

BANCO DE ESPAÑA

economic bulletin

October 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.

Contents

	<i>Page</i>
Address by the Governor of the Banco de España, Jaime Caruana, to the Spanish Parliamentary Budget Committee	9
Quarterly report on the Spanish economy	13
1. Overview	13
2. The external environment of the euro area	18
3. The euro area and the monetary policy of the European Central Bank	23
4. The Spanish economy	34
5. Financial flows in the Spanish economy	50
Results of non-financial corporations to 2002 Q2	63
The housing market in Spain	75
Productive investment in the recent cycle	85
Financial regulation: 2002 Q3	93
Economic indicators	1*
Articles in English and publications of the Banco de España	63*

Address by the Governor of the Banco de España, Jaime Caruana, to the Spanish Parliamentary Budget Committee

A year ago the world economy was going through a very difficult period, in the wake of the dramatic events of September 11th 2001. Subsequently, in both the United States and Europe, the slackness of productive activity began to be overcome with relative speed, in spite of the direct impact of the terrorist attacks on important industries and of dented consumer and investor confidence throughout the world. However, the recovery phase has begun in a lacklustre fashion in most countries, with the exception of some of the south-east Asian economies.

The flatness marking most advanced economies is partly linked to the slump in prices on the main international stock markets, to heightened uncertainty and risk aversion on financial markets, and to international political tension, which has checked the pick-up in confidence and prompted a significant rise in oil prices.

The Latin American region has been subject in recent months to pressures which have highlighted the structural weaknesses of certain countries and the vulnerability stemming from the dependence of many countries in the area on foreign saving.

The high volatility of world bourses and international political uncertainty make any assessment of the prospects for the world economy in the near future difficult. In principle, the most likely scenario is that activity will continue on the path of recovery initiated, once the adverse affects of the stock market crisis peter out. That said, the risks of more unfavourable developments are not negligible.

Against this background, the euro area economy has proven less buoyant than expected only a few months back. Although the growth rate of GDP appears to have bottomed out in Q4 last year, the rate at which the recovery has begun has been very modest, and it is unlikely that the increase in the area's GDP will be more than 1% for the current year.

This muted expansion in activity is, above all, the consequence of the euro area economy's direct exposure to the international stock market crisis and to its impact on export markets. The marked correction of European bourses (which has been steeper than in the United States so far this year) is partly due to the widespread effects of the US stock market crisis, although it is also a reflection of some specific factors. Certain major corporations have found it notoriously difficult to obtain returns on costly strategic operations, such as mergers or acquisitions, or on third-generation mobile telephony licences. Moreover, the

floods in much of central Europe last summer have damaged the industrial fabric and worsened the financial position of insurance companies already weakened by the loss of value of their financial assets.

A cause for concern has been the decline in gross capital formation in the euro area; the capital goods component fell in Q2 this year to a year-on-year rate of 5%. True, the slackness of investment is largely due to cyclical factors and to the impact of international disturbances. But it also reflects the structural shortcomings still in place, which impair the potential profitability of business projects.

Nonetheless, the course of activity in the euro area suggests that, as from the end of this year or the beginning of 2003, economic buoyancy will increase sustainedly, with the GDP growth rate for the area moving progressively towards its potential, although the risks of an outlook of more persistent cyclical weakness should not be underestimated.

Against this backdrop, monetary policy implementation has been rather complex. Relatively favourable prospects for price stability in the medium term allowed the ECB to accommodate its policy to the cyclical downturn besetting the euro area last year. Interest rates were duly cut by 1.5 percentage points during 2001. They were set at 3.25% in November last year, and have held there to date.

Subsequently, the appreciable deterioration in the economic situation prompted by developments on stock markets has, along with the appreciation of the euro and despite the strong growth of liquidity, lessened the inflationary risks that had begun to emerge. Thus, at the latest meeting of the ECB Governing Council (12th September) it was decided to hold interest rates at their current level further to the assessment that this was in line with the balance of risks affecting price stability in the medium term, which is the primary objective of the ECB.

The public finances of the euro area Member States currently merit particular attention in view of the difficulties some (Spain not among them) have recently faced in meeting their budgetary objectives. I believe it is appropriate to reiterate before this Budgetary Committee my conviction that fiscal discipline is a vital ingredient not only for sustained economic growth, but also for the proper functioning of the Monetary Union. In this respect, the Stability and Growth Pact is a tool of paramount importance for promoting the fiscal policy stance needed to attain or maintain a balanced budget,

while providing sufficient flexibility so that public finances may, in the short term, be adapted to the needs and, in particular, the cyclical position of each economy.

The international and European outlook is conditioning developments in the Spanish economy. The direct impact being transmitted through the decline in goods and services trade flows with the rest of the world is compounded by the fall in share prices on stock markets and the spread of uncertainty and wariness that is holding back household expenditure decisions and corporate investment plans.

Despite this adverse climate, the Spanish economy continues to post a positive real growth rate which, in the first half of the year, has stabilised at 2%. Although it has slowed significantly, this rate of expansion is still considerably higher than in most of our peer countries. Consequently, for another year, the process of real convergence with the European Union will continue to make headway, constituting a suitable reference point for assessing the economy's behaviour.

However, as the external environment has worsened, the improvement in the recovery phase has been deferred. It may thus be necessary to wait until the closing months of the year before the Spanish economy moves firmly onto a path of expansion, the intensity of which will depend on whether the expectations of a recovery in the world economy are confirmed. The growth of the Spanish economy in 2002 on average may thus not exceed 2%. It will then be over the course of next year that its growth rate moves gradually towards 3% or thereabouts, allowing the average rate to exceed 2.5%.

The climate of sluggishness abroad is apparent in the fall in exports of goods and services and in corporate investment cutbacks. Industry has been most directly hit by these circumstances. It is thus domestic components -including most notably buoyant employment - that are sustaining economic growth.

The fact that the employment growth rate in the Spanish economy remains relatively high at a time activity is turning down marks a significant difference from previous cycles when, as you may recall, there were intense bouts of job destruction which ultimately immersed the economy in deep recessions. Conversely, on this occasion, employment is proving a key factor in the growth of household disposable income and in sustaining expenditure (on consumer goods and services and on house purchases).

Household investment in housing remains very resilient and this, along with public investment, means that construction is the most expansionary industry in the current circumstances. But this behaviour is also fuelling spiralling prices on the housing market (a development not exclusive to our economy) in spite of the economic slowdown, and thereby adding a factor of risk.

In principle, the Spanish economy is in a favourable position to join a global recovery if and when this is confirmed. The cycle will foreseeably close with relatively high real GDP growth rates. Moreover, employment is a fundamental underpinning for sustaining activity. Several factors infuse confidence that these new patterns of behaviour will take root. These include notably the levels of macroeconomic stability attained in recent years; the fact public finances are firmly balanced; the reforms undertaken in numerous markets, including the labour market; and wage moderation.

The spurt in the growth rate of prices in the Spanish economy this year is, however, a cause for concern. It is due to a variety of reasons, including most notably the increase in the prices of certain foods and the rise in oil prices. The growth rate of the CPI at the end of the year will not be far off its present rate since, although the rate of increase of its more stable components will foreseeably be cut, energy prices are expected to continue increasing owing to the base effect arising as a result of the heavy price falls recorded in the closing months of the previous year.

As these factors abate in 2003, the rate of inflation will progressively slow. But our inflation differential with the euro area countries must fall durably; otherwise, the economy's competitiveness foundations will be punctured.

The Spanish economy's resilience (even during the recent slowdown) and historically low interest rates have helped provide for the continuous increase in household and corporate debt.

In the case of households, the intense resort to credit in recent years has essentially been associated with the development of the housing market and the growing use of mortgage loans. Although debt levels do not differ from the average for European economies, the related growth rate is still very high, despite the economic slowdown.

In turn, corporate debt, against a backdrop of slack investment, is closely linked to the foreign asset acquisitions recently made. In this

respect, the problems besetting certain Latin American countries are restricting certain companies' room for manoeuvre. Overall, however, the financial position of companies remains sound and their profitability ratios high.

In sum, private-sector debt cannot continue to grow at the rates seen to date. That would involve a worsening of the sector's financial position and an increase in its vulnerability to unexpected shocks. Were such risks to materialise, they would erode the future spending capacity of households and firms and therefore weaken the domestic underpinning of economic growth. It is thus important that the recovery should be compatible with a pick-up in private saving and with a clear easing off in the resort to borrowed funds. From this standpoint, an orderly containment of house price rises should contribute to checking household debt and to securing their financial position without interfering in their consumption plans.

In the macroeconomic scenario described, the State Budget for 2003 renews its commitment to budgetary stability, which has been at the core of fiscal policy in recent years. As the Budget is subject to the Budgetary Stability Act, this reinforces the disciplining elements needed to attain healthy public finances which, in the face of adverse cyclical situations, allow the leeway provided by the automatic stabilisers to be used and the budget deficit to be held at moderate levels, in line with the commitments entered into with the Community.

The goal of a balanced budget for 2003 is appropriate from the standpoint of the Spanish economy's cyclical position. If, however, risks of lower growth were to materialise, that could give rise to a modest deficit. The budgetary policy stance is also appropriate from the perspective of the commitments made in connection with the Stability and Growth Pact and of the challenges Spanish public finances will have to meet in the medium term. Such commitments will allow the tax burden on households and firms to be lessened and, at the same time, they will enable public spending items essential for the economy's productivity and long-term growth potential to be maintained.

In this respect, the reform of personal income tax is a pivotal element of the budgetary programme for 2003. Beneficial effects for output, employment and disposable income are expected from the reform, which should place the Spanish economy back on an expansionary path. The present cyclical conditions of the economy are, however, very different from those prevailing at the time of the last tax re-

form. Consequently, it will be very important over the course of next year to monitor in great detail the actual cost of the reform in terms of forgone revenue.

I should like to conclude by reiterating the importance of macroeconomic and financial sta-

bility as a vital basis for sustained economic growth. Pursuing such a stance has proven very fruitful in recent years and, at times of uncertainty and tension on international markets, it is particularly well-founded.

8.10.2002.

Quarterly report on the Spanish economy

1. Overview

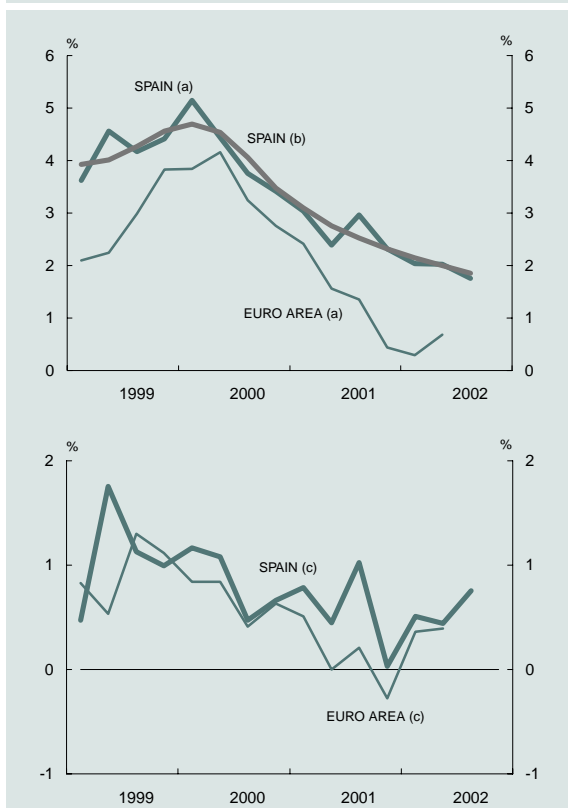
Recent data on the international economic environment are relatively contradictory, and have still to signal the cyclical turning point that will once again place the world economy on a path of sustained growth. The financial markets have been prone to heightened uncertainty and are showing signs of marked instability, reflecting both geopolitical tension and the poor results of certain economies or business sectors, or the lack of confidence in them. Real indicators have generally been more favourable, especially those relating to consumption, while the confidence indicators reveal greater pessimism, which is manifest in the slackness of investment. In these circumstances, global markets remain lacklustre. Economic policies have retained an expansionary stance and the low interest rates prevailing have acted as a stimulus for certain household expenditure components. Real household income, for its part, is being sustained in some cases by general government measures and, in others, by low inflation rates or by employment growth.

Against this international background, the Spanish economy has sustained a steady growth rate which is, primarily, still underpinned by household spending and, to a lesser extent, by the public sector, while an increase in trade flows with the rest of the world is discernible. The seasonally adjusted growth rate of the Spanish economy's real GDP series has shown a degree of variability, as can be seen in Chart 1. The quarter-on-quarter rate of this series is estimated to have picked up in Q3 in relation to previous quarters, rising to approximately 0.8%. Nonetheless, given the previous year's profile, the annual growth rate may have been around 1.8%, below the figure of 2% posted during the first half of the year. In view of their much greater stability, the trend-cycle series show a much more sustained profile according to which the Spanish economy's annual growth rate would have stabilised during the current year at around 2%. If there are no significant changes in the current growth pattern, this value could be the final growth rate for the year 2002 as a whole.

In these circumstances, employment growth has tended to moderate and apparent labour productivity has recovered slightly. Unit labour costs have slowed marginally and corporate surpluses in certain productive branches remain high, without the growth rate of prices having diminished. Indeed, the 12-month growth rate of the harmonised index of consumer prices (HICP) for Q3 as a whole was unchanged on that of the previous quarter (3.6%), and the inflation gap with the euro area countries has likewise held stable at 1.5 percentage points.

CHART 1

Gross domestic product



Sources: ECB, INE and Banco de España.
 (a) Non-centred annual rate of change calculated on the basis of the seasonally adjusted series.
 (b) Non-centred annual rate of change calculated on the basis of the trend-cycle series.
 (c) Quarter-on-quarter rates of change calculated on the basis of the seasonally adjusted series.

The information on the US economy for 2002 Q3 has been subject to the aforementioned uncertainty. The improved labour market, the low rate of inflation and low interest rates have boosted certain private consumption components, while the business and consumer confidence indicators and the data on business investment remain notably depressed, despite the fact that productivity gains and the decline in costs have made for an improvement in the margins of certain business sectors. The current-account deficit has continued to widen and the exchange rate of the dollar has stabilised, while the burgeoning budget deficit will run beyond this year.

The sluggishness of international markets is affecting certain economies. Such is the case of Japan (whose incipient recovery is once more being held down by the falling off of exports, despite the depreciation of the yen), of other Asian regions and of some central and eastern European countries. What is involved in this latter

CHART 2

Harmonised indices of consumer prices (a)



Sources: Eurostat and European Central Bank.
 (a) Annual rates of change. To December 2001, the rates relate to those released as at that date.

case, however, are economies which, in many cases, are already close to European Union accession, which has buoyed them considerably. This is not the case in Latin America, where the economic problems beleaguering certain countries have been compounded by political uncertainty in others and by the difficulties building up in this region at a time of tension on international financial markets.

The absence of a stimulus from abroad is delaying recovery in the euro area. The confidence indicators remain at low levels and there are no signs of a pick-up in business investment. The demand component underpinning the modest growth in the area is thus private (along with government) consumption. The latest data point to a slowdown in the rate of increase of consumption that was already patent in the National Accounts figures for Q2. This may be due to the accumulating wealth losses by households and to the slowdown in employment. Although labour productivity is expected to have recovered and the strong growth of unit labour costs to have moderated in Q1, the growth of business margins remains fairly low.

The course of the HICP for the euro area during the year essentially reflects the fluctuations in the prices of energy and unprocessed food, with the more stable components of the index maintaining a higher and more sustained growth rate. The 12-month growth rate of the IPSEBENE (the index of services and non-energy manufactured goods prices) in Q3 is, at 2.5%, only one-tenth of a point lower than that recorded the previous quarter.

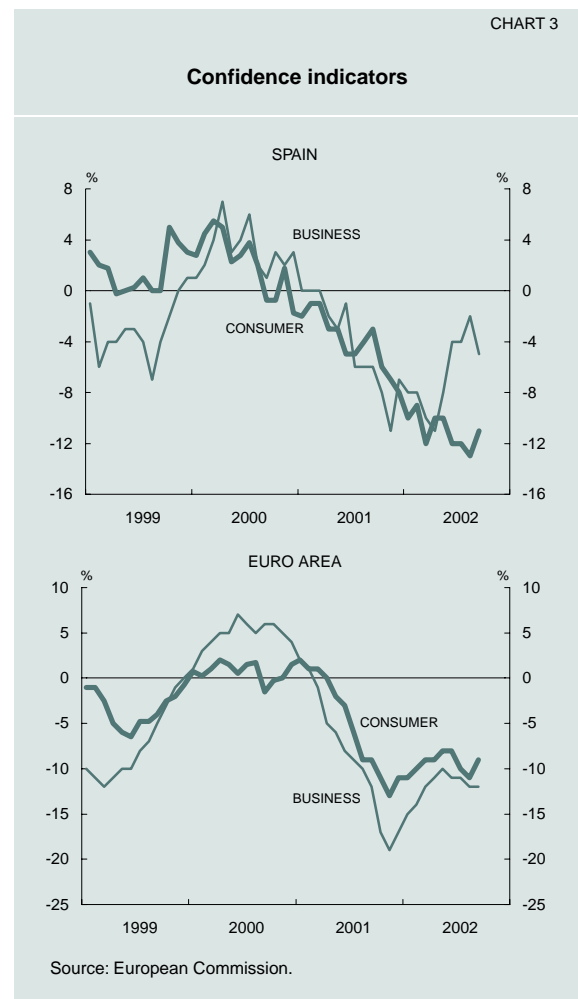
Given these developments, the ECB has held its intervention rates unchanged since last

November, to a backdrop of downward expectations spreading through all markets and declining bank lending and deposit rates and bond yields. The growth of the monetary aggregates has turned down slightly and the rate of increase of financing to the private sector has stabilised at slightly over 5%. The stock markets have slumped further since the summer and, finally, the euro exchange rate against the dollar has not changed significantly.

These more adverse than expected economic developments have seen several Member States run up budgetary imbalances exceeding the targets set in their Stability and Growth Programmes. In some cases, the sluggishness of activity, along with the insufficient fiscal consolidation implemented in the previous expansionary phase of the cycle, have prompted the emergence of deficits that might next year be close to or above the ceiling set in the Treaty on European Union, thereby hampering the attainment of balanced budgets over the envisaged horizon. It is highly desirable that compliance by these countries with the structural adjustments agreed upon recently on the initiative of the European Commission should place their public finances in the near future in a position compatible with the fiscal discipline that the proper functioning of EMU requires.

The estimated real growth rate of national demand in the Spanish economy in 2002 Q3 coincides with the preliminary estimate for GDP, namely 1.8% year-on-year, with the contribution of net external demand expected to be slightly negative. The recent course of national demand has been partly influenced by the INE-estimated movements in stockbuilding. If regard is not had to these movements, which are difficult to assess on the scant information at hand, the slowdown in demand in Q2 can be seen to have been a consequence basically of the loss of momentum of household consumption, while now, in Q3, it is the rate of capital investment which has once again fallen. Both investment in construction and private consumption have held more stable in recent months, with year-on-year growth rates similar to those posted in the preceding quarter.

Despite the losses in financial wealth and the lack of confidence reflected in the related surveys, the growth of consumption in Q3 is due to some extent to the increase in real disposable income. Contributing notably to this is employment, despite it having slowed, and general government measures. Gains in non-financial wealth (associated with the rise in house prices) and the low interest rates prevailing have also contributed to sustaining consumption, with the pick-up in the saving ratio proving very limited to date.

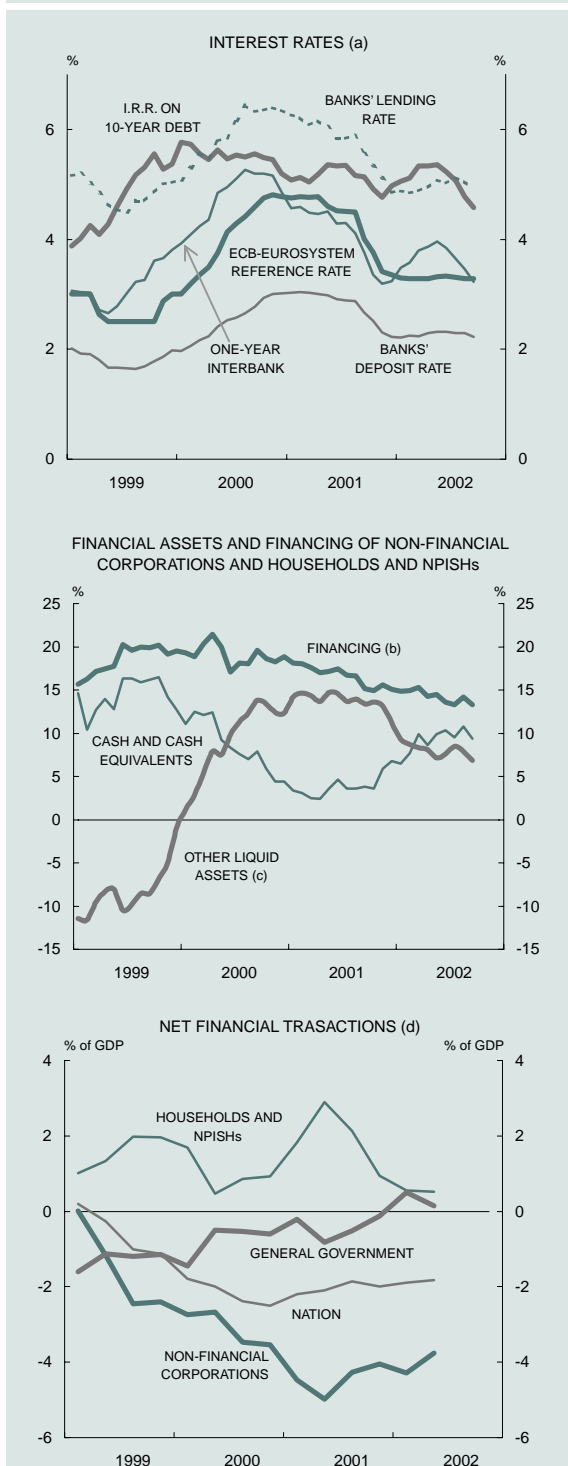


The current and foreseeable growth of household income has sustained the increase in investment in housing, which has also benefited from expectations of rising prices against a background of heavy declines in equity prices and from very favourable financing conditions. In the latest official survey (Ministerio de Fomento) covering Q2, there are signs of a loss of steam in the growth of private residential investment, possibly as a result of the high price levels already reached. Investment in construction in Q3 has remained resilient thanks to the significant contribution of both public- and private-sector civil engineering works.

The expansionary monetary conditions in the Spanish economy have boosted household spending and raised their debt levels. Provisional data from the Financial Accounts for Q2 show that Spanish household net lending is very low, and the partial information for Q3 would suggest that this situation will not change significantly. Indeed, the growth of financing to the non-financial private sector increased by 14.2% in August, slightly up on the rate for Q2, confirming the growing robustness of financing to households, while that extended to corporations is slowing.

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, foreign loans, 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.

Naturally, a breakdown of the figures on credit to the private sector by end-use also reveals this pattern. Household credit for house purchases is holding at a growth rate of 17%, while consumer lending stands at around 14% and on a slowing trend. This loss of momentum is all the more evident in the case of lending to non-financial corporations, especially in industry and to a lesser extent in services, although credit financing activity in the construction industry continues to expand.

A further key feature of the Spanish economy in 2002 Q3 has been the recovery in merchandise trade flows with the rest of the world. The figures for July and August show a notable pick-up in exports in virtually all regions, with the significant exception of the Americas. On the imports side, purchases of consumer and intermediate goods have been notable, while capital goods imports have remained sluggish. Admittedly, the data for the coming months will be needed to ascertain whether, at a time of notable slackness in world markets, these patterns take root. But the fact that the export unit value index should have posted negative rates of change in recent months gives some idea of the efforts exporting companies are making to increase their sales in such adverse economic circumstances and of the squeeze on margins that this involves, given the growth of unit labour costs.

Given that the improvement in levels of competitiveness is an essential element if the Spanish economy is to benefit from the expected recovery in world markets, then sustaining positive employment growth rates will prove pivotal if headway is to continue to be made in the process of real convergence with the EU countries during this downturn. Here it will be necessary to step up liberalisation and promote the efficient functioning of markets so that wage growth, productivity gains and the rate of increase of prices may be brought into line with those prevailing in the core EU countries. In this respect, it is a cause for concern that, as highlighted at the beginning of this introduction, there remains a high differential in the growth rate of the HICP in relation to that of our euro area partners. Indeed, this differential has, for Q3 on average, stood at around one percentage point in the case of non-energy industrial goods and at almost one and a half percentage points in the case of services. The widespread use of inflation-adjustment clauses in Spanish collective bargaining may seriously hamper the correction of these differentials.

It will also be important for fiscal policy to remain committed to macroeconomic stability. In

this respect, the budget outturn during the quarter has remained in line with the target of an overall general government balanced budget for 2002, as established in the latest update of the Stability Programme and as recently confirmed in the draft State Budget for 2003.

During Q3, however, tax (in particular VAT) revenue has weakened somewhat, marking a contrast with the buoyancy of VAT in the first half of the year. The growth of social security contributions has also been notably down on the previous year. This slowdown has been partly offset by the increase in direct taxes and, above all, by the strong acceleration in corporate income tax. However, this latter development has been due to a change in tax regulations, which will only affect takings for this year. On the expenditure side, welfare benefits have remained buoyant, while operating expenses have trended at a moderate rate below that of nominal GDP. The initial projection of State rev-

enue and expenditure for the year as a whole entails a steeper rate of decline of revenue and expenditure in the remaining months of the year.

Turning to fiscal policy targets for 2003, the draft State Budget estimates that general government transactions will be balanced once again and that this will be as a result of attaining a balanced budget at the various governmental tiers, in accordance with the guidelines of the Budgetary Stability Law. In the preparation of this Budget, regard has been had to the entry into force next year of the personal income tax reform and the full operativeness of the new regional government financing arrangements, both of which factors will no doubt bear on the budget outturn next year. The co-ordination effort between the different tiers of general government should be strengthened in the light of the recently approved changes in local government financing arrangements.

2. The external environment of the euro area

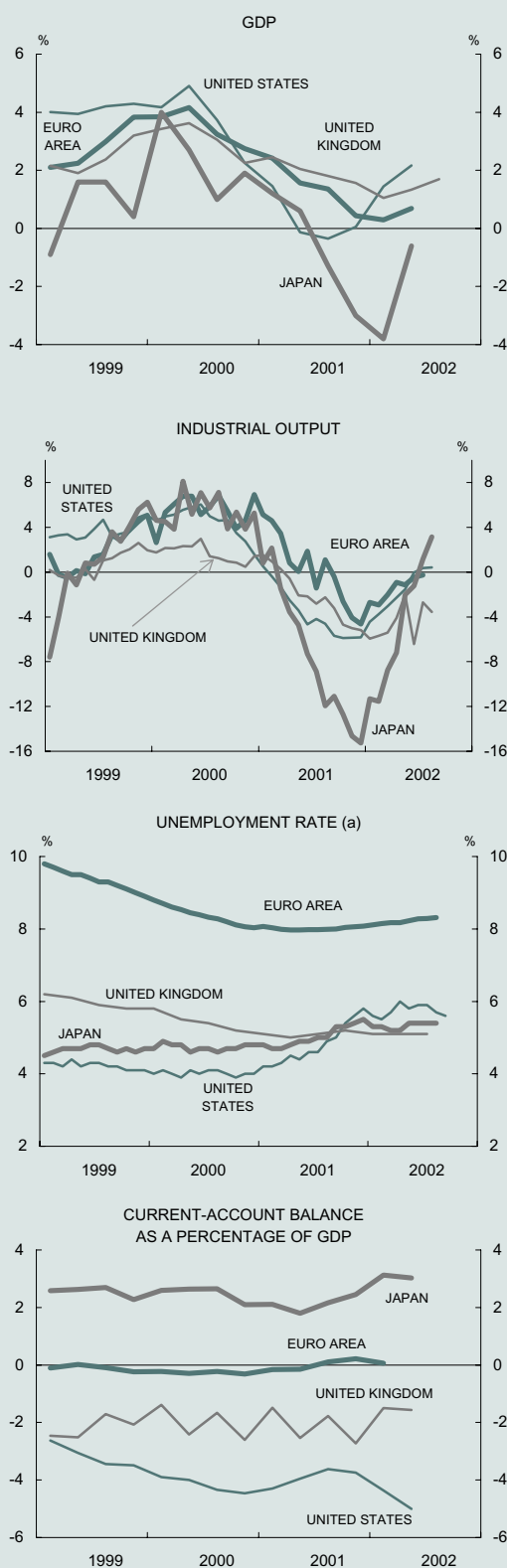
The world economy continued to move on a growth path in 2002 Q3, albeit at a more moderate rate, further to the slowdown in the demand for imports in the United States. In parallel, the scaling back of growth prospects in other regions has accentuated the leading role of the US economy in the current economic circumstances. The doubts over the resilience of the economic recovery in the United States (centred on the divergence between the relatively more favourable real indicators, on one hand, and the more negative financial and confidence indicators, on the other) have, along with the current geopolitical risks, led to an increase in risk aversion and oil price pressures.

There have been heavy losses on the financial markets in equities and high-risk bonds, against a background of marked volatility. At the same time, sovereign debt yields in the advanced economies, which have acted as a safe haven against the high uncertainty prevailing, have declined significantly. On the foreign exchange markets, the dollar has ceased to depreciate and its current levels have firmed, fluctuating in a narrow range. The vulnerability of the Japanese economy prompted a reversal, at the end of the quarter, in the tendency of the yen to appreciate. Turning to the emerging economies, the difference has widened between the sovereign debt of the Latin-American countries, which has worsened significantly albeit with sizeable differences across the region, and the rest of the economies in this group, where it has trended more favourably. Likewise, most Latin American currencies have continued to depreciate, in contrast to the stable or appreciating trend of the currencies of other emerging countries.

In the United States, GDP in Q2 posted annualised quarterly growth of 1.3%, led once more by consumption (which grew 1.8%) and, above all, by inventories, which contributed 1.31 percentage points to output growth. These data show a slowdown in activity in relation to Q1 that appears to have been turned around in Q3. On the basis of the partial indicators available, there has been a moderate improvement in consumption and in capital investment in Q3. There have, however, also been negative figures, such as the successive falls in the leading composite indicator and the latest data on retail sales and industrial output, both of which showed a monthly decline in September (–1.2% and –0.1%, respectively). This has been accompanied by a significant deterioration in consumer and, to a lesser extent, business confidence indicators. The Conference Board consumer confidence index fell to the levels of last December, and the University of Michigan index

CHART 5

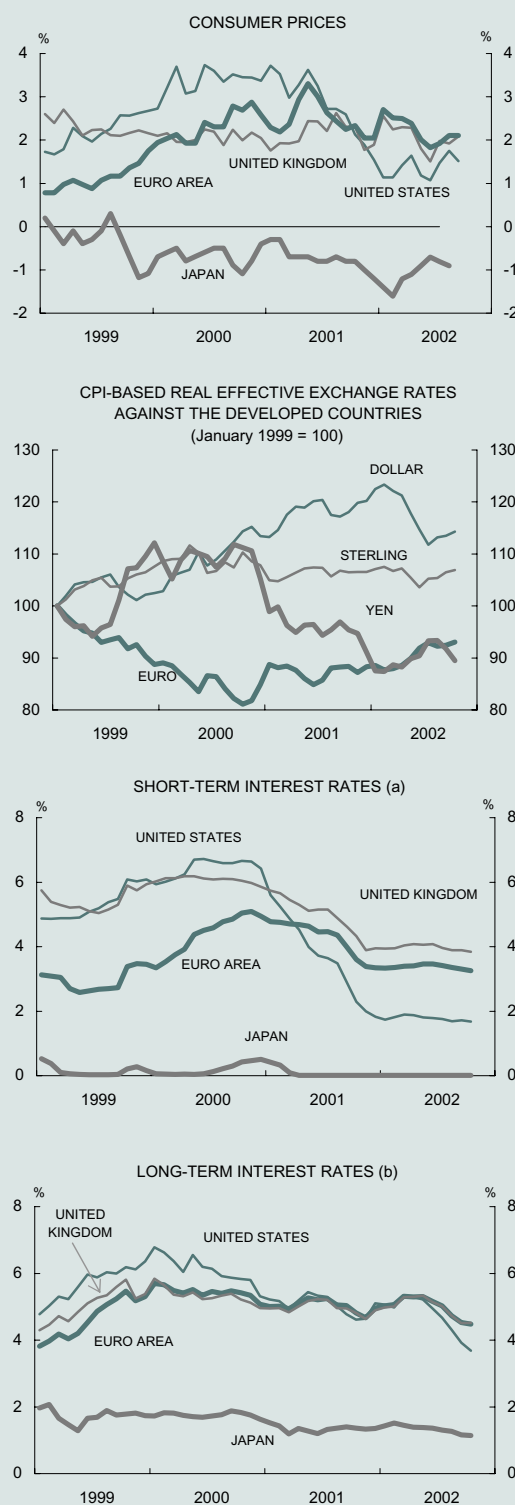
**Main macroeconomic indicators
Annual rates of change**



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

CHART 6

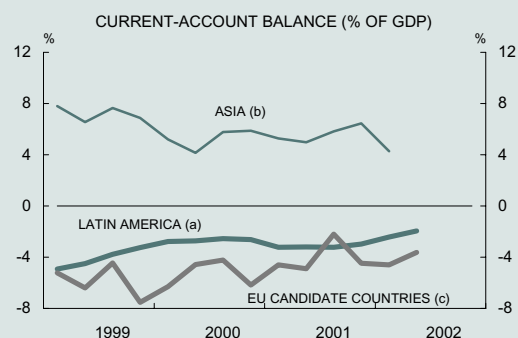
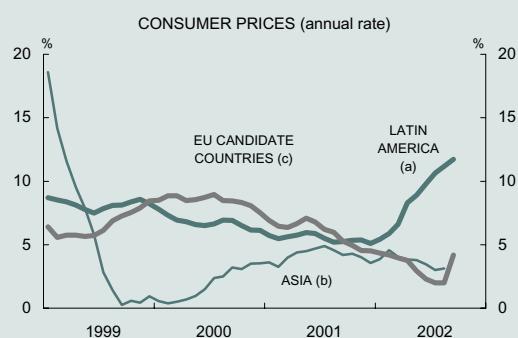
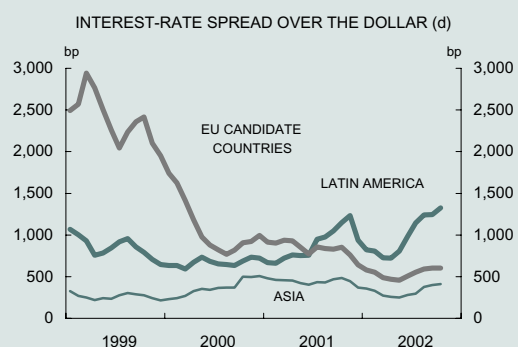
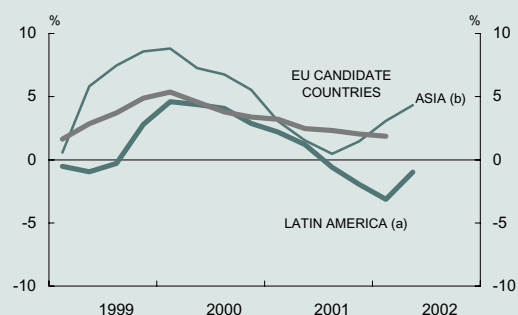
Prices, real exchange rates and interest rates



Source: Banco de España.
(a) Three-month interest rates on the interbank market. Euro area: weighted average of the eleven countries to December 1998. As from 1999: three-month EURIBOR.
(b) 10-year government bond yields. Euro area: weighted average of the eleven countries to December 1998.

CHART 7

Emerging economies: main macroeconomic indicators



Sources: National statistics and JP Morgan.

(a) Argentina, Brazil, Chile, Mexico, Colombia, Venezuela, Peru.
(b) Malaysia, Korea, Indonesia, Thailand, Hong Kong, Singapore and Taiwan.

(c) Latvia, Lithuania, Estonia, Czech Republic, Hungary, Poland, Slovenia and Slovakia.

(d) Spreads according to JP Morgan's EMBI+ index. The EU candidate economies include Russia.

to those immediately prior to 11 September. The divergence between the expenditure and confidence indicators is characteristic of recent months, and appears to be related to the above-mentioned stock market instability and geopolitical risks.

Nonetheless, a series of factors continue to sustain the economy. The real estate sector remains notably buoyant, and there are positive signs in the labour market in the form of an increase in hours worked compared with previous quarters and a reduction in the number of unemployment benefit claims. In addition, productivity gains and headway in containing costs have eased unit labour costs – leading business margins to pick up – without adversely influencing real wages, thanks among other factors to the moderation of inflation (at an annual rate of 1.5% in September). In terms of businesses, this has contributed to higher profits and to a reduction in financial dependence (which has prompted something of a rally on stock markets in October), and in respect of households, to improved real incomes. The overall result is growing resources with which to invest and consume.

The current-account deficit continued to widen and stood in Q2 at 5% of GDP. Meantime, the expansionary fiscal stance and the growth in security spending will mean that, for the first time since 1997, there will be an annual government deficit in 2002 of 1.5%, which will very probably increase in the following years.

In Japan, following positive quarter-on-quarter growth of 0.6% in Q2, activity has once more slowed because of the gradual slowdown in the growth of exports, calling into question the incipient economic recovery. On the supply side, external demand has adversely affected the manufacturing sector judging by the industrial output and business expectations indicators. In parallel, the consumption indicators reveal sluggish and irregular activity in most cases. Against this background, deflationary pressures remain in place (annual inflation stands at -0.9%) and the labour market continues to be slack, since the recent stability of the unemployment rate at 5.4% of the labour force essentially responds to the gradual fall in the labour force brought about by the discouragement effect on job-seekers.

The uncertainty over economic developments in Japan has made for a significant stock market correction, especially in the banking sector. That has led the Bank of Japan to implement a plan to purchase shares held by banks. Also, the government has postponed the lifting of full backing for sight deposits, which had

been planned for April next year, and has announced fresh measures to restructure the banking system, along with an anti-deflationary package, the details of which should be disclosed shortly.

In the United Kingdom, the economy grew by 0.6% in 2002 Q2 (1.3% year-on-year), led by private consumption and exports (which posted respective quarterly rates of 1.4% and 3.5%). Gross capital formation fell for the sixth quarter running, this time by 0.1%. In 2002 Q3, the economic indicators are pointing once again to divergence between relatively robust domestic demand, especially private consumption (retail sales in August grew by 5% year-on-year), and an industrial sector which has yet to recover (industrial output in August fell by 3.5% year-on-year). Moreover, preliminary figures for GDP in Q3 confirm the recovery, with quarter-on-quarter growth of 0.7% (1.7% in year-on-year terms). Labour market developments are contributing to sustaining buoyant consumption, since the unemployment rate has remained stable at 5.2%, while wage growth has held at a growth rate of around 4% year-on-year, outpacing inflation, which stands at a moderate level of 2.1%. The behaviour of consumer prices is in contrast to the sharp growth of house prices, which are running at an annual rate of over 20%.

Turning to the central and eastern European countries, the highlight has been the recommendation by the European Commission on 9 October that ten of the candidate countries should conclude accession negotiations this year, meaning they may join the EU in 2004. As regards the other candidate countries, the Commission has indicated the year 2007 as a possible accession date for Bulgaria and Romania, while no date has been set for negotiations with Turkey. With respect to economic developments, growth has slowed slightly overall as a result of the flatness of external demand. The factors underpinning activity are, essentially, domestic demand and the implementation of discretionary fiscal policies of an expansionary nature, which has prompted a widening of current-account deficits. These developments limit the degree of fiscal flexibility needed to absorb the future costs of enlargement and hinder the fiscal consolidation required within the EU. Country by country, the adverse effects of flooding on the Czech Republic (along with the strong appreciation of its currency) have led to a slight down-scaling of growth prospects for this year and to an increase in the budget deficit. In Poland, recovery is proving very weak, despite the strong reduction in official interest rates, owing to the slackness of external demand and to the flatness of investment and in-

dustrial output. The situation in Turkey has stabilised, in relative terms, pending the November parliamentary elections. The Turkish economic indicators have continued to improve, while the terms of the IMF programme are being strictly met.

In Latin America, recovery is not only proving slower than expected; there has even been backsliding in certain countries, such as Brazil and Venezuela, owing to political and financial uncertainty. The external environment is also bearing adversely on the region's growth capacity due to high risk aversion and to doubts over the US economy. Both these factors are compounding the vulnerability inherent in certain Latin American economies. In Argentina, the economic indicators show the real sector to have stabilised to some extent (the decline in GDP eased in Q2 to 13.6% year-on-year), but its underpinnings are still very fragile. Headway has been made in bringing the banking system back on to a normal footing, with measures such as the partial freeing of fixed-term deposits and the start of a new voluntary deposits-for-bonds programme. Nevertheless, an overall plan to restructure the financial system has still to be defined and the conflict between the legislative and judiciary branches has not yet been conclusively resolved. Such uncertainty has complicated negotiations with the IMF, which are needed to help stabilise the Argentine economy.

In Brazil, political uncertainty continued during Q3 in the run-up to the elections at the end of October. Reflecting this, there has been a substantial increase in sovereign risk and a marked depreciation of the Brazilian currency, to an historical high and low, respectively. This situation has not only generated fiscal pressures; it has also led the monetary authorities to adopt a more activist stance, in the form of measures geared to restricting liquidity and a 300 basis points increase in the intervention rate. In the economic domain, the indicators show a slower-than-expected recovery subject to downside risks arising from worsening financial conditions and heightened uncertainty.

In other Latin American countries, including most notably Mexico and Chile, developments have been more favourable. However, unlike in previous quarters, Mexico has also seen a slight deterioration in its financial variables, linked to the instability in Brazil and to uncertainty over the performance of the US economy. Although indicators continue to show a gradual recovery in the economy, there are signs of a slight slowdown linked to the export sector. The authorities have tightened the monetary policy stance in the light of the relative downward

stickiness of inflation. In Chile, the slowdown in growth has been confirmed, although it remains at higher levels than the rest of the region. The outlook for Chile is subject to trends in the global environment, given the economy's extensive openness and the flatness of its domestic

demand. As to the remaining countries, a favourable mention may be made of Peru, whose economy grew on average in the period to August at an annual rate of 4.1%. That said, the weakness of investment casts doubt on the sustainability of this expansion.

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

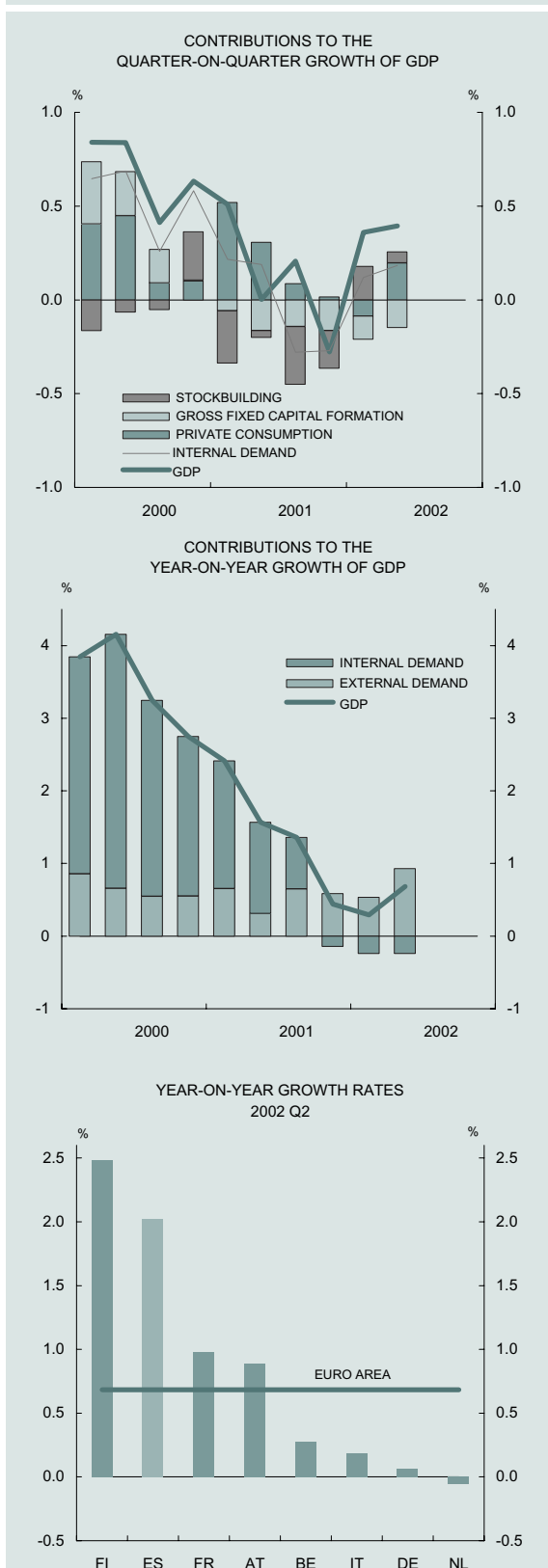
The euro area economy has been influenced during Q3 by the international economic and financial environment, which has been marked by a substantial correction of stock market prices and heightened uncertainty. These factors have made for a slide in confidence and a significant rebound in oil prices, which in turn has led internal demand and GDP in the euro area to be less buoyant than was expected at the start of the year. Accordingly, most international agencies have scaled back their GDP growth forecasts for 2002 and 2003 in relation to those published in the spring. Against this background of sluggish demand, the inflation outlook has improved slightly, despite the fact that the increase in oil prices and flooding pushed the inflation rate upwards during the summer months. On the fiscal policy front, budgetary balances have worsened in a large number of countries, a development attributable only in part to the operation of the automatic stabilisers. Finally, against this backdrop of uncertainty over the strength of the economic recovery and a somewhat brighter inflation picture, the ECB governing council has not altered its monetary policy stance in its meetings to date. The interest rate on its main refinancing operations has held unchanged since November 2001 and currently stands at 3.25%.

3.1. Economic developments

According to the second euro area National Accounts estimate for 2002 Q2, GDP grew by 0.4% in quarter-on-quarter terms, unchanged on the previous quarter. In year-on-year terms, this relative stability of activity translated into an increase in output of 0.7%, four-tenths of a point up on the rate for the preceding quarter (see Chart 8). For the first time since mid-2001, internal demand, excluding stocks, posted a positive though very moderate quarter-on-quarter rate of 0.1%. This was due to the pick-up in private consumption, which offset the lesser momentum of government consumption. Gross fixed capital formation showed a negative rate of 0.7%, similar to that of the previous quarter. The quarter-on-quarter reduction in gross fixed capital formation for the sixth quarter running placed the related year-on-year rate at around -3%, as a result of capital investment being somewhat more depressed than construction. The contribution of the external sector to GDP growth was marginally positive at 0.2% and, although this coincides with the figure for Q1, it is the outcome of a substantial recovery in both exports and imports in relation to previous quarters. Finally, the change in stocks made a positive contribution of one-tenth of a point to economic growth for the second consecutive quarter. This marked the start of a stockbuilding

CHART 8

GDP in the euro area



Sources: Eurostat and national statistics.

process after over a year of negative contributions.

National accounts data across the euro area highlight different cyclical positions. Among the countries with quarterly national accounts, annual GDP growth in Germany, Italy, the Netherlands and Belgium was virtually zero in Q2; in France and Austria it was 1%; and in Spain and Finland it stood at 2% or above. Broadly, these differences in GDP growth rates are determined by internal demand, since the performance of external demand and of the contribution of stockbuilding show a more uniform pattern across the groups of countries indicated. In particular, the high-growth countries are those where consumption is more buoyant and where gross fixed capital formation has fallen back to a lesser extent.

The stability of the GDP growth rate in 2002 Q2 is the result of a relative slowdown in industry and of greater robustness in services. In turn, the weakness of productive activity over recent quarters has led to a gradual reduction in the pace of job creation, which flattened out in Q2. In any event, the course of outputs and of employment during this period meant something of a recovery in apparent labour productivity, which resumed marginally positive year-on-year rates of change.

The latest information available on the euro area for Q3 points to a pause in the process of recovery of economic activity. In particular, the European Commission's confidence indicators and the purchasing managers' surveys from the manufacturing sector and services were lower in Q3 than in Q2, which brought the rising path embarked upon at the end of last year to a halt. The EU construction survey indicator has also lost momentum in the summer months. As for the industrial production index, its rate of increase eased off in the July-August period (see upper panel of Chart 9).

From the demand standpoint, the consumption indicators have not offered such clearly defined signs of deceleration over the summer months as those reflected by the activity indicators. Thus, although consumer confidence slipped in the July-September period, the September figure marked an advance on the deterioration in August. This was linked to somewhat brighter prospects for the overall situation of the economy (see Chart 9). According to the same survey, the retail confidence indicator began to improve slightly during the summer months. That appears to corroborate the as yet incomplete data available on retail sales for the euro area as a whole. The indicator of new car registrations picked up in Q3, although its year-on-

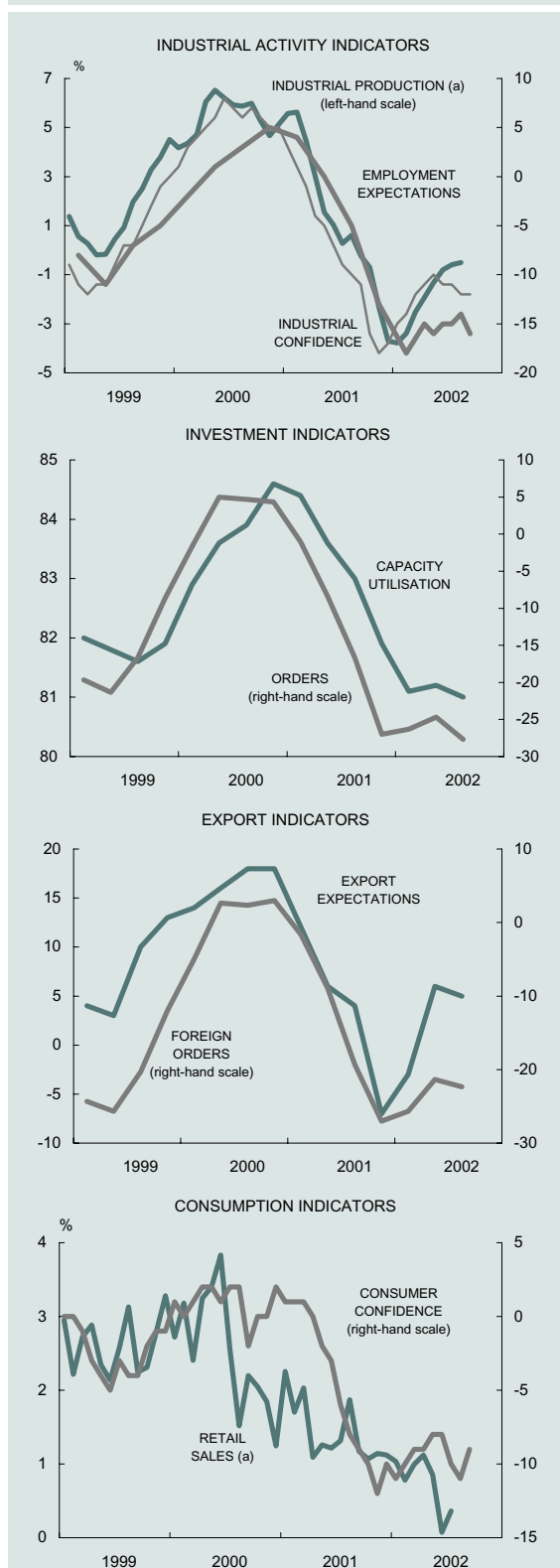
year rate is still negative. On the investment front, the data available show no change in the sluggishness characterising this aggregate. Indicators such as orders in industry or production expectations drawn from the EC confidence survey showed a fall in the summer months, following the rise previously recorded. In turn, capacity utilisation has remained virtually flat in recent quarters. The picture blackens even further in the construction sector where, according to the European Commission's surveys, orders worsened notably in Q3. The fragility of the recovery in world demand may be affecting exports. Industrial orders from abroad duly worsened in Q3 in relation to Q2, confirming the trend evidenced by the export expectations indicator of the quarterly survey of industry at the beginning of the period under study.

Turning to the labour market, the employment indicators drawn from business confidence surveys trended unfavourably in Q3, especially in construction and in services. Yet this has barely been reflected in the unemployment figures. The unemployment rate has risen to 8.3%, only one-tenth of a point up on the previous quarter.

In sum, the foregoing outlook points to GDP growth in Q3 similar to or slightly below that for the first half of the year, within the growth range estimated by DG-ECFIN (0.2%-0.5%) for the period. With regard to expenditure, there will foreseeably be a repeat of, or an increase in, the positive contribution by internal demand, along with a lesser contribution by foreign demand. Nonetheless, the decline in stock market prices coupled with heightened uncertainty is hindering a firm pick-up in private expenditure. In particular, the loss of value of household financial wealth is affecting consumption, whereby a slight recovery in the household saving ratio is to be expected. Moreover, the declining trend of private debt prices (accompanied by an increase in the associated risk premia) has made it more costly and difficult for companies to finance themselves. In turn, the deterioration in margins and the substantial uncertainty over the international political situation and the strength of the recovery are leading companies to defer decisions on acquiring capital goods.

The various price indicators for the area have increased slightly during Q3 owing largely to the rise in oil prices and to the effects of flooding in central Europe on crop yields. As regards the determination of internal prices, information on unit labour costs is only available for some of the euro area countries to 2002 Q2. On these data, unit labour costs have grown by slightly over 2.5% year-on-year dur-

Euro area. Real indicators

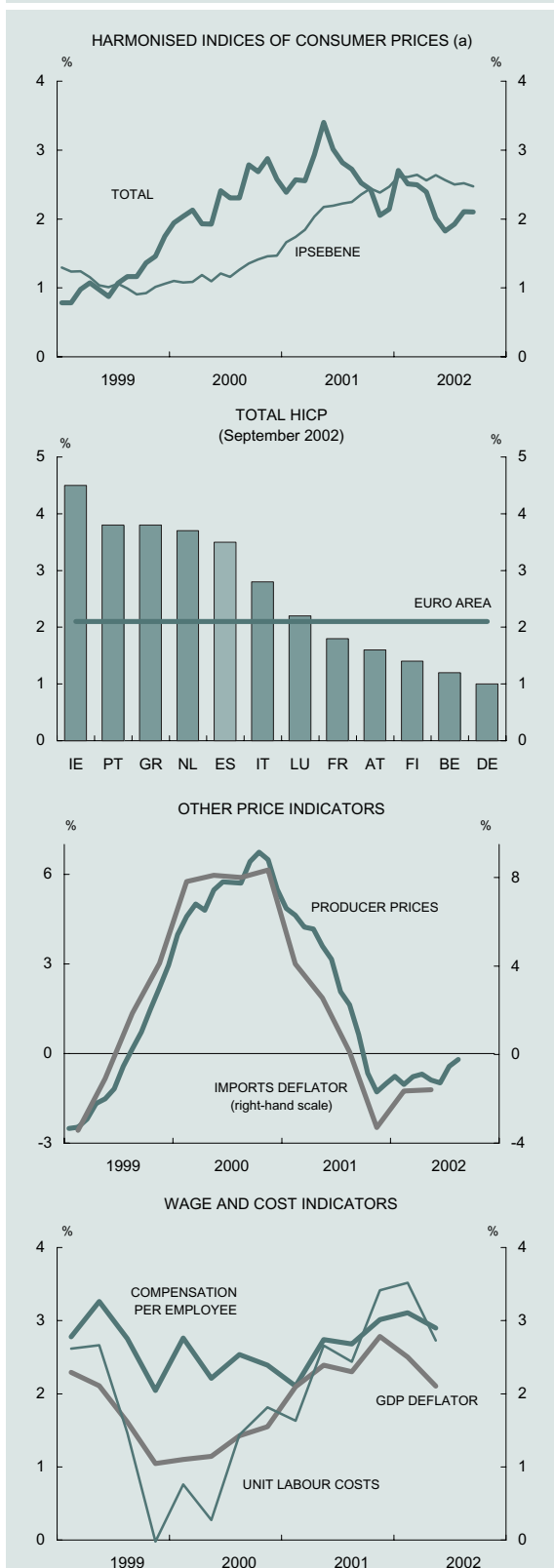


Sources: Eurostat and European Commission.

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

CHART 10

Euro area. Price, wage and cost indicators
Year-on-year percentage changes



Sources: Eurostat and European Central Bank.
(a) There is a break in January 2002, as the 2001 baseline begins.

ing this period. Their rate has eased off notably compared with previous quarters, when it exceeded 3%, as a result of the aforementioned recovery in productivity. Consequently, given that the GDP deflator increased in the same period by 2.1%, margins have once again been squeezed, albeit to a lesser extent than in the previous quarter. Box 1 analyses employment and cost developments in the current recovery phase.

As to consumer prices, inflation in the euro area, measured in terms of the 12-month growth rate of the HICP, stood at 2.1%, three-tenths of a point above the figure in June. This was partly in response to transitory factors, such as the rebound in unprocessed food prices, associated with the effects of the bad weather affecting much of Europe late in the summer and with the interruption of the downward trend of the energy component, in the light of heightening tension in the Middle East. Nevertheless, the services component continued to grow at a rate of over 3%, meaning that underlying inflation, measured by the index that excludes energy and fresh food prices, stood at 2.5%. Behind this downward stickiness of the indicator of core inflation remain the delayed effects of the series of adverse disturbances in recent years, the changeover to the euro, tax increases and the high growth of unit labour costs. The HICP increased in all member states in relation to June, with the exception of Ireland, the Netherlands and Finland. As can be seen in the second panel of Chart 10, there are sizable differences in inflation rates across the euro area countries. There is one group of countries whose inflation exceeds 3%, and another in which consumer prices are growing at below 1.5%. As regards producer prices, their decline during the quarter has slowed: in August they posted a rate of -0.2% year-on-year, against a rate of -1% in June, owing to the unfavourable trend of the energy component, as the increase in consumer goods prices held stable.

Inflation in the coming months will depend on the momentum economic activity gathers and on wage developments, and also on oil prices, which will be closely linked to the Iraq conflict. Furthermore, the recent course of the exchange rate may lessen current inflationary pressures.

Turning to the euro area's foreign trade transactions, the trade balance ran a surplus of €71 billion in the January-July period, compared with €32 billion the same period a year earlier, as a result of the favourable export performance. As regards the financial account, net capital outflows relating to direct and port-

Unit labour costs in the euro area in the current cyclical upturn

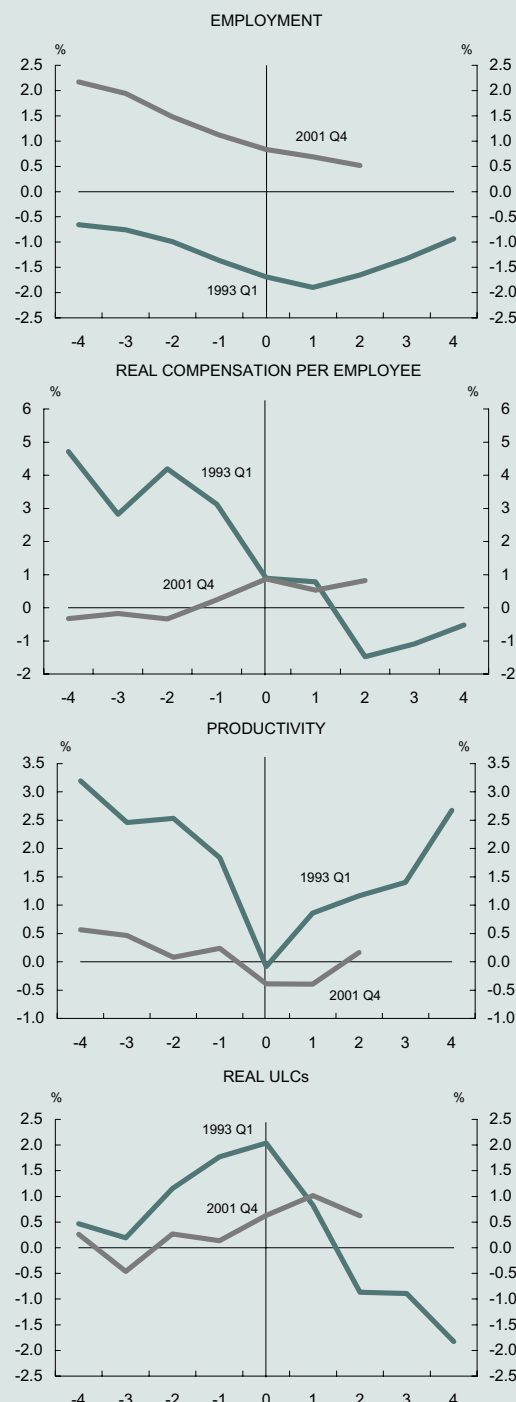
The data available appear to confirm that the cyclical slowdown in activity in the euro area bottomed out in 2001 Q4. The recovery initiated in 2002 is however wavering, judging by the deterioration in certain indicators in recent months. To assess the economic outlook, labour costs, productivity and business margins must be analysed, since the interaction of these variables is one of the main determinants of GDP growth in the medium term.

During the deceleration unfolding at the time of the 1993 cyclical trough, there was intense job destruction in the euro area. Numbers employed fell by around 3% and the unemployment rate increased by two percentage points between 1992 and 1994 to 11%. The increase in productivity was very marked during these years, although it was due above all to the fall in employment, with no genuine gains in efficiency in the use of the labour factor actually observed. Indeed, the scant sensitivity of wages to the slowdown in activity led to a heavy deterioration in margins and prompted the substitution of capital for labour. Only following intense labour shedding was a degree of wage restraint and the rebuilding of margins seen, thanks to the sharp increase in productivity. Thus, wage dynamics meant that employment was the principal adjustment variable, which had unfavourable consequences for private consumption and, generally, for domestic demand.

Conversely, in the recent period of cyclical weakness, the adjustment of the labour market has been confined to a progressive slowdown in job creation, without there having been any net destruction of jobs. As a result, the unemployment rate has risen by scarcely two-tenths of a point to 8.3% over the course of the cycle. The sound performance of employment has been linked, at least partly, to reforms such as the reduction of non-wage labour costs, the progressive introduction of flexible hiring arrangements and the refinement of the incentives for labour market participation adopted in certain countries. However, wage increases—though more moderate than those seen in the early nineties—have proven somewhat excessive, given the scant growth of productivity. This has seen real ULCs post positive and rising rates of expansion over the past year, with the subsequent deterioration in margins, and that may have held back the development of new investment projects.

The as yet incomplete information available for 2002 Q2 points to a correction of these trends, with a certain pick-up in productivity and a slowdown in nominal and real ULCs. However, some doubts remain over wage developments in the coming months since there is a continuing risk that workers will seek to make up for the lower purchasing power gains obtained in recent years as a result of the various transitory shocks (including most notably that of oil) that affected the inflation rate. Departing from the path of wage moderation would naturally have adverse consequences for investment and employment. And this, in short, would pose an obstacle to a sustained recovery in economic activity.

Employment and labour costs in the euro area (a)



Sources: ECB and Eurostat.

(a) Year-on-year rates of change. The period "0" represents the quarters in which GDP was at a cyclical trough, corresponding to 1993 Q1 and 2001 Q4, respectively.

TABLE 1

General government budget balances of euro area countries (a)

% of GDP

	1998	1999	2000	2001	2002 (b)	2002 (c)
Belgium	-0.7	-0.5	0.1	0.3	0.0	-0.1
Germany	-2.2	-1.5	-1.3	-2.8	-2.0	-2.9
Greece	-2.5	-1.9	-0.8	-0.4	0.8	0.8
Spain	-2.7	-1.1	-0.7	-0.1	0.0	0.0
France	-2.7	-1.6	-1.3	-1.5	-1.4	-2.5
Ireland	2.4	2.2	4.4	1.5	0.7	-0.4
Italy	-2.8	-1.8	-1.7	-2.2	-0.5	-2.0
Luxembourg	3.1	3.6	5.6	6.1	2.8	1.0
Netherlands	-0.8	0.7	1.5	0.1	1.0	-0.8
Austria	-2.4	-2.3	-1.9	0.1	0.0	-0.5
Portugal	-2.6	-2.4	-3.3	-4.1	-1.8	-3.6
Finland	1.3	1.9	7.0	4.9	2.6	3.1
MEMORANDUM ITEM:						
Euro area						
Primary balance	2.5	2.9	3.1	2.4	2.7	
Total balance	-2.2	-1.3	-0.9	-1.5	-0.9	-1.9
Public debt	73.5	71.9	69.4	69.2	67.2	

Sources: European Commission, National Stability Programmes and IMF.

(a) As a percentage of GDP. Proceeds from the sale of UMTS licences not included. Deficit (-) / surplus (+).

(b) Targets of the stability programmes presented between November and December 2001.

(c) Forecasts in the IMF World Economic Outlook (September 2002). The methodology underlying these figures may not be fully consistent with the figures presented for the period 1988-2001.

folio investment have fallen notably: from a figure of over €100 billion recorded in the same period a year earlier, they have declined to €6 billion. This composition of the trade balance and the financial account has led to a more balanced trajectory of the basic balance, developments in which are analysed in greater detail in Box 2.

In respect of fiscal policy, there has been a significant deterioration in the budgetary positions of certain Member States, which have overshoot the budget deficit targets set in their stability programmes (see Table 1). First, in France, Italy and Portugal, the authorities have raised their deficit targets for the current year considerably, to 2.6%, 2.1% and 2.8% of GDP, respectively. In Portugal, moreover, the budget deficit in 2001 has been revised substantially upwards to 4.1% of GDP. This breach of the deficit ceiling, set at 3% of GDP, has triggered the European Commission's excessive deficit procedure. The German authorities, meanwhile, acknowledge that their budget deficit may exceed 3% in 2002. The delicate budgetary position of these countries in terms of their actual balances, which has arisen owing to their lack of ambition during the period of higher growth, has been exacerbated in the current phase of relatively sluggish activity.

Against this background, the European Commission has put forward an initiative in which it suggests a fiscal policy adjustment path in Member States still showing imbalances. This initiative, which has been backed almost unanimously by the euro area countries, proposes that the States in question should commit themselves to applying a credible budgetary consolidation strategy as from 2003, leading in the medium term to a position close to a balanced budget. The strategy should be underpinned by a detailed specification of the measures that will enable the target to be met and by realistic assumptions on the macroeconomic environment.

In recent weeks, budgets have been unveiled for the coming year in most euro area countries. The French government has set a deficit target of 2.6% for 2003. The French budget responds to some of the priorities formulated by the authorities, such as the increase in military spending and in homeland security and justice, and the reduction – albeit modest – in income tax. The Italian budget envisages a reduction in the deficit to 1.5% of GDP in 2003. The attainment of this target resides on a reduction in transfers to regional and local authorities, the public-sector employment freeze and the extraordinary income derived from a tax

Recent developments in the euro area balance of payments

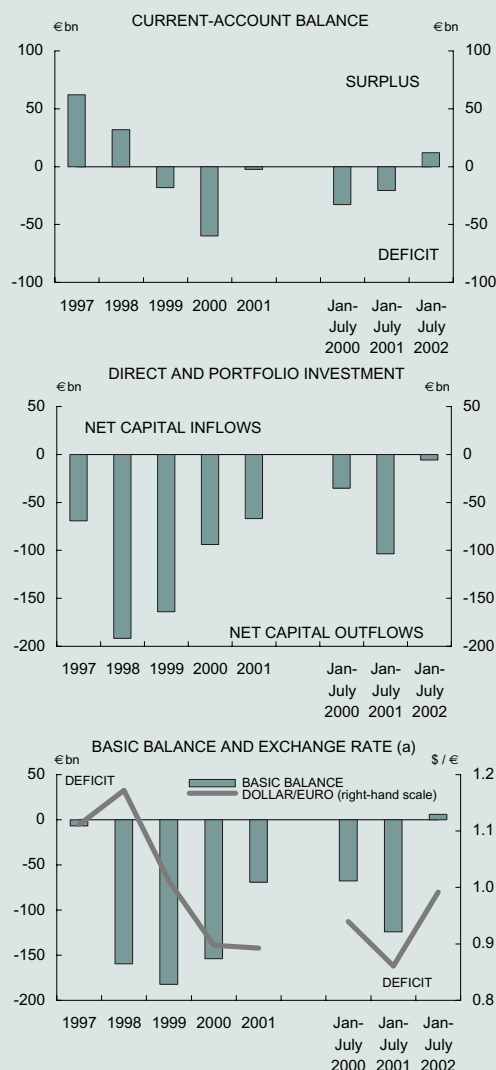
From the start of Monetary Union to end-2001, the euro area balance of payments posted a combination of current-account deficits with considerable net capital outflows relating to direct and portfolio investment. The sum of this current-account balance and these net capital flows is called the *basic balance*, a concept that allows an approximation to the financing requirements of an economy induced by trade in goods and services and long-term foreign investment. In the three-year period from 1999 to 2001, the cumulative deficit on the euro area current account amounted to €80 billion and net capital outflows relating to direct and portfolio investment were €204 billion and €121 billion, respectively, meaning the basic balance showed a deficit of €405 billion in cumulative terms. The main source of financing of this balance was the foreign indebtedness of euro area Monetary Financial Institutions.

However, as can be seen in the accompanying chart, the balance of payments has undergone significant changes recently. Firstly, the current account was in balance in 2001, and has moved into surplus in 2002 over the period for which information is available (January-July). The main determinant of this improvement has been the trade balance, which has been greatly influenced by the changes in trade volumes and by the terms of trade. In 2001, the effect on the merchandise balance arising from the decline in trade was virtually zero, since it affected both the volume of exports and that of imports, whereas the indicators available for the first half of 2002 have shown greater buoyancy in exports than in imports. Moreover, the terms of trade improved during 2001, showing positive rates of change in the second half of that year and in the first half of 2002 as a result of the lesser growth of import prices compared with export prices. However, this trend may be discontinued owing to the rise in oil prices seen in recent months.

Secondly, net capital outflows via direct and portfolio investment have abated considerably recently. Until the start of 2001, net acquisitions of foreign assets were influenced by the favourable outlook for the US economy which was, in turn, the result of this country's prolonged growth phase, the significant increase in productivity and the surging stock market. Nonetheless, since mid-2001 there has been a reduction in both inflows to and outflows from the euro area, along with a high variability of the direction of these flows in net terms. These movements are set against the background of a bleaker outlook for corporate earnings, greater uncertainty on international financial markets and widespread falls on stock markets, which is also in line with lesser mergers and acquisitions-related activity of foreign corporations. In net terms, the changes in cross-border financial flows have resulted in fewer net capital outflows relating to direct and portfolio investment by the non-resident private sector in 2001 and to date in 2002. And this, along with the results of the current-account balance, has made for a more balanced trajectory of the basic balance.

This performance may partly explain the rising trend of the euro against the dollar in the first half of the current year. Likewise, exchange rate movements may have been conducive to greater net capital inflows into the euro area, insofar as they may have fuelled expectations of further increases in the value of the euro.

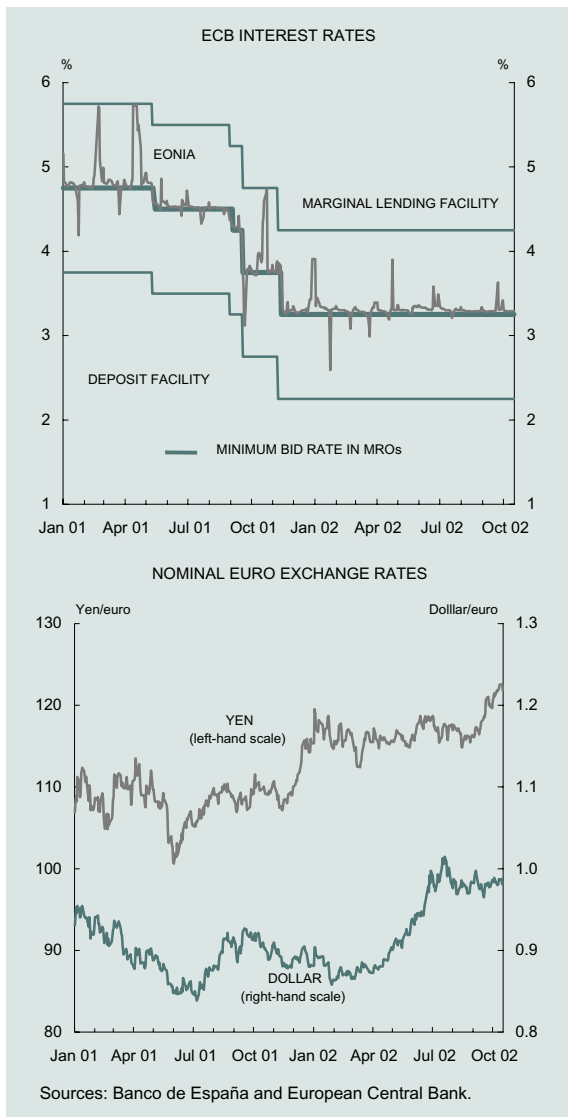
Euro area balance of payments



Sources: European Central Bank and Banco de España.
(a) The exchange rate data are the average for the last month of each period considered.

CHART 11

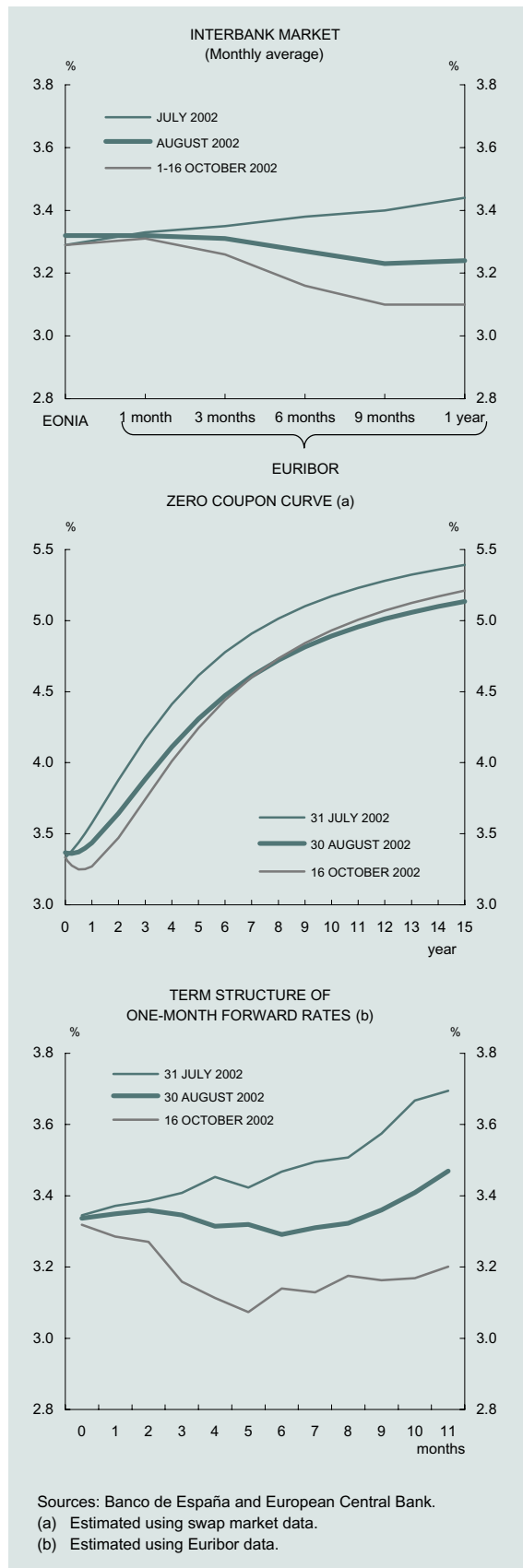
**ECB interest rates and
euro exchange rates**



amnesty. At the same time, the budget bill includes a reduction in income tax rates for the lowest-income groups. In Portugal, where the authorities are engaged in real estate assets disposals that will allow them to meet the revised deficit target for this year, the shortfall in public finances will diminish, according to the draft budget, to 2.4% of GDP in 2003. Finally, in Germany, the acting government has announced that reconstruction work following the damage caused by the recent floods will be financed by a temporary increase of 1.5 percentage points in corporate income tax and by deferring the tax reform that was to come into force at the beginning of the coming year. Moreover, the provisional agreement between the coalition parties making up the new government includes various budgetary consolidation measures.

CHART 12

**Euro area
yield curve**



3.2. Monetary and financial developments

Set against the uncertainty over the resilience of the economic recovery and price moderation, with an inflationary outlook conditioned in the short term by international political conflicts, the ECB Governing Council has kept its official interest rates unchanged. Consequently, the rates on the main refinancing operations, on the deposit facility and on the marginal lending facility continue to stand at 3.25%, 2.25% and 4.25%, respectively (see Chart 11).

During Q3 there has been a reduction in interest rates both on the money and banking markets. This may have fuelled the demand for credit, despite the relative weakness of activity. The M3 monetary aggregate continues to show a high growth rate, affected by portfolio shifts toward short-term assets. Nevertheless, the notable decline in stock market prices in the year to date, the increase in risk premia on private debt and the appreciation of the euro have probably more than offset the favourable effects of lower interest rates on the economy's spending. Given the cyclical position of the Spanish economy in relation to the euro area average and its inflation rate, financial conditions remained generous judging, for example, by the more expansionary profile sustained by credit to the private sector.

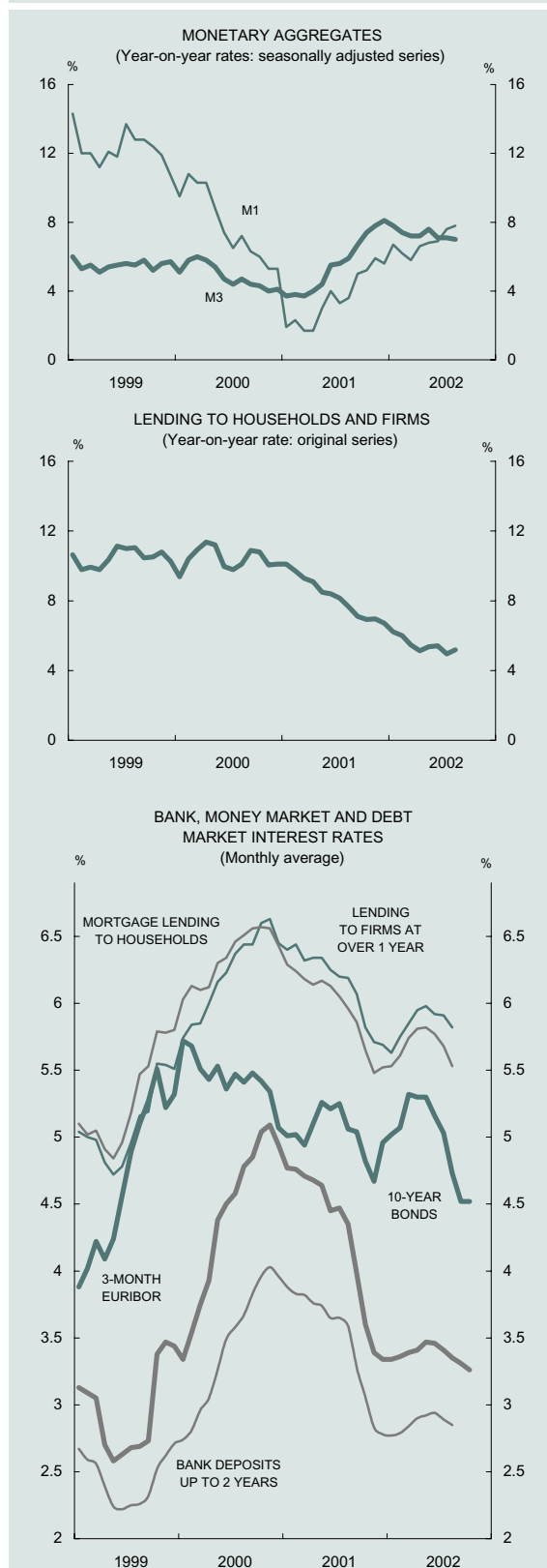
Money market interest rates have been subject to a progressive change in expectations. The upper panel of Chart 12 shows that, as the perception that the recovery in activity would be delayed took hold, there was a reduction in interest rates as from the three-month maturity. This same message is conveyed more firmly and accurately in one-month forward rates; after having forecast an increase at the beginning of the summer, they now envisage lower interest rates for 2003 Q1 (see the lower panel of Chart 12).

Long-term interest rates have also declined over the past three months by approximately half a point. As a result, ten-year government bond yields have stood at around 4.5% in October to date. This downward trajectory has been less marked than in the United States, meaning that the negative differential vis-à-vis the euro area has increased to 80 basis points (bp) (see Table 2). Given that the inflation outlook for both economies does not differ particularly, the justification for these developments is essentially associated with a downward revision of growth prospects, more steeply so in the United States than in Europe.

As can be seen in the bottom panel of Chart 13, the interest rates applied by credit institu-

CHART 13

Monetary and credit aggregates and interest rates in the euro area



Sources: Banco de España and European Central Bank.

TABLE 2

Monetary and financial situation in the euro area and Spain

%

	2000	2001	2002					
	DEC	DEC	MAY	JUN	JUL	AUG	SEP	OCT (a)
MONETARY VARIABLES (b):								
Euro area								
M3	4.0	8.0	7.6	7.1	7.1	7.0	7.4	
M1	5.2	5.5	6.8	6.8	7.6	7.6	8.2	
Credit to private sector	10.1	6.7	5.3	5.4	4.9	5.1	5.1	
SPAIN								
Cash and cash equivalents	4.4	6.8	9.9	10.3	9.5	10.8	9.4	
Other bank liabilities	19.8	8.4	4.0	4.8	5.9	5.3	4.6	
Mutual funds (c)	-27.1	26.2	23.8	23.0	21.5	20.4	18.3	
Financing to the private sector	18.9	15.1	14.5	13.6	13.3	14.2	13.3	
FINANCIAL MARKETS (d):								
EONIA	4.83	3.36	3.31	3.35	3.30	3.29	3.32	3.29
Three-month EURIBOR	4.94	3.35	3.47	3.46	3.41	3.35	3.31	3.26
Public debt								
Euro-area ten-year bond yields	5.07	4.96	5.30	5.17	5.03	4.73	4.52	4.52
US/euro-area ten-year bond spread	0.25	0.16	-0.08	-0.22	-0.35	-0.43	-0.60	-0.80
Spain/Germany ten-year bond spread	0.31	0.23	0.19	0.21	0.20	0.19	0.18	0.16
Bank rates in Spain								
Synthetic deposit rate	3.02	2.22	2.32	2.31	2.30	2.28		
Synthetic lending rate	6.35	4.86	5.08	5.02	5.12	5.11		
USD/EUR exchange rate	0.897	0.892	0.917	0.955	0.992	0.978	0.981	0.984
Equities (e)								
Dow Jones EURO STOXX broad index	-5.9	-19.7	-7.2	-15.2	-26.4	-26.0	-39.1	-33.1
Madrid Stock Exchange General Index	-12.7	-6.4	-1.2	-12.3	-20.5	-18.8	-30.1	-25.2

Sources: European Central Bank and Banco de España.
(a) Monthly average to 16 October 2002.
(b) Annual percentage change.
(c) Include euro-denominated fixed-income FIAMMs and FIMs.
(d) Monthly averages.
(e) Cumulative percentage change during the year. End-of-month data. Latest month: 15 October for the EURO STOXX and 16 October for the Madrid Stock Exchange.

tions also fell in the summer months. Compared with June, the reduction in interest rates has been more pronounced in loans for house purchases (by around 30 bp) than in loans to corporations (10 bp). With respect to deposit rates, banks have also passed through a moderate 10 bp reduction.

On the foreign exchange markets, the euro has held relatively stable following its progressive appreciation during the first half of 2002, moving in a narrow range around \$0.98/€1. Against the yen, the European currency has also strengthened over the past quarter by around 3%. Whereas the exchange rate of the euro against the dollar has appreciated by around 10% since the start of the year, the nominal effective exchange rate has done so by around 5%.

The downward trend seen in stock market prices since the start of the year intensified between July and September. In October, however, share prices rose slightly. The fall in prices in Europe (which has been steeper in the year to date than in the United States and in Spain) has, in addition to the revised earnings forecasts for technological firms and mistrust concerning accounting practices, been related to certain specific factors. It thus reflects the difficulties certain major corporations have faced in obtaining returns from their strategic operations, such as mergers or acquisitions, or third-generation mobile telephony licences. Furthermore, the floods that affected much of central Europe last summer have prompted a downward revision of the earnings expectations of insurance companies, whose balance sheets have further been affected by the loss of value of their finan-

cial assets. Box 5 analyses in greater detail the differing behaviour of the US, euro area and Spanish stock markets.

The monetary aggregates remained very buoyant during Q3. The M3 measure posted a growth rate of 7.4% year-on-year in September. The continuing resilience of this aggregate is largely due to the persistence of portfolio shifts towards assets included in the definition of M3, as a result of the heightened uncertainty prevailing on financial markets. In addition to cash, sight deposits and negotiable instruments are

the components that have grown most sharply in relation to the previous quarter.

Finally, the growth of credit to the resident private sector in the euro area appears to have stabilised at a rate of around 5%. In terms of agents, and with data to Q2, it can be seen that whereas credit to non-financial corporations continued slowing, loans to households picked up slightly. In the case of Spain, credit has held at a relatively high year-on-year growth rate, which exceeded 13% at the end of Q3 (see section 5 of this Report).

4. The Spanish economy

On QNA data, domestic demand in the Spanish economy slowed significantly in 2002 Q2, to a real year-on-year growth rate of 1.6%, from 2.2% in the previous quarter (1). Both consumption (private and public) and stockbuilding contributed to this slowdown. However, the effect on GDP growth was offset by a significant improvement in the contribution from net external demand, so that output continued to grow at a rate of 2%. The data available for Q3 indicate somewhat different results, which must be interpreted in the light of the greater variability displayed by the seasonally adjusted QNA figures, in comparison with the trend-cycle ones (see Chart 14). Growth in domestic demand is estimated to have recovered slightly in Q3, to 1.8%, underpinned by steady growth in household final consumption and a larger contribution from stocks. However, capital investment was contractionary and the notable buoyancy of construction flattened off, with signs of a mild slowdown in quarter-on-quarter terms. Net external demand meanwhile made a slightly negative contribution to growth since, although the recovery in exports that began in the first half strengthened considerably, imports also picked up significantly. In consequence, GDP growth is estimated to have stood at year-on-year rates of close to 1.8% over the summer.

From the standpoint of the value added by the different productive sectors, the year-on-year declines in activity, agriculture and industry steepened in Q2, while growth quickened in construction and market services. The information available for Q3 points to a recovery in the primary sector, further retraction in industry and the appearance of some signs of slowdown in services, which overall would have led to a slight loss of buoyancy in the market economy in that period. Employment, meanwhile, which grew at a more-or-less stable rate of 1.3% to 1.4% in the first half of the year, following its slowdown in 2001, would seem to have held at a similar rate in Q3, although the information for September seems to indicate a somewhat less positive performance for the final part of the year. In any event, apparent labour productivity has been growing very slowly in recent quarters, which shows that the current pattern of growth continues to be accompanied by a high rate of job creation.

QNA estimates show that in the first two quarters of 2002 labour costs per unit of output decelerated slightly. A contributing factor here were the lower wage settlements in the current round of collective bargaining, which is subject to the terms of the Interconfederal Agreement

(1) Rates are calculated on the basis of seasonally adjusted series unless otherwise indicated.

on Collective Bargaining (AINC) signed by the social agents. The prices of imported products also had a moderating impact on final prices, as a result of the favourable trend in oil prices up to August, and of the notable appreciation of the euro from April. However, final prices have grown at high rates, which in the case of consumer prices have been rising, and operating margins have continued to widen. In the coming months imported products can be expected to exert upward pressure on costs, linked to the recent rise in oil prices. Moreover, it is likely that application of the indexation clauses in 2002 collective agreements will have a significant upward impact on wage growth. All this may hamper the return to lower inflation rates, despite the lower demand pressure. The inflation rate, as measured by the year-on-year change in the CPI, reached a high of 3.6% in April and remained at around that level to September.

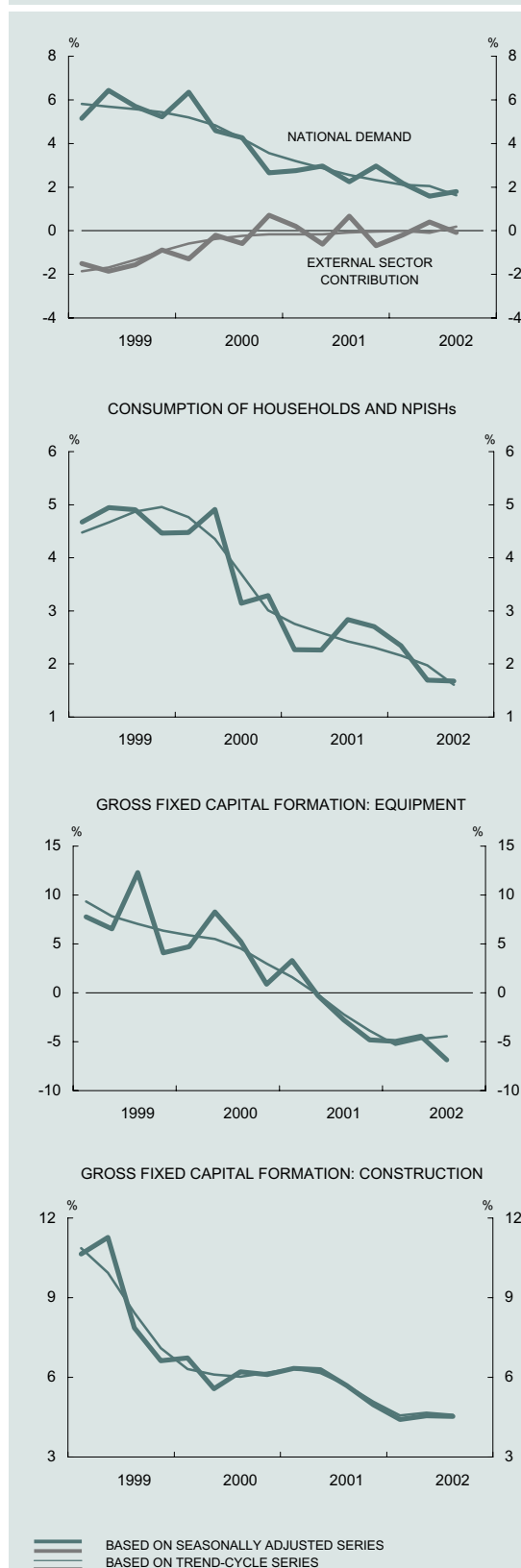
4.1. Demand

In the first half of the current year, the real growth rate of household final consumption expenditure continued to fall, standing at 1.7% year-on-year in Q2. The information available for the latest months shows somewhat disparate signs that would be consistent with a flattening out of the growth rate of consumption in Q3. The sustaining of spending, while confidence has deteriorated rapidly, in an adverse international environment that has worsened the crisis on financial markets, would appear to be based on the strength still retained by employment creation. In any event, consumption is estimated to have moderated by more than disposable income in 2002, giving rise to a pick-up in the household saving ratio.

Among the indicators of household expenditure, apparent consumption of goods and services has displayed an upward trend centred on the goods component, reflecting both the improvement in the domestic production of consumer goods and the upturn in the imports of such goods (see Chart 15). However, other indicators more directly related to spending have performed less positively. The general index of retail sales has slowed somewhat over the year to date and the Spanish Household Expenditure Survey, on data to Q2, has also shown a loss of momentum, as well as a reduction in the percentage of households with a favourable perception of the economic situation. Only in car sales, which were highly contractionary in the first half, has there been some hint of a change in trend in the latest data. Despite its mild recovery in September, the consumer confidence indicator remained at very low levels in Q3, held down by the worsening outlook for the econom-

CHART 14

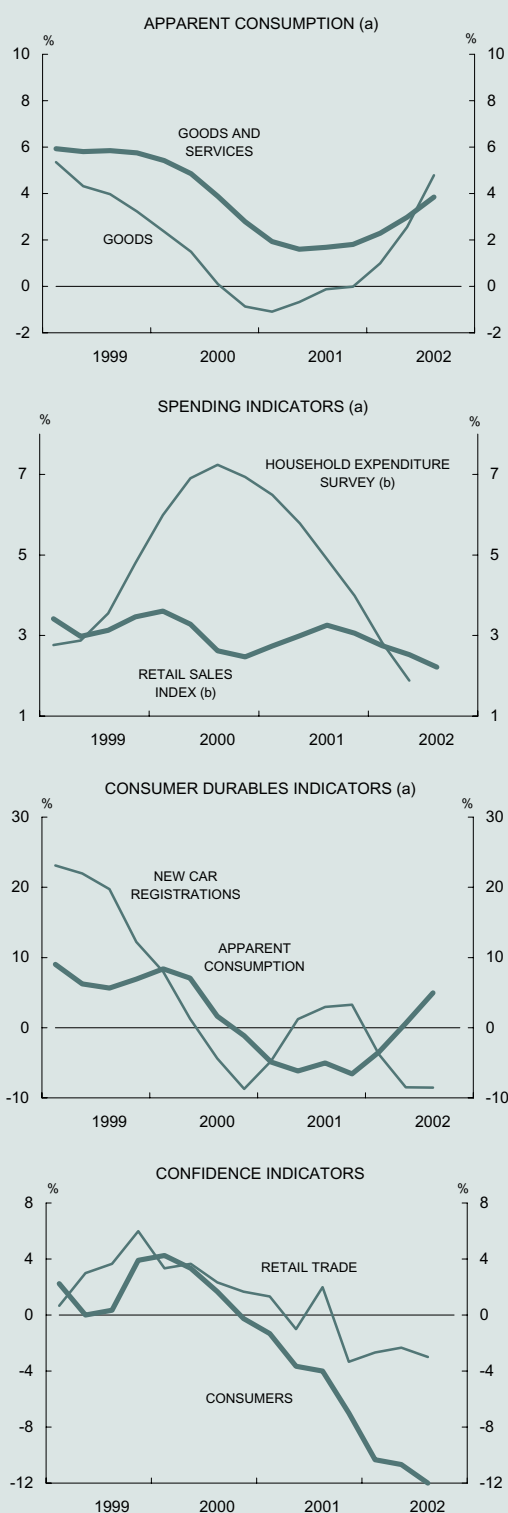
Main demand aggregates Percentage change on year ago



Sources: INE and Banco de España.

CHART 15

Private consumption indicators



Sources: INE, 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.

ic situation at the national and household level, although the outlook for unemployment has not worsened to the same extent.

The reduced buoyancy of consumption in the year to date, relative to 2001, is only partly explained by the slowdown in real disposable income available for spending. This slowdown, attributable in part to the higher rate of change in consumer prices, was basically the result of lower growth in compensation per employee and employment combined with more expansionary general government net transfers and other non-wage income. Assessing the effects of changes in the value of wealth is more complex. The fall in stock markets, with the consequent decline in the financial wealth of households, would help to explain the contraction of spending and the increase in saving, but there has also been a significant rise in the value of property which would be exerting an opposite effect. It is possible that financial turmoil has had an additional adverse effect on consumer expectations and their economic outlook, reinforcing the contractionary effect on spending.

In 2002 Q2 general government final consumption grew at a year-on-year rate of 1.5%, in real terms, down 0.3 percentage points from Q1. The information available for Q3, obtained from State revenue and expenditure data, and from the budget plans for the whole year, points to a slight acceleration, without this amounting to a departure from the restraint that has characterised government consumption in recent years.

Gross fixed capital formation grew in real terms by 1.3% year-on-year in 2002 Q2, up 0.2 percentage points on the previous quarter, following a long slowdown. Both investment in capital goods and construction spending helped to check the loss of investor momentum. The former became less contractionary (although it still declined at a year-on-year rate of 4.4%) while construction accelerated by 0.2 percentage points (to 4.6%). Investment in other products, which basically includes spending on services relating to construction, continued to lose momentum during this period. As can be seen in Chart 14, it is estimated that investment in capital goods weakened further in Q3, while construction continued to grow at a high rate.

Although the most recent data on imports of capital goods (and in particular the August data) have shown a recovery, the strong contractionary trend in the domestic production of these goods has not changed, so the indicator of apparent investment in capital goods has been strongly negative (see Chart 16). Some indicators of demand pressure have for several

months been recording more favourable data, as is the case of the assessment of order books of capital-goods producers and, to a lesser extent, of industry in general, yet capacity utilisation is clearly below its historical average levels. In sum, there are as yet no signs of a change in the downward path of spending on capital goods.

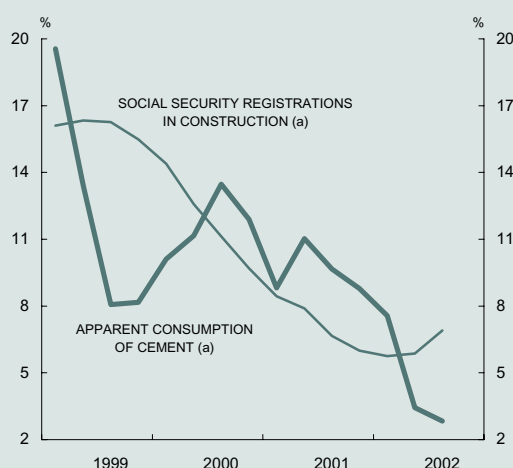
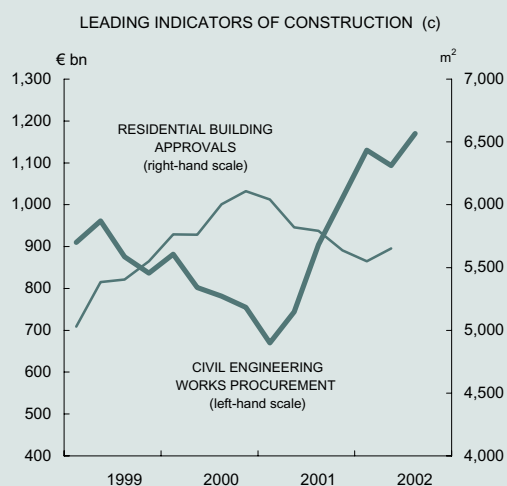
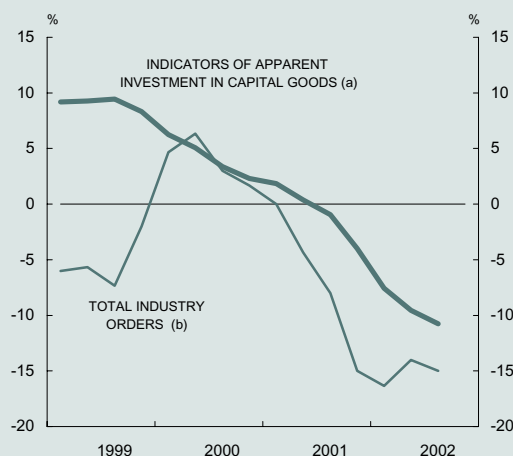
A significant recovery in productive investment is unlikely to occur without an improvement in economic expectations at the international level and a reduction in global uncertainty. Firms are particularly vulnerable to turmoil on financial markets, which hampers their access to sources of financing, reduces the value of assets potentially available for use as collateral and, via the effect on risk premia, raises the cost of capital. According to the information provided by the Central Balance Sheet Data Office of the Banco de España and the Financial Accounts, the debt ratios of non-financial corporations have increased in recent years, but their debt service burden has not done so to the same extent, owing to the decline in interest rates. Moreover, the returns on firms' ordinary activity remain high. In sum, firms are in a position to reactivate their investment plans, once the uncertainty over the international economic environment has dissipated and capital markets have overcome their current crisis.

Construction investment continued to be the most dynamic component of demand in the first half of 2002 and, on available estimates, also in Q3, when it appears to have grown at a similar rate to Q2. The most up-to-date information supports these estimates: apparent cement consumption increased over the summer months at rates close to those of Q2 and the trend in the employment indicators for the sector has also been sustained, with a slight acceleration in the number of Social Security registrations (see Chart 16). However, the construction confidence indicator has been following a declining trend, which was extended in Q3.

According to ECIC (Construction Industry Survey) data to Q2, the value of work completed by construction firms increased by 5.4%, in real year-on-year terms, almost two percentage points less than in the preceding quarter. Completed civil engineering projects recovered slightly, growing by 4%, as did non-residential building (3%), while residential building, despite its deceleration, continued to be the most dynamic component (it grew by 6.6%). The indicators relating to construction starts appear to confirm an extension of these trends (see Chart 16). In the case of private sector building, the rate of increase in surface area to be built, whether according to the licences granted by lo-

CHART 16

Gross fixed capital formation indicators



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

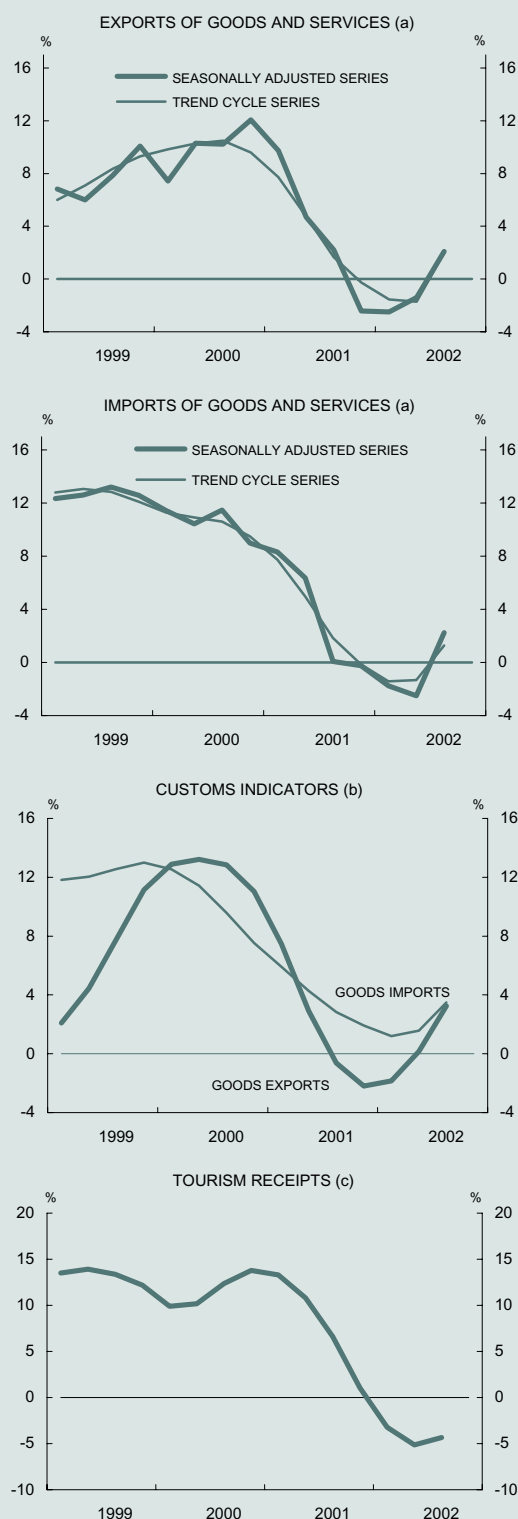
(a) Non-centred percentage change on same quarter a year earlier, based on the trend of the indicator.

(b) Level of original series.

(c) Annual moving averages.

CHART 17

Foreign trade **Percentage change on year ago**



Sources: INE, Ministerio de Economía, Ministerio de Hacienda and Banco de España.

- (a) QNA data at constant prices.
- (b) Trend-cycle deflated series.
- (c) Nominal trend-cycle series.

cal councils or to architect association approvals, decreased with respect to 2001 as a whole, although in the case of housing both indicators picked up in 2002 Q2. Government civil engineering tenders grew by 30% over the first seven months of the year, a larger increase than in the same period of 2001, although their course was highly erratic.

As a result, although a slowdown can be projected for construction investment in the coming quarters, its rate of growth will remain high, sustained by the gradual materialisation of public works investment plans and by residential building, which is showing notable resilience. In this respect, property is still an attractive investment option compared to financial assets, owing to expectations of rising prices and the possibilities of entering the rental market. On the other hand, non-residential building remains depressed, in line with private productive investment.

The contribution of stockbuilding to output growth has been highly variable, especially when it is measured using seasonally adjusted series. In 2002 Q2, unlike in the two previous quarters, stockbuilding made no contribution to the year-on-year growth rate of GDP, while its contribution to the quarter-on-quarter rate was very negative. Among the few indicators available, the business survey shows a decline in the level of stocks in Q2, relative to the desired level, which continued in a milder form over the summer months. As a result, it is estimated that the contribution of stockbuilding to GDP growth in Q3 was more neutral, with a recovery in year-on-year terms.

In 2002 Q2 net external demand increased the year-on-year GDP growth rate by 0.4 percentage points, in real terms, having made negative contributions in the previous two quarters. The year-on-year rate of decline in exports of goods and services fell to -1.4%, from -2.5% in the two preceding quarters. The recovery, albeit weaker than expected, in the US and south-east Asian economies in the first half prompted sales to these markets to pick up, but this did not feed through to EU exports. These were affected by the economic stagnation in the EU and by the cumulative competitiveness losses sustained by Spanish products on these markets due to price and cost changes. The slowdown in imports of goods and services intensified in Q2, with a year-on-year fall of 2.5%, the progressive weakening of domestic demand being a contributory factor here. The still incomplete information on 2002 Q3 shows that the improvement in exports continued and a positive rate of change was recorded. Also imports were boosted by the recovery in exports and by

the fall in their relative prices, against a background of appreciation of the euro. In all, the contribution of external demand to GDP growth appears to have returned to slightly negative values (see Chart 14).

The year-on-year rate of decline in goods exports, which had reached -4.3% in the final quarter of 2001, fell to -2.5% in 2002 Q2, according to QNA data. Customs data confirm the positive behaviour of merchandise exports, which in July and August increased by 7.6% in real terms, following the declines recorded in the first half (see Chart 17). The continuity of these results, which appear to be in line with the progressive recovery on world markets, could be jeopardised by the continued existence of significant price and cost growth differentials between Spain and its competitor countries, compounded by the appreciation of the euro.

In the first eight months of the year, exports to non-EU countries increased by 1.7% in real terms. This increase, which contrasts with the significant declines recorded since 2001 Q2, reflects the recovery in sales to the US and south-east Asia, as well as the notable buoyancy of those to central and east European countries, while the Japanese and Latin American markets continued to weaken. Meanwhile, real exports to the EU declined by 1.8% between January and August, although the significant slowdown in the first half was followed by a general pick-up in sales to almost all EU countries in July and August. By product group, both sales of consumer manufacturers and non-energy intermediate goods recovered during these months, while exports of equipment continued to fall, despite the more favourable behaviour of sales of transport equipment. Over the first eight months of the year exports of equipment fell by 15.7% , while exports of consumer goods and intermediate goods grew moderately (by 0.9% and 2.9% respectively).

On QNA data, the consumption of non-residents in 2002 Q2 continued to display the weakness seen in the previous quarter, with a year-on-year decline of 4.9% , against a background of notable moderation in global tourist demand. This moderation was prompted by the attacks of 11 September and was prolonged by the world economic slowdown and the consequent deterioration in consumer confidence. The real indicators reflect this negative performance, which was only interrupted in August owing to the summer price offers. Thus, tourists entering Spain at borders increased by 2.3% in the first eight months of the year, following a 10.9% increase in August, and the number of foreign visitors staying in hotels declined by

2.1% over the period. The poor performance of tourism receipts reflects the weakness of the European economy (the main source of tourists visiting Spain), compounded by competition from other Mediterranean countries and shifts in tourist preferences towards shorter stays and closer destinations which can be reached by car. Thus, in the first eight months of 2002 there was a decline in the number of German tourists and a slowdown in British tourists, while numbers of tourists from France and the Netherlands, who tend to prefer staying at campsites, were highly buoyant. Exports of other services continued to grow at a high rate of 9.1% in 2002 Q2, in line with balance of payments information.

Having been extremely slack in the second half of 2001, real goods imports declined sharply in the first two quarters of 2002, as a consequence of the slowdown in final demand and the weakness of industrial output. However, according to customs data, there was a change of course in July and August, when real imports increased by 10.3% year-on-year, partly driven by the recovery of exports and by the appreciation of the euro. By product group, there was a notable pick-up in imports of non-food consumer goods in July and August, especially in the case of their non-durable component, while imports of non-energy intermediate goods were vigorous. Over the whole period January to August the main components of non-energy imports decelerated, with a notable decline in capital goods imports (-8.9%). Imports of consumer goods reflected the negative performance of cars, while imports of non-energy intermediate goods grew at a moderate rate, in line with the weakness of their domestic production. Finally, energy imports were particularly strong in the first half, driven by the sharp reduction in their prices in euro and the need to replace stocks.

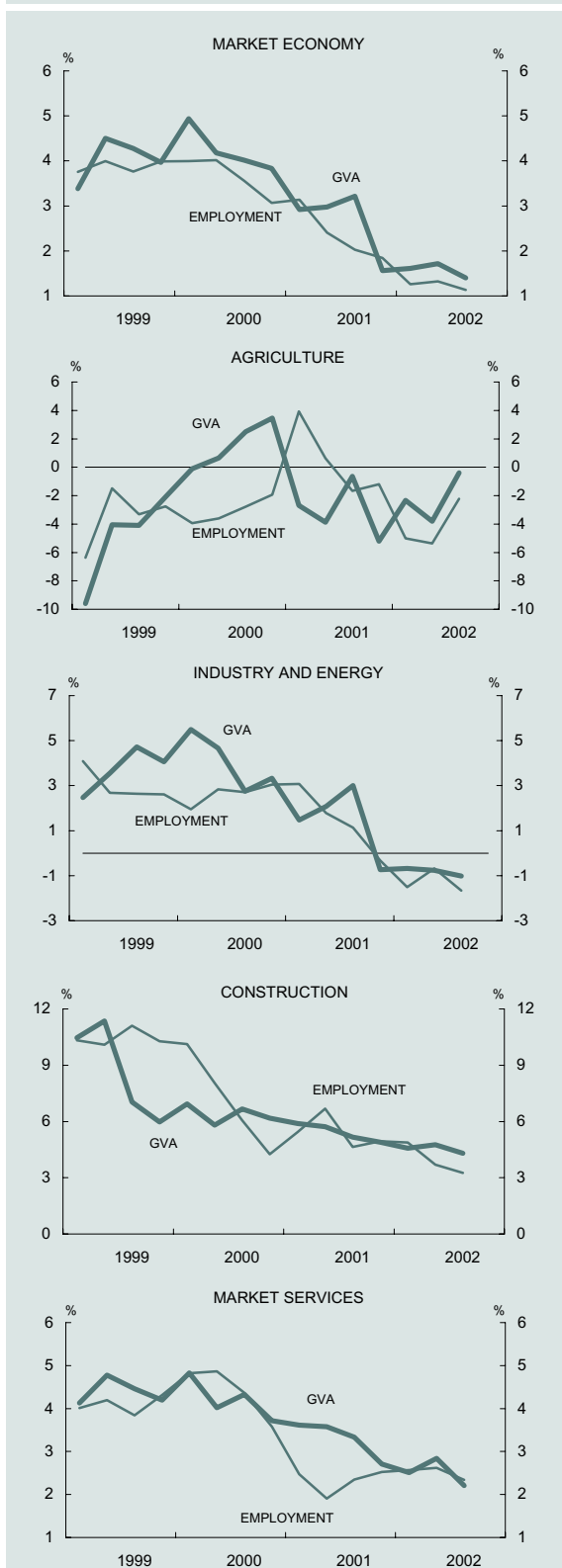
Services imports, in real terms, became more contractionary in 2002 Q2, with a year-on-year decline of 3.4% , according to QNA data. Other services declined by 4.2% in the same period, in line with the fall in merchandise imports and the weakness of foreign investment flows, while tourism payments grew by 0.7% , after falling by 1.4% in the previous quarter. However, in the balance payments nominal tourism payments continued to decelerate in Q2, in line with the performance of the consumer confidence indicator.

4.2. Output and employment

As mentioned in the introduction to this chapter, activity in the primary branches was contractionary in the first half of 2002, declining in Q2 by

CHART 18

**Gross value added and employment
by branch of activity**
Percentage change on year ago (a)



Sources: INE and Banco de España.
(a) Seasonally adjusted series. Employment in terms of full-time equivalent jobs.

3.8% year-on-year (see Chart 18). However, in the last few months there has been a recovery in arable output, helped by recent rainfall (not so much the amount as its distribution and timing). In particular, cereal and leguminous crops grew at double-digit rates, and only citrus fruit is expected to show output losses.

The expected recovery in industrial activity has been held back by the subdued international situation and pessimistic expectations regarding the course of domestic demand. Against this background, according to QNA estimates, industrial activity contracted again in 2002 Q2, by 0.8% year-on-year, following the fall of 0.7% in the first three months of the year. Excluding energy gives declines of 2.4% and 2% respectively. As regards Q3, sentiment indicators have improved. This has involved a notable increase in the industrial confidence index, as well as being apparent in the upward trend in expected output. Also Social Security registrations and imports of intermediate goods have picked up. However, the industrial production index (IPI), the basic indicator of industrial activity, again recorded negative rates of change, when corrected for calendar effects, in the period spanning July and August. Among the activities contributing to these poor results were energy production, following its healthy performance in the first half, textiles and clothing, and machinery manufacturing.

The latest QNA figures indicate that the gradual decline in the value added of the construction branch was interrupted in 2002 Q2 by an increase of 0.2 percentage points in its year-on-year growth rate to 4.8%. By contrast, the ECIC has estimated a slowdown in the value of work carried out by the sector in the same period. The loss of momentum was limited to the residential subsector, which in any case continued to grow at high rates. In line with the analysis of construction investment, the most advanced leading indicators suggest that the rate of growth of construction activity in Q3 was more or less steady and that it will now return to the path of gradual slowdown.

In the tertiary sector, the year-on-year growth rate of value added is estimated by the QNA to have picked up to 2.8% in 2002 Q2. That said, growth in the tertiary sector has been following a path of slowdown, in step with the industrial sector and with the moderation of domestic demand. The growth profile of GVA for all services was similar to that of market services activity (see Chart 18). According to the available indicators for the various services activities, the wholesale and retail trade and repairs are the only activities to have shown signs of recovery in Q3, as reflected in the path of So-

cial Security registrations and in a smaller decline in vehicle sales. The poor performance of tourism meant that hotels and restaurants continued to decelerate although, according to the statistics on overnight stays and Social Security registrations, the growth rate tended to flatten out in the summer months. The loss of momentum in real estate, renting and business activities is also reflected in Social Security registrations. This gradual slowdown stems mainly from the unfavourable developments in computer and related activities and in research and development, reflecting the crisis in the IT industry. Finally, growth in transport, storage and information held steady, since the slight pick-up in transport was offset by a loss of momentum in post and telecommunications.

On QNA estimates employment (2) grew by 1.4% year-on-year in 2002 Q2, very close to the rate of the preceding quarter (1.3%), enabling apparent labour productivity to recover slightly to 0.4%, from 0.3% in Q1 and in 2001 on average. This stability in employment growth was confirmed by the Spanish labour force survey (EPA), according to which employment increased by 2.3% in Q2, up 0.1 percentage points on Q1, and by Social Security registrations, which showed steady annual growth of 3% over the first half. Between July and September, employment growth appears to have been similar, according to registrations (which grew by 3.2% in this period) and by the slowdown in registered unemployment. However, the latest figures (for September) for both these variables show a deterioration, which could mean slower employment growth in Q4.

Employment, as measured by the QNA, has grown in line with GVA in the different branches of activity. In 2002 Q2, construction and services, whose GVA accelerated, at least slightly, recorded net job creation, along with greater productivity gains. In construction, the number of workers increased by 3.7%, down 1.2 percentage points on the Q1 rate, and also below that estimated by the EPA. In the tertiary sector as a whole, the rate of net generation of jobs (2.4%) was relatively steady, basically reflecting employment growth in market activities. By contrast, employment fell in agriculture, which sustained a steep decline in GVA, and in industry, although the loss of momentum of output tended to be checked. Apparent labour productivity slowed in both these sectors, and actually fell in industry. In Q3, Social Security registrations (provisional September data) show an extension of the trend referred to above for agriculture, stability of industrial employment and a

slight deceleration in services, while in construction this indicator had an accelerating profile, in contrast to the slowdown recorded by the QNA and the EPA in Q2.

Net job creation has been concentrated among dependent employees. On QNA data, their growth rate rose to 2.2% in Q2 (2% in Q1). Meanwhile, the numbers of self-employed continued to decline, at a rate of 2.4% year-on-year. EPA data show that the numbers of employees with permanent contracts and temporary contracts both accelerated in Q2, to growth rates of 3.8% and 1.9%, respectively, so that the proportion of temporary employees held at the same level as in the previous quarter (31.2%), down 0.4 percentage points on the same period a year earlier. The lower incidence of temporary work only benefited male employees. In terms of working hours, the number of full-time employees grew faster than that of part-time employees. Despite the legislative changes introduced in recent years there was still no significant boost to part-time employment and the proportion of part-time employees held at around 8%. In Q2 the number of permanent employees working part-time grew by more than the number of part-time temporary workers (6.7%, as against 1.9%), the proportion of temporary employees being 55.9% for part-time workers, which was lower than in the same period of 2001.

According to the EPA, the labour force accelerated further in 2002 Q2, with year-on-year growth of 3.1%. The rise in the participation rate to 53.8%, up 1.2 percentage points from a year earlier, contributed to this growth. If only the population between the ages of 16 and 64 is considered the participation rate reached 66.9%. The greater buoyancy of the labour force led to an increase in the number of persons unemployed and the rate of unemployment, which stood at 11.1% in Q2, up 0.7 percentage points on the level a year earlier. For their part, the total number of unemployed persons rose by 10.5%, more than in Q1. Registered unemployment had a similar profile, since after growing by 3.5% in Q1, it accelerated to 7.1% in Q2, although it moderated slightly in Q3. By sex, the growth in the rate of unemployment was more moderate among men and, by age group, only the over 45s did not record a fall in their rate of unemployment. Finally, long-term unemployment fell again, to 37% of all the unemployed, as against a rate of 40.5% in 2001 Q2.

4.3. Costs and prices

The latest QNA data incorporate a revision to the estimates of compensation of employees for 2000 and 2001, and to its distribution be-

(2) Measured in terms of full-time equivalent jobs

CHART 19

Wages and labour costs (a)



tween market and non-market activities. This revision, which has significantly moderated the estimated growth of compensation per employee in the market economy in 2001, bringing it closer to that of the labour cost index, means that the figures for 2002 must be analysed from a different perspective. In particular, the moderation in the first half of the year now seems less pronounced (see Chart 19). As seen in the chart, compensation per employee in market activities increased by 3.9% year-on-year in Q2, down 0.2 percentage points on Q1 and down 0.3 percentage points on the average for 2001. Unit labour costs decelerated somewhat more strongly, owing to the mild recovery in productivity, to stand 3.5% above their level in the previous year. In the economy as a whole, compensation per employee grew by 3.5% in Q2 as a consequence of the more moderate growth in general government compensation.

The slowdown in compensation per employee in 2002 has taken place against a back-

ground of lower wage settlements in collective agreements during the year. These have been subject this year to the AINC, under which the social agents have agreed to take the official inflation forecast (2%) as the reference for collective bargaining. According to information from the Ministry of Work and Social Affairs, the average settlement in collective agreements registered to 31 August was 3%, as against 3.5% in 2001 (see Chart 19). The agreements signed up to that date affected some 6 million workers, most of whom were subject to agreements signed in previous years. In fact, the progress made in the negotiation of newly signed agreements up to August was considerably less than in the same period of 2001. The average settlement in these agreements was 4.2%, the trend being one of gradual deceleration. The average settlement in revised agreements, whose registration is practically completed, was 2.8%. That said, 74% of workers have indexation clauses under which their wages will be automatically adjusted if, as is likely, the December inflation rate exceeds the reference rate (see Box 3).

In line with QNA estimates, the labour cost index (ICL) accelerated in 2002 Q2, with total monthly costs per worker increasing by 4.6%, 0.6 percentage points more than in Q1. This acceleration was basically due to the component of non-wage costs, which grew by 6.5%, although wage costs also increased by 4%, 0.3 percentage points more than in Q1. By branch of activity, labour costs in industry rose by 5.1%, 1.4 percentage points more than in Q1, while in services they accelerated by 0.3 percentage points to 4.7%. Finally, in construction, they decelerated by 0.1 percentage point, to rise by 4.5%.

Despite the slower rate of increase in unit labour costs, the value-added deflator for the market economy, which indicates domestic cost pressures, continued to increase at a rate of more than 4% in the first half of 2002, so that unit margins were constantly widening. It can be seen in Chart 20, which shows these variables for the main branches of activity, that the rate of increase of unit labour costs in industry and energy was almost always above that of the deflator, which for its part, was below the rate of increase of the deflators for other branches, in which the degree of competition is lower. As a result there was a systematic contraction of margins in these activities, which limits the possibilities for their recovery, owing to the ongoing loss of competitiveness. On the other hand, despite having decelerated in 2002, the rate of increase in the deflator for market services held above that of costs, enabling the unit surplus to widen further. Finally, in construction, the notable slowdown in unit labour

The effect of indexation clauses in collective bargaining

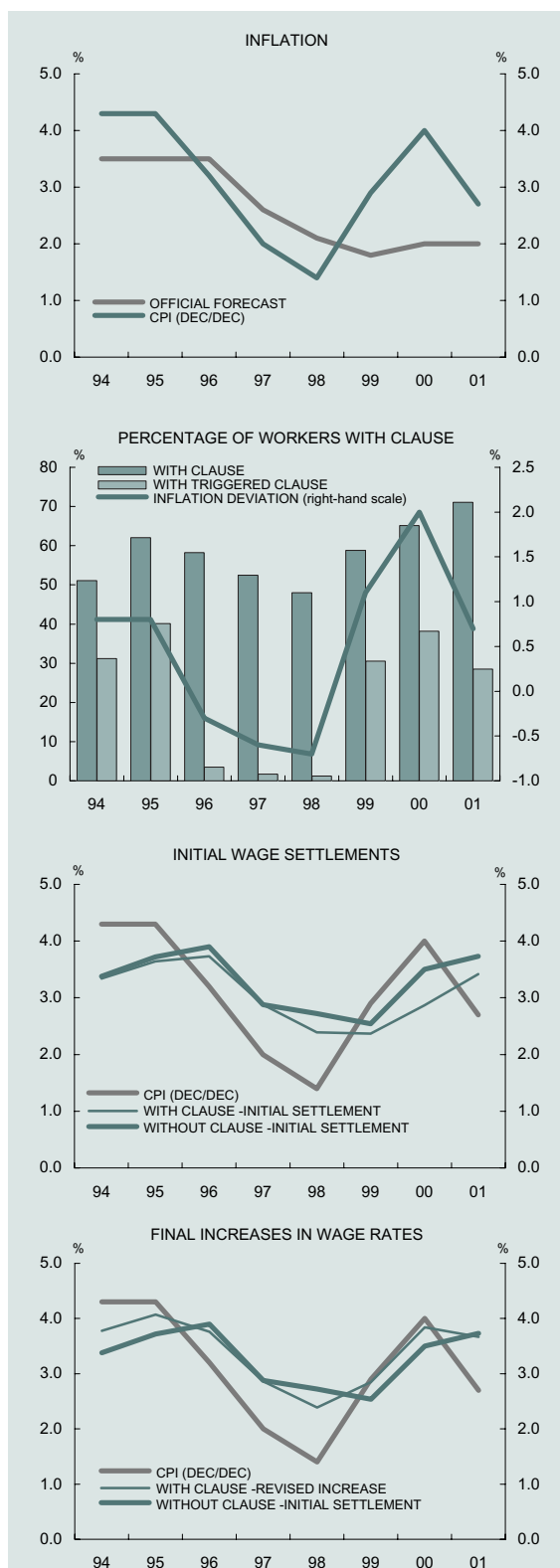
One of the most important aspects of Spanish collective bargaining is the widespread inclusion of indexation clauses in agreements. These clauses guarantee the purchasing power of nominal wages when actual inflation exceeds the reference rate taken in the agreement, and their effect is therefore to adjust wages automatically to past increases in inflation, thereby contributing to the persistence of price increases and hindering a return to more moderate rates of inflation. In the last three years the triggering of these clauses has had significant effects on wage growth (with an average impact of around 0.4 percentage points per annum), and in 2002 the impact may be close to one percentage point.

The clauses take various forms and are triggered by different events, although generally they apply when the actual inflation rate exceeds either the rate of increase in prices taken as the reference rate in the agreement (which in many cases coincides with the official inflation forecast), or the wage settlement itself. At the same time, the clauses differ in certain respects, including as regards whether or not there is any limit to the adjustment, whether or not there can be a downward adjustment, whether or not there is a margin above the reference rate within which the clause does not apply, and whether or not its effects are retroactive and/or built in to future wages.

To analyse the effect that these clauses have had on wage dynamics it is helpful to separate agreements into those that contain and those that do not contain the clause and in the case of the former, those in which the clause was triggered and those in which it was not. As can be seen in the second of the adjoining charts, the proportion of workers subject to agreements with indexation clauses changes over time. Specifically, there has been a progressive increase in this proportion over the last three years, associated with the increase in the inflation rate. At the same time, the extent to which these clauses have been triggered has depended on the overshooting of official inflation forecasts. Thus, in those years in which the inflation target was easily met (1996-1998), the proportion of workers with triggered clauses was naturally very small, but it increased rapidly with the appearance of more or less significant overshoots. In any case this proportion is significantly below the percentage of agreements that initially contain clauses: in 2000 these clauses were triggered for only 38% of workers, as against 65% of workers who had such clauses in their agreements, while in 2001 these proportions were 28% and 71% respectively.

As seen in the charts, in the last few years, when inflationary pressures have increased, the initial wage settlements in agreements with clauses have been lower than those in agreements without clauses. The clauses have therefore been used as insurance enabling relatively moderate wage increases to be agreed, despite the upside risks to inflation. However, when actual inflation has ended up exceeding the official forecast and the indexation clauses have been applied, the increases in wage rates, having incorporated the adjustments, have been larger than those in agreements without these clauses, and very close to or higher than the actual rate of inflation. In agreements without indexation clauses wages have also been adjusted to deviations from inflation targets, but the adjustment has occurred with a lag, through the following years' agreements.

In short, the automatic nature of indexation clauses means that – even if moderate rates of increase in prices are taken as reference and the initial wage settlements reflect them – any increase in inflation, even if temporary, is recovered through a higher wage increase, often with retroactive effects. Thus, price accelerations, irrespective of their origin, are passed on in the form of larger wage increases, which introduces inertia into price formation and hinders the return to low inflation rates. Moreover, downward adjustments, when the actual inflation rate is lower than forecast, are rarely seen. By contrast, the reaction of wages agreed in agreements without indexation clauses to deviations from inflation targets is not automatic, which may ease their adaptation to changes in the macroeconomic setting.



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

CHART 20

Prices and costs by branch of activity (a)



Sources: INE and Banco de España.
(a) Non-centred annual percentage changes based on the QNA seasonally adjusted series.

costs, along with the mild moderation in the deflator, led to a significant widening of the unit surplus in the first half of the year, in line with the recent period of expansion of this activity.

Import costs, as measured by the imports deflator helped to moderate the rate of increase in final prices in the economy during the first half of the year. Having fallen by 0.9% in Q1, import prices fell by 0.1% in Q2. This behaviour stemmed from the favourable developments in international prices, in particular those for energy and commodities, although the latter accelerated significantly during the summer months. The impact of these increases was smoothed by the appreciation of the euro in the spring. Overall, the final demand deflator increased by 3% year-on-year in Q2, having risen by 2.7% in Q1. Similar increases, in any event below those of the GVA deflator, are estimated for Q3.

In 2002 Q2, the CPI, the main indicator of final prices in the Spanish economy, accelerated to a year-on-year rate of increase of 3.5% (3.4% in June), that held unchanged in Q3 (see Chart 21). For its part, the IPSEBENE (the index of non-energy processed goods and services prices; a common measure of underlying inflation) increased by 4% on average in Q2, thereafter moderating to a rate of increase of 3.5% at the end of Q3, which was similar to that of the CPI. Perhaps the most notable development in the components of the CPI in the summer months was the deceleration in the prices of non-energy industrial goods and processed food, which explains the behaviour of the IPSEBENE. In the case of non-energy industrial goods prices, the slowdown seems to be linked to the impact of special offers and sales, which are included for the first year in the index, adding uncertainty to its future course. Also notable was the acceleration in energy prices which were increasing at a positive rate of 0.9% at the end of Q3, after falling by 2.2% in Q2. These rates reflect a base effect, arising from the sharp falls of a year earlier, and also the rise in oil prices referred to above. Meanwhile, unprocessed food prices rose significantly in Q3, primarily on account of the larger increases in meat and fish prices. In the case of service prices, whose rate of increase held at 4.7% in the summer months, prices for services relating to tourism and hotels and restaurants were restrained, showing the reduced buoyancy of tourist demand, although they remained at year-on-year rates of around 6%.

The year-on-year rate of increase in the harmonised index of consumer prices (HICP) stood at 3.5% at the end of Q3, making the inflation differential vis-à-vis the euro area 1.4 percentage points, which is above the average for re-

cent years. As seen in Chart 22, there were particularly large differentials at the end of the quarter in food prices, following their sharp increase in the first half of the year and in service prices. In the case of energy, the differential also widened over the summer months, while it tended to narrow in the case of non-energy industrial goods, owing to the moderation of the consumer prices for these goods in Spain (see Chart 22).

Finally, the producer price index held relatively steady between June and August (see Chart 21). The year-on-year rate of increase in the producer prices of food consumer goods slowed by almost one percentage point. The producer prices of capital goods also slowed, but to a lesser extent. The prices of intermediate goods, on the other hand, especially energy, accelerated significantly. However, the producer price inflation differential vis-à-vis the euro area narrowed during these months

4.4. The State budget

The draft State budget for 2003, currently before Parliament, is the first to have been drawn up under the guidelines of the Budgetary Stability Law. Following the procedure established by that law, Parliament, in the first four months of the year, set a budgetary stability target for general government as a whole and for each of its agents for the period 2003-2005, as well as the limit on State expenditure for 2003. Against this background, it is estimated in the draft budget that, in national accounts terms, general government non-financial transactions will be in balance in 2003. The draft budget has taken into account the entry into force next year of the personal income tax reform, which it is estimated will have a revenue impact of 0.5 percentage points of GDP, and the full operation of the new system of regional government financing, which is being gradually introduced over the course of this year. As for 2002, the closure of the general government account also means the achievement of budget balance. By agent, the State will record a deficit of 0.5 percentage points of GDP, which will be offset by a Social Security System surplus of the same amount (see Box 4 for information on the budget outturn of this agent), while regional and local government finances will be in balance, meeting the targets set in the last Stability Programme Update.

The draft State budget also incorporates the initial projection of State revenues and expenditure, in cash terms, for 2002 (see columns 3 and 4 of Table 3). According to this projection, the State will raise and spend around 5% less

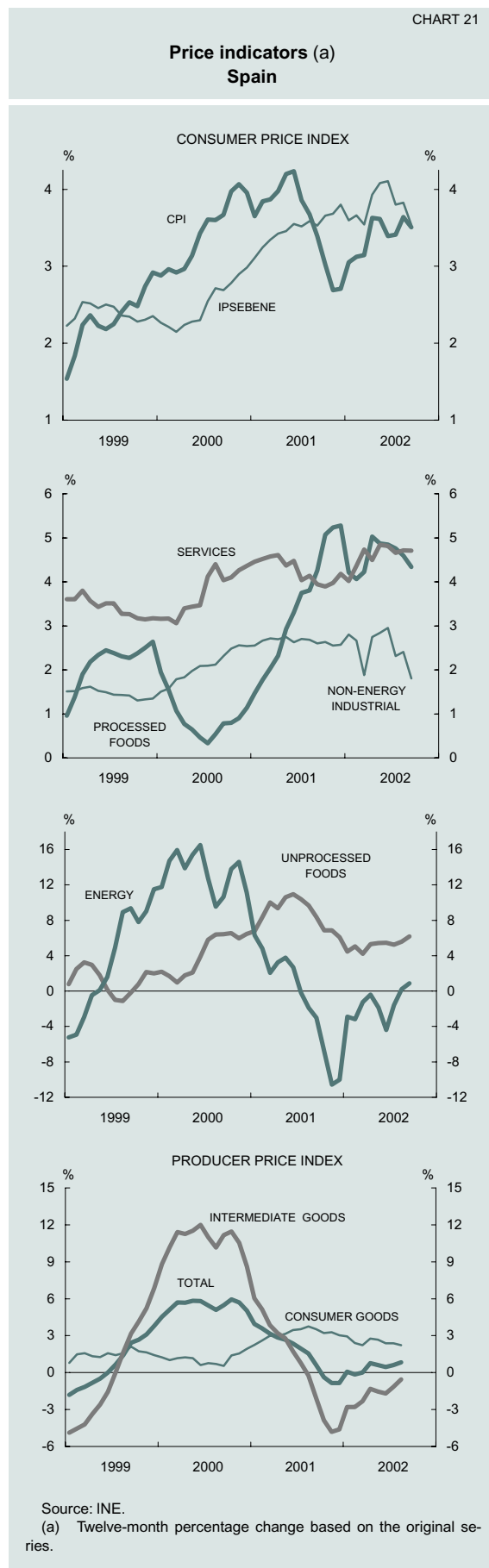
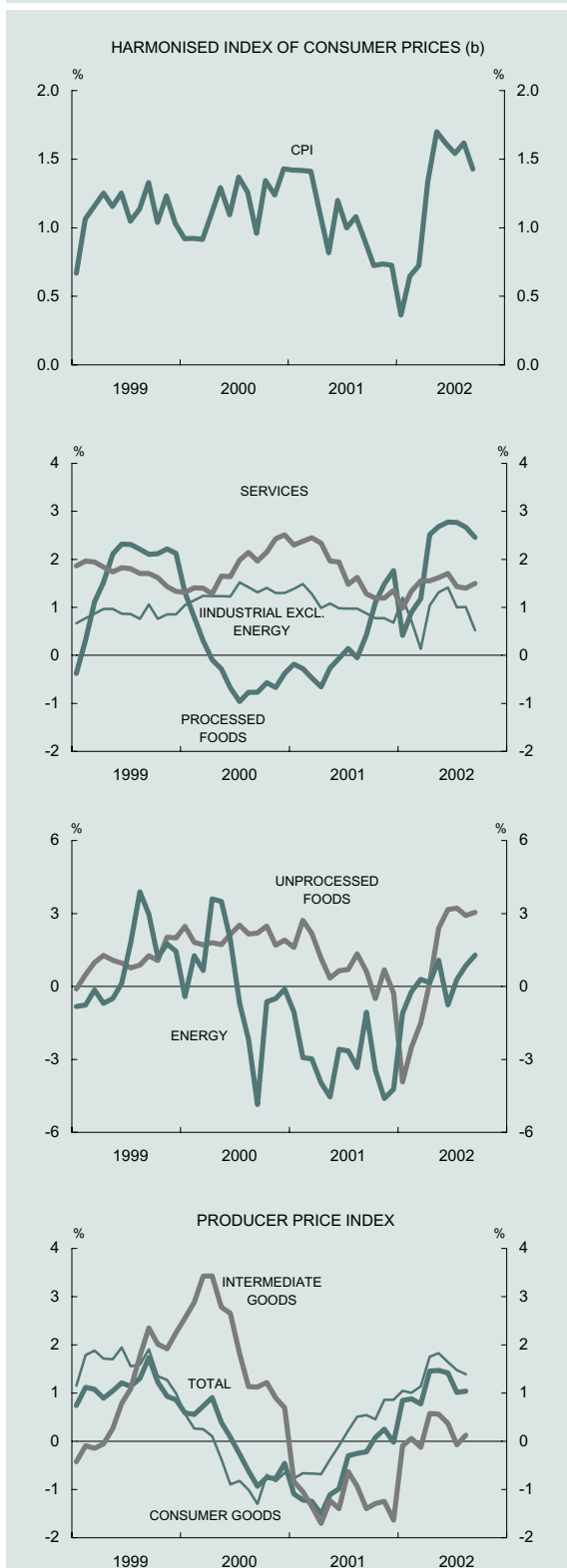


CHART 22

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



Sources: Eurostat and Banco de España.

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

(b) To December 2001, the series are those published at that date.

than initially budgeted, so that the cash deficit will be practically the same as budgeted. However, it should be noted that a significant part of this deviation is due to the fact that the 2002 Budget only partially incorporated the effects on revenue and expenditure of the new regional government financing arrangements, while the initial projection takes them fully into account, given that the assumption of health responsibilities by all the regional governments has been completed and the new Financing System has therefore been approved. In comparison with the budget outturn figures to September, which are discussed below, the initial projection entails a strengthening of the rates of decline of revenue and expenditure, which will be particularly notable in the case of revenues (3).

In cash terms, meanwhile, the State budget outturn to September was a deficit of € 6,606 million, 33.4% less than that recorded in the same period a year earlier. The improvement in the deficit over the summer months was attributable to the recovery in revenue, its rate of decline falling to 12.5% (from 16.7% in the first half), and, to a lesser extent, to the acceleration in the rate of decline of expenditure to 14.6%.

For the purpose of analysing revenue developments, information is available on the total receipts from the main taxes, both the share assigned to the State and that corresponding to other general government agents, which is not shown in Table 3. The figures for total receipts indicate that direct taxes accelerated significantly in Q3, in contrast to indirect taxes. In both cases, this reflects the behaviour of the main taxes. Personal income tax receipts rose by 7.1% to September, in contrast to the decline of 5.8% in the first half of the year, although this decline was mainly due to changes in the collection timetable in 2002, which delayed the receipt of a large part of the net tax payable to the third quarter of the year (from the second quarter of the previous year). Corporate income tax receipts, for their part, accelerated significantly (to 19%), owing to the exceptional revenues linked to the use by some of the firms of transitional provision three of the Law accompanying the 2002 Budget, which gives firms incentives to include extraordinary profits pending declaration in their tax base for 2002. By contrast, VAT slowed during Q3 to a rate of 7.4%, from 9.5% in the first half, while the rate of increase of excise duties also fell. Finally, the rate of growth of other net revenue accelerated

(3) After this bulletin had gone to press data were received for the State budget outturn to September, in national accounts terms, showing a surplus of € 1,313 million (0.2% of GDP), as against a deficit of € 4,097 million (-0.6% of GDP) in the same period of 2001.

Social Security budget outturn

According to budget outturn data, the Social Security System posted a surplus of €5,138 million in the period to July 2002, €594 million (10.4%) down on that recorded in the same period of the previous year (see the table below). This decline in the surplus to July was less sharp than projected in the initial 2002 budget in relation to the outturn for 2001 and than that recorded to April. As in the case of the State Budget, these data are affected by the new regional financing arrangements, which entail a reduction in both receipts (owing to the transfers INSALUD – the Spanish national health service – receives from the State) and expenditure (owing to the transfers to finance the health-care and social services assumed). In the period to July, these reductions proved much higher than those projected in the Budget, although they were somewhat less sharp than those recorded in the first four months of the year.

Receipts from social security contributions grew by 5.6% to July, a considerable slowdown in relation to 2001, partly due to the lower growth in the number of Social Security registrations, which was 3.1% to September (3.9% in 2001 as a whole). This rate of growth of contributions in the first seven months of 2002, although much higher than budgeted, in comparison with the outturn of the previous year, is in line with the official outturn estimates for the year as a whole (1). The other main source of receipts, namely current transfers, virtually all of which are from the State, fell by 72.7% to July (more sharply than budgeted) as a result of the new regional government financing arrangements.

Expenditure on contributory pensions grew by only 3.6% to July, which may be due to the different criterion for time allocation, with respect to July 2001, which will be corrected in August. However, its rate of growth in the first half, at 5.2%, is in line with both that of the outturn for the first four months and the budgeted rate for the year as a whole. The number of contributory pensions continues to trend very moderately. Their growth rate in the period to July was 0.8%, in line with forecasts and slightly below the growth recorded in 2001. Spending on sick pay, meanwhile, grew at a rate of 12.3%, in contrast to the fall projected in the budget.

With regard to INEM (National Employment Office) expenditure, that on unemployment benefits slowed significantly in September, although it is still growing at a very high rate of 11.2% (11% in 2001). Behind this behaviour were the increase in registered unemployment (7.2% to September, against 0.1% in 2001) and the rise in the eligibility ratio, which stood at 72.6% in August, as against 68.5% at end-2001. As a result, the number of beneficiaries grew by 13.2% to August, compared with 5.9% average growth in 2001.

Contributions received by INEM rose by 5.1% to June, against a budgeted projection of 9.4%, while employment-promoting concessions on employers' contributions were up 5.5% to May, in line with projections.

(1) The draft 2003 Social Security Budget estimates an increase of 6.1% in regular contributions to the general regime for the whole of 2002.

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

Basis points

	Outturn	Budget		Outturn	Outturn JAN-JUL		
	2001	2002	% change	JAN-APR	2001	2002	% change
	1	2	3=2/1	4	5	6	7=6/5
Revenue	100,265	83,282	-16.94	-23.7	59,871	46,768	-21.9
Social security contributions (c)	67,350	67,852	0.75	5.5	38,697	40,874	5.6
Current transfers	31,383	14,389	-54.15	-73.5	20,313	5,551	-72.7
Other (d)	1,533	1,042	-32.02	-48.2	861	343	-60.1
Expenditure	93,941	79,411	-15.47	-24.6	54,139	41,630	-23.1
Wages and salaries	14,545	6,683	-54.05	-69.4	8,806	2,433	-72.4
Goods and services	9,188	4,214	-54.14	-75.6	5,330	1,355	-74.6
Current transfers	68,784	67,615	-1.70	-4.6	39,426	37,684	-4.4
Benefits	68,326	67,615	-1.04	-4.4	39,379	37,683	-4.3
Contributory pensions	53,375	56,231	5.35	5.4	30,619	31,736	3.6
Sickness	4,278	4,027	-5.88	3.4	2,204	2,475	12.3
Other	10,673	7,358	-31.06	-46.0	6,555	3,472	-47.0
Other current transfers	457	0	-100.00	-98.7	48	1	-98.4
Other (e)	1,424	899	-36.86	-76.3	576	158	-72.5
Balance	6,324	3,871	-38.79	-19.8	5,732	5,138	-10.4

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 for 2002.

(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 3

State Budget outturn

€ millions and %

	Outturn 2001	Percent- age change 2001/2000	Budget 2002	Percentage change 2002/2001	Outturn JAN-JUN Percentage change 2002/2001	Outturn		
	1	2	3	4=3/1	5	2001 JAN-SEP 6	2002 JAN-SEP 7	Percentage change 8=7/6
1. Revenue	125,187	5.5	104,953	-16.2	-16.7	86,081	75,358	-12.5
Direct taxes	55,697	8.3	53,999	-3.0	-20.2	38,013	36,267	-4.6
<i>Personal income tax</i>	36,469	13.4	32,464	-11.0	-25.8	25,321	21,900	-13.5
<i>Corporate income tax</i>	17,217	0.1	19,703	14.4	6.8	10,900	12,974	19.0
<i>Other (a)</i>	2,012	-3.0	1,832	-9.0	-17.7	1,792	1,393	-22.3
Indirect taxes	53,157	3.7	37,276	-29.9	-20.3	39,752	29,412	-26.0
VAT	34,674	3.8	24,977	-28.0	-15.2	25,905	20,069	-22.5
<i>Excise duties</i>	16,612	3.5	10,333	-37.8	-34.9	12,444	7,874	-36.7
<i>Other (b)</i>	1,871	2.5	1,966	5.1	4.1	1,403	1,469	4.7
Other net revenue	16,333	2.1	13,678	-16.3	12.9	8,316	9,679	16.4
2. Expenditure (c)	128,072	5.7	108,602	-15.2	-14.0	95,994	81,964	-14.6
Wages	16,827	3.5	17,643	4.8	2.9	12,204	12,650	3.7
Goods and services	2,554	7.7	2,680	4.9	-2.5	1,733	1,799	3.8
Interest payments	18,264	3.1	19,070	4.4	-12.4	16,601	16,018	-3.5
Current transfers	77,151	5.9	57,038	-26.1	-20.4	57,040	42,838	-24.9
Investment	6,461	7.1	6,263	-3.1	-2.0	4,058	4,493	10.7
Capital transfers	6,815	15.2	5,908	-13.3	-4.1	4,358	4,166	-4.4
3. Cash basis balance (3=1-2)	-2,884	18.7	-3,649	26.5	5.8	-9,913	-6,607	-33.4
MEMORANDUM ITEM: NATIONAL ACCOUNTS:								
Revenue	126,611	6.1	107,808	-14.9	-15.2	87,296	77,999	-10.6
Expenditure	129,945	4.6	111,288	-14.4	-16.5	91,393	76,686	-16.1
Net lending (+) or borrowing (-)	-3,334	-31.8	-3,480	4.4	-36.7	-4,097	1,313	—

Source: Ministerio de Hacienda.
 (a) Includes the revenue from the tax on the income for non-residents.
 (b) Includes taxes on insurance premiums and tariffs.
 (c) Includes unclassified expenditure.

slightly in Q3 to 16.4%. In comparison with these figures the initial projection for the whole of the year entails a further slowdown in VAT receipts and, above all, a sharp deceleration in other net revenue in the final part of the year, which affects practically all the items included under this heading.

On the expenditure side, almost all the headings recorded an acceleration in the last quarter, except transfers. That said, operating costs (personnel and goods and services) still displayed notable moderation, with growth of less than nominal GDP. Interest payments,

meanwhile, continued to show negative rates of change, although they followed an accelerating path determined by the schedule of public debt maturities. As regards investment, it accelerated significantly to grow by 10.7%, having fallen by 2% in the first half. As for transfer payments, there was an increase in the rate of decline of both current and capital transfers. In general, the initial projection confirms the trends described in connection with the budget outturn, with the exception of investment and capital transfers which, according to the projection, will slow drastically in the final months of the year.

4.5. The Spanish balance of payments and capital account

In the period January-July 2002, the current and capital accounts of the balance of payments ran a combined deficit of € 3,749 million, as against a deficit of € 4,793 million in the same period of the previous year. This significant improvement of around € 1,045 million is basically explained by the favourable trend in the current-account deficit, stemming from a notable decline in the trade deficit and an increase in the current transfers surplus, since the services and income accounts deteriorated. The capital-account surplus increased moderately.

In the first seven months of the year, the cumulative trade deficit improved by € 1,988 million from its level in the same period of 2001. This 10.4% reduction was larger than that for the whole of 2001 (-6.7%). The strong improvement in the terms of trade against a background of appreciation of the euro, along with the slowdown in real imports during the period, prompted a notable correction in the goods trade imbalance.

As for services, there was a surplus in the period January-July of € 14,560 million, as against € 15,151 million in the same period of 2001, which amounts to a reduction of 3.9%. These results reflect the smaller tourism and travel surplus (-7.1%), since the deficit on other services fell by 31%. The slowdown in tourist flows steepened in this period, especially in the case of receipts, which fell by 5.1%, in line with the slackness of foreign tourist arrivals in the first seven months of the year, influenced by the weakness of consumer confidence and the shift from foreign to domestic tourism, against a background of international instability.

The deterioration in the income account intensified considerably in the period January-July, with a deficit of € 7,718 million, which was € 703 million higher than in the same period of 2001. Receipts declined by 11.2%, owing to the reduction in flows of investment abroad since 2001, given the weakness of the world economy and the increase in uncertainty in financial markets, aggravated by the crisis in certain Latin American countries. Payments also fell in this period, although at a slower rate (-3.9%). They were also influenced by the weakness of foreign investment in Spain in 2001. In 2002, although flows of direct investment are still falling, there has been an increase in flows of portfolio investment and short-term deposits.

The current transfers surplus stood at € 2,174 million in the period January-July, up € 170 million on the same period a year earlier. Receipts rose by 1.6%, despite the decline in flows from the EU

Balance of payments: summary table (a)

TABLE 4

€ m

	JAN-JUL	
	2001	2002
RECEIPTS		
Current account	138,521	135,735
Goods	79,056	77,471
Services	36,926	37,065
<i>Tourism</i>	20,888	19,815
<i>Other services</i>	16,038	17,250
Income	13,223	11,737
Current transfers	9,316	9,462
Capital account	4,755	4,940
PAYMENTS		
Current account	147,477	143,826
Goods	98,152	94,579
Services	21,775	22,504
<i>Tourism</i>	3,709	3,856
<i>Other services</i>	18,066	18,648
Income	20,239	19,455
Current transfers	7,311	7,288
Capital account	593	596
BALANCE		
Current account	-8,956	-8,092
Goods	-19,095	-17,108
Services	15,151	14,560
<i>Tourism</i>	17,179	15,959
<i>Other services</i>	-2,028	-1,399
Income	-7,016	-7,718
Current transfers	2,004	2,174
Capital account	4,162	4,343

Source: Banco de España.
(a) First provisional results.

under the EAGGF Guarantee Section and, to a lesser extent, the European Social Fund, since in the previous year there had been significant payments on account of the New Programming period 2000-2006. Meanwhile, payments dipped slightly (-0.3%), although there was a further notable increase in emigrants' remittances.

Finally, the surplus on capital account stood at € 4,343 million in the period January-July, up € 181 million on the same period of 2001. In terms of year-on-year rates, the rise was 4.3%. It stemmed from the notable increase in flows from the EU, specifically from the Cohesion Fund and, to a lesser extent, from the EAGGF Guidance Section, while those from the ERDF, also affected by the payments made during the previous year on account of the New Programming period 2000-2006, decreased slightly.

5. Financial flows in the Spanish economy

5.1. Overview

In 2002 Q2, against a backdrop of relatively sluggish economic activity, uncertainty over the recovery in the world economy and the worsening crisis in certain Latin American countries, national stock markets (influenced as well by investor mistrust following fresh instances of accounting irregularities at US corporations emerging) saw prices fall moderately. As a result, in the first half of the year there were cumulative losses on the Madrid Stock Exchange General Index of 12.3%. However, it was during Q3 when, further to some of the aforementioned features worsening, and given the fears of war in Iraq, instability on financial markets heightened. This led to an increase in price volatility up to the levels recorded following the September 11th terrorist attacks. Moreover, the losses on the Madrid Stock Exchange General Index during Q3 amounted to 20.3%, although there has been something of a rally in October. Nonetheless, the Spanish stock market has performed less unfavourably than its European counterparts on average (see Box 5).

In these circumstances, financing to the non-financial private sector (particularly that extended by resident credit institutions) continued to grow at a high rate during Q2. In the case of households, there was even a slight acceleration in the rate of expansion of credit. Specifically, loans by resident credit institutions to households increased by 13.8% year-on-year during Q2, against 13.3% the previous quarter. In the case of non-financial corporations, this growth rate, though slowing somewhat, has remained considerable given the cyclical position of the Spanish economy. Moreover, the provisional data for Q3 do not point to a significant moderation of financing to the private sector.

In step with the trend of financing, the net financial saving of the private sector has not picked up so far this year. This development, unlike previous economic slowdowns, has cushioned against the intensity of the slowdown in activity in our economy. Against this, however, the debt ratios of non-financial corporations and of households have increased significantly. This is all leading to a heightened degree of exposure of the non-financial private sector to potential shocks that may adversely affect their wealth, their income or the cost of refinancing their debt.

During 2002 Q2, in line with developments the previous quarter and with the trend observed throughout 2001, the debit balance of the nation's net financial transactions fell slightly to 1.8% of GDP in cumulative four-quarter

A comparative sectoral analysis of the recent decline in stock market prices

As at October 14th, equity prices on Spanish markets, measured by the Madrid Stock Exchange General Index, had lost 27.5% of their value at the start of the year. This change is similar to that recorded over the same period by the S&P 500 (27.2%), which groups US listed companies, and is lower than the reduction in the Euro Stoxx (36.4%), comprising the prices of listed euro area companies. These declines are not distributed uniformly across the different sectors making up the indices, a fact apparent in the accompanying table, which lists 13 groupings in terms of sectoral activities.

As has been the case since March 2000, when the main indices peaked, the sectors showing the worst performances in respect of prices were those relating to technology, telecommunications and the media. In addition to these, other companies faring particularly badly in the year to date have been utilities, banks (Spanish and euro-area institutions alike) and insurance companies (in the euro area).

A comparison of Spanish stock markets with those in the euro area as a whole highlights the fact that the groups made up principally of companies with a significant presence in Latin America (banking, telecommunications, utilities and energy, which are, moreover, those with most weight in our markets) performed only slightly worse in Spain than they did on average in the euro area. The opposite was, however, the case in almost all the other sectors. A comparison with US stock markets shows a more even relationship: in five of the twelve groups present on both countries' markets, the performance in Spain was worse.

Sectoral contributions to the declines in indices differed greatly in the three groups of stock markets studied. In Spain, the four weightiest sectors account for almost 92% of the change in the Madrid Stock Exchange General Index, reflecting the high sectoral concentration of our markets. In the other two indices, the contributions were more spread out, with that of the technological sector to the fore. In addition to this group, the adverse performance of the traded prices of banks and telecommunications companies and, in the case of the euro area, of insurance companies, were also of great significance in explaining the fall in the indices.

However, if the weights relating to the composition of the Euro Stoxx and the S&P 500 were applied to the changes in the sectoral prices of the Madrid Stock Exchange General Index, the Spanish market's index (-25.5% and -27.5%, respectively) would show a very similar change to that actually observed (-27.5%). That would suggest the differences in the sectoral composition of our respective markets would not appear to have played a significant role in the differing trends seen over this period. Rather, the less unfavourable performance of the Spanish stock market appears to show a somewhat brighter outlook for our economy, despite the exposure of certain national companies to how the situation may develop in Latin America.

Stock market performance in 2002 (a)

%

	SPAIN			EURO AREA			UNITED STATES		
	Change 1	Weight 2	Contribution 3=1x2	Change 4	Weight 5	Contribution 6=4x5	Change 7	Weight 8	Contribution 9=7x8
Banks	-35.2	31.8	-11.2	-33.7	15.4	-5.2	-22.1	13.4	-3.0
Telecommunications	-41.9	20.1	-8.4	-40.4	8.6	-3.5	-46.0	5.5	-2.5
Utilities	-33.3	12.5	-4.2	-30.8	5.9	-1.8	-42.3	3.1	-1.3
Energy	-19.2	7.5	-1.4	-16.1	11.0	-1.8	-15.5	6.3	-1.0
Construction	2.2	4.1	0.1	-28.4	2.2	-0.6	-22.6	0.1	0.0
Food	13.0	2.8	0.4	-21.3	6.9	-1.5	-4.4	5.0	-0.2
Investment goods	-15.4	3.4	-0.5	-29.7	7.2	-2.1	-28.6	11.1	-3.2
Technology	-46.9	2.7	-1.2	-56.2	11.8	-6.7	-45.1	17.6	-7.9
Insurance	-14.1	0.5	-0.1	-53.1	7.4	-3.9	-21.9	4.2	-0.9
Health care	-37.6	0.5	-0.2	-37.2	5.1	-1.9	-20.6	14.4	-2.9
Media	-46.7	1.7	-0.8	-55.5	4.5	-2.5	-34.6	4.1	-1.4
Retail trade	-5.1	6.3	-0.3	-28.7	2.4	-0.7	-22.3	6.2	-1.4
Automobiles	—	0.0	—	-23.3	3.5	-0.8	-27.5	1.0	-0.3
Other	-8.5	6.1	-0.5	-38.2	8.1	-3.1	-13.1	8.0	-1.0
Market index (b)	-27.5	100.0	-27.5	-36.4	100.0	-36.4	-27.2	100.0	-27.2
Unexplained (c)	—	—	1.0	—	—	-0.3	—	—	-0.1

Sources: Bloomberg and Banco de España.

(a) To 11th October 2002.

(b) Madrid Stock Exchange General Index for Spain, Euro Stoxx for the euro area and S&P 500 for the United States.

(c) The totals for contributions differ from those for the decline in market indices owing to changes in the composition of the indices during the period.

TABLE 5

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

% of GDP

	1997	1998	1999	2000	2001			2002	
					Q2	Q3	Q4	Q1	Q2
NET FINANCIAL TRANSACTIONS									
Total economy	1.6	0.5	-1.1	-2.5	-2.1	-1.9	-2.0	-1.9	-1.8
Non-financial corporations and households and NPISHs	4.0	2.2	-0.4	-2.6	-2.1	-2.1	-3.1	-3.7	-3.2
Non-financial corporations	-0.5	-1.1	-2.4	-3.5	-5.0	-4.3	-4.0	-4.3	-3.8
Households and NPISHs	4.5	3.3	2.0	0.9	2.9	2.1	0.9	0.5	0.5
Financial institutions	0.7	1.0	0.5	0.7	0.8	0.8	1.2	1.3	1.3
General government	-3.2	-2.7	-1.1	-0.6	-0.8	-0.5	-0.1	0.5	0.1
INTER-SECTORAL FLOWS (a)									
Households and NPISHs	4.5	3.3	2.0	0.9	2.9	2.1	0.9	0.5	0.5
Vis-à-vis:									
Credit institutions (b)	-6.7	-4.4	0.2	-0.1	0.1	-0.5	-1.5	-2.3	-2.7
Institutional investors (c)	10.8	7.5	0.8	0.5	2.7	3.1	3.6	3.2	3.2
Non-financial corporations	-0.5	-1.1	-2.4	-3.5	-5.0	-4.3	-4.0	-4.3	-3.8
Vis-à-vis:									
Credit institutions (b)	-3.2	-4.3	-3.8	-6.7	-4.4	-4.3	-3.8	-4.1	-4.2
Rest of the world	1.7	0.9	-0.8	1.7	-0.3	-0.1	-1.9	-1.9	-1.1
General government	-3.2	-2.7	-1.1	-0.6	-0.8	-0.5	-0.1	0.5	0.1
Vis-à-vis:									
Credit institutions (b)	1.4	1.4	1.4	2.2	-0.3	-0.8	-2.5	-0.3	-0.4
Institutional investors (c)	-3.9	-2.6	1.7	3.9	3.8	3.0	2.9	1.6	1.3
Rest of the world	-2.0	-1.1	-4.4	-6.0	-4.5	-3.1	-1.7	-1.9	-1.5
Rest of the world	-1.6	-0.5	1.1	2.5	2.1	1.9	2.0	1.9	1.8
Vis-à-vis:									
Credit institutions (b)	2.8	7.1	2.0	5.2	3.3	4.6	3.9	2.7	3.9
Institutional investors (c)	-2.5	-6.3	-3.6	-5.6	-5.1	-4.9	-4.7	-3.4	-3.6
Non-financial corporations	-1.7	-0.9	0.8	-1.7	0.3	0.1	1.9	1.9	1.1
General government	2.0	1.1	4.4	6.0	4.5	3.1	1.7	1.9	1.5

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.

terms (5) (see Table 5). This moderate reduction in the net resort to saving generated abroad was the outcome of differing behaviour by the various resident sectors. First, the general government sector showed a debit balance on its financial transactions in Q2, meaning its cumulative four-quarter net financial saving declined to 0.1% of GDP. Further, the non-financial private sector's financial requirements fell to

3.2% of GDP. The net balance of this latter sector was determined by the behaviour of non-financial corporations, for which the absorption of net resources from other sectors declined to 3.8% of GDP. In the case of households, the value of their net financial transactions was similar to that in the same quarter a year earlier and, consequently, their net financial saving, in cumulative four-quarter terms, held at 0.5% of GDP, an historical low.

The information on net inter-sectoral flows (see lower panel of Table 5) highlights

(5) Throughout this section, and in keeping with the information in the tables and charts, the figures refer to cumulative four-quarter data, unless otherwise stated.

TABLE 6

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

% of GDP

	1998	1999	2000	2001 Q4	2002 Q1	2002 Q2
HOUSEHOLDS AND NPISHs:						
Financial transactions (assets)	9.8	9.6	9.1	7.3	7.5	8.0
Cash and cash equivalents	3.2	4.5	1.0	1.2	2.1	2.7
Other deposits and fixed-income securities (a)	-1.8	2.5	6.5	3.1	2.5	2.5
Shares and other equity (b)	0.0	0.1	0.5	-0.5	-0.3	-0.1
Mutual funds	5.0	-2.2	-3.4	0.8	0.4	0.6
FIAMM	-1.1	-1.4	-1.4	1.3	1.4	1.2
FIM	6.1	-0.8	-2.0	-0.5	-0.9	-0.6
Insurance technical reserves	2.4	3.3	3.5	2.2	2.2	2.0
Of which:						
Life assurance	1.2	2.0	1.9	1.5	1.5	1.3
Pension funds	1.0	1.0	1.4	0.5	0.5	0.5
Other	0.8	1.2	1.0	0.4	0.6	0.2
Financial transactions (liabilities)	6.5	7.6	8.1	6.3	7.0	7.5
Credit from resident credit institutions	5.9	6.5	6.8	5.1	5.7	6.1
Securitisation funds	0.5	0.6	0.1	0.3	0.2	0.3
Other	0.1	0.5	1.1	0.9	1.0	1.0
NON-FINANCIAL CORPORATIONS						
Financial transactions (assets)	14.0	17.8	27.4	17.5	17.4	14.0
Cash and cash equivalents	1.5	0.7	0.9	1.6	1.9	1.6
Other deposits and fixed-income securities (a)	0.2	-0.2	1.3	0.8	0.2	0.5
Shares and other equity	3.1	8.2	14.1	4.2	4.5	3.6
Of which:						
Vis-à-vis rest of the world	2.2	6.5	10.9	3.7	3.7	2.8
Other	9.2	9.2	11.1	10.9	10.9	8.3
Financial transactions (liabilities)	15.1	20.2	30.9	21.6	21.7	17.8
Credit from resident credit institutions	4.6	4.8	6.7	6.0	6.5	5.4
Securitisation funds	0.2	0.4	0.9	0.8	1.0	1.3
Foreign loans	1.6	3.0	3.5	3.6	2.8	2.1
Fixed-income securities (a)	0.0	0.5	-0.5	0.1	0.1	0.0
Shares and other equity	2.5	5.0	12.1	3.8	3.9	3.4
Other	6.2	6.3	8.1	7.3	7.6	5.7
MEMORANDUM ITEMS: YEAR-ON-YEAR GROWTH RATES (%):						
Financing (c)	16.7	19.5	18.9	15.1	15.3	13.6
Households and NPISHs	19.3	19.6	17.3	12.4	13.4	14.0
Non-financial corporations	14.7	19.4	20.0	17.1	16.7	13.2

Source: Banco de España.

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

(b) Not including mutual funds.

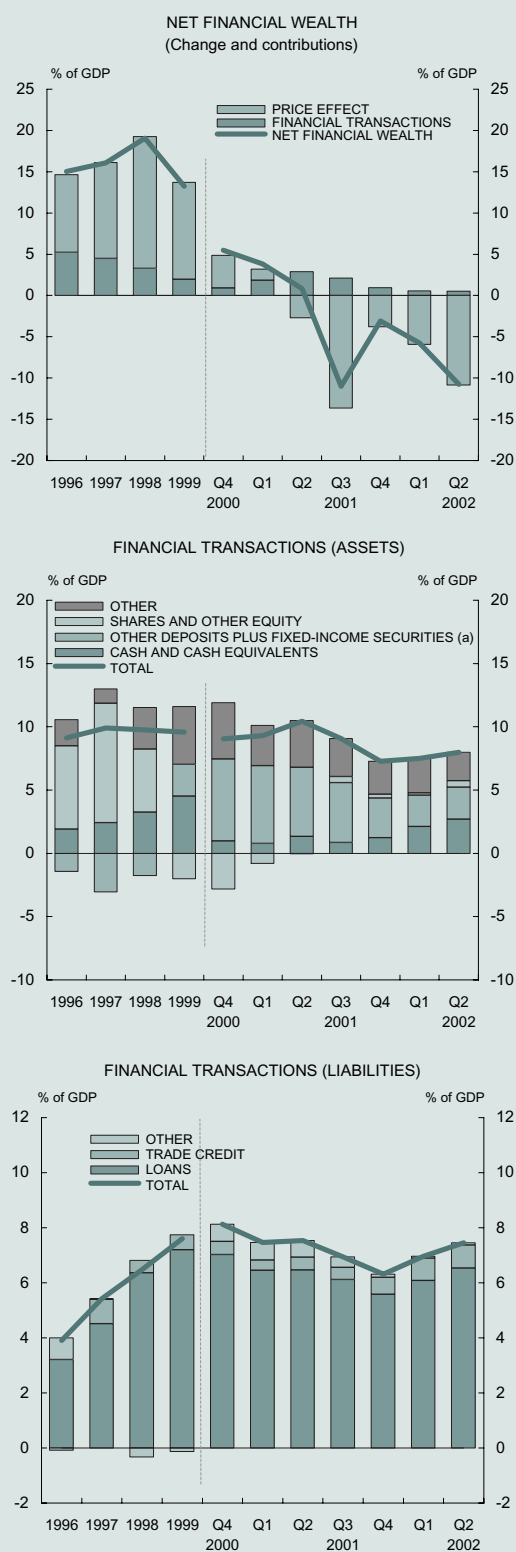
(c) Including bank credit extended by resident credit institutions, foreign loans, fixed-income securities and financing through securitisation funds.

the fact that net resources received from resident credit institutions increased in all non-financial sectors. This rise was more pronounced in the case of households, the debit balance of whose net financial transactions vis-à-vis resident credit institutions amounted to 2.7% of GDP. Set against this, the debit balance of credit institutions increased considerably vis-à-vis the rest of

the world, to 3.9% of GDP. That said, this volume is still considerably below that observed in the 1998-2000 period. There was a reduction in the amount of net resources received by non-financial corporations from the rest of the world to 1.1% of GDP. The general government sector also received less net financing from abroad, with the related figure standing at 1.5% of GDP.

CHART 23

Households and NPISHs (Cumulative four-quarter data)

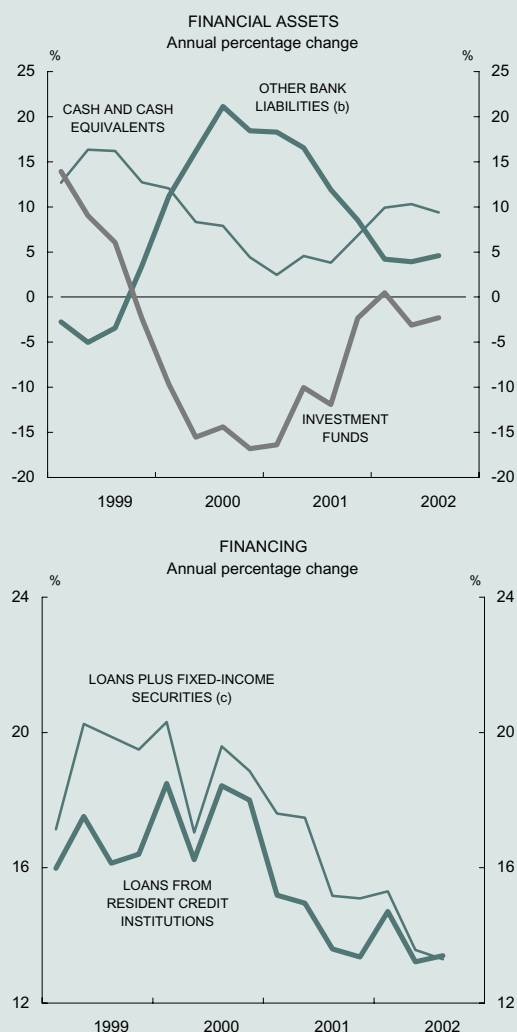


Source: Banco de España.

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

CHART 24

Non-financial corporations. Households and NPISHs (a)



Source: Banco de España.

(a) The data for 2002 Q3 are provisional..

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

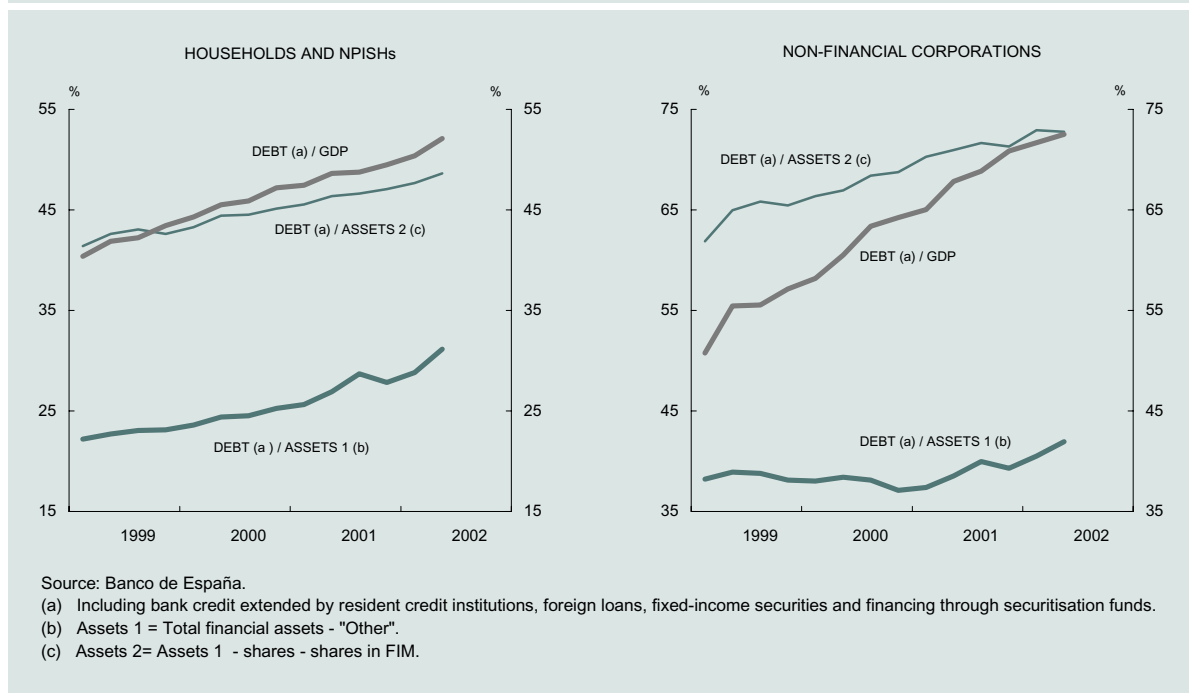
(c) Including loans from resident and non-resident credit institutions, securities issuance and financing through securitisation funds.

5.2. Financial flows of households

In 2002 Q2, households showed positive net financial saving for a value of 0.3% of GDP, unlike the case in the two preceding quarters in which they raised net resources from other sectors of the economy. Nonetheless, in cumulative four-quarter terms, their financial saving remained at 0.5% of GDP, an historical low (see Table 5) that is striking given the uncertain setting and the slowdown in activity characterising that quarter. The easing off of household spending during the first half of 2002 has not been accompanied by an equivalent slowdown in household demand for financing which, as

CHART 25

Debt ratios



discussed in the previous report, has continued to be fuelled by low interest rates and by the continuous rise in house prices (6).

The acquisition of financial assets by households was slightly higher than in the same quarter in 2001. Thus, in cumulative four-quarter terms, this item stood at 8% of GDP, compared with 7.5% the previous quarter. The composition of the household financial assets portfolio continued to evidence similar trends to those seen in the preceding quarters (see Table 6 and Chart 23). In particular, there continued to be a shift in household portfolios towards more liquid and less risky assets. Saving in the form of cash and cash equivalents quickened slightly (it grew at a rate of 10.3% year-on-year, compared with 9.9% the previous quarter), rising to 2.7% of GDP. Net purchases of shares and other equity was marginally positive and made up to a greater extent of unlisted shares, and the negative value of cumulative four-quarter investment diminished to -0.1% of GDP. Unlike the previous quarter, net subscriptions of shares in mutual funds were slightly positive and, in cumulative four-quarter terms, amounted to 0.6% of GDP. Finally, investment in technical insurance reserves fell moderately in relation to the same quarter in 2001 and stood at 2% of GDP.

(6) For a more detailed analysis of the housing market, see the article by J. Martínez and L. Matea, entitled "The housing market in Spain", in this *Economic Bulletin*.

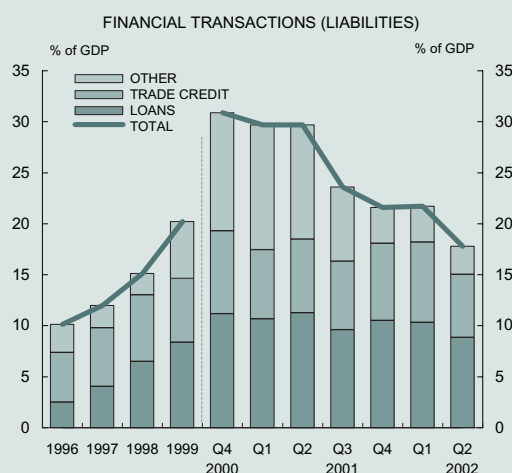
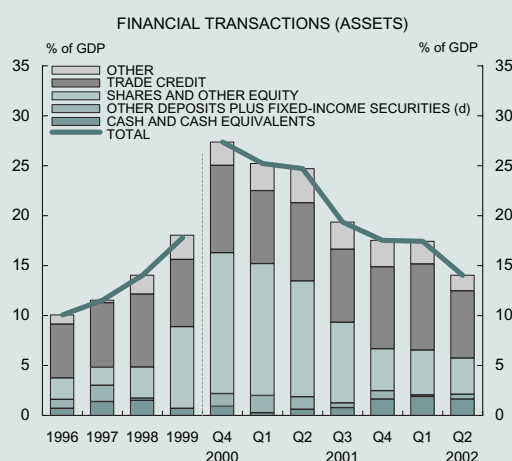
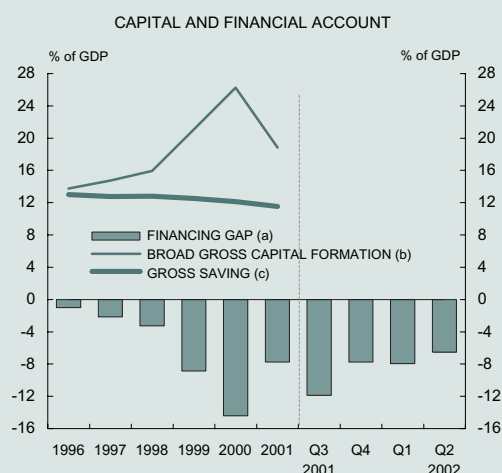
On the liabilities side, households saw an increase in the flow of financing received from other sectors (7.5% of GDP, compared with 7% the previous quarter). This increase was largely the outcome of the rise in bank credit, which climbed to a high volume of 6.1% of GDP compared with 5.7% the previous quarter. Total financing – considering bank loans and resources intermediated by securitisation funds – accelerated further on the previous quarter to 14%, from 13.4% (see memorandum item in Table 6).

The information on the breakdown of credit by end-use in Q2 shows notable differences from component to component. On one hand, loans for house purchases held at a high growth rate (16.6% year-on-year). Differentiating by type of institution, savings banks continued to gain market share in this segment and increased their portfolio of this type of loan by 19%, while banks did so by 13.5%. On the other, credit earmarked for expenditure on current and durable goods slowed sharply to 13.9% year-on-year, after posting rates of over 20% in the four preceding quarters. Nonetheless, their weight in total loans extended to individuals is lower than 15%.

The provisional information on financial flows in the Spanish economy in 2002 Q3 suggests something of a rebound in the growth rates of household financial assets and liabili-

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".

ties (7) (see Chart 24). With regard to investment in financial assets, cash and cash equivalents and other bank liabilities have continued to increase at similar rates to those recorded in Q2. However, mutual fund holdings, though they have once again shrunk as a result of deteriorating stock market prices, have slowed less than was the case three months earlier. As to financing, resident institutions have expanded their private-sector lending, which is growing at a rate of 13.4%, compared with 13.2% in Q2. The continuing brisk pace of house price rises may have been conducive to this latter development.

Finally, household wealth was adversely affected at the end of Q2 by the loss of value of their holdings of equity and mutual fund shares, owing to the fall in stock market prices. The loss of net financial wealth thus exceeded 10% of GDP taking the information available for the latest four quarters. Likewise, the level of household debt increased both in terms of the value of the most liquid component of their financial wealth (52.1%, against 50.4% the previous quarter) and in terms of GDP (48.6%, compared with 47.7% the previous quarter) (see Chart 25).

5.3. The financial flows of non-financial corporations

In 2002 Q2, the balance of the financial transactions of non-financial corporations was -0.6% of GDP, compared with -1.1% in the same quarter in 2001. In cumulative four-quarter terms, this balance amounted to 3.8% of GDP, against 4.3% the previous quarter (see Table 5). This reduction reflects the fall in this sector's financing gap, i.e. the borrowed funds needed to undertake investment at home and abroad (see Chart 26). Despite its declining trend in recent quarters, the net financial dis-saving of corporations remains at an historically high level which, given the current situation of sluggish investment (domestic and foreign investment alike), might denote the persistence of diminished cash-flow capacity, as discussed in previous reports.

Investment in financial assets continued to slow and stood at 14% of GDP, while one quarter earlier it was at 17.4% (see Table 6). This reduction took the form, firstly, of a reduction in relation to the same quarter in 2001 in the purchase of shares and other equity (essentially

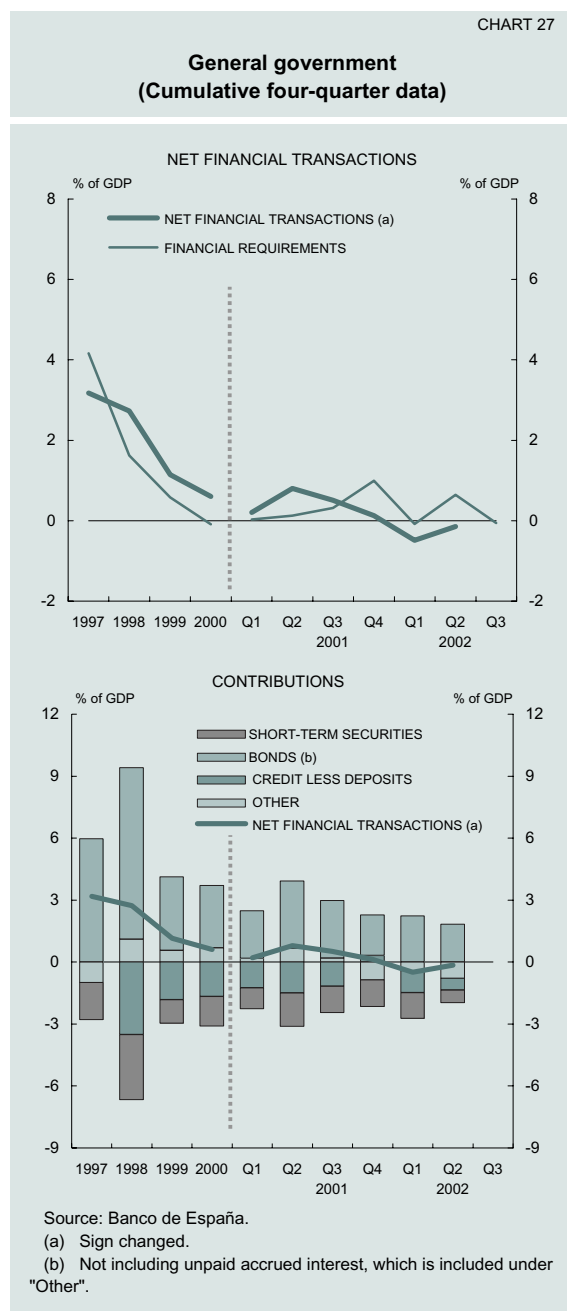
(7) Note that these indicators provide aggregate information on the sectors households and non-financial corporations. Consequently, conclusions on household transactions should be interpreted with due caution.

abroad). Further, cash and cash equivalents fell slightly to 1.6% of GDP. Conversely, the demand for other liquid assets, included under other deposits and fixed-income securities, rebounded slightly following the reduction seen in the two previous quarters. Finally, there has also been less investment in assets grouped under the heading "Other" in Table 6, including trade credit, which grew by 8.3%, against 10.9% the previous quarter. However, these movements have been offset by a slowdown on a similar scale in trade financing flows received, grouped under the heading "Other" on the liabilities side. Consequently, no significant change has been seen in net flows of inter-company financing.

As regards liabilities-side transactions, and excluding those routed via securitisation funds, fewer volumes were seen than those recorded in the same quarter a year earlier. Thus, financing obtained via shares and other equity contracted moderately. Loans from resident institutions and financing intermediated via securitisation funds fell overall from 7.5% of GDP in the preceding three months to 6.7%, meaning that the increase recorded in the previous quarter was offset. Foreign loans continued to slow (2.1% of GDP against 2.8% the previous quarter), perhaps reflecting the lesser resort to this type of financing by large corporations. In this way, the year-on-year growth of financing extended to corporations stood at 13.2%, meaning the slowdown initiated in early 2001 is continuing (see memorandum item in Table 6).

The information on the breakdown of resident credit institutions by productive activity shows how the slowdown in credit was centred on industry (excluding construction) and the service sector. In particular, the growth rate of credit for the service sector, which is the main component of lending intended for productive activities, fell in the second half of 2002 to 11.6%, from 13.6% the previous quarter. Conversely, loans intended for the construction industry quickened to a rate of 13.6%, up from 12.1% the previous quarter.

Although the volume of financing – via loans and securities other than shares – slowed slightly during 2002 Q2, its expansion remains high in relation to economic growth. Consequently, the sector's indebtedness, measured by the debt/GDP ratio, held on a growing path and rose to 72.5%, compared with 55.4% only three years earlier. Finally, the value of debt relative to corporations' financial assets portfolio increased to 41.9%, up from 40.5% the previous quarter. These trends highlight the greater exposure of Spanish corporations to potential adverse circumstances, with such exposure not



being distributed uniformly across the different corporations making up the sector (see Box 6).

5.4. General government financial flows

The balance of general government financial transactions was negative in 2002 Q2. In cumulative four-quarter terms, this entailed a reduction of four-tenths of a point in the sector's net financial saving, to 0.1% of GDP (see Chart 27).

During Q2, the Treasury made a net issue of long-term bonds for a total of €5.5 billion. As a result, and in cumulative four-quarter terms, the

TABLE 7

Financial transactions of the nation. Cumulative data for the last four quarters

% of GDP

	1998	1999	2000	2001 Q4	2002 Q1	2002 Q2
Net financial transactions	0.5	-1.1	-2.5	-2.0	-1.9	-1.8
Financial transactions (assets)	12.3	14.8	24.5	10.8	8.7	9.9
Gold and SDRs	0.0	-0.2	0.0	0.0	0.0	0.0
Cash and deposits	3.2	1.7	2.8	-2.6	-3.8	-0.4
Credit system	0.0	3.7	2.5	-2.7	-3.3	-0.6
Other resident sectors	3.2	-2.0	0.4	0.1	-0.6	0.2
Securities other than shares	3.4	2.8	3.8	7.1	7.4	5.8
Credit system	-1.4	-0.9	-0.3	2.0	2.3	1.0
Other resident sectors	4.7	3.7	4.1	5.1	5.1	4.9
Shares and other equity	4.3	9.8	15.1	3.7	3.1	2.7
Credit system	0.4	0.7	1.7	-0.1	-0.4	0.1
Other resident sectors	3.9	9.1	13.4	3.8	3.4	2.6
Of which:						
Non-financial corporations	2.2	6.5	10.9	3.7	3.7	2.8
Loans	1.4	0.7	2.7	2.6	2.1	1.8
Credit system	0.2	-0.2	0.5	0.8	0.6	0.6
Other resident sectors	1.2	0.9	2.1	1.9	1.5	1.2
Financial transactions (liabilities)	11.8	15.9	27.0	12.8	10.6	11.7
Deposits	5.9	4.1	6.8	2.8	1.2	4.5
Of which:						
Credit system	5.9	4.1	6.8	2.8	1.1	4.5
Debt securities issued	1.0	5.4	7.0	3.1	3.2	2.9
Credit system	0.2	0.9	0.7	0.6	0.8	0.2
General government	1.0	4.3	5.7	1.6	1.7	1.3
Other resident sectors	-0.2	0.2	0.5	0.9	0.8	1.4
Shares and other equity	2.9	3.9	9.1	3.5	3.7	3.0
Credit system	0.1	0.3	1.7	0.5	0.2	0.3
Other resident sectors	2.8	3.6	7.3	3.0	3.5	2.7
Loans	2.2	3.8	4.5	4.4	3.8	2.9
General government	0.1	0.1	0.1	0.1	0.2	0.2
Other resident sectors	2.1	3.7	4.4	4.3	3.6	2.7
Other, net (a)	-0.2	-1.4	-0.3	-1.0	-1.2	-1.6

Source: Banco de España.

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

outstanding balance of general government bonds increased by 1.8% of GDP, compared with 2.2% the previous quarter. Net issues of short-term securities were virtually zero and, again in cumulative four-quarter terms, amounted to -0.6% of GDP. Net resources raised from issues contributed to the increase in deposits (net of loans) amounting to 0.6% of GDP. Finally, there were no significant changes in Q2 in the distribution of the public debt portfolio

among different investors. Non-residents' holdings of medium- and long-term bonds thus continued to account for around 50% of the total outstanding balance issued.

The provisional information for Q3 indicates an increase in funds obtained via the issuance of short-term securities and the increase in loans extended by financial institutions. This raising of resources is offset by re-

Financial position and level of activity: a microeconomic analysis

The financial position of firms influences a country's macroeconomic conditions and the stability of its financial system by means of its contribution to aggregate demand and of its links to the banking system and capital markets. Thus, for instance, excessive indebtedness may adversely affect investment spending or, in the face of an unexpected shock, prompt sharp portfolio switching. However, from the standpoint of identifying the risks to macroeconomic and financial stability, it should be borne in mind that the fragility of certain firms need not be offset by the soundness of others. In this way, basing the assessment of the financial position of companies on an analysis of aggregate sectoral indices may, while being informative, occasionally cover up vulnerability that only a study at a greater level of detail could reveal. Indeed, the behaviour of the companies most exposed financially is, for these purposes, as relevant (if not more so) as the average behaviour of the sector.

Specifically, using itemised data of the corporations reporting to the Banco de España Central Balance Sheet Data Office Annual Database for the period 1985-2000, a comparison is made of the rate of use of productive factors (labour and physical capital) of various sets of firms defined in terms of their financial position.

The financial position of firms is usually characterised by means of a relatively broad set of indicators which are often referred to as financial pressure indicators. Among these can normally be found ratios providing information on corporate profitability, indebtedness (or leverage) and liquidity, variables which have, in many theoretical and empirical papers, determined corporate bankruptcy risk. It is thus more likely for a firm to go bankrupt or suspend payments to creditors if its debt is very high, its profitability very low or if it does not have enough liquidity. An approximation can be made to the financial position of firms by means of a measure of the relative burden of debt (or, what amounts to the same, of the firm's capacity to meet interest payments), which is defined as the ratio of financial costs to gross operating profit. This variable, being the net result of changes in interest rates, in corporate profitability and in corporate debt, is a relevant indicator of the financial pressure firms may be facing.

The accompanying charts give, for each year, the average value of investment per unit of capital and of the growth rate of employment for the sets of firms relating to three different deciles of the distribution of firms in terms of the financial costs/gross operating profit ratio. Hence, the median decile (which groups firms between the percentiles 45 and 55) may be considered representative of the behaviour of a firm with an average financial position. Likewise, the firms belonging to the upper (lower) decile are those facing higher (lower) financial pressure.

As the charts show, there are no significant differences regarding the use of productive factors between firms in a more comfortable financial position (lower decile) and those subject to average financial pressure. However, firms with a higher financial burden in relation to their capacity to generate funds from operations have substantially lower investment and employment-growth rates. Further, in the case of employment, this feature appears to be accentuated in downturns.

This descriptive evidence suggests that the impact of the financial position on business activity is not linear and becomes relatively more intense when financial pressure exceeds a certain threshold. Therefore, the risk of the rising debt levels evident in Spanish non-financial corporations affecting economic activity hinges, for a large number of firms, on financial pressure breaching this threshold.



TABLE 8

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

Q4 data

% of GDP

	1997	1998	1999	2000	2001	2002 (b)
Total economy	-20.9	-21.6	-22.3	-20.6	-22.3	-21.0
Non-financial corporations and households and NPISHs						
Non-financial corporations	-17.1	-14.8	-16.3	-8.5	-9.3	-6.4
Households and NPISHs	6.3	6.2	7.6	7.6	7.5	8.0
Financial institutions	6.9	4.8	6.9	5.1	4.6	1.7
Credit institutions (c)	2.4	-5.4	-7.5	-12.5	-14.5	-16.5
Institutional investors (d)	4.6	10.7	15.0	18.3	20.7	20.7
Other financial institutions	-0.1	-0.4	-0.6	-0.8	-1.6	-2.5
General government	-17.0	-17.9	-20.5	-24.8	-25.1	-24.4

Source: Banco de España.

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

(b) Q2 data.

(c) Defined according to the First Banking Directive.

(d) Insurance corporations and collective investment undertakings.

demptions of medium- and long-term bonds. As a result, the *financial requirements* indicator, which reflects general government resort to the financial markets and proxies saving in the sector, fell to -0.05% of GDP in Q3, compared with 0.65% the previous quarter (see Chart 27). Lastly and significantly, the Treasury has benefited in recent months from the decline in the yields on its issues, prompted by the shift by investors towards lower-risk instruments.

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

Between April and June 2002, the balance of the nation's financial transactions was more favourable than in the same quarter a year earlier, standing at -1.8% of GDP in cumulative four-quarter terms (see Table 7). Unlike the trend seen in recent quarters, flows of net acquisitions of external financial assets and liabilities increased slightly. Likewise, flows of external assets and liabilities invested in securities slipped somewhat in step with the less conducive environment for these types of instruments, owing to the instability of the markets and the climate of uncertainty. Nonetheless, this slide might be merely temporary, and it should be pointed out that these flows continue to show historically high volumes.

Net acquisitions of external assets amounted to 9.9% of GDP, compared with 8.7% the previous quarter, thanks essentially to the increase in deposits abroad. Unlike the two pre-

ceding quarters, both credit institutions and other resident sectors increased their holdings of foreign deposits and reduced their investments in fixed-income securities. Acquisitions of securities other than shares thus fell to 5.8% of GDP, down from 7.4% the previous quarter. Equity purchases were lower at 2.7% of GDP, against 3.1% the previous quarter. This was basically the outcome of the reduction in this type of investment by non-financial corporations, as the credit system increased its holdings of equities abroad. According to Balance of Payments data, durable foreign direct investment accounted for approximately 50% of investment in the same quarter a year earlier. Portfolio investment fell by 30% in relation to that recorded in 2001 Q2. Lastly, loans abroad extended by non-financial corporations amounted to 1.2% of GDP, down from 1.5% in Q1.

As mentioned, the volume of cross-border transactions on the liabilities side was also greater, standing at 11.7% of GDP, compared with 10.6% the previous quarter. This increase was a result of greater investment in deposits by non-residents, totalling 4.5%, and of uneven reductions in the other headings. There was thus a slight reduction in non-residents' acquisitions of fixed-income securities, and more pronounced reductions in foreign loans received (in particular those received by non-financial corporations) and in non-residents' investment in shares and other equity. There was a particularly marked decline in direct investment, which stood at close to 40% of that recorded in the same quarter a year earlier. Conversely, portfolio investment climbed slightly. Over the quarter

as a whole, the volume of foreign direct investment in Spain was less than Spanish outward foreign direct investment. However, this pattern does not appear to be taking root judging by the latest provisional Balance of Payments information for July.

As a result of foreign financial transactions and of changes in financial asset prices and in the exchange rate, the national economy's debit balance of net external assets has improved

over the first half of the year to –21% of GDP (see Table 8). The deterioration in financial institutions' net external assets (and those of credit institutions in particular) was more than offset by the improved position of the non-financial sectors. In particular, general government and, above all, non-financial corporations saw notable reductions in their external debit balances.

30.10.2002.

Results of non-financial corporations in the first two quarters of 2002 (1)

1. INTRODUCTION

According to CBQ (Quarterly Survey of the Central Balance Sheet Office) data, productive activity in the first half of 2002 was subdued (with nominal GVA growth of 1.8%), so that the firms appear to have remained on the path followed since mid-2001, in keeping with the general uncertainty afflicting the world economy. However, it should be noted that the sample of firms reporting to the CBQ amplifies the effects of any weakness in activity owing to its small size (less than 800 firms), to the over-representation of very large firms (those most affected by crises) and to the low representation of medium and small-sized firms, which are usually more dynamic. Indeed, the results of the Annual Survey of the Central Balance Sheet Office (CBA), which includes large, medium and small firms (up to 8,000 in all), usually show, for any given year, a more favourable performance than that reflected by the preliminary CBQ results for the same period. However, this does not invalidate the CBQ as an indicator of trends in corporate results.

In fact, the less dynamic results of the CBQ for the first half of 2002 (see Table 1 and Chart 1) are consistent with QNA estimates for investment and exports. Also, the performance of the sample firms in the distributive trade seems to stem from the slowdown in private consumption from the beginning of 2002. However, at the same time, there are signs of improvement in the performance of industrial firms (see Box 1), especially in the Q2 data (with growth rates exceeding those for the same period a year earlier), which might be signalling a turning point. The overall performance of the CBQ firms reflects the failure of the expectations for recovery in some European economies to materialise, while the deterioration in the situation in certain Latin American countries in which Spanish firms have strategic investments has been confirmed. Also, there seem to be signs that the fall in share prices is bearing on agents' spending decisions. Finally, the decline in oil prices in the first six months of 2002, relative to the same period a year earlier also contributed to the subdued GVA performance of the CBQ sample, basically on account of the impact on the output of refining firms (2).

(1) The information on which this article is based is obtained from the 748 firms that, on average, reported their data voluntarily to the Quarterly Survey of the Central Balance Sheet Office (CBQ) in the period to 18 September 2002. In terms of gross value added, this aggregate of firms accounts for 14.1% of all the activity of non-financial corporations.

(2) Experience with the CBQ shows that a fall in crude oil prices (rise in the price of oil) translates into a fall (rise) in the growth rate of the GVA of the refining firms (energy sector), which rapidly pass changes in the price of their inputs.

TABLE 1

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

Databases	CBA		CBQ (a)		
	1999	2000	01 Q1-Q4 / 00 Q1-Q4	01 Q1-Q2	02 Q1-Q2
Number of corporations / total national coverage	8249/31.9%	8045/28.9%	842 / 15.1%	882 / 15.7%	748 / 14.1%
1. VALUE OF OUTPUT (including subsidies)	9.2	16.0	1.8	5.7	3.5
Of which:					
1. Net amount of turnover and other operating income	10.7	17.4	2.7	6.7	2.5
2. INPUTS (including taxes)	11.5	20.1	0.6	6.5	4.5
Of which:					
1. Net purchases	12.9	23.8	-1.7	4.6	4.8
2. Other operating costs	9.2	14.2	4.3	6.5	5.0
S.1. GROSS VALUE ADDED AT FACTOR COST [1 - 2]	4.7	7.5	3.9	4.2	1.8
3. Personnel costs	6.4	7.4	4.5	5.5	3.1
S.2. GROSS OPERATING PROFIT [S.1 - 3]	2.9	7.6	3.4	3.3	0.7
4. Financial revenue	5.2	26.3	11.3	34.7	-1.4
5. Financial costs	-2.2	26.0	13.6	32.7	-9.7
6. Corporate income tax	10.3	-12.2	7.4	-5.5	0.2
S.3. FUNDS GENERATED FROM OPERATIONS [S.2 + 4 - 5 - 6]	2.2	5.0	3.0	5.2	3.1
7. Depreciation and provisions and other [7.1 + 7.2 - 7.3]	7.4	5.7	5.4	19.1	63.3
7.1. Depreciation and operating provisions	9.0	6.3	0.4	-1.2	1.5
7.2. Capital losses and extraordinary expenses	-0.2	-3.1	-14.6	13.8	303.0
7.3. Capital gains and extraordinary revenue	-0.2	-5.5	-30.4	-25.1	188.2
S.6. ORDINARY NET PROFIT [S.2 + 4 - 5 - 7.1]	0.1	8.9	5.6	7.7	3.5
MEMORANDUM ITEM:					
TOTAL NET PROFIT [S.3 - 7]	-0.5	15.3	-0.3	-6.0	-47.6
PROFIT RATIOS					
R.1 Ordinary return on net assets (before taxes)	7.5	7.5	8.4	7.9	8.6
R.2 Interest on borrowed funds/ interest-bearing borrowing	5.0	5.1	5.3	5.4	4.6
R.3 Ordinary return on equity (before taxes)	9.1	9.3	10.8	9.8	11.7
R.4 ROI - cost of debt (R.1 - R.2)	2.6	2.4	3.1	2.5	4.0
R.5 Debt ratio	43.5	47.3	50.0	49.8	49.8

Source: Banco de España.

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

Note: internal accounting movements have been edited out of items 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	01 Q1- Q4	01 Q1- Q2	02 Q1- Q2	2000	01 Q1- Q4	01 Q1- Q2	02 Q1- Q2	2000	01 Q1- Q4	01 Q1- Q2	02 Q1- Q2	2000	01 Q1- Q4	01 Q1- Q2	02 Q1- Q2
Total	7.5	3.9	4.2	1.8	4.3	0.8	1.0	0.3	7.4	4.5	5.5	3.1	3.0	3.7	4.5	2.8
SIZE:																
Small	9.9	—	—	—	4.8	—	—	—	9.5	—	—	—	4.5	—	—	—
Medium	8.4	5.5	0.9	5.2	5.9	2.4	2.5	2.5	9.9	7.0	7.5	4.1	3.7	4.5	4.9	1.6
Large	7.3	3.8	4.5	1.6	3.9	0.6	0.8	0.1	7.0	4.3	5.3	3.1	2.9	3.7	4.5	3.0
STATUS:																
Public-sector	7.4	7.4	8.5	3.4	-0.3	1.5	0.9	0.4	3.9	6.6	7.6	5.0	4.2	5.0	6.6	4.6
Private-sector	7.6	3.4	3.7	1.6	5.3	0.6	1.0	0.3	8.3	4.0	5.0	2.7	2.8	3.4	4.0	2.4
BREAKDOWN OF ACTIVITIES BEST REPRESENTED IN THE SAMPLE:																
Energy	13.5	-6.5	-4.2	-6.5	-3.4	-3.7	-3.7	-3.5	0.0	2.5	3.2	-1.0	3.5	6.4	7.2	2.6
Industry	6.0	-2.7	-1.9	0.5	2.9	-0.4	0.7	-1.8	6.5	2.8	4.4	1.4	3.5	3.2	3.7	3.3
Wholesale and retail trade	6.8	18.2	11.7	10.4	9.1	6.1	6.0	5.5	11.3	9.3	9.1	7.7	2.0	3.0	2.9	2.1
Transport and communication	2.7	9.6	10.2	4.7	0.3	-2.4	-3.3	-0.6	5.3	1.6	2.6	2.5	5.0	4.1	6.1	3.1

Source: Banco de España.

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

In line with the moderate activity growth, the rate of growth of employment fell to 0.3%. However, it was particularly positive that a group of firms as undynamic in terms of job creation as the CBQ sample should not have destroyed jobs when activity showed signs of deceleration. As has become the norm in recent quarters, it was again the contribution of the *wholesale and retail trade* that was decisive in ensur-

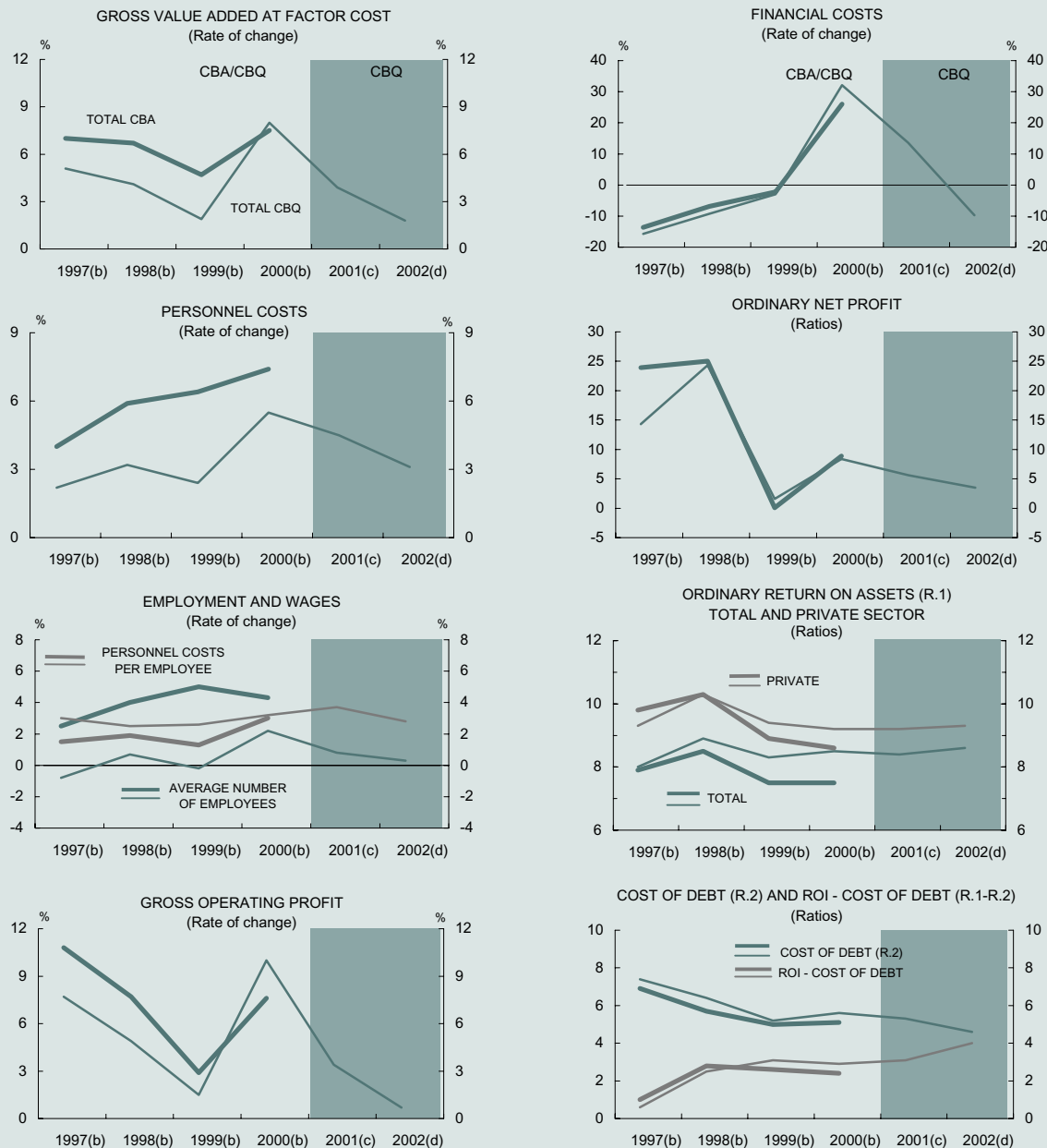
ing a positive growth rate for total CBQ employment. As regards average compensation, the slight downtrend that commenced in 2002 Q1 was confirmed by moderate growth of 2.8% in the first half of 2002, compared with 4.5% in the first half of 2001. This trend needs to continue in the present setting, marked by low activity and a declining operating surplus, to ensure that average compensation does not have an adverse impact on the course of prices and to ease the absorption of Spain's inflation differential with respect to the other EU countries.

As indicated above, the operating surplus (or gross operating profit), an indicator of the non-wage incomes generated in the production process, grew at a low rate (0.7%) in the first half of 2002, in step with the slowdown in productive activity. Ordinary net profit, however, grew at a higher rate (3.5%), owing to the trend in financial expenses, which fell by almost 10% in the first half of 2002, with respect to the same period of the previous year. This reduction was basically due to the fall in interest rates, since the level of indebtedness continued to grow

through to their selling prices. The final output of the refineries is the main input of firms marketing fuel (distributive trade), which do not immediately pass through the full change in the price of their inputs to their customers, possibly owing to the rigidity implicit in a system of regulated prices and because very sharp rises in oil prices have not always been passed through to customers (the rises of over 50%, both in oil prices and in the prices charged by the refineries in 2000, translated into petrol price increases of less than 20% in the same period). This is why changes in oil prices affect refineries and fuel sellers with certain lags and why, as in the first half of 2002, falls in the rate of growth of GVA of the refineries, due to a reduction in oil prices, can even coexist for a time with rises in the GVA of the firms selling fuel. It should also be noted that practically all the refining firms report to the CBQ, while only some of the selling firms do, perhaps because many of them are small.

CHART 1

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



NUMBER OF CORPORATIONS						
CBA	8,054	8,135	8,249	8,045		
CBQ	722	835	882	902	842	748
% OF GDP OF THE SECTOR NON-FINANCIAL CORPORATIONS						
CBA	33.7	33.7	31.9	28.9		
CBQ	18.7	18.0	16.9	16.5	15.1	14.1

NUMBER OF CORPORATIONS						
CBA	8,054	8,135	8,249	8,045		
CBQ	722	835	882	902	842	748
% OF GDP OF THE SECTOR NON-FINANCIAL CORPORATIONS						
CBA	33.7	33.7	31.9	28.9		
CBQ	18.7	18.0	16.9	16.5	15.1	14.1

CBA data

CBQ data

Source: Banco de España.

(a) Information available to 18 September 2002 (CBA and CBQ).

(b) The 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 four quarters of 2001 over the same period of 2000.

(d) Average of the first two quarters of 2002 over the same period of 2001.

TABLE 2.b

Employment and personnel costs
Detail according to changes in staff levels

	Total CBQ corpora- tions 02 Q1-Q2	Corporations increasing (or not changing) staff levels	Corporations reducing staff levels
No. of corporations	748	417	331
Personnel costs			
Initial situation 01 Q1-Q2 (EUR million)	10,300.2	4,462.5	5,837.7
Rate 02 Q1-Q2 / 01 Q1-Q2	3.1	9.9	-2.1
Average compensation			
Initial situation 01 Q1-Q2 (EUR)	18,177	16,968	19,203
Rate 02 Q1-Q2 / 01 Q1-Q2	2.8	3.1	3.2
Number of employees			
Initial situation 01 Q1-Q2 (000s)	567	263	304
Rate 02 Q1-Q2 / 01 Q1-Q2	0.3	6.6	-5.1
Permanent			
Initial situation 01 Q1-Q2 (000s)	469	205	264
Rate 02 Q1-Q2 / 01 Q1-Q2	1.2	8.2	-4.1
Non-permanent			
Initial situation 01 Q1-Q2 (000s)	98	58	40
Rate 02 Q1-Q2 / 01 Q1-Q2	-3.9	1.3	-11.7

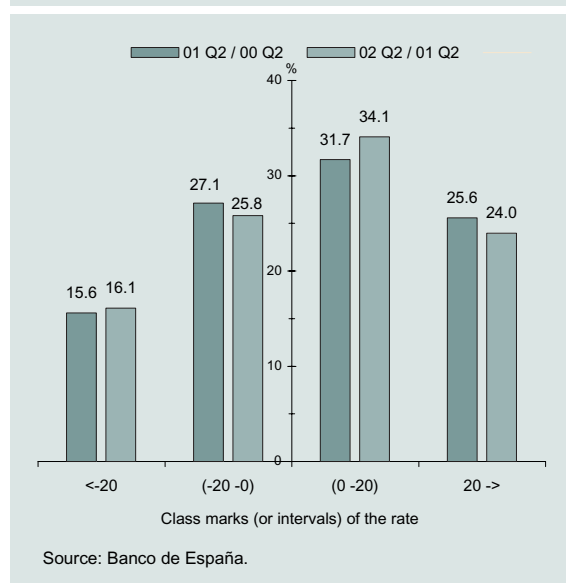
Source: Banco de España.

moderately. The behaviour of financial expenses explains the fall in the ratio that measures the cost of debt (R.2) and, as the ordinary return on net assets (R.1) is standing at a high level, above the rate recorded for 2001 as a whole, the spread (R4) between R1 and R2 has reached a high. This favourable behaviour by ordinary profit, and hence by the profit ratios, has not been reflected by total net profit, which declined by 47.6%. Despite the positive developments under the heading of capital gains and extraordinary revenue, some large firms have had to make provisions for very significant capital losses and extraordinary expenses. These provisions have arisen from investments in Latin America and in Europe, in the latter case as a result of the restructuring undertaken by large telecommunications firms worldwide.

It can be concluded from all the foregoing that in the first half of 2002 the activity of the firms reporting to the CBQ (a sample that is biased towards large firms) grew at moderate rates. This confirms the trend recorded by other data sources, although there was a certain pick-up among industrial firms in Q2 that could signal a turning point. The trend in employment is consistent with that in the activity of the aggregate of all the firms, although it should be stressed that this variable and the surplus continue to show a positive performance. Also, once again on account of the decline in interest rates, businesses continued to record growth in

CHART 2

**Distribution of corporations by rate of change in
GVA at factor cost**
(01 Q2 / 00 Q2, 02 Q2 / 01 Q2)



their results on ordinary activities, earning high rates of return, although total net profit is being adversely affected by heavy provisioning. In the medium term, however, if profit rates and the buoyancy of employment are to be sustained activity will have to recover, and this requires Spanish firms to be more competitive and to control the upward pressure on prices arising from their costs and margins.

2. ACTIVITY

As mentioned in the introduction, the productive activity of Spanish firms in the first half of 2002 grew at a very moderate rate. On CBQ data there was a nominal increase in GVA of 1.8% in the first half of 2002, compared with 4.2% in the same period of 2001 (see Table 1 and Chart 1). This confirms the slowdown in productive activity that has been affecting Spanish firms since mid-2001, which extends to practically every sector of activity (see Table 2.a). On the demand side, it is reflected by the slackness of investment in capital goods and the stagnation of imports and exports (Table 3).

For yet another quarter the *wholesale and retail trade* was the most dynamic sector among those analysed by the CBQ (its GVA grew in the first half of 2002 by 10.4%). If the effect that the strong growth in the GVA of firms selling fuel (owing to the knock-on effect of the fall in the price of oil) has had on the performance of this sector is stripped out, then the sector continued to grow at a rate of 6.3% in 2002, a more

TABLE 3

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

	CBA	CBQ (a)	
	2000	01 Q1-Q4 / 00 Q1-Q4	02 Q1-Q2 / 01 Q1-Q2
Total corporations	8,045	842	748
Corporations reporting source/destination	8,045	813	720
	%	%	%
Net purchases	100.0	100.0	100.0
SOURCE OF PURCHASES:			
Spain	64.1	80.2	80.5
Total abroad	35.9	19.8	19.5
<i>EU countries</i>	22.3	14.9	14.5
<i>Third countries</i>	13.6	4.9	5.0
Net turnover	100.0	100.0	100.0
SALES DESTINATIONS:			
Spain	81.3	87.1	88.1
Total abroad	18.7	12.9	11.9
<i>EU countries</i>	14.0	7.9	7.8
<i>Third countries</i>	4.7	5.0	4.1

Source: Banco de España.

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

moderate rate than in the previous year (8%), with a downward quarter-on-quarter profile (3). Private consumption which, together with construction investment, has driven economic growth in recent quarters began to display signs of deceleration in 2002 Q2 which, as mentioned above, are reflected in the performance of the firms in this sector. The other sector that recorded notable increases in activity in the first half of 2002 is *transport and communication*, whose GVA rose by 4.7% on the same half of 2001, assisted by mobile telephony (which has introduced new services) and air transport, when it had overcome some of the problems caused by the attacks of 11 September 2001.

At the other extreme, one of the poorest performing sectors was *energy*, with a decline in GVA of around 6.5% in the first six months of 2002. However, if the *oil refining* subsector, which suffered sharp contractions in its nominal GVA owing to the effects of the fall in oil prices, is stripped out (3), then the GVA of the energy sector grew by 1.3%, in line with the moderate growth recorded in the economy as a whole. The subsector *electricity, gas and water supply*, which has a large weight in the sample, record-

ed GVA growth of 0.8%. This growth is certainly very low, but it is higher than the -2.9% rate recorded in the first half of the previous year. The main reason for the scant GVA growth was not weakness in the demand for electricity (which in the first half of 2002 grew by 3.9%) or the trend in prices (average tariffs were not revised downwards for the first time in recent years, enabling revenues to level out), but the rise in production costs caused by the low generation of hydro-electricity, which meant that greater recourse was had to higher cost conventional power stations. *Industrial* firms (discussed in detail in Box 1), affected by the contraction of external trade and the adverse international environment, recorded GVA growth of 0.5% in the first half of 2002, a better performance than in the first six months of 2001 (-1.9%). However, Q2 seems to show a change of trend in the aggregate of industrial firms, with growth in their quarter-on-quarter profile which extends to practically all subsectors, and in particular the *electrical, electronic and optical equipment* ones and the *transport equipment* ones.

Chart 2, which shows the distribution of the sample of firms by the rate of growth of their GVA, seems to confirm what was stated above regarding the change in trend among industrial firms, although on this occasion in relation to all firms. It

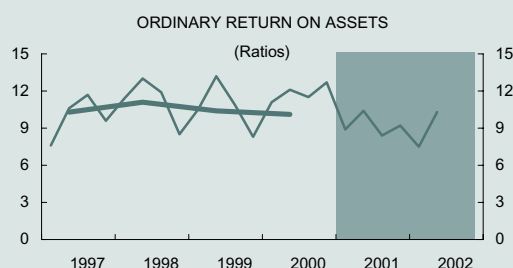
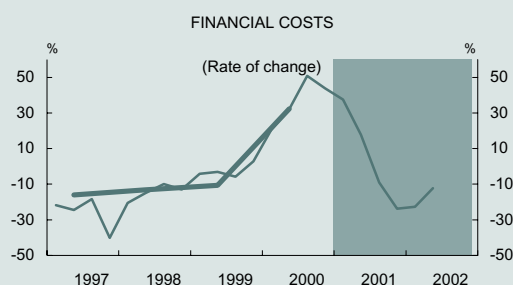
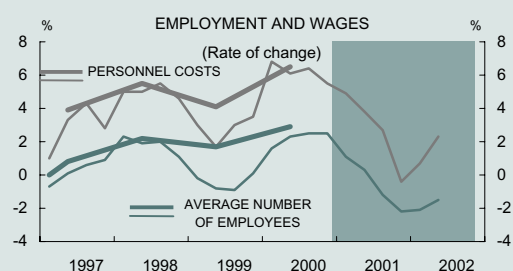
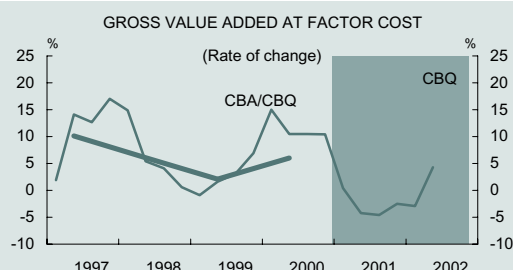
(3) See Note 2 on the different behaviour of the GVA of the refining firms and the firms selling fuel in the same period.

Analysis of the industrial sector

Activity in the industrial sector, which is well represented in the CBQ sample and one of the main engines of Spanish business, was stagnant in the first half of 2002. GVA grew by 0.5%, as a result of the contraction stemming from adverse developments in foreign trade and in investment in capital goods in recent quarters. However, this rate represents a significant improvement on the same period of 2001 (-1.9%). Amid the current uncertainties, which preclude any clear signs of recovery in the world economy in the short term, it is difficult to distinguish to what extent this apparent improvement in the Spanish industrial sector signifies the beginnings of a slow recovery. That said, the profile of the quarter-on-quarter series shown in the adjoining chart would appear to indicate that such a recovery has commenced. In 2002 to date, activity has shown clear signs of slackness, especially in subsectors such as *transport equipment* (in which GVA fell by 8%) and *other manufacturing* (-5.6%). At the other extreme, the subsector *electrical, electronic and optical equipment* was the most buoyant, with GVA growth of 7.8%. In step with activity, employment also fell, by -1.8% in the first half of 2002, in contrast to the growth recorded a year earlier (0.7%). Average compensation increased by 3.3%, which was above the rate for the sample as a whole (2.8%). Although the industrial sector also saw greater wage moderation (average compensation grew by 3.7% in the first half of 2001), this trend was not so pronounced as in other sectors, doubtless because the costs associated with dismissals raised average costs, while the downward effect of the lower wages earned by recently hired employees is not discernible in the aggregate figures. As a result of the changes in these two headings (employment and average compensation) personnel costs rose by 1.4% in the period analysed. All this meant that both gross operating profit and funds generated or ordinary net profit increased very slightly or even fell (-0.6% in the case of gross operating profit and 2.3% in that of ordinary net profit). Also, although rates of return held at acceptable levels, the contraction of activity had a discernible effect on them. Thus the return on net assets of the aggregate was 8.9%, as against 9.7% in the first half of the previous year. The clear reduction in financial costs, as a consequence of lower interest rates was reflected in a significant fall in the cost of debt for industrial firms, to 4.8% on average. As a result, despite the unfavourable performance of activity in this sector in the year to date, the spread between ROI and the cost of debt was still positive, and even somewhat wider than in the first half of 2001.

In short, Spanish industrial firms, like those in other sectors, have been going through a period of deceleration. However, in the case of the former signs of a change in trend are discernible. Owing to their greater exposure to the international situation, they have been more seriously affected than firms in other sectors by the unfavourable performance of foreign activity, so that other economies need to recover their buoyancy if industrial activity is to pick up in Spain.

Performance of industrial corporations reporting to the Central Balance Sheet Office (a)



		NUMBER OF CORPORATIONS			
CBA		3,342	3,247	3,035	2,827
CBQ		352	343	335	329
		402	392	386	378
		418	402	393	384
		429	409	386	373
		403	390	377	349
		367	307		
		% OF GDP OF THE INDUSTRIAL SECTOR			
CBA		35.1	33.8	30.8	27.9
CBQ		25.7	28.2	26.1	26.8
		26.4	27.4	25.6	24.7
		25.8	26.3	24.1	24.2
		25.4	25.2	23.5	23.8
		20.6	19.5	18.8	19.5
		18.9	18.9	15.1	

Source: Banco de España.

(a) Information available to 18 September 2002 (CBA and CBQ). The CBQ data are growth rates in relation to the same quarter a year earlier.

TABLE 4

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

	CBA		CBQ			
	1999	2000	00 Q1-Q4 (a)	01 Q1-Q4 (a)	01 Q2	02 Q2
Number of corporations	8,249	8,045	902	842	863	679
Personnel costs	100.0	100.0	100.0	100.0	100.0	100.0
Falling	21.0	18.0	24.5	28.0	25.1	32.8
Constant or rising	79.0	82.0	75.5	72.0	74.9	67.2
Average number of employees	100.0	100.0	100.0	100.0	100.0	100.0
Falling	22.8	24.5	35.3	40.4	40.6	44.8
Constant or rising	77.2	75.5	64.7	59.6	59.4	55.2
Average compensation (relative to inflation) (b)	100.0	100.0	100.0	100.0	100.0	100.0
Lower growth	51.4	47.2	47.3	46.7	46.1	50.1
Higher or same growth	48.6	52.8	52.7	53.3	53.9	49.9

Source: Banco de España.

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

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

can be seen that in 2002 Q2 the percentage of firms recording increases in GVA rose by one percentage point (to 58.1% of the sample), albeit with a shift towards the lower growth segment. The positive performance of medium-sized firms, in terms of productive activity (which, according to Table 2.a, grew by 5.2% in 2002, as against 5.5% in the whole of 2001), could imply that the change in trend may affect industrial and small firms, whatever their activity, large firms and those in the energy sector (influenced by the performance of refining firms) being the ones that are dragging the general performance down.

3. EMPLOYMENT, AVERAGE COMPENSATION AND PERSONNEL COSTS

As described in the introductory section, *employment* grew at a rate of 0.3%, as compared with a rate of 1% in the first half of 2001 and 0.8% in 2001 as a whole. However, this is a positive result since, as repeatedly pointed out in previous editions of this article, the CBQ sample includes certain large firms belonging to sectors that have been making systematic staff adjustments (such as the electricity sector), which now appear to be in their final stages. The CBA employment data for 2002, due to be released in November 2003, will be more in line with the EPA data (EPA employment grew by 2.3% in 2002 Q2).

As regards the type of employment, *temporary employment* was hardest hit by the slowdown in activity, recording a rate of -3.9% in the first six months of the year. *Permanent employment*, by contrast, increased at a rate of 1.2%, a positive steady performance relative to the first half of 2001. By sector (see Table 2.a), the importance of the *wholesale and retail trade* in the favourable performance of this variable is again apparent, this being the only sector in which employment clearly grew (at a rate of 5.5%), albeit at a lower rate than in the same period of last year (6% in the first half of 2001). Employment fell in the other sectors, but a detailed analysis shows a positive performance in some of them. First, although the *transport and communication* sector recorded a fall in employment of 0.6% in the first half of 2002, this represented a significant decline in the rate of job destruction, when compared with the rate for the first half of 2001 (a fall of 3.3%). Meanwhile, in the *energy* sector, and more specifically in *electricity, gas and water supply*, firms are continuing to shed labour in response to the opening up to competition. The rate for the first half of 2002 (-3.5%) is practically identical to that for the first half of 2001, although somewhat lower than those recorded by the electricity utilities in previous years. Despite the positive, albeit modest, growth in its activity, employment in *industry* fell by 1.8% in the period analysed, a faster rate than in 2001 as a whole (-0.4%).

TABLE 5

Gross operating profit, funds generated, ordinary return on assets and ROI - cost of debt
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)				ROI - cost of debt			
	CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)			CBA	CBQ (a)		
	2000	01 Q1- Q4	01 Q1- Q2	02 Q1- Q2	2000	01 Q1- Q4	01 Q1- Q2	02 Q1- Q2	2000	01 Q1- Q4	01 Q1- Q2	02 Q1- Q2	2000	01 Q1- Q4	01 Q1- Q2	02 Q1- Q2
Total	7.6	3.4	3.3	0.7	5.0	3.0	5.2	3.1	7.5	8.4	7.9	8.6	2.4	3.1	2.5	4.0
SIZE:																
Small	10.5	—	—	—	5.8	—	—	—	9.3	—	—	—	3.5	—	—	—
Medium	6.5	3.3	-7.2	6.6	6.9	2.5	-8.6	6.9	10.4	10.4	11.0	10.9	5.5	4.6	5.3	6.2
Large	7.7	3.4	3.9	0.5	4.8	3.0	6.0	2.9	7.2	8.3	7.8	8.6	2.2	3.0	2.4	4.0
STATUS:																
Public-sector	25.7	9.3	10.6	-0.6	27.1	-1.0	4.9	-14.8	1.0	2.4	2.6	2.4	-4.2	-2.8	-2.8	-1.2
Private-sector	6.9	3.0	2.8	0.8	4.1	3.3	5.3	4.4	8.6	9.2	8.7	9.3	3.6	3.9	3.2	4.7
BREAKDOWN OF ACTIVITIES BEST REPRESENTED IN THE SAMPLE:																
Energy	18.4	-8.8	-6.1	-8.1	14.6	-5.5	1.7	-4.1	8.3	9.3	8.8	9.6	3.5	4.1	3.5	5.1
Industry	5.4	-8.8	-8.8	-0.6	3.2	-10.4	-12.3	2.9	10.1	9.3	9.7	8.9	4.4	3.4	3.4	4.1
Wholesale and retail trade and repair services	1.1	30.8	15.1	13.7	-1.6	26.3	14.1	8.2	12.0	11.8	10.7	10.8	6.9	6.7	5.4	6.3
Transport and communication	0.4	15.3	15.7	6.2	4.0	13.4	11.5	7.1	5.9	9.9	9.5	12.5	0.4	4.5	3.9	7.6

Source: Banco de España.

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

However, the quarter-on-quarter rates, which have been negative since 2001 Q3, have begun to improve. This would be in keeping with the change in trend in the quarter-on-quarter series for industrial activity. Finally, Table 4 shows how the phenomenon of job destruction has gradually extended to more firms, although those in which employment is constant or rising are still in the majority (55.2% of firms). In 2002 Q2 44.8% of firms reduced their staff, 4 percentage points more than in 2001 Q2, when the percentage was 40.6%.

Average compensation (calculated as personnel costs per worker) increased in the first half of 2002 by 2.8%, a significantly lower rate than in the same period last year (4.5%). As in Q1, average wages grew more moderately. Table 4 gives information of a qualitative nature on average wage developments, confirming that the slowdown extends to the majority of the reporting firms. While in 2001 Q2, 53.9% of firms increased their average compensation, this percentage was down to 49.9% in 2002 Q2. By

sector of activity (Table 2.a), average compensation appears to have moderated in all the sectors analysed. The *wholesale and retail trade* recorded the lowest rate of growth of average compensation (2.1%), in keeping with its notable contribution to job creation.

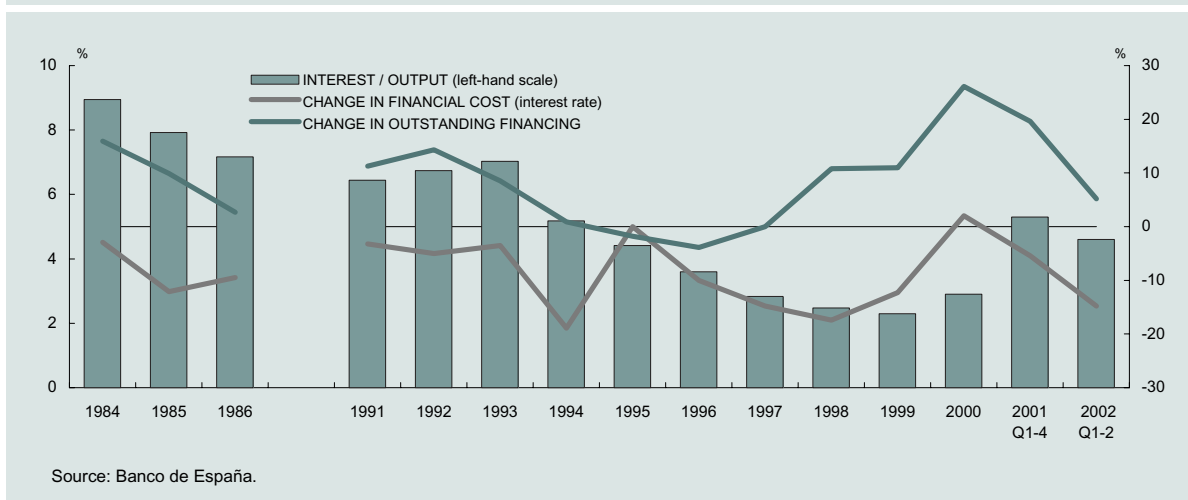
The fall in the rate of growth of average compensation and the subdued employment growth among the CBQ firms meant that *personnel costs* grew at a lower rate than in the previous period (3.1% in the first half of 2002, as against 5.5% in the same period of 2001). This trend was repeated across all the groupings analysed (sectors of activity, size and status categories).

4. PROFITS, MARGINS AND RATES OF RETURN

As a result of the scenario described above, the rate of growth of gross operating profit fell to 0.7% in the first half of 2002, from 3.3% in the

CHART 3

Financial costs and their components



same period of 2001, which brought it back down to 1999 levels. This decline was partly offset by the fall in financial costs, which fell once again by around 10%, adding to the reduction in 2001 Q3 and linking up with an earlier period of declining financial costs, which ran from 1994 to 2000. A sector-by-sector analysis of gross operating profit shows that although the rate of growth fell in both the wholesale and retail trade and in transport and communication with respect to the preceding period, the rates recorded in the first half of 2002 were clearly positive (13.7% and 6.2%, respectively).

The fall in financial costs was basically due to the fact that interest rates were lower than in the first half of 2001. The following table, as usual in these articles, breaks down the change in financial costs into its components:

	02 Q1-Q2/ 01 Q1-Q2
Change in financial costs	-9.7%
A. Interest on borrowed funds (1+2)	-9.6%
1. Due to the cost (interest rate)	-14.8%
2. Due to the amount of interest-bearing debt	+5.2%
B. Commissions and cash discounts	-0.1%

This information, along with Chart 3, shows that the fall in financial costs, while the recourse to external sources of financing increased slightly, was due to the reduction in interest rates. This decrease in financial costs is helping to establish the conditions for a recovery in investment, which will occur when the outlook for sustained profitability improves. Recently, these conditions have not been met in certain geographical areas and in particular markets. In fact, the profit and loss accounts for the first half

of 2002 of certain large Spanish firms with foreign investments have in some cases had to bear losses arising from investments in Latin American economies in critical situations and, in others, losses arising from the restructuring of third generation telephony (UMTS), the launch of which has been delayed. The restructuring of third generation telephony has been carried out by all the European firms in the sector, which borrowed heavily to finance their investments in this technology. This could have undesirable repercussions on their ability to generate funds and may delay pending investment. The extraordinary circumstance that these losses on Latin-American and UMTS investments should occur at the same time explains the behaviour of the heading "capital losses and extraordinary expenses" in Table 1 and, ultimately, why the total net profit of the CBQ firms fell by 47.6% in the first half of 2002, despite the positive impact of capital gains arising from the sale of cross-holdings in the energy sector, recorded under the heading "capital gains and extraordinary revenue", also in Table 1.

This behaviour of total net profit, strongly influenced by the extraordinary events referred to above, shows once again that this extremely volatile variable is not the most suitable one for analysing profitability. This is why the Central Balance Sheet Office uses ordinary net profit (ONP), without this involving any downplaying of the extraordinary events mentioned above, or of the possible effect they might have on the financing, management and investment decisions of the firms. ONP, which only takes account of those items of expenses and revenue essentially linked to the firm's ordinary activities, grew by 3.5% in the first half of 2002, a more moderate rate than in pre-

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)	
	01 Q2	02 Q2	01 Q2	02 Q2
Total corporations	100.0	100.0	100.0	100.0
R ≤ 0 %	19.1	17.4	23.7	20.3
0 % < R ≤ 5 %	16.1	18.7	12.5	14.9
5 % < R ≤ 10 %	16.6	15.1	11.0	10.8
10 % < R ≤ 15 %	14.2	12.7	12.4	10.6
15 % < R	34.0	36.1	40.4	43.4
Number of corporations	863	679	863	679
MEMORANDUM ITEM:				
Average return	8.6	10.2	11.1	14.3
Source: Banco de España.				

ceding periods. Even so, the growth of ONP enabled the ordinary return on net assets to hold at very similar levels to the previous year (8.6% in the first half of 2002, as against 8.4% in 2001 as a whole). Notable at the sectoral level (see Table 5) were the *wholesale and retail trade*, with virtually the same rate of return as in 2001 (10.8%), and *transport and communication* (12.5%), the latter bolstered by the good spell currently being enjoyed by telephony firms in the second-generation mobile segment and by the clear improvement in the air transport subsector. Also the *electricity utilities* achieved a good rate of return, while *industrial firms* saw their profitability decline. Table 6 shows the favourable returns earned by the almost 80% of firms analysed which reported positive returns in 2002 Q2, 3.4 percentage points higher than in the same period of the previous year. To sum up, an increase in profitability (ratio R1) has coincided in the same quarter with a reduction in the cost of debt (ratio R2). This has meant that the spread between these two ratios (ratio R4), i.e. ROI less the cost of debt (R1 – R2), is clearly positive (4 points) and even larger than in 2001 (3.1).

Finally, despite the questions that remain open, the picture described above seems to confirm that Spanish firms are continuing to earn high returns, supported by the positive trend in financial costs, which is a consequence in turn of the low level of interest rates. Even though the aggregate data show a relative weakening of activity, the latest results for industrial firms and the profitability and healthy balance sheets of Spanish firms in general means that they are well placed for a future recovery. Clearly international events over the coming months (the development of the crisis in Latin America and the effect that a possible war involving oil producing countries might have on oil prices) will shape the expected recovery in the Spanish economy, which will be all the more durable the greater the progress made in improving the competitiveness of Spanish firms. And this requires persisting with policies that promote restraint in respect of prices, costs and margins and, in short, that are conducive to a pick-up in investment and employment growth.

The housing market in Spain

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1. INTRODUCTION

In Spain, more than 80% of families live in their own house. Real estate accounts for between 60% and 70% of Spanish households' total assets (1) and for the collateral of a most sizable proportion of their liabilities. Moreover, residential investment accounts for 7% of GDP. The workings of the housing market and house prices thus have notable consequences for the growth of the economy. On the demand side, residential construction is the main component of the construction industry, and the wealth effects on household expenditure arising from movements in house prices are potentially very relevant. On the supply side, an inadequate working of this market may bear significantly on job mobility and on the formation of wage costs. Further, from the monetary policy standpoint, the housing market plays a fundamental role in the transmission of monetary impulses, given the influence of interest rate movements in housing supply and demand conditions.

The cyclical movements characterising this market, which affect both its prices and rate of activity, are therefore important for the functioning of the economy. For several years, the housing sector of the Spanish economy has been in a clearly expansionary phase (as in other developed economies), in which value added and prices have grown at notable rates. The aim of this article is to study the housing market over the past two decades, presenting the analytical information and elements needed to explain its recent behaviour.

The article is structured as follows. After the introduction, section 2 describes changes in the number of houses and their prices in Spain. The following sections analyse the main factors that have influenced this. Hence, firstly, section 3 reviews the main changes and characteristics of the regulatory framework for housing (tax treatment, land use and rental regulations, public promotion policies, etc.). Next, sections 4 and 5 respectively consider the demographic and economic factors underlying the behaviour of the housing market in Spain. Finally, section 6 draws the main conclusions of the paper.

(1) According to the estimates by Naredo and Carpintero (2002).

TABLE 1

Housing stock and types of dwelling

	1981	1991
Total dwellings	14,726,134	17,206,363
PERCENTAGE BREAKDOWN BY TYPE OF DWELLING:		
Primary	70.8	68.2
Secondary	12.9	17.0
Unoccupied	16.3	14.4
Other	—	0.4

Source: Instituto Nacional de Estadística (housing censuses).

2. CHANGES IN THE NUMBER OF HOUSES AND THEIR PRICES

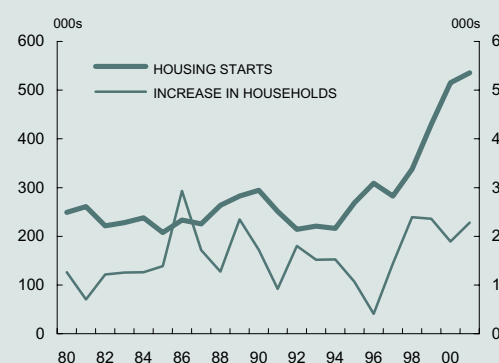
As the information from the last two censuses (1981 and 1991 — see Table 1) shows, the increase in the number of dwellings in this period was notable. Recent estimates (2) suggest it may have reached around 20 million in 2001. Between 1981 and 1991 there was, moreover, a change in the distribution of types of housing, with the weight of primary homes diminishing and that of secondary homes increasing. At the same time, the proportion of unoccupied houses fell slightly, but held at a high percentage of over 14% in 1991. Since then, the difference between the growth rates of housebuilding and of the number of households suggests that the importance of secondary homes must have heightened in recent years. Thus, in Chart 1 (3) it can be seen how the difference between the number of housing starts and the increase in households has widened recently. Between 1980 and 1994, on average, 58% more houses than those strictly needed to meet the demand for new homes were constructed, while between 1995 and 1999 (4) and between 2000 and 2001, the respective figures were 82% and 152%.

(2) See Rodríguez (2001) and La Caixa (2001).

(3) This Chart uses housing starts as an indicator of the number of houses placed on the market because the information on finished housing understates the number of houses constructed, since not all finished houses are approved. Generally, the lag between the start and completion of a house is approximately one and a half years, but at times of surging demand for new housing (as in recent years) this period usually shortens. Consequently, in the comparison made in Chart 1, the housing starts series is shown with a lag of one year.

(4) The year 1996 has been excluded from the sub-period because the house data for that year were much affected by the methodological change to the Spanish EPA (Labour Force Survey).

CHART 1

Increase in the number of households and housing starts in t-1

Sources: Instituto Nacional de Estadística and Ministerio de Fomento.

Table 2 provides information on house tenure by primary home. Despite the differences in the percentage shares shown by the two statistical sources used in preparing this table (the housing census and the Household Expenditure Survey), two essential features are discernible: the predominance of owner-occupied housing (85% in 2001, according to the Survey) and, at the other end of the scale, the limited weight of rented housing (9%). The progressive polarisation of this situation over time means that Spain is one of the countries with the highest proportions of owner-occupied housing.

Since 1997, the rate of housebuilding has progressively quickened. Indeed, in the period 1999-2001 the number of housing starts was over half a million per annum, compared with a rate which had varied between 200,000 and 300,000 in prior years (see Chart 1). In the latest expansionary cycle the increase in housing starts has been a widespread phenomenon throughout national territory, although by far the biggest growth has been in the islands and on the coast. That indicates once more the importance of secondary homes in this cyclical phase, including non-resident investment.

With regard to house prices, the analysis is based on the information on the price per square metre. Although this indicator does not adjust for all the differences in house characteristics that may bear on house prices (5), it does reflect, ap-

(5) It should be borne in mind that housing is not a uniform good but varies in terms of its location, size, structure (detached dwellings, blocks of flats, etc.), quality of construction, etc. Likewise, the characteristics change over time. Consequently, the average price of new houses or of the houses existing at each point in time is an indicator that may incorporate biases of some significance, which are only partially corrected when price is expressed in terms of useful surface area.

TABLE 2

House tenure by primary home (%)

	Housing censuses		Household expenditure survey		
	1981	1991	1985	1991	2001 (a)
Owner-occupied	73.1	78.3	76.0	79.3	84.7
Rented	20.8	15.2	17.1	13.5	9.3
Free let	3.1	4.5	6.9	7.2	6.0
Other	3.0	2.0	—	—	—

Source: Instituto Nacional de Estadística.

(a) Provisional.

proximately, the main trends over time (6). Chart 2 depicts the average price per square metre of appraisal-value housing nationwide (this information is only available as from 1987), and of new housing in the city of Madrid (with data available since 1976). The two series show a similar pattern, moving on a rising trend (Chart 2.A), but not uniformly over time. Indeed, following a period of strong growth between 1986 and 1991, there was a phase of moderate and even negative growth (Chart 2.B). In real terms, the declining prices ran from 1992 to 1996. However, in nominal terms, declines were confined to the years 1992 and 1993, with more pronounced reductions observable in the prices of new houses than those of second-hand ones. A fresh expansionary phase in the property market began in 1997, with price increases which, between 1998 Q4 and 2001 Q4, totalled 48%. This increase is, at least so far, less than that seen in the previous expansionary cycle and should be set against an international background of price rises on other property markets. Nonetheless, the increases recorded in Spain in recent years have been amongst the sharpest in the OECD [see BIS (2002)].

In the latest property cycle, prices have risen in a generalised fashion throughout national territory, unlike in previous cycles when there was a more marked positive relationship between the intensity of the rises and the size of the municipality. Further, comparing what has happened across municipalities of a similar size, house price rises have been greater in small coastal locations than inland (see Chart 2.C). Possibly, this is also reflecting the greater intensity of the demand for secondary homes. Finally, in the current cycle, price increases for new housing and second-hand homes are proving similar, irrespective of the size of the municipality.

(6) Bover and Velilla (2001) make an estimate of the impact of the change in quality on prices per square metre of new housing developments in Spain in the period 1993-1997, estimating this impact to be over 2%.

As to rent prices, Chart 3 shows that, until 1987, the related growth rates were less than those of the overall CPI index; accordingly, they diminished in real terms. Conversely, from 1988 onwards they systematically outpaced the overall index, a development related to the regulatory changes that will be discussed below.

3. REGULATORY FRAMEWORK

In the housing sector, numerous aspects are regulated, namely: land supply, rents, terms of access to financing and tax treatment. Outlined below are the most significant changes that have taken place in this area (7) in the last 20 years.

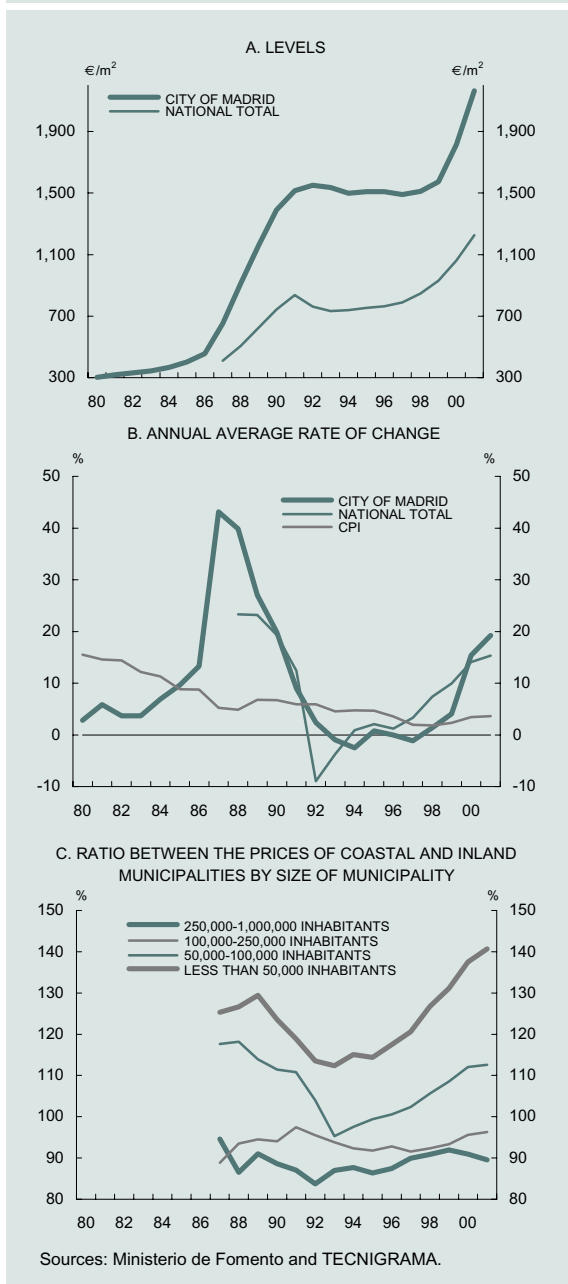
Regarding the regulation of land use, the central government has made several changes in recent years in order to raise the available supply of buildable land. However, the implementation of these changes is the responsibility of the regional and local governments, whose remit covers town planning and land management. Among the measures mentioned, 1996 saw land classification simplified (8) and the percentage that property developers have to cede (9) obligatorily to municipal town councils reduced from 15% to 10%. And this proportion could be further cut by the regional governments. Subsequently, in 2000, regional government regulations provided for the possibility of private initiative promoting the transformation of buildable land into developed land, and administrative formalities were lessened. Regional

(7) The financing of house purchases, however, is addressed in section 5.

(8) The distinction between earmarked and non-earmarked buildable land was removed, with all buildable land becoming earmarked.

(9) The cession should be made by the owners of buildable land and developed land without a consolidated development. However, unlike what was the case until then, land need not be assigned for developed land with a consolidated development (construction sites) or, since 1997, for reforms, renovation or improvements.

CHART 2

Average price of new houses (per m²)

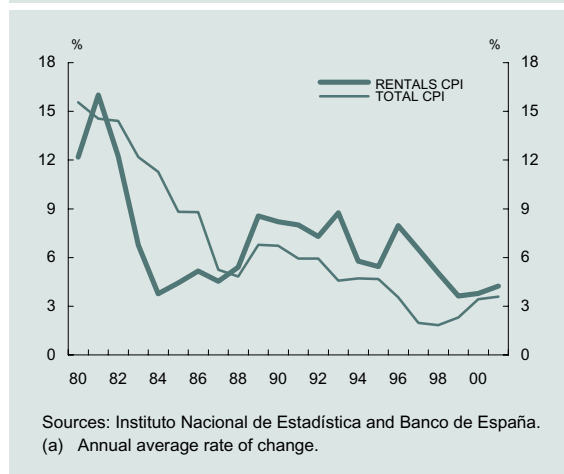
governments, for their part, are introducing the figure of the land development agent (10) into their laws. As a result, town councils may commission the development of land not belonging to it to these agents (11) within a period ranging from one to three years, according to the regional government in question. In this way, the

(10) The Valencia region was a pioneer in this respect.

(11) Included under development works are those relating to road layout, sanitation, water and electricity supply, and landscaping. Irrespective of who carries out this work, financing should be by the owners of the land.

CHART 3

Rentals CPI and total CPI (a)



placing of new sites on the markets is simplified, since development is decoupled from land ownership rights.

Despite these changes, town planning regulations contain elements that restrict the supply of land, while the process to make it available as buildable land remains slow, complex and uncertain. This has been seen in the substantial rise in land prices at times of high demand, with this affecting house prices. Chart 4 depicts new house prices for the city of Madrid and an approximate indicator of the price of land in Madrid (an estimate of the maximum price developers are prepared to pay for land). This indicator is obtained by deducting the current value of construction, promotion and financing costs, along with the related profits and overhead costs, from the maximum potential sale price of the building. As the chart shows, the high growth of house prices in the latest expansionary phase must have incorporated a substantial rise in the price of land.

Another instrument used to influence the housing market and, ultimately, to provide for readier access for the underprivileged to housing, turns on housing schemes. Such schemes establish means-tested assistance for house purchases, and maximum sale prices are set for housing subject to official protection. The schemes also envisage financial assistance for restoration work and for rented housing. Municipal town councils and regional governments regulate the land obligatorily set aside for subsidised housing, along with the obligatory cession of residential land earmarked for such housing. One notable development has been the loss in the weight of officially subsidised housing compared with privately promoted housing; from accounting for around 60% of housing starts in the

CHART 4

Maximum price developers are prepared to pay for land and new house prices in the city of Madrid

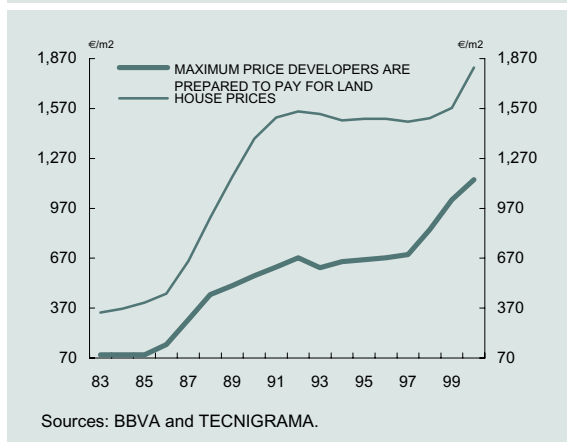


CHART 5

Housing starts: officially subsidised housing as a percentage of the total



first half of the eighties, the share of the former had fallen to somewhat less than 10% in 2000 and 2001 (see Chart 5). This is probably due to the diminished return on investment in the construction of subsidised housing, at times of strong rises in prices on the market.

As regards taxation, the tax benefits encouraging house purchases have generally tended to diminish over time, with respect both to new houses for secondary residence (12) and primary abode (13). Further changes were introduced in 1999, with the tax arrangements for housing standing as they are outlined in Table 3 (14). Despite these amendments, owner-occupied housing remains one of the most favourably treated assets under the Spanish tax system, owing to the absence of imputed income, to personal income tax allowances and to assistance under the terms of housing schemes and the tax treatment of house-purchase-saving ac-

counts. Consequently, tax considerations continue to encourage buying as opposed to renting a house. And this has undoubtedly been conducive to owner-occupancy. However, this might be altered to some extent in the forthcoming personal income tax reform, as mentioned below.

As regards the legislation on rentals, there were substantial changes in 1985 and 1995. Until 1985 leases were for an indefinite term, the lease could be subrogated upon the death of the tenant both to spouses and descendants and ascendants and the level of the rental was fixed freely between the parties. However, rentals could only be updated to cover certain expenses. This, together with compulsory subrogation, meant that a large number of leases had very low rentals. This regulation was clearly unfavourable to the lessor and was a disincentive to the supply of rented housing. In May 1985 the situation was changed radically for new agreements by a new law under which rentals were set freely between the lessor and the lessee. However, the co-existence of two different regulations—one for old leases and another for new ones—gave rise to a significant segmentation of the rentals market: on one hand were leases with successive compulsory extensions at very low rentals, and on the other leases with minimum terms and very high rentals, owing to the scant supply of rented housing.

In order to boost the urban rented-housing market and to overcome market fragmentation, a new law was enacted. This amounted to a compromise between the two previous ones and it came into force on 1 January 1995. Specifically, the new law maintains certain restrictions in favour of the lessee, establishing a minimum term for leases of five years, at the tenant's option,

(12) Thus, whereas it was possible between 1985 and 1987 to deduct for tax purposes investment in an unlimited number of such houses, in 1988 and 1990 this deduction was restricted to the purchase of a single secondary dwelling, and in 1991 this tax benefit was removed altogether. The deduction for the investment as a whole, including life assurance and donations, was limited to 30% of the net tax payable.

(13) In 1983 the maximum deduction was limited to 30% of the net tax payable. Prior to that date there was no such limit.

(14) That year saw the elimination from personal income tax of the income imputed to the primary abode (previously, 2% of the property's officially assessed value was generally charged) and the ceilings on deductions for the purchase of a primary dwelling were altered, as well as being concentrated in the net tax payable section of the return. The period in which the purchase of a house has to be made in order to be able to apply a 15% personal income tax deduction for the amounts deposited in a house-saving account was also cut from five to four years in 1999, and the rent deductions for which tenants had qualified from 1993 to 1998, inclusive, were also eliminated.

TABLE 3

Tax treatment of housing

	Primary abode	Other non-leased dwellings	Leased dwellings
CHARGES			
Purchase	New dwelling: 7% VAT and approximately 0.5% stamp duty (a). Second-hand dwelling: 6% property transfer tax.		
Ownership: Income for purposes of taxable income per personal income tax	None.	2% of the higher of officially as- sessed property value and cost, or 1.1% of the officially assessed prop- erty value if revised after 1-1-1994 or 50% of the value for the purposes of wealth tax.	Rent.
Ownership: Other taxes	Around 0.6% for property tax (a).		
	Wealth tax for value exceeding €150,253.		Wealth tax.
Transfer	Transaction subject to tax on increase in urban land value (b).		
	Reinvestment of the capital gain gen- erated is tax-exempt. If it is not rein- vested and if the capital gain has arisen in the space of one year, the personal income tax marginal rate is applied or a rate of 18% is levied if it has arisen over a longer period (c).	The capital gain generated in one year is taxed at the personal income tax marginal rate or at 18% if it has arisen over a longer period.	
SUBSIDIES			
Purchase: personal income tax deduc- tions	From personal tax payable (d): — House-purchase-saving account: 15% of the amounts deposited, up to €9,015.18 (e). — Without borrowed funds (f): 15% of the investment up to €9,015.18. — With borrowed funds (f): a) first two years: 25% of the in- vestment up to €4,507.59 and 15% of rest of investment up to €9,015.18. b) following years: 20% of invest- ment up to €4,507.59 and 15% of rest of investment up to €9,015.18.	None.	Taxable income under personal in- come tax: interest payments with a ceiling set at same level as gross in- come for tax purposes.
Ownership: personal income tax deduc- tions	None.	None.	Personal income tax base: a) maximum of 2% for depreciation of property (except land). b) property tax, local charges, main- tenance expenses, insurance, community charges, etc.

Source: Compiled by authors.

(a) The rate need not be the same nationwide as it has been assigned to Regional or Local Governments.

(b) Freely set by municipal authorities. Its average rate is around 26%.

(c) The sale of the primary abode by those aged over 65 is not taxable.

(d) Investment includes the amounts paid, expenses and, where appropriate, loan repayments, interest and the attendant expenses.

(e) Conditional upon the first primary abode being purchased within four years from account being opened.

(f) The disabled also qualify for deductions for house adaptation and alterations under the same conditions as primary-dwelling purchases, but with brackets of €6,010.12 and €12,020.24.

while the lessee is only required to agree to a minimum term of one year. The initial price is agreed between the parties, but for the remaining four years of the minimum term the rental is updated in accordance with the year-on-year rate of the CPI. Also, the compulsory extension of old leases was eliminated except in the case

of first descendants, and certain mechanisms to bring old rentals into line with market rentals were established. Finally, it should be recalled that under the personal income tax reforms scheduled to become effective in 2003, several tax changes are envisaged to encourage housing to be placed on the rental market.

4. DEMOGRAPHIC FACTORS

As regards the determinants of the demand for housing, changes in population play a primary role. In this respect, the Spanish population has undergone substantial changes in recent years. The birth rate fell heavily from the mid-seventies, adversely affecting the growth of the total population. However, this has not yet had a significant impact on the housing market; for that to happen, the generation born since 1975 has to reach the age when they will leave their homes and set up their own, and this is still largely an unfinished process (15). In fact, during the nineties, the number of young people becoming potential house-seekers was in excess of 600,000 per year. In any event, note that the impact the reduction in the birth rate may have on the housing market in the coming years could be checked, at least in part, by the strong inflow of immigrants seen in recent years.

The latest population projections made by INE, prior to the 2001 Census, showed in fact an increase in the growth rate of the Spanish population. This was partly the outcome of a slight pick-up in the birth rate, but was above all due to the heavy inflow of immigrants. Early data from the new Census indicate that the number of residents in Spain in 2001 could exceed the prior projections by approximately 400,000. That would mean that the Spanish population would have risen from 1991 to 2001 by 1,975,103 inhabitants, far higher than the increase of 1,126,008 inhabitants recorded the previous decade.

Adding to the demand for housing arising from residents in Spain is that for secondary homes by foreign residents, which has increased notably in recent years. The balance of payments data on foreign investment in property show annual average growth of 31% in the last eight years. These data reflect both the demand for housing for residential motives and the demand for housing and other property as an alternative means of investment.

Lastly, there have also been changes affecting the structure of Spanish households, reducing the average number of inhabitants per home and thus bearing on the demand for housing. Hence, on one hand, increased life expectancy has translated into a higher number of households made up of one or two adults and without children (16). On the other, the average

number of children per woman has fallen and the number of single-person households has increased (17). As a result, the average number of inhabitants per household dipped from 3.51 in 1987 to 3.04 in 2001 for total households, and from 3.80 to 3.42 over the same period for households comprising more than one person.

The aforementioned demographic factors have influenced recent changes in the number of households in Spain. According to EPA (Spanish Labour Force Survey) data, an average of 155,000 households per year have been created in the last two decades. Nonetheless, in the short and medium run the number of households is also affected by economic factors. In recessionary phases, worsening economic conditions hamper the formation of new households and may delay this process. Conversely, in upturns the process accelerates, and there may be a pick-up in the demand for first houses, this having been repressed in prior years by economic conditions. In Spain's case, the number of households grew at a rate of 150,000 per year between 1986 and 1992 (a period of expansion), signifying 0.46 new households for each new inhabitant aged over 20. Between 1993 and 1997 (a downswing) the number of households grew by only 121,000 per year, i.e. 0.34 new households for each new inhabitant aged over 20. Finally, from 1998 to 2001 (a new expansionary phase), the EPA data revealed an average increase of 209,000 households per year, 0.51 for each new inhabitant aged over 20 (18). These developments highlight the significance of economic factors as determinants of the demand for housing, an aspect which is analysed in the following section.

5. ECONOMIC FACTORS

The importance of income as a determinant of the demand for housing is patent when housing market cycles are compared with the business cycle in general. Phases of highest growth in the economy and, therefore, in household income (1986-1991 and 1997-2001) coincide with the periods of highest house price rises and construction volumes. In the long run, the growth of real income exerts pressure on the limited supply of land, potentially generating a rising trend in real land and house prices.

(17) This is the case both for single-person households made up of inactive people (a rise from 8% of the total in 1987 to 11% in 2001) and active labour force participants (a rise from 2% to 4.4%).

(18) Something similar –though less marked– occurred with the number of marriages. Between 1986 and 1992 there were on average some 217,000 marriages. From 1993 to 1997, this figure fell to 199,000, rising again to 210,000 between 1998 and 2001.

(15) The average marrying age rose from 24.9 in 1980 to 27 in 1990 and again to 29.5 in 1998.

(16) According to the EPA (Labour Force Survey), households in which no member is part of the labour force have risen from 23% of the total in 1987 to 29% in 2001.

CHART 6

Real household income and wealth

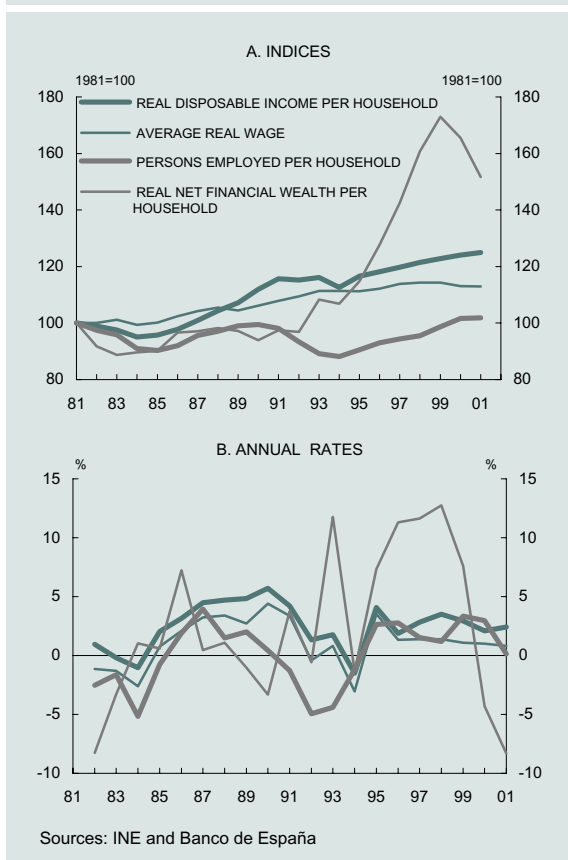
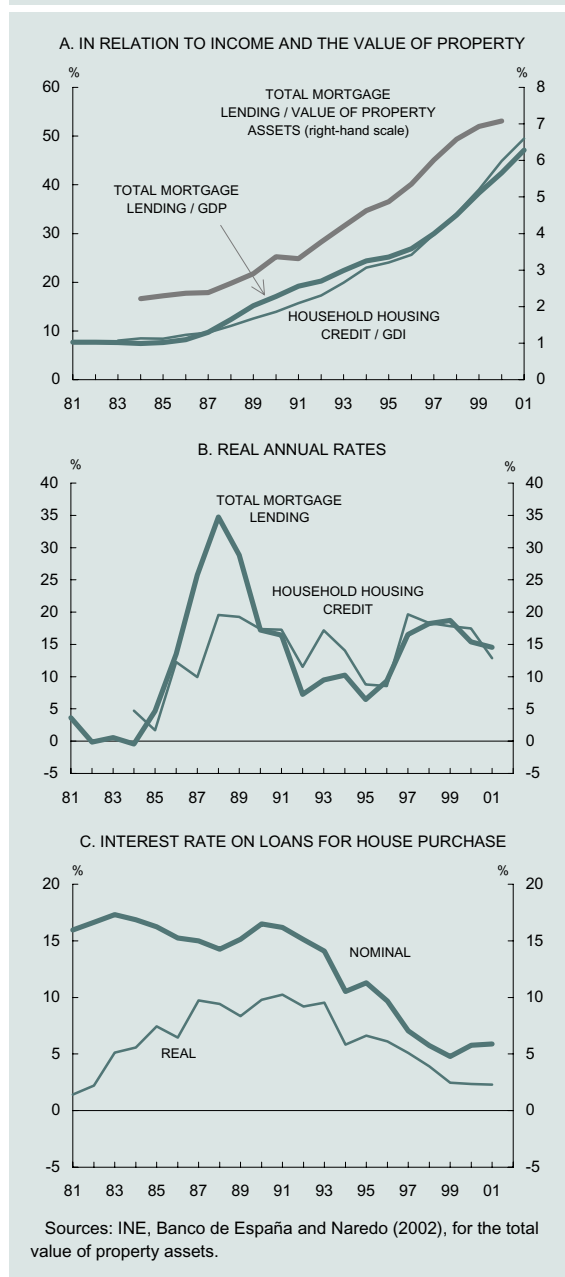


Chart 6.A shows the growth of the average real disposable income of Spanish households in the past twenty years. The related cumulative growth is 25%, the result both of the rise in real average wages (13%) and of the increase in other non-wage income. Conversely, the number of occupants per household (the behaviour of which is markedly cyclical) stood in 2001 at a similar level to that in the early eighties. However, this latter factor is highly influenced by the reduction in the average number of household occupants and by the increase in households comprising inactive people, as mentioned in the preceding paragraph. Analysing exclusively households with at least one active member reveals a growing weight of those with two or more wage incomes (job-holders); in 2001, these exceeded the number of households with a single source of income (47.6% and 47.1% of the total, respectively). It is therefore likely that the changes in the income of new households (made up of youths belonging to the labour force) have been even more favourable than those of total households on average.

In recent years wage restraint has made for average growth in real wages that has been sustained but modest when compared with that posted in the previous expansionary phase

CHART 7

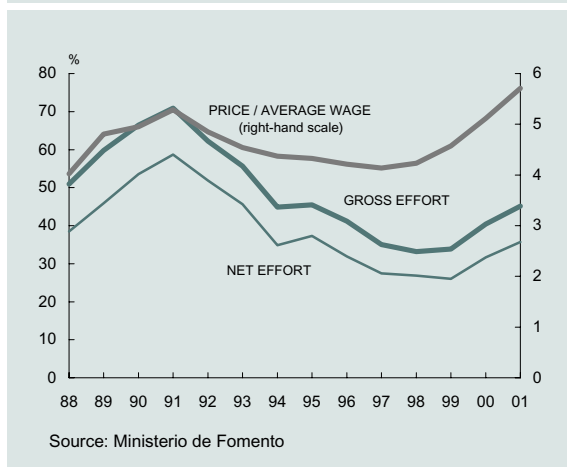
Mortgage lending



from 1986 to 1991 (see Chart 6.B). However, employment has increased notably, which has made for a significant reduction in the youth unemployment rate. This composition of the growth of total household income has proven conducive to the demand by first-time buyers in this latter expansionary phase compared with the previous one. A further notable feature of recent economic developments is the strong growth of real net financial wealth per household; despite a heavy fall in the past two years, this variable still stood in 2001 at over 50% above the level in the early nineties. Evidently,

CHART 8

Affordability of housing



the distribution of such wealth is not uniform, so its impact on purchasing power will vary greatly from one household to another.

Among the economic factors explaining the demand for housing, the availability and cost of financing are particularly important, since the price of a house is more than four times the total annual wage of an average family.

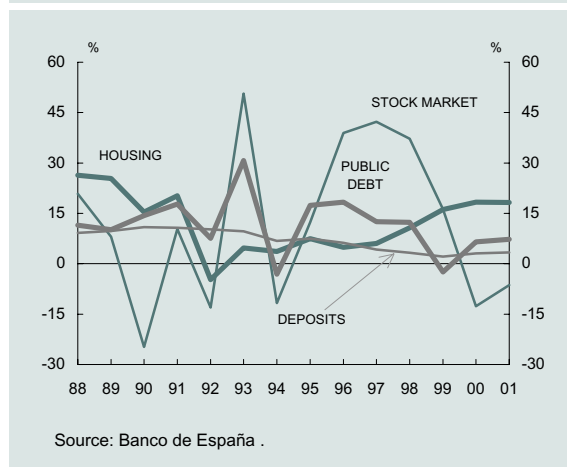
In this respect, the mortgage market and house financing have changed radically in the past twenty years. The deregulation of the financial system, in general, and of the mortgage market, in particular, coupled with the emergence of new securitisation possibilities and heightened competition between banks have undoubtedly led to mortgage credit supply that is wider and more flexible (in terms of maturities and payment conditions). Moreover, the attainment of high levels of price stability and, once again, competition between banks, have substantially reduced financing costs (see Chart 7.C) (19). The outcome has been an exponential increase in both total mortgage credit (extended to households and firms) and in credit to households (not only mortgages) for house purchases. The latter has risen from accounting for less than 10% of the gross disposable income of households in the first half of the eighties to 50% in 2001 (see Chart 7.A). It is worth noting that mortgage credit in relation to the total value of real estate in the Spanish economy (20) has also

(19) In this respect, the reduction in nominal interest rates has proven as important as that in real interest rates. This is so because, for a same real interest rate level, the higher the nominal interest rate, the greater the real credit burden in the initial years of the loan's life and, therefore, the lesser the possibility of an average household assuming such a burden.

(20) Estimated in Naredo and Carpintero (2002).

CHART 9

Annual return on alternative investments



shown sustained growth in recent years, albeit standing at very low levels, as was to be expected, given the long average life of property, which is far greater than the average term of credit.

Both total mortgage credit and credit extended to households for house purchases have grown at significant real rates in recent years (at over 15% to 2001), thanks largely to the heavy fall in mortgage interest rates. This decline has meant that the effort an average household has to make to pay mortgage loan instalments has diminished considerably (21). No doubt also contributing to this has been the availability of loans at longer maturities. Spanish households are thus now in a position to incur higher levels of debt and, therefore, pay higher house prices. Against this, their exposure to adverse movements in interest rates, income or house prices is higher. Chart 8 shows how recent rises in the average price of housing have placed house prices at almost six times the annual wage of an average household, above the peak reached in the previous upturn (22). Nonetheless, in terms of the effort (gross and net of taxes) required to pay the instalments of a typical mortgage loan at 15 years, financing 80% of the purchase of a dwelling with 93.5 square metres of constructed surface area, housing is now more affordable. In 1991, an instalment of this hypothetical mortgage loan would have represented 59% of the average wage, net of taxes. In 1999, this figure had fallen to 26%, though it has risen in recent

(21) Defined as the proportion accounted for by the mortgage loan instalment payable in relation to disposable wage income, calculated before or after taxes.

(22) The same result is obtained when gross disposable income per household rather than average wages is used for the comparison.

years (reaching 36% in 2001) as a consequence of the increases that have taken place in the market price of housing.

A final element contributing to the demand for housing is the return on housing relative to other alternative forms of investment. Houses are not only purchased for use and enjoyment but, like any other asset, they form part of an investment portfolio. Although this type of demand may not be so important in Spain as in other countries, owing to the lack of development of property investment funds and companies and the regulatory distortion of rentals, its impact on the recent development of the housing market must also be significant. In fact, in the decision to purchase a house, especially in the case of secondary homes, it is difficult to separate residential from portfolio-investment motives. The sharp increases in house prices and expectations concerning future trends, along with the adverse behaviour of other alternative forms of investment (see Chart 9), may therefore have contributed notably to the growth in the demand for housing in Spain in recent years.

6. CONCLUSIONS

The Spanish housing market has seen significant developments in recent years, with potentially important implications both for the economy as a whole and for economic policy.

In comparison with the last property cycle, the rate of housebuilding has been much higher, indicating a stronger and more rapid supply-side response. This high rate has, moreover, coincided with a loss of importance of housing subject to official protection. As regards land, although there have been certain measures to increase supply, town planning laws still contain elements that restrict the availability of this factor.

The cumulative increase in house prices is still lower than during the previous upswing (in the late eighties). However, in 2001 prices already exceeded previous highs, both in real terms and as a percentage of income, without any clear signs of deceleration in their rate of increase.

Most of these developments can be explained by income growth and demographic factors, but it is necessary to resort to other factors to explain them all. The favourable tax treatment of housing and the decline in the cost of borrowing have played a vital role. The latter has enabled Spanish households to incur higher levels of debt, which has, incidentally, increased their exposure to unfavourable changes in house prices. The fact that the islands and coast have seen the largest price rises and the highest rates of activity shows the importance of the demand for secondary homes on the part of Spanish residents and foreigners. Finally, the demand for housing for investment motives may have been boosted by the recent price trends and the recent decline in the returns on alternative investments.

Lastly, mention may be made of the underdevelopment of the Spanish market for rented housing, partly owing to the persistence of restrictions on the market and partly because tax regulations, despite having been modified somewhat over time, still make buying more attractive than renting.

18.9.2002

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Productive investment in the recent cycle

1. INTRODUCTION

This article analyses various factors that help understand the behaviour of productive investment in the recent expansionary cycle and its premature slowdown as from the year 2000. Firstly, this behaviour is described, comparing it with that of the previous cycle and with that observed in other advanced economies, while relating it to the habitual determinants of investment. Next, there is a discussion of some investment-related measurement problems, which may partly explain the trend observed. And finally, the potential influence exerted by specific events in recent years – such as the strong increase in foreign investment flows and the climate of heightened uncertainty accompanying recent developments in the international economy – is analysed.

2. RECENT DEVELOPMENTS IN PRIVATE PRODUCTIVE INVESTMENT

During the recent expansionary phase of the Spanish economy, the growth rate of productive investment by private-sector corporations was high, though lower than that observed in the expansion in the second half of the eighties. In the period 1996-2001, it is estimated that this aggregate posted annual average growth of 6.5% in real terms compared with 10.7% between 1985 and 1990. The upper panel of Chart 1 tracks private productive investment (PPI) along with investment in capital goods (1) (drawing on Spanish National Accounts), while the lower panel depicts the cyclical components of this aggregate and of GDP, which highlight the lesser relative thrust of investment in the second half of the nineties. It can be seen that PPI began to slow down as early as 2000 and continued to do so, with greater intensity, in 2001, in tow to the weakening of investment in capital goods. Meanwhile, the private non-residential construction component (which is also part of PPI) retained greater buoyancy.

Undoubtedly, the situation of the Spanish economy was, at the onset of this recent cycle, far different from that prevailing in the mid-eighties, when there was a very great need to rebuild the capital stock in the wake of the industrial restructuring process. Conversely, by the mid-nineties, the Spanish economy had already been substantially modernised, narrowing the gap separating it from the more advanced

(1) The course of both variables is very similar, although PPI (estimated on the basis of QNA data) includes private investment in non-residential construction, while investment in equipment (obtained directly from Spanish Accounts) has a small public investment component.

CHART 1

Private productive investment

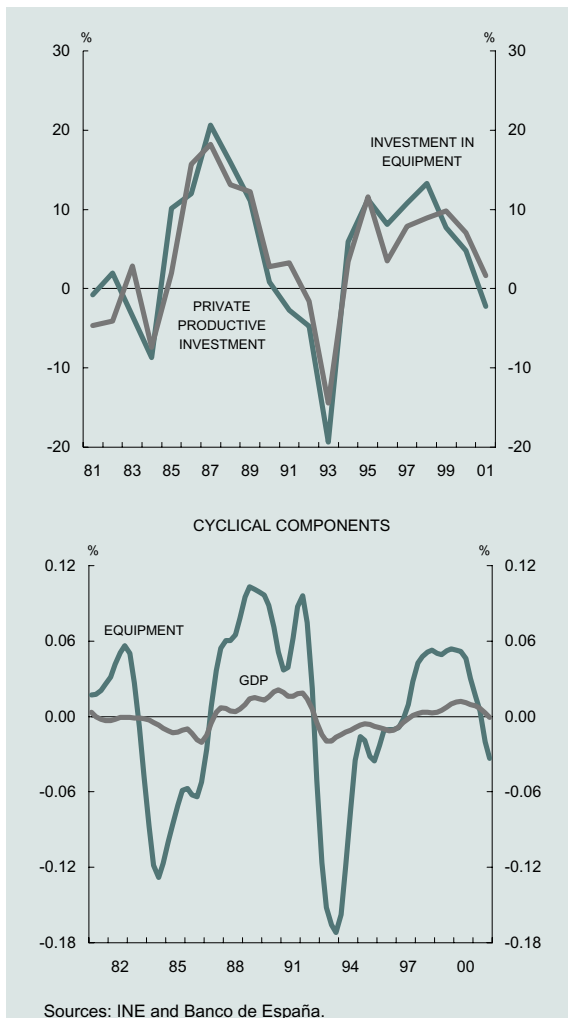
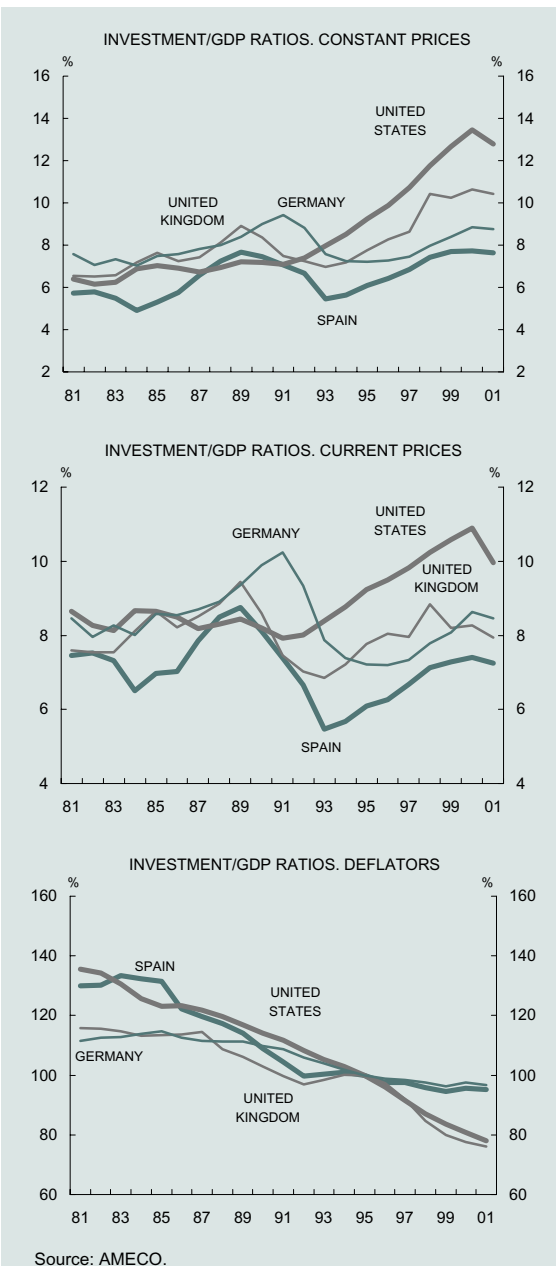


CHART 2

Investment in capital goods: international comparison



economies. Nonetheless, the economy's capitalisation needs are no less now. The second half of the nineties has seen a substantial technological change associated with the development of information and communications technologies. This has given substantial momentum to investment in the advanced economies. As Chart 2 shows, the intensity of the investment process, measured by the investment ratios, has been very high in terms of GDP in countries such as the United States or the United Kingdom, although it has been lower in Spain than in most of the developed countries whether measured in real or nominal terms. Moreover, the slowdown in investment in Spain, in particular in capital goods, took place ahead of that of the euro area as a whole.

At a more detailed level, the information available shows that the lesser intensity of the investment process in the years 1996-2000,

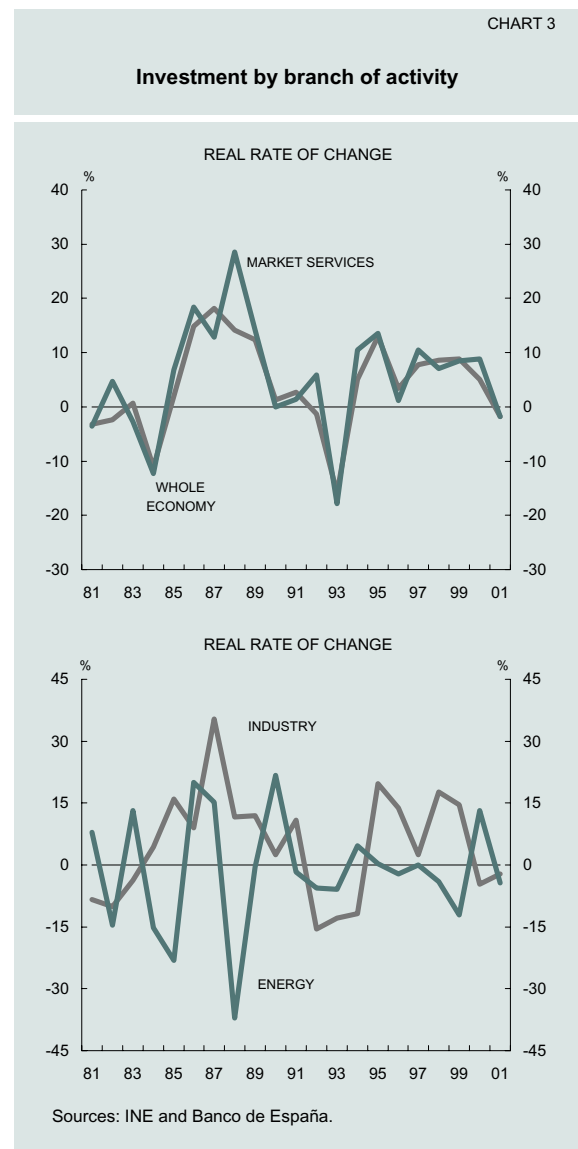
compared with the period 1986-1990, was a feature of both industry and non-financial market services (see Chart 3). However, the deceleration of investment in 2000 began in industry and only spread to services in 2001. According to the disaggregated data of the industrial survey (see Table 1), which are consistent with the information drawn from the Banco de España Central Balance Sheet Data Office (CBBE), most industrial activities, except electronics, saw investment moderate in 2000. In the electricity production and distribution industry, investment ran at a higher rate in 2000 owing to

the need to meet higher than envisaged demand, after several years' lower domestic investment. In services, investment proved more sustained. Indeed, in some capital-intensive activities, such as transport and communications, gross capital formation was more buoyant than in the previous cycle. Nonetheless, in the case of communications, following several years of strong growth in the capital stock, incidents bearing on the new areas under development, such as the delay in UMTS technology, have halted – at least temporarily – the substantial investment initially envisaged.

From the standpoint of its composition by type of good, investment was centred during the initial stage of the recent cycle on capital goods, while non-residential construction was less dynamic and tended to pick up as from 1999, when equipment began to turn. According to the data estimated on the basis of the CBBE information, the strength of investment in IT software and hardware was prominent in this expansionary stage, proving notably more dynamic than other capital components, especially in market services. However, this type of good still accounts for a relatively low proportion of total investment, whereby its buoyancy does not alter the comparatively moderate nature of total investment (see Table 2).

Finally, the CBBE data on company size show that the trend was very similar for all groups over these years, with a significant expansion until 1999 and a heavy decline in 2000 (less markedly so in the case of large corporations) which, foreseeably, will have run into 2001. Until 2000 there was a strong increase in the creation of new companies, mostly small ones, with a significant repercussion on the total investment of non-financial corporations (around 15%). This tendency was broken in 2001 when, according to the data provided by the Mercantile Registry, almost 5% fewer corporations were created than the previous year.

Set against the foregoing results, some of the main conditioning factors of investment decisions had shaped a fairly favourable environment in the second half of the nineties, warranting more expansionary behaviour. Demand pressure proved a considerable force, as shown by the fact that final demand (on National Accounts figures) grew 5% in annual average terms between 1996 and 2001, compared with an average of 5.3% between 1985 and 1990. Further, there was an unprecedented reduction in the user cost of capital in real terms, as can be seen in Chart 4. This reduction in the cost of capital has been linked to the fall in the relative price of capital goods in relation to output, which is shown in the lower panel of Chart 2,



and, essentially, to the forceful cut in interest rates, which stood at historically low levels as the Spanish economy moved towards Monetary Union membership. At the same time, non-financial corporations have attained and sustained high real profit ratios.

3. INVESTMENT MEASUREMENT PROBLEMS

A prior question to the analysis of the conditioning factors of investment concerns its measurement, especially in real terms. As can be seen in the lower panel of Chart 2, in Spain the capital investment deflator, in relation to that of GDP, moved on a declining trend as from the eighties. This continued in the nineties, albeit with less intensity than in previous periods and, above all, less markedly so than in other countries such as the United States or the United

TABLE 1

Non-financial corporations: investment, fixed capital intensity and creation of companies

Rate of change

	Coverage (a)	1996	1997	1998	1999	2000	1996-2000
TANGIBLE GFCF:							
Energy	73.6	9.7	-9.4	-5.8	4.9	21.4	4.1
Industry	33.8	26.5	-0.2	9.1	17.8	-10.2	8.6
Construction	12.7	-54.2	13.5	87.9	72.8	21.0	28.2
Market services	15.8	3.4	-2.1	8.6	23.6	-10.7	4.6
<i>Distributive trade</i>	20.1	-20.5	-7.4	14.5	21.8	-1.5	1.4
<i>Transport and communications</i>	47.6	15.3	-3.2	4.3	20.4	-0.6	7.2
<i>Other market services</i>	5.8	3.2	12.4	17.2	36.4	-50.2	3.8
Total	21.2	9.0	-3.0	7.5	20.1	-3.7	6.0
Small		3.1	-3.3	21.4	48.2	-13.0	11.3
Medium		14.2	5.2	27.5	24.8	-14.6	11.4
Large		8.6	-3.9	4.4	18.4	-1.9	5.1
FIXED ASSETS PER EMPLOYEE:							
Energy		52.7	57.2	59.1	63.4	66.5	59.8
Industry		4.7	5.2	5.3	5.4	5.8	5.3
Construction		1.1	1.1	1.3	1.8	2.5	1.6
Market services		9.1	9.3	8.8	9.2	9.6	9.2
<i>Distributive trade</i>		4.6	4.8	4.8	5.1	5.0	4.9
<i>Transport and communications</i>		17.0	18.2	18.4	18.4	18.1	18.0
<i>Other market services</i>		3.6	3.6	3.3	3.7	4.4	3.7
Total		9.5	10.0	9.7	10.3	10.9	10.1
Small		3.4	3.3	3.5	3.9	4.2	3.7
Medium		4.4	4.6	4.7	4.6	5.0	4.7
Large		10.9	11.4	11.1	11.8	12.2	11.5
NUMBER OF COMPANIES CREATED:							
Industry and energy		-34.6	1.2	3.8	-7.4	0.0	-7.4
Construction		-36.1	-3.0	9.0	7.1	8.7	-2.9
Market services		-13.6	4.4	12.5	-0.9	10.4	2.6
<i>Distributive trade</i>		-17.6	1.1	4.0	-2.9	6.6	-1.8
<i>Transport and communications</i>		-9.4	-2.4	13.0	-5.6	-2.1	-1.3
<i>Other market services</i>		-10.8	7.9	18.7	0.9	14.1	6.2
Total		-21.7	2.8	10.8	-0.5	9.0	0.1
Without dependent employees		-53.1	1.3	20.3	55.1	13.6	7.4
1-50 employees		3.6	3.3	7.4	-44.4	5.3	-5.0
Over 50		8.9	10.8	17.5	1.2	6.1	8.9

Sources: Central de Balances del Banco de España and Dirce.

(a) Percentage covered by the Central Balance Sheet Data Office in relation to the total estimated by National Accounts for each branch. Coverage in respect of 1998 data (latest year available with this breakdown in National Accounts)

Kingdom. The nineties, indeed, were the years which saw the biggest expansion of investment in goods associated with the new information and communications technologies (ICT) which, as they are products subject to sharp and continuous quality improvements, give rise to pronounced biases in the measurement of changes in their prices and, therefore, in the deflation

of their nominal magnitudes and the calculation of their real magnitudes.

Some countries, such as the United States, have introduced price adjustment techniques for changes in product quality, based in many cases on the hedonic method. That gives rise to more marked declines in investment deflators

TABLE 2

**Contribution of ICT to growth
of the capital stock**

	1992-1995	1996-2000
RATE OF CHANGE:		
ICT	4.4	10.1
Software	5.9	9.2
Hardware	1.4	11.8
Other capital	0.3	1.4
PERCENTAGE OF FIXED CAPITAL:		
ICT	5.8	9.0
Other capital	94.2	91.0

Source: Hernando and Núñez (2002).

and, for the same nominal expenditure, to a higher estimation of real-terms expenditure. In Spain's case, the use of more traditional techniques for the adjustment of prices for product quality changes in compiling the National Accounts has led to an underestimation of the increase in investment spending, in real terms, by a significant – though not readily quantifiable – amount, as is apparently inferred from the comparative trend of its deflator.

Indeed, research with Spanish data (2) shows the existence of significant biases in the deflators of certain products subject to a marked technical change, such as ICT products, and also – albeit to a lesser degree – in the case of transport equipment. When the Spanish National Accounts investment deflators are adjusted for the biases estimated in the aforementioned research papers, the conclusion is that investment in equipment would have grown in Spain, between 1995 and 1999, by a few percentage points more per year than the original National Accounts estimates.

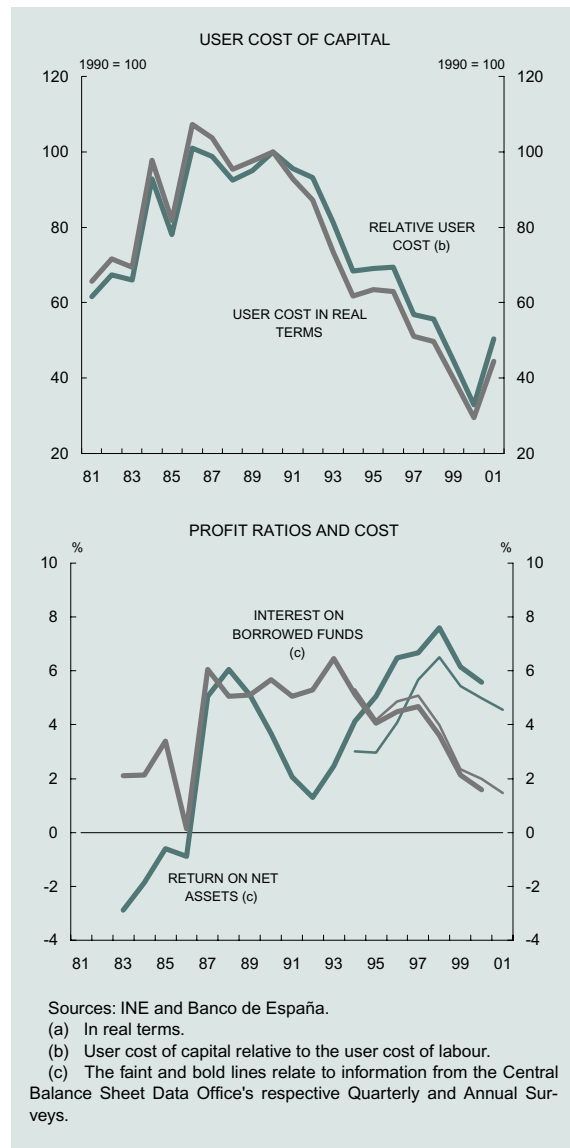
4. OTHER FACTORS THAT HAVE INFLUENCED THE BEHAVIOUR OF INVESTMENT

Admittedly, the possible under-estimation of the growth of investment in real terms offers an explanation for the low growth of this variable in the second half of the nineties. But comparison with other countries continues to show Spain to have been relatively less dynamic in respect of investment. It should be borne in mind that the measurement problems in many European

(2) See Bover, Izquierdo and Matea (2002).

CHART 4

Cost of and return on investment (a)

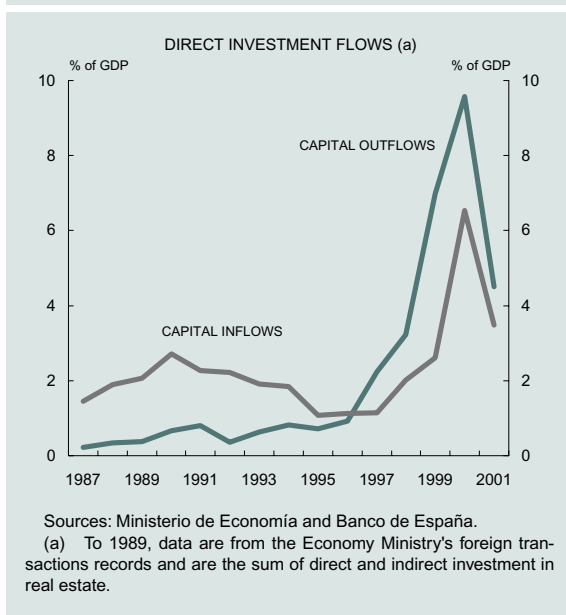


countries are similar to those in Spain. Moreover, according to the current-prices comparison offered in Chart 2, Spain's investment ratio continues to be below those of other countries. Analysed below are other factors whose importance in the current context for explaining business investment appears to have increased.

4.1. International dimension of corporations: foreign direct investment

One of the main changes Spanish corporations have undergone in recent years has been their expansion abroad and internationalisation. The sphere of investment decision-making is no longer limited to the domestic market, but has

CHART 5

Investment abroad

taken on an international dimension. In this respect, one factor that may have contributed considerably to moderating domestic investment in the recent expansionary phase and to prompting its deceleration in 2000 is its replacement by investment abroad, which offered corporations a more favourable expected return.

As can be seen in Chart 5, during the nineties the Spanish economy became a net foreign investor. Over the last six years, direct investment outflows have come to account for more than half of those intended for investment in capital goods. Specifically, in 2001, investment abroad by Spanish corporations, though down on the peak attained in 2000, accounted for 4.5% of GDP, against 7.2% for investment in equipment. It is true that a sizable portion of this investment has been made by the financial sector, whose weight in domestic investment is limited. But the other corporations involved in international expansion processes are generally very capital-intensive (corporations in the electricity, oil, telephony and aeronautical industries), whereby their expansion strategy may have limited domestic investment resources and plans. Indeed, as the chart shows, resources earmarked for financing investment abroad have been most substantial.

Several factors promoted the international expansion of Spanish corporations during the nineties. These included most notably the ongoing transformation of Latin American economies, which created new investment opportunities via liberalisation, deregulation and corpo-

rate privatisation, accompanied by policies promoting the inflow of foreign investment. Further, Spain enjoyed here advantages derived from its close linguistic and cultural links with these economies. The heightening of foreign investment may also have been favoured by more general developments, such as greater integration of international markets and the process of economic and monetary integration in Europe. It should be borne in mind that, although the significance of these factors may have lessened recently, the investment routed abroad in past years continues to require resources, which condition and limit their availability for domestic investment.

From the domestic standpoint, investment abroad has been made by corporations belonging to mature industries, which have continued attaining high profits from their national activity but without obtaining sufficiently wide margins to warrant fresh investment on a significant scale. This has been more patent in certain industries – electricity and communications – which had traditionally operated as monopolies, and which have recently been immersed in liberalisation processes. In some of these instances, the incentives for promoting the entry of new competitors have not sufficed to bring about the additional investment that might have been expected.

4.2. Worsening expectations against a background of greater risk and uncertainty

In more general terms, it should be recalled that any new investment will be evaluated in terms of its expected return, adjusted for risk, set against the cost of financing new projects. In this respect, the parameters determining these variables have tended to worsen of late. Profitability expectations have fallen below the actual return on existing investment, while risk and uncertainty have increased notably and so too has the cost of new financing.

Expectations regarding the outlook for activity are an important explanatory factor of investment owing to their influence on the required expected return thereon. As Chart 6 shows, the start of the recent upturn saw a growing firmness of business confidence in industry. This was temporarily curtailed as a result of the emerging market crisis in 1998-99, which gave rise to a drastic change in the world growth outlook. The consequences of this crisis were very limited. But after the interlude of the year 2000, the loss of confidence intensified in 2001 when the fresh deterioration in expectations was exacerbated by a significant increase in uncertain-

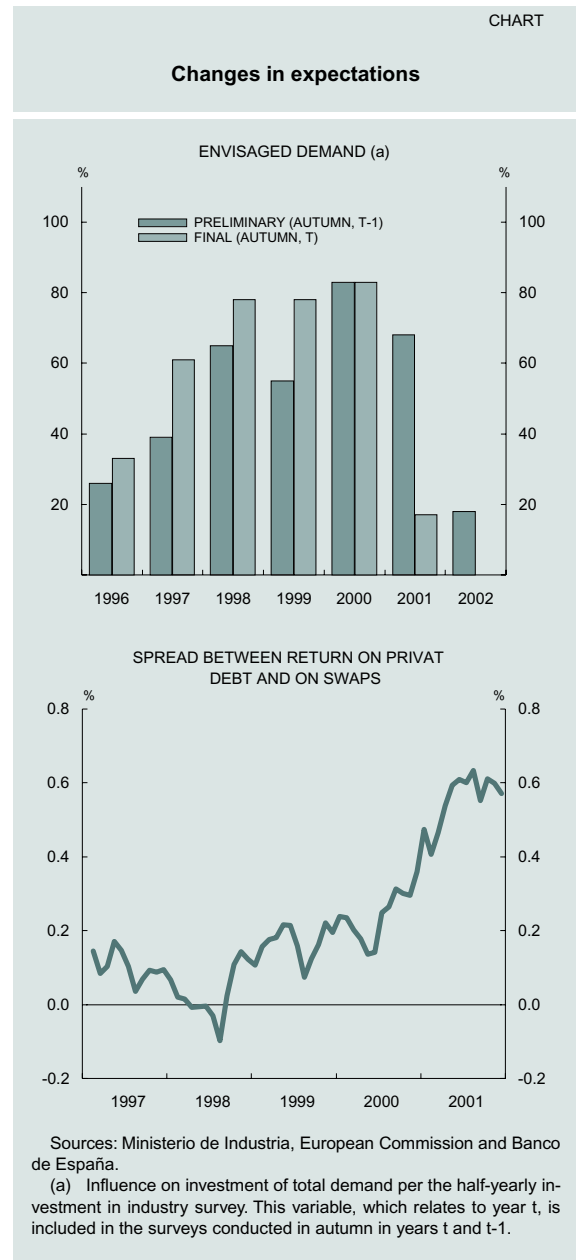
ty, owing to the difficulty of assessing the impact that the Argentine crisis and the September 11 attacks might have on the world economy.

Greater uncertainty, amid slowing aggregate demand, fewer internally generated resources and higher debt ratios, may have led corporations to exercise the so-called *option to wait to invest*. This option is related to the irreversible nature of investment, which immobilises resources over the long run and entails high disengagement costs. Although resort to the *option to wait to invest* is usual at times of cyclical change, on this occasion it may have been strengthened by singular events such as those mentioned above. These have had significant consequences for some specific industries (banking, oil, airlines, tourism), and have contributed to generating a widespread sensation of instability, to delaying expectations of recovery and to deferring decisions on new investment and the creation of companies. These effects appear to have been particularly substantial in 2001. Among the factors having a bearing on the lesser momentum of investment, the results of the half-yearly investment survey of industry for 2001 point to the deterioration of demand, of technical factors and of companies' financial situation, along with the highly adverse influence of other types of more idiosyncratic factors. The data on the creation of new companies discussed in section 2 would likewise denote a significant deterioration in expectations in 2001.

Against the background of a significant increase in risk, the return demanded on investment is higher. Consequently, the high rates of return on installed assets reflected in the CBBE data do not suffice to guarantee investment. Yet in these circumstances, and given the higher level of debt, the cost of borrowed funds for new projects also increases. A broad indicator of how greater risk may have affected the cost of financing is the spread of the return on private debt over that on swaps (see Chart 6), which has widened significantly since the start of 2000. This phenomenon is also apparent in the downgrading of certain major Spanish and European companies' debt by rating agencies.

5. CONCLUSIONS

The relatively moderate growth of productive investment during the 1996-99 upturn (compared with previous cycles) and its premature slowdown as from 2000 do not appear to be related to the favourable behaviour of some of its main determinants, such as the momentum of demand or the low cost of capital, amid financial conditions that are also highly favourable



and high returns on installed capital. Moreover, the need to renew the capital stock has increased following technological advances in the information and communications field, which have led investment in other advanced economies over this same period to expand more in comparative terms.

The difficulties of measuring investment in real terms arising from rapid technological progress mean that, in all likelihood, the growth of investment over the recent period is underestimated in National Accounts figures. As these measurement difficulties are greater now than in the eighties, they may help explain the investment growth differential between both expansionary cycles. However, they do not clarify to the same degree the more moderate trend of

investment in relation to other advanced economies.

Among the potential factors contributing to tempering the rate of productive investment in the second half of the nineties, importance may be attributed to the fact that Spanish corporations have preferred to take advantage of the foreign investment opportunities emerging over this period, having earmarked substantial own and – especially – borrowed funds in this connection. Foreign direct investment in the past six years has accounted for more than half of that assigned to investment in capital goods. At the same time, however, the attractiveness of investment in similar industries in the Spanish economy has not risen by the same degree.

The various international crises disrupting the recent expansionary phase have tended to moderate Spain's growth expectations, generating moreover a climate of uncertainty which heightened in 2001 further to the adverse effects of the September 11th attacks and to the crises in certain economies such as the United States and Argentina. These circumstances acquire greater relevance in a setting of greater openness, in which certain large Spanish corporations that have opted for expansion abroad have been directly affected. Against this backdrop, the cost of financing for new investment projects also appears to have increased, a rise associated with greater uncertainty and with the growing level of Spanish corporations' debt.

The foregoing aspects offer reasons justifying the moderate growth of investment, although no single factor suffices to explain it. Clearly, although the returns obtained by companies on their domestic activities have been – and still are – high, the expected net returns on additional domestic investment have not proven sufficient set against the existence of foreign al-

ternatives deemed more attractive, or against the greater risks associated with the climate of uncertainty in which recent decisions have been taken. In the coming quarters, as the international economy picks up, and – probably – in a less attractive environment for foreign direct investment, it is foreseeable that domestic investment will also progressively recover.

Nonetheless, the analysis conducted in this article suggests that if this recovery is to gain sufficient momentum and provide the Spanish economy with the level and type of capital it requires, then it will also be necessary to enhance the economy's attractiveness as a destination for new projects. In this respect, the crafting of policies promoting labour- and product-market flexibility and efficiency, incentives for investment in human capital and initiatives conducive to the pursuit of business activity and the implementation of new projects will make investment in Spain more attractive, and will further help steer investment towards those industries with most growth potential.

19.4.2002

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Financial regulation: 2002 Q3

1. INTRODUCTION

During 2002 Q3, very few new financial provisions (just four of some importance) have been enacted.

The first two regulations amend the accounting standards and the formats for the financial statements of credit institutions, and the prudential returns of collective investment undertakings, to adapt the Economic and Monetary Union (EMU) statistical requirements to the new demands of the European Central Bank (ECB).

The third regulation stipulates the procedure for authorising public debt issues by local authorities. It also amends various regulatory rules so that the benefits and conditions of government debt may be extended to local public debt issues.

Finally, a new ECB Guideline revises and makes certain amendments relating to the principles, instruments and procedures of the single monetary policy in the euro area.

2. CREDIT INSTITUTIONS: AMENDMENT OF ACCOUNTING STANDARDS

CBE (Banco de España Circular) 4/1991 of 14 June 1991 (1), which sets out the accounting standards and the formats for the financial statements of credit institutions, has undergone frequent amendments to adapt its content to the changes affecting the credit system in recent years.

In this respect, the publication of ECB Regulation (EC) No. 2423/2001 of 22 November 2001 (ECB/2001/13) concerning the consolidated balance sheet of the monetary financial institutions sector, which repealed ECB Regulation (EC) No. 2819/98, has necessitated the amendment of Circular 4/1991 of 14 June 1991 to adapt the EMU statistical requirements to the new demands of the ECB. Hence the Banco de España, under the powers conferred on it by the Order of the Ministry of Economy and Finance dated 31 March 1989 (2), implementing article 48 of Law 26/1988 of 29 July 1988 (3) on the Disciplining and Intervention of Credit Institutions, has amended CBE 4/1991 through *CBE 5/2002 of 24 September 2002* (BOE of 4 October 2002).

(1) See "Regulación financiera: segundo trimestre de 1991", in *Boletín económico*, Banco de España, July-August 1991, pp. 58-60.

(2) See "Regulación financiera: segundo trimestre de 1989", in *Boletín económico*, Banco de España, July-August 1989, pp. 116-117.

(3) See "Regulación financiera: tercer trimestre de 1988", in *Boletín económico*, Banco de España, October 1988, pp. 56-58.

The main amendments involve, first, the monthly request for information which had previously been reported quarterly; and second, the requirement for new information on the *rest of the world* sector and other sectors of the euro area countries, as well as on net write-downs during the month of loans and credits, and a more detailed breakdown of the valuation adjustments made to the securities portfolio. To meet these new information requirements, the current EMU statements are to be replaced by new ones and statement T.4 on movements in the securities portfolio is to be amended.

Furthermore, new concepts and clarifications are added to those already existing, these being needed to compile the statements to be submitted to the ECB. In this connection, under the sectoral grouping *Other resident sectors in Spain*, the name of the sub-section *Other monetary financial institutions* has been changed in Spanish from "*Otras instituciones monetarias financieras*" to "*Resto de instituciones monetarias financieras*". This sub-section includes all financial institutions, other than credit institutions, which engage in receiving deposits and/or close substitutes for deposits from deposit institutions other than monetary financial institutions, and in extending loans or in investing in securities for their own account (at least in economic terms).

This group is divided, in turn, into *Money market funds* and *other institutions*. The first sub-group, money market funds, covers collective investment undertakings, the shares in which are, in terms of liquidity, close substitutes for deposits. These undertakings invest essentially in money market instruments, shares in money market funds, other transferable debt instruments with a residual maturity of one year at most and bank deposits; alternatively, they seek a return similar to that on money market instruments. This category will exclusively include entities in the official list of *Monetary Financial Institutions* published by the ECB. The second sub-group includes the monetary financial institutions, other than credit institutions and money market funds, that appear as such in the official list of *Monetary Financial Institutions* published by the ECB.

In addition, slight amendments are made to some prudential returns containing statistical information. These are considered necessary to be able to prepare the quarterly financial accounts and other statistics that the Banco de España has to publish as a result of various international agreements.

The opportunity afforded by the publication of this Circular has been used first, to request a new statement in which a more detailed breakdown of bonds and equities entrusted by third parties is required; further, to delete the references in the text and in certain prudential returns to Banco de España Certificates, to the peseta and to other monetary units that disappeared with the introduction of the euro; and finally, to remove a redundant reference to foreign institutions' branches in Spain. Moreover, the way in which the securities making up the equity portfolio of individual institutions and of the economic group are reported has been unified.

Lastly, the timeframe within which certain prudential returns have to be submitted by specialised credit institutions has been reduced, and all institutions are obliged to transmit their returns to the Banco de España by means of teleprocessing. Only in exceptional circumstances may they send them on magnetic support or using forms.

3. COLLECTIVE INVESTMENT UNDERTAKINGS: AMENDMENT OF STATISTICAL REPORTING REQUIREMENTS

By virtue of the powers conferred by Law 46/1984 of 26 December 1984 regulating collective investment undertakings, implemented by Royal Decree 1393/1990 of 2 November 1990, CC-NMV (Spanish National Securities Market Commission Circular) 2/1998 of 27 July 1998, on the statistical reporting requirements for euro area collective investment undertakings, was issued. This Circular set out, in conformity with the provisions of ECB Regulation (EC) No. 2819/98, the reporting requirements to be met and the information to be transmitted by collective investment undertakings to the CNMV, so that such information may be used by the ECB to monitor monetary policy in the euro area.

In this respect, and as discussed in the previous section in connection with credit institutions, the issuance of ECB Regulation No. 2423/2001 of 22 November 2001, repealing ECB Regulation (EC) No. 2819/98, has made it necessary to amend Circular 2/1998 of 27 July 1998 by means of CCNMV 1/2002 of 16 September 2002 (BOE 243/2002 of 10 October 2002), to adapt EMU formats to the new reporting requirements of the ECB.

The first information to be submitted in accordance with these formats will be that relating to 31 January 2003.

4. AUTHORISATION OF PUBLIC DEBT ISSUES BY LOCAL AUTHORITIES

Law 50/1998 of 30 December 1998 (4), on Fiscal, Administrative and Social Measures, which amended Law 39/1988 of 28 December 1988 regulating local tax authorities, brought the benefits and conditions applicable to public debt issues by local authorities onto the same footing as government debt issues. This affected, *inter alia*, the following aspects: replacement of the execution of a public deed with publication in the BOE (Official State Gazette) as a prerequisite for the dematerialisation of issues (into book-entry form); lifting of the need for prior verification by the CNMV for admission to listing; and the possibility of trading local public debt on the Public Debt Book-Entry Market.

Recently, Royal Decree 705/2002 of 19 July 2002 has been enacted. This legislation regulates the authorisation of issues of public debt by local authorities (BOE 183/2002 of 1 August 2002), and has a dual aim. On one hand, the procedure for the authorisation by the Ministry of Finance of local public debt issues has been regulated; and on the other, various rules that prevented, in practice, the extension of the benefits and conditions of government debt issues to local public debt issues have been amended.

Regarding the first of the foregoing objectives, Law 39/1988 of 28 December 1988 regulating local tax authorities establishes that, for the issuance of public debt by local authorities, prior authorisation by the Ministry of Finance is required. Consequently, it is deemed necessary to regulate in the greatest detail the procedure for obtaining this authorisation, with a view to the guarantees that should be made to future purchasers of debt securities. To this end, two authorisation procedures – one regular, the other abridged – have been established. Their key features are detailed below.

4.1. Regular procedure

This is the procedure generally for all local authorities seeking to make a public debt issue. It is aimed at local authorities that make public debt issues on a discrete or one-off basis, not as an habitual resort for financing purposes. Under this procedure, both the economic and financial situation of the local authority and its solvency must be verified, as must too the terms of the issue in respect of those prevailing on the market and the procedure for placing the securities on the market.

(4) See "Financial regulation: fourth quarter 1998" in *Economic bulletin*, Banco de España, January 1999, p.104.

Local authorities and their autonomous agencies shall publish in full in the BOE the resolution authorising the public debt issue and, once the issue has been authorised and its characteristics published, the local authority or autonomous agency may proceed with the issue and apply for its admission to trading on the related market, provided that it meets the minimum admission requirements, if any, that the market stipulates.

4.2. Abridged procedure

The second, voluntary procedure is aimed at those local authorities with over 200,000 inhabitants that make public debt issues periodically and systematically, and that have undertaken to comply with a four-year debt plan. In this case, and provided the issue is within the limits set under the plan, verification is confined to the formal aspects of the planned issue.

The debt plan shall be approved by the Directorate General of Community Funds and Territorial Financing of the Ministry of Finance. It should include all public debt issues envisaged over the following four years, along with the budgetary outline and the total indebtedness projected for said years, in respect both of the local authority itself and its autonomous agencies and corporations. Compliance with the debt plans in force will be monitored annually by the Directorate General of Community Funds and Territorial Financing. Failure by an issuer to comply will lead to it being moved under regular-procedure arrangements. Moreover, such non-compliance will be taken into consideration in respect of the provisions of Law 39/1998 regulating local tax authorities, in the case of the authorisation of future issues.

As in the previous instance, local authorities and their autonomous agencies shall publish in full in the BOE the resolution authorising the public debt issue and, once the issue is authorised and its characteristics published in the BOE, the local authority or the autonomous agency may proceed with the debt issue and, where appropriate, apply for admission to trading on the related market, provided that it meets the minimum admission requirements, if any, that the market stipulates.

Elsewhere, in connection with the second objective (bringing the benefits and conditions of local public debt issues onto the same footing as government debt issues), several regulations addressing substantial aspects of the securities markets have been adapted. In this respect, a Royal Decree has been enacted amending the following regulations: Royal Decree 291/1992 of

27 March 1992 (5), on securities issues and offerings of securities to the public; Royal Decree 116/1992 of 14 February 1992 (6), on the representation of securities in book-entry form and the clearing and settlement of stock market transactions; and Royal Decree 505/1987 of 3 April 1987 (7), providing for the creation of a book-entry system for government debt. These respective amendments ensure that local debt is legally placed on a par with government debt.

5. EUROSISTEM MONETARY POLICY INSTRUMENTS AND PROCEDURES

In accordance with the Treaty establishing the European Community and, in particular, with the Statute of the European System of Central Banks and of the ECB, the ECB is authorised to adopt the necessary guidelines in respect of the instruments and procedures to be used in applying the single monetary policy, and the national central banks (NCBs) are obliged to act in conformity with the provisions of these guidelines, which are an integral part of Community law.

(5) See "Regulación financiera: primer trimestre de 1992" in *Boletín Económico*, Banco de España, April 1992, pp.70-72.

(6) See "Regulación financiera: primer trimestre de 1992" in *Boletín Económico*, Banco de España, April 1992, pp.68-70.

(7) See "Regulación financiera: segundo trimestre de 1987" in *Boletín Económico*, Banco de España, July-August 1987, pp. 46-48.

In this connection, an ECB Guideline was issued on 31 August 2000 on Eurosystem monetary policy instruments and procedures. This covered the principles, instruments and procedures for application of the single monetary policy in the euro area. The NCBs were obliged to adopt the measures needed to adjust monetary policy operations to the criteria laid down in this Guideline.

Recently, the Guideline of the European Central Bank of 7 March 2002 (OJEC 185/2002 of 15 July 2002) amending the Guideline of 31 August 2000 was issued. Among other aspects, the aim was to revise its terminology, to add certain clarifications and to incorporate the latest provisions on the Eurosystem monetary policy, particularly those affecting the amendment of minimum reserve requirements in Regulation (EC) No 690/2002 of the European Central Bank of 18 April 2002 (8).

Finally, the title of annex 1 to Guideline ECB 2000/7, *The single monetary policy in Stage Three – general documentation on Eurosystem monetary policy instruments and procedures*, is replaced by *The single monetary policy in Economic and Monetary Union – general documentation on Eurosystem monetary policy instruments and procedures*.

16.10.2002.

(8) See "Financial regulation: 2002 Q2" in *Economic bulletin*, Banco de España, July 2002, pp. 77-78.

ECONOMIC INDICATORS

CONTENTS

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.

Page

1. MAIN MACROECONOMIC MAGNITUDES

1.1.	Gross domestic product. Constant 1995 prices. Demand components. Spain and euro area .	5*
1.2.	Gross domestic product. Constant 1995 prices. Demand components. Spain: details	6*
1.3.	Gross domestic product. Constant 1995 prices. Branches of activity. Spain	7*
1.4.	Gross domestic product. Implicit deflators. Spain	8*

2. INTERNATIONAL ECONOMY

2.1.	International comparison. Gross domestic product at constant prices	9*
2.2.	International comparison. Unemployment rates	10*
2.3.	International comparison. Consumer prices	11*
2.4.	Bilateral exchange rates and nominal and real effective exchange rate indices for the euro, US dollar and Japanese yen	12*
2.5.	Official intervention interest rates and short-term interest rates	13*
2.6.	10-year government bond yields on domestic markets	14*
2.7.	International markets: non-energy commodities price index. Crude oil and gold price	15*

3. NATIONAL DEMAND AND ACTIVITY

3.1.	Indicators of private consumption. Spain and euro area	16*
3.2.	Investment in industry (excluding construction): opinion surveys. Spain	17*
3.3.	Construction. Indicators of building starts and consumption of cement. Spain	18*
3.4.	Industrial production index. Spain and euro area	19*
3.5.	Monthly business survey: industry and construction. Spain and euro area	20*
3.6.	Business survey: capacity utilisation. Spain and euro area	21*
3.7.	Tourism and transport statistics. Spain	22*

4. LABOUR MARKET

4.1.	Labour force. Spain	23*
4.2.	Employment and wage-earners. Spain and euro area	24*
4.3.	Employment by branch of activity. Spain	25*
4.4.	Wage-earners by type of contract and unemployment by duration. Spain	26*
4.5.	Registered unemployment by branch of activity. Contracts and placements. Spain	27*
4.6.	Collective bargaining agreements	28*
4.7.	Labour costs index	29*
4.8.	Unit labour costs. Spain and euro area	30*

5. PRICES

5.1.	Consumer price index. Spain (1992 = 100)	31*
5.2.	Harmonised index of consumer prices. Spain and euro area (1996 = 100)	32*
5.3.	Producer price index. Spain and euro area	33*
5.4.	Unit value indices for Spanish foreign trade	34*

6. GENERAL GOVERNMENT

6.1.	State resources and uses according to the National Accounts (ESA95). Spain	35*
6.2.	State financial transactions (ESA95). Spain (1)	36*
6.3.	State: liabilities outstanding. Spain (1)	37*

7. BALANCE OF PAYMENTS, FOREIGN TRADE AND INTERNATIONAL INVESTMENT POSITION

7.1.	The Spanish balance of payments vis-à-vis other euro area residents and the rest of the world. Current account (1)	38*
7.2.	The Spanish balance of payments vis-à-vis other euro area residents and the rest of the world. Financial account (1)	39*
7.3.	Spanish foreign trade with other euro area countries and with the rest of the world. Exports and dispatches	40*
7.4.	Spanish foreign trade with other euro area countries and with the rest of the world. Imports and arrivals	41*
7.5.	Spanish foreign trade with other euro area countries and with the rest of the world. Trade balance: geographical distribution	42*
7.6.	Spanish international investment position vis-à-vis other euro area residents and the rest of the world. Summary (1)	43*
7.7.	Spanish international investment position vis-à-vis other euro area residents and the rest of the world. Breakdown by investment (1)	44*
7.8.	Spanish reserve assets (1)	45*

8. FINANCIAL VARIABLES

8.1.	Consolidated balance sheet of the Eurosystem (a), and balance sheet of the Banco de España (b). Net lending to credit institutions and its counterparts	46*
8.2.	Cash and cash equivalents, other credit institutions liabilities and mutual funds shares of non-financial corporations, households and NPISHs resident in Spain	47*
8.3.	Cash and cash equivalents, other credit institutions liabilities and mutual funds shares of non-financial corporations resident in Spain	48*
8.4.	Cash and cash equivalents, other credit institutions liabilities and mutual funds shares of households and NPISHs resident in Spain	49*
8.5.	Financing of non-financial sectors resident in Spain	50*
8.6.	Financing of non-financial corporations, households and NPISHs resident in Spain	51*
8.8.	Net financing of Spain's general government	52*
8.9.	Lending by credit institutions to other resident sectors. Breakdown by end-use	53*
8.10.	Profit and loss account of banks, savings banks and credit co-operatives resident in Spain	54*
8.11.	Mutual funds resident in Spain	55*
8.12.	Share price indices and turnover on securities markets. Spain and euro area	56*

9. INTEREST RATES AND EXCHANGE RATES

9.1.	Interest rates. Eurosystem and money market. Euro area and Spain	57*
9.2.	Interest rates: Spanish short-term and long-term securities markets (1)	58*
9.3.	Interest rates: banks and savings banks resident in Spain (1)	59*
9.4.	Indices of Spanish competitiveness vis-à-vis the EU and the euro area	60*
9.5.	Indices of Spanish competitiveness vis-à-vis the developed countries	61*

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

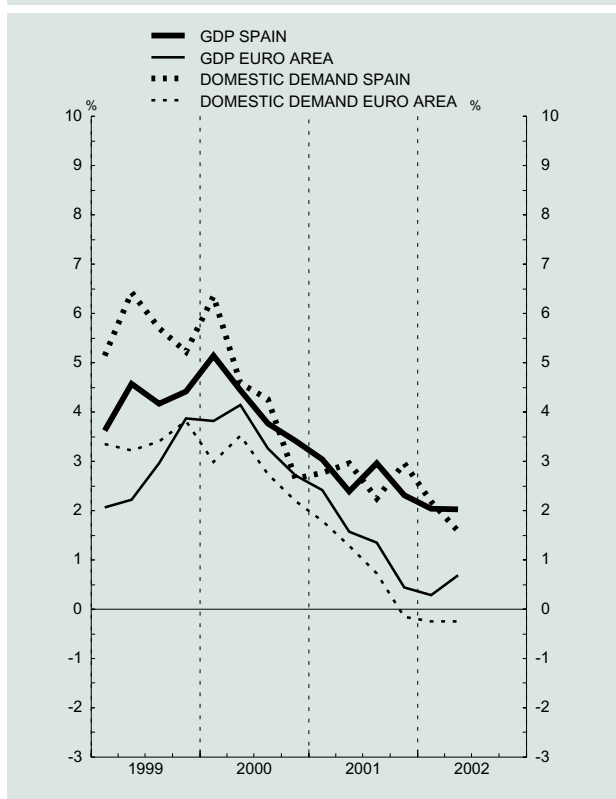
1.1. Gross domestic product. Constant 1995 prices. Demand components. Spain and Euro area (a)

■ Series depicted in chart.

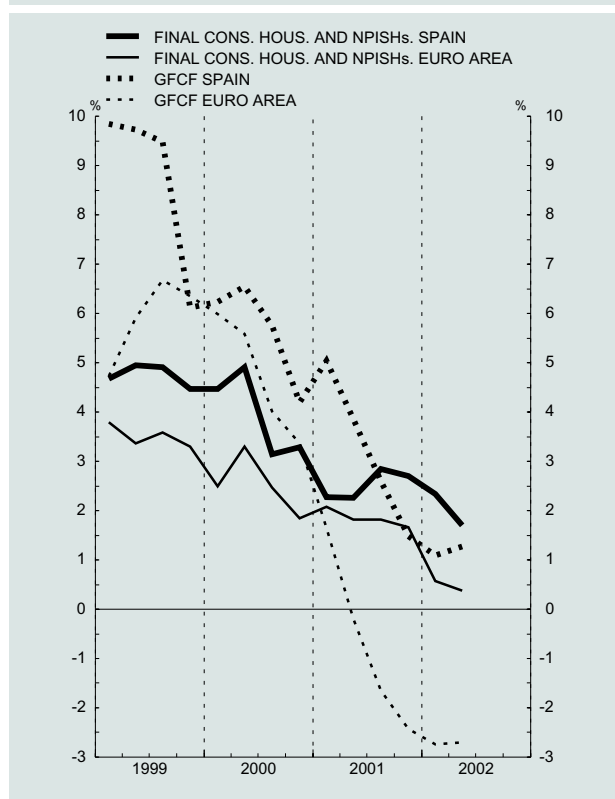
Annual percentage changes

	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
99	4.2	2.8	4.7	3.5	4.2	1.9	8.7	5.9	5.6	3.4	7.7	5.2	12.7	7.4	565	6 150
00	4.2	3.5	3.9	2.5	5.0	1.9	5.7	4.7	4.4	2.9	10.0	12.6	10.6	11.2	609	6 449
01	2.7	1.4	2.5	1.8	3.1	1.9	3.2	-0.7	2.7	0.9	3.4	2.8	3.5	1.4	652	6 826
99 Q2	4.6	2.2	4.9	3.4	4.0	1.7	9.7	5.9	6.4	3.2	6.0	3.1	12.6	6.2	140	1 524
Q3	4.2	3.0	4.9	3.6	4.1	1.9	9.5	6.7	5.7	3.4	7.9	6.0	13.2	7.5	143	1 547
Q4	4.4	3.9	4.5	3.3	5.0	2.2	6.1	6.4	5.2	3.8	10.1	10.0	12.6	10.2	145	1 568
00 Q1	5.1	3.8	4.5	2.5	5.3	1.8	6.2	6.0	6.4	3.0	7.4	12.9	11.4	10.7	148	1 587
Q2	4.4	4.1	4.9	3.3	5.6	2.0	6.5	5.6	4.6	3.5	10.3	12.6	10.4	11.2	151	1 606
Q3	3.8	3.3	3.1	2.5	5.0	1.6	5.8	4.0	4.3	2.7	10.2	12.4	11.5	11.3	154	1 621
Q4	3.4	2.7	3.3	1.8	4.3	2.1	4.2	3.4	2.7	2.2	12.1	12.4	9.0	11.4	156	1 635
01 Q1	3.0	2.4	2.3	2.1	3.5	1.9	5.0	1.6	2.8	1.8	9.7	8.3	8.3	6.9	159	1 690
Q2	2.4	1.6	2.3	1.8	3.0	2.0	3.9	-0.2	3.0	1.3	4.7	4.3	6.4	3.7	162	1 702
Q3	3.0	1.4	2.8	1.8	3.1	2.2	2.6	-1.7	2.2	0.7	2.2	1.3	0.1	-0.4	165	1 713
Q4	2.3	0.4	2.7	1.7	2.6	1.5	1.5	-2.4	3.0	-0.1	-2.4	-2.9	-0.2	-4.6	166	1 721
02 Q1	2.0	0.3	2.3	0.6	1.9	2.1	1.1	-2.7	2.2	-0.2	-2.5	-2.9	-1.8	-4.5	168	1 738
Q2	2.0	0.7	1.7	0.4	1.5	2.0	1.3	-2.7	1.6	-0.3	-1.4	-0.0	-2.5	-2.6	171	1 750

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 ESA95, SEASONALLY- AND WORKING-DAY-ADJUSTED SERIES (see economic bulletin April 2002); Euro area, prepared in accordance with ESA95.

(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.

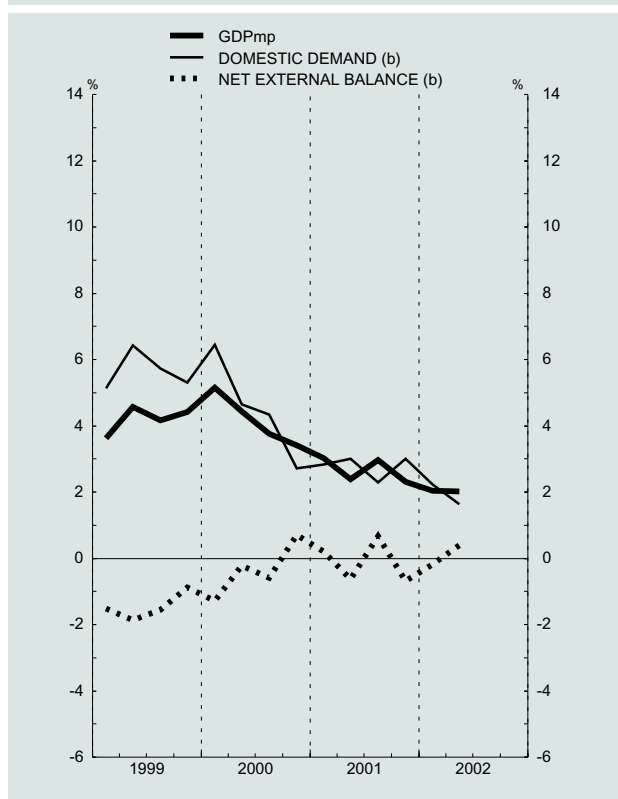
1.2. Gross domestic product. Constant 1995 prices. Demand components. Spain: details (a)

■ Series depicted in chart.

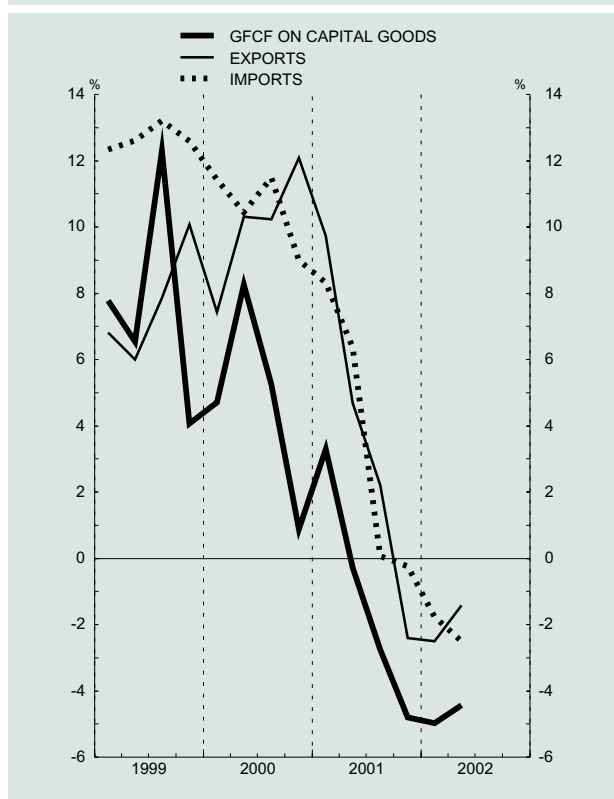
Annual percentage changes

		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
99	P	8.7	7.6	9.0	0.1	7.7	6.5	9.3	12.7	12.7	12.3	13.2	15.1	-1.4	5.6	4.2
00	P	5.7	4.7	6.1	-0.1	10.0	10.0	5.5	17.7	10.6	10.5	9.7	11.2	-0.3	4.5	4.2
01	P	3.2	-1.2	5.8	-0.0	3.4	2.3	3.3	9.8	3.5	3.0	7.6	5.9	-0.1	2.8	2.7
99	Q2	9.7	6.5	11.3	0.6	6.0	4.1	9.8	12.1	12.6	12.5	8.4	14.5	-1.9	6.4	4.6
	Q3	9.5	12.3	7.9	-0.1	7.9	7.0	9.0	11.5	13.2	12.7	12.5	16.8	-1.6	5.7	4.2
	Q4	6.1	4.1	6.6	0.3	10.1	9.6	8.5	15.7	12.6	11.9	15.3	16.8	-0.9	5.3	4.4
00	Q1	6.2	4.7	6.7	1.3	7.4	7.3	3.5	14.7	11.4	11.1	5.3	14.6	-1.3	6.4	5.1
	Q2	6.5	8.3	5.6	-0.8	10.3	10.5	4.5	18.6	10.4	10.3	15.7	10.0	-0.2	4.7	4.4
	Q3	5.8	5.2	6.2	0.2	10.2	10.1	6.6	16.9	11.5	11.9	10.2	9.4	-0.6	4.3	3.8
	Q4	4.2	0.9	6.1	-1.0	12.1	11.9	7.3	20.2	9.0	8.7	7.9	11.1	0.7	2.7	3.4
01	Q1	5.0	3.3	6.3	-0.4	9.7	8.8	9.3	15.6	8.3	8.0	16.8	8.8	0.2	2.8	3.0
	Q2	3.9	-0.3	6.3	0.2	4.7	3.9	4.9	8.5	6.4	5.6	5.2	11.2	-0.6	3.0	2.4
	Q3	2.6	-2.8	5.7	-0.6	2.2	1.3	1.3	8.8	0.1	-0.6	4.6	3.4	0.7	2.3	3.0
	Q4	1.5	-4.8	5.0	0.6	-2.4	-4.3	-1.8	7.0	-0.2	-0.5	4.5	0.5	-0.7	3.0	2.3
02	Q1	1.1	-5.0	4.4	0.2	-2.5	-3.6	-5.1	7.0	-1.8	-1.8	-1.4	-1.4	-0.2	2.2	2.0
	Q2	1.3	-4.4	4.6	0.0	-1.4	-2.5	-4.9	9.1	-2.5	-2.3	0.7	-4.2	0.4	1.6	2.0

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 ESA95, SEASONALLY- AND WORKING-DAY-ADJUSTED SERIES (see economic bulletin April 2002).

(b) Contribution to GDPmp growth rate.

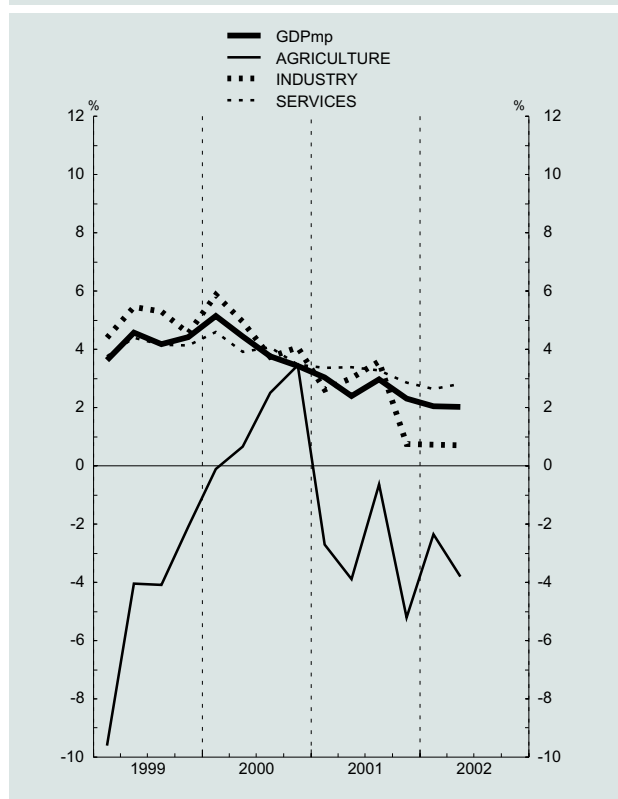
1.3. Gross domestic product. Constant 1995 prices. Branches of activity. Spain (a)

■ Series depicted in chart.

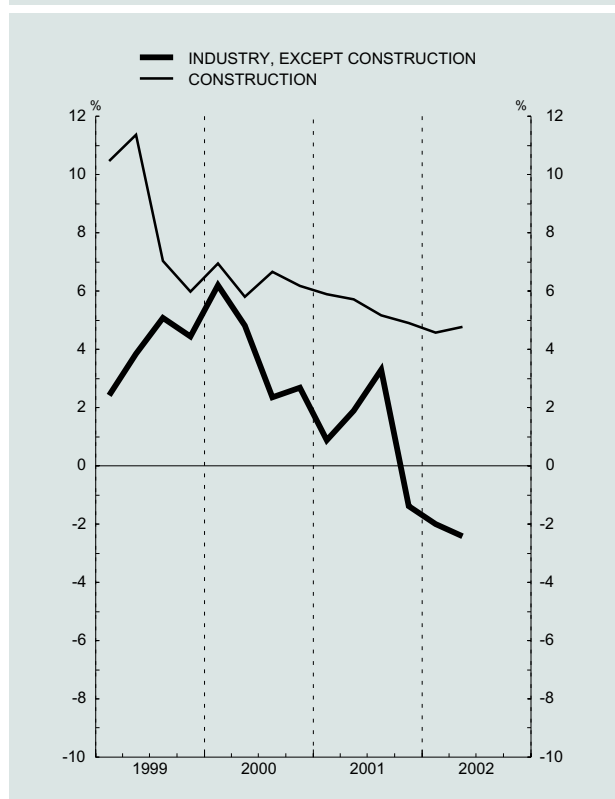
Annual percentage changes

			Gross domestic product at market prices	Agriculture and fisheries	Energy	Industry	Construction	Services			VAT on products	Net taxes linked to imports	Other net taxes on products
								Total	Market services	Non-market services			
			1	2	3	4	5	6	7	8	9	10	11
99	P	■	4.2	-5.0	2.5	4.0	8.6	4.1	4.4	3.2	7.8	6.7	6.5
00	P	■	4.2	1.6	4.3	4.0	6.4	4.0	4.2	3.3	5.1	6.8	5.0
01	P	■	2.7	-3.1	2.8	1.2	5.4	3.2	3.3	2.9	2.5	0.4	2.1
99	Q2	P	4.6	-4.1	2.2	3.8	11.4	4.4	4.8	3.2	7.9	7.8	6.4
	Q3	P	4.2	-4.1	3.0	5.1	7.0	4.2	4.5	3.2	4.3	4.9	5.8
	Q4	P	4.4	-2.1	2.2	4.4	6.0	4.1	4.2	3.9	11.1	4.3	6.5
00	Q1	P	5.1	-0.1	2.1	6.2	6.9	4.6	4.8	3.8	10.9	5.2	6.3
	Q2	P	4.4	0.7	3.9	4.8	5.8	3.9	4.0	3.6	9.5	5.5	5.7
	Q3	P	3.8	2.5	4.7	2.3	6.7	4.1	4.3	3.2	1.1	9.8	4.3
	Q4	P	3.4	3.5	6.5	2.7	6.2	3.5	3.7	2.7	-0.6	6.6	3.7
01	Q1	P	3.0	-2.7	4.4	0.9	5.9	3.4	3.6	2.5	5.6	3.7	3.3
	Q2	P	2.4	-3.9	3.0	1.9	5.7	3.4	3.6	2.8	-5.9	2.0	2.0
	Q3	P	3.0	-0.6	1.6	3.3	5.2	3.3	3.3	3.1	-0.5	-3.1	2.5
	Q4	P	2.3	-5.2	2.3	-1.4	4.9	2.9	2.7	3.4	11.3	-0.8	0.8
02	Q1	P	2.0	-2.3	5.6	-2.0	4.6	2.6	2.5	3.1	5.4	-7.2	2.5
	Q2	P	2.0	-3.8	7.2	-2.4	4.8	2.8	2.8	2.7	4.0	-0.8	3.6

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 ESA95, SEASONALLY- AND WORKING-DAY-ADJUSTED SERIES (see economic bulletin April 2002).

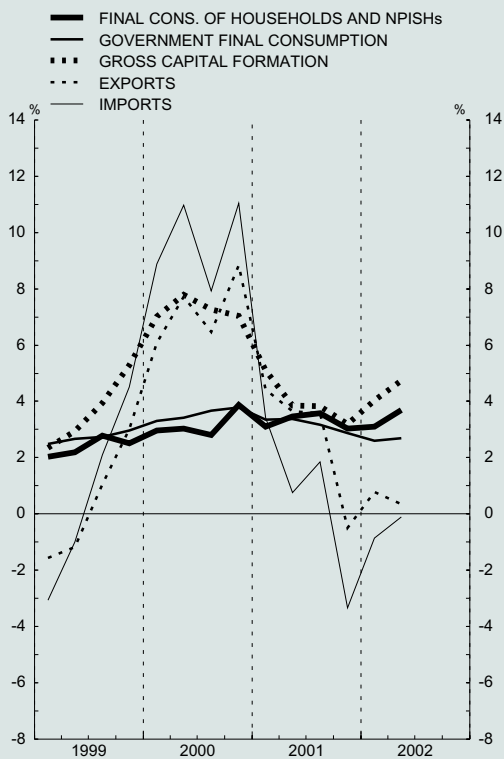
1.4. Gross domestic product. Implicit deflators. Spain (a)

■ 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		
990001	P	2.4	2.7	3.7	1.6	4.4	0.4	0.7	2.7	-0.9	-5.0	0.1	4.2	3.2	3.2
	P	3.2	3.5	7.2	4.3	9.1	7.3	9.7	3.5	-0.6	1.3	2.0	8.6	3.5	3.5
	P	3.3	3.2	4.0	1.0	5.4	2.7	0.6	4.2	7.7	3.4	2.3	5.7	4.5	4.8
99Q2Q3Q4	P	2.2	2.7	2.9	1.1	3.3	-1.2	-1.0	2.5	-0.5	-6.0	-1.1	3.2	3.2	3.3
	P	2.8	2.7	3.9	1.8	5.0	1.1	2.1	2.8	-2.3	-4.7	0.3	4.5	3.3	3.4
	P	2.5	3.0	5.3	2.8	6.7	3.0	4.5	2.9	-5.3	-3.5	1.4	6.1	3.1	3.1
00Q1Q2Q3Q4	P	3.0	3.3	7.0	4.2	9.1	6.1	8.9	3.2	-3.1	-1.0	1.9	8.3	3.2	3.0
	P	3.0	3.4	7.8	4.8	9.6	7.7	11.0	3.3	-6.3	0.7	3.1	8.9	3.1	3.0
	P	2.8	3.7	7.3	4.6	9.1	6.5	7.9	3.6	1.5	1.8	2.2	8.7	3.6	3.6
	P	3.9	3.8	7.0	3.8	8.5	8.8	11.0	3.9	5.9	3.6	0.7	8.5	4.2	4.4
01Q1Q2Q3Q4	P	3.1	3.3	5.1	2.1	5.9	4.4	3.4	3.9	-0.6	2.9	3.4	6.4	4.2	4.4
	P	3.5	3.4	3.9	1.0	5.0	3.7	0.8	4.5	12.8	3.6	2.4	5.9	4.9	5.3
	P	3.6	3.2	3.8	0.5	5.4	3.6	1.8	4.1	11.0	3.7	0.8	5.7	4.6	5.1
	P	3.0	2.9	3.2	0.5	5.3	-0.5	-3.3	4.1	7.6	3.6	2.4	5.0	4.2	4.6
02Q1Q2	P	3.1	2.6	4.0	0.4	6.1	0.8	-0.9	3.8	9.8	5.4	1.1	5.4	3.9	4.2
	P	3.7	2.7	4.7	1.1	7.0	0.3	-0.1	3.9	4.8	5.3	2.5	5.3	3.9	4.4

GDP. IMPLICIT DEFLATORS
Annual percentage changes



GDP. IMPLICIT DEFLATORS
Annual percentage changes



Source: INE (Contabilidad Nacional Trimestral de España).

(a) Prepared in accordance with ESA95, SEASONALLY- AND WORKING-DAY-ADJUSTED SERIES (see economic bulletin April 2002).

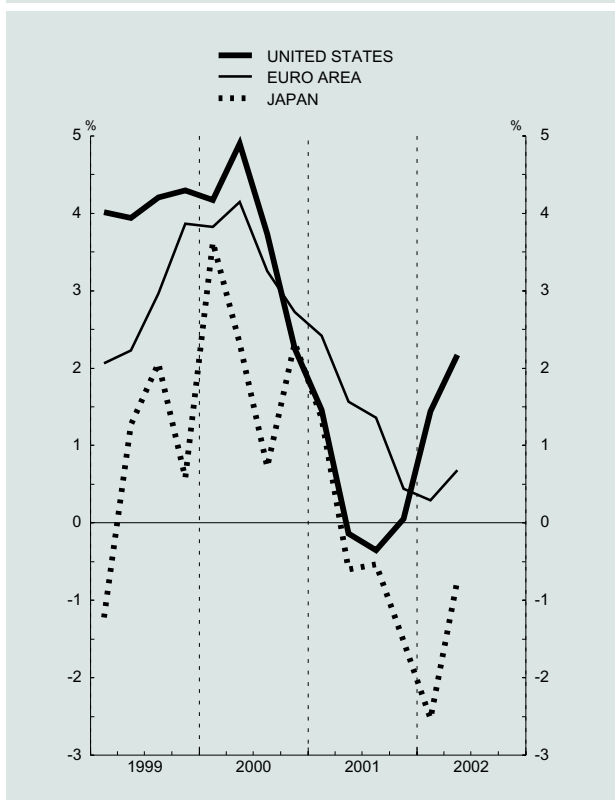
2.1. International comparison. Gross domestic product at constant prices

■ Series depicted in chart.

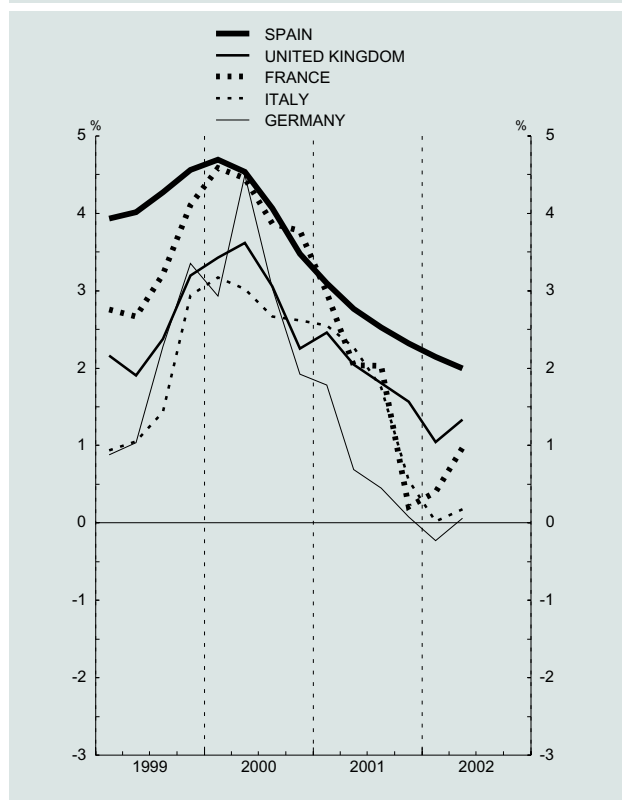
Annual percentage changes

	OECD	EU	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3	4	5	6	7	8	9	10
99	3.2	2.8	2.8	1.9	4.2	4.1	3.2	1.6	0.7	2.4
00	3.8	3.4	3.5	3.1	4.2	3.8	4.2	2.9	2.2	3.1
01	0.7	1.5	1.4	0.7	2.7	0.3	1.8	1.8	-0.3	2.0
99 Q2	2.9	2.3	2.2	1.0	4.0	3.9	2.7	1.1	1.3	1.9
Q3	3.5	2.9	3.0	2.3	4.3	4.2	3.2	1.4	2.1	2.4
Q4	3.8	3.8	3.9	3.3	4.6	4.3	4.1	2.9	0.6	3.2
00 Q1	4.3	3.8	3.8	2.9	4.7	4.2	4.6	3.2	3.6	3.4
Q2	4.6	4.1	4.1	4.5	4.5	4.9	4.5	3.0	2.3	3.6
Q3	3.6	3.2	3.3	3.0	4.1	3.7	3.9	2.7	0.7	3.1
Q4	2.7	2.7	2.7	1.9	3.5	2.3	3.8	2.6	2.3	2.2
01 Q1	1.9	2.4	2.4	1.8	3.1	1.5	3.0	2.5	1.4	2.5
Q2	0.6	1.6	1.6	0.7	2.8	-0.1	2.0	2.3	-0.6	2.0
Q3	0.3	1.4	1.4	0.5	2.5	-0.4	2.0	1.7	-0.5	1.8
Q4	0.2	0.6	0.4	0.1	2.3	0.1	0.2	0.6	-1.5	1.6
02 Q1	0.7	0.4	0.3	-0.2	2.1	1.4	0.4	0.0	-2.5	1.0
Q2	1.5	0.8	0.7	0.1	2.0	2.2	1.0	0.2	-0.7	1.3

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.

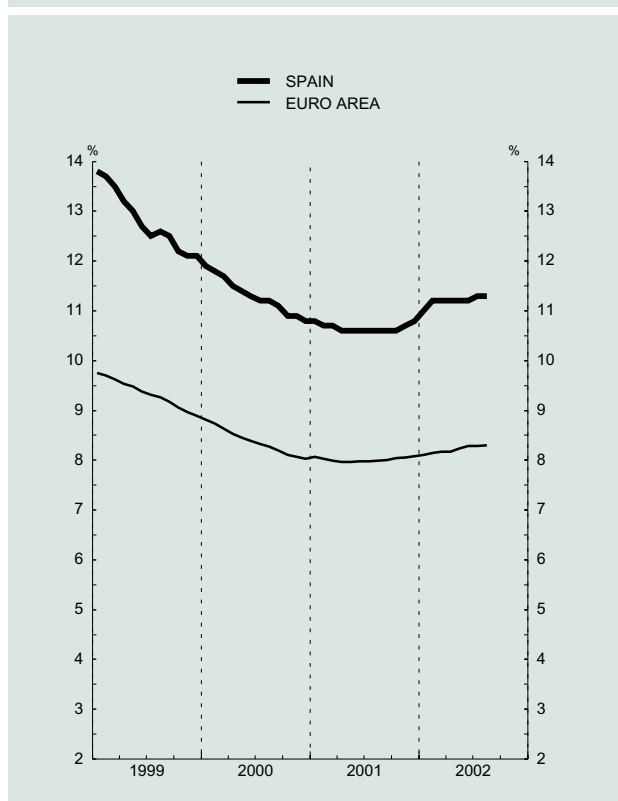
2.2. International comparison. Unemployment rates

■ Series depicted in chart.

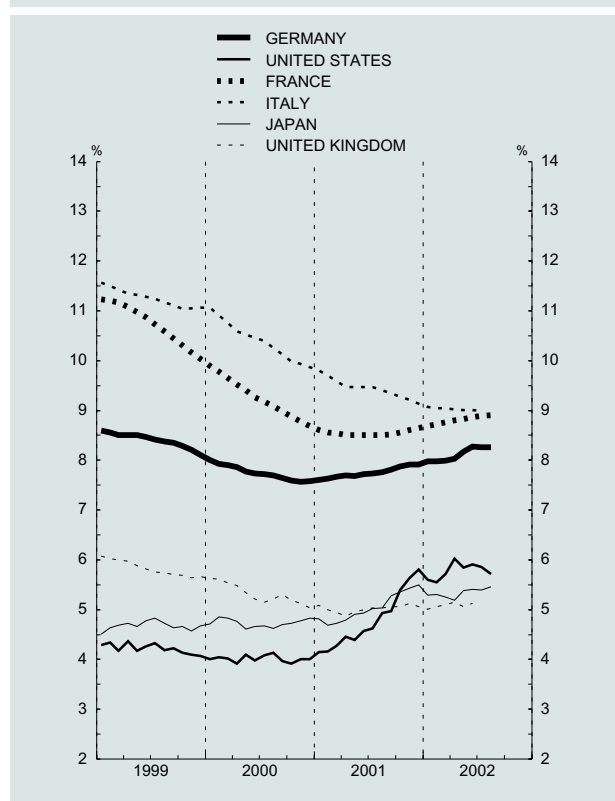
Percentages

	OECD	EU	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3	4	5	6	7	8	9	10
99	6.6	8.7	9.3	8.4	12.8	4.2	10.7	11.3	4.7	5.8
00	6.2	7.8	8.4	7.7	11.3	4.0	9.3	10.4	4.7	5.3
01	6.4	7.3	8.0	7.8	10.7	4.8	8.6	9.4	5.0	5.0
01 Mar	6.1	7.3	8.0	7.7	10.7	4.3	8.5	9.6	4.7	5.0
Apr	6.2	7.3	8.0	7.7	10.6	4.5	8.5	9.5	4.8	4.9
May	6.2	7.3	8.0	7.7	10.6	4.4	8.5	9.5	4.9	5.0
Jun	6.3	7.3	8.0	7.7	10.6	4.6	8.5	9.5	4.9	5.0
Jul	6.3	7.3	8.0	7.7	10.6	4.6	8.5	9.5	5.0	5.0
Aug	6.4	7.3	8.0	7.8	10.6	4.9	8.5	9.4	5.0	5.0
Sep	6.5	7.4	8.0	7.8	10.6	5.0	8.5	9.3	5.3	5.1
Oct	6.7	7.4	8.0	7.9	10.6	5.4	8.6	9.3	5.4	5.1
Nov	6.7	7.4	8.1	7.9	10.7	5.6	8.6	9.2	5.4	5.1
Dec	6.8	7.4	8.1	7.9	10.8	5.8	8.7	9.1	5.5	5.1
02 Jan	6.7	7.5	8.1	8.0	11.0	5.6	8.7	9.1	5.3	5.0
Feb	6.7	7.5	8.1	8.0	11.2	5.6	8.7	9.1	5.3	5.1
Mar	6.8	7.5	8.2	8.0	11.2	5.7	8.8	9.0	5.3	5.1
Apr	6.9	7.5	8.2	8.0	11.2	6.0	8.8	9.0	5.2	5.2
May	6.9	7.6	8.2	8.2	11.2	5.9	8.8	9.0	5.4	5.1
Jun	6.9	7.6	8.3	8.3	11.2	5.9	8.9	9.0	5.4	5.1
Jul	6.9	7.7	8.3	8.3	11.3	5.9	8.9	9.0	5.4	...
Aug	6.9	7.7	8.3	8.3	11.3	5.7	8.9	...	5.5	...

UNEMPLOYMENT RATES



UNEMPLOYMENT RATES



Sources: ECB and OECD.

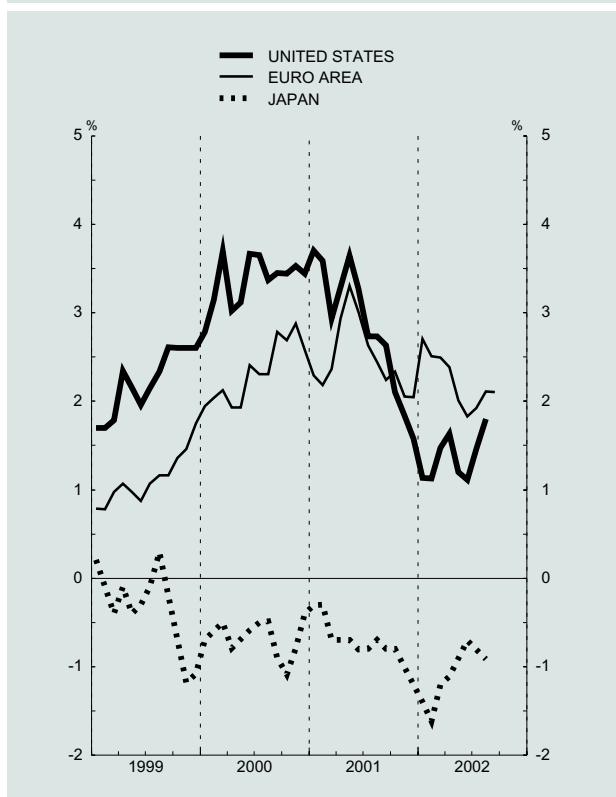
2.3. International comparison. Consumer prices (a)

■ Series depicted in chart.

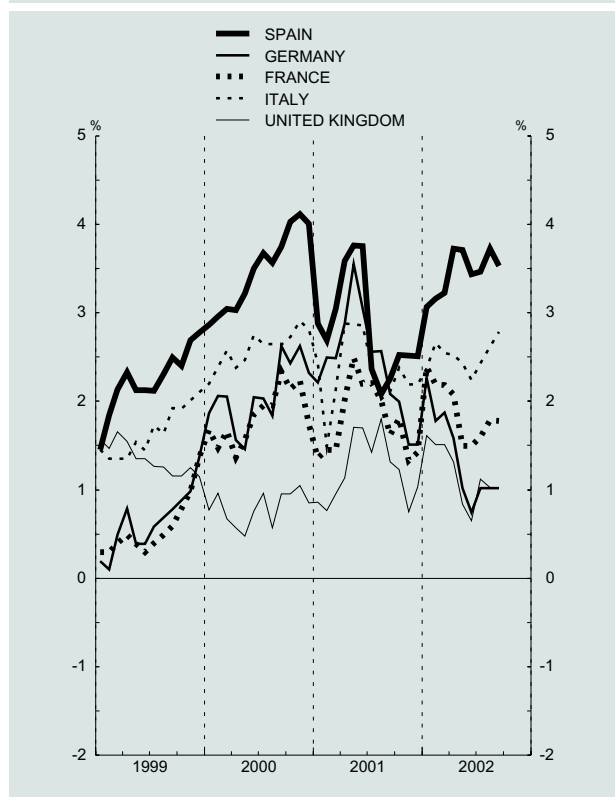
Annual percentage changes

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

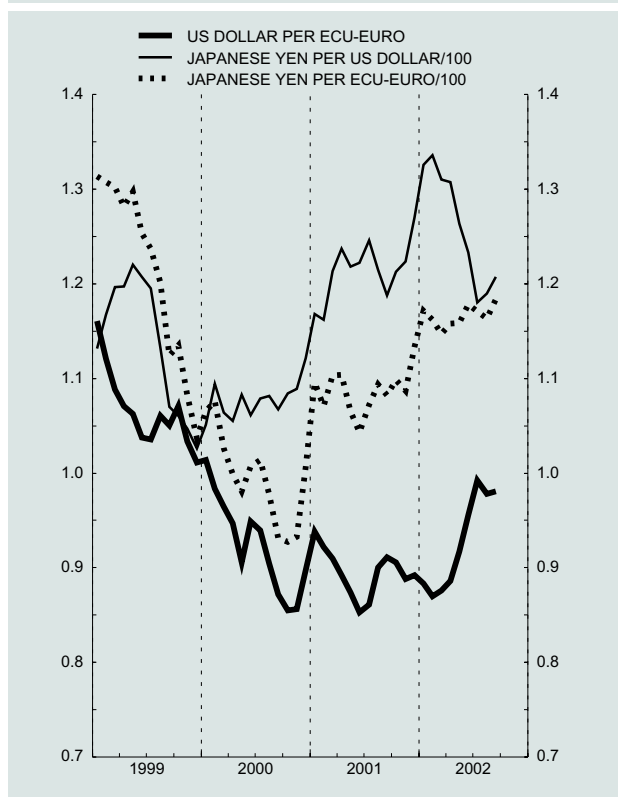
2.4. Bilateral exchange rates and nominal and real effective exchange rate indices for the euro, US dollar and Japanese yen

■ Series depicted in chart.

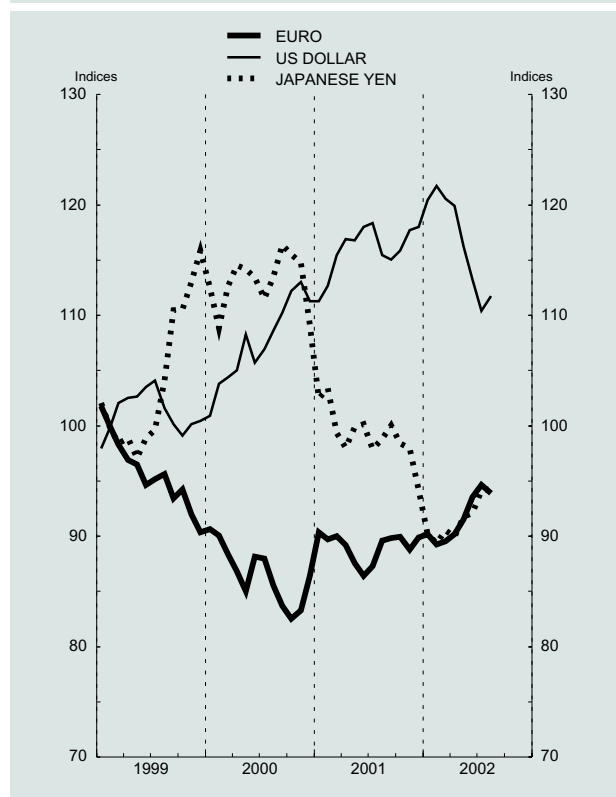
Average of daily data

	Exchange rates			Indices of the nominal effective exchange rate vis-à-vis the (a) developed countries 1999 Q1=100			Indices of the real effective exchange rate vis-à-vis the developed countries (b) 1999 Q1=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
99	1.0666	121.39	113.75	95.7	100.7	105.0	95.7	101.2	104.1	95.8	101.2	103.3
00	0.9239	99.52	107.76	85.7	105.0	118.0	86.5	107.6	113.1	87.1	106.0	111.4
01	0.8955	108.76	121.50	87.3	111.8	106.9	89.0	116.0	99.2	89.2	112.4	99.8
01 J-S	0.8955	108.11	120.81	87.2	111.4	107.5	88.9	115.6	100.0	89.0	112.5	100.0
02 J-S	0.9269	116.59	126.08	89.1	111.7	101.3	91.6	116.7	91.6	91.3	111.7	94.4
01 Jul	0.8607	107.21	124.57	85.4	114.0	106.1	87.3	118.4	97.9	87.2	114.3	98.9
Aug	0.9005	109.34	121.45	87.7	111.4	106.6	89.6	115.5	98.8	89.5	111.8	99.4
Sep	0.9111	108.20	118.78	88.0	110.6	108.6	89.9	115.0	100.0	89.9	111.8	100.8
Oct	0.9059	109.86	121.28	88.0	111.6	106.6	90.0	115.9	98.4	90.0	111.4	99.9
Nov	0.8883	108.68	122.35	86.8	113.1	106.5	88.8	117.7	98.0	88.9	112.3	100.4
Dec	0.8924	113.38	127.06	87.7	113.9	102.4	89.9	118.0	94.2	90.2	112.2	97.0
02 Jan	0.8833	117.12	132.60	87.6	116.2	98.5	90.2	120.4	90.2	90.3	114.3	93.2
Feb	0.8700	116.23	133.59	86.8	117.0	98.5	89.3	121.7	89.4	89.2	115.4	93.0
Mar	0.8758	114.75	131.02	86.8	115.8	100.0	89.5	120.5	90.5	89.0	114.6	93.9
Apr	0.8858	115.81	130.75	87.2	115.0	99.6	90.2	119.9	90.0	89.8	114.3	93.0
May	0.9170	115.86	126.36	88.6	111.8	101.3	91.5	116.3	91.8	90.9	110.8	94.6
Jun	0.9554	117.80	123.33	90.6	108.8	101.8	93.5	113.3	92.1	93.0	107.9	95.1
Jul	0.9922	117.11	118.05	91.7	105.9	104.5	94.6	110.4	94.1	94.1	104.9	97.6
Aug	0.9778	116.31	118.96	91.1	107.3	104.5	93.9	111.7	94.3	93.5	...	...
Sep	0.9808	118.38	120.71	91.2	107.6	102.8	...	...	...	...	...	...

EXCHANGE RATES



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



Sources: ECB and BE.

(a) Geometric mean -calculated using a double weighting system based on 1995-97 manufacturing trade 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.

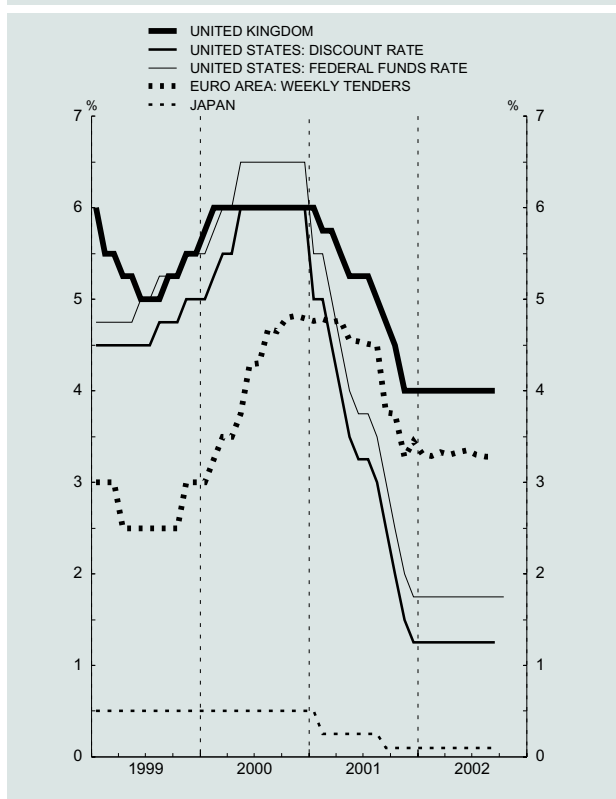
2.5. Official intervention interest rates and short-term interest rates

■ 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
		Discount rate	Federal funds rate	(b)	(c)										
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
99	3.00	5.00	5.04	0.50	5.50	3.69	3.42	2.96	-	-	5.31	-	-	0.16	5.42
00	4.75	6.00	6.27	0.50	6.00	4.71	4.65	4.39	-	-	6.44	-	-	0.19	6.08
01	3.25	1.25	3.72	0.10	4.00	3.39	4.30	4.26	-	-	3.66	-	-	0.08	4.93
01 Apr	4.75	4.00	4.50	0.25	5.50	3.90	4.71	4.68	-	-	4.53	-	-	0.01	5.30
May	4.50	3.50	4.00	0.25	5.25	3.65	4.64	4.64	-	-	3.99	-	-	0.01	5.11
Jun	4.50	3.25	3.75	0.25	5.25	3.50	4.50	4.45	-	-	3.73	-	-	0.01	5.15
Jul	4.50	3.25	3.75	0.25	5.25	3.46	4.49	4.47	-	-	3.65	-	-	0.01	5.15
Aug	4.50	3.00	3.50	0.25	5.00	3.34	4.37	4.35	-	-	3.48	-	-	0.01	4.89
Sep	3.75	2.50	3.00	0.10	4.75	2.94	4.02	3.98	-	-	2.88	-	-	0.01	4.62
Oct	3.75	2.00	2.50	0.10	4.50	2.54	3.67	3.60	-	-	2.29	-	-	0.01	4.32
Nov	3.25	1.50	2.00	0.10	4.00	2.31	3.43	3.39	-	-	1.99	-	-	0.01	3.89
Dec	3.25	1.25	1.75	0.10	4.00	2.23	3.40	3.35	-	-	1.83	-	-	0.01	3.95
02 Jan	3.25	1.25	1.75	0.10	4.00	2.18	3.39	3.34	-	-	1.74	-	-	0.01	3.95
Feb	3.25	1.25	1.75	0.10	4.00	2.22	3.42	3.36	-	-	1.82	-	-	0.01	3.95
Mar	3.25	1.25	1.75	0.10	4.00	2.28	3.45	3.39	-	-	1.90	-	-	0.01	4.04
Apr	3.25	1.25	1.75	0.10	4.00	2.30	3.53	3.41	-	-	1.87	-	-	0.01	4.08
May	3.25	1.25	1.75	0.10	4.00	2.31	3.58	3.47	-	-	1.81	-	-	0.01	4.06
Jun	3.25	1.25	1.75	0.10	4.00	2.31	3.58	3.46	-	-	1.78	-	-	0.01	4.08
Jul	3.25	1.25	1.75	0.10	4.00	2.28	3.51	3.41	-	-	1.75	-	-	0.01	3.96
Aug	3.25	1.25	1.75	0.10	4.00	2.22	3.45	3.35	-	-	1.69	-	-	0.01	3.89
Sep	3.25	1.25	1.75	0.10	4.00	2.22	3.42	3.31	-	-	1.71	-	-	0.01	3.90

OFFICIAL INTERVENTION INTEREST RATES



3-MONTH INTERBANK RATES



Sources: ECB, Reuters and BE.

(a) Main refinancing operations.

(b) Discount rate.

(c) Retail bank base rate.

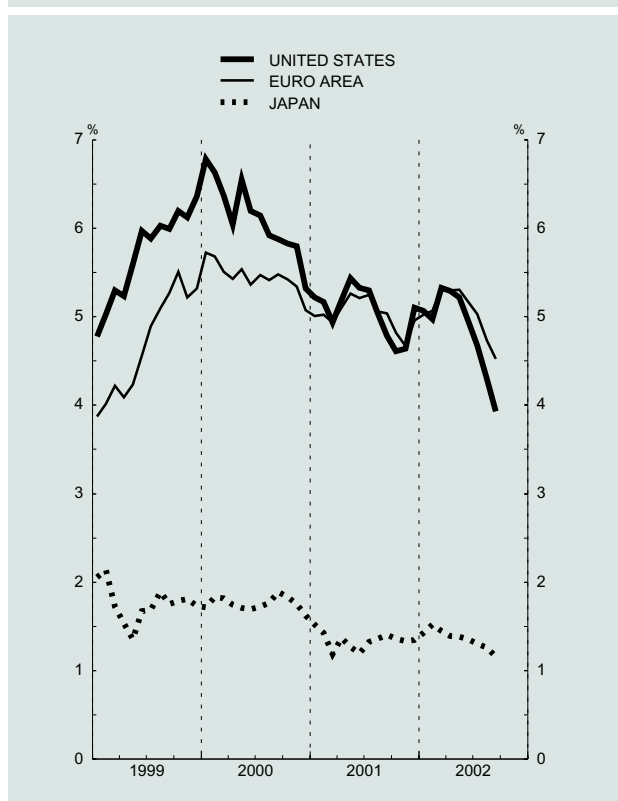
2.6. 10-year government bond yields on domestic markets

■ Series depicted in chart.

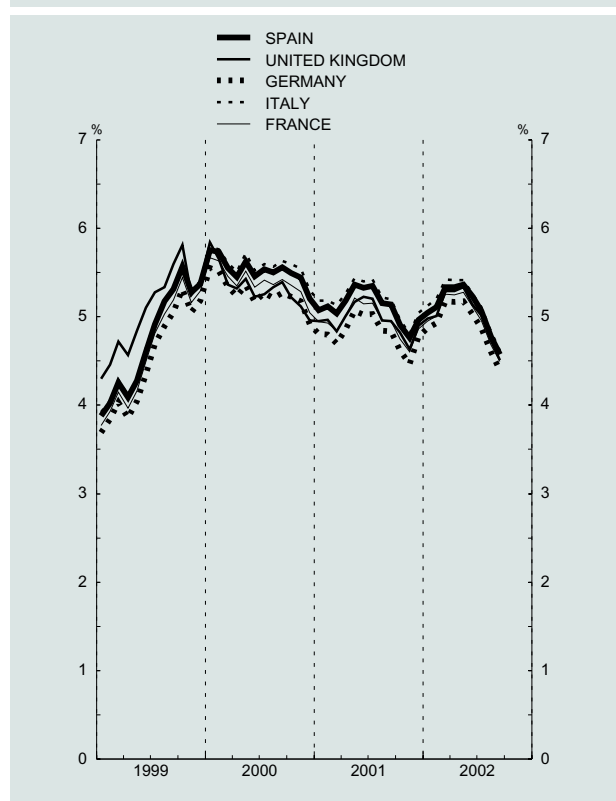
Percentages

	OECD	EU	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3	4	5	6	7	8	9	10
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
01	4.47	4.98	5.03	4.82	5.12	5.06	4.95	5.19	1.34	4.97
01 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
02 Jan	4.48	4.96	5.02	4.87	5.05	5.07	4.95	5.12	1.43	4.98
Feb	4.49	5.03	5.07	4.93	5.11	4.97	5.01	5.21	1.52	5.01
Mar	4.73	5.27	5.32	5.18	5.34	5.33	5.25	5.42	1.45	5.29
Apr	4.72	5.30	5.30	5.17	5.34	5.29	5.25	5.41	1.39	5.29
May	4.69	5.32	5.30	5.18	5.36	5.22	5.27	5.41	1.38	5.33
Jun	4.51	5.16	5.16	5.03	5.23	4.95	5.11	5.26	1.36	5.14
Jul	4.33	5.01	5.03	4.87	5.07	4.67	4.96	5.11	1.30	5.02
Aug	4.06	4.74	4.73	4.60	4.78	4.30	4.68	4.84	1.26	4.73
Sep	3.80	4.53	4.52	4.39	4.58	3.93	4.49	4.62	1.16	4.51

10-YEAR GOVERNMENT BOND YIELDS



10-YEAR GOVERNMENT BOND YIELDS



Sources: ECB, Reuters and BE.

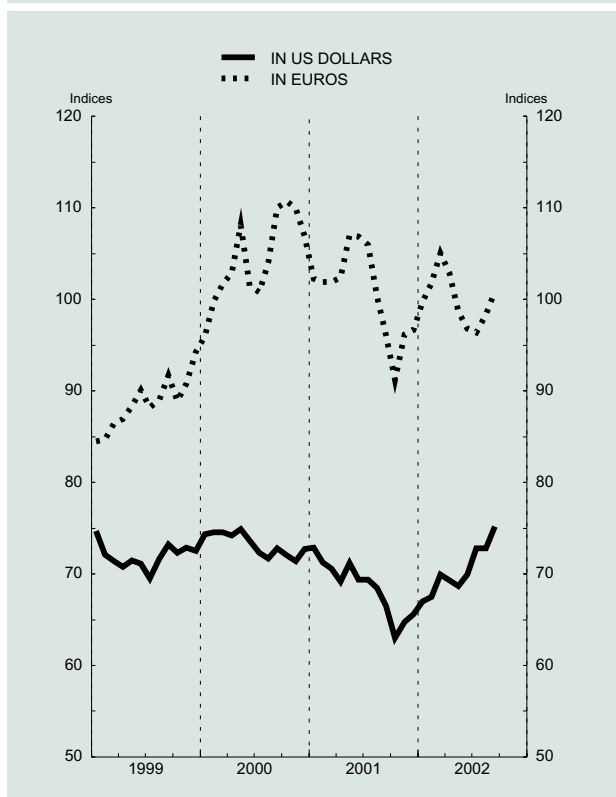
2.7 International markets: Non-energy commodities price index. Crude oil and gold price.

■ Series depicted in chart.

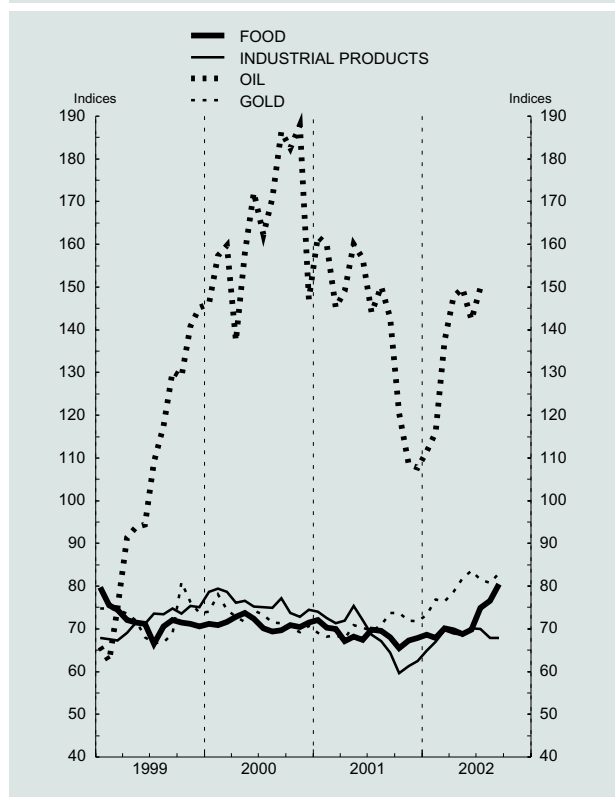
1995 = 100

	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	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
99	88.7	72.0	72.2	71.7	73.0	70.6	104.8	18.1	72.6	278.8	8.41
00	104.4	73.3	71.2	76.1	70.3	80.9	163.9	28.5	72.6	279.0	9.72
01	100.7	68.5	68.6	68.4	65.4	70.9	142.1	24.6	70.5	271.1	9.74
01 J-S	102.8	69.9	69.1	70.8	68.0	73.2	152.1	26.4	69.9	268.6	9.65
02 J-S	100.0	70.4	71.9	68.3	68.7	67.9	...	24.4	79.6	305.7	10.61
01 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	108.5	18.9	71.9	276.2	10.00
Dec	96.7	65.6	67.8	62.5	59.1	65.5	107.7	18.7	71.8	275.9	9.94
02 Jan	99.7	67.0	68.6	64.8	61.9	67.3	111.5	19.5	73.3	281.6	10.25
Feb	101.8	67.5	67.9	66.9	66.0	67.6	116.0	20.4	76.9	295.5	10.92
Mar	105.0	69.9	70.2	69.6	69.2	70.0	137.4	23.7	76.4	293.7	10.78
Apr	102.9	69.3	69.6	68.9	68.7	69.1	147.8	25.7	78.7	302.4	10.98
May	98.7	68.7	68.8	68.6	69.2	68.0	149.7	25.4	81.9	314.5	11.03
Jun	96.8	70.0	69.9	70.1	71.2	69.2	142.4	24.1	83.6	321.2	10.81
Jul	96.4	72.8	74.9	70.0	71.3	68.8	149.8	25.8	81.5	313.3	10.15
Aug	98.4	72.8	76.6	67.8	70.3	65.1	...	26.7	80.8	310.3	10.20
Sep	100.9	75.2	80.5	67.9	70.4	65.7	...	28.4	83.0	318.9	10.45

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.

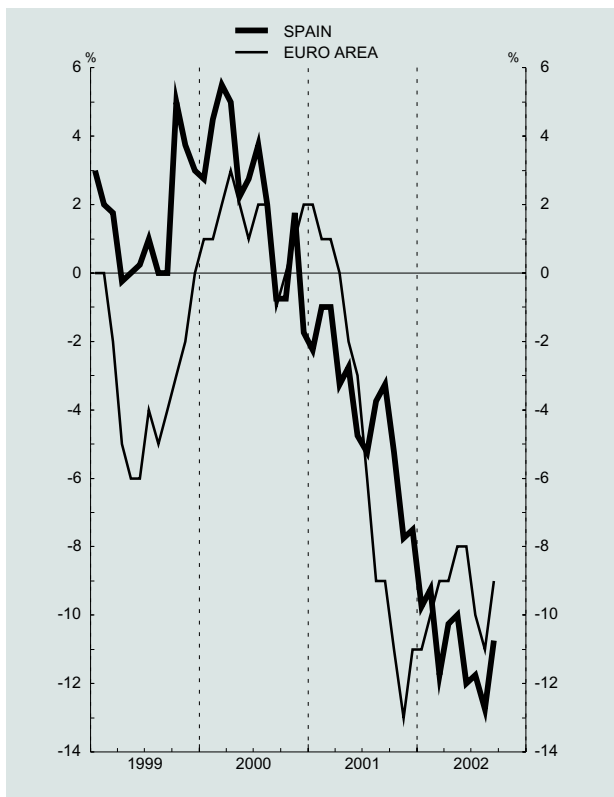
3.1. Indicators of private consumption. Spain and euro area

■ Series depicted in chart.

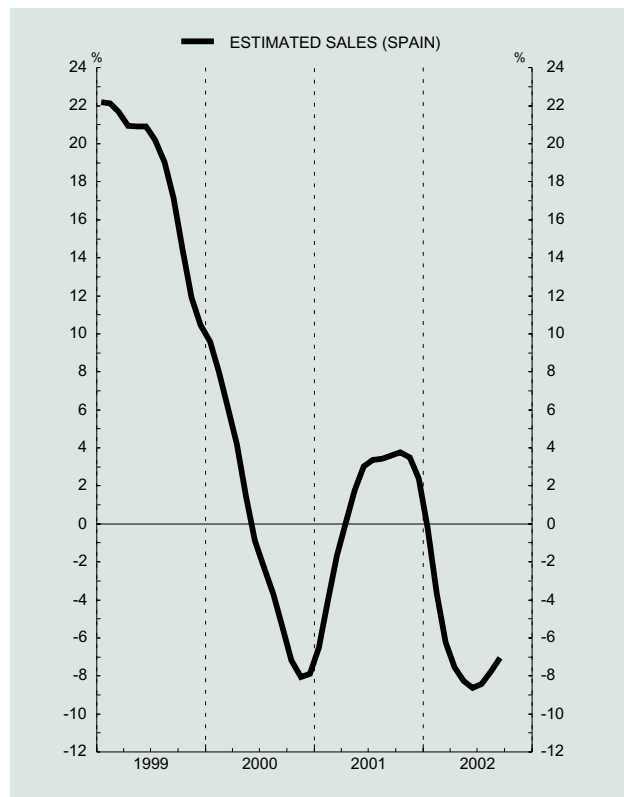
Annual percentage changes

	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)		Other (c)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16		
99	2	6	7	3	-3	-5	17.1	18.1	17.9	5.4	5.2	2.8	9.4	0.9	4.8	2.6	
00	2	5	7	3	1	-0	-2.4	-3.6	-1.8	-2.1	6.2	3.0	5.3	2.9	3.9	2.4	
01	-4	-3	4	-0	-5	-6	2.2	1.9	3.2	-0.6	7.1	3.4	3.5	5.1	1.5	1.4	
01 J-S	-3	-3	5	1	-3	-5	0.8	-0.4	1.8	...	7.3	3.3	2.7	5.3	1.3	1.5	
02 J-S	A -11	-7	-0	-3	-9	-17	-9.5	-8.5	-8.4	...	...	...	...	...	...	...
01 Oct	-5	-4	5	-3	-11	-9	11.0	11.0	11.9	3.3	7.6	4.5	7.2	6.4	2.3	0.5	
Nov	-8	-5	3	-6	-13	-9	2.5	3.9	3.0	3.3	5.4	2.7	6.4	4.0	0.7	2.1	
Dec	-8	-5	1	-1	-11	-10	8.3	14.5	10.8	0.8	6.1	3.3	4.3	2.9	2.8	0.7	
02 Jan	P -10	-6	-1	-3	-11	-13	1.7	1.6	4.6	-2.4	3.7	0.7	3.6	4.4	-2.1	0.2	
Feb	P -9	-6	1	-2	-10	-17	-10.3	-17.1	-9.3	-3.2	5.8	2.6	7.8	4.7	1.0	1.5	
Mar	P -12	-6	-2	-3	-9	-17	-23.6	-33.2	-14.1	-6.2	3.9	0.7	7.2	3.8	-1.4	1.3	
Apr	P -10	-6	-	-2	-9	-17	-6.6	-0.5	-7.7	-7.9	9.7	5.9	9.8	2.8	8.6	0.6	
May	P -10	-5	2	-2	-8	-18	-4.8	-6.9	-6.2	-6.8	7.3	3.6	9.8	1.3	5.6	0.6	
Jun	P -12	-8	-	-3	-8	-18	-16.5	-1.6	-16.4	-9.2	2.3	-1.1	3.5	-3.5	1.0	-1.0	
Jul	P -12	-10	-	-4	-10	-17	-6.1	-4.4	-6.0	-6.6	7.0	3.5	10.6	1.4	4.9	1.5	
Aug	P -13	-9	-2	-3	-11	-16	-9.1	-7.7	-10.1	-4.5	3.9	0.2	11.0	2.6	-1.0	...	
Sep	A -11	-5	-	-2	-9	-17	-2.2	-2.2	-4.1	...	...	...	...	...	...	...

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 total CPI.

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

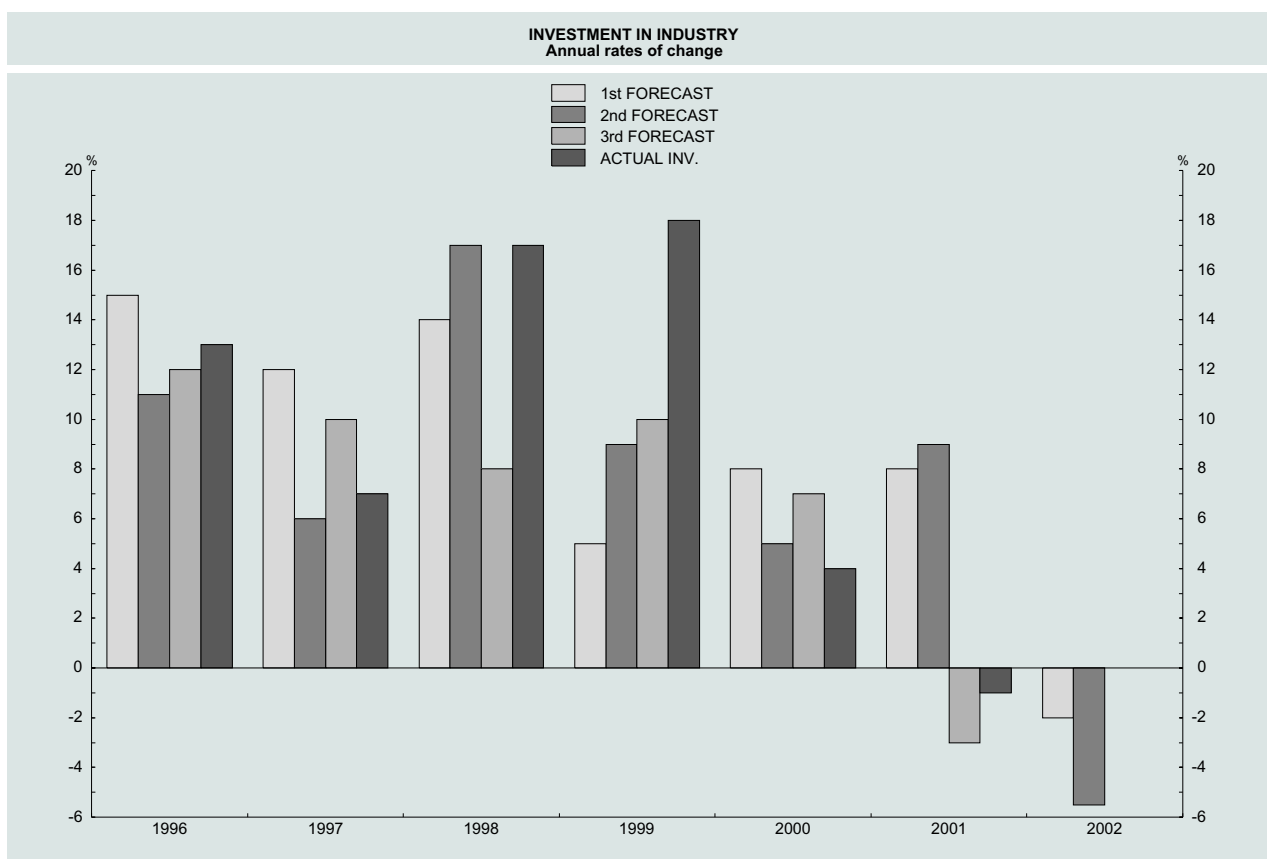
(c) Deflated by the total CPI excluding foods, beverages, and tobacco.

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	
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		-1	8	9	-3
02		...	-2	-6	...



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			For the month	Year to date	Total	Residential	of which					
										Housing	Non-residential				
1	2	3	4	5	6	7	8	9	10	11	12	13	14		
99	12.8	13.1	12.8	11.2	22.0	20.0	-9.7	-9.7	-1.2	15.4	-26.0	-6.6	-13.0	11.7	
00	10.6	10.1	10.0	13.1	5.1	3.9	-7.7	-7.7	-3.0	-23.7	-9.8	5.3	-9.8	11.0	
01	-3.7	-7.7	-8.3	14.6	-2.2	-5.5	43.3	43.3	62.0	137.3	108.0	40.4	34.7	9.7	
01 J-S	-4.1	-7.1	-8.6	9.0	-3.9	-8.6	36.5	36.5	54.6	137.9	66.6	29.5	27.8	8.9	
02 J-S	...	...	...	...	...	...	...	...	...	...	...	...	...	5.3
01 Jun	-11.3	-9.2	-10.4	-19.5	5.4	2.9	118.4	10.5	122.9	222.4	15.2	34.8	114.4	8.1	
Jul	5.7	-0.9	-1.6	31.4	13.8	7.7	106.3	25.8	53.0	172.9	194.0	27.9	139.5	12.9	
Aug	-11.6	-15.6	-15.4	10.5	1.8	-1.5	123.9	37.2	143.2	50.3	31.2	171.8	114.3	7.6	
Sep	9.8	8.2	7.5	18.3	0.2	1.6	29.3	36.5	49.3	140.0	287.5	21.4	18.9	1.9	
Oct	4.4	-1.5	0.4	32.8	3.1	14.5	114.8	45.1	45.2	-6.1	82.6	61.5	150.2	24.3	
Nov	-2.1	-6.8	-6.2	19.6	3.4	2.5	24.7	42.9	73.9	124.0	176.8	58.4	1.4	7.9	
Dec	-9.7	-18.9	-16.0	41.7	3.6	0.6	47.4	43.3	140.6	574.3	655.1	89.1	17.2	2.8	
02 Jan	-5.4	-10.7	-5.0	18.1	-1.5	-3.7	144.4	144.4	157.3	421.8	347.6	115.4	138.9	15.6	
Feb	0.2	2.9	2.6	-10.1	6.2	6.2	93.8	123.9	76.3	290.8	130.6	27.0	110.7	11.6	
Mar	-9.2	-11.0	-10.6	-2.1	-15.6	-19.1	42.1	87.5	6.1	-8.2	75.1	9.7	65.4	-6.7	
Apr	5.0	10.3	9.5	-13.5	8.9	20.3	15.4	61.6	112.8	73.8	312.7	127.3	-17.0	17.7	
May	4.2	14.5	12.6	-27.2	6.6	6.6	24.3	52.0	51.9	-2.7	7.4	74.9	9.0	0.3	
Jun	...	...	...	...	...	...	-40.4	19.2	-54.5	-87.5	-37.5	15.3	-27.0	-3.8
Jul	...	...	...	...	...	...	47.0	26.5	38.0	60.5	-32.8	28.0	50.6	9.7
Aug	...	...	...	...	...	...	...	...	...	...	...	...	...	-0.9
Sep	...	...	...	...	...	...	...	...	...	...	...	...	...	7.6

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.

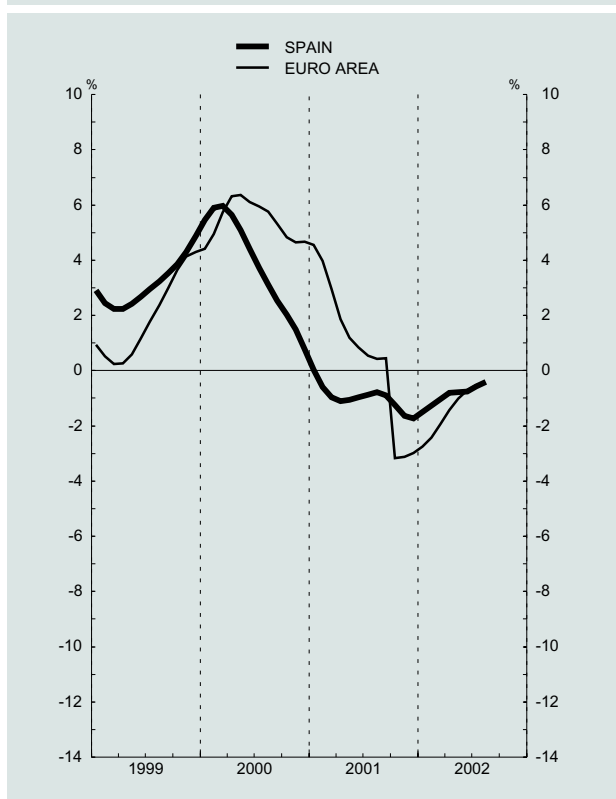
3.4. Industrial production index. Spain and euro area

■ Series depicted in chart.

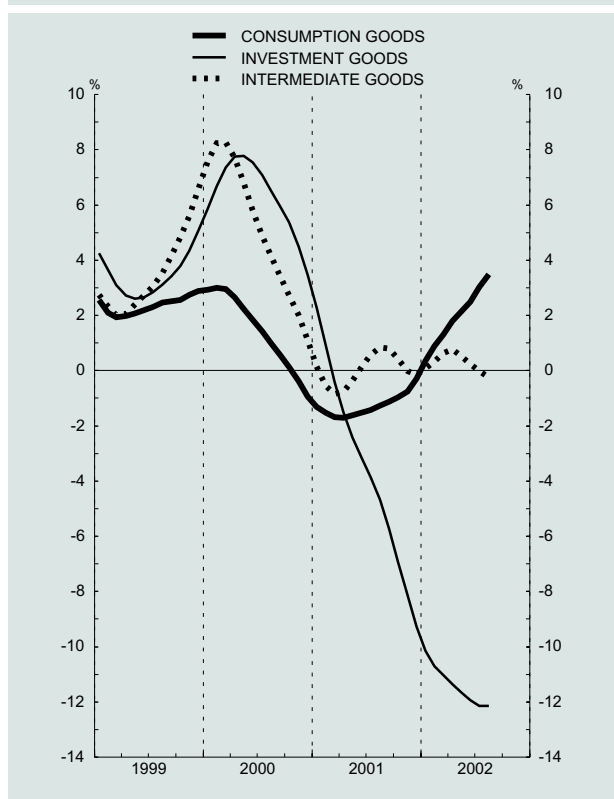
Annual percentage changes

		Overall Index			By end-use of goods			By branch of activity				Memorandum item: euro area				
		Total		of which	Consumption	Investment	Inter-mediate goods	Energy	Minerals	Process-ing	Others	of which		By end-use of goods		
		Original series	12-month % change	Manufac-turing								Total	Manufac-turing	Consumption	Investment	Inter-mediate goods
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
99	MP	118.1	2.6	2.3	1.9	3.2	3.1	4.0	4.1	0.5	3.1	1.9	1.9	1.6	2.5	1.9
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	2.2	9.4	5.9
01	MP	121.4	-1.2	-2.0	-1.6	-3.4	-0.1	3.0	-0.1	-3.8	-1.3	0.3	0.2	0.1	1.2	-0.7
01 J-A	MP	121.2	-0.6	-1.1	-1.2	-1.3	0.1	1.5	0.5	-1.4	-1.7	2.1	2.3	...	4.0	1.4
02 J-A	MP	120.0	-1.0	-1.5	2.0	-11.7	0.2	1.9	1.5	-7.0	1.5	-1.4	-1.9	...	-3.9	-0.6
01 May	P	131.9	-0.9	-1.8	-0.4	-4.2	-0.2	3.8	0.9	-3.6	-1.6	0.2	-0.1	-0.3	0.9	-0.9
Jun	P	129.4	-2.5	-3.5	-3.8	-4.4	-0.7	3.8	-0.1	-5.0	-4.1	2.0	2.2	1.5	3.2	1.6
Jul	P	128.0	-0.4	-0.9	-1.2	-4.1	1.7	3.6	1.2	-3.3	-0.3	-1.3	-1.5	-0.7	-2.0	-1.6
Aug	P	89.7	3.2	2.5	2.5	1.9	4.1	6.0	1.6	3.9	2.1	1.4	1.3	1.8	2.7	-0.1
Sep	P	121.5	-2.9	-3.7	-5.4	-2.3	-0.9	2.5	-0.9	-5.4	-4.0	-0.3	-0.5	-0.1	0.2	-1.5
Oct	P	130.6	3.0	2.4	2.6	1.2	3.9	6.0	3.3	0.1	4.2	-2.5	-2.8	-2.1	-2.7	-3.4
Nov	P	127.0	-4.7	-6.3	-3.4	-13.6	-2.7	3.8	-1.0	-13.2	-2.8	-4.1	-4.9	-3.0	-5.4	-6.0
Dec	P	107.4	-4.4	-7.6	-3.0	-14.8	-1.6	11.4	-7.7	-15.6	-	-4.5	-6.3	-3.8	-6.5	-8.5
02 Jan	P	123.5	-0.6	-1.9	2.4	-10.2	0.5	6.2	0.1	-7.1	1.8	-2.7	-3.6	-0.9	-6.1	-3.3
Feb	P	120.2	-0.6	-0.9	3.1	-10.6	0.1	1.7	2.6	-6.8	2.3	-2.9	-3.8	-1.1	-7.2	-2.3
Mar	P	118.2	-10.0	-11.7	-10.3	-21.9	-5.8	-0.5	-5.4	-18.8	-9.2	-2.0	-2.9	-1.5	-5.9	-0.3
Apr	P	126.5	10.6	10.6	15.7	-0.2	10.5	10.8	12.6	7.5	12.0	-0.9	-0.8	-1.6	-2.6	0.0
May	P	129.4	-1.9	-1.7	0.2	-10.0	-0.7	-1.7	-0.7	-5.9	1.3	-1.0	-1.7	-0.5	-4.8	0.4
Jun	P	123.6	-4.5	-5.5	-2.4	-17.4	-1.6	1.9	-0.7	-12.0	-2.6	-0.5	-1.0	-1.1	-1.9	-0.2
Jul	P	132.5	3.5	3.7	7.5	-5.0	3.3	2.9	6.0	-1.2	6.8	-0.3	-0.1	-2.1	-0.8	0.2
Aug	P	86.2	-3.9	-3.4	2.1	-20.9	-4.3	-5.5	-1.7	-12.0	0.8	-0.8	-1.0	...	-1.2	0.4

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.

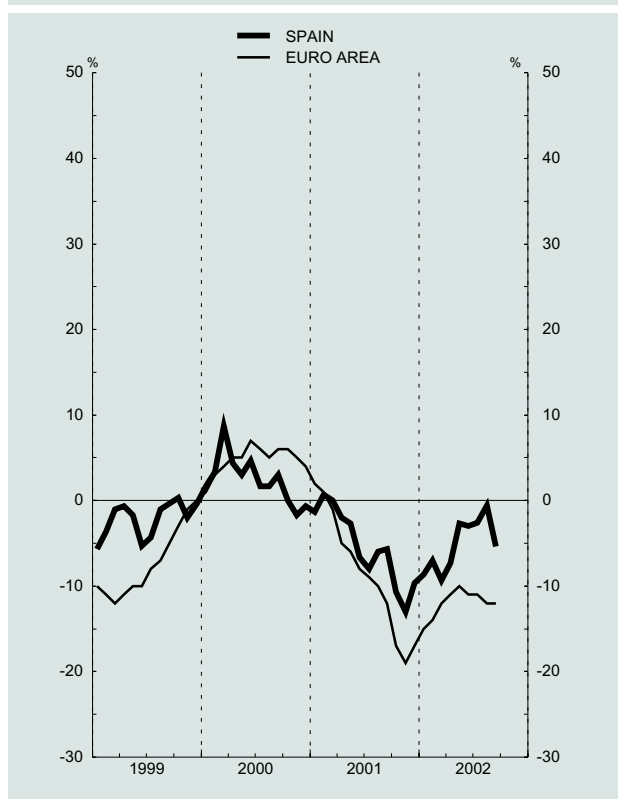
3.5. Monthly business survey: industry and construction. Spain and euro area

■ Series depicted in chart.

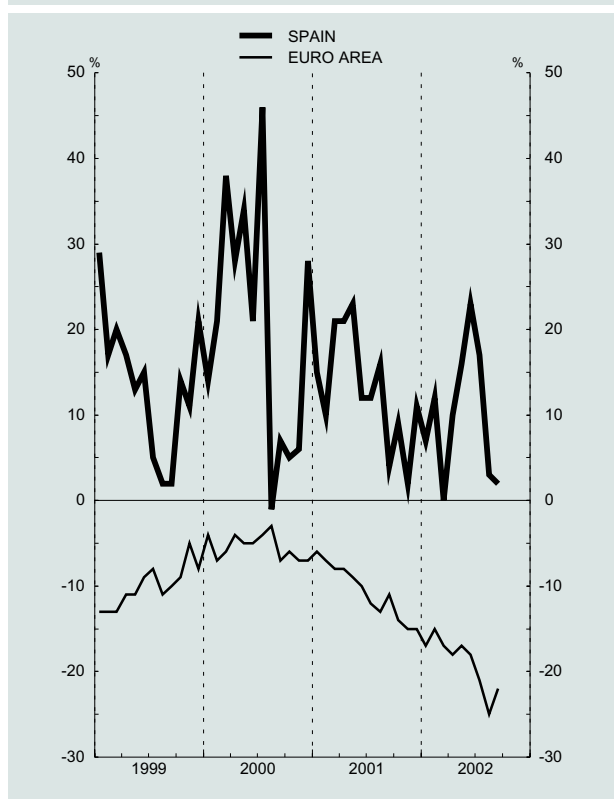
Balance

		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	13	14	15	16	17
99	M	-2	6	6	-4	-16	9	-0	-2	-4	14	20	18	40	26	-7	-16	-10
00	M	2	9	11	3	-4	7	2	1	4	21	12	21	41	37	5	3	-5
01	M	-5	-0	3	-9	-13	11	-5	-4	-7	13	10	21	37	38	-8	-14	-11
01	J-S	M	-4	2	7	-7	11	-3	-2	-5	15	16	21	33	41	-5	-9	-9
02	J-S	M	-5	-2	5	-12	8	-9	-6	-2	10	12	12	18	44	-12	-26	-19
01	Jun	-7	5	1	-7	-13	14	-5	-6	-8	12	11	30	62	58	-8	-11	-10
	Jul	-8	1	-4	-7	-13	13	-5	-9	-10	12	16	30	16	50	-9	-16	-12
	Aug	-6	-1	-	-9	-14	9	-7	-6	-5	16	4	24	33	32	-10	-16	-13
	Sep	-6	1	1	-10	-13	8	-4	-8	-7	4	2	26	54	50	-12	-19	-11
	Oct	-11	-4	-9	-12	-16	11	-9	-12	-12	9	4	35	49	52	-17	-25	-14
	Nov	-13	-8	-13	-15	-22	11	-9	-13	-16	2	-18	12	36	2	-19	-28	-15
	Dec	-10	-9	-3	-17	-22	9	-10	-6	-13	11	-8	15	56	38	-17	-28	-15
02	Jan	-9	-14	6	-22	-28	10	-12	-11	-6	7	-20	-2	14	34	-15	-28	-17
	Feb	-7	-11	7	-16	-17	12	-7	-5	-7	12	1	18	12	66	-14	-26	-15
	Mar	-9	-7	-2	-17	-19	9	-13	-13	-4	-	6	14	41	77	-12	-25	-17
	Apr	-7	-3	-	-14	-20	8	-13	-5	-4	10	18	20	-3	62	-11	-26	-18
	May	-3	3	7	-9	-15	6	-9	-5	3	16	20	11	20	71	-10	-23	-17
	Jun	-3	4	5	-6	-16	8	-2	-4	-3	23	10	22	14	62	-11	-25	-18
	Jul	-3	7	4	-7	-19	5	-9	-1	2	17	39	9	46	34	-11	-26	-21
	Aug	-1	4	11	-6	-15	7	-6	3	2	3	23	5	8	-25	-12	-30	-25
	Sep	-5	-	5	-14	-17	8	-6	-9	-3	2	10	12	6	19	-12	-27	-22

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) Before November 2001, 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.

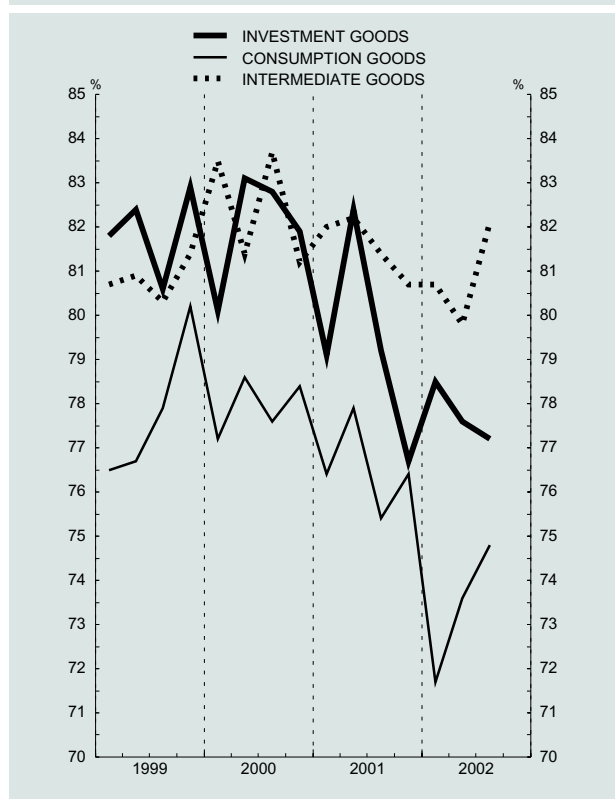
Percentages and balances

	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		4	5		6	7		8	9			10	11	12	13
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
01	79.2	80.3	3	76.5	78.0	3	79.4	81.1	2	81.6	82.0	2	83.2
01 Q1-Q3	79.5	80.9	2	76.6	78.6	2	80.2	81.8	1	81.9	82.4	1	83.7
02 Q1-Q3	77.4	79.7	8	73.4	76.1	13	77.8	80.3	8	80.9	82.5	4	80.8
00 Q1	80.5	82.1	-1	77.2	78.5	-	80.1	80.7	1	83.5	85.8	-3	82.9
00 Q2	80.7	81.1	-	78.6	78.3	2	83.1	84.2	2	81.4	82.2	-2	83.6
00 Q3	81.2	82.1	-1	77.6	78.5	-1	82.8	84.3	-4	83.7	84.3	-	83.9
00 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
01 Q2	80.6	81.5	2	77.9	80.2	2	82.4	83.3	-	82.2	81.8	1	83.6
01 Q3	78.7	80.2	2	75.4	78.2	1	79.2	80.4	3	81.4	81.9	3	83.0
01 Q4	78.3	78.6	6	76.4	76.0	7	76.7	79.0	5	80.7	80.6	5	81.8
02 Q1	76.9	78.5	5	71.7	73.5	6	78.5	80.0	5	80.7	82.1	5	80.8
02 Q2	77.0	80.7	8	73.6	78.0	10	77.6	81.2	5	79.8	82.7	6	80.8
02 Q3	78.4	79.8	12	74.8	76.7	22	77.2	79.8	14	82.1	82.6	1	80.7

CAPACITY UTILISATION. TOTAL INDUSTRY
Percentages



CAPACITY UTILISATION. BY TYPES OF GOODS
Percentages



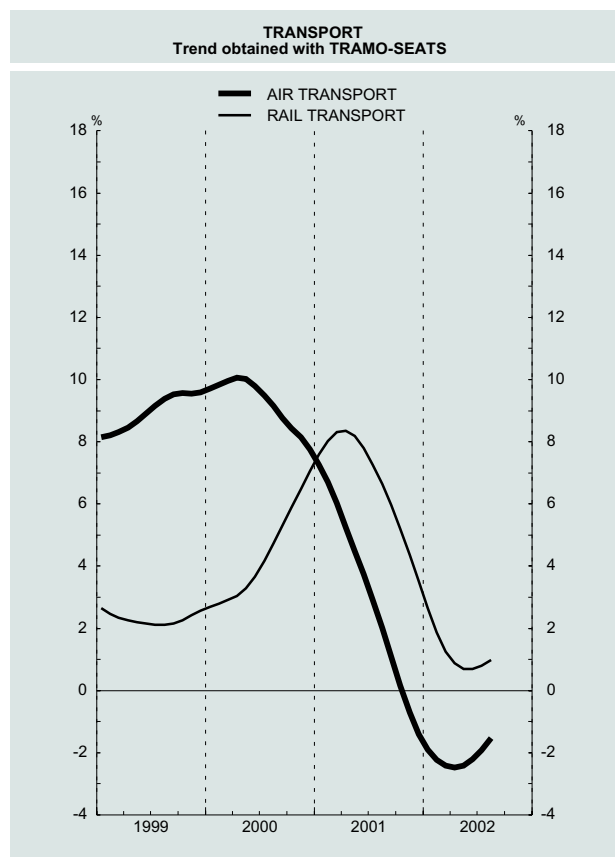
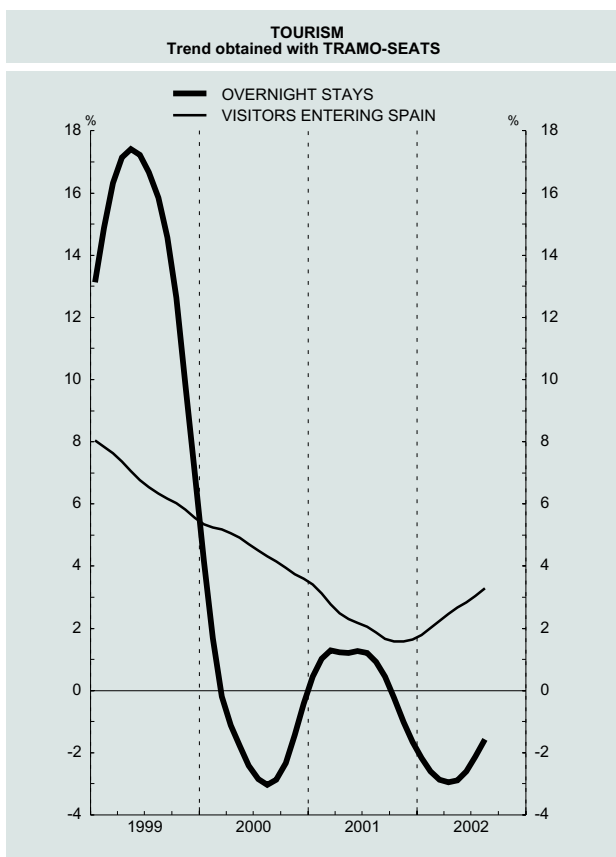
Sources: Ministerio de Ciencia y Tecnología and ECB

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-trippers	Passengers			Freight	Passengers	Freight	Passengers	Freight
	1	2	3	4	5	6	7	Total	Domestic flights	International flights	11	12	13	14	15
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	1.2	1.3	-1.5	-3.5	3.3	2.4	5.1	9.4	12.8	7.1	4.2	7.2	6.8	4.5	1.8
01	P 1.0	-0.6	0.7	-0.2	2.5	4.4	-0.9	3.0	0.8	4.5	-4.9	0.2	3.4	6.6	-0.6
01 J-A	2.1	1.0	1.1	0.1	4.2	6.4	0.3	5.4	2.6	7.3	-2.0	1.1	1.6	7.4	-1.0
02 J-A	P -0.3	-2.1	-2.7	-5.2	3.7	2.3	6.3	-2.7	-3.8	-1.9	-3.3	...	...	3.4	...
01 May	1.4	2.5	0.3	0.7	5.4	6.1	3.7	4.3	0.4	6.9	1.8	1.2	0.3	5.6	4.1
Jun	1.9	0.5	-0.8	-2.3	5.3	7.0	1.2	5.3	-0.0	8.7	-1.4	1.1	-2.5	3.8	-16.4
Jul	0.5	-0.8	1.7	1.7	2.7	1.8	4.5	2.5	-0.4	4.2	-7.0	1.0	-0.4	7.1	1.1
Aug	2.6	2.3	2.3	1.9	7.2	14.7	-4.0	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	17.2
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	-8.2
Nov	P -0.7	-6.3	0.4	-3.2	-0.7	1.8	-4.6	-3.2	-2.8	-3.5	-11.9	-6.4	7.6	13.1	1.4
Dec	P -4.0	-5.9	-3.0	-3.4	-0.3	-2.1	1.7	-5.4	-9.4	-1.4	-10.6	-0.9	3.9	0.8	-6.7
02 Jan	P -4.1	-6.5	-3.7	-3.2	-0.1	-2.8	3.8	-4.5	-5.3	-3.7	-5.9	-1.5	8.4	4.0	1.3
Feb	P -0.7	-0.1	-2.6	-4.3	6.1	3.9	9.3	-1.3	-2.3	-0.4	-7.1	2.0	5.9	3.9	0.4
Mar	P 8.9	4.2	7.5	-0.3	12.9	12.0	14.6	1.9	-1.8	4.7	-13.4	19.0	5.4	-4.0	-7.2
Apr	P -9.5	-5.0	-13.1	-9.3	-6.0	-11.1	3.4	-9.0	-7.2	-10.2	-1.9	-6.6	8.9	16.1	19.4
May	P 0.8	-3.6	-2.8	-7.3	3.6	1.1	8.9	-3.3	-4.4	-2.6	-1.1	-1.6	6.9	0.3	-8.5
Jun	P -3.3	-5.1	-4.8	-6.5	2.9	-0.8	12.1	-4.0	-6.7	-2.4	-0.7	3.6	6.2	0.1	1.8
Jul	P 0.6	-2.4	-3.0	-6.1	0.8	0.8	0.9	-2.4	-1.6	-2.9	5.4	...	...	4.7	...
Aug	P 3.5	1.6	0.9	-2.4	8.6	10.9	4.4	0.8	-1.5	2.1	0.2	...	...	3.3	...



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.

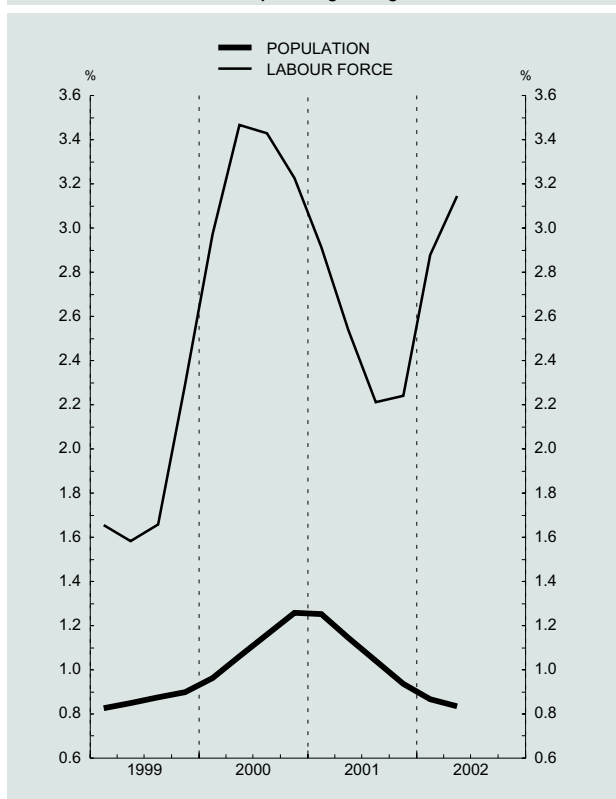
4.1. Labour force. Spain

■ Series depicted in chart.

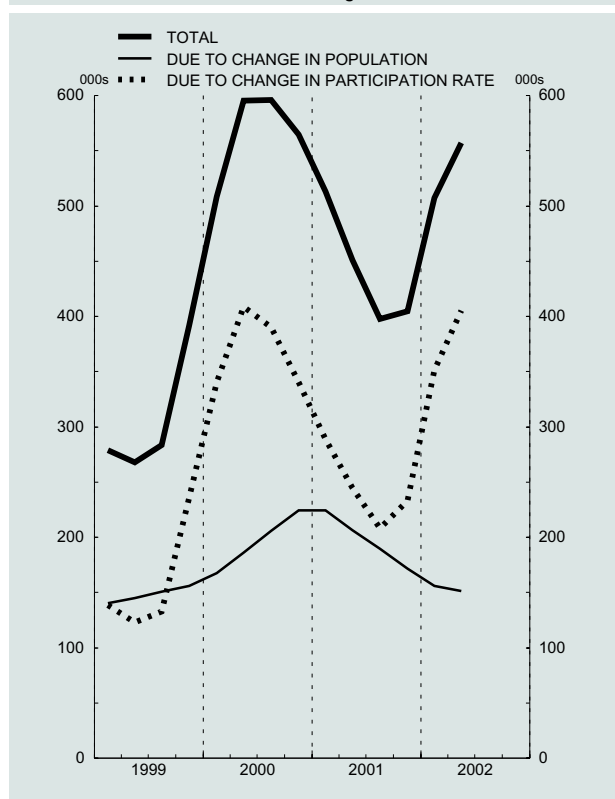
Thousands and annual percentage changes

		Population over 16 years of age			Participation rate (%)	Labour force				
		Thousands	Annual change	4-quarter % change		Thousands (a)	Annual change (b) (c)			4-quarter % change (b)
							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
99	M	32 958	282	0.9	52.46	17 290	306	148	158	1.8
00	M	33 324	366	1.1	53.58	17 857	566	196	370	3.3
01	M	33 689	364	1.1	52.88	17 815	442	198	244	2.5
01	Q1-Q2 M	33 614	398	1.2	52.57	17 670	964	431	533	2.7
02	Q1-Q2 M	33 901	286	0.9	53.69	18 202	1 064	308	757	3.0
99	Q4	33 071	295	0.9	52.94	17 506	392	156	236	2.3
00	Q1	33 162	316	1.0	53.10	17 610	508	168	341	3.0
	Q2	33 270	349	1.1	53.39	17 764	595	186	409	3.5
	Q3	33 378	382	1.2	53.87	17 981	596	206	390	3.4
	Q4	33 486	416	1.3	53.97	18 071	565	224	341	3.2
01	Q1	33 577	415	1.3	52.50	17 629	513	224	289	2.9
	Q2	33 652	381	1.1	52.63	17 710	451	206	245	2.5
	Q3	33 726	348	1.0	53.09	17 907	398	189	208	2.2
	Q4	33 800	314	0.9	53.29	18 013	405	171	233	2.2
02	Q1	33 869	292	0.9	53.55	18 137	507	156	351	2.9
	Q2	33 933	281	0.8	53.83	18 267	557	151	406	3.1

LABOUR FORCE SURVEY
Annual percentage change



LABOUR FORCE
Annual changes



Source: INE (Labour Force Survey: 2002 methodology).

(a) the new definition of unemployment applies from 2001 Q1 onwards, entailing a break in the series. (See www.ine.es).

(b) To calculate the annual percentage changes and annual changes, the INE homogeneous series has been used up to December 2001, and from January 2002, the column 5 series. For this reason the annual percentage changes and annual changes for 2001 cannot be obtained by using the column 5 series. For further information, methodological notes may be consulted at INE's website(www.ine.es).

(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).

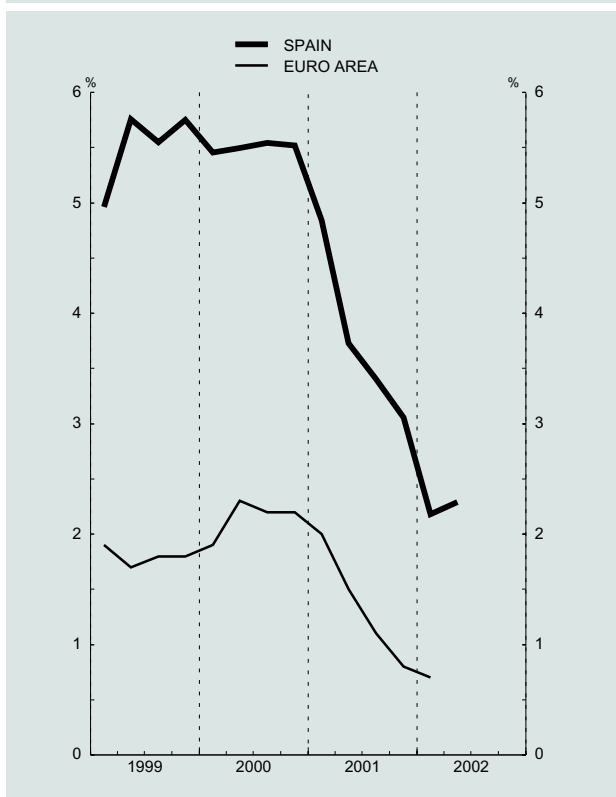
4.2. Employment and wage-earners. Spain and euro area (a)

■ Series depicted in chart.

Thousands and annual percentage changes

		Employment									Unemployment			Memorandum item: euro area		
		Total			Wage-earners			Other			Thousands (a)	Annual change (b)	4-quarter % change (b)	Unem- ployment rate (a)	Employ- ment 4-quarter % change	Unem- ployment rate
		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
99	M	14 568	760	5.5	11 474	809	7.6	3 094	-49	-1.5	2 722	-455	-14.3	15.75	1.8	9.35
00	M	15 370	802	5.5	12 286	811	7.1	3 084	-10	-0.3	2 487	-235	-8.6	13.93	2.2	8.38
01	M	15 946	576	3.7	12 787	501	4.1	3 159	75	2.4	1 869	-134	-5.4	10.49	1.4	8.01
01	Q1-Q2M	15 795	648	4.3	12 627	555	4.6	3 167	93	3.0	1 875	-166	-6.5	10.61	1.8	8.00
02	Q1-Q2M	16 148	353	2.2	13 002	375	3.0	3 146	-21	-0.7	2 054	179	9.5	11.28	...	8.19
99	Q4	14 825	806	5.7	11 767	884	8.1	3 058	-78	-2.5	2 682	-414	-13.4	15.32	1.8	8.97
00	Q1	14 988	775	5.5	11 913	816	7.4	3 074	-41	-1.3	2 622	-267	-9.2	14.89	1.9	8.73
	Q2	15 306	798	5.5	12 231	834	7.3	3 075	-36	-1.2	2 457	-202	-7.6	13.83	2.3	8.46
	Q3	15 542	816	5.5	12 456	820	7.0	3 086	-4	-0.1	2 439	-220	-8.3	13.57	2.2	8.27
	Q4	15 643	818	5.5	12 542	775	6.6	3 101	43	1.4	2 428	-253	-9.4	13.44	2.2	8.07
01	Q1	15 713	725	4.8	12 563	649	5.4	3 150	76	2.5	1 916	-212	-8.1	10.87	2.0	8.03
	Q2	15 877	571	3.7	12 692	461	3.8	3 184	109	3.6	1 833	-120	-4.9	10.35	1.5	7.97
	Q3	16 072	529	3.4	12 928	472	3.8	3 144	58	1.9	1 835	-132	-5.4	10.25	1.1	7.99
	Q4	16 121	478	3.1	12 964	422	3.4	3 157	56	1.8	1 892	-74	-3.0	10.50	0.8	8.06
02	Q1	16 055	342	2.2	12 909	347	2.8	3 146	-4	-0.1	2 081	165	8.6	11.47	0.7	8.14
	Q2	16 241	364	2.3	13 095	403	3.2	3 146	-39	-1.2	2 026	193	10.5	11.09	...	8.23

EMPLOYMENT
Annual percentage changes



LABOUR FORCE: COMPONENTS
Annual percentage changes



Source: INE (Labour Force Survey: 2002 methodology), and ECB.

(a) the new definition of unemployment applies from 2001 Q1 onwards, entailing a break in the series. (See www.ine.es).

(b) To calculate the annual percentage changes and annual changes, the INE homogeneous series has been used up to December 2001, and from January 2002, the column 10 series. For this reason the annual percentage changes and annual changes for 2001 cannot be obtained by using the column 10 series. For further information, methodological notes may be consulted at INE's website(www.ine.es).

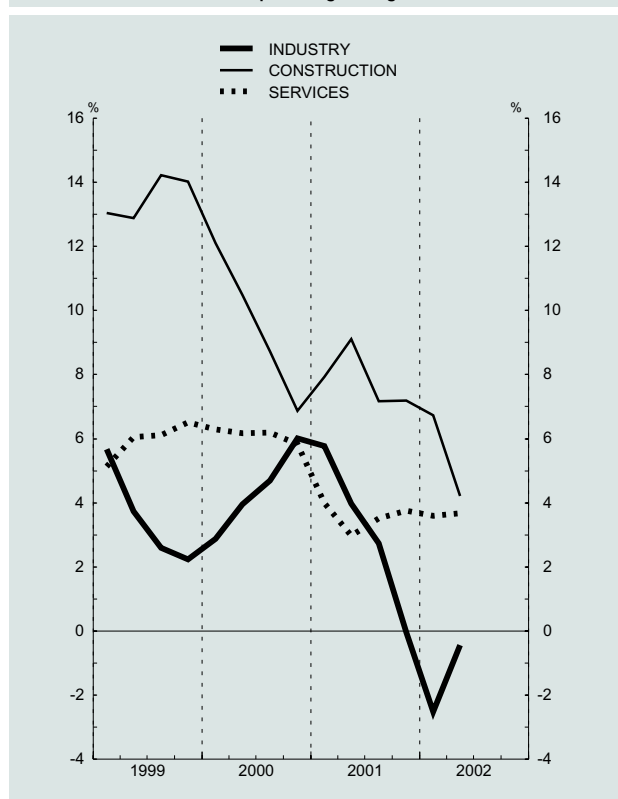
4.3. Employment by branch of activity. Spain (a)

■ Series depicted in chart.

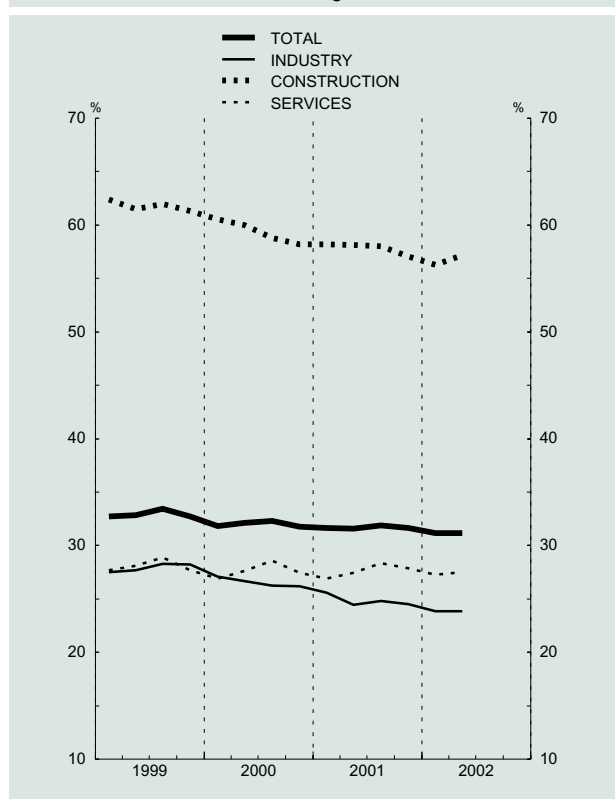
Annual percentage changes

		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
99	M	5.5	7.6	32.9	-3.2	0.5	61.1	3.5	4.3	27.9	13.6	15.7	61.8	6.0	8.0	28.1	6.2	7.0	7.1
00	M	5.5	7.1	32.0	-2.6	-1.6	59.0	4.4	5.0	26.5	9.5	10.0	59.4	6.1	7.8	27.6	6.1	6.5	6.7
01	M	3.7	4.1	31.7	0.7	5.0	61.6	3.1	2.8	24.8	7.8	8.3	57.8	3.6	3.7	27.6	4.0	3.8	3.1
01	Q1-Q2M	4.3	4.6	-1.2	3.0	8.7	6.5	4.9	4.6	-6.9	8.5	8.8	-3.5	3.5	3.6	-0.4	3.9	3.9	2.6
02	Q1-Q2M	2.2	3.0	-1.3	-5.1	-5.6	-5.9	-1.5	-1.2	-4.7	5.4	5.2	-2.4	3.6	4.5	0.8	2.9	2.5	3.3
99	Q4	5.7	8.1	32.7	-2.2	2.4	59.7	2.2	3.1	28.2	14.0	15.8	61.3	6.5	9.1	27.7	6.4	7.1	7.7
00	Q1	5.5	7.4	31.8	-3.6	-3.9	59.4	2.9	4.0	27.1	12.1	12.8	60.5	6.3	8.4	26.9	6.2	6.8	7.4
	Q2	5.5	7.3	32.1	-3.2	-1.8	60.2	3.9	4.5	26.7	10.5	11.9	60.0	6.2	8.1	27.6	6.2	6.7	7.1
	Q3	5.5	7.0	32.3	-2.9	-2.6	56.0	4.7	4.9	26.3	8.7	9.3	58.8	6.2	7.9	28.6	6.2	6.6	7.0
	Q4	5.5	6.6	31.7	-0.8	2.0	60.5	6.0	6.5	26.2	6.9	6.5	58.2	5.8	6.9	27.5	6.0	5.8	5.4
01	Q1	4.8	5.4	31.6	4.8	13.0	65.5	5.8	5.5	25.6	7.9	8.3	58.2	4.0	4.5	26.9	4.8	4.8	3.7
	Q2	3.7	3.8	31.6	1.2	4.2	61.8	4.0	3.7	24.5	9.1	9.3	58.1	3.0	2.8	27.5	3.9	3.9	2.6
	Q3	3.4	3.8	31.9	-2.3	1.1	57.5	2.7	2.6	24.8	7.2	7.5	58.0	3.5	3.7	28.3	3.8	3.4	2.8
	Q4	3.1	3.4	31.7	-1.1	1.2	61.4	-0.0	-0.3	24.5	7.2	8.1	57.0	3.7	4.0	27.8	3.3	3.1	3.4
02	Q1	2.2	2.8	31.2	-4.3	-4.7	61.8	-2.5	-2.3	23.9	6.7	6.6	56.3	3.6	4.3	27.3	2.7	2.2	3.0
	Q2	2.3	3.2	31.2	-6.0	-6.5	58.0	-0.4	-0.1	23.9	4.2	3.9	57.2	3.7	4.7	27.5	2.9	2.5	3.3

EMPLOYMENT
Annual percentage changes



TEMPORARY EMPLOYMENT
Percentages



Source: INE (Labour Force Survey: 2002 methodology).

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.

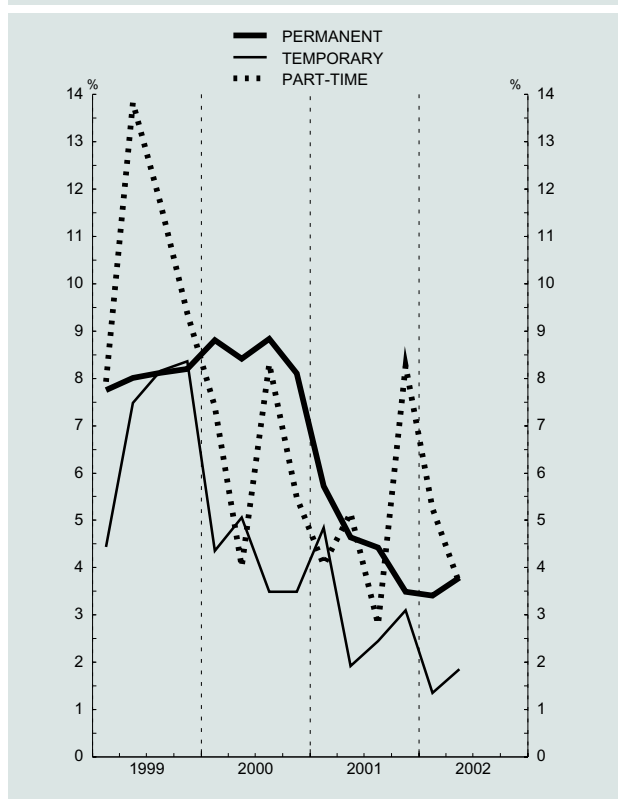
4.4. Wage-earners by type of contract and unemployment by duration. Spain. (a)

■ 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 (a)		
		Permanent		Temporary			Full-time		Part-time			Less than one year		More than one year				
Annual change	4-quar-ter % change	Annual change	4-quar-ter % change	Proportion of temporary em-ployment	Annual change	4-quar-ter % change	Annual change	4-quar-ter % change	As % for wage earners	Unem-ployment rate	4-quar-ter % change	Unem-ployment rate	4-quar-ter % change	Entail-ing a change of residence	With a lower wage	Requir-ing fewer skills		
Thousands		Thousands			Thousands		Thousands				(a)	(b)	(a)	(b)				
1		2		3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
99	M	572	8.0	251	7.1	32.91	719	7.3	90	10.7	8.10	7.46	-9.6	7.84	-20.1	23.26	54.53	60.45
	M	657	8.5	154	4.1	32.00	753	7.1	58	6.3	8.04	7.08	-2.1	6.43	-15.4	23.04	52.44	58.49
	M	381	4.6	120	3.1	31.68	451	4.0	50	5.1	8.11	5.39	-5.6	4.24	-12.9	20.88	45.87	51.01
01	Q1-Q2M	426	5.2	130	3.4	31.59	410	3.6	46	4.6	8.22	5.36	-7.6	4.39	-13.3	20.89	45.79	51.03
02	Q1-Q2M	311	3.6	64	1.6	31.17	364	3.1	46	4.4	8.34	6.29	21.0	4.24	-0.4	20.29	44.16	50.06
99	Q4	600	8.2	297	8.4	32.70	805	8.0	80	9.4	7.88	7.52	-8.1	7.42	-19.4	23.02	54.60	60.85
00	Q1	658	8.8	158	4.4	31.80	748	7.3	68	7.4	8.25	7.48	-2.1	6.99	-16.7	23.02	52.42	58.57
	Q2	644	8.4	190	5.1	32.14	795	7.6	39	4.0	8.19	6.95	-1.5	6.48	-13.4	22.47	54.48	61.07
	Q3	684	8.8	136	3.5	32.31	745	6.9	75	8.3	7.90	6.88	-0.8	6.19	-15.4	23.57	52.22	57.99
	Q4	641	8.1	134	3.5	31.74	725	6.7	51	5.5	7.80	7.00	-3.8	6.05	-15.8	23.11	50.66	56.33
01	Q1	466	5.7	184	4.8	31.62	609	5.6	40	4.1	8.14	5.40	-10.7	4.57	-13.3	21.13	45.78	50.81
	Q2	386	4.6	76	1.9	31.56	410	3.6	52	5.1	8.30	5.31	-4.3	4.20	-13.3	20.65	45.80	51.25
	Q3	373	4.4	99	2.5	31.89	444	3.9	28	2.8	7.82	5.23	-5.7	4.09	-13.0	21.21	44.58	49.44
	Q4	299	3.5	123	3.1	31.66	341	2.9	81	8.3	8.17	5.62	-1.4	4.11	-12.0	20.52	47.31	52.55
02	Q1	293	3.4	54	1.3	31.18	293	2.5	54	5.2	8.34	6.34	20.6	4.38	-1.6	20.91	43.48	49.45
	Q2	329	3.8	74	1.9	31.16	364	3.1	39	3.7	8.34	6.25	21.3	4.10	0.8	19.67	44.84	50.67

WAGE-EARNERS
Annual percentage changes



UNEMPLOYMENT
Unemployment rate



Source: INE (Labour Force Survey: 2002 methodology).

(a) the new definition of unemployment applies from 2001 Q1 onwards, entailing a break in the series. (See www.ine.es).

(b) To calculate the annual percentage changes and annual changes, the INE homogeneous series has been used up to December 2001, and from January 2002, the new definition of unemployment. For further information, methodological notes may be consulted at INE's website(www.ine.es).

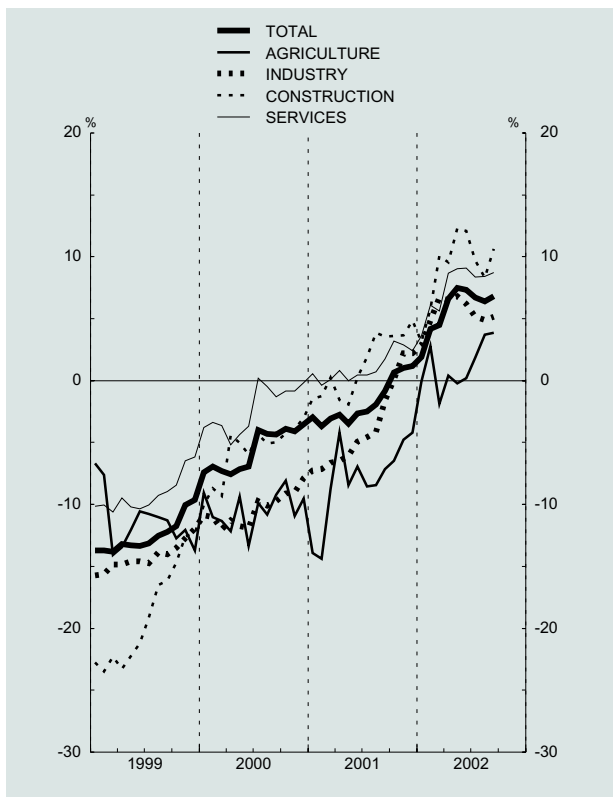
4.5. Registered unemployment by branch of activity. Contracts and placements. Spain

■ Series depicted in chart.

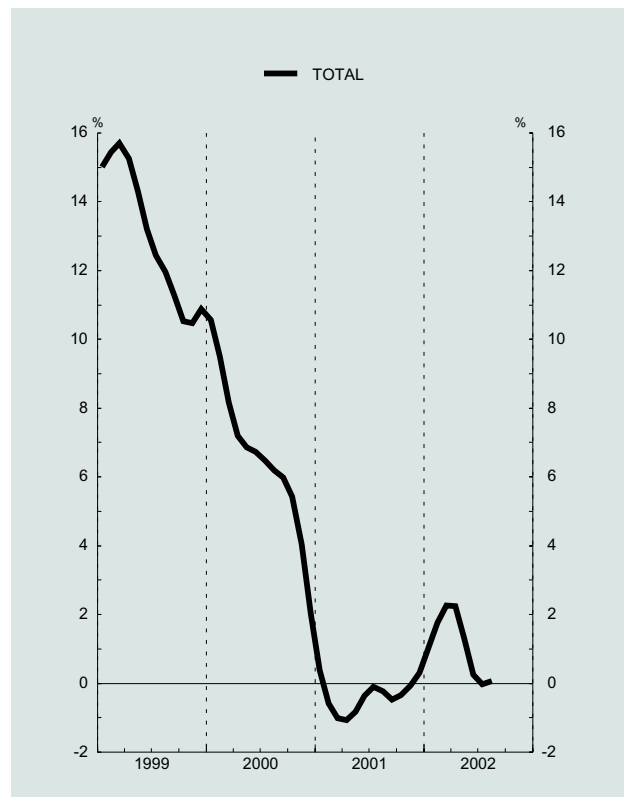
Thousands, annual percentage changes and %

		Registered unemployment										Contracts					Placements	
		Total			First time job-seekers	Previously employed					Total		Percentage of total			Total		
		Thousands	Annual change Thousands	12 month % change	12 month % change	12-month % change						Thousands	12 month % change	Perma- nent	Part time	Temporary	Thousands	12 month % change
Total	Agriculture					Branches other than agriculture												
						Total	Industry	Construction	Services									
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
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
01	M	1 530	-28	-1.8	-9.6	-0.2	-8.2	0.1	-3.8	1.3	1.1	1 171	1.6	9.26	18.40	90.74	1 133	-0.2
01 J-S	M	1 519	-42	-2.7	-10.5	-1.1	-9.1	-0.8	-5.5	0.3	0.5	1 144	0.7	9.18	17.72	90.82	1 109	-1.0
02 J-S	MP	1 606	87	5.7	-1.5	7.0	1.1	7.2	5.4	8.9	7.4	1 166	1.9	9.11	18.79	90.89	...	...
01 Aug		1 459	-29	-1.9	-10.5	-0.2	-8.4	0.1	-4.1	3.9	0.7	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	1.7	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	3.2	1 477	8.7	9.78	21.59	90.22	1 421	6.1
Nov		1 573	16	1.0	-6.8	2.6	-4.8	2.8	2.2	3.7	2.9	1 324	4.6	9.52	20.19	90.48	1 272	2.3
Dec		1 575	18	1.2	-5.7	2.5	-4.2	2.7	2.2	4.9	2.4	960	-1.8	9.17	19.53	90.83	921	-4.3
02 Jan		1 652	31	1.9	-5.7	3.3	-0.1	3.4	2.8	3.2	3.6	1 270	6.0	8.69	17.43	91.31	1 227	3.9
Feb		1 666	67	4.2	-4.0	5.7	2.8	5.8	4.8	5.8	6.1	1 140	4.2	10.02	17.80	89.98	1 108	2.5
Mar		1 649	71	4.5	-4.3	6.1	-1.9	6.4	6.7	10.1	5.6	1 000	-10.4	10.64	18.00	89.36	964	-12.5
Apr		1 636	101	6.6	-1.3	8.1	0.4	8.3	6.5	9.6	8.7	1 247	23.3	10.14	18.29	89.86	1 200	22.6
May		1 589	111	7.5	1.1	8.7	-0.2	9.0	6.8	12.3	9.0	1 238	0.2	9.40	18.86	90.60	1 190	2.0
Jun		1 567	107	7.3	0.8	8.6	0.2	8.9	6.2	12.1	9.1	1 074	-9.6	8.86	18.98	91.14	1 037	-8.9
Jul	P	1 548	97	6.7	1.2	7.7	1.8	7.9	5.2	9.7	8.4	1 318	4.7	7.72	20.34	92.28	1 281	5.5
Aug	P	1 552	93	6.4	-0.2	7.6	3.7	7.7	4.9	8.3	8.4	1 019	-4.0	7.73	19.37	92.27	992	-2.9
Sep	P	1 590	102	6.8	-0.1	8.1	3.9	8.3	5.2	10.6	8.7	1 187	5.0	8.78	20.01	91.22	...	...

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.

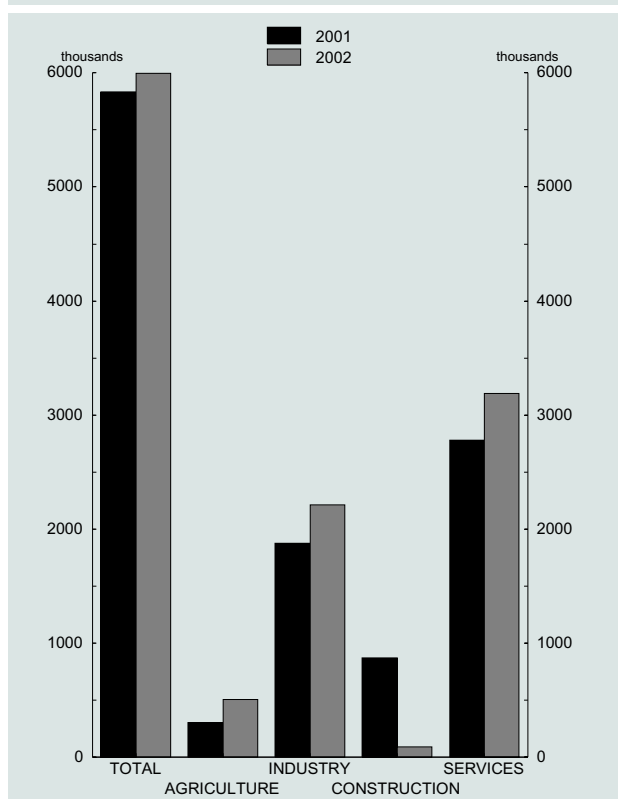
4.6. Collective bargaining agreements

■ Series depicted in chart.

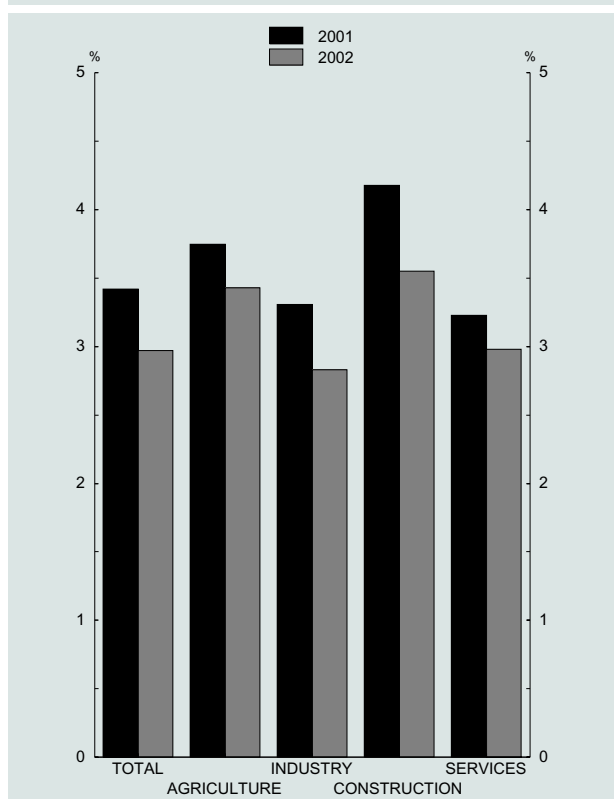
Thousands and %

	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		
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		
	9 230	3.72	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	9 080	3.68	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	
01	Mar	8 444	3.63	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	8 724	3.64	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	8 919	3.67	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	8 966	3.68	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	8 986	3.68	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	8 987	3.68	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	9 054	3.68	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	9 066	3.68	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	9 067	3.68	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	9 080	3.68	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	
	02	Jan	5 706	2.96	2 269	1	2 270	643	260	658	5	1 348	2.72	3.18	2.72	3.48	2.90	2.43	2.48
		Feb	5 714	2.96	2 480	4	2 484	-783	260	746	25	1 453	2.71	3.36	2.71	3.48	2.87	3.74	2.47
Mar		5 726	2.96	3 784	117	3 901	3	318	1 332	27	2 224	2.74	2.82	2.74	3.28	2.88	3.68	2.57	
Apr		5 819	2.96	4 768	222	4 990	445	425	1 775	28	2 763	2.78	7.15	2.98	3.59	2.81	3.64	2.98	
May		5 984	2.97	4 869	285	5 154	583	498	1 804	28	2 824	2.78	6.17	2.97	3.44	2.82	3.64	2.97	
Jun		5 988	2.97	5 157	405	5 562	784	498	2 031	32	3 000	2.78	5.13	2.95	3.44	2.82	3.59	2.96	
Jul		5 990	2.97	5 230	622	5 852	623	503	2 158	53	3 139	2.79	4.45	2.96	3.43	2.82	3.66	2.97	
Aug		5 990	2.97	5 234	761	5 995	162	503	2 213	90	3 189	2.79	4.24	2.97	3.43	2.83	3.55	2.98	

EMPLOYEES AFFECTED
January-August



AVERAGE WAGE SETTLEMENT
January-August



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

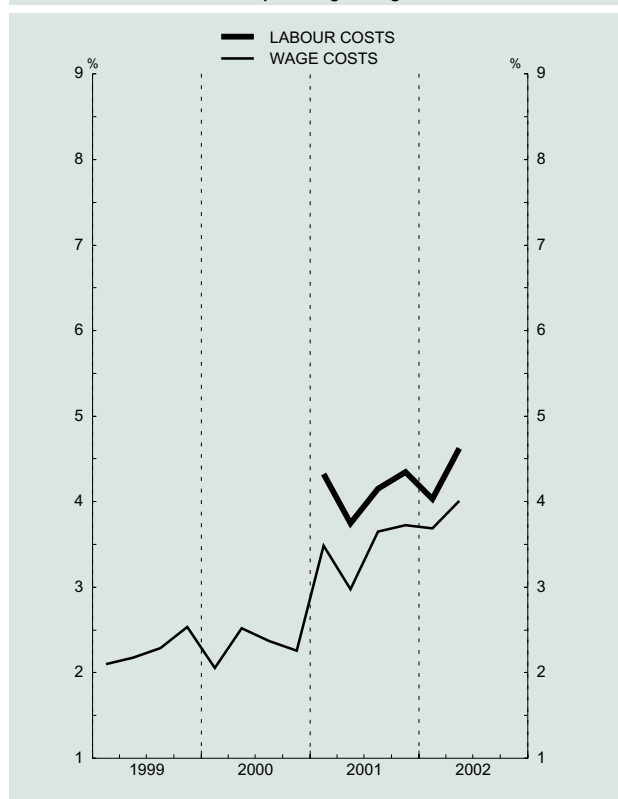
4.7. Labour costs index

■ Series depicted in chart.

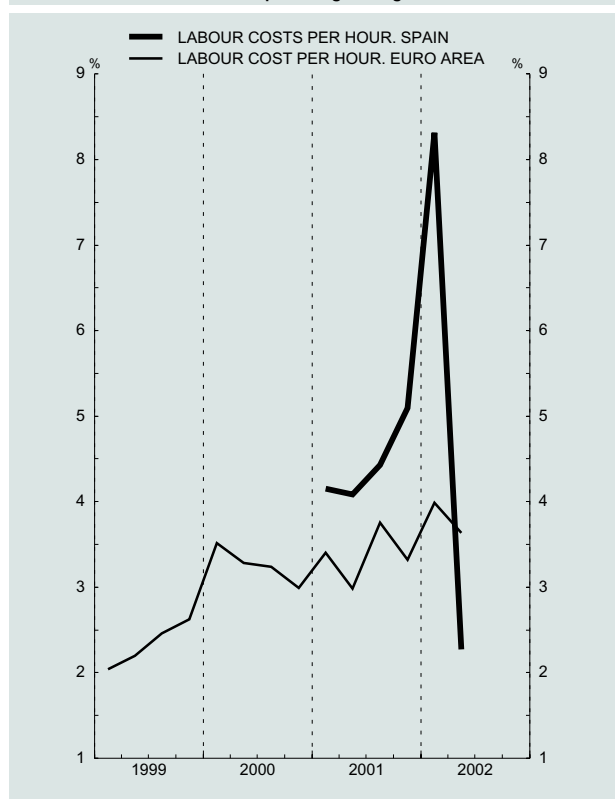
Annual percentage change

		Labour costs					Wage costs					Other costs per worker and month	memorandum item: euro area total hourly labour costs (a)
		Monthly earnings				Per hour worked	Monthly earnings				Per hour worked		
		Total	Industry	Construction	Services		Total	Industry	Construction	Services			
		1	2	3	4	5	6	7	8	9	10	11	12
99	M	...	...	...	...	...	2.3	2.6	3.8	1.9	2.6	...	2.3
00	M	...	...	...	...	...	2.3	2.5	3.8	3.0	2.4	...	3.3
01	M	4.1	4.4	4.7	4.1	4.5	3.5	3.7	3.9	3.6	3.8	6.2	3.4
01	Q1-Q2M	4.0	4.5	4.9	3.9	4.1	3.2	3.6	4.1	3.2	3.3	6.5	3.2
02	Q1-Q2M	4.3	4.4	4.6	4.6	5.2	3.9	4.4	3.9	3.9	4.8	5.7	3.8
99	Q4	...	...	...	...	...	2.5	2.4	3.8	2.4	2.7	...	2.6
00	Q1	...	...	...	...	...	2.1	2.5	3.6	2.6	2.4	...	3.5
	Q2	...	...	...	...	...	2.5	2.3	3.9	3.4	2.2	...	3.3
	Q3	...	...	...	...	...	2.4	2.9	3.4	3.0	2.4	...	3.2
	Q4	...	...	...	...	...	2.3	2.3	4.4	2.9	2.4	...	3.0
01	Q1	4.3	5.1	4.8	4.2	4.2	3.5	4.1	3.9	3.4	3.3	6.8	3.4
	Q2	3.7	3.9	4.9	3.7	4.1	3.0	3.1	4.2	2.9	3.2	6.1	3.0
	Q3	4.1	4.5	4.2	4.3	4.4	3.7	3.8	3.9	3.8	4.0	5.6	3.8
	Q4	4.3	4.3	4.7	4.5	5.1	3.7	3.6	3.4	4.1	4.6	6.4	3.3
02	Q1	4.0	3.7	4.6	4.4	8.3	3.7	3.8	3.9	3.9	8.0	5.0	4.0
	Q2	4.6	5.1	4.5	4.7	2.3	4.0	4.9	4.0	4.0	1.8	6.5	3.6

PER WORKER AND MONTH
Annual percentage change



PER HOUR WORKED
Annual percentage change



Fuente: INE (Índice de Costes Laborales) y Eurostat.

Nota: The underlying series for this indicator are in Tables 24.25, 24.26 and 24.27 of de BE Boletín estadístico.

(a) Whole economy, excluding the agriculture, public administration, education and health sectors.

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

■ Series depicted in chart.

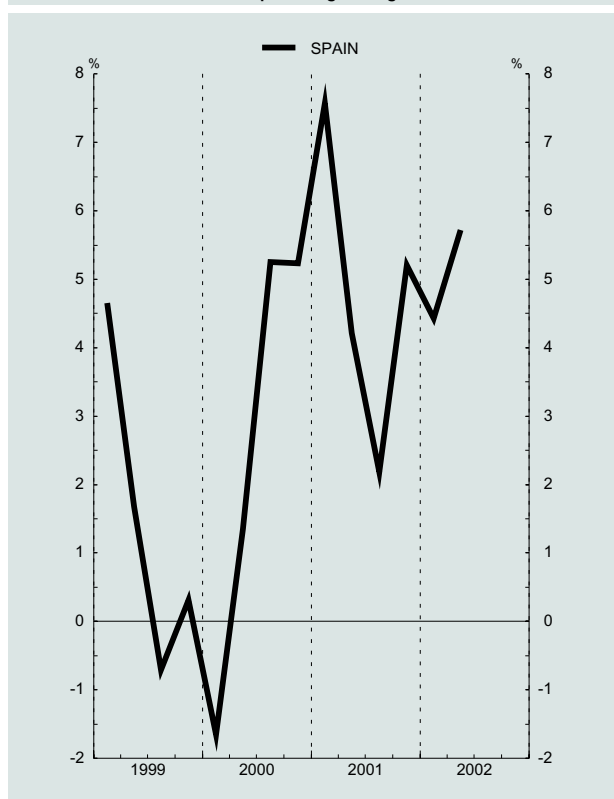
Annual percentage changes

	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
							Spain	Euro area	Spain (b)	Euro area		
	1	2	3	4	5	6	7	8	9	10	11	12
99	2.1	1.2	2.7	2.1	0.6	0.9	4.2	2.8	3.6	1.8	1.4	...
00	3.0	1.4	3.7	2.7	0.7	1.3	4.2	3.5	3.4	2.2	2.5	...
01	3.8	2.7	4.1	2.7	0.3	0.0	2.7	1.4	2.4	1.4	4.7	...
99 Q2	1.9	1.8	2.5	2.4	0.6	0.6	4.6	2.2	4.0	1.7	1.7	...
Q3	1.9	1.1	2.6	2.2	0.7	1.1	4.2	3.0	3.4	1.8	-0.7	...
Q4	2.0	0.2	3.3	2.2	1.3	2.0	4.4	3.8	3.0	1.8	0.3	...
00 Q1	1.8	0.6	3.9	2.9	2.1	2.2	5.1	3.8	3.0	1.9	-1.7	...
Q2	2.8	0.7	3.7	2.5	0.9	1.8	4.4	4.2	3.5	2.3	1.3	...
Q3	3.4	1.8	3.6	2.7	0.2	1.0	3.8	3.2	3.6	2.2	5.3	...
Q4	3.8	2.3	3.7	2.6	-0.1	0.3	3.4	2.8	3.5	2.2	5.2	...
01 Q1	3.7	2.1	3.3	2.5	-0.4	0.4	3.0	2.4	3.5	2.0	7.6	...
Q2	4.1	2.7	4.1	2.8	0.0	0.1	2.4	1.6	2.4	1.5	4.2	...
Q3	3.6	2.6	4.7	2.7	1.1	0.2	3.0	1.4	1.9	1.1	2.2	...
Q4	3.7	3.4	4.2	2.9	0.5	-0.5	2.3	0.4	1.8	0.8	5.2	...
02 Q1	3.2	3.9	3.9	2.9	0.7	-0.9	2.0	0.3	1.3	0.7	4.4	...
Q2	2.9	...	3.5	...	0.6	...	2.0	0.7	1.4	...	5.7	...

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. SEASONALLY- AND WORKING-DAY-ADJUSTED SERIES (see economic bulletin April 2002).

(b) Full-time equivalent employment.

(c) Industry.

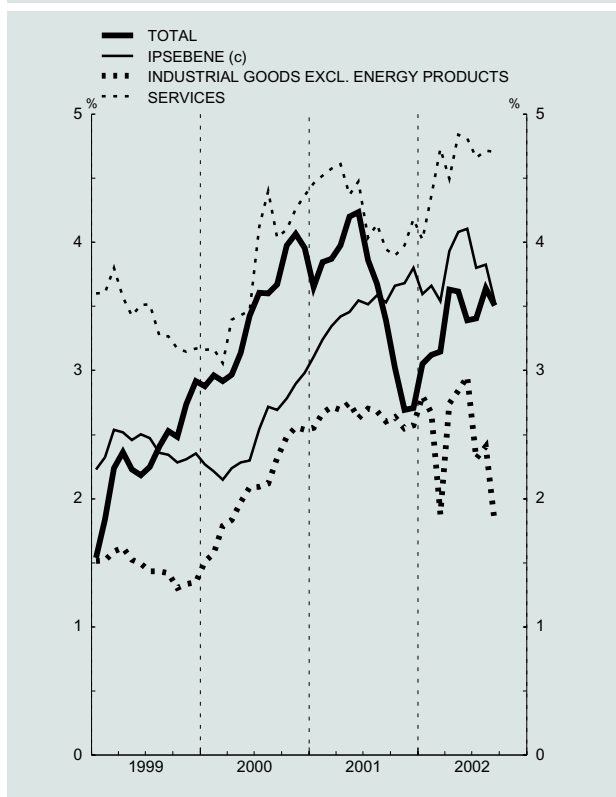
5.1. Consumer price index. Spain (2001=100) (a)

■ Series depicted in chart.

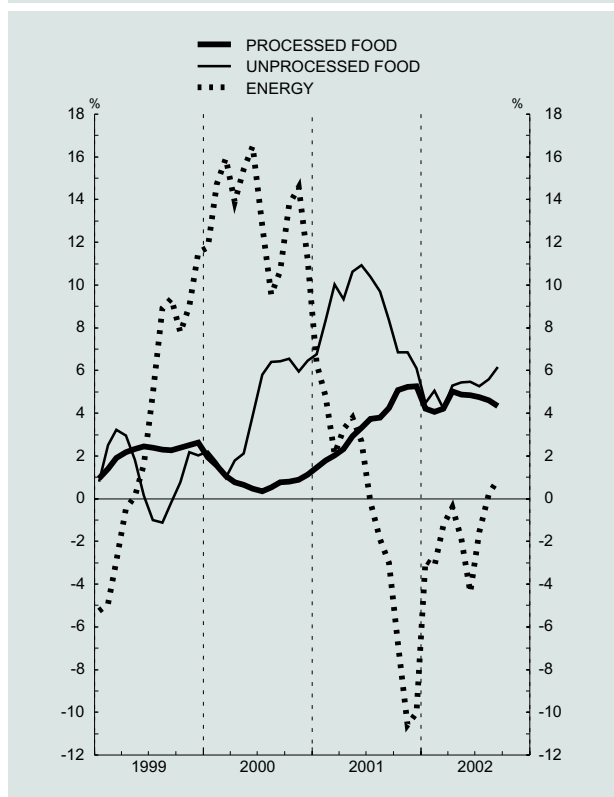
Indices and annual percentage changes

		Total (100%)				Annual percentage change (12-month % change)						Memorandum item: prices for agricultural products (1995=100)	
		Original series	Month-on-month % change	12-month % change (b)	Cumulative % change during year (c)	Unprocessed food	Processed food	Industrial goods excl. energy products	Energy	Services	IPSEBENE (d)	Original series	12-month % change (a)
		1	2	3	4	5	6	7	8	9	10	11	12
99	M	93.8	—	2.3	2.9	1.2	2.1	1.5	3.3	3.4	2.4	95.4	-1.9
00	M	97.0	—	3.4	4.0	4.2	0.9	2.1	13.4	3.7	2.5	99.3	4.1
01	M R	100.5	—	3.6	2.7	8.7	3.4	2.6	-0.8	4.3	3.5	103.8	4.5
01 J-S	M	100.2	0.3	3.9	1.5	9.4	2.9	2.7	2.0	4.3	3.4	105.1	7.8
02 J-S	M	103.0	0.3	3.4	1.6	5.2	4.6	2.5	-1.6	4.6	3.8	...	...
01 Jun		100.7	0.3	4.2	2.0	10.9	3.3	2.6	2.7	4.5	3.5	109.6	14.0
Jul		101.0	0.2	3.9	2.3	10.4	3.7	2.7	-0.2	4.0	3.5	101.6	6.1
Aug		101.2	0.2	3.7	2.5	9.7	3.8	2.7	-1.9	4.1	3.6	96.4	7.4
Sep		101.2	-	3.4	2.5	8.4	4.3	2.6	-3.0	3.9	3.5	96.5	2.7
Oct		101.1	-0.1	3.0	2.4	6.9	5.1	2.6	-6.8	3.9	3.7	96.7	-1.3
Nov		101.0	-0.1	2.7	2.3	6.9	5.2	2.5	-10.6	4.0	3.7	102.4	-3.5
Dec	R	101.4	0.4	2.7	2.7	6.1	5.3	2.6	-10.0	4.2	3.8	107.3	-4.0
02 Jan		101.3	-0.1	3.1	-0.1	4.5	4.2	2.8	-2.9	4.0	3.6	107.1	6.0
Feb		101.3	0.1	3.1	-0.1	5.0	4.1	2.7	-3.2	4.4	3.7	105.8	0.2
Mar		102.2	0.8	3.1	0.8	4.2	4.2	1.9	-1.2	4.7	3.5	109.7	0.1
Apr		103.6	1.4	3.6	2.1	5.3	5.0	2.7	-0.4	4.5	3.9	108.1	-2.9
May		103.9	0.4	3.6	2.5	5.4	4.9	2.8	-1.9	4.8	4.1	102.5	-10.5
Jun		104.0	0.0	3.4	2.5	5.5	4.8	3.0	-4.4	4.8	4.1	100.7	-8.2
Jul		103.2	-0.7	3.4	1.8	5.3	4.8	2.3	-1.6	4.7	3.8	...	...
Aug		103.5	0.3	3.6	2.1	5.6	4.6	2.4	0.2	4.7	3.8	...	...
Sep		103.9	0.4	3.5	2.5	6.2	4.3	1.8	0.9	4.7	3.5	...	...

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) There is a break in January 2002 owing to the 2001 re-basing. There is no solution to this via the habitual legal links. Consequently, for the year 2002, the official rates of change cannot be obtained from the indices. The detailed methodological notes can be consulted on the INE Internet site (www.ine.es).

(b) For annual periods: average growth for each year on the previous year. (c) For annual periods: December-on-December growth rate.

(d) Index of non-energy processed goods and service prices. (e) Official INE series from January 2002

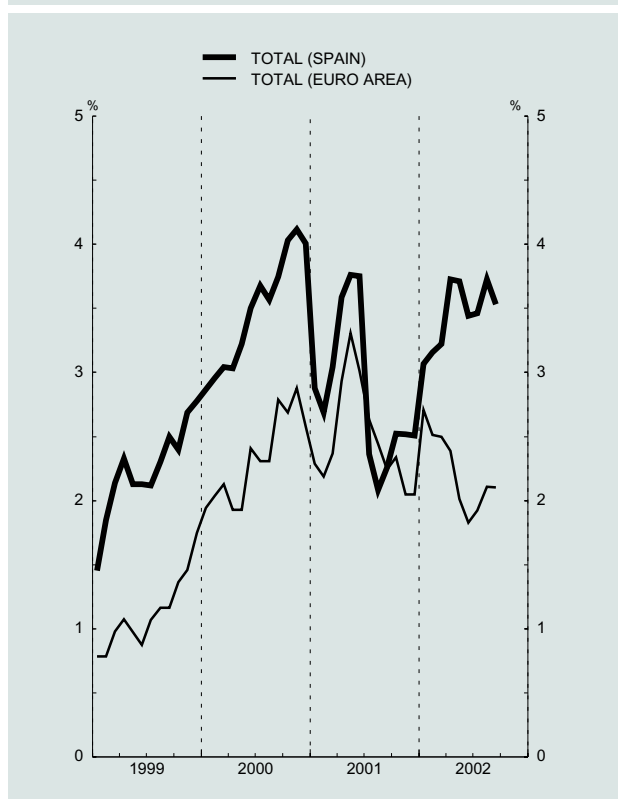
5.2. Harmonised index of consumer prices. Spain and euro area (1996=100)(a)

■ Series depicted in chart.

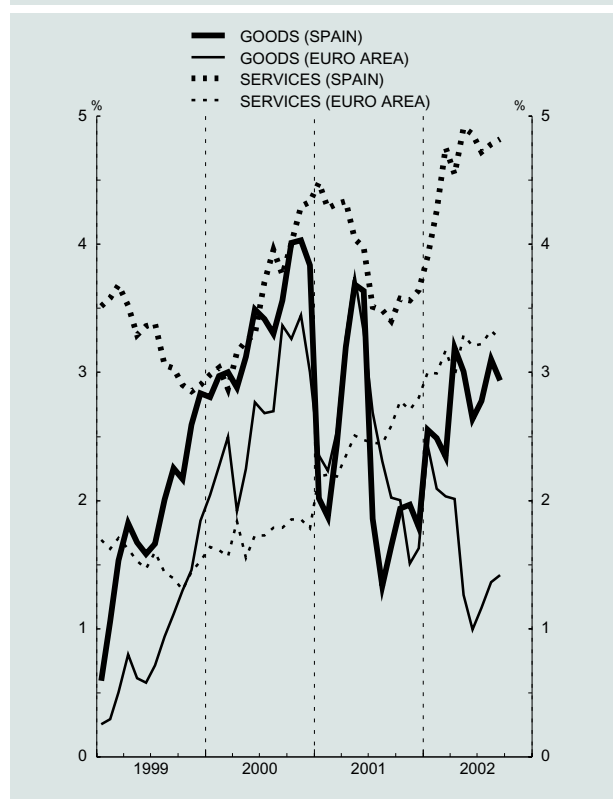
Annual percentage changes

		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	
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	
01	M	2.8	2.5	2.3	2.5	5.1	4.5	2.7	2.8	7.2	7.0	0.6	1.5	1.0	1.1	-0.7	2.7	3.9	2.5	
01	J-S	M	2.9	2.6	2.4	2.7	5.1	4.4	2.2	2.6	7.7	7.1	0.7	1.9	0.5	1.0	2.1	5.1	4.0	2.4
02	J-S	M	3.5	2.2	2.8	1.6	4.8	3.3	5.2	3.2	4.4	3.5	1.6	0.8	2.5	1.6	-1.6	-1.8	4.6	3.2
01	Jun		3.8	3.0	3.6	3.3	5.9	5.3	2.6	3.0	8.9	8.9	2.1	2.4	2.0	1.4	2.6	5.4	4.0	2.5
	Jul		2.4	2.6	1.9	2.7	5.8	5.3	3.1	3.2	8.3	8.5	-0.6	1.4	-0.7	1.0	-0.1	2.9	3.5	2.5
	Aug		2.1	2.4	1.3	2.3	5.6	5.0	3.0	3.4	7.9	7.6	-1.2	1.0	-1.0	0.7	-1.7	2.0	3.5	2.4
	Sep		2.3	2.2	1.6	2.0	5.3	5.0	3.3	3.4	7.2	7.6	-0.6	0.6	0.1	1.2	-2.8	-1.4	3.4	2.6
	Oct		2.5	2.3	1.9	2.0	5.1	5.0	4.1	3.5	5.9	7.5	-	0.5	2.0	1.5	-6.4	-2.7	3.6	2.8
	Nov		2.5	2.1	2.0	1.5	5.2	4.5	4.4	3.4	5.8	6.2	-	-	3.0	1.6	-9.9	-5.0	3.6	2.7
	Dec		2.5	2.0	1.8	1.6	4.8	4.6	4.6	3.5	5.0	6.3	-	0.2	2.9	1.6	-9.2	-4.6	3.6	2.8
02	Jan		3.1	2.7	2.6	2.4	4.3	5.6	4.2	3.8	4.4	8.4	1.5	0.9	2.8	1.7	-2.9	-1.9	3.9	3.0
	Feb		3.2	2.5	2.5	2.1	4.4	4.8	4.2	3.3	4.6	7.1	1.3	0.7	2.7	1.9	-3.1	-2.9	4.3	3.0
	Mar		3.2	2.5	2.3	2.0	4.2	4.2	4.4	3.3	4.0	5.5	1.2	1.0	1.9	1.8	-1.2	-1.6	4.8	3.2
	Apr		3.7	2.4	3.2	2.0	5.1	3.6	5.8	3.2	4.4	4.1	2.0	1.2	2.7	1.8	-0.4	-0.5	4.5	3.0
	May		3.7	2.0	3.0	1.3	5.1	2.7	5.7	3.1	4.4	2.1	1.8	0.6	2.9	1.7	-1.8	-2.9	4.9	3.3
	Jun		3.4	1.8	2.6	1.0	5.0	2.3	5.7	3.1	4.3	1.1	1.2	0.3	2.9	1.6	-4.4	-3.6	4.9	3.2
	Jul		3.5	1.9	2.8	1.2	4.9	2.1	5.7	2.9	4.1	0.9	1.4	0.7	2.4	1.5	-1.5	-1.7	4.7	3.2
	Aug		3.7	2.1	3.1	1.4	4.9	2.3	5.6	2.9	4.3	1.3	2.0	0.9	2.5	1.4	0.3	-0.5	4.8	3.3
	Sep		3.5	2.1	2.9	1.4	5.0	2.3	5.2	2.8	4.7	1.7	1.7	1.0	1.9	1.4	0.9	-0.4	4.8	3.3

HARMONISED INDEX OF CONSUMER PRICES. TOTAL
Annual percentage changes



HARMONISED INDEX OF CONSUMER PRICES. COMPONENTS
Annual percentage changes



Source: Eurostat.

(a) Compliance with the Regulation on the treatment of price reductions is now complete with the inclusion of sales prices in the Italian and Spanish HICP. The Spanish HICP has included a new basket of goods and services since January 2001. In accordance with the related regulations, the series for the year 2001 have been revised. More detailed methodological notes can be consulted on the Eurostat Internet site (europa.eu.int).

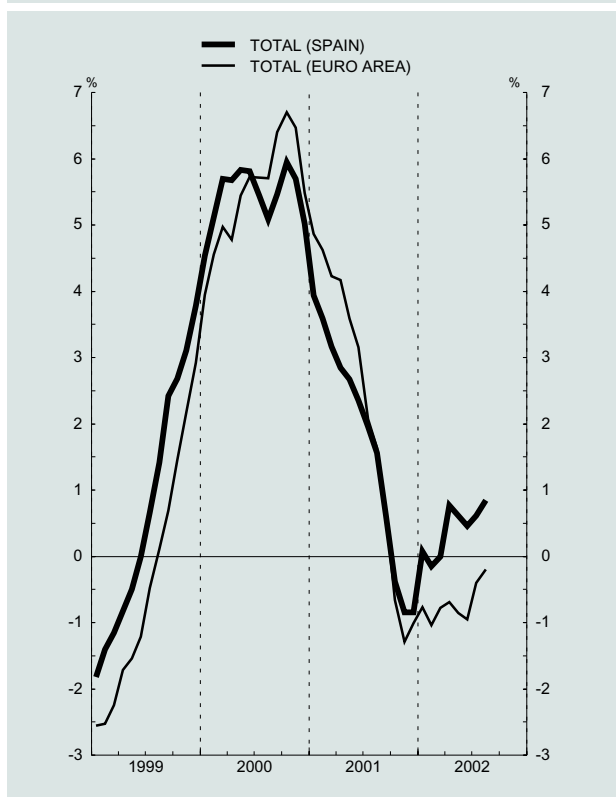
5.3. Producer price index. Spain and euro area (a)

■ Series depicted in chart.

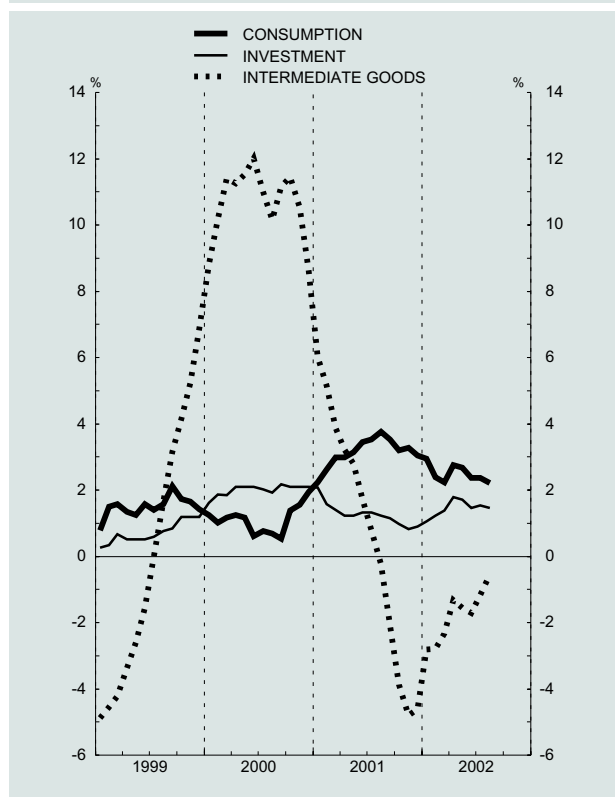
Annual percentage changes

		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		
99	MP	121.0	—	0.7	—	1.5	—	0.7	—	-0.1	-0.9	2.7	-0.4	-0.1	0.2	-1.5	0.6
00	MP	127.6	—	5.4	—	1.1	—	2.0	—	10.7	6.9	22.8	5.5	1.6	0.6	5.0	19.0
01	MP	129.8	—	1.7	—	3.1	—	1.3	—	0.6	1.5	-2.0	2.2	2.9	1.0	1.2	3.0
01 J-A	MP	130.0	—	2.8	—	3.1	—	1.4	—	2.9	0.6	2.9	3.5	3.2	1.0	2.3	7.9
02 J-A	MP	130.6	—	0.4	—	2.5	—	1.5	—	-1.8	-0.2	-3.4	-0.7	1.1	1.1	-0.9	-4.6
01 May	P	130.4	0.2	2.7	0.1	3.1	0.1	1.2	0.5	2.8	2.4	4.0	3.6	3.3	1.0	1.8	9.0
Jun	P	130.4	-	2.4	0.1	3.5	0.1	1.3	-0.1	1.7	1.6	2.2	3.2	3.3	1.1	1.4	6.8
Jul	P	130.2	-0.2	2.0	0.2	3.5	-	1.3	-0.6	0.8	1.1	-0.1	2.1	3.1	1.1	0.6	2.7
Aug	P	130.0	-0.2	1.6	0.3	3.8	-	1.2	-0.5	-0.2	0.6	-2.4	1.6	3.0	1.2	0.2	1.3
Sep	P	130.1	0.1	0.6	-	3.5	0.2	1.1	0.1	-2.1	-0.2	-7.0	0.6	2.8	1.2	-0.3	-2.3
Oct	P	129.5	-0.5	-0.4	0.1	3.2	-	1.0	-1.1	-3.9	-1.0	-11.5	-0.7	2.5	1.1	-0.9	-7.4
Nov	P	128.8	-0.5	-0.8	0.1	3.3	-0.2	0.8	-1.1	-4.8	-1.5	-13.5	-1.3	2.2	1.0	-1.3	-9.6
Dec	P	128.5	-0.2	-0.8	0.1	3.0	0.1	0.9	-0.7	-4.6	-1.9	-11.9	-1.0	1.9	1.1	-1.5	-7.4
02 Jan	P	129.3	0.6	0.1	0.5	2.9	0.6	1.1	0.6	-2.8	-1.9	-5.4	-0.8	1.9	1.2	-1.6	-5.5
Feb	P	129.6	0.2	-0.2	0.3	2.4	0.2	1.2	0.2	-2.8	-2.1	-4.9	-1.0	1.4	1.2	-1.7	-5.7
Mar	P	130.2	0.5	-	0.4	2.2	0.4	1.4	0.6	-2.3	-2.0	-3.3	-0.8	1.1	1.2	-1.5	-4.0
Apr	P	131.1	0.7	0.8	0.5	2.8	0.3	1.8	0.9	-1.3	-1.3	-1.4	-0.7	1.0	1.0	-1.1	-4.0
May	P	131.2	0.1	0.6	-	2.7	-	1.7	0.2	-1.5	-1.3	-2.4	-0.9	0.8	1.1	-0.9	-5.1
Jun	P	131.0	-0.2	0.5	-0.2	2.4	-0.2	1.5	-0.2	-1.7	-0.6	-4.7	-1.0	0.7	1.0	-0.5	-5.9
Jul	P	131.0	-	0.6	0.2	2.4	0.1	1.5	-0.1	-1.2	-0.3	-3.7	-0.4	0.9	0.9	-0.0	-3.8
Aug	P	131.1	0.1	0.8	0.1	2.2	-0.1	1.5	0.1	-0.5	-0.2	-1.7	-0.2	0.8	0.9	0.1	-2.7

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.

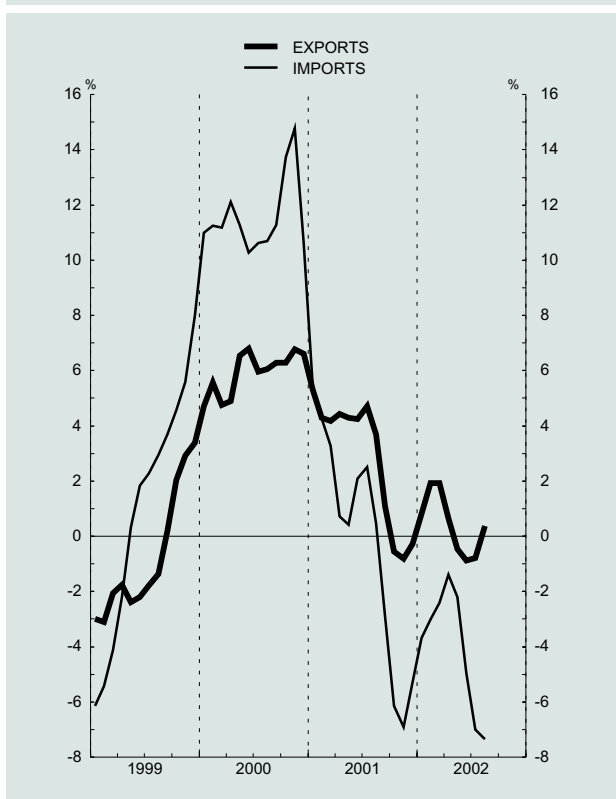
5.4 Unit value indices for Spanish foreign trade

■ Series depicted in chart.

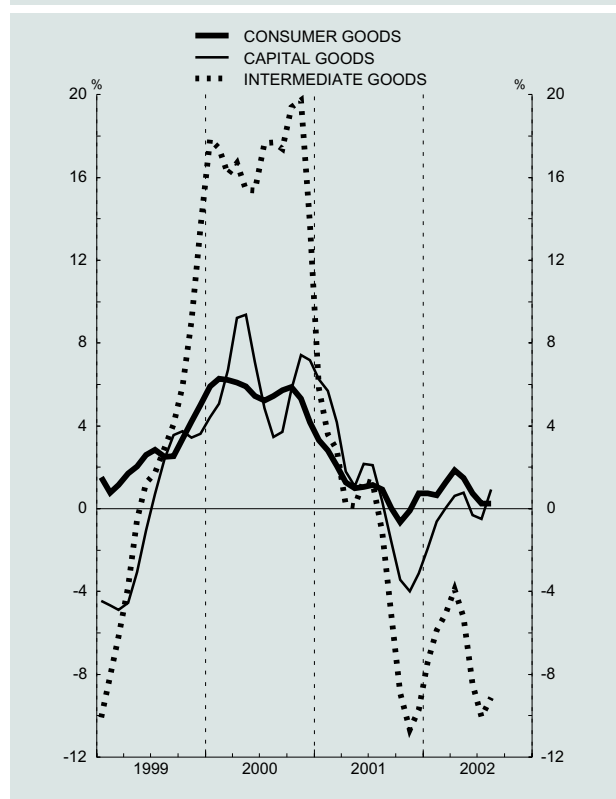
Annual percentage changes

	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
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
01	2.7	4.1	6.2	-0.2	2.6	1.0	-0.4	1.7	0.9	-1.9	-7.9	0.1
01 J-A	4.6	5.9	3.3	3.1	16.0	3.7	2.1	2.6	2.9	1.5	2.8	1.8
02 J-A	0.4	-0.5	16.9	-3.6	-13.2	-2.7	-4.1	0.1	-0.4	-6.9	-12.7	-4.9
01 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	-1.2	-1.7	12.3	-4.4	-15.3	-2.2	-1.8	0.3	2.2	-4.5	-15.5	-2.9
Oct	-0.5	0.4	7.3	-5.5	-22.5	-4.0	-7.5	-4.1	-6.9	-9.5	-29.8	-4.1
Nov	-1.4	0.5	11.6	-8.6	-28.4	-5.6	-8.7	-0.4	-9.9	-11.8	-36.2	-4.1
Dec	-0.4	2.7	16.3	-8.3	-30.7	-5.7	-3.8	3.8	1.8	-9.4	-35.5	-2.4
02 Jan	0.6	-4.7	33.8	-5.6	-28.0	-3.3	-4.6	6.5	-8.0	-8.1	-21.8	-5.3
Feb	2.4	3.3	25.3	-4.5	-13.8	-3.4	-1.2	-0.8	7.1	-3.8	-20.3	0.8
Mar	3.3	4.1	20.1	-2.3	-11.3	-1.3	-4.9	0.4	-3.5	-7.6	-11.2	-5.7
Apr	0.3	1.4	13.0	-4.1	-1.3	-3.7	1.1	5.5	1.0	-1.0	-1.0	-0.8
May	-1.4	-2.2	20.3	-6.3	-13.4	-5.6	-1.7	1.4	7.2	-5.8	-4.5	-5.3
Jun	-0.1	-3.3	11.2	-0.4	-6.7	-0.2	-5.4	-0.0	-3.9	-8.3	-18.8	-6.6
Jul	-2.2	-3.1	4.1	-3.2	-18.0	-2.5	-7.5	0.3	-6.0	-11.3	-15.4	-9.8
Aug	0.2	0.9	8.1	-2.2	-13.0	-1.5	-8.2	-12.3	3.8	-9.1	-9.1	-6.1

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).

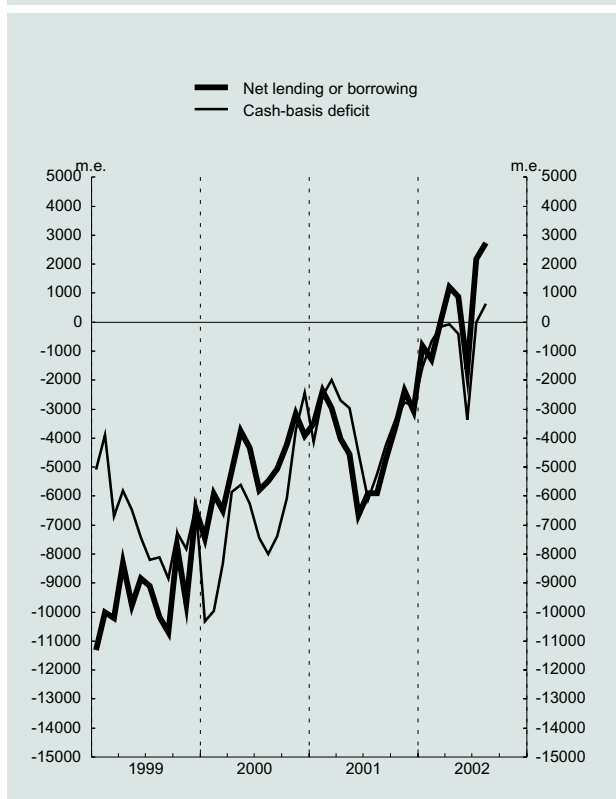
6.1. State resources and uses according to the National Accounts (ESA 95). Spain

■ Series depicted in chart.

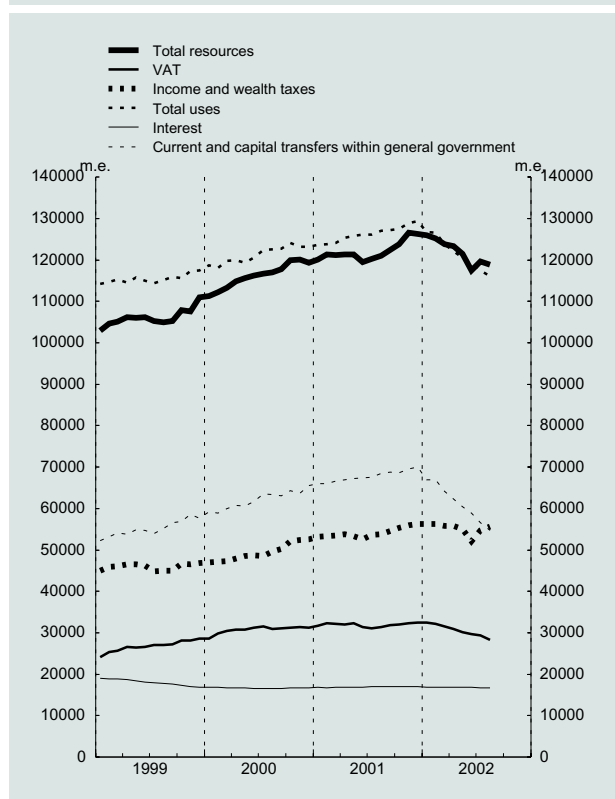
EUR millions

		Net lending (+) or borrowing (-)	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 employees	Interest	Current and cap- ital 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	a 13	9	10	11	12	13	14=15-16	15	16
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	P	-3 917	119 298	31 269	17 171	5 199	52 531	13 129	123 215	15 808	16 732	65 526	4 282	20 867	-2 431	118 693	121 124		
01	P	-3 042	126 338	32 432	17 836	6 712	56 252	13 106	129 381	16 082	16 940	69 982	4 197	22 179	-2 884	125 187	128 071		
01 J-A	P	-3 721	77 892	20 880	11 731	3 320	35 745	6 216	81 613	10 376	11 299	47 263	1 524	11 151	-10 605	77 012	87 617		
02 J-A	A	2 052	70 429	16 663	7 763	3 438	35 216	7 349	68 377	10 820	11 061	31 998	1 887	12 611	-7 087	68 311	75 398		
01 Sep	P	-344	9 371	3 316	1 609	145	3 267	1 034	9 715	1 178	1 392	5 552	277	1 316	692	9 069	8 377		
Oct	P	8 356	18 748	5 398	1 562	201	10 298	1 289	10 392	1 221	1 439	5 624	227	1 881	8 660	18 143	9 484		
Nov	P	-283	11 294	1 664	1 422	1 852	3 843	2 513	11 577	1 260	1 395	6 395	273	2 254	1 646	11 624	9 977		
Dec	P	-7 050	9 034	1 174	1 512	1 194	3 099	2 055	16 084	2 047	1 415	5 149	1 896	5 577	-3 276	9 339	12 616		
02 Jan	A	1 003	8 906	...	...	...	...	...	7 903	...	1 446	...	...	...	-4 717	9 426	14 143
Feb	A	6 563	15 279	...	...	...	...	...	8 716	...	1 294	...	...	...	5 692	15 275	9 584
Mar	A	-3 900	4 291	927	903	241	1 313	907	8 191	1 248	1 400	3 576	215	1 752	-3 820	3 247	7 067		
Apr	A	6 721	14 989	4 192	1 173	417	8 359	848	8 268	1 263	1 369	3 753	229	1 654	5 633	14 606	8 973		
May	A	-4 534	3 979	328	687	641	1 169	1 154	8 513	1 356	1 429	3 643	265	1 820	-3 810	3 629	7 438		
Jun	A	-8 309	1 904	-207	900	182	-298	1 327	10 213	2 075	1 328	4 550	234	2 026	-7 462	1 521	8 982		
Jul	A	5 435	14 102	3 961	977	495	7 836	833	8 667	1 223	1 415	3 889	112	2 028	2 272	14 122	11 850		
Aug	A	-927	6 979	-1 908	939	150	6 909	889	7 906	1 236	1 380	3 456	522	1 312	-874	6 486	7 360		

STATE. NET LENDING OR BORROWING AND CASH-BASIS DEFICIT
(Latest 12 months)



STATE. RESOURCES AND USES ACCORDING TO THE NATIONAL ACCOUNTS
(Latest 12 months)



Source: Ministerio de Hacienda (IGAE).

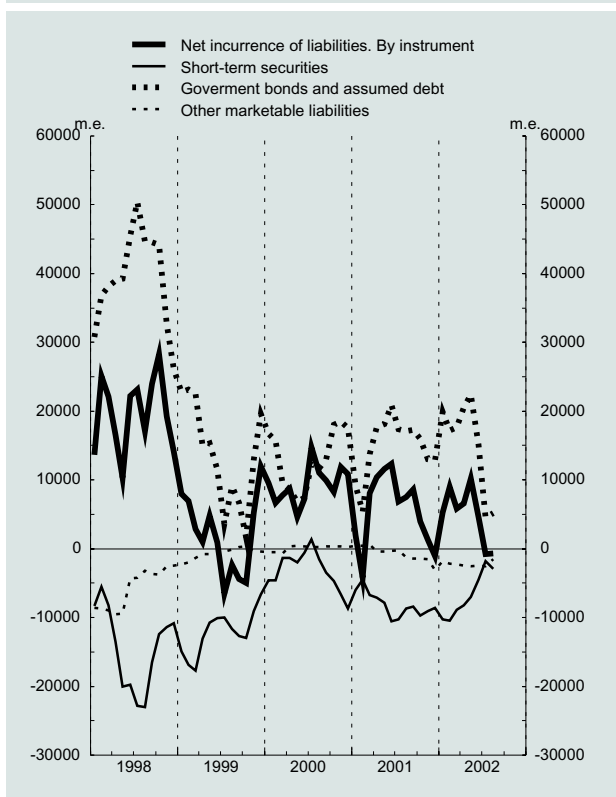
6.2. State financial transactions (ESA 95). Spain

■ Series depicted in chart.

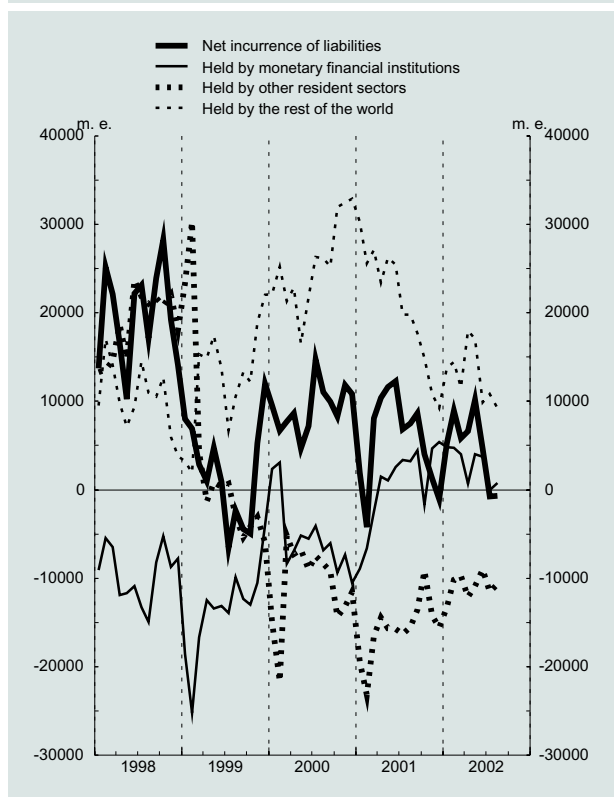
EUR billions

		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				Total	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	
99	P	-6 482	5 511	4 574	11 993	-577	-6 629	19 581	-499	-446	-15	-10 033	-4 030	-6 002	22 026	12 008	
	P	-3 917	6 904	5 690	10 822	645	-8 683	17 506	-499	283	2 215	-22 108	-10 554	-11 554	32 930	8 607	
	P	-3 042	-4 062	-20 141	-1 020	452	-8 616	12 762	-499	-3 101	-1 566	-10 226	5 386	-15 612	9 206	547	
01 J-A	P	-3 721	-8 349	-20 236	-4 627	895	-6 256	4 024	-	-977	-1 418	-7 772	3 960	-11 732	3 144	-3 209	
02 J-A	A	2 052	-2 221	-95	-4 273	-1 159	-607	-3 521	-	592	-738	-7 442	-635	-6 807	3 169	-3 535	
01 Sep	P	-344	2 798	0	3 142	-211	-981	3 406	-	-203	920	735	1 314	-578	2 407	2 222	
	Oct	P	8 356	6 324	-1	-2 032	-1	-1 620	1 721	-	-52	-2 082	-5 043	1 671	3 011	50	
	Nov	P	-283	579	0	862	-38	-169	1 092	-	-120	58	2 884	6 472	-3 588	-2 023	803
	Dec	P	-7 050	-5 414	95	1 636	-193	410	2 518	-499	-1 749	955	-1 031	354	-1 385	2 667	681
02 Jan	A	1 003	-3 234	64	-4 237	-36	-208	-3 468	-	1 256	-1 816	-5 838	1	-5 839	1 601	-2 420	
	Feb	A	6 563	2 935	-163	-3 628	-19	343	-4 926	-	-377	1 332	-2 099	87	-2 186	-1 529	-4 960
	Mar	A	-3 900	2 353	14	6 253	-1 138	-305	6 207	-	-182	533	3 479	-151	3 630	2 774	5 720
	Apr	A	6 721	8 048	-10	1 327	36	147	2 672	-	-110	-1 382	-421	1 100	-1 520	1 748	2 709
	May	A	-4 534	1 909	0	6 443	37	-52	5 515	-	-7	987	5 467	3 401	2 067	976	5 456
	Jun	A	-8 309	-8 807	15	-498	7	-18	-1 123	-	-0	644	2 376	997	1 380	-2 874	-1 141
	Jul	A	5 435	-3 561	-12	-8 996	-84	1 926	-10 858	-	26	-90	-9 044	-5 061	-3 983	48	-8 906
	Aug	A	-927	-1 865	-3	-938	39	-2 439	2 461	-	-13	-947	-1 363	-1 008	-355	425	9

STATE. NET INCURRENCE OF LIABILITIES. BY INSTRUMENT
(Latest 12 months)



STATE. NET INCURRENCE OF LIABILITIES. BY COUNTERPART SECTOR
(Latest 12 months)



Source: BE.

(a) Includes other loans, non-negotiable securities, coined money and Caja General de Depósitos (General Deposit Fund)

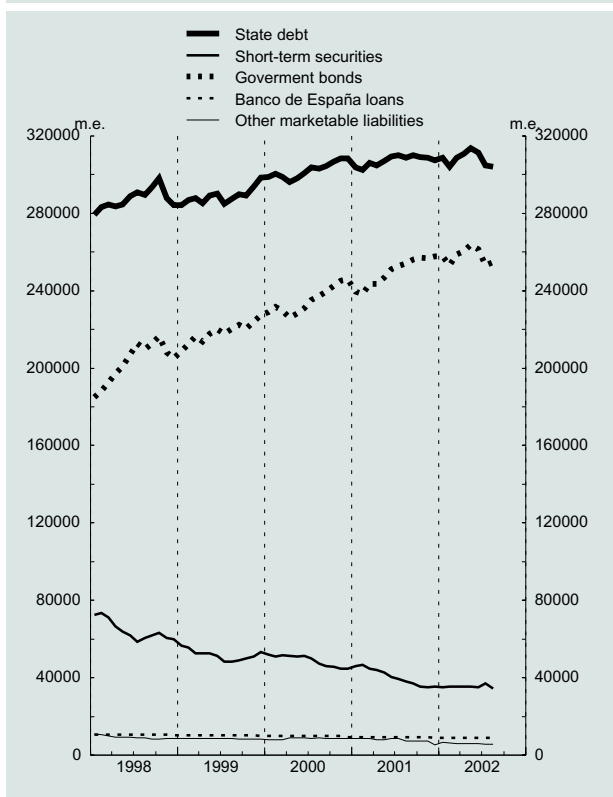
6.3. State: Liabilities outstanding. Spain

■ Series depicted in chart.

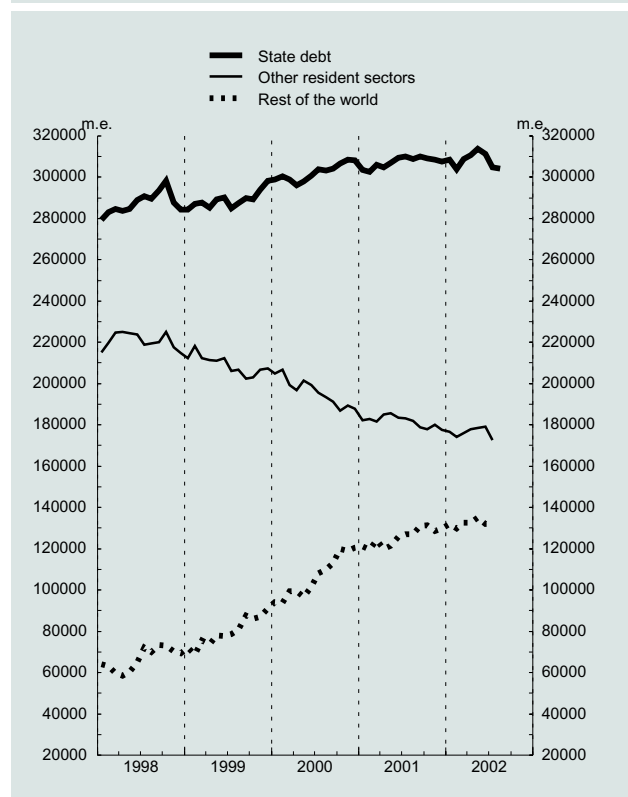
EUR millions

	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		263 963	20 434	81 084	152 293	10 814	19 772	210 489	529	209 960	54 003	15 195	8 185
97		274 168	23 270	71 730	180 558	10 578	11 303	211 530	445	211 085	63 083	9 829	7 251
98		284 153	30 048	59 939	205 182	10 341	8 691	215 202	305	214 897	69 256	10 273	6 412
99	P	298 378	7 189	53 142	227 151	9 843	8 243	207 436	150	207 286	91 092	14 846	5 310
00	P	308 212	8 197	44 605	245 711	9 344	8 552	188 474	695	187 780	120 432	20 536	5 430
01 Jun	P	309 318	8 353	40 201	251 272	9 344	8 500	184 412	1 012	183 401	125 917	300	6 409
Jul	P	310 067	8 079	39 338	252 942	9 344	8 444	184 048	1 012	183 036	127 031	300	6 309
Aug	P	308 846	7 989	38 084	253 993	9 344	7 426	182 838	1 012	181 826	127 020	300	6 386
Sep	P	309 993	7 987	37 049	256 231	9 344	7 369	179 969	1 012	178 957	131 036	300	6 390
Oct	P	309 020	7 901	35 352	257 009	9 344	7 316	178 798	1 012	177 786	131 234	300	6 394
Nov	P	308 586	7 907	35 119	256 921	9 344	7 202	180 943	1 012	179 931	128 655	300	6 069
Dec	A	307 434	7 611	35 428	257 716	8 845	5 445	179 099	1 474	177 625	129 809	395	5 460
02 Jan	A	308 553	7 678	35 190	257 821	8 845	6 696	178 116	1 474	176 641	131 912	459	5 500
Feb	A	303 943	7 607	35 538	253 246	8 845	6 314	175 581	1 474	174 106	129 837	296	5 639
Mar	A	308 823	6 506	35 271	258 629	8 845	6 078	177 562	1 474	176 088	132 735	310	6 100
Apr	A	310 676	6 431	35 423	260 449	8 845	5 958	179 451	1 474	177 976	132 699	300	6 057
May	A	313 684	6 309	35 270	263 697	8 845	5 872	181 653	3 138	178 515	135 169	300	5 984
Jun	A	311 321	6 128	35 132	261 495	8 845	5 848	182 522	3 257	179 265	132 056	315	6 071
Jul	A	304 755	6 187	37 019	253 117	8 845	5 775	176 619	3 970	172 650	132 106	303	7 097
Aug	A	304 006	6 206	34 546	254 851	8 845	5 764	...	3 970	...	...	300	...

STATE. LIABILITIES OUTSTANDING
By instrument



STATE. LIABILITIES OUTSTANDING
By counterpart sector



Source: BE.

(a) Includes other loans, non-negotiable securities, coined money and Caja General de Depósitos (General Deposit Fund)

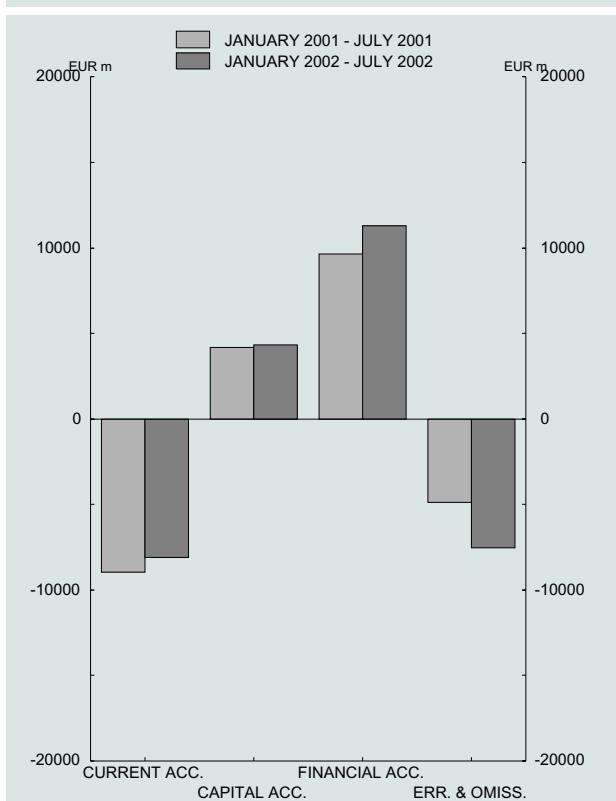
7.1. The Spanish balance of payments vis-à-vis other euro area residents and the rest of the world. Current account

■ Series depicted in chart.

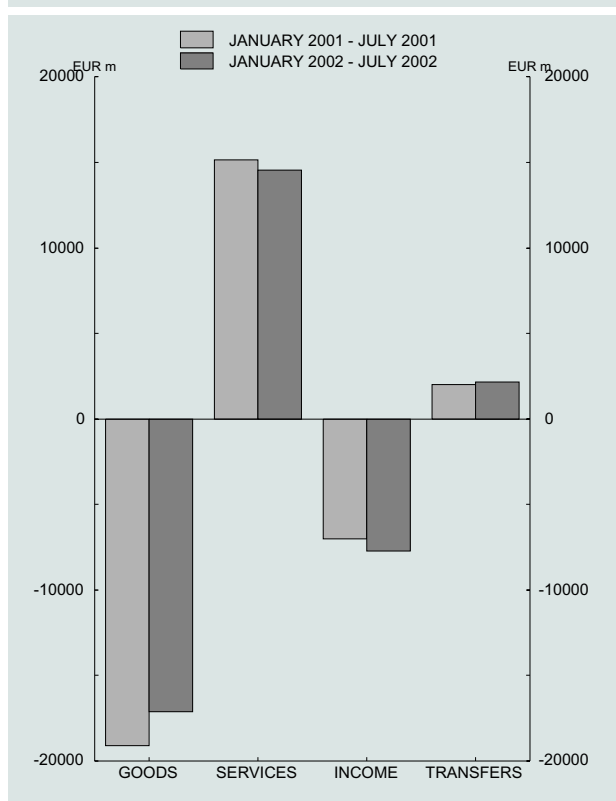
EUR millions

		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)
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		-20 992	-37 778	126 070	163 848	24 243	58 407	33 750	34 163	5 967	-8 985	16 321	25 307	1 528	5 181	-15 811	21 300	-5 488
01		-16 947	-35 265	131 319	166 584	27 138	64 763	36 633	37 625	6 663	-10 655	22 117	32 773	1 836	5 556	-11 391	18 827	-7 436
01	J-J	-8 956	-19 095	79 056	98 152	15 151	36 926	20 888	21 775	3 709	-7 016	13 223	20 239	2 004	4 162	-4 793	9 663	-4 869
02	J-J	-8 092	-17 108	77 471	94 579	14 560	37 065	19 815	22 504	3 856	-7 718	11 737	19 455	2 174	4 343	-3 749	11 284	-7 536
01	Apr	-1 023	-2 811	10 962	13 774	1 755	4 736	2 624	2 980	469	-356	2 303	2 659	389	1 313	291	-187	-103
	May	-672	-2 763	12 073	14 836	2 645	5 813	3 330	3 168	503	-455	1 978	2 433	-99	737	65	884	-950
	Jun	-2 858	-3 784	11 585	15 369	2 453	5 634	3 365	3 181	565	-1 330	1 573	2 903	-197	245	-2 613	2 323	290
	Jul	-1 972	-2 940	10 603	13 542	3 646	7 203	4 528	3 557	681	-2 354	1 713	4 066	-324	333	-1 639	2 522	-883
	Aug	-32	-3 247	8 482	11 729	3 425	6 435	4 052	3 010	670	-459	1 179	1 638	249	303	270	116	-387
	Sep	-1 382	-3 412	10 326	13 738	2 325	5 401	3 214	3 076	594	-190	2 332	2 522	-105	33	-1 349	1 880	-531
	Oct	-2 421	-2 972	11 998	14 970	2 506	6 037	3 496	3 531	655	-1 882	1 499	3 381	-74	51	-2 370	3 560	-1 190
	Nov	-963	-2 783	11 687	14 471	2 335	5 415	3 018	3 080	562	-412	1 431	1 843	-102	298	-665	1 984	-1 319
	Dec	-3 193	-3 755	9 769	13 525	1 396	4 550	1 966	3 154	472	-696	2 453	3 149	-137	709	-2 484	1 625	859
02	Jan	P -1 381	-2 338	10 337	12 675	988	4 353	2 094	3 365	553	-1 241	1 958	3 198	1 211	1 555	174	1 088	-1 263
	Feb	P -332	-2 085	10 937	13 022	1 520	4 403	2 185	2 883	482	-838	1 344	2 182	1 071	102	-230	2 223	-1 994
	Mar	P -1 124	-1 861	11 203	13 064	1 803	4 770	2 358	2 967	508	-1 019	1 513	2 531	-47	84	-1 039	2 350	-1 310
	Apr	P -2 479	-2 498	11 543	14 042	1 577	4 803	2 435	3 225	459	-1 128	1 489	2 617	-431	908	-1 572	1 801	-229
	May	P -544	-2 798	11 327	14 125	2 670	5 822	3 190	3 152	505	-531	1 599	2 130	115	716	172	1 005	-1 177
	Jun	P -1 301	-2 765	10 849	13 614	2 660	5 725	3 197	3 065	577	-937	1 416	2 353	-258	616	-685	740	-56
	Jul	A -931	-2 762	11 275	14 037	3 342	7 189	4 356	3 847	772	-2 024	2 419	4 443	513	362	-569	2 077	-1 508

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

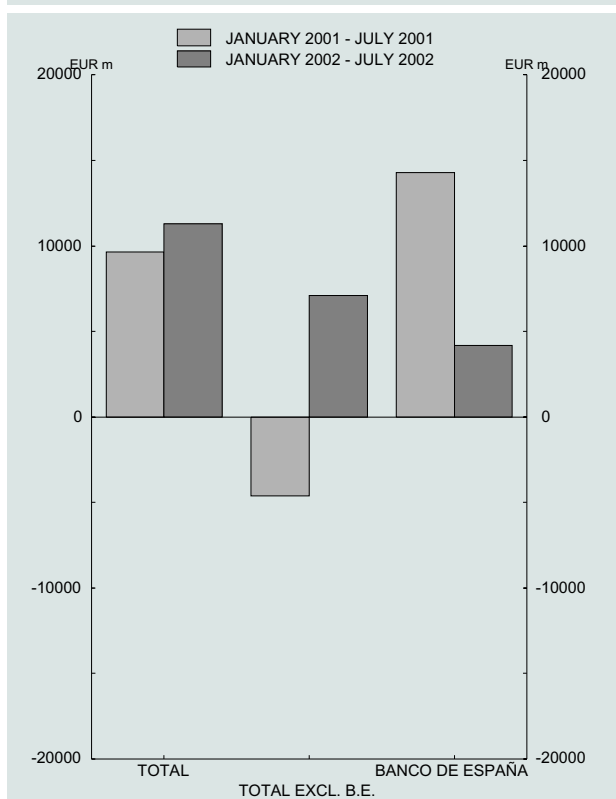
Financial account (a)

■ Series depicted in chart.

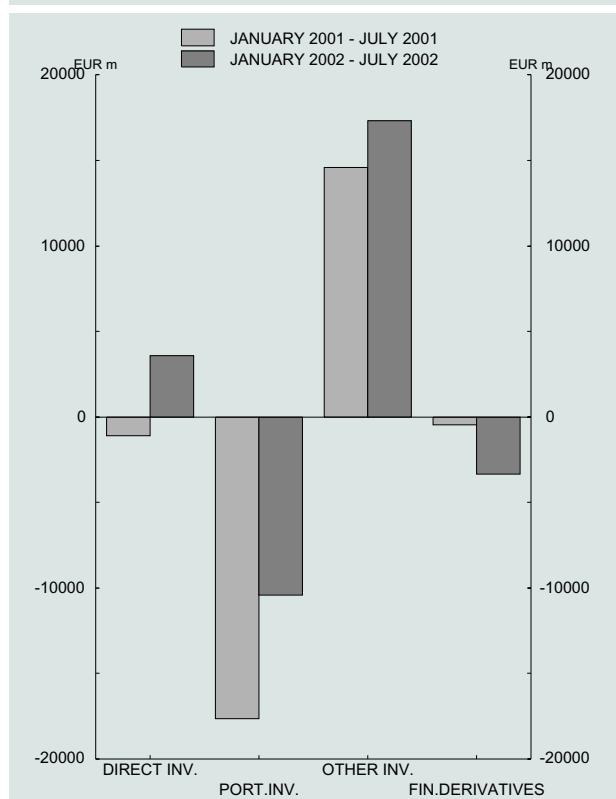
EUR millions

	Financial account (NCL- NCA) 1= 2+13	Total, excluding Banco de España											Banco de España				Memorandum item:	
		Total (NCL- NCA) 2=3+6+ 9+12	Direct investment			Portfolio investment			Other investment (d)			Net financial derivatives (NCL- NCA) 12	Balance (NCL- NCA) 13=14+ 15+16	Re-serves (e) 14	Claims with the Euro-system (e) 15	Other net assets (NCL- NCA) 16	Other investment including Banco de España (d)	
			Balance (NCL- NCA) 3=5-4	Spanish investment abroad (NCA) 4	Foreign investment in Spain (NCL) (b) 5	Balance (NCL- NCA) 6=8-7	Spanish investment abroad (NCA) 7	Foreign investment in Spain (NCL) (c) 8	Balance (NCL- NCA) 9=11-10	Spanish investment abroad (NCA) 10	Foreign investment in Spain (NCL) 11						Spanish investment abroad 17	Foreign investment in Spain 18
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	21 300	27 444	-18 616	59 344	40 728	-1 385	65 030	63 644	45 441	11 419	56 860	2 004	-6 144	3 302	-9 250	-196	20 665	56 659
01	18 827	1 352	-6 732	31 072	24 340	-17 758	48 596	30 838	26 431	4 235	30 666	-589	17 475	1 581	16 122	-228	-11 936	30 389
01 J-J	9 663	-4 629	-1 100	20 567	19 467	-17 655	32 904	15 249	14 599	5 853	20 452	-472	14 291	313	12 959	1 019	-7 154	21 422
02 J-J	A 11 284	7 107	3 578	9 137	12 715	-10 417	26 873	16 456	17 301	10 464	27 765	-3 356	4 177	-958	4 460	676	5 991	28 428
01 Apr	-187	-4 300	72	5 244	5 316	-3 160	1 244	-1 916	857	-4 943	-4 086	-2 070	4 113	826	3 606	-320	-8 561	-4 418
May	884	10 646	2 044	438	2 483	-1 374	5 766	4 392	9 609	-3 203	6 406	367	-9 761	954	10 387	-329	7 214	6 107
Jun	2 323	-3 377	-1 471	5 649	4 178	-2 846	8 352	5 506	1 285	-4 314	-3 029	-345	5 700	331	5 760	-391	-10 085	-3 431
Jul	2 522	6 552	226	2 501	2 727	-2 561	3 570	1 009	8 727	-7 582	1 144	161	-4 030	-522	-3 943	435	-3 651	1 568
Aug	116	-3 366	-1 760	1 166	-594	1 127	1 040	2 167	-2 407	493	-1 914	-327	3 482	-256	3 566	172	-3 051	-1 720
Sep	1 880	941	-4 017	4 605	589	3 606	-933	2 673	1 751	4 601	6 351	-398	939	-94	991	42	3 607	6 390
Oct	3 560	7 843	1 417	-154	1 263	118	5 007	5 125	5 595	-466	5 129	713	-4 284	583	-4 331	-536	3 864	4 592
Nov	1 984	-914	169	1 404	1 573	-4 251	6 191	1 939	3 638	-1 110	2 528	-469	2 897	-1 196	2 920	1 173	-4 021	3 711
Dec	1 625	1 476	-1 442	3 484	2 042	-702	4 388	3 685	3 256	-5 136	-1 881	364	149	2 231	17	-2 099	-5 181	-4 007
02 Jan	P 1 088	2 950	3 837	864	4 701	-6 551	6 021	-530	5 225	480	5 706	438	-1 861	-1 748	-1 783	1 669	2 270	7 381
Feb	P 2 223	-3 870	802	561	1 363	-4 122	3 332	-790	-528	-4 506	-5 033	-22	6 093	544	6 152	-603	-10 642	-5 620
Mar	P 2 350	3 841	-325	1 205	880	6 447	2 666	9 113	-2 300	6 641	4 341	19	-1 492	-246	-1 386	140	8 032	4 486
Apr	P 1 801	2 041	512	2 268	2 781	2 262	1 970	4 232	-455	10 392	9 937	-278	-240	616	-250	-606	10 626	9 314
May	P 1 005	2 402	-1 701	2 440	739	-1 725	6 962	5 237	6 526	3 702	10 228	-698	-1 397	263	-1 385	-274	5 082	9 949
Jun	P 740	-988	-513	950	437	-2 886	2 124	-761	4 154	-2 167	1 987	-1 744	1 728	157	1 803	-231	-3 948	1 778
Jul	A 2 077	731	966	849	1 815	-3 842	3 797	-45	4 678	-4 078	600	-1 070	1 346	-544	1 309	581	-5 428	1 140

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

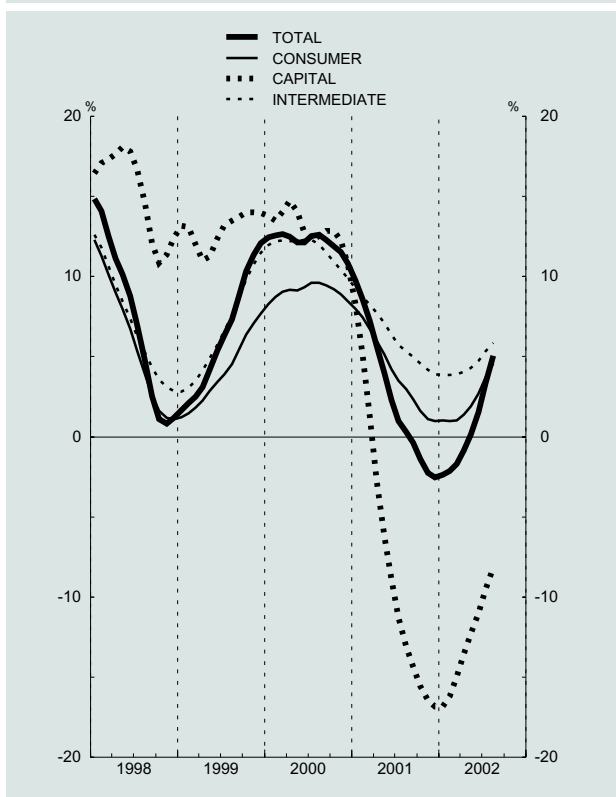
7.3 Spanish foreign trade with other euro area countries and with the rest of the world. Exports and dispatches

■ Series depicted in chart.

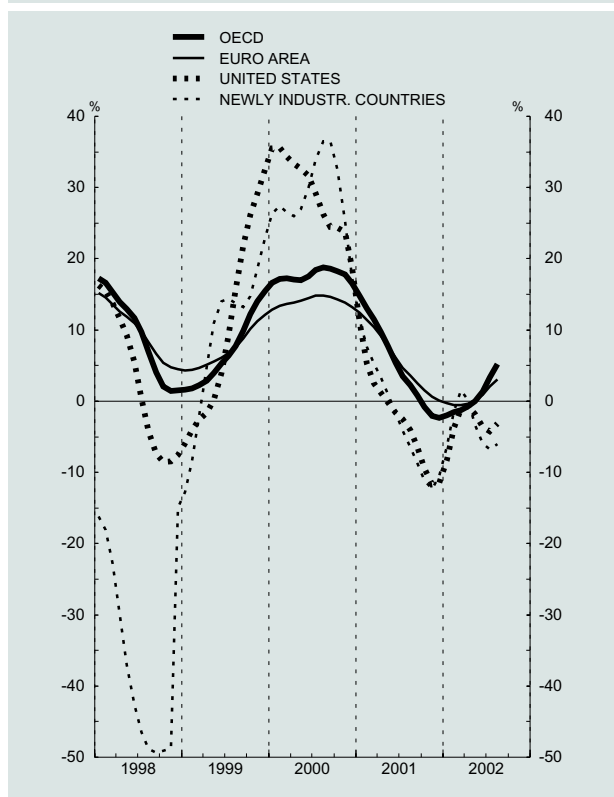
EUR millions and annual percentage changes

	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 industrial- ised countries	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
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
01	129 771	4.5	2.0	4.1	-9.1	4.5	-19.8	5.4	4.2	5.0	5.1	-6.6	4.9	8.3	-6.1	-6.6	12.1
01 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	-19.1	7.3	-11.1	7.9	-1.8	-7.7	-2.5	-5.3	0.6	23.4	-23.0	-1.9	9.2
Nov	11 496	-5.8	-4.4	-4.1	-25.7	4.4	-34.1	5.8	-4.8	-0.3	-1.0	-22.3	-4.6	-6.8	-18.0	-31.1	-5.5
Dec	9 655	-9.1	-8.7	-6.6	-13.2	-8.6	-34.9	-7.6	-9.6	-10.1	-8.6	-21.0	-8.4	-2.2	-22.8	-2.8	-1.6
02 Jan	10 139	2.5	1.8	11.9	-30.6	8.9	-21.2	7.9	3.3	0.9	3.9	-16.5	5.7	7.1	-13.5	-13.5	2.5
Feb	10 802	-1.4	-3.8	-4.9	-19.8	3.0	-31.9	3.7	-1.2	-1.5	-4.3	12.4	-2.0	8.2	-23.3	-8.0	3.6
Mar	11 061	-7.8	-10.8	-12.0	-24.7	-4.7	-12.2	-4.8	-8.4	-11.7	-10.0	-0.5	-7.7	1.1	-29.0	38.3	-2.3
Apr	11 410	7.3	7.0	9.3	2.8	6.7	-20.5	7.6	7.7	7.7	3.1	9.7	7.5	12.2	-19.8	-4.9	15.8
May	11 151	-5.5	-4.2	-3.0	-19.0	-0.3	-18.0	0.1	-7.0	-11.7	-9.5	4.4	-6.2	13.0	-11.8	-1.9	4.5
Jun	10 700	-6.7	-6.7	-5.1	-14.3	-5.5	-7.6	-5.5	-5.7	-6.4	-8.6	-14.6	-4.8	7.6	-42.3	-21.2	0.4
Jul	11 160	7.0	9.3	10.6	-6.3	13.1	11.3	13.1	7.8	9.9	9.5	-7.3	8.6	23.4	-20.8	1.8	9.5
Aug	8 777	5.8	5.6	5.7	-3.8	7.9	-19.6	8.9	8.8	9.4	7.6	-7.7	10.1	-0.1	-18.6	-10.6	-1.2

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.

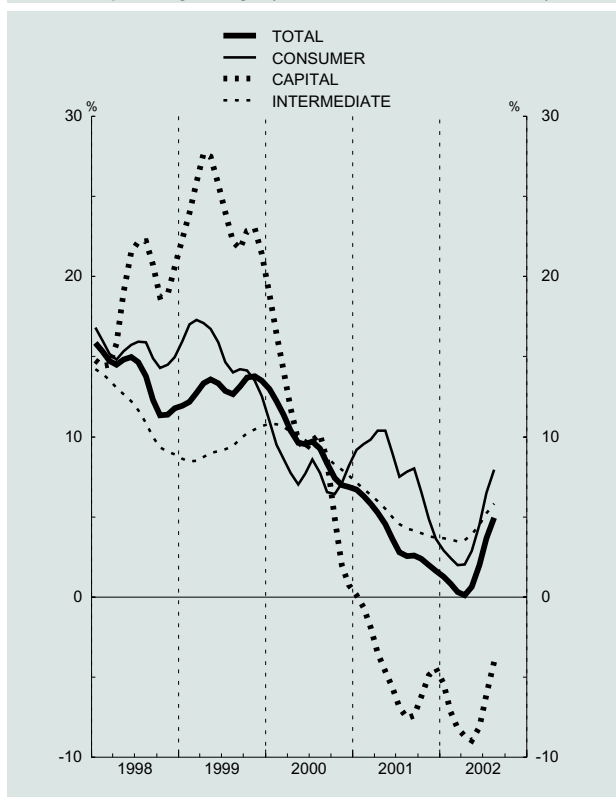
Imports and arrivals

■ Series depicted in chart.

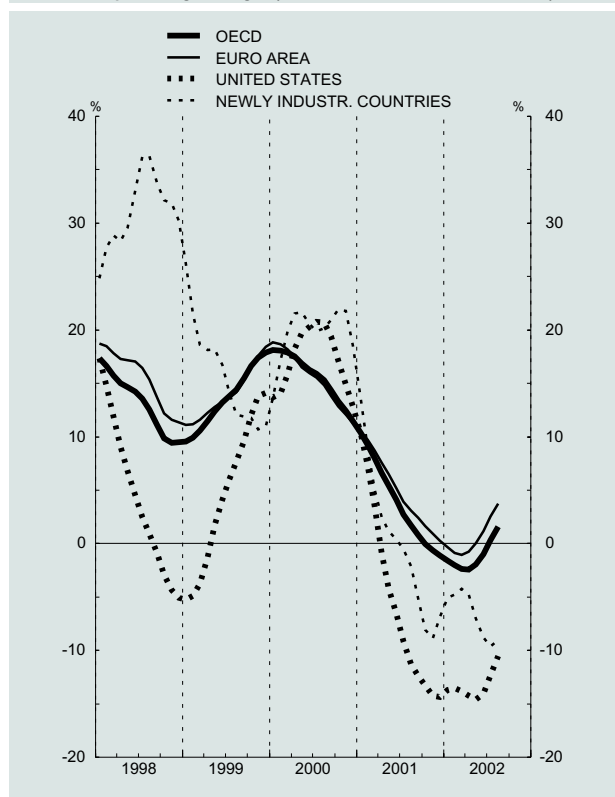
EUR millions and annual percentage changes

	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	
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
01	173 210	2.2	2.9	9.1	-6.6	3.5	5.4	3.1	2.1	0.0	3.7	-10.1	3.9	-8.1	3.7	-2.2	11.3
01 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	5.5	9.5	-6.4	7.7	16.5	6.7	-1.7	2.0	-0.4	-4.4	-2.6	-19.3	14.6	-8.7	3.4
Nov	14 928	-5.0	4.1	2.1	4.8	4.7	5.7	4.5	-0.2	7.0	4.0	-24.9	0.1	-35.3	-5.5	-24.7	-7.6
Dec	14 001	-6.0	-2.3	2.0	-1.1	-4.6	4.9	-5.7	-3.0	2.1	-0.3	-32.3	-1.6	-29.4	-29.1	-3.9	-1.8
02 Jan	13 088	1.8	6.8	0.6	7.0	13.8	21.5	7.5	2.1	0.1	-0.4	6.4	2.2	-16.7	31.3	12.3	5.7
Feb	13 436	-2.8	-1.6	5.1	-16.1	-0.1	15.7	-2.2	-5.0	-3.5	-3.2	-7.3	-5.3	-4.3	20.0	-18.0	10.4
Mar	13 472	-11.4	-6.9	-5.4	-14.0	-5.3	-9.8	-4.9	-11.3	-14.1	-10.0	-23.8	-9.2	-32.5	-1.6	-8.8	-0.8
Apr	14 536	2.8	1.7	2.0	-0.5	2.3	12.1	1.2	-1.5	6.0	-1.5	1.2	-4.0	0.7	8.3	21.9	27.5
May	14 597	-4.3	-2.7	-0.4	-20.2	2.2	3.4	2.0	-5.6	-8.0	-3.8	-28.7	-2.8	-20.6	10.0	-11.2	10.4
Jun	14 056	-11.3	-6.2	-2.1	-15.4	-5.2	5.7	-6.4	-10.1	2.4	-4.6	-35.8	-11.2	-30.4	-6.4	-15.8	-6.9
Jul	14 455	4.0	12.5	14.7	-4.4	16.2	10.8	17.0	6.3	8.0	7.4	-5.2	6.7	-13.8	5.5	-7.4	3.2
Aug	11 870	-1.0	7.8	8.7	0.2	9.6	-6.5	12.5	2.6	16.5	6.9	0.4	-0.6	-16.5	-13.7	-24.0	-1.3

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.

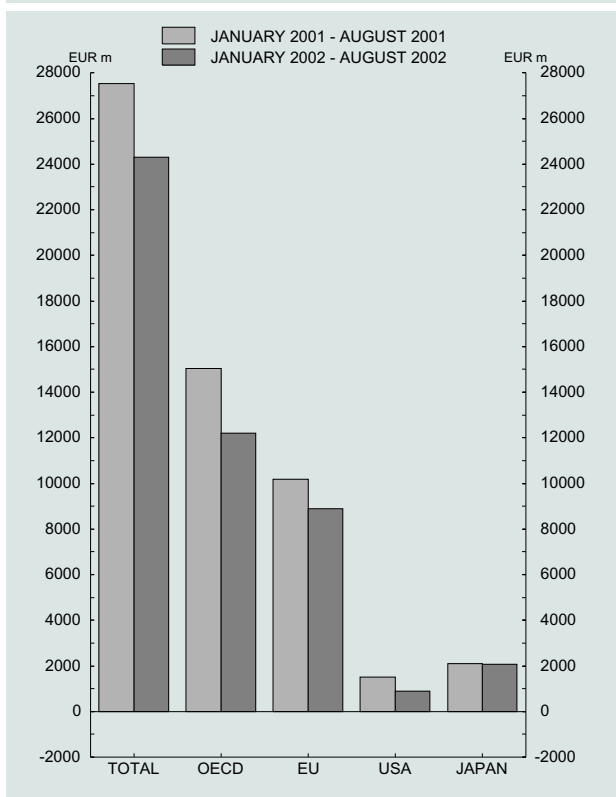
Trade balance: geographical distribution

■ Series depicted in chart.

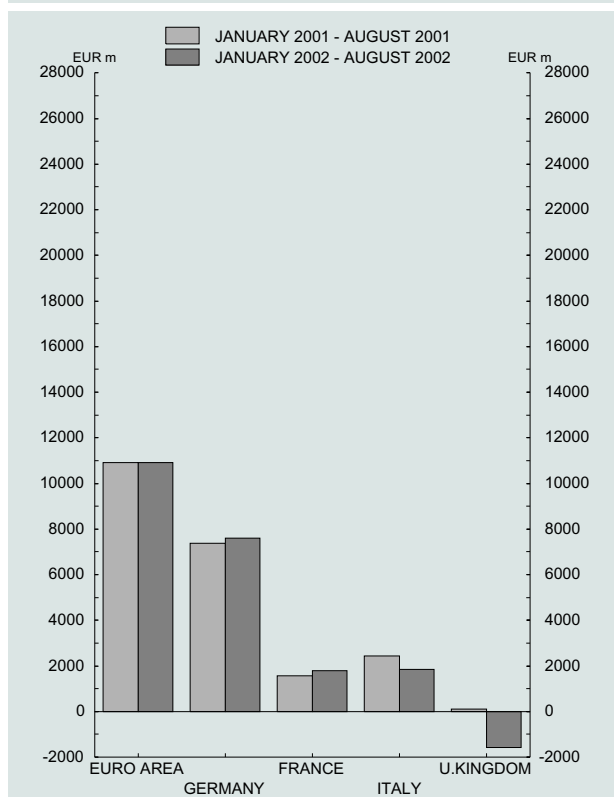
EUR millions

	World total	OECD											OPEC	Other American countries	Newly industrialised countries	Other
		Total	European Union							United States of America	Japan	Other OECD members				
			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
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
01	-43 439	-24 992	-17 987	-4 974	-11 539	-3 683	-4 283	-462	-12 551	-2 219	-3 159	-1 627	-9 501	420	-2 176	-7 190
01 J-A	-27 533	-15 027	-10 197	-10 926	-7 378	-1 560	-2 443	-96	825	-1 507	-2 098	-1 225	-6 441	480	-1 508	-5 037
02 J-A	-24 310	-12 218	-8 880	-10 912	-7 588	-1 798	-1 858	1 570	462	-883	-2 084	-371	-4 711	-553	-1 357	-5 470
01 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
Nov	-3 431	-2 216	-1 617	-1 660	-1 087	-475	-404	-18	61	-162	-293	-145	-639	40	-162	-454
Dec	-4 346	-3 199	-2 793	-2 443	-982	-897	-490	-314	-35	-156	-204	-47	-657	107	-183	-414
02 Jan	-2 949	-1 179	-416	-762	-744	-111	-76	275	71	-279	-261	-223	-684	-92	-248	-746
Feb	-2 634	-1 092	-821	-1 095	-854	-226	-154	216	59	-116	-205	50	-637	-37	-159	-708
Mar	-2 411	-1 250	-786	-994	-870	-20	-187	167	41	-149	-261	-54	-507	-29	-77	-548
Apr	-3 126	-1 362	-958	-1 198	-1 002	-212	-138	165	75	-143	-274	13	-571	-108	-242	-843
May	-3 446	-1 937	-1 620	-1 683	-1 093	-217	-272	105	-43	11	-301	-26	-517	-67	-178	-747
Jun	-3 356	-1 952	-1 482	-1 919	-1 143	-382	-295	290	147	-92	-294	-84	-566	-104	-156	-577
Jul	-3 295	-1 929	-1 549	-1 766	-1 087	-264	-421	162	55	-19	-287	-74	-527	-75	-161	-603
Aug	-3 093	-1 517	-1 248	-1 495	-796	-365	-314	190	56	-96	-200	26	-701	-41	-135	-699

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.

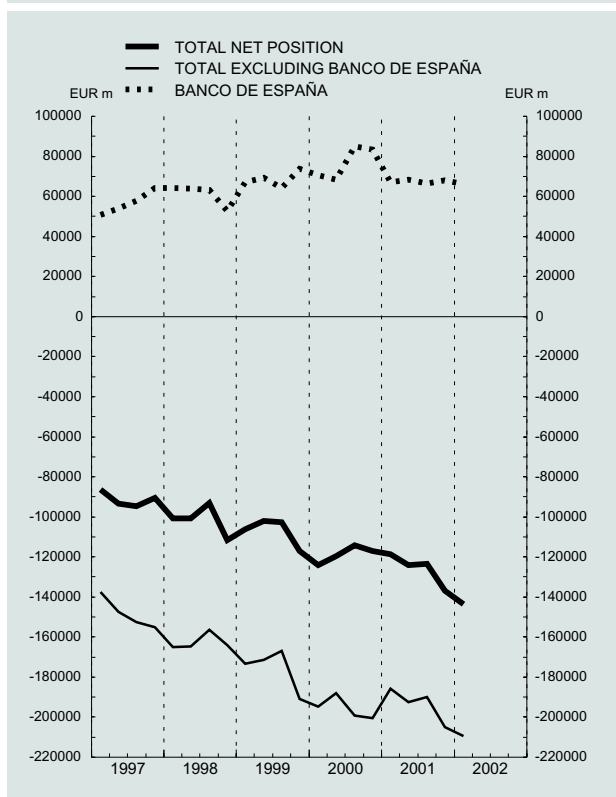
7.6. Spanish international investment position vis-à-vis other euro area residents and the rest of the world Summary

■ Series depicted in chart.

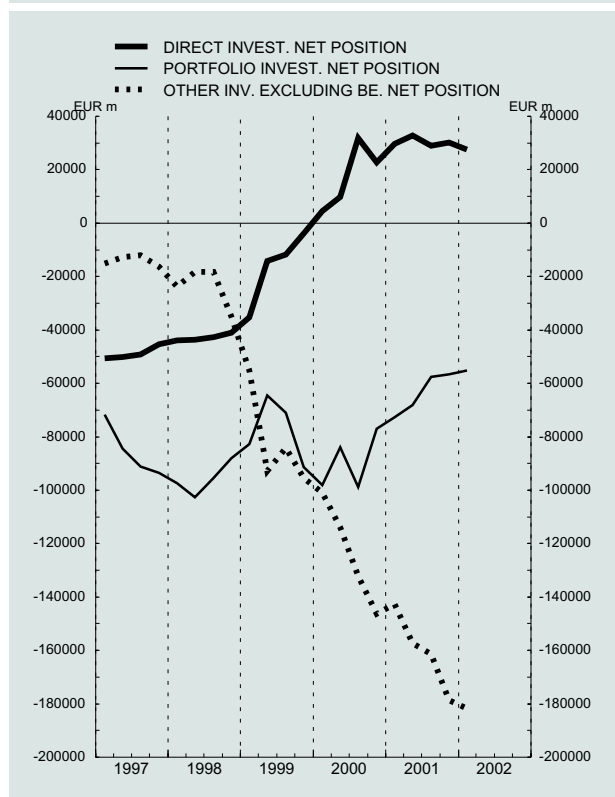
End-of-period stocks in EUR millions

		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	
94	P	-79 457	-114 230	-52 461	23 795	76 255	-52 633	13 688	66 321	-9 137	103 351	112 488	34 773	34 708	-	65	
95	P	-83 670	-111 036	-53 237	26 434	79 671	-73 105	13 310	86 415	15 306	128 920	113 614	27 366	27 263	-	102	
96	P	-87 136	-134 538	-53 130	31 988	85 117	-83 314	16 650	99 963	1 905	132 145	130 240	47 403	47 658	-	-256	
97	P	-90 673	-154 984	-45 316	45 879	91 195	-93 429	31 775	125 204	-16 239	141 760	157 999	64 311	64 174	-	137	
98	P	-111 581	-164 124	-41 121	60 112	101 233	-88 076	69 625	157 702	-34 926	158 776	193 702	52 542	52 095	-	447	
99	Q1	P	-106 128	-173 174	-35 216	66 925	102 142	-82 663	87 597	170 260	-55 295	163 647	218 942	67 046	45 874	20 779	394
	Q2	P	-102 110	-171 509	-14 088	91 408	105 496	-64 527	108 821	173 348	-92 894	144 989	237 882	69 399	38 153	30 838	408
	Q3	P	-102 808	-166 944	-11 814	97 277	109 092	-70 974	111 931	182 905	-84 156	147 061	231 217	64 137	35 903	28 090	143
	Q4	P	-117 081	-190 825	-3 916	112 230	116 146	-91 420	117 329	208 749	-95 489	148 072	243 560	73 743	37 288	36 028	427
00	Q1	P	-124 062	-194 743	4 406	122 659	118 253	-98 124	131 165	229 289	-101 026	156 577	257 602	70 682	39 763	31 776	-858
	Q2	P	-119 618	-188 007	9 708	139 769	130 062	-83 897	143 328	227 225	-113 817	155 045	268 862	68 389	39 354	29 092	-57
	Q3	P	-114 177	-199 279	31 795	168 487	136 692	-98 840	157 588	256 428	-132 233	162 480	294 713	85 101	42 750	42 610	-259
	Q4	P	-116 949	-200 465	22 758	178 286	155 527	-76 900	184 416	261 316	-146 324	159 489	305 813	83 516	38 234	45 278	4
01	Q1	P	-118 648	-185 650	29 745	190 404	160 658	-72 641	197 072	269 713	-142 755	188 096	330 851	67 002	41 380	27 355	-1 732
	Q2	P	-124 203	-192 604	32 853	210 648	177 795	-68 036	212 615	280 651	-157 420	177 848	335 269	68 402	40 776	28 376	-751
	Q3	P	-123 391	-189 829	29 005	208 934	179 929	-57 518	212 679	270 197	-161 316	170 253	331 569	66 438	39 971	27 762	-1 296
	Q4	P	-136 919	-205 064	30 191	216 264	186 073	-56 619	229 366	285 986	-178 636	162 933	341 568	68 144	38 865	29 156	123
02	Q1	P	-143 536	-209 585	27 487	220 242	192 754	-55 217	239 928	295 145	-181 855	166 542	348 398	66 049	41 015	26 173	-1 139

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').

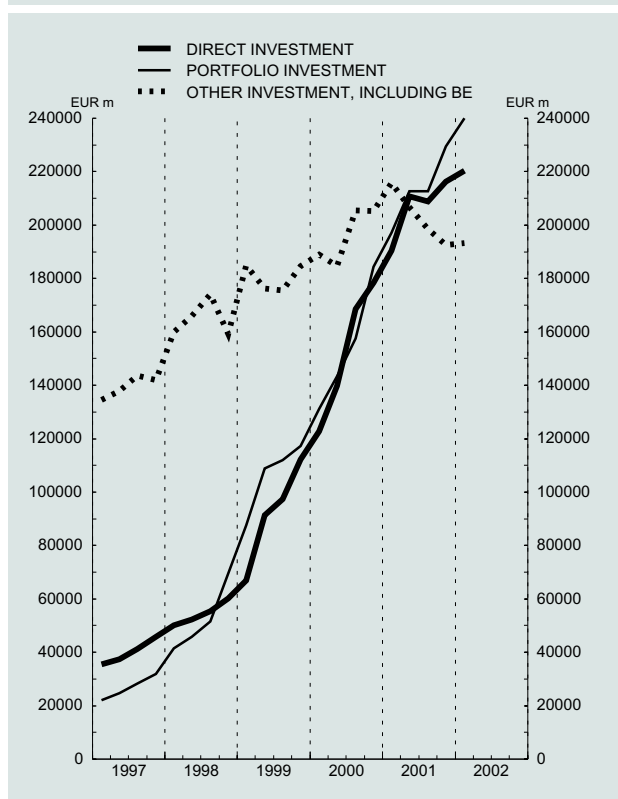
7.7. Spanish international investment position vis-à-vis other euro area residents and the rest of the world. Breakdown by investment

■ Series depicted in chart.

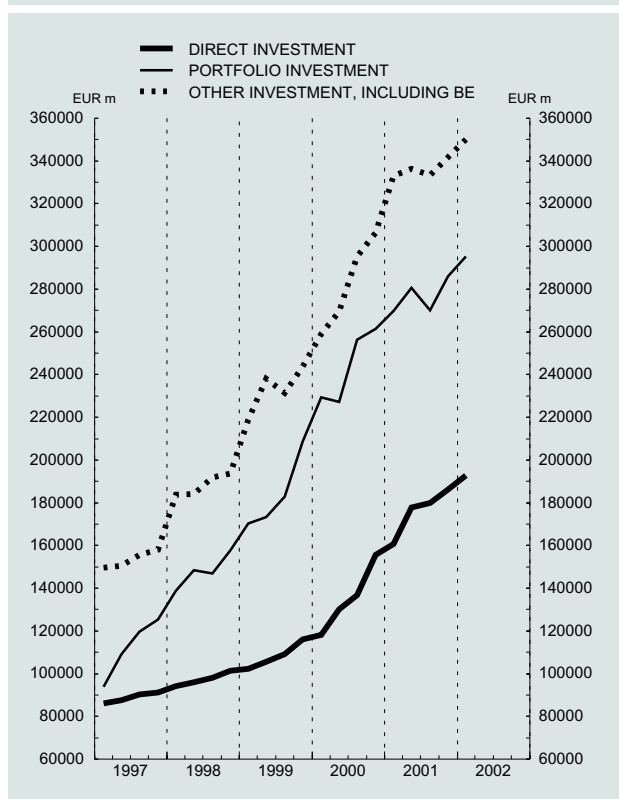
End-of-period stocks in EUR millions

		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
94	P	22 247	1 548	63 913	12 342	2 735	10 953	19 115	47 206	103 479	112 550
95	P	24 520	1 913	66 930	12 741	2 748	10 562	23 682	62 733	129 101	113 692
96	P	29 633	2 354	71 683	13 434	3 501	13 149	30 895	69 069	132 327	130 677
97	P	42 705	3 174	78 261	12 935	8 421	23 354	42 827	82 377	141 943	158 045
98	P	54 370	5 741	83 996	17 237	17 122	52 503	64 947	92 755	159 274	193 753
99	Q1	P	61 639	5 286	85 389	16 753	20 442	67 155	67 472	102 788	184 867
	Q2	P	86 013	5 394	88 045	17 451	24 833	83 987	69 786	103 562	237 923
	Q3	P	90 362	6 915	90 335	18 757	28 317	83 614	67 560	115 345	231 391
	Q4	P	104 807	7 423	97 420	18 725	32 910	84 419	86 422	122 328	243 594
00	Q1	P	114 724	7 935	98 332	19 920	45 428	85 737	95 768	133 521	258 926
	Q2	P	131 456	8 313	108 770	21 292	51 679	91 649	90 505	136 720	269 380
	Q3	P	154 514	13 973	111 965	24 727	58 411	99 177	104 888	151 541	295 412
	Q4	P	164 129	14 156	129 928	25 599	76 253	108 163	97 709	163 608	306 267
01	Q1	P	172 405	17 999	132 478	28 180	78 685	118 386	99 517	170 195	333 007
	Q2	P	190 770	19 878	144 501	33 294	77 860	134 755	103 951	176 701	336 453
	Q3	P	187 229	21 706	146 820	33 109	75 130	137 549	88 212	181 985	333 307
	Q4	P	194 561	21 703	150 272	35 801	77 113	152 253	100 065	185 921	341 867
02	Q1	P	198 050	22 192	154 481	38 274	76 809	163 119	103 363	191 782	349 984

SPANISH INVESTMENT ABROAD



FOREIGN INVESTMENT IN SPAIN



Source: BE.

Nota: See footnote to Indicator 7.6

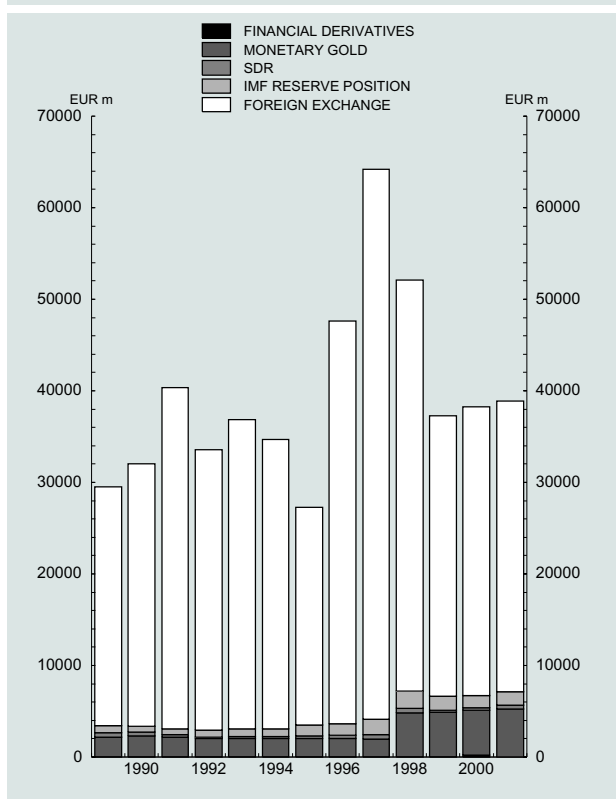
7.8. Spanish reserve assets

■ Series depicted in chart.

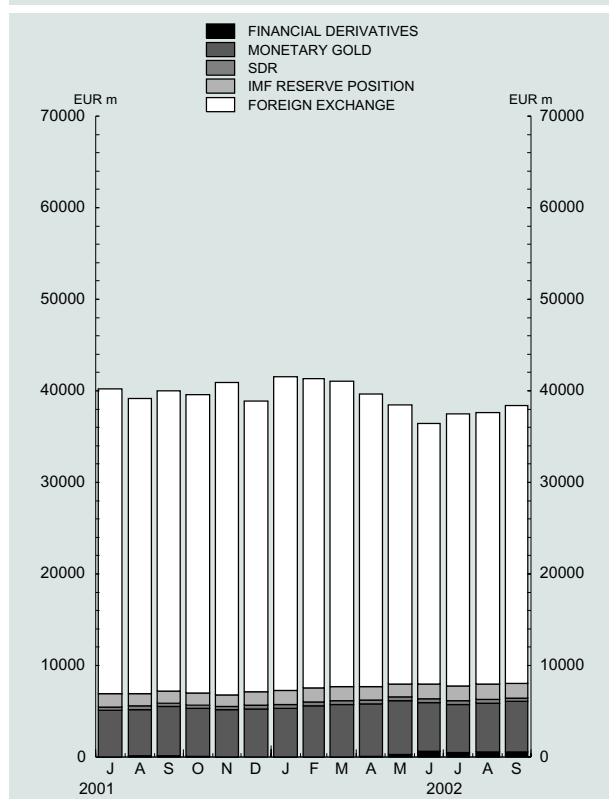
EUR millions

	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
98	52 095	44 914	1 876	492	4 814	...	19.5
99	37 288	30 639	1 517	259	4 873	...	16.8
00	38 234	31 546	1 271	312	4 931	175	16.8
01 Apr	40 362	33 628	1 342	369	4 992	31	16.8
<i>May</i>	41 025	34 095	1 384	394	5 315	-163	16.8
<i>Jun</i>	40 776	33 817	1 375	391	5 356	-163	16.8
<i>Jul</i>	40 200	33 310	1 436	383	5 105	-34	16.8
<i>Aug</i>	39 147	32 237	1 346	384	5 037	143	16.8
<i>Sep</i>	39 971	32 735	1 348	385	5 361	143	16.8
<i>Oct</i>	39 608	32 639	1 273	386	5 209	100	16.8
<i>Nov</i>	40 895	34 083	1 253	397	5 177	-15	16.8
<i>Dec</i>	38 865	31 727	1 503	398	5 301	-63	16.8
02 Jan	41 532	34 272	1 517	401	5 513	-172	16.8
<i>Feb</i>	41 301	33 758	1 514	401	5 785	-157	16.8
<i>Mar</i>	41 015	33 354	1 508	406	5 845	-98	16.8
<i>Apr</i>	39 627	31 913	1 491	400	5 749	74	16.8
<i>May</i>	38 454	30 469	1 423	390	5 875	297	16.8
<i>Jun</i>	36 400	28 418	1 620	385	5 382	594	16.8
<i>Jul</i>	37 479	29 698	1 642	391	5 242	506	16.8
<i>Aug</i>	37 596	29 652	1 645	399	5 361	538	16.8
<i>Sep</i>	38 425	30 351	1 611	397	5 502	563	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							
	Open market operations				Standing facilities		Total	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		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
01 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	193 441	128 151	60 001	5 300	7	435	452	56 970	294 048	-30 379	383 638	176 939	3 512	130 020	2 939
02 Jan	179 917	117 364	60 000	2 955	21	210	632	44 718	355 484	-27 578	385 795	102 606	2 438	129 823	2 939
Feb	183 992	123 800	60 000	-	10	245	63	46 973	296 948	-18 284	386 358	154 667	2 676	131 403	2 939
Mar	176 708	116 660	60 001	-	-8	160	105	38 690	283 118	-11 855	386 302	153 728	3 306	131 773	2 939
Apr	169 916	109 681	60 000	-	6	428	199	32 558	286 051	-12 755	398 780	158 042	3 407	131 012	2 939
May	172 171	112 331	59 999	-	7	121	287	33 501	295 732	-19 717	396 937	154 424	3 510	132 221	2 939
Jun	175 940	115 800	60 000	-	2	324	186	37 197	303 333	-22 305	396 259	152 428	3 390	132 415	2 939
Jul	193 447	134 740	58 912	-	-82	96	219	54 768	315 736	-12 367	360 583	111 982	3 998	131 742	2 939
Aug	191 827	137 363	54 545	-	23	42	145	54 764	323 367	-20 170	359 891	111 458	3 847	130 277	2 939
Sep	192 082	142 620	49 285	-	33	196	53	55 990	324 501	-17 630	363 285	112 403	3 995	129 158	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	
01 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	15 853	13 519	2 331	-	3	-	0 31 897	52 852	4 938	41 724	15 831	-25 892	-25 981	90	9 848	-	
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	14 277	11 499	2 458	329	-2	-	7 30 276	51 567	4 983	43 509	17 235	-26 760	-26 825	66	10 761	-	
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	41 702	14 420	-27 599	-27 644	45	10 736	-	
Dec	11 364	8 167	2 873	319	-2	7	0 23 266	47 811	2 655	41 678	14 478	-23 233	-23 281	48	11 331	-	
02 Jan	12 878	10 712	2 076	95	-0	1	7 28 820	58 296	3 005	42 369	9 888	-26 530	-26 614	84	10 587	-	
Feb	14 249	11 997	2 251	-	1	0	0 24 097	50 266	3 674	42 399	12 557	-20 819	-20 925	107	10 970	-	
Mar	12 257	9 628	2 632	-	-2	-	0 22 797	48 199	4 312	42 489	12 774	-21 272	-21 319	47	10 733	-	
Apr	12 763	9 882	2 882	-	-0	-	1 24 352	48 156	5 648	43 258	13 806	-22 862	-22 921	59	11 272	-	
May	13 342	10 599	2 742	-	1	-	- 26 119	48 651	6 692	43 218	13 994	-23 670	-23 770	101	10 892	-	
Jun	14 739	11 735	3 000	-	4	-	0 27 211	49 879	6 066	43 273	14 540	-23 610	-23 709	99	11 137	-	
Jul	18 075	14 120	3 948	-	7	-	0 26 080	51 385	3 703	39 214	10 205	-19 747	-19 849	102	11 742	-	
Aug	17 593	14 232	3 347	-	15	-	1 26 376	51 408	4 153	39 198	10 013	-19 928	-20 029	101	11 145	-	
Sep	15 980	13 150	2 816	-	14	-	- 26 238	50 834	4 929	39 782	10 257	-21 508	-21 584	76	11 251	-	

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.

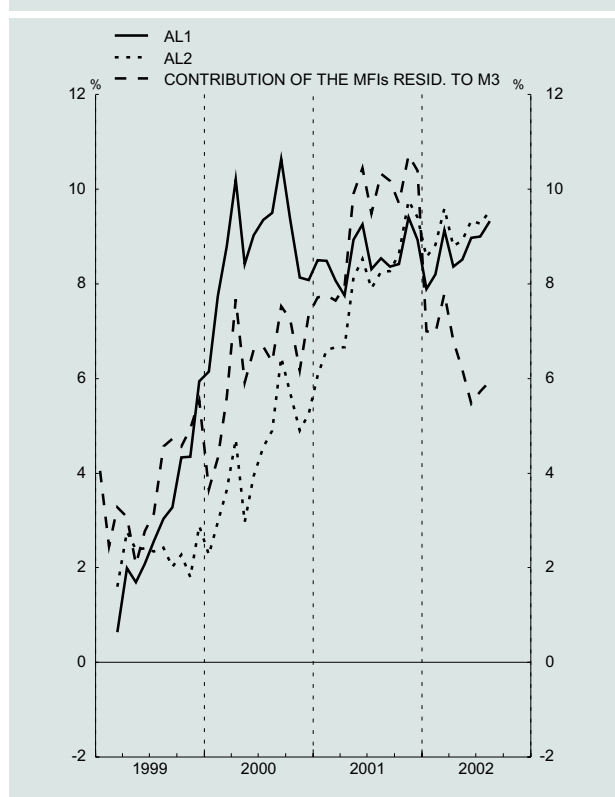
EUR millions and %

	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
99	261 185	12.7	8.3	14.1	13.8	184 700	3.7	11.9	-5.6	-25.0	189 252	-2.6	-17.9	-26.0	16.9	5.9	2.9	5.5
00	272 700	4.4	-0.4	9.1	2.4	221 258	19.8	25.4	11.8	-8.6	157 506	-16.8	-21.8	-33.0	-9.8	8.1	5.2	7.4
01	291 310	6.8	-21.3	16.0	11.8	239 736	8.4	13.0	-0.6	-20.5	153 807	-2.3	31.2	19.7	-18.0	8.9	9.4	10.4
01 May	267 529	3.6	-3.4	7.1	3.8	236 606	17.6	24.1	2.2	-5.2	153 729	-10.6	-1.7	-6.5	-14.5	8.9	8.1	9.9
Jun	280 686	4.6	-4.4	8.5	5.1	237 448	16.7	22.8	2.6	-6.4	152 119	-10.1	2.0	-5.4	-15.0	9.3	8.5	10.5
Jul	278 702	3.6	-5.6	6.7	5.1	236 708	14.8	21.6	-0.9	-12.2	151 268	-9.5	6.7	-0.1	-16.7	8.3	7.9	9.5
Aug	273 853	3.6	-6.4	7.2	5.1	240 896	14.5	21.6	-0.0	-15.9	149 966	-11.1	10.3	2.6	-20.7	8.5	8.2	10.3
Sep	281 194	3.8	-8.5	7.1	6.6	241 769	12.8	20.3	-0.4	-21.1	146 070	-12.0	17.1	6.3	-24.9	8.4	8.3	10.2
Oct	273 714	3.6	-10.1	7.7	6.5	241 300	12.2	17.9	1.7	-15.4	149 393	-9.2	22.8	13.3	-23.6	8.4	8.6	9.7
Nov	279 399	5.9	-12.7	10.3	10.8	242 424	11.0	17.2	1.6	-23.2	152 772	-4.0	28.1	17.1	-18.7	9.4	9.8	10.7
Dec	291 310	6.8	-21.3	16.0	11.8	239 736	8.4	13.0	-0.6	-20.5	153 807	-2.3	31.2	19.7	-18.0	8.9	9.4	10.4
02 Jan	280 964	6.5	-21.0	13.9	12.6	243 329	6.4	12.0	-0.9	-26.3	151 341	-4.4	30.3	23.8	-21.6	7.9	8.6	7.0
Feb	284 997	7.7	-19.0	15.1	13.2	243 289	6.0	10.2	4.1	-26.3	149 961	-2.5	28.1	22.7	-18.7	8.2	8.8	7.0
Mar	293 663	9.9	-16.0	17.5	14.8	245 032	5.2	8.2	4.8	-21.2	152 652	0.5	30.2	19.6	-14.9	9.1	9.6	7.8
Apr	291 056	8.6	-13.8	14.3	13.5	246 645	5.2	7.2	4.9	-13.0	150 690	-2.3	28.4	18.3	-18.5	8.4	8.8	6.8
May	294 089	9.9	-9.9	16.0	13.1	246 122	4.0	6.8	1.8	-18.3	149 953	-2.5	28.5	17.5	-19.0	8.5	8.9	6.2
Jun	309 639	10.3	-8.3	16.3	12.7	248 746	4.8	7.0	-0.8	-8.0	147 368	-3.1	27.0	17.5	-20.1	9.0	9.3	5.5
Jul	P 305 145	9.5	-6.1	14.9	11.1	250 557	5.9	7.9	2.6	-10.7	144 643	-4.4	26.2	15.1	-21.9	9.0	9.3	5.7
Aug	P 303 380	10.8	-4.6	16.6	11.9	253 640	5.3	6.9	2.4	-6.3	145 239	-3.2	25.0	14.1	-20.0	9.3	9.5	5.9

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.

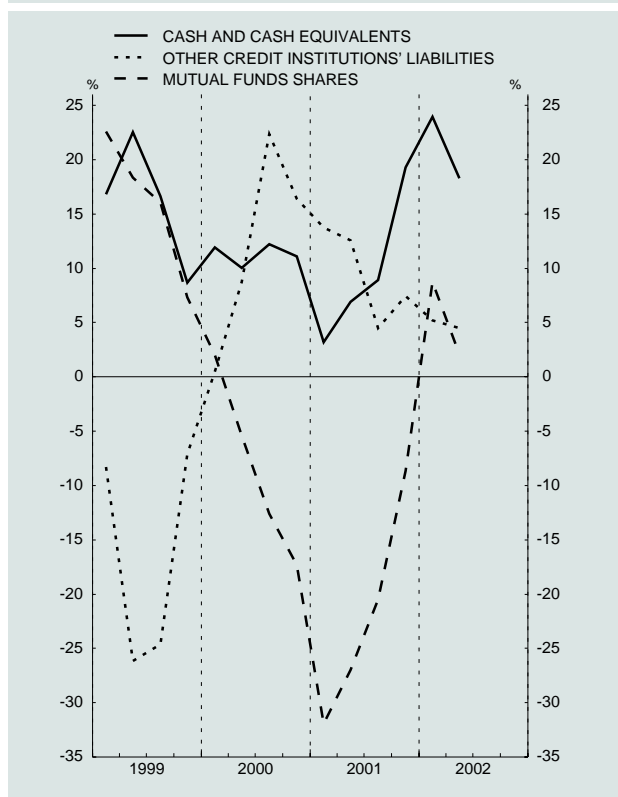
8.3 Cash and cash equivalents, other credit institutions' liabilities and mutual funds shares (a) of non-financial corporations resident in Spain

■ Series depicted in chart.

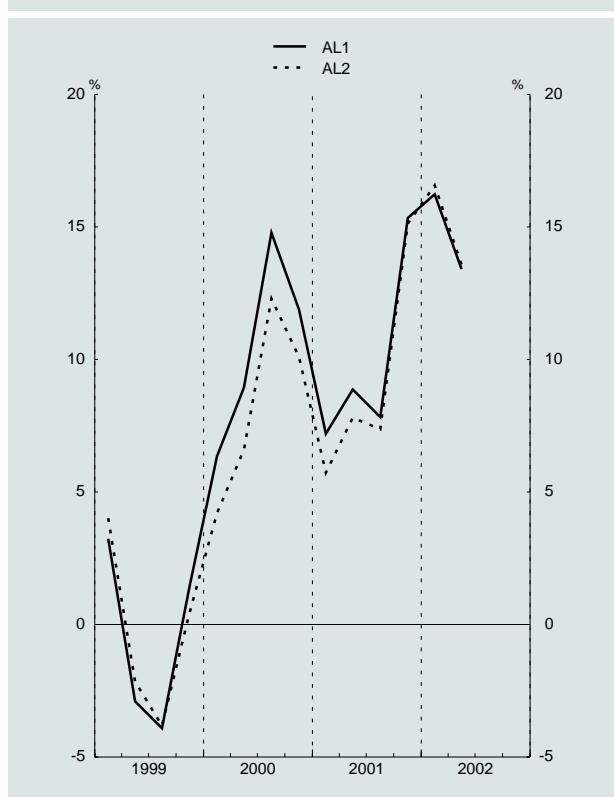
EUR millions and %

	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
99	49 565	8.7	8.8	5.2	32 060	-7.1	30.8	-16.6	17 778	7.3	-7.6	-19.2	27.6	1.4	0.4
00	55 062	11.1	11.0	13.1	37 318	16.4	45.5	5.0	14 701	-17.3	-17.0	-34.6	-11.9	11.9	10.1
01	65 698	19.3	19.6	10.7	40 093	7.4	16.7	2.4	13 426	-8.7	40.8	5.4	-27.8	15.3	15.1
99 Q2	50 433	22.5	23.8	-3.5	31 609	-26.2	13.3	-33.4	17 954	18.4	-14.9	15.2	40.2	-2.9	-2.2
Q3	48 917	16.6	18.0	-12.2	30 034	-24.6	30.4	-34.4	17 773	16.0	-12.3	-2.0	42.7	-3.9	-3.8
Q4	49 565	8.7	8.8	5.2	32 060	-7.1	30.8	-16.6	17 778	7.3	-7.6	-19.2	27.6	1.4	0.4
00 Q1	50 447	11.9	12.2	6.3	33 884	0.5	37.8	-10.3	17 959	2.0	-7.9	-35.2	24.1	6.4	4.2
Q2	55 502	10.1	10.2	6.3	34 375	8.8	55.0	-5.8	16 980	-5.4	-4.6	-39.4	9.3	8.9	6.6
Q3	54 901	12.2	12.4	7.6	36 740	22.3	58.7	9.5	15 537	-12.6	-12.7	-40.7	-1.8	14.8	12.3
Q4	55 062	11.1	11.0	13.1	37 318	16.4	45.5	5.0	14 701	-17.3	-17.0	-34.6	-11.9	11.9	10.1
01 Q1	52 061	3.2	2.9	10.6	38 549	13.8	38.7	2.8	12 227	-31.9	1.5	-38.9	-40.1	7.2	5.7
Q2	59 348	6.9	6.9	8.3	38 689	12.5	27.5	4.8	12 399	-27.0	3.3	-29.0	-36.2	8.9	7.8
Q3	59 797	8.9	8.8	12.1	38 396	4.5	22.9	-4.9	12 352	-20.5	27.4	-12.0	-37.8	7.8	7.4
Q4	65 698	19.3	19.6	10.7	40 093	7.4	16.7	2.4	13 426	-8.7	40.8	5.4	-27.8	15.3	15.1
02 Q1	64 526	23.9	24.4	13.3	40 562	5.2	13.7	0.2	13 299	8.8	23.1	33.7	-4.9	16.2	16.6
Q2	70 216	18.3	18.3	19.6	40 437	4.5	10.1	1.0	12 660	2.1	28.4	22.0	-17.0	13.4	13.6

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.

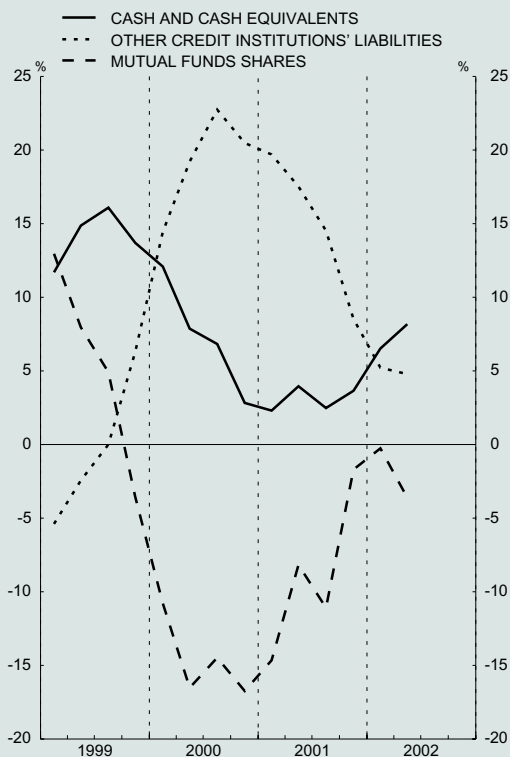
8.4 Cash and cash equivalents, other credit institutions' liabilities and mutual funds shares (a) of households and NPISHs resident in Spain

■ Series depicted in chart.

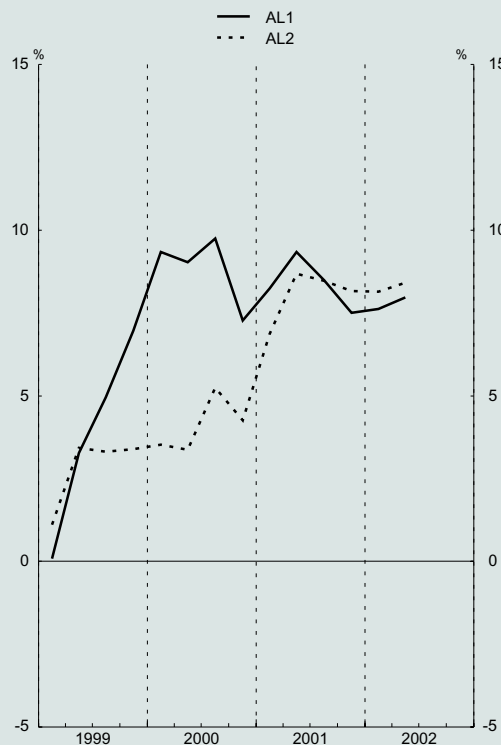
EUR millions and %

	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
99	211 620	13.7	8.3	19.0	13.9	152 640	6.3	10.7	-9.6	171 474	-3.6	-18.8	-26.6	15.9	7.0	3.4
00	217 638	2.8	-0.4	7.1	2.2	183 940	20.5	24.0	5.4	142 806	-16.7	-22.3	-32.8	-9.6	7.3	4.3
01	225 612	3.7	-21.7	12.1	11.8	199 643	8.5	12.7	-13.2	140 381	-1.7	30.2	21.2	-16.9	7.5	8.2
99 Q2	197 368	14.9	4.5	20.6	18.0	141 887	-2.4	0.5	-12.4	182 247	8.0	-20.3	4.8	27.6	3.3	3.4
Q3	202 164	16.1	6.2	23.8	17.9	144 663	0.0	4.0	-13.4	175 854	4.9	-20.5	-10.9	29.7	5.0	3.3
Q4	211 620	13.7	8.3	19.0	13.9	152 640	6.3	10.7	-9.6	171 474	-3.6	-18.8	-26.6	15.9	7.0	3.4
00 Q1	210 227	12.1	6.0	17.1	12.7	162 350	14.4	18.7	-1.4	163 706	-10.8	-20.5	-43.0	9.1	9.3	3.5
Q2	212 946	7.9	6.2	9.7	7.8	169 146	19.2	22.7	5.5	152 154	-16.5	-22.0	-45.5	-1.5	9.0	3.4
Q3	216 007	6.8	4.2	11.4	5.8	177 554	22.7	25.1	13.0	150 416	-14.5	-24.1	-40.1	-0.9	9.7	5.2
Q4	217 638	2.8	-0.4	7.1	2.2	183 940	20.5	24.0	5.4	142 806	-16.7	-22.3	-32.8	-9.6	7.3	4.3
01 Q1	215 076	2.3	-1.8	7.7	1.4	194 312	19.7	24.3	-0.9	139 728	-14.6	-10.1	-14.4	-16.1	8.2	6.9
Q2	221 338	3.9	-4.7	10.1	5.0	198 759	17.5	22.4	-4.9	139 720	-8.2	1.9	-2.8	-12.6	9.4	8.7
Q3	221 396	2.5	-8.8	5.4	6.5	203 373	14.5	20.1	-10.5	133 718	-11.1	16.0	8.2	-23.5	8.5	8.5
Q4	225 612	3.7	-21.7	12.1	11.8	199 643	8.5	12.7	-13.2	140 381	-1.7	30.2	21.2	-16.9	7.5	8.2
02 Q1	229 138	6.5	-16.3	11.4	14.9	204 470	5.2	7.7	-8.6	139 353	-0.3	31.0	18.4	-15.7	7.6	8.1
Q2	239 423	8.2	-8.6	14.1	12.5	208 309	4.8	6.8	-6.8	134 708	-3.6	26.8	17.1	-20.3	8.0	8.4

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.

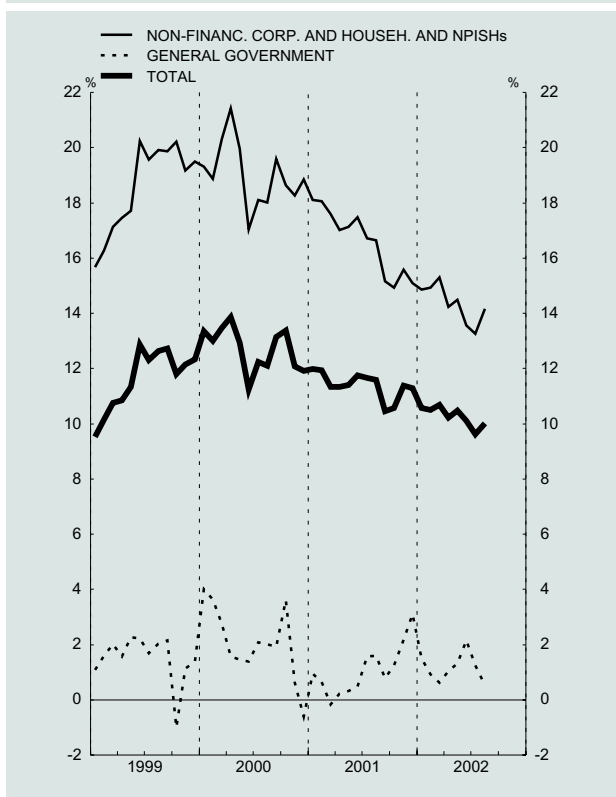
8.5 Financing of non-financial sectors resident in Spain (a)

■ Series depicted in chart.

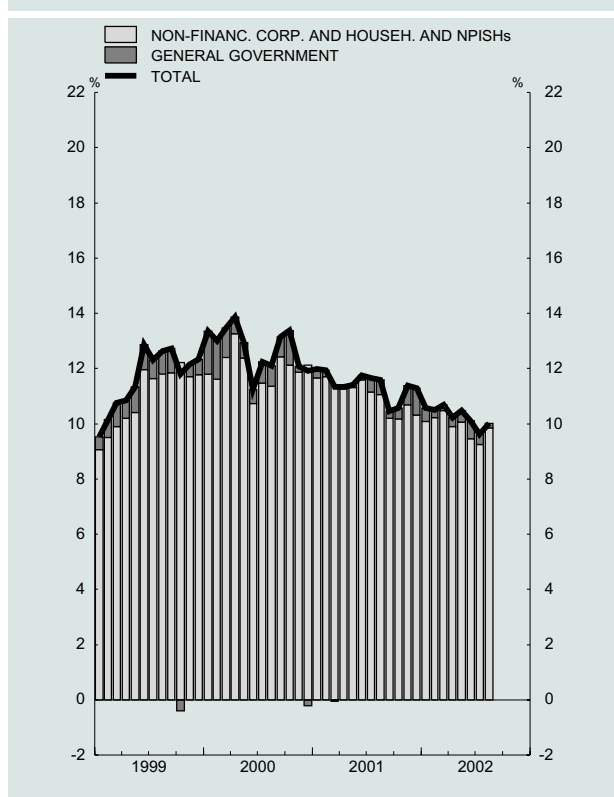
EUR millions and %

	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	
99	876 721	17 179	12.3	1.4	19.5	16.4	66.4	19.2	36.8	0.6	11.8	8.4	0.8	0.4	2.2
00	983 208	17 924	11.9	-0.6	18.9	18.0	34.3	-15.2	31.7	-0.2	12.1	9.4	0.6	-0.4	2.5
01	1 095 466	19 154	11.3	3.1	15.1	13.4	21.7	7.6	25.2	1.0	10.3	7.4	0.4	0.1	2.4
01 May	1 021 919	7 228	11.4	0.3	17.1	14.4	17.6	-2.8	39.7	0.1	11.3	7.7	0.4	-0.1	3.3
Jun	1 041 698	20 234	11.8	0.5	17.5	15.0	13.2	-4.8	41.0	0.2	11.6	8.1	0.3	-0.1	3.3
Jul	1 055 369	14 668	11.7	1.6	16.7	13.7	17.3	5.2	38.5	0.5	11.1	7.4	0.4	0.1	3.2
Aug	1 052 938	-2 752	11.6	1.6	16.6	14.0	15.4	7.9	35.5	0.5	11.1	7.5	0.4	0.1	3.1
Sep	1 063 452	9 936	10.5	0.8	15.2	13.6	28.0	6.2	23.2	0.3	10.2	7.3	0.6	0.1	2.2
Oct	1 063 844	782	10.6	1.2	14.9	13.3	28.7	5.9	22.7	0.4	10.2	7.3	0.6	0.1	2.2
Nov	1 075 040	11 500	11.4	2.2	15.6	13.4	28.0	11.1	26.2	0.7	10.7	7.4	0.6	0.2	2.5
Dec	1 095 466	19 154	11.3	3.1	15.1	13.4	21.7	7.6	25.2	1.0	10.3	7.4	0.4	0.1	2.4
02 Jan	1 102 414	6 595	10.6	1.5	14.9	13.4	24.5	5.9	22.6	0.5	10.1	7.3	0.5	0.1	2.2
Feb	1 100 590	-1 913	10.5	0.9	14.9	13.9	18.0	7.0	21.3	0.3	10.2	7.6	0.4	0.1	2.1
Mar	1 117 382	16 040	10.7	0.6	15.3	14.7	23.6	6.7	18.2	0.2	10.5	8.0	0.5	0.1	1.8
Apr	1 118 474	1 991	10.2	1.0	14.2	14.0	23.5	8.2	14.5	0.3	9.9	7.7	0.5	0.1	1.5
May	1 128 716	10 802	10.5	1.3	14.5	14.5	22.5	2.4	14.9	0.4	10.1	8.0	0.5	0.0	1.6
Jun	1 147 456	18 590	10.1	2.2	13.6	13.2	36.6	1.4	12.8	0.7	9.5	7.3	0.8	0.0	1.4
P 1 Jul	1 158 256	10 875	9.6	1.2	13.3	14.2	20.1	-5.5	10.3	0.4	9.2	7.8	0.5	-0.1	1.1
P 1 Aug	1 159 244	1 063	10.0	0.5	14.2	15.0	21.1	-7.6	12.1	0.2	9.9	8.2	0.5	-0.1	1.3

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.

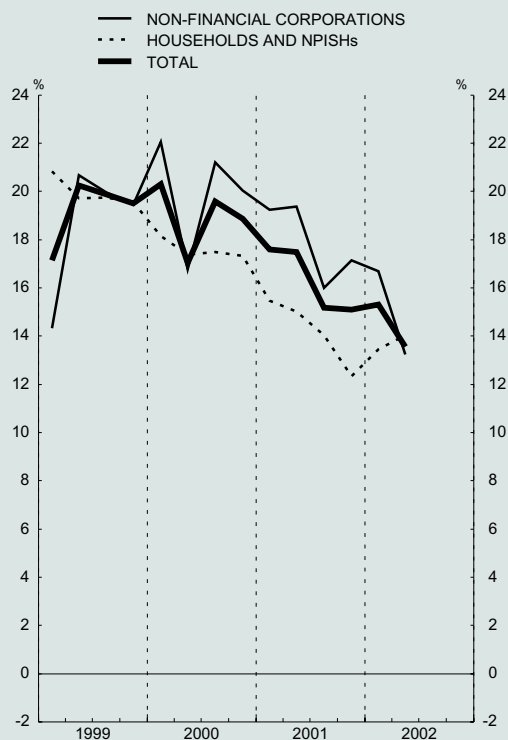
8.6. Financing of non-financial corporations, households and NPISHs resident in Spain (a)

■ Series depicted in chart.

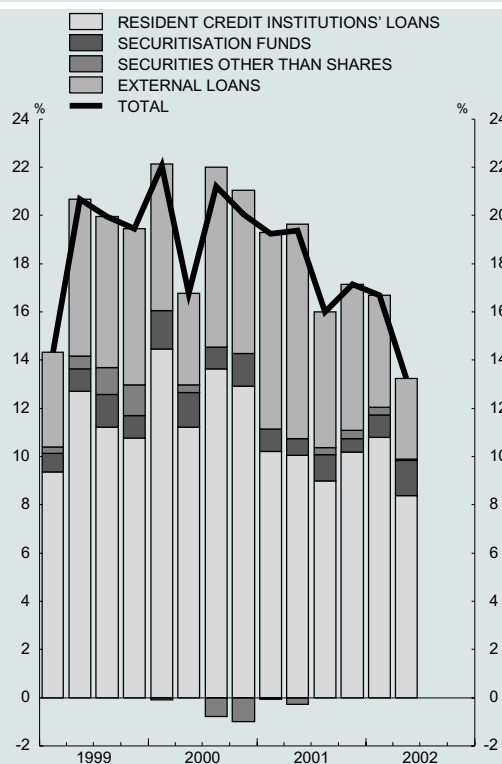
EUR millions and %

	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
99	318 597	51 286	19.4	222 072	14.6	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	385 020	63 854	20.0	262 564	18.5	12.9	12 419	54.2	17 669	-15.2	-1.0	92 368	31.8	6.8	287 430	42 525	17.3
01	452 614	65 992	17.1	301 211	14.9	10.2	14 579	17.4	19 009	7.6	0.3	117 815	25.3	6.1	322 472	35 487	12.3
99 Q2	297 745	28 366	20.7	211 303	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	303 535	6 416	20.0	213 400	15.1	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	318 597	13 146	19.4	222 072	14.6	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	330 438	11 102	22.1	230 275	20.1	14.4	10 871	65.8	18 138	-1.3	-0.1	71 153	32.3	6.1	255 138	9 776	18.2
Q2	350 016	19 292	16.8	243 878	15.8	11.2	11 417	59.0	19 249	5.2	0.3	75 471	18.6	3.8	267 121	12 168	17.4
Q3	372 917	20 847	21.2	254 012	19.4	13.6	10 881	32.6	17 760	-11.9	-0.8	90 264	36.7	7.5	274 464	7 484	17.5
Q4	385 020	12 612	20.0	262 564	18.5	12.9	12 419	54.2	17 669	-15.2	-1.0	92 368	31.8	6.8	287 430	13 096	17.3
01 Q1	396 483	10 834	19.2	263 422	14.7	10.2	13 893	27.8	17 965	-1.0	-0.1	101 202	37.9	8.2	294 072	6 703	15.5
Q2	420 184	23 460	19.4	278 467	14.4	10.0	13 903	21.8	18 323	-4.8	-0.3	109 492	41.2	8.9	306 757	12 818	15.0
Q3	432 947	12 761	16.0	287 023	13.2	9.0	14 932	37.2	18 859	6.2	0.3	112 133	23.3	5.6	312 564	5 907	14.0
Q4	452 614	18 937	17.1	301 211	14.9	10.2	14 579	17.4	19 009	7.6	0.3	117 815	25.3	6.1	322 472	10 059	12.3
02 Q1	464 862	10 988	16.7	305 687	16.2	10.8	17 608	26.7	19 161	6.7	0.3	122 407	18.2	4.7	333 137	10 731	13.4
Q2	476 563	12 910	13.2	313 147	12.6	8.4	20 041	44.1	18 583	1.4	0.1	124 792	12.8	3.3	349 364	16 326	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.

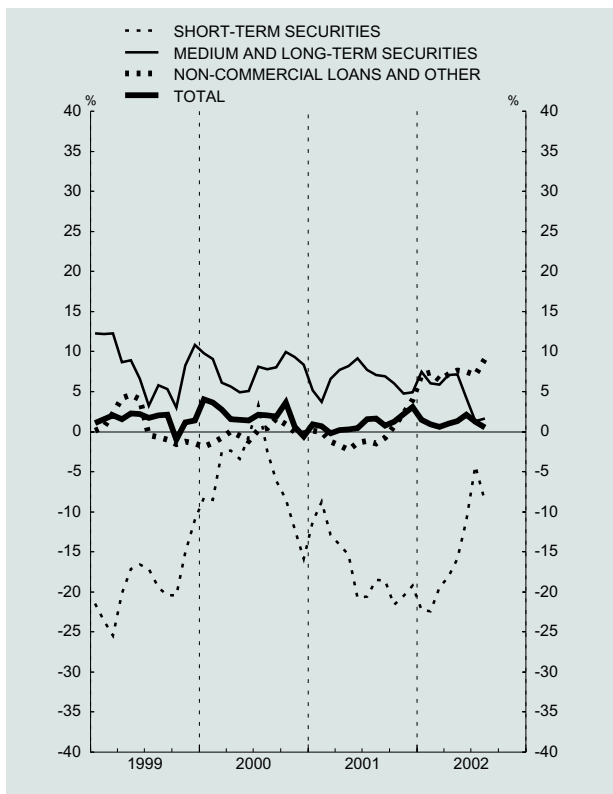
8.8. Net financing of Spain's general government

■ Series depicted in chart.

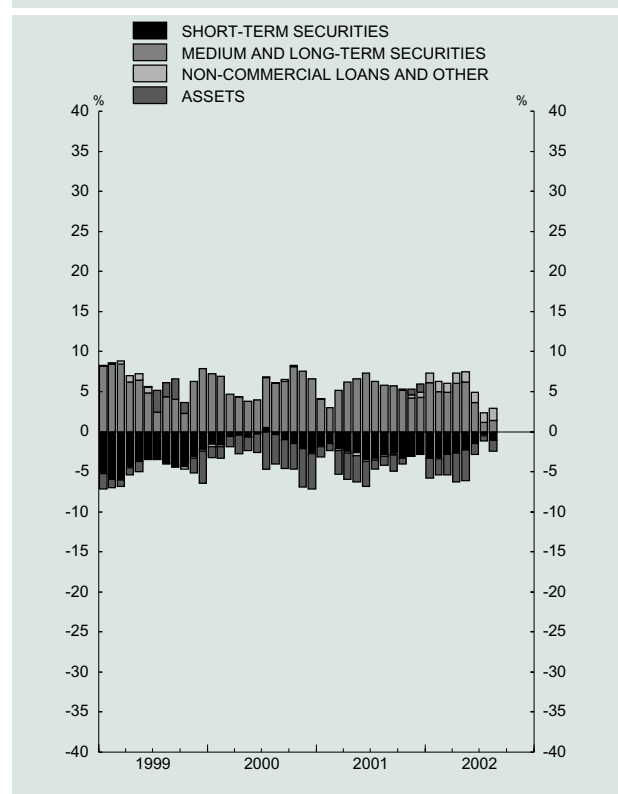
EUR millions and %

	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)	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
99	312 671	4 302	1.4	16 706	-6 700	24 218	-812	8 020	4 383	4.9	-11.0	10.9	-1.5	41.1	-2.2	7.9	-0.3	-4.0
00	P 310 759	-1 913	-0.6	11 825	-8 605	20 558	-128	8 319	5 419	3.3	-15.8	8.3	-0.2	32.2	-2.8	6.6	-0.0	-4.4
01	P 320 381	9 622	3.1	6 566	-8 804	13 226	2 144	17 158	14 101	1.8	-19.3	4.9	4.0	-5.4	-2.8	4.3	0.7	1.0
01 Mar	P 317 387	3 385	-0.2	3 347	-1 811	5 487	-329	-2 473	2 435	2.5	-12.9	6.6	-1.3	24.5	-2.1	5.1	-0.2	-3.0
Apr	P 308 974	-8 413	0.2	-963	-581	-880	498	1 485	5 964	3.0	-14.1	7.7	-1.8	22.0	-2.4	6.2	-0.3	-3.2
May	P 312 081	3 107	0.3	2 204	-1 178	3 838	-456	1 289	-2 192	3.1	-15.4	8.2	-2.3	23.1	-2.6	6.6	-0.4	-3.3
Jun	P 314 757	2 676	0.5	3 123	-2 579	5 214	489	1 062	-614	3.2	-20.7	9.2	-1.4	22.0	-3.5	7.3	-0.2	-3.2
Jul	P 319 653	4 896	1.6	1 197	-864	1 738	323	-2 122	-1 578	2.4	-20.6	7.7	-1.1	7.6	-3.3	6.3	-0.2	-1.1
Aug	P 321 186	1 533	1.6	-1 179	-1 247	843	-775	751	-3 463	2.4	-18.5	7.1	-1.5	7.9	-2.8	5.8	-0.3	-1.1
Sep	P 317 941	-3 245	0.8	1 535	-966	2 331	170	2 264	2 517	2.4	-18.5	6.9	-0.7	13.7	-2.8	5.7	-0.1	-2.0
Oct	P 310 456	-7 486	1.2	81	-1 690	1 049	721	829	6 737	1.7	-21.6	6.0	0.7	4.1	-3.3	5.2	0.1	-0.8
Nov	P 309 687	-769	2.2	-289	-203	-362	277	-950	1 430	1.2	-20.5	4.8	2.3	-3.3	-3.1	4.2	0.4	0.7
Dec	P 320 381	10 694	3.1	2 774	484	1 131	1 159	-3 480	-4 439	1.8	-19.3	4.9	4.0	-5.4	-2.8	4.3	0.7	1.0
02 Jan	A 324 052	3 671	1.5	1 686	-282	219	1 748	1 225	-3 211	3.6	-22.2	7.5	7.0	18.8	-3.3	6.1	1.2	-2.5
Feb	A 316 878	-7 174	0.9	-4 387	259	-4 796	150	224	2 563	2.5	-22.4	6.1	7.4	13.1	-3.4	5.0	1.3	-2.0
Mar	A 319 384	2 506	0.6	4 421	-60	5 350	-869	1 132	783	2.8	-19.5	5.9	6.4	17.2	-2.8	4.9	1.1	-2.6
Apr	A 312 172	-7 212	1.0	3 191	134	2 141	916	1 791	8 613	3.9	-18.1	7.1	7.1	20.2	-2.7	6.1	1.2	-3.6
May	A 316 200	4 028	1.3	4 166	21	4 354	-209	-1 179	1 317	4.5	-15.9	7.1	7.7	22.5	-2.2	6.2	1.3	-3.9
Jun	A 321 529	5 329	2.2	-2 186	-157	-2 466	437	970	-8 486	3.0	-11.0	4.2	7.5	7.7	-1.5	3.7	1.3	-1.3
Jul	A 323 637	2 108	1.2	-3 956	1 972	-6 066	138	-2 005	-4 059	1.6	-4.3	1.4	7.1	3.7	-0.5	1.2	1.2	-0.6
Aug	A 322 873	-764	0.5	-962	-2 912	1 724	226	215	-413	1.6	-8.6	1.7	9.1	9.1	-1.1	1.4	1.5	-1.4

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 Depositos.

(b) Tax collection accounts are not included.

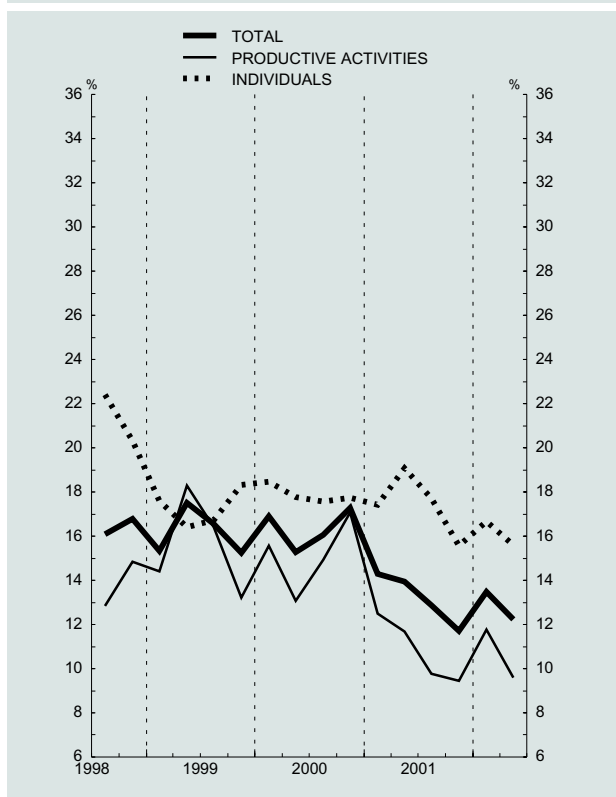
8.9 Lending of credit institutions to other resident sectors. Breakdown by end-use.

■ Series depicted in chart.

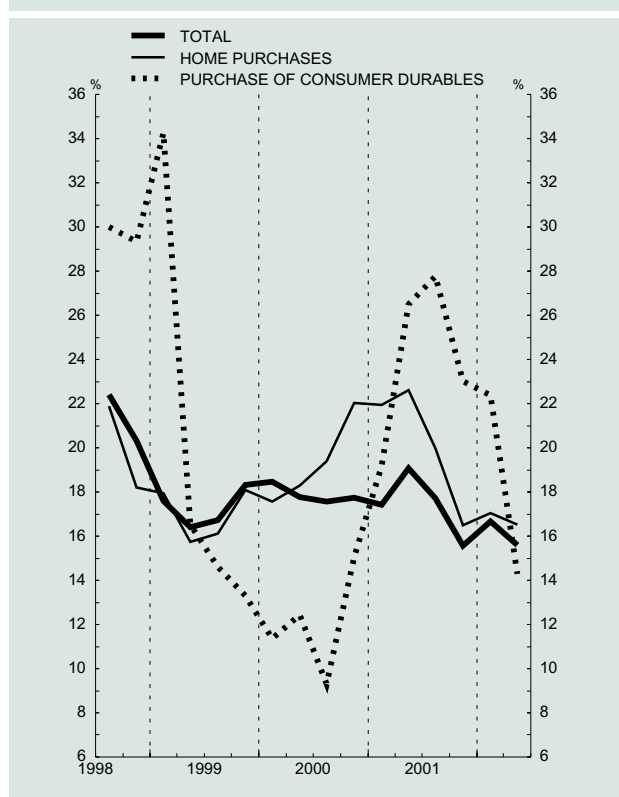
EUR millions and percentages

	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 (b)		
								Total	Purchases	Improvements				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
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
01	624 854	330 591	13 320	82 959	46 412	187 901	281 789	205 790	197 192	8 598	33 076	42 922	2 394	10 079
99 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	193 427	185 449	7 978	31 034	42 483	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
Q4	624 854	330 591	13 320	82 959	46 412	187 901	281 789	205 790	197 192	8 598	33 076	42 922	2 394	10 079
02 Q1	640 193	334 865	13 420	82 689	47 487	191 269	293 673	214 354	205 404	8 949	34 671	44 648	2 382	9 273
Q2	664 446	343 191	13 980	81 235	50 770	197 207	308 555	225 521	216 080	9 441	35 466	47 568	2 287	10 413

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

(b) Includes loans and credit to households for the purchase of land and rural property, the purchase of securities, the purchase of current goods and services not considered to be consumer durables (e.g. loans to finance travel expenses) and for various end-uses not included in the foregoing

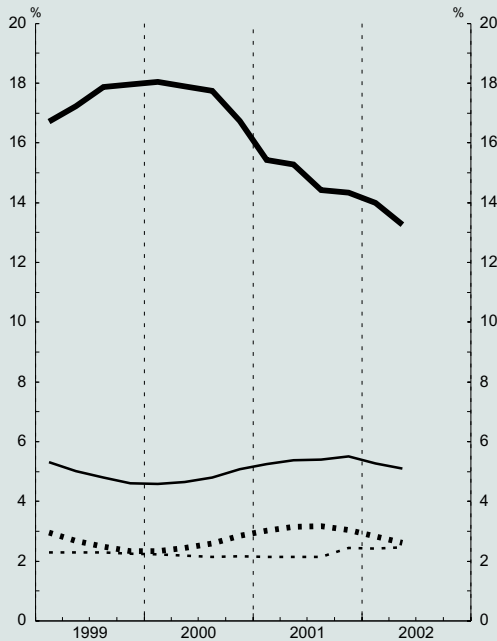
8.10. Profit and loss account of banks, savings banks and credit co-operatives resident in Spain

■ Series depicted in chart.

	As a percentage of the adjusted average balance sheet										Percentages			
	Interest income	Interest expenses	Net interest income	Non interest income and expenses	Gross income	Operating expenses:	Of which: Staff costs	Net income	Provisions and other income and expenses	Profit before tax	Return on own funds (a)	Average return on lending operations (b)	Average cost of borrowing operations (b)	Difference (12-13)
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
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
01	6.2	2.8	3.4	0.7	4.2	1.9	1.1	2.3	-2.0	0.7	11.5	6.0	3.5	2.4
99 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
Q4	6.2	2.8	3.4	0.7	4.2	1.9	1.1	2.3	-1.6	0.7	11.5	6.0	3.5	2.4
02 Q1	4.5	2.4	2.1	0.7	2.7	1.7	1.0	1.0	-0.1	0.9	14.5	5.7	3.3	2.4
Q2	4.7	2.4	2.3	0.8	3.1	1.7	1.0	1.4	-0.5	0.9	15.0	5.5	3.0	2.5

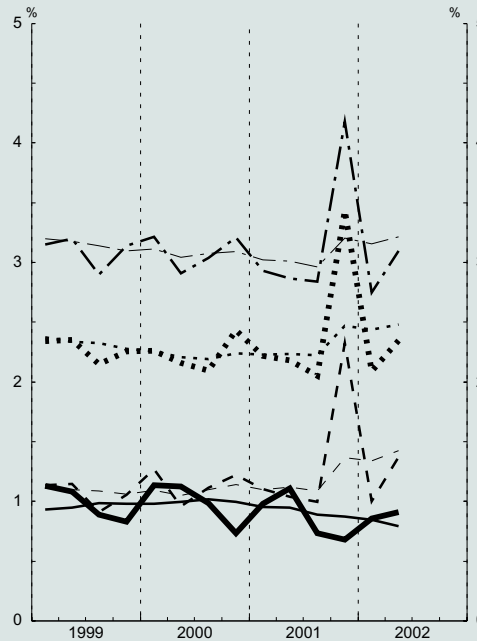
PROFIT AND LOSS ACCOUNT
Percentages of the adjusted average balance sheet and returns

— RETURN ON OWN FUNDS (c)
— INTEREST INCOME (c)
... INTEREST EXPENSES (c)
... DIFF. BETWEEN AVERAGE RETURN AND COST



PROFIT AND LOSS ACCOUNT
Percentages of the adjusted average balance sheet

— GROSS INCOME
... NET INTEREST INCOME
- - NET INCOME
— PROFIT BEFORE TAX



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.

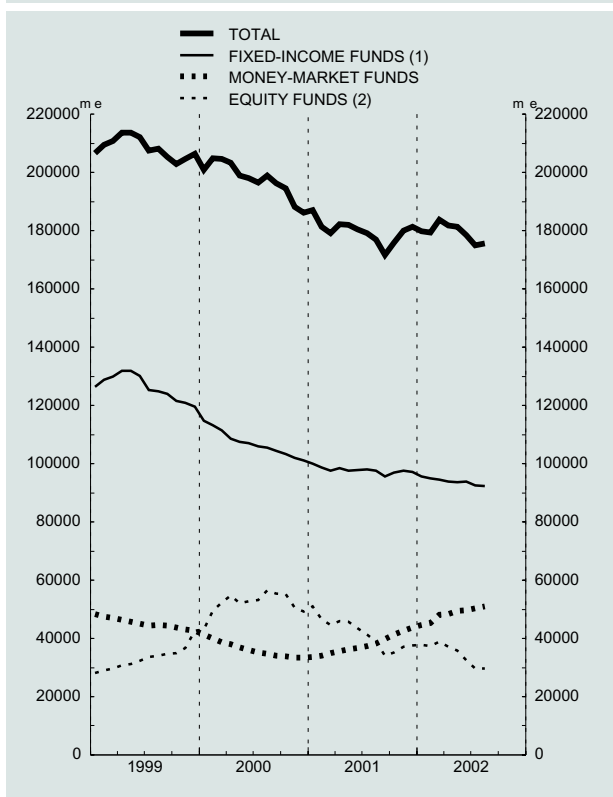
8.11. Mutual funds resident in Spain

■ Series depicted in chart.

EUR millions

	Total				Money-market funds				Fixed-income funds (1)				Equity funds (2)				Others funds (3)
	Net asset value	Monthly change	Of which Net funds invested	Return over last 12 months	Net asset value	Monthly change	Of which Net funds invested	Return over last 12 months	Net asset value	Monthly change	Of which Net funds invested	Return over last 12 months	Net asset value	Monthly change	Of which Net funds invested	Return over last 12 months	Net asset value
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
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
01	181 323	-4 746	-194	-1.5	43 830	10 462	9 798	3.5	97 246	-3 944	-4 773	1.9	37 494	-11 756	-5 218	-13.7	2 753
01 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	-6.4	38 201	854	732	3.1	97 479	-435	-349	0.9	39 007	-2 392	-184	-26.8	2 265
Sep	171 624	-5 329	-1 442	-7.4	39 723	1 523	1 395	3.1	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	-5.7	41 247	1 524	1 365	3.1	96 841	1 213	205	1.6	35 273	1 299	-136	-27.4	2 367
Nov	179 939	4 209	2 596	-2.3	42 592	1 345	1 662	3.4	97 641	800	811	2.2	37 168	1 895	123	-16.7	2 537
Dec	181 323	1 384	823	-1.5	43 830	1 238	1 295	3.5	97 246	-395	-269	1.9	37 494	325	-203	-13.7	2 753
02 Jan	179 703	-1 620	-810	-3.2	44 610	779	707	3.4	95 499	-1 747	-1 490	1.1	37 775	282	-26	-18.9	1 819
Feb	179 303	-400	480	-1.2	45 203	594	514	3.3	95 047	-452	-279	1.7	37 276	-499	244	-12.4	1 776
Mar	183 849	4 546	5 002	-0.1	48 085	2 882	2 805	3.1	94 434	-613	1 235	1.6	38 836	1 560	956	-7.1	2 494
Apr	181 809	-2 040	-599	-2.0	48 433	348	263	3.1	93 902	-532	-677	1.5	37 070	-1 767	-235	-15.5	2 405
May	181 231	-578	574	-2.6	49 455	1 023	912	2.9	93 521	-381	-309	1.0	35 843	-1 227	-131	-17.4	2 412
Jun	178 425	-2 806	459	-3.4	49 692	237	102	2.8	93 824	303	595	1.0	32 531	-3 312	-345	-21.5	2 378
Jul	174 935	-3 490	-186	-3.9	50 318	626	534	2.8	92 449	-1 374	-1 326	1.0	29 733	-2 797	-368	-24.5	2 434
Aug	P 175 573	638	-63	-2.6	51 062	744	640	2.6	92 415	-35	-460	1.5	29 635	-99	-242	-20.0	2 462

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.

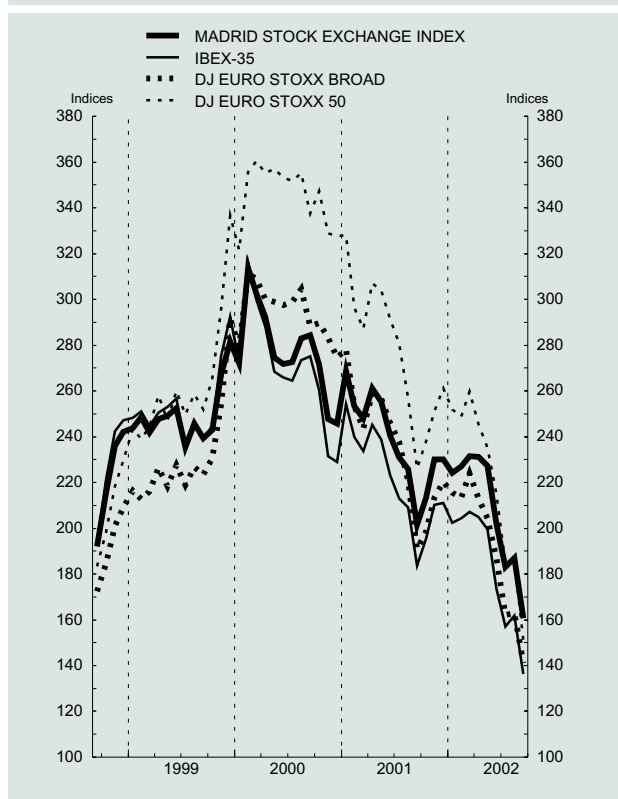
8.12. Share price indices and turnover on securities markets. Spain and euro area

■ Series depicted in chart.

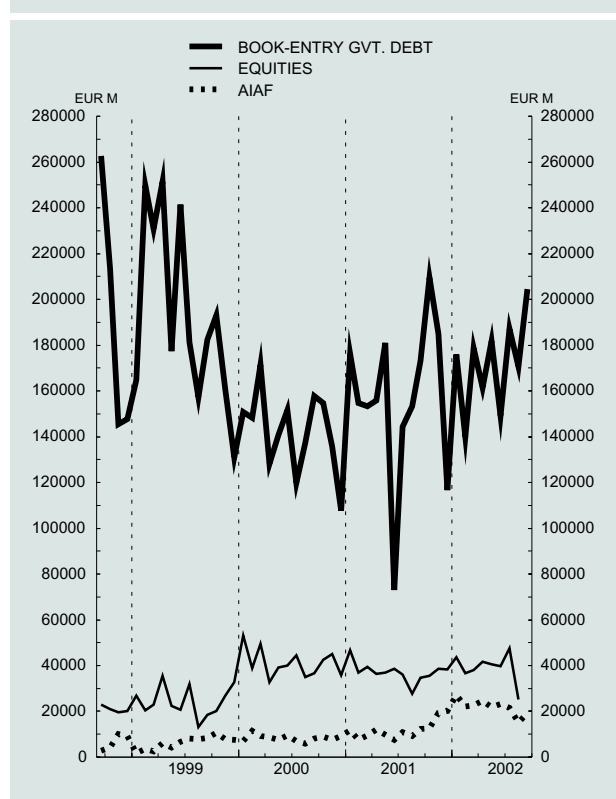
Indices, EUR millions and thousands of contracts

	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
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
01	853.16	8 810.46	335.07	4 039.98	445 380	56 049	1 875 428	142 491	-	23 230	290	7 953
01 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	-	1 273	6	359
Dec	824.40	8 397.60	314.52	3 806.13	38 413	4 372	116 545	20 027	-	2 102	15	311
02 Jan	802.92	8 050.40	307.53	3 670.26	43 636	5 250	176 066	27 012	-	1 394	4	362
Feb	813.65	8 135.50	304.52	3 624.74	36 743	5 169	139 996	21 969	-	1 546	3	332
Mar	829.24	8 249.70	319.68	3 784.05	37 959	5 784	178 684	22 568	-	2 390	10	315
Apr	828.00	8 154.40	303.89	3 574.23	41 777	6 508	161 410	24 682	-	1 157	2	316
May	814.45	7 949.90	291.75	3 425.79	40 467	5 627	181 923	21 841	-	1 568	5	320
Jun	722.73	6 913.00	266.84	3 133.39	39 763	5 397	149 077	23 186	-	2 170	11	370
Jul	655.51	6 249.30	231.34	2 685.79	47 539	6 915	187 029	21 400	-	1 527	4	393
Aug	669.63	6 435.70	232.75	2 709.29	25 306	6 052	170 577	14 986	-	968	3	306
Sep	P 576.17	5 431.70	201.63	2 204.39	...	...	204 486	19 219	-	2 056	7	320

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)

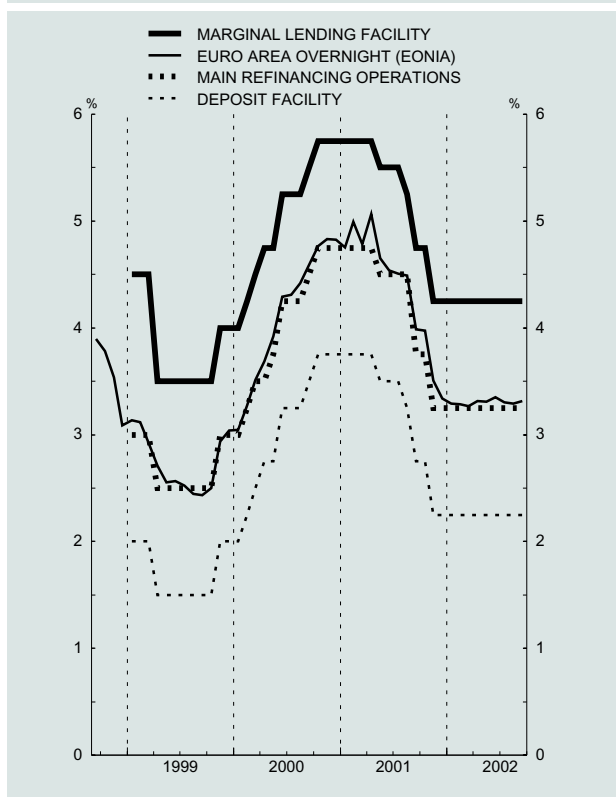
9.1. Interest rates. Eurosystem and money market. Euro area and Spain

■ Series depicted in chart.

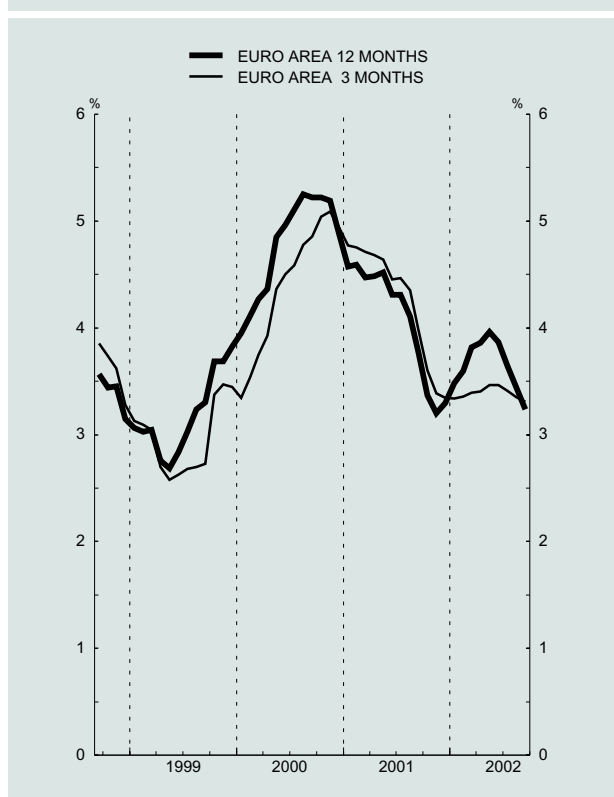
Averages of daily data. Percentages per annum

	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	6-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	17
99	3.00	3.26	4.00	2.00	2.74	3.51	2.96	3.51	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	4.12	4.95	4.39	4.92	4.88	4.11	4.22	4.38	4.77	4.05	4.13	4.27	4.63
01	3.25	3.29	4.25	2.25	4.38	3.42	4.26	3.26	3.30	4.36	4.31	4.24	4.07	4.30	4.20	4.11	4.11
01 Jun	4.50	4.36	5.50	3.50	4.54	4.53	4.45	4.35	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	4.39	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	4.23	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	3.88	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	3.46	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	3.26	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	3.34	3.42	3.34	3.26	3.30	3.29	3.41	3.35	3.24	3.28	3.26	3.17	-
02 Jan	3.25	3.31	4.25	2.25	3.29	3.35	3.34	3.34	3.48	3.29	3.34	3.33	3.48	3.25	3.25	3.23	3.41
Feb	3.25	3.32	4.25	2.25	3.28	3.34	3.36	3.40	3.59	3.27	3.32	3.34	3.57	3.22	3.25	3.25	3.46
Mar	3.25	3.40	4.25	2.25	3.26	3.35	3.39	3.50	3.82	3.25	3.33	3.38	3.80	3.19	3.24	3.27	3.60
Apr	3.25	3.35	4.25	2.25	3.32	3.34	3.41	3.54	3.86	3.30	3.32	3.40	3.87	3.24	3.25	3.30	3.76
May	3.25	3.45	4.25	2.25	3.31	3.37	3.47	3.63	3.96	3.31	3.36	3.46	3.96	3.19	3.27	3.36	3.88
Jun	3.25	3.38	4.25	2.25	3.35	3.38	3.46	3.59	3.87	3.34	3.37	3.46	3.84	3.30	3.31	3.35	3.83
Jul	3.25	3.35	4.25	2.25	3.30	3.36	3.41	3.48	3.65	3.29	3.35	3.39	3.64	3.26	3.29	3.31	3.51
Aug	3.25	3.33	4.25	2.25	3.29	3.33	3.35	3.38	3.44	3.29	3.31	3.34	3.46	3.25	3.24	3.25	3.34
Sep	3.25	3.23	4.25	2.25	3.31	3.32	3.31	3.27	3.24	3.30	3.30	3.30	3.23	3.26	3.24	3.20	-

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

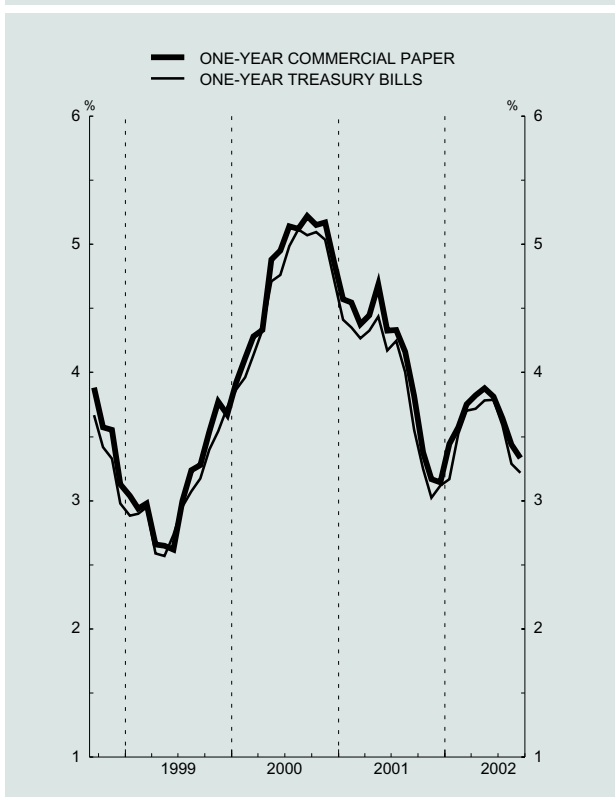
9.2. Interest rates: Spanish short-term and long-term securities markets

■ Series depicted in chart.

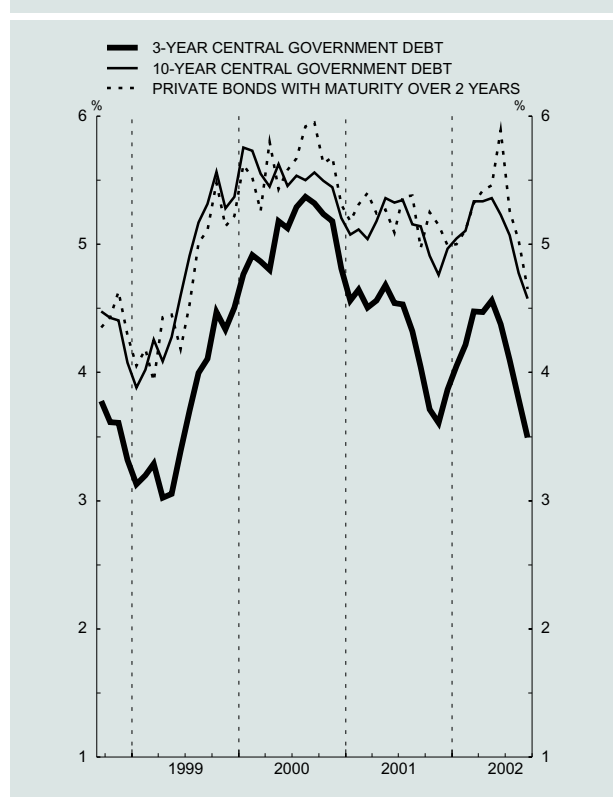
Percentages per annum

	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		Central Government 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	
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	
01	3.93	3.91	4.08	4.16	4.35	4.54	5.12	5.28	5.66	4.30	5.12	5.22	
01 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	
02 Jan	3.17	3.30	3.44	3.48	3.97	-	5.05	-	5.39	4.05	5.05	5.00	
Feb	3.52	3.47	3.57	3.56	-	4.46	5.04	-	-	4.22	5.11	5.11	
Mar	3.70	3.66	3.75	3.67	4.30	-	5.32	5.56	-	4.48	5.34	5.32	
Apr	3.72	3.71	3.82	3.82	-	4.89	5.35	-	-	4.47	5.34	5.42	
May	3.78	3.80	3.88	3.83	-	4.76	5.40	-	-	4.56	5.36	5.46	
Jun	3.79	3.70	3.81	3.85	4.36	-	5.34	-	-	4.38	5.23	5.89	
Jul	3.59	3.50	3.64	3.60	-	4.45	5.18	5.37	-	4.10	5.07	5.26	
Aug	3.29	3.29	3.44	3.45	3.60	-	4.76	-	-	3.79	4.78	5.03	
Sep	3.22	3.08	3.33	3.25	-	5.04	4.59	-	5.04	3.49	4.58	4.65	

PRIMARY MARKET



SECONDARY MARKET



Sources: Main issuers (column 3); AIAF (columns 4 and 12).

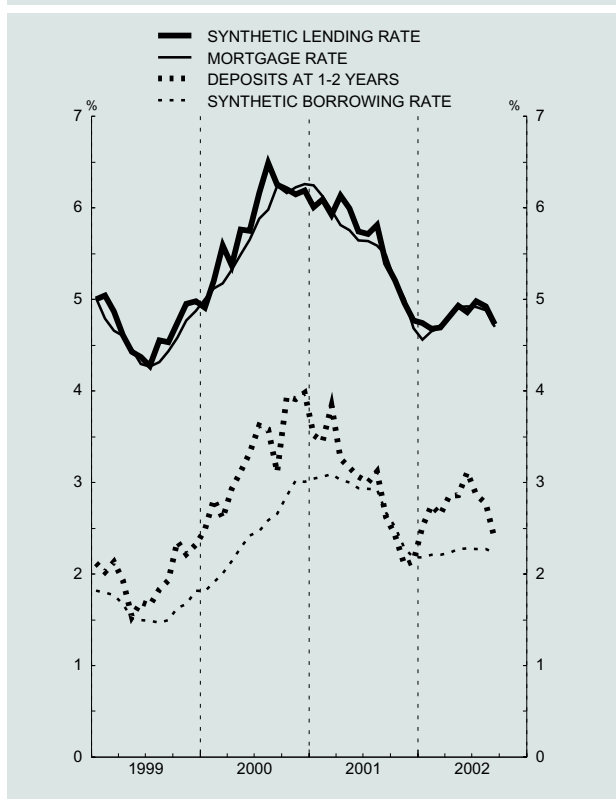
9.3 Interest rates: banks and savings banks resident in Spain

■ Series depicted in chart.

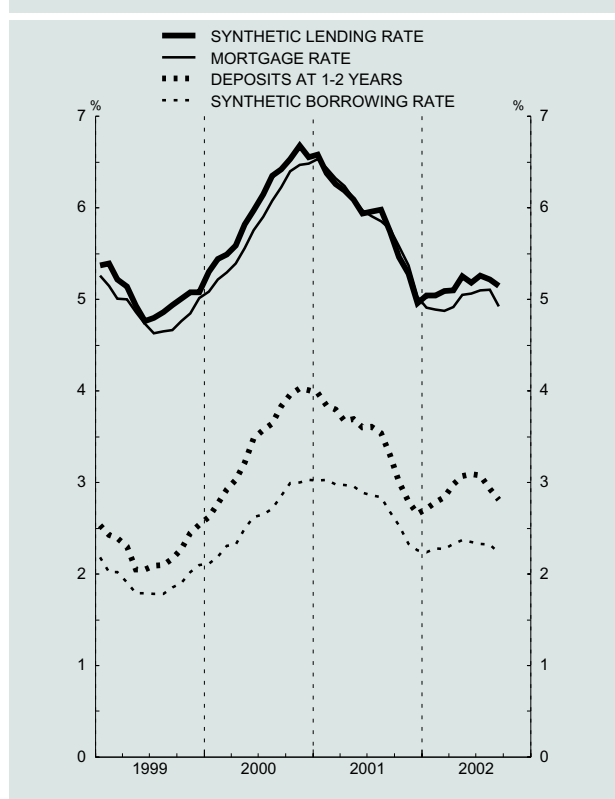
Percentages

		Banks									Savings banks								
		Lending rates					Borrowing rates				Lending rates				Borrowing rates				
		Syn- thetic rate	Commer- cial discount up to three months	Credit accounts at 1-3 years	Loans at 3 years and over	Mort- gage loans over 3 years	Syn- thetic rate	Current accounts	Repos on bills up to three months	Depos- its at 1-2 years	Syn- thetic rate	Credit accounts at 1-3 years	Loans at 3 years and over	Mort- gage loans over 3 years	Syn- thetic rate	Current accounts	Repos on bills up to three months	Depos- its at 1-2 years	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17			
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	
01	M	5.64	6.68	5.88	7.27	5.59	2.80	2.42	4.24	2.97	5.90	7.39	8.50	5.92	2.78	2.33	4.13	3.46	
01	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	2.86	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	2.52	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	2.28	2.04	3.34	2.10	5.28	7.15	8.22	5.37	2.33	2.04	3.27	2.79	
	Dec	4.77	5.91	4.91	6.04	4.69	2.18	1.97	3.23	2.14	4.96	6.75	7.20	5.03	2.26	1.90	3.19	2.66	
02	Jan	4.74	5.83	4.78	6.87	4.56	2.18	1.91	3.20	2.52	5.04	6.71	8.05	4.91	2.24	1.90	3.16	2.71	
	Feb	4.68	5.80	5.06	6.70	4.65	2.21	1.97	3.17	2.75	5.04	6.70	7.90	4.89	2.28	1.89	3.13	2.78	
	Mar	4.69	5.66	4.96	6.61	4.70	2.21	1.96	3.14	2.65	5.09	7.05	7.74	4.87	2.27	1.85	3.11	2.84	
	Apr	4.81	5.70	4.85	6.69	4.80	2.23	1.94	3.16	2.85	5.10	7.00	7.87	4.92	2.33	1.87	3.11	2.98	
	May	4.93	5.71	4.93	6.88	4.92	2.27	2.04	3.13	2.86	5.25	7.08	7.75	5.05	2.37	1.88	3.17	3.07	
	Jun	4.86	5.66	5.03	6.66	4.93	2.28	2.06	3.22	3.11	5.18	6.83	7.78	5.06	2.35	1.87	3.24	3.09	
	Jul	4.98	5.64	5.25	6.85	4.92	2.27	2.02	3.20	2.87	5.26	6.69	7.48	5.10	2.33	1.86	3.23	3.08	
	Aug	4.92	5.58	5.12	7.15	4.88	2.27	2.03	3.19	2.77	5.22	6.94	7.87	5.10	2.32	1.88	3.23	2.93	
	Sep	4.73	5.55	5.06	7.31	4.70	2.23	2.02	3.19	2.38	5.15	6.55	7.83	4.93	2.23	1.88	3.22	2.81	

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.

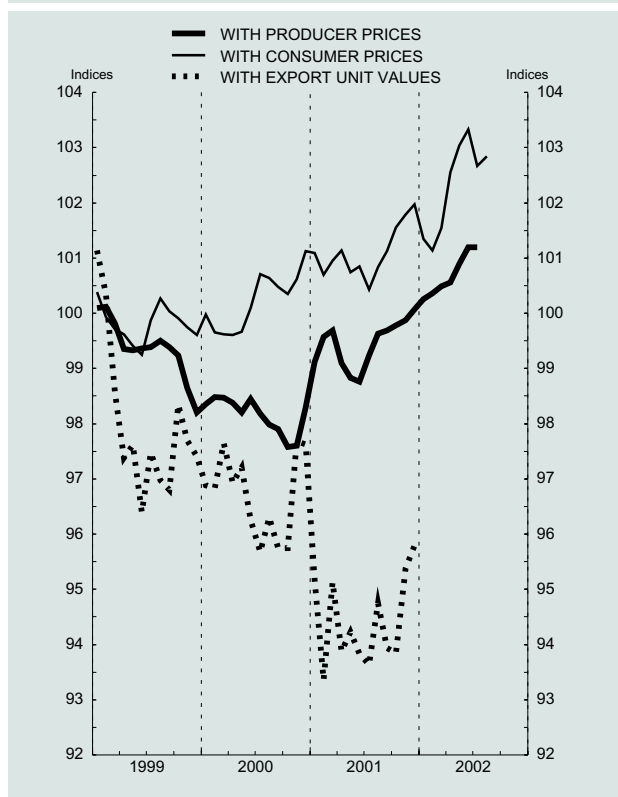
9.4 Indices of Spanish competitiveness vis-à-vis the EU and the euro area.

■ Series depicted in chart.

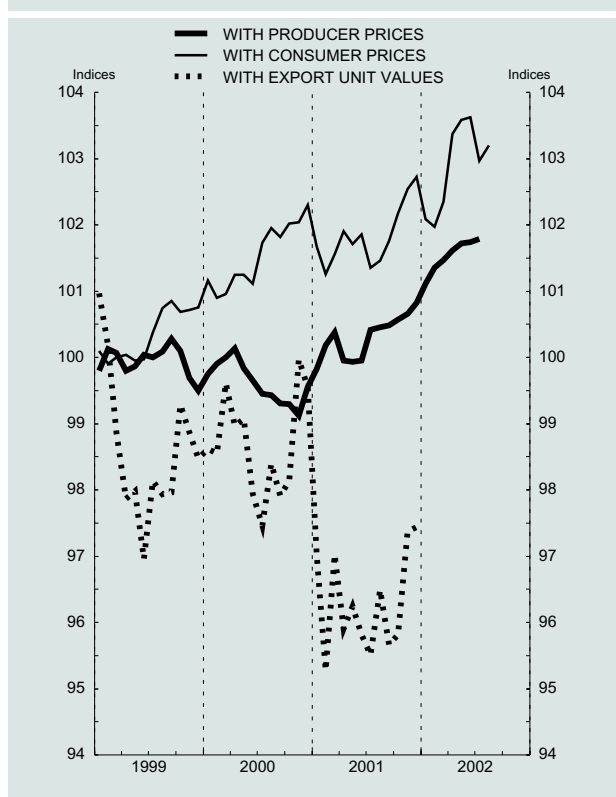
Base 1999 Q1 = 100

	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
99	99.4	99.8	99.5	98.0	99.5	99.9	100.3	100.0	98.5	99.9	100.3	99.9	98.6
00	98.2	100.2	102.2	96.7	98.5	99.6	101.7	103.7	98.2	99.6	101.5	103.7	98.7
01	99.4	101.1	105.2	94.4	99.0	100.5	102.2	106.3	95.4	100.3	101.8	106.3	96.3
00 Q3	98.0	100.6	103.1	95.9	98.6	99.4	102.1	104.6	97.3	99.4	101.8	104.6	97.9
Q4	97.8	100.7	104.2	97.0	98.4	99.4	102.3	105.9	98.6	99.3	102.1	105.8	99.2
01 Q1	99.5	100.9	105.0	94.6	99.1	100.4	101.8	106.0	95.4	100.1	101.5	105.9	96.5
Q2	98.9	100.9	104.6	94.0	98.8	100.1	102.1	105.8	95.1	99.9	101.8	105.9	96.0
Q3	99.5	100.8	105.1	94.1	99.0	100.6	101.9	106.2	95.1	100.5	101.5	106.3	95.9
Q4	99.9	101.8	106.1	95.0	99.0	100.9	102.8	107.1	96.0	100.7	102.5	107.2	96.9
02 Q1	100.4	101.4	107.2	...	98.8	101.6	102.6	108.5	...	101.3	102.1	108.8	...
Q2	100.9	103.0	109.0	...	99.1	101.8	103.9	110.0	...	101.7	103.5	110.2	...
01 Dec	100.1	102.0	...	95.8	99.0	101.1	103.0	...	96.8	100.8	102.7	...	97.4
02 Jan	100.3	101.3	...	...	98.9	101.4	102.5	...	...	101.1	102.1	...	...
Feb	100.4	101.1	...	...	98.8	101.6	102.4	...	...	101.4	102.0	...	...
Mar	100.5	101.5	...	...	98.8	101.7	102.8	...	...	101.5	102.4	...	...
Apr	100.6	102.6	...	...	98.8	101.8	103.8	...	...	101.6	103.4	...	...
May	100.9	103.0	...	...	99.1	101.8	104.0	...	...	101.7	103.6	...	...
Jun	101.2	103.3	...	...	99.3	101.9	104.0	...	...	101.7	103.6	...	...
Jul	101.2	102.7	...	...	99.3	101.9	103.4	...	...	101.8	103.0	...	...
Aug	...	102.8	...	...	99.2	...	103.6	...	...	...	103.2	...	...
Sep	...	...	...	...	99.1	...	...	...	...	...	...	...	...

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.

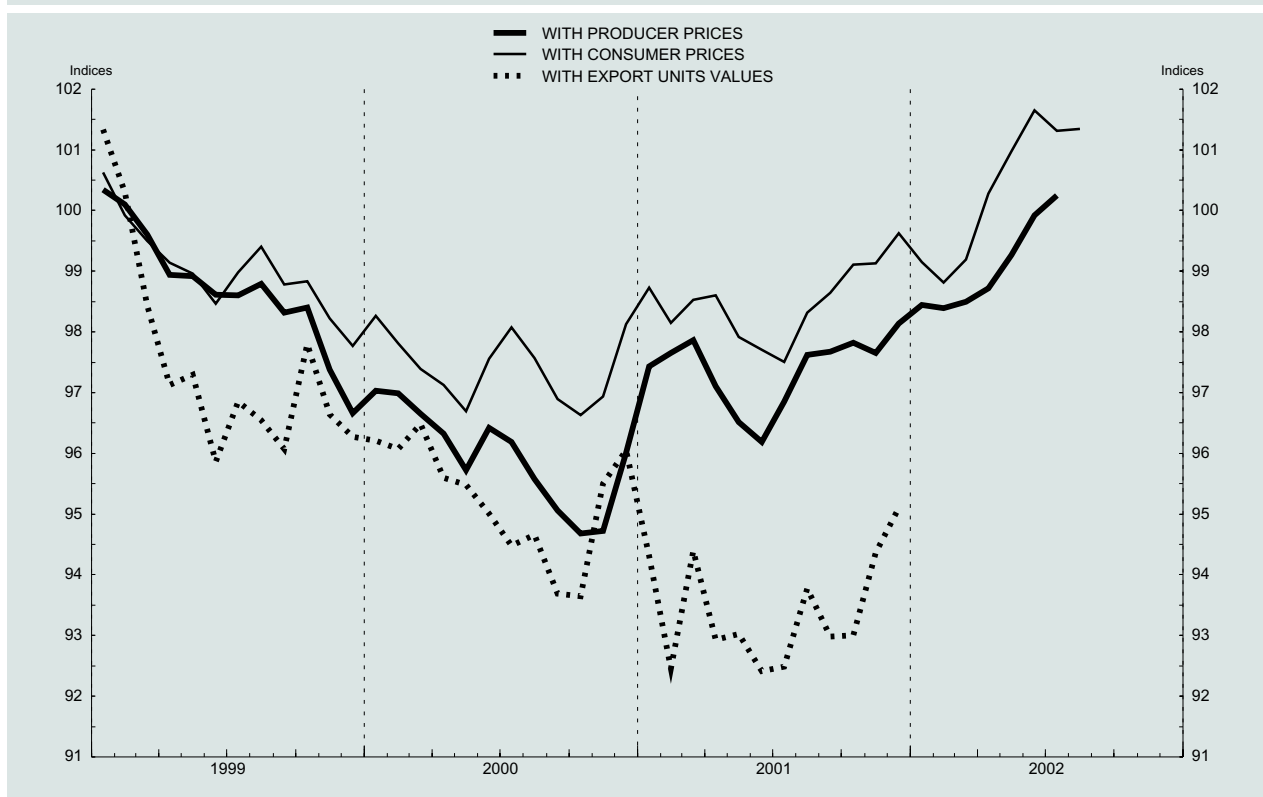
9.5 Indices of Spanish competitiveness vis-à-vis the developed countries.

■ 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
99	98.7	99.0	98.9	97.5	98.7	100.0	100.3	100.2	98.8
00	95.9	97.4	99.5	95.2	95.8	100.2	101.7	103.9	99.5
01	97.4	98.5	102.6	93.4	96.3	101.1	102.3	106.5	97.1
00 Q3	95.6	97.5	100.1	94.3	95.5	100.1	102.1	104.8	98.7
Q4	95.1	97.2	100.7	95.1	95.0	100.2	102.4	106.1	100.1
01 Q1	97.6	98.5	102.7	93.8	96.7	101.0	101.9	106.2	97.0
Q2	96.6	98.1	101.7	92.8	95.9	100.8	102.3	106.1	96.8
Q3	97.4	98.2	102.4	93.1	96.2	101.2	102.0	106.5	96.8
Q4	97.9	99.3	103.4	94.2	96.3	101.6	103.1	107.3	97.7
02 Q1	98.4	99.1	104.6	...	96.2	102.3	102.9	108.7	...
Q2	99.3	101.0	106.5	...	96.8	102.6	104.3	110.1	...
01 Dec	98.1	99.6	...	95.1	96.4	101.8	103.3	...	98.6
02 Jan	98.4	99.1	...	...	96.4	102.1	102.9	...	...
Feb	98.4	98.8	...	...	96.1	102.3	102.8	...	...
Mar	98.5	99.2	...	...	96.2	102.4	103.2	...	...
Apr	98.7	100.3	...	...	96.3	102.5	104.2	...	...
May	99.3	101.0	...	...	96.7	102.6	104.4	...	...
Jun	99.9	101.6	...	...	97.4	102.6	104.4	...	...
Jul	100.2	101.3	...	...	97.6	102.7	103.8	...	...
Aug	...	101.3	...	...	97.4	...	104.0	...	...
Sep	...	...	...	...	97.5	...	...	...	...

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.

ARTICLES IN ENGLISH AND PUBLICATIONS
OF THE BANCO DE ESPAÑA

ARTICLES PUBLISHED IN THE ECONOMIC BULLETIN IN RECENT YEARS

1997	Month	Page	1998	Month	Page
Presentation by the Governor of the Banco de España of the monetary policy objectives for the Spanish Parliamentary Commission on Economic Affairs	Jan	5	Quarterly report on the Spanish economy	Apr	29
Quarterly report on the Spanish economy	Jan	11	Results of non-financial firms in the fourth quarter of 1997 and summary year-end data	Apr	69
Monetary policy objectives and implementation in 1997	Jan	59	The nature of monetary transmission mechanisms in Spain and in the main European countries	Apr	81
Forecasts of financial flows in 1997	Jan	63	Comparison between banks' consolidated profit and loss accounts in Spain and in European Economic Area countries in 1996	Apr	97
Non-financial firms in 1995 and to the third quarter of 1996	Jan	71	Financial regulation: first quarter of 1998	Apr	103
Quarterly report on the Spanish economy	Apr	5	Quarterly report on the Spanish economy	Jul	7
Results of non-financial firms in the fourth quarter of 1996 and summary year-end data	Apr	49	Results of non-financial firms in the first quarter of 1998	Jul	51
The exchange rate as an instrument of macroeconomic adjustment: empirical evidence and relevance for European Monetary Union	Apr	61	Implications for central bank conduct of the development of electronic money	Jul	63
Stabilising effects of fiscal policy	Apr	69	Indicators of prices, cost and margins in the various productive branches	Jul	73
Quarterly report on the Spanish economy	Jul	5	Financial regulation: second quarter of 1998	Jul	81
Results of non-financial firms in the first quarter of 1997	Jul	51	Quarterly report on the Spanish economy	Oct	7
The use of monetary conditions indices from a central bank's viewpoint	Jul	63	Results of non-financial firms in the second quarter of 1998	Oct	53
Net bank and savings-bank indebtedness vis-à-vis the Banco de España and intermediation activity	Jul	73	The controllability of monetary aggregates	Oct	65
Address by the Governor of the Banco de España to the Spanish Parliamentary Budget Committee	Oct	5	Financial regulation: third quarter 1998	Oct	71
Quarterly report on the Spanish economy	Oct	9			
Results of non-financial firms in the second quarter of 1997	Oct	53	Appearance by the Governor of the Banco de España before the Spanish Parliamentary Committee on Economic, Trade and Finance Affairs	Jan	7
An approximation to changes in the market value of financial wealth	Oct	65	Quarterly report on the Spanish economy	Jan	13
			Results of non-financial firms in 1997 and in the first three quarters of 1998	Jan	55
			Is there scope for inflation differentials in EMU?	Jan	69
			Financial regulation: fourth quarter 1998	Jan	75
			Quarterly report on the Spanish economy	Apr	7
			Results of non-financial firms in the fourth quarter of 1998 and summary year-end data	Apr	47
			Financial regulation: first quarter 1999	Apr	57
			Quarterly report on the Spanish economy	Jul	9
			Results of non-financial firms in the first quarter of 1999	Jul	51
			Financial regulation: second quarter of 1999	Jul	61
			Quarterly report on the Spanish economy	Oct	9
			Results of non-financial firms in the second quarter of 1999	Oct	51
			Unit labour costs and monetary policy decision-making in the context of EMU	Oct	63
			Financial regulation: third quarter of 1999	Oct	73

2000	Month	Page	2002	Month	Page
Quarterly report on the Spanish economy	Jan	9	Quality bias in the measurement of prices: empirical evidence and macroeconomic implications for Spain	Jan	71
Results of non-financial firms in 1998 and in the first three quarters of 1999	Jan	51	Financial regulation: 2001 Q4	Jan	85
Spanish financial markets and intermediaries	Jan	65	Quarterly report on the Spanish economy	Apr	9
Financial regulation: fourth quarter of 1999	Jan	99	Results of non-financial corporations in 2001 Q4 and summary year-end data	Apr	55
Quarterly report on the Spanish economy	Apr	9	Financial regulation: 2002 Q1	Apr	67
Results of non-financial firms in 1999 Q4 and summary year-end data	Apr	49	Quarterly report on the Spanish economy	Jul	9
Interpreting inflation differentials in the euro area	Apr	61	Results of non-financial corporations in 2002 Q1	Jul	55
The disinflation process in Spain. A look at the role of wages	Apr	71	The new framework for the Spanish regional (autonomous) governments	Jul	67
Financial regulation: first quarter 2000	Apr	79	Financial regulation: 2002 Q2	Jul	75
Quarterly report on the Spanish economy	Jul	9	Address by the Governor of the Banco de España, Jaime Caruana, to the Spanish Parliamentary Budget Committee	Oct	9
Results of non-financial corporations in 2000 Q1	Jul	51	Quarterly report on the Spanish economy	Oct	13
Presentation of the financial accounts of the Spanish economy	Jul	63	Results of non-financial corporations to 2002 Q2	Oct	63
Financial regulation: second quarter of 2000	Jul	81	The housing market in Spain	Oct	75
Quarterly report on the Spanish economy	Oct	9	Productive investment in the recent cycle	Oct	85
Results of non-financial corporations in 2000 Q2	Oct	59	Financial regulation: 2002 Q3	Oct	93
Financial regulation: 2000 Q3	Oct	71			
2001	Month	Page			
Quarterly report on the Spanish economy	Jan	9			
Results of non-financial corporations in 1999 and the first three quarters of 2000	Jan	53			
Financial regulation: 2000 Q4	Jan	69			
Quarterly report on the Spanish economy	Apr	9			
Results of non-financial corporations in 2000 Q4 and summary year-end data	Apr	53			
Financial regulation: 2001 Q1	Apr	67			
Quarterly report on the Spanish economy	Jul	9			
Results of non-financial corporations in 2001 Q1	Jul	55			
The opening up of the network industries to competition: regulatory aspects and effects on prices	Jul	67			
Financial regulation: 2001 Q2	Jul	79			
Quarterly report on the Spanish economy	Oct	9			
Results of non-financial corporations in 2001 Q2	Oct	55			
The implications of the conversion of prices into euro for inflation	Oct	67			
The contribution of information and communication technologies to the growth of the Spanish economy	Oct	73			
Using indicators to monitor real convergence	Oct	81			
Financial regulation: 2001 Q3	Oct	89			
2002	Month	Page			
Quarterly report on the Spanish economy	Jan	9			
Results of non-financial corporations in 2000 and the first three quarters of 2001	Jan	57			

BANCO DE ESPAÑA PUBLICATIONS

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