ECONOMIC BULLETIN

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ABBREVIATIONS

AIAF	Association of Securities Dealers
BCBS	Basel Committee on Banking Supervision
BE	Banco de España
BIS	Bank for International Settlements
CBSO	Central Balance Sheet Data Office
CCR	Central Credit Register
CEMLA	Center for Latin American Monetary Studies
CEPR	Centre for Economic Policy Research
CNE	Spanish National Accounts
CNMV	National Securities Market Commission
CPI	Consumer price index
DGS	Directorate General of Insurance and Pension Funds
EAGGF	European Agricultural Guidance and Guarantee Fund
ECB	European Central Bank
ECCO	ECB External Communications Committee
ECOFIN	Council of the European Communities (Economic and Financial Affairs)
EDP	Excessive Deficit Procedure
EMU	Economic and Monetary Union
EONIA	Euro overnight index average
EPA	Official Spanish Labour Force Survey
ERDF	European Regional Development Fund
ESA 79	European System of Integrated Economic Accounts
ESA 95	European System of National and Regional Accounts
ESCB	European System of Central Banks
EU	European Union
EU-15	Countries making up the European Union as at 31/04/04
EU-25	Countries making up the European Union as from 1/5/04
EUROSTAT	Statistical Office of the European Communities
FASE	Financial Accounts of the Spanish Economy
FDI	Foreign direct investment
FIAMM	Money market funds
FIM	Securities funds
GDI	Gross disposable income
GDP	Gross domestic product
GFCF	Gross fixed capital formation
GNP	Gross national product
GVA	Gross value added
HICP	Harmonised index of consumer prices
IADB	Inter-American Development Bank
ICT	Information and communications technology
IGAE	National Audit Office
IMF	International Monetary Fund
INE	National Institute of Statistics
INVERCO	Association of Collective Investment Institutions and Pension Funds
LIFFE	London International Financial Futures Exchange
MEFF	Financial Futures and Options Market
MEFF RF	Fixed-income derivatives market
MEFF RV	Equity derivatives market
MFIs	Monetary financial institutions
MMFs	Money market funds
MROs	Main refinancing operations
NCBs	National central banks
NPISHs	Non-profit institutions serving households
OECD	Organisation for Economic Co-operation and Development
OPEC	Organisation of Petroleum Exporting Countries
PPP	Purchasing power parity
QNA	Quarterly National Accounts
SCLV	Securities Clearing and Settlement Service
SDRs	Special drawing rights
SMEs	Small and medium-sized enterprises
TARGET	Trans-European Automated Real-time Gross settlement Express Transfer system
TFP	Total factor productivity
ULCs	Unit labour costs
VAT	Value added tax
XBRL	Extensible Business Reporting Language

COUNTRIES AND CURRENCIES

In accordance with Community practice, the EU countries are listed using the alphabetical order of the country names in the national languages.

BE	Belgium	EUR (euro)
CZ	Czech Republic	CZK (Czech koruna)
DK	Denmark	DKK (Danish krone)
DE	Germany	EUR (euro)
EE	Estonia	EEK (Estonia kroon)
GR	Greece	EUR (euro)
ES	Spain	EUR (euro)
FR	France	EUR (euro)
IE	Ireland	EUR (euro)
IT	Italy	EUR (euro)
CY	Cyprus	CYP (Cyprus pound)
LV	Latvia	LVL (Latvian lats)
LT	Lithuania	LTL (Lithuanian litas)
LU	Luxembourg	EUR (euro)
HU	Hungary	HUF (Hungarian forint)
MT	Malta	MLT (Maltese lira)
NL	Netherlands	EUR (euro)
AT	Austria	EUR (euro)
PL	Poland	PLN (Polish zloty)
PT	Portugal	EUR (euro)
SI	Slovenia	SIT (Slovenian tolar)
SK	Slovakia	SKK (Slovakian koruna)
FI	Finland	EUR (euro)
SE	Sweden	SEK (Swedish krona)
UK	United Kingdom	GBP (Pound sterling)
JP	Japan	JPY (Japanese yen)
US	United States	USD (US dollar)

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.
Q1, Q4	Calendar quarters.
H1, H2	Calendar half-years.
bn	Billions (10^9).
m	Millions.
bp	Basis points.
pp	Percentage points.
...	Not available.
—	Nil, non-existence of the event considered or insignificance of changes when expressed as rates of growth.
0.0	Less than half the final digit shown in the series.

CONTENTS

1 Overview

The Quarterly Report on the Spanish Economy presented in this Bulletin is released under special circumstances owing to the imminent re-basing of Spanish National Accounts (CNE). The analysis draws on the 1995 base year series available, meaning that the estimated quarterly growth rates of GDP and of its main components will be obsolete once the current series are revised.

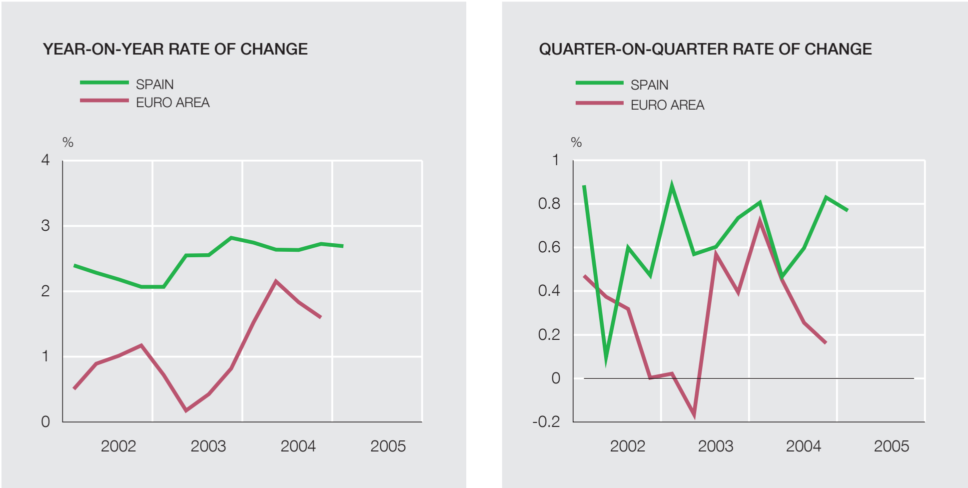
INE will release the new estimates of the main macroeconomic aggregates for the CNE 2000 base during May, as a result of which the Quarterly National Accounts (QNA) for 2005 Q1 will, on their release on 25 May, be according to the new base. There is sufficient information to predict that the revision of the time series of the macroeconomic variables will be most significant and will affect both the levels of the aggregates and the growth rates estimated, to date, for recent years. Indeed, the main results of the new EPA (Labour Force Survey), which is a basic statistic for the new CNE 2000, are already known (see Box 1 for a summary). The estimates of employment and working population of the EPA, which include the population projections updated on the basis of the 2001 census and the "Padrón Continuo" (a continuously updated municipal population census), entail a substantial upward revision of employment growth. For instance, the growth of numbers employed in 2004, which the previous EPA placed at 2.5%, is now 3.9%. Moreover, the scale of the revisions is on a rising course throughout the 1996-2004 period, proving particularly considerable as from 2002. With these figures, the CNE 2000 base may be expected to establish significantly higher employment and, therefore, GDP growth for the most recent years than that available under the current 1995 base. While it is possible that the cyclical pattern of GDP, in terms of accelerations and decelerations, will be less affected than its level of growth, revisions here cannot be ruled out either and may be more substantial in the most recent periods since they are estimated, naturally, with less accuracy.

In these conditions, the quantitative estimates based on the projection of the former CNE base offer but a tentative value of the main trends and should be interpreted bearing in mind that they will foreseeably be revised upwards in the coming weeks when the new series are released.

Given these caveats, and drawing on the economic information available, the Spanish economy is estimated to have begun the year 2005 growing at a similar, though slightly higher, rate than that at the end of 2004, furthering the trend of mild recovery seen in the closing months of 2004 (see Chart 1). Specifically, GDP would have grown at a year-on-rate of 2.8%, in terms of the CNE 1995 base series (a rate which, under the new base, will be revised upwards by a similar amount to that by which the rates for the closing quarters of 2004 are revised). Domestic demand has continued to show forceful momentum during this period, underpinned by household spending and business investment, which has sustained the course of recovery shown in the second half of 2004. Nonetheless, the pull exerted by the external sector has remained equally intense, against the background of the sizable and accumulated appreciation of the euro, although this process has not continued in the opening months of the year. From the standpoint of the supply-side of the economy, while certain indicators of activity have shown signs of turning down somewhat in Q1, the employment figures continue to point to vigorous growth and to the maintenance, therefore, of a sound rate of increase in sectors such as construction and services. The impact of the further hike in oil prices, which took place as from February, has fed through to prices, meaning that the CPI posted a 12-month rate of change of 3.4% in March.

GROSS DOMESTIC PRODUCT (a)

CHART 1



SOURCES: ECB, INE and Banco de España.

a. Seasonally adjusted series.

On the external front, the world economy, following confirmation of the easing of global growth in the second half of 2004, has begun 2005 with a more sustainable rate of expansion than that of the previous year, when it is estimated to have grown by more than 5%, while world trade did so at a rate of close to 10%. The contribution of the various geographical regions to this slowdown, which has come about against a backdrop of somewhat less accommodating economic policies than in the past, has not however been uniform. The developed countries – both the United States and Japan and the euro area – have, though maintaining notable differences, seen their activity slow, while in the emerging economies – most notably China and Latin America – dynamic growth has not abated. In any event, the United States and China remain the driving force of world growth. Inflationary pressures continue to be contained, in general, although in the main developed countries the influence on consumer prices of the rise in oil prices is perceptible, especially following the recent hike, and in many emerging countries price pressures have likewise been detected. The financial markets have shown stable behaviour, with low long-term interest-rate levels that are particularly noticeable in the case of United States, where they have scarcely reacted to the rises applied and expected in short-term rates. On the stock markets, the year began with rises, although in recent weeks there has been an across-the-board decline in prices.

The outlook for 2005 has world growth holding at the levels at which it began the year, although an additional slowdown tied to the impact of dearer oil cannot be ruled out. Indeed, certain discrepancies among the forecasting agencies are discernible as to whether, beyond the coming quarters, a fresh rebound in activity is to be expected or, conversely, whether a more moderate rate will continue to be the case. In this respect, the factors of risk clouding the international economic outlook remain substantial. The first derives from oil prices, especially following the recent rises which the futures markets have swiftly factored into their prices, which remain at over $50 per barrel of Brent until the end of the year. There is considerable uncertainty about the possibility of additional rises which, undoubtedly, are linked to the strength of demand, but whose potentially dampening effects might be sharper in the European countries. Global financial imbalances and, in particular, the borrowing requirements of the United States have, far from being corrected, increased in recent months. This would be conducive to a continuing depreciation of the dollar, without it being possible to exclude an

On 30 March 2005 INE presented a revision of the EPA (Labour Force Survey) 2005 figures for the period 1996-2004 further to the updating of population projections on which the Survey is based. The new data entail a considerable increase in the total population estimated by EPA and, therefore, of the total figures for the working age population, the employed and the unemployed. This Box briefly summarises the changes made by INE on the occasion of this revision, and it discusses consequences for the main labour market magnitudes. Also, on 29 April, INE presented estimates for 2005 Q1 in which, in addition to the changes indicated, other methodological modifications were incorporated. As the latter are not included in the annual figures for the period 1996-2004, they are not discussed in this Box.

The population projections are the basis of the surveys that INE addresses to households. In this respect, the availability of the population figures according to the 2001 census and of the updates from the Municipal Census of Inhabitants (statistical records that include the population changes undergone by the Spanish economy in recent years) has led to a revision of the previous EPA (EPA 2002) estimates, which were still based on the 1991 Population Census. To this end, INE has re-weighted the sample data of the survey so that they properly reflect recent population trends and, in particular, the sharp growth recently in the immigrant population. To do this, the extrapolation factors used to transform the sample results into population data have been re-calculated, and the nationality variable has been introduced into the sample calibration process. This latter process is conducted to ensure that the EPA properly reflects not only the changes in the total population but also the structure by age, by geographical region and, and on the basis of this latest revision, by individuals' nationality. Adding the nationality variable enables the EPA to estimate more accurately the differential behaviour of the immigrant population in the labour market in terms, for instance, of their concentration in specific regions, trades or sectors of activity.

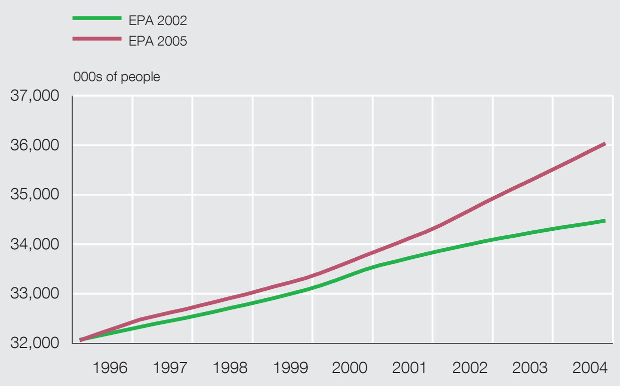
Chart 1 shows the scale of the changes recorded after this revision. According to the new data, the population aged over 16 recorded in 2004 Q4 exceeded the previous estimate by 1,564,000 people, owing to the sizable upward revision of the foreign population (1,515,900). The weight of the foreign population relative to the population aged over 16 stood at 7.6% as at end-2004 (compared with the previous estimate of 3.5%). The increase in the base population has naturally entailed substantial revisions of the main labour market aggregates: working age population, the employed and the unemployed. Regarding the labour force, the new figures assume 1,116,999 people more, 964,700 of whom are employed, and 152,200 unemployed. In relative terms, the greater number of immigrants in the labour market has made for a somewhat higher participation rate (0.7 pp) of 56.7%, a higher rate of employment, which stands at 50.8% (0.5 pp more), and a slightly higher unemployment rate (0.2 pp) of 10.6%. The biggest increase in the population is centred on the last four years, which is reflected too in the greater buoyancy of the main labour market magnitudes over this period.

The accompanying table compares the year-on-year growth rates of the main variables respectively estimated by EPA 2002 and EPA 2005. It shows how, with the new data, the labour force grew by 3.3% in 2004, 1.2 pp up on the previously estimated growth, albeit maintaining a profile of moderate deceleration. On the whole, the annual average growth of the labour force between 2001 and 2004 has been revised upwards by 1 pp to 3.7%. The revision of employment has been on a similar scale: in the past four years annual average growth has risen by 1.1 pp to 3.8%, and in 2004 by 1.4 pp to 3.9%.

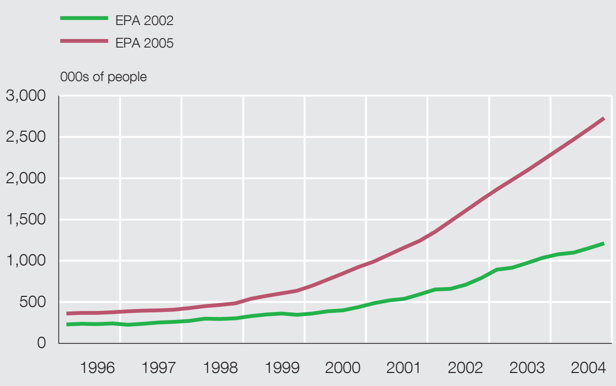
The sectoral composition of employment has also been affected by the revision, owing to the concentration of immigrant employment in specific sectors (mainly construction and services). The total numbers employed in construction at end-2004 were estimated as 237,100 more, and there were 534,400 more employed in services, representing upward revisions of 11.3% and 4.8%, respectively, on the previous level. In terms of recent developments, employment grew by 7.2% in the construction sector in 2004, practically twice the previous estimate (3.7%), evidencing moreover an accelerating profile in relation to

EPA 2005 AND EPA 2002 COMPARED

TOTAL WORKING AGE POPULATION (a)



FOREIGN WORKING AGE POPULATION (a)



SOURCE: INE.

a. Over 16 years of age.

2003 which had not previously been seen. In services, the growth rate of employment increased by 0.9 pp to 4.5% in the period 2001-2004, with a similar impact on market services (the distributive trade, and the hotel and catering trade mainly) and non-market services (owing to the significance of domestic service). Finally, it is worth mentioning that the composition of the growth of employment according to other job characteristics, such as contract duration or type of employment contract, has also been altered with the release of the new EPA figures. The weight of temporary and part-time employment in job creation would thus have been greater in the most recent period. Consequently, temporary employees as a proportion of total employees stood at 32.4% in 2004 (30.6% according to EPA 2002), and part-time employees as a percentage of the total at 9.1% (8.9% under EPA 2002), this variable having been less affected by the changes.

The unemployment figures have been revised to a lesser extent, although the growth in the number of unemployed was somewhat greater in the two years spanning 2002-2003, according to the new figures, and the decline recorded in 2004 (–1.3%) was down on that previously estimated (–2.5%). Overall, according to the new estimates, the unemployment rate in 2004 is slightly higher (by 0.2 pp) than that previously estimated.

EPA 2005 AND EPA 2002 COMPARED
Year-on-year rates of change

%

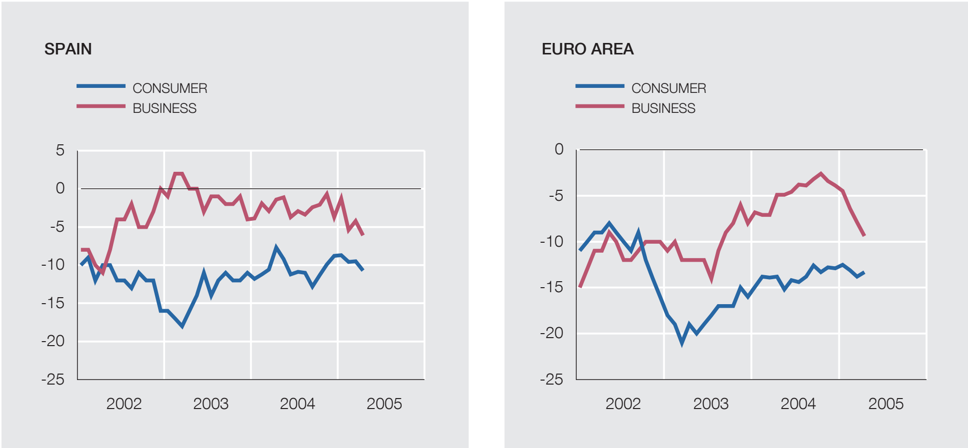
	EPA 2002					EPA 2005				
	2001	2002	2003	2004	Average 2001-2004	2001	2002	2003	2004	Average 2001-2004
POPULATION AGED OVER 16	1.1	0.8	0.7	0.6	0.8	1.4	1.6	1.7	1.7	1.6
WORKING POPULATION (a)	3.1	3.0	2.6	2.0	2.7	3.5	4.1	4.0	3.3	3.7
EMPLOYMENT	3.7	2.0	2.7	2.5	2.7	4.1	3.0	4.0	3.9	3.8
By branch of activity:										
Agriculture (1)	0.7	-5.7	-2.0	-2.4	-2.3	1.6	-4.8	-0.5	-0.2	-1.0
Industry (2)	3.1	-0.4	-1.0	-0.8	0.2	3.1	0.4	0.3	0.3	1.0
Construction (3)	7.8	3.4	3.7	3.7	4.7	8.9	5.5	6.1	7.2	6.9
Services	3.6	3.2	4.1	3.7	3.6	3.9	4.1	5.1	4.7	4.5
Market services (4) (b)	3.3	2.2	3.5	4.0	3.3	3.6	3.3	4.5	4.9	4.1
Non-market services (b)	3.9	4.9	5.0	3.2	4.2	4.3	5.5	6.2	4.3	5.1
MARKET ECONOMY (1+2+3+4)	3.7	1.0	2.0	2.3	2.2	4.1	2.2	3.3	3.8	3.3
UNEMPLOYMENT (a)	-1.9	11.4	2.1	-2.5	2.3	-1.5	13.2	4.0	-1.3	3.6
MEMORANDUM ITEM (levels as %):										
Participation rate (a) (c)	52.9	54.0	55.0	55.8	54.4	53.0	54.3	55.5	56.4	54.8
Temporary/total employment ratio (d)	31.7	31.0	30.6	30.6	31.0	32.2	31.8	31.8	32.4	32.1
Part-time/full-time employment ratio (d)	8.1	8.2	8.3	8.9	8.4	8.1	8.3	8.4	9.1	8.5
Unemployment rate (a) €	10.5	11.4	11.3	10.8	11.0	10.6	11.5	11.5	11.0	11.1

adjustment entailing stronger corrections, with rises in interest rates and more marked changes in growth patterns across the different economic areas, a possibility that would significantly affect the securities markets.

The US economy began the year with notable strength, although from March onwards it has shown signs of easing off, in terms of sales and job creation. That said, expected growth for the year as a whole is around 3.5%. A rise in the inflation rate has become discernible, firming expectations that the Federal Reserve will make fresh interest-rate rises. In Asia, the sluggishness of the Japanese economy was confirmed, as reflected in the drastic cut in its growth prospects for 2005 to a rate of around 1%. The exact opposite is the case in China. There, oil prices have not had any perceptible effect on growth and an increase of 8.5% is expected for this year, very close to that of 9.5% last year. And the Chinese authorities have shown no sign

CONFIDENCE INDICATORS

CHART 2



SOURCE: European Commission.

of altering their dollar-anchored exchange rate policy. Finally, the Latin American economies are maintaining significant momentum, against a background of low sovereign debt spreads and low risk premia, despite a rebound as from March 2005.

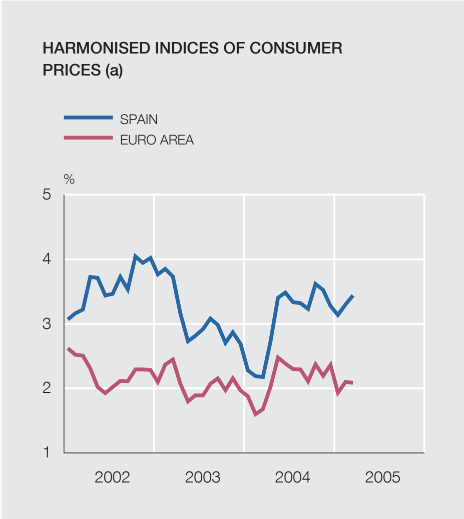
The close of 2004 once again highlighted the weakness of the internal growth patterns characterising the euro area economy. Without the momentum of external demand, which sustained the increase in spending in the first half of the year, GDP growth fell markedly in the second half of the year to quarter-on-quarter rates of around 0.2%, giving rise to annual average growth of 1.8%. The information available for the opening months of 2005, though consistent with a recovery in the pace of activity, also casts some doubt on whether growth rates close to potential have conclusively taken root. In particular, the confidence indicators turned downwards somewhat in the period to April (see Chart 2).

Certain conjunctural factors help explain these results such as, for instance, the cumulative appreciation of the euro – which no doubt had a bearing on the deterioration in the net external balance as from the summer – or the loss of purchasing power linked to dearer oil, which has conditioned the rise in consumption. However, there are also more structural factors – such as lower job generation capacity or scant productivity gains – holding back agents' confidence, hampering the full feed-through to the region's economy of the expansionary impulses from abroad and from the favourable financial conditions in place. In any event, there continue to be notable differences in behaviour across the various countries making up the euro area, differences that have even tended to widen in recent quarters: countries such as Germany, Italy or the Netherlands have seen reductions in GDP and, in the odd case, in domestic demand, while other economies such as France or Spain have witnessed high growth rates underpinned by domestic spending.

The low growth of the euro area countries has been conducive to containing cost – and, in particular, wage – pressures in the region, restricting the inflationary impact of dearer oil. In fact, although the inflation rate is holding at slightly over 2% (see Chart 3), non-energy consumer prices are trending substantially below this level at around 1.5%. In these circumstances, the ECB Governing Council has not appreciated the presence of significant inflationary pressures and has held official interest rates at the historically low level they reached in June 2003. Monetary conditions in the euro area thus remain propitious to greater momentum in expenditure.

PRICES AND COSTS

CHART 3



SOURCES: Eurostat, ECB and INE.

a. Year-on-year rate of change.
b. Per unit of output. Year-on-year rate of change calculated on the basis of seasonally adjusted series.

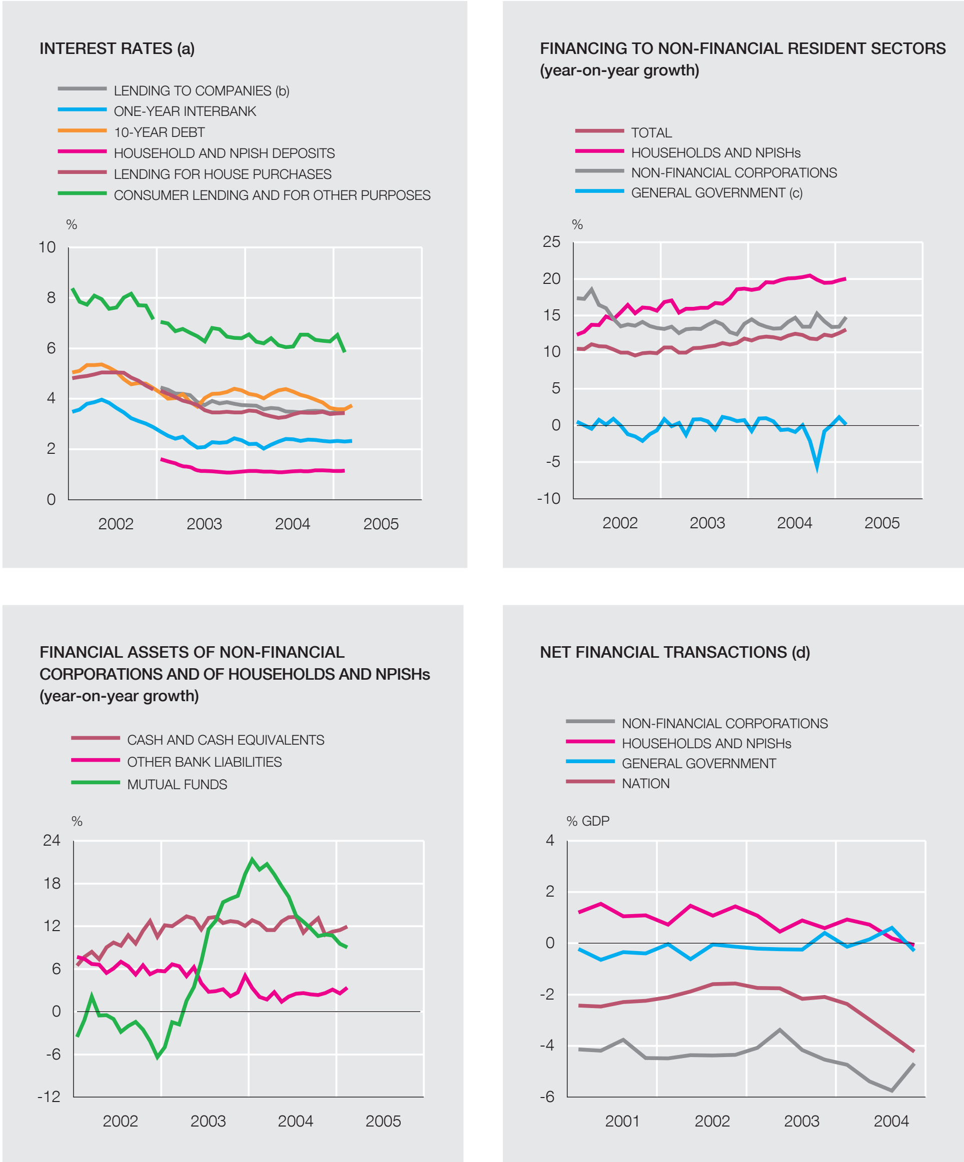
Slow economic growth has hindered the maintenance of healthy budgetary positions in several Member States, meaning that the degree of compliance with the fiscal rules established in the Stability and Growth Pact (SGP) has generally been low and prone to a substantial loss of credibility. In this setting, the reform of the SGP recently approved by the European Council involves, on one hand, the introduction of greater economic rationality in the rules of the Pact, which should in principle be conducive to compliance therewith. But it also entails less automatism, greater discretionarity and less transparency in its application, without the control mechanisms having simultaneously been reinforced. Accordingly, it is particularly important that the governments that have approved this reform should comply with the commitments they have entered into and thereby help to restore the credibility of the fiscal framework.

The March European Council also revised the Lisbon strategy, which frames the main efforts of the EU countries to make co-ordinated headway in structural reform, which is particularly needed to exit the current low-growth environment. The revision has helped simplify procedures and has clarified, along the right lines, the general objective of all this strategy, which is to be geared towards promoting employment and productivity. Nonetheless, no progress has been made on the specific quantification of the objectives, and fulfilling them continues to depend essentially on the Member States' willingness to speed through reform.

Within the euro area, developments in the Spanish economy continue to be different, as Spain has maintained a more robust rate of increase in GDP than the euro area as a whole. As can be seen in Chart 1, the growth differential even tended to widen in the second half of 2004. In 2005 Q1, when GDP was estimated to have increased at a slightly higher rate than in 2004 Q4 (2.8% in terms of the CNE 1995 base), no significant changes in the growth pattern of the Spanish economy have been perceived. Loose monetary and financial conditions (see Chart 4), against a background of stable interest rates and the notable rise in real estate asset values (house prices increased by 17.4% in 2004, departing from their long-term fundamentals), and high employment-generating capacity continue to underpin the growth of domestic demand.

FINANCIAL INDICATORS OF THE SPANISH ECONOMY

CHART 4



SOURCES: Banco de España.

a. There is a break, in January 2003, in the series of banking rates owing to changes in the data compilation statistical requirements.
b. Weighted average of interest rates on various transactions grouped according to their volume.
c. Consolidated financing: net of securities and loans that are general government assets.
d. Cumulative four-quarter data.

Nonetheless, the competitiveness problems of the economy on several fronts continue also to weigh down trade results and to fuel the external imbalance.

Household spending quickened significantly in 2004, underpinned by the above-mentioned conditions. The economic information indicates that private consumption began the current year with similar momentum to that at end-2004, closing with a year-on-year rate of 3.5% on QNA 1995 base estimates. Although household disposable income may be expected to slow moderately this year, as the effects of the last personal income tax reform cease to operate, the expectations of an increase in income, based on job creation, remain high. Further, the wealth gains arising from the sound behaviour of the securities markets and, principally, from the strong growth of property prices continue to exert an expansionary effect on spending, acting to bring about a decline in the saving ratio. Moreover, these same factors largely account for the trend of residential investment which, as may be inferred from the increase in housing starts in 2003 and 2004, strengthened over the course of last year, commencing 2005 at a notable pace. The sharp growth of credit to households at the outset of 2005, with a fresh acceleration in funds intended for house purchases (up 24% in Q1), confirms the buoyancy of spending and illustrates the additional pressure experienced by the financial position of the sector, whose sensitivity to adverse income or wealth shocks has increased. In this respect, both the household debt ratio and the household financial burden have, as a percentage of disposable income, further increased.

Fixed capital investment began 2005 with an extension of the recovery it showed over the course of 2004. Based on the continuing buoyancy of residential investment, construction is being driven, moreover, by the pick-up in public works now the phase of low procurement in the first half of 2004 has been put behind. Investment in equipment has also shown signs of rising further in the opening months of this year, following its notable recovery in the second half of 2004, when it ran at a double-figures rate of expansion. The buoyancy of corporate productive investment is based on the sound behaviour of its main determinants: financing conditions are favourable, profitability is high and, despite the increase in debt, the indicators of financial pressure have tended to ease. In these circumstances, the outlook for demand is the main factor that may regulate the intensity of the investment drive. However, other factors, such as the appreciation of the euro and, in general, the difficulties in respect of competitiveness, might also influence business decisions by exerting pressure on the results of the companies most exposed to foreign trade.

On this latter point, the information for the opening months of 2005 confirms the patterns of behaviour observed in the second half of 2004, when the negative contribution of net external demand to GDP growth stood at around 2 pp. Goods exports fell moderately in year-on-year terms in January and February, reinforcing the trend deceleration they had been showing, while the favourable behaviour of the indicators of the number of tourists visiting Spain is not feeding through in full to receipts, owing to the decline in spending per visitor. The losses in price competitiveness that have built up over the past two years, an expansion in world trade whose source is far removed from the markets on which Spanish products are traditionally targeted and other more structural factors, relating to the pattern of Spanish trade specialisation, have all combined in this progressive deterioration in sales abroad. The gains in the competitiveness of foreign products on the domestic market, along with the persistent expansion of domestic demand, which is now greater in investment goods, have provided for the sustained growth of goods imports, which have scarcely eased in relation to 2004. And a further factor is the forceful increase in residents' tourism payments abroad. Overall, the negative contribution of the external sector to growth in Q1 is estimated to have been close to that of the previous quarter (–1.9 pp in QNA 1995 base figures).

From the standpoint of value added in the economy, activity in industry appears to have been confirmed to be moving on a moderate rising path in 2005 Q1, after the course of recovery it followed for most of 2004 came to a halt in the closing months of last year. Meanwhile, activity in market services is also moving at a relatively contained pace, despite the fact that job generation capacity in this sector remains very high. At opposite ends of the scale are the construction and agriculture branches, the former characterised by its notable buoyancy and the latter evidencing a significant contraction in its value added. Under the current circumstances, assessing employment trends is particularly complex in view of the change in the EPA figures mentioned at the start of this report. Within growth levels notably higher than the QNA 1995 base estimates, the profile of numbers employed according to the new Survey estimates is similar to that of the National Accounts figures in recent years, and it also moves on a mildly recovering path in 2004 Q4. From this perspective, the information to 2005 Q1, even with the interpretation difficulties arising from the methodological changes made, points to an additional pick-up in employment, such that the path of low productivity gains would have extended for another quarter, without major changes.

As regards costs and price formation, wage bargaining for 2005 is unfolding on a similar footing to that of previous years, with the related trade union/employers' association agreement having been renewed. The agreed increase (at 2.85% with figures to March) is some way off the figure of 3% reached in 2004, although the gap might narrow depending on how consumer prices trend. Nevertheless, a greater impact of the indexation clauses – currently present in most agreements – is expected in relation to last year, giving rise to a certain acceleration in compensation per employee at the start of 2005. In sum, a significant easing of labour costs is not expected, despite the fact the related growth rate is diverging from that of the euro area (see Chart 3). Against this backdrop of domestic cost pressures, to which those arising from dearer oil should be added, consumer prices in the Spanish economy have risen at the start of the year, posting a 12-month growth rate of 3.4% in March, after ending 2004 at 3.2%. Among the various components, those which most rose – in addition to energy and certain foods – were services, whose prices are growing at close to 4%. While inflation may be expected to moderate, in the absence of new external shocks, the inflation differential with the euro area might remain at over 1 pp in the coming months.

Public finances showed more favourable than initially expected results at end-2004, no doubt assisted by the resilience of domestic spending and the high job creation in the economy. This placed Spain as one of the few Member States to have met the commitments undertaken in the SGP. Given the design of fiscal policy for 2005, a less expansionary effect on spending may be expected this year, leading to a surplus at the end of the year in line with SGP undertakings. The scant information available for the opening months of 2005 is in step with this projection.

In short, the limitations of the information available in the face of the imminent re-basing of National Accounts hamper making any specific diagnosis of the situation of the Spanish economy at the start of 2005. However, the information for 2005 Q1 indicates that the essential features of the growth pattern followed in recent years by the Spanish economy – notwithstanding any new elements that the forthcoming CNE 2000 base figures might provide – has continued into 2005. In particular, there are still no clear signs that the main imbalances generated in the prolonged phase of strong growth have begun to be corrected. In this respect, there remains a patent need to undertake reforms conducive to a pick-up in productivity gains and that allow the losses in competitiveness to be curbed. The recent approval of the plan to invigorate the economy and promote productivity *(Plan de Dinamización y Fomento de la Productividad,* by its Spanish name) is an important step in this direction, and should be complemented by a systematic application of the measures approved and by continuity in the reform drive.

2 External environment of the euro area

International economic developments in the first four months of 2005 were marked by a sharp rise in the price of oil, to 54 dollars a barrel for Brent at the end of April, more than 30% up from end-2004, against a background of high volatility. The main explanatory factors here are the upward revisions to oil demand forecasts and, recently, the fall in inventories of crude and refined petroleum products in the United States.

Other notable international financial market developments in this period were the fluctuations in the dollar against the euro and the movements in long-term interest rates in the United States. Having started the year by regaining some of the ground lost at the end of 2004, the dollar tended to depreciate from mid-February, owing to the increasing sensitivity of the markets in the face of widening global imbalances (in particular, the US external deficit), and also because of the statements by certain Asian central banks regarding possible currency diversification in the management of their international reserves. This movement was accompanied by a significant increase in long-term interest rates in the United States, which did not occur in the euro area or Japan. Following the rise in official US interest rates, the trend changed; the dollar began to appreciate while long-term interest rates began to fall. Towards the end of April this trend intensified, stock markets fell significantly and the spreads on the high-yield segment of the US corporate bond market widened, having previously performed very positively.

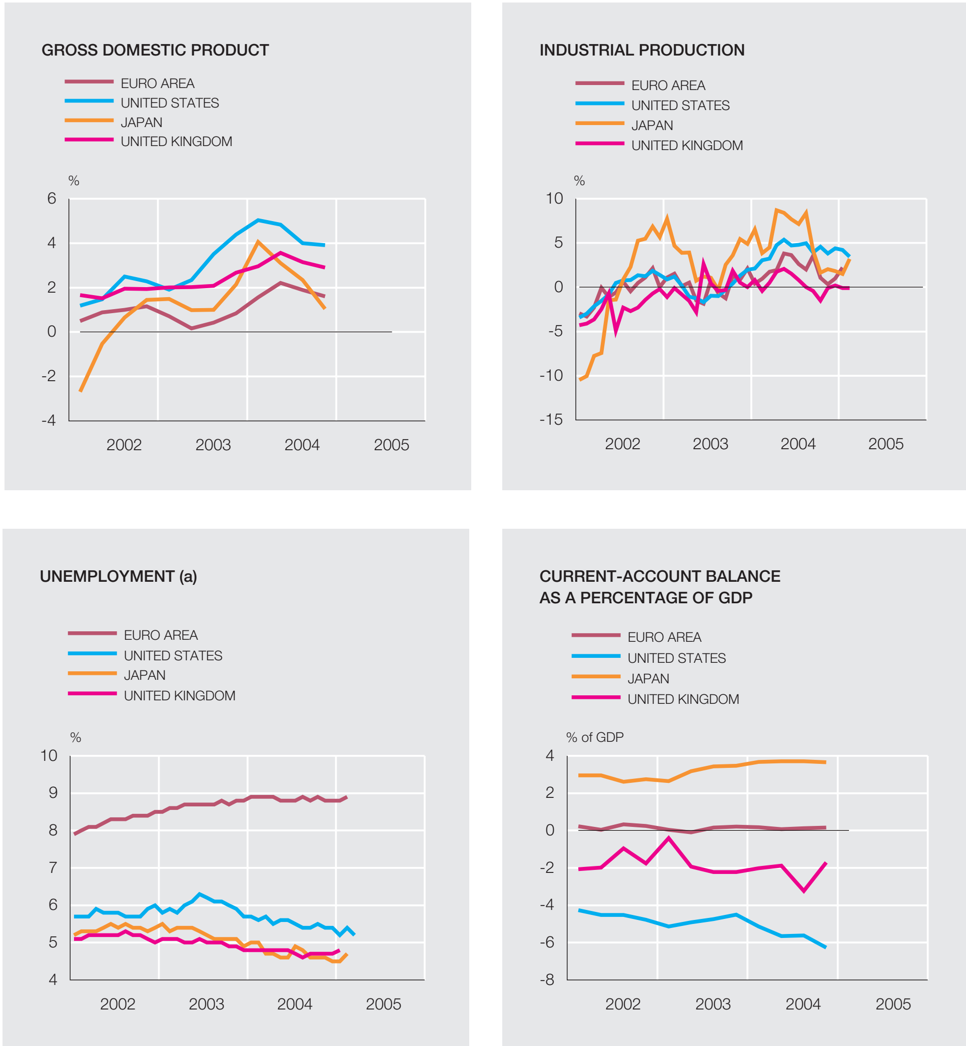
Emerging markets, from mid-March, saw significant increases in sovereign debt differentials, accompanied by exchange rate depreciation against the dollar and stock market losses. However, this behaviour has improved in the last few weeks, and exchange rates and bond spreads have stabilised.

In the *United States,* the high rate of growth in domestic demand and the further deterioration in the external imbalance were notable. The final estimate of GDP growth for 2004 Q4 was an annualised quarter-on-quarter rate of 3.8%, entailing growth of 4.4% for the year as a whole. However, the outlook is for moderation in growth in 2005 Q1, partly as a result of the rise in the price of oil and the upward revision to expectations of future oil prices, as well as the expected negative contribution from the external sector. Moreover, the March employment data were relatively poor, with a significant loss of buoyancy in the rate of job creation. Also, there was some weakness in the March retail sales figures and in capital goods orders in February, while consumer confidence indicators fell, in what appears to be a downturn from early 2005. As for price developments, the CPI rose in March by 0.6% (3.1% year-on-year) and the underlying index by 0.4% (2.4% year-on-year). These worse-than-expected data show an acceleration in inflationary pressures. Producer prices also accelerated slightly in March to 4.9% (year-on-year), from 4.7%. The trade deficit in February reached an all-time high of 61 billion dollars, which is only partly explained by the rise in oil prices.

In Japan, economic activity indicators deteriorated virtually across the board, a clear setback after the very positive signs in January. Relative to the previous month, there were significant declines in industrial production, the coincident and leading composite indicators, retail sales and household spending. In addition, the confidence of the large manufacturing firms (according to the quarterly Tankan survey) deteriorated sharply in Q1 and the labour market worsened in February, with lower year-on-year growth in job creation and a rise to 4.7% in the unemployment rate. Deflationary pressures mounted in February, with consumer prices falling by 0.3% in the general index and 0.4% in the underlying index (year-on-year rates).

MAIN MACROECONOMIC INDICATORS
Year-on-year rate of change

CHART 5



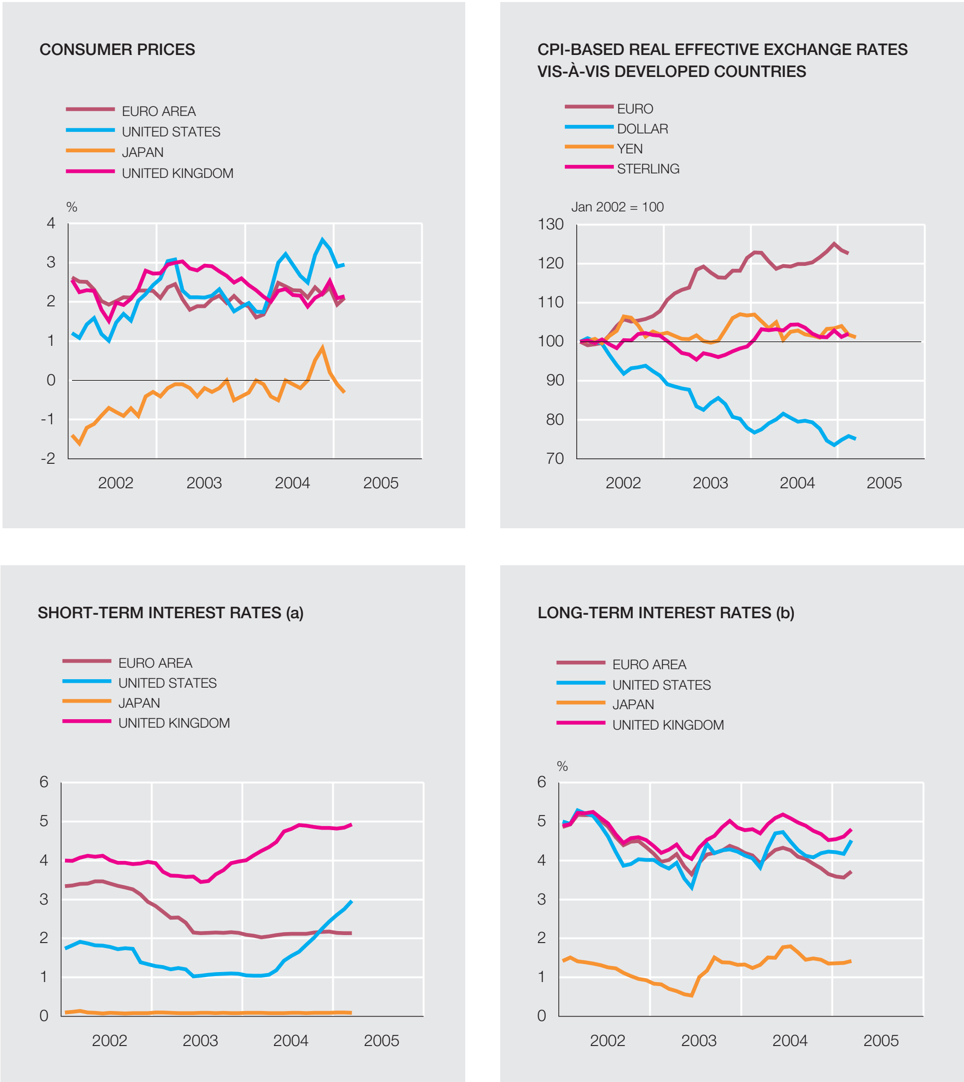
SOURCES: Banco de España, national statistics and Eurostat.

a. Percentage of labour force.

In the *United Kingdom,* the available activity indicators, such as the purchasing managers' index and industrial production, suggest that the growth rate of 2004 Q4 (0.7% quarter-on-quarter) was sustained. Some relatively weak data have been observed, such as the slowdown in consumption in 2004 Q4 and the unexpected rise in unemployment in March, but these contrast with the rise in the rate of employment to 75% (the highest level since 1975) and the 0.3 percentage point rise in wage growth to 4.7% year-on-year. Consumer prices, meanwhile, rose by 1.9% year-on-year in March, as against 1.6% in February, and producer prices accelerated by 0.1 percentage point to 2.8%. The most positive aspect was the slowdown in house prices to year-on-year rates of below 10% in March.

In the *new EU Member States,* GDP growth in Q4 was robust, although in some countries slightly down on previous quarters, especially in Poland and in the Baltic countries. Their public finances seem to have improved in 2004, albeit from very high deficit levels; in five of the ten new members the budget deficit is still above 3% of GDP. The activity and consumption indicators for 2005 Q1 point to a mild slowdown in these countries, with growth rates in industrial production, exports and retail sales below those of last year. As for prices, the trend moderation

PRICES, REAL EXCHANGE RATE AND INTEREST RATES CHART 6



SOURCE: Banco de España.

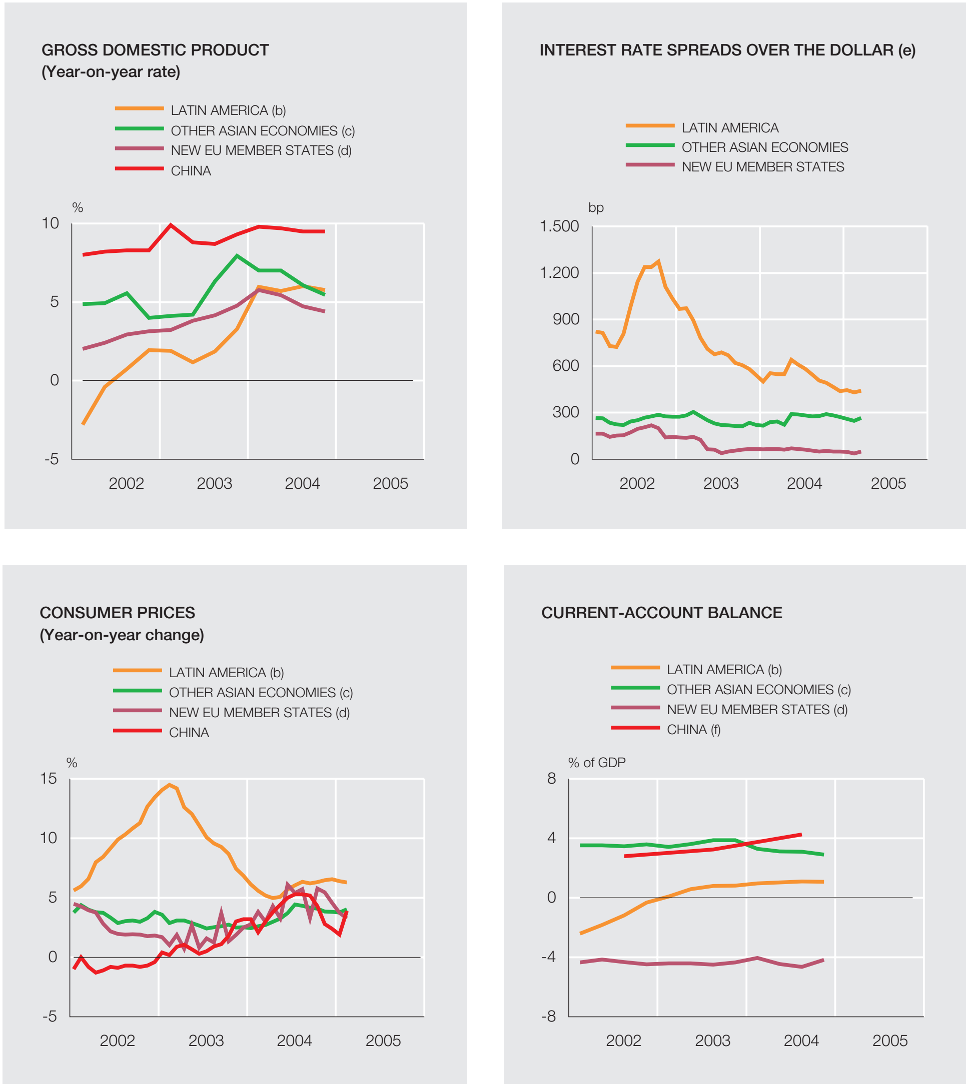
a. Three-month interbank market interest rates.
b. Ten-year government debt yields.

continued, largely due to the falls in food prices arising from the base effect caused by the rise in indirect taxes last year, to bring them into line with EU levels. This background of good inflation figures, and the strong appreciation of the main currencies of the region in 2004, enabled official interest rate reductions to continue in countries like Hungary, Poland, the Czech Republic and Slovakia. Finally, the currencies of the new Member States that participate in the Exchange Rate Mechanism (ERM II), the Slovenian tolar, the Estonian kroon and the Lithuanian litas, held steady around their central parities, without significant tensions.

In the *main Asian emerging economies,* there was notably strong growth in China, where GDP grew by 9.5% year-on-year in Q1, the same rate as in 2004 Q4. The buoyancy of foreign trade was conducive to this growth, exports growing in 2005 Q1 at a rate of 35%, while imports grew at around 12%. Industrial production slowed slightly in March (from 16.5% to 15.1%), while the strength of retail sales was sustained. The rate of activity in the other main South-East Asian economies remained robust in January and February. Market developments in the region showed greater stability than in other emerging areas, without significant exchange rate or stock market losses. Moreover, the deterioration in bond spreads was less sharp and occurred later than in other emerging regions.

EMERGING ECONOMIES: MAIN MACROECONOMIC INDICATORS (a)

CHART 7



SOURCES: National statistics and JP Morgan.

a. The aggregates for the different areas have been calculated using the weights of their constituent countries in the world economy, according to IMF information.
b. Argentina, Brazil, Chile, Mexico, Colombia, Venezuela and Peru.
c. Malaysia, Korea, Indonesia, Thailand, Hong Kong, Singapore and Taiwan.
d. Latvia, Lithuania, Estonia, Czech Republic, Hungary, Poland, Slovenia and Slovakia.
e. JP Morgan EMBI spreads. The data on the new EU Member States relate to Hungary and Poland. The Asia aggregate does not include China.
f. Annual data.

Latin America achieved GDP growth of 5.9% in 2004, very similar to the year-on-year rate in Q4. The strength of the activity indicators was sustained in Q1, although exports slowed somewhat in most countries. Price developments varied from country to country. On the one hand, inflation rose in Argentina to 9.1% in March, from slightly above 6% at the end of 2004, while in Brazil it accelerated marginally to 7.5%, causing the upswing in official interest rates to continue. On the other hand, in Mexico there were signs of lower inflationary pressures, although the year-on-year rate of 4.4% in March was above the central bank's target range. The region's financial markets were volatile from mid-March, with pronounced increases in sovereign spreads and sharp exchange rate depreciations, particularly in Brazil, though both these variables began to improve from 15 April.

The information available on economic developments in the euro area in the first few months of 2005 points to a moderate quickening of activity, underpinned by the buoyancy of world demand and by the recovery of capital investment against an expansionary financial background. Nevertheless, the still shaky course of certain economic indicators and the persistence of oil prices at levels near $50 per barrel cast doubt on whether the euro area will move onto a path of sustained growth in the coming months. As for prices in the early months of the year, the growth rate of the HICP dropped to 2.1% in March. This was mainly a result of specific factors such as the petering out of the effects of rises in certain administered prices and indirect taxes agreed on a year earlier, although the moderation in labour costs and the strength of the euro exchange rate may also have contributed to easing inflationary pressure. In any event, the persistence of high oil prices is delaying the reduction of inflation below the targeted reference of 2% contained in the ECB's definition of price stability.

The euro area's lack of buoyancy in terms of growth, against a backdrop of highly favourable financial conditions and of continued vigorous external demand, highlights the need to undertake structural reforms to raise the potential growth capacity of the European economy. In this respect, last March the European Council proposed an updated strategy to be followed in the coming years to enable more flexible application of structural reforms in the euro area, the content of which is described in Box 2. At the same time, the European Council approved a number of changes to the Stability and Growth Pact to enhance its rationality without affecting the degree of budgetary discipline to be imposed by it. Although some positive results have been achieved in both cases, they did not seem to signal a greater determination by the European authorities to address the structural problems and strengthen fiscal discipline.

3.1 Economic developments

According to the second euro area National Accounts estimate for 2004 Q4, the euro area GDP grew by 0.2% quarter-on-quarter, which was 0.1 pp less than in the previous quarter and down on the increase recorded in the first half of the past year (Table 1). In year-on-year terms, output rose by 1.6%, so the rate of change in 2004 as a whole was 1.8% (Chart 8). As regards the breakdown of growth, the contribution to GDP of domestic demand excluding inventories rose to 0.5 pp in Q4, thanks to a significant recovery in private consumption following the sluggishness recorded in the preceding two quarters. Gross fixed capital formation continued in 2004 Q4 at the relatively robust pace of 0.6%, since the lower momentum of capital goods was offset by the higher buoyancy of construction. The contribution of net external demand to output was negative, although less so than in the previous quarter, as a result of a more marked slowdown in imports than in exports. Finally, the change in inventories subtracted 0.2 pp from GDP growth, after the strong inventory building in the preceding quarter.

The breakdown of National Accounts by country in Q4 reveals very uneven quarter-on-quarter growth rates. While Germany and Italy recorded a contraction in output of -0.2% and -0.4%, respectively, the GDP of France and Spain expanded vigorously at rates of 0.9% and 0.8%. In the first two countries, private consumption performed very weakly and in Italy there was also a notable contraction in investment and in exports. By contrast, in the second pair of countries both consumption and investment were fairly buoyant.

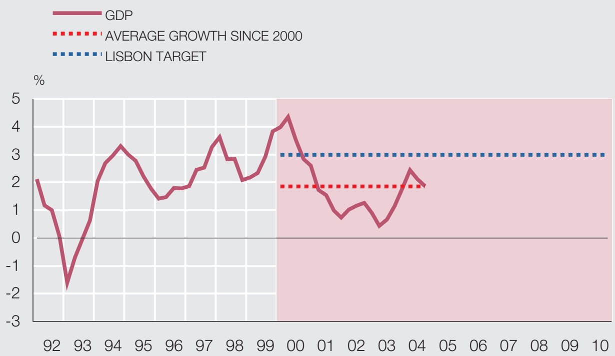
By branch of production, the lower growth of value added in the euro area economy in Q4 was a result of the sharp slowdown in industry, since there was a clear recovery of value added in construction and, to a lesser extent, in services. The labour market continued to show a weak

In view of the EU's modest results in terms of economic growth and job creation during the 1990s, a broad consensus emerged on the need to undertake structural reform in the product and factor markets and in the social protection systems, so as to make the environment more apt for innovation, employment, saving and investment. This consensus was crystallised in the Lisbon European Council in March 2000, which decided on an ambitious programme of reforms aimed at transforming the EU into the "most competitive and dynamic knowledge-based economy in the world". It was estimated that the application of policies to spur productivity and raise the employment rate would achieve average GDP growth rates of 3%.

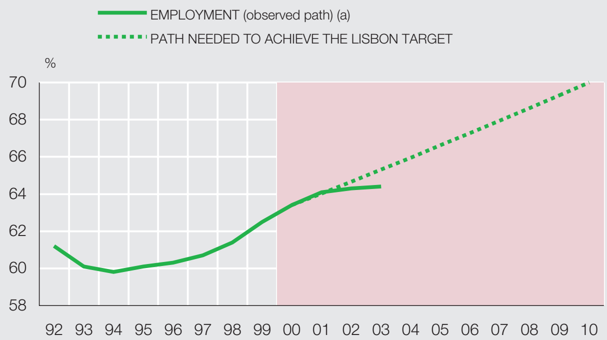
The aims of the so-called *Lisbon Agenda* called for measures in areas of economic policy that are primarily the competence of the Member States, so it was decided to address the reforms in a manner featuring co-ordination between countries. In a geographical area with a high level of integration, this co-ordination is necessary because a policy implemented by one country affects the other countries and because a certain degree of supranational feeling may be conducive to the adoption of reforms that at national level normally encounter resistance from the interested lobbies and that the authorities are reluctant to pay for, because their cost is immediate while their benefits tend to be perceived in the longer term. In particular, the so-called *open co-ordination method* was adopted, which involves a voluntary co-operation mechanism based on assessment of each Member State's progress as gauged by a set of qualitative and quantitative structural indicators relating to the ultimate objectives. The European Council decided to devote its spring meeting to assessing progress towards the objectives, its intention being that the collective pressure of this annual revision would encourage adoption of the reforms. In this respect, the Commission's role was limited to disseminating information on the progress made by each State and to acting in its areas of competence, including particularly those aspects of goods and services market deregulation relating to completion of the single market.

It is difficult to assess the impact that adopting this reform strategy will have on the ultimate objectives, both because the policies that would have been applied in the absence of the strategy are unknown and because the effects of the reforms may take time to manifest themselves. Nonetheless, there is a broad consensus that the progress made to date has been insufficient. As shown by the charts, the average growth of the EU 15 since the launch of the strategy has been nearly one percentage point below the target of 3%, which has made it more difficult to close the gap in GDP per capita with respect to the US. The closing of this gap requires an acceleration both in the rate of employment growth and in labour productivity. Some progress has been made on the first of these variables, but the intermediate target of 67% in 2005 and the target of 70% in 2010 seem to be a long way off. In addition, certain countries seem to show an inverse relationship between the employment rate and increases in labour productivity. However, the examples of Ireland, the United Kingdom

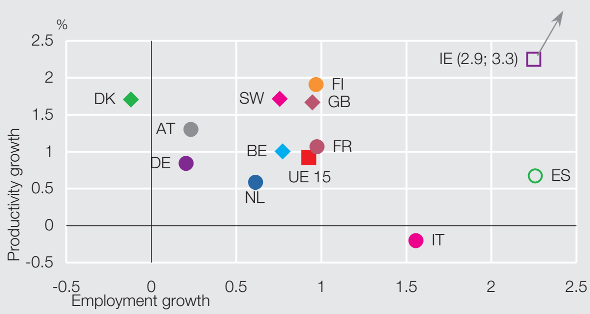
1. YEAR-ON-YEAR GDP GROWTH



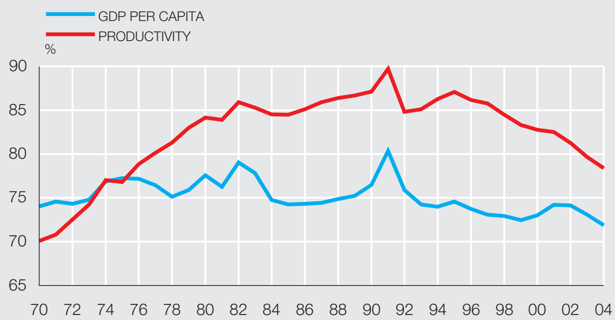
2. EMPLOYMENT RATE



3. AVERAGE YEAR-ON-YEAR GROWTH OF EMPLOYMENT AND PRODUCTIVITY 2000 - 2004



4. GDP PER CAPITA AND PRODUCTIVITY OF THE EU WITH RESPECT TO THE USA



SOURCES: EUROSTAT, Groningen Growth and Development Centre and The Conference Board, Total Economy Database, January 2005, http://www.ggdc.net.

a. At the present date there are no 2004 data.

and certain Scandinavian countries show that it is possible to achieve sound growth simultaneously in both these variables through policies designed to promote the creation and dissemination of innovation and, in general, through policies that make it possible to accelerate the growth of total factor productivity, which makes it all the more evident that there is a need for policies focused on promoting the knowledge society.

The March 2005 European Council examined the results obtained in the five years elapsed since the launch of the Lisbon strategy, taking into account a report prepared by a group of experts headed by Wim Kok and a Communication from the European Commission. Both documents are fairly critical of the status of the reforms, attributing this scant momentum of reform to the absence of a clear definition of priorities in the strategy, to a lack of co-ordination of agents and policies and, finally, to an insufficient commitment by the Member States to implementing the reforms. The European Council reaffirmed the importance of the objectives of the Lisbon Agenda, and measures were therefore proposed to step up the rate of adoption of reforms, simplify the strategy and help monitoring and co-ordination. Thus the new strategy will centre on the economic side and, within this, on the matters having a greater impact on employment and productivity. To enhance the degree of commitment of Member States to the objectives, the governments are to prepare *national action programmes* by the end of 2005, which must be debated with the social partners to enable the greatest possible consensus on the reforms. However, the demands made on the Member States regarding the specific deadlines and targets suggested by the Kok report and the European Commission have been toned down. Simultaneously, the European Commission will play a greater role in designing policies and in monitoring their application, which will lead, inter alia, to the preparation of a report setting forth the measures required at supranational level. Finally, in order to simplify the current policy co-ordination mechanisms and achieve a more integrated assessment of the various processes under way, the current national and Commission reports on reform in the goods and capital markets, employment, pensions and social cohesion will be merged into a single document.

Although this reformulation of the Lisbon Agenda is intended to accelerate the rate of structural reform in the EU, it is uncertain to what extent it will spur governments to act more decisively, given that the European Council has adopted a less ambitious approach than that initially proposed by the aforementioned reports. In this respect, the recent experience on application of the Stability and Growth Pact casts some doubt on the firmness of the national authorities' resolve to take the required measures.

pace of job creation which left the year-on-year rate at 0.7% and, accordingly, the year-on-year change in apparent labour productivity decreased by 0.5 pp with respect to the previous quarter, to stand at 0.9%.

The performance of the most recent indicators signifies, at overall level, a slight rise in the pace of expansion of GDP in 2005 Q1. As far as supply indicators are concerned, the industrial production index was up by 0.2% in January and February with respect to the average in 2004 Q4 and the year-on-year rate of change stood at 0.6% in February. The qualitative indicators drawn from confidence surveys in services and construction showed average levels for the quarter similar to those in 2004 Q4. The confidence index compiled from the European Commission's industry surveys, however, worsened notably, moving in the opposite direction to the indicator based on the Reuters Purchasing Managers' Survey for manufacturing industry, which held steady in the period under review (Table 1). Nonetheless, the relative stability of confidence indicators masks a gradual deterioration during the quarter, which was particularly marked in March and casts doubt on how activity will behave in the coming months.

The available demand side indicators do not show a substantial pick-up in any aggregate, although they are consistent with the steady growth rates observed in private consumption and investment. Thus retail sales, which is the monthly indicator most closely correlated with private consumption, improved in January and February, and the European Commission's consumer and retail trade confidence indicators held steady in the early months of the year (Chart 9). By contrast, new car registrations, which account for somewhat less than 5% of private consumption, worsened notably with respect to the previous quarter. Although the information drawn from economic indicators is more imprecise in the case of demand for capital goods, the deterioration in the assessment by firms of their order books might be signalling a certain slowing of the mo-

EURO AREA ECONOMIC INDICATORS TABLE 1

	2003		2004				2005	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1 (a)	Q2 (b)
GDP								
Year-on-year growth	0.4	0.8	1.5	2.2	1.8	1.6		
Quarter-on-quarter growth	0.6	0.4	0.7	0.5	0.3	0.2		
European Commission forecasts (c)							(0,2;0,6)	(0,3;0,7)
IPI (d)	-0.4	1.4	1.1	2.9	2.6	1.0	1.4	
Economic sentiment	94.1	97.6	98.6	99.9	100.6	100.9	99.0	
Industrial confidence	-11.0	-8.0	-7.0	-5.0	-3.7	-3.3	-6.3	
Manufacturing PMI	49.1	52.0	52.8	54.4	53.9	51.4	51.4	
Services confidence	5.3	10.7	11.3	11.7	12.0	11.0	10.7	
Services PMI	51.9	56.7	56.0	55.2	54.4	52.9	53.1	
Unemployment rate	8.7	8.8	8.9	8.8	8.8	8.8	8.8	
Consumer confidence	-17.3	-16.0	-14.3	-14.3	-13.7	-13.0	-13.3	
HICP (d) (e)	2.2	2.0	1.7	2.4	2.1	2.4	2.1	
PPI (d) (e)	0.9	0.9	0.4	2.4	3.3	3.6	4.2	
Oil price in USD (e)	27.1	29.9	33.8	35.3	43.3	39.7	53.3	51.3
Loans to the private sector (d) (e)	4.9	5.5	5.3	6.0	6.5	7.1	7.6	
Euro area ten-year bond yield	4.2	4.4	4.2	4.4	4.2	3.8	3.7	3.6
US-euro area ten-year bond spread	0.09	-0.05	-0.11	0.28	0.14	0.36	0.67	0.87
Dollar/euro exchange rate (e)	1.165	1.263	1.222	1.216	1.241	1.362	1.296	1.297
Appreciation/Depreciation of the euro (e)	11.1	20.4	-3.2	-3.8	-1.7	7.8	-4.8	-4.8
Dow Jones EURO STOXX Broad index (e)	4.1	18.1	1.9	3.7	1.5	9.9	4.3	1.1

SOURCES: Eurostat, ECB and Banco de España.

a. The information in italics does not cover a full quarter.
b. Information available up to 19 April 2005.
c. Quarter-on-quarter growth forecasts.
d. Year-on-year growth.
e. End-period data. Figures for exchange rates and the stock market are percentage changes over the year.

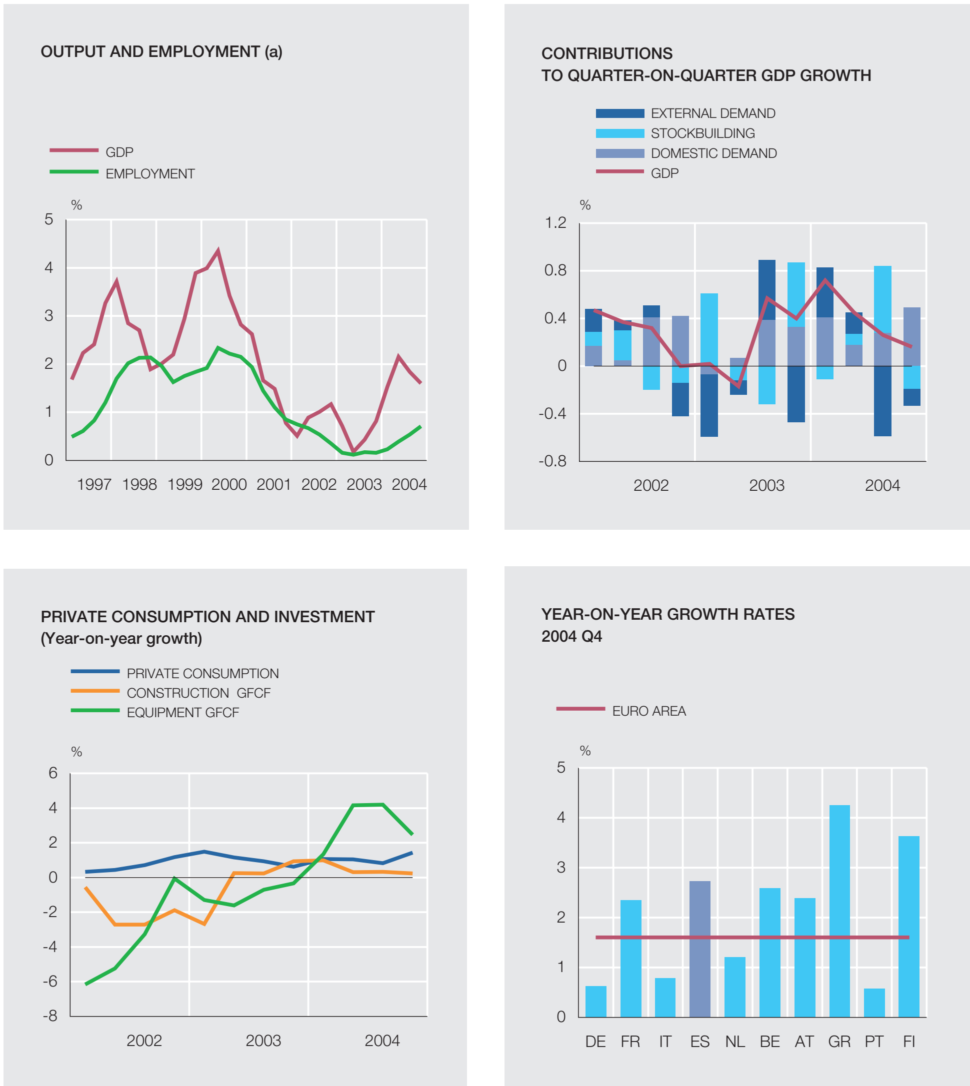
mentum shown in previous quarters by this component of investment. However, the behaviour of other indicators also relating to capital goods is more favourable. Thus the degree of capacity utilisation remained unchanged from summer 2004 at levels exceeding those of previous quarters and in line with the historical average. Meanwhile, the mild upward trend of credit extension to non-financial corporations initiated in mid-2004 continued in early 2005. The behaviour of exports to non-euro area countries in January and February valued in nominal terms was similar to that in the previous quarter according to provisional Eurostat information. However, the assessment of export order books and the export expectations disclosed by the European Commission's quarterly survey worsened with respect to 2004 Q4. Finally, Q1 employment indicators compiled from confidence surveys and the unemployment rate up to February held relatively stable, making it foreseeable that employment will proceed at a relatively weak pace.

In sum, it seems likely that euro area output in 2005 Q1 will continue to expand at a moderate rate, albeit somewhat higher than in the last half of 2004. This would be in line with the range estimated by the European Commission, which puts the rise in GDP at between 0.2% and 0.6% in Q1. However, because of the lower growth in the second half of 2004 and the scantly defined information provided by short-term indicators, the European Commission revised downward by 0.4 pp the expected output growth for 2005 as a whole with respect to the autumn 2004 forecast, leaving it at 1.6%.

In this respect, the deterioration in confidence indicators in March, the hesitant course of domestic expenditure, the uncertainty regarding the euro exchange rate and the possibility that

EURO AREA NATIONAL ACCOUNTS

CHART 8



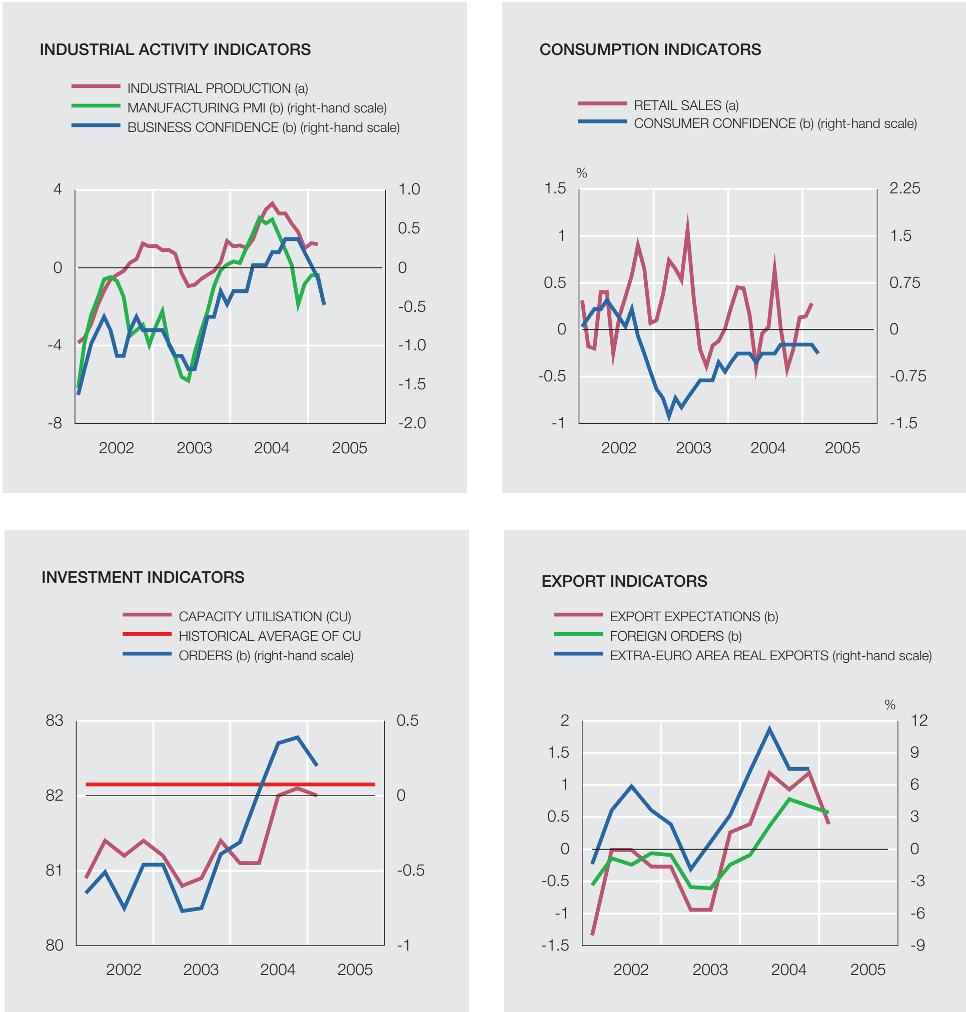
Sources: Eurostat and national statistics.

a. Year-on-year rates of change.

the effects of the accumulated appreciation have yet to be fully manifested in trade flows, as well as the persisting high oil prices, cast doubt on the strength of the economic expansion to be seen in the area in the coming months. Aside from the direct effects that the price rises in production inputs are having on the activity of economies, it is possible that energy price increases are also negatively affecting the confidence of agents, delaying or discouraging their spending decisions and reducing (through their impact on inflation) the purchasing power of household income. However, in a setting of continued highly favourable financial conditions in which business margins have grown as a result of the moderate trend in unit labour costs, it would be reasonable to expect investment and job creation to be more buoyant, which would help to strengthen household consumption.

Since December 2004, inflation in the euro area, measured in terms of the year-on-year rate of change of the harmonised index of consumer prices (HICP), has decelerated by 0.3 pp to 2.1% in March (Chart 10). This is explained by the behaviour of processed food and, to a lesser extent, of non-energy industrial goods and of services, owing to the petering out of the base effects derived from certain measures introduced a year ago in certain countries, such as

EURO AREA. REAL INDICATORS CHART 9



SOURCES: Eurostat and European Commission.

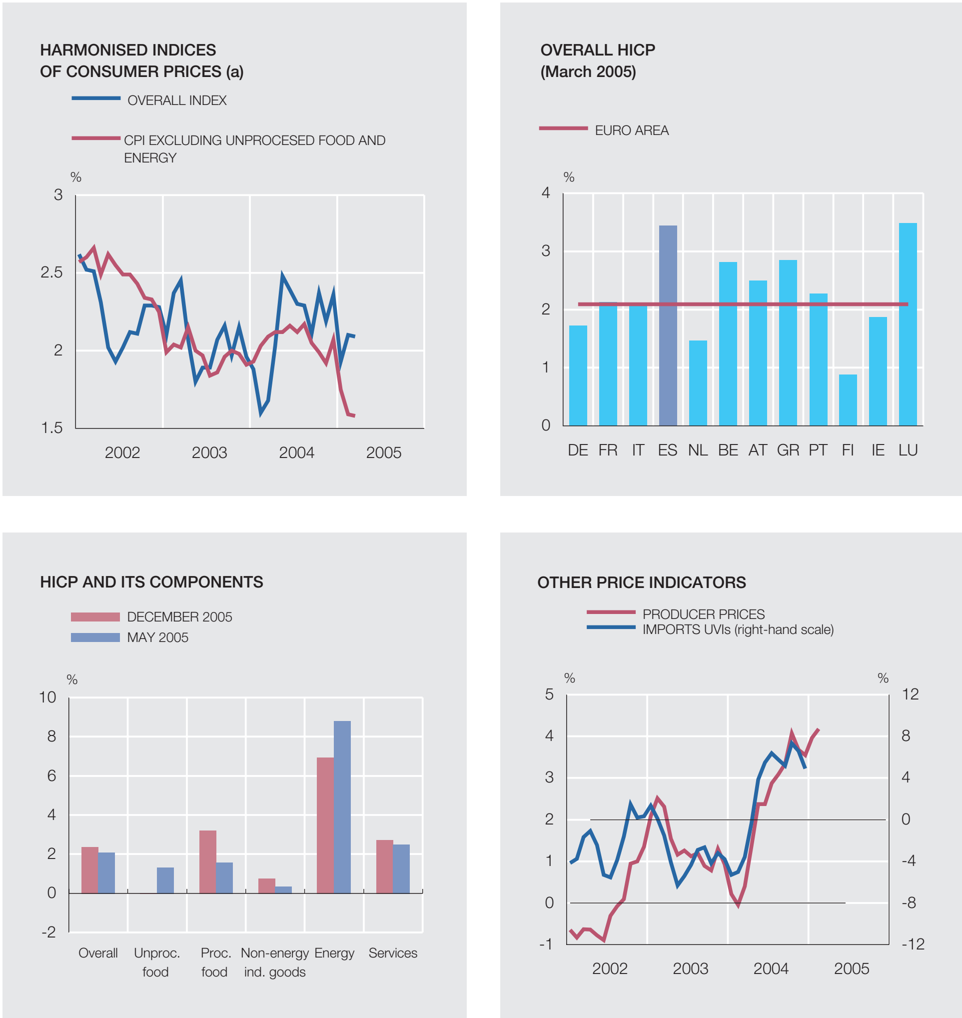
a. Non-centred annual percentage changes, based on the quarterly moving average of the seasonally adjusted series.
b. Normalised data.

tobacco excise tax rises in France and Germany in January and March 2004, respectively, and that deriving from the health care financing reform in Germany. As a result, the rate of change of the index made up of the most stable components (HICP excluding unprocessed food and energy) fell by 0.5 pp in the first quarter of the year to stand at 1.6% in March, the lowest level reached by this index in the last four years. The prices of the more volatile components rose in Q1 due, in the case of unprocessed food, to the adverse weather conditions, while energy prices suffered the impact of the oil price escalation. The year-on-year growth rate of industrial prices was 4.2% in February, up 0.7 pp on December 2004, largely as a result of the crude oil price rises.

From the standpoint of domestic price formation, in 2004 Q4 unit labour costs grew more slowly than the GDP deflator and, as a result, business margins again widened (Chart 11). Despite the sharp increase in energy prices, the risk of inflation does not seem high, given the excess capacity of certain countries, the wage moderation that is expected to continue in the coming months in view of the scant buoyancy of the labour market, and the recovery in corporate profits, which is conducive to a limited pass-through of production costs to prices. Nevertheless, the possibility that oil prices may remain at current levels for a lengthy period

EURO AREA. PRICE INDICATORS
Year-on-year percentage changes

CHART 10



SOURCES: Eurostat and European Central Bank.

a. There is a break in January 2002 when the series was rebased to 2001.

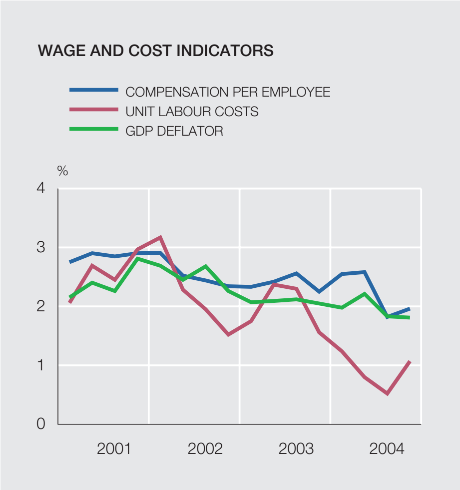
introduces the risk of an upturn in the future course of prices, since it casts some doubt on whether wages will continue to behave moderately, which is crucial for limiting the second-round effects on inflation.

As to fiscal policy, in March the European Council decided on the content of the reform of the Stability and Growth Pact, thereby culminating the process of discussion initiated after summer last year. Box 3 details the changes made and assesses their possible consequences. However, both the description of the new rules and the assessment thereof are tentative, pending final agreement on the new wording of the legal texts constituting the Pact.

In 2004 the aggregate general government deficit of the euro area countries stood at 2.7% of GDP, 0.1 pp less than in 2003. This minor improvement was made possible by lower interest payments and, as a result, the primary surplus held unchanged at 0.6% of GDP. When adjusted for the effects of the business cycle, this figure continues to show virtually no change, so it can be concluded that fiscal policy in the past year was approximately neutral in the euro area. By country, the deficit exceeded the reference level established in the Treaty in Greece (6.1% of GDP) and in Germany and France (3.7% in both cases), while in Italy it stood pre-

EURO AREA. WAGE AND EMPLOYMENT INDICATORS
Year-on-year percentage changes

CHART 11



SOURCES: Eurostat and European Central Bank.

a. Expectations based on European Commission sentiment indicators. Normalised data.

GENERAL GOVERNMENT BUDGET BALANCES OF EURO AREA COUNTRIES (a)

TABLE 2

% of GDP

	2002	2003	2004 (b)	2004 (c)	2005 (b)	2005 (d)
Belgium	0.1	0.4	0.1	0.0	-0.2	0.0
Germany	-3.7	-3.8	-3.7	-3.3	-3.3	-3.0
Greece	-4.1	-5.2	-6.1	-1.2	-4.5	-3.7
Spain	-0.3	0.3	-0.3	0.0	0.0	0.1
France	-3.2	-4.2	-3.7	-3.6	-3.0	-2.9
Ireland	-0.4	0.2	1.3	-1.1	-0.6	-0.8
Italy	-2.6	-2.9	-3.0	-2.2	-3.6	-2.7
Luxembourg	2.3	0.5	-1.1	-1.8	-1.5	-1.0
Netherlands	-1.9	-3.2	-2.5	-2.3	-2.0	-2.6
Austria	-0.2	-1.1	-1.3	-0.7	-2.0	-1.9
Portugal	-2.7	-2.9	-2.9	-2.8	-4.9	-2.8
Finland	4.3	2.5	2.1	1.7	1.7	1.8
MEMORANDUM ITEM: Euro area						
Primary balance	1.2	0.6	0.6		0.6	
Total balance	-2.4	-2.8	-2.7	-2.3	-2.6	
Public debt	69.5	70.8	71.3		71.7	

SOURCES:European Commission, national stability programmes and Banco de España.

a. As a percentage of GDP. Proceeds from the sale of UMTS licences not included. Deficit (-) / surplus (+). The deficits that exceed 3% of GDP have been shaded.
b. European Commission forecasts (spring 2005).
c. Targets of the stability programmes presented between November 2003 and January 2004.
d. Targets of the stability programmes presented between November 2004 and March 2005.

In autumn 2004 the European Commission commenced the process of reviewing the institutional framework governing the fiscal policies of the Member States of the euro area and of the EU as a whole. This review, inspired by the accumulated experience in applying the rules thus far in existence and, in particular, by the institutional problems arising in the course of the excessive deficit procedures initiated against Germany and France, culminated in the ratification by the European Council on 22 and 23 March of the agreement reached some days previously by the ECOFIN Council to amend the Stability and Growth Pact.

First, the approved text postulates a series of actions to stimulate institutional commitment to fiscal discipline. These include improving the reliability of budgetary statistics, using realistic macro-economic forecasts in the preparation of stability programmes, applying national budgetary rules supplementing the provisions of the Pact and obtaining the commitment of the incoming governments to the budget targets of the outgoing governments. The reform also introduces certain changes both to the part of the Pact that seeks to encourage sound policies in favourable cyclical situations, in order to limit the risk of serious budget deterioration in a cyclical downturn (what has come to be called the ”preventive arm”), and to the part of the Pact that deals with correcting excessive deficits (“corrective arm”). Thus the changes decided on for preventive purposes are as follows:

1. Definition of the medium-term objective. So far, each Member State has been required to maintain a position that, on average, is close to budget balance throughout the business cycle. The reform introduces country-specific medium-term objectives which, in any event, have to provide sufficient leeway to avoid violating the deficit limit of 3% of GDP. Thus the medium-term objective of countries with low debt and high potential growth will be a cyclically-adjusted deficit net of temporary measures that is equal to 1% of GDP. For countries in the opposite situation, this objective will be a surplus or budget balance. Also, in the future, the definition of these objectives will take into account any implicit liabilities (i.e. those derived from the budgetary cost of population ageing), once the Council has agreed on a methodology to make it possible.

2. Adjustment path to the medium-term objective. As a general rule, the annual improvement in the cyclically-adjusted balance net of temporary measures should be 0.5% of GDP. However, the pace of approach to the objective should be faster in favourable cyclical situations and vice versa.

3. Role of structural reforms in relation to medium-term objectives. Structural reforms with clear positive effects on the long-term sustainability of public finances will justify temporary deviations from medium-term objectives and thus a lower rate of approach to them.

The main changes for corrective purposes are as follows:

1. Clarification of the circumstances in which a deficit exceeding the reference value temporarily by a narrow margin can be considered ”exceptional”. Previously, as a general rule GDP had to decline by at least 2% in a given year. From now on, a negative rate of increase in output will be sufficient.

2. Consideration of ”other relevant factors” in the various steps of the procedure. These factors, which must be taken into account in assessing minor temporary excesses over the reference value, will include, in particular, the potential growth rate, the prevailing cyclical conditions, the application of structural and political reforms to foster technological innovation, government investment, consolidation efforts in cyclical upturns and the level of expenditure on international aid and any fiscal burden relating to the process of European Union.

3. Pension system reforms. The costs relating to the introduction of a public capitalisation system will be taken into account in assessing an excessive deficit situation.

4. Public debt. A qualitative assessment will be made on whether a country with a debt ratio exceeding 60% has made sufficient progress in reducing it.

5. Time period for correcting an excessive deficit. As a general rule, an excessive deficit should be corrected in the year following that in which it is identified. However, this period may be extended by one year depending on the other relevant factors listed above and reviewed again subsequently should any adverse events with a clear budgetary impact take place.

One aspect of the new rules that should be viewed positively is the greater economic rationality of the Stability and Growth Pact, which manifests itself in three main ways: first, medium-term objectives are distinguished by country and cyclically-adjusted balances net of temporary measures are used to assess compliance with objectives and with the adjustment path towards them; second, the relaxation of the requirement that only a fall in output exceeding 2% of GDP exempts a deficit temporarily exceeding 3% of GDP from being considered excessive; and, finally, the possibility that the time period for correcting an excessive deficit may be extended if, after having taken effective measures, a country’s economic performance is unfavourable. Having said this, the rules are now more complex and their application is less automatic because of an increase in the number of factors that must be considered in both the preventive part and the corrective part and because of the Council’s discretionary powers in assessing them. As a result, from now on it will be more difficult to ensure that the new rules are applied transparently and that countries are treated equally.

The changes in the rules that cause most concern are those relating to the excessive deficit procedure. In particular, the likelihood that a deficit exceeding 3% of GDP may not be judged to be excessive has increased because of the inclusion in the agreement of a long list of exempting factors that are not fully defined. Moreover, it is also now more likely that these same factors may be used to justify an extension of the deadline for correcting an excessive deficit. The only thing that makes these aspects of the agreement less negative is that the exempting factors will only apply if the excess is temporary and small. In addition, although the greater weight afforded to considerations relating to the debt ratio and to the sustainability of public finances is a positive aspect of the reform, it is very likely that the failure to reflect them in quantitative objectives will mean that they will not enhance the incentives to improve the financial position of general government.

In short, taken as a whole, the new rules, although they contain positive elements, raise doubts about their ability to guarantee budgetary discipline in the euro area. However, for the time being any assessment must necessarily be provisional, because the specific legal form that the reform will take is not yet known. A final agreement in this connection will foreseeably take place in the coming weeks, following the European Council's invitation to the Commission to submit proposals promptly in this respect. In any event, it is crucial that the new framework be applied as strictly as possible and that the countries show a greater commitment to comply with it than in the past. In this respect, the delicate budgetary situation of certain Member States, which not only have high deficits, but also have resorted extensively (in order to submit less unbalanced accounts) to temporary measures and to transactions whose conformity with current accounting standards is being analysed, constitute a new acid test for the current framework of fiscal discipline.

cisely at the reference level and in Portugal and the Netherlands it was very close to it. Both Italy and Portugal, however, undertook ad hoc operations to contain their deficit, the effects of which are merely temporary. In addition, the Eurostat press release on the Excessive Deficit Procedure notifications expressed reserves about whether the figures provided by Greece, Italy and Portugal in recent years conform to current accounting rules, so the deficits of these three Member States may soon be revised.

According to the European Commission's spring forecasts, the deficit will decrease by 0.1 pp of GDP in 2005, whereas the cyclically adjusted primary surplus will improve by 0.2 pp, which points to a moderately contractionary stance in fiscal policy in the current year. By country, it is estimated that the deficits of Portugal, Greece, Italy and Germany will exceed 3% of GDP.

As regards Italy, in the light of these forecasts and of the high likelihood that its 2004 deficit will be revised to stand clearly above 3% of GDP, in mid-April the Commission announced that it would initiate an excessive deficit procedure before the end of June. Despite these unfavourable developments, the Italian government had, before it was dissolved, announced its intention to cut income taxes promptly. In Portugal the unfavourable performance of public finances might also lead to the initiation of an excessive deficit procedure, depending on the content of the updated stability programme to be presented by the authorities shortly. In late March, Greece presented a new stability programme with consolidation measures for 2005 which envisages both cuts in government expenditure and an increase in receipts. Under this programme, the deficit in 2006 will stand at 2.9% of GDP, which would comply with the Council's decision in February to ask the Greek authorities to adopt measures to lower the deficit below 3% of GDP in 2006. Finally, Germany may run into difficulty in meeting its commitment to achieve a deficit of 2.9% of GDP in 2005 because of the unfavourable performance of economic activity.

3.2 Monetary and financial developments

The ECB Governing Council meetings in the first four months of the year considered that the current monetary policy stance was compatible with a favourable outlook for price stability and in line with the slow growth of activity. Consequently, the rates applied in the main refinancing operations, deposit facility and marginal lending facility were held unchanged at 2%, 1% and 3%, respectively.

EURO AREA INTEREST RATES

CHART 12

SOURCES:European Central Bank and Banco de España.

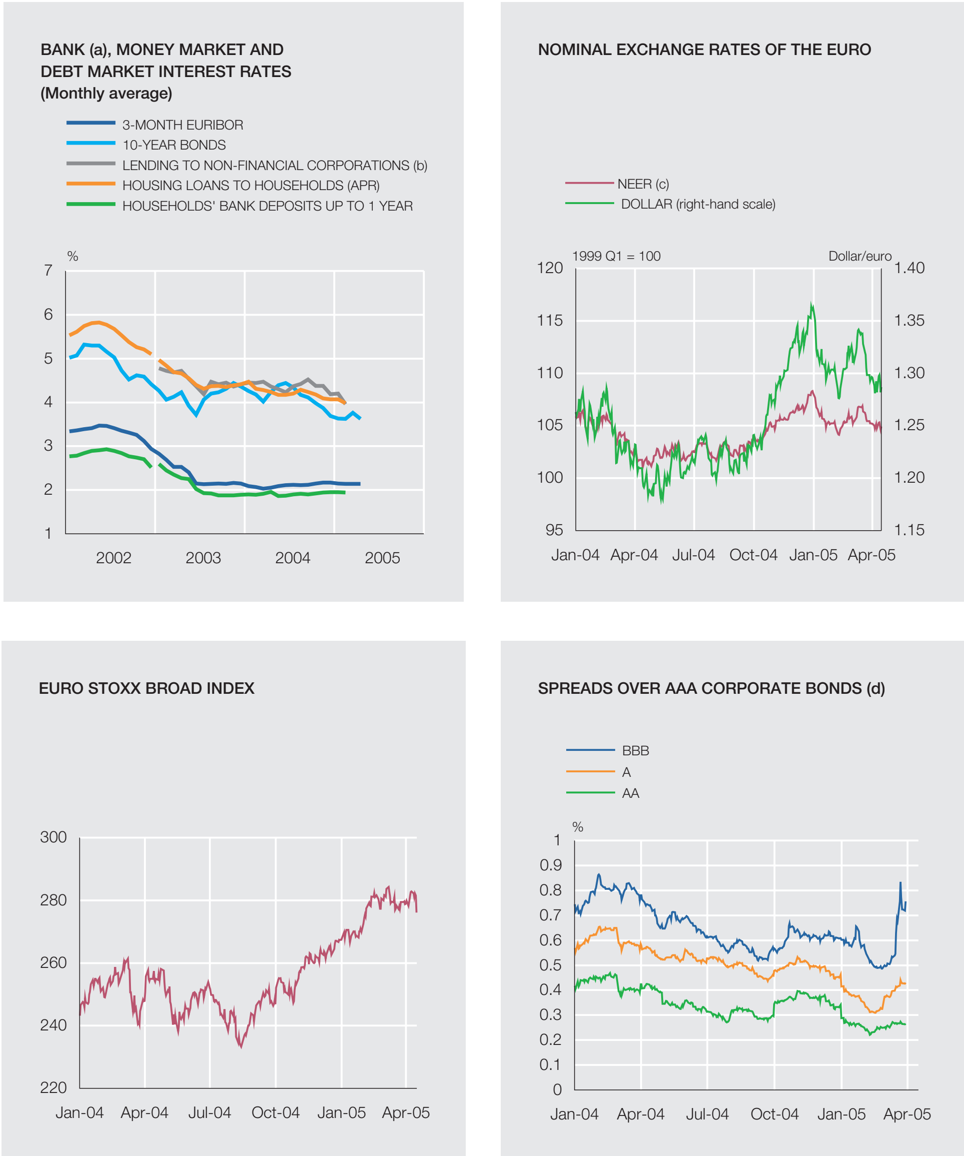
a. Estimated using swap market data.
b. Estimated using Euribor data.

During the first three months of the year, money market interest rates held steady. However in mid-April there was a moderate downward shift in the yield curve, indicating a containment of the expectations of a rise in the official interest rates prevailing in the early months of the year (Chart 11). On the debt markets, ten-year yields continued at historically low levels, below 4%. On information to February, the interest rates applied by credit institutions to their lending and deposit transactions were also generally unchanged. Thus, for example, interest rates on house purchase loans to households in February stood at 4%, slightly lower than three months earlier. Finally, in the private fixed-income markets, the spreads on corporate bonds generally tended to narrow, and in March reached historical lows (Chart 13). However, in the last few days these spreads on lower-rated bonds have widened to the levels prevailing at the beginning of the year.

The recovery of euro area equity markets under way since mid-2004 came to a standstill at the start of March and market prices fell in April, dropping by the end of the month to levels com-

EURO AREA INTEREST RATES, EXCHANGE RATE AND STOCK MARKET INDEX

CHART 13



SOURCES: Banco de España and European Central Bank.

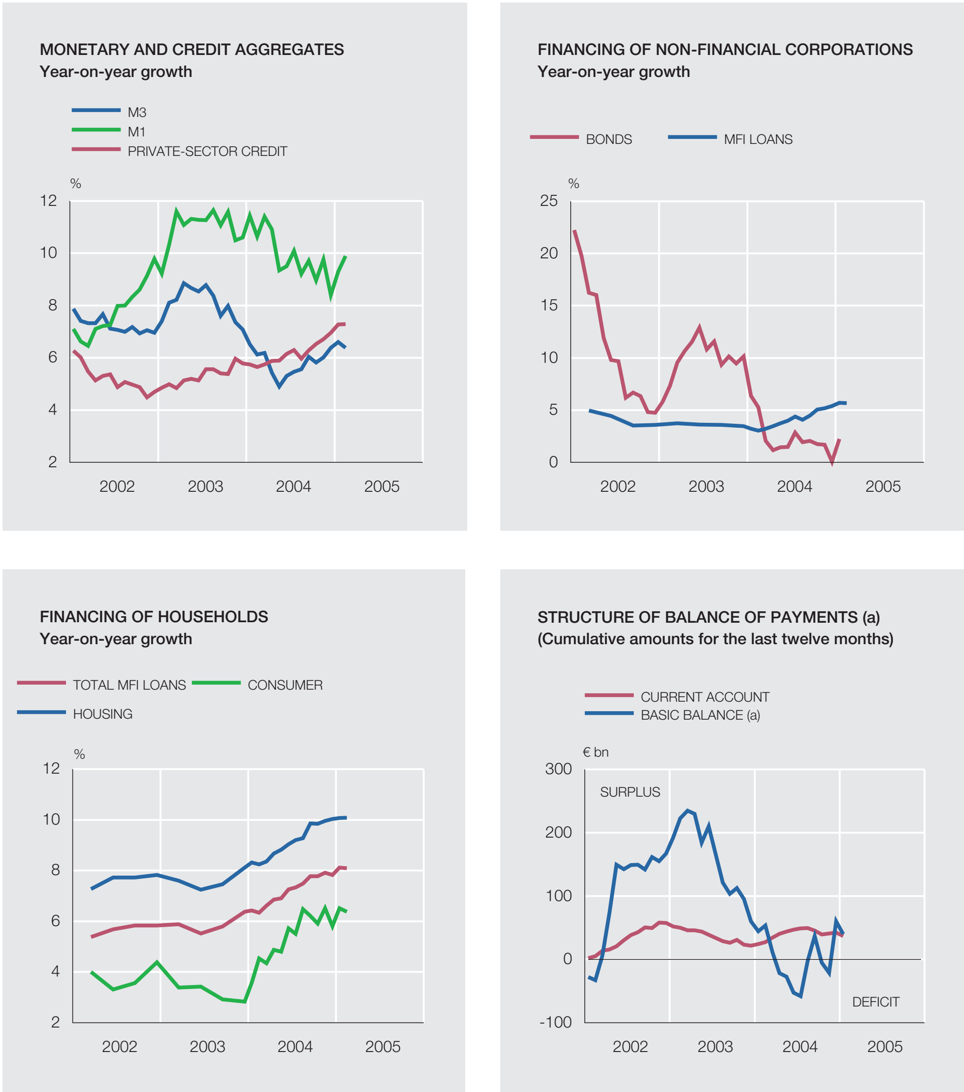
a. Data drawn from new statistics on interest rates compiled by the ECB for new business.
b. Interest rates over five years.
c. Nominal effective exchange rate index. Narrow group of trading partners defined by the ECB.
d. Euro-denominated bonds issued by non-financial corporations.

parable to those prevailing at the beginning of the year. The reason for these developments very probably lies in the oil price rises, insofar as they herald higher production costs for firms and hence lower profits, as well as uncertainty over the impact that lower US growth may have on the euro area.

In early 2005 the euro depreciated against the main currencies from the highs reached at the end of the previous year, when its exchange rate against the dollar stood at USD 1.36/€. In Q1 and April to date, the euro depreciated by 5.5% against the dollar, perhaps owing to the postponement of the expected recovery of the European economy and to the wider interest rate spreads between the US and the euro area. In nominal effective terms, the loss in value of the euro with respect to the dollar (and to the Asian currencies tied to the dollar) was partially offset by appreciation against the currencies of various new member countries of the EU and, as a

MONETARY AND CREDIT AGGREGATES AND BALANCE OF PAYMENTS

CHART 14



SOURCES: Banco de España and European Central Bank.

a. The basic balance is approximated by the sum of the balance on current account and direct and portfolio investment.

result, the nominal effective exchange rate at end-April stood at around 3% lower than at end-December 2004.

In March the year-on-year growth rate of the M3 monetary aggregate was 6.5%, somewhat higher than in 2004 Q4. M1 was the most buoyant component, with year-on-year growth of around 9.3%, due to robust demand for cash and for sight deposits. In early 2005 credit to the private sector continued to expand gradually at a year-on-year rate of 7.5% in March, reflecting the more buoyant behaviour of credit to households (up by 8%) than of that to firms (up by 6%). House purchase loans to households continued to grow at the relatively high year-on-year rate of 10%. Finally, in Spain credit to the private sector continued to increase at a much higher pace, standing above 18%.

Before embarking on an in-depth analysis of the behaviour of the Spanish economy in 2005 Q1, the note of caution sounded at the beginning of section one of this report should be recalled. This analysis is based on the QNA figures currently available, which correspond to the CNE base year 1995. However, the INE plans to rebase the Spanish national accounts to the year 2000 this May, so that when the official estimates for 2005 Q1 are published, these will refer to the rebased QNA. The CNE with base year 2000 will incorporate the new Spanish labour force survey (EPA) estimates that have just been published, which use the population projections based on the 2001 census and the "Padrón Continuo" (a continuously updated municipal population census). The magnitude of the differences in the growth rates of the population and employment between these new estimates and the former EPA, for the period 2001-2004, makes one suspect that the upward revisions to the figures for output and employment growth in recent years, according to the CNE with base year 2000, may be significant. In short, the analysis and assessment of the Spanish economic situation in this report, which are consistent with the latest data published by the INE with base year 1995, can only approximate qualitatively the sense of the official estimates published for Q1.

On the basis of the information available, it is estimated that in 2005 Q1 the Spanish economy extended the smooth recovery seen in the second half of 2004, achieving year-on-year GDP growth of 2.8%, in real terms, with contributions from national demand and the external sector also in line with those observed in that period, of 4.7 pp and –1.9 pp, respectively (see Chart 15). That said, the composition of national demand would have been somewhat different from at the end of 2004, with a slowdown in government consumption, following the notable rise seen last year, and a further expansion of equipment investment, which would have reached year-on-year growth rates of the order of 11%. Meanwhile, the high growth rates of both construction and private consumption stabilised at around 5% and 3.5%, respectively. External demand continued to make a strong negative contribution to growth, against the background of a slowdown in goods and services exports and a vigorous rise in imports.

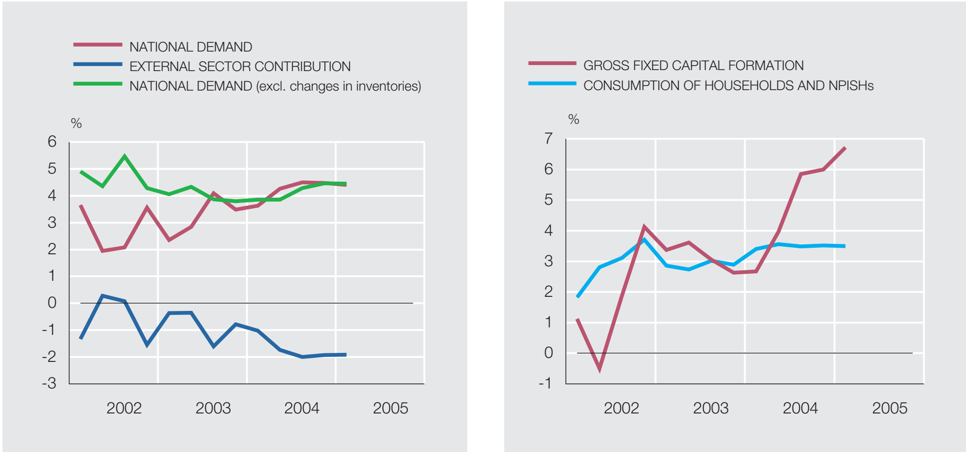
From the viewpoint of output, in the first few months of 2005 the growth of the value added of the market economy was based on the ongoing buoyancy of construction, while industrial activity and market services grew at moderate rates and agriculture fell back again. The conjunctural indicators for employment in Q1 (in particular, the EPA figures) were compatible with a strengthening of the rate of job creation. The rate of growth of productivity in Q1 remained on the path of low values that have become normal for this variable.

It is estimated that, against the background of low productivity gains just mentioned, unit labour costs accelerated somewhat at the beginning of 2005, owing to the impact of the wage indexation clauses on the growth of compensation per employee. These clauses have been activated owing to the deviation of actual inflation in 2004 from its 2% reference rate. Against this background of ULC rises of close to 4%, the rise in the oil price has had a further impact on price developments, taking the inflation rate, measured in terms of the CPI, to year-on-year rates of 3.4% in March.

4.1 Demand

At the end of 2004, Spanish household final consumption expenditure was growing, in real terms, at a year-on-year rate of 3.5%, in line with the profile of notable growth throughout the year (see Chart 15). According to the most up-to-date conjunctural information, this strength was maintained in 2005 Q1, against the background of a smooth slowdown in disposable

MAIN DEMAND AGGREGATES (a) CHART 15



SOURCES: INE and Banco de España.

a. Year-on-year percentage change based on seasonally adjusted series.

income, buoyed by the net real wealth gains in this sector and generous financing conditions, leading to a further fall in the household saving ratio.

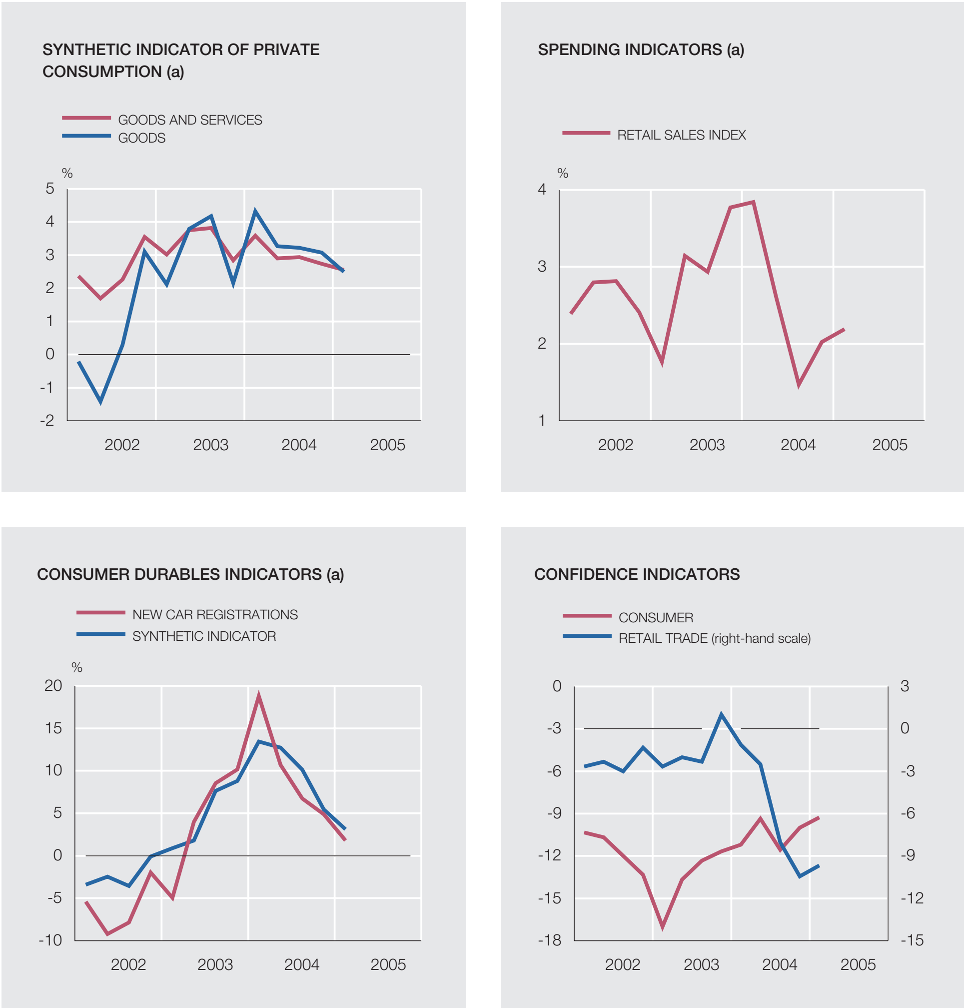
The available indicators for 2005 Q1 point to a sustaining of the significant rate of growth of private consumption at end-2004 (see Chart 16). The composite indicator of private consumption of goods and services shows a profile of stable growth, with the slowdown in the component of durables consumption tending to be offset by an acceleration in the component of non-durables consumption and stable growth of consumption of services. Also, energy consumption is likely to have increased, given the low temperatures during this period. The slowdown in durables consumption was a result of the loss of buoyancy in new car registrations, although these are still at historical highs. Among the other indicators relating to household expenditure, in Q1 as a whole there was a rise in the general retail sales index, accompanied by a similar movement in the retail trade confidence indicator, which continued to rise in April. Likewise, the consumer confidence indicator improved slightly in Q1, although it fell in April.

Among the determinants of private consumption, the available estimates point to a slowdown in real disposal income, following the notable growth estimated for 2004. This would be explained, essentially, by a smaller contribution from the net transfers from general government to households, linked to the end of the impact of the fiscal reform introduced in 2003 and lower growth in social benefits, which were boosted in 2004 by a significant revision to pensions owing to the inflation deviation, and to a significant increase in the eligibility ratio. In any case, employment growth is expected to continue to be the main support for disposable income. Household wealth continued to increase as a result of the significant rise in property prices and the increase in household financial wealth, since stock markets remained high. Although the positive impact of wealth on consumption may decline in future, the effects associated with its notable increase in the latest period are still large.

According to the available QNA data, in 2004 Q4, general government final consumption increased by 5.4% year-on-year, in real terms, 0.6 percentage points more than in the previous quarter. The general government accounts for 2004, already available with the new base year of 2000, in nominal terms, indicate that the growth of government consumption in the year as a whole reflected the notable growth in purchases of goods and services, while compensation of employees grew at a similar rate to 2003, although it is true that the number of employees

PRIVATE CONSUMPTION INDICATORS

CHART 16



SOURCES: INE, European Commission, ANFAC and Banco de España.

a. Year-on-year percentage change based on the seasonally adjusted series.

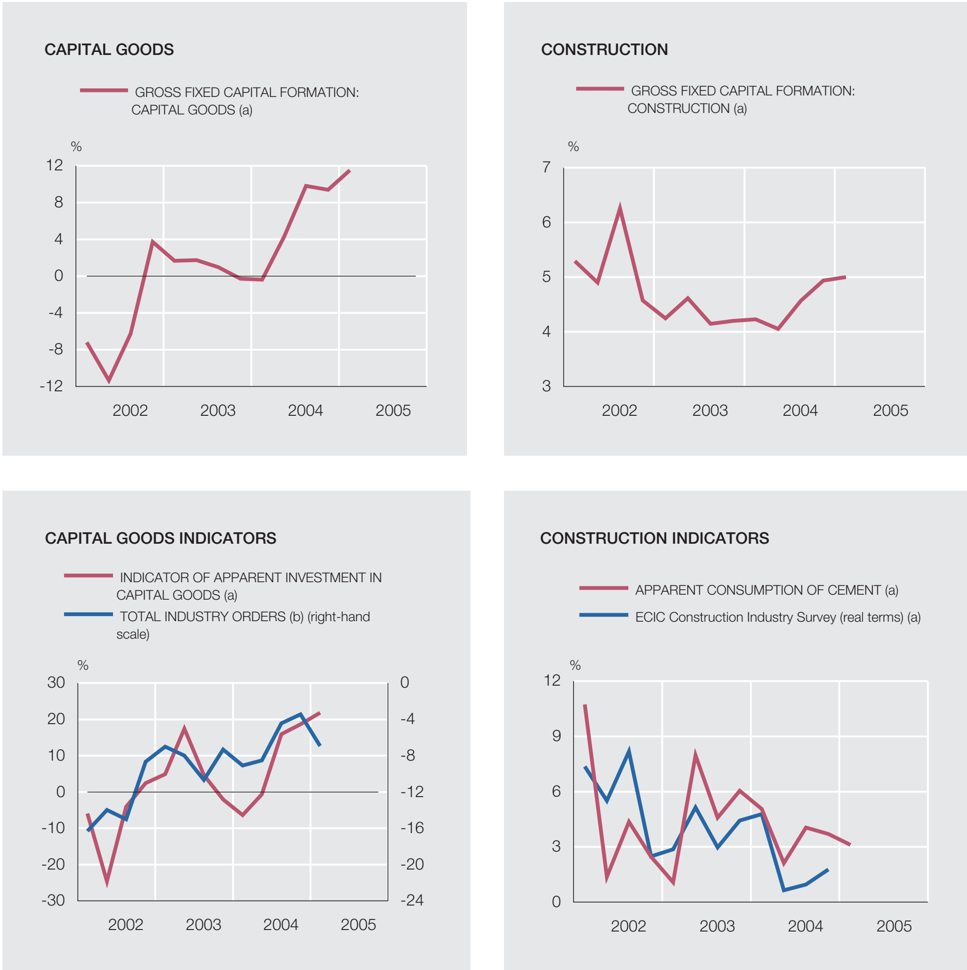
in the sector slowed. The information supplied by the State budget outturn data in 2005, still very incomplete, points to a slowdown in this aggregate.

Gross fixed capital formation grew by 6% in 2004 Q4, maintaining the notable strength of the previous quarter. This year-on-year growth of investment, which was 0.2 percentage points up from the previous quarter, reflected the greater buoyancy of investment in construction and in other products, which reached rates of 4.9% and 3.8%, respectively, while investment in equipment increased by 9.4%, somewhat less than the rate recorded in Q3. The conjunctural indicators available for 2005 Q1 point to a further acceleration in investment, as a result of a slight additional strengthening of construction and higher growth of investment in equipment.

On the information released for 2005 Q1, the indicator of apparent investment in capital goods appears to have accelerated smoothly during that period (see Chart 17), owing to a very positive contribution from the external trade in these goods. The deterioration in the industrial climate indicator of the capital goods sector and its order book in March suggest that domestic production has benefited to a lesser extent from investment demand. At the same time, capacity utilisation in industry as a whole increased in Q1 to 80%, the highest level since 2001, although the percentage of firms that consider their capacity excessive also rose.

GROSS FIXED CAPITAL FORMATION

CHART 17



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

a. Year-on-year percentage change based on the seasonally adjusted series.
b. Level of original series.

Even so, the recovery in investment in capital goods is in line with the buoyancy of final demand and very generous financing conditions for business. The information on non-financial corporations to 2004 Q4 collected by the Central Balance Sheet Office Quarterly Survey shows sustained growth of business activity, during 2004 as a whole, based on strong performances in wholesale and retail trade, transport and telecommunications, and on the recovery of the industrial sector. Among the firms of the CBQ, the moderation in personnel costs contributed to the positive behaviour of ordinary net profit, and this, along with the decline in financial expenses, meant that profit levels remained high. The indicators of financial pressure, which also incorporate developments in indebtedness, improved over the year. The good results in 2004 should sustain the buoyancy of investment in equipment in the coming quarters, although this positive scenario could be affected by the rise in oil prices and by slower growth in the nearest external markets.

In 2004 Q4, investment in construction grew by 4.9% year-on-year, with average growth of 4.4% in the year as a whole. According to the latest conjunctural information, this buoyancy was maintained in 2005 Q1, while the confidence indicator remained at the high level of the previous quarter. Apparent consumption of cement followed a gentle upward path in early 2005, and the registered unemployment and Social Security registrations of the sector were highly buoyant, although with a mildly decelerating profile. According to the Construction Industry Survey (ECIC), the real value of the work carried out by construction firms picked up smoothly in 2004 Q4, following the low growth in previous quarters.

Among the leading indicators, those relating to residential building, suitably lagged, indicate a turning point for this component around the turn of the year, with a deceleration forecast for the surface area to be built during 2005, based on building approvals. At the same time, the information on foreign investment in property showed a downturn in the final quarter of 2004, which continued in January 2005, according to the balance of payments statistics. In any case, the residential building component remained the most buoyant of construction, as indicated by the real value of the work carried out according to the ECIC, which grew by 5.2% in 2004 Q4. In the case of civil engineering works, the official procurement rose in 2004 Q4, ending the year with average growth of 24%. The effects of this expansion on construction activity would begin to be visible in 2005 and, mainly, in 2006. In this respect, the ECIC corresponding to civil engineering reflected a certain improvement in 2004 Q4, with a stabilisation of the work carried out, after the negative results of previous quarters. Finally, with respect to non-residential building, both the official procurement and approvals continued showing negative results in 2004 Q4.

According to the latest QNA data, in 2004 Q4, net external demand subtracted 1.9 pp from output growth, its negative contribution falling by 0.1 percentage points. Exports of real goods and services grew by 5.2% year-on-year, while the year-on-year growth rate of real imports rose to 10.2%. These developments took place against a background of notably vigorous world trade, although the increase in Spanish exports (for the third consecutive quarter) was less than the growth in export markets, pointing up the intense loss of competitiveness since the previous year vis-à-vis the developed countries, with the euro at very high levels. On the imports side, the greater buoyancy was based on the upward path of final demand, which resulted in a pick up in foreign purchases of equipment and, to a lesser extent, in consumer goods, driven also by the competitiveness gains by imports in the domestic market. According to the information on 2005 Q1, net external demand remained rather contractionary, while exports grew at a much lower rate than imports.

According to Customs data goods exports, deflated by the relevant UVIs, grew by 4.3% year-on-year in 2004 Q4, making for an increase in the year as a whole of 5.2% (see Chart 18). The data available for the first two months of 2005 indicate that the deceleration in goods exports intensified, with a decline of 1.5% in real terms. This result is consistent with the slowdown in activity in the euro area, the main Spanish export market, and with the fall in price competitiveness vis-à-vis this area and, to a greater extent, vis-à-vis the rest of the developed countries, despite the fact that this deterioration came to a halt in the initial months of 2005, against a background of moderation in relative prices and a less strong euro. By geographical area, sales to the whole of the expanded EU fell by 0.8% in January and February, in real terms, the estimated increase in their prices being 6.9%. Extra-Community exports, with a rise in prices of 2.5%, fell by more (-3.6%), in real terms, in contrast to their vigour in 2004. The negative performance of sales to Japan and Latin America was notable.

According to the QNA, in 2004 Q4 real tourism revenue declined by 2% year-on-year, making for a drop of 1.8% in the year as a whole. These figures do not reflect the profile of recovery recorded by the main real indicators of tourism in 2004 Q4, which is partly attributable to the progressive cut in spending per tourist (see Chart 18). In 2005 Q1, foreign travellers staying in hotels grew by 2.2%, while overnight stays in hotels grew by 0.8%. When it is taken into account that Easter was in March this year, while last year it was in April, these figures for hotel

FOREIGN TRADE CHART 18
Percentage change on year ago

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

a. QNA data at constant prices.
b. Deflated seasonally adjusted series.
c. Seasonally adjusted series.

occupancy reflect a negative behaviour. The indicator of tourists entering Spain showed a more sustained trend, rising by 7.4% between January and March, the discrepancy with the hotel occupancy indicators being attributable to the progressive shift in tourist accommodation towards rented or private housing. In Q1, the British market, from where most tourists to Spain are drawn, grew moderately, while the German market showed positive increases and the French market, the third most important, saw a notable upturn. As for tourism from outside Europe, there was a sharp fall in US tourists, while numbers of tourists from the rest of the American continent grew notably.

According to QNA data, the downtrend that had been characterising exports of other services came to a halt in 2004 Q4, when they recorded a slightly positive growth rate (1.7%), in line with the upward trend in the balance of payments. Revenue from business activities and transport services also picked up in that quarter.

Goods imports, on Customs data, sustained their notable vigour in 2004 Q4, growing by 8.8% in real year-on-year terms, very close to the rate in the previous quarter. This buoyancy extended into the first two months of the current year, with real growth of 7.8% (see Chart 18).

By product group, purchases of capital goods sustained the notable vigour that had characterised them since the second half of 2004, growing by 20% year-on-year in January and February, while real imports of consumer goods, having recovered some vigour in February, increased by 7.8%; however, purchases of food fell by 6.4% in the two months analysed. The real growth rate of imports of intermediate goods, which had been moderating progressively since the beginning of 2004, fell to 3.7% in January and February. Finally, purchases of intermediate energy goods picked up notably in February, growing by 14.3% in 2005 to date.

Lastly, imports of services continued to accelerate in 2004 Q4, growing by 5.4% year-on-year, in QNA terms. The already moderate growth of purchases of non-tourist services slowed to 0.5%, while payments for tourist services increased by 25.7%, in real terms, a figure consistent with the vigour of the nominal tourism payments of the balance of payments in the same quarter; the January balance of payments data point to similar buoyancy at the beginning of the year. The recovery in consumer confidence and the strength of the euro are conducive to such expansionary behaviour for this item.

4.2 Output and employment

The value added of the market economy grew by 2.4% in 2004. There was a mild slowdown in the second half of the year, so that its year-on-year growth rate in Q4 was 2.2%. All sectors decelerated in Q4, except construction, which remained highly buoyant throughout the year (see Chart 19). In 2005 Q1, the value added of the market economy appears to have grown in line with the second half of 2004.

The fishing and agricultural sectors saw a substantial contraction in their activity in 2004, with a rate of change of –2.1%, according to the QNA. This fall in output was concentrated in crop production, especially olives and fruit, which recorded double digit negative rates, while animal production held steady. The negative trend in agricultural production continued at the beginning of 2005, given the scant rainfall recorded in the winter period, which was well below historical levels, and the low temperatures that substantially affected a significant proportion of crops.

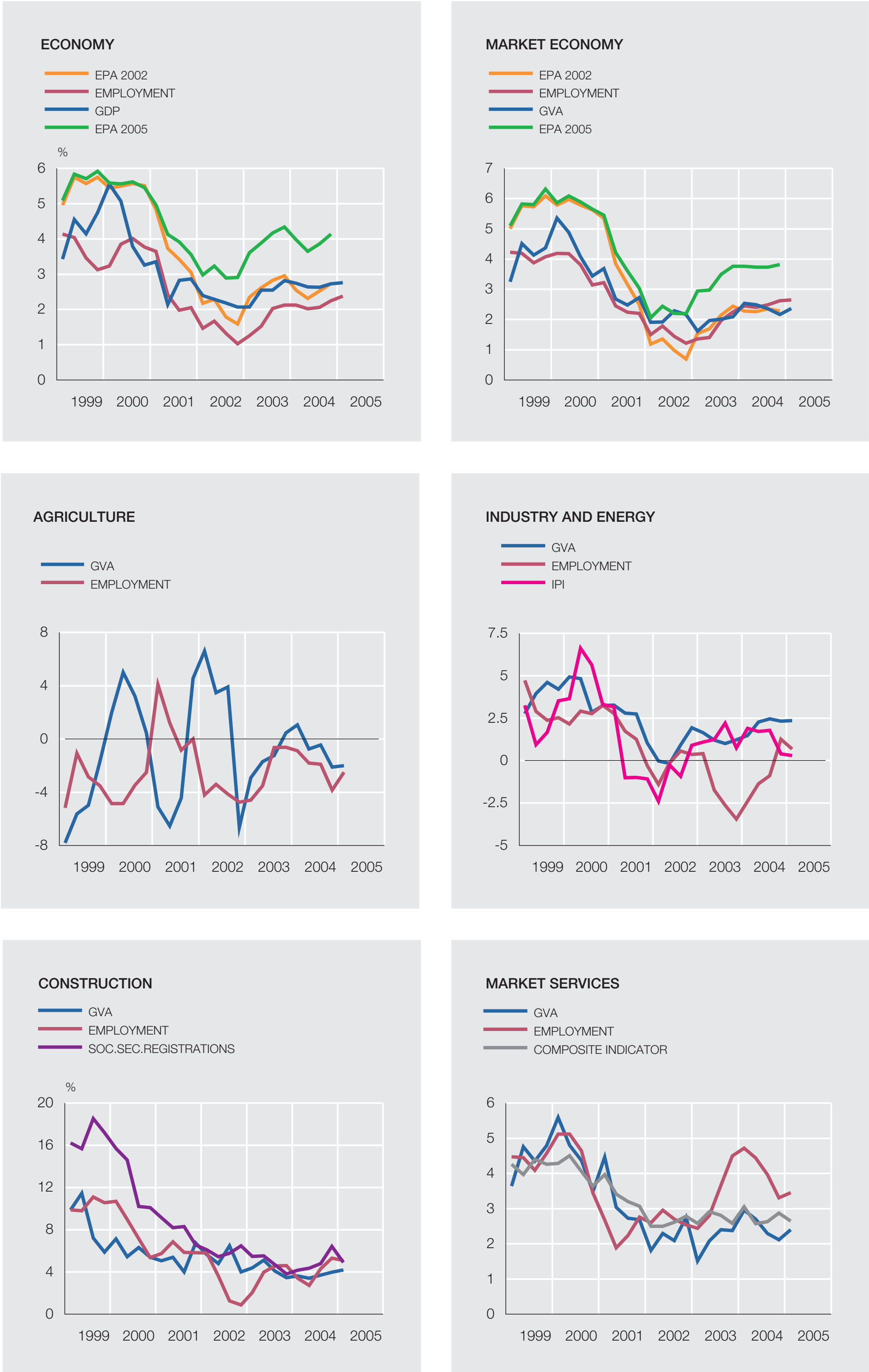
Growth in the industrial and energy sectors moderated in 2004 Q4, following the step-up in Q3. Gross value added increased by 2.3%, 0.2 percentage points less than in the previous quarter, despite the growth of 3% in energy production, which was 0.7 percentage points up from Q3. In 2005 Q1 energy production is estimated to have accelerated further, owing, among other factors, to the low temperatures last winter. The conjunctural information, however, generally shows less buoyancy in the industrial sectors. Among the most relevant indicators, in the two-month period January-February, the year-on-year growth rate of the non-energy component of the IPI fell by more than half a percentage point from 2004 Q4, turnover showed a substantial loss of momentum and imports of intermediate goods decelerated; the sector's confidence indicator fell in Q1 as a whole, basically as a result of the deterioration in the order book, while the number of Social Security registrations declined in the same period at a slightly higher rate than at the end of the year. Only the deflated index of orders received showed upward momentum in January and February.

As already mentioned, the buoyancy of construction continued to show signs of resilience, with another rise in the growth rate of this sector in 2004 Q4, up to 4%, from 3.7% in the previous quarter. The most dynamic segment continued to be housing construction. As commented when discussing expenditure, the conjunctural information available shows that this greater degree of dynamism extended into 2005 Q1.

Services activity, as at the end of 2004, had recovered some of the momentum it had lost in Q3, rising by 2.7% in Q4. However, this increased vigour was exclusively concentrated in non-

GROSS VALUE ADDED AND EMPLOYMENT BY BRANCH OF ACTIVITY (a)

CHART 19



SOURCES: Instituto Nacional de Estadística, Ministerio de Trabajo y Asuntos Sociales and Banco de España.

a. Year-on-year percentage rates based on seasonally adjusted series. Employment in terms of full-time equivalent jobs. For incomplete quarters, the year-on-year rate for the period available within the quarter is taken.

market services, which reached a year-on-year growth rate of 4.6%. Market services, meanwhile, continued to decelerate, as they had been doing since 2004 Q1, with a loss of 0.2 percentage points in their year-on-year rate of growth, to 2.1%. The conjunctural information available on this sector, for 2005 Q1, which is still very incomplete, points to a certain braking in this deterioration. The sentiment indicators have been coincident, with a profile of slight growth in Q1 as a whole, both in the case of the European Commission confidence indicator (which reflects better demand expectations) and in that of the purchasing managers' index, although the latter saw a substantial downward correction in March; the growth rate of Social Security registrations also improved in this period. Other indicators, however, show less favourable developments, such as the composite market services indicator (ISIS), which slowed in Q1, and the deflated index of activity indicators for the services sector, which recorded a loss of momentum in January and February.

Among the various sectors included in market services, real estate, renting and business activities picked up in Q1, according to Social Security registrations. Transport, storage and communication activity tended to stabilise, and the wholesale and retail trade and repairs sector decelerated. Finally, the hotels and restaurants maintained the momentum of end-2004; in particular, the figure for overnight stays of residents in March was very positive, enabling the deceleration observed in previous months to be corrected.

On QNA estimates, with base year 1995, employment maintained in 2004 the sustained rate of growth it achieved in the second half of 2003, recording average growth of 2.1% (see Chart 19). In the final quarter of the year, employment rose by 2.2%, year-on-year, extending the path of smooth acceleration of the previous quarter. This trend in employment, against a background of relatively stable output, means that apparent labour productivity continues to display low rates of growth (0.6% on average in 2004). In the market economy, employment was more buoyant, with estimated average annual growth of 2.5% with a relatively stable profile over the year, so that apparent labour productivity fell by 0.4% year-on-year in the final quarter. The persistence of the low apparent labour productivity gains (or even losses) shows the need to implement policies to boost productivity. In this respect, Box 4 summarises the set of measures included in the plan to invigorate the economy and boost productivity, recently approved by the government.

As already mentioned at the beginning of the report and at the beginning of this section, according to the new employment figures supplied by the EPA, which incorporate the demographic changes that have occurred in recent years (in particular, the rapid increase in the immigrant population), employment growth rates in the period 2002-2004 were well above those estimated previously, both by this survey and by the QNA with base year 1995. Chart 19, which depicts the new series along with the previous ones, shows the magnitude of the revision, which is explained in greater detail in Box 1 in the Overview. As regards job creation in 2004, the new EPA figures indicate growth of 3.9% (2.5%, according to the figures published previously), similar to that recorded in 2003 (4%) with a quarterly profile of recovery in the second half, which ended with year-on-year growth of 4.1%. Obviously, the CNE employment series with the new base year of 2000, due to be published in May, will incorporate, to an extent that cannot be specified, this higher level of employment growth. It is therefore not possible to make even a rough estimate of what employment growth will have been in Q1, according to the National Accounts. Among the conjunctural information relating to the year to date, Social Security registrations showed stable growth in Q1, at a rate of 2.8%, similar to the average growth rate in the previous year, while a certain slackness is discerned in contracts registered in the period January-March, following the spurt in 2004. The new 2005 EPA data for Q1, however, point to greater dynamism in employment, which would have grown by 5.1%

On 1 March, the Government presented a Plan to invigorate the economy and boost productivity, which is designed to secure a balanced and lasting pattern of growth for the Spanish economy based on increases in productivity and employment. The government has promised to evaluate the Plan annually, to report on its results and, periodically, to make improvements to it.

The Plan's first package of measures consists of a set of actions aimed at a large number of sectors (telecommunications and the information society, energy, transport, wholesale and retail trade, postal services, the tobacco market, the rented housing market[1], financial markets and the public sector), and to impact the regulatory and tax framework. Although the objectives of this programme are ambitious, the first package of measures has a partial approach and is limited in scope. The package of measures is not accompanied by an economic report, although the tax cost of its implementation is expected to be low.

The measures of the first package are contained in a Royal Decree-Law, three draft bills and a large number of mandates to various ministries. Royal Decree-Law 5/2005 on urgent reforms to boost productivity and improve public procurement ("RDL"), came into force on 15 March. The implementation of the draft bills may take rather longer and their final content is less certain, since it depends on the outcome of the established parliamentary procedures. In the case of the mandates, their content is less specific, given that in most cases studies are to be conducted before reforms are introduced, and the latter will have to be designed and subsequently approved by one of the legal procedures in force. For these reasons, this box only makes a very general assessment of the first package, although there is a more detailed discussion of the measures contained in the RDL, which are grouped according to whether they affect energy markets, financial markets or general government.

Most of the measures in the first package seek to increase the level of competition in the sectors concerned and to introduce efficiency improvements in cost and price formation. In some cases, the proposed actions attempt to impact activities in which, after several years of deregulation, sufficient progress has not been made towards effective competition (electricity, liquid and gaseous hydrocarbons, postal service) and, in other cases, sectors in which deregulation has been more recent (such as rail transport), in order to facilitate their development in its initial stages. In the case of general government, the aim is to increase the transparency and efficiency of its activities. Certain measures have also been adopted in response to the obligation to implement a set of Community directives, which will probably help to increase competition in the markets concerned. The package also contains a number of minor tax reforms. Among these, only those which seek to promote the use of information technology and communication technology in small and medium-sized businesses may have a certain impact on productivity.

As regards the RDL, a significant proportion of the measures correspond to the energy sector and, within this, the electricity industry, and their main aim is to increase competition and efficiency in cost and price formation. Notable among them are, first, the exclusion of the system operators[2] from the list of main operators, which enables the number of firms subject to restrictions as regards their share in the capital of other firms of the sector to be increased. Second, a category of dominant operator is defined (those with more than a 10% share of the market), and firms having this status are subject to certain obligations conducive to competition, although the latter have only been specified for the dominant operators in the electricity sector, as indicated below.

Notable among the measures specifically affecting the electricity sector is the reduction of the limit on the stake that firms of the sector may hold in REE to 1% (the current limit is 3%), to strengthen the independence of the technical operator of the system from the other firms of the sector. Dominant operators are not permitted to import electricity from markets other than the Iberian Electricity Market (MIBEL), in order to reserve a segment of the market for smaller operators and thereby promote a reduction in the degree of concentration of the sector. The settlement date for the costs of transition to competition (CTC) for 2004 has been postponed, until the government establishes the objective criteria for their determination. This is an aspect of the RDL that may help to reduce distortions between the various companies in the sector. The costs relating to the dismantling of nuclear power stations, the management of spent fuel and radioactive waste are removed from the electricity tariff, which should stimulate better management of these costs by the electricity utilities. The obligation to provide information on facts that may affect price formation in the market is regulated, which may help increase transparency in the price formation process.

In short, the measures discussed are designed to facilitate the unbundling of activities and to promote the entry of new operators so as to reduce the high degree of concentration still present in the electricity sector, although there are doubts regarding their capacity to generate a significant effect immediately. The other measures aim to increase the transparency of price and tariff setting, in order to detect the possible existence of distortions and to achieve a more efficient allocation of resources, which may boost competition in the sector.

With regard to the other energy industries, a register of oil product supply points has been set up, thereby laying the foundations for an analysis of the degree of competition in the sector. In the gaseous hydrocarbon sector the main measures seek to promote rationality in the construction of gas distribution infrastructure and switching natural gas supplier is regulated, large consumers being required to remain at least three years in the deregulated market before requesting their return to the tariff market.

In relation to the financial markets (see the Financial Regulation article in this Economic Bulletin), the Securities Market Law has been

1. The government has recently announced the setting up of the Sociedad Pública del Alquiler.

2. REE in the electricity industry, CLH in the liquid hydrocarbons industry and ENAGAS in the gaseous hydrocarbons industry. The main operators are the five firms in the industry with the largest market share and their status means that they cannot have a holding of more than 3% in the capital or voting rights of another company that is also a main operator.

amended in relation to the approval of prospectuses for issues of marketable securities and to the rules on public offerings and their listing, in order to adapt Spanish law to the Prospectus Directive before the deadline of 1 July 2005. The delay in the implementation of this directive may lead to a loss of competitiveness by Spanish primary markets, since it addresses two crucial issues: a) securities offerings authorised in any EU Member State may be marketed in Spain without the need for further information or authorisation by the CNMV; b) in the case of offerings of certain categories of securities (securities other than shares with a nominal value of more than €1,000, i.e. the bulk of the fixed-income market), issuers shall be free to choose the competent authority. This means that Spanish fixed-income issues may be authorised in any EU Member State and subsequently marketed in Spain. Reform of the primary market, which has traditionally been relatively undeveloped in Spain and has recently seen a slowdown in its private fixed income segment, is important and, it might be added, opportune. In fact administrative deregulation could spur a relaunch of the fixed-income markets, against a background in which competition between the EU financial centres is going to intensify.

Also, the Directive on financial collateral arrangements has been transposed into Spanish law by means of an amendment to the Securities Market Law, to facilitate certain financial transactions that require the creation of collateral, substantially reducing the requirements for the creation and enforcement of such collateral.

Turning to other areas, the Law on general government contracts has been amended to improve public procurement, including certain aspects of the activity of foundations and agreements signed with other governments.

The Plan's measures will have a positive impact on productivity to the extent that the actions which aim for a more efficient allocation of resources and to boost competition generate a more competitive environment, that is conducive to innovation and further enhances efficiency in productive processes.

in that period, clearly above the level recorded at end-2004 (4.1%). However, it is worth stressing that the 2005 EPA incorporated in this first quarter a series of methodological changes that make it difficult to calculate homogeneous rates of change with respect to previous quarters. Accordingly, the INE conducted a parallel survey to enable employment growth to be estimated in Q1 according to the methodology prior to the changes introduced in the 2005 EPA, the result being a rate of 4.3%. In any case, this rate involves an acceleration in employment in Q1.

By activity, and according to the available QNA figures, agriculture shed employment in 2004, albeit at a lower rate than in the previous year, but this rate rose over the year (see Chart 19). The new EPA series also show a fall in 2004, albeit less intense, but becoming more pronounced in Q4. In industry, the recovery in employment in 2004 was progressive, an increase in employment being seen in Q4, after a year and a half of continuous losses. Again, this profile is reproduced by the EPA, which also shows a recovery in Q4, to 2.6% year-on-year (1.3%, according to the QNA). The QNA already showed very dynamic employment creation in construction, especially towards the end of 2004, when it accelerated to 5.3%. According to the EPA, the average growth of employment in construction, in 2004, was 7.2%. In the market services sector, employment slowed during 2004 to a rate of increase of 3.3% in Q4 (3.5%, according to the new EPA). Finally, job creation in non-market services was basically characterised by slackness last year, the rate moderating by more than one percentage point, to a modest 0.6%. With regard to 2005 Q1, the EPA data indicate that the greater dynamism of employment in the first few months was basically concentrated in the services sector, where total employment grew by 6.4% (5.1%, according to the homogeneous sample). In construction, there appears to have been a slowdown in Q1, following the strong increase in employment in late 2004 (9.8%), although the new EPA shows a notably sharper slowdown than the homogeneous sample (5.1%, as against 8.1%). Industry, for its part, seems to have maintained positive rates of job creation (2.6%), although with a notable deceleration according to the homogeneous estimates (0.9%). Finally, agriculture continued to shed employment, albeit at a lower rate.

According to the National Accounts, in 2004, the recovery in self-employment was the main factor behind the acceleration in employment. Self-employment increased by 2.3% on average, as against a fall of 1.4% in 2003, while dependent employment decelerated by 0.2 percentage points, to 2.1%. However, self-employment decelerated slightly in Q4, while dependent employment, which moderated in the first half, tended to recover in the final quarter. In the registration statistics, the greater dynamism displayed by self-employment was more than offset by the moderation in the creation of dependent employment, the year-on-year growth rates of these two groups converging to around 3% at the end of the year. The revised EPA data also reflect these developments, with significant growth in dependent employment of 2.6% in 2004 (0.3% in 2003) and a slowdown in self-employment of 0.7 pp to 4.2%.

As to the duration of contracts, it should be stressed, first, that the greater job creation in recent years estimated by the EPA, following the revision published by the INE for the 1996-2004 data, was especially strong in the case of temporary employment, so that the ratio of temporary to total employment rose slightly (32.5% in 2004, as against 30.6% on the old data). In Q1, temporary hiring appears to have maintained its vigour, although the rate of change has been notably affected by changes introduced in the EPA. Thus, according to the new survey, the number of temporary employees grew by 5% in Q1, a notable deceleration from the growth at end-2004 (7.4%), which results in a 1 pp reduction in the ratio of temporary to total employment, to 31.9%. However, the homogeneous sample shows year-on-year growth of 8.4% in temporary employment in the quarter and a practical stabilisation of the ratio of temporary to total employment (32.8%). In both cases, however, this growth is greater than that estimated for permanent employment (3.8% according to the new survey and 3% with the common methodology). From the standpoint of the length of the working day, the changes introduced in the EPA have had a very significant effect on the measurement of the number of part-time workers, so that the part-time ratio stood at 13.1%, as against the 8.7% previously estimated by the EPA for end-2004.

With respect to labour market participation, the revision of the base population of the EPA has involved a greater increase in recent years (3.3% in 2004, as against 2% on the old data), but with a similar profile. In Q1, the buoyancy of the labour force would appear to have increased, with growth of 3.5% according to the new 2005 EPA. This greater buoyancy is also seen if we consider the information provided by the INE on the homogeneous sample with the previous methodology, which shows somewhat lower labour force growth (3.3%), but also higher than at end-2004. As for unemployment a significant fall is seen in Q1 (–8.2%, year-on-year) and the rate of unemployment fell to 10.2%, 0.4 pp below its level at end-2004. However, this performance seems to have been significantly affected by the changes introduced by the INE in the sample, since, according to the information on the homogeneous sample, the fall in unemployment was smaller (–4.8%) and the rate of unemployment stabilised at 10.6%. The registered unemployment data show a similar trend, with a fall of 1.5% in 2004 Q4, which extended into 2005 Q1, when registered unemployment fell by 2.5%.

4.3 Costs and prices

Compensation per employee, on QNA estimates, rose by 4% in 2004, a smaller increase than in 2003 (4.3%). This slowdown was greater in the market economy, where compensation increased by 3.2%. All the branches of this aggregate contributed to the deceleration, especially services (2.7%) and industry (3.7%). Over the course of the year, compensation per employee in the market economy followed a smoothly moderating path, which steepened in Q4, when the increase was 2.8% year-on-year (see Chart 20).

The Quarterly Labour Cost Survey (ETCL) shows stronger wage moderation in 2004 as a whole than the Quarterly National Accounts. The increase in monthly labour costs was 3%, a

WAGES AND LABOUR COSTS (a) CHART 20

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

a. Percentage change on same quarter a year earlier.
b. Rates based on QNA seasonally adjusted series.
c. Previous year's indexation clause.
d. Settlement in the year to date.

slowdown of 1.2 pp from the preceding year. By branch of activity, the slowdown in labour costs was across the board, with cuts in their respective rates of increase of around one percentage point, to 2.6% in services, 3.4% in industry and 5.2% in construction. By component, there was a slowdown in wage costs, which grew by 2.8%, and a notable deceleration in other costs, which grew at a rate of 3.6% (5.4% in 2003). Within wage costs, the slower growth for the second year running in ordinary wages, which grew by 2.1% in 2004, was notable. Comparing this figure with settlements shows negative wage drift. This may be related to the incorporation of workers with lower wage levels and, also, to the significant growth in part-time employment in 2004, although it is difficult to explain it completely on the basis of these phenomena.

In 2005, wage settlements in the agreements recorded to 31 March were slightly lower than in the previous year, at 2.85%. These agreements affect almost 4.8 million workers, but practically all of them are revised, so that the settlements in newly signed agreements (3.6%) cannot be considered indicative of future collective bargaining developments. In March, social agents renewed the Interconfederal Collective Bargaining Agreement (AINC) without any changes from the previous year, so the results are not expected to differ significantly from those of the previous year. This fact, together with a greater indexation-clause effect in 2004 (which could reach 0.6 pp, as against 0.2 pp in 2003), would point to a rise in labour costs this year.

Moderation in the growth of compensation per employee in 2004 Q4, despite the slight reduction in the growth of productivity, was reflected in the labour cost per unit of value-added, which decelerated to 3.5%. By contrast, the rate of growth of the value-added deflator rose to 4.3%, so that, as in previous quarters, margins continued to widen. A similar widening of margins was seen in the market economy, given that prices were even more expansionary. Chart 21 shows the behaviour of the deflator and unit labour costs in the market economy and in its main branches. In Q4, as in previous periods, these variables behaved differently across the various branches of activity. While the acceleration in the deflator was seen in all the non-agricultural branches,

PRICES AND COSTS BY BRANCH OF ACTIVITY (a) CHART 21

SOURCES: INE and Banco de España.

a. Percentage change on a year ago based on QNA seasonally adjusted series.

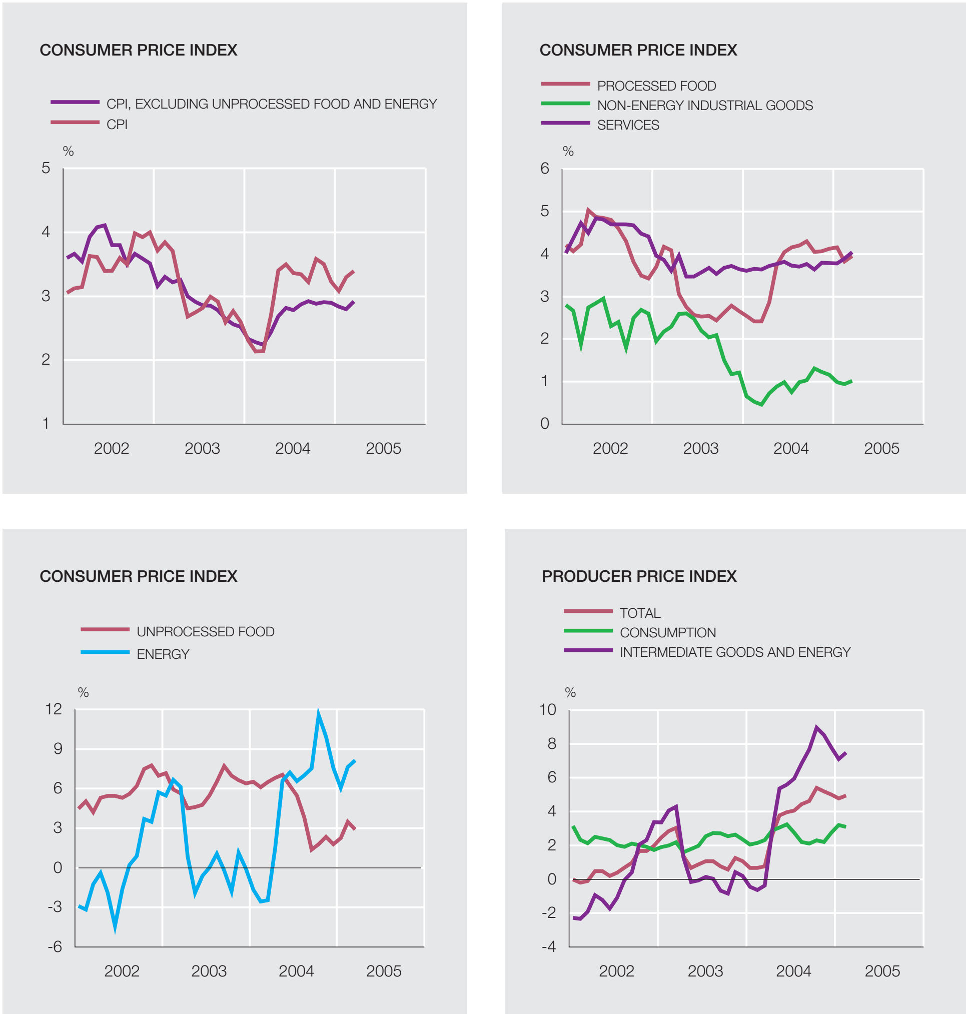
unit labour costs accelerated in industry and energy, although margins continued to widen. In construction, a similar process of widening of margins was observed, against a background of stable cost growth, while in services, after a number of consecutive quarters of contraction, margins widened, owing to the strong slowdown in labour costs per unit of value added.

In Q4, the year-on-year growth rate of the final demand deflator held steady at 4%, while the GDP deflator accelerated by 0.2 percentage points to 4.7%, and there was a slight slowdown in the imports deflator to 2.8%. All this took place against a background of a continuous rise in the weight of imports in final demand, to the detriment of domestic output. Although energy import prices accelerated in Q4, the rise in the euro against the dollar helped to moderate the behaviour of the import prices of non-energy goods.

From the standpoint of demand, the consumption deflator grew by 3.3% year-on year in 2004 Q4, having followed an upward path over the year. The CPI displayed a similar profile, increasing by 3.4% in 2004 Q4 (0.1 percentage point more than in the previous quarter). In Q1, average CPI growth fell to 3.3%, while the CPI excluding unprocessed food and energy held steady at 2.9% (see Chart 22). The most inflationary component was again energy prices, with average growth of 7.3%, boosted by the increase in electricity prices at beginning of the year and the upward path of heating and vehicle fuel prices since the late January, in line with the trend in the price of crude oil on international markets. For their part, the prices of non-energy industrial goods in-

PRICE INDICATORS (a)
Spain

CHART 22



SOURCE: INE.

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

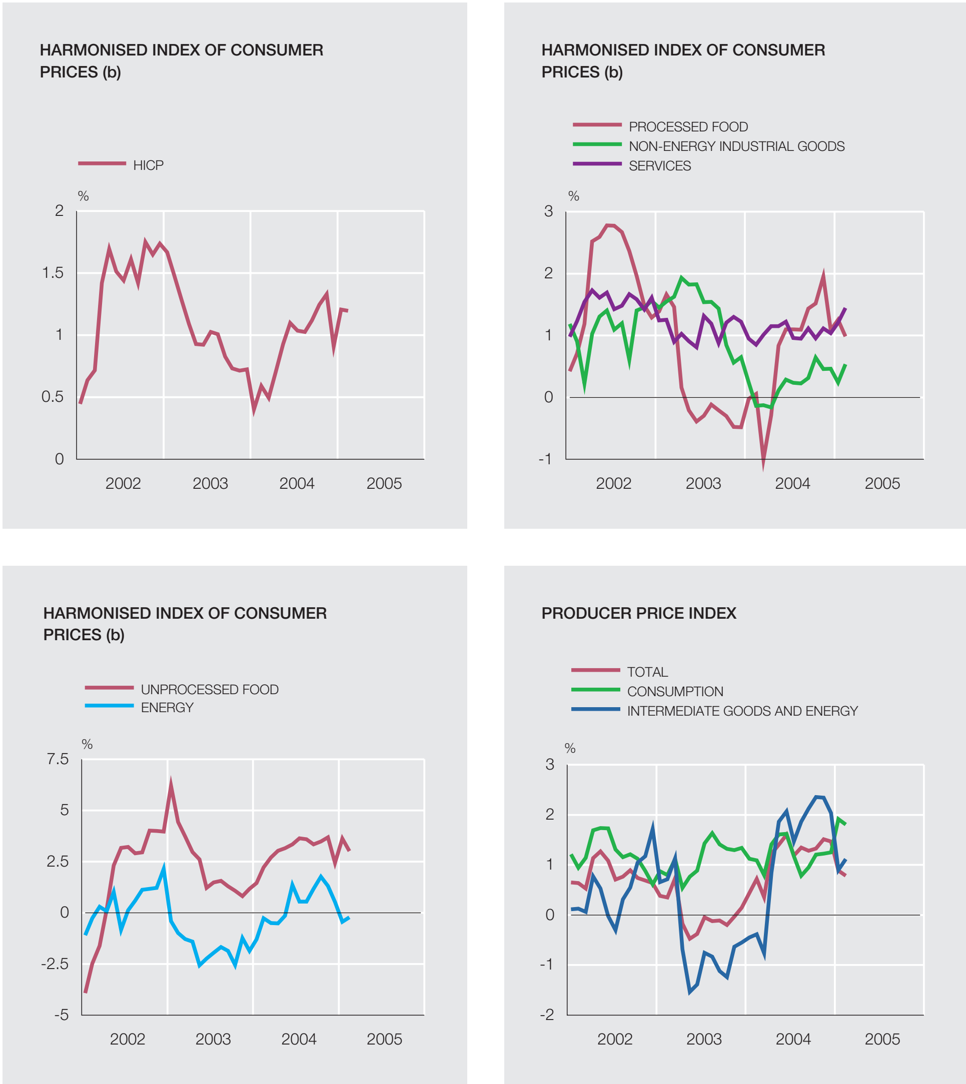
creased by 1% year-on-year in Q1, 0.2 percentage points less than in the previous period, partly as a result of the less generous winter sales and a reduction in drug prices in March.

In Q1, processed food prices decelerated by 0.1 percentage point from the previous quarter, which took their average twelve-month growth rate to 4%. The growth rate of bread, cereal and oil prices moderated, unlike the growth rates of the prices of meat products. Meanwhile, the growth rate of unprocessed food prices increased in Q1 to 2.9%, having reached a low in the same quarter; the prices of certain items such as poultry and fruit and vegetables increased, the latter as a result of the February frosts. Finally, services prices accelerated by 0.2 percentage points in Q1, to an average twelve-month rate of 3.7%, owing to higher increases in transport prices in Q1 than last year; also the fact that Easter fell in March and not April, like in 2004, contributed to the acceleration, although this effect is transitory.

In 2005 Q1, Spanish inflation as measured by the HICP fell by 0.2 pp to 3.3%. In the euro area as a whole, inflation fell by 0.3 pp to stand at 3.3% in Q1. Consequently the differential widened by 0.1 pp to 1.3 pp (see Chart 23). The widening of the inflation differential in services reflected the slowdown in these prices in the euro area. In the case of goods, the differential

PRICE INDICATORS
Differentials vis-à-vis the euro area (a)

CHART 23



SOURCES: Eurostat and Banco de España.

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

narrowed owing to the favourable behaviour of their prices across all components. The reduction was especially sharp in the case of energy industrial goods, since the slowdown in Spain was larger than in the euro area, with a negative differential since January last year. According to the leading indicator of the HICP, inflation rose by 0.1 pp in April to 3.5%, while it held steady in the euro area, with a further widening of the differential.

Finally, the producer price index accelerated again in March, resuming the upward path it followed during 2004, which it abandoned temporarily in early 2005. Its twelve-month growth rate stood at 5.1% that month, as against 4.9% in the previous month and 5.2% on average in 2004 Q4. The rise stemmed from energy producer prices, whose twelve-month rate reached 13.1% in March and, to a lesser extent, from a certain acceleration in the producer prices of capital goods. By contrast, the producer prices of consumer goods and intermediate goods slowed. The differential vis-à-vis the growth of producer prices in the euro area fell to 0.8 pp in February, the latest figure available, as against 1.5 pp at the end of last year (see Chart 23). Among the other price indicators, the index of prices for farm produce behaved moderately in

STATE BUDGET OUTTURN TABLE 3

EUR m and %

	Outturn 2004	Percentage change 2004/2003	Initial Budget 2005	Percentage change 2005/2004	Outturn 2004 JAN-MAR	Outturn 2005 JAN-MAR	Percentage change
	1	2	3	4 = 3/1	5	6	7 = 6/5
1 REVENUE	115,270	5.1	117,592	2.0	27,259	31,019	13.8
Direct taxes	58,668	3.8	63,689	8.6	10,138	12,466	23.0
Personal income tax	30,405	-7.4	33,703	10.8	9,513	11,091	16.6
Corporate income tax	26,019	18.7	27,901	7.2	115	854	--
Other (a)	2,244	26.5	2,085	-7.1	510	520	2.0
Indirect taxes	41,350	5.8	43,051	4.1	13,179	15,638	18.7
VAT	29,108	7.3	30,015	3.1	10,394	12,683	22.0
Excise duties	9,751	-0.4	10,413	6.8	2,203	2,289	3.9
Other (b)	2,491	14.9	2,623	5.3	582	666	14.5
Other net revenue	15,252	8.5	10,852	-28.9	3,942	2,915	-26.1
2 EXPENDITURE	114,743	0.8	124,527	8.5	29,556	34,030	15.1
Wages and salaries	19,488	5.6	20,447	4.9	4,371	4,507	3.1
Goods and services	3,510	17.2	2,905	-17.2	965	813	-15.8
Interest payments	16,760	-15.3	19,293	15.1	6,003	8,209	36.7
Current transfers	61,006	5.0	63,565	4.2	14,531	16,426	13.0
Contingency fund	…	…	…	…	…	…	…
Investment	7,104	-5.7	8,841	24.5	2,012	2,455	22.0
Capital transfers	6,875	-0.9	6,986	1.6	1,673	1,621	-3.1
3 CASH-BASIS BALANCE (3 = 1 – 2)	527	…	-6,935	…	-2,297	-3,011	…
MEMORANDUM ITEM: NATIONAL ACCOUNTS							
Resources	115,683	4.6	118,145	2.1	26,771	30,168	12.7
Uses	125,546	11.6	121,538	-3.2	25,690	27,028	5.2
NET LENDING (+) OR BORROWING (–)							
	-9,863	…	-3,392	…	1,081	3,140	…
(as a percentage of GDP)	-1.2		-0.4		0.1	0.4	

SOURCE: Ministerio de Economía y Hacienda.

a. Includes revenue from the tax on the income of non-residents.
b. Includes taxes on insurance premiums and tariffs.

recent months, while hotel prices decelerated in January and February, in a similar fashion to Q4 last year.

4.4 The State budget

The figures published for the State budget outturn in Q1, based on National Accounts methodology, show an improvement in the surplus, which rose from €1,081 million in 2004 Q1 to €3,140 million in 2005 Q1. This was a result of a 12.7% increase in resources and a 5.2% increase in uses.

These figures contrast with the outturn in cash-basis terms, according to which the State recorded a deficit of €3,011 million euro in 2005 Q1, as against the somewhat smaller deficit of €2,297 million in the same period a year earlier (see Table 3). The difference in the behaviour of the outturn according to these two methodologies was mainly a result of the adjustment arising from the different criteria for recording interest payments. It should be noted however that the figures for the first few months of the year are highly erratic and give little indication of the behaviour of the State budget in the coming months.

Under the cash-basis criterion revenue increased by 13.8% in Q1, owing to the strength of the main taxes, in sharp contrast to the budget projection of a 2% increase for the whole of 2005.

Direct tax receipts were boosted both by personal income tax, which rose by 16.6% (in particular, withholdings on earned income, which increased by 15.7%) in this period, and by corporate income tax[1] (in this case, partly due to the fall in rebates). VAT stepped up its growth rate with respect to Q4, to 22%. By contrast, excise duties, owing to the stagnation in hydrocarbon tax receipts as a result of a freeze in the rate of tax and moderation in consumption, posted weaker growth. The fall in the revenue items included under the heading other net revenue was a result of the sharp reductions in receipts from the Banco de España and autonomous agencies, as well as the decrease, of around 70%, in funds received from the European Union (although these transfers are highly erratic).

Meanwhile, cash-basis expenditure posted extraordinarily high growth compared with the budget projection, owing to interest payments and current transfers. In the first case, expenditure was determined by the public debt maturity calendar and by the effect of the assumption of RENFE debt by the State in 2004[2], although the latter was offset by lower expenditure on subsidies to the same corporation. As regards transfers, the sharp increase in GNP resource transfers to the European Union owing to their payment a month early should be noted. The growth rates of these two items can be expected to converge in the coming months on figures more in line with those budgeted. On the other hand, wages and salaries grew very moderately to March (3.1%), while goods and services declined notably. By contrast, investment increased by 22%, partly on account of expenditure associated with the conventional railway network, which the State has been responsible for managing since January 2005. However, this higher expenditure was offset by a decline in the capital transfers that were made to RENFE under the previous railway model.

The information on the Social Security budget outturn relates to January, being that available from the System which is released with a relatively long lag. Contributions increased by 7.1% with respect to January 2004, a rate of growth similar to that posted at the end of 2004, although below the 8.9% increase projected in the budget, with respect to the previous year's budget. The number of persons registered for Social Security increased by 2.8% in 2005 Q1, the same rate as in 2004 as a whole. On the expenditure side, pensions rose by 6.7% in January, somewhat less than budgeted for the year as a whole. The number of contributory pensions continued to grow at very moderate rates (0.8% in Q1). Spending on unemployment benefit increased by 5.9% to February, as against an increase of 9.6% in 2004 as a whole. This slowdown was determined by the fall in registered unemployment of 1.4% in 2005 Q1, as against the 1.8% increase in 2004 as a whole. Conversely, the eligibility ratio stood at 75.9% in January 2005, significantly above the level at end-2004. As a result of these two opposing factors, the number of beneficiaries grew by 2.7% in January, as against 5.6% on average in 2003.

4.5 The balance of payments and the capital account of the economy

In the first month of 2005, the overall balance on current and capital account was a deficit of €3,719 million, up €3,086 million from a year earlier. This result is explained by the notable deterioration in the current account balance, whose deficit widened by €3,346 million, since the capital-account surplus was €260 million higher than in the same month of 2004. The adverse trend in the current account was basically a consequence of the further widening of the merchandise deficit, the notable decline in the current transfers surplus and, to a lesser extent, the deterioration in the income deficit, while the positive services balance improved somewhat (see Table 4).

1. This tax will not post relevant rates of change until the prepayment in April. **2.** This operation is linked to the restructuring of the railway system and had no effects on the cash-basis balance for 2004.

BALANCE OF PAYMENTS: SUMMARY (a) TABLE 4

EUR m

		JANUARY	
		2004	2005
CREDITS	Current account	20,173	20,599
	Goods	10,814	10,932
	Services	4,583	4,942
	Tourism	2,214	2,379
	Other services	2,369	2,563
	Income	1,563	1,800
	Current transfers	3,213	2,925
	Capital account	270	568
	Current + capital accounts	20,443	21,166
DEBITS	Current account	20,982	24,753
	Goods	13,803	15,607
	Services	3,291	3,511
	Tourism	632	784
	Other services	2,659	2,727
	Income	2,203	3,024
	Current transfers	1,685	2,612
	Capital account	95	132
	Current + capital accounts	21,077	24,885
BALANCES	Current account	-809	-4,155
	Goods	-2,989	-4,675
	Services	1,292	1,431
	Tourism	1,582	1,595
	Other services	-290	-164
	Income	-640	-1,223
	Current transfers	1,528	313
	Capital account	176	436
	Current + capital accounts	-633	-3,719

SOURCE: Banco de España.

a. Provisional data.

In January 2005, the trade deficit posted a deterioration of €1,686 million with respect to the same month of the previous year; the negative balance increased by 54.6% in year-on-year terms, with an intensification of the notable deterioration that characterised it during the previous year. The strength of real import flows in January, set against the decline in real external sales, together with the ongoing strong rise in the energy bill, in line with the climb in oil prices on international markets, were responsible for this significant widening of the trade deficit.

Turning to services, the positive balance in January 2005 was €1,431 million, 139 million euro higher than in the same month of 2004, a year-on-year increase of 10.8%. This improvement is explained by the timid increase of 0.8% in the tourism surplus and, to a greater extent, by the 43.5% correction in the non-tourism services deficit. Tourism credits rose by 7.4% in January, a step-up in the recovery that began in 2004 Q4, in line with the positive developments that month in foreign tourist arrivals and, especially, overnight hotel stays, although they displayed some weakness in February. Meanwhile, the notable buoyancy that had characterised tourism debits the previous year was extended into January, with an increase of 24.1%, against a background of notable appreciation of the euro.

The negative balance on the income account deteriorated by €584 million in January 2005 relative to the same month of the previous year, to stand at €1,223 million. Revenues rose by 15.1%, reflecting the momentum acquired by those received by resident financial institutions, while revenues received by the non-financial private sector fell notably. Payments, for their part, posted a larger rise, of 37.2%, largely attributable to the strength also displayed by those made by the financial sector.

The current transfers surplus stood at €313 million, in January 2005, a significant decline, of €1,215 million, relative to January 2004. Revenues fell by 9%, as a result of the decline in January in flows from the EU, both to the private sector under EAGGF-guarantee and to the public sector under the European Social Fund, partly affected by delays in the receipt of funds usually received at the beginning of the year (although there was a certain increase over the first quarter as a whole). Payments, on the other hand, rose by 55%, basically reflecting the notable increase in those to the Community under GNP resource and, to a lesser extent, VAT resource, although those made by the private sector also rose.

Finally, the capital account surplus stood at €436 million in January 2005, up €260 million from the same month of the previous year, which is explained by the increase in structural funds from the EU, especially those to the ERDF.

5 Financial developments

5.1 Overview

In 2005 Q1 money market interest rates held steady and long-term public debt yields underwent a decline in January and the first half of February, which was subsequently corrected. As a result, in March the average one-year Euribor was 2.3%, similar to that in December, while the average ten-year Spanish bond yield has risen so far in the year by 10 basis points (bp) to 3.7%. On available information to February, interest rates applied by credit institutions to the private sector did not vary significantly in general, and thus remain near to the lows recorded in 2003. Financing costs for firms issuing fixed-income securities remained low as a result of the low yields on public debt markets and of the persistence of risk premiums at around the moderate end-2004 levels (Chart 24).

Spanish and European stock market prices held on the upward course of the closing months of 2004, accompanied by continuing low volatility, although March saw some corrections, which continued in April against a backdrop of renewed pressure on oil prices. Hence at the end of Q1 the Madrid Stock Market General Index was up by 3.7% this year, which was a similar gain to that shown by the broad EuroStoxx (4.3%) in the same period and contrasted with the falls in the S&P 500 on the US stock markets (–2.6%).

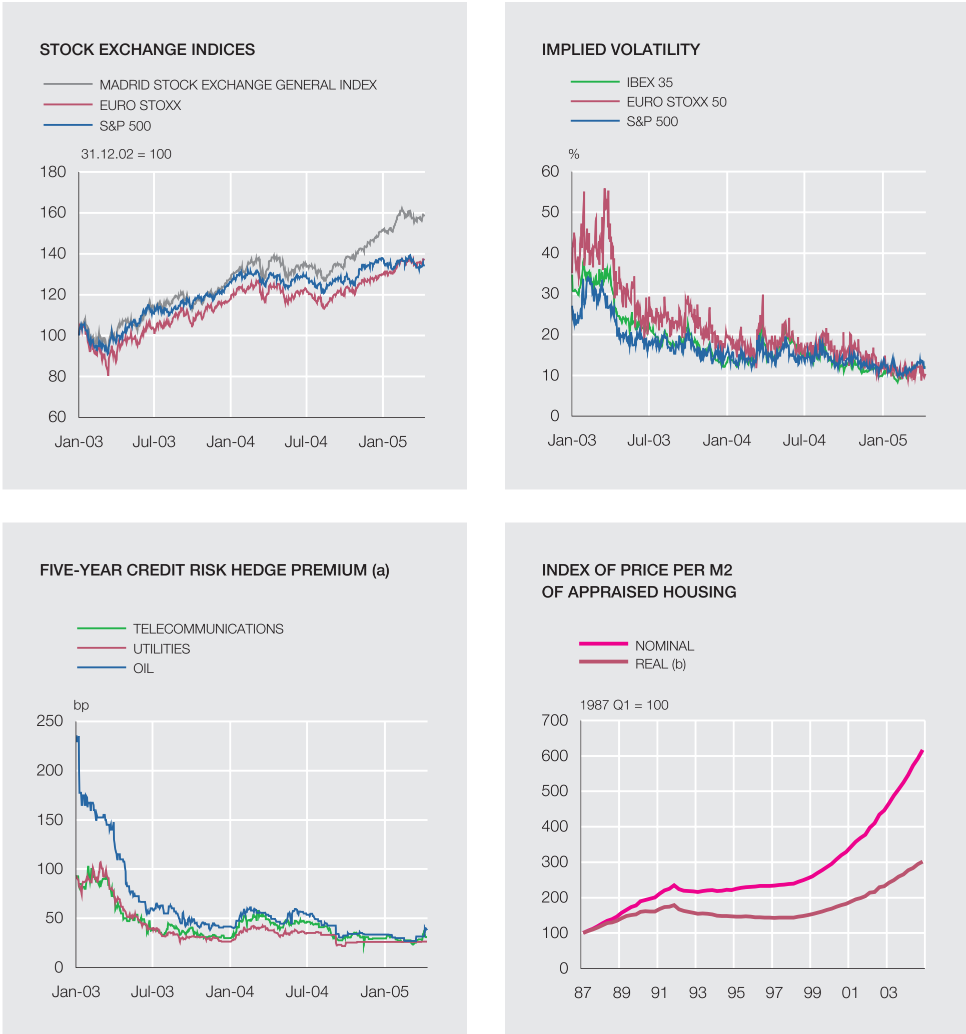
According to the latest data, house market prices have continued to rise quickly. Thus, on official housing ministry information for 2004 Q4, the year-on-year rate of expansion of house prices rose by 0.3 pp with respect to September and stood at 17.5%. This slight pick-up was seen in both small and medium-sized municipalities, while those of more than 500,000 inhabitants, which had been posting higher-than-average growth, showed a certain moderation.

Against this backdrop, in 2004 Q4 financing to the private sector continued to expand at brisk rates of around 16%. Analysis of the available information by component shows that the bulk of resources continued to be directed to the property sector, although the heightened buoyancy of credit to the industrial sector, in line with the recovery of productive investment, was significant. Provisional information on the early months of 2005 shows no sign of a slowdown in the funds borrowed by households and Spanish firms.

The indicators of financial pressure on households deteriorated further in 2004 Q4. According to the latest provisional information, this deterioration seems to have continued in the opening months of 2005. Thus the ratios of debt and financial burden to gross disposable income (GDI) again increased, while saving after debt service continued to decline and, according to the Financial Accounts, the sector's financial saving decreased in 2004 to a negative value equal to 0.1% of GDP (Table 5). By contrast, the rising path of household net wealth between October and December of that year continued, basically due to the rising prices of property, which is the main asset of most Spanish households (Box 5).

In the case of firms, the aggregate debt/profit ratio rose again between October and December 2004, while the interest burden held at the levels of the previous quarter. Provisional information on 2005 to date points to fresh increases in the first statistic and to a slight rise in the second, which, however, will still stand below the highs of recent periods. Meanwhile, the financing gap, which measures the net external funds needed to undertake gross capital formation and direct investment abroad, narrowed further in 2004 Q4. As to profits, the CBSO Quarterly Survey (CBQ) shows that in 2004 the favourable performance of ordinary net profit was fairly extensive to all sectors, though the recovery was more marked in the case of indus-

PRICE INDICATORS FOR VARIOUS ASSETS CHART 24



SOURCES: Bloomberg, Credit Trade and Banco de España.

a. Average asset-weighted premia. On 22.6.03 a change came into effect in the contractual conditions of European firms. The new contract carries lower premia (around 10%)
b. Deflated by the CPI.

try. This permitted the synthetic indicators of financial pressure on employment, and in particular on investment, to decrease despite the rise in debt.

The generous financing conditions and the increased household wealth have continued to underpin the buoyancy of consumption and residential investment and will foreseeably keep doing so in the coming months. Nevertheless, the degree of financial pressure on the sector is increasing and its performance is partly sustained by house price rises in excess of those indicated by their long-term determinants. The more time that passes before these trends start to be corrected, the more likely it is that the risks to the buoyancy of household expenditure noted in previous reports will end up manifesting themselves.

By contrast, although companies’ debt is growing, their financial burden is lower than in recent periods. Moreover, the improvement in synthetic indicators of financial pressure, the healthier situation of large companies and the confirmation of the signs of recovery in industry suggest that the risks to investment spending and recruitment in this sector associated with its financial position are less significant.

NET FINANCIAL TRANSACTIONS
Cumulative four-quarter data

TABLE 5

% GDP	1999	2000	2001	2002	2003	2004			
					Q4	Q1	Q2	Q3	Q4
National economy	-1.0	-2.5	-2.2	-1.6	-2.1	-2.4	-3.0	-3.6	-4.2
Non-financial corporations and households and NPISHs	-0.3	-2.4	-3.4	-2.9	-4.0	-3.8	-4.7	-5.6	-4.8
Non-financial corporations	-2.3	-3.4	-4.5	-4.4	-4.5	-4.7	-5.4	-5.7	-4.7
Households and NPISHs	2.0	1.1	1.1	1.4	0.6	0.9	0.7	0.2	-0.1
Financial institutions	0.5	0.8	1.5	1.5	1.5	1.6	1.5	1.4	0.8
General government	-1.2	-0.9	-0.4	-0.1	0.4	-0.1	0.2	0.6	-0.3

SOURCE: Banco de España.

5.2 Households

Financing conditions for households were again generous in 2005 Q1. Thus in February the cost of credit for house purchase and for consumption and other purposes stood at 3.44% (5 bp more than in December 2004) and 5.84% (43 bp less), respectively. In the first case, the figure is somewhat above the 2004 low, while in the second it is the lowest rate in the series. Similarly, according to the latest Bank Lending Survey (EPB), institutions anticipated in this period a certain tightening of the terms on house purchase loans and a slight easing of those for consumer and other loans.

In 2004 Q4, household debt continued to increase at high rates of nearly 20% year-on-year. The bulk of lending continued to be for house finance, which expanded at rates above 23%, while consumer and other loans moderated and grew at around 11% with respect to the same period a year earlier, more than two percentage points below the September 2004 figure. Provisional information on the opening months of 2005 points to a certain pick-up in the funds received by households for property purchase, along with a moderate fall off in the growth of those for other purposes.

Financial investment by households (measured in cumulative terms over the last 12 months) continued to decelerate and at end-2004 represented 10.6% of GDP, down 0.6 pp on September 2004 (Table 6). The preference for more liquid and low-risk assets (cash, deposits, fixed-income securities and money market funds) was more marked, and their flow increased by 0.3 pp as a proportion of GDP, taking it to 5.7%. By contrast, both net subscriptions of capital market mutual fund shares and direct purchases of shares moderated to 1.9% and 0.4% of GDP, respectively. Finally, purchases of insurance (including pension funds) held at similar levels to those of the previous quarter.

Household liabilities continued to grow more quickly than the sector’s income, so the debt/ gross disposable income (GDI) ratio increased further and, at end-2004, exceeded 103%. This level is some distance from the euro area average (90%) and is approaching that of the United States (115%). Also, the associated financial burden held on a rising path and in the same period stood at nearly 14%, while saving after debt service saw further declines, dropping to values equal to just 0.5% of household GDI (Chart 25). Similarly, the Financial Accounts show that, in cumulative twelve-month terms, the balance of net financial transactions fell once again, posting a negative value equal to 0.1% of GDP. However, according to the Spanish Household Expenditure Survey, in the same period the percentage of households able to set aside money for saving rose to 40%. By contrast with this unfavourable trend in financial pres-

The analysis of the composition of household wealth is important because, among other things, it enables conclusions to be drawn on the wealth effects associated with changes in the prices of the various assets. Using the Spanish Survey of Household Finances[1], which takes 2002 as a reference, this Box analyses the structure of Spanish households' portfolio and how it varies with the level of wealth or income.

For this purpose, the table shows the percentage of households that own the different types of real estate and financial assets, distinguishing levels of income and of net wealth (top panel), and also the proportion of total gross wealth represented by each asset class (bottom panel). These data confirm Spanish households' strong preference for ownership over rental, since 82% of them own the home in which they live. Although this percentage grows with both income and wealth, it is very high even in the lower ranges of both variables.

As may be expected, in households with less resources in terms of income or net wealth, their main residence makes up the bulk of their real estate property wealth and, in turn, of their total wealth. As income and wealth rise, the value of the main residence accounts for a progressively smaller weight in net wealth, although largely at the expense of other real estate assets. Thus the relative importance of real estate property wealth remains at very high levels, in most cases

1. For more information on this survey, see Bover (2004), *The Spanish Survey of Household Finances (EFF)*: description and methods of the 2002 wave, Occasional Paper 0409, Banco de España.

THE COMPOSITION OF SPANISH HOUSEHOLD WEALTH. ANALYSIS BY INCOME AND WEALTH LEVEL

REAL AND FINANCIAL ASSETS HOLDINGS AND COMPOSITION OF THE GROSS WEALTH OF SPANISH HOUSEHOLDS BY INCOME AND WEALTH LEVEL

%

	Real assets			
	Main residence	Other real estate properties	Jewels, antiques and works of art	Businesses related to self-employment
A. Percentage of households owning the asset				
ALL HOUSEHOLDS	81.9	30.1	18.2	12.4
PERCENTILE OF INCOME				
Below 40	76.4	20.7	12.7	6.2
40 to 60	80.8	27.4	16.4	12.8
60 to 80	85.1	33.5	20.7	15.3
80 to 90	89.6	42.7	26.8	19.9
90 to 100	92.3	53.7	29.9	22.6
PERCENTILE OF NET WEALTH				
Below 50	66.6	12.7	14.6	5.0
50 to 75	97.6	31.9	17.4	12.1
75 to 90	97.3	53.0	21.2	20.6
90 to 100	96.4	78.4	33.6	37.8
B. Contribution of value of the various assets to gross wealth				
ALL HOUSEHOLDS	58.2	21.0	0.5	7.7
PERCENTILE OF INCOME				
Below 40	72.4	15.7	0.3	3.1
40 to 60	65.1	19.5	0.3	6.0
60 to 80	58.9	22.4	0.4	7.5
80 to 90	55.5	21.9	0.6	9.6
90 to 100	42.8	24.9	1.0	11.7
PERCENTILE OF NET WEALTH				
Below 50	80.3	7.5	0.5	1.7
50 to 75	77.3	11.4	0.3	2.7
75 to 90	63.3	20.8	0.5	4.9
90 to 100	36.2	31.7	0.7	14.3

SOURCE: Spanish Survey of Household Finances (EFF).

more than 75%. Only the wealthiest households exhibit lower figures, although they are still fairly high (near 70%).

The contribution of real estate assets other than the main residence is, in most population groups, higher than that of financial assets, reflecting Spanish households' marked preference for residential investment. This occurs even in households that have more resources and therefore greater possibilities of diversification.

Holdings of financial assets increase with both income and wealth (see top panel of the table), as occurs with real estate assets. Pension schemes are, after bank accounts, the most common assets. By contrast, the importance of fixed-income securities is fairly low (only 1.9% of households directly hold these assets and this percentage does not exceed 5% in any population group presented in the table). In any event, the small contribution of financial assets to household wealth is notable (12.6% for a representative household).

Although the relative weight of financial assets tends to increase with both income and wealth, the rise is not large, and only for households in the extreme decile of the distribution does the weight exceed 15%. As might be expected, it is the latter who invest the highest proportion of their wealth in mutual funds and, above all, in shares and other equity, while the opposite occurs with bank accounts. Moreover, it can be seen that for a high percentage of households, the contribution of these latter instruments to the value of their financial portfolio exceeds 50%.

Taken as a whole, these results illustrate the high relative importance of real estate property assets (not just the main residence) in the portfolio of Spanish households. This is seen in all the population groups analysed. In addition, the percentage of total household assets represented by their real estate property wealth is one of the highest among the countries in the area and the weight of domestic residential investment in GDP is among the largest in the euro area.

Financial assets							
Bank accounts	Shares and other equity	Mutual funds	Fixed-income securities	Pension schemes	Other financial assets		
							A. Percentage of households owning the asset
98.2	12.5	7.2	1.9	24.1	4.5		ALL HOUSEHOLDS
							PERCENTILE OF INCOME
96.7	5.2	2.7	1.0	10.2	3.0		Below 40
98.7	8.9	5.4	2.2	22.0	4.6		40 to 60
99.3	14.9	9.5	2.3	30.5	4.3		60 to 80
99.4	19.3	11.9	2.6	39.1	5.3		80 to 90
99.8	37.1	19.9	3.4	55.6	9.9		90 to 100
							PERCENTILE OF NET WEALTH
97.3	4.1	2.1	0.7	12.6	3.6		Below 50
99.0	11.2	7.5	1.9	27.6	3.3		50 to 75
99.3	21.5	13.1	4.2	37.4	4.0		75 to 90
99.3	44.1	23.4	4.5	52.7	12.9		90 to 100
							B. Contribution of value of the various assets to gross wealth
5.0	3.3	1.2	0.3	2.2	0.6	100.0	ALL HOUSEHOLDS
							PERCENTILE OF INCOME
5.6	0.8	0.6	0.3	1.0	0.2	100.0	Below 40
5.2	1.1	0.7	0.3	1.2	0.6	100.0	40 to 60
5.2	1.7	1.2	0.4	1.9	0.4	100.0	60 to 80
5.0	2.3	1.4	0.3	2.9	0.6	100.0	80 to 90
4.3	8.4	2.0	0.2	3.7	1.0	100.0	90 to 100
							PERCENTILE OF NET WEALTH
7.1	0.5	0.4	0.1	1.3	0.5	100.0	Below 50
4.8	0.6	0.7	0.2	1.8	0.3	100.0	50 to 75
5.3	1.0	1.1	0.5	2.3	0.2	100.0	75 to 90
4.1	7.1	1.9	0.3	2.8	0.9	100.0	90 to 100

TRANSACTIONS OF HOUSEHOLDS, NPISHs AND NON-FINANCIAL CORPORATIONS TABLE 6
Cumulative four-quarter data

% GDP

	2001	2002	2003	2004		
				Q2	Q3	Q4
HOUSEHOLDS AND NPISHs						
Financial transactions (assets)	7.9	8.8	10.1	11.5	11.2	10.6
Cash and cash equivalents	1.2	3.7	4.4	4.6	4.2	4.1
Other deposits and fixed-income securities (a)	3.5	1.6	0.1	0.9	1.5	1.8
Shares and other equity (b)	-0.2	0.7	0.7	0.9	0.9	0.4
Mutual funds	0.8	0.2	2.3	2.2	1.6	1.4
FIAMM	1.3	0.7	0.6	0.0	-0.3	-0.2
FIM	-0.5	-0.5	1.8	2.2	2.0	1.7
Insurance technical reserves	2.7	2.6	1.9	1.9	2.0	1.9
Of which:						
Life assurance	1.5	1.5	0.7	0.7	0.8	0.6
Retirement	0.9	0.9	1.0	0.9	0.9	1.0
Other	0.0	-0.1	0.7	1.0	1.0	1.0
Financial transactions (liabilities)	6.8	7.3	9.5	10.8	11.0	10.7
Credit from resident financial institutions (c)	5.4	7.2	9.3	10.6	10.9	10.9
House purchase credit (c)	4.8	5.1	7.2	8.3	8.7	8.9
Consumer and other credit (c)	0.6	2.1	2.1	2.2	2.2	1.9
Other	1.4	0.1	0.1	0.2	0.1	-0.2
NON-FINANCIAL CORPORATIONS						
Financial transactions (assets)	16.6	16.4	17.5	15.3	14.8	15.7
Cash and cash equivalents	1.7	1.7	0.9	1.3	1.2	1.0
Other deposits and fixed-income securities (a)	0.8	1.8	1.3	-0.3	-0.3	0.9
Shares and other equity	6.1	6.9	7.5	6.2	5.0	4.1
Of which:						
Vis-à-vis the rest of the world	4.6	5.2	4.6	3.6	3.0	2.6
Other	8.0	6.1	7.9	8.1	9.0	9.6
Financial transactions (liabilities)	21.1	20.8	22.1	20.7	20.6	20.4
Credit from resident financial institutions (c)	6.5	6.3	7.2	7.9	8.3	9.8
Foreign loans	4.0	3.0	2.8	2.3	1.5	0.3
Fixed-income securities (a)	0.0	-0.4	-0.2	0.0	0.0	0.0
Shares and other equity	5.2	5.9	4.9	3.5	3.5	2.6
Other	5.4	6.0	7.3	7.1	7.3	7.7
MEMORANDUM ITEM: YEAR-ON-YEAR GROWTH RATES (%):						
Financing (d)	15.4	14.3	15.9	16.7	16.5	16.0
Households and NPISHs	12.3	15.6	18.7	20.1	20.5	19.5
Non-financial corporations	17.8	13.3	13.9	14.1	13.5	13.4

SOURCE: Banco de España.

a. Not including unpaid accrued interest, which is included under "other".
b. Excluding mutual funds.
c. Including securitised loans.
d. Defined as the sum of bank credit extended by resident credit institutions, foreign loans, fixed-income securities and financing through securitisation vehicles.

sure indicators, net wealth has increased again thanks to higher house prices and, to a lesser extent, rising stock market prices.

5.3 Non-financial corporations

Financing conditions for corporations remained generous in 2005 Q1, even more so than in late 2004. Thus the lending interest rates applied by financial institutions in February stood at 4.09% and 2.91% for transactions above and below €1 million, respectively, representing a decrease of 3 bp and 10 bp with respect to December 2004. At the same time, according to the latest EPB, the lending terms that institutions expect to offer in the same period will be less

INDICATORS OF THE FINANCIAL POSITION OF HOUSEHOLDS AND NPISHs CHART 25

SOURCE: Banco de España.

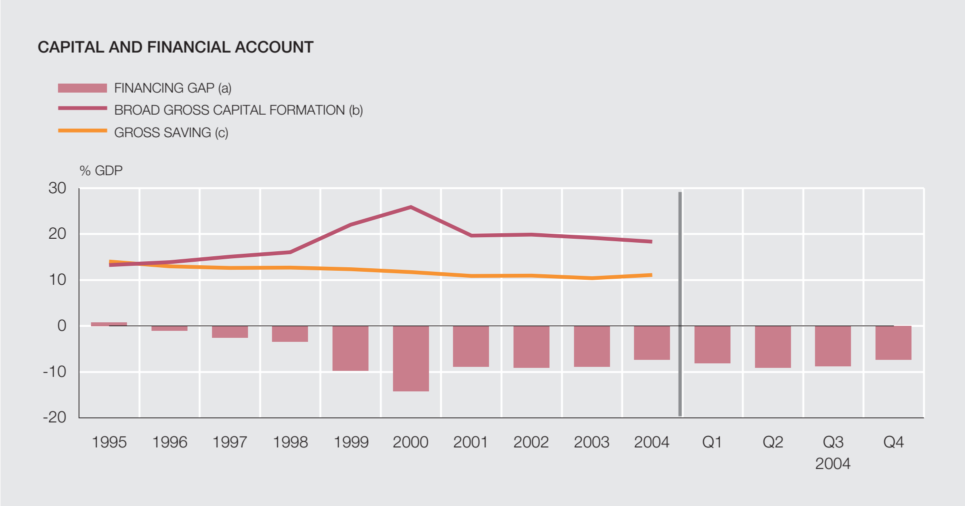
a. Includes bank credit and securitisation.
b. Assets 1 = Total financial assets - “other”.
c. Assets 2 = Assets 1 - shares - shares in FIM.
d. Calculated on the basis of the estimated changes in the stock of housing, in the average area per house and in the price per square metre.
e. Estimated interest payments plus debt repayments.
f. Balance of use of disposable income account.
g. Gross saving less estimated debt repayments.

tight than in the previous quarter. Additionally, the cost of financing on the fixed-income markets held at low levels as a result of the low public-debt yields and the continued moderate values of credit risk premiums. Finally, the conditions for raising funds on equity markets improved somewhat as a result of the slight increase in market prices, against a background of low volatility.

On the latest Financial Accounts data, which relate to 2004 Q4, the volume of corporations’ liabilities-side transactions moderated slightly (0.2 pp) to 20.4% of GDP in cumulative twelve-month terms (Table 6). As regards instruments, the relative importance of funds raised in the form of equity decreased, falling to just 2.6% of GDP, while the opposite was true of interest-bearing funds. As regards rates of change, the year-on-year growth of debt was somewhat higher than 13%, a similar level to that in September 2004, although provisional information on the opening months of 2005 points to a pick-up. The breakdown of this aggregate shows that in the fourth quarter of the year lending by resident institutions was the most dynamic

NON-FINANCIAL CORPORATIONS
Cumulative four-quarter data

CHART 26



SOURCE: Banco de España.

a. Financial resources that cover the gap between real and permanent financial investment and gross saving.
b. Includes gross capital formation, stockbuilding and foreign equities.
c. Includes capital transfers.

component, growing at 19% with respect the same period of 2003, a performance which contrasts with the sluggishness of foreign loans and of domestic fixed-income securities issuance.

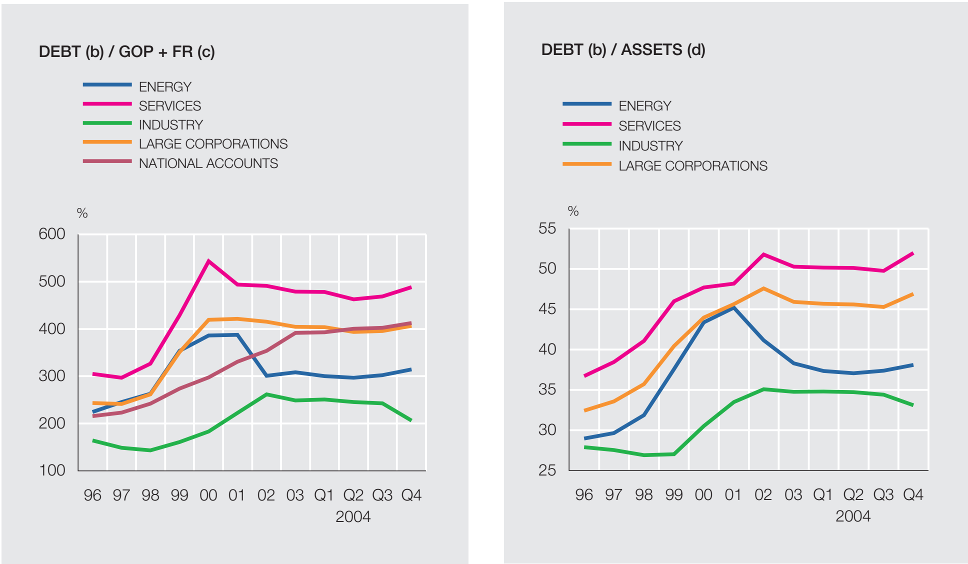
In terms of production branches, funds for construction and property development continued to lead the expansion of lending by resident institutions in 2004 Q4, although the rates of change diminished by around 3 pp and 1 pp, respectively, with respect to those in September. In the other services, growth rates also moderated, standing below 11%. In line with the recovery in private productive investment, there was a notable pick-up in borrowing by the industrial sector, which grew by more than 5% in year-on-year terms.

On the assets side, the volumes invested in financial products by corporations increased in cumulative twelve-month terms and in December 2004 stood at 15.7% of GDP, nearly 1 pp more than in September of the same year. Most notable as regards instruments was the increase in flows in the form of deposits and fixed-income securities and the decline in purchases of shares and other equity.

The movements in financial assets and liabilities in 2004 Q4 resulted in a decrease of 1 pp in the sector's net borrowing to 4.7% of GDP in cumulative twelve-month terms. The financing gap, which measures the net external funds needed to undertake gross capital formation and direct investment abroad, narrowed for the second quarter running, dropping to 7.2% of GDP (Chart 26). Nonetheless, it should be noted that these figures are affected by a one-off extraordinary restructuring of the railway sector in the final stretch of 2004, which reduced the sector's borrowing needs by approximately 0.7 pp of GDP.

The vigorous external borrowing by corporations in 2004 Q4 led to a fresh rise in the aggregate debt/profit ratio, although the declining trend in the cost of financing prevented the associated interest burden from increasing (Charts 27 and 28). On CBQ data, the behaviour of these

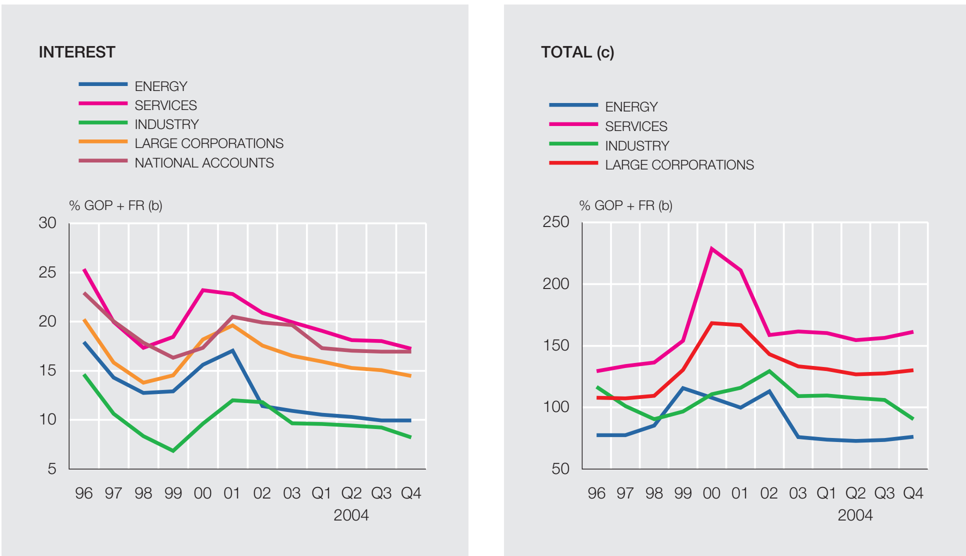
DEBT RATIOS OF NON-FINANCIAL CORPORATIONS (a) CHART 27



SOURCE: Banco de España.

a. All the series, except "National Accounts", are calculated with CBSO information. Up to 2002, the information is from the CBSO annual survey (CBA). Thereafter, the indicators have been estimated drawing on the CBSO quarterly survey (CBQ).
b. Interest-bearing borrowed funds.
c. Gross operating profit plus financial revenue.
d. Defined as total inflation-adjusted assets less non-interest-bearing liabilities.

DEBT BURDEN OF NON-FINANCIAL CORPORATIONS (a) CHART 28

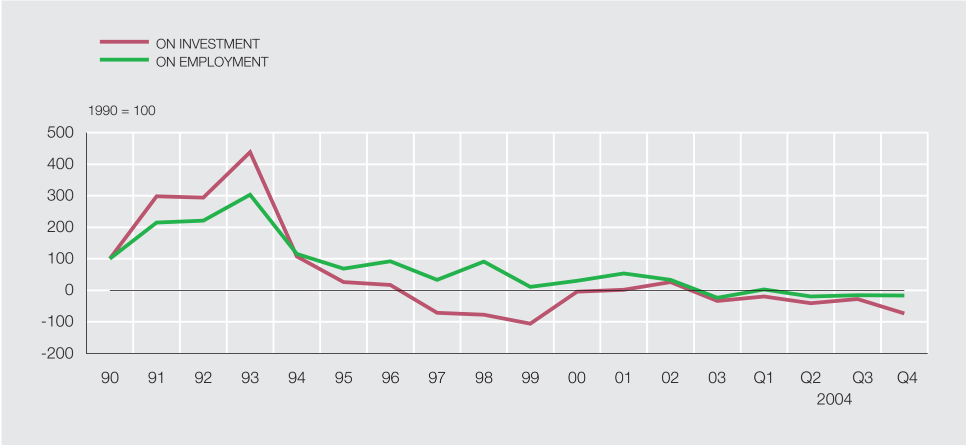


SOURCE: Banco de España.

a. All the series, except "National Accounts", are calculated with CBSO information. Up to 2003, the information is from the CBSO annual survey (CBA). Thereafter, the indicators have been estimated drawing on the CBSO quarterly survey (CBQ).
b. Gross operating profit plus financial revenue.
c. Includes interest plus interest-bearing short-term debt.

SYNTHETIC INDICATORS OF FINANCIAL PRESSURE ON NON-FINANCIAL CORPORATIONS (a)

CHART 29

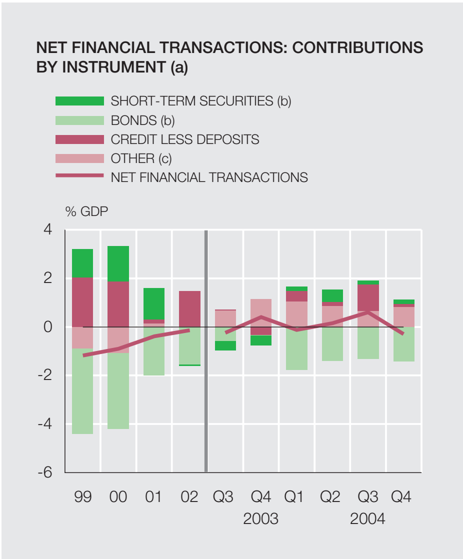


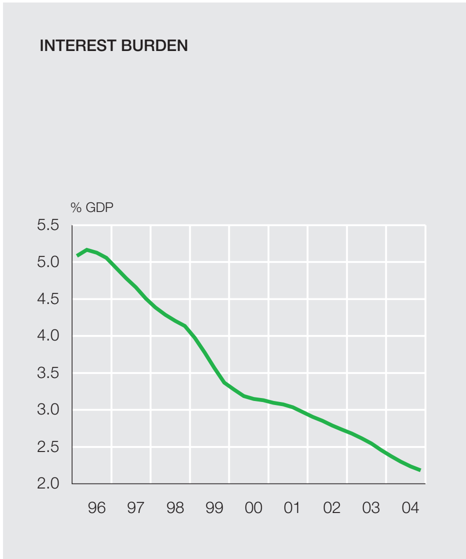
SOURCE: Banco de España.

a. A higher (lower) value than 100 show more (less) financial pressure than the reference level.

GENERAL GOVERNMENT
Cumulative four-quarter data

CHART 30





SOURCE: Banco de España.

a. A positive (negative) sign denotes an increase (decrease) in assets or a decrease (increase) in liabilities.
b. Includes only liabilities transactions.
c. Includes unpaid accrued interest on bonds.

variables for reporting corporations, along with the improvement in profits, led to a decrease in the synthetic indicators of financial pressure on employment, and in particular on investment, to historically low levels, evidencing financial conditions conducive to hiring and capital spending decisions (Chart 29).

Finally, analysts' expectations about listed non-financial corporations' profits in the short and long term scarcely changed, and in 2005 Q1 they thus stood at relatively high levels in the first case and at above the low early-2004 figures in the second.

FINANCIAL TRANSACTIONS OF THE NATION
Cumulative four-quarter data

TABLE 7

% GDP

	2001	2002	2003	2004		
				Q2	Q3	Q4
NET FINANCIAL TRANSACTIONS	-2.2	-1.6	-2.1	-3.0	-3.6	-4.2
FINANCIAL TRANSACTIONS (ASSETS)	12.2	13.8	13.6	14.2	11.5	12.6
Gold and SDRs	0.0	0.0	0.0	0.0	0.0	0.0
Cash and deposits	-2.7	3.5	0.8	3.0	4.4	3.8
Securities other than shares	7.2	4.3	7.0	4.5	1.6	1.6
Of which:						
Credit institutions	2.0	0.5	3.7	3.3	0.7	1.0
Institutional investors (a)	5.4	3.3	3.3	1.3	0.8	0.4
Shares and other equity	5.1	5.4	4.8	5.5	4.1	5.8
Of which:						
Non-financial corporations	4.6	5.2	4.6	3.6	3.0	2.6
Institutional investors (a)	0.5	-0.1	1.2	1.7	1.3	1.1
Loans	2.5	0.6	1.0	1.1	1.4	1.4
FINANCIAL TRANSACTIONS (LIABILITIES)	14.4	15.4	15.7	17.1	15.1	16.9
Deposits	2.8	4.4	7.5	7.0	3.2	1.8
Securities other than shares	3.1	4.5	5.6	9.6	11.3	12.8
Financial institutions	1.5	3.2	6.7	8.2	9.0	10.0
Rest of resident sectors	1.6	1.2	-1.1	1.4	2.3	2.8
Shares and other equity	4.6	4.1	0.8	-1.6	-0.8	1.8
Of which:						
Non-financial corporations	4.1	3.5	0.9	-1.0	-0.2	0.6
Loans	4.3	3.4	3.2	2.8	2.2	1.4
Other, net (b)	-0.4	-1.1	-1.4	-0.7	-0.9	-0.9

SOURCE: Banco de España.

a. Insurance corporations and portfolio investment institutions.
b. Includes the asset-side caption reflecting insurance technical reserves.

5.4 General government

The balance of the general government sector's net financial transactions in 2004 Q4 was negative, which, in cumulative twelve-month terms, contributed to reducing the sector's financial saving to –0.3% of GDP, nearly 1 pp below the figure three months earlier (Chart 30). However, as in the case of non-financial corporations, these changes were strongly influenced by the extraordinary restructuring of the railway sector. In the absence of this transaction, general government would have shown net lending (in cumulative four-quarter terms) of nearly 0.4% of GDP. The breakdown by instrument shows that in 2004 short-term securities were again redeemed, while the net issues of medium- and long-term debt were positive in an amount equal to 1.4% of GDP.

In 2004 Q4 the general government interest-burden indicator again decreased due to the lower cost of financing (Chart 30).

5.5 The rest of the world

The nation's net financial transactions in 2004 again showed a debit balance, this time amounting to 4.2% of GDP, up 0.6 pp on September of the same year (in cumulative four-quarter terms). This increase in the financial requirements of Spain's economy came about because the deterioration in the financial saving of households, financial institutions and general government could not be offset by the improvement in this item in the case of corporations (Table 5).

NET FINANCIAL ASSETS VIS-À-VIS THE REST OF THE WORLD (a)
(Q4 data)

TABLE 8

% GDP

	1999	2000	2001	2002	2003	2004
National economy	-29.6	-26.2	-27.0	-30.8	-38.2	-44.3
Non-financial corporations and households and NPISHs	-17.3	-9.4	-10.2	-11.6	-15.2	-13.8
Non-financial corporations	-24.1	-16.7	-17.6	-18.9	-23.0	-22.0
Households and NPISHs	6.8	7.3	7.4	7.3	7.8	8.2
Financial institutions	8.2	8.3	8.5	6.5	-0.7	-5.9
Credit institutions (b)	-7.5	-11.6	-13.9	-14.3	-22.2	-23.2
Institutional investors (c)	16.3	20.7	24.3	24.4	27.7	28.4
Other financial institutions	-0.6	-0.9	-1.8	-3.6	-6.3	-11.0
General government	-20.5	-25.1	-25.4	-25.7	-22.3	-24.6

SOURCE: Banco de España.

a. Calculated as the difference between the stocks of financial assets and liabilities vis-à-vis the rest of the world according to quarterly financial accounts data.
b. Defined in accordance with the First Banking Directive.
c. Insurance corporations and portfolio investment institutions.

The net acquisition of external assets by resident sectors in 2004 amounted to 12.6% of GDP, which represented an increase of more than 1 pp with respect to September 2004 in cumulative twelve-month terms (Table 7). However, this behaviour was uneven from one instrument to another. Specifically, flows in the form of cash and deposits decreased as a proportion of GDP, while the opposite occurred in the acquisition of equity securities. On provisional balance of payments information, direct investment abroad rose notably in 2004 (63%) with respect to 2003, while portfolio investment decreased by a similar percentage.

On the liabilities side of the Spanish economy vis-à-vis the rest of the world, net flows in 2004 amounted to 16.9% of GDP, up 1.8 pp on 2004 Q3, in cumulative twelve-month terms. This increase resulted from the heightened buoyancy of both fixed-income and equity securities and from the lower relative weight of the other items. On provisional balance of payments information, direct investment of non-residents in Spain in 2004 represented nearly one-third of that in 2003, while portfolio investment practically tripled.

Finally, on the available provisional information, the Spanish economy's debit position vis-à-vis the rest of the world increased in 2004 to 44.3% of GDP, up 6 pp on December 2003 (Table 8).

29. 4. 2005

Results of non-financial corporations to 2004 Q4 and summary year-end data[1]

Introduction

Last November's Economic Bulletin published what could be considered a preliminary indicator of the 2004 end-year situation, estimated using CBSO Quarterly Survey (CBQ) data for the first three quarters of the year. The information relating to the four quarters as a whole discussed in this article confirms the results reported then, in that the performance of productive activity in the year as a whole was favourable. Thus, according to the CBQ, GVA increased by 6.1% in nominal terms in 2004, against 4.3% in the previous year. This performance, which is influenced by the growth of oil prices, still holds, albeit diminished somewhat (with growth of 4.7% in 2004, against 3.6% in 2003), when refining and fuel marketing companies are stripped out of the aggregate.

The favourable trend in activity continued to be underpinned by the growth of wholesale and retail trade and transport and communications corporations, which were the sectors that most benefited from the strength shown, yet another year, by private consumption. To this should be added the positive performance of industrial corporations, which continued the recovery commenced in 2003, driven by the rise in capital goods investment and by the stronger growth of their exports in 2004. For the aggregate total of corporations, however, the partial information available on foreign trade points to a negative net contribution in the year as a whole.

As had already been inferred from Q3 data, personnel costs in 2004 grew appreciably more slowly than in 2003 (2.9% against 3.9%). This more subdued increase was a consequence of both staff cuts and a fall in average compensation. Indeed, employment receded by 0.2%, this rate being strongly influenced by a staffing adjustment in a large telecommunications corporation, as mentioned in previous articles. If this effect is removed, the change in staff levels becomes positive, with growth of 0.8% in 2004, slightly above that in 2003 (0.6%). Moreover, the path followed during the year would have been upward, ending with employment in Q4 up 1.1% on the same period of 2003. The year 2004 also saw a slowdown in the growth of average compensation (3.1% against 3.5% in 2003), in line with the estimates available from the Quarterly National Accounts.

The performances of GVA and personnel costs taken together gave rise to an increase in gross operating profit of 8.6% in 2004, nearly twice what it grew in 2003. When it is considered that on top of this, financial costs continued to decline in relative importance, mainly as a result of falls in interest rates, and that financial revenue continued to rise, albeit more moderately than in 2003, due to the inflow of sizeable dividends from foreign subsidiaries, the reason for the strong expansion in ordinary net profit (which was up by 21.7%, eight percentage points more than in 2003) becomes clear. Notable in this respect was the positive effect exerted by the improvement in the Latin-American economies, where the investments of large Spanish corporate groups are concentrated. Nevertheless, the highly positive performance of ordinary net profit did not feed through to the growth rate of total net profit, due to the sharp fall in the item "capital gains and extraordinary revenue" (37.7%), which in 2002 and 2003 contained some unusually large amounts as a result of the capital gains generated in the sale of shares and other non-current assets. In any event, there can be no doubt that in 2004 the CBQ reporting corporations achieved significant earnings, as evidenced by the net profit for the period

1. This article is based on the data provided to 14 March 2005 by the 744 companies corporations which, on average, reported information to the CBQ survey in the period analysed. In terms of activity, this aggregate of corporations accounts for approximately 14.1% of the GVA of the sector non-financial corporations.

PROFIT AND LOSS ACCOUNT. YEAR-ON-YEAR CHANGES AND PROFIT RATIOS
Growth rates of the same corporations on the same period a year earlier

TABLE 1

	CBA STRUCTURE	CBA		CBQ (a)		
DATABASES	2003	2002	2003	02 Q1-Q4 / 01 Q1-Q4	03 Q1-Q4 / 02 Q1-Q4	04 Q1-Q4 / 03 Q1-Q4
Number of corporations		8.127	6.337	855	832	744
Total national coverage		28,9%	25,1%	15,8%	15,3%	14,1%
PROFIT AND LOSS ACCOUNT						
1. VALUE OF OUTPUT	100.0	2.8	6.0	1.1	3.7	7.7
Of which:						
1. Net amount of turnover and other operating income	131.0	3.7	6.0	2.8	4.1	8.3
2. INPUTS (including taxes)	67.8	1.5	5.7	-0.6	3.3	8.6
Of which:						
1. Net purchases	39.8	-1.0	4.0	-2.9	2.5	9.7
2. Other operating costs	27.6	6.7	7.7	4.8	6.3	7.2
S.1. GROSS VALUE ADDED AT FACTOR COSTS [1 - 2]	32.2	5.5	6.5	4.0	4.3	6.1
3. Personnel costs	16.3	5.5	4.3	4.1	3.9	2.9
S.2. GROSS OPERATING PROFIT [S.1 - 3]	15.9	5.7	8.8	4.0	4.6	8.6
4. Financial revenue	2.9	-8.2	10.2	-11.5	22.9	12.6
5. Financial costs	3.1	-3.8	-0.6	-3.1	0.7	-4.0
6. Depreciation and operating provisions	7.1	4.2	4.7	1.1	1.6	-1.7
S.3. ORDINARY NET PROFIT [S.2 + 4 - 5 - 6]	8.6	5.5	17.0	3.4	14.1	21.7
7. Capital gains and extraordinary revenue	5.8	53.6	4.1	129.0	-1.0	-37.7
8. Capital losses and extraordinary expenses	3.5	35.9	-32.4	147.3	-35.1	-17.5
9. Other (net provisioning and income tax)	3.8	142.6	-60.5	118.2	-44.3	7.0
S.4. NET PROFIT [S.3 + 7 - 8 - 9 - 10]	7.1	(b)	(b)	(b)	(b)	0.2
NET PROFIT / GVA (S.4 / S.1)		-2.5	22.1	0.0	24.4	22.3
PROFIT RATIOS	Formulas (c)					
R.1 Return on investment (before taxes)	(S.3+5.1)/NA	7.9	7.4	8.7	7.8	8.4
R.2 Interest on borrowed funds / interest-bearing borrowing	5.1/IBB	4.4	4.0	4.6	4.2	4.0
R.3 Ordinary return on equity (before taxes)	S.3/E	11.0	10.4	12.4	11.1	12.3
R.4 ROI - cost of debt (R.1 - R.2)	R.1–R.2	3.6	3.4	4.1	3.6	4.4

SOURCE: Banco de España.

a. All the data in these columns have been calculated as the weighted average of the quarterly data.
b. Rate not calculable because the relevant figures are of opposite sign.
c. The variables in the formulas are expressed as absolute values. NA = Net Assets (net of non-interest-bearing borrowing); E= Equity; IBB = Interest-bearing borrowing; NA = E + IBB. The financial costs in the numerators of ratios R.1 and R.2 only include that portion of financial costs which is interest on borrowed funds (5.1) and not commissions and cash discounts (5.2).
Note: internal accounting movements have been edited out of items 4, 5, 7, 8 and 9.

amounting to 22.3% of GVA. This percentage was similar to that in 2003, a year in which substantial capital gains and extraordinary revenue resulted in a high in the quarterly series.

The picture described above explains the rise in the rates of return of the corporations reporting to the CBQ in 2004 (which are calculated taking as a reference the ordinary net profit rather than total net profit, because of the erratic course of the latter). Accordingly, return on investment was 8.4% in 2004, against 7.8% in 2003. The ratio used to approximate the cost of borrowed funds borne by corporations again declined in 2004, standing at 4% for the year as a whole, which represented a new low in the quarterly series as a whole and raised the spread between the ROI and the cost of debt to 4.4%, which is also a record high. Finally, the ordinary return on equity in 2004 amounted to 12.3%, which is illustrative of the healthy situation of the corporations in the sample. For its part, debt, both as an end-period figure and as a percentage of GVA, decreased slightly in 2003 and stabilised in 2004 amongst the large

VALUE ADDED, EMPLOYEES, PERSONNEL COSTS AND COMPENSATION PER EMPLOYEE
BREAKDOWN BY SIZE AND MAIN ACTIVITY OF CORPORATIONS
Growth rate of the same corporations on the same period a year earlier

TABLE 2.A

	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)	
	2002	2003	03 Q1 - Q4	04 Q1 - Q4	2002	2003	03 Q1 - Q4	04 Q1 - Q4	2002	2003	03 Q1 - Q4	04 Q1 - Q4	2002	2003	03 Q1 - Q4	04 Q1 - Q4
Total	5.6	6.5	4.3	6.1	1.7	1.1	0.4	-0.2	5.5	4.3	3.9	2.9	3.7	3.2	3.5	3.1
SIZE																
Small	3.9	3.7	—	—	1.3	0.0	—	—	5.3	5.0	—	—	4.0	5.0	—	—
Medium	7.4	5.6	2.8	4.2	2.2	1.5	-0.1	-0.6	6.2	6.4	4.2	4.1	3.9	4.8	4.3	4.7
Large	5.4	6.6	4.4	6.2	1.7	1.1	0.4	-0.1	5.4	4.0	3.9	2.8	3.6	2.9	3.5	2.9
BREAKDOWN OF ACTIVITIES BEST REPRESENTED IN THE SAMPLE																
Energy	-0.3	2.0	2.7	6.5	-3.2	-2.2	-1.7	-1.1	0.1	1.3	2.1	3.0	3.4	3.5	3.9	4.1
Industry	1.9	5.3	1.4	6.0	-0.8	-0.7	-0.9	-1.1	3.1	2.4	2.7	1.7	3.9	3.1	3.6	2.8
Wholesale and retail trade	10.9	8.6	7.9	7.7	7.0	6.3	4.2	3.9	9.1	9.3	7.5	5.8	2.0	2.8	3.2	1.8
Transport and communications	9.9	5.5	3.6	4.5	-1.9	-1.2	-0.5	-1.9	5.3	2.4	3.1	1.5	7.4	3.6	3.6	3.5

SOURCE: Banco de España.

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

corporations comprising the CBQ. By contrast, this change in trend was absent at the total corporations level, according to the latest information available on the financial accounts of the Spanish economy.

In short, the CBQ data for 2004 paint a picture of sustained growth in activity at rates exceeding those in 2003, thereby prolonging the path of moderate expansion in place since 2001. Also notable was the progressive recovery of employment as the year unfolded, particularly in industrial corporations, and the contained behaviour of wages. As has become customary, the positive performance of ordinary profit and of financial revenue and costs meant that rates of return held at high levels. In the future this positive scenario may be affected by fresh oil price rises and by the still uncertain situation of Spain's neighbouring foreign markets, which could halt the recovery of the industrial sector. These factors aside, the high returns achieved in 2004 enable Spain to embark on new investment projects, continue generating employment and respond to the challenge posed by the need to be competitive in an increasingly globalised market.

Activity

Business activity grew notably in 2004 and the pace was more rapid than in the previous year, as shown by the Central Balance Sheet Data Office data for this period. Thus GVA rose in the year as a whole by 6.1% in nominal terms, which was two percentage points more than in 2003 (4.3%) and constituted the largest increase in activity recorded in the annual series of the CBQ since 2000 (see Table 1 and Chart 1). In any event, as has been customary in recent years, an adjustment has to be made to eliminate the effect of oil price fluctuations on the behaviour of this variable, given the over-representation of refining corporations in the sample. Specifically, the second half of 2004 saw particularly strong increases in oil prices, which most directly affected oil refining and fuel marketing corporations. If these corporations are stripped out of the sample, the increase in GVA becomes 4.7% in 2004, against 3.6% in 2003, rates which, although marking an upward course in economic activity, are less pronounced. The main causes of this growth are, first, the sound performance of market services corporations, which, thanks to the sustained strength of private consumption, again performed very positively and, second, the greater buoyancy shown by industrial corporations. These latter corporations were strongly favoured by the recovery in capital goods investment and also by the

NON-FINANCIAL CORPORATIONS REPORTING TO THE CENTRAL BALANCE SHEET DATA OFFICE

CHART 1

REPORTING NON-FINANCIAL CORPORATIONS		1999	2000	2001	2002	2003	2004
Number of corporations	CBA	8,264	8,510	8,438	8,127	6,337	-
	CBQ	885	895	870	855	832	744
% of GDP of the sector	CBA	31.8	30.7	30.1	28.9	25.1	-
non-financial corporations	CBQ	17.9	16.6	15.8	15.8	15.3	14.1

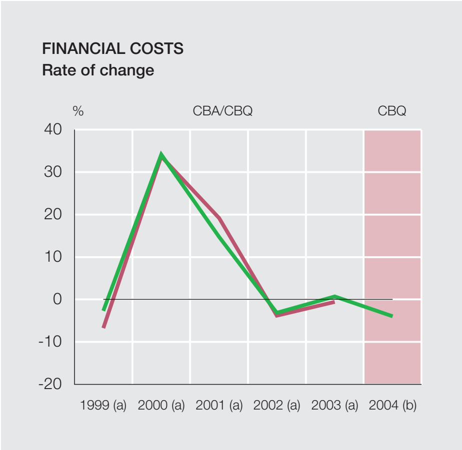
SOURCE: Banco de España.

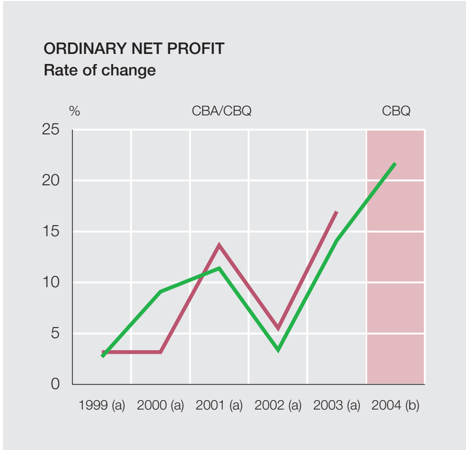
a. 1999, 2000, 2001 and 2002 data are the average data of the fourth quarters of each year (CBQ) in relation to the previous year for the corporations reporting to the annual survey (CBA).
b. Average of the fourth quarters of 2004 in relation to the same period in 2003.

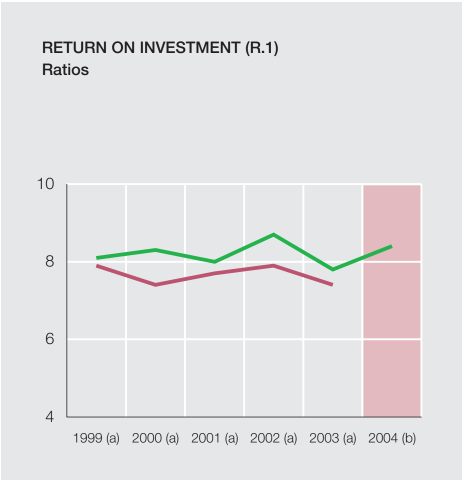
climate of greater international stability, which contributed to a progressive recovery in the external activity of this sector (see Table 2). The still timid recovery of the euro area countries, which account for a high percentage of non-resident customers, prevented a stronger expansion of exports. The scant data available in the Central Balance Sheet Data Office on exports and imports (see Table 3) showed that, compared with the previous year, in 2004 the exports of the total aggregate did not gain weight with respect to sales in Spain, while imports grew in relative terms with respect to purchases in the domestic market. These two effects taken together had a negative impact on GVA growth. However, information not appearing explicitly in Table 3 implies a different performance by the industrial corporations in the sample, the net

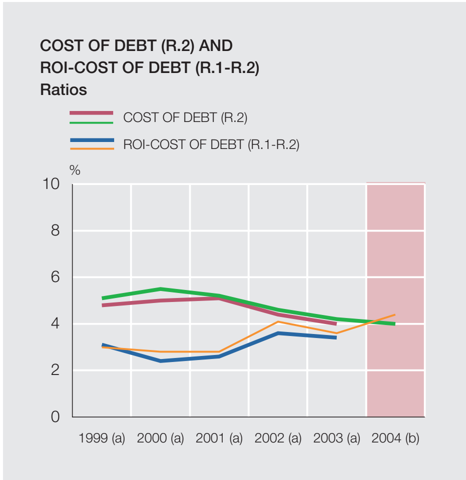
NON-FINANCIAL CORPORATIONS REPORTING TO THE CENTRAL BALANCE SHEET DATA OFFICE (cont'd)

CHART 1









REPORTING NON-FINANCIAL CORPORATIONS		1999	2000	2001	2002	2003	2004
Number of corporations	CBA	8,264	8,510	8,438	8,127	6,337	-
	CBQ	885	895	870	855	832	744
% of GDP of the sector non-financial corporations	CBA	31.8	30.7	30.1	28.9	25.1	-
	CBQ	17.9	16.6	15.8	15.8	15.3	14.1

SOURCE: Banco de España.

a. 1999, 2000, 2001 and 2002 data are the average data of the fourth quarters of each year (CBQ) in relation to the previous year for the corporations reporting to the annual survey (CBA).
b. Average of the fourth quarters of 2004 in relation to the same period in 2003.

exports of which posted growth that is confirmed by alternative sources. These two results can be explained if it is taken into account that 67% of the exports recorded in the CBQ in 2004 were by industrial corporations, while only 45% of imports in that period were by corporations classified in this economic sector.

Moving to a greater level of sectoral detail, mention should be made, yet another quarter, of the increases posted in wholesale and retail trade, the economic sector with the strongest GVA growth, which at 7.7% was only 0.2 pp less than in the previous year. This confirms the continuing strength of the corporations in the sector, despite the less expansionary tone that,

EMPLOYMENT AND PERSONNEL COSTS
Details based on changes in staff levels

TABLE 2.B

		TOTAL CBQ CORPORATIONS 04 Q1 - Q4	CORPORATIONS INCREASING (OR NOT CHANGING) STAFF LEVELS	CORPORATIONS REDUCING STAFF LEVELS
Number of corporations		744	413	331
PERSONNEL COSTS				
Initial situation 03 Q1-Q4 (€m)		23,139.8	13,248.2	9,891.6
Rate 04 Q1-Q4 / 03 Q1-Q4		2.9	6.7	-2.1
AVERAGE COMPENSATION				
Initial situation 03 Q1-Q4 (€)		38,389.3	35,805.9	42,271.8
Rate 04 Q1-Q4 / 03 Q1-Q4		3.1	2.6	4.9
NUMBER OF EMPLOYEES				
Initial situation 03 Q1-Q4 (thousands)		604	370	234
Rate 04 Q1-Q4 / 03 Q1-Q4		-0.2	4.0	-6.8
Permanent	Initial situation 03 Q1-Q4 (thousands)	508	308	200
	Rate 04 Q1-Q4 / 03 Q1-Q4	-0.1	3.5	-5.6
Non-permanent	Initial situation 03 Q1-Q4 (thousands)	96	62	34
	Rate 04 Q1-Q4 / 03 Q1-Q4	-0.7	6.6	-14.1

SOURCE: Banco de España.

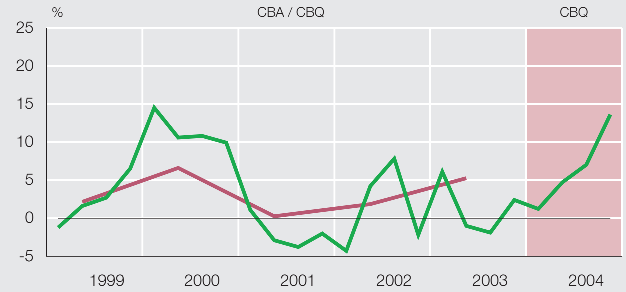
according to other sources, has been shown by the demand for consumer goods at certain times of the year. All the other sectors boasted increases in activity in 2004 that were clearly higher than those in the previous year. In the case of industry, mentioned briefly above and analysed in greater detail in Box 1, there was a rise in GVA of 6%, considerably higher than the 1.4% in 2003. The growth rate of corporations in the transport and communications sector also quickened by nearly one percentage point (GVA rose by 4.5% in 2004, against 3.6% in the previous year), basically as a result of the surge by corporations in the telecommunications sub-sector (driven especially by the mobile telephony segment and, in the last half of the year, by the expansion of ADSL) and of the positive performance of air transport corporations following the slowdown in 2003. Lastly, energy corporations also grew more in 2004 than in the previous year, although this was a consequence of the GVA growth of refining corporations, due to the upward fluctuations in oil prices in the second half of the year, which were accompanied by an increase in margins. Thus electricity and gas sector corporations, which are also classified in the energy sector, showed a rate of change of GVA of –0.4% in 2004. This change was because the higher competition in the gas sector affected prices, and because, despite the increase in demand for electricity (according to the Spanish Electricity Network, demand for electricity attributable to economic activity rose by 3.5% in 2004), it did not offset the higher costs of electric utilities with respect to the previous year, since they were unable to use their lower-cost hydroelectric power stations to the same extent as in 2003.

Finally, Chart 2 classifies the corporations in the sample according to their GVA growth rate in the period. It shows an increase in the percentage of corporations whose GVA grew in 2004, thereby confirming the generalised growth in activity during the period.

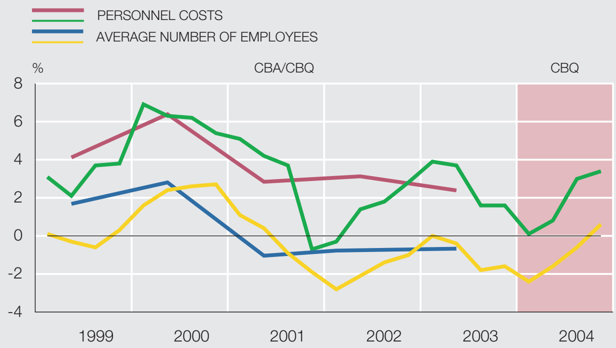
The performance of the industrial sector, according to the information furnished by the sample of corporations analysed in the CBSO Quarterly Survey, confirms that in 2004 the GVA of Spanish industrial corporations grew by 6%, against 1.4% in 2003. The recovery in capital goods investment largely explains this performance, along with the positive net contribution of external activity, this being so despite the continued failure of the euro area countries to show clear signs of recovery. Although the improvement of industry in 2004 extended to practically all its sub-sectors, it was the glass, ceramics and metals corporations that posted the largest rises in activity (9.3%), highly favoured as they were by the growth of steel corporations. The chemicals industry and the electrical, electronic and optical equipment industry also managed to step up their GVA growth rate markedly, by 8.8% and 8.7%, respectively. Meanwhile, the growth of personnel costs moderated notably, with a rise of 1.7% in 2004, one percentage point less than in 2003. This rate was achieved basically because average compensation was more tightly contained, its growth rate slowing from 3.6% in 2003 to 2.8% in 2004, while employment again fell, this time by 1.1%, very similar to that in the previous year. However, in the case of employment, it should be noted that it followed an upward path in every quarter since the beginning of the year. Thus, while in the first quarter of 2004 the change in average employment was -2.4%, this rate improved progressively and in Q4 there was a net rise in employment of 0.6%. As a result of these changes in GVA and personnel costs, gross operating profit in 2004 rose by 11.6%, against –0.2% in 2003. This, taken together with the high growth in financial revenue, basically due to dividends from the foreign subsidiaries of Spanish corporations received by their parents, explains the high rate of change in ordinary net profit, which was up by 32.2%. Consequently, return on investment grew notably with respect to 2003, breaking a downward trend that had persisted in this aggregate of industrial corporations since 2001. Thus return on investment was 9.8% in 2004, nearly one percent-

PERFORMANCE OF THE INDUSTRIAL CORPORATIONS REPORTING TO THE CBSO (a)

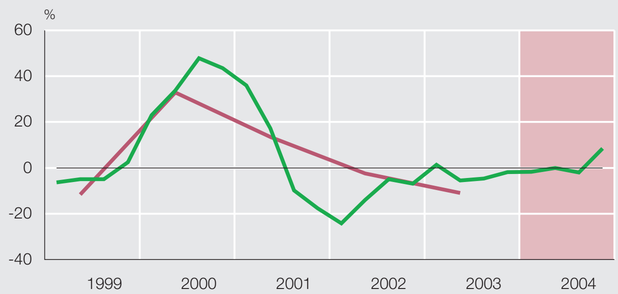
GROSS VALUE ADDED AT FACTOR COST
Rate of change



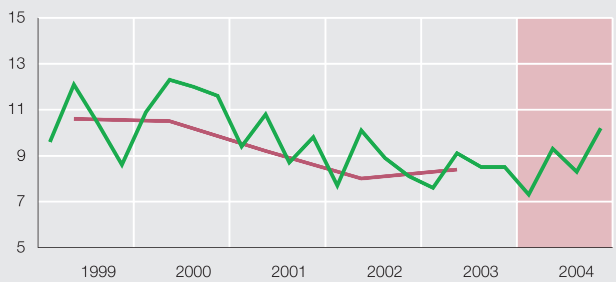
EMPLOYMENT AND WAGES
Rate of change



FINANCIAL COSTS
Rate of change



RETURN ON INVESTMENT
Ratios



REPORTING INDUSTRIAL CORPORATIONS		1999				2000				2001				2002				2003				2004			
Number of corporations	CBA	3,038				2,974				2,814				2,606				2,074				–			
	CBQ	422	406	397	387	433	413	391	377	403	393	381	364	390	376	366	355	368	360	350	338	343	327	317	227
% of GDP of the sub-sector industrial corporations	CBA	31.2				31.4				28.2				26.5				22.6							
	CBQ	28.4	29.0	27.1	27.1	26.6	26.6	25.2	25.4	22.2	21.8	20.6	21.0	21.0	21.1	20.3	19.3	20.2	20.0	18.7	18.6	20.5	20.6	18.6	15.3

SOURCE: Banco de España.

age point more than in 2003, and return on equity stood at 13.1%, against 11.2% in 2003. Meanwhile, the ratio approximating the cost of borrowed funds decreased further in 2004 to 3.8%, owing to the lower interest rates borne by corporations. This value, like that for the total sample, is the lowest in the entire quarterly series. The spread between ROI and cost of debt widened once again, standing at positive and increasing values for the fourth year running.

All the above confirmed the improvement in industry throughout 2004, both in productive activity and in the generation of surpluses and improved rates of return. Regarding employment, the data seem to show a progressive resumption of job-creation processes, although only the rate for Q4 is positive. Finally, the coming quarters will serve as a test for confirming the improvement reported here, although evidently a clear recovery in the activity of the main euro area countries would be conductive to this confirmation, which, however, is threatened by the pressure deriving from the rise in oil prices.

Employment and personnel costs

In 2004 personnel costs grew by 2.9%, a rate representing moderate growth, particularly if it is compared with the 3.9% increase in these costs in 2003. This performance was due to the discreet growth in average compensation and the slight decrease in employment by the corporations in the sample in 2004. This rate of change in employment in 2004 (–0.2%) contrasts with that in 2003 (0.4%) and is mainly due to staffing adjustment by a large corporation in the telecommunications sector. This corporation commenced a workforce reduction plan at the end of 2003 and, due to its weight in the sample, it strongly affected the 2004 aggregate data. In fact, if this corporation is eliminated from the sample, the growth of average workforces is 0.8% in 2004, slightly higher than in the previous year (0.6%). These rates, which are more in line with the overall behaviour of the sample, confirm the existence of a certain recovery in the processes of job creation, which became increasingly evident as the year unfolded and were particularly intense in the industrial sector, where, after a first quarter with a negative employment rate of –2.4%, the sector progressed positively and in 2004 Q4 posted an increase in net employment of +0.6% (see chart in Box 1). Among the other sectors, wholesale and retail trade was a once again notable for its greater momentum also in job creation, since in 2004 the corporations in this aggregate expanded their average workforces by 3.9%, a figure very similar to but slightly down on 2003 (4.2%). Regarding the transport and communications sector, as has been remarked on for the total sample, the data are distorted by the effect of the workforce reduction mentioned above. If the corporation in which it occurred is excluded, employment in this sector would reflect growth of 1.1% in 2004, against a rise of 0.1% in 2003, thereby confirming the return to a pattern of job creation, in line with the positive performance of productive activity. Lastly, the energy sector was the only one with a clearly negative rate of employment in 2004, although notably there was a slight improvement in comparison with the previous year. Behind this figure are the adjustments continually being made by electric utilities in an attempt to downsize their workforces to meet the demands of a liberalised market.

Average compensation rose by 3.1% in 2004, nearly half a percentage point less than in the previous year. Within the quarterly series, this was the lowest increase in average annual compensation since 1999. The trend towards greater wage moderation was perceived above all in the wholesale and retail trade and industrial sectors and, to a lesser extent, in transport and communications, which posted a similar growth rate to that in 2003. The data confirm that, once again, the sectors most active in job creation were those that showed most moderation in wage costs, whereas the energy sector, still in the midst of systematic workforce reductions, was the only one in which average compensation rose by more in 2004 (4%) than in 2003 (3.9%). This can also be appreciated in Table 2.B, which analyses separately the corporations that created jobs or maintained their average workforces, and those in which there was net job

PURCHASES AND TURNOVER OF CORPORATIONS REPORTING DATA ON PURCHASING SOURCES AND SALES DESTINATIONS
Structure

TABLE 3

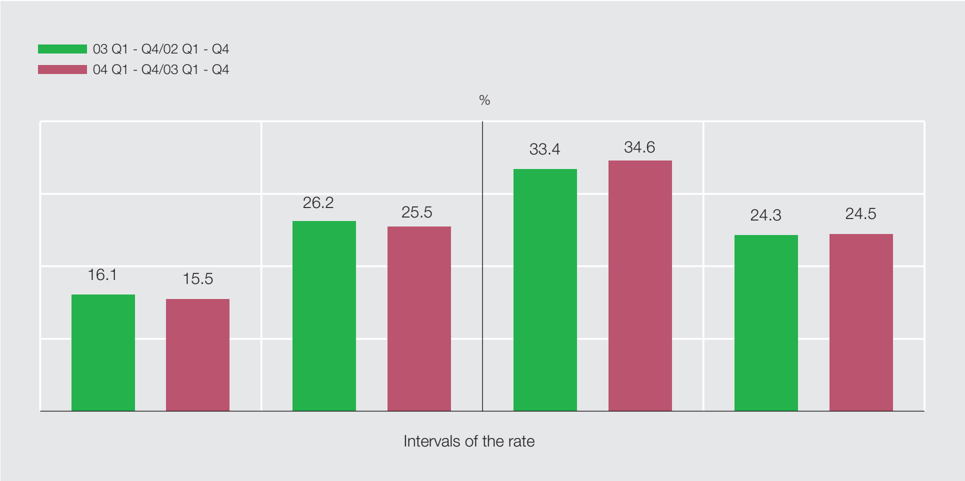
		CBA		CBQ (a)	
		2002	2003	03 Q1 - Q4	04 Q1 - Q4
Total corporations		6,337	6,337	744	744
Corporations reporting source/destination		6,337	6,337	719	719
Percentage of net purchases according to source	Spain	67.6	68.0	76.8	76.2
	Total abroad	32.4	32.0	23.2	23.8
	EU countries	19.5	19.2	17.1	17.9
	Third countries	12.9	12.7	6.1	5.8
Percentage of net purchases according to destination	Spain	82.7	82.7	87.6	87.5
	Total abroad	17.3	17.3	12.4	12.5
	EU countries	12.8	12.9	9.8	10.0
	Third countries	4.5	4.4	2.6	2.6

SOURCE: Banco de España.

a. All the data in these columns have been calculated as the weighed average of the relevant quarterly data.

DISTRIBUTION OF CORPORATIONS BY RATE OF CHANGE IN GVA AT FACTOR COST

CHART 2



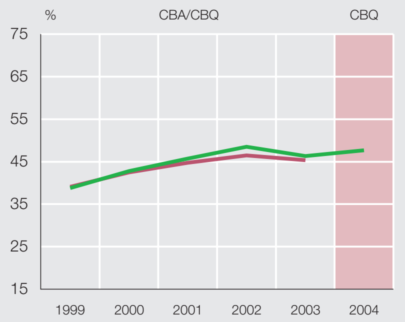
SOURCE: Banco de España.

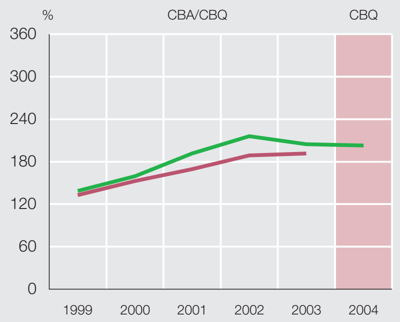
destruction. Finally, Table 4 shows how 2004 saw a fall of nearly three percentage points in the proportion of corporations that raised average compensation by more than the rate of inflation. This seems to show a firming of the trend towards greater containment of wage costs, which could be threatened by the appearance of inflationary pressure induced by the sharp rises in oil prices since 2004.

Profits, rates of return and debit

The positive trend in the activity of corporations in 2004, together with the moderate rises in personnel costs, enabled gross operating profit to grow by 8.6% in 2004, practically twice what it did in the previous year (see Table 5). This increase in gross operating profit was boosted by the inflow of dividends from foreign subsidiaries, particularly in the fourth quarter of the year, which led financial revenue to rise by 12.6% in the year as a whole. On top of this,

DEBT RATIOS CHART 3





	1999	2000	2001	2002	2003	2004
CBA	39.1	42.4	44.7	46.5	45.3	
CBQ	38.8	42.8	45.7	48.5	46.3	47.7

	2001	2002	2003	2004
CBA	169.5	188.9	191.3	
CBT	191.6	215.7	204.7	202.7

SOURCE: Banco de España.

a. Ratio calculated from final balances. Net assets include current price adjustment.
b. Ratio calculated from final balances. Interest-bearing borrowing includes an adjustment to eliminate intragroup debt (approximation of consolidated debt).

financial costs again decreased, this time by 4%, and depreciation decreased slightly as a result of certain divestments and of changes in the depreciation policies of certain large corporations. All this meant that ordinary net profit in 2004 rose by 21.7%, up more than eight percentage points on 2003. The following table details the extent to which the decrease in financial costs was due to changes in interest rates and/or in debt:

	04 Q1-Q4/03 Q1-Q4
Change in financial costs	**–4.0%**
A. Interest on borrowed funds (1+2)	*–4.7%*
1. Due to the cost (interest rate)	–4.1%
2. Due to the amount of interest-bearing debt	–0.6%
B. Commissions and cash discounts	*+0.3%*

As the above table shows, the decline in financial costs is largely explained by the decrease in interest rates, which lowered the cost of borrowed funds ratio (R.2 in Table 1) to the minimal levels that have now become customary, although it is possible that, given the levels reached, there is little room left for further reduction in financial costs. Meanwhile, it can be seen that, on average, the change due to indebtedness in 2004 had a limited effect on the reduction in financial costs.

The reduction in financial costs, which came about because the average debt in 2004 fell slightly with respect to the average debt in 2003, is not a measure of the level of debt between the beginning and the end of 2004. Chart 3, which was prepared to analyse the level of debt of the corporations in the sample at the end of the period from two complementary standpoints, shows, on the right, the ratio “interest-bearing borrowing/GVA”, which is obtained from the final balances of the balance sheets, including in the numerator the amount of borrowed

PERSONNEL COSTS, EMPLOYEES AND AVERAGE COMPENSATION
Percentage of corporations in specific situations

TABLE 4

	CBA			CBQ (a)		
	2001	2002	2003	02 Q1 - Q4	03 Q1 - Q4	04 Q1 - Q4
Number of corporations	8,438	8,127	6,337	855	832	744
PERSONNEL COSTS	100	100	100	100	100	100
Falling	21.8	27.6	25.8	33.0	30.8	31.8
Constant or rising	78.2	72.4	74.2	67.0	69.2	68.2
AVERAGE NUMBER OF EMPLOYEES	100	100	100	100	100	100
Falling	27.9	30.7	32.1	43.0	45.1	44.5
Constant or rising	72.1	69.3	67.9	57.0	54.9	55.5
AVERAGE COMPENSATION RELATIVE TO INFLATION	100	100	100	100	100	100
Lower growth (b)	39.2	47.2	37.0	49.7	43.3	46.9
Higher or same growth (b)	60.8	52.8	63.0	50.3	56.7	53.1

SOURCE: Banco de España.

a. Weighted average of the relevant quarters for each column.
b. Twuelve-month percentage change in the CPI.

GROSS OPERATING PROFIT, ORDINARY NET PROFIT, RETURN ON INVESTMENT AND ROI-COST OF DEBT (R.1-R.2).
BREAKDOWN BY SIZE AND MAIN ACTIVITY OF CORPORATIONS
Ratios and growth rates of the same corporations on the same period a year earlier

TABLE 5

	GROSS OPERATING PROFIT				ORDINARY NET PROFIT				RETURN ON INVESTMENT (R.1)				ROI-COST OF DEBT (R.1-R.2)			
	CBA		CBQ (a)		CBA		CBQ (a)		CBA		CBQ (a)		CBA		CBQ (a)	
	2002	2003	03 Q1 - Q4	04 Q1 - Q4	2002	2003	03 Q1 - Q4	04 Q1 - Q4	2002	2003	03 Q1 - Q4	04 Q1 - Q4	2002	2003	03 Q1 - Q4	04 Q1 - Q4
Total	5.7	8.8	4.6	8.6	5.6	17.0	14.1	21.7	7.9	7.4	7.8	8.4	3.6	3.4	3.6	4.4
SIZE																
Small	2.0	1.8	—	—	4.6	6.0	—	—	8.2	7.5	—	—	2.8	3.0	—	—
Medium	9.2	4.6	0.8	4.4	7.1	15.6	0.7	15.4	8.5	8.1	8.4	8.4	4.1	4.5	4.4	4.7
Large	5.5	9.4	4.8	8.8	5.5	17.4	14.7	21.9	7.9	7.4	7.8	8.4	3.5	3.4	3.6	4.4
BREAKDOWN OF ACTIVITIES BEST REPRESENTED IN SAMPLE																
Energy	-0.5	2.2	2.9	7.5	1.2	9.7	1.7	8.7	10.1	8.2	8.6	9.2	6.2	4.7	5.0	5.7
Industry	0.1	9.6	-0.2	11.6	-2.3	18.4	8.8	32.2	8.0	8.4	9.0	9.8	3.3	4.6	4.9	6.0
Wholesale and retail trade	13.4	7.7	8.5	10.3	13.3	6.0	7.1	9.4	12.6	12.0	11.1	10.4	7.8	8.2	6.9	6.4
Transport and communications	13.4	7.9	4.0	6.5	40.7	23.3	5.5	17.1	8.8	8.4	11.4	14.2	4.1	4.2	6.8	9.8

SOURCE: Banco de España.

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

funds, i.e. debt bearing explicit interest (and hence excluding trade credit), adjusted by intra-group financing transactions. This ratio provides a measure of indebtedness in relation to a corporation's ability to add value, or, what is the same, to generate income. As can be seen in the chart, following the period 1998-2002, in which the debt with which Spanish multinationals financed their foreign investments grew substantially, the ratio of this group of large corporations commenced a slight decline in 2003, due to more moderate recourse to borrowed funds and to increased GVA, although this decline seems to have stabilised in 2004. This downturn in 2003 did not, however, extend to all corporations, according to the latest available informa-

STRUCTURE OF REPORTING CORPORATIONS' RETURN ON INVESTMENT AND ORDINARY RETURN ON EQUITY TABLE 6

		CBQ (a)			
		RETURN ON INVESTMENT (R.1)		ORDINARY RETURN ON EQUITY (R.3)	
		03 Q1 - Q4	04 Q1 - Q4	03 Q1 - Q4	04 Q1 - Q4
Number of corporations		832	744	832	744
Percentage of corporations by profitabililty bracket	R <= 0%	24.6	24.0	27.4	26.9
	0% < R <= 5%	19.5	21.3	15.1	16.0
	5% < R <= 10%	15.4	15.1	11.3	10.7
	10% < R <= 15%	10.5	10.4	9.3	8.4
	15% < R	30.0	29.2	37.0	37.9
MEMORANDUM ITEM: Average return		7.8	8.4	11.1	12.3

SOURCE: Banco de España.

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

tion on the financial accounts of the Spanish economy. The ratio given in the left panel of Chart 3 is also calculated from final balance sheet figures and compares two balance-sheet groupings, namely interest-bearing borrowings and net assets, in which the adjustments deriving from the consolidation of intra-group transactions were unable to be included[2]. This ratio, which behaves similarly to the aforementioned one, makes it easier to analyse insolvency risk, because it compares debt with the related supporting assets. In summary, the overall analysis of the breakdown of financial costs set out above and of these two ratios shows that, for this group of large corporations comprising the CBQ, in 2004 their debt decreased very slightly or practically held steady at 2003 levels according to the three approximations considered here, namely average debt in absolute terms, year-end debt in terms of GVA and debt expressed in terms of the related supporting assets.

Owing to the increase in their ordinary profits, corporations managed to raise their average rates of return, which, in the case of return on investment (ratio R.1 in Table 1) stood at 8.4 for 2004, more than half a percentage point higher than in 2003. Most notable in this respect was the increase in return posted by transport and communications and by industry, which showed a change in trend after several years of decline. The decrease in the cost of borrowed funds ratio (ratio R.2 in Table 1) to 4.0 meant that the difference between ROI and cost of debt (ratio R.4 in Table 1) again stood at clearly positive values, above those of previous years. Finally, the analysis of extraordinary results highlighted the fall of 37.7% in the item “capital gains and extraordinary revenue”, which is explained by the fact that this item included very high amounts in 2002 and 2003 as a result of the capital gains on the sale of shares and other non-current assets. This is also the reason why, despite the positive performance of ordinary profit, the final net profit only increased by 0.2%. Nevertheless, in 2004 the net profit amounted to 22% of GVA, a proportion similar to that in 2003 when this percentage reached a high in the quarterly series.

2. These adjustments would have to be made in both the numerator and the denominator, so they have less impact than in the case of the ratio interest-bearing borrowings/GVA. To be able to do this, it would be necessary to consolidate not only intra-group debt, but also share cross-holdings (adjustment of shares and interests in assets, in the parent’s portfolio, and of liabilities in subsidiaries), which has been ruled out due to lack of information and the limited impact it has on analysis, except in a few specific cases as mentioned below.

In summary, the corporations in the CBQ sample ended 2004 on a path of moderate growth in activity, underpinned not only by the sound performance of private consumption, but also by the recovery in investment in capital goods. Aside from one-off operations, employment in these corporations began to show signs of clear recovery during 2004. Average compensation moved within the bounds of moderate growth. For its part, ordinary profit also increased, basically as a result of the inflow of substantial dividends received from abroad, deriving from the improved international situation, which helped to sustain and improve the high returns achieved in the previous period. Sources of risk worthy of mention in this scenario of stability are the rise in oil prices in recent months and the absence of a clear take-off by the major economies in the euro area, a situation which may affect the external activity of Spanish corporations, particularly industrial firms, which are the ones responsible for most trade exchanges with these countries. Nevertheless, the overall situation can be defined as positive and, in this setting Spanish corporations should capitalise on the advantages deriving from their present economic situation to undertake investment projects to improve their efficiency and competitiveness and thus continue on the path of growth, profitability and job creation.

18.3.2005

Introduction

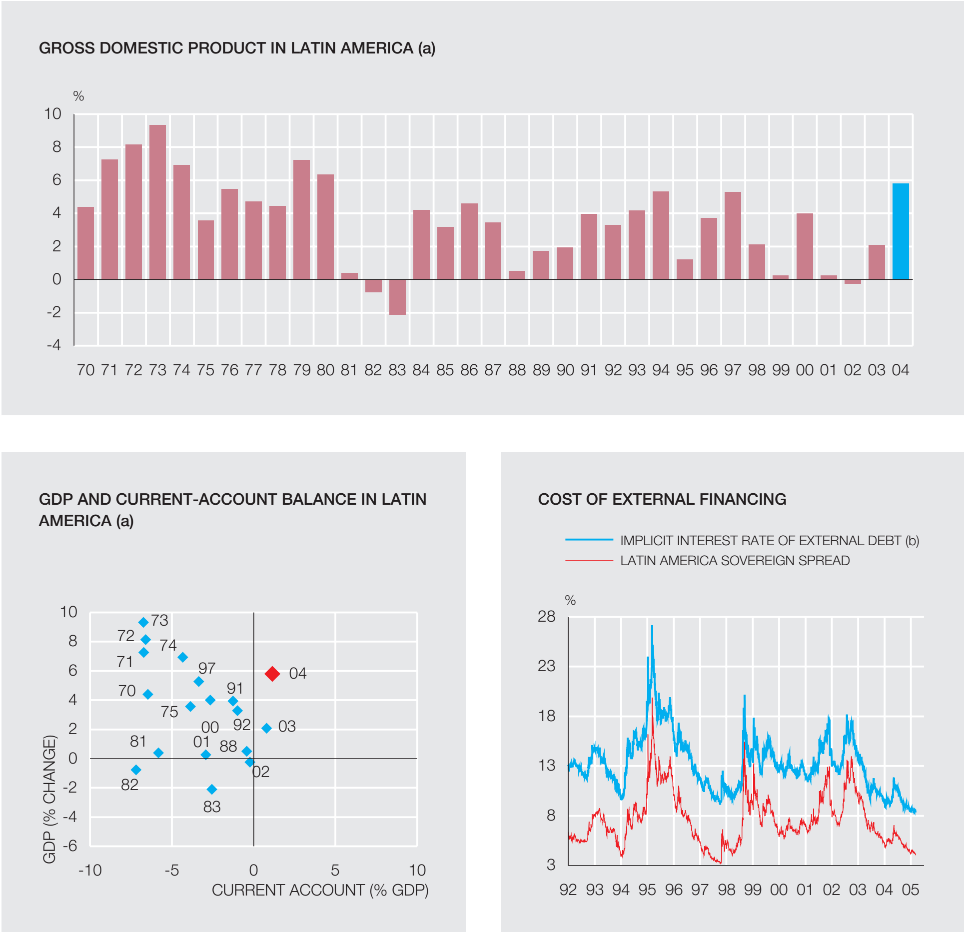
In terms of the aggregate of the main countries, growth in Latin America in 2004 was 5.9%, the highest rate since 1980 (see Chart 1). The buoyancy of growth was widespread and only a small portion may be attributed to the rebound in the activity of economies previously in crisis. The outlook for the current year is favourable and underpinned by the strength of domestic demand, which became the driving force of activity in 2004. Domestic demand was further upheld by the pick-up in employment and investment, which provides a sound basis for the recovery. Significantly and uniquely (as can be seen in Chart 1), the firming of the recovery was accompanied by a sizable trade and current-account surplus, which was higher even than that of the previous year. The soundness of exports, based on the marked improvement in the terms of trade over the past three years, accounts for this situation and mitigates the risk of growth being curtailed in the short term by the unsustainable build-up in external imbalances, as occurred in other previous episodes. Despite the start of the upward cycle in interest rates in the United States, the region's foreign borrowing costs are, as can also be seen in Chart 1, at their lowest level since the series began, owing to the conjunction of sovereign spreads at minimum levels since 1998 and very low long-term interest rates in the United States, which is perhaps due to the extensively anticipated and gradual pace of the tightening of US monetary policy. In Argentina, the completion of the restructuring of defaulted debt, which resulted in a substantial haircut for bondholders, opens a new stage for this country and its relationship to the international financial community. Monetary policies have been prudent, acting restrictively in an environment of moderate rises in inflation rates. In the fiscal domain the reductions in deficits and increases in primary surpluses were notable, assisted by a strong increase in tax revenue. Less positive was the progress in structural reforms, certain exceptions such as Brazil aside.

The current economic situation would suggest a favourable medium-term horizon, reinforced by the perception that financial vulnerability has eased notably in the recent period. Nonetheless, caution and perseverance in reducing the factors of vulnerability still in place should be maintained. For one thing, although all the vulnerability indicators have improved recently, this progress is largely due to the sharp improvement in financing conditions. Given that the ratios of external and, above all, public debt to GDP are still considerably higher than before the crisis and that the economies generally remain relatively closed and highly sensitive to changes in financial variables, an unfavourable and pronounced change in financial conditions may bring to the surface the underlying vulnerability still in place in many of these economies. For another, Latin America is, as indicated, benefiting from exceptional global circumstances, such as high commodity prices and low long-term interest rates. Were these circumstances to be reversed, that would entail risks for the region.

With regard to commodity prices, which are sustaining the region's current-account surplus, a reduction in global demand, particularly by China, might mean a sudden adjustment in the terms of trade and a rapid deterioration in the external accounts. However, the comfortable external sector position provides a degree of cushioning against this risk. As to the continuity in the United States of abnormally low long-term interest rates (given the cyclical phase of the US economy), their conjunction with a high and persistent US current-account deficit opens the way for a substantial and speedy upward correction of US bond yields. Such an adjustment might not only feed through to the region's financing costs, but might also generate an increase in global risk aversion, with a subsequent fall-off in financial flows to Latin America and a widening of sovereign spreads.

LATIN AMERICAN ECONOMIC PERFORMANCE: MEDIUM-TERM OUTLOOK
Year-on-year change and percentage

CHART 1



SOURCES: IMF, JP Morgan and national statistics.

a. Comprises eight countries (Argentina, Brazil, Mexico, Chile, Colombia, Venezuela, Peru and Uruguay).
b. Sovereign spread as represented by Latin America EMBI+ plus US long-term interest rate.

Economic and financial developments in the area

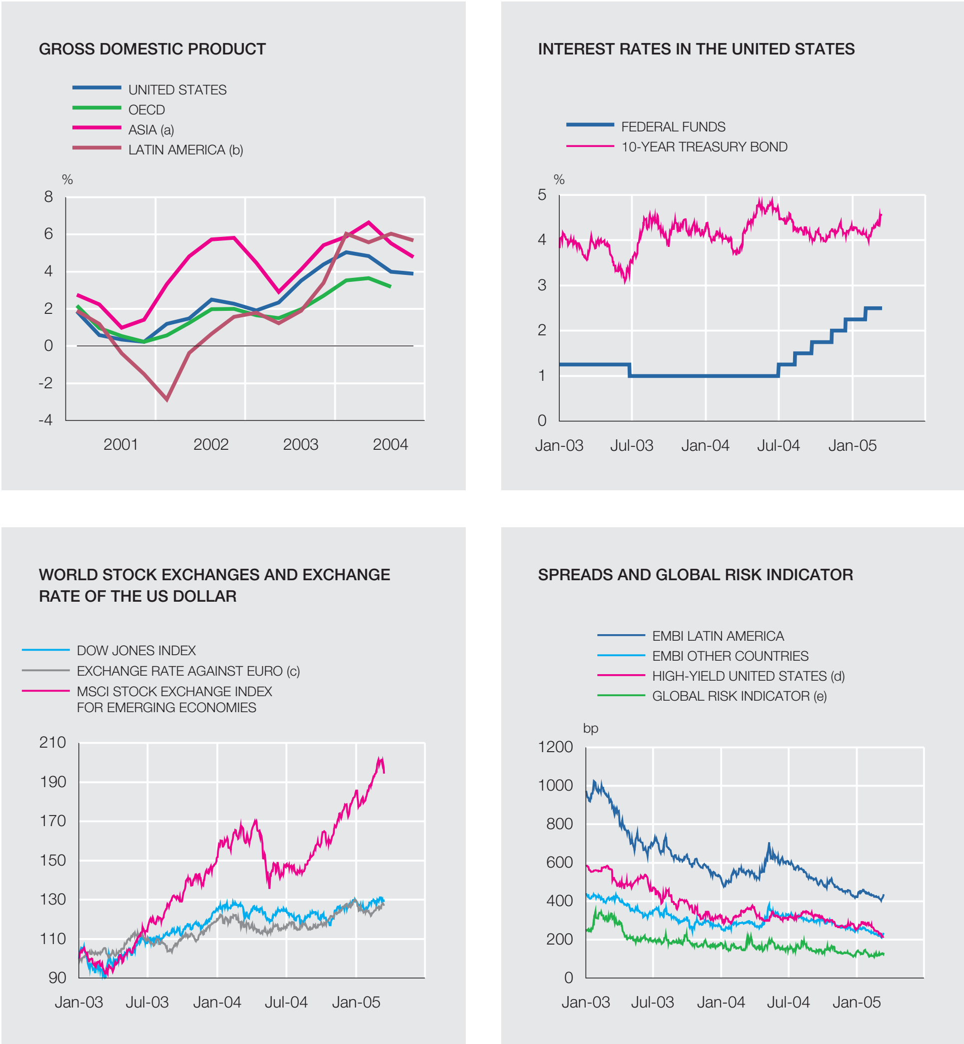
EXTERNAL ENVIRONMENT

In the second half of 2004 the global economy maintained robust momentum, albeit at a somewhat more moderate pace than in the first half of the year (see Chart 2). Also, certain previous trends were reinforced (the tightening of US monetary policy and the rise in crude oil prices), with potentially adverse consequences for financing conditions in Latin America, though such consequences have not materialised.

The Federal Reserve continued to withdraw its monetary stimulus gradually but sustainedly, raising interest rates by 150 bp from June 2004 to February this year and placing the federal funds target rate at 2.75%. Oil prices reached an all-time high in late October 2004 and, following a correction, peaked again in March 2005. Further, the depreciation of the dollar against the euro intensified (by 10% in 2004 Q4), although it has stabilised at around $1.30 per euro in 2005 Q1. International stock markets, which had behaved fairly erratically since the start of 2004, took off in the final months, posting appreciable rises (of around 10% in the industrialised countries). However, the year 2005 began with an across-the-board stock market correction in January, which has turned round completely since against a background of expectations of growth and favourable business profits. These financial developments and, in particular, the depreciation of the dollar (accentuated by greater concern about the US current

GLOBAL MACROECONOMIC AND FINANCIAL INDICATORS
Year-on-year changes, percentage, basis points and indices

CHART 2



SOURCES: Bureau of Economic Analysis, Eurostat, Bloomberg and JP Morgan.

a. Malaysia, Korea, Indonesia, Thailand, Hong Kong, Singapore and Taiwan.
b. 2004 Q4: estimation.
c. A fall denotes an appreciation of the dollar.
d. US B1 rated corporate bond.
e. Implied volatility of options traded in CBOE, multiplied by 10.

deficit) were not reflected in US long-term interest rates, since the exchange rate adjustment was relatively orderly and did not prompt disinvestment in dollar-denominated assets. Indeed, government bond yields trended downwards in the second half of the year to below 4% at the start of 2005, underpinned by low inflation prospects, the gradual and predictable pace of monetary tightening in the United States and, to a certain extent, the build-up of US government paper in the hands of Asian central banks. These low interest rates heighten the likelihood of a sudden and marked rise in yields, as evidenced since late February, when they rose by more than 0.5 pp to over 4.5% in a question of days.

The low levels of long-term interest rates, along with the firming of activity and the improvement in the financial position of companies in the developed countries (reflected in a narrowing of corporate bond spreads), made once again for a global environment of low risk aversion and a search for profitability in the emerging markets. Latin America benefited particularly from this in view of its relatively high level of foreign debt. Eastern European and Latin American

LATIN AMERICA: MAIN ECONOMIC INDICATORS

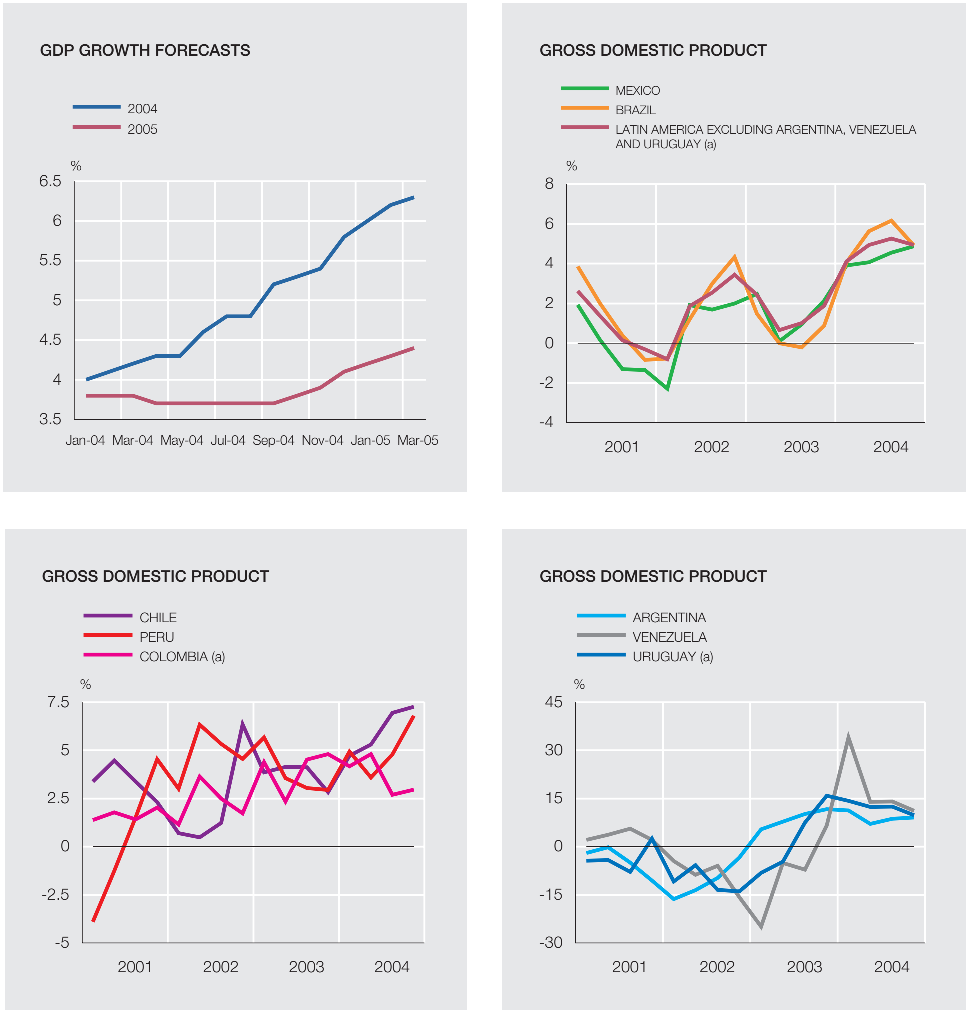
TABLE 1

	2002	2003	2004	2003 Q1	2003 Q2	2003 Q3	2003 Q4	2004 Q1	2004 Q2	2004 Q3	2004 Q4
GDP (year-on-year change)											
Latin America (a)	-0.2	2.1	5.9	1.8	1.3	1.9	3.4	6.0	5.6	6.0	5.8
Argentina	-10.9	8.8	9.0	5.4	7.7	10.2	11.7	11.3	7.1	8.7	9.1
Brazil	1.9	0.5	5.2	1.5	0.0	-0.2	0.9	4.1	5.6	6.1	4.9
Mexico	0.8	1.4	4.4	2.5	0.1	1.0	2.1	3.9	4.1	4.6	4.9
Chile	2.2	3.7	6.1	3.9	4.1	4.1	2.8	4.7	5.3	7.0	7.3
Colombia	2.3	4.0	4.1	4.5	2.4	4.6	5.3	4.0	5.0	3.1	4.4
Venezuela	-8.2	-7.7	17.3	-24.9	-5.0	-7.1	6.6	34.0	14.0	14.1	11.2
Peru	4.9	3.8	5.0	5.7	3.6	3.0	2.9	4.9	3.6	4.8	6.8
Uruguay	-11.1	2.5	12.3	-8.1	-4.7	7.5	15.8	14.3	12.4	12.5	10.2
CPI (year-on-year change)											
Latin America (a)	9.3	10.9	5.9	14.2	11.9	9.6	7.7	5.6	5.2	6.2	6.4
Argentina	25.9	14.9	4.4	35.8	14.6	5.2	3.7	2.4	4.1	5.4	5.7
Brazil	8.4	14.8	6.6	15.6	16.9	15.2	11.4	6.8	5.5	6.9	7.2
Mexico	5.0	4.6	4.7	5.4	4.7	4.1	4.0	4.3	4.3	4.8	5.3
Chile	2.5	2.8	1.1	3.8	3.7	2.7	1.1	0.0	0.5	1.5	2.3
Colombia	6.3	7.1	5.9	7.4	7.6	7.1	6.4	6.2	5.7	6.0	5.7
Venezuela	22.2	31.4	21.9	35.5	34.2	29.6	26.3	24.0	22.4	21.5	19.5
Peru	0.2	2.3	3.7	2.8	2.4	1.9	1.9	3.0	3.4	4.4	3.8
Uruguay	14.0	19.4	9.2	27.9	26.3	15.0	10.7	9.3	9.2	10.0	8.2
PUBLIC-SECTOR BALANCE (% GDP)											
Latin America (a)	-5.1	-2.0	-0,9 (b)	-4.7	-3.1	-1.9	-2.0	-1.7 (b)	-1.7 (b)	-1.0 (b)	-0.9 (b)
Argentina	-1.3	0.4	2.6	-0.7	0.0	0.5	0.4	1.1	2.0	2.7	2.6
Brazil	-10.3	-3.6	-2.5	-10.1	-6.4	-3.7	-3.6	-3.3	-4.0	-2.8	-2.5
Mexico	-1.1	-0.7	-0.3	-0.5	-0.5	-0.6	-0.7	-0.4	-0.7	-0.2	-0.3
Chile	-0.8	-1.4	2.2	-0.3	-0.5	-1.1	-1.4	-1.1	0.3	1.1	2.2
Colombia	-3.6	-2.6	…	-3.6	-2.7	-2.9	-2.6	-2.4	-0.8	…	…
Venezuela	-1.0	0.2	…	-1.1	-0.5	1.8	0.2	…	…	…	…
Peru	-2.1	-1.8	-1.3	-1.9	-1.8	-1.7	-1.8	-1.5	-1.0	-1.1	-1.3
Uruguay	-4.9	-4.6	-2.5	-4.4	-5.9	-5.1	-4.6	-3.9	-2.0	-2.4	-2.5
PUBLIC-SECTOR DEBT (% GDP)											
Latin America (a)	54.4	54.4	50,8 (b)	56.3	51.8	54.7	54.4	53.6	50.1	50.8	50.8 (b)
Argentina	140.0	141.0	…	157.5	121.6	131.0	129.9	133.0	111.0	120.3	…
Brazil	55.5	57.2	51.8	54.6	54.9	56.9	57.2	55.6	54.2	52.0	51.8
Mexico	24.0	24.7	24.1	23.0	22.8	24.8	23.5	23.5	23.8	24.2	24.4
Chile	15.7	13.3	11.6	16.5	14.7	15.0	13.5	13.4	12.0	12.1	10.0
Colombia	50.1	50.9	…	49.5	49.3	49.8	48.1	48.7	47.5	47.7	…
Venezuela	45.1	56.9	53.7	39.1	42.5	48.5	56.9	43.1	45.1	50.0	53.7
Peru	46.9	47.7	46.4	48.3	41.8	46.9	47.0	45.8	40.2	43.0	42.7
Uruguay	92.7	108.3	…	102.6	104.7	108.9	108.3	94.6	96.0	100.3	…
CURRENT-ACCOUNT BALANCE (% GDP)											
Latin America (a)	-0.2	0.8	1,1 (b)	0.1	0.6	0.8	0.8	0.9	1.0	1.1	1.1 (b)
Argentina	9.1	5.4	2.1	9.1	7.0	6.6	5.4	4.3	2.8	2.4	2.1
Brazil	-2.0	0.8	2.0	-1.1	0.3	0.7	0.8	1.0	1.5	1.7	2.0
Mexico	-2.3	-1.5	-1.4	-2.0	-1.7	-1.6	-1.4	-1.3	-1.1	-1.1	-1.4
Chile	-0.9	-1.5	1.5	-1.3	-1.8	-1.4	-1.5	-0.5	0.9	1.2	1.5
Colombia	-2.0	-1.7	…	-2.3	-2.0	-1.6	-1.5	-1.4	-1.6	-1.6	…
Venezuela	7.7	13.4	14.5	8.8	12.5	12.4	13.4	16.1	14.8	14.1	14.5
Peru	-2.0	-1.7	-0.1	-2.2	-2.0	-2.0	-1.8	-1.1	-1.1	-0.5	-0.1
Uruguay	3.4	0.5	…	1.5	1.4	0.7	-0.3	0.1	0.1	-0.4	…
EXTERNAL DEBT (% GDP)											
Latin America (a)	59.1	46.7	41,3 (b)	57.8	48.4	48.8	46.7	45.3	42.3	42.4	41.3 (b)
Argentina	159.8	130.2	118.7	156.0	117.4	124.1	119.9	121.6	101.6	110.2	118.1
Brazil	57.3	40.1	31.3	53.6	44.7	42.7	40.1	38.7	38.1	35.3	31.3
Mexico	21.3	22.1	21.7	23.2	21.6	22.8	22.1	21.2	21.5	22.1	21.7
Chile	62.0	54.8	41.7	62.5	56.5	59.6	54.8	47.9	46.1	48.6	41.7
Colombia	47.6	44.9	…	50.7	49.1	47.0	44.9	42.6	41.2	39.9	…
Venezuela	48.4	48.3	40.4	46.5	48.3	46.5	48.3	39.5	42.0	40.0	40.4
Peru	49.0	48.3	43.2	50.4	43.7	48.6	48.3	47.2	42.1	44.2	43.2
Uruguay	85.9	98.0	…	89.9	91.3	93.7	98.0	84.2	80.9	84.6	…

SOURCES: IMF, Banco de España and national statistics.

a. Aggregate of eight represented countries.
b. Estimation.

LATIN AMERICAN GDP CHART 3
Year-on-year change



SOURCES: National statistics and Consensus Forecasts.

a. 2004 Q4: estimation.

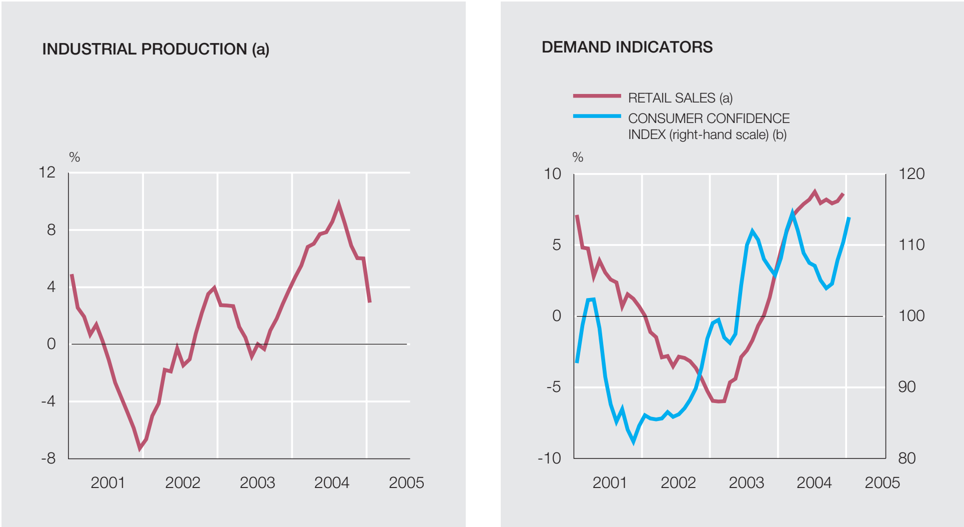
stock markets were those that most rose worldwide, and sovereign debt spreads narrowed substantially in the emerging countries, reaching an historical low of below 330 bp. Despite investors' favourable sentiment, which held up until mid-March 2005, vulnerability to a potential increase in long-term interest rates is a significant factor of risk for Latin America ahead of the coming quarters.

ECONOMIC ACTIVITY

During the second half of the year the pace of activity in Latin America remained very high, similar to that in the first six months, as shown by the year-on-year GDP growth rates of 6% in Q3 and 5.8% in Q4 (see Chart 2 and Table 1). In quarter-on-quarter terms, growth rates eased during the year but remained robust (1.3% in Q4). This performance exceeded previous expectations, as reflected in the successive upward revisions of the growth forecasts for 2004 as from Q2, and it also bore – though less intensely – on the outlook for the current year (see Chart 3). All the main countries in the region ended the year growing at a rate of over 4%. Significantly, the countries that underwent the sharpest crisis in recent years (Venezuela, Argentina and Uruguay) continued to grow at annual rates close to or above 10%, despite the fact that their respective recoveries started more than two years ago. Indeed, in Argentina there was a notable rise in growth in the second half of the year. In any event, even without the

SUPPLY AND DEMAND
Year-on-year changes

CHART 4



SOURCE: National statistics.

a. Quarterly moving averages.
b. Index. Quarterly moving average.

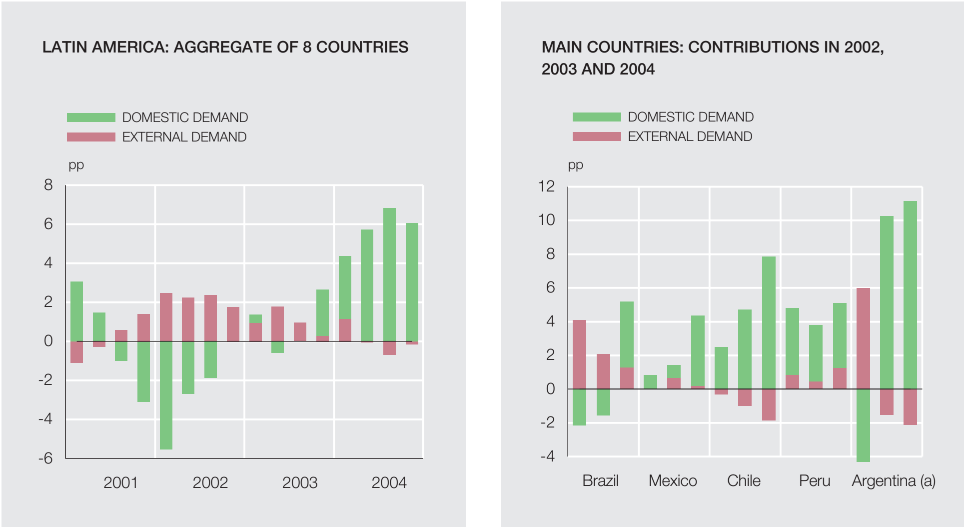
additional momentum provided by these economies, growth in the region would have been close to 5% in the last quarter, a very similar figure to that attained in the two biggest countries, Mexico and Brazil. The start of 2005 is being marked by a slight moderation in activity, judging by the recent trend of higher frequency indicators. Industrial output slowed towards the end of the year (from 10% early in the second half of 2004 to 3% in January 2005) and retail sales stabilised (see Chart 4). On the other hand, consumer confidence continues to strengthen in most countries, presaging continuing buoyancy in domestic demand.

The strong acceleration in domestic demand was, indeed, one of the salient characteristics of the second half of 2004. This was also the case in those countries, like Mexico, which started from a lagging position. The contribution of domestic demand (see Chart 5) to growth stabilised at around 6 pp at the end of the year, and in certain countries, such as Brazil, it turned positive again after having weighed down output growth for several years. The composition of domestic demand also became more balanced and healthy: consumption remained sound, but investment quickened notably; for the area as a whole a year-on-year rate of 16% was posted in Q3, compared with the negative rates recorded at mid-2003. In all main economies, except Colombia, investment growth stood at over 10%, although a slowdown was perceptible in most of them in 2004 Q4.

Behind the firming of domestic demand is the pick-up in wage income, reflected in the strengthening of labour market indicators (see Chart 6). Growth in employment stood at over 3.5% in 2004 for the region as a whole. There was notable headway – far above the average – in Argentina and Peru, firmness in Brazil and a recovery in employment in Mexico, owing to the dynamism of the 'maquila' companies, and in Chile. The improved labour market situation enabled unemployment to fall by 0.7 pp in Latin America as a whole to 10% of the labour force. The rate of joblessness fell significantly in Brazil, while in the second half of the year it moved onto a declining path in Mexico. Real wages increased by more than 2% in the region as a whole, although they did not offset the cumulative decline of the two previous years, of close to 5%. Moreover, developments were heterogeneous across the different countries: marked rises were recorded in Brazil, Argentina and Vene-

CONTRIBUTION TO GDP GROWTH
Percentage points

CHART 5



SOURCE: National statistics.

a. The figure for the contribution of domestic demand in 2002 is –16.7 pp.

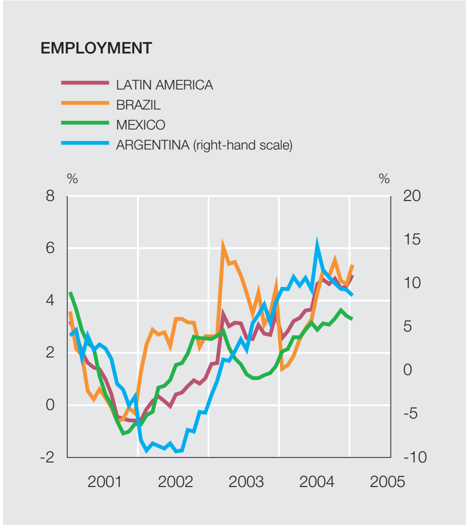
zuela, where there had been a marked downward wage adjustment in past years, while in Mexico wages even slipped.

External demand, which had driven activity in previous years, began to contribute negatively to GDP growth in the second half of the year (see Chart 5), though for the year as a whole the contribution was still slightly positive across the region and in all countries, except in Argentina and Chile. Domestic demand progressively boosted imports, although these appeared to ease towards the end of the year (see Chart 7). In dollar terms, imports grew by 30% for the area as a whole compared with 2003 (the related figure in Argentina and Venezuela was above 60%). Even more notable was the continuing vigour of exports; sales abroad also increased by close to 30% over the year as a whole and, despite more moderate growth in recent months, there are no clear signs of them weakening. In those countries where trade in commodities is predominant, such as Chile, Peru and Venezuela, exports posted growth rates of around 50% for the year. Essentially behind these results lay the sound behaviour of commodities prices. Although the overall commodities index stabilised and the prices of agricultural commodities moved on a declining path (which restricted the growth of exports in certain countries such as Argentina and Colombia), metals and energy prices continued to climb.

The favourable trend of commodities prices since 2002 and the more recent appreciation of the Latin American currencies against the dollar (see the section on financial markets) have prompted a strong improvement in the terms of trade in the region of over 17% in cumulative terms. This situation has allowed trade surpluses to firm in most countries (with the exceptions of Mexico and Colombia), and even to move on a rising path in certain cases, such as Chile, Peru and Brazil. The area as a whole will run a positive balance this year of over 4% of GDP, which is even higher than in 2003. Chart 7 shows that the improvement in the terms of trade accounts for most of the surplus whereby, had they held at their level as at the beginning of 2002 (depicted in the chart as the adjusted trade balance), the trade balance would have declined in Latin America, all other things being equal, by more than 3 pp of GDP to 1.1%. It is thus the improvement in the terms of trade that is behind the unparalleled situation of a growing trade surplus at a time of strong economic growth.

LABOUR MARKET
Indices and year-on-year changes

CHART 6



SOURCE: National statistics.

In parallel with trade surplus developments, the region's current-account surplus continued on a rising course, recording a balance of 1.2% for the year as a whole, 0.4 pp up on 2003. As with the trade balance, if the positive impact of the terms of trade is factored out, the region would have posted a current-account deficit of 2% of GDP in 2004. In countries such as Peru, Mexico or Ecuador, the current-account balance was assisted by the increasingly higher levels of remittances to Latin America. In 2004, for the region as a whole, remittances amounted to 45.8 billion, 20% up on the previous year and amply exceeding 2% of GDP.

FINANCIAL MARKETS AND EXTERNAL FINANCING

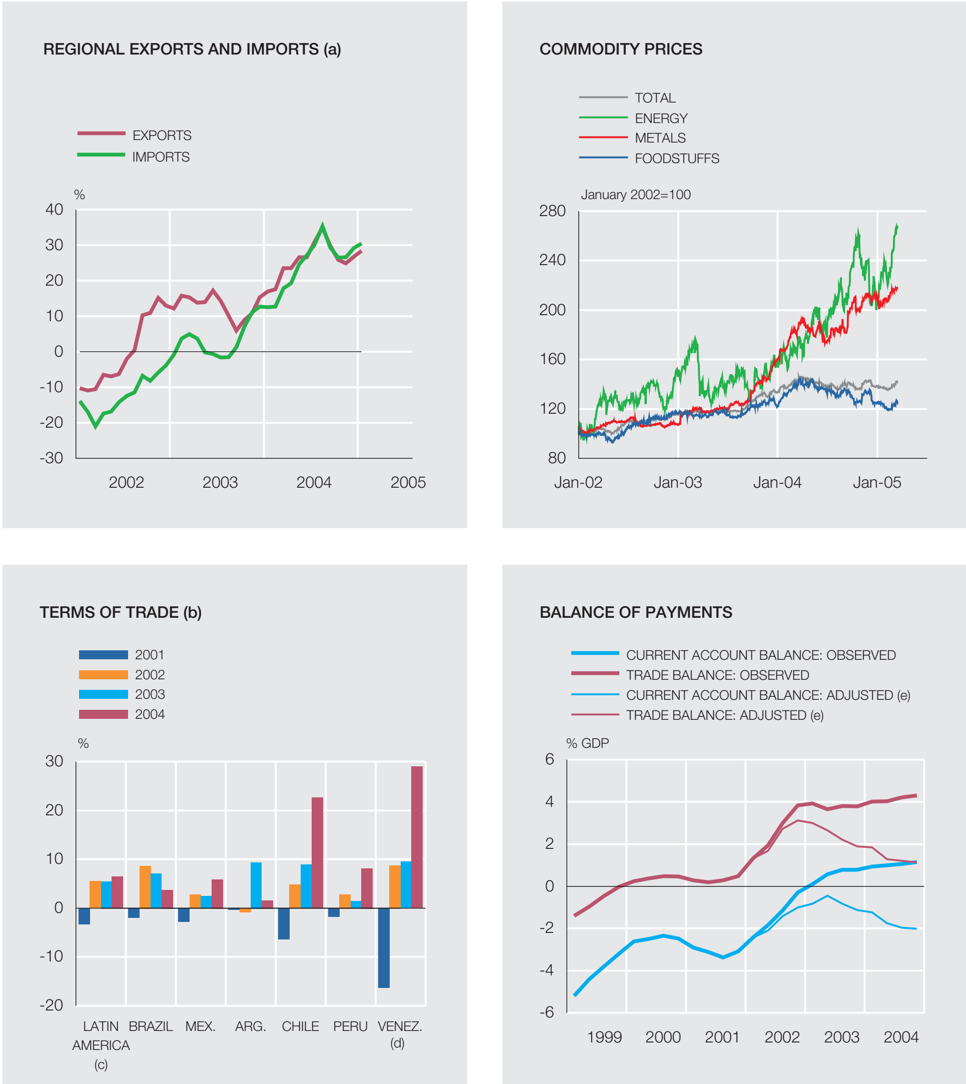
During the second half of the year financial markets performed very favourably, against a benign economic and financial background both within and outside the area.

Sovereign spreads were particularly favoured by this situation and held on a clearly falling trend from late May (see Chart 8). Lows for the year were recorded in December for most countries, as were indeed all-time lows (since the series have run) for some economies (Mexico, Colombia, Chile and Peru). The deterioration in inflation expectations, the tightening of monetary policies in most countries, or political factors in Venezuela or Ecuador exerted only a temporary effect and did not break the downward trend of spreads. The regional EMBI fell by practically 40% from its May high to around 425 bp at the end of the year. As can be seen in Chart 8, the narrowing of the sovereign spreads of Brazil, Peru and Uruguay were particularly notable, but the decline exceeded 20% in all the countries. Even in Argentina, the reduction in the spread of the BODEN bonds issued after the default exceeded 40%. In 2005 Q1, sovereign spreads fluctuated, reaching new lows in late February but rebounding moderately in March.

The stock markets ended 2004 with significant gains, concentrated in the second half of the year, and virtually all the region's stock market indices stood at historical highs as at end-February 2005. The Colombian stock market recorded the biggest rise, of over 85% in local currency, followed by the Peruvian and Mexican markets. The gains on the Brazilian market for the year as a whole (slightly over 15%) were held back by the negative performance early in 2004. The year 2005 began with a correction of the region's main stock markets in January, which was more than offset by the rises in the following months. The Argentine stock market was notably volatile following the definition and undertaking of the debt exchange, and the rise of over 13% in January and February was mostly reversed in March.

EXTERNAL BALANCES AND THEIR DETERMINANTS
Year-on-year changes and percentage of GDP

CHART 7



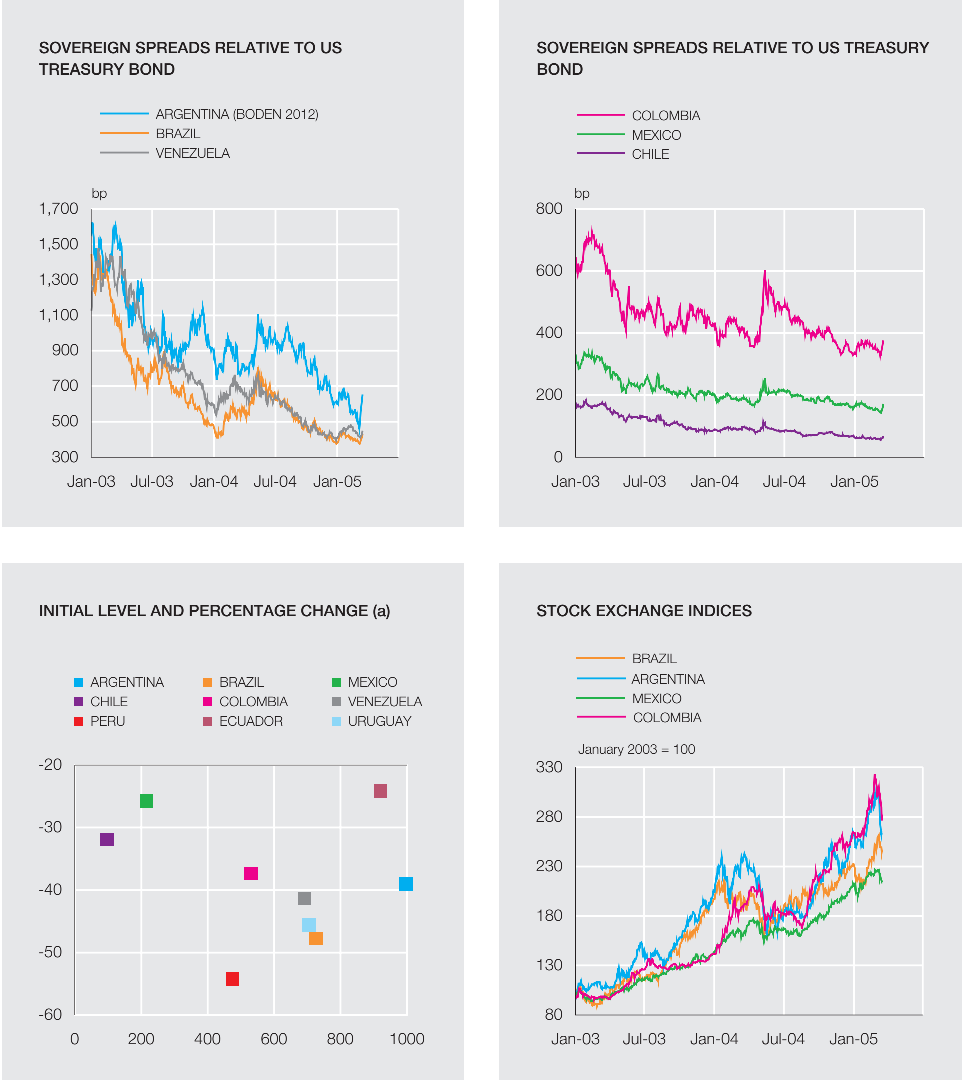
SOURCES: National statistics and own calculations.

a. Quarterly moving average.
b. Ratio of export to import prices.
c. Comprises seven countries.
d. The figure for 2001 is -16.2%.
e. Calculated with terms of trade at the beginning of 2002.

Most exchange rates in the region tended to appreciate against the dollar in the second half of the year (see Chart 9), some markedly so. The appreciation in the area as a whole against the dollar was 4.4% during 2004, while in nominal effective exchange rate terms it was limited to 1%, owing to the weakness of the dollar against the other main trading partners in the region. The divergence between the exchange rate trend against the dollar and against the other currencies proved favourable for Latin America as it enabled a lesser debt burden (since most of the foreign liabilities of government and private-sector agents are denominated in dollars) to be reconciled with limited losses in terms of competitiveness abroad. The Colombian peso posted the biggest appreciation in the region over 2004 as a whole (17% against the dollar), and also notable as from May was the appreciation of the Brazilian real and the resilience of the Mexican peso, thereby interrupting the depreciating course on which it had moved since the beginning of 2002.

SOVEREIGN SPREADS AND STOCK EXCHANGES
Basis points and indices

CHART 8



SOURCE: JP Morgan.

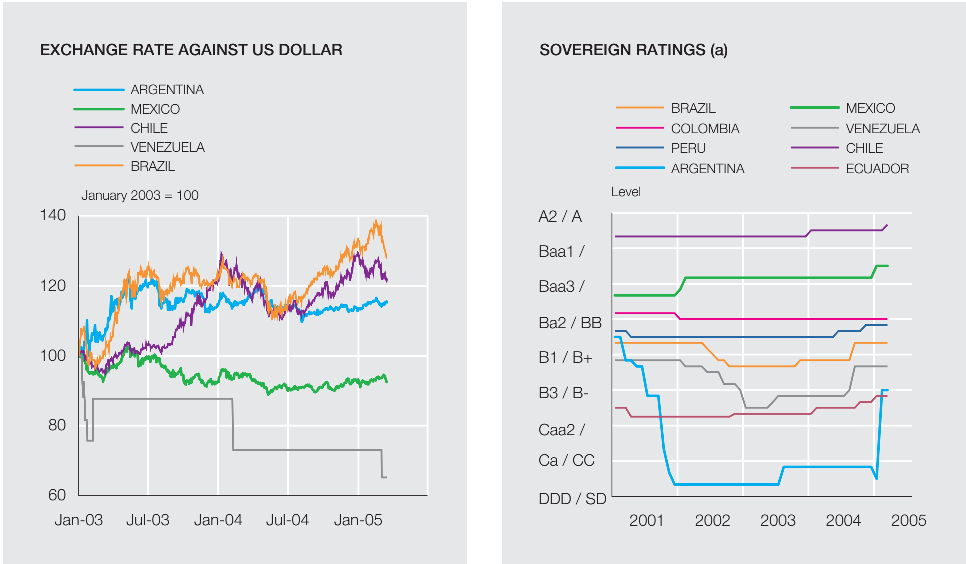
a. From last week of May to December.

The favourable economic and financial situation continued to translate into selective upgrades of sovereign ratings, a process which had begun timidly in late 2003, as can be seen in Chart 9. Brazil, Uruguay and Venezuela benefited from an upgrade in the second half of the year, as did subsequently Mexico, Ecuador, Chile and, once again, Uruguay in 2005 Q1. According to some of the rating agencies, Argentina might receive the same rating as that of Ecuador when the new bonds begin to trade in April, thereby abandoning the “Selective Default” category associated with the suspension of payments in force since late 2001. In contrast to this trend, the Dominican Republic’s credit rating was downgraded.

The firming of the recovery, the buoyancy of the external position and benign financing conditions helped bring about a reduction in the degree of vulnerability, as reflected in the indicators in Chart 10, and an improvement in the financial outlook for these countries. In this respect, the series of improvements in sovereign ratings is a clear indicator of greater resilience in the face of future adverse shocks. Nonetheless, it should be stressed that, although sovereign spreads are at the level prior to the Russian crisis, vulnerability remains high and certain sig-

EXCHANGE RATES AND SOVEREIGN RATINGS
Indices and level

CHART 9



SOURCES: Datastream, Fitch, Moody's and Standard and Poor's.

a. Average of ratings by Moody's, Standard and Poor's and Fitch IBCA.
b. In January 2005, Standard and Poor's reduced the rating for Venezuela to "selective default" for technical reasons.
c. Including the possible change in rating for Argentina when the new bonds start to be traded, announced by Standard and Poor's but not yet fully confirmed.

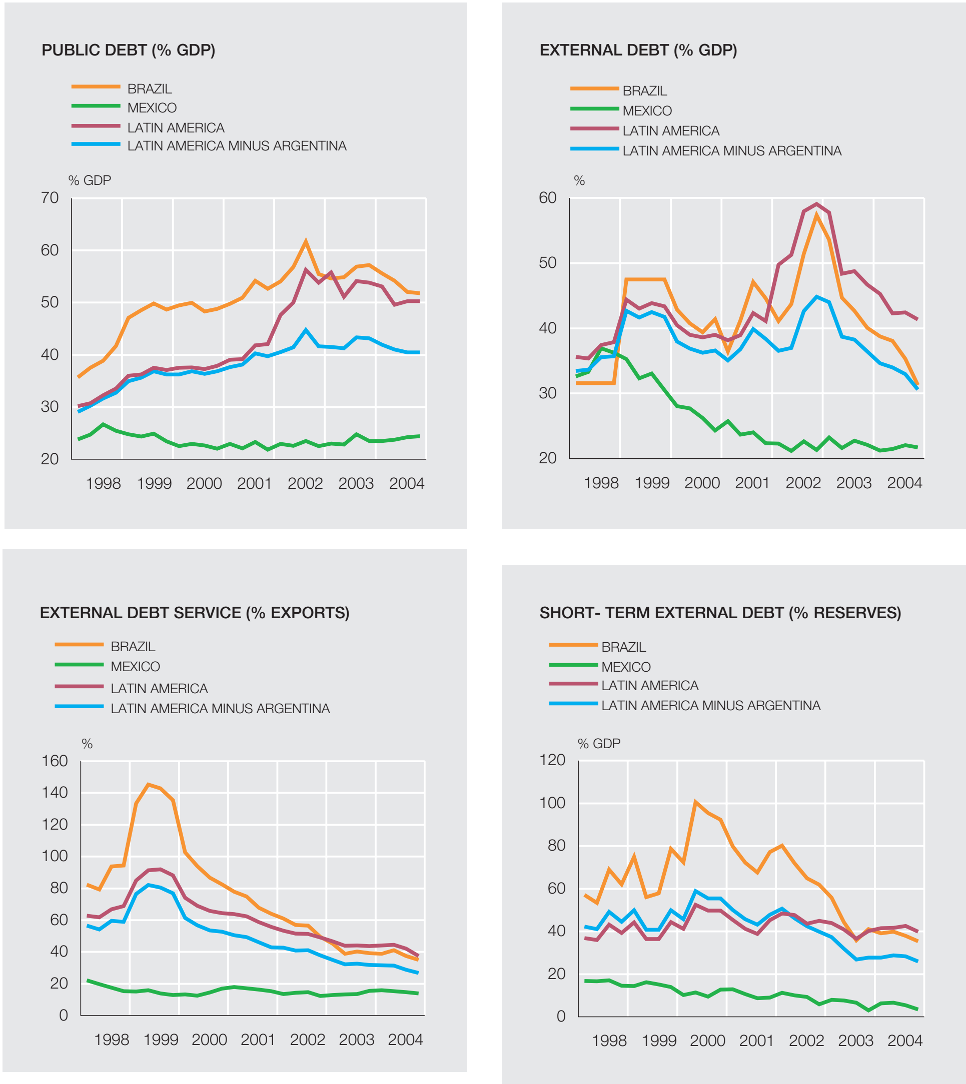
nificant indicators, such as the public and external debt/GDP ratios (see Chart 10), have worsened in relation to that period. Moreover, the particularly volatile nature of financial indicators in these countries entails a risk of sudden deterioration that may ultimately give rise to feedback in a short period of time. Perseverance is thus called for in the reduction of vulnerabilities via disciplined policies and in the more active management of debt instruments, harnessing the improvement in the investment environment. Box 1 describes the recent initiatives on the primary debt markets to reduce the degree of vulnerability associated with debt.

Total issues on primary markets (see Chart 11) in the second half of the year were similar in trend and amount to the first six months (17.5 billion, with Q3 proving more active than Q4). Corporate issues, however, posted a decline (more marked at the end of the year) which has been offset by the strong momentum of issues at the start of 2005. For the year as a whole, issues amounted to $36 billion, almost 10% down on 2003. The reduction was centred on corporate issues, which declined by 27%. That made for a loss of share of Latin America on the primary debt markets, such share accounting scarcely for one-third, compared with 44% in 2003 and over 70% in 2001.

As regards overall net capital flows to Latin America, the widening of the current-account surplus and the lesser pace of the build-up in reserves translated into a heavy reduction relative to 2003. Total flows amounted to $5.6 billion on aggregate for Latin America, less than one-quarter of those received the preceding year. Official flows turned negative, owing to the repayment of loans received from international financial institutions, while the negative contribution of portfolio flows and loans increased. Foreign direct investment (FDI) flows alone were positive, showing a notable recovery during the year and rising from $33 billion in 2003 to $50 billion in 2004, which brought their declining trend since 1999 to a halt. This latter figure is particularly favourable, especially given that the extraordinary performance of FDI in the latter part of the nineties was upheld by an intense privatisation process (which has yet to revive in

VULNERABILITY INDICATORS
Percentages

CHART 10



SOURCE: National statistics.

the current economic situation) and that Argentina remains practically on the sidelines as far as investment is concerned. Brazil and Mexico account for most of the increase in FDI, although there were certain one-off operations in these countries which biased their figures upwards.

PRICES AND MACROECONOMIC POLICIES

After rebounding notably in 2004 Q2, the aggregate inflation rate for the area continued increasing very slightly, closing 2004 at a year-on-year rate of 6.5% (see Chart 12). This result is very similar to that as at end-2003, although in annual average terms inflation has fallen from 10.9% in 2003 to 5.9% in 2004. All countries, except the Andean economies, saw an acceleration in inflation in the second half of the year, although in the opening months of 2005 there has been something of a slowdown in prices in most of them, most sharply so in Mexico. The exception is Argentina, where prices, after relatively stable behaviour in the second half of 2004, quickened markedly at the start of 2005. Only Venezuela ended the year with inflation running at over double figures.

These price developments meant a failure by Mexico to meet its explicit inflation targets and placed the Brazilian rate at the end of the year close to the upper limit of its target band, while

The difficulty of issuing local-currency-denominated debt on international markets, and even on the local market at a sufficiently long maturity period, has been extensively analysed in the literature as one of the key factors of financial vulnerability in emerging economies, in particular in Latin America[1]. This limitation lies at the root of the significant proportion of debt in dollars and the high sensitivity of public debt to financial conditions, in particular to the volatility of the exchange rate and of interest rates. As can be seen in the trend of interest payments on debt, in the left-hand panel of the chart, this problem tends to worsen in crisis or capital-drought situations, and when interest rates in the industrialised countries are higher. Symmetrically, the problem tends to ease in situations such as those in 2003 and 2004, when ample international liquidity coupled with the improved fundamentals of the emerging economies allowed debt to be issued under very favourable conditions.

These circumstances have underscored the need for a more active approach in the management policies for debt and for new financing instruments, so as to provide for more stable debt composition. In recent years, such policies have firstly allowed the proportion of external debt - which is mostly in dollars and therefore sensitive to exchange rate fluctuations - to be reduced in favour of domestic debt, whose vulnerability to the exchange rate is a priori less (see the right-hand panel of the chart). There has moreover been considerable progress regarding the management of domestic debt. Significantly, the indexing of debt to the exchange rate has tended to lessen, in exchange for a moderate increase in inflation-indexed debt denominated in local currency both at floating and fixed interest rates, albeit at a shorter term in the latter case. Overall, then, the composition of current debt may be qualified as less vulnerable to exchange rate swings and also to interest rate volatility.

1. The term "original sin" for referring to this circumstance was coined by Hausman and Eichengreen (1999) in Exchange Rates and Financial Fragility, NBER Working Paper 7418, November 1999. Céspedes, Chang and Velasco (2003) in *Must Original Sin Cause Macroeconomic Damnation?,* Central Bank of Chile Working Papers No. 234, October 2003, and others have subsequently analysed this subject from different angles.

This concern for the quality of the structure of debt has seen the proliferation of new financing instruments on the part of sovereign issuers in the region and of multilateral institutions (the Inter-American Development Bank and the World Bank). The novel features displayed by the new issues are as follows:

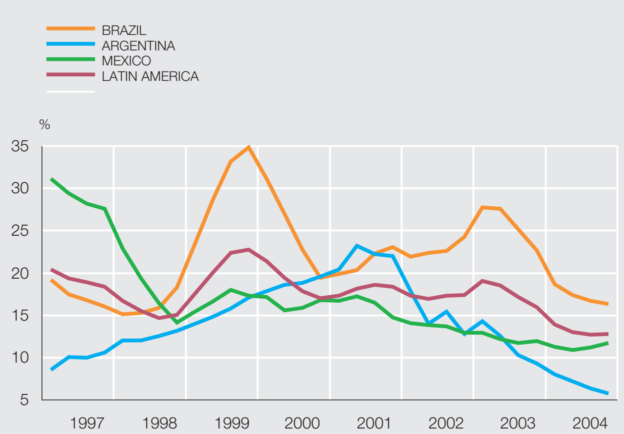
— Denomination in local currency and diversification of foreign-currency issues. The World Bank and the Inter-American Development Bank (IDB) issued bonds in 2004 in currencies other than the main reserve currencies, such as the Colombian peso, the Brazilian real and the Mexican peso. Colombia in 2004 and, previously, Uruguay in 2003 also issued bonds denominated in their respective local currencies on the international markets. These local-currency issues will contribute to reducing some of the main financial vulnerabilities characteristic to the region: for one thing, they will tend to lessen sovereign debt exposure to the exchange rate of the dollar and, for another, they will increase the depth of the local-currency markets, providing a broader range of assets in these currencies and accustoming investors to manage their foreign exchange risk. In this respect, some of the IDB issues in local currency were placed on international markets, as is habitually the case. But the IDB's Mexican peso issues and the World Bank's Colombian peso issues were placed for the first time entirely on local markets, providing local investors with the possibility of diversifying in assets with the best credit ratings. Further, in an attempt to diversify the currency composition of their debt, countries such as Brazil, Peru and Mexico resumed issues in euro in 2004, which will also allow for greater diversification of foreign exchange risk.

— Fixed-rate issues. Several international issues were made at a fixed interest rate, as well as in local currency. Cases in point were those of Colombia or those of the IDB in Brazilian reals and Mexican pesos. These offer the additional benefit of reducing vulnerability to interest rate volatility.

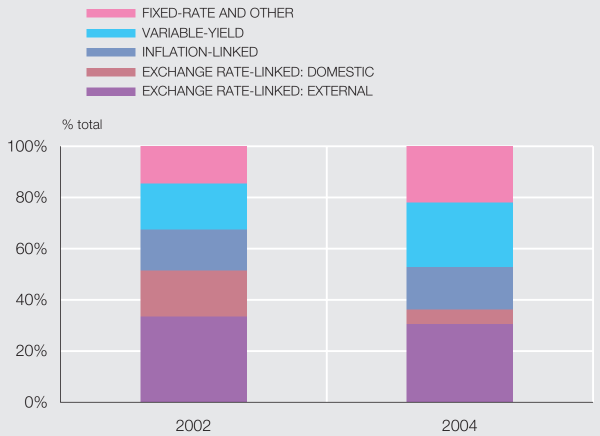
— Maturities. Most of the new instruments were issued with relatively long maturities, which will tend to lessen another financial

VULNERABILITY INDICATORS FOR LATIN AMERICA

INTEREST PAYMENTS (AS % OF FISCAL REVENUE)



LATIN AMERICA: PUBLIC DEBT COMPOSITION



SOURCE: National statistics.

vulnerability, namely refinancing risk if capital flows should grind to a halt. In this respect, issuers with a better rating, such as Mexico, managed to continue lengthening the maximum term of issue of their external debt to 15 years (in euro).

— CACs. Another key feature of international issues in 2004 was the preponderance of issues with CACs (collective action clauses), which allow a debt restructuring process to be initiated with a qualified majority, and which affect practically 90% of the volume issued by sovereign issuers over the past year.

— GDP-linked bonds. Finally, Argentina included a revision clause based on the course of GDP in the bonds it offered in the debt exchange (see Box 2). The aim of this type of indexing would be to align debt service with the issuer's ability to pay resulting from the economy's cyclical position and economic growth.

in Colombia, where inflation held on a declining path during the year, the target was met (see Table 2). In Chile, the inflation rates stood below target. The concern for the deterioration of the overall price index was softened by the better behaviour of underlying inflation (see Chart 12). The underlying rate fell by 2.2 pp during the year for the area as a whole and closed at 5.6% thanks to the notable reduction in Brazil, Colombia and Venezuela.

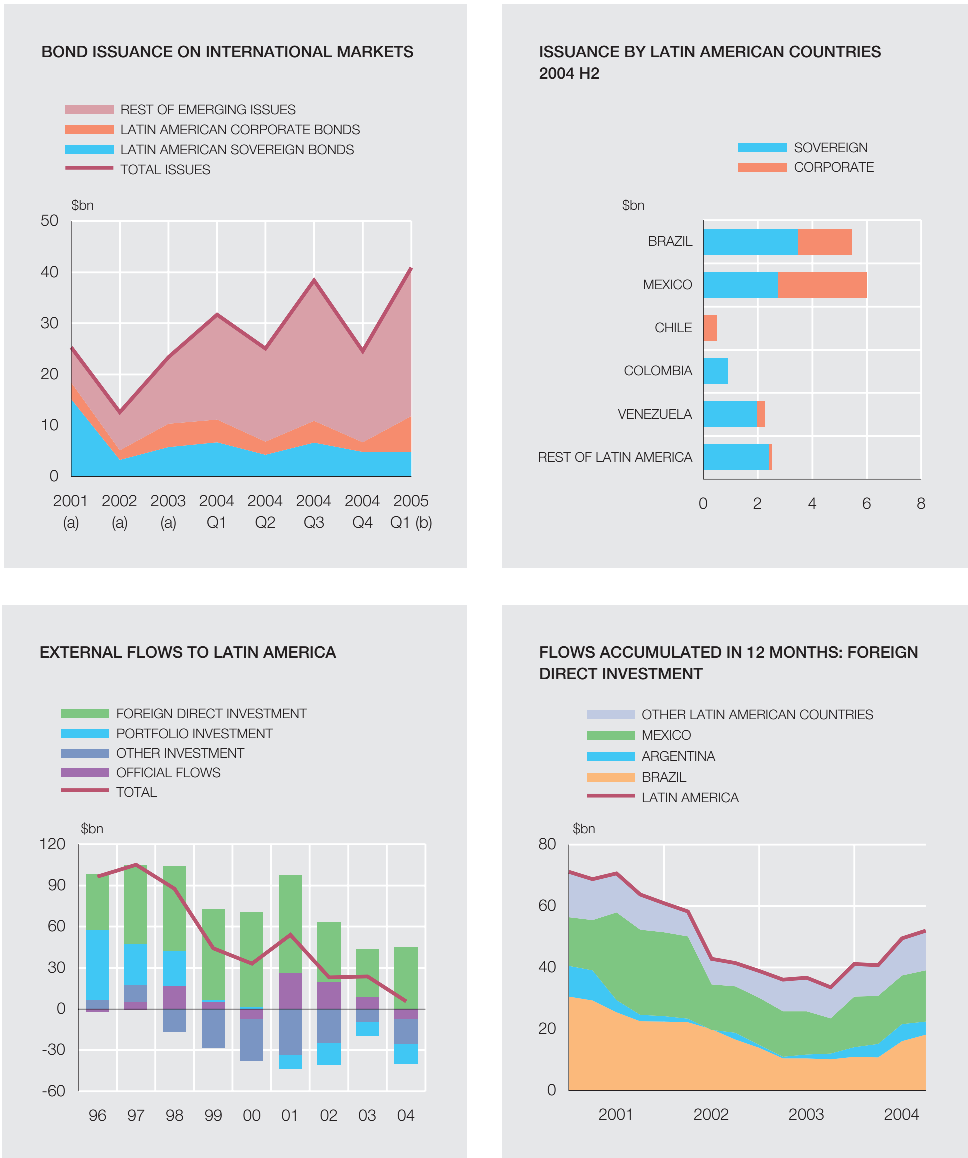
Faced with this situation, monetary policies were cautious and the tightening of monetary conditions was stepped up in all countries, except in Colombia, where the official rate was cut. The tightening of monetary policy was particularly intense in Brazil and in Mexico (see Chart 12). Nonetheless, the brighter economic outlook and the improved financial position prompted notable growth in credit in the region of over 8% at year-end. All the main countries, except Peru, were running positive growth rates at the close of the year. The increase was particularly notable in the consumer credit sector, with growth rates exceeding 30% in most countries. Of particular note was the behaviour of Argentina, which has maintained a positive rate of increase in credit in real terms since 2004 Q2, though its level is still far below that attained before the crisis (scarcely 43%, in real terms, compared with late 1999).

The conjunction of upward pressures on the exchange rate and prices, in a setting of economic buoyancy, gave rise to certain monetary and exchange-rate management dilemmas, which were reflected in the differing pace and trend of the build-up in reserves across countries (see Chart 12). In any event, this build-up continued, with even greater intensity in the second half of the year than in the first, with foreign reserves climbing by 7% in the region as a whole. In Brazil, Peru and Mexico, pressures on the currency translated in the second half of the year into a large build-up in reserves, greater than in the first six months, and, at the same time, into a notable appreciation of their currencies, as indicated. In Argentina, where the pressures on prices are becoming pressing, the pace of accumulation of reserves fell notably in the second half of the year. In all these cases, the increase in reserves tended to be sterilised. Chile, on the contrary, continued to pursue a free-float policy and its reserves held stable.

The improvement in public finances in Latin America led to a narrowing of the budget deficit for the whole area by 0.7 pp in 2004 to 1.2% of GDP, and to a widening of the primary surplus to over 3% (see Chart 13). The improvement was across the board, and particularly intense in Argentina, where the central government primary surplus rose to 3.9% of GDP, far above the commitment made in the IMF programme. Brazil increased its primary surplus once again in 2004, also by more than 0.3 pp above the 4.25% target agreed with the IMF. Mexico was very close to achieving a balanced budget, and in Chile, where a fiscal rule is in place, the favourable cyclical situation and the copper boom were conducive to bringing about a substantial surplus. Underpinning these favourable figures were the strong growth of revenue (see Chart

EXTERNAL CAPITAL FLOWS
$bn

CHART 11



SOURCES: JP Morgan, IMF and national statistics.

a. Quarterly average.
b. Data to February and estimation for March 2005.

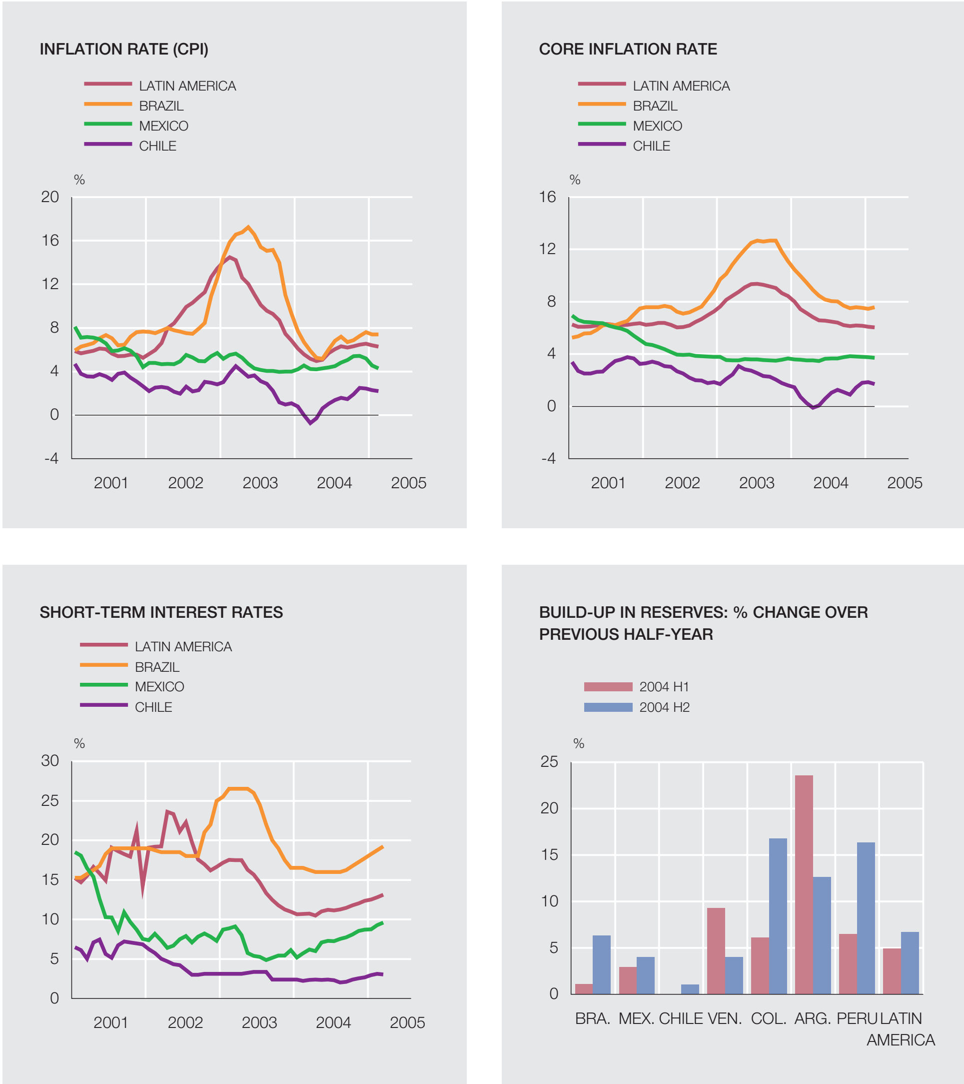
13), the rate of which was close to 12% in real terms for 2004 as a whole, though something of an acceleration could be seen in the final quarter. In some cases, the deficit reduction was very substantially driven by export proceeds from oil (Mexico and Venezuela), minerals (Chile and Peru) and, in Argentina's case, by the high withholdings on exports still applied in this country. Primary expenditure also increased strongly in real terms, albeit to a lesser extent (8.8%), and it quickened in the second half of the year, thanks in some cases to the comfortable margin by which fiscal targets had been met.

STRUCTURAL REFORMS AND TRADE INTEGRATION

The improved economic and financial situation did not provide for resolute headway in seeing through structural reforms. The main exception was, once again, Brazil; although progress there was less significant than that of the previous year, far-reaching reforms were approved. These included most notably the legislation on bankruptcy, which affords creditors greater legal security, and plans for public-private partnerships aimed at promoting investment in the

INFLATION, SHORT-TERM INTEREST RATES AND RESERVES
Year-on-year change and percentage

CHART 12



SOURCE: National statistics.

public interest and safeguarding it from cyclical oscillations. In other countries there was some progress in terms of the development of the financial sector, related above all to mutual funds, as in Chile or Mexico; in this latter country, however, reform remains at a standstill in all other respects. There was scant headway on the fiscal front, principally in countries in a fragile situation, such as Colombia and Ecuador. The inability of the Ecuadorian authorities to approve reforms led to the suspension of its programme with the IMF. Finally, there were significant legislative changes in Argentina and Venezuela, but many were either relatively ineffective or marked a step backwards in the process of reform.

There was no relevant progress in the field of trade integration. The Free Trade Area of the Americas (FTAA) did not manage to start up on 1 January 2005, as had been scheduled. The lack of progress in negotiations during the course of last year make this delay necessary, and signs of a solution are not perceptible. Nor was it possible to finalise the agreement between MERCOSUR and the EU, and perhaps the only headway of note was in the Central American Free Trade Area, in closer relations between MERCOSUR and the Andean Community, and in the proliferation of trade and financial negotiations between China and several Latin American

LATIN AMERICA: COUNTRIES WITH AN EXPLICIT INFLATION TARGET TABLE 2

	2004			2005
	Target	Achievement	Reason	Target
Country				
Brazil	5.5 + - 2.5	Yes	December 2004: 7.6%	4.5 + - 2.5
Mexico	3 + - 1	No	Systematically above 4%	3 + - 1
Chile	3 + - 1	No	Below target: lower than 2% until October 2004	3 + - 1
Colombia	5 + - 1	Yes	December 2004: 5.5%	3.5 + - 1
Peru	2.5 + - 1	Yes	December 2004: 3.5%	2.5 + - 1

SOURCE: National central banks.

countries. It should also be underscored that the WTO Multifibre Arrangement ceased to be in force on 1 January, meaning freer access for Chinese textile exports to world markets. Some Latin American economies, which had enjoyed privileged access to developed markets under the previous arrangements, will be harmed by the new situation.

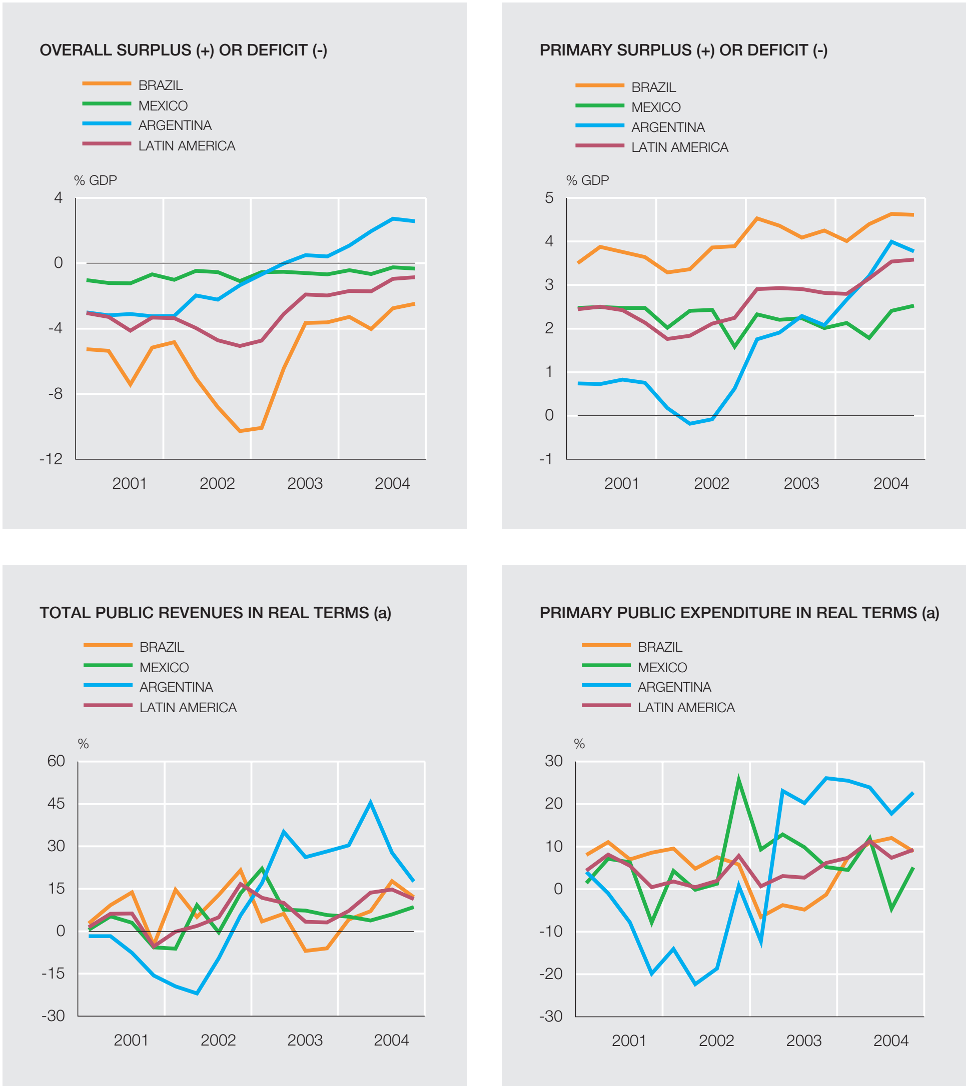
Developments in the main countries

In *Brazil*, the strength of activity during the second half of the year took root. GDP grew 6.2% year-on-year in Q3 and eased to 4.9% in Q4, closing the year with growth of 5.2%, the highest rate since 1994. In addition, domestic demand took over from external demand as the engine of growth, entailing a significant change in its composition (see Chart 5). On the demand side, the expansion in private consumption (4.2% for the year) and in investment (10.9%) was salient, while on the supply side, the 5.3% growth in industry was noteworthy. The growing contribution of domestic demand was underpinned by the strength of the labour market. Employment posted growth figures of over 3% during the year, which were even higher in the industrial sector. This prompted a decline in the average unemployment rate of almost 1 pp, to 9.6% at the end of the year, while real wages picked up notably, albeit without reaching their 2002 levels (see Charts 6 and 14). Prices trended less favourably. The inflation rate quickened from the summer onwards and ended the year at 7.6%, close to the upper limit of the target band (8%). It was driven by price rises in the more volatile components, since underlying inflation turned downwards. This situation, against the background of highly buoyant domestic demand and the downward stickiness of inflation expectations for 2005, led the monetary authorities to tighten the monetary policy stance notably. As a result, official interest rates were increased by 325 bp from September 2004 to March 2005, to 19.25%, with real interest rates following in their wake (see Chart 14). The inflation rate stabilised in the first two months of 2005 (7.4%).

For the first time in many years, the Brazilian economy enjoyed high economic growth coupled with a positive current-account balance (1.9% of GDP), driven by a trade surplus of 5.7% of GDP. Rounding off this scenario are sound fiscal results, enhanced by revenue growth (10.6% in real terms) and the sound performance of the financial variables, which gave rise to a 0.3 pp increase in the primary surplus (4.6%) and to a reduction in the budget deficit of more than 1 pp (to 2.5% of GDP). Also, the debt ratio fell by 5.3 pp to 51.9% of GDP. Against this background, the holding of local elections in October and difficulties in the governing coalition were scarcely reflected in the financial indicators. Indeed, risk premiums stood at the end of the year below 400 bp, the lowest level since late 1997, and the exchange rate appreciated notably, markedly so in early 2005. The exchange rate of the real against the dollar stood at below 2.60, a level not seen since August 2002 and which entails an appreciation of close to 20% from the low for the year in May. In March, however, there was a significant correction both in spreads and in the exchange rate. Lastly, the financial programme signed with the IMF in Sep-

MAIN INDICATORS OF PUBLIC-SECTOR PERFORMANCE
Year-on-year changes and percentage of GDP

CHART 13



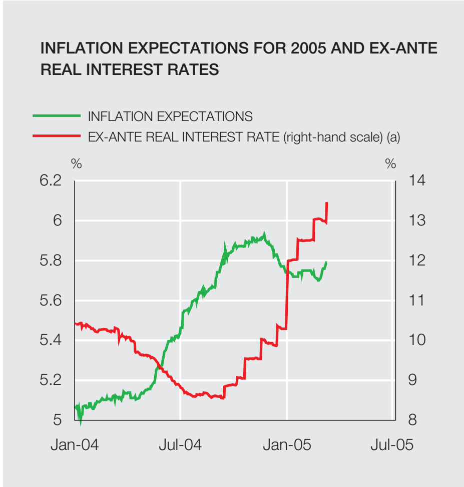
SOURCE: National statistics.

a. Deflated by CPI.

tember 2002 concluded in March, and the Brazilian authorities have announced that they will not be negotiating a new programme.

In *Mexico,* economic activity progressively accelerated during 2004. Average growth was 4.4% during the year, but the year-on-year rate was 4.6% in Q3 and 4.9% in Q4. These figures, the highest for the past four years, were underpinned by domestic demand. Among its components, private consumption firmed and investment, particularly in capital goods, rose strongly after three years of contraction. The acceleration in activity was due mainly to manufacturing output, since the rise in both services and construction was smaller, though the latter sector continued to post the highest growth. Turning to the labour market, the pick-up in employment resulted in growth of 3.5% in Q4, up from 1.3% at the close of 2003. The high growth of employment in the ‘maquila’ industries was also prominent (7.1%). The current-account deficit was the same in relative terms as in 2003 (1.3% of GDP), though its composition was different. The deficit on the trade balance widened by 48% on 2003, which translated into a contribution of external demand to growth of scarcely 0.3 pp. However, the increase in remit-

BRAZIL CHART 14
Year-on-year changes and percentages



SOURCE: Banco do Brasil.

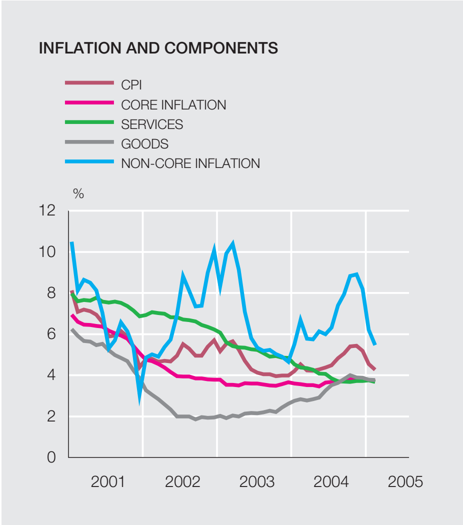
a. Calculated as SELIC interest rate minus 1-year-ahead inflation expectations.

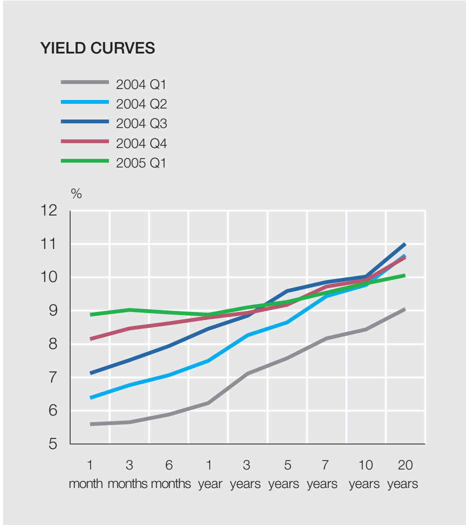
tances ($16.6 bn, 24% up on 2003) explains the stability of the current-account deficit. The budget deficit during 2004 fell by 0.2 pp to 0.2% of GDP, thanks especially to oil revenues, which grew by 14.5% in real terms in relation to 2003. In the monetary domain, inflation held in 2004 above the upper limit of the central bank's target range (4%). This rise in inflation, which has undergone a partial correction since December, was associated with the more volatile components (see Chart 15), since underlying inflation held relatively stable. Notwithstanding, and to prevent this temporary increase becoming permanent were it to be incorporated into inflation expectations and into wage bargaining, the Mexican central bank tightened its monetary policy stance repeatedly, raising the "corto" twelve times. The central bank's intention that this liquidity constraint should feed through to short-term rates led these rises to be supplemented in the final months by certain other operational decisions, with the result that short rates have increased by over 4.5 pp since January 2004. The yield curve has also flattened notably, a sign that the market considers that the end of the restrictive monetary policy cycle is near (see Chart 15). Despite the rise in short-term interest rates, the financial markets performed soundly. There was an annual rise of 46.9% on the stock market, credit expanded strongly and the exchange rate appreciated as from May, standing at a level of close to 11 pesos to the dollar.

Following eight quarters of strong growth, activity in *Argentina*, far from weakening, resumed strong momentum in the second half of the year. GDP growth rose to 8.3% in Q3 compared with the same quarter a year earlier and quickened to 9.1% in Q4. The year 2004 thus concluded with growth of 9%, 0.2 pp up on 2003, whereby GDP would be only 3% below its 1998 peak (see Chart 16). As in previous periods, private consumption and investment were the main drivers of growth. Across the different sectors, growth spread notably to activities that had shown little dynamism during previous upturns, such as the car industry. The agricultural industry also remained buoyant, despite the volatility of certain export prices, such as those of soya and maize. As regards the external sector, Q4 saw a pick-up in real exports which helped soften the impact of the high growth rates of imports on the trade balance. Thus, although it remained negative, the contribution of the external sector improved relative to the first half of the year. The current account ended the year with a surplus of 2.1% of GDP, far below the level in 2003 (5.8%). An acceleration in public spending was also perceptible in

MEXICO
Year-on-year changes and percentages

CHART 15



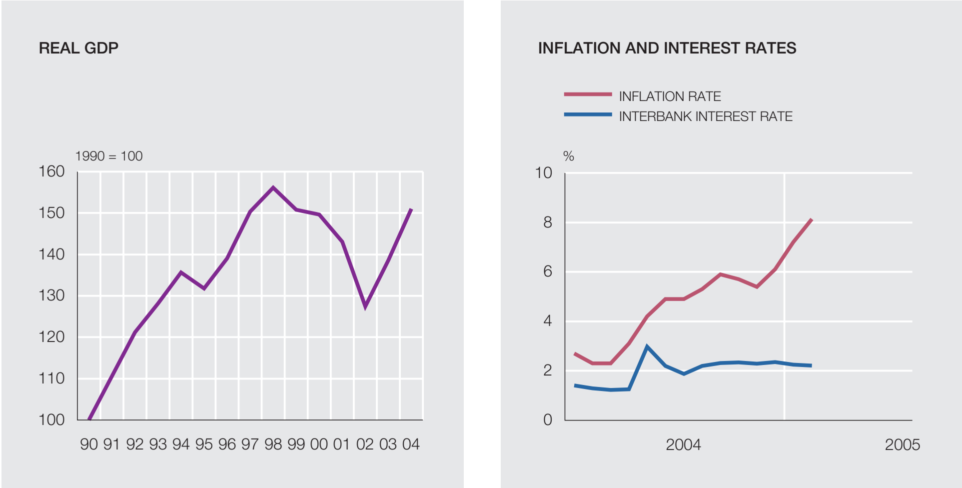


SOURCE: Banco de México.

the closing months of 2004, associated with several measures to increase public-sector wages and investment in infrastructure. Nonetheless, the trend of revenue meant that, for 2004 as a whole, there was a consolidated surplus equivalent to 5.5% of GDP, far above the 3% target agreed with the IMF. The favourable economic performance made for a reduction in unemployment to 12.6%. Against this background, however, inflationary pressures increased at the start of 2005, with the year-on-year rate of inflation standing at 8.1% in February (5.8 points up on the start of 2004). The central bank did not substantially alter its monetary policy stance (see Chart 16), since the 25 bp increase in the intervention rate was offset by a reduction in reserve requirements and the maintenance of a strong rate of build-up of international reserves, which stood at $20.8 billion. These interventions (in co-ordination with those of the public-sector banks) contained the appreciating tendency of the peso. Nonetheless, following the latest inflation figures, the monetary authority has brought the acquisition of foreign currency to a halt and has stepped up the absorption of liquidity through the placement of BCRA bills. The exchange of defaulted debt concluded at the end of February (see Box 2), whereafter Argentina resumed talks with the IMF, with a view to negotiating a new programme.

In *Chile,* activity quickened in the second half of 2004 with growth around 7% in the last two quarters of the year, making for a rate of 6.1% for 2004 as a whole. While private consumption and exports remained robust, the buoyancy of investment increased. Turning to the labour market, employment resumed a growth rate of over 3% year-on-year in Q4, following the weakness seen in mid-2004; in terms of unemployment, however, progress was more limited. The significant rebound in public revenue, owing both to the acceleration in growth and to the rise in the price of copper, led, along with the control of public spending, to a fiscal surplus of 2.2% of GDP in 2004, compared with a deficit of 0.4% in 2003. The current account posted a surplus of 1.5% of GDP in 2004, the result of a record surplus on the trade balance (of around 10% of GDP), due largely to the exceptional improvement in the terms of trade (see Chart 17). The strong growth of domestic demand since the middle of the previous year translated into a rise in prices of over 2%, up from the negative rates at the start of last year. That allowed the monetary authority to increase its benchmark interest rate very gradually to 2.75% (with four 25 bp rises from September 2004), after having kept it for most of the year at a historical low in both nominal and real terms.

ARGENTINA CHART 16
Index, year-on-year change and percentage



SOURCE: National statistics.

Colombia stood apart from the trend in the rest of the region in the second half of 2004, since activity slowed, albeit moderately. In Q3, its year-on-year growth rate fell to 3.1%, and growth for the year as a whole was 4%, unchanged on 2003. Activity was held back by the sluggishness of investment and of exports. Despite lowe r growth, there were further improvements in the labour market, reflected in a decline in the unemployment rate to a low since 1998. In the fiscal domain, although primary expenditure experienced double-figure growth in the second half of 2004, the rise in revenue provided for a reduction in the central government deficit of the order of 0.5 pp to 4.4% of GDP. This progress was not supported in the structural reform arena, since the tax reform submitted by the government had to be withdrawn owing to a lack of parliamentary backing, resulting in another setback for the strategy of improving the country's fragile fiscal position. Inflation, after rising in the summer months, progressively fell to 5.5% at the end of the year, as a result of which the central bank's target (6%) was met. In early 2005 there was a further reduction in inflation to 5.3%. The containment of inflation and the appreciation of the peso allowed official interest rates to be cut by 25 bp to 6.5% (see Chart 17), in contrast once again with the rest of the region, and also induced a strong build-up in reserves.

In *Peru,* activity quickened in the second half of 2004, especially in Q4 (6.8% in year-on-year terms), meaning the annual increase was 5.1%. The forceful pace of activity was driven by domestic demand, particularly by investment, and by exports. Against this background, Peru posted an exceptional current-account surplus in the second half of the year. The fiscal imbalance declined in 2004 to 1.3% of GDP. Inflation held above 4% throughout the second half, leading the central bank to raise official rates twice. The year-on-year inflation rate has, however, fallen in recent months, returning within the central bank's target range. Sound financial and macroeconomic data, the country's intention to settle part of its external debt and the approval of the pension reform for civil servants prompted an improvement in Peru's sovereign rating and expectations that it might enjoy investment-grade status, from which only Chile and Mexico have benefited to date in the region.

Venezuela's year-on-year growth rate remained in double figures in the last two quarters of 2004 (14.1% and 11.2%, respectively), which led to an annual rate of 17.3% and to a recovery of the output level prior to the crisis, against a backdrop of greater social stability following the August referendum. Nonetheless, the interventionist measures of the executive branch have

Argentina concluded in late February the exchange of its defaulted debt with a participation rate of 76%, which was greater than expected by most analysts. Given the sizable haircut implicit in the terms of the exchange (estimated at around 70% in present value terms), this operation will provide for a reduction in Argentine public debt of 50 pp of GDP, i.e. by almost 40%, as can be seen in the chart. Thus, although the Argentine debt ratio will remain at a very high level (72% of GDP), the low cost of the new bonds and their long maturity entail notable alleviation for Argentina's financial sustainability position, at least over the coming years.

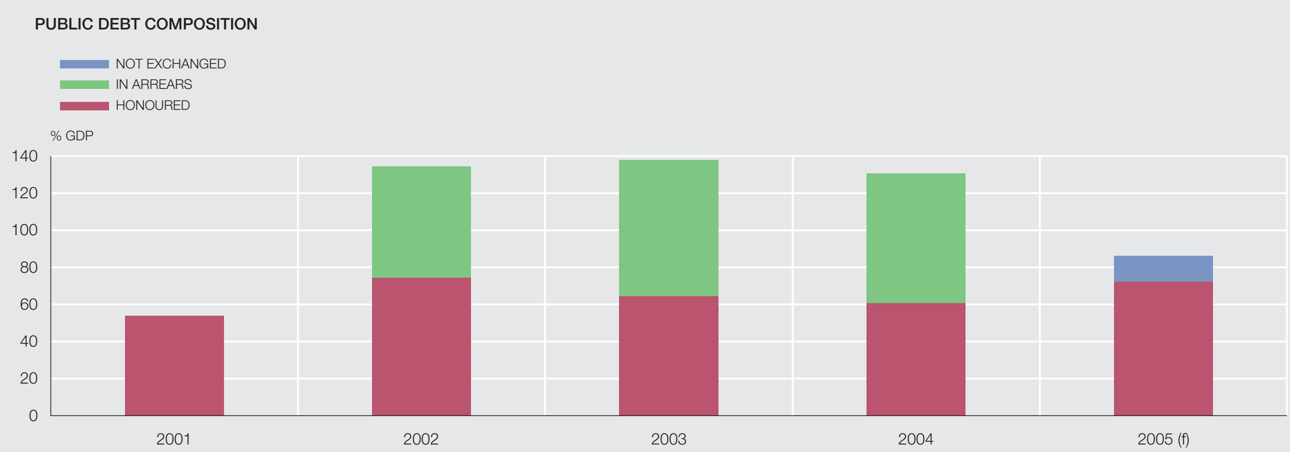
This restructuring process has attracted the attention of the international financial community since, in late 2001, the moratorium on debt was declared. There are several reasons for this attention. First, it has been the biggest default in history, characterised moreover by great complexity, and resolving it - steps towards which began officially with the Argentine government proposal in Dubai, in September 2003 - has taken a long time. Second, Argentina's prominent role in the development of the international markets for emerging debt during the nineties, and the involvement of international financial institutions in the country, account for the relevance of the debt restructuring process in Argentina as part of the debate on the reform of the international financial architecture.

Negotiations were marked by the fierceness of the respective positions of the Argentine government and the private creditors. From the standpoint of the country in default, a debt restructuring process poses the need to strike a balance between the alleviation stemming from the restoring of debt sustainability and the advisability of compensating as far as possible for the breach of contract vis-à-vis the creditors, thus easing the way for the country's future readmission on international markets. In other recent sovereign restructuring processes, this balance has taken the form of debt reductions no greater than 30% or 40% and the re-opening of financial markets within a period of one to five years. By contrast, the Argentine authorities, due among other factors to the high level of the country's debt (132% of GDP at end-2004), adopted a strategy geared to attaining a most significant reduction in debt, which gave rise to a very wide gap between the terms proposed by the government and the demands of creditors. International financial institutions remained relatively removed from the final stages of the negotiation process and played a limited role - conditioned, above all, by the reservations of the Argentine authorities - in helping draw positions closer together.

Against this background, the proposal for the exchange of the defaulted debt launched in June 2004 was criticised by creditors owing to its unilateral nature. But the broad outline of the offer did not change significantly when it was made firm: $81.8 million of eligible debt in default would be exchanged for par bonds (without a nominal discount), quasi-par bonds (in pesos and with a nominal discount of 33%) and discount bonds (with a nominal haircut of 66%, but a shorter term and bigger coupons than the foregoing bonds). So as to maximise the nominal saving on the exchange and to encourage prompt participation by domestic retail and institutional creditors (those most interested in par and quasi-par bonds, respectively), the amount to be issued of the first two types was limited, giving priority to the first orders received. All the securities will have separately tradeable coupons, whose payments will depend on the future course of GDP.

After several delays which raised fears of a possible cancellation of the operation, the offer was set in train in mid-January and the period for the receipt of the attendant orders expired on 25 February. With an effective haircut of around 70%, the impact of the exchange on the amount and structure of Argentine debt will be most significant (see table 1), since the country will simultaneously obtain a substantial nominal haircut, a reduction in interest and longer redemption terms. The reduction in the amount of nominal debt (around 43%) means that such debt will, on government projections, fall from $191.2 billion (132% of GDP) before the exchange to $125.2 billion (72% of GDP) in 2005. Annual interest in the coming years will stand at around 2% of GDP (one-quarter of their value in 2001), while the

PUBLIC DEBT DEVELOPMENTS IN ARGENTINA BEFORE AND AFTER DEBT RESTRUCTURING
Percentage of GDP



SOURCES: Banco de España and Ministerio de Economía de Argentina.

new bonds will not begin to be redeemed until 2024. The share of local-currency and inflation-indexed debt in the total will increase to 37% after the exchange, compared with scarcely 3% in 2001.

Given the combination of a substantial debt reduction, which will contribute to easing fiscal sustainability in the coming years, and to a higher than initially expected degree of participation, the exchange may be considered as an important step towards finally bringing the Argentine economy back onto a normal footing. Nonetheless, this needs qualifying. First, the status of the non-exchanged bonds is a source of controversy. The amount involved here, which was not considered in the foregoing figures, is estimated at $ 24 billion (14% of GDP; see chart). Although the Argentine government does not envisage acknowledging any payment to these creditors, this decision might muddy Argentina's negotiations for a new financial programme with the IMF, the nature of which, in any event, has yet to be defined. Over a longer horizon, the Argentine authorities' management of the restructuring and the size of the haircut might be a persistent drain on investors' confidence, which might in turn limit the accessibility of international financial markets in the future and lead to a higher risk premium. Further, while the exchange lessens one of the burdens that was making the prolongation of the recovery in Argentina uncertain, the approval of structural reforms has yet to be secured. These are needed to correct the other underlying problems inherited from the crisis - some of which are deep-seated - and to strengthen the country's growth bases. Indeed, the conclusion of the restructuring process offers an opportunity to focus on such reforms which should be seized.

More generally, the restructuring of Argentine debt evidences a series of special characteristics, such as the effective haircut applied, a high proportion of non-exchanged debt and the extensive duration of negotiations, which may have implications for future instances of sovereign default, although this possibility is as yet difficult to assess.

IMPACT OF DEBT RESTRUCTURING ON TOTAL DEBT (a)

	$ bn	% GDP
Total debt before debt restructuring (including interest arrears)	192	132
Total debt after debt restructuring	125	72
Annual interest payments in 2001	10.1	8.0
Annual interest payments after debt restructuring	3.2	2.0
Debt in domestic currency in 2001 (% total)	3	
Debt in domestic currency after debt restructuring (% total)	37	

SOURCES: Banco de España and Ministerio de Economía de Argentina.

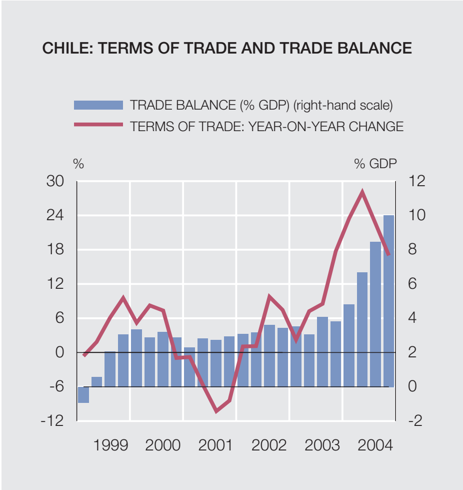
a. Non-exchanged debt excluded.

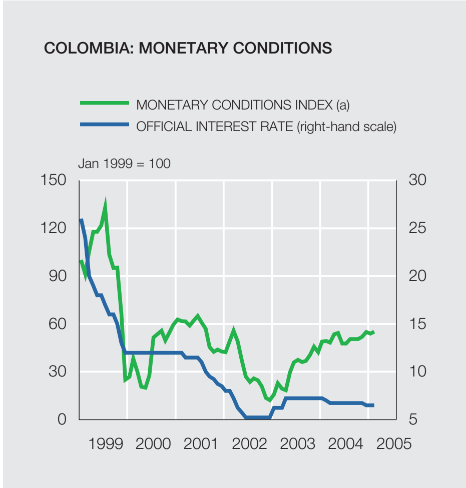
progressively taken root and have been reflected in the pressure on the central bank, on foreign investors (with the rise in oil royalties) and on the financial sector. In addition to the oil boom and the improvement in the labour market, the strong growth of activity is also the result of continuing high liquidity and of negative real interest rates, which arise in part from the restrictions in the financial market, particularly in respect of exchange controls. High oil prices also allowed a very comfortable external position to be maintained and for public spending to be increased most substantially (by around 20% in real terms for the year as a whole). Inflation fell gradually, but the related rates are still very high (16.9% in February). Finally, the expected devaluation of the bolivar (10.7%) took place on 3 March.

In *Uruguay,* where the government changed hands following the presidential elections, activity held on an expanding path in the second half of 2004 (growth of 10.2% in Q3 compared with the same period a year earlier) and ended the year at a rate of 12.3%. Inflation held on a declining course and closed the year at 7.6%, within the target range. Nonetheless, the fiscal and financial situation remains delicate. In *Ecuador,* activity grew strongly in the second half, driven by the oil sector. Although there is still no financial programme with the IMF, the support of this agency for the latest economic reforms, the management of fiscal policy and

CHILE AND COLOMBIA CHART 17

Year-on-year change, percentage of GDP and level





SOURCES: National statistics and Banco de España.

a. Index calculated from real interest rate and real exchange rate of the economy, weighted by the degree of openness.

the announcement of the country's return to international markets, with the exchange of the bonds issued after the 1999 default, were conducive to the upgrading of its sovereign debt rating in January. Among the remaining countries in the region, the growth rate of activity in the *Dominican Republic* was positive in 2004 Q2 and Q3, and the new government unveiled an adjustment programme backed by the IMF. Notwithstanding, certain trade credits fell into arrears, which highlights the persistence of the banking crisis. Lastly, the political, social and economic instability in Bolivia worsened in the opening months of 2005 after a period of relative calm.

29.3.2005.

Financial Regulation: 2005 Q1

Introduction

In 2005 Q1 the new legislation of a financial nature was fairly plentiful compared with the same period of the previous year.

A major legislative development in this period was the measures adopted to spur productivity in the economic system which, from the financial standpoint, have given rise to a number of reforms in the securities market designed to improve the competitiveness of the Spanish financial system.

Regarding national payments systems, the European Central Bank has modified the TARGET regulations so that the real-time gross settlement (RTGS) systems of the new Member States, which have not adopted the euro, can be connected to the TARGET system by the usual interlinking mechanism or by a bilateral connection.

Regarding the area of public debt, as usual in this period the terms of issue of State debt were set for 2005 and for January 2006, subject to the limitation established in the 2005 State Budget Law.

In the Community arena, two directives were published: the first updating the common fiscal policy applicable to mergers, divisions, asset contributions and share exchanges, and the second establishing a new organisational structure for financial services committees. Also, the anti-money laundering regulation was amended to incorporate the latest national and Community legislative developments.

Finally, the procedure for exchange of tax information between the competent authorities of EU Member States was updated.

Urgent reforms to spur productivity and improve public-sector procurement.

In the current setting of growing openness and integration of the Spanish economy in the European and international markets, and in the face of the risk and uncertainty derived from the high energy prices and from a possible tightening of monetary conditions, it is necessary to adopt urgent reforms to resolutely promote the efficiency and competitiveness of the financial and energy markets, as a means of helping to boost the productivity of the economic system as a whole.

To this end, *Royal Decree-Law 5/2005 of 11 March 2005* (BOE of 14 March 2005) on urgent reforms to spur productivity and improve public-sector procurement was published. The reforms addressed in this Royal Decree-Law (which forms part of a broader set of measures to boost productivity), apart from having an impact on the financial and energy markets, are supplemented by other measures dealing with the trading of greenhouse gas emission rights and by amendments to general government contract legislation extending it to cover certain aspects of public-sector foundations.

In addition, the *Resolution of 1 April 2005* of the Undersecretariat of the Prime Minister's Office (BOE of 2 April 2005) providing for publication of the Agreement of the Council of Ministers of 25 February 2005 adopting certain mandates to launch measures to boost productivity was published.

Following are succinct comments on the major aspects of the provisions, with particular reference to the financial markets.

FINANCIAL MARKET REFORMS

In the financial sphere, the Royal Decree-Law brings about the required transposition of two Community directives crucial for the competitiveness and development of these markets, in addition to introducing other measures to prevent the possible risk of delocalisation, particularly in securities issuance and listing and in the provision of financial guarantees.

Amendments relating to the regime for offers to the public and for admission to trading on official secondary securities markets in Spain (transposition of Directive 2003/71/EC)

First, Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC of the European Parliament and of the Council of 28 May 2001 on the admission of securities to official stock exchange listing and on information to be published on those securities, was transposed to Spanish law.

The basic aim of Directive 2003/71/EC, which must be incorporated into national legislation by 1 July 2005, is to harmonise the requirements relating to the whole prospectus approval process required for admitting securities to trading on regulated markets in the Community and for offering securities to the public. Also, as an essential new development, it allows the securities issuer to choose freely, in certain cases and for certain categories of securities, the competent authority and thus the regulatory system that it wishes to be applied in the authorisation of the prospectus.

For this purpose, and to enable the market's competitive position to be maintained after the Directive has been transposed, it is necessary to eliminate any requirements, obstacles or costs not needed to protect investors or to ensure the proper functioning of the market.

Specifically, in the *primary securities market*, the need for prior administrative approval of securities issues is dispensed with, the power of the Ministry of Economy to prohibit certain issues or subject them to prior authorisation is abolished and the principle that prior administrative approval is not required for securities issues is maintained, thereby strengthening the principle of freedom of issuance.

The content of the prospectus to be published when securities are offered to the public or admitted to trading is expanded to include all the information which, in view of the particular nature of the issuer and of the securities, is necessary to enable investors to make an informed assessment, based on sufficient information, of the assets and liabilities, financial position, profit and losses, and to properly evaluate the prospects of the issuer and of any guarantor, and of the rights attaching to such securities. This information shall be presented in an easily analysable and comprehensible form. Further, as a new development absent in the previous regulatory system, the prospectus shall contain a *brief summary* in non-technical language reflecting, among other things, the essential characteristics of, and risks associated with, the issuer, any guarantor and the securities.

Further, the Royal Decree-Law makes reference to the cross-border validity of the prospectus, in order to bring into effect the *Community passport* for this document, which means that once it has been approved by the CNMV, it will be valid for admission to trading in any host Member State, provided that the CNMV notifies the competent authority of each host Member State. Similarly, the prospectus approved by the competent authority of the home Member State will be valid for admission to trading in Spain, provided that said competent authority notifies it to the CNMV.

The characteristics of a public offer to sell or subscribe securities remain similar to those under the previous regulations, although the cases in which it will not be compulsory to publish a prospectus for the purposes of the previous regulations are listed. They are as follows:

a) An offer of securities addressed solely to qualified investors.

b) An offer of securities addressed to fewer than 100 natural or legal persons per Member State, other than qualified investors.

c) An offer of securities addressed to investors who acquire securities for a total consideration of at least €50,000 per investor for each separate offer.

d) An offer of securities whose denomination per unit amounts to at least €50,000.

e) An offer of securities with a total consideration of less than €2,500,000, which limit shall be calculated over a period of 12 months.

Regarding *book-entry securities*, the public deed evidencing the representation of securities by book entries is replaced by a document that is to be prepared by the issuer and must contain all the information needed to identify the securities included in the issue. The issuer must file this document with the entity in charge of the accounting register and with the CNMV, and, in the case of securities admitted to trading on an official secondary market, with its governing body.

As to the *secondary securities market*, the system of prior administrative approval by the CNMV for admitting securities to trading on an official secondary market remains in place, although the information requirements for admission to trading on this market are significantly reduced, now consisting of the following: submission to and registration with the National Securities Market Commission (CNMV) of the documents accrediting that the issuer and the securities are subject to the particular legal system applicable to them and of the audited financial statements of the issuer; and the submission to, approval by and registration with the CNMV of a prospectus and the publication thereof. These requirements are designed to significantly reduce certain CNMV charges (registration of prospectuses, supervision of the process of admission to trading and supervision of the activity of the entities belonging to the Clearing and Settlement Service) and improve the competitiveness of securities markets. Another new development is that these requirements will not apply to non-participating securities issued by State, regional (autonomous) and local government agencies. However, these issuers may prepare a brochure, which will enjoy cross-border validity.

Contractual netting and financial collateral arrangements (transposition of Directive 2002/47/EC)

Second, the Royal Decree-Law transposes to Spanish law Directive 2002/47/EC of the European Parliament and of the Council of 6 June 2002 on financial collateral arrangements. This Directive aims to achieve a broad Community harmonisation for all financial collateral arranged by parties and to put on an orderly and systematic basis all the applicable current regulations. Hence certain financial transactions requiring the provision of collateral will become more convenient owing to a substantial reduction in the requirements for providing and enforcing these guarantees.

The scope of application is financial contractual netting arrangements and financial collateral arrangements when the parties involved belong to one of the following categories: a) a public authority; b) the European Central Bank, the Banco de España, a central bank of an EU Member State, a central bank of a third-party State, the Bank for International Settlements, a multilateral development bank, the International Monetary Fund and the European Investment Bank; c) a credit institution; an investment services firm; an insurance undertaking; an undertaking for collective investment in transferable securities or a management company thereof; a mortgage securitisation vehicle, an asset securitisation vehicle or a securitisation vehicle management company; and a pension fund, among others; and d) a secondary market governing body; a registration, clearing and settlement system management company; a central counterparty; a settlement agent; a clearing house; and similar entities operating in the futures, options and derivatives markets.

The Royal Decree-Law will also apply to financial contractual netting and financial collateral arrangements in which one of the parties is a legal person, provided that the other party belongs to one of the foregoing categories. Finally, in certain cases, one of the parties may be a natural person.

As regards the legal regime for arrangements of this type, it shall apply to financial transactions[1] carried out within the framework of a contractual netting arrangement, provided that the arrangement envisages the creation of a single legal obligation encompassing all the transactions included in this arrangement and under which, in the event of early maturity, the parties will only have the right to claim the net balance of the proceeds from the settlement of those transactions. The net balance must be calculated as specified in the contractual netting or related arrangements.

OTHER MEASURES TO SPUR PRODUCTIVITY

The main actions in the energy area focussed on the *electricity sector,* where essential reforms are urgently needed to adapt the market to the International Agreement on the creation of an Iberian Electricity Market (MIBEL), scheduled to enter into force by 30 June 2005. Other reforms focus on eliminating inefficient practices in the distribution area, such as the coexistence of various distributors in a single geographical area, which may lead to redundant facilities and raise maintenance costs, with the consequent loss of efficiency.

Finally, the Resolution of 1 April 2005 (publishing the Council of Ministers decision of 25 February) empowers the Ministry of Economy and Finance to draft legislation providing for the creation of official secondary energy futures and options markets for energy. In three months' time, this Ministry will implement Royal Decree 1814/1991 of 20 December 1991 regulating the official energy futures and options markets, for the purpose of regulating the official energy futures and options markets.

Further, certain reforms address the regime for the trading of *greenhouse gas emission allowances*, in application of the Kioto Protocol and, in particular, of Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 (amended by Directive 2004/101/EC of the European Parliament and of the Council of 27 October 2004) establishing a scheme for greenhouse gas emission allowance trading within the Community.

In the *government arena*, public procurement was improved by adapting the revised General Government Contracts Law enacted by Legislative Royal Decree 2/2000 of 16 June 2000 to include certain aspects of the activity of public sector foundations and of agreements with other government areas.

Finally, the aforementioned Resolution of 1 April 2005 gives mandates to various ministries to develop promptly a set of measures to supplement and continue the strategy designed to boost productivity.

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1. For the purposes of this Royal Decree-Law, financial transactions are defined as, inter alia, the following: *a)* a financial collateral arrangement regulated in this section; *b)* a securities loan; *c)* a financial transaction involving certain financial instruments; *d)* an assignment, with or without repurchase, by way of guarantee or any other direct or indirect guarantee transaction linked to the contractual netting arrangement the subject matter of which is public debt, other marketable securities or cash; and e) a repo transaction, whatever the underlying asset, and, in general, any temporary assignment of assets.

Modification of the TARGET system: updating of the TARGET access system for the new participating Member States

Given that ten new Member States joined the European Union on 1 May 2004, the European Central Bank (ECB) decided that the rights and obligations of the central banks of these Member States in respect of connection to TARGET are the same as those of other connected central banks. This makes it necessary to amend Guideline ECB/2001/3 of 26 April 2001 on the Transeuropean Automated Real-Time Gross Express Transfer (TARGET) system.

To this end, the Governing Council of the ECB has published *Guideline ECB/2005/1 of the European Central Bank of 21 January 2005* (OJ of 3 February 2005) amending certain matters in Guideline ECB/2001/3.

The new Guideline basically provides for the possibility that the real-time gross settlement (RTGS) systems of the new Member States, which have not adopted the euro (non-participating Member States), may connect to the TARGET system via the usual interlinking or via a bilateral link, provided that they meet the minimum common requirements set out in Guideline ECB/2001/3 and can process the euro as a currency alongside their respective national currency.

First, this Guideline will mean that EU central banks whose settlement systems are not connected to TARGET will be able to participate directly in the settlement systems of the central banks connected to TARGET.

Second, it enables EU central banks to connect to TARGET via a correspondent relationship with a central bank that is in turn connected to TARGET via interlinking. The former will send payments originating in their banking community to the latter, which will distribute them to the beneficiary participants through the respective recipient central banks. When payments addressed to the participants in the RTGS of the central bank connected to TARGET via this correspondent relationship are from other participants in TARGET, they will follow the reverse process.

Third, it is established that the national central banks of the non-participating Member States whose RTGS systems are connected to TARGET may establish and maintain a list of eligible assets which can be used by institutions participating in their relevant national RTGS system. The assets on such list must meet the same quality standards and are subject to the same valuation and risk control rules as those prescribed for eligible collateral for monetary policy operations.

Fourth, the TARGET Compensation Scheme shall apply to all national RTGS systems (regardless of whether such RTGS systems are connected to TARGET via interlinking or through a bilateral link) and to the ECB payment mechanism and shall be available for all TARGET participants (including TARGET participants of national RTGS systems of participating Member States that are not counterparties to the Eurosystem monetary policy operations, and TARGET participants of national RTGS systems of non-participating Member States).

Finally, together with the agreements on cross-border payments made or to be made via interlinking, there are a number of provisions relating to cross-border payments to be made by a bilateral link.

In Spain, the Banco de España, using its powers under the Law on the Autonomy of the Banco de España (Law 13/1994 of 1 June 1994), has incorporated *Guideline ECB/2005/1* via the publication of *Circular CBE 1/2005 of 25 February 2005* (BOE of 7 March 2005) on adaptation of Banco de España Settlement Service rules to the ECB's TARGET Guideline amendments so as to permit connection to TARGET by means other than interlinking.

For this purpose, the Banco de España will establish the "technical applications" that may be required to implement the technical aspects of this Circular and, in particular, those relating to the processing of cross-border payments via this new mechanism.

State debt: terms of issue in 2005 and January 2006

Law 2/2004 of 27 December 2004 on the 2005 State budget[2] authorised the Minister of Economy and Finance to increase the State debt in 2005, subject to the limitation that the outstanding balance at year-end does not exceed that at 1 January 2005 by more than €14.01 billion.

As has become usual at this time of the year, the following legislation has been enacted: *Order EHA/73/2005 of 25 January 2005* (BOE of 27 January 2005), which establishes the creation of State debt during 2005 and January 2006 and delegates certain powers to the Director General of the Treasury and Financial Policy; and two *Resolutions of 28 January 2005* of the Directorate General of the Treasury and Financial Policy (BOE of 29 January 2005 and 3 February 2005), which provide for certain issues of Treasury bills and State bonds and publish the calendar of tenders for 2005 and January 2006.

Broadly, the terms of issue applied in previous years are retained, although the option to conduct tenders in terms of price or interest rate and certain minor changes to the dates thereof are incorporated. As in 2004, the Ministry of Economy may provide for debt to be created through the issuance of securities or credit transactions, in euro or other currency.

As regards the procedures for the issuance of State debt, the systems of previous years are retained. In particular, the following issuance procedures are kept: tenders (with competitive and non-competitive bidding), and any technique involving equal opportunities for potential acquirers.

As in previous years, public debt shall take the form of Treasury bills and State bonds and, in all cases, shall be represented solely by book entries

TREASURY BILLS

It has been considered desirable to reduce the number of maturities due to the current moderation in the total volume to be issued. In particular, in 2005 three-month Treasury bills will not be issued, although these maturities may be resumed in the future, alternating, if appropriate, with other maturities should this be considered suitable in view of investor demand or the Treasury's issuance policy. Accordingly, the new Treasury bills will have maturities of six, twelve and eighteen months and the current grouping of maturities will be retained in order to strengthen the Treasury bill market, ensure its liquidity and enhance competitiveness with other institutional issuers in the euro area.

Tenders will take place on the third Wednesday of each month, and this monthly periodicity will apply to twelve- and eighteen-month bill issues, while six-month bills will be issued on alternate dates, coinciding with the even months. That said, the original maturities may differ from those indicated by the number of days necessary to facilitate the grouping of maturities, so that the periodicity of the latter is two months, taking place in the even months and coinciding with issuance dates to facilitate reinvestment by holders.

Regarding the manner in which bids are submitted, it has been considered desirable that it should continue to be in terms of interest rate, which is how the market price of bills is quoted on secondary markets, since this facilitates the submission of bids. Thus competitive bids will

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2. See "Financial regulation: 2004 Q4", *Economic Bulletin*, January 2005, Banco de España.

indicate the interest rate requested and those accepted will, in each case, be assigned at the price equivalent to the requested interest rates and the weighted average thereof, depending on the outcome of the tender.

Tender arrangements remain unchanged, and either competitive and non-competitive bids can be submitted. The minimum nominal amount of competitive bids is still €1,000, and larger bids shall be integer multiples of that amount. As for non-competitive bids, the minimum nominal amount is €1,000, and larger bids shall be integer multiples of €1,000, subject to a maximum nominal amount for each bidder of €200,000. However, this limit will be €100 million for certain entities, namely: the Wage Guarantee Fund, the Bank Deposit Guarantee Fund, the Savings Bank Deposit Guarantee Fund, the Credit Cooperative Deposit Guarantee Fund, Social Security Reserve Fund, the Investment Guarantee Fund and any other public-sector entity or government-owned company that may be determined by the Director General of the of the Treasury and Financial Policy.

Finally, provision is made for the possibility that, as with State bonds, there will subsequently be a second round reserved for those financial institutions with market-maker status. This second round shall be conducted in accordance with the law regulating such institutions.

State bonds

The features of State bond issuance are broadly the same as last year.

The maturities of this debt type will be as usual, i.e. three, five, ten, fifteen and thirty years, although to provide simultaneously for the moderation in the total volume to be issued and for the increased liquidity of the securities that are in the process of being issued, it has been considered advisable to temporarily discontinue the issuance of fifteen-year State bonds. The resumption of this instrument, or its alternation with other maturities according to investor demand, is not ruled out.

The tender arrangements remain unchanged and tenders will be followed by a second round reserved for those financial institutions with State bond market-maker status. Also maintained is the option of offering issues that are an extension of others made previously, in order to reach the issue volume currently required to ensure liquidity on the secondary markets.

As in the case of Treasury bills, the minimum nominal amount of competitive bids is still €1,000, and larger bids shall be multiples of that amount. As for non-competitive bids, the minimum nominal amount is €1,000, and larger bids shall be integer multiples of €1,000, subject to a maximum nominal amount for each bidder of €200,000. Nevertheless, for the entities stated in the preceding section, this limit shall be €100 million.

Directive on the common system of taxation applicable to mergers, divisions, transfers of assets and exchanges of shares

Directive 2005/19/EC of 17 February 2005 (OJ of 4 March 2005) amending Directive 90/434/EEC of 23 July 1990 on the common system of taxation applicable to mergers, divisions, transfers of assets and exchanges of shares concerning companies of different Member States.

First, the scope of application of Directive 90/434/EEC is extended to cover entities which can carry out cross-border activities in the Community and which meet all the relevant requirements and to make provision for the transfer of the registered office of a European public limited liability company (SE) and of a European cooperative society (SCE) from one Member State to another, without that transfer giving rise to the dissolution of the company or to the creation of a new legal entity.

Second, a new feature envisaged is the *partial division* of a company, which is an operation whereby a company transfers, without being dissolved, one or more branches of activity to one or more existing or new companies, leaving at least one branch of activity in the transferring company, in exchange for the pro-rata issue to its shareholders of securities representing the capital of the companies receiving the assets and liabilities, and, if applicable, a cash payment not exceeding 10% of the nominal value or in the absence of a nominal value, of the accounting par value of those securities.

Third, the current definition of *exchange of shares* is extended to include other subsequent acquisitions in addition to the one ensuring a simple majority of voting rights.

As regards capital gains, Directive 90/434/EEC stipulated that when the beneficiary company held an interest in the capital of the transferring company, it could not apply any taxation to the capital gain accruing to the receiving company on the cancellation of its holding, although the Member States could make exceptions when the receiving company's holding in the capital of the transferring company did not exceed 25%. Directive 2005/19/EC now reduces this percentage to 20% and establishes that the percentage will be 15% from 1 January 2007 and 10% from 1 January 2009.

As to the rules applicable to transfer of the registered office of an SE or a SCE that is resident in one Member State and becomes resident in another Member State, the transfer of registered office or the cessation of residence shall not give rise to any taxation of capital gains in the Member State from which the registered office has been transferred. Also, the host Member State shall take the necessary measures to ensure that the provisions or reserves properly constituted by the SE or the SCE before the transfer of the registered office are partly or wholly exempt from tax and are not derived from permanent establishments abroad.

New organisational structure of financial services committees

Directive 2005/1/EC of the European Parliament and of the Council of 9 March 2005 (OJ of 24 March 2005) amending Directives 73/239/EEC, 85/611/EEC, 91/675/EEC, 92/49/EEC and 93/6/EEC of the Council and Directives 94/19/EC, 98/78/EC, 2000/12/EC, 2001/34/EC, 2002/83/EC and 2002/87/EC has been published. Its purpose is to establish a new organisational structure of financial services committees.

Following are brief comments on the amendments to the banking sector and securities market directives.

AMENDMENTS TO DIRECTIVES 93/6/EEC, 94/19/EC AND 2000/12/EC ON THE BANKING SECTOR

In Council Directive 93/6/EEC of 15 March 1993[3] on the capital adequacy of investments firms and credit institutions, Directive 94/19/EC of the European Parliament and of the Council of 30 May 1994[4] on deposit-guarantee schemes and Directive 2000/12/EC of the European Parliament and of the Council of 20 March 2000 relating to the taking up and pursuit of the business of credit institutions, the name "Banking Advisory Committee" is replaced by "European Banking Committee", this latter being set up pursuant to Commission Decision 2004/10/EC. Also, the competencies of the Banking Advisory Committee in monitoring the solvency and liquidity of credit institutions are abolished, since they are now considered unnecessary in view of the harmonisation of capital adequacy rules and of developments in the techniques used by credit institutions to measure and manage their liquidity risk.

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3. See "Regulación financiera: segundo trimestre de 1993", *Boletín Económico*, July-August 1993, Banco de España, pp. 108 and 109. **4.** See "Regulación financiera: segundo trimestre de 1994", *Boletín Económico*, July-August 1994, Banco de España, pp. 97 and 98.

Also, the regular monitoring by the Commission of certain individual supervisory decisions and, therefore, the systematic submission of reports to the Banking Advisory Committee, have been discontinued due to the progress made in cooperation and exchange of information between supervisory authorities.

Finally, the establishment of the European Banking Committee does not rule out other forms of cooperation between the different authorities involved in the regulation and supervision of credit institutions, in particular within the Committee of European Banking Supervisors established by Commission Decision 2004/5/EC.

AMENDMENT OF DIRECTIVES 85/611/EEC AND 2001/34/EC ON THE SECURITIES MARKET

Regarding Council Directive 85/611/EEC of 20 December 1985 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS), changes were made to delete the provisions regulating the organisation and functions of the present UCITS Contact Committee, except for its "comitology" tasks to assist the Commission, with respect to the technical amendments to be made to the Directive, and to transfer to the European Securities Committee established by Commission Decision 2001/528/EC, inter alia, the function of advice to the Commission in the exercise of its implementing powers held by the UCITS Contact Committee.

Regarding Directive 2001/34/EC of 28 May 2001 on the admission of securities to official stock exchange listing and on information to be published on those securities, the changes consisted of deleting the provisions regulating the functions of the Contact Committee, the competencies of which are transferred to the European Securities Committee.

Finally, Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with Directive 2005/1/EC by 13 May 2005.

Measures to prevent capital laundering: amendment of the regulations

Law 19/1993 of 28 December 1993 on certain measures for the prevention of money laundering, implemented by Royal Decree 925/1995 of 9 June 1995 (hereafter "the Regulation"), transposed to Spanish law Directive 91/308/EEC of 10 June 1991. The purpose of this Law was to prevent the use of credit and financial institutions to launder money obtained from drug trafficking, terrorism and organised crime.

Subsequently, Law 19/2003 of 4 July 2003 on the legal regime governing capital movements and cross-border transactions and on specific measures for the prevention of money laundering, made certain amendments to Law 19/1993 in order to adapt to Spanish anti-money laundering law the provisions of Directive 2001/97/EC of the European Parliament and of the Council of 4 December 2001. In regard to this adaptation, certain provisions of Law 19/2003 require, if they are to be fully effective, appropriate amendment of the aforementioned Regulation.

In order to meet this legal requirement, *Royal Decree 054/2005 of 21 January 2005* (BOE of 22 January 2005) (hereafter "the Royal Decree") was promulgated to amend Royal Decree 925/1995 of 9 June 1995 and other banking, financial and insurance regulations.

Set forth below are succinct comments on the main developments.

SUBJECT PERSONS

First, as in the Law, this Royal Decree extends the list of parties deemed to engage in professional or business activities particularly prone to being used for money laundering. Specifically, in addition to those already specified in Law 19/1993, it includes natural or legal persons that in the exercise of their profession act as auditors, external accountants or tax advisers and notaries, lawyers and *procuradores* (Spanish court attorneys) when they participate in conceiving, executing or advising on transactions for the account of customers relating to the purchase or sale of real estate or business entities; the management of funds, securities or other assets; the opening or management of bank accounts, savings accounts or securities accounts; or the organisation of contributions needed to set up, operate or manage trusts, firms or similar organisations, or when they act on behalf of and for the account of customers in any financial or real estate transaction. It also applies to the activity of professional carriage of funds or payment instruments; to the activity of international money order or transfer by postal services; and to the marketing of lotteries or other games of chance in respect of the prize payment transactions.

When the natural persons mentioned in this section exercise their profession in the capacity of employees of a legal person or they provide a legal person with permanent or sporadic services, the obligations imposed shall fall upon that legal person in respect of the services provided.

Further, under the Royal Decree it becomes compulsory for a prior declaration of the source, destination and holding of funds to be submitted by those natural and legal persons that, for their own account or that of third parties, carry out the following movements of payment instruments:

a) Exit from or entry into Spanish territory of coins, banknotes and bearer banker's drafts denominated in Spanish or any other currency and in any physical medium, including electronic ones, conceived for use as a payment instrument, in an amount exceeding €6,000 per person per trip.

b) Movements in Spanish territory of payment instruments consisting of cash, banknotes and bearer banker's drafts denominated in Spanish or another currency and in any physical medium, including electronic ones, conceived for use as a payment instrument, in an amount exceeding €80,500. The reference to electronic payment instruments does not include credit or debit cards issued to a named holder.

For these purposes, the source is defined as the security or legal act determining the legitimate holding of funds, and the destination is defined as the economic and legal purpose for which the funds are to be used.

IDENTIFICATION OF CUSTOMERS

As a general rule, subject persons shall require documents to be presented that accredit the identity of their customers, whether habitual or not, when entering into business relations or conducting any transactions. In addition to the obligations specified in the Regulation, the Royal Decree stipulates that subject persons shall take reasonable measures to check the true professional or business activity of their customers. Such measures shall consist of the establishment and application of procedures to verify the activities stated by customers.

Also, subject persons must take additional measures to identify and gain a knowledge of their customers so as to monitor the risk of money laundering in the more sensitive business areas and activities, particularly private banking, correspondent banking, remote banking, currency exchange, cross-border funds transfer and any others that may be determined by the Commission for the Prevention of Money Laundering and Monetary Offences.

In the case of funds transfers within Spain, the entity making the transfer shall hold the identification data of the originator and, where applicable, of the person on whose behalf the originator is acting, at the disposal of the receiving entity, to which they will be furnished immediately on request.

If the transfers are cross-border, the entities must include and, if applicable, hold the identification data of the originator in the transfer and in the messages related to it through the payment chain.

EXCEPTIONS TO THE OBLIGATION OF IDENTIFICATION

The Royal Decree establishes that the obligation of identification will be waived whenever the customer is a financial institution with registered office in the European Union or in such third State with equivalent requirements to those of Spanish legislation as may be determined by the Commission for the Prevention of Money Laundering and Monetary Offences. In addition, the obligation of identification shall be waived in the following cases:

a) Transactions with non-habitual customers not exceeding €3,000 or its equivalent in foreign currency. However, when it is observed that a customer divides the transaction into various parts to avoid the identification requirement, the amount of all the parts shall be summed and identification shall be required. Also, identification will be required in those transactions which, upon examination, show signs or certainty that they are related to money laundering, even when their amount is less than the aforementioned threshold.

b) Pension schemes or life insurance contracts entered into by virtue of an employment relationship or of the professional activity of the insured, provided that those contracts do not contain surrender clauses and cannot be used as security for a loan.

c) Life insurance and supplementary contracts thereto written by duly authorised companies, when the amount of the premium or of the periodic premiums to be paid during the year does not exceed €1,000; when there is a single-premium payment the amount of which is less than €2,500; and in the case of individual pension schemes in which the contribution or contributions per year do not exceed €1,000.

d) Life insurance and supplementary contracts thereto and pension schemes the consideration for which has to be debited to an account in the customer's name in a credit institution.

COMMUNICATION OF TRANSACTIONS TO THE EXECUTIVE BRANCH

The Regulation indicated that subject persons must cooperate with the Executive Branch and, to this end, must immediately communicate any event or transaction showing signs or certainty that it is related to money laundering and any circumstance relating to that event or transaction that may occur subsequently.

For this purpose, the Royal Decree adds the obligation to communicate transactions that manifestly depart from the nature, volume of activity or past operating record of customers whenever there is no apparent economic, professional or business justification for carrying out transactions linked to activities prone to being used for money laundering.

As a new development, it is provided that communications may be made electronically. For this purpose, the Executive Branch may establish technical communication procedures to ensure that information is transmitted rapidly and confidentially.

INTERNAL CONTROL MEASURES

The Regulation established that subject persons with more than twenty-five employees had to set up adequate internal control and communication procedures and bodies in order to gain knowledge of, safeguard against and prevent transactions related to money laundering.

The Royal Decree adds, as a new development, that these internal control and communication procedures must be examined annually by an outside expert. The results of the examination are to be set forth in a confidential written report describing in detail the internal control measures in place, assessing their operational effectiveness and proposing, if appropriate, any rectifications or improvements.

Also, subject persons not of a financial nature can opt for the external examination regulated in the preceding paragraph to be conducted every three years, provided that every year they assess internally in writing the operating effectiveness of their internal control and communication procedures and bodies. Both the external and the internal report must be at the disposal of the Executive Branch for the six years following their preparation.

SANCTIONING PROCEDURE

The Royal Decree retains the sanctioning procedure set forth in the Regulation and additionally provides that the failure to report when it is mandatory or the lack of truth of the reported data will, if considered particularly important, give rise to seizure by the State security forces/corps or by the Customs and Excise Tax Department of all the payment instruments found. The seizure record, which will be transferred immediately to the Executive Branch for investigation by it and to the Secretary of the Commission to institute the appropriate proceedings, must clearly reflect whether the payment instruments were found in a place or situation indicating a clear intent to conceal them. The payment instruments seized must be sent in all cases to the Banco de España or made available, in the currency of the seized items, in the accounts held at the Banco de España by the Commission for the Prevention of Money Laundering and Monetary Offences.

CHANGE TO THE LEGAL REGIME AND CREATION OF FINANCIAL INSTITUTIONS AND INSURANCE COMPANIES

The additional provisions of the Royal Decree change most of the regimes for the creation of financial institutions, including that of the insurance sector. In particular, they amend, among others: Royal Decree 1245/1995 of 14 July 1995 on the creation of banks, cross-border activities and other matters related to the legal regime of credit institutions; Decree 1838/1975 of 3 July 1975 on the creation of savings banks and distribution of their net income; the implementing regulations of Law 13/1989 of 26 May 1989 on credit cooperatives, approved by Royal Decree 84/1993 of 22 January 1993; and Royal Decree 692/1996 of 26 April 1996 on the legal regime of specialised credit institutions.

In all of them, it is established that it shall be the responsibility of the Ministry of Economy and Finance, acting on a prior report from the Banco de España and the *Commission for the Prevention of Money Laundering and Monetary Offences*, insofar as its area of competence permits, to authorise the creation of the related credit institution. A new requirement to be met by credit institutions in order for them to engage in their activity is to have adequate internal control and communication procedures and bodies to safeguard against and prevent transactions related to money laundering as set out in this Regulation. Finally, the programme of operations must include the type of operations it is intended to conduct, the administrative and accounting organisation, the internal control procedures *and the internal control and communication procedures and bodies established to safeguard against and prevent transactions related to money laundering.*

Procedure for applying European Community directives on exchange of tax information

Council Directive 77/799/EEC of 19 December 1977 on mutual assistance by the competent authorities of the Member States in the field of direct taxation, certain excise duties and taxation of insurance premiums provided the Member States with the necessary legal framework for the exchange of tax information in the area of direct and indirect taxes. This Directive was incorporated into Spanish law by Royal Decree 1326/1987 of 11 September 1987 establishing the procedure for applying European Community directives on the exchange of tax information.

This Royal Decree was subsequently amended to comply with the provisions of Council Directive 92/12/EEC of 25 F ebruary 1992 providing for excise duties on manufactured products within its scope of application and Council Directive 2003/93/EC of 7 October 2003, which excluded value added tax from, and included the tax on insurance premiums in, its scope of application.

Recently *Royal Decree 161/2005 of 11 February 2005* (BOE of 12 February 2005) amending the aforementioned Royal Decree 1326/1987 has been published. The main changes made by it are as follows:

— First, it updates the names of the taxes included and expressly incorporates the tax on income of non-residents, which was nonetheless already included in the scope of application of Royal Decree 1326/1987.

— Second, it incorporates the principle of action on one's own behalf, whereby the tax authorities may not, for reasons of law or administrative practice, treat the requests for information from other Member States differently from their own information gathering actions carried out for merely domestic purposes. This principle means not only that each competent authority must act with due diligence in gathering information, but also that in each Member State there must be a single set of provisions regulating the information gathering actions of tax authorities, without any distinction as to whether the information is gathered for domestic purposes or at the request of the competent authority of another Member State.

— Third, it revises the sections concerning confidentiality and limitations on the use of information obtained from the tax authorities.

— Finally, two new precepts are added. One provides for mutual assistance in the notification of actions to apply taxes and in the imposition of sanctions in other Member States. The other provides for simultaneous monitoring in two Member States in order to exchange the information obtained, provided that it is considered that such monitoring will be more effective than that conducted by a single Member State.

11.4.2005

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

1. IMF Special Data Dissemination Standard (SDDS).

INTEREST RATES
AND EXCHANGE RATES

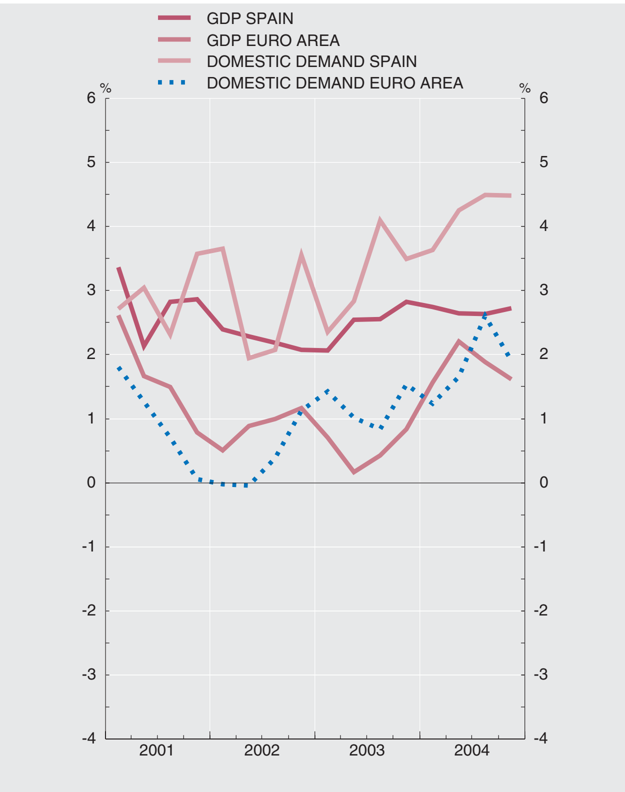
1. IMF Special Data Dissemination Standard (SDDS).

1.1. GROSS DOMESTIC PRODUCT. CONSTANT 1995 PRICES. DEMAND COMPONENTS. SPAIN AND EURO AREA (a)

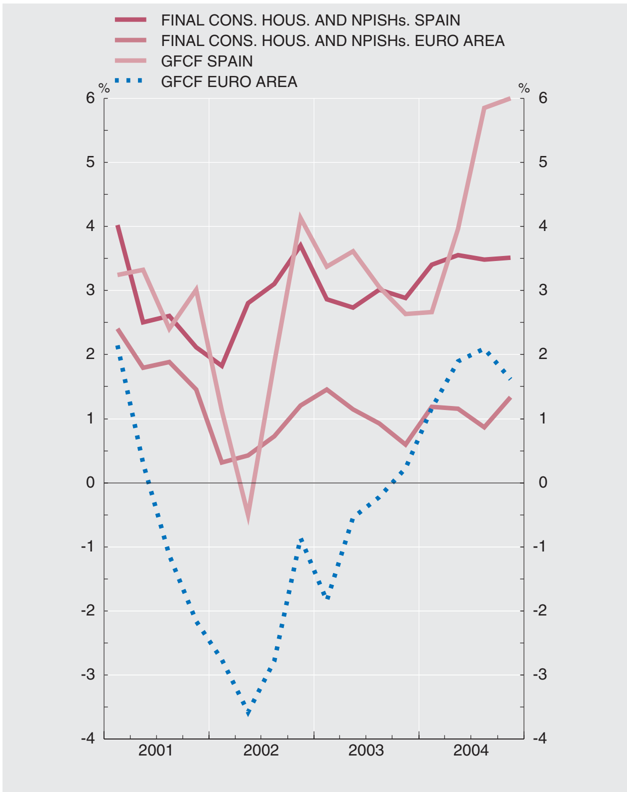
■ Series depicted in chart. *Annual percentage changes*

		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
01	P	2.8	1.6	2.8	1.9	3.5	2.4	3.0	-0.2	2.9	1.0	3.6	3.6	3.9	1.9	654	6 850
02	P	2.2	0.9	2.9	0.7	4.1	3.1	1.7	-2.5	2.8	0.4	1.2	1.9	3.1	0.5	699	7 085
03	P	2.5	0.5	2.9	1.0	3.9	1.6	3.2	-0.6	3.2	1.2	2.6	0.2	4.8	2.0	745	7 272
02 *Q1*	P	2.4	0.5	1.8	0.3	4.0	2.8	1.1	-2.8	3.7	-0.0	-4.0	-1.7	0.2	-3.2	170	1 750
Q2	P	2.3	0.9	2.8	0.4	4.3	3.4	-0.5	-3.6	1.9	-0.0	1.4	2.0	0.4	-0.5	173	1 764
Q3	P	2.2	1.0	3.1	0.7	4.2	3.1	1.9	-2.8	2.1	0.4	3.0	3.3	2.7	1.8	176	1 781
Q4	P	2.1	1.2	3.7	1.2	3.9	2.9	4.1	-0.9	3.6	1.1	4.7	3.9	9.3	4.1	179	1 790
03 *Q1*	P	2.1	0.7	2.9	1.5	4.0	1.8	3.4	-1.8	2.4	1.4	1.9	1.6	2.8	3.7	182	1 800
Q2	P	2.5	0.2	2.7	1.1	3.5	1.5	3.6	-0.5	2.8	1.0	3.9	-1.2	4.7	1.0	184	1 805
Q3	P	2.6	0.4	3.0	0.9	3.8	1.7	3.1	-0.2	4.1	0.8	3.1	0.3	7.9	1.4	187	1 826
Q4	P	2.8	0.8	2.9	0.6	4.2	1.4	2.6	0.2	3.5	1.5	1.6	0.2	3.7	2.0	191	1 841
04 *Q1*	P	2.7	1.6	3.4	1.2	4.6	1.9	2.7	1.2	3.6	1.2	5.5	3.6	8.0	2.8	195	1 863
Q2	P	2.6	2.2	3.6	1.2	4.7	1.8	4.0	1.9	4.3	1.7	3.3	7.2	8.2	6.0	198	1 884
Q3	P	2.6	1.9	3.5	0.9	4.8	1.5	5.8	2.1	4.5	2.6	4.1	5.6	9.5	7.8	201	1 893
Q4	P	2.7	1.6	3.5	1.3	5.4	1.2	6.0	1.6	4.5	1.9	5.2	6.0	10.2	7.1	205	1 903

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.

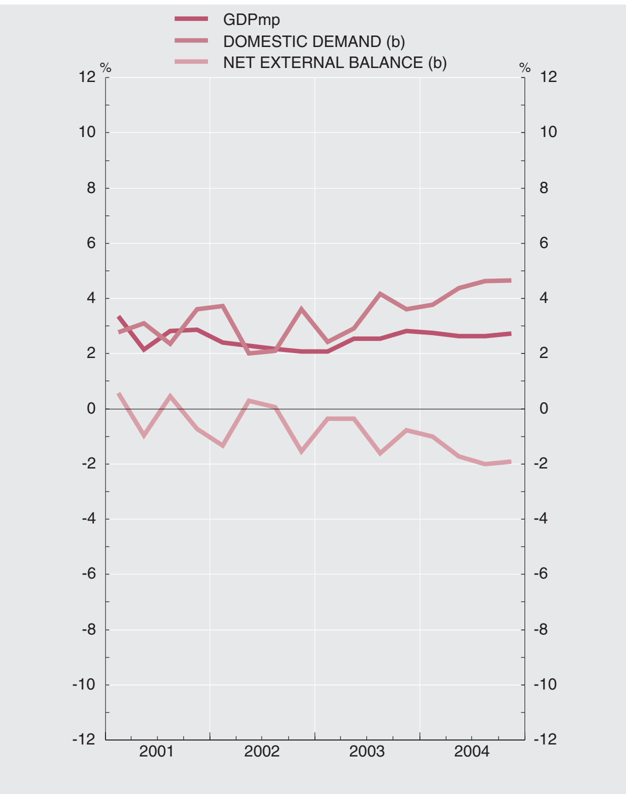
1.2. GROSS DOMESTIC PRODUCT. CONSTANT 1995 PRICES. DEMAND COMPONENTS. SPAIN (a)

■ Series depicted in chart.

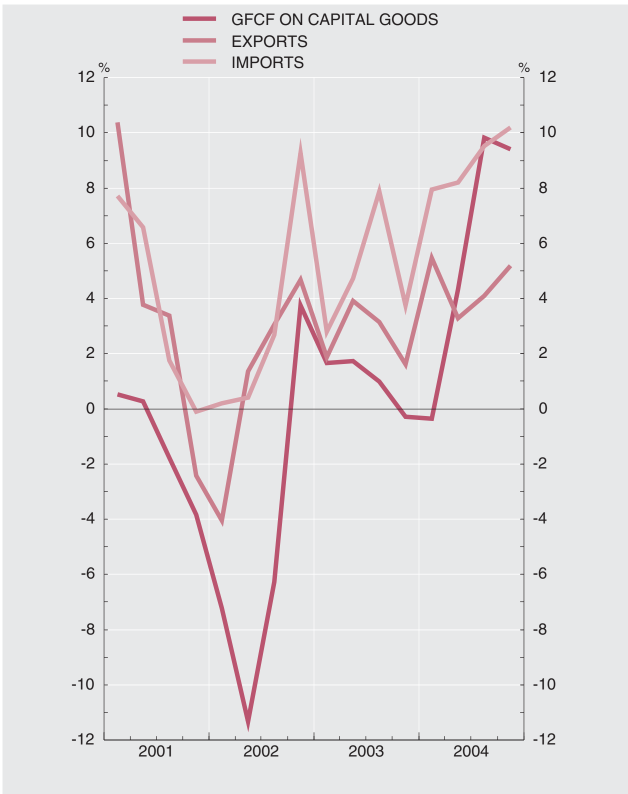
Annual percentage changes

		Gross fixed capital formation				Change in Stocks (b)	Exports of goods and services				Imports of goods and services				Memorandum items:		
		Total	Capital goods	Construc-tión	Other products		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 ■	16 ■
01	P	3.0	-1.2	5.3	3.7	-0.1	3.6	2.4	3.3	11.1	3.9	3.3	9.2	6.9	-0.2	3.0	2.8
02	P	1.7	-5.4	5.2	3.0	0.0	1.2	3.0	-7.3	3.5	3.1	3.4	4.9	0.9	-0.6	2.9	2.2
03	P	3.2	1.0	4.3	3.0	0.1	2.6	3.9	-0.3	-0.6	4.8	5.2	5.0	2.3	-0.8	3.3	2.5
02 *Q1*	P	1.1	-7.2	5.3	3.6	1.7	-4.0	-4.2	-8.1	2.4	0.2	0.1	1.4	0.3	-1.3	3.7	2.4
Q2	P	-0.5	-11.3	4.9	2.5	-0.3	1.4	3.3	-9.5	6.0	0.4	0.8	3.1	-2.5	0.3	2.0	2.3
Q3	P	1.9	-6.3	6.3	2.7	-0.9	3.0	5.2	-6.6	4.1	2.7	2.5	10.4	1.9	0.1	2.1	2.2
Q4	P	4.1	3.7	4.6	3.3	-0.3	4.7	7.7	-5.2	1.8	9.3	10.3	5.0	3.9	-1.5	3.6	2.1
03 *Q1*	P	3.4	1.7	4.2	3.4	-0.8	1.9	2.9	-3.1	2.7	2.8	2.5	1.2	4.8	-0.4	2.4	2.1
Q2	P	3.6	1.7	4.6	3.3	-0.2	3.9	5.3	0.9	0.1	4.7	4.8	3.7	4.2	-0.4	2.9	2.5
Q3	P	3.1	1.0	4.1	2.9	0.9	3.1	4.7	0.5	-1.7	7.9	9.2	5.0	0.5	-1.6	4.2	2.6
Q4	P	2.6	-0.3	4.2	2.4	0.4	1.6	2.7	0.7	-3.2	3.7	4.1	9.9	0.0	-0.8	3.6	2.8
04 *Q1*	P	2.7	-0.4	4.2	2.5	0.2	5.5	8.2	0.1	-2.0	8.0	8.6	23.0	0.7	-1.0	3.8	2.7
Q2	P	4.0	4.3	4.1	3.0	0.4	3.3	5.7	-3.2	-2.1	8.2	9.1	21.2	-0.3	-1.7	4.4	2.6
Q3	P	5.8	9.8	4.6	3.5	0.2	4.1	6.5	-2.0	-2.2	9.5	10.5	17.4	1.4	-2.0	4.6	2.6
Q4	P	6.0	9.4	4.9	3.8	0.0	5.2	7.4	-2.0	1.7	10.2	11.1	25.7	0.5	-1.9	4.6	2.7

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)

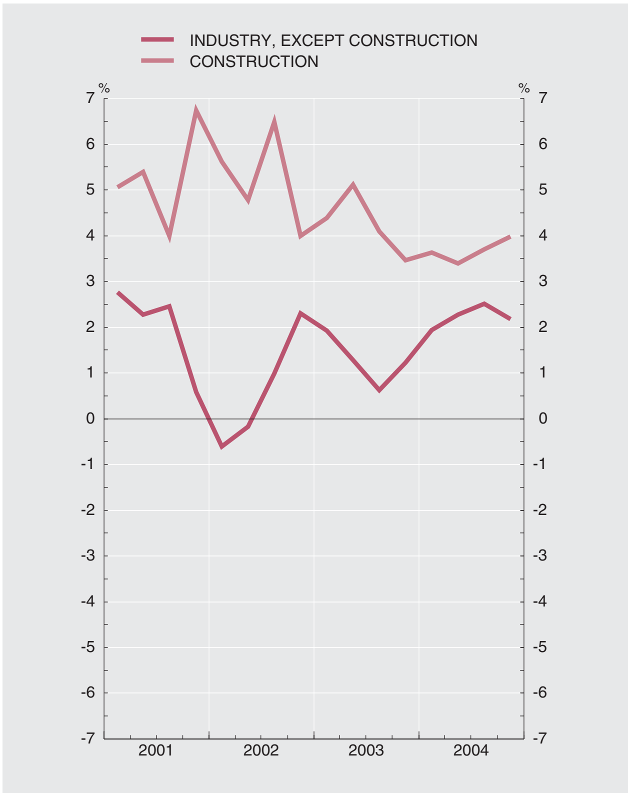
■ Series depicted in chart.

Annual percentage changes

		Gross domestic product at market prices	Agriculture and fisheries	Energy	Industry	Construction	Services: Total	Services: Market services	Services: Non-market services	VAT on products	Net taxes linked to imports	Other net taxes on products
		1 ■	2 ■	3	4 ■	5 ■	6 ■	7	8	9	10	11
01	P	2.8	-2.9	4.6	2.0	5.3	3.2	3.2	2.9	2.3	1.0	0.8
02	P	2.2	1.7	0.9	0.6	5.2	2.3	2.2	2.7	2.3	-0.3	4.6
03	P	2.5	-1.4	1.3	1.3	4.3	2.4	2.1	3.3	5.3	5.9	8.7
02 *Q1*	P	2.4	6.6	2.7	-0.6	5.6	2.2	1.8	3.4	5.0	-3.2	6.4
Q2	P	2.3	3.5	-0.1	-0.2	4.8	2.5	2.3	3.0	7.0	-	0.0
Q3	P	2.2	3.9	0.7	1.0	6.5	2.2	2.1	2.4	-0.0	0.8	2.6
Q4	P	2.1	-6.6	0.3	2.3	4.0	2.6	2.7	1.9	-2.3	1.2	9.6
03 *Q1*	P	2.1	-2.9	0.3	1.9	4.4	1.9	1.5	3.1	3.2	3.3	7.0
Q2	P	2.5	-1.7	0.9	1.3	5.1	2.2	2.1	2.8	7.3	4.0	8.0
Q3	P	2.6	-1.2	2.9	0.6	4.1	2.6	2.4	3.3	4.9	9.1	8.6
Q4	P	2.8	0.5	1.2	1.2	3.5	2.7	2.4	3.9	6.0	7.3	11.1
04 *Q1*	P	2.7	1.1	-0.7	1.9	3.6	3.0	3.0	3.2	0.6	17.9	9.0
Q2	P	2.6	-0.8	2.3	2.3	3.4	2.8	2.7	3.0	0.0	14.4	9.3
Q3	P	2.6	-0.4	2.3	2.5	3.7	2.5	2.3	3.3	4.7	4.4	2.9
Q4	P	2.7	-2.1	3.0	2.2	4.0	2.7	2.1	4.6	4.7	12.5	4.3

GDP. BRANCHES OF ACTIVITY
Annual percentage changes

GDP. BRANCHES OF ACTIVITY
Annual percentage changes



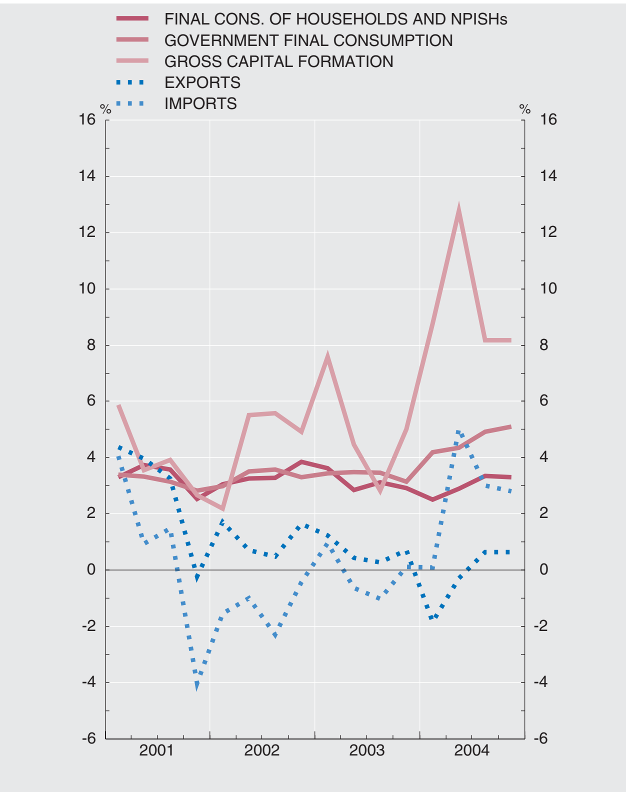
Source: INE (Contabilidad Nacional Trimestral de España).
a. Prepared in accordance with ESA95, SEASONALLY- AND WORKING-DAY-ADJUSTED SERIES (see Economic bulletin April 2002).

1.4. GROSS DOMESTIC PRODUCT. IMPLICIT DEFLATORS. SPAIN (a)

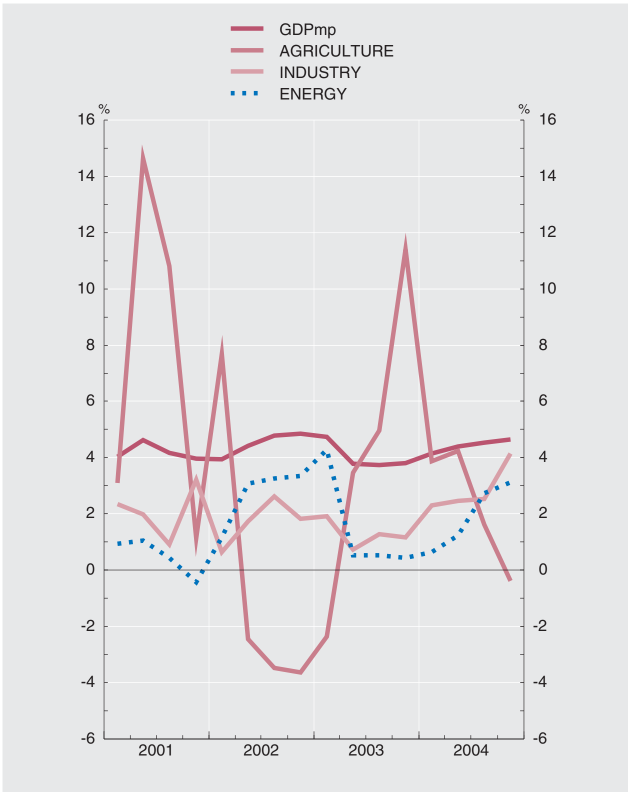
■ Series depicted in chart. *Annual percentage changes*

		Demand components									Branches of activity					
		Final consump-tion of households and NPISHs	Government final consump-tion	Gross capital formation				Exports of goods and services	Imports of goods and services	Gross domestic product at market prices	Agricul-ture and fisheries	Energy	Industry	Construc-tion	Of which	
				Total	Of which: Gross fixed capital formation										Services	Market services
					Capital goods	Construc-tion	Other products									
		1 ■	2 ■	3 ■	4	5	6	7 ■	8 ■	9 ■	10 ■	11 ■	12 ■	13	14	15
01	P	3.3	3.2	4.0	1.0	5.5	3.7	2.7	0.5	4.2	7.3	0.5	2.1	6.8	4.7	5.1
02	P	3.4	3.3	4.5	1.6	5.3	4.7	1.1	-1.3	4.5	-0.6	2.7	1.7	7.1	5.0	5.4
03	P	3.1	3.4	5.0	1.9	6.0	5.4	0.7	-0.2	4.0	4.2	1.4	1.3	6.7	4.1	4.2
02 *Q1*	P	3.1	3.0	2.2	0.8	4.4	3.7	1.7	-1.6	4.0	7.7	1.2	0.6	6.5	4.3	4.5
Q2	P	3.3	3.5	5.5	1.6	4.9	4.3	0.7	-1.0	4.4	-2.4	3.1	1.7	6.6	5.0	5.4
Q3	P	3.3	3.6	5.6	2.0	5.1	5.3	0.5	-2.3	4.8	-3.5	3.3	2.6	8.1	5.2	5.6
Q4	P	3.9	3.3	4.9	2.0	6.6	5.4	1.6	-0.4	4.8	-3.6	3.3	1.8	7.2	5.4	5.9
03 *Q1*	P	3.6	3.4	7.6	2.1	5.9	4.6	1.2	1.0	4.7	-2.4	4.3	1.9	6.7	5.2	5.7
Q2	P	2.9	3.5	4.5	2.0	5.8	5.7	0.4	-0.6	3.8	3.5	0.5	0.7	6.4	3.8	3.8
Q3	P	3.1	3.5	2.8	1.8	5.9	5.3	0.3	-1.0	3.7	5.0	0.5	1.3	6.1	3.7	3.8
Q4	P	2.9	3.1	5.0	1.8	6.5	6.1	0.7	0.1	3.8	11.4	0.4	1.2	7.5	3.5	3.5
04 *Q1*	P	2.5	4.2	8.8	1.8	7.5	6.5	-1.8	0.1	4.1	3.9	0.6	2.3	8.2	3.7	3.7
Q2	P	2.9	4.3	12.8	1.9	7.9	7.0	-0.3	5.0	4.4	4.2	1.2	2.5	8.4	3.7	3.8
Q3	P	3.3	4.9	8.2	2.2	8.2	7.1	0.6	3.0	4.5	1.6	2.7	2.5	8.5	3.8	4.1
Q4	P	3.3	5.1	8.2	2.3	7.8	7.9	0.6	2.8	4.7	-0.4	3.1	4.1	8.9	3.8	4.3

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

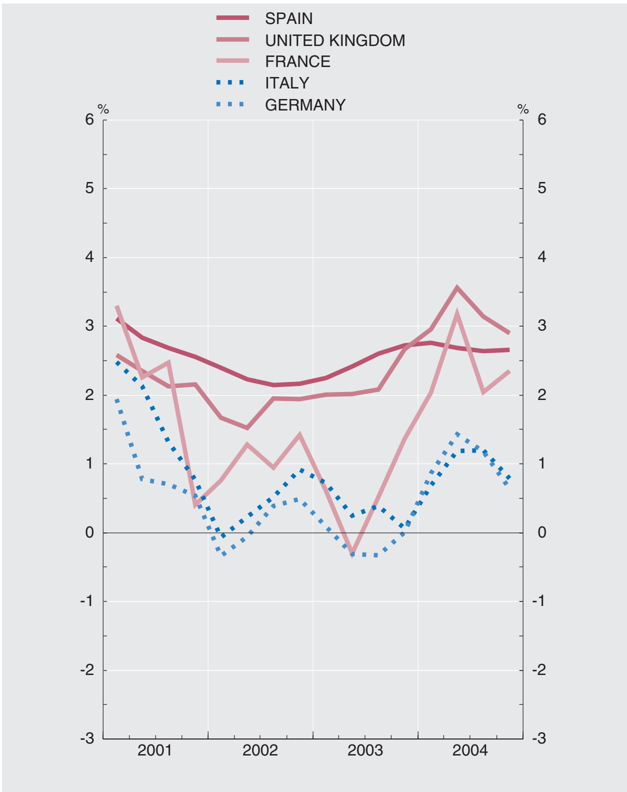
■ Series depicted in chart.

Annual percentage changes

	OECD 1	EU-15 2	Euro area 3 ■	Germany 4 ■	Spain 5 ■	United States 6 ■	France 7 ■	Italy 8 ■	Japan 9 ■	United Kingdom 10 ■
02	1.6	1.0	0.9	0.1	2.2	1.9	1.1	0.4	-0.3	1.8
03	2.0	0.8	0.5	-0.1	2.5	3.0	0.5	0.4	1.4	2.2
04	...	2.0	1.8	1.0	2.7	4.4	2.4	1.0	2.6	3.1
01 *Q4*	0.4	1.0	0.8	0.5	2.9	0.2	0.4	0.8	-2.0	2.2
02 *Q1*	0.8	0.7	0.5	-0.3	2.4	1.2	0.8	-0.1	-2.7	1.7
Q2	1.4	1.0	0.9	-0.1	2.3	1.5	1.3	0.2	-0.5	1.5
Q3	2.1	1.2	1.0	0.4	2.2	2.5	0.9	0.5	0.6	1.9
Q4	2.2	1.3	1.2	0.5	2.1	2.3	1.4	0.9	1.4	1.9
03 *Q1*	1.8	0.9	0.7	0.1	2.1	1.9	0.6	0.7	1.5	2.0
Q2	1.6	0.5	0.2	-0.3	2.5	2.3	-0.3	0.2	1.0	2.0
Q3	2.0	0.7	0.4	-0.3	2.6	3.5	0.5	0.4	1.0	2.1
Q4	2.8	1.1	0.8	0.0	2.8	4.4	1.4	0.1	2.1	2.7
04 *Q1*	3.6	1.8	1.5	0.9	2.7	5.0	2.0	0.7	4.1	3.0
Q2	3.8	2.4	2.2	1.4	2.6	4.8	3.2	1.2	3.1	3.6
Q3	3.3	2.1	1.8	1.2	2.6	4.0	2.0	1.2	2.3	3.1
Q4	...	1.8	1.6	0.6	2.7	3.9	2.3	0.8	1.0	2.9

GROSS DOMESTIC PRODUCT
Annual percentage changes

GROSS DOMESTIC PRODUCT
Annual percentage changes



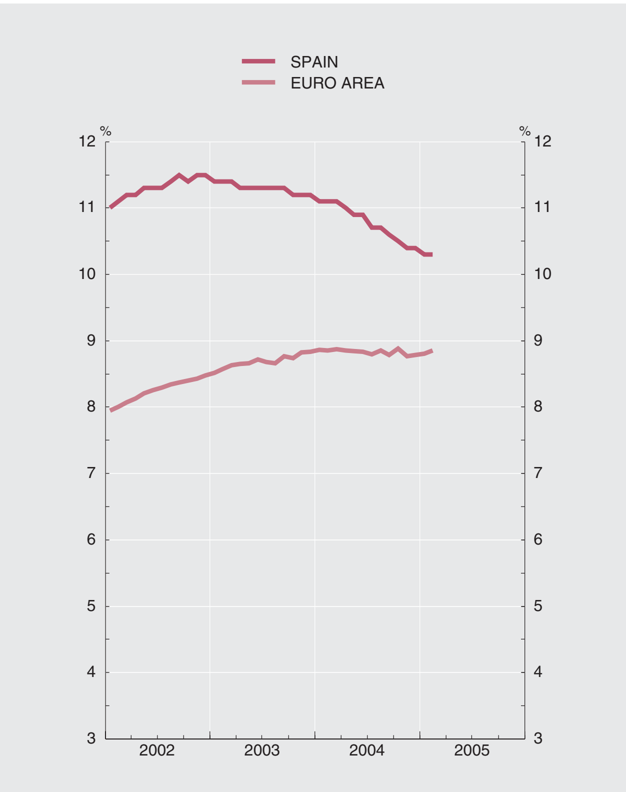
Sources: ECB, INE and OECD.
Note: The underlying series for this indicator are in Table 26.2 of the BE Boletín Estadístico.

2.2. INTERNATIONAL COMPARISON. UNEMPLOYMENT RATES

■ Series depicted in chart. *Percentages*

	OECD	EU-15	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3 ■	4 ■	5 ■	6 ■	7 ■	8 ■	9 ■	10 ■
02	6.9	7.6	8.2	8.2	11.3	5.8	8.9	8.6	5.4	5.1
03	7.1	7.9	8.7	9.1	11.3	6.0	9.5	8.4	5.3	5.0
04	6.9	8.1	8.8	9.5	10.8	5.5	9.6	8.0	4.7	4.6
03 *Sep*	7.1	8.0	8.8	9.3	11.3	6.1	9.6	8.3	5.2	4.9
Oct	7.1	8.0	8.7	9.2	11.2	6.0	9.7	8.2	5.2	4.9
Nov	7.1	8.0	8.8	9.5	11.2	5.9	9.7	8.2	5.2	4.9
Dec	7.0	8.0	8.8	9.5	11.2	5.7	9.7	8.2	4.9	4.8
04 *Jan*	7.0	8.1	8.9	9.5	11.1	5.7	9.7	8.2	5.0	4.7
Feb	7.0	8.1	8.9	9.5	11.1	5.6	9.6	8.2	5.0	4.7
Mar	6.9	8.1	8.9	9.5	11.1	5.7	9.6	8.2	4.7	4.7
Apr	6.9	8.1	8.9	9.5	11.0	5.6	9.6	8.1	4.7	4.7
May	6.9	8.1	8.8	9.5	10.9	5.6	9.6	8.1	4.6	4.7
Jun	6.9	8.0	8.8	9.5	10.9	5.6	9.6	8.1	4.6	4.7
Jul	6.9	8.0	8.8	9.5	10.7	5.5	9.6	7.9	4.9	4.6
Aug	6.9	8.0	8.9	9.7	10.7	5.4	9.7	7.9	4.8	4.5
Sep	6.8	8.0	8.8	9.5	10.6	5.4	9.7	7.9	4.6	4.6
Oct	6.8	8.1	8.9	9.9	10.5	5.5	9.6	8.0	4.7	4.6
Nov	6.7	8.0	8.8	9.5	10.4	5.4	9.6	8.0	4.5	4.6
Dec	6.7	8.0	8.8	9.5	10.4	5.4	9.7	8.0	4.4	4.6
05 *Jan*	6.7	8.0	8.8	9.6	10.3	5.2	9.7	...	4.5	...
Feb	6.7	8.1	8.9	9.7	10.3	5.4	9.8	...	4.7	...

UNEMPLOYMENT RATES



UNEMPLOYMENT RATES

Sources: ECB and OECD.

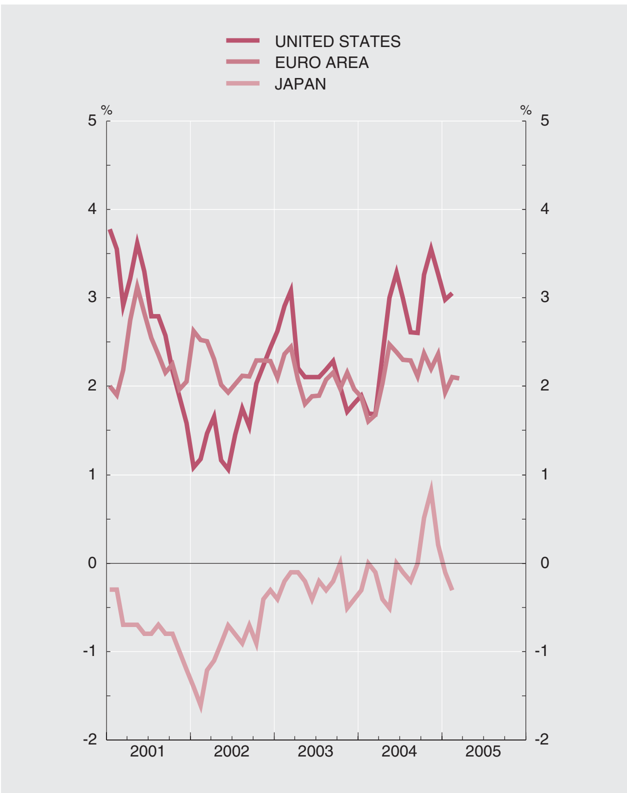
2.3. INTERNATIONAL COMPARISON. CONSUMER PRICES (a)

■ Series depicted in chart.

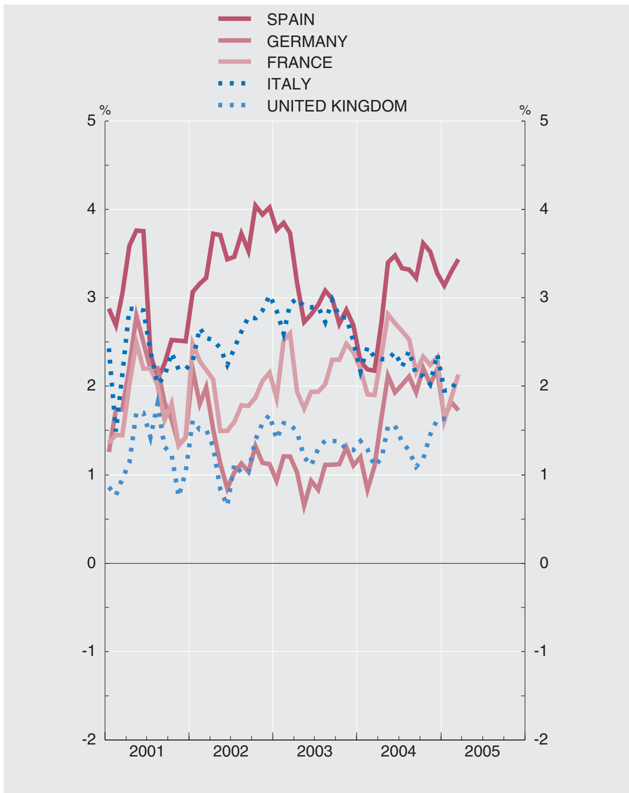
Annual percentage changes

	OECD 1	EU-15 2	Euro area 3 ■	Germany 4 ■	Spain 5 ■	United States 6 ■	France 7 ■	Italy 8 ■	Japan 9 ■	United Kingdom 10 ■
01	3.5	2.2	2.3	1.9	2.8	2.8	1.8	2.3	-0.7	1.2
02	2.6	2.1	2.3	1.4	3.6	1.6	1.9	2.6	-0.9	1.3
03	2.5	2.0	2.1	1.0	3.1	2.3	2.2	2.8	-0.3	1.4
04	2.5	2.0	2.1	1.8	3.0	2.7	2.3	2.3	-0.0	1.3
03 *Oct*	2.2	1.9	2.0	1.1	2.7	2.0	2.3	2.8	-	1.4
Nov	2.1	2.0	2.2	1.3	2.9	1.7	2.5	2.8	-0.5	1.3
Dec	2.1	1.8	2.0	1.1	2.7	1.8	2.4	2.5	-0.4	1.3
04 *Jan*	2.0	1.8	1.9	1.2	2.3	1.9	2.2	2.2	-0.3	1.4
Feb	1.8	1.5	1.6	0.8	2.2	1.7	1.9	2.4	-	1.3
Mar	1.9	1.5	1.7	1.1	2.2	1.7	1.9	2.3	-0.1	1.1
Apr	2.1	1.8	2.0	1.7	2.7	2.3	2.4	2.3	-0.4	1.2
May	2.7	2.3	2.5	2.1	3.4	3.0	2.8	2.3	-0.5	1.5
Jun	2.8	2.2	2.4	1.9	3.5	3.3	2.7	2.4	-	1.6
Jul	2.7	2.1	2.3	2.0	3.3	3.0	2.6	2.2	-0.1	1.4
Aug	2.6	2.1	2.3	2.1	3.3	2.6	2.5	2.4	-0.2	1.3
Sep	2.5	1.9	2.1	1.9	3.2	2.6	2.2	2.1	-	1.1
Oct	2.8	2.1	2.4	2.2	3.6	3.3	2.3	2.1	0.5	1.2
Nov	3.0	2.0	2.2	2.0	3.5	3.5	2.2	2.0	0.8	1.5
Dec	2.8	2.2	2.4	2.2	3.3	3.3	2.3	2.4	0.2	1.6
05 *Jan*	2.5	1.8	1.9	1.6	3.1	3.0	1.6	2.0	-0.1	1.6
Feb	2.5	2.0	2.1	1.8	3.3	3.1	1.9	2.0	-0.3	1.6
Mar	...	2.0	2.1	1.7	3.4	...	2.1	2.1	...	...

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.

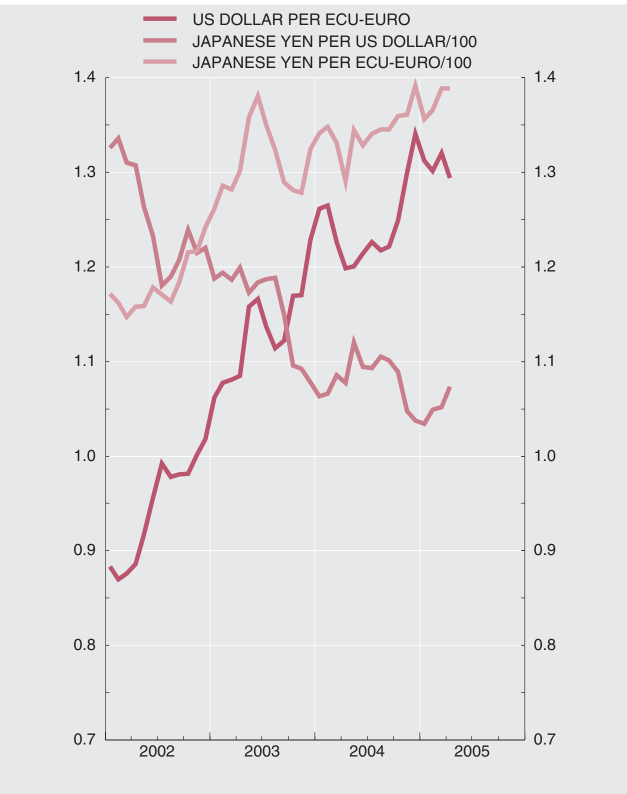
2.4. BILATERAL EXCHANGE RATES AND NOMINAL AND REAL EFFECTIVE EXCHANGE RATE INDICES FOR THE EURO, US DOLLAR AND JAPANESE YEN

■ Series depicted in chart.

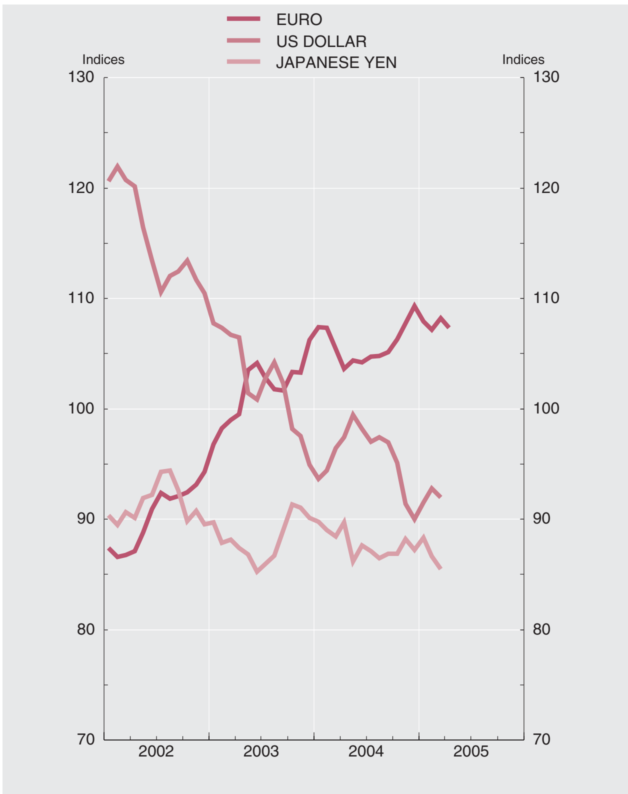
Average of daily data

	Exchange rates			Indices of the nominal effective exchange rate vis-à-vis the (a) developed countries 1999 QI=100			Indices of the real effective exchange rate vis-à-vis the developed countries (b) 1999 QI=100					
							Based on consumer prices			Based on producer prices		
	US dollar per ECU/euro	Japanese yen per ECU/euro	Japanese yen per US dollar	Euro	US dollar	Japanese yen	Euro	US dollar	Japanese yen	Euro	US dollar	Japanese yen
	1 ■	2 ■	3 ■	4	5	6	7 ■	8 ■	9 ■	10	11	12
02	0.9454	118.08	125.18	89.2	110.5	101.1	90.3	115.3	91.4	91.9	113.3	90.9
03	1.1313	130.98	115.93	99.9	97.5	99.9	101.7	102.5	88.3	102.2	102.8	88.0
04	1.2433	134.41	108.18	103.8	89.7	101.5	105.9	95.6	87.8	105.3	96.6	87.6
04 *J-A*	1.2375	132.78	107.31	103.9	90.0	102.5	106.0	95.5	89.2	105.6	96.3	89.2
05 *J-A*	1.3070	137.47	105.19	105.5	85.8	101.6	107.7	92.1	86.8	107.1	93.9	87.4
04 *Feb*	1.2646	134.78	106.58	105.3	89.1	102.1	107.3	94.4	89.0	106.9	95.0	89.1
Mar	1.2262	133.13	108.56	103.4	90.8	101.8	105.4	96.5	88.4	105.2	97.0	88.6
Apr	1.1985	129.08	107.72	101.6	91.6	103.7	103.7	97.4	89.7	103.2	98.2	89.8
May	1.2007	134.48	112.02	102.4	93.3	99.9	104.4	99.5	86.2	103.9	100.4	85.9
Jun	1.2138	132.86	109.46	102.3	91.8	101.6	104.2	98.2	87.6	103.7	98.6	87.6
Jul	1.2266	134.08	109.32	102.8	90.7	101.0	104.7	97.0	87.1	104.4	97.5	87.1
Aug	1.2176	134.54	110.50	102.7	91.2	100.4	104.8	97.4	86.5	104.4	98.0	86.3
Sep	1.2218	134.51	110.09	103.0	90.7	100.7	105.1	96.9	86.9	104.6	97.7	86.4
Oct	1.2490	135.97	108.89	104.2	88.8	100.6	106.3	95.1	86.8	105.5	97.0	85.8
Nov	1.2991	136.09	104.77	105.6	85.3	102.3	107.7	91.4	88.2	106.6	93.4	87.6
Dec	1.3408	139.14	103.78	107.1	84.3	101.8	109.3	90.0	87.2	108.4	91.6	87.4
05 *Jan*	1.3119	135.63	103.38	105.8	85.2	103.3	107.9	91.5	88.3	107.2	93.3	88.0
Feb	1.3014	136.55	104.93	105.1	86.0	102.1	107.1	92.8	86.6	106.6	94.5	86.7
Mar	1.3201	138.83	105.18	106.0	85.2	101.1	108.2	92.0	85.5	107.7	...	...
Apr	1.2938	138.84	107.31	105.1	86.7	100.1	107.4	...	...	106.9	...	...

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.

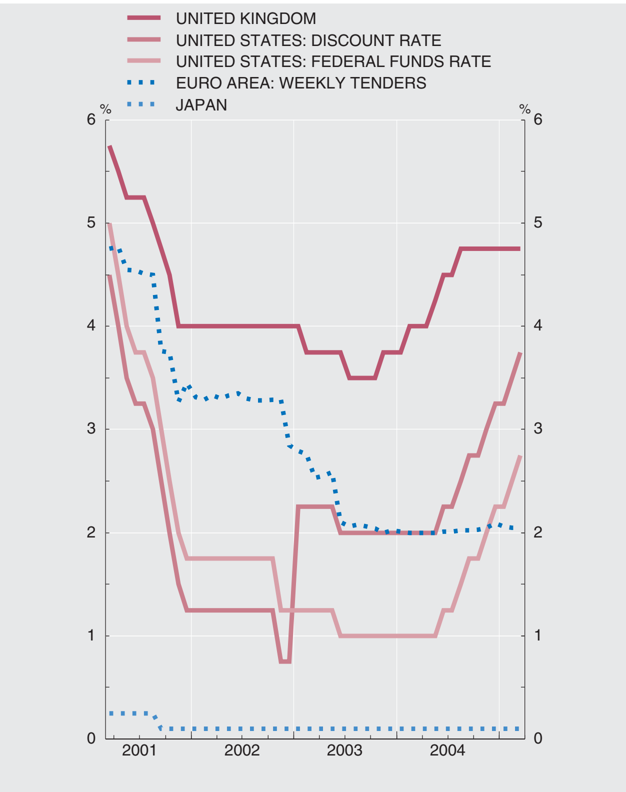
(b) Obtained by multiplying the relative prices of each area/country (relation betwen its price index and the price index of the group) by the nominal effective exchange rate. A decline in the index denotes a depreciation of the real effective exchange rate and, may be interpreted as an improvement in that area/country's competitiveness.

2.5. OFFICIAL INTERVENTION INTEREST RATES AND SHORT-TERM INTEREST RATES

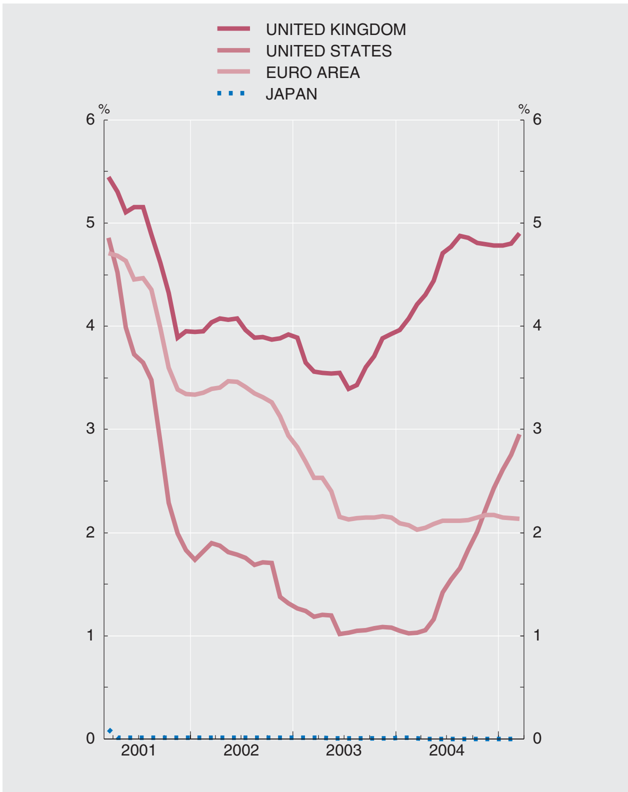
■ Series depicted in chart. *Percentages*

	Official intervention interest rates					3-month interbank rates									
	Euro area	United States		Japan	United Kingdom	OECD	EU-15	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	(a)	Discount rate (b)	Federal funds rate	(c)	(d)										
	1 ■	2 ■	3 ■	4 ■	5 ■	6	7	8 ■	9	10	11 ■	12	13	14 ■	15 ■
02	2.75	0.75	1.67	0.10	4.00	2.21	3.42	3.32	-	-	1.71	-	-	0.01	3.96
03	2.00	2.00	1.10	0.10	3.75	1.63	2.55	2.33	-	-	1.12	-	-	0.01	3.64
04	2.00	3.25	1.40	0.10	4.75	1.75	2.48	2.11	-	-	1.54	-	-	0.00	4.55
03 *Oct*	2.00	2.00	1.00	0.10	3.50	1.54	2.40	2.14	-	-	1.07	-	-	0.00	3.71
Nov	2.00	2.00	1.00	0.10	3.75	1.57	2.43	2.16	-	-	1.08	-	-	0.01	3.89
Dec	2.00	2.00	1.00	0.10	3.75	1.57	2.43	2.15	-	-	1.08	-	-	0.01	3.93
04 *Jan*	2.00	2.00	1.00	0.10	3.75	1.53	2.39	2.09	-	-	1.05	-	-	0.01	3.96
Feb	2.00	2.00	1.00	0.10	4.00	1.51	2.39	2.07	-	-	1.02	-	-	0.01	4.08
Mar	2.00	2.00	1.00	0.10	4.00	1.50	2.37	2.03	-	-	1.03	-	-	0.01	4.21
Apr	2.00	2.00	1.00	0.10	4.00	1.52	2.39	2.05	-	-	1.06	-	-	0.00	4.30
May	2.00	2.00	1.00	0.10	4.25	1.58	2.44	2.09	-	-	1.16	-	-	0.00	4.44
Jun	2.00	2.25	1.25	0.10	4.50	1.71	2.50	2.11	-	-	1.42	-	-	0.00	4.71
Jul	2.00	2.25	1.25	0.10	4.50	1.76	2.52	2.12	-	-	1.54	-	-	0.00	4.77
Aug	2.00	2.50	1.50	0.10	4.75	1.81	2.53	2.11	-	-	1.66	-	-	0.00	4.88
Sep	2.00	2.75	1.75	0.10	4.75	1.89	2.53	2.12	-	-	1.83	-	-	0.00	4.85
Oct	2.00	2.75	1.75	0.10	4.75	1.97	2.55	2.15	-	-	2.01	-	-	0.00	4.81
Nov	2.00	3.00	2.00	0.10	4.75	2.07	2.56	2.17	-	-	2.23	-	-	0.00	4.79
Dec	2.00	3.25	2.25	0.10	4.75	2.15	2.56	2.17	-	-	2.43	-	-	0.00	4.78
05 *Jan*	2.00	3.25	2.25	0.10	4.75	2.21	2.54	2.15	-	-	2.61	-	-	0.00	4.79
Feb	2.00	3.50	2.50	0.10	4.75	2.26	2.54	2.14	-	-	2.76	-	-	0.00	4.80
Mar	2.00	3.75	2.75	0.10	4.75	2.35	2.55	2.14	-	-	2.95	-	-	0.01	4.90

OFFICIAL INTERVENTION INTEREST RATES



3-MONTH INTERBANK RATES



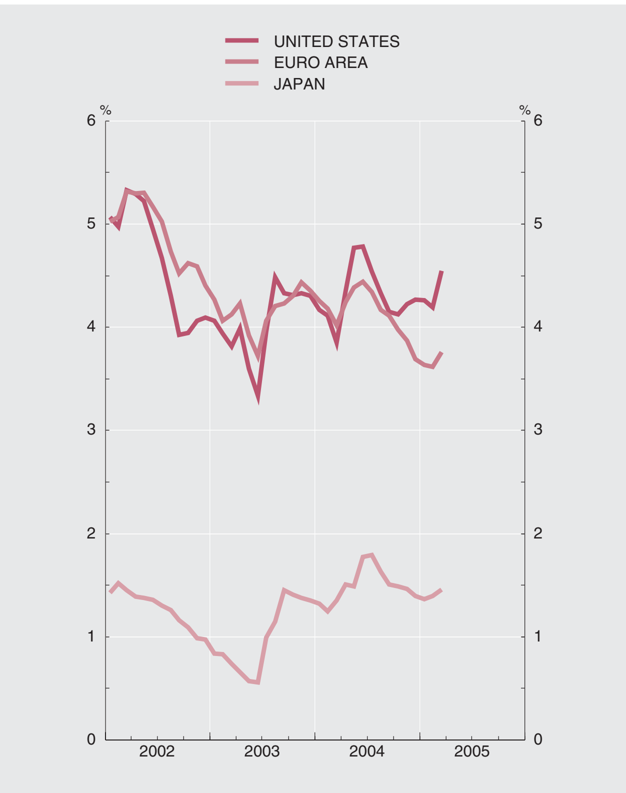
Sorces: ECB, Reuters and BE.
a. Main refinancing operations.
b. As from January 2003, the Primary Credit Rate.
c. Discount rate.
d. Retail bank base rate.

2.6. 10-YEAR GOVERNMENT BOND YIELDS ON DOMESTIC MARKETS

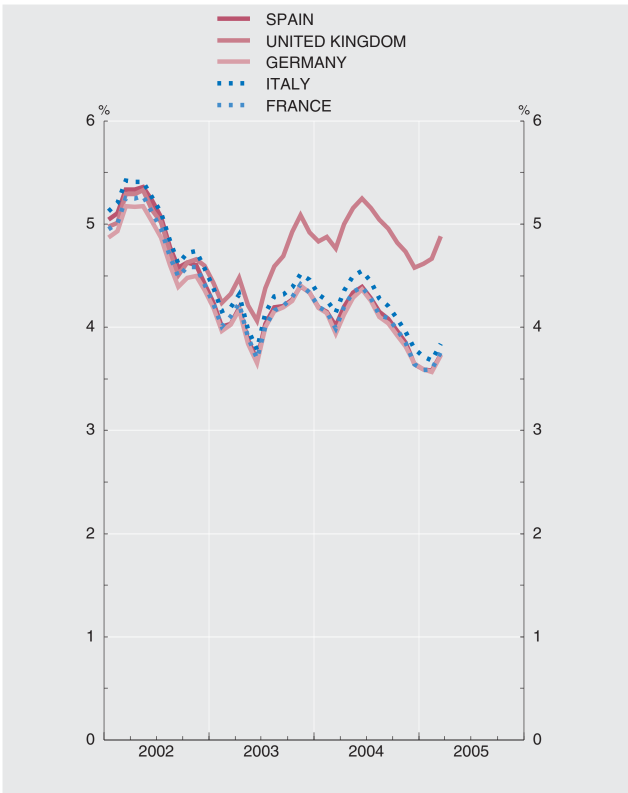
■ Series depicted in chart. *Percentages*

	OECD 1	EU-15 2	Euro area 3 ■	Germany 4 ■	Spain 5 ■	United States 6 ■	France 7 ■	Italy 8 ■	Japan 9 ■	United Kingdom 10 ■
02	4.27	4.92	4.92	4.80	4.96	4.65	4.88	5.04	1.27	4.93
03	3.68	4.22	4.16	4.10	4.12	4.04	4.13	4.24	0.99	4.53
04	3.87	4.26	4.14	4.07	4.10	4.31	4.10	4.24	1.50	4.93
03 *Oct*	3.93	4.41	4.31	4.25	4.27	4.31	4.29	4.39	1.41	4.92
Nov	4.00	4.55	4.44	4.40	4.40	4.33	4.41	4.52	1.38	5.09
Dec	3.94	4.47	4.36	4.34	4.34	4.31	4.34	4.46	1.35	4.92
04 *Jan*	3.82	4.33	4.26	4.19	4.19	4.17	4.20	4.32	1.32	4.83
Feb	3.77	4.29	4.18	4.14	4.15	4.11	4.15	4.26	1.24	4.88
Mar	3.61	4.14	4.02	3.94	4.01	3.86	3.99	4.15	1.35	4.77
Apr	3.93	4.34	4.24	4.13	4.20	4.35	4.20	4.35	1.51	5.00
May	4.16	4.50	4.39	4.29	4.33	4.77	4.34	4.50	1.49	5.16
Jun	4.24	4.56	4.44	4.37	4.39	4.79	4.39	4.55	1.77	5.25
Jul	4.10	4.46	4.34	4.26	4.28	4.54	4.28	4.44	1.79	5.15
Aug	3.93	4.30	4.17	4.10	4.15	4.33	4.12	4.28	1.63	5.04
Sep	3.80	4.24	4.11	4.04	4.08	4.15	4.09	4.20	1.50	4.96
Oct	3.74	4.12	3.98	3.92	3.97	4.13	3.98	4.08	1.49	4.82
Nov	3.73	4.01	3.87	3.82	3.85	4.22	3.86	3.96	1.46	4.74
Dec	3.66	3.82	3.69	3.65	3.64	4.27	3.64	3.79	1.39	4.58
05 *Jan*	3.63	3.77	3.63	3.59	3.59	4.26	3.58	3.72	1.36	4.62
Feb	3.60	3.76	3.62	3.57	3.58	4.20	3.59	3.68	1.40	4.66
Mar	3.83	3.93	3.76	3.73	3.73	4.55	3.76	3.84	1.46	4.88

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.

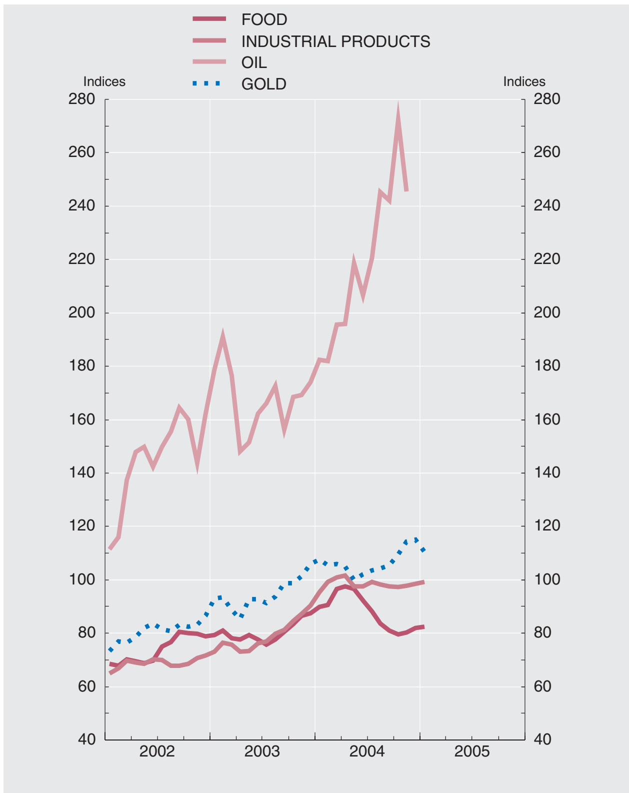
■ Series depicted in chart.

1995 = 100

	Non-energy commodity price index (a)						Oil		Gold		
	Euro index	US dollar index						Brent North sea			
				Industrial products							
	General	General	Food	Total	Non-food agricultural products	Metals	Index (b)	US dollars per barrel	Index (c)	US dollars per troy ounce	Euro per gram
	1 ■	2 ■	3 ■	4 ■	5	6	7 ■	8	9 ■	10	11
02	99.8	71.7	73.8	68.8	69.7	68.0	145.2	25.0	80.7	310.0	10.55
03	92.7	79.8	80.3	79.1	81.9	76.6	167.8	28.9	94.6	363.6	10.33
04	97.9	92.5	88.1	98.4	90.8	104.8	...	38.3	106.5	409.2	10.58
04 *J-J*	95.7	92.2	89.8	95.4	93.2	97.3	182.5	31.3	107.7	413.8	10.54
05 *J-J*	90.0	89.7	82.4	99.3	83.7	112.6	...	43.9	110.4	424.1	10.40
03 *Oct*	94.3	83.9	83.3	84.7	88.4	81.6	168.6	29.6	98.6	378.9	10.41
Nov	97.9	86.9	86.6	87.3	90.0	85.1	169.3	28.9	101.5	389.9	10.70
Dec	94.8	88.7	87.4	90.5	89.3	91.4	174.1	29.9	106.0	407.1	10.66
04 *Jan*	95.7	92.2	89.8	95.4	93.2	97.3	182.5	31.3	107.7	413.8	10.54
Feb	97.7	94.2	90.5	99.3	95.0	102.9	182.0	30.8	105.4	404.9	10.28
Mar	105.1	98.3	96.5	100.8	96.1	104.7	195.7	33.8	105.8	406.7	10.65
Apr	109.2	99.2	97.5	101.5	96.8	105.6	195.9	33.4	105.0	403.3	10.82
May	106.3	97.0	96.6	97.6	97.5	97.7	218.7	37.6	99.8	383.6	10.28
Jun	102.4	94.5	92.3	97.5	93.4	101.0	206.6	35.3	102.1	392.4	10.38
Jul	99.7	92.9	88.1	99.3	92.1	105.4	220.5	38.4	103.6	398.1	10.43
Aug	96.8	89.8	83.6	98.2	91.7	103.8	245.2	42.5	104.2	400.5	10.57
Sep	94.6	88.1	81.0	97.6	88.7	105.1	242.1	43.3	105.5	405.3	10.67
Oct	91.7	87.0	79.5	97.2	81.8	110.2	272.4	49.8	109.4	420.5	10.82
Nov	88.8	87.7	80.4	97.8	81.8	111.3	245.5	43.0	114.4	439.4	10.87
Dec	87.2	89.0	81.9	98.5	81.5	113.0	...	39.7	115.0	441.9	10.60
05 *Jan*	90.0	89.7	82.4	99.3	83.7	112.6	...	43.9	110.4	424.1	10.40

NON-ENERGY COMMODITY PRICE INDEX

PRICE INDICES FOR NON-ENERGY COMMODITIES, OIL AND GOLD



Sources: The Economist, IMF, ECB and BE.

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

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

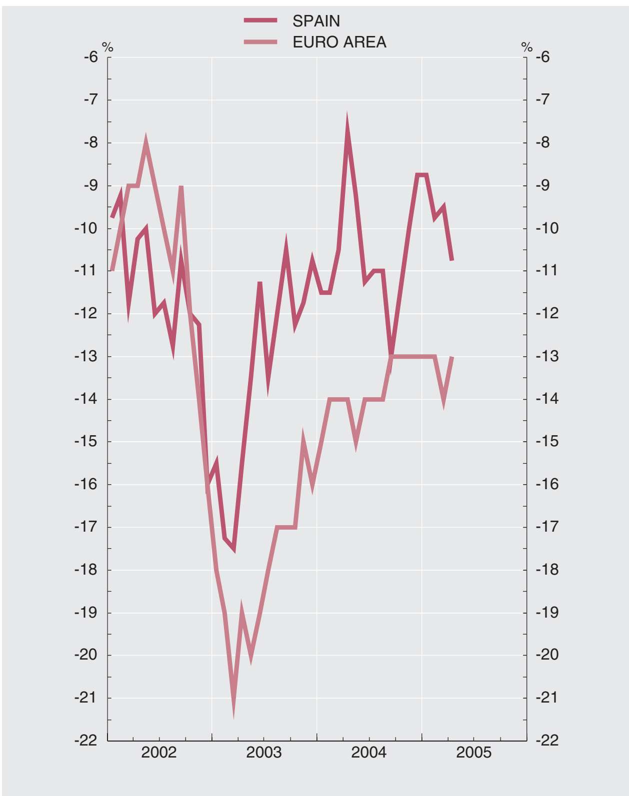
(c) Index of the London market's 15.30 fixing in dollars.

3.1. INDICATORS OF PRIVATE CONSUMPTION. SPAIN AND EURO AREA

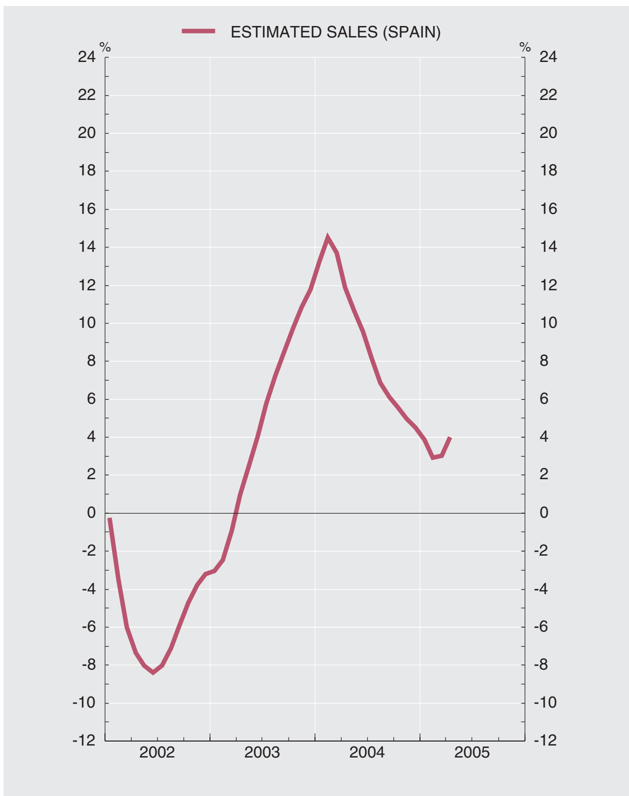
■ Series depicted in chart. *Annual percentage changes*

		Opinion surveys (net percentages)						New car registrations and sales				Retail trade: sales index					
		Consumers			Retail trade confidence index	Memorandum item: euro area		Registrations	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		Private use		Registrations	Nominal	of which: Deflated (a)	of which: Large retail outlets (a)	Food (b)	Other (c)	
		1 ■	2	3	4	5 ■	6	7	8	9 ■	10	11	12	13	14	15	16
02		-12	-7	-1	-2	-11	-17	-6.0	-5.6	-6.6	-4.1	5.7	2.2	-0.7	1.7	2.8	0.1
03		-13	-9	-2	-2	-18	-12	6.0	4.0	3.8	-1.5	5.7	2.9	5.2	0.8	4.2	0.3
04	P	-11	-4	-1	-6	-14	-8	10.8	12.2	9.8	0.9	5.5	2.8	4.4	0.4	4.5	0.1
04 *J-A*	P	-10	-4	-1	-0	-14	-8	17.2	19.4	16.1	1.8	6.5	4.9	6.4	1.2	7.4	0.3
05 *J-A*	A	-10	-5	-1	-8	-13	-8	2.4	4.2	1.6	...	...	...	...	...	...	...
04 *May*	P	-9	-2	-	-5	-15	-7	10.7	14.2	8.9	4.1	3.2	-	-1.9	-3.0	1.9	-1.6
Jun	P	-11	-5	-1	-5	-14	-10	16.2	18.9	14.9	0.6	7.3	3.9	9.2	1.5	5.4	1.1
Jul	P	-11	-2	-1	-6	-14	-9	4.8	7.8	3.8	-1.8	6.4	3.1	7.3	0.7	4.8	0.6
Aug	P	-11	-7	-1	-9	-14	-7	9.1	10.7	7.3	-9.4	2.6	-0.5	0.1	-4.0	2.3	-
Sep	P	-13	-6	-2	-10	-13	-9	7.2	8.6	6.2	-0.6	3.8	0.9	2.3	-0.9	2.2	-0.4
Oct	P	-12	-5	-1	-11	-13	-7	-1.3	-2.1	-1.7	3.9	2.6	-1.0	3.6	-0.5	-1.2	-0.6
Nov	P	-10	-6	-1	-10	-13	-10	13.6	10.4	13.4	4.8	8.5	4.9	4.1	3.4	6.0	0.6
Dec	P	-9	-2	2	-10	-13	-7	4.0	7.3	3.2	1.8	5.6	2.6	2.9	2.6	2.6	0.5
05 *Jan*	P	-9	-2	-	-10	-13	-6	6.0	4.9	6.1	1.4	3.4	0.7	2.9	-1.5	2.0	-0.7
Feb	A	-10	-4	-1	-12	-13	-8	0.2	-2.0	-0.7	-2.2	4.3	1.3	4.1	1.0	1.4	0.8
Mar	A	-10	-5	-1	-7	-14	-10	-2.4	0.4	-3.3	1.7	4.6	1.5	5.8	1.5	1.5	1.3
Apr	A	-11	-7	-2	-2	-13	-8	7.6	13.9	6.6	...	...	...	...	...	...	...

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. Until December 2002, deflated by the total CPI. From January 2003, INE.

b. Until December 2002, deflated by the food component of the CPI. From January 2003, INE.

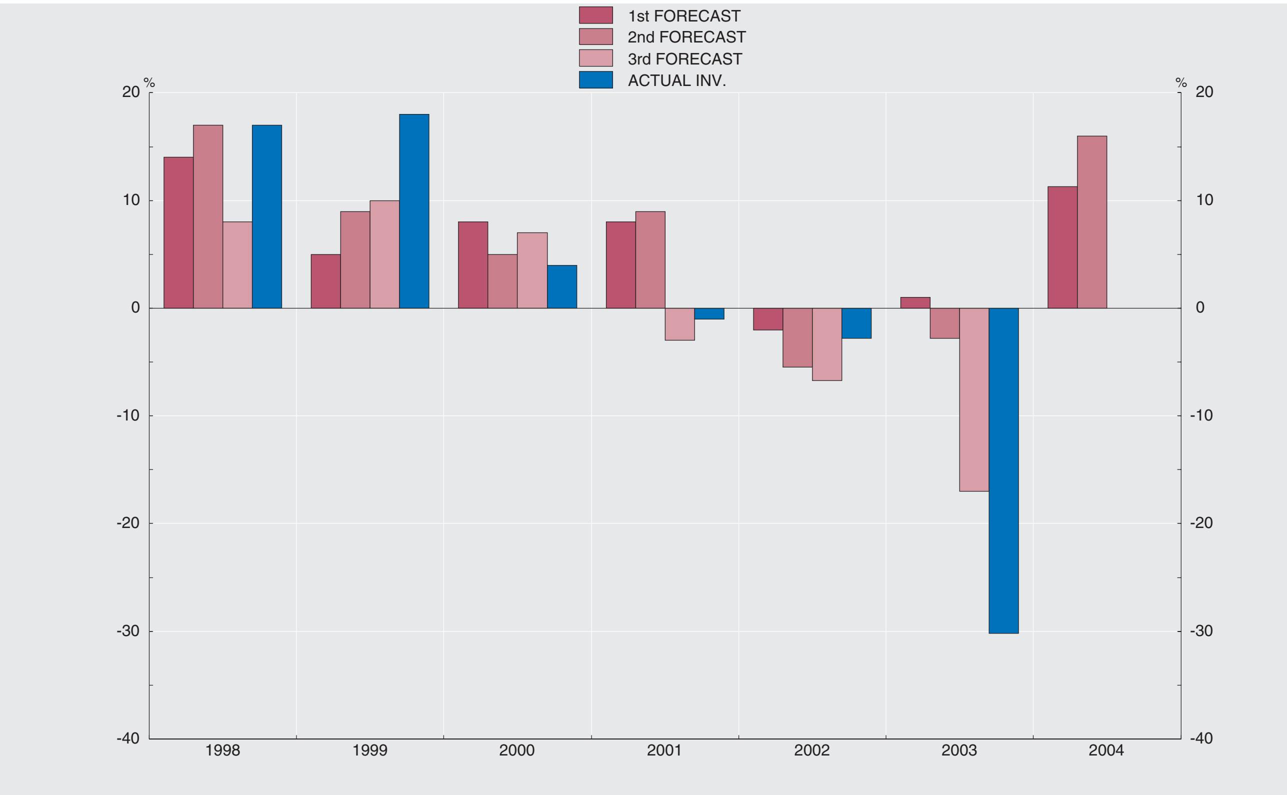
c. Until December 2002, deflated by the total CPI excluding foods, beverages, and tobacco. From January 2003, INE.

3.2. INVESTMENT IN INDUSTRY (EXCLUDING CONSTRUCTION): OPINION SURVEYS. SPAIN

■ Series depicted in chart. *Annual percentage changes at current prices*

	ACTUAL INV. 1 ■	1st FORECAST 2 ■	2nd FORECAST 3 ■	3rd FORECAST 4 ■
98	17	14	17	8
99	18	5	9	10
00	4	8	5	7
01	-1	8	9	-3
02	-3	-2	-6	-7
03	-30	1	-3	-17
04	...	11	16	...

INVESTMENT IN INDUSTRY
Annual rates of change



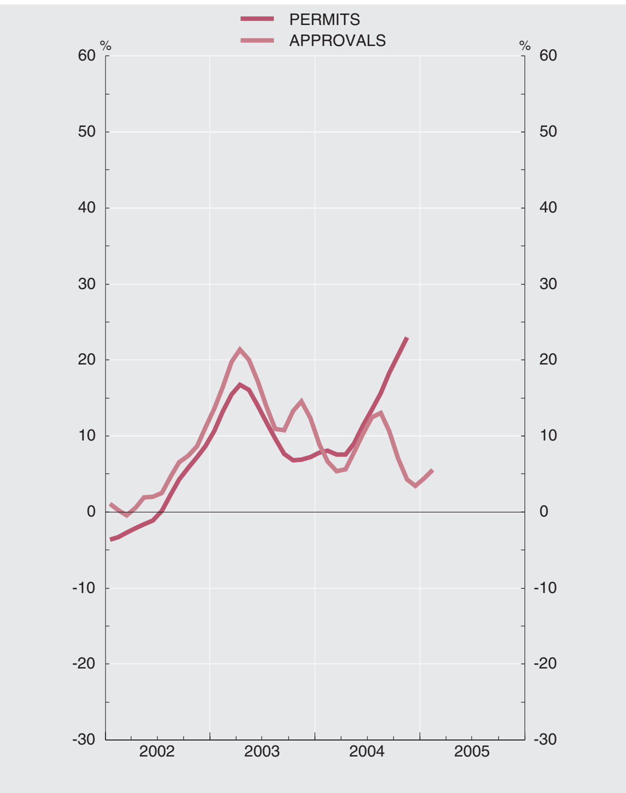
Source: Ministerio de Industria, Turismo y Comercio.
Note: The first forecast is made in the autumn of the previous year and the second and third ones in the spring and autumn of the current year, respectively; the information relating to actual investment for the year t is obtained in the spring of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

3.3. CONSTRUCTION. INDICATORS OF BUILDING STARTS AND CONSUMPTION OF CEMENT. SPAIN

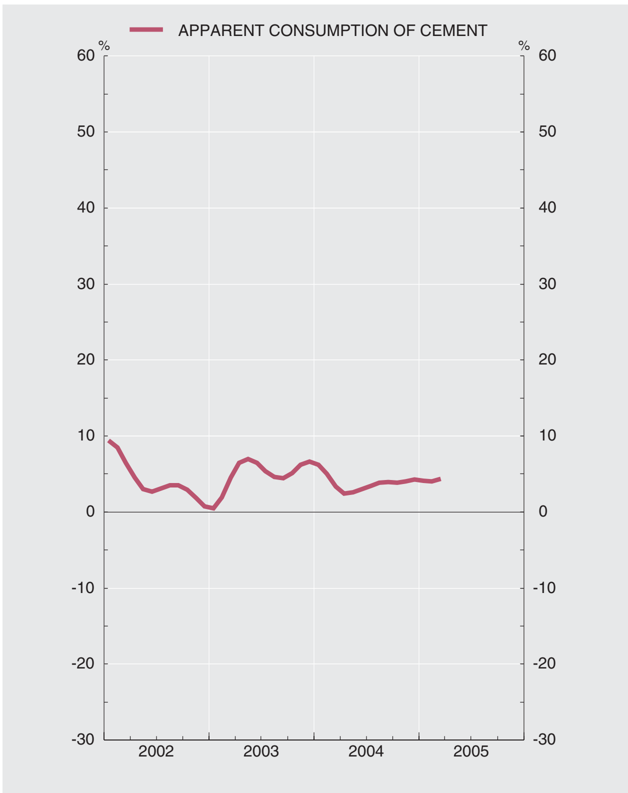
■ Series depicted in chart. *Annual percentage changes*

	Permits: buildable floorage				Approvals: buildable floorage		Government tenders (budget)							Apparent consumption of cement
	Total	of which		Non-residential	Total	of which	Total		Building				Civil engineering	
		Residential	Housing			Housing	For the month	Year to date	Total	of which		Non-residential		
										Residential	Housing			
	1 ■	2	3	4	5 ■	6	7 ■	8	9	10	11	12	13	14 ■
02	-0.3	2.8	3.4	-11.7	3.0	4.1	13.1	13.1	-2.2	-15.2	3.9	3.4	20.0	4.7
03	12.4	14.6	14.7	3.0	17.5	19.9	-10.9	-10.9	-0.3	-11.7	35.4	3.8	-14.8	4.8
04	...	...	...	...	6.3	9.9	17.9	17.9	3.2	30.9	-0.5	-5.1	24.2	3.9
04 *J-M*	11.1	10.7	13.1	12.8	5.0	8.1	-3.0	-3.0	-47.6	-47.7	-66.6	-47.6	20.4	5.6
05 *J-M*	...	...	...	...	...	...	...	...	...	...	...	...	...	0.2
03 *Dec*	12.6	3.7	2.8	66.9	23.3	31.6	-49.5	-10.9	-11.2	-33.7	0.7	-5.0	-56.9	11.3
04 *Jan*	-1.2	-1.1	3.0	-1.8	-3.8	-8.6	-13.4	-13.4	-48.9	-84.8	-85.7	9.0	7.3	3.0
Feb	29.3	29.6	31.4	28.2	4.3	10.4	83.4	24.2	-18.0	33.5	-64.6	-36.4	147.2	6.6
Mar	4.2	3.1	4.7	9.6	13.1	20.9	-28.0	-3.0	-59.8	7.5	82.7	-67.6	-13.5	6.8
Apr	-2.1	-4.9	-2.4	18.0	0.8	3.6	-8.5	-4.0	-25.0	-62.4	-31.5	-11.1	-1.2	-0.1
May	-10.1	-10.1	-10.5	-10.2	2.2	10.4	-62.5	-18.4	-40.2	-32.8	125.6	-42.7	-68.3	-0.7
Jun	32.6	26.3	25.6	70.5	18.6	20.6	74.4	-6.0	62.2	162.7	277.6	35.9	77.3	7.9
Jul	3.2	1.3	2.0	13.2	5.3	10.0	87.9	7.6	1.8	114.5	170.2	-12.9	152.9	-1.0
Aug	14.2	18.4	20.0	-2.8	33.9	39.3	97.0	15.2	30.8	226.0	-68.0	-20.4	140.1	8.8
Sep	27.9	31.2	29.0	14.0	10.1	13.7	-12.6	13.4	6.6	91.6	71.1	-8.8	-19.3	4.9
Oct	6.0	9.5	10.6	-9.5	-5.7	-4.5	4.5	12.6	65.8	65.7	6.8	65.8	-14.0	-6.1
Nov	39.3	44.5	44.8	15.4	14.8	16.1	60.0	15.2	160.2	176.1	175.8	156.7	28.8	12.8
Dec	...	...	...	...	-5.8	-0.5	55.0	17.9	145.0	365.4	259.0	102.9	19.1	6.1
05 *Jan*	...	...	...	...	4.7	13.2	63.0	63.0	21.1	117.9	-17.8	-0.7	74.6	1.5
Feb	...	...	...	...	6.8	5.8	-37.7	5.2	25.8	-52.7	91.5	84.7	-51.0	2.2
Mar	...	...	...	...	...	...	...	...	...	...	...	...	...	-2.7

CONSTRUCTION
Trend obtained with TRAMO-SEATS



CONSTRUCTION
Trend obtained with TRAMO-SEATS



Sources: Ministerio de Fomento and Asociación de Fabricantes de Cemento de España.
Note: The underlying series for this indicator are in Tables 23.7, 23.8, and 23.9 of the BE Boletín estadístico.

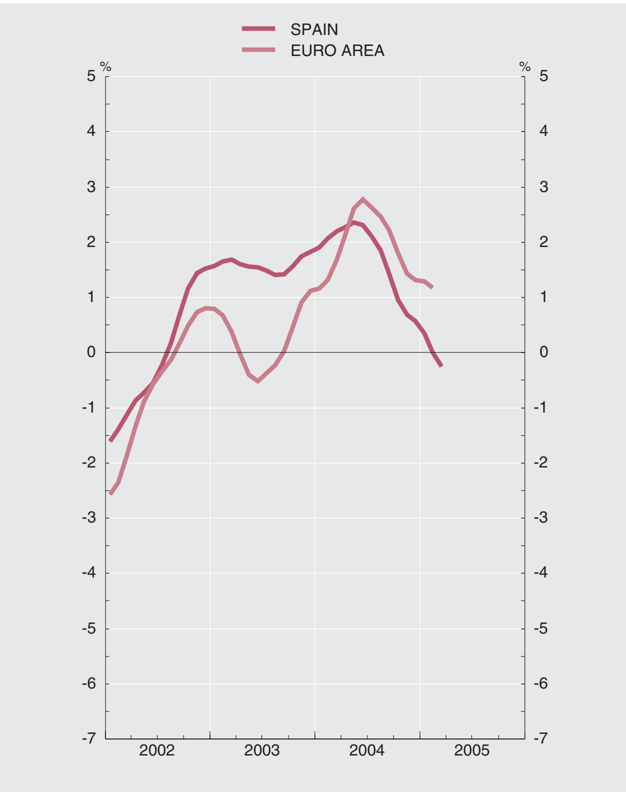
3.4. INDUSTRIAL PRODUCTION INDEX. SPAIN AND EURO AREA

■ Series depicted in chart.

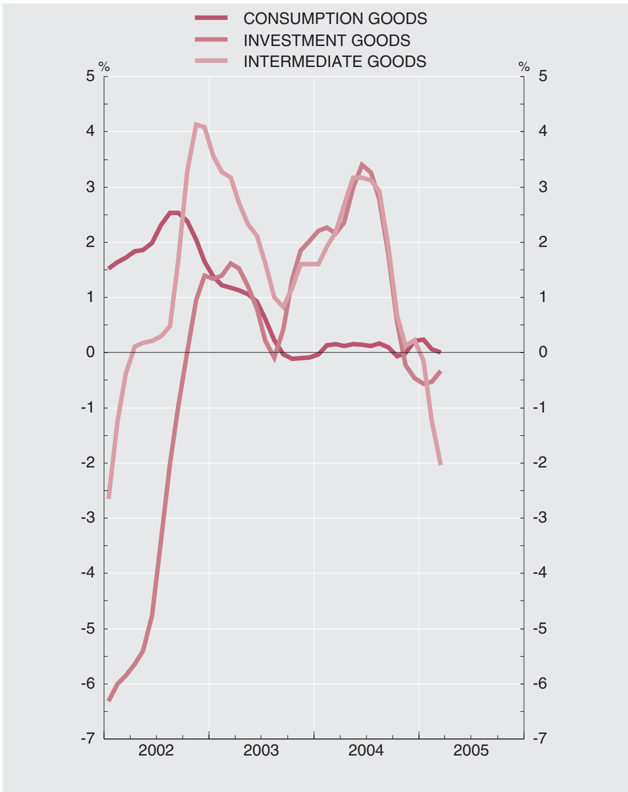
Annual percentage changes

		Overall Index		By end-use of goods				By branch of activity			Memorandum item: euro area				
		Total		Consumption	Investment	Intermediate goods	Energy	Mining and quarrying	Manufacturing	Production and distribution of electricity, gas and water	Total	of wich	By end-use of goods		
		Original series	12-month %change 12									Manufacturing	Consumption	Investment	Intermediate goods
		1	2 ■	3 ■	4 ■	5 ■	6	7	8	9	10 ■	11	12	13	14
02	M P	98.9	0.1	2.3	-4.9	1.4	0.0	-0.5	0.4	0.0	-0.5	-0.8	-0.6	-1.7	-0.1
03	M P	100.5	1.6	0.5	0.8	2.1	3.9	0.0	1.5	2.9	0.3	-0.0	-0.3	-0.1	0.2
04	M P	102.3	1.8	0.0	1.9	1.9	4.9	-4.8	1.2	7.0	1.9	2.0	0.6	2.9	1.9
04 *J-M*	M P	103.2	2.1	0.8	2.0	1.6	6.2	-2.8	1.7	6.2	1.0	1.0	0.5	0.7	0.8
05 *J-M*	M P	100.7	-2.4	-2.6	-4.3	-3.6	3.7	-11.7	-3.5	7.1	...	...	...	...	...
03 *Dec*	P	94.4	4.2	2.6	5.1	3.7	7.4	10.6	3.6	8.5	2.2	2.4	1.3	3.0	2.7
04 *Jan*	P	96.0	-2.9	-5.3	-2.1	-2.8	0.4	-3.0	-3.3	-	0.4	0.1	-0.3	-0.3	0.5
Feb	P	101.1	1.8	-0.5	1.6	2.1	6.0	-6.5	1.6	4.2	1.0	1.2	0.2	0.1	2.0
Mar	P	112.6	7.2	7.9	6.0	5.3	12.7	1.1	6.4	15.3	1.7	1.4	1.7	2.0	0.1
Apr	P	99.8	0.7	-2.8	-1.6	2.6	6.7	-5.4	-0.2	10.7	1.7	1.9	1.0	2.1	1.9
May	P	106.8	2.7	0.3	3.1	3.0	6.5	-7.6	2.1	9.9	3.7	3.9	2.5	5.2	3.1
Jun	P	110.3	5.7	2.4	11.2	5.4	5.4	-0.7	5.4	7.9	3.6	4.0	1.3	6.5	3.1
Jul	P	110.1	-	-3.3	2.5	0.6	2.5	-8.7	-0.6	6.8	2.6	2.8	-0.1	3.8	3.5
Aug	P	73.3	5.3	4.6	6.6	7.9	1.9	-5.5	6.0	3.1	2.0	2.5	0.3	5.0	1.7
Sep	P	107.7	3.8	2.5	6.6	2.5	7.0	-7.4	3.4	9.6	3.6	3.7	0.7	6.3	3.3
Oct	P	104.8	-7.0	-9.1	-10.2	-5.9	-0.6	-16.4	-8.0	4.1	1.2	1.2	-0.8	4.5	1.3
Nov	P	109.6	4.3	4.5	4.1	3.5	6.1	3.6	3.9	7.6	0.7	0.2	-0.6	0.6	0.8
Dec	P	95.5	1.2	1.4	-1.7	1.1	4.8	2.3	0.4	6.4	1.1	0.7	1.0	-0.8	1.2
05 *Jan*	P	96.8	0.8	1.1	-4.7	0.6	7.8	-10.1	-0.3	10.9	2.0	2.6	1.2	2.7	3.2
Feb	P	100.1	-1.0	-1.6	-1.3	-1.9	3.6	-11.6	-1.9	7.7	0.4	0.1	0.1	0.9	0.0
Mar	P	105.3	-6.5	-6.6	-6.7	-8.6	-0.1	-13.1	-7.5	2.9	...	...	...	...	...

INDUSTRIAL PRODUCTION INDEX
Trend obtained with TRAMO-SEATS



INDUSTRIAL PRODUCTION INDEX
Trend obtained with TRAMO-SEATS



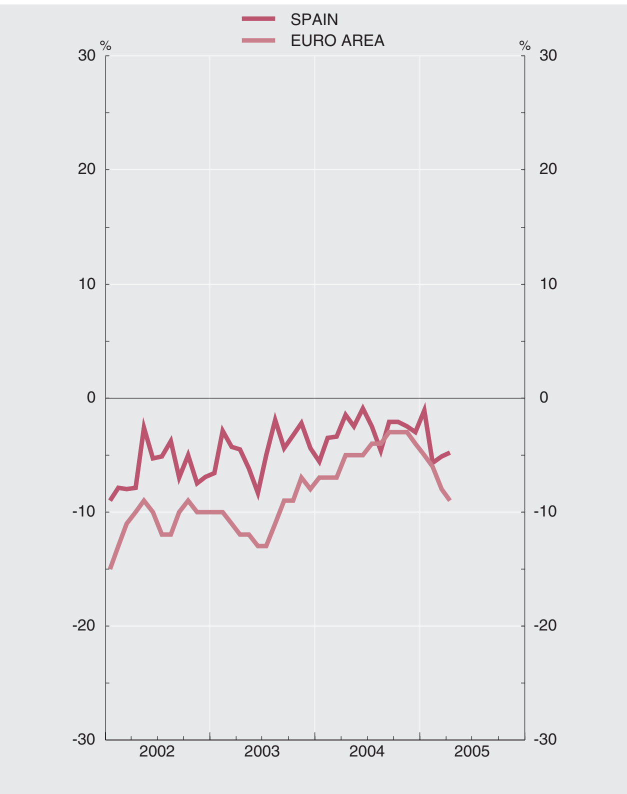
Sources: INE and BCE.
Note: The underlying series for this indicator are in Table 23.1 of the BE Boletín estadístico.

3.5. MONTHLY BUSINESS SURVEY: INDUSTRY AND CONSTRUCTION. SPAIN AND EURO AREA

■ Series depicted in chart. *Percentage balances*

	Industry, excluding construction										Construction					Memorandum item: euro area		
							Business climate indicator							Trend		Industry, excluding construction		
	Business climate indi-cator (a)	Produc-tion over the last three months	Trend in pro-duction (a)	Total orders (a)	Foreign orders	Stocks of finished products (a)	Con-sum-ption (a)	In-vest-ment (a)	In-ter-me-diate goods (a)	Other sec-tors (a)	Business climate indicator	Produc-tion	Orders	Produc-tion	Orders	Business climate indicator	Order Book	Construc-tion climate indicator
	1 ■	2	3	4	5	6	7	8	9	10	11 ■	12	13	14	15	16 ■	17	18 ■
02 M	-6	-2	5	-13	-20	11	-7	-7	-6	0	7	10	13	11	25	-11	-25	-19
03 M	-5	4	8	-11	-20	10	-1	-3	-9	1	10	9	20	30	19	-10	-25	-20
04 M	-3	4	10	-8	-17	11	-3	1	-4	-0	14	7	21	30	26	-5	-16	-16
04 *J-A* M	-4	-1	10	-10	-23	11	-4	1	-6	1	10	-5	13	32	32	-7	-20	-18
05 *J-A* M	-4	-3	8	-9	-17	12	-4	-3	-5	-2	24	10	41	36	19	-7	-16	-14
04 *Jan*	-6	5	4	-10	-23	11	-6	-0	-9	5	6	-2	5	11	-3	-7	-20	-18
Feb	-4	-5	11	-10	-23	11	-4	-0	-5	0	8	-19	8	44	45	-7	-22	-20
Mar	-3	-8	14	-12	-27	12	-4	3	-7	-1	10	-12	18	29	40	-7	-22	-18
Apr	-2	5	11	-6	-19	9	-2	-0	-2	-	17	14	21	43	44	-5	-16	-17
May	-3	3	12	-10	-21	10	-2	-0	-4	1	14	10	25	35	20	-5	-18	-16
Jun	-1	7	11	-7	-13	7	1	1	-4	0	18	12	17	46	13	-5	-16	-15
Jul	-3	11	8	-6	-15	9	-4	1	-4	0	10	27	15	34	24	-4	-12	-16
Aug	-5	12	5	-6	-9	12	-8	-1	-4	-0	22	25	35	38	34	-4	-13	-15
Sep	-2	5	13	-6	-13	14	-2	3	-5	-4	13	2	22	19	17	-3	-12	-15
Oct	-2	8	11	-5	-9	12	-6	3	-2	-2	17	24	20	31	32	-3	-11	-14
Nov	-3	-1	13	-8	-16	13	-3	-1	-3	1	12	-8	33	16	37	-3	-12	-14
Dec	-3	3	10	-6	-12	13	-2	-1	-5	-0	22	15	28	9	13	-4	-12	-13
05 *Jan*	-1	2	9	-3	-15	9	-2	-4	1	-1	19	12	27	44	38	-5	-11	-13
Feb	-6	-4	6	-11	-17	12	-4	-2	-9	-1	30	-1	56	21	6	-6	-15	-14
Mar	-5	-7	7	-10	-17	12	-6	-3	-5	-1	26	-8	46	29	17	-8	-17	-13
Apr	-5	-5	10	-12	-20	13	-4	-1	-7	-4	24	38	33	49	16	-9	-19	-14

INDUSTRIAL BUSINESS CLIMATE
Percentage balances



CONSTRUCTION BUSINESS CLIMATE
Percentage balances

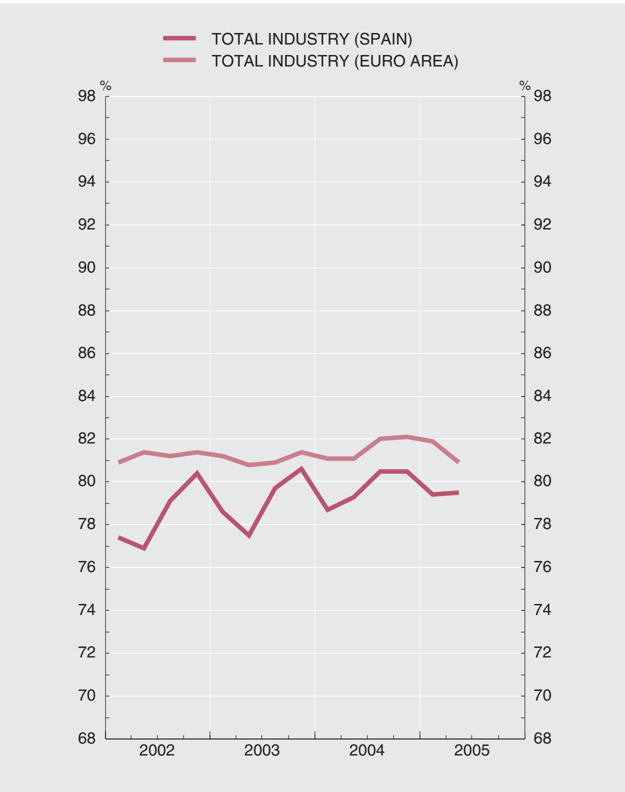
Sources: Ministerio de Industria, Turismo y Comercio and ECB.
a. Seasonally adjusted.

3.6. BUSINESS SURVEY: CAPACITY UTILISATION. SPAIN AND EURO AREA

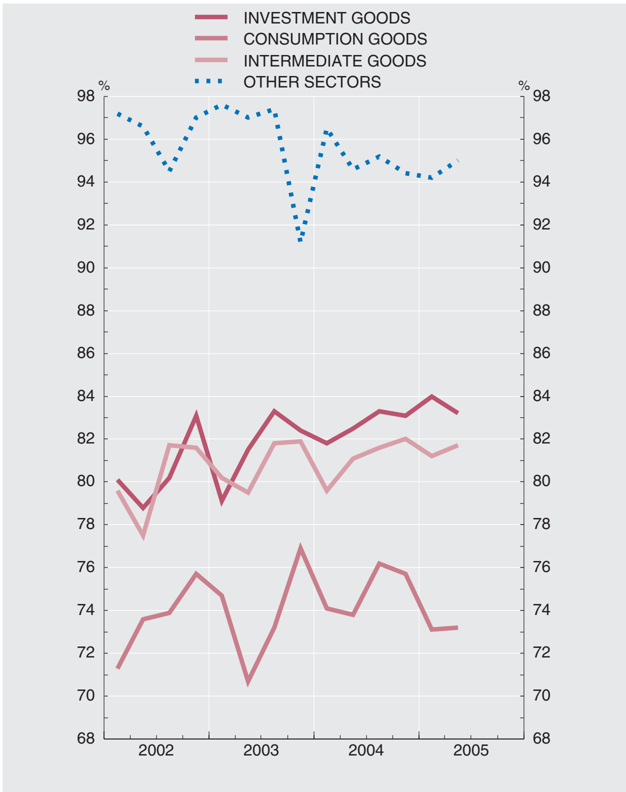
■ Series depicted in chart. *Percentages and percentage balances*

	Total industry			Consumer goods			Investment goods			Intermediate goods			Other sectors			Memo-ramdum item: euro area capacity utilisa-tion
	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	Capacity utilisation		Installed capacity	
	Over last three months (%)	Forecast (%)	(Per-centage balan-ces)	Over last three months (%)	Forecast (%)	(Per-centage balan-ces)	Over last three months (%)	Forecast (%)	(Per-centage balan-ces)	Over last three months (%)	Forecast (%)	(Per-centage balan-ces)	Over last three months (%)	Forecast (%)	(Per-centage balan-ces)	(%)
	1 ■	2	3	4 ■	5	6	7 ■	8	9	10 ■	11	12	13 ■	14	15	16 ■
02	78.5	80.4	6	73.6	76.0	6	80.6	82.6	12	80.1	81.7	3	96.3	96.4	-	81.2
03	79.1	80.9	6	73.9	76.7	7	81.6	83.0	7	80.9	82.2	5	95.8	95.6	-1	81.1
04	79.8	81.0	6	75.0	76.6	7	82.7	83.5	6	81.1	82.3	5	95.2	95.2	2	81.6
04 *Q1-Q2*	79.0	80.7	8	74.0	76.0	9	82.2	83.3	9	80.4	82.2	7	95.6	95.5	-	81.1
05 *Q1-Q2*	79.5	81.5	4	73.2	76.1	4	83.6	85.0	3	81.5	83.0	4	94.6	95.8	-	81.4
02 *Q4*	80.4	81.0	5	75.7	76.1	4	83.1	83.9	12	81.6	82.4	2	97.0	97.1	-	81.4
03 *Q1*	78.6	80.6	3	74.7	77.4	2	79.1	81.8	6	80.2	81.6	4	97.6	96.8	-	81.2
Q2	77.5	80.0	5	70.7	75.4	7	81.5	82.2	5	79.5	81.4	4	97.0	97.4	-2	80.8
Q3	79.7	80.9	7	73.2	75.3	6	83.3	84.3	9	81.8	82.5	7	97.4	96.9	-	80.9
Q4	80.6	82.0	8	76.9	78.5	13	82.4	83.8	7	81.9	83.2	6	91.2	91.1	-	81.4
04 *Q1*	78.7	80.2	10	74.1	75.8	13	81.8	82.8	10	79.6	81.4	7	96.5	96.4	-	81.1
Q2	79.3	81.2	6	73.8	76.2	5	82.5	83.8	8	81.1	83.0	7	94.6	94.6	-	81.1
Q3	80.5	81.2	6	76.2	77.5	9	83.3	83.5	4	81.6	82.0	5	95.2	95.5	-	82.0
Q4	80.5	81.3	2	75.7	76.8	2	83.1	84.0	2	82.0	82.6	1	94.4	94.1	6	82.1
05 *Q1*	79.4	81.2	4	73.1	75.9	3	84.0	84.8	4	81.2	82.6	4	94.2	95.0	-	81.9
Q2	79.5	81.7	5	73.2	76.3	6	83.2	85.1	3	81.7	83.4	5	95.0	96.6	-	80.9

CAPACITY UTILISATION. TOTAL INDUSTRY
Percentages



CAPACITY UTILISATION. BY TYPE OF GOOD
Percentages



Sources: Ministerio de Industria, Turismo y Comercio and ECB.

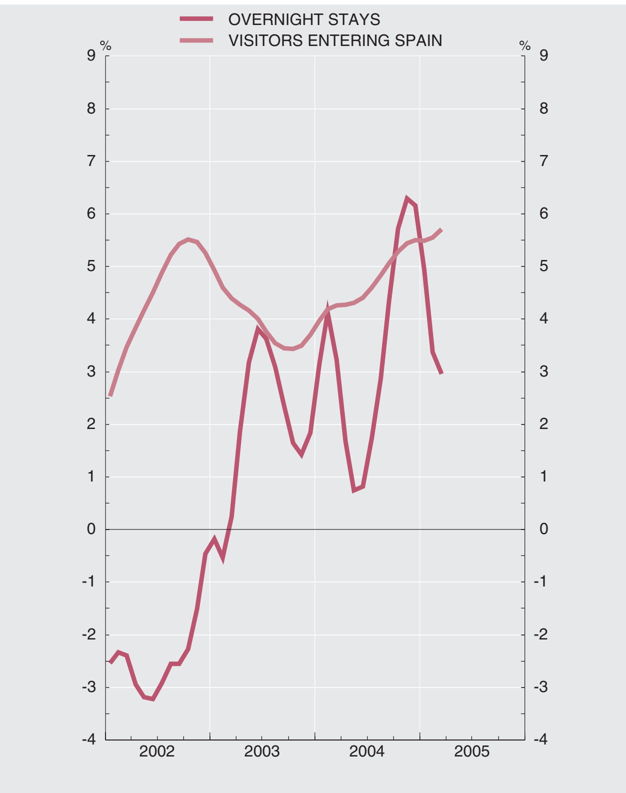
3.7. TOURISM AND TRANSPORT STATISTICS. SPAIN

■ Series depicted in chart.

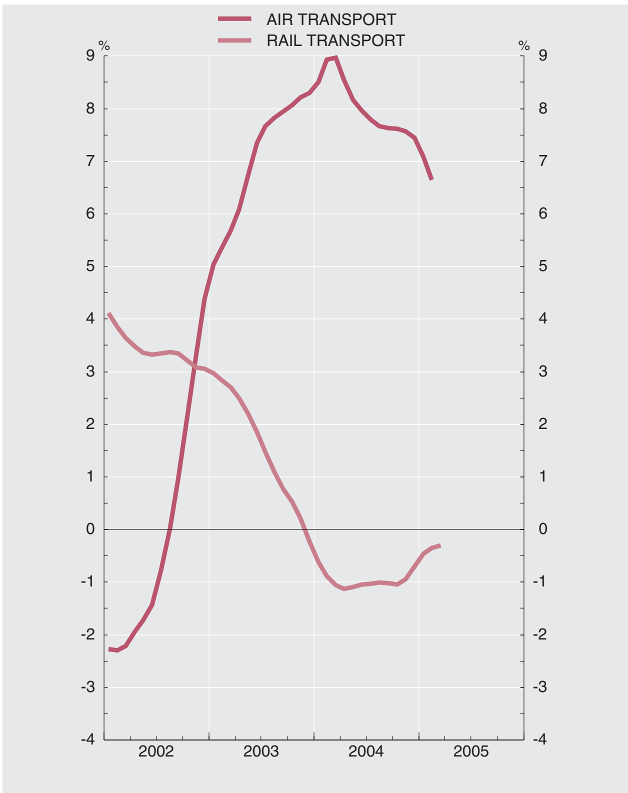
Annual percentage changes

		Hotel stays (a)		Overnight stays		Visitors entering Spain			Air transport				Maritime transport		Rail transport	
									Passengers							
		Total	Foreig-ners	Total	Foreig-ners	Total	Tourists	Day-trip-pers	Total	Domestic flights	Interna-tional flights	Freight	Passen-gers	Freight	Passen-gers	Freight
		1	2	3 ■	4	5 ■	6	7	8 ■	9	10	11	12	13	14 ■	15
02		-0.1	-1.5	-2.7	-5.3	5.7	4.5	8.3	-1.0	-2.2	-0.3	-0.7	4.2	5.0	3.8	2.8
03		3.8	2.2	2.4	0.7	2.4	-1.0	8.7	7.4	8.1	7.0	0.5	-3.3	4.8	1.4	2.1
04	P	6.8	1.4	3.0	-1.3	4.6	3.1	7.2	8.0	9.8	6.8	9.1	10.6	6.8	-1.5	-1.1
04 *J-M*		9.2	5.4	5.0	0.8	7.9	3.5	14.6	11.0	10.3	11.6	7.2	4.7	1.6	-1.9	6.9
05 *J-M*	P	6.7	2.2	6.0	0.8	8.5	7.4	10.1	...	...	...	...	...	...	1.6	...
03 *Dec*		5.6	5.3	1.4	0.7	4.9	-0.2	11.4	9.3	9.4	9.1	0.1	-8.4	6.4	-1.8	6.7
04 *Jan*		6.1	3.1	3.1	0.5	7.8	4.4	12.2	7.4	3.7	10.5	0.2	3.7	-13.2	-1.8	-1.0
Feb		14.6	11.3	10.3	5.8	17.3	9.3	30.1	15.6	13.4	17.5	7.4	7.5	9.2	0.4	6.7
Mar		7.1	2.7	2.2	-2.8	0.6	-2.0	4.5	10.1	13.3	7.8	13.2	3.2	7.8	-4.2	14.9
Apr	P	3.3	-1.7	0.2	-5.8	4.4	-0.2	12.4	7.0	8.5	5.9	9.0	8.7	10.9	-6.5	11.8
May	P	3.9	-0.2	-1.7	-4.1	3.7	4.6	1.9	7.3	14.9	2.8	11.5	27.3	3.8	2.1	6.5
Jun	P	3.4	-4.6	-0.9	-6.2	-1.5	-3.2	2.0	6.1	12.2	2.6	14.6	17.8	9.4	2.2	12.8
Jul	P	6.6	-0.3	2.0	-2.8	3.4	0.6	9.4	8.0	8.1	7.9	11.1	11.1	10.0	-2.5	-9.3
Aug	P	6.3	1.2	2.3	-2.9	-0.4	-0.8	0.3	5.3	8.7	3.3	12.5	12.0	14.2	1.9	5.6
Sep	P	7.2	4.2	3.9	2.4	4.6	5.7	2.5	6.8	7.1	6.6	11.0	-1.0	10.0	2.1	-10.1
Oct	P	12.7	3.8	8.0	2.4	10.9	8.8	14.9	9.7	8.7	10.2	0.6	19.7	3.4	-6.2	-29.4
Nov	P	6.9	5.6	5.9	5.4	6.9	9.2	3.9	6.7	9.9	3.9	7.5	15.3	4.5	-1.6	1.1
Dec	P	8.4	1.4	9.6	4.0	9.4	12.9	5.3	9.7	9.5	9.9	11.7	-0.0	10.6	-1.6	-13.2
05 *Jan*	P	6.9	7.5	6.9	6.9	5.6	5.3	5.9	9.9	10.0	9.7	4.2	9.8	44.1	4.3	...
Feb	P	2.0	0.8	1.2	-0.8	1.2	-0.8	3.8	2.9	5.5	0.7	-1.1	...	...	1.2	...
Mar	P	10.5	0.1	9.5	-2.2	17.8	16.3	20.0	...	...	...	...	...	...	-0.5	...

TOURISM
Trend obtained with TRAMO-SEATS



TRANSPORT
Trend obtained with TRAMO-SEATS



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 2003, the information for Galicia is based on total figures for hotel stays and overnight stays for the month. The directory of hotels has been reviewed thoroughly.

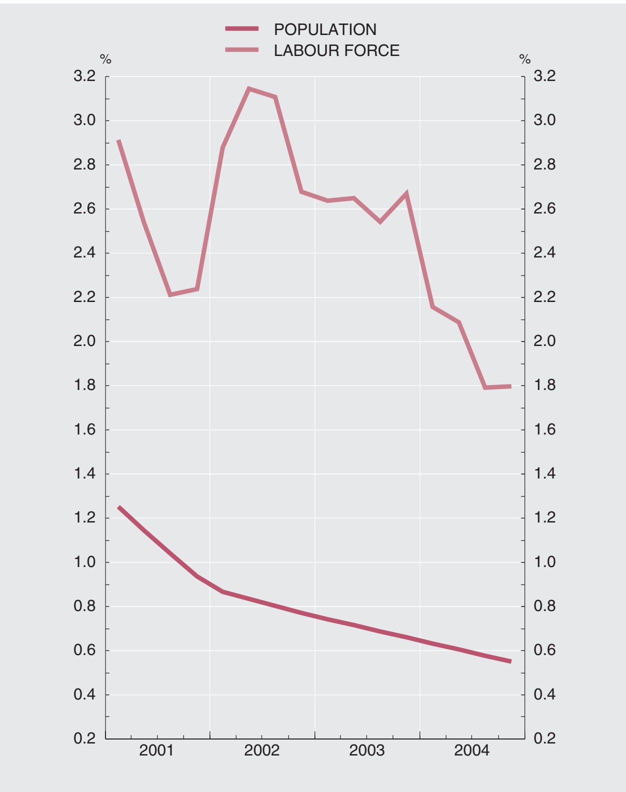
4.1. LABOUR FORCE. SPAIN

■ Series depicted in chart.

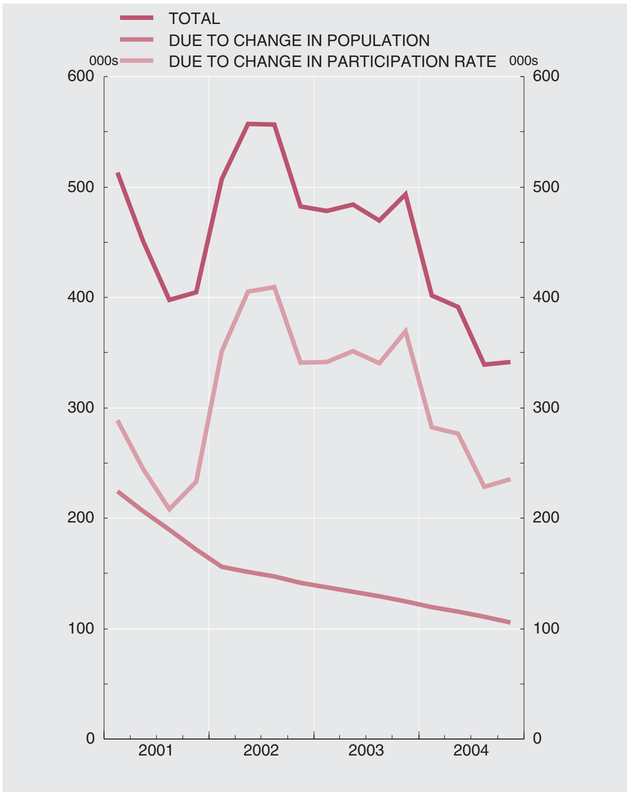
Thousands and annual percentage changes

	Population over 16 years of age			Participation rate (%) (a)	Labour force				
						Annual change (b) (c)			
	Thousands	Annual change	4-quarter % change		Thousands (a)	Total	Due to change in population over 16 years of age	Due to change in partici-pation rate	4-quarter % change (b)
	1	2	3 ■	4	5	6 ■	7 ■	8 ■	9 ■
01 M	33 689	364	1.1	52.88	17 815	442	198	244	2.5
02 M	33 965	276	0.8	54.00	18 340	526	149	377	3.0
03 M	34 203	238	0.7	55.03	18 822	481	131	350	2.6
03 *Q1-Q4* M	34 203	238	0.7	55.03	18 822	1 926	524	1 402	2.6
04 *Q1-Q4* M	34 405	202	0.6	55.78	19 190	1 474	451	1 023	2.0
02 *Q2*	33 933	281	0.8	53.83	18 267	557	151	406	3.1
Q3	33 997	271	0.8	54.31	18 463	556	147	409	3.1
Q4	34 061	261	0.8	54.30	18 495	483	142	341	2.7
03 *Q1*	34 120	252	0.7	54.56	18 615	479	137	341	2.6
Q2	34 176	243	0.7	54.87	18 751	484	133	351	2.7
Q3	34 231	234	0.7	55.31	18 932	469	129	340	2.5
Q4	34 286	225	0.7	55.39	18 989	494	125	369	2.7
04 *Q1*	34 336	216	0.6	55.38	19 017	402	120	282	2.2
Q2	34 382	207	0.6	55.68	19 143	392	115	276	2.1
Q3	34 428	198	0.6	55.98	19 272	339	111	229	1.8
Q4	34 474	189	0.6	56.07	19 330	341	106	236	1.8

LABOUR FORCE SURVEY
Annual percentage change



LABOUR FORCE
Annual changes



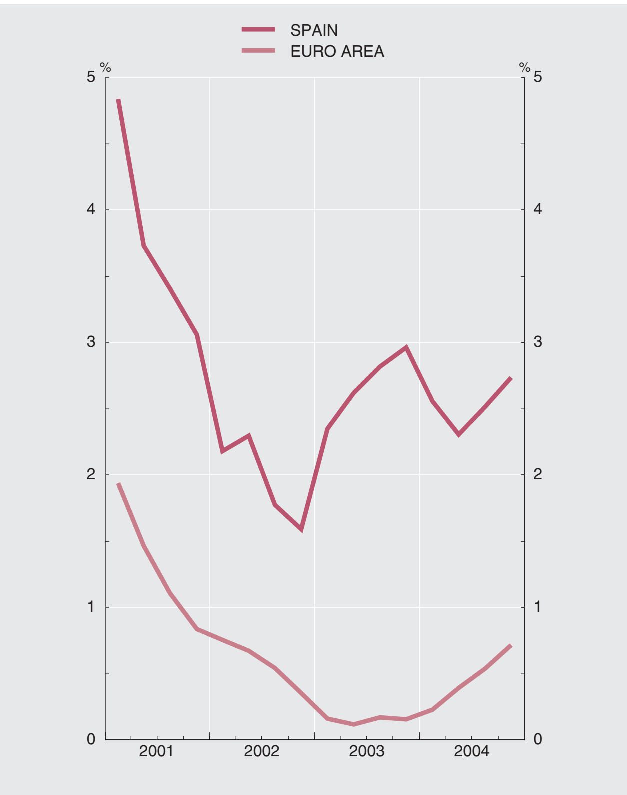
Source: INE (Labour Force Survey: 2002 methodology).
a. the new definition of unemployment applies from 2001 Q1 onwards, entailing a break in the series. (See www.ine.es).
b. To calculate the annual percentage changes and annual changes, the INE homogeneous series has been used up to December 2001, and 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).
c. 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

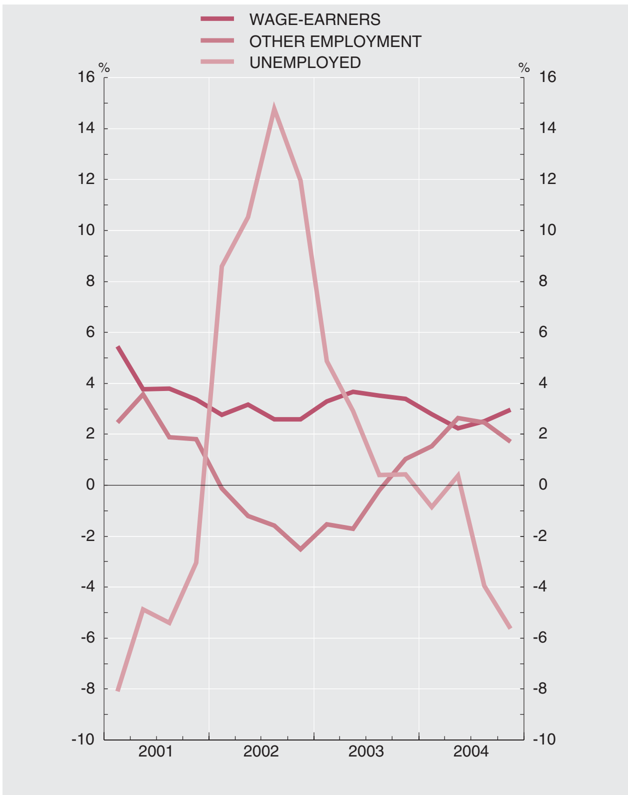
■ Series depicted in chart. *Thousands and annual percentage changes*

	Employment									Unemployment				Memorandum item: euro area	
	Total			Wage-earners			Other								
	Thousands	Annual change	4-quarter % change	Thousands	Annual change	4-quarter % change	Thousands	Annual change	4-quarter % change	Thousands (a)	Annual change (b)	4-quarter % change (b)	Unem-ployment rate (a)	Employ-ment 4-quarter % change	Unem-ployment rate
	1	2	3 ■	4	5	6 ■	7	8	9 ■	10	11	12 ■	13	14	15
01 M	15 946	576	3.7	12 787	501	4.1	3 159	75	2.4	1 869	-134	-5.4	10.49	1.3	7.84
02 M	16 258	312	2.0	13 142	355	2.8	3 116	-43	-1.4	2 083	214	11.4	11.35	0.6	8.24
03 M	16 695	437	2.7	13 598	456	3.5	3 097	-19	-0.6	2 127	44	2.1	11.30	0.1	8.69
03 *Q1-Q4* M	16 695	437	2.7	13 598	456	3.5	3 097	-19	-0.6	2 127	44	2.1	11.30	0.1	8.69
04 *Q1-Q4* M	17 117	422	2.5	13 955	358	2.6	3 161	65	2.1	2 074	-54	-2.5	10.81	0.5	8.83
02 *Q2*	16 241	364	2.3	13 095	403	3.2	3 146	-39	-1.2	2 026	193	10.5	11.09	0.7	8.20
Q3	16 357	285	1.8	13 263	335	2.6	3 094	-50	-1.6	2 106	271	14.8	11.41	0.5	8.33
Q4	16 377	256	1.6	13 300	336	2.6	3 077	-80	-2.5	2 118	226	12.0	11.45	0.4	8.43
03 *Q1*	16 432	377	2.3	13 334	425	3.3	3 098	-48	-1.5	2 183	102	4.9	11.72	0.2	8.57
Q2	16 666	425	2.6	13 574	479	3.7	3 092	-54	-1.7	2 085	59	2.9	11.12	0.1	8.68
Q3	16 818	461	2.8	13 730	467	3.5	3 088	-6	-0.2	2 115	9	0.4	11.17	0.2	8.70
Q4	16 862	485	3.0	13 753	453	3.4	3 109	32	1.0	2 127	9	0.4	11.20	0.2	8.80
04 *Q1*	16 853	420	2.6	13 707	373	2.8	3 146	48	1.5	2 164	-19	-0.8	11.38	0.2	8.86
Q2	17 050	384	2.3	13 877	303	2.2	3 173	82	2.6	2 093	8	0.4	10.93	0.4	8.84
Q3	17 240	423	2.5	14 077	346	2.5	3 164	76	2.5	2 031	-83	-3.9	10.54	0.5	8.81
Q4	17 323	461	2.7	14 161	409	3.0	3 162	53	1.7	2 007	-120	-5.6	10.38	0.7	8.81

EMPLOYMENT
Annual percentage changes



LABOUR FORCE: COMPONENTS
Annual percentage changes



Sources: 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, mehodological notes may be consulted at INE's website(www.ine.es).

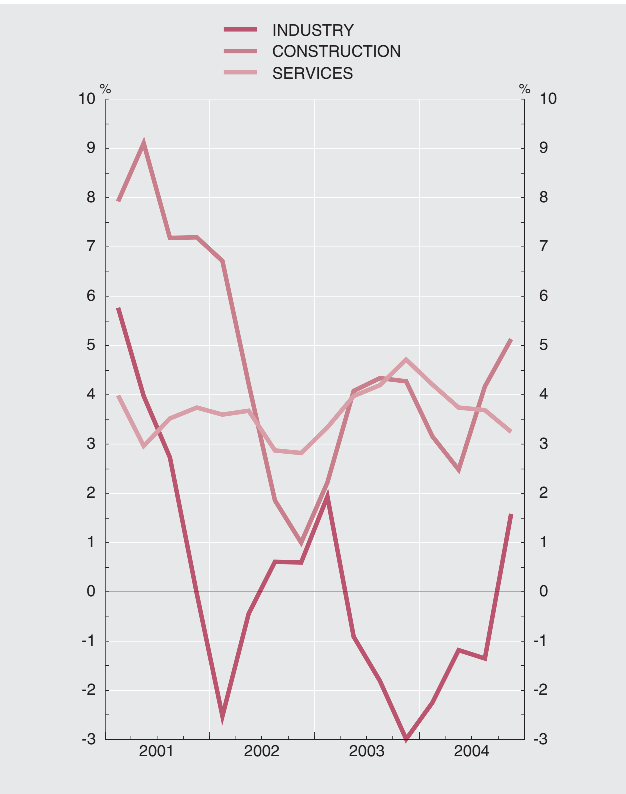
4.3. EMPLOYMENT BY BRANCH OF ACTIVITY. SPAIN (a)

■ Series depicted in chart.

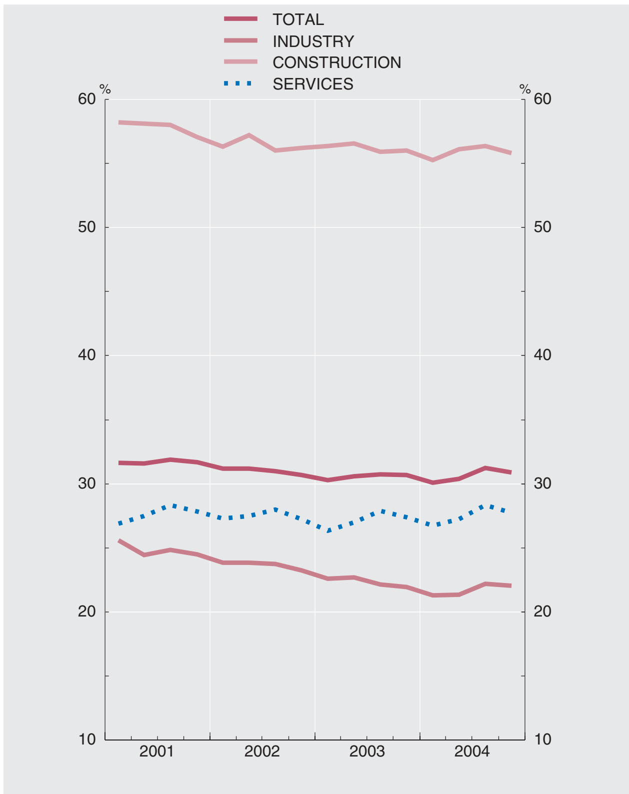
Annual percentage changes

	Total			Agriculture			Industry			Construction			Services			Memorandum item: employment in		
	Employ-ment	Wage-earners	Propor-tion of tempora ry em-ploy-ment	Employ-ment	Wage-earners	Propor-tion of tempora ry em-ploy-ment	Employ-ment	Wage-earners	Propor-tion of tempora ry em-ploy-ment	Employ-ment	Wage-earners	Propor-tion of tempora ry em-ploy-ment	Employ-ment	Wage-earners	Propor-tion of tempora-ry em-ployment	Branches other than agricul-ture	Branches other than agri-culture excluding general govern-ment	Services exclu-ding general govern-ment
	1	2	3 ■	4	5	6	7 ■	8	9 ■	10 ■	11	12 ■	13 ■	14	15 ■	16	17	18
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
02 M	2.0	2.8	31.0	-5.7	-5.7	58.1	-0.4	-0.2	23.7	3.4	3.4	56.4	3.2	4.2	27.5	2.5	2.1	2.9
03 M	2.7	3.5	30.6	-2.0	1.3	58.6	-1.0	-1.3	22.3	3.7	4.8	56.2	4.1	4.9	27.1	3.0	2.7	3.9
03 *Q1-Q4* M	2.7	3.5	-1.4	-2.0	1.3	0.8	-1.0	-1.3	-5.6	3.7	4.8	-0.4	4.1	4.9	-1.2	3.1	3.0	5.1
04 *Q1-Q4* M	2.5	2.6	0.2	-2.4	-0.4	-0.1	-0.8	-0.3	-2.8	3.7	2.4	-0.6	3.7	3.7	1.4	3.2	2.6	2.4
02 *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
Q3	1.8	2.6	31.0	-5.9	-4.7	53.1	0.6	0.7	23.7	1.9	2.0	56.0	2.9	3.7	28.0	2.3	2.1	2.8
Q4	1.6	2.6	30.7	-6.5	-7.1	59.5	0.6	1.0	23.2	1.0	1.4	56.2	2.8	3.9	27.2	2.1	1.8	2.5
03 *Q1*	2.3	3.3	30.3	-5.8	-5.1	62.6	1.9	1.6	22.6	2.2	3.3	56.3	3.3	4.3	26.3	2.9	2.6	3.0
Q2	2.6	3.7	30.6	-3.0	1.2	57.7	-0.9	-1.5	22.7	4.1	5.5	56.6	4.0	5.2	27.0	3.0	2.5	3.5
Q3	2.8	3.5	30.7	0.2	2.0	54.6	-1.8	-1.9	22.1	4.3	5.4	55.9	4.2	5.0	27.9	3.0	2.7	4.0
Q4	3.0	3.4	30.7	1.1	7.8	59.6	-3.0	-3.4	21.9	4.3	4.7	56.0	4.7	5.2	27.4	3.1	3.0	5.1
04 *Q1*	2.6	2.8	30.1	-0.7	2.6	60.8	-2.2	-1.9	21.3	3.2	2.5	55.2	4.2	4.4	26.7	2.8	2.7	4.6
Q2	2.3	2.2	30.4	-2.7	-1.7	57.3	-1.2	-0.7	21.4	2.5	0.7	56.1	3.7	3.6	27.2	2.6	2.6	4.0
Q3	2.5	2.5	31.2	-1.7	2.7	56.3	-1.3	-0.8	22.2	4.2	2.5	56.3	3.7	3.6	28.4	2.8	2.6	3.7
Q4	2.7	3.0	30.9	-4.4	-4.8	59.8	1.6	2.1	22.0	5.1	4.1	55.8	3.3	3.4	27.8	3.2	2.6	2.4

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.

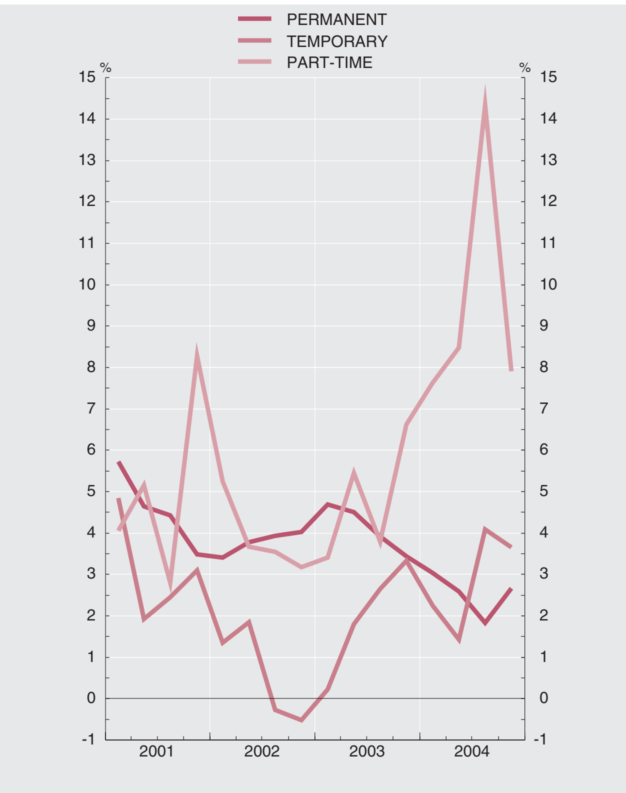
4.4. WAGE-EARNERS BY TYPE OF CONTRACT AND UNEMPLOYMENT BY DURATION. SPAIN. (a)

■ Series depicted in chart.

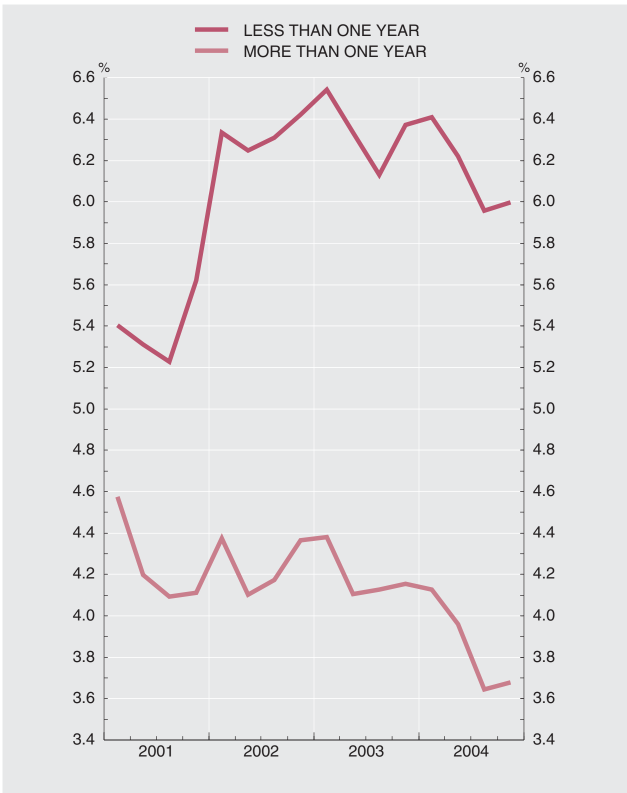
Thousands, annual percentage changes and %

	Wage-earners: By type of contract: Permanent: Annual change (Thousands)	Permanent: 4-quarter % change ■	Temporary: Annual change (Thousands)	Temporary: 4-quarter % change ■	Temporary: Proportion of temporary employment	By duration of working day: Full-time: Annual change (Thousands)	Full-time: 4-quarter % change	Part-time: Annual change (Thousands)	Part-time: 4-quarter % change ■	Part-time: As % for wage earners	Unemployment: By duration: Less than one year: Unemployment rate (a) ■	Less than one year: 4-quarter % change (b)	More than one year: Unemployment rate (a) ■	More than one year: 4-quarter % change (b)	% of unemployed that would accept a job (a): Entailing a change of residence	Whith a lower wage	Requiring fever skills
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
01 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
02 M	331	3.8	24	0.6	31.01	315	2.7	40	3.9	8.20	6.33	20.9	4.25	3.2	20.16	43.38	49.09
03 M	374	4.1	82	2.0	30.57	404	3.3	52	4.8	8.31	6.34	2.9	4.19	1.1	19.67	42.05	47.54
03 *Q1-Q4* M	374	4.1	82	2.0	30.57	380	3.1	52	4.8	8.31	6.34	2.9	4.19	1.1	19.67	42.05	47.54
04 *Q1-Q4* M	239	2.5	119	2.9	30.64	316	2.5	108	9.5	8.86	6.15	-1.2	3.85	-6.3	18.03	41.78	47.14
02 *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
Q3	347	3.9	-12	-0.3	31.00	299	2.5	36	3.5	7.89	6.31	24.5	4.17	5.2	20.56	41.30	47.13
Q4	357	4.0	-21	-0.5	30.70	302	2.5	34	3.2	8.22	6.42	17.3	4.36	9.0	19.51	43.91	49.10
03 *Q1*	416	4.7	9	0.2	30.26	388	3.3	37	3.4	8.35	6.54	6.0	4.38	2.7	20.22	42.43	47.93
Q2	406	4.5	74	1.8	30.60	420	3.5	60	5.4	8.49	6.34	4.1	4.10	2.7	19.97	43.92	49.45
Q3	358	3.9	109	2.7	30.74	428	3.5	40	3.8	7.91	6.13	-0.4	4.13	1.4	19.34	38.53	43.88
Q4	317	3.4	136	3.3	30.68	380	3.1	72	6.6	8.47	6.37	1.9	4.15	-2.3	19.15	43.30	48.90
04 *Q1*	282	3.0	91	2.2	30.10	288	2.4	85	7.6	8.74	6.41	0.0	4.13	-3.7	18.00	41.81	47.93
Q2	244	2.6	59	1.4	30.36	205	1.6	98	8.5	9.01	6.22	0.2	3.96	-1.5	18.58	42.12	47.66
Q3	174	1.8	172	4.1	31.21	190	1.5	156	14.3	8.83	5.96	-1.1	3.64	-10.1	18.01	41.36	46.04
Q4	254	2.7	154	3.7	30.88	316	2.5	92	7.9	8.88	6.00	-4.2	3.68	-9.9	17.52	41.83	46.93

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).

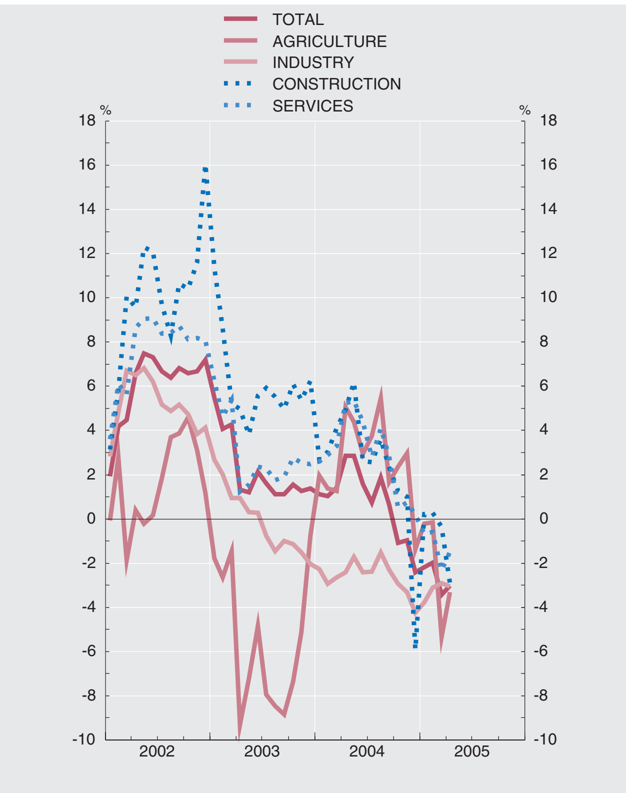
4.5. REGISTERED UNEMPLOYMENT BY BRANCH OF ACTIVITY. CONTRACTS AND PLACEMENTS. SPAIN

■ Series depicted in chart.

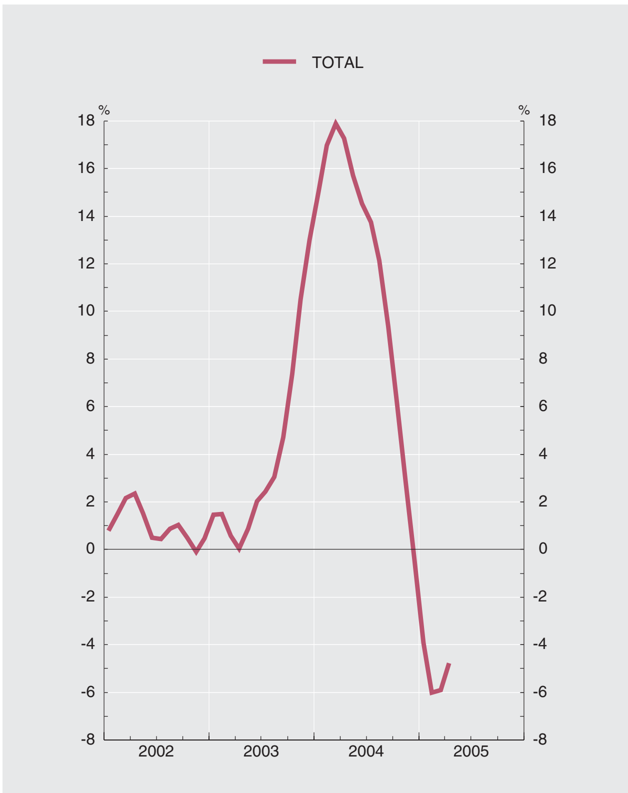
Thousands, annual percentage changes and %

		Registered unemployment: Total: Thousands (1)	Registered unemployment: Total: Annual change, Thousands (2)	Registered unemployment: Total: 12 month % change (3) ■	First time job-seekers: 12 month % change (4)	Previously employed: 12-month % change: Total (5)	Previously employed: 12-month % change: Agriculture (6) ■	Branches other than agriculture: Total (7)	Branches other than agriculture: Industry (8) ■	Branches other than agriculture: Construction (9) ■	Branches other than agriculture: Services (10) ■	Contracts: Total: Thousands (11)	Contracts: Total: 12 month % change (12)	Contracts: Percentage of total: Permanent (13)	Contracts: Percentage of total: Part time (14)	Contracts: Percentage of total: Temporary (15)	Placements: Total: Thousands (16)	Placements: Total: 12 month % change (17) ■
02	M	1 621	92	6.0	-0.7	7.2	1.6	7.4	5.1	9.9	7.6	1 182	0.9	9.05	20.80	90.95	1 145	1.0
03	M	1 658	36	2.2	0.4	2.5	-5.5	2.8	-0.1	6.2	2.9	1 222	3.4	8.67	21.21	91.33	1 193	4.2
04	M	1 671	13	0.8	-5.2	1.8	2.6	1.8	-2.6	2.2	2.9	1 363	11.5	8.67	22.71	91.33	1 336	12.0
04 *J-A*	M	1 741	27	1.6	-3.1	2.4	2.4	2.4	-2.6	3.7	3.5	1 363	15.1	9.55	20.92	90.45	1 348	18.0
05 *J-A*	M	1 695	-46	-2.6	-9.6	-1.6	-2.3	-1.5	-3.2	-0.7	-1.3	1 286	-5.6	10.28	21.87	89.72	1 239	-8.1
04 *Mar*		1 744	24	1.4	-3.6	2.3	1.3	2.3	-2.7	4.1	3.3	1 421	26.0	10.20	22.19	89.80	1 409	29.7
Apr		1 705	47	2.8	-2.5	3.8	5.1	3.7	-2.4	4.9	5.2	1 257	19.4	10.09	21.94	89.91	1 234	21.7
May		1 654	46	2.9	-4.4	4.1	4.4	4.1	-1.7	6.2	5.3	1 279	6.9	9.60	22.11	90.40	1 253	8.0
Jun		1 626	25	1.6	-5.5	2.9	2.9	2.9	-2.4	2.6	4.4	1 392	16.0	8.43	22.30	91.57	1 350	16.2
Jul		1 585	12	0.7	-5.7	1.8	3.7	1.8	-2.4	2.6	2.8	1 487	14.2	7.45	23.45	92.55	1 450	14.2
Aug		1 598	29	1.9	-5.1	3.0	5.5	2.9	-1.5	3.6	4.1	1 125	15.9	7.23	22.01	92.77	1 111	16.6
Sep		1 618	11	0.7	-6.1	1.8	1.7	1.8	-2.3	2.3	2.8	1 476	15.0	8.36	24.18	91.64	1 445	14.0
Oct		1 649	-18	-1.1	-7.8	0.0	2.4	-0.0	-2.9	1.3	0.5	1 472	-5.5	8.68	26.26	91.32	1 434	-6.2
Nov		1 683	-16	-1.0	-7.7	0.1	3.0	0.1	-3.3	1.0	0.7	1 447	12.3	8.63	24.87	91.37	1 414	10.7
Dec		1 670	-41	-2.4	-8.2	-1.5	-1.4	-1.5	-4.2	-5.9	0.2	1 223	7.6	7.49	23.64	92.51	1 183	4.8
05 *Jan*		1 723	-39	-2.2	-9.3	-1.1	-0.2	-1.1	-3.8	0.2	-0.7	1 285	-7.6	9.30	20.17	90.70	1 255	-8.9
Feb		1 717	-35	-2.0	-8.8	-0.9	-0.2	-0.9	-3.1	0.3	-0.6	1 230	-11.0	10.98	21.72	89.02	1 175	-14.2
Mar		1 684	-60	-3.4	-10.6	-2.3	-5.3	-2.2	-2.9	-0.3	-2.3	1 307	-8.0	10.76	22.91	89.24	1 248	-11.5
Apr		1 654	-52	-3.0	-9.4	-2.0	-3.3	-2.0	-3.0	-2.9	-1.5	1 323	5.3	10.07	22.68	89.93	1 278	3.6

REGISTERED UNEMPLOYMENT
Annual percentage changes



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



Source: Instituto Nacional de Empleo, Estadística de Empleo.
Note: The underlying series for this indicator are in Tables 24.16 and 24.17 of the BE Boletín estadístico.

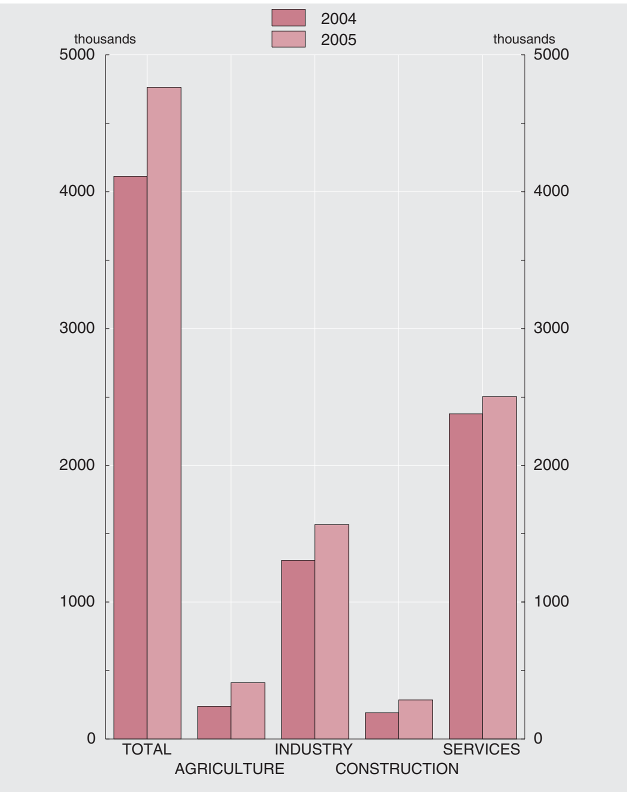
4.6. COLLECTIVE BARGAINING AGREEMENTS

■ Series depicted in chart.

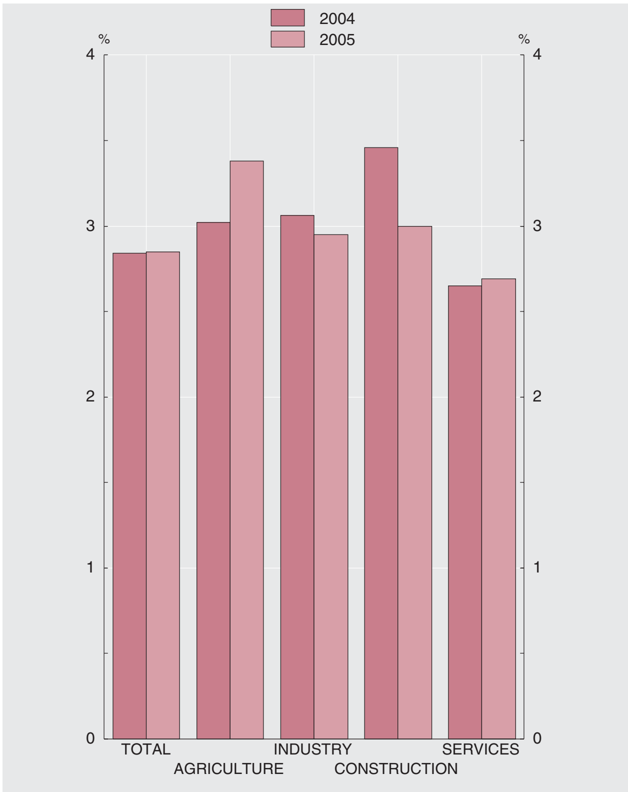
Thousands and %

	As per month economic effects come into force(a)		As per month recorded														
			Employees affected (a)								Average wage settlement (%)						
	Employees affected	Average wage settlement	Automatic adjustment	Newly-signed agreements	Total	Annual change	Agriculture	Industry	Construction	Services	Automatic adjustment	Newly signed agreements	Total	Agriculture	Industry	Construction	Services
	1	2	3	4	5 ■	6	7 ■	8 ■	9 ■	10 ■	11	12	13 ■	14 ■	15 ■	16 ■	17 ■
02	9 697	3.85	5 528	2 280	7 808	202	589	2 538	771	3 910	2.82	3.62	3.05	3.49	2.84	3.52	3.03
03	9 967	3.68	5 482	2 665	8 147	339	711	2 421	848	4 166	3.49	3.53	3.50	3.59	3.21	4.75	3.41
04	8 746	3.62	5 207	2 594	7 801	-347	629	2 351	1 046	3 774	2.93	3.04	2.96	3.53	2.96	3.43	2.75
03 *Oct*	9 964	3.68	5 313	2 164	7 477	344	584	2 368	732	3 793	3.47	3.58	3.50	3.43	3.22	4.73	3.45
Nov	9 964	3.68	5 475	2 331	7 807	115	711	2 392	818	3 885	3.49	3.60	3.52	3.59	3.21	4.74	3.44
Dec	9 967	3.68	5 482	2 665	8 147	339	711	2 421	848	4 166	3.49	3.53	3.50	3.59	3.21	4.75	3.41
04 *Jan*	8 119	3.62	2 882	0	2 882	-650	126	1 046	77	1 633	2.85	3.29	2.85	2.51	3.09	3.40	2.70
Feb	8 134	3.62	3 099	4	3 103	-948	169	1 094	131	1 709	2.90	3.32	2.90	3.23	3.06	3.49	2.71
Mar	8 186	3.61	4 102	9	4 111	-284	239	1 305	192	2 375	2.84	3.42	2.84	3.02	3.06	3.46	2.65
Apr	8 362	3.60	4 335	172	4 506	-26	241	1 357	468	2 441	2.86	3.33	2.88	3.02	3.06	3.41	2.66
May	8 544	3.60	4 335	406	4 740	-64	246	1 378	568	2 548	2.86	2.99	2.87	3.00	3.05	3.41	2.63
Jun	8 552	3.60	4 539	520	5 059	12	247	1 435	583	2 795	2.89	2.98	2.90	3.00	3.05	3.41	2.71
Jul	8 557	3.60	4 797	796	5 593	213	253	1 512	667	3 162	2.89	2.99	2.90	3.01	3.04	3.41	2.72
Aug	8 558	3.60	4 842	1 131	5 973	-96	262	1 731	763	3 216	2.89	2.98	2.91	3.04	2.98	3.41	2.74
Sep	8 633	3.61	5 005	1 743	6 748	-212	325	2 094	877	3 451	2.90	2.93	2.90	2.99	2.96	3.41	2.73
Oct	8 744	3.62	5 073	1 943	7 017	-460	331	2 229	927	3 530	2.90	2.92	2.91	2.95	2.96	3.41	2.74
Nov	8 746	3.62	5 187	2 279	7 466	-341	497	2 301	1 046	3 622	2.93	3.00	2.95	3.32	2.96	3.43	2.76
Dec	8 746	3.62	5 207	2 594	7 801	-347	629	2 351	1 046	3 774	2.93	3.04	2.96	3.53	2.96	3.43	2.75
05 *Jan*	4 603	2.85	3 268	2	3 269	387	398	1 220	93	1 558	2.73	2.00	2.72	3.37	2.75	2.98	2.52
Feb	4 603	2.85	3 988	3	3 991	888	399	1 483	93	2 016	2.79	2.64	2.79	3.37	2.96	2.99	2.54
Mar	4 604	2.85	4 581	181	4 762	651	410	1 565	283	2 503	2.82	3.63	2.85	3.38	2.95	3.00	2.69

EMPLOYEES AFFECTED
January-March



AVERAGE WAGE SETTLEMENT
January-March



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

4.7. QUARTERLY LABOUR COSTS SURVEY

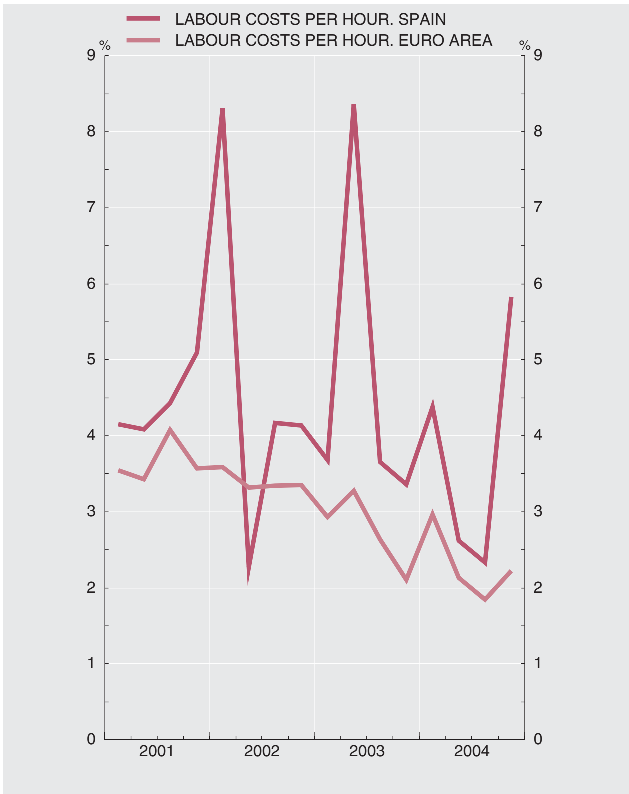
■ Series depicted in chart.

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 ■
01 M	4.1	4.4	4.7	4.1	4.5	3.5	3.7	3.9	3.6	3.8	6.2	3.7
02 M	4.4	4.8	4.8	4.4	4.6	3.9	4.7	4.1	3.8	4.1	6.0	3.4
03 M	4.2	4.7	6.3	3.8	4.7	3.8	4.4	5.0	3.5	4.3	5.4	2.7
03 *Q1-Q4* M	4.2	4.7	6.3	3.8	4.7	3.8	4.4	5.0	3.5	4.3	5.4	2.7
04 *Q1-Q4* M	3.0	3.4	5.2	2.6	3.8	2.8	3.3	4.2	2.5	3.6	3.6	2.3
02 *Q2*	4.6	5.1	4.5	4.7	2.3	4.0	4.9	4.0	4.0	1.8	6.5	3.3
Q3	4.3	5.0	5.2	4.1	4.2	3.8	4.9	4.2	3.6	3.7	5.8	3.3
Q4	4.6	5.4	4.7	4.4	4.1	3.9	5.0	4.4	3.6	3.5	6.6	3.3
03 *Q1*	5.2	5.2	6.0	5.0	3.7	4.9	5.0	5.1	4.8	3.3	6.0	2.9
Q2	4.6	5.5	6.3	4.0	8.4	4.2	5.1	4.9	3.9	8.0	5.5	3.3
Q3	3.6	4.4	6.4	2.9	3.7	3.1	3.7	5.1	2.6	3.1	5.2	2.6
Q4	3.7	3.9	6.3	3.3	3.4	3.3	3.7	5.1	3.0	3.0	5.0	2.1
04 *Q1*	3.5	4.3	6.0	2.9	4.4	3.2	4.0	5.2	2.7	4.1	4.4	3.0
Q2	3.2	2.7	5.5	3.2	2.6	3.1	2.9	4.1	3.2	2.5	3.5	2.1
Q3	2.5	3.2	5.5	1.9	2.3	2.2	3.3	4.6	1.6	2.0	3.4	1.8
Q4	2.7	3.4	4.0	2.4	5.8	2.6	3.3	3.1	2.5	5.7	3.0	2.2

PER WORKER AND MONTH
Annual percentage change

PER HOUR WORKED
Annual percentage change



Sources: INE (Quarterly labour costs survey) and Eurostat.
Note: 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)

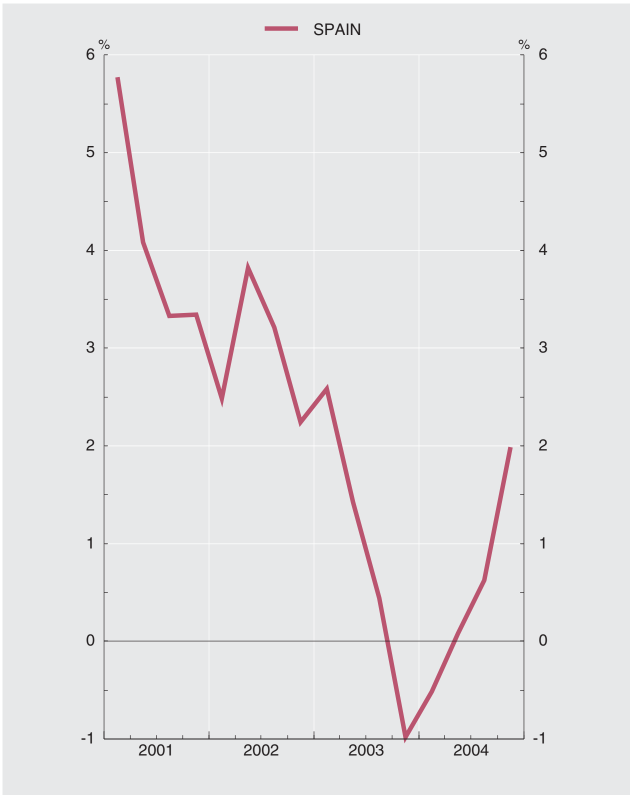
■ Series depicted in chart.

Annual percentage changes

		Whole-economy unit labour costs		Compensation per employee		Productivity						Memorandum item: unit labour costs in manufacturing	
								Output		Employment			
		Spain	Euro area	Spain (b)	Euro area	Spain	Euro area	Spain	Euro area	Spain (b)	Euro area	Spain (c)	Euro area
		1 ■	2 ■	3	4	5	6	7	8	9	10	11 ■	12
01	P	3.5	2.5	3.8	2.8	0.3	0.3	2.8	1.6	2.5	1.3	4.1	...
02	P	3.4	2.2	4.3	2.6	0.9	0.3	2.2	0.9	1.4	0.6	2.9	...
03	P	3.5	2.0	4.3	2.4	0.7	0.4	2.5	0.5	1.7	0.1	0.8	...
02 *Q1*	P	3.3	3.2	4.3	2.9	0.9	-0.2	2.4	0.5	1.5	0.8	2.5	...
Q2	P	3.5	2.3	4.2	2.5	0.6	0.2	2.3	0.9	1.7	0.7	3.8	...
Q3	P	3.4	2.0	4.3	2.4	0.9	0.5	2.2	1.0	1.3	0.5	3.2	...
Q4	P	3.4	1.5	4.5	2.3	1.0	0.8	2.1	1.2	1.0	0.4	2.2	...
03 *Q1*	P	4.0	1.8	4.8	2.3	0.8	0.6	2.1	0.7	1.3	0.2	2.6	...
Q2	P	3.3	2.4	4.3	2.4	1.0	0.0	2.5	0.2	1.5	0.1	1.4	...
Q3	P	3.4	2.3	3.9	2.6	0.5	0.3	2.6	0.4	2.0	0.2	0.4	...
Q4	P	3.4	1.6	4.1	2.2	0.7	0.7	2.8	0.8	2.1	0.2	-1.0	...
04 *Q1*	P	3.5	1.2	4.1	2.5	0.6	1.3	2.7	1.5	2.1	0.2	-0.5	...
Q2	P	3.5	0.8	4.1	2.6	0.6	1.8	2.6	2.2	2.0	0.4	0.1	...
Q3	P	3.5	0.5	4.0	1.8	0.6	1.3	2.6	1.8	2.1	0.5	0.6	...
Q4	P	3.3	1.1	3.8	2.0	0.5	0.9	2.7	1.6	2.2	0.7	2.0	...

UNIT LABOUR COSTS: TOTAL
Annual percentage changes

UNIT LABOUR COSTS: MANUFACTURING
Annual percentage changes



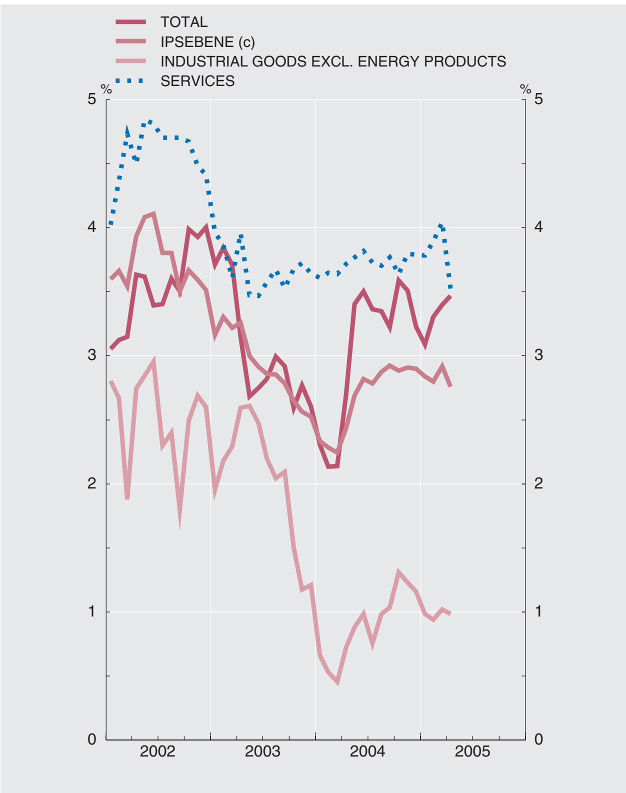
Sources: INE (Contabilidad Nacional Trimestral de España) and ECB.
a. Spain: prepared in accordance with ESA95. SEASONALLY- AND WORKING-DAY-ADJUSTED SERIES (see economic bulletin April 2002).
b. Full-time equivalent employment.
c. Industry.

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 (2000=100)	
	Original series 1	Month-on-month % change 2	12-month % change (b) 3 ■	Cumulative % change during year (c) 4	Unprocessed food 5 ■	Processed food 6 ■	Industrial goods excl. energy products (e) 7 ■	Energy 8 ■	Services 9 ■	IPSEBENE (d) 10 ■	Original series 11	12-month % change (a) 12
02 M	103.5	_	3.5	4.0	5.8	4.3	2.5	-0.1	4.6	3.7	100.4	-2.6
03 M	106.7	_	3.0	2.6	6.0	3.0	2.0	1.4	3.7	2.9	105.8	5.5
04 M	109.9	_	3.0	3.2	4.6	3.6	0.9	4.9	3.7	2.7	106.8	0.9
04 *J-A* M	108.2	0.3	2.3	0.0	6.5	2.6	0.6	-1.3	3.7	2.3	110.2	1.6
05 *J-A* M	111.8	0.4	3.3	0.1	3.1	4.1	1.0	7.9	3.8	2.8	...	...
04 *Jan*	107.4	-0.7	2.3	-0.7	6.5	2.5	0.7	-1.7	3.6	2.3	106.4	4.4
Feb	107.5	0.0	2.1	-0.7	6.1	2.4	0.5	-2.5	3.6	2.3	107.4	-2.6
Mar	108.2	0.7	2.1	0.0	6.5	2.4	0.5	-2.5	3.6	2.2	111.8	1.3
Apr	109.7	1.4	2.7	1.4	6.8	2.9	0.7	1.4	3.7	2.4	115.1	3.3
May	110.4	0.6	3.4	2.0	7.0	3.7	0.9	6.6	3.8	2.7	121.2	7.1
Jun	110.5	0.2	3.5	2.2	6.2	4.0	1.0	7.2	3.8	2.8	121.3	12.0
Jul	109.7	-0.8	3.4	1.4	5.5	4.2	0.8	6.6	3.7	2.8	108.4	11.2
Aug	110.2	0.4	3.3	1.8	3.8	4.2	1.0	7.0	3.7	2.9	93.7	-5.4
Sep	110.4	0.2	3.2	2.0	1.4	4.3	1.0	7.5	3.8	2.9	93.2	-10.4
Oct	111.5	1.0	3.6	3.1	1.8	4.0	1.3	11.6	3.6	2.9	100.4	-5.1
Nov	111.8	0.3	3.5	3.3	2.3	4.1	1.2	9.9	3.8	2.9	104.8	-0.4
Dec	111.7	-0.1	3.2	3.2	1.8	4.1	1.2	7.6	3.8	2.9	111.3	2.5
05 *Jan*	110.8	-0.8	3.1	-0.8	2.3	4.2	1.0	6.1	3.8	2.8	...	...
Feb	111.0	0.3	3.3	-0.6	3.5	3.8	0.9	7.6	3.9	2.8	...	...
Mar	111.9	0.8	3.4	0.2	2.9	4.0	1.0	8.2	4.0	2.9	...	...
Apr	113.5	1.4	3.5	1.6	3.8	4.3	1.0	9.6	3.5	2.8	...	...

CONSUMER PRICE INDEX. TOTAL AND COMPONENTS
Annual percentage changes



CONSUMER PRICE INDEX. COMPONENTS
Annual percentage changes

Sources: INE, Ministerio de Agricultura, Pesca y Alimentación and BE.
Note: The underlying series for this indicator are in Tables 25.2 and 25.8 of the BE Boletín estadístico.
a. 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.

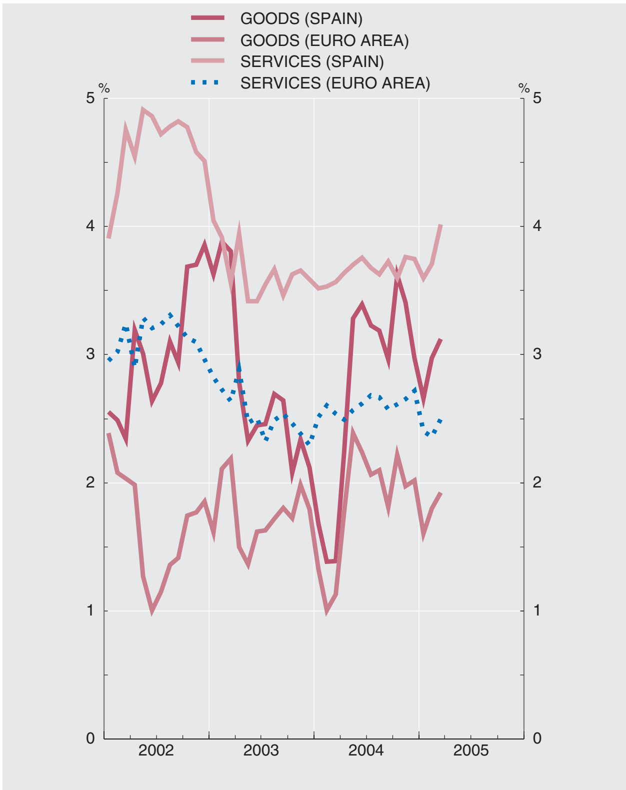
5.2. HARMONISED INDEX OF CONSUMER PRICES. SPAIN AND EURO AREA (1996=100) (a)

■ Series depicted in chart. *Annual percentage changes*

		Total		Goods														Services	
						Food						Industrial							
						Total		Processed		Unprocessed				Non-energy		Energy			
		Spain	Euro area	Spain	Euro area	Spain	Euro area	Spain	Euro area	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 ■
02	M	3.6	2.3	3.0	1.7	4.8	3.1	4.9	3.1	4.7	3.1	1.9	1.0	2.6	1.5	-0.2	-0.6	4.6	3.1
03	M	3.1	2.1	2.8	1.8	4.0	2.8	3.5	3.3	4.6	2.1	2.0	1.2	2.2	0.8	1.3	3.0	3.7	2.5
04	M	3.1	2.1	2.7	1.8	3.9	2.3	4.2	3.4	3.7	0.6	2.0	1.6	1.0	0.8	4.8	4.5	3.7	2.6
04 *J-M*	M	2.2	1.7	1.5	1.1	3.7	3.0	3.2	3.5	4.3	2.2	0.0	0.2	0.7	0.7	-2.2	-1.5	3.5	2.6
05 *J-M*	M P	3.3	2.0	2.9	1.8	3.6	1.6	3.8	2.3	3.4	0.5	2.3	1.9	0.8	0.3	7.2	7.6	3.8	2.4
03 *Dec*		2.7	2.0	2.1	1.8	3.9	3.6	3.4	3.8	4.4	3.2	1.0	0.9	1.4	0.7	-0.1	1.8	3.6	2.3
04 *Jan*		2.3	1.9	1.7	1.3	3.9	3.1	3.3	3.3	4.4	2.9	0.3	0.4	0.8	0.6	-1.6	-0.4	3.5	2.5
Feb		2.2	1.6	1.4	1.0	3.6	2.7	3.2	3.2	4.1	1.9	-0.1	0.2	0.7	0.8	-2.6	-2.2	3.5	2.6
Mar		2.2	1.7	1.4	1.1	3.7	3.1	3.2	4.1	4.4	1.7	-0.1	0.1	0.6	0.7	-2.5	-2.0	3.6	2.5
Apr		2.7	2.0	2.2	1.8	4.2	2.9	3.6	3.9	4.7	1.6	1.0	1.2	0.9	1.0	1.5	2.0	3.6	2.5
May		3.4	2.5	3.3	2.4	4.8	3.1	4.7	3.9	4.9	1.7	2.3	2.1	1.0	0.9	6.6	6.7	3.7	2.6
Jun		3.5	2.4	3.4	2.2	4.8	2.8	4.9	3.8	4.7	1.2	2.5	2.0	1.1	0.9	7.2	5.9	3.8	2.6
Jul		3.3	2.3	3.2	2.1	4.6	2.6	4.9	3.8	4.3	0.7	2.3	1.8	0.9	0.7	6.6	5.9	3.7	2.7
Aug		3.3	2.3	3.2	2.1	4.1	2.1	4.8	3.6	3.4	-0.2	2.6	2.1	1.1	0.9	7.0	6.5	3.6	2.7
Sep		3.2	2.1	3.0	1.8	3.3	1.4	4.7	3.3	1.9	-1.5	2.7	2.0	1.1	0.8	7.5	6.4	3.7	2.6
Oct		3.6	2.4	3.6	2.2	3.3	1.2	4.4	2.8	2.2	-1.2	3.8	2.7	1.4	0.8	11.6	9.8	3.6	2.6
Nov		3.5	2.2	3.4	2.0	3.5	1.0	4.2	2.3	2.7	-1.0	3.4	2.5	1.3	0.8	9.9	8.7	3.8	2.7
Dec		3.3	2.4	3.0	2.0	3.3	2.0	4.2	3.2	2.4	-	2.7	2.0	1.3	0.8	7.6	6.9	3.7	2.7
05 *Jan*		3.1	1.9	2.7	1.6	3.5	1.5	4.1	2.8	2.9	-0.6	1.9	1.7	0.7	0.5	5.7	6.2	3.6	2.4
Feb		3.3	2.1	3.0	1.8	3.7	1.9	3.6	2.6	3.8	0.7	2.3	1.8	0.7	0.2	7.5	7.7	3.7	2.4
Mar	P	3.4	2.1	3.1	1.9	3.6	1.5	3.7	1.6	3.4	1.3	2.7	2.1	0.9	0.4	8.4	8.8	4.0	2.5

HARMONISED INDEX OF CONSUMER PRICES. TOTAL
Annual percentage changes

HARMONISED INDEX OF CONSUMER PRICES. COMPONENTS
Annual percentage changes



Source: Eurostat.

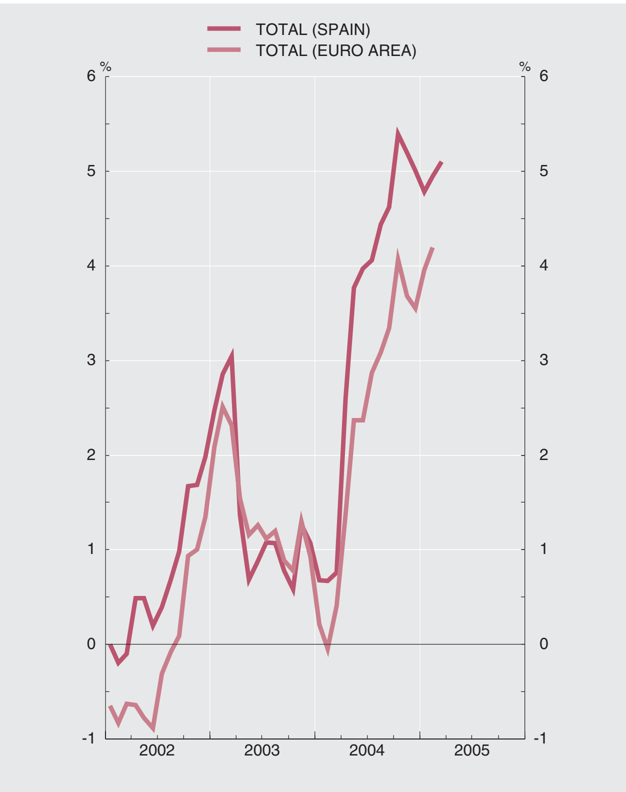
a. Compliance with the Regulation on the treatment of price reductions is now complete with the inclusion of sales prices in the Italian and Spanish HICP. The Spanish HICP has included a new basket of goods and services since January 2001. In accordance with the related regulations,the series for the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

5.3. PRODUCER PRICE INDEX. SPAIN AND EURO AREA (a)

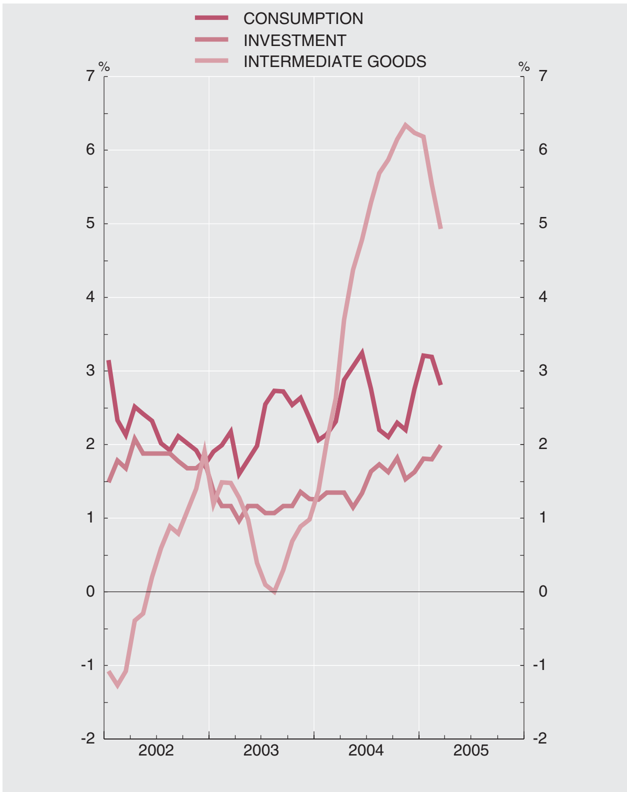
■ Series depicted in chart. *Annual percentage changes*

		Total (100%)			Consumption (32.1 %)		Investment (18.3 %)		Intermediate (31.6 %)		Energy (18.0%)		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	Month-on-month % change	12-month % change	Month-on-month % change	12-month % change	Total 12-month % change	Consumption 12-month % change	Investment 12-month % change	Intermediate 12-month % change	Energy 12-month % change
		1	2	3 ■	4	5 ■	6	7 ■	8	9 ■	10	11	12 ■	13	14	15	16
02	MP	102.4	_	0.7	_	2.2	_	1.8	_	0.2	_	-1.3	-0.1	1.0	0.9	-0.3	-2.3
03	MP	103.9	_	1.4	_	2.3	_	1.2	_	0.8	_	1.3	1.4	1.1	0.3	0.8	3.8
04	MP	107.4	_	3.4	_	2.5	_	1.5	_	4.5	_	5.3	2.3	1.3	0.7	3.5	3.9
04 *J-M*	MP	105.1	_	0.7	_	2.2	_	1.3	_	2.0	_	-4.9	0.2	1.2	0.3	1.0	-2.6
05 *J-M*	MP	110.3	_	4.9	_	3.1	_	1.9	_	5.5	_	11.0	...	...	...	...	...
03 *Dec*	P	103.8	-0.1	1.1	-0.3	2.4	-	1.3	0.1	1.0	-0.4	-1.2	0.9	1.0	0.2	0.4	1.7
04 *Jan*	P	104.5	0.7	0.7	0.4	2.1	0.4	1.3	0.9	1.4	1.2	-3.6	0.2	0.9	0.3	0.5	-1.5
Feb	P	105.1	0.6	0.7	0.5	2.1	0.3	1.3	1.2	2.0	-0.5	-5.4	-0.0	1.0	0.3	0.9	-3.5
Mar	P	105.8	0.7	0.8	0.7	2.3	0.1	1.3	0.8	2.6	1.5	-5.6	0.4	1.5	0.3	1.5	-2.8
Apr	P	106.6	0.8	2.6	0.4	2.9	0.1	1.3	1.1	3.7	1.3	1.3	1.4	1.5	0.5	2.3	1.2
May	P	107.3	0.7	3.8	0.4	3.1	-	1.2	0.6	4.4	2.3	7.2	2.4	1.4	0.6	2.8	5.5
Jun	P	107.4	0.1	4.0	0.3	3.2	0.2	1.3	-	4.8	-0.3	7.1	2.4	1.6	0.7	3.3	4.5
Jul	P	107.7	0.3	4.1	0.2	2.8	0.2	1.6	0.2	5.3	0.8	7.2	2.9	1.6	0.9	4.2	5.3
Aug	P	108.3	0.6	4.4	-0.2	2.2	0.1	1.7	0.3	5.7	2.6	9.0	3.1	1.4	0.9	4.8	5.6
Sep	P	108.6	0.3	4.6	0.1	2.1	-	1.6	0.4	5.9	1.2	11.0	3.3	1.1	0.9	5.0	7.3
Oct	P	109.4	0.7	5.4	-0.1	2.3	0.2	1.8	0.5	6.2	3.1	14.2	4.1	1.1	1.1	5.5	10.1
Nov	P	109.3	-0.1	5.2	-0.1	2.2	-	1.5	0.3	6.3	-0.9	12.6	3.7	1.0	1.1	5.5	8.3
Dec	P	109.0	-0.3	5.0	0.3	2.8	0.1	1.6	-	6.2	-2.1	10.7	3.6	1.5	1.2	5.4	7.0
05 *Jan*	P	109.5	0.5	4.8	0.8	3.2	0.6	1.8	0.8	6.2	-0.5	8.8	4.0	1.3	1.6	5.5	8.4
Feb	P	110.3	0.7	4.9	0.4	3.2	0.3	1.8	0.5	5.5	1.5	11.0	4.2	1.3	1.7	5.2	10.1
Mar	P	111.2	0.8	5.1	0.4	2.8	0.3	2.0	0.2	4.9	3.4	13.1	...	...	...	...	...

PRODUCER PRICE INDEX. TOTAL
Annual percentage changes



PRODUCER PRICE INDEX. COMPONENTS
Annual percentage changes



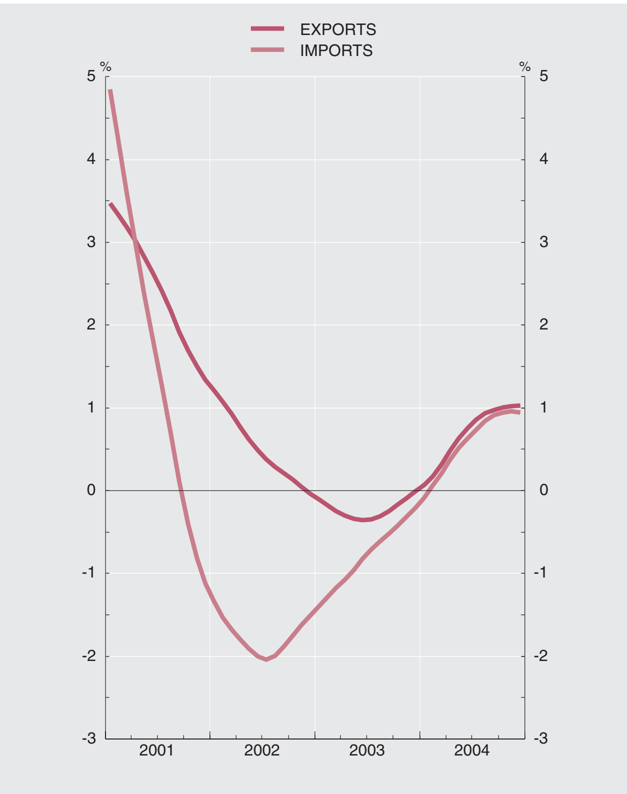
Sources: INE and ECB.
Note: The underlying series for this indicator, for Spain, are in Table 25.3 of the BE Boletín estadístico.
a. Spain: 2000=100; euro area: 2000=100.

5.4 UNIT VALUE INDICES FOR SPANISH FOREIGN TRADE

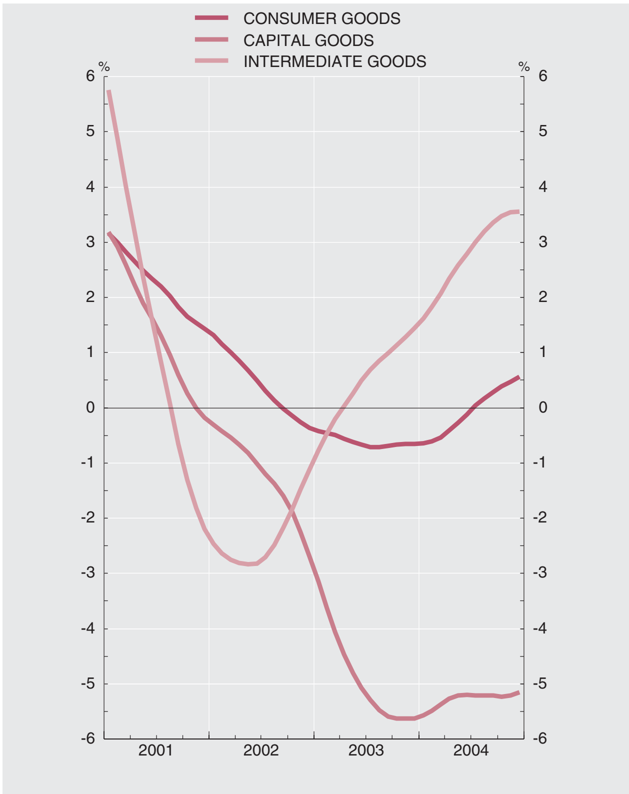
■ Series depicted in chart. *Annual percentage changes*

	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
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
02	0.2	-0.8	12.2	-2.4	-6.4	-1.8	-3.1	-0.5	0.6	-5.3	-5.3	-4.2
03	-0.9	-0.7	-8.3	1.4	8.1	-0.1	-0.3	-0.1	-7.4	1.6	1.9	1.7
03 *J-D*	-0.9	-0.7	-8.3	1.4	8.1	-0.1	-0.3	-0.1	-7.4	1.6	1.9	1.7
04 *J-D*	0.8	0.2	-1.9	2.7	13.4	1.7	1.3	-0.4	-5.2	4.4	11.9	2.7
03 *Jul*	-0.9	2.6	-16.0	1.0	9.0	0.0	-	-3.4	-7.2	3.2	-6.0	5.4
Aug	-3.8	-6.1	-15.9	1.6	7.7	-0.7	1.5	4.5	-9.1	2.9	-3.3	3.6
Sep	-0.2	-0.4	-2.7	1.2	-2.8	-0.4	-2.8	-0.2	-17.7	0.9	-9.6	0.6
Oct	-0.7	-2.5	-5.3	1.5	6.9	0.3	0.8	2.8	-0.6	-0.0	-12.3	2.3
Nov	0.5	-1.6	0.1	1.9	1.1	0.5	-0.2	-0.4	-7.0	1.8	-2.1	1.3
Dec	1.0	1.0	-3.3	3.6	-2.4	2.5	-1.4	-1.4	-9.4	1.0	-3.8	1.7
04 *Jan*	-2.0	-2.9	-3.3	-0.6	-2.3	-1.1	-3.6	-1.0	-8.4	-3.5	-17.1	-1.6
Feb	-4.3	-4.4	-5.9	-2.5	-16.9	-2.9	1.8	-6.0	-6.2	7.5	-20.4	13.9
Mar	-1.5	-1.4	-7.5	0.6	-11.5	0.5	-2.3	-3.6	-7.0	-0.5	-16.2	3.3
Apr	1.7	-1.9	7.9	2.8	-3.7	4.2	1.4	-3.9	2.6	3.4	2.4	2.8
May	3.6	4.7	3.8	3.2	2.9	2.2	5.3	2.9	-1.1	8.6	18.5	4.4
Jun	3.2	3.0	4.8	4.1	16.4	2.8	-0.5	-3.3	-2.0	1.4	16.8	-1.9
Jul	-2.3	-4.8	-5.5	2.1	19.1	0.2	-0.3	2.6	-8.9	1.8	18.4	-1.7
Aug	5.6	4.3	9.0	5.6	23.9	4.5	3.7	3.7	-3.4	5.9	23.7	1.5
Sep	0.9	1.2	-8.9	3.2	34.5	1.6	4.2	-0.2	-2.2	8.2	19.7	5.2
Oct	2.7	3.1	-	4.2	20.1	2.8	2.6	2.6	-9.7	7.2	29.3	2.3
Nov	1.0	1.9	-9.0	5.6	42.0	3.7	1.5	-1.1	-9.2	6.7	37.5	2.0
Dec	0.2	-1.1	-8.0	3.7	35.9	2.0	2.4	2.3	-7.0	6.5	29.1	3.4

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 obteined with TRAMO-SEATS).

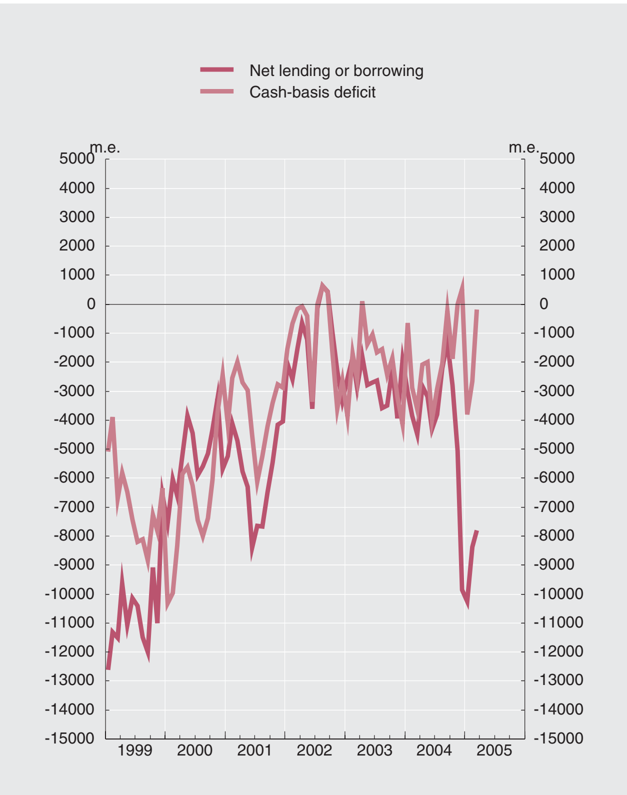
6.1. STATE RESOURCES ANS USES ACCORDING TO THE NACIONAL ACCOUNTS (A). SPAIN

■ Series depicted in chart.

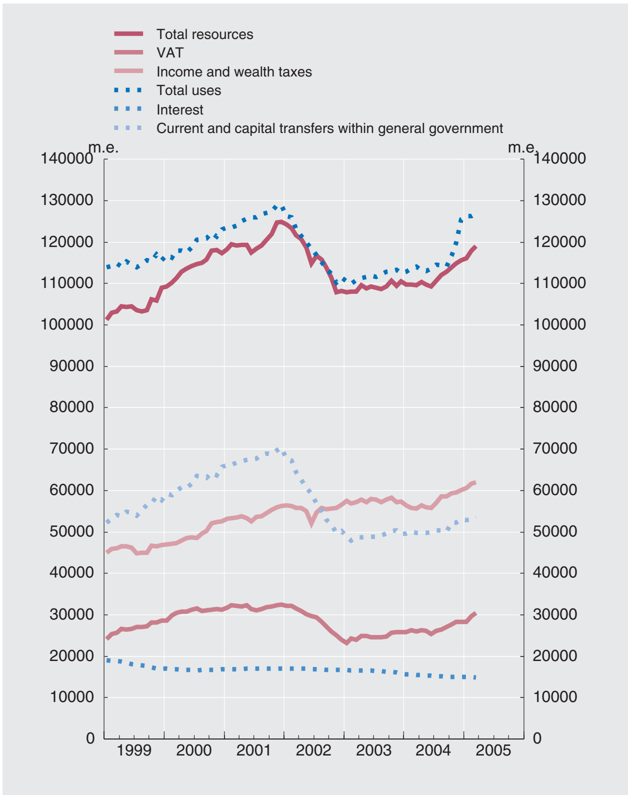
EUR millions

		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	Interest and other income on property	Income and wealth taxes	Other	Total	Compensation of employees	Interest	Current and capital transfers within general government	Investment grants and other capital transfers	Other	Cash-basis deficit	Revenue	Expenditure
		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		-6 585	109 009	28 574	16 408	5 877	46 886	11 264	115 594	17 363	16 959	57 721	3 034	20 517	-6 354	110 370	116 724
00		-5 675	117 346	31 262	17 171	5 210	52 526	11 177	123 021	15 806	16 809	65 703	3 705	20 998	-2 431	118 693	121 124
01		-4 046	124 838	32 433	17 838	6 913	56 267	11 387	128 884	16 067	17 030	70 319	3 379	22 089	-2 884	125 193	128 077
02	P	-3 336	108 150	24 005	11 431	5 319	56 616	10 779	111 486	16 978	16 666	50 217	3 318	24 307	-2 626	108 456	111 082
03	A	-1 937	110 544	25 764	10 918	5 029	57 415	11 418	112 481	17 670	15 806	49 406	2 695	26 904	-4 132	109 655	113 787
04	A	-9 863	115 683	28 230	10 991	4 588	60 063	11 811	125 546	18 866	15 005	52 995	7 519	31 161	527	115 270	114 743
04 *J-M*	A	1 081	26 771	10 524	2 487	1 316	10 074	2 370	25 690	4 166	3 749	11 570	609	5 596	-2 297	27 259	29 556
05 *J-M*	A	3 140	30 168	12 697	2 550	608	12 049	2 264	27 028	4 172	3 626	12 287	507	6 436	-3 011	31 019	34 030
04 *Apr*	A	9 094	16 924	5 352	1 022	358	9 715	477	7 830	1 344	1 248	3 786	206	1 246	9 876	17 306	7 430
May	A	-6 090	2 425	79	925	197	114	1 110	8 515	1 260	1 296	3 829	168	1 962	-5 208	2 324	7 532
Jun	A	-9 252	1 887	-1 180	1 103	164	297	1 503	11 139	2 417	1 226	4 648	237	2 611	-9 107	782	9 889
Jul	A	5 689	15 047	4 757	803	178	9 020	289	9 358	1 437	1 291	4 456	135	2 039	2 708	15 824	13 117
Aug	A	-86	7 906	-1 613	895	278	7 771	575	7 992	1 360	1 242	3 651	100	1 639	92	7 290	7 198
Sep	A	409	8 928	3 049	1 088	161	3 541	1 089	8 519	1 434	1 213	3 746	228	1 898	1 424	8 808	7 384
Oct	A	6 833	18 696	5 831	749	181	11 631	304	11 863	1 385	1 275	7 094	264	1 845	5 622	18 605	12 983
Nov	A	-5 696	7 413	1 340	881	615	3 183	1 394	13 109	1 530	1 210	4 368	3 851	2 150	113	7 787	7 674
Dec	A	-11 845	9 686	91	1 038	1 140	4 717	2 700	21 531	2 533	1 255	5 847	1 721	10 175	-2 696	9 285	11 981
05 *Jan*	A	83	8 142	-797	888	239	7 182	630	8 059	1 292	1 281	3 208	3	2 275	-6 812	9 956	16 768
Feb	A	8 249	17 055	12 341	851	183	2 987	693	8 806	1 308	1 150	4 318	63	1 967	6 784	15 623	8 840
Mar	A	-5 192	4 971	1 153	811	186	1 880	941	10 163	1 572	1 195	4 761	441	2 194	-2 983	5 439	8 422

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



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



Source: Ministerio de Economía y Hacienda (IGAE).

(a) Except in interest rate swaps, where the EDP criterion in followed. That is to say, the net outcome of these transactions is considered to be interest and not financial transactions (the ESA 95 criterion), whereby they influence the calculation of net lending or borrowing.

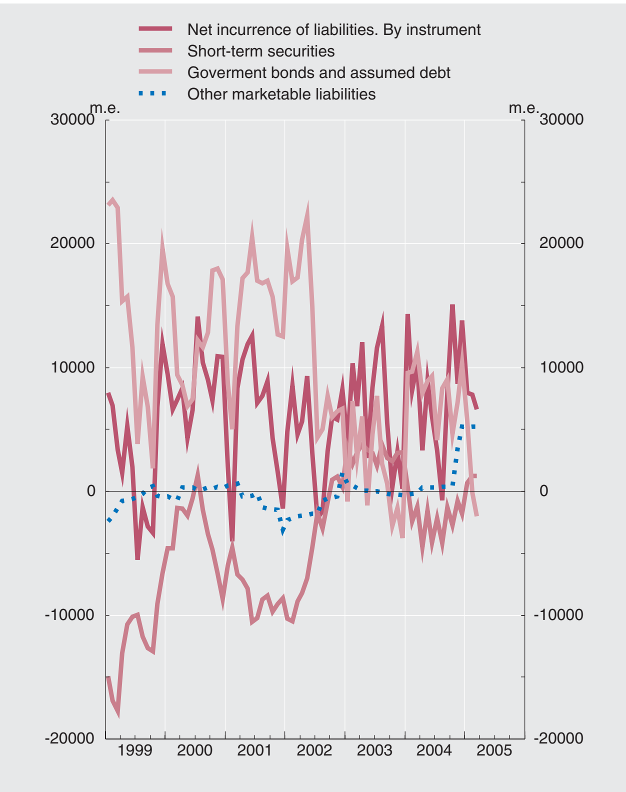
6.2. STATE FINANCIAL TRANSACTIONS (A). SPAIN

■ Series depicted in chart.

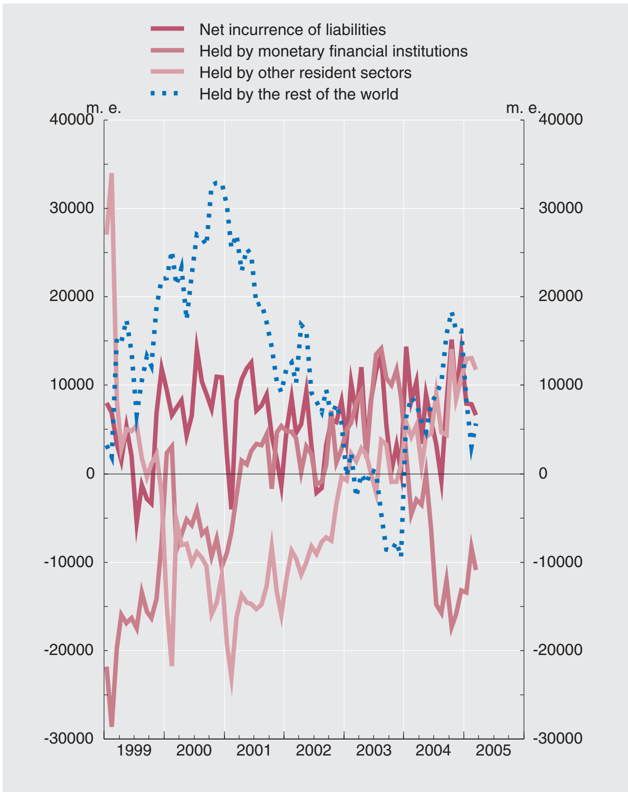
EUR millions

		Net lending (+) or net borrowing(-)	Net acquisition of financial assets: Total	Net acquisition of financial assets: Of which: Deposits at the Banco de España	Net incurrence of liabilities: Total	Net incurrence of liabilities: Of which: In currencies other than the peseta/euro	By instrument: Short-term securities	By instrument: Goverment bonds and assumed debt	By instrument: Banco de España loans	By instrument: Other marketable liabilities (b)	By instrument: Other accounts payable	By counterpart sector: Held by resident sectors: Total	By counterpart sector: Held by resident sectors: Monetary financial institutions	By counterpart sector: Held by resident sectors: Other resident sectors	By counterpart sector: Rest of the world	Net incurrence of liabilities (excluding other accounts payable)
		1	2	3	4 ■	5	6 ■	7 ■	8	9 ■	10	11	12 ■	13 ■	14 ■	15
99		-6 585	5 337	4 574	11 922	209	-6 629	19 592	-499	-446	-96	-10 103	-7 734	-2 369	22 026	12 018
00		-5 675	5 191	5 690	10 866	1 162	-8 683	17 127	-499	283	2 638	-22 058	-10 554	-11 504	32 924	8 228
01		-4 046	-5 445	-20 141	-1 399	803	-8 616	12 521	-499	-3 101	-1 704	-10 605	5 387	-15 992	9 206	305
02	P	-3 336	4 872	-95	8 208	-888	346	6 655	-486	1 488	205	2 422	2 798	-375	5 785	8 002
03	A	-1 937	-1 699	0	238	-135	3 146	-3 761	-486	-281	1 620	9 710	8 664	1 047	-9 472	-1 381
04	A	-9 863	3 947	-0	13 810	-660	-1 813	10 356	-486	5 204	549	-2 380	-13 231	10 850	16 191	13 261
04 *J-M*	A	1 081	7 867	-0	6 786	-51	-1 728	8 818	-	-120	-185	-3 637	-6 389	2 752	10 423	6 970
05 *J-M*	A	3 140	2 724	0	-416	-2 349	1 317	-3 564	-	-79	1 910	-362	-4 037	3 675	-54	-2 326
04 *Apr*	A	9 094	8 807	-1	-287	14	-2 502	2 784	-	355	-924	-2 951	1 094	-4 045	2 664	637
May	A	-6 090	-3 329	1	2 761	-857	2 493	-683	-	37	914	3 879	-906	4 785	-1 118	1 847
Jun	A	-9 252	-7 302	-1	1 950	31	-2 882	5 038	-	58	-264	39	325	-286	1 911	2 213
Jul	A	5 689	-2 705	0	-8 394	-1 224	2 877	-12 939	-	-9	1 677	-7 516	-7 675	159	-878	-10 071
Aug	A	-86	-2 854	-0	-2 768	19	-2 735	1 146	-	13	-1 193	-154	-1 861	1 706	-2 614	-1 575
Sep	A	409	9 576	1	9 167	-15	2 883	5 232	-	3	1 049	2 904	3 572	-668	6 264	8 118
Oct	A	6 833	9 506	12 897	2 673	1 206	-1 534	-7 868	-	0	12 074	169	-6 632	6 801	2 504	-9 401
Nov	A	-5 696	-8 594	-12 897	-2 898	22	2 738	5 434	-	3 052	-14 121	-1 130	3 824	-4 955	-1 767	11 224
Dec	A	-11 845	-7 025	-0	4 820	196	-1 423	3 393	-486	1 815	1 522	6 018	1 417	4 601	-1 198	3 298
05 *Jan*	A	83	-222	0	-305	-19	2 712	-2 202	-	-38	-778	-1 973	-4 429	2 456	1 668	473
Feb	A	8 249	4 872	-0	-3 377	-1 192	-3 174	-2 553	-	-10	2 359	-1 419	-909	-511	-1 958	-5 736
Mar	A	-5 192	-1 925	0	3 267	-1 138	1 779	1 191	-	-32	329	3 031	1 301	1 729	236	2 937

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



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



Source: BE.

(a) Except in interest rate swaps, where the EDP criterion in followed. That is to say, the net outcome of these transactions is considered to be interest and not financial transactions (the ESA 95 criterion), whereby they influence the calculation of net lending or borrowing.

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

6.3. STATE: LIABILITIES OUTSTANDING. SPAIN

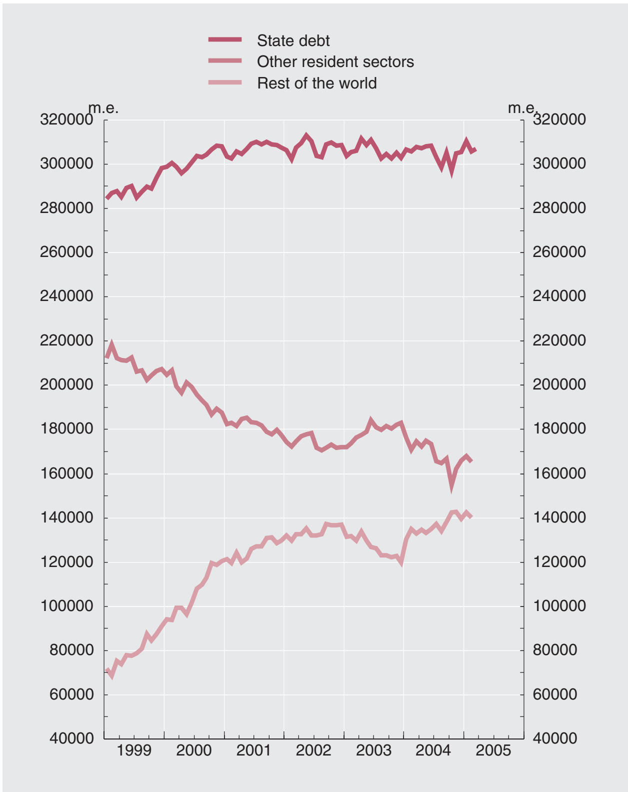
■ Series depicted in chart.

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	152 302	10 814	19 763	210 489	529	209 960	54 003	15 195	8 185
97		274 168	23 270	71 730	180 566	10 578	11 295	211 530	445	211 085	63 083	9 829	7 251
98		284 153	30 048	59 939	205 189	10 341	8 684	215 200	305	214 895	69 258	10 273	6 412
99		298 378	7 189	53 142	227 157	9 843	8 236	207 458	150	207 308	91 070	14 846	5 310
00		308 212	8 197	44 605	245 717	9 344	8 546	188 482	695	187 787	120 424	20 536	5 430
01		307 434	7 611	35 428	257 721	8 845	5 440	179 118	1 474	177 644	129 791	395	5 460
02	P	308 792	5 823	35 459	260 060	8 359	4 914	177 561	5 648	171 913	136 880	300	6 819
03	P	302 968	5 105	38 704	251 827	7 873	4 564	192 399	9 460	182 940	120 029	300	6 821
04 *Mar*	A	307 788	5 353	36 398	259 051	7 873	4 466	188 048	13 326	174 722	133 067	300	6 717
Apr	A	307 213	5 251	34 012	260 512	7 873	4 815	185 881	13 457	172 424	134 789	299	6 624
May	A	308 093	5 192	36 491	258 883	7 873	4 846	188 249	13 457	174 792	133 301	300	6 531
Jun	A	308 495	5 215	33 625	262 091	7 873	4 906	187 737	14 291	173 446	135 049	300	6 483
Jul	A	303 060	4 068	36 497	253 794	7 873	4 895	179 555	13 793	165 761	137 298	300	6 449
Aug	A	298 595	4 065	33 775	252 037	7 873	4 909	180 190	15 552	164 638	133 956	300	6 424
Sep	A	305 080	3 958	36 659	255 647	7 873	4 900	182 721	15 773	166 948	138 132	300	6 304
Oct	A	297 219	3 949	35 149	249 297	7 873	4 900	169 986	15 110	154 875	142 344	13 197	7 002
Nov	A	304 910	3 869	37 333	251 761	7 873	7 942	179 510	17 240	162 270	142 640	300	7 227
Dec	A	305 529	3 267	36 033	252 362	7 388	9 746	182 967	17 138	165 829	139 700	300	7 186
05 *Jan*	A	310 453	3 380	38 732	254 615	7 388	9 718	184 329	16 255	168 074	142 379	300	7 041
Feb	A	305 643	3 313	35 550	253 052	7 388	9 653	181 534	16 152	165 382	140 261	300	7 032
Mar	A	306 804	3 301	36 739	252 954	7 388	9 724	...	17 455	...	...	300	7 100

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).

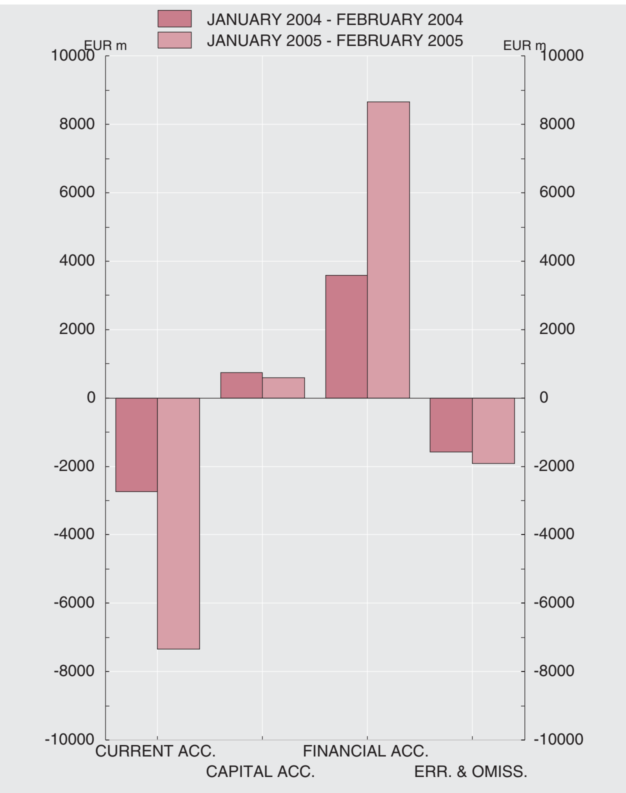
7.1. THE SPANISH BALANCE OF PAYMENTS VIS-à-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD. CURRENT ACCOUNT

■ Series depicted in chart.

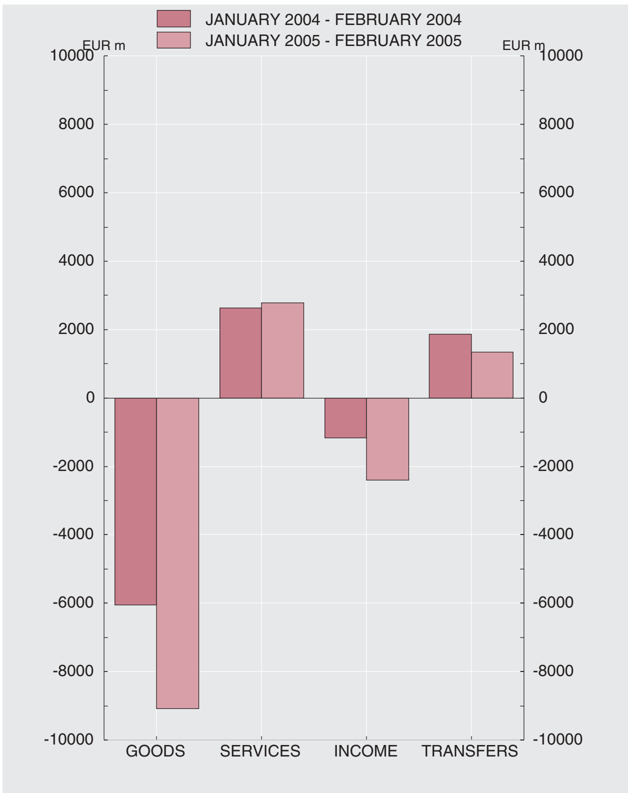
EUR millions

		Current account (a)													Capital account	Current account plus capital account	Financial account	Errors and omis-sions
		Total (balance)	Goods			Services					Income			Current trans-fers (bal-ance)	(bal-ance)		(balance) (b)	
			Balance	Receipts	Payments	Balance	Receipts		Payments		Balance	Receipts	Payments					
							Total	Of which Tourism and travel	Total	Of which 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)
02		-16 881	-34 602	135 640	170 242	26 582	66 072	35 543	39 490	7 020	-11 276	21 357	32 633	2 414	7 741	-9 141	14 755	-5 614
03		-20 828	-37 843	141 017	178 860	27 265	67 903	36 871	40 638	7 315	-10 586	21 812	32 398	336	8 762	-12 065	17 634	-5 569
04	P	-39 538	-51 885	148 195	200 080	25 166	68 632	37 250	43 466	8 907	-12 827	23 326	36 153	7	8 531	-31 007	36 326	-5 319
04 *J-F*	P	-2 741	-6 059	22 484	28 543	2 628	9 202	4 500	6 574	1 243	-1 166	3 243	4 409	1 856	734	-2 007	3 578	-1 571
05 *J-F*	P	-7 349	-9 074	23 129	32 203	2 784	9 701	4 662	6 917	1 545	-2 397	3 124	5 521	1 338	586	-6 762	8 668	-1 906
03 *Nov*		-3 141	-3 891	11 863	15 755	2 382	5 596	3 024	3 214	614	-749	1 122	1 871	-882	344	-2 796	2 858	-62
Dec		-2 251	-3 610	11 826	15 436	1 431	4 932	2 070	3 501	560	-555	2 116	2 670	483	1 978	-273	51	222
04 *Jan*	P	-809	-2 989	10 814	13 803	1 292	4 583	2 214	3 291	632	-640	1 563	2 203	1 528	176	-633	1 673	-1 040
Feb	P	-1 932	-3 069	11 671	14 740	1 336	4 619	2 285	3 283	611	-527	1 679	2 206	328	558	-1 374	1 905	-531
Mar	P	-3 602	-3 503	13 339	16 842	1 291	5 076	2 422	3 785	657	-1 248	1 659	2 907	-142	430	-3 172	3 623	-452
Apr	P	-2 397	-4 050	12 570	16 620	1 683	5 183	2 647	3 500	531	-27	2 623	2 650	-2	560	-1 837	1 135	702
May	P	-2 544	-4 013	12 770	16 783	2 726	5 937	3 382	3 211	547	-1 250	1 634	2 884	-7	1 883	-662	433	228
Jun	P	-4 547	-4 642	13 299	17 941	2 056	5 806	3 248	3 750	828	-1 823	2 519	4 341	-138	369	-4 178	4 986	-808
Jul	P	-3 736	-4 371	12 938	17 308	3 045	7 062	4 296	4 017	909	-1 978	2 142	4 121	-431	623	-3 113	3 849	-736
Aug	P	-2 448	-4 677	9 131	13 808	3 039	6 641	4 297	3 601	910	-896	1 354	2 250	86	1 225	-1 223	1 644	-421
Sep	P	-5 144	-5 583	12 225	17 808	2 323	6 017	3 373	3 695	866	-1 443	1 500	2 943	-440	315	-4 830	4 429	400
Oct	P	-2 940	-4 633	13 115	17 749	2 740	6 524	3 742	3 784	863	-569	1 951	2 520	-477	311	-2 629	4 128	-1 499
Nov	P	-3 729	-4 950	13 826	18 776	2 401	5 957	3 233	3 556	818	-712	2 386	3 098	-468	402	-3 327	4 599	-1 272
Dec	P	-5 710	-5 403	12 499	17 902	1 236	5 229	2 111	3 993	734	-1 715	2 316	4 031	171	1 680	-4 030	3 919	111
05 *Jan*	P	-4 155	-4 675	10 932	15 607	1 431	4 942	2 379	3 511	784	-1 223	1 800	3 024	313	436	-3 719	4 680	-961
Feb	P	-3 194	-4 399	12 197	16 596	1 353	4 760	2 283	3 406	761	-1 173	1 324	2 497	1 025	151	-3 044	3 989	-945

SUMMARY



CURRENT ACCOUNT



SOURCES: 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)

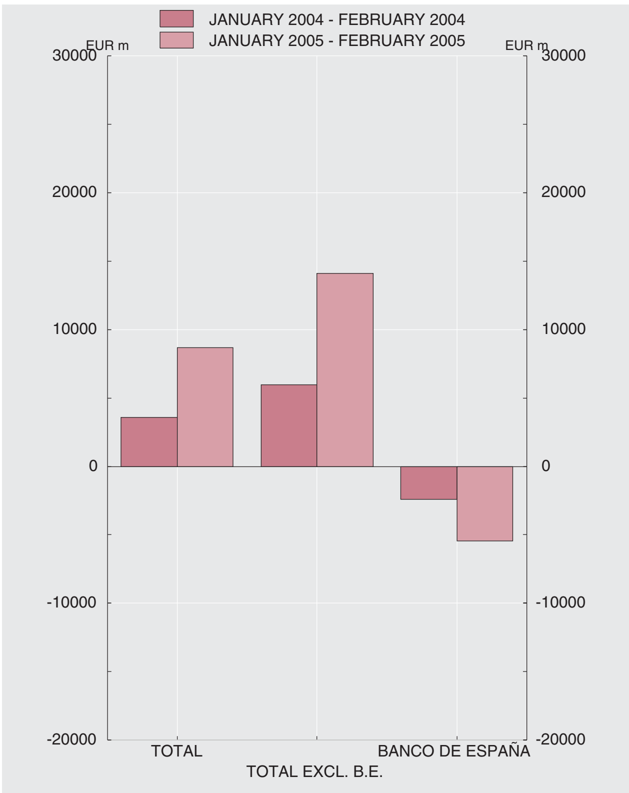
7.2. THE SPANISH BALANCE OF PAYMENTS VIS-à-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD. FINANCIAL ACCOUNT (a)

■ Series depicted in chart.

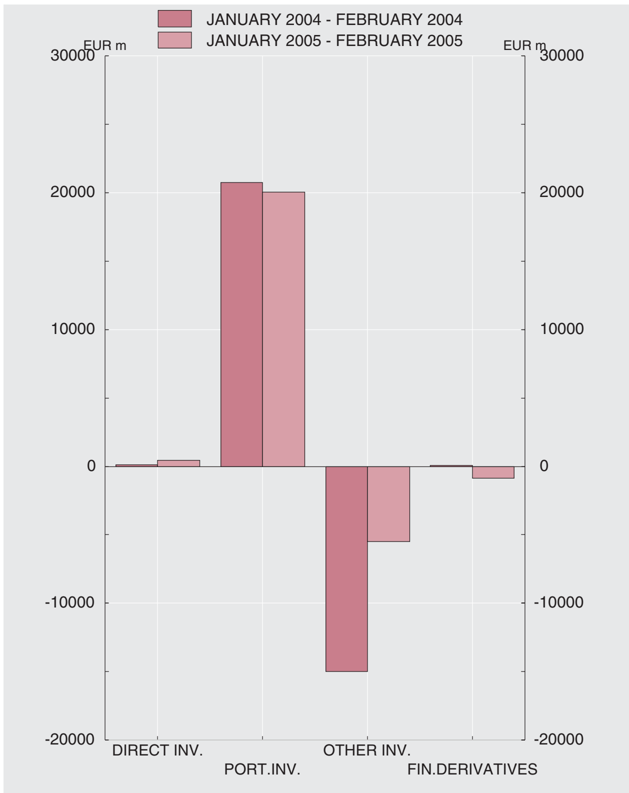
EUR millions

			Total, excluding Banco de España											Banco de España			
		Financial account	Total	Direct investment			Portfolio investment			Other investment (d)			Net financial derivatives	Balance	Reserves	Claims with the Eurosystem	Other net assets
		(NCL-NCA)	(NCL-NCA)	Balance (NCL-NCA)	Spanish investment abroad (NCA)	Foreign investment in Spain (NCL) (b)	Balance (NCL-NCA)	Spanish investment abroad (NCA)	Foreign investment in Spain (NCL) (c)	Balance (NCL-NCA)	Spanish investment abroad (NCA)	Foreign investment in Spain (NCL)	(NCL-NCA)	(NCL-NCA)	(e)	(e)	(NCL-NCA)
		1=2+13 ■	2=3+6+9+12 ■	3=5-4 ■	4	5	6=8-7 ■	7	8	9=11-10 ■	10	11	12 ■	13=14+15+16 ■	14	15	16
02		14 755	11 194	4 671	33 483	38 154	5 686	31 062	36 749	5 742	30 362	36 104	-4 905	3 561	-3 630	6 506	685
03		17 634	16 059	1 995	20 709	22 705	-30 069	65 865	35 795	47 495	16 881	64 376	-3 362	1 575	13 626	4 382	-16 433
04	P	36 326	50 336	-25 878	33 806	7 928	81 579	25 264	106 843	-7 216	26 648	19 432	1 850	-14 010	5 147	-13 760	-5 397
04 *J-F*	P	3 578	5 971	124	493	618	20 774	2 396	23 170	-15 016	14 731	-285	89	-2 393	2 713	-2 442	-2 664
05 *J-F*	P	8 668	14 120	454	4 638	5 092	20 048	2 120	22 168	-5 510	15 409	9 899	-871	-5 452	207	-2 851	-2 807
03 *Nov*		2 858	5 497	-1 797	1 365	-432	1 907	3 253	5 160	4 832	263	5 096	554	-2 639	3 104	-4 780	-963
Dec		51	-11 812	2 560	2 792	5 352	-5 225	5 731	506	-8 649	11 445	2 796	-499	11 864	166	12 601	-903
04 *Jan*	P	1 673	8 785	-326	1 222	896	7 597	967	8 564	1 467	8 685	10 151	47	-7 111	1 320	-7 132	-1 299
Feb	P	1 905	-2 814	451	-729	-278	13 177	1 429	14 606	-16 483	6 047	-10 436	42	4 719	1 393	4 690	-1 365
Mar	P	3 623	6 081	-4 719	2 563	-2 156	2 536	4 868	7 404	8 533	-4 671	3 861	-268	-2 458	921	-2 416	-963
Apr	P	1 135	497	1 459	745	2 205	-1 763	6 455	4 692	940	7 821	8 761	-139	638	720	570	-652
May	P	433	6 643	-173	387	214	-6 443	7 000	557	12 993	-2 382	10 612	265	-6 209	-107	-6 473	370
Jun	P	4 986	3 758	-1 034	3 502	2 468	4 591	1 436	6 026	-250	5 194	4 945	451	1 228	182	970	76
Jul	P	3 849	10 249	-2 479	2 904	425	11 212	-267	10 946	472	671	1 143	1 044	-6 400	69	-6 330	-139
Aug	P	1 644	-6 142	-1 449	1 733	284	-1 642	2 111	469	-2 764	-561	-3 325	-287	7 786	28	7 650	108
Sep	P	4 429	-1 612	-1 216	354	-862	14 895	-4 682	10 213	-15 565	11 799	-3 766	273	6 041	219	6 117	-295
Oct	P	4 128	32 555	-2 464	3 191	727	8 768	3 191	11 959	26 276	-5 606	20 670	-25	-28 426	344	-27 589	-1 181
Nov	P	4 599	-7 793	-12 402	13 194	793	20 172	1 879	22 051	-16 955	-283	-17 238	1 391	12 393	12	13 138	-758
Dec	P	3 919	130	-1 526	4 739	3 214	8 479	877	9 356	-5 881	-67	-5 947	-943	3 789	44	3 045	700
05 *Jan*	P	4 680	2 279	-1 170	3 444	2 273	7 861	-1 201	6 660	-3 669	8 933	5 264	-742	2 401	94	2 351	-45
Feb	P	3 989	11 841	1 624	1 195	2 819	12 187	3 321	15 508	-1 842	6 476	4 634	-129	-7 852	112	-5 202	-2 763

FINANCIAL ACCOUNT



FINANCIAL ACCOUNT, EXCLUDING BANCO DE ESPAÑA
Breakdown



SOURCES: 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

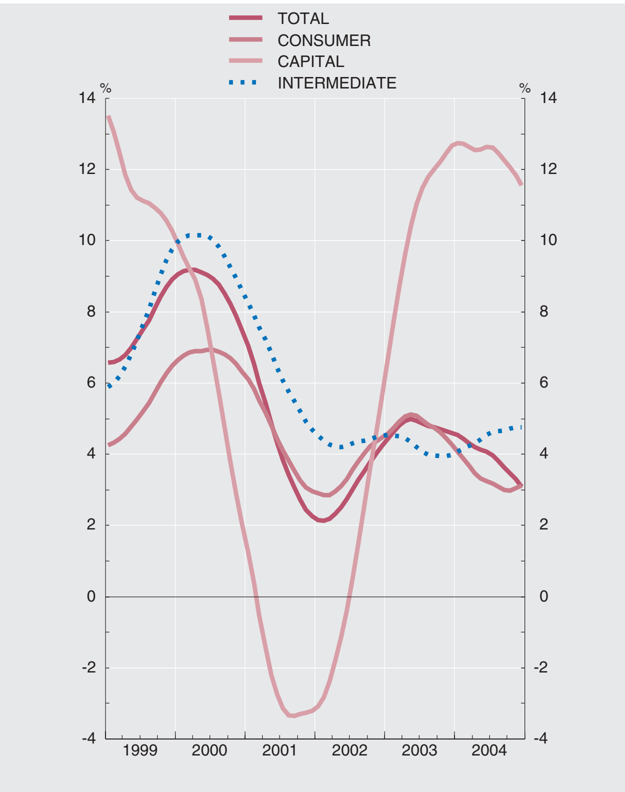
7.3 SPANISH FOREIGN TRADE WITH OTHER EURO AREA COUNTRIES AND WITH THE REST OF THE WORLD. EXPORT AND DISPATCHES

■ Series depicted in chart.

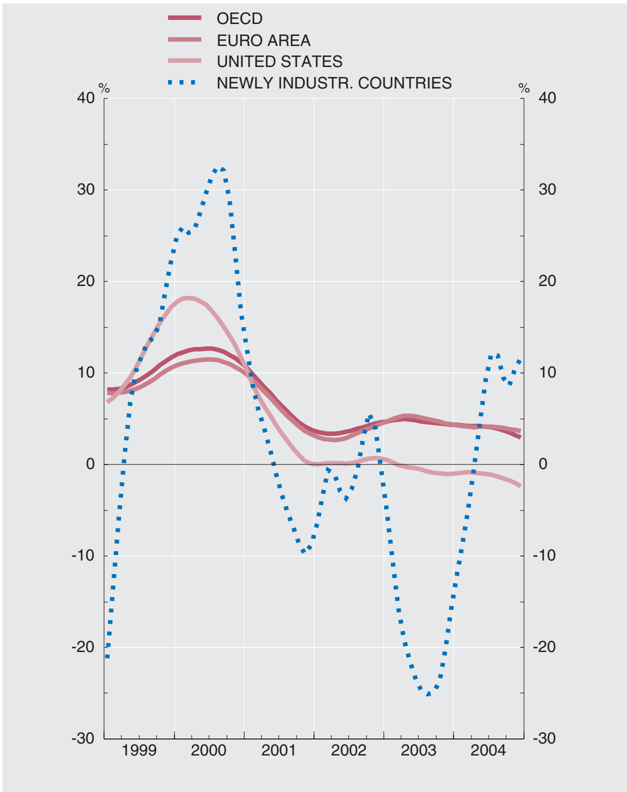
EUR millions and annual percentage changes

		Total: EUR millions	Total: Nom-inal	Total: De-flated	By product (deflated data)(a): Con-sumer	By product: Capital	By product: Intermediate: Total	By product: Intermediate: Energy	By product: Intermediate: Non-energy	By geographical area (nominal data): OECD: Total	OECD: Euro-pean Union: EU-15	OECD: of which: Euro area	OECD: United States of America	OECD: Other OECD members	OPEC	Other Amer-ican coun-tries	Newly industri-alised coun-tries	Other
		1	2	3 ■	4 ■	5 ■	6 ■	7	8	9 ■	10	11 ■	12 ■	13	14	15	16 ■	17
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
02		133 268	2.7	2.5	4.4	-10.3	5.1	4.7	4.9	2.9	0.1	1.0	2.4	3.9	10.1	-19.8	5.7	7.6
03		138 119	3.6	4.5	3.9	15.1	2.0	15.6	1.9	3.8	4.6	5.2	-1.7	3.9	-5.4	2.2	-23.4	8.1
04	P	146 452	6.4	5.6	1.6	13.8	5.6	14.2	5.6	6.1	7.4	5.3	2.2	6.0	11.1	7.8	6.8	7.7
03 *Nov*		11 675	-1.6	-2.1	2.3	-8.5	-3.0	10.2	-3.4	-1.7	-3.7	-1.0	-20.5	0.4	-15.9	8.4	-19.3	1.4
Dec		11 573	9.0	7.9	7.4	30.4	1.2	11.4	0.9	4.9	-0.8	1.8	24.4	5.3	32.6	62.3	-7.1	20.0
04 *Jan*		10 696	3.6	5.7	3.7	19.4	4.2	5.0	4.2	2.8	2.3	4.3	-18.8	4.6	-3.5	77.8	-14.5	-2.9
Feb		11 522	2.8	7.4	3.6	20.2	6.4	63.9	5.0	4.0	-2.0	2.3	3.5	6.1	-19.0	-11.8	-3.4	2.6
Mar		13 080	6.8	8.4	5.8	18.4	6.7	31.0	6.1	6.4	3.2	3.7	13.5	7.0	14.1	-0.6	-14.7	12.0
Apr		12 361	0.7	-1.0	-1.1	-8.7	1.6	-16.4	2.3	1.3	1.3	-0.8	-4.9	1.8	7.1	-10.7	8.5	-2.7
May		12 702	2.8	-0.8	-4.3	9.5	-1.3	17.3	-1.9	3.6	0.4	-0.5	2.7	4.8	-21.1	-3.1	-3.0	4.7
Jun		13 084	12.0	8.5	3.1	19.9	8.9	14.2	8.7	11.1	12.1	9.0	1.8	11.3	11.2	-4.2	23.0	23.4
Jul		12 881	12.7	15.4	9.3	31.3	14.5	35.3	13.9	13.0	15.5	12.7	3.9	12.9	7.8	20.0	27.5	8.6
Aug		8 891	7.5	1.8	0.3	-1.4	2.4	-12.5	3.1	7.2	2.6	5.8	2.4	9.0	10.0	23.9	26.6	3.8
Sep		12 103	3.4	2.4	1.0	-1.4	4.2	-8.3	4.7	2.8	12.1	3.2	-0.3	-0.1	-6.0	30.2	5.9	4.4
Oct		13 002	-0.5	-3.1	-9.8	6.2	-1.7	10.9	-2.0	-1.1	4.9	-1.5	-7.9	-2.5	27.6	-10.3	-21.1	2.1
Nov		13 779	18.0	16.9	9.1	44.2	13.5	6.8	13.7	16.8	24.5	17.5	22.5	14.1	38.8	-1.6	39.0	27.3
Dec		12 350	6.7	6.5	0.6	10.6	10.1	24.8	9.0	5.4	11.3	7.4	8.8	3.3	64.9	-17.2	9.0	9.1

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.

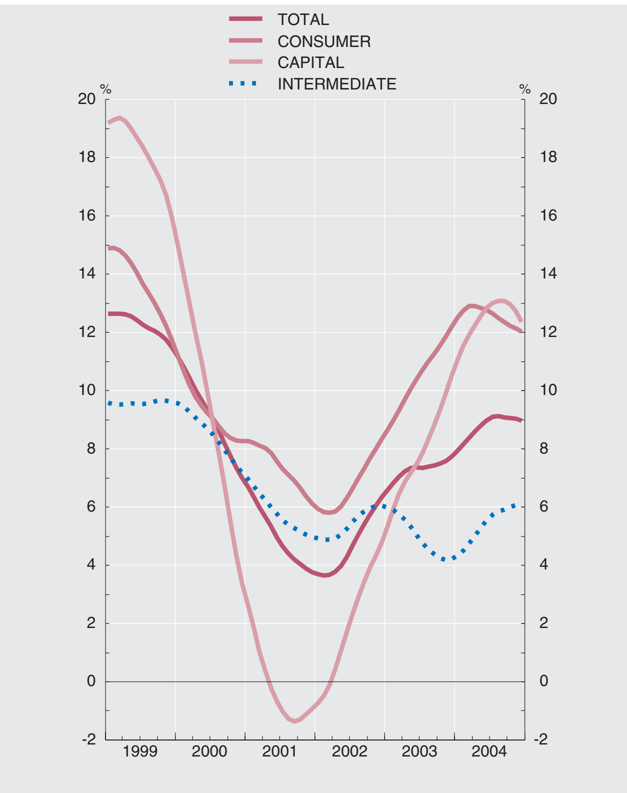
7.4 SPANISH FOREIGN TRADE WITH OTHER EURO AREA COUNTRIES AND WITH THE REST OF THE WORLD. IMPORTS AND ARRIVALS

■ Series depicted in chart.

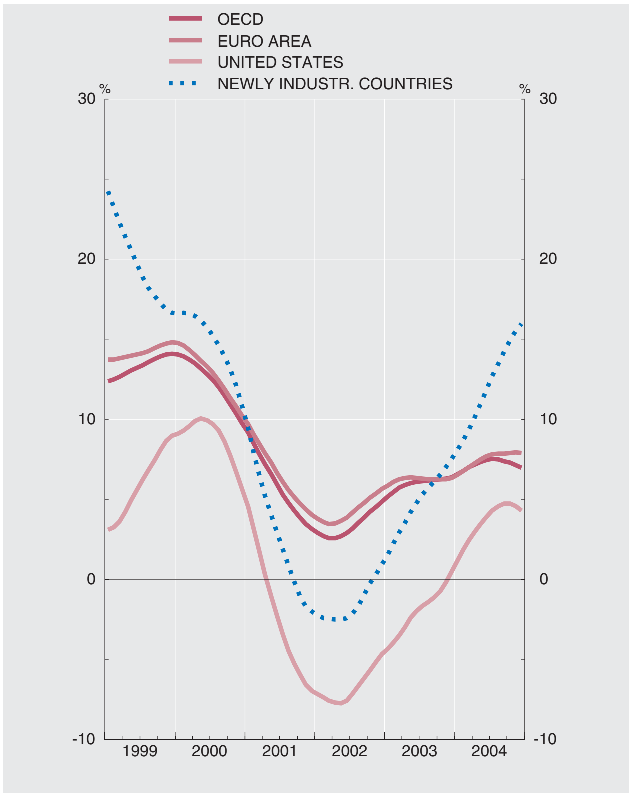
EUR millions and annual percentage changes

	Total			By product (deflated data) (a)					By geographical area (nominal data)								
						Intermediate			OECD								
	EUR millions	Nom-inal	De-flated	Con-sumer	Capital	Total	Energy	Non-energy	Total	European Union EU-15	of which: Euro area	United States of America	Other OECD member	OPEC	Other Amer-ican coun-tries	Newly industri-alised coun-tries	Other
	1	2	3 ■	4 ■	5 ■	6 ■	7	8	9 ■	10	11 ■	12 ■	13	14	15	16 ■	17
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
02	175 268	1.2	4.4	5.2	-4.6	6.7	4.8	7.0	0.6	-0.8	1.9	-8.5	1.7	-11.0	5.7	2.4	11.2
03	185 114	5.6	6.1	8.5	15.2	2.5	0.2	2.9	5.4	3.4	5.3	-4.8	6.8	1.9	12.9	1.1	7.6
04 P	207 126	12.5	11.0	14.3	21.2	6.5	9.6	6.2	10.9	6.7	10.2	10.7	12.2	12.2	10.8	14.6	23.1
03 *Nov*	16 260	2.7	3.0	7.5	14.8	-2.3	7.4	-3.4	2.6	3.7	0.8	-6.8	3.1	-5.4	32.7	1.4	2.0
Dec	15 869	0.9	2.4	12.7	14.0	-5.5	1.9	-6.4	-3.5	-4.8	-5.5	1.1	-3.5	-0.6	27.5	24.6	23.5
04 *Jan*	14 207	4.9	8.9	16.1	16.3	3.7	18.0	1.9	5.0	1.4	4.7	1.7	6.5	-5.6	10.8	-4.6	10.8
Feb	15 248	6.0	4.1	20.9	21.2	-6.4	1.3	-7.3	7.0	4.3	6.1	9.9	7.6	-16.4	22.4	9.8	9.2
Mar	17 440	11.3	13.9	24.2	18.3	8.3	14.6	7.6	10.3	8.7	8.0	8.9	10.9	-9.2	55.7	1.7	22.3
Apr	17 216	10.5	9.0	19.2	11.0	4.0	8.2	3.5	9.1	-1.6	8.4	15.8	12.0	-4.0	10.2	1.5	26.1
May	17 429	8.6	3.1	7.2	6.5	0.1	16.0	-1.6	6.9	-0.6	9.8	-9.3	10.4	29.6	-8.7	4.9	15.2
Jun	18 575	20.4	21.1	23.4	26.8	18.2	21.2	17.8	18.3	2.2	15.7	27.7	22.9	13.3	24.5	20.5	34.3
Jul	17 958	15.9	16.3	8.9	48.2	11.2	2.5	12.4	15.3	13.6	15.3	0.7	16.7	15.1	8.7	8.3	22.5
Aug	14 258	17.9	13.7	13.1	21.2	11.8	13.4	11.5	13.2	7.2	9.1	26.8	13.8	32.3	17.7	21.5	33.6
Sep	18 389	11.1	6.6	12.5	2.6	5.1	11.6	4.2	7.0	5.6	5.5	19.1	6.7	34.5	31.9	13.2	18.1
Oct	18 393	7.1	4.3	2.4	18.4	1.1	5.8	0.6	6.3	4.6	6.2	16.2	6.2	6.2	-27.9	16.2	21.7
Nov	19 466	19.7	18.0	19.4	26.4	14.5	-2.2	16.7	16.4	4.5	14.8	28.1	18.9	31.8	-1.6	31.4	37.3
Dec	18 546	16.9	14.1	9.8	40.1	7.8	4.4	6.1	15.4	29.2	18.2	-15.4	13.8	18.1	-12.7	50.2	25.9

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.

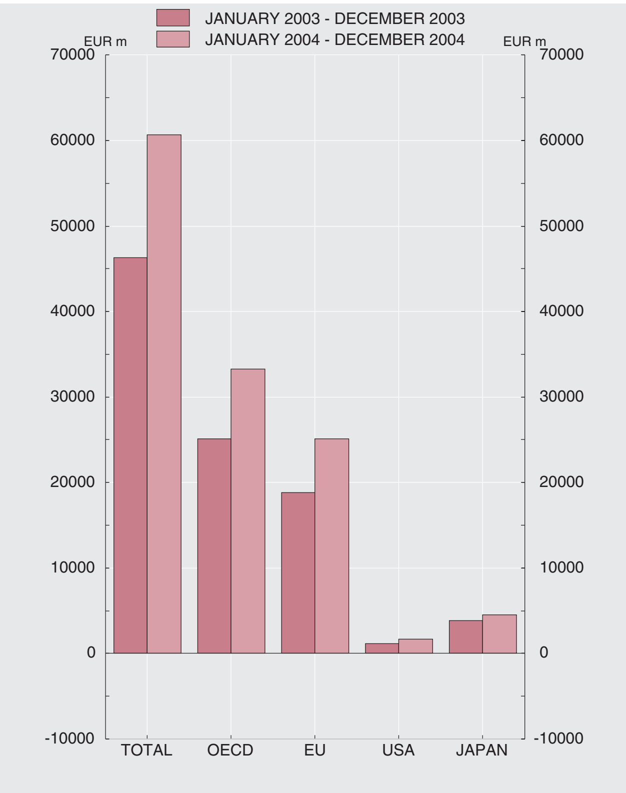
7.5 SPANISH FOREIGN TRADE WITH OTHER EURO AREA COUNTRIES AND WITH THE REST OF THE WORLD. TRADE BALANCE. GEOGRAPHICAL DISTRIBUTION

■ Series depicted in chart.

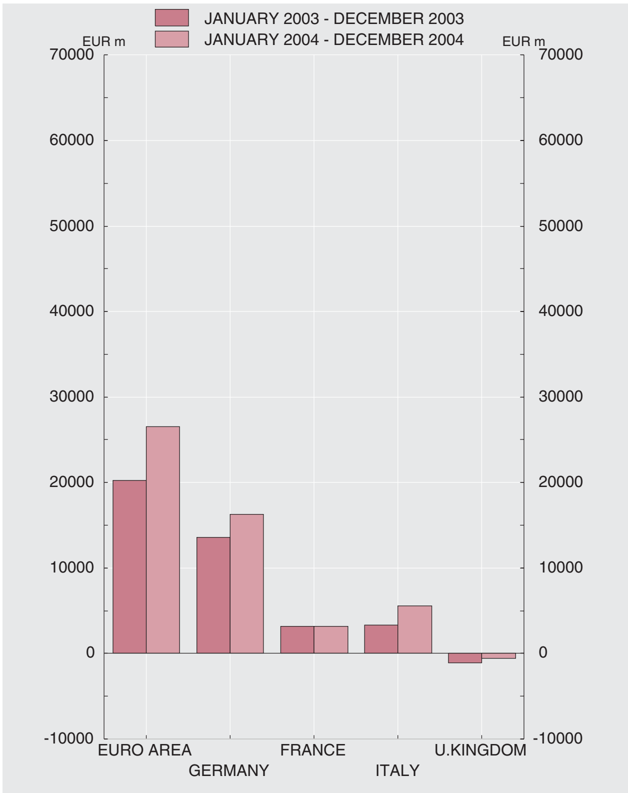
EUR millions

	World total	OECD												OPEC	Other American countries	Newly industrial-ised countries	Other
		Total	European Union (EU-15)							United States of America	Japan	Other OECD members					
			Total	Euro area				United Kingdom	Other EU-15 members								
				Total	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	
02	-42 000	-22 665	-17 543	-5 753	-12 970	-3 436	-3 312	1 430	-13 220	-1 416	-3 224	-482	-7 771	-897	-2 176	-8 491	
03	-46 995	-25 669	-19 322	-5 855	-13 731	-3 239	-3 517	1 035	-14 502	-1 170	-3 855	-1 321	-8 187	-1 467	-2 600	-9 073	
03 *J-D*	-46 279	-25 084	-18 810	-20 249	-13 592	-3 187	-3 360	1 083	356	-1 138	-3 816	-1 321	-8 147	-1 466	-2 600	-8 982	
04 *J-D*	-60 673	-33 290	-25 086	-26 503	-16 297	-3 174	-5 552	543	874	-1 665	-4 516	-2 022	-9 020	-1 758	-3 098	-13 508	
03 *Dec*	-4 295	-2 712	-2 239	-2 249	-1 221	-495	-452	16	-6	-82	-336	-54	-622	56	-241	-777	
04 *Jan*	-3 511	-1 432	-674	-1 029	-771	-180	-280	246	109	-240	-265	-253	-839	33	-241	-1 031	
Feb	-3 726	-1 980	-1 503	-1 749	-1 119	-331	-259	224	22	-137	-300	-40	-605	-86	-207	-849	
Mar	-4 361	-2 254	-1 645	-1 859	-1 294	-328	-313	187	26	-105	-460	-45	-672	-173	-231	-1 029	
Apr	-4 855	-2 602	-1 945	-2 056	-1 410	-173	-473	55	56	-136	-374	-148	-572	-302	-216	-1 163	
May	-4 727	-2 587	-1 990	-2 310	-1 740	-114	-392	196	124	-168	-357	-72	-901	-79	-254	-905	
Jun	-5 490	-3 208	-2 368	-2 461	-1 630	-40	-531	62	31	-188	-442	-210	-698	-224	-278	-1 082	
Jul	-5 077	-2 834	-2 266	-2 499	-1 736	-208	-489	176	57	-43	-386	-139	-802	-134	-220	-1 087	
Aug	-5 367	-2 835	-2 193	-2 032	-1 118	-309	-436	-206	45	-166	-294	-182	-848	-168	-223	-1 292	
Sep	-6 286	-3 133	-2 302	-2 360	-1 473	-98	-525	-19	77	-197	-390	-244	-961	-410	-243	-1 539	
Oct	-5 391	-3 209	-2 551	-2 563	-1 362	-339	-528	-97	109	-81	-388	-189	-673	-126	-275	-1 108	
Nov	-5 687	-3 171	-2 216	-2 235	-1 335	-63	-608	-124	143	-273	-450	-232	-887	-112	-303	-1 213	
Dec	-6 196	-4 043	-3 434	-3 351	-1 308	-991	-718	-158	75	70	-410	-269	-562	24	-407	-1 208	

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 Boletin Estadistico.

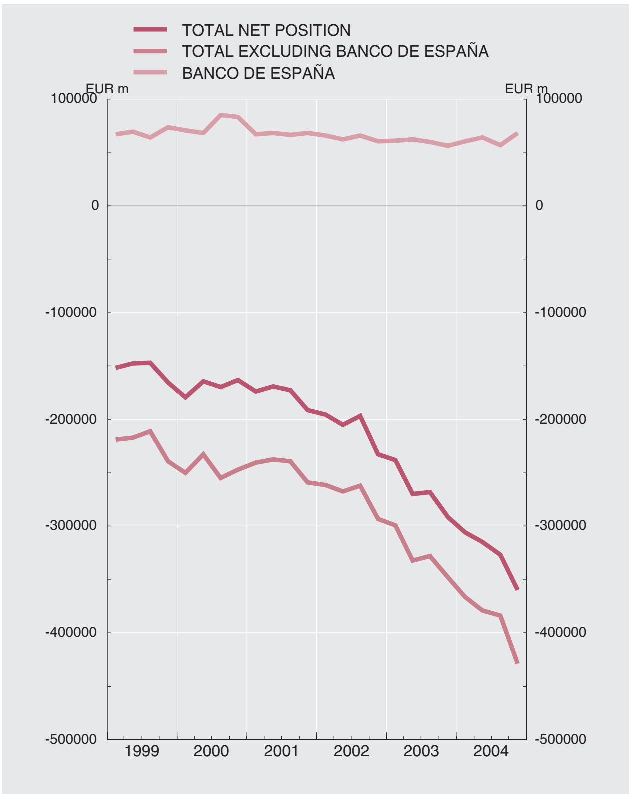
7.6. SPANISH INTERNATIONAL INVESTMENT POSITION VIS-à-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD SUMMARY

■ Series depicted in chart.

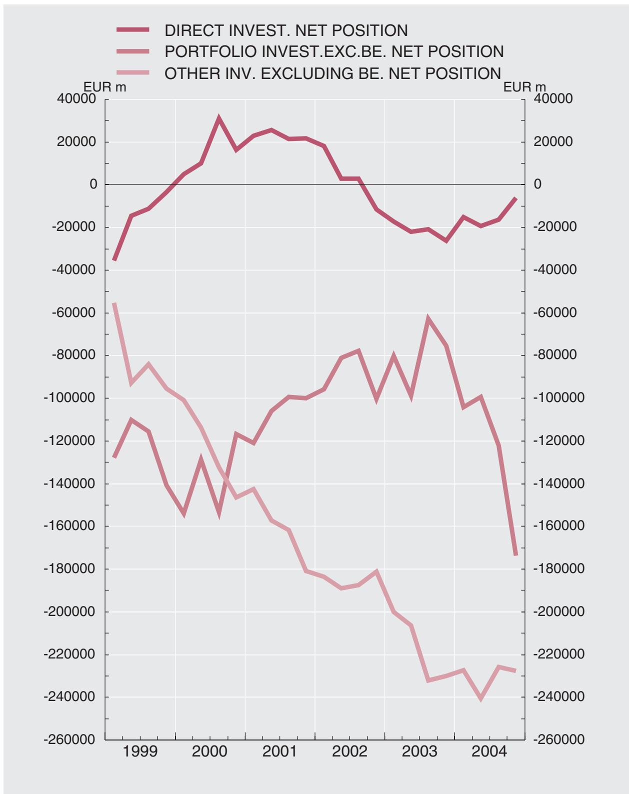
End-of-period stocks in EUR millions

	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=13a15 ■	13	14	15
96	-108 679	-156 081	-53 108	31 973	85 081	-104 857	17 421	122 278	1 884	132 134	130 250	47 403	47 658	-	-256
97	-121 608	-185 920	-45 366	45 852	91 218	-124 360	33 272	157 632	-16 194	141 741	157 935	64 311	64 174	-	137
98	-159 772	-212 314	-41 242	60 064	101 306	-136 177	73 123	209 300	-34 895	158 762	193 657	52 542	52 095	-	447
99	-165 704	-239 447	-3 413	112 285	115 698	-140 717	127 409	268 125	-95 318	148 062	243 380	73 743	37 288	36 028	427
00	-163 412	-246 928	16 238	171 907	155 669	-116 666	193 719	310 384	-146 501	159 480	305 981	83 516	38 234	45 278	4
01 *Q4*	-191 095	-259 231	21 753	209 307	187 554	-100 066	232 765	332 831	-180 918	163 881	344 799	68 136	38 865	29 156	114
02 *Q1*	-195 310	-261 350	18 133	212 344	194 211	-95 873	245 199	341 072	-183 610	168 175	351 786	66 041	41 015	26 173	-1 148
Q2	-204 818	-267 298	2 901	202 769	199 868	-81 119	245 783	326 902	-189 080	173 641	362 721	62 480	36 400	26 005	75
Q3	R -196 625	-262 266	2 891	204 584	201 693	-77 716	240 510	318 226	-187 441	178 035	365 475	65 642	38 425	27 657	-440
Q4	-232 868	-293 496	-11 623	213 703	225 326	-100 793	256 806	357 599	-181 080	185 135	366 215	60 628	38 431	22 650	-453
03 *Q1*	-238 221	-299 259	-17 310	216 418	233 728	-81 854	278 305	360 160	-200 094	184 517	384 612	61 037	35 436	24 337	1 264
Q2	-269 640	-332 107	-22 135	214 977	237 112	-103 560	287 438	390 998	-206 412	183 213	389 625	62 468	31 326	26 766	4 376
Q3	-268 104	-327 840	-20 795	220 554	241 349	-74 889	310 092	384 981	-232 156	181 111	413 267	59 736	25 395	22 216	12 126
Q4	-291 703	-347 792	-26 326	222 721	249 048	-91 529	320 424	411 954	-229 936	187 919	417 855	56 089	21 229	18 269	16 591
04 *Q1*	-305 636	-366 150	-15 055	232 383	247 438	-123 800	333 659	457 459	-227 295	196 446	423 741	60 514	17 578	23 071	19 866
Q2	-314 811	-378 987	-19 345	236 997	256 342	-118 975	348 574	467 548	-240 667	206 796	447 463	64 176	16 245	27 941	19 990
Q3	-327 047	-383 991	-16 333	241 507	257 840	-141 914	346 642	488 557	-225 744	213 310	439 054	56 945	15 889	20 504	20 552
Q4	-359 929	-428 425	-6 217	255 548	261 765	-194 564	359 154	553 717	-227 645	201 651	429 295	68 497	14 505	31 909	22 082

INTERNATIONAL INVESTMENT POSITION



COMPONENTS OF THE POSITION



Source: BE.

Note: As from December 2002, portfolio investment data have been calculated using a new information system (see Banco de España Circular 2/2001 and note on changes introduced in the economic indicators). The incorporation of the new data under the heading 'shares and mutual funds' of other resident sectors entails a very significant break in the time series, both in the financial assets and the liabilities, so that the series have been revised back to 1992. This methodological change introduced by the new system also affects the rest of the headings, to some extent, but the effect does not justify a complete revision of the series.

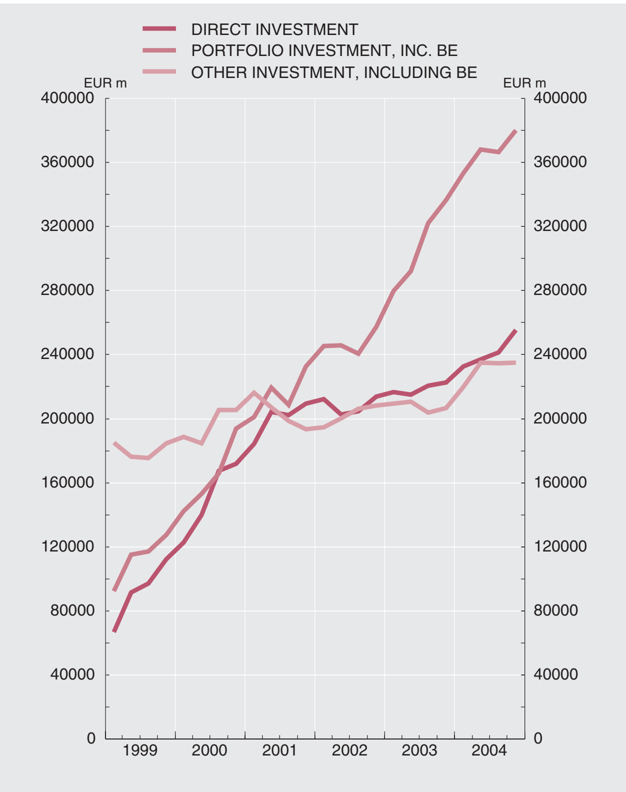
7.7. SPANISH INTERNATIONAL INVESTMENT POSITION VIS-à-VIS OTHER EURO AREA RESIDENTES AND THE REST OF THE WORLD BREAKDOWN BY INVESTMENT

■ Series depicted in chart.

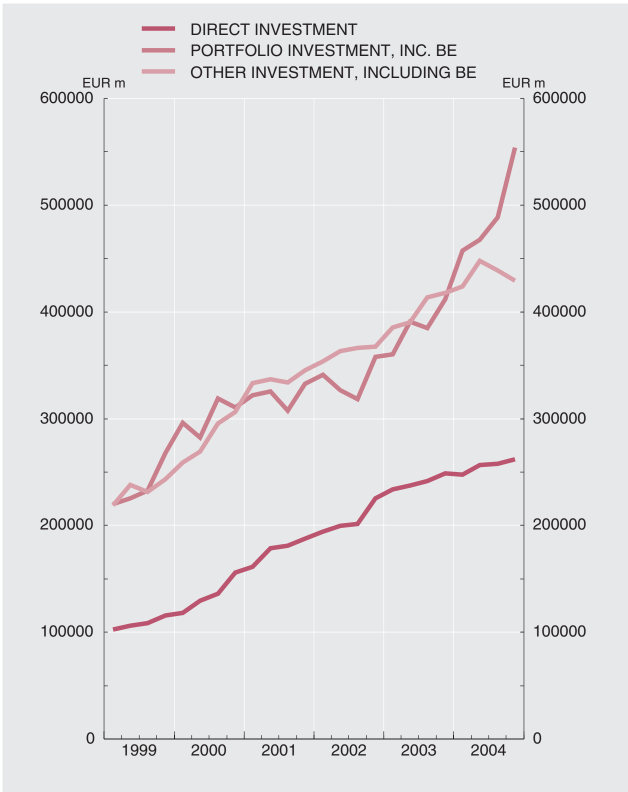
End-of-period stocks in EUR millions

	Direct investment				Portfolio investment, including Banco de España				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 ■
96	29 634	2 339	71 683	13 398	4 272	13 149	53 370	68 908	132 316	130 688
97	42 711	3 141	78 261	12 957	9 918	23 354	75 414	82 217	141 924	157 981
98	54 374	5 690	84 022	17 284	20 249	52 874	116 698	92 603	159 261	193 708
99	104 816	7 469	97 447	18 251	42 288	85 121	145 948	122 177	184 552	243 414
00	158 816	13 091	129 955	25 714	83 927	109 792	147 521	162 864	205 216	306 434
01 *Q4*	189 022	20 285	150 244	37 311	74 623	158 142	144 151	188 680	193 450	345 097
02 *Q1*	191 778	20 566	148 624	45 586	75 523	169 677	148 497	192 575	194 788	353 372
Q2	186 114	16 655	154 641	45 228	65 240	180 543	128 578	198 325	200 086	363 086
Q3 R	186 791	17 793	154 339	47 354	56 609	183 901	103 690	214 536	206 103	366 328
Q4	196 880	16 823	174 445	50 881	50 712	206 581	116 967	240 632	208 216	367 586
03 *Q1*	199 100	17 318	183 166	50 562	47 067	232 844	116 359	243 801	209 311	385 409
Q2	197 605	17 371	185 992	51 120	51 370	240 843	133 812	257 186	210 450	390 495
Q3	204 718	15 836	187 742	53 607	56 820	265 288	130 593	254 389	203 750	413 580
Q4	208 400	14 321	187 272	61 775	62 654	273 998	147 878	264 076	206 643	417 947
04 *Q1*	215 599	16 784	186 423	61 015	70 538	282 619	153 501	303 958	219 946	423 803
Q2	219 526	17 471	192 139	64 203	75 183	293 003	149 108	318 440	235 115	447 463
Q3	221 903	19 604	194 144	63 696	70 921	295 509	150 702	337 855	234 579	439 055
Q4	237 721	17 827	195 509	66 257	77 871	302 097	183 211	370 507	234 844	429 311

SPANISH INVESTMENT ABROAD



FOREIGN INVESTMENT IN SPAIN



Source: BE.
Nota: See footnote to Indicator 7.6

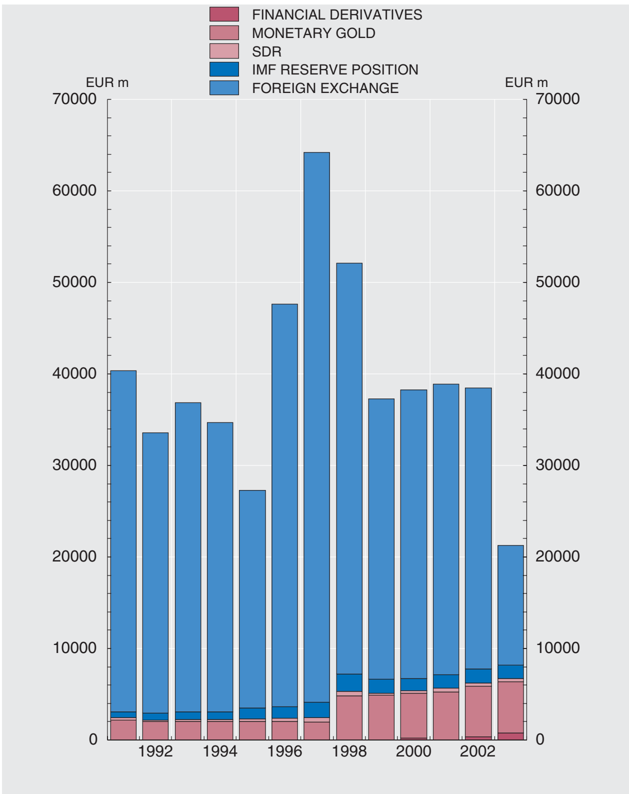
7.8. SPANISH RESERVE ASSETS

■ Series depicted in chart.

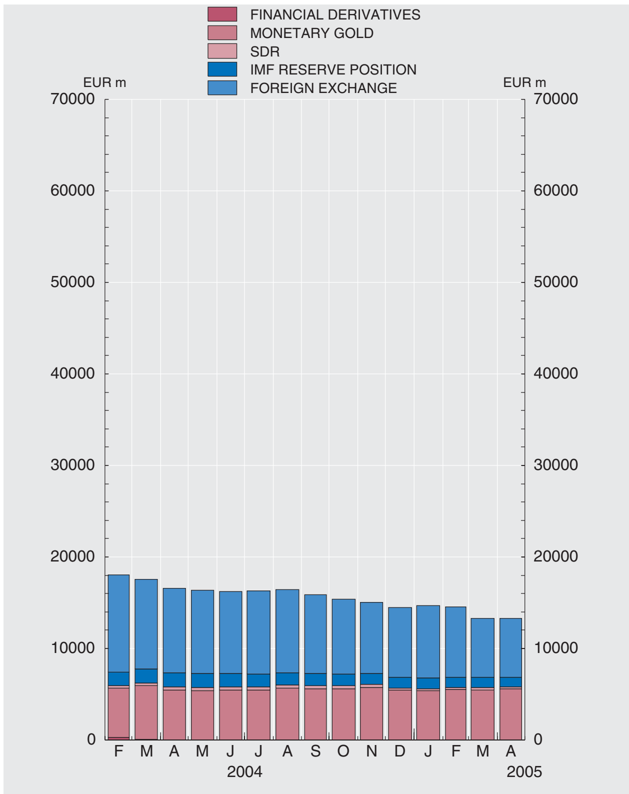
EUR millions

	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
99 R	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	38 865	31 727	1 503	398	5 301	-63	16.8
02	38 431	30 695	1 518	337	5 500	382	16.8
03 *Nov*	21 942	13 967	1 487	338	5 583	566	16.8
Dec	21 229	13 073	1 476	328	5 559	793	16.8
04 *Jan*	19 497	11 984	1 499	333	5 424	258	16.8
Feb	18 015	10 609	1 429	332	5 349	296	16.8
Mar	17 578	9 790	1 532	337	5 823	95	16.8
Apr	16 539	9 200	1 537	343	5 459	-	16.8
May	16 368	9 094	1 517	344	5 413	-	16.8
Jun	16 245	8 985	1 464	346	5 451	-	16.8
Jul	16 272	9 078	1 398	348	5 448	-	16.8
Aug	16 415	9 073	1 345	346	5 651	-	16.8
Sep	15 889	8 627	1 324	346	5 591	-	16.8
Oct	15 368	8 138	1 264	343	5 623	-	16.8
Nov	15 061	7 796	1 197	337	5 729	1	16.8
Dec	14 505	7 680	1 156	244	5 411	15	16.8
05 *Jan*	14 712	7 962	1 142	250	5 453	-94	16.8
Feb	14 576	7 719	1 107	253	5 531	-35	16.8
Mar	13 321	6 490	1 117	255	5 549	-90	16.8
Apr	13 276	6 439	1 000	256	5 667	-87	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 ammount of EUR 37288 million published in this table.

7.9. SPAIN'S EXTERNAL DEBT VIS-À-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD. SUMMARY

End-of-period positions *EUR millions*

	Total	General government						Other monetary financial institutions				
		Total	Short-term		Long-term			Total	Short-term		Long-term	
			Money market instru-ments	Loans	Bonds and notes	Loans	Trade credits		Money market instru-ments	Deposits	Bonds and notes	Deposits
	1	2	3	4	5	6	7	8	9	10	11	12
03 *Q1*	692 376	182 231	2 196	710	167 051	12 274	-	328 247	315	165 842	39 596	122 493
Q2	713 223	187 569	3 069	267	172 246	11 987	-	339 677	323	170 813	44 803	123 738
Q3	739 280	178 016	3 560	1 780	160 714	11 961	-	362 688	353	183 339	49 196	129 801
Q4	765 211	173 433	4 386	335	156 302	12 410	-	374 346	326	187 752	56 575	129 693
04 *Q1*	811 473	189 707	3 676	489	172 709	12 833	-	392 697	361	186 529	72 323	133 485
Q2	854 239	188 807	3 270	428	172 199	12 910	-	425 960	353	207 118	79 812	138 676
Q3	865 576	195 214	3 136	1 855	177 191	13 031	-	424 052	362	198 299	89 418	135 974
Q4	894 035	204 158	2 964	376	184 239	16 579	-	427 995	301	194 246	101 377	132 071

7.9. (CONT'D.) SPAIN'S EXTERNAL DEBT VIS-À-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD. SUMMARY

End-of-period positions *EUR millions*

	Monetary authority		Other residents sectors								Direct investment		
	Total	Short-term	Total	Short-term			Long-term				Total	Vis-à-vis	
		Deposits		Money market instru-ments	Loans	Other liabilities	Bonds and notes	Loans	Trade credits	Other liabilities		Direct investors	Subsidia-ries
	13	14	15	16	17	18	19	20	21	22	23	24	25
03 *Q1*	798	798	117 934	2 678	19 167	123	31 964	63 017	446	539	63 166	32 607	30 559
Q2	870	870	119 565	2 497	17 766	77	34 248	63 958	437	581	65 542	32 817	32 725
Q3	313	313	126 952	2 418	20 356	78	38 148	65 034	419	499	71 311	32 469	38 842
Q4	92	92	134 152	2 297	19 271	-	44 190	67 581	404	409	83 188	38 380	44 808
04 *Q1*	62	62	145 294	2 321	20 162	269	52 568	69 194	405	376	83 713	35 148	48 565
Q2	1	1	151 136	2 383	18 436	139	60 423	68 991	402	362	88 335	35 845	52 490
Q3	0	0	157 643	3 099	18 873	544	64 649	69 734	392	351	88 666	36 223	52 444
Q4	16	16	167 649	3 347	18 739	1 085	78 279	65 435	413	351	94 217	37 527	56 690

Source: BE.

8.1.a CONSOLIDATED BALANCE SHEET OF THE EUROSYSTEM. NET LENDING TO CREDIT INSTITUTIONS AND ITS COUNTERPARTS

Average of daily data, EUR millions

	Net lending							Counterparts							
	Total	Open market operations				Standing facilities		Autonomous factors					Other liabilities (net) in euro	Actual reserves of credit institutions	Debt certificates
		Main refinancing operations	Longer-term refinancing operations	Fine-tuning and structural reverse operations (net)	Other	Marginal lending facility	Deposit facility	Total	Banknotes	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
03 *Nov*	254 542	209 544	44 999	-	40	85	125	117 552	400 813	2 428	321 118	35 430	4 528	131 360	1 103
Dec	284 335	238 653	45 000	-	20	755	92	146 710	424 335	7 259	319 186	34 302	4 250	132 321	1 054
04 *Jan*	275 539	229 365	45 909	-	23	352	109	135 688	421 010	-2 873	306 360	23 910	2 600	136 198	1 054
Feb	273 026	217 065	56 000	-	14	237	290	135 227	417 374	2 714	303 312	18 450	2 293	134 453	1 054
Mar	283 136	218 533	64 999	-	48	84	528	145 578	423 041	9 494	299 843	12 886	1 713	134 791	1 054
Apr	289 267	213 955	75 000	-	-1	449	135	151 317	434 742	4 739	310 312	22 148	689	136 207	1 054
May	292 238	217 976	75 001	-619	1	129	249	153 524	439 836	4 579	311 341	20 449	940	136 720	1 054
Jun	315 670	240 727	75 000	-	3	121	181	176 467	447 220	20 992	310 497	18 753	751	137 398	1 054
Jul	328 587	253 319	75 001	-	-1	370	102	186 453	457 756	21 532	300 848	8 013	1 314	139 766	1 054
Aug	327 230	252 433	74 998	-	2	41	244	184 518	463 568	13 127	299 826	7 649	1 224	140 434	1 054
Sep	330 874	255 818	74 999	-	5	224	173	189 407	463 363	17 605	298 817	7 256	1 443	138 969	1 054
Oct	330 710	255 309	75 001	-	10	442	51	188 106	468 150	10 658	298 569	7 866	1 803	139 747	1 054
Nov	339 060	263 841	75 000	295	16	169	261	196 810	472 556	17 770	298 041	4 525	1 971	140 136	144
Dec	352 610	278 196	75 000	-652	14	164	112	209 818	493 999	9 424	296 742	3 136	3 317	139 475	-
05 *Jan*	345 223	269 024	75 714	381	0	203	99	204 736	490 694	8 798	280 795	-13 960	1 852	138 635	-
Feb	358 741	277 826	80 749	125	-1	121	78	217 765	488 278	26 949	280 344	-17 118	825	140 152	-
Mar	363 955	278 761	85 217	-152	-0	218	87	220 986	495 751	27 381	279 511	-22 636	373	142 597	-
Apr	366 616	276 523	90 002	-	-1	200	108	223 659	502 026	26 012	287 206	-17 174	-98	143 054	-

8.1.b BALANACE 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	Banknotes	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
03 *Nov*	20 801	20 121	665	-	15	-	1	31 189	58 180	8 209	26 491	-8 709	-22 211	-21 156	-1 056	11 823	-
Dec	25 566	25 044	519	-	1	4	2	31 667	61 277	6 017	25 557	-10 069	-18 163	-17 124	-1 039	12 063	-
04 *Jan*	27 131	26 821	306	-	4	0	-	31 118	61 418	5 215	23 579	-11 936	-17 059	-16 088	-970	13 071	-
Feb	24 426	23 140	1 284	-	2	-	-	29 157	60 837	5 076	22 214	-14 541	-16 993	-15 976	-1 017	12 262	-
Mar	25 205	23 147	2 035	-	29	-	6	30 229	61 787	6 007	21 501	-16 064	-17 935	-16 675	-1 260	12 911	-
Apr	24 386	21 735	2 618	-	0	32	-	33 475	63 565	5 800	20 812	-15 078	-22 119	-20 109	-2 010	13 030	-
May	22 748	19 387	3 363	-	-2	-	-	35 358	63 690	7 633	20 683	-15 281	-25 148	-23 226	-1 922	12 538	-
Jun	25 288	22 049	3 242	-	-1	-	2	38 291	64 808	8 776	20 671	-14 622	-26 221	-24 367	-1 854	13 218	-
Jul	22 648	19 955	2 692	-	0	0	-	37 135	66 720	5 930	20 153	-15 361	-27 805	-26 029	-1 776	13 318	-
Aug	26 132	24 479	1 652	-	1	-	1	37 297	66 578	6 180	20 080	-15 381	-24 634	-22 733	-1 901	13 469	-
Sep	30 412	28 714	1 698	-	2	-	2	36 239	65 816	6 062	20 057	-15 583	-19 736	-18 003	-1 733	13 909	-
Oct	28 088	25 882	2 201	-	6	0	-	38 575	66 286	8 347	19 975	-16 083	-24 539	-23 012	-1 527	14 052	-
Nov	22 313	20 361	1 931	2	9	11	-	36 719	66 473	8 591	19 962	-18 382	-27 803	-26 391	-1 411	13 396	-
Dec	24 540	22 266	2 270	-	4	-	0	36 123	69 795	4 360	19 942	-18 089	-26 265	-25 035	-1 230	14 682	-
05 *Jan*	25 136	22 414	2 721	-	1	-	0	37 359	69 878	5 213	18 833	-18 899	-26 045	-24 869	-1 176	13 821	-
Feb	24 353	21 467	2 882	-	1	2	-	37 045	69 247	6 501	18 821	-19 883	-26 880	-25 629	-1 250	14 187	-
Mar	26 496	23 987	2 540	-30	-2	0	-	35 977	70 599	7 890	18 811	-23 701	-24 017	-22 653	-1 364	14 536	-
Apr	29 675	26 863	2 809	-	3	-	0	33 212	71 134	6 329	19 220	-25 030	-18 113	-16 452	-1 662	14 576	-

Sources: ECB for Table 8.1.a and BE for Table 8.1.b.

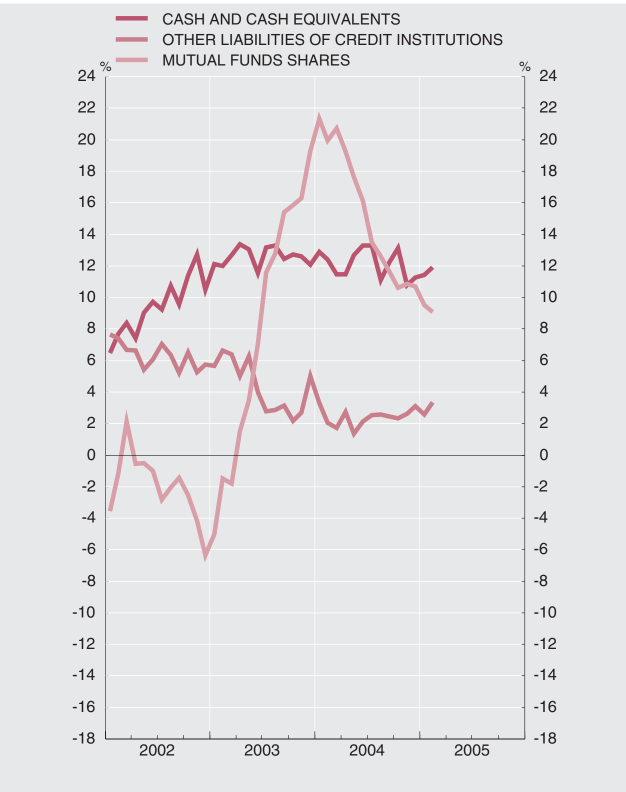
8.2 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES (a) OF NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN

■ Series depicted in chart.

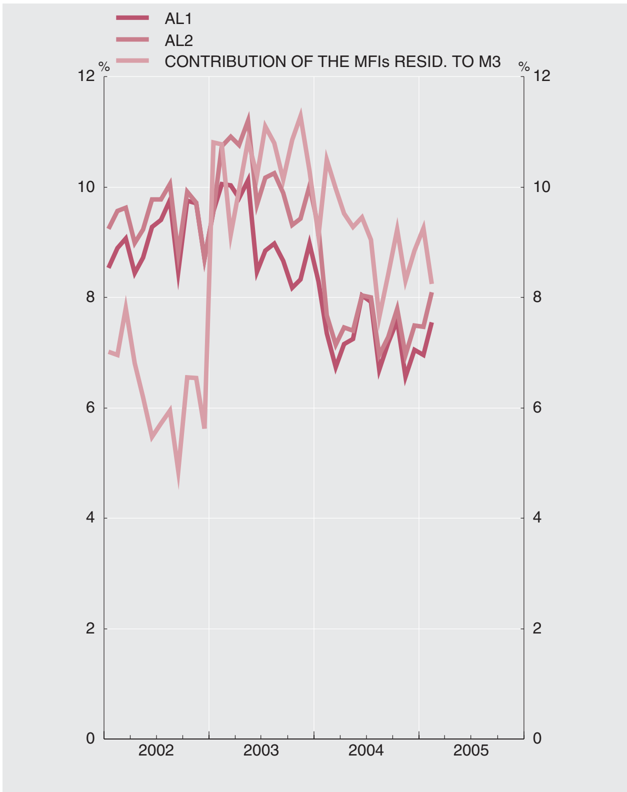
EUR millions and %

	Cash and cash equivalents					Other liabilities of credit institutions					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 ■
02	321 912	10.5	22.2	10.3	6.5	265 430	5.7	6.9	1.6	4.2	145 758	-6.4	14.1	8.6	-21.3	8.7	8.7	5.6
03	360 753	12.1	21.0	7.8	13.1	278 773	5.0	2.2	17.9	-1.9	173 901	19.3	10.1	30.7	20.2	9.0	10.0	10.3
04	401 344	11.3	19.3	10.6	8.4	287 444	3.1	8.4	-12.3	-10.5	192 511	10.7	-1.1	14.8	16.1	7.1	7.5	8.8
03 *Nov*	354 680	12.6	21.7	8.9	13.0	272 401	2.7	0.5	15.6	-8.7	172 207	16.3	11.3	31.2	12.8	8.3	9.4	11.3
Dec	360 753	12.1	21.0	7.8	13.1	278 773	5.0	2.2	17.9	-1.9	173 901	19.3	10.1	30.7	20.2	9.0	10.0	10.3
04 *Jan*	355 506	12.9	21.4	8.8	13.8	277 537	3.3	2.1	8.0	4.2	176 604	21.3	6.1	27.9	29.2	8.3	9.3	9.1
Feb	358 950	12.4	21.0	8.6	13.1	276 369	2.1	2.1	8.6	-17.5	179 491	20.0	3.4	13.3	36.1	7.3	7.7	10.5
Mar	363 638	11.5	20.6	7.4	12.2	276 254	1.7	3.0	2.7	-17.3	183 308	20.7	3.1	14.0	38.0	6.7	7.1	10.0
Apr	363 761	11.5	21.1	7.2	12.2	277 189	2.7	3.6	5.0	-14.7	185 246	19.3	2.9	12.5	35.2	7.2	7.5	9.5
May	371 575	12.7	21.1	10.2	11.9	276 361	1.4	2.4	0.7	-10.2	185 764	17.6	3.5	9.8	32.4	7.3	7.4	9.3
Jun	389 145	13.3	20.7	12.5	11.0	275 372	2.1	3.4	1.5	-12.8	186 931	16.1	3.9	7.9	29.5	8.0	8.0	9.4
Jul	390 404	13.3	21.6	12.4	10.7	274 466	2.5	4.1	1.6	-17.0	186 670	13.5	-0.1	9.4	25.4	7.9	8.0	9.1
Aug	381 666	11.1	20.3	9.2	9.2	277 583	2.6	4.8	1.6	-22.6	187 739	12.6	-1.0	11.3	23.0	6.7	7.0	7.6
Sep	388 755	12.2	20.8	11.2	9.6	275 512	2.4	5.5	-5.3	-14.0	187 319	11.7	-1.8	9.0	22.8	7.2	7.3	8.4
Oct	388 810	13.1	20.5	13.2	10.0	277 466	2.3	7.4	-11.9	-17.3	188 571	10.6	-1.8	11.0	18.7	7.6	7.8	9.2
Nov	392 886	10.8	19.6	10.3	7.6	279 553	2.6	8.1	-12.9	-17.9	190 880	10.8	-1.7	13.3	17.7	6.6	7.0	8.3
Dec	401 344	11.3	19.3	10.6	8.4	287 444	3.1	8.4	-12.3	-10.5	192 511	10.7	-1.1	14.8	16.1	7.1	7.5	8.8
05 *Jan* P	396 187	11.4	19.1	11.3	8.3	284 705	2.6	8.7	-10.8	-30.6	193 435	9.5	-0.6	15.8	12.5	7.0	7.5	9.3
Feb P	401 779	11.9	18.2	12.0	9.0	285 665	3.4	9.3	-12.2	-24.8	195 759	9.1	-0.9	17.0	10.9	7.5	8.1	8.2

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.

(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 liabilities of credit institutions and money market fund shares.

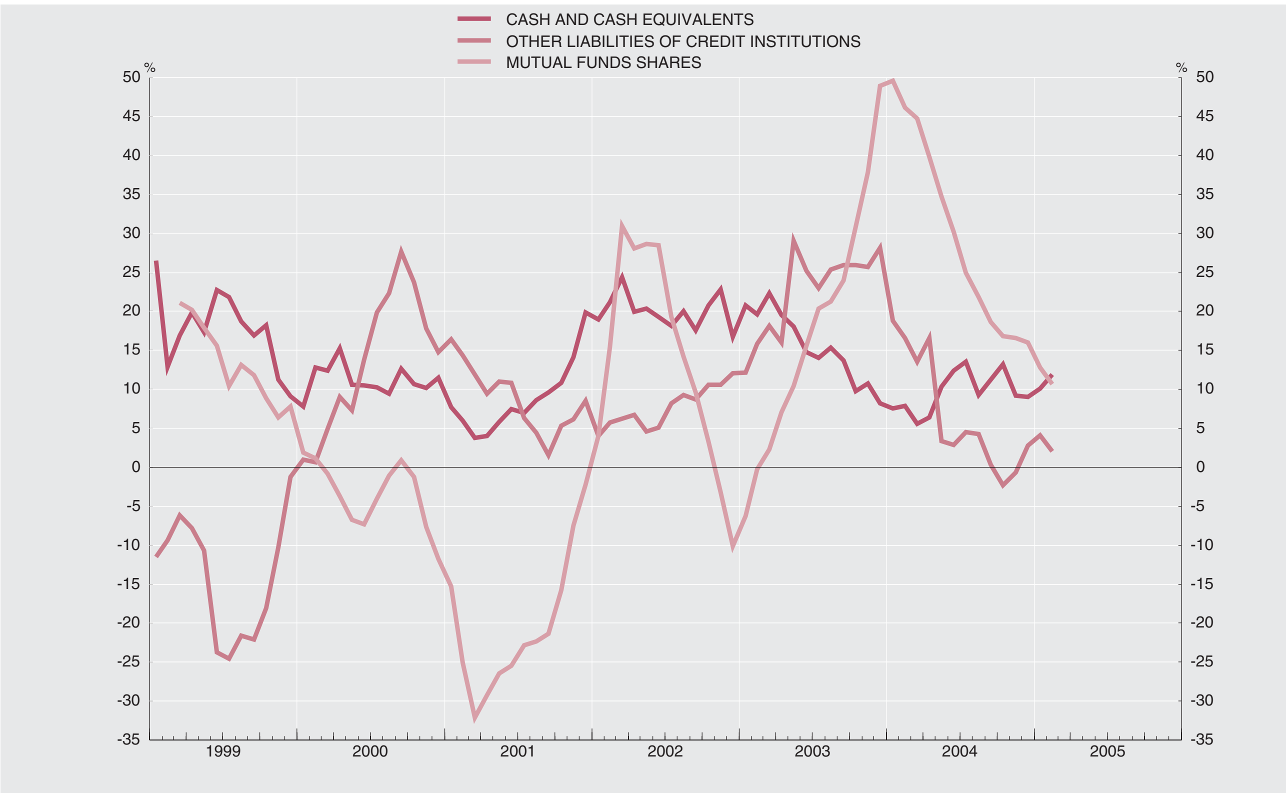
(e) Defined as AL1 plus fixed income mutual fund shares in euro.

8.3 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF NON-FINANCIAL CORPORATIONS RESIDENT IN SPAIN (a)

■ Series depicted in chart. *EUR millions and %*

		Cash and cash equivalents				Other liabilities of credit institutions				Mutual funds shares (b)				
		Stocks	Annual growth rate	Annual growth rate		Stocks	Annual growth rate	Annual growth rate		Stocks	Annual growth rate	Annual growth rate		
				Cash and shigt deposits	Saving deposits (c)			Other deposits (d)	Repos + credit instit.' securit.+ dep. in branches abroad			Money market funds	Fixed income mutual funds in EUR	Other mutual funds
		1	2 ■	3	4	5	6 ■	7	8	9	10 ■	11	12	13
02		77 652	16.7	16.0	39.5	47 894	12.1	19.1	8.2	13 730	-10.2	16.3	2.5	-25.7
03		84 021	8.2	7.9	15.6	61 403	28.2	39.2	21.4	20 449	48.9	10.3	75.8	61.7
04		91 622	9.0	9.8	-9.0	63 121	2.8	24.6	-12.5	23 718	16.0	25.7	12.3	13.5
03 *Nov*		82 859	10.7	10.0	28.3	57 322	25.7	39.8	16.6	19 912	37.9	8.2	66.7	43.3
Dec		84 021	8.2	7.9	15.6	61 403	28.2	39.2	21.4	20 449	48.9	10.3	75.8	61.7
04 *Jan*		81 479	7.6	6.8	27.0	56 590	18.8	39.9	6.6	21 132	49.6	13.6	64.6	66.2
Feb		82 354	7.9	8.4	-4.6	57 104	16.6	30.4	8.0	21 808	46.1	17.4	40.1	68.4
Mar		84 464	5.6	5.9	-2.5	57 582	13.5	33.8	1.5	22 589	44.8	24.2	35.1	63.5
Apr		82 928	6.4	6.4	5.5	57 915	16.6	34.4	5.5	23 004	39.8	27.4	28.2	54.1
May		86 699	10.3	10.7	1.7	57 073	3.4	11.7	-3.1	23 246	34.7	31.4	20.4	45.2
Jun		92 286	12.4	12.7	2.1	55 667	2.9	9.8	-2.6	23 570	30.2	35.0	14.0	36.9
Jul		89 826	13.5	13.6	10.1	55 173	4.5	10.6	-0.7	23 070	25.0	31.1	12.3	28.8
Aug		86 663	9.2	9.3	7.4	57 149	4.3	10.7	-1.0	22 734	21.9	31.3	11.1	22.8
Sep		90 114	11.3	11.4	8.1	55 253	0.3	12.9	-10.1	22 228	18.6	31.5	5.7	19.1
Oct		88 202	13.2	13.6	4.0	55 269	-2.3	17.8	-17.5	22 660	16.8	29.3	7.9	15.5
Nov		90 453	9.2	9.7	-2.2	56 922	-0.7	19.7	-16.6	23 221	16.6	27.3	10.6	14.8
Dec		91 622	9.0	9.8	-9.0	63 121	2.8	24.6	-12.5	23 718	16.0	25.7	12.3	13.5
05 *Jan*	P	89 730	10.1	10.8	-4.3	58 921	4.1	28.4	-14.3	23 839	12.8	18.4	13.3	10.0
Feb	P	92 130	11.9	11.4	25.2	58 256	2.0	29.4	-18.5	24 139	10.7	11.6	14.4	8.5

NON-FINANCIAL CORPORATIONS
Annual percentage change



Source: BE.

(a) To December 2002 the frequency of this information was quarterly. The annual growht rates for months for which there is no information have been calculated using the figure obtained from the linear interpolation of the quarterly data.

(b) 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.

(c) Deposits redeemable at up to and including 3 months' notice. (d) Deposits redeemable at over 3 months' notice and time deposits.

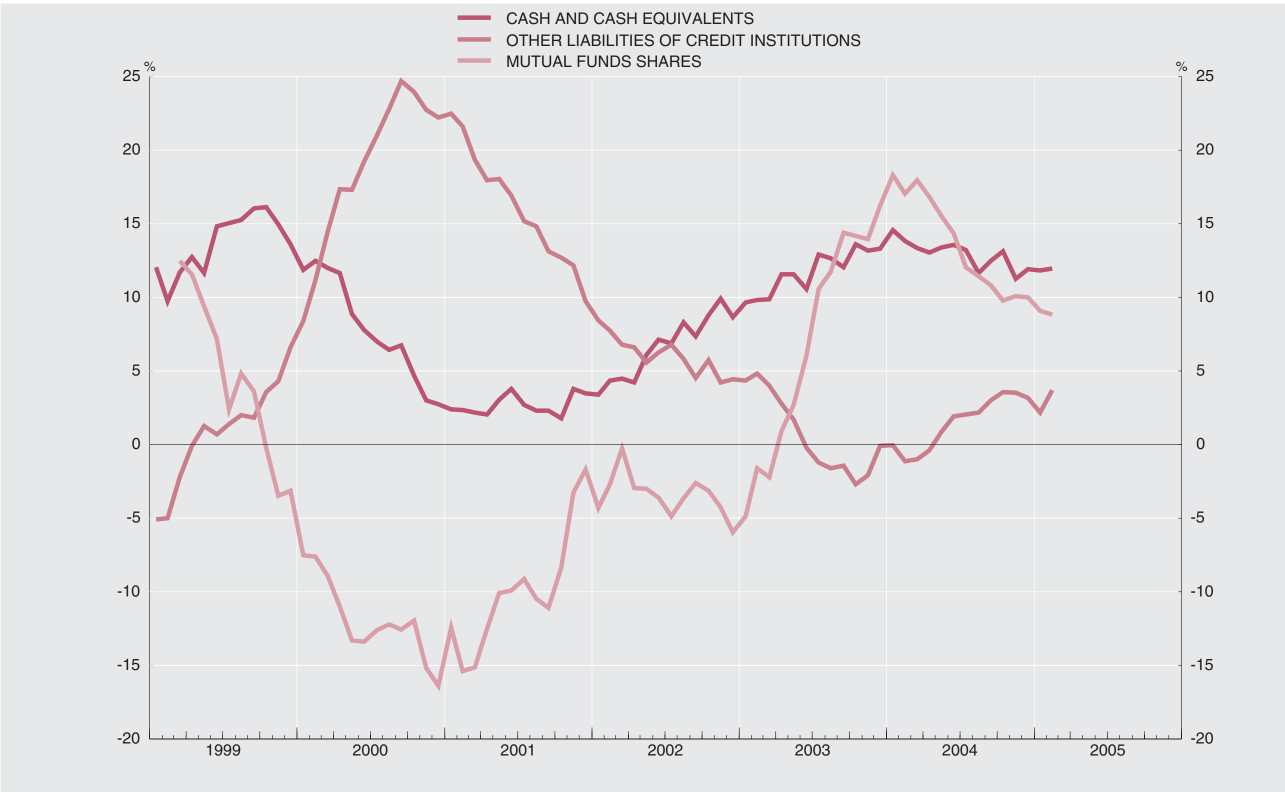
8.4 CASH AND CASH EQUIVALENTS, OTHER LIABILITIES OF CREDIT INSTITUTIONS AND MUTUAL FUNDS SHARES OF HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

EUR millions and %

	Cash and cash equivalents					Other liabilities of credit institutions				Mutual funds shares (b)				
	Stocks	Annual growth rate	Annual growth rate			Stocks	Annual growth rate	Annual growth rate		Stocks	Annual growth rate	Annual growth rate		
			Cash	Shigt depo-sits	Sa-ving depo-sits (c)			Other depo-sits (d)	Repos + credit instit.' securit.+ dep. in branches abroad			Money market funds	Fixed income mutual funds in EUR	Other mutual funds
	1	2 ■	3	4	5	6	7 ■	8	9	10	11 ■	12	13	14
02	244 260	8.7	19.4	6.9	5.9	217 536	4.4	5.8	-2.7	132 028	-6.0	13.9	9.3	-20.8
03	276 732	13.3	21.3	8.2	13.0	217 370	-0.1	-1.4	7.4	153 452	16.2	10.1	25.9	15.8
04	309 723	11.9	19.7	11.7	8.8	224 323	3.2	6.1	-11.5	168 793	10.0	-3.8	15.1	16.4
03 *Nov*	271 821	13.2	21.8	8.4	12.7	215 079	-2.1	-3.3	4.4	152 295	13.9	11.7	27.3	9.4
Dec	276 732	13.3	21.3	8.2	13.0	217 370	-0.1	-1.4	7.4	153 452	16.2	10.1	25.9	15.8
04 *Jan*	274 027	14.6	21.7	11.4	13.5	220 948	-0.0	-1.5	7.6	155 473	18.3	5.3	23.8	25.1
Feb	276 596	13.8	21.3	9.2	13.5	219 266	-1.1	-0.8	-2.9	157 683	17.1	2.0	10.2	32.4
Mar	279 174	13.4	21.0	9.4	12.6	218 673	-1.0	-0.1	-5.2	160 719	18.0	1.0	11.4	34.9
Apr	280 833	13.1	21.4	8.5	12.3	219 274	-0.4	0.4	-4.2	162 242	16.8	0.3	10.5	32.8
May	284 876	13.4	21.4	10.0	12.1	219 288	0.9	1.2	-0.8	162 518	15.5	0.5	8.4	30.8
Jun	296 858	13.6	21.1	12.5	11.2	219 706	1.9	2.5	-1.1	163 360	14.4	0.5	7.1	28.6
Jul	300 579	13.2	22.0	11.4	10.7	219 293	2.0	3.3	-4.3	163 600	12.0	-3.4	9.0	25.0
Aug	295 003	11.6	20.7	9.4	9.2	220 434	2.2	4.0	-7.1	165 005	11.4	-4.4	11.3	23.1
Sep	298 641	12.5	21.2	11.3	9.7	220 259	3.0	4.5	-4.7	165 091	10.8	-5.2	9.4	23.3
Oct	300 608	13.1	20.9	12.8	10.1	222 197	3.6	6.0	-8.9	165 911	9.8	-4.9	11.4	19.2
Nov	302 433	11.3	20.0	11.1	7.8	222 630	3.5	6.5	-11.3	167 659	10.1	-4.6	13.7	18.1
Dec	309 723	11.9	19.7	11.7	8.8	224 323	3.2	6.1	-11.5	168 793	10.0	-3.8	15.1	16.4
05 *Jan* P	306 457	11.8	19.5	11.9	8.6	225 785	2.2	6.0	-16.1	169 596	9.1	-2.6	16.1	12.8
Feb P	309 649	11.9	18.6	12.8	8.7	227 409	3.7	6.7	-11.4	171 620	8.8	-2.3	17.3	11.2

HOUSEHOLDS AND NPISH
Annual percentage change



Source: BE.

(a) To December 2002 the frequency of this information was quarterly. The annual growht rates for months for which there is no information have been calculated using the figure obtained from the linear interpolation of the quarterly data.

(b) 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.

(c) Deposits redeemable at up to and including 3 months' notice.

(d) Deposits redeemable at over 3 months' notice and time deposits.

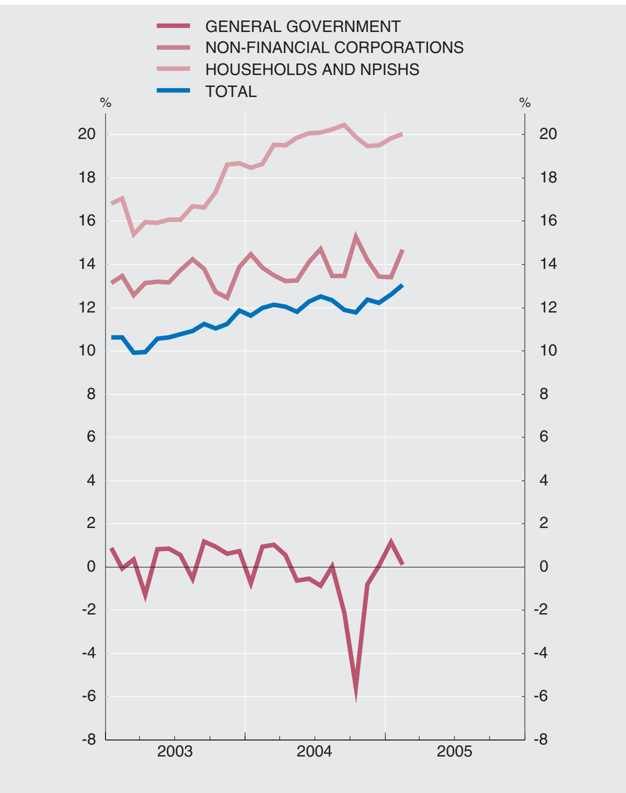
8.5. FINANCING OF NON-FINANCIAL SECTORS RESIDENT IN SPAIN (a)

■ Series depicted in chart.

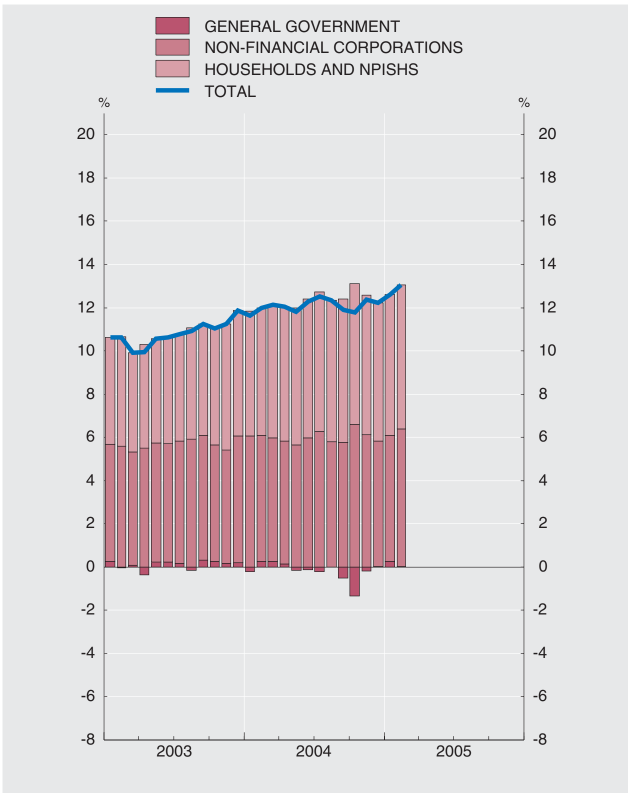
EUR millions and %

	Total			Annual growth rate							Contribution to col. 3							Memorandum items: securitisation funds
					Non-financial corp. and households and NPISHs							Non-financial corp. and households and NPISHs						
						By sectors		By instruments					By sectors		By instrumentss			
	Stocks	Effective flow	Annual growth rate	General government (b)		Non-financial corporations	Households and NPISHs	Credit institutions' loans & securit. funds	Securities other than shares	External loans	General government (b)		Non-financial corporations	Households and NPISHs	Credit institutions' loans & securit. funds	Securities other than shares	External loans	
	1	2	3 ■	4 ■	5	6 ■	7 ■	8	9	10	11 ■	12	13 ■	14 ■	15	16	17	18
02	1 198 090	107 923	9.9	-0.7	14.3	13.3	15.6	14.4	-16.7	17.2	-0.2	10.1	5.5	4.6	8.4	-0.2	1.9	38 508
03	1 347 630	142 045	11.9	0.7	15.9	13.9	18.7	16.5	-7.8	14.8	0.2	11.7	5.9	5.8	10.0	-0.1	1.7	55 970
04	1 517 314	164 650	12.2	0.1	16.0	13.4	19.5	19.2	0.2	1.3	0.0	12.2	5.8	6.4	12.0	0.0	0.2	78 055
03 *Nov*	1 320 072	16 423	11.2	0.6	15.1	12.4	18.6	16.5	-6.7	9.7	0.2	11.1	5.3	5.8	10.0	-0.1	1.1	52 217
Dec	1 347 630	26 532	11.9	0.7	15.9	13.9	18.7	16.5	-7.8	14.8	0.2	11.7	5.9	5.8	10.0	-0.1	1.7	55 970
04 *Jan*	1 357 940	10 078	11.6	-0.8	16.2	14.5	18.5	16.4	-7.3	17.0	-0.2	11.8	6.1	5.8	9.9	-0.1	2.0	56 410
Feb	1 361 011	4 047	12.0	0.9	15.9	13.8	18.7	16.6	-4.2	14.0	0.2	11.7	5.9	5.9	10.1	-0.0	1.7	56 565
Mar	1 383 604	20 168	12.1	1.0	16.1	13.5	19.5	17.0	0.9	12.3	0.3	11.9	5.7	6.1	10.4	0.0	1.5	57 862
Apr	1 385 446	1 737	12.0	0.6	15.9	13.2	19.5	16.9	2.3	12.1	0.1	11.9	5.7	6.2	10.4	0.0	1.4	59 126
May	1 403 484	15 876	11.8	-0.6	16.1	13.3	19.9	17.2	-1.5	11.6	-0.2	12.0	5.6	6.3	10.6	-0.0	1.4	59 888
Jun	1 433 447	30 248	12.3	-0.5	16.7	14.1	20.1	17.8	2.0	11.9	-0.1	12.4	6.0	6.4	11.0	0.0	1.4	64 640
Jul	1 450 731	16 973	12.5	-0.9	17.0	14.7	20.1	18.4	-0.1	11.1	-0.2	12.7	6.3	6.5	11.4	-0.0	1.3	68 964
Aug	1 446 619	-3 792	12.3	0.0	16.4	13.5	20.2	18.1	-2.7	9.3	0.0	12.3	5.8	6.5	11.2	-0.0	1.1	69 514
Sep	1 456 222	8 870	11.9	-2.1	16.5	13.5	20.5	18.4	0.7	7.8	-0.5	12.4	5.8	6.6	11.5	0.0	0.9	68 531
Oct	1 461 717	6 190	11.8	-5.5	17.3	15.3	19.9	19.0	-1.7	9.7	-1.3	13.1	6.6	6.5	11.9	-0.0	1.2	71 578
Nov	1 488 106	26 437	12.4	-0.8	16.5	14.2	19.5	18.4	-1.9	8.0	-0.2	12.6	6.1	6.4	11.6	-0.0	1.0	74 451
Dec	1 517 314	27 818	12.2	0.1	16.0	13.4	19.5	19.2	0.2	1.3	0.0	12.2	5.8	6.4	12.0	0.0	0.2	78 055
05 *Jan*	P 1 533 737	16 473	12.6	1.1	16.2	13.4	19.8	19.6	1.4	0.3	0.3	12.3	5.8	6.5	12.3	0.0	0.0	76 698
Feb	P 1 544 276	10 546	13.0	0.1	17.0	14.7	20.1	20.1	0.6	2.4	0.0	13.0	6.4	6.6	12.7	0.0	0.3	77 555

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 8.7 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 annual percentage changes are calculated as the effective flow of the period / the stock at the beginning of the period.

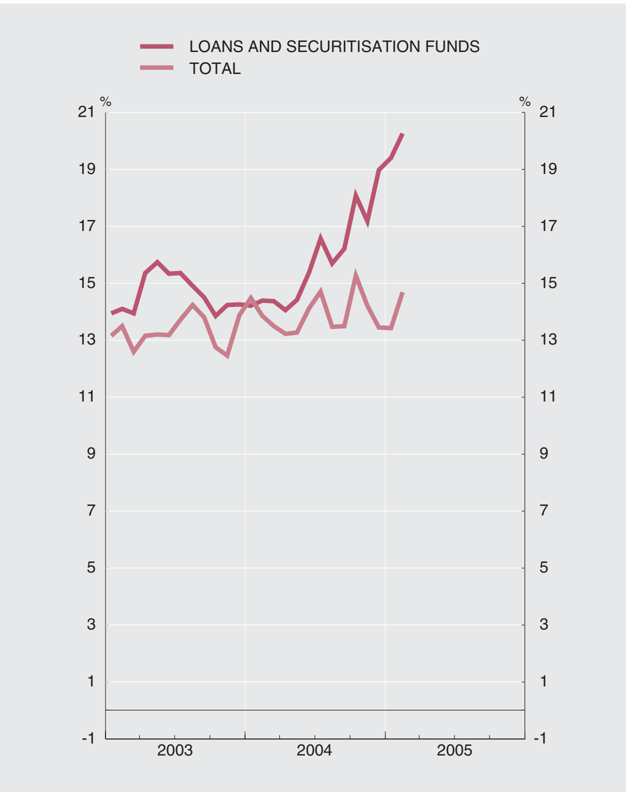
(b) Total liabilities (consolidated) less deposits. Inter-general government liabilities are deduced.

8.6. FINANCING OF NON-FINANCIAL CORPORATIONS RESIDENT IN SPAIN (a)

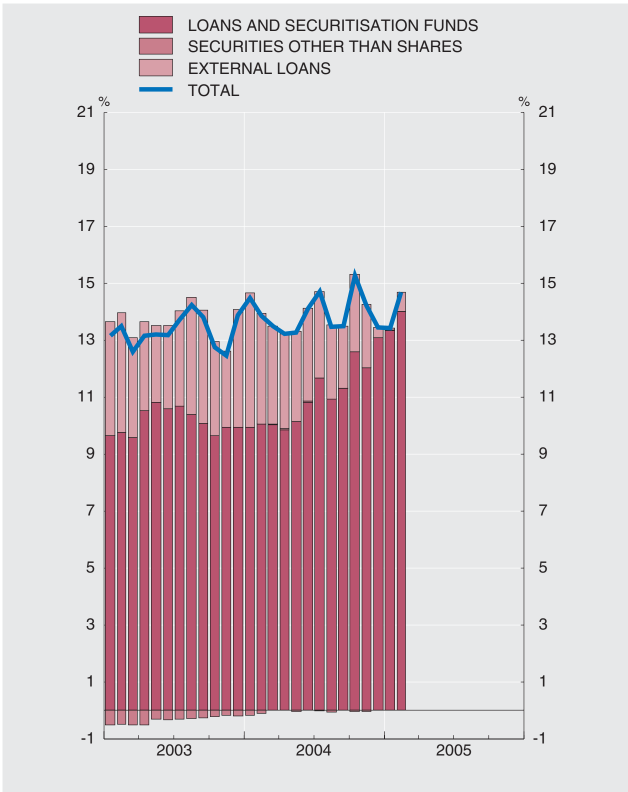
■ Series depicted in chart. *EUR millions and %*

		Total			Resident credit institutions' loans and securitisation funds			Securities other than shares			External loans			Memorandum items: securitisation funds
		Stocks	Effective flow	Annual growth rate	Stocks	Annual growth rate	Contribution to col.3	Stocks	Annual growth rate	Contribution to col.3	Stocks	Annual growth rate	Contribution to col.3	
		1	2	3 ■	4	5 ■	6 ■	7	8	9 ■	10	11	12 ■	13
02		505 430	59 623	13.3	352 703	13.1	9.1	11 903	-16.7	-0.5	140 824	17.2	4.7	20 468
03		583 564	70 146	13.9	402 345	14.3	9.9	10 971	-7.8	-0.2	170 248	14.8	4.1	24 076
04		667 479	78 392	13.4	477 981	19.0	13.1	10 992	0.2	0.0	178 507	1.2	0.4	32 349
03 *Nov*		568 327	5 167	12.4	397 955	14.2	9.9	11 401	-6.7	-0.2	158 971	9.6	2.7	23 255
Dec		583 564	14 085	13.9	402 345	14.3	9.9	10 971	-7.8	-0.2	170 248	14.8	4.1	24 076
04 *Jan*		589 657	5 824	14.5	404 913	14.2	9.9	11 068	-7.3	-0.2	173 676	17.0	4.7	23 798
Feb		590 192	1 488	13.8	407 955	14.4	10.0	11 641	-4.2	-0.1	170 596	14.0	3.9	23 708
Mar		599 781	7 121	13.5	414 511	14.4	10.0	11 993	0.9	0.0	173 277	12.3	3.4	23 589
Apr		606 544	6 633	13.2	420 826	14.0	9.9	11 855	2.3	0.0	173 864	12.0	3.3	24 096
May		612 039	3 297	13.3	425 544	14.4	10.1	11 686	-1.5	-0.0	174 809	11.5	3.2	23 692
Jun		623 339	11 532	14.1	435 427	15.4	10.8	11 896	2.0	0.0	176 015	11.9	3.3	24 088
Jul		635 121	11 448	14.7	446 442	16.6	11.7	11 608	-0.1	-0.0	177 071	11.1	3.1	24 101
Aug		631 087	-3 750	13.5	442 816	15.7	10.9	11 386	-2.7	-0.1	176 885	9.2	2.6	24 639
Sep		638 226	6 343	13.5	448 797	16.2	11.3	11 789	0.7	0.0	177 640	7.7	2.2	24 402
Oct		654 188	16 630	15.3	461 707	18.1	12.6	11 546	-1.7	-0.0	180 934	9.6	2.7	26 936
Nov		654 278	105	14.2	465 599	17.2	12.0	11 185	-1.9	-0.0	177 494	7.9	2.2	29 223
Dec		667 479	11 723	13.4	477 981	19.0	13.1	10 992	0.2	0.0	178 507	1.2	0.4	32 349
05 *Jan*	P	673 973	6 523	13.4	482 814	19.4	13.3	11 222	1.4	0.0	179 937	0.2	0.1	31 532
Feb	P	683 074	9 084	14.7	490 000	20.3	14.0	11 707	0.6	0.0	181 367	2.3	0.7	31 706

FINANCING OF NON-FINANCIAL CORPORATIONS
Annual percentage change



FINANCING OF NON-FINANCIAL CORPORATIONS
Contributions to the annual percentage change



Source: BE.

GENERAL NOTE: Tables 8.2 to 8.7 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).

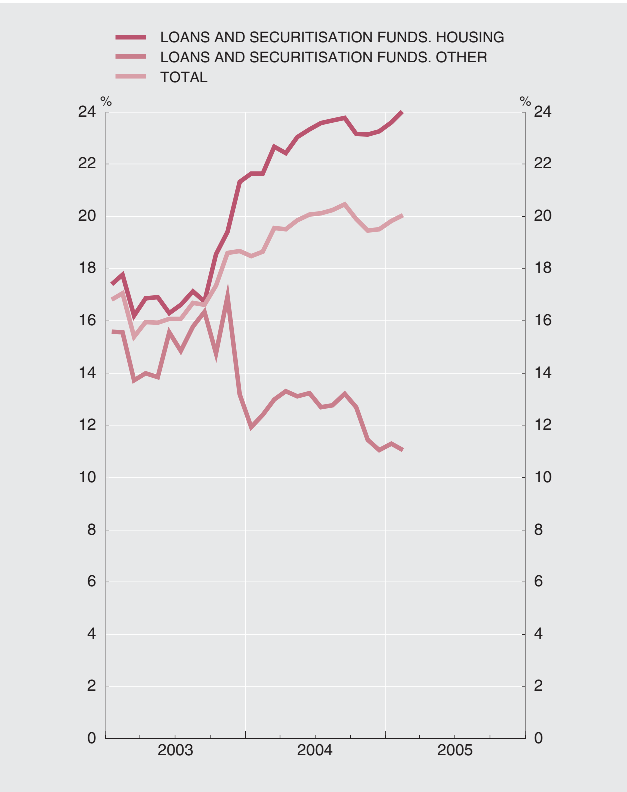
(a) The annual percentage changes are calculated as the effective flow of the period / the stock at the beginning of the period. To December 2002 the frequency of this information was quarterly. The annual growth rates for months for which there is no information have been calculated using the figure obtained from the linear interpolation of the quarterly data.

8.7. FINANCING OF HOUSEHOLDS AND NPISHS RESIDENT IN SPAIN (a)

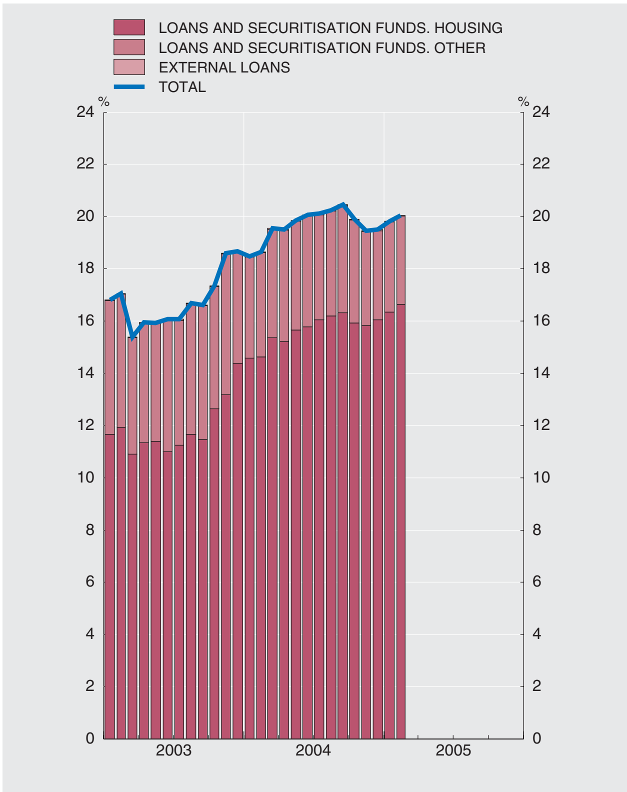
■ Series depicted in chart. *EUR millions and %*

	Total			Resident credit institutions' loans and securitisation funds. Housing			Resident credit institutions' loans and securitisation funds. Other			External loans			Memorandum items: securitisation funds	
	Stocks	Effective flow	Annual growth rate	Stocks	Annual growth rate	Contribution to col.3	Stocks	Annual growth rate	Contribution to col.3	Stocks	Annual growth rate	Contribution to col.3	Housing	Other
	1	2	3 ■	4	5 ■	6 ■	7	8 ■	9 ■	10	11 ■	12 ■	13	14
02	372 251	50 439	15.6	251 195	16.6	11.1	120 443	13.6	4.5	613	27.0	0.0	16 109	1 931
03	441 300	69 542	18.7	304 729	21.3	14.4	135 850	13.2	4.3	722	17.7	0.0	28 771	3 124
04	526 857	86 045	19.5	375 579	23.3	16.1	150 414	11.1	3.4	863	19.7	0.0	41 638	4 068
03 *Nov*	437 243	10 597	18.6	299 288	19.4	13.2	137 240	16.9	5.4	715	18.2	0.0	25 804	3 157
Dec	441 300	4 183	18.7	304 729	21.3	14.4	135 850	13.2	4.3	722	17.7	0.0	28 771	3 124
04 *Jan*	445 302	4 039	18.5	308 272	21.6	14.6	136 290	11.9	3.9	740	19.3	0.0	29 488	3 124
Feb	451 062	5 783	18.7	312 657	21.6	14.6	137 656	12.4	4.0	748	19.0	0.0	29 733	3 124
Mar	459 491	8 471	19.5	319 914	22.7	15.4	138 819	13.0	4.2	758	20.7	0.0	31 178	3 095
Apr	467 612	8 148	19.5	325 516	22.4	15.2	141 331	13.3	4.3	765	20.4	0.0	31 935	3 095
May	475 334	7 757	19.9	331 959	23.0	15.7	142 595	13.1	4.2	780	20.3	0.0	33 101	3 095
Jun	487 525	12 245	20.1	339 021	23.3	15.8	147 707	13.2	4.3	797	20.9	0.0	37 484	3 068
Jul	494 948	7 446	20.1	346 916	23.6	16.0	147 223	12.7	4.0	809	19.8	0.0	41 795	3 068
Aug	498 054	3 143	20.2	350 630	23.7	16.2	146 605	12.8	4.0	819	20.6	0.0	41 612	3 263
Sep	504 357	6 365	20.5	355 949	23.8	16.3	147 578	13.2	4.1	830	19.5	0.0	40 928	3 201
Oct	511 079	6 749	19.9	361 631	23.2	15.9	148 609	12.7	3.9	840	18.5	0.0	40 480	4 163
Nov	521 818	10 771	19.5	368 520	23.1	15.8	152 444	11.4	3.6	854	19.4	0.0	41 102	4 126
Dec	526 857	5 128	19.5	375 579	23.3	16.1	150 414	11.1	3.4	863	19.7	0.0	41 638	4 068
05 *Jan* P	533 081	6 246	19.8	380 980	23.6	16.3	151 227	11.3	3.5	875	18.2	0.0	41 104	4 062
Feb P	541 037	7 979	20.1	387 721	24.0	16.6	152 429	11.1	3.4	887	18.4	0.0	41 822	4 027

FINANCING OF HOUSEHOLDS AND NPISHs
Annual percentage change



FINANCING OF HOUSEHOLDS AND NPISHs
Contributions to the annual percentage change



Source: BE.

GENERAL NOTE: Tables 8.2 to 8.7 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 annual percentage changes are calculated as the effective flow of the period / the stock at the beginning of the period. To December 2002 the frequency of this information was quarterly. The annual growth rates for months for which there is no information have been calculated using the figure obtained from de linear interpolation of the quarterly data.

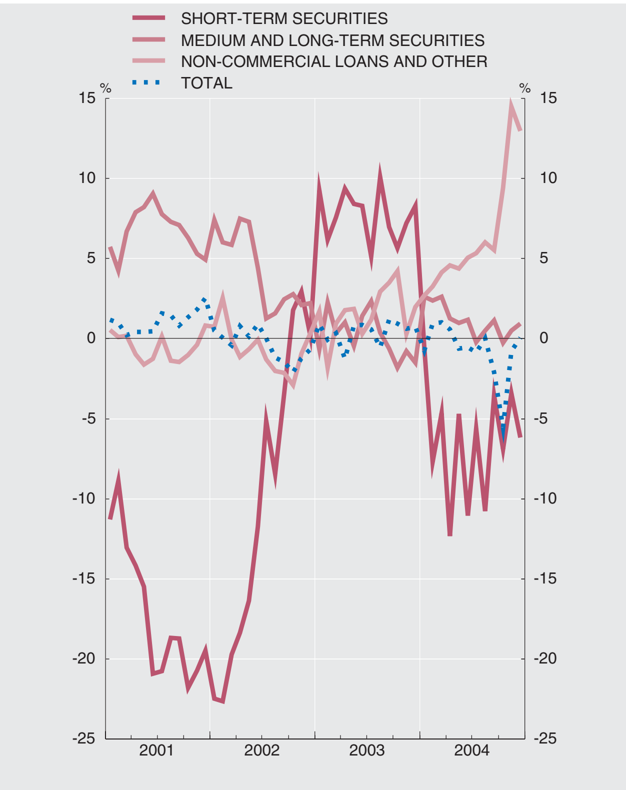
8.8. NET FINANCING OF SPAIN'S GENERAL GOVERNMENT

■ Series depicted in chart.

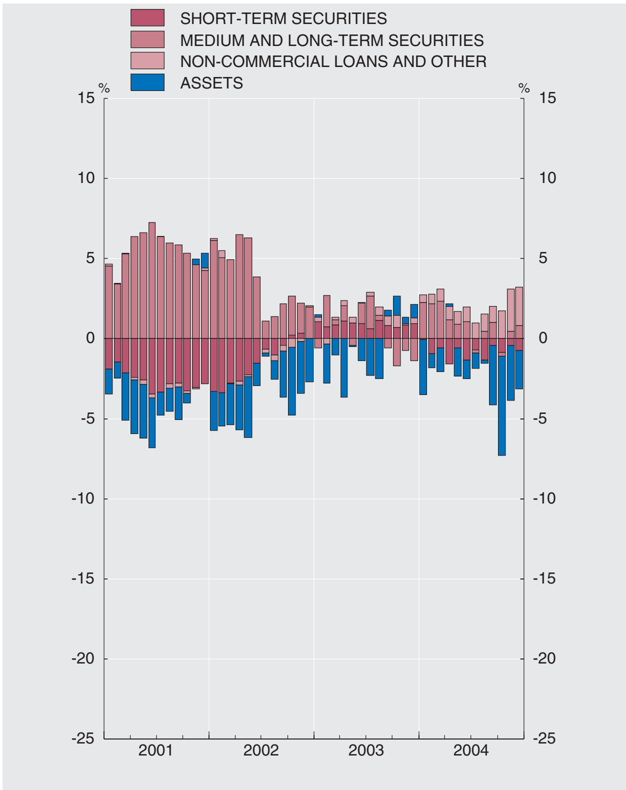
EUR millions and %

		Net financing			Monthly change in stocks						12-month % change in stocks					Contribution to 12-month % change in net stocks of liabilities			
					Liabilities (a)				Assets		Liabilities					Liabilities			
						Securities						Securities			Assets	Securities			Assets
		Net stock of liabilities	Monthly change (columns 4-8-9)	12-month % change of col. 1	Total	Short-term	Medium and long-term	Non-commercial loans and other (b)	Deposits at the Banco de Espana	Other deposits (c)	Total	Short-term	Medium and long-term	Non-commercial loans and other (a)		Short-term	Medium and long-term	Non-commercial loans and other (a)	
		1	2	3 ■	4	5	6	7	8	9	10	11 ■	12 ■	13 ■	14	15 ■	16 ■	17 ■	18 ■
02		320 409	-2 139	-0.7	6 597	59	6 352	185	1 785	6 950	1.7	0.2	2.2	0.3	15.2	0.0	2.0	0.1	-2.7
03		322 766	2 356	0.7	-240	3 049	-4 431	1 142	1 767	-4 363	-0.1	8.3	-1.5	2.0	-3.9	1.0	-1.4	0.4	0.8
04	P	322 978	212	0.1	7 903	-2 456	2 694	7 665	-1 817	9 509	2.0	-6.2	0.9	13.0	12.1	-0.8	0.8	2.4	-2.4
03 *Sep*		320 394	2 980	1.2	2 053	-5	2 053	5	-13	-914	0.7	7.0	-0.6	3.5	-1.6	0.8	-0.6	0.6	0.3
Oct		313 843	-6 551	0.9	-1 631	-194	-1 597	160	-459	5 380	-0.2	5.7	-1.8	4.2	-5.1	0.7	-1.7	0.8	1.2
Nov		314 502	660	0.6	1 388	813	1 773	-1 198	64	664	0.2	7.2	-0.8	0.3	-1.8	0.9	-0.7	0.1	0.4
Dec		322 766	8 263	0.7	829	-242	-1 037	2 108	275	-7 709	-0.1	8.3	-1.5	2.0	-3.9	1.0	-1.4	0.4	0.8
04 *Jan*	P	322 981	215	-0.8	4 136	-236	3 670	702	-1 730	5 651	2.3	-0.6	2.6	2.7	19.8	-0.1	2.3	0.5	-3.4
Feb	P	319 757	-3 224	0.9	-867	-3 632	2 968	-203	-11	2 367	1.5	-7.7	2.4	3.3	4.1	-0.9	2.2	0.6	-0.9
Mar	P	324 332	4 575	1.0	2 824	1 618	629	577	499	-2 250	2.1	-4.6	2.6	4.1	7.6	-0.6	2.3	0.7	-1.5
Apr	P	311 289	-13 043	0.6	265	-2 315	1 454	1 127	3 306	10 003	0.3	-12.3	1.2	4.6	-0.5	-1.6	1.2	0.9	0.1
May	P	316 111	4 822	-0.6	701	2 654	-1 721	-232	-61	-4 061	0.9	-4.7	1.0	4.4	7.7	-0.6	0.9	0.8	-1.7
Jun	P	322 583	6 472	-0.5	852	-2 846	3 418	280	-70	-5 550	0.5	-11.1	1.2	5.1	5.6	-1.3	1.1	0.9	-1.2
Jul	P	320 662	-1 921	-0.9	-4 483	2 966	-8 370	920	-2 007	-556	0.1	-5.6	-0.2	5.3	4.7	-0.7	-0.2	1.0	-1.0
Aug	P	317 478	-3 185	0.0	-5 422	-2 834	-1 820	-768	55	-2 292	0.2	-10.8	0.5	6.0	0.9	-1.3	0.4	1.1	-0.2
Sep	P	313 639	-3 839	-2.1	6 473	2 854	3 878	-259	-43	10 355	1.3	-3.5	1.1	5.5	18.1	-0.4	1.0	1.0	-3.7
Oct	P	296 450	-17 189	-5.5	-4 711	-1 504	-5 616	2 408	11 558	920	0.5	-6.9	-0.3	9.4	27.6	-0.9	-0.2	1.7	-6.2
Nov	P	312 011	15 561	-0.8	7 745	2 149	3 996	1 600	-12 925	5 109	2.2	-3.4	0.5	14.5	15.3	-0.4	0.5	2.6	-3.4
Dec	P	322 978	10 967	0.1	390	-1 329	207	1 512	-389	-10 188	2.0	-6.2	0.9	13.0	12.1	-0.8	0.8	2.4	-2.4
05 *Jan*	A	326 683	3 705	1.1	4 430	2 621	2 193	-384	-405	1 131	2.1	1.0	0.4	11.0	6.7	0.1	0.4	2.0	-1.4
Feb	A	320 165	-6 518	0.1	-5 105	-3 152	-1 904	-49	209	1 203	1.0	2.4	-1.2	11.3	5.1	0.3	-1.1	2.1	-1.1

NET FINANCING OF GENERAL GOVERNMENT
Annual percentage changes



NET FINANCING OF GENERAL GOVERNMENT
Contributions to the annual percentage change



Source: BE.

a.Consolidated: deducted securities and loans held by other General Government units.

b.Including coined money and Caja General de Depositos.

c.Tax collection accounts are not included.

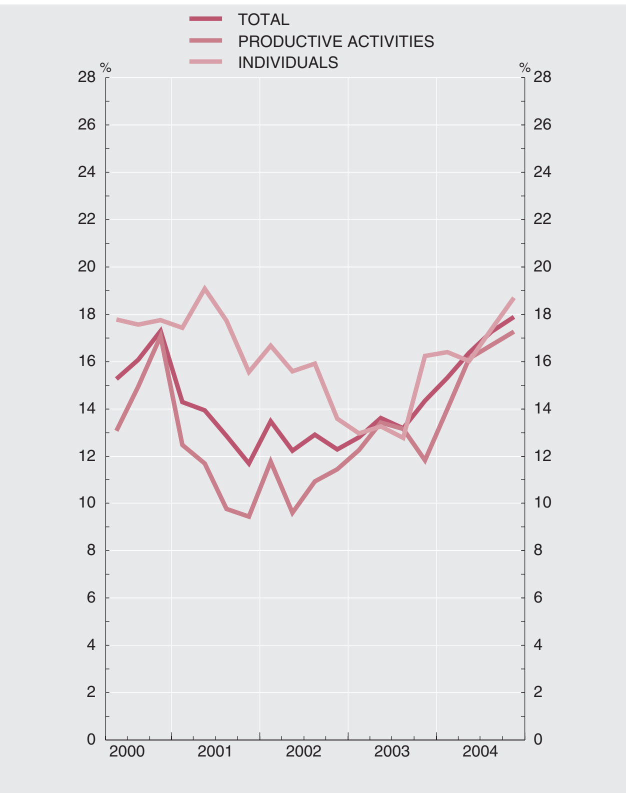
8.9 LENDING BY CREDIT INSTITUTIONS TO OTHER RESIDENT SECTORS. BREAKDOWN BY END-USE.

■ Series depicted in chart.

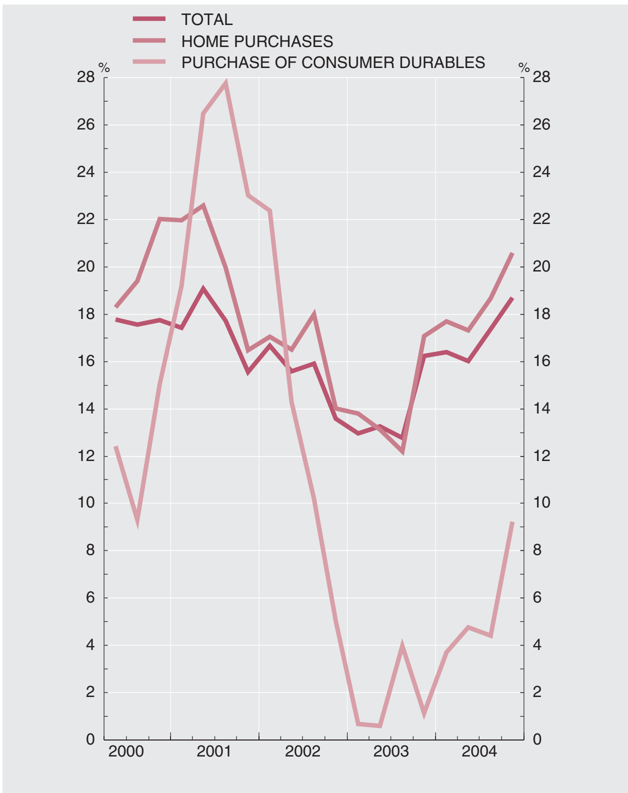
EUR millions and percentages

		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: Total	Home purchases and improvements: Purchases	Home purchases and improvements: Improvements	Purchases of consumer durables	Other (b)		
	1 ■	2 ■	3	4	5	6	7 ■	8	9 ■	10	11 ■	12	13	14
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
02	701 663	368 466	15 122	85 762	57 376	210 206	320 053	235 086	224 830	10 256	34 741	50 227	2 324	10 819
03	802 212	411 986	16 402	85 829	65 784	243 972	372 013	275 958	263 192	12 766	35 136	60 919	3 002	15 212
01 *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
Q3	680 806	351 950	14 281	82 834	53 777	201 057	316 697	234 668	224 849	9 819	35 072	46 957	2 339	9 820
Q4	701 663	368 466	15 122	85 762	57 376	210 206	320 053	235 086	224 830	10 256	34 741	50 227	2 324	10 819
03 *Q1*	722 204	375 901	15 138	86 559	56 975	217 229	331 747	244 498	233 729	10 769	34 910	52 339	2 285	12 271
Q2	754 872	389 249	15 712	87 015	59 431	227 091	349 500	256 010	244 414	11 596	35 676	57 814	2 512	13 608
Q3	770 523	398 206	16 462	87 240	61 902	232 601	357 146	264 453	252 316	12 136	36 468	56 225	2 651	12 520
Q4	802 212	411 986	16 402	85 829	65 784	243 972	372 013	275 958	263 192	12 766	35 136	60 919	3 002	15 212
04 *Q1*	832 734	428 517	16 973	85 326	68 171	258 047	386 179	288 736	275 107	13 629	36 201	61 242	3 108	14 930
Q2	878 477	452 030	17 102	86 636	72 362	275 930	405 486	301 537	286 744	14 793	37 374	66 575	3 183	17 777
Q3	903 590	464 652	17 655	88 360	75 494	283 143	419 230	315 021	299 447	15 574	38 075	66 134	3 426	16 281
Q4	945 697	483 135	18 108	90 588	78 368	296 071	441 572	333 939	317 383	16 556	38 380	69 253	3 679	17 312

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 Boletin estadístico, which are published at www.bde.es.

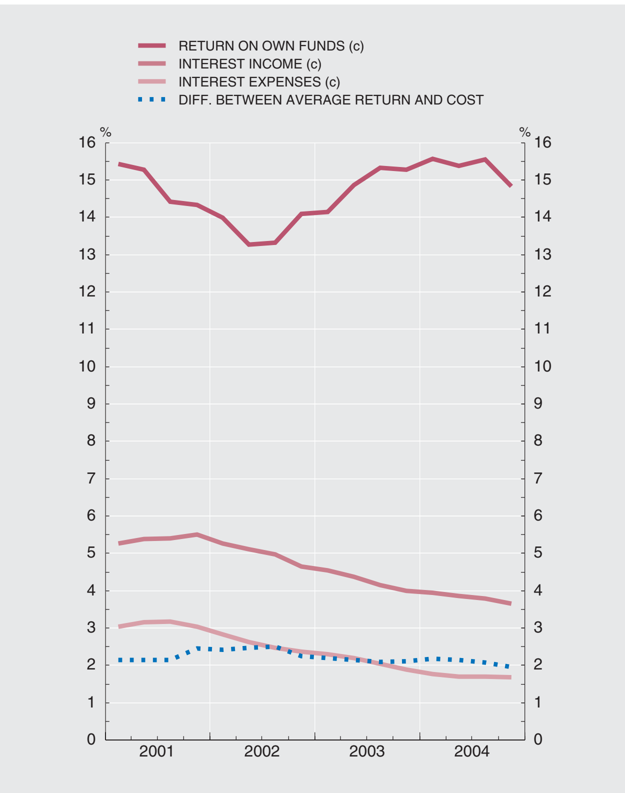
(b) Includes loans and credit to households for the purchase of land and rural property, the purchase of securities, the purchase of current goods and services not considered to be consumer durables (e.g. loans to finance travel expenses) and for various end-uses not included in the foregoing.

8.10. PROFIT AND LOSS ACCOUNT OF BANKS, SAVINGS BANKS AND CREDIT CO-OPERATIVES RESIDENT IN SPAIN

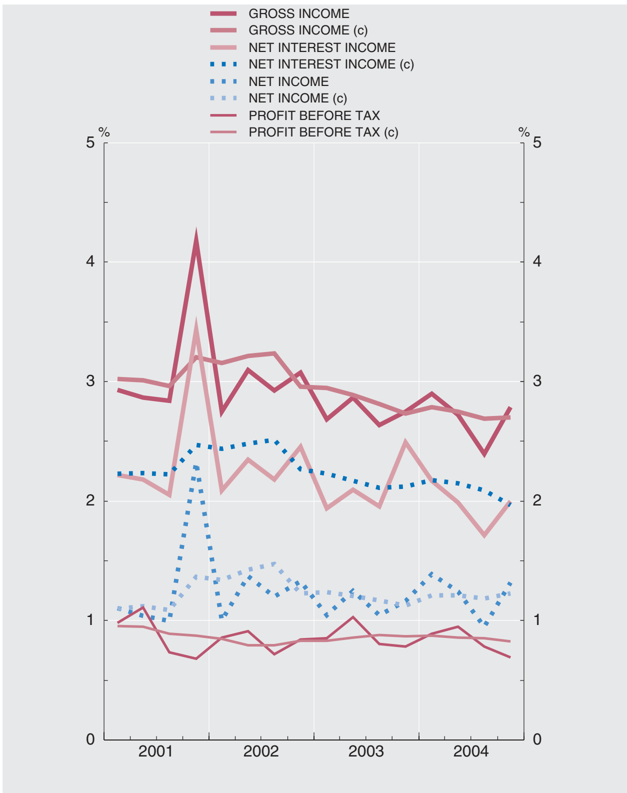
■ Series depicted in chart.

	As a percentage of the adjusted average balance sheet										Percentages			
	Interest income 1 ■	Interest expenses 2 ■	Net interest income 3 ■	Non interest income and expenses 4	Gross income 5 ■	Operating expenses: 6	Of which: Staff costs 7	Net income 8 ■	Provisions and other income and expenses 9	Profit before tax 10 ■	Return on own funds (a) 11 ■	Average return on lending operations (b) 12	Average cost of borrowing operations (b) 13	Difference (12-13) 14 ■
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
02	4.8	2.4	2.5	0.6	3.1	1.7	1.0	1.3	-1.6	0.8	14.6	5.0	2.7	2.3
03	4.2	1.8	2.5	0.3	2.7	1.6	0.9	1.2	-1.0	0.8	14.4	4.3	2.2	2.1
01 *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
Q3	4.6	2.4	2.2	0.7	2.9	1.7	1.0	1.2	-0.5	0.7	12.2	5.3	2.8	2.5
Q4	4.8	2.4	2.5	0.6	3.1	1.7	1.0	1.3	-0.5	0.8	14.6	5.0	2.7	2.3
03 *Q1*	4.0	2.1	1.9	0.7	2.7	1.6	1.0	1.0	-0.2	0.8	14.8	4.9	2.7	2.2
Q2	4.0	1.9	2.1	0.8	2.9	1.6	1.0	1.3	-0.2	1.0	17.9	4.7	2.5	2.1
Q3	3.7	1.7	2.0	0.7	2.6	1.6	0.9	1.0	-0.2	0.8	14.0	4.4	2.3	2.1
Q4	4.2	1.8	2.5	0.3	2.7	1.6	0.9	1.2	-0.4	0.8	14.4	4.3	2.2	2.1
04 *Q1*	3.8	1.7	2.2	0.7	2.9	1.5	0.9	1.4	-0.5	0.9	15.9	4.2	2.0	2.2
Q2	3.7	1.7	2.0	0.7	2.7	1.5	0.9	1.2	-0.3	0.9	17.1	4.1	1.9	2.1
Q3	3.4	1.7	1.7	0.7	2.4	1.4	0.9	1.0	-0.2	0.8	14.7	4.0	1.9	2.1
Q4	3.7	1.7	2.0	0.8	2.8	1.5	0.9	1.3	-0.6	0.7	11.6	3.9	1.9	1.9

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



PROFIT AND LOSS ACCOUNT
Percentages of the adjusted average balance sheet



Source: BE.

Note: The underlying series for this indicator are in Table 89.61 of the BE Boletín estadístico.

(a) Profit before tax divided by own funds (capital,reserves, and general risk fund less losses from previous financial years and intangible assets).

(b) Only those financial assets and liabilities which respectively give rise to financial income and costs have been considered to calculate the averge return and cost.

(c) Average of the last four quarters.

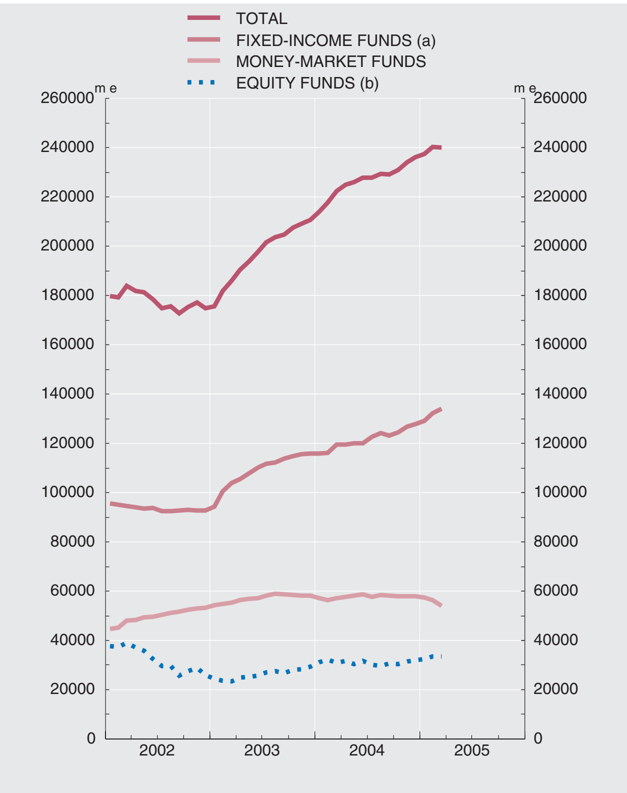
8.11. MUTUAL FUNDS RESIDENT IN SPAIN

■ Series depicted in chart.

EUR millions

	Total				Money-market funds				Fixed-income funds (a)				Equity funds (b)				Others funds (c)
	Net asset value	Of which: Monthly change	Of which: Net funds invested	Return over last 12 months	Net asset value	Of which: Monthly change	Of which: Net funds invested	Return over last 12 months	Net asset value	Of which: Monthly change	Of which: Net funds invested	Return over last 12 months	Net asset value	Of which: 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
02	174 733	-6 590	1 274	-3.2	53 366	9 536	8 327	2.4	92 742	-4 504	-5 581	1.7	26 067	-11 427	-1 794	-25.7	2 558
03	210 627	35 894	28 077	4.0	58 054	4 688	3 830	1.5	115 819	23 077	20 129	2.6	29 401	3 334	-202	15.1	7 353
04	236 088	25 461	18 250	3.3	57 989	-66	-744	1.2	127 735	11 917	10 445	2.9	32 023	2 622	480	9.7	18 341
03 *Dec*	210 627	1 535	-156	4.0	58 054	-235	-309	1.5	115 819	299	-397	2.6	29 401	978	101	15.1	7 353
04 *Jan*	214 023	3 396	2 019	5.1	57 185	-869	-929	1.4	115 878	59	-479	2.8	31 101	1 701	989	22.3	9 858
Feb	217 640	3 617	2 284	5.9	56 357	-828	-892	1.4	116 217	339	-230	3.0	32 208	1 107	473	26.8	12 857
Mar	222 254	4 615	4 899	6.2	57 102	745	685	1.3	119 477	3 259	2 553	3.2	30 782	-1 426	-199	27.5	14 894
Apr	225 006	2 752	2 889	4.6	57 582	481	441	1.3	119 465	-11	515	2.6	31 578	796	621	18.6	16 380
May	225 991	984	1 576	3.7	58 295	712	671	1.2	119 904	439	1 019	1.8	30 404	-1 174	-669	16.5	17 387
Jun	227 806	1 816	800	3.5	58 666	371	311	1.2	119 975	71	316	1.9	31 647	1 243	66	14.5	17 518
Jul	227 862	56	719	2.8	57 743	-923	-984	1.2	122 510	2 535	1 936	2.1	30 096	-1 552	-216	8.8	17 514
Aug	229 421	1 559	1 318	2.4	58 502	759	707	1.2	124 031	1 521	1 115	2.3	29 565	-531	-300	5.9	17 323
Sep	229 216	-204	-963	3.3	58 129	-373	-435	1.2	123 035	-996	45	2.2	30 552	987	-81	11.9	17 500
Oct	230 916	1 700	486	3.0	57 981	-148	-207	1.2	124 401	1 366	1 254	2.6	30 473	-79	-294	8.5	18 062
Nov	233 934	3 017	1 484	3.6	57 888	-93	-153	1.2	126 651	2 251	1 589	3.2	31 323	850	180	10.2	18 071
Dec	236 088	2 155	741	3.3	57 989	101	40	1.2	127 735	1 084	812	2.9	32 023	700	-90	9.7	18 341
05 *Jan*	237 309	1 220	171	3.1	57 368	-621	-684	1.2	129 162	1 427	1 029	2.7	32 489	466	-76	8.8	18 290
Feb	240 300	2 991	1 933	2.9	56 366	-1 002	-1 057	1.2	132 155	2 993	2 760	2.4	33 574	1 084	465	8.7	18 205
Mar P	240 060	-240	...	3.0	54 000	-2 366	...	1.2	133 923	1 767	...	2.3	33 391	-183	...	9.5	18 746

NET ASSET VALUE



RETURN OVER LAST 12 MONTHS

SOURCES: CNMV and Inverco.

a. Includes short and long-term fixed-income funds in euros and international, mixed fixed-income funds in euros and international and guaranteed funds.

b. Includes equity funds and mixed equity funds in euros, national and international.

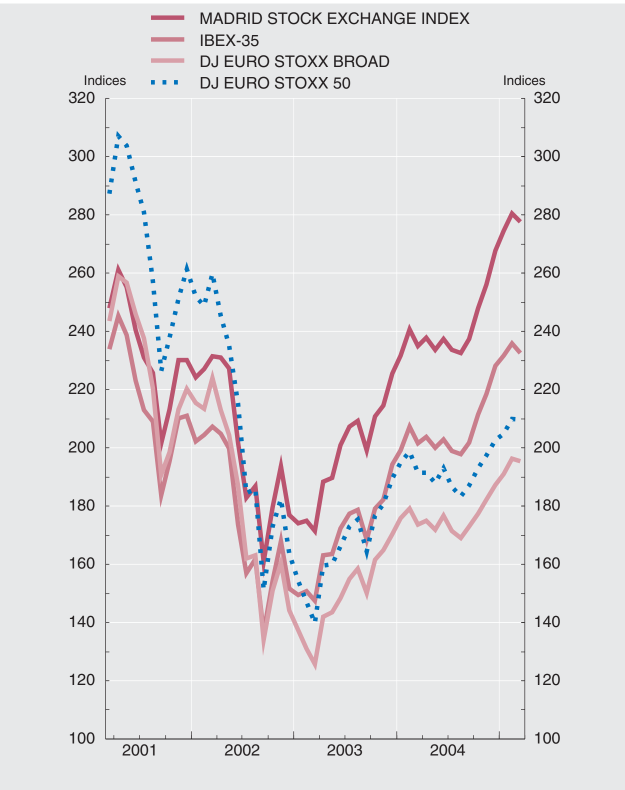
c. Global funds.

8.12. SHARE PRICE INDICES AND TURNOVER ON SECURITIES MARKETS. SPAIN AND EURO AREA

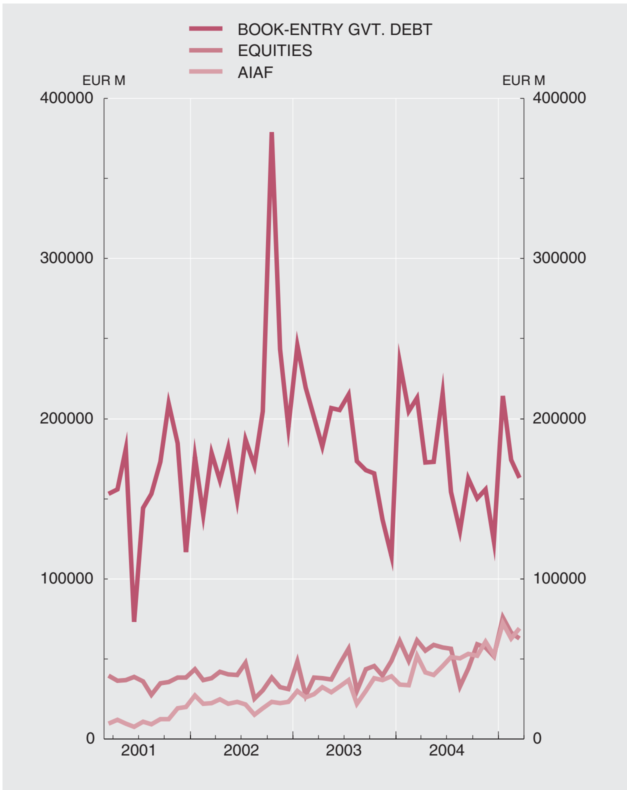
■ Series depicted in chart. *Indices, EUR millions and thousands of contracts*

	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
03	706.88	6 727.59	212.92	2 413.39	499 745	74 346	2 234 366	380 204	-	11 677	1	3 653
04	863.25	8 195.58	251.25	2 800.48	643 542	82 790	2 090 447	566 600	-	8 495	0	4 473
05 A	994.00	9 287.91	277.06	3 032.03	205 189	19 587	551 601	204 526	-	2 652	-	1 245
03 *Dec*	807.98	7 737.20	243.21	2 760.66	48 589	8 767	114 414	39 030	-	1 061	0	312
04 *Jan*	830.23	7 929.90	250.91	2 839.13	61 276	6 910	235 109	33 803	-	718	0	350
Feb	862.50	8 249.40	255.66	2 893.18	48 757	6 956	204 758	33 643	-	635	0	370
Mar	841.46	8 018.10	247.90	2 787.49	61 389	7 877	213 010	52 067	-	1 064	0	471
Apr	851.91	8 109.50	249.62	2 787.48	55 268	6 795	172 710	41 488	-	402	0	374
May	837.42	7 959.30	245.43	2 736.83	58 788	6 625	172 908	40 128	-	621	0	386
Jun	850.50	8 078.30	252.24	2 811.08	57 168	7 528	215 732	45 679	-	726	0	358
Jul	836.80	7 919.30	244.74	2 720.05	56 271	7 640	154 223	51 245	...	362	...	376
Aug	832.79	7 869.50	241.33	2 670.79	32 632	5 457	129 720	50 308	...	398	...	324
Sep	850.78	8 029.20	246.83	2 726.30	44 141	7 021	162 746	53 188	...	854	...	335
Oct	888.40	8 418.30	253.20	2 811.72	59 228	7 030	150 295	51 843	...	733	...	370
Nov	917.68	8 693.00	260.21	2 876.39	57 052	6 546	155 757	60 867	...	882	...	400
Dec	959.06	9 080.80	267.38	2 951.24	51 572	6 405	123 480	52 341	...	1 101	...	358
05 *Jan*	983.75	9 223.90	272.56	2 984.59	76 049	6 420	214 225	72 492	...	747	...	409
Feb	1 004.92	9 391.00	280.02	3 058.32	66 419	5 676	174 280	62 893	...	990	...	414
Mar P	994.40	9 258.80	278.89	3 055.73	62 722	7 491	163 096	69 141	...	916	...	422

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 and4); AIAF (column 8) and Spanish Financial Futures Market (MEFFSA) (columns 9 to 12)

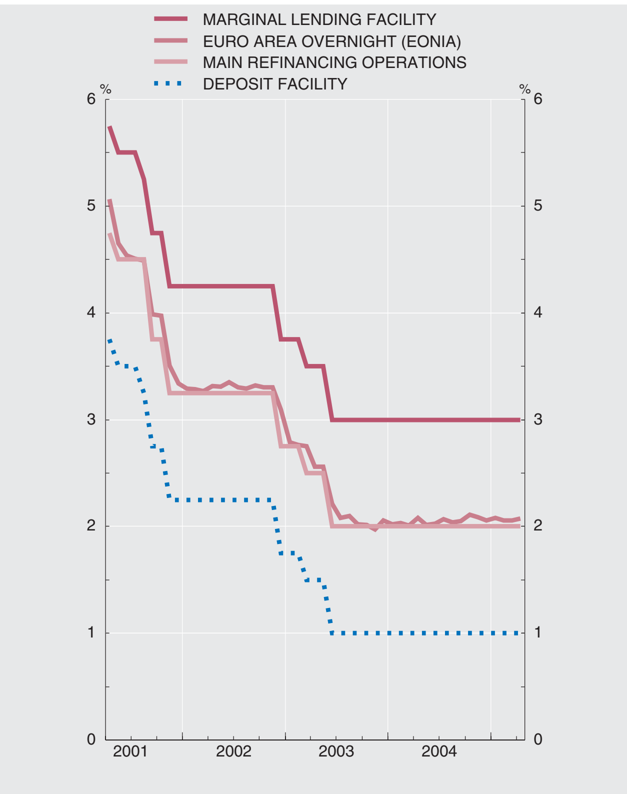
9.1. INTEREST RATES. EUROSYSTEM AND MONEY MARKET. EURO AREA AND SPAIN

■ Series depicted in chart.

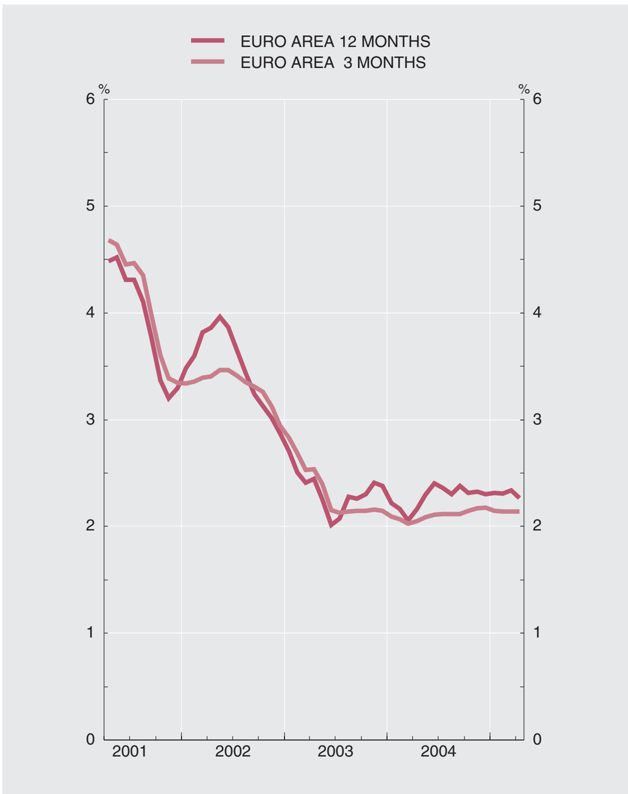
Averages of daily data. Percentages per annum

	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							
										Non-transferable deposits				Government-securities repos			
			Marginal lending	Deposit	Overnight (EONIA)	1-month	3-month	6-month	1-year	Overnight	1-month	3-month	1-year	Overnight	1-month	3-month	1-year
	1 ■	2	3 ■	4 ■	5 ■	6	7 ■	8	9 ■	10	11	12	13	14	15	16	17
03	2.00	2.12	3.00	1.00	2.32	2.35	2.33	2.31	2.34	2.31	2.34	2.33	2.35	2.26	2.26	2.21	2.23
04	2.00	2.12	3.00	1.00	2.05	2.08	2.11	2.15	2.27	2.04	2.06	2.10	2.29	1.99	1.99	1.99	2.14
05 A	-	2.08	3.00	1.00	2.07	2.11	2.14	2.19	2.31	2.06	2.09	2.13	2.30	2.01	2.02	2.03	2.19
04 *Jan*	2.00	2.03	3.00	1.00	2.02	2.08	2.09	2.12	2.22	2.01	2.06	2.08	2.21	1.94	1.97	1.92	2.07
Feb	2.00	2.01	3.00	1.00	2.03	2.06	2.07	2.09	2.16	2.03	2.05	2.06	2.22	1.98	1.96	1.97	2.03
Mar	2.00	-	3.00	1.00	2.01	2.04	2.03	2.02	2.06	2.00	2.02	2.03	2.03	1.94	1.95	1.93	1.87
Apr	2.00	2.01	3.00	1.00	2.08	2.05	2.05	2.06	2.16	2.06	2.03	2.03	2.18	1.96	1.94	1.95	2.12
May	2.00	2.04	3.00	1.00	2.02	2.06	2.09	2.14	2.30	2.01	2.05	2.08	2.30	1.97	1.96	1.97	2.18
Jun	2.00	-	3.00	1.00	2.03	2.08	2.11	2.19	2.40	2.03	2.06	2.10	2.41	1.99	1.98	1.99	2.15
Jul	2.00	2.07	3.00	1.00	2.07	2.08	2.12	2.19	2.36	2.05	2.06	2.11	2.40	2.00	1.98	2.01	2.29
Aug	2.00	2.06	3.00	1.00	2.04	2.08	2.11	2.17	2.30	2.03	2.06	2.11	2.33	2.00	2.00	2.01	2.22
Sep	2.00	2.06	3.00	1.00	2.05	2.08	2.12	2.20	2.38	2.05	2.07	2.11	2.38	2.02	2.00	2.02	2.29
Oct	2.00	2.10	3.00	1.00	2.11	2.09	2.15	2.19	2.32	2.09	2.07	2.15	2.37	2.05	2.00	2.04	2.22
Nov	2.00	2.05	3.00	1.00	2.09	2.11	2.17	2.22	2.33	2.08	2.09	2.16	2.34	2.06	2.04	2.06	-
Dec	2.00	2.12	3.00	1.00	2.05	2.17	2.17	2.21	2.30	2.05	2.15	2.17	2.30	2.02	2.05	2.06	-
05 *Jan*	2.00	2.09	3.00	1.00	2.08	2.11	2.15	2.19	2.31	2.07	2.10	2.14	2.33	2.04	2.04	2.05	2.17
Feb	2.00	2.08	3.00	1.00	2.06	2.10	2.14	2.19	2.31	2.06	2.08	2.13	2.30	2.02	2.03	2.04	2.17
Mar	2.00	2.09	3.00	1.00	2.06	2.10	2.14	2.19	2.34	2.05	2.09	2.13	2.33	1.98	2.03	2.03	2.22
Apr	2.00	2.08	3.00	1.00	2.08	2.10	2.14	2.17	2.27	2.07	2.09	2.13	2.24	2.01	2.00	2.03	2.18

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							
	One-year Treasury bills		One-year commercial paper		Central Government debt							Private bonds with a maturity of over two years traded on the AIAF
	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 ■
03	2.21	2.21	2.38	2.34	2.66	3.19	4.11	4.46	4.90	2.78	4.12	4.14
04	2.15	2.17	2.34	2.25	2.79	3.22	4.02	4.27	4.73	2.82	4.10	4.11
05 A	2.18	2.20	2.34	2.34	2.58	2.96	3.61	3.70	-	2.64	3.64	3.47
03 *Dec*	2.39	2.34	2.53	2.37	-	3.52	-	-	-	3.04	4.34	4.70
04 *Jan*	2.14	2.15	2.25	2.21	-	3.39	-	4.45	-	2.78	4.19	4.09
Feb	1.99	2.05	2.14	2.15	2.46	-	4.19	-	4.90	2.68	4.15	4.23
Mar	1.95	2.08	2.04	1.97	-	3.29	-	4.24	-	2.43	4.01	4.41
Apr	2.09	2.08	2.26	2.16	-	3.03	-	-	4.91	2.67	4.20	4.23
May	2.18	2.14	2.34	2.30	2.93	-	-	4.63	-	3.08	4.33	4.28
Jun	2.29	2.30	2.40	2.26	3.15	-	4.44	-	-	3.20	4.39	4.11
Jul	2.22	2.24	2.33	2.28	-	3.53	-	4.51	-	3.08	4.28	4.07
Aug	2.15	2.16	2.56	2.38	-	-	-	-	-	2.95	4.15	4.13
Sep	2.25	2.17	2.44	2.36	2.78	-	4.13	-	4.71	2.94	4.08	4.04
Oct	2.15	2.17	2.41	2.31	-	3.19	-	4.10	-	2.78	3.97	3.91
Nov	2.20	2.25	2.39	2.38	2.63	-	3.79	-	4.41	2.67	3.85	4.14
Dec	2.16	2.20	2.50	2.29	-	2.86	3.57	3.71	-	2.58	3.64	3.74
05 *Jan*	2.17	2.23	2.33	2.34	2.58	-	3.54	-	-	2.60	3.59	3.33
Feb	2.19	2.20	2.33	2.34	-	2.85	-	3.70	-	2.64	3.58	3.48
Mar	2.17	2.19	2.36	2.35	-	-	3.68	-	-	2.69	3.73	3.59

PRIMARY MARKET

SECONDARY MARKET

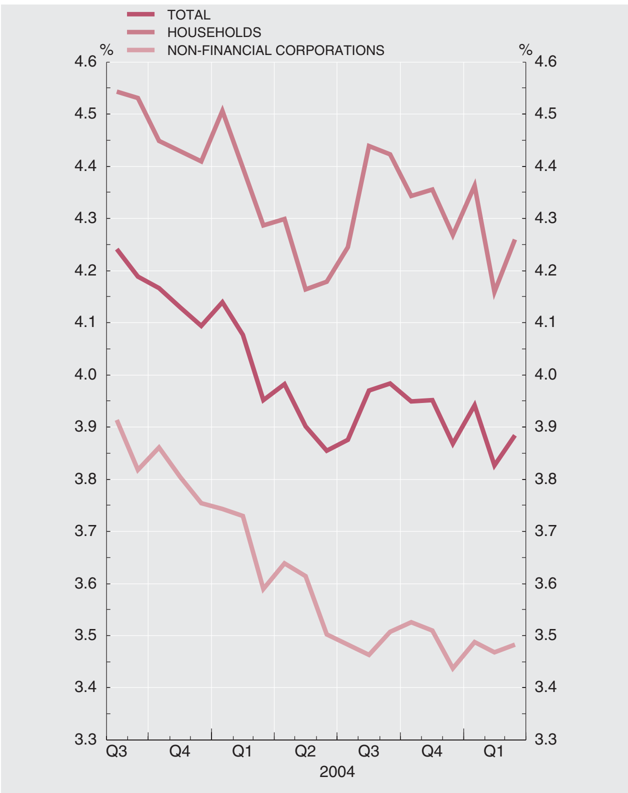
Sources: Main issuers (column 3); AIAF (columns 4 and 12).

9.3. INTEREST RATES ON NEW BUSINESS. CREDIT INSTITUTIONS. (CBE 4/2002)

Percentages

	Loans (APRC) (a)							Deposits (NDER) (a)								
	Syn- thetic rate (c)	Households and NPISH			Non-financial corporations			Syn- thetic rate (c)	Households and NPISH				Non-financial corporations			
		Syn- thetic rate	House pur- chase	Con- sump- tion and other	Syn- thetic rate	Up to EUR 1 million	Over EUR 1 million (b)		Syn- thetic rate	Over- night and re- deema- ble at notice	Time	Repos	Syn- thetic rate	Over- night	Time	Repos
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
03 *Mar*	4.58	4.92	4.07	6.67	4.21	4.83	3.73	1.43	1.44	0.53	2.35	2.60	1.41	0.78	2.44	2.62
Apr	4.54	4.86	3.93	6.77	4.19	4.80	3.68	1.34	1.33	0.51	2.16	2.48	1.37	0.76	2.36	2.52
May	4.46	4.76	3.85	6.62	4.14	4.68	3.67	1.33	1.30	0.48	2.13	2.45	1.42	0.78	2.33	2.51
Jun	4.28	4.65	3.75	6.48	3.87	4.48	3.45	1.19	1.16	0.44	1.94	2.19	1.27	0.77	2.03	2.16
Jul	4.11	4.44	3.55	6.28	3.75	4.38	3.25	1.15	1.14	0.42	1.94	2.05	1.18	0.66	1.97	2.05
Aug	4.24	4.54	3.45	6.80	3.91	4.47	3.45	1.14	1.12	0.42	1.89	2.02	1.20	0.69	1.98	1.97
Sep	4.19	4.53	3.46	6.76	3.82	4.35	3.38	1.12	1.10	0.41	1.87	2.04	1.20	0.68	1.98	2.02
Oct	4.17	4.45	3.48	6.46	3.86	4.41	3.39	1.11	1.08	0.40	1.84	2.03	1.21	0.68	1.98	2.00
Nov	4.13	4.43	3.46	6.41	3.80	4.37	3.33	1.12	1.09	0.39	1.88	1.97	1.21	0.69	2.03	1.97
Dec	4.09	4.41	3.46	6.40	3.75	4.25	3.40	1.13	1.11	0.39	1.93	2.05	1.20	0.66	2.01	1.98
04 *Jan*	4.14	4.51	3.53	6.55	3.74	4.32	3.29	1.15	1.14	0.39	1.99	1.93	1.18	0.68	1.98	1.95
Feb	4.08	4.40	3.51	6.27	3.73	4.22	3.27	1.15	1.14	0.39	1.99	1.96	1.18	0.66	2.02	1.99
Mar	3.95	4.29	3.39	6.20	3.59	4.17	3.13	1.12	1.11	0.39	1.93	2.00	1.15	0.66	1.91	1.99
Apr	3.98	4.30	3.31	6.40	3.64	4.14	3.14	1.13	1.12	0.39	1.95	2.01	1.17	0.65	1.99	1.96
May	3.90	4.16	3.25	6.13	3.61	4.18	3.13	1.11	1.09	0.38	1.92	1.94	1.16	0.66	1.96	1.96
Jun	3.85	4.18	3.29	6.04	3.50	4.15	3.09	1.12	1.11	0.37	2.00	2.06	1.14	0.64	2.01	1.98
Jul	3.88	4.24	3.38	6.07	3.48	4.14	3.03	1.13	1.12	0.37	2.04	2.07	1.16	0.66	1.98	1.99
Aug	3.97	4.44	3.46	6.54	3.46	4.21	2.88	1.15	1.14	0.38	2.03	2.00	1.19	0.68	1.97	2.00
Sep	3.98	4.42	3.45	6.54	3.51	4.13	2.99	1.14	1.13	0.38	2.01	1.98	1.17	0.67	2.00	2.00
Oct	3.95	4.34	3.45	6.34	3.53	4.15	2.95	1.19	1.16	0.39	2.08	2.01	1.28	0.70	2.28	2.03
Nov	3.95	4.36	3.48	6.29	3.51	4.13	2.94	1.18	1.16	0.38	2.08	2.02	1.26	0.69	2.23	2.04
Dec	3.87	4.27	3.39	6.27	3.44	4.12	3.01	1.17	1.15	0.39	2.06	2.11	1.24	0.68	2.06	2.03
05 *Jan*	3.94	4.36	3.43	6.53	3.49	4.21	2.89	1.17	1.14	0.39	2.02	2.04	1.25	0.73	2.05	2.09
Feb	3.83	4.16	3.44	5.84	3.47	4.09	2.91	1.16	1.15	0.40	2.04	2.09	1.21	0.70	2.03	2.05
Mar P	3.88	4.26	3.42	6.24	3.48	4.04	2.98	1.15	1.13	0.39	2.03	2.06	1.21	0.70	2.03	2.00

LOANS
SYNTHETIC RATES



DEPOSITS
SYNTHETIC RATES

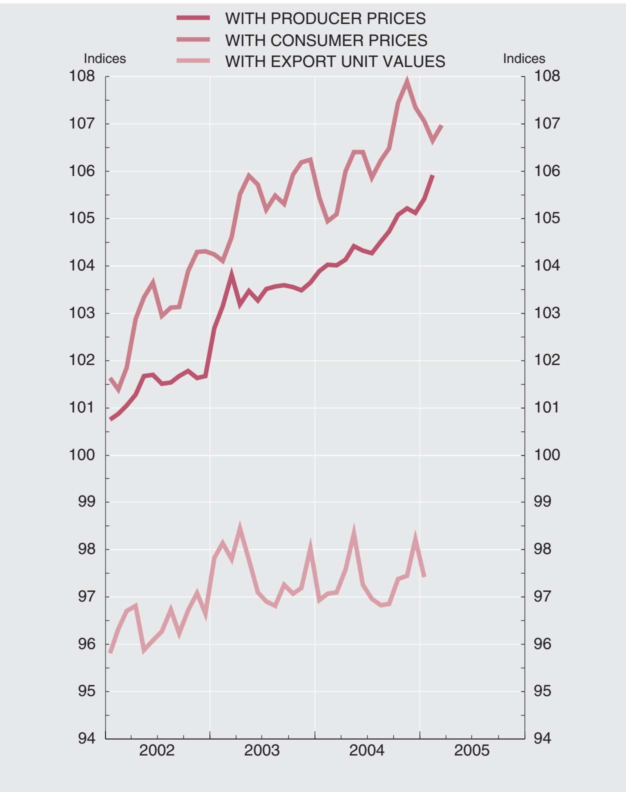
a. APRC: annual percentage rate of change. NEDR: narrowly defined effective rate, which is the same as the APRC without including commissions.
b. Calculated by adding to the NDER rate, which does not include commissions and other expenses, a moving average of such expenses.
c. The synthetic rates of loans and deposits are obtained as the average of the interest rates on new business weighted by the euro-denominated stocks included in the balance sheet for all the instruments of each sector.

9.4 INDICES OF SPANISH COMPETITIVENES VIS-à-VIS THE EU-15 AND THE EURO AREA

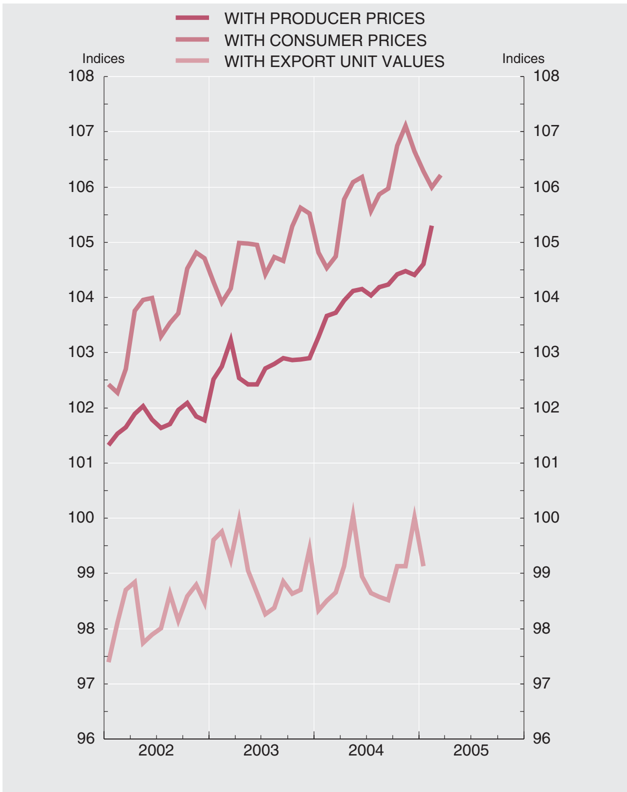
■ Series depicted in chart. *Base 1999 QI = 100*

	Vis-à-vis the EU-15									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 labour costs	Based on export unit values				
	1 ■	2 ■	3	4 ■	5	6	7	8	9	10 ■	11 ■	12	13 ■
02	101.4	103.0	105.3	96.4	99.1	102.4	104.0	106.3	97.4	101.8	103.6	105.9	98.3
03	103.4	105.4	107.0	97.5	100.1	103.3	105.2	106.8	97.4	102.7	104.8	106.0	99.0
04	104.5	106.3	109.2	97.3	99.9	104.6	106.4	109.3	97.4	104.1	105.8	108.5	99.0
03 *Q2*	103.3	105.7	107.2	97.8	100.3	103.0	105.4	106.9	97.5	102.5	105.0	106.0	99.2
Q3	103.6	105.3	106.9	97.0	100.3	103.3	105.0	106.6	96.7	102.8	104.6	105.7	98.5
Q4	103.6	106.1	107.0	97.4	100.2	103.3	105.9	106.8	97.2	102.9	105.5	105.8	98.9
04 *Q1*	104.0	105.2	107.4	97.0	100.0	104.0	105.2	107.4	97.1	103.6	104.7	106.7	98.5
Q2	104.3	106.3	108.4	97.7	99.7	104.6	106.5	108.7	98.0	104.1	106.0	107.8	99.4
Q3	104.5	106.2	109.6	96.9	99.8	104.7	106.4	109.8	97.0	104.1	105.8	109.1	98.6
Q4	105.1	107.6	111.4	97.7	100.2	105.0	107.4	111.3	97.5	104.4	106.8	110.5	99.4
05 *Q1*	...	106.9	...	...	100.2	...	106.7	...	...	...	106.2	...	...
04 *Jul*	104.3	105.9	...	97.0	99.7	104.6	106.2	...	97.2	104.0	105.6	...	98.6
Aug	104.5	106.2	...	96.8	99.8	104.7	106.5	...	97.0	104.2	105.9	...	98.6
Sep	104.7	106.5	...	96.9	100.0	104.8	106.5	...	96.9	104.2	106.0	...	98.5
Oct	105.1	107.4	...	97.4	100.1	104.9	107.3	...	97.3	104.4	106.7	...	99.1
Nov	105.2	107.9	...	97.5	100.2	105.0	107.6	...	97.2	104.5	107.1	...	99.1
Dec	105.1	107.3	...	98.2	100.2	104.9	107.2	...	98.1	104.4	106.6	...	100.0
05 *Jan*	105.4	107.1	...	97.4	100.2	105.2	106.8	...	97.2	104.6	106.3	...	99.1
Feb	105.9	106.7	...	...	100.1	105.8	106.5	...	...	105.3	106.0	...	...
Mar	...	107.0	...	...	100.2	...	106.8	...	...	...	106.2	...	...
Apr	...	...	...	...	100.0	...	...	...	...	...	...	...	...

INDICES OF SPANISH COMPETITIVENESS VIS À VIS THE EU-15



INDICES OF SPANISH COMPETITIVENESS VIS À VIS THE EURO AREA



Source: BE.

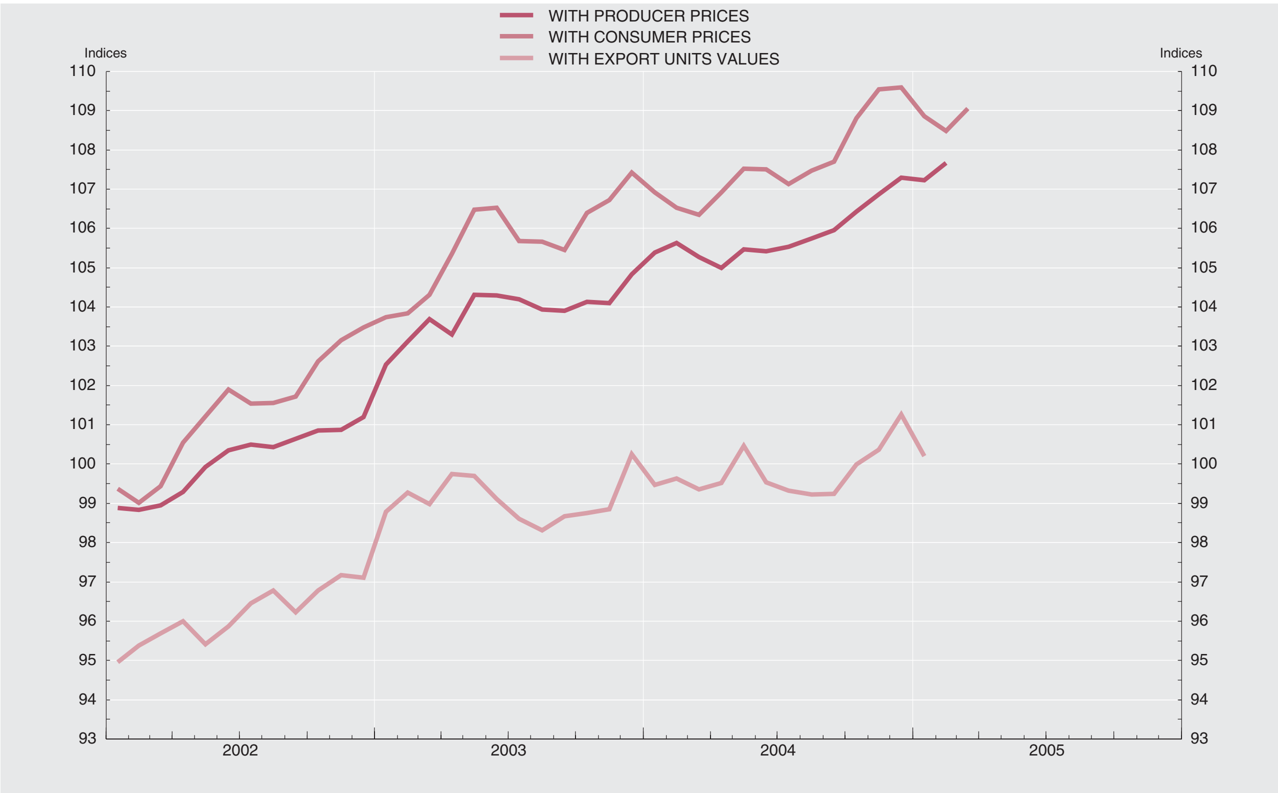
(a) Outcome of multiplying nominal and price components. A decline in the index denotes an improvement in the competitiveness of Spanish products.
(b) Geometric mean calculated using a double weighting system based on 1995-1997 manufacturing foreign trade figures.
(c) Relationship between the price indices of Spain and of the group.

9.5 INDICES OF SPANISH COMPETITIVENESS VIS-à-VIS THE DEVELOPED COUNTRIES

■ Series depicted in chart. *Base 1999 QI = 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
02	100.1	101.3	104.4	96.2	97.1	103.1	104.3	107.5	99.0
03	103.9	105.6	108.0	99.1	100.0	103.9	105.6	108.0	99.1
04	105.8	107.7	111.2	99.8	100.8	105.0	106.9	110.4	99.0
03 *Q2*	104.0	106.1	108.5	99.5	100.3	103.6	105.8	108.2	99.2
Q3	104.0	105.6	108.0	98.5	100.1	103.9	105.5	107.8	98.4
Q4	104.4	106.8	108.4	99.3	100.4	103.9	106.4	108.0	98.9
04 *Q1*	105.4	106.6	109.5	99.5	100.9	104.5	105.7	108.6	98.6
Q2	105.3	107.3	110.1	99.8	100.3	105.0	107.0	109.8	99.6
Q3	105.7	107.4	111.5	99.3	100.5	105.2	106.9	110.9	98.7
Q4	106.9	109.3	113.8	100.5	101.4	105.4	107.8	112.3	99.2
05 *Q1*	...	108.8	...	...	101.5	...	107.2	...	...
04 *Jul*	105.5	107.1	...	99.3	100.5	105.0	106.6	...	98.9
Aug	105.7	107.5	...	99.2	100.5	105.2	107.0	...	98.7
Sep	106.0	107.7	...	99.2	100.7	105.3	107.0	...	98.6
Oct	106.4	108.8	...	100.0	101.0	105.4	107.7	...	99.0
Nov	106.9	109.5	...	100.4	101.4	105.4	108.1	...	99.0
Dec	107.3	109.6	...	101.3	101.7	105.5	107.7	...	99.5
05 *Jan*	107.2	108.9	...	100.2	101.5	105.6	107.3	...	98.7
Feb	107.7	108.5	...	...	101.4	106.2	107.0	...	...
Mar	...	109.0	...	...	101.6	...	107.4	...	...
Apr	...	...	...	...	101.3	...	...	...	...

INDICES OF SPANISH COMPETITIVENESS VIS-À-VIS THE DEVELOPED COUNTRIES



Source: BE.

(a) Outcome of multiplying nominal and cost/price components. A decline in the index denotes an improvement in the competitiveness of Spanish products.
(b) Geometric mean calculated using a double weighting system based on 1995-1997 manufacturing foreign trade figures.
(c) Relationship between the price indices of Spain and of the group.

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