Spanish Economic and Financial Outlook

Spain´s economy and financial sector: What to expect in the new legislative term

2016
Volume 5 ♦ Number 1

January 2016

SEFO

funcas

Editorial

Contact
publica@funcas.es

Web Site
www.funcas.es

Orders or claims:
Funcas, publications
Tel.; +34-91-5965481, Fax: +34-91-5965796, e-mail: publica@funcas.es

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

Printed in Spain

Editorial and Production
Funcas
Caballero de Gracia, 28. 28013 Madrid (Spain)

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

FEATURES

Letter from the Editors

2015 was a key year for the global economy. The slowdown in China led to a collapse in commodity prices, dragging down many emerging markets (EM) exporters. The Federal Reserve began its interest rate hike cycle, with implications for the dollar and additional downside risks for EM, while the ECB continued on a path of quantitative easing. The divergent EU and US monetary policy stance, together with continued uncertainty over the situation in China and other EM, will be the main factors to watch in 2016.

Spain's economy grew dynamically in 2015, the highest among the main Euro area economies. The growth outlook will remain constructive, although somewhat slower, as some of the temporary exogenous shocks (such as lower oil prices, lower financial costs and lower income taxes) begin to wear off. However, December´s historic, yet inconclusive, general elections have created a climate where economic growth and financial stability coexist with political uncertainty.

It is within this unique context that we present you with the January issue of *Spanish Economic and Financial outlook (SEFO),* with a focus on Spain´s economy and financial sector: What to expect in the new legislative term.

We start out by taking a look at the macro situation, as well as that of the Spanish financial sector and the fiscal consolidation process, in addition to providing a more medium to longer-term perspective in these areas.

As mentioned above, Spain´s near-term macroeconomic outlook remains positive. However, the slower potential GDP growth rate, due to the damage caused by the length of the crisis, will substantially limit GDP growth unless economic policy reforms are enacted to raise its potential. We believe these limiting factors are not expected to prevent the Spanish economy from growing between 2.5% and 3% over the medium-term.

Assessing the Spanish financial sector, we find no grounds for concern over financial stability. The reforms, restructuring, write-downs and recapitalisations that the Spanish financial sector has undergone over the last four years ensure its foundation. A gradual return to positive year-on-year credit growth is expected between 2016 and 2019. The default rate is projected to drop from 8% in 2016 to around 3% by 2019. At the same time, a protracted political vacuum will no doubt have some negative implications on investment and funding flows, at least in the near to medium term. Moreover, the sector will still need to confront several major challenges over the next four years, including reactivating lending, raising profitability, privatising nationalised institutions, adapting to increased regulatory pressure and embracing technological innovation.

On a related note, we look at the recent decline in EM and its possible implications for listed Spanish corporates, including banks. Increased internationalisation by Spanish firms has generally proven

to be a successful strategy, particularly to counteract the negative performance of the domestic market throughout the crisis. Recently, however, in the face of deteriorating EM performance in 2015 and a negative outlook for the year ahead, internationalisation could transform into a significant vulnerability for some IBEX 35 members with heightened exposure to EM, specifically to Latam. On the whole, the performance of the IBEX 35 should not be significantly affected by deteriorating conditions in emerging markets. However, those Spanish corporates with greater earnings exposure to Latam will likely see their share prices come under pressure, which could have a considerable impact on the performance of the index.

On the fiscal front, while the government continues on the path of fiscal consolidation, there will likely be some deviation from 2015 targets, further complicating the outlook for 2016. Improving the fiscal outlook should entail a debate over the regional funding model, as well as social security revenues.

In terms of additional considerations for the Spanish economy, we assess the economic impact of ageing and the recent performance and outlook for the services sector.

There is often times a negative perception of population ageing in Spain and many other countries. Indeed, increased longevity in Spain will have important implications for society and the economy, specifically in the realm of labour markets, healthcare and pensions. In Spain, these dynamics could result in a shortfall in labour supply in the medium term, especially in the under 44 age categories. In contrast, life expectancy increases alone should not necessarily put upward pressure on healthcare spending in Spain, as expenditure is also influenced by a host of other factors. Lastly, pensions in Spain do face a sustainability and sufficiency challenge in the context of growing life expectancies, which will call for further reform efforts in addition to the meaningful measures already undertaken. In short, the effects of ageing will only be problematic if accompanied by a failure to adapt economic, social and savings systems to the new reality.

Finally, we examine how the Spanish services sector is adapting after the crisis and find that there is still scope for significant improvement. In the case of Spain´s services economy, the decline of manufacturing decreases the possibilities of advancing in “servitization,” the process by which manufacturing companies begin to provide related services to third parties. The Spanish “pure” service sector must also undergo significant changes if it is to follow the trends of the largest, most advanced EU economies – in particular, in the areas of ICT consultancy and private employment services. Private sector investment, together with progress on previously initiated, but stalled reform efforts, will be needed to liberalises and modernizes the sector.

The Spanish economy in 2015 and outlook for 2016

Ángel Laborda and María Jesús Fernández[1]

The effects of permanent factors, combined with a number of short-term positive shocks, gave a substantial boost to domestic demand, pushing GDP growth above expectations in 2015. Future estimates of potential growth are moderate; however, limiting factors will probably not prevent the Spanish economy from growing between 2.5% and 3% over the medium-term.

The main features of the global economy in 2015 were the economic slowdown in China and other emerging economies, the sharp fall in the price of oil and other commodities, the appreciation of the dollar, the start of the cycle of interest rate hikes by the Federal Reserve and the extension of the European Central Bank's quantitative easing policy. Spain grew dynamically, thanks to a series of transitory exogenous factors coinciding with endogenous factors, which arose mostly from the functioning of the cyclical adjustment mechanisms. As the effect of these exogenous shocks wears off, growth will slow somewhat in 2016. Going forward, the slower potential GDP growth rate, due to the damage caused by the length of the crisis, will substantially limit GDP growth unless economic policy reforms are enacted to raise its potential.

The global economy in 2015 and risks for 2016

The key feature of the global economy in 2015 was the intensification of the Chinese economic slowdown. This led to a collapse in commodity prices, dragging down many emerging markets commodities exporters. As has been the case for several years, the main feature in the case of the developed economies was the contrast between the dynamism of the United States and the weakness of the euro area (Exhibits 1.1 and 1.2).

The slowing of China's growth rate, which dropped to below 7% in 2015, according to official figures, well below the double-digit rates that have been habitual over the last thirty years, is assumed to be permanent, as the country is undergoing a process of structural transformation. This means a hugely important change in scenario, with far-reaching consequences for the world economy as a whole. One of these consequences is the drop in commodity prices – although in the case of oil, other factors on the supply side have also played a role – which is also considered to be lasting, with a negative impact on oil-exporting emerging economies. However, this impact will be positive for most developed economies, and at least partially compensate for the negative impact of the drop in international trade caused

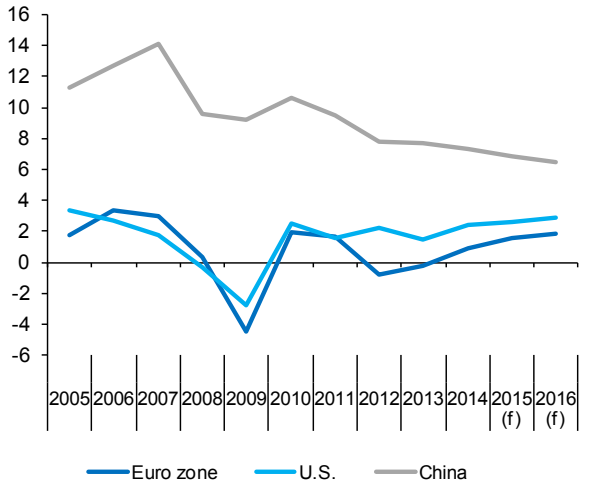
[1] Economic Trends and Statistics Department, Funcas.

Exhibit 1

World economy

1.1 - GDP

Annualised quarterly change in %

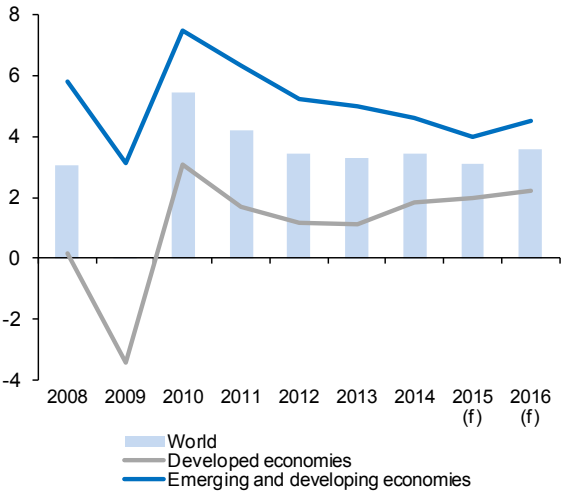


Note: (f) Forecasts.

Source: European Commission.

1.2 - GDP

Change y-o-y in %



Note: (f) Forecasts.

Source: IMF.

by the weakening of China and other emerging economies.

Another factor with a negative impact on emerging economies in 2015 was the expected tightening of U.S. monetary policy. The Federal Reserve ended its bond-buying programme in late 2014 and it was widely expected to begin raising rates in 2015 which pushed up both the dollar and yields on short-term dollar-denominated debt throughout the year. This triggered capital outflows from the emerging economies, leading to the collapse of many of their currencies. This in turn has heightened the risk of currency crises and a risk of default on dollar-denominated debt taken on by private companies during the boom years. The latter, in turn, increases the risk of a banking crisis.

The Federal Reserve's interest-rate increase was initially expected in June, and then in September, and finally took place in December. This contrasts with the European Central Bank's announcement of a rate cut in the interest charged on credit institutions' deposits to -0.3% and an extension of its bond-purchase programme until March 2017.

The divergence in monetary policy stance between the Fed and the ECB could generate additional instability in 2016.

The divergence in monetary policy stance is explained by the differing economic conditions on either side of the Atlantic. The U.S. economy grew by around 2.5% in 2015, the fifth consecutive year of growth since the 2008-2009 crisis (growth has averaged over 2% since that period), the unemployment rate has dropped to 5% and, at the end of the year, the core inflation rate was close to 2% (the headline rate was lower due to the fall in prices of energy products). Growth last year in the euro area barely reached 1.5%, 2015 being the second consecutive year of growth. The unemployment rate, which at the end of the year

stood at around 10.5%, has been coming down only slowly. And core inflation has hovered around 0.9% for most of the year, while headline inflation has been close to zero, also as a result of energy prices.

How financial markets will adapt to this scenario of opposing monetary policies in the two major economic areas is another reason for uncertainty in 2016. This potential focus of instability and financial markets stress comes in addition to the risks already mentioned arising from the situation in China and the emerging economies.

The Spanish economy in 2015

Spain´s growth was highly dynamic in 2015. Although complete data for the final quarter of the year are not yet available, it may be estimated at 3.2% – the highest among the main euro-area economies (Exhibit 2.1). This performance far exceeded expectations. Thus, in September 2014, Funcas predicted growth of 2.2%, although the consensus forecast was even lower: the international consensus forecast was 1.8%[2] and the consensus forecast among Spanish institutions was 2%.[3] The government's forecast in the General State Budget submitted that month was 1.8%.

The reason why the final result exceeded the forecasts so widely was due to a confluence of various unexpected exogenous shocks, which had a transient impact on growth. These included: the gain in real income deriving from the sharp drop in the oil price; a considerably less restrictive fiscal policy than expected – the unexpected adoption of a tax cut in July, in addition to that which came into effect in January, in conjunction with higher public spending than expected; and, the quantitative easing introduced by the ECB having a more powerful effect than anticipated on interest rates and on the euro exchange rate.

As a consequence of the impact of these factors, growth in domestic demand beat expectations and also resulted in higher-than-expected imports. Thus, domestic demand contributed an estimated 3.6 percentage points (pp) to GDP growth, while the external sector's contribution was negative (-0.4 pp.), in contrast to expectations of a positive contribution (Exhibit 2.2).

Private consumption grew strongly, by around 3.1%. Part of this growth was the result of the impact of the exogenous factors mentioned, together with a number of endogenous factors. These include increased wages, due to higher employment rather than rising wages per capita; improved confidence; improvements in many households´ financial situation, enabling them to make spending decisions postponed during the crisis years; and, the normalisation of new credit availability, which has started growing again, although from very low levels in comparison with its peak in 2007. The upturn in public consumption was one of the most striking results. Public consumption grew by around 2.3% in real terms – 2.8% in nominal terms – while the government forecasts in the General State Budget projected a drop in real terms of 1%. This deviation was a consequence of the electoral cycle (Exhibit 2.3).

Investments in capital goods grew by around 6.9%, in line with forecasts. This variable has grown strongly for three consecutive years, although its volume still falls short of the peak reached in 2007. Investment in housing construction began to recover in the second quarter of 2014, although 2015 was the first year with a positive annual growth rate (3%). This component of demand was that which suffered the biggest adjustment during the crisis, with its volume in 2015 being just half of its 2007 peak. Its progress reflects the recovery in the property market that began in 2014. The rate of housing sales accelerated in 2015, and prices also began to recover, with a year-on-year rise of 4.5% registered in the third quarter of 2015.

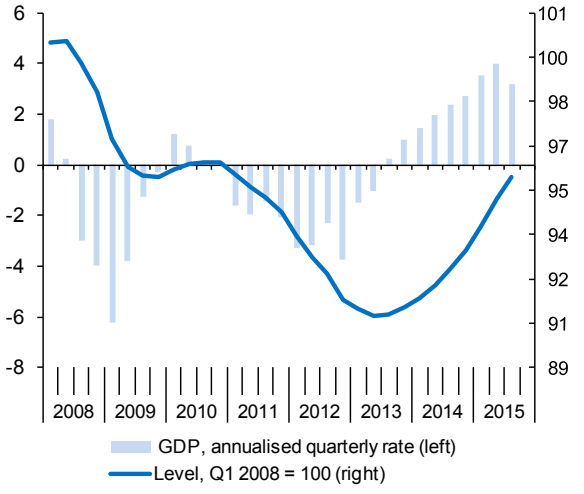
[2] Consensus Forecast, by Consensus Economics Inc.

[3] Spanish Economic Forecasts Panel, by Funcas.

Exhibit 2

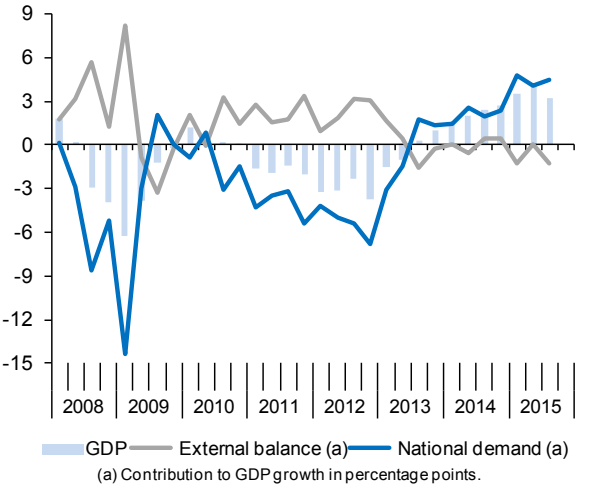
Spanish economy: GDP and components

2.1 - GDP



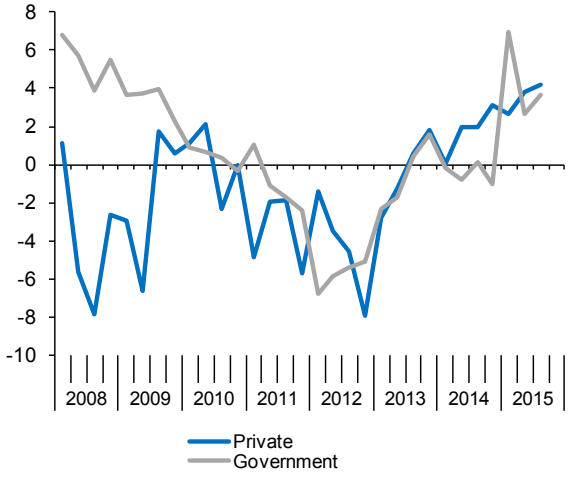
2.2 - GDP, national demand and external balance

Annualised quarterly change in % and contribution in pp



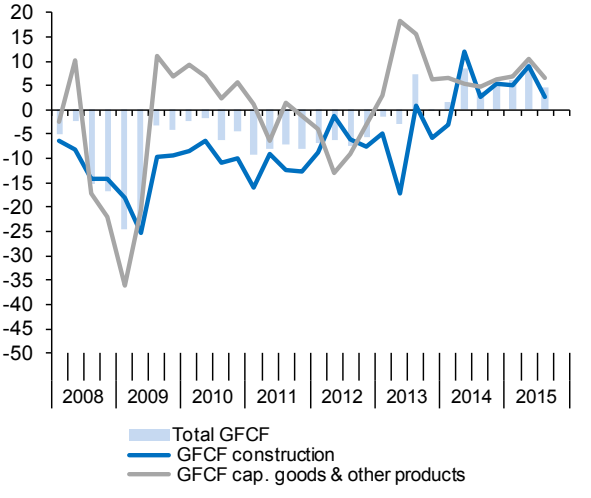
2.3 - Consumption

Annualised quarterly change in %



2.4 - Gross Fixed Capital Formation

Annualised quarterly change in %



Source: INE (Quarterly National Accounts).

Nevertheless, it was non-residential construction that grew fastest in 2015, at 7.6%. This may be largely due to an increase of public works driven by the electoral cycle (Exhibit 2.4).

Exports of goods and services grew by almost 6% in 2015, in real terms, with goods exports alone growing by 5.1%. This growth rate exceeds that of global merchandise exports, implying Spanish exports have increased their market share. The biggest increase was in exports to other EU countries. Imports of goods and services grew by around 7.7%. Nevertheless, in current prices, goods exports grew faster than imports, basically

due to the lower price of energy imports. This fact has made it possible for the current account surplus to improve in 2015, despite the external sector's negative contribution to growth in real terms.

Exports of goods in Spain in 2015 exceeded that of global merchandise exports, implying Spanish exports have increased their market share.

All productive sectors presented an increase in their gross value added. Construction grew most, posting its first positive growth rate since 2008, followed by manufacturing and market services. The strength of the manufacturing industry stands out in particular, as evidenced by the progress of various economic indicators, such as the industrial production index, PMI, industrial climate index, and employment growth. These indicators improved over 2015 as a whole at rates significantly higher than the averages seen in the pre-crisis expansionary period.

Employment, measured in terms of full-time equivalent jobs, is estimated to have grown by 3%, representing an increase of 490,000 jobs on an annual average basis. The number of workers affiliated to the social security system rose by 3.2%. Employment growth in the manufacturing industry was 2.2%, the highest percentage in the historical series, which currently dates back to 2001. The number of social security affiliates in the construction industry also recovered strongly in 2015. Growth was particularly strong in this sector in the first two quarters of the year, slowing in the third, probably following the trend in public works driven by the electoral cycle (Exhibit 4.2).

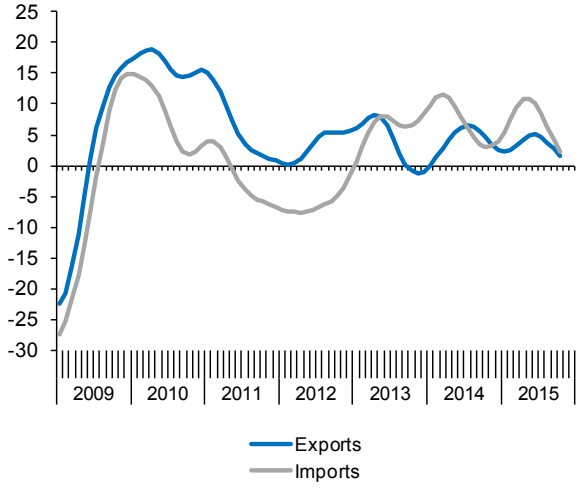
According to the Labour Force Survey, and using estimates for the third quarter, the decline in the active population registered in 2013 and 2014 slowed in 2015. This was a consequence of slower contraction of the working-age population – due to the drop in the number of immigrants returning to their countries of origin – in combination with a slight rise in the activity rate. The number of people out of work fell by approximately 515,000, bringing the unemployment rate down to an annual average of

Exhibit 3

External sector

3.1 - Exports/Imports at constant prices (Customs)

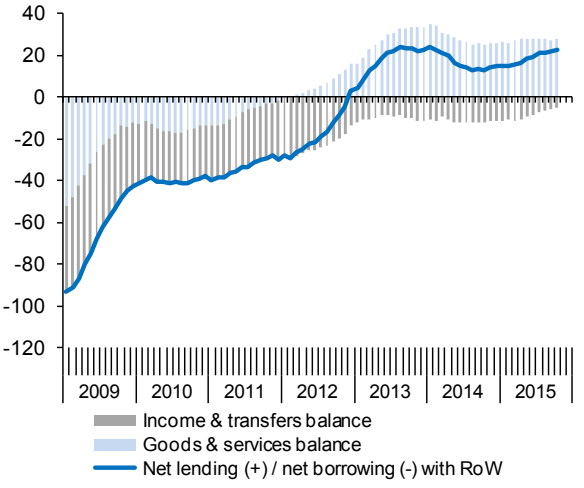
Annualised moving quarterly change in %, smoothed series



Source: Ministry of Economy and Funcas.

3.2 - Balance of payments

EUR billion, cumulative last 12 months



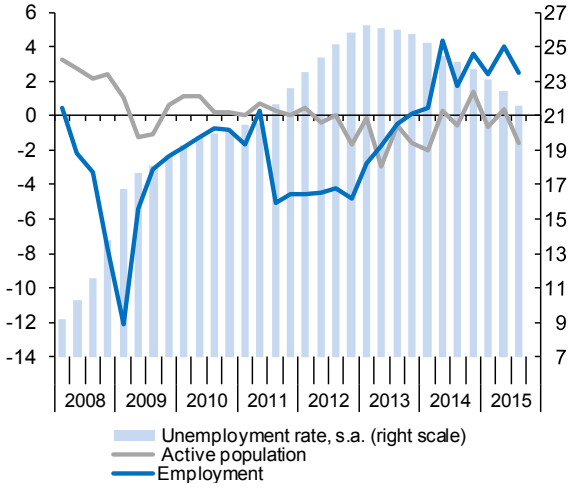
Source: Bank of Spain.

Exhibit 4

Labour market

4.1 - Employment and unemployment (LFS)

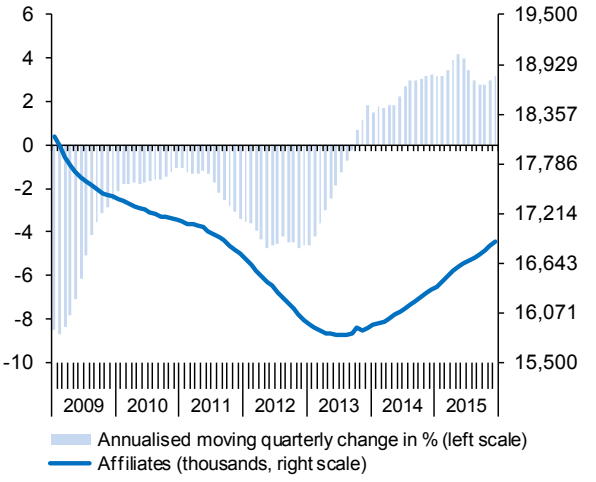
Annualised quarterly change and percentage



Source: INE and Funcas.

4.2 - Social Security affiliates

Seasonally-adjusted data



Source: Ministry of Labour and Funcas.

22.2% from 24.4% the previous year (Exhibit 4.1). One positive development was that employment among young people began to rise in 2015, and at a rate significantly higher than that among older workers.

One positive development was that employment among young people began to rise in 2015, and at a rate significantly higher than that among older workers.

Compensation per employee, according to national accounts figures, grew by 0.5% in 2015. Combined with the increase in productivity of 0.2%, this caused unit labour costs to rise by 0.3%. This is the first time this variable has risen since 2009, although the increase was lower than that registered by euro-area average ULC, which means that the Spanish economy has continued gaining in cost competitiveness (Exhibit 5.1). Negative consumer price inflation meant this was possible without a reduction in the purchasing power of wages.

Annual inflation was -0.5% in 2015, negative for the second consecutive year, due to the drop in energy prices, as a result, in turn, of lower oil prices. All the other components of the CPI presented positive, albeit modest, growth. In particular, core inflation was 0.6%, with the trend being clearly upwards since the end of previous year (Exhibit 5.2). This is explained by the greater dynamism of consumption and the depreciation of the euro. Spain's inflation rate was again lower than the euro-area average, in the case of both headline and core rates.

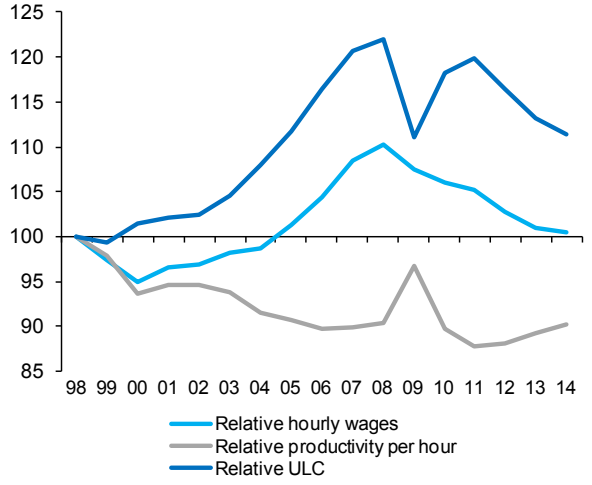
The surplus on the current account of the balance of payments to October 2015 came to slightly more than 10 billion euros, compared with 3.3 billion euros in the year-earlier period. This was a result of the bigger trade surplus in goods and services and the smaller deficit in the income balance. In turn, the trade surplus increased due to the reduction in the goods deficit – thanks to the

Exhibit 5

Costs and prices

5.1 - Relative ULC Spain/Euro Area in manufacturing

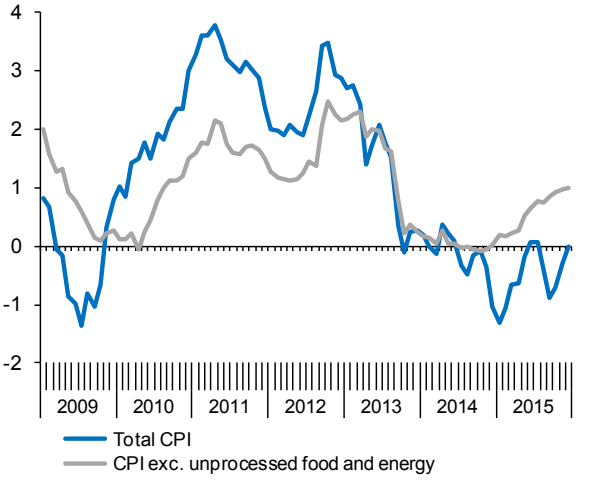
Index 1998=100



Source: Eurostat and Funcas.

5.2 - Consumer Prices Index

Change y-o-y in %



Source: INE (CPI).

lower oil price, as the balance excluding energy products worsened – and the bigger surplus on the services balance. For the year as a whole, the current account balance can be estimated at around 1.6% of GDP, compared with 1% the previous year, and financing capacity rose to 2.2% of GDP from 1.6% (Exhibit 3.1 and 3.2).

The balance on the financial account, excluding the Bank of Spain, posted a deficit (net capital outflow) of 41 billion euros to October, significantly higher than the 17 billion registered in the year-earlier period. This was a result of the drop in foreign investment in Spain and, above all, the increase in Spanish investment abroad (Exhibit 6.2).

The improvement in the economy's net lending position was due to the fact that the national savings rate rose faster than the investment rate. With data to the third quarter, the increase in the savings rate came from firms and the general government – the latter presenting a less negative savings rate than in the previous year – while households reduced their savings.

The general government, excluding local authorities, posted through October a deficit of 3.4% of GDP estimated for the year as a whole. This was five percentage points less than in the same period of the previous year (Exhibit 7.2). The target for the year as a whole is a reduction of 1.6 percentage points from the previous year's level, bringing the deficit down to 4.2% of GDP. The

The sharp drop in interest rates made possible the drop in interest expenditure, despite public debt reaching over 99% of GDP. Interest expenditure represented 3.2% of GDP and 7.3% of total public expenditure.

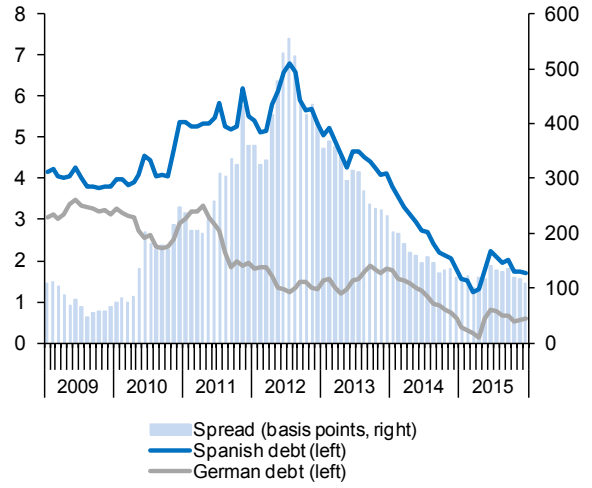
deviation from this target is therefore likely to be significant. The sharp drop in interest rates (Exhibit 6.1) made it possible for interest expenditure to drop to 34.2 billion euros in 2015, a billion euros less than the previous year, despite public debt reaching over 99% of GDP. Interest

Exhibit 6

Financial indicators

6.1 - Government 10 year bonds rate

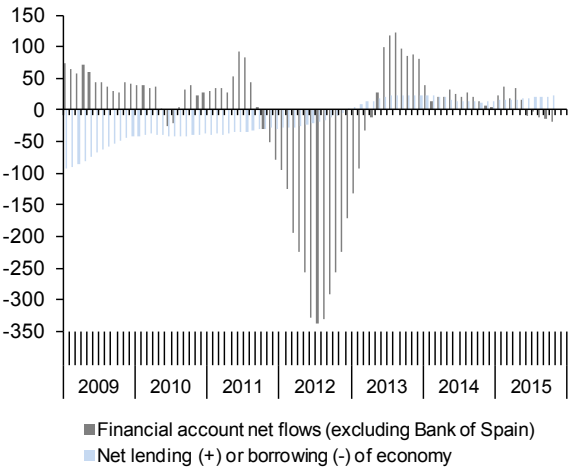
Percentage and basis points



Sources: ECB and Bank of Spain.

6.2 - Balance of payments

EUR billion, cumulative last 12 months



Source: Bank of Spain.

expenditure represented 3.2% of GDP and 7.3% of total public expenditure.

Households presented a financial surplus again in 2015, as has been the case since 2009. In the period to September, households' gross disposable income rose by 1.9% compared to the year-earlier period, due, in particular, to the increase in salaries. This surplus was used partly to purchase financial assets and partly to pay off debt, which in the third quarter stood at 107.7% of gross disposable income, compared to the maximum of 135% in 2008 (Exhibit 7.1).

Non-financial corporations also registered a positive financial balance, as a result of GVA growth, lower interest payments, and other payments from property. In this case as well, this surplus was used to purchase financial assets and pay off debt contracted in the form of loans. The sector's total debt amounted to 107.2% of GDP in the third quarter of the year, compared with a peak of 132% in 2011.

Private agents' deleveraging is not incompatible with growing levels of new credit. Credit to households, both for consumption and housing purchases, and business loans of less than a million euros – basically aimed at small and medium-sized enterprises – had already begun to grow in 2014. Growth continued in 2015, and the number of business loans of more than a million euros also began to increase. Total new credit in the period up to November grew by 15.6% compared to the year-earlier period. However, it should be borne in mind that this growth was from a very low starting point in comparison to the peak reached before the crisis – the total volume of new credit in 2015 was barely a third of that registered in 2007.

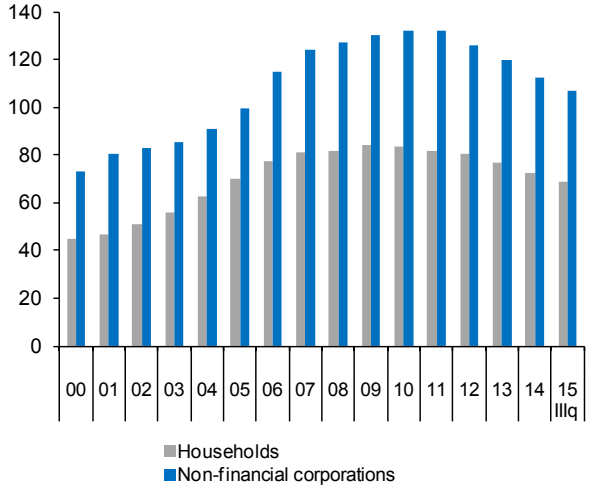
In short, the effects of permanent factors – balance sheet clean-up, completing the adjustment of the various demand components, availability of credit, and structural reforms – combined in 2015 with the impacts of a number of short-term factors, some of which were unforeseen – income tax cut, lower oil prices, falling interest rates, easing of fiscal policy – to give a strong stimulus to domestic demand. This made it possible for GDP to grow significantly faster than expected.

Exhibit 7

Financial imbalances

7.1 - Private sector indebtedness

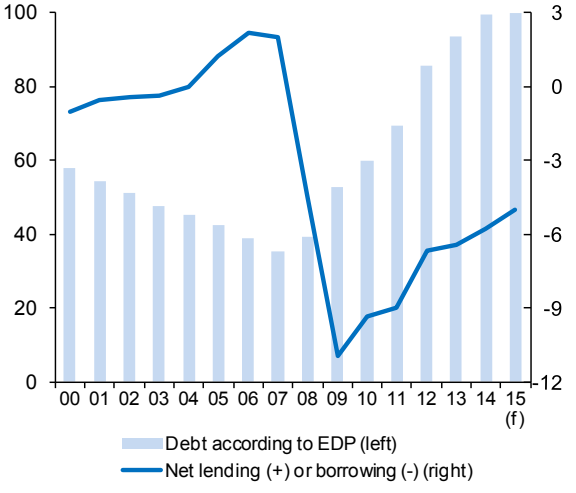
Percentage of GDP



Source: Bank of Spain (Financial Accounts).

7.2 - Government balance (exc. financial entities bail-out) and debt

Percentage of GDP



(f) Forecast

Source: Bank of Spain and Funcas.

The biggest cause for concern was the deviation of the public accounts from their target.

Outlook for the Spanish economy in 2016 and in the medium term

It is unlikely that 2015's excellent result will be repeated in the next few years, as it was largely the outcome of the transitory exogenous shocks mentioned. Moreover, the protracted crisis seriously damaged Spain´s potential growth rate, which is what ultimately determines longer-term growth.

Despite downside risks for Spain from a worse than expected deterioration of the international context, together with the potential impact of political uncertainty on availability and cost of external finance, the ECB´s current stance rules out a severe credit crunch.

GDP growth of 2.8% is expected in 2016 (Exhibit 8.1 and Table 1). The key downside risks to this forecast being met derive from a worse than expected deterioration of the international context. The possible worsening of internal political uncertainties is another source of risk. These uncertainties may have an impact on growth, fundamentally through economic agents' more pessimistic expectations and the potential impact on the risk premium and access to external finance. However, in the case of the latter, the European Central Bank's current policy means a credit crunch such as that seen in the depths of the crisis can be ruled out. There is also an upside risk, basically the possibility of the oil price dropping below the reference value of 49 dollars (per barrel of Brent crude) used in this forecasts scenario.

Once again, economic growth will be driven by domestic demand, which will contribute

3.3 percentage points, while net exports will contribute -0.4 percentage points (Exhibit 8.2).

Private consumption is expected to rise by 3.2%. Although this is one tenth of a percentage point higher than was estimated for 2015, in reality the forecast is for a gradual deceleration in this component of demand's quarter-on-quarter growth rates. However, the level reached following its rapid growth in the second half of 2015 has resulted in an acceleration when averaged over the year.

Equipment investment will slow to 6.1%, as it runs out of momentum after three years of strong growth. It will also be held back by the uncertainties looming over the global and Spanish economies. Construction investment will grow by 4.5%. The composition of the latter's growth will be the opposite to that in 2015, *i.e.,* the component playing the biggest part in the rise will be residential construction, which will gradually pick up speed as the property sector returns to normal, whereas non-residential construction will no longer be boosted by the electoral cycle (Exhibit 8.3).

Finally, both exports and imports will slow in 2016, to rates of 5.1% and 6.9%, respectively. Exports grew faster than global trade in 2015, which will continue to grow only moderately in 2016, such that the most likely outcome is a deceleration. For their part, imports will slow due to lower final demand growth.

As regards the labour market, employment is expected to rise by 2.4%, equivalent to 410,000 full-time equivalent jobs, while the average annual unemployment rate will come to 20.2% (19.5% in the last quarter) (Exhibit 8.4). Productivity will therefore grow somewhat faster in 2016 than in 2015, but compensation per employee will also rise, such that unit labour costs will progress at a similar rate.

The current account surplus and net external lending will drop to 1.4% and 2% of GDP, respectively, in 2016, due to the faster growth of imports than exports in real terms, which will no longer be offset by lower prices for imported energy (Exhibit 8.6).

Finally, the autonomous regions' deficit will be situated at 3.9% of GDP, *i.e.,* overshooting the official target (2.8%), and raising public debt to 100% of GDP. It should be noted that this forecast, like those for the economy as a whole, was made based, among other factors, on policies and measures known at the time. Obviously, significant changes to those policies once a new government has been formed would affect these forecasts, particularly as far as the budget is concerned.

Spain´s potential growth rate remains very moderate, with certain limiting factors. However, these factors will probably not prevent the Spanish economy from growing at rates of between 2.5% and 3% over the next three or four years.

As regards forecasts for future years, estimates of potential GDP growth, which is what determines the capacity for long-term growth, are very moderate (less than 1% per the European Commission's estimates) as a result of two main factors. The first is the stagnation, or perhaps even decline, in the net capital stock resulting from the contraction of public and private investment during the crisis. And the second, the high percentage of long-term unemployment and the unsuitability of the qualifications of many of those out of work. In addition, other constraints on growth persist, such as the still high level of private debt, and the need for budgetary consolidation and to reduce the high level of public debt, which will make it necessary to maintain a restrictive fiscal policy over the next few years, limiting the growth of the stock of public capital.

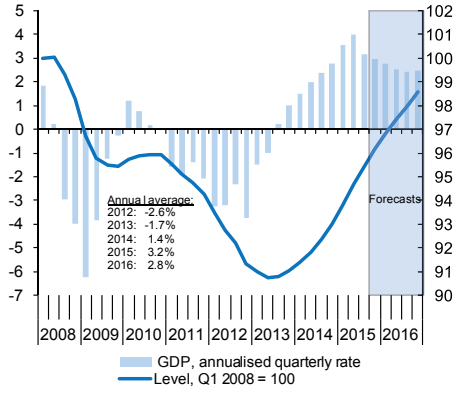
However, these limiting factors will probably not prevent the Spanish economy from growing at

Exhibit 8

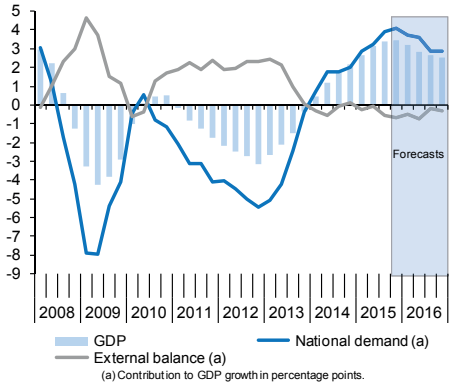
Economic forecasts for Spain, 2015-16

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

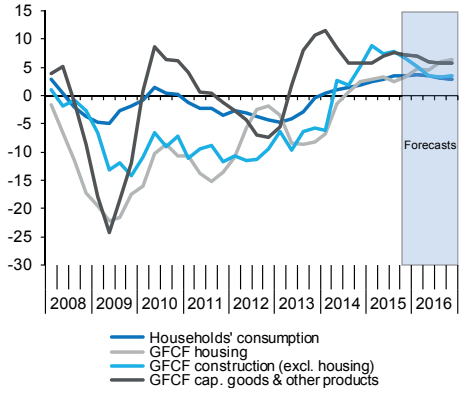
8.1 - GDP



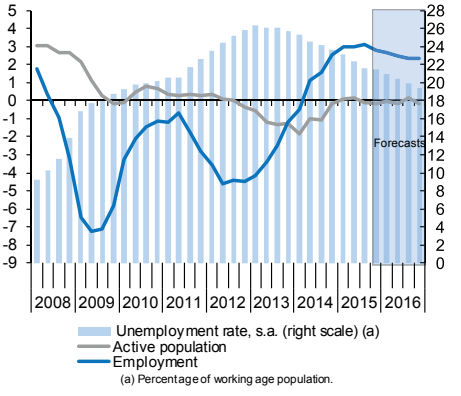
8.2 - GDP, national demand and external balance



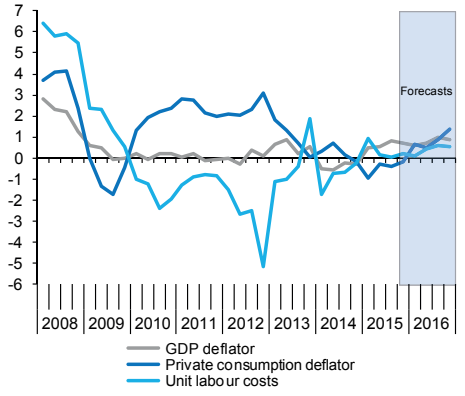
8.3 - National demand aggregates



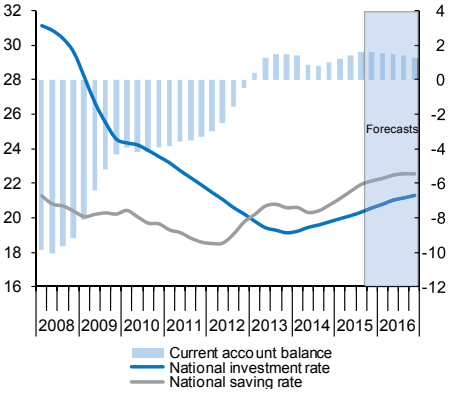
8.4 - Employment and unemployment



8.5 - Inflation



8.6 - Saving, investment and c/a balance (% GDP, 4qt moving averages)



Source: INE (Quarterly National Accounts) and Funcas (forecasts).

Table 1

Economic forecasts for Spain, 2015-2016

Annual rates of change in %, unless otherwise indicated

	Actual data				*Funcas forecasts*	
	Average 1996-2007	Average 2008-2013	2013	2014	2015	2016
1. GDP and aggregates, constant prices						
GDP	**3.8**	**-1.3**	**-1.7**	**1.4**	**3.2**	**2.8**
Final consumption households and NPISHs	3.6	-2.2	-3.1	1.2	3.1	3.2
Final consumption general government	4.3	0.7	-2.8	0.0	2.3	1.4
Gross fixed capital formation	6.4	-7.0	-2.5	3.5	6.3	5.3
Construction	5.9	-9.8	-7.1	-0.2	5.6	4.5
Residential construction	7.8	-11.2	-7.2	-1.4	3.0	5.4
Non-residential construction	4.2	-8.2	-7.1	0.8	7.6	3.9
Capital goods and other products	7.5	-2.4	3.5	7.7	6.9	6.1
Exports goods and services	6.6	1.7	4.3	5.1	5.9	5.1
Imports goods and services	8.7	-4.1	-0.3	6.4	7.7	6.9
National demand (a)	**4.5**	**-3.0**	**-3.1**	**1.6**	**3.6**	**3.3**
External balance (a)	-0.7	1.7	1.4	-0.2	-0.4	-0.4
GDP, current prices: - € billion	--	--	1,031.3	1,041.2	1,081.4	1,122.2
- % change	7.4	-0.8	-1.1	1.0	3.9	3.8
2. Inflation, employment and unemployment						
GDP deflator	3.5	0.5	0.6	-0.4	0.7	0.9
Household consumption deflator	**3.1**	**1.8**	**1.0**	**0.2**	**-0.4**	**0.9**
Total employment (National Accounts, FTEJ)	3.4	-3.3	-3.5	1.1	3.0	2.4
Productivity (FTEJ)	0.4	2.1	1.9	0.3	0.2	0.4
Wages	7.5	-1.1	-2.4	0.9	3.9	3.4
Gross operating surplus	6.9	-0.2	-1.2	0.4	3.3	3.6
Wages per worker (FTEJ)	3.3	2.4	1.7	-0.6	0.5	0.8
Unit labour costs	2.9	0.3	-0.2	-0.8	0.3	0.4
Unemployment rate (LFS)	**12.5**	**20.2**	**26.1**	**24.4**	**22.2**	**20.2**
3. Financial balances (% of GDP)						
National saving rate	22.4	19.9	20.6	20.8	22.2	22.7
- of which, private saving	18.6	23.1	24.6	24.3	24.9	24.4
National investment rate	26.9	23.2	19.1	19.8	20.6	21.3
- of which, private investment	23.0	19.4	16.9	17.7	18.5	19.2
Current account balance with RoW	**-4.5**	**-3.3**	**1.5**	**1.0**	**1.6**	**1.4**
Nation's net lending (+) / net borrowing (-)	-3.7	-2.8	2.2	1.6	2.2	2.0
- Private sector	-2.8	5.8	9.1	7.5	7.2	5.9
- Public sector (general governm. deficit)	**-0.9**	**-8.6**	**-6.9**	**-5.9**	**-5.0**	**-3.9**
- General gov. deficit exc. financial instit. bailout	**--**	**-7.8**	**-6.4**	**-5.8**	**-5.0**	**-3.9**
Gross public debt	52.2	66.8	93.7	99.3	99.7	100.0
4. Other variables						
Household saving rate (% of GDI)	10.2	10.2	9.9	9.6	10.4	9.9
Household gross debt (% of GDI)	82.1	127.2	118.6	112.1	104.7	99.1
Non-financial coporates gross debt (% of GDP)	80.0	127.8	119.2	111.8	103.9	98.2
Spanish external gross debt (% of GDP)	90.2	159.7	158.5	166.2	169.2	165.7
12-month EURIBOR (annual %)	3.7	1.9	0.5	0.5	0.2	0.2
10-year government bond yield (annual %)	5.0	4.7	4.6	2.7	1.7	1.8

Note:
(a) Contribution to GDP growth, in percentage points.
Sources: 1996-2014: INE and Bank of Spain; Forecasts 2015-2016: Funcas.

rates of between 2.5% and 3% over the next three or four years. First of all, there is a lot of uncertainty in the calculations of potential GDP, particularly the rate of structural unemployment. This increases after a long period of recession or low growth – a phenomenon known as hysteresis – but in Spain's case this may be offset by the effects of the labour-market reform undertaken, which has made labour relations more flexible, and thus reduced the structural unemployment rate. Unemployed workers' qualifications may also be improved through active employment policies, which are currently being enhanced. In any event, hypothetical restrictions on the labour supply could, as has happened in the past, be alleviated with the right immigration policies.

The capital stock and its medium-term trend are also debatable, as the perpetual inventory method normally used may not be the most appropriate in the current circumstances. It is possible that the crisis has destroyed a high percentage of capital stock (by making early depreciation necessary) thus sharply reducing potential GDP growth. However, subsequently this depreciation (for reasons of age or technological obsolescence) has taken place more slowly and in smaller volumes than new gross capital formation, thus leading to a situation in which the capital stock is growing more than estimated in the production functions.

However, even if the modest potential GDP growth estimates are valid, it should not be forgotten that there is an output gap that will allow the economy to grow at faster-than-potential rates while it is being narrowed. With growth of around 2.5% this gap would not close until 2018.

In short, in the near term there are no major constraints on robust and sustained growth. In the medium term, the key is to increase the capital stock of existing firms or create new ones, which means maintaining or increasing business profitability and having low interest rates for an extended period, which seems within reach. In this regard, the current moderation in unit labour costs needs to be maintained, which is foreseeable while the unemployment rate remains high. The restrictions on labour supply seem to be smaller, despite which it is important to bolster active employment policies. Finally, an important issue in Spain remains improving total factor productivity. Economic policy needs to create incentives to raise TFP by supporting human capital formation, innovation, internationalisation, and better business management.

The Spanish financial system in the new political era

Santiago Carbó Valverde[1] and Francisco Rodríguez Fernández[2]

Spain´s financial stability remains intact, underpinned by the ongoing economic recovery. However, concerns over political uncertainty could still place a brake on investment and financing flows, at least over the short to medium-term horizon.

Spain´s economic recovery remains on track, but the lack of a majority government following recent elections is giving way to a delicate political balancing act. There are no grounds for concern over the country's financial stability. Nevertheless, prolonged political uncertainty could slow investment and funding flows. The reforms, restructuring, write-downs and recapitalisations that the Spanish financial sector has undergone over the last four years ensure its foundation. A gradual return to positive year-on-year credit growth is expected between 2016 and 2019. The default rate is projected to drop from 8% in 2016 to around 3% by 2019. The major challenges the sector will need to confront over the next four years will include reactivating lending, raising profitability, privatising nationalised institutions and adapting to increased regulatory pressure. Moreover, Spanish banks must make changes to their business models, adopting a risk-management structure more focused on SMEs and devoting more attention to technological changes in retail services.

Financial stability in a context of political uncertainty

The current transition between two legislative periods is paradoxical. The past four years have been characterised by severe crisis followed by an incipient economic recovery, under a government that guaranteed stability through its absolute majority. The next four years should see the economic recovery gain traction, but have started off with considerable political uncertainty. At present, it is difficult to predict the new political equilibrium, as parties jockey to form coalitions and it is by no means clear that a new round of elections would produce a stable result.

This is clearly an unprecedented scenario for Spain's democracy, and one that all observers, analysts and investors are watching closely. Uncertainties surrounding the legislative transition in Spain have not gone unnoticed by rating agencies. The day after the elections, December 21st, 2015, Moody's issued a note saying that the "inconclusive parliamentary election has increased political uncertainty and raised doubts about the future government's

[1] Bangor Business School and Funcas.

[2] University of Granada and Funcas.

ability and willingness to continue with structural reforms and fiscal consolidation, a credit negative. Forming a new government is likely to be difficult and a failure to do so would lead to a new round of elections and a prolonged phase of political uncertainty." As Moody's points out, this also means that "notwithstanding significant progress made, recent years have also seen a sequence of missed fiscal targets, the future likelihood of which will only be increased by an uncertain electoral result." In any event, for the moment, Moody's considers that "the positive outlook on Spain's Baa2 government bond rating balances the country's improving economic and credit fundamentals and reform progress against the uncertainty over future reform impetus."

In a similar vein, on the same day, Fitch stated that, "the inconclusive outcome of Spain's general election increases the related risks of prolonged political uncertainty, and potentially a looser fiscal policy stance and/or a reversal of structural reforms." Fitch also said that "the recent strong cyclical economic recovery has offset some risks posed by the stalling of fiscal consolidation [...]. Combined with very low interest rates, this has helped reduce budget deficits [...]. But Spain's fiscal adjustment is still incomplete." Fitch expects that "in the short run, political uncertainty is likely to have limited impact on fiscal policy as the 2016 budget was approved before the elections. We maintain our baseline assumption that any new government will keep public debt/GDP declining in the latter half of the decade [...]. But an extended period of political uncertainty and the possibility of a partial reversal of reform and consolidation measures could damage economic confidence and reverse the current benign macro-fiscal dynamics."

How could this situation affect the Spanish financial system? After years of intensive restructuring and recapitalisation, the Spanish banking sector has emerged from the crisis stronger and more resilient. However, there are still major outstanding challenges, such as operational rebalancing *(i.e.,* increasing lending and raising profitability) and privatisation, which must be faced in an environment of increased regulatory pressure, the enduring impacts of the crisis on the strength of credit demand and political uncertainty.

In this context, the following article analyses the implications of the transition between the two legislative periods for the Spanish financial system, and what the years ahead are likely to hold. The exercise is constrained by uncertainty surrounding current forecasts. The article will therefore project financial aggregates for 2016 under a "central scenario" that assumes no political equilibria in the short and medium-term and the resulting implicit cost of this for the economy. It also considers long-term forecasts for 2019, based on a scenario of potential equilibrium of the Spanish economy in a baseline scenario of reasonable political stability. In the case of 2016, the effect of external factors with significant potential impact on the Spanish financial system is also considered, such as instability in China and other emerging markets.

Key issues affecting the Spanish financial sector

The changes the Spanish financial system − and the banking sector in particular − has experienced in recent years have been some of the most intense in its recent history. The effects of the crisis, and the process of "orderly restructuring" begun by the FROB in 2009, have been extensively documented in *Spanish Economic and Financial Outlook,* but in this instance, we are referring specifically to the processes under way since 2012 and which may, to some extent, continue until 2019.

As Exhibit 1 shows, it was in 2012 that the Spanish banking system really began to focus on capital requirements, after several years in which efforts had been dedicated primarily to restructuring. Amid severe pressure in European sovereign debt markets, this was the year in which Spain had to turn to the EU for help to ensure the

solvency of its banking sector. This meant signing a Memorandum of Understanding (MoU) that led to the implementation of a series of corrective, preventive and proactive measures, which were supervised and monitored until the end of 2015. However, recapitalisation remains one of the long-term goals due to the presence of worldwide regulatory and market pressure to raise banks' solvency.

The political uncertainty with which 2016 began leaves much of the capacity for action down to institutions' own initiative. In this regard, the restructuring of the Spanish banking sector is expected to continue, and will include further consolidation for at least the next two years.

In a number of cases, the recapitalisation process implied the FROB's entry into financial institutions' capital. Various measures were taken in 2014 and 2015 − including shares issues by financial institutions − with a view to partial or total privatisation. However, as the MoU indicated, this process may take until the end of 2017. The political uncertainty with which 2016 began leaves much of the capacity for action down to institutions' own initiative. In this regard, as will be discussed below, the restructuring of the Spanish banking sector is expected to continue, and will include further consolidation for at least the next two years.

Another important issue − partly in response to the demands of the crisis and partly required under the MoU − is the sale of assets by the banks. For the first time in over 70 years, Spanish financial institutions have reduced their assets. This downsizing is linked to the restructuring process, which at the end of the day, reflects the necessary adjustment to the reality of lower demand in the wake of the financial crisis. Selling assets has allowed many financial institutions to obtain resources with which to bolster their solvency, pay down their debt, or offset impairment losses on other investments.

Concerns over the recovery of credit flows have been the main focus of attention. Although credit has been contracting over the last four years, new credit is beginning to grow significantly, with positive changes in balances expected in 2016.

As regards regulatory pressure, the processes of orderly resolution in Spain, under European supervision, have led to a significant increase in regulatory requirements and in 2019, the provisions of the Basel III agenda will shape the intensity of regulation. Aspects not previously considered − and subject to much debate − such as penalising the holding of public debt securities on banks´ balance sheets, may be incorporated.

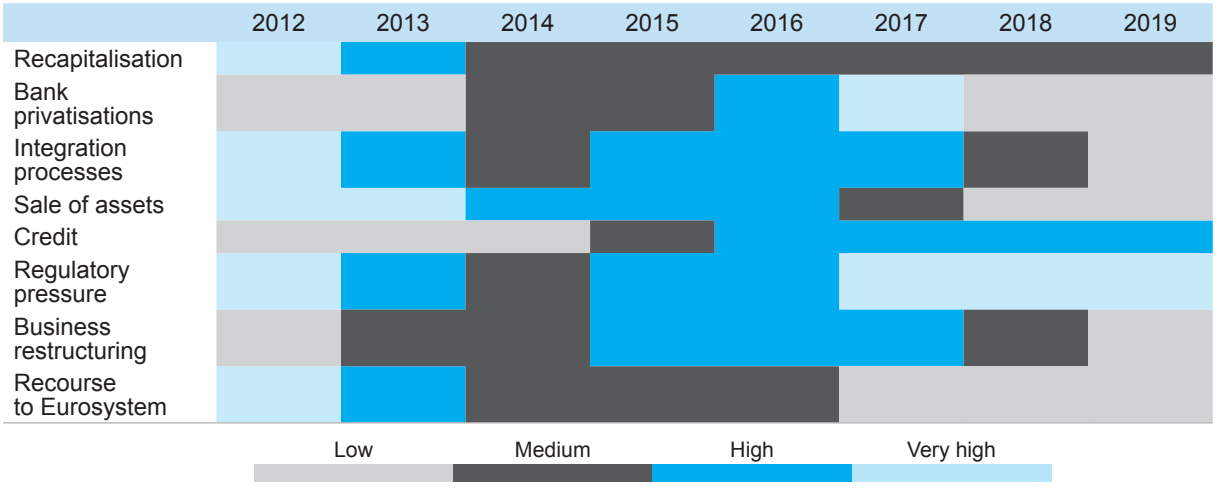
As regards regulatory pressure, aspects not previously considered – and subject to much debate – such as penalising the holding of public debt securities on banks´ balance sheets, may be incorporated.

One increasingly prominent issue, which will also be dealt with specifically below, is the role of Spanish banks in the corporate restructuring processes. In addition to the close links between banks and businesses in Spain, through shareholdings and finance, there are recent regulatory provisions that have fostered the process of resolution of corporate debt.

Finally, one key feature of Spanish financial institutions' activity in recent years has been their dependence on Eurosystem liquidity. As will be discussed below, although this dependence has decreased in absolute terms, it remains significant relative to the rest of Europe.

Exhibit 1

Key issues affecting the Spanish banking sector: Level of intensity over time (2012-2019)



Source: Authors´ own elaboration.

In terms of the quantitative analysis, taking credit as the starting point, private sector finance in Spain registered negative year-on-year rates of change up until November 2015 (the most recent data available), as is shown in Exhibit 2. However, in 2016, these rates are expected to be 3.5% for businesses and 3% for households, with rates of 5.5% and 5%, respectively, anticipated in the longer-term.

In any event, as Exhibit 2 also shows, the number of new credit transactions has been rising significantly since mid-2014, for SMEs and large corporations. In the case of large corporations, debt repayments still seem to be playing a major role, although corporations are expected to account for a significantly larger share of new borrowing in 2019.

As regards new household credit, consumer credit has been growing strongly since 2012, and housing finance has recently started picking up as well. The latter is set to grow considerably in the next few years, although well below pre-crisis rates for now, in line with a more sustainable growth of the residential property sector.

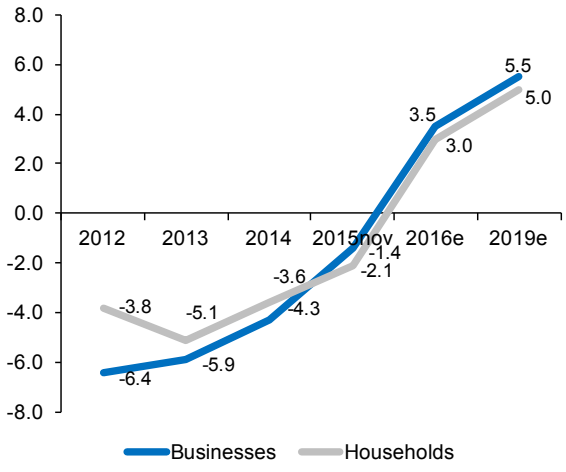
Overall, debt repayments continued to outweigh new transactions in 2015. Although positive rates of change are expected in 2016, they will fall somewhat short of initial estimates as a result of political uncertainty. Much of the sector has shown its willingness to undertake corporate transactions, while a further substantial share is still waiting for its privatisation plans to reach completion. The good news is that the Spanish banking system has made better progress on restructuring than most of its European peers and has enhanced transparency over the quality of its assets to an extent that is unparalleled elsewhere in Europe.

Regulatory pressure is another factor that will have a negative impact on credit. However, this is largely foreseen, and therefore discounted in the forecasts. On this point, is worth mentioning that on December 28th, the Bank of Spain set the capital buffers for systemically important institutions and the countercyclical buffer for 2016. The latter was set at 0%. The buffer for systemically important institutions was set in the range of 0 to 0.25%,depending precisely on how “systemically important” each institution is deemed to be.

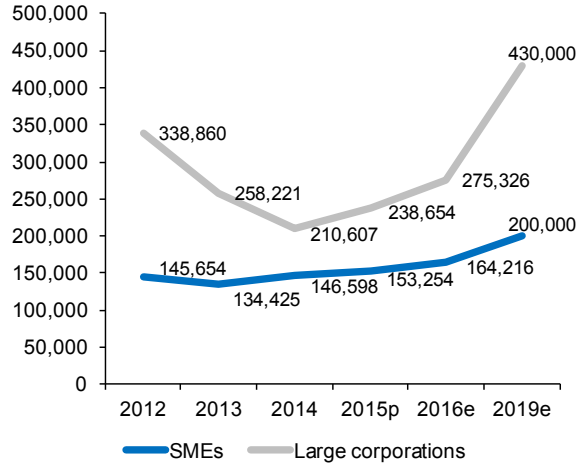
Exhibit 2

Private-sector financing in Spain (2012-2019e)

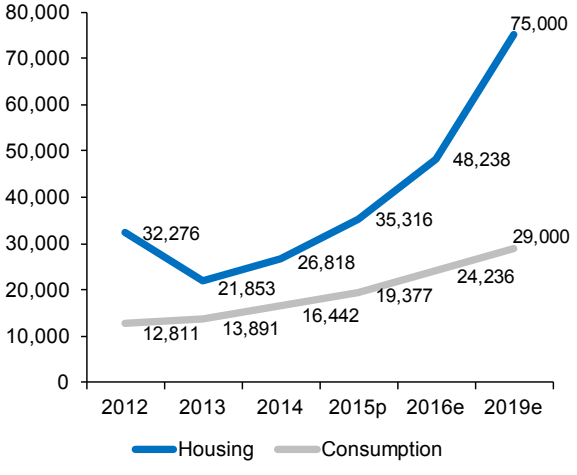
Year-on-year rates of change (Percentage)



New credit. Millions of euros



New credit. Millions of euros



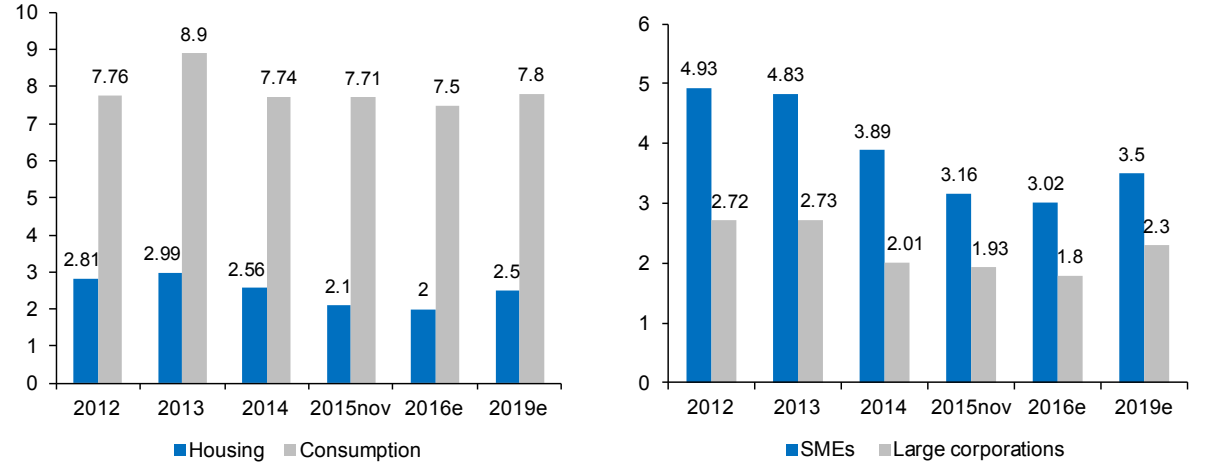
Notes: e=estimate; p=provisional.

Source: Bank of Spain and authors' own elaboration.

One factor favouring credit growth, however, is the trend in interest rates (Exhibit 3). Since 2013, there has been a substantial reduction in the average rates charged by Spanish financial institutions. Thus, for example, the average rate on consumer credit was 8.9% in 2013, compared with 7.7% at the end of 2015. In the case of housing loans, the average rate fell from 2.9% to 2.1%. In the corporate segment, the average rate for SMEs dropped from 4.83% to 3.16% over the same period, while the rate for large corporations dropped from 2.73% to 1.93%. This downward trend has been continuing for some time, but it may extend into 2016 and reverse somewhat thereafter. Although the ECB is not expected to tighten monetary policy in the medium term, it is

Exhibit 3

Average interest rates charged by Spanish financial institutions (2012-2019e)
(Percentage)



Note: e=estimate.

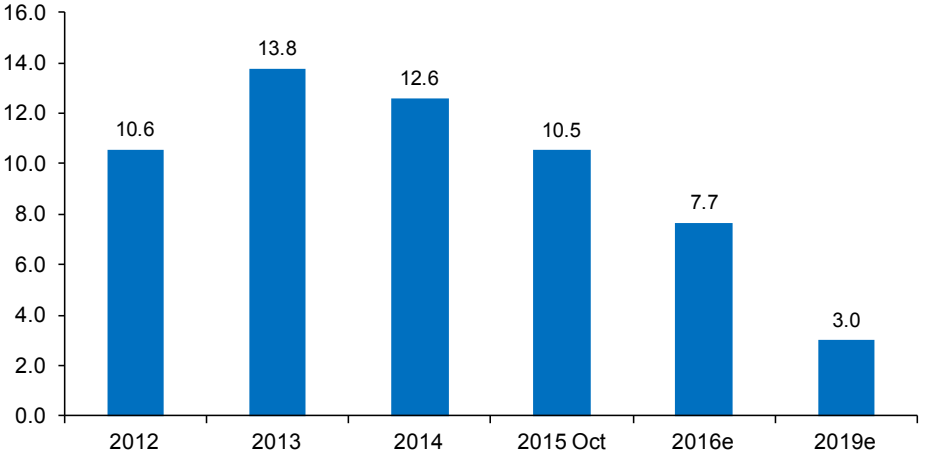
Source: Bank of Spain and authors' own elaboration.

possible that the downward trend in rates may bottom out as inflation picks up as expected in 2016.

The negative impact of the crisis is also visible in the default rate. The ratio of NPLs to total loans (Exhibit 4) reached 13.8% in 2013 and has been

Exhibit 4

Non-performing loans in Spain (2012-2019e)
(Percentage)

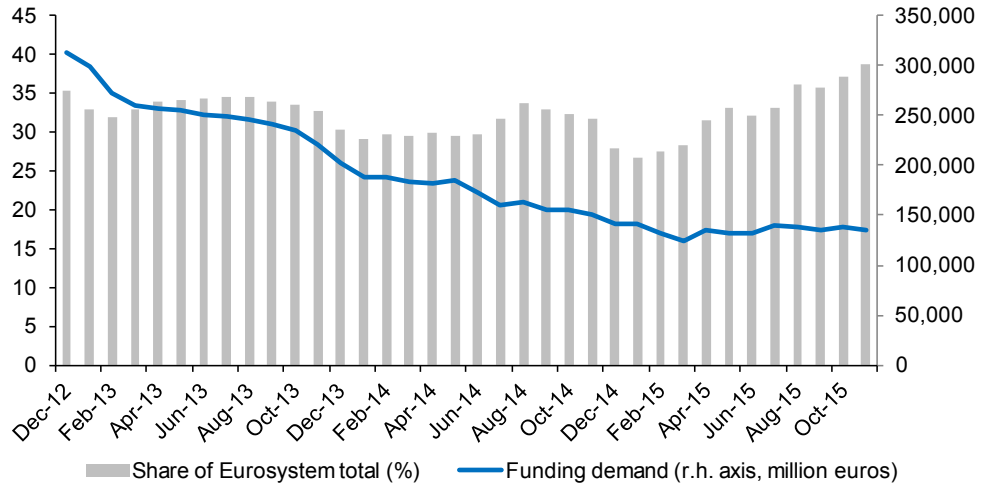


Note: e=estimate.

Source: Bank of Spain and authors' own elaboration.

Exhibit 5

Recourse by Spanish financial institutions to the Eurosystem (2012-2015)



Source: Bank of Spain and authors' own elaboration.

gradually declining since, dropping to 10.5% in October 2015. As the percentage of doubtful loans declines − bearing in mind the likely increase in total credit − it is possible that the ratio will drop to below 8% in 2016 and to around 3% in 2019.

One final important issue concerning credit is the funding available to Spanish banks. The European Central Bank's stimulus has become essential to maintaining financing flows, and it was particularly significant when sovereign risk tensions peaked in 2012. As Exhibit 5 shows, the share of Eurosystem funding has fallen drastically since 2013, dropping from funding demand of over 300 billion euros in 2012 to demand of around 130 billion euros in late 2015. However, it is worth noting that the Spanish banking sector is still absorbing over 35% of the total of this type of funding.

Structural changes

Among the recent developments within the Spanish banking sector, the restructuring process has drawn significant attention. As a consequence of the intensity of the process, as shown in Table 1, there was a sharp reduction in the number of competitors, associated with a significant allocation of resources to restructure balance sheets, largely supplied by financial institutions' own provisions. Two broad conclusions can be drawn from Table 1:

No other European country has changed the structure of its banking sector to the degree of that registered in Spain. Restructuring has helped match the supply and demand for financial services, an issue still unresolved elsewhere in Europe.

- No other European country has changed the structure of its banking sector to the degree of that registered in Spain. This restructuring has helped match the supply of financial services to demand, an issue that looks likely to remain unresolved elsewhere in Europe for some time to come.

SEFO - Spanish Economic and Financial Outlook
Vol. 5, N.º 1 (January 2016)

Table 1

Ten key facts about the process of restructuring and cleaning up banks' balance sheets in Spain

– A total of 53 institutions were involved in integration processes.
– These integration processes have resulted in 14 banking groups.
– Between 2008 and 2012, Spain cut its number of bank branches by 17%, compared with a cut of 8% in Germany, 5% in Italy, and 3% in France.
– Four institutions were bailed out.
– The Fund for Orderly Restructuring of the Banking Sector (FROB) took an equity stake in six groups.
– Ten groups were given support by an asset protection scheme (with public support) to underwrite potential losses.
– Prior to 2012 alone, a total of 192 billion euros of provisions had already been used to cover asset impairment losses.
– The total value of restructured or refinanced loans at year-end 2012 came to 208 billion euros.
– Coverage of private-sector impaired loans with provisions rose from 29% in 2008 to 47% in 2015.
– In June 2015, Spanish banks had absorbed (from provisions or reserves) cumulative impairment losses of 298 billion euros.

Sources: Bank of Spain, the Spanish Treasury, and authors´ own elaboration.

- The year 2012 was a turning point in the volume of resources devoted to recapitalisations and cleaning up balance sheets. Institutions' provisions have, in fact, played a fundamental role.

It is worth noting that any effort by banks to restructure and clean up their balance sheets reflects (or in some cases, translates into) another parallel effort by Spanish households and firms. Thus, for example, the efforts made to pay down the debt are evident from the fact that debt levels fell by 453 billion euros between June 2010 and June 2015.

In any event, as far as the structure is concerned, some additional indicators can help better explain recent developments and point to future trends.

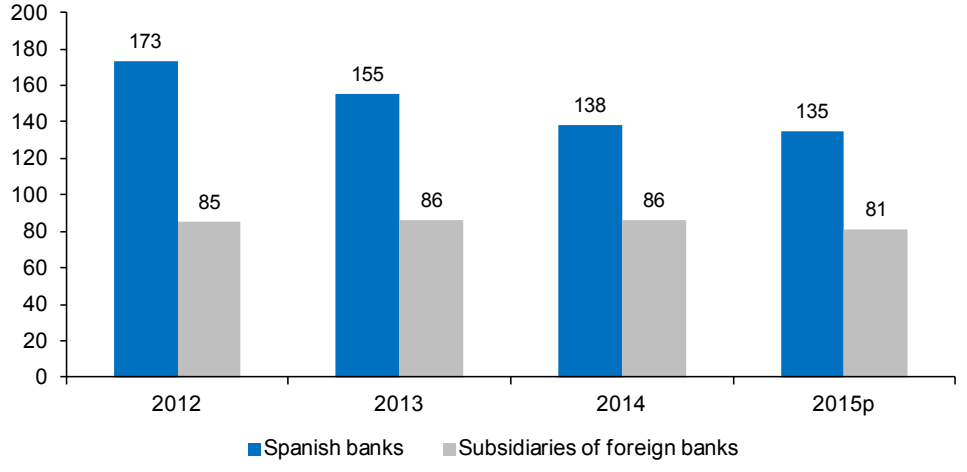
Exhibit 6 shows how the number of Spanish deposit-taking institutions has fallen from 173 in 2012 to 135 in 2015, while the number of subsidiaries of foreign banks has declined from 85 to 81. The Spanish banks include the 53 mentioned in Table 1, which account for the bulk of activity. The number of foreign subsidiaries initially increased, but then fell when a significant number of European banks finally embarked on restructuring plans in 2014 and 2015.

The decline in the number of competitors has been accompanied by a significant adjustment in operational structure (Exhibit 7). Thus, the number of employees has dropped from 231,389 in 2012 to an estimated 194,688 at the end of 2015. The number of branches has also been cut from 37,903 in 2012 to 31,021 in 2015. It should be noted that these adjustments are still ongoing − although the process is not as intense as in previous years − such that by 2019, the number of branches could be around 28,000 and the number of employees 180,000.

Some of these cuts could be considered 'organic' in the sense that they are geared towards matching supply to demand in a context in which significant technological change is also under way (this started before the crisis, but is increasingly present in banking operations) and there is growing competition from non-bank operators.

Exhibit 6

Number of deposit-taking institutions in Spain (2012-2015)



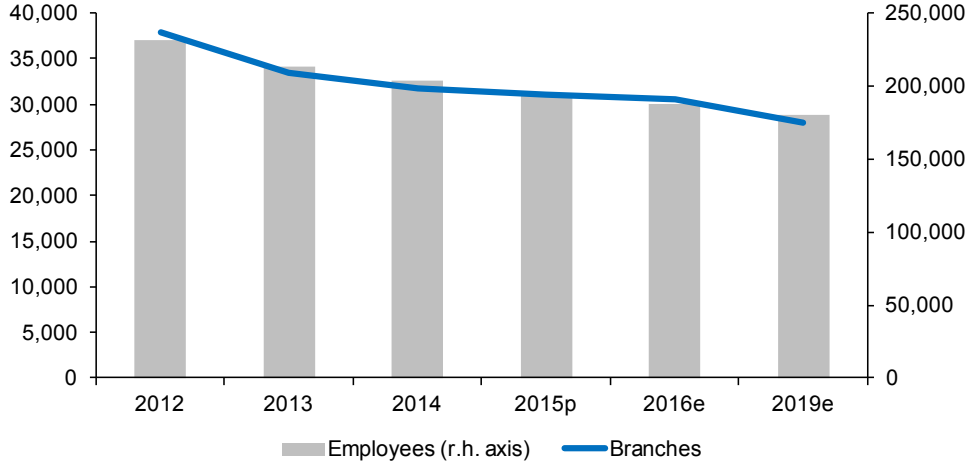
Note: p=provisional.

Source: Bank of Spain and authors' own elaboration.

Another part of the structural change may be due to expectations of new bank integration processes in Spain. On this point it is difficult to discern which specific institutions will be affected and how many new major banking groups will be competing in Spain. However, at the geographical

Exhibit 7

Number of bank employees and branches in Spain (2012-2019e)



Notes: e=estimate; p=provisional.

Source: Bank of Spain and authors' own elaboration.

scale at which retail financial services compete, the degree of concentration is not as important as the contestability or competitive intensity between rivals at the provincial or regional level. There is international evidence showing there to be sectors in which just five main institutions operate (such as Canada) that are as −or more− competitive than others in which there are hundreds (such as the United States or Germany).

Financing conditions and new dimensions of bank-business relations

As discussed in the preceding sections, the financing conditions for businesses and households are finally improving in the aftermath of the crisis, albeit slowly. The data for businesses confirm that:

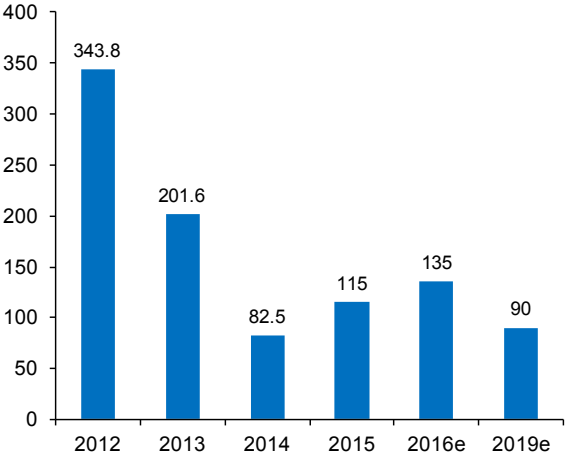
- Banks are targeting an increasing share of their new lending to SMEs.
- Interest rates have fallen significantly.

Falling financing costs are basically being driven by the European Central Bank's expansionary monetary policy and the extraordinary liquidity injections it has been making in recent years. However, it is also worth noting the reduction in country risk − due to its impact on the corporate sector's ability to obtain finance. Many Spanish companies had difficulty accessing finance throughout 2012 and into 2013 as a result of rising sovereign risk. As Exhibit 8 shows, the risk premium − the spread between Spanish and German ten-year bonds − fell by more than 220 basis points between 2012 and 2015. The risk premium may rise in 2016, at least during the first half of the year, unless political instability is resolved. Over the longer-term, towards 2019, the risk premium is likely to be below 100 basis points, although the horizon is more than long enough for a variety of factors to have an impact on country risk.

Falling financing costs are basically being driven by the European Central Bank's expansionary monetary policy and the extraordinary liquidity injections it has been making in recent years.

Exhibit 8

Trends and projections for Spain's risk premium



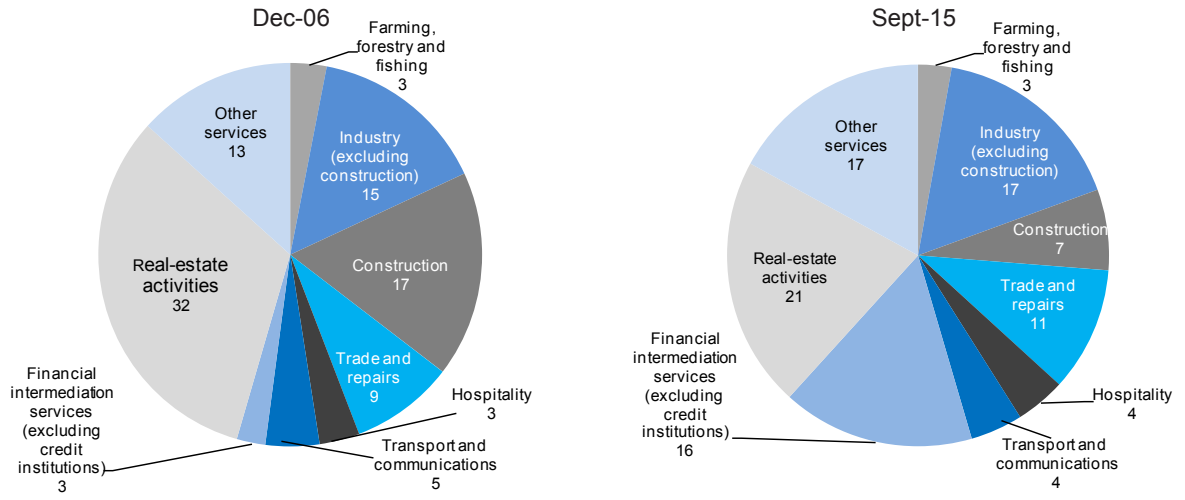
Note: e=estimate.

Source: Bloomberg and authors' own elaboration.

In the context of better financing conditions for businesses, there has also been a change in the composition of the sectors benefiting from bank credit (Exhibit 9). Comparing 2006 (pre-crisis) with the situation in September 2015, lending to real-estate activities can be seen to have declined from 32% to 21% and construction lending from 17% to 7%. The share of lending to industry has risen from 15% to 17%, however. Trade (from 9% to 11%) and other services (from 13% to 17%) have also come to account for a larger share of borrowing. This redistribution across sectors is in line with a process of risk redistribution, reducing the excessive exposure to a single sector (construction and real-estate).

Exhibit 9

Sector distribution of lending to finance productive activities in Spain
(Percentage)



Source: Bank of Spain and authors' own elaboration.

In any event, a fundamental area of change in relations between banks and businesses in Spain lies beyond new lending operations. Namely in the resolution of existing debts. This is an issue of vital importance, not only because it affects how Spanish businesses can reduce their leverage with financial institutions effectively, but also because it determines the viability of a significant number of businesses.

Spain recently adopted a number of measures that have led to profound changes in bank-business relations and the process of corporate restructuring, helping viable companies renegotiate their debt or propose debt reduction to avoid bankruptcy proceedings.

In this regard, Spain recently adopted a number of measures that have led to profound changes in bank-business relations and the process of corporate restructuring.

In 2014, urgent measures were adopted on the refinancing and restructuring of corporate debt, introducing amendments to the law on bankruptcy and civil proceedings to help viable companies renegotiate their debt with the banks or propose debt reductions to avoid bankruptcy proceedings. At present, in 90% of cases, bankruptcy proceedings end with the closure of the business. The bankruptcy law's requirements were therefore changed so that creditor banks could convert part of their debt (the part that is unsustainable for the company) into equity. This was accompanied by a reduction in the majorities needed for agreements to be binding, so as to make it harder for minority shareholders to block them. The effect of refinancing agreements with a court endorsement can now be extended to dissenting creditors. Banks are also given priority, behind the social security and the tax collection agency, in the event of bankruptcy proceedings.

Banks' accounting rules have been changed so that when they swap a company's debt for equity and the company is deemed to be a going concern, they can release the provisions set aside for the

loans. The former requirement that an offer for 100% of a company's capital had to be made when a holding exceeded the 30% threshold has also been eliminated.

The measures adopted have been particularly pragmatic in the context of business resolution processes which are, however, not exclusive to Spain. Indeed, since the end of 2015, there has been increasing concern over companies with a high franchise value in sectors, such as energy or technology that have significant debt levels across various countries. The restructuring options offered by the reforms adopted in Spain may represent an opportunity to establish the viability of these companies rather than end in their closure.

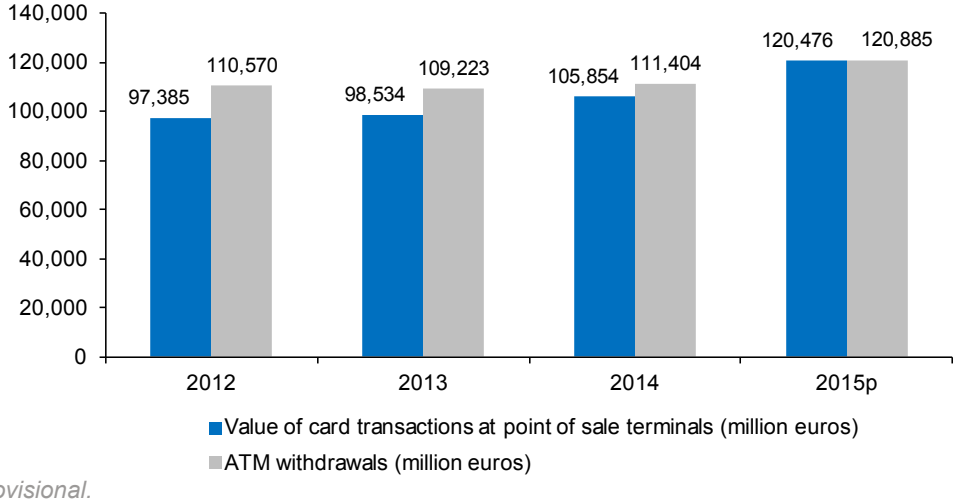
Payment methods as a vehicle for technological change

One last factor broadly impacting the Spanish banking sector is technology. Based on the trend seen in most service sectors, whereby new IT-based channels are being used to offer services, with low or zero marginal costs, new ways in which businesses and individuals can obtain funds have emerged. These include on-line business-to-business (B2B) lending, crowd-funding, and mini-bonds. This diversity of funding sources is challenging banks' continued hegemony in credit markets. Considering the emphasis from both the public and private domains on the growing importance of alternative funding channels, it is plausible that banks will have a diminishing role in the economy in the not-too-distant future. However, this will not necessarily be the case. Alternative funding channels may eventually complement rather than replace traditional bank finance.

In any event, while alternative financing systems seek to establish themselves both within and outside the banking sector, technological change continues to be focused on payment methods as has largely been the case in recent years. The clearest example is given by card transactions (debit or credit). As Exhibit 10 indicates, after several difficult years as a result of the crisis, card transactions have been increasing since 2012. Volumes came to 97,385 million euros in

Exhibit 10

Value of card transactions at points of sale and ATMs



Note: p=provisional.

Source: Bank of Spain and authors' own elaboration.

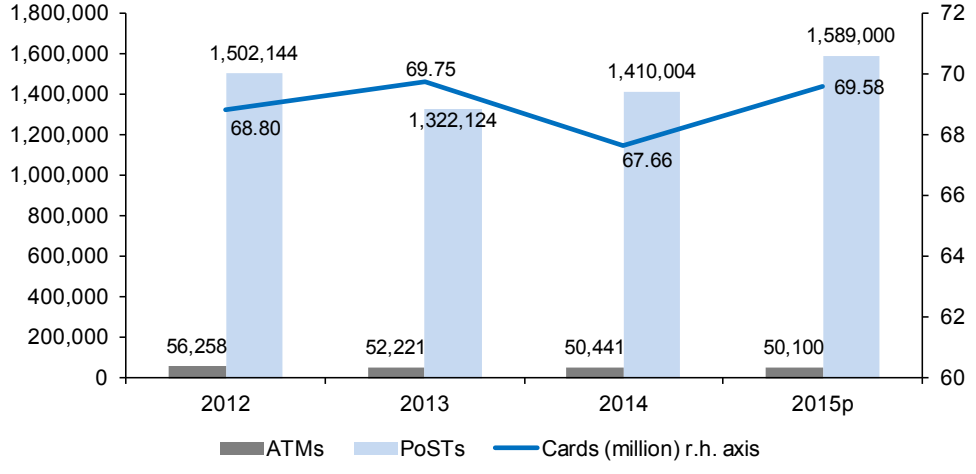
2012 and are estimated to rise to 120,476 million euros at the end of 2015. This amount is still slightly less than the total for cash transactions, which are estimated to have come to 120,885 million euros at the end of 2015.

For Spanish financial institutions, the transition to electronic payment instruments is particularly important because, among other things, the county´s investments in payment infrastructure have been among the world´s highest for many years.

The transition from cash to electronic means of payment is progressing in Spain, although not as fast as might be desired. This issue is by no means a trivial one either for banks or society as a whole. The use of electronic instruments enables substantial savings and has additional advantages in terms of security and in the fight against tax evasion. Although levels of penetration differ, the difficulty of fostering this transition to electronic means of payment is worldwide. Alternatives are increasingly being discussed to encourage the shift, such as tax incentives or making card payments compulsory for certain services. For Spanish financial institutions, this transition is important because, among other things, the country's investments in payment infrastructure have been among the world's highest for many years. In any event, there is an additional aspect that needs to be taken into account in the development of this technology. The favoured medium for the development of card payments is the point of sale terminal (PoST). This contrasts with the cash dispenser (ATM), which although it provides other services, encourages cash withdrawals. Financial institutions have two different coexisting objectives: reducing basic branch services that can be performed using ATMs and encouraging the use of PoS terminals. In any event, as Exhibit 11 shows, Spanish financial institutions have reduced their numbers of ATMs from 56,258 in 2012 to an estimated 50,100 at the end of 2015. Meanwhile, the number of PoS terminals has risen from 1,502,144 to 1,589,000. The number of cards held by Spanish consumers rose from 68.8 million to 69.58 million over the same period.

Exhibit 11

Basic data on payments infrastructure in Spain



Note: p=provisional.

Source: Bank of Spain and authors' own elaboration.

The coming years will see the emergence of new financial technologies, such as mobile payments, which, although they have already been implemented, have yet to achieve widespread adoption. These new devices will coexist with those of other alternative providers, such as Apple Pay and Samsung Pay. This means that banking intermediaries will also face competition from non-bank operators in the payments area in the years ahead.

Conclusions

This article has reviewed the main changes that have taken place in the Spanish financial system −focusing particularly on the banking sector −since 2012, and the outlook − within the constraints of current political uncertainty − over the next four years. At least five conclusions can be drawn from this analysis:

- The political instability following the December 2015 general elections has become a short and medium-term destabilising factor whose long-term consequences are difficult to predict. There are no grounds for concern about financial stability, but it is nevertheless the case that a context of political uncertainty is a brake on investment and funding flows.

- Banking activity between 2012 and 2015 was characterised by restructuring, recapitalisation, reform and recourse to the Eurosystem. Between 2016 and 2019 a progressive return to positive year-on-year credit growth can be expected, compatible with continuing integration and growing regulatory pressure as progress is made towards full compliance with the Basel III solvency and liquidity requirements.

- Substantial efforts have been made to manage defaults and set aside provisions for impaired assets. The default rate can be expected to drop from 8% in 2016 to around 3% by 2019.

- The structure of the banking market has changed substantially, with 53 institutions being involved in integration processes resulting in 14 banking groups. Between 2008 and 2012, Spain cut its number of bank branches by 17%, compared with a cut of 8% in Germany, 5% in Italy, and 3% in France.

- The challenge for the next four years lies in the business, with a risk management structure that is more targeted to, and customised for, SMEs and a stronger focus on the effects of technological change in retail services, beginning with efforts to achieve widespread adoption of electronic payments, perhaps even with public policy support to incentivise less use of cash.

How the emerging markets slowdown will impact listed Spanish companies

Nereida González, Pablo Guijarro and Diego Mendoza[1]

Despite the favourable impact of recent international expansion by Spanish companies, the deteriorating outlook for emerging markets is raising concerns of possible negative implications on Spanish corporates´ earnings. While a supportive stance by the ECB and positive economic outlook in key developed markets should minimise these downside risks, IBEX 35 players with heightened exposure to Latam could still come under pressure.

During the last five years, Spanish companies have greatly intensified their international expansion. This trend has had a very favourable impact on their earnings performance, in particular as a result of growing exposure to emerging markets, helping to counteract the effects of the crisis in Spain. This same exposure could, however, become a major vulnerability in 2016, due to the anaemic growth outlook for Latin America, which has been exacerbated by uncertainty in China. (Latin America´s share of Spanish corporate revenues is significant, representing 23% of the total, second only to the domestic market itself.) Overall, we believe continued ECB intervention in 2016, coupled with the positive growth dynamics for Spain, and other developed markets, should help to mitigate the uncertainty deriving from fresh concerns over the emerging markets economic outlook. The performance of the IBEX 35 should not be significantly affected by deteriorating conditions in emerging markets. However, due to the heterogeneity of geographic diversification among the IBEX 35 companies, precisely those with greater earnings exposure to Latam will likely see their share prices come under pressure, which could have a considerable impact on the performance of the index as a whole.

Introduction

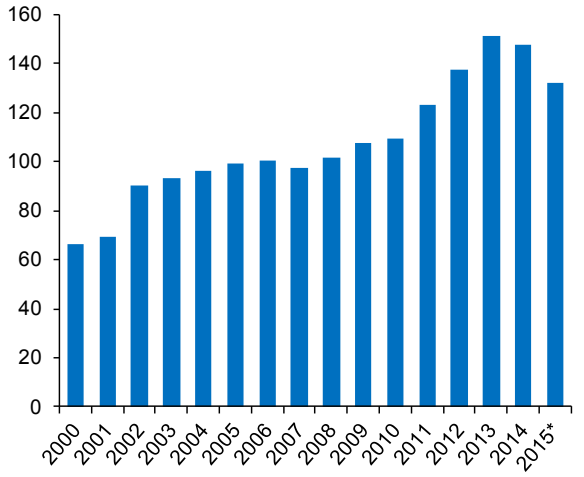
International expansion by Spanish companies has intensified in recent years in an effort to offset weak domestic demand. This process is not new: the flow of direct foreign investment to other economies had become a significant factor at the turn of the century. What is new is the noteworthy growth in the number of companies based in Spain, which export overseas. According to the data published by the national statistics bureau, this figure had jumped by 50% from the start of the crisis in 2008 to over 150,000 by 2014.

The increased exposure to international markets, while very favourable in the last five years, is,

[1] A.F.I. - Analistas Financieros Internacionales, S.A.

Exhibit 1

No. of exporting companies in Spain ('000)

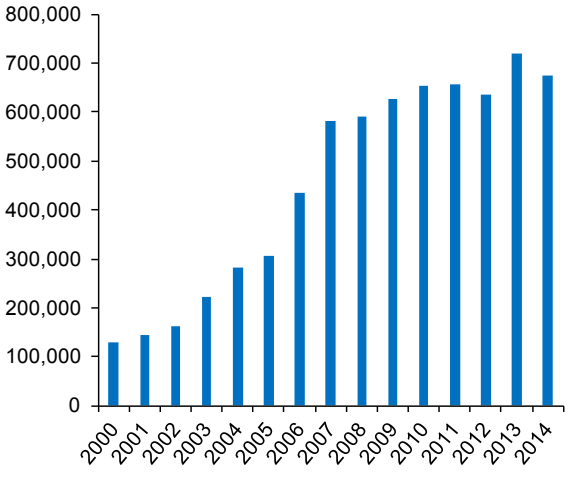


*Note: *2015 includes figures to October.*

Source: Datacomex, AFI.

Exhibit 2

Spanish FDI stock (Millions of USD)



Source: UNCTAD.

however, currently the source of uncertainty due to the anticipated slowdown in some of the biggest emerging markets economies, notably China and Brazil. Below, we break down some of the regions in which Spanish companies have established a more extensive footprint and attempt to pinpoint the extent to which their share price performance could be adversely affected by forecasts for more sluggish emerging markets growth in the quarters to come.

The article is structured as follows: firstly, we analyse the Spanish economy's international exposure, using foreign direct investment, export and M&A figures to support the analysis; and secondly, we look at the recent performance of the IBEX 35 with a view to approximating the potential outlook for the market in light of the listed companies' geographic exposure.

Spain's international exposure

To determine the countries to which Spain is exposed, we have analysed foreign direct investment and trade flows as well as the trend in M&A activity. Next, we outline the key results of this exercise.

FDI, flows and stock

Stripping out the developed economies, Spain's foreign exposure via direct investment is concentrated in Latin America, which accounts for over one-quarter of the total. Thirteen per cent of the stock of Spain's foreign direct investment in 2013 (latest figures available) was concentrated in Brazil (surpassed only by the UK, at 14%).

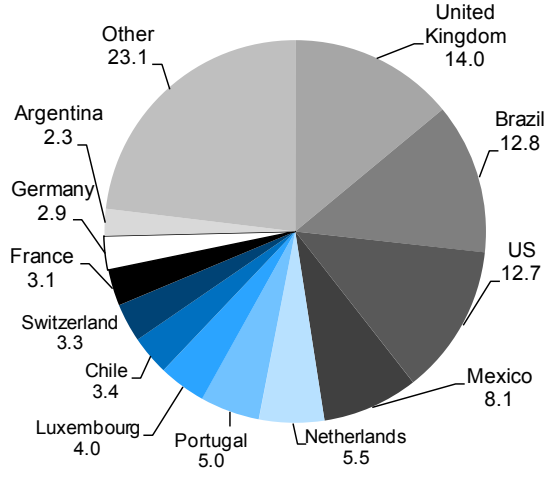
Spain´s foreign direct investment is concentrated in Latin America, accounting for over one-quarter of the total.

Further analysing the flows of FDI from Spain to Latin America, a change in destination is evident in recent years. Until 2012, Brazil was the Latam

country receiving the greatest FDI inflows from Spain. However, from 2013, Spain began to earmark larger flows to Mexico and Brazil slipped considerably down the ranks in 2015.

Exhibit 3

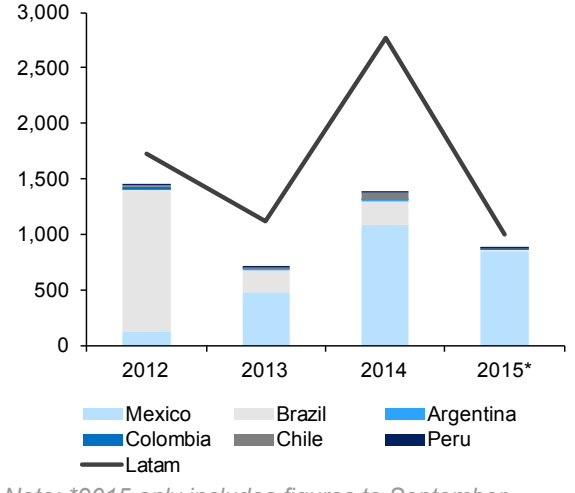
Spanish FDI stock in 2013
(% of total)



Source: Datainves, AFI.

Exhibit 4

Spanish FDI flows to Latam
(Millions of euros)



*Note: *2015 only includes figures to September.*
Source: Datainves, AFI.

Trade flows

Spain's biggest trade partner remains the European Union, the destination for 70% of its exports, a figure that has been trending upward since the end of 2009. Despite the fact that more Spanish exports go to France than to any other country, trade flows to Germany have been increasing at a relatively faster pace in recent months.

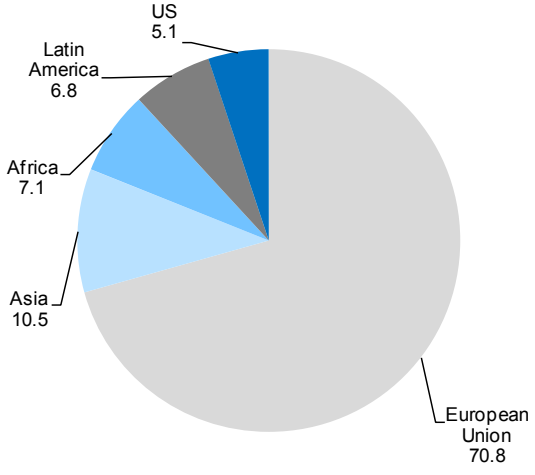
Although Europe is still Spain´s largest trading partner, Latin America´s share of Spanish exports remains stable in contrast to the steady growth of exports to Asian economies, primarily China.

Another way to gauge Spain´s exposure to emerging markets is to analyse the countries to which Spain is more exposed via trade flows.

The emerging markets to which Spain exports the most are concentrated in Asia, followed by Africa

Exhibit 5

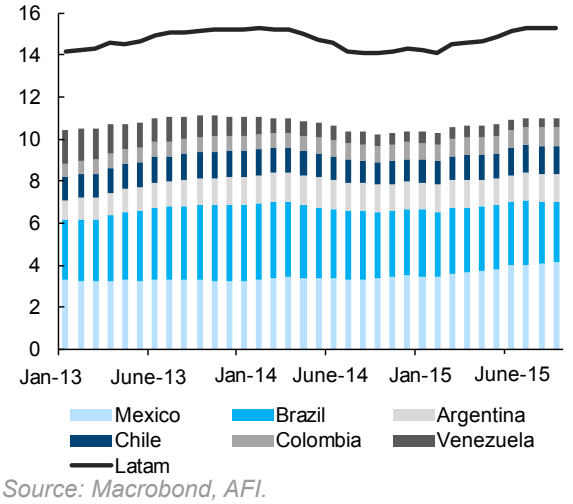
Spanish exports by market in October 2015
(% of total)



Source: Macrobond, AFI.

Exhibit 6

Spanish exports to Latin America



Source: Macrobond, AFI.

(with Morocco and Algeria accounting for the biggest chunks of flows to this continent). Latin America ranks last, representing 7% of all Spanish exports.

Trade flows to Latin America have remained stable in recent months despite the region's economic difficulties, particularly those facing Brazil. The sharp drop in exports to Brazil has been offset by growth in exports to Mexico and other countries presenting more stable macroeconomic conditions.

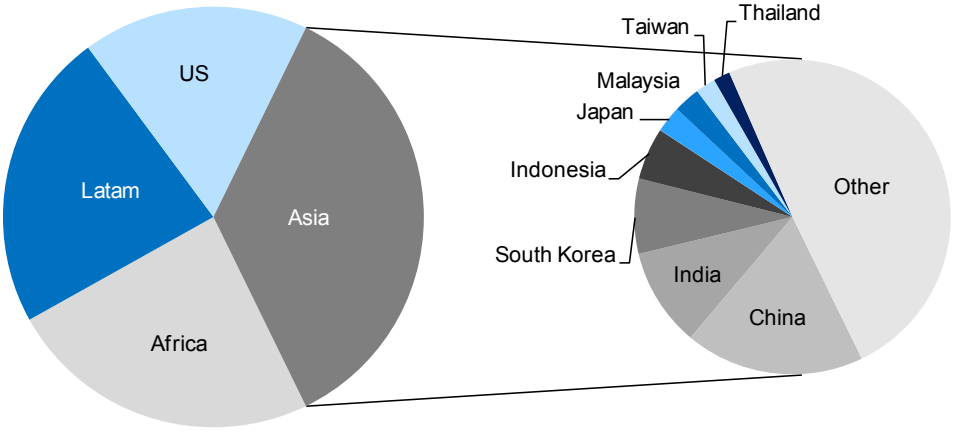
The stability of Latin America's share of Spanish exports contrasts with the steady growth in exports to Asian economies. Asia's share of Spanish exports continues to rise and currently stands at 11% of the total (36% of exports to non-EU countries).

China is still Spain's biggest Asian trade partner. Despite the slowdown in China, exports to this market continue to register stable growth. The shift in the Chinese economic model towards that of a consumer society has facilitated ongoing growth of Spanish exports to China in recent months.

In short, the trend is one of a downturn in exports from Spain to emerging markets and a shift towards developed economies, mainly in the eurozone. The fastest-growing export market is Germany.

Exhibit 7

Spanish exports to non-EU countries, a closer look at Asia



Source: Macrobond, AFI.

Against this backdrop, Spain is more exposed to emerging markets, and especially to Latin America, via investment flows. Spanish companies are principally entrenched in Brazil and Mexico, a presence that implied, particularly in the case of the former market, a significant source of earnings instability in 2015.

M&A-led growth

The trend in cross-border M&A activity by Spanish companies completes the snapshot provided by the trade flows and FDI stock figures. The most important takeaways from this exercise are:

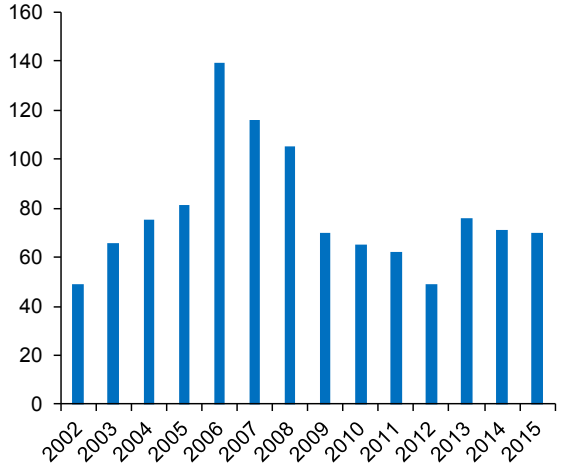
- The financial crisis has had the effect of significantly slowing international expansion via mergers and acquisitions. Since 2007, the number of transactions has fallen by almost half to just 70 in 2015 (data to November).
- Secondly, the geographic footprint revealed by FDI and trade flow figures overlaps to an extent with the M&A strategies pursued by Spanish companies. Specifically:
- Spanish cross-border M&A activity is also concentrated in Europe.
- The concentration of the stock of foreign direct investment in Anglo-Saxon economies is also borne out by the fact that almost 25% of the transactions completed between 2002 and 2015 involved targets in the US and UK.
- Lastly, Asia also accounts for a growing share of M&A transactions, emulating the trend observed in trade flows to the region.

Implications for Spanish equities

The IBEX 35 companies remain predominantly exposed to their domestic market. According to the most recent data available (year-end 2014), close to 40% of the blue chip index members' sales revenue is still generated in Spain. The international expansion pursued in recent years has, for the most part, focused on neighbouring and developed economies in general, which represent approximately one-third of their revenue.

Exhibit 8

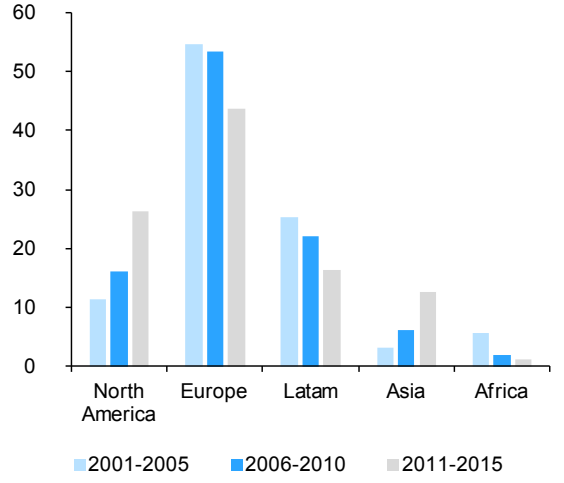
No. of cross-border transactions completed by Spanish companies



Source: Bloomberg, AFI.

Exhibit 9

Geographic breakdown of cross-border transactions completed by Spanish companies (Percentage)



Source: Bloomberg, AFI.

Nevertheless, the weight of the emerging markets in the IBEX companies' accounts is very substantial, with Latin American notably representing 23% of revenue, second only to the domestic market.

While most of the IBEX 35 companies still derive the bulk of their revenues from the domestic market, Latin America´s share of revenues is significant, second only to those generated in Spain.

The slowdown in China and ongoing correction in commodity prices are weighing on most emerging markets, particularly in Latin America and especially in Brazil. Thus, given the geographic exposure of IBEX 35 stocks, the emerging markets crisis may have a bigger impact on Spanish companies than on their European counterparts – even though the Spanish economy is staging a more vigorous recovery than the rest of the core euro economies.

Looking at the recent trend in the IBEX, the share prices of the companies comprising Spain's benchmark index have underperformed other benchmark indices, such as the EuroStoxx 50 (eurozone), S&P 500 (US) and the Nikkei 225 (Japan). The geographic exposure of the IBEX 35 largely justifies its relative underperformance in 2015.

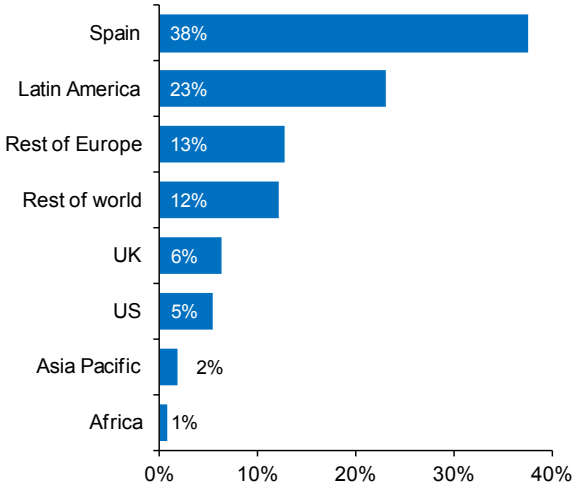
The geographic exposure of the IBEX 35 largely justifies its relative underperformance in 2015.

Going forward, the anticipated stabilisation of growth in China at annual rates of GDP of around 6.0%-6.5% should drive a shift in the recent commodities dynamics and brighter prospects for the emerging economies.

The outlook for China extends to the emerging markets as a whole, as revealed by our growth forecasts, in line with those of the IMF. According to the IMF, the emerging markets as a whole will

Exhibit 10

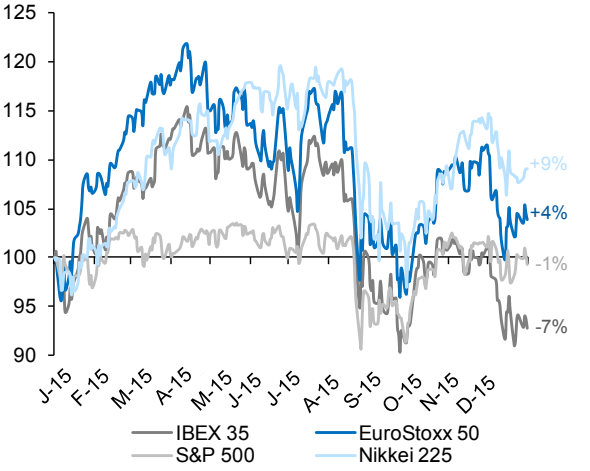
Geographic revenue mix of IBEX 35 companies
(data as of year-end 2014, latest figures available)



Source: Bloomberg, AFI.

Exhibit 11

Equity market performance
(Rebased to 01/01/2015; data to 31/12/2015)



Source: Bloomberg, AFI.

Table 1
AFI and IMF global growth forecasts
(Percentage)

	AFI		IMF (WEO Oct 2015)				
	2015	2016	2015	2016	2017	2018	2019
Developed economies			**2.0**	**2.2**	**2.2**	**2.1**	**2.0**
US	2.6	2.8	2.6	2.8	2.7	2.4	2.0
Eurozone	1.6	1.9	1.5	1.6	1.6	1.6	1.6
Germany	1.7	2.3	1.5	1.6	1.5	1.3	1.3
Spain	**3.2**	**2.7**	**3.1**	**2.5**	1.8	1.8	1.7
United Kingdom	2.6	2.4	2.5	2.2	2.2	2.2	2.1
Emerging markets			**4.0**	**4.5**	**5.0**	**5.1**	**5.2**
Brazil	-3.0	-1.5	-3.0	-1.0	2.3	2.3	2.4
Mexico	2.6	3.2	2.3	2.8	3.5	3.8	3.8
India	7.7	7.4	7.3	7.5	7.6	7.7	7.7
China	6.5	6.1	6.8	6.3	6.0	6.1	6.3

Source: IMF, AFI.

register growth of 4.0% in 2015 and of 4.5% in 2016, further accelerating then stabilising around 5.0% in 2017-2019.

It is important to note, however, that the region to which the IBEX 35 is most exposed, Latin America, is expected to be hit hard by the negative outlook for Brazil and the economic weakness anticipated in Mexico and Chile. This may spell continued volatility in corporate earnings in companies most exposed to these economies.

Overall, however, we believe that continued ECB intervention in the financial markets in 2016, coupled with the positive growth dynamics forecast for Spain, the US, the UK and Germany, should help to mitigate the uncertainty deriving from concerns over the emerging markets economic outlook for the first time in five years. On the basis of this observation, the broad conclusion is that the performance of the IBEX 35 should not be significantly affected by the conditions in emerging markets. However, to the extent that the geographic footprint of the companies comprising the benchmark index is not homogeneous, it is important to stress that those with greater earnings exposure to Latam will continue to see their share prices come under pressure, a factor which could have a considerable impact on the performance of the index as a whole.

Conclusions

The international expansion pursued by Spain's companies has been a decisive factor in counteracting economic weakness throughout the recent crisis in Spain. This international expansion has been characterised by an increasingly entrenched presence by Spanish corporates in Latin America and burgeoning trade flows with Asia, cushioning (albeit to a limited extent) the traditional dependence of Spanish trade on the European economy.

In the immediate future, this international footprint may introduce a source of earnings volatility for Spanish companies as a result of the uncertain outlook for key emerging markets economies, such as China and Brazil. The underperformance of the IBEX 35 in 2015 is undoubtedly largely

explained by idiosyncratic geographical exposure relative to that of comparable benchmark indices.

The uncertainty deriving from the economic climate in emerging markets should not, however, overshadow Spanish companies' predominant presence in markets, such as the US, the UK or Germany, for which the outlook for the coming quarters is positive. This, coupled with the prospect of continued growth in Spain in the order of 3%, should mitigate the weakness stemming from emerging markets.

Going forward, it is important to stress that the geographic footprints of the IBEX 35 companies vary and the share prices of those most exposed to Latam will, in all likelihood, come under significant pressure in 2016, weighing on the performance of the index as a whole.

Fiscal consolidation in Spain: State of play and outlook

Santiago Lago-Peñas[1]

The government continues on the path of fiscal consolidation, but there will likely be some deviation from 2015 targets, further complicating the outlook for 2016. Strategies to improve performance on deficit targets must give special consideration to the situation of the regions, including the debate over regional funding, as well as social security revenues.

2016 begins with one of the most uncertain political scenarios since the early eighties. On the positive side, the fact that the State Budget for 2016 was approved in December means that at least there is some degree of certainty on the budgetary front. However, several important challenges exist, particularly at the regional level and specifically over the non-compliance of targets. Different factors account for this problem, apart from the sharp reduction in regional deficit targets. There is also a great degree of variation across the regions, which should be taken into consideration at the time of analysing performance. In general terms, to ensure that the regional governments cease to be a source of instability and fiscal non-compliance, a multidimensional strategy will be required and should include trigger mechanisms in the event of non-compliance, which should be more automatic than those used in the past.

Fiscal consolidation in Spain: Recent developments

Consecutive deficits −unprecedented in Spain's recent history– were the fundamental reason why Spain went from being a country with one of the lowest public-debt-to-GDP ratios in the European Union (EU-25), with a ratio of 40% in 2007, to having a ratio close to 100%. Thus, joining the group of most heavily indebted member states (Delgado, Gordo and Martí, 2015).

Nevertheless, Spain's public accounts have improved significantly over the last three years, since the worrisome situation between 2009-2012, when Eurostat estimated Spain's public deficit, including the one-off cost of the financial reform, at around -10% of GDP (Table 1).

There has been a clear fiscal consolidation effort, with the deficit falling from -6.9% in 2013 to -5.9% in 2014. Moreover, once the impact of financial restructuring is excluded, figures reflect: i) that consolidation really begun back in 2012; ii) that the

[1] Professor of Applied Economics and Director of GEN, University of Vigo.

Table 1
Spanish public deficit 2009-2016
(% GDP)

	2009	2010	2011	2012	2013	2014	2015	2016
Observed public deficit	-11	-9.4	-9.5	-10.4	-6.9	-5.9	–	–
Observed deficit, excluding the one-off cost of financial-system reform	–	–	-8.9	-6.6	-6.3	-5.7	-4.2	-2.8
Targets agreed with the European Commission, excluding the one-off cost of financial-system reform	–	–	–	–	-6.5	-5.8	-4.2	-2.8
Funcas consensus forecasts (January 2016)	–	–	–	–	–	–	-4.7	-3.3

Source: The author, based on Eurostat (http://ec.europa.eu/eurostat/tgm/table.do?tab=table&plugin=1&language=en&pcode=teina200) for observed deficit data, and from MINHAP (2015a and 2015b) for the observed deficit, excluding the one-off cost of financial-system reform, and the agreed targets.

real progress of 2013 and 2014 was less intense than the gross figures suggested; but also, iii) that fiscal consolidation targets were met in both years.[2]

Figures are not yet available for actual budget execution, but various estimates suggest that the deficit target has been missed. In contrast to the -4.2% target set by the government, and agreed upon with the European Commission, Funcas's consensus (January 2016) is -4.7%.

Various estimates suggest that the deficit target set by the government and agreed upon with the European Commission has been missed.

The fiscal slippage in 2015 is substantial and raises doubts over the feasibility of meeting the -2.8% target for 2016, since it raises the starting point, and necessitates more cuts to the government borrowing requirement. We will look at each of these issues in turn.

For several months, there have been doubts over compliance with the 2015 deficit target (Lago-Peñas, 2015). The Independent Fiscal Responsibility Authority's July 2015 report (AIReF, 2015a) predicted that the fiscal targets adopted would be difficult to achieve. AIReF cited various reasons. First, a significant number of regional governments, including some of the territories with the greatest weight in the aggregate figures in population and budgetary terms, are set to miss their targets by a wide margin. This mismatch would be partly made up for by the local authorities, which are again on course to achieve an overall

[2] As regards compliance with deficit targets, three factors caused some degree of confusion at both the technical level and public debate. The first factor was the methodological revision of the national accounts. Although in line with Eurostat directives, it affected nominal GDP calculations, and, therefore, had a denominator effect on deficit ratios. The second factor was the diverse interpretations of what is and is not included within the deficit figures. And the third factor was the revision of the targets, as was the case in 2014. In other words, the consolidation objectives were met thanks to: (i) the real and intense fiscal consolidation effort; (ii) a flexible interpretation of what is and is not considered as part of the deficit; and, (iii) the (slight) upward revision of the targets.

surplus. Second, because the social security system is not going to be able to meet its targets, and this time around, the central government will not provide the buffer generated by municipalities in the subnational treasuries' aggregate. While it is true that economic activity picked up significantly in 2015, the positive effect of this on the budget's automatic stabilisers (increased tax revenues, reduced spending on unemployment benefits, etc.) will be offset by other discretionary measures by the central government or contingencies that were not foreseen when the 2015 national budget was drafted. In particular, the Independent Fiscal Responsibility Authority, AIReF (2015b) estimates that the combined effect of the measures to support sub-national governments, bringing forward the income-tax reform planned for 2016 to July 2015, the final settlement of the financing of the autonomous regions for 2013, and a smaller than expected quota and financial compensation from the Basque Country, will reduce the central government's revenues by around 0.5% of GDP.

At the time this article was written, the most recent data on budgetary execution for the general government as a whole in consolidated terms from September 2015 (MINHAP, 2015c) are in line with AIReF's projections. The cumulative deficit in the first three quarters of the year was equivalent to -3.10% of GDP, a figure 0.48 points below that registered in 2014 (-3.58%). Data are available for the period to October (except for the local authorities, with a cumulative surplus of between three and four tenths of a point of GDP) and the figures are -3.42%, in 2015, and -3.93%, in 2014, respectively, which implies a reduction of 0.51 percentage points. Although the cut is substantial, if we extrapolate, the results will be insufficient to achieve the overall deficit reduction envisaged for 2015 as a whole compared to 2014 (-1.5% of GDP).

The problem in meeting the targets mainly lies at the autonomous regions and the social security system level. In the case of the former, because the one-percentage-point reduction in 2015 (from -1.7% to -0.7% of GDP) is not going to be met. In the first ten months of the year, the overall deficit reduction by these levels of government was one tenth of a point (-1.29% in 2014 *vs.* -1.17% in 2015).

The problem in meeting fiscal targets mainly lies at the autonomous regions and the social security system level.

The latest projection published by AIReF (2015b) estimates the deficit for the autonomous regions as a whole between -1.5% and -1.6% of GDP, very close to FEDEA's estimate (2015), calculated on the basis of execution data for the first seven months of 2015, and which does not anticipate the year's deficit for the autonomous regions as a whole dropping below -1.4%.

In the case of the social security system, the cumulative figures for the period to October show a deficit of -0.25%, compared with a deficit of -0.02% in the same period one year earlier. That is to say, it has deteriorated by almost a quarter of a percentage point. This is in sharp contrast with the Stability Programme's projections (MINHAP, 2015a), which were for an improvement from -1.1%, in 2014, to -0.6%, in 2015.

The short-term challenges: Outlook for 2016

This year is going to be a complicated one on the budgetary front. The fact that the State Budget for 2016 (PGE-2016) was submitted and approved before the elections on the 20th of December 2015, is an element of certainty in the most uncertain political scenario since the early nineteen eighties.

Nevertheless, whatever happens in the next few weeks or months, the budget will be amended for two reasons. First, due to the new internal political

balance, reflecting the need to accommodate a different, or more plural, ideological perspective than that allowed by the broad absolute majority enjoyed by the government until now. And second, because the European Commission is going to demand additional efforts to compensate for the mismatch that is going to take place in 2015, and which increases the demands for fiscal consolidation in 2016. Even if the favourable economic situation persists as projected, the PGE-2016 does not seem to be the ideal tool with which to achieve a deficit of -2.8% in 2016 if the starting point is a financing requirement in 2015 that is finally closer to -5% than to the target of -4.2%.[3]

The approved budget is expected to be amended due to the new internal political balance, reflecting the need to accommodate a more pluralistic perspective than before, as well as likely demands for additional efforts to compensate for slippage in 2015.

Combining both forces for change will not be easy. It may demand further spending cuts, which will fall on public services that are already under strain after several years of cumulative cutbacks. It may also mean renouncing tax cuts and changing the tax system so it provides more resources rather than less, as happened in 2015. Alternatively, it could require a blend of both these ingredients. This may entail a reversal of recent decisions or breaking electoral promises in order to ensure fiscal sustainability.

In short, this will mean unpopularity for a government that, unless the parties gravitate towards a strong and stable coalition, will have little electoral and parliamentary capital to spend. And all the foregoing will need to be done within a limited timeframe, which will be all the shorter if the process of reaching an agreement to form a government drags on into the year.

Challenges for the new legislative period

The fiscal consolidation scenario will not be completed in 2016. It will be necessary to continue cutting the public deficit to eliminate the structural component and bring down the public-debt-to-GDP ratio from its current level near 100% of GDP as quickly as possible. The Stability Programme, in fact, offers paths pursuing these objectives up until 2018. But these paths suffer from various limitations.

The first limitation is that they put almost all the weight on the expenditure side. Specifically, they aim to set tax collection at 38% of GDP and to cut the expenditure ratio to this level (MINHAP, 2015a). In a favourable economic scenario, this would mean practically stabilising total spending in current terms and moving further away from the EU-25 average in terms of public financial efforts in most spending areas, including education, health and social protection. But Spain is not particularly efficient at using public resources (Lago Peñas and Martínez-Vázquez, 2016), and, at least in theory, there is a broad offer of public services covering health and education provided by the public sector with little direct financial input from users, long-term care services, an unfunded pensions system, etc. It is not easy to provide such an extensive (high quality) offering of public services in a context of decreasing resources, following a series of cutbacks since the start of the decade, and without reforms increasing efficiency.

On the revenue side, a more ambitious approach to fiscal reform seems to be required, going beyond tax cuts and not imposing the restriction of maintaining tax collection as a given percentage of GDP. The Spanish tax system suffers from numerous shortcomings that undermine its efficiency, equity and revenue-raising capacity, as made clear by the report by the panel of experts

[3] For an analysis of the PGE-2016, see Lago-Peñas (2015).

(Comisión de Expertos, 2014) commissioned by the Finance Ministry.

At the same time, the regions' failure to meet their targets needs to be addressed, having recurred in 2014 after two years (2012 and 2013) in which marked progress had been made and the problem seemed to have been solved.

However, before looking for solutions to fiscal issues, it is important to understand their causes. Three points need to be taken into account. First, the corrective effect of toughening up Spanish legislation on budgetary stability in the period 2011-2012 that seems to have worn off somewhat.

Addressing fiscal issues does not simply require implementing another reform of the budgetary stability laws but rather to remove the control and penalty mechanisms that do not work in practice and make remaining mechanisms more automatic.

Perhaps as a result of the political cost of applying it strictly and on a lasting basis, the reality is that the existing legal options have not been exhausted, as they even include suspending regional self-governance. The solution would therefore not seem to be to simply implement another reform of the budgetary stability laws –although it would be prudent to review them in light of lessons learned to date– but rather to remove the control and penalty mechanisms that do not work in practice and make remaining mechanisms more automatic.

The second point to take into account is that the greater non-compliance by the regions since 2013 has more to do with the fact that the targets have been made harder to meet (from -1.5% in 2012 to -0.7 in 2015) than with an increase in the deficit itself. The deficit has been kept at around -1.5%, but it is proving more difficult to reduce it further. As the regions' borrowing requirements converge to 0% in 2018 (-0.3% in 2016 and -0.1% in 2017), the gap between the reality and the target will likely widen further.

The final point to take into account is that there is a substantial degree of variation across autonomous regions. Some of them have systematically failed to meet their targets in recent years (these include the Basque Country, Navarre, Madrid, and Galicia) and others show substantial and reiterated upward deviations, which are accelerating the rate at which their public debt is increasing (Valencia and Catalonia). One part of this diversity has to do with the relative treatment that the regional financing system gives each region. At one end of the scale, the "foral" communities (*i.e.*, Navarre and the Basque Country) have higher per capita funding than the rest, making adjustments easier and enabling them to run smaller deficits. At the other, the Community of Valencia has historically had a level of funding per inhabitant well below the average.

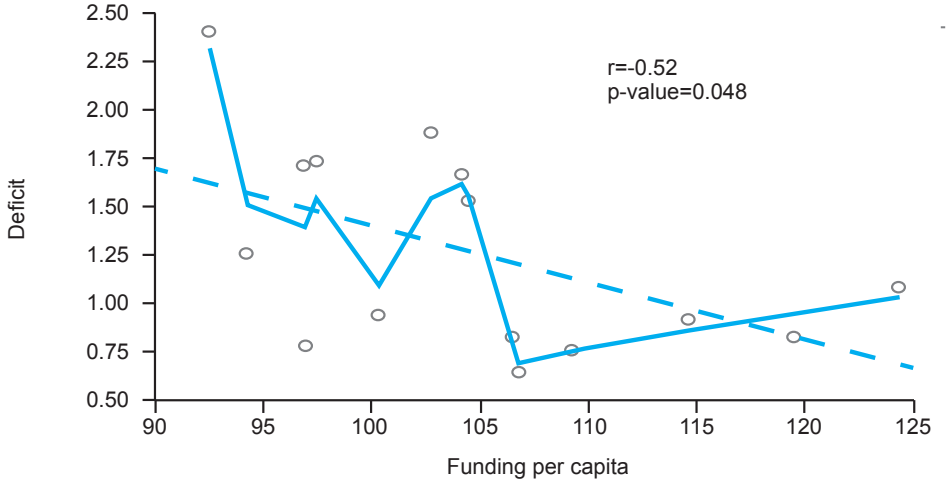
Exhibit 1 explores this idea in more detail, using 2013 data to compare public deficits over GDP and funding per capita adjusted for differences in spending requirements.[4] The linear regression shows a negative and statistically significant relationship, with a simple correlation coefficient of -0.52. The nonlinear regression confirms the relationship, but also reflects that it is not the only relevant factor. There are individual behaviours and factors that go beyond the funding provided by the regional financing model. In particular, there seem to have been governments that have taken consolidation more seriously than others, accepting the electoral cost of austerity more and using their autonomy, particularly on the expenditure side, to meet objectives by making deeper cuts.

To ensure that regional governments cease to be a source of instability and fiscal non-compliance, a multidimensional strategy is required.

[4] The data used come from the FEDEA database, available at http://www.fedea.net/datos-hacienda-autonomica/

Exhibit 1

Ratio of public deficit over GDP to adjusted funding per capita. Common-system autonomous regions (Year 2013)



Note: Per capita funding based on uniform competencies.
Source: The author, based on FEDEA data.

In legislative terms, rather than making the current legislation stricter, what is needed is to learn from the events of recent years and make the triggering mechanisms for the protocols in the event of non-compliance more automatic.

The deficit path set for the autonomous regions up to 2018 could be softened by reallocating the deficit quotas assigned to each level of government. One possible criteria is to use the share of each level of government in total spending. This option would lead to the autonomous regions' having a third of each year's deficit target. However, it is true that this criteria can be qualified, given the existence of transfers between the different levels of government.

Ceteris paribus, an increase in resources transferred to the autonomous regions will increase the central government deficit and reduce that of the regions. This would therefore alter the government´s budgetary restrictions without affecting the formal deficit targets. In short, discussion over the distribution of deficit targets cannot be isolated from the debate over regional funding. And it is precisely the reform of the latter that opens up the third of the dimensions to be changed.

Discussion over the distribution of deficit targets cannot be isolated from the debate over regional funding. And it is precisely the reform of the latter that opens up the third of the dimensions to be changed.

It is imperative that the tax system in the regions in the "common system" (*i.e.* excluding the "foral" communities) be considerably strengthened, their budgetary restrictions tightened and the overall distribution of resources better matched to each region's spending requirements.

The regions need to be given overall responsibility for obtaining the resources they manage and be weaned off their current dependence on the central government. Spain does not come out poorly in international comparisons as regards the percentage of tax revenue that is decentralised.

For example, in the EU-25, it is the leader at the intermediate government level, ahead even of all the federal countries.

There are several weaknesses as regards the region´s tax system. These include: the lack of visibility of the autonomous regions' taxing powers in the case of income tax and the huge delay with which the public and the administration notice the effects of changes in regional legislation; harmful tax competition in the case of wealth tax; the lack of regulatory powers over indirect taxation, even collection; and, the lack of a catalogue of types of taxes in the environmental and energy fields to bolster legal certainty and improve harmonisation.

It is also essential to impose stricter budgetary restrictions on regional governments, so as to force both those governing and those governed to accept the costs of their spending decisions, create incentives to use regulatory capacity, and, in short, increase fiscal responsibility and accountability. In particular, the extraordinary liquidity mechanisms from which the autonomous regions currently benefit should disappear as soon as possible.

Third, as regards the distribution of resources across territorial units, the way spending needs are calculated could be improved and arbitrary ex-post deviations, as currently occur, avoided.

Fourth, the current formula of advance payments on which common-system funding is based means regional governments back away from possible adjustments to budgetary execution in the face of negative economic shocks or other types of contingencies as they lack clear incentives to cut spending or raise taxes. In this regard, Hernández de Cos and Pérez (2015) make an interesting proposal that an adaptive mechanism be applied in which income forecasts are updated over the year and advance payments adjusted accordingly.

Finally, the debate on the social security system's income and charges needs to be revisited. The reforms to the Spanish pension system in 2011 and 2013 significantly cut back long-term spending, but avoided addressing the income side and had less of an impact in the short term. Within the "Toledo Pact" there needs to be discussion of whether some pensions (survivors' and orphans' pensions) should be financed from general taxation, or if, alternatively, a special-purpose tax should be introduced.

References

AIReF (Independent Fiscal Responsibility Authority) (2015a), *Informe de cumplimiento esperado de los objetivos de estabilidad presupuestaria, deuda pública y regla de gasto 2015 de las Administraciones Públicas* (Report on expected compliance with the budgetary stability, public debt and 2015 government expenditure rule objectives), 17-7-2015.

— (2015b), *Informe sobre los Proyectos y Líneas fundamentales de los Presupuestos de las Administraciones Públicas en 2016: Subsector Comunidades* Autónomas (Report on the projects and fundamental lines of the 2016 government budget), 30-11-2015.

Comisión de Expertos (2014), *Informe de la comisión de expertos para la reforma del sistema tributario español* (Report of the expert panel on reform of the Spanish tax system) (http://www.minhap.gob.es/es-ES/Prensa/En%20Portada/2014/Documents/Informe%20expertos.pdf), MINHAP, February 2014.

Delgado, M.; Gordo, L., and F. Martí (2015), "La evolución de la deuda pública en España en 2014," *Boletín del Banco de España,* July-August: 41-56.

FEDEA (2015), *Observatorio Fiscal y Financiero de las CC.AA. Octavo Informe*, November 2015.

Hernández de Cos, P., and J. Pérez (2015), "Reglas fiscales, disciplina presupuestaria y corresponsabilidad fiscal," *Papeles de Economía Española*, 143: 174-184.

Lago-Peñas, S. (2015), "The 2016 General State Budget: Balancing fiscal consolidation and the electoral cycle," *SEFO* 4(5): 53-59.

Lago-Peñas,S., and Martínez-Vázquez, J. (2016), "El gasto público en España en perspectiva comparada:

¿Gastamos lo suficiente? ¿Gastamos bien?," *Papeles de Economía Española*, 147, forthcoming.

Ministerio de Hacienda y Administraciones Públicas-MINHAP (Ministry of Finance and Public Administration) (2015a), *Actualización del Plan de Estabilidad del Reino de España 2015-2018* (Update to the Kingdom of Spain's Stability Plan 2015-2018).

— (2015b), *Plan Presupuestario 2016* (2016 Budget plan), 11 September 2015.

— (2015c), *Publicación de los datos de ejecución presupuestaria* (Publication of budgetary execution data), 22 December 2015.

The impact of ageing on the Spanish economy

José A. Herce[1]

Increased longevity in Spain will have important implications for society and the economy, specifically in the realm of labour markets, healthcare and pensions. These effects will only be problematic if accompanied by a failure to adapt economic, social and savings systems to the new reality.

There is often times a distorted perception of population ageing in Spain and many other countries, which limits the scope for action to assess and address its real implications. Nevertheless, the considerable rise in life expectancy, coupled with the sustained drop in birth rates in many advanced economies, implies formidable challenges for many welfare state programmes, the job market and social dynamics in general. In Spain, these dynamics could result in a shortfall in labour supply in the medium term, especially in the under 44 age categories. In contrast, life expectancy increases alone, accompanied by a notable decline in the size of the overall population, should not necessarily put upward pressure on healthcare spending in Spain; expenditure is more exposed to other factors, such as expansion in the portfolio of services offered to the public, intensification of the use of technology and the cost of provision. Lastly, pensions in Spain, whether public or private, pay-as-you-go or funded, do face a sustainability and sufficiency challenge in the context of growing life expectancies, which will call for further reform efforts in addition to the meaningful measures already undertaken.

Introduction

There is a distorted perception about population ageing in Spain and many other countries. The anxiety over low birth rates leads many to believe that the lack of working-age people will render numerous social and economic systems unsustainable as the older generations of workers reaching retirement age are not replaced at a sufficient pace.

It is possible that this perception is not only wrong but also gravely damaging to the dynamism necessary in advanced societies in which life-style considerations and other 'cost-benefit' trade-offs are fuelling low birth rates. The source of such dynamism lies precisely in intelligent adaptation to the biodemographic phenomenon that complements birth rates: longevity.

Intense adaptation at the productive, social and savings-planning levels is necessary. Indeed, the failure to adapt will spell fulfilment of the fears of those who see growing life expectancy as a threat.

This short article addresses the general implications of increased life expectancy both in the absence of and in the event of such active

[1] Madrid's Complutense University and A.F.I. - Analistas Financieros Internacionales, S.A. This article is partially based on a paper published by Fernández and Herce in 2009.

adaptation. The article emphasises the vision that the phenomenon of growing longevity does not necessarily have to lead to some of the problematic consequences typically attributed to it. Focusing on Spain, the article addresses the huge life expectancy gains achieved over the last century and analyses the foreseeable implications on the labour, healthcare and pension fronts.

Ageing in the twenty-first century

Population 'ageing' is of concern in Spain and in the advanced economies as a whole. It is seen as a 'problem'. In fact, the economic decline affecting key economies such as Japan is already being attributed to the ageing phenomenon (Adachi and Oki, 2015). There is broad consensus that pension systems, starting with 'pay-as-you-go' public pensions, will be the biggest victims, but that the healthcare systems, the job market and other social services will similarly be affected. From a sociological standpoint, it is also widely agreed that ageing is problematic for society dynamics in general. Only in the marketing field will you find a widespread belief that the 'new consumers' (read, the elderly) constitute a potential opportunity for companies offering goods and services to this segment of the population.

How would all these perspectives change if someone were to come out and say that ageing doesn't exist? Is it possible to take such a stance in light of the apparently overwhelming evidence that our societies are ageing, and at an increasingly faster pace?

Yes, it is perfectly feasible. There is no denying that life expectancies have been increasing linearly for decades now with no apparent limit. However, what can be openly questioned is whether individual ageing should be measured exclusively by means of this indicator and with this interpretation.

The first section of this article argues that it is possible to interpret available data in such a way as to conclude that we, or society, are not necessarily ageing. Certainly, the individual perspective does not paint the same picture as the aggregate perspective (individuals as a whole), just as the longitudinal perspective (one individual, society as a whole over time) does not paint the same picture as a momentary snapshot (the whole at a given point of time). There are many ways, therefore, to use population science to approach the ageing phenomenon.

Longevity tends to be confused with ageing. A decrease in births has the effect of automatically increasing the average age of a population whose members are living increasingly longer. However, long-lived does not necessarily mean older.

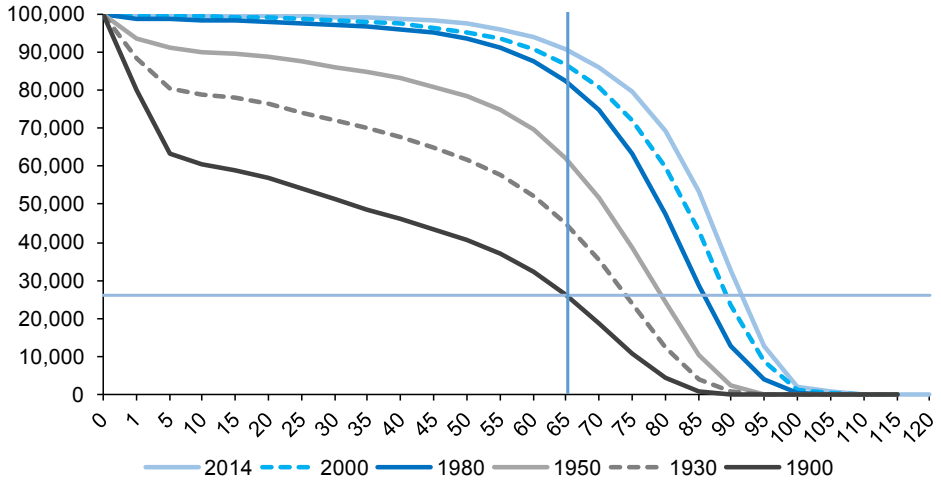
A common source of confusion in this line of debate relates to the biodemographic factors that result in population ageing: birth and mortality rates. Birth rates are very low in most advanced societies and no longer ensure generational replacement. Moreover, individuals are living longer and longer. Longevity is, in fact, the concept that tends to be confused with ageing.

It is generally accepted that a society in which longevity is not rising but the birth rate is falling is doomed to experience far more pronounced population ageing than a society in which longevity is also increasing. This is because increasing longevity is the result of an improvement in individuals' health and living conditions over the course of their life cycles.

The progress made in terms of longevity and survival rates in the various age categories between the end of the nineteenth and beginning of the twentieth century was spectacular, all the more so considering that these gains evidence the human system's superb ability to 'compress' morbidity at old ages for all individuals while

Exhibit 1

Survival curves for Spain, 1900 – 2014
(Both genders, no. of people by age, generations of 100,000 individuals)



Source: AFI, based on INE figures.

shortening senescence, the phase of life during which the accumulation of functional and cognitive impairments leads to death (Vaupel, 2010).

Exhibit 1 illustrates Spain's survival curves between 1900 and 2014, as taken from the mortality tables compiled by the national statistics bureau, the INE.[2] Each curve displays the number of people surviving from a generation of 100,000 individuals at each age until the age of 120.

This perspective is of the utmost interest. Infant mortality, which took the life of almost 40% of a generation in Spain in 1900 before the age of 5, is insignificant today. However, the trend in survival at all ages has been similarly spectacular. The exhibit has been used to zoom in on the historical barrier represented by the age of 65, used for over a century to mark the passage into 'old age', retirement, etc. At that age a horizontal line has been drawn that cuts the 1900 survival curve along with another vertical line cutting all the survival curves precisely at the age of 65.

The tremendous increase in longevity in the last century has enabled compression of mortality at increasingly advanced ages at a pace not expected to slow. In parallel, the expectation is that the period of senescence that precedes death will be ever shorter going forward.

By tracing these two simple lines, the reading of the above exhibit becomes very revealing in terms of how disorientating the '65 convention' – given so much weight in all social and labour systems in all countries – is nowadays. Indeed, in 1900, less

[2] The survival curves relate to a fictional and synthetic generation of 100,000 individuals whose biodemographic characteristics represent those of real generations and are estimated based on observations regarding the breakdown of inhabitants and deaths at specific ages each year. This method is used to generate annual mortality tables without the need to gather survival observations from a real generation from when the first member of that generation is born until its last member dies. See http://www.ine.es/metodologia/t20/t2020319a.pdf for more information about the methodology used by the INE to compile its mortality tables.

than 30% of a generation reached the age of 65. However, moving up the vertical line, we note that this percentage has risen to 90% today. Moving out along the horizontal line, meanwhile, we observe that almost 30% of today's generations – the percentage of people reaching the age of 65 in 1900, is living until over the age of 90.

Turning to the mortality tables on which the above exhibit is based firmly corroborates these findings, while additionally yielding very valuable information about the 'ageing' process in Spanish society.

The pertinent question prompted by the information contained in the table below is: what is the 'equivalent age' today to 65 in 1900? The equivalent age concept requires additional nuances as it can be interpreted in several ways. Without having to get into greater complexity, however, the takeaways from the information in the table are quite clear.

Firstly, the age until which the same percentage of a generation that survived until 65 in 1900 survives today (26.18% for both genders) is 91. Moreover, the age at which one has the same life expectancy today as at 65 in 1900 (9.1 years for both genders) is 81. It is hard to imagine that the age equivalent to 65 in 1900 falls somewhere between 81 and 91 today; however, it is similarly hard to deny that an individual aged 65 today is substantially 'younger' than a person of that same age 50 years, let alone a century, ago. This notion is surprising given that the psychological barrier of 65, established over a century ago as the retirement age for the purposes of the then-incipient pension systems, continues to be used today to refer to old age and as the average benchmark for retirement and numerous other matters (discounts on public transport and other public and private services).

It is hard to imagine that the age equivalent to 65 in 1900 falls somewhere between 81 and 91 today; however, it is similarly hard to deny that an individual aged 65 today is substantially 'younger' than a person of that same age 50 years, let alone a century, ago.

In short, the longevity considerations above illustrate the fact that mortality has been substantially compressed over the last century, a trend set to continue in the decades to come, triggering two phenomena loaded with repercussions: (i) most individuals will reach the age of 100 this century and most will suffer considerably shorter periods of senescence compared to today.

This has huge implications which our societies and their political representatives are rarely conscious

Table 1

Equivalent age in Spain today to age 65 in 1900

	Age at which 26.18% of a generation survives		Age at which the life expectancy is 9.1 years (**)	
	1900 (*)	2014	1900 (*)	2014
Men	65 years	89 years	65 years	79 years
Women	65 years	93 years	65 years	82 years
Total	65 years	91 years	65 years	81 years

Notes: (*) There is no breakdown by gender for this year and this indicator.
(**) 9 years for men and 9.2 for women.
Source: INE and AFI.

of. Many of these implications are quite simply positive. Others are indeed problematic, although some less than might seem at first glance. In reality, the negative implications of so-called population ageing are problematic insofar as we refuse to adapt our economic, social and savings systems to increasing longevity which, at the end of the day, is very good news.

Implications for the labour market

Population ageing is particularly evident in the increase in the average age of the population, in turn driven by two factors: a longer lifespan coupled with a drop in birth rates to below mortality rates (or negative net migration rates). In the job market, however, the demographic trend is shaped by the inflow of people of a minimum age (the minimum legal working age) and their exit at an age which is generally well below the legal retirement age.

Against this backdrop, the impact of the birth rate is of particular importance many years after changes therein become evident, as is the corresponding rise in the average age of the labour force, since the drop in mortality and increase in life expectancy have not had any impact on any part of the working age spectrum for decades now.

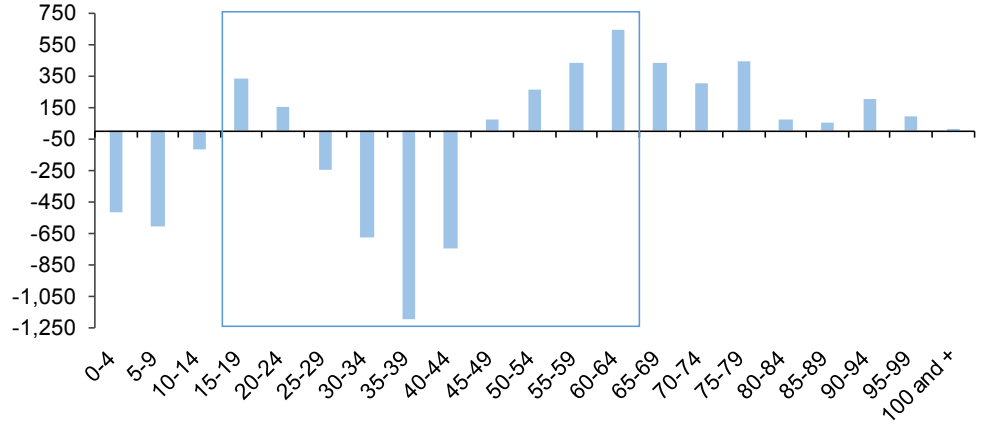
Spain faces significant imbalances as regards the age structure of its working population, as well as presenting very low labour market participation rates in the run-up to retirement age.

The trend in the working-age population is, therefore, in the absence of changes in the legal retirement age, dictated exclusively by the net balance between those retiring and those embarking on their working lives, as well as by labour force participation at pre-retirement ages.

Exhibit 2 depicts the foreseeable trend in the working-age population in Spain over the next 50

Exhibit 2

Projections for Spain's population, 2016-2025 ('000)



Source: AFI, based on INE figures.

years according to the most recent projections released by the INE. It shows that the working-age categories (within the box) are set to undergo substantial change: the number of people aged between 16 and 44 is expected to decline by almost 2.5 million, while the number of people aged between 45 and 66 is expected to increase by nearly 1.8 million, yielding a net reduction in the working-age population of 890,000 people.

The increase in the active participation rate (at ages 55 and over) will only partially mitigate the substantial decline in the number of people aged under 45. Today, the percentage of the population aged between 55 and 64 that is active in the job market stands at 57.64%. However, the active population in Spain is set to experience considerable ageing as well as severe contraction. This will not facilitate generational renovation across company workforces, nor their necessary adaptation to the digitalisation of the economy. On the other hand, it may bring much-needed relief to the calamitous unemployment situation, in all likelihood before the end of this decade. In any case, there continues to be huge potential for intelligent adaptation of the work force to the prevailing improvement in physical and other conditions of those, workers or not, aged above 50.

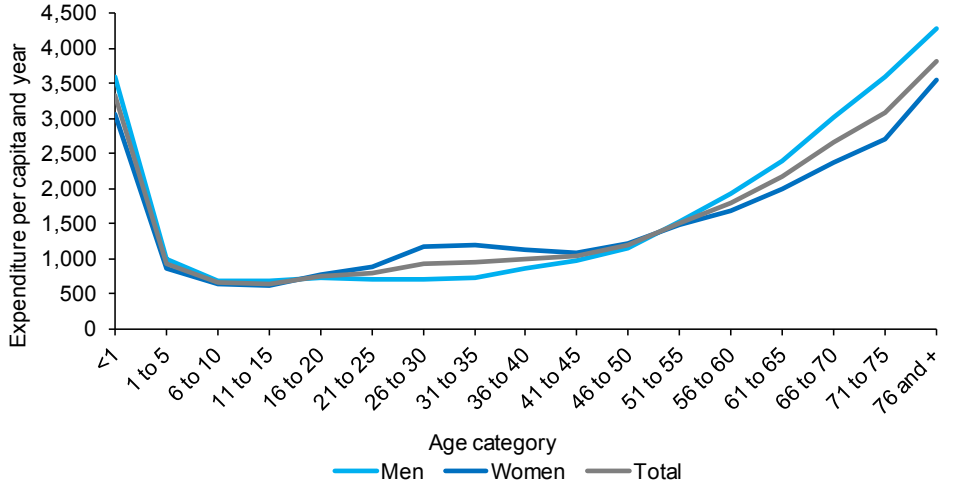
Implications for the healthcare system

As for the implications of ageing for healthcare systems, the predominance of the National Health System (public) in relation to total healthcare provision in Spain means that the debate regarding its sustainability is particularly intense and, frequently, focused on the outlook for healthcare spending in the face of population ageing. This perspective is based on the idea that ageing entails growing health and long-term care related requirements and that society must prepare for inevitably higher healthcare spending.

It is true that healthcare spending by age and gender presents a 'J curve' profile, as shown in the following exhibit, but this does not mean that a higher number of elderly people will necessarily

Exhibit 3

Healthcare spending by age and gender – Spain 2012
(Euros)



Source: Herce et al. *(2014).*

send healthcare spending soaring or that any such growth will be linear.

Both the overall population (which tends to diminish as the average age increases) and the 'package' of services (healthcare, hospital services and long-term care) received by every healthcare system user are very important in determining total healthcare expenditure and tend to be neglected in spending sustainability analyses.

The widespread perception that population ageing implies inexorable growth in healthcare spending is not justified by the data and is not inevitable.

This trend, in itself, does not determine the bulk of healthcare spending, although it is certainly true that, all other things being equal, an increase in the number of people aged, for the sake of argument, 55 and over will drive an increase in aggregate health expenditure.

However, it is important to note that a longer life-span does not imply, as already noted (Vaupel, 2010), an increase in the senescence phase in which health problems intensify and long-term care needs increase. Indeed, the period of senescence is also expected to become shorter for all individuals, potentially at an accelerating pace.

Similarly, longer lifespans tend to be accompanied (albeit not a by-product necessarily of growing longevity) by contracting overall populations, implying reduced aggregate expenditure at younger ages when spending per person also tends to be higher.

Moreover, unlike in other welfare state programmes, such as pensions and all regimes under which monetary benefits are handed out, the healthcare system provides in-kind benefits (even when granted to patients in the form of vouchers) and growth in the use of these 'bundles' of services by users and the costs of their provision can be controlled in a variety of ways. To this end, it is vital for system managers to be on the same page as the healthcare professionals whose job it is to prescribe and provide the services in question to the population in order to control spending and keep the system working optimally.

Lastly, demand for healthcare services by each individual can be reduced considerably if the latter reduce their reliance on the system to the strict minimum and pursue healthy lifestyles, thereby preventing excessive use, or abuse, of the system.

These and other considerations make the healthcare system considerably less sensitive to population ageing than is commonly believed; in this context its sustainability should not prove an insurmountable problem. The projections for growth in healthcare spending in the context of growing longevity suggest that, indeed, this factor is not highly determinant and, moreover, is substantially mitigated by the decline in the number of inhabitants, particularly in relation to GDP, which is the metric which warrants tracking when analysing the sustainability of healthcare spending (Herce *et al.,* 2014). Recent studies carried out by OECD economists similarly conclude that demographic factors (growing longevity and trend in population size) are in fact not the key drivers of overall healthcare spending (Maisonneuve and Oliveira-Martins, 2013).

Implications for pensions

Pensions are, without a doubt, the cornerstone of the Spanish welfare state and seen by analysts, experts, academics, the media and the general public as the most affected by population ageing. The age of 65, the psychological barrier alluded to at the beginning of this article, has for decades been the standing threshold marking the passage into retirement – that age at which one ceases to

accumulate retirement rights or money and starts to reap their rewards.

Adjusting the retirement age to the new age equivalent to 65 in 1900 (80-90) is inconceivable. Policy-makers will have to come up with more intelligent ways of ensuring the sustainability and sufficiency of future pensions, whether public or private, pay-as-you-go or funded.

Regardless of whether we are talking about a public or private pension scheme, a pay-as-you-go or funded regime, a defined benefit or defined contribution plan, they may all be seriously affected by growing longevity in the absence of significant changes to the retirement age, the contributory or savings effort during working years, the watering down of pension expectations or a combination of all of the above.

That being said. There are several caveats. First of all, it would be careless not to state that any delay in the start of working life and an increase in life expectancy against the backdrop of an insufficient increase in the retirement age is the worst of all worlds. This is so, on the one hand, because the period during which people pay into pensions or save is reduced. An increase in the number of years in education is fully recommended as life-spans lengthen; however, the age at which people are finding their first jobs is also increasing with respect to the already delayed age at which studies are terminated. On the other hand, the lengthening of life beyond the age of 65 implies more years receiving pension benefits.

The argument is that delaying the retirement age to 67 (effective in Spain from 2027 but not for all employees) will have the effect of increasing working lives and reducing the number of years in retirement. This is so, but only in part in light of the formidable rise in life expectancy in recent years and the telling 'equivalent age' calculations made above.

Obviously, nobody is suggesting adjusting the retirement age fully in line with these calculations. However, the Swedish parliament began to debate the possibility of pushing the retirement age back to 75 in early 2013. Meanwhile, it is common to see or hear debates about what age equates with the age of 60 or 65 a century ago. Most of these debates reference an age of 80 or even higher.[3]

As is well known, in 2011 and 2013, the Spanish government ambitiously tackled pension reform in an attempt to address the consequences of growing longevity on the public system. The main measures contemplated in the first round of reforms included a phased-in increase in the legal retirement age from 65 to 67 to be completed in 2027 and a gradual lengthening in the pension contribution calculation period from 15 years today to 25 in 2023. The main purpose of the second round of measures was to introduce a new (annual) pension revaluation index in 2014 and the so-called sustainability factor, from 2019. Both have been amply debated and assessed (Conde Ruiz and González, 2013 and Conde Ruiz, 2013).

Spain has been one of the more ambitious among advanced economies in reforming its pension system, albeit only recently, with a view to making it more sustainable. The challenge now is to ensure pension sufficiency against the backdrop of growing longevity.

[3] See the following examples: www.euractiv.com/health/sweden-prime-minister-considers-news-518068, www.cnbc.com/2015/06/03/new-retirement-age-is-not-65-not-80-not-95-its-higher.html, www.forbes.com/sites/halahtouryalai/2012/10/23/more-americans-say-80-is-the-new-retirement-age/#2715e4857a0b26caaa8779eb, nypost.com/2013/11/16/80-is-the-new-60-when-it-comes-to-retirement/ y money.cnn.com/2012/10/23/retirement/delaying-retirement/

By and large, estimates suggest that the growing financial insufficiency of the public pension system will be mitigated by at least one-third with respect to the shortfall estimated before the two rounds of reform, thanks to the introduction of the revaluation index (with an annual reset floor of 0.25%); mitigation will be considerably higher if inflation settles at around 2% per annum in the medium and long term. Prior to the reforms, it was estimated that by the middle of this century, the public system deficit could exceed 6 percentage points of GDP, giving rise to accumulated Social Security debt roughly equivalent to GDP at that time. Today, the structural pension deficit stands at around 1.5% of GDP and it is believed likely that the Social Security Reserve Fund will be depleted by around 2020.

In the case of public pensions, which in Spain are financed using the pay-as-you-go formula and are structured as defined benefits, population ageing has a dual effect. Present and future pension spending is increasing as a result of growing life expectancy while income is falling due to the drop-off in the number of new system contributors in light of the decline in births and the negative net migration rate, as detailed in earlier sections of this report. These impacts will translate into less sustainable and/or insufficient pensions unless additional drastic solutions of the calibre already taken in Spain and elsewhere are implemented.

Growing longevity also affects, as could only be expected, private pension schemes, which are usually structured as funded regimes. In this instance, sustainability is not the issue insofar as most of these schemes are defined contribution plans and are 100% funded as required under prevailing law.

The issue then becomes one of sufficiency as the capital accumulated prior to retirement is exposed to financial risks (which can be mitigated) and, above all, longer lifespans, given that the capital saved and the returns thereon translate into smaller "annuities" that have to cover a longer period. This problem is no small one and is not easy to resolve as, beyond the realm of return variability and the fees levied on capital management and retirement income, the main risk lies with the fact that it is very hard to insure against longevity, at least at an affordable cost (Barr, 1989).

Nobody is prepared today for a scenario in which all individuals live until 120, the age which is currently, according to leading demographers, the limit to human life (Vaupel, 2010). However, if we are to believe certain claims, albeit headline-grabbing, the first person in documented history who will live until 150 has already been born, or so says Dr. De Grey, the scientist responsible for California's Foundation Strategies for Engineered Negligible Senescence (SENS), which he co-founded in 2009.[4]

Whatever the outlook for future longevity, financial markets and the pension industry will not remain idle, although it might be said that, as with the Social Security systems, they tend to be a bit off the mark.

Summary and conclusions

Just as we must acknowledge that ageing is a phenomenon often times erroneously perceived by society, analysts and policy-makers, which limits the scope for action to tackle real issues, we must also admit that the considerable rise in life expectancy, coupled with the sustained drop in birth rates in many advanced economies, implies formidable challenges for many welfare state programmes, the job market and social dynamics in general.

In the case of Spain, these dynamics could even drive a manpower shortfall in the medium

[4] See 2011 interview with Dr. De Grey at www.dailymail.co.uk/sciencetech/article-2011425/The-person-reach-150-alive--soon-live-THOUSAND-claims-scientist.html

term, demographically speaking (horizon: 2025), especially in the under 44 age categories. In contrast, if it were only for the increase in life expectancy, which will be accompanied by a notable decline in the size of the overall population, healthcare spending should not be especially affected in Spain; expenditure is more exposed to other factors such as expansion in the portfolio of services offered to the public, intensification of the use of technology and the cost of provision. Lastly, pensions, whether public or private, pay-as-you-go or funded, do face a sustainability and sufficiency challenge in growing life expectancies which will oblige policy-makers to go beyond the already-meaningful reforms undertaken in recent years.

References

Adachi, M., and G. Oka (2015), "Japan: Lessons from a hyperaging society," *McKinsey Quarterly,* March, Downloadable at: www.mckinsey.com/insights/asia-pacific/japan_lessons_from_a_hyperaging_society?cid=mckgrowth-eml-alt-mkq-mck-oth-1503

Barr, N. (1989), "Social Insurance as an efficiency device," *Journal of Public Policy,* Volume 9, Issue 01, January, pp 59-82.

Conde Ruiz, J.I. (2013), "Los Retos del Factor de Sostenibilidad de las Pensiones: Presente y Futuro," [The Challenges Posed by the Pension Sustainability Factor: Present and Future] FEDEA, December. Downloadable at: www.fedea.net/wp-content/uploads/2013/conde-ruiz.pdf

Conde Ruiz, J.I., and C.I. González (2013), "Reforma de pensiones 2011 en España," [The 2011 pension reforms in Spain] *Hacienda Pública Española / Review of Public Economics,* 204-(1/2013): 9-44, Downloadable at: www.ief.es/documentos/recursos/publicaciones/revistas/hac_pub/204_Art01.pdf

De la Maisonneuve, C., and J. Oliveira-Martins (2013), "Public spending on health and long-term care: a new set of projections," OECD *Economic Policy Papers,* Nº. 6, June. Downloadable at: http://www.oecd.org/eco/growth/Health%20FINAL.pdf

Fernández, J.L., and J.A. Herce (Dirs) (2009), "Los retos socio-económicos del envejecimiento en España," [The socio-economic challenges posed by population ageing in Spain], UNESPA, July, Downloadable at: www.unespa.es/adjuntos/fichero_3009_20100125.pdf

Herce, J.A.; Azpeitia, F.; Martín, E., and A. Ramos (2014), *The role of private insurance providers in the sustainability of the public healthcare system,* Fundación Edad & Vida y Segurcaixa-ADESLAS, July, Downloadable at: www.edad-vida.org/fitxers/premio/621Rol%20de%20las%20Aseguradoras_FINAL.pdf

Vaupel, J. (2010), "Biodemography of human ageing," Nature, *Insight Review,* Volume 464/25, March, Downloadable at: www.nature.com/nature/journal/v464/n7288/pdf/nature08984.pdf

Spain´s services economy: Outlook and challenges

Ramon Xifré[1]

The Spanish services sector will need to undergo significant changes to catch up to other large, advanced EU economies. In addition to private sector investment, the incoming administration should make progress on previously initiated reform efforts to underpin the growth of this sector going forward.

Spain is correcting some of the most important imbalances originated before the crisis. One of the clearest examples of this process is the continued downsizing of the construction sector. However, progress is limited on many other fronts regarding the type and sources of growth in Spain. Manufacturing is generating less value added in current prices in 2014 than in 2008, the opposite of what has happened in Germany. The decline of manufacturing decreases the possibilities of advancing in "servitization", the process by which manufacturing companies begin to provide related services to third parties. The Spanish "pure" service sector must also undergo significant changes if it is to follow the trends of the largest, most advanced EU economies. In particular, increased turnover could be expected mainly in two niches of Spanish business services: ICT consultancy, software and data processing on one hand and private employment services on the other. For this transformation of the services sector to materialise in Spain, private sector investment is a necessary, but probably not a sufficient, condition. Moreover, the new government should aim to make progress on previous reform efforts and finally pass a reform of professional services that effectively liberalises and modernises the sector.

Introduction

The Spanish recovery remains on track in the wake of the crisis. Most headline macroeconomic variables are significantly improving but the functioning of the labour market remains highly problematic. Indeed, the possibility that the way out of the recession takes the form of a "jobless recovery" in advanced economies has been increasingly discussed (see, *e.g.*, Cantore *et al.* 2013 and Plotnikov, 2014).

Central to those considerations, there is the issue of the growth pattern that Spain and other advanced economies are following. Has the crisis contributed to a positive transformation of these economies, or instead, has growth resumed because they are going back to the "business as usual" model? More specifically, what are the sources of economic growth post-crisis. Is Spain´s growth mostly based on domestic demand or has there been a rebalancing of sources of growth towards external demand? This point is related

[1] Associate Professor of Economics and International Business, ESCI-UPF and Policy Research Fellow, Public-Private Sector Research Center at IESE Business School.

with the role that services and manufacturing play in advanced economies, as the former tends to be less internationally tradable than the latter.

From this perspective, this article explores the evolution of the services sector in the Spanish economy in the past and its likely outlook for the future. The first section reviews very briefly the most recent literature on the complex interaction between services and manufacturing. We then analyse the past developments in the services sector in Spain from a macroeconomic viewpoint. The findings are contrasted with two other large EU economies, which are more or less comparable to Spain: Germany and Italy. The former is considered to be at the efficiency frontier in both services and manufacturing, while the latter might qualify as a better, direct benchmark, for the Spanish case. Subsequently, the analysis is extended to business services (also known as "professional services"), which are generally considered to have high growth potential, as they are inputs for the outsourcing and offshoring processes. Finally, we include some considerations regarding the future development of the professional services sector in Spain, taking into account the shortcomings of the various attempts at regulatory reform thus far. Conclusions are presented in the final section.

Manufacturing and services: Two sides of the same coin?

There is an increasing body of evidence that suggests that the traditional divide between manufacturing and services is likely to be overestimated by the available statistical classifications of activities and by empirical and theoretical work. In line with Crozet and Milet (2015a and 2015b), some of the stylized facts that emerge from the analysis of this literature are the following:

- Manufacturing companies use services in their production process. Whether these services are in-house or acquired in the market, global offshoring and outsourcing trends tend to strengthen this link over time.
- However, an increasing number of companies also produce and sell services to third parties, known as "servitization." These services offered by manufacturing firms are generally complements to the (final or intermediate) goods originally produced by the company.
- Making the "servitization leap" is neither costless nor easy for companies as this usually requires adapting the whole organization to a new business model. However, "servitization" is rewarded in general terms with better performance. Based on a sample of French firms, Crozet and Milet (2015a) find that firms that start selling services experience an increase in their profitability between 3.7% and 5.3% and increase their employment by 30%.

Servitization provides one possible avenue for overcoming the risk of a "jobless recovery" mentioned above. For this to be the case, public policies that aim to foster sustainable, balanced growth should adopt specific industrial policies that exploit all of the growth potential related to "servitization."

Servitization provides one possible avenue for overcoming the risk of a "jobless recovery."

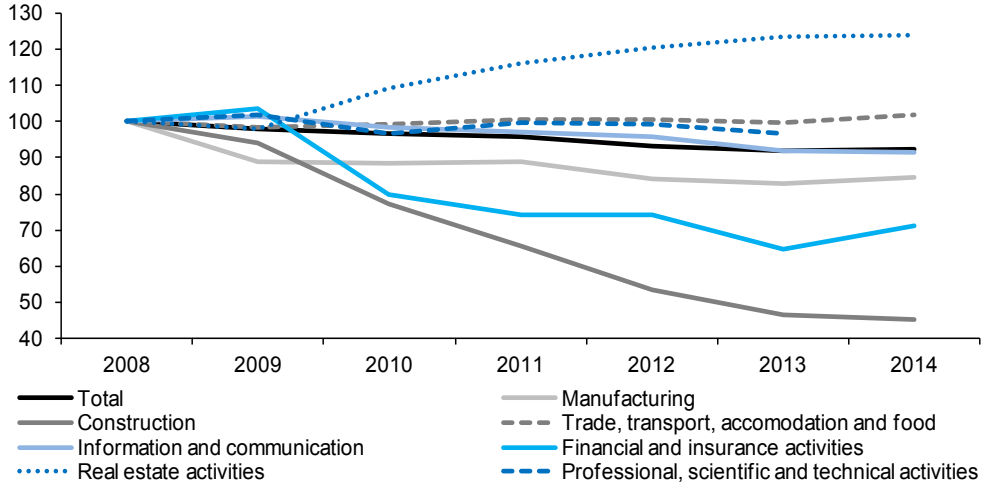
Past developments in the Spanish services sector and comparisons with Germany and Italy

Exhibit 1, Exhibit 2 and Exhibit 3 show the value added in selected industries in Spain, Germany and Italy, respectively. The series are measured in current prices and normalised with respect to their level in 2008.

The exhibits represent the evolution of five broad branches of services (see the Note for Exhibit 1 for further details):

Exhibit 1

Gross value added in Spain, current prices (index 2008 = 100), in selected industries

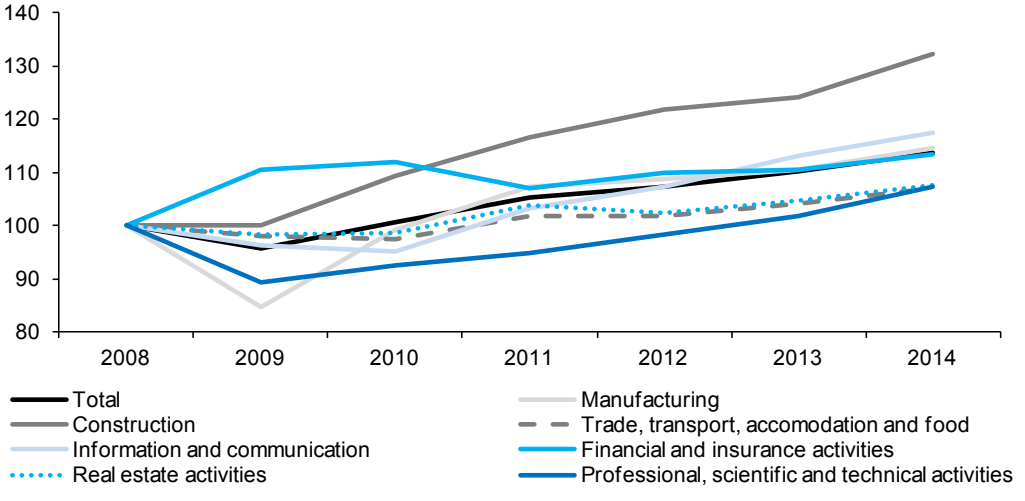


Note: Classification of activities according to NACE Rev. 2. Total corresponds to all NACE activities; manufacturing (C); construction (F); trade, transport, accommodation and food (G-I); information and communication (J); financial and insurance activities (K); real estate activities (L); professional, scientific and technical activities (M). Latest available data for Spain for professional, scientific and technical activities up to 2013. For Italy and Germany data through 2014.

Source: Eurostat.

Exhibit 2

Gross value added in Germany, current prices (index 2008 = 100), in selected industries

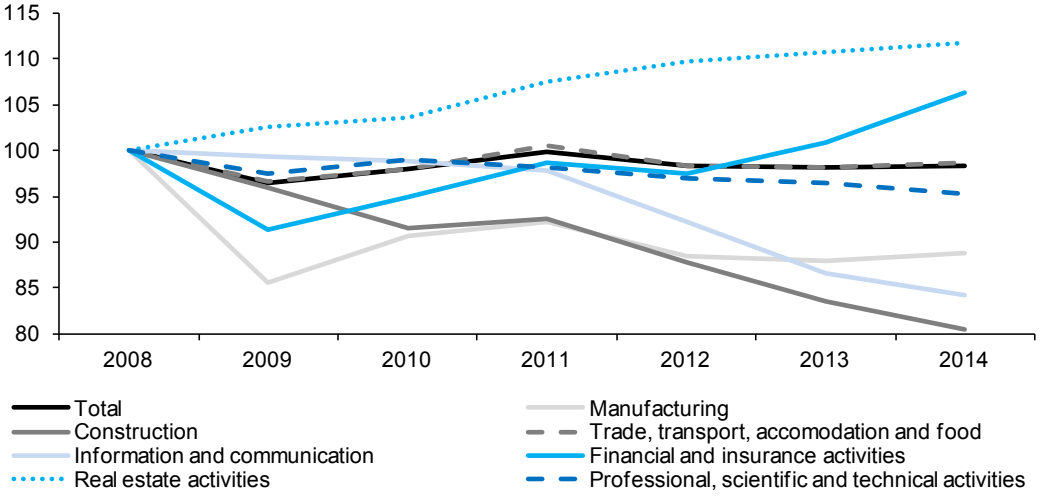


Note: See note for Exhibit 1.

Source: Eurostat.

Exhibit 3

Gross value added in Italy, current prices (index 2008 = 100), in selected industries



Note: See note for Exhibit 1.

Source: Eurostat.

(i) wholesale and retail trade, transport, accommodation and food service activities,

(ii) information and communication activities,

(iii) financial and insurance activities,

(iv) real estate activities; and,

(v) professional, scientific and technical activities.

To allow for benchmarking, the value added of another three industries is represented: the total value added for the whole economy, the manufacturing sector and construction activities.

In the case of Spain, the overall level of activity in 2014 is still below the level in 2008. As is well known, the industry that is still suffering most of the adjustment in the country is the construction sector, whose value added is less than half of that in 2008 (in current prices). The manufacturing sector as well as financial and insurance activities, is also showing a downward trend. In the case of manufacturing, this dates back from earlier than 2008 (in 2014 it was generating 85% of the value added it did in 2008). Against this background, most of the services sectors have remained near the same levels between 2008 and 2014, with the exception of real estate activities, whose value added had grown almost 30% (presumably related to the increase in the volume of second-hand house trading and renting).

The trends in Italy, albeit milder, essentially mimic what has happened in Spain but the experience in both southern countries is quite different from that in Germany. In aggregate terms, while the total value added in Spain represented 92% of that in 2008, in Italy it was 98% and in Germany it reached 114%. While Italy´s construction and manufacturing sectors have suffered (with a weaker intensity than in Spain), Germany has experienced important growth rates in both industries: 15% in manufacturing and 32% in construction.

Specifically, regarding services, and therefore perhaps setting a benchmark for Spain once it definitely recovers from the crisis, in Germany, the fastest growing sector is information and communication (ICT) activities (growth of 17% between 2008 and 2014) followed by the financial and insurance business (growth of 13%). This sector

is also the only one which, apart from real estate, has grown in Italy (6%). Both sectors, ICT and financial intermediation, have had a negative trajectory in Spain since 2008.

Assuming that Spain will gradually converge to Italy and Germany, it is therefore expected that ICT and financial intermediation will increase their share in the Spanish economy.

Assuming that, in the steady state, Spain will gradually converge to these two, large advanced EU economies, it is therefore expected that these two activities will increase their share in the Spanish economy.

The case of business services

Table 1, Table 2 and Table 3 represent the gross turnover, in million euro, for twelve business services activities in Spain, Germany and Italy, respectively. Business services, such as consulting, engineering,

Table 1

Gross value added in selected business services in Spain
(In million euro)

	2008	2009	2010	2011	2012	2013	Variation (*) (%)
Software publishing	594.8	546.3	591.6	558.9	585.2	480.2	-19.3
Computer programming, consultancy and related activities	19,115.7	18,373.4	18,841.4	19,856.3	20,450.4	20,425.5	6.9
Data processing, hosting and related activities; web portals	1,060.3	1,100.2	1,000.8	1,128.2	1,135.6	1,113.5	5.0
Legal activities	2,668.0	NA	2,482.4	NA	2,301.8	NA	-13.7
Accounting, bookkeeping, auditing, tax consultancy	3,844.0	NA	4,173.0	NA	4,189.9	NA	9.0
Management consultancy activities	2,138.6	NA	2,290.8	NA	2,646.1	NA	23.7
Architectural activities	NA	345.8	NA	306.8	NA	383.1	10.8
Engineering activities and related technical consultancy	NA	13,322.1	NA	11,788.2	NA	11,342.4	-14.9
Technical testing and analysis	NA	2,239.7	NA	2,177.3	NA	2,167.0	-3.2
Advertising	12,460.2	10,391.0	10,878.6	11,555.1	9,901.9	9,291.3	-25.4
Market research and public opinion polling	NA	617.9	NA	600.3	NA	537.0	-13.1
Employment activities	4,339.6	2,832.5	3,064.1	3,173.8	2,948.3	3,001.3	-30.8

Notes: Classification of activities according to NACE Rev. 2. Software publishing (J582); Computer programming (J62); Data processing (J631); Legal activities (M691); Accounting and bookkeeping (M692); Management consultancy services (M702); Architectural activities (M7111); Engineering activities and related technical consultancy (M7112); Technical testing and analysis (M712); Advertising (M731); Market research and public opinion polling (M732); Employment activities (N78). (*) Variation refers to the variation between 2008 (or the closest available year) and 2013 (or the latest available year).

Source: Eurostat.

Table 2
Gross value added in selected business services in Germany
(In million euro)

	2008	2009	2010	2011	2012	2013	Variation (*) (%)
Software publishing	673.0	647.0	900.9	3,835.9	4,280.3	4,448.0	560.9
Computer programming, consultancy and related activities	57,151.3	59,545.2	62,379.0	69,724.5	77,746.8	83,353.7	45.8
Data processing, hosting and related activities; web portals	3,032.9	4,474.7	4,412.0	6,491.8	6,596.5	7,255.8	139.2
Legal activities	7,963.6	NA	7,702.1	NA	8,839.8	NA	11.0
Accounting, bookkeeping, auditing, tax consultancy	11,310.3	NA	11,210.1	NA	12,778.4	NA	13.0
Management consultancy activities	10,344.2	NA	10,156.2	NA	11,896.1	NA	15.0
Architectural activities	NA	1,886.0	NA	1,983.2	NA	2,334.0	24.0
Engineering activities and related technical consultancy	NA	20,253.8	NA	25,170.8	NA	27,749.8	37.0
Technical testing and analysis	NA	6,145.6	NA	6,267.4	NA	7,276.0	18.0
Advertising	10,932.7	9,811.9	10,829.6	11,937.5	12,854.5	13,664.2	25.0
Market research and public opinion polling	NA	1,467.9	NA	1,768.4	NA	1,927.2	31.0
Employment activities	19,469.7	16,465.1	25,194.6	32,370.2	31,427.7	32,676.8	67.8

Note: See Note for Table 1.
Source: Eurostat.

legal or financial advice, marketing experts, various ICT tasks and functions within the company, etc. are generally considered to be key drivers of knowledge-based firms and economies. These services are provided by highly qualified professionals and, in some countries, there are certain restrictions to the access and exercise of these activities based on educational requirements or membership in certain bodies or professional associations. For this reason, these services broadly correspond to those activities known as "professional services." Eurostat provides detailed data for these services but the time coverage is not complete nor homogenous across countries.

In the case of Spain, turnover has decreased in seven of the twelve business services and increased in the other five sectors. The average variation across the twelve business services is a decrease of 5.4%, with the larger falls taking place in employment services (private agencies that provide part-time or temporary work for client companies), advertising and software publishing. On the other extreme of the spectrum, the largest increase in turnover corresponds to management consulting activities, which is likely to reflect the impact of outsourcing of the strategic management function within Spain. The case of Italy offers a similarly dismal perspective (an average reduction of 6% across the twelve sectors).

The evolution in both countries, however, contrasts very strongly with the case of Germany, where the average turnover of business services has increased by more than 80% between 2008 and

Table 3
Gross value added in selected business services in Italy
(In million euro)

	2008	2009	2010	2011	2012	2013	Variation (*) (%)
Software publishing	238.3	257.7	255.1	230.9	118.0	170.3	-28.5
Computer programming, consultancy and related activities	19,996.9	21,403.3	22,052.6	22,506.1	24,052.9	23,908.5	19.6
Data processing, hosting and related activities; web portals	4,874.5	5,045.1	4,249.3	7,546.0	4,577.6	4,692.1	-3.7
Legal activities	1,081.5	NA	906.3	NA	1,286.6	NA	19
Accounting, bookkeeping, auditing, tax consultancy	3,361.9	NA	2,785.2	NA	2,946.2	NA	-12.4
Management consultancy activities	7,485.1	NA	7,451.4	NA	5,395.3	NA	-27.9
Architectural activities	NA	14.7	NA	NA	NA	NA	--
Engineering activities and related technical consultancy	NA	8,190.1	NA	NA	NA	NA	--
Technical testing and analysis	NA	1,435.4	NA	1,969.0	NA	NA	--
Advertising	7,502.5	6,881.2	7,152.2	7,626.4	6,712.1	6,578.3	-12.3
Market research and public opinion polling	NA	932.0	NA	829.1	NA	NA	--
Employment activities	6,917.7	4,831.1	5,922.5	6,814.9	6,314.8	6,729.4	-2.7

Note: See Note for Table 1.
Source: Eurostat.

2014. In this country, the turnover of services related to software creation, data processing and computer programming and consultancy has multiplied by factors of 6.6, 2.4 and 1.4 respectively. The other broad sector of business services with the largest turnover growth is employment activities. Recall that this was precisely the business service that had the largest decrease in Spain over the same period.

This basic analysis suggests that within the specific sector of business activities, provided that Spain conforms to the growth pattern observed in Germany, there is scope for growth in the data and software related services as well as in the employment services offered to private companies.

The regulatory landscape for professional services in Spain: Past experiences and outlook

The transposition of the European Commission Services Directive (2006/123/EC) in Spain represented an important step forward in the liberalisation of the sector in Spain (see Ciarreta *et al.,* 2014 for a more complete account of the process and for a survey of pending issues).

However, even after the transposition of the directive, the professional services sector in Spain remains subject to excessive control and regulation, which adversely affects prices, output and quality of service. As a result, there have

been multiple calls from international institutions to reform the professional services regulations in Spain (see, for instance, IMF 2014, 2015 and European Commission 2014, 2015).

Even after the transposition of the European directive, the professional services sector in Spain remains subject to excessive control and regulation, which ultimately adversely affects prices, output and quality of service.

These recommendations in general agree on the direction of the change: the number of professions that require compulsory registration requirements should be reduced and the transparency and accountability of professional bodies should improve with the overarching goal to open up unjustifiably reserved activities in the access to and the exercise of professional services in Spain. According to the Spanish Government, this sector of activity concentrates 30% of graduate employment in Spain.

On the policy front, the Spanish Government released a draft reform of professional services on August 2013, but since then, there has been no progress and therefore, the regulation of professional services remains unchanged. The Spanish competition authority (CNMC) issued an assessment of the draft reform and produced an exhaustive and comprehensive analysis of the situation (CNMC, 2013) that can be considered a sensible roadmap for the reform. Nevertheless, pressures and lobbying effort from various interest groups potentially affected by the new regulations (engineers of various fields –in some case with conflicts between fields–, architects, lawyers, pharmacists, etc.) have complicated the outlook for the reform´s timely approval (see Xifré 2015 for an updated overview).

In any event, the last two Spanish administrations have failed to pass the reform that each of them has prepared. This situation has led to concerns at the European Commission level, indicating that "the government is running out of time to reform professional services" (European Commission, 2015).

Unfortunately, it remains an open question whether the new government will be able to pass a reform that has been drafted so many times only to be finally postponed. At the time this article was written, it was not yet clear what the next government will be in Spain, as December general elections were inconclusive. In any event, it cannot be assumed that the new government will have the political will to overcome special interests groups – which, so far, have been remarkably active in their opposition to the project – and to pass a reform that liberalises the sector.

Conclusions

Spain continues correcting the imbalances of the crisis, as evidenced through the reduction of the construction sector, whose 2014 contribution to the economy was less than half its value added in 2008.

However, progress on securing other types and sources of growth remains limited. In particular, Spain is not following the trajectory of leading, large EU economies, such as Germany, which has increased the value added generated by manufacturing by 15% between 2008 and 2014. In the case of Spain, the evolution of this sector has been exactly the opposite and the value added generated by the industry in 2014 is 15% less than that in 2008.

This is important not only for the manufacturing sector itself but because of the growing "servitization" trends within that industry. Some of the most successful companies that begin to provide services to client firms come from the manufacturing sector. These services tend to be of high value added and complement the (final or intermediate) goods that company was originally

producing. In this respect, the decline of Spain´s manufacturing sector is doubly concerning, as it depresses the possibilities of advancing in the "servitization" process.

As regards "pure" services, the structure of the sector in Spain must still undergo substantial changes if it is to follow the trends in Germany. Assuming this were to happen in Spain, growth would be expected in two areas: ICT consulting, software and data processing and private employment services. In Germany, the combined turnover of the business services related with data processing, software and ICT consulting has more than doubled between 2008 and 2014, while in Spain it has barely grown 5%. Second, over the same period, private employment services, *i.e.* the services that private companies offer to fill vacancies in third companies, especially with part-time and temporary contracts, has grown by almost 70% in Germany, while it has decreased by 30% in Spain.

These changes obviously require private sector investment, but public policy support to provide an enabling environment is also needed. In particular, although in the recent past, there was some progress on draft regulation, the past two governments have not yet succeeded in reforming the restrictive regulations surrounding the professional services sector. It is time for the new, incoming government to follow international advice, as well as domestic recommendations, and to effectively liberalise and modernise this vital sector for the Spanish economy.

References

Cantore, C.; Levine, P., and G. Melina. (2013), "A Fiscal Stimulus and Jobless Recovery," *IMF Working Paper,* Research Department, 13/17.

Ciarreta, A.; Espinosa, M.P., and A. Zurimendi (2014), "Reform of Spain's professional services market: Implementation of the EU Services Directive," *SEFO – Spanish Economic and Financial Outlook*, Vol. 3, No. 4.

CNMC (2013), *Informe de Proyecto Normativo 110/13 relativo al Anteproyecto de Ley de Servicios y Colegios Profesionales*, November 2103.

Crozet, M., and E. Milet (2015a), "Should everybody be in services? The effect of servitiaztion on manufacturing firm performance," *CEPII Working Paper*, 2015-19.

– (2015b), "The future of manufacturing lies in services," Voxeu.org Column, 14 December 2015.

European Commission (2014), Post-Programme Surveillance Report - Spain. Autumn 2014 Report, European Economy, *Occasional Papers,* 206, December.

– (2015), Post-Programme Surveillance Report - Spain. Spring 2015 Report, European Economy, *Occasional Papers, 211*, May.

IMF (2014), Article IV Consultation Spain 2014, *IMF Country Report,* No. 14/192.

– (2015), Article IV Consultation Spain 2015, *IMF Country Report*, No. 15/232.

Plotnikov, D. (2014), "Hysteresis in Unemployment and Jobless Recoveries," *IMF Working Paper*, Institute for Capacity Development, 14/77.

Xifré, R. (2015), "Recent reforms in Spain's business climate: Assessment and pending issues," *SEFO – Spanish Economic and Financial Outlook*, Vol. 4, No. 2.

Recent key developments in the area of Spanish financial regulation

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

Royal Decree implementing the Law on recovery and resolution of credit institutions and investment firms (Royal Decree 1012/2015, published in the Official State Gazette (BOE) on November 7th, 2015)

Royal Decree 1012/2015 completes the transposition of Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms (Bank Recovery and Resolution Directive [BRRD]) and introduces the regulatory provisions envisaged in Law 11/2015. It also amends Royal Decree 2606/1996 of December 20th, 1996, on deposit guarantee funds for credit institutions in order to complete the transposition of Directive 2014/49/EU on deposit guarantee schemes.

➢ General provisions

- In order to ensure **proportionality**, supervisors and competent resolution authorities are to take into account a **series of circumstances affecting the institution** when establishing or applying the obligations and requirements under Law 11/2015 and when using the various tools at their disposal. The criteria the supervisor and preventive resolution authority are to take into account when determining the **simplified requirements and obligations** for compliance with the preparatory measures are also set out.

- The RD also provides that prior to the adoption of any resolution measures, an **institution will be valued** by an **independent expert** appointed by the FROB to value its assets and liabilities.

➢ Planning of recovery and early intervention

- The RD sets out the minimum content of the **recovery plans** that institutions are to prepare on a preventive basis. These plans will be at the level of individual institutions, if the relevant supervisor so requires, or if the credit institution is subject to **direct supervision by the ECB**. The relevant supervisor will **evaluate the recovery plans** within six months of their submission.

- The RD specifies the requirements applicable to **intragroup financial assistance** agreements that institutions and their integrated subsidiaries under consolidated supervision may sign to cover the event of any of them finding itself subject to early intervention.

- It establishes the rules for the coordination of early intervention measures **between supervisors** and regulates the appointment, dismissal, powers and functions of the **provisional administrator**.

➢ **Preventive phase of resolution and the resolution process**

- The RD describes the content of the resolution plan and the additional content of the group resolution plans.
- It specifies the points the preventive resolution authority will examine when conducting a **resolvability assessment** of institutions and groups.
- It describes the **reporting requirements**, the **FROB's information requirements**, and the rules on the operation of **resolution tools**.
- In the case of resolution of cross-border groups, it establishes the general principles regarding the adoption of decisions involving more than one Member State, and determines the composition and powers of the **colleges of resolution authorities**. It also sets out the rules governing **agreements with non-EU countries**.

➢ **FROB (executive resolution authority) and the National Resolution Fund**

- The RD defines the rules necessary to implement the National Resolution Fund:
  - It defines its **level of financial resources**.
  - The FROB will determine yearly, no later than May 1st of each year, the **total contribution** that obliged institutions as a whole are required to make to the National Resolution Fund and the ordinary contributions each institution is to pay during the year. Contributions will be set according to each institution's **risk profile**.
  - The annual amount of **extraordinary contributions** may not be more than three times the annual amount of the ordinary contributions.
- It establishes the regime for loans between EU Member States' financing mechanisms or their **pooling** in the case of group resolutions.
- It determines the procedures for the use of deposit guarantee schemes in the context of resolution.
- It establishes the management, settlement and collection of the fees for the activities of the FROB as the resolution authority.

➢ **Amendment of Royal Decree 2606/1996 of December 20th, 1996, on the Deposit Guarantee Fund for credit institutions**

- Implementation of the **two compartments** created by Law 11/2015, one to cover deposits and the other to cover securities.
- The Management Committee will determine the annual contributions by entities belonging to the Deposit Guarantee Fund (DGF).
- The period over which the DGF is to reimburse depositors is to be progressively shortened.
- The rules for the DGF's cooperation with deposit guarantee schemes in other Member States are defined.
- Credit institutions will make available to their actual and potential depositors and investors the information they need to identify the deposit guarantee fund to which the institution belongs through their offices or on their websites. The information sheet in the annex called the '**depositor information sheet**' will be used for this purpose.
- The basis of calculation for contributions is limited to covered deposits (less than 100,000 euros).
- The Bank of Spain will subject the DGF to **stress tests** to determine its capacity to meet its payment obligations under situations of stress.
- Nominative **certificates of deposit** issued prior to July 2nd, 2014, will be considered covered deposits until their initial expiry date.

- Institutions must inform depositors whose **deposits cease to be covered** after July 3rd, 2015, within two months of the entry into force of the Royal Decree.

Bank of Spain Circular on certain aspects of the Annual Corporate Governance Report and Annual Remuneration Report of savings banks that do not issue shares admitted to trading and on banking foundations' obligations arising out of their holdings in credit institutions (Circular 6/2015, published in the BOE, November 20th, 2015)

Circular 6/2015 emanates from the legislative mandate conferred upon the Bank of Spain by Law 26/2013 and Royal Decree 877/2015.

As regards **savings banks**, the Circular incorporates:

- The **model and instructions for completing the Annual Corporate Governance Report**, which is to explain the structure of the institution's governance system and how it operates in practice.

- The **model and instructions for completing the Anual Remuneration Report** for members of the board of directors and control committee, which is to set out the institution's remuneration policy as approved for the reference financial year.

- These reports must be submitted to the Bank of Spain in the first four months of the year following that to which the report refers, and may not be submitted later than the date on which the convening of the annual assembly is publicly announced.

As regards **banking foundations**, the Circular implements:

- The content of the **management protocol** that banking foundations with a joint or individual holding of 30% or more of the shares of a credit institution (or exercising control over it) are to prepare.

- This **protocol must be sent to the Bank of Spain within two months** of the creation of the banking foundation.

- The Bank of Spain will have one month in which to assess its content.

- The content of the **financial plan** that banking foundations with a holding of 30% or more of the shares of a credit institution (or exercising control over it) are to prepare. This **plan must be sent to the Bank of Spain within three months** of the creation of the banking foundation and subsequently **updated annually**.

- Banking foundations holding 50% or more of the capital of a credit institution (or exercising control over it) must prepare and submit a **strengthened financial plan**.

- The following items must be added to the content of the standard financial plan:

  - An **investment diversification and risk-management plan**, including undertakings that the investment, unless in highly liquid, highly solvent assets, shall not exceed the following thresholds: 10% of the foundation's equity in assets issued by a single counterparty; or 40% of the foundation's equity in assets issued by firms in the same business sector, as defined by the National Classification of Economic Activities, excluding the banking sector.

  - **Reserve fund**: comprising the foundation's equity (the year's positive surplus, available reserves, and the foundation's endowment) which is to be invested in highly liquid, high quality assets pursuant to Articles 197 and

198 of the Capital Requirements Regulation (CRR).

Until the fund is fully constituted, it will be obligatory for the credit institution to pay at least 50% of the cash dividends it receives into it.

The value of the financial instruments in which the reserve fund invests must be adjusted to reflect changes in liquidity and estimated loss of value that might occur should it be necessary to sell or swap them prior to their contribution to the investee credit institution. This adjustment shall be made by applying value reductions of between 0% and 33%, depending on the type of instrument.

The financial instruments in which the reserve fund invests may be owned directly by the banking foundation or kept on the balance sheet of a holding institution.

The assets in which the reserve fund invests may not include:

a) Direct or indirect holdings in credit institutions.

b) Assets issued by the investee credit institution, with the exception of deposits.

c) Investments in collective investment institutions whose investment policy establishes minimum investments of 25% of their holdings in credit institutions.

Additionally, any financing received from the investee credit institution or any of the companies in its group shall be deducted.

The banking foundation shall make use of the reserve fund to meet any solvency needs of the investee credit institution that cannot be met with other resources.

It will not be necessary to set aside a reserve fund if the investment diversification plan includes a **divestment programme that brings the shareholding in the credit institution to below 50%, and in any event less than that enabling control over the institution, within not more than five years**. The Bank of Spain is to be informed of any failure to comply with the divestment program. The Bank of Spain may require in this case that the banking foundation submit a strengthened financial plan, including the constitution of the reserve fund, within twenty days.

- The criteria for **foundations acting in concert** are established, where this includes all types of express or tacit shareholders' agreements, whether verbal or in writing, which although allowing occasional dissenting votes, imply the adoption of common basic criteria for the management of the institution.

- In the case of concerted action, a **single management protocol and a single financial plan** must be prepared and these must be approved by the boards of trustees of each of the foundations.

- Divestment from the investee institution must be in the proportion set out in the financial plan of the banking foundations concerned, or if no agreement can be reached, in proportion to each foundation's percentage holding in the investee institution.

- **Collaboration with the single supervisory mechanism**. If the credit institution part-owned by one or more banking foundations is deemed to be a significant institution, the Bank of Spain may inform the supervision team responsible of any fact regarding the banking foundation that may affect the sound and prudent management of the credit institution.

- **Updating the management protocol**. Banking foundations that are obliged to prepare a management protocol shall have three months as of the entry into force of this Circular to adapt their protocol to the minimum content it establishes and send it to the Bank of Spain for approval.

- **Updating the financial plan or strengthened financial plan**. Banking foundations that are obliged to submit a financial plan shall have three months as of the entry into force of this Circular to update their existing plan and send it to the Bank of Spain for approval.

- Within one month of the Circular's coming into force, banking foundations must accredit to the Bank of Spain that they comply with the restrictions concerning the **simultaneous holding of offices on the board of trustees of the banking foundation and the board of the investee credit institution**.

Ministerial Order defining the content, structure, and publication requirements for the Annual Corporate Governance Report, and establishing accounting obligations for banking foundations (Order ECC/2575/2015, published in the BOE on December 4th, 2015)

This Order has a dual purpose: firstly, to determine the minimum content, structure and publication requirements of banking foundations' annual corporate governance reports; and, secondly, to implement the rules and models with which these foundations' accounts are to comply by authorising the Bank of Spain to specify the regime.

I. Annual Corporate Governance Report

➢ General points

- Banking foundations are to publish an **Annual Corporate Governance Report** with information about the financial year immediately preceding that in which the report is submitted to the 'protectorate'. This report is to have the format established in the **annex to the Order**.

- The banking foundation's **board of trustees** is the body responsible for preparing, submitting, and publishing the content of the Annual Report. The board of trustees will approve it and send it to the competent protectorate within four months of the end of the financial year. It is to be accompanied by a certificate issued by the secretary and endorsed by the chairman.

- The Annual Report **must be published within ten days** of its being sent to the protectorate in a visible manner on the banking foundation's web site and must remain available on the site for at least five years.

- **Banking foundations constituted in 2014 must approve and send an annual report on their activity in the 2014 financial year prior to December 31st, 2015**.

➢ Contents

The Annual Corporate Governance Report must have the minimum content provided for in the Order, which is:

- Structure, composition and functioning of the governing bodies.
- Appointments policy.
- Policy for investments in the investee credit institution.
- Other investments.
- Remuneration and reimbursable expenses.
- Related-party transactions.
- Conflicts of interest policy.
- Community welfare activities.

II. Financial information standards and models

The Order establishes the standards and models for banking foundations' financial information, stipulating that they must comply with the

General Accounting Plan, with the specifications subsequently established by the Bank of Spain.

The aforementioned financial information may be:

a) **Public**, such as information for third parties to give a true and fair view of the net value, financial situation, and changes in equity during the financial year, along with the activity performed, in accordance with the legal provisions.

b) **Confidential**, such as information supplied to the Bank of Spain in order for it to be able to perform its tasks pursuant to Article 46 of Law 26/2013 and in the solvency regulations and for the preparation of monetary, financial and economic statistics.

Bank of Spain Circular on information to determine the basis of calculation of the contributions to the Deposit Guarantee Fund for Credit Institutions (Circular 8/2015, published in the BOE on December 24th, 2015)

Circular 8/2015 will be applicable to institutions and branches belonging to the Deposit Guarantee Fund (DGF) pursuant to Royal Decree 2606/1996.

As regards the **information that has to be submitted**:

- Institutions and branches that belong to the DGF are to submit quarterly to the Bank of Spain a statement with "information for the determination of the basis of calculation of contributions to the Deposit Guarantee Fund" with data referring to the end of the relevant quarter.

- Each quarter the Bank of Spain will send the DGF for credit institutions the information from the statements received from each DGF member institution and branch necessary for compliance with its obligations, together with the aggregate data.

- The data must be submitted to the Bank of Spain telematically.

For the purposes of calculating the **basis for determining contributions to the DGF**, institutions are to apply the following valuation criteria:

a) Money deposits will be valued at their nominal or principal value plus any interest accruing on the date to which the data refer, as defined in the Accounting Circular. In the case of hybrid or structured deposits, the principal will be the amount disbursed by the counterparties before separating out the implicit derivatives.

b) Securities and other guaranteed financial instruments, including those transferred temporarily under repurchase agreements that remain registered with the transferring institution, will be valued at their quoted market price on the last trading day of the quarter to which the data refer. Securities or financial instruments not traded on a secondary market will be valued at fair value, unless this cannot be estimated reliably, in which case they will be valued at nominal value or reimbursement value, whichever is more appropriate to the type of instrument concerned, as defined in the Accounting Circular.

Institutions and branches belonging to the DGF must keep **information on deposits received** available to the Bank of Spain at all times.

Spanish economic forecasts panel: January 2016[1]

Funcas Economic Trends and Statistics Department

Growth in 2015 is estimated at 3.2%

Economic indicators for the fourth quarter give a mixed picture. Confidence indicators, including sector indicators, consumer confidence and the economic sentiment index, improved relative to the previous quarter, and job creation, according to the number of Social Security affiliates, accelerated. However, the PMI indicators suggest a moderation in growth. The consensus estimate for GDP growth in this period is 0.8%, which means the same rate of growth has been maintained as in the previous period. The estimated growth figure for the year as a whole is 3.2%.

In line with the consensus estimates, domestic demand contributed 3.4 percentage points of GDP growth, while net exports subtracted 0.2 pp.

The forecast for 2016 remains unchanged at 2.7%

The consensus forecast for GDP growth in 2016 is 2.7%, with no change since the previous Panel. Domestic demand is expected to contribute 2.9 pp, and the external sector -0.2 pp.

The quarterly growth rate is expected to remain stable at around 0.6% throughout the year.

Good outlook for the industrial sector

The industrial production index began to slow in the third quarter and the trend persisted into the fourth. This was more marked in the total index than in manufacturing, due to the negative trend in the energy sector. In the period to November, the general IPI rose by 3.3% relative to the year-earlier period.

The consensus forecast for IPI growth over 2015 as a whole is 3.3%, dropping to 3.1% in 2016. Both these figures are well above the average for the pre-crisis growth period.

Falling oil prices mean inflation is lower than expected

The downward trend in the oil price has accelerated in recent months, with prices dropping to close to 30 dollars per barrel in the first few weeks of January. As a result, December's inflation rate was significantly lower than expected, at 0% compared to the previous consensus forecast of 0.5%. The average annual rate for 2015 was -0.5%, although core inflation has remained positive throughout the year and is on an upward trend.

Consequently, the forecast for 2016 has been cut by three tenths of a percent to 0.7%. The forecast for the December 2016 year-on-year rate is 1.3% (Table 3).

Positive trend in employment

Growth in the number of social security system affiliates picked up speed in the fourth quarter of the year, rising by 3.2% over the year as a whole,

[1] The Spanish Economic Forecasts Panel is a survey run by Funcas which consults the 16 analysis departments listed in Table 1. The survey, which has taken place since 1999, is published bi-monthly in the first half of January, March, May, July, September and November. The responses to the survey are used to produce a "consensus" forecast, which is calculated as the arithmetic mean of the 16 individual contributions. The forecasts of the Spanish Government, the Bank of Spain, and the main international organisations are also included for comparison, but do not form part of the consensus forecast.

which is equivalent to 530,000 new affiliates. According to national accounts figures, growth in the number of full-time equivalent jobs in 2015 is estimated at 3.0%, while the forecast for 2016 has been cut by one tenth of a percentage point to 2.4%.

The consensus estimates for GDP, employment and wage growth can be used to deduce the implicit productivity and unit labour cost growth estimates. On this basis, productivity per worker is expected to grow by 0.2% in 2015 and 0.3% in 2016, while ULC are expected to change by 0.4% in 2015 and 0.7% this year.

The current account surplus will shrink in 2016

The current account of the balance of payments to October recorded a surplus of 10.1 billion euros, compared with a surplus of 3.3 billion euros in the same period of the previous year. This improvement is partly the result of a shrinking energy balance deficit, due to falling oil prices, along with the smaller negative balance on the income and transfers account, owing to smaller interest payments abroad.

The consensus forecast for the current account balance is for a surplus of 1.3% of GDP in 2015, one tenth higher than forecast in the previous panel, and 1.1% in 2016, which is unchanged from the previous consensus forecast.

The government deficit will overshoot the target by a few tenths of a percent

The overall balance of the central government, the social security funds and autonomous regions came to 3.4% of annual GDP in the period to October, five tenths of a percent lower than in the same period in 2014, compared to target of a reduction of 2.1 percentage points for the year as a whole for these bodies and levels of government. The trend in the central government accounts suggests it will meet its deficit target. However, this is not the case of the social security system or the autonomous regions, which will probably register a deviation from their targets.

Consequently, the consensus forecast for the public deficit is higher than the target, at 4.7% of GDP, and one tenth of a percent higher than in the previous panel forecast. The forecast for 2016 remains unchanged and is also over its target, at 3.3%.

The state of the global economy is perceived to have worsened

The situation in China is raising significant concern, with fears that its economy is slowing faster than official figures suggest. Moreover, in 2015, China suffered significant capital outflow, its currency is under strong downward pressure, and its stock markets have started the year with sharp drops that have had spillover effects onto global markets. Another focus of concern is the possible impact on emerging economies of the start of the United States interest rate hike cycle. As regards the developed economies, the United States is maintaining an acceptable trend rate of growth, while the euro area is recovering very slowly.

The majority view among panellists of the current situation in the EU is that its impact on the Spanish economy is neutral, as in previous Panels, and this is not expected to change in the coming months. As regards the situation outside the EU, the perception has worsened, and is now considered unfavourable (in the previous panel, opinions were divided between neutral and unfavourable), and expected to continue to be so over the coming months.

Long-term interest rates are too low

Short-term interest rates (three-month EURIBOR) have continued to fall in recent weeks from rates that have been negative since last April. As in

previous panel forecasts, the rate is still felt to be too low, but is expected to remain stable over the coming months.

Since October, long-term interest rates (Spanish ten-year bonds) have been in the 1.7% to 1.9% range, after having been over 2% in the summer. However, this level is still higher than in the first few months of the year. Most panellists continue to think this level is very low, but expect it to remain stable over the coming months.

The euro continues to depreciate

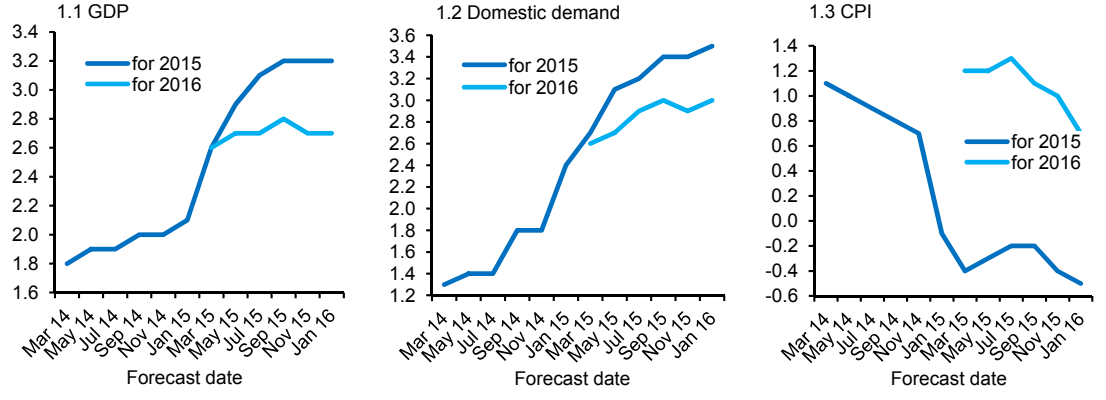
The euro has stood at around 1.08 dollars in recent weeks, compared to 1.12 in the summer months. Panellists' opinions are divided between those who consider this to be the right level and those who consider the euro undervalued. The euro is expected to remain on a downward trend over the next few months.

Fiscal policy is too expansionary

Panellists are divided between those who consider fiscal policy to be expansionary in relation to the state of the Spanish economy, and those who consider it to be neutral. The majority view is that it should be neutral. As regards monetary policy, there is still unanimity that it is expansionary, and that this is the appropriate stance.

Exhibit 1

Change in forecasts (Consensus values)
(Percentage annual change)



Source: Funcas Panel of forecasts.

Table 1

Economic Forecasts for Spain – January 2016

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

	GDP		Household consumption		Public consumption		Gross fixed capital formation		GFCF machinery and capital goods		GFCF Construction		Domestic demand	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Analistas Financieros Internacionales (AFI)	3.2	2.7	3.5	3.0	1.2	1.1	5.8	5.0	8.6	7.1	5.3	4.9	3.4	2.9
Banco Bilbao Vizcaya Argentaria (BBVA)	3.2	2.7	3.1	2.9	1.8	0.4	6.2	5.5	8.9	6.3	5.6	5.0	3.4	2.9
Bankia	3.2	2.8	3.2	3.2	2.0	1.0	6.2	5.0	9.6	7.1	5.5	4.5	3.6	3.2
CaixaBank	3.2	2.7	3.0	2.6	2.7	1.0	6.2	4.4	9.6	5.8	5.5	3.8	3.6	2.6
Cemex	3.2	2.8	3.1	3.1	2.5	1.4	6.2	5.0	9.7	6.0	5.4	4.9	3.5	3.1
Centro de Estudios Economía de Madrid (CEEM-URJC)	3.2	2.5	3.3	2.7	1.0	0.8	5.5	4.7	6.7	4.8	5.4	5.2	3.2	2.6
Centro de Predicción Económica (CEPREDE-UAM)	3.1	2.4	3.5	2.8	0.9	1.0	6.2	5.4	9.5	7.0	5.0	4.6	3.5	2.9
CEOE	3.2	2.7	3.1	2.8	2.0	1.0	6.2	4.6	9.6	6.8	5.5	4.0	3.4	2.7
Funcas	3.2	2.8	3.1	3.2	2.3	1.4	6.3	5.3	9.7	7.6	5.6	4.5	3.6	3.3
Instituto Complutense de Análisis Económico (ICAE-UCM)	3.2	2.8	3.3	2.6	1.8	0.9	6.0	5.1	8.9	7.0	5.5	4.8	3.4	2.8
Instituto de Estudios Económicos (IEE)	3.2	2.7	3.1	3.0	2.4	1.3	6.1	4.4	9.7	6.9	5.8	4.8	3.5	2.9
Instituto Flores de Lemus (IFL-UC3M)	3.2	2.5	3.1	3.4	2.4	-0.7	6.2	5.2	9.6	8.4	5.6	3.8	3.6	2.9
Intermoney	3.2	2.7	3.1	3.1	2.5	1.4	6.3	4.3	8.9	5.3	5.5	3.4	3.6	3.0
Repsol	3.2	2.9	3.1	3.1	2.6	1.5	6.3	5.3	10.0	7.6	5.6	4.3	3.7	3.4
Santander	3.2	2.9	3.2	3.2	2.5	1.7	6.4	6.0	9.9	6.3	5.7	6.3	3.7	3.5
Solchaga Recio & asociados	3.2	2.7	3.4	3.0	0.9	1.0	6.4	5.5	8.8	6.9	5.4	5.5	3.5	3.1
CONSENSUS (AVERAGE)	3.2	2.7	3.2	3.0	2.0	1.0	6.2	5.0	9.2	6.7	5.5	4.7	3.5	3.0
Maximum	3.2	2.9	3.5	3.4	2.7	1.7	6.4	6.0	10.0	8.4	5.8	6.3	3.7	3.5
Minimum	3.1	2.4	3.0	2.6	0.9	-0.7	5.5	4.3	6.7	4.8	5.0	3.4	3.2	2.6
Change on 2 months earlier[1]	0.0	0.0	-0.1	0.2	0.7	0.3	0.1	-0.4	0.2	-0.3	0.3	-0.2	0.1	0.1
- Rise[2]	3	1	3	7	11	9	7	2	6	5	10	2	11	9
- Drop[2]	1	4	8	1	0	0	1	8	1	7	0	7	0	4
Change on 6 months earlier[1]	0.1	0.0	-0.1	0.2	1.0	0.3	0.5	-0.5	0.9	-0.5	1.0	-0.2	0.3	0.1
Memorandum ítems:														
Government (September 2015)	3.3	3.0	3.4	3.0	0.1	0.3	6.2	5.4	--	--	5.5	5.5	3.4	3.0
Bank of Spain (June 2015)	3.1	2.7	3.4	2.3	0.1	0.1	5.9	6.1	8.8	8.9	4.8	4.5	--	--
EC (November 2015)	3.1	2.7	3.4	2.7	0.8	0.2	6.3	5.4	9.6 [(3)]	8.2 [(3)]	--	--	3.5	2.8
IMF (October 2015)	3.1	2.5	4.1	2.8	0.5	-0.2	5.9	3.8	--	--	--	--	3.7	2.4
OECD (November 2015)	3.2	2.7	3.1	3.0	1.4	0.3	6.4	5.1	--	--	--	--	3.4	2.9

[1] Difference in percentage points between the current month's average and that of two months earlier (or six months earlier).
[2] Number of panellists revising their forecast upwards (or downwards) since two months earlier.
[3] Investment in capital goods.

Table 1 (Continued)

Economic Forecasts for Spain – January 2016

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

	Exports of goods & services		Imports of goods & services		Industrial output		CPI (annual av.)		Labour costs[3]		Jobs[4]		Unempl. (% labour force)		C/A bal. of payments (% of GDP)[5]		Gen. gov. bal. (% of GDP)[7]	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Analistas Financieros Internacionales (AFI)	5.3	5.6	6.4	6.9	--	--	-0.4	1.0	--	--	3.0	2.5	22.4	20.9	1.0	0.9	-4.7	-3.7
Banco Bilbao Vizcaya Argentaria (BBVA)	5.2	5.2	6.4	6.0	3.2	--	-0.5	1.2	0.9	1.7	3.0	2.5	22.2	20.5	1.5	1.9	-4.5	-3.0
Bankia	5.9	5.5	7.4	7.0	3.2	2.9	-0.5	0.4	0.5	0.7	2.9	2.4	22.2	20.3	1.7	1.9	--	--
CaixaBank	6.1	6.5	7.8	6.6	3.3	3.9	-0.5	1.2	0.7	1.2	3.0	2.5	22.2	20.3	1.9	1.7	-4.8	-3.3
Cemex	6.2	5.3	8.0	7.1	--	--	-0.5	0.7	--	--	3.0	2.7	22.2	20.5	1.8	1.5	-4.2	-2.8
Centro de Estudios Economía de Madrid (CEEM-URJC)	5.6	4.9	6.1	5.7	--	--	-0.5	0.7	--	--	3.2	2.4	21.9	20.0	0.9	0.6	-4.2	-3.1
Centro de Predicción Económica (CEPREDE-UAM)	5.7	5.4	7.3	7.4	3.3	2.7	-0.5	1.0	0.4	1.1	2.8	1.6	22.2	21.4	0.3	-0.2	-4.9	-3.6
CEOE	5.8	5.3	7.1	5.8	--	--	-0.5	0.4	0.5	1.0	3.0	2.5	22.1	20.3	1.4	1.2	-4.4	-3.3
Funcas	5.9	5.1	7.7	6.9	3.3	3.5	-0.5	0.0	0.5	0.8	3.0	2.4	22.2	20.2	1.6	1.4	-5.0	-3.9
Instituto Complutense de Análisis Económico (ICAE-UCM)	5.4	6.6	6.4	7.1	3.2	2.8	-0.5	1.1	--	--	3.0	2.5	22.2	20.6	1.2	1.2	-4.5	-3.0
Instituto de Estudios Económicos (IEE)	5.9	5.4	7.2	6.4	3.1	1.9	-0.5	0.7	0.6	0.8	3.2	2.2	22.2	19.9	0.9	0.8	-4.6	-3.4
Instituto Flores de Lemus (IFL-UC3M)	5.7	4.8	7.5	6.3	3.5	3.7	-0.5	0.6	--	--	2.9	1.9	22.2	20.4	--	--	--	--
Intermoney	6.0	5.3	7.8	6.6	--	--	-0.5	0.7	--	--	3.0	2.4	22.1	20.6	1.1	0.8	-4.9	-3.6
Repsol	6.1	5.7	8.1	7.5	3.2	3.6	-0.5	0.6	0.6	0.8	3.1	2.8	22.2	20.6	1.1	0.9	-4.7	-3.2
Santander	6.5	6.7	8.6	9.3	--	--	-0.5	0.2	0.8	1.0	3.0	2.4	22.1	19.8	1.4	0.7	-5.1	-2.8
Solchaga Recio & asociados	5.3	4.7	6.8	6.4	--	--	-0.3	1.3	--	--	3.0	2.8	22.2	19.9	1.5	1.6	-4.7	-3.6
CONSENSUS (AVERAGE)	5.8	5.5	7.3	6.8	3.3	3.1	-0.5	0.7	0.6	1.0	3.0	2.4	22.2	20.4	1.3	1.1	-4.7	-3.3
Maximum	6.5	6.7	8.6	9.3	3.5	3.9	-0.3	1.3	0.9	1.7	3.2	2.8	22.4	21.4	1.9	1.9	-4.2	-2.8
Minimum	5.2	4.7	6.1	5.7	3.1	1.9	-0.5	0.0	0.4	0.7	2.8	1.6	21.9	19.8	0.3	-0.2	-5.1	-3.9
Change on 2 months earlier[1]	0.5	0.2	0.9	0.6	0.2	-0.2	-0.1	-0.3	0.0	0.1	0.0	-0.1	0.0	0.0	0.1	0.0	-0.1	0.0
- Rise[2]	8	7	11	8	5	3	0	0	2	4	3	0	0	3	4	3	1	2
- Drop[2]	3	3	0	3	2	2	7	10	1	1	1	6	3	2	3	5	4	4
Change on 6 months earlier[1]	0.2	-0.3	0.8	0.1	0.7	0.1	-0.3	-0.6	0.2	0.1	0.1	-0.1	0.0	0.0	0.6	0.4	-0.3	-0.1
Memorandum items:																		
Government (September 2015)	5.5	6.0	6.0	6.4	--	--	--	--	0.5	1.4	3.0	3.0	22.0	19.7	1.2	1.2	-4.2	-2.8
Bank of Spain (June 2015)	5.1	5.7	5.3	5.9	--	--	-0.2	1.3	--	--	2.9	2.6	--	--	1.2 [6]	1.1 [6]	--	--
EC (November 2015)	4.9	5.3	6.1	5.8	--	--	-0.5	0.7	0.7	0.6	2.8	2.5	22.3	20.5	1.4	1.3	-4.7	-3.6
IMF (October 2015)	5.1	5.1	7.4	4.8	--	--	-0.3	0.9	--	--	3.0	2.0	21.8	19.9	0.9	1.1	-4.4	-3.2
OECD (November 2015)	5.6	5.1	6.5	5.8	--	--	-0.6	0.3	--	--	3.0	2.7	22.1	19.8	1.5	1.3	-4.2	-2.9

[1] Difference in percentage points between the current month's average and that of two months earlier (or six months earlier).
[2] Number of panellists revising their forecast upwards (or downwards) since two months earlier.
[3] Average earnings per full-time equivalent job.
[4] In National Accounts terms: full-time equivalent jobs.
[5] Current account balance, according to Bank of Spain estimates.
[6] Net lending position vis-à-vis rest of world.
[7] Excluding financial entities bail-out expenditures.

Table 2

Quarterly Forecasts - January 2016[1]

	Quarter-on-quarter change (percentage)							
	15-Q1	15-Q2	15-Q3	15-Q4	16-Q1	16-Q2	16-Q3	16-Q4
GDP[2]	0.9	1.0	0.8	0.8	0.6	0.6	0.6	0.6
Household consumption[2]	0.7	0.9	1.0	0.9	0.6	0.6	0.6	0.6

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

[2] According to series corrected for seasonality and labour calendar.

Table 3

CPI Forecasts – January 2016[1]

Monthly change (%)				Year-on-year change (%)	
Dec-15	Jan-16	Feb-16	Mar-16	Dec-15	Dec-16
-0.2	-0.8	0.0	0.4	0.0	1.3

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

Table 4

Opinions – January 2016
(Number of responses)

	Currently			Trend for next six months		
	Favourable	Neutral	Unfavourable	Improving	Unchanged	Worsening
International context: EU	7	9	0	5	11	0
International context: Non-EU	0	5	11	1	13	2
	Low[1]	Normal[1]	High[1]	Increasing	Stable	Decreasing
Short-term interest rate[2]	13	3	0	0	15	1
Long-term interest rate[3]	12	4	0	2	14	0
	Overvalued[4]	Normal[4]	Undervalued[4]	Appreciation	Stable	Depreciation
Euro/dollar exchange rate	2	7	7	0	7	9
	Is being			Should be		
	Restrictive	Neutral	Expansionary	Restrictive	Neutral	Expansionary
Fiscal policy assessment[1]	0	8	8	4	8	4
Monetary policy assessment[1]	0	0	16	0	0	16

[1] In relation to the current state of the Spanish economy.

[2] Three-month Euribor.

[3] Yield on Spanish 10-year public debt.

[4] Relative to theoretical equilibrium rate.

KEY FACTS:

KEY FACTS: ECONOMIC INDICATORS

Table 1

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

Forecasts in blue

		GDP	Private consumption	Public consumption	Gross fixed capital formation					Exports	Imports	Domestic Demand (a)	Net exports (a)
						Construction							
					Total	Total	Housing	Other construction	Equipment & other products				
Chain-linked volumes, annual percentage changes													
2008		1.1	-0.7	5.9	-3.9	-5.6	-9.2	-1.1	-0.3	-0.8	-5.6	-0.4	1.6
2009		-3.6	-3.6	4.1	-16.9	-16.1	-20.3	-11.4	-18.3	-11.0	-18.3	-6.4	2.8
2010		0.0	0.3	1.5	-4.9	-10.1	-11.6	-8.5	5.4	9.4	6.9	-0.5	0.5
2011		-1.0	-2.4	-0.3	-6.9	-11.7	-13.3	-10.2	0.9	7.4	-0.8	-3.1	2.1
2012		-2.6	-3.5	-4.5	-7.1	-8.3	-5.4	-10.7	-5.3	1.1	-6.2	-4.7	2.1
2013		-1.7	-3.1	-2.8	-2.5	-7.1	-7.2	-7.1	3.5	4.3	-0.3	-3.1	1.4
2014		1.4	1.2	0.0	3.5	-0.2	-1.4	0.8	7.7	5.1	6.4	1.6	-0.2
2015		3.2	3.1	2.3	6.2	5.6	3.0	7.6	6.9	5.9	7.7	3.5	-0.4
2016		2.8	3.2	1.4	5.3	4.5	5.4	3.9	6.1	5.1	6.9	3.3	-0.4
2014	I	0.4	0.3	0.0	1.4	-6.5	-6.9	-6.2	11.5	4.6	6.2	0.7	-0.3
	II	1.2	1.1	0.2	4.3	0.8	-1.5	2.7	8.3	2.8	5.2	1.8	-0.6
	III	1.7	1.4	0.2	3.4	1.3	0.6	1.8	5.7	6.4	7.3	1.8	-0.1
	IV	2.1	1.8	-0.5	4.9	4.1	2.5	5.2	5.7	6.5	6.8	2.0	0.1
2015	I	2.7	2.4	1.3	6.0	6.2	2.9	8.8	5.8	5.9	7.2	2.9	-0.2
	II	3.2	2.9	2.1	6.3	5.5	3.3	7.3	7.0	6.2	7.0	3.3	-0.1
	III	3.4	3.4	3.0	6.5	5.5	2.5	7.8	7.5	5.6	7.7	3.9	-0.5
	IV	3.4	3.6	2.8	6.2	5.2	3.3	6.6	7.3	5.9	8.7	4.1	-0.7
2016	I	3.2	3.7	1.8	6.0	5.0	4.7	5.2	7.1	6.0	8.1	3.7	-0.5
	II	2.9	3.4	1.4	4.9	3.9	4.4	3.5	5.9	5.2	8.1	3.6	-0.7
	III	2.7	3.1	0.7	5.0	4.5	6.0	3.3	5.7	4.4	5.5	2.9	-0.2
	IV	2.5	2.8	1.5	5.2	4.7	6.4	3.5	5.7	4.8	6.1	2.8	-0.3
Chain-linked volumes, quarter-on-quarter percentage changes, at annual rate													
2014	I	1.5	0.0	-0.2	1.5	-3.1	-1.0	-4.8	6.4	6.6	7.3	1.4	0.0
	II	2.0	1.9	-0.8	8.6	11.9	5.7	16.9	5.3	4.8	7.2	2.5	-0.5
	III	2.4	1.9	0.1	3.7	2.8	3.3	2.4	4.7	14.0	13.7	1.9	0.5
	IV	2.7	3.1	-1.0	5.7	5.2	2.3	7.5	6.2	0.8	-0.6	2.3	0.5
2015	I	3.5	2.6	6.9	6.0	5.2	0.5	8.8	6.8	4.4	9.0	4.8	-1.3
	II	4.0	3.8	2.6	9.8	9.1	7.2	10.6	10.5	5.9	6.4	4.0	0.0
	III	3.2	4.2	3.7	4.5	2.5	0.3	4.2	6.6	11.5	16.8	4.4	-1.2
	IV	3.0	3.7	-2.0	4.6	4.1	5.5	3.0	5.2	2.0	2.9	3.2	-0.2
2016	I	2.8	3.1	3.0	5.1	4.3	5.8	3.2	6.0	4.7	6.7	3.6	-0.9
	II	2.5	2.9	1.0	5.2	4.6	6.2	3.4	5.8	2.8	6.3	3.4	-0.9
	III	2.4	2.7	1.0	5.2	4.9	6.6	3.6	5.6	8.2	5.9	2.7	-0.2
	IV	2.5	2.6	1.0	5.3	5.2	7.0	3.8	5.5	3.4	5.4	3.0	-0.5
		Current prices (EUR billions)	**Percentage of GDP at current prices**										
2008		1,116.2	56.8	18.8	29.2	19.5	10.4	9.1	9.7	25.3	30.4	105.1	-5.1
2009		1,079.0	56.1	20.5	24.3	16.2	8.1	8.1	8.2	22.7	23.8	101.2	-1.2
2010		1,080.9	57.2	20.5	23.0	14.3	6.9	7.4	8.7	25.5	26.8	101.3	-1.3
2011		1,070.4	57.8	20.5	21.5	12.5	5.7	6.8	9.0	28.9	29.2	100.2	-0.2
2012		1,042.9	58.6	19.7	20.1	11.3	5.2	6.2	8.7	30.6	29.1	98.5	1.5
2013		1,031.3	58.0	19.6	19.2	10.3	4.5	5.7	9.0	32.0	28.7	96.8	2.1
2014		1,041.2	58.3	19.4	19.6	10.1	4.4	5.7	9.5	32.5	30.1	97.5	2.5
2015		1,081.4	57.6	19.3	20.4	10.4	4.5	6.0	9.9	33.3	30.8	97.5	2.5
2016		1,122.2	57.9	19.1	21.0	10.7	4.7	6.0	10.3	34.1	32.4	98.3	1.7

**Seasonally and Working Day Adjusted.*
(a) Contribution to GDP growth.

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

Chart 1.1.- GDP
Percentage change

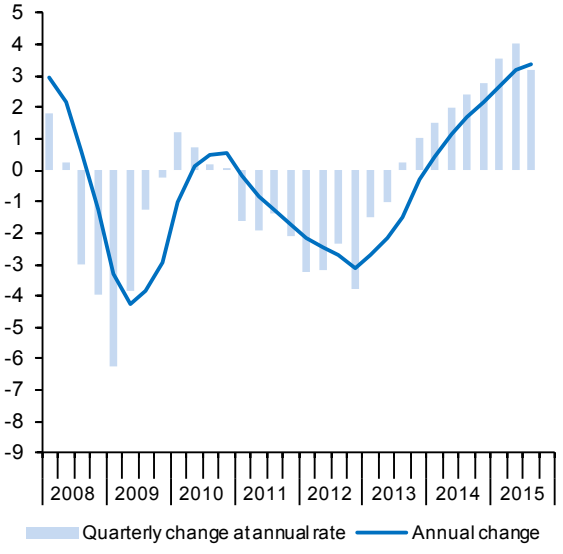


Chart 1.2.- Contribution to GDP annual growth
Percentage points

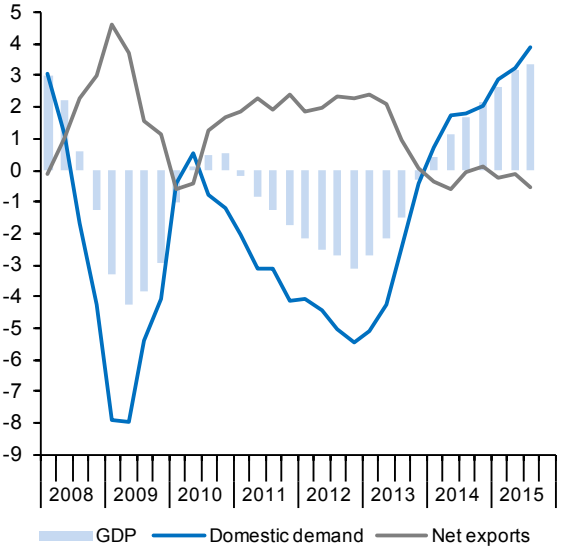


Chart 1.3.- Final consumption
Annual percentage change

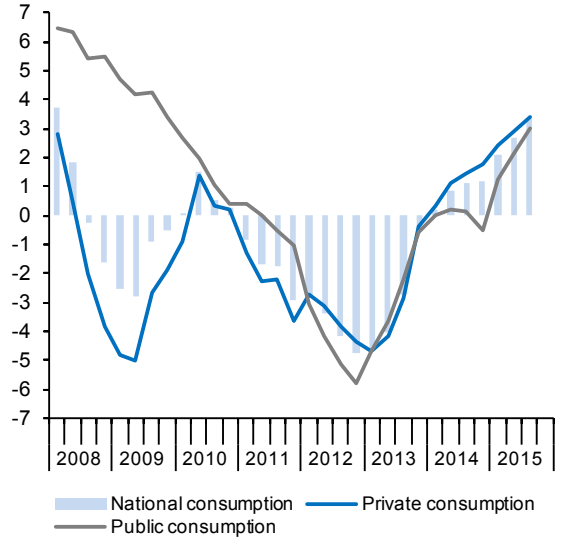


Chart 1.4.- Gross fixed capital formation
Annual percentage change

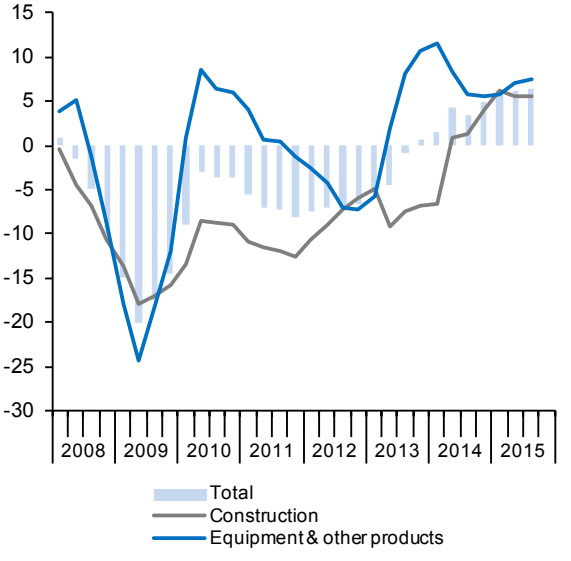


Table 2

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

Forecasts in blue

	Gross value added at basic prices												Taxes less subsidies on products
					Services								
	Total	Agriculture, forestry and fishing	Manufacturing, energy and utilities	Construction	Total	Trade, transport, accommodation and food services	Information and communication	Finance and insurance	Real estate	Professional, business and support services	Public administration, education, health and social work	Arts, entertainment and other services	
Chain-linked volumes, annual percentage changes													
2008	1.3	-2.7	-0.8	0.2	2.3	-0.1	2.5	3.2	2.4	1.8	5.0	3.0	-0.9
2009	-3.4	-3.6	-10.0	-7.6	-1.0	-3.7	0.6	-6.1	3.4	-3.7	2.3	0.7	-5.9
2010	0.0	2.1	3.6	-14.5	1.3	1.5	3.9	-3.3	2.0	-1.4	2.4	1.4	0.1
2011	-0.6	4.4	-0.2	-12.8	0.7	-0.1	-0.2	-2.4	2.8	2.3	0.9	-0.2	-5.6
2012	-2.5	-11.0	-4.9	-14.3	-0.4	-0.6	2.2	-3.6	2.0	-1.3	-0.8	-1.4	-4.4
2013	-1.6	16.5	-5.2	-9.8	-0.6	0.1	0.7	-7.8	1.6	-1.9	-1.1	-0.7	-2.9
2014	1.4	-3.7	1.2	-2.1	1.9	3.2	4.7	-1.0	1.2	3.4	-0.4	4.4	0.8
2015	3.2	0.8	3.7	5.3	3.0	4.8	4.8	-1.1	0.9	5.7	1.2	4.7	2.6
2016	2.8	2.1	3.1	4.9	2.6	3.4	3.4	0.6	2.2	4.3	1.3	3.5	2.8
2014 I	0.5	3.2	-0.8	-7.3	1.3	2.5	4.4	-1.8	1.1	1.1	-0.5	3.4	-0.4
II	1.2	-6.0	1.5	-3.9	1.8	3.1	4.3	-1.2	1.2	3.1	-0.5	4.4	0.8
III	1.7	-2.9	1.5	0.2	2.1	3.3	5.0	-0.6	1.3	4.1	-0.5	4.9	1.3
IV	2.2	-8.7	2.5	3.1	2.5	4.0	5.0	-0.2	1.1	5.3	-0.2	5.0	1.7
2015 I	2.7	-4.2	3.0	5.9	2.6	4.1	4.1	-2.4	1.1	5.8	0.6	4.7	2.6
II	3.2	2.1	3.7	5.9	3.0	4.5	5.1	-0.1	1.1	6.3	0.7	4.6	2.6
III	3.4	3.6	4.0	5.5	3.2	4.9	5.2	-1.5	0.5	5.8	1.9	4.7	2.6
IV	3.5	2.0	3.9	4.0	3.4	5.6	4.9	-0.4	1.1	4.9	1.7	4.8	2.6
2016 I	3.3	2.0	3.3	4.0	3.3	4.9	4.8	0.1	2.0	4.8	1.4	4.4	2.4
II	2.8	1.9	2.8	5.3	2.7	3.8	3.5	-0.5	1.9	3.9	1.6	3.9	2.9
III	2.6	1.7	3.0	5.0	2.4	2.7	2.8	1.5	2.4	4.4	1.0	2.9	3.2
IV	2.5	2.9	3.3	5.2	2.1	2.0	2.5	1.4	2.5	4.2	1.1	2.8	2.8
Chain-linked volumes, quarter-on-quarter percentage changes, at annual rate													
2014 I	1.5	-19.4	3.7	-5.6	2.4	5.2	5.3	8.3	-0.9	1.7	-1.0	5.5	1.4
II	2.1	-18.2	2.7	-0.2	3.0	5.2	3.3	-5.3	2.8	6.7	0.1	5.3	0.3
III	2.6	4.2	1.0	8.5	2.4	3.7	5.4	-1.0	3.1	3.8	-1.0	6.3	0.5
IV	2.6	0.9	2.5	10.5	2.1	1.8	5.8	-2.4	-0.7	9.4	1.2	2.8	4.7
2015 I	3.4	-2.2	5.9	5.0	2.9	5.9	2.0	-0.8	-0.8	3.4	2.2	4.3	4.8
II	4.4	5.5	5.6	-0.2	4.4	6.4	7.2	4.0	2.7	8.7	0.5	5.0	0.4
III	3.4	10.6	2.0	6.9	3.3	5.4	6.0	-6.5	0.7	2.0	3.5	6.6	0.7
IV	2.8	-5.4	2.3	4.6	3.1	4.5	4.6	2.0	2.0	5.6	0.7	3.3	4.6
2016 I	2.6	-2.0	3.5	4.8	2.4	3.4	1.5	1.4	2.5	3.3	1.1	2.8	4.1
II	2.5	5.0	3.3	5.1	2.1	1.9	2.0	1.4	2.5	4.6	1.1	2.8	2.2
III	2.5	10.0	3.1	5.4	1.9	1.2	3.2	1.4	2.5	4.3	1.1	2.8	1.8
IV	2.4	-1.0	3.2	5.7	2.1	1.6	3.4	1.4	2.5	4.8	1.1	2.8	3.0
	Current prices (EUR billions)	**Percentage of value added at basic prices**											
2008	1,025.7	2.5	17.9	11.0	68.5	21.9	4.3	5.4	9.0	7.3	16.9	3.8	8.8
2009	1,006.1	2.3	16.6	10.6	70.4	22.0	4.4	5.7	8.9	7.3	18.2	4.0	7.2
2010	989.9	2.6	17.2	8.8	71.4	22.5	4.4	4.4	10.2	7.2	18.7	4.1	9.2
2011	983.7	2.5	17.4	7.5	72.6	22.9	4.3	4.2	10.9	7.4	18.7	4.2	8.8
2012	957.1	2.5	17.2	6.3	74.0	23.6	4.4	4.3	11.6	7.4	18.6	4.2	9.0
2013	941.3	2.8	17.1	5.6	74.5	23.8	4.3	3.8	12.0	7.3	19.0	4.2	9.6
2014	948.3	2.5	17.0	5.4	75.1	24.1	4.3	4.1	12.0	7.4	18.8	4.3	9.8
2015	982.2	2.5	17.1	5.6	74.8	24.4	4.2	4.0	11.7	7.6	18.6	4.4	10.0
2016	1,016.1	2.5	17.1	5.7	74.7	24.4	4.2	3.9	11.6	7.7	18.4	4.4	10.2

**Seasonally and Working Day Adjusted.*

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

Chart 2.1.- GVA by sectors
Annual percentage change

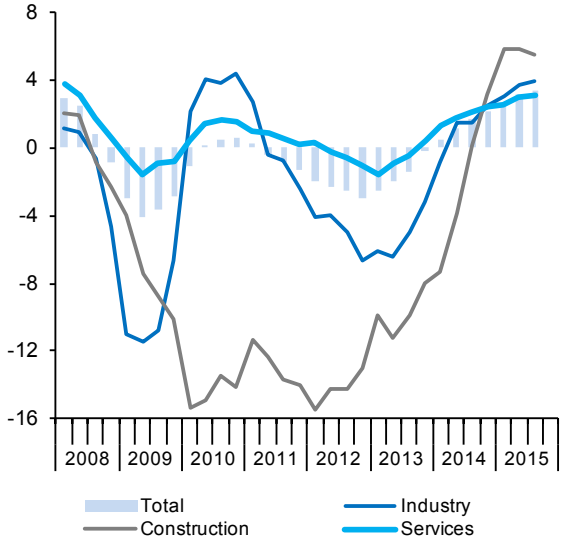


Chart 2.2.- GVA, services (I)
Annual percentage change

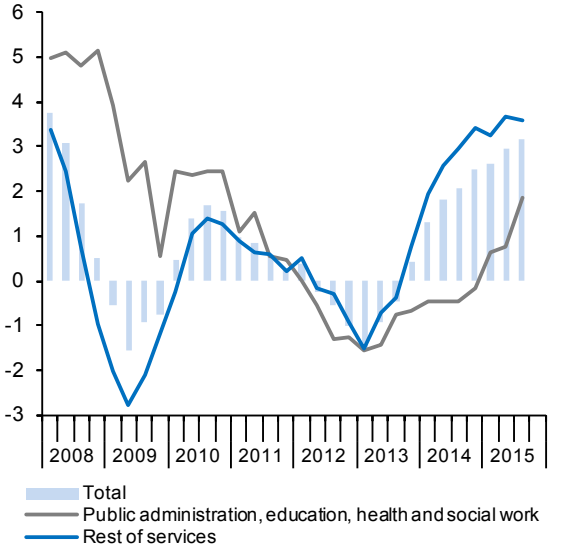


Chart 2.3.- GVA, services (II)
Annual percentage change

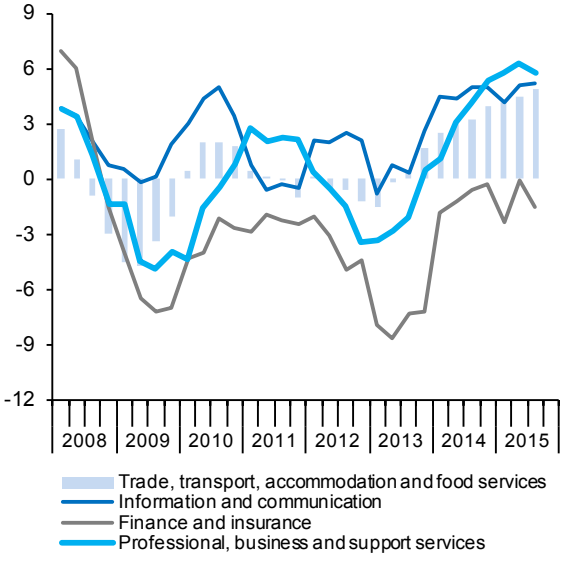


Chart 2.4.- GVA, structure by sectors
Percentage of value added at basic prices

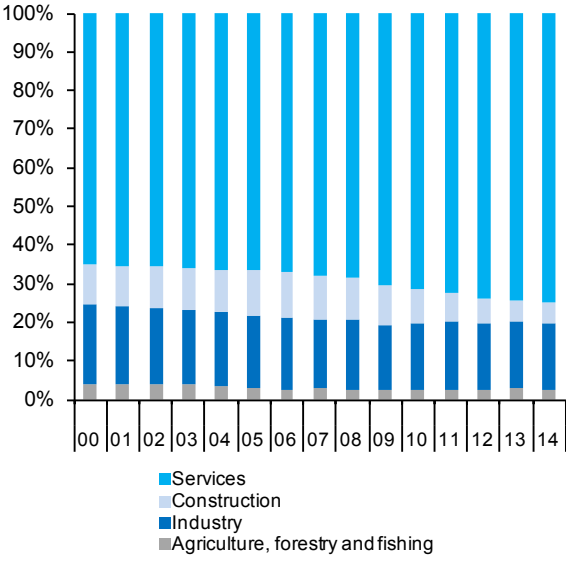


Table 3a

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

Forecasts in blue

		Total economy						Manufacturing industry					
		GDP, constant prices	Employment (jobs, full time equivalent)	Employment productivity	Compensation per job	Nominal unit labour cost	Real unit labour cost (a)	Gross value added, constant prices	Employment (jobs, full time equivalent)	Employment productivity	Compensation per job	Nominal unit labour cost	Real unit labour cost (a)
		1	2	3=1/2	4	5=4/3	6	7	8	9=7/8	10	11=10/9	12
Indexes, 2000 = 100, SWDA													
2008		129.1	124.7	103.6	138.3	133.5	99.8	112.4	93.9	119.7	149.3	124.7	98.5
2009		124.5	117.1	106.4	144.4	135.7	101.2	100.1	82.2	121.8	152.6	125.3	99.0
2010		124.5	114.0	109.3	145.9	133.5	99.4	100.1	78.9	126.9	155.6	122.6	97.7
2011		123.3	110.8	111.3	147.1	132.2	98.4	98.8	75.9	130.1	159.0	122.1	95.3
2012		120.1	105.4	113.9	146.2	128.4	95.5	93.5	70.8	132.1	161.4	122.1	95.6
2013		118.1	101.7	116.1	148.7	128.1	94.8	92.3	67.8	136.2	163.7	120.2	94.2
2014		119.7	102.8	116.4	147.9	127.0	94.3	94.3	67.8	139.1	166.3	119.5	93.9
2015		123.4	105.8	116.6	148.7	127.5	94.1	98.0	--	--	--	--	--
2016		126.9	108.4	117.1	149.9	128.0	93.7	101.3	--	--	--	--	--
2013	IV	118.2	101.4	116.6	148.6	127.4	94.2	92.9	67.0	138.6	164.4	118.6	93.4
2014	I	118.7	101.6	116.8	147.8	126.6	94.1	93.6	67.2	139.3	164.8	118.3	93.1
	II	119.3	102.5	116.3	147.9	127.2	94.5	93.9	67.8	138.6	166.3	120.0	93.8
	III	120.0	103.1	116.4	148.0	127.2	94.4	94.4	68.0	138.8	166.7	120.1	94.6
	IV	120.8	103.8	116.3	147.9	127.1	94.3	95.3	68.3	139.6	167.2	119.8	94.2
2015	I	121.8	104.6	116.4	148.8	127.8	94.6	96.2	68.8	139.8	165.8	118.6	92.6
	II	123.0	105.6	116.5	148.4	127.4	94.2	97.7	69.8	139.9	166.3	118.9	92.2
	III	124.0	106.3	116.7	148.5	127.3	93.7	98.7	69.7	141.6	167.0	117.9	92.1
Annual percentage changes													
2008		1.1	0.2	0.9	6.8	5.9	3.7	-2.1	-1.0	-1.1	5.5	6.7	2.3
2009		-3.6	-6.1	2.7	4.4	1.6	1.4	-10.9	-12.4	1.8	2.2	0.5	0.5
2010		0.0	-2.7	2.7	1.1	-1.6	-1.8	0.0	-4.0	4.2	1.9	-2.1	-1.3
2011		-1.0	-2.8	1.8	0.9	-0.9	-1.0	-1.3	-3.8	2.6	2.2	-0.4	-2.4
2012		-2.6	-4.9	2.4	-0.6	-2.9	-3.0	-5.3	-6.8	1.5	1.5	0.0	0.3
2013		-1.7	-3.5	1.9	1.7	-0.2	-0.8	-1.4	-4.3	3.1	1.5	-1.5	-1.4
2014		1.4	1.1	0.3	-0.6	-0.8	-0.4	2.2	0.1	2.1	1.5	-0.6	-0.3
2015		3.2	3.0	0.2	0.5	0.3	-0.3	3.9	--	--	--	--	--
2016		2.8	2.4	0.4	0.8	0.4	-0.4	3.4	--	--	--	--	--
2013	IV	-0.3	-1.9	1.7	3.6	1.9	1.3	1.1	-3.2	4.5	2.0	-2.4	-0.9
2014	I	0.4	-0.7	1.2	-0.6	-1.7	-1.2	1.6	-2.8	4.6	1.7	-2.8	-1.7
	II	1.2	1.0	0.2	-0.5	-0.7	-0.2	2.4	-0.1	2.4	1.5	-1.0	-0.7
	III	1.7	1.7	0.0	-0.7	-0.7	-0.5	2.2	1.5	0.7	1.3	0.6	0.5
	IV	2.1	2.4	-0.3	-0.5	-0.2	0.1	2.6	1.8	0.7	1.7	0.9	0.8
2015	I	2.7	2.9	-0.3	0.7	1.0	0.5	2.8	2.4	0.4	0.6	0.2	-0.6
	II	3.2	3.0	0.2	0.4	0.2	-0.4	4.0	3.0	1.0	0.0	-0.9	-1.8
	III	3.4	3.1	0.2	0.3	0.1	-0.8	4.5	2.5	2.0	0.2	-1.8	-2.7

(a) Nominal ULC deflated by GDP/GVA deflator.

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

Chart 3a.1.- Nominal ULC, total economy
Index, 2000=100

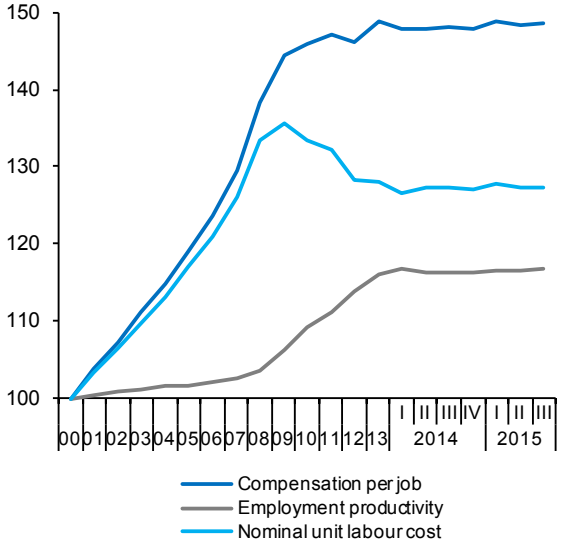
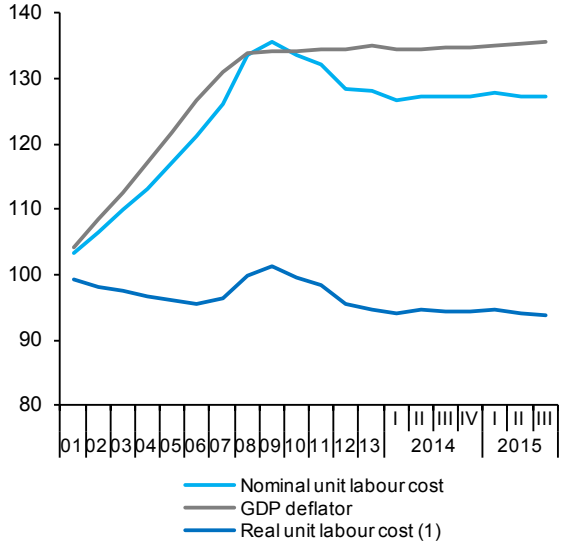


Chart 3a.2.- Real ULC, total economy
Index, 2000=100



(1) Nominal ULC deflated by GDP deflator.

Chart 3a.3.- Nominal ULC, manufacturing industry
Index, 2000=100

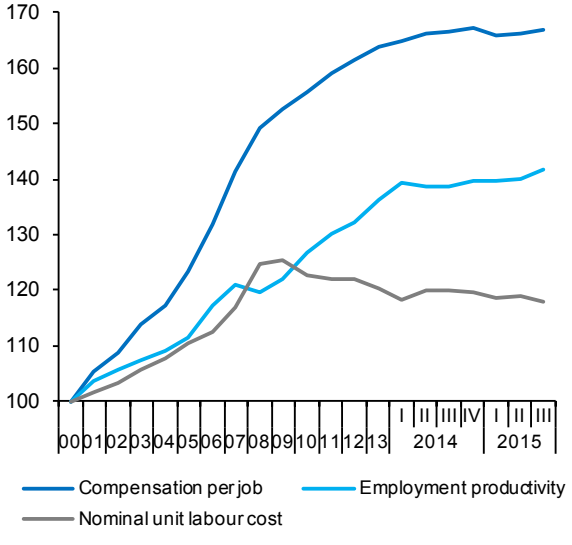
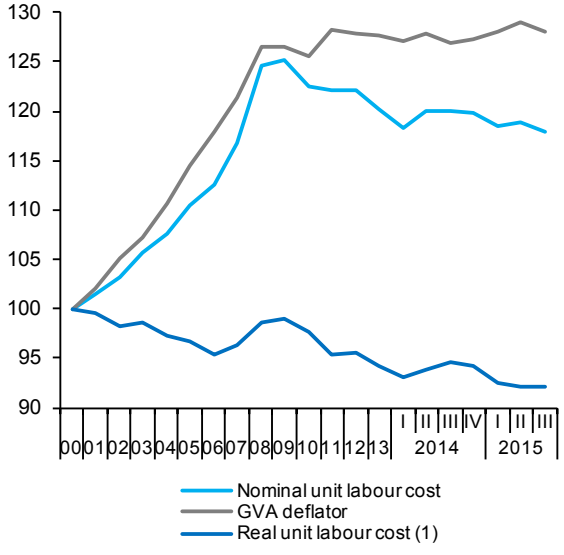


Chart 3a.4.- Real ULC, manufacturing industry
Index, 2000=100



(1) Nominal ULC deflated by GVA deflator.

Table 3b

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

Forecasts in blue

	Construction						Services					
	Gross value added, constant prices	Employment (jobs, full time equivalent)	Employment productivity	Compensation per job	Nominal unit labour cost	Real unit labour cost (a)	Gross value added, constant prices	Employment (jobs, full time equivalent)	Employment productivity	Compensation per job	Nominal unit labour cost	Real unit labour cost (a)
	1	2	3=1/2	4	5=4/3	6	7	8	9=7/8	10	11=10/9	12
Indexes, 2000 = 100, SWDA												
2008	118.3	126.5	93.5	154.8	165.5	102.3	137.1	137.0	100.1	132.4	132.2	98.5
2009	109.4	99.1	110.4	170.0	154.0	93.6	135.8	133.6	101.6	137.7	135.5	99.2
2010	93.5	85.2	109.7	172.1	156.9	99.2	137.5	132.0	104.2	139.1	133.4	99.1
2011	81.5	72.2	112.8	169.6	150.3	98.0	138.5	130.5	106.1	140.2	132.2	98.0
2012	69.9	58.7	119.1	170.6	143.2	97.9	138.0	126.1	109.4	138.6	126.7	94.3
2013	63.0	50.4	124.9	172.1	137.8	97.9	137.1	122.8	111.7	141.1	126.4	94.4
2014	61.7	48.9	126.3	172.5	136.6	97.1	139.7	124.8	112.0	139.9	124.9	93.7
2015	65.0	52.5	123.9	--	--	--	144.0	128.4	112.2	--	--	--
2016	68.2	53.5	127.3	--	--	--	147.8	131.7	112.2	--	--	--
2013 IV	61.6	48.8	126.3	172.8	136.8	98.2	137.5	122.7	112.1	141.0	125.8	94.3
2014 I	60.7	47.5	127.8	172.6	135.1	94.8	138.4	123.2	112.3	140.2	124.9	93.6
II	60.7	48.1	126.1	172.3	136.7	97.1	139.4	124.6	111.9	139.9	125.0	93.6
III	61.9	49.3	125.7	172.4	137.2	98.3	140.2	125.2	112.0	139.9	125.0	93.7
IV	63.5	50.6	125.6	172.6	137.4	98.3	141.0	126.2	111.7	139.6	124.9	93.8
2015 I	64.3	52.2	123.2	171.6	139.3	97.0	142.0	126.9	111.8	141.1	126.1	94.3
II	64.3	52.8	121.6	171.2	140.8	98.9	143.5	127.8	112.3	140.7	125.3	94.1
III	65.3	52.4	124.7	173.1	138.8	98.2	144.7	128.9	112.2	140.7	125.4	93.5
Annual percentage changes												
2007	1.8	5.3	-3.4	2.4	6.0	2.2	5.0	4.0	0.9	4.6	3.7	-0.3
2008	0.2	-11.8	13.6	12.9	-0.6	-3.9	2.3	3.0	-0.7	5.9	6.7	2.5
2009	-7.6	-21.7	18.0	9.8	-6.9	-8.6	-1.0	-2.4	1.5	4.0	2.5	0.7
2010	-14.5	-14.0	-0.6	1.3	1.9	6.0	1.3	-1.2	2.5	1.0	-1.5	-0.1
2011	-12.8	-15.3	2.9	-1.4	-4.2	-1.2	0.7	-1.1	1.8	0.8	-0.9	-1.2
2012	-14.3	-18.8	5.5	0.6	-4.7	-0.1	-0.4	-3.4	3.1	-1.2	-4.2	-3.8
2013	-9.8	-14.0	4.9	0.9	-3.8	0.0	-0.6	-2.7	2.1	1.9	-0.2	0.1
2014	-2.1	-3.1	1.1	0.2	-0.8	-0.8	1.9	1.7	0.2	-0.9	-1.1	-0.7
2015	5.3	7.3	-1.9	--	--	--	3.0	2.9	0.2	--	--	--
2016	4.9	2.0	2.8	--	--	--	2.6	2.6	0.1	--	--	--
2013 IV	-8.0	-10.6	2.8	0.7	-2.0	1.3	0.4	-1.2	1.6	4.3	2.6	2.1
2014 I	-7.3	-10.5	3.6	0.4	-3.1	-2.3	1.3	0.0	1.3	-0.6	-2.0	-1.2
II	-3.9	-4.7	0.9	0.0	-0.9	-1.2	1.8	1.8	0.0	-0.8	-0.9	-0.6
III	0.2	-0.2	0.4	0.7	0.3	0.1	2.1	2.1	0.0	-1.1	-1.0	-0.7
IV	3.1	3.7	-0.5	-0.1	0.4	0.1	2.5	2.8	-0.3	-1.0	-0.7	-0.5
2015 I	5.9	9.8	-3.6	-0.6	3.1	2.3	2.6	3.0	-0.4	0.6	1.0	0.8
II	5.9	9.8	-3.6	-0.6	3.0	1.9	3.0	2.6	0.4	0.6	0.2	0.6
III	5.5	6.3	-0.8	0.3	1.1	-0.1	3.2	2.9	0.2	0.5	0.3	-0.2

(a) Nominal ULC deflated by GVA deflator.

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

Chart 3b.1.- Nominal ULC, construction
Index, 2000=100

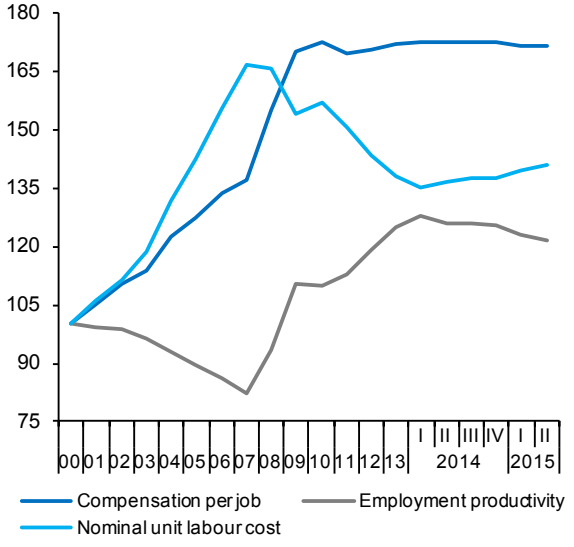
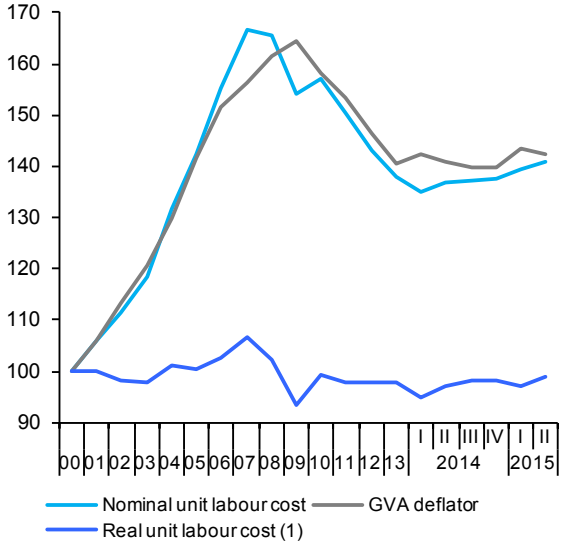


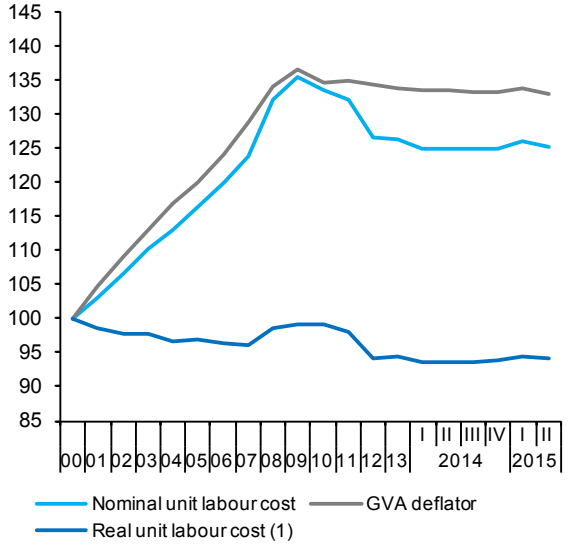
Chart 3b.2.- Real ULC, construction
Index, 2000=100



(1) Nominal ULC deflated by construction sector GVA deflator.

Chart 3b.3.- Nominal ULC, services
Index, 2000=100

Chart 3b.4.- Real ULC, services
Index, 2000=100



(1) Nominal ULC deflated by services sector GVA deflator.

Table 4

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

Forecasts in blue

	Gross domestic product	Compen-sation of employees	Gross operating surplus	Taxes on production and imports less subsi-dies	Income payments to the rest of the world, net	Gross national product	Current transfers to the rest of the world, net	Gross national income	Final national consumption	Gross national saving (a)	Compen-sation of employees	Gross operating surplus	Taxes on production and imports less subsidies
	1=2+3+4	2	3	4	5	6=1+5	7	8=6+7	9	10=8-9	11	12	13
	EUR Billions, 4-quarter cumulated transactions										**Percentage of GDP**		
2008	1,116.2	559.8	465.2	91.2	-30.0	1,086.3	-15.7	1,070.6	843.1	227.5	50.1	41.7	8.2
2009	1,079.0	549.2	455.2	74.7	-19.8	1,059.2	-14.3	1,045.0	826.4	218.6	50.9	42.2	6.9
2010	1,080.9	541.5	445.9	93.6	-15.2	1,065.8	-12.7	1,053.0	840.5	212.6	50.1	41.3	8.7
2011	1,070.4	531.0	449.4	90.0	-18.6	1,051.9	-14.1	1,037.7	838.5	199.2	49.6	42.0	8.4
2012	1,042.9	498.6	450.0	94.2	-7.3	1,035.5	-12.6	1,023.0	816.6	206.3	47.8	43.2	9.0
2013	1,031.3	486.6	444.7	99.9	-4.8	1,026.5	-13.1	1,013.4	800.8	212.6	47.2	43.1	9.7
2014	1,041.2	490.8	446.4	103.9	-4.2	1,036.9	-11.5	1,025.5	809.3	216.2	47.1	42.9	10.0
2015	1,081.4	509.8	461.2	110.4	1.2	1,082.6	-11.5	1,071.1	830.9	240.2	47.1	42.6	10.2
2016	1,122.2	527.2	477.8	117.2	6.7	1,128.9	-11.6	1,117.3	862.2	255.0	47.0	42.6	10.4
2013 IV	1,031.3	486.6	444.7	99.9	-4.8	1,026.5	-13.1	1,013.4	800.8	212.6	47.2	43.1	9.7
2014 I	1,031.0	484.9	445.0	101.1	-3.4	1,027.6	-13.5	1,014.1	801.4	212.7	47.0	43.2	9.8
II	1,033.1	486.2	445.6	101.3	-5.9	1,027.2	-13.0	1,014.2	804.8	209.3	47.1	43.1	9.8
III	1,036.6	488.1	446.0	102.5	-6.3	1,030.2	-11.7	1,018.5	808.2	210.4	47.1	43.0	9.9
IV	1,041.2	490.8	446.4	103.9	-4.2	1,036.9	-11.5	1,025.5	809.3	216.2	47.1	42.9	10.0
2015 I	1,049.2	495.3	449.1	104.8	-3.5	1,045.7	-11.5	1,034.2	812.9	221.3	47.2	42.8	10.0
II	1,059.8	499.8	452.4	107.7	-1.3	1,058.5	-11.3	1,047.2	818.8	228.4	47.2	42.7	10.2
III	1,070.3	504.5	456.4	109.4	-0.8	1,069.5	-10.9	1,058.6	824.8	233.8	47.1	42.6	10.2
	Annual percentage changes										**Difference from one year ago**		
2008	3.3	7.1	3.3	-15.6	14.6	3.0	19.1	2.8	4.5	-3.0	1.8	0.0	-1.8
2009	-3.3	-1.9	-2.2	-18.1	-33.9	-2.5	-9.1	-2.4	-2.0	-3.9	0.7	0.5	-1.3
2010	0.2	-1.4	-2.0	25.3	-23.4	0.6	-10.9	0.8	1.7	-2.8	-0.8	-0.9	1.7
2011	-1.0	-1.9	0.8	-3.8	22.5	-1.3	11.2	-1.5	-0.2	-6.3	-0.5	0.7	-0.2
2012	-2.6	-6.1	0.1	4.7	-60.5	-1.6	-11.0	-1.4	-2.6	3.6	-1.8	1.2	0.6
2013	-1.1	-2.4	-1.2	6.0	-34.7	-0.9	4.3	-0.9	-1.9	3.0	-0.6	0.0	0.7
2014	1.0	0.9	0.4	4.0	-11.7	1.0	-12.7	1.2	1.1	1.7	0.0	-0.2	0.3
2015	3.9	3.9	3.3	6.2	-127.4	4.4	0.0	4.5	2.7	11.1	0.0	-0.2	0.2
2016	3.8	3.4	3.6	6.2	474.9	4.3	1.5	4.3	3.8	6.2	-0.2	-0.1	0.2
2013 IV	-1.1	-2.4	-1.2	6.0	-34.7	-0.9	4.3	-0.9	-1.9	3.0	-0.6	0.0	0.7
2014 I	-0.6	-1.6	-0.9	6.4	-43.4	-0.3	14.6	-0.5	-0.9	1.1	-0.5	-0.1	0.6
II	-0.1	-0.3	-0.6	3.5	46.9	-0.2	3.9	-0.3	0.2	-2.2	-0.1	-0.2	0.3
III	0.6	0.6	-0.3	3.9	51.7	0.3	-11.1	0.5	1.1	-1.9	0.0	-0.4	0.3
IV	1.0	0.9	0.4	4.0	-11.7	1.0	-12.7	1.2	1.1	1.7	0.0	-0.2	0.3
2015 I	1.8	2.1	0.9	3.6	4.1	1.8	-14.9	2.0	1.4	4.0	0.2	-0.4	0.2
II	2.6	2.8	1.5	6.2	-77.7	3.0	-13.7	3.3	1.7	9.1	0.1	-0.4	0.3
III	3.3	3.4	2.3	6.8	-87.2	3.8	-6.8	3.9	2.1	11.1	0.1	-0.4	0.3

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

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

Chart 4.1.- National income, consumption and saving
EUR Billions, 4-quarter cumulated

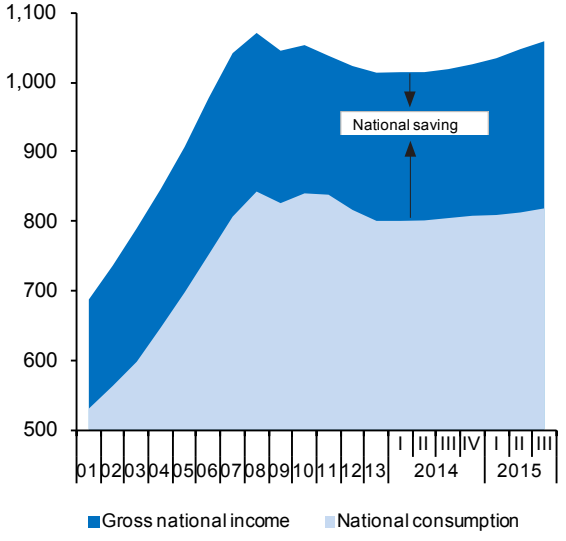


Chart 4.2.- National income, consumption and saving rate
Annual percentage change and percentage of GDP, 4-quarter moving averages

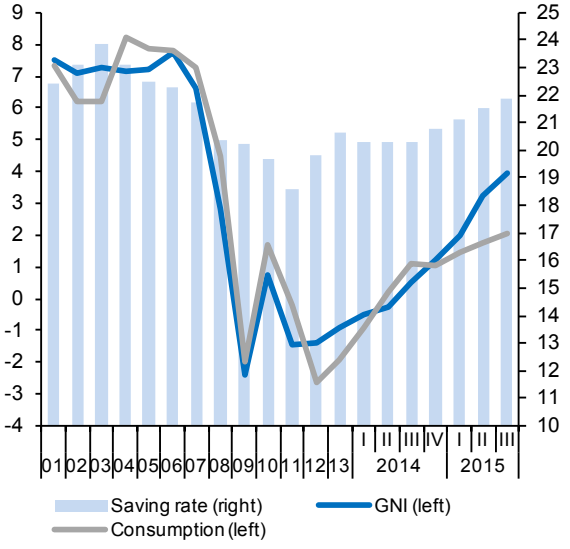


Chart 4.3.- Components of National income
Annual percentage change

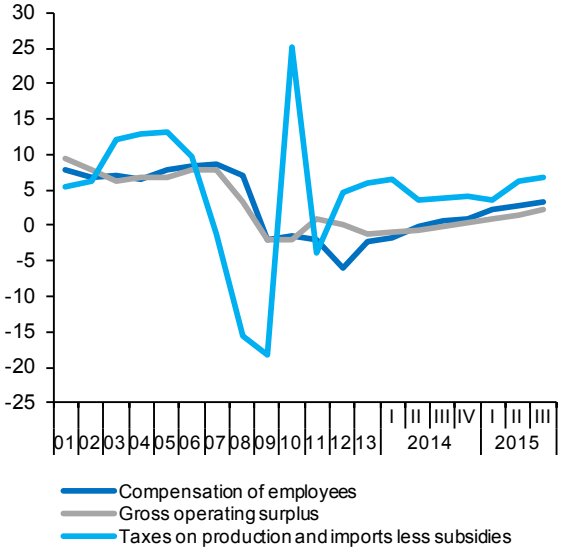


Chart 4.4.- Functional distribution of income
Percentage of GDP, 4-quarter moving averages

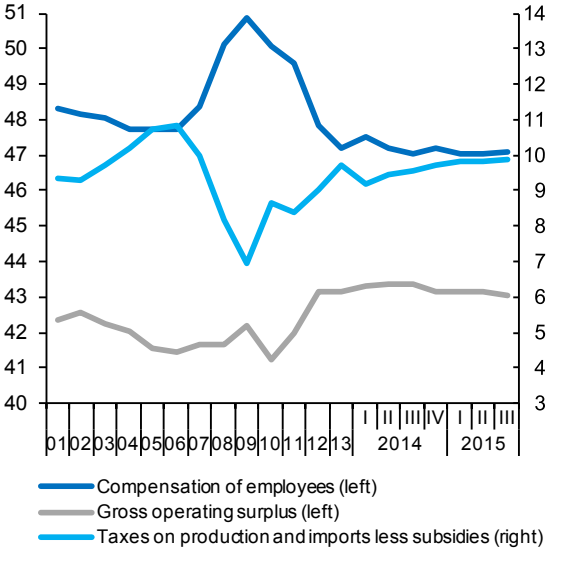


Table 5

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

Forecasts in blue

		Goods and services				Income	Current transfers	Current account	Capital transfers	Net lending/ borrowing with rest of the world	Saving-Investment-Deficit		
		Total	Goods	Tourist services	Non-tourist services						Gross national saving	Gross capital formation	Current account balance
		1=2+3+4	2	3	4	5	6	7=1+5+6	8	9=7+8	10	11	12=7=10-11
EUR Billions, 4-quarter cumulated transactions													
2008		-57.2	-87.0	24.0	5.9	-30.0	-15.7	-102.9	5.5	-97.4	227.5	330.4	-102.9
2009		-12.4	-41.5	22.4	6.6	-19.8	-14.3	-46.5	4.5	-42.0	218.6	265.1	-46.5
2010		-14.1	-47.8	23.0	10.7	-15.2	-12.7	-42.0	5.9	-36.1	212.6	254.5	-42.0
2011		-2.6	-44.5	26.2	15.6	-18.6	-14.1	-35.3	4.4	-30.9	199.2	234.5	-35.3
2012		15.3	-29.3	27.1	17.5	-7.3	-12.6	-4.6	5.4	0.8	206.3	211.0	-4.6
2013		33.1	-14.2	28.3	18.9	-4.8	-13.1	15.2	7.8	22.9	212.6	197.4	15.2
2014		26.0	-22.5	28.8	19.7	-4.2	-11.5	10.3	6.1	16.4	216.2	205.9	10.3
2015		27.4	-21.8	28.4	20.9	1.2	-11.5	17.1	6.7	23.8	240.2	223.1	17.1
2016		20.7	-31.4	29.2	22.9	6.7	-11.6	15.7	6.8	22.6	255.0	239.3	15.7
2013	IV	33.1	-14.2	28.3	18.9	-4.8	-13.1	15.2	7.8	22.9	212.6	197.4	15.2
2014	I	30.6	-17.2	28.5	19.3	-3.4	-13.5	13.7	8.2	21.8	212.7	199.0	13.7
	II	26.7	-20.7	28.7	18.8	-5.9	-13.0	7.8	7.5	15.3	209.3	201.5	7.8
	III	25.5	-22.2	28.7	19.0	-6.3	-11.7	7.5	7.1	14.5	210.4	202.9	7.5
	IV	26.0	-22.5	28.8	19.7	-4.2	-11.5	10.3	6.1	16.4	216.2	205.9	10.3
2015	I	27.4	-21.1	28.7	19.8	-3.5	-11.5	12.4	5.2	17.5	221.3	208.9	12.4
	II	27.6	-21.3	28.6	20.3	-1.3	-11.3	15.0	5.7	20.7	228.4	213.4	15.0
	III	27.6	-21.6	28.4	20.8	-0.8	-10.9	15.9	7.2	23.0	233.8	217.9	15.9
Percentage of GDP, 4-quarter cumulated transactions													
2008		-5.1	-7.8	2.1	0.5	-2.7	-1.4	-9.2	0.5	-8.7	20.4	29.6	-9.2
2009		-1.2	-3.8	2.1	0.6	-1.8	-1.3	-4.3	0.4	-3.9	20.3	24.6	-4.3
2010		-1.3	-4.4	2.1	1.0	-1.4	-1.2	-3.9	0.5	-3.3	19.7	23.5	-3.9
2011		-0.2	-4.2	2.4	1.5	-1.7	-1.3	-3.3	0.4	-2.9	18.6	21.9	-3.3
2012		1.5	-2.8	2.6	1.7	-0.7	-1.2	-0.4	0.5	0.1	19.8	20.2	-0.4
2013		3.2	-1.4	2.7	1.8	-0.5	-1.3	1.5	0.8	2.2	20.6	19.1	1.5
2014		2.5	-2.2	2.8	1.9	-0.4	-1.1	1.0	0.6	1.6	20.8	19.8	1.0
2015		2.5	-2.0	2.6	1.9	0.1	-1.1	1.6	0.6	2.2	22.2	20.6	1.6
2016		1.8	-2.8	2.6	2.0	0.6	-1.0	1.4	0.6	2.0	22.7	21.3	1.4
2013	IV	3.2	-1.4	2.7	1.8	-0.5	-1.3	1.5	0.8	2.2	20.6	19.1	1.5
2014	I	2.9	-1.6	2.7	1.8	-0.3	-1.3	1.3	0.8	2.1	20.3	19.0	1.3
	II	2.6	-2.0	2.8	1.8	-0.6	-1.3	0.8	0.7	1.5	20.3	19.5	0.8
	III	2.5	-2.1	2.8	1.8	-0.6	-1.1	0.7	0.7	1.4	20.3	19.6	0.7
	IV	2.5	-2.2	2.8	1.9	-0.4	-1.1	1.0	0.6	1.6	20.8	19.8	1.0
2015	I	2.6	-2.0	2.7	1.9	-0.3	-1.1	1.2	0.5	1.7	21.1	19.9	1.2
	II	2.6	-2.0	2.7	1.9	-0.1	-1.1	1.4	0.5	2.0	21.6	20.1	1.4
	III	2.6	-2.0	2.7	1.9	-0.1	-1.0	1.5	0.7	2.2	21.8	20.4	1.5

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

Chart 5.1.- Balance of goods and services
Percentage of GDP, 4-quarter moving averages

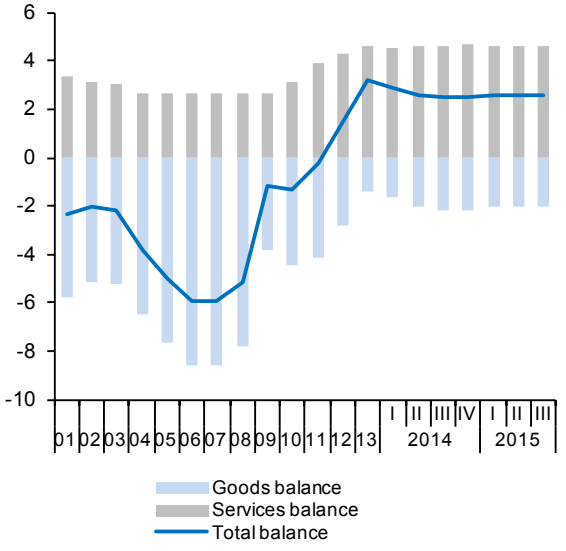


Chart 5.2.- Services balance
Percentage of GDP, 4-quarter moving averages

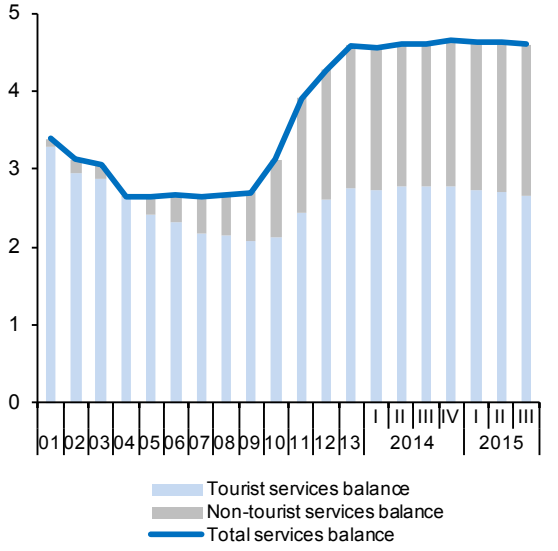


Chart 5.3.- Net lending or borrowing
Percentage of GDP, 4-quarter moving averages

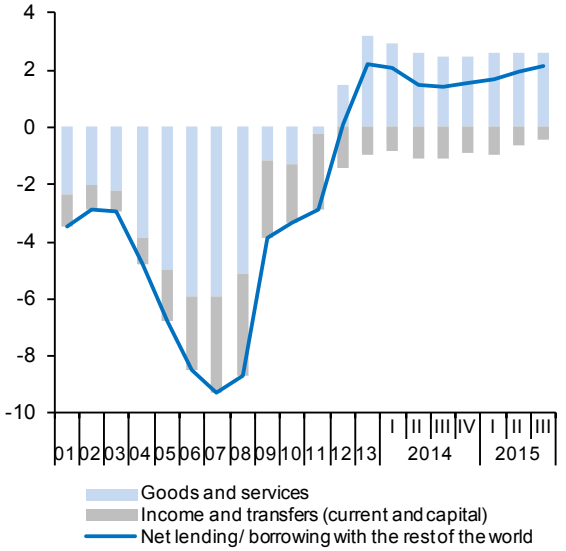


Chart 5.4.- Saving, investment and current account balance
Percentage of GDP, 4-quarter moving averages

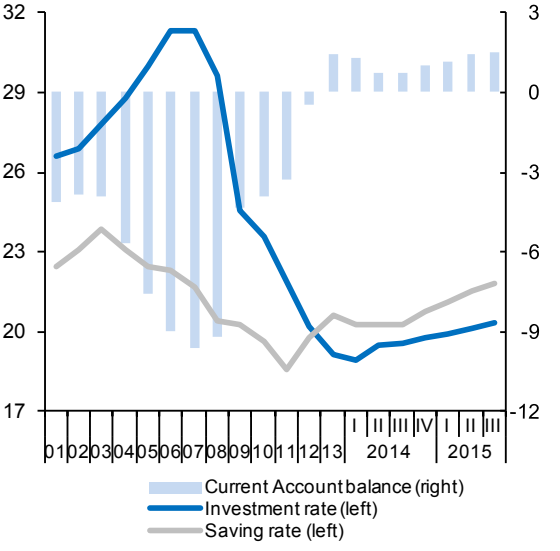


Table 6

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

Forecasts in blue

	Gross disposable income (GDI)						Final consumption expenditure	Gross saving (a)	Saving rate (gross saving as a percentage of GDI)	Net capital transfers	Gross capital formation	Net lending (+) or borrowing (-)	Net lending or borrowing as a percentage of GDP
	Total	Compensation of employees (received)	Mixed income and net property income	Social benefits and other current transfers (received)	Social contributions and other current transfers (paid)	Personal income taxes							
	1=2+3+4-5-6	2	3	4	5	6	7	8=1-7	9=8/1	10	11	12=8+10-11	13
EUR Billions, 4-quarter cumulated operations													
2008	686.1	560.5	213.1	217.0	219.8	84.8	633.5	56.9	8.3	6.2	90.2	-27.1	-2.4
2009	698.9	549.9	199.1	235.9	209.8	76.2	605.3	93.6	13.4	6.7	69.0	31.3	2.9
2010	688.4	542.3	196.3	239.3	209.7	79.9	618.8	69.5	10.1	7.6	63.0	14.2	1.3
2011	694.2	531.9	212.1	242.9	210.3	82.4	618.9	74.7	10.8	5.2	53.8	26.1	2.4
2012	672.1	499.9	210.9	247.3	202.4	83.6	611.4	58.8	8.7	5.0	38.4	25.4	2.4
2013	666.6	488.7	211.0	249.5	199.2	83.4	598.4	66.2	9.9	3.7	26.9	43.0	4.2
2014	672.5	492.9	218.5	240.4	195.3	83.9	606.8	64.6	9.6	4.5	29.3	39.9	3.8
2015	696.4	512.0	227.5	239.4	199.0	83.5	622.7	72.6	10.4	3.9	31.5	45.0	4.2
2016	720.7	529.5	240.5	241.3	204.5	86.1	648.4	71.2	9.9	3.4	33.5	41.1	3.7
2013 IV	666.6	488.7	211.0	249.5	199.2	83.4	598.4	66.2	9.9	3.7	26.9	43.0	4.2
2014 I	664.2	487.1	212.4	246.5	198.3	83.6	598.9	63.8	9.6	3.3	27.3	39.7	3.9
II	665.1	488.3	212.3	244.6	196.8	83.3	602.4	61.4	9.2	3.4	27.6	37.1	3.6
III	667.8	490.2	216.0	240.8	195.3	83.9	605.2	61.3	9.2	3.3	27.9	36.7	3.5
IV	672.5	492.9	218.5	240.4	195.3	83.9	606.8	64.6	9.6	4.5	29.3	39.9	3.8
2015 I	675.5	497.4	216.4	240.8	195.4	83.7	609.0	64.9	9.6	4.1	28.6	40.4	3.8
II	679.9	501.8	218.2	240.7	196.8	84.0	612.9	65.6	9.7	3.1	28.4	40.3	3.8
III	681.7	506.6	216.0	241.0	197.4	84.4	617.5	62.7	9.2	3.1	28.8	37.0	3.5
Annual percentage changes, 4-quarter cumulated operations									**Difference from one year ago**	**Annual percentage changes, 4-quarter cumulated operations**			**Difference from one year ago**
2008	5.4	7.1	-5.4	9.8	4.9	-2.4	2.9	48.4	2.4	67.4	-8.7	--	2.8
2009	1.9	-1.9	-6.6	8.7	-4.6	-10.1	-4.5	64.4	5.1	8.3	-23.5	--	5.3
2010	-1.5	-1.4	-1.4	1.4	-0.1	4.8	2.2	-25.8	-3.3	13.8	-8.7	--	-1.6
2011	0.8	-1.9	8.0	1.5	0.3	3.2	0.0	7.5	0.7	-32.3	-14.6	--	1.1
2012	-3.2	-6.0	-0.5	1.8	-3.7	1.5	-1.2	-21.3	-2.0	-3.1	-28.6	--	0.0
2013	-0.8	-2.3	0.0	0.9	-1.6	-0.3	-2.1	12.7	1.2	-26.5	-29.9	--	1.7
2014	0.9	0.9	3.6	-3.7	-1.9	0.7	1.4	-2.4	-0.3	23.2	8.6	--	-0.3
2015	3.6	3.9	4.1	-0.4	1.9	-0.5	2.6	12.3	0.8	-15.0	7.6	--	0.3
2016	3.5	3.4	5.7	0.8	2.8	3.1	4.1	-1.9	-0.5	-11.0	6.5	--	-0.5
2013 IV	-0.8	-2.3	0.0	0.9	-1.6	-0.3	-2.1	12.7	1.2	-26.5	-29.9	--	1.7
2014 I	-0.8	-1.5	0.5	-0.9	-1.7	0.5	-1.2	3.0	0.4	-28.7	-23.8	--	0.9
II	-0.6	-0.2	0.1	-2.2	-1.6	1.4	0.0	-5.4	-0.5	-17.5	-16.9	--	0.1
III	0.4	0.7	2.4	-3.6	-1.9	1.0	0.9	-4.1	-0.4	-10.8	-9.3	--	0.0
IV	0.9	0.9	3.6	-3.7	-1.9	0.7	1.4	-2.4	-0.3	23.2	8.6	--	-0.3
2015 I	1.7	2.1	1.9	-2.3	-1.4	0.1	1.7	1.8	0.0	25.0	4.8	--	0.0
II	2.2	2.8	2.8	-1.6	0.0	0.9	1.7	6.9	0.4	-9.3	2.8	--	0.2
III	2.1	3.3	0.0	0.1	1.1	0.6	2.0	2.2	0.0	-4.5	3.2	--	-0.1

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

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

Chart 6.1.- Households: Gross disposable income
EUR Billions, 4-quarter cummulated

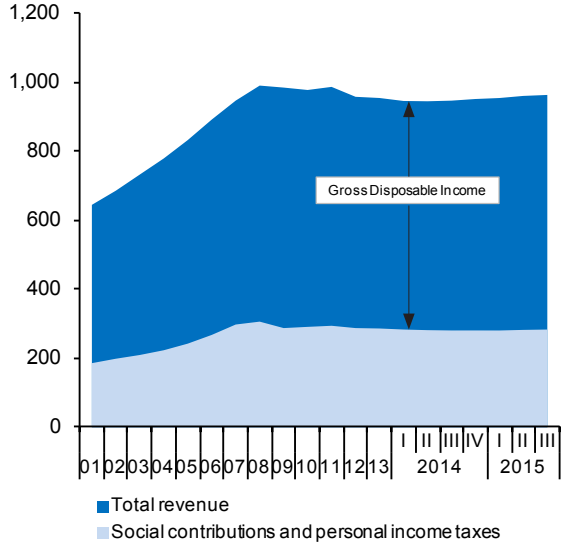
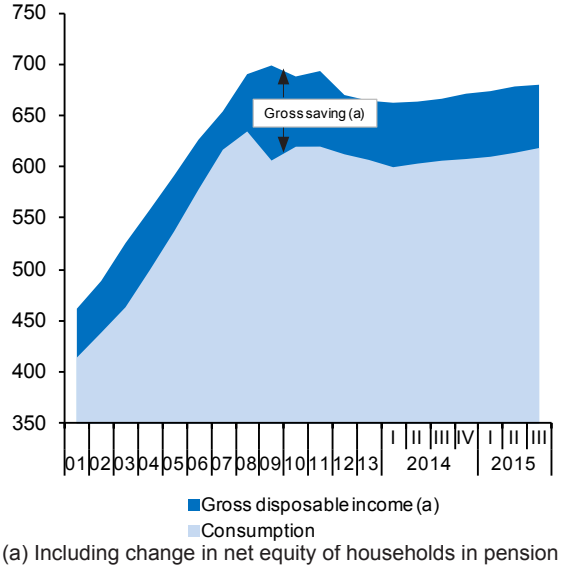


Chart 6.2.- Households: Gross saving
EUR Billions, 4-quarter cummulated



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

Chart 6.3.- Households: Income, consumption and saving
Annual percentage change and percentage of GDI, 4-quarter moving averages

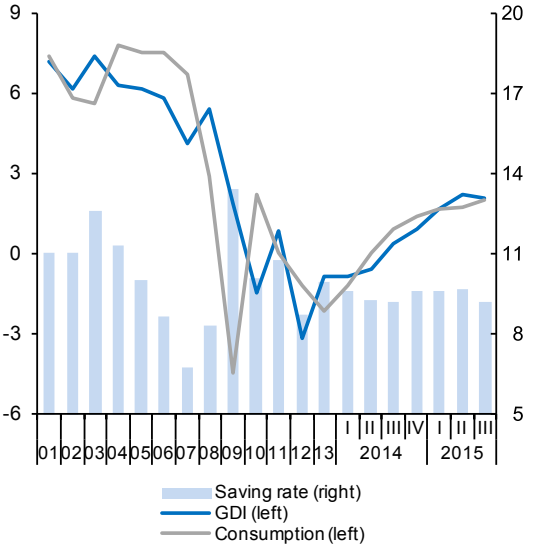
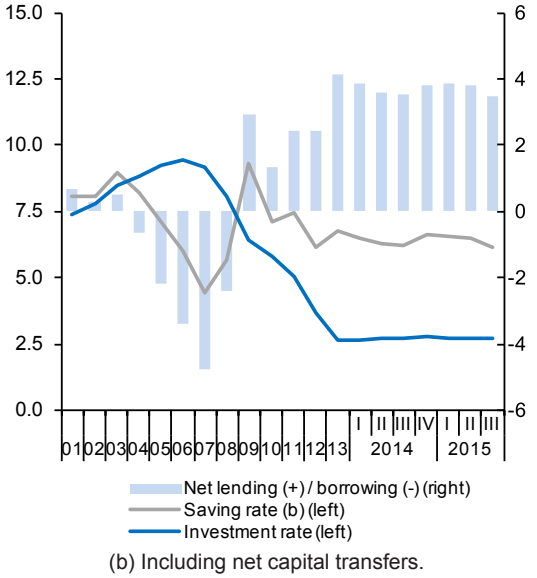


Chart 6.4.- Households: Saving, investment and deficit
Percentage of GDP, 4-quarter moving averages



(b) Including net capital transfers.

Table 7

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

Forecasts in blue

		Gross value added	Compensation of employees and net taxes on production (paid)	Gross operating surplus	Net property income	Net current transfers	Income taxes	Gross saving	Net capital transfers	Gross capital formation	Net lending (+) or borrowing (-)	Net lending or borrowing as a percentage of GDP	Profit share (percentage)	Investment rate (percentage)
		1	2	3=1-2	4	5	6	7=3+4+5-6	8	9	10=7+8-9	11	12=3/1	13=9/1
EUR Billions, 4-quarter cumulated operations														
2008		605.1	369.7	235.4	-78.8	-8.8	25.5	122.3	12.0	178.7	-44.3	-4.0	38.9	29.5
2009		590.7	354.4	236.3	-59.9	-13.3	19.0	144.2	11.4	130.1	25.4	2.4	40.0	22.0
2010		581.8	346.0	235.8	-49.2	-8.6	16.2	161.8	10.2	132.0	40.0	3.7	40.5	22.7
2011		573.0	340.2	232.8	-63.4	-8.8	15.8	144.9	8.9	131.8	22.0	2.1	40.6	23.0
2012		557.4	320.9	236.5	-60.7	-9.7	19.8	146.4	6.4	139.9	12.9	1.2	42.4	25.1
2013		546.0	309.3	236.7	-43.6	-9.0	18.0	166.2	5.1	140.7	30.6	3.0	43.4	25.8
2014		550.9	314.4	236.6	-49.5	-6.6	18.6	161.9	4.6	150.9	15.6	1.5	42.9	27.4
2015		569.5	328.5	241.0	-48.0	-6.8	21.6	164.7	4.6	164.1	5.1	0.5	42.3	28.8
2016		588.2	340.9	247.3	-44.0	-7.0	21.5	174.8	4.6	177.4	2.0	0.2	42.0	30.2
2013	IV	546.0	309.3	236.7	-43.6	-9.0	18.0	166.2	5.1	140.7	30.6	3.0	43.4	25.8
2014	I	545.4	308.4	237.0	-43.8	-8.3	18.1	166.8	5.5	143.6	28.6	2.8	43.5	26.3
	II	547.4	310.0	237.4	-47.9	-7.7	19.4	162.3	4.9	143.4	23.9	2.3	43.4	26.2
	III	548.6	311.6	236.9	-49.8	-7.2	19.2	160.8	4.8	145.3	20.2	2.0	43.2	26.5
	IV	550.9	314.4	236.6	-49.5	-6.6	18.6	161.9	4.6	150.9	15.6	1.5	42.9	27.4
2015	I	555.8	317.5	238.3	-44.9	-6.6	18.0	168.7	3.9	154.2	18.5	1.8	42.9	27.7
	II	561.8	320.7	241.2	-43.3	-6.5	19.1	172.3	4.6	160.0	16.9	1.6	42.9	28.5
	III	568.8	324.5	244.3	-40.2	-6.3	19.9	177.9	5.7	160.4	23.1	2.2	42.9	28.2
Annual percentage changes, 4-quarter cumulated operations												**Difference from one year ago**		
2008		9.5	7.4	13.0	19.3	6.4	-38.7	32.2	19.2	-5.5	--	4.0	1.2	-4.7
2009		-2.4	-4.1	0.4	-23.9	50.6	-25.4	17.8	-5.3	-27.2	--	6.3	1.1	-7.5
2010		-1.5	-2.4	-0.2	-17.9	-34.9	-15.0	12.2	-9.8	1.5	--	1.3	0.5	0.7
2011		-1.5	-1.7	-1.2	29.0	1.4	-2.4	-10.5	-13.0	-0.2	--	-1.6	0.1	0.3
2012		-2.7	-5.7	1.6	-4.3	10.4	25.3	1.0	-27.7	6.2	--	-0.8	1.8	2.1
2013		-2.0	-3.6	0.1	-28.2	-6.8	-9.2	13.6	-20.5	0.5	--	1.7	0.9	0.7
2014		0.9	1.6	-0.1	13.6	-27.0	3.5	-2.6	-10.9	7.2	--	-1.5	-0.4	1.6
2015		3.4	4.5	1.9	-3.0	3.0	16.1	1.7	0.0	8.8	--	-1.0	-0.6	1.4
2016		3.3	3.8	2.6	-8.3	3.5	-0.5	6.2	0.0	8.1	--	-0.3	-0.3	1.3
2013	IV	-2.0	-3.6	0.1	-28.2	-6.8	-9.2	13.6	-20.5	0.5	--	1.7	0.9	0.7
2014	I	-1.5	-2.5	0.0	-24.0	-10.8	-6.4	10.6	-19.8	3.1	--	1.0	0.6	1.2
	II	-0.6	-1.0	-0.2	-7.7	-16.2	-1.2	3.3	-26.1	1.8	--	0.1	0.2	0.6
	III	-0.1	0.2	-0.4	8.5	-19.4	4.4	-2.5	-22.2	1.8	--	-0.8	-0.2	0.5
	IV	0.9	1.6	-0.1	13.6	-27.0	3.5	-2.6	-10.9	7.2	--	-1.5	-0.4	1.6
2015	I	1.9	3.0	0.5	2.6	-20.4	-0.9	1.2	-28.1	7.4	--	-1.0	-0.6	1.4
	II	2.6	3.4	1.6	-9.5	-15.6	-1.9	6.1	-6.0	11.5	--	-0.7	-0.4	2.3
	III	3.7	4.1	3.1	-19.3	-11.9	3.6	10.6	18.7	10.4	--	0.2	-0.2	1.7

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

Chart 7.1.- Non-financial corporations: Gross operating surplus
EUR Billions, 4-quarter cummulated

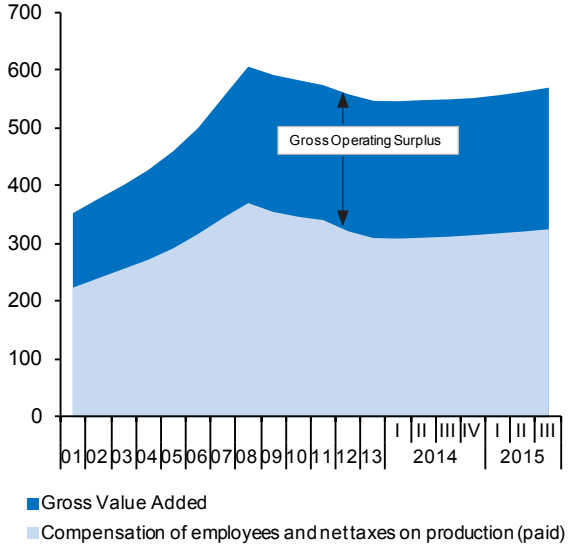


Chart 7.2.- Non-financial corporations: GVA, GOS and saving
Annual percentage change, 4-quarter moving averages

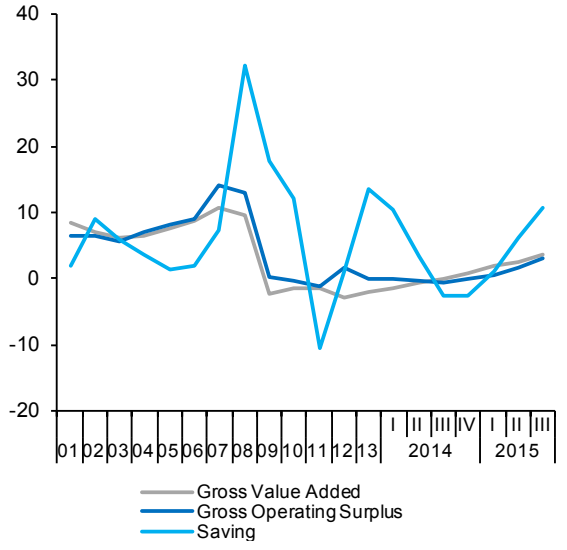
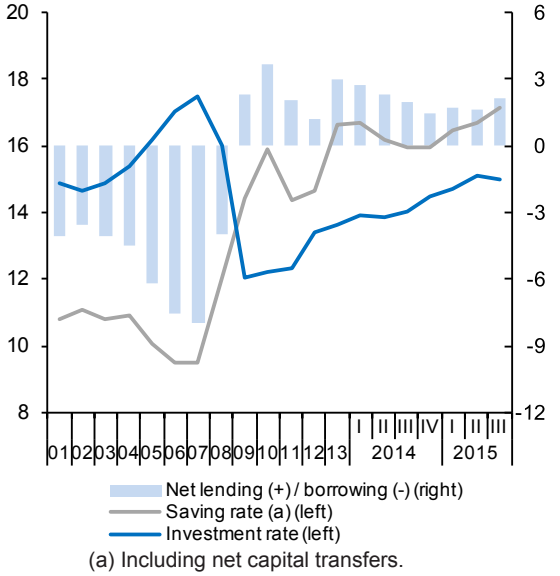


Chart 7.3.- Non-financial corporations: Saving, investment and deficit
Percentage of GDP, 4-quarter moving averages



(a) Including net capital transfers.

Chart 7.4.- Non-financial corporations: Profit share and investment rate
Percentage of non-financial corporations GVA, 4-quarter moving averages

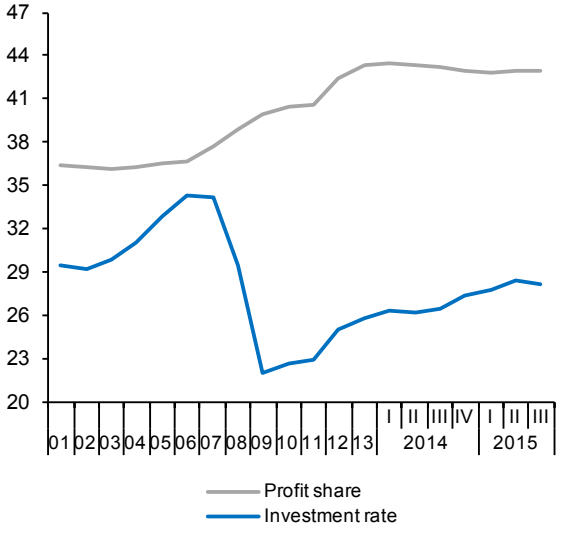


Table 8

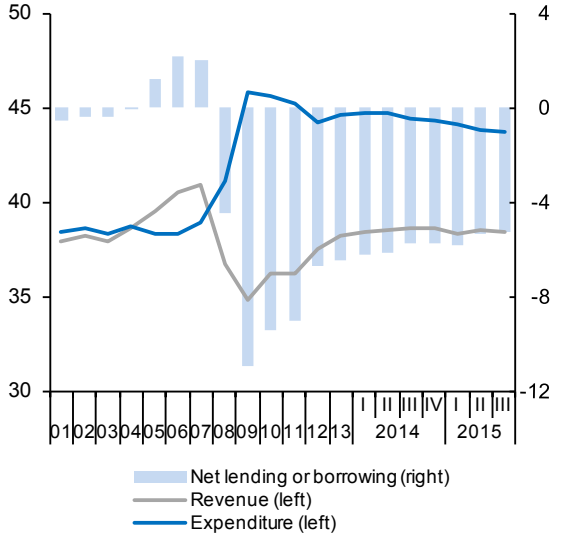
National accounts: Public revenue, expenditure and deficit (ESA 2010, Base 2010)

Forecasts in blue

	Gross value added	Taxes on production and imports receivable	Taxes on income and weath receivable	Social contributions receivable	Compensation of employees	Interests and other capital incomes payable (net)	Social benefits payable	Subsidies and net current transfers payable	Gross disposable income	Final consumption expenditure	Gross saving	Net capital expenditure	Net lending(+)/ net borrowing(-)	Net lending(+)/ net borrowing (-) excluding financial entities bail-out
	1	2	3	4	5	6	7	8	9=1+2+3+4-5-6-7-8	10	11=9-10	12	13=11-12	14
EUR Billions, 4-quarter cumulated operations														
2008	142.8	107.9	116.6	142.0	118.1	5.9	137.1	24.4	223.8	209.5	14.3	63.6	-49.4	-49.4
2009	151.0	91.9	101.6	139.7	125.6	8.0	155.1	23.9	171.7	221.0	-49.3	68.9	-118.2	-118.2
2010	152.0	110.1	100.6	138.6	124.9	10.8	162.7	21.4	181.5	221.7	-40.2	61.3	-101.4	-101.4
2011	150.3	106.2	102.0	137.8	122.6	16.2	164.2	22.6	170.7	219.7	-49.0	52.3	-101.3	-96.1
2012	142.2	108.2	106.3	131.9	113.9	20.3	168.5	18.7	167.1	205.2	-38.1	70.8	-108.9	-69.8
2013	142.9	114.6	105.0	128.2	114.7	24.1	170.6	20.5	160.8	202.4	-41.5	29.7	-71.2	-66.3
2014	143.1	118.9	105.4	130.1	114.9	25.7	170.7	20.5	165.6	202.4	-36.8	24.5	-61.3	-60.1
2015	147.6	126.0	108.6	132.5	118.9	24.9	170.7	21.5	178.7	208.2	-29.5	24.8	-54.2	-54.2
2016	152.1	133.1	111.1	136.6	122.8	21.9	171.5	21.5	195.2	213.8	-18.6	25.4	-44.0	-44.0
2013 IV	142.9	114.6	105.0	128.2	114.7	24.1	170.6	20.5	160.8	202.4	-41.5	29.7	-71.2	-66.3
2014 I	142.8	115.9	105.6	128.6	114.6	24.7	170.2	20.8	162.6	202.6	-40.0	29.1	-69.1	-64.2
II	142.7	117.0	105.9	128.6	114.5	24.9	169.8	22.5	162.5	202.5	-40.0	25.9	-65.9	-63.7
III	143.0	118.0	106.2	129.2	114.8	24.9	169.1	21.3	166.3	203.0	-36.6	23.7	-60.3	-59.5
IV	143.1	118.9	105.4	130.1	114.9	25.7	170.7	20.5	165.6	202.4	-36.8	24.5	-61.3	-60.1
2015 I	144.2	120.4	106.1	130.2	115.9	26.1	170.6	21.6	166.8	203.9	-37.1	25.0	-62.1	-60.9
II	145.2	123.1	107.6	131.1	116.8	25.8	170.6	20.7	173.1	205.9	-32.9	25.2	-58.0	-56.8
III	145.7	125.3	109.0	131.5	117.3	25.4	170.8	21.0	177.2	207.3	-30.1	26.9	-57.0	-56.3
Percentage of GDP, 4-quarter cumulated operations														
2008	12.8	9.7	10.4	12.7	10.6	0.5	12.3	2.2	20.0	18.8	1.3	5.7	-4.4	-4.4
2009	14.0	8.5	9.4	12.9	11.6	0.7	14.4	2.2	15.9	20.5	-4.6	6.4	-11.0	-11.0
2010	14.1	10.2	9.3	12.8	11.6	1.0	15.1	2.0	16.8	20.5	-3.7	5.7	-9.4	-9.4
2011	14.0	9.9	9.5	12.9	11.5	1.5	15.3	2.1	15.9	20.5	-4.6	4.9	-9.5	-9.0
2012	13.6	10.4	10.2	12.6	10.9	1.9	16.2	1.8	16.0	19.7	-3.7	6.8	-10.4	-6.7
2013	13.9	11.1	10.2	12.4	11.1	2.3	16.5	2.0	15.6	19.6	-4.0	2.9	-6.9	-6.4
2014	13.7	11.4	10.1	12.5	11.0	2.5	16.4	2.0	15.9	19.4	-3.5	2.4	-5.9	-5.8
2015	13.7	11.6	10.0	12.3	11.0	2.3	15.8	2.0	16.5	19.3	-2.7	2.3	-5.0	-5.0
2016	13.6	11.9	9.9	12.2	10.9	2.0	15.3	1.9	17.4	19.1	-1.7	2.3	-3.9	-3.9
2013 IV	13.9	11.1	10.2	12.4	11.1	2.3	16.5	2.0	15.6	19.6	-4.0	2.9	-6.9	-6.4
2014 I	13.9	11.2	10.2	12.5	11.1	2.4	16.5	2.0	15.8	19.6	-3.9	2.8	-6.7	-6.2
II	13.8	11.3	10.3	12.4	11.1	2.4	16.4	2.2	15.7	19.6	-3.9	2.5	-6.4	-6.2
III	13.8	11.4	10.2	12.5	11.1	2.4	16.3	2.1	16.0	19.6	-3.5	2.3	-5.8	-5.7
IV	13.7	11.4	10.1	12.5	11.0	2.5	16.4	2.0	15.9	19.4	-3.5	2.4	-5.9	-5.8
2015 I	13.7	11.5	10.1	12.4	11.1	2.5	16.3	2.1	15.9	19.4	-3.5	2.4	-5.9	-5.8
II	13.7	11.6	10.2	12.4	11.0	2.4	16.1	1.9	16.3	19.4	-3.1	2.4	-5.5	-5.4
III	13.6	11.7	10.2	12.3	11.0	2.4	16.0	2.0	16.6	19.4	-2.8	2.5	-5.3	-5.3

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

Chart 8.1.- Public sector: Revenue, expenditure and deficit (a)
Percentage of GDP, 4-quarter moving averages



(a) Excluding financial entities bail-out expenditures.

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

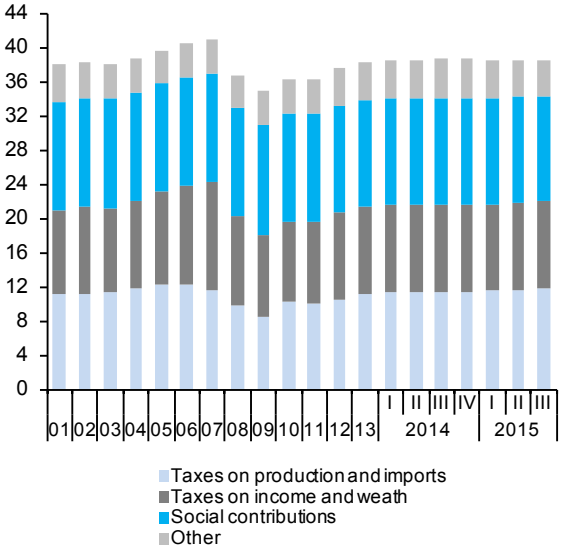


Chart 8.3.- Public sector: Main expenditures
Percentage of GDP, 4-quarter moving averages

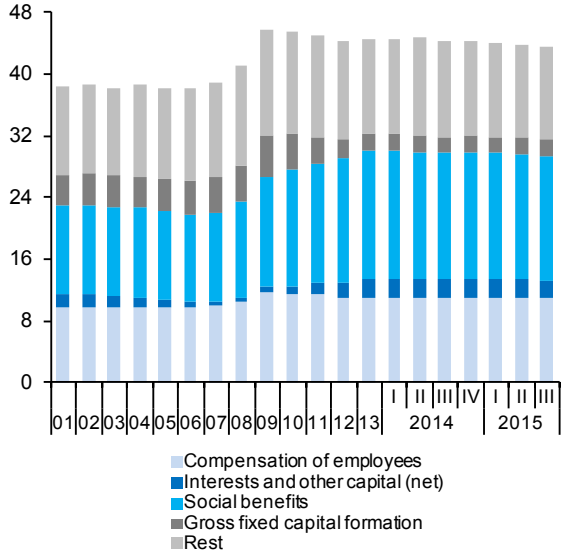
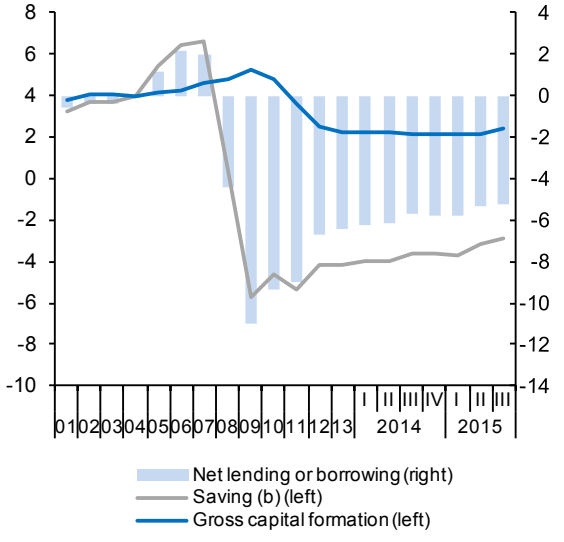


Chart 8.4.- Public sector: Saving, investment and deficit (a)
Percentage of GDP, 4-quarter moving averages



(a) Excluding financial entities bail-out expenditures.
(b) Including net capital transfers.

Table 9

Public sector balances, by level of Government

Forecasts in blue

		Net lending (+)/net borrowing (-) (a)					Debt				
		Central Government	Regional Governments	Local Governments	Social Security	TOTAL Government	Central Government	Regional Governments	Local Governments	Social Security	TOTAL Government (consolidated)
		EUR Billions, 4-quarter cumulated operations					**EUR Billions, end of period**				
2008		-32.3	-19.1	-5.4	7.4	-49.4	368.9	73.6	31.8	17.2	439.8
2009		-98.4	-21.7	-5.9	7.8	-118.2	487.7	92.4	34.7	17.2	568.7
2010		-51.4	-40.2	-7.1	-2.4	-101.1	551.6	123.4	35.5	17.2	649.3
2011		-31.7	-54.8	-8.5	-1.1	-96.1	624.2	145.1	36.8	17.2	743.5
2012		-43.5	-19.4	3.3	-10.2	-69.8	761.9	188.4	44.0	17.2	890.7
2013		-44.3	-16.2	5.7	-11.5	-66.3	837.9	209.8	42.1	17.2	966.0
2014		-37.0	-18.2	5.9	-10.9	-60.1	895.7	236.8	38.3	17.2	1,033.7
2015		-29.3	-15.1	4.3	-14.1	-54.2	--	--	--	--	1,078.1
2016		-19.3	-11.2	3.4	-16.8	-44.0	--	--	--	--	1,122.1
2013	IV	-44.3	-16.2	5.7	-11.5	-66.3	837.9	209.8	42.1	17.2	966.0
2014	I	-42.1	-16.9	5.3	-10.6	-64.2	866.0	225.0	41.9	17.2	995.7
	II	-37.1	-18.3	5.4	-13.8	-63.7	885.1	228.2	42.0	17.2	1,012.5
	III	-39.0	-18.2	6.0	-8.3	-59.5	891.8	232.1	40.8	17.2	1,020.1
	IV	-37.0	-18.2	5.9	-10.9	-60.1	895.7	236.8	38.3	17.2	1,033.7
2015	I	-38.6	-17.1	6.4	-11.5	-60.9	907.1	240.5	38.3	17.2	1,046.1
	II	-33.4	-16.1	7.1	-13.8	-56.2	918.0	249.9	37.7	17.2	1,052.5
	III	--	--	--	--	--	934.3	252.9	36.8	17.2	1,062.3
		Percentage of GDP, 4-quarter cumulated operations					**Percentage of GDP**				
2008		-2.9	-1.7	-0.5	0.7	-4.4	33.0	6.6	2.8	1.5	39.4
2009		-9.1	-2.0	-0.5	0.7	-11.0	45.2	8.6	3.2	1.6	52.7
2010		-4.8	-3.7	-0.7	-0.2	-9.3	51.0	11.4	3.3	1.6	60.1
2011		-3.0	-5.1	-0.8	-0.1	-9.0	58.3	13.6	3.4	1.6	69.5
2012		-4.2	-1.9	0.3	-1.0	-6.7	73.1	18.1	4.2	1.6	85.4
2013		-4.3	-1.6	0.6	-1.1	-6.4	81.3	20.3	4.1	1.7	93.7
2014		-3.6	-1.7	0.6	-1.0	-5.8	86.0	22.7	3.7	1.7	99.3
2015		-2.7	-1.4	0.4	-1.3	-5.0	--	--	--	--	99.7
2016		-1.7	-1.0	0.3	-1.5	-3.9	--	--	--	--	100.0
2013	IV	-4.3	-1.6	0.6	-1.1	-6.4	81.3	20.3	4.1	1.7	93.7
2014	I	-4.1	-1.6	0.5	-1.0	-6.2	84.0	21.8	4.1	1.7	96.6
	II	-3.6	-1.8	0.5	-1.3	-6.2	85.7	22.1	4.1	1.7	98.0
	III	-3.8	-1.8	0.6	-0.8	-5.7	86.0	22.4	3.9	1.7	98.4
	IV	-3.6	-1.7	0.6	-1.0	-5.8	86.0	22.7	3.7	1.7	99.3
2015	I	-3.7	-1.6	0.6	-1.1	-5.8	86.5	22.9	3.6	1.6	99.7
	II	-3.2	-1.5	0.7	-1.3	-5.3	86.6	23.6	3.6	1.6	99.3
	III	--	--	--	--	--	87.3	23.6	3.4	1.6	99.3

(a) Excluding financial entities bail-out expenditures.

Sources: National Statistics Institute, Bank of Spain (Financial Accounts of the Spanish Economy) and Funcas (Forecasts).

Chart 9.1.- Government deficit
Percent of GDP, 4-quarter cumulated operations

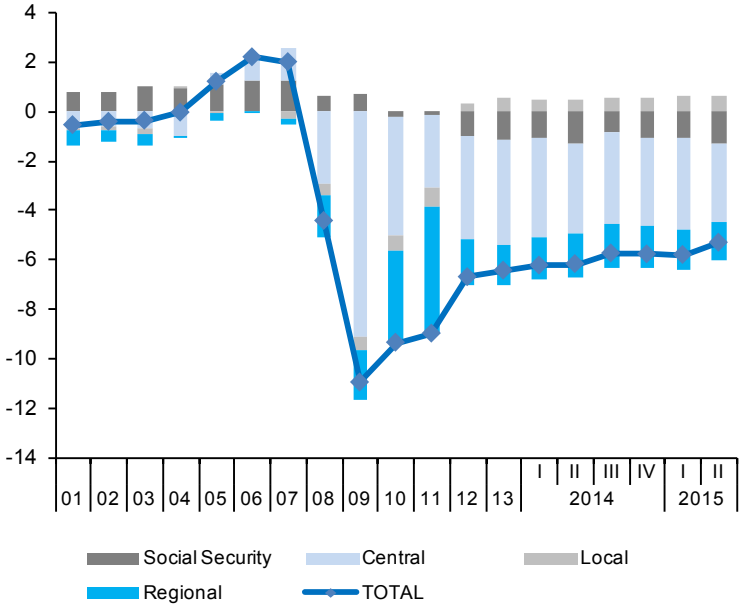


Chart 9.2.- Government debt
Percent of GDP

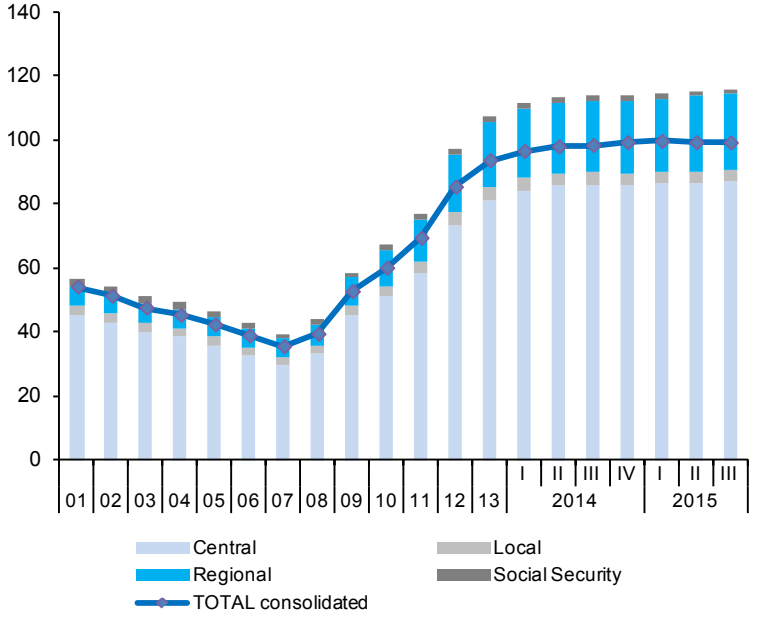


Table 10

General activity and industrial sector indicators (a)

	General activity indicators				Industrial sector indicators					
	Economic Sentiment Index	Composite PMI index	Social Security affiliates (f)	Electricity consumption (temperature adjusted)	Industrial production index	Social Security affiliates in industry	Manufacturing PMI index	Industrial confidence index	Turnover index deflated	Industrial orders
	Index	**Index**	**Thousands**	**1000 GWH (smoothed)**	**2010=100**	**Thousands**	**Index**	**Balance of responses**	**2010=100 (smoothed)**	**Balance of responses**
2008	87.1	38.5	18,834	269.5	117.8	2,696	40.4	-18.0	120.0	-23.4
2009	83.1	40.9	17,657	256.9	99.2	2,411	40.9	-30.8	96.5	-55.2
2010	93.5	50.0	17,244	263.8	100.0	2,295	50.6	-13.8	100.0	-36.7
2011	93.5	46.6	16,970	261.3	98.4	2,232	47.3	-12.5	101.1	-30.7
2012	88.9	43.1	16,335	255.7	91.9	2,114	43.8	-17.5	97.0	-37.1
2013	92.9	48.3	15,855	250.2	90.5	2,022	48.5	-13.9	93.8	-30.6
2014	102.8	55.1	16,111	249.8	91.6	2,023	53.2	-7.1	95.2	-16.5
2015 (b)	109.3	56.7	16,642	253.7	95.3	2,067	53.6	-0.3	96.7	-5.4
2014 I	101.0	54.3	15,955	62.7	91.6	2,015	52.5	-9.1	95.1	-19.3
II	102.4	55.7	16,044	62.6	91.8	2,019	53.4	-8.2	95.4	-18.4
III	103.6	56.0	16,163	62.5	91.6	2,026	53.1	-5.7	95.4	-14.6
IV	104.3	54.6	16,292	62.6	91.9	2,033	53.7	-5.3	95.4	-13.5
2015 I	107.7	56.6	16,431	62.9	93.1	2,046	54.4	-3.2	95.7	-10.8
II	109.7	57.7	16,592	63.2	94.7	2,060	54.8	0.9	96.3	-2.2
III	109.5	57.2	16,706	63.6	95.2	2,073	52.8	0.7	96.7	-5.3
IV (b)	110.1	55.4	16,837	63.7	95.7	2,089	52.5	0.3	96.9	-3.4
2015 Oct	108.8	55.0	16,791	21.2	95.7	2,084	51.3	-0.7	96.9	-5.6
Nov	109.0	56.2	16,836	21.2	95.7	2,089	53.1	-1.5	--	-4.7
Dec	112.4	55.2	16,883	21.2	--	2,095	53.0	3.0	--	0.0
				Percentage changes (c)						
2008	--	--	-0.6	0.7	-7.6	-2.2	--	--	-7.6	--
2009	--	--	-6.2	-4.7	-15.8	-10.6	--	--	-19.6	--
2010	--	--	-2.3	2.7	0.8	-4.8	--	--	3.6	--
2011	--	--	-1.6	-0.9	-1.6	-2.7	--	--	1.1	--
2012	--	--	-3.7	-2.2	-6.7	-5.3	--	--	-4.1	--
2013	--	--	-2.9	-2.2	-1.5	-4.4	--	--	-3.3	--
2014	--	--	1.6	-0.2	1.3	0.1	--	--	1.4	--
2015 (d)	--	--	3.3	1.6	3.3	2.2	--	--	1.2	--
2014 I	--	--	1.7	0.4	1.4	0.3	--	--	2.6	--
II	--	--	2.3	-0.2	1.0	0.8	--	--	1.5	--
III	--	--	3.0	-0.5	-0.8	1.4	--	--	0.0	--
IV	--	--	3.2	0.4	1.2	1.5	--	--	-0.4	--
2015 I	--	--	3.5	1.7	5.3	2.6	--	--	1.6	--
II	--	--	4.0	2.3	6.8	2.7	--	--	2.5	--
III	--	--	2.8	2.1	2.4	2.7	--	--	1.4	--
IV (e)	--	--	3.2	1.2	1.9	3.1	--	--	0.8	
2015 Oct	--	--	0.3	0.1	0.2	0.3	--	--	0.1	--
Nov	--	--	0.3	0.1	0.0	0.3	--	--	--	--
Dec	--	--	0.3	0.1	--	0.3	--	--	--	--

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

Sources: European Commission, Markit Economics Ltd., M. of Labour, M. of Industry, National Statistics Institute, REE and Funcas.

Chart 10.1.- General activity indicators (I)
Annualized percent change from previous period

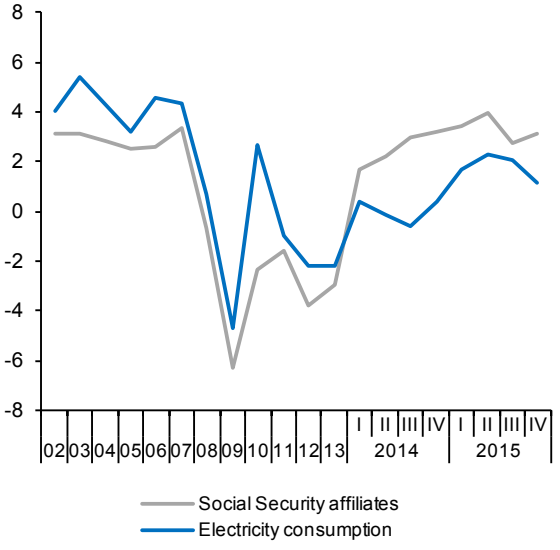


Chart 10.2.- General activity indicators (II)
Index

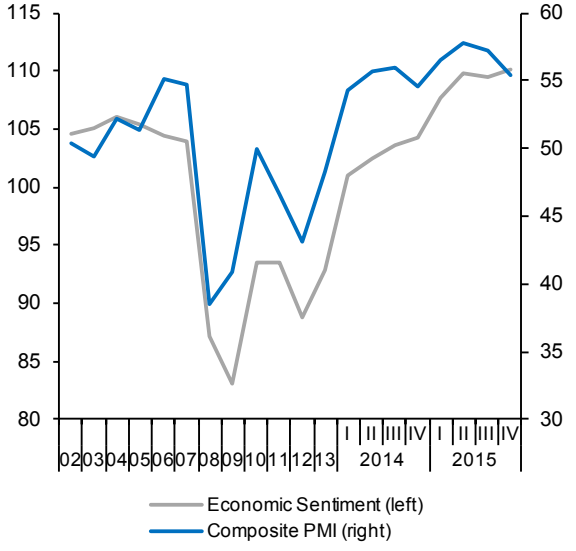


Chart 10.3.- Industrial sector indicators (I)
Annualized percent change from previous period

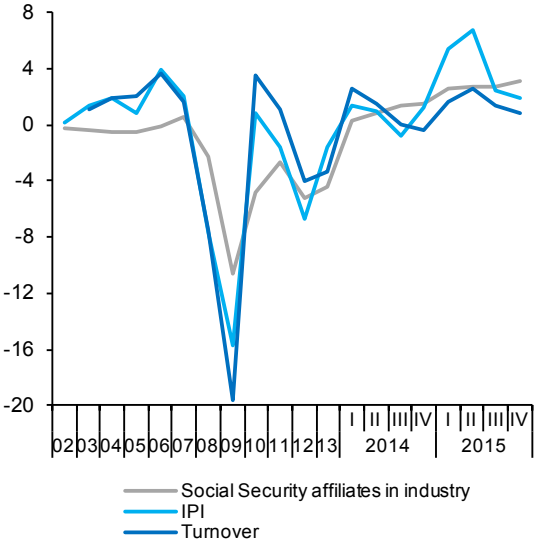


Chart 10.4.- Industrial sector indicators (II)
Index

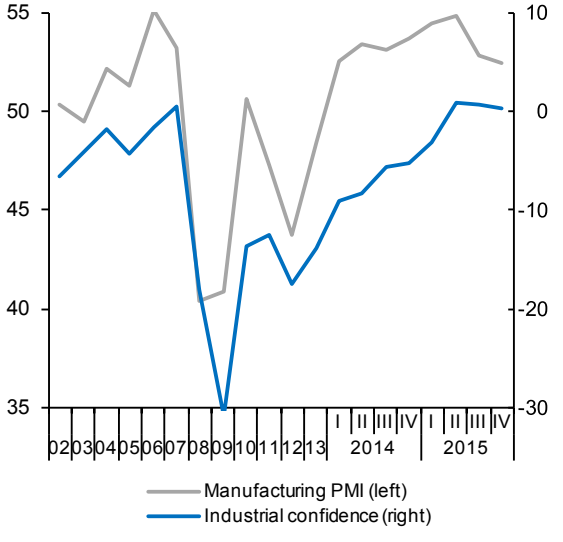


Table 11

Construction and services sector indicators (a)

	Construction indicators						Service sector indicators					
	Social Security affiliates in construction	Consumption of cement	Industrial production index construction materials	Construction confidence index	Official tenders (f)	Housing permits (f)	Social Security affiliates in services (g)	Turnover index (nominal)	Services PMI index	Hotel overnight stays	Passenger air transport	Services confidence index
	Thousands	**Million Tons**	**2010=100 (smoothed)**	**Balance of responses**	**EUR Billions**	**Million m²**	**Thousands**	**2010=100 (smoothed)**	**Index**	**Million (smoothed)**	**Million (smoothed)**	**Balance of responses**
2008	2,340	42.7	154.7	-23.8	39.8	44.9	12,644	114.6	38.2	268.6	202.3	-18.8
2009	1,800	28.9	115.9	-32.3	39.6	19.4	12,247	99.2	41.0	251.0	186.3	-29.7
2010	1,559	24.5	100.0	-29.7	26.2	16.3	12,186	100.0	49.3	267.2	191.7	-22.4
2011	1,369	20.4	91.6	-55.4	13.7	14.1	12,176	98.9	46.5	286.8	203.3	-20.8
2012	1,136	13.6	66.8	-54.9	7.4	8.5	11,907	92.8	43.1	280.7	193.2	-21.5
2013	997	10.7	63.1	-55.6	9.2	6.8	11,728	91.0	48.3	286.0	186.5	-15.3
2014	980	10.8	62.1	-41.4	13.1	6.9	11,995	93.3	55.2	295.3	194.9	9.9
2015 (b)	1,027	11.5	67.5	-25.3	8.4	7.9	12,432	96.9	57.3	293.2	193.3	19.4
2014 I	971	2.6	63.5	-52.3	3.7	1.7	11,852	92.1	54.2	73.0	47.5	7.5
II	974	2.7	62.4	-55.8	3.2	1.8	11,943	92.8	55.7	73.3	48.1	9.1
III	983	2.8	61.2	-35.0	3.4	1.9	12,044	93.7	56.7	73.8	48.7	8.8
IV	995	2.8	61.7	-22.6	2.9	1.5	12,149	94.6	54.3	74.5	49.3	14.0
2015 I	1,015	2.8	63.6	-23.3	2.7	2.1	12,278	95.8	56.7	75.2	50.0	17.5
II	1,026	2.9	65.9	-27.7	3.0	2.5	12,387	97.2	58.3	76.1	50.8	20.1
III	1,030	2.8	67.8	-28.5	1.8	2.5	12,480	98.6	58.1	77.2	51.8	19.7
IV (b)	1,037	2.9	69.0	-21.7	0.9	0.8	12,583	99.6	55.9	52.1	35.1	20.2
2015 Oct	1,034	1.0	68.7	-24.6	0.9	0.8	12,550	99.6	55.9	26.0	17.5	19.3
Nov	1,037	--	69.2	-21.5	--	--	12,581	--	56.7	26.1	17.6	20.1
Dec	1,040	--	--	-18.9	--	--	12,618	--	55.1	--	--	21.3
Percentage changes (c)												
2008	-10.0	-23.8	-17.8	--	-1.3	-56.6	1.5	-3.7	--	-1.2	-3.0	--
2009	-23.1	-32.3	-25.1	--	-0.4	-56.8	-3.1	-13.4	--	-6.5	-7.9	--
2010	-13.4	-15.4	-13.7	--	-33.9	-16.1	-0.5	0.8	--	6.4	2.9	--
2011	-12.2	-16.4	-8.4	--	-47.9	-13.2	-0.1	-1.1	--	7.3	6.0	--
2012	-17.0	-33.6	-27.0	--	-45.5	-39.9	-2.2	-6.2	--	-2.1	-5.0	--
2013	-12.2	-20.9	-5.7	--	23.3	-20.3	-1.5	-2.0	--	1.9	-3.5	--
2014	-1.7	1.0	-1.4	--	42.9	2.2	2.3	2.6	--	3.2	4.6	--
2015 (d)	4.7	4.3	7.2	--	-26.2	29.6	3.6	4.8	--	4.2	5.8	--
2014 I	-2.7	-11.2	-1.8	--	129.2	-12.6	2.2	2.4	--	2.9	4.7	--
II	1.5	16.3	-7.1	--	48.2	11.2	3.1	3.2	--	1.8	5.4	--
III	3.7	17.7	-7.4	--	32.7	21.2	3.4	3.7	--	2.5	5.1	--
IV	4.8	5.3	3.5	--	0.3	-8.0	3.5	4.1	--	3.7	4.7	--
2015 I	8.2	-1.4	13.0	--	-26.3	23.6	4.3	5.1	--	4.2	5.7	--
II	4.6	9.7	14.8	--	-6.4	37.3	3.6	5.9	--	4.9	6.8	--
III	1.4	-12.6	12.2	--	-47.0	30.8	3.1	5.9	--	5.7	7.7	--
IV (e)	2.8	15.0	7.0		-19.3	20.0	3.3	3.9		5.3	7.0	
2015 Oct	0.3	2.7	0.6	--	-19.3	20.0	0.3	0.5	--	0.5	0.7	--
Nov	0.3	--	0.6	--	--	--	0.2	--	--	0.5	0.7	--
Dec	0.3	--	--	--	--	--	0.3	--	--	--	--	--

(a) Seasonally adjusted, except for annual data and (f). (b) Period with available data. (c) Annualized percent change from the previous quarter for quarterly data, non-annualized percent change from the previous month for monthly data, unless otherwise indicated. (d) Growth of available period over the same period of the previous year. (e) Annualized growth of the average of available months over the monthly average of the previous quarter. (f) Percent changes are over the same period of the previous year. (g) Excluding domestic service workers and non-profesional caregivers.

Sources: European Commision, Markit Economics Ltd., M. of Labour, M. of Public Works, National Statistics Institute, AENA, OFICEMEN, SEOPAN and Funcas.

Chart 11.1.- Construction indicators (I)
Annualized percentage changes from previous period and index

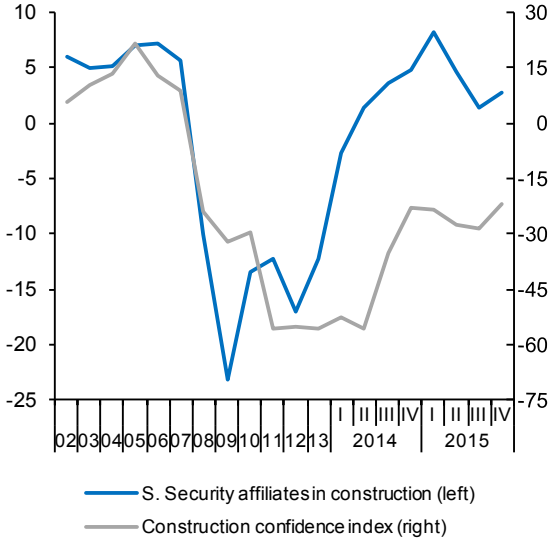


Chart 11.2.- Construction indicators (II)
Annualized percentage changes from previous period

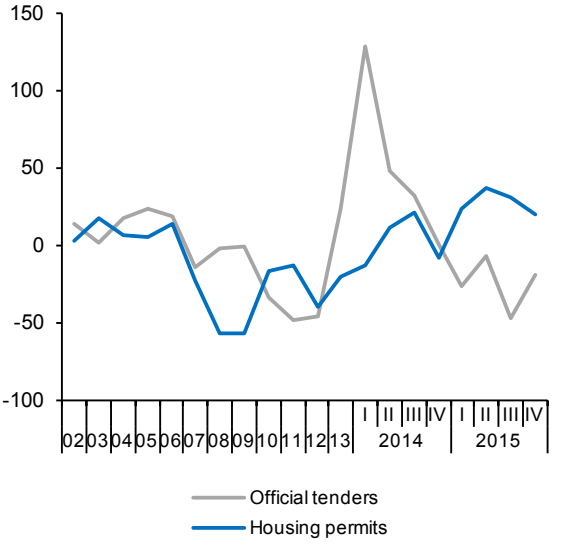


Chart 11.3.- Services indicators (I)
Percentage changes from previous period

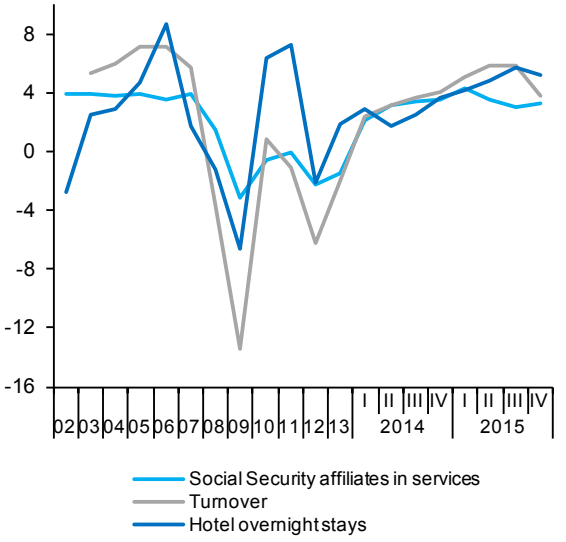


Chart 11.4.- Services indicators (II)
Index

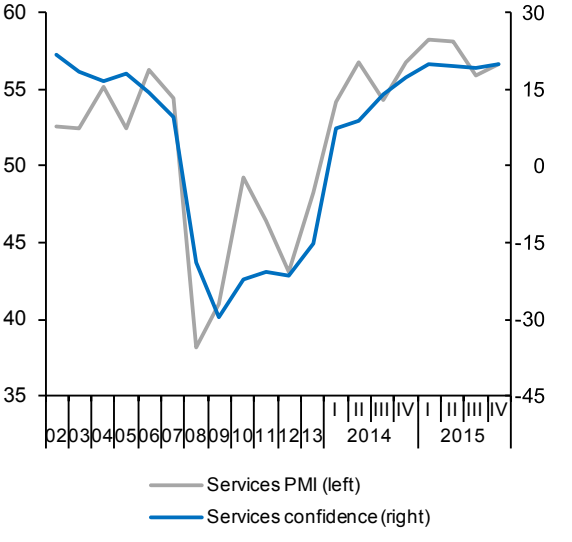


Table 12

Consumption and investment indicators (a)

	Consumption indicators					Investment in equipment indicators		
	Retail sales deflated	Car registrations	Consumer confidence index	Hotel overnight stays by residents in Spain	Industrial orders for consumer goods	Cargo vehicles registrations	Industrial orders for investment goods	Import of capital goods (volume)
	2010=100 (smoothed)	**Thousands (smoothed)**	**Balance of responses**	**Million (smoothed)**	**Balance of responses**	**Thousands (smoothed)**	**Balance of responses**	**2005=100 (smoothed)**
2008	107.5	1,185.3	-33.8	113.2	-21.0	236.9	-4.5	90.4
2009	101.8	971.2	-28.3	109.8	-40.2	142.1	-50.8	66.6
2010	100.0	1,000.1	-20.9	113.2	-26.7	152.1	-31.1	70.9
2011	94.4	808.3	-17.1	111.5	-21.7	142.0	-23.0	68.7
2012	87.4	710.6	-31.7	102.1	-24.2	107.7	-38.6	61.3
2013	84.0	742.3	-25.3	100.6	-21.8	107.6	-33.5	70.0
2014	84.9	890.1	-8.9	104.7	-9.2	137.5	-16.1	83.1
2015 (b)	86.3	999.4	0.3	103.9	-3.1	164.3	0.2	94.0
2014 I	84.0	204.4	-11.8	25.5	-11.9	31.5	-20.1	79.9
II	84.4	216.0	-6.1	25.8	-7.8	33.1	-16.9	83.0
III	85.1	226.8	-7.9	26.2	-7.3	35.0	-15.8	84.4
IV	85.8	240.1	-9.6	26.7	-9.9	37.6	-11.3	87.1
2015 I	86.7	253.7	-0.6	27.1	-4.6	40.8	-9.1	91.9
II	87.5	264.6	1.6	27.4	-5.7	43.8	5.7	96.0
III	88.4	275.6	-1.3	27.3	-3.4	46.3	-0.7	98.2
IV (b)	89.1	190.8	1.6	18.0	1.3	32.2	4.9	99.0
2015 Oct	89.0	94.7	-1.2	9.0	-1.7	16.0	4.2	99.0
Nov	89.3	96.2	0.6	9.0	1.8	16.2	4.4	--
Dec	--	--	5.4	--	3.8	--	6.2	--
				Percentage changes (c)				
2008	-6.0	-27.5	--	-2.9	--	-43.6	--	-20.1
2009	-5.4	-18.1	--	-3.0	--	-40.0	--	-26.3
2010	-1.7	3.0	--	3.2	--	7.0	--	6.5
2011	-5.6	-19.2	--	-1.5	--	-6.6	--	-3.1
2012	-7.4	-12.1	--	-8.4	--	-24.2	--	-10.7
2013	-3.9	4.5	--	-1.4	--	-0.1	--	14.1
2014	1.1	19.9	--	4.1	--	27.8	--	18.7
2015 (d)	3.7	22.9	--	5.3	--	32.5	--	15.7
2014 I	0.3	25.0	--	3.1	--	26.7	--	24.2
II	2.3	24.7	--	4.9	--	22.7	--	16.3
III	3.1	21.5	--	6.5	--	24.0	--	7.0
IV	3.7	25.7	--	7.4	--	33.9	--	13.2
2015 I	3.9	24.6	--	6.5	--	38.9	--	24.3
II	3.8	18.4	--	3.6	--	32.7	--	19.0
III	4.1	17.7	--	-1.2	--	25.0	--	9.5
IV (e)	3.5	16.4		-4.6		18.1		3.1
2015 Oct	0.3	1.6	--	-0.5	--	1.7	--	0.4
Nov	0.3	1.6	--	-0.6	--	1.6	--	--
Dec	--	--	--	--	--	--	--	--

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

Sources: European Commission, M. of Economy, M. of Industry, National Statistics Institute, DGT, ANFAC and Funcas.

Chart 12.1.- Consumption indicators
Percent change from previous period and balance of responses

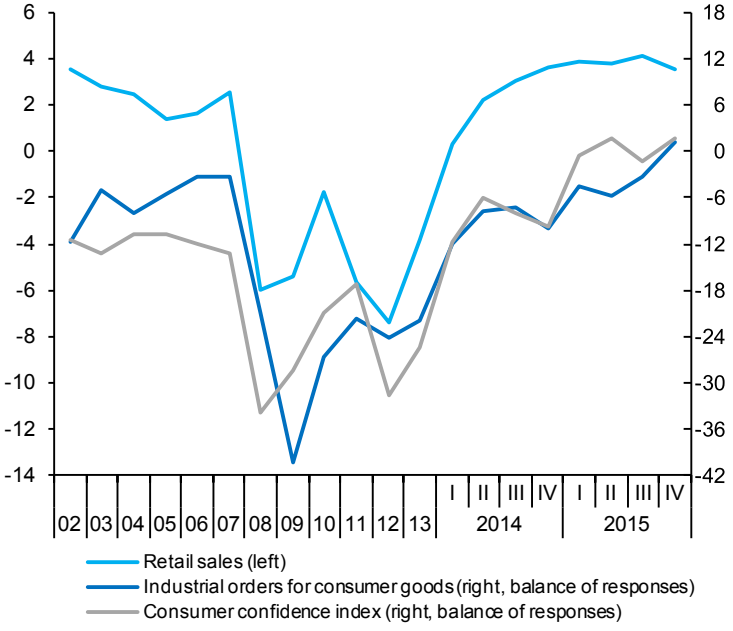


Chart 12.2.- Investment indicators
Percent change from previous period and balance of responses

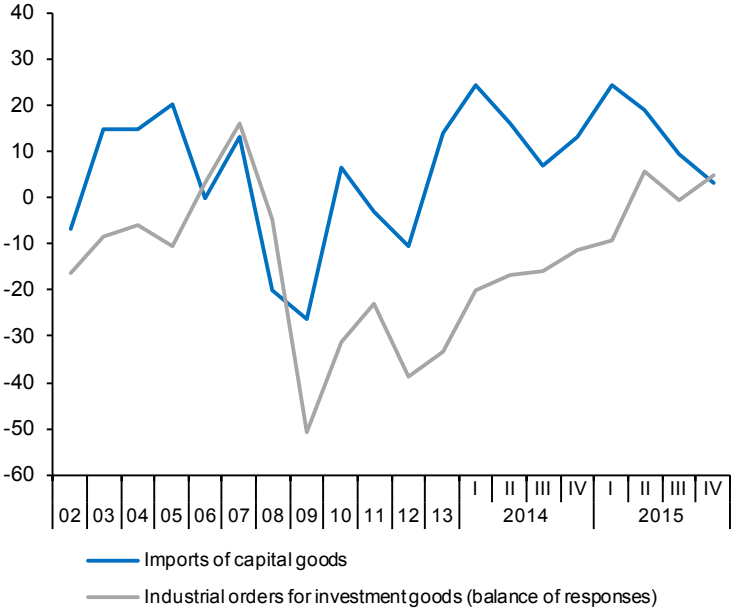


Table 13a

Labour market (I)

Forecasts in blue

		Population aged 16-64	Labour force		Employment		Unemployment		Participation rate 16-64 (a)	Employment rate 16-64 (b)	Unemployment rate (c)			
											Total	Aged 16-24	Spanish	Foreign
			Original	Seasonally adjusted	Original	Seasonally adjusted	Original	Seasonally adjusted	Seasonally adjusted					
		1	2=4+6	3=5+7	4	5	6	7	8	9	10=7/3	11	12	13
		Million							Percentage					
2008		31.0	23.1	--	20.5	--	2.6	--	73.8	65.4	11.3	24.5	10.2	17.4
2009		31.2	23.3	--	19.1	--	4.2	--	74.1	60.8	17.9	37.7	16.0	28.2
2010		31.1	23.4	--	18.7	--	4.6	--	74.6	59.7	19.9	41.5	18.1	29.9
2011		31.1	23.4	--	18.4	--	5.0	--	74.9	58.8	21.4	46.2	19.5	32.6
2012		30.9	23.4	--	17.6	--	5.8	--	75.3	56.5	24.8	52.9	23.0	35.9
2013		30.6	23.2	--	17.1	--	6.1	--	75.3	55.6	26.1	55.5	24.4	37.0
2014		30.3	23.0	--	17.3	--	5.6	--	75.3	56.8	24.4	53.2	23.0	34.5
2015		30.2	23.0	--	17.9	--	5.1	--	75.6	58.7	22.2	--	--	--
2016		30.1	22.9	--	18.3	--	4.6	--	75.8	60.3	20.2	--	--	--
2013	IV	30.4	23.1	23.0	17.1	17.1	5.9	5.9	75.2	55.9	25.7	54.9	24.2	36.5
2014	I	30.3	22.9	22.9	17.0	17.1	5.9	5.8	75.1	55.4	25.3	54.5	23.7	36.2
	II	30.3	23.0	22.9	17.4	17.3	5.6	5.6	75.2	56.8	24.5	53.0	23.1	34.4
	III	30.3	22.9	22.9	17.5	17.4	5.4	5.5	75.1	57.3	24.1	53.1	22.7	33.7
	IV	30.3	23.0	23.0	17.6	17.6	5.5	5.4	75.5	57.6	23.7	51.7	22.4	33.2
2015	I	30.2	22.9	23.0	17.5	17.7	5.4	5.3	75.4	57.3	23.1	50.4	21.8	32.2
	II	30.2	23.0	23.0	17.9	17.8	5.1	5.1	75.6	58.7	22.4	49.0	20.9	33.0
	III	30.2	22.9	22.9	18.0	17.9	4.9	4.9	75.4	59.4	21.6	47.5	20.0	33.2
		Percentage changes (d)							Difference from one year ago					
2008		1.5	2.9	--	-0.5	--	40.6	--	1.0	-1.3	3.0	6.4	2.6	5.3
2009		0.4	0.8	--	-6.7	--	60.0	--	0.3	-4.6	6.6	13.3	5.8	10.8
2010		-0.1	0.4	--	-2.0	--	11.7	--	0.4	-1.2	2.0	3.8	2.1	1.7
2011		-0.2	0.3	--	-1.6	--	8.0	--	0.4	-0.9	1.5	4.7	1.4	2.7
2012		-0.5	0.0	--	-4.3	--	15.9	--	0.4	-2.3	3.4	6.7	3.5	3.3
2013		-1.1	-1.1	--	-2.8	--	4.1	--	0.0	-0.9	1.3	2.6	1.5	1.0
2014		-0.9	-1.0	--	1.2	--	-7.3	--	0.0	1.2	-1.7	-2.3	-1.4	-2.5
2015		-0.5	0.0	--	3.0	--	-9.2	--	0.3	1.9	-2.2	--	--	--
2016		-0.3	-0.1	--	2.5	--	-8.9	--	0.2	1.6	-2.0	--	--	--
2013	IV	-1.3	-1.2	-1.6	-1.2	0.1	-1.4	-6.4	0.0	0.1	-0.1	-0.3	0.1	-0.1
2014	I	-1.3	-1.8	-2.0	-0.5	0.4	-5.5	-8.8	-0.3	0.5	-1.0	-1.4	-0.8	-1.5
	II	-1.0	-1.0	0.3	1.1	4.4	-7.0	-11.1	0.1	1.3	-1.5	-2.4	-1.4	-1.6
	III	-0.8	-1.0	-0.5	1.6	1.7	-8.7	-7.1	-0.2	1.3	-1.9	-1.9	-1.6	-3.8
	IV	-0.6	-0.2	1.4	2.5	3.6	-8.1	-5.4	0.2	1.7	-2.0	-3.2	-1.8	-3.2
2015	I	-0.4	0.1	-0.7	3.0	2.4	-8.2	-10.2	0.3	1.8	-2.2	-4.1	-1.9	-4.1
	II	-0.5	0.2	0.4	3.0	4.0	-8.4	-11.0	0.4	1.9	-2.1	-4.0	-2.2	-1.4
	III	-0.5	-0.1	-1.6	3.1	2.5	-10.6	-14.6	0.2	2.1	-2.5	-5.6	-2.8	-0.5

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

Sources: INE (Labour Force Survey) and Funcas.

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

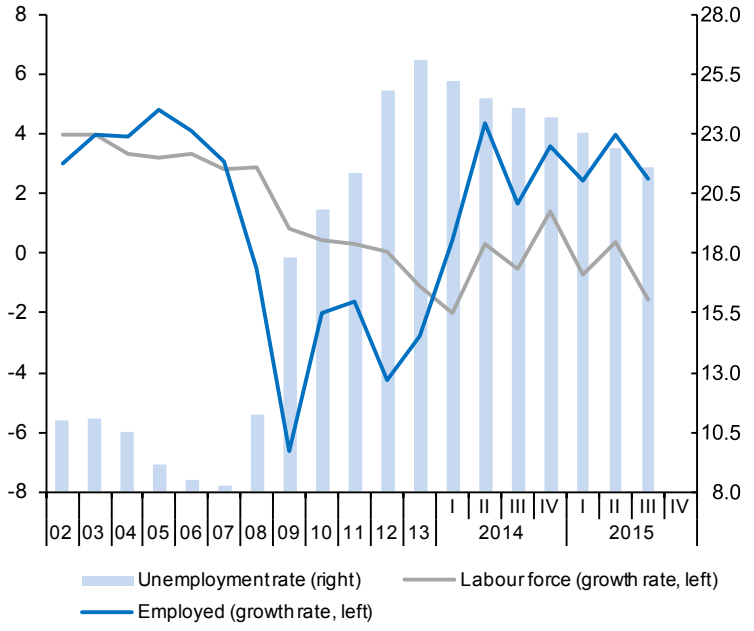


Chart 13a.2.- Unemployment rates, SA
Percentage

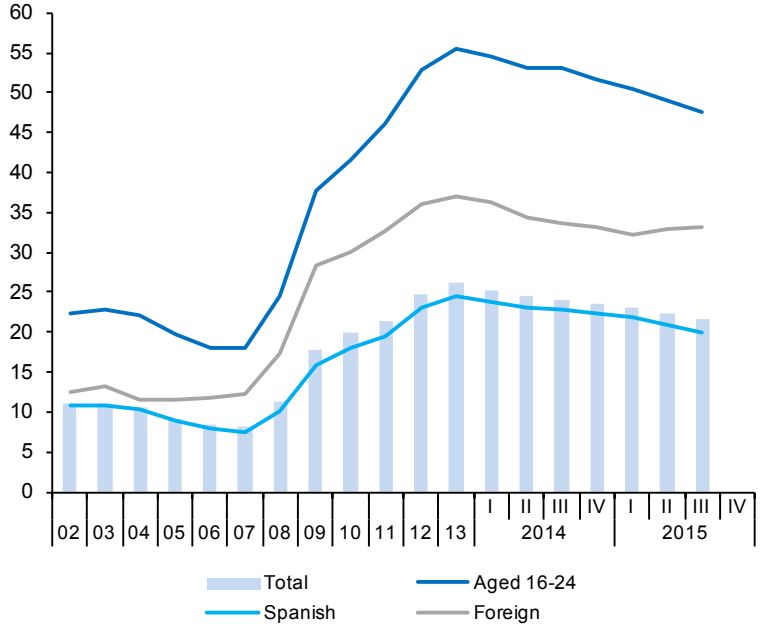


Table 13b

Labour market (II)

		Employed by sector				Employed by professional situation					Employed by duration of the working-day		
						Employees				Self- employed			
							By type of contract						
		Agriculture	Industry	Construction	Services	Total	Temporary	Indefinite	Temporary employment rate (a)		Full-time	Part-time	Part-time employment rate (b)
		1	2	3	4	5=6+7	6	7	8=6/5	9	10	11	12
Million (original data)													
2008		0.83	3.24	2.46	13.94	16.86	4.91	11.95	29.1	3.61	18.06	2.41	11.8
2009		0.79	2.81	1.89	13.62	15.88	4.00	11.88	25.2	3.23	16.71	2.40	12.5
2010		0.79	2.65	1.65	13.64	15.59	3.86	11.73	24.7	3.13	16.29	2.44	13.0
2011		0.76	2.60	1.40	13.66	15.39	3.87	11.52	25.1	3.03	15.92	2.50	13.6
2012		0.74	2.48	1.16	13.24	14.57	3.41	11.16	23.4	3.06	15.08	2.55	14.5
2013		0.74	2.36	1.03	13.02	14.07	3.26	10.81	23.1	3.07	14.43	2.71	15.8
2014		0.74	2.38	0.99	13.23	14.29	3.43	10.86	24.0	3.06	14.59	2.76	15.9
2015 (c)		0.72	2.44	1.06	13.24	14.39	3.40	11.00	23.6	3.06	14.62	2.84	16.3
2013	IV	0.78	2.34	0.99	13.03	14.09	3.33	10.76	23.7	3.04	14.38	2.75	16.1
2014	I	0.81	2.30	0.94	12.90	13.93	3.22	10.71	23.1	3.02	14.20	2.75	16.2
	II	0.74	2.36	0.98	13.28	14.32	3.43	10.89	24.0	3.04	14.51	2.84	16.4
	III	0.67	2.43	1.02	13.39	14.41	3.55	10.86	24.6	3.09	14.88	2.62	15.0
	IV	0.73	2.44	1.03	13.37	14.48	3.51	10.97	24.2	3.09	14.75	2.82	16.1
2015	I	0.72	2.44	1.06	13.24	14.39	3.40	11.00	23.6	3.06	14.62	2.84	16.3
	II	0.74	2.51	1.09	13.53	14.76	3.70	11.06	25.1	3.10	15.05	2.82	15.8
	III	0.71	2.52	1.08	13.74	14.95	3.91	11.04	26.2	3.10	15.30	2.75	15.2
Annual percentage changes									**Difference from one year ago**	**Annual percentage changes**			**Difference from one year ago**
2008		-0.3	0.2	7.1	4.6	4.0	6.0	3.1	0.6	2.8	3.2	10.8	0.5
2009		-4.8	-13.3	-23.2	-2.3	-5.8	-18.4	-0.6	-3.9	-10.6	-7.5	-0.4	0.8
2010		-0.3	-5.6	-12.6	0.1	-1.8	-3.6	-1.2	-0.5	-2.9	-2.5	1.7	0.5
2011		-3.9	-1.7	-15.0	0.2	-1.3	0.3	-1.8	0.4	-3.3	-2.2	2.5	0.5
2012		-1.6	-4.6	-17.3	-3.0	-5.3	-11.8	-3.1	-1.7	1.1	-5.3	2.3	0.9
2013		-0.9	-5.2	-11.4	-1.7	-3.5	-4.6	-3.1	-0.3	0.4	-4.3	6.0	1.3
2014		-0.1	1.0	-3.5	1.7	1.5	5.3	0.4	0.9	-0.4	1.1	1.9	0.1
2015 (d)		-2.1	5.4	9.9	2.4	3.4	7.9	2.0	1.0	1.3	3.1	2.3	-0.1
2013	IV	0.4	-4.0	-9.1	-0.1	-1.4	2.3	-2.4	0.8	-0.3	-2.3	5.3	1.0
2014	I	12.9	-3.4	-11.6	0.2	-0.4	5.0	-1.9	1.2	-0.7	-0.9	2.1	0.4
	II	-1.8	-0.1	-5.3	2.0	1.7	6.5	0.3	1.1	-1.7	0.8	2.6	0.2
	III	-4.8	3.5	-0.5	1.8	2.0	4.6	1.3	0.6	-0.5	1.8	0.4	-0.2
	IV	-6.2	4.2	4.0	2.6	2.8	5.3	2.0	0.6	1.4	2.6	2.4	0.0
2015	I	-11.3	6.2	12.6	2.6	3.3	5.4	2.7	0.5	1.3	2.9	3.3	0.1
	II	0.1	6.4	11.6	1.9	3.1	8.0	1.6	1.1	2.3	3.7	-0.9	-0.6
	III	6.5	3.8	5.9	2.6	3.7	10.1	1.6	1.5	0.3	2.8	4.8	0.2

(a) Percentage of employees with temporary contract over total employees. (b) Percentage of part-time employed over total employed. (c) Period with available data. (d) Growth of available period over the same period of the previous year.

Source: INE (Labour Force Survey).

Chart 13b.1.- Employment by sector
Annual percentage changes

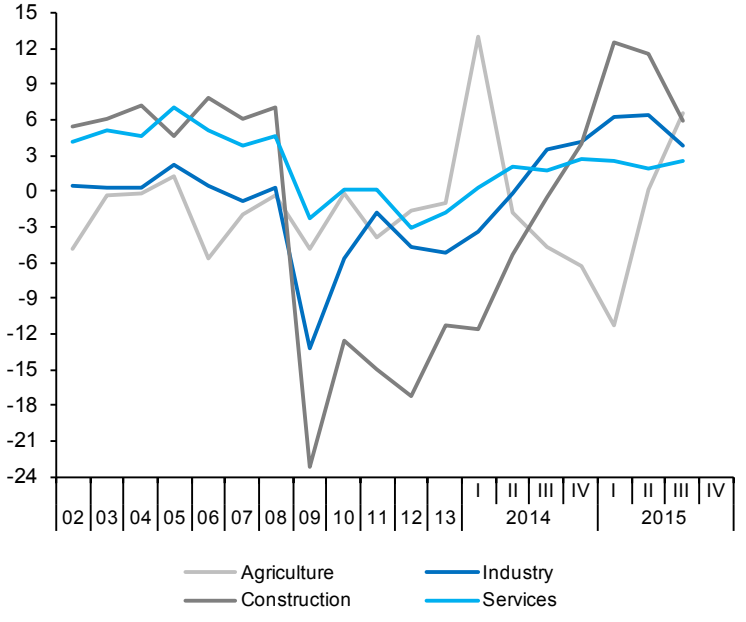


Chart 13b.2.- Employment by type of contract
Annual percentage changes and percentage over total employees

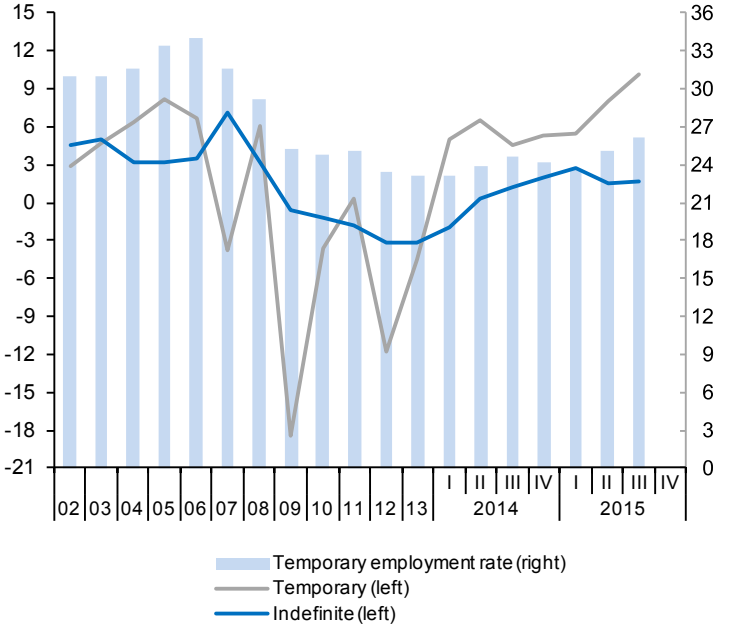


Table 14

Index of Consumer Prices

Forecasts in blue

		Total	Total excluding food and energy	Excluding unprocessed food and energy				Unprocessed food	Energy	Food
				Total	Non-energy industrial goods	Services	Processed food			
% of total in 2015		100.0	66.09	81.21	26.42	39.67	15.13	6.64	12.14	21.77
Indexes, 2011 = 100										
2010		96.9	98.7	98.3	99.4	98.3	96.4	98.2	86.4	96.9
2011		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2012		102.4	101.3	101.6	100.8	101.5	103.1	102.3	108.9	102.8
2013		103.9	102.4	103.0	101.4	102.9	106.2	105.9	108.9	106.1
2014		103.7	102.3	103.1	101.0	103.1	106.6	104.6	108.0	106.0
2015		103.2	102.9	103.7	101.3	103.8	107.6	106.4	98.3	107.3
2016		103.0	103.7	104.7	101.9	104.8	109.4	108.1	89.7	109.0
Annual percentage changes										
2010		1.8	0.6	0.6	-0.5	1.3	1.0	0.0	12.5	0.7
2011		3.2	1.3	1.7	0.6	1.8	3.8	1.8	15.7	3.2
2012		2.4	1.3	1.6	0.8	1.5	3.1	2.3	8.9	2.8
2013		1.4	1.1	1.4	0.6	1.4	3.1	3.6	0.0	3.2
2014		-0.2	0.0	0.0	-0.4	0.1	0.4	-1.2	-0.8	-0.1
2015		-0.5	0.5	0.6	0.3	0.7	0.9	1.8	-9.0	1.2
2016		-0.2	0.8	1.0	0.6	1.0	1.6	1.6	-8.7	1.6
2015	Jan	-1.3	0.2	0.2	-0.1	0.5	-0.1	-0.7	-11.4	-0.3
	Feb	-1.1	0.2	0.2	-0.1	0.3	0.1	0.9	-10.2	0.3
	Mar	-0.7	0.2	0.2	-0.2	0.4	0.3	0.9	-7.4	0.5
	Apr	-0.6	0.2	0.3	0.0	0.3	0.7	0.2	-7.2	0.5
	May	-0.2	0.4	0.5	0.1	0.6	0.9	2.3	-6.4	1.3
	Jun	0.1	0.5	0.6	0.3	0.7	1.2	3.2	-5.7	1.8
	Jul	0.1	0.7	0.8	0.4	0.9	1.2	1.7	-5.8	1.4
	Aug	-0.4	0.6	0.7	0.3	0.8	1.4	2.7	-9.8	1.8
	Sep	-0.9	0.7	0.8	0.4	0.9	1.4	2.6	-13.6	1.8
	Oct	-0.7	0.8	0.9	0.6	1.0	1.4	2.7	-13.1	1.8
	Nov	-0.3	0.9	1.0	0.7	1.0	1.4	2.4	-9.9	1.7
	Dec	0.0	0.8	0.9	0.6	0.9	1.4	2.5	-7.5	1.7
2016	Jan	-0.1	0.8	1.0	0.6	1.0	1.5	2.3	-8.3	1.8
	Feb	-0.5	0.9	1.0	0.7	1.0	1.7	0.5	-10.6	1.3
	Mar	-0.5	1.0	1.2	0.7	1.3	1.7	1.9	-12.4	1.8
	Apr	-0.7	0.7	0.9	0.7	0.7	1.7	2.6	-12.7	2.0
	May	-0.8	0.8	1.0	0.6	0.9	1.7	1.6	-13.0	1.7
	Jun	-0.8	0.8	0.9	0.5	0.9	1.7	0.9	-13.1	1.4
	Jul	-0.7	0.8	0.9	0.6	0.9	1.7	2.4	-12.5	1.9
	Aug	-0.1	0.8	1.0	0.6	1.0	1.7	1.5	-8.2	1.6
	Sep	0.3	0.8	1.0	0.6	1.0	1.6	1.7	-5.0	1.6
	Oct	0.3	0.8	0.9	0.4	1.0	1.6	0.3	-3.6	1.2
	Nov	0.3	0.7	0.9	0.4	1.0	1.6	1.1	-3.9	1.4
	Dec	0.7	0.8	0.9	0.4	1.0	1.7	1.9	-1.3	1.7

Sources: INE and Funcas (Forecasts).

Chart 14.1.- Inflation rate (I)
Annual percentage changes

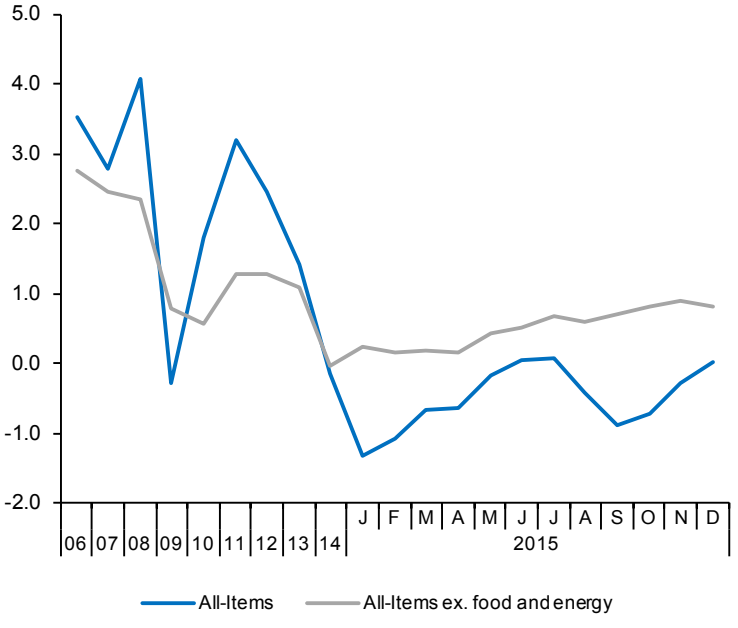


Chart 14.2.- Inflation rate (II)
Annual percentage changes

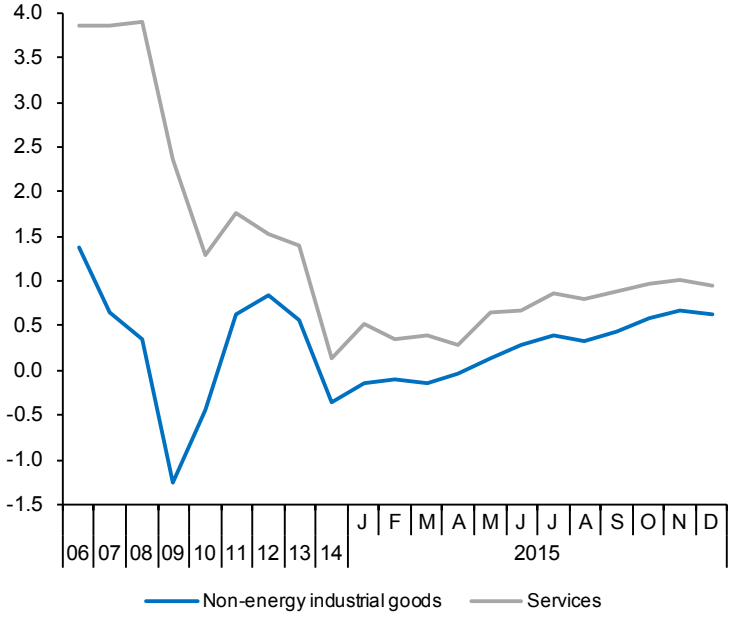


Table 15

Other prices and costs indicators

	GDP deflator (a)	Industrial producer prices		Housing prices		Urban land prices (M. Public Works)	Labour Costs Survey				Wage increases agreed in collective bargaining
		Total	Excluding energy	Housing Price Index (INE)	M² average price (M. Public Works)		Total labour costs per worker	Wage costs per worker	Other cost per worker	Total labour costs per hour worked	
	2010=100	2010=100		2007=100			2000=100				
2008	99.6	99.8	100.5	98.5	100.7	91.1	137.4	134.8	145.6	142.8	--
2009	99.8	96.4	98.2	91.9	93.2	85.8	142.3	139.2	151.8	150.0	--
2010	100.0	100.0	100.0	90.1	89.6	74.8	142.8	140.4	150.2	151.5	--
2011	100.0	106.9	104.2	83.4	84.6	69.8	144.5	141.9	152.5	154.8	--
2012	100.1	111.0	105.9	72.0	77.2	65.4	143.6	141.1	151.3	154.7	--
2013	100.6	111.7	106.7	64.3	72.7	55.1	143.8	141.1	152.2	155.2	--
2014	100.2	110.2	105.9	64.5	71.0	52.6	143.3	140.9	150.7	155.5	--
2015 (b)	100.8	108.1	106.2	66.6	71.5	55.0	142.0	139.4	149.9	153.8	--
2014 I	100.1	109.8	105.7	63.6	71.0	50.8	139.8	135.2	154.0	145.6	--
II	100.2	110.6	105.8	64.7	71.0	52.5	145.9	144.5	150.2	153.8	--
III	100.3	111.2	106.0	64.8	70.8	51.2	138.5	134.8	149.7	160.2	--
IV	100.4	109.1	105.8	65.0	71.2	55.9	149.1	149.2	148.9	162.2	--
2015 I	100.6	107.7	105.9	64.6	70.9	53.8	140.6	137.2	151.1	147.0	--
II	100.7	109.2	106.5	67.3	71.8	55.0	146.5	145.4	149.8	154.5	--
III	101.1	108.5	106.6	67.8	71.8	56.1	138.8	135.6	148.9	160.0	--
IV (b)	--	106.3	105.8	--	--	--	--	--	--	--	--
2015 Oct	--	106.4	105.9	--	--	--	--	--	--	--	--
Nov	--	106.3	105.6	--	--	--	--	--	--	--	--
Dec	--	--	--	--	--	--	--	--	--	--	--
Annual percent changes											
2008	2.1	6.5	4.5	-1.5	0.7	-8.9	4.8	5.1	4.0	5.2	3.6
2009	0.3	-3.4	-2.3	-6.7	-7.4	-5.8	3.5	3.2	4.3	5.1	2.3
2010	0.2	3.7	1.8	-2.0	-3.9	-12.8	0.4	0.9	-1.1	0.9	1.5
2011	0.0	6.9	4.2	-7.4	-5.6	-6.7	1.2	1.0	1.6	2.2	2.0
2012	0.0	3.8	1.7	-13.7	-8.7	-6.4	-0.6	-0.6	-0.8	-0.1	1.0
2013	0.6	0.6	0.7	-10.6	-5.8	-15.7	0.2	0.0	0.6	0.3	0.5
2014	-0.4	-1.3	-0.8	0.3	-2.4	-4.6	-0.3	-0.1	-1.0	0.2	0.6
2015 (c)	0.6	-2.1	0.4	3.3	0.8	6.8	0.4	0.9	-0.9	0.4	0.7
2014 I	-0.5	-2.2	-1.5	-1.6	-3.8	-10.0	-0.2	-0.6	0.3	0.4	0.6
II	-0.5	-0.1	-1.0	0.8	-2.9	-9.3	0.0	-0.3	0.8	0.8	0.5
III	-0.2	-0.9	-0.4	0.3	-2.6	-3.3	-0.1	-1.4	-0.1	0.2	0.6
IV	-0.3	-2.1	-0.1	1.8	-0.3	5.2	-0.2	-1.6	-0.3	0.1	0.6
2015 I	0.5	-1.9	0.2	1.5	-0.1	5.9	1.4	-1.9	0.9	1.8	0.7
II	0.5	-1.2	0.7	4.0	1.2	4.7	0.6	-0.2	0.5	0.7	0.7
III	0.8	-2.4	0.5	4.5	1.4	9.7	0.5	-0.5	-0.1	0.1	0.8
IV (c)	--	-2.5	0.0	--	--	--	--	--	--	--	0.7
2015 Oct	--	-3.6	0.0	--	--	--	--	--	--	--	0.8
Nov	--	-2.6	-0.2	--	--	--	--	--	--	--	0.8
Dec	--	--	--	--	--	--	--	--	--	--	0.7

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

Sources: M. of Public Works, M. of Labour and INE (National Statistics Institute).

Chart 15.1.- Housing and Urban land prices
Index (2007=100)

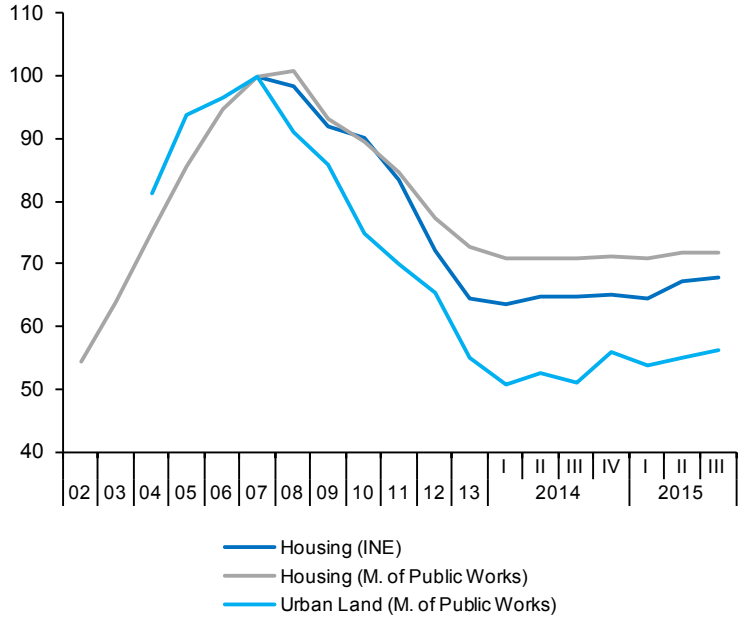


Chart 15.2.- Wage costs
Annual percent change

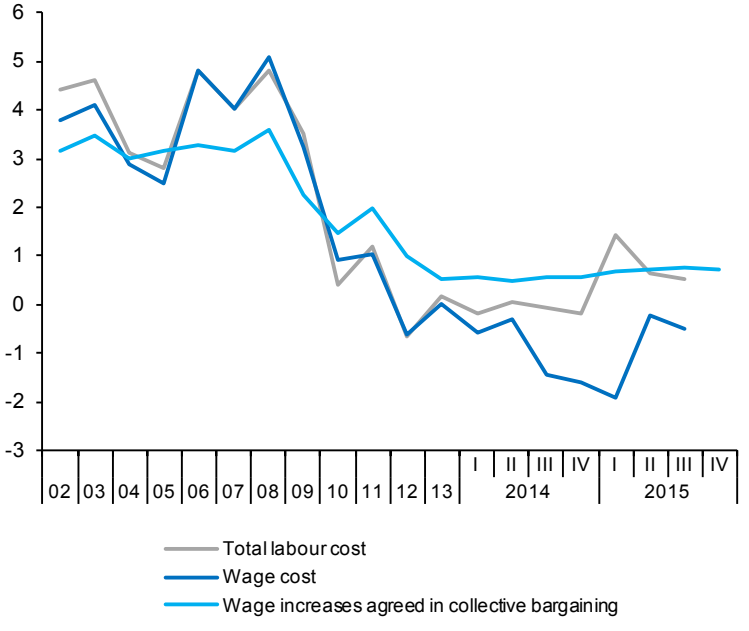


Table 16

External trade (a)

	Exports of goods			Imports of goods			Exports to EU countries	Exports to non-EU countries	Total Balance of goods	Balance of goods excluding energy	Balance of goods with EU countries
	Nominal	Prices	Real	Nominal	Prices	Real					
	EUR Billions	**2005=100**		**EUR Billions**	**2005=100**		**EUR Billions**				
2008	189.2	109.0	112.0	283.4	109.1	111.5	131.0	58.2	-94.2	-50.7	-26.0
2009	159.9	101.6	101.5	206.1	96.2	92.0	110.7	49.2	-46.2	-18.8	-8.9
2010	186.8	103.2	116.7	240.1	100.6	102.4	126.5	60.3	-53.3	-17.9	-4.8
2011	215.2	108.2	128.4	263.1	109.1	103.5	142.6	72.6	-47.9	-4.0	3.6
2012	226.1	110.4	132.2	257.9	114.2	97.0	143.2	82.9	-31.8	14.3	12.2
2013	235.8	110.2	138.1	252.3	109.3	99.1	147.7	88.1	-16.5	25.4	17.1
2014	240.0	109.1	142.3	264.5	106.7	106.8	152.3	87.7	-24.5	15.4	11.2
2015 (b)	208.4	109.8	147.9	229.0	104.2	113.8	135.2	73.3	-20.5	3.2	8.0
2014 I	58.7	109.0	139.5	65.5	105.5	107.1	37.5	21.2	-6.8	4.6	3.1
II	60.2	108.7	143.2	65.8	106.6	106.6	37.7	22.5	-5.7	4.2	2.5
III	62.0	109.1	147.1	67.4	107.6	108.1	38.9	23.1	-5.4	4.4	3.5
IV	61.6	109.5	145.7	65.9	107.3	106.0	38.2	23.5	-4.2	4.6	2.2
2015 I	61.0	109.7	143.8	67.2	104.1	111.5	39.6	21.3	-6.2	1.0	2.3
II	63.4	110.2	148.8	69.6	104.9	114.6	40.5	22.8	-6.3	1.2	2.0
III	64.0	109.1	151.8	69.7	103.9	115.8	40.6	23.4	-5.7	1.2	2.1
IV (b)	20.7	110.6	145.5	22.4	103.7	112.1	13.5	7.3	-1.7	0.4	0.8
2015 Aug	19.8	107.9	142.3	22.2	103.7	110.9	12.2	7.5	-2.4	0.1	0.5
Sep	21.4	108.1	154.0	23.0	103.5	114.9	14.0	7.4	-1.5	0.5	1.2
Oct	20.7	110.6	145.5	22.4	103.7	112.1	13.5	7.3	-1.7	0.4	0.8
	Percentage changes (c)								**Percentage of GDP**		
2008	2.3	1.6	0.7	-0.6	4.1	-4.5	-0.1	8.0	-8.4	-4.5	-2.3
2009	-15.5	-6.8	-9.4	-27.3	-11.8	-17.5	-15.5	-15.4	-4.3	-1.7	-0.8
2010	16.8	1.6	15.0	16.5	4.6	11.3	14.3	22.5	-4.9	-1.7	-0.4
2011	15.2	4.8	10.0	9.6	8.4	1.1	12.7	20.5	-4.5	-0.4	0.3
2012	5.1	2.0	3.0	-2.0	4.7	-6.3	0.5	14.1	-3.1	1.4	1.2
2013	4.3	-0.2	4.5	-2.2	-4.3	2.2	3.1	6.3	-1.6	2.5	1.7
2014	1.8	-1.0	3.0	4.8	-2.4	7.8	3.1	-0.4	-2.4	1.5	1.1
2015 (d)	3.8	0.7	3.1	3.2	-2.2	5.5	5.9	0.2	--	--	--
2014 I	-2.3	-8.3	6.5	18.7	-14.0	37.7	5.0	-13.9	-2.6	1.8	1.2
II	10.1	-1.1	11.1	2.3	4.2	-1.9	1.4	27.1	-2.2	1.6	1.0
III	12.9	1.5	11.4	9.6	3.8	5.6	14.0	11.0	-2.1	1.7	1.4
IV	-2.4	1.5	-3.7	-8.6	-1.1	-7.5	-7.5	6.7	-1.6	1.8	0.9
2015 I	-4.2	0.7	-5.1	8.1	-11.4	22.3	16.2	-31.5	-2.3	0.4	0.9
II	16.7	1.8	14.6	15.5	3.1	11.7	9.5	30.9	-2.3	0.4	0.8
III	3.9	-3.9	8.3	0.3	-3.8	4.3	0.5	10.0	-2.1	0.5	0.8
IV (e)	-10.9	5.6	-15.6	-12.9	-0.8	-12.2	-2.1	-24.7	--	--	--
2015 Aug	-13.2	-3.0	-10.5	-9.6	-0.8	-8.9	-14.6	-10.7	--	--	--
Sep	8.4	0.2	8.2	3.4	-0.2	3.6	14.6	-1.7	--	--	--
Oct	-3.3	2.3	-5.5	-2.2	0.2	-2.4	-4.0	-2.0	--	--	--

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

Source: Ministry of Economy.

Chart 16.1.- External trade (real)
Percent change from previous period

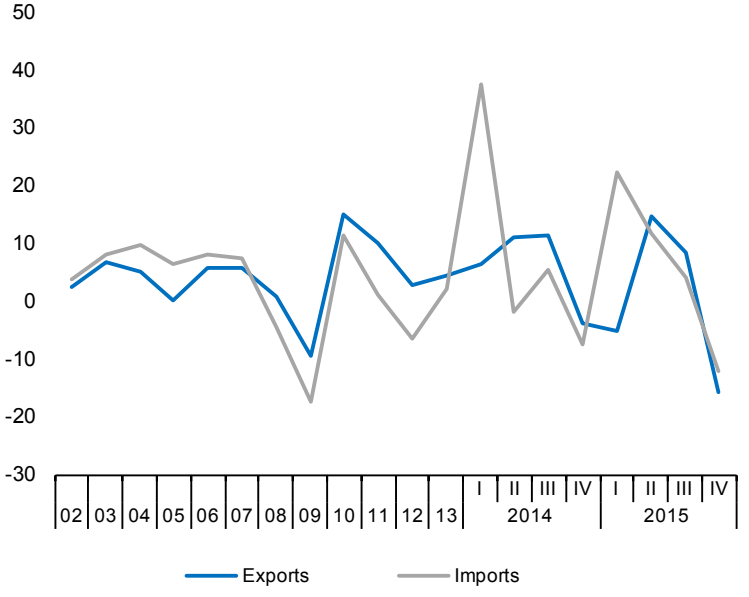


Chart 16.2.- Trade balance
EUR Billions, moving sum of 12 months

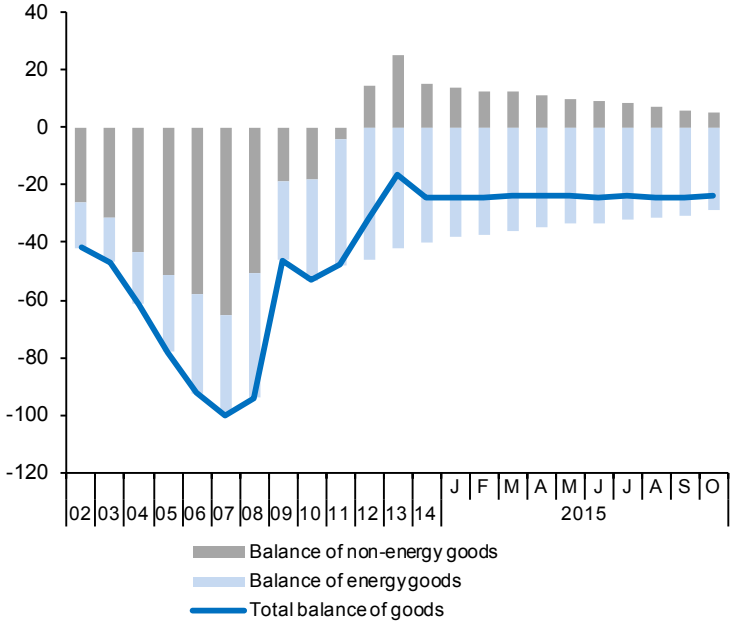


Table 17

Balance of Payments (according to IMF manual)

(Net transactions)

		Current account					Capital account	Current and capital accounts	Financial account						Errors and omissions
									Financial account, excluding Bank of Spain					Bank of Spain	
		Total	Goods	Services	Income	Transfers			Total	Direct investment	Porfolio investment	Other invest-ment	Financial derivatives		
		1 = 2 + 3 + 4 + 5	2	3	4	5	6	7=1+6	8 = 9 + 10 + 11 + 12	9	10	11	12	13	14
EUR billions															
2008		-103.25	-87.04	29.82	-30.49	-15.55	4.67	-98.58	69.23	1.53	-0.96	75.72	-7.07	-30.22	-0.86
2009		-46.19	-41.47	29.54	-19.62	-14.64	3.33	-42.86	40.70	-1.94	44.04	4.66	-6.05	-10.46	-8.31
2010		-42.39	-47.80	33.93	-15.13	-13.38	4.89	-37.49	27.24	1.46	28.40	-11.23	8.61	-15.70	-5.44
2011		-34.04	-44.48	42.59	-18.36	-13.79	4.06	-29.98	-79.51	-9.23	-26.25	-41.96	-2.07	-109.23	0.26
2012		-2.40	-29.25	45.25	-7.01	-11.39	5.18	2.77	-170.51	21.12	-55.40	-144.57	8.35	-168.76	-1.02
2013		15.57	-14.20	47.65	-4.75	-13.14	6.78	22.35	81.94	14.40	34.53	34.05	-1.04	117.08	12.79
2014		10.24	-22.51	48.47	-4.16	-11.56	4.45	14.69	5.56	-9.36	6.10	9.93	-1.11	26.66	6.42
2013	IV	5.40	-4.78	10.15	2.73	-2.70	2.21	7.61	36.95	4.51	35.39	-1.62	-1.33	53.67	9.12
2014	I	-3.26	-5.68	8.47	-1.68	-4.37	1.62	-1.64	-18.80	-5.18	-18.13	5.33	-0.82	-12.49	7.95
	II	0.18	-5.14	12.08	-4.06	-2.70	1.68	1.86	6.79	-0.69	28.64	-22.32	1.16	16.04	7.38
	III	5.22	-6.61	17.11	-3.29	-1.99	0.35	5.57	-4.63	7.62	-33.44	21.41	-0.22	-2.76	-3.70
	IV	8.09	-5.09	10.81	4.87	-2.50	0.81	8.90	22.20	-11.10	29.03	5.51	-1.23	25.87	-5.23
2015	I	-1.41	-4.28	8.51	-1.05	-4.58	0.69	-0.72	-6.37	-0.59	3.36	-9.92	0.77	-14.85	-7.76
	II	3.02	-5.26	12.35	-1.84	-2.22	2.25	5.27	-20.45	-15.10	-4.76	-1.17	0.57	-8.93	6.26
	III	6.10	-7.03	17.20	-2.78	-1.29	1.99	8.10	-9.95	-4.11	-3.22	-2.70	0.08	0.12	1.98
			Goods and Services		Income and Transfers										
2015	Aug	1.48	3.11		-1.63		0.90	2.39	-4.52	-0.12	7.15	-11.81	0.26	-0.53	1.61
	Sep	1.70	2.27		-0.57		0.41	2.11	-6.18	-3.28	-13.02	10.08	0.05	0.76	4.83
	Oct	2.39	3.32		-0.93		0.04	2.42	-4.63	1.52	2.59	-8.61	-0.13	5.72	7.93
Percentage of GDP															
2008		-9.3	-7.8	2.7	-2.7	-1.4	0.4	-8.8	6.2	0.1	-0.1	6.8	-0.6	-2.7	-0.1
2009		-4.3	-3.8	2.7	-1.8	-1.4	0.3	-4.0	3.8	-0.2	4.1	0.4	-0.6	-1.0	-0.8
2010		-3.9	-4.4	3.1	-1.4	-1.2	0.5	-3.5	2.5	0.1	2.6	-1.0	0.8	-1.5	-0.5
2011		-3.2	-4.2	4.0	-1.7	-1.3	0.4	-2.8	-7.4	-0.9	-2.5	-3.9	-0.2	-10.2	0.0
2012		-0.2	-2.8	4.3	-0.7	-1.1	0.5	0.3	-16.3	2.0	-5.3	-13.9	0.8	-16.2	-0.1
2013		1.5	-1.4	4.6	-0.5	-1.3	0.7	2.2	7.9	1.4	3.3	3.3	-0.1	11.4	1.2
2014		1.0	-2.2	4.7	-0.4	-1.1	0.4	1.4	0.5	-0.9	0.6	1.0	-0.1	2.6	0.6
2013	IV	2.0	-1.8	3.8	1.0	-1.0	0.8	2.9	13.9	1.7	13.3	-0.6	-0.5	20.2	3.4
2014	I	-1.3	-2.3	3.4	-0.7	-1.7	0.6	-0.7	-7.5	-2.1	-7.3	2.1	-0.3	-5.0	3.2
	II	0.1	-1.9	4.6	-1.5	-1.0	0.6	0.7	2.6	-0.3	10.8	-8.4	0.4	6.1	2.8
	III	2.0	-2.6	6.7	-1.3	-0.8	0.1	2.2	-1.8	3.0	-13.0	8.4	-0.1	-1.1	-1.4
	IV	3.0	-1.9	4.0	1.8	-0.9	0.3	3.3	8.2	-4.1	10.7	2.0	-0.5	9.6	-1.9
2015	I	-0.5	-1.7	3.3	-0.4	-1.8	0.3	-0.3	-2.5	-0.2	1.3	-3.8	0.3	-5.8	-3.0
	II	1.1	-1.9	4.5	-0.7	-0.8	0.8	1.9	-7.4	-5.5	-1.7	-0.4	0.2	-3.2	2.3
	III	2.3	-2.6	6.4	-1.0	-0.5	0.7	3.0	-3.7	-1.5	-1.2	-1.0	0.0	0.0	0.7

Source: Bank of Spain.

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

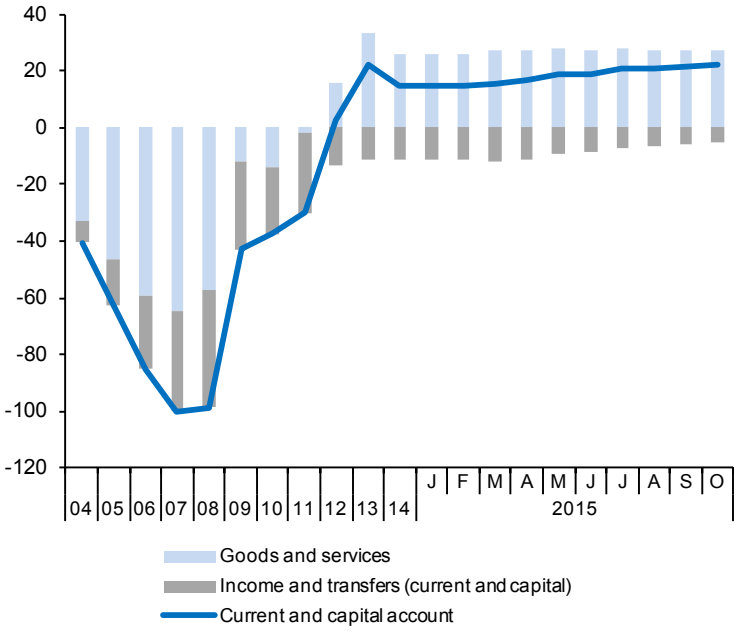


Chart 17.2.- Balance of payments: Financial account
EUR Billions, 12-month cumulated

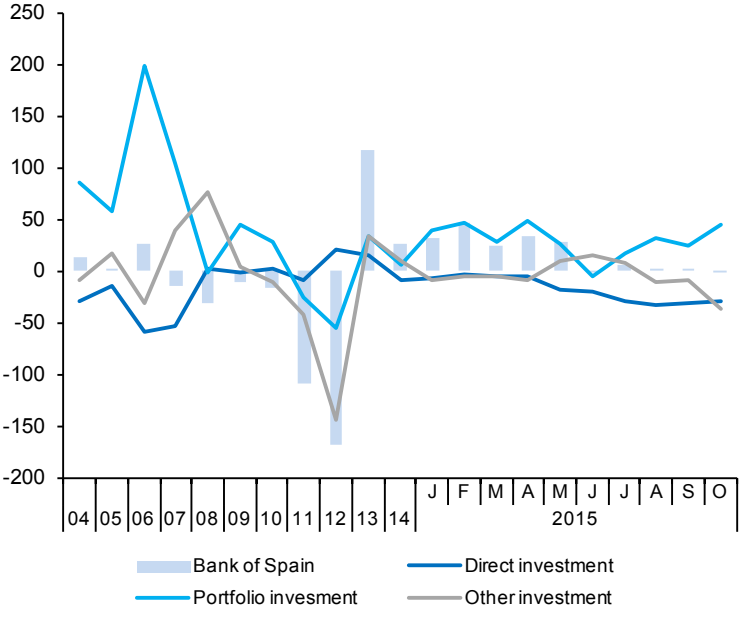


Table 18

State and Social Security System budget

	State							Social Security System (b)				
	National accounts basis			Revenue, cash basis (a)					Accrued income		Expenditure	
	Surplus or deficit	Revenue	Expenditure	Total	Direct taxes	Indirect taxes	Others	Surplus or deficit	Total	of which, social contributions	Total	of which, pensions
	1=2-3	2	3	4=5+6+7	5	6	7	8=9-11	9	10	11	12
EUR billions, 12-month cumulated												
2009	-99.7	134.0	233.6	162.5	87.5	55.7	19.3	8.8	123.7	107.3	114.9	92.0
2010	-50.6	161.2	211.8	175.0	86.9	71.9	16.3	2.4	122.5	105.5	120.1	97.7
2011	-32.0	168.1	200.1	177.0	89.6	71.2	16.1	-0.5	121.7	105.4	122.1	101.5
2012	-44.1	173.0	217.1	215.4	96.2	71.6	47.7	-5.8	118.6	101.1	124.4	105.5
2013	-45.4	169.7	215.1	191.1	94.0	73.7	23.3	-8.9	121.3	98.1	130.2	111.1
2014	-40.2	174.3	214.5	205.9	95.6	78.2	32.1	-14.0	119.3	99.2	133.3	114.4
2015 (c)	-27.5	163.0	190.5	198.8	89.1	77.9	31.7	-5.8	114.8	92.1	120.6	101.2
2015 Sep	-33.2	179.7	213.0	218.7	97.9	81.3	39.5	-16.4	122.7	100.0	139.1	116.8
Oct	-34.0	179.9	213.8	219.9	98.4	81.9	39.6	-16.5	123.0	100.1	139.5	117.1
Nov	-32.3	181.6	214.0	221.5	98.6	81.8	41.1	-16.3	123.6	100.4	139.9	117.3
Annual percentage changes												
2009	--	-19.3	17.8	-13.9	-14.2	-21.2	20.4	--	-0.5	-1.3	4.7	5.9
2010	--	20.3	-9.3	7.7	-0.7	29.1	-15.7	--	-1.0	-1.7	4.5	6.2
2011	--	4.2	-5.6	1.1	3.1	-0.9	-0.8	--	-0.7	-0.1	1.7	3.9
2012	--	3.0	8.5	21.7	7.3	0.5	195.9	--	-2.5	-4.0	1.9	3.9
2013	--	-1.9	-0.9	-11.3	-2.2	3.0	-51.1	--	2.3	-3.0	4.6	5.3
2014	--	2.7	-0.3	7.7	1.6	6.1	37.6	--	-1.6	1.1	2.4	3.0
2015 (d)	--	4.7	-0.3	8.5	3.6	4.7	39.8	--	3.8	1.3	5.8	3.0
2015 Sep	--	3.2	-1.5	8.9	2.3	4.8	43.2	--	4.0	1.3	5.3	3.0
Oct	--	2.9	-0.3	9.4	3.3	4.9	43.2	--	3.2	1.4	5.4	3.0
Nov	--	4.0	-1.1	9.4	2.8	4.3	46.2	--	3.5	1.5	5.4	3.0
Percentage of GDP, 12-month cumulated												
2009	-9.2	12.4	21.7	15.1	8.1	5.2	1.8	0.8	11.5	9.9	10.6	8.5
2010	-4.7	14.9	19.6	16.2	8.0	6.7	1.5	0.2	11.3	9.8	11.1	9.0
2011	-3.0	15.7	18.7	16.5	8.4	6.7	1.5	0.0	11.4	9.8	11.4	9.5
2012	-4.2	16.6	20.8	20.7	9.2	6.9	4.6	-0.6	11.4	9.7	11.9	10.1
2013	-4.4	16.5	20.9	18.5	9.1	7.1	2.3	-0.9	11.8	9.5	12.6	10.8
2014	-3.9	16.7	20.6	19.8	9.2	7.5	3.1	-1.3	11.5	9.5	12.8	11.0
2015 Sep	-3.1	16.8	19.9	20.4	9.2	7.6	3.7	-1.5	11.5	9.3	13.0	10.9
Oct	-3.2	16.8	20.0	20.6	9.2	7.7	3.7	-1.5	11.5	9.4	13.0	10.9
Nov	-3.0	17.0	20.0	20.7	9.2	7.6	3.8	-1.5	11.6	9.4	13.1	11.0

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

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

Chart 18.1.- State: Revenue, expenditure and deficit (National Accounts basis)
EUR Billions, 12-month cumulated

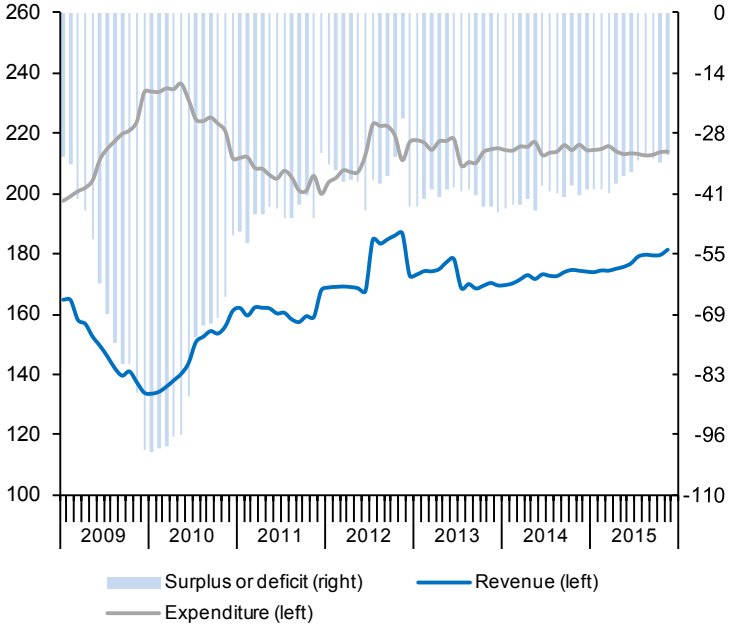


Chart 18.2.- Social Security System: Revenue, expenditure and deficit
EUR Billions, 12-month cumulated

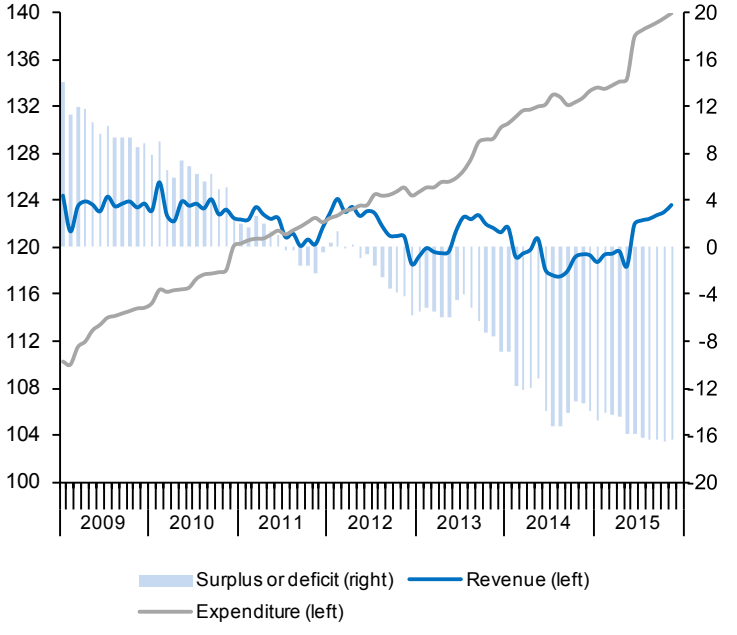


Table 19

Monetary and financial indicators

	Interest rates (percentage rates)					Credit stock (EUR billion)				Contribution of Spanish MFI to Eurozone M3	Stock market (IBEX-35)
	10 year Bonds	Spread with German Bund (basis points)	Housing credit to households	Consumer credit to households	Credit to non-financial corporations (less than 1 million)	TOTAL	Government	Non-financial corporations	Households		
	Average of period data					**End of period data**					
2007	4.3	7.3	5.3	9.8	5.8	2,432.2	383.8	1,175.8	872.6	--	15,182.3
2008	4.4	38.3	5.8	10.9	6.4	2,609.0	439.8	1,261.1	908.2	--	9,195.8
2009	4.0	75.7	3.4	10.5	4.7	2,715.6	568.7	1,246.5	900.4	--	11,940.0
2010	4.3	150.8	2.6	8.6	4.3	2,788.5	649.3	1,244.0	895.2	--	9,859.1
2011	5.4	283.3	3.5	8.6	5.1	2,805.5	743.5	1,194.0	867.9	--	8,563.3
2012	5.8	435.1	3.4	9.1	5.6	2,821.3	890.7	1,099.7	830.9	--	8,167.5
2013	4.6	299.2	3.2	9.7	5.5	2,760.0	966.0	1,011.0	783.0	--	9,916.7
2014	2.7	156.0	3.1	9.6	4.9	2,725.1	1,033.7	942.9	748.5	--	10,279.5
2015 (a)	1.7	121.8	2.5	9.1	3.8	2,727.0	1,067.9	925.9	733.2	--	10,360.7
2014 I	3.6	194.3	3.3	9.7	5.4	2,755.4	995.7	988.2	771.5	--	10,340.5
II	2.9	157.0	3.2	9.6	5.1	2,761.2	1,012.5	978.3	770.5	--	10,923.5
III	2.4	143.7	3.1	9.7	4.8	2,747.6	1,020.1	971.0	756.4	--	10,825.5
IV	2.0	129.0	2.8	9.5	4.3	2,725.1	1,033.7	942.9	748.5	--	10,279.5
2015 I	1.4	112.3	2.6	9.3	4.2	2,731.6	1,046.1	945.1	740.4	--	11,521.1
II	1.8	126.0	2.5	8.9	3.7	2,724.3	1,052.5	930.0	741.8	--	10,769.5
III	2.0	132.5	2.5	9.2	3.7	2,714.2	1,062.3	923.3	728.6	--	9,559.9
IV	1.7	116.0	--	--	--	--	--	--	--	--	9,544.2
2015 Oct	1.7	120.6	2.5	9.1	3.7	2,712.9	1,056.7	928.5	727.6	--	10,360.7
Nov	1.7	117.8	2.5	8.7	3.4	2,727.0	1,067.9	925.9	733.2	--	10,386.9
Dec	1.7	111.3	--	--	--	--	--	--	--	--	9,544.2
						Percentage change from same period previous year					**(b)**
2007	--	--	--	--	--	12.5	-2.1	18.4	12.5	15.1	7.3
2008	--	--	--	--	--	8.0	14.6	8.5	4.3	7.7	-39.4
2009	--	--	--	--	--	4.1	29.3	-1.4	-0.3	-0.8	29.8
2010	--	--	--	--	--	3.4	14.2	0.7	0.2	-2.2	-17.4
2011	--	--	--	--	--	1.7	14.5	-2.0	-2.4	-1.6	-13.1
2012	--	--	--	--	--	1.3	19.8	-6.4	-3.8	0.1	-4.6
2013	--	--	--	--	--	-1.1	8.5	-5.9	-5.1	-4.4	21.4
2014	--	--	--	--	--	-0.2	7.0	-4.3	-3.6	3.4	3.7
2015 (a)	--	--	--	--	--	0.6	4.4	-1.4	-2.1	6.3	-7.2
2014 I	--	--	--	--	--	-1.5	7.1	-6.4	-4.9	-5.1	4.3
II	--	--	--	--	--	-1.0	6.6	-5.2	-4.4	-1.5	5.6
III	--	--	--	--	--	-0.8	6.2	-4.7	-4.1	0.5	-0.9
IV	--	--	--	--	--	-0.2	7.0	-4.3	-3.6	3.4	-5.0
2015 I	--	--	--	--	--	0.1	5.1	-2.4	-3.2	4.6	12.1
II	--	--	--	--	--	-0.2	4.0	-2.5	-2.7	3.6	-6.5
III	--	--	--	--	--	-0.1	4.1	-2.5	-2.6	4.6	-11.2
IV	--	--	--	--	--	--	--	--	--	--	-0.2
2015 Oct	--	--	--	--	--	0.3	3.9	-1.3	-2.4	5.5	8.4
Nov	--	--	--	--	--	0.6	4.4	-1.4	-2.1	6.3	0.3
Dec	--	--	--	--	--	--	--	--	--	--	-8.1

(a) Period with available data. (b) Percent change from preceeding period.

Source: Bank of Spain.

Chart 19.1.- 10 year bond yield
Percentage rates and basis points

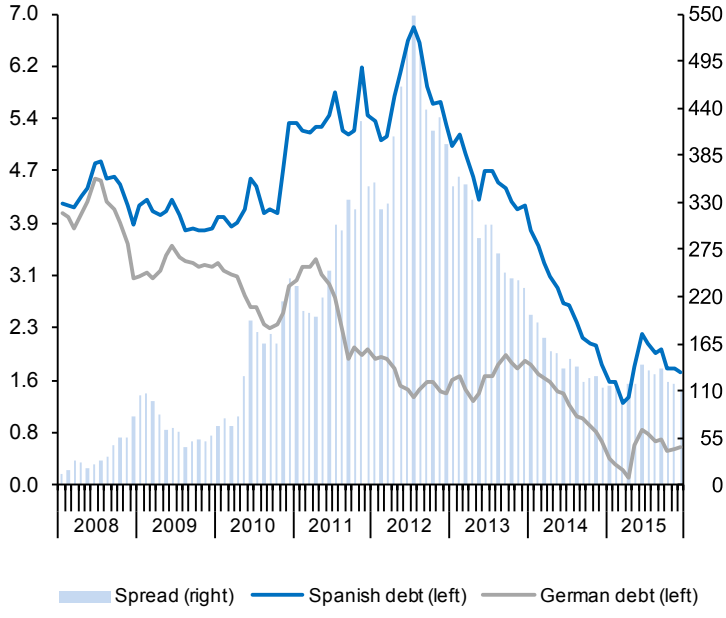


Chart 19.2.- Credit stock growth
Annual percentage change

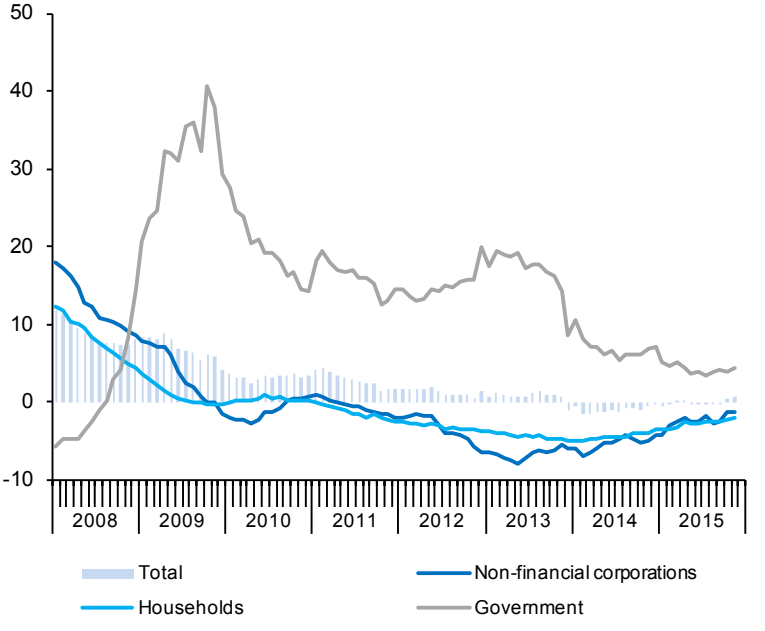


Table 20

Competitiveness indicators in relation to EMU

	Relative Unit Labour Costs in industry (Spain/EMU)			Harmonized Consumer Prices			Producer prices			Real Effective Exchange Rate in relation to developed countries
	Relative wages	Relative productivity	Relative ULC	Spain	EMU	Spain/EMU	Spain	EMU	Spain/EMU	
	1998=100			2005=100			2010=100			1999 I =100
2008	110.2	90.3	122.0	110.9	107.8	102.9	99.5	101.6	98.0	114.4
2009	107.6	96.8	111.1	110.6	108.1	102.4	96.2	97.0	99.2	114.0
2010	106.1	89.8	118.2	112.9	109.8	102.8	100.0	100.0	100.0	112.8
2011	105.3	87.8	119.8	116.3	112.8	103.1	106.5	105.2	101.2	113.1
2012	102.7	88.2	116.5	119.2	115.6	103.1	110.1	107.9	102.0	111.6
2013	101.0	89.3	113.1	121.0	117.4	103.1	110.0	107.4	102.4	113.4
2014	100.5	90.3	111.4	120.8	117.8	102.6	108.4	105.8	102.4	112.4
2015 (a)	--	--	--	120.0	117.9	101.8	107.0	104.2	102.7	109.0
2013 IV	--	--	--	121.6	117.8	103.2	109.6	106.9	102.5	114.0
2014 I	--	--	--	119.9	117.4	102.2	108.0	106.5	101.4	112.6
II	--	--	--	121.9	118.3	103.0	108.6	106.1	102.4	113.3
III	--	--	--	120.4	117.9	102.1	109.3	106.1	103.0	111.7
IV	--	--	--	120.9	118.0	102.4	107.7	105.3	102.3	111.8
2015 I	--	--	--	118.6	117.0	101.4	106.6	104.2	102.3	108.7
II	--	--	--	121.4	118.6	102.4	108.0	104.9	102.9	109.6
III	--	--	--	119.7	118.0	101.5	107.3	104.0	103.2	108.6
2015 Sep	--	--	--	119.9	118.2	101.5	107.1	103.8	103.2	108.9
Oct	--	--	--	120.3	118.3	101.6	106.3	--	--	109.1
Nov	--	--	--	120.6	118.2	102.0	--	--	--	108.9
	Annual percentage changes					Differential	Annual percentage changes		Differential	Annual percentage changes
2008	1.6	0.4	1.1	4.1	3.3	0.9	5.7	4.9	0.8	2.3
2009	-2.4	7.1	-8.9	-0.2	0.3	-0.5	-3.3	-4.5	1.2	-0.4
2010	-1.4	-7.2	6.3	2.0	1.6	0.4	3.9	3.1	0.9	-1.0
2011	-0.8	-2.2	1.4	3.1	2.7	0.3	6.5	5.2	1.3	0.2
2012	-2.4	0.4	-2.8	2.4	2.5	-0.1	3.4	2.6	0.8	-1.3
2013	-1.6	1.3	-2.9	1.5	1.5	0.0	-0.1	-0.4	0.4	1.5
2014	-0.5	1.0	-1.5	-0.2	0.3	-0.5	-1.5	-1.5	0.0	-0.9
2015 (b)	--	--	--	-0.7	0.0	-0.7	-1.4	-1.9	0.4	-3.1
2013 IV	--	--	--	0.2	1.0	-0.8	-0.8	-1.2	0.4	0.8
2014 I	--	--	--	0.0	0.6	-0.6	-2.6	-1.5	-1.1	-0.1
II	--	--	--	0.2	0.6	-0.4	-0.6	-1.1	0.5	-0.2
III	--	--	--	-0.4	0.4	-0.7	-0.9	-1.2	0.3	-1.3
IV	--	--	--	-0.6	0.2	-0.8	-1.7	-1.5	-0.2	-1.9
2015 I	--	--	--	-1.1	-0.3	-0.8	-1.3	-2.1	0.9	-3.4
II	--	--	--	-0.3	0.2	-0.5	-0.6	-1.1	0.5	-3.3
III	--	--	--	-0.6	0.1	-0.6	-1.8	-1.9	0.2	-2.7
2015 Sep	--	--	--	-1.1	-0.1	-1.0	-2.9	-2.5	-0.4	-2.8
Oct	--	--	--	-0.9	0.1	-1.0	-2.9	-2.6	-0.3	-2.6
Nov	--	--	--	-0.4	0.1	-0.6	-2.1	-2.3	0.3	-2.9

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

Sources: Eurostat, Bank of Spain and Funcas.

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

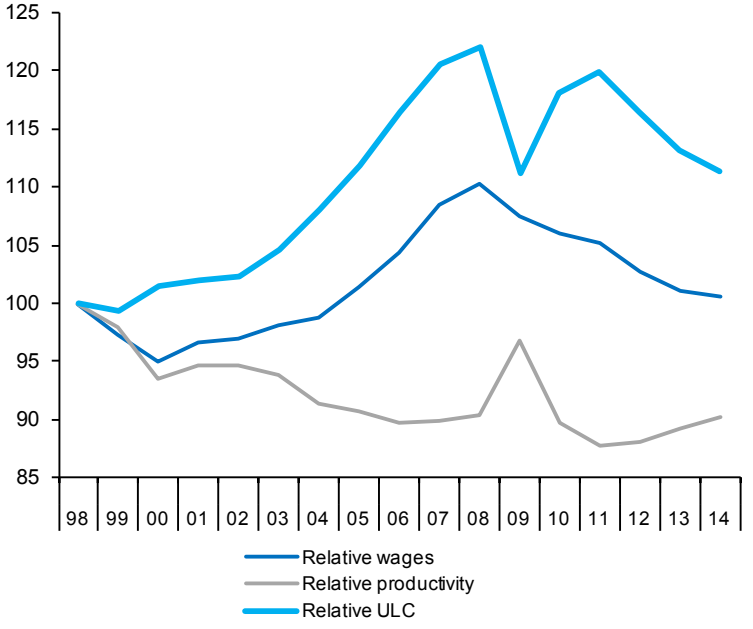


Chart 20.2.- Harmonized Consumer Prices
Annual growth in % and percentage points

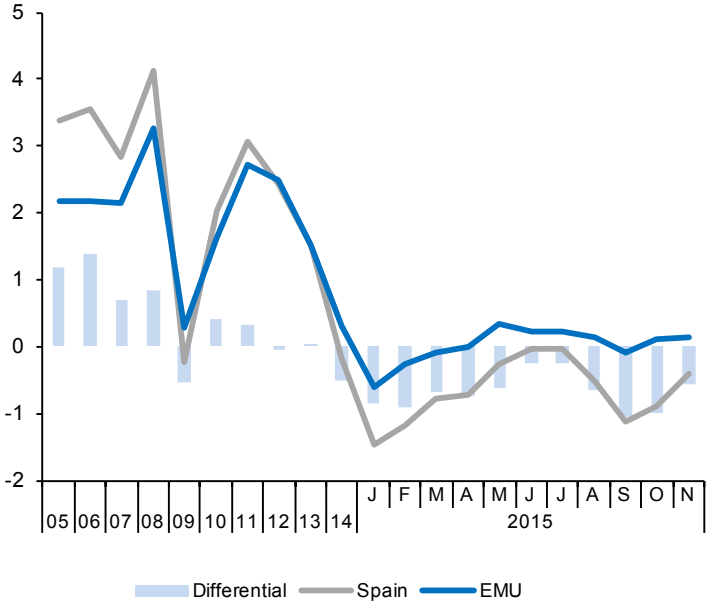


Table 21a

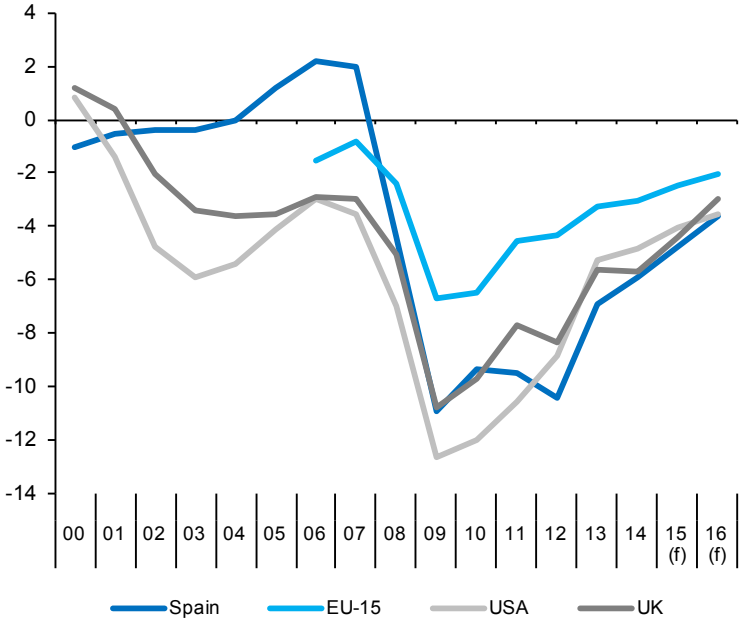
Imbalances: International comparison (I)

In blue: European Commission Forecasts

	Government net lending (+) or borrowing (-)				Government gross debt				Current Account Balance of Payments (National Accounts)			
	Spain	EU-15	USA	UK	Spain	EU-15	USA	UK	Spain	EU-15	USA	UK
Billions of national currency												
2005	11.2	--	-542.8	-47.0	393.5	NA	8,496.5	552.0	-70.3	44.5	-737.7	-16.6
2006	22.1	-171.8	-410.6	-41.0	392.2	7,056.8	8,817.7	597.1	-90.7	27.1	-802.2	-32.3
2007	21.6	-100.6	-512.5	-44.5	383.8	7,135.1	9,267.3	646.2	-104.1	25.3	-718.1	-37.3
2008	-49.4	-285.3	-1,030.1	-76.9	439.8	7,572.7	10,720.2	786.3	-102.9	-80.8	-691.6	-55.2
2009	-118.2	-756.9	-1,824.2	-160.1	568.7	8,532.1	12,406.4	975.5	-46.5	13.6	-381.9	-45.2
2010	-101.4	-760.2	-1,793.9	-150.9	649.3	9,580.4	14,179.9	1,190.9	-42.0	33.5	-445.9	-43.5
2011	-101.3	-547.2	-1,644.6	-124.9	743.5	10,258.9	15,379.1	1,324.2	-35.3	72.3	-481.5	-27.4
2012	-108.9	-536.4	-1,424.2	-138.6	890.7	10,893.7	16,548.9	1,421.1	-4.6	160.1	-468.2	-54.7
2013	-71.2	-409.5	-881.9	-98.1	966.0	11,242.5	17,340.8	1,496.2	15.2	198.6	-395.8	-77.9
2014	-61.3	-386.6	-842.2	-103.5	1,033.7	11,788.4	18,249.8	1,602.4	10.3	224.7	-401.1	-92.9
2015	-51.2	-334.7	-726.4	-83.0	1,088.3	12,222.0	18,936.2	1,665.8	15.2	318.3	-418.6	-82.0
2016	-40.3	-279.4	-666.6	-58.7	1,134.2	12,487.4	19,702.7	1,727.9	14.7	326.7	-454.2	-76.8
Percentage of GDP												
2005	1.2	NA	-4.1	-3.5	42.3	NA	64.9	41.5	-7.6	0.4	-5.6	-1.2
2006	2.2	-1.5	-3.0	-2.9	38.9	62.0	63.6	42.4	-9.0	0.2	-5.8	-2.3
2007	2.0	-0.8	-3.5	-3.0	35.5	59.6	64.0	43.5	-9.6	0.2	-5.0	-2.5
2008	-4.4	-2.4	-7.0	-5.1	39.4	63.5	72.8	51.7	-9.2	-0.7	-4.7	-3.6
2009	-11.0	-6.7	-12.7	-10.8	52.7	75.4	86.0	65.7	-4.3	0.1	-2.6	-3.0
2010	-9.4	-6.5	-12.0	-9.7	60.1	81.3	94.8	76.6	-3.9	0.3	-3.0	-2.8
2011	-9.5	-4.5	-10.6	-7.7	69.5	84.7	99.1	81.8	-3.3	0.6	-3.1	-1.7
2012	-10.4	-4.3	-8.8	-8.3	85.4	88.2	102.4	85.3	-0.4	1.3	-2.9	-3.3
2013	-6.9	-3.3	-5.3	-5.7	93.7	90.3	104.1	86.2	1.5	1.6	-2.4	-4.5
2014	-5.9	-3.0	-4.9	-5.7	99.3	91.9	105.2	88.2	1.0	1.8	-2.3	-5.1
2015	-4.7	-2.5	-4.0	-4.4	100.8	90.9	105.3	88.3	1.4	2.4	-2.3	-4.3
2016	-3.6	-2.0	-3.5	-3.0	101.3	90.2	104.4	88.0	1.3	2.4	-2.4	-3.9

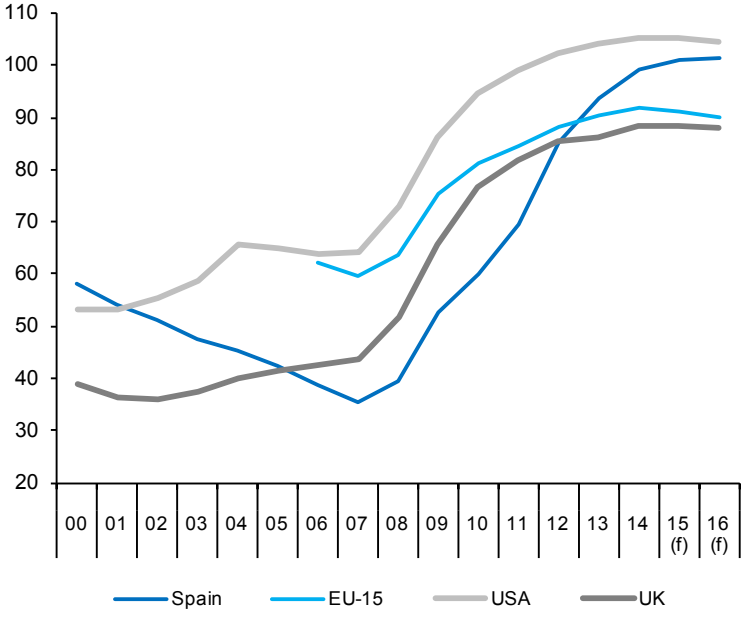
Source: European Commission.

Chart 21a.1.- Government deficit
Percentage of GDP



(f) European Commission forecast.

Chart 21a.2.- Government gross debt
Percentage of GDP



(f) European Commission forecast.

Table 21b

Imbalances: International comparison (II)

	Household debt (a)				Non-financial corporations debt (a)				Financial corporations debt (a)			
	Spain	EMU-19	USA	UK	Spain	EMU-19	USA	UK	Spain	EMU-19	USA	UK
Billions of national currency												
2005	653.5	4,710.5	11,953.6	1,189.8	925.0	7,668.9	8,166.4	1,121.7	541.5	8,325.8	13,721.0	2,381.7
2006	780.7	5,117.6	13,238.1	1,310.9	1,158.8	8,312.1	8,990.7	1,219.6	771.2	9,212.2	15,124.7	2,619.8
2007	876.6	5,483.4	14,156.6	1,426.4	1,344.5	9,131.2	10,111.4	1,299.9	1,000.0	10,426.3	17,303.5	3,125.7
2008	914.0	5,746.0	14,015.0	1,477.0	1,422.6	9,780.8	10,687.1	1,500.7	1,068.0	11,435.1	18,003.2	3,614.5
2009	906.2	5,888.2	13,762.5	1,473.8	1,406.1	9,722.7	10,136.2	1,434.2	1,147.5	11,924.4	16,537.3	3,593.5
2010	902.5	6,023.1	13,508.6	1,476.9	1,429.4	10,006.8	9,964.0	1,401.7	1,141.4	12,120.3	15,297.6	3,728.5
2011	875.2	6,121.0	13,296.6	1,486.7	1,415.7	10,191.3	10,254.4	1,423.8	1,153.8	12,702.9	14,901.6	3,645.7
2012	838.2	6,202.5	13,354.7	1,509.2	1,310.4	10,331.0	10,781.2	1,486.9	1,182.1	13,075.1	14,700.1	3,707.4
2013	790.8	6,149.7	13,502.0	1,525.5	1,235.3	10,264.5	11,304.7	1,374.8	992.9	12,235.3	14,907.9	3,586.3
2014	754.0	6,185.5	13,875.4	1,567.0	1,167.7	10,624.1	12,004.7	1,396.9	922.9	12,675.7	15,231.9	3,672.1
2015 Q3 (b)	734.2	6,182.2	14,101.5	1,574.6	1,147.2	10,903.9	12,621.4	1,371.2	872.7	12,649.0	15,348.5	3,649.3
Percentage of GDP												
2005	70.2	55.7	91.3	89.4	99.4	90.6	62.4	84.3	58.2	98.4	104.8	179.0
2006	77.5	57.5	95.5	93.2	115.0	93.3	64.9	86.7	76.5	103.5	109.2	186.2
2007	81.1	58.3	97.8	96.1	124.4	97.1	69.8	87.6	92.5	110.9	119.5	210.6
2008	81.9	59.6	95.2	97.2	127.5	101.5	72.6	98.8	95.7	118.7	122.3	237.9
2009	84.0	63.4	95.4	99.2	130.3	104.7	70.3	96.5	106.3	128.4	114.7	241.9
2010	83.5	63.1	90.3	94.9	132.2	104.8	66.6	90.1	105.6	127.0	102.2	239.7
2011	81.8	62.5	85.7	91.8	132.3	104.0	66.1	87.9	107.8	129.6	96.0	225.1
2012	80.4	63.1	82.7	90.6	125.6	105.0	66.7	89.3	113.4	132.9	91.0	222.6
2013	76.7	61.9	81.0	87.9	119.8	103.3	67.8	79.2	96.3	123.2	89.5	206.7
2014	72.4	61.2	80.0	86.3	112.2	105.1	69.2	76.9	88.6	125.4	87.8	202.2
2015 Q3 (b)	68.0	59.6	78.4	83.5	106.3	105.1	70.2	72.7	80.9	121.9	85.4	--

(a) Loans and securities other than shares, excluding financial derivatives. (b) EMU-19 and United Kingdom: First quarter 2015.

Sources: Eurostat, European Central Bank and Federal Reserve.

Chart 21b.1.- Household debt
Percentage of GDP

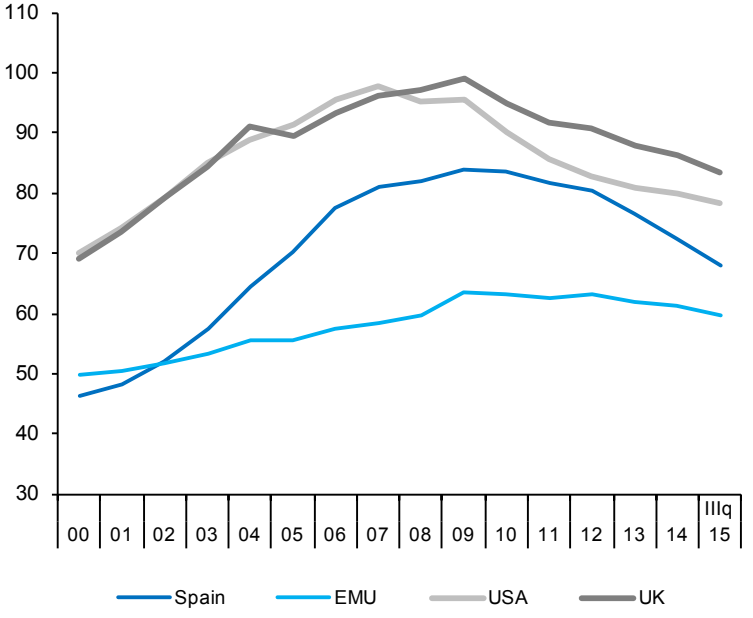
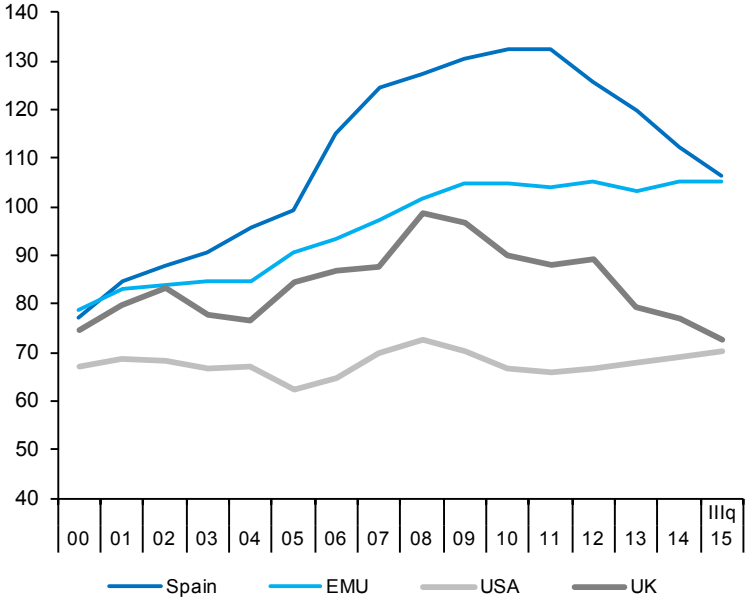


Chart 21b.2.- Non-financial corporations debt
Percentage of GDP



KEY FACTS: 50 FINANCIAL SYSTEM INDICATORS – Funcas

Updated: January 15th, 2016

Highlights

Indicator	Last value available	Corresponding to:
Bank lending to other resident sectors (monthly average % var.)	-0.5	Oct-15
Other resident sectors' deposits in credit institutions (monthly average % var.)	-0.5	Oct-15
Doubtful loans (monthly % var.)	-1.4	Oct-15
Recourse to the Eurosystem (Eurozone financial institutions, million euros)	354,833	Dec-15
Recourse to the Eurosystem (Spanish financial institutions, million euros)	132,934	Dec-15
Recourse to the Eurosystem (Spanish financial institutions million euros)- Main L/T refinancing operations	10,515	Dec-15
Operating expenses/gross operating income ratio (%)	49.02	Sep-15
Customer deposits/employees ratio (thousand euros)	6,174.30	Sep-15
Customer deposits/branches ratio (thousand euros)	40,263.86	Sep-15
Branches/institutions ratio	144.33	Sep-15

A. Money and interest rates

Indicator	Source:	Average 1999-2012	2013	2014	2015 December	2016 January	Definition and calculation
1. Monetary Supply (% chg.)	ECB	5.8	2.3	1.9	-	-	M3 aggregate change (non-stationary)
2. Three-month interbank interest rate	Bank of Spain	2.68	0.22	0.21	-0.13	-0.14	Daily data average
3. One-year Euribor interest rate (from 1994)	Bank of Spain	2.95	0.54	0.48	0.06	0.05	End-of-month data
4. Ten-year Treasury bonds interest rate (from 1998)	Bank of Spain	4.6	4.6	2.7	1.76	1.78	Market interest rate (not exclusively between account holders)
5. Corporate bonds average interest rate	Bank of Spain	4.6	3.9	2.3	2.33	-	End-of-month straight bonds average interest rate (> 2 years) in the AIAF market

Comment on "Money and Interest Rates:" The 3-month interbank rate has fallen to -0.14% and the 1-year Euribor has decreased to 0.05% in the first fortnight of January. The ECB has acknowledged inflation is growing slowly and has pointed to an extension of the current expansionary monetary policy, at least until the end of 2016. As for the Spanish 10-year bond yield, it has reached 1.78% in January from 1.76% in December.

B. Financial markets

Indicator	Source:	Average 1999-2012	2013	2014	2015 October	2015 November	Definition and calculation
6. Outright spot treasury bills transactions trade ratio	Bank of Spain	29.6	82.9	75.6	75.94	84.77	(Traded amount/ outstanding balance) x100 in the market (not exclusively between account holders)
7. Outright spot government bonds transactions trade ratio	Bank of Spain	78.9	61.2	73.2	61.12	61.59	(Traded amount/ outstanding balance) x100 in the market (not exclusively between account holders)
8. Outright forward treasury bills transactions trade ratio	Bank of Spain	0.7	1.8	2.6	0.48	0.35	(Traded amount/ outstanding balance) x100 in the market (not exclusively between account holders)
9. Outright forward government bonds transactions trade ratio	Bank of Spain	4.4	3.2	4.6	3.16	1.56	(Traded amount/ outstanding balance) in the market (not exclusively between account holders)
10. Three-month maturity treasury bills interest rate	Bank of Spain	2.4	0.2	0.1	0.1	-0.1	Outright transactions in the market (not exclusively between account holders)
11. Government bonds yield index (Dec1987=100)	Bank of Spain	565.2	846.3	1,037.9	1,072.04	1,071.47	Outright transactions in the market (not exclusively between account holders)
12. Madrid Stock Exchange Capitalization (monthly average % chg.)	Bank of Spain and Madrid Stock Exchange	0.4	2.3	0.6	8.03	0.9	Change in the total number of resident companies
13. Stock market trading volume. Stock trading volume (monthly average % var.)	Bank of Spain and Madrid Stock Exchange	4.2	6.9	7	26.8	-11.91	Stock market trading volume. Stock trading volume: change in total trading volume
14. Madrid Stock Exchange general index (Dec1985=100)	Bank of Spain and Madrid Stock Exchange	1,026.5	1,012.0	1,042.5	1,043.91	889.6[a]	Base 1985=100
15. Ibex-35 (Dec1989=3000)	Bank of Spain and Madrid Stock Exchange	9,864.50	8,715.6	10,528.8	10,360.7	8,787.7[a]	Base dec1989=3000
16. Madrid Stock Exchange PER ratio (share value/ profitability)	Bank of Spain and Madrid Stock Exchange	15.6	33.1	26.1	16.57	14.6[a]	Madrid Stock Exchange Ratio “share value/ capital profitability”

B. Financial markets (continued)

Indicator	Source:	Average 1999-2012	2013	2014	2015 October	2015 November	Definition and calculation
17. Long-term bonds. Stock trading volume (% chg.)	Bank of Spain and Madrid Stock Exchange	3.7	10.6	7.4	-71.08	302.31	Variation for all stocks
18. Commercial paper. Trading balance (% chg.)	Bank of Spain and AIAF	2.3	10.9	-1.3	-1.11	0.71	AIAF fixed-income market
19. Commercial paper. Three-month interest rate	Bank of Spain and AIAF	2.8	2.4	0.6	0.2	0.1	AIAF fixed-income market
20. IBEX-35 financial futures concluded transactions (% chg.)	Bank of Spain	0.7	6.4	4.3	-12.9	-2.4	IBEX-35 shares concluded transactions
21. IBEX-35 financial options concluded transactions (% chg.)	Bank of Spain	9	6.7	6.4	-34.9	-3.6	IBEX-35 shares concluded transactions

(a) Last data published: January 15th, 2016.

Comment on "Financial Markets:" During November, there was an increase in transactions with outright spot T-bills and of spot government bonds transactions, which stood at 84.8% and 61.6%, respectively. The stock market keeps on falling, with the IBEX-35 down to 8,788 points, and the General Index of the Madrid Stock Exchange to 890. Additionally, there was a decrease of 2.4% in financial IBEX-35 futures transactions and of 3.6% in transactions with IBEX-35 financial options.

C. Financial Savings and Debt

Indicator	Source:	Average 2007-2012	2013	2014	2015 Q 1	2015 Q 2	Definition and calculation
22. Net Financial Savings/GDP (National Economy)	Bank of Spain	-5.3	2.1	1.0	1.2	1.6	Difference between financial assets and financial liabilities flows over GDP
23. Net Financial Savings/GDP (Households and non-profit institutions)	Bank of Spain	0.7	3.7	3.1	4.0	3.5	Difference between financial assets and financial liabilities flows over GDP
24. Debt in securities (other than shares) and loans/GDP (National Economy)	Bank of Spain	276.4	315.4	319.1	314.3	306.7	Public debt, non-financial companies debt and households and non-profit institutions debt over GDP

C. Financial Savings and Debt (continued)

Indicator	Source:	Average 2007-2012	2013	2014	2015 Q 1	2015 Q 2	Definition and calculation
25. Debt in securities (other than shares) and loans/GDP (Households and non-profit institutions)	Bank of Spain	82.1	76.7	72.4	71.1	70.6	Households and non-profit institutions debt over GDP
26. Households and non-profit institutions balance: financial assets (quarterly average % chg.)	Bank of Spain	1.9	6.8	4.8	3.5	0.2	Total assets percentage change (financial balance)
27. Households and non-profit institutions balance: financial liabilities (quarterly average % chg.)	Bank of Spain	3.5	-5.3	-3.8	-0.8	0.1	Total liabilities percentage change (financial balance)

Comment on "Financial Savings and Debt:" During 2015Q2, there was an increase in financial savings to GDP in the overall economy of 1.6%. There was a fall in the financial savings rate of households from 4% in 2015Q1 to 3.5% in 2015Q2. The debt to GDP ratio fell to 70.6% from 71.1% in the same period. Finally, the stock of financial assets on households' balance sheets registered a growth of 0.2%, while there was a 0.1% increase in the stock of financial liabilities.

D. Credit institutions. Business Development

Indicator	Source:	Average 1999-2012	2013	2014	2015 September	2015 October	Definition and calculation
28. Bank lending to other resident sectors (monthly average % var.)	Bank of Spain	10.8	-9.5	-4.6	0.6	-0.5	Lending to the private sector percentage change for the sum of banks, savings banks and credit unions
29. Other resident sectors' deposits in credit institutions (monthly average % var.)	Bank of Spain	9.9	1.3	-1.5	-0.1	-0.5	Deposits percentage change for the sum of banks, savings banks and credit unions
30. Debt securities (monthly average % var.)	Bank of Spain	11.3	-5.1	1.2	0.5	0.1	Asset-side debt securities percentage change for the sum of banks, savings banks and credit unions
31. Shares and equity (monthly average % var.)	Bank of Spain	15.5	8.9	-6.8	-1	1.2	Asset-side equity and shares percentage change for the sum of banks, savings banks and credit unions
32. Credit institutions. Net position (difference between assets from credit institutions and liabilities with credit institutions) (% of total assets)	Bank of Spain	-1.3	-5.9	-5.9	-5.9	-5.8	Difference between the asset-side and liability-side "Credit System" item as a proxy of the net position in the interbank market (month-end)

D. Credit institutions. Business Development (continued)

Indicator	Source:	Average 1999-2012	2013	2014	2015 September	2015 October	Definition and calculation
33. Doubtful loans (monthly average % var.)	Bank of Spain	37.9	17.8	-12.7	-2.1	-1.4	Doubtful loans. Percentage change for the sum of banks, savings banks and credit unions.
34. Assets sold under repurchase (monthly average % var.)	Bank of Spain	-2.1	6.5	-6.1	18.2	-3.9	Liability-side assets sold under repurchase. Percentage change for the sum of banks, savings banks and credit unions.
35. Equity capital (monthly average % var.)	Bank of Spain	10.1	19.6	-1.1	-0.2	1	Equity percentage change for the sum of banks, savings banks and credit unions.

Comment on "Credit institutions. Business Development:" The latest available data as of October 2015 show a decrease in bank credit to the private sector and in financial institutions deposit-taking from the previous month of 0.5% in both cases. Holdings of debt securities grew by 0.1%, while shares and equity increased by 1.2%. Also, doubtful loans decreased 1.4% compared to the previous month.

E. Credit institutions. Market Structure and Eurosystem Refinancing

Indicator	Source:	Average 2000-2012	2013	2014	2015 June	2015 September	Definition and calculation
36. Number of Spanish credit institutions	Bank of Spain	206	155	138	133	135	Total number of banks, savings banks and credit unions operating in Spanish territory
37. Number of foreign credit institutions operating in Spain	Bank of Spain	64	86	86	83	81	Total number of foreign credit institutions operating in Spanish territory
38. Number of employees	Bank of Spain	249,001	212,998	203,305	-	-	Total number of employees in the banking sector
39. Number of branches	Bank of Spain	40,630	33,527	31,999	31,412	31,176	Total number of branches in the banking sector
40. Recourse to the Eurosystem (total Eurozone financial institutions) (Euro millions)	Bank of Spain	373,328	665,849	506,285	411,245	354,833 [(a)]	Open market operations and ECB standing facilities. Eurozone total
41. Recourse to the Eurosystem (total Spanish financial institutions) (Euro millions)	Bank of Spain	41,806	201,865	141,338	132,123	132,934 [(a)]	Open market operations and ECB standing facilities. Spain total

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

Indicator	Source:	Average 2000-2012	2013	2014	2015 June	2015 September	Definition and calculation
42. Recourse to the Eurosystem (total Spanish financial institutions): main long term refinancing operations (Euro millions)	Bank of Spain	21,288	19,833	21,115	27,164	10,515[(a)]	Open market operations: main long term refinancing operations. Spain total

(a) Last data published: December 2015.

Comment on "Credit institutions. Market Structure and Eurosystem Refinancing:" In December 2015, recourse to Eurosystem funding by Spanish credit institutions accounted for 35.5% of net total funds borrowed from the ECB by the Eurozone. This means a 2.74 billion euro decrease in the recourse to the Eurosystem by Spanish banks from November.

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

Indicator	Source:	Average 2000-2012	2013	2014	2015 June	2015 September	Definition and calculation
43. "Operating expenses/gross operating income" ratio	Bank of Spain	52.27	48.25	47.27	48.47	49.02	Operational efficiency indicator. Numerator and denominator are obtained directly from credit institutions´ P&L accounts
44. "Customer deposits/ employees" ratio (Euro thousands)	Bank of Spain	2,899.17	5,426,09	5,892.09	5,615.85	6,174.30	Productivity indicator (business by employee)
45. "Customer deposits/ branches" ratio (Euro thousands)	Bank of Spain	20,102.13	34,472.09	40,119.97	36,139.85	40,263.86	Productivity indicator (business by branch)
46. "Branches/ institutions" ratio	Bank of Spain	199.04	216.3	142.85	146.26	144.33	Network expansion indicator
47. "Employees/ branches" ratio	Bank of Spain	6.1	6.3	6.8	6.47	6.52	Branch size indicator
48. Equity capital (monthly average % var.)	Bank of Spain	0.12	0.16	0.07	0.17	0.26	Credit institutions equity capital variation indicator
49. ROA	Bank of Spain	0.75	0.13	0.49	0.47	0.47	Profitability indicator, defined as the "pre-tax profit/average total assets"
50. ROE	Bank of Spain	11.2	1.88	6.46	5.93	5.91	Profitability indicator, defined as the "pre-tax profit/equity capital"

Comment on "Credit institutions. Efficiency and Productivity, Risk and Profitability:" In September 2015, most of the profitability and efficiency indicators improved for Spanish banks. Productivity indicators have also improved since the restructuring process of the Spanish banking sector was implemented.

Orders and information:

Funcas
Caballero de Gracia, 28
28013 Madrid
Spain
Phone: 91 596 54 81
Fax: 91 596 57 96
publica@funcas.es
www.funcas.es