February 2019

SPANISH ECONOMY REPORT

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MINISTERIO DE ECONOMÍA Y EMPRESA

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RECENT EVOLUTION OF THE ECONOMIC INDICATORS

Financial markets

The financial markets evolution in February has been conditioned by the expectations of a "patient and flexible" monetary policy normalisation by the Federal Reserve (Fed) and the approval of a new round of loans by the European Central Bank (ECB), in light of the global economy slowdown outlook, as well as the progress of trade negotiations between the United States and China and the uncertainty regarding Brexit. In this context, public debt yields have registered a mixed performance, stock indices have continued to rise and the euro has depreciated against the dollar.

The ECB delays future interest rate increases and announces new long-term financing operations (TLTRO-III)

The Governing Council of ECB, on its meeting held on 7th March, decided to maintain the interest rates on the main financing operations, the marginal lending facility and the deposit facility unchanged at 0.00%, 0.25% and -0.40%, respectively. The Governing Council now expects the key ECB interest rates to remain at their current levels at least until the end of 2019 and, in any case, during the time necessary to ensure the continuation of the sustained convergence of inflation towards lower levels, although close to 2% in the mid-term.

Moreover, the Governing Council plans to continue fully reinvesting the principal payments from maturing securities purchased under the Asset Purchase Programme framework for an extended period of time after the date when the ECB official interest rates begin to rise, and in any case for as long as necessary in order to maintain favourable liquidity conditions and a high degree of monetary accommodation.

In addition, the ECB announced a new series of quarterly targeted longer-term refinancing operations (TLTRO-III) that will be carried out between September 2019 and March 2021, all with a two-year maturity. These new operations will contribute to maintaining favourable financing conditions and a smooth transmission of monetary policy. Within the TLTRO-III framework, the counterparties may obtain financing for an amount of up to 30% of their computable loans by 28th February 2019 at a rate indexed to the interest rate applicable to the main refinancing operations during the life of each operation. Like the outstanding TLTRO programme, TLTRO-III will feature built-in incentives for credit conditions to remain favourable. The Council announced that further details on the precise terms of TLTRO-III will be communicated in due course.

As for the Eurosystem's lending operations, they will continue to be conducted as fixed rate tender procedures with full allotment for as long as necessary, and at least until the end of the reserve maintenance period starting in March 2021.

Likewise, the ECB also revised downwards its growth and inflation forecasts for 2019 and 2020, due to geopolitical uncertainty, trade tensions, vulnerabilities in emerging markets and the slowdown in certain productive sectors of some countries, among others.

The BoE maintains its monetary policy and revises its economic forecasts downwards

The Monetary Policy Committee of the Bank of England (BoE), in its meeting held on 6th February, unanimously decided to maintain the Official Bank Rate at 0.75%, in force since 1st

August. Likewise, it unanimously decided to continue with the public debt and corporate debt purchase programmes, which stand at 435 billion and 10 billion pounds, respectively.

The BoE has also revised its growth and inflation forecasts downwards for 2019 and 2020, and has underlined that the economic outlook and monetary policy stance will depend significantly on the agreement reached for the United Kingdom leaving the European Union and how households, businesses and financial markets respond.

The 12-month Euribor remains stable and continues recording negative values

In the interbank market of the Eurozone, interest rates registered minor changes during February. On 4th March, the one, six and twelve-month Euribor stood at -0.367%, -0.230% and -0.108%, respectively, versus the -0.368%, -0.236% and -0.109% recorded at the end of January. The virtual stabilisation of the twelve-month Euribor in this period is due to the expectations of stability in interest rates and risk premiums required in the market (the OIS and the Euribor-OIS differential did not change during this period).

Mixed behaviour of public debt yields

In the secondary public debt market, European yields have recorded a mixed behaviour. Yields in the central countries have increased, while most of those in the periphery have declined, driven by expectations that the ECB will approve a new round of loans, in a context of macroeconomic indicators publication and uncertainty regarding Brexit.

T 1. Public debt yields and differentials
(in % and basis points)

Countries	Yields (%)					Differentials with Germany (basis points)				
	Dec-31-18	Jan-31-19	Mar-04-19	Variation (bp)		Dec-31-18	Jan-31-19	Mar-04-19	Variation (bp)	
	(1)	(2)	(3)	Period (3)-(2)	Annual (3)-(1)	(4)	(5)	(6)	Period (6)-(5)	Annual (6)-(4)
Germany	0.25	0.15	0.16	1	-9					
Holland	0.39	0.25	0.37	12	-2	14	10	21	11	7
Finland	0.55	0.41	0.42	1	-13	30	26	26	0	-4
Austria	0.50	0.37	0.52	15	2	25	22	36	14	11
France	0.71	0.55	0.56	1	-15	46	40	40	0	-6
Belgium	0.77	0.76	0.69	-7	-8	52	61	53	-8	1
Ireland	0.91	0.88	0.81	-7	-10	66	73	65	-8	-1
Spain	1.42	1.21	1.20	-1	-22	117	106	104	-2	-13
Portugal	1.72	1.64	1.46	-18	-26	147	149	130	-19	-17
Italy	2.77	2.63	2.75	12	-2	252	248	259	11	7
Greece	4.38	3.87	3.67	-20	-71	413	372	351	-21	-62

Source: Financial Times.

The 10-year Spanish bond yield stood at 1.20% on 4th March, 1 b.p. below the figure recorded on 31st January, and the German bond yield increased by 1 b.p. in that period, up to 0.16%, with the Spain-Germany differential standing at 104 b.p., 2 b.p. lower than the level recorded at the end of January. In Europe, the drop in Greek and Portuguese yields in this period should be noted (-20 and -18 b.p., respectively), and the increase in Austria, Italy and the Netherlands (15, 12 and 12 b.p., respectively). In the United States, the 10-year bond yield stood at 2.72% on 4th March, 9 b.p. above the level reached at the end of January.

Stock indices continue to grow

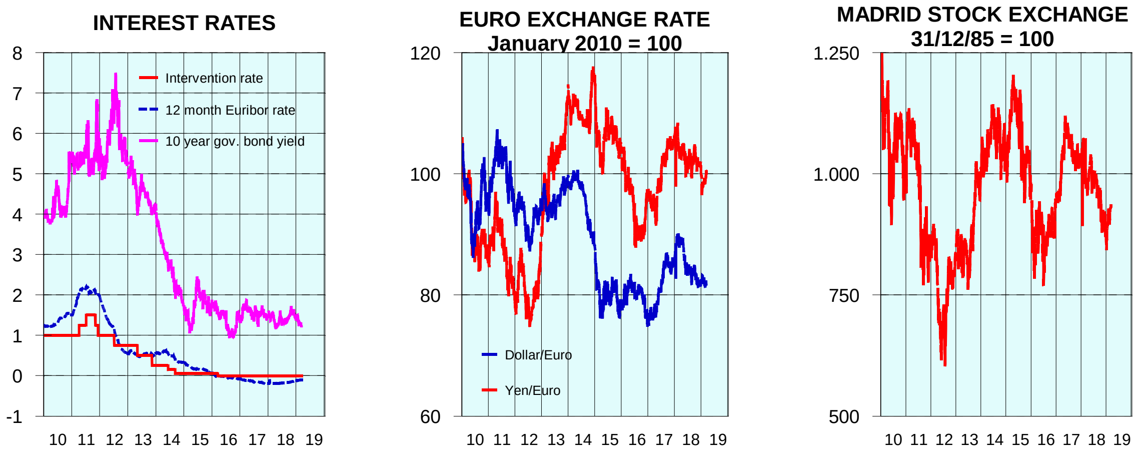
In the stock markets, between the end of January and the beginning of March, the main indices have continued the upward trend initiated at the beginning of the year, driven by the expectations of a more flexible monetary normalisation by central banks, as well as by the progress of trade negotiations and business results. In Europe, the Eurostoxx 50 rose by 5% in the period between 31st January and 4th March. In Spain, the IBEX 35 rose by 2.2%, standing at 9,259.80 points, the higher level since October last year. The rest of European markets also registered rises: 5.9% the CAC 40 in Paris, 5% the Italian FTSE MIB, 3.8% the German DAX and 2.4% the FTSE 100 in the United Kingdom. In the US market, the S&P 500 index rose by 3.3% in the same period.

T 2. International stock exchange

Countries	Index	Level Mar-04-19	% Variation Jan-31-19	% Variation Dec-31-18
Germany	DAX	11,592.66	3.8	9.8
France	CAC 40	5,286.57	5.9	11.8
Italy	FTSE MIB	20,718.30	5.0	13.1
Spain	IBEX 35	9,259.80	2.2	8.4
Eurozone	EUROSTOXX 50	3,317.12	5.0	10.5
United Kingdom	FTSE 100	7,134.39	2.4	6.0
United States	S&P 500	2,792.81	3.3	11.4
Japan	NIKKEI 225	21,822.04	5.0	9.0
China	SHANGHAI COMP	3,027.58	17.1	21.4
Mexico	IPC	42,418.49	-3.6	1.9
Brazil	BOVESPA	94,603.76	-2.9	7.6
Argentina	MERVAL	33,834.86	-6.9	11.7

Source: Bolsa de Madrid. Infobolsa. Stoxx and Financial Times.

G1. MONETARY AND FINANCIAL INDICATORS (1)



(1) Daily data.
Source: ECB, Banco de España and Bolsa de Madrid.

The euro depreciates against the dollar

With respect to the currency market, the favourable evolution of the macroeconomic indicators in the United States, better than expected, compared to less dynamic than expected data recorded by the Eurozone, has favoured the dollar exchange rate against the euro between the end of January and early March, although the impact was mitigated in the last weeks of February due to the more flexible character of the Fed's monetary policy. Thus, in the period between late January and early March, the euro depreciated by 1.3% against the dollar and by 2.1% against the pound, and appreciated by 1.7% against the yen, trading at 1,1337 dollars, 0.8578 pounds and 126.91 yen by the end of the 4th March session. In the same period, the euro depreciated by 0.7% in nominal effective terms vis-à-vis the group of industrialised countries.

The M3 broad monetary aggregate slightly moderates the growth rate in January,...

In relation to the analysis of the monetary sector, the ECB published the evolution of the monetary and credit aggregates in the Eurozone for January. The M3 broad aggregate rose by 3.8% y-o-y, a figure three tenths less than the figure registered in the previous month (4.1%). This evolution is due to the moderation in the growth rate of overnight deposits and marketable instruments (five tenths less in both cases, to 6.4% and 0.4%, respectively), while the other short-term deposits maintained the previous month's fall rate (-0.8%), and cash in circulation increased by 4.7%, two tenths more than in December.

T 3. Eurozone monetary aggregates

Monetary aggregates	January 2019 Balance (Billion €)	% Year-on-year variation		
		November 2018	December 2018	January 2019
1. Currency in circulation	1,168	4.3	4.5	4.7
2. Overnight deposits	7,127	7.1	6.9	6.4
M1 (= 1 + 2)	**8,295**	**6.7**	**6.6**	**6.2**
3. Other short-term deposits (= 3.1. + 3.2.)	3,423	-1.0	-0.8	-0.8
3.1. Term deposits up to two years	1,124	-6.7	-6.0	-6.2
3.2. Deposits redeemable at notice up to three months	2,299	2.0	2.0	2.0
M2 (= M1 + 3)	**11,717**	**4.3**	**4.3**	**4.0**
4. Marketable instruments (= 4.1.+ 4.2.+4.3.)	657	-5.8	0.9	0.4
4.1. Repurchase agreements	76	-8.1	-4.5	-2.8
4.2. Money market funds shares/units	517	-3.1	2.2	-0.1
4.3. Securities other than shares up to two years	65	-22.4	-2.3	9.1
M3 (= M2 + 4)	**12,374**	**3.7**	**4.1**	**3.8**

Source: European Central Bank.

…and so does financing to the private sector in the Eurozone

On the other hand, the main counterpart to M3, the financing to the private sector in the Eurozone, increased by 2.5% y-o-y in January, four tenths less than in the previous month. This evolution is due to the lower increase of loans and securities other than shares (three and nine tenths less, to 2.5% and 5.3%, respectively), while shares and other equity maintained the decline recorded in the previous month (-2.7%). Within the loans, those granted to non-financial corporations and to insurance companies and pension funds moderated the growth rate (0.6 and 3.5 points, respectively, to 2.2% and 13%), and those granted to other financial intermediaries intensified the fall (-1.6%, versus the -0.4% registered in December), while loans granted to households increased by 3.2%, two tenths more than in the previous month.

T 4. Financing of private sector in the Eurozone (1)

	January 2019 Balance (Billion €)	% Year-on-year variation		
		November 2018	December 2018	January 2019
Credit to the private sector	**13,453**	**2.9**	**2.9**	**2.5**
Loans	**11,158**	**2.8**	**2.8**	**2.5**
Households	**5,758**	**3.2**	**3.0**	**3.2**
House purchases	*4,367*	*3.3*	*3.2*	*3.5*
Consumer credit	*687*	*6.7*	*6.2*	*6.1*
Other lending	*704*	*-0.8*	*-1.3*	*-1.3*
Non-financial corporations	**4,409**	**3.0**	**2.8**	**2.2**
Insurance companies & pension funds	**128**	**5.2**	**16.5**	**13.0**
Other financial intermediaries	**862**	**-1.8**	**-0.4**	**-1.6**
Securities other than shares	**1,523**	**6.6**	**6.2**	**5.3**
Shares and other equities	**772**	**-1.8**	**-2.7**	**-2.7**

(1) Assets of the Monetary Financial Institutions (MFI).
Source: European Central Bank.

Financing received by households and companies in Spain continues to increase

On the other hand, according to the data of financing to the non-financial sectors in Spain, published by the Bank of Spain (BoS), the stock of financing to the private non-financial sector increased by 0.4% y-o-y in January, three tenths less than in December. Financing received by firms increased by 0.3%, seven tenths less than in the previous month, due to the greater decrease in bank loans (-2.4%, in comparison to the -1.8% registered in December) and the more moderate growth of foreign loans and securities other than shares (2.9% and 7.0%, respectively, compared to the 3.1% and 10.1% registered in December). On the other hand, financing received by households increased by 0.5% in January, two tenths more than in December, due to the lower decrease in bank loans for housing (-1.1%, compared to the -1.3% registered in December), while the other loans for purposes other than housing maintained their growth at 5.1%.

T 5. Financing of non-financial sectors residents in Spain

	January 2019 Balance (Billion €)	% Year-on-year variation		
		November 2018	December 2018	January 2019
Non-financial corporations and Households	**1,586**	**1.0**	**0.7**	**0.4**
Non-financial corporations	**882**	**1.4**	**1.0**	**0.3**
Bank loans	*481*	*-0.6*	*-1.8*	*-2.4*
Securities(1)	*104*	*10.7*	*10.1*	*7.0*
External loans	*298*	*2.0*	*3.1*	*2.9*
Households	**704**	**0.5**	**0.3**	**0.5**
Bank loans. Housing	*520*	*-1.2*	*-1.3*	*-1.1*
Bank loans. Other	*184*	*5.6*	*5.1*	*5.1*
General Government	**-**	**2.7**	**2.3**	**-**
Total financing	**-**	**1.7**	**1.4**	**-**

(1) Other than shares.
Source: Banco de España.

The ratio of doubtful loans to the total loans granted to households and companies continues to fall, reaching minimum levels since the end of 2010

The ratio of doubtful loans to the total loans granted to households and companies by financial institutions operating in Spain decreased by almost two points in December last year in comparison to the figure recorded a year earlier, standing at 5.82%, which is the minimum level reached since December 2010, when it stood at 5.81%.

Favourable financing conditions continue for the private sector in Spain

The total amount of new loan and credit operations to households and non-financial corporations decreased by 7.0% y-o-y in January, compared to the 1.8% increase recorded in December. This decrease is explained by the drop in loans granted to non-financial corporations (-10.0% y-o-y, after the 1.9% increase registered in the previous month), partially offset by the rebound in the loans granted to households (5.8% y-o-y, in comparison to the 1.6% recorded in December). Loans to SMEs (using as a proxy for these credits those under one million euros) fell by 18.6%, compared to the 2.5% fall registered in the previous month, and those exceeding one million euros increased by 0.5% (6.0% in December).

In order to facilitate the analysis, given the high volatility of these series, annual averages were calculated taking into account the last twelve months. Thus, the amount of new loan and credit operations to households in cumulative terms for the last twelve months, increased by 12.0% y-o-y in January, compared to the 12.8% recorded in the previous month. This slightly less expansionary evolution is explained by the behaviour of loans for housing, consumption and other purposes, which grow by 12.2%, 16.9% and 4.0%, respectively. These rates are 0.6, 0.9 and 1.5 points lower to those registered in the previous month. The amount of new loan and credit operations to SMEs rose by 2.0% in January, 3.4 points less than in the previous month, and the amount of new operations exceeding one million euros increased by 10.0%, 0.9 points less than in December.

T 6. New loan and credit operations to households and non-financial corporations (1)

	Balance January 2019 (Millions €)	% Year-on-year variation		
		November 2018	December 2018	January 2018
TOTAL	**462,029**	**9.7**	**8.9**	**6.9**
Loan and credit operations to households	**99,265**	**14.0**	**12.8**	**12.0**
House purchase	*44,034*	*15.1*	*12.8*	*12.2*
Consumer credit	*34,954*	*18.5*	*17.8*	*16.9*
Other lending	*20,277*	*5.0*	*5.5*	*4.0*
Loan and credit operations to non-financial corporations	**362,764**	**8.6**	**7.9**	**5.6**
Up to 1 million euros	*190,760*	*6.5*	*5.4*	*2.0*
Above 1 million euros	*172,+04*	*11.0*	*10.9*	*10.0*

(1) Accumulated data for the last 12 months.
Source: Banco de España.

Spanish economy

Demand and production

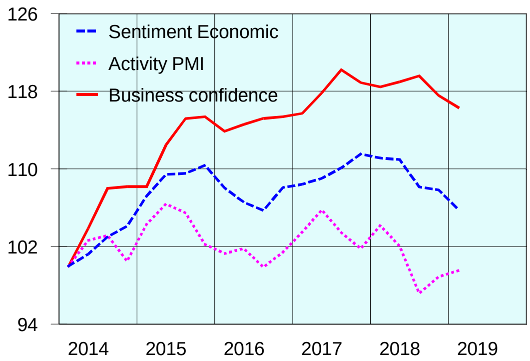
The growth of the Spanish economy remains strong

The growth of the Spanish economy remains strong in the first months of the year, after rebounding to a q-o-q rate of 0.70% in the fourth quarter of 2018 (0.55% in the third quarter), the highest rate since the end of 2017 and half a point higher that of Eurozone.

Amongst the most recent qualitative indicators, the global activity composite PMI for Spain published by Markit, registered 54 in the two-month period from January to February 2019, three tenths higher compared to the figure registered in the fourth quarter of last year and 2.5 points above that of the Eurozone, driven by the services sector. On the other hand, the Economic Sentiment Index, published by the European Commission (EC), maintained a high level in that period, 104.4 (average 1990-2018 = 100), but more moderate than that of the fourth quarter of 2018 (106.4). Likewise, the OECD composite leading indicator for Spain, designed to anticipate the turning points in the economic activity with regards to its trend, remained stable in January 2019, at 99.4, interrupting the mild moderation trend begun in March of last year.

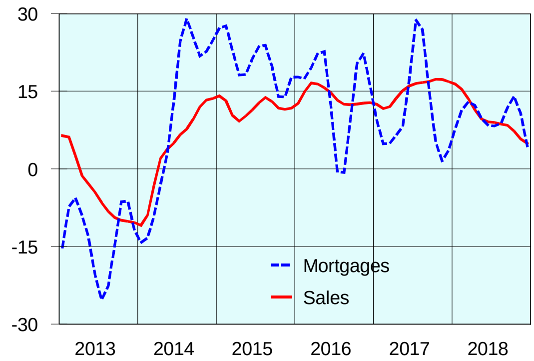
Among the quantitative indicators, the Business Turnover Index (BTI), with calendar adjusted data, fell by 0.9% in December 2018, after the rebound registered in the previous month (3.9%), closing 2018 as a whole recording a 5.1% increase in annual average (7.1% in 2017), due to the expansionary trend of all its components.

G 2. ACTIVITY INDICATORS
Index Q.I.14=100



Sources: INE, Markit and CE.

G 3. HOUSING: MORTGAGES AND SALES
year-on-year rate in % (Trend-cycle)



Source: INE.

The favourable evolution of private consumption continues

Amongst GDP components on the demand side, short-term indicators regarding private consumption show, in general, favourable signs, in a context of sustained progress. Retail sales, with deflated and calendar adjusted data, increased by 0.9% y-o-y in January, after the stabilisation registered in the previous month, due to the rise experienced by the food component and, to a lesser extent, to the non-food component. In the same vein, domestic sales in large companies of consumer goods and services, with deflated, fixed-sample and calendar and seasonally adjusted data, grew by 4.1% y-o-y in January, one point and a half more than in the previous month. On the other hand, domestic availability of consumer goods, with seasonally and deterministic effects (calendar and outliers) adjusted data, recorded a y-o-y growth rate close to

3% in the fourth quarter of last year, half a point higher when compared to the previous quarter, due to the favourable evolution of the food component.

The qualitative indicators related to private consumption also show favourable signs at the beginning of 2019. Thus, the consumer confidence index published by the Sociological Research Centre increased 2.3 points in February, as a result of the rebound in the expectations component (5.7 points), partially offset by the decrease of almost one point of the current situation component. The European Commission indicator rose again by 1.5 points in that month, reaching a balance of -5.4.

Investment indicators point to a continuation of the expansionary trend,...

Investment short-term indicators point to a continuation of the expansionary trend, in an environment of deleveraging of companies, low interest rates and a good momentum of final demand. The favourable performance of the domestic availability of equipment goods indicator, with seasonally and deterministic effects (calendar and outliers) adjusted data stands out, which accelerated by 3.2 points in the fourth quarter of 2018, up to 11.1% y-o-y. On the other hand, truck registrations, according to figures provided by the ANFAC (Spanish Association of Vehicles Manufacturers), increased by 2.3% y-o-y in the first two month period of 2019, after the 0.7% increase registered in the fourth quarter of 2018. Likewise, domestic large firms´ sales of equipment and software increased by 2.7% y-o-y in January (4.5% in December 2018).

Among the most recent qualitative indicators, according to the Business Tendency Survey, the Industry Climate Indicator for investment goods fell five points in February compared to the previous month, reaching a balance of -3.5 points, due to the orders portfolio and production expectations components, while the stock level component evolved favourably. The first two month period of the year ended with a balance of -1 point, below the level of 2.4 points recorded in the fourth quarter of 2018.

…and so do construction investment indicators

The indicators related to residential investment also continued the expansionary trend. According to the INE Statistics based on the properties recorded in the Property Registers, housing sales accelerated one point in December, up to 3.8% y-o-y. This was due to the greater dynamism of used housing purchases, whose growth rate doubled compared to November, up to 3.2%, partially offset by the more moderate growth of new housing purchases (6.5%, compared to 7.9% recorded in the previous month). On the other hand, the number of mortgages on housing stood at 20,933 in December, which represents a y-o-y increase of 0.9%, compared to the double-digit rates recorded the previous two months (14.2% in November and 20.4% in October). In 2018 as a whole, both total housing purchases and the number of mortgages on housing continued to grow at double-digit rates, for the fourth consecutive year, registering annual average increases of 10.1% and 10.3%, respectively (15.4% and 10.7%, in 2017).

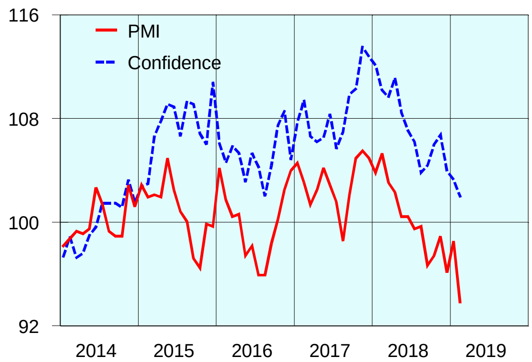
Likewise, according to the Ministry of Public Works´ statistics of the appraised value of housing, the price of unsubsidised housing increased by 3.9% y-o-y in the last quarter of 2018, seven tenths more than the figure recorded in the previous period. This was due both to new housing and used housing, whose prices increased by 2.3% and 3.9%, respectively, both rates being six tenths higher than the ones registered in the previous quarter. In real terms, the price of unsubsidised housing accelerated by 2.1% between October and December 2018, more than double that of the previous quarter (1%), with a higher increase in used housing (2.2%) than in new housing (0.6%). Thus, the real price of housing was 7.2% higher during that period than the minimum registered in the second quarter of 2014, although it is still far from pre-crisis levels (33.4% below the maximum reached at the beginning of 2007).

The industrial production index rebounds in January, registering the highest rate of the last ten months

Amongst industrial activity indicators, the Industrial Production Index (IPI), with seasonal and calendar adjusted data, has rebounded in January to a y-o-y rate of 2.4%, after the falls registered in the last two months of 2018 (-5.9% in December), which represents the highest rate in the last ten months. This improvement is due to the favourable evolution of all destination groups, with the energy component standing out, as it went from registering a 11.2% decrease in December to a y-o-y increase of 2.3%, followed by equipment goods, which grew by 4.4%, in comparison to the 5.7% drop registered in the previous month, and consumer and intermediate goods, whose rates stood at 3.1% and 0.6%, respectively, 6.1 and 4.6 points higher than the previous month. In the breakdown of consumer goods, durable consumption goods moderated the rate of decline by 11.9 points, to -0.4% y-o-y, and non-durable consumption goods increased by 1.6%, after the 0.9% fall registered in the previous month.

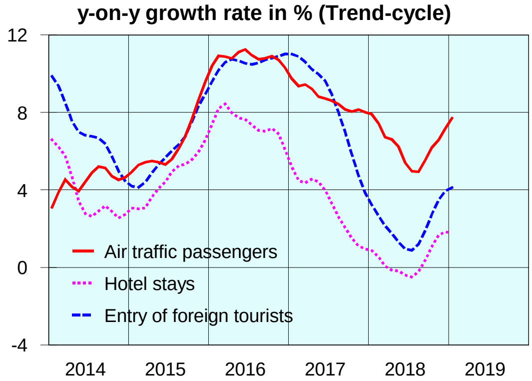
The Industry New Orders Index (INOI), leading indicator of activity in the branch, with calendar adjusted data, recorded a y-o-y rate of -2.7% in December 2018, following the sharp upturn recorded in the previous month associated with the occasional increase in Naval Construction activity (25.3%). On the other hand, the Industry Turnover Index (ITI) fell by 5.3% in December, after the 0.5% rise registered in the previous month, as a result of the decrease recorded in all its components, except for energy. In 2018, the INOI increased by 5.7% and the ITI by 3.9%, compared to the 7.9% rise recorded in 2017 by both indices.

G 4. INDUSTRY: CONFIDENCE INDICATOR AND PMI
Index 2014=100



Sources: European Commission and Markit Group.

G 5. TOURIST SECTOR INDICATORS
y-on-y growth rate in % (Trend-cycle)



Source: INE and AENA.

Among the qualitative activity indicators for the industry, the manufacturing PMI for Spain reached 49.9 in February 2019, 2.5 points lower than the previous month and below the threshold of 50 for the first time since December 2013, indicative of slight contraction in the sector. According to Markit, this result is explained by the fall in new orders, attributed to the decrease in foreign demand. The first two-month period of 2019 ended with an average level of 51.2, slightly lower than that of the fourth quarter of last year and 1.3 points above the one registered in the Eurozone. In the same vein, the industrial component of the Economic Sentiment Index (ESI), prepared by the EC, decreased by 1.2 points in February, reaching -5.2, as a result of the less favourable evolution of the production expectations and order portfolio components, ending the period between January and February with a result of -4.6 points, 2.7 points lower than that of the last quarter of 2018.

The construction sector activity indicators record strong growth rates in December

In the construction sector, the activity data in December 2018 showed a favourable evolution. Thus, the Production Index in the Construction Industry (PICI), with deflated and calendar adjusted data and published by Eurostat, rose by 10.9% y-o-y in that month, almost 10 points higher versus the previous month. This was both due to the rise in the building component (9.8%, compared to 0.4% in November) and in civil works, which accelerated by approximately 12 points in December, up to 17.9%. In 2018 as whole, the PICI registered an average annual growth rate of 2.5%, after the 1.4% fall recorded in 2017, due to the rise in the building component (3.5%, compared to the 1.4% decline recorded in the previous year), partially offset by the decrease in civil works (-1.8%, after the 0.7% growth registered in 2017).

With regards to construction activity leading indicators, according to construction new permits, buildable floorage in new construction, grew again in December last year at a high y-o-y rate, of 22.4% (23.6% in the previous month), corresponding a much higher growth to the residential component (27.7%) than to the non-residential one (2.2%). In 2018, buildable floorage in new construction registered an average annual increase of 23.9%, more than two points higher than in 2017 (21.8%). This high dynamism is explained by its two components, residential and non-residential, which grew at rates of 24.5% and 21.7%, respectively (24.8% and 12.1% in 2017).

On the other hand, confidence in the sector, according to the European Commission indicator, stood at -0.4 in the first two month period of 2019, 1.2 points higher than in the fourth quarter of 2018, due to the more favourable evolution of both the order portfolio component and the employment-related expectation component.

The services sector remains solid

With regards to the activity in the services sector, the Services Sector Turnover Index (SSTI), with calendar adjusted data, rose by 1.4% y-o-y in December 2018, 4.3 points less than in the previous month. The lower momentum of the SSTI is explained by the trade evolution, which decreased slightly (-0.1%, compared to the 5.3% increase registered in the previous month) and other services, which grew by 4.3%, 2.2 points less than in November. The year 2018 as a whole closed with an average annual growth of the SSTI of 5.8%, its two main components registering rates of approximately 6%.

Among the qualitative indicators, the Services PMI continued to point to a solid growth in the activity of the sector, registering 54.5 in February, a level similar to that of January (54.7) and 1.7 points above that observed in the Eurozone (52.8), driven by another important increase in new orders received, mainly from the domestic market. So far this year, the services PMI has registered an average level of 54.6 points, six tenths higher than in the fourth quarter of 2018.

Regarding the tourism sector, the arrival of 4.2 million international tourists to Spain in January this year stands out, a figure 2.2% higher than the one recorded a year earlier, which represents a moderation of 7.5 points in the growth rate, after reaching in the previous month the highest rate since October 2017. Likewise, total expenditure by tourists who visited Spain in that month stood at € 4.7 billion, going from growing by 11.4% in December of last year to registering a y-o-y increase of 3.6%. By issuing market, the United Kingdom continues being the first in importance, both in number of tourists, with a share 19.2% and an increase of 1%, and in tourist expenditure (17.3% of the total), increasing by almost 8% y-o-y.

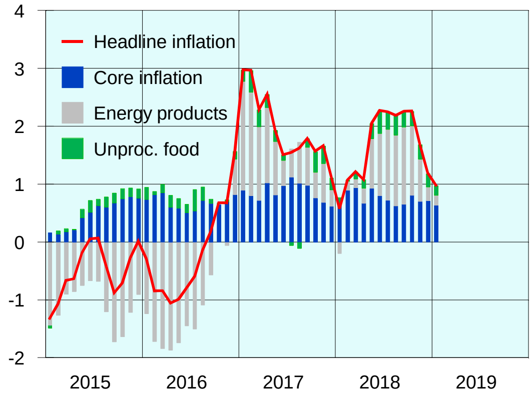
In the same vein, air passenger traffic grew by 7.2% in January in comparison to the same period of the previous year, compared to the 7.7% registered in the previous month, as a result of the lower rate of international traffic, and hotel overnight stays increased by 4% y-o-y in that month, 2.2 points less than in December, due to the slowdown of foreign overnight stays (0.2%, compared to 5.2% in the previous month).

Prices

Inflation falls two tenths in January, down to 1%

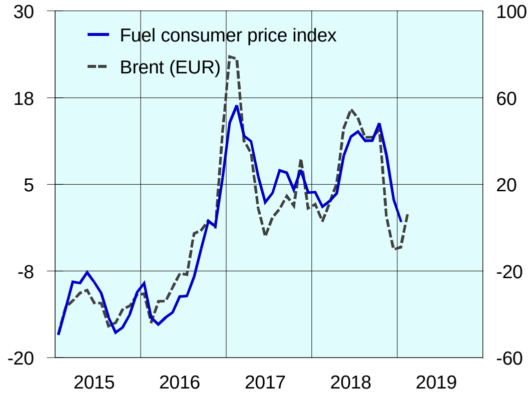
Inflation, measured by the y-o-y variation rate of the Consumer Price Index (CPI), reached 1% in January, two tenths less than in December 2018 and more than one point under the figure registered between May and October last year, a period in which inflation was mainly boosted by the rise in the oil prices over the CPI of fuels and gas component.

G 6. HEADLINE INFLATION
y-o-y growth rate (%) and contributions (pp)



Source: own elaboration from INE.

G 7. OIL AND FUEL PRICES
y-o-y growth rate (%)



Source: own elaboration from INE and Reuters.

Energy products prices extended in January the slowdown trend started in the middle of last year (1.5% y-o-y, six tenths less than in the previous month), due to the drop in the Last Resort Rate for gas and a base effect associated to the sharp rise registered by the prices of fuels and liquid fuels in the same month of 2018. For its part, electricity prices accelerated more than five points, up to 5.7% y-o-y, which could be explained by the greater use of the combined cycle and coal as electricity generation sources at the expense of others lower-cost ones, mainly hydraulic energy.

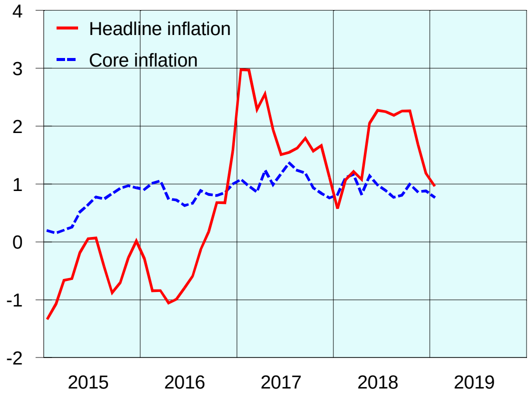
It should be noted that in January, the taxes increase on fuels and liquid fuels consumption slightly attenuated the slowdown of energy prices. In fact, at constant taxes, the y-o-y rate of energy prices moderated 1.3 points, to 0.8% y-o-y, which in turn explains that general inflation at constant taxes fell three tenths, down to 0.9% y-o-y.

The growth rate of non-processed food prices shows strong fluctuations since mid-2015, without a defined trend, mainly driven by fresh fruit and vegetables. In January, non-processed food prices registered a y-o-y rate of 2.3%, almost one point lower than in the previous month, mainly due to lower prices for fresh or chilled fish.

Core inflation remains close to 1%

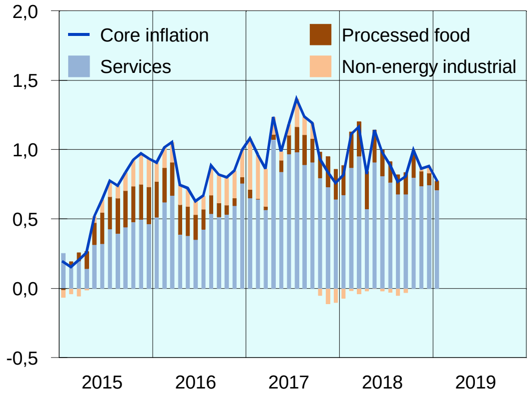
Core inflation, which excludes the most volatile elements from the CPI (non-processed food and energy products), linked more than three years with rates close to 1%. Core inflation in January 2019 fell one tenth, down to 0.8%, due to the moderation of its three components: processed foods, non-energy industrial goods (BINE) and services.

G 8. HEADLINE AND CORE INFLATION
y-o-y growth rate (%)



Source: own elaboration from INE.

G 9. CORE INFLATION
y-o-y growth rate (%) and contributions (pp)



Source: own elaboration from INE.

The y-o-y variation rate of processed foods fell one tenth in January, down to 0.4%, thus extending its moderation trend, which continues to be mainly determined by olive oil (-15.3% y-o-y).

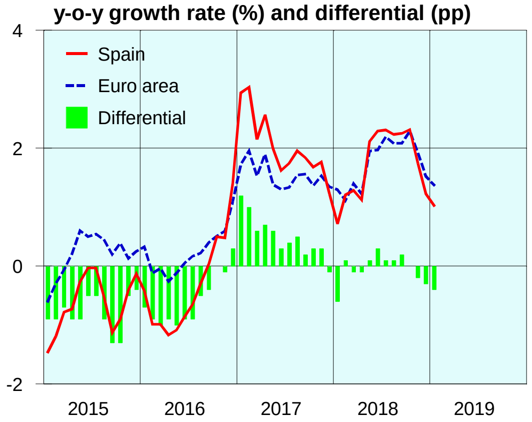
BINE prices have remained virtually stable for almost two years. They rose by 0.1% in January, one tenth less than in December, mainly as a result of the compensation between the drop in mobile telephony equipment prices (-15.4% y-o-y) and the rise in clothing and footwear prices (0.8% y-o-y in January, one tenth less than in the previous month, a reduction that largely explains the one tenth moderation of the BINE y-o-y variation rate in January).

For its part, services prices rose at rates close to 1.5% since the end of 2017 (1.4% in January), with oscillations mainly associated to tourism packages, that fell 2.8% y-o-y in January, after rising by 0.6% in the previous month. This fact largely explains the one tenth moderation of services y-o-y variation rate in January, compared to the significant stability registered by the rest of the main components. Among these components, it is worth noting, hospitality (the individual item with greater weight in the CPI, which recorded a y-o-y increase of 1.8% in January 2019, as in the previous month) and, to a lesser extent, telephony (4, 2% in January, three tenths more than in December).

Inflation in Spain continues below that of the Eurozone

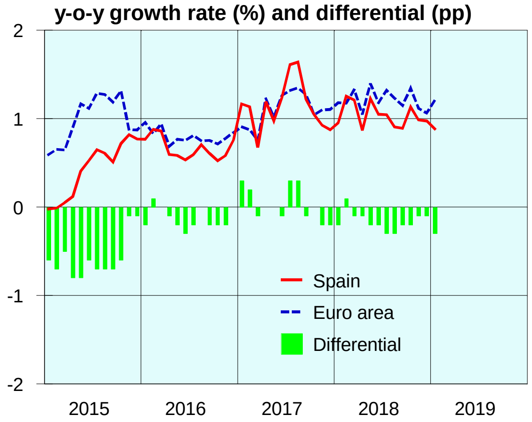
In harmonised terms, the y-o-y rate of the Spanish CPI also fell two tenths, down to 1%. The rate published by Eurostat for the Eurozone as a whole stood at 1.4%, resulting in a general inflation differential favourable to Spain of 0.4 percentage points. For its part, the Spanish harmonised core inflation remained at 1% in January, resulting in a differential with the Eurozone of -0.2 points.

G 10. HEADLINE HICP
y-o-y growth rate (%) and differential (pp)



Sources: INE and Eurostat.

G 11. CORE HICP
y-o-y growth rate (%) and differential (pp)



Source: own elaboration from INE and Eurostat.

According to the CPI flash estimate, inflation rose one tenth in February, up to 1.1%

According to the flash estimate published by the INE, the y-o-y rate of the CPI stood at 1.1% in February, one tenth more than in the previous month. In this evolution the INE highlights the rise in fuel prices, in comparison to the fall registered in the previous month.

In harmonised terms, if February final data confirm the figures of the flash estimate published by the INE for Spain (1.1%) and by Eurostat for the Eurozone (1.5%), the inflation differential favourable to Spain against the Eurozone would stand at -0.4 percentage points.

Industrial prices accelerate slightly in January due to energy

The Producer Price Index (PPI) rose by 1.8% y-o-y in January, one tenth more than in the previous month, mainly due to the energy component, and in particular to the growth in production, transport and distribution of electricity prices (8.9% y-o-y, compared to the 3.5% registered in December 2018), partially offset by the fall in oil refining prices (-5.3%, versus to the slight rise of the previous month, 0.6%).

For its part, the non-energy PPI extended the path of mild slowdown started at the end of 2017, moderating its y-o-y rate two tenths in January, to 0.3%, as a result of the greater fall in olive oil production prices and, to a lesser extent, the slowdown in the chemical industry prices.

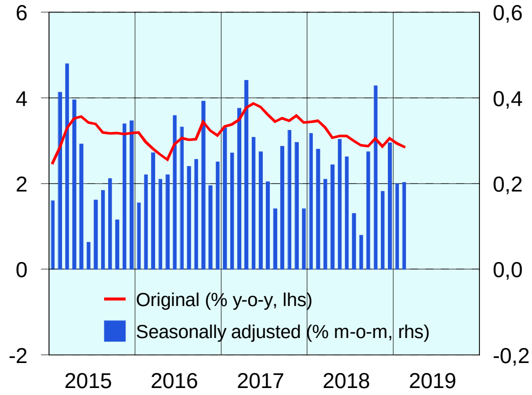
Labour Market

The number of Social Security covered workers continues to grow at rates close to 3% y-o-y

The Social Security covered workers figures show the extension of the strong process of job creation. The average number of registrations in the total Social Security System was 18,888,472 in February. This figure is more than half a million (524,958) higher than a year earlier. Therefore, a high rate of job creation is maintained, 2.86% y-o-y, similar to the one registered in January.

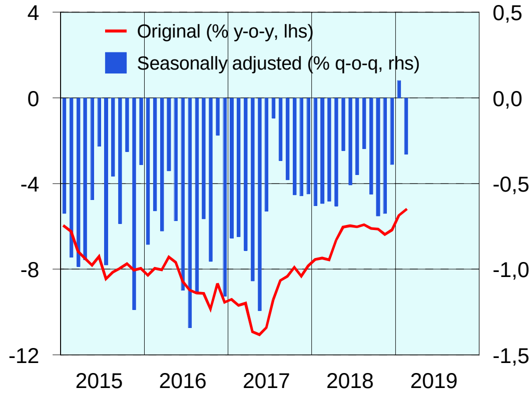
The main activity branches contributed to the stabilisation of the employment growth rate, registering slightly more moderate rates in service (2.8%, versus the 2.9% recorded in January), industry (1.7%, two tenths less than in the previous month) and agriculture sectors (1.4%, compared to 1.5% in January), and higher in construction (6.7%, versus the previous 6.5%). In the private sector, Social Security covered workers increased by 2.8% and by 3.3% in the public sector, similar rates to those of the previous month.

G 12. SOCIAL SECURITY-COVERED WORKERS
% change



Source: Social Security.

G 13. REGISTERED UNEMPLOYMENT
% change



Source: SEPE.

According to the professional situation, employees (3.3% y-o-y) increased at a faster rate than self-employed (0.9%). Among employees, the strong growth of permanent full-time workers stood out, 5.5%, linking six consecutive months with rates above 5%.

With regards to gender, employment among women rose by 2.95% y-o-y in February, a rate similar to that of men (2.78%), female Social Security covered workers representing 46.3% of total Social Security covered workers, a percentage similar to that registered a year earlier.

Registered unemployment fell by 5.2% y-o-y in February

At the end of February 2019 registered unemployment stood at 3.3 million (3,289,040), a figure 181,208 below the one registered a year earlier, which represents a y-o-y rate of -5.22%. Registered unemployment thus extends the downward trend, although the pace of decline has moderated over the last two years, mainly due to the service sector, followed by the construction and industry branches.

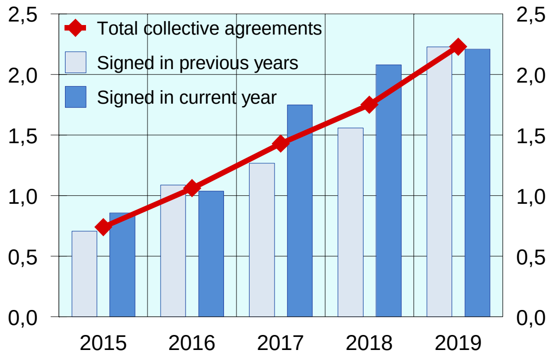
With regards to gender, unemployment fell with greater intensity among men (-7.6%) than among women (-3.5%), with female unemployment accounting for almost 60% of the total registered unemployed.

The agreed wage increase in collective bargaining stands at 2.2% for 2019

According to the Collective Agreements Statistics, published by the Ministry of Employment, Migrations and Social Security, the average agreed wage rise stood at 2.2% for 2019, for workers covered by collective agreements registered up to February this year (6.2 million, equivalent to 38.2% of the total 16.2 million employees according to the LFS in 2018). This rise is half a point higher than that of 2018.

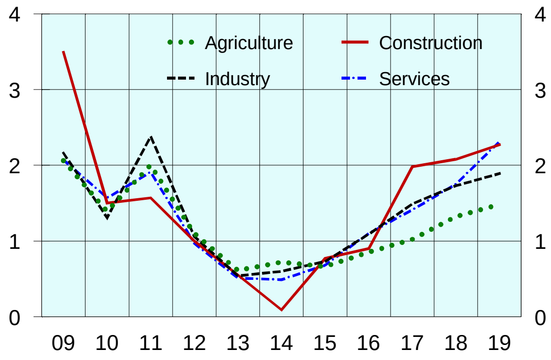
Among the agreements signed in 2019 (the rest are agreements effective in 2019, but signed in previous years), which affect 1% of workers covered by collective agreements, the wage increase stands at 2.2% for the year as a whole, one tenth above the one registered in 2018.

G 14. AGREED WAGES
% change



Source: MTMS. (Last month available data for 2019 and December data for rest of years).

G 15. AGREED WAGES, BY SECTOR
% change



Source: MTMS. (Last month available data for 2019 and December data for rest of years).

The number of workers affected by opt-outs of the agreement fell again (-11.8% y-o-y), after the slight increase with data up to January, which is part of a gradual moderation trend of the fall rates from the rate reached in 2014 (-58.5% y-o-y with information up to December of that year).

External sector

The Spanish economy generates net lending vis a vis the rest of the world in 2018 for the seventh consecutive year

According to the Balance of Payments data, in December 2018, the Spanish economy generated net lending to the rest of the world amounting to € 5.4 billion, a figure slightly lower compared to the net lending of € 5.7 billion recorded a year earlier. This was due to the reduction of the current account surplus, which in turn is explained by the lower balance of goods and services.

In 2018 as a whole, the Spanish economy generated net lending to the rest of the world for the seventh consecutive year, amounting to € 14 billion, although below the figure registered in the previous year (€ 24.2 billion). As a percentage of GDP, the net lending of the Spanish economy decreased nine tenths, from 2.1% in 2017 down to 1.2% in 2018.

The lower external balance is explained by the reduction in the surplus of the current account balance, which reached € 10.1 billion (0.8% of GDP), compared to the € 21.5 billion (1.8% of GDP) in 2017, while the capital account surplus increased by € 1.1 billion, up to € 3.8 billion (0.3% of GDP). The lower current surplus is due, in turn, to the fall in the surplus of goods and services, by € 11.5 billion, down to € 22.1 billion, while the deficit in primary and secondary income moderated slightly, to € 12 billion in 2018 (€ 12.1 billion in 2017).

The trade deficit rises

By components of the goods and services balance, and according to the information available from the Quarterly National Accounts[1] (QNA) provisional estimates, the fall in the

[1] Even though the Balance of Payments provisional estimate does not offer the breakdown between goods and services, its evolution can be approximated from the external balance figures of the Quarterly National Accounts,

goods and services balance in 2018 is mainly due to the rise in the goods deficit, and, to a lesser extent, to the smaller surplus of services, in particular of non-tourist ones, while the surplus of tourist services virtually does not vary.

T 7. Foreign trade by category of goods, volume

	Weight in Total	Year-on-year change (%)					Contribution to growth		
	2018	2017	2018				2018		
		IV	I	II	III	IV	II	III	IV
Total exports	**100.0**	**6.9**	**-0.4**	**0.6**	**0.5**	**-1.2**	**0.6**	**0.5**	**-1.2**
Consumer goods	*37.2*	*4.3*	*-0.2*	*2.3*	*-2.6*	*-4.6*	*0.8*	*-0.8*	*-1.6*
Foods	13.7	2.1	1.6	1.0	0.8	-0.6	0.1	0.1	-0.1
Others goods	23.5	5.4	-1.2	2.9	-4.6	-7.0	0.6	-1.0	-1.5
Cars	10.7	-0.2	-5.1	4.8	-8.0	-11.9	0.5	-0.6	-1.1
Capital goods	*8.6*	*7.5*	*-2.3*	*-8.8*	*-5.6*	*2.5*	*-1.0*	*-0.6*	*0.2*
Excl. heavy trans. equipment	8.4	11.6	-0.6	-6.6	-4.6	0.5	-0.7	-0.5	0.1
Intermediate goods	*54.3*	*8.9*	*-0.3*	*1.0*	*3.5*	*0.6*	*0.6*	*2.0*	*0.3*
Energy	4.9	35.7	14.6	-7.7	12.6	-3.7	-0.3	0.5	-0.2
Non-energy	49.3	6.9	-1.3	1.7	2.8	1.0	0.9	1.5	0.5
Total imports	**100.0**	**5.1**	**0.4**	**4.2**	**-0.6**	**0.3**	**4.2**	**-0.6**	**0.3**
Consumer goods	*27.6*	*3.7*	*2.3*	*4.2*	*0.8*	*1.6*	*1.0*	*0.2*	*0.4*
Foods	7.0	0.0	1.7	5.1	1.3	2.3	0.3	0.1	0.1
Others goods	20.6	5.0	2.5	3.8	0.6	1.3	0.7	0.1	0.2
Cars	5.9	13.4	6.0	10.5	-5.6	0.8	0.5	-0.2	0.0
Capital goods	*8.5*	*4.3*	*-4.5*	*4.7*	*5.4*	*2.5*	*0.5*	*0.5*	*0.3*
Excl. heavy trans. equipment	8.4	4.5	-1.2	8.1	5.4	1.9	0.8	0.5	0.2
Intermediate goods	*63.9*	*5.7*	*0.1*	*4.2*	*-2.0*	*-0.6*	*2.7*	*-1.3*	*-0.4*
Energy	14.9	13.2	-1.9	-2.1	0.6	7.6	-0.3	0.1	1.0
Non- energy	49.0	4.0	0.6	5.6	-2.7	-2.7	3.0	-1.4	-1.4

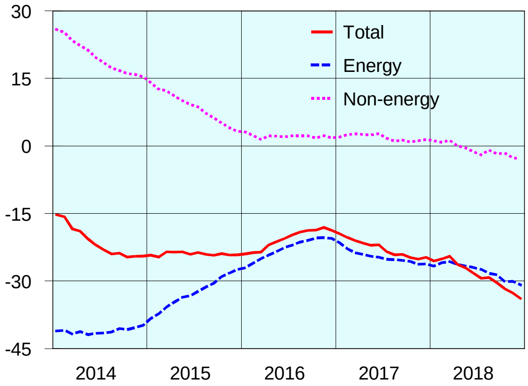
Sources: Customs and SGCPE.

As for the balance of goods, according to Customs data, which also shows an evolution similar to the balances of both the QNA and the Balance of Payments, it registered a deficit of € 33.8 billion in 2018 as a whole, 36.8% higher than in 2017 (€ 24.7 billion). This greater trade deficit was due to the rise in the energy deficit, € 4.6 billion, up to € 30.8 billion, and to the reduction of the non-energy balance, which went from recording a surplus of € 1.4 billion in 2017 to a deficit of € 3.0 billion in 2018.

The products that have contributed most to the trade deficit expansion in 2018 are crude oil (due to the evolution of the Brent price in dollars, which increased at an average annual rate of over 30% in 2018, the highest since 2012) and cars (due to the confluence of several factors, such as the slowdown of global activity and world trade, which has affected exports, despite the competitiveness-price gains for most of the year).

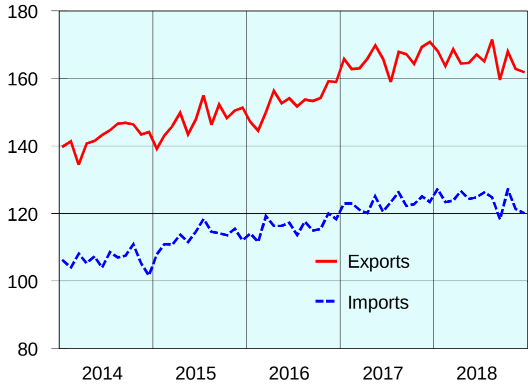
which show an evolution very similar to that of the Balance of Payments, and for which there is information available for 2018 as a whole.

G 16. TRADE BALANCE
accumulated 12 months, billion euros



Sources: DA and SGCPE.

G 17. FOREIGN TRADE, VOLUME
index 2005=100, s.a.



Sources: DA and SGCPE.

Real exports of goods virtually stabilise in 2018,…

According to Customs figures, goods exports rose by 2.9% in 2018 in nominal terms, six points less than in 2017, and their prices, approximated by unit value indices, rose by 3% (0.7% in the previous year), resulting in a virtual stabilisation in real terms (-0.1%), following the 8.2% rise registered in the previous financial year.

By product groups, the y-o-y rates of real exports are lower than those of 2017 in all categories. Exports of food consumer goods and energy and non-energy intermediate goods decreased their rates by 2.5, 46 and 8.3 points, respectively, down to 0.7%, 2.9% and 1.1%, while exports of non-food consumer goods and capital goods went from recording positive rates in 2017 (3.7% and 9.2%, respectively) to negative rates of -2.4% and -3.7%, respectively, in 2018.

By geographical areas, exports in volume to the European Union (EU) increased by 0.9% y-o-y in 2018, compared to the 6.4% rise registered in the previous year, and exports outside the Union fell by 2%, after the strong rebound of 2017 (11.7%). In nominal terms, within the EU the 6.3% rise registered by exports to Portugal and the slight decline in exports to Germany stand out, while in the rest of the world the increase in exports to Venezuela and North Africa should be noted.

...and imports grow slightly

Goods imports increased by 5.6% y-o-y in nominal terms in 2018, a rate almost five points below the figure registered in the previous year, and their prices rose by 4.5% (4.7% in 2017). This price evolution is mainly due to the growth in the prices of energy goods (17.1%) and, to a lesser extent, of other products (2.5%). As a result, imports in real terms, experienced a slight y-o-y increase of 1.1%, after the 5.5% rise recorded in the previous year.

The analysis by products in real terms and in y-o-y rates, shows a generalized moderation in the growth rate, except for food consumer goods imports, which accelerated 0.7 points, up to 2.6%. However, all categories maintain positive rates. The imports of non-food consumer goods slowed down six tenths, down to 2.1%; those of capital goods, 4.4 points, to 2%; and energy and non-energy intermediate goods imports went from registering rates of 17.2% and 4.4% in 2017, to 1.1% and 0.3% in 2018, respectively.

T 8. Foreign trade by group of countries, volume

	Weight in Total	Year-on-year change (%)					Contribution to growth		
	2018	2017	2018				2018		
		IV	I	II	III	IV	II	III	IV
Total exports	**100.0**	**6.9**	**-0.4**	**0.6**	**0.5**	**-1.2**	**0.6**	**0.5**	**-1.2**
EU	*65.6*	*4.9*	*0.5*	*1.0*	*2.9*	*0.6*	*0.6*	*1.9*	*-0.4*
Euro-area	51.5	3.4	0.2	0.4	2.7	0.1	0.2	1.3	0.1
Non-EU	*34.4*	*10.9*	*-2.0*	*-0.2*	*-3.7*	*-2.3*	*-0.1*	*-1.4*	*-0.8*
USA	4.5	9.1	-6.4	-0.6	-1.8	-3.2	0.0	-0.1	-0.1
Latin America	5.6	13.8	0.6	-3.0	-10.3	-3.0	-0.2	-0.7	-0.2
China	2.2	27.7	-0.8	-8.5	-0.3	-9.0	-0.2	0.0	-0.2
Other countries (1)	10.5	8.7	3.3	3.0	-11.4	-9.7	0.3	-1.3	-1.0
Total imports	**100.0**	**5.1**	**0.4**	**4.2**	**-0.6**	**0.3**	**4.2**	**-0.6**	**0.3**
EU	*53.8*	*4.5*	*-1.9*	*4.6*	*-0.1*	*-2.7*	*2.7*	*0.0*	*-1.5*
Euro-area	43.4	4.5	-0.7	3.9	-0.6	-2.4	1.7	-0.3	-1.1
Non-EU	*46.2*	*5.9*	*3.5*	*3.7*	*-1.1*	*4.3*	*1.6*	*-0.5*	*1.8*
USA	4.1	-9.4	-11.3	1.5	-8.9	-4.5	0.1	-0.5	-0.2
Latin America	5.9	16.2	-2.2	11.8	-0.3	0.7	0.6	0.0	0.0
China	8.4	2.8	7.7	-9.1	-4.3	2.7	-0.7	-0.4	0.2
Other countries (1)	11.7	11.1	9.4	12.8	4.0	-0.6	1.2	0.4	-0.1

(1) Maghreb, Middle East and Russia.
Sources: Customs and SGCPE.

By geographical areas and in real terms, imports from the EU remained stable in 2018, after the 3.4% rise registered in the previous year, and those from the rest of the world recorded a y-o-y increase of 2.6% (8.3% in 2017). In the first case, the most dynamic were those from Portugal and Italy, in the second case standing out the purchases from OPEC countries, Africa, mainly Sub-Saharan, Near East, Brazil, Mexico and Turkey.

The "momentum" (change during the last three months in comparison to the previous three months) of exports, in real terms, registered a negative rate in December 2018 (-0.7%) for the second consecutive month, due to the negative contribution of exports to the EU countries and Non-OECD countries. By products, the negative contribution of non-energy intermediate goods exports stands out. The "momentum" of imports was negative in December (-0.2%), for the fourth consecutive month, where the negative contribution of EU countries stood out. By products, the negative contribution of non-energy intermediate goods and, to a lesser extent, of capital goods and food consumption goods stood out, partially offset by the positive contribution of intermediate energy goods.

The financial balance remains positive for the fourth consecutive year

According to the Balance of Payments, the financial balance, excluding the Bank of Spain assets, registered a positive balance of € 9.1 billion in December 2018 (€ 14.8 billion a year earlier), as a result of positive balances in the form of other investments and, to a lesser extent, direct investment.

In 2018 as a whole, the financial balance, excluding the Bank of Spain assets, accumulated a positive balance for the fourth consecutive year, amounting to € 38.4 billion, lower than the € 53.6 billion registered a year earlier. This result is explained by the positive balances in the form of other investments (€ 42.3 billion) and portfolio investment (€ 5.4 billion), while direct investment (€ 9.1 billion) and financial derivatives (€ 184 million) registered negative balances.

The assets net variation reached € 109.4 billion in 2018, compared to the € 123 billion registered in 2017. On the other hand, the liabilities net variation stood at € 71 billion, compared to € 69.4 billion recorded a year earlier.

The net debtor position of the Bank of Spain vis-à- vis the Eurosystem increases

The net debtor position of the Bank of Spain vis-à- vis the rest of the world rose by € 14.8 billion in 2018, in which the rise of € 9.5 billion in the net debtor position vis-à-vis the Eurosystem should be highlighted. On the other hand, the remaining net assets decreased by € 7.5 billion and reserves rose by € 2.1 billion.

Public Sector

The Bank of Spain (BoS) published the General Government Debt data, according to the Excessive Deficit Procedure (EDP) methodology, corresponding to December last year and the State Debt data corresponding to January. In 2018, the General Government debt-to-GDP ratio fell by 1.1 points, extending the path of decline initiated in 2015. Likewise, the extension of the average life of outstanding debt continued in 2018.

By 4th March, the Spanish public Treasury has completed 27.2% of its mid and long-term issuance programme expected for 2019, and financing costs have continued to fall, reaching an average of 0.62%. So far this year there have been two syndicated issuances, with record demand and high participation of non-resident investors.

The General Government Debt-to-GDP ratio registers in 2018 the greatest fall since 2015

According to the BoS, the General Government EDP Debt, reached € 1,171 billion in December 2018, € 26.5 billion higher compared to the figure recorded a year earlier. By instrument, long-term debt securities increased by € 52.1 billion compared to 2017, while short-term debt securities decreased by € 9.2 billion, a fact that contributed to the lengthening of the average life of outstanding debt. The € 16.6 billion fall recorded by loans, partly due to the early repayment of € 8.0 billion of the ESM loans should be pointed out.

As a percentage of GDP, using the preliminary Quarterly National Accounts data published on 31st January by INE, the General Government EDP Debt stood at 97.0%, which represents a drop of 1.1 points compared to 2017, the highest since 2015, and of 3.3 points compared to 2014, when the record high was reached.

By subsectors, the State Debt stood at 85.6% of GDP in 2018, two tenths higher in comparison to the figure registered at the end of 2017. On the other hand, the Other Central Government Bodies, the Regional Governments and the Local Governments reduced their Debt to GDP ratios by three, five and three tenths, respectively, reaching 2.5%, 24.2% and 2.2%. Finally, the EDP Debt of the Social Security stood at 3.4% of GDP, compared to the 2.3% registered in 2017. This increase is due to the loan granted by the State to the General Treasury of the Social Security. On the other hand, the debt owned by General Government units, which is deducted to obtain the General Government consolidated debt, stood at 21% of GDP, 1.2 points higher than in 2017. This item includes the loans granted by the State to other subsectors and the assets held by the Social Security Reserve Fund.

Likewise, according to the BoS, by the end of January, the State's EDP Debt reached € 1,034.7 billion, compared to the € 996.0 billion recorded a year earlier. Out of this balance, € 228 million correspond to debt in currencies other than the euro. By instrument, € 899.7 billion correspond to long-term debt securities (€ 54.1 billion more than a year ago), € 69.9 billion with short-term debt securities (€ 7.4 billion less) and the rest, € 65.0 billion, with loans and deposits (€ 8.1 billion less than at the end of the previous year, due to the early repayment of part of the ESM loan). By counterpart sectors, € 545.6 billion are assets held by resident sectors (€ 15.5 billion more than in the same month of 2018) and € 489.1 billion correspond to the rest of the world (€ 23.2 billion more than a year earlier). Out of the assets held by residents, € 13.5 billion are held by other General Government units (€ 3.5 billion less than a year ago).

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