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June 2019

SPANISH ECONOMY REPORT

GOBIERNO DE ESPAÑA

MINISTERIO DE ECONOMÍA Y EMPRESA

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RECENT EVOLUTION OF THE ECONOMIC INDICATORS

1.- FINANCIAL MARKETS

The evolution of the financial markets in the second quarter of 2019 was conditioned by the trade tensions and the uncertainty regarding Brexit, as well as by the growing expectations of a greater degree of monetary accommodation by central banks, after the publication of less favourable than expected international macroeconomic indicators. Thus, public debt yields fell across the board, reaching record lows, stock indices rebounded and the euro appreciated slightly against the dollar.

The ECB delays again future interest rate increases and announces the details of the new longer-term refinancing operations (TLTRO-III)

The Governing Council of the European Central Bank (ECB), on its meeting held on 6th June, 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 ECB key interest rates to remain at their present levels at least until the first half of 2020, and in any case for as long as necessary to ensure the continued sustained convergence of inflation to levels that are below, but close to, 2% over the medium term.

Moreover, the Governing Council intends to continue reinvesting, in full, the principal payments from maturing securities purchased under the asset purchase programme for an extended period of time past the date when it starts raising the key interest rates, and in any case for as long as necessary to maintain favourable liquidity conditions and an ample degree of monetary accommodation.

Regarding the modalities of the new series of quarterly targeted longer-term refinancing operations (TLTRO-III), the Governing Council decided that the interest rate in each operation will be set 10 basis points above the average rate applied to the main refinancing operations of the Eurosystem (currently at -0.40%), over the life of the respective TLTRO. For banks whose eligible net lending exceeds a benchmark, the rate applied in TLTRO-III will be lower and can be as low as the average interest rate applicable to the deposit facility prevailing over the life of the operation, plus 10 basis points.

Likewise, the ECB also revised its growth and inflation forecasts upwards for the Eurozone in 2019 and downwards for 2020. Among the main risks for the Eurozone's growth the ECB listed the geopolitical uncertainty, the gradual threat of protectionism and the vulnerabilities in emerging countries.

The Fed maintains its monetary policy, but the expectations of a possible rate reduction increase

The Federal Open Market Committee (FOMC) of the Federal Reserve (Fed), in its two day meeting held on 18th and 19th June (the fourth meeting of the year) decided to maintain the Federal Funds interest rates unchanged within the target range of 2.25% and 2.50%, and to continue reinvesting all monthly maturities exceeding 15 billion dollars.

Unlike previous meetings, in which the FOMC remained "patient" to determine the appropriate future interest rate target range adjustments, the increase of uncertainty stands out now in such a way that "the FOMC will closely monitor the forthcoming economic information and its implications for the economic outlook, and will act accordingly to sustain the expansion, with a strong labour market and inflation close to the 2% target". As a result, the expectations of a possible decrease in interest rates at its next meeting have increased.

Table 1.1. **Financial and monetary indicators**

			2019					
	2017	2018	Feb.	Mar.	Apr.	Jun.	Jul	Aug.
A) Interest rates (percentages)[(1)]								
Official rates (2)								
Eurozone	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
United States	1.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Japan	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
Euribor rates								
3 months	-0.33	-0.32	-0.31	-0.31	-0.31	-0.31	-0.33	-0.35
12 months	-0.15	-0.17	-0.11	-0.11	-0.11	-0.13	-0.20	-0.23
Debt market (3)								
3 years	-0.08	-0.03	-0.08	-0.14	-0.21	-0.24	-0.31	-0.43
5 years	0.36	0.41	0.34	0.24	0.17	0.07	-0.09	-0.19
10 years	1.56	1.42	1.28	1.13	1.06	0.88	0.51	0.36
Bank rates (3)								
Loans and credit. Synthetic rate	2.55	2.37	2.39	2.43	2.56	2.34	-	-
Mortgage loans (households)	2.19	2.21	2.38	2.39	2.39	2.40	-	-
Deposits. Synthetic rate	0.08	0.06	0.05	0.05	0.05	0.06	-	-
B) Spreads (basis points)[(1)]								
Spain-Germany 10 years	118	95	115	106	105	96	77	71
USA-Germany 10 years	197	246	243	254	253	0	0	237
C) Eurozone monetary aggregates[(4)]								
M1	8.80	6.60	6.60	7.50	7.40	7.20	-	-
M2	5.20	4.30	4.50	5.20	5.30	5.20	-	-
M3	4.70	4.10	4.20	4.60	4.70	4.80	-	-
D) Exchange rates[(1)]								
Dollar/euro	1.129	1.181	1.135	1.130	1.124	1.118	1.129	1.133
% (4)	12.3	-3.8	-8.1	-8.4	-8.5	-5.3	-3.3	-3.1
Yen/euro	126.7	130.4	125.3	125.7	125.4	122.9	122.1	122.6
% (4)	9.2	-4.3	-6.0	-4.0	-5.1	-5.1	-5.0	-5.8
Yen/dollar	112.2	110.4	110.4	111.2	111.6	109.9	108.1	108.3
%(4)	-2.8	-0.5	2.2	4.8	3.7	0.2	-1.8	-2.8
Effective nominal euro rate	96.6	99.0	97.4	96.9	96.7	97.4	97.9	97.8
% (4)	5.4	-0.5	-2.2	-2.9	-2.8	-0.7	0.0	-1.4
E) Stock market indexes % (5)								
Madrid General Index	7.6	-15.0	8.6	8.0	11.9	5.4	7.4	8.3
IBEX 35	7.4	-15.0	8.6	8.2	12.1	5.4	7.7	8.7
Eurostoxx – 50	6.5	-14.3	9.9	11.7	17.1	9.3	12.7	16.9
Dow Jones	25.1	-5.6	11.1	11.2	14.0	6.4	14.0	14.8
Standard & Poors 500	19.4	-6.2	11.1	13.1	17.5	9.7	17.3	18.6
Nikkei 225	19.1	-12.1	6.8	6.0	11.2	2.9	6.3	8.7

(1) Average available daily data for each period. (2) At the end of each period. (3) Spanish market. (4) Year-on-year variation as %. For years. Dec./Dec. variation. (5) Percentage variation over the period of the year that has gone by.
Source: European Central Bank and Banco de España.

The BoE maintains its monetary policy, but highlights that downward risks have increased

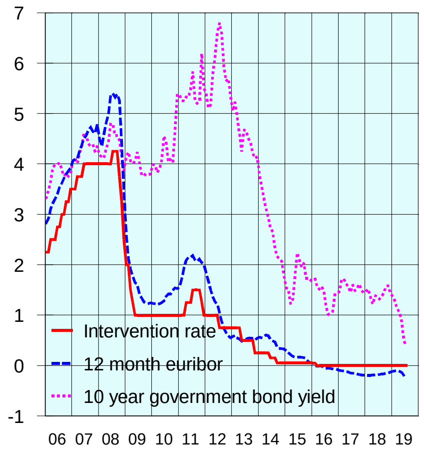
The Monetary Policy Committee of the Bank of England (BoE), in its meeting held on 20th June, unanimously decided to maintain the Official Bank Rate at 0.75%, in force since 1st August of last year. It also decided to continue with the public debt and corporate debt purchase programmes, which stand at 435 billion and 10 billion pounds, respectively. However, in its press release, the BoE also highlights that downward risks have increased, both domestically, due to the perception that a no-deal Brexit is now more likely, as well as externally, due to greater trade tensions.

As in previous statements, the BoE has underlined that the economic outlook and monetary policy stance will depend significantly on the characteristics and the schedule for the United Kingdom to leave the European Union and how households, businesses and financial markets respond.

The BoJ announces that it will continue with its expansionary monetary policy

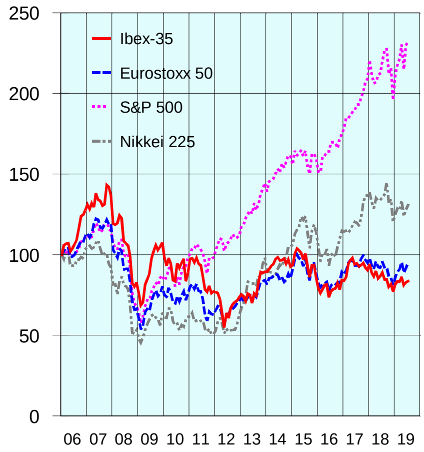
In the meeting held on 19th and 20th June, the Bank of Japan (BoJ) decided to keep the negative interest rate to current accounts that financial institutions hold at the Bank at -0.1%. Similarly, the BoJ decided to keep its asset purchase programme unchanged, which expands the purchases of public debt at an annual pace of 80 trillion yen, those of exchange-traded funds (ETFs), up to an annual increase of 6 trillion yen, those of real estate investment companies (J-REITs) at an annual rate of 90 billion yen and those of marketable instruments and corporate bonds at a rate of 2.2 and 3.2 trillion yen per year, respectively.

G 1.1 INTEREST RATES
monthly averages (a)



(a) Except the corresponding ECB intervention rate at the end of each month.
Source: ECB and Banco de España.

G 1.2 STOCK EXCHANGE
last day of the month. January 2006 = 100



Source: Bolsa de Madrid, Nasdaq and Stoxx.

On the basis of the above, the BoJ confirmed its intention to continue with an ultra-expansionary monetary policy. With regards to the interest rates policy, it still intends to continue with the current rates for a long period of time, at least until spring 2020, taking into account the uncertainty regarding economic activity and prices, other countries' economies evolution and the effects of the VAT increase planned as of October.

With regard to the asset purchase programme, and as in previous meetings, the BoJ confirmed its intention to continue with the current purchase programme until inflation exceeds the 2% target and remains stable at that level.

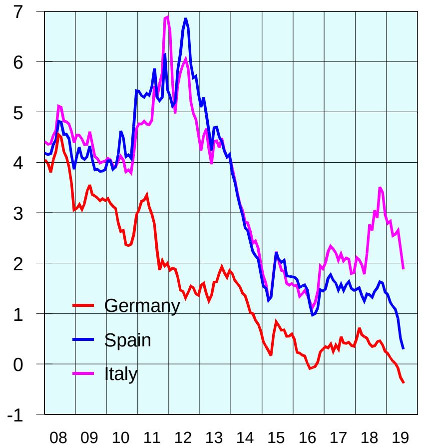
The Central Bank of Australia reduces the official interest rate

On the other hand, in its meeting held on 2nd July, the Reserve Bank of Australia decided to reduce the cash rate by 25 basis points, down to 1.00%. It is the second fall so far this year, after the one registered in June.

The 12-month Euribor decreases and stands at a record low

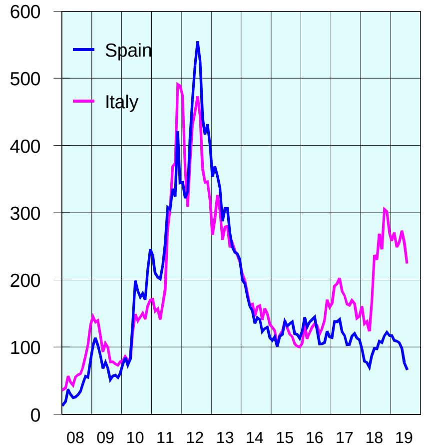
In the interbank market of the Eurozone, interest rates fell significantly in all its sections as of mid-May, after remaining virtually stable at the beginning of the second quarter of 2019. Thus, on 2nd July, the one, six and twelve-month Euribor stood at -0.386%, -0.327% and -0.233%, respectively, versus the -0.367%, -0.228% and -0.112% recorded at the end of March. The decline of the twelve-month Euribor in this period is due to the growing expectations of decreases in interest rates (the OIS -Overnight index swap- fell 12 b.p.) while the risk premiums required in the market remained stable (the Euribor-OIS differential remained virtually unchanged).

G 1.3 PUBLIC DEBT YIELDS (a)
monthly data in percentage



(a) For the 10-year Bond.
Source: Financial Times.

G 1.4 DIFFERENTIALS WITH GERMANY (a)
monthly data in basis points



(a) For the 10-year Bond.
Source: Financial Times.

Public debt yields decrease across the board and the 10-year Spanish bond reaches its record low

In the secondary public debt market, the growing expectations of decreases in interest rates in the United States and the uncertainty regarding trade tensions and the Brexit have edged yields downwards during the second quarter of the year, reaching record lows in Europe. The 10-year Spanish bond yield stood at 0.29% on 2nd July, which represents a record low, and 83 b.p. below the figure recorded on 29th March. On the other hand, the German bond yield fell 30 b.p. in that period, and continued registering negative values (-0.37%), with the Spain-Germany differential standing at 66 b.p., 53 b.p. less than at the end of March. In the rest of Europe, the drop in the Greek, Portuguese and Italian yields in this period should be noted (155, 87 and 67 b.p., respectively). In the United States, the 10-year bond yield stood at 1.98% on 2nd July, 43 b.p.

below the level reached at the end of March. On the other hand, the yield of the three-month bills stood at 2.20%, 20 b.p. below the figure recorded at the end of March and continues above that of the 10-year US bond. The differential between both remains at negative values (-22 b.p.) and increased 23 b.p. since the end of March.

Table 1.2. **Ten-year government bond yields**
% and basis points

Countries	Yields (%)					Differentials with Germany (basis points)				
	Dec-31-18	Mar-29-19	Jul-02-19	Variation in bp		Dec-31-18	Mar-29-19	Jul-02-19	Variation in bp	
				Period	Annual				Period	Annual
	(1)	(2)	(3)	(3)-(2)	(3)-(1)	(4)	(5)	(6)	(6)-(5)	(6)-(4)
Germany	0.25	-0.07	-0.37	-30	-62					
Holland	0.39	0.13	-0.20	-33	-59	14	20	17	-3	3
Austria	0.50	0.24	-0.09	-33	-59	25	31	28	-3	3
Finland	0.55	0.27	-0.07	-34	-62	30	34	30	-4	0
France	0.71	0.32	-0.06	-38	-77	46	39	31	-8	-15
Belgium	0.77	0.41	0.01	-40	-76	52	48	38	-10	-14
Ireland	0.91	0.57	0.13	-44	-78	66	64	50	-14	-16
Spain	1.42	1.12	0.29	-83	-113	117	119	66	-53	-51
Portugal	1.72	1.25	0.38	-87	-134	147	132	75	-57	-72
Italy	2.77	2.51	1.84	-67	-93	252	258	221	-37	-31
Greece	4.38	3.75	2.20	-155	-218	413	382	257	-125	-156

Source: Financial Times.

Fitch maintains Spain's rating

On 21st June, the credit rating agency Fitch maintained Spain's rating at "A-" with a stable outlook in the second rating of the year. According to the agency, this rating is backed by a diversified economy with high added value.

Stock indices rebound in a context of volatility

In the stock markets, the main indices increased until the beginning of May, driven by business results and the expectations of a delay in the monetary policy normalisation. However, as of May, trade tensions and political uncertainty increased volatility and risk aversion, correcting the indices, which lost part of the earnings accumulated up to May. In Europe, the Eurostoxx 50 rose by 4.7% in the period between 29th March and 2nd July. In Spain, the IBEX 35 rose by 0.4%, standing at 9,281.50 points. The rest of European markets also registered rises: 8.7% the German DAX, 4.2% the CAC 40 in Paris, 3.8% the FTSE 100 in the United Kingdom and 0.5% the Italian FTSE MIB. In the US market, the S&P 500 index rose by 4.9% in the same period.

The euro appreciates slightly against the dollar

With respect to the currency market, the growing expectations of decreases in interest rates in the United States have boosted the the euro exchange rate against the dollar upwards during the second quarter of 2019. Thus, in the period between the end of March and the beginning of July, the euro appreciated by 0.6% against the dollar and by 4.2% against the pound, and depreciated by 1.7% against the yen, trading at 1.1301 dollars, 0.8944 pounds and 122.36 yen by the end of the 2nd July session. In the same period, the euro appreciated by 1.3% in nominal effective terms vis-à-vis the group of industrialised countries.

Table 1.3. **International stock exchanges**

Countries	Indexes	Level Jul-02-19	% Variation Mar-29-19	Dec-31-18
Germany	DAX	12,526.72	8.7	18.6
France	CAC 40	5,576.82	4.2	17.9
Italy	FTSE MIB	21,392.87	0.5	16.7
Spain	IBEX 35	9,281.50	0.4	8.7
Eurozone	EUROSTOXX 50	3,507.98	4.7	16.9
United Kingdom	FTSE 100	7,559.19	3.8	12.4
United States	S&P 500	2,973.01	4.9	18.6
Japan	NIKKEI 225	21,754.27	2.6	8.7
China	SHANGHAI COMP	3,043.94	-1.5	22.1
Mexico	IPC	43,441.80	0.4	4.3
Brazil	BOVESPA	100,605.17	5.4	14.5
Argentina	MERVAL	41,793.13	24.9	38.0

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

The M3 broad monetary aggregate rises by 4.8% in May, one tenth more than in April,...

In relation to the analysis of the monetary sector, the ECB published the evolution of the monetary and credit aggregates in the Eurozone for May. The M3 broad aggregate rose by 4.8% y-o-y in May, one tenth more compared to the figure registered in the previous month. This evolution is due to the moderation of the fall of marketable instruments (-2.5%, compared to the -5.4% registered in the previous month) and the slight increase in the growth rate of other short term deposits (one tenth, up to 0.7%), while overnight deposits and cash in circulation slowed down one and three tenths, respectively, to 7.6% and 4.9%.

Table 1.4. **Eurozone monetary aggregates**

Monetary aggregates	May 2019 Balance (Billion €)	% Year-on-year variation March 2018	April 2019	May 2019
1. Currency in circulation	1,185	5.6	5.2	4.9
2. Overnight deposits	7,366	7.8	7.7	7.6
M1 (= 1+2)	**8,552**	**7.5**	**7.4**	**7.2**
3. Other short-term deposits (= 3.1.+3.2.)	3,459	-0.2	0.6	0.7
3.1. Term deposits up to two years	1,125	-5.5	-3.7	-3.9
3.2. Deposits redeemable at notice up to three months	2,335	2.6	2.8	3.0
M2 (= M1+3)	**12,011**	**5.2**	**5.3**	**5.2**
4. Marketable instruments (= 4.1.+4.2.+4.3.)	630	-5.7	-5.4	-2.5
4.1. Repurchase agreements	71	-1.1	-4.6	-2.4
4.2. Money market funds shares units	513	-1.0	-0.4	1.0
4.3. Securities other than shares up to two years	46	-48.6	-42.2	-28.8
M3 (= M2+4)	**12,641**	**4.6**	**4.7**	**4.8**

Source: European Central Bank.

…and financing to the private sector in the Eurozone grows by 2.5%, two tenths less than in the previous month

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 May, two tenths less than in the previous month. This evolution is due to the lower rise of loans (2.7%, in comparison to the 2.8% registered in April) and the fall in shares and other equity (-0.4% versus the 1.2% recorded in the previous month), while securities other than shares accelerated six tenths, up to 3.2%. Within loans, those granted to households and non-financial corporations moderated the growth rate, one tenth, both to 3.1% and 2.7%, respectively, and, to a greater extent, those granted to insurance companies and pension funds, 3.8 points down to 1.6%. On the other hand, loans granted to other financial intermediaries fell by 0.3%, after increasing by 0.6% in April.

Table 1.5. **Financing to the private sector in the Eurozone (1)**

	May 2019 Balance (Billion €)	%Year-on-year variation		
		March 2019	April 2019	May 2019
Financing to the private sector	**13,591**	**2.8**	**2.7**	**2.5**
Loans	**11,261**	**2.6**	**2.8**	**2.7**
Households	**5,807**	**3.1**	**3.2**	**3.1**
House purchases	*4,408*	*3.5*	*3.5*	*3.4*
Consumer credit	*701*	*6.0*	*5.8*	*6.1*
Other lending	*698*	*-1.5*	*-1.3*	*-1.6*
Non-financial corporations	**4,468**	**2.5**	**2.8**	**2.7**
Insurance companies & pension funds	**123**	**14.8**	**5.4**	**1.6**
Other financial intermediaries	**863**	**-1.3**	**0.6**	**-0.3**
Securities other than shares	**1,535**	**4.1**	**2.6**	**3.2**
Shares and other equities	**794**	**1.9**	**1.2**	**-0.4**

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

Financing received by households and non-financial 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), financing to the private non-financial sector increased by 1.5% y-o-y in May, one tenth more than in the previous month (this rate is calculated as the effective flow of a period divided by the balance outstanding at the beginning of the period). Financing received by firms increased by 2.4%, two tenths more than in April, due to the lower fall in bank loans (-0.3%, in comparison to the -1.3% registered in April), while debt securities and foreign loans increased by 16.6% and 2.2%, respectively, whose rates are slightly lower compared to the figures recorded in April (18.2% and 2.7%). On the other hand, the growth of financing received by households remained at 0.4% in May, since bank loans for housing and for purposes other than housing registered the same y-o-y rates as in the previous month (-1,0% and 4.7%, respectively).

The ratio of doubtful loans continues to fall, standing at record lows since November 2010

According to the data published by the Bank of Spain, the ratio of doubtful loans to the total loans granted to households and companies by financial institutions operating in Spain decreased 1.1 points in April in comparison to the figure recorded a year earlier, standing at 5.70%, the lowest figure since November 2010, when it reached 5.69%.

Table 1.6. **Financing to non-financial sectors resident in Spain**

	May 2019 Balance (Billion €)	% Year-on-year variation		
		March 2018	April 2019	May 2019
Non-financial corporations and households	**1,601**	**1.2**	**1.4**	**1.5**
Non-financial corporations	**896**	**1.9**	**2.2**	**2.4**
Bank loans	*485*	*-1.6*	*-1.3*	*-0.3*
Securities other than shares	*115*	*14.4*	*18.2*	*16.6*
External loans	*296*	*3.7*	*2.7*	*2.2*
Households	**704**	**0.4**	**0.4**	**0.4**
Bank loans. Housing	*518*	*-0.9*	*-1.0*	*-1.0*
Bank loans. Other	*186*	*4.3*	*4.7*	*4.7*
General Government	**-**	**3.3**	**2.7**	**-**
Total financing	**-**	**2.1**	**1.9**	**-**

Source: Banco de España.

The upward trend of new loan and credit operations to households continues

The total amount of new loan and credit operations to households and non-financial corporations decreased by 4.2% y-o-y in May, compared to the 2.6% increase recorded in April. This fall is explained by the decrease in loans granted to non-financial corporations (-7.3% y-o-y, in comparison to the 3.7% rise registered in April), while loans granted to households rose by 6.9% y-o-y, after the 1.1% decrease registered in the previous month. Loans to SMEs (using as a proxy for these credits those under one million euros) grew by 2.8% (6.5% in the previous month), and those exceeding one million euros fell by 16.0% (-0.8% in April).

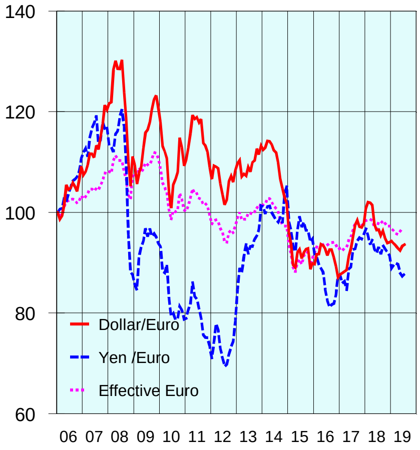
Table 1.7. **New loan and credit operations to households and non-financial corporations (1)**

	Balance May 2019 (Million €)	% Year-on-year variation		
		March 2018	April 2019	May 2019
TOTAL	**437,239**	**1.4**	**0.8**	**-0.4**
Loan and credit operations to households	**97,589**	**8.0**	**5.8**	**5.1**
House purchase	*44,130*	*9.9*	*7.6*	*7.2*
Consumer credit	*35,095*	*14.8*	*11.9*	*9.8*
Other lending	*18,364*	*-6.6*	*-7.6*	*-6.9*
Loan and credit operations to non-financial corporations	**339,650**	**-0.3**	**-0.6**	**-1.9**
Up to 1 million euros	*174,805*	*-5.5*	*-5.1*	*-4.0*
Above 1 million euros	*164,845*	*5.8*	*4.6*	*0.5*

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

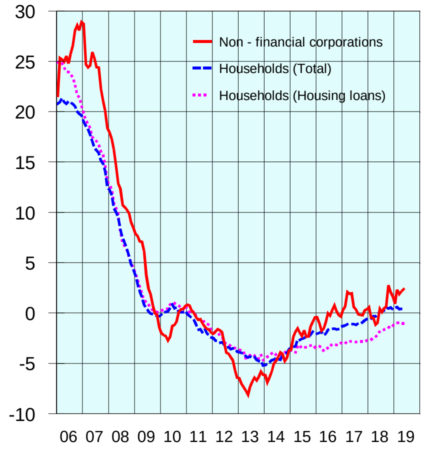
In order to facilitate the analysis, given the high volatility of these series, the data accumulated in the last twelve months have been taken into account. Thus, the amount of new loan and credit operations to households in cumulative terms for the last twelve months, increased by 5.1% y-o-y in May, seven tenths less in comparison to the figure recorded in the previous month. This slightly less expansionary evolution is explained by the moderation in the rate of progress of loans for housing and consumption (7.2% and 9.8%, respectively, 0.4 and 2.1 points less than in April), while loans for other purposes moderate their decrease (-6.9%, compared to the -7.6% recorded in the previous month). The amount of new loan and credit operations to SMEs decreased by 4.0% y-o-y in May, 1.1 points less than in the previous month, and the amount of new operations exceeding one million euros increased by 0.5%, 4.1 points less than in April.

G 1.5 EXCHANGE RATES
monthly averages. January 2006 = 100



Source: European Central Bank (ECB).

G 1.6 CREDIT IN SPAIN
year on year percentage change



Source: Banco de España (BE).

2.- DEMAND AND PRODUCTION

The European Commission revises its growth forecast for the Spanish economy two tenths upwards for 2019, up to 2.3%

The European Commission revised upwards its growth forecast for the Spanish economy for 2019 in comparison to the spring forecasts published in May, two tenths, up to 2.3%, and maintained that for 2020 at 1.9%. On the other hand, growth in the Eurozone remains at 1.2% this year and is revised one tenth downwards for 2020, to 1.4%. Spain is the only country of the large economies of the Eurozone whose growth has been revised upward, so that it will continue to lead growth in the area, with a rate that, according to the forecast, will virtually double the Eurozone's. Among the main economies of the Eurozone, the growth forecast for Germany (0.5%), France (1.3%) and Italy (0.1%) remains unaltered for this year, thus, increasing the Spanish economy growth differential over these economies. By 2020, the growth of Germany and France is revised downwards (one tenth, down to 1.4%, for both), and the growth of Spain and France remains at 1.9% and 1.4%, respectively.

The Spanish economy grew by 2.4% y-o-y in the first quarter of 2019, double that of the Eurozone

According to the latest Quarterly National Accounts (QNA) figures, published by the National Statistics Institute (INE, by its Spanish abbreviation), GDP, in volume and with calendar and seasonally adjusted data, recorded a q-o-q growth of 0.7% in the first quarter of 2019, one tenth higher in comparison to the figure recorded in the previous quarter, linking five and a half years of uninterrupted positive rates. In y-o-y terms, GDP increased by 2.4%, a rate also one tenth higher than the one foreseen in the previous quarter. The growth differential continues to be favourable to Spain with respect to the Eurozone average. According to the estimate published by Eurostat, the GDP of the Eurozone, in volume, increased by 0.4% in q-o-q terms, three tenths less than that of the Spanish economy, and the y-o-y grew by 1.2%, half the figure recorded in Spain.

With regards to the growth composition, domestic demand continues to be the main growth driver, although its contribution to the y-o-y GDP growth fell by three tenths in the first quarter, down to 2.2 points, mainly as a result of the lower growth of private consumption, partially offset by the rebound in equipment investment. On the other hand, net external demand contributed two tenths, after subtracting the same amount in the previous period, due to a fall in imports of goods and services, after the increase recorded in the previous period, an evolution that more than offset the slowdown experienced by exports.

From the supply point of view, and in y-o-y terms, the gross added value of the industry sector virtually stabilised in the first quarter of 2019, after decreasing in the previous quarter, and that of services slightly increased the growth rate, up to 3.1%. On the other hand, construction activity continued to grow strongly, 6.6%, although at more moderate rates than in the previous quarters, while the agriculture, farming, forestry and fishing sector showed a null rate, compared to the growth registered in the previous quarter.

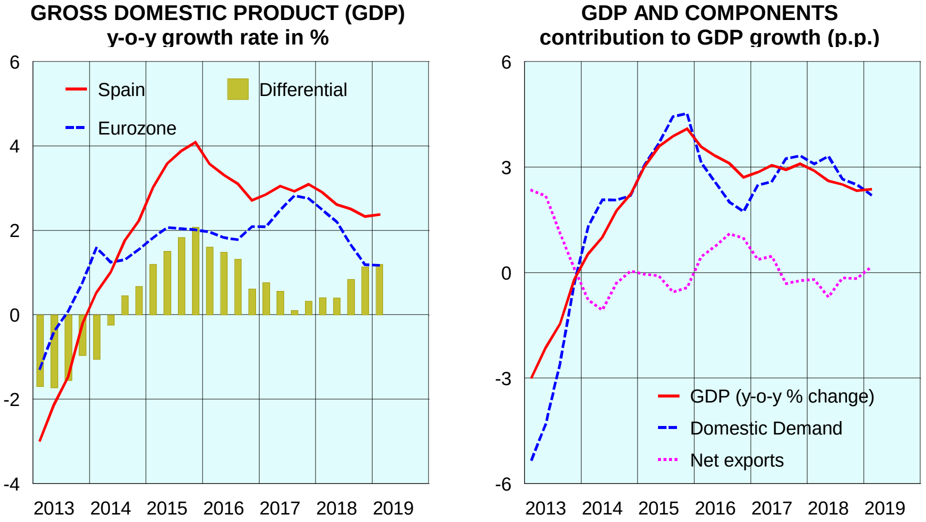
The Bank of Spain forecasts a q-o-q growth for the Spanish economy of 0.6% in the second quarter of the year,...

The Bank of Spain (BoS) foresees a q-o-q real GDP growth of 0.6% for the second quarter of 2019, one tenth lower than the figure recorded in the first quarter, as a result of a seven-tenth contribution of national demand, two tenths more than in the first quarter, and a two-tenth negative contribution of net external demand, compared to a positive contribution for the same amount registered in the period between January and March. The extension of the activity dynamism in the second quarter of the year continues to be supported by the strength of private domestic demand, due to the persistence of loose financial conditions and the favourable evolution of real wages. With regards to the foreign sector, the less favourable trend of goods exports continues, due to the slowdown of international trade and industrial activity at a global scale, while the services sector shows an expansive behaviour since the end of 2018. On the other hand, total imports experienced a weak export drive, given the high import content of this demand component. In relation to the labour market and in line with the activity expansion, the rate of job creation, in terms of National Accounts (full-time equivalent employment), could reach 2.4% y-o-y in the second quarter of 2019.

...an evolution that is consistent with that of the most recent activity indicators

Quantitative indicators of global activity point to a strong growth in the second quarter of the year, in a context of intense job creation and loose financing conditions. Thus, according to the statistics prepared by the Tax Agency and based on monthly VAT returns, total large firm sales, with fixed-sample, deflated and adjusted for calendar and seasonal variations data, rose by 2.7% y-o-y in April, six tenths more than in the previous month, due to the greater dynamism of exports (2.9%, compared to the 2.6% registered in the previous month) and domestic sales (2.5%, half a point more than in the previous month). The Business Turnover Index also recorded a favourable evolution, which accelerated 2.3 points in April, reaching 5.2% y-o-y, a momentum explained by the greater dynamism of all the productive sectors analysed, especially the trade branch, which scored a rate of 7.5%, almost five points higher than in March.

G 2.1 QUARTERLY NATIONAL ACCOUNTS
Chain-linked volume. Seasonally and calendar adjusted data (sac)



Sources: INE *(QNA-2010)* and Eurostat.

On the other hand, the main qualitative indicators of global activity also point to a continuation of the expansionary trend, although somewhat more moderate than in the first quarter. Thus, the global activity composite PMI for Spain published by Markit, remained in June at the level of the previous month, 52.1, closing the second quarter of the year at an average level of 52.4, 2.1 points lower than the previous quarter. The Economic Sentiment Index, published by the European Commission (EC), fell six tenths in June in comparison to the previous month, down to 104.8 (1990-2018 average = 100), although it continues at high levels, closing the second quarter with an average level (104.8), slightly lower than the first quarter (105.2). Likewise, the composite leading indicator for Spain, designed by the OECD to anticipate turning points in the economic activity with regards to its trend, fell two tenths in April compared to the previous month, reaching 99, closing the first four months of the year at 99.2, four tenths below the figure recorded in the fourth quarter of 2018.

The Spanish economy showed a net lending vis a vis the rest of the world equal to 1% of GDP

According to the Quarterly Non-Financial Accounts for the Institutional Sectors (QNFAIS) published by INE, the Spanish economy showed net borrowing in the first quarter of 2019 amounting to € 4.5 billion, equal to 1.5% of quarterly GDP and higher than the figure recorded in the same quarter of the previous year (€ 873 million, 0.3% of GDP), due to a lower balance of goods and services, of the balance of incomes and current transfers and the capital balance. By institutional sectors, net borrowing of households and non-profit institutions serving households (NPISHs) rose and net lending of non-financial corporations and financial institutions was reduced, while the General Government reduced its net borrowing. With calendar and seasonally adjusted data, the Spanish economy registered a net lending of 1% of GDP, compared to the 1.6% registered in the fourth quarter of 2018.

2.1.-Domestic Demand

Economic growth in Spain continued to be supported by domestic demand, although its contribution to the GDP y-o-y rise decreased slightly in the first quarter of 2019, three tenths, down to 2.2 percentage points (p.p.). Among the domestic demand components, public consumption and, to a greater extent, private consumption, moderate their growth rate, while investment accelerates due to the rebound experienced by the capital goods component.

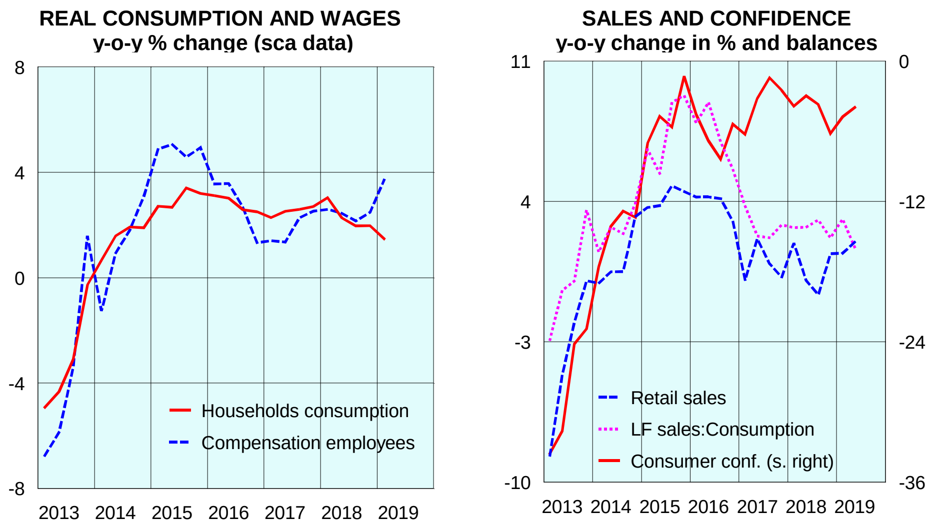
The growth rate of private consumption moderates...

According to the QNA data, private consumption expenditure, in volume and with calendar and seasonally adjusted data grew by 1.5% y-o-y in the first quarter, a growth four tenths lower that of the previous quarter. This evolution of private consumption occurs in a context of strong job creation, growth in real wages and a recovery of the household savings rate.

Quantitative indicators of private consumption show in general a more moderate growth rate in the second quarter. Thus, domestic sales in large companies of consumer goods and services, with deflated, fixed-sample and calendar and seasonally adjusted data moderated in April their y-o-y growth rate, 1.5 points, to 1.7%. With regard to passenger car registrations, according to the figures provided by ANFAC (Spanish Association of Vehicles Manufacturers), they continued to fall in the second quarter of the year, although less intensely than in the previous quarter (-4.8%, compared to the -6.9% recorded in the period between January and March). On the other hand, retail sales, at constant prices and with work calendar adjusted data, accelerated 2.3 points in May up to 3.1% y-o-y, mainly due to the greater dynamism of the non-food component, four points to 4.3%, and to a lesser extent, of the food component (three tenths, up to 1.9%).

Among the qualitative indicators, the Consumer Confidence Indicator prepared by the EC rose 1.6 points in June, up to -2.1, as a result of the improvement of most of its partial components, closing the second quarter with an improvement compared to the first quarter of eight tenths, reaching -4. Likewise, the Consumer Confidence Index, published by the Sociological Research Centre (CIS) rebounded in June to 102.3, 5.4 points higher than the figure recorded in May and above 100 (indicating a favourable perception of consumers) for the first time since September last year. This evolution is due to the improvement of its two components, current situation and expectations, which increased by 6.7 and 4.2 points, respectively, to 96 and 108.6. In the second quarter of the year, the Consumer Confidence Index registered an average value of 98.7, more than four points higher than the first quarter (94.6).

G 2.2 PRIVATE CONSUMPTION INDICATORS



Sources: INE, CE and AEAT.

…and the household savings rate rose, up to 5.4% of its gross disposable income

According to the Quarterly Non-Financial Accounts for the Institutional Sectors (QNFAIS), households and NPISH generated a net borrowing of € 20.8 billion in the first quarter, due to the negative savings generated by the sector and the need to finance the investment flow. The increase in nominal private consumption by 2.7% y-o-y was lower than that of gross disposable income (GDI) in the sector, by 3.4%, which resulted in a gross negative savings of € 7.8 billion, lower in comparison to the same period of 2018 (€ 9 billion), and reaching a savings rate of -4.5% of the GDI (-5.4% in the same quarter of the previous year). With calendar and seasonally adjusted data, the savings rate of households and NPISH increased six tenths in comparison to the previous quarter and nine tenths compared to a year earlier, to 5.4% of their GDI. On the other hand, the households' investment rate stood at 6.1% of their GDI, one tenth lower than the previous quarter and four tenths higher than the same period of last year.

On the other hand, final consumption expenditure of the General Government, in volume, and with calendar and seasonally adjusted data, recorded a y-o-y rate of 2% in the period between January and March 2019, two tenths lower compared to the figure registered in the fourth quarter of last year. The net borrowing of General Government reached 2.4% of the quarterly GDP (2.2% in the previous quarter).

Table 2.1. **Quarterly National Accounts**

Chain-linked volume base 2010; corrected data from seasonal and calendar effects

				year-on-year change				q-o-q change	
	2016	**2017**	**2018**	**II-18**	**III-18**	**IV-18**	**I-19**	**IV-18**	**I-19**
DEMAND									
Domestic consumption	2.4	2.4	2.3	2.2	2.0	2.0	1.6	0.4	0.4
- Private consumption	2.9	2.5	2.3	2.3	1.9	1.9	1.5	0.4	0.4
- Public consumption	1.0	1.9	2.1	2.0	2.2	2.2	2.0	0.4	0.4
Gross fixed capital investment	2.9	4.8	5.3	7.5	5.3	4.4	4.7	-0.2	1.4
- Equipment (1)	5.1	5.7	5.2	10.3	6.1	2.8	7.2	-2.7	4.3
- Construction	1.1	4.6	6.2	7.0	5.7	6.3	4.3	1.3	0.2
- Intelectual Property Products	3.6	3.5	2.1	2.3	1.5	1.9	0.0	0.5	-1.1
Change in inventories (2)	-0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0
Domestic demand (2)	2.4	2.9	2.9	3.3	2.7	2.5	2.2	0.3	0.6
Exports of goods and services	5.2	5.2	2.3	2.6	1.7	1.0	0.0	0.7	0.0
- Goods (fob)	4.1	4.7	1.8	2.7	1.5	-0.3	-2.1	-0.6	-0.4
- Services	7.8	6.3	3.3	2.6	2.0	4.1	4.8	3.7	0.9
Imports of goods and services	2.9	5.6	3.5	5.1	2.3	1.7	-0.5	0.0	-0.3
- Goods (fob)	1.7	5.8	2.5	4.7	1.2	0.6	-2.1	-0.2	-1.3
- Services	8.8	4.4	7.6	7.1	7.1	6.5	6.6	0.5	3.9
Net foreign balance (2)	0.8	0.1	-0.3	-0.7	-0.2	-0.2	0.2	0.3	0.1
GROSS VALUE ADDED									
Agriculture (3)	8.2	-0.9	2.6	4.8	-0.5	3.6	0.0	4.6	-2.0
Industry. Total	5.6	4.4	1.1	2.0	1.1	-1.3	0.1	-1.0	1.1
- Manufacturing	4.7	4.4	1.4	2.5	1.0	-0.5	1.2	-0.3	1.4
Construction	3.5	6.2	7.6	7.5	8.1	7.2	6.6	1.0	1.5
Services	2.1	2.5	2.7	2.5	2.7	3.0	3.1	0.8	0.8
GDP m.p.	**3.2**	**3.0**	**2.6**	2.6	2.5	2.3	2.4	0.6	0.7
GDP at current prices	3.5	4.3	3.6	3.6	3.6	3.1	3.3	1.0	0.4

(1) Equipment and cultivated assets. (2) Contribution to GDP growth (percentage points). (3) Agriculture, forestry and fishing. Source: INE (CNE-2010).

Investment accelerates in the first quarter,...

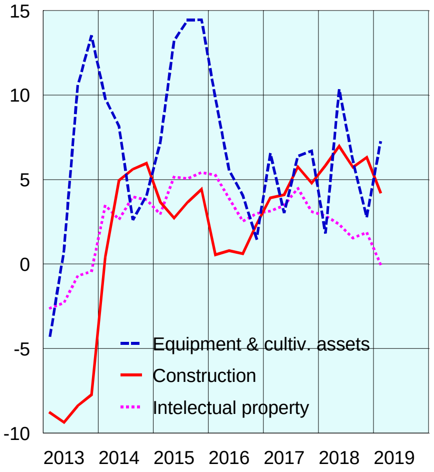
According to the QNA, gross fixed capital formation (GFCF) was the domestic demand component that showed a more favourable evolution in the first quarter of 2019, with a y-o-y growth, with calendar and seasonally adjusted data, of 4.7%, three tenths higher than to the previous quarter. This evolution responds to the more expansionary trend of equipment goods investment in an environment of favourable financing conditions.

...due to the rebound in equipment investment

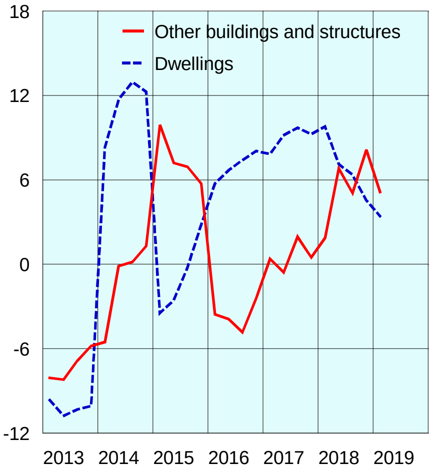
GFCF in equipment goods intensified the growth rate between January and March 2019, its y-o-y rate standing at 7.2%, compared with the 2.8% recorded in the fourth quarter of 2018. The soundness of equipment investment is explained by the domestic demand dynamism, in particular by the employment creation and the favourable financing conditions, as well as by the GFCF business expectations.

The most recent short-term information shows the extension of the expansionary trend of equipment investment in the second quarter, where the Industrial Climate Indicator in investment goods should be noted, as it recorded a balance of 6.4 points in June, 4.3 points above the one registered in the previous month, due to the evolution of the production expectations and order portfolio components, ending the second quarter of 2019 with a balance of 3.1 points, two tenths above the figure recorded in the previous quarter. Likewise, domestic large firms´ sales of equipment and software, deflated, and with fixed-sample and seasonal and calendar adjusted data, recorded a y-o-y increase of 9% in April, much higher than the figure recorded in March (2.3%). On the other hand, truck registrations, according to figures provided by ANFAC, decreased by 1% in June, after the 1.1% increase registered in the previous month, the second quarter ending with an average annual increase of 1.8%, 1.5 points lower versus the previous quarter.

G 2.3 GROSS FIXED CAPITAL FORMATION
y-o-y growth rate in %



G 2.4 GFCF IN CONSTRUCTION
y-o-y growth rate in %



Source: INE *(QNA-2010)*, seasonally and calendar adjusted data.

The most recent indicators for residential investment moderate their growth, but continue growing at high rates

Investment in construction and in intellectual property products showed an expansionary trend in the first three months of the year, although slightly more moderate than in the previous period, the former recording a 4.3% y-o-y growth, two points lower than the previous quarter, and the latter a null growth, in comparison to the 1.9% increase registered in the previous quarter.

The lower dynamism of construction investment in the first quarter of the year was due to the evolution of its two components, investment in housing, which grew by 3.4% y-o-y, 1.2 points lower than in the previous quarter, and investment in other buildings and constructions, which slowed down three points, to 5.1%.

Among the most recent short-term indicators related to residential investment, the number of new housing purchases stands out, as it increased by 9.3% y-o-y in April (14.6% in March), according to the INE statistics based on the properties recorded in the Property Registers

Table 2.2 **Domestic demand indicators**

Year-on-year change or balances in %

			2018			2019		Latest
	2018	**2019(1)**	**II**	**III**	**IV**	**I**	**II(1)**	**Data**
Households & bussiness financing (2)	-2.7	-0.9	-3.5	-3.0	-1.5	-1.1	-0.5	May.19
Private Consumption								
Composite Consumption Indicator (3)	1.1	1.0	1.2	0.9	0.5	1.0	-	Q.I.19
Consumer Goods. Apparent cons. (3)	2.3	3.2	2.9	1.6	1.2	3.2	3.4	Apr.19
IPI consumer goods (adjusted)	-0.7	2.3	-1.5	-0.9	-1.7	0.5	5.0	May.19
Consumer goods imports (vol.)	2.2	0.9	4.2	0.8	1.6	1.3	-0.2	Apr.19
Retail sales index (4)	0.7	1.7	0.2	-0.8	1.4	1.4	2.1	May.19
Passenger car registrations	7.0	-5.7	9.7	15.9	-7.6	-6.9	-4.8	Jun.19
Real wages (5)	2.4	3.7	2.4	2.2	2.5	3.7	-	Q.I.19
Consumer goods. Capacity utiliz. (%)	74.8	76.8	74.6	72.9	74.5	77.4	76.2	Q.II.19
Consumer confide. indicator (balances)	-4.2	-4.4	-3.0	-3.7	-6.2	-4.8	-4.0	Jun.19
Large firms sales. Consumption (6)	2.7	2.8	2.7	3.1	2.2	3.1	1.7	Apr.19
Households financing (2)	-2.0	-1.1	-2.3	-2.3	-1.6	-1.0	-1.1	May.19
Equipment Investment								
Composite Equipment Indicator (3)	4.9	3.5	5.0	5.1	3.3	3.5	-	Q.I.19
Capital Goods. Apparent cons.(3)	7.0	8.0	9.2	7.4	5.8	8.7	6.2	Apr.19
IPI consumer goods (adjusted)	2.1	2.8	3.5	2.6	-1.1	3.1	2.3	May.19
Capital goods imports (vol.)	2.0	2.2	4.7	5.4	2.5	4.1	-3.2	Apr.19
Corporations financing (2)	-4.4	-1.4	-5.5	-6.2	-2.7	-1.9	-0.6	May.19
Truck registrations	6.7	2.5	13.1	3.9	0.7	3.3	1.8	Jun.19
Capital goods. Capacity utilization (%)	86.5	87.4	87.8	86.2	84.9	87.0	87.8	Q.II.19
Large firms sales. Capital (6)	4.9	4.9	1.8	3.8	6.3	3.5	9.0	Apr.19

(1) Available period data. (2) Deflated by CPI. (3) Adjusted for seasonal, calendar and outliers effects. (4) Adjusted for calendar effects, at constant prices. (5) QNA series; seasonal and calendar effects adjusted divided by household consumption deflator. (6) Calendar adjusted, deflated & fixed sample.
Sources: SGCPE (MECE), BE, INE, DA, ANFAC, MICT, CE and AEAT.

Non-financial corporations record a net financing in the first quarter of 4.7% of quarterly GDP

According to the Quarterly Non-Financial Accounts for the Institutional Sectors results, non-financial corporations registered a net lending equivalent to 4.7% of the quarterly GDP in the first quarter of 2019, eight tenths lower compared to the figure registered in the previous year. This lower net lending is mainly explained by the increase in business investment (1.7%) and the decrease in gross disposable income of non-financial companies (-2.4%). In turn, the lowest savings are the result of the decrease in the gross operating surplus (-2.9%) and the increase in net property income paid (5.8%).

The productive activity of companies accelerates in the first quarter, according to the Central Balance Sheet

According to the Quarterly Central Balance Sheet data published by the Bank of Spain, the nominal gross added value at factor cost of non-financial companies in the sample increased by 4% y-o-y in the first quarter of 2019, 1.6 points more than in the previous quarter. The greater global productive activity dynamism resulted in an increase of the gross economic result (GER) of 5.4%, almost three points higher than the previous quarter, despite the greater increase in personnel expenses (they accelerated half a point, up to 2.7%). The GER more expansionary trend in the first quarter, together with the drop in financial expenses (-5.1%, compared to -7.5% in the previous period), resulted in a growth of the net ordinary result of 7.2%.

In this context, the ordinary return on net assets for all the companies in the sample stood at 3.1% in the first quarter, a rate similar to the one recorded a year earlier (3.2%). On the other hand, the ratio that measures the financial cost (financial expenses over liabilities) reached 2.1%, two tenths less compared to a year earlier, so the differential between them rose two tenths, reaching 1%.

2.2.- External Demand

The foreign sector contributed two tenths to the GDP y-o-y growth in the first quarter of 2019

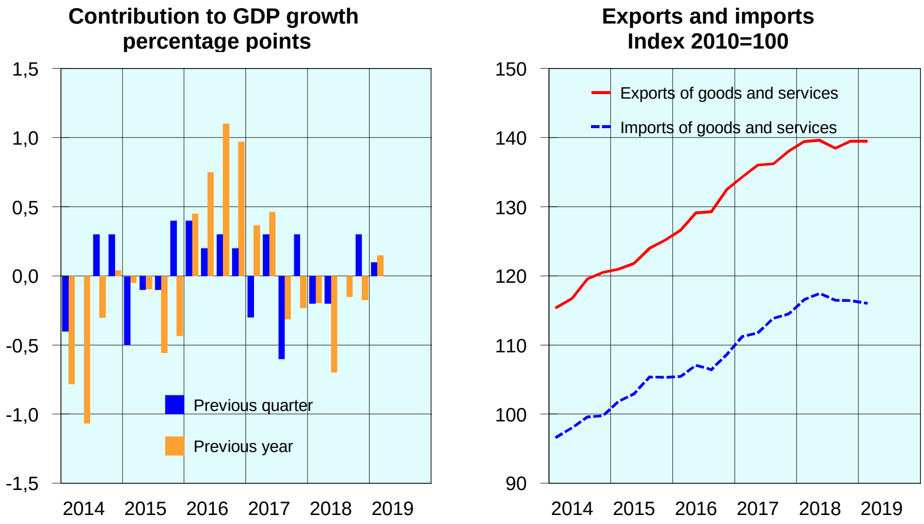
According to figures from the QNA, net external demand contributed two tenths to the GDP variation in the first quarter of 2019, after lowering it by the same amount in the previous period, due to a drop in goods and services imports following the increase registered in the previous period (-0.5%, compared to the 1.7% recorded in the previous quarter). This evolution more than offset the slowdown in exports (one point until stabilising).

Compared with the major economies of the European Union, the y-o-y rate of Spanish exports (0%) was lower than that of France (3.6%), Italy (3.5%), the United Kingdom (3%) and Germany (1.6%).

Real exports of goods and services moderate their growth rates

In y-o-y terms, real exports of goods and services remained stable (0%) in the first quarter of 2019, compared to the 1% growth registered in the fourth quarter of 2018, recording a 2.1% decline in goods and a 4.8% increase in services, in comparison to the rates of -0.3% and 4.1%, respectively, registered in the previous period.

G 2.5 EXTERNAL SECTOR



Source: INE.

In the first quarter of 2019, a greater general dynamism was observed in the activity of Spain's main trading partners. The q-o-q GDP growth accelerated four tenths in Germany (0.4%), three in the United Kingdom (0.5%) and two in the United States (0.8%) and Italy (0.1%), while it moderated one tenth in France (0.3%). In the main emerging economies, an uneven evolution was observed: Turkey, India and Taiwan intensified 3.7, 0.7 and 0.3 points, respectively, their q-o-q growth rate (up to 1.3%, 2.3% and 0.6%, respectively); Indonesia moderated its fall by 1.2 points (-0.5%); and South Africa, Korea, Brazil and Mexico registered negative rates of -8.4%, -0.4%, -0.2% and -0.2%, respectively, after recording rates of 4.8%, 0.9%, 0.1% and 0%, respectively, in the fourth quarter of 2018.

The competitiveness trend index, based on consumer prices against the developed countries, prepared by the Secretary of State for Trade, recorded a competitiveness gain of 2.4% y-o-y in the first quarter of 2019, due to the 1.7% depreciation of the nominal effective exchange rate and to the fact that the relative prices index fell by 0.7%. Regarding the European Union, a competitiveness gain of 0.3% was recorded, as a result of the decrease in relative consumer prices index (0.6%), while the nominal effective exchange rate rose by 0.2%. Finally, a competitiveness gain of 1.6% with regards to the BRICS countries was recorded, as a result of the 1.7% decline in the relative price index, slightly softened by the weak appreciation of the nominal exchange rate index (0.1%).

Real exports of goods lost market share in the first quarter

In this context, the y-o-y growth of real goods exports in the first quarter of 2019 was negative (-2.1%), compared to the rise recorded by the global trade in goods (0.5%, according to Central Planning Bureau of the Netherlands), which resulted in a 2.1% loss of market share, reaching 1.90%.

According to Customs figures, deflated by unit value indices, which are more volatile than the QNA figures, the "momentum" of exports (variation in volume in the last three months compared to the previous three months) was negative in March (-0.9%) after the -0.8% registered in December 2018, due to the negative contribution from the countries belonging to the European

Union and from the OECD non-EU countries. By products, the negative contribution of non-food consumer goods and intermediate energy goods stands out.

In y-o-y terms and according to Customs figures, real exports of goods fell by 1.7% in the first quarter of 2019, following the 1.2% fall registered in the fourth quarter of 2018. By product type, the recovery of food consumer goods and intermediate energy goods exports stands out, which went from registering negative rates in the fourth quarter of 2018 (-0.6% and -3.7%) to positive rates of 1.1% and 6.1%, respectively. On the other hand, non-energy intermediate goods exports slowed down two tenths, to 0.8%; capital goods exports went from registering a growth of 2.5% to a decline of 0.6%; and non-food consumer goods exports intensified their decline by 2.7 points, to -9.7%.

Within the non-food consumer goods group, car exports decreased by 10.9% y-o-y, after the 11.9% fall registered in the fourth quarter of 2018, subtracting 1.1 percentage points to total exports growth.

Table 2.3 **Foreign trade by category of goods, volume**

	Weight in Total	**Year-on-year change (%)**				**Contribution to growth**			
		2018		**2019**		**2018**		**2019**	
	2018	**III**	**IV**	**I**	**Apr.**	**III**	**IV**	**I**	**Apr.**
Total exports	**100.0**	**0.5**	**-1.2**	**-1.7**	**1.2**	**0.5**	**-1.2**	**-1.7**	**1.2**
Consumer goods	*37.2*	*-2.6*	*-4.6*	*-5.7*	*-0.9*	*-0.8*	*-1.6*	*-2.0*	*-0.3*
Foods	13.7	0.8	-0.6	1.1	3.7	0.1	-0.1	0.1	0.4
Others goods	23.5	-4.6	-7.0	-9.7	-3.6	-1.0	-1.5	-2.2	-0.8
Cars	10.7	-8.0	-11.9	-10.9	-11.0	-0.6	-1.1	-1.1	-1.0
Capital goods	*8.6*	*-5.6*	*2.5*	*-0.6*	*9.9*	*-0.6*	*0.2*	*-0.1*	*0.9*
Excl. heavy trans. equipment	8.4	-4.6	0.5	-0.9	8.7	-0.5	0.1	-0.1	0.8
Intermediate goods	*54.3*	*3.5*	*0.6*	*1.2*	*1.4*	*2.0*	*0.3*	*0.7*	*0.8*
Energy	4.9	12.6	-3.7	6.1	21.7	0.5	-0.2	0.2	0.9
Non-energy	49.3	2.8	1.0	0.8	-0.1	1.5	0.5	0.4	-0.1
Total imports	**100.0**	**-0.6**	**0.3**	**1.4**	**-6.3**	**-0.6**	**0.3**	**1.4**	**-6.3**
Consumer goods	*27.6*	*0.8*	*1.6*	*1.3*	*-0.2*	*0.2*	*0.4*	*0.3*	*-0.1*
Foods	7.0	1.3	2.3	0.7	0.2	0.1	0.1	0.0	0.0
Others goods	20.6	0.6	1.3	1.4	-0.4	0.1	0.2	0.3	-0.1
Cars	5.9	-5.6	0.8	0.1	-3.0	-0.2	0.0	0.0	-0.2
Capital goods	*8.5*	*5.4*	*2.5*	*4.1*	*-3.2*	*0.5*	*0.3*	*0.4*	*-0.3*
Excl. heavy trans. equipment	8.4	5.4	1.9	3.9	-4.2	0.5	0.2	0.4	-0.4
Intermediate goods	*63.9*	*-2.0*	*-0.6*	*1.0*	*-9.4*	*-1.3*	*-0.4*	*0.6*	*-6.2*
Energy	14.9	0.6	7.6	-4.5	-24.8	0.1	1.0	-0.6	-3.2
Non- energy	49.0	-2.7	-2.7	2.3	-5.6	-1.4	-1.4	1.2	-3.0

Sources: Customs and SGCPE.

The growth of goods exports to the EU moderates

By geographic destination, according to Customs data, in the first quarter of 2019, exports to the European Union (EU) and the Eurozone, in volume and in y-o-y terms, fell by 1.5% and 2.6%, respectively, after the rates of -0.6% and 0.1% recorded in the previous quarter. The nominal sales growth to the United Kingdom and Portugal, and the falls of those to Germany, Benelux and France should be noted. Exports to the rest of the world, in real terms, fell by 2%, three tenths less than in the previous quarter. The breakdown by geographic destination outside the European Union reveals double-digit growth rates of nominal sales to New Industrial Economies of Asia, while the main setbacks were registered by sales to Argentina, Turkey, Venezuela and the Near East. Consequently, contributions to the total increase of exports of those to the EU and to the rest of the world were negative, one point and seven tenths, respectively, compared to the negative contributions of four and eight tenths registered in the previous quarter.

The final consumption expenditure of non-residents in the economic territory accelerates

According to QNA figures, consumption expenditure of non-resident households in the economic territory, in volume, increased by 4.2% y-o-y in the first quarter of 2019, after the 2.9% registered in the previous quarter. For the second quarter of 2019, the main indicators of foreign tourism, among them, inbound tourists and foreign overnight stays in domestic hotels, show mixed signals, registering y-o-y rates in April of 5.7% and 5.2%, respectively, but with falls in May of 1.6% and 2.1%, respectively. However, it should be noted that these rates are affected by the calendar effect of the Easter Holidays, which in 2018 were celebrated in March and in 2019 were held in April.

For the first quarter of the year, real exports of non-tourism services registered a 5.3% y-o-y increase, 0.4 points higher in comparison to the figure registered in the previous quarter. According to the International Trade in Services Survey published by the INE, referring to the first quarter of 2019, the services with greater contribution to the nominal growth of exports were telecom, computer and information technology services (2.9 p.p.), transport (2.2 p.p.) and business services (2.1 p.p.); while services linked to construction (-0.4 pp), financial services (-0.2 pp) and insurance and pension services (-0.1%) fell.

According to QNA figures, real imports of goods fell in the first quarter

Furthermore, goods and services imports, in real terms and according to QNA figures, fell by 0.5% y-o-y, following the 1.7% growth registered in the fourth quarter of 2018, which represents the first fall since the fourth quarter of 2013. This decrease is due to the decline in goods imports, 2.1% after the 0.6% increase registered in the previous quarter, while services imports increased by 6.6%, a rate similar to that of the previous quarter (6.5%).

According to Customs figures, deflated by unit value indices, the "momentum" of goods imports (change in imports of goods in volume during the last three months versus the previous three months) turned positive in March (2.1%), following the -0.1% recorded in December last year, reflecting a positive contribution of EU countries. By products, the positive contribution of all categories should be noted, except for energy intermediate goods.

QNA goods imports figures contrast with those from Customs, which deflated with unit value indexes, grew by 1.4% y-o-y in the first quarter of 2019, a rate more than one point higher than that of the fourth quarter of 2018 (0.3%).

By type of product and in volume, in the first quarter of 2019, imports of capital goods and non-food consumer goods accelerated by 1.6 and 0.1 points, respectively, up to 4.1% and 1.4%, and those of non-energy intermediate goods registered a rate of 2.3% (-2.7% in the fourth quarter of 2018). On the other hand, food consumer goods purchases moderated their growth by 1.6 points, to 0.7%, and those of energy intermediate goods went from registering a 7.6% growth in the fourth quarter of 2018 to a 4.5% fall. Within the non-food consumer goods group, imports of the most important component, i.e. passenger cars, slowed down 0.7 points, to 0.1% y-o-y in the first quarter of 2019.

Table 2.4 **Foreign trade by group of countries, volume**

	Weight in Total	**Year-on-year change (%)**				**Contribution to growth**			
	2018	**2018**		**2019**		**2018**		**2019**	
		III	**IV**	**I**	**Apr.**	**III**	**IV**	**I**	**Apr.**
Total exports	**100.0**	**0.5**	**-1.2**	**-1.7**	**1.2**	**0.5**	**-1.2**	**-1.7**	**1.2**
EU	*65.6*	*2.9*	*-0.6*	*-1.5*	*2.5*	*1.9*	*-0.4*	*-1.0*	*1.6*
Euro-area	51.5	2.7	0.1	-2.6	2.9	1.3	0.1	-1.3	1.5
Non-EU	*34.4*	*-3.7*	*-2.3*	*-2.0*	*-1.3*	*-1.4*	*-0.8*	*-0.7*	*-0.4*
USA	4.5	-1.8	-3.2	6.9	13.7	-0.1	-0.1	0.3	0.6
Latin America	5.6	-10.3	-3.0	-5.8	-9.3	-0.7	-0.2	-0.3	-0.5
China	2.2	-0.3	-9.0	-7.5	11.9	0.0	-0.2	-0.2	0.2
Other countries (1)	10.5	-11.4	-9.7	-12.0	-6.6	-1.3	-1.0	-1.2	-0.7
Total imports	**100.0**	**-0.6**	**0.3**	**1.4**	**-6.3**	**-0.6**	**0.3**	**1.4**	**-6.3**
EU	*53.8*	*-0.1*	*-2.7*	*1.4*	*-5.3*	*0.0*	*-1.5*	*0.8*	*-2.9*
Euro-area	43.4	-0.6	-2.4	0.9	-6.5	-0.3	-1.1	0.4	-2.8
Non-EU	*46.2*	*-1.1*	*4.3*	*1.4*	*-7.7*	*-0.5*	*1.8*	*0.6*	*-3.4*
USA	4.1	-8.9	-4.5	16.5	-9.0	-0.5	-0.2	0.8	-0.5
Latin America	5.9	-0.3	0.7	-7.0	-3.6	0.0	0.0	-0.4	-0.2
China	8.4	-4.3	2.7	5.7	20.7	-0.4	0.2	0.4	1.3
Other countries (1)	11.7	4.0	-0.6	-4.8	-13.8	0.4	-0.1	-0.5	-1.4

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

By geographical areas, real imports of goods from the European Union and those from the Eurozone rose by 1.4% and 0.9% respectively in the first quarter of 2019, following the -2.7% and -2.4% falls, respectively, registered in the previous quarter. In nominal terms, the purchases to the United Kingdom, Benelux, new EU partners and Germany stand out, compared to the falls recorded by those from Italy, France and Portugal. On the other hand, imports from the rest of the world slowed down 2.9 points, reaching an increase of 1.4% in the first quarter of 2019. In the breakdown by geographical origin, and in nominal terms, the growth, above 20%, of purchases from Venezuela, Russia, the United States and Turkey stands out. On the other hand, the falls of those from Brazil should be highlighted.

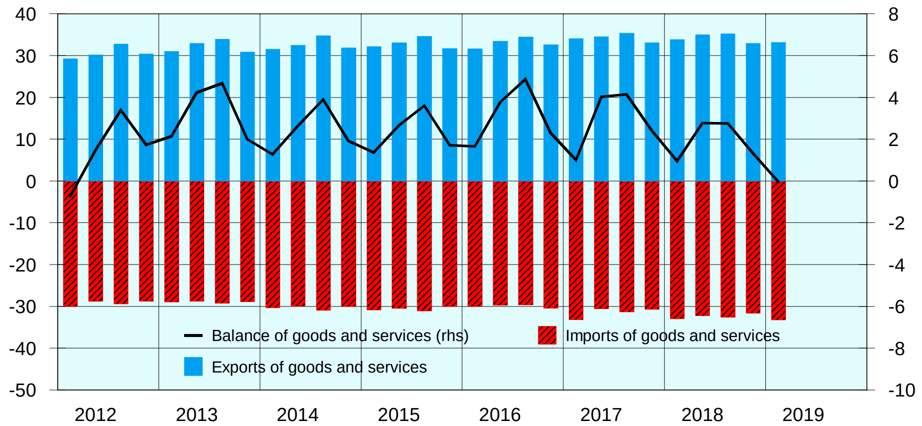
Expenditure on consumption of residents abroad continues to grow at high rates

According to QNA figures, in the first quarter of 2019, the consumption real spending of households residents abroad continued to grow at high rates, by 8.7% y-o-y, three tenths less than in the previous quarter. On the other hand, imports of non-tourism services increased by 5.9%, in comparison to the 5.6% registered in the previous quarter. According to the latest data released by the INE, the services with the highest positive contribution to this rate in the first quarter of 2019 were business (5.9%), followed by intellectual property (1.4%), insurance and pension (1.2%) and telecom, computer and information technology services (1.1%).

The goods and services account ends the first quarter in balance

In the first quarter of the year, the goods and services balance, calculated with gross data at current prices of the QNA, stood at 0% of the quarterly GDP, one point less compared to the same period of the previous year, due to an eight tenths increase of the goods deficit (-3% of GDP), and to a two tenths decrease of the services surplus (3% of GDP). Within the services sector, the tourism net revenue surplus (2% of GDP) remained stable compared to the first quarter of 2018, while that of non-tourism services (0.9% of GDP) decreased one tenth.

G 2.6 EXPORTS AND IMPORTS OF GOODS AND SERVICES
percentage of GDP



Source: INE.

2.3. Productive Activity

Productive activity increases in all non-agricultural branches

From the supply point of view, the economic activity dynamism in the first quarter was reflected in the main non-agricultural branches. The Gross Value Added (GVA) of the services sector, with seasonally and calendar adjusted data, accelerated one tenth, registering a y-o-y growth rate of 3.1%, the GVA of the industrial sector increased by 0.1%, compared to the 1.3% decrease of the previous quarter, and the construction GVA continued to grow strongly, by 6.6%, although somewhat more moderate than in the previous quarters (7.2% in the fourth quarter of 2018).

The industrial production index grew for the second consecutive month in May

In the industrial sector, the Industrial Production Index (IPI), with calendar and seasonally adjusted data, grew by 1.4% y-o-y in May, a positive rate for the second consecutive month, although it was four tenths lower than in April. By destination groups, this slightly more moderate evolution was due to intermediate goods, which went from growing by 1.6% to falling by 1.5%, and equipment goods, which moderate the growth by 1.2 points, to 1.7%. On the other hand, energy rebounded up to a rate of 1.3%, after the 2.4% fall registered in the previous month, and consumer goods accelerated by 2.1 points, to 5.4%. In turn, the greater dynamism of the latter group was due to the more expansionary trend of non-durable consumer goods, which accelerated by almost two points, to 4.8%, while durable consumer goods fell by 4.1%, after rising by 1.7% in April. The period between January and May closed with an average annual growth rate of the industrial production of 0.6%, after the decrease recorded in the last quarter of 2018 (-2.7%).

Table 2.5 **Employment and productivity**

Year-on-year change (%)

				2017	2018				2019
	2016	**2017**	**2018**	**IV**	**I**	**II**	**III**	**IV**	**I**
EMPLOYMENT (1)									
Agriculture (2)	3.8	2.5	-1.1	0.6	-0.3	-1.2	-1.8	-1.1	-1.1
Industry total	4.0	3.5	1.0	3.2	2.7	1.7	0.4	-0.8	0.0
Manufacturing	4.2	3.8	1.1	3.6	3.0	1.9	0.4	-0.9	-0.1
Construction	2.1	6.5	9.3	7.7	8.2	8.5	9.1	11.3	11.3
Services	2.9	2.5	2.4	2.6	2.3	2.3	2.5	2.7	2.8
Total	3.0	2.9	2.5	2.9	2.6	2.5	2.4	2.6	2.8
PRODUCTIVITY (3)									
Agriculture (2)	4.2	-3.3	3.8	-0.2	3.1	6.0	1.3	4.7	1.1
Industry total	1.6	0.9	0.1	1.7	-0.1	0.4	0.7	-0.5	0.2
Manufacturing	0.4	0.5	0.3	1.7	-0.2	0.6	0.6	0.4	1.3
Construction	1.4	-0.3	-1.5	-0.9	-0.6	-0.9	-0.9	-3.7	-4.2
Services	-0.8	0.0	0.2	-0.1	0.3	0.2	0.2	0.3	0.3
GDP per employee	0.1	0.1	0.1	0.2	0.3	0.1	0.1	-0.3	-0.4

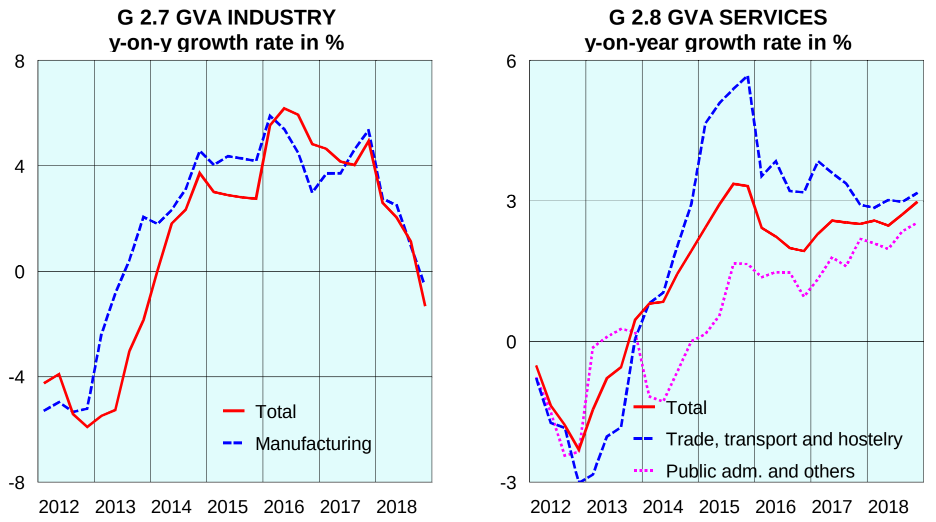
(1) Full-time equivalent jobs. National Accounts. (2) Agriculture, forestry and fishing. (3) GVA per employee (adjusted series and full-time equivalent jobs).
Source: INE *(CNE-2010).*

On the other hand, the Turnover Index in Industry (ICNI) and the Industry New Orders Index (INOI), rebounded in April, registering y-o-y rates of 2.3% the former and 14.4% the latter, with calendar adjusted data (1.3% and 1.8%, respectively, in the previous month). In particular, the high INOI dynamism in that month was due to the equipment component, more specifically to the sector of naval, rail, aeronautics and space and combat vehicles construction, and in the Regional Governments of Galicia and Castilla-La Mancha.

Qualitative indicators of the industry activity have registered a less favourable evolution. According to Markit, the Manufacturing PMI for Spain edged downwards in June by more than two points, ending the second quarter at 49.9, 1.2 points lower than in the previous quarter, but higher than that of the Eurozone (47.7). In the same vein, the Industrial Confidence indicator, published by the European Commission, fell seven tenths in June, due to the less favourable performance of the production expectations and the level of stocks components.

Activity in construction remains dynamic

In the construction sector, activity rebounded slightly in April, according to the latest published data of the Production Index in the Construction Industry, and the leading indicators show the continuation of a high dynamism. Thus, the Production Index of the Construction Industry, published by Eurostat, deflated and with calendar adjusted data, increased by 1.5% in April, after three consecutive months of falls, due to the more favourable evolution of its two components, construction, which rebounded by 2% y-o-y, after decreasing by 5.2% in the previous month, and civil works, which slowed down more than five points the rate of decline, to -1.4%.



Source: INE *(QNA-2010)*, seasonally and calendar adjusted data.

With regards to construction activity leading indicators, according to construction new permits, buildable floorage in new construction, grew sharply in April, reaching a y-o-y variation rate of 22.5% and accumulating an annual average increase exceeding 14% in the first four months of the year.

Confidence in the sector, according to the European Commission indicator, registered a balance of 6.9 points in June, almost 30 points higher than in May, due to the improvement of its two components, employment expectations in the sector and the order portfolio, although the second quarter registered an average balance of -7.8 points, more negative than the figure registered in the period between January and March (-0.6).

The services turnover accelerates in April

The Services Sector Turnover Index (SSTI), with work calendar adjusted data, intensified the y-o-y growth rate by 3.5 points in April, up to 7.3%. This acceleration is explained by the trade branch and other services, whose y-o-y increases stood at 7.5% and 6.8%, respectively (2.8% and 5.8% in March). In cumulative terms for the first four months of 2019, the SSTI increased by 5.6%, where a 5% increase corresponded to the trade branch, lower than that of other services (6.7%).

Among the qualitative indicators, the activity PMI in services reached 53.6 in June, eight tenths higher than that of May, due to the higher growth of new orders which, in turn, led to an increase in contracting. The second quarter resulted in an average service PMI of 53.2, compared to the 55.3 registered in the previous quarter.

Table 2.6 **Activity and Production Indicators**

Year-on-year change or balances in %

INDICATORS	2018	2019(1)	2018 II	2018 III	2018 IV	2019 I	2019 II(1)	Latest data
Composite Activity Indicator (2)	2.5	2.6	2.6	2.3	2.3	2.4	-	Q.I.19
Electric power consumption (3)	0.3	0.3	-0.1	1.5	-2.2	-2.2	-2.5	Jun.19
Non energy imports (vol.)	1.1	1.1	5.1	-0.8	-0.8	2.2	-3.5	Apr.19
Economic Sentiment Indicator (90-18=100)	108.0	105.0	109.4	106.7	106.4	105.2	104.8	Jun.19
Large Firms Sales (4)	3.0	2.6	3.1	3.0	2.6	2.5	2.7	Apr.19
Large Firms Sales. Domestic (4)	2.7	2.5	2.6	2.9	2.5	2.5	2.5	Apr.19
Industry								
Composite Industry Indicador (2)	2.4	1.6	2.9	2.2	1.6	1.6	-	Q.I.19
IPI calendar adjusted	0.3	0.7	0.9	0.3	-2.8	-0.1	1.9	May.19
Large Firms Sales. Industry (4)	1.5	2.1	1.3	1.8	1.2	2.3	1.7	Apr.19
Industry goods Exports (vol.)	-2.7	-4.5	-1.0	-5.0	-4.0	-6.2	0.5	Apr.19
Employment (LFS)	2.3	1.2	3.3	2.1	-0.1	1.2	-	Q.I.19
Social Security covered workers (5)	2.7	1.6	3.0	2.6	2.2	1.8	1.5	Jun.19
Industry confidence indicator (balances)	-0.1	-4.2	1.2	-2.6	-1.9	-3.8	-4.6	Jun.19
Industry capacity utilization %	79.5	80.6	80.3	79.3	78.6	80.8	80.4	Q.II.19
Construction								
Composite Construction Indicator (2)	4.1	2.3	3.6	3.3	3.5	2.3	-	Q.I.19
Production in Construction Index (ca)	2.3	-2.7	0.1	-1.0	4.2	-4.1	1.5	Apr.19
Large Firms Sales.Construction (4)	3.2	2.1	3.4	4.6	1.0	2.5	1.0	May.19
Employment (LFS)	8.3	11.2	7.2	7.4	11.9	11.2	-	Q.I.19
Social Security covered workers (5)	6.7	6.5	6.6	7.0	6.5	7.0	5.9	Jun.19
Official bidding (at current prices)	-14.5	19.2	-54.6	-8.1	-42.3	1.0	368.6	Apr.19
Floorage approvals: total	23.9	14.1	31.1	27.0	18.3	11.4	22.5	Apr.19
Floorage approvals: housing	24.5	16.0	23.5	32.7	23.3	11.0	32.8	Apr.19
Construction confidence indicator (balances)	-4.6	-4.2	-4.1	-8.3	-1.6	-0.6	-7.8	Jun.19
Mortgages. Amount borrowed	12.0	16.5	13.4	13.3	16.0	23.0	-2.5	Apr.19
Housing Prices	6.7	6.8	6.8	7.2	6.6	6.8	-	Q.I.19
Services								
Composite Services Indicator (2)	3.1	3.2	3.1	2.8	3.2	3.2	-	Q.I.19
Large Firms Sales. Services (4)	3.1	2.7	3.0	3.0	2.8	2.6	2.9	Apr.19
Railway passengers	3.3	2.2	3.1	3.4	4.5	2.8	1.4	May.19
Railway traffic goods (Tm per km)	-4.3	1.7	-4.5	-1.9	-1.2	-0.5	5.0	May.19
Air traffic passengers	5.8	5.7	4.9	3.7	7.0	6.0	5.3	May.19
Hotel overnight stays	-0.1	1.4	-2.4	-1.0	2.1	-0.5	3.2	May.19
Foreign tourists	1.1	2.7	-0.5	-2.2	5.8	3.7	1.7	Jun.19
Employment (LFS)	2.5	3.0	2.6	2.4	3.0	3.0	-	Q.I.19
Social Security covered workers (5)	3.1	2.9	3.1	2.9	3.0	2.9	3.0	Jun.19
Services confidence indicator (balances)	21.7	15.2	23.5	21.6	18.0	15.5	14.8	Jun.19
Retail trade confidence indicator (balances)	10.7	6.7	10.4	10.4	10.3	7.7	5.8	Jun.19

(1) Available period data. (2) Adjusted for seasonal, calendar and outliers effects. (3) Adjusted for calendar and temperature effects. (4) Calendar adjusted, deflated and fixed sample. (5) Total system. Monthly average.
Sources: SGCPE (MECE), REE, DA, CE, AEAT, INE, MTMS, Eurostat, MFOM, RENFE and AENA.

The average daily spending per tourist reboundes in May, up to 9.5% y-o-y

Among the tourism indicators, the total expenditure by tourists who visited Spain in May reached € 8.2 billion, according to the Tourist Expenditure Survey, a figure 0.5% higher compared to the same month of last year, accumulating an average annual increase of 3.5% in the two month period between April and May, six tenths lower versus the first quarter. On the other hand, the tourist inflow fell by 1.6% in May, after eight consecutive months recording growths, resulting in a 2.2% increase in the average spending per tourist and 9.5% in the average daily spending, the highest of the last six months.

On the other hand, air passenger traffic slowed down almost four points in May, to a y-o-y rate of 3.4%, as a result of the lower growth rate of both international and domestic traffic. Likewise, overnight stays in hotel establishments recorded a y-o-y rate of 0.4% in that month, 6.3% lower versus the previous month. This slowdown is attributable to the less expansionary tend of domestic overnight stays and a decrease of foreign overnight stays.

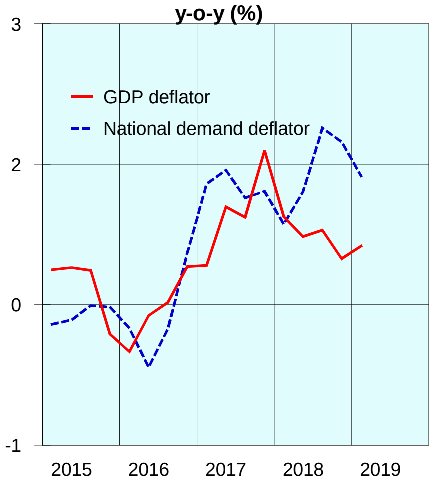
3.- PRICES

The Spanish economy prices, measured by the GDP deflator, have maintained since the beginning of 2018 y-o-y rates of approximately 1%, due to the increases in the domestic demand deflator, by approximately 1.5%, partially offset by the almost uninterrupted drops in the terms of trade. From the income point of view, the less dynamic evolution of business margins enabled inflation to remain stable, despite the higher growth of unit labour costs. The most recent data show a moderation in the rate of advance of the Consumer Price Index (CPI) in May and June, mainly due to the behaviour of energy prices.

The GDP deflator maintains a y-o-y rate close to 1% in the first quarter of the year

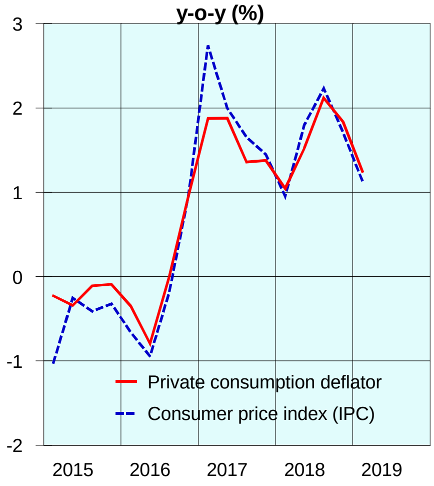
The Spanish economy prices, measured by the GDP implicit deflator, rose by 0.9% y-o-y in the first quarter of 2019, one tenth more than in the previous quarter and in line with the rates registered since the beginning of 2018, as a result of the domestic demand deflator growth, partially offset by the falls recorded in the terms of trade.

G 3.1 PRICE DEFLATORS
y-o-y (%)



Source: own elaboration from CNTR (INE).

G 3.2 CONSUMER PRICES
y-o-y (%)



Source: IPC and CNTR (INE).

The domestic demand deflator rose by 1.6% y-o-y in the first quarter of 2019, a rate identical with the average of 2018. Among its components, the progressive acceleration of the public consumption deflator stands out (it went from remaining virtually stable at the beginning of 2018, to growing by 1.9% in the first quarter of 2019), largely offset by the more contained increase of the private consumption deflator (1.2%, four tenths lower than in 2018 as a whole, mainly due to the lower growth in energy prices), while the investment deflator continued to rise at rates slightly above 2% (2.1% in the first quarter of 2019, in line with last year's average).

For its part, the terms of trade decreased in the first quarter of 2019 by 2% y-o-y (-3.4% in the previous quarter), as a result of an increase in the import deflator (3.1%) higher than that of exports (1.1%).

Inflation stability in recent quarters is also a consequence of the absorption by business margins of the unit labour costs (ULC) acceleration. Thus, the ULCs rose by 2.1% y-o-y in the first quarter of the year, eight tenths more than in the previous quarter and 1.3 points more than in the average of 2018, while the gross operating surplus and mixed income by product unit went from growing at rates close to 2% in 2017 to negative rates (-1.6%) in the first quarter of 2019.

Table 3.1 **Price indicators**

(% y-o-y change)

	Annual data			*Quarterly data*					
	2017	2018	2019 (1)	17-IV	18-I	18-II	18-III	18-IV	19-I
Deflators (QNA-CNTR)									
GDP deflator	1.2	1.0	0.9	1.8	1.2	1.0	1.0	0.8	0.9
National demand deflator	1.5	1.6	1.6	1.4	1.1	1.4	2.0	1.9	1.6
Private consumption deflator	1.6	1.6	1.2	1.4	1.0	1.5	2.1	1.8	1.2
Public consumption deflator	0.2	1.1	1.9	0.2	0.4	1.0	1.3	1.6	1.9
GFCF deflator	2.1	1.9	2.1	2.6	1.8	1.4	2.3	2.2	2.1
Export deflator	2.7	1.2	1.1	2.1	0.3	1.0	2.0	1.5	1.1
Import deflator	3.5	3.1	3.1	1.0	-0.1	2.3	5.1	5.0	3.1

	Annual data			*Monthly data*				
	2017	2018	2019 (1)	19-jan	19-feb	19-mar	19-apr	19-may
Consumer Price Index (IPC)								
General	2.0	1.7	1.1	1.0	1.1	1.3	1.5	0.8
Energy products	8.0	6.1	3.3	1.5	2.6	5.6	5.4	1.3
Fuels and lubricants	7.3	7.8	3.8	-1.2	4.0	6.8	6.4	3.4
Electricity	9.7	2.5	1.3	5.7	-1.1	3.5	3.7	-4.9
Unprocessed food	2.6	3.1	2.1	2.3	3.4	2.0	1.8	1.0
Fresh fruit	0.9	7.8	0.1	5.4	3.2	0.6	-1.9	-6.0
Fresh vegetables	7.4	-0.1	7.3	5.0	10.3	5.9	10.6	4.8
Core	1.1	0.9	0.8	0.8	0.7	0.7	0.9	0.7
Processed food	0.7	1.0	0.4	0.4	0.4	0.4	0.3	0.3
Non-energy industrial goods	0.2	0.0	0.2	0.1	0.1	0.2	0.2	0.2
Services	1.6	1.5	1.3	1.4	1.1	1.1	1.7	1.2
Package holidays	7.0	-0.2	-3.4	-2.8	-6.2	-6.9	3.4	-4.4
Passenger transport by air	3.6	-1.6	-6.8	-5.9	-9.9	-7.5	-0.3	-10.1
Restaurants	1.5	1.8	1.9	1.8	1.8	1.9	2.0	2.0
Rentals for housing	0.4	1.3	1.6	1.5	1.6	1.6	1.6	1.6
Dif. HICP Spain-euro area (2)								
Overall inflation differential	0.5	-0.1	-0.2	-0.4	-0.4	-0.1	-0.1	-0.3
Core inflation differential	0.0	-0.2	-0.2	-0.3	-0.5	-0.3	-0.2	0.0

(1) Average of available period.

(2) HICP: Harmonised Index of Consumer Prices.

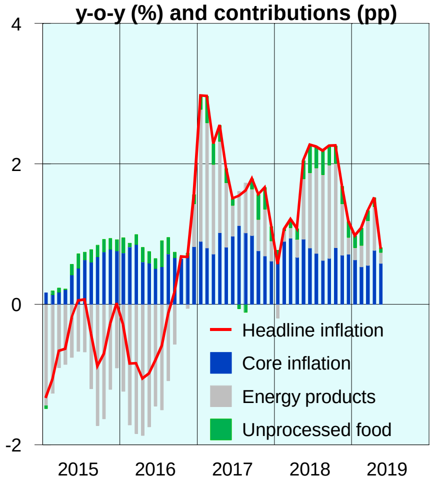
Source: INE (CNTR and IPC) and Eurostat (HICP).

The CPI moderates the growth rate by seven tenths in May, to 0.8%, mainly due to energy

Consumer prices, measured with the CPI annual rate, moderated the growth rate in May by seven tenths, to 0.8%, mainly due to energy, particularly electricity, whose prices fell by 4.9%, after rising by 3.7% in the previous month and, to a lesser extent, by fuel and lubricant prices, which moderated the growth rate by three points, to 3.4%.

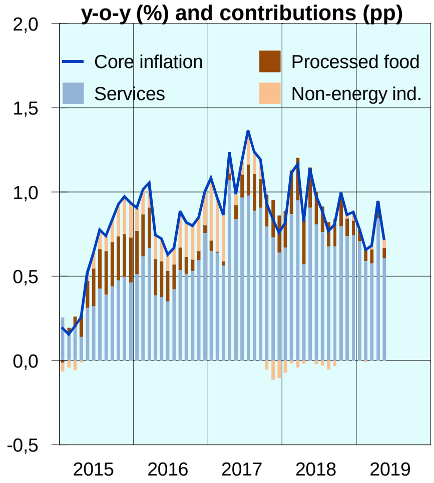
The core inflation evolution also contributed to the general inflation moderation, as it went from 0.9% y-o-y in April to 0.7% in May, mainly due to the services component and, in particular, to tourism packages, whose prices fell by 4.4%, after rising by 3.4% in April, affected in that month by the calendar effect of the Easter Holidays. Services prices excluding tourism packages grew at a y-o-y rate of 1.4% in May, slightly lower than the average of the previous twelve months and to the figure registered in April (1.6% both).

G 3.3 HEADLINE INFLATION
y-o-y (%) and contributions (pp)



Source: own elaboration from INE.

G 3.4 CORE INFLATION
y-o-y (%) and contributions (pp)



Source: own elaboration from INE.

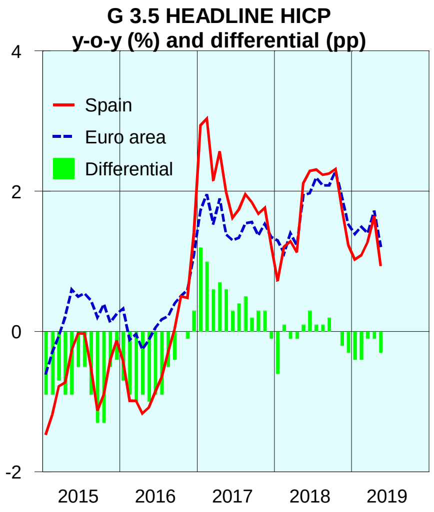
Food prices rose by 0.6% y-o-y in May, two tenths less than in the previous month, due to the lower growth of the non-processed food component (1%, eight tenths lower than in the previous month) and, in particular, fresh fruits and vegetables items, while non-energy industrial goods prices continued to grow at a rate of 0.2%.

The inflation differential favourable to Spain with respect to the Eurozone widens

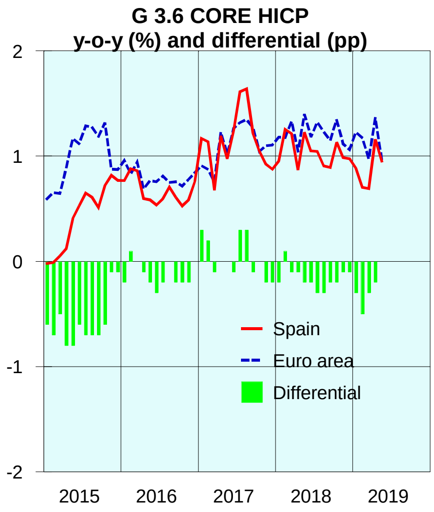
In harmonised terms, the y-o-y rate of the CPI in Spain also fell seven tenths in May compared to the previous month, down to 0.9%, while the inflation published by Eurostat for the Eurozone reached 1.2% in the same period, resulting in a favourable differential to Spain of 0.3 percentage points, two tenths higher than in the previous month.

According to the CPI flash estimate, inflation continues to fall in June, four tenths, down to 0.4%

According to the flash estimate published by the INE, the y-o-y rate of the CPI stood at 0.4% in June, four tenths below the figure recorded in May. In this behaviour the INE highlights the fall in fuel and electricity prices stands out, in comparison to the increase registered in the same month of 2018.



Source: INE and Eurostat.



Source: own elaboration from INE and Eurostat.

In harmonised terms, if June final data confirm the figures of the flash estimate published by the INE for Spain (0.6%) and by Eurostat for the Eurozone (1.2%), the inflation differential favourable to Spain with respect to the Eurozone would grow, standing at 0.6 percentage points.

Industrial prices moderates their growth rate in May due to the energy component

The Producer Price Index (PPI) rose by 1.1% y-o-y in May, a rate that was more than one point lower than the previous quarter, due to the energy component, especially the production, transport and distribution of electricity prices item (0.6%, a rate almost six points lower than in April) and, to a lesser extent, oil refining (3.4%, after the 7.6% increase registered in the previous month).

For its part, the non-energy PPI, which has been registering a mild slowdown trend since 2017, rose by 0.3% y-o-y in May, as in April, due to the fact that the stabilisation of consumer goods, after falling by 0.5% in April, offset the slowdown of intermediate goods (0.3%, compared to the 0.9% recorded in the previous month).

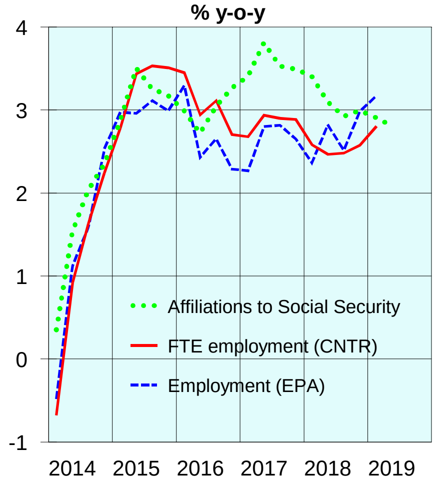
4.- LABOUR MARKET

With regards to the labour market, the process of intense job creation continued in the first quarter of 2019, with y-o-y rates close to 3%, according to the employment figures of the Labour Force Survey (LFS), the QNA and Social Security covered workers. While Social Security covered workers slightly moderated the pace of job creation in the second quarter, they reached the highest level in the time series in June with 19.5 million. With regard to wages, compensation per employee extended the trend of progressive acceleration in the first quarter of the year, although it remained below the average increase agreed in collective bargaining, which stands at 2.2% for 2019, with information available up to June.

Employment continues to grow at high rates

According to QNA figures, employment rose by 2.8% y-o-y in the first quarter of 2019 in terms of full-time equivalent employment, with seasonally and calendar adjusted data, two tenths more than in the previous quarter. By branches, the dynamism of construction employment stands out, which grew at a y-o-y rate of 11.3%, as in the last quarter of 2018. In the service sector, employment was created at an annual rate of 2.8%, one tenth higher than in the previous period, and employment stabilised in the industry sector, after falling by 0.8% in the previous quarter, while in agriculture it continued to fall at an annual rate of 1.1%.

G 4.1 EMPLOYMENT INDICATORS
% y-o-y



Source: CNTR and EPA (INE), Social Security.

G 4.2 FTE EMPLOYMENT, BY SECTOR
% y-o-y

Source: CNTR (INE).

In terms of employed people of the QNA, employment grew by 2.5% in the first quarter of 2019, a rate also two tenths higher than in the previous quarter. These figures contrast with those of the LFS employment, which even though they also show an acceleration trend, they registered a y-o-y rate half a point higher compared to that of the QNA, of 3.2% (3% in the fourth quarter of 2018). For its part, the y-o-y rate of Social Security covered workers moderated one tenth in the first quarter of 2019 to 2.9% compared to the previous quarter.

Social Security covered workers reaches 19.5 million in June, the highest level in the time series

According to the latest labour market information, from the Social Security covered workers records, the rate of employment creation moderated one tenth in the second quarter of 2019, to 2.8%, an evolution to which all branches have contributed. Excluding non-professional caretakers, whose registrations accelerated after their contributions were financed again by the Social Security as of April 2019, the moderation in Social Security covered workers growth rate is slightly higher, by two tenths, to 2.7%. By sectors, Social Security covered workers in the private sector grew by 2.5% y-o-y in June, one tenth less than in May, and by 3.7% in the public sector, three tenths less than in the previous month.

The number of Social Security covered workers reached 19.5 million in June 2019, the highest level in the time series, which began in 2001. Two administrative factors not present before the crisis influence reaching this new record high: the inclusion of new officials in the General Social Security Scheme and the rise in signing special agreements between the Social Security and non-professional caretakers, fostered by the financing of their contributions by the Social Security.

The dynamism of Social Security covered workers continued to be reflected in the registered unemployment reduction process, which recorded a decrease of 5% in the second quarter of 2019, two tenths less pronounced when compared to the previous quarter due to the moderation of the fall rate in all branches, except in services and in the group without previous employment.

Table 4.1 **Labour market indicators**

	Annual data		*Quarterly data*				
	Change		Y-o-y change				Level
	(%)		(%)			(Thousands)	(Thousands)
	2018	2019 (1)	18-IV	19-I	19-II	19-I	19-I
QNA-CNTR (2)							
Employment	2.1	2.5	2.3	2.5	-	494.4	20250.4
Hours actually worked	2.8	2.8	3.0	2.8	-	235317.2	8607927.5
Full-time equivalent employment	2.5	2.8	2.6	2.8	-	510.2	18726.2
Agriculture	-1.1	-1.1	-1.1	-1.1	-	-8.0	735.0
Industry	1.0	0.0	-0.8	0.0	-	-0.2	2363.6
Construction	9.3	11.3	11.3	11.3	-	128.4	1268.1
Services	2.4	2.8	2.7	2.8	-	390.0	14359.4
Employees	2.7	3.0	2.8	3.0	-	516.8	17749.8
EPA							
Employment	2.7	3.2	3.0	3.2	-	596.9	19471.1
Full-time	3.1	3.2	2.9	3.2	-	510.5	16570.4
Part-time	0.4	3.1	3.2	3.1	-	86.4	2900.7
Part-time rate (3)	-0.3	0.0	0.0	0.0	-	-	14.9
Actual hours worked per worker	0.7	0.0	0.6	0.0	-	0.0	36.9
Employees	3.3	3.6	3.3	3.6	-	565.5	16357.7
Permanent	3.1	3.9	3.1	3.9	-	455.0	12124.0
Temporary	3.8	2.7	3.9	2.7	-	110.4	4233.7
Temporary employment rate (3)	0.1	-0.2	0.2	-0.2	-	-	25.9
Unemployment	-11.2	-11.6	-12.3	-11.6	-	-441.9	3354.2
Unemployment rate (3)	-2.0	-2.0	-2.1	-2.0	-	-	14.7
Active population	0.3	0.7	0.5	0.7	-	155.1	22825.4
Activity rate (3)	-0.2	-0.1	-0.2	-0.1	-	-	58.4
Social Security covered workers							
Total	3.1	2.9	3.0	2.9	2.8	534.6	18917.1
Registered unemployment							
Total	-6.5	-5.1	-6.2	-5.2	-5.0	-179.8	3276.6

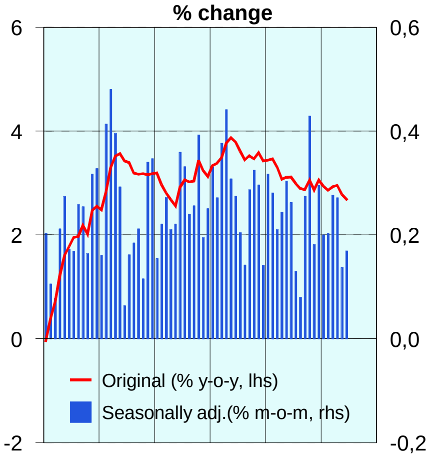
	Monthly data						
	Y-o-y change						Level
	(%)					(Thousands)	(Thousands)
	19-feb	19-mar	19-apr	19-may	19-jun	19-jun	19-jun
Social Security covered workers							
Total	2.9	2.9	3.0	2.8	2.7	510.7	19517.7
Registered unemployment							
Total	-5.2	-4.9	-5.2	-5.3	-4.6	-146.5	3015.7

(1) Average of available period.
(2) Seasonally and calendar adjusted data.
(3) Y-o-y change in percentage points.
Sources: INE (CNTR and EPA) and MTMS (Social Security and SEPE).

Compensation per employee rises by 1.6% in the first quarter of 2019

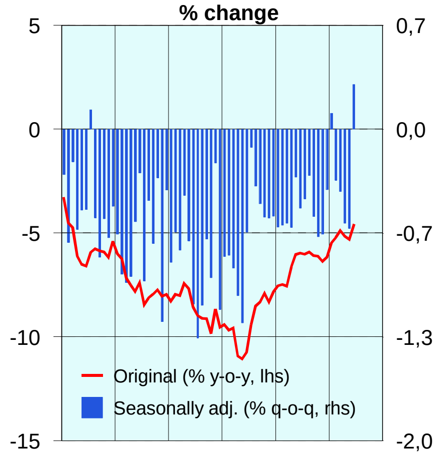
Compensation per employee, estimated by the QNA, rose in the first quarter of 2019 by 1.6% y-o-y, a rate half a point higher than in the previous quarter and the highest since the first quarter of 2014, although it remained below the agreed wage increase in collective bargaining for the whole year (2.2% with data up to June 2019, published by the Ministry of Employment, Migrations and Social Security).

G 4.3 S.S.COVERED WORKERS
% change



Source: Social Security.

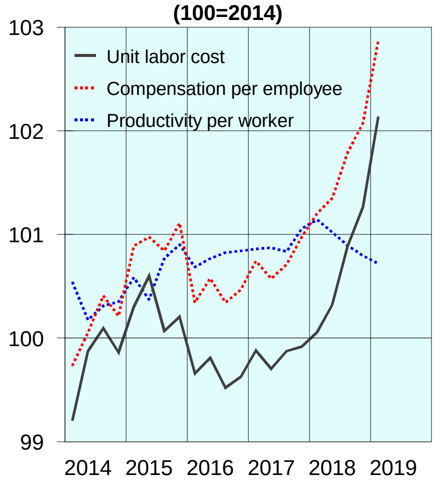
G 4.4 REGISTERED UNEMPLOYMENT
% change



Source: SEPE.

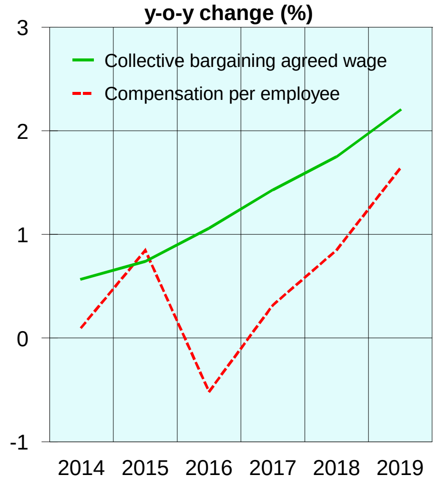
For its part, apparent labour productivity fell by 0.4% y-o-y (-0.3% in the previous quarter), as a result of full-time equivalent employment growth (2.8%) higher than that of GDP (2.4%).

G 4.5 UNIT LABOR COSTS AND COMP.
(100=2014)



Source: own elaboration from CNTR.

G 4.6 WAGES (*)
y-o-y change (%)



Source: CNTR (INE) and MTMS.
(*) Available period

As a result of the greater growth of compensation per employee and the higher fall of productivity, the growth rate in unit labour costs (ULC) rebounded eight tenths, up to 2.1% y-o-y.

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 June this year (7.6 million, equivalent to 46.3% of the total 16.4 million employees according to the LFS in the first quarter of 2019). This rise is half a point higher than that of 2018 (1.7% in collective agreements registered up to December 2018).

Table 4.2 **Wage indicators**

	Y-o-y (%)							
	Annual data			*Quarterly data*				
	2017	2018	2019 (1)	18-II	18-III	18-IV	19-I	19-II
QNA-CNTR (2) (3)								
Compensation per employee	0.3	0.8	1.6	0.8	1.1	1.1	1.6	-
Sectors Agriculture	1.2	-1.7	-1.0	-2.0	-2.2	-2.2	-1.0	-
Industry	0.5	0.4	1.0	0.4	0.7	0.5	1.0	-
Construction	-1.1	0.7	0.4	0.1	0.9	1.5	0.4	-
Services	0.4	1.0	1.9	0.9	1.2	1.3	1.9	-
Deflated by GDP	-0.9	-0.1	0.7	-0.2	0.0	0.3	0.7	-
private consumption	-1.3	-0.8	0.4	-0.7	-1.0	-0.7	0.4	-
Unit labour cost	0.2	0.8	2.1	0.6	1.0	1.3	2.1	-
Sectors Agriculture	4.7	-5.3	-2.0	-7.6	-3.4	-6.5	-2.0	-
Industry	-0.4	0.3	0.8	0.0	-0.1	1.0	0.8	-
Construction	-0.8	2.3	4.8	1.0	1.8	5.4	4.8	-
Services	0.4	0.8	1.7	0.8	1.0	1.0	1.7	-
Compensation per employee hour	1.1	0.4	1.6	0.0	0.5	0.6	1.6	-
ETCL (2)								
Labour cost per worker	0.2	1.0	1.9	0.9	1.5	1.1	1.9	-
Labour cost per hour worked	0.0	1.4	2.4	1.0	2.4	1.5	2.4	-
Collective agreements								
Agreed wage rise (4)	1.4	1.7	2.2	1.6	1.7	1.7	2.2	2.2

(1) Average of available period.
(2) Seasonally and calendar adjusted data.
(3) In full-time equivalent terms. except for the compensation per employee hour.
(4) Agreements with effects in the year. with information until last day of the period.
Sources: own elaboration from INE (CNTR and ETCL) and MTMS (Estadística de Convenios Colectivos).

Among the agreements signed in 2019 (the rest are agreements effective in 2019, but signed in previous years), which affect 10.6% of workers covered by collective agreements, the wage increase stands at 3.6% mainly due to agreements signed at levels higher than companies (3.6%, compared to the 3.1% increase agreed in new company agreements), where the state agreement for centres and services for people with disabilities registered in June should be noted, affecting 200,000 workers (130,000 women and 70,000 men) and includes a wage rise of 8%.

5.- PUBLIC SECTOR

On 27th June, the Ministry of Finance published the data of non-financial transactions of the General Government, in terms of National Accounts of the first quarter of 2019, as well as the non-financial transactions of the Central Government, the Regional Governments and the Social Security Funds, with consolidated data and in terms of National Accounts, corresponding to April this year. The Ministry published as well the non-financial operations of the State, in terms of both National Accounts and Cash, corresponding to May.

Likewise, the Ministry of Employment, Migrations and Social Security published the budget outturn data of the Social Security, in terms of recognised rights and obligations, corresponding to May.

On the other hand, the Bank of Spain (BoS) published the General Government Debt data, following the Excessive Deficit Procedure (EDP) methodology, for the first quarter of 2019 as well as those corresponding to April and the Debt data for the State, corresponding to May.

Table 5.1. **Balance (*) of General Government (GG) non-financial transactions**
Data accumulated by the end of the period as % of GDP

	Q1 2019	Q1 2018	Change (pp)
National Accounts			
TOTAL GG CONSOLIDATED	**-0.29**	**-0.34**	**0.05**
Central Government	**-0.59**	**-0.44**	**-0.15**
Regional Government	**-0.10**	**-0.11**	**0.01**
Local Government	**0.01**	**0.04**	**-0.03**
Social Security Funds	**0.38**	**0.16**	**0.22**
	2019 April	2018 April	Change (pp)
National Accounts			
GG excluding Local Government (consolidated)	**-0.57**	**-0.52**	**-0.05**
Central Government	**-0.67**	**-0.54**	**-0.13**
Regional Government	**-0.19**	**-0.17**	**-0.02**
Social Security Funds	**0.29**	**0.18**	**0.11**
	2019 May	2018 May	Change (pp)
STATE			
National Accounts	*-1.21*	*-1.17*	*-0.04*
Cash (1)	*-0.63*	*-0.49*	*-0.14*
SOCIAL SECURITY			
Budget Outturn (2)	*0.20*	*-0.27*	*-0.07*

(*) Including the net balance of support provided to financial institutions. (1) Includes cash inflows and outflowsfrom budgetary transactions (of both the current exercise and closed exercises) as well as from extra-budgetary transactions. (2) Budget outturn in terms of recognised rights and obligations.
Source: IGAE (Ministerio de Hacienda) and Ministerio de Trabajo, Migraciones y Seguridad Social.

The public deficit falls in the first quarter of 2019, down to 0.29% of GDP

In the first quarter of 2019, the General Government sector registered a deficit, in terms of National Accounts, of 0.29% of GDP (€ 3.7 billion), slightly lower than in the same period of 2018 (0.34% of GDP). This lower deficit is explained by an increase in non-financial resources (5.2%) higher than in non-financial uses (4.6%). If the net balance of the support provided to financial institutions (€ 172 million, equal to 0.01% of GDP) is excluded, the General Government deficit in the first quarter stands at 0.31% of GDP (€ 3.9 billion), compared to 0.33% of the first quarter of 2018.

Excluding the effect of interest expenditure accrued (€ 6.3 billion), a primary surplus of € 2.6 billion is obtained in the first quarter of the year for the total General Government, equal to 0.21% of GDP, 0.2 p.p. lower when compared to the figure recorded in the same period of the previous year.

By subsectors, the y-o-y decrease of 0.05 percentage points in the public deficit ratio on GDP in the first quarter is mainly explained by the greater surplus of the Social Security Funds (it increases by 0.22 p.p. of GDP) and, to a lesser extent, by the slight reduction in the deficit of Regional Governments (it falls by 0.01 p.p.), which more than offset the largest deficit of the

Central Government (it grows by 0.15 p.p.) and the slight reduction in the surplus of the Local Corporations (it decreases by 0.03 p.p.).

Table 5.2. **Total General Government**
Non-financial transactions in terms of national accounts. Quarterly data
Accumulated data in millions €, y-o-y growth and % of GDP

	First quarter		y-o-y growth	% of GDP	
	2018	**2019**		**2018**	**2019**
1. NON-FINANCIAL REVENUE	**108,086**	**113,673**	**5.2**	**8.95**	**9.06**
Taxes	64,757	65,768	1.6	5.36	5.24
* Taxes on production and imports	38,573	40,023	3.8	3.19	3.19
* Current taxes on income, wealth, etc.	24,838	24,383	-1.8	2.06	1.94
* Capital taxes	1,346	1,362	1.2	0.11	0.11
Social contributions	36,403	40,106	10.2	3.01	3.20
Transfers within general government	-	-	-	-	-
Other revenue	6,926	7,799	12.6	0.57	0.62
2. NON-FINANCIAL EXPENDITURE	**112,186**	**117,368**	**4.6**	**9.29**	**9.35**
Intermediate consumption	14,788	15,367	3.9	1.22	1.22
Compensation of employees	27,937	29,386	5.2	2.31	2.34
Interest	6,869	6,300	-8.3	0.57	0.50
Subsidies	2,322	2,015	-13.2	0.19	0.16
Social benefits other than social transfers in kind	39,927	42,645	6.8	3.30	3.40
Social transfers in kind: market production purchased by general government	6,960	7,110	2.2	0.58	0.57
Gross fixed capital formation	6,087	6,346	4.3	0.50	0.51
Transfers within general government	-	-	-	-	-
Other expenditure	7,296	8,199	12.4	0.60	0.65
3. NET LENDING (+) NET BORROWING (-) (1-2)	**-4,100**	**-3,695**	**-9.9**	**-0.34**	**-0.29**

Source: IGAE. Ministerio de Hacienda.

The favourable evolution of the Social Security Funds balance is explained by the rebound in social contributions, which rose by 10.9% y-o-y, influenced by the growth in Social Security covered workers (2.9%) and by some of measures approved by RDL 28/2018, such as the rise of the minimum and maximum contribution bases in the general regime (22.3% and 7.0%, respectively). The current transfers received from other General Government Units, which increased by 34.2%, also contributed to the favourable evolution of the Social Security balance.

On the other hand, the Central Administration's largest deficit is mainly due to the rise in current transfers to other General Government Units (9%), to the tax return on maternity and paternity benefit (€ 741 million, without correspondence in the same period of 2018) and the higher contribution to the EU based on VAT and GNI resources (31.8%). The smaller surplus of Local Corporations is explained by the strong growth of gross fixed capital formation (38.1%).

The General Government deficit excluding Local Governments reaches 0.57% of GDP up to April

On a consolidated basis, the Central Government, the Regional Governments and the Social Security Funds recorded up to April 2019 a deficit in terms of National Accounts equivalent to 0.57% of GDP, 0.05 p.p. higher compared to the same month of the previous year

(0.52% of GDP). This evolution is explained by an increase in resources (4.1% y-o-y) slightly lower than that of uses (4.6%). In the first months of this year, some expenditures were recorded without equivalence in the same period of the previous year, in particular the higher increase in wages and the rise in pensions, whose revaluations last year were accounted for in subsequent months, after the approval of the Draft State Budget for 2018. This effect is expected to be mitigated in the second half of the year.

The primary deficit of General Government without Local Corporations registered up to April was € 1.4 billion (0.12% of GDP), half the figure recorded a year earlier (€ 2.9 billion, 0.24% of GDP).

On the revenue side, taxes increased by 1.5% y-o-y up to April. Revenue derived from current taxes on income and wealth rose by 0.5%, affected by the Corporate Income Tax collection, which decreased by 11.1%. The rise in revenues from the first instalment payment (2.8%) was not enough to offset the effect due to a refund to a single company, for an amount slightly exceeding € 700 million, and the late presentation of a tax declaration for the financial year 2016, in January 2018, for an amount exceeding € 300 million.

Table 5.3. **General Government excluding Local Government sub-sector**
Non-financial transactions in terms of national accounts. Monthly data
Accumulated data in millions €, y-o-y growth and % of GDP

	April		y-o-y growth	% of GDP	
	2018	**2019**		**2018**	**2019**
1. NON-FINANCIAL REVENUE	**133,300**	**138,795**	**4.1**	**11.03**	**11.06**
Taxes	73,681	74,780	1.5	6.10	5.96
* Taxes on production and imports	40,305	41,300	2.5	3.34	3.29
* Current taxes on income, wealth, etc.	32,372	32,519	0.5	2.68	2.59
* Capital taxes	1,004	961	-4.3	0.08	0.08
Social contributions	48,597	52,575	8.2	4.02	4.19
Transfers within general government	3,587	3,723	3.8	0.30	0.30
Other revenue	7,435	7,717	3.8	0.62	0.61
2. NON-FINANCIAL EXPENDITURE	**139,548**	**145,955**	**4.6**	**11.55**	**11.63**
Intermediate consumption	12,802	13,370	4.4	1.06	1.07
Compensation of employees	30,291	32,153	6.1	2.51	2.56
Interest	9,140	8,607	-5.8	0.76	0.69
Subsidies	2,609	2,687	3.0	0.22	0.21
Social benefits other than social transfers in kind	53,341	56,970	6.8	4.41	4.54
Social transfers in kind: market production purchased by general government	9,088	9,344	2.8	0.75	0.74
Gross capital formation	6,277	5,751	-8.4	0.52	0.46
Transfers within general government	7,127	7,798	9.4	0.59	0.62
Other expenditure	8,873	9,275	4.5	0.73	0.74
3. NET LENDING (+) NET BORROWING (-) (1-2)	**-6,248**	**-7,160**	**14.6**	**-0.52**	**-0.57**

Source: IGAE. Ministerio de Hacienda.

Revenues from Non-Residents Income Tax decreased by 15.2%, mainly due to the rise in reimbursements of € 152 million.

Taxes on production and imports grew by 2.5% y-o-y, largely due to VAT, whose revenues increased by 2.8%. On the other hand, the Tax on the Value of the Production of Electric Energy collected by the State went from contributing € 374 million up to April 2018, to registering a negative net amount of € 11 million in the same period of this year. This was due to the measures approved in RDL 15/2018.

On the other hand, the General Government social contributions excluding Local Governments rose by 8.2% y-o-y up to April, favoured by the good performance of employment and by some of the measures approved at the end of 2018.

On the expenditure side, the rises of social benefits other than transfers in kind (6.8%, partly due to the increase in pensions applied since January 2019, which is added to the rise applied since July 2018) and the compensation of employees (6.1%, partly due to the general salary increase of 2.25% since January this year, which is added to the rise applied since the entry into force of the 2018 General State Budget, in July last year) should be noted. Likewise, the higher contribution to the EU based on VAT and GNI resources should also be mentioned, which increased by 21.9% y-o-y and the tax return on maternity and paternity benefit (€ 741 million, without correspondence in the same period of 2018). On the other hand, accrued interest (-5.8%), gross fixed capital formation (-8.5%) and the amounts registered in relation the Asset Protection Schemes (known in Spanish as EPAs) decreased.

With regard to the balance of non-financial operations by subsectors, the Central Government recorded up to April 2019 a deficit of 0.67% of GDP, 0.13 p.p. higher compared to the figure registered in the same period 2018. This increase is largely explained by the current transfers made to other subsectors, in particular the Social Security Funds and the Regional Government. The Regional Government recorded a deficit standing at 0.19% of GDP, slightly above, by 0.02 p.p., the figure accumulated up to April last year, and the Social Security Funds registered a surplus of 0.29% of GDP, a figure 0.11 p.p. above in comparison to the same period of 2018. Within the Central Government, the State's deficit increased by 33.4% y-o-y, while the deficit of the Other Central Government Bodies fell by 8.5%, mainly due to the drop in other capital transfers, due to the lower amounts registered in relation the Asset Protection Schemes.

Regarding transfers between sub-sectors of the General Government, the increase in current transfers from the State to the Social Security funds (17.8%), up to € 6.9 billion, due to the advance in the execution of those used to pay supplements for minimum pensions and the transfer of € 666 million to maintain the budget balance of the Social Security, without any amount until April 2018 should be noted. Likewise, the increase of current transfers from the State to the Regional Governments and Local Governments (4.7% and 4.6%, respectively), should also be noted, mainly due to the rise of advanced payments of the Financing System.

The State's deficit reaches 1.21% of GDP up to May in terms of National Accounts

Up to May 2019, the State registered a deficit, in terms of National Accounts, equal to 1.21% of GDP, 0.04 p.p. higher compared to that of a year earlier (1.17%). This slightly higher deficit is due to a rise in non-financial resources (1.3%) lower than that of non-financial uses (2.4%).

As stated above, certain expenses were recorded during the first few months of 2019, without equivalence in the same period of the previous year. This effect is expected to be mitigated in the second half of the year.

Table 5.4. **State**
Non-financial transactions in terms of national accounts. Monthly data
Accumulated data in millions €, y-o-y growth and % of GDP

	May		y-o-y growth	% of GDP	
	2018	**2019**		**2018**	**2019**
1. NON-FINANCIAL REVENUE	**69,139**	**70,019**	**1.3**	**5.72**	**5.58**
Taxes	59,719	59,872	0.3	4.94	4.77
* Taxes on production and imports	40,012	40,969	2.4	3.31	3.26
* Current taxes on income, wealth, etc.	19,644	18,880	-3.9	1.63	1.50
* Capital taxes	63	23	-63.5	0.01	0.00
Social contributions	2,709	2,661	-1.8	0.22	0.21
Transfers within general government	3,837	4,198	9.4	0.32	0.33
Other revenue	2,874	3,288	14.4	0.24	0.26
2. NON-FINANCIAL EXPENDITURE	**83,252**	**85,221**	**2.4**	**6.89**	**6.79**
Intermediate consumption	1,865	2,144	15.0	0.15	0.17
Compensation of employees	6,500	6,978	7.4	0.54	0.56
Interest	10,782	10,349	-4.0	0.89	0.82
Subsidies	1,915	1,049	-45.2	0.16	0.08
Social benefits other than social transfers in kind	6,169	6,585	6.7	0.51	0.52
Social transfers in kind: market production purchased by general government	90	76	-15.6	0.01	0.01
VAT and GNI-based EU own resources	4,487	5,271	17.5	0.37	0.42
Transfers within general government	46,042	47,983	4.2	3.81	3.82
Gross capital formation	2,330	1,949	-16.4	0.19	0.16
Capital transfers within general government	548	439	-19.9	0.05	0.03
Other expenditure	2,524	2,398	-5.0	0.21	0.19
3. NET LENDING (+) NET BORROWING (-) (1-2)	**-14,113**	**-15,202**	**7.7**	**-1.17**	**-1.21**

Source: IGAE. Ministerio de Hacienda.

Within resources, taxes grew by 0.3% y-o-y. Current taxes on income and wealth decreased by 3.9%: Personal Income Tax rose by 1.4%, once the part corresponding to the Regional Governments (which rose by 8.6%) was deducted, while revenues from Corporate Income Tax fell by 9.3%. On the other hand, taxes on production and imports rose by 2.4%, driven by VAT, which increased by 3.2%. The higher transfers received from other general government units (9.4%), the smaller negative adjustment for amounts unlikely to be collected (€ 200 million lower than in 2018) and the highest dividend received from the Bank of Spain (€ 905 million, a 19.7% more) should also be mentioned.

On the other hand, within uses, the increase in the contribution to the EU based on VAT and GNI resources (17.5%); current transfers to other general government units (4.2%), in particular, to the Social Security Funds (6.1%), to Local Governments (4.8%) and to Regional Governments (4.7%); the compensation of employees (7.4%); intermediate consumption (15.0%, driven by the expenditure made to cover electoral expenses); and social benefits other than social transfers in kind (6.7%, driven by pensions of the civil servants scheme) stand out. On the other hand, accrued interest and gross fixed capital formation decreased by 4.0% and 16.4%, respectively. The lower expense allocated to cover the costs of the electricity system (€ 877 million less) should also be highlighted.

In terms of Cash, the State recorded a deficit of 0.63% of GDP up to May, slightly higher compared to the figure recorded in the same period of 2018 (0.49% of GDP).

The borrowing requirement of the State up to May rose by 44.2% in comparison to the same period of the previous year, reaching € 16.4 billion. The increase is explained by the greater cash deficit (€ 2.1 billion more) and the rise in the net variation of financial assets (€ 3 billion more), the latter largely derived from the increase in the current account of the State in the Bank of Spain and the loans granted to the Social Security (€ 5.6 billion up to May 2019). The borrowing requirement has been mainly financed through domestic medium and long-term debt.

The Social Security registers a 0.2% surplus of GDP up to May, where the rebound in social contributions should be highlighted

The budget outturn of the Social Security, recorded a surplus up to May 2019 of 0.20% of GDP. This percentage is 0.07 p.p. below the figure recorded in the same period of 2018 (0.27% of GDP). Revenues grew by 7.9% in y-o-y terms, driven by social contributions, which also rose by 7.9%. The increase in current transfers received from the State (7.4%) should be noted.

On the other hand, expenses increased by 9.9%, where the pensions evolution should be noted as they rose by 6.9% y-o-y. The rise in benefits for temporary disability (60.9%), from € 2.2 billion up to May 2018 to € 3.6 billion up to May 2019 should also be mentioned. This growth is affected by the allocation in the first quarter of this year of the delegated payment of the temporary disability of November and December 2018 (€ 978.6 million), as result of a change in budget allocation criteria.

Table 5.5. **Social Security System Budget Outturn**
Budget outturn in terms of recognized rights and obligations. Monthly data
Accumulated data in millions euros and y-o-y growth

	2018 December	**2019 Budget**	**% Change**	**2018 May**	**2019 May**	**% Change**
1. REVENUE	**135,026**	**135,253**	**0.2**	**56,280**	**60,734**	**7.9**
Social Security contributions	114,999	114,916	-0.1	47,252	50,988	7.9
Current transfers	18,081	18,441	2.0	8,497	9,225	8.6
of which: from the State	14,650	14,876	1.5	7,056	7,576	7.4
Property income	273	228	-16.4	43	24	-43.6
Other revenue (1)	1,673	1,667	-0.3	488	497	1.8
2. EXPENDITURE	**151,988**	**152,565**	**0.4**	**52,990**	**58,220**	**9.9**
Pensions	130,783	129,495	-1.0	45,898	49,067	6.9
Contributory	121,297	119,791	-1.2	42,578	45,605	7.1
Non-contributory	9,486	9,704	2.3	3,319	3,462	4.3
Sickness benefits	7,491	7,980	6.5	2,217	3,568	60.9
Maternity benefits	2,388	2,559	7.2	959	1,031	7.5
Other benefits	2,058	2,197	6.7	884	904	2.3
Wages and salaries	2,254	2,394	6.2	836	861	2.9
Purchase of goods and services	1,393	1,542	10.7	529	546	3.1
Other revenue (2)	5,620	6,398	13.8	1,666	2,246	34.8
3. BALANCE OF NON-FINANCIAL TRANSACTIONS (1-2)	**-16,962**	**-17,312**	**2.1**	**3,291**	**2,514**	**-23.6**
As % of GDP	-1.40	-1.43		0.27	0.20	

(1) Fees and other current revenues, disposal of real investments and capital transfers, (2) Interest payments, real investments, other current transfers and capital transfers.
Source: Tesorería General de la Seguridad Social and Dirección General de Ordenación de la Seguridad Social.

The General Government EDP Debt stand at 98.7% of GDP in the first quarter of the year

According to the BoS, the General Government EDP Debt, reached € 1,200.3 billion at the end of the first quarter of 2019, € 38.5 billion higher compared to the figure recorded a year earlier. Using the cumulative nominal GDP of the last four quarters up to the first quarter of 2019, the General Government debt-to-GDP ratio up to March this year stood at 98.7%, a figure identical to the one recorded in the same period of 2018.

By subsectors, the Central Government EDP Debt stood at € 1,069.8 billion in March 2019, 87.9% of GDP, half a percentage point more in comparison to that registered a year earlier. The Social Security Administrations debt stood at € 43.1 billion, 3.5% of GDP, 1.2 points more than in the same period of the previous a year. This increase is due to the loans granted by the State to the General Treasury of the Social Security. The Regional Government debt stood at € 296.7 billion in March, 24.4% of GDP, two tenths lower than in the first quarter of 2018. Local Government registered a debt of € 26 billion up to March, representing 2.1% of GDP, three tenths less in comparison to a year earlier. The debt owned by General Government units, which is deducted to obtain the General Government consolidated debt, amounted to € 235.2 billion, 19.3% of GDP, a ratio 1.2 points higher than the figure registered in the first quarter of 2018. This item includes, among others, the loans granted by the State to other subsectors and the assets held by the Social Security Reserve Fund.

By instrument, long-term debt securities increased by € 53.9 billion in y-o-y terms earlier, while short-term debt securities decreased by € 4.9 billion. The € 9.3 billion fall recorded by long terms loans should be pointed out, partly due to the early repayment of part of the ESM loans.

Table 5.6 **General Government EDP Debt as % of GDP**

	Q1 2019	Q1 2018	Change (pp)
TOTAL General Government consolidated	98.7	98.7	0.0
Central Government	87.9	87.4	0.5
Regional Government	24.4	24.6	-0.2
Local Government	2.1	2.5	-0.3
Social Security Funds	3.5	2.3	1.2
Assets held by Government (consolidation)	19.3	18.1	1.2

Source: Banco de España.

Taking into account the total deficit of the general government in the first quarter of the year (€ 3.7 billion) and the increase in the EDP Debt in the same period (€ 27.1 billion), a positive flow stock adjustment is followed, reaching € 23.5 billion.

The General Government EDP Debt falls in April, reaching € 1,183.5 billion

According to the BoS, the General Government EDP Debt, reached € 1,183.5 billion in April, which implies a decrease of € 16.8 billion compared to March and an increase of € 31.1 billion compared to a year earlier.

It should be noted that the monthly balance has a volatile evolution and is conditioned by the concentration of issuances in the first months of the year and redemptions in January, April, July and October. A reduction in debt securities and loans took place in April, amounting to € 15.6 and € 1.2 billion, respectively.

By subsectors, the State and the Regional Governments debt rose compared to the same month of the previous year, reaching € 1,042.2 billion and € 296.9 billion, respectively, as well as the Social Security Administration, which set their debt at € 44.9 billion. On the other hand, the Local Corporations and the Other Central Government Bodies continued reducing their debt in y-o-y terms, down to € 26.3 and € 29.1 billion, respectively.

The debt held by the General Government units, which is deducted to obtain the debt in consolidated terms, amounted to € 256.0 billion, which represents an increase of € 23.6 billion in comparison to a year earlier. This item includes, among others, the loans granted by the State to other subsectors and the assets of the Social Security Reserve Fund. Up to April this year, the State had granted loans amounting to € 3.8 billion to the General Treasury of the Social Security.

By instrument, the y-o-y increase in long-term debt securities (by € 51.9 billion), the decrease in short-term debt securities (by 9.5 billion) and the fall of loans (by € 11.5 billion) should be noted, the latter due to the early amortisation of part of the ESM loan.

By the end of May, the State's EDP Debt reached € 1,051.4 billion, which represents an increase of € 9.2 billion in comparison to a year earlier. One year earlier, the balance stood at € 1,011.1 billion. Out of the balance at the end of May 2019, € 225 million correspond to debt in currencies other than the euro. In May, the balance of long-term values representing debt securities rose, amounting to € 9.3 billion, respectively. As counterpart, there was an increase in deposits of the Central Administration in the BoS reaching € 9.1 billion. By instruments, € 921.8 billion of the balance at the end of May correspond to long-term debt securities (€ 49.8 billion more than a year ago), € 62.6 billion with short-term debt securities (€ 6.7 billion less) and the rest, € 67 billion, with loans and deposits (€ 2.8 billion less than in the same period of the previous year). By counterpart sectors, € 555.3 billion are assets held by resident sectors (€ 15.3 billion more than in the same month of 2018) and € 496.0 billion correspond to the rest of the world (€ 24.9 billion more than in May 2018), an item in which the ESM loans are included. Out of the assets held by residents, € 13.0 billion are held by other General Government units (€ 3.1 billion less than a year ago, partly due to the disposal of the Social Security Reserve Fund) and they will not be included in the EDP debt of the total General Government, when consolidating its subsectors.

6.- BALANCE OF PAYMENTS

The Spanish economy generates net borrowing to the rest of the world

According to the Balance of Payments data, in the period between January and April 2019 the Spanish economy generated net borrowing to the rest of the world amounting to € 4.9 billion, above the figure registered in the same period of the previous year (€ 2.3 billion). This evolution is explained by the current account balance, whose deficit went from registering € 3.3 billion in cumulative terms between January and April 2018 to € 6 billion in the same period of 2019, partially offset by the capital account, whose surplus rose slightly. In turn, the current deficit increase is explained by the lower surplus of the goods and services balance and by the greater deficit of the primary and secondary income. It is important to take into account that the first months of the year traditionally have an unfavourable seasonality in terms of net lending or borrowing (they register an average balance lower than the annual average). Moreover, the balance of the current account for April this year is biased downward by the calendar effect of the Easter Holidays, which in 2018 were celebrated in March and in 2019 were held in April.

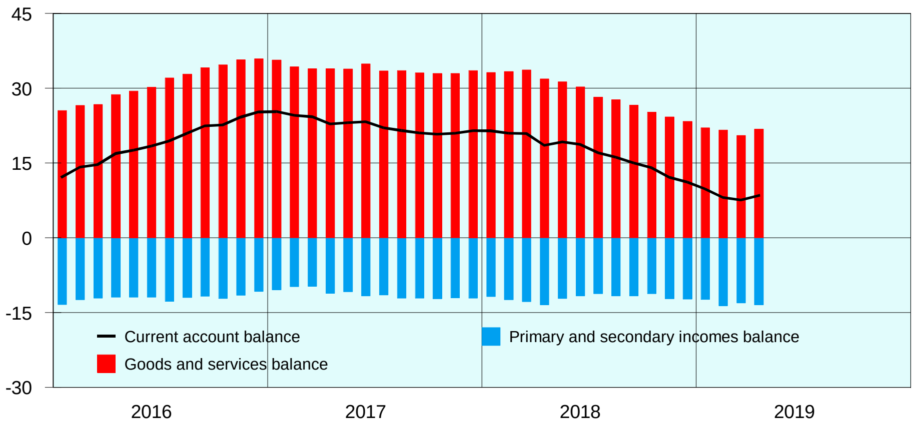
Table 6.1. **Balance of payments. Non-financial operations** (1)
Million euro

	January-April 2018			January-April 2019		
	Credit	Debit	Net	Credit	Debit	Net
Current and capital accounts	**153,317**	**155,622**	**-2,305**	**155,269**	**160,184**	**-4,913**
Current account	**151,903**	**155,188**	**-3,286**	**153,951**	**159,909**	**-5,958**
Goods and services	130,753	126,670	4,083	132,521	129,976	2,545
Tourism	*14,822*	*5,514*	*9,308*	*15,540*	*6,040*	*9,500*
Primary and secondary income	21,150	28,518	-7,368	21,430	29,933	-8,502
Capital account	**1,414**	**434**	**980**	**1,318**	**275**	**1,045**

(1) The sum of the items does not always match the total due to rounding.
Source: Banco de España.

Trade of goods and services with the rest of the world generated a surplus of € 2.5 billion up to April 2019, 37.7% lower compared to the figure recorded in the same period of 2018 as a result of an increase in exports (1.4%), lower than that of imports (2.6%).

G 6.1 CURRENT ACCOUNT BALANCE
12-month cumulated. Billion euros



Sources: Banco de España and SGCPE.

The deficit of goods, according to Customs data, increased in the first four months of the year by 10.9% y-o-y, due to the non-energy component, which went from recording a surplus of € 234 million in the period between January and April 2018 to a deficit of € 1.8 billion in the same period of 2019, partially offset by the energy component, whose deficit fell by 9.7%. Using the unit value indices of the Ministry of Economy and Business, a worsening is observed in the terms of trade of 0.6% in that period.

The balance of tourism remaines virtually stabilised

The balance of tourism services accumulated a surplus of € 9.5 billion up to April 2019, similar to the figure recorded in the same period of 2018 (€ 9.3 billion). Tourism revenues grew by 4.8% y-o-y in the first four months of the year, and payments by 9.5%. Foreign tourists´ expenditure, according to the Tourist Expenditure Survey (EGATUR), increased by 3.8% y-o-y up to May (4.1% in the same months of 2018) and tourist arrivals grew by 2.7%, in comparison to the 2% registered in the first five months of the previous year.

The deficit of primary and secondary income rose

The balance of primary and secondary income accumulated a deficit of € 8.5 billion in the first four months of the year, 15.4% higher than that recorded in the same months of 2018, as a result of an increase in revenues lower than that of payments (1.3% and 5%, respectively).

Table 6.2 **Financial flows with the European Union**

	Million euro					% y-o-y change		Accumulated amounts: Million euro		Accumulated amounts: % y-o-y change
	2018				2019	2018	2019	2018	2019	2019
	I	II	III	IV	I	IV	I	Jan-May	Jan-May	Jan-May
Net current transfers	**2,038**	**-1,422**	**-2,238**	**-2,286**	**1,104**	**6.2**	**-45.8**	**1,077**	**658**	**-38.9**
- Revenue	**5,161**	**970**	**698**	**946**	**5,777**	**57.3**	**11.9**	**5,811**	**6,729**	**15.8**
Refunds CAP	4,459	772	629	504	4,676	25.1	4.9	4,979	5,264	5.7
ESF	660	163	20	301	1,049	105.4	59.0	760	1,386	82.2
Other subsidies	42	35	49	140	51	171.4	20.8	71	80	12.3
- Payments	**3,123**	**2,392**	**2,936**	**3,232**	**4,673**	**17.4**	**49.6**	**4,734**	**6,072**	**28.3**
VAT	552	385	384	370	630	0.6	14.0	764	804	5.2
GNI	2,008	1,633	2,045	2,364	3,500	27.8	74.2	3,151	4,467	41.8
Traditional Own	387	373	370	406	384	-3.2	-0.8	644	641	-0.5
Other	175	0	138	91	159	-21.5	-8.9	175	159	-8.8
Capital transfers	**1,358**	**194**	**1,222**	**702**	**1,005**	**1,285.9**	**-26.0**	**1,451**	**1,380**	**-4.9**
ERDF	1,182	191	1,196	672	924	3,347.2	-21.8	1,276	1,298	1.8
Cohesion Fund	173	0	0	0	0	-	-100.0	173	0	-100.0
Other	3	3	26	30	81	-4.1	2,661.5	3	82	2,441.5

Sources: D. G. del Tesoro y Política Financiera and SGCPE.

The disaggregated data of the financial flows with the European Union (EU), included in the secondary income, show a balance of the net current transfers received of € 658 million (€ 1.1 billion registered a year earlier), in the period between January and May 2019, with an increase in revenues (15.8%) lower than that of payments (28.3%). With regards to revenues, public transfers received from the European Social Fund, aimed at promoting employment, rose by 82.2%, while in the transfers for the private sector, the subsidies received by farmers as refunds of the Common Agricultural Policy rose by 5.7%. On the payments side, within public payments for the EU, those related to the GNI Resource (41.8%), and with the VAT Resource (5.2%) grew, while those related to Traditional Own Resources (-0.5%) fell, although it should be noted that these payments are not divided in the same way through all financial years.

The capital balance surplus increases slightly

Up to April 2019, the capital balance generated a surplus of € 1.0 billion, slightly higher in comparison to the previous year, due to a fall in revenues (€ 96 million less) lower than that of payments (€ 159 million). Capital transfers from the European Union fell by 4.9% in the period between January and May compared to the same period of the previous year, up to € 1.4 billion.

Within revenues, quantitatively speaking, the most important items were public transfers from the structural funds of the EU Budget, aimed at infrastructure, rural development and environment. It should be noted that transfers from the Cohesion Fund were not received in this period (€ 173 million in the previous year), and the revenues corresponding to the ERDF were similar to those of the previous period (€ 1.3 billion). However, it is important to note that these revenues are very erratic, due to the multiannual nature of many of the actions they finance.

In the first four months of 2019, the financial account recorded a positive net balance (net variation in assets minus net variation in liabilities) amounting to € 1.9 billion, higher than a year earlier (€ 1.8 billion). Excluding the Bank of Spain, a net balance of € 1.5 billion was recorded up to April, below the net variation registered a year earlier (€ 11.4 billion). This result includes positive balances (investments) in asset and liability transactions

Investment from abroad increased in Spain

Up to April 2019, the net variation in liabilities generated net capital inflows worth € 25.3 billion, 5.7% more than in the same period of the previous year. The direct investment balance fell by € 793 billion, recording net inflows amounting to € 11.5 billion, which were mainly channelled toward the non-financial residential sector. On the other hand, portfolio investment recorded net inflows amounting to € 23.3 billion, 11.9% lower than the net inflows of the same period of 2018, due to the results of the General Government, the non-financial resident sector and the private financial sector, which recorded net inflows amounting to € 10.4, € 9.9 and € 3 billion, respectively. Finally, other investments (loans, deposits and repos) recorded net outflows of € 9.5 billion, in comparison to the net outflows of € 14.8 billion registered in the same period of 2018, driven by the private financial sector and, by non-financial residential sector.

The assets net variation with the rest of the world, excluding the Bank of Spain, accumulated in the first four months of the year net capital outflows of € 26.8 billion, 24.2% lower in comparison to the figures recorded a year earlier. Direct investment accumulated capital outflows amounting to € 7 billion, 36.4% lower than a year earlier, coming mainly from other resident sectors. The portfolio investment outflows fell by 78.6%, to € 5.7 billion, concentrated in the financial institutions and in the non-financial private sector. On the other hand, other investment registered net outflows amounting to € 15.3 billion, (net inflows of € 3.5 billion a year earlier), led by the Monetary Financial Institutions. Finally, financial derivatives registered net inflows amounting to € 1.1 billion, in comparison to the net outflows of € 1.1 billion registered in the previous year.

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

Current, capital and financial transactions generated an increase of net assets of the Bank of Spain (decrease of the net debtor position) amounting to € 399 million, due to the rise recorded by other net assets € 2.9 billion and reserves € 301 million, while the assets vis-à-vis the Eurosystem fell (€ 2.8 billion).

The debtor balance of the Net International Investment Position falls

The Net International Investment Position (NIIP) decreased its debtor balance in the first quarter of 2019, by 4.2% y-o-y, reaching € 945 billion, equal to 77.7% of GDP, a percentage 6.1 points lower in comparison to the figure registered in the first quarter of 2018. Assets amounted to € 2.0 trillion, 7.9% more compared to a year earlier, and liabilities to € 3 trillion, 3.8% more in comparison to the first quarter of the previous year. On the other hand, the gross external debt amounted to € 2.1 trillion in the first quarter of 2019 (169.2% of GDP), compared to the € 2 trillion registered in the same period of 2018 (168.2% of GDP).

Table 6.3 **Balance of payments. Financial operations (1)**
Million euro

	January-April 2018			January-April 2019		
	Assets change	Liabilities change	Balance	Assets change	Liabilities change	Balance
Financial account	**25,780**	**23,938**	**1,844**	**27,223**	**25,303**	**1,919**
- Excluding Bank of Spain	**35,372**	**23,938**	**11,436**	**26,824**	**25,303**	**1,521**
Direct investment	***10,961***	***12,256***	***-1,294***	***6,969***	***11,463***	***-4,494***
Monetary financial institutions	3,048	2,187	861	1,664	2,055	-391
Other resident sectors	7,913	10,069	-2,156	5,305	9,409	-4,104
Portfolio investment	***26,786***	***26,471***	***313***	***5,722***	***23,331***	***-17,609***
General Government	209	19,118	-18,909	111	10,442	-10,331
Monetary financial institutions	10,369	4,472	5,897	3,559	2,962	597
Other resident sectors	16,208	2,884	13,324	2,052	9,927	-7,875
Other investment	***-3,524***	***-14,789***	***11,264***	***15,263***	***-9,491***	***24,753***
General Government	-1,832	-3,760	1,928	-1,780	-236	-1,544
Monetary financial institutions	405	-21,453	21,858	18,965	-4,458	23,423
Other resident sectors	-2,097	10,424	-12,521	-1,922	-4,797	2,875
Financial derivatives	***1,149***	-	***1,149***	***-1,130***	-	***-1,130***
- Bank of Spain	**-9,592**	-	**-9,592**	**399**	-	**399**
Reserves	908	-	908	301	-	301
Claims on the Eurosystem	-10,264	-	-10,264	-2,776	-	-2,776
Other net assets	-236	-	-236	2,874	-	2,874
- Net errors and omissions	**4,149**	-	**4,149**	**6,832**	-	**6,832**

(1) The sum of the items sometimes does not match the total due to rounding.
Source: Banco de España.

The NIIP debtor balance, excluding the Bank of Spain, reached an amount of € 734 billion in the first quarter of 2019, 5.8% less than a year earlier. Increases were registered in the debtor balance of direct investment (19.6% up to € 76.4 billion), portfolio investment (1.3% to up to € 563 billion) and financial derivatives (53.1% up to € 12.4 billion), and a decrease of the debtor balance of other investment (-45.6%, down to € 82.6 billion).

The Bank of Spain increased its debtor balance by € 4.2 billion in the first quarter of 2019 compared to a year earlier, up to € 210.9 billion, equal to 17.3% of GDP. This increase is explained by the rise of € 7.8 billion of the Bank of Spain debtor balance vis-à-vis the Eurosystem and of € 3 billion of the debtor balance of other net assets, while, on the other hand reserves grew by € 6.6 billion.

July 2019