ECONOMIC BULLETIN

07/2004

BANCO DE ESPAÑA

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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 SIGLAS 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

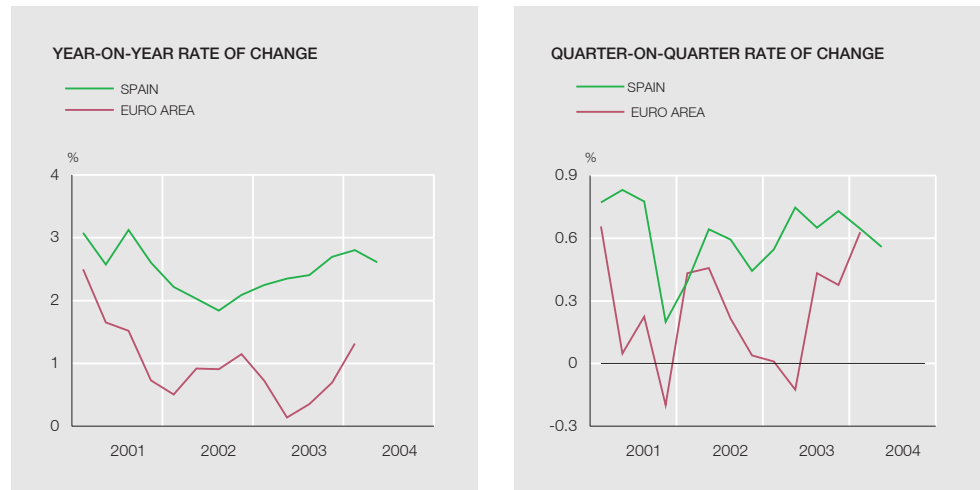|	
M1	Notes and coins held by the public + sight deposits.
M2	M1 + deposits redeemable at notice of up to three months + deposits with an agreed maturity of up to two years.
M3	M2 + repos + shares in money market funds and money market instruments + debt securities issued with an agreed maturity of up 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

Growth has tended to become widespread in the world economy as 2004 has unfolded. The momentum from the United States and other central and eastern Asian regions has gradually spread to most European countries and to Latin America. This has been despite the fact that geopolitical tensions, oil price rises and the imbalances weighing on certain economies are causing some uncertainty over the continuity and intensity of this process, at a time when the first symptoms of a turnaround in the stance of US monetary policy have come about.

Against this background, the Spanish economy has maintained a growth rate that does not differ substantially from that released by INE for 2004 Q1. Specifically, the estimated quarter-on-quarter rate of increase of real GDP in 2004 Q2 was 0.6%, unchanged on Q1, while the year-on-year rate slowed modestly to 2.6%, 0.2 pp down on the previous quarter. Real net external demand exerted a moderating influence on the year-on-year growth of output, subtracting 1.4 pp from it, almost 0.5 pp more than in the first quarter of the year. Domestic demand, meantime, continues to show signs of notable stability. Indeed, if the change in stockbuilding is excluded, the growth rate of domestic demand in Q2 compared with the same period a year earlier might again be 3.5%, as three months earlier, and scarcely unchanged on the average for 2003 (3.3%). If stockbuilding is taken into account, the increase in domestic demand in 2004 Q2 would have steepened slightly. The most relevant development in this aggregate has been the change that is beginning to be discernible in its composition, with a greater robustness of investment in capital goods that is not detracting from the resilience of investment in construction and of consumption, this latter variable having slackened somewhat. Lacklustre merchandise exports have meant that the recovery in industrial activity has not been as intense as expected, while the rate of increase of employment may have eased by 0.1 or 0.2 pp, in line with the results of the EPA (Labour Force Survey), which have just been released. Finally, the increase in consumer prices stood at 3.5% in June, led by energy and processed food prices in the main. This figure, which should ease in the coming months, places the differential with the euro area at 1.1 pp.

The key development in the recent international picture, in addition to the above-mentioned extension of the expansionary climate, has been the increase in US interest rates in June. With the rise in the target for its federal funds rate to 1.25%, the Federal Reserve has brought to an end a long period of continuous cuts. Although neither the scale of the change (25 bp) nor the level of interest rates (real rates remain considerably negative) entail a substantial turnaround in US monetary conditions, the decision was received by the markets as a signal that, against a background of high growth and with deflationary risks forgotten, interest rates should progressively adapt to the economy's new circumstances. The rise in rates passed through to the longer-dated terms, more sharply so at first and somewhat less intensely subsequently, in response to certain less favourable data on the performance of the economy, in which, in fact, no substantial changes are apparent.

The data on employment, which is one of the most closely monitored variables, appear to be holding firm. Also, the increase in productivity continues to be high, which lessens the risk of inflationary pressures arising, despite the fact that the rate of increase of consumer prices has edged up to 3.3%, in response above all to the pressure of energy prices. This increase in inflation may have diminished somewhat the buoyancy of the consumption indicators. Finally, the exchange rate of the dollar has held stable, with slight fluctuations, although in recent weeks there has been a more marked depreciating movement.

GROSS DOMESTIC PRODUCT (a)   CHART 1

YEAR-ON-YEAR RATE OF CHANGE

— SPAIN
— EURO AREA

QUARTER-ON-QUARTER RATE OF CHANGE

— SPAIN
— EURO AREA

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

a. Seasonally adjusted series.

The central and eastern Asian region is one of the biggest centres of expansion in the current international setting, although its impact is distributed with differing degrees of intensity across markets. Japan is one of the economies that has most benefited, and its growth has been revised upwards, although its deflationary tendencies have not fully disappeared. The Chinese economy has slowed slightly, perhaps as a result of the policies adopted to tether what is an excessive growth rate that was unleashing numerous imbalances.

Most eastern European countries, including those that have recently joined the EU, are participating in this expansionary climate, as they are in some of the resulting inflationary imbalances. The same is happening in Latin America, where certain countries have benefited from the rises in commodity prices. These, however, have begun to recede, with the exception of oil products. The conditions of financial stability prevailing on international markets and the high growth rates posted in many Latin American economies have provided for a reversal of the notable rise in sovereign debt spreads at the beginning of the quarter, on the back of expectations about rises in US interest rates.

The recent data on developments in the euro area economies are optimistic, although they do not quite dispel the doubts about the firmness the current pick-up may attain. Following such favourable National Accounts results in Q1, the latest indicators offered mixed signals, although the growth rate in Q2 is expected to be around 0.5% in quarter-on-quarter terms. Despite the low level of interest rates, the sluggishness of employment, the relative slackness of the securities markets and the low level of consumer confidence are restricting any increase in consumption, especially in certain economies, such as Germany, whose incipient expansion continues to be based on the notable contribution of external demand. Other countries, however, have not managed to benefit from the recovery in trade flows, in view of the flatness still prevailing in intra-Community trade. The main doubts concern the behaviour of business investment. The figures for Q1 were influenced by the poor results in the construction industry and, for the moment, more accurate information is not available. In any event, it is significant that while financing received by households has been increasing at a relatively sustained rate, lending to non-financial corporations has not ceased to decelerate in recent months.

HARMONISED INDICES OF CONSUMER
PRICES (a)

SPAIN
EURO AREA

UNIT LABOUR COSTS (b)

SPAIN
EURO AREA
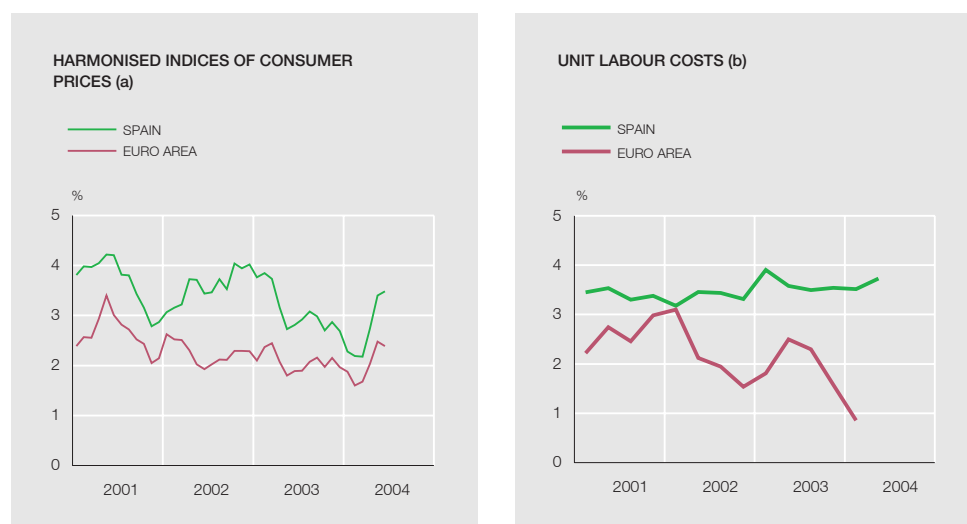
SOURCES: Eurostat, ECB and Instituto Nacional de Estadística.

a. Year-on-year rate of change. To December 2001, the rates relate to those released as at that date.
b. Per unit of output. Year-on-year rate of change calculated on the basis of seasonally adjusted series.

The inflation rate for the euro area as a whole stood at 2.4% in June. Its rate of change is expected to moderate in the coming months, once the intensity of the rises seen in energy-product prices begins to abate. In fact, the measures of inflation that strip out the most variable components – energy and unprocessed food, which have also increased significantly – have retained a more contained tone. Indeed, the CPI excluding unprocessed food and energy has held slightly above 2% since the start of the year. The slowdown in the rate of change of prices will be assisted, moreover, by the recent trend of unit labour costs, the rate of increase of which has slackened notably.

In this setting, the ECB monetary policy stance has remained stable given the lack of significant risks for price stability in the medium term. Nonetheless, the ECB should remain watchful in case there are changes in the trend of economic activity in the area or in the degree of wage moderation that may alter this assessment. In any event, the changes in interest rates expected by the markets in the coming months will be very modest. Turning to fiscal policy, the main development has been the ruling by the European Court of Justice on the action brought by the Commission to have the conclusions of the Ecofin Council of November 2003 on the application of the Excessive Deficit Procedure (EDP) to Germany and France overturned. This ruling, which supports the Commission's assertion as to the Council's lack of competence to suspend the EDP unilaterally and to adopt recommendations outside the proposals of the Commission, reinforces the validity of the euro area's current fiscal discipline mechanisms.

As 2004 unfolds, the Spanish economy is thus in a favourable international setting, the only adverse development being the rise in the prices of oil products. Further, it continues to benefit from easy monetary conditions which are boosting spending by private agents. Budget outturn data are confined to the State and to Social Security transactions, and interpreting them is a complex matter due to the changes in the calendar for certain taxes and to the movements in transfers between the different levels of government, on which virtually no budgetary information is available. Overall, the fiscal policy stance might prove to be moderately expansionary in 2004.

SPAIN

------- CONSUMER
——— BUSINESS

EURO AREA

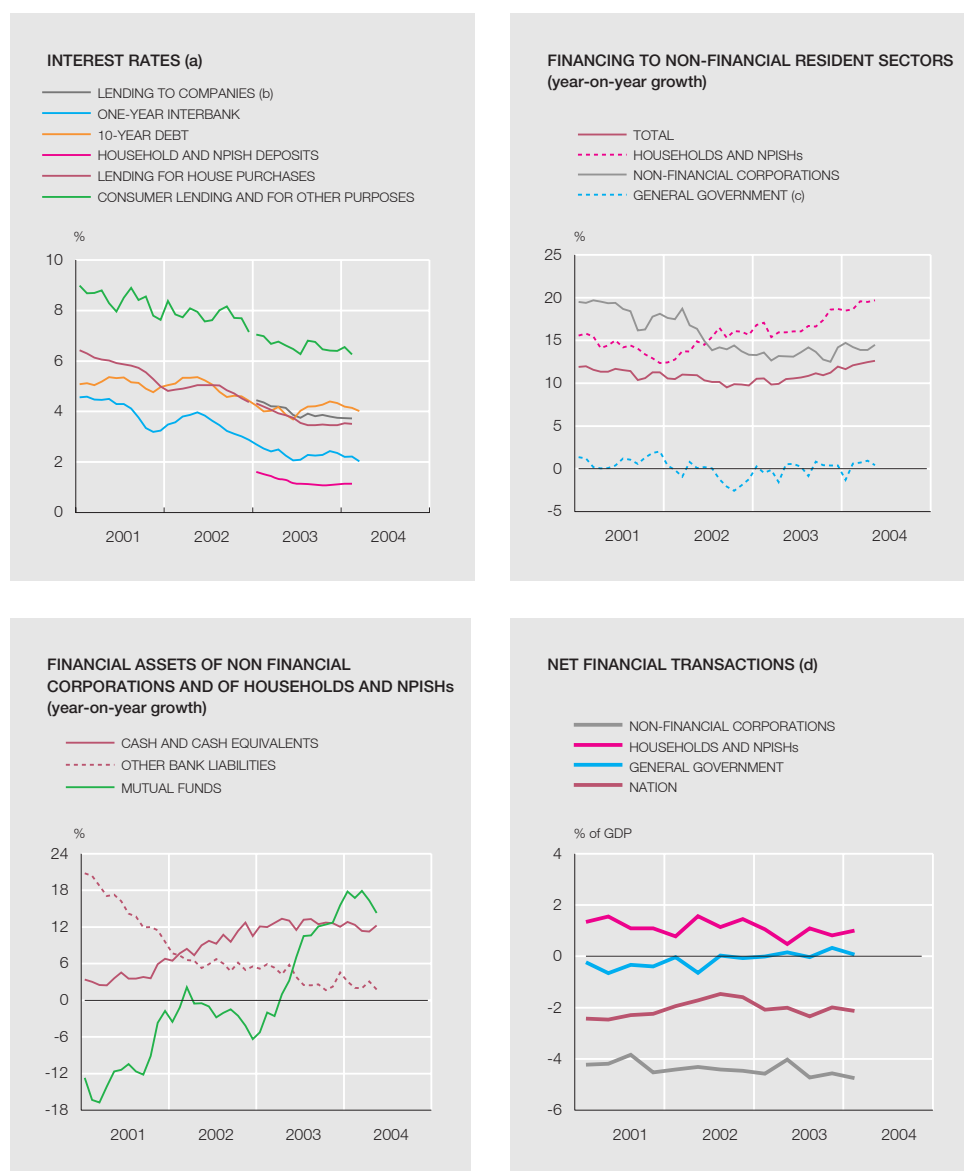------- CONSUMER
——— BUSINESS
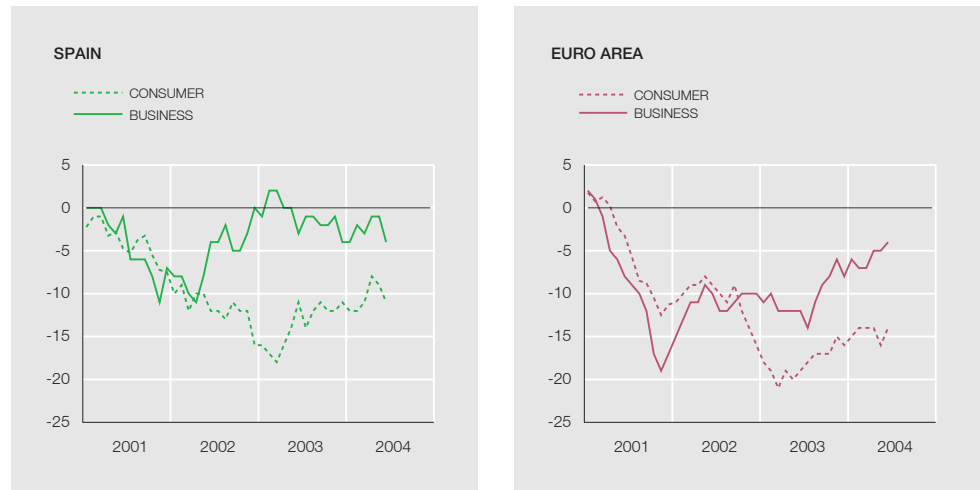
SOURCE: European Commission.

These circumstances, which scarcely differ from those initially perceptible at the beginning of the year, reveal no substantial changes in the patterns of the main macroeconomic variables, which are advancing in many cases with notable inertia. However, the first signs of certain changes appear to be discernible. And should such changes be confirmed, they would alter the composition of growth in the Spanish economy in the coming quarters as the monetary impulses tend to ease off, the expansion of construction slackens and the growth of investment firms.

Household expenditure on consumption and housing increased appreciably once again in 2004 Q2. Most of the indicators confirm this, although a tendency towards moderation is apparent in almost all of them. The financing received by households continues, however, to grow at a very high rate, especially credit for house purchases, which reached a high of 23% in May. Financing extended for other activities has, nevertheless, stabilised at a relatively high rate. The growth of household disposable income has, despite being substantial and although it may even exceed last year's figure, been curbed by the rise in consumer prices and, to a much lesser extent, by the slight slowdown in employment. The saving ratio is not expected to recover over the year as a whole, whereupon household lending capacity – given the vigour of investment in housing – may end the year at a very low level. Indeed, the level of debt has continued increasing, although the wealth position of households remains sound, partly as a consequence of the fact that the increase in non-financial wealth has offset the hesitant movements on stock markets.

In any event, the growth of debt and the high proportion of saving that has to be assigned to service debt might, in the medium term, have a bearing on the expansion of household consumption and investment, especially if there were significant increases in the cost of financing or substantial corrections in the value of household assets. In this respect, the recent data on house prices point to continuing high growth rates, although there has been a slight slowdown.

The most favourable figure in recent months has undoubtedly been the recovery in investment in capital goods. Its year-on-year rate of increase is expected to exceed 5% in Q2, and this strength should take root in the course of the year. The situation in the corporate sector, now that the restructuring undertaken by certain major companies appears to have concluded, and

INTEREST RATES (a)

- LENDING TO COMPANIES (b)
- ONE-YEAR INTERBANK
- 10-YEAR DEBT
- HOUSEHOLD AND NPISH DEPOSITS
- LENDING FOR HOUSE PURCHASES
- CONSUMER LENDING AND FOR OTHER PURPOSES

FINANCING TO NON-FINANCIAL RESIDENT SECTORS
(year-on-year growth)

- TOTAL
- HOUSEHOLDS AND NPISHs
- NON-FINANCIAL CORPORATIONS
- GENERAL GOVERNMENT (c)

FINANCIAL ASSETS OF NON FINANCIAL CORPORATIONS AND OF HOUSEHOLDS AND NPISHs
(year-on-year growth)

- CASH AND CASH EQUIVALENTS
- OTHER BANK LIABILITIES
- MUTUAL FUNDS

NET FINANCIAL TRANSACTIONS (d)

- NON-FINANCIAL CORPORATIONS
- HOUSEHOLDS AND NPISHs
- GENERAL GOVERNMENT
- NATION

SOURCE: 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. For loans exceeding €1 million, the interest rate is obtained by adding to the NEDR (Narrowly Defined Effective Rate), which does not include commission and other expenses, a moving average of such expenses.
c. Consolidated financing: net of securities and loans that are general government assets.
d. Cumulative four-quarter data.

the favourable earnings expectations are stimuli that should be conducive to recovery. The growth of financing extended to corporations has stabilised, and considerable differences across the various sectors are apparent: the construction and real estate industries show the most dynamism and the industrial sector the least. In any event, despite the increase in the latter sector's interest burden, this remains moderate.

The recent performance of exports of goods and services does not match the recovery in international markets. According to Customs figures, the real increase in goods exports in the first five months of the year was 3.8%, approximately half the expected increase for export

markets over the year as a whole. Several factors influenced this result, such as the surprisingly high growth of the figures for the first half of last year and the scant buoyancy, to date, of the European market, the main destination for Spanish products. However, the presence of certain signs of losses in competitiveness should not be ruled out here. In the coming months, exports may nevertheless be expected to become stronger, which will provide a sustained boost to industrial activity and employment, which have yet fully to take off. The modest growth forecast for goods exports in Q2 has been further accentuated by the figures for tourism, which has undoubtedly been affected by the impact of the terrorist bombings on 11 March. The notable robustness of imports has been in response to the momentum and composition of demand, whereby the most burgeoning increases have been in purchases of consumer goods and of equipment.

The firmness in the growth rate of employment is one of the most notable characteristics marking recent developments in the Spanish economy. The indicators available for Q2 confirm that job creation remains buoyant, despite slackening slightly. The slowdown in the rate of change of numbers employed, according to the EPA, has spread to virtually all branches. In industry, although employment was created in Q2, this did not prevent the year-on-year change from still being considerably negative. It is essential that the increase in employment should continue so that household spending decisions and their capacity to cope with debt are underpinned by sound foundations and by favourable expectations about the future. For this to occur, among other factors, unit labour costs should resume the slowdown that appears to have been interrupted, and which has widened the differential with the euro area countries most significantly (see Chart 2). The results of collective bargaining are, generally, proving positive. But it is important, once again, that the temporary increases in the inflation rate should not feed through to wage increases and that these should be accommodative of productivity gains. In turn, such gains should be based on investment and on the efficient use of quality productive factors.

As regards the behaviour of prices, the CPI posted an increase of 3.5% in June compared with the same month a year earlier, the same rate as for the harmonised index (HICP). Energy and unprocessed food set the pattern for the behaviour of consumer prices during the year and, in step with this, for the differential with the euro area countries, which is hovering at around 1 pp. Forecasts point to a slowdown in the 12-month growth rate of the CPI in the coming months. But in order to curb the recent inflationary spurt, the slowdown needs to become embedded and be of sufficient intensity, despite the fact that import prices may not perform as favourably as in recent months (the exchange rate has contributed, in part, to easing the increases in imported oil prices) and that the repercussions of energy price rises may not have finished feeding through to other sectors of the economy.

In order to bring about a permanent correction of the Spanish economy's inflation differential with the euro area countries, unit labour costs must slow in such a way that, as commented, wage increases and productivity growth run in parallel. The necessary market reforms must also be undertaken in order to restrain the growth of services prices, the rate of increase of which has been stable for several years at a level in excess of 3.5%, which is incompatible with price stability. The reforms should, moreover, cover the markets for the distribution of food products, the prices of which have been growing at over 4% for four years.
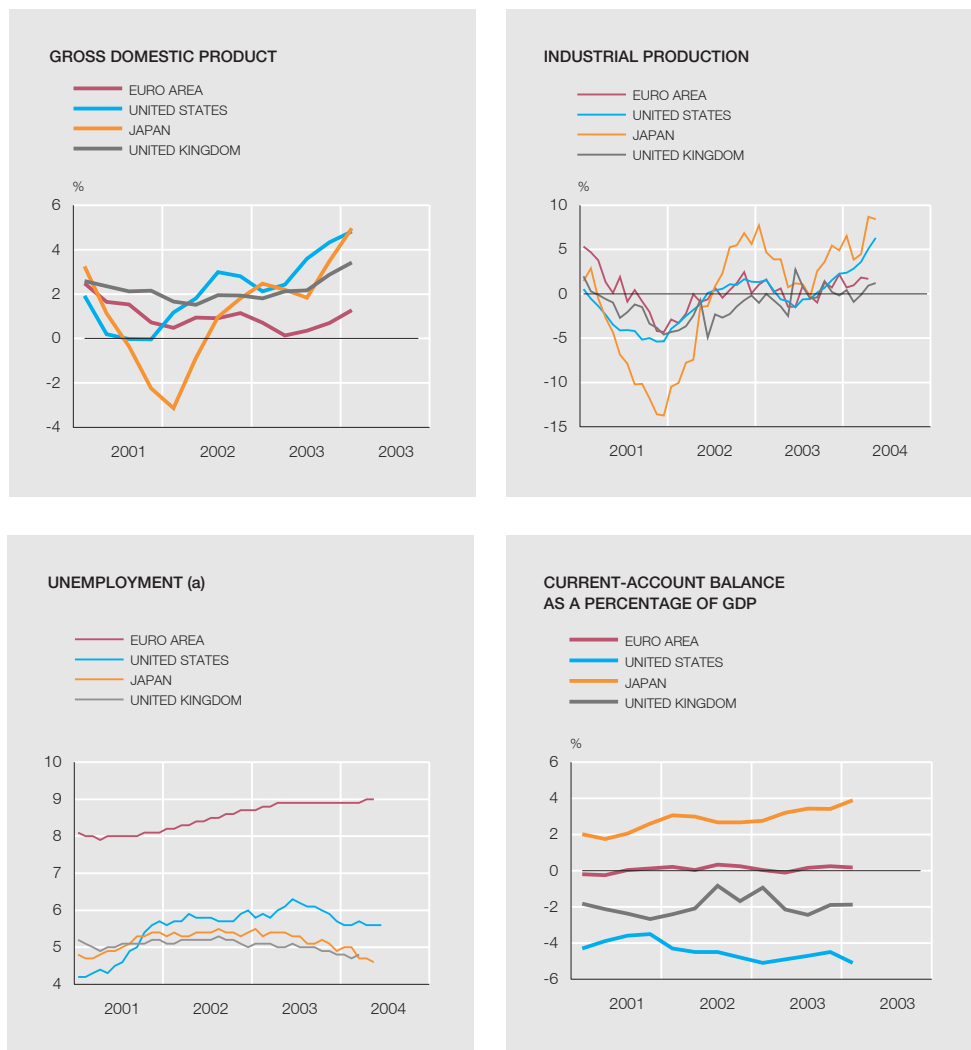
2 The external environment of the euro area

The 25 bp rise in US official interest rates on 30 June was a turning point in this country's monetary policy stance, following a cycle of official rate cuts lasting more than three years. The decision had been widely discounted by the financial markets in the preceding months, which gave rise during the quarter to a significant and widespread increase (particularly marked in the United States) in long-term interest rates, albeit departing from very low levels. Subsequently, in the first half of July, there was a moderate decline in long-term rates in the industrialised countries and a slight fall in the main stock market indices. The adjustment of expectations led to a low level of debt issues and to a widening of sovereign spreads in the emerging economies, although most of the previous increases were reversed as from the second half of the quarter. On the foreign exchange markets, the dollar fluctuated at around $1.20 per euro during Q2. After depreciating significantly against the euro as from the first week of July, the dollar resumed a level of below $1.21 at the end of the month. In contrast to the drop in agricultural prices, oil prices held on a rising trend over the quarter and, after a slight decline in July, Brent oil exceeded $39 per barrel at the end of the month.

In the United States, following the downward revision of the quarter-on-quarter growth rate of GDP in Q1, from 4.4% to 3.9%, the pace of activity appeared to moderate somewhat towards end-Q2 in view of the employment, private consumption and industrial production indicators. In the labour market, net job creation was lower than expected in June, at 112,000 jobs. Nevertheless, the unemployment rate continued to stand at 5.6% in June, with a little over one million net jobs having been created since March. With regard to private consumption, retail sales fell heavily in June, by 1.1% month-on-month, although during Q2 as a whole they rose by 7.7% year-on-year. Consumer confidence, however, continued to grow. Private investment data for the last few months were also unfavourable, with two consecutive declines in durable goods orders in April and May, which the 0.7% increase in June failed to offset. On the supply side, industrial production fell by 0.3% month-on-month in June, after accelerating at the start of the quarter, although the Purchasing Managers' Surveys are still at high levels despite having fallen back in June. Turning to the external sector, the trade deficit narrowed slightly in May, after having reached a new high in April, with exports up 2.9% on the previous month (17.6% in year-on-year terms), outpacing the 0.4% month-on-month rise in imports (15.9% year-on-year). Prices quickened considerably in Q2, as the consumer price index grew at a 12-month rate of 3.3% in June, mainly owing to the increase in energy prices, while underlying inflation stood at 1.9%.

In Japan, the supply, demand and labour market indicators for Q2 tended to confirm the firming of the recovery following the increase in the GDP growth rate to 5.6% in Q1 compared with the same period in 2003. On the supply side, industrial production grew by 4.6% year-on-year in May. The growth of machinery orders and the recovery in business confidence were also notable. As regards demand-side indicators, personal income and household expenditure grew in May, in contrast to the decline in retail sales. The labour market created 320,000 net jobs between March and May, resulting in a fall in the unemployment rate to 4.6%. However, in spite of the economic buoyancy and the increase in energy prices – which led to a year-on-year rise in wholesale prices in June of 1.4% – the CPI again turned decisively negative over the quarter, with inflation at a 12-month rate of –0.5% in May and underlying inflation at –0.3%.

In the United Kingdom the economy continued to show signs of strength. The preliminary estimate for GDP in Q2, with year-on-year growth of 3.7%, showed that the rate of expansion

MAIN MACROECONOMIC INDICATORS
Annual rates of change

GROSS DOMESTIC PRODUCT

—— EURO AREA
—— UNITED STATES
—— JAPAN
—— UNITED KINGDOM

INDUSTRIAL PRODUCTION

—— EURO AREA
—— UNITED STATES
—— JAPAN
—— UNITED KINGDOM

UNEMPLOYMENT (a)

—— EURO AREA
—— UNITED STATES
—— JAPAN
—— UNITED KINGDOM

CURRENT-ACCOUNT BALANCE
AS A PERCENTAGE OF GDP

—— EURO AREA
—— UNITED STATES
—— JAPAN
—— UNITED KINGDOM

SOURCES: Banco de España, national statistics and Eurostat.

a. Percentage of the labour force.

was maintained following the 3.4% rise recorded in Q1. Retail sales grew by 7.2% year-on-year in June, while orders surveys continued to post increases. In the labour market, the unemployment rate remained at a historical low of 4.8% on average in the three months to May and wages continued to rise. On the supply side, industrial production increased by 0.5% month-on-month (1.2% year-on-year) for the second month running in May. The trade deficit widened in May as a result of the rise in imports (0.5% month-on-month) and the drop in exports (–0.7%). Turning to prices, the 12-month growth rate of the HICP increased over the quarter from 1.1% in March to 1.5% in June, although this is still below the 2% target. In July the Bank of England decided to maintain the official interest rate at 4.5%, the level prevailing since June, in line with market expectations.

Activity in the new EU Member States continued to accelerate in 2004 Q1, especially in the Baltic States and Poland, where year-on-year growth rates exceeded 6%. The indicators for Q2 continued to show strong increases in retail sales, industrial production and exports in the main countries in the region. There was a considerable rise in prices, partly as a result of the liberalisation of certain administered prices and the increase in indirect taxes following EU ac-

CONSUMER PRICES

- EURO AREA
- UNITED STATES
- JAPAN
- UNITED KINGDOM

%

CPI-BASED REAL EFFECTIVE EXCHANGE RATES VIS-À-VIS DEVELOPED COUNTRIES

- EURO
- DOLLAR
- YEN
- STERLING

Jan 2001 = 100

SHORT-TERM INTEREST RATES (a)

- EURO AREA
- UNITED STATES
- JAPAN
- UNITED KINGDOM

LONG-TERM INTEREST RATES (b)

- EURO AREA
- UNITED STATES
- JAPAN
- UNITED KINGDOM

%

SOURCE: Banco de España.
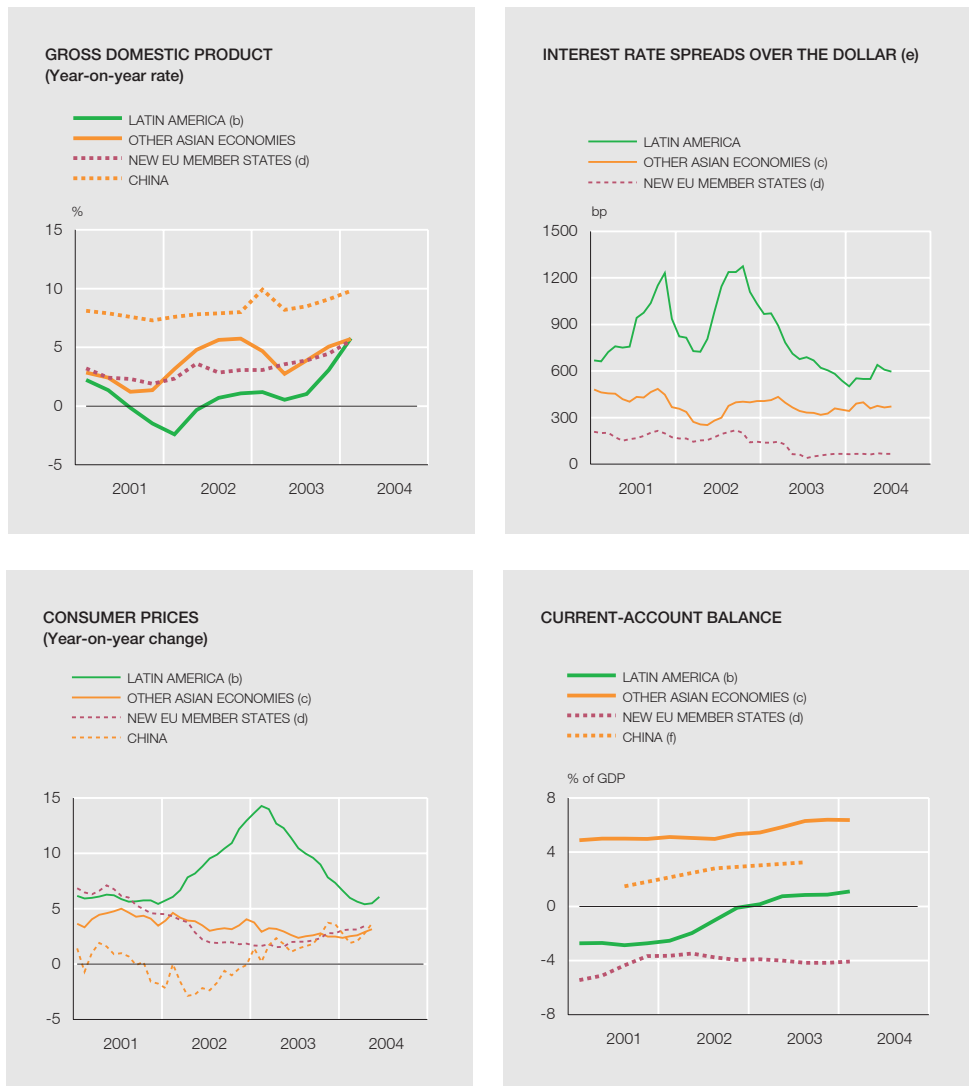
a. Three-month interbank market interest rates.
b. Ten-year government debt yields.

cession. Against this background, in Q2 there were increases in the official interest rates of Poland (from 5.25% to 5.75%) and the Czech Republic (from 2% to 2.25%), while in Slovakia they were cut from 5% to 4.5% in order to dampen the exchange rate appreciation. On 27 June, Slovenia, Estonia and Lithuania joined ERM II, with fluctuation bands of ±15%, although the latter two countries maintained their currency board arrangements against the euro on a unilateral basis. At the beginning of July the EU Council decided to initiate an excessive deficit procedure for six countries (the Czech Republic, Poland, Hungary, Slovakia, Malta and Cyprus).

In the main south-east Asian economies, the export and activity indicators available for May and June, after having increased at year-on-year rates of between 5% and 6% in Q1, showed that the region continues to be buoyant. At the same time, the indicators for retail sales improved in most countries (except in South Korea), pointing to a gradual recovery of private consumption. Year-on-year inflation rates rose gradually in May and June, driven mainly by energy prices. In China, real GDP grew by 9.6% year-on-year in Q2, only 0.2 pp down on Q1, but notably below the forecasts of over 10%, implying that the policies intended to reduce

GROSS DOMESTIC PRODUCT
(Year-on-year rate)

— LATIN AMERICA (b)
— OTHER ASIAN ECONOMIES
····· NEW EU MEMBER STATES (d)
····· CHINA

INTEREST RATE SPREADS OVER THE DOLLAR (e)

— LATIN AMERICA
— OTHER ASIAN ECONOMIES (c)
····· NEW EU MEMBER STATES (d)

CONSUMER PRICES
(Year-on-year change)

— LATIN AMERICA (b)
— OTHER ASIAN ECONOMIES (c)
····· NEW EU MEMBER STATES (d)
····· CHINA

CURRENT-ACCOUNT BALANCE

— LATIN AMERICA (b)
— OTHER ASIAN ECONOMIES (c)
····· NEW EU MEMBER STATES (d)
····· CHINA (f)

SOURCES: National statistics and JP Morgan.

a. The aggregate of the various areas has been calculated using the weight in the world economy of
the countries included in said aggregate, drawing on 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 are for Hungary and Poland.
The Asia aggregate does not include China.
f. Annual data.

investment, and thereby moderate economic growth, had begun to have an impact. However,
the external sector remained considerably buoyant, since both exports and imports quickened
in June, with year-on-year growth of over 45%. The 12-month inflation rate rose to 5% in June
(4.4% in May), in spite of the aforementioned restrictive policies and a moderate slowdown in
the money supply.

In Latin America, the indicators showed that the strong rate of expansion of activity in Q1
firmed in Q2. In particular, the recovery in domestic demand was confirmed by the acceleration
in retail sales growth rates in many countries in the region. This greater buoyancy in activity
was manifest in greater inflationary pressures, also arising from the higher commodity prices

and the currency depreciations in the preceding months. The rise in inflation – which reached 6% year-on-year in the area as a whole – is making it harder to meet inflationary targets in many countries and has resulted in greater monetary policy caution. Initial volatility in Q2 subsided and financial markets in the region stabilised in June as a result of an easing off of prospects of interest rate hikes in the US and an improved outlook for activity in the area. This allowed international debt issuance, concentrated in Brazil, to resume during the last few weeks of the quarter, after little activity on this front in the region over the quarter as a whole. Lastly, there was headway in the various processes of economic and commercial integration in the area, including most notably the progress at the recent Mercosur summit, at which Mexico and Venezuela were admitted as associate members.

3 The euro area and the monetary policy of the ECB

The information available on the economic performance of the euro area in Q2 confirms that the greater buoyancy in activity observed since the end of last year – thanks to the momentum of the world economy and, to a lesser extent, domestic demand – is continuing. However, the modest impetus of private consumption over this period has cast some doubt on how to sustain domestic demand growth. Furthermore, the heterogeneity of the composition of growth in the euro area countries prevents any identification of a generalised pattern of economic recovery. Turning to price developments, the HICP growth rate has picked up in recent months, mainly as a result of strong increases in energy prices. Nonetheless, the recovery in productivity against a background of wage moderation supports the expectations of a decline in the inflation rate in the second half of the year, providing oil prices do not begin to rise again.

Monetary and financial conditions remained generous throughout Q2 and did not therefore prove to be an obstacle to economic recovery. With regard to fiscal policy it seems evident, despite the improvement in activity, that the budgetary targets contained in most stability programmes will not be reached in 2004 and, according to the European Commission's spring forecasts, six countries will again exceed the 3% ceiling set in the Treaty on European Union. Given the difficulties of maintaining budgetary rigour in the euro area, the Commission, whose role in disciplinary proceedings has been strengthened thanks to a recent ruling by the European Court of Justice, is drawing up a list of proposals to enhance the application of the mechanisms in force.

3.1 Economic developments

According to the second euro area National Accounts estimate, GDP in the area in 2004 Q1 grew by 0.6% compared with the preceding quarter, 0.2 pp above the average quarter-on-quarter rate for the second half of 2003 (see Table 1). The greater robustness of output was down to the performance of the external sector, whose contribution to quarter-on-quarter growth was 0.3 pp, after standing at a negative rate of almost –0.5 pp the previous quarter. This change in the contribution of external demand to GDP growth was largely due to the notable improvement in exports, the result of the robustness of the external environment, despite the cumulative appreciation by the euro over the past three years (see Box 1). Domestic demand (excluding stockbuilding) contributed 0.4 pp to GDP growth, on a similar scale to the two preceding quarters. Significant under domestic demand is the acceleration in private consumption, in contrast to the notable deterioration in government consumption. Investment grew very moderately, compared with its buoyancy the previous quarter. This was due to the fall-off in investment in construction, influenced by presumably temporary factors, since investment in equipment increased by 0.6%. Finally, stockbuilding made a zero contribution to output growth (see Chart 8).

The breakdown of National Accounts across countries reveals a quickening in economic activity in most of them, albeit with relatively significant differences in intensity and composition. Among the biggest economies in the area, France and Spain – posting quarter-on-quarter rates of 0.8% and 0.6%, respectively – experienced more robust growth than Germany and Italy. Italian output expanded by 0.4% after having been flat the previous quarter. Regarding the composition of growth, the most notable discrepancies were between Germany and the other large countries. The contribution of domestic demand to German GDP was negative, since the chronic weakness of private consumption was compounded by the slide in government consumption and the contraction in investment, especially construction investment. Indeed, investment in the euro area, excluding construction in Germany, accelerated moder-

		2002	2003				2004		
		Q4	Q1	Q2	Q3	Q4	Q1	Q2 (a)	Q3 (b)
GDP	Year-on-year growth	1.1	0.7	0.1	0.4	0.7	1.3		
	Quarter-on-quarter growth	0.0	0.0	-0.1	0.4	0.4	0.6		
	European Commission forecasts (c)							(0.3;0.7)	(0.3;0.7)
IPI (d)		1.1	1.0	-0.6	-0.2	1.4	1.2	2.7	
Economic sentiment		92.4	90.5	91.4	94.2	97.8	98.7	100.0	
Industrial confidence		-10.0	-11.0	-12.0	-11.4	-7.3	-6.7	-4.7	
Manufacturing PMI		49.0	49.3	47.1	49.1	52.0	52.8	54.4	
Services confidence		-4.3	-5.7	-2.0	5.3	10.3	10.7	11.4	
Services PMI		50.5	48.9	47.9	51.9	56.7	56.0	55.2	
Unemployment rate		8.6	8.8	8.9	8.9	8.9	8.9	9.0	
Consumer confidence		-14.0	-19.3	-19.3	-17.3	-16.0	-14.3	-14.7	
HICP (d) (e)		2.3	2.4	1.9	2.2	2.0	1.7	2.4	
PPI (d) (e)		1.3	2.3	1.3	0.9	0.9	0.4	2.4	
Oil price in USD (e)		28.2	30.3	27.6	27.1	29.9	33.8	35.3	37.4
Loans to the private sector (d) (e)		4.8	4.7	4.6	4.9	5.5	5.4	5.6	
Euro area ten-year bond yield		4.5	4.2	4.0	4.2	4.4	4.2	4.4	4.3
US-euro area ten-year bond spread		-0.51	-0.22	-0.32	0.09	-0.05	-0.11	0.28	0.22
Dollar/euro exchange rate (e)		1.049	1.090	1.143	1.165	1.263	1.222	1.216	1.239
Appreciation/depreciation of the euro (e)		19.0	3.9	9.0	11.1	20.4	-3.2	-3.8	-1.9
Dow Jones EURO STOXX Broad index (e)		-34.5	-12.9	2.9	4.1	18.1	1.9	3.7	0.1

SOURCES: Eurostat, ECB and Banco de España.

a. The information in italics does not cover a full quarter.
b. Information available up to 20 July 2004.
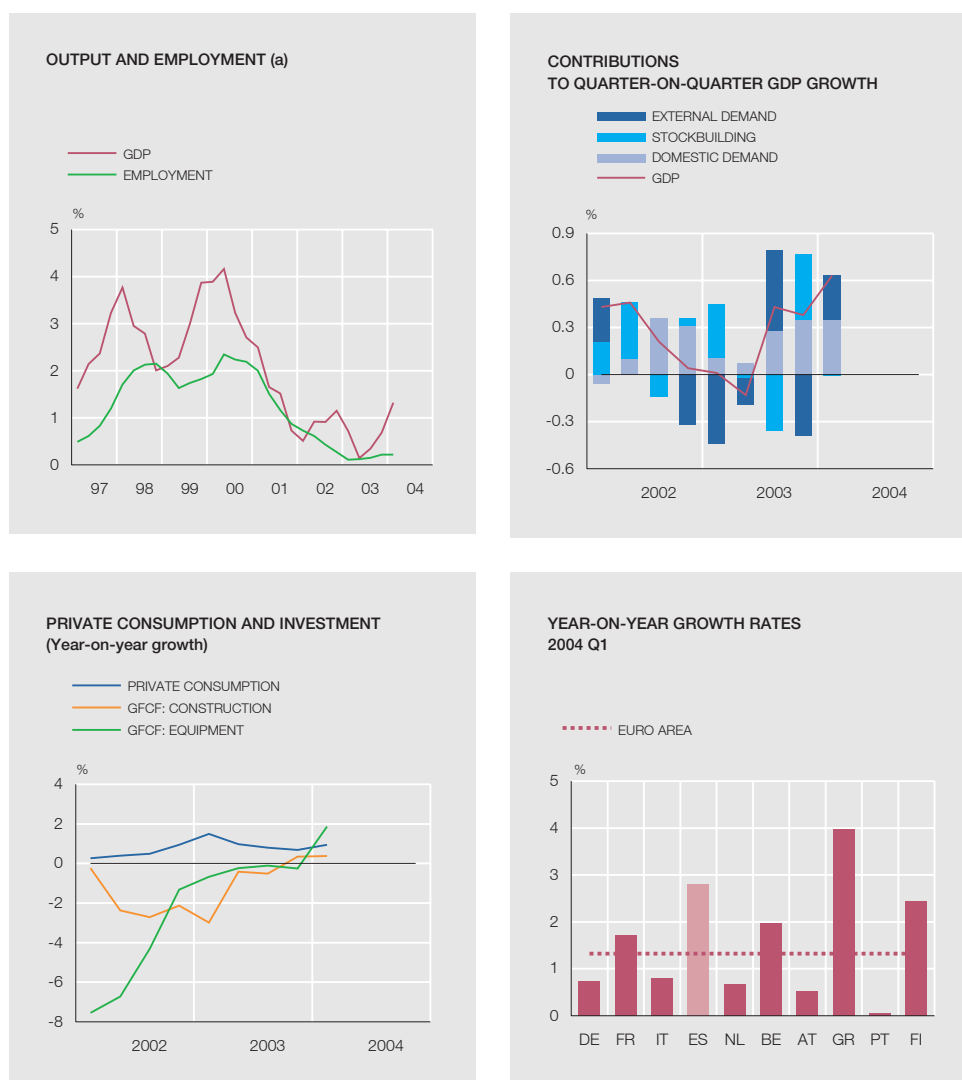c. Quarter-on-quarter growth forecasts.
d. Year-on-year growth.
e. End-period data. Figures for exchange rates and the stock market are percentage changes over the year.

ately, rising to a rate of 0.5% in quarter-on-quarter terms. By contrast, the contribution of Germany's net external demand was very positive as a result of buoyant exports. Conversely, private consumption in France, Italy and Spain expanded vigorously, making for a very positive contribution of domestic demand to GDP, while the contribution of net external demand was slightly negative.

Across the production branches, the acceleration in value added in the euro area economy in Q1 was due, in line with the breakdown of output on the demand side, to a brisker pace of expansion in industry, the distributive trade and financial intermediation, while the rate of increase of construction and government-provided services slowed. In the labour market employment continued to increase slowly, which, against a background of quickening economic activity, saw productivity expand by 1% compared with the same period a year earlier. However, this result masks significant differences in the behaviour of the different sectors of the economy. Job destruction continued in industry and in construction, while job creation quickened mildly in the services sector. The unemployment rate held at 9% in May, 0.1 pp up on March.

Into 2004 Q2, the supply-side indicators available point to the maintenance of a vigorous rate of increase. On the demand side, however, the signs of improvement are less conclusive, especially regarding private consumption developments (see Chart 9). Generally, the industrial activity and construction indicators have emitted positive signals. In this respect, the industrial production index trended favourably in April and May. Similarly, the latest data (to June) for the European Commission's business confidence index offered an encouraging result, character-

OUTPUT AND EMPLOYMENT (a)

CONTRIBUTIONS
TO QUARTER-ON-QUARTER GDP GROWTH

PRIVATE CONSUMPTION AND INVESTMENT
(Year-on-year growth)

YEAR-ON-YEAR GROWTH RATES
2004 Q1

SOURCES: Eurostat and national statistics.

a. Year-on-year rates of change.

ised by improvements in all its components. In quarterly average terms, this entailed headway in relation to Q1. The Purchasing Managers' Survey for manufacturing industry also signals a clear increase in activity in the sector in average quarterly terms. Finally, the confidence indicator in the construction industry increased in Q2 in relation to Q1, and the services sector confidence indicators held relatively stable in Q2 compared with the previous quarter.

From the demand standpoint, the indicators available generally point to a rather unsatisfactory performance by private consumption, while the external sector is seen to be more buoyant. In 2004 Q2 the consumer and retail confidence indicators stabilised, on average, at the level recorded in the opening months of the year, up on the figure for 2003 Q4. Further, retail sales fell back in April and May, on average, in relation to Q1. Conversely, new car registrations increased appreciably. As regards the investment indicators, orders in industry were on a rising trend and the results from the half-yearly investment survey in manufacturing conducted between March and April were favourable. The latter survey entailed an upward revision of the expectations for an increase in investment for 2004 to 3% in real terms from the figure of 2% forecast in the October-November 2003 half-yearly survey. This result is also in contrast to the
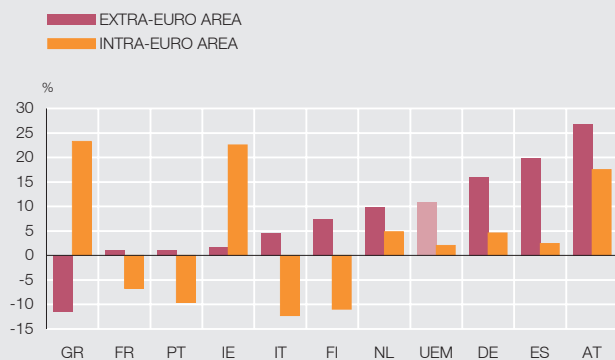
Since late 2000 the euro has been on a rising path against the currencies of its main trading partners, which has seen its nominal effective exchange rate appreciate by more than 30% in the period to 2004 Q1. During this same period, euro area exports to outside the area have increased by somewhat more than 10%, below the growth of world markets. Across the Member States, the performance of exports to outside the area has differed greatly. Chart 1 shows that Greece has been the only country where exports have fallen, while growth has been positive – albeit to differing degrees – in the remaining countries. This differential behaviour of sales abroad in most of the euro area countries has been due to the confluence of other determinants apart from the exchange rate. These are analysed below.

On the supply side, European exporting companies may possibly have been able to attempt to offset the appreciation of the euro and, therefore, the loss of competitiveness by reductions in export prices denominated in the common currency, thereby squeezing profit margins per unit sold in exchange for maintaining market share. The extent to which export prices may have been cut depends on the market power each country has in setting its prices, i.e. the extent to which prices are set in terms of domestic costs or of competitors'
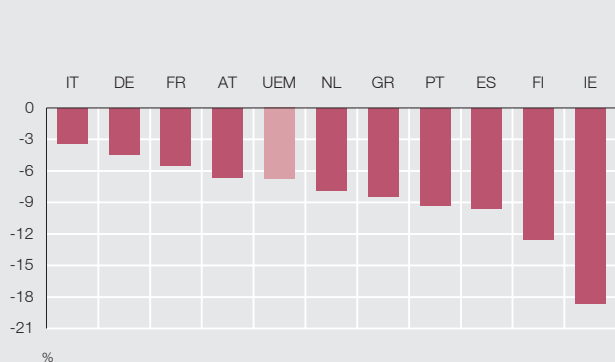
export prices. Chart 2 offers estimates made at the Banco de España, using a supply and demand model, of the weights of these two factors in the determination of the export prices of most euro area countries. According to these estimates, notable differences can be seen to exist between the countries, ranging from Finland, which sets its prices in accordance with its domestic costs to the tune of approximately 60%, to Ireland, which sets all its prices in terms of its competitors' prices. Mid-range are three of the area's major countries – Spain, France and Italy – which set 70% of their prices, on average, in accordance with their competitors' prices. Meanwhile Germany, according to these estimates, shows greater market power than the foregoing countries.

Chart 3 displays the change in the euro-denominated prices of extra-euro area exports for most of the euro area countries in the recent period of euro appreciation. It can be seen that the squeeze on prices was, in all cases, far lower than the appreciation of the euro, indicating that exporters have only partly offset the effect of the appreciation with a reduction in their margins. Likewise, no clear relationship is perceptible between Charts 2 and 3, which is why other composition and demand factors may have been highly relevant.

1. GOODS EXPORTS
(OCTOBER 2000 - FEBRUARY 2004 CHANGE)

2. WEIGHT OF THE DETERMINING FACTORS OF EXPORT PRICES (a)

3. EXTRA-EURO AREA EXPORT PRICES
(OCTOBER 2000 - FEBRUARY 2004 CHANGE)
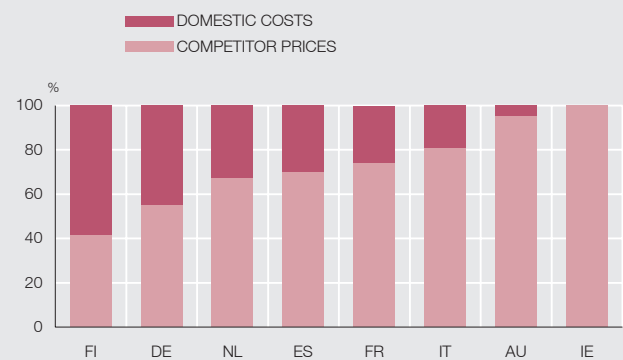
4. EXPORT MARKETS (b)
AND TOTAL GOODS EXPORTS (c)
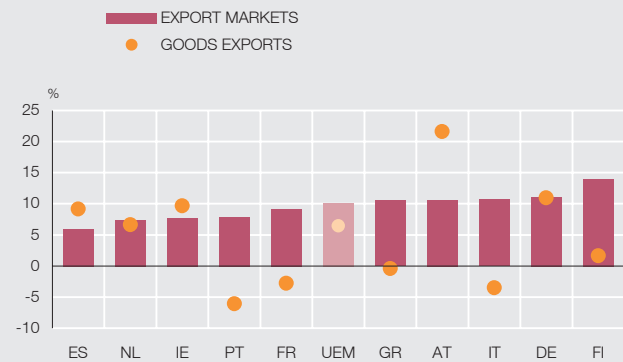
SOURCES: Eurostat, OECD and Banco de España.

a. Estimates taking into account intra- and extra-euro area exports.
b. October 2000 -February 2004 change.
c. 2000Q4-2003Q4 change.

On the demand side, many variables affect sales outside the euro area. The volume of exports may have trended differently in each country in accordance with the intensity of the appreciation of each country's nominal effective exchange rate, with the cyclical position of the export areas targeted and with the reaction of competitors, since it seems reasonable to think that they will also have taken advantage of the appreciation of the euro to increase their prices in their respective currencies and increase their margins, partly cushioning the loss of competitiveness of European exporters. Lastly, the performance of the respec-

tive countries' export markets may have differed, thereby exerting a differentiated effect on sales flows outside each Member State. Chart 4 displays the growth of this variable as calculated by the OECD. Although it includes both internal and extra-euro area markets, it is a good indicator of the external demand each country is facing. Highly differentiated performances are observed throughout the period considered, suggesting that the composition of trade by destination has also been a key variable when it comes to justifying the notable divergences in exports in recent years across the euro area members.

investment spending finally reported by corporations in 2003, which fell by 7%. Lastly, the export indicators improved notably in Q2 (orders in industry from abroad and export expectations), in keeping, according to the trade balance, with the expansion in exports to April.

The favourable trend of the indicators of activity has meant an improvement in the outlook for growth for the rest of this year. In this respect, and in terms of the determinants of demand, the increase in foreign export markets, the slight rise in the pace of job creation and of disposable income, and the lax financial conditions for both companies and households all shape a scenario conducive to a continuing path of recovery. Accordingly, the growth forecasts of the main international organisations, both for Q2 and for the year as a whole, appear attainable. Specifically, the European Commission forecasts that the GDP growth rate in Q2 and Q3 will be between 0.3% and 0.7% quarter-on-quarter, which will allow for an increase in GDP of close to 2% in annual average terms. Nonetheless, the absence of clear signs of an improvement in consumption in Q2, and the potential persistence of the slippage seen in government consumption and investment in construction in Q1 casts some doubt on the intensity of the recovery in the European economies. Finally, uncertainty over the course of oil prices in the coming months is, naturally, a further factor of risk.

In June the HICP grew by 2.4% compared with the same month a year earlier, 0.7 pp up on March. Behind this progressive acceleration in prices is, mostly, the hike in oil prices in April and May, and the subsequent impact on the component of the index that reflects energy prices, which grew by 5.9% in June, far above the negative rate of –2% recorded in March (see Chart 11). The other HICP components have held relatively stable during Q2, meaning that the rate of increase of the indicator grouping services and non-energy goods prices has remained relatively steady in the period under analysis, at slightly above 2%. From the standpoint of producer prices, non-energy commodities have become dearer since mid-2003, in line with the increase in worldwide demand. This, along with the rise in energy prices, has borne on the performance of the producer price index, the 12-month rate of change of which (2.4% in May) has been on a rising trend since February, when it posted zero growth.

Turning to price formation on the supply side, unit labour costs eased to a year-on-year rate of 0.9% in 2004 Q1, 0.6 pp down on 2003 Q4. This was thanks to the rebound in productivity, the increase in which was 1%, since compensation per employee increased by 2%, the same rate as the previous quarter. The GDP deflator also grew by 2% in Q1, in line with the increases in previous quarters, whereby the slowdown in unit labour costs has entailed a notable widening of margins (see Chart 10). In view of the gradual pick-up in economic activity and scant job destruction in the economic downturn, job creation will foreseeably be modest,

INDUSTRIAL ACTIVITY INDICATORS

INDUSTRIAL PRODUCTION (a)
MANUFACTURING PMI
BUSINESS CONFIDENCE (right-hand scale)

CONSUMPTION INDICATORS

RETAIL SALES (a)
CONSUMER CONFIDENCE (right-hand scale)

INVESTMENT INDICATORS

CAPACITY UTILISATION
ORDERS (right-hand scale)

EXPORT INDICATORS

EXPORT EXPECTATIONS
FOREIGN ORDERS
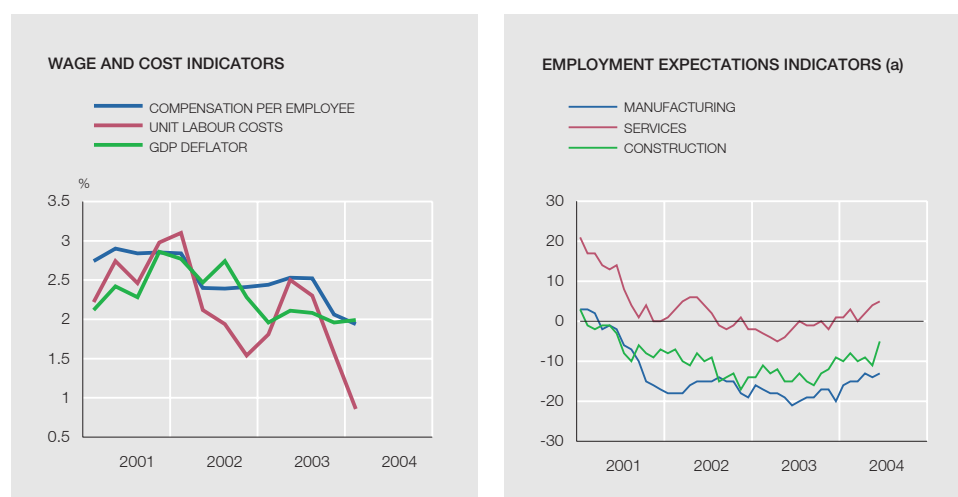EXTRA-EURO AREA REAL EXPORTS (right-hand scale)

SOURCES: Eurostat and European Commission.

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

which will make maintaining wage restraint easier and provide for a cyclical increase in productivity, with the subsequent tendency of unit labour costs to undergo small increases. However, according to EU confidence surveys, consumer inflation expectations, though still at low levels, rose significantly in May and June as a result of the hike in oil prices, which is a potential factor of risk for wage moderation.

As regards the external sector, balance-of-payments information for April is available, meaning that only a highly provisional assessment of Q2 can be made. In terms of cumulative balances in the first four months of each year, net flows in the euro area balance on current account posted a surplus of €14 billion in 2004, in contrast to the deficit of €4.5 billion in 2003. The improvement in this balance was the outcome of the increase in the merchandise surplus, which climbed from €23.4 billion last year to €39.1 billion this year, thanks to an expansion in exports of 6.2% year-on-year in nominal terms and of 1.7% in imports. The basic balance, which reports current-account results and net direct and portfolio investment balances, recorded a deficit of €19.3 billion, against a surplus of €28.7 billion last year, as a result of net direct investment outflows.

WAGE AND COST INDICATORS

- COMPENSATION PER EMPLOYEE
- UNIT LABOUR COSTS
- GDP DEFLATOR

EMPLOYMENT EXPECTATIONS INDICATORS (a)

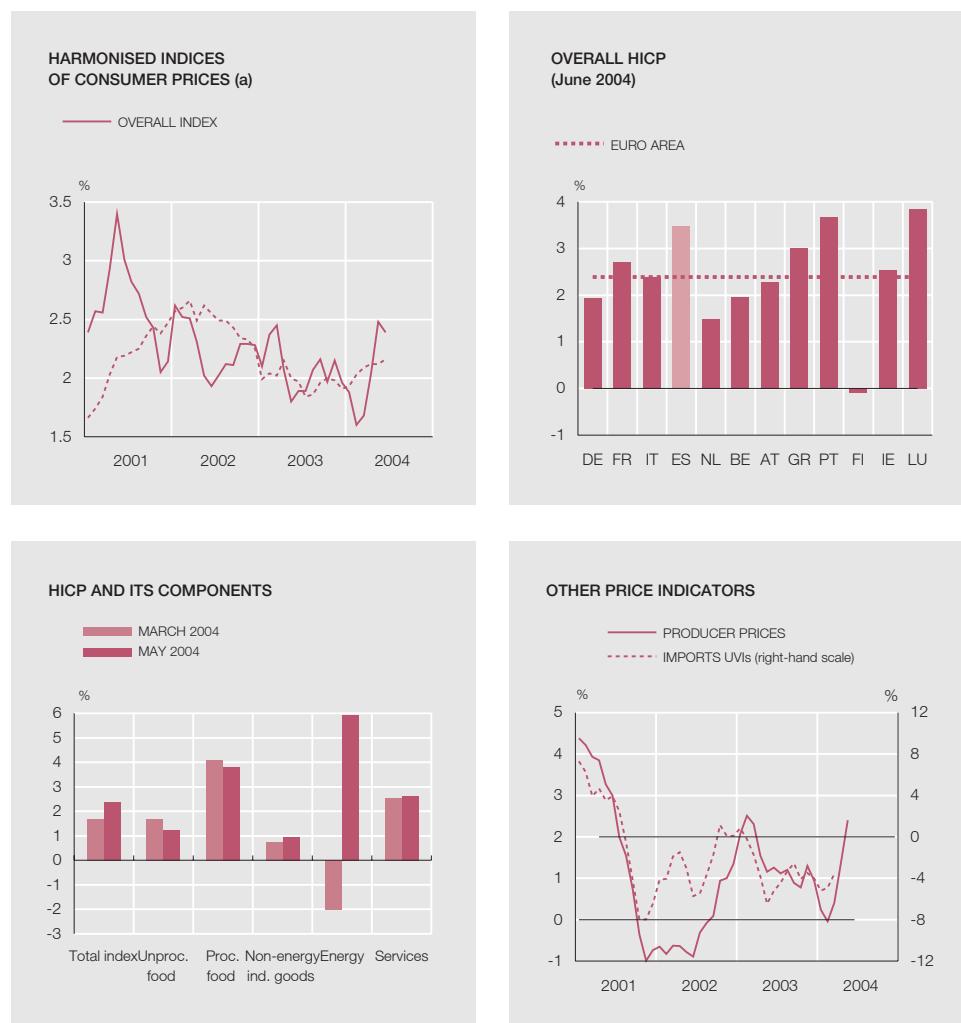- MANUFACTURING
- SERVICES
- CONSTRUCTION

SOURCES: Eurostat and European Central Bank.

a. Expectations based on European Commission sentiment indicators.

Recent developments in public finances in the euro area countries suggest that the budgetary targets laid down in the related stability programmes will not, at the aggregate level, be met this year either. And this despite the fact (certain exceptions aside) that economic growth is expected not to deviate substantially from the estimates in these programmes. According to the European Commission's spring forecasts, 2004 will close, as did 2003, with a deficit of 2.7% of GDP, 0.4 pp above that resulting from the aggregation of the programme targets (see Table 2). Moreover, according to these forecasts, a total of six Member States might run deficits of over 3% of GDP in 2004.

The notifications in March under the excessive deficit procedure gave rise to fresh developments. Thus, the decline in the Portuguese deficit in 2003 to below the 3% ceiling saw this country's compliance with the Council Recommendation formulated in November 2002, which led to the derogation on 11 May 2004 of the excessive deficit procedure affecting Portugal. The course of the Portuguese deficit in the first four months of the year has been as expected, since greater direct tax revenue has allowed the strong growth of transfers to households to be checked. In the Netherlands, following notification by the Dutch authorities that the budget deficit had exceeded 3% of GDP in 2003, the Commission initiated the corresponding proceedings, leading the ECOFIN Council to decide, on 2 June, that there was an excessive deficit in this country. ECOFIN recommended it be corrected before 2005 and that, before 2 October, discretionary measures entailing a reduction of 0.5% of GDP in cyclically adjusted terms be adopted. The Dutch authorities have already adopted a package of fiscal consolidation measures, the outcome of which will be an estimated reduction in the deficit of 0.6% of GDP.

Furthermore, since the European Commission's spring forecasts anticipated the possibility of the Italian deficit rising to 3.2% of GDP in 2004, the Commission resolved to recommend that the Council issue an early warning to the Italian authorities. In the light of the plan submitted by the Italian authorities, which should enable the deficit to be reduced by 0.6% of GDP this year, the ECOFIN decided on 5 July to reject the Commission's proposal. In any event, even the revised targets might encounter difficulties being met, since they are based on ambitious assumptions about proceeds from real asset sales and on the capacity of the local authorities

HARMONISED INDICES
OF CONSUMER PRICES (a)

——— OVERALL INDEX

OVERALL HICP
(June 2004)

••••••• EURO AREA

HICP AND ITS COMPONENTS

MARCH 2004
MAY 2004

OTHER PRICE INDICATORS

——— PRODUCER PRICES
••••••• IMPORTS UVIs (right-hand scale)

SOURCES: Eurostat and European Central Bank.

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

to control their spending. Lastly, the ECOFIN Council estimated, at this same meeting, that there was an excessive deficit in Greece, and it called on the Greek authorities to put an end to this situation before end-2005 and to submit the necessary measures in this connection prior to 5 November this year. The outlook for 2004 in Greece is very uncertain since, in addition to the provisional nature of the results for 2003, there has been a heavy overrun on spending targets in the first four months of the year because of expanding transfers and public investment which has only been partly offset by the favourable course of tax receipts.

Among the other high-deficit countries, the budget outturn in Germany was unfavourable in the first four months as a result of the adverse course of tax receipts, the decline in which exceeded the estimates made in autumn 2003. This has been due to the composition of economic growth which, being based above all on external demand, has not contributed to the expansion of tax bases and, therefore, of tax takings. Conversely, the growth of spending has been very modest, moving in line with forecasts, thanks to the reduction in the number of public-sector employees, to the moderation of public-sector wage growth and to the cuts in transfers (mainly due to the health system reform). Finally, the French budget outturn in the opening months of the year was as forecast, since the positive impact

GENERAL GOVERNMENT BUDGET BALANCES
OF EURO AREA COUNTRIES (a)

TABLE 2

% of GDP

	2000	2001	2002	2003	2004 (b)	2004 (c)
Belgium	0.1	0.3	0.0	0.2	-0.5	0.0
Germany	-1.2	-2.8	-3.5	-3.9	-3.6	-3.3
Greece	-2.0	-1.9	-1.5	-3.0	-3.2	-1.2
Spain	-1.0	-0.4	-0.1	0.3	0.5	0.0
France	-1.4	-1.6	-3.1	-4.1	-3.7	-3.6
Ireland	4.4	1.1	-0.4	0.2	-0.8	-1.1
Italy	-1.9	-2.7	-2.4	-2.5	-3.2	-2.2
Luxembourg	6.3	6.3	2.7	-0.1	-2.0	-1.8
Netherlands	1.5	0.0	-1.6	-3.2	-3.6	-2.3
Austria	-2.0	0.1	-0.4	-1.3	-1.3	-0.7
Portugal	-3.2	-4.4	-2.7	-2.9	-3.5	-2.8
Finland	7.1	5.2	4.3	2.1	1.8	1.7
PRO MEMORIA: Euro area						
Primary balance	3.1	2.4	1.5	0.8	0.7	
Total balance	-1.0	-1.7	-2.3	-2.7	-2.8	-2.3
Public debt	70.4	69.4	69.3	70.5	71.0	

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 (-) /
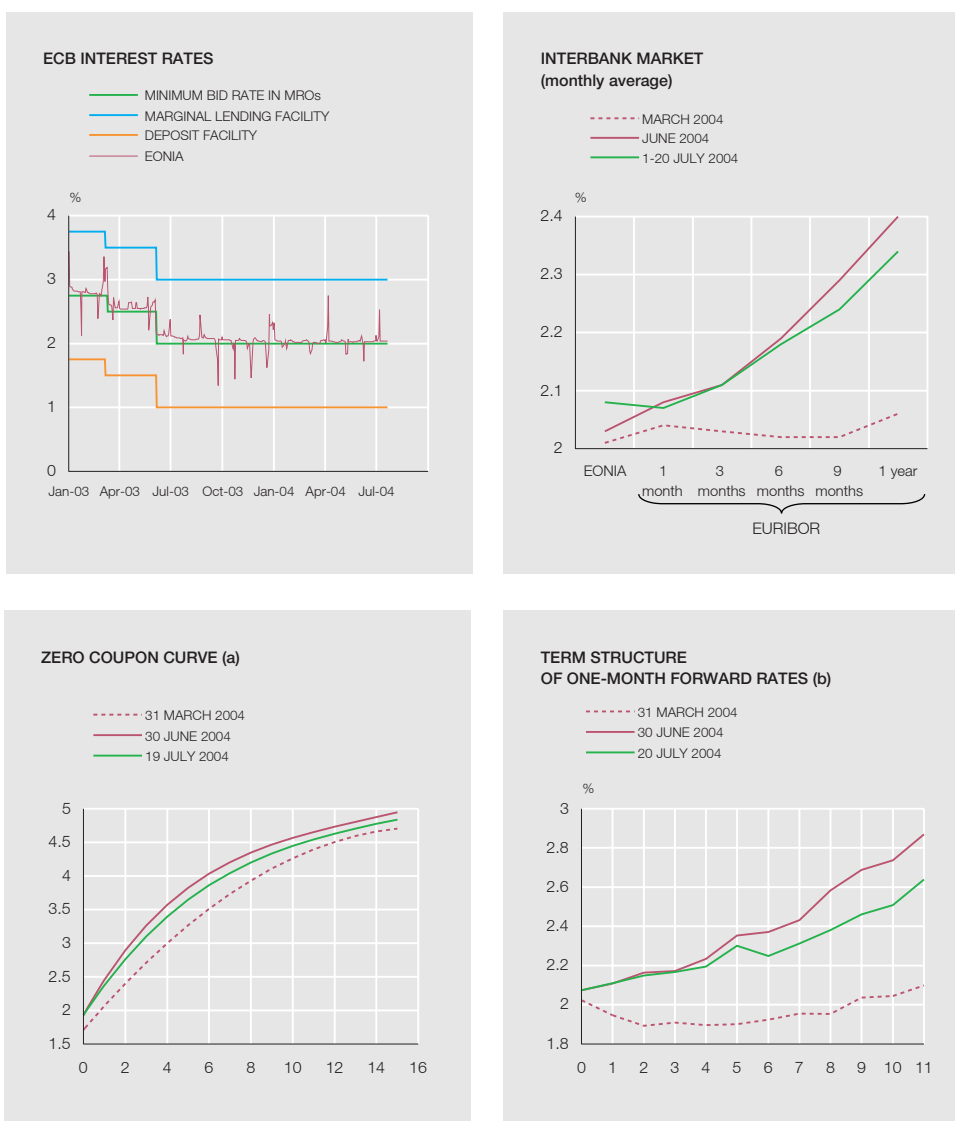surplus (+). The deficits that exceed 0.03 of GDP have been shaded.
b. European Commission forecasts (spring 2004).
c. Targets of the stability programmes presented between November 2003 and January 2004.

of the favourable trend of activity has enabled the effects of the discretionary decisions adopted to increase spending (measures stimulating consumption and the partial annulment of the previous decision to tighten unemployment benefit eligibility criteria) to be countered.

On 13 July the Court of Justice of the European Communities decided to annul the conclusions of the ECOFIN Council of 5 November 2003 on the excessive deficit procedures initiated against France and Germany. There were essentially two reasons behind this annulment. First, the conclusions contain a suspension of the procedure for reasons unrelated to the provisions of the Treaty. Further, the amendment by the Council of the recommendations previously adopted by it may only be done upon the Commission's initiative. Nonetheless, the ruling rejects the Commission's claim that the Council should have adopted its recommendation establishing that these two countries have not implemented sufficient measures to reduce their deficits. Conversely, the Court highlights the Council's power to support or reject the Commission's initiatives.

This ruling means the fiscal surveillance and discipline mechanisms in the Treaty and in the Stability and Growth Pact remain in force. At the same time, the difficulties encountered in recent years in preserving budgetary discipline in the euro area highlights the need to refine the application of the established procedures (see Box 2). In this respect, the European Commission has begun to outline some suggestions combining the search for incentives for more disciplined behaviour in periods of high growth with the possible introduction of more flexible criteria when the cycle has turned downwards. Further, the European Commission has con-

EURO AREA INTEREST RATES

CHART 12

ECB INTEREST RATES

- MINIMUM BID RATE IN MROs
- MARGINAL LENDING FACILITY
- DEPOSIT FACILITY
- EONIA

INTERBANK MARKET
(monthly average)

- MARCH 2004
- JUNE 2004
- 1-20 JULY 2004

EURIBOR

ZERO COUPON CURVE (a)

- 31 MARCH 2004
- 30 JUNE 2004
- 19 JULY 2004

TERM STRUCTURE
OF ONE-MONTH FORWARD RATES (b)

- 31 MARCH 2004
- 30 JUNE 2004
- 20 JULY 2004

SOURCES: European Central Bank and Banco de España.

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

sidered giving a more predominant role to debt levels and to the sustainability of public fi-nances in the long run as another possible means of refining the current surveillance mecha-nisms.

**3.2 Monetary and
financial developments**

At its meetings during 2004 Q2, the ECB Governing Council considered that the prevailing monetary policy stance remained appropriate for attaining the medium-term price stability target, and was not an obstacle to economic activity. Accordingly, the interest rates on the main refinancing operations, deposit facility and marginal lending facility have held at 2%, 1% and 3%, respectively (see Chart 12).

During Q2, money market interest rates began to rise at terms equal to or above three months. This was as a result of the prospect of a progressive strengthening of economic activity and uncertainty over the future course of oil prices and their potential inflationary effect, whereby expectations of a possible though moderate rise in official interest rates towards the end of the

In recent decades there has been a growing degree of consensus about the advantages of attaining and maintaining sound public finances. In particular, budgetary stability has been proven to help achieve monetary policy targets and to provide for more favourable financial conditions for investment and employment and, therefore, for sustained economic growth. Moreover, balanced public accounts offer leeway to stabilise cyclical fluctuations and they allow fiscal policy to tackle various shocks, such as population ageing, from a more comfortable starting position. In a monetary union there are further arguments that highlight the importance of fiscal discipline and the need for rules to guarantee it. With several countries sharing a single currency, the incentives for discipline diminish. This is partly because the effects of national fiscal imbalances have to be borne by the other Member States (since they can affect variables which are common to members, such as the exchange rate) and partly because financial markets cannot impose sufficient restrictions to prevent these deviations. In Europe's case, for example, interest-rate differentials on public debt markets can be seen to bear some relation to the public debt ratio (and, to a lesser extent, to the deficit), although the size of the differentials is limited, whereby they cannot alone provide sufficient incentives to ensure budgetary stability (see Chart 1). In a monetary union, compliance with fiscal discipline rules provides, moreover, for the necessary co-ordination between the single monetary policy and the national budgetary policies.

In the case of the euro area, the agreed fiscal discipline framework can be found in the EU Treaty (which dates back to 1992) and in the Stability and Growth Pact (SGP), approved in 1997. The Treaty lays down general principles governing this disciplinary framework and the ceilings on the deficit (3% of GDP) and on public debt (60% of GDP), along with the procedure for the surveillance and correction of excessive deficits (EDP). The SGP clarifies some of the provisions of the Treaty and makes them operational, in addition to incorporating the Member States' undertaking to maintain a balanced budget or a budgetary surplus in the medium term.

The rules in force led many of the euro area countries which, until the mid-nineties, had displayed a high budget deficit and a growing public debt ratio to considerably reduce their fiscal imbalances prior to the start of monetary union (see Chart 2). After complying with the Maastricht criteria, the drive to continue restoring health to public finances fell off despite the favourable cyclical situation. This meant that the economic slowdown that began in 2001 gave rise to a significant deterioration in the fiscal position of certain countries, which incurred an excessive deficit. The application of the EDP in this setting of weakness has been controversial, prompting conflicts between the ECOFIN Council and the European Commission. The most significant of these was in November 2003 when ECOFIN (i) rejected the Commission's recommendations that France and Germany should correct their excessive deficits by following the procedure laid down in the Treaty; (ii) suspended the EDP in respect of these countries; and (iii) approved, in its place, conclusions that included the undertaking of the respective national authorities to correct their excessive public deficit. In July 2004, the Court of Justice of the European Communities ruled that, although the Council has the power to reject the Commission's recommendations, the conclusions approved are not valid since they open a process of surveillance of national budgetary policies other than that legally established and without the Commission's necessary intervention.

The debate stemming from the application of the SGP has given rise to various analyses and discussions on the means of improving the current fiscal discipline framework. The ruling of the Court of Justice, though it stresses that the Commission is the body that should take the initiative in the process, also highlights that it is necessary to reach consensus on the means of applying the rules and their content.

Recently, the European Commission included some ideas in its Public finances in EMU-2004 to clarify and strengthen the application of the SGP. Certain proposals seek to reduce the asymmetry of the fis-
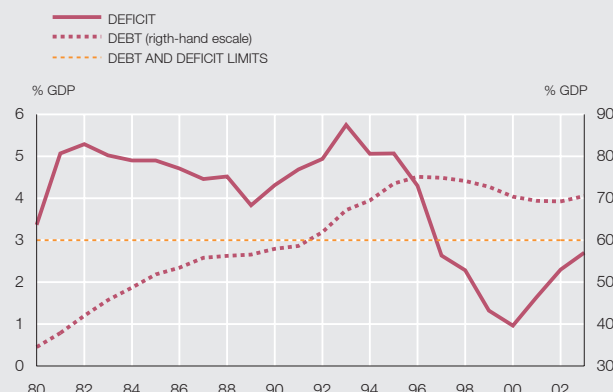
EURO AREA: INTEREST RATES, DEBT AND BUDGET DEFICIT

1. LONG-TERM INTEREST RATES (a) AND PUBLIC DEBT RATIO

2. PUBLIC DEBT AND BUDGET DEFICIT IN THE EURO AREA

SOURCES: European Commission and Banco de España.

a. Public debt interest rates.

cal rules over the course of the business cycle, so that countries have sufficient incentives to pursue a prudent budgetary policy in phases of high growth. Others are aimed at adding greater flexibility to the application of the SGP, allowing, in certain circumstances, deviations from the clause requiring a balanced budget or budgetary surplus in the medium term, or taking into account national economic conditions when setting the degree to which imbalances must obligatorily be corrected. A call is also made to place greater emphasis on the public debt criterion, given its closer connection with the sustainability of public finances. Some of these proposals may be applied without amending the current legal rules, while others may require changes to the SGP.

In any event, while it would be reasonable to study the potential refinement of the content or the practical application of the current rules, the biggest difficulty lies in the limited effectiveness of the mechanisms available for ensuring compliance. This is because national governments are both judge and defendant in this process, since it is the ECOFIN Council which takes the final decisions on this
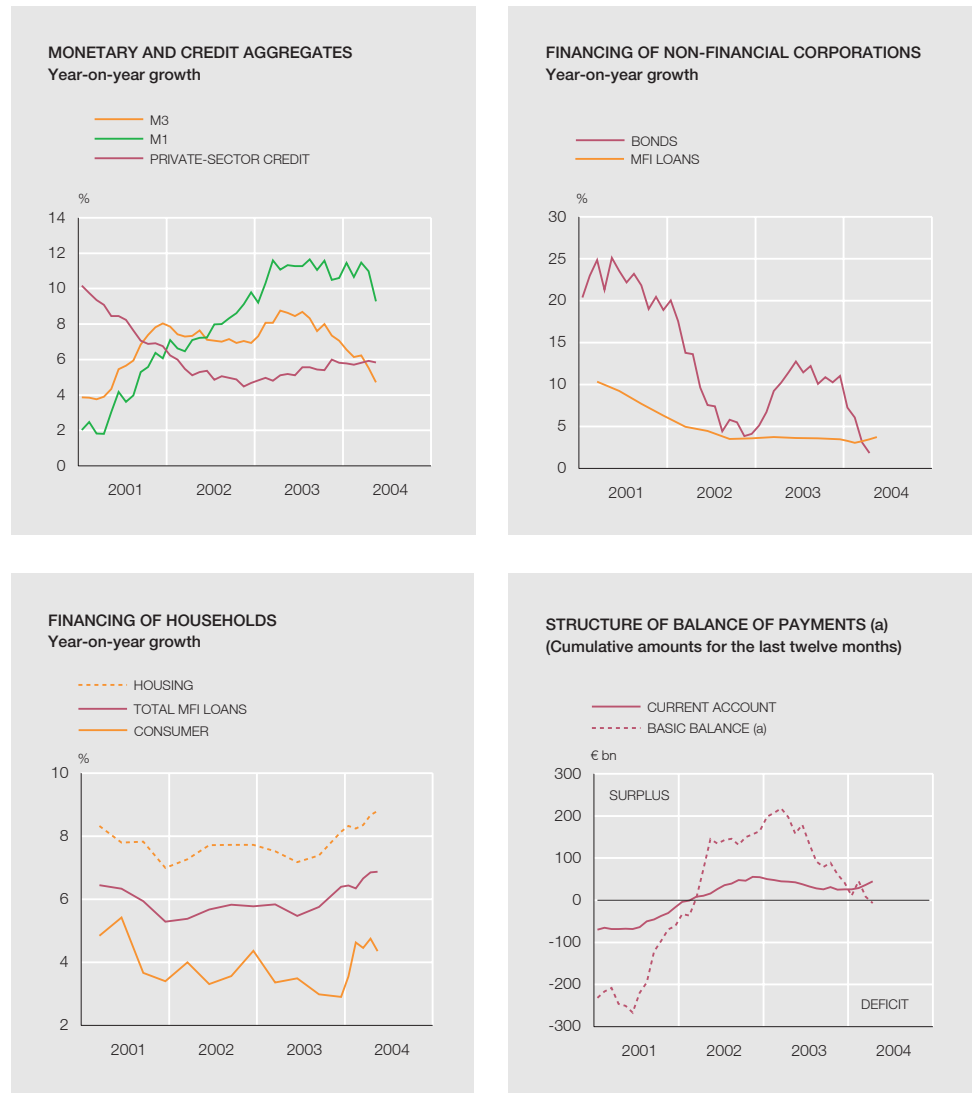
procedure. A hypothetical more flexible application of the current rules seeking to accommodate to a greater extent the particular circumstances of each country, along the lines described above, would appear justifiable from the standpoint of economic rationality. However, one possible drawback is that it would tend to lessen the binding nature of the current rules, by leading their application to be less automatic. This is why the strengthening of the European Commission's powers in the surveillance process appears to be a vital complement for any application of the rules that is to be more tailored to specific national circumstances. The Constitutional Treaty agreed at the June 2004 European Council is a modest step in this direction, as it adds two minor amendments to the framework contained in the Treaty currently in force. First, the text confers on the Commission the power to issue an "early warning" to a Member State that risks incurring an excessive deficit position. Second, a proposal by the Commission about the presence of an excessive deficit in a country may only be rejected by the Council unanimously, whereas the current Treaty requires that a qualified majority of the Council back the Commission's initiative.

year have gradually arisen. Along these lines, the one-month forward rate curves have also reflected similar movements. As regards long-term interest rates on international government bond markets, two salient phenomena have been witnessed in the past quarter: first, from March to early July, significant rises in ten-year government bond yields were seen both in the euro area and, especially, in the United States; second, following a long period in which US long rates were lower than European ones, the sharp increase in rates in the United States in 2004 Q2 has meant that the spread between US and euro area yields has become positive. Finally, on the information available to May, the interest rates set by credit institutions in their lending and deposit operations generally held stable. The interest rate on lending for house purchases tended to stabilise at 4.3% in May (see Chart 13).

On the foreign-exchange markets, the euro, after depreciating moderately in Q1, appreciated slightly in the following months to somewhat over $1.2 per euro, in line with the exchange rate observed at the start of the year. In nominal effective terms, the euro has held relatively stable in the period from April to July.

During the quarter, equity market prices in the euro area oscillated without a clear trend. In this respect, the broad-based Dow Jones Euro Stoxx index fell back considerably in the first half of July, losing virtually all its gains in the year to date (see Chart 13). The industries posting the most significant gains in Q2 were energy, commodities and the network industries, while the heaviest falls were in technology, telecommunications and the financial sector.

In April and May, the rate of increase of the M3 monetary aggregate fell markedly, following the trend observed since mid-2003 (see Chart 14). In May, the year-on-year growth rate of M3 was 4.7%, almost 1.5 pp down on the rate in March. A new development was the fact that the demand for the most liquid components of M3 also slowed sharply in this period, although it continued to increase at higher rates than the broadest aggregate, insofar as the opportunity

MONETARY AND CREDIT AGGREGATES AND BALANCE OF PAYMENTS

CHART 14

MONETARY AND CREDIT AGGREGATES
Year-on-year growth

- M3
- M1
- PRIVATE-SECTOR CREDIT

FINANCING OF NON-FINANCIAL CORPORATIONS
Year-on-year growth

- BONDS
- MFI LOANS

FINANCING OF HOUSEHOLDS
Year-on-year growth

- HOUSING
- TOTAL MFI LOANS
- CONSUMER

STRUCTURE OF BALANCE OF PAYMENTS (a)
(Cumulative amounts for the last twelve months)

- CURRENT ACCOUNT
- BASIC BALANCE (a)

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.

cost of holding very liquid assets remains low. The year-on-year rate of increase of lending to the private sector held stable in April and May, in line with the trend in the previous months. Credit to non-financial corporations quickened slightly in April and May compared with Q1, rising to a rate close to 4%. By contrast, the increase in bank lending to households held steady, since the buoyancy of loans extended for house purchases was offset by a slight slow-down in the financing of consumer goods. In Spain, lending to non-financial corporations and to households has continued to post far higher rates than those in the euro area as a whole.

4 The Spanish economy

As discussed in previous chapters, the international economic picture in the first half of 2004 was shaped by the firming expansion in the United States and Asia, while at the same time the signs of recovery in the euro area tended to strengthen. Against this background, following year-on-year growth of 2.8% in the first quarter of the year, Spain's GDP is estimated to have risen by 2.6%[1] in real terms in 2004 Q2, down 0.2 pp on the previous quarter (although quarter-on-quarter growth seems to have remained at 0.6%). The lower year-on-year growth in Q2 – which, nevertheless, again exceeded the euro area average – was the result of a higher negative contribution from external demand (0.3 pp more negative than in Q1), along with a growth rate of domestic demand that tended to stabilise or to increase slightly (see Chart 15). Noteworthy within domestic demand was the quicker year-on-year pace of gross capital formation (driven by investment in capital equipment and by the contribution from stockbuilding), partly offset by the slowdown in private consumption, although this latter aggregate continued to grow at a sustained rate, underpinned by job creation. In the external sector, both exports and imports of goods and services slowed in 2004 Q2, although imports faltered by less.

From the standpoint of value added, the moderate deceleration of GDP in 2004 Q2 seems to have resulted from less expansionary behaviour of market services (which may reflect, among other things, some impact on tourism by the 11 March attacks in Madrid) and from more stable behaviour of activity in construction and in industry, although there were certain signs of weakness in the latter. Employment is estimated to have grown at nearly 2% in 2004 Q2, clipping a few tenths of a percentage point from the Q1 rate. Employment in the market economy grew slightly faster than in the economy as a whole, although it also showed a slight deceleration; this seems to have been compatible with a recovery in apparent labour productivity, following the contractionary behaviour observed in 2003.

The recovery in labour productivity drove the deceleration of unit labour costs in the opening months of 2004, which is estimated to have lasted through Q2 despite the fact that the QNA continued to show high growth of compensation per employee. Notably, unlike in Q1, the reduction of domestic inflationary pressure in Q2 was not accompanied by favourable developments in import prices. These reflected pressure in the markets for oil and other commodities, against a backdrop of higher stability in the euro exchange rate, and they tended to rise. Partly as a consequence of this, final prices quickened sharply in 2004 Q2 and the inflation rate, measured as the pace of year-on-year GDP growth, rose from 2.1% at the end of Q1 to 3.5% in June.

4.1 Demand

Household final consumption expenditure picked up in 2004 Q1 to a year-on-year growth rate of 3.3% in real terms. The latest information indicates that consumption remained strong in Q2, although its growth moderated somewhat. The firmness of private consumption in the first half of the year was underpinned by the growth in household disposable income and by fresh gains in household net real wealth, against a background of easy financial conditions and improving perception of the economic situation by consumers.

The available indicators nearly all point to a slight deceleration in consumption in Q2 (see Chart 16). The new synthetic indicator of goods and services consumption[2] reflects this dip

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1. Unless otherwise indicated, rates are calculated on the basis of QNA series adjusted for seasonal and calendar effects.

MAIN DEMAND AGGREGATES (a)   CHART 15

NATIONAL DEMAND
EXTERNAL SECTOR CONTRIBUTION
NATIONAL DEMAND (excl. changes in inventories)

GROSS FIXED CAPITAL FORMATION
CONSUMPTION OF HOUSEHOLDS AND NPISHs
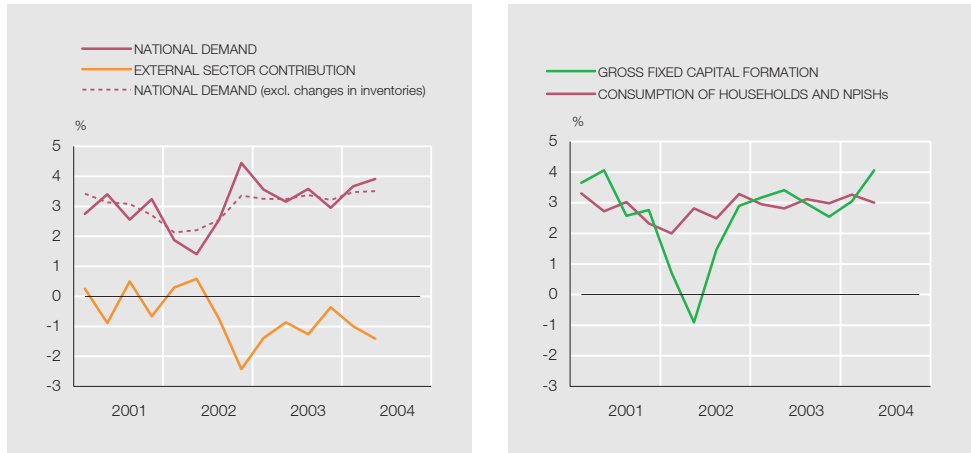
SOURCES: INE and Banco de España.

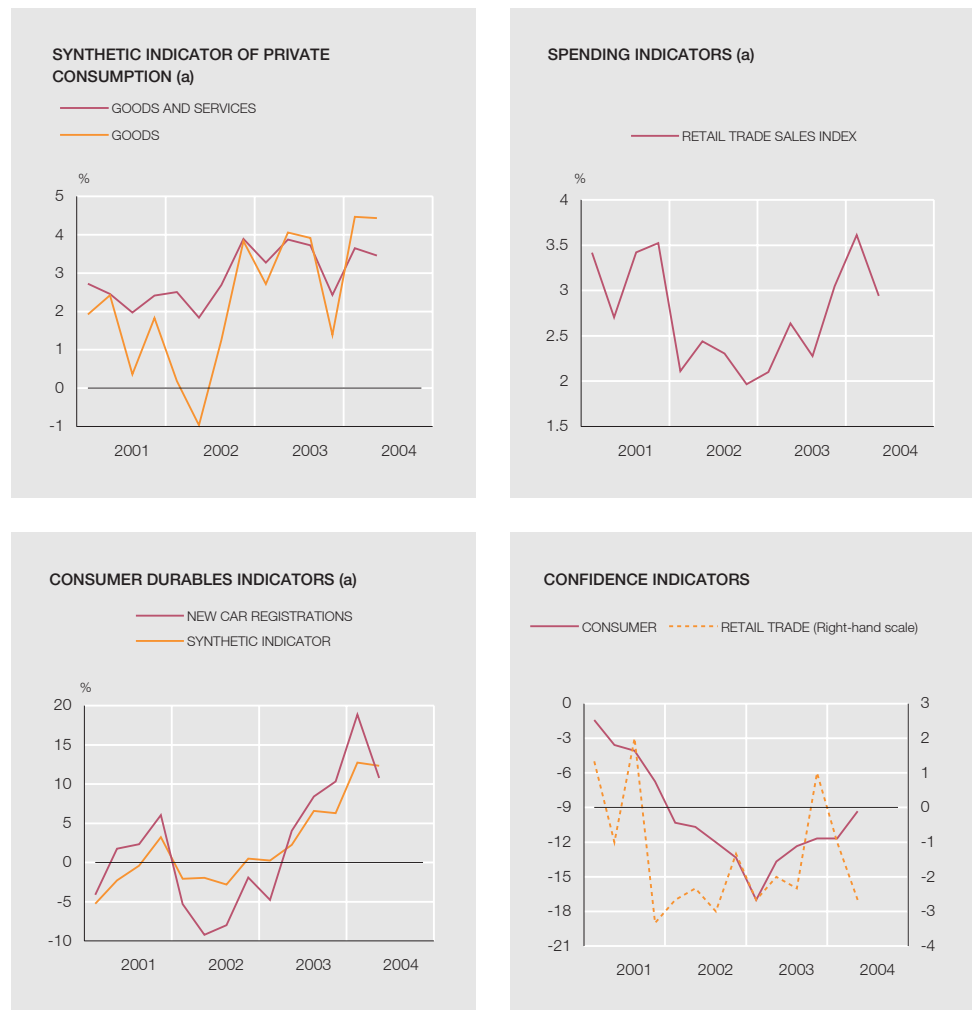a. Year-on-year percentage change based on seasonally adjusted series.

extremely tenuously due to the sustained behaviour of the goods component. In particular, consumer durables have continued to grow rapidly, although the rate of expansion of new car registrations moderated in Q2. The retail sales index also slowed in April and May, with the most buoyant component being non-food goods. Similarly, the retail trade confidence indicator reflected less optimism in Q2 and the consumer confidence indicator deteriorated from May, although improving in terms of quarterly average based on sentiment regarding the general economic situation and the possibility of household saving.

As to the determinants of consumer expenditure, it is estimated that household disposable income continued to grow sustainably in real terms and may increase by more in 2004 than in 2003, despite the loss of purchasing power represented by the upturn in inflation in recent months. The contribution of general government to income growth seems to be more expansionary than in 2003, despite the petering out of the positive impact of the personal income tax reform in that year, owing to the growth of social benefits. To this trend in income should be added an increase in household property wealth due both to the growth of house prices and to the expansion of the stock of residential capital. In addition, the financial wealth of households benefited from the stock market rise in the first half of the year.

In 2004 Q1 the general government final consumption grew strongly by 4.7% year-on-year, 0.1 pp less than in 2003 Q4. The available economic information, which is still very incomplete, points to a slowdown in this aggregate in Q2 based on the containment of both personnel costs and other final consumption expenditure, according to State budget outturn data.

Gross fixed capital formation picked up in 2004 Q1 to a year-on-year growth rate of 3% in real terms, 0.5 pp higher than in 2003 Q4. This acceleration was due to the higher buoyancy of capital goods investment, which rose by 1.6% year-on-year, and, to a lesser extent, to investment in other products, which was up by 3.8%. The year-on-year growth rate of investment in construction held at 3.6%. The available economic indicators for Q2 point to a fresh acceleration in gross fixed capital formation, underpinned mainly by growth in capital goods investment.

2. The synthetic indicator of goods and services consumption is a new indicator compiled by the Banco de España. Its methodology will be described in an article to be published soon in the Economic Bulletin.

SYNTHETIC INDICATOR OF PRIVATE
CONSUMPTION (a)

— GOODS AND SERVICES
— GOODS

SPENDING INDICATORS (a)

— RETAIL TRADE SALES INDEX

CONSUMER DURABLES INDICATORS (a)

— NEW CAR REGISTRATIONS
— SYNTHETIC INDICATOR

CONFIDENCE INDICATORS

— CONSUMER   ---- RETAIL TRADE (Right-hand scale)

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

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

The information on non-financial corporations up to 2004 Q1 compiled by the Banco de España's Central Balance Sheet Data Office (CBSO), in addition to confirming that activity recovered in this period, underpinned by the behaviour of services, shows that the financial position of firms has continued to improve and provides a good base for investment growth. The CBSO firms continued to post high returns as their personnel costs moderated in an environment of falling financial expenses. Thus gross operating profit grew by 7.2% in 2004 Q1 with respect to the same period of the previous year, while ordinary net profit was up by 17.4%.

The capital goods investment indicators show that the pace of growth in this type of investment rose in 2004 Q2 (see Chart 17). In particular, the indicator of apparent investment in capital goods compiled from still-incomplete information for this period shows growth rates higher than in Q1, underpinned by a very positive contribution from capital goods imports. There was also an improvement amongst the more representative indicators of demand conditions. Thus sentiment regarding industrial orders and those of capital goods producers improved in Q2, despite a minor fall-off in the capital goods business confidence indicator. The increased capacity utilisation in industry and the lesser excess installed capacity are also indicative of a more favourable climate for an upturn in investment.

CHART 17

CAPITAL GOODS

GROSS FIXED CAPITAL FORMATION:
CAPITAL GOODS (a)

CONSTRUCTION

GROSS FIXED CAPITAL FORMATION:
CONSTRUCTION (a)

CAPITAL GOODS INDICATORS

INDICATOR OF APPARENT INVESTMENT IN
CAPITAL GOODS (a)

TOTAL INDUSTRY ORDERS (b)

CONSTRUCTION INDICATORS

APPARENT CONSUMPTION OF CEMENT (a)

ECIC Construction Industry Survey (Real terms) (a)
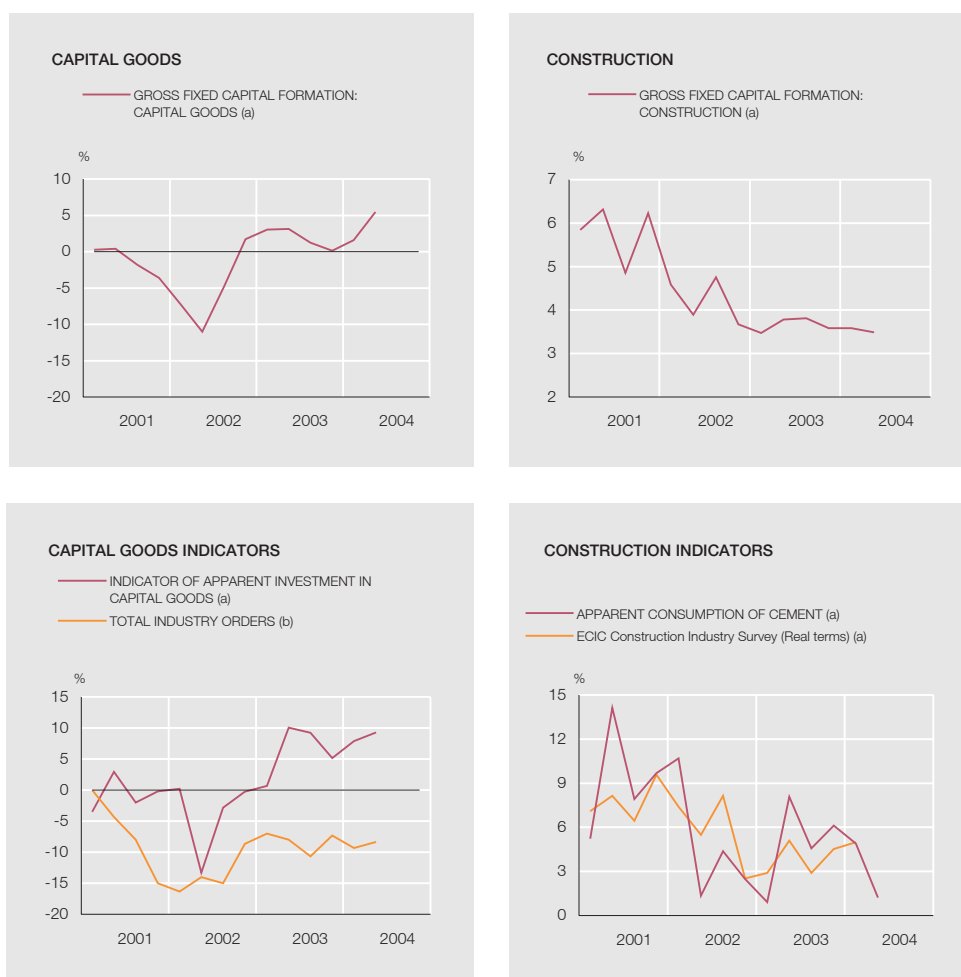
SOURCES: INE, European Commission, Ministerio de Fomento, OFICEMEN, Instituto Nacional de
Empleo and Banco de España.

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

In 2004 Q1 construction investment grew by 3.6%, the same as in the previous quarter al-
though more moderate than in the middle quarters of 2003. Part of the latest information on
construction indeed seems to point to a resumption of the mild deceleration in this component
of gross capital formation: the employment indicators for this industry – social security registra-
tions and the number of unemployed – deteriorated in Q2 with respect to Q1, although their
performance was more positive than in the second half of 2003. Furthermore, the construction
materials production and consumption indicators worsened in the first two quarters of 2004.
In any event, the ECIC construction industry survey confirmed that the real value of work by
construction firms grew slightly faster in 2004 Q1, due mainly to civil engineering work.

Also, the building starts indicators provide evidence of a sustained growth rate in construc-
tion, since the increase in the new buildable floor area – obtained from building approvals
signed mainly in 2003 – suggests a continuing high rate of residential building in 2004, al-
though non-residential construction will foreseeably grow more moderately. The slowdown of
housing starts in 2004 Q1 may be in anticipation of a deceleration in investment next year. In
the case of civil engineering, the value of tenders called by general government and State-
owned enterprises picked up notably in 2004 Q1, so significant growth in this type of invest-
ment may be expected in the coming quarters.

EXPORTS OF GOODS AND SERVICES (a)

SEASONALLY ADJUSTED SERIES

IMPORTS OF GOODS AND SERVICES (a)

SEASONALLY ADJUSTED SERIES

CUSTOMS INDICATORS (b)

EXPORTS OF GOODS
IMPORTS OF GOODS

TOURISM INDICATORS (c)

TOURISM NOMINAL RECEIPTS
OVERNIGHT STAYS IN HOTELS BY FOREIGN VISITORS

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.

According to QNA results, investment in inventories made a positive contribution of 0.2 pp to year-on-year growth of GDP in 2004 Q1. In Q2, the information provided by the business survey seemed to be consistent with lower stockbuilding of finished products than in the previous quarter. However, the quarter-on-quarter slowdown in stockbuilding seemed to be compatible with a further improvement in its contribution to year-on-year GDP growth.

As stated above, net external demand trimmed 1 pp from year-on-year output growth in 2004 Q1, compared with a contribution of –0.4 pp in the preceding quarter. This was the result of a pick-up in goods and services exports, whose year-on-year growth rate was 4.1%, and of faster growth in imports, which reached a year-on-year rate of change of 6.7% (see Chart 18). The growth of foreign sales in this period was in line with that of world trade, which expanded at rates near 7%, prolonging the accelerating path apparent since the second half of 2003. The most expansionary markets were those of south-east Asia, central and eastern Europe and certain of the major Latin-American countries, driven by the significant growth of the US and Japanese economies. However, the euro area countries, which are Spain's main trading partners, posted growth rates that were still moderate. These circumstances, however, did mean that the increased share in world trade achieved by Spanish exports in 2003 was con-

solidated, despite the sharp loss of competitiveness of Spanish goods due to the strength of the euro in that period. The available information for Q2 points to an even more contractionary contribution from net external demand, since foreign sales slowed, reflecting in part the high levels reached in the same period of 2003, while imports continued to grow quickly, although at a somewhat lower rate. This behaviour is not consistent with the change in the differential between domestic and external demand, and could thus be a sign of competitiveness problems.

According to the QNA, goods exports grew by 6.2% year-on-year in 2004 Q1, showing a recovery with respect to the previous year. The customs information for April and May indicates that this recovery seems to have been interrupted in Q2, as foreign sales of goods declined by –0.9% in real terms. Given the volatility that characterises trade flows, this figure must be viewed with some caution, although it should be mentioned that this weakness would be consistent with the slowness of the euro area's recovery and with the loss of competitiveness vis-à-vis other markets. In the period January-May, goods exports increased by 3.8%, against 6.2% on average in the previous year. In this period sales to Community markets slowed to 3.5% in real terms, with those to France, Germany and Italy being notably sluggish, while those to Portugal strengthened. Extra-Community exports continued to grow at a relatively fast pace of 7.6% in real terms, although they too slowed. Sales to the main new members of the EU-25 were extremely buoyant, as were those to China and Morocco, while exports to the NICs and the United States continued to be weak. Disaggregation by product group shows that the exports that grew most in the period January-May were those of capital goods (11%), while those of consumer goods slowed, basically due to the unfavourable performance of car and other durable goods sales. Sales of non-energy intermediate goods recovered somewhat in the early months of 2004.

2004 Q1 saw a prolongation of the mild growth in real tourism receipts since the second half of the previous year. However, both the nominal and real tourism indicators, which had reflected a significant recovery of the first two months of the year, flagged notably from March onwards. Q2 was very weak in regard to foreign travellers staying at hotels and, in particular, to overnight stays, the indicator that most closely reflects real tourism expenditure, which in the first six months of the year showed cumulative year-on-year growth rates of 0.3% and –3.3%, respectively. The number of tourists entering Spain, which had recovered somewhat in May, behaved poorly in June, with cumulative growth in the first six months of the year standing at 2.2%. The keynotes by country of origin were a deceleration in UK tourism, a sluggish German market and a sharp recovery in tourism from Portugal. It is likely that these figures partly reflect circumstantial effects still related to the impact of the 11 March attacks in Madrid and to the poor Easter weather. Against this background, the gradually improving confidence of European consumers in the last few months and the expectations of recovery in domestic demand in the second half of the year should soon lead to a recovery of foreign tourism demand. However, whether this industry can get back onto a more buoyant path will depend on its ability to become more competitive. In this connection, the recent worsening of the tourism confidence indicator, which factors in a negative outlook for the summer, seems to be pointing to the need for improvement in this respect. Meanwhile, non-tourism services continued to perform negatively in 2004 Q1, although they declined more slowly than in the previous quarter, as shown by the behaviour of the nominal balance of payments indicator.

The growth rate of imports quickened considerably in Q1 to 7.9% from 4.2% in the previous quarter. Customs data indicate that this trend persisted in April and May (rises of 6% in both months). The growth resulted from a surge in purchases of non-food consumer goods and, in addition, from the strong performance of capital goods. In the first five months of the year, the

imports showing the sharpest growth with respect to the previous year's average were purchases of consumer goods (17.3%) and of capital goods (14.1%). Finally, real services imports rose by 0.7% in 2004 Q1, putting an end to their downward course of the second half of the previous year. Within services, tourism grew most (20.2%), while imports of non-tourism services continued to decline, albeit at a slower rate, in line with the improving profile shown by the nominal balance of payments indicator.
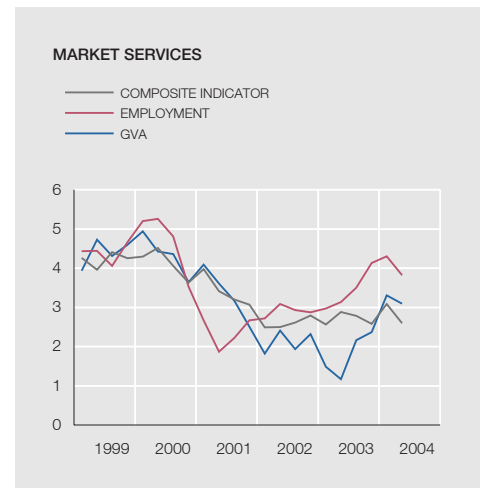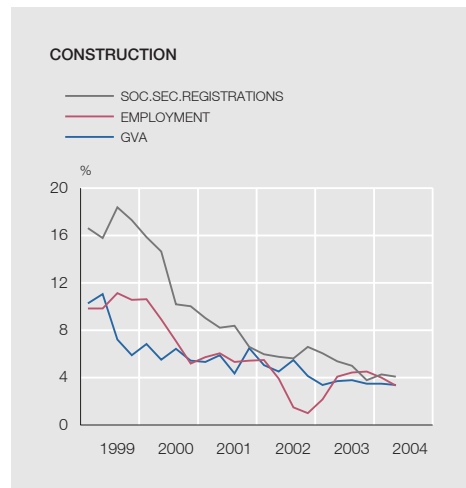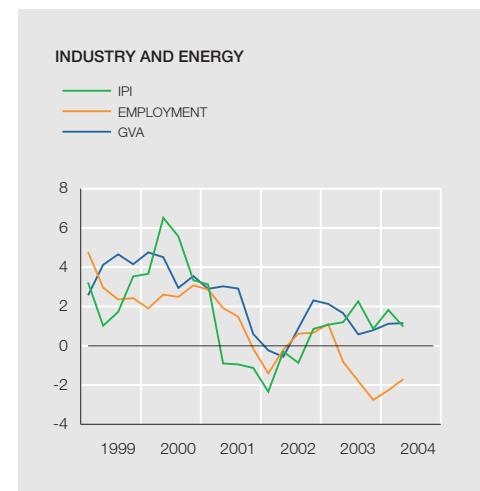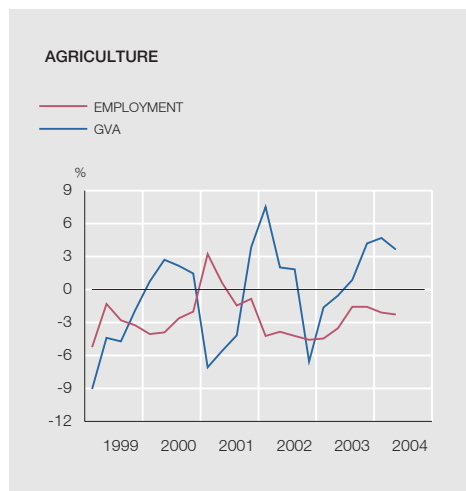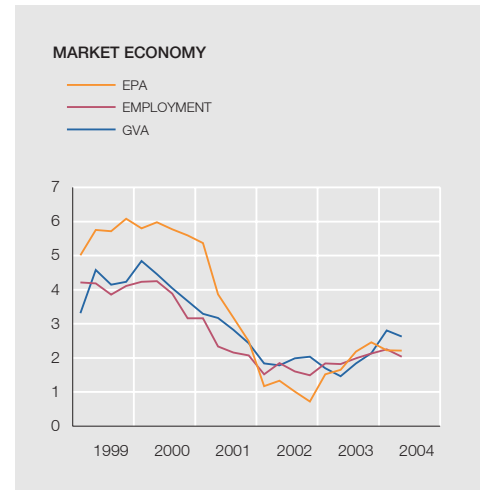
4.2 Output and employment

As mentioned at the beginning of this chapter, 2004 Q1 saw a recovery of activity in the main productive branches, with the exception of construction; this improvement seems to have moderated slightly in Q2 (see Chart 19). Fishing and agriculture began 2004 with great vigour, continuing on the accelerating path of 2003. Animal products regained vigour in the opening months of the year, following the slowdown in 2003, and likewise vegetable products. The outlook of the latter has improved substantially since the previous report, given the abundant rainfall in spring, especially in April and May, which was 9% higher than the average historical level; by contrast, June rainfall was scant. However, the various crops fared unevenly: while cereals are progressing well, fruit production has fallen, in some cases, such as almonds, by a considerable amount.

The progressive sluggishness characterising industry and energy since 2003 Q2 ended in 2004 Q1 when value added picked up slightly to year-on-year growth of 1.1%, fuelled by livelier domestic and external demand. This rebound in industrial activity tended, however, to peter out during Q2 in a context of weaker external demand. Although the confidence indicator for the sector improved slightly in Q2 as orders grew, June saw a deterioration; also, the Purchasing Managers' Index has declined in recent months. Meanwhile, the IPI tended to decelerate in April and May, recording lower year-on-year growth than in Q1. All the components of this production index (both intermediate and investment goods production and consumer goods production) contributed to its loss of buoyancy, although their growth rates were uneven. Industrial employment continued to show negative growth, although the rate of decline was lower than in Q1.

In the opening months of 2004, construction retained the buoyancy shown in 2003 Q4, with value added growing at 3.5% year-on-year. It thus continued to be the most buoyant branch of activity, in line with the pattern of recent years. According to the available conjunctural information, the performance of construction in Q2 seems to have been similar to that in Q1. Although the intermediate consumption indicators – apparent consumption of cement and production of construction materials – slowed in April and May, this may have been due to the abundant rainfall in those months, discussed above in relation to agriculture, which hindered construction work; indeed, construction companies consider that weather conditions have become more important as a factor limiting production. Employment indicators also slowed in spring, although unemployment growth moderated notably in June, coinciding with the end of the period of adverse weather. The confidence indicator published by the European Commission recovered in Q2, while the leading indicators heralded relatively expansionary behaviour in this period.

Activity in the services sector picked up in the early months of 2004, continuing the process initiated in the second half of 2003. The year-on-year growth estimated by the QNA for Q1 was 3.4%, 0.7 pp more than in 2003 Q4, which was the result of movements in opposite directions by its two components. Non-market services slowed by 0.4 pp, which left their growth rate at 3.5% and cut short the continuously accelerating path that had characterised them in 2003. The rate of change of market services, however, rose by 0.9 pp to 3.3%. Nonetheless, this upturn in activity did not continue in Q2, according to the most recent information.

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

CHART 19

ECONOMY

- EPA
- EMPLOYMENT
- GDP

MARKET ECONOMY

- EPA
- EMPLOYMENT
- GVA

AGRICULTURE

- EMPLOYMENT
- GVA

INDUSTRY AND ENERGY

- IPI
- EMPLOYMENT
- GVA

CONSTRUCTION

- SOC.SEC.REGISTRATIONS
- EMPLOYMENT
- GVA

MARKET SERVICES

- COMPOSITE INDICATOR
- EMPLOYMENT
- GVA

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.

The composite market services indicator (ISIS) lost force in that period, while in April and May the number of social security registrations showed slower year-on-year growth than in the first three months. Only the confidence indicator of the sector followed a rising path between April and June. There was a fairly widespread slowdown among the activities that comprise market services. The buoyancy of services to trade and repairs declined, as shown by social security registrations and the retail sales index. Those to hotels and restaurants also saw a loss of buoyancy, which was reflected in slower social security registrations and in the tourism indicators already mentioned above. By contrast, transport, storage and communications showed signs of a certain vigour in Q2, as shown by the indicators of number of travellers. Finally, property, rental and business activities retained the buoyancy reached three months earlier, as inferred from social security registrations, which also rose in the IT and R&D sectors.

Employment growth held steady in 2004 Q1 at 2.1%, in terms of full-time equivalent jobs, thereby breaking the accelerating trend of 2003. Consequently, apparent labour productivity in the economy as a whole grew by 0.6%, in line with the increase seen in 2003. In the market economy, the number of persons employed grew slightly faster in Q1. This, however, was compatible with a recovery in productivity, which was up by 0.5% year-on-year, due to the acceleration of gross value added. The sustained employment growth based on QNA figures in 2004 Q1 does not, however, agree with the employment figures given by the Spanish Labour Force Survey (EPA), according to which growth stood at 2.6%, down 0.4 pp on 2003 Q4. By contrast, the growth of social security registrations held at the end-2003 rate (2.9%). A broader picture of recent changes in the labour market in Spain, comparing it with that in other European countries, is given in Box 3.

From the available information, it is estimated that year-on-year employment growth in 2004 Q2 was somewhat lower than in the previous quarter, enabling a mild recovery in productivity gains despite the minor slowdown in activity. The EPA results for Q2 attest to this, since they show that the number of persons employed rose by 2.3% in this period, 0.3 pp less than in Q1. Social security registrations also slowed in Q2 to 2.6%, while National Employment Office (INEM) hiring statistics showed the same acceleration that had been recorded in the previous quarter, with year-on-year growth close to 14%.

By branch of activity, the National Accounts data for Q1 showed that in certain cases the previously existing trends were broken (see Chart 19). Thus industrial employment continued to fall, but at a more moderate rate, to –2.3%, benefiting from the somewhat more positive performance of value added. On EPA data, in Q2 the fall in industrial employment continued to moderate. In construction, employment ended up reflecting the slowdown in activity seen at the end of 2003, as its year-on-year rate of change fell by 0.5 pp to stand at 4% in the opening months of 2004; this trend continued in Q2. In agriculture, jobs were being shed at an increasing rate throughout the first half of 2004. Finally, in the tertiary branches as a whole, employment grew by 3.5% in Q1, a larger rise than in the previous quarter. The behaviour in market and non-market services differed: the number of persons employed in the former continued the recovery seen in 2003, with a year-on-year increase of 4.3%, while non-market services saw a minor decrease in the rate of change (1.7%). Employment in services slowed in Q2.

The modest slowdown in the number of wage-earners in Q1 (growth of 2.4%) was similar to that reported by the EPA, although less sharp. By contrast, the number of non-wage-earners showed positive rates of change (1%), after having fallen in the previous two years. These opposite trends were also seen in Q2, according to the EPA. Analysis by contract term shows that the slowdown in dependent employment passed through both to employees on perma-

This Box analyses the recent behaviour of the labour market in Spain in comparison with the other European countries, based on the results of the Labour Force Survey, and completes, with updated 2003 data, the article (only in Spanish) on this subject published in the July-August 2003 *boletín económico*. First, it describes the relative behaviour of Spain in terms of participation, employment and unemployment rates compared with the aggregate of the European Union (EU) countries[2], and second, it analyses some of the main differences between Spain and the other European countries in regard to their employment characteristics.

Between 1997 and 2002 Spain narrowed the gap between it and the other European Union countries in terms of participation, employment and unemployment rates, particularly the latter[2]. Thus the 1997 negative participation and employment rate gaps of 6.2 pp and 12.5 pp, respectively, decreased to 4.2 pp and 6.5 pp in 2002. The positive unemployment rate differential was 11.2 pp in 1997, while in 2002 it had decreased to 3.8 pp. The Spanish labour market in 2003 enabled this process of convergence to continue and the differentials narrowed somewhat more. It should be kept in mind that in 2003 the European labour markets were feeling the effects of weak economic activity and practically inexistent job creation, whereas Spain was experiencing a rebound in job creation following the deceleration in 2002.

1. The comparisons are made with the aggregate of the 15 countries belonging to the European Union in 2003 except Spain.
2. It should however be noted that the change in the operating definition of unemployment incorporated into Spanish data in 2001 meant that the upward path of the participation rate was temporarily detained and that the employment rate moved towards those of the Community countries more quickly than it would have in the absence of this methodological change.

Last year Spain's employment rate rose by 1.2 pp to 59.6% of the working-age population, while in the EU it held steady at 64.9%. Given that the employment rate can be broken down into the product of the participation rate and the inverse of the unemployment rate, these statistics show that this behaviour was principally due to faster growth of the participation rate in Spain in 2003, although the unemployment rate also slowed. Specifically, in 2003 the Spanish participation rate grew by 1.3 pp to 67.1%, while in the EU this ratio rose by 0.4 pp to 70.4%, thereby reducing the differential to 3.3 pp. For its part, the unemployment rate grew very slightly in Spain (by 0.1 pp to 11.2%), while worse behaviour was seen in the other EU countries, with growth of 0.4 pp to 7.7%. This behaviour contrasts with 2002, when unemployment grew faster in Spain than in the rest of Europe for the first time since 1997.

Analysis by population group showed that the convergence of employment rates in 2003 was most marked in women and younger workers, although the better relative behaviour in Spain was fairly general. Specifically, in women, although the negative gap in their employment rate still remained high at 11.4 pp, it narrowed by 1.6 pp in 2003 thanks to a more rapidly increasing female participation rate and to the better relative behaviour of unemployment in Spain. In men, the 2003 employment rate of 73.1% was 0.6 pp higher than the average in the other Community countries. Analysis by age shows that in workers below age 30 the employment rate differential was 3.5 pp in 2003, two percentage points less than in the previous year. However, this gap narrowed very modestly among older workers above age 45, for whom the employment rate stood at 54.6%, 5.9 pp below the Community average, meaning that the differential was trimmed by only 0.2 pp. This scant relative improvement reflected the

BEHAVIOUR OF THE LABOUR MARKET IN SPAIN AND THE EU (a)

	1997	2002	2003		1997	2002	2003
Employment rate (%)				Participation rate (%)			
Spain	49.1	58.4	59.6	Spain	62.1	65.8	67.1
EU except Spain	61.6	64.9	64.9	EU except Spain	68.3	70.0	70.4
Female employment rate (%)				Unemployment rate (%)			
Spain	34.4	44.0	45.9	Spain	21.0	11.1	11.2
EU except Spain	52.5	57.0	57.3	EU except Spain	9.8	7.3	7.7
Male employment rate (%)				Impact of long-term unemployment (%)			
Spain	64.0	72.8	73.1	Spain	51.8	34.3	33.9
EU except Spain	70.8	72.9	72.5	EU except Spain	47.8	41.2	42.6
Employment rate, below age 30 (%)				Ratio temporary to total employees (%)			
Spain	36.9	47.7	48.6	Spain	33.7	31.2	30.6
EU except Spain	50.7	53.2	52.1	EU except Spain	10.3	11.1	10.8
Employment rate, age 30 to 44 (%)				Ratio temporary to total employees, below age 30 (%)			
Spain	64.4	72.9	73.9	Spain	75.3	64.8	63.8
EU except Spain	77.5	80.1	80.0	EU except Spain	32.0	34.8	34.8
Employment rate, age 45 or more (%)				Ratio of part-time to total employees (%)			
Spain	47.0	53.5	54.6	Spain	8.0	7.9	8.1
EU except Spain	56.0	59.6	60.5	EU except Spain	17.3	18.8	19.4

SOURCE: EUROSTAT.

a. Labour Force Survey. Population aged 15 - 64, unless stated otherwise.
b. Not including the Netherlands.

progress achieved in the other European countries in this population group, since it was the age group whose employment rate rose last year.

Turning to the impact of long-term unemployment (the proportion of the unemployed that has not worked for more than one year), in 2003 there was a further reduction in Spain, thereby prolonging the trend seen since 1997. This put the ratio at 33.9% of unemployed workers, 8.7 pp below the Community average. The long-term unemployed are among the main beneficiaries of policies to promote permanent employment, and this seems to have notably reduced their weight among total unemployed workers.

Finally, regarding the main characteristics of jobs, in 2003 the difference between Spain and the other Community countries increased
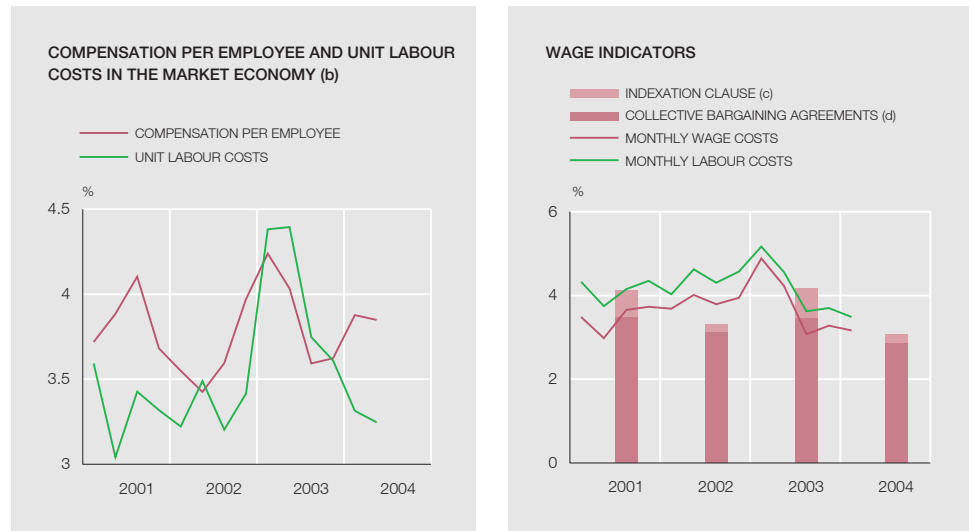
as regards the relative importance of part-time employment, and there was a further, although slight (0.3 pp), convergence in temporary work. However, the differences are still large in this respect and the ratio of temporary to total jobs in Spain was practically triple the average in the other European countries. The convergence in 2003 was caused by a reduction in Spain among the group with the highest rates of casual employment – those below 30 years of age – since the ratio decreased by one percentage point in Spain and rose slightly in the EU. In any event, for this age group the gap was 29 pp in the past year. Part-time employment again showed no pick-up in Spain since, although it rose by 0.2 pp in 2003, its weight in total employment (8.1%) is practically the same as in 1997. In comparative terms, since in 2003 the ratio of part-time to total jobs in the other Community countries rose by 0.6 pp, the differential with Spain again rose slightly, this time to 11.3 pp.

nent contracts and to those on temporary contracts. The year-on-year rate of change of the latter was 1.4%, nearly one percentage point less than in Q1. The number of workers on permanent contracts grew by 2.6%, down 0.4 pp on the previous quarter. As a result, the ratio of temporary to total employees decreased by 0.2 pp with respect to 2003 Q2, standing at 30.4% between April and June 2004. The information on INEM contracts coincides partially with these figures, since it shows that in Q2 both permanent contracts and fixed-term contracts increased, which was compatible with an increased weight of permanent contracts in the total. However, the lower proportion of temporary contracts did not give rise to a decrease in labour turnover, which may reflect a shortening in the effective term of these contracts.

Labour force growth decelerated in the first two quarters of 2004, although remaining at a high level. In year-on-year terms, it grew at 2.1% between April and June, down 0.1 pp on the previous quarter and down 0.5 pp on 2003. Consequently, the participation rate grew more moderately in the first half, at 55.7%, which in any event is 0.8 pp more than in the previous year. The participation rate calculated for the population aged below 65 behaved similarly, stabilising at 69%. The participation rate of women reached 44.5% narrowing the gap with the male rate, although its pace moderated appreciably. Among men, the participation rate grew more moderately, standing at 67.6%. Finally, given the behaviour of the labour force and of employment, the unemployment rate stood at 10.9%, down 0.2 pp on that in spring 2003, thereby making for a milder year-on-year decline. In fact the number of unemployed grew by 0.4% with respect to its level a year earlier. The unemployment recorded in INEM's offices accelerated in Q2, showing year-on-year growth of 2.4%, although the June data represented a significant moderation in the unemployment growth rate.

4.3   Costs and prices

On QNA data, in 2004 Q1 the growth rate of labour costs per unit of value added held steady at 3.5% in the economy as a whole. This was the result of an increase of 4.2% in compensation per employee, similar to that in the previous quarter, and a rise in productivity (calculated in GDP terms) of the same size as in 2003 Q4 (0.6%). In the market economy, however, unit labour costs slowed at the beginning of 2004, as the recovery of apparent labour productivity fully offset the acceleration which, according to the QNA, occurred in compensation per employee (see Chart 20). In Q2, the estimated growth rate of unit labour costs in the market

WAGES AND LABOUR COSTS (a)

CHART 20

COMPENSATION PER EMPLOYEE AND UNIT LABOUR COSTS IN THE MARKET ECONOMY (b)

- COMPENSATION PER EMPLOYEE
- UNIT LABOUR COSTS

WAGE INDICATORS

- INDEXATION CLAUSE (c)
- COLLECTIVE BARGAINING AGREEMENTS (d)
- MONTHLY WAGE COSTS
- MONTHLY LABOUR COSTS

SOURCES: 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 years indexation clause.
d. Settlement in the year to date.

economy continued to fall, aided by a fresh gain in apparent labour productivity and, possibly, by a certain downturn in the growth of compensation.

The quarterly labour costs survey detected changes in certain features. According to this survey, the average monthly labour cost per employee increased by 3.5% in 2004 Q1, down 0.2 pp on the previous quarter. This variation affected both the wage component and other costs, in such a way as to maintain the difference between the growth rates of these two components: 3.2% and 4.4%, respectively. Analysis by branch of activity showed that labour costs slowed in construction and in market services, growing by 6% and 2.9%, respectively. By contrast, in industry they accelerated to 4.3%, against 3.9% in the previous quarter.

The data on collective labour agreements up to 31 May showed that they incorporated an average wage increase of 2.9%, 0.6 pp less than the increase in 2003 (before including indexation clauses). These agreements now apply to more than 4.7 million workers, most of whom are subject to revised agreements. In newly signed agreements, the number of which grew in May, the negotiated wage growth of 3% is compatible with the Intersectoral Agreement for Collective Bargaining, renewed in 2004.

Although the growth of labour costs held steady in 2004 Q1, the GDP deflator (a measure of domestic cost pressure on final prices) decelerated by two percentage points, showing an advance of 4%, while in the market economy the growth rate of the value added deflator also decreased, standing at 4.2%. Thus the surplus per unit of output in market activities as a whole continued to widen (see Chart 21), although the chart shows that sectoral unit margins are behaving unevenly. In industry the margin per unit of output is estimated to have continued to widen in the first half of 2004, albeit less strongly than at the end of 2003, against a background marked by a decelerating value added deflator and by accelerating unit labour costs. In construction, by contrast, the deflator grew rapidly and steadily, thereby prolonging the expansion of the unit margin. Finally, the growth of the deflator and of unit labour costs in market services tended to converge, putting an end to the stage of narrowing surplus per unit of output seen in previous quarters.

MARKET ECONOMY

— DEFLATOR
— UNIT LABOUR COSTS

%

INDUSTRY AND ENERGY

— DEFLATOR
— UNIT LABOUR COSTS

%

CONSTRUCTION

— DEFLATOR
— UNIT LABOUR COSTS

%

MARKET SERVICES

— DEFLATOR
— UNIT LABOUR COSTS

%

SOURCES: INE and Banco de España.

a. Non-centred percentage change on a year ago based on QNA seasonally adjusted series.

The import deflator, which reflects external pressures on prices, behaved moderately in Q1, resuming the path of falls that characterised it in the middle months of the previous year, aided by the appreciation of the euro. However, in Q2 import prices rose, against a background of greater exchange rate stability and of renewed tension in the oil market. For its part, the final demand deflator slowed in Q1, its year-on-year growth falling by 0.3 pp to 2.9%, and accelerated slightly in Q2 in response to heightened external price pressures.

Among the components of the final demand deflator, the private consumption deflator slowed by 0.3 pp in Q1 to 2.7% in year-on-year terms. This behaviour was less moderate than that shown in the same period by the CPI, the main indicator of these prices. Indeed, year-on-year CPI growth fell to 2.2% in the first three months of the year, against 2.7% in the previous quarter. However, this indicator recouped its buoyancy in 2004 Q2, during which its year-on-year rate increased sharply, standing at 3.5% in June. This deterioration was a result of faster growth of food prices and, in particular, energy prices (see Chart 22). Accordingly, the CPI excluding unprocessed food and energy (one of the customary measures of core inflation) accelerated more moderately than the overall index, its year-on-year rate standing at 2.6% at the end of Q2, only 0.1 pp more than in March.

By contrast, energy prices accelerated significantly. They went from a year-on-year fall of –2.5% in March to an increase of 7.2% in June, reflecting the pressure on oil prices in interna-

CONSUMER PRICE INDEX

—— CPI
- - - CPI, EXCLUDING UNPROCESSED FOOD AND ENERGY

%

CONSUMER PRICE INDEX

—— PROCESSED FOOD
—— NON-ENERGY INDUSTRIAL GOODS
—— SERVICES

%

CONSUMER PRICE INDEX

—— UNPROCESSED FOOD
—— ENERGY

%

PRODUCER PRICE INDEX

—— TOTAL
- - - CONSUMPTION
- - - INTERMEDIATE GOODS AND ENERGY

%
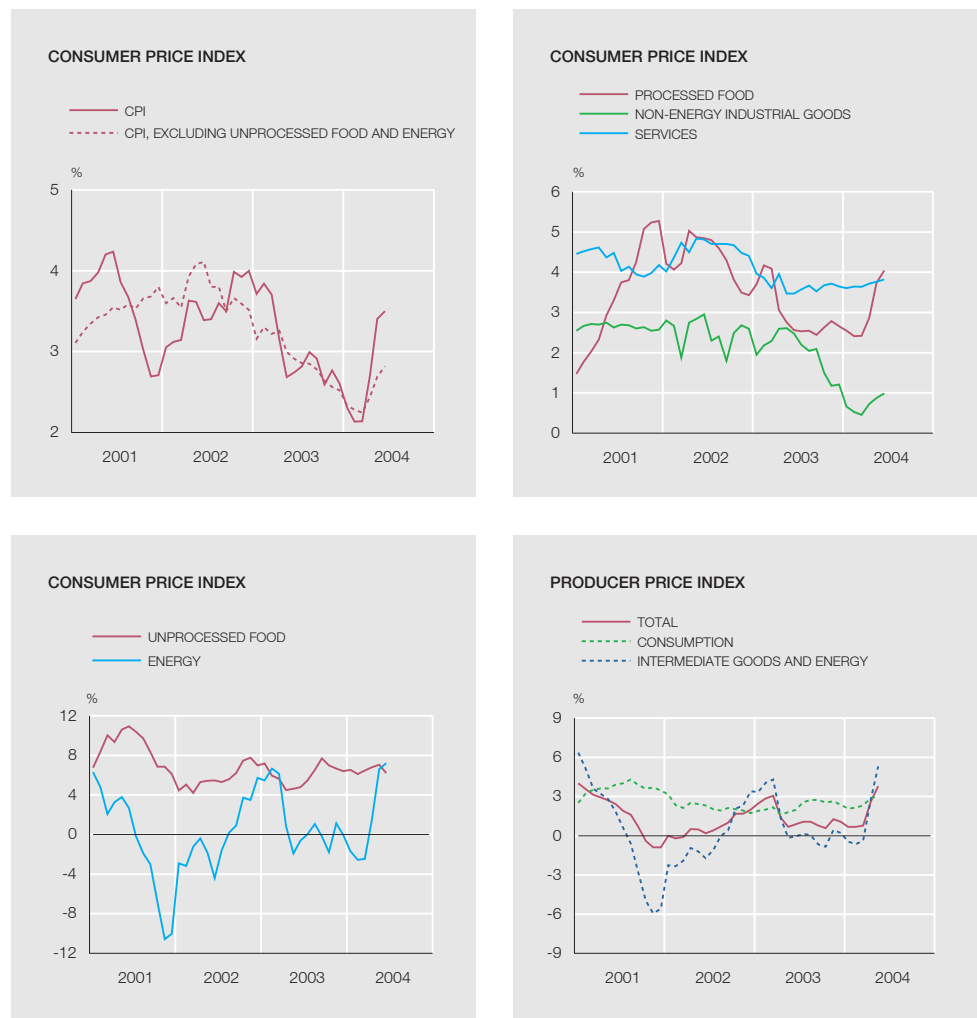
SOURCE: INE.

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

tional markets, which rose to nearly $40 a barrel. The decrease in gas prices at the beginning of Q2 barely offset the sharp rise in fuel prices. In addition, the effect of these price hikes on the year-on-year rate is magnified because they are being compared with the energy price falls in spring 2003. There was also an acceleration in food prices, particularly those of processed food, basically due to higher tobacco and edible oil prices. Non-processed food prices again became more buoyant after a pause in Q1, holding at an elevated year-on-year rate of nearly 7%. The rate of change of non-energy industrial goods prices rose moderately, standing at 1% in June. Services prices also accelerated slightly, although in this case the year-on-year rate was much higher, since it stood at 3.8% in June.

In line with the CPI, Spanish inflation as measured by the HICP rose by 0.9 pp in Q2, which ended at 3.5%. Since the rise to 2.4% year-on-year in the euro area as a whole was lower, the inflation differential broadened notably to 1.1 pp at the end of 2004 Q2 (see Chart 23). This worsening of the inflation differential was manifest across all components, with the differential broadening most in unprocessed food because its prices accelerated in Spain and slowed in the euro area. The differential also deteriorated considerably in the case of energy and proc-essed food, becoming unfavourable for the Spanish economy, due to the higher price accelera-

HARMONISED INDEX OF CONSUMER
PRICES (b)

— HICP

HARMONISED INDEX OF CONSUMER
PRICES (b)

— PROCESSED FOOD
— NON-ENERGY INDUSTRIAL GOODS
— SERVICES

HARMONISED INDEX OF CONSUMER
PRICES (b)

— UNPROCESSED FOOD
— ENERGY

PRODUCER PRICE INDEX

— TOTAL
--- CONSUMPTION
--- INTERMEDIATE GOODS AND ENERGY
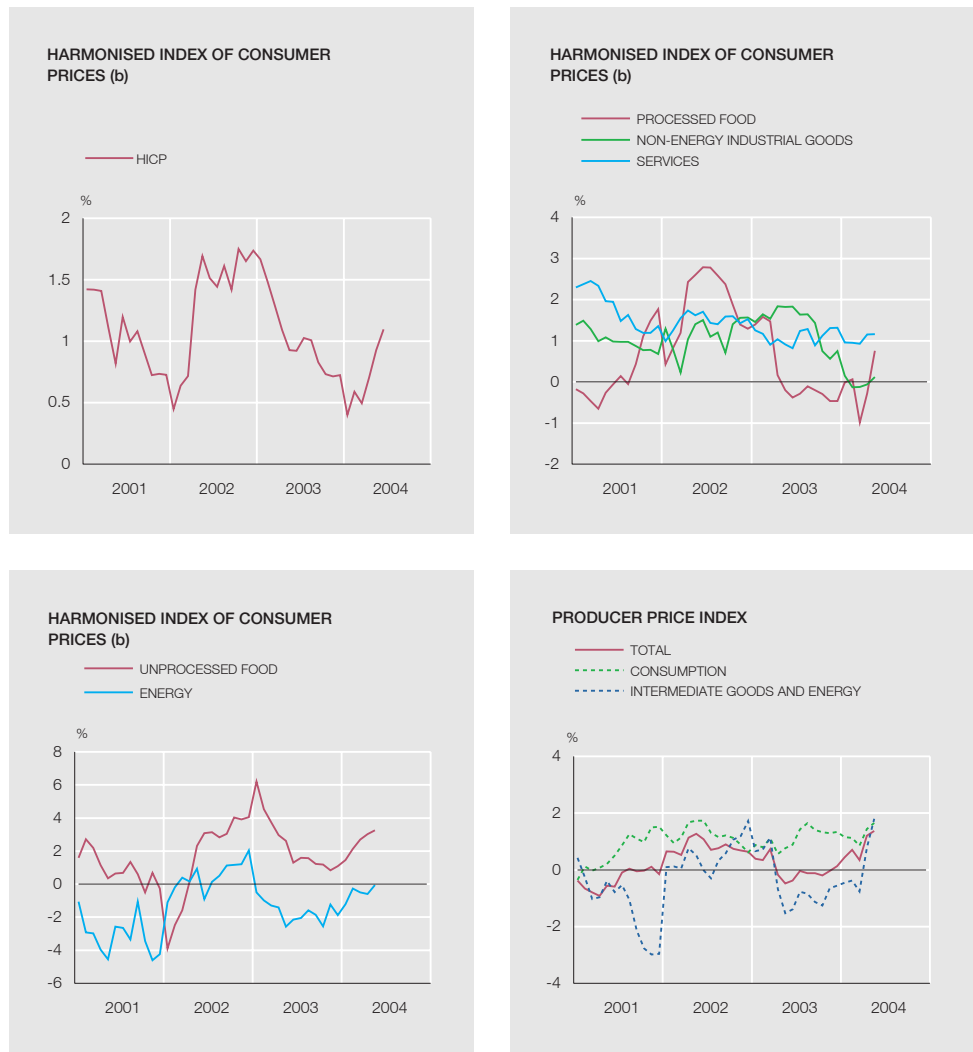
Sources: Eurostat and Banco de España.

a. Twelve-month percentage change based on the original series.
b. To December 2001, the series are those published at that date.

tion in Spain. Finally, the differential broadened less in non-energy goods prices and in services prices as a result of their low acceleration in Spain and their stability in the euro area.

The growth of the producer price index (PPI) rose sharply in 2004 Q2, and the year-on-year rate of change was up to 4% in June. This acceleration was partly due to the unfavourable behaviour of energy production prices, to which must be added a baseline effect arising from the substantial falls recorded a year earlier. Other components also deteriorated notably, particularly consumer goods and non-energy intermediate goods. In the euro area, production prices performed unfavourably, albeit to a lesser extent. The year-on-year rate of change of the overall index rose to 2.4% in May, from zero growth in February. The fresh food producer price indicator deteriorated somewhat in 2004 Q2 with respect to the previous three months. Finally, hotel prices held relatively moderate, their year-on-year rate of change standing at 1.1% in June.

4.4 The State budget   The figures released on the State budget outturn up to June 2004, which were compiled by National Accounts methodology, show a deficit of €5.17 billion (0.7% of GDP), compared with

EUR m and %

	Outturn 2003	Percentage change 2003/2002	Budget 2004	Percentage change 2004/2003	Outturn JAN-MAR Percentage change	Outturn		
						2003 JAN-JUN	2004 JAN-JUN	Percentage change
	1	2	3	4=3/1	5	6	7	8=7/6
1. Revenue	109,655	1.1	110,496	0.8	0.6	48,031	47,670	-0.8
Direct taxes	56,510	1.8	58,087	2.8	-9.1	20,427	19,337	-5.3
Personal income tax	32,824	1.7	31,974	-2.6	-13.0	15,742	13,608	-13.6
Corporate income tax	21,912	2.3	24,109	10.0	…	3,915	4,587	17.2
Other (a)	1,774	-3.7	2,004	13.0	30.5	770	1,142	48.4
Indirect taxes	39,084	2.8	39,836	1.9	3.4	20,948	21,385	2.1
VAT	27,130	5.5	27,490	1.3	3.8	15,352	15,214	-0.9
Excise duties	9,787	-5.4	9,996	2.1	-1.3	4,556	4,960	8.9
Other (b)	2,167	10.6	2,350	8.4	18.1	1,040	1,211	16.4
Other net revenue	14,061	-5.6	12,573	-10.6	23.3	6,656	6,948	4.4
2. Expenditure	113,787	2.4	117,260	3.1	-1.1	54,924	54,407	-0.9
Wages and salaries	18,450	5.1	19,486	5.6	4.1	9,186	9,511	3.5
Goods and services	2,996	5.4	2,740	-8.6	49.0	1,351	1,789	32.4
Interest payments	19,788	4.9	19,047	-3.7	-20.7	9,491	7,638	-19.5
Current transfers	58,078	-0.4	58,859	1.3	6.2	28,526	29,123	2.1
Contingency fund	…	…	2,345	…	…	…	…	…
Investment	7,535	7.0	7,611	1.0	-9.0	3,374	3,310	-1.9
Capital transfers	6,940	7.5	7,172	3.3	6.2	2,996	3,036	1.3
3. Cash-basis balance (3=1-2)	-4,132	…	-6,764	…	…	-6,892	-6,737	…
MEMORANDUM ITEM: NATIONAL ACCOUNTS								
Revenue	110,449	1.9	…	…	-4.5	49,280	48,007	-2.6
Expenditure	112,566	0.7	…	…	5.0	52,068	53,174	2.1
Net lending (+) or borrowing (-) (c)	-2,117	…	-3,470	…	…	-2,788	-5,167	…

SOURCE: Ministerio de Hacienda.

a. Includes revenue from the tax on the income of non-residents.
b. Includes taxes on insurance premiums and tariffs.
c. Figures in accordance with the method used in the Excessive Deficit Procedure.

€2.79 billion (0.4% of GDP) in the same period of the previous year (see Table 3). Box 4 discusses the budget outturn of the social security system. The fall in revenue slowed in Q2 to 2.6% in cumulative terms, while expenditure decelerated, ending the first half of the year with growth of 2.1%. It should be noted, however, that any comparison with 2003 figures is subject to factors that affect 2003 and 2004 differently. Firstly, in the first half of 2004 VAT and personal income tax refunds were made significantly earlier. Secondly, as regards this latter tax, withholdings from earned income were affected by the change in the timetable for the receipt from general government of tax withheld and by the fact that the reduction prompted by the tax reform did not have an impact on collection in the first two months of 2003.

The cash-basis data on the State budget outturn in the first half of 2004 show that the deficit decreased slightly to €6.74 billion, compared with a €6.89 billion cumulative deficit in the period January-June 2003. This reduction in the cash-basis deficit, which contrasts with the increase budgeted for the year as a whole, arose because expenditure fell somewhat more than revenue. The difference between the behaviour of the cash-basis balance and that based on National Accounts methodology arises mainly from the adjustment due to the differing methods of accounting for interest paid.

The Social Security System posted a non-financial surplus of €6.87 billion to April 2004, €619 million (9.9%) higher than that recorded in the same period a year earlier and contrasting with the 9.7% lower surplus projected in the initial 2004 budget (see table below). This came about because receipts grew faster than payments and faster than projected in the budget.

Receipts from social security contributions increased by 7.2% to April. This pace of growth in the first four months of the current year represented a certain deceleration with respect to 2003, despite rates being increased in certain special regimes to finance the broader coverage of sickness. The number of social security registrations up to June 2004 rose by 2.8%, only slightly below the 3% growth recorded in the previous two years.

Expenditure on contributory pensions grew by 6.4% to April, which was below the budgeted rate for the year as a whole. The number of contributory pensions continued to rise very moderately, with an in-

crease of 0.8% to April, slightly lower than budgeted and down on the previous year. Expenditure on sickness rose by 13.1% in the first four months of this year.

Contributions received by INEM (National Employment Office) rose by 7.5% in January, above the budgeted figure of 6.6%, while rebates on contributions in respect of employment-promoting contracts increased by 7% in January, compared with 21.4% in the budgeted projection.

INEM expenditure on unemployment benefits rose by 9.1% to June 2004, against an increase of 5.9% in 2003 as a whole. This was due to an increase in the percentage of coverage, which at 73.4% in April represented a fairly substantial rise on the end-2003 level. Accordingly, the number of beneficiaries grew by 6% in the first four months of 2004, compared with 3.2% average growth in the previous year, while registered unemployment rose by 2.7% to June 2004, practically the same as the 2003 average.

SOCIAL SECURITY SYSTEM (a)
Transfers to regional governments allocated (b)
Current and capital transactions, in terms of recognised entitlements and obligations

EUR m and %

	Budget			Outturn JAN-APR		
	2003	2004	% change	2003	2004	% change
	1	2	3=2/1	4	5	6=5/4
1 Revenue	77,096	82,221	6.6	26,900	28,895	7.4
Social security contributions (c)	72,174	76,753	6.3	25,130	26,932	7.2
Current transfers	4,294	4,672	8.8	1,566	1,688	7.8
Other (d)	628	797	26.8	204	275	34.7
2 Expenditure	73,187	78,691	7.5	20,648	22,024	6.7
Wages and salaries	1,811	1,907	5.3	550	579	5.2
Goods and services	1,403	1,497	6.7	348	370	6.2
Current transfers	69,525	74,775	7.6	19,711	21,027	6.7
Benefits	69,524	74,774	7.6	19,710	21,026	6.7
Contributory pensions	60,024	64,307	7.1	16,911	17,999	6.4
Sickness	4,623	5,312	14.9	1,376	1,556	13.1
Other	4,877	5,155	5.7	1,423	1,471	3.4
Other current transfers	1	1	-8.1	0	0	—
Other (e)	448	512	14.3	39	48	25.2
3 Balance	3,909	3,530	-9.7	6,252	6,871	9.9

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

a. Only data relating to the system, not to the entire Social Security Funds sector are given. This is because the figures for other Social Security funds are not available.
b. Transfers from the ISM to the regional governments to finance transferred health-care and social services have been distributed among the various expenditure captions on the basis of the percentages obtained from the general government accounts for 1997.
c. Including surcharges and fines.
d. Excluding surcharges and fines.
e. Reduced by the disposal of investments.

On the revenue side, and given the partial transfer of certain taxes to territorial governments, the analysis of the cash-basis outturn hereafter considers the total revenue raised by the main taxes, including both the portion assigned to the State and that allocated to territorial government, although these figures are not included in Table 3. Thus, in aggregate terms, personal income tax revenue declined by 5.3% in the first half with respect to the same period of 2003. This fall, influenced by the latest personal income tax reform and probably by a larger volume of refunds, was somewhat smaller than in Q1 because of the dilution of the calendar effect in regard to withholdings on earned income. By contrast, the collection of corporate income tax was extremely buoyant up to June. Indirect taxes, for their part, grew at a similar rate to that in Q1, although with more disparate behaviour among their main components. VAT slowed significantly in Q2 and grew more slowly than the budget forecast due to its domestic transactions component, while excise duties picked up to much higher than budgeted growth rates, with tobacco being notable in this regard. Finally, it should also be added that non-tax revenue slowed notably with respect to Q1, due to the transfers received, although it continued to be underpinned by the sharp increase in funds received from the EU.

On the expenditure side, the first half saw a further fall with respect to the same period of the previous year. This decrease in expenditure was basically due to interest payments which, as a result of the public debt maturity schedule, decreased by 19.5% up to June (see Table 3). By contrast, current transfers and, in particular, purchases, despite having slowed in Q2, continued to post higher than budgeted rates of change. For their part, personnel costs and capital transfers also slowed, growing at very moderate rates. Finally, real investments fell more slowly in recent months, drawing nearer to the budget forecast.

4. 5 The balance of payments and capital account of the economy

In the first four months of 2004 the overall balance on current and capital account was a deficit of €7.02 billion, up €3.12 billion on the same period of the previous year (see Table 4). This was basically due to the notable deterioration in the current account deficit, which amounted to €8.74 billion and, to a lesser extent, to the decrease in the surplus on capital account. The unfavourable movements in the current account were produced by the sharp increase in the trade deficit and the fall in the services surplus. The reduction in the income-account deficit and the slight improvement in the current-transfers surplus scarcely offset the deterioration in the other components of the current account.

In the period January-April 2004, the trade deficit rose by €3.22 billion with respect to the same period of the previous year, standing at €13.61 billion. In year-on-year terms, the negative balance increased by 31%, returning to the sharply deteriorating profile that had characterised it in the first three quarters of the previous year. The vigour shown by real flows of imports in the first four months of 2004 (far superior to that of the volume of exports) and the slight worsening in the terms of trade explain this worsening of the trade gap.

On the services account, the first four months of the year saw a surplus of €5.60 billion, down €651 million on the figure recorded in the same period of the previous year. This worsening resulted in a year-on-year decrease of 10.4%, explained by the 2.7% fall-off in the tourism surplus and the 41.7% deterioration in the non-tourism services deficit. Tourism revenue faltered in March and April after a recovery in the early months of the year and, as a result, the year-on-year rate of growth dropped to 2.3% in the first four months as a whole, in line with the unfavourable statistics for the number of tourists entering Spain and, in particular, for hotel overnight stays. Tourism payments rose to 20.6% overall in the first four months of 2004, accelerating still further against a background of improving Spanish consumer confidence and appreciation of the euro.

The deficit on the income account stood at €2.44 billion in the first four months of 2004, a correction of €796 million with respect to the same period of the previous year. Revenue increased

BALANCE OF PAYMENTS: MAIN COMPONENTS (a)   TABLE 4

EUR m			
		JANUARY-APRIL	
		2003	2004
CREDITS	Current account	80,365	82,340
	Goods	47,052	48,393
	Services	19,346	19,460
	Tourism	*9,353*	*9,569*
	Other services	*9,993*	*9,891*
	Income	7,316	7,525
	Current transfers	6,651	6,961
	Capital account	2,220	1,969
	Current + capital accounts	82,585	84,309
DEBITS	Current account	86,128	91,079
	Goods	57,439	62,005
	Services	13,093	13,859
	Tourism	*2,015*	*2,430*
	Other services	*11,077*	*11,428*
	Income	10,554	9,966
	Current transfers	5,043	5,250
	Capital account	352	245
	Current + capital accounts	86,480	91,324
BALANCES	Current account	-5,763	-8,740
	Goods	-10,387	-13,612
	Services	6,253	5,602
	Tourism	*7,338*	*7,138*
	Other services	*-1,085*	*-1,537*
	Income	-3,237	-2,441
	Current transfers	1,609	1,712
	Capital account	1,868	1,724
	Current + capital accounts	-3,895	-7,016

SOURCE: Banco de España.

a. Provisional data.

by 2.9% due to buoyant receipts in the non-financial private sector, while continuing to decrease in the other sectors, due to a decline in foreign investment earnings and to the cutbacks in investment itself in recent years. Payments were down by 5.6% due to the decrease in those by the non-financial private sector, in line with the lesser foreign direct investment in Spain last year.

The current-transfers surplus stood at €1.71 billion in the period January-April 2004, an increase of €103 million on the same period of 2003. Receipts were up by 4.7% because of the rise in the flows received from the public sector, particularly from the EU via the European Social Fund, while the Community funds granted to the private sector via the EAGGF Guarantee Fund declined slightly. Payments grew by 4.1% owing to the rise in flows to the EU via the GNP resource and traditional own Funds and to the continuing vigour of remittance payments by immigrants.

Finally, the capital-account surplus stood at €1.72 billion in the first four months of 2004, down €144 million on the same period of 2003. This deterioration (a fall of 7.7% year-on-year) was due to the fall-off in ERDF structural funds from the EU, which usually suffer from delays in the early months of the year. There were, however, increases in Community transfers to the EA-GGF-Guidance Fund and to the Cohesion Fund.

5 Financial developments

5.1 Overview

In 2004 Q2 financial conditions in the private sector were shaped primarily by the behaviour of euro area money market and public debt interest rates, which rose moderately. Thus one-year Euribor increased by 34 bp and ten-year Spanish bond yields were up by a similar amount (38 bp). This meant that, despite the slight reduction in credit risk premia (see Chart 24), there was a certain increase in non-financial corporations' cost of financing via fixed-income securities, which nonetheless remained at relatively low levels. Meanwhile, interest rates applied by credit institutions to households and corporations did not change significantly.

The domestic and international stock markets saw falling prices and rising volatilities in May, a phenomenon linked to the upward trend in oil prices. However, these movements were subsequently corrected, so that at end-June the main indices stood slightly above their end-Q1 levels, while volatilities had recovered the values shown in that period. As a result, the Madrid General Stock Exchange Index rose by 5.3% in the first half, gaining more than the euro area EURO STOXX Broad Index (3.7%) and the US S&P 500 (2.6%). From the beginning of July up to the date this article went to print, however, these three indices have been falling.

Housing market prices continued to rise briskly in 2004 Q1, although showing a slight slowdown which put their year-on-year growth rate at 17.2%. This slight moderation was seen in both new and used houses, being more significant in the former (nearly one-and-a-half percentage points).

Against this background, financing to corporations and households in 2004 Q1 held at high rates of expansion and, in fact, that to households accelerated. The funds continued to be used mainly to finance activity in the property sector. Thus house purchase loans in March grew at a year-on-year rate of nearly 23% and the annual growth of property development loans stood at around 40%. Provisional information for 2004 Q2 points to sustained growth rates of credit to households and corporations.

The continued resort to borrowing by households led to further increases in their debt ratios. In line with this increase, there was, for the second quarter running, an increase in the debt burden as a percentage of gross disposable income (GDI) of the sector. Also, although household financial saving recovered slightly to stand, in cumulative four-quarter terms, at 1% of GDP, saving after debt service remained at very low levels. Household net wealth increased as a result of the significant rise in real estate prices. Provisional information for 2004 Q2 indicates that these trends have continued.

In the case of corporations, the financial position indicators generally showed a favourable performance. Thus, although the aggregate debt ratios continued to increase, the interest burden eased slightly and the synthetic indicators measuring how financial position affects investment reflected a mild improvement. Similarly, the financing gap again narrowed and the long-term earnings expectations of listed corporations began to show signs of recovery between April and June in most industries.

Taken as a whole, the available aggregate indicators of the financial position of corporations and households suggest that in the short term it should not, in principle, hinder the recovery of investment from firming and consumption from remaining buoyant. However, certain recent developments relating basically to the levels of indebtedness reached and the notable propor-

STOCK EXCHANGE INDICES

— MADRID STOCK EXCHANGE GENERAL INDEX
— EURO STOXX
— S&P 500

31.12.00 = 100

IMPLIED VOLATILITY

— IBEX 35
— EURO STOXX 50
— S&P 500

%

FIVE-YEAR CREDIT RISK HEDGE PREMIUM (a)

— TELECOMMUNICATIONS
— UTILITIES
— OIL (right-hand scale)

bp   bp

**INDEX OF PRICE PER M2
OF APPRAISED HOUSING**

---- NOMINAL
— REAL (b)

1987 Q1 = 100
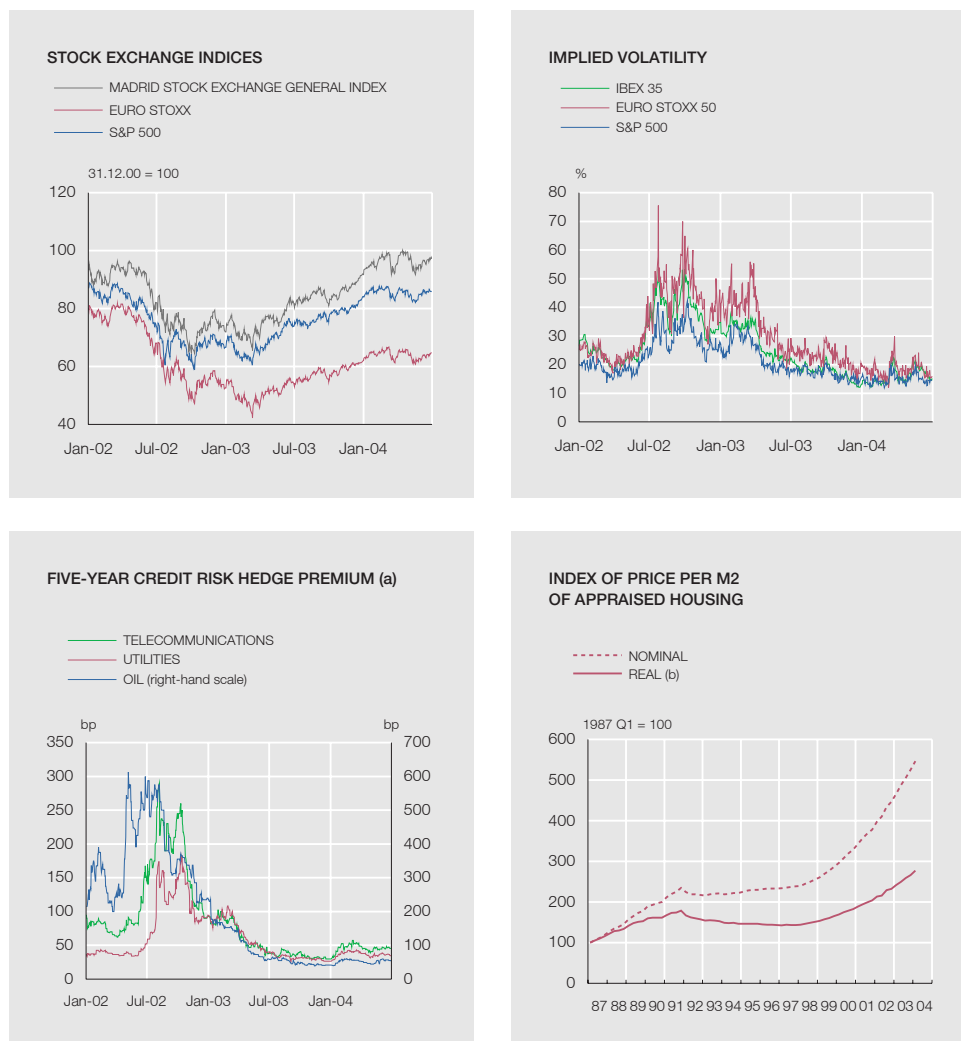
SOURCES: Bloomberg, Credit Trade and Banco de España.

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

tion of debt at variable interest rates, pose certain risks in the longer term. In particular, these developments have made spending decisions more vulnerable to interest rate rises and, especially in the case of households, have reduced their ability to resort to additional increases in financing to sustain further spending decisions.

5.2 Households

Despite the slightly upward behaviour of yields in the euro area money market, the lending rates applied by institutions to households decreased in 2004 Q2 with respect to their March levels. Specifically, the cost of house purchase loans was 3.25% in May, down 14 bp on the March level, while that of consumer and other loans decreased by 8 bp to 6.12%.

The easy financing conditions again encouraged households to resort strongly to external financing, the year-on-year rate of expansion of which increased to nearly 20% in 2004 Q1 (see Table 6). The fresh debt taken on by the sector represented, in cumulative twelve-month terms, 9.9% of GDP, 0.4 pp more than in the previous quarter. This rise resulted from the acceleration of house purchase credit, the growth rate of which stood at 23% in March, the highest in recent years, and from the maintenance of the expansion rate of consumer and

| % GDP | 1999 | 2000 | 2001 | 2002 | 2003 | | | | 2004 |
					Q1	Q2	Q3	Q4	Q1
National economy	-1.0	-2.5	-2.2	-1.6	-2.1	-2.0	-2.3	-2.0	-2.1
Non-financial corporations and households and NPISHs	-0.3	-2.3	-3.4	-3.0	-3.5	-3.6	-3.6	-3.7	-3.7
Non-financial corporations	-2.3	-3.4	-4.5	-4.5	-4.6	-4.0	-4.7	-4.6	-4.8
Households and NPISHs	2.0	1.1	1.1	1.5	1.0	0.5	1.1	0.8	1.0
Financial institutions	0.5	0.8	1.6	1.5	1.5	1.4	1.3	1.4	1.5
General government	-1.2	-0.9	-0.4	-0.1	0.0	0.2	0.0	0.3	0.1

SOURCE: Banco de España.

other loans. Provisional information for 2004 Q2 indicates that household debt has continued to grow at this high rate.

With regard to portfolio decisions, investment in assets increased by somewhat more than 0.5 pp relative to GDP, in cumulative twelve-month terms, to stand at 10.9%. Analysis by instrument showed a certain shift towards more risky assets. Thus investment in shares increased to stand, in cumulative four-quarter terms, at 0.9% of GDP. Investment in securities funds (FIM) also tended to rise, and in the first quarter of the year reached the highest values since the beginning of 1999. In cumulative annual terms, it represented 2.3% of GDP, up 0.5 pp on end-2003. This increase was equal to the fall in money market funds, so investment in mutual funds did not show significant changes. Meanwhile, there was a rise of 0.3 pp in the item "Other deposits and fixed-income securities", basically due to investment in time deposits.

The notable rise in financing received by households meant a further increase in the sector's debt ratio in terms of its GDI, which stood at around 95% at the end of 2004 Q1 (see Chart 26). The associated debt burden, also relative to its GDI, likewise increased (for the second quarter running), despite the reduction in the fraction relating to interest payment. In addition, although the sector's financial saving increased slightly (to 1% of GDP, in cumulative four-quarter terms, as shown by Table 5), saving after debt service remained low, at levels similar to those at end-2003. Encouragingly, the latest available microeconomic information, drawn from the Household Expenditure Survey, reflected a certain increase in the percentage of households able to earmark money for saving, as well as a reduction in the proportion of households experiencing great difficulty in making it to the end of the month. Also, household wealth again grew, although due only to house price rises, since net financial wealth held steady (see Charts 25 and 26).

Consequently, the available indicators suggest that the financial conditions of households should not pose an obstacle for consumer buoyancy and residential investment of the sector in the short term. Nevertheless, the low level of saving after debt service allows limited leeway for absorbing possible adverse shocks. The impact that these shocks might have on household spending decisions has been heightened in recent years by the significant increase in the sector's liabilities, although this may be largely explained by the behaviour of their more usual determinants, such as interest rates, income and wealth (see Table 5). Additionally, the available disaggregated information shows a high dispersion in financial position within the sector, so the financial position of a certain percentage of households is arguably less sound than suggested

Cumulative four-quarter data

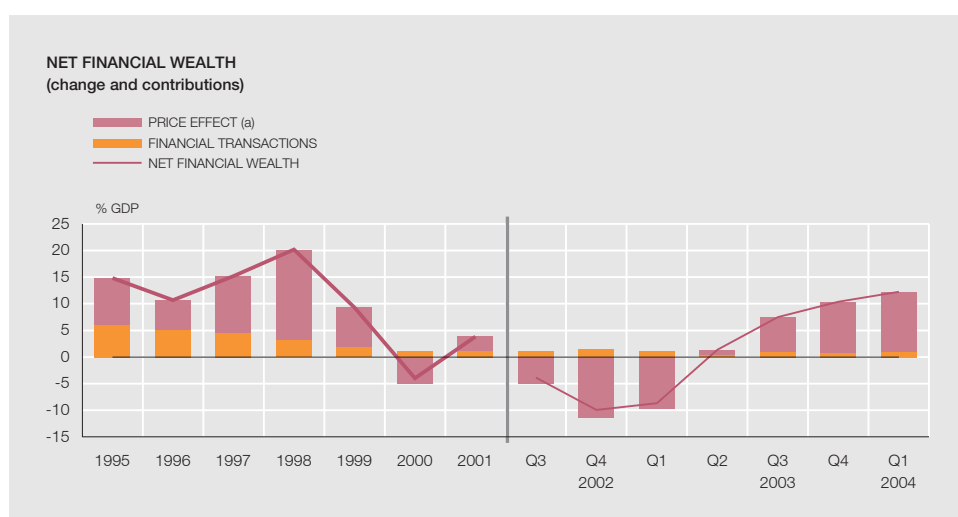| % GDP	2000	2001	2002	2003 Q3	2003 Q4	2004 Q1
HOUSEHOLDS AND NPISHs						
Financial transactions (assets)	9.6	7.8	8.8	9.2	10.3	10.9
Cash and cash equivalents	0.9	1.2	3.8	3.9	4.4	4.3
Other deposits and fixed-income securities (a)	6.1	3.4	1.5	-0.2	-0.2	0.1
Shares and other equity (b)	1.5	-0.2	0.8	0.4	0.7	0.9
Mutual funds	-3.3	0.8	0.2	2.0	2.3	2.4
FIAMM	*-1.2*	*1.3*	*0.7*	*0.9*	*0.6*	*0.1*
FIM	*-2.0*	*-0.5*	*-0.5*	*1.2*	*1.8*	*2.3*
Insurance technical reserves	3.5	2.7	2.6	2.5	2.1	2.0
Of which:						
Life assurance	*2.1*	*1.5*	*1.5*	*1.4*	*0.7*	*0.7*
Retirement	*1.1*	*0.9*	*0.9*	*0.9*	*1.1*	*1.1*
Other	0.9	0.0	-0.1	0.6	1.0	1.2
Financial transactions (liabilities)	8.6	6.8	7.4	8.2	9.5	9.9
Credit from resident financial institutions (c)	7.0	5.4	7.2	8.2	9.4	10.0
House purchase credit (c)	*5.4*	*4.8*	*5.2*	*5.6*	*7.2*	*7.8*
Consumer and other credit (c)	*1.6*	*0.6*	*2.1*	*2.5*	*2.1*	*2.1*
Other	1.6	1.3	0.1	0.0	0.1	-0.1
NON-FINANCIAL CORPORATIONS						
Financial transactions (assets)	26.3	16.4	16.4	17.6	17.2	15.6
Cash and cash equivalents	0.9	1.7	1.6	1.4	0.9	0.6
Other deposits and fixed-income securities (a)	1.2	0.7	1.7	1.7	1.5	0.5
Shares and other equity	14.1	6.1	6.9	7.1	6.8	5.4
Of which:						
Vis-à-vis the rest of the world	*10.5*	*4.6*	*5.1*	*5.6*	*4.6*	*3.2*
Other	10.1	7.9	6.2	7.4	8.0	9.1
Financial transactions (liabilities)	29.7	21.0	20.9	22.3	21.7	20.4
Credit from resident financial institutions (c)	7.5	6.5	6.3	7.0	7.1	7.2
Foreign loans	3.5	4.0	3.0	2.7	2.8	2.4
Fixed-income securities (a)	-0.9	0.0	-0.4	-0.2	-0.2	0.0
Shares and other equity	12.8	5.3	6.0	6.5	5.1	3.8
Other	6.8	5.2	5.9	6.4	6.8	7.0
MEMORANDUM ITEM: YEAR-ON-YEAR GROWTH RATES (%):						
Financing (d)	18.1	15.6	14.3	14.9	16.1	16.3
Households and NPISHs	17.3	12.3	15.6	16.6	18.7	19.6
Non-financial corporations	18.7	18.1	13.3	13.7	14.2	13.9

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.

NET FINANCIAL WEALTH
(change and contributions)

■ PRICE EFFECT (a)
■ FINANCIAL TRANSACTIONS
— NET FINANCIAL WEALTH

% GDP

SOURCE: Banco de España.

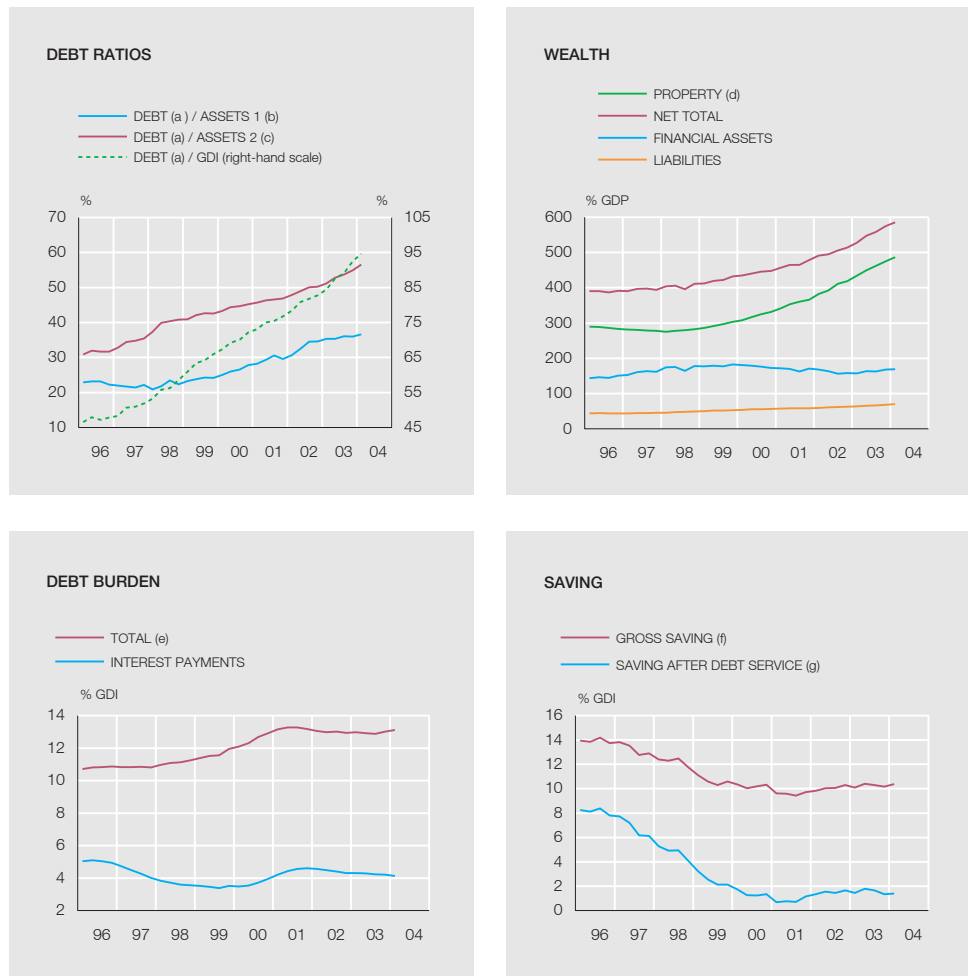a. Includes revaluation and other changes in volume.

by the overall indicators and their consumption or investment decisions are thus comparatively more vulnerable to possible adverse changes such as, for example, an increase in interest rates.

5.3 Non-financial corporations

The financing conditions of corporations continued to be easy between April and June. Thus lending rates held at the low levels of the previous quarter. The risk premia negotiated by firms on the debt markets decreased, although by less than the rise in public debt yields, so the average cost of corporate financing via fixed-income securities grew slightly, although it remained moderate. Finally, the conditions for raising funds on the equity markets did not change significantly in the period as a whole, since at the end of Q2 market prices and their volatilities stood at levels similar to those in March.

Liabilities-side transactions by non-financial corporations amounted, in cumulative twelve-month terms, to 20.4% of GDP, down 1.3 pp on 2003 Q4 (see Table 6). The breakdown by components shows that interest-bearing borrowed funds expanded at a rate of around 14% which, according to the available provisional information, seems to have been been sustained in the second quarter of the year. This borrowing represented 9.6% of GDP. The composition by instrument showed certain differences with respect to the previous quarter. Thus there was further redemption of short-term fixed-income securities, whereas long-term securities showed, in cumulative twelve-month terms, positive net issuance, contrasting with their behaviour since 2000. Overall, the net funds raised via fixed-income securities stood at practically zero. Meanwhile, the volume of funds raised through foreign loans relative to GDP decreased, while those obtained from resident credit institutions continued on the slightly upward trend of the previous quarter. Funds raised through issuance of shares and other equity decreased by 1.3 pp relative to GDP and stood, in cumulative twelve-month terms, at 3.8%. Finally, according to the CBSO quarterly survey, there was a positive, although moderate, change in the debt of large corporations, in contrast to the balance-sheet restructuring undertaken by some of them in 2002 and 2003.

As to branches of production, Q1 saw an increase in the rate of expansion of bank credit in most sectors, that in construction being especially significant with an increase of 5 pp

DEBT RATIOS

DEBT (a) / ASSETS 1 (b)
DEBT (a) / ASSETS 2 (c)
DEBT (a) / GDI (right-hand scale)

WEALTH

PROPERTY (d)
NET TOTAL
FINANCIAL ASSETS
LIABILITIES

DEBT BURDEN

TOTAL (e)
INTEREST PAYMENTS

SAVING

GROSS SAVING (f)
SAVING AFTER DEBT SERVICE (g)

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 households' use of disposable income account.
g. Gross saving less estimated debt repayments.

in its year-on-year rate of growth. Credit to this sector and to property services was highly buoyant, with growth rates around 20% and 40%, respectively. By contrast, despite the fresh recovery shown by the industrial sector in this period, the loans extended to it again slowed in this period, their rate of expansion in fact dropping to negative values (–1.4%).

The flow of investment in financial assets of non-financial corporations contracted, in cumulative four-quarter terms, to 15.6% of GDP (see Table 6). This decline was apparent in most items and was especially significant in other deposits and fixed-income securities and in shares and other equity. In the latter item, the contraction was basically in foreign stakes (somewhat more than one percentage point).

Net borrowing of corporations in March stood, in cumulative four-quarter terms, at 4.8%, up slightly on end-2003. The financing gap, which measures how much real and permanent fi-

Credit allows households to smooth consumption throughout their life-cycle, as well as to purchase consumer durables or houses, the services of which are prolonged in time and require a relatively high initial outlay of funds. However, any increase in financing represents a higher debt burden and may limit access to fresh funds and make spending decisions more sensitive to changes in financing conditions[1]. Thus higher debt tends to reduce the sector's ability to respond to unfavourable changes in its income, in the value of its wealth or in interest rates, which are particularly significant if household loans are at floating interest rates. For this reason, a high level of indebtedness might, in certain circumstances, contribute to heightening the contractionary effects of the recessionary phase of the cycle or limit the extent of an economic recovery.

To examine the effect that excessive indebtedness might have on spending decisions, a vector error correction model (VECM) has been estimated for Spanish families[2]. This model provides long-term relationships (or equilibrium paths) for household consumption and credit as a function of income, wealth and financing cost. This approach also sheds light on how adjustments take place
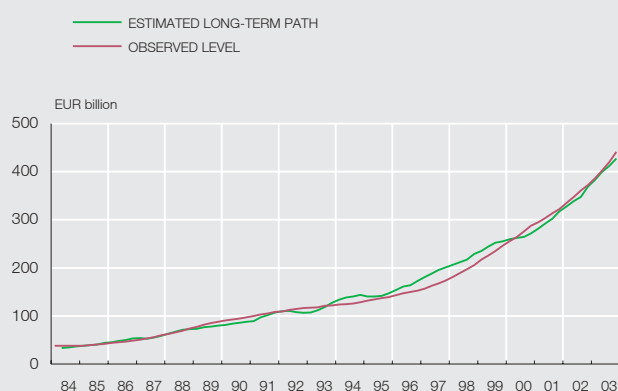
when the variables of interest depart from their estimated equilibrium levels.

The results show that the deviations of indebtedness with respect to its long-term determinants imply changes not only in credit, but also in other variables. Thus, as shown in the accompanying table, when the level of credit stands at 1% above (below) its equilibrium path, the related correction takes place primarily by means of an adjustment in the volume of loans. More specifically, debt would decrease (increase) by 0.15% in the immediately following quarter and would continue to do so at this rate - 0.15 pp for each percentage point of disequilibrium - in subsequent quarters until the gap was closed. But, in addition, there would also be falls (rises) in consumption, the rate of change of which would be 0.11 pp for each percentage point of imbalance.

The estimate also shows that the increase in Spanish households' liabilities in recent years is consistent with the changes in their long-term fundamental determinants (see accompanying chart). Therefore, at the present time it does not seem that the level of indebtedness is exercising a significant contractionary effect on consumption. However, if, once the effects of the changes in its determinants have run their course, the trend of recent years continues, the debt assumed by the sector may end up affecting perceptibly the propensity of families to engage in further spending.

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1. In this latter respect, see Malo de Molina and Restoy (2004) "Recent trends in corporate and household balance sheets in Spain: macroeconomic implications", Banco de España, Occasional Document no. 0402. **2.** See Martínez, Carrascal and del Río (2004): "Household borrowing and consumption in Spain: a VECM approach", Banco de España, mimeo.

1. CREDIT TO HOUSEHOLDS

— ESTIMATED LONG-TERM PATH
— OBSERVED LEVEL

EUR billion

SOURCE: Banco de España.

2. ADJUSTMENTS WHEN CREDIT AND CONSUMPTION DEVIATE FROM THEIR EQUILIBRIUM PATH (a)

		Variable that is not in equilibrium	
		Consumption	Credit
Variable that is adjusted	Consumption	-0.35	-0.11
	Credit	—	-0.15
	Income	0.48	—
	Wealth	—	—
	Interest rate	—	—

a. Percentage change in one quarter shown by the different variables when there is a positive deviation of 1% in consumption or credit from its equilibrium path.

CAPITAL AND FINANCIAL ACCOUNT

FINANCING GAP (a)
BROAD GROSS CAPITAL FORMATION (b)
GROSS SAVING (c)
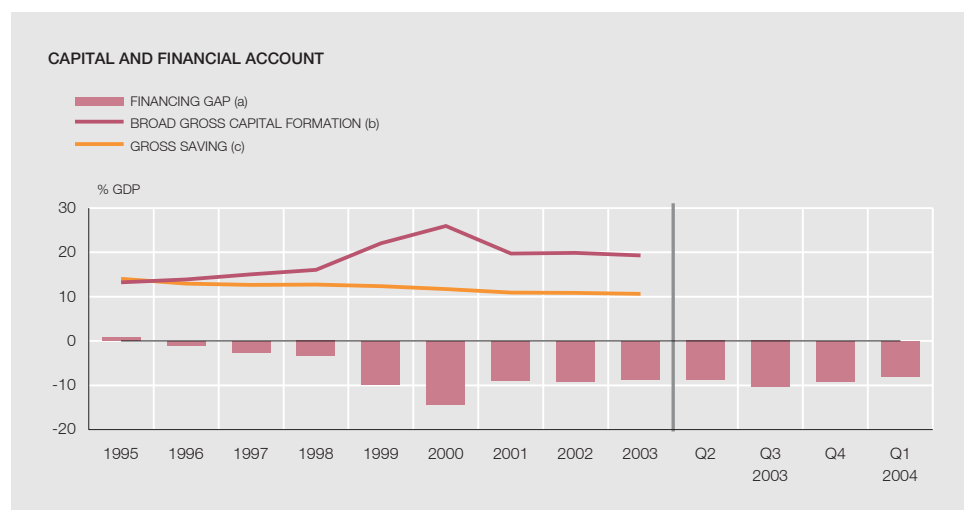
SOURCE: Banco de España.

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.

nancial investment differs from gross saving, fell further to 7.9%, more than 1 pp below its
level at end-2003 (see Chart 27).

According to the CBSO quarterly survey, the earnings of corporations again performed very
favourably in 2004 Q1. Thus ordinary net profit grew by 17.4% in this period, up 4 pp on 2003
Q1. The performance was especially positive in trade, in line with the good behaviour of private
consumption, and also in the transport and communications sector. By contrast, in industry
this aggregate saw moderate growth (3.4%), below that in the same period of the previous
year (12.4%). Total net profit fell by 27.2%, which, however, is not representative of the situa-
tion of corporations, since it basically reflects a decline in extraordinary revenue.

Despite the positive performance of corporate earnings, the continued high borrowing of firms
meant that their aggregate debt ratios rose further in 2004 Q1, although the associated debt
burden held at moderate levels and, in fact, declined somewhat (see Chart 28 and 29). On
CBSO information, the debt ratios of the large corporations held steady, contrasting with their
downward path in the last two years, and the total debt burden (interest plus short-term debt)
rose slightly, despite the reduction in the part representing interest payment. This rise was seen
in all sectors except energy.

The above-mentioned developments in indebtedness, debt burden and corporate earnings led
to a decline in the aggregate synthetic indicator of financial pressure on investment, construct-
ed from CBSO information. The employment indicator, by contrast, showed a slight deteriora-
tion, although remaining at historically low levels (see Chart 30). In addition, the figures on
suspensions of payments and declarations of bankruptcy were positive, there being a decrease
in these two items in 2004 Q1, relative both to the same period of 2003 and to 2003 Q4.

Overall, the sound financial position of corporations, along with their improving long-term earn-
ings expectations and the prevailing easy financing conditions, make for a scenario conducive
to a progressive firming of the recovery in investment. Thus, as mentioned above, the balance-

DEBT RATIOS OF NON-FINANCIAL CORPORATIONS (a)

CHART 28
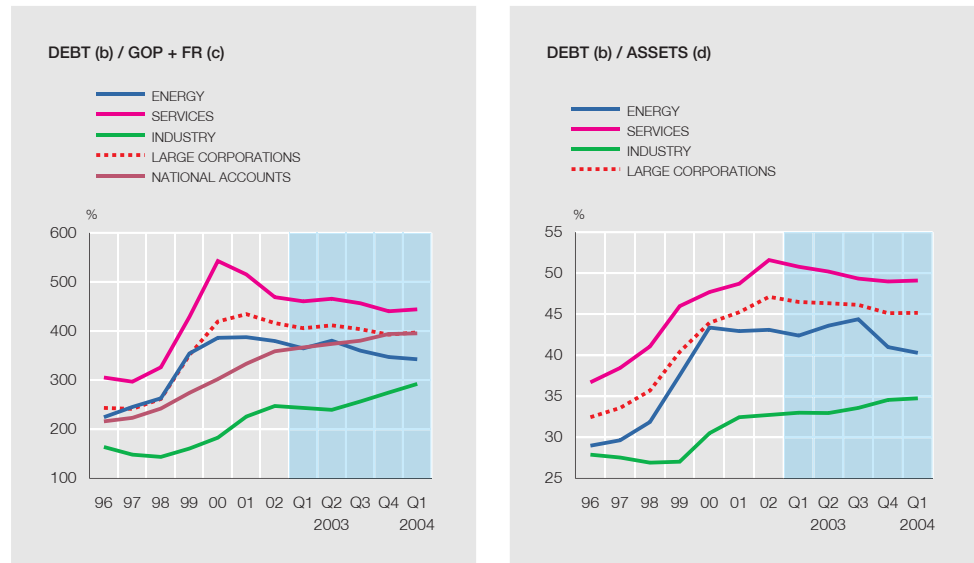
DEBT (b) / GOP + FR (c)

- ENERGY
- SERVICES
- INDUSTRY
- LARGE CORPORATIONS
- NATIONAL ACCOUNTS

%

600
500
400
300
200
100

96 97 98 99 00 01 02 Q1 Q2 Q3 Q4 Q1
                          2003   2004

DEBT (b) / ASSETS (d)

- ENERGY
- SERVICES
- INDUSTRY
- LARGE CORPORATIONS

%

55
50
45
40
35
30
25

96 97 98 99 00 01 02 Q1 Q2 Q3 Q4 Q1
                          2003   2004

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 29
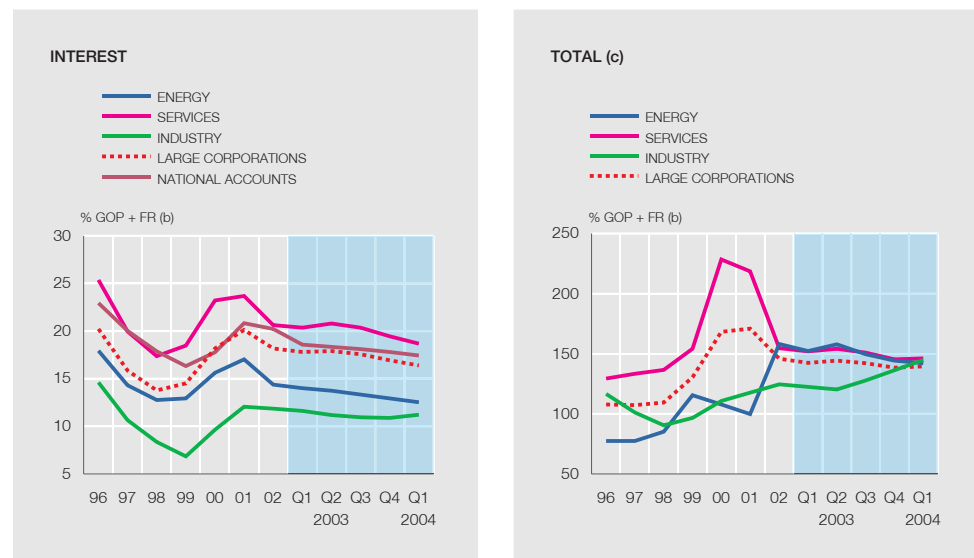
INTEREST

- ENERGY
- SERVICES
- INDUSTRY
- LARGE CORPORATIONS
- NATIONAL ACCOUNTS

% GOP + FR (b)

30
25
20
15
10
5

96 97 98 99 00 01 02 Q1 Q2 Q3 Q4 Q1
                          2003   2004

TOTAL (c)

- ENERGY
- SERVICES
- INDUSTRY
- LARGE CORPORATIONS

% GOP + FR (b)

250
200
150
100
50

96 97 98 99 00 01 02 Q1 Q2 Q3 Q4 Q1
                          2003   2004

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. 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 30
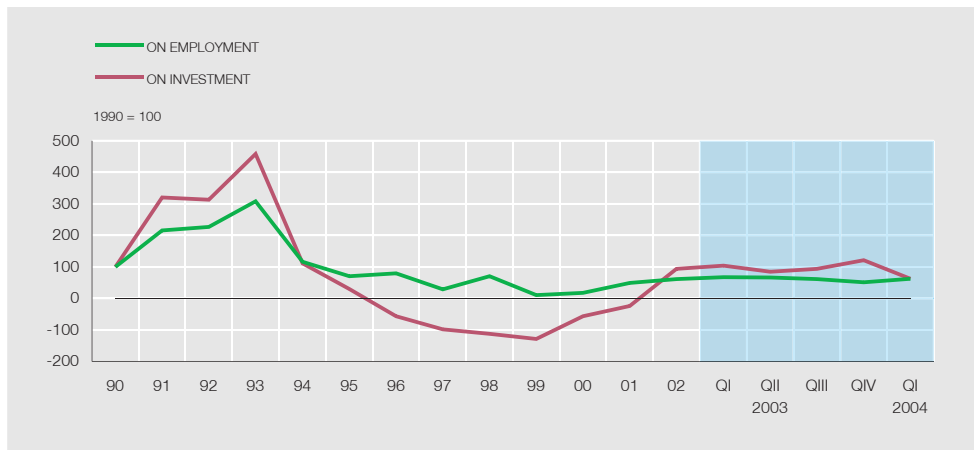
SOURCE: Banco de España.

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

GENERAL GOVERNMENT
Cumulative four-quarter data

CHART 31
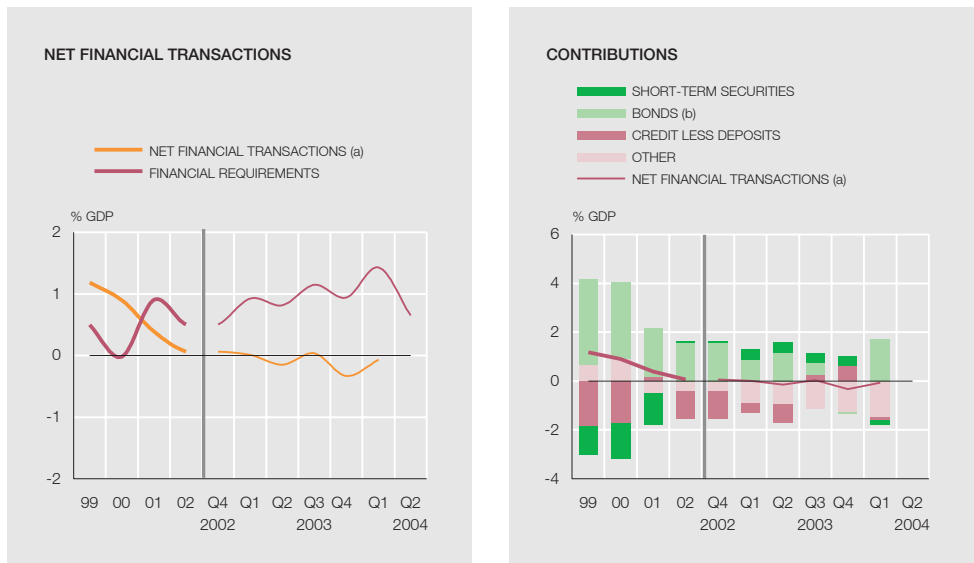
SOURCE: Banco de España.

a. Sign changed.
b. Not including unpaid accrued interest, which is included under "other".

sheet restructuring undertaken by large corporations in previous quarters, which created some uncertainty over the prospects of this recovery, does not seem to have continued in 2004 Q1. However, there are persisting risk factors associated with the sector's high indebtedness which make its spending decisions more sensitive to unfavourable changes in its earnings or cost of financing.

5.4 General government

The net balance of the financial transactions of general government in 2004 Q1 was positive and, in cumulative twelve-month terms, stood at 0.1% of GDP, down 0.2 pp on end-2003 (see Chart 31). Similarly, the net issuance of marketable securities by general government was

% GDP	2000	2001	2002	2003 Q3	2003 Q4	2004 Q1
NET FINANCIAL TRANSACTIONS	-2.5	-2.2	-1.6	-2.3	-2.0	-2.1
FINANCIAL TRANSACTIONS (ASSETS)	25.1	12.2	13.7	15.1	13.6	12.3
Gold and SDRs	0.0	0.0	0.0	0.0	0.0	0.0
Cash and deposits	2.8	-2.7	3.5	0.4	0.8	1.3
Securities other than shares	3.9	7.2	4.3	7.8	7.1	5.0
Of which:						
Credit institutions	*-0.3*	*2.0*	*0.5*	*4.1*	*3.7*	*3.6*
Institutional investors (a)	*3.7*	*5.4*	*3.5*	*3.5*	*3.4*	*1.7*
Shares and other equity	15.6	5.2	5.3	6.0	4.8	4.7
Of which:						
Non-financial corporations	*10.5*	*4.6*	*5.1*	*5.6*	*4.6*	*3.2*
Institutional investors (a)	*3.2*	*0.5*	*-0.1*	*0.6*	*1.1*	*1.7*
Loans	2.7	2.5	0.6	0.9	1.0	1.2
FINANCIAL TRANSACTIONS (LIABILITIES)	27.5	14.4	15.3	17.5	15.6	14.4
Deposits	6.7	2.8	4.4	6.5	7.5	5.0
Securities other than shares	7.1	3.1	4.5	4.5	5.6	8.9
Financial institutions	*1.1*	*1.5*	*3.3*	*5.5*	*6.7*	*7.6*
Rest of resident sectors	*6.0*	*1.6*	*1.2*	*-0.9*	*-1.1*	*1.3*
Shares and other equity	9.4	4.6	4.2	4.3	0.8	-0.6
Of which:						
Non-financial corporations	*7.7*	*4.1*	*3.5*	*4.1*	*0.9*	*-0.6*
Loans	4.1	4.3	3.5	3.0	3.2	2.8
Other, net (b)	0.2	-0.4	-1.1	-0.8	-1.4	-1.7

SOURCE: Banco de España.

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

also positive (1.6% relative to GDP), since the issuance of medium- and long-term securities offset the decline in the contribution from short-term securities.

Provisional information for 2004 Q2 points to a further net redemption of short-term securities, positive issuance of long-term securities and an increase in the balance of deposits held by the sector. As a result, the general government's *financial requirements*, which represent its recourse to the financial markets and which are a leading indicator of the sector's (dis)saving, have been reduced.

5.5 The rest of the world

The debit balance of the nation's financial transactions increased in 2004 Q1 and, in cumulative twelve-month terms, stood at 2.1% of GDP, against 2% at end-2003. This resulted from the lower saving of general government and the larger financing needs of corporations, which exceeded the increase in net lending by households and financial institutions. As in the previous quarter, both asset and liability flows declined.

Net purchases of foreign assets decreased to 12.3% of GDP in cumulative twelve-month terms, down 0.3 pp on end-2003 (see Table 7). Behaviour across instruments was uneven. Thus while loans and cash and deposits continued on the path of recovery of the previous

% GDP

	1999	2000	2001	2002	2003	2004 (b)
National economy	-29.6	-26.2	-27.0	-30.9	-37.9	-38.5
Non-financial corporations and households and NPISHs	-17.3	-9.4	-10.2	-11.7	-14.7	-14.4
Non-financial corporations	-24.1	-16.7	-17.6	-19.4	-23.2	-23.3
Households and NPISHs	6.8	7.3	7.4	7.7	8.4	8.8
Financial institutions	8.2	8.3	8.6	6.7	-0.7	0.1
Credit institutions (c)	-7.5	-11.6	-13.9	-14.2	-21.9	-20.7
Institutional investors (d)	16.3	20.8	24.3	24.5	27.5	27.6
Other financial institutions	-0.6	-0.9	-1.8	-3.6	-6.3	-6.8
General government	-20.5	-25.1	-25.4	-25.9	-22.5	-24.1

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. Q1 data.
c. Defined in accordance with the First Banking Directive.
d. Insurance corporations and portfolio investment institutions.

quarter, purchases of shares and other equity were very similar and there was a significant fall-off in securities other than shares. On provisional balance of payments information to April, foreign direct (permanent) investment contracted considerably (nearly 50%) compared with the same period a year earlier. Portfolio investment abroad also declined significantly (by more than 40%).

On the liabilities side, net flows represented 14.4% of GDP in cumulative twelve-month terms, against 15.6% in the previous quarter. This decline was seen in most investments of non-residents and was especially significant in deposits and in shares and other equity, in which there was a disinvestment in cumulative four-quarter terms. The only increase was in funds invested in securities other than shares (by more than 3 pp relative to GDP). According to balance of payments information, inward foreign direct investment in Spain in the first four months of the year contracted significantly, standing at around 6% of that observed in the same period of 2003, reflecting disinvestment in capital and a significant decline in the flow of financing from non-resident firms to group companies.

Finally, the provisional information on the debit position of the Spanish economy vis-à-vis the rest of the world shows that in 2004 Q1 it stood at 38.5% of GDP, a deterioration of slightly more than 0.5 bp with respect to end-2003 (see Table 8).

Results of non-financial corporations in 2004 Q1

Introduction[1]

According to the Central Balance Sheet Data Office (CBSO) quarterly survey (CBQ) for 2004 Q1, the reporting corporations sustained a level of activity similar to that achieved at the end of 2003. The nominal growth rate of gross value added (GVA) in 2004 Q1 was 4.9%, compared with 6.3% a year earlier (see Table 1 and Chart 1). If the data for oil refiners is excluded, owing to the bias arising from sharp swings in oil prices, the GVA growth rate of the reporting corporations for 2004 Q1 is 6.2%, compared with 4.1% for the same period in 2003.

These results are mainly based on the strength of wholesale and retail trade, the GVA of which grew by 10.7%, in line with developments in 2003. This confirms the significant contribution of private consumption to GDP growth, as reflected by Quarterly National Accounts (QNA) data. The increase in value added in the industrial sector was again moderate, in spite of the signs of recovery in capital goods investment, due in part to the moderate growth in exports and to the rise of imports.

The rate of change of personnel costs in the reporting corporations dropped considerably to 1.9% in 2004 Q1, from 4.8% in 2003 Q1. This was the result of both the behaviour of employment in these corporations and more moderate average compensation growth. Employment fell by 0.6% in 2004 Q1, although this figure was heavily influenced by the adjustment in staffing levels at a large telecommunications company. Were the data from this company to be excluded, employment would have risen by 0.4% which, although not particularly high, more accurately reflects activity in the sample corporations as a whole. It should also be recalled that the characteristics of the CBQ corporations (large industrial corporations in sectors undergoing restructuring), means that their rate of job creation tends to be low. The rise in average compensation was also very moderate, at 2.4%, one-and-a-half percentage points lower than in the same period a year earlier, in line with the slowdown in the rate of inflation during 2003.

As a result of the low increase in personnel costs, gross operating profit grew by 7.2% in relation to the same period a year earlier, which was very similar to the rate in 2003 Q1. The growth of ordinary net profit by 17.4% over the period in question, compared with 13.4% in 2003 Q1, can be explained by the rise in operating profits and, once again, the decrease in financial costs as a result of further reductions in interest rates. This allowed firms to increase their level of ordinary returns which, together with a renewed fall in the cost of external financing to historically low levels, resulted in the spread between the return on investment and the cost of debt being considerably wider than in 2003 Q1. The rate of change in net profit (–27.2%) was mainly due to the negative performance of capital gains and extraordinary income in 2004 Q1. The level of net profit for this period was positive at 26.4% of GVA, compared with 25.4% for the whole of 2003.

To conclude, the CBQ data show that in the first few months of this year, Spanish corporations maintained a level of activity similar to that of last year, and it is hoped that the signs of a recovery in activity will continue to strengthen in the next few quarters. High returns are still being achieved, principally because of the moderate rise in personnel costs and

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[1]. This article is based on the data provided to 14 June 2004 by the 690 corporations that voluntarily reported to the CBSO Quarterly Survey (CBQ). These corporations account for 13.5% of the total activity of the non-financial corporations sector (measured as gross value added at basic prices).

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

Databases	CBA STRUCTURE 2002	CBA		CBQ (a)		
		2001	2002	03 Q1-Q4 / 02 Q1-Q4 (a)	03 Q1 / 02 Q1	04 Q1 / 03 Q1
Number of corporations / Total national coverage		8,441/30.2%	7,510/27.3%	814/15.0%	863/15.5%	690/13.5%
PROFIT AND LOSS ACCOUNT						
1. VALUE OF OUTPUT (including subsidies)	100.0	4.0	2.7	3.9	7.7	2.7
Of which:						
1. Net amount of turnover and other operating income	130.7	6.5	3.5	4.5	6.5	4.1
2. INPUTS (including taxes)	68.2	3.1	1.6	2.7	8.6	1.4
Of which:						
1. Net purchases	40.8	-1.5	-0.8	1.4	10.7	-1.3
2. Other operating costs	27.2	8.7	6.7	6.6	8.1	5.7
S.1. GROSS VALUE ADDED AT FACTOR COST [1 - 2]	31.8	5.9	5.3	5.7	6.3	4.9
3. Personnel costs	16.6	5.8	5.2	3.8	4.8	1.9
S.2. GROSS OPERATING PROFIT [S.1 - 3]	15.2	6.0	5.4	7.3	7.6	7.2
4. Financial revenue	2.8	40.9	-7.8	16.4	3.5	-3.7
5. Financial costs	3.2	19.3	-3.7	-2.3	0.0	-6.1
6. Depreciation and operating provisions	7.0	4.4	4.4	0.0	3.9	-2.1
S.3. ORDINARY NET PROFIT [S.2 + 4 - 5 - 6]	7.8	13.8	5.0	20.0	13.4	17.4
7. Capital gains and extraordinary revenue	8.4	4.1	99.6	-30.4	57.4	-67.5
8. Capital losses and extraordinary expenses	5.0	10.6	38.8	-17.8	50.4	-37.6
9. Other net provisioning	9.1	92.4	196.9	-74.6	-83.3	(b)
10. Income tax	1.5	5.1	4.6	19.7	22.5	21.4
S.4. NET PROFIT [S.3 + 7 - 8 - 9 - 10]	0.6	-19.0	-82.6	(b)	120.9	-27.2
Memorandum item: FUNDS GENERATED FROM OPERATIONS [S.2 + 4 - 5 - 10]	13.3	9.6	4.7	10.2	6.6	6.2
PROFIT RATIOS						
R.1 Return on investment (before taxes)		7.4	7.6	8.3	6.1	6.8
R.2 Interest on borrowed funds/ interest-bearing borrowing		5.1	4.3	4.2	4.2	3.9
R.3 Ordinary return on equity (before taxes)		9.3	10.4	11.8	7.8	9.2
R.4 ROI - cost of debt (R.1 - R.2)		2.4	3.3	4.1	1.9	2.9
R.5 Debt ratio		49.1	51.5	52.2	52.2	51.2

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 significant or not calculable because the relevant figures are of opposite sign.
Note: Internal accounting movements have been edited out of items 4, 5, 7, 8, 9 and 10 in the calculation of rates.

the positive developments, once again, in financial costs. However, uncertainties remain in the growth expectations for the euro area, where the recovery seen in the United States, Japan and Latin America has yet to be confirmed. This is undermining buoyancy in some sectors of the economy, notably the industrial sector. Lastly, the increase in oil prices in April and May could lead to inflationary pressures and have a negative impact on business expectations. Nevertheless, in general terms, Spanish firms are well placed to sustain the buoyancy of their activity, by increasing investment and employment, and their rates of return.

VALUE ADDED, EMPLOYEES, PERSONNEL COSTS AND COMPENSATION PER EMPLOYEE
BREAKDOWN BY SIZE AND MAIN ACTIVITY OF CORPORATIONS
Growth rates 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 | | | CBA | CBQ | | | CBA | CBQ | | | CBA | CBQ | | |
	2002	03 Q1 -Q4 (a)	03 Q1	04 Q1	2002	03 Q1 -Q4 (a)	03 Q1	04 Q1	2002	03 Q1 -Q4 (a)	03 Q1	04 Q1	2002	03 Q1 -Q4 (a)	03 Q1	04 Q1
Total	5.3	5.7	6.3	4.9	1.5	0.4	0.8	-0.6	5.2	3.8	4.8	1.9	3.7	3.4	4.0	2.4
SIZE																
Small	3.9	—	—	—	1.2	—	—	—	5.1	—	—	—	3.9	—	—	—
Medium	7.7	2.9	0.6	10.7	2.1	0.2	1.0	0.3	6.1	4.6	6.0	4.2	3.9	4.4	4.9	3.9
Large	5.1	5.9	6.7	4.6	1.4	0.4	0.7	-0.6	5.1	3.7	4.7	1.7	3.7	3.3	3.9	2.4
BREAKDOWN OF ACTIVITIES BEST REPRESENTED IN THE SAMPLE																
Energy	-4.1	8.6	11.2	-1.3	-3.2	-1.5	-2.0	-2.5	0.1	2.7	3.9	0.8	3.4	4.3	6.0	3.5
Industry	2.4	1.2	6.4	1.4	-0.8	-0.7	0.4	-2.4	3.0	2.5	3.8	-0.1	3.9	3.2	3.4	2.3
Wholesale and retail trade	11.1	10.0	6.5	10.7	6.6	4.2	3.6	4.4	8.8	7.8	8.1	5.0	2.1	3.5	4.4	0.6
Transport and communications	9.6	3.8	4.1	5.9	-2.1	-0.5	-0.2	-2.0	5.3	2.5	3.1	0.7	7.5	3.0	3.4	2.7

SOURCE: Banco de España.

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

EMPLOYMENT AND PERSONNEL COSTS
Details based on changes in staff levels

TABLE 2.B

		TOTAL CBQ CORPORATIONS 04 Q1	CORPORATIONS INCREASING (OR NOT CHANGING) STAFF LEVELS	CORPORATIONS REDUCING STAFF LEVELS
NUMBER OF CORPORATIONS		690	381	309
PERSONNEL COSTS				
Initial situation 03 Q1 (€ m)		5,446.6	3,062.4	2,384.2
Rate 04 Q1 / 03 Q1		1.9	6.6	-4.2
AVERAGE COMPENSATION				
Initial situation 03 Q1 (€ m)		9,503.5	8,737.2	10,710.7
Rate 04 Q1 / 03 Q1		2.4	2.5	3.8
NUMBER OF EMPLOYEES				
Initial situation 03 Q1 (€ m)		573.1	350.5	222.6
Rate 04 Q1 / 03 Q1		-0.6	4.0	-7.8
Permanent	Initial situation 03 Q1 (€ m)	475.6	290.7	184.9
	Rate 04 Q1 / 03 Q1	-0.7	3.3	-6.9
Non-permanent	Initial situation 03 Q1(€ m)	97.5	59.8	37.7
	Rate 04 Q1 / 03 Q1	0.0	7.4	-11.7

SOURCE: Banco de España.

Activity

The CBQ data show that the GVA of the reporting corporations grew at a lower rate (4.9%) in 2004 Q1 than in the same period in 2003 (6.3%). However, these rates were affected by developments in relation to oil refining corporations in 2003 and 2004, owing to their large weight in the sample (see Table 2A). In the first few months of 2003, these corporations experienced an extraordinary increase in their margins and, therefore, in their GVA. This increase was greater than the rise in crude oil prices, basically because market prices were passed through to *output*, whereas *inputs* had been purchased at a lower price. In the first few months of 2004 the opposite occurred, principally as a result of the rise in the value of *inputs*,

GROSS VALUE ADDED AT FACTOR COST
Rate of change

PERSONNEL COSTS
Rate of change

EMPLOYMENT AND WAGES
Rate of change

PERSONNEL COSTS
AVERAGE NUMBER OF EMPLOYEES

RETURN ON INVESTMENT
Ratios

Reporting non-financial corporations		1999	2000	2001	2002	2003	2004
Number of corporations	CBA	8,265	8,513	8,441	7,510	—	—
	CBQ	885	894	869	851	814	690
% of GDP of the sub-sector	CBA	31.8	30.8	30.2	27.3	—	—
industrial corporations	CBQ	17.9	16.6	15.8	15.6	15.0	13.5

SOURCE: Banco de España.

a. Information available to 14 June 2004 (CBA and CBQ).
b. 1999, 2000, 2001 and 2002 data are the average data of the four quarters of each year (CBQ) in
relation to the previous year for the corporations reporting to the annual survey (CBA).
c. Average of the four quarters of 2003 in relation to the same period in 2002.
d. Data for 2004 Q1 in relation to 2003 Q1.

which had been purchased at a higher price (see Chart 2). If the GVA of the sample corpora-
tions is calculated without the oil refining corporations (which are overrepresented in the
sample, and thus distort the results of the sample as a whole when their GVA fluctuates),
productive activity grew by 6.2% in 2004 Q1, compared with 4.1% in 2003 Q1, a trend more
in line with that reflected by alternative sources of data on developments in activity in 2004
Q1. Meanwhile, the contribution of external demand to this growth continued to be negative;
although both imports and exports recovered in strength, following their sluggishness in
2003, imports recovered more sharply, to 26.5% of total purchases (against 21.8% in the
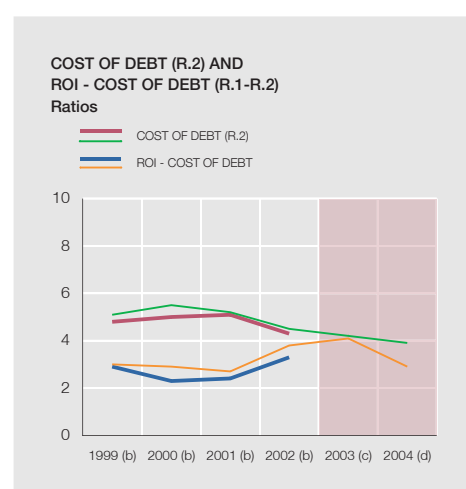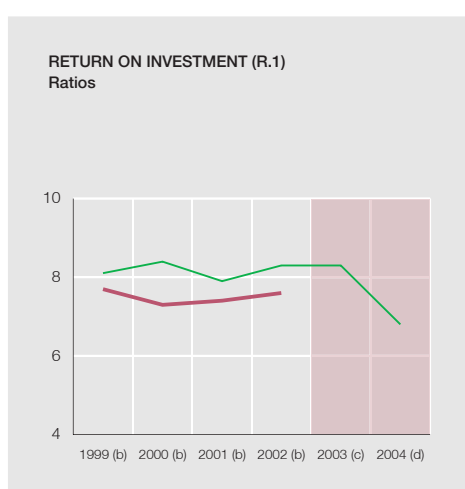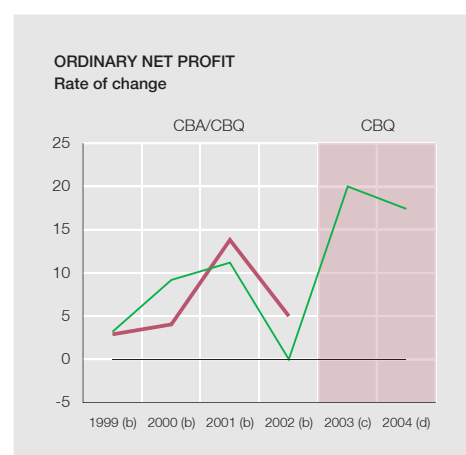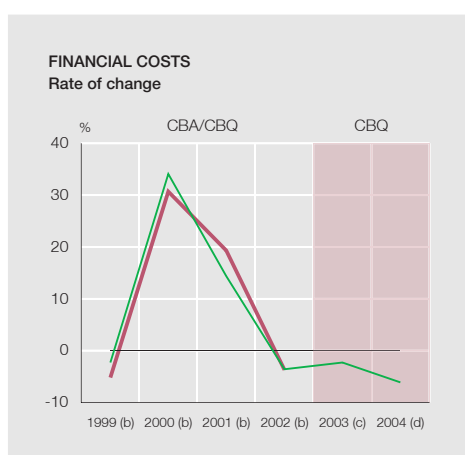
FINANCIAL COSTS
Rate of change

ORDINARY NET PROFIT
Rate of change

RETURN ON INVESTMENT (R.1)
Ratios

COST OF DEBT (R.2) AND
ROI - COST OF DEBT (R.1-R.2)
Ratios

COST OF DEBT (R.2)
ROI - COST OF DEBT

Reporting non-financial corporations		1999	2000	2001	2002	2003	2004
Number of corporations	CBA	8,265	8,513	8,441	7,510	—	—
	CBT	885	894	869	851	814	690
% of GDP of the sector non-financial	CBA	31.8	30.8	30.2	27.3	—	—
corporations	CBT	17.9	16.6	15.8	15.6	15.0	13.5

SOURCE: Banco de España.

a. Information available to 14 June 2004 (CBA and CBQ).
b. The 1999, 2000, 2001 and 2002 data are the average data of the four quarters of each year
(CBQ) in relation to the previous year for the corporations reporting to the annual survey (CBA).
c. Average of the four quarters of 2003 relative to the same period of 2002.
d. Data for 2004 Q1 relative to the same period of 2003.

whole of 2003), while exports increased more moderately (see Table 3). The basic explanation
for these developments is that, despite the notable improvement in world economic activity,
domestic demand continued to be very weak in the main euro area countries. Therefore,
exports to these countries grew moderately, and this mainly affected the performance of the
industrial sector.

In terms of the sectoral breakdown (see Table 2A), the CBQ data confirm that the growth
of productive activity extended to most of the corporations and sectors analysed. Worth

IMPACT OF OIL PRICE DEVELOPMENTS ON THE REFINED PETROLEUM
PRODUCTS INDUSTRY

CHART 2

% and 1995 = 100

CBA/CBQ

— REFINED PETROLEUM PRODUCTS GVA (Rates of change) (a)
— REFINED PETROLEUM PRODUCTS PRICE INDEX (Rates of change)
— CRUDE OIL PRICE INDEX IN EURO
••••• CRUDE OIL PRICE INDEX IN DOLLARS
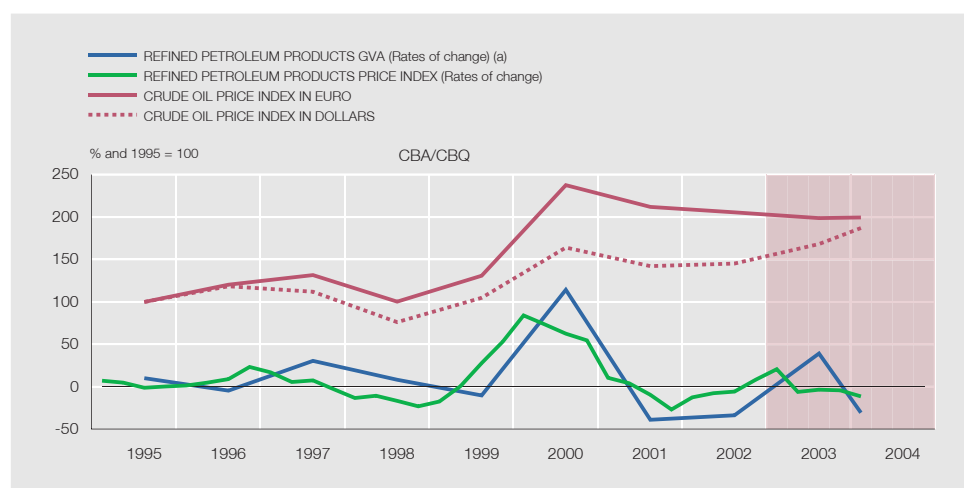
SOURCES: Banco de España and IMF.

a. 2003 and 2004 are CBQ data.

mentioning are the developments in the wholesale and retail trade (10.7%), in line with the strong performance in private consumption, and in transport and communications (5.9%). The energy sector (which includes oil refining corporations) was the only sector to record a decline in GVA in nominal terms (–1.3%); as described above, this was due to developments in relation to oil refining corporations. Excluding these corporations, the GVA of the energy sector grew by 3.4% in the first three months of 2004, a rate which reflects growth in the electricity sector and which is consistent with the rise in demand over the period (according to Red Eléctrica de España, the demand for electricity attributable to economic activity grew by 3.6%). Finally, industry displayed moderate growth in the first three months of 2004, with a GVA increase of 1.4%, which is practically identical to growth in 2003 (1.2%), but substantially lower than that of 2003 Q1, when GVA grew by 6.4%. In spite of the recovery of capital goods investment, there is strong evidence to suggest that the ongoing weakness of the main euro area countries has held back the recovery in industrial activity, since this area is included in the sales destinations of some large corporations (Box 1 analyses trends in this sector of activity for the reporting corporations in detail).

Lastly, Chart 3 shows how corporations are distributed according to their GVA growth without taking their size or sector into account. The chart confirms that the improvement in productive activity became somewhat more widespread; during 2004 Q1 vis-à-vis the same period in 2003, the percentage of corporations whose GVA decreased dropped while the percentage of corporations whose GVA increased rose.

Employment
and personnel costs

In 2004 Q1 the personnel costs of CBQ sample firms grew by 1.9%, a notably lower rate than in the same period of 2003 (4.8%). This is due both to the employment rate, which fell slightly (–0.6%), and to the more moderate growth of average compensation (2.4%).

The employment rate for 2004 Q1 (–0.6%) was significantly biased by a one-off adjustment to the workforce of a large telecommunications company. Were this company to be excluded from the sample, the rate of growth in employment would be 0.4% which, while not high, is more in line with the trend observed in the CBQ in the recent past (for 2003

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

TABLE 3

		CBA	CBQ	
		2002	03 Q1-Q4 / 02 Q1-Q4 (a)	04 Q1 / 03 Q1
Total corporations		7,510	814	690
Corporations reporting source/destination		7,510	784	671
Percentage of net purchases according to source	Spain	68.4	78.2	73.5
	Total abroad	31.6	21.8	26.5
	EU countries	19.5	16.8	19.8
	Third countries	12.1	5.0	6.7
Percentage of net turnover according to destination	Spain	82.7	87.2	84.2
	Total abroad	17.3	12.8	15.8
	EU countries	12.9	8.7	11.9
	Third countries	4.4	4.1	3.9

SOURCE: Banco de España.

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

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

TABLE 4

	CBA		CBQ			
	2001	2002	02 Q1-Q1 (a)	03 Q1-Q4 (a)	I 03	I 04
NUMBER OF CORPORATIONS	8,441	7,510	848	814	863	690
PERSONNEL COSTS	100	100	100	100	100	100
Falling	21.8	27.9	32.9	30.4	24.6	31.7
Constant or rising	78.2	72.1	67.1	69.6	75.4	68.3
AVERAGE NUMBER OF EMPLOYEES	100	100	100	100	100	100
Falling	27.9	30.6	43.0	45.1	43.6	44.9
Constant or rising	72.1	69.4	57.0	54.9	56.4	55.1
AVERAGE COMPENSATION RELATIVE TO INFLATION	100	100	100	100	100	100
Lower growth (b)	39.2	47.5	49.5	43.1	41.6	41.8
Higher or same growth (b)	60.8	52.5	50.5	56.9	58.4	58.2

SOURCE: Banco de España.

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

as a whole, employment also posted a 0.4% growth rate). However, in addition to the above-mentioned bias, it should be noted that some large firms belonging to other sectors within the CBQ sample, such as energy (in particular the electricity sector) and transport and communications, which have a considerable weight in the sample, have been reducing their workforce in recent months because of restructuring and opening-up to competition. In any event, the employment data is somewhat mixed, so that a sectoral analysis is needed in order to better understand its composition. In addition to the energy (–2.5% rate) and transport and communications (–2.0%) sectors mentioned above, the wholesale and retail trade was noteworthy because, as in the case of activity, it was the

CHART 3

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

03 Q1 / 02 Q1
04 Q1 / 03 Q1

%

	<-20	(-20 0)	(0 20)	20 ->
03 Q1 / 02 Q1	15.3	25.7	37.1	21.9
04 Q1 / 03 Q1	12.4	27.7	38.9	21.0

Class marks (or intervals) of the rate
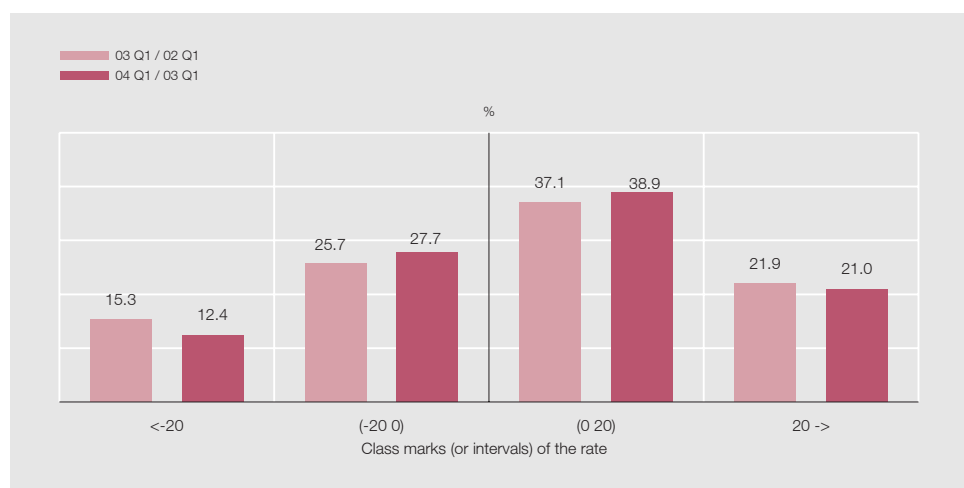
SOURCE: Banco de España.

sector which performed best, with a 4.4% rise in employment in 2004 Q1, almost one percentage point above that of a year earlier. At the other extreme, the industrial sector saw its average workforce fall for the fourth consecutive quarter, having recorded a rate of –2.4% in the period under review, as a result of the lack of buoyancy in the sector's productive activity.

The 2.4% increase in average compensation recorded in 2004 Q1 indicates an ongoing moderation, consistent with the slowdown in inflation in 2003 and early 2004. It would be best if factors such as oil price developments, which could have an effect on the indices used to determine wage increases, were to be passed on to firms on the basis of developments in productivity and not in a generalised manner. In terms of the sectoral breakdown, this trend towards more restrained wage growth was recorded across all sectors. Worth mentioning again is wholesale and retail trade, where average compensation grew by 0.6%, demonstrating, as in previous periods, the connection between job creation and moderate rises in average compensation. This is generally apparent in Table 2B, which shows that average compensation paid by firms that increased (or did not vary) their number of staff grew by 2.5%, whereas compensation paid by firms that reduced their staff levels rose by 3.8%.

Analysis of Table 4 offers some conclusions on the general findings commented on above. Comparing 2004 Q1 with 2003 Q1, the decline in personnel costs affected more companies than in the previous period (31.7%, compared with 24.6% in 2003 Q1). However, this situation can be explained more by developments in employment than by average compensation, since the percentage of firms that maintained or increased their average compensation above inflation was negligible and the percentage of companies in which the number of employees decreased was slightly higher than in 2003 Q1.

Profits, margins and rates of return

The picture painted thus far enabled firms to sustain, in 2004 Q1, a high rate of gross operating profit (which grew by 7.2%) and of ordinary net profit (which rose by 17.4%). Of the four sectors described in Table 5, wholesale and retail trade and transport and communications (both market services) had the highest ordinary net profits, which benefited from the decline in

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			CBA	CBQ			CBA	CBQ			CBA	CBQ		
	2002	03 Q1 -Q4 (a)	03 Q1	04 Q4	2002	03 Q1 -Q4 (a)	03 Q1	04 Q4	2002	03 Q1 -Q4 (a)	03 Q1	04 Q4	2002	03 Q1 -Q4 (a)	03 Q1	04 Q4
Total	5.4	7.3	7.6	7.2	5.0	20.0	13.4	17.4	7.6	8.3	6.1	6.8	3.3	4.1	1.9	2.9
SIZE																
Small	2.2	—	—	—	4.8	—	—	—	8.3	—	—	—	2.9	—	—	—
Medium	9.9	0.7	-6.9	19.5	7.7	1.9	-13.8	32.6	8.5	8.6	7.4	9.8	4.0	4.6	3.4	6.3
Large	5.0	7.6	8.3	6.8	4.7	20.9	15.1	16.7	7.6	8.2	6.1	6.7	3.3	4.0	1.9	2.8
BREAKDOWN OF ACTIVITIES BEST REPRESENTED IN THE SAMPLE																
Energy	-5.5	10.5	13.4	-1.9	-7.4	16.5	14.5	5.9	9.0	8.2	7.7	8.7	5.1	4.6	4.0	5.1
Industry	1.5	-0.5	10.0	3.3	-2.7	-0.2	12.4	3.4	8.0	8.1	7.5	7.7	3.4	4.0	3.2	4.1
Wholesale and retail trade	14.4	12.8	4.6	17.7	16.9	13.4	3.6	20.4	12.3	11.7	11.5	11.8	7.6	7.6	6.9	7.8
Transport and communications	12.9	4.7	4.9	9.8	38.3	9.7	12.0	20.7	8.6	11.2	8.8	12.7	3.9	6.6	4.0	8.4

SOURCE: Banco de España.

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

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

TABLE 6

		CBQ			
		RETURN ON INVESTMENT (R.1)		ORDINARY RETURN ON EQUITY (R.3)	
		03 Q1	04 Q1	03 Q1	04 Q1
Number of corporations		863	690	863	690
Percentage of corporations by profitability bracket	R <= 0%	26.7	24.6	29.7	28.1
	0% < R <= 5%	21.1	22.8	16.9	15.9
	5% < R <= 10%	13.4	13.9	10.2	11.2
	10% < R <= 15%	12.9	12.2	10.1	10.0
	15% < R	26.0	26.5	33.1	34.8
Memorandum item					
Average return		6.1	6.8	7.8	9.2

SOURCE: Banco de España.

financial costs of 6.1% in 2004 Q1. This decline can be explained by both interest rate and
debt developments, such that:

|	04 Q1/03 Q1
Change in financial costs	**–6.1%**
A. *Interest on borrowed funds (1+2)*	*–6.4%*
1. Due to the cost (interest rate)	–7.2%
2. Due to the amount of interest-bearing debt	+0.8%
B. *Commissions and cash discounts*	*+0.3%*

The CBQ data for Spanish industrial corporations shows that this sector sustained moderate increases in its activity in 2004 Q1, similar to those seen in the last few months of last year. However, the GVA growth rate, at 1.4%, was much lower than a year earlier (6.4%), which suggests that productive activity in the sample corporations has not received a decisive boost, despite other sources indicating an incipient recovery in capital goods investment in this period. Among the reasons for this lack of impetus are the contraction in profit margins in some industrial sub-sectors and the continued sluggishness of external demand, linked strongly to the ongoing situation in euro area countries, where there are no clear signs of a recovery. Within this sector, only the food, beverages and tobacco industry, which is linked more closely to domestic consumption, recorded clear growth in productive activity in 2004 Q1, with an 8.1% increase in its GVA. At the other extreme, noteworthy are glass, ceramics and metal processing, chemicals and other manufacturing industries, which recorded falls in their GVA of –0.9%, –1.1% and –2.3% respec-

tively. In line with productive activity, employment fell in 2004 Q1 by –2.4%, when in 2003 Q1 it grew by 0.4%. This was one reason for the recovery in profits, which was seen across all the industrial sub-sectors.

The behaviour of average compensation was similar to, but more moderate than, that in other sectors under review, growing by 2.3%, one percentage point less than a year earlier. As mentioned above in relation to the rest of the firms,, subdued inflation has been a decisive factor in explaining this behaviour in the industrial sector, which is necessary in a sector so exposed to external competition, and particularly to competition from countries with lower labour costs. These trends in employment and average compensation meant that personnel costs were practically unchanged in this quarter (–0.1%), thus allowing somewhat more positive growth rates for both gross operating profit and ordinary net profit (3.3% and 3.4% respectively), although these were a long way off the increases seen in 2003 Q1.

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

- PERSONNEL COSTS
- AVERAGE NUMBER OF EMPLOYEES
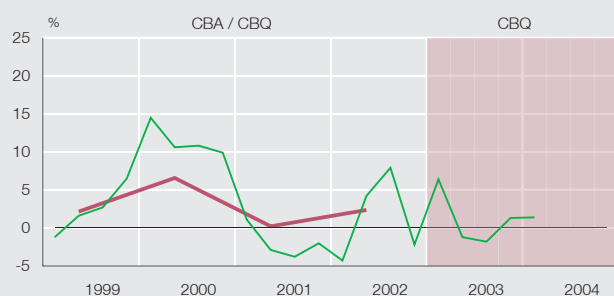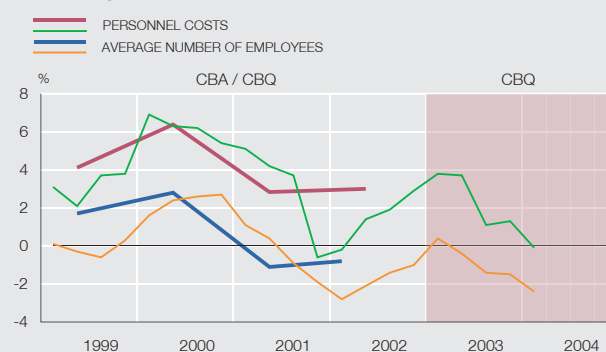
FINANCIAL COSTS
Rate of change
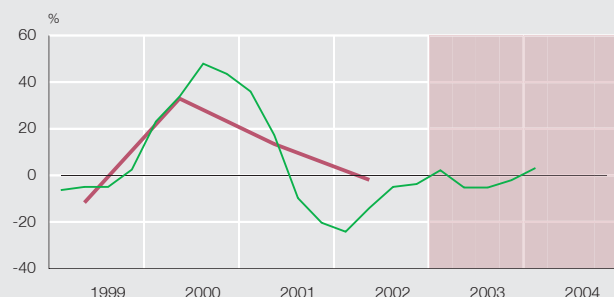
RETURN ON INVESTMENT
Ratios
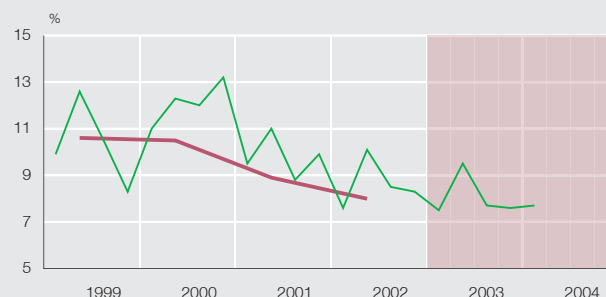
REPORTING INDUSTRIAL CORPORATIONS		1999	2000	2001	2002	2003	2004
Number of corporations	CBA	3,038	2,974	2,814	2,424	—	—
	CBT	422 406 397 387	433 413 391 377	403 393 381 364	389 375 364 352	369 360 344 314	282 — — —
% of GDP of the sub-sector industrial corporations	CBA	31.2	31.4	28.2	24.3		
	CBT	28.4 29.0 27.1 27.1	26.6 26.7 25.3 25.4	22.2 21.8 20.6 21.0	21.0 21.1 20.3 19.1	20.5 20.2 19.1 17.7 16.5	— — —

SOURCE: Banco de España.

a. Information available to 14 June 2004 (CBA and CBQ). The CBQ data are growth rates in relation to the same quarter a year earlier.

However, this behaviour was sufficient to maintain ordinary returns at levels similar to those of 2003 Q1. On the other hand, as the ratio which measures the cost of debt fell again, to a historical low of 3.6%, the spread between the return on investment and the cost of debt continued to post clearly positive values (4.1%) which were higher than in the previous year. It is therefore still reasonable to expect that, to the extent that the situation in the euro area is clarified and its major economies regain their buoyancy, a recovery of the Spanish industrial sector will follow. However, other risk factors, associated with the existence of new, increasingly better prepared and more competitive rivals on the world stage should not be overlooked. Therefore, Spanish industry needs to make an extra effort, as much in terms of modernisation and technological advances as in the search for an appropriate pricing and cost structure, to enable it to compete and face the challenges presented by this new landscape with confidence.

The table shows that the decline in financial costs in 2004 Q1 was the result of lower actual rates paid by firms for their interest-bearing debts (approximated by the "cost of external financing" ratio), which allowed interest expenditure to fall by 7.2%. These lower costs were offset slightly by higher financial costs as a result of the increase in debt, which rose by a little under one percentage point over the period. This shows that, in spite of the favourable conditions that the market continues to offer, there has generally been no major net recourse to external funds, although there have been notable inflows in some firms, counteracted by debt repayments in other firms in the sample. Overall, the signs are that most firms have opted to wait and see before embarking on projects requiring additional financing. This reduced demand for external financing explains the fall in the debt ratio in the period under review in an environment marked by high returns.

Against this background, during 2004 Q1, ordinary rates of return were sustained at significant levels, slightly above those recorded during the same period in 2003. The ordinary return on assets was 6.8% for the sample as a whole, almost one percentage point higher than a year earlier. In wholesale and retail trade and transport and communications it stood at 11.8% and 12.7% respectively, both these figures being higher than in 2003 Q1, by more than four percentage points in the case of transport and communications. The improved rates of return are confirmed in Table 6; most importantly, the percentage of firms which recorded negative returns in 2004 Q1 compared with a year earlier dropped by a little over two percentage points (24.6% against 26.7%). Furthermore, the "interest on borrowed funds" ratio fell again, to a historically low level of 3.9%, so that the ratio measuring the spread between the return on investment and the cost of debt once again posted a clearly positive value of 2.9%, which was considerably higher than the 1.9% recorded by this ratio in 2003 Q1.

Lastly, net profit was affected by certain extraordinary events working in opposite directions. There was a strong decline in extraordinary income in 2004 Q1 in relation to 2003 Q1, considerable gains having been made on share sales in the latter period, which were not repeated this year. This decline was not offset by capital losses and extraordinary expenses and other net provisions, the latter falling in relation to 2003 Q1, since the provisions made in previous years to cover potential losses on investments in South America and in European subsidiaries responsible for developing UMTS telephony were stopped and even reversed. The overall effect was that net profits fell by –27.2%, although this is not representative of the favourable situation enjoyed by firms because, independently of the developments recorded, an extremely high level of profits, amounting to 26.4% of GVA, was generated in 2004 Q1. This is among the highest percentages of recent years and exceeds the rate for 2003 as a whole.

In summary, the performance of firms in 2004 Q1 was similar to that recorded at the end of 2003, albeit slightly more favourable. A positive trend in ordinary profits was maintained, thanks largely to moderation in personnel costs and a further reduction in financial costs, which explains the maintenance of high returns. The outlook for employment, once certain biases have been excluded from the data, is for continued buoyancy. Against this background, the prospects for the industrial sector are more uncertain; this sector has been affected by the absence of a clear upturn in the euro area economies, and it is also subject to other risk factors related to the recent hike in oil prices, which may affect the strengthening of the expansion of Spanish industry.

The effects of EU enlargement on the Spanish economy: productive structures and trade flows

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Introduction

On 1 May this year the European Union took a far-reaching step in its project to achieve a single European market, with the accession of ten new members: Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia. Some figures help illustrate the scale of this enlargement. The population of these countries accounts for 16.3% of the enlarged EU, while their weight in real GDP stands at around 4%. The disparities in terms of per capita income between the new and existing members are substantial, and only Cyprus, Slovenia and Malta are close to the less developed States of the EU-15. The demographic and economic significance of the ten new members is very uneven, since Poland, the Czech Republic and Hungary alone account for 80% of their GDP.

The geopolitical dimension of this fifth enlargement has momentous implications for the workings of the EU, in both the political and institutional domain. But the development gap between the new and existing members also confers special characteristics on this process since, given the circumstances, adjustments in the financial framework and the redistribution of trade flows and of productive factors could prove greater than those recorded in previous enlargements.

Among the numerous implications of the enlargement, one of the areas arousing most interest is its impact on international trade and foreign direct investment flows. Since the late 1980s, when most of the enlargement countries began the transition towards a market economy, trade ties between the existing and new EU members have stepped up notably, in keeping with the progressive lifting of barriers stipulated in the European Association Agreements[1]. Initially, the increasing trade with the enlargement countries was more favourable for the EU-15, since the dismantling of the protectionist barriers of the future members started from higher levels of protection. Nonetheless, in recent years imports of products from these countries have been gaining notable momentum.

The enlargement will undoubtedly bear on the Spanish economy not only via direct trade exchanges between the two areas, but also because Spanish exporters to the EU-15 market may be indirectly affected. The possibility of Spanish products being displaced by those from the new members will depend on the degree of similarity between their productive and trade structures, and also on their respective competitive positions. In this respect, it should be borne in mind that the growing presence of foreign capital in the eastern European economies – lured by the availability of highly-skilled labour at a comparatively low cost and by the geographical proximity of these countries to the major EU markets – is proving a crucial factor in the modernisation, opening up and transformation of the enlargement countries.

This paper focuses on the assessment of this latter aspect. In particular, through analysis of the productive and trade specialisation patterns the new members are pursuing, it is sought to ascertain whether the enlargement will entail, in addition to a heightening of Spanish trade with

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1. The forthcoming Occasional Paper "Algunas implicaciones de la ampliación de la UE para la economía española" ("Implications of the EU enlargement for the Spanish economy") analyses the response by EU-15 and Spanish trade flows to this enlargement and the available leeway to continue increasing trade relations with the new members is estimated.

these countries, a sectoral or geographical restructuring of our industrial output and of our foreign trade flows. The analysis focuses primarily on manufacturing industry, since it is here where the effects of economic integration are most intensely perceived. The time span for the analysis is the period between 1995 – when these countries may be considered to have left behind the recession in which they were immersed following the transformation of their productive systems – and 2002, the latest year for which information is available. During this period, the opening up and integration of the enlargement countries into European markets was very intense. Indeed, a free-trade area for the exchange of industrial products was already practically in place in 2002, though certain restrictions on so-called "sensitive" products persisted. Consequently, the transformation of productive structures and trade flows witnessed since 1995 provides valuable information on the costs and benefits enlargement may have entailed for the Spanish economy, and it allows certain future developments to be anticipated.

The paper is structured as follows. After this introduction, the second section compares the productive and trade specialisation pattern of the new members with that of Spain and of the EU as a whole. The third section attempts to analyse in greater depth the degree of substitution of the new members' tradable goods for those of Spain, using an approximate measure of product quality. Finally, the main conclusions are drawn.

The productive and trade specialisation pattern of the enlargement countries in comparison with Spain and the EU

Before embarking on the path of opening up and transformation, most of these countries had a pattern of industrial specialisation characteristic of less developed economies, with a marked orientation towards activities making intensive use of natural resources and unskilled labour and towards the so-called "heavy industries". All these sectors had to undergo intense restructuring during the transition period, leading to a notable contraction in industrial activity during the early 1990s.

In 1995, the enlargement countries as a whole had an industrial production structure[2] that was broadly similar to that of the Spanish economy, although medium-high technology activities and, in particular, the production of motor vehicles, were more important in the Spanish structure, while other activities that make intensive use of natural resources (such as refined petroleum products and basic metals) had a greater weight in the enlargement countries. In comparison with the EU as a whole, both Spain and the enlargement countries specialised to some extent in low-technology industries, while more technologically complex activities had a relatively lower importance (see Chart 1).

The changes in the pattern of productive specialisation in the enlargement countries to 2001 (the latest year for which information on industrial production is available with the level of sectoral detail used in this paper) reveal a shift in production towards activities with higher technological requirements, away from industries that make intensive use of unskilled labour in which, according to traditional trade theory, there might be expected to be greater specialisation on account of the labour-cost advantages in these countries relative to their new trade partners. Between 1995 and 2001, the most dynamic industries were office machinery and computers, communication equipment and apparatus and, most especially, motor vehicles.

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2. The figures used to analyse the changes in productive specialisation come from the Eurostat database "Structural Business Statistics" which only provides figures for output at current prices. That said, figures for value added at constant prices from the OECD's STAN database for Hungary, Poland, the Czech Republic and Slovakia enable the conclusions drawn from the Eurostat data to be corroborated in the case of these countries. Meanwhile, the classification of industrial activities by their technological intensity is that compiled by the OECD, taking into consideration the overall intensity of the R&D expenditure of the various industries in the countries that provide this information at sector level.

STRUCTURE OF INDUSTRIAL PRODUCTION BY TECHNOLOGICAL
INTENSITY (a)

CHART 1

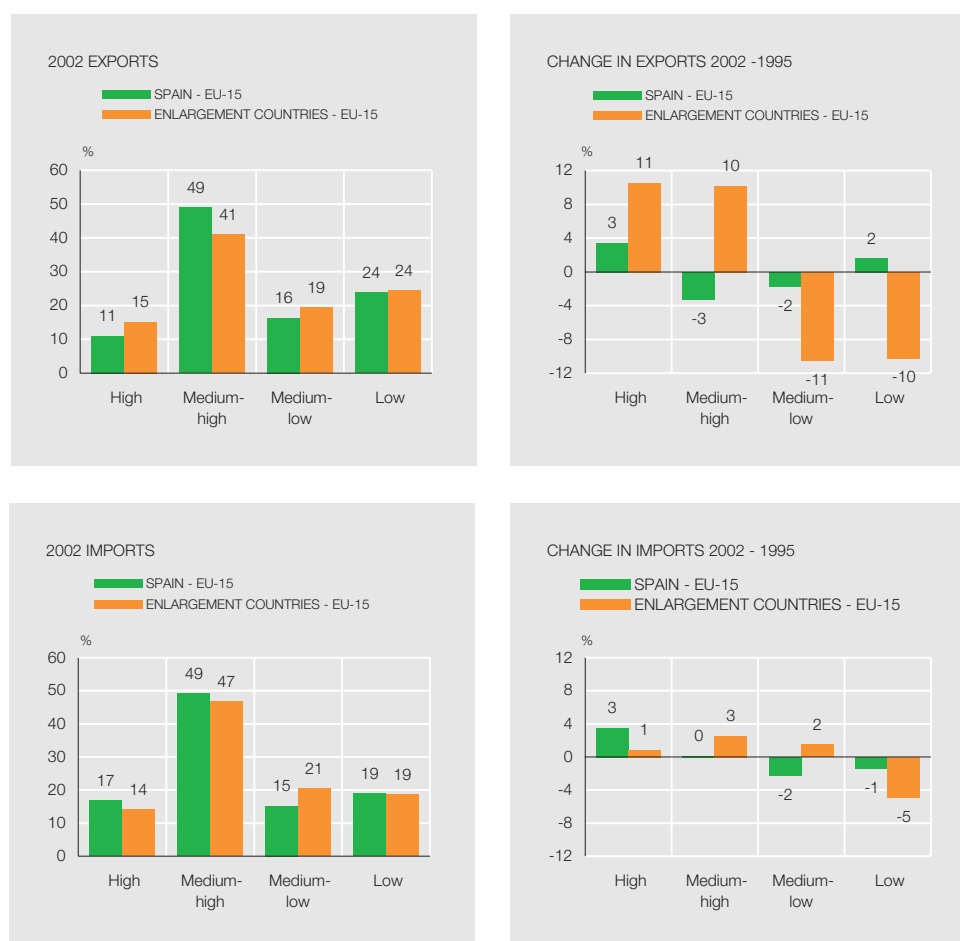SOURCES: Banco de España based on Eurostat SBSPLUS data.

a. Based on current price series.

This shift in the productive structure towards high and medium-high technology industries was the same as that seen in the Spanish economy, although in the case of the enlargement countries, the transformations were much more intense. Accordingly, in 2001, the weight of medium-high technology activities in the industrial production of the enlargement countries as a whole was similar to what it was in the Spanish economy, while high-technology industries had even achieved a higher relative weight in the former.

Compared to the EU, Spain and the enlargement countries were, in terms of productive specialisation, in a similar position. In 2001 they were relatively specialised in labour-intensive activities, while the presence of activities with a high technological content was smaller.

The pattern of export specialisation of these countries has followed the same trends as production. Charts 2 and 3 show the structure of the foreign trade of Spain and of the enlargement countries with the EU-15, as well as the weight of this market in the total exports and imports of both these geographic areas. As can be seen, there are significant similarities in the patterns of export specialisation of the Spanish economy and of the enlargement countries, both as regards their sectoral structure and their geographical orientation. In effect, during the period analysed, the changes in the export structure of these countries have led to an increase in the share of high and medium-high technology industries, to the detriment of more traditional activities, while the focus of sales can be seen to be increasingly towards the EU market. As already seen in the case of the productive structures, these transformations have the same features as those recorded by the Spanish economy, although their intensity has been greater, which has enabled the pattern of specialisation of the two areas to converge. Thus, in 2002, the structure of exports of both was centred on medium-high technology activities, although motor vehicles were still more important in the Spanish structure. In turn, the high-technology industries (and, especially, office machinery and computers and communication equipment and apparatus) were relatively more important in the enlargement countries.

On the imports side, the enlargement countries are characterised by the growing weight of motor vehicles and communication equipment and apparatus. The fact that these industries

2002 EXPORTS

- SPAIN - EU-15
- ENLARGEMENT COUNTRIES - EU-15

CHANGE IN EXPORTS 2002 -1995

- SPAIN - EU-15
- ENLARGEMENT COUNTRIES - EU-15

2002 IMPORTS

- SPAIN - EU-15
- ENLARGEMENT COUNTRIES - EU-15

CHANGE IN IMPORTS 2002 - 1995

- SPAIN - EU-15
- ENLARGEMENT COUNTRIES - EU-15

SOURCES: Banco de España based on Eurostat COMEXT data.

a. The enlargement countries do not include Cyprus or Malta. The underlying data are in current prices.

have also displayed greater dynamism in production and in foreign sales is linked to the presence therein of multinationals whose strategy is based on the international division of productive processes [see Freudenberg and Lemoine (1999)].

It follows from the foregoing that the enlargement countries, far from having specialised in the most labour intensive industries, as some authors anticipated [see Neven (1995], are developing a pattern of specialisation based on activities requiring higher technology and the intensive use of skilled labour. The comparative advantage indices[3] presented in Chart 4 support this conclusion. Thus, the comparative advantage that these countries used to have in the low and medium-low technology industries vis-à-vis the EU diminished in most cases during the period under analysis. By contrast, in 2002, they had comparative advantages in certain high and medium-high technology industries, where in the past they had accumulated large trade deficits. In comparison with the structure of advantages and disadvantages of Spanish trade with

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3. Revealed comparative advantage indices are defined as $\left(\dfrac{x_i - m_i}{x_i + m_i}\right)$, so that the index of each industry for a specific

period represents the deficit or surplus of that industry as a percentage of its total trade. In the absence of distortions arising from the existence of trade barriers, this index might be expected to have positive (negative) values in those industries that make intensive use of the factor of production in which the country enjoys comparative advantages (disadvantages) relative to the reference area.

SHARE OF EU-15 IN THE TOTAL TRADE OF SPAIN AND OF THE ENLARGEMENT
COUNTRIES BROKEN DOWN BY TECHNOLOGICAL INTENSITY (a)

CHART 3

2002 EXPORTS

CHANGE IN EXPORTS 2002 -1995

2002 IMPORTS

CHANGE IN IMPORTS 2002 - 1995

SOURCES: Banco de España based on Eurostat COMEXT data.

a. The enlargement countries do not include Cyprus or Malta. The underlying data are in current prices.

the rest of the countries of the EU-15, it is important to highlight the surplus that these countries display in certain specific branches, such as motor vehicles and other transport equipment (railway equipment and boats), where the comparative advantages of the Spanish economy are concentrated.

Specialisation in quality segments

The information provided by analysing the similarities between the productive and trade structures is not sufficient to conclude that the competitive pressures faced by the Spanish economy, in the context of integration of these countries, has been increasing over time. Nowadays, most of the products traded on international markets are not homogeneous; on the contrary, they are mostly products that are differentiated by their design or quality. In consequence, industrial competitiveness increasingly depends on elements of this kind which are, in turn, closely related to the technological capacity of the countries [see Helpman and Krugman (1995)] and which qualify the effect of price and cost differences. In this respect, in order to enable the magnitude of the competition faced by Spanish products destined for the EU market to be assessed, it is necessary to study whether the exports of each industry in Spain and the enlargement countries are in different quality segments.

To carry out this task, the empirical literature has developed a method based on the comparison of unit export values (i.e. the nominal value of the sales of a particular product divided by

COMPARATIVE ADVANTAGES IN THE TRADE OF SPAIN
AND OF THE ENLARGEMENT COUNTRIES WITH THE EU BROKEN DOWN
BY TECHNOLOGICAL INTENSITY (a)

CHART 4
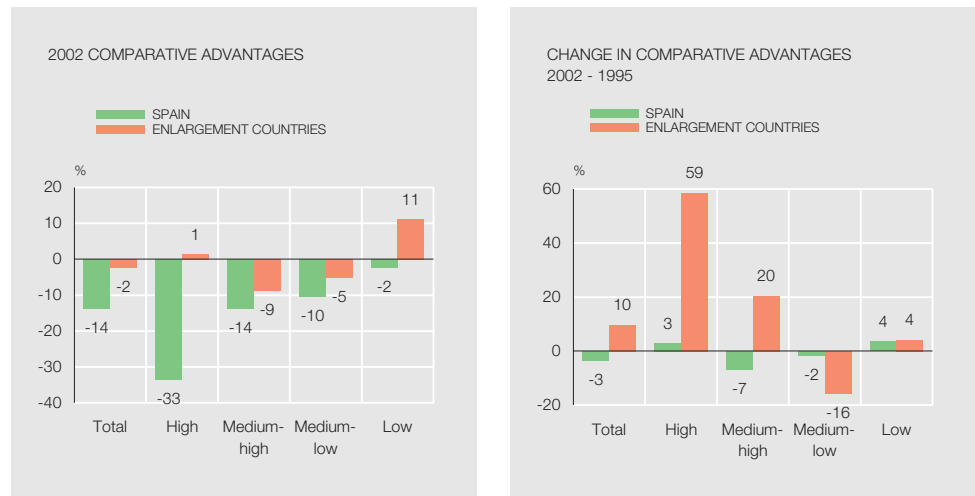
SOURCES: Banco de España based on Eurostat COMEXT data.

a. The enlargement countries do not include Cyprus or Malta. The underlying data are in current prices.

their physical weight), as a way of approximating the quality of the exports of a country to a certain market.

Of course the results of this exercise have to be analysed with some caution and can only be indicative of certain trends that may eventually become significant. On one hand, the unit export and import values constitute an imperfect approximation of prices, since the foreign trade statistics do not enable an individual product to be identified, but only a set of similar products, so that these indicators reflect not just the differences in the prices of the products, but also the discrepancies in the composition of each heading. To avoid this problem, the calculations should be made, as far as possible, with the aim of minimising the risk of comparing different products. The six-digit classification of the combined nomenclature is considered appropriate for this purpose, in which more than 5,000 products are identified[4].

The basic assumption of this procedure is that higher quality products incorporate some characteristic that consumers value positively, so that they are prepared to pay a higher price. However, in practice, price levels are imperfect indicators of differences in product quality since they reflect the influence of many other factors. In consequence, while in some industries unit value may be an indicator of production cost, so that increases in it may reflect a rise in inflationary pressures and a loss of competitiveness, in others they might reflect an increase in quality. Thus, in order to be able to conclude that an increase in the relative unit values of an industry reflects an improvement in the quality of its products, the analysis of these indicators needs to be supplemented by a study of export shares[5]. That way it can be seen whether the increase in prices is accompanied by an increase or a decline in export shares in that market, helping to discriminate between those movements

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4. In this paper, unit value ratios are calculated using the foreign trade figures at the 6 digit level of the combined nomenclature, with the results subsequently being aggregated to the various NACE sectors in accordance with the weight of each heading in the sector's total exports. For more details, see Gordo, Moral and Pérez (2004), mimeo.   **5.** It is worth stressing that, in any case, there is presently no better alternative that is easy to calculate. Aiginger (2000) justifies the relevance of this procedure for assessing the international competitiveness of countries and discusses in greater detail the problems involved in using unit values to approximate prices.

COMPARISON OF PRICE LEVELS IN SPAIN AND IN THE ENLARGEMENT
COUNTRIES WITH THE EU-15 BROKEN DOWN BY TECHNOLOGICAL INTENSITY (a)

TABLE 1

	1995		2001	
	SPAIN	ENLARGEMENT COUNTRIES	SPAIN	ENLARGEMENT COUNTRIES
TOTAL MANUFACTURING	0.94	0.80	0.96	0.98
HIGH-TECHNOLOGY INDUSTRIES	0.96	0.82	1.03	1.26
Aircraft	0.89	0.52	1.35	0.84
Pharmaceuticals	0.62	0.76	0.69	0.71
Office machinery and computers	1.22	0.77	1.44	1.16
Communication equipment and apparatus	0.97	0.87	1.02	1.39
Medical, precision and optical instruments	1.02	0.78	1.01	0.86
MEDIUM-HIGH TECHNOLOGY INDUSTRIES	0.87	0.76	0.90	0.96
Machinery and electrical equipment	0.89	0.78	0.94	1.01
Motor vehicles	0.85	0.85	0.86	1.09
Chemicals (except pharmaceuticals)	0.91	0.83	1.02	0.87
Railway and other transport equipment	1.03	0.63	1.11	0.92
Machinery and equipment n.e.c.	0.89	0.60	0.91	0.69
MEDIUM-LOW TECHNOLOGY INDUSTRIES	0.98	0.77	0.98	0.84
Boats	0.90	0.79	1.01	0.94
Rubber and plastic products	1.02	0.71	0.98	0.83
Refined petroleum products and coke	1.12	0.94	1.10	0.92
Other non-metallic mineral products	0.88	0.77	0.91	0.84
Basic metals and fabricated metal products	0.99	0.77	0.98	0.82
LOW-TECHNOLOGY INDUSTRIES	1.08	0.85	1.06	0.94
Food products, beverages and tobacco	1.02	0.87	1.01	0.94
Textiles and textile products, leather and leather products	1.22	0.99	1.19	1.10
Wood and wood products, paper publishing and printing	0.94	0.70	0.95	0.77
Other manufactures	1.12	0.66	1.08	0.85

SOURCES: Banco de España based on Eurostat COMEXT data.

a. The enlargement countries do not include Cyprus or Malta. Ratios.

that reflect losses of price competitiveness and those that may be associated with quality improvements.

Despite these limitations, the application of this methodology to the Spanish economy is relevant, not to obtain established facts so much as to highlight those trends that need to be assessed. In particular, this paper analyses the ratios of the unit values of exports to the European market of the candidate countries, on one hand, and of Spain, on the other, to the unit values of the total imports of the EU countries.

The results obtained by comparing the unit values of Spanish exports to the EU-15 market with those of the rest of the suppliers of this market show that, in general, the quality of Spanish exports, so approximated, is slightly lower than that of the total imports of this area. This conclusion has to be qualified, however, since the results across the different industries and the trends in export shares are seen to be highly disparate (see Table 1 and Chart 5). Thus, in industries with a lower technological content, the combination of higher relative prices with increases in market share could indicate that Spanish exports are of higher quality than those of other EU suppliers. By contrast, in the medium-high technology industries, where the Spanish pattern of export specialisation is focused, the lower export prices, together with the stabilisation of export shares, may

EXPORT SHARES OF SPAIN AND THE ENLARGEMENT COUNTRIES
IN THE EU-15 BY TECHNOLOGICAL INTENSITY (a)

CHART 5

SOURCES: Banco de España based on Eurostat COMEXT data.

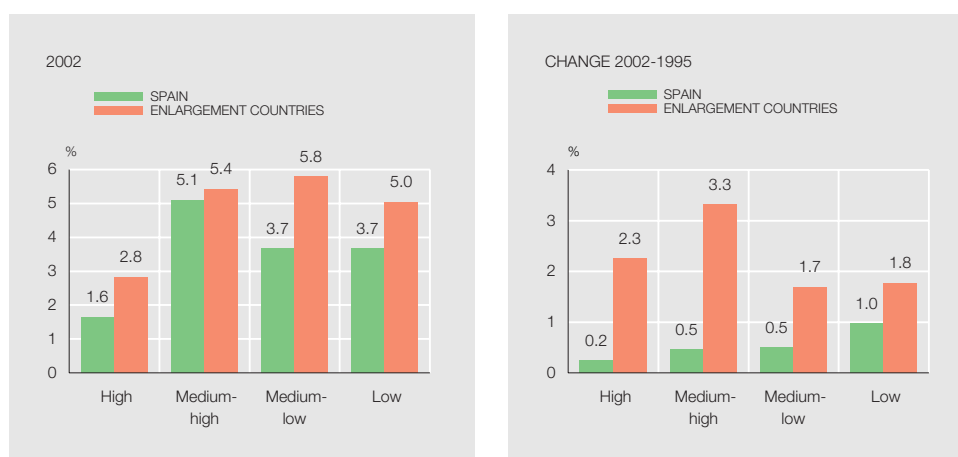a. The enlargement countries do not include Cyprus or Malta. The percentage of EU-15 imports that
come from Spain and from the enlargement countries.

reflect the presence of lower levels of quality. In high-technology industries, the low level
of innovation and the difficulty they have increasing their presence in international mar-
kets suggests that, in this case, the level of relative prices does not reflect differences in
quality.

Since 1995, the enlargement countries have significantly reduced the negative differentials in
their relative export prices, both with respect to Spain and to the rest of the EU suppliers. Price
increases have been very significant in the high and medium-high technology industries, while
in the labour-intensive industries their price levels remain low. The fact that this increase in
export prices has been accompanied by a notable improvement in their export shares in the
European market in all industries and, especially, in those with a high and medium-high tech-
nological content suggests that underlying the process there has been an improvement in the
quality of production[6].

In addition to price levels, the analysis of intra-industrial trade in Spain's and the enlargement
countries' trade with the EU-15 may provide further information on the ability of the firms of
these two areas to establish competitive strategies based on improvements in the quality of
their products [see Gordo and Martín (1996) and Martín et al. (2002)]. As is well known, intra-
industrial trade consists of the simultaneous exchange of differentiated products belonging to
the same sector or industry. The differentiation of the products may be horizontal in nature,
when it is based on design differences or on the creation of brands, or vertical in nature, when
products differing in quality are exchanged, sometimes as a result of differences in the techno-
logical capacity of the countries concerned.

6. In this respect, the information offered by the Vienna Institute for International Economic Studies (WIIW) on the
changes in unit labour costs and in productivity in the various industrial sectors in some of these countries reveals that
the productivity increases recorded by the new members are concentrated especially in those activities with a higher
technological content, characterised by a high presence of foreign capital. This has enabled unit labour costs in this type
of industry to improve in recent years. Meanwhile, the results obtained coincide with those of Landesmann (2003) and
Havlik et al. (2001) who, using a similar procedure, found some convergence in the price levels of these countries towards
those of the other suppliers of the EU during the period 1995-1999; moreover, according to the results of these authors,
the convergence was especially significant in more technology-intensive products, where the gap was completely elimi-
nated.

TOTAL INTRA-INDUSTRY TRADE IN 2001

- SPAIN
- ENLARGEMENT COUNTRIES

CHANGE IN TOTAL INTRA-INDUSTRY TRADE
2001-1995

- SPAIN
- ENLARGEMENT COUNTRIES

SOURCES: Banco de España based on Eurostat COMEXT data.

a. The enlargement countries do not include either Cyprus or Malta. This indicator is obtained from the
industrial trade indicator estimated at the 6-digit level applying the expression: 1 - abs((x-m)/(x+m)).

Charts 6 and 7 present the results of the analysis of the characteristics of the intra-industrial
trade of Spain and the enlargement countries with the EU-15[7]. As can be seen, the enlarge-
ment countries' intra-industrial trade with the EU-15 represents 37% of all their trade, so that
their trade is mainly inter-industrial in nature, reflecting the differences that still exist in the de-
gree of development of these two areas and in their respective factor endowments. That said,
the share of intra-industrial trade in the trade of these countries with the EU-15 is increasing
notably, being especially significant in certain medium- and high-technology industries, in
which multinational firms have a stronger presence.

At the same time, most intra-industrial trade consists of the exchange of vertically differenti-
ated products, the quality of the products which they export to the EU-15 being inferior to that
of the products that they import from this area. However, in high-technology sectors and in
transport equipment, the quality of the sales of these countries (approximated by the increas-
es in unit values) must have improved notably, and in some sectors may even exceed that of
products imported from the EU.

In the case of the Spanish economy, intra-industrial trade with the EU-15 represents 58% of
total trade. Exchanges of a vertical nature also predominate here, except in the motor vehi-
cles industry. Moreover, the quality of the products exported by the Spanish economy is

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7. The importance of total intra-industrial trade is measured using the Grubel-Lloyd index, which is defined as

$$\left[1 - abs\frac{x_i - m_i}{x_i + m_i}\right]100$$. The values of this index range from 0, when there is no intra-industrial trade, to 100, in the event

that all trade is intra-industrial in nature. To analyse how much of this trade consists of exchanges of products differenti-
ated vertically and horizontally, the procedure established by Greenaway, Hine and Millneer has been followed. This is
based on the differences in export and import unit values, which are used again to approximate the prices and the qual-
ity of the products. Intra-industrial trade is considered to be horizontal (vertical) in nature if the export unit values differ by
less (more) than 15% from the import unit values. Within the trade of a vertical nature, it is important to distinguish that
proportion in which the exports of Spain or of the enlargement countries have a higher quality than the imports from the
EU (when the export unit values are more than 15% higher than the import ones) and that proportion in which Spain or
the enlargement countries export inferior quality varieties (when the export unit values are more than 15% lower than the
import ones)

SPAIN 2001

SUPERIOR
HORIZONTAL
INFERIOR

	Total	High	Medium -high	Medium -low	Low
SUPERIOR	22	38	15	21	33
HORIZONTAL	47	21	56	50	34
INFERIOR	31	41	29	29	32

SPAIN 1995

SUPERIOR
HORIZONTAL
INFERIOR

	Total	High	Medium -high	Medium -low	Low
SUPERIOR	20	32	12	24	32
HORIZONTAL	42	32	46	39	35
INFERIOR	39	36	42	37	32

ENLARGEMENT COUNTRIES 2001

SUPERIOR
HORIZONTAL
INFERIOR

	Total	High	Medium -high	Medium -low	Low
SUPERIOR	31	50	27	23	36
HORIZONTAL	26	15	27	34	24
INFERIOR	42	35	45	42	40

ENLARGEMENT COUNTRIES 1995

SUPERIOR
HORIZONTAL
INFERIOR

	Total	High	Medium -high	Medium -low	Low
SUPERIOR	25	33	21	20	33
HORIZONTAL	28	21	29	23	32
INFERIOR	48	46	50	57	35

SOURCES: Banco de España based on Eurostat COMEXT data.

The enlargement countries do not include Cyprus or Malta. This chart shows the percentage distribution of industrial trade according to the quality of the products sold which is aproximated using export and import unit values. Vertical, superior (inferior) quality intra-industry trade is that in which the unit value of the exports to the EU-15 is 15% higher (lower) than the unit value of the imports from the EU-15. Intra-industry trade is horizontal if the differences between the unit values come within the 15% limit.

inferior to that of the imports from the EU in most activities, excluding the labour-intensive sectors, and no significant changes are discerned during the period analysed. In contrast with what seems to be occurring in the enlargement countries, the Spanish economy runs the risk of specialising in the lower quality segments of the high and medium-high technology industries, while its quality levels are higher in labour-intensive industries. This is consistent with the information supplied by the analysis of the innovative capacity of the Spanish economy. As seen in Chart 8, the gap between the intensity of innovation, approximated by R&D expenditure, in Spain and in the EU-15 is especially significant in the high and medium-high technology industrial sectors (in particular, in motor vehicles), where the Spanish economy's R&D expenditure represents 2.6% of the value added of this industry, as against 16.1% in the EU on average. This, among other factors, may help to explain the difficulty these industries have increasing their presence in the Spanish productive structure and in international markets.

SOURCE: OECD

a. Calculated on the basis of current price series.

Conclusions

The results presented in this article show an increase, in recent years, in the similarities between the patterns of industrial specialisation and the structures of comparative advantages and disadvantages of the Spanish economy and of the enlargement countries. The competitive pressures arising from the new Member States are not, however, concentrated in the traditional more labour-intensive industries, which are declining in relative importance in most of these countries, in line with what has happened in the Spanish economy. On the contrary, the enlargement countries are developing a growing specialisation in medium-high technology industries and, in particular, transport equipment, a circumstance that is especially relevant for the Spanish economy, since these industries are the most dynamic areas of our industrial structure, representing more than one third of Spanish sales to European markets.

The existence of highly qualified labour at a lower cost than on average in the EU has been a factor attracting foreign capital towards this type of industry. At the same time, the presence of multinationals has enabled the productive capital of these countries to increase, since they constitute a vehicle for the transmission of technological and business know-how, which has brought about a notable improvement in productive efficiency, allowing these countries to specialise in high-quality segments of production.

These transformations involve certain risks for the Spanish economy. On one hand, the reorientation of these economies towards high-technology industries may entail a challenge for the necessary development of these industries within Spain's industrial structure; they generate a large part of the technological progress that is transmitted to the rest of the productive sectors, and they display higher growth of international demand. On the other hand, in the medium-high technology industries, where the pattern of productive and commercial specialisation of the Spanish industry is concentrated, the pressure of competition may be greater, since the enlargement countries are displaying a growing capacity to produce in the higher quality segments of these industries, assisted, no doubt, by the presence of multinationals. It is in these sectors, moreover, that the Spanish economy's innovation gap relative to the most advanced EU countries is widest. Finally, in medium-low and low technology industries, the specialisation of Spain in higher-quality segments compared with the enlargement countries may be reducing competitive pressures.

In short, enlargement involves a challenge for the whole of Spanish industry; it highlights the need for improvements in productive efficiency, providing incentives for the development of more innovative technologies that allow the competitive advantages arising from the qualitative differentiation of products to be increased.

22.6.2004

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AN ESTIMATE OF THE EQUILIBRIUM INTEREST RATE IN THE UNITED STATES
AND GERMANY

An estimate of the equilibrium interest rate in the United States and Germany

The authors of this article are Marta I. Manrique and José Manuel Marqués of the Directorate General Economics, Statistics and Research[1].

Introduction

In most countries the stability objectives of monetary policy are pursued through the control of an interest rate. Thus in the presence of factors that generate inflationary pressure, a central bank tends to tighten monetary conditions to counteract those pressures. To do this, the interest rates controlled by it are set above the value they would have in a neutral or equilibrium scenario. This neutral level is known in the literature as the *natural rate of interest* or *equilibrium interest rate* and, although the concept was introduced more than a century ago by Wicksell (1898), it has recently acquired greater relevance, as reflected in theoretical studies on optimum monetary rules and by empirical applications aimed at estimating it.

The natural rate of interest is not directly observable and depends on factors, such as the potential growth of the economy or the preference of individuals for future consumption with respect to present consumption (known as the intertemporal discount factor), whose measurement is complex. The literature contains different methods of estimating the natural rate of interest, including those based on the statistical properties of ex-post real interest rates and those that depend on complex economic models of general equilibrium. The results of these studies are, however, rather heterogeneous and difficult to compare.

This article presents an estimate of the natural rate of interest based on a methodology that shares elements of the aforementioned approaches, since it combines the exploitation of the statistical properties of series with a simple theoretical economic model. Specifically, in the model, the behaviour of the natural rate of interest depends primarily on changes in the potential growth of the economy, which is estimated subject to the requirement that it be consistent with the periods of growth and recession established by various institutions for the countries considered. This type of approach enables the variability over time of the natural rate of interest to be observed and, as a result, the monetary policy stance to be assessed more accurately than with models in which the natural rate is constant.

This methodological feature is particularly important at the present time, when new technologies and demographic developments in the United States and Europe may have affected differently the potential growth, and therefore the natural rate of interest, in the two areas.

The article is structured as follows. The following section describes the concept of natural rate and briefly looks at the various empirical approaches available for estimating it. The third section sets forth estimates of the natural rate of interest and of potential growth in the United States and Germany in the period 1964-2003, analyses the changes in its level and volatility in recent decades and assesses the monetary policy stance of the two areas in the light of the results obtained. Finally, the last section presents the main conclusions of this work.

The natural rate of interest is a classic concept in economic literature that was introduced by Wicksell (1898)[2]. The pre-eminent role of interest rates in monetary policy implementation by central banks and the growing use by analysts of the so-called Taylor rule – the formulation of which calls for the calculation of an equilibrium interest rate – have reawakened interest in this concept in both the theoretical and empirical fields. In fact, Wicksell's original definition has recently been enriched by the introduction of certain changes.

The natural rate is generally interpreted as the interest rate consistent with a level of output equal to potential and with a stable inflation rate (Bomfim, 1997). This definition, used among other authors by Woodford (2003) and Blinder (1998), is a somewhat analogous concept to the natural rate of unemployment (Friedman, 1968).

This definition is implicit in a wide range of theoretical economic models, although its interpretation varies depending on the formulation chosen for their empirical estimation. Thus there are approaches that focus on how the natural rate of interest fluctuates around an average value that is considered to be constant, such as those developed by Rotemberg and Woodford (1997), Neiss and Nelson (2001) and Andrés et al (2003). Other approaches, such as that proposed by Laubach and Williams (2003), are more general in that they aim to estimate both the fluctuations in the natural rate and the possible changes in its level.

In this article, the estimate of the natural rate of interest is based precisely on this more structural concept. Use is made of the method proposed by Laubach and Williams (2003), which allows this variable to fluctuate over time depending on changes of a permanent nature. Specifically, the framework used for estimation consists of a small system of equations characterising the behaviour of economic growth and inflation. In the first, economic growth is explained in terms of its lags and of the difference between the prevailing real interest rate and the natural rate. In the second, inflation depends on its past behaviour, on economic growth and on a variable reflecting the effect of energy prices. The system is completed by a relationship that links the natural rate of interest to the potential growth of the economy, together with a weakly restrictive statistical specification for the behaviour of unobserved variables. The estimation procedure used is the Kalman filter, which enables the values of unobserved time-varying components – potential growth and natural rate of interest – to be estimated.

Charts 1 and 2 show the estimates obtained of the natural rate of interest, in real terms, and of potential growth for the United States and Germany, respectively, along with their confidence bands. Since these results are sensitive to the order of the lags and to the initial values of the model's parameters, those chosen are the ones that best approximate the economic cycles defined by the NBER, in the case of the United States, and by the Economic Cycle Research Institute, in the case of Germany. As can be seen, both the natural rate and the potential growth tend to decrease somewhat in recessions, a feature noted in numerous empirical studies. As pointed out by Kim and Murray (2002), among others, periods of negative growth may be accompanied by a deterioration in a country's productive capacity, insofar as some firms have to make permanent adjustments.

There are some notable differences in the natural rate of interest in the two countries. For the last two decades, this variable has been higher in the United States than the estimated level in

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2. Wicksell refers to the natural rate of interest as "a certain rate of interest on loans which is neutral in respect to prices, and tends neither to raise nor to lower them".

Estimates of natural rate and of potential growth

NATURAL RATE OF INTEREST (a)

POTENTIAL GROWTH (a)
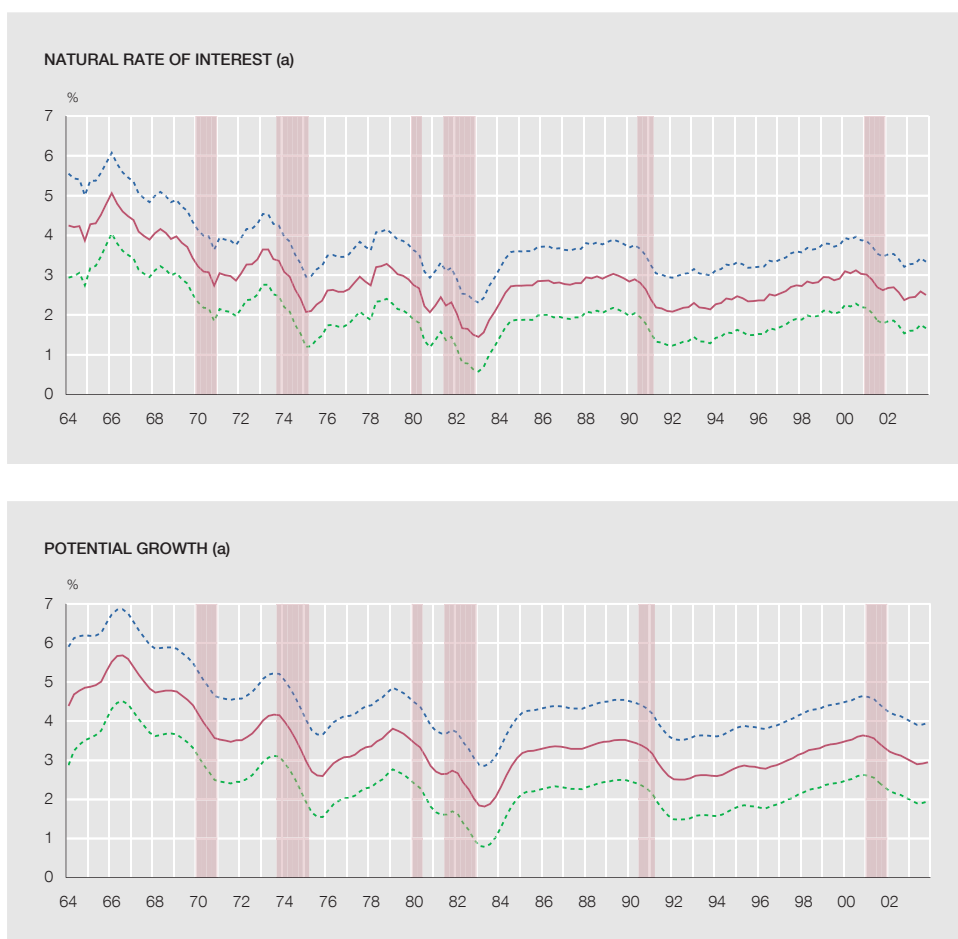
a. Areas shaded in orange indicate US recessions as estimated by the National Bureau of Economic
Research. Broken lines represent confidence bands of 1 standard deviation around the point
estimate.

Germany, and its volatility has also been higher (see top panels of Charts 1 and 2). These re-
sults seem consistent with the larger increases in productivity recorded in the US economy
and with the greater variability of its economic growth.

Despite this differing behaviour of the natural rate of interest, there are certain common
features in the two countries. Thus, in both cases the current level of this variable is less
than half the average for the period analysed[3], mainly as a result of a certain decrease in
the potential growth and despite the effect that new technological advances in this period
may have had. That said, it seems that the natural rate of interest and potential growth
have been more stable in the last decade. These changes may be partly due to the suc-
cess of monetary policy in establishing an environment of stable economic growth and low
inflation.

To distinguish these patterns more clearly, Table 1 presents, for different subperiods and for
the two countries being studied, the average and the standard deviation of the natural rate of
interest and of potential growth. It can be seen that the level and the volatility of these variables

3. In ECB (2004) a similar result is reported for the euro area as a whole.

NATURAL INTEREST RATE (a)

POTENTIAL GROWTH (a)
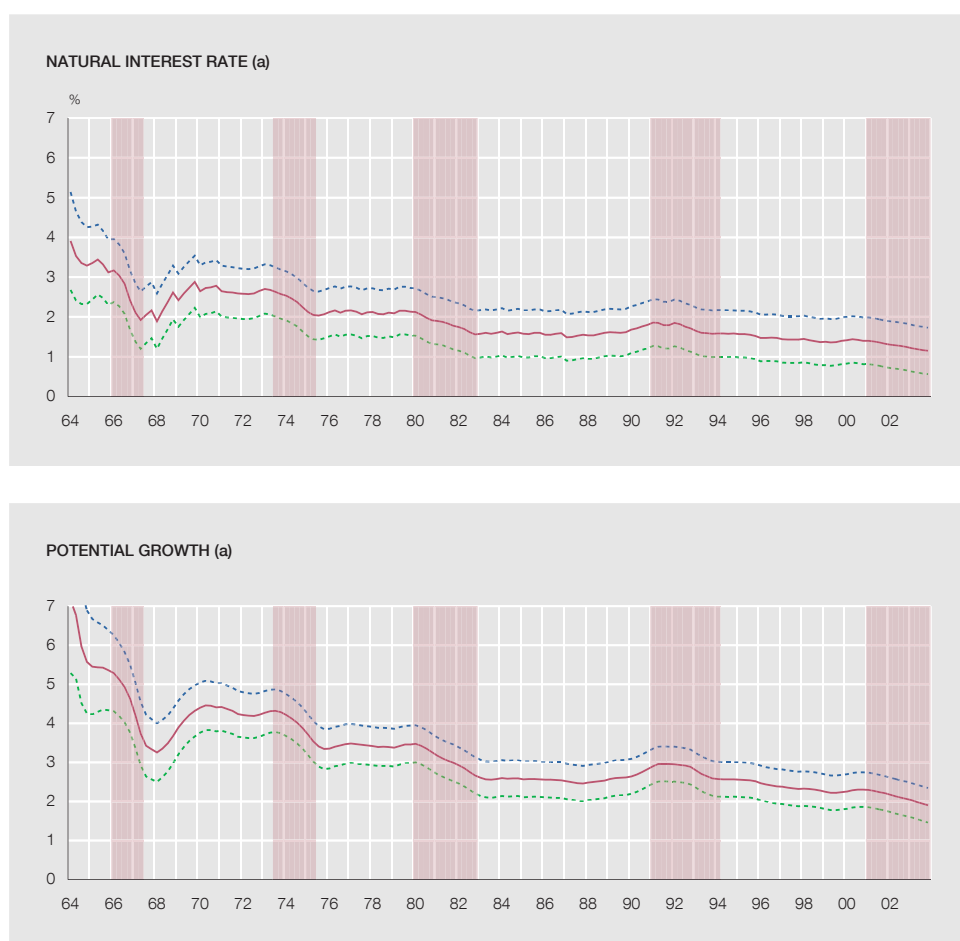
a. Areas shaded in orange indicate German recessions as estimated by the Economic Cycle
Research Institute. Broken lines represent confidence bands of 1 standard deviation around the
point estimate.

tend to decline in both economies. Also, the natural interest rate differential between the
United States and Germany rose on average from 90 basis points in the period 1964-1980 to
120 basis points in the 1990s; this rise seems consistent with the divergent productivity be-
haviour, which is possibly linked to the different impact of the technological revolution and
population growth in the two areas in that decade.

Table 1 also shows the standard deviation of the difference between potential and observed
output (output gap) in the two countries for the same subperiods. Although this study does not
aim to characterise the business cycle precisely, a reasonable estimate of it is vital in the proc-
ess of identifying the natural rate. In this respect, the results, in addition to reproducing the
recessions established by independent organisations, show a reduction in the volatility of the
cycle, a phenomenon that has been reported in various studies in the case of the US economy
– see MacConnell and Pérez-Quirós (2000) – and that recently Stock and Watson (2003) have
also found in the cycle of various countries, Germany among them.

Finally, as mentioned above, these results can also be used to assess the monetary policy
stance in the two areas, although this has to be done with due caution because the estimated
level of the natural rate of interest is particularly sensitive to the choice of estimation method and,

%		NATURAL RATE		POTENTIAL GROWTH		OUTPUT GAP
		AVERAGE LEVEL	VOLATILITY (a)	AVERAGE LEVEL	VOLATILITY (a)	VOLATILITY (a)
US	1964-2003	2.9	0.68	3.4	0.79	2.79
	1964-1981	3.3	0.74	4.0	0.84	2.62
	1981-1992	2.5	0.45	2.9	0.51	2.22
	1993-2003	2.6	0.27	3.1	0.32	1.41
GERMANY	1964-2003	1.9	0.53	3.2	0.88	0.80
	1964-1981	2.4	0.04	4.0	0.69	1.02
	1981-1992	1.7	0.15	2.7	0.26	0.61
	1993-2003	1.4	0.10	2.4	0.17	0.41

a. Sample standard deviation.

as seen in Charts 1 and 2, is obtained with some uncertainty. Taking this into account, the results indicate that at end-2003 the monetary conditions in the United States seemed very lax. The natural rate of interest in this economy fluctuated between 1.6% and 3.3% (see Chart 1), which was fairly distant from the US short-term real return of -0.6% at that date. For its part, Germany's natural rate of interest stood between 0.5% and 1.7% (see Chart 2), which means that, since the short-term *ex-post* real interest rates then observed were close to 0.3%, its monetary policy was also expansionary, although somewhat more moderate than in the United States.

Conclusions

The natural or equilibrium rate of interest is a classic concept in economic theory that defines the level at which interest rates should be held by the monetary authorities for their actions to be neutral from the standpoint of inflation and the business cycle. This article presents estimates of this variable for the United States and Germany in the last four decades. The results, which should be viewed with the caution required in this type of exercise, suggest that the average natural rate of interest in the most recent stage has stood, in both economies, below its historical average. This downward trend has been more marked in Germany, so its negative differential with the United States has widened, which is consistent with the evidence available on the behaviour of the growth potential in the two areas. Another notable result of this study is that over the last decade the variability of the natural rate of interest, potential economic growth and the *output gap* has been lower than its historical average.

Additionally, the results of this study are also useful for assessing the monetary policy stance in these countries. If can be inferred from this analysis that in both cases the monetary policies were expansionary at the end of the period, although relatively more so in the United States.

19.5.2004

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Financial regulation: 2004 Q2

Introduction

There were few new financial provisions during 2004 Q2.

First, Central Credit Register regulations specifying how declarations should be sent and the characteristics of holders to be declared have been amended, in step with the tenets of the rules being implemented.

Further, accounting standards and formats for investment services firms' financial statements and annual accounts were issued, and some of the accounting obligations for portfolio management companies were extended.

Finally, three Community directives worthy of mention were enacted in the European Union. The first affects public share purchase offers, and is aimed at co-ordinating Member States' legislation and at safeguarding the interests of holders of company securities that come under a Member State's law when such securities are subject to public share purchase offer or a change of control. The second directive extends the Community legal framework for investment services firms in respect of marketable securities and harmonises some of the rules governing the workings of regulated markets. Lastly, the third directive specifies a series of points for the application of the Directive on insider dealing and market manipulation (market abuse).

Amendment of the regulations on the Central Credit Register

Law 44/2002 of 22 November 2002[1] on financial system reform measures (hereafter, the Financial Law) laid down a legal regime for the Central Credit Register (hereafter, the CCR), conferring upon it the legal nature of a public service insofar as it assists the Banco de España in the exercise of its powers and gives greater stability to the Spanish credit system. It further empowered the Minister for the Economy or, further to this Minister's authorisation, the Banco de España to determine the types of credit risks that should be reported, the conditions to be met by periodical or supplementary declarations, and the content, form and periodicity of reports on the credit risks of individuals or corporations related to the reporting institutions.

Ministerial Order ECO/697/2004 of 11 March 2004[2] set the criteria the Banco de España must observe in regulating the CCR, indicating that CBE 3/1995 of 25 September 1995[3] on the CCR will remain applicable, if it is not contrary to the Order, until the specific points envisaged in the Order are established by the Banco de España.

CBE 1/2004 of 29 July 2004 (BOE of 9 July 2004) amending CBE 3/1995 of 25 September 1995 on the CCR has recently been enacted to adapt the functioning of the CCR to law, initiating a staggered process of reforms affecting both the form and the substance of the data to be reported.

CBE 1/2004 amends CBE 3/1995, first, so that borrowers' personal data are reported continuously throughout the month, to bring forward as much as possible the rectification of potential errors in declarations; and further, to include new data facilitating their identification and allowing a better use of the information available, both for statistical and supervisory purposes,

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1. See «Financial regulation: 2002 Q4», *Economic Bulletin*, Banco de España, January 2003, pp. 101-113.   **2.** See «Financial regulation: 2004 Q1», *Economic Bulletin*, Banco de España, April 2004, pp. 92-93.   **3.** See «Regulación financiera: cuarto trimestre de 1995», *Boletín Económico*, Banco de España, January 1996, pp. 82-83.

in step with the Law's demand that the data reported to the CCR be accurate and up-to-date.

The credit risk reporting threshold is maintained at €6,000. However, what is new here is that, in the calculation of the minimum amount of credit risks to be reported, regard must be had jointly, where appropriate, to both the amounts actually drawn down and the credit available. It is likewise established that the amounts of past-due loans of less than €6,000 relating to transactions reported with outstanding balances in order shall be reportable. Past-due loans of less than €1,000 shall be explicitly reported for a zero amount and the related default key.

Finally, as from the entry into force of the Circular, all communication of data between reporting institutions and the CCR, such as data declarations, rectifications and cancellations, along with requests for reports and non-resident codes, shall be made exclusively by telematic means. Exceptionally, in specific, justified instances and further to the approval of the Banco de España Financial Reporting and CCR Department, the data may be sent on a magnetic support.

Investment services firms: accounting standards, restricted and public formats for financial statements and public annual accounts

Investment services firms (hereafter, ISFs) were regulated by Law 37/1998 of 16 November 1998, reforming Law 24/1988 of 28 July 1988[4] on the Securities Market, and by Royal Decree 867/2001 of 20 July 2001[5] on the legal regime for ISFs. Subsequently, Royal Decree 948/2001 of 3 August 2001[6], on investor compensation schemes, made it obligatory for ISFs to adhere to the Investment Guarantee Fund. Nonetheless, the new formats giving uniformity to the restricted and public information that all ISFs had to send to the National Securities Market Commission (CNMV) had still to be adopted.

Consequently, CNMV Circular (CCNMV) 2/2004 of 31 March 2004 (BOE of 12 April 2004) on the accounting standards, restricted and public formats of financial statements and public annual accounts of ISFs was enacted, partially amending CCNMV 5/1990 of 28 November 1990 on the accounting standards, restricted and public formats of financial statements and public annual accounts of securities dealer firms and securities agencies. The Circular also determines the accounting treatment of gold as a currency.

The Circular extends the scope of CCNMV 5/1990 to all institutions categorised as ISFs, including two new formats for restricted financial statements in which statistical information on portfolio management and the deposit of securities is required. It likewise establishes the obligation for portfolio management firms to send the same special report supplementing the auditing of accounts which, at present, is mandatory for securities dealer firms and agencies.

The documents required by the Circular, and the public formats established, shall be presented in rounded thousands of euro, unless it is expressly indicated otherwise. Irrespective of the foregoing, the CNMV may require of institutions, generally or individually, whatsoever information is needed to clarify and break down the foregoing statements, or to meet any other end that arises in the performance of the functions entrusted to it.

Finally, the presentation of the restricted and public statements should be via telematic means, using the CIFRADOC/CNMV system, approved by the CNMV Resolution dated 11 March 1998, or some similar system.

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4. See «Regulación financiera: tercer trimestre de 1988», *Boletín Económico,* Banco de España, October 1988, pp. 56-58. **5.** See «Financial regulation: 2001 Q3», *Economic Bulletin,* Banco de España, October 2001, pp. 93-97. **6.** See «Financial regulation: 2001 Q3», *Economic Bulletin,* Banco de España, October 2001, pp. 89-93.

Community Directive on takeover bids

In order to safeguard the holders of marketable securities in a Member State regulated market and, in particular, those with minority holdings when they are subject to a takeover bid or to a change in the control of the company, Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids (OJEC of 30 April) was enacted.

SCOPE

The Directive lays down measures co-ordinating the legal, regulatory and administrative provisions, codes of practice and other arrangements of the Member States, including those established by agencies officially authorised to regulate the markets, in respect of takeover bids, where all or some of these securities are traded on a regulated market in one or more Member States.

This Directive does not apply to takeover bids by companies whose corporate purpose is the collective investment of capital provided by the public, which operate on the principle of risk spreading and the units of which are, at the request of the holders, repurchased or redeemed, directly or indirectly, out of the assets of these companies. The Directive does not apply to takeover bids for securities issued by the central banks of the Member States.

SUPERVISORY AUTHORITY FOR TAKEOVER BIDS AND GENERAL PRINCIPLES

The Member States shall designate one or several authorities to take responsibility for supervising the aspects of the bid regulated by the present Directive, and to ensure compliance with the rules adopted in the Directive.

Member States should take the necessary measures to afford any offeror the possibility of purchasing a majority holding in other companies and of fully exercising control of such companies. To this end, restrictions on the transfer of securities and on voting rights, special appointment rights and multiple voting rights, inter alia, should be neutralised during the bid-acceptance period. Should holders of securities incur a loss as a result of the neutralisation of rights, fair compensation should be offered in accordance with the technical arrangements established by the Member States.

PROTECTION OF MINORITY SHAREHOLDERS, MANDATORY BID AND FAIR PRICE

If a natural or legal person, as a result of a purchase by them, or that of persons acting in concert with them, holds securities in a company directly or indirectly conferring a specific proportion of voting rights in this company and thereby giving control of said company, Member States shall ensure that such person is bound to make a takeover bid, so as to protect the minority shareholders of the company. The bid shall be addressed to all holders of securities for all their securities at the equitable price defined in this Directive.

Additional measures should be taken to protect the interests of holders of securities, such as the obligation to make a partial bid when the offeror does not acquire control of the company or the obligation to make a bid simultaneously with the acquisition of control of the company.

For the purposes of the Directive, an equitable price is considered to be the highest price paid by the offeror or the persons acting in concert with him for the same securities over a period to be determined by the Member States, which may not be less than six months or more than twelve months. If the offeror or persons acting in concert with him purchase securities at a higher price than that of the bid after such bid has been made public and before the offer closes for acceptance, the offeror must increase the price of the bid up to, at least, the highest price paid for the securities thus purchased.

INFORMATION ON THE BID

Member States must ensure that a decision to make a bid is made public without delay and that the supervisory authority is duly informed. Once the bid has been made public, the governing or managing bodies of the offeree company and of the offeror must inform the repre-

sentatives of their respective employees or, failing this, the employees themselves. They must also ensure that the announcement of the bid guarantees its transparency and clarity for the market in respect of the securities of the offeree company, the offeror or any other company involved in or affected by the bid, so as to avoid, in particular, the release or dissemination of false or misleading data.

Further, Member States must ensure that the offeror draws up and publishes a bid offer document containing the necessary information so that the holders of the securities of the offeree company can take a properly informed decision. Before releasing the bid document, the offeror shall send it to the supervisory authority and, once it is published, the governing or managing bodies of the offeree company and of the offeror will send it to the representatives of their respective employees or, failing this, the employees themselves.

It is also laid down that the time allowed for the acceptance of a bid may not be less than two weeks or more than ten weeks from the date of publication of the offer document. However, Member States may provide for the period exceeding ten weeks provided that the offeror notifies, with at least two weeks' notice, his intention to close the bid.

Finally, Member States must adapt the necessary legal, regulatory and administrative provisions to comply with the provisions in this Directive by no later than 20 May 2006.

Community directive on investment companies and on regulated markets for financial instruments

Council Directive 93/22/EEC of 10 May 1993[7] on investment services in the securities field, which has now been repealed, laid down the conditions in which ISFs and authorised banks could provide specific services or open branches in other Member States on the basis of home country authorisation and supervision. The Directive thus sought to harmonise the requirements for the initial authorisation and workings of ISFs, the conduct of business rules and some of the conditions governing the operation of regulated markets.

In recent years the number of investors participating in financial markets has increased, and they face a much more complex range of services and instruments. These developments advise extending the Community legal framework, which should cover the entire range of activities at the service of investors. To this end, it would be desirable to achieve the degree of harmonisation needed to offer investors a high level of protection and allow ISFs to provide services throughout the Community, since what is involved is a single market, taking home country supervision as a basis.

In view of the foregoing, Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 (OJEC of 30 April) on markets in financial instruments was published, amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC.

SCOPE

This Directive will apply to ISFs and to regulated markets, and to authorised credit institutions when they provide one or more services or perform one or more investment activities in the European Union.

It will not apply, among other cases, to insurance companies; to persons providing investment services exclusively to their parent companies, to their subsidiaries or to other subsidiaries of their parent companies; to the members of the European System of Central Banks; to other

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7. See «Regulación financiera: segundo trimestre de 1993», *Boletín Económico*, Banco de España, July-August 1993, pp. 106-108.

national agencies with similar functions; to other public agencies entrusted with the management of public debt or which intervene in the public debt market; and to collective investment undertakings and pension funds, whether co-ordinated or not at the Community level, and to the depositaries and managers of these undertakings.

CONDITIONS GOVERNING THE
AUTHORISATION AND OPERATION
OF INVESTMENT FIRMS

As laid down in Directive 93/22/EEC, Member States shall require that the provision of services or performance of investment activities in a professional capacity or as an habitual activity be subject to authorisation. Such authorisation will be granted by the competent authority designated by the home Member State. ISFs will provide all the information (including a programme of operations setting out, inter alia, the types of business envisaged and the organisational structure) needed to enable the competent authority to satisfy itself that the investment firm has established, at the time of initial authorisation, all the necessary arrangements to meet its obligations.

Remaining virtually unchanged are the procedures for granting and refusing requests for authorisation and for withdrawing authorisations, the requirements in respect of the repute of the persons actually running the business, and the regime governing qualifying holdings.

In a similar fashion to Directive 93/22/EEC, Member States shall periodically review the conditions under which the initial authorisation operates. To this end, they will require the competent authorities to establish the appropriate methods for supervising investment firms' compliance with this obligation and, where appropriate, require investment firms to notify the competent authorities of any material changes to the conditions for initial authorisation.

In the case of investment firms which solely provide investment advice or engage in the business of the reception and transmission of orders, Member States may allow the competent authority to delegate administrative, preparatory or ancillary tasks related to the granting of authorisation or to the review of the conditions for initial authorisation.

TRADING PROCESS AND
FINALISATION OF TRANSACTIONS
IN A MULTILATERAL TRADING
FACILITY (MTF)

Member States shall require that ISFs or market operators operating an MTF establish transparent and non-discretionary rules and procedures for fair and orderly trading, set objective criteria for the efficient execution of orders and lay down transparent rules regarding the criteria for determining the financial instruments that can be traded under its systems.

They shall also require that investment firms or market operators operating an MTF provide sufficient publicly available information to enable its users to form an investment judgement, taking into account both the nature of the users and the types of instruments traded.

RELATIONS WITH THIRD
COUNTRIES

As indicated in Directive 93/22/EEC, Member States shall inform the Commission of any general difficulties which their investment firms encounter in establishing themselves or providing investment services and/or performing investment activities in any third country. Should it appear that Community investment firms in a third country are not granted national treatment affording the same competitive opportunities as are available to domestic investment firms and that the conditions of effective market access are not fulfilled, the Commission may initiate negotiations in order to remedy the situation.

PROVISIONS TO ENSURE
INVESTOR PROTECTION

The rules of business conduct laid down in Directive 93/22/EEC, which ISFs must observe at all times when providing investment services to clients, have been extended. In particular, when providing investment advice or portfolio management, ISFs shall obtain the necessary information regarding the client's or potential client's knowledge and experience in the investment field relevant to the specific type of product or service, his financial situation and his in-

vestment objectives so as to enable the firm to recommend the investment services and financial instruments best suited for him.

Further, ISFs shall establish a record including the document or documents agreed between the firm and the client that set out the rights and obligations of the parties, and the other terms on which the firm will provide services to the client. The client must receive from the ISF appropriate reports on the service provided to its clients. These reports shall include, where applicable, the costs associated with the transactions and services undertaken on behalf of the client.

Member States shall require that ISFs take all reasonable steps to obtain, when executing orders, the best possible result for their clients taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order.

FREEDOM OF ESTABLISHMENT AND TO PROVIDE SERVICES

As indicated in Directive 93/22/EEC, Member States shall ensure that all ISFs authorised and supervised by the competent authority of another Member State (along with credit institutions authorised in compliance with the Directive regulating them at Community level) may freely provide services, engage in investment business and offer ancillary service in their territory provided that such services and business are duly authorised. They may only provide ancillary services together with an investment service or activity.

Member States shall, without further legal or administrative requirements, allow ISFs and market operators operating MTFs of other Member States to provide appropriate arrangements on their territory so as to facilitate access to and trading on those markets by remote members or participants established in their territory.

Member States shall ensure that investment services and/or activities as well as ancillary services may be provided within their territories through the establishment of a branch provided that those services and activities are covered by the authorisation granted to the ISF or the credit institution in the home Member State. Ancillary services may only be provided together with an investment service and/or activity.

In cases where an ISF uses a tied agent established in a Member State outside its home Member State, such tied agent shall be assimilated to the branch and shall be subject to the provisions of this Directive relating to branches.

Member States shall provide that, where an ISF authorised in another Member State has established a branch within its territory, the competent authority of the home Member State of the ISF, in the exercise of its responsibilities and after informing the competent authority of the host Member State, may carry out on-site inspections in that branch.

REGULATED MARKETS IN FINANCIAL INSTRUMENTS

Authorisation as a regulated market shall be granted only where the competent authority is satisfied that both the market operator and the systems of the regulated market comply at least with the requirements laid down in the Directive.

The operator of the regulated market shall provide all information, including a programme of operations setting out inter alia the types of business envisaged and the organisational structure, necessary to enable the competent authority to satisfy itself that the regulated market has established, at the time of initial authorisation, all the necessary arrangements to meet its obligations.

Member States shall require the operator of the regulated market to perform tasks relating to the organisation and operation of the regulated market under the supervision of the competent authority. Specifically, they shall require the operator: (a) to provide the competent authority with, and to make public, information regarding the ownership of the regulated market and/or the market operator, and in particular, the identity and scale of interests of any parties in a position to exercise significant influence over the management; (b) to inform the competent authority of and to make public any transfer of ownership which gives rise to a change in the identity of the persons exercising significant influence over the operation of the regulated market.

The competent authority shall refuse to approve proposed changes in the identity of the persons controlling the regulated market and/or the market operator where there are objective and demonstrable grounds for believing that they would pose a threat to the sound and prudent management of the regulated market.

Member States shall require that regulated markets have clear and transparent rules regarding the admission of financial instruments to trading. These rules shall ensure that any financial instruments admitted to trading in a regulated market are capable of being traded in a fair, orderly and efficient manner and, in the case of transferable securities, are freely negotiable.

In the case of derivatives, the rules shall ensure in particular that the design of the derivative contract allows for its orderly pricing as well as for the existence of effective settlement conditions.

The operator of the regulated market may (as may the competent authority) suspend or remove from trading a financial instrument which no longer complies with the rules of the regulated market unless such a step would be likely to cause significant damage to the investors' interests or the orderly functioning of the market.

Member States shall require the regulated market to establish and maintain transparent and non-discriminatory rules, based on objective criteria, governing access to or membership of the regulated market. These rules shall specify any obligations for the members or participants arising, inter alia, from the constitution and administration of the regulated market; professional standards imposed on the staff of the investment firms or credit institutions that are operating on the market; and the rules and procedures for the clearing and settlement of transactions on the regulated market.

Regulated markets may admit as members or participants investment firms, credit institutions authorised under Directive 2000/12/EC and other persons who: (a) are fit and proper; (b) have a sufficient level of trading ability and competence; (c) have sufficient resources for the role they are to perform, taking into account the different financial arrangements that the regulated market may have established in order to guarantee the adequate settlement of transactions.

Member States shall, without further legal or administrative requirements, allow regulated markets from other Member States to provide appropriate arrangements on their territory so as to facilitate remote access to and trading on those markets. The regulated market shall communicate to the competent authority of its home Member State the Member State in which it intends to provide such arrangements. The competent authority of the home Member State shall communicate, within one month, this information to the Member State in which the regulated market intends to provide such arrangements. It will, on the request of the competent authority of the host Member State and within a reasonable time, also communicate the iden-

tity of the members or participants of the regulated market established in that Member State.

The competent authority of a regulated market may not oppose the use of central counterparties, clearing houses or settlement systems in another Member State except where this is demonstrably necessary in order to maintain the orderly functioning of that regulated market.

In order to avoid undue duplication of control, the competent authority shall take into account the supervision of the clearing and settlement system already exercised by the national central banks as overseers of clearing and settlement systems or by other supervisory authorities with competence in relation to such systems.

The Directive entered into force on 30 April 2004.

Clarification of the measures implementing the Directive on insider dealing and market manipulation (market abuse)

Directive 2003/6/EC of the European Parliament and of the Council of 28 January 2003[8] on insider dealing and market manipulation (market abuse), which repealed Directive 89/592/EEC of 13 November 1989, co-ordinating regulations on insider dealing, was intended to ensure the integrity of Community financial markets and, consequently, to increase investors' confidence in these markets in the face of practices involving price manipulation and the dissemination of misleading information.

Recently, Commission Directive 2004/72/EC of 29 April 2004 (OJEC of 30 April) was published to implement Directive 2003/6/EC regarding accepted market practices, the definition of inside information in relation to derivatives on commodities, the drawing up of lists of insiders, the notification of managers' transactions and the notification of suspicious transactions.

ACCEPTED MARKET PRACTICES

Member States shall ensure that the following factors, inter alia, are taken into account when assessing whether they can accept a particular market practice: a) the level of transparency of the relevant market practice to the whole market; b) the degree to which the relevant market practice has an impact on market liquidity and efficiency; c) the extent to which the relevant practice takes into account the trading mechanism of the relevant market and enables market participants to react properly and in a timely manner to the new market situation created by that practice; and d) the risk inherent in the relevant practice for the integrity of, directly or indirectly, related markets, whether regulated or not, in the relevant financial instrument within the whole Community.

Member States shall ensure that competent authorities, before accepting or not the market practice concerned, consult appropriate relevant bodies such as representatives of issuers, financial services providers, consumers, other authorities and market operators.

INSIDER DEALING RELATING TO DERIVATIVES ON COMMODITIES

Users of markets on which derivatives on commodities are traded should receive information relating, directly or indirectly, to one or more of these derivatives when such information is routinely made available to the users of these markets, or is required to be disclosed in accordance with legal or regulatory provisions, market rules, contracts or customs on the relevant underlying commodity market or commodity derivatives market.

LISTS OF INSIDERS

Member States shall ensure that lists of insiders include all persons who have access to inside information relating, directly or indirectly, to the issuer, whether on a regular or occasional basis.

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8. See «Financial regulation: 2003 Q2», *Economic Bulletin*, Banco de España, July-August 2003, pp.85-87.

These lists shall state, at least, the identity of any person having access to inside information, the reason why any such person is on the list and the date at which the list was created and updated. Member States shall ensure that lists of insiders will be kept for at least five years after being drawn up or updated.

NOTIFICATION OF MANAGERS' TRANSACTIONS

Member States shall ensure that all transactions related to shares admitted to trading on a regulated market, or to derivatives or other financial instruments linked to them, conducted on the own account of managers of the issuing entities or persons linked to them are notified to the competent authorities. The rules of notification which those persons have to comply with shall be those of the Member State where the issuer is registered. The notification to the competent authority of that Member State shall be made within five working days of the transaction date.

Member States may decide that, until the total amount of transactions has reached €5,000 at the end of a calendar year, no notification is required or notification may be delayed until 31 January of the following year.

The notification shall contain, inter alia, the following information: a) the name of the person discharging managerial responsibilities within the issuer, or, where applicable, the name of the person closely associated with such a person; b) the reason for the responsibility to notify; c) the name of the relevant issuer; d) a description of the financial instrument and nature of the transaction; and e) the price and volume of the transaction.

NOTIFICATION OF SUSPICIOUS TRANSACTIONS

Member States shall ensure that competent authorities receiving the notification of suspicious transactions transmit such information immediately to the competent authorities of the regulated markets concerned. The content of the notification shall, among other aspects, include the following information: a) a description of the transactions; (b) the reasons for suspicion that the transaction might constitute market abuse; c) the capacity in which the person subject to the notification obligation operates; and d) any other pertinent information relating to the suspicious transactions.

Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with this Directive by 12 October 2004 at the latest.

ECONOMIC INDICATORS

CONTENTS

These indicators are continuously updated on the Banco de España's website. For those statistics whose source is the Banco de España, a data dissemination calendar giving the exact or approximate release date over the following three months is updated on the last day of 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).

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	1.8	3.6	2.5	3.3	-0.3	3.0	1.0	3.6	3.5	4.0	1.8	653	6 843
02	P	2.0	0.9	2.6	0.5	4.4	3.0	1.0	-2.8	2.6	0.4	-0.0	1.6	1.8	0.3	696	7 079
03	P	2.4	0.5	3.0	1.0	4.6	2.0	3.0	-0.8	3.3	1.2	4.0	0.1	6.7	2.0	743	7 236
01 *Q2*	P	2.6	1.7	2.7	1.7	3.2	2.2	4.1	0.3	3.4	1.3	4.0	4.7	6.6	3.9	162	1 706
Q3	P	3.1	1.5	3.0	1.8	3.9	2.8	2.6	-1.2	2.6	0.7	3.4	2.2	1.6	-0.0	165	1 715
Q4	P	2.6	0.7	2.3	1.5	3.9	2.8	2.8	-2.3	3.2	0.0	-2.3	-1.9	-0.1	-3.8	167	1 728
02 *Q1*	P	2.2	0.5	2.0	0.3	4.6	2.9	0.7	-2.9	1.9	-0.2	-3.6	-1.7	-4.2	-3.6	169	1 750
Q2	P	2.0	0.9	2.8	0.4	4.5	3.5	-0.9	-3.7	1.4	0.1	-1.9	1.6	-3.5	-0.7	173	1 765
Q3	P	1.8	0.9	2.5	0.5	4.2	3.2	1.5	-3.0	2.5	0.5	1.2	2.8	3.4	1.8	176	1 779
Q4	P	2.1	1.1	3.3	0.9	4.2	2.4	2.9	-1.5	4.4	1.2	4.4	3.4	11.8	3.7	179	1 786
03 *Q1*	P	2.2	0.7	3.0	1.6	4.3	2.0	3.2	-1.7	3.6	1.5	4.4	1.7	8.5	3.9	181	1 792
Q2	P	2.3	0.1	2.8	1.0	4.5	1.8	3.4	-0.5	3.2	1.0	7.8	-1.2	10.1	1.0	184	1 798
Q3	P	2.4	0.4	3.1	0.8	4.8	1.9	3.0	-0.6	3.6	0.9	2.2	-0.1	5.9	1.3	187	1 816
Q4	P	2.7	0.7	3.0	0.6	4.8	2.1	2.5	-0.4	2.9	1.3	1.8	0.1	2.7	1.7	191	1 830
04 *Q1*	P	2.8	1.3	3.3	0.7	4.7	1.4	3.0	0.2	3.7	1.0	4.1	3.2	6.7	2.7	193	1 850

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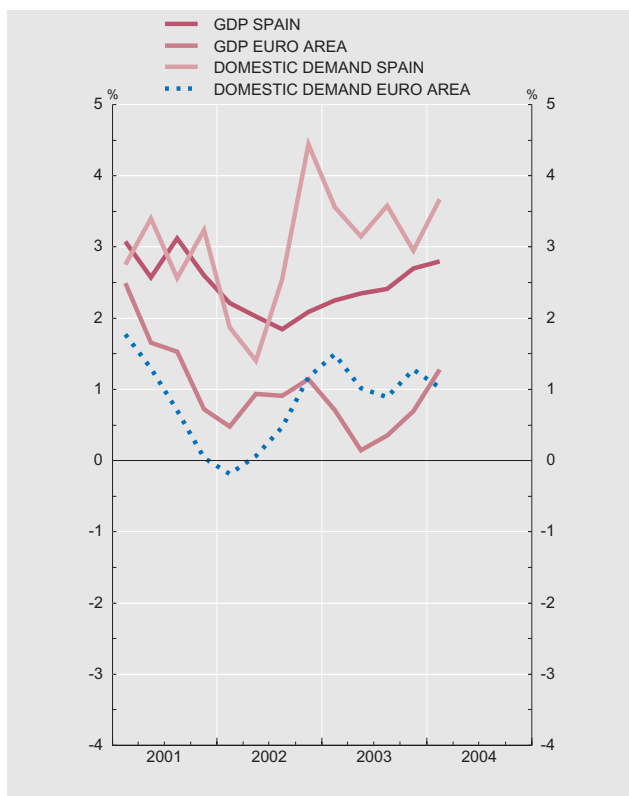
- GDP SPAIN
- GDP EURO AREA
- DOMESTIC DEMAND SPAIN
- DOMESTIC DEMAND EURO AREA

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

- FINAL CONS. HOUS. AND NPISHs. SPAIN
- FINAL CONS. HOUS. AND NPISHs. EURO AREA
- GFCF SPAIN
- GFCF EURO AREA
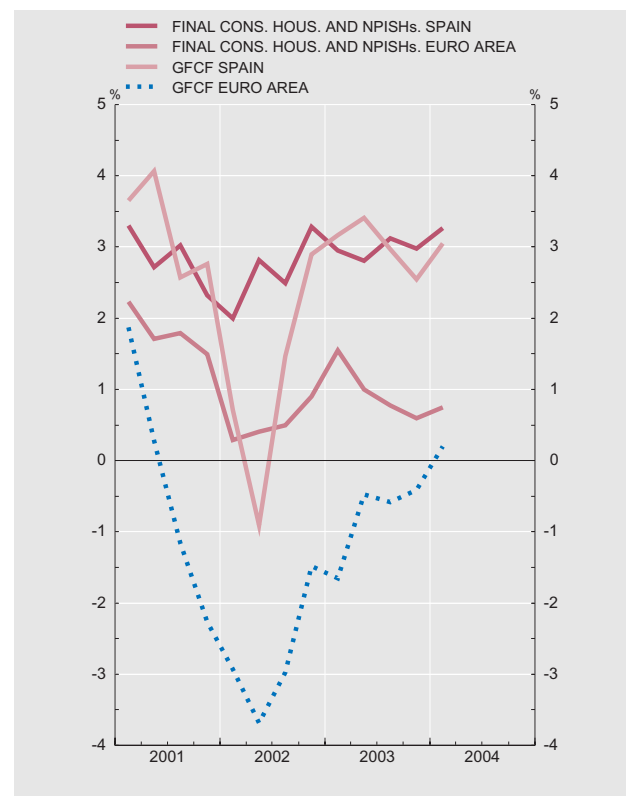
Sources: INE (Contabilidad Nacional Trimestral de España) and Eurostat.

(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.

■ Series depicted in chart.

Annual percentage changes

		Gross fixed capital formation			Change in Stocks (b)	Exports of goods and services				Imports of goods and services				Memorandum items:		
		Total	Capital goods	Construction		Total	Goods	Tourism	Services	Total	Goods	Tourism	Services	External balance of goods and services (b)	Domestic demand (b)	GDP
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
00	P	5.7	4.7	6.1	-0.1	10.0	10.0	5.3	17.5	10.6	10.5	9.7	11.4	-0.4	4.6	4.2
01	P	3.3	-1.2	5.8	-0.1	3.6	2.4	3.2	11.0	4.0	3.3	9.5	7.4	-0.2	3.0	2.8
02	P	1.0	-5.4	4.2	0.0	-0.0	1.2	-7.3	3.4	1.8	1.5	4.7	2.4	-0.6	2.6	2.0
01 *Q2*	P	4.1	0.4	6.3	0.3	4.0	3.4	3.4	8.5	6.6	5.4	8.3	13.4	-0.9	3.5	2.6
Q3	P	2.6	-1.8	4.9	-0.5	3.4	2.4	1.2	11.8	1.6	1.0	4.9	4.6	0.5	2.6	3.1
Q4	P	2.8	-3.6	6.2	0.5	-2.3	-4.2	-1.2	6.9	-0.1	-0.8	5.7	2.8	-0.7	3.3	2.6
02 *Q1*	P	0.7	-7.2	4.6	-0.3	-3.6	-3.6	-7.8	1.8	-4.2	-4.9	1.0	-1.5	0.3	1.9	2.2
Q2	P	-0.9	-11.0	3.9	-0.8	-1.9	-1.5	-9.5	6.4	-3.5	-3.8	2.6	-2.6	0.6	1.4	2.0
Q3	P	1.5	-4.8	4.8	0.0	1.2	2.4	-6.8	3.9	3.4	3.0	10.3	4.4	-0.8	2.6	1.8
Q4	P	2.9	1.7	3.7	1.1	4.4	7.3	-5.0	1.5	11.8	12.4	5.3	9.4	-2.4	4.5	2.1
03 *Q1*	P	3.2	3.0	3.5	0.3	4.4	6.2	-2.8	4.3	8.5	8.7	4.8	8.1	-1.4	3.6	2.2
Q2	P	3.4	3.1	3.8	-0.1	7.8	10.5	1.9	1.4	10.1	11.3	5.9	3.7	-0.9	3.2	2.3
Q3	P	3.0	1.2	3.8	0.2	2.2	3.5	0.5	-2.4	5.9	7.4	4.9	-2.7	-1.3	3.7	2.4
Q4	P	2.5	0.1	3.6	-0.2	1.8	3.0	0.4	-2.8	2.7	4.2	8.4	-7.6	-0.4	3.1	2.7
04 *Q1*	P	3.0	1.6	3.6	0.2	4.1	6.2	0.6	-2.5	6.7	7.9	20.2	-3.5	-1.0	3.8	2.8

GDP. DOMESTIC DEMAND AND NET EXTERNAL BALANCE
Annual percentage changes
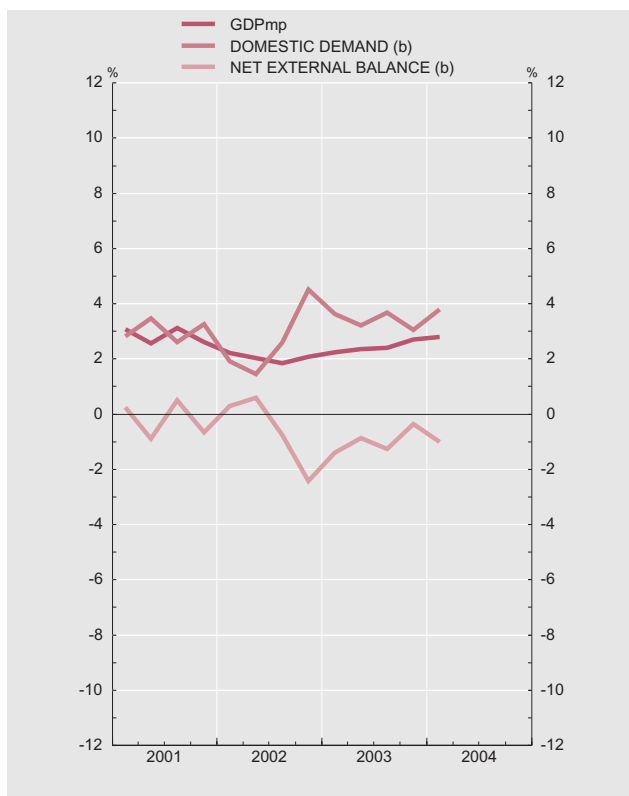
GDP. DEMAND COMPONENTS
Annual percentage changes
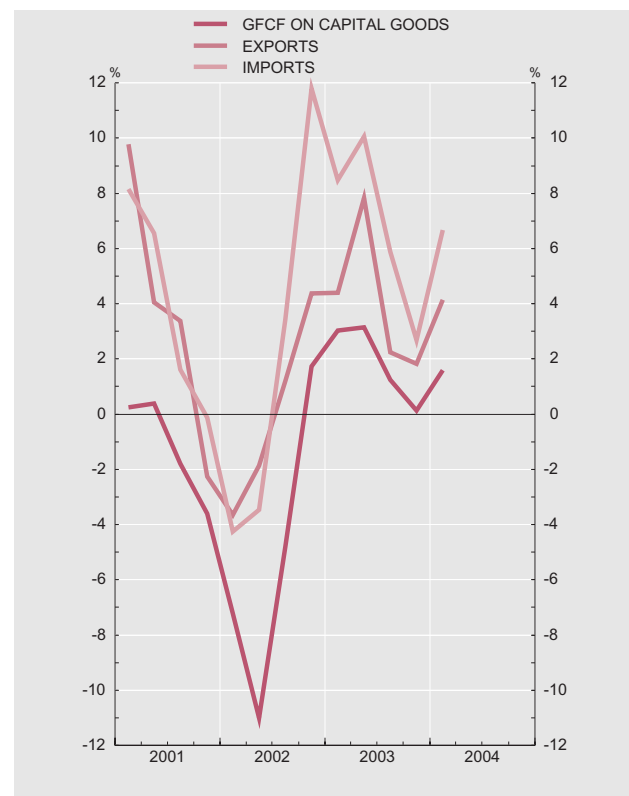
Source: INE (Contabilidad Nacional Trimestral de España).

(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	Market 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	-3.3	4.3	1.9	5.5	3.3	3.3	3.0	2.3	0.9	1.0
02	P	2.0	1.0	0.3	0.7	4.8	2.2	2.1	2.3	2.6	0.5	3.1
03	P	2.4	0.7	1.4	1.3	3.6	2.1	1.8	3.3	6.2	11.8	7.7
01 *Q2*	P	2.6	-5.6	5.7	2.5	5.9	3.4	3.6	2.7	-6.0	2.0	3.3
Q3	P	3.1	-4.2	4.0	2.7	4.4	3.2	3.2	3.5	6.3	-3.1	3.8
Q4	P	2.6	3.8	2.2	0.3	6.5	2.7	2.5	3.3	6.1	-0.8	-2.9
02 *Q1*	P	2.2	7.5	2.1	-0.7	5.1	2.1	1.8	3.1	4.9	-3.9	3.3
Q2	P	2.0	2.0	-1.2	-0.4	4.5	2.5	2.4	2.6	7.0	-	-3.1
Q3	P	1.8	1.8	-0.3	1.1	5.5	1.9	1.9	2.0	-0.2	2.0	1.2
Q4	P	2.1	-6.6	0.5	2.7	4.1	2.2	2.3	1.8	-0.9	3.9	11.4
03 *Q1*	P	2.2	-1.6	0.3	2.5	3.4	1.7	1.5	2.5	5.6	9.8	8.5
Q2	P	2.3	-0.6	1.6	1.7	3.7	1.6	1.2	3.0	7.6	9.5	12.8
Q3	P	2.4	0.9	2.6	0.2	3.8	2.5	2.2	3.7	4.5	14.5	6.9
Q4	P	2.7	4.2	1.0	0.7	3.5	2.7	2.4	3.9	6.8	13.2	3.2
04 *Q1*	P	2.8	4.7	-0.7	1.5	3.5	3.4	3.3	3.5	1.8	15.3	0.7

GDP. BRANCHES OF ACTIVITY
Annual percentage changes
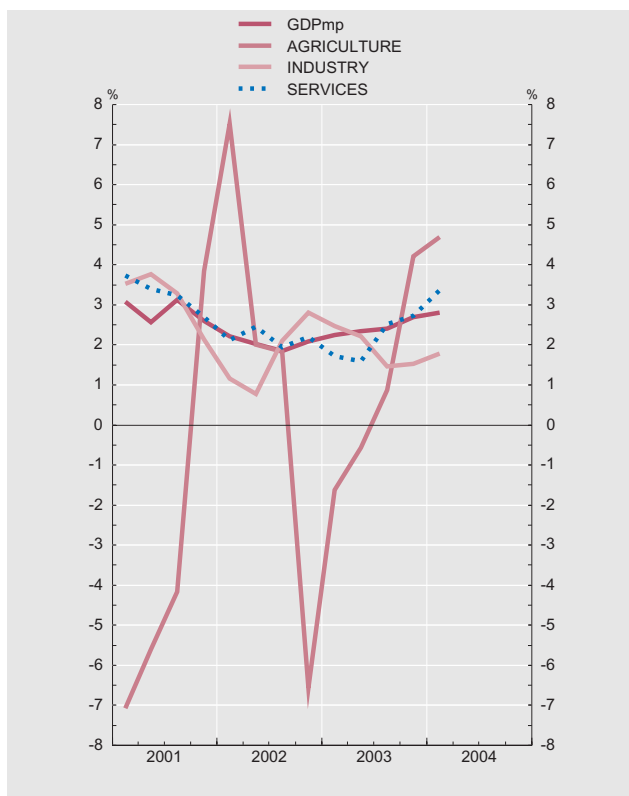
GDP. BRANCHES OF ACTIVITY
Annual percentage changes
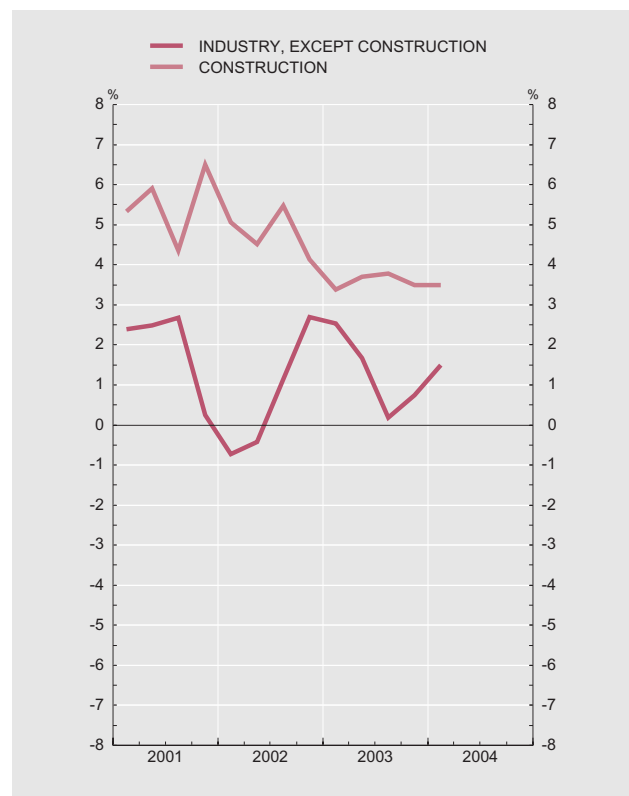
Source: INE (Contabilidad Nacional Trimestral de España).
   (a) Prepared in accordance with ESA95, SEASONALLY- AND WORKING-DAY-ADJUSTED SERIES (see *Economic bulletin* April 2002).

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

■ Series depicted in chart.

Annual percentage changes

		Demand components								Branches of activity					
		Final consumption of households and NPISHs	Government final consumption	Gross capital formation			Exports of goods and services	Imports of goods and services	Gross domestic product at market prices	Agriculture and fisheries	Energy	Industry	Construction	Of which	
				Total	Of which									Services	Market services
					Gross fixed capital formation										
					Capital goods	Construction									
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
01	P	3.3	3.2	4.0	1.0	5.4	2.7	0.5	4.2	8.0	0.5	2.0	6.6	4.7	5.1
02	P	3.5	3.4	4.5	1.7	5.3	1.1	-1.0	4.4	-0.3	4.2	1.7	6.8	4.8	5.1
03	P	3.1	3.0	5.3	2.0	6.1	1.0	-0.3	4.2	4.1	5.2	1.3	7.6	4.2	4.5
01 Q2	P	3.4	3.3	4.3	1.0	5.9	4.1	1.0	4.6	17.2	0.9	2.4	7.3	4.9	5.4
Q3	P	3.4	3.2	3.6	0.6	5.1	3.7	1.4	4.1	10.3	0.8	0.7	6.6	4.7	5.1
Q4	P	3.0	3.0	3.1	0.3	4.2	-1.0	-3.8	4.0	1.6	-0.4	3.2	4.9	4.5	4.9
02 Q1	P	3.3	3.6	3.6	1.1	4.8	1.0	-0.9	4.0	7.1	2.4	0.4	5.7	4.5	4.7
Q2	P	3.6	3.5	4.1	1.5	5.0	1.3	-0.6	4.2	-2.0	3.6	1.7	6.5	4.7	4.9
Q3	P	3.4	3.4	4.4	1.9	5.5	0.7	-2.1	4.6	-2.7	4.5	2.7	7.4	4.9	5.2
Q4	P	3.6	3.3	5.8	2.1	5.8	1.4	-0.1	4.9	-2.6	6.4	2.1	7.8	5.2	5.7
03 Q1	P	3.5	2.9	5.5	1.9	6.0	1.2	0.0	4.4	-2.9	7.6	2.2	7.7	4.5	4.8
Q2	P	3.0	2.8	4.0	2.1	5.7	1.1	-1.4	4.1	3.7	4.5	0.6	7.6	4.3	4.6
Q3	P	3.1	2.8	6.0	1.9	6.0	0.2	-0.1	4.0	5.4	4.0	1.1	7.3	4.1	4.3
Q4	P	3.0	3.3	5.7	2.0	6.6	1.4	0.1	4.2	10.2	4.9	1.6	7.7	4.0	4.2
04 Q1	P	2.7	3.2	7.5	2.1	7.0	-1.1	-0.3	4.0	6.1	4.6	1.5	7.9	4.0	4.1

GDP. IMPLICIT DEFLATORS
Annual percentage changes
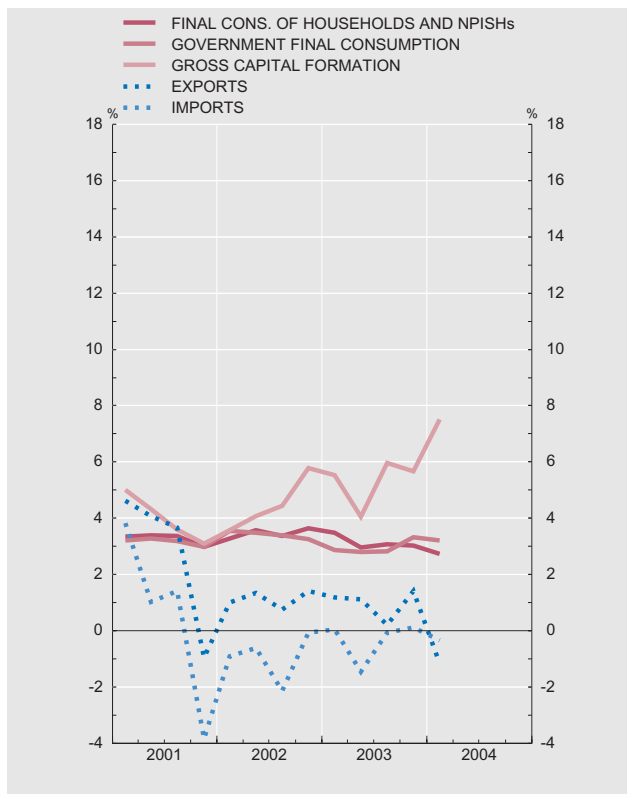
FINAL CONS. OF HOUSEHOLDS AND NPISHs
GOVERNMENT FINAL CONSUMPTION
GROSS CAPITAL FORMATION
EXPORTS
IMPORTS

GDP. IMPLICIT DEFLATORS
Annual percentage changes

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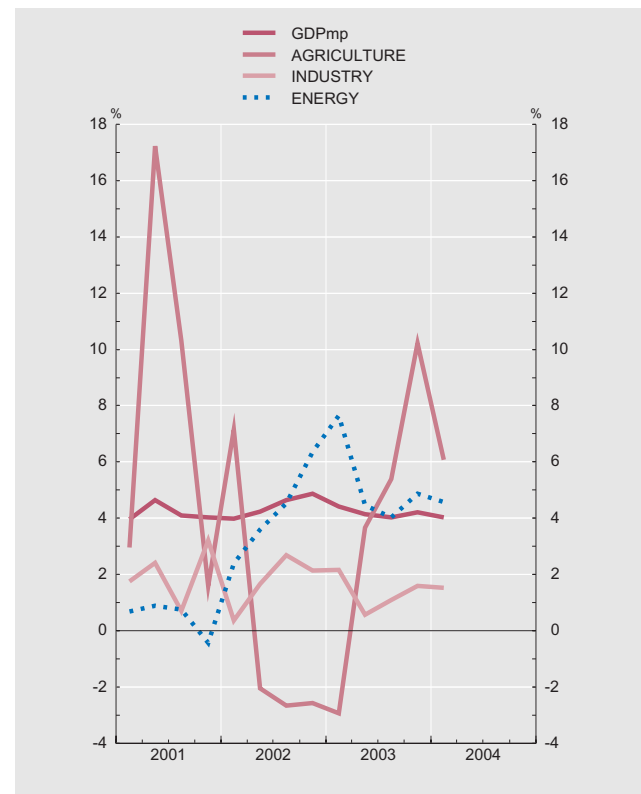
Source: INE (Contabilidad Nacional Trimestral de España).
(a) Prepared in accordance with ESA95, SEASONALLY- AND WORKING-DAY-ADJUSTED SERIES (see *Economic bulletin* April 2002).

2.1. INTERNATIONAL COMPARISON. GROSS DOMESTIC PRODUCT AT CONSTANT PRICES

■ Series depicted in chart.

Annual percentage changes

	OECD	EU15	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3 ■	4 ■	5 ■	6 ■	7	8 ■	9 ■	10 ■
01	1.0	1.7	1.6	1.0	2.8	0.5	2.1	1.7	0.4	2.3
02	1.7	1.0	0.9	0.2	2.0	2.2	1.1	0.4	-0.3	1.8
03	2.2	0.8	0.5	-0.1	2.4	3.1	0.5	0.4	2.5	2.2
01 *Q1*	2.3	2.5	2.5	1.9	3.1	1.9	3.3	2.5	3.2	2.6
Q2	1.0	1.7	1.7	0.8	2.6	0.2	2.2	2.1	1.1	2.4
Q3	0.5	1.6	1.5	0.7	3.1	-0.0	2.5	1.3	-0.3	2.1
Q4	0.2	0.9	0.7	0.5	2.6	-0.0	0.5	0.8	-2.2	2.2
02 *Q1*	0.7	0.7	0.5	-0.2	2.2	1.2	0.8	-0.1	-3.1	1.7
Q2	1.5	1.1	0.9	0.1	2.0	1.8	1.3	0.2	-0.9	1.5
Q3	2.3	1.1	0.9	0.4	1.8	3.0	0.9	0.5	1.0	1.9
Q4	2.4	1.3	1.1	0.5	2.1	2.8	1.4	0.9	1.8	1.9
03 *Q1*	2.0	0.9	0.7	0.1	2.2	2.1	0.8	0.6	2.5	1.8
Q2	1.7	0.4	0.1	-0.3	2.3	2.4	-0.1	0.2	2.2	2.1
Q3	2.2	0.6	0.4	-0.3	2.4	3.6	0.4	0.4	1.8	2.2
Q4	2.8	1.0	0.7	0.1	2.7	4.3	1.1	0.1	3.5	2.9
04 *Q1*	...	1.6	1.3	0.7	2.8	4.8	1.7	0.8	5.0	3.4

GROSS DOMESTIC PRODUCT
Annual percentage changes
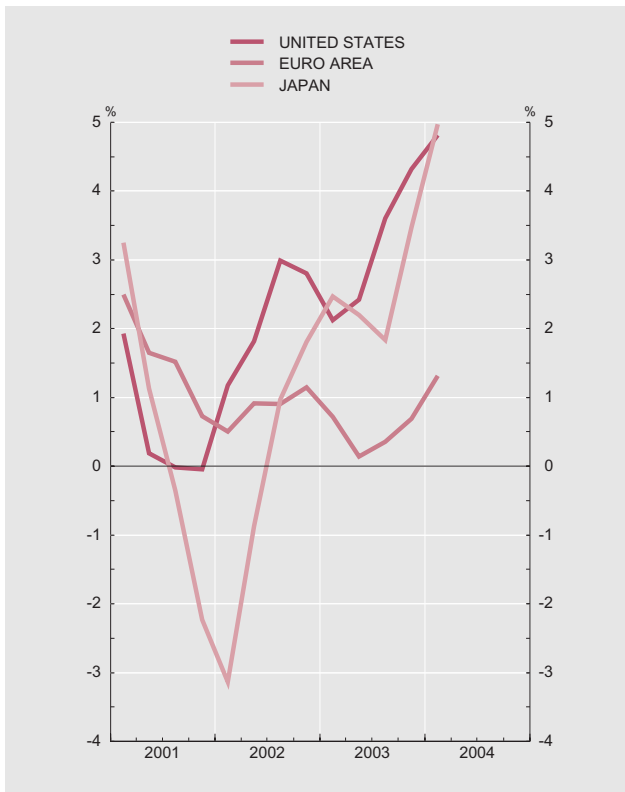
GROSS DOMESTIC PRODUCT
Annual percentage changes
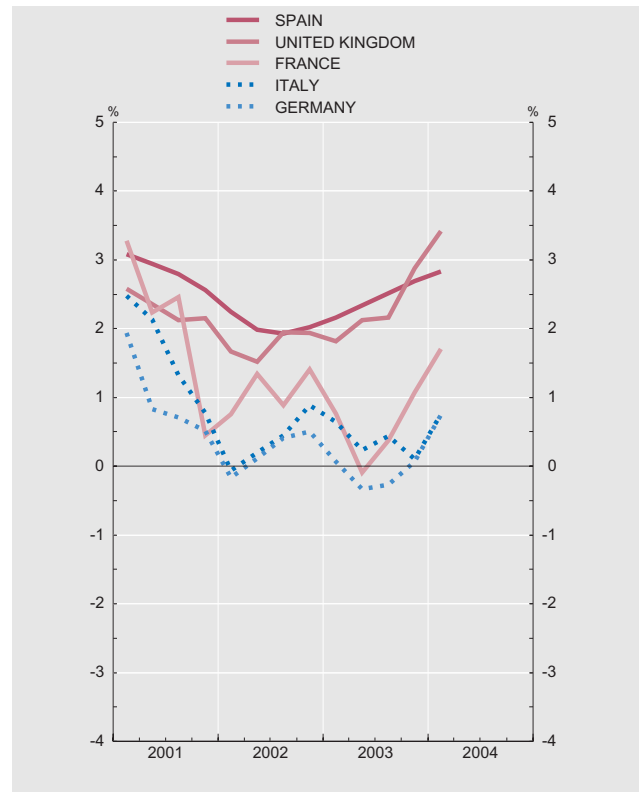
Sources: ECB, INE and OECD.
Note: The underlying series for this indicator are in Table 26.2 of the BE Boletín estadístico.

2.2. INTERNATIONAL COMPARISON. UNEMPLOYMENT RATES

■ Series depicted in chart.

Percentages

	OECD	EU15*	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3 ■	4 ■	5 ■	6 ■	7 ■	8 ■	9 ■	10 ■
01	6.5	7.4	8.0	7.8	10.6	4.8	8.4	9.4	5.0	5.0
02	7.0	7.7	8.4	8.7	11.3	5.8	8.9	9.0	5.4	5.1
03	7.1	8.1	8.9	9.6	11.3	6.0	9.4	8.6	5.2	5.0
02 *Dec*	7.1	7.9	8.7	9.2	11.5	6.0	9.1	8.9	5.5	4.9
03 *Jan*	7.1	8.0	8.7	9.4	11.4	5.8	9.1	8.9	5.5	5.1
Feb	7.1	8.0	8.8	9.5	11.4	5.9	9.2	8.8	5.2	5.1
Mar	7.1	8.1	8.8	9.6	11.4	5.8	9.3	8.8	5.4	5.0
Apr	7.1	8.1	8.9	9.7	11.3	6.0	9.3	8.7	5.4	5.0
May	7.2	8.1	8.9	9.8	11.3	6.1	9.4	8.7	5.4	4.9
Jun	7.2	8.1	8.9	9.7	11.3	6.3	9.4	8.6	5.3	5.0
Jul	7.2	8.1	8.9	9.7	11.3	6.2	9.4	8.6	5.3	5.0
Aug	7.1	8.1	8.9	9.7	11.2	6.1	9.4	8.6	5.1	5.0
Sep	7.2	8.1	8.9	9.7	11.2	6.1	9.4	8.5	5.2	4.9
Oct	7.1	8.1	8.9	9.7	11.2	6.0	9.5	8.5	5.2	4.9
Nov	7.1	8.1	8.9	9.6	11.2	5.9	9.5	8.5	5.2	4.9
Dec	7.0	8.1	8.9	9.6	11.2	5.7	9.5	8.5	4.9	4.8
04 *Jan*	6.9	8.0	8.9	9.6	11.1	5.7	9.5	8.5	5.0	4.7
Feb	6.9	8.1	8.9	9.7	11.1	5.6	9.4	...	5.0	4.7
Mar	6.9	8.1	8.9	9.7	11.1	5.7	9.4	...	4.7	4.7
Apr	6.9	8.1	9.0	9.8	11.1	5.6	9.4	...	4.7	...
May	6.9	8.1	9.0	9.8	11.1	5.6	9.4	...	4.6	...

UNEMPLOYMENT RATES

SPAIN
EURO AREA

UNEMPLOYMENT RATES

GERMANY
UNITED STATES
FRANCE
ITALY
JAPAN
UNITED KINGDOM

Sources: ECB and OECD.

■ Series depicted in chart.   *Annual percentage changes*

	OECD (Total)	EU15	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3 ■	4 ■	5 ■	6 ■	7	8 ■	9 ■	10 ■
00	3.9	1.9	2.1	1.4	3.5	3.4	1.8	2.6	-0.7	0.8
01	3.5	2.2	2.3	1.9	2.8	2.8	1.8	2.3	-0.7	1.2
02	2.5	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
03 *Jan*	2.8	2.0	2.1	0.9	3.8	2.6	1.9	2.9	-0.4	1.4
Feb	3.1	2.3	2.4	1.2	3.8	2.9	2.5	2.6	-0.2	1.6
Mar	3.1	2.3	2.4	1.2	3.7	3.1	2.6	2.9	-0.1	1.6
Apr	2.5	2.0	2.1	1.0	3.2	2.2	1.9	3.0	-0.1	1.5
May	2.5	1.7	1.8	0.6	2.7	2.1	1.8	2.9	-0.2	1.2
Jun	2.4	1.8	1.9	0.9	2.8	2.1	1.9	2.9	-0.4	1.1
Jul	2.4	1.8	1.9	0.8	2.9	2.1	1.9	2.9	-0.2	1.3
Aug	2.3	2.0	2.1	1.1	3.1	2.2	2.0	2.7	-0.3	1.4
Sep	2.4	2.0	2.2	1.1	3.0	2.3	2.3	3.0	-0.2	1.4
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	1.9	1.5	1.6	0.8	2.2	1.7	1.9	2.4	-	1.3
Mar	1.8	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	2.6	2.3	2.5	2.1	3.4	3.0	2.8	2.3	-0.5	1.5
Jun	...	2.2	2.4	1.9	3.5	...	2.7	2.4	...	1.6

CONSUMER PRICES
Annual percentage changes

- UNITED STATES
- EURO AREA
- JAPAN

CONSUMER PRICES
Annual percentage changes

- SPAIN
- GERMANY
- FRANCE
- ITALY
- UNITED KINGDOM
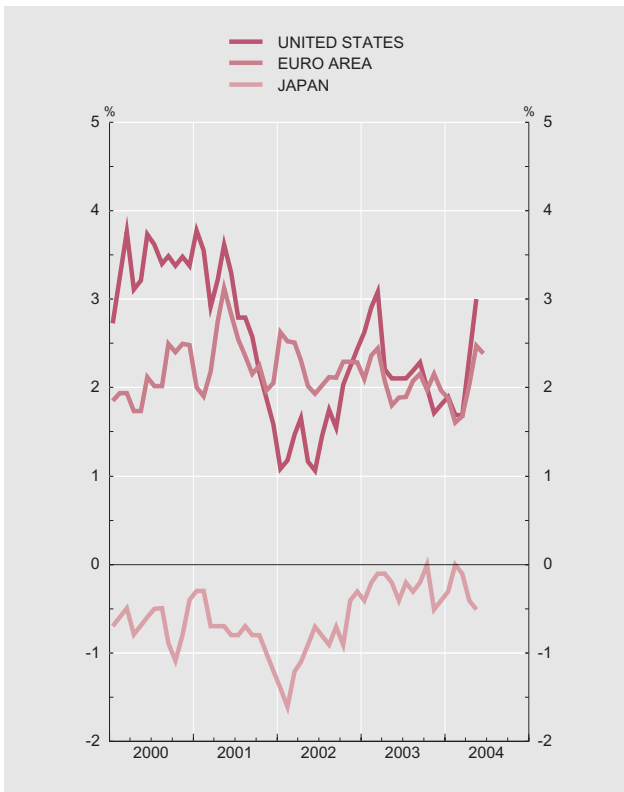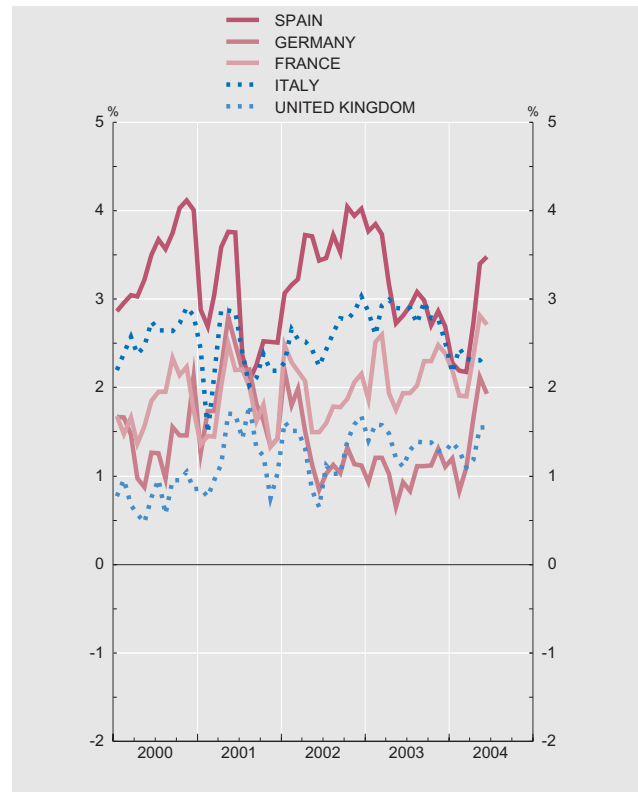
Sources: OECD, INE and Eurostat.
Note: The underlying series for this indicator are in Tables 26.11 and 26.15 of the BE Boletín estadístico.
 (a) Harmonised Index of Consumer Prices for the EU countries.

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 (c)	US dollar	Japanese yen	Euro (c)	US dollar	Japanese yen	Euro (c)	US dollar	Japanese yen
	1 ■	2 ■	3 ■	4	5	6	7 ■	8 ■	9 ■	10	11	12
01	0.8955	108.76	121.50	87.3	111.8	106.9	89.0	116.1	99.3	89.2	112.9	100.3
02	0.9454	118.08	125.18	90.0	110.5	101.1	92.9	115.3	91.4	92.6	109.9	94.7
03	1.1313	130.98	115.93	100.2	97.5	99.9	103.9	102.5	88.3	103.3	98.3	91.9
03 *J-J*	1.1051	131.15	118.71	99.1	100.1	98.7	102.5	105.0	87.5	102.0	100.8	90.9
04 *J-J*	1.2274	133.08	108.47	103.1	90.9	101.9	107.4	96.2	88.6	106.5	91.9	92.9
03 *Apr*	1.0848	130.12	119.95	98.6	101.3	98.6	102.1	106.5	87.4	101.1	101.7	90.9
May	1.1582	135.83	117.28	102.5	96.6	97.7	106.1	101.3	86.9	105.2	96.7	90.4
Jun	1.1663	138.05	118.37	102.7	96.0	96.3	106.6	100.8	85.2	106.4	96.4	89.0
Jul	1.1372	134.99	118.70	101.4	97.6	97.2	105.2	102.7	85.9	105.0	98.0	89.8
Aug	1.1139	132.38	118.83	100.3	98.9	98.2	103.9	104.2	86.7	103.6	99.6	90.5
Sep	1.1222	128.94	114.95	99.9	97.0	101.0	103.5	102.3	89.0	103.1	97.7	93.0
Oct	1.1692	128.12	109.58	101.3	93.1	103.6	105.2	98.2	91.3	104.4	94.5	95.0
Nov	1.1702	127.84	109.25	101.2	92.7	103.7	105.2	97.6	91.0	104.6	93.6	95.1
Dec	1.2286	132.43	107.80	104.0	90.4	102.7	108.4	94.9	90.1	107.3	91.3	94.2
04 *Jan*	1.2613	134.13	106.34	105.1	88.7	102.5	109.2	93.6	89.8	108.2	90.1	93.5
Feb	1.2646	134.78	106.58	104.7	89.1	102.1	108.9	94.4	89.0	108.0	90.6	92.9
Mar	1.2262	133.13	108.56	103.1	90.8	101.8	107.4	96.5	88.4	106.6	92.6	92.0
Apr	1.1985	129.08	107.72	101.2	91.6	103.7	105.7	97.4	89.7	104.8	94.3	93.0
May	1.2007	134.48	112.02	102.3	93.3	99.9	106.8	99.1	86.4	105.8	...	...
Jun	1.2138	132.86	109.46	102.1	91.8	101.6	106.7	...	...	105.7	...	...

EXCHANGE RATES

- US DOLLAR PER ECU-EURO
- JAPANESE YEN PER US DOLLAR/100
- JAPANESE YEN PER ECU-EURO/100
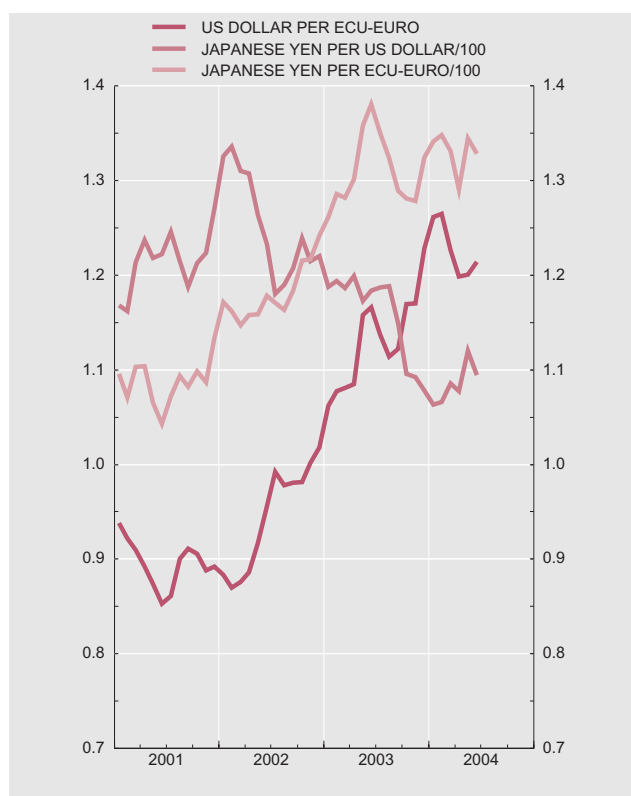
INDICES OF THE REAL EFFECTIVE EXCHANGE RATE BASED ON CONSUMER PRICES VIS-À-VIS THE DEVELOPED COUNTRIES

- EURO
- US DOLLAR
- JAPANESE YEN
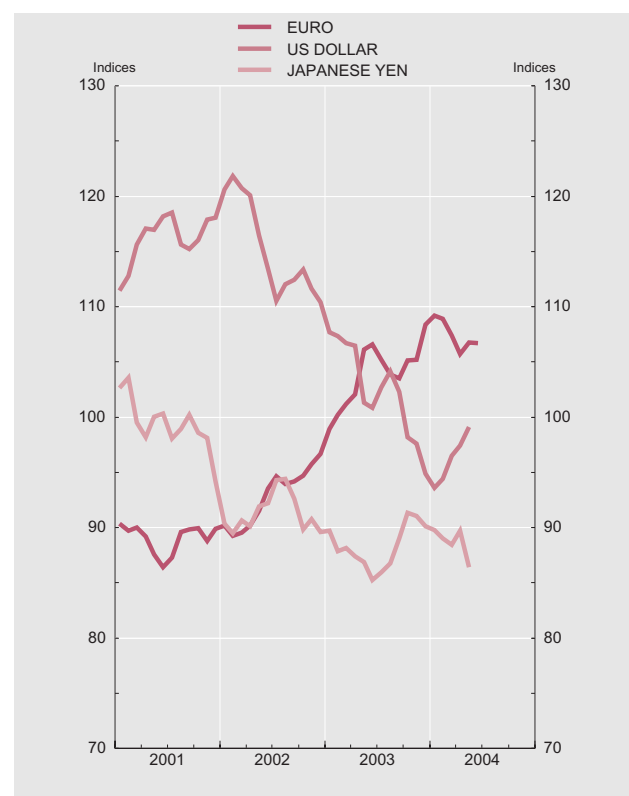
Sources: ECB and BE.

(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.

(c) The methodology used to compile these indices is explained in Box 5 of the October 1999 ECB Monthly Bulletin.

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

■ Series depicted in chart.

Percentages

	Official intervention interest rates					3-month interbank rates									
	Euro area	United States		Japan	United Kingdom	OECD	EU15	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
		Discount rate (b)	Federal funds rate												
	(a)			(c)	(d)										
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
01	3.25	1.25	3.72	0.10	4.00	3.39	4.30	4.26	-	-	3.66	-	-	0.08	4.93
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
03 *Jan*	2.75	2.25	1.25	0.10	4.00	1.88	3.01	2.83	-	-	1.27	-	-	0.01	3.89
Feb	2.75	2.25	1.25	0.10	3.75	1.81	2.86	2.69	-	-	1.24	-	-	0.01	3.65
Mar	2.50	2.25	1.25	0.10	3.75	1.73	2.71	2.53	-	-	1.18	-	-	0.01	3.56
Apr	2.50	2.25	1.25	0.10	3.75	1.74	2.71	2.53	-	-	1.20	-	-	0.01	3.55
May	2.50	2.25	1.25	0.10	3.75	1.70	2.59	2.40	-	-	1.20	-	-	0.01	3.54
Jun	2.00	2.00	1.00	0.10	3.75	1.53	2.38	2.15	-	-	1.02	-	-	0.01	3.55
Jul	2.00	2.00	1.00	0.10	3.50	1.51	2.33	2.13	-	-	1.03	-	-	0.01	3.39
Aug	2.00	2.00	1.00	0.10	3.50	1.52	2.35	2.14	-	-	1.05	-	-	0.01	3.43
Sep	2.00	2.00	1.00	0.10	3.50	1.53	2.38	2.15	-	-	1.05	-	-	0.00	3.60
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	2.00	1.25	0.10	4.50	1.71	2.50	2.11	-	-	1.42	-	-	0.00	4.71

OFFICIAL INTERVENTION INTEREST RATES

UNITED KINGDOM
UNITED STATES: DISCOUNT RATE
UNITED STATES: FEDERAL FUNDS RATE
EURO AREA: WEEKLY TENDERS
JAPAN

3-MONTH INTERBANK RATES

UNITED KINGDOM
UNITED STATES
EURO AREA
JAPAN
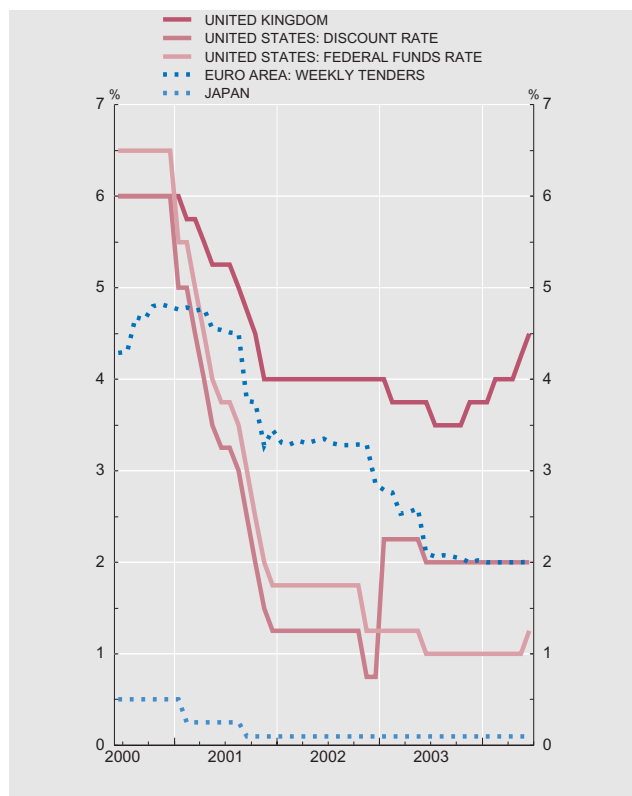
Sorces: ECB, Reuters and BE.
  (a) Main refinancing operations.
  (b) As from January 2003, the Primary Credit Rate.
  (c) Discount rate.
  (d) Retail bank base rate.

2.6. 10-YEAR GOVERNMENT BOND YIELDS ON DOMESTIC MARKETS

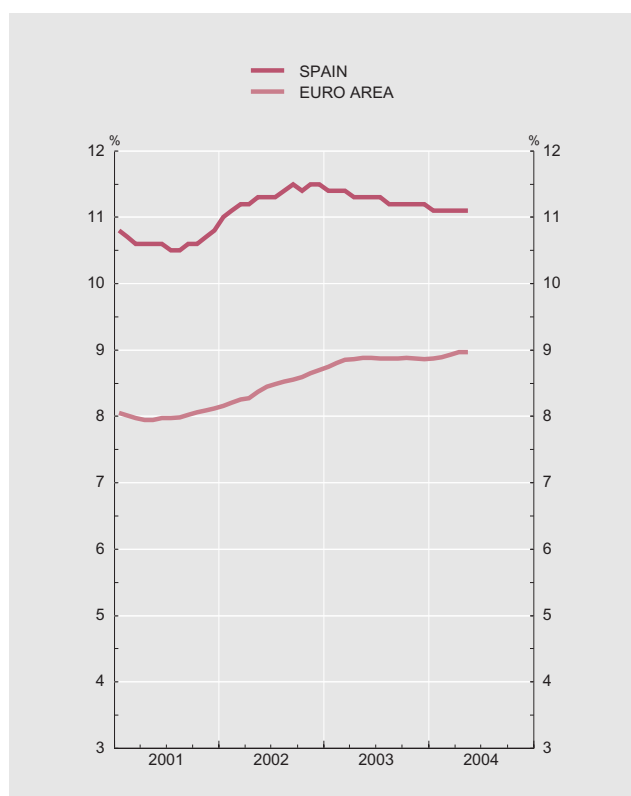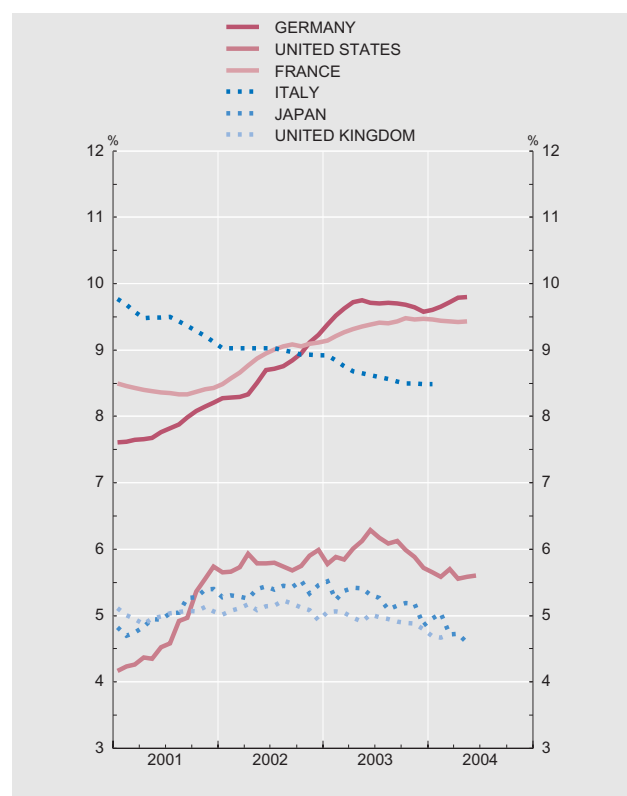■ Series depicted in chart.   *Percentages*

	OECD	EU15	Euro area	Germany	Spain	United States	France	Italy	Japan	United Kingdom
	1	2	3 ■	4 ■	5 ■	6 ■	7 ■	8 ■	9 ■	10 ■
01	4.47	4.98	5.03	4.82	5.12	5.06	4.95	5.19	1.34	4.97
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
03 *Jan*	3.70	4.29	4.27	4.19	4.24	4.06	4.23	4.38	0.84	4.43
Feb	3.57	4.08	4.06	3.96	4.01	3.94	4.01	4.16	0.83	4.24
Mar	3.53	4.14	4.13	4.02	4.04	3.82	4.11	4.19	0.74	4.32
Apr	3.64	4.28	4.23	4.17	4.19	3.99	4.23	4.32	0.66	4.48
May	3.33	3.96	3.92	3.84	3.88	3.60	3.90	3.98	0.57	4.21
Jun	3.13	3.78	3.72	3.65	3.69	3.34	3.70	3.78	0.56	4.06
Jul	3.60	4.11	4.06	4.00	4.03	3.96	4.01	4.14	0.99	4.38
Aug	3.91	4.28	4.20	4.16	4.19	4.48	4.16	4.30	1.15	4.59
Sep	3.91	4.32	4.23	4.20	4.21	4.33	4.21	4.32	1.45	4.69
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

10-YEAR GOVERNMENT BOND YIELDS
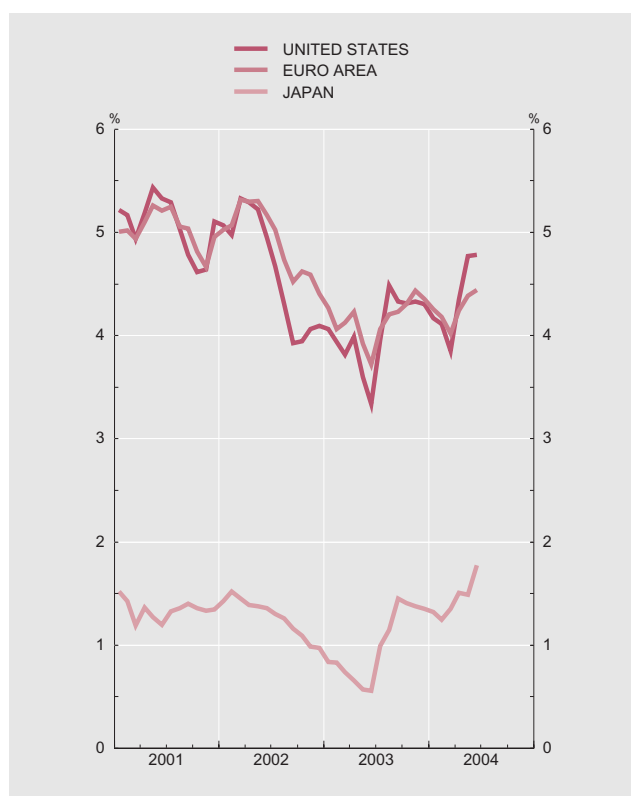
10-YEAR GOVERNMENT BOND YIELDS
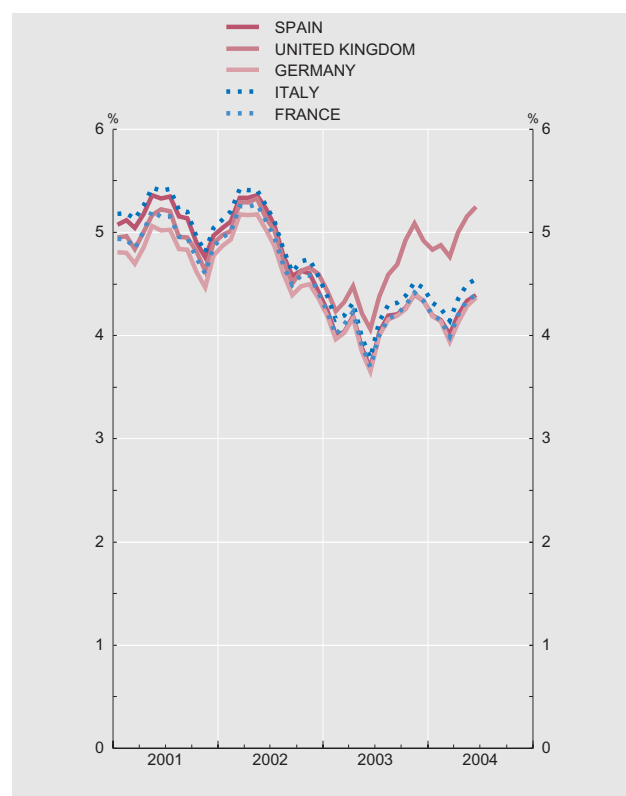
Sources: ECB, Reuters and BE.

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		US dollars per troy ounce	Euro per gram
				Industrial products			Index (b)		Index (c)		
	General	General	Food	Total	Non-food agricul-tural products	Metals		US dollars per barrel			
	1	2	3	4	5	6	7	8	9	10	11
01	100.7	68.5	68.6	68.4	65.4	70.9	142.1	24.6	70.5	271.1	9.74
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
03 J-J	91.8	77.1	78.8	74.6	77.7	72.1	167.8	28.7	90.9	349.4	10.17
04 J-J	102.7	95.9	93.9	98.7	95.3	101.5	...	33.7	104.3	400.7	10.49
03 Mar	93.7	77.1	78.0	75.8	79.0	73.0	176.5	30.3	88.7	340.6	10.13
Apr	91.7	75.8	77.5	73.1	77.8	69.3	148.2	25.0	85.3	327.7	9.72
May	87.2	76.9	79.4	73.4	75.1	72.0	151.5	25.8	92.8	356.4	9.89
Jun	86.7	77.0	77.6	76.2	79.2	73.7	162.2	27.6	92.8	356.4	9.82
Jul	87.9	76.2	75.6	76.9	79.5	74.7	166.2	28.5	91.4	351.0	9.92
Aug	92.6	78.5	77.6	79.7	82.9	77.0	172.5	29.8	93.6	359.8	10.38
Sep	94.4	80.8	80.6	81.3	86.5	76.5	156.2	27.1	98.6	378.9	10.83
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	...	37.6	99.8	383.6	10.28
Jun	102.4	94.5	92.3	97.5	93.4	101.0	...	35.3	102.1	392.2	10.38

NON-ENERGY COMMODITY PRICE INDEX
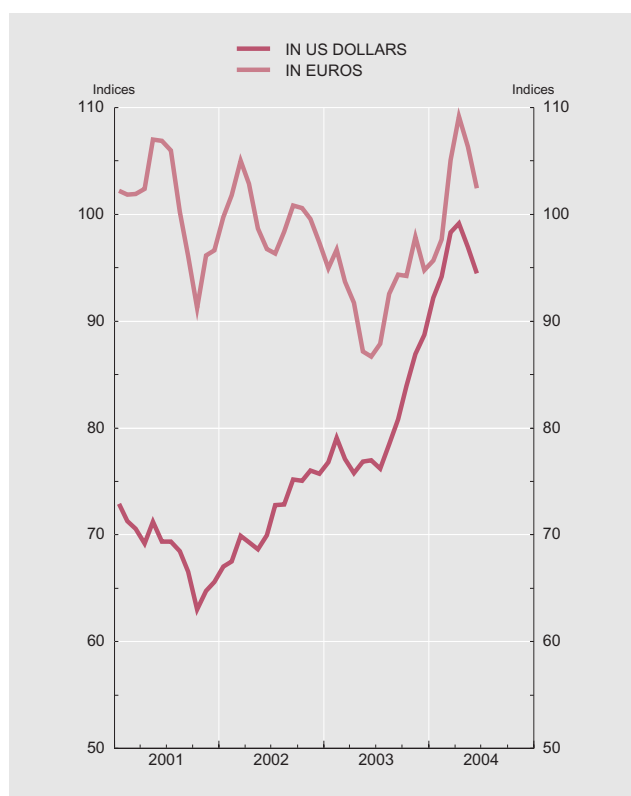
PRICE INDICES FOR NON-ENERGY COMMODITIES, OIL AND GOLD
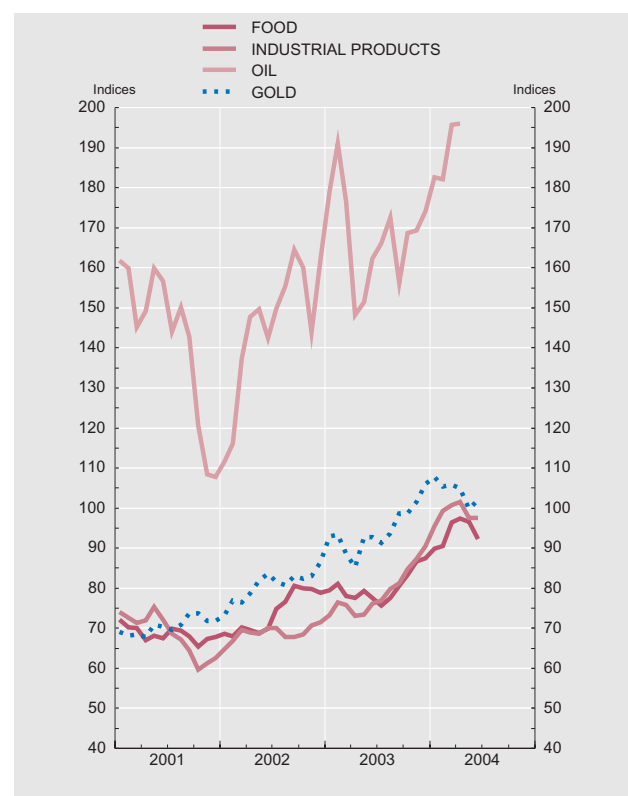
Sources: The Economist, IMF, ECB and BE.
   (a) The weights are based on the value of the commodity imports of the OECD countries during the period 1994-1996.
   (b) Index of the average price in US dollars of various medium, light and heavy crudes.
   (c) Index of the London market's 15.30 fixing in dollars.

3.1. INDICATORS OF PRIVATE CONSUMPTION. SPAIN AND EURO AREA

■ Series depicted in chart.

Annual percentage changes

		Opinion surveys (net percentages)						New car registrations and sales				Retail trade: sales index					
		Consumers			Retail trade confidence index	Memorandum item: euro area		of which		Estimated sales	Memorandum item: euro area	General index			By type of product (deflated indices)		Memorandum item: euro area deflated index
		Confidence index	General economic situation: anticipated trend	House-hold economic situation: anticipated trend		Consumer confidence index	Retail trade confidence index	Regis-trations	Private use		Registrations	Nominal	Defla-ted (a)	Large retail outlets (a)	Food (b)	Other (c)	
		1 ■	2	3	4	5 ■	6	7	8	9 ■	10	11	12	13	14	15	16
01		-4	-3	4	-0	-5	-7	2.2	1.9	3.2	-0.6	7.1	3.4	3.5	5.1	1.5	1.7
02		-12	-7	-1	-2	-11	-16	-6.0	-5.6	-6.6	-4.1	5.7	2.2	3.6	1.7	2.8	0.1
03	P	-13	-9	-2	-2	-18	-11	6.0	4.0	3.8	-1.5	5.7	2.5	4.9	0.8	3.4	0.2
03 *J-J*	P	-15	-12	-3	-2	-19	-14	0.6	-3.8	-0.8	-2.3	5.8	2.4	5.3	0.2	3.7	0.8
04 *J-J*	A	-10	-4	-1	-2	-15	-8	15.9	18.5	14.6	2.1	...	...	...	...	...	...
03 *Jul*	P	-14	-8	-1	-3	-18	-9	8.2	6.5	5.6	2.4	5.6	2.7	4.1	1.8	3.0	-0.1
Aug	P	-12	-7	-	-3	-17	-11	5.7	5.9	3.5	-0.5	2.7	-0.2	2.3	0.5	-1.3	-1.2
Sep	P	-11	-4	1	-1	-17	-10	17.3	18.0	14.5	1.9	6.7	3.7	5.2	3.7	3.1	0.1
Oct	P	-12	-7	-3	2	-17	-7	11.5	12.9	8.1	-0.2	7.2	4.5	6.0	1.7	5.7	0.4
Nov	P	-12	-5	-1	1	-15	-7	15.8	17.8	12.6	-0.0	3.5	0.7	2.0	-2.1	2.1	-1.6
Dec	P	-11	-4	-	-	-16	-10	13.7	13.3	10.2	-7.4	7.3	4.6	7.0	2.6	5.4	-0.1
04 *Jan*	P	-12	-6	-	-2	-15	-8	10.6	11.9	9.2	1.1	6.0	4.4	8.0	1.7	6.1	0.4
Feb	P	-12	-4	-2	-1	-14	-9	23.5	23.7	22.6	2.5	6.9	5.3	5.7	0.9	8.4	-0.4
Mar	P	-11	-4	-1	-	-14	-8	28.6	26.8	28.2	-0.6	7.1	5.7	5.2	2.3	8.0	0.5
Apr	P	-8	-	-	2	-14	-6	5.8	15.1	4.0	4.6	6.2	4.1	6.8	0.5	6.6	0.2
May	P	-9	-2	-	-5	-16	-7	10.9	14.4	8.9	4.1	3.0	-0.2	-1.9	-3.0	1.8	-0.6
Jun	A	-11	-5	-1	-5	-14	-10	16.2	18.9	15.0	0.6	...	...	...	...	...	...

CONSUMER CONFIDENCE INDEX
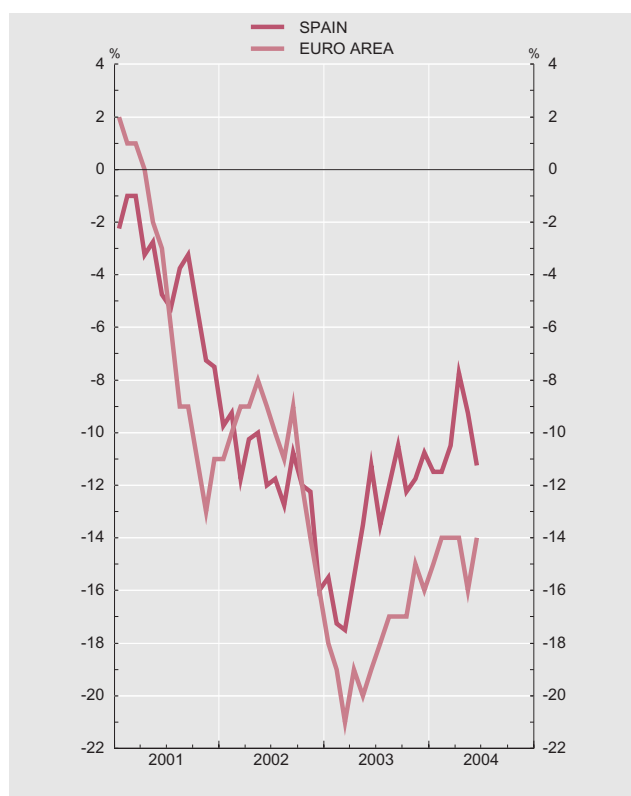
CAR SALES
Trend obtained with TRAMO-SEATS
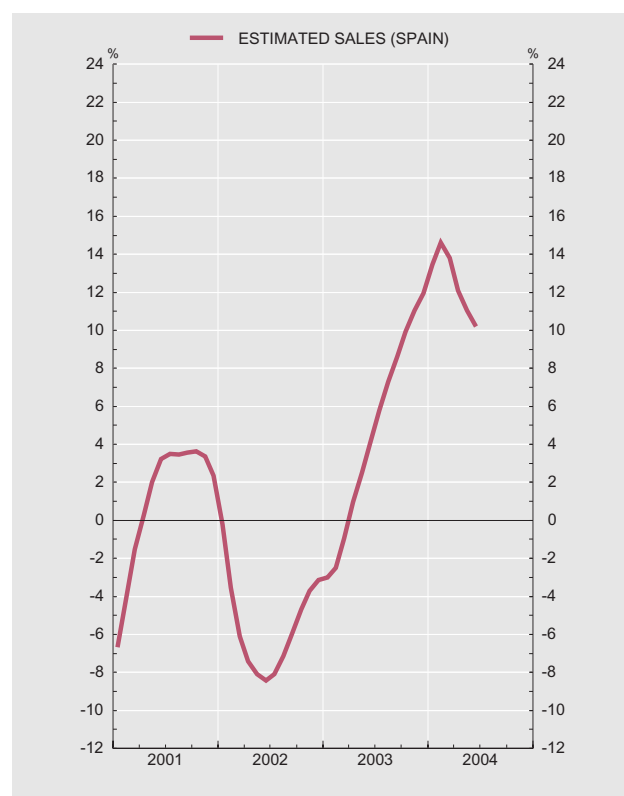
Sources: European Commission, European Economy, Supplement B, INE, Dirección General de Tráfico, Asociación Nacional de Fabricantes de Automóviles y Camiones and ECB.
  (a) Until December 2003, deflated by the total CPI. From January 2004, INE.
  (b) Until December 2003, deflated by the food component of the CPI. From January 2004, INE.
  (c) Until December 2003, deflated by the total CPI excluding foods, beverages, and tobacco. From January 2004, INE.

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

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

	ACTUAL INV.	1st FORECAST	2nd FORECAST	3rd FORECAST
	1	2	3	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
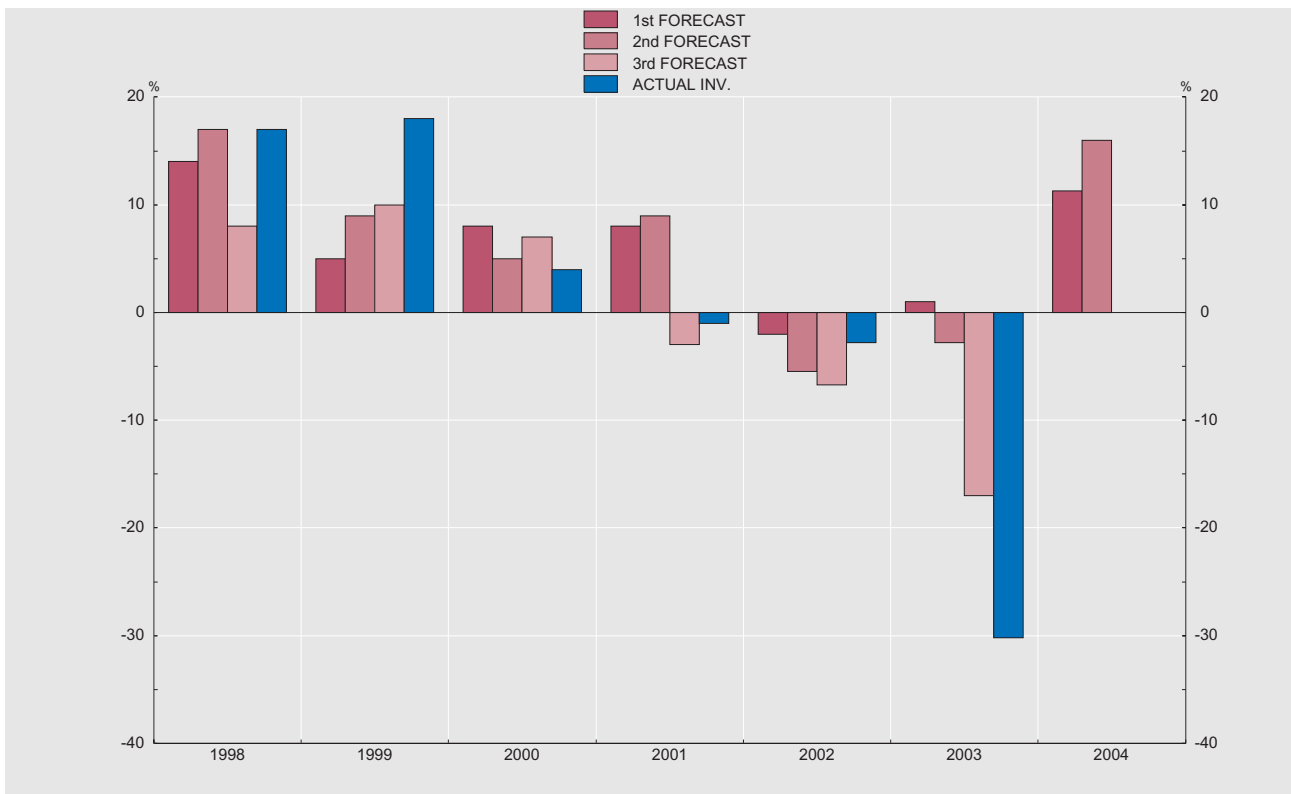
Source: Ministerio de Industria, Turismo y Comercio.

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
			of which			of which	Total		Building				Civil engineering	
	Total	Residential	Housing	Non-residential	Total	Housing	For the month	Year to date	Total	Residential	Housing	Non-residential		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
01	-3.7	-7.7	-8.3	14.6	-2.2	-5.5	45.4	45.4	61.4	132.5	95.4	42.6	39.2	9.7
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	35.2	3.8	-14.8	4.8
03 J-J	20.0	25.2	25.2	-1.4	19.4	21.7	40.0	40.0	22.6	48.8	91.9	14.7	48.6	4.5
04 J-J	...	...	...	...	...	...	...	...	...	...	...	...	...	3.4
03 Mar	30.7	36.8	35.5	9.0	27.7	36.5	133.1	56.7	192.4	75.8	16.4	216.6	113.3	19.8
Apr	23.5	32.5	31.1	-17.5	26.3	21.6	4.9	42.8	-16.9	5.6	-59.6	-23.0	18.5	-0.2
May	45.2	49.2	51.5	26.3	18.9	19.1	83.2	51.0	-4.6	30.9	-44.6	-12.6	142.0	5.1
Jun	-0.3	4.6	6.1	-22.2	19.0	21.7	-5.0	40.0	-36.4	-28.7	-26.1	-38.1	7.3	10.4
Jul	17.2	22.2	22.5	-3.9	22.0	26.8	-47.6	12.7	3.1	-66.4	1.6	41.2	-61.8	5.4
Aug	13.5	16.2	16.2	3.8	-5.1	-9.5	-17.8	9.2	13.0	-10.4	-3.8	21.3	-30.2	-1.8
Sep	-7.6	-5.9	-5.3	-14.0	9.8	10.8	7.6	9.1	-26.1	-32.5	-44.9	-24.0	27.8	9.0
Oct	3.7	1.3	1.8	15.0	17.7	17.5	-41.3	2.1	-56.7	-70.5	-44.7	-48.1	-34.2	0.9
Nov	-0.6	1.5	1.9	-9.0	17.6	21.9	-59.6	-5.6	-39.5	-42.2	-39.3	-38.9	-63.4	6.7
Dec	12.6	3.7	2.8	66.9	23.3	31.6	-49.5	-10.9	-11.0	-33.7	0.7	-4.8	-56.9	11.3
04 Jan	-1.2	-1.1	3.0	-1.8	-3.8	-8.6	-15.4	-15.4	-53.2	-84.9	-85.9	-2.0	6.6	3.1
Feb	...	...	...	...	4.3	10.4	94.9	27.5	-21.0	29.0	-74.2	-38.9	168.0	6.6
Mar	...	...	...	...	12.5	20.3	-4.1	11.0	-62.4	6.1	79.2	-70.4	22.6	6.8
Apr	...	...	...	...	...	...	-17.5	5.4	-30.0	-62.5	-31.9	-18.0	-12.0	-1.6
May	...	...	...	...	...	...	...	...	...	...	...	...	...	-1.2
Jun	...	...	...	...	...	...	...	...	...	...	...	...	...	7.0

CONSTRUCTION
Trend obtained with TRAMO-SEATS

— PERMITS
— APPROVALS

CONSTRUCTION
Trend obtained with TRAMO-SEATS

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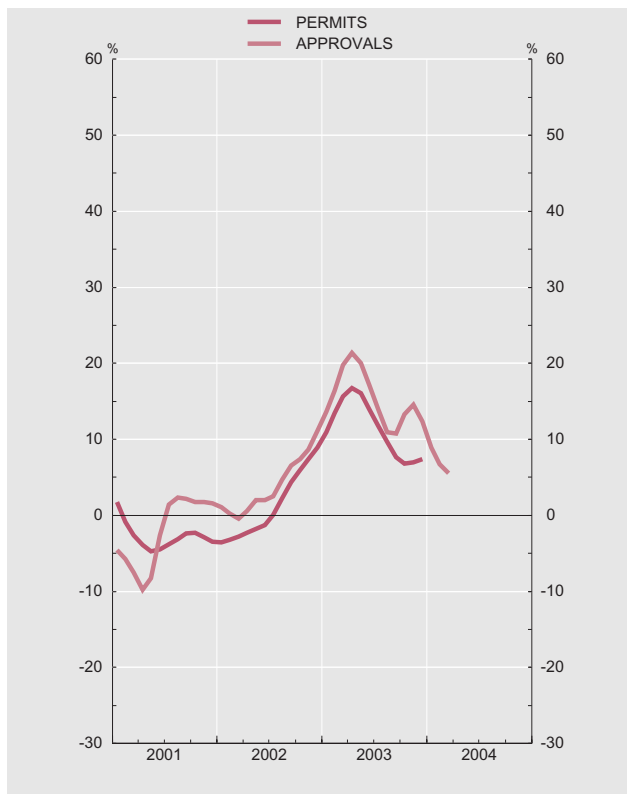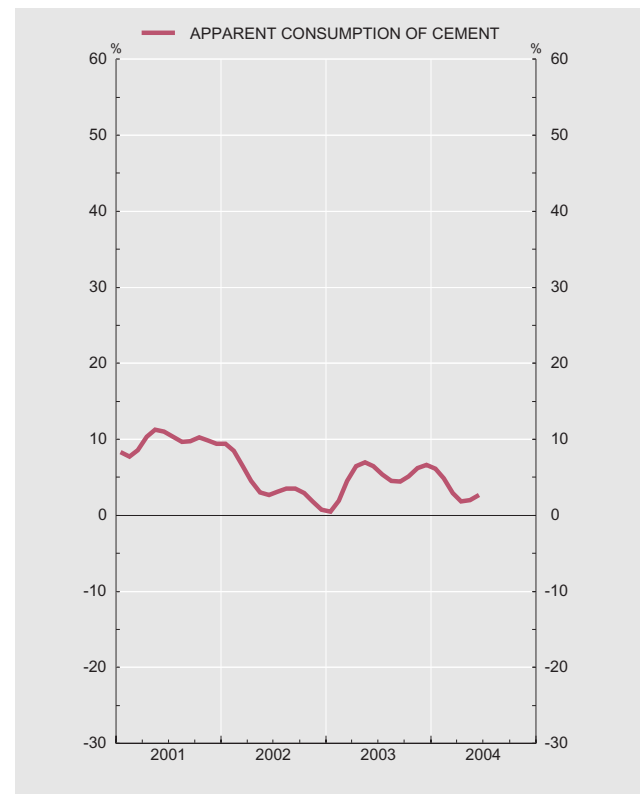
Sources: Ministerio de Fomento and Asociación de Fabricantes de Cemento de España.
Note: The underlying series for this indicator are in Tables 23.7, 23.8, and 23.9 of the BE Boletín estadístico.

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	of wich		By end-use of goods		
		Original series	12-month %change 12								Total	Manufacturing	Consumption	Investment	Intermediate goods
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
01	M P	98.8	-1.2	-0.7	-3.3	-2.1	3.0	-3.2	-2.0	4.3	0.4	0.3	0.4	1.6	-0.6
02	M P	98.9	0.1	2.3	-4.9	1.4	0.0	-0.5	0.4	0.0	-0.5	-0.7	-0.6	-1.5	0.1
03	M P	100.5	1.6	0.5	0.8	2.1	3.9	0.0	1.5	2.9	0.4	0.1	-0.7	0.0	0.4
03 J-M	M P	101.3	1.0	0.0	-0.2	2.3	1.2	-1.6	1.2	0.4	0.4	-0.0	-1.5	0.4	0.5
04 J-M	M P	103.3	2.0	-	1.6	2.1	6.5	-4.1	1.4	7.9	...	...	...	...	...
03 Feb	P	99.3	1.7	-	0.7	2.9	4.6	-1.0	1.1	8.7	1.6	0.5	-1.0	1.6	0.8
Mar	P	105.0	9.7	8.7	11.6	12.1	3.3	8.3	10.9	1.6	0.2	0.5	-1.5	0.1	0.3
Apr	P	99.1	-4.5	-5.0	-6.8	-4.1	-1.2	-7.3	-4.5	-3.4	0.6	-0.3	-0.1	-0.3	0.4
May	P	104.0	-1.2	-2.3	-2.6	-0.5	1.9	-1.2	-1.1	-1.7	-1.5	-1.5	-3.7	-0.6	-1.4
Jun	P	104.4	4.5	6.3	2.7	5.3	1.1	3.3	5.1	-0.3	-1.5	-1.8	-1.1	-4.2	-1.1
Jul	P	110.1	1.9	1.5	-1.5	2.7	6.2	-1.0	1.9	2.7	0.9	0.7	1.2	1.2	0.0
Aug	P	69.6	-1.4	-2.9	-7.5	-3.9	10.7	-4.1	-3.3	10.1	-0.3	-1.1	-0.4	-3.5	0.5
Sep	P	103.8	2.5	2.2	0.9	2.7	3.7	4.1	2.4	2.5	-1.0	-1.1	-0.6	-1.5	-2.1
Oct	P	112.7	0.8	-1.5	3.6	-0.1	5.4	-2.1	0.5	3.9	1.3	1.2	-0.7	1.3	1.5
Nov	P	105.1	1.4	-2.8	3.5	1.8	6.4	0.1	0.9	5.6	0.7	1.0	-0.6	1.7	0.9
Dec	P	94.4	4.2	2.6	5.1	3.7	7.4	10.6	3.6	8.5	2.2	2.5	1.2	2.9	2.8
04 Jan	P	96.0	-2.9	-5.3	-2.1	-2.8	0.4	-3.0	-3.3	-	0.7	0.6	0.3	0.1	1.1
Feb	P	101.1	1.8	-0.5	1.6	2.1	6.0	-6.5	1.6	4.2	1.0	1.4	0.5	-0.0	2.3
Mar	P	112.6	7.2	7.9	6.0	5.3	12.7	1.1	6.4	15.3	1.9	1.5	2.0	1.9	0.4
Apr	P	99.8	0.7	-2.8	-1.7	2.7	6.7	-5.4	-0.3	10.7	1.5	1.7	0.4	2.2	2.0
May	P	107.0	2.9	0.3	3.4	3.1	7.4	-7.0	2.2	11.2	...	...	...	...	...

INDUSTRIAL PRODUCTION INDEX
Trend obtained with TRAMO-SEATS

SPAIN
EURO AREA

INDUSTRIAL PRODUCTION INDEX
Trend obtained with TRAMO-SEATS
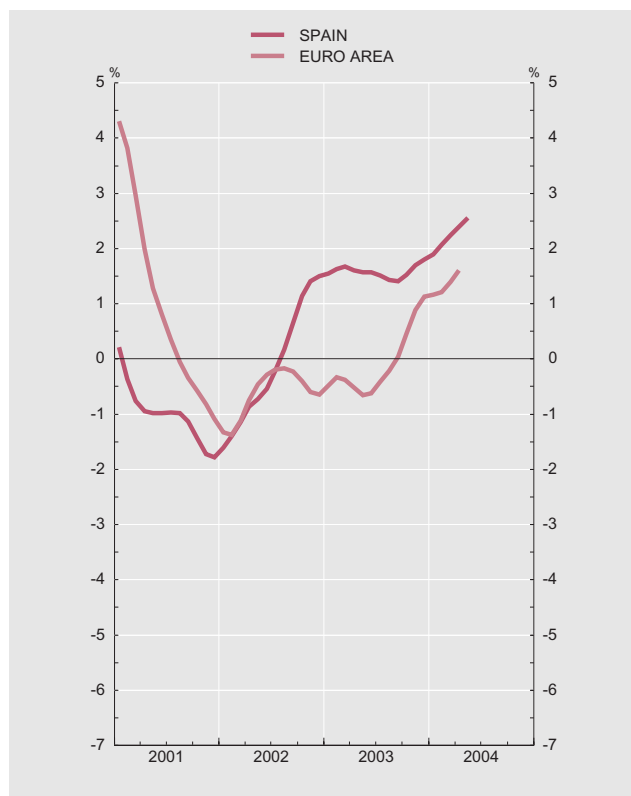
CONSUMPTION GOODS
INVESTMENT GOODS
INTERMEDIATE GOODS
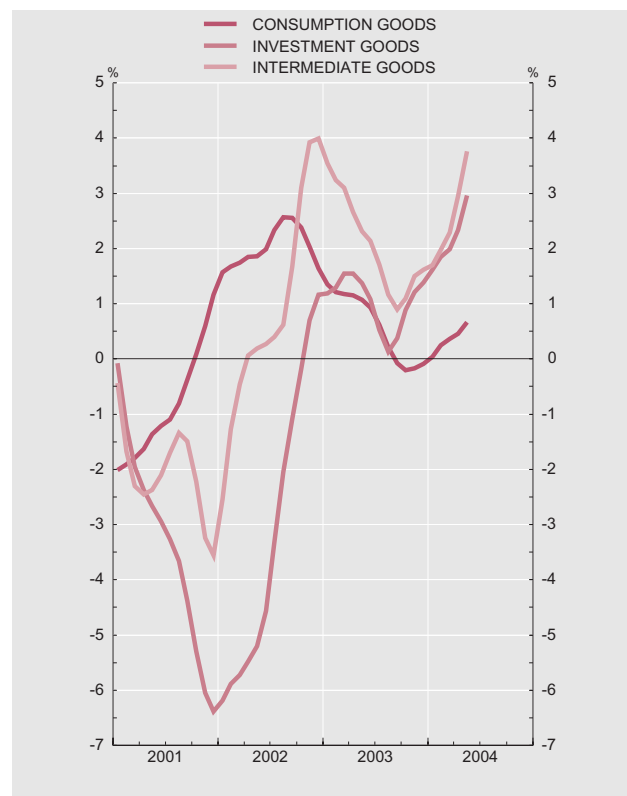
Sources: INE and BCE.
Note: The underlying series for this indicator are in Table 23.1 of the BE Boletín estadístico.

■ Series depicted in chart.   *Percentage balances*

		Industry, excluding construction										Construction					Memorandum item: euro area		
								Business climate indicator							Trend		Industry, excluding construction		Construction climate indicator
		Business climate indicator (a)	Production over the last three months	Trend in production (a)	Total orders (a)	Foreign orders	Stocks of finished products (a)	Consumption (a)	Investment (a)	Intermediate goods (a)	Other sectors (a)	Business climate indicator	Production	Orders	Production	Orders	Business climate indicator	Order Book	
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
01	M	-6	-0	3	-7	-15	12	-5	-3	-7	-2	13	10	21	37	38	-9	-15	-11
02	M	-6	-2	5	-13	-20	11	-7	-7	-6	1	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
03 J-J	M	-6	0	7	-13	-22	11	-2	-5	-9	0	16	11	25	28	19	-12	-26	-20
04 J-J	M	-3	1	10	-10	-21	10	-3	0	-5	1	12	1	16	35	27	-6	-19	-18
03 Mar		-5	-4	8	-11	-17	11	-	-3	-9	3	12	3	22	25	14	-12	-26	-20
Apr		-5	6	9	-11	-23	11	-2	-4	-8	2	17	32	24	15	15	-12	-27	-20
May		-6	5	5	-12	-20	12	-3	-5	-10	-1	15	16	20	19	11	-12	-28	-21
Jun		-9	5	7	-19	-30	13	-2	-9	-14	1	21	14	30	26	14	-12	-28	-21
Jul		-5	8	8	-12	-24	12	-0	-3	-11	1	21	13	36	35	23	-14	-28	-20
Aug		-3	12	5	-7	-18	7	5	-3	-9	-1	-1	2	20	42	17	-11	-26	-22
Sep		-4	6	7	-10	-20	10	-2	-2	-8	2	-1	7	17	28	25	-9	-26	-22
Oct		-3	4	11	-10	-14	9	3	-1	-9	3	-8	-15	6	17	-2	-8	-23	-21
Nov		-2	11	10	-8	-13	8	-	1	-5	0	-2	16	9	32	35	-6	-21	-19
Dec		-4	7	6	-8	-20	11	-3	-	-8	-0	7	16	2	38	20	-8	-21	-19
04 Jan		-5	5	4	-9	-23	11	-5	-0	-8	5	6	-2	5	11	-3	-6	-20	-19
Feb		-4	-5	10	-10	-23	11	-4	-1	-6	1	8	-19	8	44	45	-7	-21	-20
Mar		-4	-8	13	-13	-27	11	-4	2	-6	-1	10	-12	18	29	40	-7	-21	-18
Apr		-2	5	11	-7	-19	9	-2	-0	-2	-	17	14	21	43	44	-5	-16	-17
May		-2	3	13	-11	-21	9	-2	-1	-4	1	14	10	25	35	20	-5	-18	-17
Jun		-1	7	11	-7	-13	6	2	1	-4	0	18	12	17	46	13	-4	-15	-15

INDUSTRIAL BUSINESS CLIMATE
Percentage balances
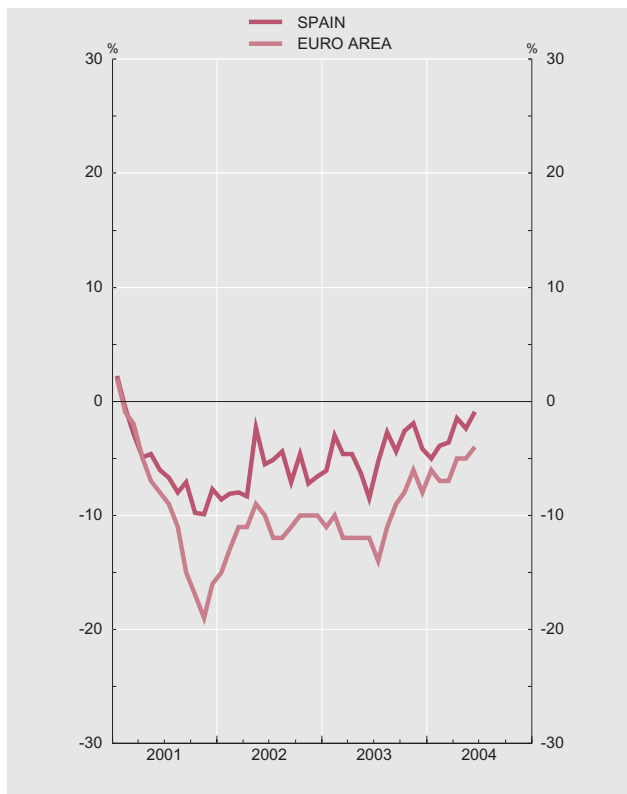
CONSTRUCTION BUSINESS CLIMATE
Percentage balances

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

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

	Total industry			Consumer goods			Investment goods			Intermediate goods			Other sectors			Memo-randum item: euro area capacity utilisation
	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
01	79.5	80.5	2	74.8	76.0	4	81.7	83.2	3	81.0	81.6	1	96.0	96.5	2	83.5
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	-	81.4
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
03 *Q1-Q2*	78.1	80.3	4	72.7	76.4	5	80.3	82.0	6	79.9	81.5	4	97.3	97.1	-1	81.2
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	-	80.6
01 *Q4*	78.5	78.7	6	74.8	74.8	6	80.2	80.5	12	79.4	79.7	2	95.6	96.3	-	82.2
02 *Q1*	77.4	79.0	5	71.3	73.2	5	80.1	81.7	10	79.6	81.1	4	97.2	97.3	-	81.0
Q2	76.9	80.7	6	73.6	77.9	7	78.8	82.5	9	77.5	81.2	4	96.6	95.2	-	81.6
Q3	79.1	80.7	8	73.9	76.7	8	80.2	82.2	15	81.7	82.2	3	94.5	95.9	-	81.3
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	-	81.8
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	-	81.4
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	80.9
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	-	80.7
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	-	80.7
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	-	80.5

CAPACITY UTILISATION. TOTAL INDUSTRY
Percentages
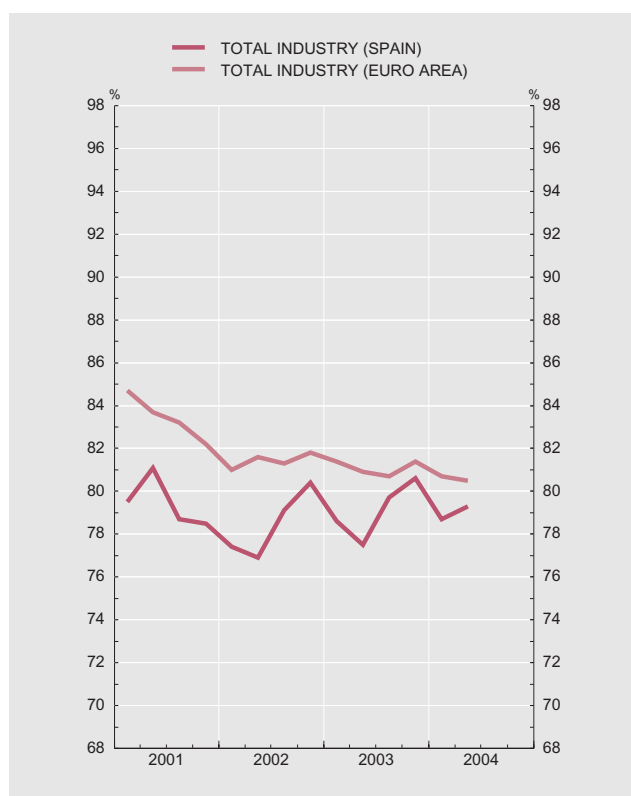
CAPACITY UTILISATION. BY TYPE OF GOOD
Percentages
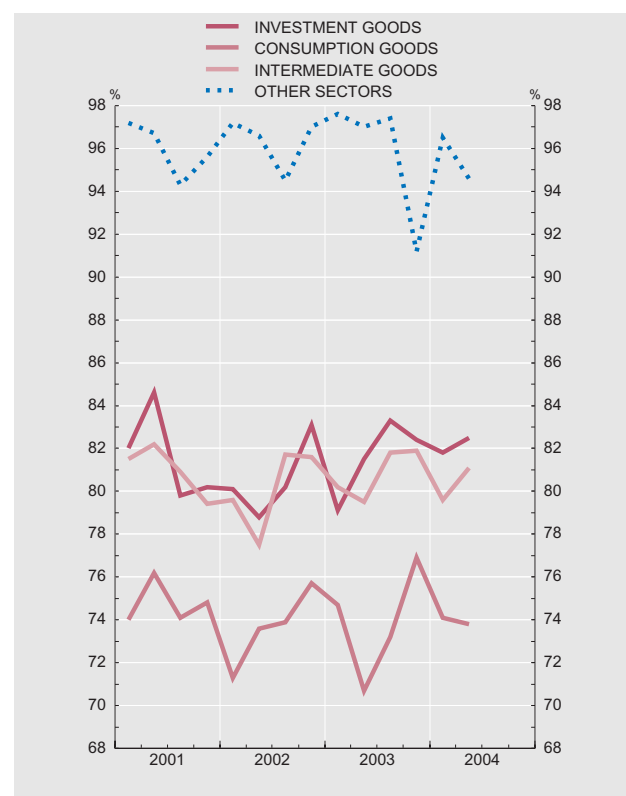
Sources: Ministerio de Industria, Turismo y Comercio and ECB.

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
01		1.0	-0.5	0.7	-0.2	1.6	4.6	-3.7	3.0	0.8	4.5	-4.9	0.2	3.4	6.6	-0.6
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	P	3.8	2.2	2.2	0.7	2.8	-0.3	8.7	7.4	8.1	7.0	0.5	-3.3	4.8	1.4	2.1
03 *J-J*	P	3.4	2.1	1.9	0.8	4.4	1.4	10.1	6.7	7.0	6.5	0.3	-4.3	3.1	1.6	-0.4
04 *J-J*	P	...	...	...	...	4.4	2.2	8.1	...	...	...	...	...	...	...	...
03 *Mar*	P	-7.4	-5.1	-8.5	-3.2	-5.1	-11.9	7.7	-0.6	1.9	-2.4	4.4	-24.8	2.1	8.0	6.3
Apr	P	10.9	3.6	10.9	5.6	10.8	11.7	9.2	9.4	7.1	11.2	-2.1	6.5	1.9	-5.1	-10.6
May	P	4.9	4.0	2.6	1.7	7.1	2.3	17.4	7.3	4.4	9.2	-1.3	0.0	11.0	1.8	1.1
Jun	P	8.9	6.8	5.4	4.2	5.1	-0.1	18.2	8.3	11.5	6.5	-2.5	0.4	5.1	3.4	2.2
Jul	P	5.8	4.0	2.7	0.3	2.5	1.0	5.9	7.8	10.2	6.4	-0.7	0.4	5.3	1.7	6.0
Aug	P	3.5	2.7	5.1	4.8	-2.9	-6.8	4.1	10.2	10.0	10.3	-1.5	4.0	1.5	0.6	-4.5
Sep	P	3.7	-0.4	1.7	-1.8	0.3	-2.8	7.3	4.9	7.4	3.5	-1.5	1.8	8.6	0.4	10.9
Oct	P	2.8	2.2	1.0	-1.5	4.0	0.1	12.5	7.3	8.6	6.6	3.5	-9.0	6.0	1.0	6.4
Nov	P	2.9	2.1	0.6	-0.9	4.0	0.0	9.8	9.5	9.0	9.9	3.2	-19.8	10.7	5.5	0.8
Dec	P	5.6	4.7	1.2	0.7	7.6	4.5	11.4	9.3	9.4	9.1	0.1	-8.4	6.4	-1.8	6.7
04 *Jan*	P	5.7	3.2	2.9	0.5	9.2	6.9	12.2	7.4	3.7	10.5	0.2	3.7	-13.2	-1.8	-1.0
Feb	P	13.9	10.4	9.8	5.2	16.1	10.5	24.9	15.6	13.4	17.5	7.4	...	...	0.4	6.7
Mar	P	6.5	2.7	2.0	-2.6	0.2	0.1	0.3	10.1	13.3	7.8	13.2	...	...	-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	...	...	-6.5	11.8
May	P	3.9	-0.2	-1.7	-4.1	3.7	4.6	1.9	...	...	...	...	...	...	...	...
Jun	P	...	...	...	...	-1.5	-3.2	2.0	...	...	...	...	...	...	...	...

TOURISM
Trend obtained with TRAMO-SEATS
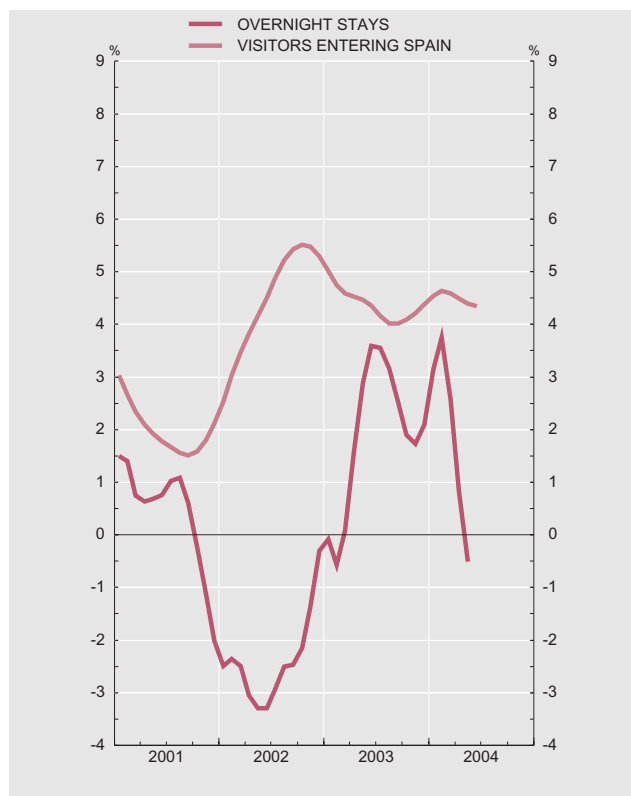
TRANSPORT
Trend obtained with TRAMO-SEATS
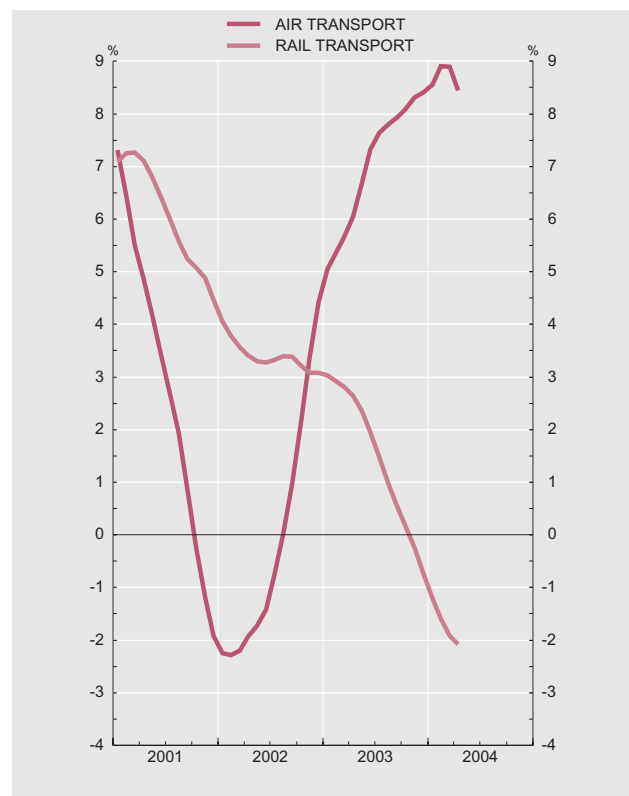
Sources: INE and Instituto de Estudios Turísticos, Estadística de Movimientos Turísticos en Frontera.

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				Labour force				
					Participation rate (%)	Thousands (a)	Annual change (b) (c)			
		Thousands	Annual change	4-quarter % change			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-Q1*	M	34 120	252	0.7	54.56	18 615	479	137	341	2.6
04 *Q1-Q1*	M	34 336	216	0.6	55.38	19 017	402	120	282	2.2
01 *Q3*		33 726	348	1.0	53.09	17 907	398	189	208	2.2
Q4		33 800	314	0.9	53.29	18 013	405	171	233	2.2
02 *Q1*		33 869	292	0.9	53.55	18 137	507	156	351	2.9
Q2		33 933	281	0.8	53.83	18 267	557	151	406	3.1
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

LABOUR FORCE SURVEY
Annual percentage change
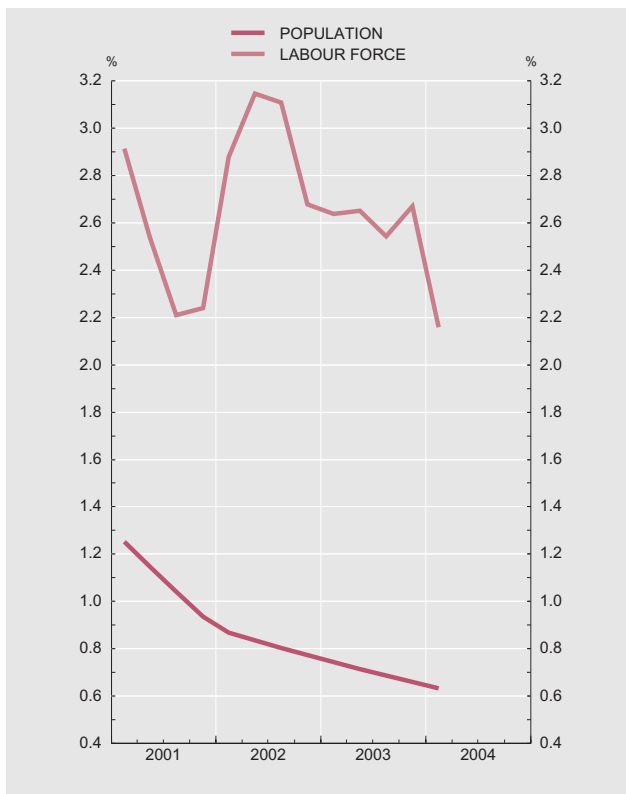
LABOUR FORCE
Annual changes
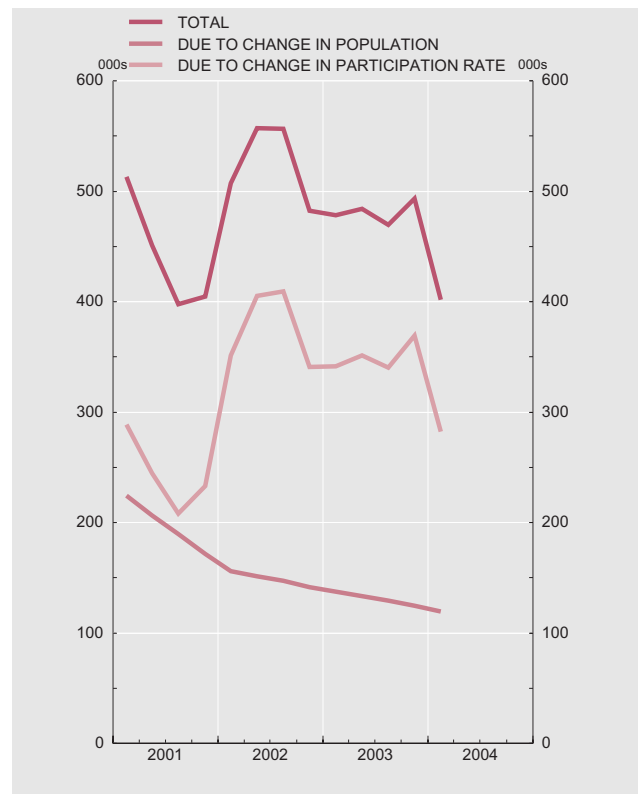
Source: INE (Labour Force Survey: 2002 methodology).

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

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

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

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

4.2. EMPLOYMENT AND WAGE-EARNERS. SPAIN AND EURO AREA (A)

■ Series depicted in chart.

Thousands and annual percentage changes

| | | Employment | | | | | | | | | Unemployment | | | | Memorandum item: euro area | |
		Total			Wage-earners			Other							Employ- ment 4-quarter % change	Unem- ployment rate
		Thousands	Annual change	4-quarter % change	Thousands	Annual change	4-quarter % change	Thousands	Annual change	4-quarter % change	Thousands	Annual change	4-quarter % change	Unem- ployment rate		
											(a)	(b)	(b)	(a)		
		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	1.4	8.01
02	M	16 258	312	2.0	13 142	355	2.8	3 116	-43	-1.4	2 083	214	11.4	11.35	0.5	8.44
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	8.86
03 Q1-Q1	M	16 432	377	2.3	13 334	425	3.3	3 098	-48	-1.5	2 183	102	4.9	11.72	0.1	8.80
04 Q1-Q1	M	16 853	420	2.6	13 707	373	2.8	3 146	48	1.5	2 164	-19	-0.8	11.38	0.2	8.90
01 Q3		16 072	529	3.4	12 928	472	3.8	3 144	58	1.9	1 835	-132	-5.4	10.25	1.2	7.99
Q4		16 121	478	3.1	12 964	422	3.4	3 157	56	1.8	1 892	-74	-3.0	10.50	0.8	8.09
02 Q1		16 055	342	2.2	12 909	347	2.8	3 146	-4	-0.1	2 081	165	8.6	11.47	0.7	8.21
Q2		16 241	364	2.3	13 095	403	3.2	3 146	-39	-1.2	2 026	193	10.5	11.09	0.6	8.36
Q3		16 357	285	1.8	13 263	335	2.6	3 094	-50	-1.6	2 106	271	14.8	11.41	0.4	8.52
Q4		16 377	256	1.6	13 300	336	2.6	3 077	-80	-2.5	2 118	226	12.0	11.45	0.3	8.65
03 Q1		16 432	377	2.3	13 334	425	3.3	3 098	-48	-1.5	2 183	102	4.9	11.72	0.1	8.80
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	8.88
Q3		16 818	461	2.8	13 730	467	3.5	3 088	-6	-0.2	2 115	9	0.4	11.17	0.1	8.87
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	8.87
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	8.90

EMPLOYMENT
Annual percentage changes
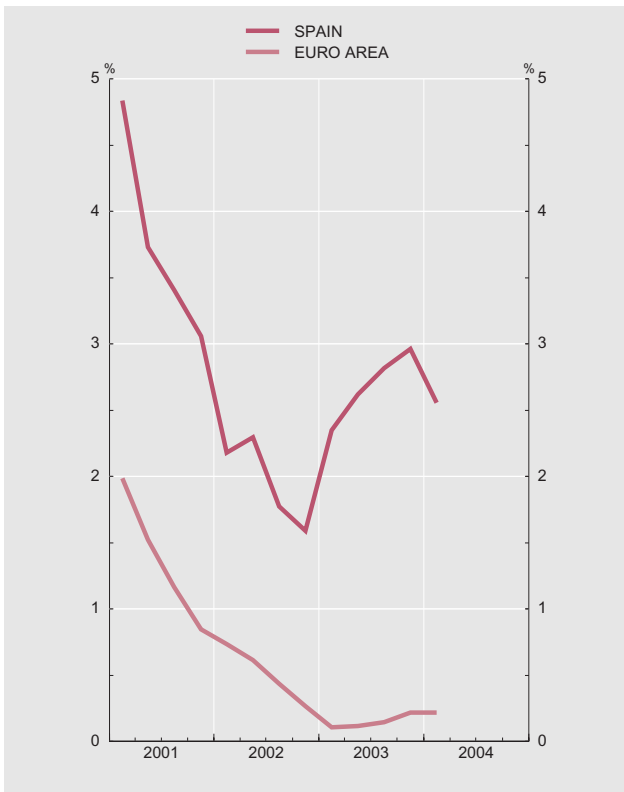
LABOUR FORCE: COMPONENTS
Annual percentage changes
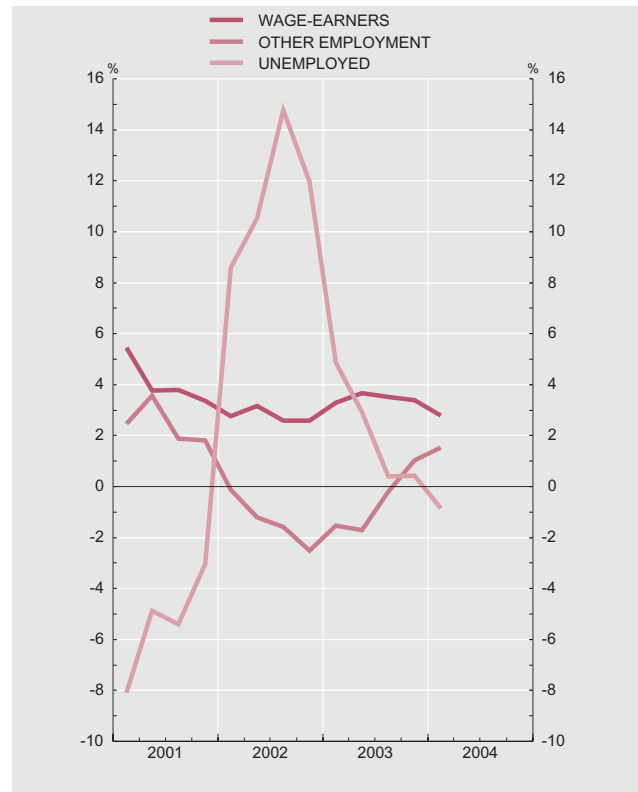
Sources: INE (Labour Force Survey: 2002 methodology), and ECB.

(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).

■ 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-Q1	M	2.3	3.3	-3.0	-5.8	-5.1	1.2	1.9	1.6	-5.2	2.2	3.3	0.1	3.3	4.3	-3.5	2.9	2.6	3.0
04 Q1-Q1	M	2.6	2.8	-0.5	-0.7	2.6	-2.8	-2.2	-1.9	-5.9	3.2	2.5	-2.0	4.2	4.4	1.6	2.8	2.7	4.6
01	Q3	3.4	3.8	31.9	-2.3	1.1	57.5	2.7	2.6	24.8	7.2	7.5	58.0	3.5	3.7	28.3	3.8	3.4	2.8
	Q4	3.1	3.4	31.7	-1.1	1.2	61.4	-0.0	-0.3	24.5	7.2	8.1	57.0	3.7	4.0	27.8	3.3	3.1	3.4
02	Q1	2.2	2.8	31.2	-4.3	-4.7	61.8	-2.5	-2.3	23.9	6.7	6.6	56.3	3.6	4.3	27.3	2.7	2.2	3.0
	Q2	2.3	3.2	31.2	-6.0	-6.5	58.0	-0.4	-0.1	23.9	4.2	3.9	57.2	3.7	4.7	27.5	2.9	2.5	3.3
	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

EMPLOYMENT
Annual percentage changes

INDUSTRY
CONSTRUCTION
SERVICES
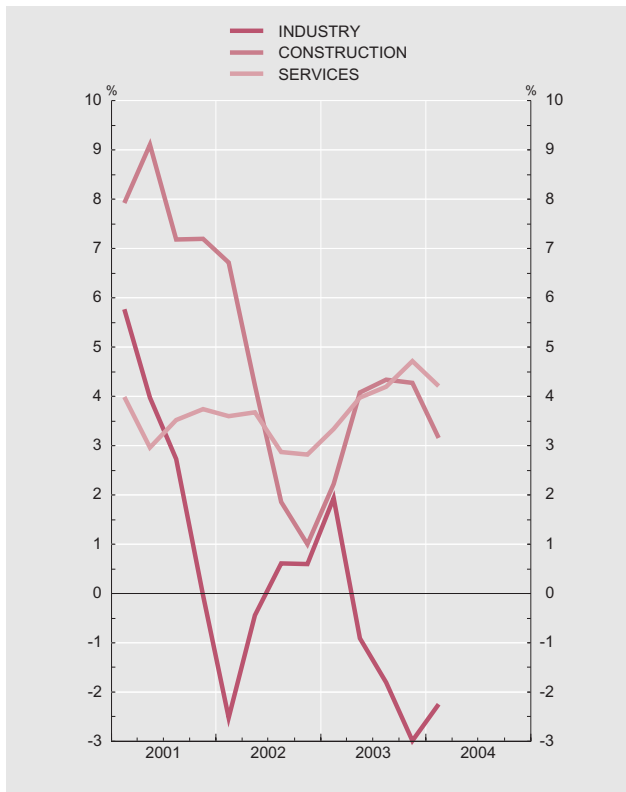
TEMPORARY EMPLOYMENT
Percentages

TOTAL
INDUSTRY
CONSTRUCTION
SERVICES
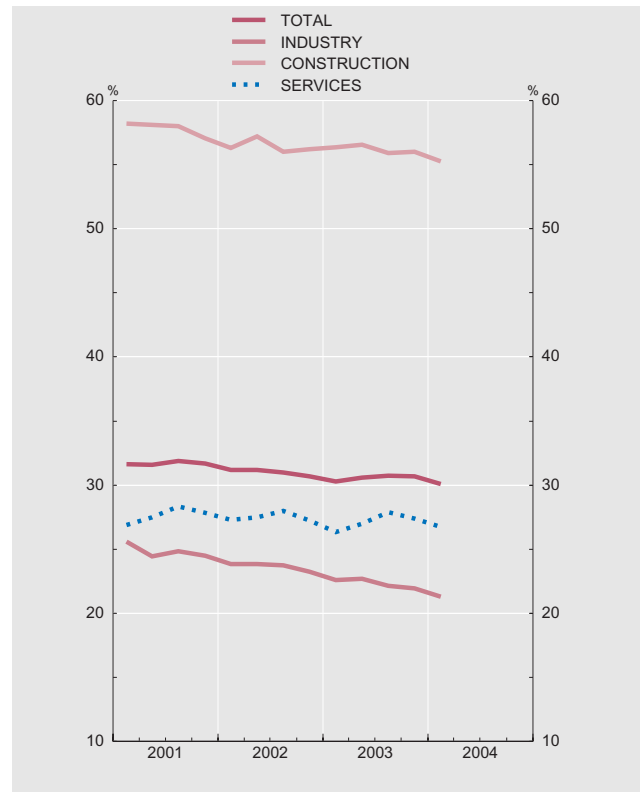
Source: INE (Labour Force Survey: 2002 methodology).
Note: The underlying series of this indicator are in Tables 24.4 and 24.6 of the BE Boletín estadístico.
   (a) Branches of activity in accordance with NACE-93.

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

■ Series depicted in chart.

Thousands, annual percentage changes and %

		Wage-earners									Unemployment						
		By type of contract					By duration of working day					By duration			% of unemployed that would accept a job (a)		
		Permanent		Temporary			Full-time		Part-time			Less than one year		More than one year				
		Annual change Thousands	4-quarter % change	Annual change Thousands	4-quarter % change	Proportion of temporary employment	Annual change Thousands	4-quarter % change	Annual change Thousands	4-quarter % change	As % for wage earners	Unemployment rate (a)	4-quarter % change (b)	Unemployment rate (a)	4-quarter % change (b)	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-Q1	M	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
04 Q1-Q1	M	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
01 Q3		373	4.4	99	2.5	31.89	444	3.9	28	2.8	7.82	5.23	-5.7	4.09	-13.0	21.21	44.58	49.44
Q4		299	3.5	123	3.1	31.66	341	2.9	81	8.3	8.17	5.62	-1.4	4.11	-12.0	20.52	47.31	52.55
02 Q1		293	3.4	54	1.3	31.18	293	2.5	54	5.2	8.34	6.34	20.6	4.38	-1.6	20.91	43.48	49.45
Q2		329	3.8	74	1.9	31.16	364	3.1	39	3.7	8.34	6.25	21.3	4.10	0.8	19.67	44.84	50.67
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

WAGE-EARNERS
Annual percentage changes
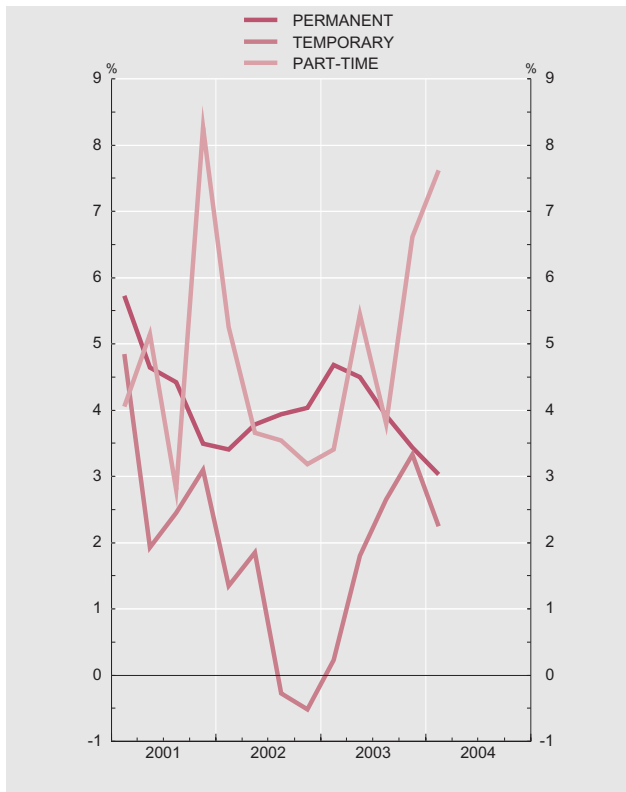
UNEMPLOYMENT
Unemployment rate
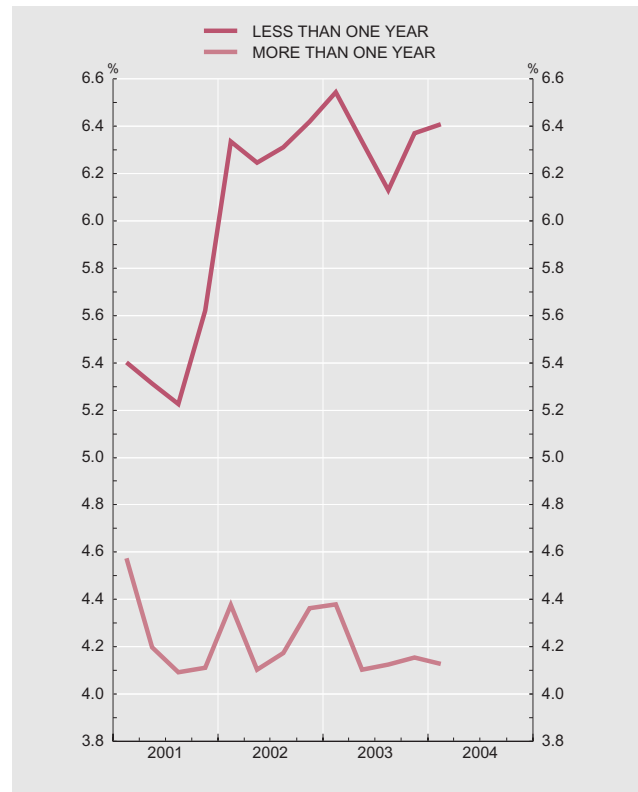
Source: INE (Labour Force Survey: 2002 methodology).

   (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).

■ Series depicted in chart.

Thousands, annual percentage changes and %

		Registered unemployment										Contracts					Placements	
		Total			First time job-seekers	Previously employed						Total		Percentage of total			Total	
								12-month % change										
			Annual change	12 month % change	12 month % change				Branches other than agriculture				12 month % change	Perma-nent	Part time	Tempo-rary		12 month % change
		Thou-sands	Thou-sands			Total	Agri-culture	Total	Industry	Construc-tion	Services	Thou-sands					Thou-sands	
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
01	M	1 530	-28	-1.8	-9.6	-0.2	-8.2	0.1	-3.8	1.3	1.1	1 171	1.6	9.26	19.48	90.74	1 133	-0.2
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
03 J-J	M	1 677	51	3.1	2.2	3.3	-4.6	3.5	1.2	6.6	3.6	1 188	2.3	9.47	19.81	90.53	1 148	2.4
04 J-J	M P	1 707	30	1.8	-3.7	2.7	2.8	2.7	-2.4	3.9	3.9	...	13.9	9.37	21.35	90.63	1 332	16.0
03 May		1 608	19	1.2	0.6	1.3	-7.2	1.6	0.3	3.8	1.5	1 196	-3.4	9.06	19.85	90.94	1 160	-2.6
Jun		1 601	33	2.1	2.1	2.1	-4.9	2.4	0.3	5.6	2.4	1 199	11.6	8.29	20.37	91.71	1 162	12.1
Jul		1 573	25	1.6	0.3	1.9	-8.0	2.2	-0.8	5.9	2.3	1 302	-1.2	7.37	21.93	92.63	1 270	-0.8
Aug		1 569	17	1.1	-0.2	1.3	-8.5	1.6	-1.5	5.5	1.8	971	-4.8	6.96	21.02	93.04	953	-3.9
Sep		1 608	18	1.1	-0.7	1.4	-8.9	1.7	-1.0	5.0	1.9	1 284	8.2	8.08	22.36	91.92	1 268	9.9
Oct		1 667	25	1.5	-2.0	2.1	-7.4	2.4	-1.1	6.1	2.8	1 558	0.8	8.51	24.14	91.49	1 529	2.1
Nov		1 699	21	1.3	-2.6	1.9	-5.1	2.1	-1.5	5.4	2.5	1 289	9.0	8.31	23.13	91.69	1 278	10.9
Dec		1 711	23	1.4	-2.8	2.1	-0.8	2.1	-2.0	6.2	2.5	1 136	18.6	7.94	23.10	92.06	1 129	20.6
04 Jan		1 762	20	1.1	-2.6	1.7	2.0	1.7	-2.3	2.7	2.6	1 390	2.5	8.18	18.63	91.82	1 378	5.0
Feb	P	1 752	18	1.0	-3.7	1.8	1.4	1.8	-2.9	3.0	2.9	1 383	15.5	9.71	20.93	90.29	1 370	18.7
Mar	P	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	P	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	P	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	P	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

REGISTERED UNEMPLOYMENT
Annual percentage changes
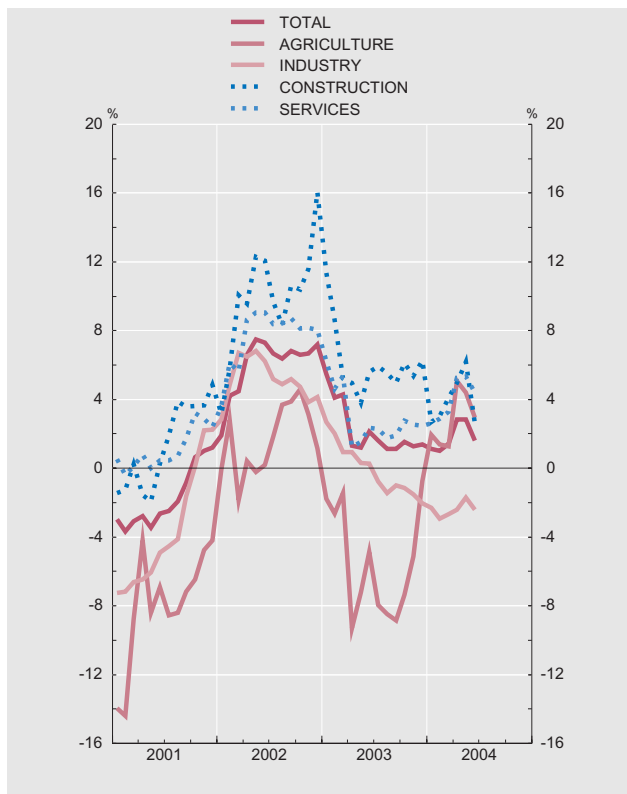
PLACEMENTS
Annual percentage changes (Trend obtained with TRAMO-SEATS)
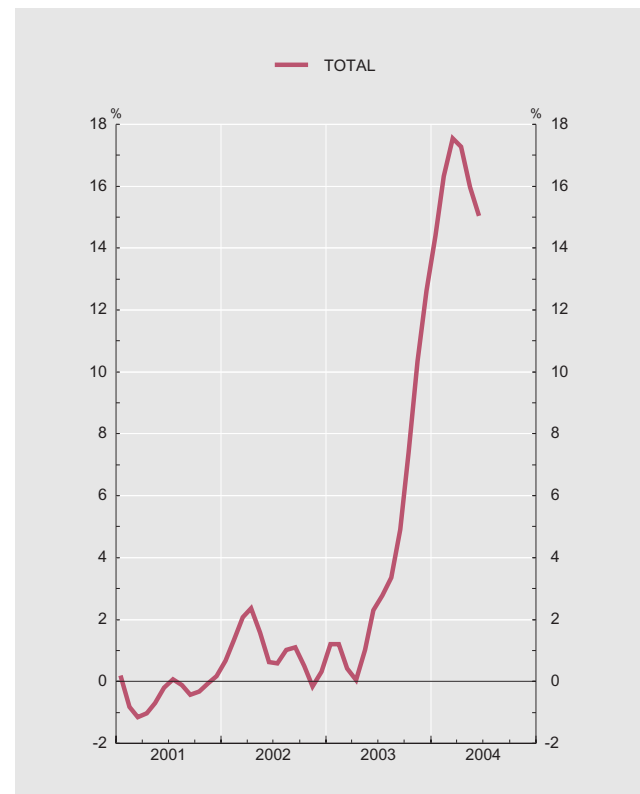
Source: Instituto Nacional de Empleo, Estadística de Empleo.
Nota: The underlying series for this indicator are in Tables 24.16 and 24.17 of the BE Boletín estadístico.

4.6. COLLECTIVE BARGAINING AGREEMENTS
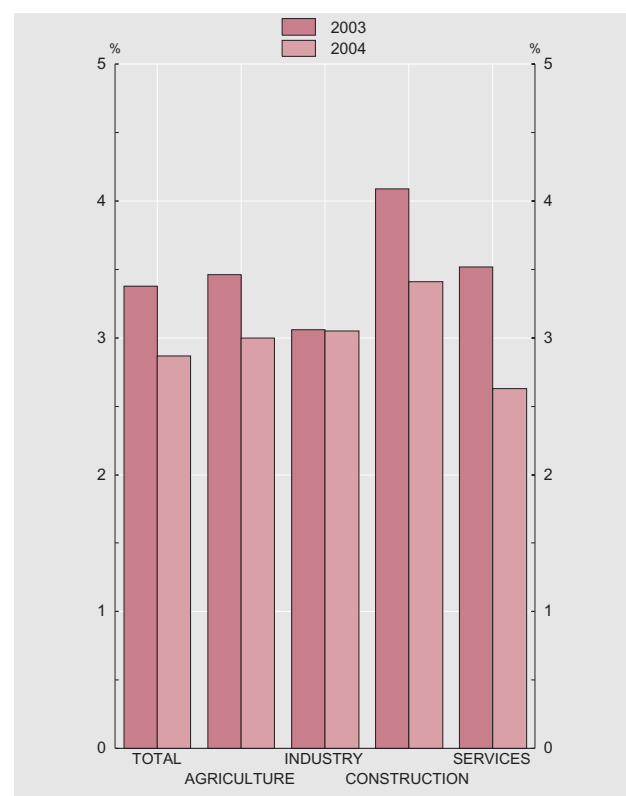
■ Series depicted in chart.

Thousands and %

	As per month economic effects come into force(a)		As per month recorded														
			Employees affected (a)								Average wage settlement (%)						
	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
01	9 496	3.68	4 909	2 697	7 606	-257	473	2 298	928	3 907	3.35	3.73	3.48	4.04	3.40	4.12	3.31
02	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	9 274	3.66	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
02 *Dec*	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 *Jan*	8 491	3.65	3 531	1	3 532	1 262	274	1 187	23	2 048	3.41	4.89	3.41	3.91	2.90	3.90	3.63
Feb	8 528	3.65	4 007	45	4 051	1 567	305	1 327	23	2 396	3.45	2.66	3.45	3.81	3.07	3.88	3.61
Mar	8 596	3.64	4 308	87	4 395	494	388	1 379	24	2 604	3.43	2.82	3.42	3.63	3.06	3.90	3.57
Apr	8 884	3.64	4 406	126	4 532	-458	390	1 405	32	2 705	3.43	2.74	3.41	3.64	3.06	4.32	3.54
May	9 088	3.65	4 429	375	4 804	-350	545	1 431	38	2 790	3.42	2.90	3.38	3.46	3.06	4.09	3.52
Jun	9 136	3.65	4 598	449	5 048	-514	546	1 498	38	2 966	3.42	3.10	3.39	3.46	3.07	4.09	3.54
Jul	9 145	3.65	4 784	596	5 380	-472	546	1 561	47	3 226	3.39	3.22	3.37	3.46	3.08	3.83	3.49
Aug	9 146	3.65	4 931	1 138	6 069	74	552	1 925	197	3 395	3.43	3.17	3.38	3.45	3.03	4.72	3.49
Sep	9 161	3.65	5 123	1 836	6 959	245	557	2 271	446	3 685	3.43	3.55	3.46	3.45	3.23	4.72	3.45
Oct	9 272	3.66	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	9 272	3.66	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	9 274	3.66	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*	4 822	2.89	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	4 831	2.89	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	4 882	2.89	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	5 015	2.89	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	5 051	2.89	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

EMPLOYEES AFFECTED
January-May
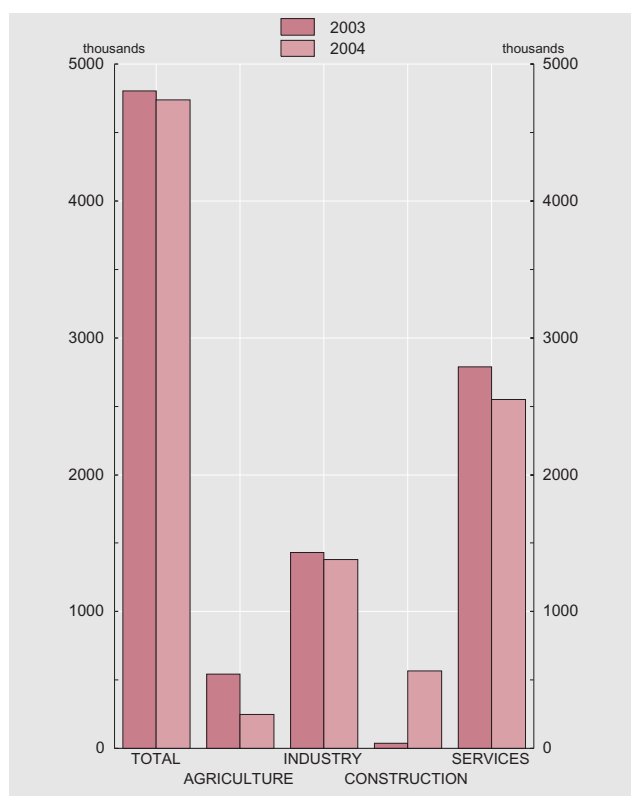
AVERAGE WAGE SETTLEMENT
January-May

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

4.7. LABOUR COSTS INDEX
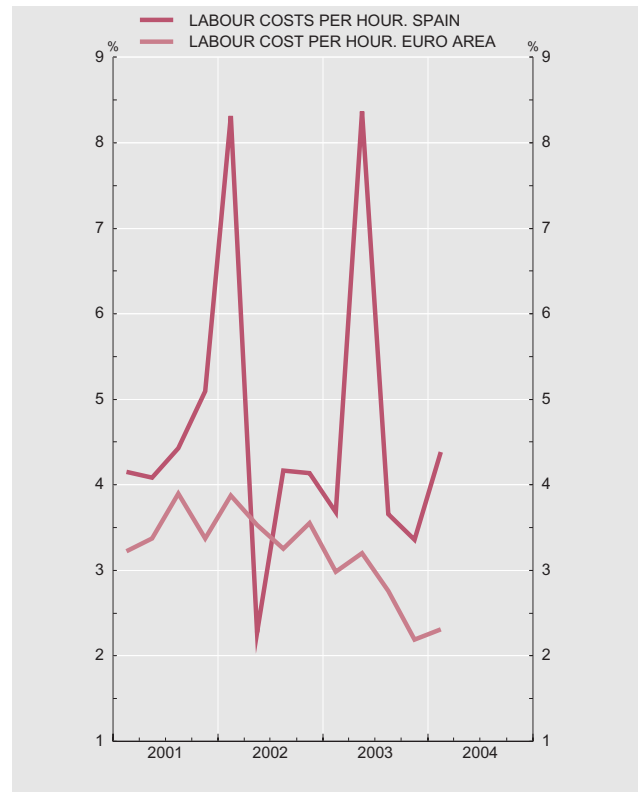
■ Series depicted in chart.

Annual percentage change

		Labour costs					Wage costs					Other costs per worker and month	memorandum item: euro area total hourly labour costs (a)
		Monthly earnings				Per hour worked	Monthly earnings				Per hour worked		
		Total	Industry	Construction	Services		Total	Industry	Construction	Services			
		1	2	3	4	5	6	7	8	9	10	11	12
01	M	4.1	4.4	4.7	4.1	4.5	3.5	3.7	3.9	3.6	3.8	6.2	3.5
02	M	4.4	4.8	4.8	4.4	4.6	3.9	4.7	4.1	3.8	4.1	6.0	3.6
03	M	4.2	4.7	6.3	3.8	4.7	3.8	4.4	5.0	3.5	4.3	5.4	2.8
03 *Q1-Q1* M		5.2	5.2	6.0	5.0	3.7	4.9	5.0	5.1	4.8	3.3	6.0	3.0
04 *Q1-Q1* M		3.5	4.3	6.0	2.9	4.4	3.2	4.0	5.2	2.7	4.1	4.4	2.3
01 *Q3*		4.1	4.5	4.2	4.3	4.4	3.7	3.8	3.9	3.8	4.0	5.6	3.9
Q4		4.3	4.3	4.7	4.5	5.1	3.7	3.6	3.4	4.1	4.6	6.4	3.4
02 *Q1*		4.0	3.7	4.6	4.4	8.3	3.7	3.8	3.9	3.9	8.0	5.0	3.9
Q2		4.6	5.1	4.5	4.7	2.3	4.0	4.9	4.0	4.0	1.8	6.5	3.5
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	4.7	4.4	3.9	5.0	4.4	3.6	3.5	6.6	3.6
03 *Q1*		5.2	5.2	6.0	5.0	3.7	4.9	5.0	5.1	4.8	3.3	6.0	3.0
Q2		4.6	5.5	6.3	4.0	8.4	4.2	5.1	4.9	3.9	8.0	5.5	3.2
Q3		3.6	4.4	6.4	2.9	3.7	3.1	3.7	5.1	2.6	3.1	5.2	2.8
Q4		3.7	3.9	6.3	3.3	3.4	3.3	3.7	5.1	3.0	3.0	5.0	2.2
04 *Q1*		3.5	4.3	6.0	2.9	4.4	3.2	4.0	5.2	2.7	4.1	4.4	2.3

PER WORKER AND MONTH
Annual percentage change

LABOUR COSTS
WAGE COSTS
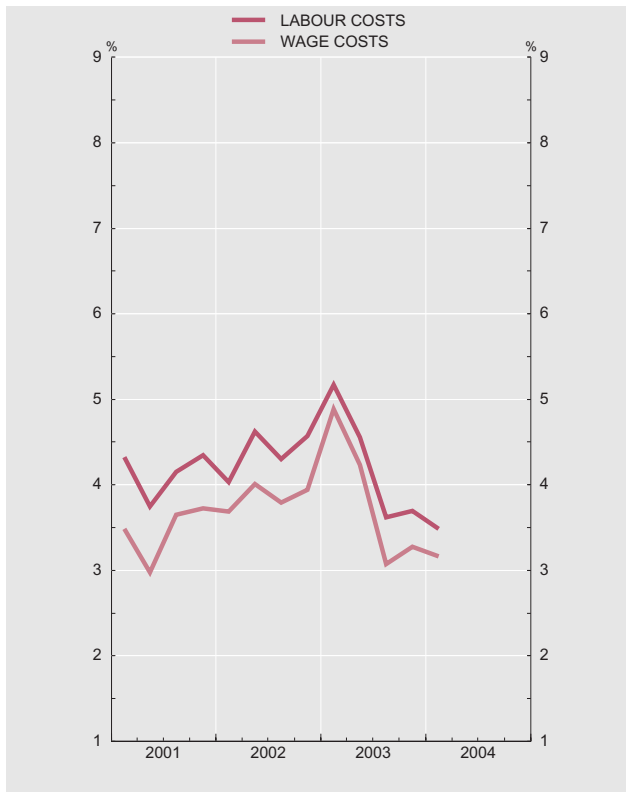
PER HOUR WORKED
Annual percentage change

LABOUR COSTS PER HOUR. SPAIN
LABOUR COST PER HOUR. EURO AREA

Sources: INE (Labour costs index) 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	3.4	2.6	3.8	2.8	0.4	0.2	2.8	1.6	2.4	1.4	4.0	...
02	3.3	2.2	3.9	2.5	0.5	0.3	2.0	0.9	1.5	0.5	2.9	...
03	3.6	2.0	4.2	2.4	0.6	0.3	2.4	0.5	1.8	0.1	1.4	...
01 *Q2*	3.5	2.8	3.8	2.9	0.2	0.1	2.6	1.7	2.3	1.5	3.7	...
Q3	3.3	2.5	4.5	2.8	1.1	0.4	3.1	1.5	2.0	1.2	2.8	...
Q4	3.4	3.0	4.0	2.9	0.6	-0.1	2.6	0.7	2.0	0.8	3.4	...
02 *Q1*	3.2	3.1	3.9	2.8	0.7	-0.3	2.2	0.5	1.5	0.7	2.4	...
Q2	3.5	2.1	3.7	2.4	0.2	0.3	2.0	0.9	1.8	0.6	4.0	...
Q3	3.4	1.9	3.7	2.4	0.3	0.4	1.8	0.9	1.6	0.4	3.1	...
Q4	3.3	1.5	4.1	2.4	0.8	0.9	2.1	1.1	1.3	0.3	2.0	...
03 *Q1*	3.9	1.8	4.5	2.4	0.6	0.6	2.2	0.7	1.6	0.1	2.5	...
Q2	3.6	2.5	4.2	2.5	0.6	0.0	2.3	0.1	1.7	0.1	1.6	...
Q3	3.5	2.3	4.0	2.5	0.5	0.2	2.4	0.4	1.9	0.1	1.3	...
Q4	3.5	1.6	4.2	2.1	0.6	0.5	2.7	0.7	2.1	0.2	0.2	...
04 *Q1*	3.5	0.9	4.2	1.9	0.6	1.1	2.8	1.3	2.1	0.2	0.4	...

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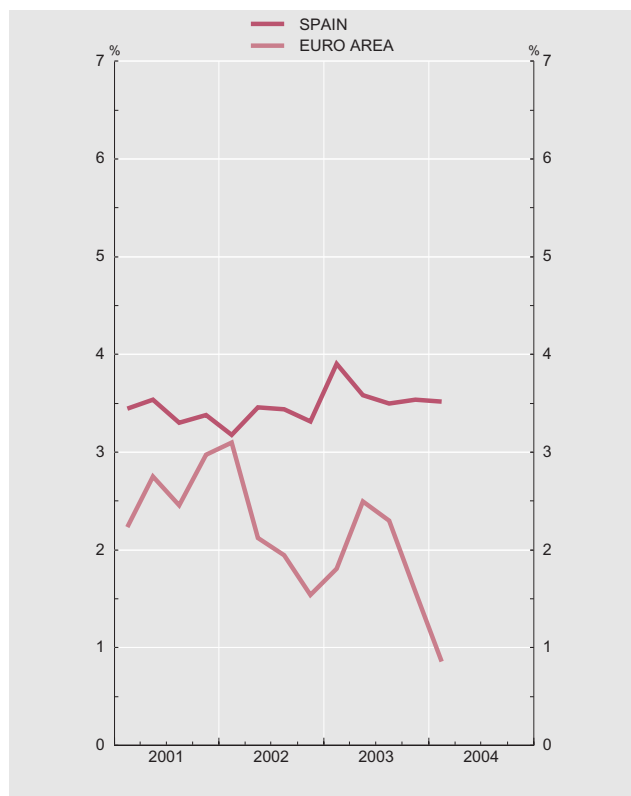
UNIT LABOUR COSTS: MANUFACTURING
Annual percentage changes
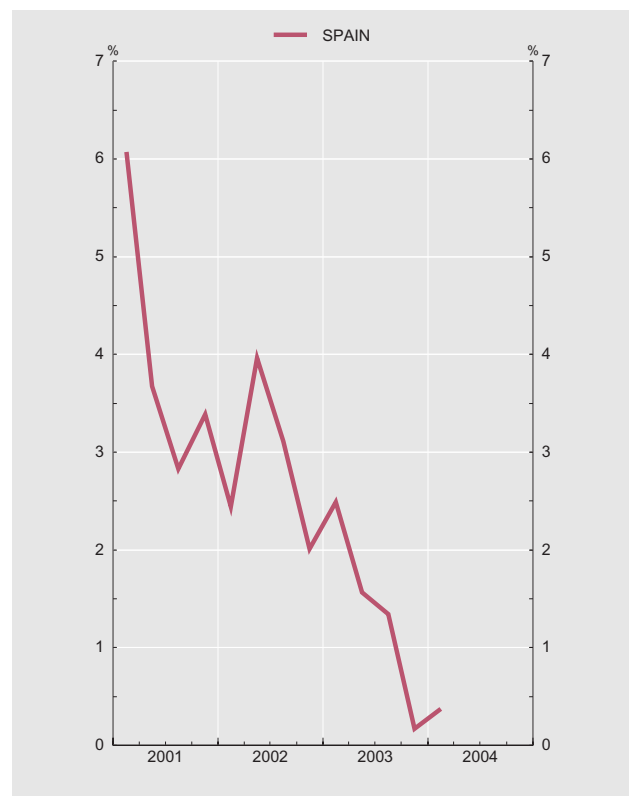
Sources: INE (Contabilidad Nacional Trimestral de España) and ECB.
  (a) Spain: prepared in accordance with ESA95. SEASONALLY- AND WORKING-DAY-ADJUSTED SERIES (see economic bulletin April 2002).
  (b) Full-time equivalent employment.
  (c) Industry.

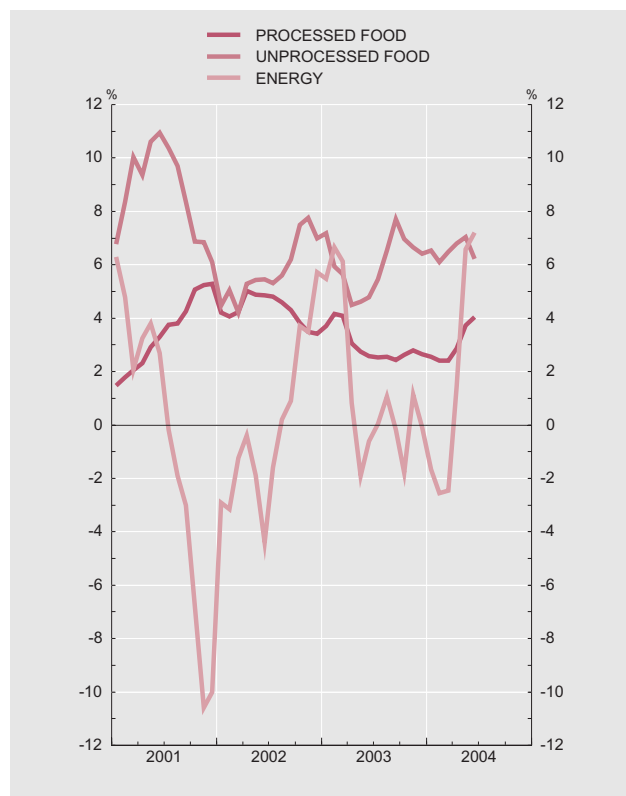## 5.1. CONSUMER PRICE INDEX. SPAIN (2001=100) (A)

■ Series depicted in chart.

Indices and annual percentage changes

		Total (100%)				Annual percentage change (12-month % change)						Memorandum item:prices for agricultural products (1995=100)	
		Original series	Month-on-month % change	12-month % change (b)	Cumulative % change during year (c)	Unprocessed food	Processed food	Industrial goods excl. energy products	Energy	Services	IPSEBENE (d)	Original series	12-month % change (a)
		1	2	3	4	5	6	7	8	9	10	11	12
01	M R	100.5	–	3.6	2.7	8.7	3.4	2.6	-0.8	4.3	3.5	103.8	4.5
02	M	103.5	–	3.5	4.0	5.8	4.3	2.5	-0.1	4.6	3.7	99.5	-4.1
03	M	106.7	–	3.0	2.6	6.0	3.0	2.0	1.4	3.7	2.9	105.0	5.5
03 *J-J*	M	106.1	0.2	3.3	0.6	5.4	3.4	2.3	2.7	3.7	3.1	106.0	0.5
04 *J-J*	M	109.0	0.4	2.7	0.7	6.5	3.0	0.7	1.4	3.7	2.5	...	...
03 *Mar*		106.0	0.7	3.7	0.5	5.6	4.1	2.3	6.1	3.6	3.2	108.9	-0.8
Apr		106.8	0.8	3.1	1.3	4.5	3.1	2.6	0.8	4.0	3.3	108.8	0.7
May		106.7	-0.1	2.7	1.2	4.6	2.8	2.6	-1.9	3.5	3.0	110.2	7.5
Jun		106.8	0.1	2.7	1.3	4.8	2.6	2.5	-0.6	3.5	2.9	107.1	6.6
Jul		106.1	-0.6	2.8	0.6	5.5	2.5	2.2	0.0	3.6	2.9	98.4	3.7
Aug		106.6	0.5	3.0	1.1	6.5	2.5	2.0	1.1	3.7	2.8	98.5	8.2
Sep		106.9	0.3	2.9	1.4	7.7	2.4	2.1	-0.2	3.5	2.8	104.7	14.5
Oct		107.7	0.7	2.6	2.1	7.0	2.6	1.5	-1.8	3.7	2.6	107.4	12.0
Nov		108.0	0.3	2.8	2.4	6.7	2.8	1.2	1.1	3.7	2.6	108.5	11.1
Dec		108.2	0.2	2.6	2.6	6.4	2.7	1.2	-0.1	3.6	2.5	107.9	9.5
04 *Jan*		107.4	-0.7	2.3	-0.7	6.5	2.5	0.7	-1.7	3.6	2.3	...	...
Feb		107.5	0.0	2.1	-0.7	6.1	2.4	0.5	-2.5	3.6	2.3	...	...
Mar		108.2	0.7	2.1	0.0	6.5	2.4	0.5	-2.5	3.6	2.2	...	...
Apr		109.7	1.4	2.7	1.4	6.8	2.9	0.7	1.4	3.7	2.4	...	...
May		110.4	0.6	3.4	2.0	7.0	3.7	0.9	6.6	3.8	2.7	...	...
Jun		110.5	0.2	3.5	2.2	6.2	4.0	1.0	7.2	3.8	2.8	...	...

CONSUMER PRICE INDEX. TOTAL AND COMPONENTS
Annual percentage changes

- TOTAL
- IPSEBENE (c)
- INDUSTRIAL GOODS EXCL. ENERGY PRODUCTS
- SERVICES

CONSUMER PRICE INDEX. COMPONENTS
Annual percentage changes

- PROCESSED FOOD
- UNPROCESSED FOOD
- ENERGY

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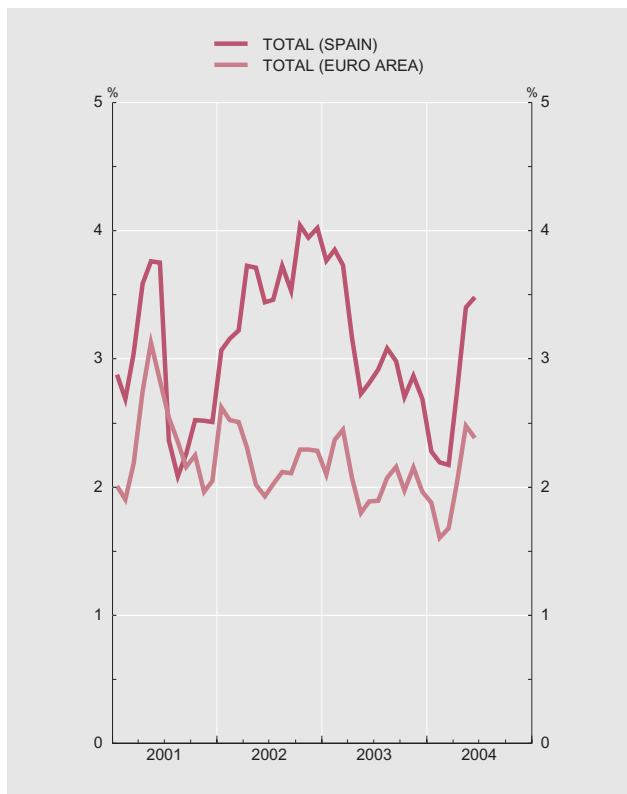
5.2. HARMONISED INDEX OF CONSUMER PRICES. SPAIN AND EURO AREA (1996=100)(A)

■ 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
01	M	2.8	2.3	2.3	2.3	5.1	4.5	2.7	2.9	7.2	7.0	0.6	1.2	1.0	0.9	-0.7	2.2	3.9	2.5
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
03 *J-J*	M	3.3	2.1	3.1	1.7	4.1	2.2	3.8	3.2	4.3	0.8	2.6	1.5	2.5	0.8	2.7	4.2	3.7	2.7
04 *J-J*	M	2.7	2.0	2.2	1.6	4.2	3.0	3.8	3.7	4.5	1.8	1.0	1.0	0.9	0.8	1.4	1.6	3.6	2.6
03 *Mar*		3.7	2.4	3.8	2.2	4.6	2.2	4.7	3.3	4.5	0.7	3.3	2.2	2.4	0.8	6.1	7.5	3.6	2.6
Apr		3.2	2.1	2.8	1.5	3.6	2.3	3.4	3.3	3.7	0.9	2.3	1.1	2.7	0.8	0.8	2.2	3.9	2.9
May		2.7	1.8	2.3	1.4	3.4	2.4	3.1	3.3	3.7	1.1	1.7	0.9	2.8	0.9	-2.0	0.6	3.4	2.5
Jun		2.8	1.9	2.4	1.6	3.3	2.9	2.9	3.2	3.8	2.5	1.9	1.0	2.6	0.8	-0.6	1.6	3.4	2.5
Jul		2.9	1.9	2.5	1.6	3.5	3.0	2.9	3.1	4.2	2.7	1.8	1.0	2.3	0.7	-	2.0	3.5	2.3
Aug		3.1	2.1	2.7	1.7	3.9	3.1	2.9	3.0	4.8	3.3	2.0	1.0	2.2	0.6	1.0	2.7	3.7	2.5
Sep		3.0	2.2	2.6	1.8	4.2	3.6	2.9	3.2	5.5	4.2	1.7	1.0	2.2	0.8	-0.2	1.6	3.5	2.5
Oct		2.7	2.0	2.1	1.7	4.1	3.6	3.3	3.5	4.9	3.8	0.8	0.8	1.6	0.8	-1.8	0.7	3.6	2.5
Nov		2.9	2.2	2.3	2.0	4.1	3.9	3.5	4.0	4.7	3.8	1.3	1.1	1.3	0.7	1.1	2.2	3.7	2.4
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

HARMONISED INDEX OF CONSUMER PRICES. TOTAL
Annual percentage changes

HARMONISED INDEX OF CONSUMER PRICES. COMPONENTS
Annual percentage changes
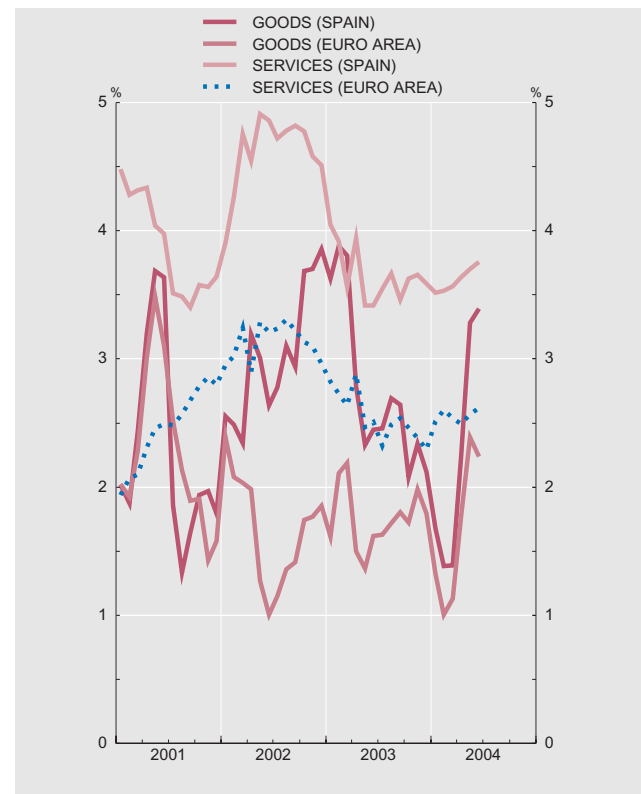
Source: Eurostat.

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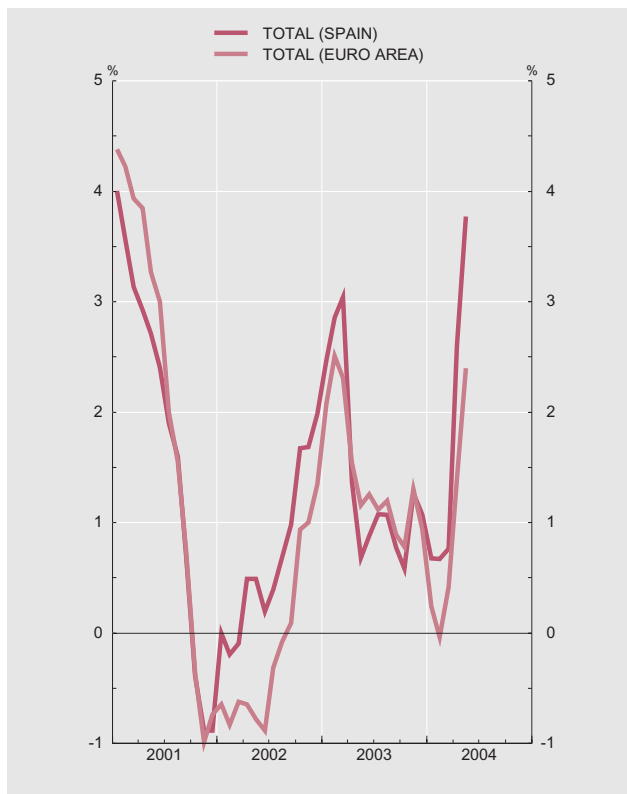
# 5.3. PRODUCER PRICE INDEX. SPAIN AND EURO AREA (A)

■ Series depicted in chart.

Annual percentage changes

		Total (100%)		Consumption (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
01	MP	101.7	_	1.7	_	3.6	_	1.2	_	1.4	_	-2.0	2.1	3.0	0.9	1.2	2.9
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
03 *J-M*	MP	104.1	_	2.1	_	1.9	_	1.2	_	1.3	_	4.9	1.9	1.1	0.2	1.6	5.4
04 *J-M*	MP	105.9	_	1.7	_	2.5	_	1.3	_	2.8	_	-1.4	0.9	1.2	0.4	1.6	-0.2
03 *Feb*	P	104.4	0.6	2.9	0.4	2.0	0.2	1.2	0.5	1.5	1.3	8.9	2.5	1.2	0.2	1.8	8.1
Mar	P	105.0	0.6	3.0	0.6	2.2	0.1	1.2	0.2	1.5	1.8	9.5	2.3	1.1	0.3	1.8	7.3
Apr	P	103.9	-1.0	1.4	-0.2	1.6	0.1	1.0	0.1	1.3	-5.6	1.3	1.5	1.0	0.2	1.6	3.2
May	P	103.4	-0.5	0.7	0.2	1.8	0.2	1.2	-0.1	1.2	-3.3	-2.3	1.2	1.0	0.2	1.3	1.7
Jun	P	103.3	-0.1	0.9	0.1	2.0	-	1.2	-0.4	0.4	-0.2	-0.9	1.3	1.1	0.3	0.7	3.1
Jul	P	103.5	0.2	1.1	0.6	2.5	-0.1	1.1	-0.3	0.1	0.7	0.2	1.1	1.1	0.3	0.1	3.3
Aug	P	103.7	0.2	1.1	0.4	2.7	-	1.1	-0.1	-	0.9	0.1	1.2	1.1	0.3	-0.2	4.1
Sep	P	103.8	0.1	0.8	0.2	2.7	0.1	1.2	0.2	0.3	-0.6	-2.4	0.9	1.3	0.3	0.0	1.8
Oct	P	103.8	-	0.6	-0.3	2.5	-	1.2	0.2	0.7	0.2	-3.6	0.8	1.2	0.3	0.2	1.1
Nov	P	103.9	0.1	1.3	-	2.6	0.3	1.4	0.1	0.9	0.5	-0.4	1.3	1.3	0.3	0.4	3.2
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	1.0	3.6	1.3	1.3	1.4	1.4	0.5	2.3	1.3
May	P	107.3	0.7	3.8	0.4	3.1	-	1.2	0.6	4.3	2.3	7.2	2.4	1.4	0.6	2.8	5.5

PRODUCER PRICE INDEX. TOTAL
Annual percentage changes

PRODUCER PRICE INDEX. COMPONENTS
Annual percentage changes
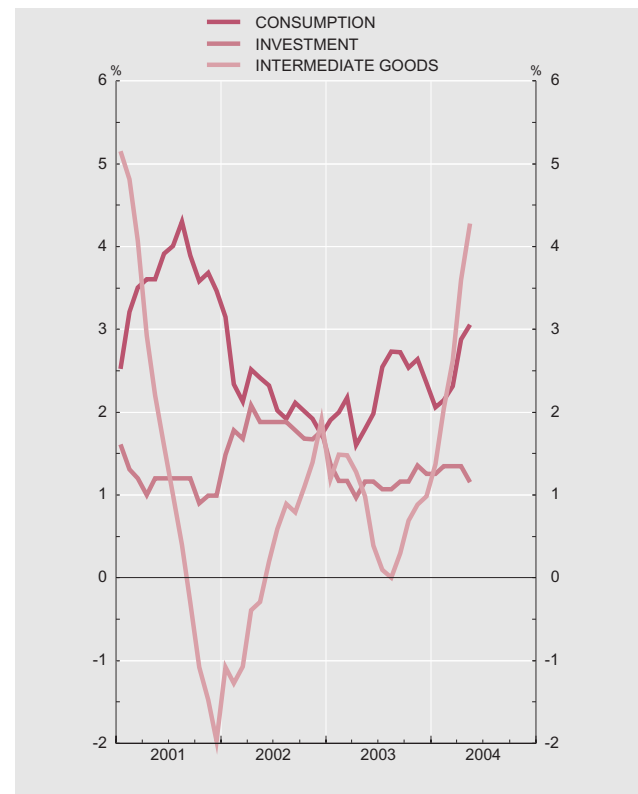
Sources: INE and ECB.
Note: The underlying series for this indicator, for Spain, are in Table 25.3 of the BE Boletín estadístico.
   (a) Spain: 2000=100; euro area: 2000=100.

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-A*	-0.6	0.5	-8.1	1.0	20.4	-0.8	-0.1	-0.1	-5.0	1.4	21.4	-1.8
04 *J-A*	-1.5	-2.6	-2.2	0.1	-8.5	0.2	-0.8	-3.6	-4.8	1.6	-12.8	4.4
02 *Nov*	0.6	-0.6	4.6	1.1	4.5	1.3	-0.5	-1.3	5.2	-2.0	12.0	-3.6
Dec	-1.9	-4.8	-0.2	-0.2	22.5	-0.1	-3.3	-4.4	-4.4	-2.2	12.9	-4.3
03 *Jan*	0.8	4.7	-8.0	0.4	18.1	-1.4	3.6	-4.0	2.0	7.4	36.6	2.7
Feb	0.3	0.5	-11.3	3.9	30.5	2.6	-5.1	2.7	-8.9	-6.9	28.5	-13.5
Mar	-2.1	-3.5	-5.4	0.0	31.8	-2.3	2.9	1.4	-3.0	5.3	25.0	2.0
Apr	-1.3	0.5	-8.1	-0.0	1.6	-2.0	-2.5	-0.1	-10.9	-0.9	-4.5	0.6
May	-0.9	-2.0	-9.2	2.1	3.0	0.9	-2.0	-1.9	-10.0	0.4	-13.8	4.1
Jun	-3.2	-1.4	-14.8	-0.8	-6.0	-1.4	0.7	-0.6	-7.2	3.8	-9.8	8.3
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	-1.3	-7.5	0.6	-11.5	0.5	-2.3	-3.6	-7.0	-0.5	-16.2	3.3
Apr	1.7	-1.8	7.9	2.8	-3.7	4.2	1.3	-3.9	2.6	3.5	2.4	2.8

EXPORT AND IMPORT UNIT VALUE INDICES (a)
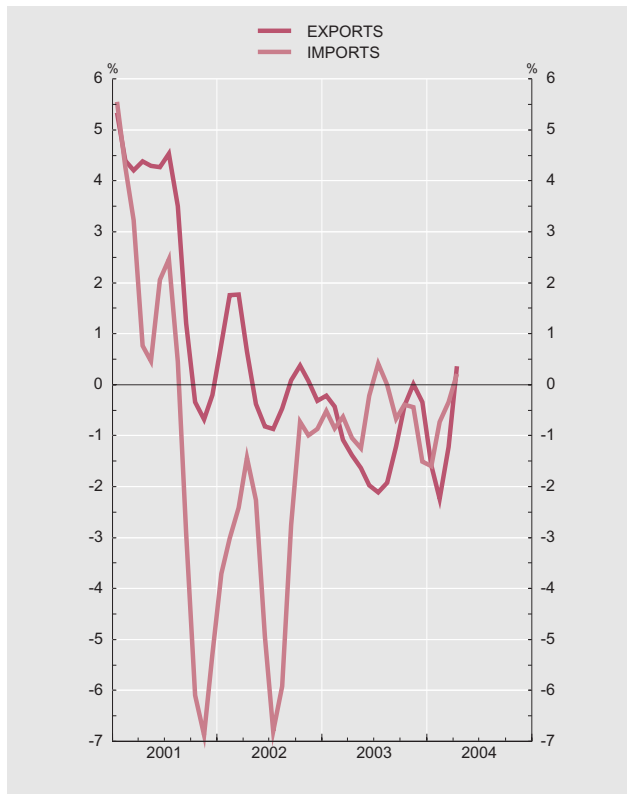
IMPORT UNIT VALUE INDICES BY PRODUCT GROUP (a)
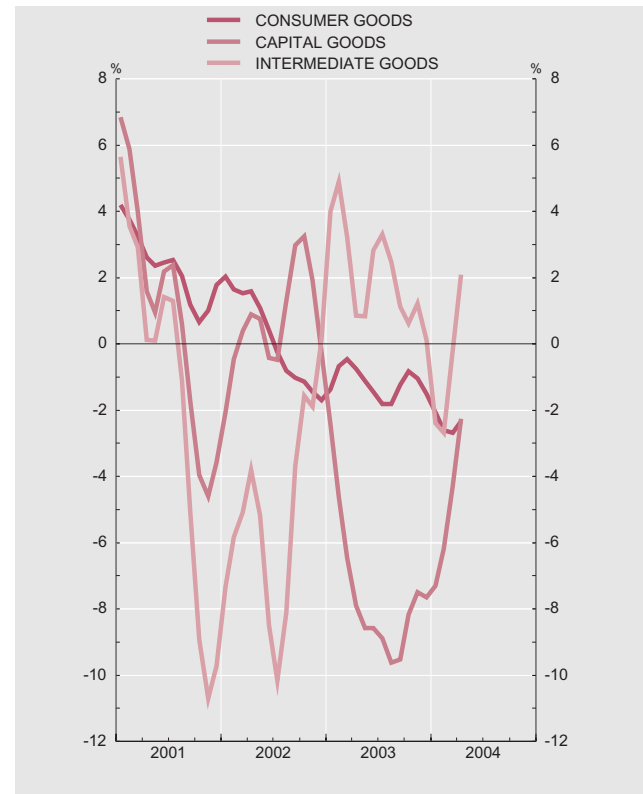
Sources: ME and BE.
Note: The underlying series for this indicator are in the Tables 17.6 and 17.7 of the Boletín estadístico.
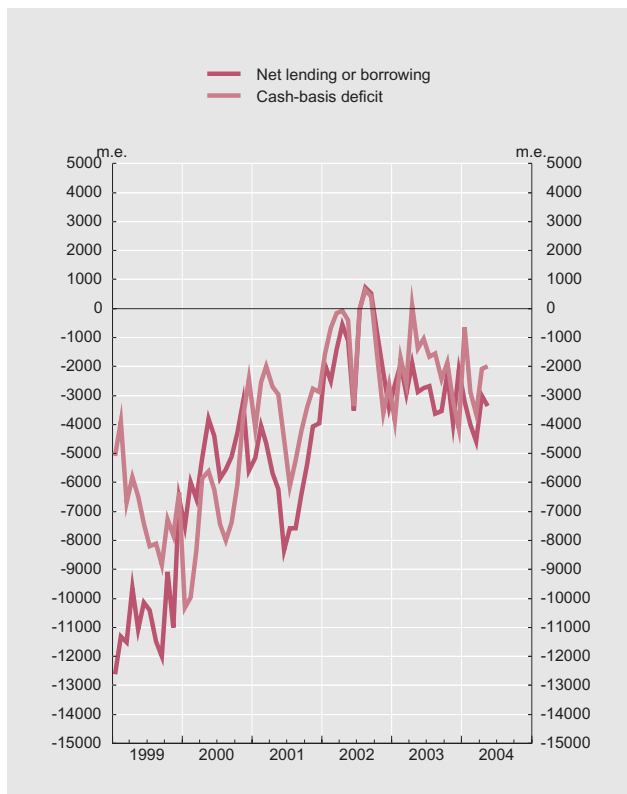 (a) Annual percentage changes (trend obteined with TRAMO-SEATS).

■ Series depicted in chart.

EUR millions

		Current and capital resources						Current and capital uses						Memorandum item: cash-basis deficit		
	Net lending (+) or borrowing (-)	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	-6 538	109 009	28 574	16 408	5 877	46 886	11 264	115 547	17 363	16 912	57 721	3 034	20 517	-6 354	110 370	116 724
00	-5 592	117 346	31 262	17 171	5 210	52 526	11 177	122 938	15 806	16 726	65 703	3 705	20 998	-2 431	118 693	121 124
01	-3 956	124 838	32 433	17 838	6 913	56 267	11 387	128 794	16 067	16 940	70 319	3 379	22 089	-2 884	125 193	128 077
02 P	-3 420	108 387	24 001	11 426	5 318	56 612	11 030	111 807	16 979	16 550	50 180	3 350	24 748	-2 626	108 456	111 082
03 A	-2 117	110 449	25 764	10 918	4 970	57 403	11 394	112 566	17 676	15 807	49 234	2 992	26 857	-4 132	109 655	113 787
03 J-M A	5 335	46 839	15 629	4 204	2 137	21 373	3 496	41 504	6 599	6 747	18 746	922	8 490	231	45 999	45 768
04 J-M A	4 085	46 120	15 955	4 434	1 871	19 903	3 957	42 035	6 770	6 293	19 185	983	8 804	2 370	46 889	44 518
03 Jun A	-8 094	2 412	-488	887	343	382	1 288	10 506	2 144	1 323	4 578	149	2 312	-7 123	2 032	9 155
Jul A	5 176	13 619	3 971	1 134	175	7 818	521	8 443	1 324	1 378	3 868	46	1 827	1 652	14 185	12 533
Aug A	-1 659	6 484	-1 839	787	314	6 207	1 015	8 143	1 313	1 333	3 657	81	1 759	-765	6 628	7 393
Sep A	-502	8 185	2 401	1 084	162	3 567	971	8 687	1 350	1 260	4 053	260	1 764	-418	7 687	8 105
Oct A	8 320	17 681	5 157	959	201	10 937	427	9 361	1 282	1 308	4 915	231	1 625	7 274	18 205	10 931
Nov A	-3 420	6 457	788	971	883	3 027	788	9 877	1 359	1 236	4 453	307	2 522	-1 752	6 379	8 131
Dec A	-7 273	8 772	145	892	755	4 092	2 888	16 045	2 305	1 222	4 964	996	6 558	-3 230	8 540	11 770
04 Jan A	496	7 755	-880	886	333	6 701	715	7 259	1 244	1 279	3 290	62	1 384	-2 471	6 949	9 420
Feb A	6 367	14 958	10 850	860	510	1 822	916	8 591	1 259	1 193	4 155	218	1 766	5 631	16 317	10 686
Mar A	-5 692	3 778	323	741	454	1 551	709	9 470	1 633	1 277	4 086	338	2 136	-5 457	3 993	9 451
Apr A	9 004	17 204	5 583	1 022	377	9 715	507	8 200	1 374	1 248	3 825	197	1 556	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

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

- Net lending or borrowing
- Cash-basis deficit

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

- Total resources
- VAT
- Income and wealth taxes
- Total uses
- Interest
- Current and capital transfers within general government
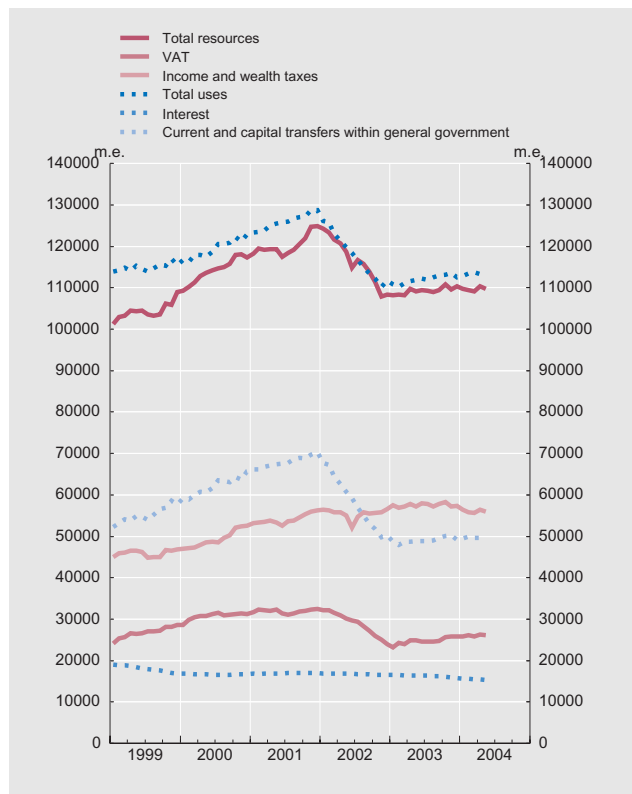
Source: Ministerio de Economía y Hacienda (IGAE).

(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.
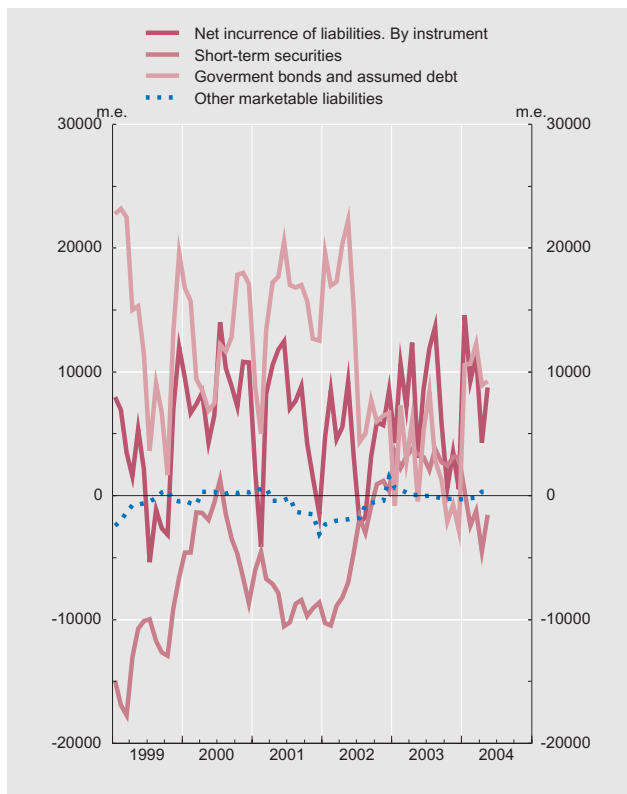
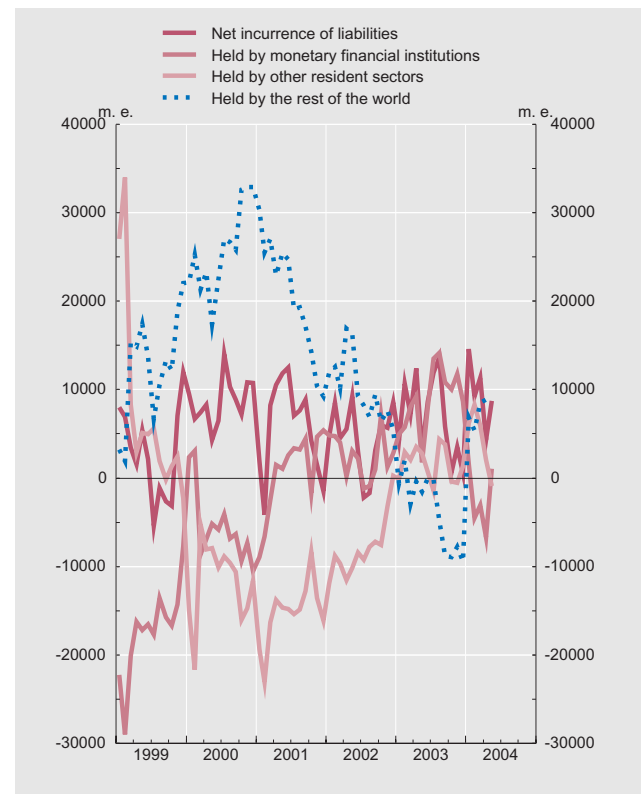## 6.2. STATE FINANCIAL TRANSACTIONS (A). SPAIN

■ Series depicted in chart.

EUR millions

		Net acquisition of financial assets		Net incurrence of liabilities												Net incurrence of liabilities (excluding other accounts payable)
	Net lending (+) or net borrowing(-)				Of which	By instrument					By counterpart sector					
		Of which		Total	In currencies other than the peseta/euro	Short-term securities	Goverment bonds and assumed debt	Banco de España loans	Other marketable liabilities (b)	Other accounts payable	Held by resident sectors			Rest of the world	
		Total	Deposits at the Banco de España								Total	Monetary financial institutions	Other resident sectors		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
99	-6 538	5 452	4 574	11 990	199	-6 629	19 581	-499	-446	-18	-10 035	-7 734	-2 301	22 026	12 008
00	-5 592	5 191	5 690	10 783	1 162	-8 683	17 127	-499	283	2 555	-22 141	-10 553	-11 587	32 924	8 228
01	-3 956	-5 445	-20 141	-1 489	803	-8 616	12 521	-499	-3 101	-1 794	-10 695	5 385	-16 079	9 206	305
02 P	-3 420	5 122	-95	8 542	-888	346	6 655	-486	1 488	539	3 074	2 797	276	5 468	8 002
03 A	-2 117	-1 599	0	518	-135	3 146	-2 761	-486	-281	900	9 990	8 664	1 327	-9 472	-381
03 J-M A	5 335	5 910	0	575	-75	2 966	-1 099	-	-322	-970	2 787	2 487	300	-2 213	1 545
04 J-M A	4 085	12 892	0	8 807	-895	-1 737	10 920	-	272	-648	-7 079	-5 144	-1 935	15 886	9 455
03 Jun A	-8 094	-3 298	-2	4 796	35	-292	4 617	-	33	438	6 034	6 642	-608	-1 238	4 358
Jul A	5 176	-500	2	-5 676	-113	880	-7 759	-	11	1 192	-3 625	760	-4 385	-2 051	-6 868
Aug A	-1 659	-378	1	1 281	-39	-710	-3 020	-	-59	5 071	5 198	-877	6 075	-3 917	-3 789
Sep A	-502	-50	-1	452	-14	14	4 479	-	-2	-4 039	-433	-111	-322	884	4 491
Oct A	8 320	3 844	1	-4 476	32	-96	-3 449	-	-6	-924	-4 315	-1 383	-2 932	-161	-3 551
Nov A	-3 420	118	-1	3 538	32	777	2 913	-	7	-158	3 107	2 398	709	431	3 697
Dec A	-7 273	-7 245	1	28	7	-393	558	-486	57	292	1 236	-1 253	2 489	-1 208	-264
04 Jan A	496	6 008	0	5 512	-33	222	2 398	-	-5	2 897	-4 429	-4 863	434	9 941	2 615
Feb A	6 367	3 936	-0	-2 431	33	-3 757	3 303	-	-45	-1 932	-2 126	-5 261	3 135	-305	-499
Mar A	-5 692	-1 301	0	4 391	-51	1 807	3 117	-	-70	-463	2 964	3 601	-637	1 427	4 854
Apr A	9 004	8 710	-1	-294	14	-2 502	2 784	-	355	-932	-5 242	-1 908	-3 335	4 948	637
May A	-6 090	-4 461	1	1 629	-857	2 493	-683	-	37	-218	1 754	3 286	-1 532	-125	1 847

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

- Net incurrence of liabilities. By instrument
- Short-term securities
- Goverment bonds and assumed debt
- Other marketable liabilities

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

- Net incurrence of liabilities
- Held by monetary financial institutions
- Held by other resident sectors
- Held by the rest of the world

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).
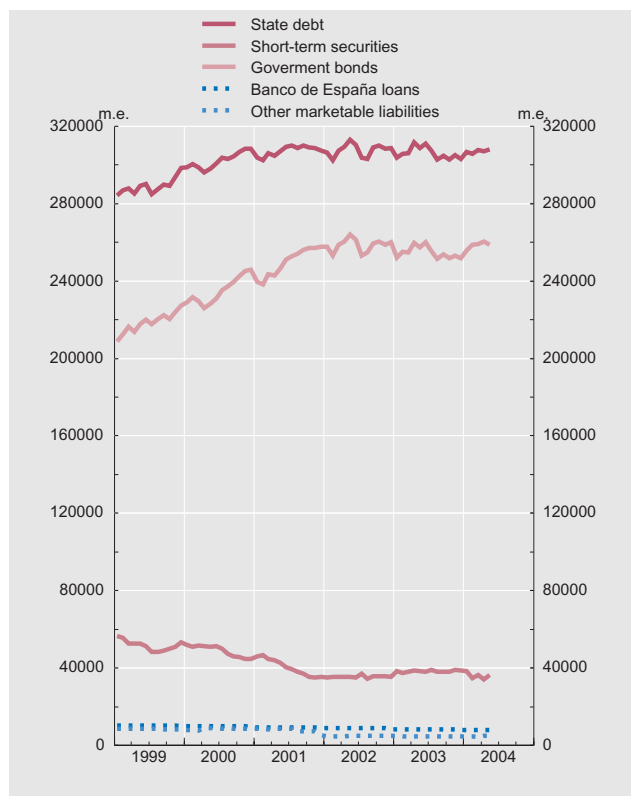
6.3. STATE: LIABILITIES OUTSTANDING. SPAIN

■ Series depicted in chart.

EUR millions

												Memorandum item:	

	State debt according to the methodology of the excessive deficit procedure	of which: In currencies other than the peseta/euro	By instrument				By counterpart sector				Deposits at the Banco de España	Guarantees given (contingent liabilities). Outstanding level
			Short-term securities	Government bonds and assumed debt	Banco de España loans	Other marketable liabilities (a)	Held by resident sectors			Rest of the world		
							Total	General government	Other resident sectors			
	1	2	3	4	5	6	7	8	9	10	11	12
96	263 963	20 434	81 084	152 293	10 814	19 772	210 489	529	209 960	54 003	15 195	8 185
97	274 168	23 270	71 730	180 558	10 578	11 303	211 530	445	211 085	63 083	9 829	7 251
98	284 153	30 048	59 939	205 182	10 341	8 691	215 200	305	214 895	69 258	10 273	6 412
99	298 378	7 189	53 142	227 151	9 843	8 243	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	308 792	5 823	35 459	260 060	8 359	4 914	177 561	5 648	171 913	136 880	300	6 819
03 *May* P	308 676	5 129	38 376	257 420	8 359	4 521	185 234	6 309	178 926	129 750	300	6 051
Jun P	310 980	5 264	38 055	259 999	8 359	4 567	191 317	7 118	184 198	126 782	298	6 079
Jul P	307 269	5 313	38 895	255 475	8 359	4 540	188 595	7 667	180 927	126 342	299	6 070
Aug P	302 704	5 597	38 171	251 608	8 359	4 566	187 785	8 043	179 741	122 963	300	6 098
Sep P	304 674	5 437	38 151	253 628	8 359	4 535	190 795	9 109	181 686	122 988	299	6 894
Oct P	302 670	5 504	38 061	251 717	8 359	4 534	189 422	9 109	180 314	122 357	300	6 832
Nov P	305 064	5 329	38 912	253 268	8 359	4 525	191 301	9 009	182 292	122 772	300	7 112
Dec P	302 968	5 105	38 704	251 827	7 873	4 564	192 405	9 460	182 945	120 023	300	6 821
04 *Jan* A	306 738	5 244	38 519	255 775	7 873	4 570	187 958	11 319	176 640	130 098	300	6 743
Feb A	305 759	5 133	34 731	258 640	7 873	4 516	187 548	11 319	176 229	129 530	300	6 735
Mar A	307 788	5 353	36 398	259 051	7 873	4 466	194 259	13 326	180 933	126 855	300	6 717
Apr A	307 213	5 251	34 012	260 512	7 873	4 815	188 966	13 457	175 509	131 703	299	6 624
May A	308 093	5 186	36 491	258 883	7 873	4 846	...	13 457	...	...	300	6 531

STATE. LIABILITIES OUTSTANDING
By instrument

STATE. LIABILITIES OUTSTANDING
By counterpart sector
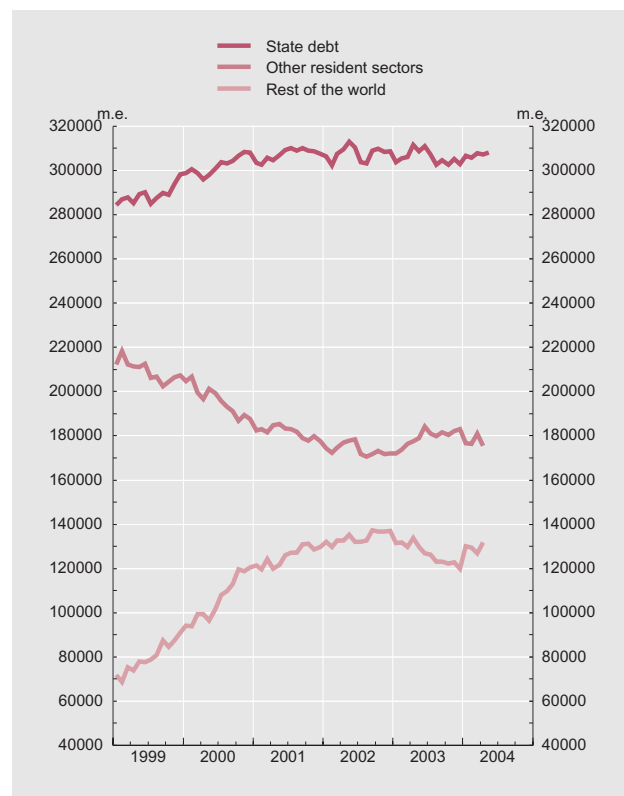
Source: BE.

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

■ Series depicted in chart.

EUR millions

		Current account (a)												Capital account	Current account plus Capital account	Financial account	Errors and omissions
		Goods			Services					Income			Current trans-fers (bal-ance)	(bal-ance)		(balance)	
	Total (balance)	Balance	Receipts	Payments	Balance	Receipts		Payments		Balance	Receipts	Payments				(b)	
						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)
01	-18 346	-36 396	131 703	168 099	27 131	65 111	36 602	37 980	6 661	-10 878	22 156	33 034	1 798	5 566	-12 780	20 072	-7 293
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
03 *J-A*	-5 763	-10 388	47 052	57 439	6 253	19 346	9 353	13 093	2 015	-3 237	7 316	10 554	1 609	1 868	-3 895	6 803	-2 908
04 *J-A* P	-8 740	-13 612	48 393	62 005	5 602	19 460	9 569	13 859	2 430	-2 441	7 525	9 966	1 712	1 724	-7 016	8 337	-1 321
03 *Jan*	-916	-2 692	10 520	13 211	1 267	4 674	2 121	3 408	578	-536	2 029	2 565	1 046	1 288	372	222	-594
Feb	-866	-2 495	11 434	13 929	1 307	4 498	2 152	3 191	503	-853	1 409	2 262	1 175	482	-384	918	-534
Mar	-2 544	-2 730	12 495	15 225	1 627	4 850	2 382	3 222	472	-1 291	1 593	2 884	-150	80	-2 464	3 064	-600
Apr	-1 438	-2 471	12 604	15 075	2 052	5 324	2 698	3 271	462	-557	2 285	2 842	-462	18	-1 420	2 599	-1 179
May	-1 131	-2 921	12 642	15 563	2 771	5 957	3 413	3 185	478	-666	1 524	2 190	-316	613	-518	610	-92
Jun	-1 845	-2 903	12 053	14 956	2 660	5 980	3 373	3 319	610	-1 281	1 719	3 001	-321	1 598	-247	719	-471
Jul	-1 897	-3 323	11 717	15 040	3 528	7 372	4 461	3 844	794	-1 867	2 307	4 174	-235	358	-1 540	1 724	-184
Aug	-284	-3 357	8 522	11 879	3 543	6 732	4 327	3 189	737	-477	1 980	2 457	8	948	664	257	-920
Sep	-3 043	-4 121	11 966	16 086	2 201	5 696	3 203	3 495	754	-956	1 828	2 784	-167	184	-2 859	3 134	-275
Oct	-1 473	-3 328	13 377	16 705	2 495	6 293	3 647	3 798	752	-798	1 900	2 697	158	872	-600	1 479	-878
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

SUMMARY

CURRENT ACCOUNT
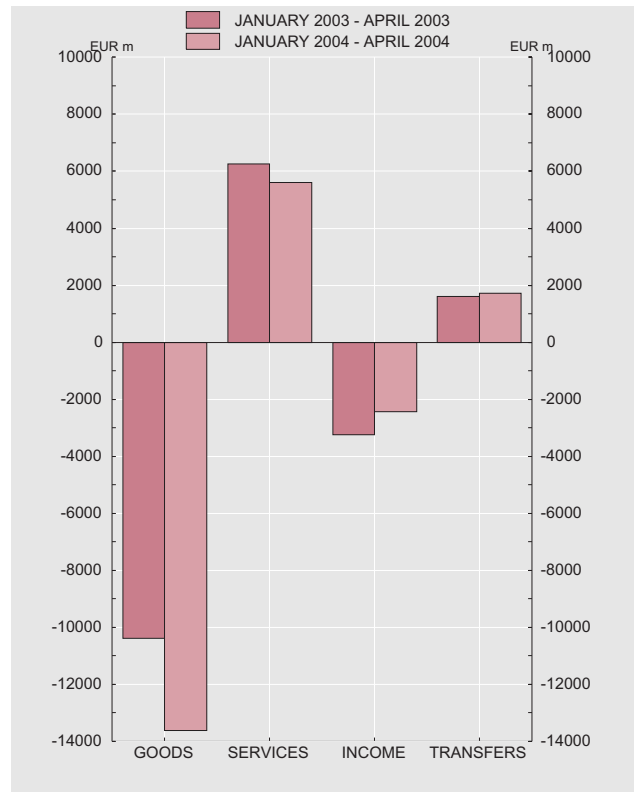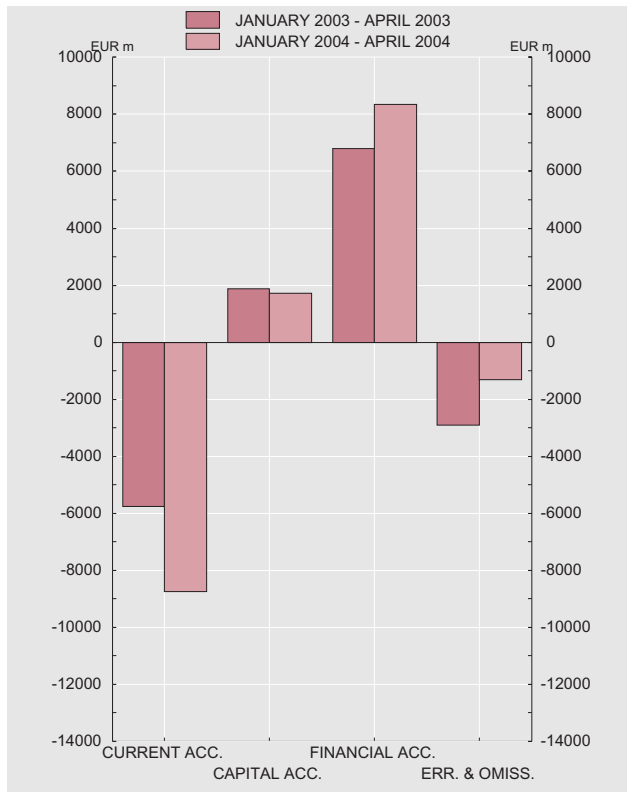
Source: BE. Data compiled in accordance with the IMF Balance of Payments Manual (5th edition).

(a) A positive sign for the current and capital account balances indicates a surplus (receipts greater than payments) and, thus, a Spanish net loan abroad (increase in the creditor position or decrease in the debtor position).

(b) A positive sign for the financial account balance (the net change in liabilities exceeds the net change in financial assets) means a net credit inflow, i.e. a net foreign loan to Spain (increase in the debtor position or decrease in the creditor position)
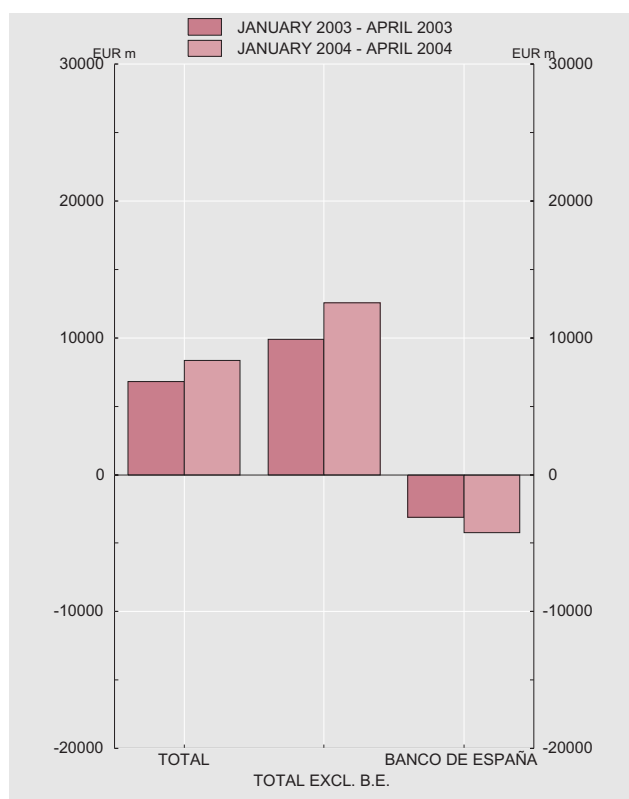
7.2. THE SPANISH BALANCE OF PAYMENTS VIS-À-VIS OTHER EURO AREA RESIDENTS AND THE REST OF THE WORLD
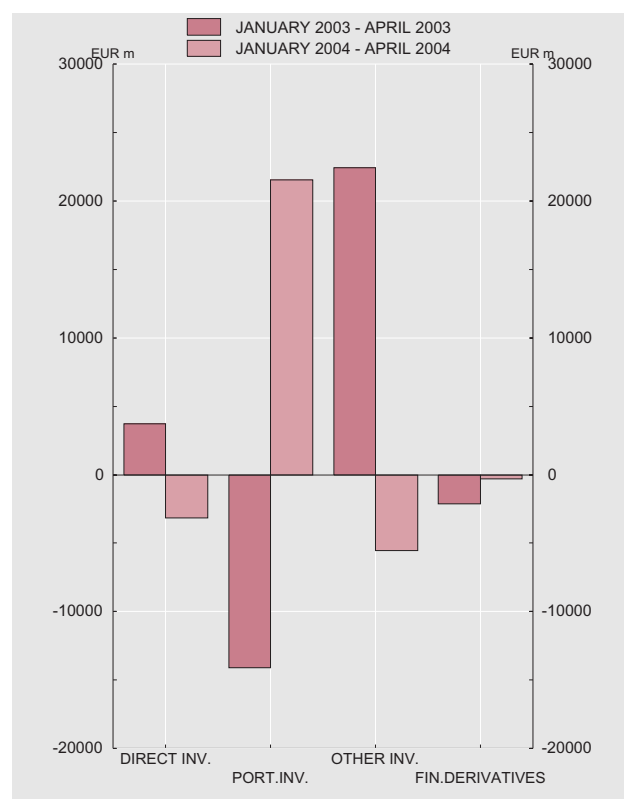### FINANCIAL ACCOUNT (A)

■ Series depicted in chart.

EUR millions

		Total, excluding Banco de España											Banco de España				Memorandum item: Other investment including Banco de España (d)	
			Direct investment			Portfolio investment			Other investment (d)										
	Financial account (NCL-NCA)	Total (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)	Net financial derivatives (NCL-NCA)	Balance (NCL-NCA)	Reserves (e)	Claims with the Eurosystem (e)	Other net assets (NCL-NCA)	Spanish investment abroad	Foreign investment in Spain
	1= 2+13	2=3+6+ 9+12	3=5-4	4	5	6=8-7	7	8	9=11-10	10	11	12	13=14+ 15+16	14	15	16	17	18
01	20 072	2 597	-5 686	36 982	31 296	-19 813	50 284	30 471	28 498	4 043	32 541	-401	17 475	1 581	16 122	-228	-12 128	32 264
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	23 877	37 295
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	12 524	63 177
03 *J-A*	6 803	9 917	3 734	7 157	10 891	-14 122	28 209	14 088	22 455	11 190	33 644	-2 150	-3 114	2 264	-3 007	-2 371	14 191	33 042
04 *J-A* P	8 337	12 549	-3 135	3 801	666	21 546	13 720	35 266	-5 544	17 882	12 337	-318	-4 212	4 355	-4 288	-4 279	22 112	12 244
03 *Jan*	222	6 003	996	4 849	5 845	-7 049	2 815	-4 234	13 356	-2 822	10 534	-1 300	-5 781	600	-5 834	-547	3 001	9 977
Feb	918	-3 799	917	1 493	2 410	-3 233	6 436	3 203	-1 709	7 544	5 835	226	4 717	186	4 830	-299	2 741	5 934
Mar	3 064	3 793	1 004	-92	911	-3 823	11 521	7 698	7 355	-1 730	5 624	-743	-728	804	-683	-849	-1 036	5 531
Apr	2 599	3 920	818	908	1 726	-17	7 438	7 421	3 453	8 198	11 651	-333	-1 321	674	-1 320	-675	9 486	11 601
May	610	3 479	-492	733	241	-1 649	5 194	3 545	6 816	-5 129	1 687	-1 196	-2 868	1 630	-2 711	-1 788	-2 390	1 332
Jun	719	-953	1 814	1 130	2 944	327	1 127	1 454	-3 462	-2 347	-5 809	368	1 671	658	1 602	-589	-3 931	-5 290
Jul	1 724	43	-2 421	2 453	31	-11 201	10 936	-265	13 749	1 236	14 985	-84	1 681	3 284	1 546	-3 149	-323	14 567
Aug	257	-12 296	-630	2 025	1 395	-8 904	5 267	-3 637	-2 855	6 399	3 544	92	12 553	1 748	12 612	-1 807	-6 233	3 495
Sep	3 134	14 953	-701	1 602	901	1 573	5 387	6 960	14 466	-7 092	7 374	-385	-11 819	585	-9 607	-2 797	2 501	7 287
Oct	1 479	7 233	-73	1 454	1 381	7 225	761	7 985		917	1 060	-62	-5 754	187	-3 874	-2 067	4 824	1 125
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	5 041	4 914
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	-1 155	2 705
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	15 732	10 104
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	1 357	-10 481
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	-2 252	3 923
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	7 275	8 698

FINANCIAL ACCOUNT

Legend: JANUARY 2003 - APRIL 2003; JANUARY 2004 - APRIL 2004

(Chart — EUR m, scale -20000 to 30000; categories: TOTAL, TOTAL EXCL. B.E., BANCO DE ESPAÑA)

FINANCIAL ACCOUNT, EXCLUDING BANCO DE ESPAÑA
Breakdown

Legend: JANUARY 2003 - APRIL 2003; JANUARY 2004 - APRIL 2004

(Chart — EUR m, scale -20000 to 30000; categories: DIRECT INV., PORT.INV., OTHER INV., FIN.DERIVATIVES)

Source: BE. Data compiled in accordance with the IMF Balance of Payments Manual (5th edition).

(a) Changes in assets (NCA) and changes in liabilities (NCL) are both net of repayments. A positive (negative) sign in NCA columns indicates an outflow (inflow) of foreign financing. A positive (negative) sign in NCL columns implies an inflow (outflow) of foreign financing.

(b) This does not include direct investment in quoted shares, but does include portfolio investment in unquoted shares.

(c) This includes direct investment in quoted shares, but does not include portfolio investment in unquoted shares. (d) Mainly, loans, deposits and repos.

(e) A positive (negative) sign indicates a decrease (increase) in the reserves and/or claims of the BE with the Eurosystem

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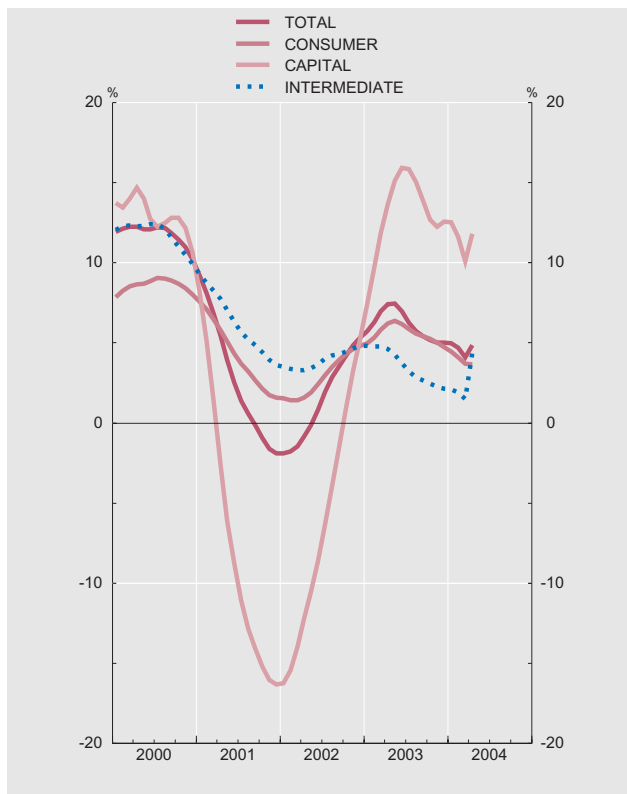EXPORTS AND DISPATCHES**

■ Series depicted in chart.

EUR millions and annual percentage changes

	Total			By product (deflated data)(a)					By geographical area (nominal data)								
	EUR millions	Nom-inal	De-flated	Con-sumer	Capital	Intermediate			OECD					OPEC	Other American countries	Newly industrialised countries	Other
						Total	Energy	Non-energy	Total	European Union	of which: Euro area	United States of America	Other OECD members				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
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 P	137 815	5.2	6.2	6.4	15.5	3.4	33.7	2.7	5.5	5.3	6.8	-0.3	6.1	-3.4	2.5	-21.1	9.7
03 *Mar*	12 250	10.7	13.1	15.2	15.2	10.8	25.9	10.9	12.6	10.8	13.3	0.2	14.1	-7.2	-4.9	-32.4	12.7
Apr	12 274	7.6	9.0	4.5	19.0	9.5	72.2	8.0	7.7	4.8	12.3	-7.2	9.9	-7.9	-6.3	-17.8	16.9
May	12 357	10.8	11.8	16.9	18.1	6.1	54.4	5.1	12.9	14.3	17.4	-9.2	14.4	6.2	-1.4	-23.8	4.9
Jun	11 680	9.2	12.8	12.4	35.5	7.0	32.1	6.3	9.2	13.8	13.8	13.5	7.3	-12.9	27.8	-25.5	12.5
Jul	11 431	2.4	3.4	3.5	25.1	-2.2	-6.7	-2.1	4.5	4.4	5.3	-0.8	4.9	-16.8	-9.6	-30.5	1.8
Aug	8 268	-5.8	-2.1	-3.0	13.7	-5.2	60.1	-7.0	-6.9	-1.8	-3.7	-5.2	-8.5	0.3	-21.8	-28.7	8.2
Sep	11 708	11.3	11.5	11.8	24.5	7.5	45.7	6.5	13.4	14.3	13.6	-1.9	14.2	-1.8	-13.1	-21.0	7.4
Oct	13 069	3.6	4.4	8.5	0.1	2.7	17.0	2.4	3.8	-0.2	3.4	-3.3	5.7	-5.9	13.7	-42.8	9.4
Nov	11 675	-1.6	-2.1	1.7	-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	7.0	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	7.3	3.5	20.2	6.3	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	6.8	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	-0.9	-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

BY PRODUCT
Annual percentage changes (trend obtained with TRAMO-SEATS method)

TOTAL
CONSUMER
CAPITAL
INTERMEDIATE

BY GEOGRAPHICAL AREA
Annual percentage changes (trend obtained with TRAMO-SEATS method)

OECD
EURO AREA
UNITED STATES
NEWLY INDUSTR. COUNTRIES
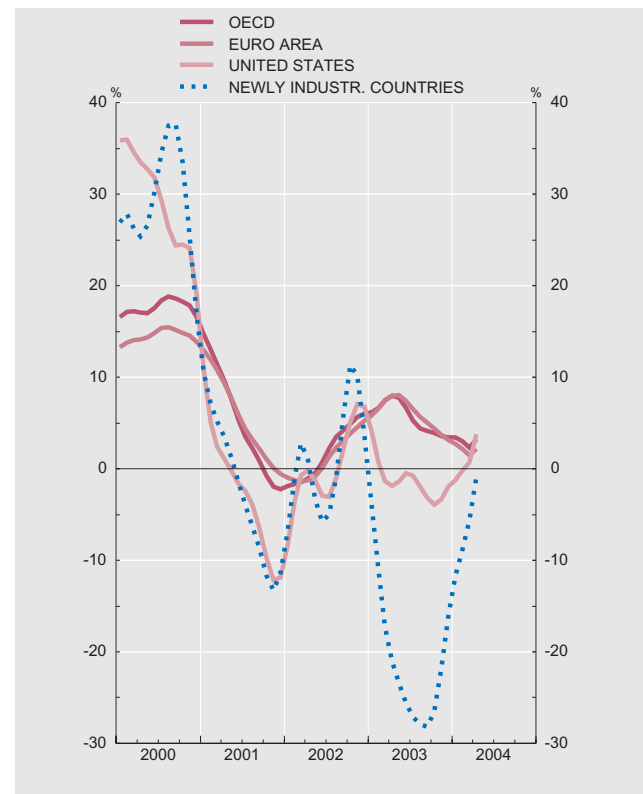
Sources: ME and BE.
Note: The underlying series for this indicator are in Tables 17.4 and 17.5 of the Boletín estadístico.
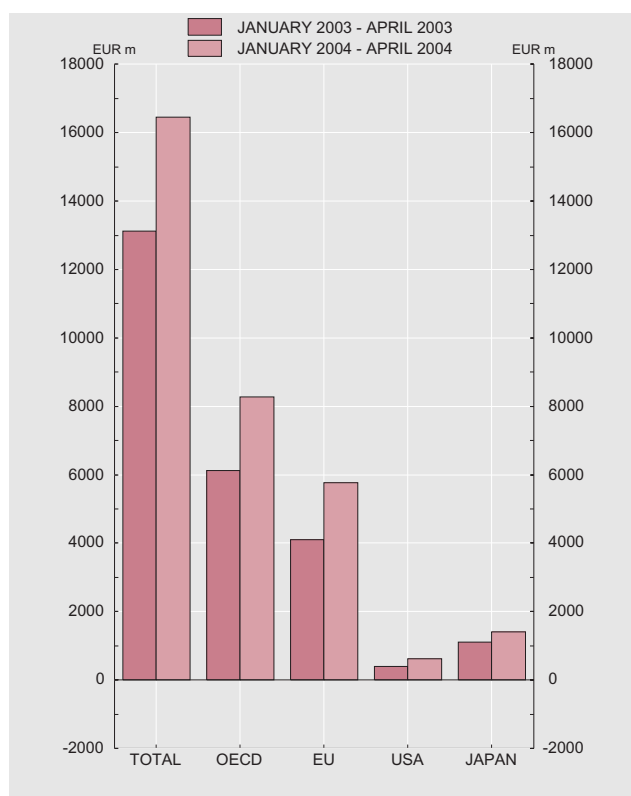 (a) Series deflated by unit value indices.

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						Other American countries	Newly industrialised countries	Other
	EUR millions	Nominal	Deflated	Consumer	Capital	Total	Energy	Non-energy	Total	European Union	of which: Euro area	United States of America	Other OECD member	OPEC			
	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 P	184 095	6.6	6.9	10.1	16.7	2.9	1.6	3.4	6.5	4.2	6.3	-3.4	8.1	3.9	12.3	4.3	8.6
03 *Mar*	15 667	16.3	13.0	15.8	16.1	11.0	-0.4	12.6	15.2	17.8	17.3	-5.2	16.1	35.4	-14.0	24.0	19.1
Apr	15 583	7.2	9.9	7.5	16.3	9.2	7.0	9.4	9.5	5.7	11.3	-22.6	13.6	3.8	17.2	-12.2	-2.0
May	16 047	9.9	12.2	12.5	34.0	6.5	2.0	7.0	12.2	9.6	10.3	39.3	11.2	9.0	7.8	8.0	-1.0
Jun	15 426	9.7	8.9	11.0	18.0	5.6	-4.9	6.9	9.1	7.4	8.1	2.9	10.1	0.9	16.4	17.4	15.1
Jul	15 496	7.2	7.2	16.2	18.1	0.8	13.4	-0.7	6.9	2.0	7.3	6.8	8.5	9.3	9.8	5.1	7.3
Aug	12 088	1.8	0.3	3.4	1.0	-1.5	0.2	-1.7	1.7	-9.1	0.8	-11.4	5.7	-10.7	13.7	8.4	6.3
Sep	16 558	11.6	14.8	17.3	56.7	3.6	21.1	1.8	11.4	5.8	11.5	-0.5	13.9	-12.7	35.4	4.0	21.1
Oct	17 178	1.7	0.8	6.9	1.1	-1.9	-5.6	-1.5	3.7	2.4	2.5	-22.8	6.0	-9.7	29.3	-33.0	-2.8
Nov	16 260	2.7	3.0	7.6	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	12.6	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	20.7	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	14.0	23.9	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	19.1	10.9	4.0	8.2	3.5	9.1	-1.6	8.4	15.8	12.0	-4.0	10.2	1.5	26.1

BY PRODUCT
Annual percentage changes (trend obtained with TRAMO-SEATS)
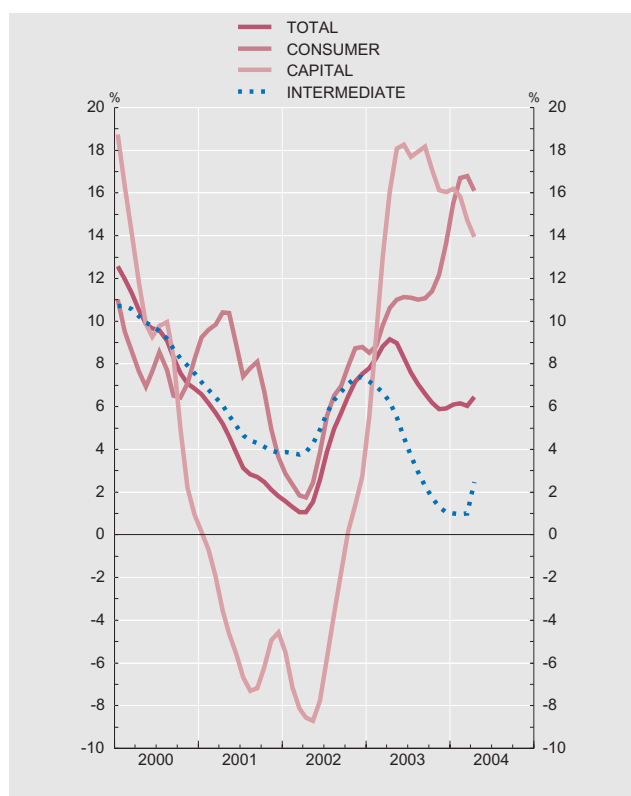
BY GEOGRAPHICAL AREA
Annual percentage changes (trend obtained with TRAMO-SEATS)
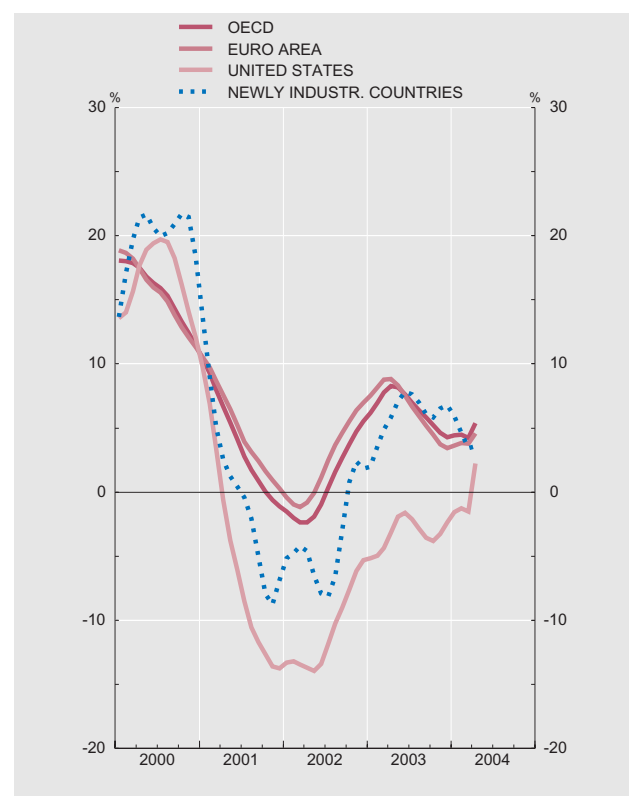
Sources: ME and BE.

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 Total	EU Total	Euro area Total	Germany	France	Italy	United Kingdom	Other EU members	United States of America	Japan	Other OECD members	OPEC	Other American countries	Newly industrialised countries	Other
	1 ■	2 ■	3 ■	4 ■	5 ■	6 ■	7 ■	8 ■	9	10 ■	11 ■	12	13	14	15	16
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 P	-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
03 *J-A*	-13 118	-6 121	-4 107	-5 066	-3 985	-801	-618	743	216	-390	-1 106	-518	-3 044	-308	-843	-2 802
04 *J-A*	-16 453	-8 268	-5 767	-6 693	-4 594	-1 012	-1 326	713	213	-618	-1 399	-485	-2 689	-528	-895	-4 073
03 *Apr*	-3 309	-1 662	-1 217	-1 268	-945	-246	-115	41	10	-29	-311	-106	-628	-211	-220	-588
May	-3 690	-2 108	-1 348	-1 406	-1 175	-139	-172	1	57	-252	-364	-144	-572	-113	-235	-661
Jun	-3 746	-2 123	-1 579	-1 725	-1 098	-275	-238	118	29	-50	-375	-119	-611	-84	-232	-696
Jul	-4 065	-2 282	-1 732	-2 021	-1 182	-219	-477	239	50	-59	-340	-150	-677	-162	-221	-724
Aug	-3 820	-2 154	-1 772	-1 722	-1 068	-227	-305	-69	19	-61	-205	-116	-600	-155	-187	-724
Sep	-4 850	-2 545	-2 096	-2 086	-1 369	-234	-416	-55	45	-97	-306	-45	-637	-308	-209	-1 153
Oct	-4 109	-2 281	-1 875	-1 863	-1 216	-332	-282	54	-66	48	-382	-71	-697	-278	-197	-657
Nov	-4 585	-2 758	-2 061	-2 111	-1 279	-465	-401	39	11	-194	-401	-102	-687	-114	-236	-789
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

CUMULATIVE TRADE DEFICIT

JANUARY 2003 - APRIL 2003
JANUARY 2004 - APRIL 2004

CUMULATIVE TRADE DEFICIT

JANUARY 2003 - APRIL 2003
JANUARY 2004 - APRIL 2004
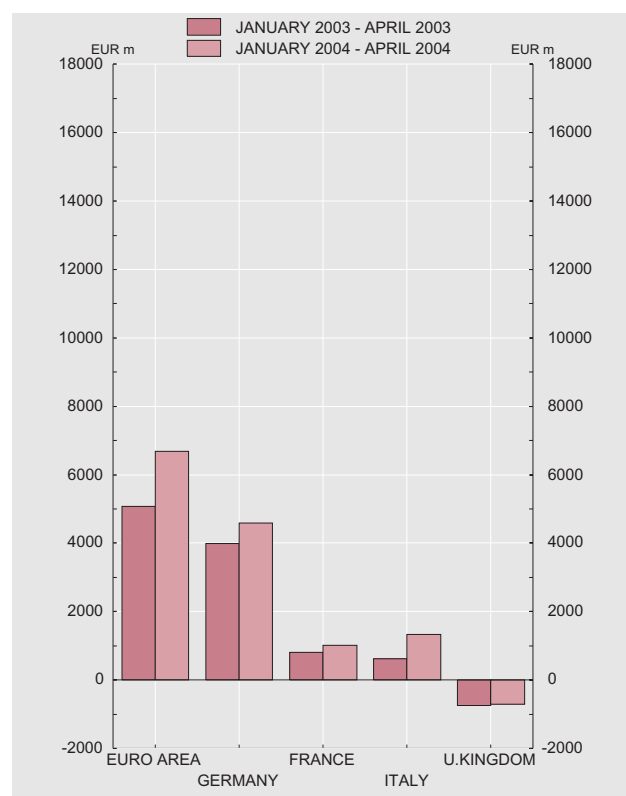
Source: ME.
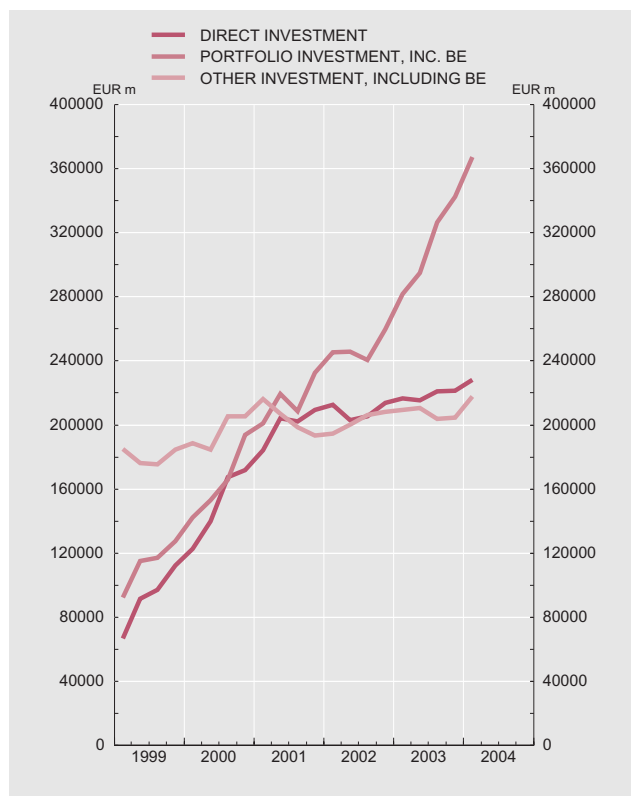Note: The underlying series for this indicator are in Tables 17.3 and 17.5 of the Boletin estadistico.

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

■ Series depicted in chart.

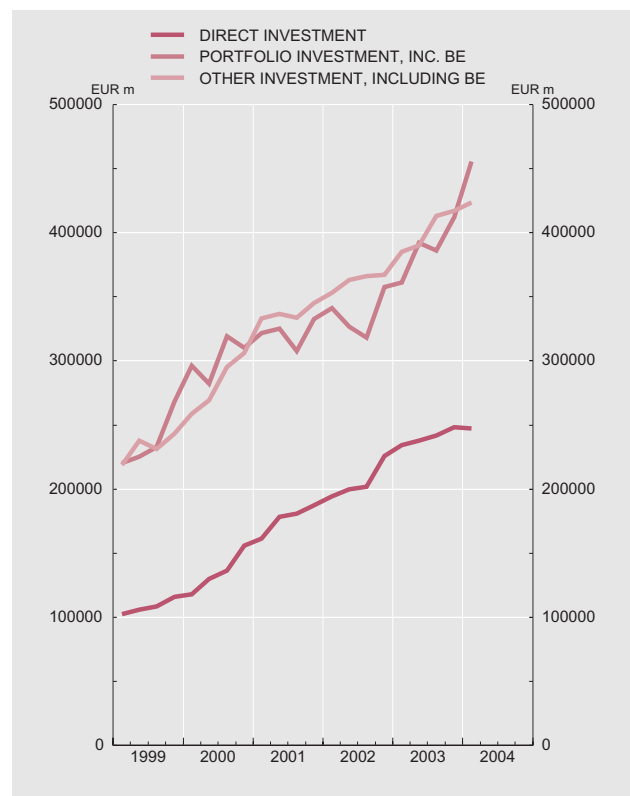*End-of-period stocks in EUR millions*

	Net international investment position (assets-liabil.)	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 Eurosystem	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 Q1	-173 697	-240 691	22 909	184 020	161 111	-120 942	200 829	321 771	-142 658	188 299	330 958	66 994	41 380	27 355	-1 741
Q2	-169 141	-237 534	25 701	204 159	178 458	-105 928	219 383	325 311	-157 306	178 108	335 414	68 393	40 776	28 376	-759
Q3	-172 977	-239 406	21 443	202 355	180 912	-99 224	208 490	307 714	-161 625	170 337	331 962	66 429	39 971	27 762	-1 305
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	-195 213	-261 254	18 077	212 406	194 328	-95 829	245 199	341 028	-183 503	168 178	351 681	66 041	41 015	26 173	-1 148
Q2	-204 753	-267 233	2 810	202 813	200 004	-81 059	245 783	326 842	-188 983	173 641	362 624	62 480	36 400	26 005	75
Q3	R -195 997	-261 639	3 350	205 264	201 914	-77 665	240 510	318 175	-187 324	178 034	365 358	65 642	38 425	27 657	-440
Q4	-230 350	-290 978	-11 673	213 946	225 618	-98 620	259 260	357 880	-180 685	185 153	365 838	60 628	38 431	22 650	-453
03 Q1	-237 566	-298 603	-17 752	216 596	234 348	-81 026	280 164	361 191	-199 825	184 551	384 376	61 037	35 436	24 337	1 264
Q2	-267 982	-330 450	-22 489	215 218	237 707	-101 889	290 008	391 897	-206 073	183 249	389 322	62 468	31 326	26 766	4 376
Q3	-264 630	-324 366	-20 893	220 946	241 839	-71 697	314 451	386 148	-231 775	181 151	412 926	59 736	25 395	22 216	12 126
Q4	-287 563	-343 652	-26 484	221 550	248 035	-85 821	326 366	412 187	-231 347	185 870	417 217	56 089	21 229	18 269	16 591
04 Q1	-294 983	-355 497	-18 842	228 198	247 040	-107 749	347 737	455 485	-228 906	194 395	423 302	60 514	17 578	23 071	19 866

INTERNATIONAL INVESTMENT POSITION

TOTAL NET POSITION
TOTAL EXCLUDING BANCO DE ESPAÑA
BANCO DE ESPAÑA
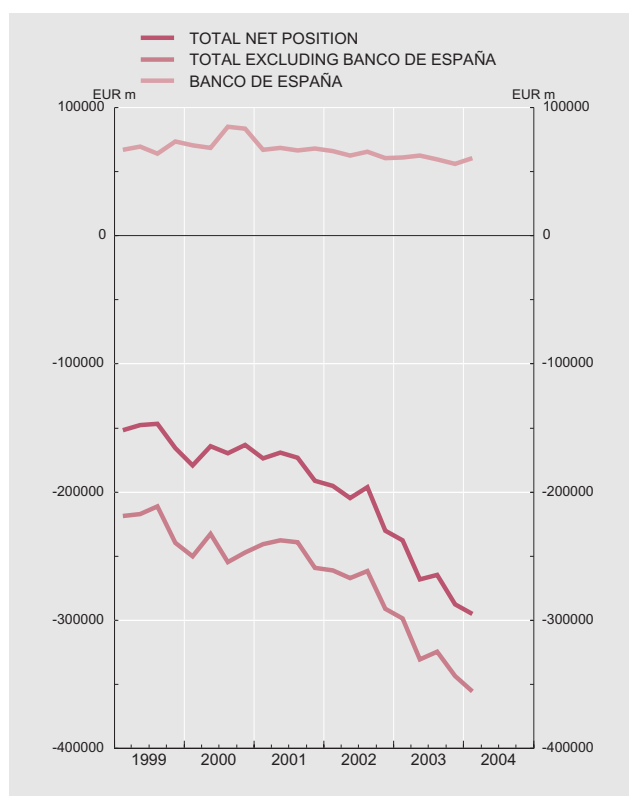
COMPONENTS OF THE POSITION

DIRECT INVEST. NET POSITION
PORTFOLIO INVEST. EXC.BE. NET POSITION
OTHER INV. EXCLUDING BE. NET POSITION
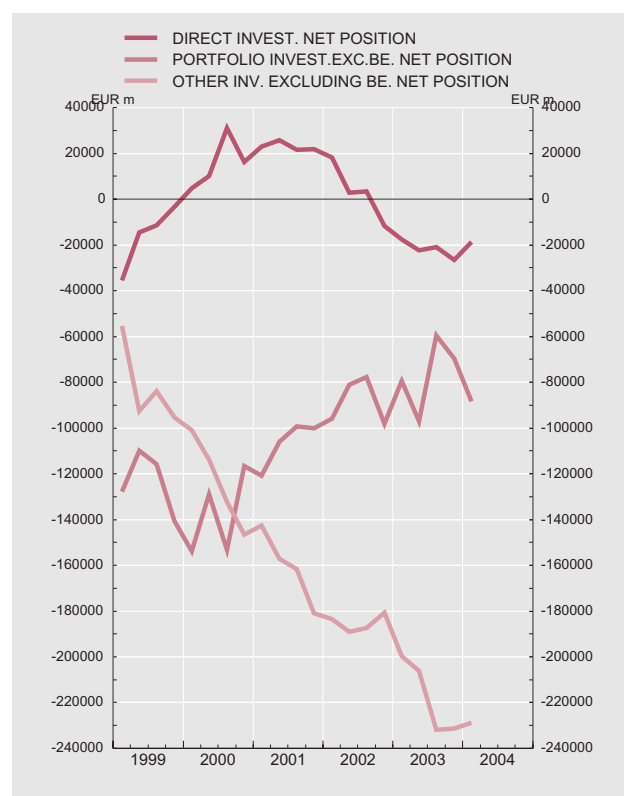
Source: BE.

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 RESIDENTS AND THE REST OF THE WORLD. BREAKDOWN BY INVESTMENT

■ Series depicted in chart.

End-of-period stocks in EUR millions

		Direct investment			Portfolio investment, 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 Q1		167 112	16 908	132 506	28 605	79 346	121 483	152 351	169 420	216 070	333 114
Q2		185 414	18 745	144 585	33 873	80 549	138 834	149 410	175 902	206 909	336 599
Q3		181 808	20 547	146 839	34 073	66 943	141 547	124 216	183 499	198 533	333 700
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	20 628	148 624	45 704	75 523	169 677	148 497	192 530	194 791	353 268
Q2		186 114	16 699	154 641	45 363	65 240	180 543	128 578	198 265	200 085	362 988
Q3	R	186 791	18 473	154 339	47 575	56 609	183 901	103 690	214 485	206 103	366 210
Q4		196 880	17 065	174 445	51 173	50 709	209 037	116 990	240 890	208 235	367 210
03 Q1		199 100	17 496	183 166	51 182	47 502	234 268	116 385	244 806	209 345	385 174
Q2		197 605	17 613	185 992	51 715	51 786	242 998	133 836	258 061	210 486	390 192
Q3		204 718	16 228	187 742	54 097	58 748	267 719	130 619	255 529	203 789	413 239
Q4		206 285	15 265	185 912	62 122	66 035	276 559	147 892	264 295	204 594	417 309
04 Q1		211 138	17 060	185 673	61 368	74 710	292 525	153 513	301 973	217 896	423 364

SPANISH INVESTMENT ABROAD

— DIRECT INVESTMENT
— PORTFOLIO INVESTMENT, INC. BE
— OTHER INVESTMENT, INCLUDING BE

FOREIGN INVESTMENT IN SPAIN

— DIRECT INVESTMENT
— PORTFOLIO INVESTMENT, INC. BE
— OTHER INVESTMENT, INCLUDING BE

Source: BE.
Nota: See footnote to Indicator 7.6

7.8. SPANISH RESERVE ASSETS

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
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 *Jan*	37 232	29 123	1 468	331	5 747	563	16.8
Feb	36 768	29 100	1 467	337	5 426	439	16.8
Mar	35 436	27 950	1 455	334	5 180	517	16.8
Apr	34 290	26 626	1 503	329	5 084	748	16.8
May	31 576	23 586	1 446	318	5 169	1 056	16.8
Jun	31 326	23 650	1 531	330	5 083	731	16.8
Jul	28 307	20 490	1 536	332	5 297	653	16.8
Aug	27 436	19 336	1 625	340	5 763	373	16.8
Sep	25 395	17 626	1 579	330	5 553	306	16.8
Oct	25 744	17 528	1 505	332	5 592	787	16.8
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

**RESERVE ASSETS
END-OF-YEAR POSITIONS**
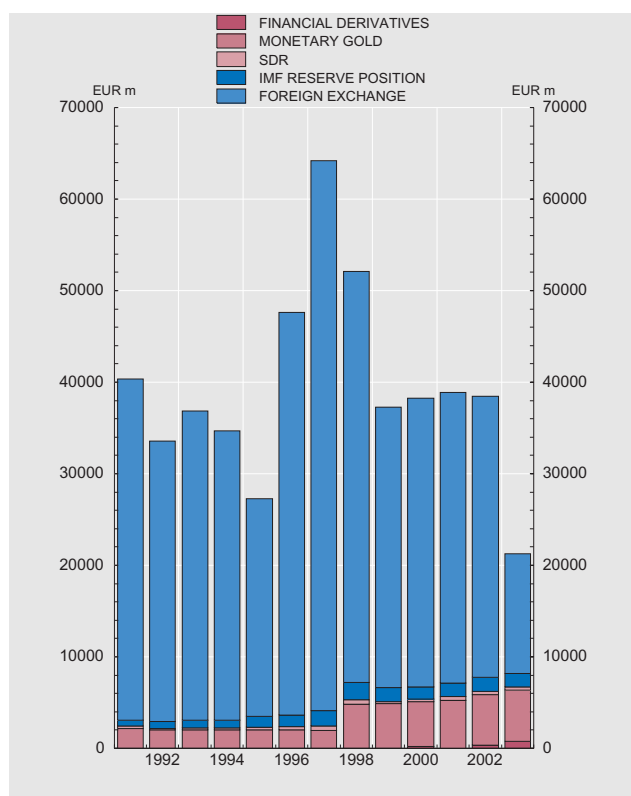
**RESERVE ASSETS
END-OF-MONTH POSITIONS**
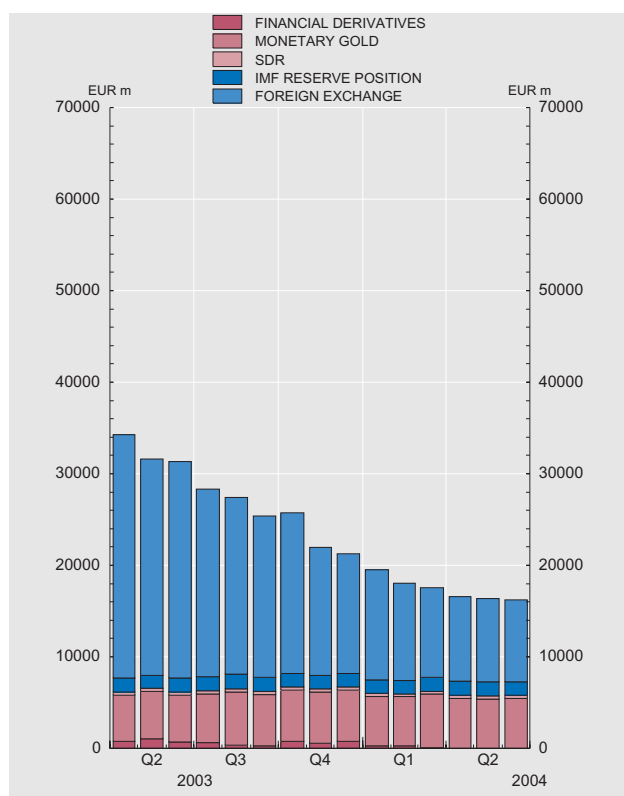
Source: BE.

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*

		General government						Other monetary financial institutions				
Total	Total	Short-term		Long-term			Total	Short-term		Long-term	
		Money market instruments	Loans	Bonds and notes	Loans	Trade credits		Money market instruments	Deposits	Bonds and notes	Deposits
1	2	3	4	5	6	7	8	9	10	11	12
02 *Q4* 670 173	190 973	1 452	1 069	178 105	10 348	-	307 780	338	154 007	34 197	119 237
03 *Q1* 693 082	181 335	2 191	707	168 191	10 247	-	328 115	306	165 842	39 473	122 493
Q2 713 657	186 292	3 061	264	173 132	9 835	-	339 603	314	170 813	44 738	123 738
Q3 739 771	176 960	3 609	1 777	161 829	9 745	-	362 674	344	183 339	49 190	129 801
Q4 763 958	171 864	4 471	332	157 189	9 872	-	374 118	317	187 752	56 356	129 693
04 *Q1* 807 536	188 045	3 761	486	173 516	10 282	-	392 050	604	186 501	71 478	133 467

7.9.(CONT.) 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 instruments	Loans	Other liabilities	Bonds and notes	Loans	Trade credits	Other liabilities		Direct investors	Subsidiaries
13	14	15	16	17	18	19	20	21	22	23	24	25
02 *Q4* 1 371	1 371	107 976	3 001	19 770	78	23 797	60 588	438	304	62 073	32 765	29 308
03 *Q1* 798	798	119 732	2 678	19 148	123	31 967	64 842	435	539	63 102	32 776	30 326
Q2 870	870	121 488	2 497	17 743	77	34 319	65 843	427	581	65 405	32 942	32 463
Q3 313	313	128 820	2 417	20 322	78	38 138	66 957	408	499	71 004	32 451	38 553
Q4 92	92	135 529	2 295	19 185	-	43 667	69 581	393	409	82 354	38 149	44 205
04 *Q1* 62	62	145 180	2 319	20 242	308	50 295	71 212	394	409	82 199	34 896	47 303

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 Jan	216 134	171 227	45 000	-	44	194	331	78 901	343 292	1 621	357 455	91 443	4 633	130 571	2 029
Feb	214 155	169 101	45 000	-	30	215	190	77 507	341 834	6 205	355 613	85 081	2 911	131 708	2 029
Mar	226 881	181 762	45 000	-	22	176	80	92 269	349 423	16 524	350 769	77 092	3 144	129 438	2 029
Apr	225 887	181 136	44 982	-	14	88	332	86 415	361 691	3 881	333 632	54 475	4 102	133 342	2 029
May	223 549	178 317	44 980	-175	21	580	174	87 720	366 841	1 040	332 823	52 662	4 657	129 143	2 029
Jun	242 725	197 701	44 990	-	58	295	320	101 582	375 152	7 666	330 087	48 852	5 590	133 523	2 029
Jul	254 311	209 174	45 000	-	28	434	324	114 625	385 074	10 053	317 476	36 974	5 239	132 418	2 029
Aug	255 246	210 142	44 995	-	25	169	86	116 331	392 180	5 045	315 573	34 679	4 933	131 952	2 029
Sep	262 453	218 091	44 995	-	30	74	738	122 059	392 051	13 425	315 294	31 878	4 982	133 383	2 029
Oct	247 661	202 783	45 000	-	28	100	250	110 659	396 275	-48	322 998	37 431	4 604	130 368	2 029
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	300 769	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

8.1.B BALANCE SHEET OF THE BANCO DE ESPAÑA. NET LENDING TO CREDIT INSTITUTIONS AND ITS COUNTERPARTS

Average of daily data, EUR millions

	Net lending							Counterparts									
	Total	Open market operations				Standing facilities		Autonomous factors					Other liabilities (net) in euro			Actual reserves of credit institutions	Banco de España certificates
		Main refinancing operations	Longer-term refinancing operations	Fine-tuning and structural reverse operations (net)	Other	Marginal lending facility	Deposit facility	Total	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 Jan	15 510	14 845	670	-	8	1	13	25 487	52 831	3 594	40 512	9 574	-21 385	-21 064	-322	11 409	-
Feb	13 802	12 818	982	-	2	-	0	23 953	52 233	3 482	40 161	8 400	-21 027	-20 511	-515	10 875	-
Mar	16 858	15 631	1 228	-	-3	1	0	26 245	53 103	4 618	39 800	8 324	-21 571	-20 738	-834	12 184	-
Apr	15 460	14 563	900	-	-3	-	-	28 617	54 799	5 628	37 706	5 897	-24 679	-23 845	-833	11 522	-
May	16 142	15 771	367	-	4	-	-	29 707	54 804	6 792	36 619	4 730	-25 126	-24 535	-591	11 562	-
Jun	17 225	17 096	123	-	6	-	0	31 927	55 832	8 040	35 483	3 538	-26 074	-25 645	-429	11 371	-
Jul	18 096	17 719	410	-	5	-	37	30 278	57 570	5 051	32 508	165	-24 062	-23 644	-418	11 880	-
Aug	30 083	28 880	1 209	-	-5	-	30	30 350	57 898	4 681	29 732	-2 497	-12 216	-11 568	-648	11 949	-
Sep	26 635	25 331	1 311	-	-1	-	6	29 945	57 317	6 077	28 723	-4 726	-16 374	-15 599	-775	13 064	-
Oct	22 461	21 098	1 374	-	-1	0	11	29 058	57 688	6 847	28 698	-6 780	-18 702	-17 669	-1 033	12 105	-
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	-

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

■ Series depicted in chart.

EUR millions and %

	Cash and cash equivalents					Other liabilities of credit institutions					Mutual funds shares					Memorandum items		
		12-month % change						12-month % change					12-month % change			12-month % change		
	Stocks	12-month % change Cash	Cash	Sight deposits	Savings deposits (b)	Stocks	12 month % change	Other deposits (c)	Repos + credit institutions' securities	Deposits in branches abroad	Stocks	12-month % change	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
01	291 310	6.8	-21.3	16.0	11.8	251 335	9.6	13.0	7.1	-20.6	155 663	-1.8	33.8	20.4	-17.5	9.6	10.0	10.4
02	321 912	10.5	22.2	10.3	6.5	265 287	5.6	6.9	0.7	4.2	145 758	-6.4	14.1	8.6	-21.3	8.6	8.6	5.6
03	360 753	12.1	21.0	7.8	13.1	277 390	4.6	2.2	15.7	-2.7	168 406	15.5	10.1	24.9	14.8	8.8	9.6	10.3
03 *Feb*	319 296	12.0	24.7	12.8	6.7	269 333	5.9	5.7	4.7	11.4	148 824	-2.0	17.5	23.2	-21.1	9.7	10.4	10.8
Mar	326 272	12.7	34.9	12.6	5.5	269 420	5.3	4.6	7.1	8.4	150 592	-2.6	13.9	26.9	-21.9	9.6	10.4	9.1
Apr	326 374	13.4	31.8	13.3	7.1	268 516	4.2	3.8	8.2	-1.8	154 491	1.0	14.6	28.6	-16.7	9.5	10.4	10.0
May	329 773	13.1	27.3	12.4	8.6	272 197	5.8	5.6	8.5	-0.3	157 560	3.2	13.2	31.7	-13.3	9.9	11.0	10.8
Jun	343 523	11.5	24.6	9.0	9.6	270 061	3.8	4.2	7.1	-9.4	161 029	7.1	13.3	34.0	-7.3	8.4	9.6	10.2
Jul	344 605	13.2	22.9	11.2	11.6	267 824	2.5	2.5	4.3	-2.9	162 951	10.5	14.7	34.6	-2.1	8.7	9.9	11.1
Aug	343 583	13.3	22.2	11.9	11.3	270 396	2.5	1.9	5.3	0.7	163 547	10.6	15.6	31.7	-1.5	8.8	9.9	10.8
Sep	346 448	12.4	21.3	10.0	11.7	268 491	2.6	2.5	4.9	-2.5	162 940	12.1	14.7	28.5	2.9	8.4	9.4	10.1
Oct	343 646	12.7	21.7	9.5	12.6	270 344	1.6	0.4	12.2	-13.1	165 460	12.4	12.8	25.8	6.1	8.0	8.8	10.9
Nov	354 680	12.6	21.7	8.9	13.0	271 322	2.2	0.5	12.9	-9.2	166 941	12.7	11.3	25.5	7.8	8.1	9.0	11.3
Dec	360 753	12.1	21.0	7.8	13.1	277 390	4.6	2.2	15.7	-2.7	168 406	15.5	10.1	24.9	14.8	8.8	9.6	10.3
04 *Jan*	355 419	12.8	21.2	8.8	13.8	276 057	3.1	2.1	7.2	3.2	171 015	17.8	6.1	22.7	24.0	8.2	8.9	9.1
Feb	358 751	12.4	20.6	8.6	13.1	274 853	2.0	2.1	9.0	-18.4	173 801	16.8	3.4	9.2	31.2	7.3	7.4	10.5
Mar	363 354	11.4	20.1	7.4	12.2	274 679	2.0	3.0	4.3	-18.3	177 543	17.9	3.1	10.4	33.6	6.8	7.0	10.0
Apr P	363 068	11.2	19.8	7.2	12.2	276 778	3.1	3.6	7.1	-15.1	179 717	16.3	3.0	8.7	30.6	7.2	7.3	9.5
May P	370 234	12.3	18.6	10.2	11.9	277 033	1.8	2.4	2.8	-9.9	180 101	14.3	3.7	4.0	28.0	7.2	7.1	9.3

NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHs
Annual percentage change
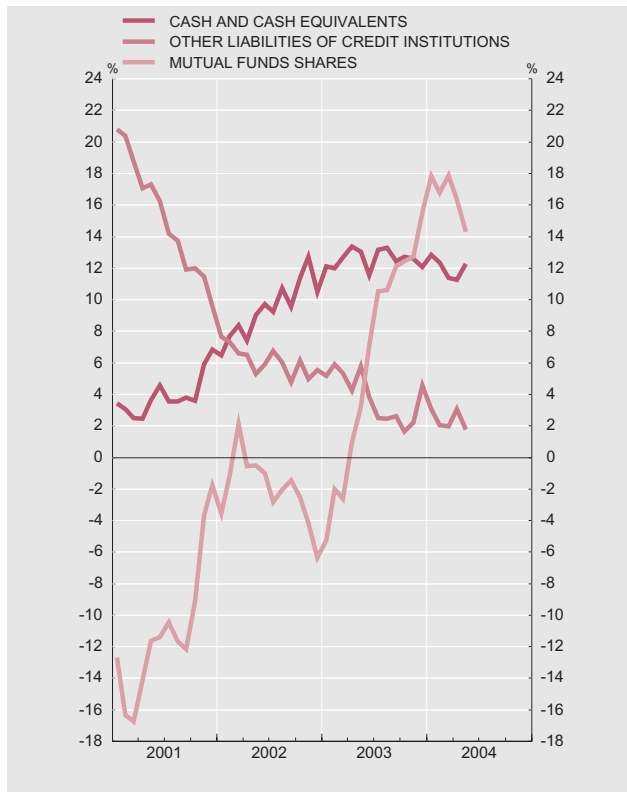
NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISHs
Annual percentage change
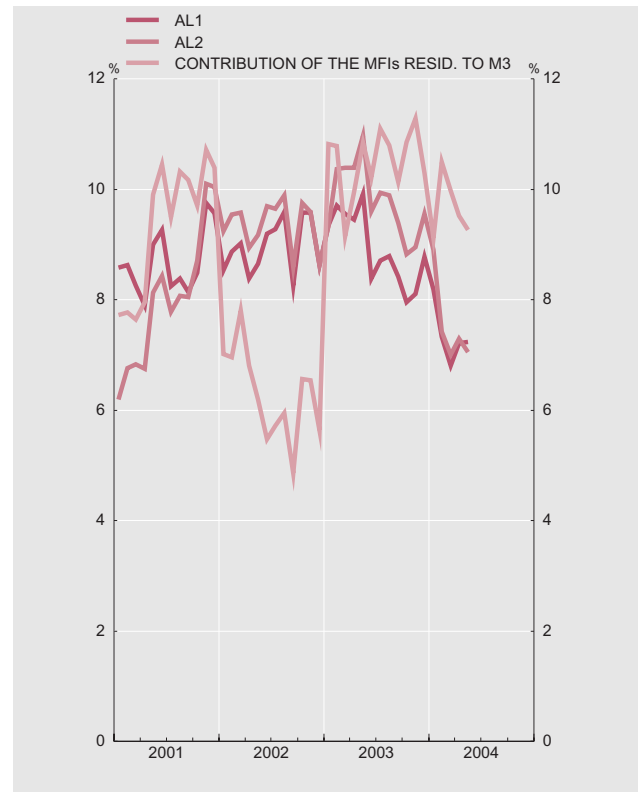
Source: BE.

(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)				
				Annual growth rate				Annual growth rate				Annual growth rate	
		Stocks	Annual growth rate	Cash and shigt deposits	Sa-ving deposits (c)	Stocks	Annual growth rate	Other deposits (d)	Repos + credit instit.' securit.+ dep. in branches abroad	Stocks	Annual growth rate	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
01		66 520	19.9	20.2	10.7	42 942	8.8	16.7	4.9	15 282	-2.2	86.1	14.1	-21.8
02		77 375	16.3	15.6	39.5	47 128	9.7	19.1	4.6	13 730	-10.2	16.3	2.5	-25.7
03		83 696	8.2	7.9	15.6	57 315	21.6	39.2	10.5	14 954	8.9	10.3	14.5	5.3
03 *Feb*		76 047	19.3	18.6	38.8	47 380	11.6	17.1	8.3	14 126	-5.6	18.6	17.3	-24.9
Mar		79 709	22.0	21.7	31.0	48 864	13.5	15.3	12.4	14 353	-5.9	14.4	21.4	-25.3
Apr		77 684	19.3	19.2	21.5	47 743	11.6	16.1	8.8	15 621	1.6	15.4	30.1	-15.7
May		78 293	17.8	17.6	23.8	53 270	24.9	47.1	11.2	16 875	8.0	14.5	40.3	-7.7
Jun		81 835	14.5	14.3	20.6	52 121	21.5	46.7	5.8	18 185	16.1	14.9	49.4	3.4
Jul		78 825	13.8	13.8	14.9	50 605	18.5	44.8	1.5	16 931	10.4	12.5	35.6	-1.4
Aug		79 040	15.2	15.1	18.1	52 196	20.2	46.3	3.5	15 490	0.7	9.8	17.9	-11.9
Sep		80 696	13.6	13.2	24.7	52 319	20.4	47.5	3.1	13 959	-7.6	5.4	0.6	-19.5
Oct		77 600	9.7	9.4	17.8	53 307	20.1	38.8	7.8	14 347	-3.2	6.6	3.7	-12.5
Nov		82 550	10.7	10.0	28.3	53 605	19.4	39.8	5.7	14 646	1.4	8.2	9.0	-6.3
Dec		83 696	8.2	7.9	15.6	57 315	21.6	39.2	10.5	14 954	8.9	10.3	14.5	5.3
04 *Jan*		81 161	7.5	6.8	27.0	51 523	11.0	39.9	-6.3	15 543	13.3	13.6	12.4	13.5
Feb		82 033	7.9	8.4	-4.6	52 172	10.1	30.4	-3.2	16 118	14.1	17.4	-0.2	20.0
Mar		84 137	5.6	5.9	-2.5	52 420	7.3	33.8	-9.4	16 824	17.2	24.2	0.8	21.9
Apr	P	82 595	6.3	6.4	5.5	53 871	12.8	34.4	-1.4	17 026	9.0	20.7	-7.7	10.9
May	P	86 379	10.3	10.7	1.7	54 253	1.8	11.7	-6.3	17 073	1.2	18.2	-17.5	1.5

NON-FINANCIAL CORPORATIONS
Annual percentage change
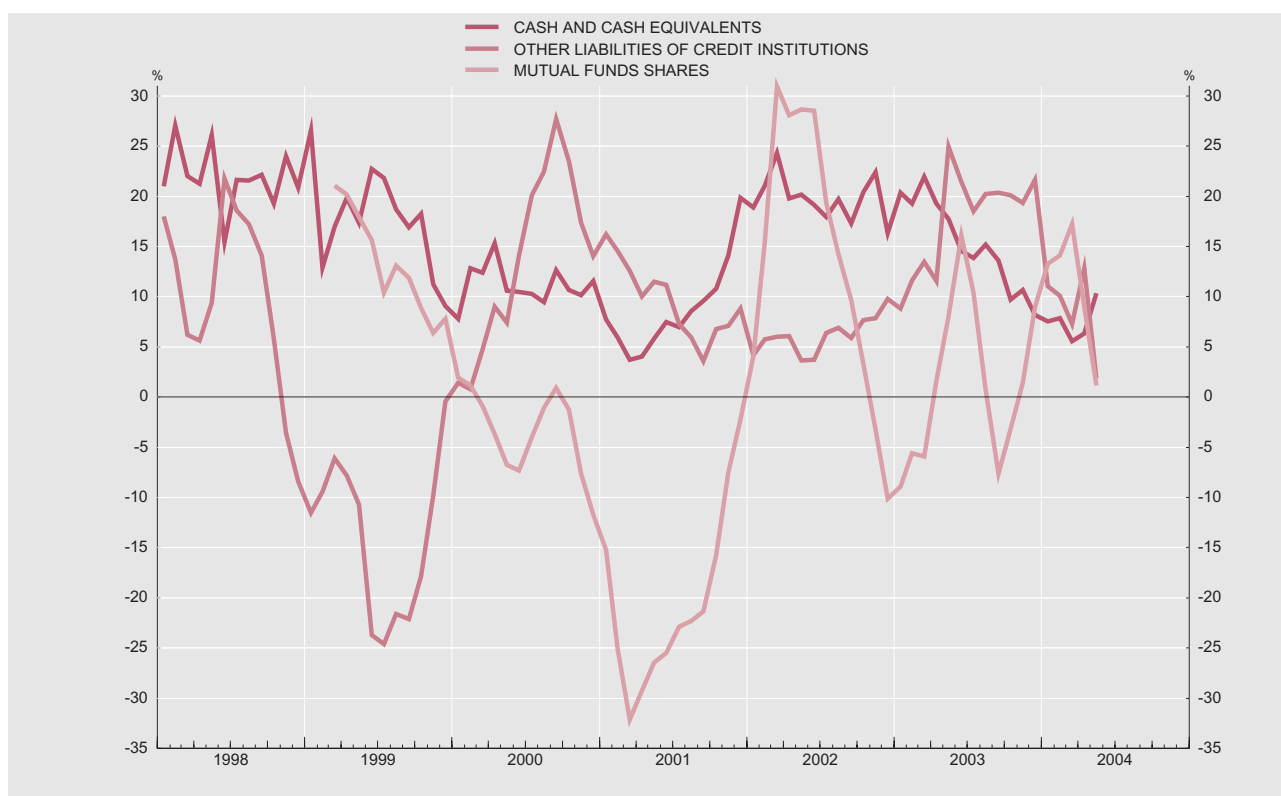
— CASH AND CASH EQUIVALENTS
— OTHER LIABILITIES OF CREDIT INSTITUTIONS
— MUTUAL FUNDS SHARES

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)				
			Annual growth rate					Annual growth rate				Annual growth rate		
	Stocks	Annual growth rate	Cash	Shight deposits	Saving deposits (c)	Stocks	Annual growth rate	Other deposits (d)	Repos + credit instit.' securit.+ dep. in branches abroad	Stocks	Annual growth rate	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
01	224 789	3.5	-22.6	12.1	11.8	208 393	9.8	12.7	-3.1	140 381	-1.7	30.2	21.2	-16.9
02	244 537	8.8	20.0	6.9	5.9	218 160	4.7	5.8	-1.1	132 028	-6.0	13.9	9.3	-20.8
03	277 058	13.3	21.3	8.2	13.0	220 075	0.9	-1.4	13.3	153 452	16.2	10.1	25.9	15.8
03 *Feb*	243 249	9.9	22.9	8.9	6.1	221 953	4.7	4.7	4.9	134 699	-1.6	17.3	23.8	-20.7
Mar	246 564	10.0	33.2	5.8	5.0	220 556	3.7	3.7	3.7	136 239	-2.2	13.8	27.5	-21.5
Apr	248 690	11.7	30.4	9.2	6.8	220 773	2.8	2.7	3.2	138 870	0.9	14.5	28.5	-16.8
May	251 481	11.7	26.2	8.7	8.3	218 927	2.0	1.8	2.7	140 686	2.7	13.1	30.7	-14.0
Jun	261 688	10.6	23.7	4.8	9.3	217 941	0.3	0.3	0.6	142 844	6.0	13.1	32.2	-8.6
Jul	265 781	13.0	22.2	9.7	11.5	217 219	-0.7	-1.4	3.3	146 020	10.6	14.9	34.5	-2.2
Aug	264 544	12.7	21.7	9.6	11.2	218 200	-1.0	-2.2	4.6	148 057	11.8	16.3	33.4	-0.3
Sep	265 751	12.1	21.0	7.5	11.4	216 171	-0.9	-1.7	3.1	148 981	14.4	15.7	31.8	5.5
Oct	266 045	13.6	21.5	10.3	12.5	217 037	-2.0	-3.2	4.1	151 113	14.2	13.5	28.3	8.2
Nov	272 130	13.2	21.8	8.4	12.7	217 718	-1.3	-3.3	9.2	152 295	13.9	11.7	27.3	9.4
Dec	277 058	13.3	21.3	8.2	13.0	220 075	0.9	-1.4	13.3	153 452	16.2	10.1	25.9	15.8
04 *Jan*	274 258	14.5	21.5	11.4	13.5	224 534	1.4	-1.5	16.4	155 473	18.3	5.3	23.8	25.1
Feb	276 719	13.8	20.9	9.2	13.5	222 681	0.3	-0.8	5.9	157 683	17.1	2.0	10.2	32.4
Mar	279 217	13.2	20.4	9.4	12.6	222 259	0.8	-0.1	5.3	160 719	18.0	1.0	11.4	34.9
Apr P	280 474	12.8	20.0	8.5	12.3	222 907	1.0	0.4	3.8	162 691	17.2	1.2	10.6	32.9
May P	283 855	12.9	18.8	10.0	12.1	222 781	1.8	1.2	4.6	163 028	15.9	2.2	6.8	31.3

HOUSEHOLDS AND NPISH
Annual percentage change
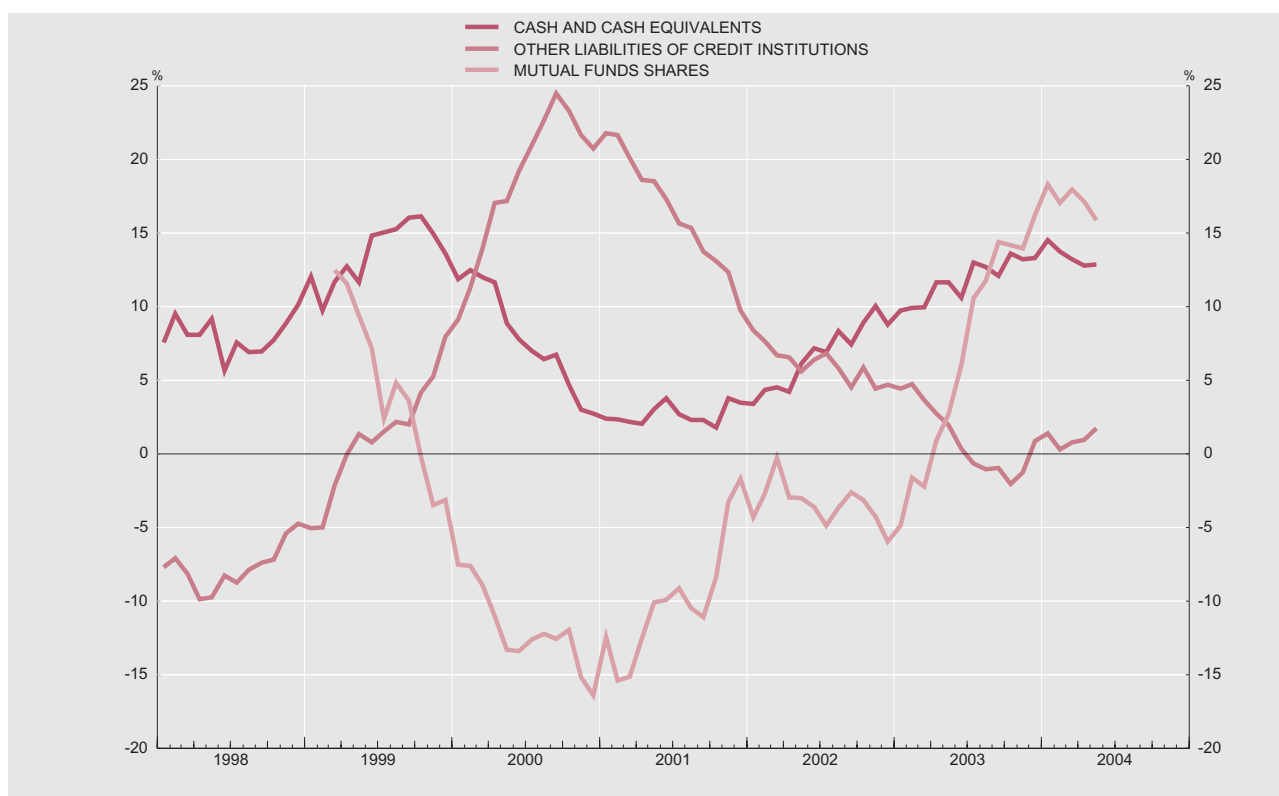
— CASH AND CASH EQUIVALENTS
— OTHER LIABILITIES OF CREDIT INSTITUTIONS
— MUTUAL FUNDS SHARES

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.

■ Series depicted in chart.

EUR millions and %

	Total			Annual growth rate							Contribution to col. 3							Memo-randum items: securi-tisa-tion funds
	Stocks	Effec-tive flow	Annual growth rate	Gene-ral go-vern-ment (b)	Non-financial corp. and households and NPISHs						Gene-ral go-vern-ment (b)	Non-financial corp. and households and NPISHs						
						By sectors		By instruments					By sectors		By instrumentss			
						Non-finan-cial corpo-rations	House-holds and NPISHs	Credit institu-tions' loans & securit. funds	Securi-ties other than shares	Exter-nal loans			Non-finan-cial corpo-rations	House-holds and NPISHs	Credit institu-tions' loans & securit. funds	Securi-ties other than shares	Exter-nal loans	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
01	1 093 226	110 743	11.3	2.0	15.6	18.1	12.3	13.8	4.9	28.4	0.6	10.6	7.0	3.6	7.9	0.1	2.7	24 568
02	1 199 040	106 612	9.8	-1.2	14.3	13.3	15.6	14.4	-16.2	17.4	-0.4	10.1	5.5	4.6	8.4	-0.2	1.9	38 989
03	1 349 153	143 186	11.9	0.4	16.1	14.2	18.7	16.5	5.4	14.6	0.1	11.8	6.0	5.8	10.0	0.1	1.7	56 848
03 Feb	1 210 356	-520	10.6	-0.5	15.0	13.6	17.1	15.6	-13.8	15.4	-0.1	10.7	5.6	5.1	9.2	-0.2	1.8	38 895
Mar	1 227 063	16 177	9.9	-0.1	13.8	12.7	15.4	14.7	-15.9	12.6	-0.0	9.9	5.3	4.6	8.6	-0.2	1.5	40 536
Apr	1 228 832	2 454	9.9	-1.6	14.3	13.2	15.9	15.7	-16.5	11.1	-0.4	10.4	5.5	4.8	9.3	-0.2	1.3	41 966
May	1 245 743	16 340	10.5	0.5	14.3	13.1	15.9	15.7	-9.9	9.6	0.1	10.4	5.5	4.8	9.3	-0.1	1.1	41 808
Jun	1 268 452	21 777	10.5	0.6	14.4	13.1	16.1	15.6	-11.1	10.5	0.2	10.4	5.5	4.9	9.3	-0.1	1.2	43 736
Jul	1 281 464	12 439	10.7	0.2	14.7	13.6	16.1	15.8	-10.5	12.1	0.1	10.6	5.7	4.9	9.4	-0.1	1.4	44 888
Aug	1 283 373	-1 303	10.9	-0.9	15.2	14.2	16.7	15.8	-9.6	14.9	-0.2	11.1	5.9	5.1	9.5	-0.1	1.7	44 978
Sep	1 294 178	12 672	11.1	0.8	14.9	13.7	16.6	15.5	-8.8	14.2	0.2	10.9	5.8	5.1	9.3	-0.1	1.7	49 887
Oct	1 302 470	6 667	11.0	0.4	14.7	12.8	17.4	15.6	-2.3	11.9	0.1	10.8	5.4	5.4	9.5	-0.0	1.4	51 373
Nov	1 320 195	16 648	11.3	0.4	15.1	12.5	18.6	16.4	0.5	9.6	0.1	11.2	5.3	5.8	10.0	0.0	1.1	52 546
Dec	1 349 153	27 953	11.9	0.4	16.1	14.2	18.7	16.5	5.4	14.6	0.1	11.8	6.0	5.8	10.0	0.1	1.7	56 848
04 Jan	1 358 503	9 526	11.6	-1.3	16.3	14.7	18.5	16.4	5.4	16.8	-0.3	12.0	6.2	5.7	9.9	0.1	2.0	57 263
Feb	1 362 589	5 181	12.1	0.6	16.1	14.2	18.7	16.6	11.9	13.9	0.2	11.9	6.1	5.9	10.2	0.1	1.7	57 523
Mar	1 383 836	20 168	12.3	0.7	16.3	13.9	19.6	17.1	17.4	12.2	0.2	12.1	5.9	6.1	10.4	0.2	1.5	58 851
Apr P	1 388 983	5 221	12.5	1.0	16.3	13.9	19.5	16.9	17.9	13.0	0.2	12.2	6.0	6.2	10.5	0.2	1.6	60 020
May P	1 409 064	20 156	12.6	0.4	16.7	14.5	19.7	17.2	8.9	14.7	0.1	12.5	6.2	6.3	10.7	0.1	1.7	61 017

FINANCING OF NON-FINANCIAL SECTORS
Annual percentage change
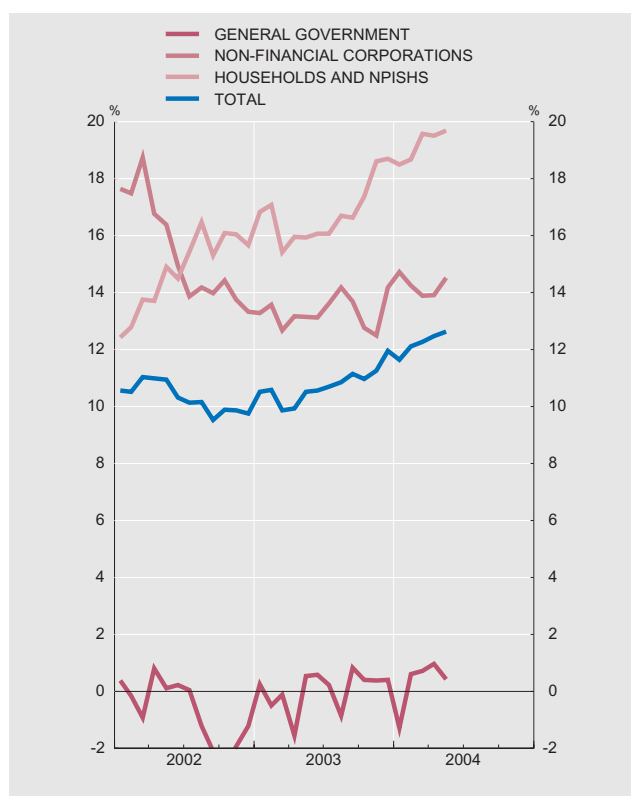
FINANCING OF NON-FINANCIAL SECTORS
Contributions to the annual percentage change
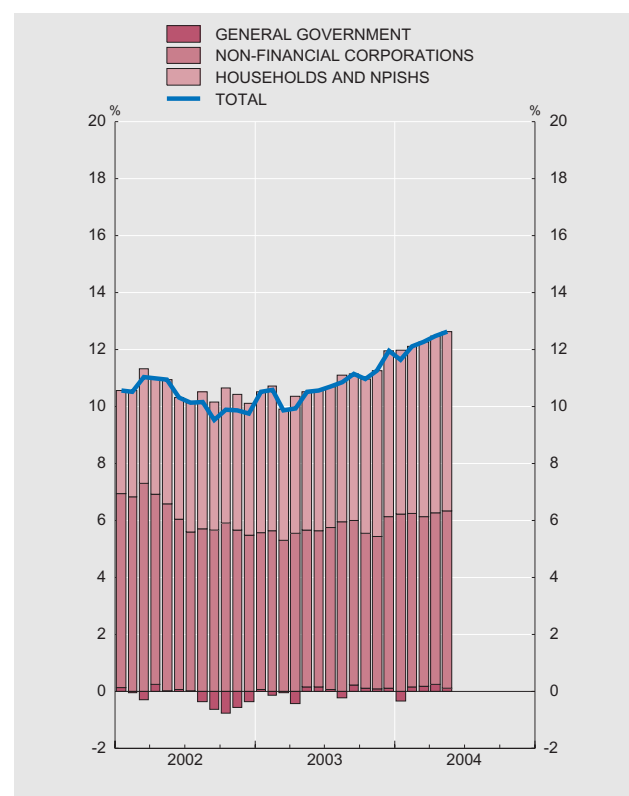
Source: BE.
GENERAL NOTE: Tables 8.2 to 8.7 were revised in September 2000, to take into account the criteria used to compile the Financial Accounts of the Spanish economy in accordance with ESA 95 (see the box appearing in the article "Evolución reciente de la economía española" in the September 2000 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
01		450 718	68 910	18.1	315 161	15.3	11.0	14 761	4.9	0.2	120 797	28.5	6.9	14 395
02		510 612	60 008	13.3	355 787	13.1	9.2	12 363	-16.2	-0.5	142 462	17.4	4.7	20 949
03		590 399	72 368	14.2	406 047	14.3	10.0	13 033	5.4	0.1	171 319	14.6	4.1	24 954
03 *Feb*		517 333	3 892	13.6	360 397	14.2	9.8	12 645	-13.8	-0.4	144 290	15.3	4.2	21 019
Mar		525 729	7 828	12.7	366 309	14.0	9.7	12 359	-15.9	-0.5	147 062	12.5	3.5	21 201
Apr		532 080	7 015	13.2	372 811	15.4	10.6	12 026	-16.5	-0.5	147 243	11.0	3.1	21 892
May		535 220	2 548	13.1	375 499	15.6	10.7	12 437	-9.9	-0.3	147 284	9.6	2.7	21 612
Jun		542 514	6 298	13.1	381 315	15.2	10.5	12 201	-11.1	-0.3	148 997	10.4	2.9	21 642
Jul		550 267	7 157	13.6	386 867	15.2	10.6	12 160	-10.5	-0.3	151 240	12.0	3.3	21 439
Aug		555 991	2 485	14.2	386 920	14.9	10.4	12 227	-9.6	-0.3	156 845	14.9	4.1	21 638
Sep		559 671	5 502	13.7	390 094	14.4	10.0	12 247	-8.8	-0.2	157 331	14.2	4.0	23 576
Oct		567 547	6 216	12.8	394 857	13.7	9.5	12 956	-2.3	-0.1	159 734	11.8	3.3	23 466
Nov		573 961	5 289	12.5	401 139	14.1	9.8	12 758	0.5	0.0	160 064	9.5	2.7	23 584
Dec		590 399	15 307	14.2	406 047	14.3	10.0	13 033	5.4	0.1	171 319	14.6	4.1	24 954
04 *Jan*		596 130	5 869	14.7	408 661	14.2	9.9	13 130	5.4	0.1	174 338	16.8	4.7	24 651
Feb		597 167	2 110	14.2	411 876	14.5	10.1	14 153	11.9	0.3	171 138	13.8	3.9	24 666
Mar		605 463	7 175	13.9	418 485	14.4	10.1	14 505	17.4	0.4	172 473	12.2	3.4	24 578
Apr	P	613 428	8 009	13.9	424 791	14.1	9.9	14 178	17.9	0.4	174 458	13.0	3.6	24 990
May	P	619 607	6 220	14.5	429 620	14.6	10.3	13 545	8.9	0.2	176 443	14.7	4.0	24 609

FINANCING OF NON-FINANCIAL CORPORATIONS
Annual percentage change

- LOANS AND SECURITISATION FUNDS
- TOTAL
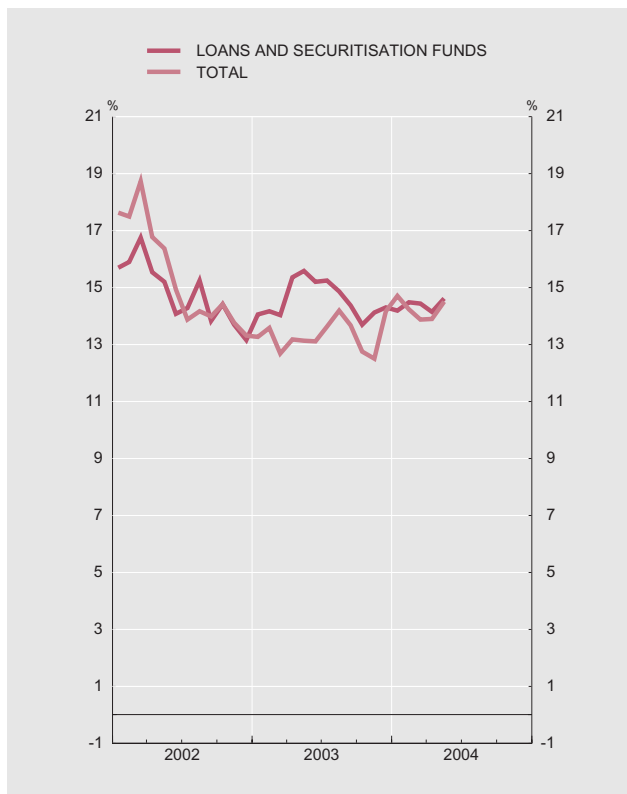
FINANCING OF NON-FINANCIAL CORPORATIONS
Contributions to the annual percentage change

- LOANS AND SECURITISATION FUNDS
- SECURITIES OTHER THAN SHARES
- EXTERNAL LOANS
- TOTAL

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
01	322 472	35 487	12.3	215 775	17.1	11.0	106 237	3.9	1.4	460	13.9	0.0	9 985	188
02	372 251	50 461	15.6	251 195	16.6	11.1	120 443	13.6	4.5	613	33.3	0.0	16 109	1 931
03	441 298	69 540	18.7	304 729	21.3	14.4	135 850	13.2	4.3	719	17.3	0.0	28 771	3 124
03 *Feb*	380 572	4 316	17.1	257 029	17.8	11.9	122 915	15.6	5.1	628	27.2	0.0	15 945	1 931
Mar	384 780	4 247	15.4	260 834	16.2	10.9	123 318	13.7	4.5	628	25.4	0.0	16 337	2 999
Apr	391 737	6 977	15.9	265 917	16.9	11.4	125 184	14.0	4.5	635	23.9	0.0	17 075	2 999
May	397 021	5 305	15.9	269 838	16.9	11.4	126 536	13.8	4.5	646	25.6	0.0	17 197	2 999
Jun	406 480	9 522	16.1	274 918	16.3	11.0	130 906	15.5	5.0	657	26.5	0.0	18 907	3 187
Jul	412 508	6 052	16.1	280 742	16.6	11.2	131 093	14.9	4.8	673	31.7	0.0	20 262	3 187
Aug	414 649	2 168	16.7	283 510	17.1	11.7	130 463	15.8	5.0	676	22.3	0.0	20 153	3 187
Sep	419 118	4 515	16.6	287 606	16.7	11.5	130 821	16.4	5.1	692	24.0	0.0	23 153	3 157
Oct	426 691	7 608	17.4	293 668	18.6	12.6	132 319	14.8	4.7	705	23.1	0.0	24 749	3 157
Nov	437 240	10 599	18.6	299 288	19.4	13.2	137 240	16.9	5.4	712	18.4	0.0	25 804	3 157
Dec	441 298	4 183	18.7	304 729	21.3	14.4	135 850	13.2	4.3	719	17.3	0.0	28 771	3 124
04 *Jan*	445 300	4 040	18.5	308 272	21.6	14.6	136 290	11.9	3.9	738	19.1	0.0	29 488	3 124
Feb	451 059	5 781	18.7	312 657	21.6	14.6	137 655	12.4	4.0	747	18.8	0.0	29 733	3 124
Mar	459 548	8 531	19.6	319 914	22.7	15.4	138 878	13.0	4.2	756	20.4	0.0	31 178	3 095
Apr P	467 612	8 094	19.5	325 516	22.4	15.2	141 331	13.3	4.3	765	20.4	0.0	31 935	3 095
May P	474 611	7 033	19.7	332 155	23.1	15.7	141 681	12.4	3.9	775	19.9	0.0	33 313	3 095

FINANCING OF HOUSEHOLDS AND NPISHs
Annual percentage change
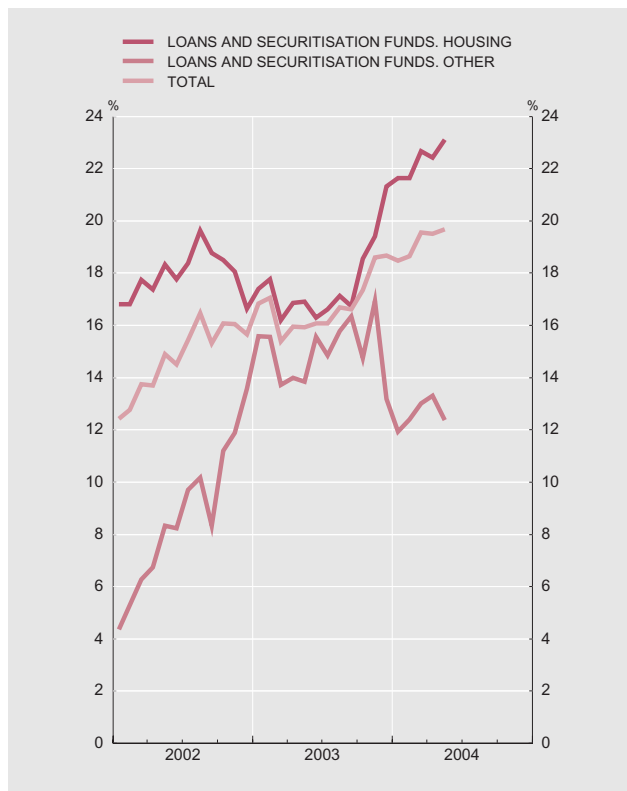
FINANCING OF HOUSEHOLDS AND NPISHs
Contributions to the annual percentage change
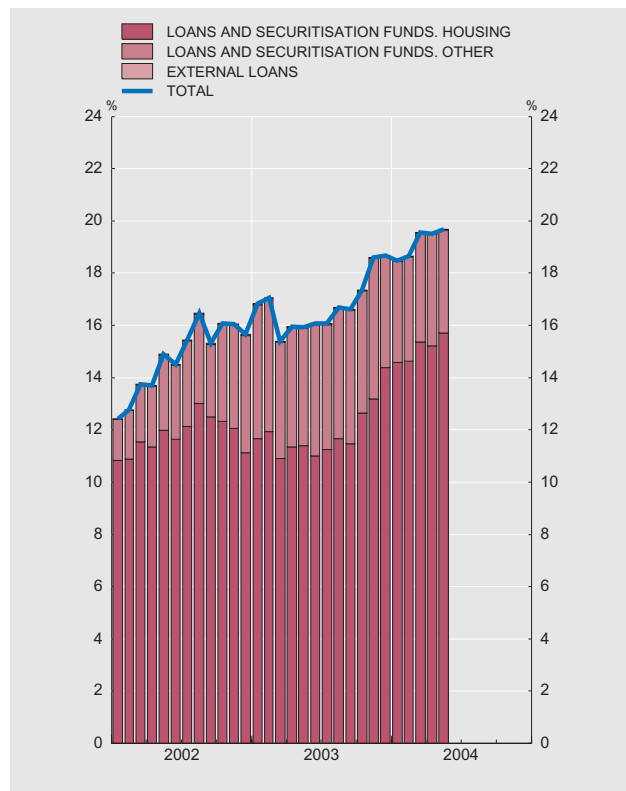
Source: BE.

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			
	Net stock of lia-bili-ties	Monthly change (columns 4-8-9)	12-month % change of col. 1	Total	Securities		Non-commer-cial loans and other (b)	Depo-sits at the Banco de Espana	Other depo-sits (c)	Total	Securities		Non-commer-cial loans and other (a)	Assets	Securities		Non-commer-cial loans and other (a)	Assets
					Short-term	Medium and long-term					Short-term	Medium and long-term			Short-term	Medium and long-term		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
01	320 035	6 346	2.0	3 387	-8 901	13 518	-1 230	17 060	14 101	0.9	-19.5	5.0	-2.2	-4.9	-2.8	4.3	-0.4	0.9
02	316 178	-3 858	-1.2	4 878	59	6 322	-1 503	1 785	6 950	1.3	0.2	2.2	-2.7	15.2	0.0	2.0	-0.5	-2.7
03	P 317 456	1 278	0.4	-1 318	3 049	-4 710	343	1 767	-4 363	-0.3	8.3	-1.6	0.6	-3.9	1.0	-1.5	0.1	0.8
02 *Dec*	316 178	8 361	-1.2	2 232	-591	1 112	1 710	-240	-5 890	1.3	0.2	2.2	-2.7	15.2	0.0	2.0	-0.5	-2.7
03 *Jan*	P 321 179	5 001	0.3	-4 820	3 038	-8 130	272	283	-10 104	0.1	9.3	-0.7	-1.9	-0.7	1.1	-0.6	-0.3	0.1
Feb	P 312 451	-8 728	-0.5	2 039	-850	3 475	-586	-6	10 773	1.7	6.2	2.2	-4.3	13.1	0.7	2.0	-0.8	-2.5
Mar	P 316 554	4 102	-0.1	296	443	-29	-119	316	-4 122	0.8	7.6	0.3	-1.5	5.4	0.9	0.3	-0.3	-1.0
Apr	P 305 016	-11 538	-1.6	7 004	812	5 343	848	2 833	15 709	1.7	9.4	1.0	0.5	16.2	1.1	0.9	0.1	-3.7
May	P 313 502	8 487	0.5	-1 619	-439	-1 039	-140	27	-10 132	0.5	8.4	-0.5	0.4	0.3	1.0	-0.5	0.1	-0.1
Jun	P 319 458	5 956	0.6	2 100	-342	2 745	-303	-144	-3 712	1.7	8.3	1.3	-1.0	7.1	1.0	1.2	-0.2	-1.4
Jul	P 318 688	-770	0.2	-2 639	853	-4 332	840	-1 631	-237	2.2	5.1	2.3	-0.3	12.8	0.6	2.0	-0.1	-2.3
Aug	P 312 733	-5 955	-0.9	-5 691	-840	-3 871	-980	224	41	1.4	10.1	0.3	1.7	13.8	1.1	0.2	0.3	-2.5
Sep	P 315 389	2 656	0.8	1 729	-5	2 053	-319	-13	-914	0.4	7.0	-0.7	2.1	-1.6	0.8	-0.7	0.3	0.3
Oct	P 308 233	-7 156	0.4	-2 236	-194	-1 662	-381	-459	5 380	-0.7	5.7	-1.9	1.9	-5.1	0.7	-1.8	0.3	1.2
Nov	P 308 993	761	0.4	1 489	813	1 773	-1 097	64	664	-0.0	7.2	-0.9	-0.5	-1.8	0.9	-0.8	-0.1	0.4
Dec	P 317 456	8 463	0.4	1 028	-242	-1 037	2 308	275	-7 709	-0.3	8.3	-1.6	0.6	-3.9	1.0	-1.5	0.1	0.8
04 *Jan*	A 317 073	-383	-1.3	3 539	-236	3 676	99	-1 730	5 651	1.9	-0.6	2.5	0.3	19.8	-0.1	2.2	0.1	-3.5
Feb	A 314 363	-2 710	0.6	-354	-3 632	2 968	310	-11	2 367	1.2	-7.7	2.3	2.0	4.1	-1.0	2.1	0.3	-0.9
Mar	A 318 826	4 463	0.7	2 712	1 618	629	465	499	-2 250	1.9	-4.6	2.5	3.1	7.6	-0.6	2.3	0.5	-1.5
Apr	A 307 943	-10 882	1.0	-869	-2 376	1 451	56	11	10 003	-0.2	-12.5	1.1	1.6	-4.6	-1.6	1.1	0.3	1.2
May	A 314 847	6 903	0.4	1 265	2 714	-1 780	330	-61	-5 578	0.5	-4.7	0.9	2.5	1.0	-0.6	0.8	0.4	-0.2

NET FINANCING OF GENERAL GOVERNMENT
Annual percentage changes

- SHORT-TERM SECURITIES
- MEDIUM AND LONG-TERM SECURITIES
- NON-COMMERCIAL LOANS AND OTHER
- ···· TOTAL
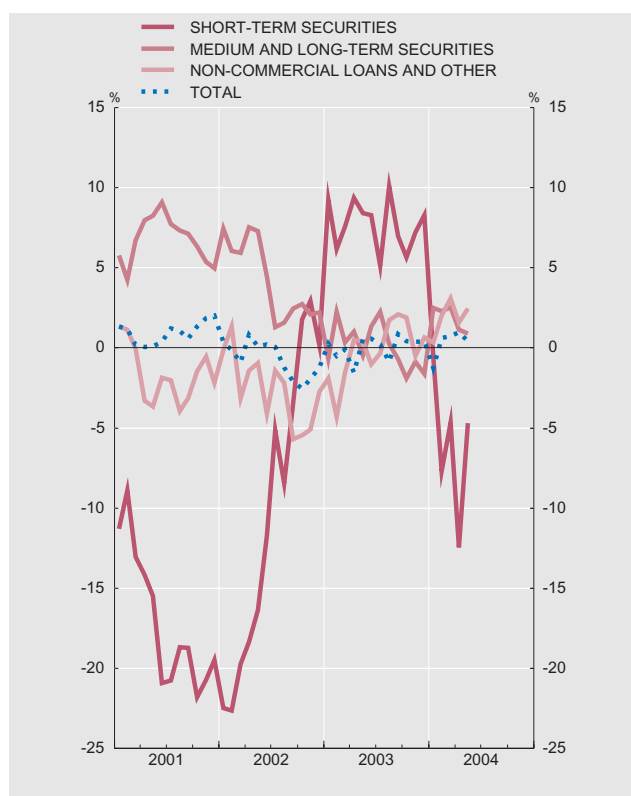
NET FINANCING OF GENERAL GOVERNMENT
Contributions to the annual percentage change

- SHORT-TERM SECURITIES
- MEDIUM AND LONG-TERM SECURITIES
- NON-COMMERCIAL LOANS AND OTHER
- ASSETS
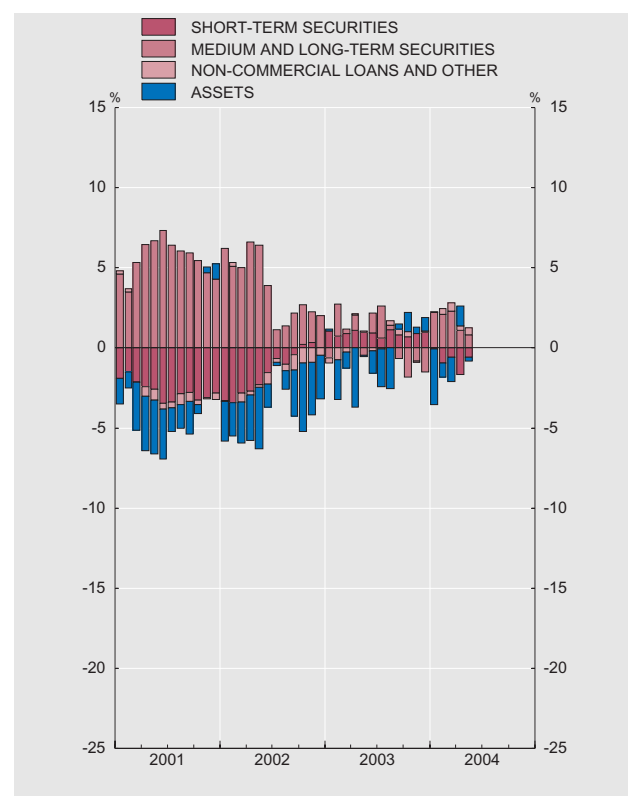
Source: BE.

(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			Purchases of consumer durables	Other (b)		
								Total	Purchases	Improvements				
	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	412 054	16 402	85 829	65 784	244 040	372 013	275 958	263 192	12 766	35 136	60 919	3 002	15 144
01 *Q1*	564 120	299 581	12 764	76 144	42 368	168 306	251 694	183 189	175 505	7 684	28 331	40 175	2 215	10 629
Q2	592 071	313 118	12 946	78 850	44 684	176 638	266 945	193 427	185 449	7 978	31 034	42 483	2 264	9 745
Q3	603 049	317 262	13 215	81 899	44 957	177 191	273 224	198 747	190 559	8 188	31 826	42 651	2 282	10 280
Q4	624 854	330 591	13 320	82 959	46 412	187 901	281 789	205 790	197 192	8 598	33 076	42 922	2 394	10 079
02 *Q1*	640 193	334 865	13 420	82 689	47 487	191 269	293 673	214 354	205 404	8 949	34 671	44 648	2 382	9 273
Q2	664 446	343 191	13 980	81 235	50 770	197 207	308 555	225 521	216 080	9 441	35 466	47 568	2 287	10 413
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	412 054	16 402	85 829	65 784	244 040	372 013	275 958	263 192	12 766	35 136	60 919	3 002	15 144
04 *Q1*	832 734	428 593	16 973	85 326	68 171	258 123	386 179	288 736	275 107	13 629	36 201	61 242	3 108	14 854

CREDIT BY END-USE
Annual percentage changes

TOTAL
PRODUCTIVE ACTIVITIES
INDIVIDUALS
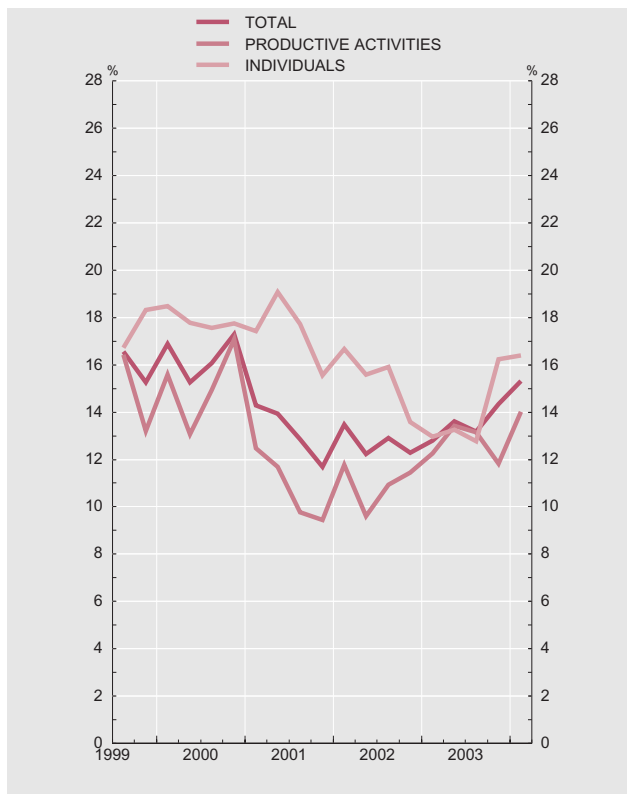
CREDIT TO INDIVIDUALS BY END-USE
Annual percentage changes

TOTAL
HOME PURCHASES
PURCHASE OF CONSUMER DURABLES
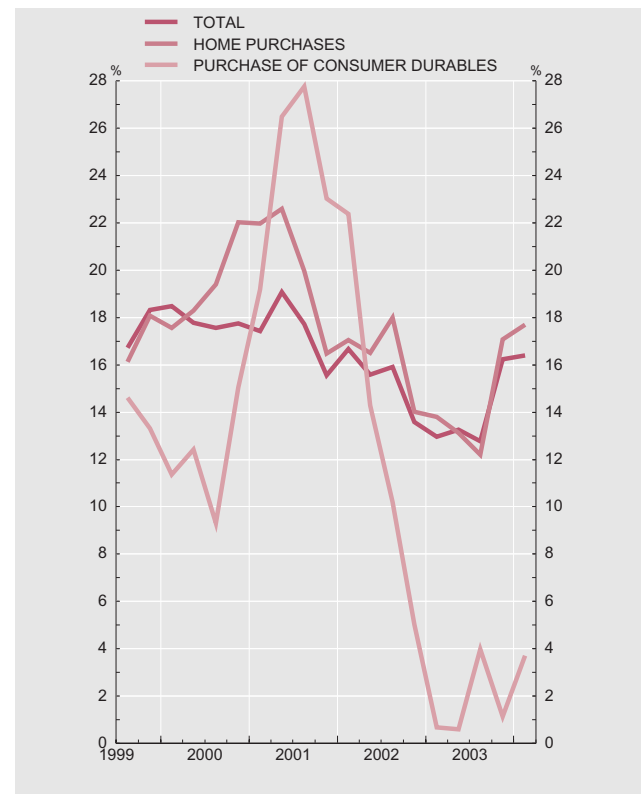
Source: BE.

(a) Series obtained from information in the accounting statement established for the supervision of resident institutions. See the changes introduced in the October 2001 edition of the Boletín estadístico and Tables 89.53, 89.54 and 89.55 of the Boletín estadístico, which are published at www.bde.es.

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

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

■ Series depicted in chart.

	As a percentage of the adjusted average balance sheet										Percentages			
	Interest income	Interest expenses	Net interest income	Non interest income and expenses	Gross income	Operating expenses:	Of which: Staff costs	Net income	Provisions and other income and expenses	Profit before tax	Return on own funds (a)	Average return on lending operations (b)	Average cost of borrowing operations (b)	Difference (12-13)
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
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 *Q1*	5.4	3.2	2.2	0.7	2.9	1.8	1.1	1.1	-0.1	1.0	15.9	5.7	3.5	2.1
Q2	5.4	3.2	2.2	0.7	2.9	1.8	1.1	1.0	0.1	1.1	17.9	5.8	3.7	2.1
Q3	5.1	3.0	2.1	0.8	2.8	1.8	1.1	1.0	-0.3	0.7	12.0	5.8	3.7	2.1
Q4	6.2	2.8	3.4	0.7	4.2	1.9	1.1	2.3	-1.6	0.7	11.5	6.0	3.5	2.4
02 *Q1*	4.5	2.4	2.1	0.7	2.7	1.7	1.0	1.0	-0.1	0.9	14.5	5.7	3.3	2.4
Q2	4.7	2.4	2.3	0.8	3.1	1.7	1.0	1.4	-0.5	0.9	15.0	5.5	3.0	2.5
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

PROFIT AND LOSS ACCOUNT
Percentages of the adjusted average balance sheet and returns
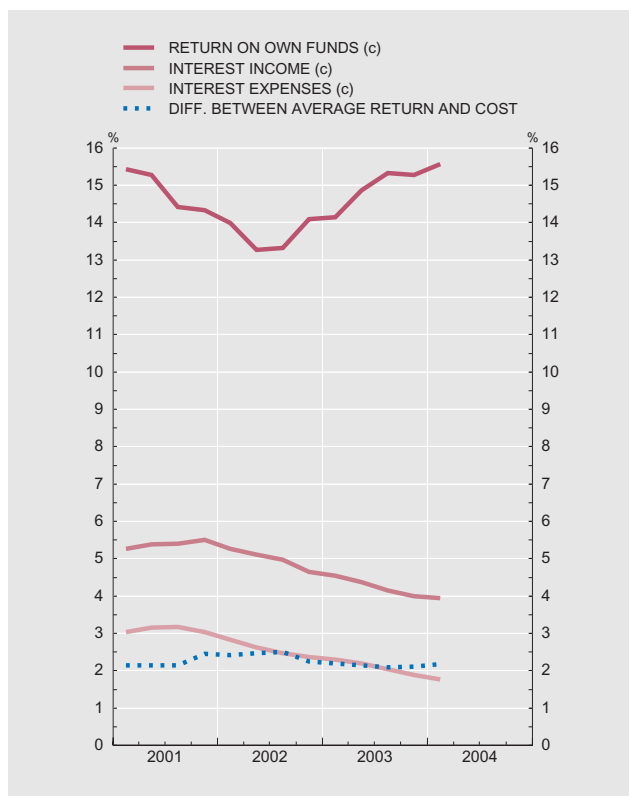
- RETURN ON OWN FUNDS (c)
- INTEREST INCOME (c)
- INTEREST EXPENSES (c)
- DIFF. BETWEEN AVERAGE RETURN AND COST

PROFIT AND LOSS ACCOUNT
Percentages of the adjusted average balance sheet

- GROSS INCOME
- NET INTEREST INCOME
- NET INCOME
- PROFIT BEFORE TAX
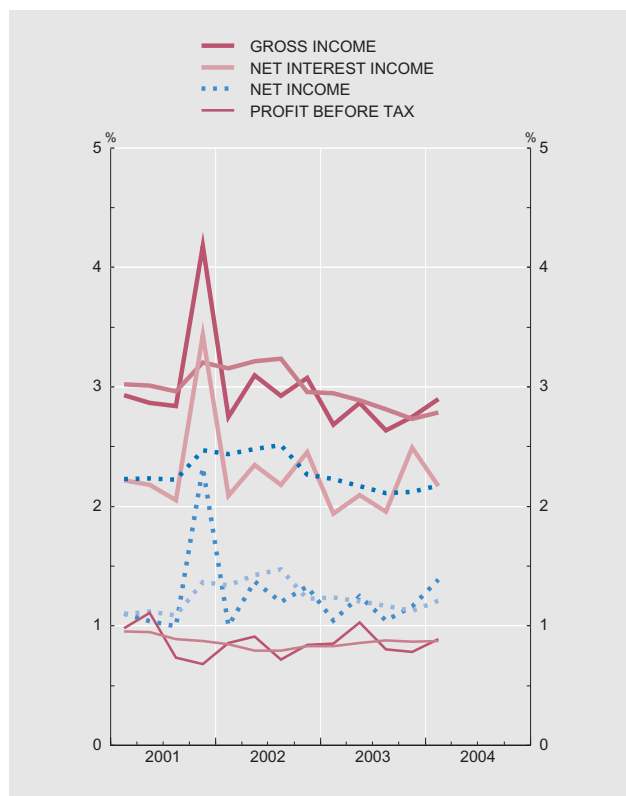
Source: BE.
Note: The underlying series for this indicator are in Table 89.61 of the BE Boletín estadístico.
(a) Profit before tax divided by own funds (capital,reserves, and general risk fund less losses from previous financial years and intangible assets).
(b) Only those financial assets and liabilities which respectively give rise to financial income and costs have been considered to calculate the 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	Monthly change	Net funds invested	Return over last 12 months	Net asset value	Monthly change	Net funds invested	Return over last 12 months	Net asset value	Monthly change	Net funds invested	Return over last 12 months	Net asset value	Monthly change	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
01	181 323	-4 746	-194	-1.5	43 830	10 462	9 798	3.5	97 246	-3 944	-47	1.9	37 494	-11 756	-5 053	-13.7	2 753
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
03 *Feb*	181 800	6 190	5 772	-2.7	54 716	374	279	2.4	100 648	6 491	5 797	2.4	23 638	-883	-500	-27.0	2 798
Mar	185 853	4 053	4 486	-3.1	55 398	682	607	2.4	103 979	3 331	3 461	2.4	23 347	-291	203	-30.0	3 128
Apr	190 336	4 482	2 226	-1.4	56 235	836	762	2.3	105 580	1 601	1 249	2.7	24 970	1 623	-84	-22.0	3 551
May	193 743	3 408	2 417	-0.4	56 860	625	531	2.3	107 916	2 336	1 669	3.4	25 108	138	-64	-19.2	3 859
Jun	197 665	3 921	2 704	1.3	57 259	399	326	2.2	110 236	2 320	2 052	3.7	25 750	642	-185	-8.8	4 420
Jul	201 537	3 872	3 271	2.6	58 144	885	834	2.1	111 693	1 457	1 704	3.3	26 948	1 198	270	1.5	4 752
Aug	203 769	2 232	1 832	2.6	58 977	834	784	1.9	112 157	464	733	3.0	27 642	694	180	3.0	4 993
Sep	204 588	819	1 160	3.9	58 627	-350	-426	1.8	113 841	1 684	806	3.0	26 718	-924	334	11.3	5 402
Oct	207 521	2 933	1 531	3.1	58 461	-166	-204	1.7	114 870	1 029	1 117	2.7	28 050	1 332	-8	8.0	6 140
Nov	209 092	1 571	1 354	2.2	58 289	-172	-223	1.6	115 520	650	713	2.3	28 423	373	227	3.3	6 860
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 P	225 991	984	...	3.7	58 295	712	...	1.2	119 904	439	...	1.8	30 404	-1 174	...	16.5	17 387

NET ASSET VALUE

- TOTAL
- FIXED-INCOME FUNDS (a)
- MONEY-MARKET FUNDS
- EQUITY FUNDS (b)

RETURN OVER LAST 12 MONTHS

- TOTAL
- FIXED-INCOME FUNDS (a)
- MONEY-MARKET FUNDS
- EQUITY FUNDS (b)
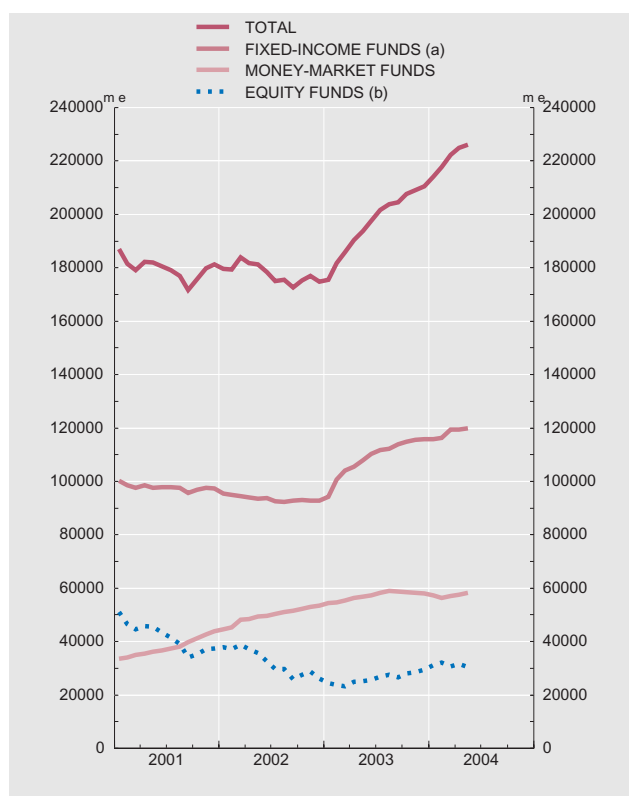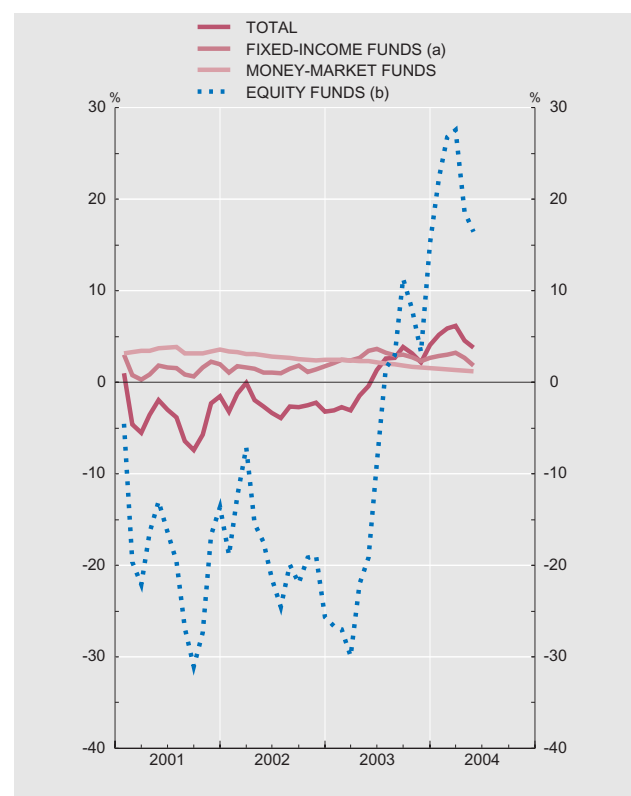
Sources: CNMV and Inverco.
(a) Includes short and long-term fixed-income funds in euros and international, mixed fixed-income funds in euros and international and guaranteed funds.
(b) Includes equity funds and mixed equity funds in euros, national and international.
(c) Global funds.

■ 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
01	853.16	8 810.46	335.07	4 039.98	445 380	56 049	1 875 428	142 491	-	23 230	290	7 953
02	723.05	7 029.55	258.10	3 027.83	445 071	69 820	2 365 859	265 754	-	19 151	55	3 955
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
03 *Mar*	614.05	5 870.50	179.32	2 036.86	38 412	5 667	200 899	27 789	-	1 713	0	323
Apr	675.04	6 489.50	202.68	2 324.23	38 139	5 713	182 669	32 317	-	885	0	284
May	679.75	6 508.50	204.92	2 330.06	37 156	5 781	206 426	29 077	-	858	0	298
Jun	719.87	6 862.00	211.91	2 419.51	46 773	5 536	205 541	32 593	-	1 704	0	330
Jul	742.62	7 061.70	221.19	2 519.79	56 329	6 502	215 046	36 895	-	783	0	309
Aug	749.89	7 111.30	226.36	2 556.71	30 058	4 883	173 399	21 953	-	561	0	266
Sep	713.22	6 703.60	214.34	2 395.87	43 490	6 203	167 990	30 007	-	1 080	0	327
Oct	755.09	7 129.50	230.69	2 575.04	45 571	7 582	165 674	37 844	-	740	0	328
Nov	768.38	7 252.50	235.26	2 630.47	39 690	6 965	137 049	36 962	-	473	0	308
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 P	850.50	8 078.30	252.24	2 811.08	57 168	7 528	215 732	45 679	-	726	0	358

SHARE PRICE INDICES
JAN 1994 = 100

- MADRID STOCK EXCHANGE INDEX
- IBEX-35
- DJ EURO STOXX BROAD
- DJ EURO STOXX 50

TURNOVER ON SECURITIES MARKETS

- BOOK-ENTRY GVT. DEBT
- EQUITIES
- AIAF
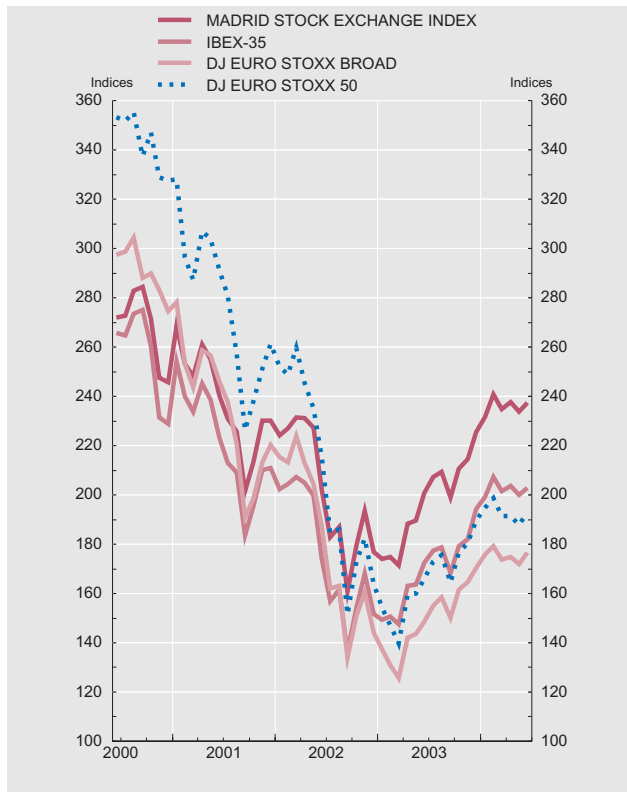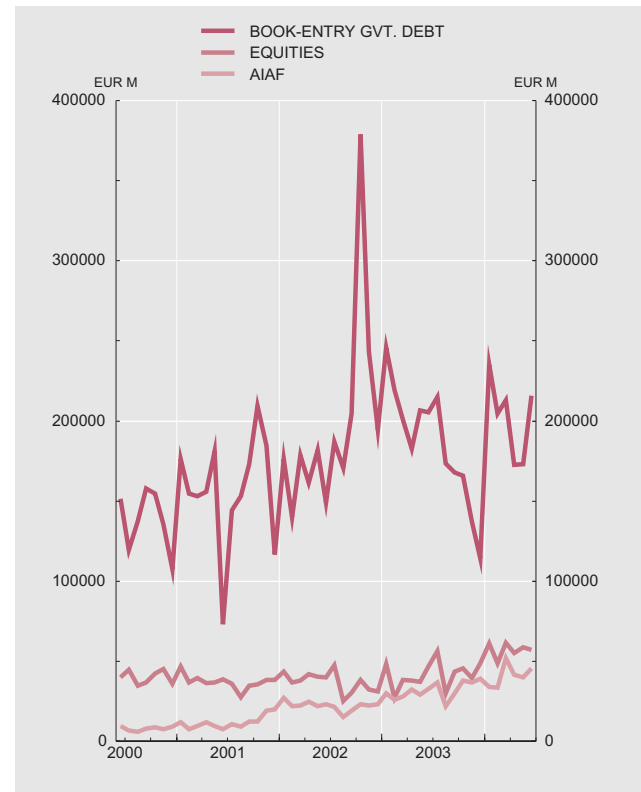
Sources: Madrid, Barcelona, Bilbao and Valencia Stock Exchanges (columns 1, 2, 5 and 6); Reuters (columns 3 and4); AIAF (column 8) and Spanish Financial Futures Market (MEFFSA) (columns 9 to 12)

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							
			Margin-al lending	Deposit	Over-night (EONIA)	1-month	3-month	6-month	1-year	Non-transferable deposits				Government-securities repos			
										Over-night	1-month	3-month	1-year	Over-night	1-month	3-month	1-year
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
01	3.25	3.29	4.25	2.25	4.38	4.33	4.26	4.15	4.08	4.36	4.31	4.24	4.07	4.30	4.20	4.11	4.11
02	2.75	2.93	3.75	1.75	3.29	3.30	3.32	3.35	3.49	3.28	3.29	3.31	3.49	3.21	3.21	3.20	3.38
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
03 *Mar*	2.50	2.49	3.50	1.50	2.75	2.60	2.53	2.45	2.41	2.71	2.59	2.52	2.43	2.62	2.48	2.39	2.28
Apr	2.50	2.50	3.50	1.50	2.56	2.58	2.53	2.47	2.45	2.55	2.57	2.53	2.50	2.52	2.43	2.39	2.29
May	2.50	2.25	3.50	1.50	2.56	2.52	2.40	2.31	2.25	2.56	2.52	2.40	2.26	2.52	2.41	2.30	2.10
Jun	2.00	2.11	3.00	1.00	2.21	2.18	2.15	2.08	2.01	2.20	2.17	2.16	2.07	2.18	2.08	2.03	1.90
Jul	2.00	2.08	3.00	1.00	2.08	2.13	2.13	2.09	2.08	2.07	2.12	2.13	2.10	2.06	2.26	2.01	-
Aug	2.00	2.12	3.00	1.00	2.10	2.12	2.14	2.17	2.28	2.08	2.11	2.15	2.28	1.96	1.99	2.02	2.20
Sep	2.00	2.10	3.00	1.00	2.02	2.13	2.15	2.18	2.26	2.02	2.12	2.14	2.26	2.02	2.04	2.03	2.25
Oct	2.00	2.13	3.00	1.00	2.01	2.10	2.14	2.17	2.30	2.01	2.08	2.14	2.28	2.00	2.02	2.02	2.16
Nov	2.00	2.12	3.00	1.00	1.97	2.09	2.16	2.22	2.41	1.98	2.07	2.15	2.43	1.96	2.01	2.04	2.30
Dec	2.00	2.12	3.00	1.00	2.06	2.13	2.15	2.20	2.38	2.02	2.11	2.14	2.36	1.95	2.03	2.04	-
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

EUROSYSTEM: MONETARY POLICY OPERATIONS AND EURO AREA OVERNIGHT DEPOSITS

- MARGINAL LENDING FACILITY
- EURO AREA OVERNIGHT (EONIA)
- MAIN REFINANCING OPERATIONS
- DEPOSIT FACILITY
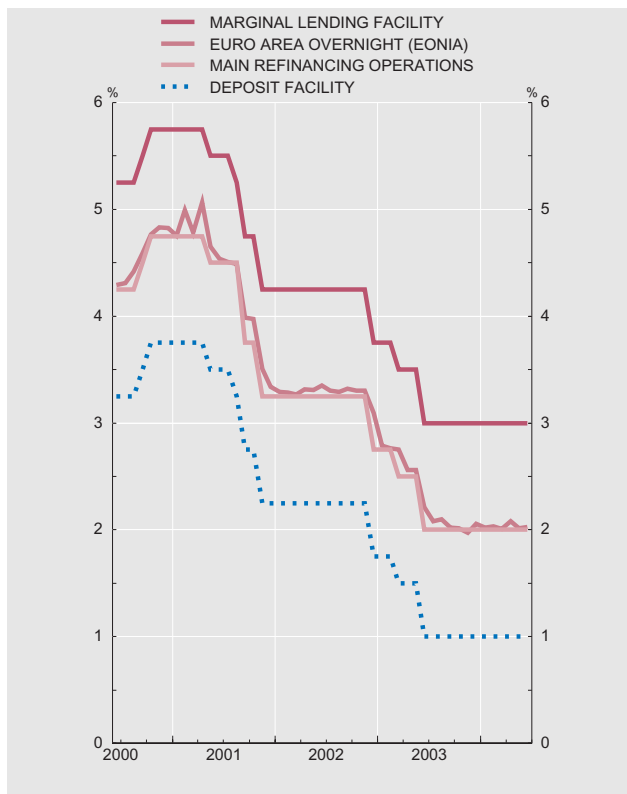
INTERBANK MARKET: EURO AREA 3-MONTH AND 1-YEAR RATES

- EURO AREA 12 MONTHS
- EURO AREA 3 MONTHS
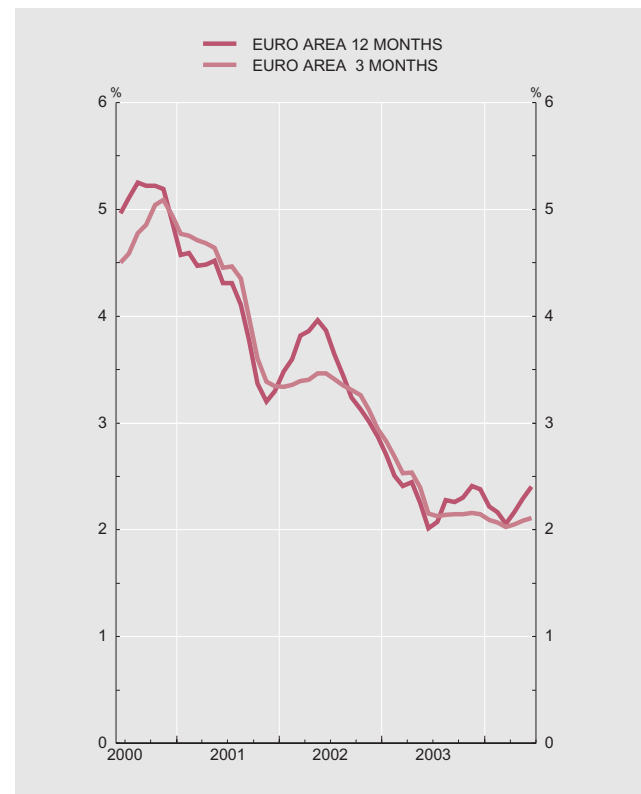
Source: ECB (columns 1 to 8).

 (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
01	3.93	3.91	4.08	4.16	4.35	4.54	5.12	5.28	5.66	4.30	5.12	5.22
02	3.37	3.34	3.47	3.45	4.06	4.40	4.98	5.32	5.22	3.94	4.96	5.05
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
03 *Mar*	2.35	2.18	2.49	2.39	-	2.96	3.86	-	4.70	2.70	4.04	4.17
Apr	2.34	2.30	2.57	2.45	2.74	-	-	4.57	-	2.81	4.19	4.06
May	2.06	2.17	2.30	2.24	-	3.07	-	-	4.78	2.51	3.88	3.76
Jun	1.85	1.84	2.06	2.03	2.22	-	3.75	-	-	2.24	3.69	3.35
Jul	1.99	1.91	2.08	2.12	-	2.85	4.00	4.37	-	2.50	4.03	4.04
Aug	2.14	2.18	2.28	2.29	2.80	-	-	-	-	2.97	4.19	4.72
Sep	2.15	2.22	2.32	2.33	-	3.54	4.39	-	5.07	2.93	4.21	4.22
Oct	2.14	2.23	2.32	2.28	2.40	-	-	4.41	-	2.97	4.27	3.85
Nov	2.30	2.32	2.32	2.42	-	-	4.40	-	5.05	3.11	4.40	4.45
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

PRIMARY MARKET

- ONE-YEAR COMMERCIAL PAPER
- ONE-YEAR TREASURY BILLS

SECONDARY MARKET

- 3-YEAR CENTRAL GOVERNMENT DEBT
- 10-YEAR CENTRAL GOVERNMENT DEBT
- PRIVATE BONDS WITH MATURITY OVER 2 YEARS
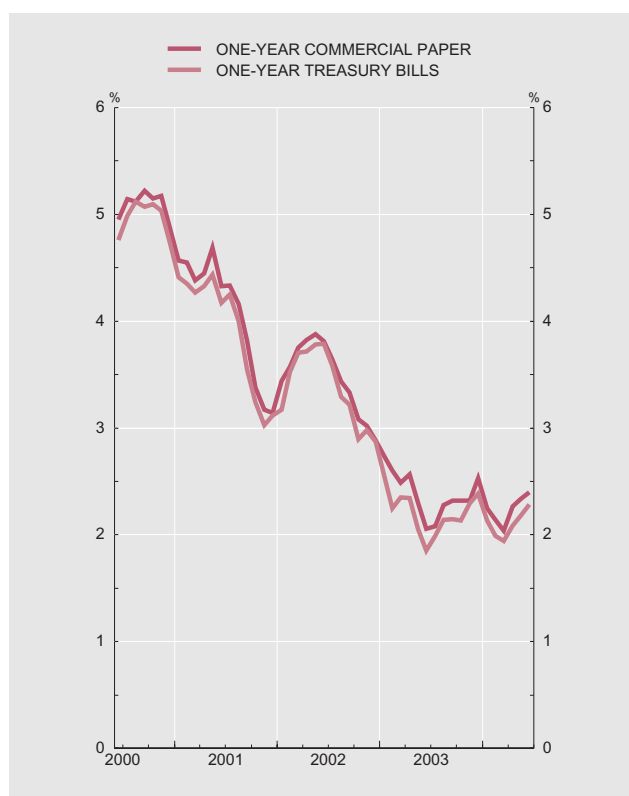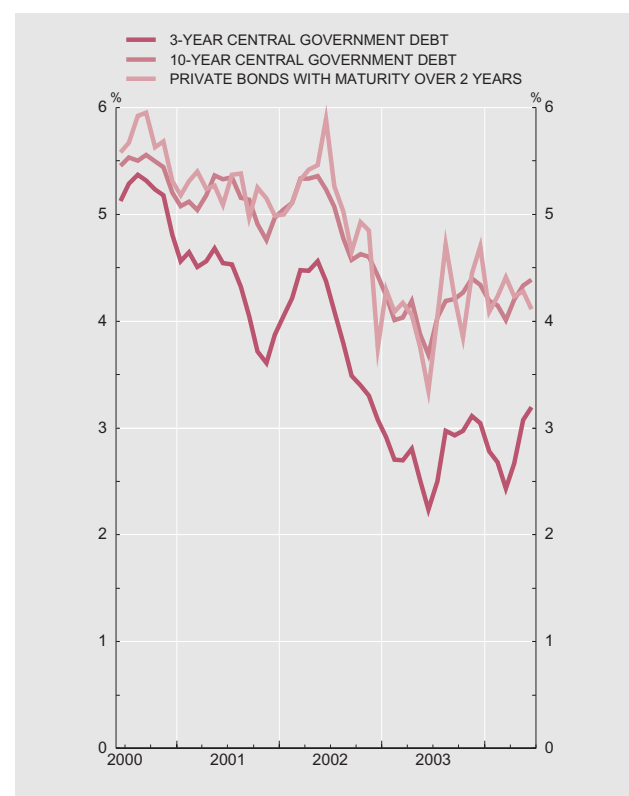
Sources: Main issuers (column 3); AIAF (columns 4 and 12).

Percentages

	Loans (APRC) (a)							Deposits (NDER) (a)								
	Synthetic rate	Households and NPISH			Non-financial corporations			Synthetic rate	Households and NPISH				Non-financial corporations			
		Synthetic rate	House purchase	Consumption and other	Synthetic rate	Up to EUR 1 million	Over EUR 1 million (b)		Synthetic rate	Overnight and redeemable at notice	Time	Repos	Synthetic rate	Overnight	Time	Repos
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
03 Jan	4.86	5.24	4.33	7.05	4.44	5.07	3.90	1.56	1.61	0.53	2.66	2.66	1.50	0.82	2.62	2.69
Feb	4.76	5.13	4.20	6.99	4.36	4.96	3.84	1.51	1.52	0.54	2.48	2.61	1.49	0.82	2.54	2.71
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	1.35	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	1.35	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	1.21	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	1.16	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	1.15	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	1.14	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	1.13	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	1.14	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	1.15	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	1.16	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	1.13	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	1.14	1.12	0.39	1.95	2.01	1.17	0.65	1.99	1.96
May P	3.89	4.16	3.25	6.12	3.61	4.18	3.12	1.12	1.09	0.38	1.92	1.94	1.16	0.66	1.96	1.96

LOANS SYNTHETIC RATES
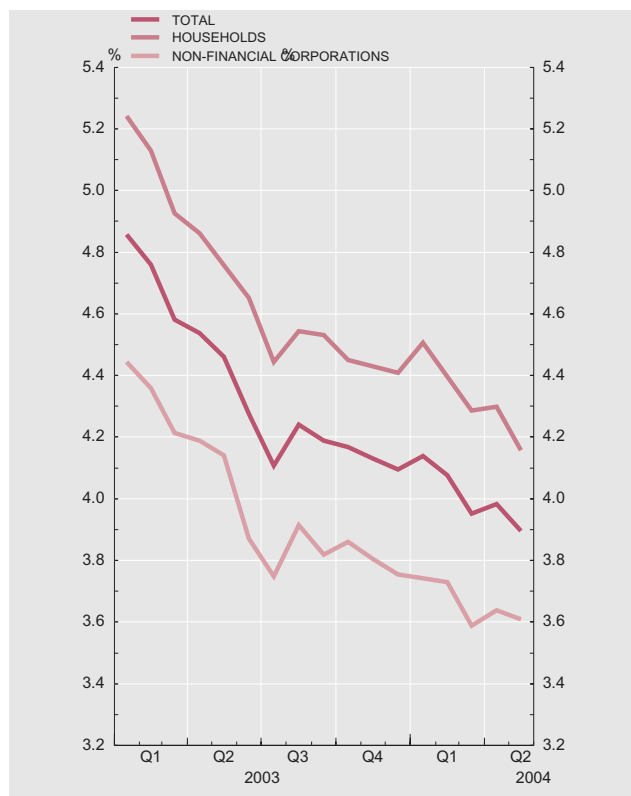
DEPOSITS SYNTHETIC RATES
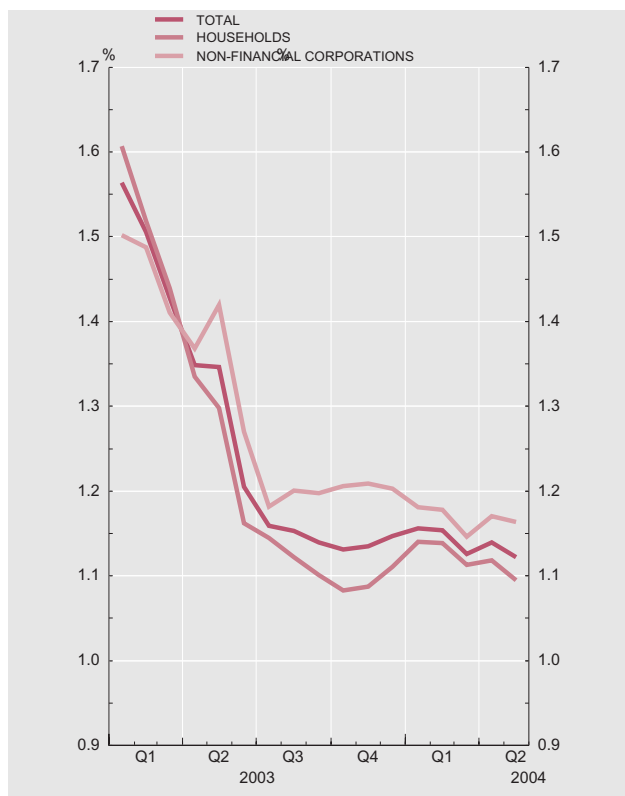
(a) APRC: annual percentage rate of change. NEDR: narrowly defined effective rate, which is the same as the APRC without including commissions.
(b) Calculated by adding to the NDER rate, which does not include commissions and other expenses, a moving average of such expenses.

9.4 INDICES OF SPANISH COMPETITIVENESS 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 costs	Based on export unit values				
	1	2	3	4	5	6	7	8	9	10	11	12	13
01	100.6	101.4	103.6	96.3	99.0	101.6	102.4	104.6	97.3	101.0	102.2	104.4	98.1
02	101.2	103.0	105.4	96.4	99.1	102.1	104.0	106.4	97.3	101.5	103.6	106.1	98.1
03	102.8	105.4	107.0	97.5	100.1	102.6	105.2	106.9	97.4	102.1	104.8	106.1	99.0
02 *Q2*	101.4	103.3	105.1	96.2	99.1	102.4	104.3	106.1	97.1	101.8	103.9	106.0	98.0
Q3	101.3	103.1	105.9	96.3	99.2	102.1	103.9	106.8	97.1	101.5	103.5	106.4	98.1
Q4	101.2	104.2	106.0	96.5	99.2	102.0	105.0	106.9	97.3	101.4	104.7	106.5	98.2
03 *Q1*	102.5	104.3	106.6	98.0	99.8	102.7	104.5	106.8	98.3	102.1	104.1	106.4	99.6
Q2	102.6	105.7	107.4	97.1	100.3	102.3	105.4	107.1	96.8	101.8	105.0	106.3	98.5
Q3	103.1	105.3	107.1	97.0	100.3	102.8	105.0	106.8	96.7	102.3	104.6	105.9	98.4
Q4	103.0	106.1	107.0	98.0	100.2	102.8	105.9	106.7	97.8	102.3	105.5	105.8	99.5
04 *Q1*	103.3	105.2	107.0	96.2	100.0	103.3	105.2	107.0	96.3	102.8	104.7	106.2	97.8
03 *Sep*	103.1	105.3	...	97.1	100.2	102.8	105.1	...	96.9	102.3	104.7	...	98.7
Oct	103.0	105.9	...	97.4	100.2	102.7	105.7	...	97.2	102.2	105.3	...	98.9
Nov	102.9	106.2	...	97.8	100.1	102.8	106.1	...	97.6	102.3	105.6	...	99.3
Dec	103.1	106.2	...	98.8	100.3	102.8	105.9	...	98.5	102.3	105.5	...	100.2
04 *Jan*	103.2	105.4	...	97.3	100.2	103.0	105.3	...	97.1	102.5	104.8	...	98.6
Feb	103.2	104.9	...	95.9	99.9	103.3	105.0	...	96.0	102.8	104.5	...	97.6
Mar	103.4	105.1	...	95.5	99.8	103.5	105.3	...	95.7	103.0	104.7	...	97.4
Apr	103.5	106.0	...	...	99.7	103.8	106.3	...	...	103.2	105.8	...	...
May	...	106.4	...	...	99.8	...	106.6	...	...	...	106.1	...	...
Jun	...	...	...	...	99.7	...	...	...	...	...	...	...	...

INDICES OF SPANISH COMPETITIVENESS VIS À VIS THE EU-15
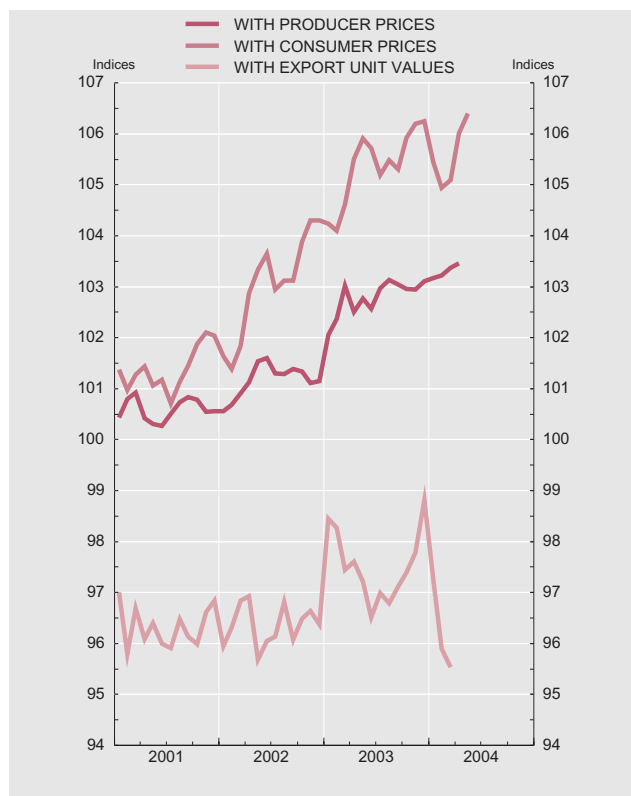
INDICES OF SPANISH COMPETITIVENESS VIS À VIS THE EURO AREA
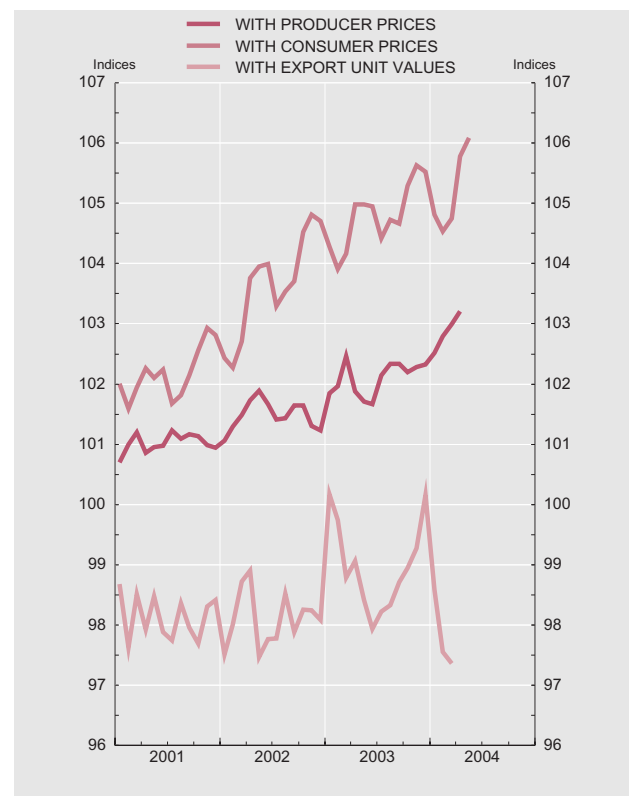
Source: BE.

(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.

■ 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
01	98.4	98.7	101.2	95.0	96.3	102.2	102.6	105.1	98.7
02	99.9	101.3	104.4	96.1	97.1	102.9	104.3	107.6	98.9
03	103.4	105.6	108.2	99.0	100.0	103.4	105.6	108.2	99.0
02 *Q2*	99.8	101.2	103.9	95.7	96.8	103.1	104.6	107.3	98.9
Q3	100.4	101.6	105.4	96.4	97.5	102.9	104.2	108.1	98.9
Q4	100.6	103.1	105.9	96.7	97.8	102.8	105.4	108.3	98.8
03 *Q1*	102.5	104.0	107.3	99.1	99.1	103.5	104.9	108.3	100.0
Q2	103.4	106.1	108.8	98.8	100.3	103.1	105.8	108.4	98.5
Q3	103.7	105.6	108.3	98.5	100.1	103.5	105.5	108.1	98.3
Q4	104.0	106.8	108.5	99.8	100.4	103.5	106.4	108.0	99.4
04 *Q1*	104.9	106.6	109.3	98.5	100.9	104.0	105.7	108.3	97.6
03 *Sep*	103.5	105.5	...	98.5	99.9	103.6	105.5	...	98.5
Oct	103.7	106.4	...	99.0	100.3	103.4	106.1	...	98.8
Nov	103.7	106.7	...	99.4	100.2	103.5	106.5	...	99.2
Dec	104.5	107.4	...	101.0	100.9	103.5	106.5	...	100.1
04 *Jan*	104.8	106.9	...	99.7	101.1	103.7	105.8	...	98.6
Feb	105.0	106.5	...	98.2	101.0	104.0	105.5	...	97.3
Mar	104.8	106.3	...	97.4	100.6	104.2	105.8	...	96.9
Apr	104.5	106.9	...	...	100.1	104.4	106.8	...	...
May	...	107.6	...	...	100.4	...	107.1	...	...
Jun	...	...	...	...	100.3	...	...	...	...

INDICES OF SPANISH COMPETITIVENESS VIS-À-VIS THE DEVELOPED COUNTRIES
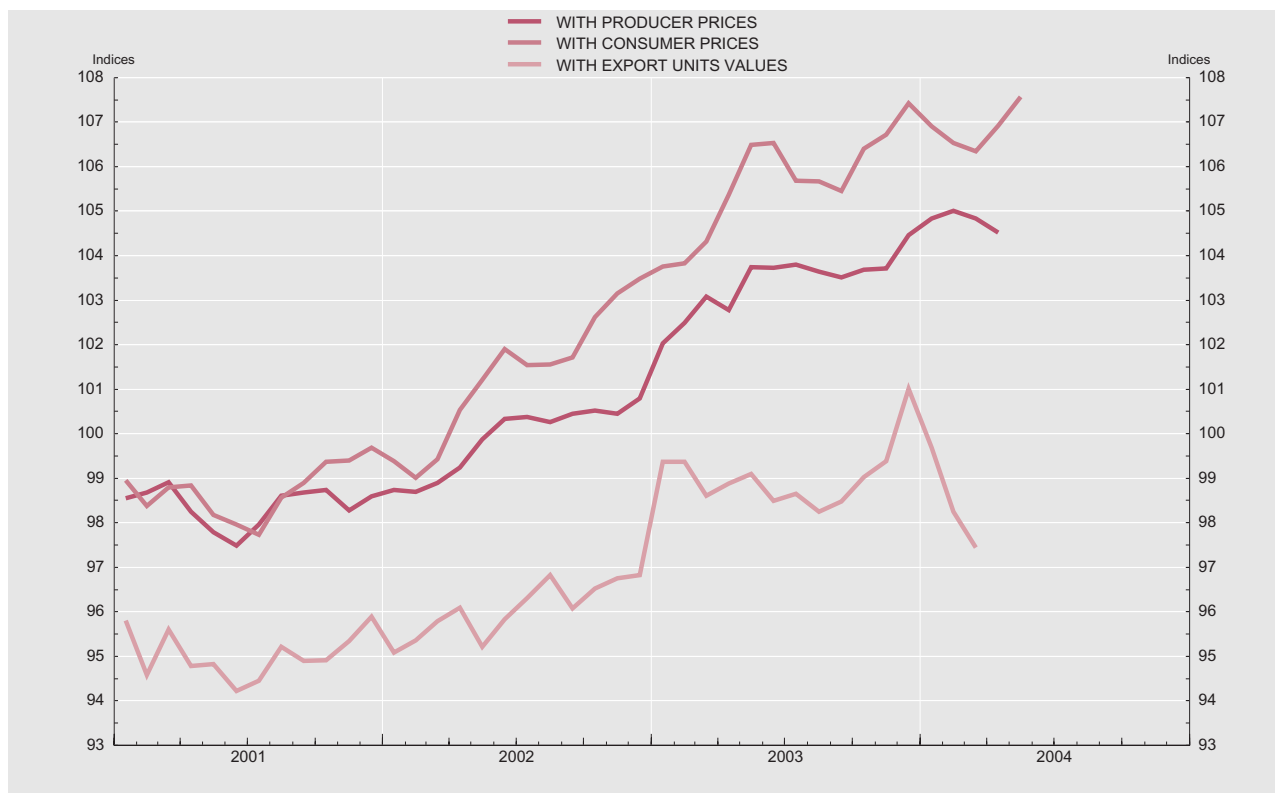
Source: BE.

   (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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ARTICLES IN ENGLISH OF THE BANCO DE ESPAÑA

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