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SPANISH ECONOMY REPORT

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Y COMPETITIVIDAD

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RECENT EVOLUTION OF THE ECONOMIC INDICATORS

Financial markets

Since the beginning of this year, financial markets have been conditioned by the expectations about the meetings of the main central banks, which finally have not introduced changes to their monetary policies. Financial markets have been also conditioned by the uncertainty regarding the economic policy measures of the US President, Donald Trump, and the United Kingdom leaving the European Union. As a result, European public debt yields increased, the stock indices registered mixed results and the euro appreciated against the dollar.

The ECB maintains the interest rates and confirms the extension of the monetary stimuli up to December 2017

The Governing Council of the European Central Bank (ECB), on its meeting held on 19th January, 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 also announced that it expects the official interest rates to remain at the current levels, or lower, over an extended period. With regard to the non-conventional monetary policy measures, the Governing Council has confirmed that it will keep the purchases of its asset purchase programme at their current level of 80 billion euros per month until the end of March 2017 and that, from April 2017, net purchases will continue at a monthly pace of 60 billion euros until the end of December 2017, or until a later date if necessary. If the outlook was less favourable, or if financial conditions become inconsistent with further progress towards a sustained adjustment of the inflation path, the Governing Council intends to increase the programme in terms of size and/or duration.

The Fed maintains the interest rates

The Federal Open Market Committee (FOMC) of the Federal Reserve (Fed), in its two day meeting held on 31st January and 1st February, decided to maintain the target range for the federal funds rate at 0.50% to 0.75%. According to the statement that followed the meeting, job gains remained solid and the unemployment rate stayed near its recent low. In order to determine the timing and size of the forthcoming adjustments of the interest rate target range, the FOMC will assess the progresses in achieving the employment and inflation objectives, taking into account a wide range of information, including measures of labour market conditions, indicators of labour market, inflation pressures and inflation expectations, and the international context.

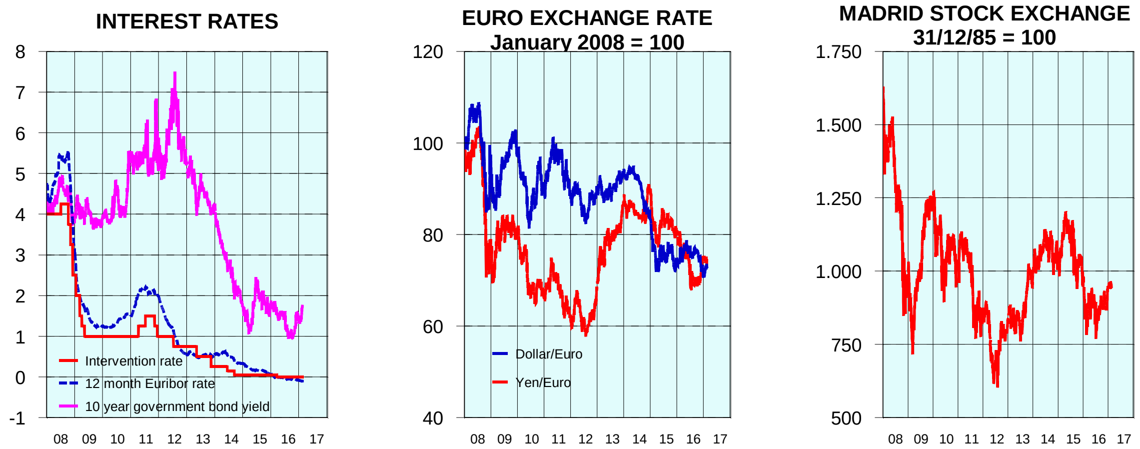
The BoJ maintains the interest rates and the monetary stimulus plans

On the other hand, in the meeting held on 30th and 31st January, the Bank of Japan (BoJ) decided to keep the negative interest rate of -0.1% to current accounts that financial institutions hold at the Bank. Similarly, the BoJ decided to keep its asset purchase programme unchanged, expanding the monetary base at an annual rate of approximately 80 trillion yen, as well as the exchange-traded funds programme (ETFs), which in the meeting held in July last year was increased to an annual increase rate in its outstanding balance of 6 trillion yen, in comparison to the previous 3.3 trillion.

The BoE maintains the interest rates and the asset purchase programme

The Monetary Policy Committee of the Bank of England (BoE), in the meeting held on 1st February, decided to keep the Official Bank Rate at 0.25% (in force since 3rd August last year) and to continue with the public debt and corporate debt purchase programmes, which stand at 435 billion and 10 billion pounds, respectively.

G1. MONETARY AND FINANCIAL INDICATORS (1)



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

The 12 month Euribor remains close to zero

In the interbank market of the Eurozone, interest rates extended the slightly downward path in January and early February. More specifically, the 12 month Euribor stood at -0.101% on 6th February, compared to the -0.082% recorded at the end of December 2016. This evolution is due to the slight fall of the risk premiums required in this market (the Euribor-OIS differential stood at 24 b.p. in early February, 2 b.p. below the figure registered on 30th December), while the expectations of an increase of the interest rates remained stable (the Overnight Index Swap, indicative of the rate expectations, stood at -0.34% in the 12-month Euribor, the same figure as the one recorded at the end of December).

European public debt yields rebound earlier this year

In the secondary public debt market, the higher expectations of an increase in the interest rates in the US, together with the increase in inflation in the Eurozone, edged upwards the European yields. As a result, the 10-year Spanish bond yield rose 41 b.p. compared to the one recorded on 30th December last year, to 1.81% on 6th February. On the other hand, the German bond yield rose 16 b.p. in the same period, up to 0.37%, the Spain-Germany differential standing at 144 b.p., 25 b.p. above the level recorded in late December. Meanwhile, the Spain-Italy differential stood at -56 b.p., compared to -42 b.p. recorded on 30th December.

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

Countries	Yields (%)					Differentials with Germany (basis points)				
	Dec-30-16	Jan-31-17	Feb-06-17	Variation in spreads		Dec-30-16	Jan-31-17	Feb-06-17	Variation in spreads	
				Period	Annual				Period	Annual
	(1)	(2)	(3)	(3)-(2)	(3)-(1)	(4)	(5)	(6)	(6)-(5)	(6)-(4)
Germany	0.21	0.44	0.37	-7	16					
Holland	0.35	0.58	0.56	-2	21	14	14	19	5	5
Finland	0.35	0.62	0.59	-3	24	14	18	22	4	8
Austria	0.42	0.69	0.66	-3	24	21	25	29	4	8
Belgium	0.55	1.00	1.01	1	46	34	56	64	8	30
France	0.68	1.05	1.12	7	44	47	61	75	14	28
Ireland	0.77	1.18	1.22	4	45	56	74	85	11	29
Spain	1.40	1.64	1.81	17	41	119	120	144	24	25
Italy	1.82	2.27	2.37	10	55	161	183	200	17	39
Portugal	3.78	4.19	4.23	4	45	357	375	386	11	29
Greece	7.11	7.82	7.71	-11	60	690	738	734	-4	44

Source: Financial Times.

European stock indices register mixed results

In the stock markets, the main European indices registered mixed results in the period between late December 2016 and early February this year, in a context of volatility resulting from the uncertainty associated with the United Kingdom leaving the European Union and the future economic policy decisions in the United States. Thus, the Eurostoxx 50 index fell by 1.6% during the period between 30th December 2016 and 6th February this year. In Spain, the IBEX 35 recorded in that same period a slight increase (0.1%). In the US market, the S&P 500 index rose by 2.4%, in a context of expectations about the Fed gradually increasing interest rates.

T 2. International stock exchange

Countries	Index	Level Feb-06-17	% Variation	
			Jan-31-17	Dec-30-16
Germany	DAX	11,509.84	-0.2	0.3
France	CAC 40	4,778.08	0.6	-1.7
Italy	FTSE MIB	18,693.65	0.6	-2.8
Spain	IBEX 35	9,357.30	0.5	0.1
Eurozone	EUROSTOXX 50	3,238.31	0.2	-1.6
United Kingdom	FTSE 100	7,172.15	1.0	0.4
United States	S&P 500	2,292.56	0.6	2.4
Japan	NIKKEI 225	18,976.71	-0.3	-0.7
China	SHANGHAI COMP	3,156.98	-0.1	1.7
Mexico	IPC	47,225.10	0.5	3.5
Brazil	BOVESPA	63,992.93	-1.0	6.3
Argentina	MERVAL	19,248.66	1.0	13.8

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

The euro appreciates against the dollar

With respect to the currency market, the euro appreciated in January and early February 2017 against the dollar, affected by the increase in inflation in the Eurozone and the uncertainty regarding the future economic policy decisions in the United States, despite the expectations of an interest rate increase by the Fed. As a result, the euro ended the period between late December 2016 and early February this year with an appreciation of 1.6% against the dollar and of 0.4% against the pound, and with a depreciation of 2.5% against the yen, trading at the end of the 6th February session at 1.0712 dollars, 0.8595 pounds and 120.28 yen. Likewise, the euro depreciated by 0.3% in comparison to late December in nominal effective terms.

The M3 broad monetary aggregate accelerates in December 2016

The ECB published the evolution of the monetary and credit aggregates in the Eurozone in December 2016. The M3 broad aggregate rose by 5% y-o-y, two tenths more than in November, due to the significant acceleration of marketable instruments (8.3%, compared to the 2.8% registered in the previous month), and, to a lesser extent, of overnight deposits (9.7%, compared to the 9.4% registered in the previous month), partially offset by the larger decline in other short-term deposits (-2.4%, compared to the -1.7% recorded in November) and the slowdown of currency in circulation (three tenths, down to 3.5% y-o-y).

T 3. Eurozone monetary aggregates

Monetary aggregates	December 2016 Balance (Billion €)	% Year-on-year variation October 2016	November 2016	December 2016
1. Currency in circulation	1,073	4.0	3.8	3.5
2. Overnight deposits	6,116	8.8	9.4	9.7
M1 (= 1 + 2)	7,189	8.1	8.5	8.8
3. Other short-term deposits (= 3.1. + 3.2.)	3,498	-1.5	-1.7	-2.4
3.1. Term deposits up to two years	1,321	-4.7	-5.2	-7.3
3.2. Deposits redeemable at notice up to three months	2,177	0.6	0.6	0.8
M2 (= M1 + 3)	10,687	4.7	4.9	4.8
4. Marketable instruments (= 4.1.+ 4.2.+4.3.)	685	1.8	2.8	8.3
4.1. Repurchase agreements	70	-27.2	-15.7	-5.9
4.2. Money market funds shares/units	519	6.3	4.7	8.3
4.3. Securities other than shares up to two years	95	13.7	11.2	22.4
M3 (= M2 + 4)	11,372	4.5	4.8	5.0

Source: European Central Bank.

Financing to the private sector in the Eurozone intensifies the growth rate slightly

On the other hand, the main counterpart to M3, the financing to the private sector in the Eurozone, grew by 2.5% y-o-y in December last year, one tenth more than in November, due to the higher growth of loans (2.2%, compared to the 2.1% registered in the previous month) and the rise of shares and other equity (0.8%) following the reduction of the same magnitude (-0.8%) registered in the previous month. Within loans, those received by households increased by 2.2%, one tenth more in comparison to the previous month, and those received by non-financial corporations intensified the growth rate by two tenths, up to 2%. On the other hand, securities other than shares moderated the growth rate by 1.1 points, to 6.2%.

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

	December 2016 Balance (Billion €)	% Year-on-year variation		
		October 2016	November 2016	December 2016
Credit to the private sector	**12,848**	**2.3**	**2.4**	**2.5**
Loans	**10,675**	**2.0**	**2.1**	**2.2**
Households	**5,409**	**1.9**	**2.1**	**2.2**
House purchases	*4,043*	*2.2*	*2.5*	*2.7*
Consumer credit	*616*	*3.7*	*3.7*	*3.9*
Other lending	*750*	*-1.1*	*-1.2*	*-1.4*
Non-financial corporations	**4,302**	**1.7**	**1.8**	**2.0**
Insurance companies & pension funds	**112**	**-7.8**	**-6.7**	**-9.1**
Other financial intermediaries	**851**	**5.6**	**4.2**	**5.1**
Securities other than shares	**1,385**	**5.4**	**7.3**	**6.2**
Shares and other equities	**788**	**0.5**	**-0.8**	**0.8**

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

The financing stock to the private sector in Spain moderates the y-o-y fall rate

According to the financing to the non-financial sectors in Spain data, published by the Bank of Spain on 1st February, the financing stock to the private non-financial sector decreased by 0.2% y-o-y in December last year, six tenths less in comparison to November. Financing received by firms rose by 0.7%, versus the 0.2% decline registered in the previous month, due to the acceleration of securities other than shares and foreign loans (3.5 and 1.6 points respectively, up to 4.5% and 2.8%), while bank loans moderated the rate of decline by two tenths, to 0.9%. On the other hand, financing received by households recorded a y-o-y rate of -1.3%, three tenths above the figure registered in the previous month, due to the lower fall of bank loans for housing and the acceleration of other bank loans.

New loan and credit operations to households and SMEs slow down

On the other hand, according to data published by the Bank of Spain on 31st January 2017, the amount of new loan and credit operations to households, in cumulative terms for the last twelve months, increased by 6.3% y-o-y in December 2016, 2.6 points less compared to November. This slowdown is due to the lower increase of credits for house purchases (5% versus 8.7% in the previous month) and consumption (28.2% in comparison to the 30.6% registered in the previous month), and to the further decline recorded by credits for other purposes (1.3 points, to -12.7%). The amount of new loan and credit operations to SMEs (using as a proxy for these credits those under one million euros) rose, in cumulative terms for the last twelve months up to December last year, by 2.7% y-o-y, 0.8 points less than in the previous month. On the other hand, the amount of new loan and credit operations exceeding one million euros declined by 32.8% y-o-y, a drop 0.7 points higher than in November.

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

	December 2016 Balance (Billion €)	% Year-on-year variation		
		October 2016	November 2016	December 2016
Non-financial corporations and Households	**1,629**	**-0.6**	**-0.8**	**-0.2**
Non-financial corporations	**916**	**0.1**	**-0.2**	**0.7**
Bank loans	*531*	*-1.4*	*-1.1*	*-0.9*
Securities(1)	*89*	*3.9*	*1.0*	*4.5*
External loans	*296*	*2.1*	*1.2*	*2.8*
Households	**713**	**-1.6**	**-1.6**	**-1.3**
Bank loans. Housing	*545*	*-3.2*	*-3.1*	*-2.9*
Bank loans. Other	*168*	*3.6*	*3.6*	*4.2*
General Government	**-**	**3.9**	**2.5**	**-**
Total financing	**-**	**1.1**	**0.5**	**-**

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

Spanish economy

Domestic Demand and production

The Spanish economy grows by 0.7% q-o-q in the last quarter of 2016

According to INE's flash estimate, the GDP, in volume, with calendar and seasonally adjusted data, recorded a q-o-q growth of 0.7% in the fourth quarter of 2016, similar to the rate registered in the third quarter, thus continuing the expansionary trend that started at the end of 2013. In y-o-y terms, the GDP grew by 3%, two tenths less than in the previous quarter, closing 2016 as a whole with an average annual growth rate of 3.2%, a figure equal to the one registered in 2015.

The IMF revises upwards the GDP growth forecast for Spain for the period 2016-2018

The International Monetary Fund (IMF), after concluding the Article IV consultation, revised upwards by one tenth the real GDP growth forecast for Spain for 2016 and 2017, reaching 3.2% and 2.3%, respectively. For 2018, the upward revision is of two tenths, up to 2.1%. In the same vein, the European Commission, in its 2017 Winter Forecast, foresees a real GDP growth of 3.2% in 2016, followed by a moderation of the growth pace this year and the next, with expected rates of 2.3% and 2.1%, respectively.

Qualitative indicators register mixed signals

Among the most recent qualitative indicators, the Economic Sentiment Indicator (ISE, by its Spanish abbreviation) for Spain, published by the European Commission, rose 1.4 points in January 2017 in comparison to the previous month, up to 107.4 (average 1990-2016 = 100). The breakdown by components reflects a sharp rise in industry confidence (2.7 points) and, to a lesser extent, in consumer confidence (0.2 points), versus the decline in retail (0.1 points), services (1.2 points) and construction confidence (13.6 points). In the Eurozone, the ISE rose four tenths in January in comparison to the previous month, and it reached 108.2. The differential unfavourable for Spain fell by one point, down to eight tenths.

On the other hand, the Global Activity Composite PMI for Spain registered a level of 54.7 in January, eight tenths lower compared to the figure recorded in the previous month, pointing to a slowdown of the global activity, in line with the lower employment momentum. However, the level of this indicator is three tenths higher than the one registered in the Eurozone (54.4), and Spain continues being among the Eurozone countries with the highest growth.

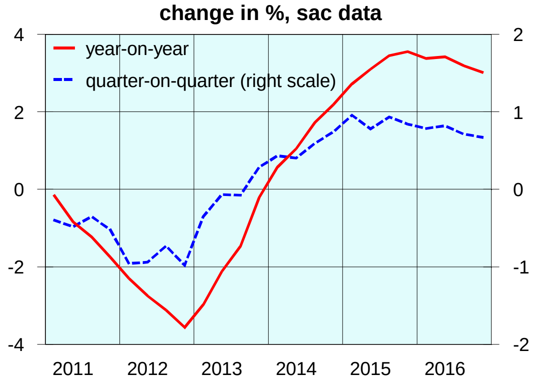
On the other hand, the OECD composite leading indicator, designed to anticipate the turning points in the economic activity with regards to its trend, fell four hundredths in December 2016 in comparison to November, reaching 100.34, closing last year with an average level of 100.7, 0.8 points lower in comparison to 2015. After the virtual stabilisation registered in December, the indicator is slightly below that of the Eurozone (100.4) and above its long-term average (100) and the OECD countries as a whole (99.9).

Private consumption indicators extend the dynamism

Amongst the GDP components on the demand side and, in particular, with regard to private consumption, the signals from available indicators point to the continuation of the expansionary path in the last quarter of 2016, driven by the favourable evolution of the labour market, the financing conditions and the net financial wealth of households, in an ongoing deleveraging process context.

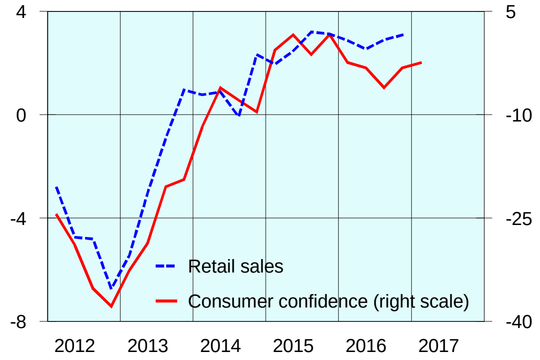
Retail sales, with work calendar and price adjusted data, rose by 2.9% in December last year, two tenths less compared to the previous month, ending 2016 with an average annual growth rate of 3.7%, slightly higher than that of 2015 (3.6%). On the other hand, the large retail outlets component, with calendar adjusted data and at constant prices, grew by 3.3% in December, 2.2 points less than in the previous month. In 2016 as a whole, retail sales in large retail outlets experienced an average annual increase of 3.6%, seven tenths lower than in 2015 (4.3%).

G 2. GROSS DOMESTIC PRODUCT, volume change in %, sac data



Source: INE.

G 3. CONSUMPTION INDICATORS y-on-y growth rate in % and balances



Sources: INE and European Commission.

On the other hand, domestic availability of consumer goods grew by 3.1% y-o-y in the fourth quarter of 2016, (the latest observed data corresponds to November 2016), 2.2 points more than in the previous quarter (with data adjusted for seasonal variations and deterministic effects). This result is mainly explained by the acceleration experienced in imports (5.5% y-o-y, compared to the 4.2% registered the previous quarter) and the slower pace of increase of exports, which rose by 4.7% y-o-y, nine tenths less than in the third quarter of 2016.On the other hand, the growth pace of domestic production moderated by one tenth, to 1.7% y-o-y. In 2016 as a whole, domestic availability of consumer goods grew by 3%, compared to the 6.9% growth registered in 2015.

Qualitative indicators for the first months of 2017 show signs of some moderation in private consumption. Thus, the Consumer Confidence Index (CCI) published by the CIS fell 2.4 points in January in comparison to the previous month, registering the level 98.3, below the 100 threshold, pointing to a negative perception of consumers. This decrease is explained by the evolution of the current situation component, which fell by 3.3 points, down to 88.9 and, to a lesser extent, by the expectations component, which decreased by 1.7 points, to 107.6. Regarding the latter component, expectations on the households situation fell 1.6 points, those referring to the labour market remained unchanged, and expectations on the general economic situation showed the greatest decline (-3.5 points).

Financing conditions remain favourable for households

The improvement in financing conditions continues to favour household consumption. The average interest rate (narrowly defined effective rate, NDER) applied to new lending operations for household consumption decreased at the end of last year, from 7.98% in September 2016 down to 7.19% in December.

On the other hand, net financial wealth of households increased by 3.4% y-o-y in the third quarter of 2016, reaching 110.4% of GDP, due to an increase in financial assets (1.3% y-o-y) and to a decrease in liabilities (-1.7% compared to the same period of the previous year).

In parallel, the deleveraging process of households continued. Thus, the debt of households and NPISH reached 65.2% of GDP in the third quarter of 2016, compared to the 69% of GDP registered in the same quarter of 2015.

Equipment investment indicators moderate the expansionary trend

The recently published equipment investment indicators showed a moderation of the expansionary trend. Thus, according to the Business Tendency Survey, the Industrial Climate Indicator of investment goods recorded a negative balance (-1.4 points) in January this year for the second consecutive month, due to the evolution of the order portfolio and the stock level, partially offset by the improvement in the production expectations component. Regarding domestic availability of equipment goods, the indicator fell by 1.4% y-o-y in the fourth quarter of 2016, due to the reduction in the production component, partially offset by the increase in imports and the decline in exports. Likewise, according to figures provided by the DGT, truck registrations ended the fourth quarter of 2016 with an average y-o-y increase of 6%, two points lower than the one registered in the previous quarter.

The performance of sales in large firms of equipment and software was more favourable, since they experienced a y-o-y increase of 3.1% in the fourth quarter of 2016, almost two points higher than in the third quarter (1.2%). On the other hand, the use of the production capacity of Spanish industry stood at 78.8% in the first quarter of 2017, three tenths lower than the figure recorded in the previous quarter (79.1%). In the Eurozone, the capacity increased by two tenths during this the period, up to 82.5%.

Business confidence increases for the fourth consecutive quarter

The Business Confidence Indicator, published by the INE, increased by 0.3% q-o-q in the first quarter of 2017, one tenth more than in the fourth quarter of 2016. By components, the balance of expectations stood at -3.1 points, compared to the -1.7 points recorded in the previous quarter, and the balance of the current situation reached a balance of 2.7 points, compared to 0.1 in the previous quarter. This represents an improvement on the expectations previously stated for that quarter, which reached -1.7 points.

The firms deleveraging process continues

In the third quarter of 2016, the Spanish companies’ debt, in the form of loans and debt securities stood at 102.3% of GDP (107.4% in the same period of 2015), the same figures as the ones registered at the beginning of 2006. As far as the non-financial corporations are concerned, the balance reflects an increase in financial assets (2.1% y-o-y) higher than that of its liabilities (0.5%), which results into a decrease in net financial liabilities compared to the third quarter of 2015 (-2.3%).

Residential construction investment indicators extend the dynamism

Construction investment indicators continue the dynamism, mainly in residential investment. According to INE statistics, based on the properties entered in the Property Registers, the number of housing sales experienced a y-o-y growth of 10.3% in the last quarter of 2016, slightly lower than the figure registered in the previous quarter (11.2%). As in previous periods, the expansionary trend was due to the strong increase of used housing purchases, which grew by 12.8% compared to a year earlier, while purchases of new housing remained virtually stable, recording a 0.1% fall in the fourth quarter. In the same vein, the number of mortgages on housing rose sharply in November, registering a y-o-y rate of 32.2%, almost twice as much as in October (16.8%), and the average amount per mortgaged house grew by 1.8% y-o-y, in comparison to the 1.1% decrease registered in the previous month. This dynamism has been favoured by an improvement of the financing conditions, judging by the evolution of the average interest rate (NDER) applied by credit institutions to new loan operations for housing granted to households, which extended the downward trend, down to 1.91% in December.

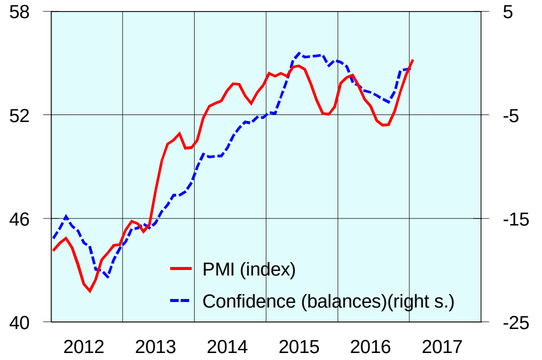
The industrial activity continues the expansionary trend

On the supply side, and with regards to the industrial sector, the Industrial Production Index (IPI), with calendar adjusted data, increased by 1.9% y-o-y in December 2016, 1.3 points less than in November. In the fourth quarter, the IPI rose by 1.8% y-o-y, two tenths more than in the third quarter of the year. Thus, in 2016 as a whole, the IPI, with calendar adjusted data, grew by 1.8% (3.4% in 2015). This result is mainly explained by the increase in the production of equipment goods, intermediate goods and consumer goods, which grew by 3.4%, 2.2% and 2%, respectively. On the other hand, the energy component fell by 0.9%, versus the 0.7% increase recorded in the previous year.

Likewise, in the two month period from October to November 2016, the Turnover Index in Industry (ICNI) and the Industry New Orders Index (INOI), adjusted for calendar effects, registered 3.8% and 6.1% y-o-y rises respectively, compared to the 0.2% and -0.8% variation rates recorded in the third quarter of 2016. By components, the increase in the INOI of equipment goods stood out, as it rose by 12.4% y-o-y in the period from October to November.

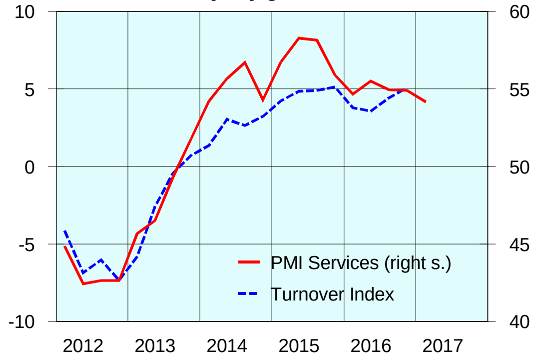
Qualitative indicators in the sector point in the same direction. Thus, the manufacturing PMI rose three tenths in January, up to 55.6, the highest level since May 2015, as a result of the increase in production and orders, especially new orders for exports. Likewise, the confidence indicator in the sector improved by 2.7 points in January, due to the sharp rise recorded by the production expectations component, despite the fall observed in the order portfolio and the increase in stocks.

G 4. INDUSTRY: CONFIDENCE INDICATOR AND PMI
Moving average (3 months)



Sources: European Commission and Markit Group.

G 5. SERVICES: PMI AND TURNOVER INDEX
index and y-o-y growfh rate in %



Sources: INE and Markit group.

The construction sector activity indicators moderate the dynamism

Among the indicators relating to the construction activity, the Production Index in the Construction Industry (PICI), published by Eurostat, experienced a 4.5% decrease in November, compared to the previous year, with deflated and calendar adjusted data, compared to the increases registered in the previous two months (3.1% in October). By sub-sector, the performance was uneven: the building sector fell by 8.2% y-o-y, in contrast to civil works, which accelerated up to 17.4%.

With regards to qualitative indicators, the construction confidence indicator lost almost 14 points in January compared to the previous month, reaching -56.7, due to the falls experienced in both the order portfolio and employment expectations components.

Construction activity leading indicators show an expansionary trend. Thus, according to new construction permits, the building surface in new construction registered a y-o-y growth of 30.8% in November, a figure similar to that registered in the previous month (30.5%). This acceleration was due to the strong momentum of the non-residential component, which grew by 67%, an increase well above the 22.7% increase of the residential component. Likewise, the official tenders rose by 32.2% y-o-y in November 2016, at current prices, compared to the 13.4% fall recorded in the previous month. The dynamism of tenders during this month was mainly due to the strong expansionary trend of the building component, which rose by 69.8% y-o-y and, to a lesser extent, to the 16.7% increase experienced by civil works. By levels of government, the highest y-o-y increase corresponded to the Local Administration (166.6%), followed by the Regional Government (1.4%), while it fell by more than 46% in the Central Government.

Activity in the services sector evolves favourably

According to the available information, activity in the services sector showed a very favourable behaviour in the last months of last year. The Services Sector Turnover Index (SSTI), with work calendar adjusted data, increased by 6.1% y-o-y in November 2016, two points more than in the previous month, which is the highest rate in the last thirteen months. This acceleration applied to the trade sector more than to the other services sector, with y-o-y increases of 6.7% and 4.9%, respectively (4% and 4.2% in the previous month).

Among the qualitative indicators, confidence in the services sector, after edging upwards in the last months of last year, turned slightly downwards in January, down to 18.8 (20 in December 2016). On the other hand, the Services PMI reached 54.2 during this month, eight tenths less in comparison to the figure registered in the previous month, although it continues to show a remarkable dynamism as a result of the orders growth, linking more than three years of uninterrupted increases.

Tourism sector indicators end 2016 at record highs

Regarding the tourism sector indicators, it must be highlighted that 4 million tourists visited Spain in December last year, a figure 13.3% higher than the one recorded in the same month of 2015, according to the Survey on Tourist Movements on Border (FRONTUR). Thus, 2016 ended with a total of 75.6 million foreign tourists visiting Spain, representing an annual increase of 10.3%, a rate that almost doubles that of 2015 (5.5%).

The total expenditure by foreign tourists who visited Spain in December rose by 19.3% y-o-y, registering a total expenditure of € 77.6 billion in 2016 as a whole, 9% higher when compared to the figure recorded in 2015, which is a historic high.

Other indicators related to tourism also showed greater dynamism last year. Overnight stays in hotels grew by 7.1% in 2016, a rate 2.7 points higher versus 2015, and the air passenger traffic ended last financial year with an average annual increase of 11%, compared to the 6% registered in 2015.

Prices

The CPI rose nine tenths in December 2016, up to 1.6% y-o-y

In y-o-y terms, the CPI rose by 1.6% in December 2016, nine tenths higher than the previous month and one tenth higher than that estimated by INE at the end of December. This increase in the y-o-y rate was mainly due to the evolution of energy prices. The CPI ended 2016 with an annual average fall of 0.2%.

Energy products prices grew by 5.3% y-o-y

The energy products prices increased by 5.3% y-o-y in December compared to the 0.5% fall registered in the previous month. This behaviour is explained by the sharp acceleration of 8.3 points in fuels and lubricants prices, which registered a y-o-y variation of 8.5% in December (0.2% in November) and, to a lesser extent, by the evolution of electricity prices, which increased their growth rate by 3.1 percentage points, up to 3.7%.

Non-processed food prices experienced an acceleration of 1.5 points, up to a y-o-y rate of 2.1%, mainly due to the increase in prices of fresh vegetables and legumes, which turned from falling by 1.1% in November to increase by to 7.7% in December.

Core inflation increased by two tenths, up to 1%

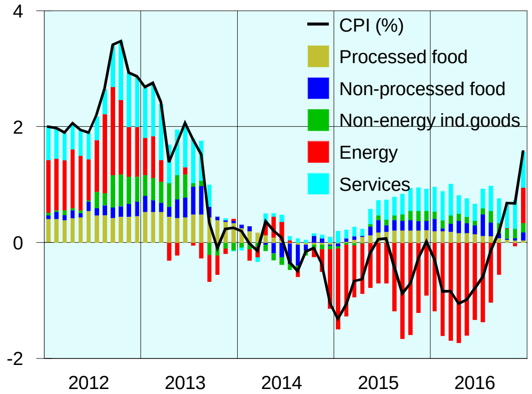
Core inflation, which excludes the most volatile elements from the general index (non-processed food and energy) rose two tenths in December, up to 1%, due to the acceleration of services prices, while processed food prices slightly decreased their y-o-y growth rate, and non-energy industrial goods kept it unchanged.

Services prices accelerated four tenths in December, up to 1.6% y-o-y, as a result of a 4.3% rise in package holidays prices, after the 3.9% fall registered in November.

Processed food, beverages and tobacco prices slowed down one tenth, down to 0.2% y-o-y. In food as a whole, prices grew with greater intensity than in the previous month, four tenths more, reaching 0.8%.

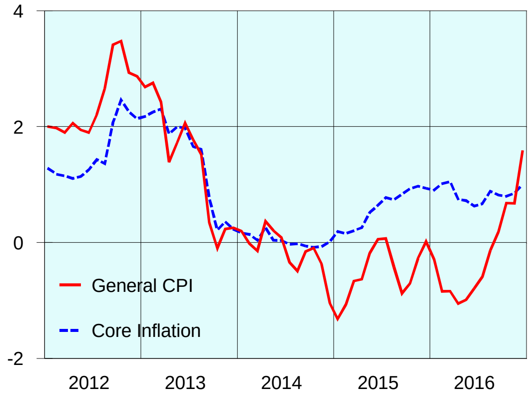
On the other hand, non-energy industrial goods prices maintained their growth rate unchanged, at 0.6%, for the third consecutive month. It is worth noting the three tenths slowdown in car prices, which changed from a 3.9% growth in November down to 3.6% in December.

G 6. CPI GROWTH CONTRIBUTION BY SECTORS
in percentage points



Sources: INE and SGACPE.

G 7. GENERAL CPI AND CORE INFLATION
y-o-y change in %



Source: INE.

According to the flash estimate, the CPI grew by 3% y-o-y in January

According to the flash estimate published by the INE, the y-o-y rate of the national CPI stood at 3% in January 2017, 1.4 points more in comparison to December. This increase is mainly explained by the rise in electricity and fuel prices, compared to their reduction in 2016. In m-o-m terms, the CPI registered a 0.5% fall in January, versus the 1.9% drop in the same month last year.

Electricity prices, according to the information published by Red Eléctrica de España, experienced a strong m-o-m increase in January, compared the drop of more than 10% in the same month of 2016, thus combining an intense rebound in January of this year with a base effect associated with the sharp drop registered in the same month of the previous year. According to the data provided by the Ministry of Energy, Tourism and Digital Agenda, the fuels and gas component had a similar evolution, although with less impact on the CPI.

In turn, the m-o-m increase in electricity prices in January of this year is partly due to the reduced proportion of wind power and hydro power in electricity production in that month, in favour of coal and natural gas (combined cycle), in comparison with the high proportion of January 2016, coupled with the sharp increase in the prices of these two raw materials in the international markets (45% and 87.8% y-o-y, respectively, in January 2017).

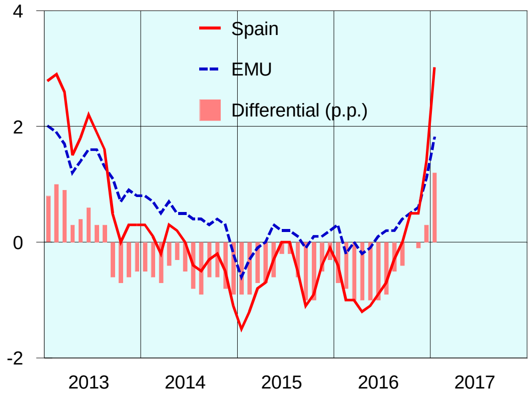
The rate of the Spanish Harmonised CPI flash estimate increased 1.6 points in January compared to the previous month, up to 3%. On the other hand, the Eurozone's inflation flash estimate rose by seven tenths in that month, up to 1.8%, resulting in an unfavourable inflation differential of 1.2 points of Spain with the Eurozone.

The PPI accelerates by more than two points in December, mainly due to energy

The Producer Price Index (PPI) rose by 1.5% in December last year, compared to the previous month, versus the 0.7% decrease registered in the same month of 2015. In y-o-y terms, the PPI variation stood at 2.8%, over two points higher than the one recorded in November. This sharp acceleration of the general PPI is mainly explained by the evolution of energy prices and, to a lesser extent, of those of intermediate goods and non-durable consumer goods. The PPI ended 2016 with an average annual fall of 3.1%.

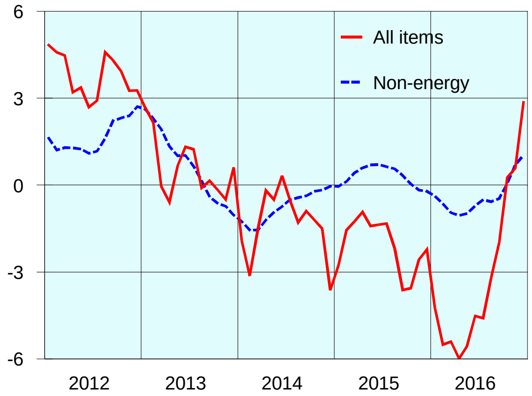
Energy production prices accelerated eight points in December, up to 8.2% y-o-y, which is the highest rate since October 2012. The evolution of the petroleum refining price stands out, with a rise of 26.3% y-o-y (the highest rate since November 2011), after the 0.3% decline registered in November. The electricity, gas, steam and air-conditioning supply component increased by 1.6% y-o-y, the first positive rate in twenty months, following the slight decrease (-0.2%) recorded in the previous month.

G 8. HARMONISED CPI
y-o-y change %



Sources: INE and Eurostat. Jan. 2017 data are prov.

G 9. INDUSTRIAL PRODUCER PRICES (PPI)
y-o-y change in %



Source: INE.

Non-energy goods production prices increased their y-o-y growth rate by three tenths in December, up to 1%, the highest rate since June 2013. This acceleration is largely due to the behaviour of intermediate goods prices, which grew by 1.2%, six tenths more than in the previous month. In turn, this evolution was influenced by metallurgy prices, which increased by 13.2% (9.8% in November).

Consumer goods also contributed to the acceleration of the non-energy PPI in December, registering a y-o-y rate of 1.1%, three tenths higher than in November. By components, this evolution is explained by non-durable consumer goods prices, which accelerated three tenths, up to 1.1% and, in particular, by olive oil production prices, which went from falling by 0.7% in November to increasing by 6.4% in December. On the other hand, durable consumer goods prices maintained their growth rate at 1.1%. Consumer prices of food, beverages and tobacco, as a whole, increased by 1.4% (0.9% in November). Equipment goods prices maintained the growth rate at 0.6% y-o-y.

Labour market

The labour market has shown a favourable performance in the last months of 2016 and early 2017, in line with the economic activity dynamism, considering the figures of the Labour Force Survey (LFS) corresponding to the last quarter of 2016 and those from Social Security covered workers in January of this year.

413,900 net jobs were created in 2016

According to LFS data, published by the INE, in the fourth quarter of 2016 the number of employed people decreased by 19,400, in comparison to the increase of 45,500 in the same quarter of 2015. The employed population amounted to 18,508,100 people, a figure slightly lower, by 0.1%, compared to the previous quarter. With seasonally adjusted data, the q-o-q variation rate stood at -0.41%, a rate three tenths below that of the previous quarter.

In comparison to the same quarter of 2015, employment increased by 413,900 people, 2.3%, in comparison to the 2.7% increase registered in the previous quarter, standing the employment rate at 48%, one tenth less than in the third quarter and one point below that of a year earlier. On an annual average, 2016 ended with an increase in employment of 2.7%.

The employment created during the last year concentrates in the services and industry sectors...

By main activity branches, in the fourth quarter of 2016 employment fell in services and construction (112,300 and 27,900 people, respectively), and rose in agriculture, which registered 72,900 employed people more, and in industry, with the creation of 47,800 jobs. Compared to the fourth quarter of 2015, the rise in employment affected all main sectors, particularly the services sector, where it increased by 240,400 employed people (1.7% y-o-y). This figure was followed by industry, with 115,700 employed people more (4.7%), agriculture with 37,000 (4.7%) and construction with 20,800 (2.0%).

In terms of the professional status of workers, the quarterly decrease in employment affected almost entirely to contracted employees, with 19,200 employed people fewer, while the number of self-employed workers fell by 1,700. In comparison to a year earlier, contracted employees rose by 396,600 in the fourth quarter, registering a y-o-y variation rate of 2.6%, compared to the 3% recorded in the previous quarter, and the number of self-employed workers increased by 14,000, 0.5%, versus the 0.7% of the third quarter.

By type of contract, all the destruction of wage employment in the fourth quarter of 2016 was among jobs of a temporary nature, as it is usual in the fourth quarter of each year, while the number of employees with permanent contracts increased. Thus, the number of employees with temporary contracts fell by 79,400 in this period and those with permanent ones increased by 60,200. When compared to the previous year, the increase of wage employment was of 169,900 workers with a permanent contract (1.5% y-o-y, 43% of the net wage employment creation) and 226,700 workers with a temporary one (5.9% in comparison to the figure of the same period of the previous year, 57% of the wage employment creation). As a result of this evolution of employment, the temporary rate stood at 26.5%, eight tenths above in comparison to the figure registered a year earlier.

…and in the private sector

The employment decrease in the fourth quarter of 2016 happened mainly in the public sector, with 17,800 employed less, while employment in the private sector fell by 1,600 people. In y-o-y terms, private employment increased by 428,500 people (2.8% y-o-y, a rate three tenths lower than the one registered in the previous quarter) and public employment fell by 14,600 people (-0.5% y-o-y, a rate 1.1 points lower than the figure registered in the previous quarter), the first y-o-y drop in public employment since the third quarter of 2014 (-0.6%).

The partiality rate falls in the last year, standing at 15.3%

Regarding types of working day, all the employment destroyed in the fourth quarter of last year was full-time. Full-time workers fell by 155,300, while part-time employees rose by 135,900. Compared to the same quarter of 2015, full-time employees grew by 2.8%, seven tenths less than in the previous quarter, while part-time employees fell by 0.4%, versus the sharper decrease registered in the previous quarter (-1.9%). As a result, the weight of part-time workers on the total increased seven tenths during the quarter and fell four tenths compared to a year earlier, standing the partiality rate at 15.3%. The proportion of those who work part-time but would prefer to work full-time stood at 9.3% of the total employed people, a percentage four tenths higher compared to the figure recorded in the previous quarter and four tenths lower than the same quarter of 2015.

Considering the nationality of workers, it can be seen that the employment destruction in the fourth quarter of 2016 affected both domestic workers and foreign workers, with decreases of 15,500 and 3,900 people, respectively.

Unemployment fell by 541,700 people in the last year and the unemployment rate stands at 18.6%

Unemployment fell by 83,000 people in the fourth quarter of 2016, compared to the fall of 71,300 people in the same period of 2015, which represents the highest fall in unemployment in a fourth quarter in the whole time series. Thus, the total number of unemployed people reached 4,237,800, the lowest level since the third quarter of 2009. During the last year, unemployment has decreased by 541,700 people, which translates into a y-o-y decline rate of 11.3%, four tenths higher than the one of the previous quarter.

The unemployment rate fell three tenths during the quarter and 2.3 points compared to a year earlier, down to 18.6% of the labour force. With seasonally adjusted series (by the INE), the q-o-q variation in the number of unemployed people stands at -3.8%, versus the -3.2% of the third quarter; seasonally-adjusted unemployment is linking fifteen consecutive quarters of decline.

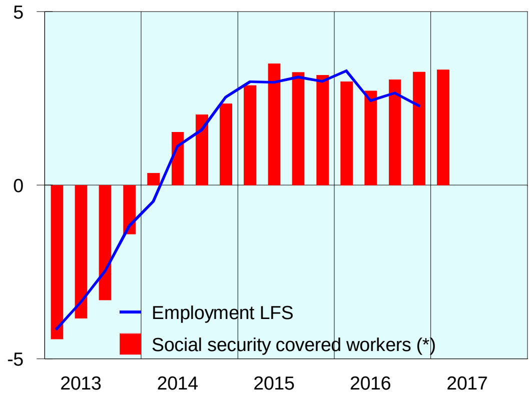
The quarterly reduction in unemployment affected both women, with 48,700 unemployed less, and men, with a decrease of 34,300 people.

By activity branches, compared to the previous quarter, unemployment decreased in agriculture (22,900 unemployed people less) and construction (1,900 less), while it increased in services (63,200 unemployed people more) and in industry (3,900). Unemployment decreased by 41,300 people in the group not previously employed and fell by 83,900 among the people who lost their jobs over a year ago.

By gender, the unemployment rate decreased 0.4 points amongst women, down to 20.3% and 0.2 points amongst men, to 17.2%. By age groups, all main groups registered unemployment falls during the quarter, except for those aged 55 and over, the largest falls focusing on the people between 25 and 54 years old (55,700 unemployed less) and between 20 and 24 years old (24,700 unemployed less). The group of people aged 55 and over registered 6,100 unemployed more.

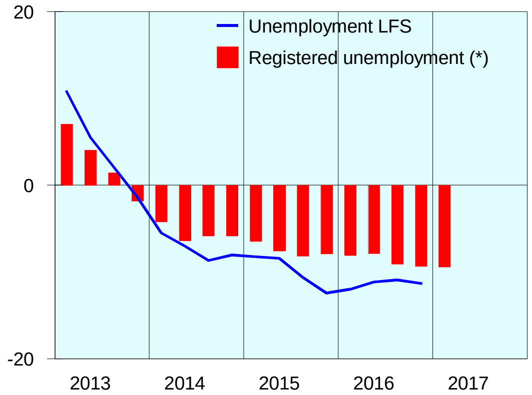
Labour force fell by 102,400 people in the fourth quarter of 2016 and by 127,800 in comparison to a year earlier, reaching 22,745,900 people. In y-o-y terms, it decreased by 0.6%, four tenths more than in the previous quarter. The activity rate fell by three tenths in the fourth quarter, standing at 59% (half a point less versus a year earlier) and the working-age population (16-64 years old) reduced by 5,100 people during the quarter and by 75,500 during the last year.

G 10. EMPLOYMENT
year-on-year change in %



(*) Data for I.Q.2017 refers to january.
Sources: INE (LFS) and MESS.

G 11. UNEMPLOYED
year-on-year change in %



(*) Data for I.Q.2017 refers to january.
Sources: INE (LFS) and MESS.

Social Security covered workers rose by 3.3% y-o-y in January

The number of Social Security covered workers fell by 174,880 people in January 2017 compared to the previous month (versus the fall of 204,043 covered workers in January 2016). This is the smallest decrease in a month of January for the last ten years, with the average number of covered workers standing at 17,674,175. It should be noted that January is not usually a favourable month in terms of employment, due to the end of the Christmas campaign. By branches of activity, in January the number of Social Security covered workers decreased compared to December in all main sectors: 153,922 covered workers fewer in services, 9,165 in construction, 9,124 in industry and 2,669 in agriculture. By NACE activity sections, with gross data and for all the regimes as a whole, in terms of m-o-m variation, the falls in trade, with 41,802 covered workers fewer (38,747 in January 2016), and accommodation, with 35,882 fewer (31,187 fewer in the same month of the previous year) stand out. Real-estate activities are the only section registering a positive monthly variation (160 covered workers more, compared to 55 more in January 2016). With seasonally adjusted data, Social Security covered workers increased by 67,460 people in January, 0.4% (36,835 in December 2016, 0.2%). Thus, seasonally adjusted Social Security covered workers linked more than three years of positive m-o-m rates (since December 2013).

In comparison to a year earlier, 569,817 Social Security covered workers more were registered in January, 3.3% in y-o-y variation rate. This represents an increase of two tenths compared to December of last year.

By branches of activity, the number of Social Security covered workers gained dynamism in all of them except in services, in which the y-o-y growth rate remained stable (3.4%). Social

Security covered workers accelerated in construction by 1.5 points, up to 4.7%; rose in agriculture by 2.1%, 1.3 points more than in the previous month; and increased in industry by 3%, three tenths more than in December. The series of Social Security covered workers excluding agriculture increased its growth pace by one tenth, to 3.4%. By NACE activity sections, activities in specialised construction (whose y-o-y variation rate rose by 1.3 points, up to 3.8%) stand out, and also construction of buildings (which accelerated by 1.9 points, up to 7.2%), followed by education (which grew from 4.3% in December, up to 4.8% in January).

In the General Regime and for the total of the 12.2 million covered workers whose type of contract is specified in the statistics, 55.2% of the y-o-y job creation in January was of a permanent nature and 44.8% of a temporary nature, with a y-o-y increase of 3.6% for the former and of 6.2% for the latter, rates that in the first case mean an increase of one tenth and, in the second, of five tenths versus the previous month.

Registered unemployment falls by 9.4% y-o-y in January

Registered unemployment rose by 57,257 people in January 2017 compared to December 2016 (57,247 in January last year). As a result, the total number of registered unemployed reached 3,760,231. Unemployment increased in all the months of January of the time series due to the seasonal nature derived from the end of the Christmas campaign. By branches, and with unadjusted data, registered unemployment rose in services (66,929 people) and agriculture (4,102), while it decreased in construction (7,833) and industry (1,103). In the group without a previous employment, unemployment fell by 4,838 people in January. With seasonally adjusted data, registered unemployment fell by 33,524 people in January, equivalent to a m-o-m rate of -0.9%, following the 1.2% decrease recorded in December.

In y-o-y terms, unemployment dropped by 390,524 people in January, 9.4%, a rate very similar to the one registered in the previous month (-9.5%). By branches, construction stood out, as registered unemployment fell by 17.9% y-o-y (-17% in December), followed by industry and agriculture, both registering decreases of 12.4%.

It should be noted that youth unemployment (people below 25 years old) fell by 41,657 people in the last year, representing a y-o-y rate of -12.3%.

The average agreed wage increase in collective bargaining agreements stands at 1.2% in January

According to the Collective Bargaining Agreement Statistics published by the Ministry of Employment and Social Security, and with the information available up to the end of January 2017, the average agreed wage increase in the first month of 2017 stood at 1.2%, one tenth above the one agreed in the financial year 2016.

The salary increase of last year, after including the guaranteed wage by clause revision, reached 1.1%, the same figure as the one initially agreed. These figures are provisional, as long as the statistic continues to include agreements with effects in 2016.

External sector

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

According to the Balance of Payments data, in November 2016, the Spanish economy generated net lending to the rest of the world of € 3.5 billion, for the ninth consecutive month, above the one registered a year earlier (€ 2.8 billion).

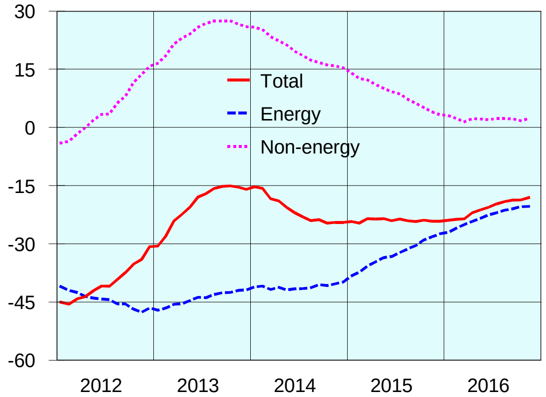
The current account balance recorded a € 3.3 billion surplus in November, higher than the figure registered in the same month of 2015 (€ 2.1 billion), as a result of a 27.5% y-o-y increase in the positive balance of goods and services, and a rise of 190.8% in the surplus of primary and secondary incomes. Meanwhile, the surplus in the capital account amounted to € 228 million, lower in comparison to the figure recorded in November last year (€ 672 million).

The trade deficit reduction continues

According to Customs data, the trade balance recorded a deficit of € 1.2 billion in November 2016, compared to a deficit of € 1.9 billion registered a year earlier. The trade deficit fall was mainly due to the non-energy component, which registered a surplus increase from € 47 million up to € 585 million, while the energy deficit fell by € 66 million.

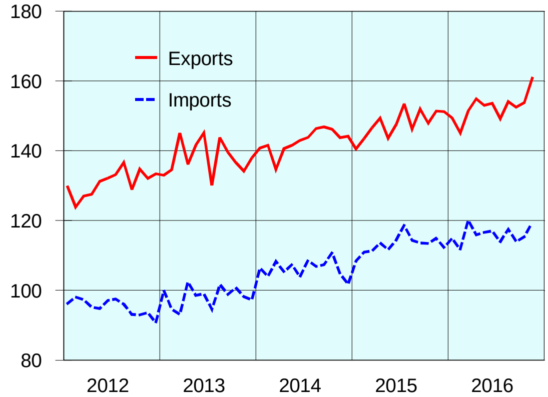
In cumulative terms for the last twelve months, the trade balance recorded a deficit of € 18.1 billion up to November 2016, compared with the € 24.2 billion deficit recorded in the twelve months up to November 2015. The 25.2% improvement in the trade balance is exclusively due to the energy balance, which recorded a cumulative deficit of € 20.4 billion, € 7.8 billion less than that registered a year earlier (€ 28.2 billion). The energy balance decrease more than offset the fall of the non-energy balance, which registered a surplus of € 2.3 billion, € 1.7 billion lower compared to the one recorded the previous year (€ 4.0 billon).

G 12. TRADE BALANCE
accumulated 12 months, billion euros



Sources: DA and SGACPE.

G 13. FOREIGN TRADE, VOLUME
index 2005=100, s.a.



Sources: DA and SGACPE.

Real exports and imports rebound in November

According to Customs figures, goods exports increased in November by 8.5% y-o-y, and their prices, approximated by unit value indices, decreased by 0.7% (-2.6% in October), resulting in a 9.3% rise in real terms, after the 1% growth registered in October. The analysis by product groups in real terms and in y-o-y terms, shows an uneven evolution in comparison to the previous month. Exports of consumer goods, both food and non-food, accelerated by 2.2 and 7.1 points, up to 3.6% and 9.8% respectively; exports of non-energy intermediate goods rebounded up to 12.9%, compared with the 2.3% rise registered in October and exports of capital goods moderated the fall rate by 14.3 points, to -1.2%. On the other hand, exports of energy intermediate goods slowed down 7.8 points, down to 6.9%.

By geographical areas, exports in volume to the European Union increased by 13.3% in November, in comparison to the 0.2% increase recorded in October, a dynamism that is largely explained by the strong increase in intermediate goods exports to the Eurozone (24.8% y-o-y, versus the 0.4% recorded in the previous month), while exports outside the Union moderated the growth rate by 1.2 points, to 1.5%.

Goods imports increased by 5.3% y-o-y in nominal terms in November, and their prices fell by 1.5% (-0.9% in October). These price changes are partly explained by the 2.9% and 1.6% falls in energy and non-energy intermediate goods prices, respectively. As a result, imports in real terms, experienced a y-o-y increase of 7%, in comparison to the 0.9% decrease registered in the previous month. The analysis by products of imports in real terms and in y-o-y rates shows generalised rises in all products. Imports of food consumer goods rose by 11.8%, (3.8% in October), those of non-food consumer goods by 9.1% (4% in the previous month); those of capital goods by 6.2% (-3.6% in October); energy intermediate goods imports by 1% (compared to the -9.8% recorded in the previous month) and non-energy intermediate goods by 6.7% (-1.2% in October).

By geographical areas and in real terms, imports from the European Union rose 2.1% y-o-y in November, following the 3.3% decrease registered in October. Real imports from the rest of the world recorded a 14.4% increase compared to the 2.7% rise registered in October. By product type and within the Eurozone, the significant increase in consumer goods imports stands out as they reach 10.2%, following the 0.9% decline in the previous month.

The "momentum" of exports records a positive rate

The "momentum" (change during the last three months in comparison to the previous three months) of exports in real terms registered a positive rate in November (2.2%) for the second consecutive month, due to the positive contribution of EU countries and, to a lesser extent, of non-OECD countries and non-EU members of the OECD. By products, the positive contribution of non-energy intermediate goods and, to a lesser extent, of energy intermediate goods stands out. The "momentum" of imports was slightly positive in November (0.1%), after three months registering negative values, due to the positive contribution of non-OECD countries and non-EU members of the OECD, versus the negative contribution of the EU. By products, the positive contribution of non-energy intermediate goods stands out.

The financial account generates net capital outflows in November

According to the Balance of Payments, in November 2016 the financial balance, excluding the Bank of Spain assets, recorded net capital outflows of € 24.2 billion, versus the net outflows of € 3.0 billion recorded a year earlier. This result is explained by the net outflows recorded in direct investment (€ 1.3 billion), portfolio investment (€ 10.9 billion) and other investment (€ 12.1 billion), while financial derivatives recorded net inflows (€ 177 million).

The assets net variation recorded net capital outflows (investments) of € 13.3 billion in November, slightly below the net outflows of € 13.9 billion registered in the same month of 2015.

On the other hand, the liabilities net variation generated net outflows (disinvestments) of € 10.9 billion, versus the net inflows of € 10.9 billion recorded a year earlier

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

The net position of the Bank of Spain vis-à-vis the rest of the world increased by € 15.1 billion in November, an amount that includes an increase of € 15.9 billion in the net position vis-à-vis the Eurosystem and a decrease in the reserves of € 6 million, and of € 775 million of the remaining net assets.

Public sector

The Ministry of Finance and Civil Service published the data of non-financial transactions of the Central Government, the Regional Governments and the Social Security Funds, with consolidated data and in terms of National Accounts, for November 2016.

The General Government consolidated deficit, excluding Local Governments, stands at 3.54% of GDP up to November 2016

On a consolidated basis, the Central Government, the Regional Governments and the Social Security Funds recorded up to November 2016 a deficit of € 39.6 billion (3.54% of GDP), 4.2% lower in comparison to the same period of 2015 (3.84% of GDP). Excluding the assistance to the financial institutions, the deficit stands at € 37.2 billion (3.33% of GDP), 8.7% lower than the figure accumulated up to November 2015. This deficit reduction, including the assistance, is explained by a y-o-y increase of non-financial resources (1.3%) higher than the one recorded by non-financial uses (0.7%)

The increase of non-financial resources is mainly due to the increase of taxes on production and imports (0.3%), current taxes on income and wealth (0.5%) and social contributions (3.1%), partially offset by the fall of taxes on capital (-0.6%) and transfers from other public administrations (-6.9%).

Regarding non-financial uses, these mainly increased due to the rise in social benefits other than transfers in kind (1.9%), social transfers in kind of market producers (3.1%), transfers to other public administrations (4.2%) and compensation of employees (1.9%). Among the items that fell, intermediate consumption (-1.4%), interests (-5.9%), subsidies (-14.6%) and gross fixed capital formation (-17.5%) stand out.

The Central Government ended the period between January and November 2016 with a deficit of € 26.9 billion (2.40% of GDP), 13.1% higher than the figure registered in the same period of 2015 (€ 23.7 billion, equivalent to 2.21% of GDP). This is due to a decline in non-financial resources higher than the one registered by non-financial uses.

Non-financial resources of the Central Government fell by 2.7%. In non-cumulative terms, the Central Government registered a deficit of € 4.9 billion in November, 34.3% higher than in the previous year, mainly due to the 38.6% increase in the rebates requested in that month, especially those related to the Corporate Tax, which increased by € 652 million euros and the lower VAT revenues (€ 991 million less).

On the other hand, non-financial uses decreased by 0.8% y-o-y in the first eleven months of 2016. The expenditure of the Central Government eligible to be included in the calculation of the expenditure rule increased by 0.5% y-o-y during that period, up to € 84.8 billion.

The Regional Governments accumulated a deficit of € 5.4 billion (equivalent to 0.49% of GDP) up to November last year, 63% lower than in the same period of 2015 (€ 14.7 billion, equivalent to 1.36% of GDP). This lower deficit is explained by a decrease of non-financial uses (-0.9%) and, to a larger extent, to an increase of non-financial resources (5.9% y-o-y). This evolution is mainly due to the result of the final settlement of the financing system resources corresponding to 2014, whose final settlement balance was favourable to the Regional Government and determined a global difference in the result of € 5.9 billion of lower deficit compared to the settlement effect of 2013, and to the higher net payments on account, which increased as a whole by 2.7% compared to the previous financial year. The expenditure of the Regional Governments eligible to be included in the calculation of the expenditure rule in the analysed period has registered a percentage variation of 0.4%, standing at € 125.4 billion.

As for Social Security Funds, these ended the period between January and November 2016 with a deficit of € 7.3 billion (0.65% of GDP), versus a deficit of € 2.9 billion in the same period of 2015 (0.27% of GDP). This higher deficit is explained by a fall of non-financial resources (-1.8%, despite the 3.4% increase of social contributions), due in turn to the decline of transfers received from other public administrations (-25.1%), and by an increase in non-financial uses (1.4%). This evolution is justified by the worst results of the System, which has increased its deficit by 18.9%, as well as to the lower surplus of the State Public Employment Service, which has decreased by almost half, to € 3.1 billion, mainly due to the lower transfers received from the State.

The General Government EDP debt slows down in November 2016

The Bank of Spain published the General Government Debt data for November 2016, according to the EDP methodology. According to the Bank of Spain, the General Government EDP Debt reached € 1,098.6 billion in that period, 2.5% higher than in the same period last year (3.9% y-o-y in October).

By subsectors, the State EDP Debt stood at € 944 billion, registering an increase of 3.5% in comparison to the same period of 2015. On the other hand, the Regional Government EDP Debt reached € 269.1 billion, 5.7% higher than that recorded in the same month of 2015. Regarding the Social Security Administrations, the EDP Debt reached € 17.2 billion, a figure almost identical to the one recorded in November 2015 (€ 17.2 billion). Finally, Local Corporations registered in November an EDP Debt of € 30.9 billion, 12.8% lower compared to that of the same period of 2015.

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