drawn up in this monetary unit. There are no significant novelties in the Budget in relation to the previous year. The general tone of austerity, the control of the deficit and the budgetary discipline initiated in prior years are maintained. The Budget is based on a macroeconomic scenario of mild growth in the Spanish economy and a forecast increase in the CPI of 2%.

The following aspects may be highlighted owing to their significance or novelty.

As regards financial regulation, the prevailing legal interest rate and the late-payment interest rate for tax debts fall from 5.5% to 4.25% and from 6.5% to 5.5%, respectively. Further, the ceiling for the increase in the outstanding stock of State debt during the year is set at EUR 8,473 million. This limit, which may be revised if certain circumstances envisaged in the Law arise, will be effective at the end of the year, and may be exceeded on authorisation of the Ministry of Economy in a limited number of cases.

In the fiscal realm, and with specific regard to personal income tax, the coefficients to correct property acquisition values are regulated, and the temporary compensation arrangements for lessors and buyers of an habitual residence are retained under those assumptions where the tax rules are less advantageous than was the case prior to Law 40/1998 of 9 December 1998 on personal income tax.

As regards corporate income tax, the monetary adjustment coefficients applicable to property transfers are updated and the amount of the partial payments that entities subject to this tax must make is determined.

Turning to indirect taxes, only the rate on transfer tax and stamp duty relating to the restoring and transfer of nobility titles has been updated.

For the regional (autonomous) governments, new financing arrangements have been set in

place. There are substantial changes to the previous arrangements. The financing of the ordinary-regime regional governments is, under the new arrangements, through the following mechanisms: the raising of assigned taxes and charges; the regional personal income tax schedule, which corresponds to 33% of the total schedule for this tax; the assignment of 35% of the net amount of VAT receipts arising in relation to the consumption of each regional government; and the assignment of 40% or, where appropriate, 100% of net receipts for specific excise duties. The most significant change in the new arrangements is the creation of a *Guarantee Fund*, the main mechanism for levelling and balancing the system. Its aim is to cover the difference between each regional government's spending requirements and its tax capacity in the system's base year (1999). The Basque Country and Navarra regional governments are funded under the specific-status regional government arrangement. Specifically, financial relations with the Basque government are regulated by an Economic Accord, whose term concluded on 31 December 2001, without any provision for its extension having been made (20). Financial relations with the Navarra regional government are regulated by an Economic Agreement, for which no term is set. Another significant novelty is the creation of a *Supplementary Fund*. This fund was intended initially to fund investment spending by the regional governments, but provides for the possibility of regional governments earmarking amounts from the fund to finance current expenditure associated with investment funded by the Compensation Fund (the former Interterritorial Compensation Fund), or with the provisions of the Supplementary Fund itself.

11. FISCAL, ADMINISTRATIVE AND SOCIAL MEASURES

As usual in recent years, to facilitate compliance with the economic policy objectives set out in the State budget for the year 2002, a series of fiscal, administrative and social measures have been adopted. These are contained in *Law 24/2001 of 27 December 2001* (BOE of 31 December).

The Law addresses a series of measures geared to promoting growth and employment in accordance with the economic policy criteria set by the Government to tackle the slowdown in growth derived from the business cycle turna-

round. In this respect, the regulation introduces specific reforms affecting taxation and the rules regulating general government personnel, and it responds to specific needs in relation to government management, organisation and action in various spheres.

Given the nature of this article, the key measures introduced are highlighted below. They comprise, firstly, those of a monetary and financial nature; secondly, those of a fiscal nature; and thirdly, those affecting other areas.

11.1. Government action in the monetary and financial sphere

In respect of monetary policy and the financial system, Law 24/2001 amended a series of provisions, including most notably the following.

11.1.1. Introduction of the euro

Law 46/1998 of 17 December 1998 on the introduction of the euro is amended to determine the method of banknote marking and cancellation by banks, and an additional provision is laid down for the purpose of regulating the safeguards against counterfeiting of the euro. In this respect, from 1 January 2002 to 30 June 2002, banks, savings banks and credit co-operatives may mark peseta-denominated banknotes. The marking method will involve cutting a right-angled isosceles triangle (the length of whose two sides on the banknote edge shall be 20mm) off any of the four corners of the banknote. The peseta banknotes thus marked may only be exchanged at the Banco de España.

With regard to the measures to regulate safeguards for the euro against counterfeiting, it is established that, without prejudice to the powers assigned to other State or Regional Government bodies, the Banco de España shall be the national authority responsible for detecting counterfeit euro-denominated banknotes and coins. It shall also be entrusted with collecting and analysing the technical and statistical data on counterfeit euro-denominated banknotes and coins and whatsoever other relevant data for discharging its responsibilities. To this end, the Banco de España is designated as the National Centre for Analysis and the National Centre for Currency Analysis on behalf of the Spanish Treasury.

The failure, on the part of credit institutions, currency exchange bureaux and other entities involved in the handling and delivery to the public of notes and coins in a professional capacity, to comply with their obligation to withdraw from

(20) Law 25/2001 of 27 December 2001 extends the term of the Economic Accord with the Basque Country approved by Law 12/1981 of 13 May 1981 during the year 2002 until a new agreement is approved.

circulation all notes and coins they have received and which they know or assume on firm grounds to be false, is a serious offence. They will likewise be committing a serious offence if they fail to deliver the aforementioned notes and coins to the Banco de España without delay. The offence referred to here will give rise to a fine ranging from EUR 30,000 to EUR 1 million.

11.1.2. Pension schemes and funds

As from 1 January 2002 the following amendments have been made to Law 8/1987 of 8 June 1987 on the Regulation of Pension Schemes and Funds.

Firstly, *maximum annual contributions* to pension schemes will be in accordance with the following: total maximum annual contributions to pension schemes, without including employers' contributions imputed by pension scheme promoters to participants, remain set at EUR 7,212.15. Nonetheless, in the case of participants aged over 52, the previous ceiling is raised by an extra EUR 1,202.02 per year after the age of 52, up to a level of EUR 22,838.46 for participants of 65 years of age or over (21). The previously established maximum annual ceilings for employers' contributions by the promoters of employee pension schemes in favour of their employees and imputed to employees will remain in place.

Furthermore, mention should be made of the newly created *ombudsman* for individual pension scheme participants. Beneficiaries will also be protected by this figure. The promoters of these pension schemes, either individually or grouped, on the basis of belonging to the same group, territory or whatsoever other criterion, shall designate entities or independent experts of recognised standing as an ombudsman. Claims formulated by participants and beneficiaries or their successors against pension fund management or depository entities in which the schemes are integrated or against the promoters of individual schemes shall be subject to the ombudsman's decision. Such decisions favourable to claims will be binding upon the aforementioned entities. The binding nature of decisions will not be an obstacle to full protection of the law, to resort to other conflict-settling or mediator General of Insurance and Pension Funds the designation of the ombudsman and his/her acceptance, along with the rules of procedure and the term established for the resolution of claims, which in no circumstances may

(21) In the previous regulation the ceiling of EUR 7,212.15 was raised by EUR 601.01 for each year after the age of 52, up to a level of EUR 15,025.30 for participants of 65 and over.

exceed three months as from the presentation of such claims. Designation, operating and remuneration expenses for the ombudsman will in no case be defrayed by claimants or by the related pension schemes and funds.

The designation of the ombudsman for individual pension scheme participants shall be made and communicated to the Directorate General of Insurance and Pension Funds within twelve months as from the entry into force of this Law on 1 January 2002.

Finally, the Government is authorised, within a term of twelve months as from 1 January 2002, to draw up and approve a consolidated text of the Law regulating pension schemes and funds, to include, in a duly regulated, clarified and systematic fashion: a) Law 8/1987 of 8 June 1987 on the Regulation of Pension Schemes and Funds; b) the special financial arrangements for pension scheme contributions and benefits for the handicapped, as envisaged in the seventeenth additional provision of Law 40/1998 of 9 December 1998 on personal income tax and other tax regulations, and legal provisions in force that have amended these arrangements; and c) the provisions on pension schemes and funds in the present Law and in other laws, whatever the date of their entry into force.

11.1.3. Securities registration, clearing and settlement systems

Law 24/2001 adds a further provision to Law 24/1988 of 28 July on the securities market. It the envisaged shareholder interest regime will not be applicable to these entities or their subsidiaries. In such a case, it will be for the CNMV to authorise the articles of association governing these entities and amendments thereto, as well as the appointment of its Board of Directors and its Directors General. The Government shall determine the regime applicable to the offers to buy the shares representing the capital of the entities in question, the disclosure regime to which shareholder interests shall be subject and the limitations which, where appropriate, may be set on the rights arising therefrom, along with whatsoever other aspect that proves necessary for the application of this provision. Supervision of the above-mentioned entities will be by the CNMV.

11.2. Fiscal sphere

The scope of certain exemptions has been widened in personal income tax and a provision has been laid down to make it easier for married taxpayers to comply with tax obligations.

The overall ceiling on contributions to individual and employee pension schemes has been eliminated, and the ceiling for contributions by individuals close to retirement and for the handicapped has been raised (as discussed in the previous section).

In connection with corporate income tax, several measures are adopted to promote economic growth. In relation to tax payable, a new allowance is created for the re-investment of extraordinary profits, the allowance for R+D activities and technological innovation is broadened, the scope of tax incentives for small and medium-size enterprises is extended and a new tax regime is set in place for shipbuilding companies, which can opt to pay tax on the basis of tonnage. The period over which goodwill can be amortised is also extended, as is the term within which negative tax bases may be offset. There are further incentives for social welfare with a 10% allowance in corporate income tax for employers' contributions to employee pension schemes for workers with income below a certain threshold.

In respect of income tax on non-residents, a new tax rate is established for income received by seasonal workers, so as to ease the over-taxing of such income.

As to indirect tax, several changes are made to value-added tax owing in the main to Community and other, technical regulations. In this respect, mention may be made of the changes affecting the accrual of the tax for works execution contracts and certain ongoing-performance operations, changes affecting the application of the taxpayer investment mechanism and refund procedures for non-established proprietors, inter alia. Moreover, references to *ecus* and *pesetas* have been replaced by references to *euro*.

Turning to excise duties, only the tax on tobacco products has been changed, so as to comply with Community regulations.

Under the general tax regime, certain technical changes have been made in the General Tax Law. On one hand, tax management bodies will be made more effective in their control tasks, and on the other, further to application by addressees, notification to post-office boxes and e-mail addresses will be possible.

11.3. Government action in other sectoral spheres

As regards other social measures, a Social Security reserve fund has been set up to

meet the future needs of the Social Security System. It will be funded by the surplus revenue arising each year on contributions and resulting from the Social Security Budget out-turn, provided that the economic possibilities and financial position of the System so allow it. Every year the Government will set the amount of surplus revenue earmarked for endowing the reserve fund. Likewise, the Government, on the joint proposal of the Ministries of Labour and Social Affairs, Economy, and Finance, will determine how the reserve is to be invested by the Social Security Treasury Department. Returns on the government debt instruments in which the provisions to the reserve fund have been invested will, along with the returns arising on the fund's outstanding financial balances, be re-invested in the fund.

Partial retirement has also been regulated, with drawing a pension being made compatible with holding down a part-time job. The regulation on extensions in the duration of unemployment subsidies has been built on with a view to standardising a uniform and comprehensive system of control over subsidy-recipients over the life of the subsidy. And, lastly, coverage for unemployment, maternity and temporary disability has been broadened.

With regard to aid for the victims of terrorism, measures have been adopted aimed at harmonising the two regimes currently in place under Spanish law: the general regime, covered by Law 13/1996 of 30 December 1996 on fiscal, administrative and social measures; and the special regime, addressed in Law 32/1999 of 8 October 1999 on solidarity with the victims of terrorism. Furthermore, the term of application of the Law on solidarity with the victims of terrorism is extended to 31 December 2002.

Concerning the organisation of government, regulations have been included on the creation of entities or the amendment of existing legal regimes for public bodies and State mercantile companies. The Restrictive Practices Court Authority has thus been created and amendments made to the respective legal regimes governing the State Tax Revenue Service and the Spanish International Co-operation Agency. In respect of administrative procedures, the presentation of applications and communications to the Administration via teleprocessing services has been regulated, and the regulations governing specific special administrative procedures have been amended, as regards both the period in which applications submitted are resolved and the "tacit authorisation" or "silence is consent" rule.

12. Security services for electronic communications with general government

Article 81 of Law 66/1997 of 30 December 1997 on fiscal, administrative and social measures authorised the FNMT (National Mint) to provide the technical and administrative services required to ensure the security, validity and effectiveness of general government and public-sector agencies' communications via electronic, computerised and teleprocessing techniques and means. This article was subsequently implemented by Royal Decree 1290/1999 of 23 July 1999.

Recently, *Royal Decree 1317/2001 of 30 November 2001* (BOE of 4 December) repealed Royal Decree 1290/1999 while regulatorily implementing the provision by the FNMT, on a competitive footing with other operators in the sector, of the technical and administrative services required to ensure the security, validity and effectiveness of the General State Administration's and public-sector agencies' communications via electronic, computerised and teleprocessing techniques and means. Such communications will be conducted in accordance with the provisions of the current electronic signature regulations.

The aforementioned technical services will provide for: evidence of the identity of the sender and recipient of the communication, and the validity of their intention; assurance as to the integrity of the document both in transmission and receipt, so that any change therein can be detected, and preservation of content; evidence of the presentation or, where appropriate, receipt by the addressee of notifications, communications or documentation, and assurance as to confidentiality in the issuance, transmission and reception of communications.

To provide these services, the FNMT will furnish each user who applies for these services with an *electronic certificate*. This should be such as to be attested as a qualified certificate, in accordance with the provisions of the electronic signature regulations. Regulations will subsequently be implemented on the conditions this certificate is to fulfil.

Authorised individuals may apply to general government for the electronic certificate, though no more than one certificate per person may be applied for and obtained. The application may be submitted to any of the validation offices under any government department or public agency with the potential status of a certification system user. With the requirements and circumstances that should be determined in the subsequent regulatory implementation having been met, the

FNMT will issue the related electronic certificate, which will be valid for a period of three years and renewable thereafter. Issuance of the certificate gives holders private-user status.

General government and public bodies and agencies will acquire the status of public users of the services provided by the FNMT through signing an agreement. This is without prejudice to the fact they may enter into agreements which, owing to their singularity, mark a departure from the content of the standard agreement, but which are approved by the Ministry of Economy.

The FNMT will cancel electronic certificates granted to private users when any -inter alia- of the following circumstances are the case: application by the user for cancellation; judicial or administrative resolution ordering such cancellation; death or supervening incapacity of the user; finalisation of the term of validity of the certificate or improper use by a third party. The discontinuation of public-user status will be governed by the provisions of the related agreement, or whatsoever should be determined by judicial or administrative resolution. Likewise, the FNMT may propose to the Ministry of Economy that it set public prices as a consideration for certification and for additional electronic, computerised and teleprocessing services.

Finally, the FNMT may provide the above-mentioned technical services for compliance with tax obligations or the payment of whatsoever other economic rights in favour of general government when public or private users use electronic, computerised and teleprocessing techniques and means.

13. RATIFICATION BY SPAIN OF THE TREATY OF NICE, AMENDING -INTER ALIA- THE TREATY ON EUROPEAN UNION

Organic Law 3/2001 of 6 November 2001 (BOE of 7 November) authorising the ratification by Spain of the Treaty of Nice, signed by the Member States on 26 February last year, has been published. This Treaty will allow the process initiated by the Treaty of Amsterdam to be seen through, i.e. preparing the institutions of the European Union for working in an enlarged Union.

The new Treaty makes significant amendments affecting the composition and functioning of the institutions and bodies of the Union, jurisdictional arrangements, qualified majorities, reinforced co-operation, fundamental rights, security and defence, judicial and penal co-operation and the European Coal and Steel Community (ECSC) Treaty.

In this respect, from 1 January 2005 a re-weighting of the votes to which each Member State is entitled in the Council will take effect, taking the population factor more into account, as will new rules for determining the qualified majority. The Protocol on the enlargement of the European Union and its annexed declarations establish the rules and principles for setting in successive accession treaties the votes to which the new Member States will be entitled and the qualified majority threshold.

The Treaty provides for a new composition of the Commission which will come into force from 2005, it amends how its President and members are designated, and it considerably bolsters the powers of the President.

The Union's jurisdictional arrangements are subject to far-reaching reform, whereby the Court of Justice will be responsible for hearing preliminary appeals and the guarantor of the singleness of interpretation and application of Community law, while the Court of First Instance will

be the common law judge in respect of direct appeals. Jurisdictional courts are likewise created to hear highly specialised legal cases.

The new Treaty also introduces changes relating to the composition and organisation of the Court of Auditors, the Economic and Social Committee and the Committee of the Regions, with a view to enlargement. The Declaration on the enlargement of the EU determines the number of seats on these two committees corresponding to the new Member States in future accession treaties. Decision-making arrangements are also modified, so that a large portion of provisions pass fully or partially from unanimity to qualified-majority voting, and several provisions will be subject to a co-decision procedure.

Finally, a Protocol establishes the measures needed to anticipate the financial consequences derived from the expiry of the ECSC on 23 July 2002.

09.01.02

ECONOMIC INDICATORS

CHANGES

Changes to indicators 8.2, 8.3 and 8.4.

The following changes have been made:

a) *Classification of mutual funds*

Until October 2001, the criterion used to classify mutual funds into FIAMM, national fixed-income FIM and other funds was based on the composition of the portfolio and the residence of the issuers of the securities making up the portfolio, i.e. the proportions of fixed-income and equities and the national or international nature of the securities. From November 2001, the classification is based on the objectives declared by the funds themselves.

b) *Extension of the group of financial assets included*

Until October 2001, these indicators reflected the data of a particular grouping of financial assets classified into two categories: *cash and cash equivalents and other liquid financial assets*. *Cash and cash equivalents* consisted of cash, sight deposits and savings deposits (the latter including both sight savings deposits and deposits redeemable at a period of notice of less than three months). *Other liquid assets* consisted of other deposits with credit institutions, repurchase agreements entered into by credit institutions, securities issued by credit institutions and shares in mutual funds.

As from the November 2001 update, the deposits of residents with branches of resident credit institutions located abroad have been included in these indicators. Also, the set of financial assets obtained has been divided into the following three groups: a) *cash and cash equivalents* which includes the same assets as up until now, b) *other liabilities of credit institutions*, consisting of other deposits with credit institutions, repurchase agreements entered into by credit institutions, securities issued by credit institutions and deposits with branches of credit institutions abroad; and, c) *shares in mutual funds*, which are broken down into types of fund: FI-AMM, euro fixed-income FIM and other FIM. In addition, and

as a memorandum item, two wider groupings of such assets are recorded, namely, AL1 (which includes cash and cash equivalents, other liabilities of credit institutions and shares in FIAMM) and AL2 (which includes AL1 plus shares in euro fixed-income FIM). Also shown as a memorandum item is the contribution of FIM resident in Spain to M3.

Finally, the general heading "Liquid financial assets ..." has been replaced by the more descriptive "Cash and cash equivalents, other liabilities of credit institutions and shares in mutual funds ...".

Indicator 8.9. Lending by credit institutions to "other resident sectors", by end-use

Until November 2001, this indicator reflected information on banks, savings banks and credit co-operative banks (in the case of the latter, without any details of end-use). As from November 2001, this indicator provides information on lending by end-use of "credit institutions", a grouping that, in addition to banks, savings banks and credit co-operative banks, includes specialised financial credit institutions and the Official Credit Institute (lending by end-use of each of these groupings is given in Tables 89.53, 89.54 and 89.55 of the *Boletín estadístico*, which is published on www.bde.es).

Indicator 8.11 Mutual funds resident in Spain

As mentioned in relation to indicators 8.2, 8.3 and 8.4 in the November changes, mutual funds are now classified on the basis of their declared objectives. Accordingly, the series for «fixed-income funds» (which includes euro and international short and long-term fixed-income funds, euro and international mixed fixed-income funds and guaranteed funds) and for «equity funds» (which includes euro, national and international equity and mixed equity funds) have been modified. Also a new category of «other funds» (which includes global funds) has been incorporated.

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These indicators are continuously updated on the Banco de España's website. For those statistics whose source is the Banco de España, a data dissemination calendar giving the exact or approximate release date over the following three months is updated on the last day of every week (<http://www.bde.es/infoest/htmls/calenda.htm>). Where the dissemination dates shown in the calendar are approximate, the firm date shall be specified one week before the data are released.

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(1) IMF Special Data Dissemination Standard (SDDS).

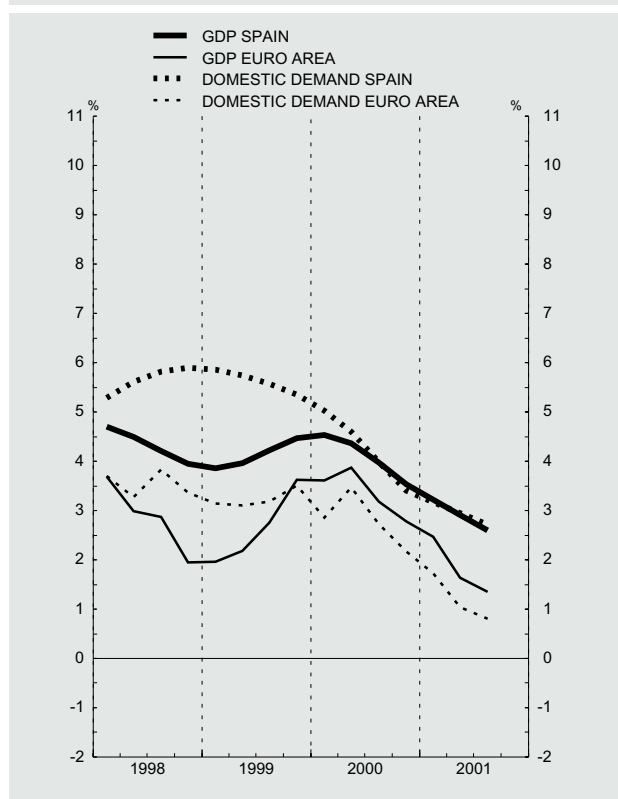
1.1. Gross domestic product. Constant 1995 prices. Demand components. Spain and Euro area (a)

■ Series depicted in chart.

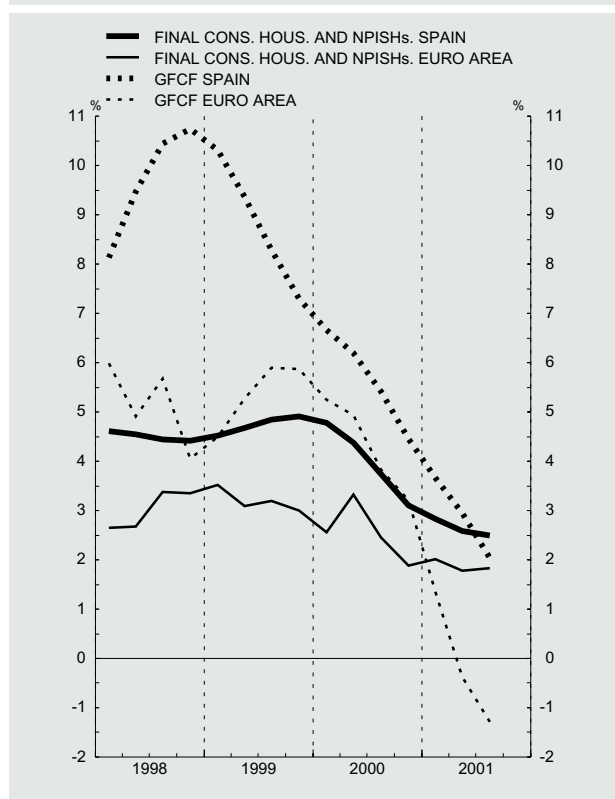
Annual percentage changes

		GDP		Final consumption of households and NPISHs		Government final consumption		Gross fixed capital formation		Domestic demand		Exports of goods and services		Imports of goods and services		Memorandum item: GDPmp (current prices) (e)	
		Spain	Euro area	Spain	Euro area (b)	Spain	Euro area (c)	Spain	Euro area	Spain	Euro area	Spain	Euro area (d)	Spain	Euro area (d)	Spain	Euro area
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
98	P	4.3	2.9	4.5	3.0	3.7	1.2	9.7	5.1	5.7	3.5	8.2	7.3	13.3	10.0	528	5 883
99	P	4.1	2.6	4.7	3.2	4.2	2.2	8.8	5.4	5.6	3.2	7.6	5.2	12.8	7.2	565	6 140
00	P	4.1	3.4	4.0	2.6	4.0	1.9	5.7	4.3	4.2	2.8	9.6	11.9	9.8	10.7	609	6 430
98	Q3	4.2	2.9	4.4	3.4	3.6	1.3	10.4	5.7	5.8	3.8	6.5	5.4	12.6	8.8	133	1 479
	Q4	4.0	1.9	4.4	3.4	3.7	1.9	10.7	4.1	5.9	3.4	5.5	2.8	12.7	7.4	135	1 493
99	Q1	3.9	2.0	4.5	3.5	3.9	2.1	10.3	4.5	5.9	3.1	5.8	1.7	13.0	5.3	137	1 511
	Q2	4.0	2.2	4.7	3.1	4.1	1.9	9.4	5.3	5.7	3.1	7.0	3.1	13.4	6.0	140	1 524
	Q3	4.2	2.8	4.8	3.2	4.3	2.1	8.3	5.9	5.6	3.2	8.3	6.1	13.0	7.6	143	1 543
	Q4	4.5	3.6	4.9	3.0	4.4	2.4	7.3	5.9	5.3	3.5	9.1	9.9	12.0	9.9	145	1 562
00	Q1	4.5	3.6	4.8	2.6	4.4	2.0	6.7	5.2	5.0	2.9	9.5	11.8	10.9	9.8	148	1 583
	Q2	4.4	3.9	4.4	3.3	4.2	2.2	6.2	4.9	4.6	3.5	9.8	11.7	10.3	10.9	151	1 601
	Q3	4.0	3.2	3.7	2.4	3.9	1.6	5.4	3.8	4.0	2.7	10.0	12.3	9.7	11.4	154	1 615
	Q4	3.5	2.8	3.1	1.9	3.6	1.6	4.5	3.2	3.4	2.2	9.1	12.0	8.3	10.7	156	1 630
01	Q1	3.2	2.5	2.8	2.0	3.4	2.0	3.7	1.4	3.2	1.7	6.9	8.8	6.5	7.0	159	1 686
	Q2	2.9	1.6	2.6	1.8	3.4	2.0	2.9	-0.4	2.9	1.0	4.3	5.2	4.3	3.7	162	1 699
	Q3	2.6	1.4	2.5	1.8	3.6	2.1	2.0	-1.3	2.7	0.8	2.2	0.8	2.6	-0.6	164	1 702

GDP. DEMAND COMPONENTS. SPAIN AND EURO AREA
Annual percentage changes



GDP. DEMAND COMPONENTS. SPAIN AND EURO AREA
Annual percentage changes



Sources: INE (Contabilidad Nacional Trimestral de España) and Eurostat.

(a) Spain: prepared in accordance with ESA 95, trend-cycle series; Euro area, prepared in accordance with ESA 95.

(b) Private consumption.

(c) Government consumption.

(d) Exports and imports comprise goods and services and include internal cross-border trade within the euro area.

(e) Billions of euro.

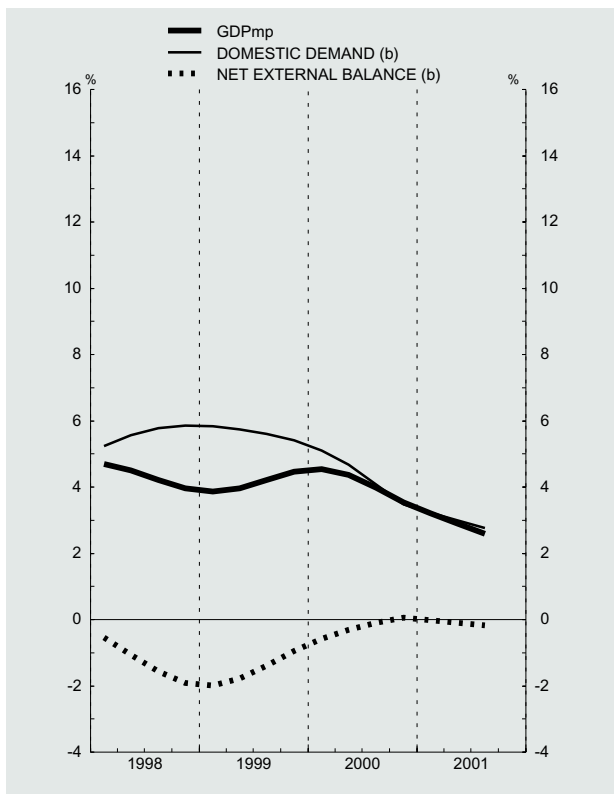
1.2. Gross domestic product. Constant 1995 prices. Demand components. Spain: details (a)

■ Series depicted in chart.

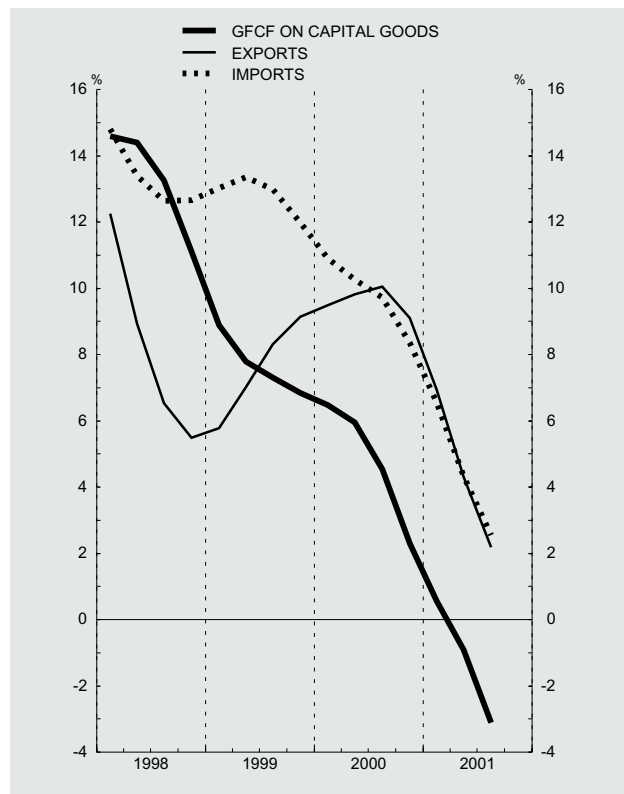
Annual percentage changes

		Gross fixed capital formation			Change in Stocks (b)	Exports of goods and services				Imports of goods and services				Memorandum items:		
		Total	Capital goods	Construction		Total	Goods	Tourism	Services	Total	Goods	Tourism	Services	External balance of goods and services (b)	Domestic demand (b)	GDP
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
98	P	9.7	13.3	8.1	0.2	8.2	7.1	10.0	12.9	13.3	13.4	10.5	13.6	-1.3	5.6	4.3
99	P	8.8	7.7	9.0	0.1	7.6	6.3	9.6	12.7	12.8	12.5	13.0	14.6	-1.5	5.7	4.1
00	P	5.7	4.8	6.2	-0.1	9.6	9.2	5.7	18.4	9.8	9.6	9.9	10.9	-0.2	4.3	4.1
98 Q3	P	10.4	13.3	9.2	0.2	6.5	4.9	9.8	11.8	12.6	12.6	12.3	12.8	-1.6	5.8	4.2
98 Q4	P	10.7	11.1	10.6	0.2	5.5	3.6	10.0	10.5	12.7	12.7	13.4	12.1	-1.9	5.9	4.0
99 Q1	P	10.3	8.9	11.0	0.2	5.8	3.9	10.6	10.5	13.0	13.1	14.3	12.5	-2.0	5.8	3.9
99 Q2	P	9.4	7.8	9.9	0.1	7.0	5.4	10.7	11.4	13.4	13.3	12.7	14.2	-1.8	5.8	4.0
99 Q3	P	8.3	7.3	8.4	0.1	8.3	7.2	9.7	13.2	13.0	12.6	13.1	15.7	-1.4	5.6	4.2
99 Q4	P	7.3	6.8	7.1	-0.0	9.1	8.6	7.4	15.5	12.0	11.3	12.2	15.9	-0.9	5.4	4.5
00 Q1	P	6.7	6.5	6.4	-0.1	9.5	9.2	5.2	18.0	10.9	10.4	9.5	14.4	-0.6	5.1	4.5
00 Q2	P	6.2	6.0	6.2	-0.2	9.8	9.6	4.5	19.5	10.3	10.0	10.5	11.9	-0.3	4.7	4.4
00 Q3	P	5.4	4.5	6.1	-0.2	10.0	9.6	5.6	19.5	9.7	9.7	9.7	9.7	-0.1	4.1	4.0
00 Q4	P	4.5	2.3	6.1	-0.1	9.1	8.3	7.2	16.9	8.3	8.4	9.6	7.9	0.1	3.5	3.5
01 Q1	P	3.7	0.6	6.1	0.0	6.9	5.9	7.4	12.3	6.5	6.5	11.4	6.0	-0.0	3.2	3.2
01 Q2	P	2.9	-0.9	5.9	0.1	4.3	3.2	6.2	7.9	4.3	4.2	9.1	4.1	-0.1	3.0	2.9
01 Q3	P	2.0	-3.1	5.6	0.1	2.2	1.0	4.4	5.6	2.6	2.4	9.0	2.2	-0.2	2.8	2.6

GDP, DOMESTIC DEMAND AND NET EXTERNAL BALANCE
Annual percentage changes



GDP, DEMAND COMPONENTS
Annual percentage changes



Source: INE (Contabilidad Nacional Trimestral de España).
(a) Prepared in accordance with ESA 95, trend-cycle series.
(b) Contribution to GDPmp growth rate.

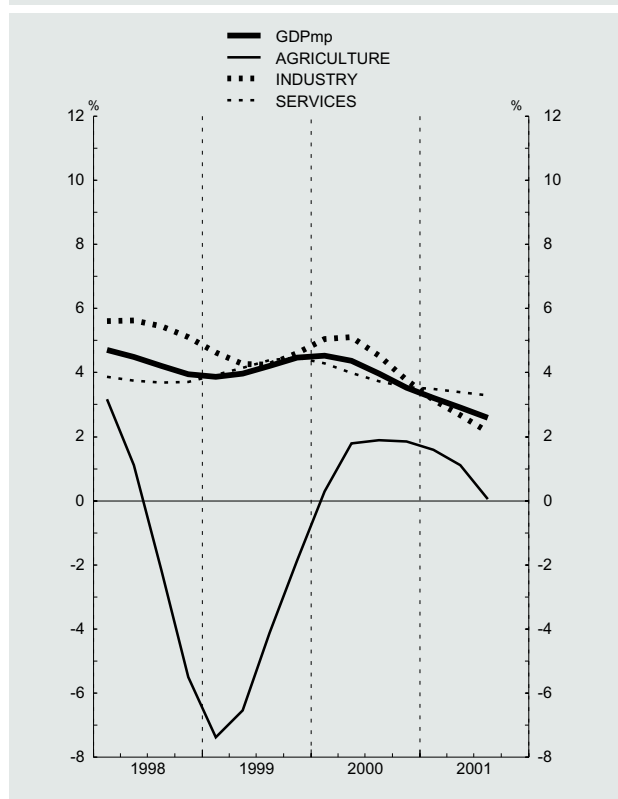
1.3. Gross domestic product. Constant 1995 prices. Branches of activity. Spain (a)

■ Series depicted in chart.

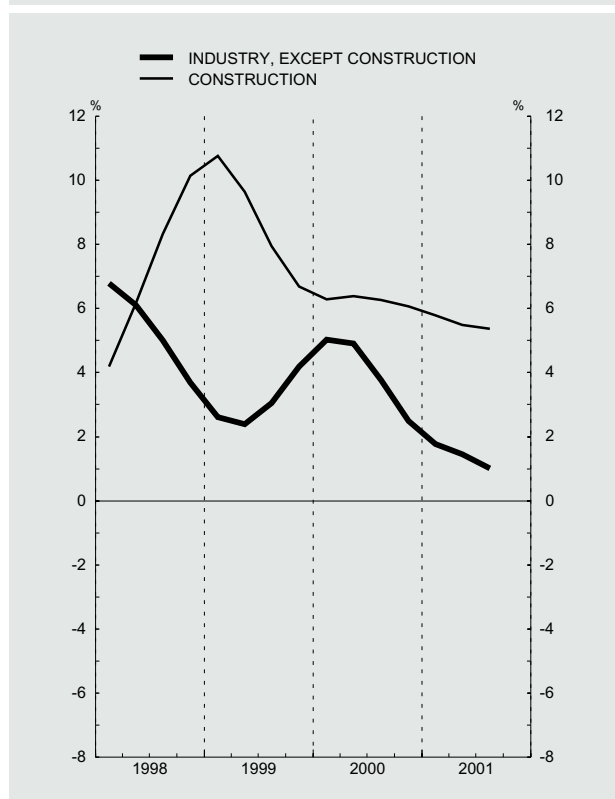
Annual percentage changes

		1	2	3	4	5	Services			9	10	11
							Total	Market services	Non-market services			
		Gross domestic product at market prices	Agriculture and fisheries	Energy	Industry	Construction				VAT on products	Net taxes linked to imports	Other net taxes on products
98	P	4.3	-0.9	2.6	5.4	7.2	3.8	4.1	2.5	4.6	11.2	14.4
99	P	4.1	-5.0	2.9	3.1	8.7	4.2	4.6	3.1	7.8	6.8	6.5
00	P	4.1	1.5	4.0	4.0	6.3	3.9	4.2	2.7	5.1	7.4	5.0
98	Q3	4.2	-2.2	2.4	5.0	8.3	3.7	4.1	2.5	4.6	11.2	13.1
	Q4	4.0	-5.5	2.6	3.7	10.1	3.7	4.0	2.6	6.2	10.4	9.0
99	Q1	3.9	-7.4	3.0	2.6	10.8	3.9	4.2	2.9	7.6	8.9	6.4
	Q2	4.0	-6.5	3.2	2.4	9.6	4.2	4.5	3.2	8.4	6.9	5.7
	Q3	4.2	-4.1	2.9	3.1	7.9	4.4	4.7	3.3	8.0	5.7	6.6
	Q4	4.5	-1.9	2.6	4.2	6.7	4.5	4.8	3.2	7.1	5.7	7.4
00	Q1	4.5	0.3	2.7	5.0	6.3	4.3	4.7	3.1	6.4	7.1	6.9
	Q2	4.4	1.8	3.5	4.9	6.4	4.0	4.4	2.8	5.6	8.5	5.9
	Q3	4.0	1.9	4.7	3.8	6.3	3.7	4.1	2.6	4.9	8.3	4.2
	Q4	3.5	1.8	5.1	2.5	6.1	3.6	3.9	2.4	3.5	5.6	3.1
01	Q1	3.2	1.6	4.4	1.8	5.8	3.5	3.8	2.5	2.0	1.3	3.0
	Q2	2.9	1.1	2.7	1.5	5.5	3.4	3.6	2.7	0.8	-2.3	2.4
	Q3	2.6	0.1	1.0	1.0	5.4	3.3	3.4	3.0	0.6	-3.6	1.2

GDP. BRANCHES OF ACTIVITY
Annual percentage changes



GDP. BRANCHES OF ACTIVITY
Annual percentage changes



Source: INE (Contabilidad Nacional Trimestral de España).
(a) Prepared in accordance with ESA 95, trend-cycle series.

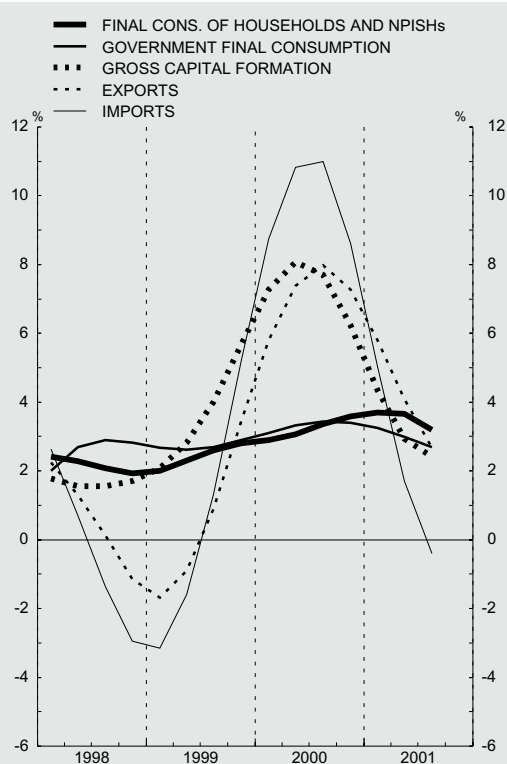
1.4. Gross domestic product. Implicit deflators. Spain (a)

■ Series depicted in chart.

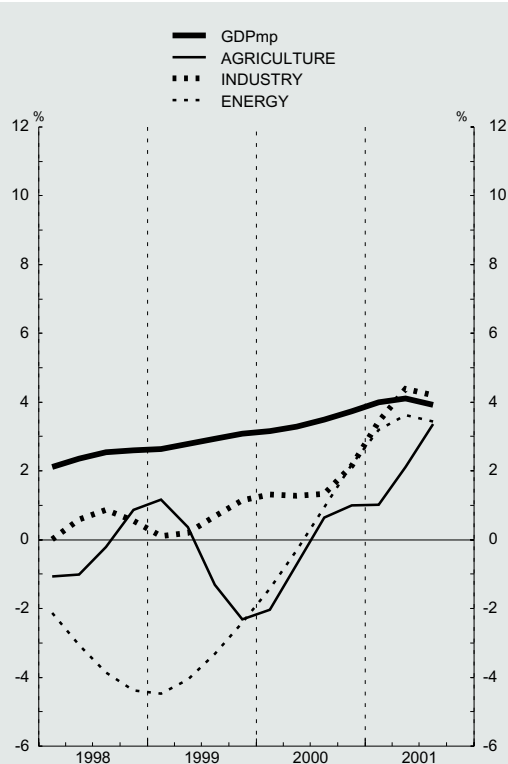
Annual percentage changes

		Demand components							Gross domestic product at market prices	Branches of activity						
		Final consumption of households and NPISHs	Government final consumption	Gross capital formation			Exports of goods and services	Imports of goods and services		Agriculture and fisheries	Energy	Industry	Construction	Of which		
				Total	Of which									Services	Market services	
					Gross fixed capital formation											
					Capital goods	Construction										
1	2	3	4	5	6	7	8	9	10	11	12	13	14			
98	P	2.2	2.6	1.7	0.7	1.6	0.6	-0.3	2.4	-0.4	-3.4	0.5	2.4	3.1	3.1	
99	P	2.4	2.7	3.7	1.5	4.5	0.5	0.5	2.9	-0.5	-3.6	0.5	4.1	3.2	3.2	
00	P	3.2	3.3	7.3	4.5	9.1	7.1	9.8	3.4	-0.3	0.4	1.5	8.8	3.6	3.6	
98	Q3	2.1	2.9	1.5	0.4	1.5	0.1	-1.4	2.5	-0.2	-3.9	0.9	2.5	3.1	3.1	
Q4	P	1.9	2.8	1.7	0.3	1.8	-1.2	-2.9	2.6	0.9	-4.4	0.6	2.5	3.1	3.1	
99	Q1	2.0	2.7	2.1	0.4	2.4	-1.7	-3.2	2.6	1.2	-4.5	0.1	2.5	3.1	3.1	
Q2	P	2.3	2.6	2.8	0.9	3.4	-0.9	-1.6	2.8	0.4	-4.1	0.2	3.1	3.2	3.2	
Q3	P	2.6	2.7	4.0	1.8	5.0	0.9	1.3	2.9	-1.3	-3.3	0.7	4.4	3.2	3.2	
Q4	P	2.8	2.9	5.7	3.0	6.9	3.4	5.2	3.1	-2.3	-2.4	1.1	6.3	3.2	3.2	
00	Q1	2.9	3.1	7.3	4.2	8.8	5.8	8.7	3.2	-2.0	-1.4	1.3	8.3	3.2	3.1	
Q2	P	3.1	3.3	8.1	5.0	9.7	7.4	10.8	3.3	-0.7	-0.3	1.3	9.4	3.4	3.3	
Q3	P	3.4	3.4	7.7	4.9	9.6	8.0	11.0	3.5	0.6	1.0	1.3	9.3	3.7	3.7	
Q4	P	3.6	3.4	6.2	4.1	8.3	7.3	8.6	3.7	1.0	2.2	2.1	8.1	4.1	4.2	
01	Q1	3.7	3.3	4.4	2.8	6.7	5.8	5.0	4.0	1.0	3.2	3.4	6.6	4.4	4.7	
Q2	P	3.7	3.0	2.9	1.5	5.4	4.1	1.7	4.1	2.1	3.6	4.4	5.4	4.4	4.8	
Q3	P	3.2	2.7	2.4	0.6	5.0	2.7	-0.4	3.9	3.4	3.4	4.2	5.0	4.0	4.5	

GDP. IMPLICIT DEFLATORS
Annual percentage changes



GDP. IMPLICIT DEFLATORS
Annual percentage changes



Source: INE (Contabilidad Nacional Trimestral de España).
(a) Prepared in accordance with ESA 95, trend-cycle series.

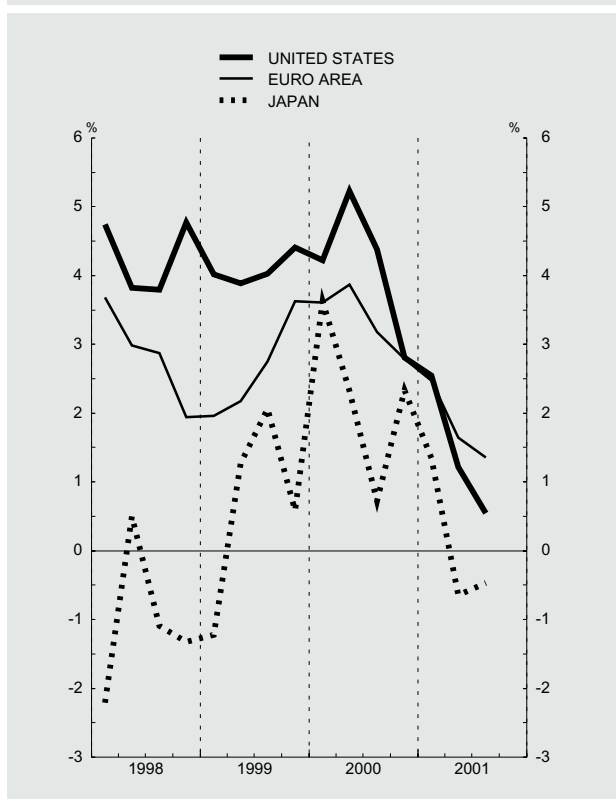
2.1. International comparison. Gross domestic product at constant prices

■ Series depicted in chart.

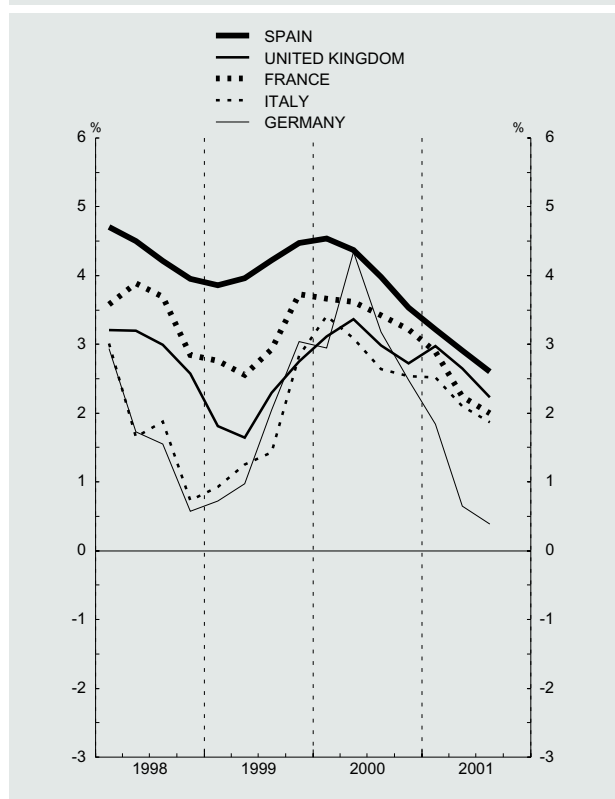
Annual percentage changes

	OECD	EU	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3	4	5	6	7	8	9	10
98	2.7	2.9	2.9	1.7	4.3	4.3	3.5	1.8	-1.0	3.0
99	3.1	2.6	2.6	1.7	4.1	4.1	3.0	1.6	0.7	2.1
00	3.9	3.3	3.4	3.2	4.1	4.1	3.5	2.9	2.2	3.0
98 Q3	2.5	2.9	2.9	1.6	4.2	3.8	3.7	1.9	-1.1	3.0
Q4	2.5	2.1	1.9	0.6	4.0	4.8	2.8	0.7	-1.3	2.6
99 Q1	2.4	2.0	2.0	0.7	3.9	4.0	2.8	0.9	-1.2	1.8
Q2	2.9	2.2	2.2	1.0	4.0	3.9	2.6	1.3	1.3	1.6
Q3	3.4	2.7	2.8	2.0	4.2	4.0	2.9	1.4	2.1	2.3
Q4	3.7	3.5	3.6	3.0	4.5	4.4	3.7	2.8	0.6	2.7
00 Q1	4.2	3.5	3.6	2.9	4.5	4.2	3.7	3.4	3.6	3.1
Q2	4.6	3.8	3.9	4.3	4.4	5.2	3.6	3.1	2.3	3.4
Q3	3.8	3.2	3.2	3.2	4.0	4.4	3.4	2.6	0.7	3.0
Q4	3.0	2.8	2.8	2.5	3.5	2.8	3.2	2.5	2.3	2.7
01 Q1	2.4	2.5	2.5	1.8	3.2	2.5	2.9	2.5	1.4	3.0
Q2	1.2	1.7	1.6	0.6	2.9	1.2	2.2	2.1	-0.6	2.7
Q3	0.8	1.4	1.4	0.4	2.6	0.5	2.0	1.9	-0.5	2.2

GROSS DOMESTIC PRODUCT
Annual percentage changes



GROSS DOMESTIC PRODUCT
Annual percentage changes



Sources: ECB, INE and OECD.

Note: The underlying series for this indicator are in Table 26.2 of the BE Boletín estadístico.

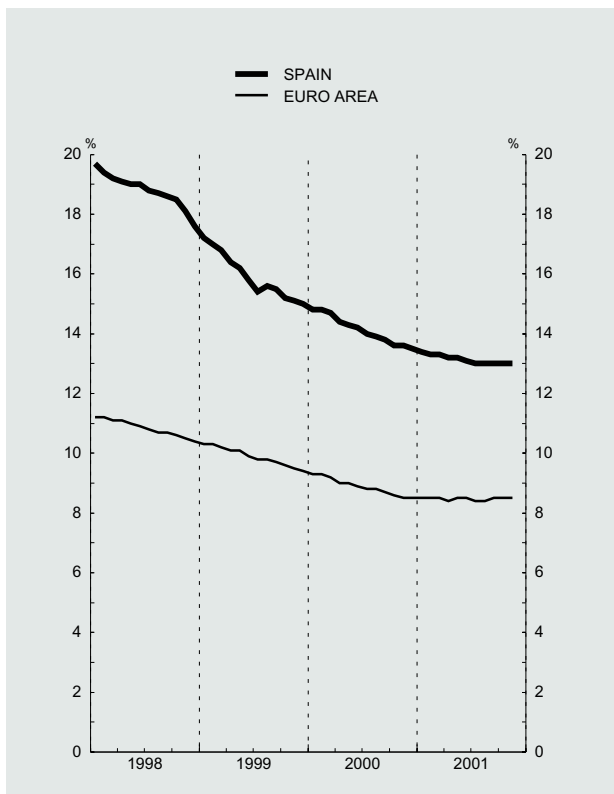
2.2. International comparison. Unemployment rates

■ Series depicted in chart.

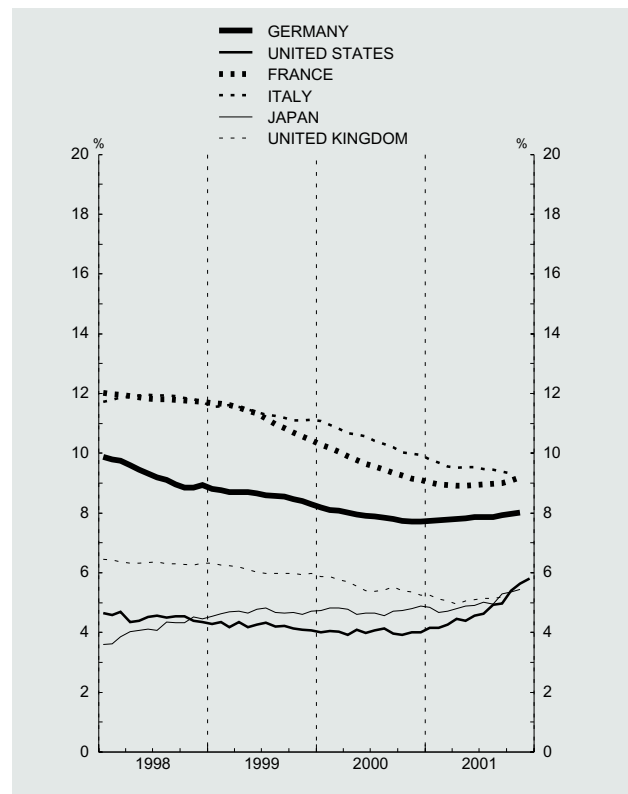
Percentages

	OECD	EU	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3	4	5	6	7	8	9	10
98	7.1	9.9	10.8	9.3	18.8	4.5	11.8	11.9	4.1	6.3
99	6.8	9.1	9.9	8.6	15.9	4.2	11.2	11.3	4.7	6.1
00	6.4	8.2	8.9	7.9	14.1	4.0	9.6	10.5	4.7	5.5
00 Jun	6.3	8.2	8.9	7.9	14.2	4.0	9.7	10.6	4.7	5.4
Jul	6.3	8.2	8.8	7.9	14.0	4.1	9.6	10.4	4.7	5.4
Aug	6.3	8.1	8.8	7.9	13.9	4.1	9.5	10.3	4.6	5.4
Sep	6.3	8.0	8.7	7.8	13.8	4.0	9.4	10.2	4.7	5.5
Oct	6.2	8.0	8.6	7.7	13.6	3.9	9.3	10.0	4.7	5.4
Nov	6.3	7.9	8.5	7.7	13.6	4.0	9.2	10.0	4.8	5.4
Dec	6.3	7.9	8.5	7.7	13.5	4.0	9.1	9.9	4.9	5.2
01 Jan	6.3	7.8	8.5	7.7	13.4	4.2	9.0	9.8	4.9	5.2
Feb	6.3	7.8	8.5	7.8	13.3	4.2	9.0	9.7	4.7	5.1
Mar	6.3	7.7	8.5	7.8	13.3	4.3	8.9	9.6	4.7	5.1
Apr	6.4	7.7	8.4	7.8	13.2	4.5	8.9	9.5	4.8	5.0
May	6.4	7.7	8.5	7.8	13.2	4.4	8.9	9.5	4.9	5.1
Jun	6.4	7.8	8.5	7.9	13.1	4.6	8.9	9.5	4.9	5.1
Jul	6.5	7.7	8.4	7.9	13.0	4.6	9.0	9.5	5.0	5.1
Aug	6.6	7.7	8.4	7.9	13.0	4.9	9.0	9.4	5.0	5.2
Sep	6.6	7.7	8.5	7.9	13.0	5.0	9.0	9.4	5.3	5.2
Oct	6.8	7.8	8.5	8.0	13.0	5.4	9.1	9.3	5.4	...
Nov	6.9	7.8	8.5	8.0	13.0	5.6	9.2	...	5.5	...

UNEMPLOYMENT RATES



UNEMPLOYMENT RATES



Sources: ECB and OECD.

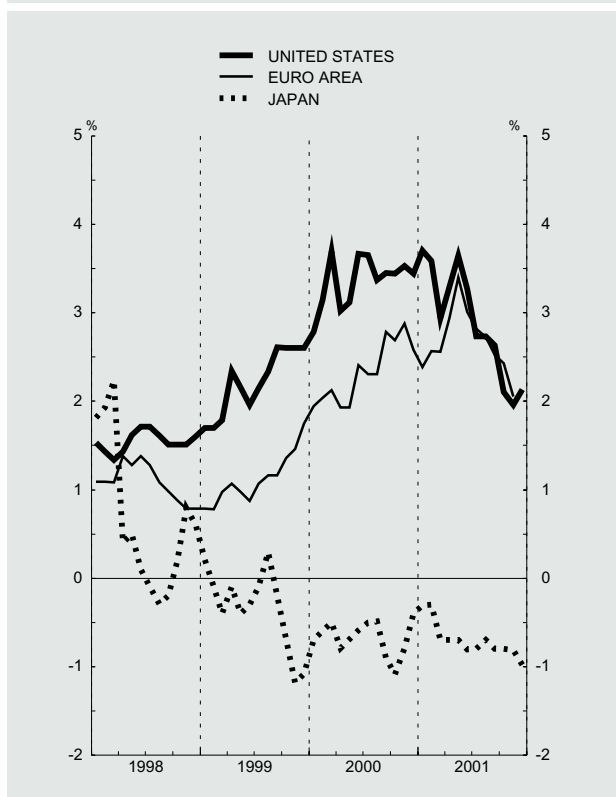
2.3. International comparison. Consumer prices (a)

■ Series depicted in chart.

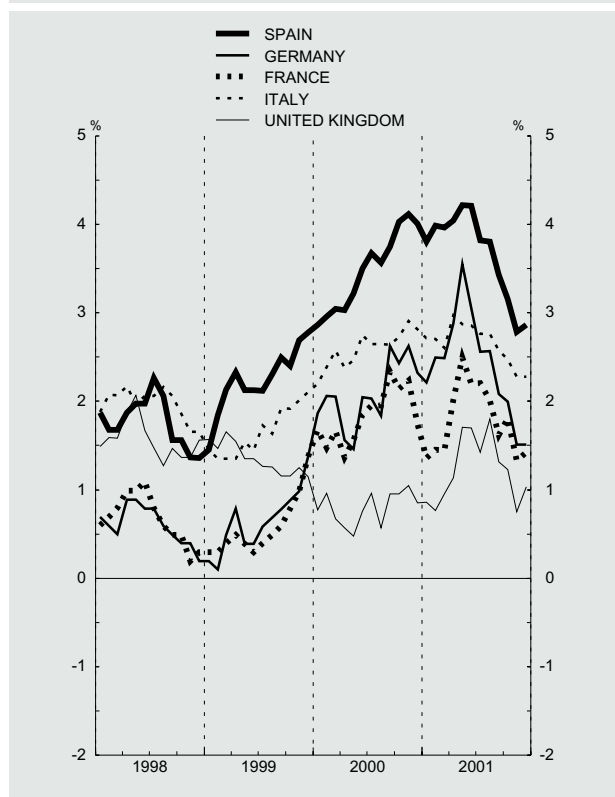
Annual percentage changes

	OECD	EU	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3	4	5	6	7	8	9	10
98	2.0	1.3	1.1	0.6	1.8	1.5	0.7	2.0	0.7	1.6
99	1.7	1.2	1.1	0.6	2.2	2.2	0.6	1.7	-0.3	1.3
00	2.5	2.1	2.3	2.1	3.5	3.4	1.8	2.6	-0.7	0.8
00 Jul	2.8	2.1	2.3	2.0	3.7	3.7	2.0	2.6	-0.5	1.0
Aug	2.6	2.0	2.3	1.8	3.6	3.4	2.0	2.6	-0.5	0.6
Sep	2.8	2.5	2.8	2.6	3.7	3.4	2.3	2.6	-0.9	1.0
Oct	2.7	2.4	2.7	2.4	4.0	3.4	2.1	2.7	-1.1	1.0
Nov	2.8	2.6	2.9	2.6	4.1	3.5	2.2	2.9	-0.8	1.0
Dec	2.7	2.3	2.6	2.3	4.0	3.4	1.7	2.8	-0.4	0.9
01 Jan	2.8	2.2	2.4	2.2	3.8	3.7	1.4	2.7	-0.3	0.9
Feb	2.8	2.3	2.6	2.5	4.0	3.6	1.4	2.7	-0.3	0.8
Mar	2.5	2.3	2.6	2.5	4.0	2.9	1.4	2.6	-0.7	1.0
Apr	2.7	2.6	2.9	2.9	4.0	3.3	2.0	3.0	-0.7	1.1
May	3.1	3.1	3.4	3.6	4.2	3.6	2.5	2.9	-0.7	1.7
Jun	2.8	2.8	3.0	3.1	4.2	3.3	2.2	2.9	-0.8	1.7
Jul	2.3	2.6	2.8	2.6	3.8	2.7	2.2	2.8	-0.8	1.4
Aug	2.3	2.6	2.7	2.6	3.8	2.7	2.0	2.8	-0.7	1.8
Sep	2.2	2.4	2.5	2.1	3.4	2.6	1.6	2.6	-0.8	1.3
Oct	1.9	2.2	2.4	2.0	3.2	2.1	1.8	2.5	-0.8	1.2
Nov	1.6	1.8	2.1	1.5	2.8	2.0	1.3	2.3	-0.8	0.8
Dec	...	...	...	1.5	2.9	2.1	1.4	2.3	-1.0	1.0

CONSUMER PRICES
Annual percentage changes



CONSUMER PRICES
Annual percentage changes



Sources: OECD, INE and Eurostat.

Note: The underlying series for this indicator are in Tables 26.11 and 26.15 of the BE Boletín estadístico.

(a) Harmonised Index of Consumer Prices for the EU countries.

2.4. Bilateral exchange rates and nominal and real effective exchange rate indices for the euro, US dollar and Japanese yen

■ Series depicted in chart.

Average of daily data

	Exchange rates			Indices of the nominal effective exchange rate vis-à-vis the developed countries. 1990=100 (a)			Indices of the real effective exchange rate vis-à-vis the developed countries (b) 1990=100					
	US dollar per ECU/euro	Japanese yen per ECU/euro	Japanese yen per US dollar	Euro (c)	US dollar	Japanese yen	Based on consumer prices			Based on producer prices		
							Euro (c)	US dollar	Japanese yen	Euro (c)	US dollar	Japanese yen
	1	2	3	4	5	6	7	8	9	10	11	12
98	1.1206	146.42	130.84	92.6	110.6	120.4	90.6	116.9	107.0	92.6	113.1	102.1
99	1.0666	121.39	113.75	87.4	108.2	140.4	85.6	115.8	122.3	87.2	112.4	116.2
00	0.9239	99.52	107.76	78.3	113.0	157.0	77.4	123.0	131.8	79.3	118.2	124.6
00 J-D	0.9239	99.52	107.76	78.3	113.0	157.0	77.4	123.0	131.8	79.3	118.2	124.6
01 J-D	0.8955	108.76	121.50	79.7	120.3	142.8	79.5	132.3	116.4	81.0	125.9	111.5
00 Oct	0.8552	92.75	108.45	74.5	117.4	161.7	73.8	128.4	134.5	75.4	122.7	126.5
Nov	0.8564	93.26	108.91	75.2	118.4	161.5	74.4	129.3	133.7	76.7	123.5	126.1
Dec	0.8973	100.61	112.11	77.9	116.6	153.5	77.3	127.3	127.3	79.4	121.7	120.4
01 Jan	0.9383	109.57	116.78	81.4	115.7	144.8	80.8	127.1	119.6	82.5	121.3	113.2
Feb	0.9217	107.08	116.18	80.6	116.9	147.2	80.2	128.6	120.7	81.9	122.4	115.0
Mar	0.9095	110.33	121.35	80.7	119.9	142.6	80.5	132.0	116.4	82.2	125.1	111.4
Apr	0.8920	110.36	123.72	80.0	121.4	140.9	79.8	133.6	114.7	81.4	127.4	109.3
May	0.8742	106.50	121.81	78.5	121.3	143.5	78.3	133.5	116.5	79.9	127.8	110.6
Jun	0.8532	104.30	122.24	77.3	122.3	144.3	77.3	134.8	116.6	78.6	128.7	111.4
Jul	0.8607	107.21	124.57	77.9	122.6	141.3	78.0	135.1	114.1	79.3	128.5	109.7
Aug	0.9005	109.34	121.45	80.1	119.8	142.3	80.1	131.9	115.3	81.4	125.9	110.3
Sep	0.9111	108.20	118.78	80.3	119.1	145.4	80.3	131.5	117.2	81.8	125.8	112.5
Oct	0.9059	109.86	121.28	80.4	120.2	142.8	80.4	132.5	115.3	81.9	125.4	111.6
Nov	0.8883	108.68	122.35	79.3	121.8	142.3	79.3	134.1	114.5	80.5	...	...
Dec	0.8924	113.38	127.06	80.1	122.5	136.8	...	...	...	...	...	...

EXCHANGE RATES



INDICES OF THE REAL EFFECTIVE EXCHANGE RATE BASED ON CONSUMER PRICES VIS-A-VIS THE DEVELOPED COUNTRIES



Sources: ECB and BE.

(a) Geometric mean -calculated using a double weighting system based on 1995-97 manufacturing trade for the euro, and 1991 total trade for the US dollar and Japanese yen- of changes in the spot price of each currency against the currencies of the other developed countries. A fall in the index denotes a depreciation of the currency against those of the other developed countries. (b) Obtained by multiplying the relative prices of each area/country (relation between its price index and the price index of the group) by the nominal effective exchange rate. A decline in the index denotes a depreciation of the real effective exchange rate and, may be interpreted as an improvement in that area/country's competitiveness. (c) The methodology used to compile these indices is explained in Box 5 of the October 1999 ECB Monthly Bulletin.

2.5. Official intervention interest rates and short-term interest rates

■ Series depicted in chart.

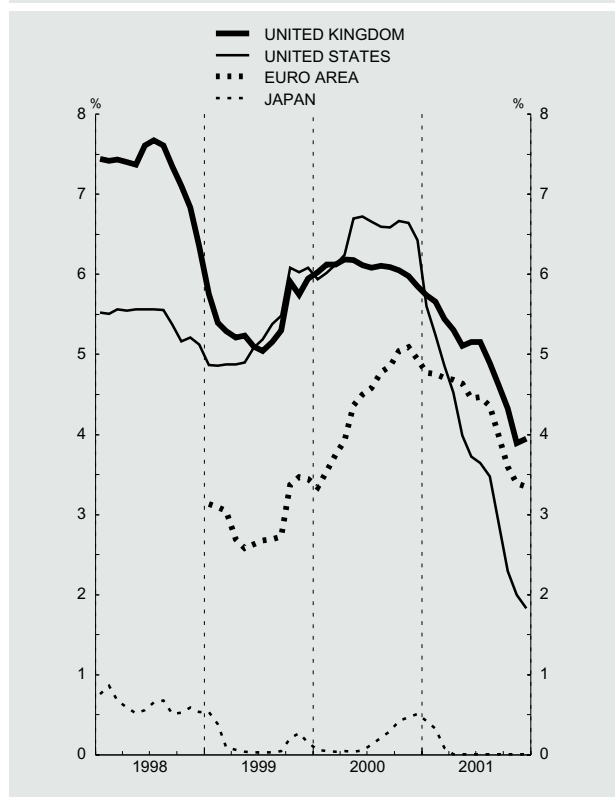
Percentages

	Official intervention interest rates				3-month interbank rates									
	Euro area	United States	Japan	United Kingdom	OECD	EU	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	(a)	(b)	(c)	(d)	5	6	7	8	9	10	11	12	13	14
98	-	4.50	0.50	6.25	4.22	4.57	-	3.47	4.24	5.44	3.42	4.95	0.62	7.30
99	3.00	5.00	0.50	5.50	3.69	3.42	2.96	-	-	5.31	-	-	0.16	5.42
00	4.75	6.00	0.50	6.00	4.71	4.65	4.39	-	-	6.44	-	-	0.19	6.08
00 Jul	4.25	6.00	0.50	6.00	4.86	4.82	4.58	-	-	6.66	-	-	0.13	6.08
<i>Aug</i>	4.25	6.00	0.50	6.00	4.92	4.97	4.78	-	-	6.59	-	-	0.22	6.11
<i>Sep</i>	4.50	6.00	0.50	6.00	4.95	5.02	4.85	-	-	6.59	-	-	0.30	6.09
<i>Oct</i>	4.75	6.00	0.50	6.00	5.05	5.15	5.04	-	-	6.66	-	-	0.42	6.05
<i>Nov</i>	4.75	6.00	0.50	6.00	5.05	5.16	5.09	-	-	6.64	-	-	0.47	5.98
<i>Dec</i>	4.75	6.00	0.50	6.00	4.90	5.00	4.94	-	-	6.42	-	-	0.51	5.85
01 Jan	4.75	5.00	0.50	6.00	4.49	4.85	4.77	-	-	5.60	-	-	0.42	5.74
<i>Feb</i>	4.75	5.00	0.25	5.75	4.31	4.82	4.76	-	-	5.24	-	-	0.33	5.65
<i>Mar</i>	4.75	4.50	0.25	5.75	4.07	4.75	4.71	-	-	4.86	-	-	0.09	5.45
<i>Apr</i>	4.75	4.00	0.25	5.50	3.90	4.71	4.68	-	-	4.53	-	-	0.01	5.30
<i>May</i>	4.50	3.50	0.25	5.25	3.65	4.64	4.64	-	-	3.99	-	-	0.01	5.11
<i>Jun</i>	4.50	3.25	0.25	5.25	3.50	4.50	4.45	-	-	3.73	-	-	0.01	5.15
<i>Jul</i>	4.50	3.25	0.25	5.25	3.46	4.49	4.47	-	-	3.65	-	-	0.01	5.15
<i>Aug</i>	4.50	3.00	0.25	5.00	3.34	4.37	4.35	-	-	3.48	-	-	0.01	4.89
<i>Sep</i>	3.75	2.50	0.10	4.75	2.94	4.02	3.98	-	-	2.88	-	-	0.01	4.62
<i>Oct</i>	3.75	2.00	0.10	4.50	2.54	3.67	3.60	-	-	2.29	-	-	0.01	4.32
<i>Nov</i>	3.25	1.50	0.10	4.00	2.31	3.43	3.39	-	-	1.99	-	-	0.01	3.89
<i>Dec</i>	3.25	1.25	0.10	4.00	2.23	3.40	3.35	-	-	1.83	-	-	0.01	3.95

OFFICIAL INTERVENTION INTEREST RATES



3-MONTH INTERBANK RATES



Sources: ECB, Reuters and BE.

(a) Main refinancing operations.

(b) Discount rate.

(c) Discount rate.

(d) Retail bank base rate.

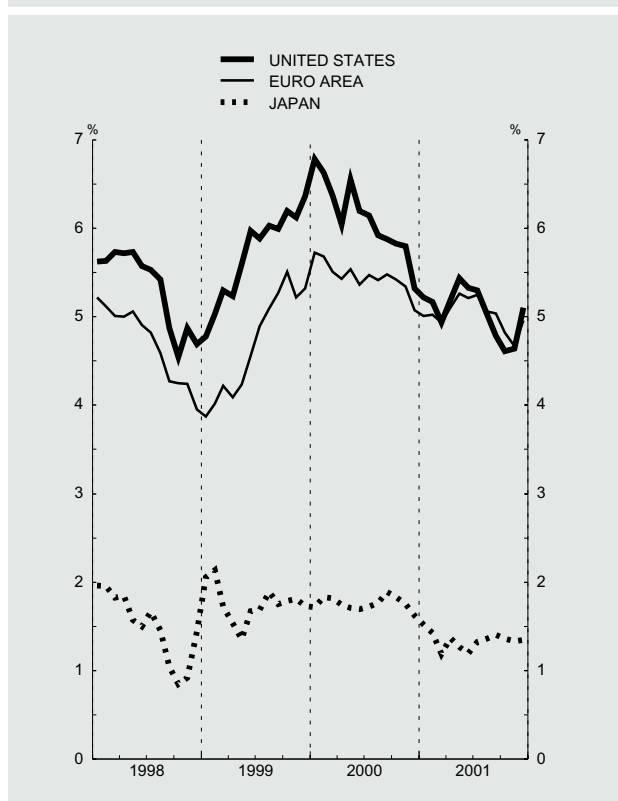
2.6. 10-year government bond yields on domestic markets

■ Series depicted in chart.

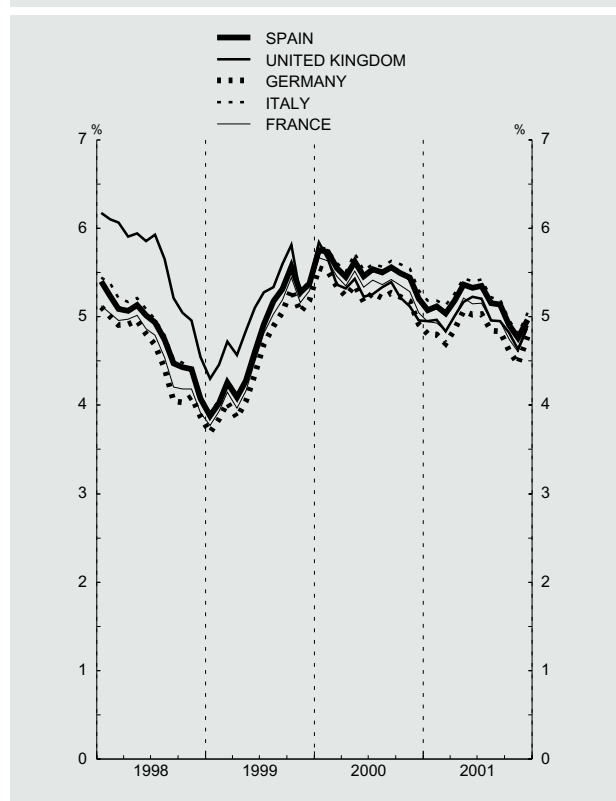
Percentages

	OECD	EU	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3	4	5	6	7	8	9	10
98	4.59	4.99	4.70	4.57	4.83	5.33	4.65	4.89	1.50	5.61
99	4.72	4.79	4.70	4.50	4.73	5.71	4.62	4.75	1.76	5.06
00	5.17	5.45	5.45	5.27	5.53	6.12	5.40	5.59	1.76	5.34
00 Jul	5.16	5.43	5.47	5.27	5.53	6.14	5.41	5.59	1.72	5.26
Aug	5.07	5.40	5.41	5.21	5.50	5.92	5.37	5.56	1.77	5.34
Sep	5.08	5.45	5.48	5.27	5.56	5.87	5.42	5.63	1.89	5.39
Oct	5.02	5.38	5.42	5.22	5.49	5.83	5.36	5.59	1.83	5.22
Nov	4.97	5.31	5.34	5.17	5.45	5.80	5.29	5.54	1.75	5.12
Dec	4.65	5.07	5.07	4.91	5.20	5.32	5.05	5.30	1.62	4.96
01 Jan	4.55	4.97	5.01	4.81	5.08	5.22	4.94	5.18	1.52	4.95
Feb	4.52	4.97	5.02	4.80	5.12	5.17	4.93	5.18	1.43	4.96
Mar	4.34	4.88	4.94	4.70	5.04	4.94	4.84	5.13	1.19	4.84
Apr	4.55	5.04	5.10	4.86	5.18	5.19	5.01	5.26	1.37	5.01
May	4.72	5.22	5.26	5.06	5.36	5.44	5.21	5.43	1.27	5.17
Jun	4.65	5.19	5.21	5.02	5.33	5.33	5.15	5.40	1.19	5.23
Jul	4.67	5.20	5.25	5.03	5.35	5.29	5.16	5.42	1.33	5.21
Aug	4.47	4.99	5.06	4.84	5.16	5.03	4.96	5.22	1.36	4.96
Sep	4.36	4.98	5.04	4.83	5.14	4.78	4.95	5.20	1.40	4.95
Oct	4.20	4.77	4.82	4.62	4.91	4.61	4.75	4.96	1.36	4.82
Nov	4.15	4.62	4.67	4.47	4.76	4.64	4.60	4.81	1.33	4.63
Dec	4.45	4.88	4.96	4.77	4.97	5.10	4.87	5.05	1.35	4.90

10-YEAR GOVERNMENT BOND YIELDS



10-YEAR GOVERNMENT BOND YIELDS



Sources: ECB, Reuters and BE.

2.7 International markets: Price indices for non-energy commodities. Oil and gold

■ Series depicted in chart.

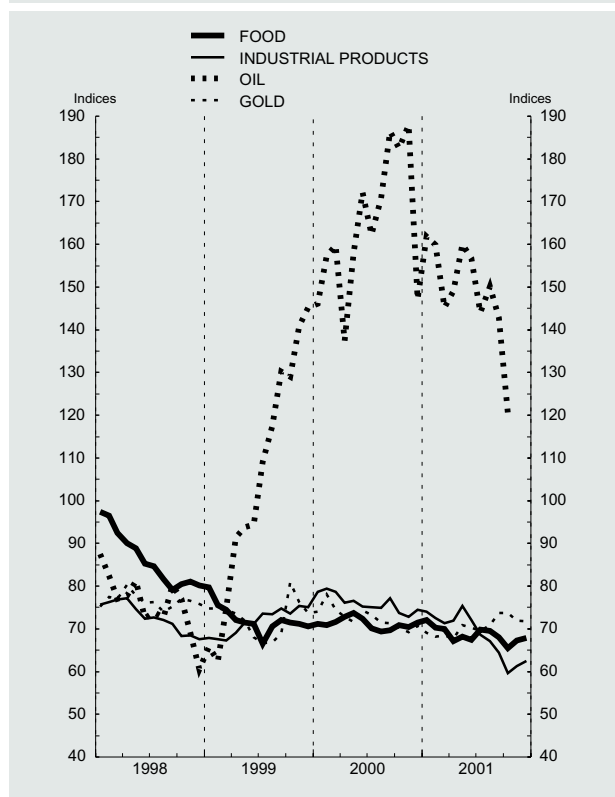
1995 = 100

	Non-energy commodity price index (a)								Oil		Gold		
	Euro index			US dollar index					Index (b)	Brent North sea	Index (c)	US dollars per troy ounce	Euro per gram (d)
	General	Food	Industrial products	General	Food	Industrial products				US dollars per barrel			
						Total	Non-food agricultural products	Metals					
	1	2	3	4	5	6	7	8	9	10	11	12	13
98	95.5	102.3	86.1	80.6	86.4	72.7	76.2	69.8	75.9	13.4	76.5	294.0	8.49
99	88.7	88.8	88.5	72.0	72.2	71.7	73.0	70.6	104.8	18.1	72.6	278.8	8.41
00	104.4	101.5	108.3	73.3	71.2	76.1	70.3	80.9	163.9	28.5	72.6	279.0	9.72
00 J-D	104.4	101.5	108.3	73.3	71.2	76.1	70.3	80.9	163.9	28.5	72.6	279.0	9.72
01 J-D	100.7	...	...	68.5	68.6	68.4	65.4	70.9	...	24.6	70.5	271.0	9.74
00 Sep	110.0	105.3	116.6	72.8	69.7	77.1	68.1	84.7	186.5	32.5	71.3	273.8	10.09
Oct	110.7	108.8	113.3	72.0	70.8	73.7	67.0	79.4	182.5	31.3	70.3	270.0	10.15
Nov	109.9	108.3	112.2	71.4	70.4	72.9	67.9	77.1	188.0	32.7	69.2	265.9	9.98
Dec	106.9	105.0	109.5	72.8	71.5	74.5	67.9	80.1	147.1	26.4	70.7	271.5	9.73
01 Jan	102.2	101.1	103.8	72.9	72.1	74.0	66.7	80.2	161.9	25.8	69.1	265.5	9.10
Feb	101.9	100.4	103.8	71.3	70.3	72.6	65.2	78.8	159.8	27.4	68.2	261.9	9.14
Mar	101.9	101.1	103.1	70.6	70.0	71.4	65.6	76.3	145.3	25.8	68.5	263.1	9.30
Apr	102.4	99.3	106.6	69.2	67.1	72.0	69.4	74.2	149.2	26.1	67.8	260.5	9.39
May	107.0	...	...	71.2	68.1	75.4	74.3	76.2	160.0	28.5	70.9	272.4	10.02
Jun	106.9	...	...	69.4	67.4	72.1	71.2	72.8	156.8	27.8	70.3	270.2	10.18
Jul	106.0	...	...	69.3	69.8	68.7	67.9	69.3	144.0	24.5	69.6	267.4	9.99
Aug	100.3	...	...	68.5	69.5	67.2	67.9	66.6	150.1	25.8	70.9	272.4	9.73
Sep	96.1	...	...	66.5	68.0	64.5	64.0	64.9	142.8	25.7	73.8	283.4	10.00
Oct	91.2	...	...	63.0	65.4	59.7	56.6	62.2	120.5	20.4	73.7	283.1	10.05
Nov	96.1	...	...	64.8	67.3	61.3	57.3	64.7	...	19.0	71.9	276.2	10.00
Dec	96.7	...	...	65.6	67.8	62.5	59.1	65.5	...	18.7	71.7	275.6	9.93

NON-ENERGY COMMODITY PRICE INDEX



PRICE INDICES FOR NON-ENERGY COMMODITIES, OIL AND GOLD



Sources: The Economist (non-energy commodity price index), IMF (oil) and BE (gold).

(a) The weights are based on the value of the commodity imports of the OECD countries during the period 1994-1996.

(b) Index of the average price in US dollars of various medium, light and heavy crudes.

(c) Index of the London market's 15.30 fixing in dollars.

(d) As of January 1999, data in US dollars have been converted into euro using the average monthly exchange rate. Before that date, data in pesetas have been converted into euro using the irrevocable exchange rate.

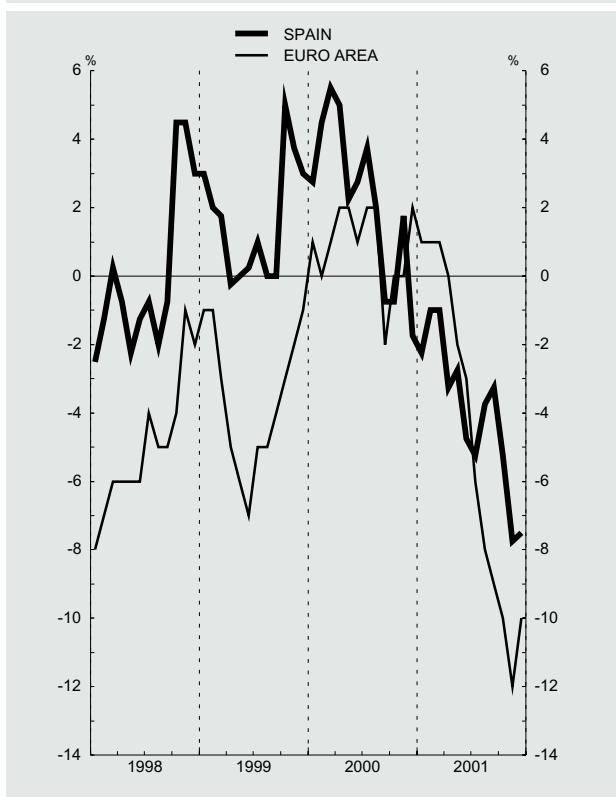
3.1. Indicators of private consumption. Spain and euro area

■ Series depicted in chart.

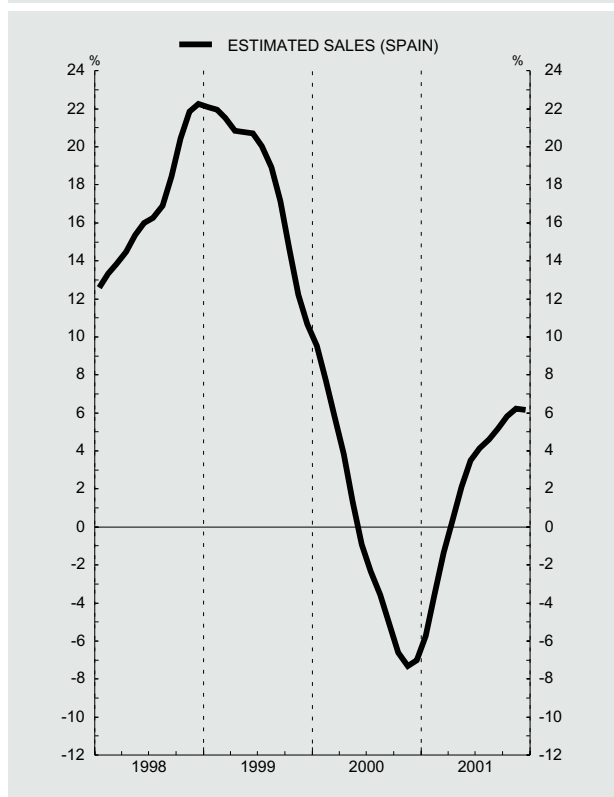
Annual percentage changes

	Opinion surveys (net percentages)						New car registrations and sales				Retail trade: sales index								
	Consumers			Retail trade confidence index	Memorandum item: euro area		of which		Estimated sales	Memorandum item: euro area	General index			By type of product (deflated indices)				Memorandum item: euro area deflated index	
	Confidence index	General economic situation: anticipated trend	Household economic situation: anticipated trend		Consumer confidence index	Retail trade confidence index	Registrations	Private use			Registrations	Nominal	Deflated (a)	Large retail outlets (a)	Food (b)	Personal items (c)	Household items (d)		Other (e)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18		
98		0	7	6	3	-5	-2	17.6	19.8	17.4	7.2	7.1	5.4	7.2	3.4	2.9	9.9	8.7	3.0
99		2	6	7	3	-4	-5	17.1	18.1	17.9	5.4	5.2	3.4	10.0	0.6	3.6	5.6	7.1	2.6
00		2	5	7	3	1	-0	-2.4	-3.6	-1.8	-2.2	6.2	4.0	6.3	2.6	...	...	...	2.4
00 J-D		2	5	7	3	1	-0	-2.4	-3.6	-1.8	...	6.2	4.0	6.3	2.6	...	...	...	2.4
01 J-D	A	-4	-3	4	-0	-5	-6	1.6	1.3	4.0	...	...	...	...	...	...	...	...	...
01 Jan	P	-2	-2	5	2	1	-	-3.9	-3.3	-3.3	-5.6	9.4	6.0	2.3	5.8	...	...	...	3.3
Feb	P	-1	-	6	-1	1	-	-4.5	-5.3	-3.9	-6.2	5.0	1.3	1.3	1.3	...	...	...	1.7
Mar	P	-1	-1	7	3	1	-5	0.7	-4.5	2.2	-3.7	7.6	3.3	6.6	4.0	...	...	...	2.6
Apr	P	-3	-3	5	-3	-	-4	-2.3	1.2	-0.3	-1.8	5.9	1.8	1.0	4.2	...	...	...	1.4
May	P	-3	-2	5	-1	-2	-7	4.8	2.9	7.2	-	7.2	2.5	3.6	8.1	...	...	...	0.2
Jun	P	-5	-3	2	1	-3	-7	2.9	-0.8	4.5	7.3	9.3	4.3	6.3	6.6	...	...	...	1.9
Jul	P	-5	-5	3	2	-6	-4	6.3	5.5	8.8	-1.5	6.9	2.0	-1.3	5.4	...	...	...	1.7
Aug	P	-4	-2	3	1	-8	-8	3.2	2.4	5.9	-0.5	10.6	5.6	2.8	9.3	...	...	...	2.0
Sep	P	-3	-5	5	3	-9	-6	-3.7	-2.1	-0.7	-1.3	4.0	-0.5	-2.1	4.3	...	...	...	1.7
Oct	A	-5	-4	5	-3	-10	-9	11.8	11.9	13.0	2.9	7.4	2.7	5.6	6.3	...	...	...	-0.2
Nov	A	-8	-5	3	-6	-12	-9	2.8	4.2	3.9	...	5.4	0.8	4.5	3.6	...	...	...	...
Dec	A	-8	-5	1	-1	-10	-10	-1.5	4.5	11.1	...	...	...	...	...	...	...	...	...

CONSUMER CONFIDENCE INDEX



CAR SALES
Trend obtained with TRAMO-SEATS



Sources: European Commission, European Economy, Supplement B, INE, Dirección General de Tráfico, Asociación Nacional de Fabricantes de Automóviles y Camiones and ECB.

(a) Deflated by the price index obtained from the CPI components detailed in the following notes. Repairs are not included in any of the components mentioned.

(b) Deflated by the food component of the CPI.

(c) Deflated by the clothing and footwear (excluding repairs) components of the CPI.

(d) Deflated by the household items (excluding repairs and domestic services) components of the CPI.

(e) Deflated by the recreational goods, publications and other goods and services (excluding tourism, hotel and catering services, financial and o. serv.) components of the CPI.

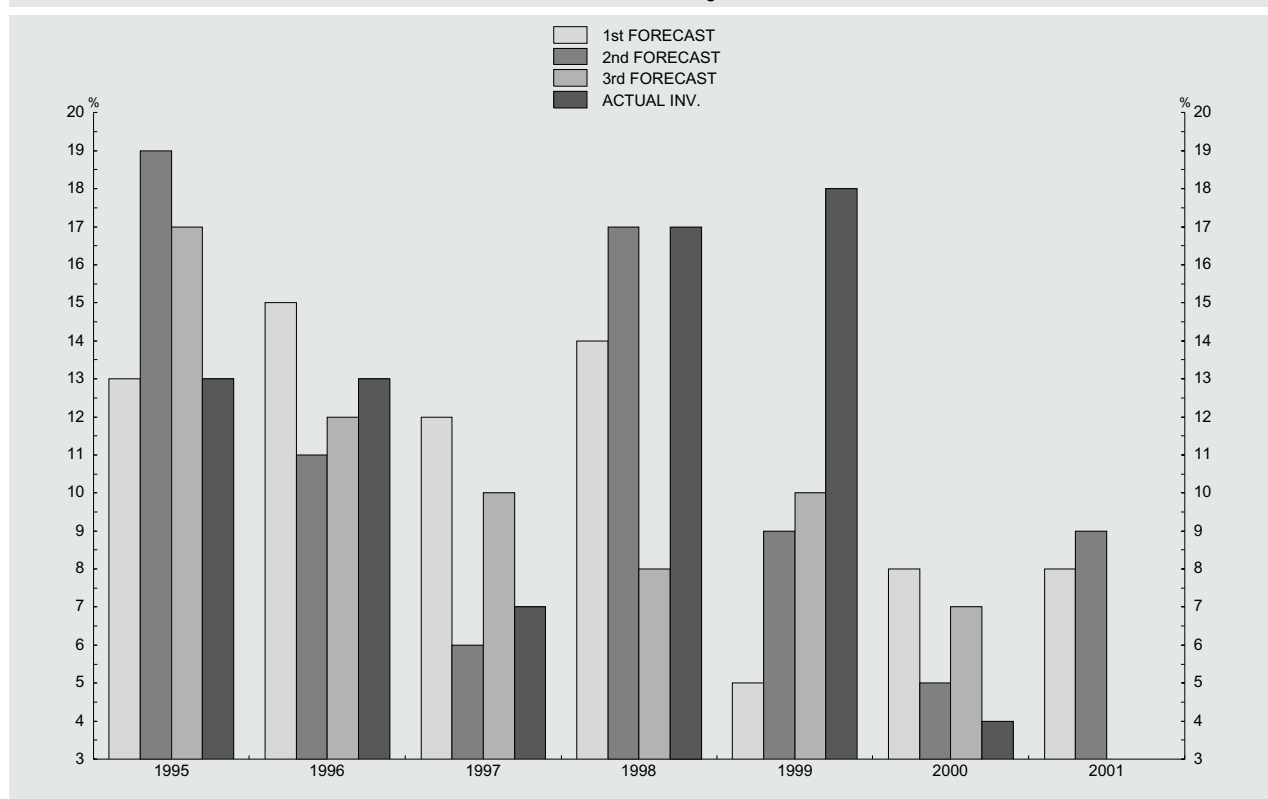
3.2. Investment in industry (excluding construction): opinion surveys. Spain

■ Series depicted in chart.

Annual percentage changes at current prices

	1	2	3	4	
	ACTUAL INV.	1st FORECAST	2nd FORECAST	3rd FORECAST	
95		13	13	19	17
96		13	15	11	12
97		7	12	6	10
98		17	14	17	8
99		18	5	9	10
00		4	8	5	7
01		...	8	9	...

INVESTMENT IN INDUSTRY Annual rates of change



Source: Ministerio de Ciencia y Tecnología

Note: The first forecast is made in the autumn of the previous year and the second and third ones in the spring and autumn of the current year, respectively; the information relating to actual investment for the year t is obtained in the spring of the year $t+1$.

3.3. Construction. Indicators of building starts and consumption of cement. Spain

■ Series depicted in chart.

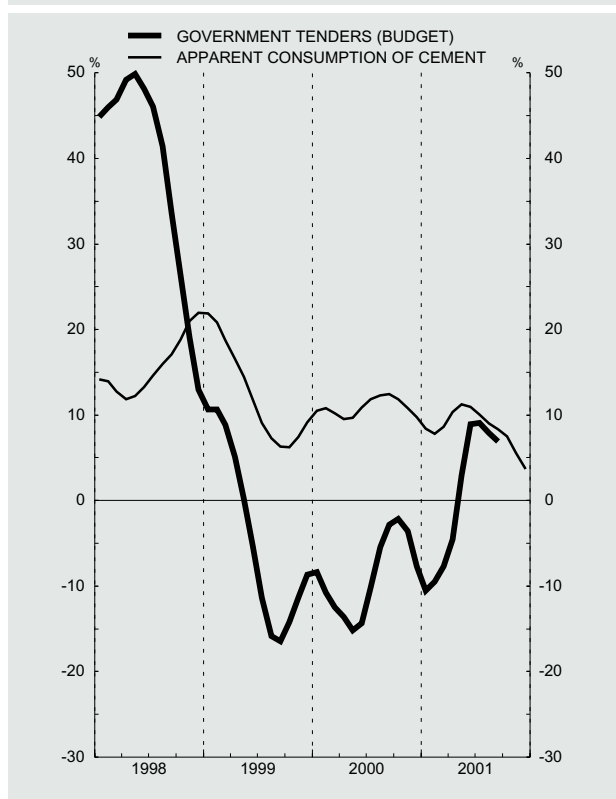
Annual percentage changes

	Permits: buildable floorage				Approvals: buildable floorage		Government tenders (budget)								Apparent consumption of cement
	Total	of which		Non-residential	Total	of which		Total		Building				Civil engineering	
		Residential	Housing			Housing	For the month	Year to date	Total	Residential	of which		Non-residential		
											Housing	Housing			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	
98	23.7	22.5	21.8	29.7	32.5	29.0	46.8	46.8	29.0	27.7	-13.0	29.4	55.0	15.7	
99	12.8	13.1	12.8	11.2	22.0	20.0	-9.7	-9.7	-1.2	15.4	-26.0	-6.5	-13.0	11.7	
00	10.6	10.1	10.0	13.1	5.1	3.9	-7.6	-7.6	-3.3	-23.7	-9.8	4.8	-9.5	11.0	
00 J-D	10.6	10.1	10.0	13.1	5.1	3.9	-7.6	-7.6	-3.3	-23.7	-9.8	4.8	-9.5	11.0	
01 J-D	...	...	...	...	...	...	...	...	...	...	...	...	...	8.8
00 Sep	-0.9	3.5	4.7	-18.6	-4.4	-9.8	-2.8	-6.2	7.2	40.3	-64.1	-0.1	-7.4	11.9	
Oct	15.7	16.2	15.7	13.4	7.9	-9.1	17.9	-4.0	5.2	6.8	-5.3	4.8	25.6	15.1	
Nov	6.3	2.3	3.8	29.4	0.5	-3.2	6.8	-3.0	-3.2	25.8	52.7	-9.6	12.3	10.3	
Dec	1.0	2.6	-1.5	-7.0	-12.3	-12.0	-36.1	-7.6	-38.9	-90.0	-36.3	67.1	-35.2	4.4	
01 Jan	19.9	19.8	10.5	20.3	4.5	6.4	-0.4	-0.4	43.0	-13.1	-54.4	59.3	-11.9	16.3	
Feb	-15.6	-15.9	-16.1	-14.8	-8.5	-14.7	-49.9	-28.9	-7.7	53.3	19.0	-15.4	-65.1	2.2	
Mar	-8.2	-10.9	-10.9	4.7	-4.3	-9.9	-32.2	-30.4	1.4	73.7	23.7	-8.3	-44.0	0.0	
Apr	1.9	-5.6	-5.5	41.6	-15.1	-27.7	48.6	-14.0	4.6	49.2	24.3	-5.7	73.0	20.4	
May	-19.2	-25.6	-29.0	10.0	-23.4	-27.7	-9.6	-12.9	20.1	99.1	193.6	2.9	-20.5	14.2	
Jun	-11.3	-9.2	-10.4	-19.5	5.4	2.9	118.5	10.7	122.9	222.3	15.2	34.9	114.5	8.1	
Jul	...	...	...	...	13.8	7.7	104.1	25.6	37.5	82.4	213.5	28.1	145.7	12.9
Aug	...	...	...	...	1.8	-1.5	123.4	37.0	143.5	51.4	37.0	171.8	113.4	7.6
Sep	...	...	...	...	0.2	1.6	27.5	36.1	50.6	142.3	287.6	22.5	15.4	1.9
Oct	...	...	...	...	...	...	...	...	...	...	...	...	...	21.1
Nov	...	...	...	...	...	...	...	...	...	...	...	...	...	3.9
Dec	...	...	...	...	...	...	...	...	...	...	...	...	...	-0.7

CONSTRUCTION
Trend obtained with TRAMO-SEATS



CONSTRUCTION
Trend obtained with TRAMO-SEATS



Sources: Ministerio de Fomento and Asociación de Fabricantes de Cemento de España.

Note: The underlying series for this indicator are in Tables 23.7, 23.8, and 23.9 of the BE Boletín estadístico.

3.4. Industrial production index. Spain and euro area

■ Series depicted in chart.

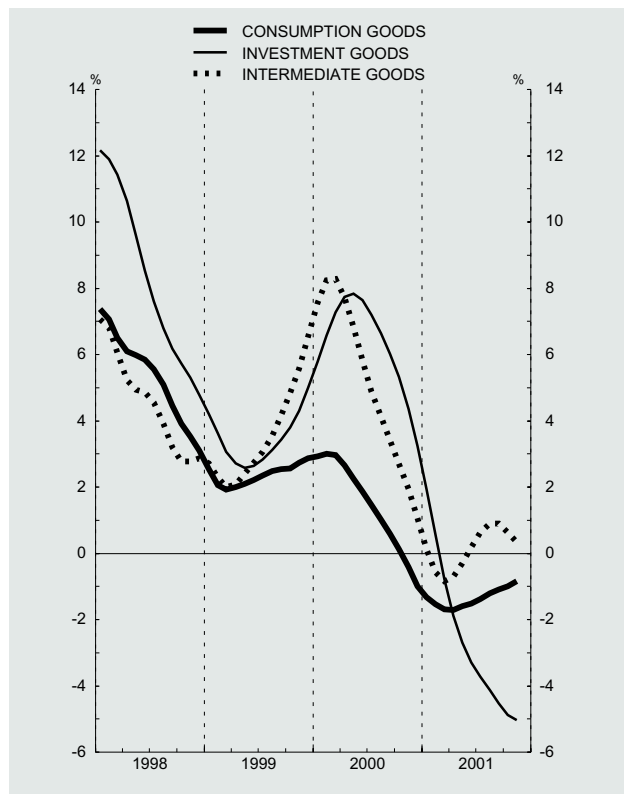
Annual percentage changes

		Overall Index			By end-use of goods			By branch of activity				Memorandum item: euro area				
		Total			Consumption	Investment	Intermediate goods	Energy	Minerals	Processing	Others	of which		By end-use of goods		
		Original series	12-month % change	of which Manufacturing								Total	Manufacturing	Consumption	Investment	Intermediate goods
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
98	MP	115.1	5.4	6.2	5.5	8.4	4.2	1.1	5.5	8.2	4.7	4.3	4.7	2.8	7.5	3.5
99	MP	118.1	2.6	2.3	1.9	3.2	3.1	4.0	4.1	0.5	3.1	2.0	2.0	1.7	2.4	1.5
00	MP	122.8	4.0	3.3	1.2	6.1	5.5	7.0	3.7	6.2	0.7	5.5	5.9	2.3	8.6	5.9
00 J-N	MP	123.7	4.8	4.1	2.2	6.4	6.3	8.0	4.2	6.6	1.9	5.3	5.7	...	8.2	5.8
01 J-N	MP	122.6	-0.9	-1.5	-1.5	-2.4	0.1	2.2	0.6	-2.8	-1.5	...	...	...	...	...
00 Aug	P	86.9	7.2	7.3	4.2	17.0	7.2	7.1	7.3	19.0	0.8	6.8	7.3	2.5	10.9	8.1
Sep	P	125.1	0.1	-0.2	-1.2	-3.5	2.3	1.1	4.5	-2.4	-0.8	5.5	5.8	2.9	9.4	4.8
Oct	P	126.8	2.8	2.8	1.7	6.3	2.5	2.9	0.2	6.1	1.4	3.9	4.3	0.7	6.3	4.2
Nov	P	133.3	3.8	3.9	2.6	7.4	3.6	4.0	2.1	7.9	1.0	4.6	5.1	1.3	8.1	4.6
Dec	P	112.3	-4.8	-5.2	-10.0	2.8	-3.3	-2.7	-1.6	1.0	-12.6	7.1	8.4	4.5	12.3	7.2
01 Jan	P	124.2	4.8	5.9	3.9	9.7	4.0	-0.4	7.3	11.6	0.1	5.0	6.0	2.8	10.0	4.0
Feb	P	120.9	-3.4	-3.9	-2.9	-4.6	-3.4	-1.7	-3.7	-4.2	-3.3	4.6	5.3	3.4	8.3	2.9
Mar	P	131.4	-3.6	-4.2	-4.6	-3.6	-2.8	0.2	-3.1	-4.9	-4.3	3.1	3.9	2.8	6.2	1.6
Apr	P	114.4	-0.3	-	-1.4	3.9	-1.0	-3.3	0.8	0.5	-0.5	0.9	0.9	0.2	1.4	-0.2
May	P	131.9	-0.9	-1.8	-0.4	-4.2	-0.2	3.8	0.9	-3.6	-1.6	-0.1	-0.4	-0.5	0.8	-1.1
Jun	P	129.4	-2.5	-3.5	-3.8	-4.4	-0.7	3.8	-0.1	-5.0	-4.1	1.8	2.0	1.3	3.1	0.6
Jul	P	128.0	-0.4	-0.9	-1.2	-4.1	1.7	3.6	1.2	-3.3	-0.3	-1.5	-1.9	-0.8	-2.1	-2.0
Aug	P	89.7	3.2	2.5	2.5	1.9	4.1	6.0	1.6	3.9	2.1	1.0	0.8	1.5	2.6	-1.6
Sep	P	121.5	-2.9	-3.7	-5.4	-2.3	-0.9	2.5	-0.9	-5.4	-4.0	-0.9	-1.1	-0.5	-0.4	-2.3
Oct	P	130.6	3.0	2.5	2.8	1.3	3.8	6.0	3.6	-	4.2	-2.7	-3.0	...	-2.3	-3.9
Nov	P	127.1	-4.7	-6.2	-3.5	-13.7	-2.4	3.6	0.1	-12.8	-3.4	...	...	...	...	...

INDUSTRIAL PRODUCTION INDEX
Trend obtained with TRAMO-SEATS



INDUSTRIAL PRODUCTION INDEX
Trend obtained with TRAMO-SEATS



Sources: INE and BCE.

Note: The underlying series for this indicator are in Table 23.1 of the BE Boletín estadístico.

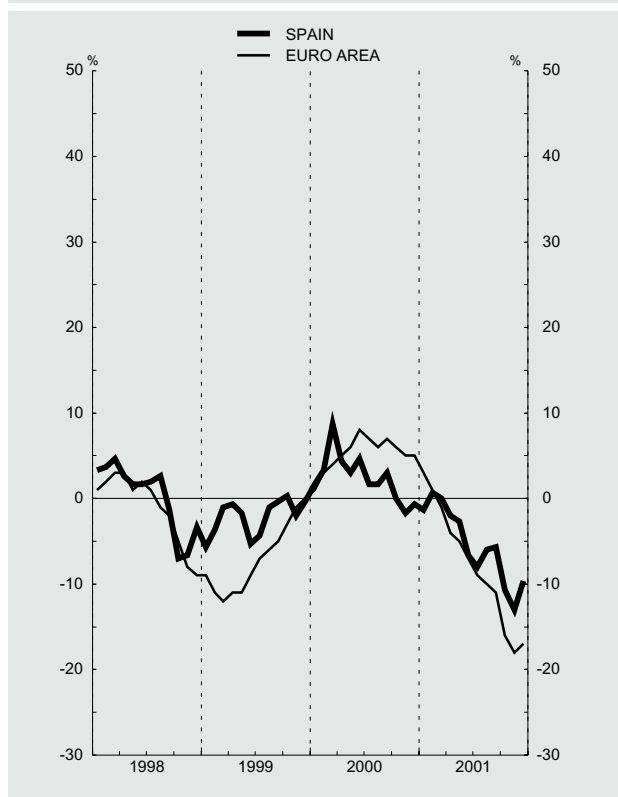
3.5. Monthly business survey: industry and construction. Spain and euro area

■ Series depicted in chart.

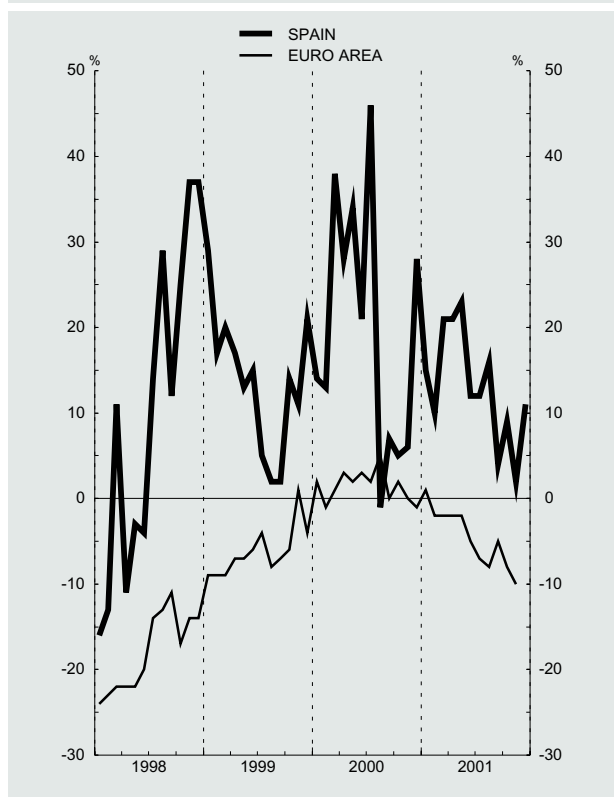
Balance

		Industry, excluding construction									Construction					Memorandum item: euro area (b)		
		Business climate indicator (a)	Production over the last three months	Trend in production	Total orders	Foreign orders	Stocks of finished products	Business climate indicator			Business climate indicator	Production	Orders	Trend		Industry, excluding construction		Construction business climate indicator
		1	2	3	4	5	6	Consumption	Investment	Intermediate goods	10	11	12	Production	Construction	Business climate indicator	Order book	17
98	M	0	11	7	2	-7	8	1	3	-2	10	22	18	17	8	-1	-5	-18
99	M	-2	6	6	-4	-16	9	-0	-2	-4	14	20	18	40	26	-7	-17	-6
00	M	2	9	11	3	-4	7	2	1	4	20	9	20	41	37	5	3	2
00 J-D	M	2	9	11	3	-4	7	2	1	4	20	9	20	41	37	5	3	2
01 J-D	M	-5	-0	3	-9	-13	11	-4	-4	-7	13	10	21	37	38	-8	-13	...
00 Sep		3	9	9	4	1	4	4	3	3	7	34	27	34	58	7	5	-
Oct		-	6	6	4	-1	10	-1	2	-1	5	11	8	32	-1	6	5	2
Nov		-2	5	4	-1	-3	8	-3	1	-1	6	-22	8	52	54	5	4	-
Dec		-1	7	11	-4	-7	9	-3	6	-2	28	-24	24	29	48	5	4	-1
01 Jan		-1	-1	11	-6	-10	9	-1	5	-3	15	-22	16	6	61	3	-	1
Feb		1	-	16	-5	-8	9	-2	9	-	10	-1	17	21	38	1	-	-2
Mar		-	7	12	-4	-7	8	-1	4	-1	21	35	18	9	4	-1	-3	-2
Apr		-2	3	14	-9	-13	11	-1	-1	-4	21	53	9	54	43	-4	-6	-2
May		-3	2	9	-3	-7	14	-1	-	-5	23	42	20	44	32	-5	-9	-2
Jun		-7	5	1	-7	-13	14	-5	-6	-8	12	11	30	62	58	-7	-10	-5
Jul		-8	1	-4	-7	-13	13	-5	-9	-10	12	16	30	16	50	-9	-16	-7
Aug		-6	-1	-	-9	-14	9	-7	-6	-5	16	4	24	33	32	-10	-16	-8
Sep		-6	1	1	-10	-13	8	-4	-8	-7	4	2	26	54	50	-11	-18	-5
Oct		-11	-4	-9	-12	-16	11	-9	-12	-12	9	4	35	49	52	-16	-25	-8
Nov		-13	-8	-13	-15	-22	11	-9	-13	-16	2	-18	12	36	2	-18	-28	-10
Dec		-10	-9	-3	-17	-22	9	-7	-6	-13	11	-8	15	56	38	-17	-28	...

INDUSTRIAL BUSINESS CLIMATE
Net percentages



CONSTRUCTION BUSINESS CLIMATE
Net percentages



Sources: Ministerio de Ciencia y Tecnología, Encuesta de coyuntura industrial, and ECB.

(a) 1= mean of (4-6+3).

(b) The period referred to is different, so that the value of the indicator for month n corresponds to the data published by the MCYT for month n-1.

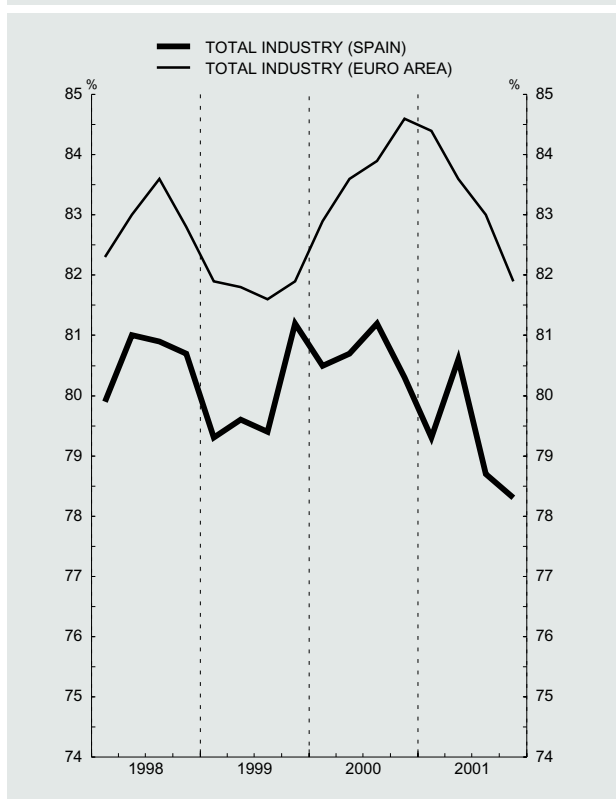
3.6. Business survey: capacity utilisation. Spain and euro area

■ Series depicted in chart.

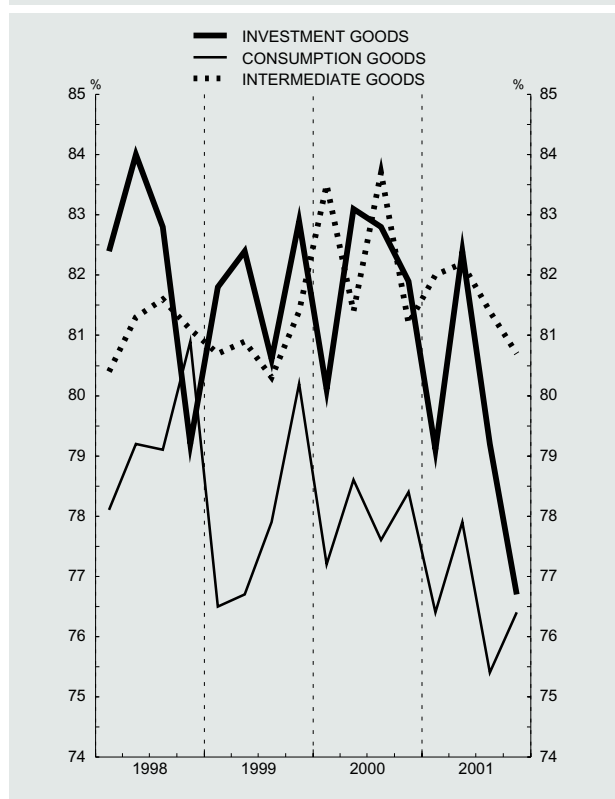
Percentages and balances

	Total industry			Consumer goods			Investment goods			Intermediate goods			Memorandum item: euro area capacity utilisation (%)
	Capacity utilisation		Installed capacity (balances)	Capacity utilisation		Installed capacity (balances)	Capacity utilisation		Installed capacity (balances)	Capacity utilisation		Installed capacity (Balances)	
	Over last three months (%)	Forecast (%)		Over last three months (%)	Forecast (%)		Over last three months (%)	Forecast (%)		Over last three months (%)	Forecast (%)		
	1	2		3	4		5	6		7	8		
98	80.6	81.5	3	79.3	79.9	3	82.1	83.4	1	81.1	82.2	1	82.9
99	79.9	80.9	2	77.8	79.4	3	81.9	81.9	2	80.8	82.1	1	81.8
00	80.7	81.7	-1	78.0	78.4	1	82.0	83.5	-2	82.5	83.7	-2	83.8
00 Q1-Q4	80.7	81.7	-1	78.0	78.4	1	82.0	83.5	-2	82.5	83.7	-2	83.8
01 Q1-Q4	79.2	80.3	3	76.5	78.0	3	79.4	81.1	2	81.6	82.0	2	83.2
99 Q2	79.6	80.2	1	76.7	80.2	1	82.4	81.4	-	80.9	81.2	1	81.8
Q3	79.4	81.2	2	77.9	79.7	2	80.6	81.9	2	80.3	82.1	-	81.6
Q4	81.2	80.9	1	80.2	78.5	4	82.9	81.2	3	81.4	82.8	-1	81.9
00 Q1	80.5	82.1	-1	77.2	78.5	-	80.1	80.7	1	83.5	85.8	-3	82.9
Q2	80.7	81.1	-	78.6	78.3	2	83.1	84.2	2	81.4	82.2	-2	83.6
Q3	81.2	82.1	-1	77.6	78.5	-1	82.8	84.3	-4	83.7	84.3	-	83.9
Q4	80.3	81.4	-1	78.4	78.4	2	81.9	84.8	-5	81.2	82.6	-1	84.6
01 Q1	79.3	80.9	2	76.4	77.4	3	79.1	81.8	-	82.0	83.5	-	84.4
Q2	80.6	81.5	2	77.9	80.2	2	82.4	83.3	-	82.2	81.8	1	83.6
Q3	78.7	80.2	2	75.4	78.2	1	79.2	80.4	3	81.4	81.9	3	83.0
Q4	78.3	78.6	6	76.4	76.0	7	76.7	79.0	5	80.7	80.6	5	81.9

CAPACITY UTILISATION. TOTAL INDUSTRY
Percentages



CAPACITY UTILISATION. BY TYPES OF GOODS
Percentages



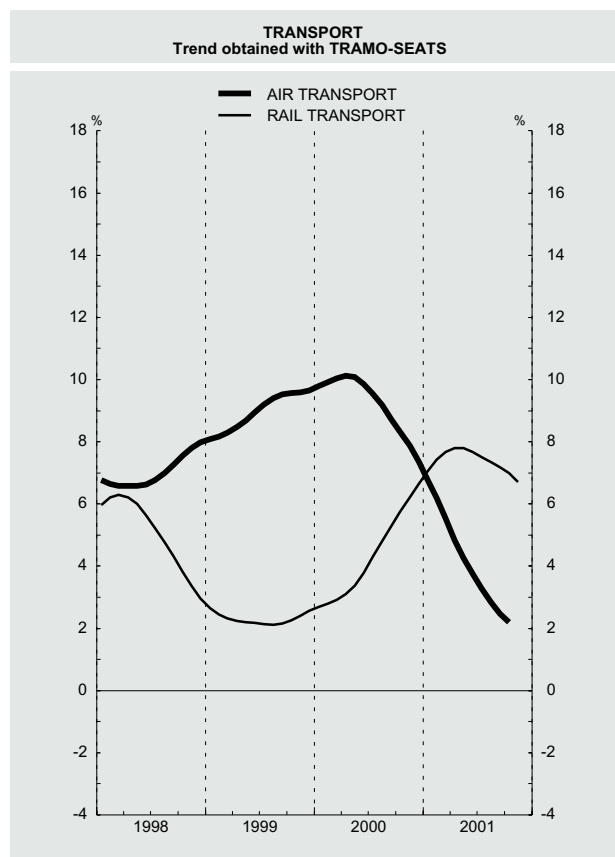
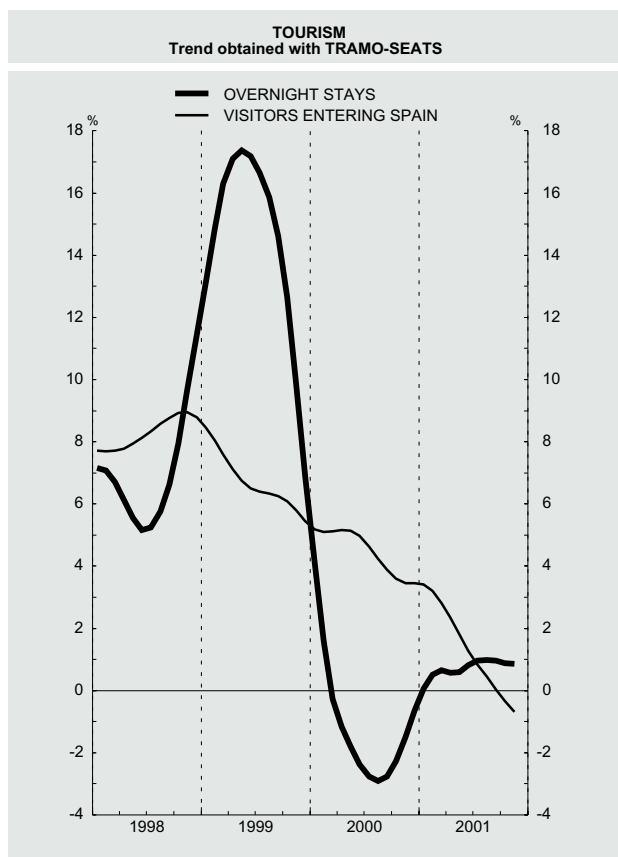
Sources: Ministerio de Ciencia y Tecnología and ECB

3.7. Tourism and transport statistics. Spain

■ Series depicted in chart.

Annual percentage changes

		Hotel stays (a)		Overnight stays		Visitors entering Spain			Air transport				Maritime transport		Rail transport	
		Total	Foreigners	Total	Foreigners	Total	Tourists	Day-trip-ers	Passengers			Freight	Passen- gers	Freight	Passen- gers	Freight
		1	2	3	4	5	6	7	Total	Domestic flights	Interna- tional flights	11	12	13	14	15
98		10.3	10.8	6.9	6.1	8.6	9.7	6.6	7.1	2.5	10.4	0.7	8.3	4.6	3.6	1.0
99		13.0	20.4	14.9	21.5	6.3	7.8	3.8	9.0	7.0	10.3	6.8	7.9	5.2	2.3	-1.3
00	P	1.2	1.3	-1.5	-3.5	3.2	2.3	4.9	9.4	12.8	7.1	4.2	7.2	6.8	4.5	1.8
00 J-N		1.0	1.0	-1.6	-3.7	3.2	2.3	4.9	9.4	13.1	7.0	5.3	7.5	6.7	4.5	2.2
01 J-N	P	1.3	-0.3	0.8	-0.1	1.8	3.7	-1.7	...	...	...	...	...	...	7.1	...
00 Aug		0.1	-1.3	-2.1	-5.7	-0.7	-7.1	10.5	8.8	13.5	6.3	12.5	7.7	5.3	7.8	9.4
Sep		-0.3	0.3	-2.1	-3.7	11.3	10.3	13.6	10.2	10.7	9.9	2.1	5.4	7.5	7.0	-4.5
Oct		-1.4	-1.3	-4.7	-7.0	-1.4	-3.7	4.1	6.2	9.4	4.3	2.2	1.9	9.6	8.7	8.8
Nov		3.4	-2.1	-0.0	-4.8	2.0	3.3	0.1	4.7	2.6	6.5	2.2	0.5	4.7	0.8	13.1
Dec	P	4.5	9.2	1.3	1.4	4.2	3.2	5.3	8.9	9.4	8.4	-5.9	2.1	7.5	4.3	-3.1
01 Jan	P	6.5	5.0	3.2	1.4	5.1	5.9	4.0	11.0	10.8	11.1	3.1	3.4	3.4	15.4	14.2
Feb	P	3.5	2.8	1.8	2.0	5.1	5.8	4.2	6.9	2.5	10.9	-4.6	3.2	1.8	4.2	1.3
Mar	P	2.2	-0.9	-0.3	-1.9	3.9	6.7	-1.0	4.4	-2.5	10.3	-0.9	-6.4	2.9	11.5	7.9
Apr	P	1.0	-1.1	0.2	-3.4	3.2	3.7	2.2	5.2	4.8	5.4	-0.7	-3.8	1.4	7.2	-5.8
May	P	1.6	2.3	0.1	0.2	5.2	6.5	2.6	4.3	0.4	6.9	1.8	1.2	0.3	5.6	4.1
Jun	P	1.6	0.6	-0.9	-2.2	0.8	1.8	-1.4	5.3	-0.0	8.7	-1.4	1.1	-2.5	3.8	-16.4
Jul	P	0.5	-0.6	1.8	1.8	0.4	2.3	-3.6	2.5	-0.4	4.2	-7.0	1.0	-0.4	7.0	1.1
Aug	P	2.7	2.4	2.5	2.1	3.9	8.8	-3.3	6.2	7.3	5.5	-6.2	5.1	6.6	4.1	-12.7
Sep	P	-0.5	-1.8	1.5	1.6	-0.6	2.7	-7.7	3.2	1.7	4.1	-10.2	-1.5	8.9	1.4	...
Oct	P	-1.2	-4.7	-1.6	-1.8	-4.2	-4.2	-4.0	-4.0	-1.7	-5.4	-7.5	1.1	7.8	5.0	...
Nov	P	-0.7	-6.3	0.4	-3.2	-0.7	1.8	-4.6	...	...	...	...	...	...	13.1	...



Sources: INE and Instituto de Estudios Turísticos, Estadística de Movimientos Turísticos en Frontera.

Note: The underlying series for this indicator are in Table 23.15 of the BE Boletín estadístico.

(a) From January 1999 the survey includes one-star and similar establishments. To calculate the annual percentage changes the 1998 data have been increased in order to reflect the new guideline.

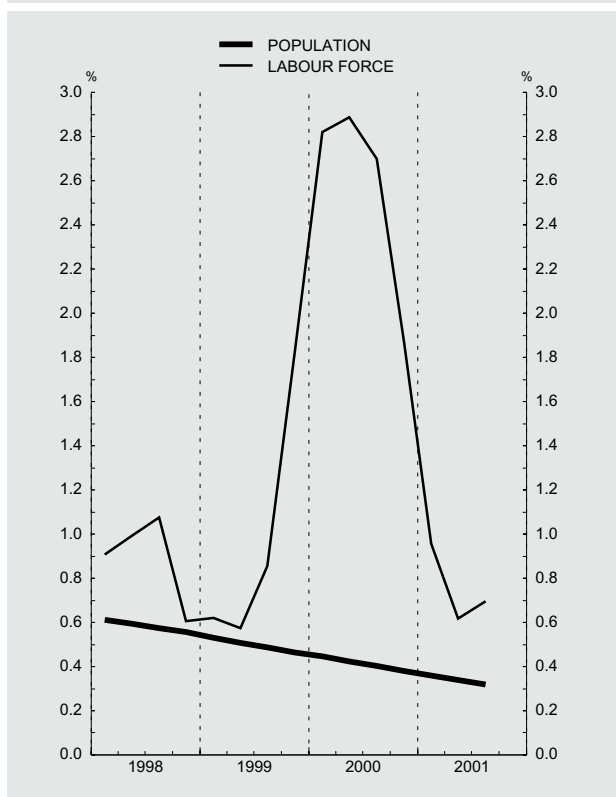
4.1. Labour force. Spain (a)

■ Series depicted in chart.

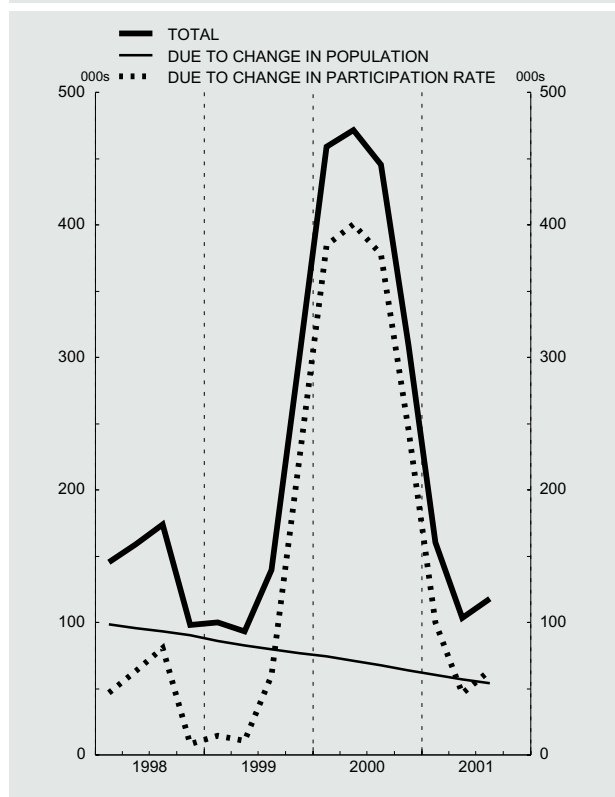
Thousands and annual percentage changes

		Population over 16 years of age			Participation rate (%)	Labour force				
		Thousands	Annual change	4-quarter % change		Thousands	Annual change (b)			4-quarter % change
							Total	Due to change in population over 16 years of age	Due to change in participation rate	
1	2	3	4	5	6	7	8	9		
98	M	32 534	189	0.6	50.00	16 265	144	94	50	0.9
99	M	32 696	162	0.5	50.23	16 423	158	81	76	1.0
00	M	32 831	135	0.4	51.31	16 844	421	69	352	2.6
00	Q1-Q3 M	32 816	139	0.4	51.26	16 821	459	71	388	2.8
01	Q1-Q3 M	32 927	111	0.3	51.47	16 949	127	57	70	0.8
99	Q1	32 640	172	0.5	49.83	16 264	100	86	14	0.6
	Q2	32 677	165	0.5	49.95	16 324	93	83	11	0.6
	Q3	32 715	158	0.5	50.44	16 500	140	80	60	0.9
	Q4	32 752	152	0.5	50.69	16 603	298	77	221	1.8
00	Q1	32 786	146	0.4	51.01	16 723	459	74	385	2.8
	Q2	32 816	139	0.4	51.18	16 795	471	71	400	2.9
	Q3	32 846	131	0.4	51.59	16 946	445	68	378	2.7
	Q4	32 876	124	0.4	51.44	16 913	309	64	245	1.9
01	Q1	32 903	117	0.4	51.31	16 883	160	60	100	1.0
	Q2	32 927	111	0.3	51.32	16 899	104	57	47	0.6
	Q3	32 951	105	0.3	51.79	17 064	118	54	64	0.7

LABOUR FORCE SURVEY
Annual percentage change



LABOUR FORCE
Annual changes



Source: INE, Encuesta de Población Activa (1987 survey series chained by INE with the 1976 series).

(a) The year-on-year changes are affected by the updating of the census sample in 2000 Q1. Year-on year changes without the effects of the sample updating can be found on the INE pages entitled "Variaciones sobre igual trimestre del año anterior".

(b) Col.7 = (col.5/col.1) x annual change in col.1.

Col.8 = (annual change in col.4/100) x col.1(t-4).

4.2. Employment and wage-earners. Spain and euro area (a)

■ Series depicted in chart.

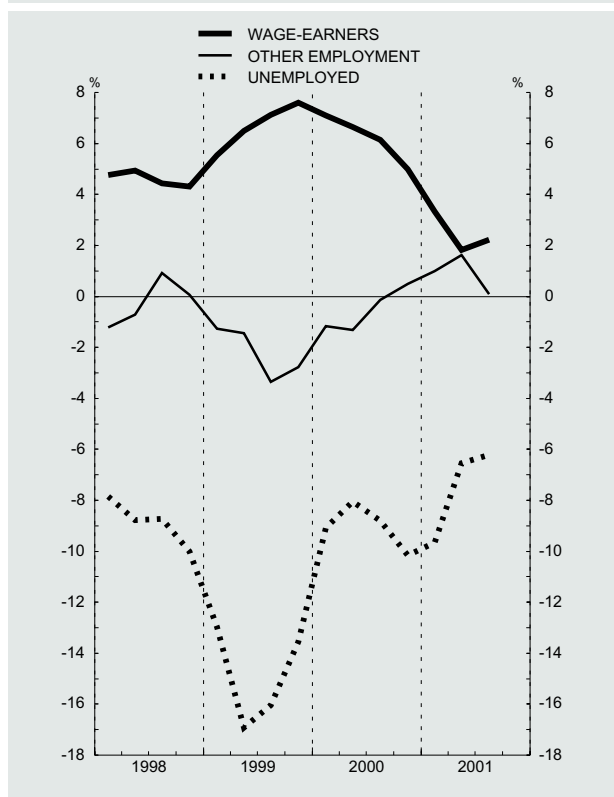
Thousands and annual percentage changes

		Employment									Unemployment			Memorandum item: euro area		
		Total			Wage-earners			Other						Unemployment rate	Employment 4-quarter % change	Unemployment rate
		Thousands	Annual change	4-quarter % change	Thousands	Annual change	4-quarter % change	Thousands	Annual change	4-quarter % change	Thousands	Annual change	4-quarter % change			
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
98	M	13 205	440	3.4	10 157	448	4.6	3 048	-7	-0.2	3 060	-296	-8.8	18.82	1.6	10.85
99	M	13 817	613	4.6	10 837	680	6.7	2 981	-67	-2.2	2 605	-455	-14.9	15.87	1.7	9.89
00	M	14 474	656	4.8	11 509	672	6.2	2 965	-16	-0.5	2 370	-235	-9.0	14.08	2.1	8.88
00	Q1-Q3M	14 428	685	5.0	11 462	711	6.6	2 966	-26	-0.9	2 393	-227	-8.6	14.23	2.0	9.00
01	Q1-Q3M	14 736	308	2.1	11 743	281	2.5	2 993	27	0.9	2 213	-180	-7.5	13.06	...	8.47
99	Q1	13 503	512	3.9	10 500	550	5.5	3 003	-39	-1.3	2 761	-412	-13.0	16.98	1.8	10.27
	Q2	13 773	612	4.7	10 771	656	6.5	3 002	-44	-1.4	2 551	-519	-16.9	15.63	1.6	10.03
	Q3	13 952	627	4.7	10 979	730	7.1	2 973	-103	-3.4	2 549	-487	-16.0	15.45	1.6	9.77
	Q4	14 041	699	5.2	11 096	783	7.6	2 946	-84	-2.8	2 562	-401	-13.5	15.43	1.6	9.50
00	Q1	14 213	710	5.3	11 245	745	7.1	2 968	-35	-1.2	2 510	-251	-9.1	15.01	1.8	9.27
	Q2	14 450	677	4.9	11 487	716	6.6	2 962	-39	-1.3	2 346	-205	-8.0	13.97	2.1	8.97
	Q3	14 622	670	4.8	11 653	674	6.1	2 969	-4	-0.1	2 324	-224	-8.8	13.72	2.1	8.77
	Q4	14 611	569	4.1	11 651	555	5.0	2 960	14	0.5	2 302	-260	-10.2	13.61	2.2	8.53
01	Q1	14 616	403	2.8	11 618	374	3.3	2 997	29	1.0	2 267	-243	-9.7	13.43	2.0	8.50
	Q2	14 707	257	1.8	11 696	209	1.8	3 011	48	1.6	2 192	-153	-6.5	12.97	1.6	8.47
	Q3	14 884	263	1.8	11 913	260	2.2	2 971	2	0.1	2 180	-145	-6.2	12.77	...	8.43

EMPLOYMENT
Annual percentage changes



LABOUR FORCE: COMPONENTS
Annual percentage changes



Source: INE, Encuesta de Población Activa (1987 survey series chained by INE with the 1976 series), and ECB.

(a) The year-on-year changes are affected by the updating of the census sample in 2000 Q1. Year-on year changes without the effects of the sample updating can be found on the INE pages entitled "Variaciones sobre igual trimestre del año anterior".

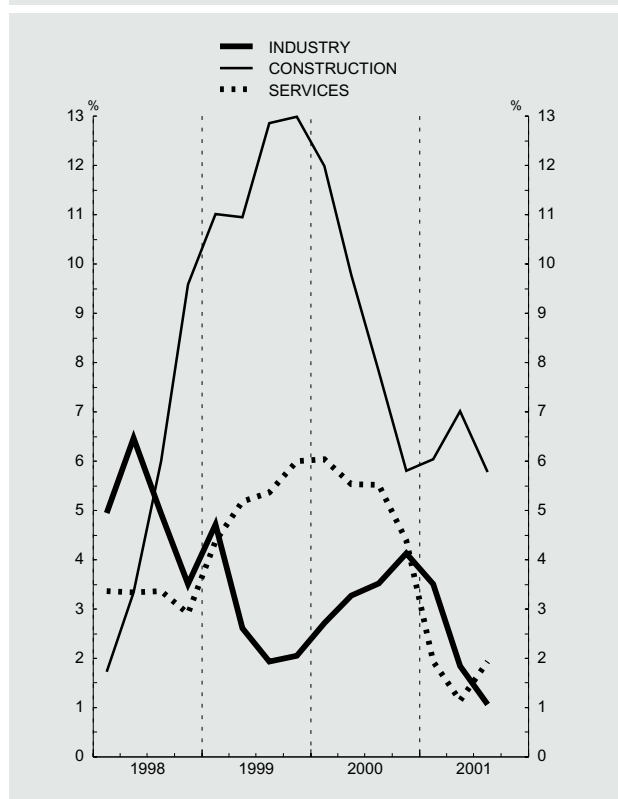
4.3. Employment by branch of activity. Spain (a)

■ Series depicted in chart.

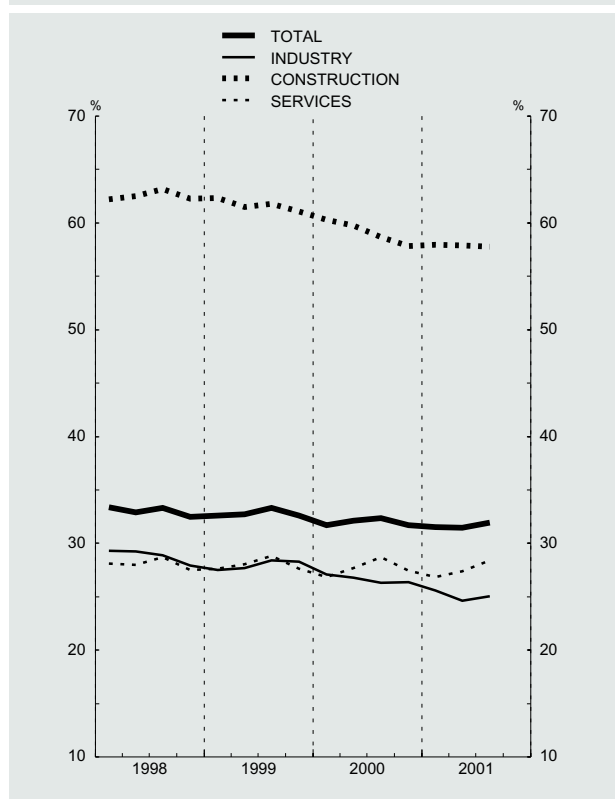
Annual percentage changes

		Total			Agriculture			Industry			Construction			Services			Memorandum item: employment in		
		Employment	Wage-earners	Proportion of temporary employment	Employment	Wage-earners	Proportion of temporary employment	Employment	Wage-earners	Proportion of temporary employment	Employment	Wage-earners	Proportion of temporary employment	Employment	Wage-earners	Proportion of temporary employment	Branches other than agriculture	Branches other than agriculture excluding general government	Services excluding general government
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
98	M	3.4	4.6	33.0	-0.6	1.7	60.6	4.9	5.6	28.9	5.2	8.4	62.5	3.2	3.8	28.1	3.8	4.4	4.0
99	M	4.6	6.7	32.8	-4.3	-1.1	60.7	2.8	3.4	28.0	12.0	13.8	61.7	5.2	7.3	28.0	5.4	6.0	6.1
00	M	4.7	6.2	32.0	-2.5	-1.3	58.9	3.4	3.9	26.6	8.8	9.2	59.1	5.4	7.0	27.7	5.3	5.6	5.9
00	Q1-Q3M	5.0	6.6	32.1	-2.8	-1.9	58.4	3.2	3.6	26.7	9.8	10.6	59.6	5.7	7.5	27.7	5.4	6.1	6.5
01	Q1-Q3M	2.1	2.5	31.7	-0.3	4.6	61.7	2.1	2.0	25.1	6.3	6.5	57.9	1.7	1.8	27.5	2.2	2.1	1.2
99	Q1	3.9	5.5	32.6	-8.6	-9.1	63.3	4.7	5.0	27.5	11.0	13.5	62.3	4.4	5.6	27.6	5.1	5.9	5.4
	Q2	4.7	6.5	32.7	-2.0	3.7	61.3	2.6	3.1	27.7	10.9	12.4	61.5	5.2	7.0	28.1	5.2	5.8	6.1
	Q3	4.7	7.1	33.3	-3.7	0.4	58.7	1.9	3.0	28.4	12.9	14.6	61.8	5.4	7.8	28.8	5.4	5.7	5.8
	Q4	5.2	7.6	32.6	-2.5	2.3	59.4	2.1	2.7	28.3	13.0	14.8	61.1	6.0	8.6	27.6	5.9	6.5	7.0
00	Q1	5.3	7.1	31.7	-3.3	-3.1	59.2	2.7	3.7	27.1	12.0	12.8	60.3	6.0	8.1	26.9	6.0	6.5	7.0
	Q2	4.9	6.6	32.1	-2.7	-0.4	60.0	3.3	3.6	26.8	9.8	11.0	59.8	5.5	7.4	27.7	5.5	5.9	6.2
	Q3	4.8	6.1	32.3	-2.4	-2.1	55.9	3.5	3.7	26.3	7.8	8.2	58.7	5.5	7.1	28.7	5.4	5.8	6.3
	Q4	4.1	5.0	31.7	-1.7	0.4	60.3	4.1	4.6	26.4	5.8	5.3	57.8	4.4	5.4	27.5	4.5	4.3	4.0
01	Q1	2.8	3.3	31.5	4.0	11.6	65.6	3.5	3.3	25.6	6.0	6.4	58.0	1.9	2.3	26.8	2.7	2.7	1.6
	Q2	1.8	1.8	31.5	-1.0	1.3	61.6	1.8	1.7	24.6	7.0	7.3	57.9	1.1	1.0	27.4	2.0	1.9	0.8
	Q3	1.8	2.2	31.9	-4.0	0.4	57.8	1.1	0.9	25.0	5.8	5.9	57.8	1.9	2.1	28.4	2.2	1.9	1.3

EMPLOYMENT
Annual percentage changes



TEMPORARY EMPLOYMENT
Percentages



Source: INE, Encuesta de Población Activa (1987 survey series chained by INE with the 1976 series).

Note: The underlying series of this indicator are in Tables 24.4 and 24.6 of the BE Boletín estadístico.

(a) Branches of activity in accordance with NACE-93.

The year-on-year changes are affected by the updating of the census sample in 2000 Q1. Year-on year changes without the effects of the sample updating can be found on the INE pages entitled "Variaciones sobre igual trimestre del año anterior".

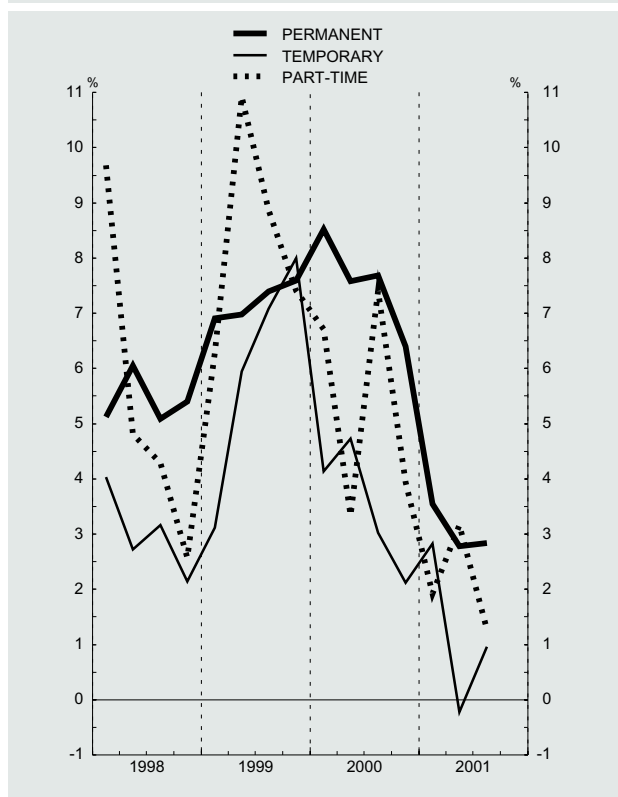
4.4. Wage-earners by type of contract and unemployment by duration. Spain. (a)

■ Series depicted in chart.

Thousands, annual percentage changes and %

		Wage-earners										Unemployment							
		By type of contract					By duration of working day					By duration				% of unemployed that would accept a job			
		Permanent		Temporary			Full-time		Part-time			Less than one year		More than one year					
Annual change	4-quarter % change	Annual change	4-quarter % change	Proportion of temporary employment	Annual change	4-quarter % change	Annual change	4-quarter % change	As % for wage earners	Unemployment rate	4-quarter % change	Unemployment rate	4-quarter % change	Entailing a change of residence	With a lower wage	Requiring fewer skills			
		Thousands		Thousands			Thousands		Thousands										
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
98	M	349	5.4	98	3.0	33.01	406	4.5	41	5.3	8.09	8.48	-6.4	10.02	-11.3	25.87	58.97	63.70	
99	M	491	7.2	203	6.0	32.80	611	6.5	69	8.4	8.22	7.51	-10.6	7.91	-20.2	23.07	54.53	60.43	
00	M	548	7.5	124	3.5	31.96	625	6.3	47	5.3	8.14	7.16	-2.3	6.49	-15.8	23.07	52.55	58.55	
00	Q1-Q3M	572	7.9	140	3.9	32.05	660	6.7	51	5.8	8.22	7.18	-1.7	6.61	-15.5	23.01	53.16	59.28	
01	Q1-Q3M	238	3.1	43	1.2	31.65	261	2.5	20	2.1	8.20	6.50	-8.7	5.64	-14.0	20.70	45.89	50.93	
99	Q1	457	6.9	104	3.1	32.59	498	5.5	52	6.3	8.38	7.92	-9.0	8.69	-17.7	23.74	54.88	60.22	
	Q2	473	7.0	198	5.9	32.72	565	6.1	91	10.9	8.58	7.38	-12.9	7.80	-22.3	22.72	53.93	59.87	
	Q3	504	7.4	242	7.1	33.31	660	7.0	71	8.9	7.91	7.22	-11.5	7.66	-22.0	23.01	54.62	60.69	
	Q4	528	7.6	268	8.0	32.59	722	7.6	61	7.4	7.99	7.54	-8.8	7.51	-19.0	22.80	54.69	60.93	
00	Q1	603	8.5	141	4.1	31.69	686	7.1	59	6.7	8.35	7.52	-2.4	7.07	-16.3	22.86	52.54	58.67	
	Q2	550	7.6	167	4.7	32.13	685	7.0	31	3.3	8.31	7.03	-2.0	6.53	-13.9	22.49	54.52	61.03	
	Q3	563	7.7	111	3.0	32.34	609	6.0	64	7.4	8.00	6.98	-0.8	6.23	-16.4	23.68	52.42	58.14	
	Q4	478	6.4	77	2.1	31.70	520	5.1	35	3.9	7.91	7.10	-4.1	6.14	-16.8	23.24	50.74	56.36	
01	Q1	273	3.6	101	2.8	31.54	356	3.4	18	1.9	8.24	6.54	-12.1	5.98	-14.7	20.63	45.57	50.83	
	Q2	217	2.8	-8	-0.2	31.49	179	1.7	30	3.2	8.42	6.52	-6.6	5.57	-14.2	20.67	46.66	51.96	
	Q3	224	2.8	36	1.0	31.94	249	2.3	12	1.3	7.93	6.44	-7.1	5.39	-13.0	20.81	45.45	49.98	

WAGE-EARNERS
Annual percentage changes



UNEMPLOYMENT
Unemployment rate



Source: INE, Encuesta de Población Activa (1987 survey series chained by INE with the 1976 series).

Nota: The underlying series of this indicator are in Tables 24.1, 24.7, 24.9 and 24.10 of the BE Boletín estadístico.

(a) The year-on-year changes are affected by the updating of the census sample in 2000 Q1. Year-on year changes without the effects o of the sample updating can be found on the INE pages entitled "Variaciones sobre igual trimestre del año anterior".

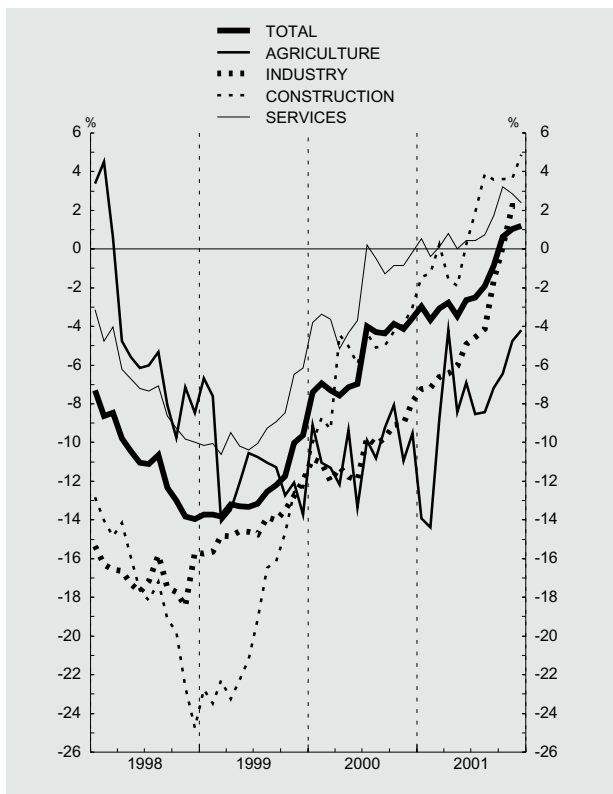
4.5. Registered unemployment by branch of activity. Contracts and placements. Spain

■ Series depicted in chart.

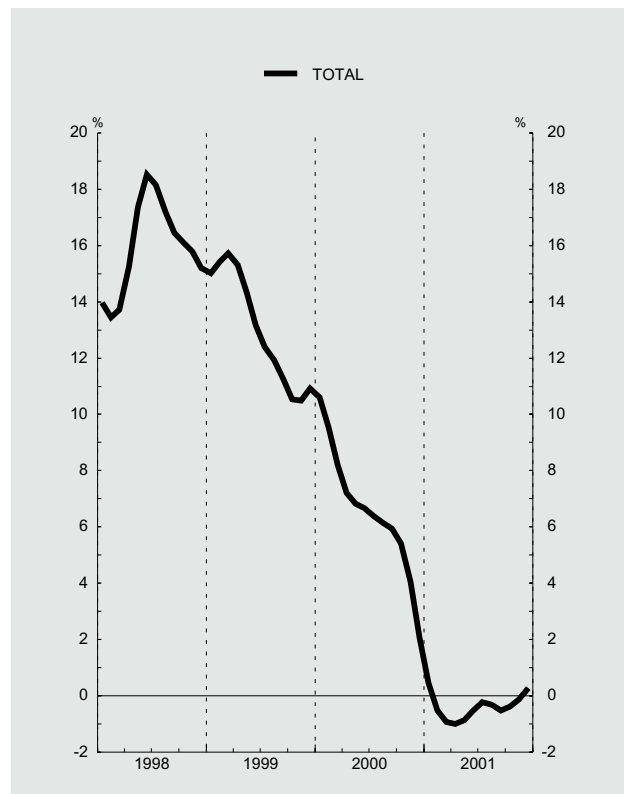
Thousands, annual percentage changes and %

		Registered unemployment										Contracts					Placements	
		Total			First time job-seekers	Previously employed						Total		Percentage of total			Total	
		Thou-sands	Annual change	12 month % change	12 month % change	12-month % change						Thou-sands	12 month % change	Perma-nent	Part time	Tempo-rary	Thou-sands	12 month % change
		1	2	3	4	Total	Agri-culture	Branches other than agriculture				11	12	13	14	15	16	17
			Thou-sands			5	6	Total	Industry	Construc-tion	Services							
								7	8	9	10							
98	M	1 890	-229	-10.8	-11.5	-10.7	-4.4	-10.9	-16.8	-17.4	-7.0	972	15.6	8.34	20.15	91.66	947	15.9
99	M	1 652	-238	-12.6	-16.5	-11.7	-11.3	-11.7	-14.3	-19.2	-9.2	1 103	13.5	9.19	18.17	90.81	1 069	12.9
00	M	1 558	-94	-5.7	-10.1	-4.7	-10.4	-4.5	-10.4	-5.9	-2.3	1 152	4.5	8.73	18.12	91.27	1 135	6.2
00	J-D	M	1 558	-94	-5.7	-10.1	-4.7	-10.4	-4.5	-10.4	-5.9	1 152	4.5	8.73	18.12	91.27	1 135	6.2
01	J-D	MP	1 530	-28	-1.8	-9.6	-0.2	-8.2	0.1	-3.8	1.3	1 171	1.6	9.26	18.40	90.74	1 133	-0.2
00	Nov		1 557	-67	-4.1	-8.6	-3.2	-10.9	-2.9	-9.0	-3.9	1 266	8.3	9.03	19.62	90.97	1 243	9.2
	Dec		1 556	-57	-3.6	-9.3	-2.4	-9.5	-2.2	-7.9	-3.0	977	-9.5	8.92	18.41	91.08	963	-7.8
01	Jan		1 621	-50	-3.0	-9.4	-1.7	-13.9	-1.3	-7.3	-1.4	1 198	6.2	8.95	16.18	91.05	1 182	6.2
	Feb		1 599	-61	-3.7	-10.4	-2.3	-14.4	-1.9	-7.2	-1.3	1 094	-1.8	9.55	16.82	90.45	1 080	-1.2
	Mar		1 578	-50	-3.1	-10.6	-1.5	-8.8	-1.2	-6.6	0.2	1 117	-7.3	7.87	16.85	92.13	1 102	-6.7
	Apr		1 535	-44	-2.8	-10.8	-1.1	-4.2	-1.0	-6.5	-1.6	1 012	5.6	10.28	16.51	89.72	979	3.5
	May		1 478	-53	-3.5	-11.7	-1.7	-8.4	-1.5	-6.0	-1.9	1 235	1.0	11.58	17.28	88.42	1 167	-3.3
	Jun		1 461	-40	-2.6	-10.6	-0.9	-6.9	-0.7	-4.9	0.3	1 189	-0.8	9.47	18.00	90.53	1 138	-3.6
	Jul		1 451	-37	-2.5	-11.2	-0.7	-8.5	-0.4	-4.5	1.9	1 258	7.4	8.15	19.58	91.85	1 214	4.8
	Aug		1 459	-29	-1.9	-10.5	-0.2	-8.4	0.1	-4.1	3.9	1 062	4.8	8.09	18.84	91.91	1 021	2.0
	Sep		1 489	-13	-0.9	-9.7	1.0	-7.2	1.3	-1.6	3.6	1 131	-6.9	8.67	19.45	91.33	1 100	-8.3
	Oct		1 540	10	0.6	-7.7	2.3	-6.5	2.6	0.1	3.6	1 477	8.7	9.78	21.59	90.22	1 421	6.1
	Nov	P	1 573	16	1.0	-6.8	2.6	-4.8	2.8	2.2	3.7	1 324	4.6	9.52	20.19	90.48	1 272	2.3
	Dec	P	1 575	18	1.2	-5.7	2.5	-4.2	2.7	2.2	4.9	960	-1.8	9.17	19.53	90.83	921	-4.3

REGISTERED UNEMPLOYMENT
Annual percentage changes



PLACEMENTS
Annual percentage changes (Trend obtained with TRAMO-SEATS)



Source: Instituto Nacional de Empleo, Estadística de Empleo.

Nota: The underlying series for this indicator are in Tables 24.16 and 24.17 of the BE Boletín estadístico.

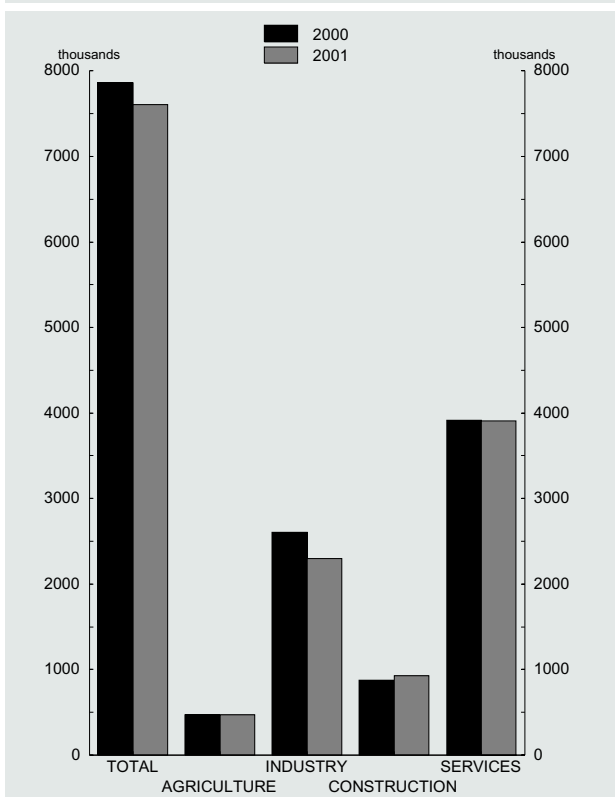
4.6. Collective bargaining agreements

■ Series depicted in chart.

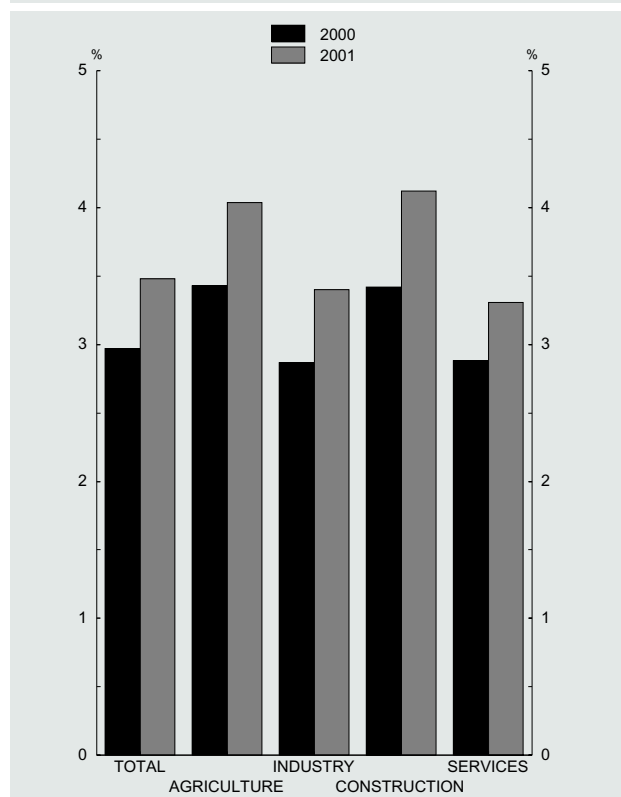
Thousands and %

	As per month economic effects come into force(a)		As per month recorded														
			Employees affected (a)								Average wage settlement (%)						
	Em- ployees affected	Average wage settle- ment	Auto- matic adjust- ment	Newly- signed agree- ments	Total	Annual change	Agricul- ture	Indus- try	Construc- tion	Services	Auto- matic adjust- ment	Newly signed agree- ments	Total	Agricul- ture	Indus- try	Construc- tion	Services
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
98	8 751	2.56	4 240	2 732	6 972	-255	500	2 406	827	3 240	2.43	2.77	2.56	2.90	2.40	2.35	2.69
99	9 008	2.72	4 120	3 663	7 783	811	602	2 748	901	3 532	2.29	2.49	2.38	3.37	2.24	2.30	2.35
00	9 131	3.70	4 886	2 977	7 863	80	470	2 603	875	3 915	2.90	3.09	2.97	3.43	2.87	3.42	2.88
00 Jul	9 043	3.70	4 614	1 095	5 709	358	361	1 912	768	2 668	2.79	3.09	2.85	3.39	2.80	2.60	2.88
Aug	9 045	3.70	4 779	1 688	6 468	-57	395	2 364	806	2 903	2.90	3.14	2.96	3.37	2.84	3.42	2.88
Sep	9 112	3.70	4 788	2 397	7 185	381	405	2 436	838	3 506	2.90	3.04	2.94	3.39	2.85	3.39	2.85
Oct	9 120	3.70	4 853	2 684	7 536	505	413	2 520	875	3 729	2.90	3.06	2.96	3.37	2.86	3.42	2.87
Nov	9 123	3.70	4 886	2 821	7 707	151	413	2 573	875	3 847	2.90	3.07	2.96	3.37	2.87	3.42	2.88
Dec	9 131	3.70	4 886	2 977	7 863	80	470	2 603	875	3 915	2.90	3.09	2.97	3.43	2.87	3.42	2.88
01 Jan	7 060	3.43	1 602	25	1 627	18	18	214	309	1 086	3.16	4.32	3.18	2.68	2.67	4.39	2.94
Feb	7 089	3.43	3 204	64	3 268	974	135	871	554	1 708	3.12	3.90	3.14	3.14	2.74	3.81	3.13
Mar	7 156	3.43	3 722	176	3 898	-448	158	990	688	2 061	3.44	4.07	3.47	3.39	3.40	4.25	3.24
Apr	7 349	3.43	4 356	189	4 546	-119	159	1 334	806	2 246	3.36	4.08	3.39	3.39	3.19	4.26	3.20
May	7 539	3.47	4 356	215	4 571	-210	159	1 353	807	2 253	3.36	3.97	3.39	3.39	3.19	4.26	3.20
Jun	7 581	3.48	4 409	368	4 777	-186	234	1 407	807	2 330	3.38	3.92	3.42	3.60	3.20	4.26	3.24
Jul	7 597	3.48	4 487	742	5 229	-480	238	1 607	862	2 522	3.37	3.60	3.40	3.59	3.30	4.16	3.18
Aug	7 598	3.48	4 498	1 334	5 832	-635	305	1 878	869	2 780	3.37	3.62	3.42	3.75	3.31	4.18	3.23
Sep	7 599	3.48	4 644	1 735	6 379	-806	318	2 017	885	3 158	3.37	3.60	3.44	3.77	3.36	4.15	3.25
Oct	7 599	3.48	4 681	2 111	6 792	-744	328	2 102	912	3 451	3.38	3.60	3.45	3.78	3.37	4.15	3.27
Nov	7 600	3.48	4 733	2 495	7 228	-480	448	2 168	912	3 699	3.36	3.66	3.47	4.03	3.39	4.15	3.27
Dec	7 606	3.48	4 909	2 697	7 606	-257	473	2 298	928	3 907	3.35	3.73	3.48	4.04	3.40	4.12	3.31

EMPLOYEES AFFECTED
January-December



AVERAGE WAGE SETTLEMENT
January-December



Source: Ministerio de Trabajo y Asuntos Sociales (MTAS), Encuesta de Convenios Colectivos. Avance mensual.

(a) Cumulative data.

4.7. Wage earnings survey in industry and services. Spain

■ Series depicted in chart.

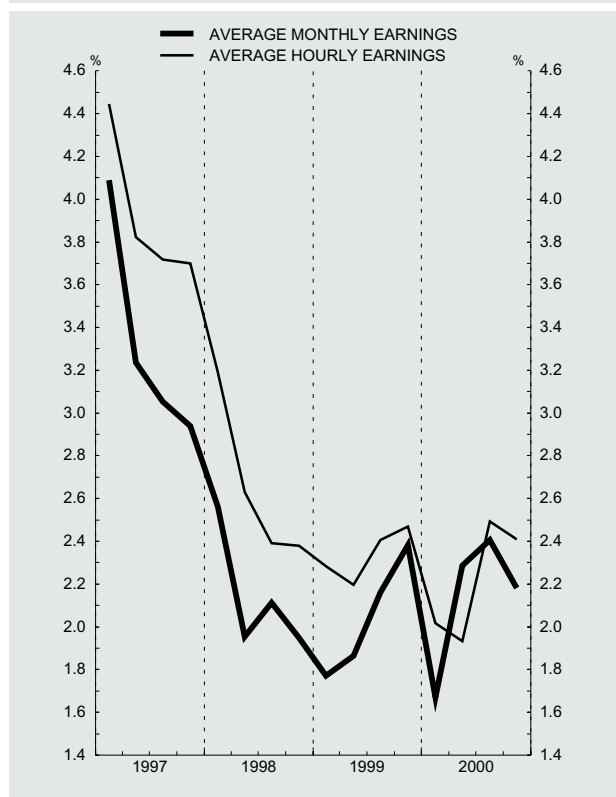
Annual percentage changes, Euros and number of hours

		Average monthly earnings							Average hourly earnings							Average number of hours worked			
		Basic pay		Basic pay and overtime					Basic pay		Basic pay and overtime					Number of hours	4-quarter % change		
		Euros	4-quarter % change	Total		Indus-try	Construc-tion	Services	Euros	4-quarter % change	Total		Indus-try	Construc-tion	Services				
				Euros	4-quarter % change						Euros	4-quarter % change							
1		2	■	3	4	■	5	6	7	8	9	■	10	11	12	13	14	15	16
97	M	1 148	3.3	1 293	3.4		4.6	4.3	2.8	8.01	3.9		9.02	4.1	4.5	4.4	4.0	143	-0.6
98	M	1 173	2.1	1 323	2.3		3.1	3.3	2.0	8.22	2.6		9.28	2.8	3.3	3.3	2.8	143	-0.5
99	M	1 197	2.0	1 353	2.3		2.5	3.8	1.9	8.41	2.3		9.51	2.5	2.7	4.0	2.2	142	-0.3
99	Q1-Q4 M	1 197	2.0	1 353	2.3		2.5	3.8	1.9	8.41	2.3		9.51	2.5	2.7	4.0	2.2	142	-0.3
00	Q1-Q4 M	1 222	2.1	1 384	2.3		2.5	3.8	3.0	8.60	2.2		9.74	2.4	2.8	4.4	2.7	142	-0.1
98	Q2	1 167	2.0	1 266	2.3		2.9	4.1	1.8	8.21	2.6		8.91	3.0	3.1	4.2	3.0	142	-0.7
	Q3	1 180	2.1	1 331	2.1		3.6	3.2	1.3	8.24	2.4		9.30	2.4	3.7	3.3	1.7	143	-0.3
	Q4	1 180	1.9	1 447	2.0		2.8	3.6	1.6	8.28	2.4		10.15	2.4	3.1	3.4	2.3	143	-0.4
99	Q1	1 186	1.8	1 274	2.1		2.8	3.7	1.7	8.35	2.3		8.97	2.6	2.7	3.8	2.6	142	-0.5
	Q2	1 189	1.9	1 294	2.2		2.9	3.9	1.4	8.39	2.2		9.13	2.5	3.2	4.0	1.8	142	-0.3
	Q3	1 205	2.2	1 362	2.3		2.0	4.0	2.1	8.44	2.4		9.53	2.5	2.3	4.1	2.3	143	-0.2
	Q4	1 208	2.4	1 483	2.5		2.4	3.8	2.4	8.48	2.5		10.42	2.6	2.6	4.0	2.3	142	-0.1
00	Q1	1 206	1.7	1 300	2.1		2.5	3.6	2.6	8.52	2.0		9.18	2.4	3.0	4.4	2.8	142	-0.4
	Q2	1 216	2.3	1 326	2.5		2.3	3.9	3.4	8.55	1.9		9.33	2.2	2.6	4.2	2.5	142	0.3
	Q3	1 234	2.4	1 394	2.4		2.9	3.4	3.0	8.65	2.5		9.77	2.5	3.3	4.0	2.7	143	-0.1
	Q4	1 234	2.2	1 517	2.3		2.3	4.4	2.9	8.68	2.4		10.67	2.5	2.5	4.8	2.9	142	-0.2

WAGES
Annual percentage changes



BASIC PAY
Annual percentage changes



Sources: INE (Encuesta de Salarios en la Industria y los Servicios).

Note: The data in pesetas have been converted into euro applying the irrevocable conversion rate of EUR1 = ESP 166.386.

The underlying series for this indicator are in Tables 24.26, 24.27 and 24.28 of the BE Boletín estadístico.

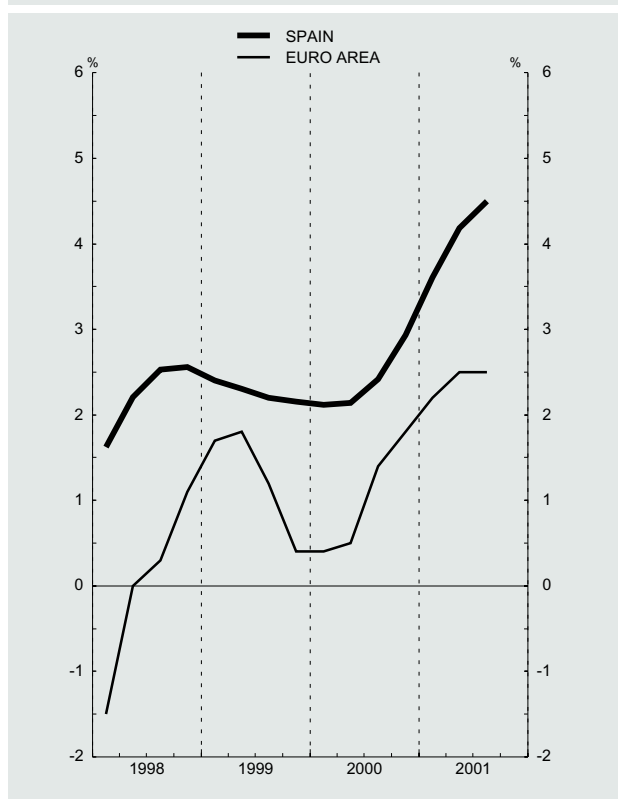
4.8. Unit labour costs. Spain and euro area (a)

■ Series depicted in chart.

Annual percentage changes

		Whole-economy unit labour costs		Compensation per employee		Productivity						Memorandum item: unit labour costs in manufacturing	
		Spain	Euro area	Spain (b)	Euro area	Spain	Euro area	Output		Employment		Spain (c)	Euro area
		1	2	3	4	5	6	Spain	Euro area	Spain (b)	Euro area	11	12
98	P	2.2	-0.0	2.7	1.2	0.5	1.2	4.3	2.9	3.8	1.6	2.1	...
99	P	2.3	1.3	2.7	2.1	0.5	0.8	4.1	2.6	3.7	1.7	2.0	...
00	P	2.4	1.0	3.4	2.3	1.0	1.3	4.1	3.4	3.1	2.1	2.5	...
98 Q3	P	2.5	0.3	2.8	1.2	0.3	1.1	4.2	2.9	3.9	1.7	2.5	...
Q4	P	2.6	1.1	2.5	1.4	-0.1	0.2	4.0	2.0	4.0	1.9	3.0	...
99 Q1	P	2.4	1.7	2.2	1.7	-0.2	-	3.9	2.0	4.0	1.8	3.1	...
Q2	P	2.3	1.8	2.5	2.3	0.2	0.5	4.0	2.2	3.8	1.6	2.5	...
Q3	P	2.2	1.2	2.9	2.1	0.7	0.9	4.2	2.8	3.5	1.6	1.5	...
Q4	P	2.2	0.4	3.3	2.2	1.2	1.8	4.5	3.6	3.3	1.6	0.9	...
00 Q1	P	2.1	0.4	3.6	2.5	1.4	2.1	4.5	3.6	3.1	1.8	0.9	...
Q2	P	2.1	0.5	3.4	2.1	1.2	1.7	4.4	3.9	3.1	2.1	1.7	...
Q3	P	2.4	1.4	3.2	2.4	0.8	1.0	4.0	3.2	3.1	2.1	3.2	...
Q4	P	2.9	1.8	3.5	2.2	0.5	0.4	3.5	2.8	3.0	2.2	4.3	...
01 Q1	P	3.6	2.2	3.9	2.4	0.3	0.2	3.2	2.5	2.9	2.0	5.0	...
Q2	P	4.2	2.5	4.5	2.5	0.3	-	2.9	1.6	2.5	1.6	5.5	...
Q3	P	4.5	2.5	4.9	2.5	0.3	0.1	2.6	1.4	2.3	...	5.9	...

UNIT LABOUR COSTS: TOTAL
Annual percentage changes



UNIT LABOUR COSTS: MANUFACTURING
Annual percentage changes



Sources: INE (Contabilidad Nacional Trimestral de España) and ECB.

(a) Spain: prepared in accordance with ESA95. Trend-cycle series.

(b) Full-time equivalent employment.

(c) Industry.

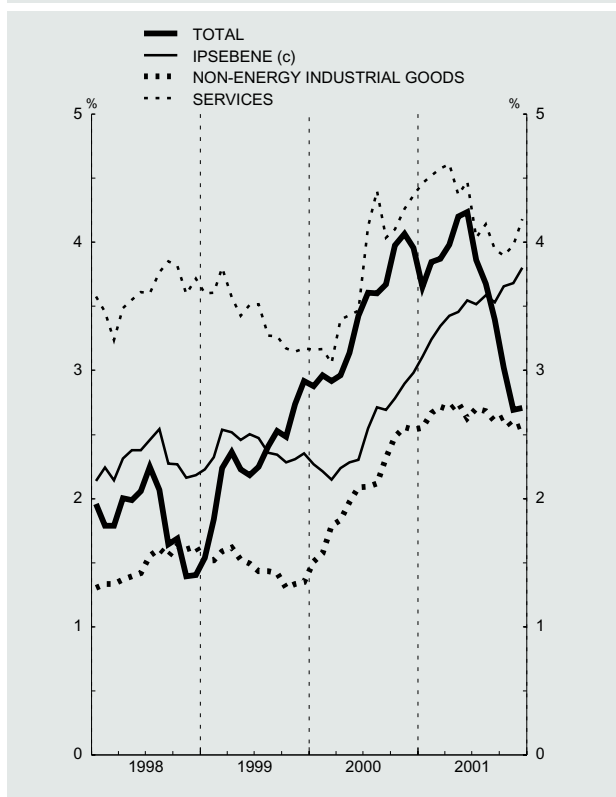
5.1. Consumer price index. Spain (1992=100)

■ Series depicted in chart.

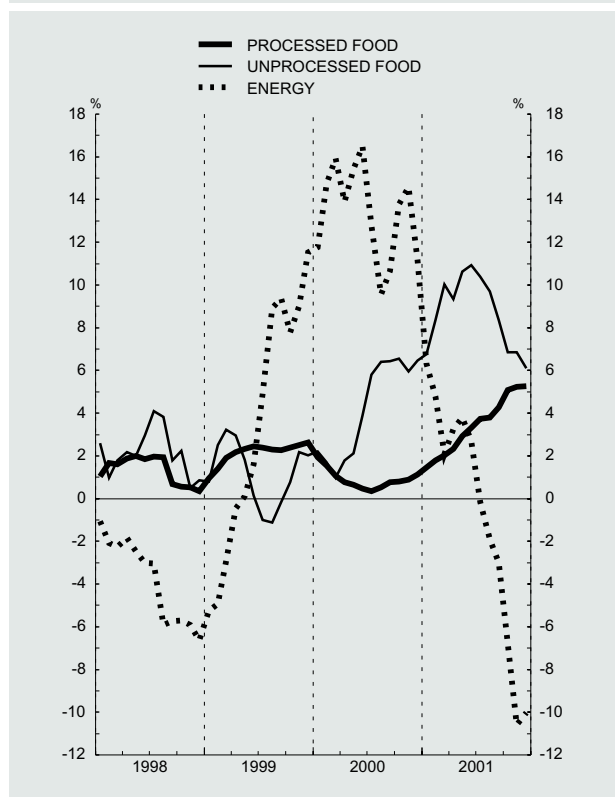
Indices and annual percentage changes

		Total (100%)				Annual percentage change (12-month % change)						Memorandum item: prices for agricultural products (1990=100)	
		Original series	Month-on-month % change	12-month % change (a)	Cumulative % change during year (b)	Unprocessed food	Processed food	Non-energy industrial goods	Energy	Services	IPSEBENE (c)	Original series	12-month % change (a)
		1	2	3	4	5	6	7	8	9	10	11	12
98	M	123.8	—	1.8	1.4	2.1	1.3	1.5	-3.8	3.6	2.3	113.1	-1.6
99	M	126.7	—	2.3	2.9	1.2	2.1	1.5	3.2	3.4	2.4	111.9	-1.1
00	M	131.0	—	3.4	4.0	4.2	0.9	2.1	13.3	3.8	2.5	115.1	2.9
00 J-D	M	131.0	0.3	3.4	2.1	4.2	0.9	2.1	13.4	3.8	2.5	116.4	2.7
01 J-D	MP	135.7	0.2	3.6	1.8	8.7	3.4	2.6	-0.8	4.3	3.5	...	...
00 Sep		132.2	0.3	3.7	3.1	6.4	0.8	2.3	10.6	4.0	2.7	99.8	2.3
Oct		132.6	0.3	4.0	3.3	6.5	0.8	2.5	13.8	4.1	2.8	114.3	4.9
Nov		132.9	0.2	4.1	3.6	6.0	0.9	2.6	14.6	4.3	2.9	124.1	9.7
Dec		133.4	0.3	4.0	4.0	6.5	1.1	2.5	11.2	4.4	3.0	129.2	8.4
01 Jan		133.4	0.0	3.7	0.0	6.8	1.5	2.6	6.3	4.5	3.1	121.4	-2.6
Feb		133.9	0.3	3.8	0.4	8.4	1.8	2.7	4.8	4.5	3.2	123.1	-2.3
Mar		134.4	0.4	3.9	0.8	10.0	2.0	2.7	2.1	4.6	3.3	126.8	-4.3
Apr		135.1	0.5	4.0	1.3	9.4	2.3	2.7	3.3	4.6	3.4	128.0	3.1
May		135.6	0.4	4.2	1.7	10.6	2.9	2.7	3.8	4.4	3.5	130.1	17.3
Jun		136.1	0.3	4.2	2.0	10.9	3.3	2.6	2.7	4.5	3.5	124.4	12.7
Jul		136.4	0.2	3.9	2.3	10.4	3.7	2.7	-0.2	4.0	3.5	112.8	5.5
Aug		136.7	0.2	3.7	2.5	9.7	3.8	2.7	-1.9	4.1	3.6	102.2	8.2
Sep	P	136.7	-0.0	3.4	2.5	8.4	4.3	2.6	-3.0	3.9	3.5	104.0	4.2
Oct	P	136.6	-0.1	3.0	2.4	6.9	5.1	2.6	-6.8	3.9	3.7	...	...
Nov	P	136.5	-0.1	2.7	2.3	6.9	5.2	2.5	-10.6	4.0	3.7	...	...
Dec	P	137.0	0.4	2.7	2.7	6.1	5.3	2.6	-10.0	4.2	3.8	...	...

CONSUMER PRICE INDEX. TOTAL AND COMPONENTS
Annual percentage changes



CONSUMER PRICE INDEX. COMPONENTS
Annual percentage changes



Sources: INE, Ministerio de Agricultura, Pesca y Alimentación and BE.

Note: The underlying series for this indicator are in Tables 25.2 and 25.8 of the BE Boletín estadístico.

(a) For annual periods: average growth for each year on the previous year.

(b) For annual periods: December-on-December growth rate.

(c) Index of non-energy processed goods and service prices.

5.2. Harmonised index of consumer prices. Spain and euro area (1996=100)(a)

■ Series depicted in chart.

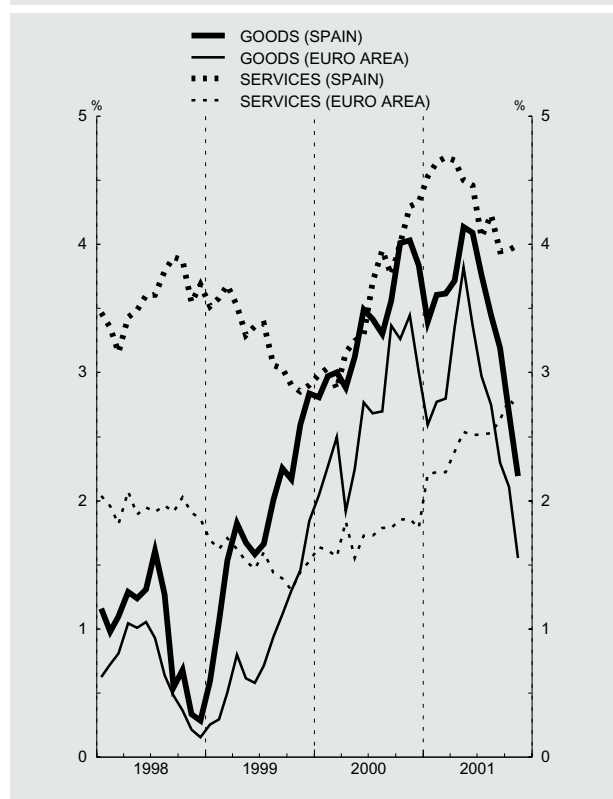
Annual percentage changes

		Total		Goods														Services			
		Spain	Euro area	Spain	Euro area	Food						Industrial								Spain	Euro area
						Total		Processed		Unprocessed		Spain	Euro area	Non-energy		Energy					
						Spain	Euro area	Spain	Euro area	Spain	Euro area			Spain	Euro area	Spain	Euro area				
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18		
98	M	1.8	1.1	1.0	0.7	1.7	1.6	1.1	1.4	2.2	2.0	0.4	0.2	1.4	0.9	-3.8	-2.6	3.6	1.9		
99	M	2.2	1.1	1.8	0.9	1.8	0.6	2.6	0.9	1.1	0.0	1.8	1.0	1.5	0.7	3.2	2.4	3.3	1.5		
00	M	3.5	2.3	3.4	2.7	2.4	1.4	0.9	1.1	3.8	1.7	4.1	3.4	2.0	0.7	13.4	13.3	3.6	1.7		
00	J-N	3.4	2.3	3.3	2.7	2.3	1.3	0.9	1.1	3.6	1.5	4.1	3.4	2.0	0.7	13.6	13.5	3.5	1.7		
01	J-N	3.7	2.7	3.4	2.8	5.8	4.6	3.0	2.9	8.3	7.3	2.0	1.9	2.4	1.4	0.4	3.4	4.3	2.5		
00	Aug	3.6	2.3	3.3	2.7	3.1	2.0	0.4	1.1	5.5	3.3	3.4	3.1	2.0	0.7	9.7	11.9	4.0	1.8		
	Sep	3.7	2.8	3.6	3.4	3.2	2.1	0.6	1.3	5.5	3.3	3.8	4.0	2.2	0.9	10.7	15.6	3.8	1.8		
	Oct	4.0	2.7	4.0	3.3	3.3	2.0	0.6	1.2	5.7	3.2	4.5	3.9	2.4	1.0	13.8	14.6	4.0	1.9		
	Nov	4.1	2.9	4.0	3.4	3.1	2.2	0.7	1.4	5.2	3.5	4.7	4.1	2.4	1.0	14.7	15.2	4.3	1.9		
	Dec	4.0	2.6	3.8	3.0	3.6	2.4	1.1	1.4	5.7	3.9	4.0	3.3	2.4	1.1	11.2	11.3	4.3	1.8		
01	Jan	3.8	2.4	3.4	2.6	3.9	2.7	1.4	1.6	6.1	4.5	3.1	2.5	2.4	1.0	6.8	7.8	4.5	2.2		
	Feb	4.0	2.6	3.6	2.8	4.7	3.1	1.6	2.0	7.4	4.7	2.9	2.6	2.4	1.1	5.3	8.2	4.6	2.2		
	Mar	4.0	2.6	3.6	2.8	5.5	3.9	1.8	2.2	8.8	6.7	2.4	2.2	2.5	1.3	2.6	5.6	4.7	2.2		
	Apr	4.0	2.9	3.7	3.4	5.3	4.4	1.9	2.5	8.5	7.3	2.7	2.8	2.4	1.4	3.8	7.8	4.7	2.4		
	May	4.2	3.4	4.1	3.8	6.2	5.3	2.5	2.8	9.6	9.2	2.8	3.1	2.5	1.5	4.0	8.6	4.5	2.5		
	Jun	4.2	3.0	4.1	3.4	6.5	5.4	3.0	3.0	9.8	9.0	2.5	2.4	2.4	1.5	2.8	5.5	4.5	2.5		
	Jul	3.8	2.8	3.8	3.0	6.5	5.4	3.4	3.3	9.4	8.7	2.0	1.8	2.5	1.4	0.2	2.9	4.1	2.5		
	Aug	3.8	2.7	3.4	2.7	6.3	5.1	3.4	3.4	9.1	7.7	1.6	1.6	2.5	1.4	-1.3	2.1	4.2	2.5		
	Sep	3.4	2.5	3.2	2.3	6.2	5.2	3.9	3.5	8.3	7.7	1.3	0.9	2.4	1.6	-2.5	-1.3	3.9	2.6		
	Oct	3.2	2.4	2.7	2.1	6.0	5.2	4.7	3.6	7.2	7.7	0.6	0.6	2.4	1.6	-6.1	-2.7	4.0	2.8		
	Nov	2.8	2.1	2.2	1.6	6.1	4.7	5.1	3.5	7.1	6.5	-0.3	-	2.3	1.5	-9.5	-5.0	4.0	2.7		

HARMONISED INDEX OF CONSUMER PRICES. TOTAL
Annual percentage changes



HARMONISED INDEX OF CONSUMER PRICES. COMPONENTS
Annual percentage changes



Source: Eurostat.

(a) As from January 2000 the coverage of goods and services, geographical area and population has been widened.

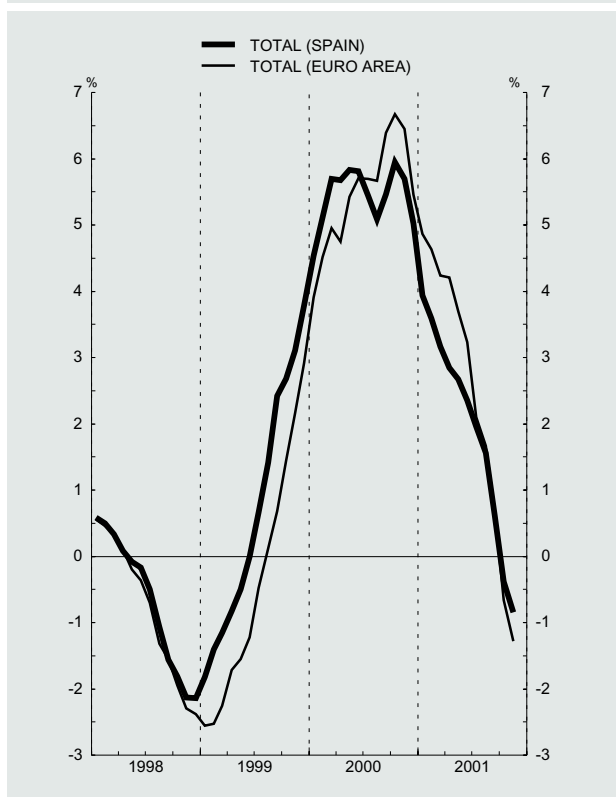
5.3. Producer price index. Spain and euro area (a)

■ Series depicted in chart.

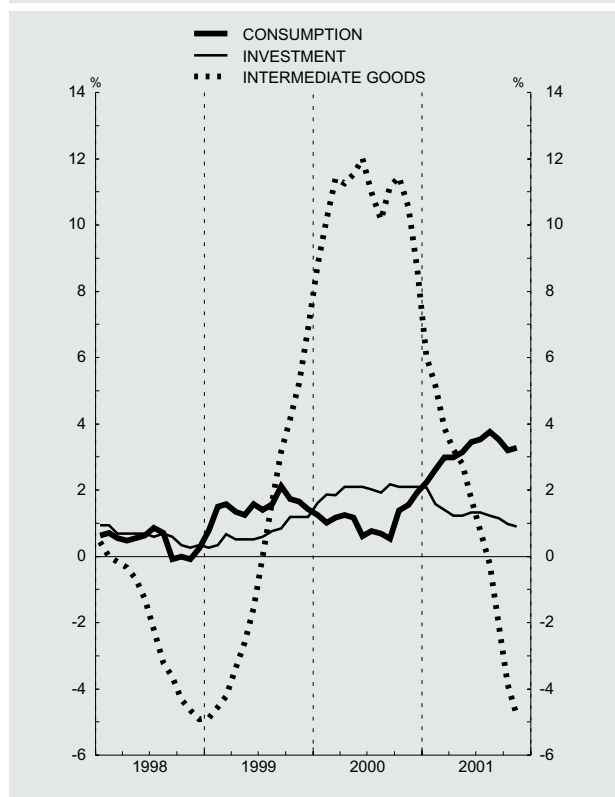
Annual percentage changes

		Total (100%)			Consumption (39,6%)		Investment (13,8%)		Intermediate goods(46,5%)				Memorandum item: euro area				
		Original series	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Total		Non-energy	Energy	Total	Consumption	Investment	Intermediate non-energy	Energy
									Month-on-month % change	12-month % change	12-month % change	12-month % change		12-month % change	12-month % change	12-month % change	12-month % change
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16		
98	MP	120.2	—	-0.7	—	0.4	—	0.6	—	-2.1	-0.3	-7.7	-0.8	0.5	0.6	-0.4	-5.2
99	MP	121.0	—	0.7	—	1.5	—	0.7	—	-0.1	-0.9	2.7	-0.4	0.2	-1.5	0.6	0.6
00	MP	127.6	—	5.4	—	1.1	—	2.0	—	10.7	6.9	22.8	5.5	1.4	0.6	5.0	19.0
00	J-N	MP	127.4	—	5.5	—	—	2.0	—	10.9	6.4	23.4	5.5	1.4	0.6	5.0	19.3
01	J-N	MP	129.9	—	1.9	—	—	1.3	—	1.1	-1.5	-1.1	2.5	3.0	1.1	1.5	4.1
00	Aug	P	128.0	0.2	5.1	0.1	0.7	1.9	0.5	10.2	6.9	20.4	5.7	1.5	0.7	5.8	18.2
	Sep	P	129.3	1.0	5.5	0.2	0.5	2.2	2.0	11.2	7.0	23.9	6.4	1.7	0.7	5.8	21.8
	Oct	P	130.0	0.5	5.9	0.4	1.4	2.1	0.8	11.5	6.8	25.7	6.7	1.9	0.7	5.5	23.4
	Nov	P	129.9	-0.1	5.7	-	1.5	-	2.1	-0.2	10.5	6.4	23.1	6.5	2.2	0.8	5.3
	Dec	P	129.6	-0.2	5.0	0.4	1.9	-	2.1	-0.9	8.6	5.9	16.7	5.5	2.5	0.8	15.6
01	Jan	P	129.2	-0.3	3.9	0.6	2.2	2.1	-1.2	6.0	5.1	8.7	4.9	2.8	0.9	4.5	12.4
	Feb	P	129.8	0.5	3.6	0.8	2.6	-	0.2	5.1	5.0	5.7	4.6	3.1	0.9	4.0	11.2
	Mar	P	130.2	0.3	3.2	0.6	3.0	0.2	1.4	0.1	3.9	4.3	2.7	4.2	3.5	0.9	9.1
	Apr	P	130.1	-0.1	2.8	-	3.0	-0.1	1.2	-0.2	3.2	3.1	3.6	4.2	3.5	1.0	10.6
	May	P	130.4	0.2	2.7	0.1	3.1	0.1	1.2	0.5	2.8	2.4	4.0	3.7	3.4	1.0	9.3
	Jun	P	130.4	-	2.4	0.1	3.5	0.1	1.3	-0.1	1.7	1.6	2.2	3.2	3.4	1.1	7.0
	Jul	P	130.2	-0.2	2.0	0.2	3.5	-	1.3	-0.6	0.8	1.1	-0.1	2.1	3.2	1.1	2.8
	Aug	P	130.0	-0.2	1.6	0.3	3.8	-	1.2	-0.5	-0.2	0.6	-2.4	1.7	3.1	1.2	1.4
	Sep	P	130.1	0.1	0.6	-	3.5	0.2	1.1	0.1	-2.1	-0.2	-7.0	0.7	2.8	1.1	-2.1
	Oct	P	129.5	-0.5	-0.4	0.1	3.2	-	1.0	-1.1	-3.9	-1.0	-11.5	-0.7	2.6	1.2	-7.3
	Nov	P	128.8	-0.5	-0.8	0.1	3.3	-0.1	0.9	-1.1	-4.8	-1.5	-13.5	-1.3	2.2	1.1	-9.9

PRODUCER PRICE INDEX. TOTAL
Annual percentage changes



PRODUCER PRICE INDEX. COMPONENTS
Annual percentage changes



Sources: INE and ECB.

Note: The underlying series for this indicator, for Spain, are in Table 25.3 of the BE Boletín estadístico.

(a) Spain: 1990=100; euro area: 1995=100.

5.4 Unit value indices for Spanish foreign trade

■ Series depicted in chart.

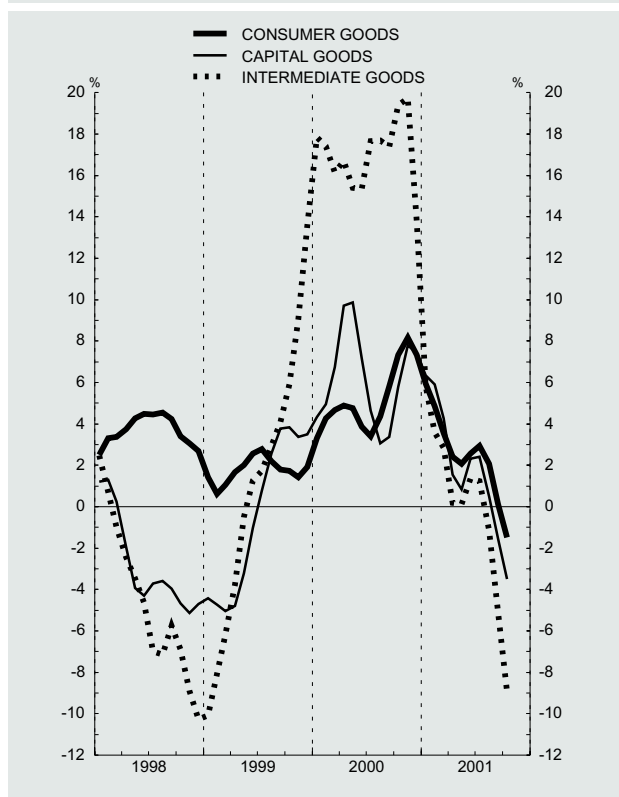
Annual percentage changes

	Exports/dispatches						Imports/arrivals					
	Total	Consumer goods	Capital goods	Intermediate goods			Total	Consumer goods	Capital goods	Intermediate goods		
				Total	Energy	Non-energy				Total	Energy	Non-energy
	1	2	3	4	5	6	7	8	9	10	11	12
98	0.1	3.8	-3.9	-1.5	-20.1	0.0	-2.3	2.9	-2.8	-4.4	-29.5	0.6
99	-0.9	2.0	-9.5	0.1	18.0	-1.1	0.0	1.0	-0.6	-0.3	36.1	-2.7
00	6.2	6.1	-0.9	8.9	80.1	6.6	13.0	5.6	6.9	18.8	94.6	8.0
00 J-O	5.9	5.4	0.0	8.4	81.8	6.2	12.6	4.8	6.0	18.9	103.6	7.5
01 J-O	3.5	4.6	4.6	1.5	9.0	2.3	0.8	1.7	1.8	-0.2	-2.3	0.7
00 May	8.5	7.5	6.9	12.3	91.6	10.0	21.4	6.9	17.6	30.2	74.9	20.9
Jun	8.2	7.1	4.0	8.7	66.8	6.8	8.9	4.6	2.2	13.5	97.6	3.3
Jul	3.6	2.8	-3.4	5.8	67.4	4.3	11.6	-1.6	6.9	19.8	77.1	10.2
Aug	7.1	7.7	7.7	5.9	66.8	4.2	10.6	6.4	-1.8	17.4	69.6	4.4
Sep	6.5	10.4	-5.6	7.4	70.0	5.1	9.7	4.3	-0.1	16.0	68.8	8.2
Oct	5.4	7.8	-8.3	9.0	69.6	7.3	13.9	7.8	5.4	20.0	66.6	9.2
Nov	6.9	8.5	-8.8	12.1	84.2	8.8	18.0	12.1	15.0	21.5	55.5	12.0
Dec	8.4	10.6	-1.8	11.0	59.9	8.2	12.0	7.7	7.8	15.8	44.4	8.8
01 Jan	4.1	9.3	-9.1	5.0	40.1	4.2	1.6	-2.1	2.9	2.7	7.2	2.5
Feb	4.4	5.6	-9.5	7.3	17.6	8.2	4.8	6.6	9.1	2.7	9.0	1.5
Mar	3.5	7.4	-8.0	4.1	10.3	5.4	6.0	3.3	8.5	6.4	-3.0	7.2
Apr	5.0	5.4	3.7	3.0	11.5	3.3	-2.4	0.7	-2.9	-3.7	-0.9	-4.2
May	4.7	8.4	-5.3	2.4	21.0	2.8	0.7	1.3	-5.5	2.2	8.2	2.6
Jun	2.8	5.0	7.7	-0.8	12.2	0.0	1.7	1.7	7.0	0.0	7.9	-0.9
Jul	5.9	4.3	26.7	1.0	8.8	1.7	4.9	6.3	8.4	3.3	4.2	4.2
Aug	6.0	2.0	19.3	2.7	6.9	4.0	-0.2	3.3	-3.6	-1.6	-9.8	1.1
Sep	-1.1	-1.7	12.2	-4.4	-15.3	-2.2	-1.8	0.2	2.3	-4.5	-15.5	-2.9
Oct	-0.5	0.4	7.3	-5.5	-22.5	-4.0	-7.5	-4.2	-6.9	-9.5	-29.8	-4.2

EXPORT AND IMPORT UNIT VALUE INDICES (a)



IMPORT UNIT VALUE INDICES BY PRODUCT GROUP (a)



Sources: ME and BE.

Note: The underlying series for this indicator are in the Tables 17.6 and 17.7 of the Boletín estadístico.

(a) Annual percentage changes (trend obtained with TRAMO-SEATS).

6.1. State resources and uses according to the National Accounts (ESA 95). Spain

EUR millions

	Net lending (+) or borrow- ing (-)	Current and capital resources						Current and capital uses						Memorandum item: cash-basis deficit			
		Total	Value added tax (VAT)	Other taxes on products and imports	Inter- est and other income on pro- perty	Income and wealth taxes	Other	Total	Compen- sation of emplo- yees	Inter- est	Current and ca- pital trans- fers within general government	Invest- ment grants and other capital trans- fers	Other	Cash- basis deficit	Revenue	Expendi- ture	
	1=2-8	2=3 a 7	3	4	5	6	7	8=9 a13	9	10	11	12	13	14=15-16	15	16	
98		-11 860	101 836	24 140	15 391	5 577	43 918	12 810	113 696	17 786	19 129	51 851	4 184	20 746	-6 832	105 291	112 123
99	P	-6 482	111 009	28 574	16 408	5 877	46 887	13 263	117 491	17 363	16 912	57 722	4 978	20 516	-6 354	110 370	116 724
00	A	-3 918	119 298	31 269	17 171	5 199	52 531	13 129	123 216	15 808	16 732	65 527	4 282	20 867	-2 431	118 693	121 124
00 J-N	A	2 455	109 985	30 251	15 802	4 439	49 781	9 712	107 531	13 807	15 311	60 795	2 364	15 254	731	109 818	109 086
01 J-N	A	4 009	117 306	31 258	16 325	5 518	53 153	11 051	113 296	14 035	15 525	64 834	2 301	16 601	392	115 848	115 455
00 Dec	A	-6 372	9 313	1 018	1 369	760	2 750	3 417	15 685	2 001	1 421	4 731	1 918	5 613	-3 162	8 876	12 038
01 Jan	A	-1 224	9 310	154	1 430	272	6 763	691	10 534	1 121	1 487	7 139	-	786	-6 051	9 886	15 937
Feb	A	7 023	15 950	9 431	1 385	1 460	3 093	581	8 927	1 141	1 298	5 115	267	1 106	4 806	16 438	11 633
Mar	A	-5 155	5 737	1 560	1 315	168	1 867	827	10 892	1 246	1 428	6 356	300	1 562	-4 328	4 680	9 009
Apr	A	5 510	15 490	4 798	1 556	209	8 290	637	9 980	1 209	1 396	5 586	193	1 595	5 555	15 329	9 774
May	A	-4 200	5 769	1 100	1 438	187	2 037	1 007	9 968	1 292	1 419	5 485	271	1 502	-3 489	5 509	8 997
Jun	A	-5 811	5 889	279	1 465	342	2 607	1 196	11 701	1 969	1 390	6 133	230	1 979	-4 510	5 437	9 947
Jul	A	1 642	11 994	4 271	1 629	187	5 213	694	10 352	1 182	1 445	6 093	100	1 532	-1 082	12 060	13 142
Aug	A	-1 483	7 732	-713	1 509	496	5 879	561	9 215	1 192	1 435	5 357	164	1 067	-1 506	7 672	9 178
Sep	A	-365	9 393	3 316	1 613	144	3 264	1 057	9 759	1 201	1 393	5 552	276	1 337	692	9 069	8 377
Oct	A	8 354	18 746	5 398	1 562	202	10 298	1 286	10 392	1 221	1 439	5 624	227	1 881	8 660	18 143	9 484
Nov	A	-281	11 297	1 664	1 423	1 852	3 843	2 515	11 577	1 260	1 396	6 395	273	2 254	1 646	11 624	9 977

Sources: Ministerio de Hacienda (IGAE)

6.2. State financial transactions (ESA 95). Spain

EUR millions

	Net lending (+) or net borrowing(-)	Net acquisition of financial assets		Net incurrence of liabilities										Net incurrence of liabilities (excluding other accounts payable)		
				Of which		By instrument					By counterpart sector					
		Of which				In currencies other than the peseta/euro	Short-term securities	Government bonds and assumed debt	Banco de España loans	Other marketable liabilities (a)	Other accounts payable	Held by resident sectors			Rest of the world	
		Total	Deposits at the Banco de España	Total	Monetary financial institutions							Other resident sectors				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
98		-11 860	2 250	444	14 109	6 624	-10 829	26 157	-236	-2 464	1 481	10 287	-7 793	18 080	3 822	12 628
99	P	-6 482	5 378	4 574	11 860	-577	-6 629	19 581	-499	-447	-146	-10 166	-6 411	-3 754	22 026	12 006
00	A	-3 918	6 916	5 690	10 833	779	-8 683	17 506	-499	418	2 092	-22 097	-10 323	-11 774	32 930	8 741
00 J-N	A	2 455	10 358	7 863	7 903	801	-8 615	14 770	-	437	1 311	-20 733	-9 961	-10 772	28 636	6 593
01 J-N	A	4 009	4 361	-20 236	352	870	-9 026	10 230	-	-1 128	276	-2 523	7 779	-10 302	2 875	76
00 Dec	A	-6 372	-3 442	-2 173	2 930	-22	-68	2 736	-499	-20	781	-1 364	-362	-1 003	4 294	2 149
01 Jan	A	-1 224	11 765	-12 758	-10 541	-59	1 482	-10 561	-	-3	-1 459	-7 369	2 755	-10 124	-3 172	-9 082
Feb	A	7 023	-290	-3 778	-7 313	-51	501	-2 255	-	-64	-5 495	-5 113	132	-5 245	-2 200	-1 818
Mar	A	-5 155	4 550	-3 700	9 706	-109	-1 865	5 750	-	16	5 805	4 274	-1 505	5 779	5 431	3 901
Apr	A	5 510	6 068	1	558	42	-541	-226	-	10	1 316	5 239	6 467	-1 229	-4 681	-757
May	A	-4 200	-1 361	7	2 839	35	-1 253	3 637	-	87	368	956	130	826	1 883	2 471
Jun	A	-5 811	-388	-8	5 423	1 162	-2 507	6 167	-	-17	1 780	1 105	-761	1 865	4 318	3 643
Jul	A	1 642	-2 015	0	-3 657	-80	-833	-261	-	76	-2 639	-2 824	698	-3 522	-833	-1 018
Aug	A	-1 483	-1 321	-0	162	37	-1 239	1 770	-	-1 001	632	-1 832	-1 807	-25	1 995	-470
Sep	A	-365	3 121	0	3 487	-69	-981	3 403	-	-61	1 126	1 091	-682	1 774	2 396	2 361
Oct	A	8 354	6 311	-1	-2 043	-1	-1 620	1 718	-	-52	-2 089	-2 327	-1 501	-826	284	46
Nov	A	-281	1 450	0	1 731	-38	-169	1 089	-	-120	931	4 277	3 853	424	-2 547	800

Source: BE.

(a) Includes other loans, non-negotiable securities, coined money and Caja General de Depósitos (General Deposit Fund)

6.3. State: Liabilities outstanding. Spain

EUR millions

	Liabilities outstanding (excluding other accounts payable)										Memorandum item:		
	State debt according to the methodology of the excessive deficit procedure	of which	By instrument				By counterpart sector				Deposits at the Banco de España	Guarantees given (contingent liabilities). Outstanding level	
		In currencies other than the peseta/euro	Short-term securities	Government bonds and assumed debt	Banco de España loans	Other marketable liabilities (a)	Held by resident sectors			Rest of the world			
							Total	General government	Other resident sectors				
		1	2	3	4	5	6	7	8	9	10	11	12
96		263 976	20 447	81 084	152 306	10 814	19 772	210 489	529	209 960	54 016	15 195	8 185
97		274 161	23 263	71 730	180 551	10 578	11 303	211 530	445	211 085	63 076	9 829	7 251
98		283 938	29 832	59 939	204 965	10 341	8 692	215 203	305	214 899	69 040	10 273	6 412
99	P	298 779	24 410	53 142	227 552	9 843	8 243	207 436	150	207 286	91 493	14 846	5 310
00	A	308 750	23 759	44 605	246 249	9 344	8 552	188 474	695	187 780	120 970	20 536	5 430
00 Aug	A	303 996	25 125	47 191	238 164	9 843	8 799	193 400	150	193 250	110 746	10 695	5 500
00 Sep	A	305 130	25 093	46 001	240 591	9 843	8 695	191 328	150	191 178	113 952	11 111	5 292
00 Oct	A	307 653	25 551	45 624	243 462	9 843	8 725	186 992	150	186 842	120 812	20 407	5 263
00 Nov	A	309 228	24 930	44 784	245 960	9 843	8 642	189 627	150	189 477	119 752	22 709	5 914
00 Dec	A	308 750	23 759	44 605	246 249	9 344	8 552	188 474	695	187 780	120 970	20 536	5 430
01 Jan	A	304 104	23 681	46 054	240 161	9 344	8 545	182 994	695	182 299	121 804	7 778	5 508
01 Feb	A	303 107	23 577	46 513	238 772	9 344	8 479	183 644	695	182 949	120 158	4 000	5 685
01 Mar	A	306 542	23 602	44 640	244 120	9 344	8 439	182 276	695	181 581	124 961	300	6 271
01 Apr	A	305 279	23 639	44 055	243 430	9 344	8 450	185 542	695	184 847	120 432	300	6 292
01 May	A	307 886	24 454	42 781	247 237	9 344	8 524	186 144	695	185 449	122 437	308	6 499
01 Jun	A	310 150	24 365	40 201	252 105	9 344	8 500	184 412	1 012	183 401	126 750	300	6 409
01 Jul	A	310 716	23 867	39 338	253 590	9 344	8 444	184 048	1 012	183 036	127 680	300	6 309
01 Aug	A	309 328	23 611	38 084	254 474	9 344	7 426	182 838	1 012	181 826	127 502	300	6 386
01 Sep	A	310 481	23 554	37 049	256 719	9 344	7 369	179 969	1 012	178 957	131 524	300	6 390
01 Oct	A	309 527	23 487	35 352	257 516	9 344	7 316	178 798	1 012	177 786	131 742	300	6 392
01 Nov	A	309 160	23 522	35 119	257 495	9 344	7 202	...	1 012	...	...	300	...

Source: BE.

(a) Includes other loans, non-negotiable securities, coined money and Caja General de Depósitos (General Deposit Fund)

7.1. The Spanish balance of payments vis-à-vis other euro area residents and the rest of the world.

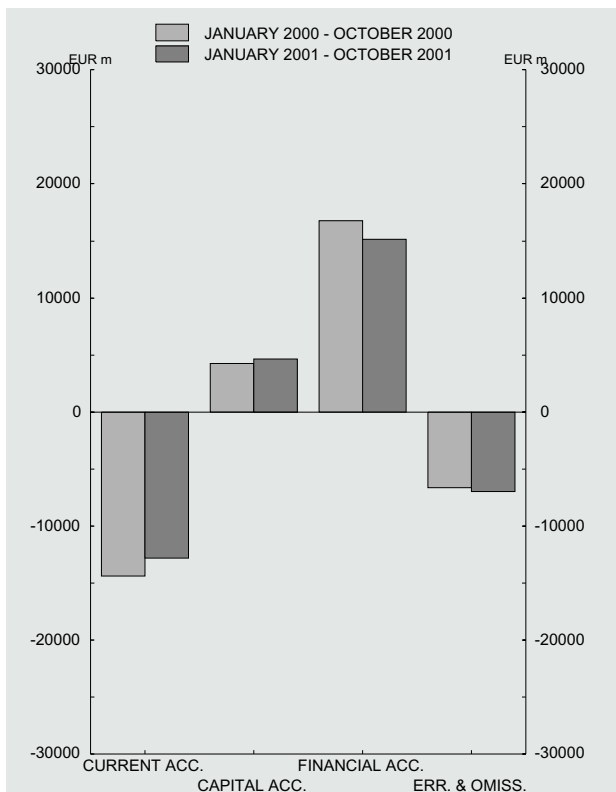
Current account

■ Series depicted in chart.

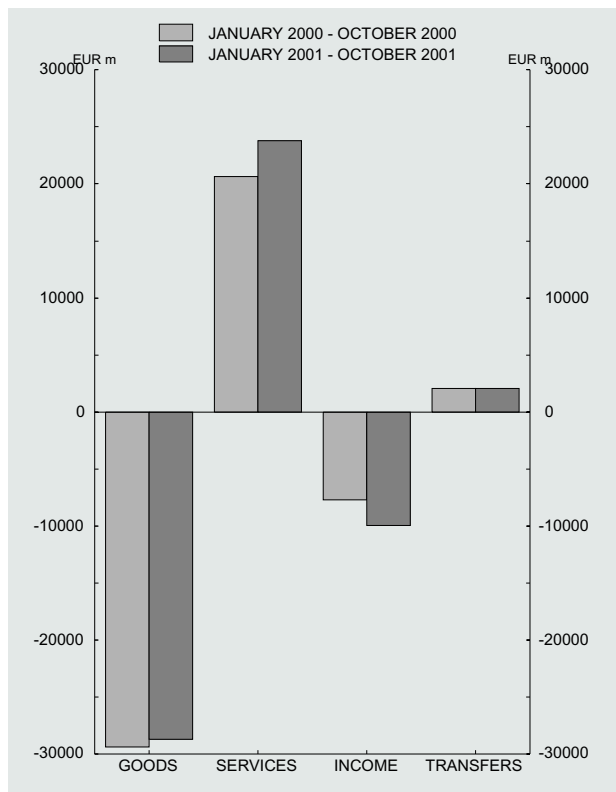
EUR millions

		Current account (a)													Capital account (balance)	Current account plus Capital account	Financial account (balance) (b)	Errors and omissions
		Total (balance)	Goods			Services				Income			Current transfers (balance)					
			Balance	Receipts	Payments	Balance	Receipts		Payments		Balance	Receipts		Payments				
							Of which		Of which									
							Total	Tourism and travel	Total	Tourism and travel								
		1=2+5+10+13	2=3-4	3	4	5=6-8	6	7	8	9	10=11-12	11	12	13	14	15=1+14	16	17= (15+16)
98		-2 598	-18 480	100 444	118 923	19 626	44 189	26 806	24 563	4 491	-6 751	13 092	19 844	3 006	5 680	3 081	-105	-2 977
99		-13 112	-28 585	105 735	134 320	21 524	50 362	30 416	28 838	5 166	-8 904	11 820	20 724	2 853	6 552	-6 561	11 242	-4 682
00		-18 959	-35 643	124 963	160 605	24 216	58 227	33 711	34 011	5 968	-9 055	16 212	25 267	1 523	5 217	-13 741	21 509	-7 768
00	J-O	-14 402	-29 408	101 626	131 033	20 646	48 729	28 772	28 083	4 954	-7 692	13 055	20 747	2 052	4 276	-10 126	16 764	-6 638
01	J-O	A -12 812	-28 735	109 304	138 040	23 783	54 240	31 738	30 457	5 636	-9 939	17 693	27 632	2 079	4 669	-8 143	15 137	-6 994
00	Jul	-1 823	-3 081	10 341	13 422	2 944	6 008	3 843	3 065	606	-1 591	1 356	2 946	-96	340	-1 483	1 957	-474
	Aug	-1 225	-3 362	7 785	11 147	3 053	5 930	3 962	2 877	627	-834	1 216	2 050	-82	384	-842	969	-127
	Sep	-1 908	-3 445	10 263	13 708	2 315	5 348	3 192	3 032	588	-925	1 339	2 265	147	339	-1 568	2 245	-677
	Oct	-2 059	-3 299	12 069	15 368	2 077	5 382	3 131	3 305	561	-723	1 482	2 205	-115	188	-1 871	2 289	-418
	Nov	-1 045	-2 829	12 370	15 199	2 272	5 224	3 003	2 952	520	-260	1 533	1 792	-228	373	-672	2 241	-1 569
	Dec	-3 512	-3 406	10 967	14 373	1 298	4 275	1 936	2 977	495	-1 103	1 625	2 728	-301	569	-2 944	2 504	439
01	Jan	P -1 342	-2 228	10 167	12 395	1 576	4 443	2 290	2 867	468	-1 129	1 993	3 122	439	415	-926	2 114	-1 187
	Feb	P 232	-2 096	11 263	13 359	1 251	4 026	2 151	2 775	468	-791	1 398	2 190	1 868	934	1 166	-245	-921
	Mar	P -1 561	-2 444	12 239	14 683	1 902	4 889	2 645	2 987	522	-956	2 085	3 041	-62	193	-1 368	2 285	-917
	Apr	P -1 008	-2 852	10 891	13 743	1 788	4 656	2 612	2 868	485	-335	2 248	2 584	391	1 328	320	-486	166
	May	P -664	-2 774	12 004	14 778	2 750	5 810	3 364	3 060	502	-548	1 897	2 445	-92	751	87	1 111	-1 198
	Jun	P -2 722	-3 770	11 542	15 312	2 473	5 561	3 344	3 088	564	-1 222	1 533	2 756	-203	259	-2 463	2 484	-21
	Jul	P -1 990	-2 911	10 535	13 446	3 619	7 000	4 501	3 381	679	-2 377	1 670	4 046	-322	352	-1 638	2 562	-924
	Aug	P 47	-3 277	8 405	11 681	3 524	6 491	4 154	2 967	669	-464	1 158	1 622	264	336	383	-6	-378
	Sep	P -1 456	-3 387	10 313	13 700	2 281	5 351	3 195	3 069	624	-223	2 270	2 493	-128	36	-1 420	1 854	-434
	Oct	A -2 349	-2 998	11 944	14 942	2 618	6 014	3 481	3 396	655	-1 893	1 441	3 334	-76	65	-2 284	3 466	-1 182

SUMMARY



CURRENT ACCOUNT



Source: BE. Data compiled in accordance with the IMF Balance of Payments Manual (5th edition).

(a) A positive sign for the current and capital account balances indicates a surplus (receipts greater than payments) and, thus, a Spanish net loan abroad (increase in the creditor position or decrease in the debtor position).

(b) A positive sign for the financial account balance (the net change in liabilities exceeds the net change in financial assets) means a net credit inflow, i.e. a net foreign loan to Spain (increase in the debtor position or decrease in the creditor position)

7.2. The Spanish balance of payments vis-à-vis other euro area residents and the rest of the world

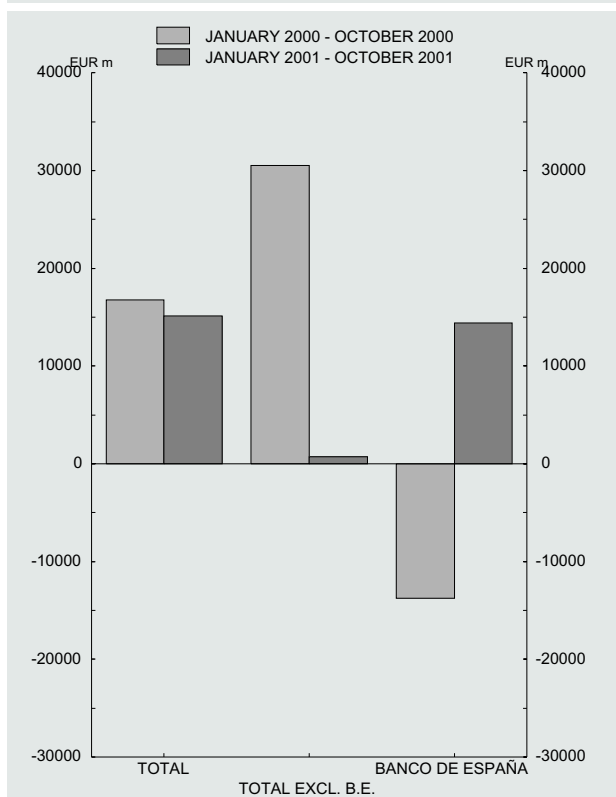
Financial account (a)

■ Series depicted in chart.

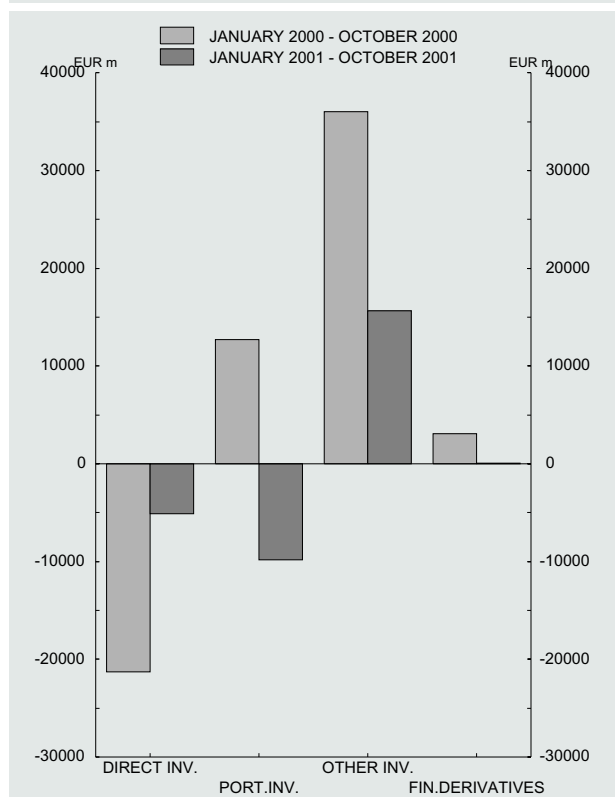
EUR millions

	Financial account	Total, excluding Banco de España											Banco de España				Memorandum item:		
		Total	Direct investment			Portfolio investment			Other investment (d)			Net financial derivatives (NCL-NCA)	Balance (NCL-NCA)	Re-serves (e)	Claims with the Euro-system (e)	Other net assets (NCL-NCA)	Other investment including Banco de España (d)		
			Balance (NCL-NCA)	Spanish investment abroad (NCA)	Foreign investment in Spain (NCL) (b)	Balance (NCL-NCA)	Spanish investment abroad (NCA)	Foreign investment in Spain (NCL) (c)	Balance (NCL-NCA)	Spanish investment abroad (NCA)	Foreign investment in Spain (NCL)						Spanish investment abroad	Foreign investment in Spain	
																			(NCL-NCA)
		1=2+13	2=3+6+9+12	3=5-4	4	5	6=8-7	7	8	9=11-10	10	11	12	13=14+15+16	14	15	16	17	18
98		-105	11 971	-6 410	17 002	10 592	-23 671	39 071	15 400	20 559	20 501	41 060	-2 450	11 867	12 248	-	-381	20 887	41 065
99		11 242	26 311	-24 709	39 501	14 791	-1 402	44 090	42 688	52 148	-14 008	38 140	274	-15 068	20 970	35 978	-61	22 021	38 130
00		21 509	27 652	-18 561	58 303	39 742	-2 919	65 132	62 212	46 961	9 493	56 453	2 172	-6 143	3 302	-9 250	-195	18 737	56 253
00 J-O		16 764	30 531	-21 284	45 316	24 032	12 739	42 666	55 405	36 007	7 029	43 036	3 069	-13 767	2 163	15 781	-149	22 804	42 881
01 J-O	A	15 137	709	-5 120	24 447	19 327	-9 853	37 175	27 322	15 629	9 100	24 729	53	14 429	546	13 185	697	-4 115	25 396
00 Jul		1 957	15 106	-10 554	13 846	3 292	14 060	2 374	16 434	11 642	-10 443	1 199	-42	-13 149	-1 757	-11 754	362	1 305	1 555
Aug		969	-5 722	-690	2 405	1 715	2 408	1 642	4 051	-8 551	5 820	-2 730	1 110	6 691	1 495	5 640	-443	182	-3 172
Sep		2 245	9 106	-5 286	6 132	847	2 244	6 707	8 952	11 521	7 311	18 832	627	-6 861	314	-7 403	228	14 697	19 043
Oct		2 289	9 963	-1 469	5 084	3 615	3 835	5 048	8 883	7 622	-2 065	5 557	-25	-7 673	1 692	-9 199	-167	7 151	5 407
Nov		2 241	181	-5 845	8 205	2 360	-2 063	3 709	1 646	7 825	-1 376	6 449	264	2 060	1 034	1 005	20	-2 374	6 477
Dec		2 504	-3 060	8 568	4 782	13 350	-13 595	18 756	5 161	3 128	3 840	6 968	-1 161	5 564	104	5 525	-65	-1 693	6 894
01 Jan	P	2 114	-7 693	-635	2 281	1 646	-1 775	1 438	-336	-5 724	20 519	14 795	440	9 806	-798	9 791	813	10 700	15 580
Feb	P	-245	-4 857	-1 311	2 840	1 529	-6 493	7 033	540	2 662	-4 886	-2 224	285	4 611	-1 098	4 599	1 110	-9 505	-1 133
Mar	P	2 285	-1 568	-604	1 226	623	1 293	5 070	6 362	-3 043	10 155	7 112	786	3 853	619	3 534	-300	6 626	6 817
Apr	P	-486	-4 599	-234	5 114	4 881	-979	964	-15	-1 600	-4 142	-5 742	-1 786	4 113	826	3 606	-320	-7 760	-6 074
May	P	1 111	10 872	3 126	-506	2 620	-1 567	5 897	4 330	8 898	-2 464	6 435	415	-9 761	954	10 387	-329	7 953	6 136
Jun	P	2 484	-3 216	-1 272	5 481	4 208	-2 203	7 950	5 747	607	-6 687	-6 080	-348	5 700	331	5 760	-391	-12 459	-6 482
Jul	P	2 562	6 592	178	2 403	2 581	-2 464	3 494	1 030	8 654	-7 914	740	223	-4 030	-522	-3 943	435	-3 983	1 163
Aug	P	-6	-3 488	-1 765	1 234	-531	1 091	1 115	2 207	-2 539	681	-1 858	-276	3 482	-256	3 566	172	-2 863	-1 664
Sep	P	1 854	915	-3 878	4 561	683	3 569	-1 042	2 526	1 613	4 645	6 259	-389	939	-94	991	42	3 651	6 298
Oct	A	3 466	7 749	1 273	-188	1 086	-324	5 256	4 931	6 098	-806	5 292	701	-4 284	583	-4 331	-536	3 524	4 756

FINANCIAL ACCOUNT



FINANCIAL ACCOUNT, EXCLUDING BANCO DE ESPAÑA
Breakdown



Source: BE. Data compiled in accordance with the IMF Balance of Payments Manual (5th edition).

(a) Changes in assets (NCA) and changes in liabilities (NCL) are both net of repayments. A positive (negative) sign in NCA columns indicates an outflow (inflow) of foreign financing. A positive (negative) sign in NCL columns implies an inflow (outflow) of foreign financing.

(b) This does not include direct investment in quoted shares, but does include portfolio investment in unquoted shares.

(c) This includes direct investment in quoted shares, but does not include portfolio investment in unquoted shares. (d) Mainly, loans, deposits and repos.

(e) A positive (negative) sign indicates a decrease (increase) in the reserves and/or claims of the BE with the Eurosystem

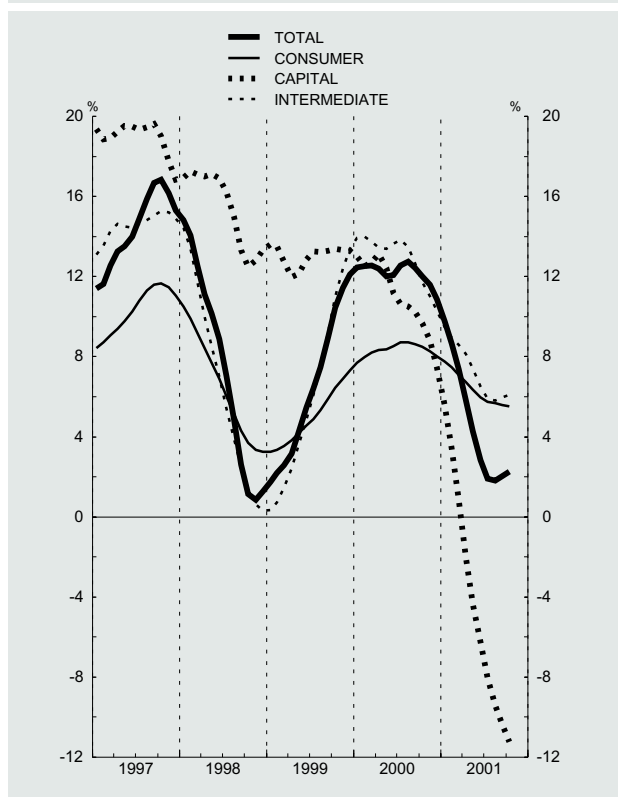
7.3 Spanish foreign trade with other euro area countries and with the rest of the world. Exports and dispatches

■ Series depicted in chart.

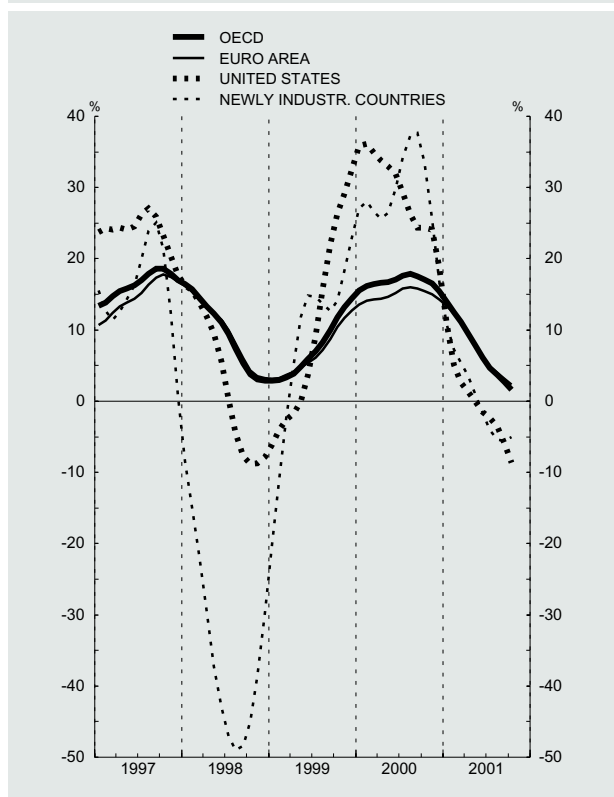
EUR millions and annual percentage changes

	Total			By product (deflated data)(a)						By geographical area (nominal data)								
	EUR millions	Nom- inal	De- flated	Con- sumer	Capital	Intermediate			O E C D					OPEC	Other American countries	Newly industri- alised coun- tries	Other	
						Total	Energy	Non- energy	Total	Euro- pean Union	of which: Euro area	United States of America	Other OECD members					
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
97	93 419	19.4	15.8	13.8	21.8	15.6	12.2	15.8	18.9	8.5	16.2	25.2	22.2	16.4	17.7	14.6	27.1	
98	99 849	6.9	6.8	5.2	8.2	7.5	-0.2	7.8	8.4	13.9	9.2	2.5	7.2	8.2	7.1	-35.2	2.1	
99	104 789	4.9	5.7	3.1	16.5	4.4	-4.9	4.8	6.4	5.2	5.8	9.8	6.5	-8.2	-4.7	4.8	1.8	
00	124 177	18.5	11.7	8.9	13.7	13.1	9.2	13.2	17.5	18.1	15.4	31.6	16.2	21.7	13.0	32.4	28.0	
00 Sep	10 155	17.1	10.0	6.9	17.6	9.9	-9.1	10.8	13.9	17.1	9.0	10.4	13.1	42.8	6.7	41.5	45.4	
Oct	11 957	18.3	12.3	12.0	20.5	9.1	2.7	9.3	18.9	21.7	17.1	24.4	17.4	16.9	-12.2	48.9	31.2	
Nov	12 206	23.6	15.6	12.9	29.5	12.6	-1.2	13.2	24.2	22.1	18.5	52.7	22.8	47.4	-8.0	30.3	31.6	
Dec	10 623	15.3	6.4	-0.3	15.3	8.7	15.8	8.5	14.5	12.3	14.6	21.7	14.6	27.9	17.3	-1.8	20.6	
01 Jan	9 896	19.8	15.0	15.3	27.8	8.5	-9.4	10.7	16.5	15.0	15.1	9.8	17.6	45.9	28.3	15.9	41.2	
Feb	10 960	14.9	10.0	12.1	10.5	8.1	3.6	8.2	13.5	12.9	15.0	-7.1	15.5	18.6	12.5	8.6	28.4	
Mar	11 999	9.6	5.9	3.6	14.8	5.0	-21.0	5.7	9.7	15.2	11.5	-3.2	8.9	6.4	-0.9	-4.5	16.3	
Apr	10 633	13.5	8.1	8.8	-13.5	16.2	8.0	16.5	11.6	10.5	14.1	3.1	12.8	34.4	10.9	18.7	25.9	
May	11 800	9.4	4.4	9.1	-16.4	9.6	-29.0	11.2	13.0	18.4	13.0	8.9	11.4	-4.7	-29.5	-4.7	12.2	
Jun	11 473	0.6	-2.1	-2.8	-9.9	1.2	-31.4	2.4	-1.1	0.1	-0.3	-17.9	-0.0	-9.7	28.5	-0.6	7.7	
Jul	10 432	2.8	-2.9	-1.3	-15.9	0.7	-26.6	1.8	-0.5	-4.1	-3.5	13.2	-0.4	16.6	15.5	-6.0	20.7	
Aug	8 297	7.7	1.6	13.0	-25.7	4.6	-15.8	5.5	7.8	6.1	6.7	-4.1	9.4	8.1	-11.5	-6.9	18.8	
Sep	10 203	0.5	1.6	0.5	-8.2	5.8	-16.6	6.6	1.6	6.4	5.1	-7.1	0.5	-1.7	-11.3	-7.5	-2.9	
Oct	11 828	-1.1	-0.6	-0.0	-19.0	7.3	-11.2	8.0	-1.8	-7.7	-2.5	-5.3	0.6	23.4	-23.0	-1.9	9.2	

BY PRODUCT
Annual percentage changes (trend obtained with TRAMO-SEATS method)



BY GEOGRAPHICAL AREA
Annual percentage changes (trend obtained with TRAMO-SEATS method)



Sources: ME and BE.

Note: The underlying series for this indicator are in Tables 17.4 and 17.5 of the Boletín estadístico.

(a) Series deflated by unit value indices.

7.4 Spanish foreign trade with other euro area countries and with the rest of the world.

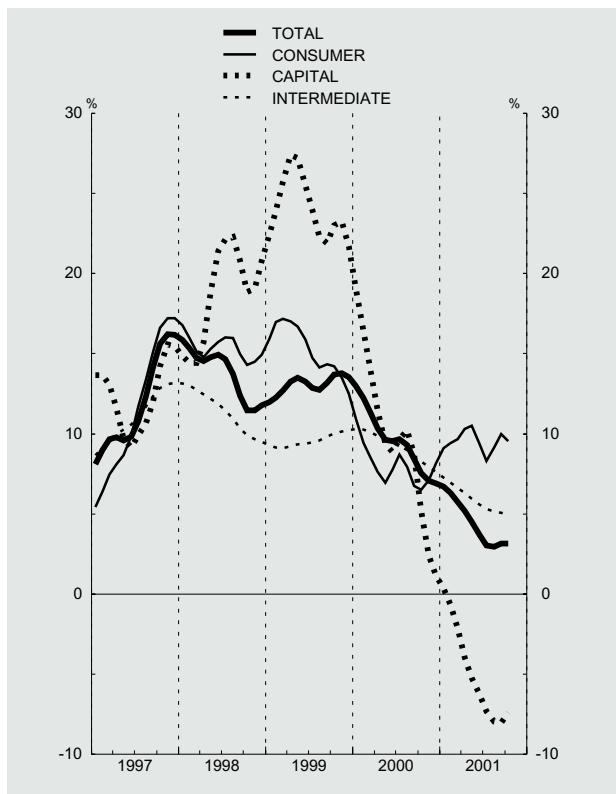
Imports and arrivals

■ Series depicted in chart.

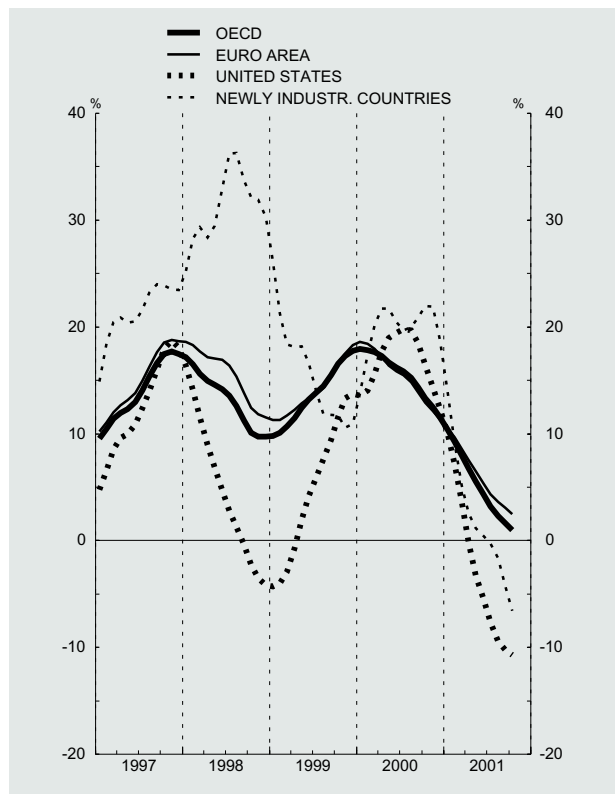
EUR millions and annual percentage changes

	Total			By product (deflated data)(a)					By geographical area (nominal data)									
	EUR millions	Nom- inal	De- flat- ed	Con- sumer	Capital	Intermediate			O E C D					OPEC	Other American countries	Newly industri- alised coun- tries	Other	
						Total	Energy	Non- energy	Total	Euro- pean Union	of which: Euro area	United States of America	Other OECD member					
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
97	109 469	16.2	12.2	12.0	12.0	12.4	1.7	14.1	14.9	14.6	15.6	15.5	15.0	21.5	19.9	24.2	21.1	
98	122 856	12.2	15.0	16.3	21.9	12.5	13.8	12.2	14.7	17.4	17.5	2.6	15.2	-15.2	3.6	30.6	10.3	
99	139 094	13.2	13.2	14.8	22.6	9.7	-0.6	11.0	12.4	10.3	11.7	8.9	13.5	15.8	12.6	16.4	18.1	
00	169 468	21.8	7.9	6.3	7.1	8.8	9.5	8.9	15.7	16.5	15.6	14.4	15.5	95.1	14.6	19.6	36.1	
00 Sep	14 183	14.9	4.7	-0.8	20.3	2.5	-5.1	3.4	10.9	8.3	10.3	18.4	11.1	70.2	1.1	18.3	19.0	
Oct	15 885	21.1	6.3	5.6	1.9	8.2	42.8	5.3	12.6	10.3	10.4	31.6	11.8	116.8	30.9	20.6	42.7	
Nov	15 708	23.7	4.9	6.4	-9.1	9.5	39.6	6.6	16.0	13.0	16.0	-0.7	19.1	95.5	8.4	46.3	44.4	
Dec	14 893	13.9	1.7	-1.8	-1.1	4.4	18.8	2.9	6.7	9.0	4.8	21.1	4.7	62.8	49.5	10.7	37.2	
01 Jan	12 851	17.4	15.6	25.6	6.0	10.0	6.9	15.5	15.7	3.5	15.9	22.5	19.5	10.8	9.2	22.7	34.0	
Feb	13 830	12.5	7.3	7.9	-0.2	9.5	4.6	10.0	12.4	8.9	14.2	15.8	13.3	9.2	4.3	9.1	17.2	
Mar	15 210	5.5	-0.4	1.6	1.1	-1.7	15.5	-3.6	4.3	-0.7	5.1	19.0	4.7	1.3	15.8	-7.0	18.5	
Apr	14 140	10.0	12.7	18.0	-7.7	18.1	9.7	19.1	8.7	-2.1	8.5	-10.7	14.6	-3.2	40.1	5.7	22.7	
May	15 258	2.5	1.8	14.5	-8.0	0.4	-11.6	1.9	3.2	-1.1	8.6	-28.0	9.0	-0.6	-20.5	-4.0	8.8	
Jun	15 845	7.9	6.1	15.1	-2.6	5.4	-0.8	6.2	7.6	-3.4	4.8	16.6	10.3	-0.4	2.7	1.2	19.8	
Jul	13 897	0.1	-4.6	-9.7	-13.4	0.7	-3.0	1.1	-3.4	-2.9	-2.1	-15.2	-2.6	-1.2	22.4	-0.1	17.9	
Aug	11 994	4.2	4.5	17.8	-3.9	1.4	10.3	-0.0	3.2	0.7	5.1	-29.6	7.7	3.5	12.0	11.6	6.8	
Sep	14 235	0.4	2.2	14.2	-16.5	3.8	14.5	2.7	-0.2	4.4	3.2	-11.9	-0.6	-9.1	13.3	-12.5	10.3	
Oct	15 504	-2.4	5.6	9.5	-6.5	7.7	16.5	6.7	-1.7	2.0	-0.4	-4.4	-2.6	-19.3	14.6	-8.7	3.4	

BY PRODUCT
Annual percentage changes (trend obtained with TRAMO-SEATS)



BY GEOGRAPHICAL AREA
Annual percentage changes (trend obtained with TRAMO-SEATS)



Sources: ME and BE.

Note: The underlying series for this indicator are in Tables 17.2 and 17.3 of the Boletín estadístico.

(a) Series deflated by unit value indices.

7.5 Spanish foreign trade with other euro area countries and with the rest of the world.

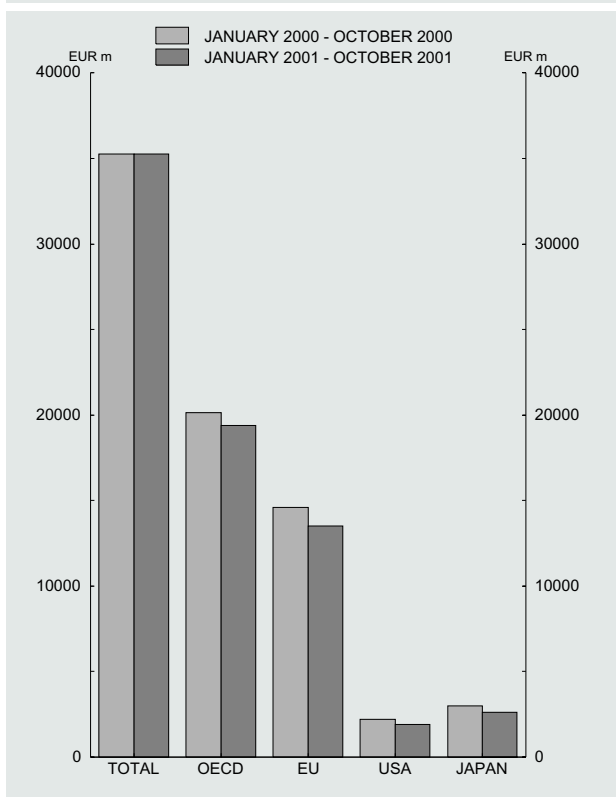
Trade balance: geographical distribution

■ Series depicted in chart.

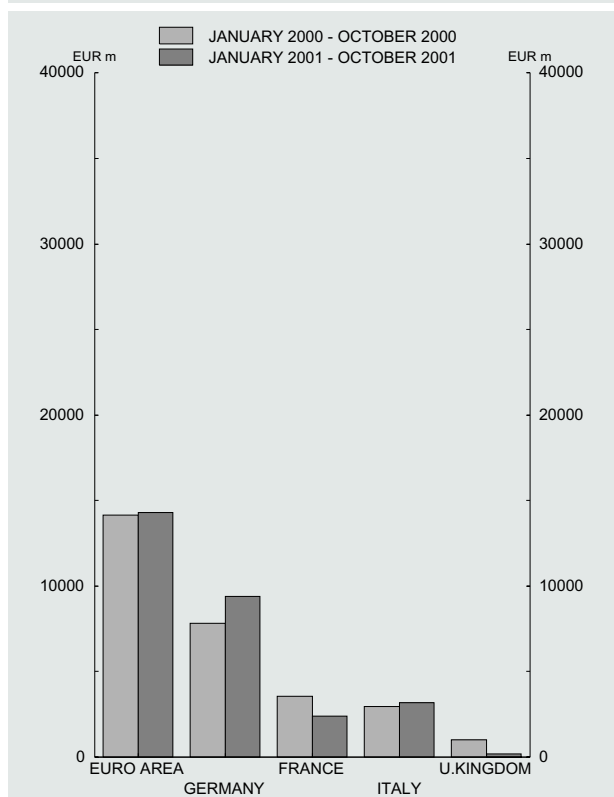
EUR millions

	O E C D																
World total	Total	European Union								United States of America	Japan	Other OECD members	OPEC	Other American countries	Newly industrialised countries	Other	
		Total	Euro area						United Kingdom								Other EU members
			of which:														
			Germany	France	Italy												
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16		
98	-23 007	-17 316	-11 974	-556	-5 398	-3 138	-2 952	-1 053	-10 365	-2 839	-2 773	270	-3 447	1 589	-1 542	-2 291	
99	-34 305	-24 373	-17 970	-4 904	-8 169	-4 448	-3 572	-1 640	-11 425	-3 055	-3 301	-48	-4 642	885	-1 933	-4 243	
00	-45 291	-26 645	-20 065	-5 968	-9 828	-4 873	-4 272	-1 861	-12 236	-2 707	-3 616	-258	-10 879	936	-2 151	-6 551	
00 J-O	-35 267	-20 127	-14 615	-14 153	-7 819	-3 545	-2 944	-995	533	-2 194	-3 008	-310	-8 513	704	-1 786	-5 544	
01 J-O	-35 241	-19 399	-13 503	-14 297	-9 381	-2 393	-3 179	-185	979	-1 922	-2 627	-1 347	-8 047	299	-1 819	-6 275	
00 Oct	-3 928	-2 176	-1 587	-1 469	-862	-245	-337	-200	82	-219	-385	15	-1 104	126	-188	-585	
Nov	-3 502	-1 767	-1 260	-1 262	-823	-286	-289	-200	201	-238	-294	25	-1 126	113	-202	-521	
Dec	-4 270	-2 718	-2 082	-1 939	-829	-648	-568	-237	94	-316	-294	-25	-1 040	104	-192	-424	
01 Jan	-2 954	-1 254	-767	-1 010	-845	-126	-210	125	118	-163	-280	-45	-894	61	-194	-674	
Feb	-2 870	-1 507	-970	-1 053	-742	-279	-273	-46	129	-217	-229	-91	-700	120	-209	-574	
Mar	-3 210	-1 735	-1 048	-1 101	-877	-95	-231	-44	97	-339	-294	-54	-889	105	-157	-533	
Apr	-3 507	-2 194	-1 635	-1 516	-1 022	-235	-255	-191	72	-182	-239	-137	-598	16	-170	-562	
May	-3 458	-1 908	-1 176	-1 335	-952	-137	-366	31	128	-230	-295	-207	-764	39	-215	-610	
Jun	-4 373	-2 626	-1 672	-1 728	-1 074	-177	-444	3	52	-306	-283	-365	-962	105	-176	-713	
Jul	-3 465	-1 927	-1 555	-1 756	-997	-278	-361	73	128	-8	-245	-119	-746	59	-188	-663	
Aug	-3 697	-1 875	-1 373	-1 428	-869	-233	-302	-48	102	-62	-233	-207	-888	-26	-199	-709	
Sep	-4 032	-2 229	-1 770	-1 761	-1 085	-348	-356	-75	66	-201	-247	-10	-834	-120	-149	-701	
Oct	-3 676	-2 144	-1 536	-1 611	-917	-485	-380	-14	89	-214	-282	-112	-772	-62	-162	-536	

CUMULATIVE TRADE DEFICIT



CUMULATIVE TRADE DEFICIT



Source: ME.

Note: The underlying series for this indicator are in Tables 17.3 and 17.5 of the Boletín estadístico.

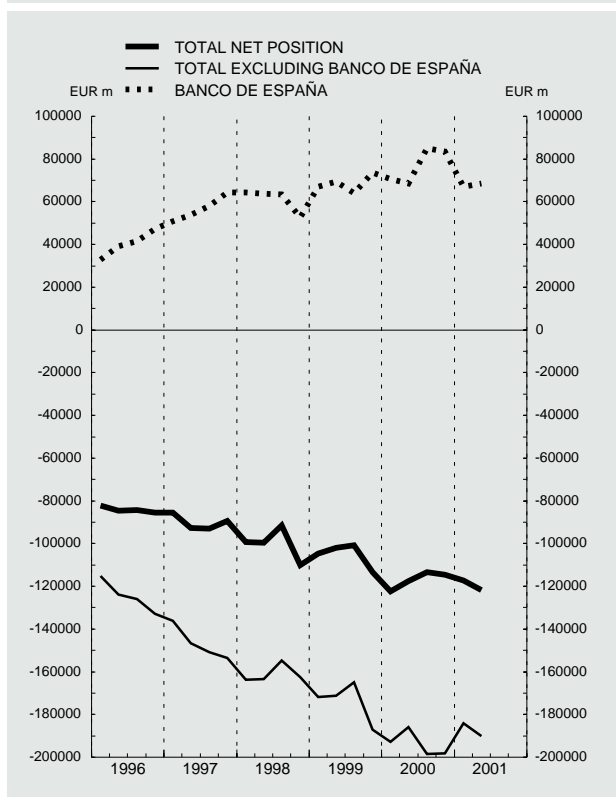
7.6. Spanish international investment position vis-à-vis other euro area residents and the rest of the world Summary

■ Series depicted in chart.

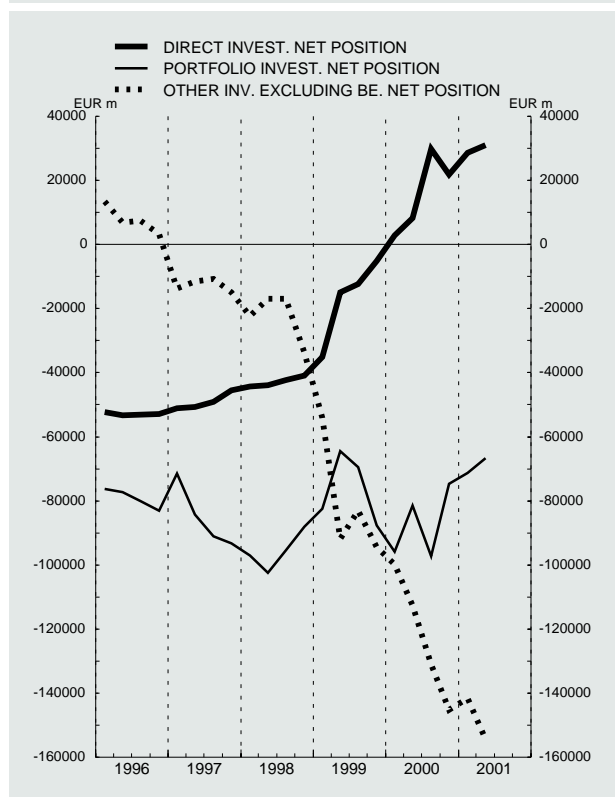
End-of-period stocks in EUR millions

		Net international investment position (assets-liabil.)	Total excluding Banco de España											Banco de España			
			Net position excluding Banco de España (assets - liabil.)	Direct investment			Portfolio investment			Other investment			Banco de España net position (assets-liabil.)	Reserves	Assets vis-à-vis the Euro-system	Other net assets (assets-liabil.)	
				Net position (assets-liabil.)	Spanish investment abroad (assets)	Foreign investment in Spain (liabil.)	Net position (assets-liabil.)	Spanish investment abroad (assets)	Foreign investment in Spain (liabil.)	Net position (assets-liabil.)	Spanish investment abroad (assets)	Foreign investment in Spain (liabil.)					
		1=2+12	2=3+6+9	3=4-5	4	5	6=7-8	7	8	9=10-11	10	11	12=13+15	13	14	15	
93	P	-78 285	-115 214	-47 898	20 533	68 430	-76 065	12 654	88 720	8 749	113 277	104 528	36 929	36 843	-	85	
94	P	-78 648	-113 421	-52 292	23 795	76 087	-52 865	13 688	66 553	-8 264	104 378	112 642	34 773	34 708	-	65	
95	P	-81 922	-109 288	-52 689	26 444	79 133	-73 018	13 310	86 328	16 420	130 194	113 774	27 366	27 263	-	102	
96	P	-85 415	-132 817	-52 982	31 452	84 434	-83 044	16 649	99 693	3 209	133 586	130 377	47 403	47 658	-	-256	
97	P	-89 314	-153 626	-45 469	44 355	89 824	-93 309	31 775	125 085	-14 847	143 300	158 147	64 311	64 174	-	137	
98	Q2	P	-99 543	-163 390	-43 883	50 729	94 612	-102 486	45 866	148 352	-17 021	167 119	184 140	63 847	63 791	-	56
	Q3	P	-91 478	-154 781	-42 316	54 422	96 738	-95 470	51 504	146 974	-16 995	175 147	192 142	63 303	62 854	-	450
	Q4	P	-110 100	-162 642	-40 897	59 126	100 023	-88 066	69 625	157 691	-33 680	160 322	194 002	52 542	52 095	-	447
99	Q1	P	-104 724	-171 770	-35 211	65 715	100 927	-82 446	87 597	170 044	-54 113	165 160	219 273	67 046	45 874	20 779	394
	Q2	P	-101 915	-171 314	-14 865	89 405	104 271	-64 529	108 821	173 350	-91 920	146 351	238 271	69 399	38 153	30 838	408
	Q3	P	-100 689	-164 825	-12 334	95 514	107 848	-69 424	111 931	181 355	-83 068	148 572	231 640	64 137	35 903	28 090	143
	Q4	P	-113 515	-187 259	-5 087	109 797	114 883	-87 676	117 329	205 005	-94 496	149 561	244 057	73 743	37 288	36 028	427
00	Q1	P	-122 274	-192 956	2 830	119 635	116 805	-95 897	131 159	227 056	-99 889	158 134	258 023	70 682	39 763	31 776	-858
	Q2	P	-117 468	-185 856	8 273	136 864	128 591	-81 433	143 322	224 755	-112 696	156 516	269 212	68 389	39 354	29 092	-57
	Q3	P	-113 446	-198 547	29 819	164 765	134 946	-97 268	157 513	254 781	-131 098	164 151	295 249	85 101	42 750	42 610	-259
	Q4	P	-114 709	-198 225	21 750	175 072	153 322	-74 723	184 272	258 995	-145 252	161 405	306 657	83 516	38 234	45 278	4
01	Q1	P	-117 261	-184 263	28 632	186 369	157 738	-71 204	196 795	267 998	-141 691	190 061	331 752	67 002	41 380	27 355	-1 732
	Q2	P	-121 782	-190 184	30 939	200 408	169 469	-66 619	212 243	278 862	-154 505	179 868	334 373	68 402	40 776	28 376	-751

INTERNATIONAL INVESTMENT POSITION



COMPONENTS OF THE POSITION



Source: BE.

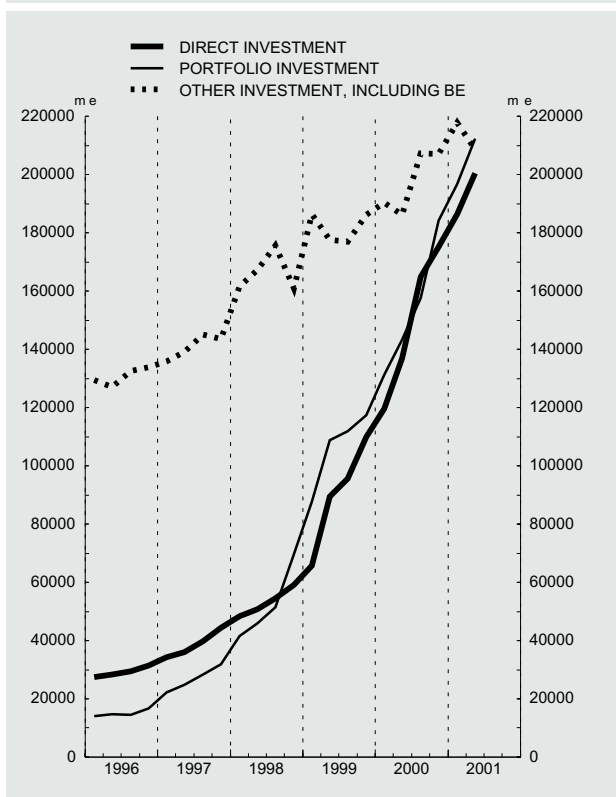
Note: The information in this table has been rearranged to adapt it to the new presentation of the Balance of Payments data. The reasons for these purely formal changes can be consulted in the Notes dated 17 April 2001 'Changes to the tables presenting the Balance of Payments' and 'Banco de España claims on the Eurosystem in the Balance of Payments' on the Banco de España website (<http://www.bde.es>, under the 'Balance of Payments' chapter in the section 'Statistics').

7.7. Spanish international investment position vis-à-vis other euro area residents and the rest of the world. Breakdown by investment

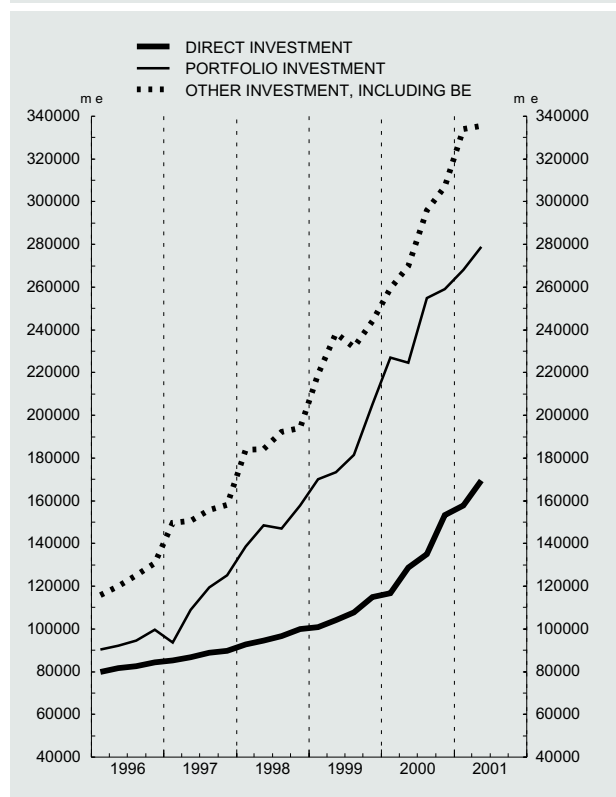
End-of-period stocks in EUR millions

		Direct investment				Portfolio investment				Other investment, including Banco de España	
		Spanish investment abroad		Foreign investment in Spain		Spanish investment abroad		Foreign investment in Spain		Spanish investment abroad	Foreign investment in Spain
		Shares and other equities	Intercompany debt transactions	Shares and other equities	Intercompany debt transactions	Shares and mutual funds	Debt securities	Shares and mutual funds	Debt securities		
		1	2	3	4	5	6	7	8	9	10
93	P	18 780	1 753	56 483	11 947	1 954	10 700	19 501	69 218	113 407	104 572
94	P	22 247	1 548	63 913	12 174	2 735	10 953	19 115	47 438	104 506	112 705
95	P	24 520	1 924	66 386	12 747	2 748	10 562	23 677	62 651	130 374	113 852
96	P	29 093	2 359	70 961	13 473	3 501	13 149	30 760	68 933	133 767	130 814
97	P	41 169	3 186	76 841	12 983	8 421	23 354	42 611	82 474	143 483	158 193
98	Q2	P	46 541	4 187	79 565	15 047	13 854	32 012	62 836	85 516	167 226
	Q3	P	49 995	4 427	80 905	15 834	14 553	36 951	50 597	96 377	175 643
	Q4	P	53 349	5 777	82 720	17 302	17 122	52 503	64 941	92 750	160 821
99	Q1	P	60 395	5 320	84 110	16 816	20 442	67 155	67 465	102 579	186 380
	Q2	P	83 980	5 425	86 753	17 518	24 833	83 987	69 777	103 572	177 638
	Q3	P	88 569	6 946	89 035	18 814	28 317	83 614	67 551	113 804	176 980
	Q4	P	102 469	7 328	96 123	18 760	32 910	84 419	86 414	118 591	186 050
00	Q1	P	111 818	7 817	96 840	19 964	45 428	85 731	95 759	131 297	190 376
	Q2	P	128 766	8 098	107 283	21 308	51 680	91 641	90 472	134 283	186 069
	Q3	P	151 008	13 756	110 381	24 564	58 413	99 100	104 883	149 898	207 201
	Q4	P	161 104	13 968	128 260	25 062	76 253	108 019	97 712	161 283	207 141
01	Q1	P	168 704	17 665	130 765	26 973	78 659	118 136	99 516	168 483	217 840
	Q2	P	181 113	19 295	137 329	32 140	77 836	134 407	103 990	174 872	208 678

SPANISH INVESTMENT ABROAD



FOREIGN INVESTMENT IN SPAIN



Source: BE.

Nota: See footnote to Indicator 7.6

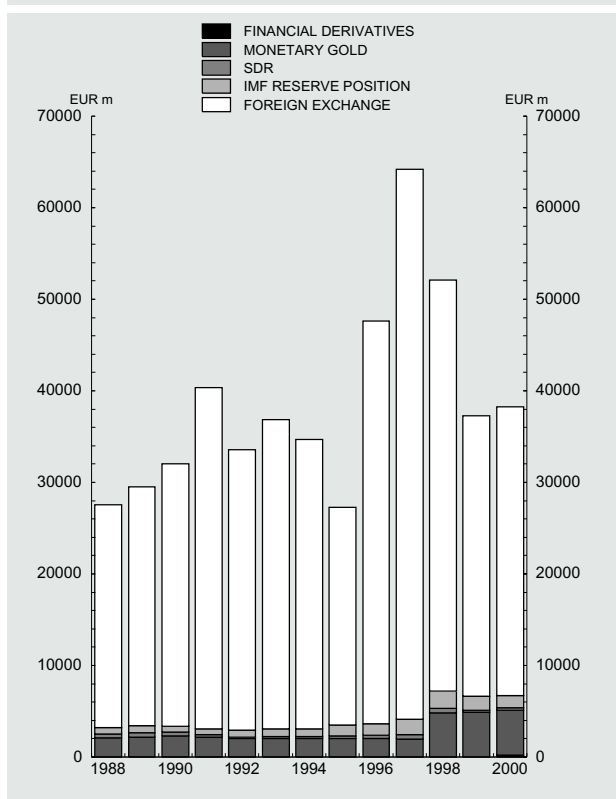
7.8. Spanish reserve assets

■ Series depicted in chart.

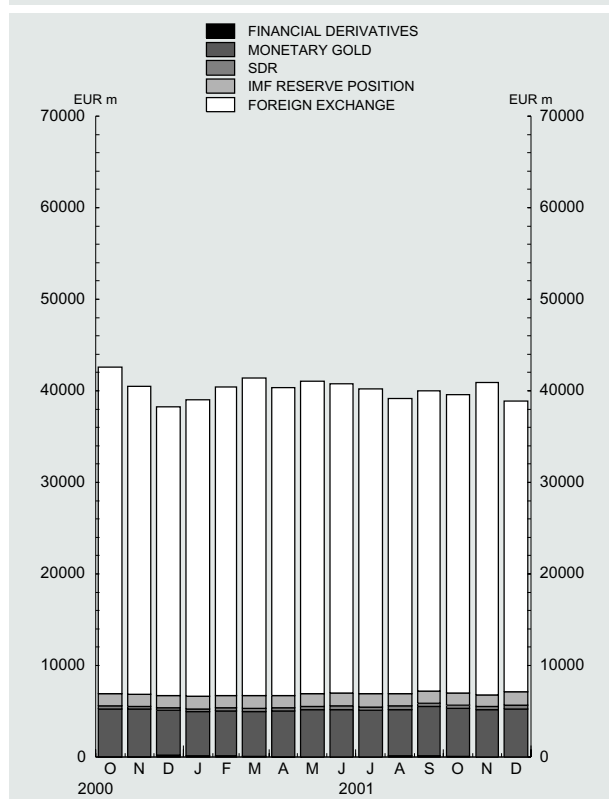
EUR millions

	Reserve assets						Memorandum item: gold
	Total	Foreign exchange	Reserve position in the IMF	SDRs	Monetary gold	Financial derivatives	Millions of troy ounces
	1	2	3	4	5	6	7
97	64 174	60 017	1 735	432	1 990	...	15.6
98	52 095	44 914	1 876	492	4 814	...	19.5
99	R 37 288	30 639	1 517	259	4 873	...	16.8
00							
Jul	42 243	35 573	1 349	293	5 029	-1	16.8
Aug	42 393	35 516	1 344	314	5 229	-11	16.8
Sep	42 750	35 811	1 356	317	5 263	4	16.8
Oct	42 568	35 653	1 343	326	5 252	-7	16.8
Nov	40 503	33 651	1 304	329	5 202	17	16.8
Dec	38 234	31 546	1 271	312	4 931	175	16.8
01							
Jan	39 001	32 339	1 383	347	4 775	157	16.8
Feb	40 438	33 706	1 337	361	4 878	156	16.8
Mar	41 380	34 673	1 366	369	4 936	35	16.8
Apr	40 362	33 628	1 342	369	4 992	31	16.8
May	41 025	34 095	1 384	394	5 315	-163	16.8
Jun	40 776	33 817	1 375	391	5 356	-163	16.8
Jul	40 200	33 310	1 436	383	5 105	-34	16.8
Aug	39 147	32 237	1 346	384	5 037	143	16.8
Sep	39 971	32 735	1 348	385	5 361	143	16.8
Oct	39 608	32 639	1 273	386	5 209	100	16.8
Nov	40 895	34 083	1 253	397	5 177	-15	16.8
Dec	38 865	31 727	1 503	398	5 301	-63	16.8

RESERVE ASSETS
END-OF-YEAR POSITIONS



RESERVE ASSETS
END-OF-MONTH POSITIONS



Source: BE.

Note: From January 1999 the assets denominated in euro and other currencies vis-à-vis residents of other euro area countries are not considered reserve assets. To December 1998, data in pesetas have been converted to euro using the irrevocable euro conversion rate. Since January 1999, all reserve assets are valued at market prices. As of January 2000 reserve assets data have been compiled in accordance with the IMF's new methodological guidelines published in the document 'Data Template on International Reserves and Foreign Currency Liquidity. Operational Guidelines', October 1999 (<http://dsbb.imf.org/guide.htm>). Using this new definition, total reserve assets as at 31.12.99 would have been EUR 37835 million instead of the amount of EUR 37288 million published in this table.

8.1.a Consolidated balance sheet of the Eurosystem. Net lending to credit institutions and its counterparts

Average of daily data, EUR millions

	Net lending							Counterparts							
Total	Open market operations					Standing facilities		Autonomous factors					Other liabilities (net) in euro	Actual reserves of credit institutions	Debt certificates
	Main refinancing operations	Longer-term refinancing operations	Fine-tuning and structural reverse operations (net)	Other	Marginal lending facility	Deposit facility	Total	Bank-notes	Net liabilities to general government	Gold and net assets in foreign currency	Other (net)				
	1=2+3+4 +5+6-7	2	3	4	5	6	7	8=9+10 -11+12	9	10	11	12	13	14	15
00 Jul	219 147	159 998	59 193	-	36	178	257	95 957	357 923	-8 299	382 268	128 602	3 132	113 793	6 265
Aug	219 301	164 697	54 697	-	31	206	330	96 967	357 866	-8 729	381 909	129 740	3 369	112 700	6 265
Sep	224 314	174 667	49 523	-	86	259	221	101 026	354 492	-3 929	380 427	130 890	3 700	113 403	6 184
Oct	222 895	177 500	44 999	-	38	469	110	97 550	354 053	-12 414	402 844	158 756	5 425	115 345	4 574
Nov	233 215	188 182	45 001	-	24	232	224	107 249	352 259	-5 446	396 723	157 159	6 951	115 159	3 856
Dec	260 769	215 427	45 000	-	77	560	294	131 026	365 743	325	393 893	158 851	7 529	118 430	3 784
01 Jan	247 374	201 537	46 087	-1	17	319	586	117 652	363 951	-13 398	380 535	147 633	6 587	119 351	3 784
Feb	238 812	185 273	49 998	-	24	3 973	455	107 849	353 929	-15 882	377 063	146 865	5 224	121 954	3 784
Mar	238 441	183 318	55 372	-	39	135	423	109 667	352 208	-17 787	375 043	150 290	4 027	120 962	3 784
Apr	229 862	165 306	59 111	3 476	-133	2 327	225	99 619	355 019	-23 209	385 360	153 170	3 349	123 110	3 784
May	216 975	145 390	59 100	12 695	17	502	728	86 393	351 862	-31 136	384 447	150 115	3 510	123 288	3 784
Jun	221 839	162 810	59 186	-	32	234	423	90 024	350 643	-26 346	384 827	150 553	3 536	124 496	3 784
Jul	222 461	162 582	60 000	-	15	192	328	86 136	350 371	-27 870	402 490	166 126	3 129	129 413	3 784
Aug	219 323	159 304	60 001	-	40	145	167	85 322	344 357	-22 214	401 876	165 055	3 101	127 116	3 784
Sep	210 473	144 849	60 001	5 489	13	415	294	73 426	332 632	-25 866	401 039	167 699	4 839	128 425	3 784
Oct	196 978	135 917	60 003	-	29	1 148	119	64 306	322 028	-25 374	386 460	154 112	3 102	125 785	3 784
Nov	191 240	124 123	60 001	7 227	-2	247	356	59 298	306 718	-23 598	384 531	160 709	2 891	126 074	2 977
Dec	192 933	127 422	60 001	5 579	6	375	450	57 373	295 317	-30 747	383 648	176 451	3 502	129 119	2 939

8.1.b Balance sheet of the Banco de España. Net lending to credit institutions and its counterparts

Average of daily data, EUR millions

	Net lending							Counterparts										
Total	Open market operations					Standing facilities		Autonomous factors					Other liabilities (net) in euro			Actual reserves of credit institutions	Banco de España certificates	
	Main refinancing operations	Longer-term refinancing operations	Fine-tuning and structural reverse operations (net)	Other	Marginal lending facility	Deposit facility	Total	Bank-notes	Net liabilities to general government	Gold and net assets in foreign currency	Other (net)	Total	Of euro area residents	Rest				
1=2+3+4 +5+6-7	2	3	4	5	6	7	8=9+10 -11+12	9	10	11	12	13=14+ +15	14	15	16	17		
00 Jul	17 202	12 255	4 952	-	-	-	5 33 558	56 029	6 144	43 217	14 602	-27 586	-23 955	-3 631	9 538	1 691		
Aug	14 310	10 804	3 510	-	1	-	5 37 330	55 879	9 892	43 188	14 748	-33 929	-24 482	-9 447	9 218	1 691		
Sep	12 370	10 285	2 087	-	1	-	3 35 716	55 407	8 285	42 797	14 821	-34 195	-30 173	-4 021	9 238	1 610		
Oct	11 619	9 443	2 178	-	1	0	4 39 571	55 218	10 789	44 887	18 451	-37 256	-33 855	-3 401	9 304	-		
Nov	13 248	11 175	2 066	-	6	-	0 50 524	54 429	23 221	43 399	16 272	-46 643	-38 553	-8 090	9 367	-		
Dec	14 053	12 563	1 475	-	12	4	1 47 160	55 989	17 561	42 842	16 453	-42 747	-42 739	-8	9 640	-		
01 Jan	13 999	12 119	1 905	-	11	-	36 44 794	54 883	16 726	41 316	14 502	-40 924	-40 950	26	10 128	-		
Feb	11 608	8 996	2 206	-	2	407	2 34 508	53 423	9 818	41 144	12 412	-32 916	-32 959	43	10 015	-		
Mar	12 807	10 558	2 240	-	9	-	0 26 402	53 199	1 569	41 199	12 832	-23 596	-23 642	46	10 002	-		
Apr	14 119	10 690	2 847	378	0	210	6 28 642	53 804	2 323	42 564	15 079	-24 623	-24 688	66	10 099	-		
May	15 932	11 995	2 468	1 379	-2	91	- 29 834	52 783	3 402	41 724	15 372	-24 365	-24 456	91	10 463	-		
Jun	15 874	13 571	2 300	-	3	-	0 31 885	52 889	4 888	41 801	15 908	-25 800	-25 888	88	9 789	-		
Jul	14 682	13 006	1 678	-	-2	-	0 30 252	53 683	2 381	43 454	17 641	-26 269	-26 325	56	10 699	-		
Aug	15 270	13 410	1 856	-	3	0	- 30 029	52 819	3 370	43 450	17 290	-25 218	-25 268	50	10 459	-		
Sep	14 418	11 620	2 492	313	-1	-	7 30 248	51 555	4 972	43 423	17 144	-26 594	-26 658	64	10 764	-		
Oct	13 202	9 587	3 378	-	26	212	- 31 156	50 469	6 663	41 695	15 719	-28 482	-28 529	47	10 529	-		
Nov	11 235	6 763	4 035	434	3	-	1 28 098	48 457	6 924	41 723	14 440	-27 599	-27 644	45	10 736	-		
Dec	11 364	8 167	2 873	319	-2	7	0 23 266	47 811	2 655	41 713	14 512	-23 233	-23 281	48	11 331	-		

Sources: ECB for Table 8.1.a and BE for Table 8.1.b.

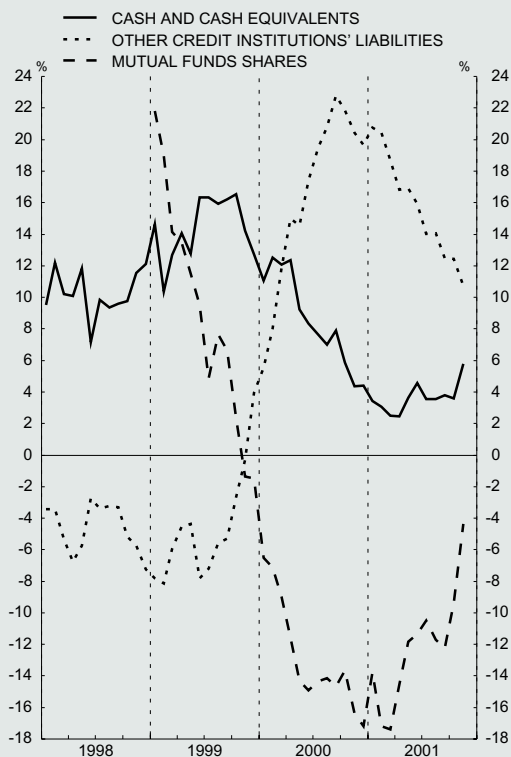
8.2 Cash and cash equivalents, other credit institutions' liabilities and mutual funds shares (a) of non-financial corporations, households and NPISHs resident in Spain

■ Series depicted in chart.

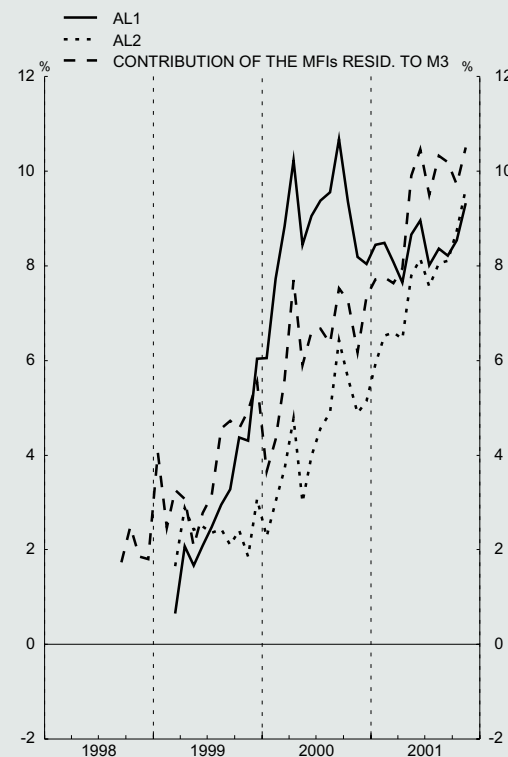
EUR millions and %

	Cash and cash equivalents					Other credit institutions' liabilities					Mutual funds shares					Memorandum items		
	Stocks	12-month % change	12-month % change			Stocks	12 month % change	12-month % change			Stocks	12-month % change	12-month % change			12-month % change		
			Cash	Sight deposits	Savings deposits (b)			Other deposits (c)	Repos + credit institutions' securities	Deposits in branches abroad			Money market funds	Fixed income mutual funds in EUR	Other mutual funds	AL1 (d)	AL2 (e)	Contribution of the MFIs resid. to M3
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
98	231 738	12.1	0.7	19.5	12.4	178 166	-7.3	-7.1	-22.4	35.4	194 352	...	...	...	...	...	...	1.8
99	261 185	12.7	8.3	14.1	13.8	185 194	3.9	11.9	-4.8	-24.3	191 469	-1.5	-17.9	-24.9	18.6	6.0	3.1	5.5
00	272 700	4.4	-0.4	9.1	2.4	221 591	19.7	25.4	11.2	-8.5	158 595	-17.2	-21.8	-33.4	-10.4	8.0	5.1	7.3
00 Aug	264 417	7.0	4.4	8.7	6.8	210 684	20.8	26.5	13.6	-2.5	169 860	-14.1	-22.2	-42.9	0.7	9.5	4.9	6.4
Sep	270 908	7.9	4.2	12.0	5.8	214 533	22.8	27.2	18.7	2.0	166 510	-14.7	-23.1	-40.5	-1.6	10.7	6.4	7.5
Oct	264 195	5.9	2.7	9.3	4.2	215 430	21.9	26.2	14.0	5.0	165 205	-13.6	-23.0	-38.3	-1.2	9.4	5.6	7.3
Nov	263 862	4.4	2.2	8.2	1.8	219 099	20.4	25.0	9.2	8.1	160 071	-16.4	-22.8	-36.2	-7.3	8.2	4.9	6.2
Dec	272 700	4.4	-0.4	9.1	2.4	221 591	19.7	25.4	11.2	-8.5	158 595	-17.2	-21.8	-33.4	-10.4	8.0	5.1	7.3
01 Jan	263 790	3.4	-0.3	6.7	2.1	229 298	20.8	25.4	8.2	10.6	159 035	-13.8	-18.6	-30.0	-7.2	8.4	5.9	7.7
Feb	264 691	3.1	-0.6	6.3	1.7	229 906	20.4	25.9	3.2	10.3	153 973	-17.2	-14.8	-23.8	-16.2	8.5	6.5	7.8
Mar	267 137	2.5	-1.6	5.5	1.5	233 212	18.7	25.3	3.1	-2.7	151 780	-17.4	-9.0	-18.2	-19.8	8.1	6.6	7.6
Apr	268 056	2.4	-2.8	5.6	2.0	234 401	16.8	24.4	-1.5	-7.4	154 104	-14.5	-5.8	-14.1	-17.4	7.6	6.5	7.9
May	267 529	3.6	-3.4	7.1	3.8	235 807	16.9	24.1	-1.6	-5.3	153 577	-11.8	-1.7	-8.1	-15.9	8.7	7.8	9.9
Jun	280 686	4.6	-4.4	8.5	5.1	236 151	15.9	22.8	-1.9	-6.5	151 982	-11.3	2.0	-7.1	-16.5	9.0	8.1	10.5
Jul	278 702	3.6	-5.6	6.7	5.1	235 642	14.0	21.6	-5.2	-12.1	151 191	-10.5	6.7	-1.4	-17.8	8.0	7.6	9.5
Aug	273 853	3.6	-6.4	7.2	5.1	240 351	14.1	21.6	-2.5	-15.7	149 948	-11.7	10.3	1.7	-21.4	8.4	8.0	10.3
Sep	281 194	3.8	-8.5	7.1	6.6	241 273	12.5	20.3	-2.5	-20.8	146 106	-12.3	17.1	5.9	-25.1	8.2	8.1	10.2
Oct	P 273 697	3.6	-10.1	7.8	6.4	242 247	12.4	18.3	1.3	-15.4	149 676	-9.4	23.2	12.8	-23.9	8.5	8.7	9.7
Nov	P 279 072	5.8	-12.7	10.4	10.3	242 607	10.7	17.0	1.1	-23.4	153 119	-4.3	29.5	15.8	-19.3	9.3	9.6	10.5

NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHs
Annual percentage change



NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHs
Annual percentage change



Source: BE.

(a) This concept refers to the instruments included in the headings of the table, issued by resident credit institutions and mutual funds. The exception is column 10, which includes deposits in Spanish bank branches abroad. The quarterly data are only partially estimated, as full information is not available.

(b) Deposits redeemable at up to and including 3 months' notice.

(c) Deposits redeemable at over 3 months' notice and time deposits.

(d) Defined as cash and cash equivalents, other credit institutions' liabilities and money market fund shares.

(e) Defined as AL1 plus fixed income mutual fund shares in euro.

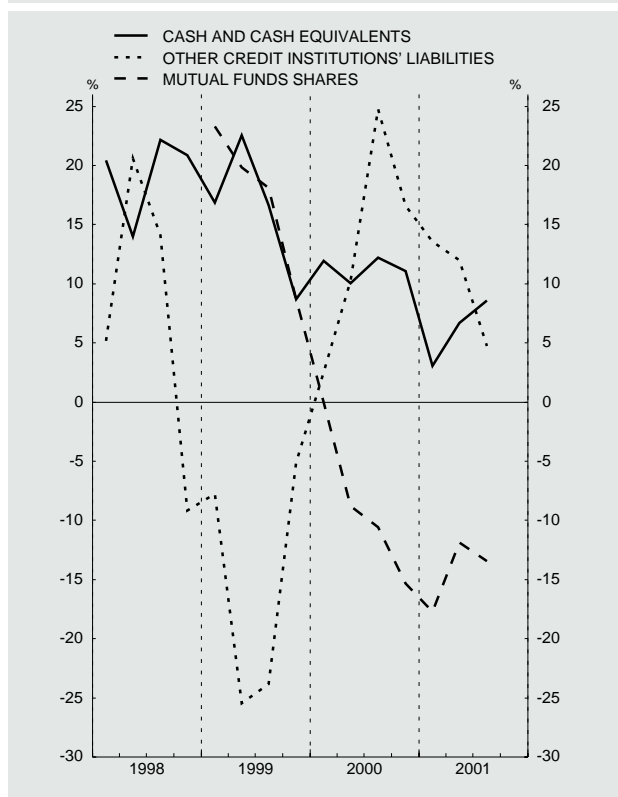
8.3 Cash and cash equivalents, other credit institutions' liabilities and mutual funds shares (a) of non-financial corporations resident in Spain

■ Series depicted in chart.

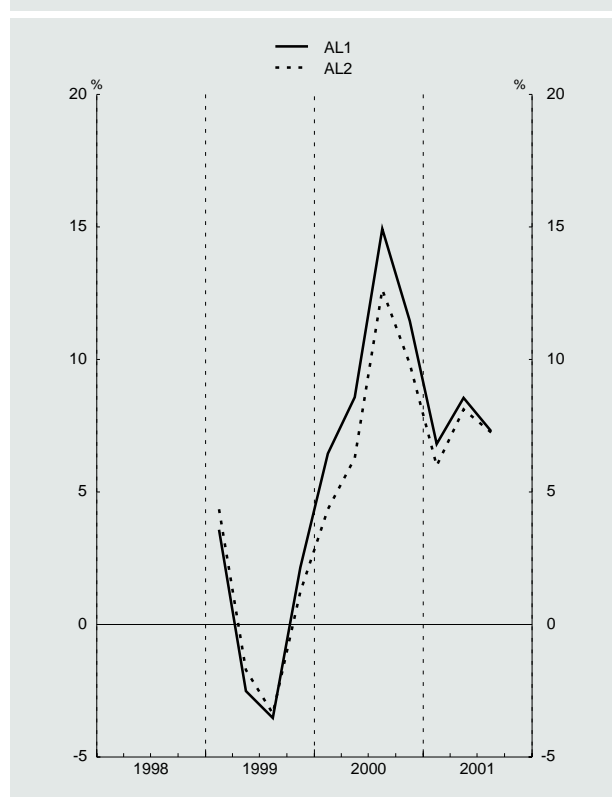
EUR millions and %

	Cash and cash equivalents				Other credit institutions' liabilities				Mutual funds shares					Memorandum items	
	Stocks	4- quar- ter % chan- ge	4-quarter % change		Stocks	4- quar- ter % chan- ge	4-quarter % change		Stocks	4- quar- ter % chan- ge	4-quarter % change			4-quarter % change	
			Cash and shigt depo- sits	Sa- ving depo- sits (b)			Other depo- sits (c)	Repos + credit instit.' securit.+ dep. in branches abroad			Money market funds	Fixed income mutual funds in EUR	Other mutual funds	AL1 (d)	AL2 (e)
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
98	45 611	20.9	21.5	5.2	34 521	-9.2	6.7	-12.4	16 550	...	...	...	...	...	...
99	49 565	8.7	8.8	5.2	32 765	-5.1	30.8	-14.0	17 988	8.7	-9.9	-17.2	30.7	2.1	1.2
00	55 062	11.1	11.0	13.1	38 210	16.6	45.5	5.7	15 230	-15.3	-30.5	-29.9	-5.6	11.4	9.8
98 Q3	41 944	22.2	21.6	35.2	39 851	14.1	1.9	16.6	15 157	...	...	...	...	...	...
Q4	45 611	20.9	21.5	5.2	34 521	-9.2	6.7	-12.4	16 550	...	...	...	...	...	...
99 Q1	45 063	16.8	17.4	4.2	33 918	-7.8	19.9	-13.5	17 641	23.3	-17.2	21.2	55.7	3.6	4.4
Q2	50 433	22.5	23.8	-3.5	31 915	-25.4	13.3	-32.6	18 048	19.8	-13.9	16.7	42.1	-2.5	-1.7
Q3	48 917	16.6	18.0	-12.2	30 345	-23.9	30.4	-33.5	17 902	18.1	-11.8	0.2	45.9	-3.5	-3.4
Q4	49 565	8.7	8.8	5.2	32 765	-5.1	30.8	-14.0	17 988	8.7	-9.9	-17.2	30.7	2.1	1.2
00 Q1	50 447	11.9	12.2	6.3	34 767	2.5	37.8	-7.6	17 640	-0.0	-23.3	-34.1	26.1	6.5	4.4
Q2	55 502	10.1	10.2	6.3	35 191	10.3	55.0	-3.6	16 461	-8.8	-26.0	-38.6	10.8	8.6	6.3
Q3	54 901	12.2	12.4	7.6	37 856	24.8	58.7	13.0	16 006	-10.6	-30.1	-35.9	6.1	14.9	12.6
Q4	55 062	11.1	11.0	13.1	38 210	16.6	45.5	5.7	15 230	-15.3	-30.5	-29.9	-5.6	11.4	9.8
01 Q1	51 997	3.1	2.8	10.6	39 487	13.6	38.7	2.9	14 513	-17.7	-9.0	-18.2	-19.8	6.8	6.0
Q2	59 219	6.7	6.6	8.3	39 413	12.0	27.5	4.3	14 504	-11.9	2.0	-7.1	-16.5	8.6	8.1
Q3	59 612	8.6	8.5	12.1	39 658	4.8	22.9	-4.1	13 855	-13.4	17.1	5.9	-25.1	7.3	7.3

NON-FINANCIAL CORPORATIONS
Annual percentage change



NON-FINANCIAL CORPORATIONS
Annual percentage change



Source: BE.

(a) This concept refers to the instruments included in the headings of the table, issued by resident credit institutions and mutual funds. The exception is column 8, which includes deposits in Spanish bank branches abroad. The quarterly data are only partially estimated, as full information is not available.

(b) Deposits redeemable at up to and including 3 months' notice.

(c) Deposits redeemable at over 3 months' notice and time deposits.

(d) Defined as cash and cash equivalents, other credit institutions' liabilities and money market fund shares.

(e) Defined as AL1 plus fixed income mutual fund shares in euro.

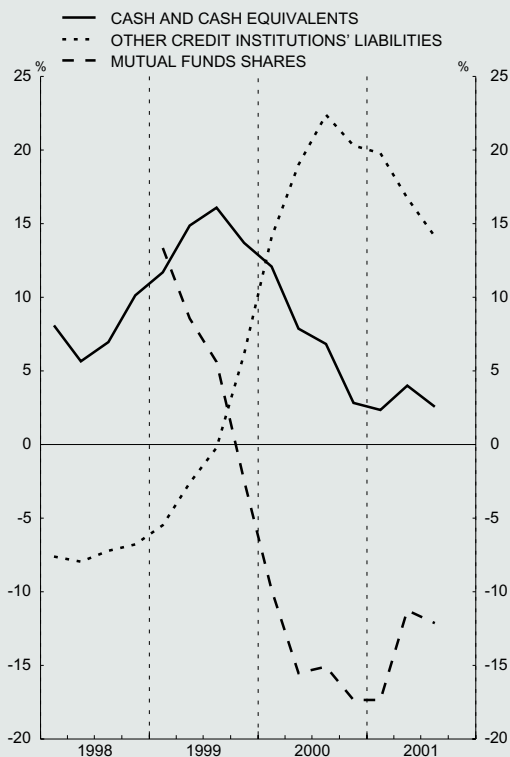
8.4 Cash and cash equivalents, other credit institutions' liabilities and mutual funds shares (a) of households and NPISHs resident in Spain

■ Series depicted in chart.

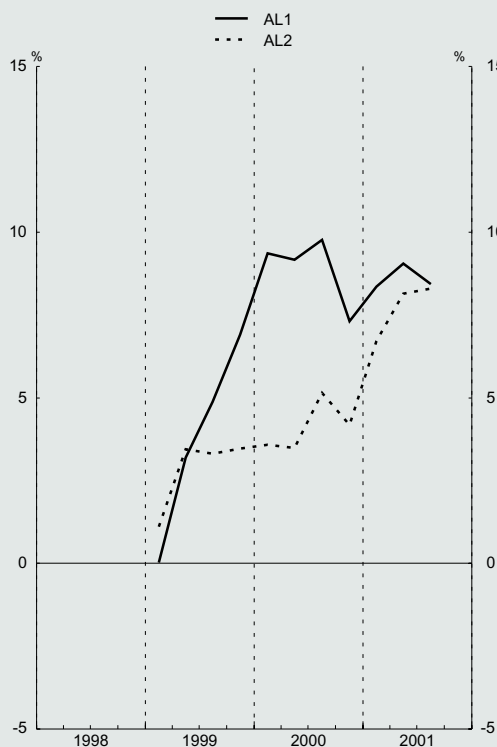
EUR millions and %

	Cash and cash equivalents					Other credit institutions' liabilities				Mutual funds shares					Memorandum items	
	Stocks	4-quarter % change	4-quarter % change			Stocks	4-quarter % change	4-quarter % change		Stocks	4-quarter % change	4-quarter % change			4-quarter % change	
			Cash	Shigt deposits	Saving deposits (b)			Other deposits (c)	Repos + credit instit. securit. + dep. in branches abroad			Money market funds	Fixed income mutual funds in EUR	Other mutual funds	AL1 (d)	AL2 (e)
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
98	186 127	10.1	0.9	16.8	12.6	143 645	-6.8	-7.8	-3.0	177 802	...	...	...	...	...	...
99	211 620	13.7	8.3	19.0	13.9	152 428	6.1	10.7	-10.4	173 481	-2.4	-18.6	-25.6	17.5	6.9	3.5
00	217 638	2.8	-0.4	7.1	2.2	183 381	20.3	24.0	4.2	143 366	-17.4	-21.0	-33.8	-10.9	7.3	4.2
98 Q3	174 110	7.0	0.9	10.5	8.9	144 656	-7.2	-10.4	5.7	167 781	...	...	...	...	...	...
Q4	186 127	10.1	0.9	16.8	12.6	143 645	-6.8	-7.8	-3.0	177 802	...	...	...	...	...	...
99 Q1	187 549	11.7	2.9	19.1	13.2	141 702	-5.5	-4.4	-9.5	184 213	13.3	-21.4	10.7	42.2	0.0	1.1
Q2	197 368	14.9	4.5	20.6	18.0	141 637	-2.6	0.5	-13.1	183 390	8.6	-20.4	5.6	28.5	3.2	3.4
Q3	202 164	16.1	6.2	23.8	17.9	144 356	-0.2	4.0	-14.4	177 211	5.6	-20.5	-10.1	30.8	4.9	3.3
Q4	211 620	13.7	8.3	19.0	13.9	152 428	6.1	10.7	-10.4	173 481	-2.4	-18.6	-25.6	17.5	6.9	3.5
00 Q1	210 227	12.1	6.0	17.1	12.7	161 692	14.1	18.7	-3.1	166 061	-9.9	-19.1	-42.5	10.0	9.4	3.6
Q2	212 946	7.9	6.2	9.7	7.8	168 544	19.0	22.7	4.3	154 957	-15.5	-20.0	-45.0	-0.7	9.2	3.5
Q3	216 007	6.8	4.2	11.4	5.8	176 677	22.4	25.1	11.1	150 505	-15.1	-22.4	-41.0	-2.3	9.8	5.2
Q4	217 638	2.8	-0.4	7.1	2.2	183 381	20.3	24.0	4.2	143 366	-17.4	-21.0	-33.8	-10.9	7.3	4.2
01 Q1	215 140	2.3	-1.6	7.7	1.4	193 725	19.8	24.3	-0.7	137 266	-17.3	-9.0	-18.2	-19.8	8.4	6.7
Q2	221 467	4.0	-4.4	10.1	5.0	196 739	16.7	22.4	-9.8	137 478	-11.3	2.0	-7.1	-16.5	9.0	8.1
Q3	221 581	2.6	-8.5	5.4	6.5	201 615	14.1	20.1	-13.6	132 251	-12.1	17.1	5.9	-25.1	8.4	8.3

HOUSEHOLDS AND NPISHS
Annual percentage change



HOUSEHOLDS AND NPISHS
Annual percentage change



Source: BE.

(a) This concept refers to the instruments included in the headings of the table, issued by resident credit institutions and mutual funds. The exception is column 9, which includes deposits in Spanish bank branches abroad. The quarterly data are only partially estimated, as full information is not available.

(b) Deposits redeemable at up to and including 3 months' notice.

(c) Deposits redeemable at over 3 months' notice and time deposits.

(d) Defined as cash and cash equivalents, other credit institutions' liabilities and money market fund shares.

(e) Defined as AL1 plus fixed income mutual fund shares in euro.

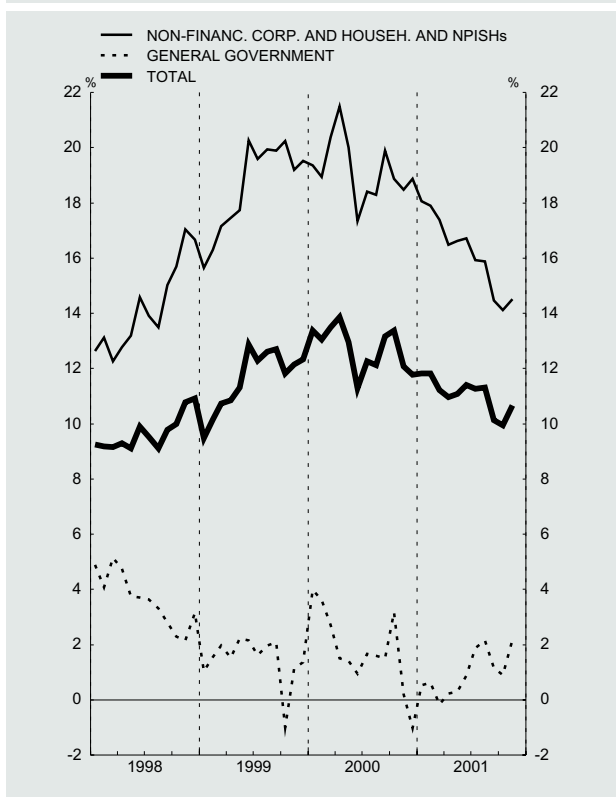
8.5 Financing of non-financial sectors resident in Spain (a)

■ Series depicted in chart.

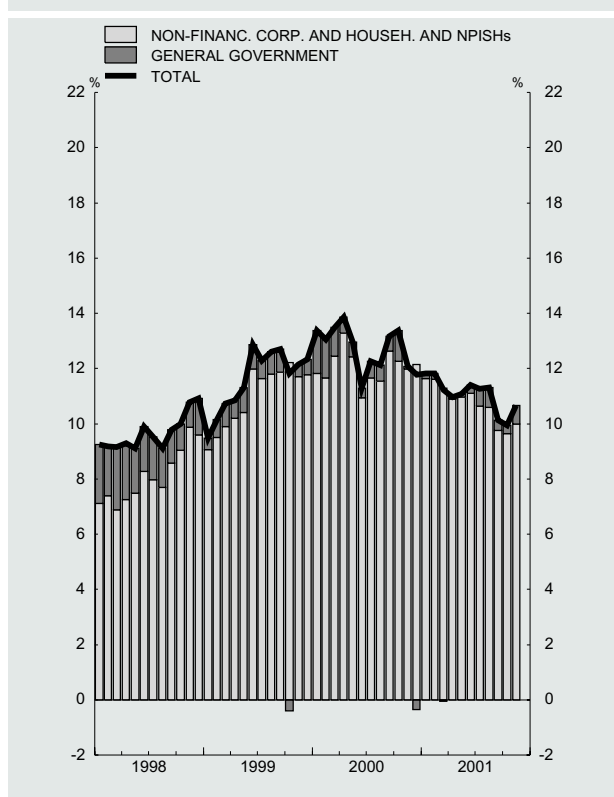
EUR millions and %

	Total			12-month % change						Contributions to col. 3					
	Stocks	Effective flow	12-month % change	General government (b)	Non-financial corporations and households and NPISHs					General government (b)	Non-financial corporations and households and NPISHs				
						Resident credit institutions' loans	Securitisation funds	Securities other than shares	External loans			Resident credit institutions' loans	Securitisation funds	Securities other than shares	External loans
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
98	778 083	14 164	10.9	3.2	16.7	16.1	55.3	0.3	23.3	1.3	9.6	7.9	0.5	0.0	1.2
99	876 725	17 224	12.3	1.4	19.5	16.4	66.4	19.2	36.8	0.5	11.8	8.4	0.8	0.4	2.2
00	982 708	16 937	11.8	-1.0	18.9	17.9	41.0	-12.7	29.9	-0.4	12.1	9.4	0.7	-0.3	2.3
00 Aug	942 825	-1 992	12.1	1.6	18.3	17.2	50.5	-8.9	27.1	0.6	11.5	8.9	0.9	-0.2	2.0
Sep	963 133	18 648	13.2	1.5	19.9	18.4	33.4	-9.3	36.6	0.5	12.6	9.6	0.6	-0.2	2.7
Oct	962 629	-677	13.4	3.2	18.9	16.9	37.8	-9.8	37.2	1.1	12.3	9.0	0.7	-0.2	2.8
Nov	965 578	3 231	12.1	0.2	18.5	18.0	29.8	-14.2	29.0	0.1	12.0	9.5	0.6	-0.3	2.3
Dec	982 708	16 937	11.8	-1.0	18.9	17.9	41.0	-12.7	29.9	-0.4	12.1	9.4	0.7	-0.3	2.3
01 Jan	994 407	12 161	11.8	0.5	18.1	15.9	40.0	-3.8	34.2	0.2	11.6	8.4	0.7	-0.1	2.6
Feb	994 423	-160	11.8	0.6	17.9	15.9	27.2	2.9	32.2	0.2	11.6	8.4	0.6	0.1	2.6
Mar	1 008 668	12 505	11.2	-0.2	17.4	15.2	26.7	-0.9	34.8	-0.1	11.3	8.0	0.5	-0.0	2.8
Apr	1 011 657	3 935	11.0	0.2	16.5	13.8	28.2	-3.8	37.0	0.1	10.9	7.4	0.6	-0.1	3.0
May	1 020 853	7 326	11.1	0.3	16.6	14.4	23.8	-2.8	34.1	0.1	11.0	7.7	0.5	-0.1	2.8
Jun	1 040 591	20 265	11.4	0.9	16.7	15.0	12.4	-4.7	35.1	0.3	11.1	8.1	0.3	-0.1	2.9
Jul	1 054 656	14 130	11.3	1.9	15.9	13.7	16.2	4.1	32.9	0.6	10.6	7.4	0.4	0.1	2.8
Aug	1 053 120	-1 733	11.3	2.1	15.9	14.0	14.4	7.5	30.2	0.7	10.6	7.5	0.3	0.1	2.6
Sep	1 063 234	9 676	10.1	1.2	14.5	13.6	27.6	5.4	18.4	0.4	9.8	7.3	0.6	0.1	1.7
Oct	P 1 060 540	-2 629	9.9	0.9	14.1	13.2	26.7	5.7	18.1	0.3	9.6	7.2	0.6	0.1	1.8
Nov	P 1 071 041	10 567	10.7	2.2	14.5	12.8	25.5	12.6	22.2	0.7	10.0	7.1	0.5	0.2	2.1

FINANCING OF NON-FINANCIAL SECTORS
Annual percentage change



FINANCING OF NON-FINANCIAL SECTORS
Contributions to the annual percentage change



Source: BE.

GENERAL NOTE: Tables 8.2 to 8.6 were revised in September 2000, to take into account the criteria used to compile the Financial Accounts of the Spanish economy in accordance with ESA 95 (see the box appearing in the article "Evolución reciente de la economía española" in the September 2000 edition of the Boletín Económico).

(a) The 12-month % changes are calculated as the effective flow of the period / the stock at the beginning of the period. As full information is only available for the end of each calendar quarter, the data for the intervening months are partially estimated and revised when final quarterly data become available.

(b) Total liabilities less deposits.

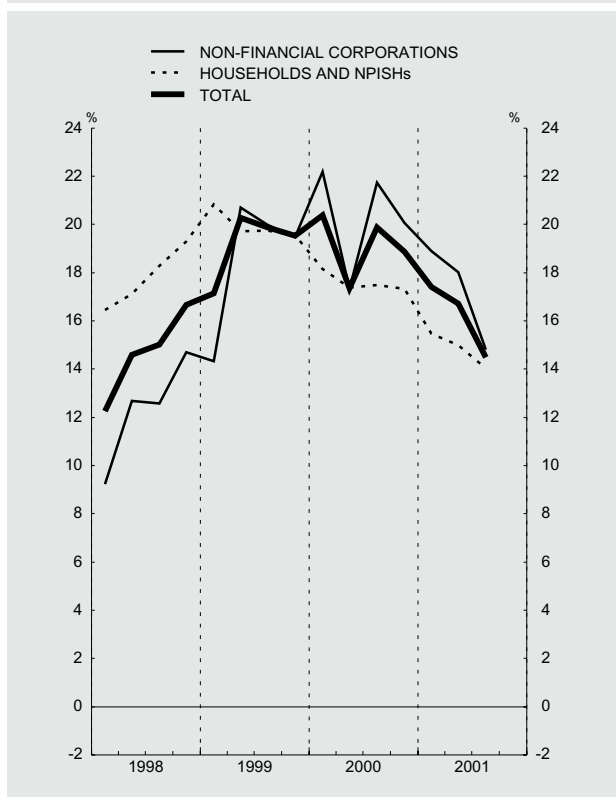
8.6. Financing of non-financial corporations, households and NPISHs resident in Spain (a)

■ Series depicted in chart.

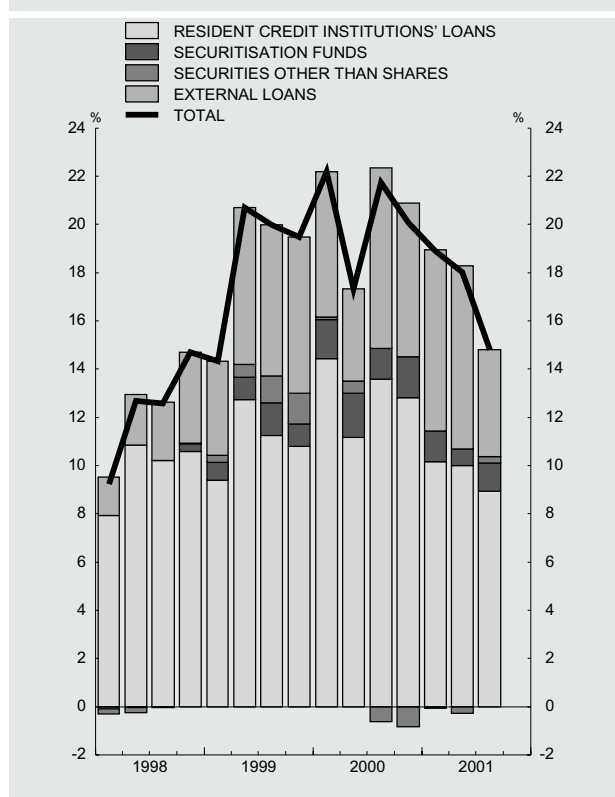
EUR millions and %

	Non-financial corporations														Households and NPISHs		
	Total			Resident credit institutions' loans			Financing by securitisation funds		Securities other than shares			External loans			Stocks	Effective flow	4-quarter % change
	Stocks	Effective flow	4-quarter % change	Stocks	4-quarter % change	Contribution to col.3	Stocks (b)	4-quarter % change	Stocks	4-quarter % change	Contribution to col.3	Stocks	4-quarter % change	Contribution to col.3			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
98	263 935	33 973	14.7	194 662	14.2	10.6	5 610	15.6	17 484	0.3	0.0	46 179	23.5	3.8	205 910	33 509	19.3
99	318 845	51 420	19.5	222 321	14.7	10.8	8 052	43.5	20 843	19.2	1.3	67 630	37.0	6.5	245 453	40 289	19.6
00	386 028	63 934	20.1	262 564	18.4	12.8	13 437	66.9	18 194	-12.7	-0.8	91 833	30.0	6.4	287 430	42 525	17.3
98 Q3	251 517	7 012	12.6	186 200	13.9	10.2	4 787	-2.1	17 344	0.0	0.0	43 185	14.5	2.4	196 227	5 202	18.3
Q4	263 935	12 087	14.7	194 662	14.2	10.6	5 610	15.6	17 484	0.3	0.0	46 179	23.5	3.8	205 910	9 991	19.3
99 Q1	267 824	3 369	14.3	192 523	12.8	9.4	6 556	37.7	18 378	3.8	0.3	50 367	22.9	3.9	216 510	10 751	20.8
Q2	297 901	28 397	20.7	211 460	17.2	12.7	7 182	47.5	18 301	7.6	0.5	60 958	37.9	6.5	228 187	11 810	19.7
Q3	303 695	6 420	20.0	213 560	15.2	11.2	8 206	71.4	20 158	16.2	1.1	61 771	36.5	6.3	234 204	6 208	19.8
Q4	318 845	13 234	19.5	222 321	14.7	10.8	8 052	43.5	20 843	19.2	1.3	67 630	37.0	6.5	245 453	11 521	19.6
00 Q1	331 103	11 394	22.2	230 415	20.1	14.4	10 871	65.8	18 663	1.5	0.1	71 153	32.1	6.0	255 138	9 776	18.2
Q2	351 746	20 551	17.3	243 878	15.7	11.2	12 622	75.7	19 774	8.0	0.5	75 471	18.7	3.8	267 121	12 168	17.4
Q3	374 647	20 822	21.7	254 012	19.3	13.6	12 086	47.3	18 285	-9.3	-0.6	90 264	36.8	7.5	274 464	7 484	17.5
Q4	386 028	11 167	20.1	262 564	18.4	12.8	13 437	66.9	18 194	-12.7	-0.8	91 833	30.0	6.4	287 430	13 096	17.3
01 Q1	397 553	10 010	18.9	263 422	14.6	10.2	15 098	38.9	18 490	-0.9	-0.1	100 542	35.0	7.5	294 056	6 688	15.5
Q2	419 441	21 359	18.0	278 467	14.4	10.0	15 108	19.7	18 848	-4.7	-0.3	107 019	35.3	7.6	306 722	12 799	15.0
Q3	433 040	12 929	14.8	287 023	13.2	8.9	16 402	35.7	19 266	5.4	0.3	110 349	18.5	4.4	312 524	5 902	14.0

FINANCING OF NON-FINANCIAL CORP. HOUSEHOLDS AND NPISHs
Annual percentage change



FINANCING OF NON-FINANCIAL CORPORATIONS
Contributions to the annual percentage change



Source: BE.

GENERAL NOTE: Tables 8.2 to 8.6 were revised in September 2000, to take into account the criteria used to compile the Financial Accounts of the Spanish economy in accordance with ESA 95 (see the box appearing in the article "Evolución reciente de la economía española" in the September 2000 edition of the Boletín Económico).

(a) The 4-quarter % changes are calculated as the effective flow of the period / the stock at the beginning of the period.

(b) Provisional data.

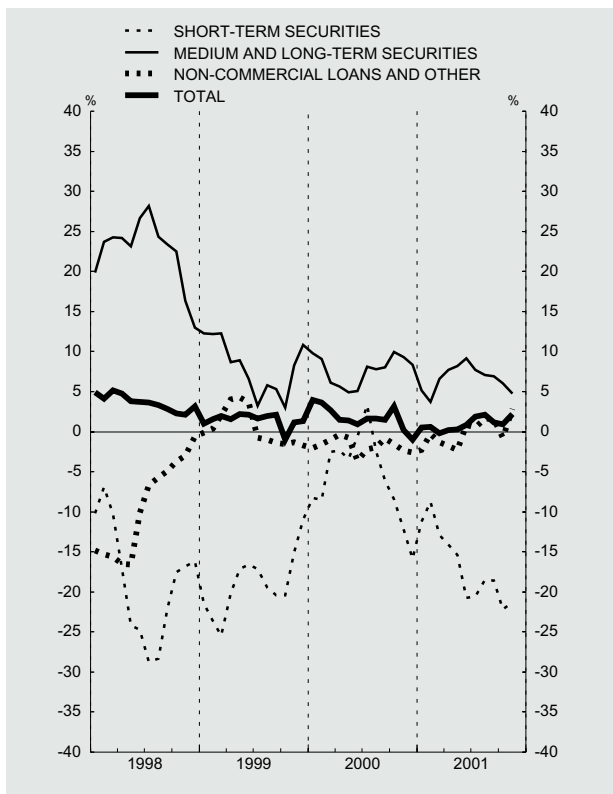
8.8. Net financing of Spain's general government

■ Series depicted in chart.

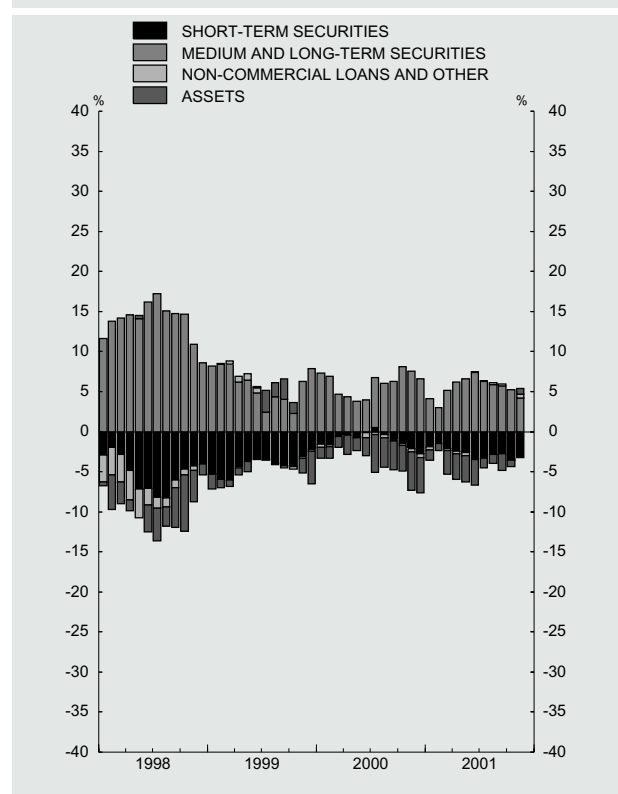
EUR millions and %

	Net financing			Monthly change in stocks							12-month % change in stocks				Contribution to 12-month % change in net stocks of liabilities			
				Liabilities				Assets			Liabilities			Assets	Liabilities			Assets
	Total	Securities		Non-commercial loans and other (a)	Deposits at the Banco de Espana	Other deposits (b)	Total	Securities		Non-commercial loans and other (a)	Total	Securities			Non-commercial loans and other (a)			
		Short-term	Medium and long-term					Short-term	Medium and long-term			Short-term	Medium and long-term					
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
98	P 308 238	9 422	3.2	13 509	-11 786	25 608	-313	1 433	2 653	4.2	-16.2	13.0	-0.6	15.6	-3.9	8.6	-0.1	-1.4
99	P 312 427	4 188	1.4	16 592	-6 700	24 218	-926	8 020	4 383	4.9	-11.0	10.9	-1.7	41.1	-2.2	7.9	-0.3	-4.0
00	A 309 250	-3 177	-1.0	10 561	-8 605	20 558	-1 392	8 319	5 419	3.0	-15.8	8.3	-2.6	32.2	-2.8	6.6	-0.4	-4.4
00 Jun	A 311 729	933	0.9	1 702	254	2 629	-1 181	1 709	-940	2.9	-0.6	5.1	-3.6	18.5	-0.1	4.0	-0.6	-2.3
Jul	A 313 221	1 492	1.7	4 059	-1 200	5 041	218	438	2 130	5.8	3.3	8.1	-2.2	44.1	0.5	6.2	-0.4	-4.7
Aug	A 314 639	1 418	1.6	-1 240	-2 836	2 164	-568	-2 477	-181	4.8	-2.4	7.8	-1.9	34.2	-0.4	6.0	-0.3	-3.7
Sep	A 314 023	-616	1.5	1 321	-1 149	2 722	-253	1 507	430	4.6	-6.1	8.0	-0.8	31.8	-1.0	6.3	-0.1	-3.6
Oct	A 305 115	-8 908	3.2	2 676	-321	3 094	-97	10 590	993	5.5	-8.4	10.0	-1.5	19.3	-1.5	8.1	-0.3	-3.2
Nov	A 301 556	-3 559	0.2	1 382	-885	2 826	-559	3 025	1 916	4.3	-12.2	9.3	-2.4	29.6	-2.1	7.5	-0.4	-4.8
Dec	A 309 250	7 695	-1.0	752	-127	642	237	-6 569	-374	3.0	-15.8	8.3	-2.6	32.2	-2.8	6.6	-0.4	-4.4
01 Jan	A 317 740	8 490	0.5	-4 654	1 392	-6 119	73	-12 435	-709	1.6	-11.2	5.2	-2.3	10.4	-1.9	4.1	-0.4	-1.3
Feb	A 313 669	-4 071	0.6	565	440	-1 044	1 169	-3 376	8 013	1.3	-8.8	3.7	-0.2	5.8	-1.5	3.0	-0.0	-0.8
Mar	A 317 059	3 390	-0.2	3 352	-1 811	5 487	-324	-2 473	2 435	2.5	-12.9	6.6	-1.3	24.5	-2.1	5.2	-0.2	-3.0
Apr	A 308 640	-8 420	0.2	-970	-581	-880	491	1 485	5 964	3.0	-14.1	7.7	-1.8	22.0	-2.4	6.2	-0.3	-3.2
May	A 311 750	3 110	0.3	2 207	-1 178	3 838	-452	1 289	-2 192	3.1	-15.4	8.2	-2.3	23.1	-2.6	6.6	-0.4	-3.3
Jun	A 314 428	2 678	0.9	3 125	-2 579	5 214	491	1 062	-614	3.5	-20.7	9.2	0.8	22.0	-3.5	7.4	0.1	-3.2
Jul	A 319 079	4 651	1.9	951	-864	1 738	78	-2 122	-1 578	2.6	-20.6	7.7	0.5	7.6	-3.4	6.3	0.1	-1.2
Aug	A 321 395	2 316	2.1	-396	-1 247	843	8	751	-3 463	2.9	-18.5	7.1	1.6	7.9	-2.8	5.8	0.3	-1.1
Sep	A 317 670	-3 726	1.2	1 055	-966	2 331	-310	2 264	2 517	2.8	-18.5	6.9	1.5	13.7	-2.8	5.7	0.3	-2.0
Oct	A 307 872	-9 798	0.9	-2 231	-1 963	1 049	-1 318	829	6 737	1.4	-22.2	6.0	-0.8	4.1	-3.4	5.2	-0.1	-0.8
Nov	A 308 092	220	2.2	679	-285	-362	1 326	-950	1 409	1.2	-21.3	4.8	2.8	-3.3	-3.2	4.2	0.5	0.7

NET FINANCING OF GENERAL GOVERNMENT
Annual percentage changes



NET FINANCING OF GENERAL GOVERNMENT
Contributions to the annual percentage change



Source: BE.

(a) Including coined money and Caja General de Depósitos.

(b) Tax collection accounts are not included.

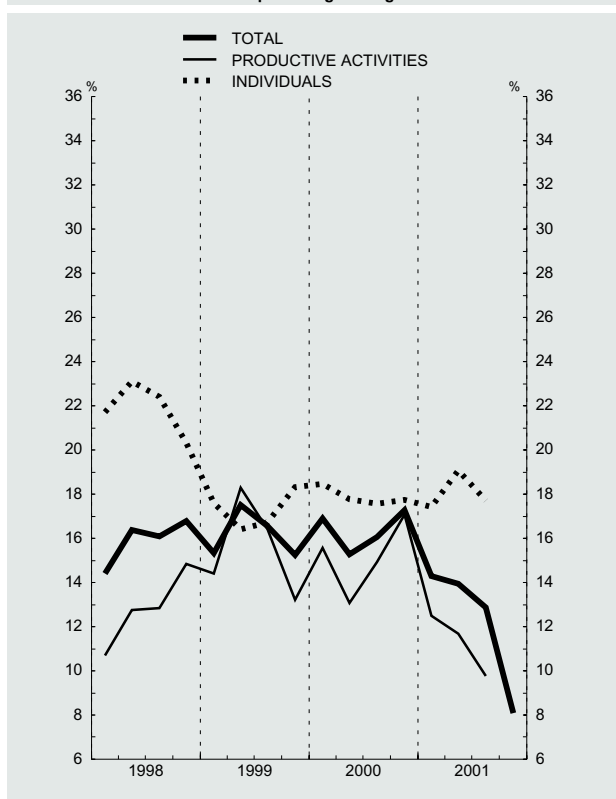
8.9 Lending of credit institutions to other resident sectors. Breakdown by end-use.

■ Series depicted in chart.

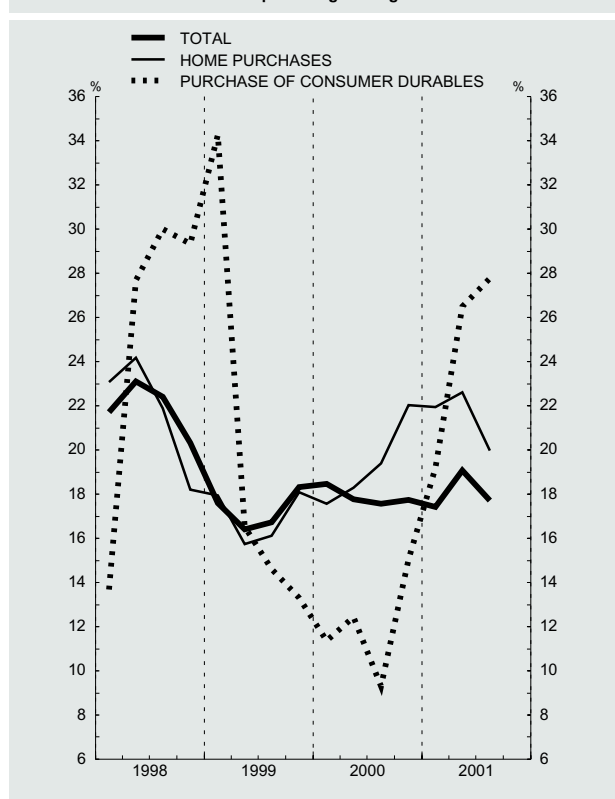
EUR millions and percentages

	Financing of productive activities						Financing of individuals						Financing of private non-profit entities	Unclassified
	Total (a)	Total	Agriculture and fisheries	Industry excluding construction	Construction	Services	Total	Home purchases and improvements			Purchases of consumer durables	Other		
								Total	Purchases	Improvements				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
98	413 854	227 867	10 358	64 321	29 270	123 919	175 008	123 254	117 474	5 780	20 625	31 130	1 780	9 199
99	476 966	257 974	11 887	71 187	35 112	139 788	207 090	145 184	138 713	6 471	23 371	38 536	2 335	9 566
00	559 407	302 034	13 141	78 588	42 627	167 679	243 837	176 653	169 280	7 372	26 885	40 299	2 342	11 194
98 Q3	394 997	215 989	10 148	61 772	28 878	115 191	169 119	119 895	114 558	5 337	19 885	29 340	1 700	8 189
Q4	413 854	227 867	10 358	64 321	29 270	123 919	175 008	123 254	117 474	5 780	20 625	31 130	1 780	9 199
99 Q1	422 286	230 441	10 882	63 078	29 912	126 569	180 905	128 195	122 399	5 795	21 342	31 368	1 851	9 089
Q2	450 810	247 982	11 456	72 624	32 527	131 375	190 331	133 924	127 879	6 045	21 824	34 583	2 039	10 457
Q3	460 355	251 442	11 512	70 933	33 369	135 628	197 421	139 265	133 034	6 231	22 789	35 366	2 060	9 432
Q4	476 966	257 974	11 887	71 187	35 112	139 788	207 090	145 184	138 713	6 471	23 371	38 536	2 335	9 566
00 Q1	493 604	266 342	11 916	73 035	37 003	144 388	214 327	150 677	143 905	6 771	23 770	39 880	2 449	10 486
Q2	519 659	280 381	12 482	73 280	39 319	155 300	224 163	158 078	151 267	6 811	24 537	41 549	2 477	12 638
Q3	534 332	288 999	12 952	75 408	41 208	159 431	232 114	165 891	158 848	7 044	24 911	41 312	2 525	10 693
Q4	559 407	302 034	13 141	78 588	42 627	167 679	243 837	176 653	169 280	7 372	26 885	40 299	2 342	11 194
01 Q1	564 120	299 581	12 764	76 144	42 368	168 306	251 694	183 189	175 505	7 684	28 331	40 175	2 215	10 629
Q2	592 071	313 118	12 946	78 850	44 684	176 638	266 945	193 438	185 460	7 978	31 034	42 472	2 264	9 745
Q3	603 049	317 262	13 215	81 899	44 957	177 191	273 224	198 747	190 559	8 188	31 826	42 651	2 282	10 280

CREDIT BY END-USE
Annual percentage changes



CREDIT TO INDIVIDUALS BY END-USE
Annual percentage changes



Source: BE.

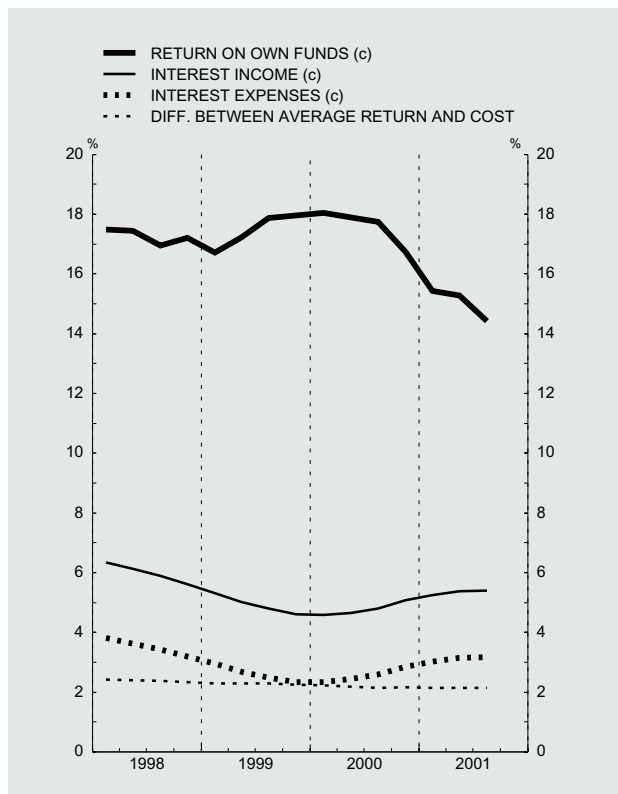
(a) Series obtained from information in the accounting statement established for the supervision of resident institutions. See the changes introduced in the October 2001 edition of the Boletín estadístico and Tables 89.53, 89.54 and 89.55 of the Boletín estadístico, which are published at www.bde.es

8.10. Profit and loss account of banks, savings banks and credit co-operatives resident in Spain

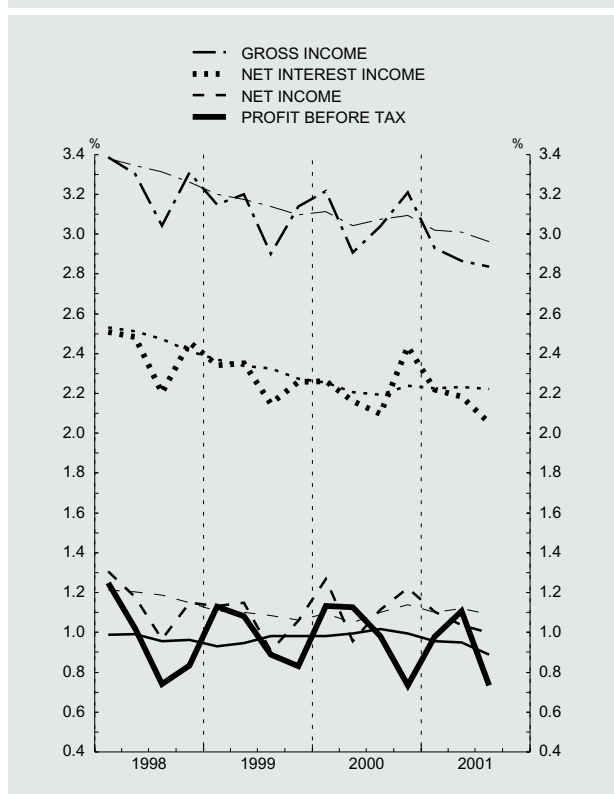
■ Series depicted in chart.

	As a percentage of the adjusted average balance sheet										Percentages			
	Interest income 1	Interest expenses 2	Net interest income 3	Non interest income and expenses 4	Gross income 5	Operating expenses: 6	Of which: Staff costs 7	Net income 8	Provisions and other income and expenses 9	Profit before tax 10	Return on own funds (a) 11	Average return on lending operations (b) 12	Average cost of borrowing operations (b) 13	Difference (12-13) 14
98	5.4	2.9	2.5	0.9	3.3	2.2	1.3	1.2	-0.8	0.8	15.6	6.0	3.7	2.3
99	4.6	2.3	2.3	0.9	3.1	2.1	1.2	1.1	-0.3	0.8	15.9	4.9	2.7	2.3
00	5.7	3.3	2.4	0.8	3.2	2.0	1.2	1.2	-0.6	0.7	11.9	5.5	3.3	2.2
98 Q3	5.3	3.1	2.2	0.8	3.0	2.1	1.3	1.0	-0.2	0.7	13.4	6.3	3.9	2.4
Q4	5.4	2.9	2.5	0.9	3.3	2.2	1.3	1.2	-0.3	0.8	15.6	6.0	3.7	2.3
99 Q1	4.8	2.5	2.3	0.8	3.1	2.0	1.2	1.1	-0.0	1.1	20.8	5.7	3.4	2.3
Q2	4.6	2.3	2.4	0.8	3.2	2.1	1.3	1.1	-0.1	1.1	19.1	5.4	3.1	2.3
Q3	4.4	2.3	2.1	0.8	2.9	2.0	1.2	0.9	-0.0	0.9	16.0	5.1	2.9	2.3
Q4	4.6	2.3	2.3	0.9	3.1	2.1	1.2	1.1	-0.2	0.8	15.9	4.9	2.7	2.3
00 Q1	4.7	2.5	2.3	1.0	3.2	1.9	1.2	1.3	-0.1	1.1	21.2	4.9	2.7	2.2
Q2	4.9	2.7	2.2	0.7	2.9	2.0	1.2	1.0	0.2	1.1	18.5	5.0	2.8	2.2
Q3	5.0	2.9	2.1	0.9	3.0	1.9	1.2	1.1	-0.1	1.0	15.4	5.2	3.0	2.1
Q4	5.7	3.3	2.4	0.8	3.2	2.0	1.2	1.2	-0.5	0.7	11.9	5.5	3.3	2.2
01 Q1	5.4	3.2	2.2	0.7	2.9	1.8	1.1	1.1	-0.1	1.0	15.9	5.7	3.5	2.1
Q2	5.4	3.2	2.2	0.7	2.9	1.8	1.1	1.0	0.1	1.1	17.9	5.8	3.7	2.1
Q3	5.1	3.0	2.1	0.8	2.8	1.8	1.1	1.0	-0.3	0.7	12.0	5.8	3.7	2.1

PROFIT AND LOSS ACCOUNT
Percentages of the adjusted average balance sheet and returns



PROFIT AND LOSS ACCOUNT
Percentages of the adjusted average balance sheet



Source: BE.

Note: The underlying series for this indicator are in Table 89.61 of the BE Boletín estadístico.

(a) Profit before tax divided by own funds (capital, reserves, and general risk fund less losses from previous financial years and intangible assets).

(b) Only those financial assets and liabilities which respectively give rise to financial income and costs have been considered to calculate the average return and cost.

(c) Average of the last four quarters.

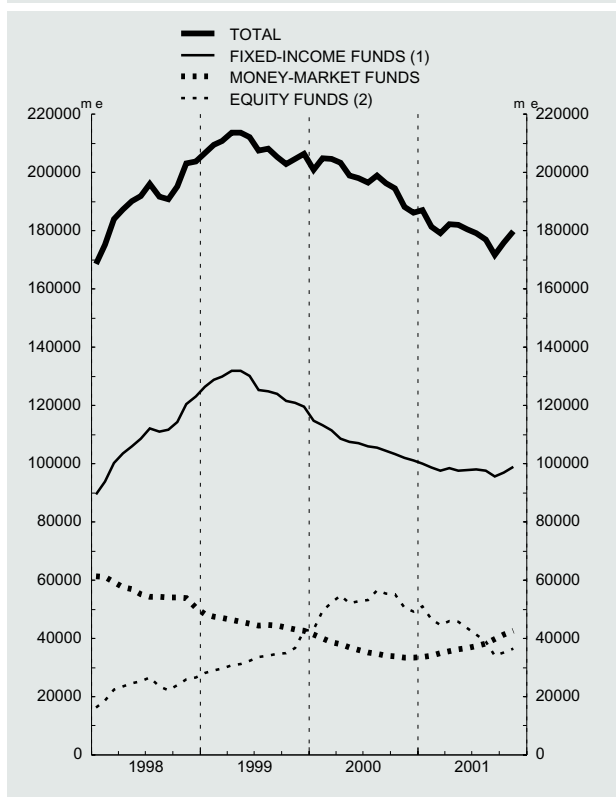
8.11. Mutual funds resident in Spain

■ Series depicted in chart.

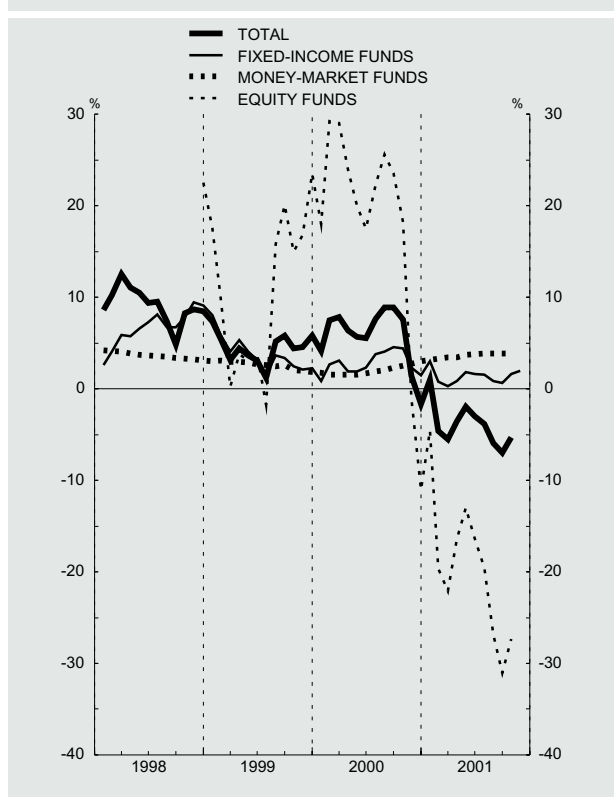
EUR millions

	Total				Money-market funds				Fixed-income funds (1)				Equity funds (2)				Others funds (3)
	Net asset value	Of which			Net asset value	Of which			Net asset value	Of which			Net asset value	Of which			Net asset value
		Monthly change	Net funds invested	Return over last 12 months		Monthly change	Net funds invested	Return over last 12 months		Monthly change	Net funds invested	Return over last 12 months		Monthly change	Net funds invested	Return over last 12 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
98	203 774	41 324	28 165	8.5	50 643	-10 454	-12 268	3.1	122 993	37 601	20 534	9.1	26 638	12 054	19 899	22.5	3 500
99	206 294	2 520	-8 496	5.8	42 598	-8 045	-8 645	1.8	119 484	-3 509	-9 601	2.2	42 716	16 078	9 750	23.5	1 496
00	186 068	-20 225	-15 408	-1.7	33 368	-9 230	-10 156	3.0	101 190	-18 294	-19 744	1.4	49 249	6 534	14 493	-11.1	2 261
00 Aug	198 994	2 447	-859	8.8	34 821	-311	-400	2.1	105 417	-483	-915	4.0	56 399	3 120	457	25.6	2 356
Sep	196 306	-2 688	-709	8.9	34 174	-647	-690	2.3	104 458	-959	-974	4.5	55 335	-1 065	955	23.6	2 340
Oct	194 509	-1 797	-1 641	7.6	33 741	-433	-530	2.5	103 202	-1 256	-1 425	4.4	55 197	-138	314	18.2	2 369
Nov	188 117	-6 392	-1 122	1.4	33 316	-425	-531	2.8	102 026	-1 176	-702	2.3	50 450	-4 747	110	-1.0	2 325
Dec	186 068	-2 049	-1 155	-1.7	33 368	52	-67	3.0	101 190	-836	-783	1.4	49 249	-1 201	-304	-11.1	2 261
01 Jan	187 104	1 036	-2 089	0.9	33 590	222	107	3.2	100 107	-1 083	-2 035	3.0	51 025	1 775	-161	-4.5	2 373
Feb	181 391	-5 713	-593	-4.6	34 037	447	355	3.3	98 603	-1 504	-627	0.7	46 523	-4 502	-322	-19.7	2 219
Mar	179 082	-2 309	-933	-5.5	34 946	909	793	3.4	97 694	-909	-829	0.3	44 637	-1 886	-897	-22.1	1 805
Apr	182 303	3 221	256	-3.6	35 595	649	567	3.5	98 491	797	189	0.8	45 831	1 194	-501	-16.5	2 385
May	182 076	-226	-480	-1.9	36 204	609	600	3.7	97 559	-932	-636	1.8	45 630	-201	-443	-13.0	2 682
Jun	180 536	-1 541	253	-3.0	36 721	516	414	3.8	97 793	234	209	1.6	43 491	-2 139	-370	-16.4	2 531
Jul	179 035	-1 501	-218	-3.8	37 347	626	511	3.8	97 915	122	-329	1.5	41 399	-2 092	-400	-19.6	2 375
Aug	176 953	-2 082	199	-6.0	38 201	854	732	3.9	97 479	-435	-349	0.9	39 007	-2 392	-184	-26.8	2 265
Sep	171 624	-5 329	-1 442	-7.0	39 723	1 523	1 395	3.9	95 629	-1 851	-1 113	0.7	33 974	-5 033	-1 724	-31.0	2 298
Oct	175 729	4 105	1 434	-5.3	41 247	1 524	1 365	3.8	96 841	1 213	205	1.6	35 273	1 299	-136	-27.4	2 367
Nov	P 179 690	3 961	-	...	42 594	1 347	-	...	98 804	1 963	...	2.0	36 413	1 140	...	...	1 878

NET ASSET VALUE



RETURN OVER LAST 12 MONTHS



Sources: CNMV and Inverco.

(1) Includes short and long-term fixed-income funds in euros and international, mixed fixed-income funds in euros and international and guaranteed funds.

(2) Includes equity funds and mixed equity funds in euros, national and international.

(3) Global funds.

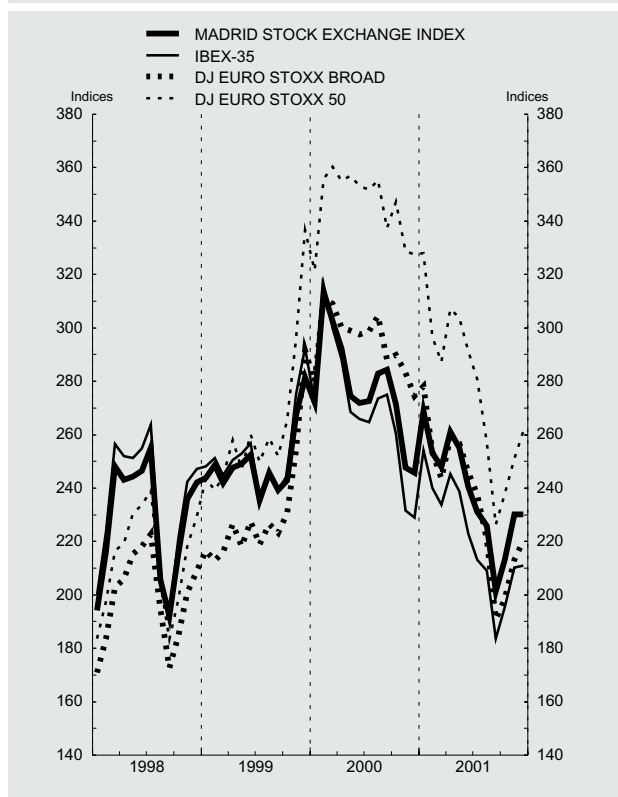
8.12. Share price indices and turnover on securities markets. Spain and euro area

■ Series depicted in chart.

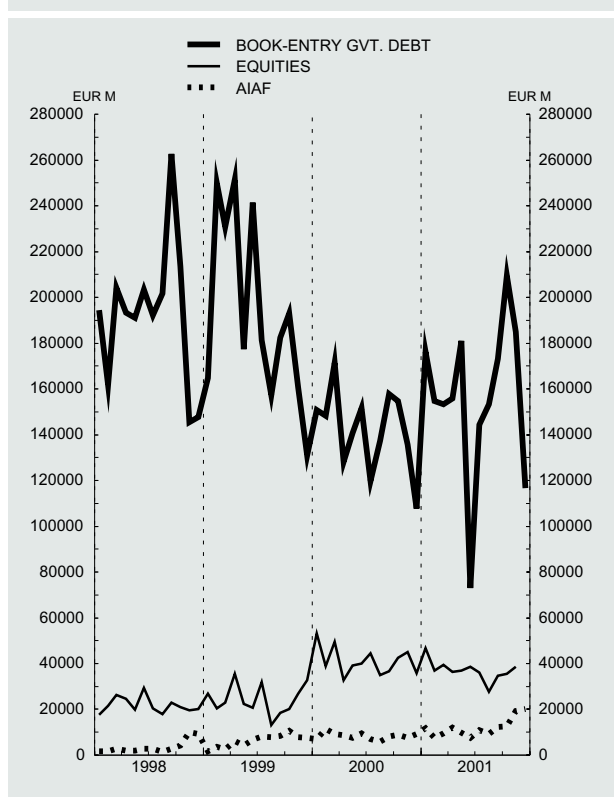
Indices, EUR millions and thousands of contracts

	Share price indices				Turnover on securities markets							
	General Madrid Stock Exchange	IBEX 35	Dow Jones EURO STOXX indices		Stock market		Book-entry government debt	AIAF fixed-income market	Financial options (thousands of contracts)		Financial futures (thousands of contracts)	
			Broad	50	Equities	Bonds			Fixed-income	Shares and other equities	Fixed-income	Shares and other equities
	1	2	3	4	5	6	7	8	9	10	11	12
98	817.97	9 333.30	283.45	3 102.16	261 276	53 148	2 311 155	43 120	843	1 676	17 390	8 417
99	894.36	10 078.64	328.85	3 827.45	291 975	44 718	2 320 769	75 121	16	7 281	3 600	5 066
00	994.21	10 754.59	420.44	5 038.57	492 981	39 692	1 703 705	99 827	-	17 168	1 095	4 168
00 Sep	1 018.89	10 950.00	411.30	4 915.18	36 642	2 594	157 902	8 075	-	2 241	91	331
Oct	972.81	10 363.10	413.65	5 057.46	42 493	2 873	154 809	8 865	-	928	47	350
Nov	887.10	9 214.50	404.20	4 790.08	45 111	3 108	135 564	7 591	-	2 129	47	376
Dec	880.71	9 109.80	391.80	4 772.39	35 779	2 665	107 564	9 175	-	2 794	76	305
01 Jan	962.58	10 116.00	397.05	4 779.90	46 693	2 694	176 359	11 812	-	1 686	38	520
Feb	907.44	9 551.40	361.66	4 318.88	36 839	2 467	154 801	7 412	-	2 059	41	701
Mar	888.41	9 308.30	347.78	4 185.00	39 496	4 937	153 212	9 480	-	4 481	64	1 404
Apr	935.78	9 761.00	369.46	4 473.95	36 348	5 017	155 722	12 115	-	1 058	29	611
May	914.21	9 500.70	366.47	4 426.24	36 796	5 464	180 858	9 679	-	1 562	16	508
Jun	861.33	8 878.40	350.99	4 243.91	38 625	4 894	73 087	7 635	-	2 692	33	1 587
Jul	827.75	8 480.00	339.30	4 091.38	35 965	5 183	144 253	10 899	-	1 491	10	641
Aug	808.86	8 321.10	314.80	3 745.02	27 565	4 454	153 242	9 273	-	1 179	7	483
Sep	721.94	7 314.00	272.46	3 296.66	34 706	4 460	173 136	12 307	-	2 032	24	426
Oct	763.80	7 774.26	283.21	3 465.74	35 416	5 957	209 435	12 585	-	1 615	8	402
Nov	824.49	8 364.70	304.31	3 658.27	38 515	6 150	184 776	19 266	-	1 384	6	364
Dec	P 824.40	8 397.60	314.52	3 806.13	...	4 372	116 545	20 027	-	2 500	15	327

SHARE PRICE INDICES
JAN 1994 = 100



TURNOVER ON SECURITIES MARKETS



Sources: Madrid, Barcelona, Bilbao and Valencia Stock Exchanges (columns 1, 2, 5 and 6); Reuters (columns 3 and 4); AIAF (column 8) and Spanish Financial Futures Market (MEFFSA) (columns 9 to 12)

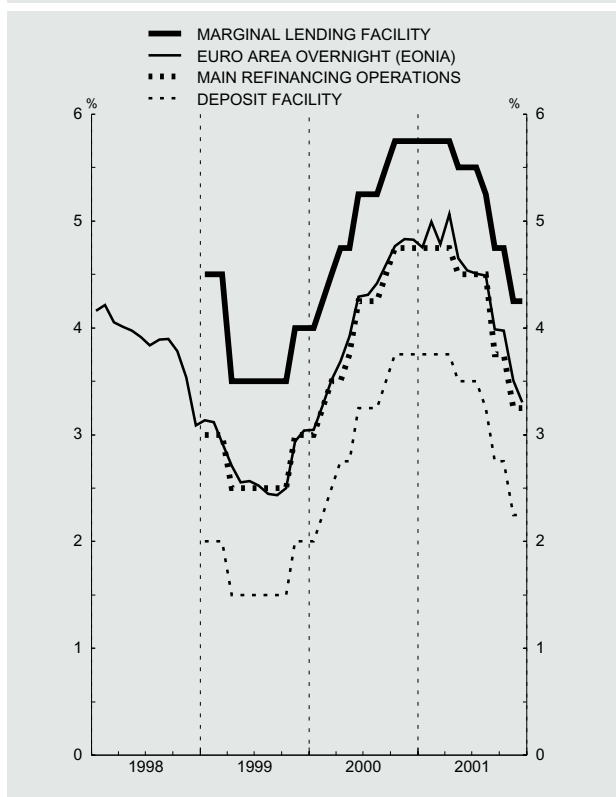
9.1. Interest rates. Eurosystem and money market. Euro area and Spain

■ Series depicted in chart.

Averages of daily data. Percentages per annum

	Eurosystem monetary policy operations				Money market											
	Main refinancing operations: weekly tenders	Longer term refinancing operations: monthly tenders	Standing facilities		Euro area: deposits (Euribor) (a)				Spain							
			Marginal lending	Deposit	Over-night (EONIA)	1-month	3-month	1-year	Non-transferable deposits				Government-securities repos			
									Over-night	1-month	3-month	1-year	Over-night	1-month	3-month	1-year
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
98	-	-	-	-	3.09	3.34	3.88	3.15	4.33	4.33	4.24	4.00	4.08	4.04	3.97	3.86
99	3.00	3.26	4.00	2.00	3.04	3.51	2.96	3.83	2.72	2.84	2.94	3.16	2.66	2.70	2.76	2.76
00	4.75	4.75	5.75	3.75	4.83	4.95	4.39	4.88	4.11	4.22	4.38	4.77	4.05	4.13	4.27	4.63
00 Sep	4.50	4.84	5.50	3.50	4.59	4.70	4.85	5.22	4.58	4.68	4.85	5.19	4.53	4.60	4.74	5.12
Oct	4.75	5.06	5.75	3.75	4.76	4.85	5.04	5.22	4.74	4.83	5.03	5.19	4.69	4.75	4.91	-
Nov	4.75	5.03	5.75	3.75	4.83	4.92	5.09	5.19	4.83	4.91	5.08	5.16	4.80	4.84	4.92	5.10
Dec	4.75	4.75	5.75	3.75	4.83	4.95	4.94	4.88	4.83	4.93	4.93	4.86	4.78	4.79	4.76	-
01 Jan	4.75	4.66	5.75	3.75	4.76	4.80	4.77	4.57	4.75	4.78	4.75	4.56	4.72	4.67	4.60	4.38
Feb	4.75	-	5.75	3.75	4.99	4.80	4.76	4.59	4.96	4.78	4.73	4.59	4.89	4.65	4.59	4.42
Mar	4.75	4.47	5.75	3.75	4.78	4.78	4.71	4.47	4.77	4.75	4.70	4.48	4.75	4.68	4.55	4.34
Apr	4.75	4.67	5.75	3.75	5.06	4.78	4.68	4.48	4.98	4.78	4.67	4.46	4.84	4.66	4.54	4.32
May	4.50	4.49	5.50	3.50	4.65	4.66	4.64	4.52	4.63	4.63	4.63	4.51	4.53	4.55	4.47	4.31
Jun	4.50	4.36	5.50	3.50	4.54	4.53	4.45	4.31	4.53	4.51	4.45	4.29	4.48	4.43	4.32	4.17
Jul	4.50	4.39	5.50	3.50	4.51	4.52	4.47	4.31	4.50	4.50	4.44	4.30	4.49	4.45	4.35	4.18
Aug	4.50	4.20	5.25	3.25	4.49	4.46	4.35	4.11	4.48	4.44	4.36	4.11	4.45	4.36	4.23	4.10
Sep	3.75	3.55	4.75	2.75	3.99	4.05	3.98	3.77	3.98	4.03	3.96	3.76	3.97	3.94	3.87	3.69
Oct	3.75	3.50	4.75	2.75	3.97	3.72	3.60	3.37	3.96	3.70	3.57	3.35	3.84	3.58	3.47	3.26
Nov	3.25	3.32	4.25	2.25	3.51	3.43	3.39	3.20	3.50	3.40	3.36	3.19	3.40	3.19	3.21	-
Dec	3.25	3.29	4.25	2.25	3.31	3.42	3.34	3.30	3.29	3.41	3.35	3.24	3.28	3.26	3.17	-

EUROSYSTEM: MONETARY POLICY OPERATIONS AND EURO AREA OVERNIGHT DEPOSITS



INTERBANK MARKET: EURO AREA 3-MONTH AND 1-YEAR RATES



Source: ECB (columns 1 to 8).

(a) To December 1998, synthetic euro area rates have been calculated on the basis of national rates weighted by GDP

9.2. Interest rates: Spanish short-term and long-term securities markets

■ Series depicted in chart.

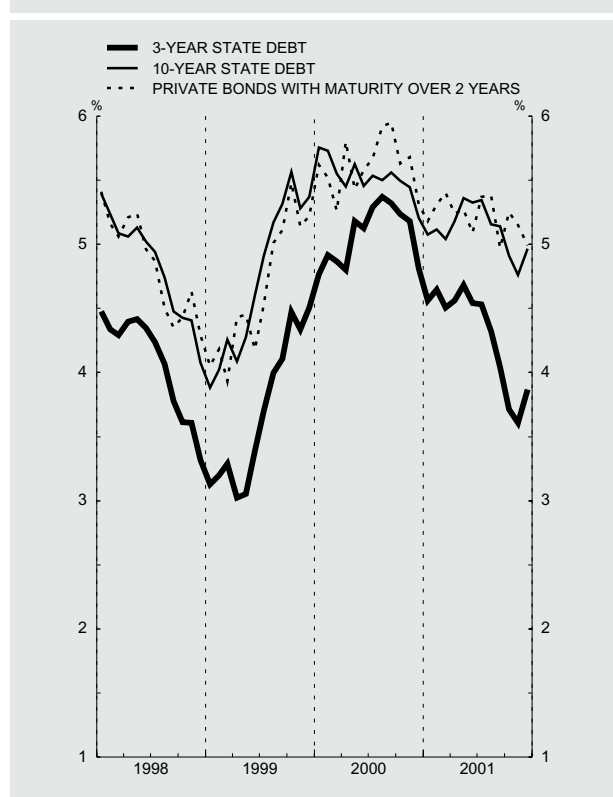
Percentages per annum

	Short-term securities				Long-term securities								Private bonds with a maturity of over two years traded on the AIAF
	One-year Treasury bills		One-year commercial paper		State debt								
	Marginal rate at issue	Secondary market: outright spot purchases between market members	Rate at issue	Secondary market: outright spot purchases	Marginal rate at issue					Secondary market. Book-entry debt. Outright spot purchases between market members			
					3-year bonds	5-year bonds	10-year bonds	15-year bonds	30-year bonds	At 3-years	At 10-years		
	1	2	3	4	5	6	7	8	9	10	11	12	
98	3.82	3.79	3.96	3.99	4.15	4.48	4.93	5.22	5.59	4.07	4.83	4.84	
99	3.04	3.01	3.12	3.14	3.79	4.12	4.77	5.08	5.43	3.69	4.73	4.65	
00	4.65	4.62	4.76	4.79	5.10	5.28	5.56	5.68	5.93	5.07	5.53	5.61	
00 Sep	5.07	5.05	5.22	5.19	5.42	5.42	5.58	-	5.68	5.32	5.56	5.95	
Oct	5.09	5.05	5.15	5.30	5.24	5.33	5.58	5.70	-	5.23	5.49	5.63	
Nov	5.04	5.01	5.17	5.25	5.19	5.36	5.53	-	5.91	5.18	5.45	5.68	
Dec	4.72	4.65	4.86	5.04	4.81	4.99	5.24	5.50	-	4.81	5.20	5.31	
01 Jan	4.41	4.33	4.57	4.67	4.54	4.69	5.10	-	5.63	4.56	5.08	5.18	
Feb	4.35	4.34	4.55	4.67	-	4.69	5.08	5.30	-	4.64	5.12	5.31	
Mar	4.27	4.29	4.38	4.54	4.59	-	5.07	-	5.61	4.50	5.04	5.40	
Apr	4.33	4.34	4.45	4.66	-	4.64	5.11	5.29	-	4.56	5.18	5.24	
May	4.44	4.36	4.69	4.61	4.67	-	5.23	-	5.80	4.68	5.36	5.27	
Jun	4.17	4.15	4.33	4.34	-	4.84	5.40	5.54	-	4.54	5.33	5.09	
Jul	4.25	4.19	4.33	4.39	4.65	-	5.46	-	5.98	4.53	5.35	5.37	
Aug	4.00	3.99	4.16	4.29	-	4.66	5.25	5.40	-	4.32	5.16	5.38	
Sep	3.55	3.55	3.82	3.68	4.30	-	5.24	-	5.77	4.04	5.14	4.97	
Oct	3.25	3.21	3.38	3.46	-	4.18	4.95	5.17	-	3.71	4.91	5.25	
Nov	3.03	3.10	3.17	3.32	3.28	-	4.55	-	5.15	3.61	4.76	5.15	
Dec	3.12	3.15	3.14	3.28	-	4.12	5.02	4.98	-	3.87	4.97	4.99	

PRIMARY MARKET



SECONDARY MARKET



Sources: Main issuers (column 3); AIAF (columns 4 and 12).

9.3 Interest rates: banks and savings banks resident in Spain

■ Series depicted in chart.

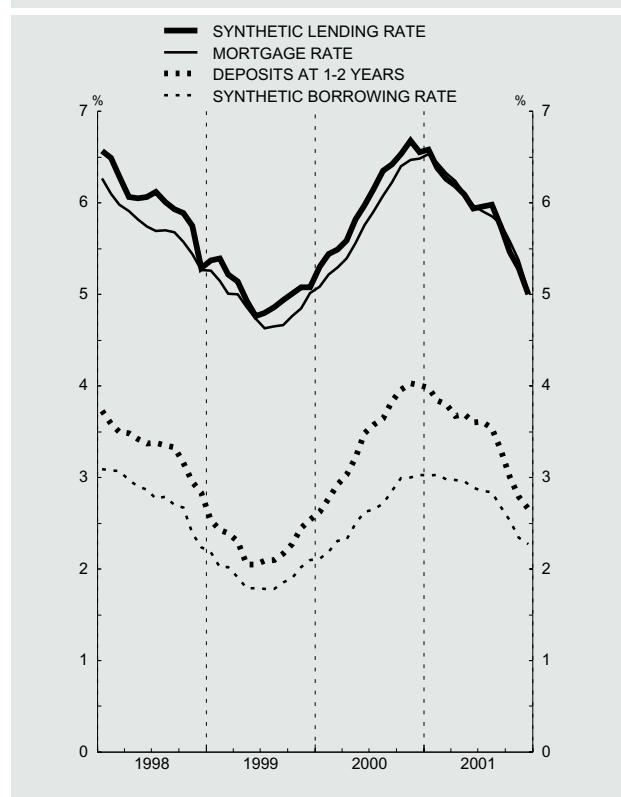
Percentages

		Banks									Savings banks							
		Lending rates					Borrowing rates				Lending rates				Borrowing rates			
		Synthetic rate	Commercial discount up to three months	Credit accounts at 1-3 years	Loans at 3 years and over	Mortgage loans over 3 years	Synthetic rate	Current accounts	Repos on bills up to three months	Deposits at 1-2 years	Synthetic rate	Credit accounts at 1-3 years	Loans at 3 years and over	Mortgage loans over 3 years	Synthetic rate	Current accounts	Repos on bills up to three months	Deposits at 1-2 years
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
98	M	5.82	6.31	5.99	7.37	5.56	2.66	2.49	4.02	2.88	6.04	7.02	8.29	5.76	2.79	2.21	3.99	3.34
99	M	4.69	5.25	4.66	6.13	4.59	1.64	1.54	2.63	1.98	5.05	6.22	7.48	4.88	1.93	1.64	2.56	2.28
00	M	5.84	6.42	5.71	7.24	5.71	2.43	2.07	4.04	3.29	6.03	7.21	8.24	5.82	2.61	2.10	3.94	3.43
00	Sep	6.25	6.77	6.19	7.81	6.24	2.66	2.27	4.55	3.11	6.42	7.50	8.67	6.23	2.85	2.30	4.37	3.83
	Oct	6.20	6.95	6.13	7.74	6.16	2.85	2.40	4.71	3.94	6.53	7.80	8.79	6.40	2.99	2.41	4.55	3.96
	Nov	6.15	7.01	6.70	7.63	6.22	3.02	2.49	4.83	3.91	6.68	7.86	8.79	6.47	3.00	2.46	4.64	4.03
	Dec	6.19	6.94	6.11	7.45	6.26	3.01	2.50	4.82	3.98	6.55	7.66	8.60	6.49	3.03	2.46	4.70	4.01
01	Jan	6.01	6.96	6.09	7.63	6.25	3.04	2.57	4.75	3.52	6.58	7.72	8.95	6.53	3.02	2.49	4.61	3.98
	Feb	6.09	7.05	6.46	7.10	6.13	3.06	2.59	4.75	3.45	6.38	7.71	8.89	6.43	3.03	2.49	4.70	3.84
	Mar	5.92	6.89	6.21	7.45	5.97	3.09	2.61	4.66	3.84	6.26	7.53	8.75	6.32	2.98	2.45	4.56	3.80
	Apr	6.13	6.88	6.04	7.51	5.81	3.03	2.59	4.68	3.26	6.19	7.60	8.54	6.24	2.97	2.51	4.49	3.67
	May	5.99	6.88	6.00	7.66	5.76	3.00	2.64	4.50	3.16	6.09	7.56	8.72	6.10	2.96	2.48	4.41	3.69
	Jun	5.74	6.80	5.86	7.37	5.64	2.94	2.51	4.46	3.06	5.94	7.09	8.62	5.97	2.89	2.45	4.31	3.60
	Jul	5.71	6.83	6.01	7.26	5.63	2.93	2.47	4.38	3.00	5.96	7.33	8.54	5.91	2.85	2.36	4.34	3.61
	Aug	5.81	6.77	6.10	7.93	5.59	2.92	2.49	4.43	3.12	5.98	7.44	8.66	5.85	2.84	2.43	4.23	3.54
	Sep	5.39	6.53	6.01	7.38	5.48	2.67	2.33	3.92	2.62	5.74	7.43	8.55	5.77	2.68	2.25	3.87	3.30
	Oct	5.21	6.36	5.47	7.10	5.21	2.53	2.22	3.84	2.43	5.46	7.35	8.36	5.58	2.53	2.16	3.66	3.01
	Nov	4.96	6.29	5.49	6.80	5.01	2.30	2.04	3.34	2.10	5.29	7.15	8.22	5.37	2.34	2.04	3.27	2.79
	Dec	4.76	5.91	4.91	6.04	4.69	2.21	1.97	3.23	2.14	5.00	6.75	7.20	5.03	2.27	1.90	3.19	2.66

BANKS



SAVINGS BANKS



Source: BE.

Note: The underlying series for this indicator are in Tables 18.3 and 18.4 of the BE Boletín estadístico.

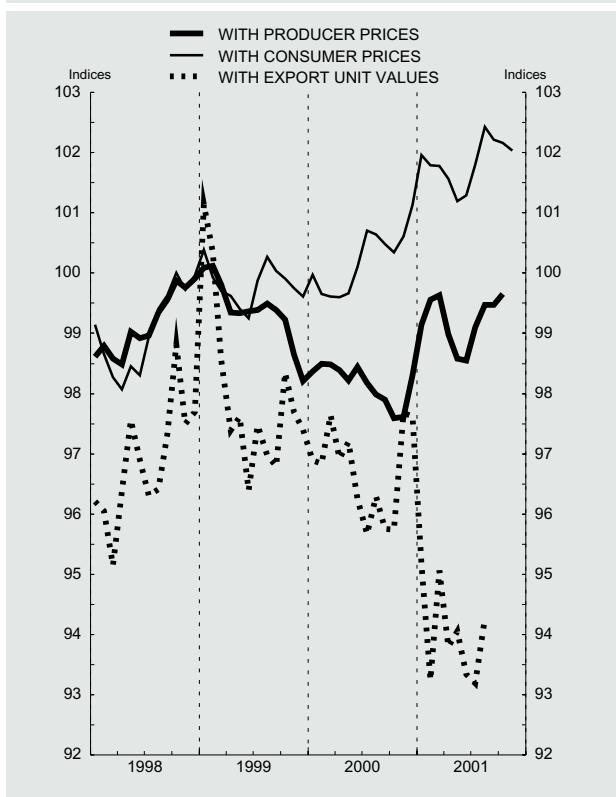
9.4 Indices of Spanish competitiveness vis-à-vis the EU and the euro area.

■ Series depicted in chart.

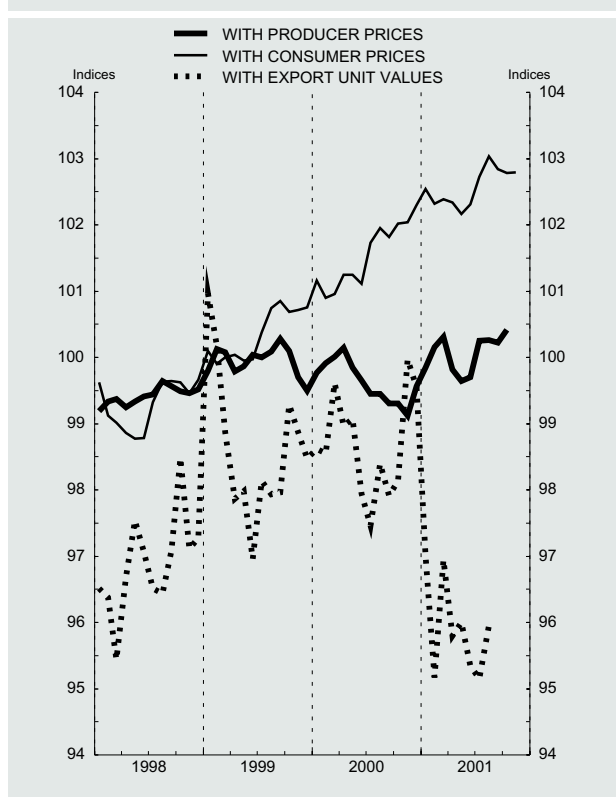
Base 1999 Q1 = 100

	Vis-à-vis the EU									Vis-à-vis the euro area			
	Total (a)				Nominal component (b)	Price component (c)				Based on producer prices	Based on consumer prices	Based on manufacturing unit labour costs	Based on export unit values
	Based on producer prices	Based on consumer prices	Based on manufacturing unit labour costs	Based on export unit values		Based on producer prices	Based on consumer prices	Based on manufacturing unit costs	Based on export unit values				
	1	2	3	4	5	6	7	8	9	10	11	12	13
98	99.2	99.1	99.0	96.9	99.8	99.3	99.2	99.1	97.0	99.4	99.3	99.3	96.9
99	99.4	99.8	99.7	98.0	99.5	99.9	100.3	100.2	98.5	99.9	100.3	100.1	98.6
00	98.2	100.2	102.3	96.7	98.5	99.6	101.7	103.8	98.2	99.6	101.5	103.9	98.7
99 Q4	98.7	99.8	99.7	97.8	99.1	99.6	100.7	100.7	98.7	99.8	100.7	100.6	98.9
00 Q1	98.4	99.8	100.3	97.1	98.6	99.8	101.1	101.7	98.5	99.9	101.0	101.8	98.9
Q2	98.3	99.8	101.7	96.8	98.5	99.9	101.3	103.2	98.3	99.9	101.2	103.3	98.7
Q3	98.0	100.6	103.2	95.9	98.6	99.4	102.1	104.7	97.3	99.4	101.8	104.7	97.9
Q4	97.8	100.7	103.9	97.0	98.4	99.4	102.3	105.6	98.6	99.3	102.1	105.6	99.2
01 Q1	99.4	101.8	105.1	94.5	99.1	100.3	102.8	106.1	95.4	100.1	102.4	106.0	96.4
Q2	98.7	101.3	105.3	93.7	98.8	99.9	102.6	106.6	94.9	99.7	102.3	106.6	95.7
Q3	99.3	102.1	106.7	...	99.0	100.4	103.2	107.9	...	100.2	102.9	107.9	...
01 Mar	99.6	101.8	...	95.1	99.1	100.6	102.7	...	96.0	100.3	102.4	...	97.0
Apr	99.0	101.6	...	93.8	98.9	100.1	102.7	...	94.8	99.8	102.3	...	95.8
May	98.6	101.2	...	94.0	98.8	99.8	102.5	...	95.2	99.6	102.2	...	96.0
Jun	98.6	101.3	...	93.3	98.7	99.8	102.6	...	94.6	99.7	102.3	...	95.3
Jul	99.1	101.8	...	93.2	98.7	100.4	103.1	...	94.4	100.3	102.7	...	95.1
Aug	99.5	102.4	...	94.3	99.1	100.4	103.4	...	95.1	100.3	103.0	...	96.0
Sep	99.5	102.2	...	...	99.1	100.4	103.2	...	...	100.2	102.8	...	...
Oct	99.7	102.2	...	...	99.1	100.6	103.1	...	...	100.4	102.8	...	...
Nov	...	102.0	...	...	98.9	...	103.1	...	...	...	102.8	...	...
Dec	...	...	...	...	99.0	...	...	...	...	...	...	...	...

INDICES OF SPANISH COMPETITIVENESS VIS À VIS THE UE



INDICES OF SPANISH COMPETITIVENESS VIS À VIS THE EURO AREA



Source: BE.

(a) Outcome of multiplying nominal and price components. A decline in the index denotes an improvement in the competitiveness of Spanish products.

(b) Geometric mean calculated using a double weighting system based on 1995-1997 manufacturing foreign trade figures.

(c) Relationship between the price indices of Spain and of the group.

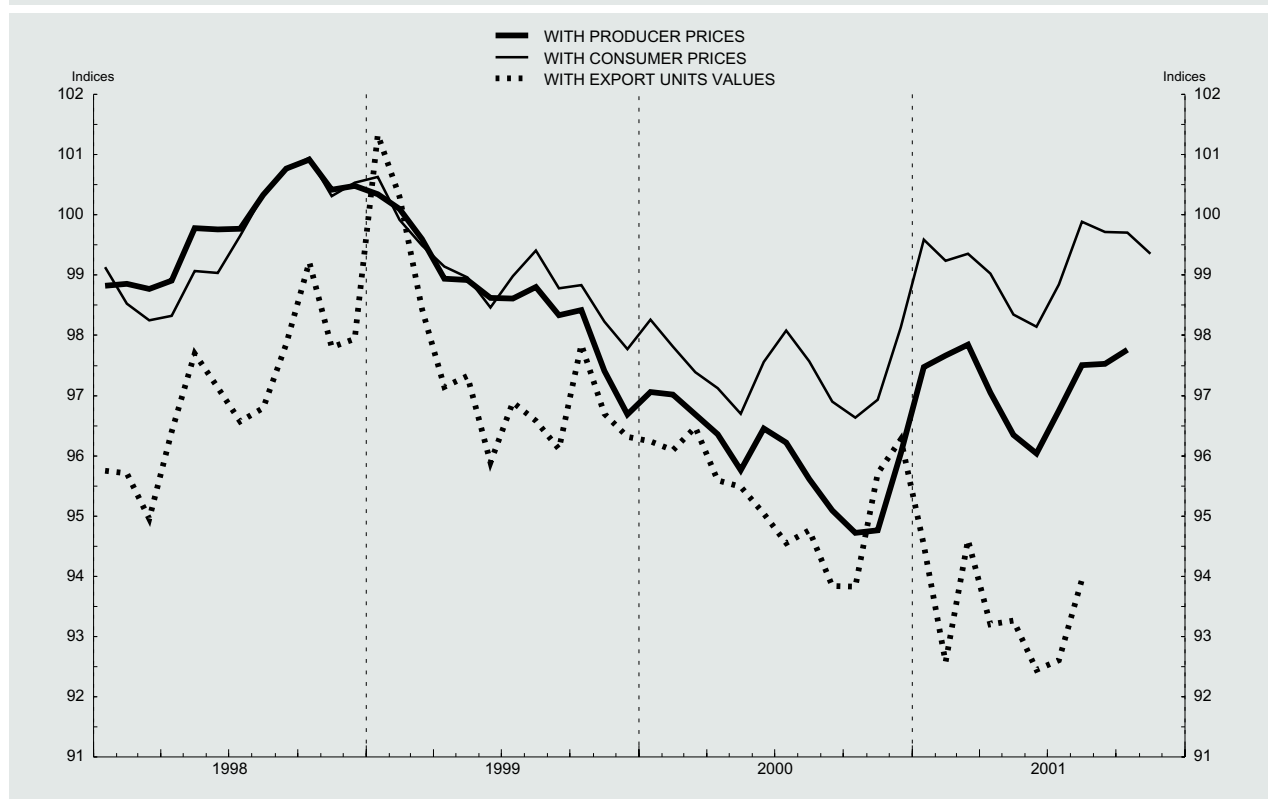
9.5 Indices of Spanish competitiveness vis-à-vis the developed countries.

■ Series depicted in chart.

Base 1999 Q1 = 100

	Total (a)				Nominal component (b)	Price component (c)			
	Based on producer prices	Based on consumer	Based on manufacturing unit labour costs	Based on export unit values		Based on producer prices	Based on consumer prices	Based on manufacturing unit labour cost	Based on export unit values
	1	2	3	4	5	6	7	8	9
98	99.8	99.6	99.2	97.0	100.4	99.4	99.2	98.8	96.6
99	98.7	99.0	99.1	97.6	98.7	100.0	100.3	100.4	98.8
00	96.0	97.4	99.8	95.3	95.8	100.2	101.7	104.2	99.5
99 Q4	97.5	98.3	98.6	97.0	97.6	99.9	100.7	101.1	99.3
00 Q1	96.9	97.8	98.8	96.3	96.7	100.2	101.1	102.2	99.6
Q2	96.2	97.1	99.3	95.4	95.8	100.4	101.3	103.6	99.5
Q3	95.6	97.5	100.4	94.4	95.5	100.1	102.1	105.1	98.8
Q4	95.2	97.2	100.7	95.3	95.0	100.2	102.4	106.1	100.3
01 Q1	97.7	99.4	103.0	93.9	96.7	101.0	102.8	106.6	97.2
Q2	96.5	98.5	102.7	93.0	95.9	100.6	102.7	107.1	97.0
Q3	97.3	99.5	104.3	...	96.2	101.1	103.4	108.4	...
01 Mar	97.8	99.4	...	94.6	96.6	101.3	102.8	...	97.9
Apr	97.0	99.0	...	93.2	96.3	100.7	102.8	...	96.7
May	96.3	98.3	...	93.3	95.8	100.5	102.6	...	97.3
Jun	96.0	98.1	...	92.5	95.5	100.6	102.8	...	96.8
Jul	96.8	98.8	...	92.6	95.7	101.1	103.3	...	96.8
Aug	97.5	99.9	...	93.9	96.4	101.1	103.6	...	97.4
Sep	97.5	99.7	...	...	96.5	101.1	103.4	...	...
Oct	97.8	99.7	...	...	96.5	101.3	103.3	...	...
Nov	...	99.4	...	...	96.1	...	103.4	...	...
Dec	...	...	...	...	96.4	...	...	...	...

INDICES OF SPANISH COMPETITIVENESS VIS-À-VIS THE DEVELOPED COUNTRIES



Source: BE.

(a) Outcome of multiplying nominal and cost/price components. A decline in the index denotes an improvement in the competitiveness of Spanish products.

(b) Geometric mean calculated using a double weighting system based on 1995-1997 manufacturing foreign trade figures.

(c) Relationship between the price indices of Spain and of the group.

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