

INTRODUCTION

The Newsletter is designed as a regular complement to the Investor Presentation, which is published on a monthly basis.

This second issue focuses on the GDP series released last Thursday by the National Statistics Institute. Broad-based growth spurred by investment and private consumption are a result of improving unemployment figures. As a consequence tax bases are improving.

A three-page section is dedicated to provide some insight on the main figures around Spain's seventeen Autonomous Communities and the two financing instruments which were put in place in 2012, together with the reform of the Public Administrations.

The electronic version contains hyperlinks to sources and additional material. Please do not hesitate to contact the Spanish Treasury Team if you wish to unsubscribe from this Newsletter's distribution list.

Index	Page
Recent Indicators	1
Quarterly National Accounts.....	2
Funding of the Spanish Treasury.....	3
Focus on Regions I.....	4
Focus on Regions II.....	5
Focus on Regions III.....	6
Data Release Calendar.....	7
Disclaimer.....	8

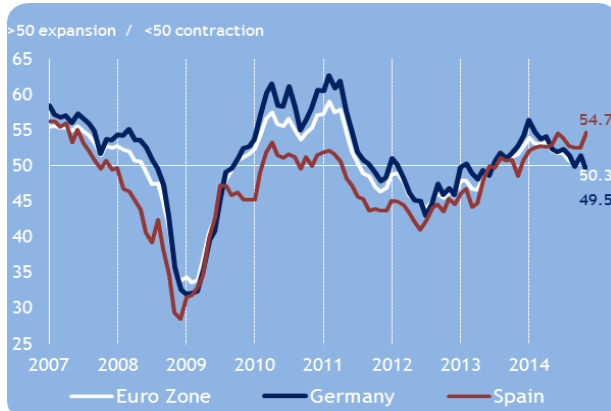
Related Documents

- [Tesoro Público. Investors Presentation](#)
- [Quarterly National Accounts. 2014Q3](#)
- [Yellow Book. Draft Budget Law 2015](#)
- [Spain: Draft Budgetary Plan](#)
- [Presentation of the Budget](#)
- [Reform of the Active Labour Market Policy Framework](#)
- [Royal Decree-Law on measures on refinancing and restructuring of corporate debt](#)

RECENT INDICATORS

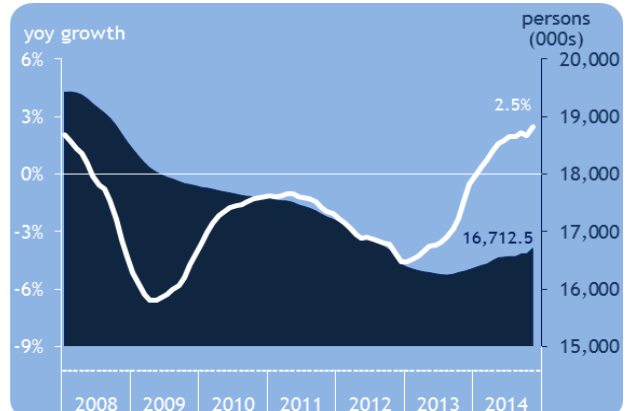
Manufacturing PMI

Spain's November manufacturing PMI index (54.7) continued its ascent and confirms its expansionary momentum despite some evidence of a Eurozone slowdown.



Social Security Affiliation (Seasonally adjusted)

Social Security affiliations increased by 2.5% yoy in November (an estimated seasonally-adjusted monthly increase of 95.000 people), continuing the trend observed since early 2013. In the last 12 months, total affiliations have increased by more than 400.000 people.



In Q3 the Spanish economy grew at a rate of +1.6% yoy (+1.3% in Q2). National demand contributed 2.5pp, external demand fell to -0.9pp.

Supply Side: pushing forward and expanding the tax base

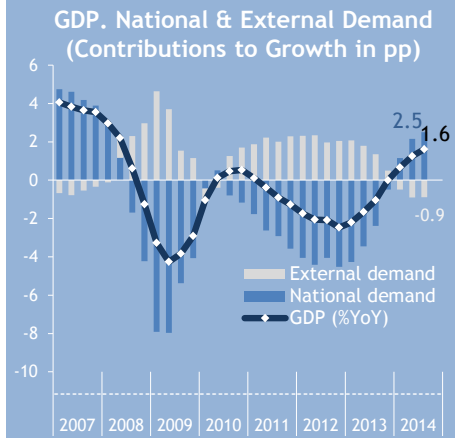
- Gross Value Added led by Services, Industry and Agriculture. Spain's economy is increasingly services-based vs.1995.
- Taxes on products relatively uncorrelated with the GDP deflator. Volume effects rather than price effects.

Demand Side: investment and consumption gather steam

- Private consumption growth reflects employment creation.
- Investment led by capital goods, especially in transport sector.
- Exports of goods & services growing at 4.6% yoy.

Employment: improved capacity utilisation.

- Employment grew at 1.4% yoy, expanding by 221.000 jobs in the last four quarters.
- Led by Services and Industry.

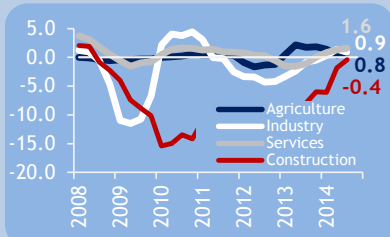


Source: National Statistics Institute.

MAIN AGGREGATES (Click on individual figures to enlarge)

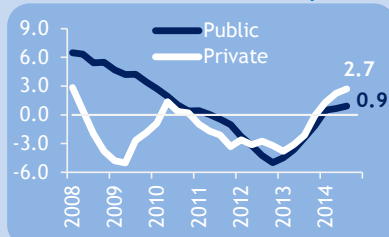
Supply-Side (yoy)

Gross Value Added



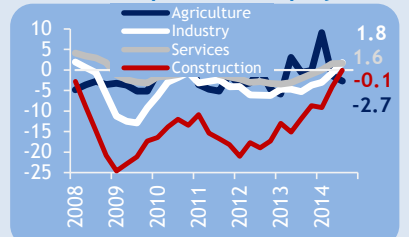
Demand-Side (yoy)

Private & Public Consumption

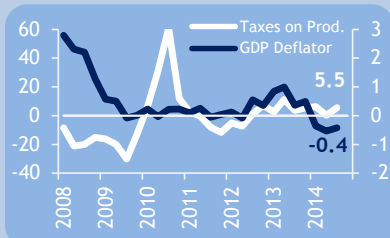


Employment (yoy)

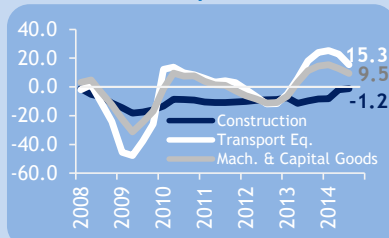
Full-Time Equivalent Employment



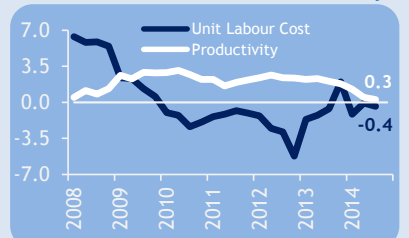
Net Taxes on Products vs. Deflator



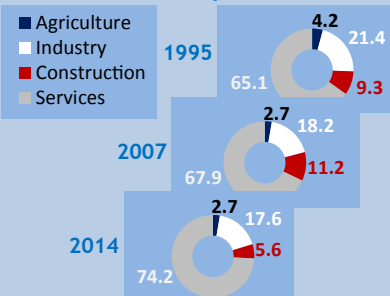
Gross Fixed Capital Formation



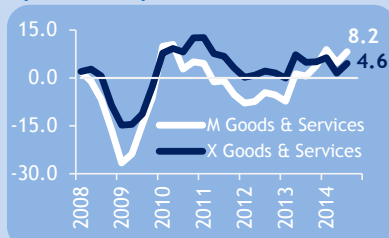
Unit Labour Costs & Productivity



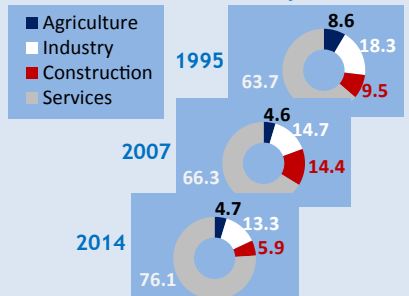
% of GVA by Sector



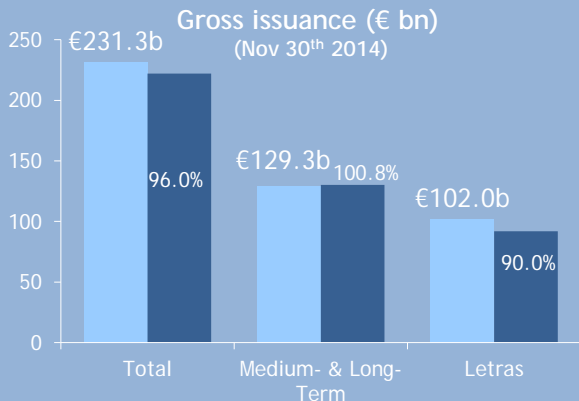
Exports & Imports. Goods & Services



% of Hours Worked by Sector



Source: National Statistics Institute.

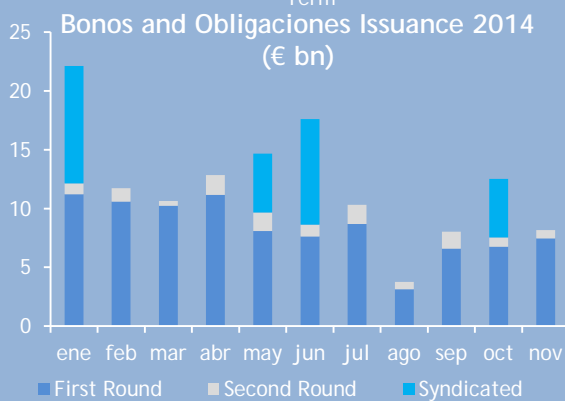


In line with the fiscal consolidation strategy for 2014, net issuance in the Treasury's Funding Programme for 2014 was revised downwards by €10 bn.

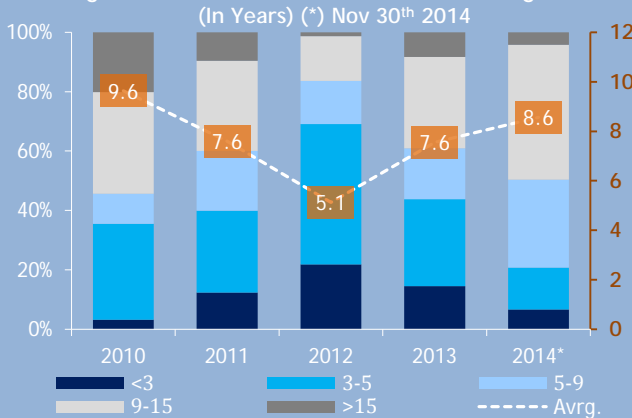
Up to November 30th the Spanish Treasury has funded €130.3 bn, a 100.8% of the expected amount of the regular medium- and long-term gross issuance, and €91.8 bn, a 90% of its short-term programme.

In 2014 the Spanish Treasury has launched its Euro Area inflation-linked bond programme, which accounts for €12.4 bn, around 9.5% of its total medium- and long-term issuance so far.

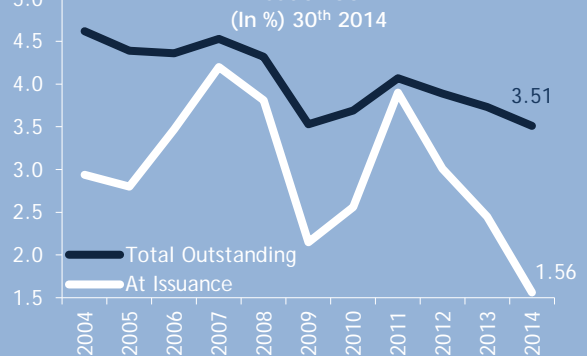
Including Letras, the Spanish Treasury has issued €222.1 bn.



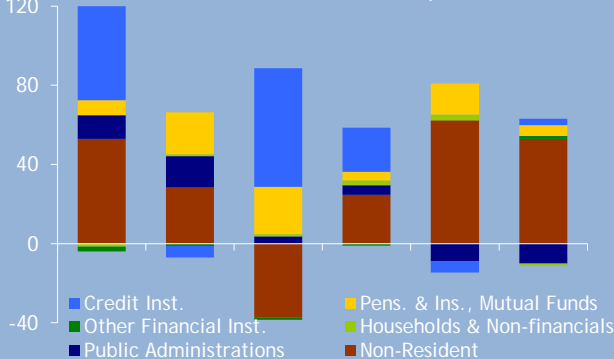
Marginal Life at Issuance. Bonos & Obligaciones



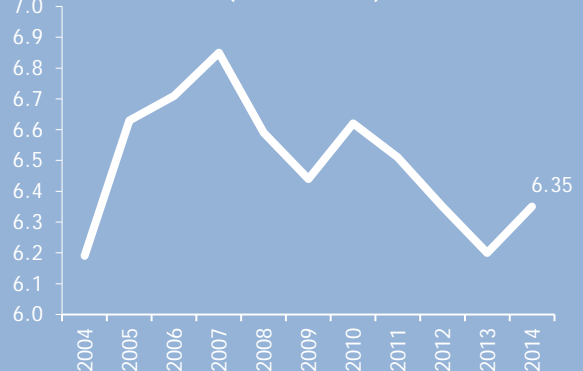
Cost of Debt Outstanding and Cost at Issuance



YoY Change in Holdings by Investor (€ bn) (*) 2014: October 2013 to September 2014



Average Life of Debt (years) (Nov 30th 2014)



POLITICAL ORGANISATION

According to the Spanish Constitution (Article 137) the Kingdom of Spain is organised territorially into municipalities, provinces and Self-governing Communities. There are 17 Autonomous Communities and 8,119 municipalities.

FINANCING SYSTEM AND REGIONS' RESPONSABILITIES

- A highly devolved system of regional and local competencies, more than elsewhere in Europe.
- Together with the resources provided by the Regional Financing System, regions have access to region-specific taxes, transfers from the General State Budgets, EU Funds...
- Since 2012 two auxiliary Funds were established by the Central Government → FLA and FFPP

	Spain	Austria	Germany	Italy	Italy	France	Belgium
	17 Autonomous Communities	9 Bundesländer	16 Bundesländer	5 Special Statute Regions	15 Regions Ordinary Statute	26 Regions	3 Regions 2 Com. Ling
Education	✓	✓	✓	✓		✓	✓
Health	✓	✓	✓	✓	✓		✓
Transport	✓	✓	✓	✓	✓	✓	
Economy	✓	✓	✓	✓	✓	✓	
Justice	✓	✓	✓				
Universities	✓		✓				
Police	✓		✓				
Infrastructures	✓	✓	✓	✓			
Environment	✓	✓		✓		✓	
Housing	✓	✓		✓	✓		
Local Entities	✓	✓		✓			
Culture	✓					✓	✓
Tourism	✓					✓	
Employment	✓					✓	
Social Services	✓						

	Revenues equalisation	Bailout or State explicit guarantee	Central Government authorization debt	Domestic Stability Pact	Borrowing limits by law	Debt for Public Investment
Germany	Yes. 98%	No	No	Yes	No	Yes
France	No	No	No	No	Yes	Yes
Spain	Yes	No	Yes	Yes	Yes	Yes
Austria	Yes	No	N/A	Yes	N/A	N/A
Belgium	Yes	No	Yes	Yes	No	No
Italy	No	No	Yes	Yes	Yes	Yes

In 2012, when financial markets were closed for many Spanish Regions, the central government committed to provide liquidity to the Regional Autonomous and Local governments. Two funds were created for this purpose:

FFPP (Fondo para la Financiación de los Pagos a Proveedores)

“Fund to Finance Supplier Payments” aimed at paying the territorial administrations (both regions and municipalities) for outstanding invoices and, hence, regularising the arrears. This Fund has been extinguished in July 2014. The outstanding debt has been assumed by the Spanish Treasury.

- Since the FFPP was set up as a Special Purpose Vehicle in May 2012:
 - almost €42bn have been paid out in past-due receipts in three phases in 2012, 2013 and 2014 (€30.5bn to regions and €11.3bn to municipalities).
 - with more than eight million bills from more than 190,000 suppliers being settled.
- All the Autonomous Communities bar Galicia, the Basque Country and Navarre have used the FFPP.
- The FFPP raised money from capital markets and lent it to Autonomous Communities and Municipalities in loans with a long maturity.
- Organic law on commercial debt control in the public sector: average payment period (30 days).
- Several debtors of the FFPP (both regions and municipalities) have already returned the money the FFPP.

FLA (Fondo de Liquidez Autonómico)

“Regional Liquidity Fund” created to provide to Spanish Regions the needed liquidity to cover redemptions in capital markets as well as the authorised deficit.

- The FLA was designed to enable the centralisation of public debt issuance in Spain, to provide liquidity to the regions and to ensure their financial sustainability, with significant reductions in their costs.
- Regions which have joined the FLA are subject to:
 - fiscal conditionality;
 - financial conditionality ruled by the “Resolution of Financial Prudence” which forbids the FLA Regions to tap the capital markets and sets a limit of the financial cost of the financing (Spanish Treasury +75 bps)
- Participation is voluntary: 9 Autonomous Communities have joined the FLA (Andalusia, Asturias, Balearic Islands, Cantabria, Canary Islands, Castile-La Mancha, Catalonia, Murcia Region and Valencia Region).
- FLA covers redemptions in capital markets as well as the authorised deficit, paying directly to the supplier or bondholder.
- Autonomous Communities get their funds in a long term loan with favourable financial conditions.

Autonomous Community	FLA (€ mn) (2012-2014f)	FFPP (€ mn)
Andalusia	11,197	4,956
Asturias	783	243
Balearic Islands	2,337	1,344
Canary Islands	2,499	315
Cantabria	728	327
Castile - La Mancha	3,425	4,026
Catalonia	24,734	6,556
Murcia	2,278	1,791
Valencia	12,102	7,586
Aragon		513
Castile and Leon		1,052
Extremadura		392
Galicia		0
La Rioja		71
Madrid		1,347
TOTAL	60,084	30,518

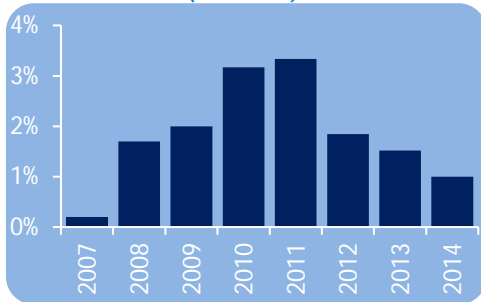
POLITICAL ORGANISATION

Despite the economic crisis most of the Autonomous Communities have met their fiscal targets. All of them have substantially reduced their fiscal deficits. Public debt is stabilising.

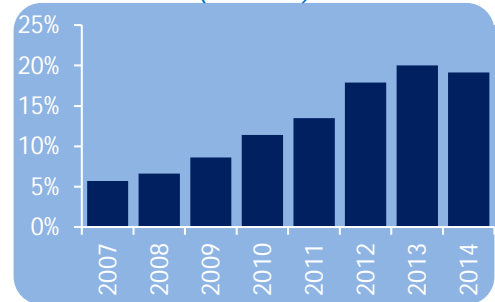
	Deficit			Reduction 2011-2013	Deficit target			
	2011	2012	2013		2012	2013	2014	2015
Andalusia	3.3	2.1	1.5	1.8		1.6		
Aragon	2.6	1.6	2.2	0.5		1.3		
Asturias	3.5	1.0	1.0	2.5		1.1		
Balearic Islands	4.3	1.9	1.2	3.0		1.5		
Basque Country	2.7	1.4	1.1	1.5		1.2		
Canary Islands	1.5	1.1	1.0	0.5		1.2		
Cantabria	3.6	1.8	1.2	2.4		1.1		
Castile and Leon	2.6	1.4	1.2	1.5		1.3		
Castile-La Mancha	7.8	1.3	2.1	5.7	1.5	1.3	1.0	0.7
Catalonia	4.1	2.2	2.0	2.2		1.6		
Extremadura	4.6	1.0	0.9	3.8		1.0		
Galicia	2.2	1.3	1.1	1.0		1.2		
La Rioja	1.4	1.1	1.0	0.4		1.1		
Madrid	1.9	1.1	1.0	0.9		1.1		
Murcia	4.6	3.2	3.1	1.4		1.6		
Navarra	3.0	1.7	1.4	1.6		1.2		
Valencia	4.9	3.7	2.2	2.7		1.6		

2011 adjusted for negative settlements of the Regional Financing System

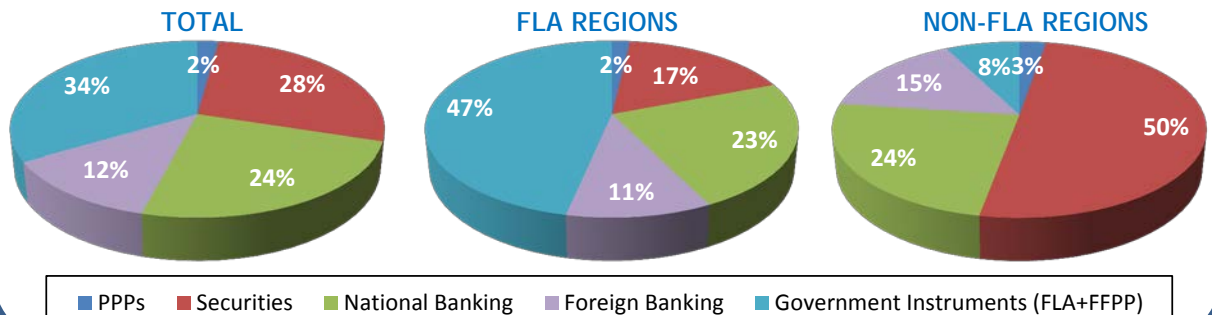
Deficit of Regional Governments
(% of GDP)



Debt of Regional Governments
(% of GDP)



REGIONAL DEBT BY INSTRUMENTS



September

October

November

December

National Accounts

ESA-2010	25/Sep (1995-2013)			Accounting Tables
Quarterly National Accounts			27/Nov (Q3/14)	
Quarterly National Accounts (Flash)		30/Oct (Q3/14)		
Quarterly Non-Financial Accounts		16/Oct (Q2/14)		
Quarterly Financial Accounts		15/Oct (Q2/14)		

Deficit and Debt

Consolidated Deficit. Excl. Local Gov.	30/Sep (Jun & Jul/14)	28/Oct (Aug/14)	28/Nov (Sep/14)	28/Dec (Oct/14)
Deficit of the Public Administrations	30/Sep (Q2/14)		27/Nov (Q3/14)	
Tax Collection	30/Sep (Aug/14)	28/Oct (Sep/14)	25/Nov (Oct/14)	23/Dec (Nov/14)
EDP Debt	12/Sep (Q2/14)			12/Dec (Q3/14)

Labour Market

Labour Force Survey		23/Oct (Q3/14)		
Economically Active Population Flow		23/Oct (Q3/14)		
Harmonised Labour Cost Index	10/Sep (Q2/14)			10/Dec (Q3/14)
Social Security Affiliation	2/Sep (Aug/14)	2/Oct (Sept/14)	4/Nov (Oct/14)	2/Dec (Nov/14)
Unemployment	2/Sep (Aug/14)	2/Oct (Sept/14)	4/Nov (Oct/14)	2/Dec (Nov/14)

Industry and Services

Industrial production Index	10/Sep (Jul/14)	8/Oct (Aug/14)	7/Nov (Sep/14)	5/Dec (Oct/14)
Services Sector Activity Indicators	18/Sep (Jul/14)	17/Oct (Aug/14)	14/Nov (Sep/14)	19/Dec (Oct/14)
Industrial New Orders	18/Sep (Jul/14)	17/Oct (Aug/14)	14/Nov (Sep/14)	19/Dec (Oct/14)
Industry Turnover Index	18/Sep (Jul/14)	17/Oct (Aug/14)	14/Nov (Sep/14)	19/Dec (Oct/14)

External Sector

Balance of Payments (Monthly)		15 & 31/Oct (Jul & Aug/14)	28/Nov (Sep/14)	30/Dec (Oct/14)
Balance of Payments (Quarterly)		15/Oct (Q2/14)		30/Dec (Q3/14)
International Investment Position			27/Nov (Q3/14)	
Merchandise Exports	17/Sep (Jul/14)	15/Oct (Aug/14)	17/Nov (Sep/14)	17/Dec (Oct/14)

Links to complete calendars:



DISCLAIMER

This material has been prepared by the Spanish Treasury and is updated on a regular basis. We reserve all rights.

This document is for information purposes only. Nothing in this material constitutes, or forms part of, any offer or invitation to underwrite, subscribe or otherwise acquire or dispose of Spanish Government debt. It is provided for information purposes only and it is not intended to provide the basis for any credit or any other third party evaluation of that debt. While the Spanish Treasury applies its best efforts to include accurate information and the information herein is believed to be reliable, it makes no representation or warranty as to the accuracy or completeness of such information.

Distribution of information contained in this presentation material may be forbidden or limited by legislation of some jurisdictions. ACCESS IS DENIED TO PERSONS TO WHOM THESE RESTRICTIONS IN SUCH JURISDICTIONS APPLY AND GRANTED ONLY TO JURISDICTIONS IN WHICH THE DISTRIBUTION OF THIS INFORMATION IS NOT LEGALLY LIMITED.

The information contained does not constitute an offer for sale in the United States of America. The securities described have not been, and will not be, registered under the US Securities Act of 1933, as amended, or with any securities regulatory authority of any state or other jurisdiction in the United States of America and may not be offered or sold, directly or indirectly, into the United States of America unless the securities are so registered or an exemption from the registration requirements is available.

Each person is required to inform himself accordingly and to comply with applicable restrictions. The Treasury of the Kingdom of Spain is by no means liable for any such infringement.

As a consequence of the previous information, you confirm that you are not a resident of the United States of America or of any jurisdiction in which the distribution of this information is legally limited and that you will not distribute any of the information contained hereon to any person resident in the United States of America or in any jurisdiction in which the distribution of this information is legally limited. None of the information displayed or in connection with this material is an offer of securities for sales in the United States of America.

Contacts

Rosa María Sánchez-Yebra Alonso - General Secretary of the Treasury and Financial Policy
SecretariaGeneral@tesoro.mineco.es

José María Fernández Rodríguez - Director General of the Treasury
directortesoro@tesoro.mineco.es

Pablo de Ramón-Laca - Deputy Director, Head of Funding and Debt Management
SecretariaDeuda@tesoro.mineco.es

Leandro Navarro - Chief Economist, Funding and Debt Management
lnavarro@tesoro.mineco.es

José Miguel Ramos
jmramos@tesoro.mineco.es

For more information please contact:
Phone: 34 91 209 95 29/30/31/32
Reuters: TESORO
Bloomberg: TESO
Internet: www.tesoro.es