QUARTERLY BULLETIN

December 2019

SPANISH ECONOMY REPORT

GOBIERNO
DE ESPAÑA

MINISTERIO
DE ASUNTOS ECONÓMICOS Y
TRANSFORMACIÓN DIGITAL

The Spanish Economy: recent developments and prospects: December 2019
Elaboración y coordinación, Dirección General de Análisis Macroeconómico
Madrid: Ministerio de Asuntos Económicos y Transformación Digital,
Centro de Publicaciones, 2019 V; 26 cm.

1. España-Situación económica
I. España. Subdirección General de Coyuntura y Previsiones Económicas
II. España. Ministerio de Asuntos Económicos y Transformación Digital.
Centro de Publicaciones 338.2(460)

NIPO: 102-19-008-0
e-NIPO: 102-19-009-6

DEPÓSITO LEGAL: M-8493-2014

Elaboración y coordinación: Secretaría de Estado de Economía y Apoyo a la Empresa
Dirección General de Análisis Macroeconómico
Subdirección General de Coyuntura y Previsiones Económicas
Impresión: Centro de impresión digital y diseño.
Ministerio de Asuntos Económicos y Transformación Digital.

RECENT EVOLUTION OF THE ECONOMIC INDICATORS

1.- FINANCIAL MARKETS

The evolution of the financial markets during the fourth quarter of 2019 and the beginning of 2020 was mainly conditioned by the uncertainty arising from trade tensions between the United States and China, although this was moderated by the expectation of a possible trade agreement; Brexit, after the United Kingdom elections; and the downward revisions of the expected growth for the world economy. In this context, the main central banks maintained accommodative monetary policies at the last meetings held. Despite the publication of less favourable than expected macroeconomic data on both sides of the Atlantic, and the escalation of geopolitical tensions between the United States and Iran, which started at the beginning of this year, the expectation of a possible trade agreement has been gradually consolidating the optimism in the markets, favouring a strong recovery of the stock market indices, an increase in public debt yields and an appreciation of the euro against the dollar.

The Fed maintains the interest rates and the expansionary monetary policy

The Federal Open Market Committee (FOMC) of the Federal Reserve (Fed), in its two day meeting held on 10th and 11th December 2019, decided to maintain the Federal Funds interest rates within the target range of 1.50%-1.75%, set at the last meeting held on 4th and 5th November. This decision was approved unanimously.

Likewise, the FOMC unanimously decided to maintain the interest rate on required reserves at 1.55%, and the primary interest rate at 2.25%. Moreover, short-term Treasury bond purchases are maintained to increase the balance size at a rate of $ 60 billion per month as well as repurchase agreement (repos) operations to ensure the appropriate reserves level, at least until March.

In the press conference that followed the meeting, the President of the Fed said that the current monetary policy is adequate to maintain the economic activity growth, and stated that the labour market remains strong, with the economy growing at a moderate pace.

Regarding future interest rate movements, the Committee warned that it will continue to monitor the economy's evolution while assessing the appropriate path of the federal funds target range.

The ECB maintains the interest rates and the monetary stimuli package and announces a strategic review of the monetary policy

The Governing Council of the European Central Bank (ECB), on its meeting held on 12th December 2019, the first one led by Christine Lagarde as President of the entity, 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 -0.50%, respectively. The Governing Council expects the ECB key interest rates to remain at their current or lower levels, until a sustained convergence of the inflation outlook is observed to a level close enough to, but lower than, 2.0% in its projection period, and such convergence has been consistently reflected in the core inflation evolution.

On the other hand, the net purchases under the asset purchase programme of the Governing Council at a monthly rate of € 20 billion restarted on 1st November. The Governing

Council expects them to run for as long as necessary in order to reinforce the accommodative impact of its policy rates, and to end shortly before it starts raising the key ECB interest rates.

Table 1.1. **Financial and monetary indicators**

			2019					2020
	2018	2019	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.
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	2.50	1.75	2.25	2.00	1.75	1.75	1.75	1.75
Japan	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
Euribor rates								
3 months	-0.32	-0.36	-0.41	-0.42	-0.41	-0.40	-0.39	-0.38
12 months	-0.17	-0.22	-0.36	-0.34	-0.30	-0.27	-0.26	-0.25
Debt market (3)								
3 years	-0.03	-0.28	-0.47	-0.44	-0.40	-0.28	-0.29	-0.30
5 years	0.41	-0.01	-0.31	-0.27	-0.24	-0.10	-0.05	-0.10
10 years	1.42	0.66	0.14	0.18	0.20	0.38	0.44	0.43
Bank rates (3)								
Loans and credit. Synthetic rate	2.39	2.38	2.27	2.29	2.54	2.26	-	-
Mortgage loans (households)	2.21	2.24	2.19	2.04	2.02	2.02	-	-
Deposits. Synthetic rate	0.06	0.04	0.04	0.04	0.04	0.04	-	-
B) Spreads (basis points)[(1)]								
Spain-Germany 10 years	95	87	76	76	65	72	71	67
USA-Germany 10 years	246	242	227	226	216	204	214	210
C) Eurozone monetary aggregates[(4)]								
M1	6.70	8.30	8.40	7.90	8.40	8.30	-	-
M2	4.30	6.00	6.20	5.90	6.10	6.00	-	-
M3	3.80	5.60	5.70	5.60	5.70	5.60	-	-
D) Exchange rates[(1)]								
Dollar/euro	1.181	1.120	1.113	1.100	1.105	1.105	1.111	1.118
% (4)	-3.8	-2.4	-3.7	-5.6	-3.8	-2.8	-2.4	-2.1
Yen/euro	130.4	122.1	118.2	118.2	119.5	120.3	121.2	121.1
% (4)	-4.3	-5.2	-7.8	-9.4	-7.8	-6.6	-5.2	-2.6
Yen/dollar	110.4	109.0	106.2	107.5	108.1	108.9	109.1	108.3
%(4)	-0.5	-2.9	-4.3	-4.0	-4.2	-3.9	-2.9	-0.5
Effective nominal euro rate	99.0	97.3	98.1	97.4	97.4	96.7	96.7	96.7
% (4)	-0.5	-1.7	-0.8	-2.0	-1.5	-1.6	-1.7	-1.2
E) Stock market indexes % (5)								
Madrid General Index	-15.0	10.2	2.6	7.0	7.1	8.3	10.2	0.6
IBEX 35	-15.0	11.8	3.6	8.3	8.4	9.5	11.8	0.5
Eurostoxx – 50	-14.3	24.8	14.2	18.9	20.1	23.4	24.8	0.2
Dow Jones	-5.6	22.3	13.2	15.4	15.9	20.3	22.3	0.6
Standard & Poors 500	-6.2	28.9	16.7	18.7	21.2	25.3	28.9	0.5
Nikkei 225	-12.1	18.2	3.4	8.7	14.6	16.4	18.2	-1.9

(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.

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

In the press conference following the meeting, the need to continue applying monetary stimuli was highlighted since the available information points to an extended weakness in the Eurozone's growth, in a context of significant downside risks, slight inflation increase and political and trade uncertainty.

Likewise, the beginning of a monetary policy strategic review was announced for January 2020 and it will include a review of the effects that the application of the negative rates is having.

The BoE maintains its monetary policy

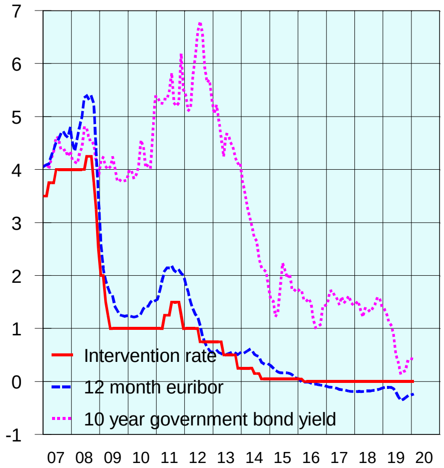
The Monetary Policy Committee of the Bank of England (BoE), in its meeting held on 18th December last year decided, with seven votes in favour and two against, to maintain the Official Bank Rate at 0.75%, in force since 1st August 2018. It also decided to continue with the public debt and corporate debt purchase programmes, which stand at 435 billion and 10 billion pounds, respectively. As in the last statements, the BoE highlighted the existence of downward risks to growth as a result of the political uncertainty and Brexit.

The BoJ maintains the interest rates and its asset purchase programme

In the meeting held on 18th and 19th December, the Bank of Japan (BoJ) decided by a majority of 7 votes to 2, to keep the negative interest rate to current accounts that financial institutions hold at the Bank at -0.1%.

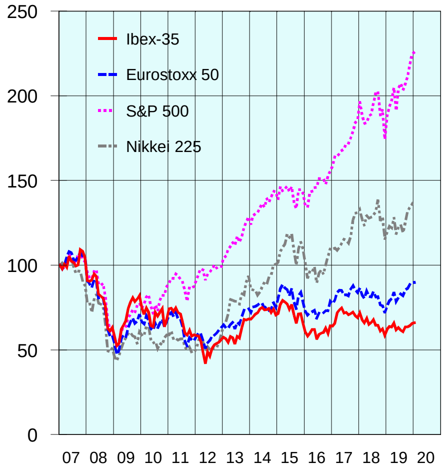
Similarly, the BoJ unanimously decided to keep its asset purchase programme unchanged. This programme expands the purchases of public debt at an annual pace of 80 trillion yen, those of exchange-traded funds (ETFs), up to an annual increase of 6 trillion yen, those of real estate investment companies (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 2007 = 100



Source: Bolsa de Madrid, Nasdaq and Stoxx.

With regards to the interest rates policy and monetary stimulus, in a context of moderate expansion of the economy, the BoJ expects them to remain at their current rates for a long period of time and will assess the risks to carry out their monetary policy and execute all necessary adjustments, given the uncertainty regarding the economic activity, the prices evolution and the evolution of the world economy in order to reach the inflation target of 2%.

The Riksbank raises the interest rates

The Central Bank of Sweden (Riksbank), in the meeting held on 19th December, raised the interest rates by 25 b.p., setting the "Repo rate" at 0.00%, versus the -0.25% set on 20th December 2018, interrupting the path of negative rates started on 12th February 2015 (-0.10%).

The Bank Council states that the Swedish economy maintains signs of strength, registering inflation levels close to the 2% target, which supports this increase. According to the forecasts outlined, the entity does not foresee new changes in interest rates until 2022. Likewise, the Riksbank will continue purchasing government bonds at a nominal amount of 45 billion crowns (€ 4.3 billion), following the decision taken on 29th April 2019, and that will be in force from July 2019 to December 2020.

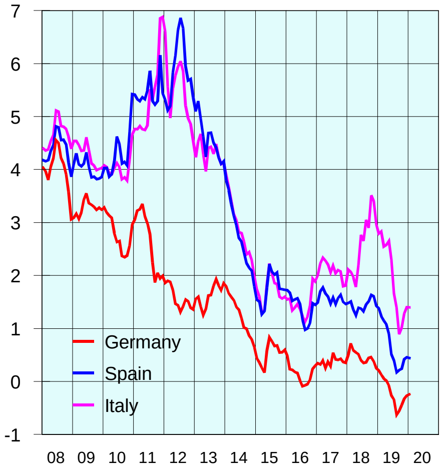
The Central Bank of Norway (Norges Bank) maintains the official interest rates

On the other hand, the Central Bank of Norway (Norges Bank), in its meeting held on 19th December, decided to maintain the official interest rate (Key policy rate) at 1.50%, set at the meeting held in September, which was the third increase in 2019.

The 12-month Euribor edges upwards

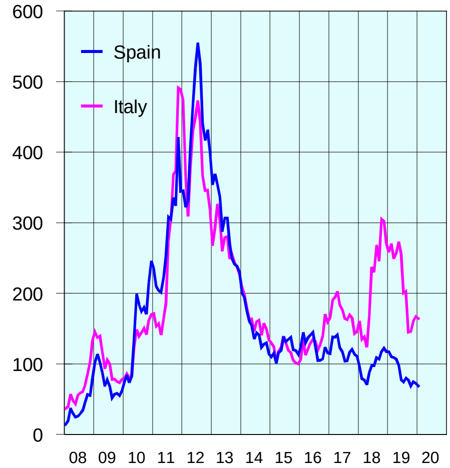
In the interbank market of the Eurozone, interest rates rose in all its terms in the period between 30th September 2019 and 6th January 2020. Thus, on 6th January 2020, the one, six and twelve-month Euribor stood at -0.450%, -0.325% and -0.248%, respectively, versus the -0.457%, -0.386% and -0.330% recorded at the end of September. The rise of the twelve-month Euribor in this period is due to the expectations of increases in interest rates (the OIS -Overnight index swap- rose 8 b.p.), while the risk premiums required in the market remained stable (the Euribor-OIS differential did not vary in that period).

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 increase across the board

In the secondary public debt market, the reduction in risk aversion, as a result of the moderation of trade tensions due to the expectation of a possible trade agreement, in a context of the main central banks maintaining an expansionary monetary policy, has edged the yields upwards during the period.

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

Countries	Yields (%)					Differentials with Germany (basis points)				
	Dec-31-18	Sep-30-19	Jan-06-20	Variation in bp		Dec-31-18	Sep-30-19	Jan-06-20	Variation in bp	
	(1)	(2)	(3)	Period (3)-(2)	Annual (3)-(1)	(4)	(5)	(6)	Period (6)-(5)	Annual (6)-(4)
Germany	0.25	-0.58	-0.28	30	-53					
Holland	0.39	-0.43	-0.16	27	-55	14	15	12	-3	-2
Austria	0.50	-0.31	-0.08	23	-58	25	27	20	-7	-5
Finland	0.55	-0.30	-0.05	25	-60	30	28	23	-5	-7
Belgium	0.77	-0.26	0.00	26	-77	52	32	28	-4	-24
France	0.71	-0.27	0.02	29	-69	46	31	30	-1	-16
Ireland	0.91	-0.03	0.06	9	-85	66	55	34	-21	-32
Portugal	1.72	0.17	0.37	20	-135	147	75	65	-10	-82
Spain	1.42	0.16	0.41	25	-101	117	74	69	-5	-48
Italy	2.77	0.83	1.37	54	-140	252	141	165	24	-87
Greece	4.38	1.39	1.43	4	-295	413	197	171	-26	-242

Source: Financial Times.

The 10-year Spanish bond yield stood at 0.41% on 6th January, 25 b.p. higher than the figure recorded on 30th September. On the other hand, the German bond yield rose 30 b.p. in that period, and continued registering negative values (-0.28%), with the Spain-Germany differential standing at 69 b.p., 5 b.p. lower than at the end of September. In the United States, the 10-year bond yield stood at 1.81% on 6th January, 13 b.p. above the level reached at the end of September. On the other hand, the yield of the three-month bills stood at 1.56%, 32 b.p. below the figure recorded at the end of September, and below that of the 10-year US bond. The differential between both stands at 25 b.p., and has increased 45 b.p. since the end of September. It should be noted that this differential was negative up to 10th October (the three-month bills profitability stood above that of the 10-year bond yield), edging upwards as of that date.

The Fitch agency maintains Spain's rating

On 13th December 2019, the credit rating agency Fitch maintained Spain's rating at "A-" with a stable outlook in the third rating of the year. The agency warned of a certain uncertainty level due to the lack of government but noted that the economy is resilient enough to overcome these circumstances and the global economic slowdown.

Stock indices edged upwards at the end of the fourth quarter of last year due to the possible trade agreement between the United States and China

Indices edged upwards in stock markets, reducing risk aversion and volatility due to the announcement in mid-December of a possible trade agreement between the United States and

China in its first phase, despite the downward risks to the world economy growth and persistent trade tensions, especially throughout November.

In Europe, the Eurostoxx 50 index rose by 5.1% in the period between 30th September 2019 and 6th January 2020. In Spain, the IBEX 35 rose by 3.9%, standing at 9,600.90 points. In the rest of European markets, gains have been widespread in this period: 6.7% the Italian FTSE MIB, 5.9% the CAC 40 in Paris, 5.6% the German DAX and 2.3% the FTSE 100 in the United Kingdom. In the US market, the S&P 500 index increased by 9.1% in the same period.

Table 1.3. **International stock exchanges**

Countries	Indexes	Level Jan-06-20	% Variation Sep-30-19	% Variation Dec-31-18
Germany	DAX	13,126.99	5.6	24.3
France	CAC 40	6,013.59	5.9	27.1
Italy	FTSE MIB	23,581.29	6.7	28.7
Spain	IBEX 35	9,600.90	3.9	12.4
Eurozone	EUROSTOXX 50	3,752.52	5.1	25.0
United Kingdom	FTSE 100	7,575.34	2.3	12.6
United States	S&P 500	3,246.28	9.1	29.5
Japan	NIKKEI 225	23,204.86	6.7	15.9
China	SHANGHAI COMP	3,083.41	6.1	23.6
Mexico	IPC	44,495.30	3.5	6.9
Brazil	BOVESPA	116,877.92	11.6	33.0
Argentina	MERVAL	41,469.66	42.7	36.9

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

The Spanish Treasury ended 2019 with a net issuance of € 20 billion, the lowest since 2007,...

The Spanish Public Treasury ended the 2019 issuance programme with a net issuance of € 20 billion, 42.9% lower than the figure estimated at the beginning of the year and the lowest since 2007. The gross issuance also decreased, reaching € 192.8 billion, the lowest since 2011 and 9.5% lower compared to 2018.

This reduction has been possible thanks to the positive evolution of the Treasury financing costs and the investors' confidence in the Spanish economy. The reduction of emissions will allow an estimated saving in the payment of interest of € 2.4 billion compared with the forecast at the beginning of the year.

Financing costs throughout 2019 have decreased to record lows. The average cost of the debt stock decreased, currently standing at 2.19%, and the interest rate of the issuing debt stood at 0.23%, 41 basis points lower than the figure registered in 2018. Finally, the average life of outstanding debt remains at 7.55 years in 2019, slightly above that registered in 2018 (7.45 years).

...and plans to reduce issuances in 2020 and issue green bonds for the first time

Likewise, the Spanish Public Treasury presented its financing strategy for 2020, when it plans to reduce public debt issuances. The gross issuance is estimated to reach € 196.5 billion, 6.2% lower than the one announced at the beginning of 2019, while the planned net issuance will be € 32.5 billion, 7.1% lower than the one suggested last year.

The 2020 financing programme starts from a conservative scenario, which could be reviewed throughout the year. The Government's commitment to fiscal consolidation and the deficit's progressive reduction will continue to intensify the reduction of the public debt vs GDP ratio.

The main novelty in 2020 is the Treasury's objective to launch the first issuance of a green bond programme, to contribute to the financing of Spain's commitments to green transition.

It is expected that all net financing will be obtained through the issuance of medium and long-term instruments. With regard to the regular issuance of treasury securities, 48 ordinary auctions of letters and bonds and obligations of the State are expected. Likewise, the Treasury will once again resort to syndicated issuances for certain State Obligations references and will continue with its European Inflation-indexed Bonds and Obligations programme.

The euro appreciates against the dollar

With respect to the currency market, the uncertainty regarding the possible trade agreement between the United States and China has increased volatility over the last quarter of last year, but in a context of less uncertainty about Brexit, improved macroeconomic indicators in the Eurozone and lower risk aversion, so the euro exchange rate has been finally favoured against the dollar.

Thus, in the period between 30th September last year and 6th January 2020, the euro appreciated by 2.8% against the dollar and by 2.9% against the yen, and depreciated by 3.8% against the pound, trading at 1.1194 dollars, 121.02 yen and 0.85215 pounds by the end of the 6th January session. In the same period, the euro depreciated by 0.2% in nominal effective terms vis-à-vis the group of industrialised countries.

The M3 broad monetary aggregate rose by 5.6% in November 2019, one tenth less than in October,…

In relation to the analysis of the monetary sector, the ECB published the evolution of the monetary and credit aggregates in the Eurozone for November 2019. The M3 broad aggregate rose by 5.6% y-o-y, one tenth less compared to the figure registered in the previous month. This evolution is due to the slightly lower growth of overnight deposits (8.8%, compared to the 9.0%

Table 1.4. **Eurozone monetary aggregates**

Monetary aggregates	November 2019 Balance (Billion €)	% Year-on-year variation September 2019	October 2019	November 2019
1. Currency in circulation	1,217	4.7	4.8	5.0
2. Overnight deposits	7,715	8.5	9.0	8.8
M1 (= 1+2)	**8,932**	**7.9**	**8.4**	**8.3**
3. Other short-term deposits (= 3.1.+3.2.)	3,442	1.1	0.5	0.3
3.1. Term deposits up to two years	1,083	-2.6	-4.3	-4.5
3.2. Deposits redeemable at notice up to three months	2,359	3.0	2.9	2.7
M2 (= M1+3)	**12,374**	**5.9**	**6.1**	**6.0**
4. Marketable instruments (= 4.1.+4.2.+4.3.)	633	-0.9	-1.4	-0.7
4.1. Repurchase agreements	73	3.0	10.1	-1.2
4.2. Money market funds shares units	533	6.1	1.6	4.6
4.3. Securities other than shares up to two years	27	-64.5	-39.2	-45.9
M3 (= M2+4)	**13,008**	**5.6**	**5.7**	**5.6**

Source: European Central Bank.

registered in October) and other short-term deposits (0.3%, compared to the 0.5% recorded in the previous month), partially offset by the acceleration of the cash in circulation (0.2 points, up to 5.0%) and the lower drop in marketable instruments (-0.7%, compared to the -1.4% registered in the previous month).

…and financing to the private sector in the Eurozone maintains its growth at 3.2%

On the other hand, the main counterpart to M3, the financing to the private sector in the Eurozone, increased by 3.2% y-o-y in November, as in the previous month. This evolution is due to the fact that the higher rise of shares and other equity and of securities other than shares (4.2% and 3.0%, compared to the 3.4% and 2.3% registered in October, respectively) has offset the slight moderation of the growth rate of loans (one tenth, to 3.2%). Within loans, those granted to non-financial corporations slowed down (five tenths, down to 2.6%), and also did, but to a lesser extent, other financial intermediaries (one tenth, to 3.7%), while those granted to households maintained a 3.3% growth rate, and those granted to insurance companies and pension funds rebounded, accelerating 5.2 points, reaching a rate of 16.2%.

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

	November 2019 Balance (Billion €)	%Year-on-year variation		
		September 2019	October 2019	November 2019
Financing to the private sector	**13,855**	**3.2**	**3.2**	**3.2**
Loans	**11,439**	**3.2**	**3.3**	**3.2**
Households	**5,913**	**3.2**	**3.3**	**3.3**
House purchases	*4,502*	*3.5*	*3.7*	*3.7*
Consumer credit	*718*	*6.0*	*5.7*	*5.8*
Other lending	*693*	*-1.4*	*-1.7*	*-1.5*
Non-financial corporations	**4,492**	**2.9**	**3.1**	**2.6**
Insurance companies & pension funds	**146**	**14.4**	**11.0**	**16.2**
Other financial intermediaries	**888**	**3.6**	**3.8**	**3.7**
Securities other than shares	**1,572**	**3.3**	**2.3**	**3.0**
Shares and other equities	**844**	**2.6**	**3.4**	**4.2**

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

Financing received by households and non-financial corporations in Spain recovered in November

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 decreased by 0.2% y-o-y in November, three tenths 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 non-financial corporations decreased by 0.6%, two tenths less than in October (-0.8%), due to the slight acceleration of debt securities (one tenth, up to 14.3%) and the lower decline of bank loans (-1.3%, compared to the -1.5% recorded in October) and of foreign loans (-4.6%, compared to the -4.7% registered in the previous month). On the other hand, the financing received by households increased slightly in November (0.3%, after the slight fall recorded in October, of 0.1%), due to the greater increase of bank loans for purposes other than housing (4.0%, nine tenths more than in October) and the lower decrease of bank loans for housing (-1.0%, compared to the -1.2% registered in the previous month).

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

	November 2019 Balance (Billion €)	% Year on year variation September 2019	October 2019	November 2019
Non-financial corporations and households	**1,608**	**0.6**	**-0.5**	**-0.2**
Non-financial corporations	**895**	**1.1**	**-0.8**	**-0.6**
Bank loans	*477*	*-0.7*	*-1.5*	*-1.3*
Securities other than shares	*118*	*16.1*	*14.2*	*14.3*
External loans	*300*	*-1.0*	*-4.7*	*-4.6*
Households and NPISH	**713**	**0.0**	**-0.1**	**0.3**
Bank loans. Housing	*516*	*-1.2*	*-1.2*	*-1.0*
Bank loans. Other	*197*	*3.5*	*3.1*	*4.0*
General Government	**-**	**2.6**	**2.7**	**-**
Total financing	**-**	**1.5**	**0.9**	**-**

Source: Banco de España.

The ratio of doubtful loans falls, down to record lows since January 2010

According to the data published by the BoS, the ratio of doubtful loans to the total loans granted to households and non-financial companies by financial institutions operating in Spain decreased one point in October 2019 in comparison to the figure recorded a year earlier (6.08%), standing at 5.10% (5.14% in September), the lowest rate recorded since January 2010, when it reached 5.31%.

New loan and credit operations to non-financial companies and households, increased in November

The total amount of new loan and credit operations to households and non-financial corporations in Spain, according to figures published by the BoS, increased by 6.6% y-o-y in November, after the 1.4% fall recorded in October. This growth is explained by the rise in loans granted to non-financial corporations (6.9% y-o-y, in comparison to the 3.6% decrease registered in the previous month), and to households (5.6%, a rate almost one point lower compared to the one recorded in the previous month). Loans granted to SMEs (using as a proxy for these credits those under one million euros) grew by 1.0% in November (-0.3% in October), and those exceeding one million euros rebounded, up to 14.3% (-7.6% in the previous month).

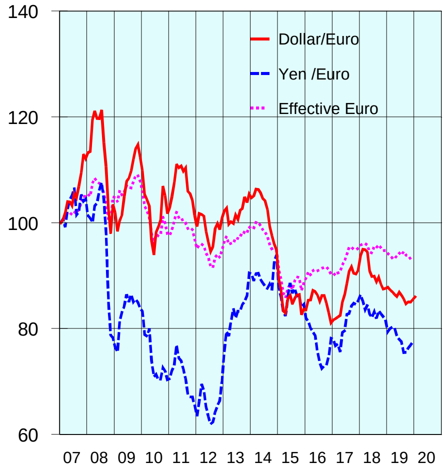
Table 1.7. **New loan and credit operations to households and non-financial corporations (1)**

	Balance November 2019 (Million €)	% Year-on-year variation September 2019	October 2019	November 2019
TOTAL	**438,505**	**-1.0**	**-2.0**	**-1.2**
Loan and credit operations to households and NPISH	**96,447**	**-0.9**	**-0.4**	**0.4**
House purchase	*42,938*	*0.2*	*-0.3*	*-0.5*
Consumer credit	*35,946*	*5.0*	*4.8*	*5.2*
Other lending	*17,563*	*-13.1*	*-9.9*	*-6.1*
Loan and credit operations to non-financial corporations	**342,058**	**-1.0**	**-2.4**	**-1.7**
Up to 1 million euros	*173,176*	*-2.9*	*-3.1*	*-2.2*
Above 1 million euros	*168,882*	*0.9*	*-1.8*	*-1.1*

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

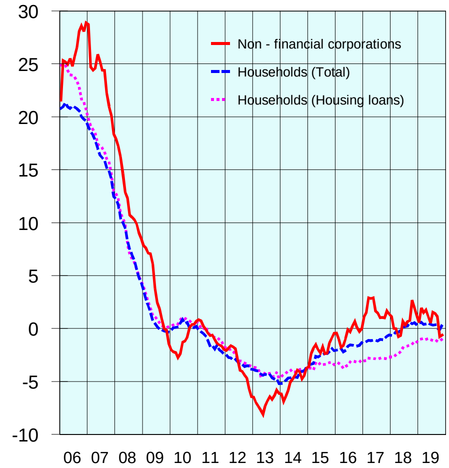
In order to facilitate the analysis, given the high volatility of these series, the data accumulated in the last twelve months are analysed next. Thus, the amount of new loan and credit operations to households in cumulative terms for twelve months, increased by 0.4% y-o-y in November, after three consecutive months of falls (-0.4% in October). This evolution is explained by the acceleration of loans for consumption (four tenths up to 5.2%) and the lower drop in loans for other purposes (-6.1%, compared to the -9.9% registered in October), partially offset by the greater decrease in loans for housing (-0.5%, compared to the -0.3% recorded in the previous month). The amount of new loan and credit operations to SMEs (up to one million euros) decreased by 2.2% y-o-y in November, nine tenths less than in October, and the amount of new operations exceeding one million euros decreased by 1.1%, compared to the 1.8% fall recorded in the previous month.

G 1.5 EXCHANGE RATES
monthly averages. January 2007 = 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 Spanish economy extended the expansionary path in the third quarter of 2019, maintaining a positive growth differential with respect to the Eurozone

The Spanish economy extended the expansionary path in the third quarter of 2019, in an international context in which there are still uncertainty factors, such as trade tensions, Brexit, geopolitical tensions and the slowdown in global economic activity.

The INE published the Quarterly National Accounts (QNA) figures for the third quarter of 2019, which update the flash estimate published at the end of October. According to the QNA, GDP, in volume and with calendar and seasonally adjusted data, recorded a 0.4% q-o-q growth in the third quarter of 2019, identical to the figure registered in the second quarter, thus linking six years of uninterrupted positive rates. In y-o-y terms, GDP rose by 1.9% in the third quarter, one tenth less than in the previous quarter (2%), although the Spanish economy growth is still above that of the Eurozone as a whole (0.2% q-o-q and 1.2% y-o-y, in the third quarter).

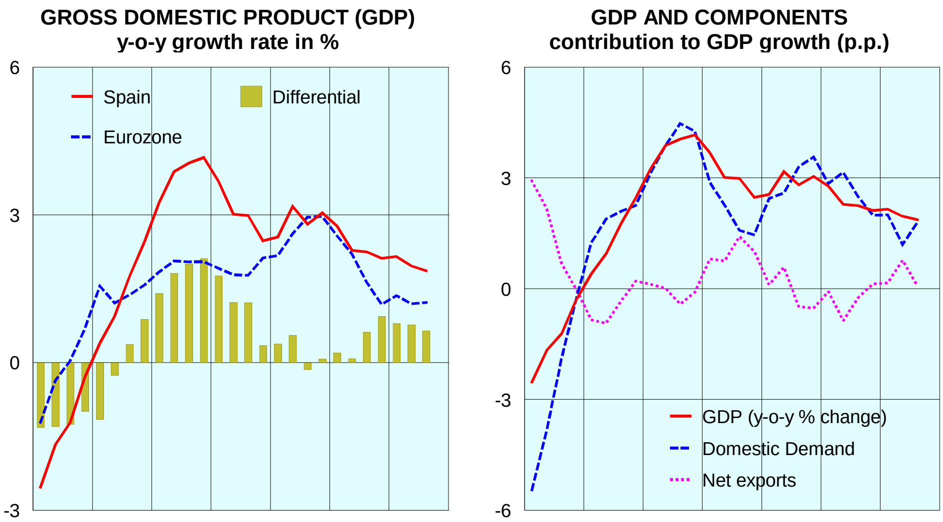
With regards to the growth composition, domestic demand continues to be the main driver, increasing its contribution to the y-o-y GDP growth by six tenths in the third quarter compared to that of the second quarter, reaching 1.8 points, as a result of the acceleration of investment and private consumption. On the other hand, net external demand contributed one tenth to GDP growth, seven less than in the previous quarter, as a consequence of an increase in imports greater than the exports acceleration.

From the supply point of view, and in the period between July and September 2019, the gross added value (GAV) in volume showed a more favourable evolution in the agriculture, farming, forestry and fisheries and industry sectors, while it slowed down in the construction and services sectors for the second consecutive quarter.

Regarding the primary distribution of income, the weight of the compensation of employees on the quarterly GDP grew in the third quarter of 2019 (four tenths compared to a year earlier, up to 45.9%), and that of gross operating surplus/gross mixed income and net taxes on production and import fell (three and one tenth, down to 43.7% and 10.4%, respectively).

The period between January and September 2019 ended with an average annual real GDP growth rate of 2.0% compared to the 2.4% registered in 2018 as a whole. This moderation is mainly due to the less expansionary evolution of household and NPISH consumption expenditure (it increases by 1.1%, seven tenths less than in 2018) and investment in fixed capital (almost halves the growth rate, from 5.3% in 2018, down to 2.7%) and, to a lesser extent, exports (they grow by 1.8%, four tenths less than last year), partially offset by the slowdown of imports, 2.4 points to a rate of 0.9%, and the highest growth in public consumption (2.2%, compared to the 1.9% recorded in 2018).

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



Sources: INE *(QNA-2019 Statistical Review)* and Eurostat.

The Bank of Spain maintains its growth forecast for the Spanish economy at 2% in 2019 and 1.7% in 2020

According to the update of its macroeconomic forecasts for the Spanish economy published in December 2019, the Bank of Spain (BoS) expects the Spanish economy to continue recording an expansionary evolution in the second half of 2019 and above that of the Eurozone as a whole, estimating a real GDP growth rate in the fourth quarter similar to that of the third quarter (0.4% q-o-q). Thus, the Bank of Spain has maintained its growth forecasts of the real GDP for the 2019-2021 period published in September, at 2.0%, 1.7% and 1.6%, respectively, although it introduces changes in the composition: it revises the contribution of domestic demand upwards and that of net external demand downwards. These projections include forecasts for the year 2022 for the first time, with the real GDP growth reaching 1.5% that year.

With regards to the real GDP growth composition, the Bank of Spain revised the domestic demand contribution to real GDP growth upward in 2019 (three tenths, up to 1.7 percentage points–p.p.-) and, to a lesser extent, in 2020 (two tenths, up to 1.9 p.p.) and 2021 (one tenth, up to 1.6 p.p.), as a result of the higher growth foreseen for private consumption over the projected period, and investment, in 2019. In 2022, the domestic demand contribution to GDP growth reaches 1.5 p.p. On the other hand, it reviewed the net external demand contribution downwards (three tenths in 2019 and 2020, down to 0.3 p.p. and -0.2 p.p., respectively, and one tenth in 2021, registering a null contribution), due to the lower dynamism expected for goods and services exports in the projected period, and the upward revision of imports, especially in 2019. In 2022, the Bank of Spain expects the null contribution of net external demand to GDP growth to remain.

In the labour market, employment growth, in terms of National Accounts, is revised slightly upwards in 2019 compared to the forecasts for September, and remains virtually unchanged for the rest of the period, moderating from 2% in 2019 to 1.2% in 2022. On the other hand, it expects that the unemployment rate will continue to decline, but somewhat less than in September, partly due to a more dynamic than expected evolution of the labour force population, reaching 12.6% in 2022 (annual average).

The most recent indicators of global activity point to the extension of the expansionary path of the Spanish economy in the fourth quarter of 2019

The recently published global activity indicators point to the extension of the expansionary path of the Spanish economy in the fourth quarter of 2019, in a context of intense, although more moderate, job creation and loose financing conditions.

Among the quantitative indicators, the Business Turnover Index (BTI), with calendar adjusted data, rose by 0.2% in October 2019, a rate similar to the one recorded in the previous month (0.3%) and lower than that of the previous months; and total large firm sales, according to the statistics prepared by the Tax Agency and based on monthly VAT returns, with fixed-sample, deflated and adjusted for calendar and seasonal variations data, moderated the y-o-y growth rate in November, four tenths, to 1.1%, due to the slowdown in domestic sales (four tenths, down to 0.8% y-o-y) and, to a greater extent, exports (they grew by 2.3%, compared to the 3.9% the registered in the previous month).

On the other hand, the main qualitative indicators of global activity moderate slightly in the fourth quarter of 2019. The Economic Sentiment Index, published by the European Commission, fell 3.5 points in that quarter, down to 102.1 (1990-2018 average = 100), and the global activity composite PMI for Spain reached 51.9, a level very similar to the one recorded in the third quarter (52.0 points). This was due to the fact that the greater fall of activity in the manufacturing industry offset the acceleration of the services sector. 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 one tenth in November 2019, down to 98.7, thus extending the downward path that began in early 2018.

2.1.- Domestic Demand

According to the QNA figures, economic growth continued to be supported by domestic demand. Its contribution to the GDP y-o-y rise increased six tenths in the third quarter of 2019, reaching 1.8 percentage points (p.p.). By components, this increase compared to the second quarter is mainly explained by the acceleration of private consumption and equipment goods investment.

Private consumption accelerated in the third quarter,…

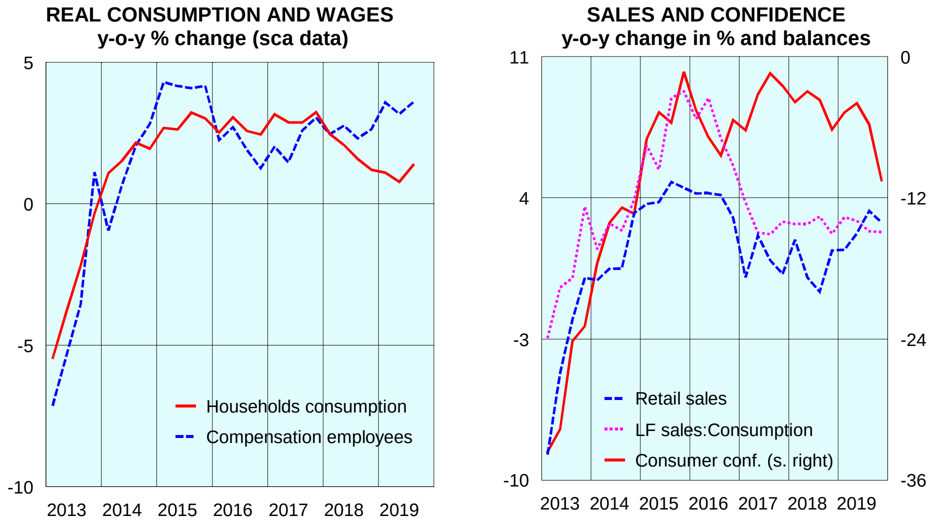
Amongst GDP components on the demand side, final consumption expenditure of households and non-profit institutions serving households (NPISHs) in volume, interrupted the downward trend initiated in early 2018 in the third quarter of 2019, registering a y-o-y rate of 1.4%, six tenths higher than the previous quarter. This upturn can be partly explained by the evolution of the real compensation per employee, which accelerated almost one point in the third quarter, up to 1.3% y-o-y, as well as by the recovery of the new consumer credit operations in the period between July and September, which grew by 2.8% y-o-y, after falling by 0.3% in the previous period. On the other hand, the slower rate of full-time equivalent employment creation (it moderate from 2.5% in the second quarter to 1.8% in the third) contributed to moderating the growth of household disposable income.

The most recent short-term information regarding private consumption shows, in general, favourable signs in the fourth quarter of 2019, although its dynamism moderates slightly after the strong rebound recorded in the third quarter, in a context of sustained progress based on a good pace of job creation, as shown by the figures relating to Social Security covered workers in that period, the favourable financial conditions and the improvement of the financial position of households, whose net financial wealth has increased in the last quarters.

Among the quantitative indicators related to private consumption for the fourth quarter of 2019, car registrations stand out, which, according to the Spanish Association of Vehicles Manufacturers (ANFAC, as per its Spanish abbreviation) rebounded, reaching a y-o-y rate of 5.1% (-11.4% in the third quarter), although in 2019 as a whole they ended up with an average annual decrease of 4.8%, compared to the 7% increase registered in 2018. Retail trade sales, with deflated and calendar adjusted data, moderated the y-o-y growth rate in the two-month period between October and November in comparison to the third quarter, six tenths, to 2.8%, and the domestic large firms´ sales of consumer goods and services, with deflated, fixed-sample and calendar and seasonally adjusted data, grew by 2% in the same period, three tenths less than in the third quarter.

On the other hand, among the qualitative indicators related to private consumption, the Consumer Confidence Index, published by the Sociological Research Centre (CIS), fell in the fourth quarter of 2019, almost twelve points, reaching 76.1, far away from the 100 threshold (indicative of a negative perception of consumers). This evolution is explained by the fall of its two components, current situation and expectations. Similarly, the consumer confidence indicator published by the European Commission dropped 4.7 points in the fourth quarter, reaching a balance of -10.5, ending 2019 with a balance of -6.3, 2.4 points lower in comparison to the figure recorded in 2018.

G 2.2 PRIVATE CONSUMPTION INDICATORS



Sources: INE, CE and AEAT.

…and the household savings rate falls

According to the Quarterly Non-Financial Accounts for the Institutional Sectors (QNFAIS), published by the INE, households and NPISH generated a net borrowing of € 13.8 billion in the third quarter of last year, € 360 million lower than a year earlier, due to the negative savings generated by the sector and the fall in investment. In turn, the lower negative savings (-10.4% y-o-y) is explained by a gross disposable income (GDI) increase higher than that of nominal private consumption (3.1% and 2.5%, respectively), with the savings rate reaching -1.3% of the GDI, compared to the -1.4% recorded in the same quarter of the previous year. With calendar and seasonally adjusted data, the savings rate reached 6.4%, 1.4 points lower than the figure recorded in the previous quarter and the households' investment rate stood at 5.4% of its GDI, similar to the figure registered in the previous quarter.

With regard to final consumption expenditure of the General Government, in volume, recorded a y-o-y rate of 2.2% in the period between July and September 2019, as in the previous quarter. On the other hand, the net borrowing of the General Government, with calendar and seasonally adjusted data, reached 3.1% of the quarterly GDP, one tenth less than in the previous quarter.

Investment in equipment goods rebounded in the third quarter of 2019,...

Investment has also contributed to the greater contribution of domestic demand to real GDP growth in the third quarter of 2019, although to a lesser extent than private consumption. Indeed, Gross Fixed Capital Formation (GFCF), in volume, accelerated one point and a half in the third quarter of last year, up to 2.4% y-o-y, due to the rebound in the component of equipment goods and cultivated assets (4.3%), after the drop recorded in the second quarter (-1.2%), while investment in construction slowed down 1.2 points, to 0.9%. On the other hand, investment in intellectual property products increased by 3.3%, 1.3 points more than in the previous quarter.

The strong rebound in equipment investment is part of a gradual slowdown trend since the middle of 2018, in a context of high volatility and growing international uncertainty derived from trade tensions, which has particularly affected the manufacturing sector. However, factors that contribute to boost equipment investment persist, such as the dynamism of domestic demand, the favourable financial conditions and the deleveraging extension of non-financial corporations (their debt has gone from representing 97.4% of GDP in the third quarter of 2018 to 95% in the same quarter of 2019).

Table 2.1. **Quarterly National Accounts**

Chain-linked volume index reference 2015; corrected data from seasonal and calendar effects

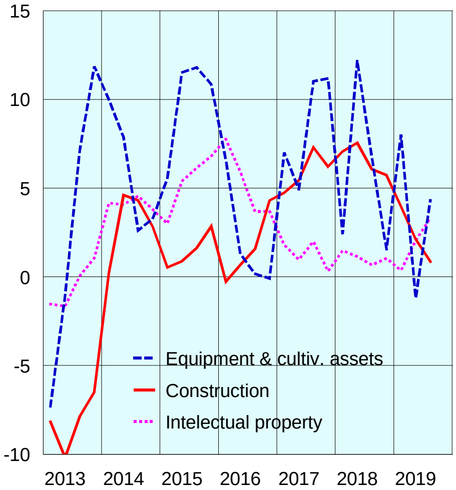
				year-on-year change				q-o-q change	
	2017	**2018**	**2019(4)**	**IV-18**	**I-19**	**II-19**	**III-19**	**II-19**	**III-19**
DEMAND									
Domestic consumption	2.5	1.9	1.4	1.4	1.4	1.1	1.6	0.2	0.8
- Private consumption	3.0	1.8	1.1	1.2	1.1	0.8	1.4	0.1	0.8
- Public consumption	1.0	1.9	2.2	2.2	2.3	2.2	2.2	0.4	0.6
Gross fixed capital investment	5.9	5.3	2.7	3.5	4.7	0.9	2.4	-0.2	1.7
- Equipment (1)	8.5	5.6	3.6	1.6	8.0	-1.2	4.3	-1.1	4.8
- Construction	5.9	6.6	2.3	5.7	4.0	2.1	0.9	0.0	-0.3
- Intelectual Property Products	1.3	1.1	1.9	1.0	0.4	2.0	3.3	1.4	1.5
Change in inventories (2)	0.0	0.2	0.1	0.2	0.1	0.1	0.1	0.1	0.0
Domestic demand (2)	3.0	2.6	1.7	2.0	2.0	1.2	1.8	0.2	1.0
Exports of goods and services	5.6	2.2	1.8	0.1	0.4	2.1	3.0	1.5	0.0
- Goods (fob)	5.1	2.1	0.1	-1.0	-2.1	1.2	1.4	2.4	-1.0
- Services	6.8	2.3	5.6	2.7	6.1	4.0	6.7	-0.3	2.1
Imports of goods and services	6.6	3.3	0.9	-0.3	-0.1	-0.2	3.1	1.1	1.8
- Goods (fob)	6.5	1.9	-0.6	-2.0	-1.5	-2.3	1.9	0.6	1.7
- Services	7.3	9.8	8.2	7.9	6.5	9.8	8.4	3.2	1.9
Net foreign balance (2)	-0.1	-0.3	0.3	0.1	0.2	0.8	0.1	0.2	-0.6
GROSS VALUE ADDED									
Agriculture (3)	-3.0	5.9	-1.5	6.9	0.1	-4.5	0.1	-2.6	1.3
Industry. Total	3.1	-0.4	0.5	-1.5	-0.5	0.6	1.2	0.6	0.5
- Manufacturing	4.9	0.7	0.2	-0.3	0.0	0.0	0.6	0.1	0.3
Construction	4.9	5.7	4.2	5.9	6.0	4.2	2.4	0.3	-0.4
Services	2.9	2.7	2.6	2.7	2.9	2.7	2.2	0.5	0.4
GDP m.p.	**2.9**	**2.4**	**2.0**	**2.1**	**2.2**	**2.0**	**1.9**	**0.4**	**0.4**
GDP at current prices	4.3	3.5	3.5	3.4	3.4	3.6	3.5	1.2	0.5

(1) Equipment and cultivated assets. (2) Contribution to GDP growth (percentage points). (3) Agriculture, forestry and fishing. (4) Period January-September.

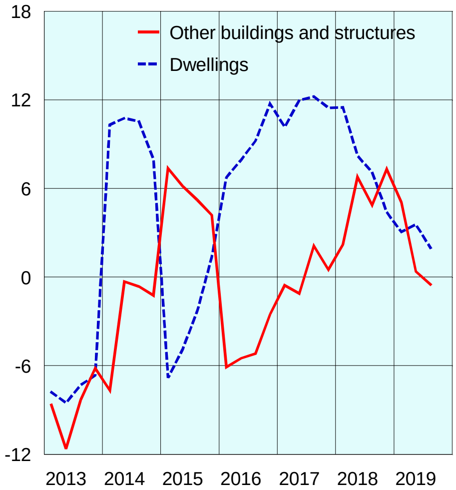
Source: INE *(CNE-2019 Statistical Review)*.

With regards to the most recent quantitative indicators on equipment investment, truck registrations, according to figures provided by the ANFAC, ended the fourth quarter of 2019 with an average annual decrease of 3%, two points higher in comparison to the figure registered in the previous quarter. On the other hand, among the qualitative indicators, the Industrial Climate for investment goods recorded a balance of -3.7 points, compared to the positive balance of 4.8 points registered in the third 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-2019 Statistical Review)*, seasonally and calendar adjusted data.

…while construction investment continues to show signs of moderation

With regards to investment in construction, it moderated the y-o-y growth in the period between July and September 2019, for the fifth consecutive quarter (1.2 points, to 0.9%, as mentioned above). This evolution is explained by the slowdown of the residential component, 1.6 points, to 2%, and, to a lesser extent, the decrease in the other constructions segment (-0.5%, compared to the 0.4% growth registered in the previous quarter).

Table 2.2 **Domestic demand indicators**
Year-on-year change or balances in %

			2018		2019			Latest
	2018	**2019(1)**	**III**	**IV**	**I**	**II**	**III(1)**	**Data**
Households & bussiness financing (2)	-2.7	-0.5	-1.8	-1.2	-0.5	0.3	-0.7	Nov.19
Private Consumption								
Composite Consumption Indicator (3)	1.1	1.6	0.5	1.0	1.6	2.1	-	Q.III.19
Consumer Goods. Apparent cons. (3)	2.8	1.2	2.2	1.0	2.3	2.0	-3.2	Oct.19
IPI consumer goods (adjusted)	-0.7	1.7	-1.7	0.5	3.9	1.8	0.2	Nov.19
Consumer goods imports (vol.)	2.2	1.7	1.6	1.3	-1.6	4.8	3.6	Oct.19
Retail sales index (4)	0.7	2.5	1.4	1.4	2.2	3.6	2.9	Nov.19
Passenger car registrations	7.0	-4.8	-7.6	-6.9	-4.8	-11.4	5.1	Dec.19
Real wages (5)	2.5	3.4	2.6	3.6	3.2	3.6	-	Q.III.19
Consumer goods. Capacity utiliz. (%)	74.8	77.0	74.5	77.4	76.2	78.2	76.2	Q.IV.19
Consumer confide. indicator (balances)	-4.2	-6.3	-6.2	-4.8	-4.0	-5.8	-10.5	Dec.19
Large firms sales. Consumption (6)	2.7	2.7	2.2	3.0	2.9	2.3	2.3	Oct.19
Households financing (2)	-2.0	-0.8	-1.6	-1.0	-0.9	-0.5	-0.5	Nov.19
Equipment Investment								
Composite Equipment Indicator (3)	4.5	2.9	2.6	2.9	3.7	2.1	-	Q.III.19
Capital Goods. Apparent cons.(3)	7.4	3.1	7.0	7.5	2.9	0.1	0.6	Oct.19
IPI consumer goods (adjusted)	2.1	2.6	-1.1	3.1	2.6	1.0	3.7	Nov.19
Capital goods imports (vol.)	2.0	0.3	2.5	4.1	-1.4	1.3	-6.3	Oct.19
Corporations financing (2)	-4.4	0.7	-3.2	-2.1	-0.2	3.5	2.0	Nov.19
Truck registrations	6.7	0.3	0.7	3.3	1.8	-1.0	-3.0	Dec.19
Capital goods. Capacity utilization (%)	86.5	87.3	84.9	87.0	87.8	87.3	87.1	Q.IV.19
Large firms sales. Capital (6)	4.7	5.3	5.8	3.7	7.1	5.3	4.7	Oct.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.

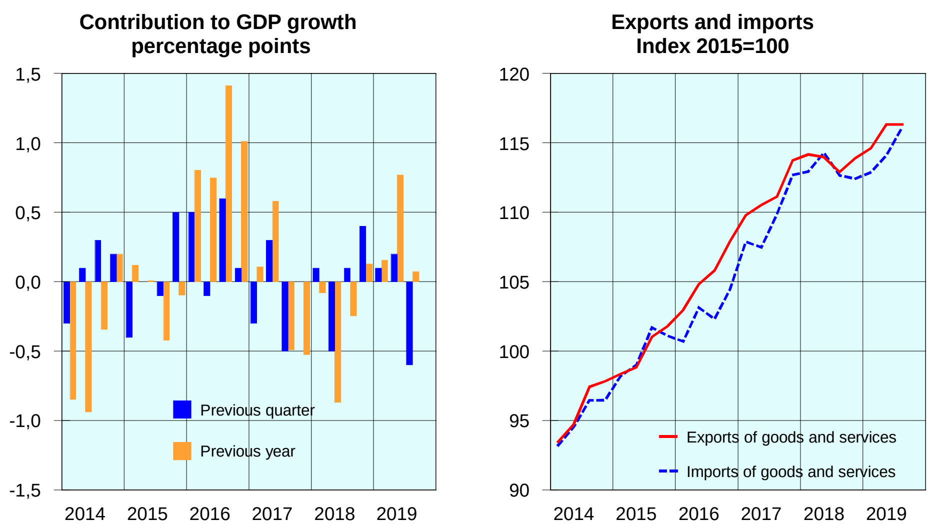
The evolution of housing investment, which has been showing a slowdown profile since mid-2018, is in general in line with that of the main indicators related to the residential investment, although the most recent data show a more favourable behaviour. Thus, the number of new housing purchases and the number of mortgages on housing recorded in the Property Registries, fell at a more moderate pace in October, 1.5% and 2.1%, respectively, falls 10.5 and almost 30 points lower compared to the previous month. This evolution could be affected by the entry into force in June 2019 of the new Real Estate Credit Law, since these are mortgages registered in the Property Registries during October from public deeds made in previous months, so a normalisation of these flows is expected in the coming months.

2.2.- External Demand

The contribution of the foreign sector to the GDP y-o-y growth fell in the third quarter of 2019

According to figures from the QNA, net external demand contributed one tenth to the y-o-y GDP variation in the third quarter of 2019, seven tenths less than in the previous quarter, due to the acceleration of exports (nine tenths, to 3%), lower compared to that of imports (they went from registering a rate of -0.2% in the second quarter to 3.1% in the third). In comparison to the major economies of the European Union, the y-o-y rate of Spanish exports (3%) was higher than that of Germany (1.6%), France (1.6%) and Italy (1.2%), and lower than that of the United Kingdom (3.5%).

G 2.5 EXTERNAL SECTOR



Source: INE.

Real exports of goods and services accelerate almost one point in the third quarter, up to 3%,...

In y-o-y terms, real exports of goods and services grew by 3% in the third quarter of 2019, nine tenths more than in the second, registering rises of 1.4% in goods and 6.7% in services, compared with rates of 1.2% and 4%, respectively, in the previous period. In q-o-q terms, exports remained stable, after the 1.5% increase recorded in the previous quarter, due to the fact that the 1% decline in goods exports (2.4% growth in the previous quarter) was offset by the 2.1% growth registered by services (-0.3% in the second quarter).

In the third quarter of 2019, a slight improvement was observed in the activity of Spain's main trading partners, in general. The q-o-q GDP growth recovered in Germany and the United Kingdom (0.1% and 0.4%, respectively), after the negative rates registered in the second quarter (-0.2% in both cases), and remained stable in France (0.3%), Italy (0.1%) and the United States (0.5%). Among the main emerging economies, the GDP in Russia and Brazil accelerated one tenth, up to 0.8% and 0.6%, respectively, and that of Mexico stabilised after falling by 0.1% in the second quarter. On the other hand, it slowed down in China (one tenth, to 1.5%), Taiwan (three tenths, to 0.6%), Turkey and Korea (both six tenths, down to 0.4%), Indonesia (1.1 points, to 3.1%) and South Africa (3.4 points, to 0.6%), and fell in India (-0.9%), after growing by 1.3% in the previous quarter.

…in a context of price competitiveness gains,…

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 2.6% y-o-y in the third quarter of 2019, maintaining the improvement trend of the previous three quarters, due to the 1.5% depreciation of the nominal effective exchange rate and to the fact that the relative prices index fell by 1.1%. Regarding the European Union, a competitiveness gain of 0.8% was recorded, confirming the trend change that began in the first quarter, as a result of the decrease in relative consumer prices index (1%), while the nominal effective exchange rate rose by 0.2%. Finally, a competitiveness gain of 5.1% with regards to the BRICS countries was recorded, extending the trend change that began in the first quarter, as a result of the 2.9% decline in the relative price index and the depreciation of the nominal exchange rate index (2.3%).

...and the increase of market share in the world trade

In this context, real exports of goods increased in the third quarter of 2019 (1.4%), compared to the fall recorded by the global trade in goods (-1%, according to the Central Planning Bureau of the Netherlands), which resulted in a market share gain, reaching 1.96% (1.93% in 2018 as a whole).

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 September (-3%) after the 5.9% registered in June, due to the negative contribution from countries belonging to the European Union and non-OECD countries. By products, the negative contribution of non-energy intermediate goods and, to a lesser extent, non-food and capital consumption goods stand out.

In y-o-y terms and according to Customs figures, real exports of goods rose by 1.5% in the third quarter of 2019, following the 3% growth registered in the second quarter. By product type, food and non-food consumer goods exports accelerated, 4.5 and 8.7 points, respectively, up to 6.9% and 8.5%; capital and intermediate energy goods exports moderated their dynamism, 5.5 and 15.5 points, respectively, to 1.6% and 3.4%; and intermediate non-energy goods exports fell, by 3.1%, after the growth also close to 3% registered in the previous quarter (2.8%).

Within the non-food consumer goods group, car exports rebounded, registering a 11.8% y-o-y rate, following the falls of the two previous quarters, contributing by 0.8 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**			
		2019				**2019**			
	2018	**I**	**II**	**III**	**Oct.**	**I**	**II**	**III**	**Oct.**
Total exports	**100.0**	**-1.7**	**3.0**	**1.5**	**1.1**	**-1.7**	**3.0**	**1.5**	**1.1**
Consumer goods	*37.2*	*-5.7*	*0.8*	*8.0*	*7.4*	*-2.0*	*0.3*	*2.4*	*2.4*
Foods	13.7	1.1	2.4	6.9	7.9	0.1	0.3	0.8	0.9
Others goods	23.5	-9.7	-0.2	8.5	7.1	-2.2	0.0	1.7	1.5
Cars	10.7	-10.9	-6.6	11.8	9.1	-1.1	-0.7	0.8	0.8
Capital goods	*8.6*	*-0.6*	*7.1*	*1.6*	*7.8*	*-0.1*	*0.7*	*0.2*	*0.8*
Excl. heavy trans. equipment	8.4	-0.9	5.7	0.4	7.7	-0.1	0.6	0.0	0.8
Intermediate goods	*54.3*	*1.2*	*3.9*	*-2.6*	*-4.2*	*0.7*	*2.2*	*-1.6*	*-2.4*
Energy	4.9	6.1	18.9	3.4	-19.8	0.2	0.7	0.2	-1.0
Non-energy	49.3	0.8	2.8	-3.1	-2.7	0.4	1.5	-1.7	-1.4
Total imports	**100.0**	**1.4**	**-1.0**	**5.5**	**-1.0**	**1.4**	**-1.0**	**5.5**	**-1.0**
Consumer goods	*27.6*	*1.3*	*-1.6*	*4.8*	*3.6*	*0.3*	*-0.4*	*1.2*	*0.9*
Foods	7.0	0.7	-2.9	1.0	10.1	0.0	-0.2	0.1	0.6
Others goods	20.6	1.4	-1.2	6.2	1.4	0.3	-0.2	1.2	0.3
Cars	5.9	0.1	-6.7	7.7	-11.1	0.0	-0.4	0.3	-0.5
Capital goods	*8.5*	*4.1*	*-1.4*	*1.3*	*-6.3*	*0.4*	*-0.1*	*0.1*	*-0.7*
Excl. heavy trans. equipment	8.4	3.9	-1.9	-3.3	-5.0	0.4	-0.2	-0.3	-0.5
Intermediate goods	*63.9*	*1.0*	*-0.7*	*6.4*	*-2.3*	*0.6*	*-0.5*	*4.1*	*-1.5*
Energy	14.9	-4.5	-1.7	0.7	-21.5	-0.6	-0.2	0.1	-3.0
Non- energy	49.0	2.3	-0.5	7.9	2.9	1.2	-0.3	4.0	1.5

Sources: Customs and SGCPE.

Goods exports to the EU slowed down

By geographic destination, according to Customs data, in the third quarter of 2019, goods exports to the European Union and the Eurozone, in volume and in y-o-y terms, rose by 2% and 0.7%, respectively, which represents a slowdown in comparison to the previous quarter (4% and 4.6%, respectively). The nominal sales growth to the United Kingdom, new EU partners, Italy and France and the falls of those to Benelux should be noted. Exports to the rest of the world also lost dynamism, but to a lesser extent, growing by 0.5% in real terms, after the 1.1% registered in the previous quarter. The breakdown by geographic destination outside the European Union reveals double-digit growth rates of nominal sales to sub-Saharan Africa, Turkey, Japan and Brazil (the ones assigned to Venezuela represented the highest growth, although they remain at very low levels), while the main falls were registered by sales to Argentina, OPEC, Mexico and North Africa. Consequently, the contribution to the total increase of exports of those to the EU stood at 1.3 points and to the rest of the world was of two tenths, in both cases half that of the previous quarter (2.6 and 0.4 points).

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

According to QNA figures, expenditure of non-resident households in the economic territory, in volume, increased by 0.7% q-o-q in the third quarter of 2019, after the 1.3% fall registered in the previous quarter and grew by 4% y-o-y, compared to the 2.3% increase registered in the previous quarter. For the fourth quarter of 2019, the main indicators of foreign tourism, among them, inbound tourists, show an extension of this recovery.

Real exports of non-tourism services grew by 3.1% q-o-q in the third quarter of 2019, after the 0.4% growth registered in the previous quarter. In y-o-y terms, they registered an 8.6% increase, 3.3 points higher than in the previous quarter. According to the International Trade in Services Survey published by the INE, referring to the third quarter of 2019, the services with greater contribution to the nominal growth of exports were transport (3.2%), telecom, computer and information technology services (2.9%), business (2.5%), intellectual property (1.3%) and financial services (1%); while services related to goods transformation without transfer of ownership subtracted two tenths to growth and insurance and pensions, one tenth.

Real imports of goods accelerated in the third quarter of last year

Furthermore, goods and services imports, in real terms and according to QNA figures, rose by 1.8% in the third quarter of 2019 compared to the previous quarter, seven tenths more than in the second quarter. By components, goods imports rose by 1.7% compared to the previous quarter, progressively showing greater dynamism throughout the year, and services imports increased by 1.9%, compared to the 3.2% recorded in the previous quarter. In y-o-y terms, imports and services goods grew by 3.1% after three quarters recording falls (-0.2% in the second quarter), goods registering a 1.9% increase and services an 8.4% growth, after the rates of -2.3% and 9.8%, respectively, of the previous quarter.

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 September (2.1%), following the virtual stabilisation recorded in June (0.2%), where the positive contribution of EU countries should be noted. By products, the positive contribution of intermediate goods, especially non-energy intermediate goods should be noted.

In y-o-y terms and according to Customs figures, imports of goods in volume, deflated by unit value indices, rose by 5.5% in the third quarter of 2019, following the 1% fall registered in the second quarter. By type of product and in volume, imports of all goods categories went from registering negative rates in the second quarter, to recording positive rates in the third. Non-energy intermediate goods grew by 7.9%; non-food consumer goods by 6.2%; capital goods by 1.3%; food consumer goods by 1%; and energy intermediate goods by 0.7%. Within the non-food consumer goods group, imports of the component that represents a greater weight, passenger cars rose by 7.7%, following the 6.7% decrease registered in the second quarter.

By geographical areas, real imports of goods from the European Union and those from the Eurozone rose by 5.5% and 3.9% respectively in the third quarter of 2019, compared to the setbacks registered in the previous quarter (-3.1% and -3.4%). In nominal terms, the purchases to Benelux, new EU partners, the United Kingdom and Germany stand out, and, on the other hand, the falls recorded by those from Portugal and Italy. On the other hand, imports from the rest of the world accelerated 3.6 points in the third quarter, up to 5.5%. In the breakdown by geographical origin, and in nominal terms, the growth of purchases from Venezuela (although the level is quite low), Russia, New Industrial Economies of Asia, Japan, Turkey and the United States should be noted. On the other hand, the falls of those from Argentina and Brazil should be highlighted.

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

	Weight in Total	**Year-on-year change (%)**				**Contribution to growth**			
		2019				**2019**			
	2018	**I**	**II**	**III**	**Oct.**	**I**	**II**	**III**	**Oct.**
Total exports	**100.0**	**-1.7**	**3.0**	**1.5**	**1.1**	**-1.7**	**3.0**	**1.5**	**1.1**
EU	*65.6*	*-1.5*	*4.0*	*2.0*	*3.1*	*-1.0*	*2.6*	*1.3*	*2.0*
Euro-area	51.5	-2.6	4.6	0.7	2.1	-1.3	2.4	0.3	1.1
Non-EU	*34.4*	*-2.0*	*1.1*	*0.5*	*-2.6*	*-0.7*	*0.4*	*0.2*	*-0.9*
USA	4.5	6.9	4.9	3.4	6.2	0.3	0.2	0.2	0.3
Latin America	5.6	-5.8	-1.6	1.9	-6.8	-0.3	-0.1	0.1	-0.4
China	2.2	-7.5	5.5	4.1	3.2	-0.2	0.1	0.1	0.1
Other countries (1)	10.5	-12.0	-9.9	-2.7	-4.9	-1.2	-1.1	-0.3	-0.5
Total imports	**100.0**	**1.4**	**-1.0**	**5.5**	**-1.0**	**1.4**	**-1.0**	**5.5**	**-1.0**
EU	*53.8*	*1.4*	*-3.1*	*5.5*	*3.4*	*0.8*	*-1.8*	*3.0*	*1.9*
Euro-area	43.4	0.9	-3.4	3.9	0.9	0.4	-1.5	1.7	0.4
Non-EU	*46.2*	*1.4*	*1.9*	*5.5*	*-6.5*	*0.6*	*0.8*	*2.5*	*-2.9*
USA	4.1	16.5	24.4	18.5	24.1	0.8	1.2	1.0	1.2
Latin America	5.9	-7.0	-8.1	-7.8	-14.9	-0.4	-0.5	-0.5	-0.8
China	8.4	5.7	14.3	13.0	4.7	0.4	1.0	1.2	0.4
Other countries (1)	11.7	-4.8	-7.9	5.3	-21.8	-0.5	-0.8	0.5	-2.2

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

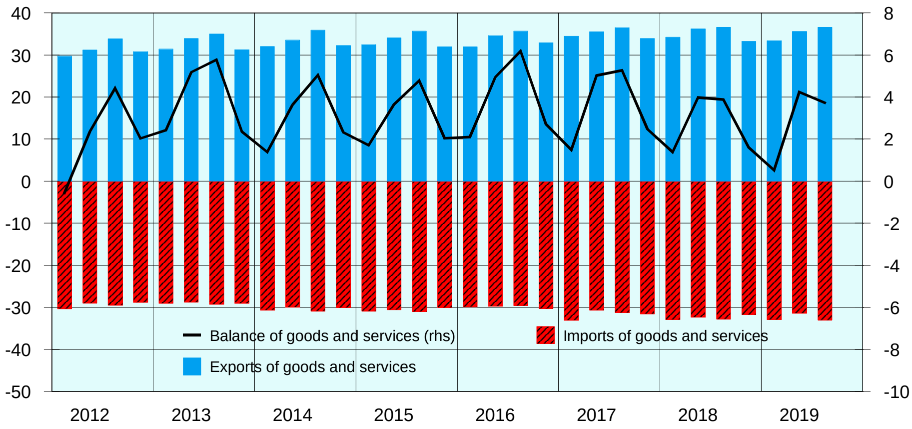
Imports of tourist services slow down

According to QNA figures, in the third quarter of 2019, real spending of households residents abroad rose by 1.6% q-o-q, a rate less than half compared to the figure observed in the previous quarter (3.3%). Imports of non-tourism services also slowed down, 1.2 points, down to a rate of 2%. According to the latest data released by the INE, the services with the highest positive contribution to this rate in the third quarter were business (5.6%), insurance and pensions (2.4%), telecom, computer and information technology (1.6%) and transport (1.5%) services.

The goods and services balance surplus moderates slightly

In the third quarter of last year, the surplus of the goods and services balance, calculated with gross data at current prices of the QNA, stood at 3.7% of the quarterly GDP, two tenths less compared to the same period of the previous year, due to a one tenth increase of the goods deficit (3.3% of GDP), and to a one tenth fall of the services surplus (7% of GDP). Within the services sector, the tourism net revenue and non-tourism services surpluses remained stable compared to a year earlier (4.9% and 2.2% of GDP, respectively).

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



Source: INE.

2.3.- Productive Activity

The main productive sectors contribute to the real GDP growth in the third quarter

From the supply point of view, in the third quarter the Gross Value Added (GVA) in volume, increased in y-o-y terms in the main sectors. The GVA of the agriculture, farming, forestry and fishing sectors increased by 0.1%, following the 4.5% fall of the previous quarter. With regards to the industry sector it accelerated six tenths, up to 1.2%, mainly due to the manufacturing industry growth (0.6%, compared to the stability of the second quarter), while in construction and services it moderated the growth rate, 1.8 and 0.5 points, respectively, to 2.4% and 2.2%. On the other hand, net taxes on subsidies on products went from registering a y-o-y decrease of 0.7% in the second quarter to increasing by 0.3% in the third.

Industrial activity indicators show mixed signals,…

The most recent indicators related to industry show mixed signals. The Turnover Index in Industry (ICNI) and the Industry New Orders Index (INOI), leading indicator of activity in the branch, continues falling, registering y-o-y rates of -2.9% and -2.7% in October, respectively, and ending the first ten months of last year with annual average growth rates of 0.3% and 1.4%, 5 and 3.2 points below compared to the same period of last year. On the other hand, the Industrial Production Index (IPI), with calendar and seasonal adjusted data, rebounded in November 2019 up to an y-o-y rate of 2.1%, the highest since February, after decreasing in October (-1.3%). In this evolution, equipment (accelerated 5.2 points, up to 6.2%) and consumer goods stand out (grew by 1.9% in November after falling by 1.1% in October), followed by energy (the fall moderates four points, to -0.5%) and intermediate goods (0.7%, compared to the -2% recorded in the previous month).

Qualitative indicators of the industry activity have registered a less favourable evolution. According to Markit, the Manufacturing PMI for Spain stood in December 2019 below the 50 threshold for the seventh consecutive month, indicating a contraction of the sector activity, and ending the year with an average level of 49.1, compared to the 53.3 recorded in 2018 as a whole. In the same vein, the Industrial Confidence indicator, published by the European Commission, decreased 3.2 points in the fourth quarter, due to the less favourable evolution of the production, employment and sale prices expectations, as well as the export order portfolio.

Table 2.5 **Employment and productivity**
Year-on-year change (%)

				2018			2019		
	2017	**2018**	**2019(4)**	**II**	**III**	**IV**	**I**	**II**	**III**
EMPLOYMENT (1)									
Agriculture (2)	2.9	0.0	-1.3	0.0	-0.7	0.0	-0.4	-1.6	-1.7
Industry total	3.1	1.9	1.7	2.6	1.5	0.4	1.0	1.4	2.6
Manufacturing	3.7	2.0	1.7	2.9	1.5	0.2	1.0	1.4	2.7
Construction	6.2	8.2	5.8	7.6	7.8	10.4	10.2	5.0	2.2
Services	2.5	2.3	2.4	2.1	2.3	2.5	2.6	2.7	1.9
Total	**2.8**	**2.5**	**2.4**	**2.4**	**2.5**	**2.7**	**2.7**	**2.5**	**1.8**
PRODUCTIVITY (3)									
Agriculture (2)	-5.7	5.9	-0.2	7.9	3.7	6.9	0.5	-2.9	1.8
Industry total	0.0	-2.3	-1.2	-2.8	-1.7	-1.8	-1.5	-0.8	-1.3
Manufacturing	1.1	-1.4	-1.4	-1.7	-1.3	-0.5	-1.0	-1.4	-2.0
Construction	-1.2	-2.4	-1.5	-1.9	-1.5	-4.1	-3.8	-0.8	0.2
Services	0.4	0.4	0.2	0.4	0.3	0.1	0.3	0.0	0.4
GDP per employee	**0.0**	**-0.2**	**-0.4**	**-0.1**	**-0.2**	**-0.6**	**-0.6**	**-0.5**	**0.0**

(1) Full-time equivalent jobs. National Accounts. (2) Agriculture, forestry and fishing. (3) GVA per employee (adjusted series and full-time equivalent jobs). (4) Period January-September.
Source: INE *(CNE-2019 Statistical Review).*

…and the construction sector indicators extend their moderation

In the construction sector, available short-term indicators show the extension of their moderation. The Production Index in the Construction Industry (PICI), published by Eurostat, deflated and with calendar adjusted data, recorded an average annual fall of 1.8% in the first ten months of the year, compared to the 2.3% increase recorded in 2018 as a whole, a 1.3% decrease corresponding to the building component and 3.5% to the civil works component (rates of 3.3% and -2.3% in 2018). On the other hand, according to construction new permits, buildable floorage in new construction registered an average annual growth close to 5% in that period, far from the rates of the last four years, exceeding 20%.

Confidence in the sector, according to the European Commission indicator, fell five points in the fourth quarter of last year compared to the third, due to the worsening of its two components, order portfolio and expectations related to employment in the sector.

Activity in the services sector remains strong,…

With regards to the services sector, activity continues registering a strong growth. The Services Sector Turnover Index (SSTI), with work calendar adjusted data, increased by 4.1% in annual average in the first ten months of 2019, a rate 2.2 points lower compared to the one registered in the same period of 2018, in which 3.4% and 5.4% growths corresponded to the trade and other services sectors, respectively (6.7% and 5.8% in the same period of 2018). Among the qualitative indicators, the Services PMI rose in December, as in November, pointing to a greater pace of progress in the sector activity, and ending the year with an average level of 53.9, almost one point lower than in 2018 but 1.2 points higher than the figure registered by the Eurozone.

Table 2.6 **Activity and Production Indicators**

Year-on-year change or balances in %

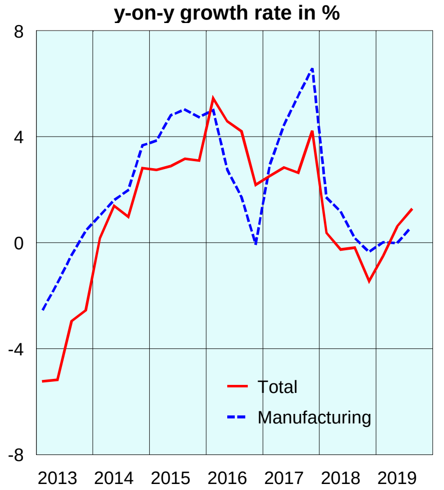
INDICATORS	2018	2019(1)	2018 IV	2019 I	2019 II	2019 III	2019 IV(1)	Latest data
Composite Activity Indicator (2)	2.5	2.2	2.3	2.2	2.2	-	2.3	Q.III.19
Electric power consumption (3)	0.3	-2.8	-2.1	-2.3	-5.0	-2.0	-2.1	Dec.19
Non energy imports (vol.)	1.1	2.4	2.2	-0.9	6.2	2.2	2.2	Oct.19
Economic Sentiment Indicator (90-18=100)	108.0	104.4	106.4	105.2	104.8	105.6	102.1	Dec.19
Large Firms Sales (4)	3.0	2.0	2.4	2.6	1.9	1.7	1.5	Oct.19
Large Firms Sales. Domestic (4)	2.7	1.8	2.4	2.6	1.6	1.3	1.2	Oct.19
Industry								
Composite Industry Indicador (2)	2.0	1.0	1.2	1.2	1.0	1.0	-	Q.III.19
IPI calendar adjusted	0.3	0.8	-2.8	-0.1	1.7	1.1	0.2	Nov.19
Large Firms Sales. Industry (4)	1.5	1.3	1.2	2.8	0.6	0.7	0.7	Oct.19
Industry goods Exports (vol.)	-2.7	1.1	-4.0	-6.2	1.9	6.4	7.1	Oct.19
Employment (LFS)	2.3	2.0	-0.1	1.2	1.5	3.3	-	Q.III.19
Social Security covered workers (5)	2.7	1.4	2.2	1.8	1.5	1.3	1.1	Dec.19
Industry confidence indicator (balances)	-0.1	-3.9	-1.9	-3.8	-4.6	-2.0	-5.2	Dec.19
Industry capacity utilization %	79.5	80.3	78.6	80.8	80.4	80.8	79.3	Q.IV.19
Construction								
Composite Construction Indicator (2)	4.4	2.4	3.8	2.8	2.2	2.3	-	Q.III.19
Production in Construction Index (ca)	2.3	-1.8	4.2	-5.1	1.0	-1.7	-0.3	Oct.19
Large Firms Sales.Construction (4)	3.2	2.1	1.0	2.8	0.5	2.1	4.5	Oct.19
Employment (LFS)	8.3	6.1	11.9	11.2	5.0	2.4	-	Q.III.19
Social Security covered workers (5)	6.7	5.1	6.5	7.0	5.9	4.4	3.2	Dec.19
Official bidding (at current prices)	-14.6	14.3	-42.4	1.1	156.3	-8.2	-16.7	Oct.19
Floorage approvals: total	23.9	4.7	18.3	11.4	5.5	-1.8	2.7	Oct.19
Floorage approvals: housing	24.5	4.5	23.3	11.0	6.8	-3.4	2.8	Oct.19
Construction confidence indicator (balances)	-4.6	-7.0	-1.6	-0.6	-7.8	-7.4	-12.4	Dec.19
Mortgages. Amount borrowed	13.4	4.3	18.8	23.0	1.2	-8.4	-0.5	Oct.19
Housing Prices	6.7	5.6	6.6	6.8	5.3	4.7	-	Q.III.19
Services								
Composite Services Indicator (2)	3.1	2.9	3.2	3.2	2.8	2.9	-	Q.III.19
Large Firms Sales. Services (4)	3.1	2.2	2.6	2.6	2.3	1.9	1.5	Oct.19
Railway passengers	3.3	1.2	4.5	2.8	1.0	1.0	-0.2	Nov.19
Railway traffic goods (Tm per km)	-4.3	-0.6	-1.2	-0.5	2.8	-0.2	-5.8	Nov.19
Air traffic passengers	5.8	4.4	7.0	6.0	5.5	3.6	2.4	Nov.19
Hotel overnight stays	-0.2	0.9	2.2	-0.5	2.9	0.8	-1.1	Nov.19
Foreign tourists	1.1	1.2	5.7	3.7	2.3	-0.7	0.8	Nov.19
Employment (LFS)	2.5	2.4	3.0	3.0	2.5	1.7	-	Q.III.19
Social Security covered workers (5)	3.1	2.8	3.0	2.9	3.0	2.8	2.6	Dec.19
Services confidence indicator (balances)	21.7	13.9	18.0	15.5	14.8	14.2	11.0	Dec.19
Retail trade confidence indicator (balances)	10.7	4.7	10.3	7.7	5.8	4.3	1.2	Dec.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.

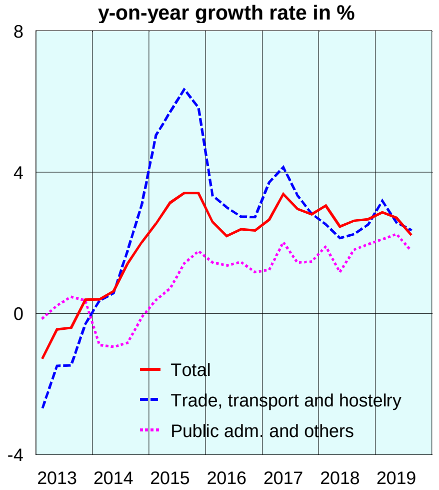
Sources: SGCPE (MECE), REE, DA, CE, AEAT, INE, MTMS, Eurostat, MFOM, RENFE and AENA.

On the other hand, confidence in the sector, according to the European Commission indicator, worsened 3.2 points in the fourth quarter of last year, due to the worsening of all its components, demand evolution, employment, valuation of the business situation in the last three months and sales prices expectations.

G 2.7 GVA INDUSTRY
y-on-y growth rate in %



G 2.8 GVA SERVICES
y-on-year growth rate in %



Source: INE *(QNA-2019 Statiscal Review)*, seasonally and calendar adjusted data.

…and tourism indicators extend their dynamism

Among the tourism indicators, the arrival of 4.7 million international tourists to Spain in November 2019 stands out, a figure 2.8% higher than the one recorded a year earlier, according to the Survey of Tourist Movements on Border published by the INE, exceeding, in cumulative terms for the first eleven months the figure of 79 million, 1.2% above the one registered in the previous year.

The total expenditure by tourists who visited Spain in November reached € 5.1 billion, according to the Tourist Expenditure Survey prepared by the INE. This figure represents a 3.7% y-o-y growth, a figure 1.2 points higher compared to the previous month. Likewise, the average expenditure per tourist increased by 0.8%, reaching € 1,086, and the average daily expenditure rose by 4.6%, up to € 161. The first eleven months of 2019 ended with an average annual increase in total spending of 3%, three tenths higher than in the same period of 2018.

Similarly, air passenger traffic accelerated 2 points in November, up to a y-o-y rate of 3.6%, due to international traffic, while domestic traffic maintained its growth. Likewise, overnight stays in hotel establishments grew by 0.5% y-o-y in that month, compared to the decrease registered in the previous two months (-2% in October). This improvement is attributable to both domestic and foreign overnight stays. In cumulative terms from January to November, overnight hotel stays increased by 0.9% on an annual average, compared to the 0.3% drop recorded in the same period of the previous year, a 2.6% increase corresponding to those of domestic overnight stays and a null variation of foreign overnight stays.

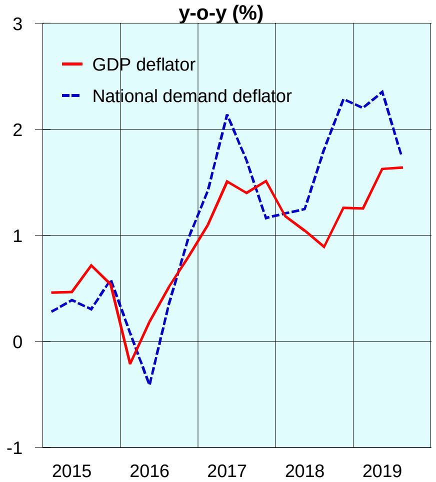
3.- PRICES

The Spanish economy prices, measured by the GDP deflator, grew by 1.6% y-o-y in the third quarter of 2019, a rate identical to the one registered in the previous quarter and the highest in more than ten years. From the income point of view, the main contribution to the GDP deflator growth continues to come from unit labour costs. With regard to consumer prices, the most recent data show a rebound in the rate of growth of the Consumer Price Index (CPI) in November and December 2019, mostly due to a base effect derived from the energy prices evolution at the end of 2018.

The growth of the GDP deflator remains at 1.6% in the third quarter of last year

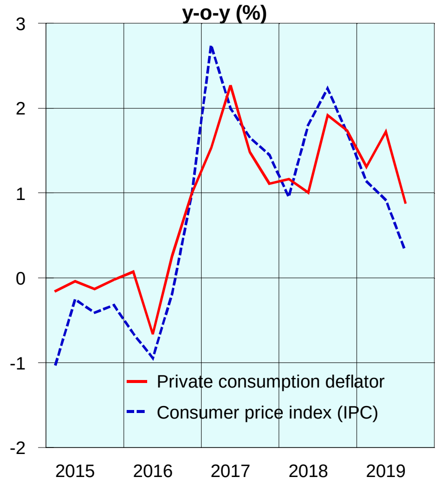
The Spanish economy prices, measured by the GDP implicit deflator, rose by 1.6% y-o-y in the third quarter of 2019, a rate equal to the one recorded in the previous quarter and the highest since the beginning of 2009, since the more moderate increase in the domestic demand deflator was offset by the smallest drop 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).

By demand components, the domestic demand deflator rose by 1.7% y-o-y in the third quarter of 2019, seven tenths less than in the previous period, mainly due to the slowdown in the private consumption deflator (0.9%, almost half than in the previous quarter). On the other hand, the terms of trade virtually stabilised (-0.2% y-o-y) after falling by 2.1% in the previous period, an evolution that is explained by a slowdown in the import deflator (2.7 points, to 0.3%) higher than that of the export deflator (eight tenths, to 0.1%).

From the income point of view, the unit labour costs (ULC) moderated the growth rate by six tenths in the third quarter of 2019, to 2.1%, although they continued to represent the main contribution to the GDP deflator increase (1 p.p., two tenths less than in the previous quarter). On the other hand, business margins, measured by the gross operating surplus and mixed income per product unit, maintained the growth rate unchanged at 0.9% (0.4 p.p. contribution, as in the second quarter), while taxes minus subsidies on production and imports per product unit turned from falling by 1%, to growing by 0.7% (0.1 p.p., compared to the -0.1 p.p. in the previous period).

Table 3.1 **Price indicators**

(% y-o-y change)									
	Annual data			*Quarterly data*					
	2017	2018	2019 (1)	18-II	18-III	18-IV	19-I	19-II	19-III
Deflators (QNA-CNTR)									
GDP deflator	1.4	1.1	1.5	1.0	0.9	1.3	1.3	1.6	1.6
National demand deflator	1.6	1.6	2.1	1.2	1.8	2.3	2.2	2.4	1.7
Private consumption deflator	1.6	1.5	1.3	1.0	1.9	1.7	1.3	1.7	0.9
Public consumption deflator	0.9	1.6	2.0	1.4	1.9	2.1	2.2	2.2	1.6
GFCF deflator	2.3	2.3	4.9	1.7	1.4	4.2	4.9	4.8	4.9
Export deflator	2.6	1.1	0.3	0.5	2.0	1.4	-0.1	0.9	0.1
Import deflator	3.4	2.7	1.9	1.1	4.9	4.6	2.6	3.0	0.3
	Annual data			*Monthly data*					
	2017	2018	2019 (1)	19-jul	19-ago	19-sep	19-oct	19-nov	
Consumer Price Index (IPC)									
General	2.0	1.7	0.7	0.5	0.3	0.1	0.1	0.4	
Energy products	8.0	6.1	-1.2	-2.4	-4.5	-6.6	-6.5	-5.2	
Fuels and lubricants	7.3	7.8	0.9	-0.2	-1.0	-1.9	-3.7	-0.7	
Electricity	9.7	2.5	-5.8	-7.1	-12.7	-17.1	-11.1	-11.6	
Unprocessed food	2.6	3.1	1.8	1.6	1.5	1.3	1.8	2.7	
Fresh fruit	0.9	7.8	-1.5	-5.0	-7.3	-4.6	1.8	5.6	
Fresh vegetables	7.4	-0.1	6.4	9.8	11.4	7.2	0.6	-0.7	
Core	1.1	0.9	0.9	0.9	0.9	1.0	1.0	1.0	
Processed food	0.7	1.0	0.5	0.5	0.6	0.6	0.7	0.9	
Non-energy industrial goods	0.2	0.0	0.3	0.3	0.4	0.4	0.5	0.4	
Services	1.6	1.5	1.4	1.4	1.4	1.5	1.4	1.5	
Package holidays	7.0	-0.2	-1.4	-0.8	0.7	1.8	-0.7	1.0	
Passenger transport by air	3.6	-1.6	-3.3	-4.1	-2.0	6.5	1.0	1.4	
Restaurants	1.5	1.8	1.9	1.9	1.9	1.9	1.9	1.9	
Rentals for housing	0.4	1.3	1.5	1.6	1.6	1.5	1.5	1.4	
Dif. HICP Spain-euro area (2)									
Overall inflation differential	0.5	-0.1	-0.4	-0.4	-0.6	-0.6	-0.5	-0.5	
Core inflation differential	0.0	-0.2	-0.2	-0.1	0.0	-0.1	-0.2	-0.3	

(1) Average of available period.
(2) HICP: Harmonised Index of Consumer Prices.
Source: INE (CNTR and IPC) and Eurostat (HICP).

The CPI accelerates three tenths in November, up to 0.4%, and four additional tenths in December, up to 0.8%, mainly due to the lower decrease in energy prices

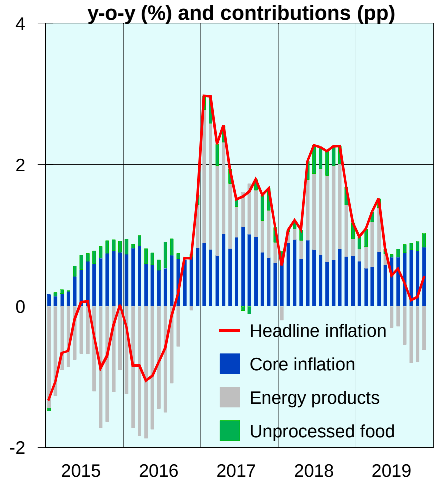
Consumer prices, measured by the CPI, accelerated three tenths in November 2019, up to 0.4%, and four additional tenths in December, up to 0.8%, mainly due to the lower decrease in energy prices.

In particular, the CPI acceleration in December 2019 is mainly due to the fact that energy products prices moderated the fall rate more than three points (-2.1% y-o-y, compared to the -5.2% recorded in November), largely due to a base effect associated with the steep decrease registered by fuel and lubricant prices in December 2018, while electricity prices accelerated the fall.

The remaining CPI components showed relative stability in their y-o-y rates: non-processed food prices rose by 2.9%, two tenths more than in the previous month, mainly due to the rebound in the fresh vegetables and pulses item (1.6%, after falling by 0.8% in November). Processed food prices grew by 0.8%, one tenth less than the previous month, non-energy industrial goods prices by 0.2% (0.4% in November) and services prices by 1.6%, one tenth more than in the previous month. Thus, core inflation, which excludes energy and non-processed food, remained at 1% for the fourth consecutive month.

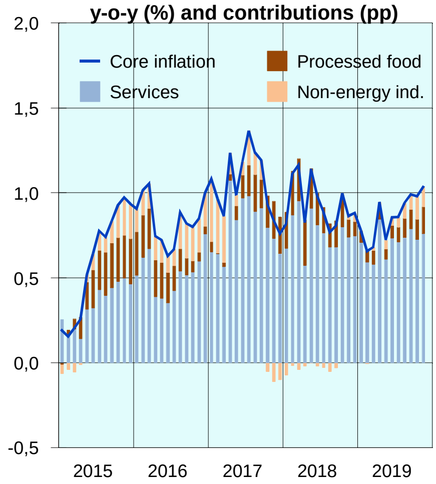
2019 as a whole ended with an average annual rate of the general CPI of 0.7%, one point lower in comparison to 2018, mainly due to energy prices, which fell by 1.2%, after growing by 6.1% in 2018. Food and service prices also contributed to reducing inflation in 2019 although to a lesser extent (they slowed down seven and one tenths, respectively, down to 1% and 1.4%), while BINE prices grew slightly, by 0.3%, after the stabilisation in 2018.

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)

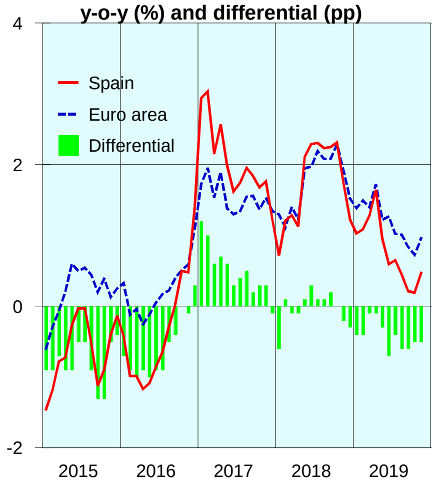


Source: own elaboration from INE.

The favourable inflation differential with respect to the Eurozone remains stable

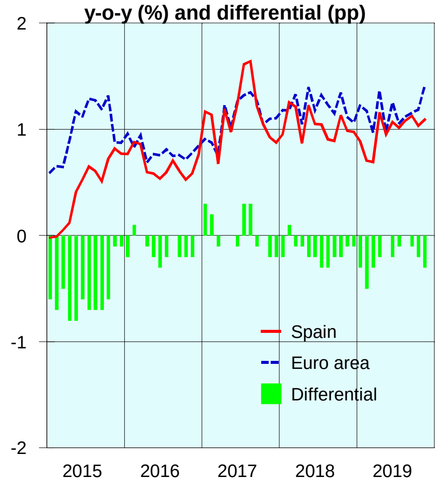
In harmonised terms, the y-o-y rate of the CPI in Spain rose three tenths in December compared to the previous month, up to 0.8%, while inflation in the Eurozone as a whole, according to the flash estimate published by Eurostat, reached 1.3% in the same period, resulting in a favourable differential to Spain of 0.5 percentage points for the third consecutive month.

G 3.5 HEADLINE HICP
y-o-y (%) and differential (pp)



Source: INE and Eurostat.

G 3.6 CORE HICP
y-o-y (%) and differential (pp)



Source: own elaboration from INE and Eurostat.

Industrial prices continue to fall due to the energy component

The Producer Price Index (PPI) continued to fall in November at rates above 2% (-2.3%, after the -2.8% in October), mainly due to the energy component. For its part, the non-energy PPI, fell for the second time in more than three years (-0.1%, compared to the -0.2% recorded in October), mainly due to the prices of production of olive oil, metallurgy and basic chemical products. On the other hand, the rise in meat processing and preservation prices stood out (15.1%, the highest rate since the beginning of the time series in 2002).

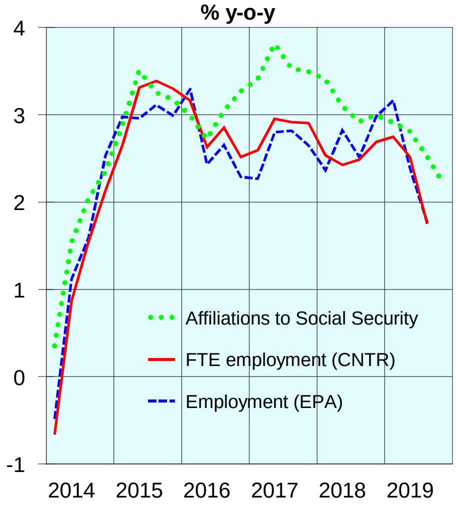
4.- LABOUR MARKET

With regards to the labour market, the figures of the Labour Force Survey (LFS), the QNA and Social Security covered workers show a lower dynamism of job creation in the third quarter of 2019, all of them recording y-o-y rates close to 2%. With regard to wages, compensation per employee continued to grow at a rate of 2.2% in the third quarter of last year, in line with the average increase agreed in collective bargaining for 2019 (2.3%).

Full-time equivalent employment creation moderates in the third quarter of 2019, to 1.8% y-o-y

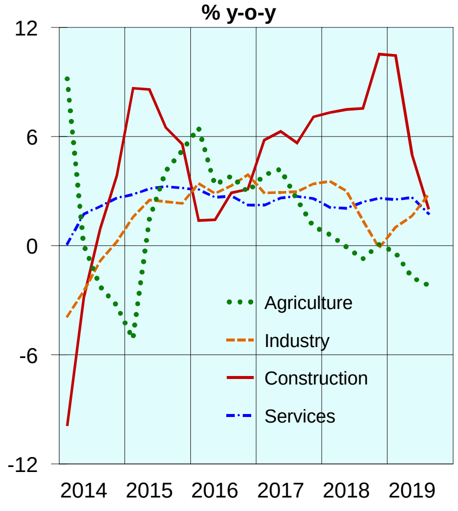
According to QNA figures, employment rose by 1.8% y-o-y in the third quarter of 2019 in terms of full-time equivalent employment, with seasonally and calendar adjusted data, seven tenths less than in the previous quarter. By branches, employment was created in the main non-agricultural branches, with rates of 1.9% in services, eight tenths lower than in the second quarter, 2.6% in industry, compared to the 1.4% registered in the previous quarter, and 2.2% in construction, a rate less than half compared to the figure recorded in the previous period.

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 also grew by 1.8% in the third quarter of 2019, a rate four tenths lower than in the previous quarter and coincident with that of LFS employment (1.8%, six tenths less than in the previous period). For its part, Social Security covered workers, excluding non-professional caregivers, registered a growth of 2.3% in the same period, four tenths lower than the previous quarter.

Table 4.1 **Labour market indicators**

	Annual data		*Quarterly data*				
	Change		Y-o-y change				Level
	(%)		(%)			(Thousands)	(Thousands)
	2018	2019 (1)	19-II	19-III	19-IV	19-III	19-III
QNA-CNTR (2)							
Employment	2.2	2.2	2.2	1.8	-	352.1	20212.9
Hours actually worked	2.6	1.5	1.3	0.8	-	69150.4	8507949.5
Full-time equivalent employment	2.5	2.4	2.5	1.8	-	331.5	18338.5
Agriculture	0.0	-1.3	-1.6	-1.7	-	-12.4	709.0
Industry	1.9	1.7	1.4	2.6	-	54.8	2168.9
Construction	8.2	5.8	5.0	2.2	-	27.2	1248.4
Services	2.3	2.4	2.7	1.9	-	261.9	14212.2
Employees	2.7	2.5	2.4	2.3	-	389.5	17475.3
EPA							
Employment	2.7	2.4	2.4	1.8	-	346.3	19874.3
Full-time	3.1	2.4	2.5	1.6	-	270.9	17085.1
Part-time	0.4	2.5	1.8	2.8	-	75.4	2789.2
Part-time rate (3)	-0.3	0.0	-0.1	0.1	-	-	14.0
Actual hours worked per worker	0.7	-1.2	-2.1	-1.3	-	-0.5	37.3
Employees	3.3	2.8	2.7	2.2	-	356.4	16790.0
Permanent	3.1	3.5	3.3	3.3	-	387.9	12313.6
Temporary	3.8	0.9	1.0	-0.7	-	-31.5	4476.4
Temporary employment rate (3)	0.1	-0.5	-0.4	-0.8	-	-	26.7
Unemployment	-11.2	-7.7	-7.4	-3.4	-	-111.6	3214.4
Unemployment rate (3)	-2.0	-1.3	-1.3	-0.6	-	-	13.9
Active population	0.3	0.9	0.9	1.0	-	234.7	23088.7
Activity rate (3)	-0.2	-0.1	-0.1	0.0	-	-	58.7
Social Security covered workers							
Total	3.1	2.6	2.8	2.5	2.2	477.2	19392.3
Excl. non-professional caregivers (4)	3.1	2.5	2.7	2.3	2.0	441.6	19348.9
Registered unemployment							
Total	-6.5	-4.0	-5.0	-3.8	-1.8	-120.9	3052.3

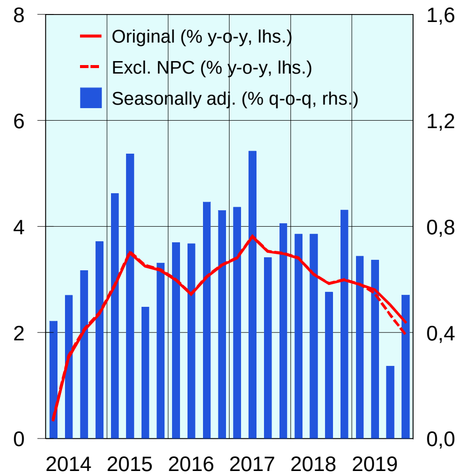
	Monthly data						
	Y-o-y change						Level
	(%)					(Thousands)	(Thousands)
	19-aug	19-sep	19-oct	19-nov	19-dec	19-dec	19-dec
Social Security covered workers							
Total	2.5	2.4	2.3	2.3	2.0	384.4	19408.5
Excl. non-professional caregivers (4)	2.4	2.2	2.1	2.0	1.8	337.5	19354.1
Registered unemployment							
Total	-3.7	-3.8	-2.4	-1.7	-1.2	-38.7	3163.6

(1) Average of available period.
(2) Seasonally and calendar adjusted data.
(3) Y-o-y change in percentage points.
(4) Register of non-professional caregivers is picking up since April 2019, when their social contributions became eligible for public funding.
Sources: INE (CNTR and EPA) and MTMS (Social Security and SEPE).

Social Security covered workers grows by 2.2% y-o-y in the fourth quarter of 2019

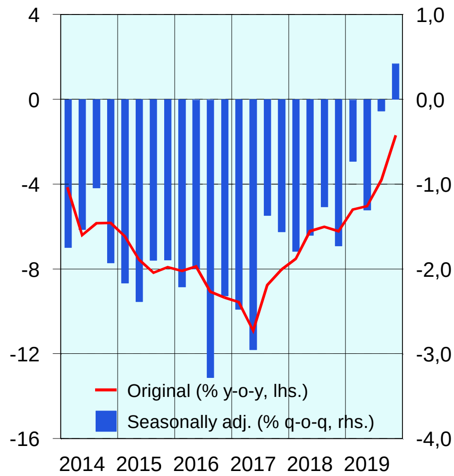
According to the latest labour market information, Social Security covered workers moderated the rate of job creation three tenths in the fourth quarter of 2019, to 2.2%, (2% excluding non-professional caregivers), an evolution to which all branches of activity have contributed, where services should be noted (2.3%, excluding non-professional caregivers, two tenths less than in the third quarter). By sectors, Social Security covered workers slowed down four tenths in the private (1.8%, excluding non-professional caregivers) and three in the public (3.2%) sector.

G 4.3 S.S. COVERED WORKERS
% change



Source: Social Security.

G 4.4 REGISTERED UNEMPLOYMENT
% change



Source: SEPE.

The favourable behaviour of Social Security covered workers continued to be reflected in the registered unemployment reduction process, which recorded a decrease of 1.8% in the fourth quarter of 2019 (-3.8% in the third quarter), reflecting the moderation of the fall rate in all branches, especially in services (-1%, a fall rate almost three times more moderate than in the previous period).

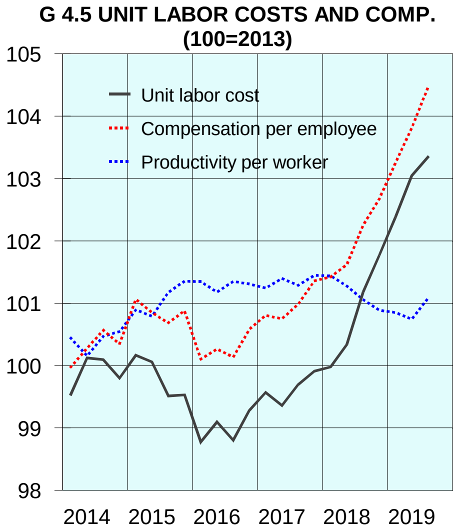
Compensation per employee rises by 2.2% in the third quarter of 2019

Compensation per employee, according to the QNA, rose in the third quarter of 2019 by 2.2% y-o-y, a rate identical to the one registered in the previous quarter and the highest rate since mid-2010, after the figure recorded in the fourth quarter of 2013, the latter affected by the base effect of the suspension of bonus pay to civil servants in the same period of the previous year. The increase observed in compensation per employee is very similar to that of the agreed wage increase in collective bargaining for the year as a whole (2.3% with data up to December 2019, published by the Ministry of Employment, Migrations and Social Security).

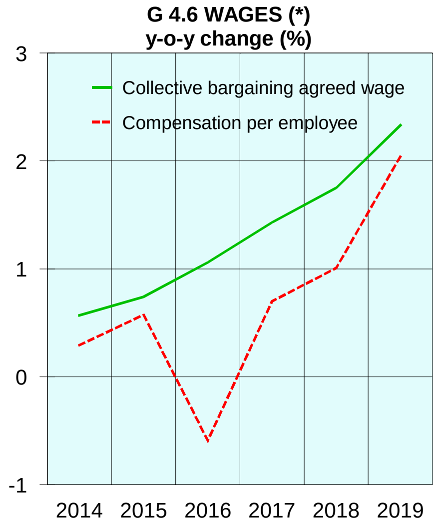
Likewise, the labour cost per worker, according to the Quarterly Labour Cost Survey (ETCL, as per its Spanish abbreviation), which excludes agriculture and certain services, rose by 2.1% y-o-y in the third quarter of last year, with calendar and seasonal adjusted data, a rate three tenths lower than that of the previous quarter and equal to that of the non-agricultural employee compensation of the QNA.

For its part, according to the QNA, apparent labour productivity stabilised in the third quarter of 2019, after five consecutive quarters of falls (-0.5% y-o-y in the second quarter), as a result of an employment growth equivalent to full time equal to that of the real GDP (1.8%).

In this context of productivity stabilisation, the increase in compensation per employee resulted almost entirely in a 2.1% increase in unit labour costs (ULC), six tenths lower in comparison to the figure recorded in the previous period.



Source: own elaboration from CNTR.



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

Table 4.2 **Wage indicators**

	Y-o-y (%)							
	Annual data			*Quarterly data*				
	2017	2018	2019 (1)	18-IV	19-I	19-II	19-III	19-IV
<u>QNA-CNTR</u> (2) (3)								
Compensation per employee	0.7	1.0	2.0	1.3	1.8	2.2	2.2	-
Sectors Agriculture	1.2	-0.6	-0.9	-0.7	-0.3	-1.3	-1.1	-
Industry	1.2	0.5	1.1	0.1	1.3	1.3	0.8	-
Construction	-1.2	1.0	1.4	0.9	-0.4	2.2	2.4	-
Services	0.8	1.2	2.2	1.7	2.1	2.3	2.3	-
Deflated by GDP	-0.7	-0.1	0.5	0.0	0.5	0.5	0.5	-
private consumption	-0.9	-0.4	0.7	-0.4	0.5	0.4	1.3	-
Unit labour cost	0.7	1.2	2.4	1.9	2.4	2.7	2.1	-
Sectors Agriculture	7.3	-6.1	-0.7	-7.2	-0.8	1.6	-2.9	-
Industry	1.2	2.8	2.3	2.0	2.8	2.1	2.2	-
Construction	0.0	3.4	2.9	5.2	3.5	3.0	2.2	-
Services	0.4	0.8	2.0	1.5	1.8	2.2	2.0	-
Compensation per employee hour	1.2	0.8	2.7	1.3	1.8	3.2	3.1	-
<u>ETCL</u> (2)								
Labour cost per worker	0.2	1.0	2.2	1.1	2.0	2.4	2.1	-
Labour cost per hour worked	0.0	1.4	2.5	1.5	2.4	3.0	2.2	-
<u>Collective agreements</u>								
Agreed wage rise (4)	1.4	1.7	2.3	1.7	2.2	2.2	2.3	2.3

(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).

The agreed wage increase in collective bargaining reaches 2.3% in 2019

According to the Collective Agreements Statistics, published by the Ministry of Employment, Migrations and Social Security, the average agreed wage increase in collective bargaining for 2019 reached 2.3%, with information up to December of that year. This wage increase is six tenths higher than that of the previous year (1.7% in agreements registered up to December 2018).

Among the agreements signed in 2019 (the rest were signed in previous years), which affect 24.2% of workers covered by collective agreements, the wage increase stands at 3.1%.

The number of workers affected by opt-outs of the agreement stood at 22,280 with data up to December 2019, 6.5% more than in 2018. In terms of workers affected, 99.2% of opt-outs were reached by agreement, and 87.8% took place in SMEs.

5.- PUBLIC SECTOR

On 23rd December 2019, the Ministry of Finance published the data of non-financial transactions of the General Government, in terms of National Accounts of the third 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 October. The Ministry published as well the non-financial operations of the State, in terms of both National Accounts and Cash, corresponding to November.

On the other hand, 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 November.

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

	Q3 2019	Q3 2018	Change (pp)
National Accounts			
TOTAL GG CONSOLIDATED	**-1,47**	**-1,21**	**-0,26**
Central Government	**-0,85**	**-1,16**	**0,31**
Regional Government	**-0,29**	**0,13**	**-0,42**
Local Government	**0,20**	**0,30**	**-0,10**
Social Security Funds	**-0,54**	**-0,49**	**-0,05**
	2019 October	2018 October	Change (pp)
National Accounts			
GG excluding Local Government (consolidated)	**-1,41**	**-1,08**	**-0,33**
Central Government	**-0,58**	**-0,73**	**0,15**
Regional Government	**-0,35**	**0,14**	**-0,49**
Social Security Funds	**-0,47**	**-0,49**	**0,02**
	2019 November	2018 November	Change (pp)
STATE			
National Accounts	*-0,88*	*-0,97*	*0,09*
Cash (1)	*-0,32*	*-0,53*	*0,21*
SOCIAL SECURITY			
Budget Outturn (2)	*-0,46*	*-0,54*	*0,08*

(*) Including the net balance of support provided to financial institutions. (1) Includes cash inflows and outflows from 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 Seguridad Social.

With regard to debt, the Bank of Spain (BoS) published the General Government Debt data, following the Excessive Deficit Procedure (EDP) methodology, for the third quarter of 2019 as well as those corresponding to October 2019 and the State EDP Debt figures, corresponding to November.

The General Government deficit reaches 1.47% of GDP up to the third quarter of 2019

Up to the third quarter of 2019, the General Government sector registered a deficit, in terms of National Accounts, of € 18.4 billion (1.47% of GDP), including the support provided to financial institutions, higher than the same period of the previous year (1.21% of GDP). This greater deficit is explained by an increase in non-financial resources (4.0%) lower than that of non-financial uses (4.9%). Among resources, the high growth of social contributions (7.4%) and current taxes on income, wealth, etc. (4.0%) should be noted and, among the expenses, the rise of social benefits other than transfers in kind (6.5%) and compensation of employees (5.3%).

By subsectors, all decrease their balance except the Central Government, whose deficit in in GDP percentage fell from 1.16% in the period between January and September 2018 down to 0.85% in the same period of 2019. On the other hand, the Social Security Funds registered a deficit of 0.54% of GDP, a figure slightly above, by 0.05 points, in comparison to 2018; the Regional Government went from registering a surplus up to the third quarter of 2018 of 0.13% of GDP to a deficit of 0.29% in the same period of 2019; and the Local Administration decreased its surplus by 0.1 GDP points, to 0.20%.

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

	Third quarter		**y-o-y growth**	**% of GDP**	
	2018	**2019**		**2018**	**2019**
1. NON-FINANCIAL REVENUE	**341,695**	**355,532**	**4.0**	**28.42**	**28.47**
Taxes	200,305	205,805	2.7	16.66	16.48
* Taxes on production and imports	108,319	110,384	1.9	9.01	8.84
* Current taxes on income, wealth, etc.	87,911	91,450	4.0	7.31	7.32
* Capital taxes	4,075	3,971	-2.6	0.34	0.32
Social contributions	111,074	119,252	7.4	9.24	9.55
Transfers within general government	-	-	-	-	-
Other revenue	30,316	30,475	0.5	2.52	2.44
2. NON-FINANCIAL EXPENDITURE	**356,287**	**373,918**	**4.9**	**29.64**	**29.94**
Intermediate consumption	44,470	46,052	3.6	3.70	3.69
Compensation of employees	91,359	96,227	5.3	7.60	7.71
Interest	21,801	20,896	-4.2	1.81	1.67
Subsidies	7,803	8,090	3.7	0.65	0.65
Social benefits other than social transfers in kind	132,699	141,318	6.5	11.04	11.32
Social transfers in kind: market production purchased by general government	21,965	22,792	3.8	1.83	1.83
Gross fixed capital formation	18,761	19,415	3.5	1.56	1.55
Transfers within general government	-	-	-	-	-
Other expenditure	17,429	19,128	9.7	1.45	1.53
3. NET LENDING (+) NET BORROWING (-) (1-2)	**-14,592**	**-18,386**	**26.0**	**-1.21**	**-1.47**

Source: IGAE. Ministerio de Hacienda.

The General Government deficit excluding Local Governments stands at 1.41% of GDP up to October 2019

On a consolidated basis, the Central Government, the Regional Governments and the Social Security Funds (total General Government excluding Local Governments) recorded up to October 2019 a deficit in terms of National Accounts of € 17.6 billion, equivalent to 1.41% of GDP, representing an increase of 0.33 p.p. compared to the same period of the previous year (1.08% of GDP). Excluding the net balance of support to financial institutions, the deficit up to October 2018 and 2019, measured as a percentage of GDP, does not change. The primary surplus registered up to October was € 5.3 billion (0.42% of GDP), compared to the € 10.8 billion recorded a year earlier, (0.90% of GDP).

The higher consolidated deficit of the General Government excluding Local Governments is explained by a y-o-y increase in resources (3.8%) lower than that of uses (4.9%). On the revenue side, tax collection increased by 1.7%. Taxes on production and imports grew by 1.7%, largely due to VAT, whose revenues increased by 2.7% in the territory subject to the Common Fiscal Regime. On the other hand, it should be noted that the Tax on the Value of the Production of Electric Energy collected by the State fell € 731 million, due to the measures approved in RDL 15/2018.

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

	October		y-o-y growth	% of GDP	
	2018	**2019**		**2018**	**2019**
1. NON-FINANCIAL REVENUE	**357,094**	**370,632**	**3,8**	**29.70**	**29.68**
Taxes	198,437	201,720	1,7	16.51	16.15
* Taxes on production and imports	96,446	98,080	1,7	8.02	7.85
* Current taxes on income, wealth, etc.	99,633	101,456	1,8	8.29	8.12
* Capital taxes	2,358	2,184	-7,4	0.20	0.17
Social contributions	123,357	132,647	7,5	10.26	10.62
Transfers within general government	9,599	10,099	5,2	0.80	0.81
Other revenue	25,701	26,166	1,8	2.14	2.10
2. NON-FINANCIAL EXPENDITURE	**370,104**	**388,209**	**4,9**	**30.79**	**31.09**
Intermediate consumption	32,404	33,781	4,2	2.70	2.70
Compensation of employees	82,681	87,245	5,5	6.88	6.99
Interest	23,845	22,879	-4,1	1.98	1.83
Subsidies	7,545	8,023	6,3	0.63	0.64
Social benefits other than social transfers in kind	146,239	155,667	6,4	12.16	12.46
Social transfers in kind: market production purchased by general government	23,884	24,887	4,2	1.99	1.99
Gross capital formation	15,177	15,119	-0,4	1.26	1.21
Transfers within general government	20,849	21,134	1,4	1.73	1.69
Other expenditure	17,480	19,474	11,4	1.45	1.56
3. NET LENDING (+) NET BORROWING (-) (1-2)	**-13,010**	**-17,577**	**35,1**	**-1.08**	**-1.41**

Source: IGAE. Ministerio de Hacienda.

Revenue derived from current taxes on income and wealth rose by 1.8%, due to the Personal Income Tax, whose collection grew by 11.1%, in the State, and by 3.0%, in the Regional Governments. This increase has been partly offset by the decrease of € 2.2 billion of the Corporate Income Tax. The decrease of the second instalment payment of 2019 has been decisive in this tax's evolution, which in national accounting implies approximately € 1.8 billion less, and that of liquidations of the administration, € 959 million less. It is also worth mentioning the return of minutes to a company for an amount slightly higher than € 700 million.

Revenues from Non-Residents Income Tax decreased by 21.0%, mainly due to the rise in reimbursements and the lower amount of revenues derived from inspections.

On the other hand, the General Government social contributions excluding Local Governments rose by 7.5% up to October (in particular, those collected by the Social Security Funds increased by 8.1%). This result has been influenced by the growth in Security covered workers (2.3% y-o-y), as well as by several measures approved by RDL 28/2018, among which the rise of the minimum and maximum contribution bases in the general regime should be noted (22.3% and 7.0%, respectively).

With regards to expenses, the social benefits other than transfers in kind (6.4%, partly due to the growth in pensions applied since January 2019, following RDL 28/2018, which is added to the rise applied since July 2018); and the compensation of employees (5.5%) should be noted. Likewise, the higher contribution to the EU based on VAT and GNI resources should also be mentioned, which increased by 12.1% y-o-y, as well as of intermediate consumption and social transfers in kind: production acquired in the market (both grow by 4.2% y-o-y) and the tax return on maternity and paternity benefit (€ 899 million up to October, without correspondence in the same period of 2018). On the other hand, accrued interest (-4.1%) and gross fixed capital formation (-0.5%) decrease in y-o-y terms.

With regard to the balance of non-financial operations by subsectors, the Central Government recorded a deficit of 0.58% of GDP up to October 2019, 0.15 p.p. lower compared to the figure recorded in the same period of 2018. The Regional Administration registered a deficit of 0.35% of GDP, while it had registered a surplus in relation to GDP of 0.14% up to October 2018. On the other hand, the Social Security Funds recorded a deficit of 0.47% of GDP, 0.02 p.p. lower compared to the figure registered in the same period of 2018. Within the Central Government, the State deficit decreased by 22.8% y-o-y, while that of the Other Central Government Bodies rose by 43.5%.

Regarding current transfers between sub-sectors of the General Government, the increase in transfers from the Regional Governments to the State (14.7%, up to € 9.3 billion), and the decrease in transfers from the State to the Regional Governments (-0.5%, up to € 67.3 billion), the increase in advanced payments of the State to the Local Governments by the Financing System (0.9%), the transfers from the Regional Governments to the Local Governments (3.9%) and the decrease in current transfers from the State to the Social Security funds (-4.2%), down to € 13.6 billion, should be noted.

The primary surplus of the State stood at 0.94% of GDP up to November

Up to November 2019, the State registered a deficit, in terms of National Accounts of € 11 billion, equal to 0.88% of GDP, 0.09 p.p. lower compared to that of a year earlier (0.97%). This lower deficit is due to a rise in non-financial resources (2.6%) higher than that of non-financial uses (2.0%). In the first eleven months of the year, the State has registered a primary surplus of € 11.7 billion (0.94% of GDP), lower in comparison to the figure recorded in the same period of the previous year (€ 12.1 billion, 1.00% of GDP).

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

	November		y-o-y growth	% of GDP	
	2018	**2019**		**2018**	**2019**
1. NON-FINANCIAL REVENUE	**181,722**	**186,357**	**2.6**	**15.12**	**14.92**
Taxes	154,627	157,302	1.7	12.86	12.60
* Taxes on production and imports	88,164	90,977	3.2	7.33	7.28
* Current taxes on income, wealth, etc.	66,331	66,360	0.0	5.52	5.31
* Capital taxes	132	-35	-126.5	0.01	0.00
Social contributions	6,443	6,331	-1.7	0.54	0.51
Transfers within general government	11,182	13,527	21.0	0.93	1.08
Other revenue	9,470	9,197	-2.9	0.79	0.74
2. NON-FINANCIAL EXPENDITURE	**193,431**	**197,344**	**2.0**	**16.09**	**15.80**
Intermediate consumption	4,362	4,753	9.0	0.36	0.38
Compensation of employees	15,784	16,501	4.5	1.31	1.32
Interest	23,781	22,673	-4.7	1.98	1.82
Subsidies	4,180	3,677	-12.0	0.35	0.29
Social benefits other than social transfers in kind	14,488	15,934	10.0	1.21	1.28
Social transfers in kind: market production purchased by general government	467	436	-6.6	0.04	0.03
VAT and GNI-based EU own resources	9,268	9,773	5.4	0.77	0.78
Transfers within general government	110,068	112,467	2.2	9.16	9.01
Gross fixed capital formation	4,759	4,106	-13.7	0.40	0.33
Capital transfers within general government	2,352	2,685	14.2	0.20	0.21
Other expenditure	3,922	4,339	10.6	0.33	0.35
3. NET LENDING (+) NET BORROWING (-) (1-2)	**-11,709**	**-10,987**	**-6.2**	**-0.97**	**-0.88**

Source: IGAE. Ministerio de Hacienda.

Within non-financial resources, taxes grew at a y-o-y rate of 1.7%. Taxes on production and imports rose by 3.2%, driven by VAT, which increased by 3.7%. On the other hand, current taxes on income and wealth registered a figure similar to the one recorded in 2018 (€ 66.4 billion): the Personal Income Tax rose by 7.6% once the part corresponding to the Regional Governments was deducted, while revenues from Corporate Income Tax fell by € 2.2 billion. On the other hand, taxes on capital fell by 126.5%, due to the fact that an extraordinary Inheritance and Donations Tax refund amounting to € 124 million was made in November, although its weight in the total tax collection is limited. Moreover, the transfers received from other General Government units, which increased by 21.0%, due to the higher income received from the Regional Governments and Local Corporations in the framework of the financing system should be noted.

Within non-financial uses, the increase in the social benefits other than social transfers in kind (10.0%, driven by pensions of the civil servants scheme, which grew by 6.5%); intermediate consumption (9.0%, driven by the expenditure made to cover electoral expenses); the contribution to the EU based on VAT and GNI resources (5.4%); compensation of employees (4.5%), current transfers to other public administrations (2.2%) stand out, where the increase in transfers to the

Social Security Funds (6.1%), Local Corporations (2.6%) and to the Regional Governments (1.6%), derived in both cases from the Financing System is significant. On the other hand, gross fixed capital formation (-13.7%), subsidies (-12.0%), social transfers in kind (-6.6%) and accrued interest (-4.7%) fell. The rest of current uses rose by 10.6%.

In terms of Cash, the State recorded a deficit of 0.32% of GDP up to November 2019, lower compared to the 0.53% deficit recorded in the same period of 2018.

The lower borrowing requirement of the State up to November 2019, which fell by 20.2% in comparison to the same period of the previous year (€ 6.5 billion less), reaching € 25.7 billion, was due to the lower cash deficit (€ 2.4 billion less) and the decrease in the net variation of financial assets (€ 21.7 billion, € 4.1 billion less).

It is worth noting the positive variation of loans (€ 12.1 billion), mainly due to the loan granted to the Social Security, and the current account at the Bank of Spain (€ 9.9 billion), partially offset by the negative variation of other net assets (€ -1.8 billion). The borrowing requirement has been mainly financed through domestic medium and long-term debt (€ 27.5 billion).

The Social Security deficit reaches 0.46% of GDP up to November

The budget outturn of the Social Security, recorded a deficit up to November 2019 of 0.46% of GDP. This percentage is 0.08 p.p. below the figure recorded in the same period of 2018 (0.54% of GDP). Revenues grew by 7.7% in y-o-y terms, driven by social contributions, which also rose by 8.0%.

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 November	2019 November	% Change
1. REVENUE	**135,026**	**135,253**	**0.2**	**124,615**	**134,268**	**7.7**
Social Security contributions	114,999	114,916	-0.1	105,236	113,627	8.0
Current transfers	18,081	18,441	2.0	17,627	19,112	8.4
of which: from the State	14,650	14,876	1.5	14,499	15,496	6.9
Property income	273	228	-16.4	246	104	-57.6
Other revenue (1)	1,673	1,667	-0.3	1,505	1,425	-5.3
2. EXPENDITURE	**151,988**	**152,565**	**0.4**	**131,065**	**139,974**	**6.8**
Pensions	130,783	129,495	-1.0	112,237	118,247	5.4
Sickness benefits	7,491	7,980	6.5	6,576	8,406	27.8
Maternity benefits	2,388	2,559	7.2	2,182	2,405	10.2
Other benefits	2,058	2,197	6.7	1,912	2,100	9.9
Wages and salaries	2,254	2,394	6.2	1,969	2,007	2.0
Purchase of goods and services	1,393	1,542	10.7	1,211	1,221	0.8
Other revenue (2)	5,620	6,398	13.8	4,978	5,588	12.2
3. BALANCE OF NON-FINANCIAL TRANSACTIONS (1-2)	**-16,962**	**-17,312**	**2.1**	**-6,450**	**-5,705**	**-11.5**
As % of GDP	-1.4	-1.4		-0.54	-0.46	

(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.

On the other hand, expenses increased by 6.8%, where the pensions evolution should be noted as they rose by 5.4% y-o-y. The rise in benefits for temporary disability (27.8%), from € 8.4 billion (€ 6.6 billion in the same period of 2018) should be also 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 (€ 1.3 billion), as result of a change in budget allocation criteria.

The General Government debt-to-GDP ratio fell one point in the third quarter of 2019, down to 97.9%

According to the BoS, the General Government EDP Debt, reached a balance of € 1,207.8 billion at the end of the third quarter of 2019, a figure € 30.0 billion higher compared to the one recorded a year earlier. Using the cumulative nominal GDP of the last four quarters, the General Government debt-to-GDP ratio up to September 2019 stood at 97.9%, a figure one point lower compared to the one recorded in the same period of 2018.

By subsectors, the Central Government EDP Debt reached € 1,074.2 billion in September, 87.1% of GDP, a figure 1.0 points lower in comparison to that registered a year earlier. The Social Security Administrations debt stood at € 52.4 billion, 4.3% of GDP, 1.4 points more than in the same period of the previous 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 € 298.1 billion in September, 24.2% of GDP, four tenths lower than in the third quarter of 2018. Local Corporations registered a debt of € 25.2 billion in September, representing 2.0% of GDP, four 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 € 242.2 billion, 19.6% of GDP, a ratio six tenths higher than the figure registered in the third 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 € 36.8 billion in y-o-y terms, while short-term debt securities decreased by € 361 million. The € 6.7 billion fall recorded by loans should also 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**

	Q3 2019	Q3 2018	Change (pp)
TOTAL General Government consolidated	**97.8**	**98.9**	**-1.1**
Central Government	87.0	88.1	-1.1
Regional Government	24.1	24.6	-0.5
Local Government	2.0	2.4	-0.4
Social Security Funds	4.2	2.9	1.3
Assets held by Government (consolidation)	19.6	19.0	0.6

Source: Banco de España.

The General Government EDP Debt stood at € 1,194.8 billion in October

According to the BoS, the General Government Debt, according to the EDP methodology, reached € 1,194.8 billion at the end of October 2019, a figure € 12.9 billion lower compared to the one recorded in September and € 31.7 billion higher versus a year earlier. It should be noted that the monthly balance has a volatile evolution conditioned by the concentration of issuances in the first months of the year (the debt rises) and redemptions in January, April, July, October and November (the debt decreases). In comparison to September, a decrease in debt securities amounting to € 13.9 billion and a rise in loans amounting to € 979 million took place.

By subsectors, the State, the Regional Government and the Social Security increased their debt compared to the same month of 2018, up to € 1,050.7 billion, € 298.9 billion and € 53.7 billion, respectively. On the other hand, the Local Corporations and the Central Government Bodies continued to reduce their debt, to € 25.5 and € 28.3 billion, respectively.

The debt owned by the General Government units, which is deducted to obtain the General Government consolidated debt, amounted to € 262.2 billion in October, which represents an increase of € 18.3 billion compared to a year earlier. This item includes the loans granted by the State to other subsectors and the assets held by the Social Security Reserve Fund. Up to October, the State had granted loans amounting to € 12.5 billion to the General Treasury of the Social Security.

By instrument, long-term debt securities increased by € 31.7 billion in comparison to a year earlier, while short-term debt securities decreased by € 708 million. The € 554 million rise recorded by loans should be pointed out.

According to the BoS, by the end of November 2019, the State's EDP Debt reached € 1,050.9 billion, € 217 million higher in comparison to the previous month and by € 19.1 million compared to a year earlier.

By instruments, € 915.2 billion of the State debt correspond to long-term debt securities (€ 21.3 billion more than a year ago); € 68.0 billion with short-term debt securities (€ 3.1 billion less); and the rest, € 67.7 billion, with loans and deposits (€ 1.0 billion more than in the same period of the previous year). Out of the balance at the end of November, € 235 million correspond to debt in currencies other than the euro.

By counterpart sectors, € 516.0 billion are assets held by resident sectors (€ 28.0 billion less than in the same month of 2018) and € 534.9 billion correspond to the rest of the world (€ 47.1 billion more than in November 2018). Out of the assets held by residents, € 10.5 billion are held by other General Government units (€ 2.8 billion less than a year ago).

6.- BALANCE OF PAYMENTS

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

According to the Balance of Payments data, in the period between January and October 2019 the Spanish economy generated net lending to the rest of the world amounting to € 20.3 billion, below the figure registered in the same period of the previous year (€ 21.7 billion). This reduction is mainly explained by the current account balance, whose surplus went from registering € 19.3 billion in the first ten months of 2018 to € 18.4 billion in the same period of 2019, and, to a lesser extent, to the capital account, whose surplus fell € 485 million. In turn, the lower current surplus is explained by the greater deficit of the primary and secondary income, while the surplus of goods and services has increased slightly.

Trade of goods and services with the rest of the world generated a surplus of € 30.1 billion up to October 2019, 0.2% higher compared to the figure recorded in the same period of 2018, where exports (2.2%) increased slightly less than imports (2.4%).

The deficit of goods, according to Customs data, remained stable in the first ten months of the year compared to the same period of 2018, due to the fact that the largest non-energy deficit (€ 2.8 billion more) was offset by the lower energy deficit (€ 2.8 billion less). Using the unit value indices of the Ministry of Economy and Business, an improvement of 0.8% is observed in the terms of trade in that period.

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

Million euro

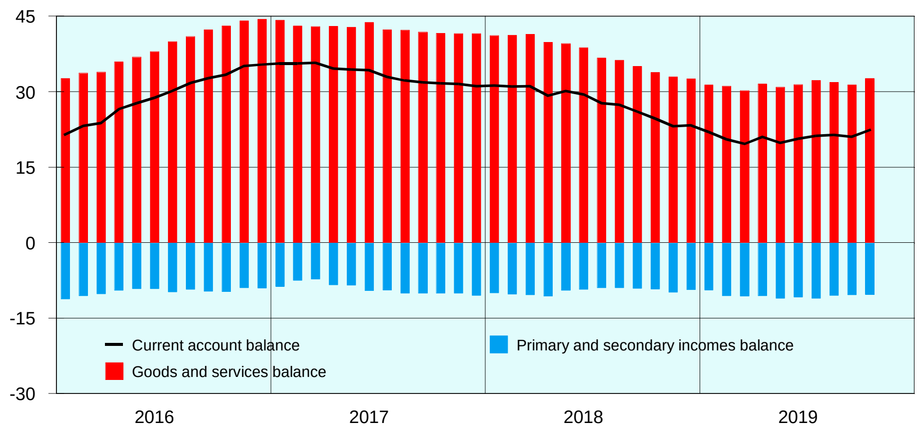
	January-October 2018			January-October 2019		
	Credit	Debit	Net	Credit	Debit	Net
Current and capital accounts	**418,467**	**396,731**	**21,736**	**426,472**	**406,157**	**20,320**
Current account	**414,968**	**395,659**	**19,308**	**423,263**	**404,891**	**18,373**
Goods and services	355,748	325,715	30,030	363,531	333,439	30,089
Tourism	*61,445*	*18,898*	*42,547*	*63,398*	*20,845*	*42,553*
Primary and secondary income	59,220	69,944	-10,724	59,732	71,452	-11,716
Capital account	**3,499**	**1,072**	**2,429**	**3,209**	**1,266**	**1,944**

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

The balance of tourism remains virtually stabilised

The balance of tourism services accumulated a surplus of € 42.6 billion up to October 2019, similar to the figure recorded in the same period of 2018 (€ 42.5 billion). Tourism revenues grew by 3.2% y-o-y in this period, and payments by 10.3%. Foreign tourists´ expenditure, according to the Tourist Expenditure Survey (EGATUR), increased by 2.9% up to October (2.6% in the same months of 2018) and tourist arrivals grew by 1.1%, five tenths more in comparison to the first ten months of the previous year.

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



Sources: Banco de España and SGCPE.

The deficit of primary and secondary income rises

The balance of primary and secondary income accumulated a deficit of € 11.7 billion in the first ten months of last year, 9.3% higher than that recorded a year earlier, as a result of an increase in revenues lower than that of payments (0.9% and 2.2%, 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			2019		2018	2019	2019
	III	IV	I	II	III	II	III	Jan-Nov	Jan-Nov	Jan-Nov
Net current transfers	**-2,238**	**-2,286**	**1,104**	**-950**	**-2,228**	**-33.2**	**-0.4**	**-3,552**	**-3,541**	**-0.3**
- Revenue	**698**	**946**	**5,777**	**1,242**	**943**	**28.0**	**35.1**	**6,951**	**8,055**	**15.9**
Refunds CAP	629	504	4,676	855	692	10.8	9.9	5,876	6,284	6.9
ESF	20	301	1,049	350	174	115.2	758.3	858	1,602	86.7
Other subsidies	49	140	51	36	78	2.9	59.0	217	169	-22.2
- Payments	**2,936**	**3,232**	**4,673**	**2,192**	**3,171**	**-8.3**	**8.0**	**10,504**	**11,597**	**10.4**
VAT	384	370	630	299	402	-22.5	4.7	1,586	1,532	-3.4
GNI	2,045	2,364	3,500	1,503	2,234	-8.0	9.2	7,111	8,242	15.9
Traditional Own	370	406	384	381	408	1.9	10.3	1,402	1,438	2.6
Other	138	91	159	10	128	-	-7.1	404	384	-4.7
Capital transfers	**1,222**	**702**	**1,005**	**478**	**69**	**146.4**	**-94.4**	**2,979**	**1,675**	**-43.8**
ERDF	1,196	672	924	475	61	148.9	-94.9	2,774	1,557	-43.9
Cohesion Fund	0	0	0	0	0	-	-	173	0	-
Other	26	30	81	3	8	-2.9	-69.9	32	119	269.6

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 € -3.5 billion (-3.6 billion registered a year earlier) in the period between January and November 2019, with an increase in revenues (15.9%) higher than that of payments (10.4%). With regards to revenues, public transfers received from the European Social Fund, aimed at promoting employment, rose by 86.7%, while in the transfers for the private sector, the subsidies received by farmers as refunds of the Common Agricultural Policy rose by 6.9%. On the payments side, within public payments for the EU, those related to the GNI Resource (15.9%) and with the Traditional Own Resources (2.6%) grew and those related to the VAT Resource (-3.4%) fell, although it should be noted that these payments are not divided in the same way through all financial years.

The capital balance surplus decreases

Up to October 2019, the capital balance generated a surplus of € 1.9 billion, lower in comparison to the previous year, due to a fall in revenues (€ 290 million less) and an increase in payments (€ 194 million more). Capital transfers from the European Union fell by 43.8% compared to the same period of the previous year, down to € 1.7 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 fell by 43.9%, down to € 1.6 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.

The financial account records a positive net balance

In the first ten months of 2019, the financial account recorded a positive (net capital outflow) net balance (net variation in assets minus net variation in liabilities) amounting to € 24.1 billion, lower than a year earlier (€ 27.3 billion). Excluding the Bank of Spain, a net negative balance of € -2.8 billion was recorded up to October, compared to the positive net balance of a year earlier (€ 38.4 billion). This result includes positive balances (investments) in asset and liability transactions.

Investment in Spain from abroad grows,…

Up to October 2019, the net variation in liabilities generated net capital inflows of € 80.5 billion, 23.5% higher than in the same period of the previous year. The direct investment balance fell by € 32.8 billion, registering net inflows of € 9.8 billion, which were mainly channelled toward the non-financial residential sector. On the other hand, portfolio investment recorded net inflows of € 77.7 billion, € 55.1 billion higher than the net inflows recorded in the same period of 2018, due to the Public Administrations results, which recorded a net income of € 54.4 billion, the private financial sector, with an income of € 14.1 billion, and to the non-financial resident sector, which accumulated a net income of € 9.1 billion up to October 2019, compared to the outflows of more than € 12.0 billion in the same months of 2018. Finally, other investments (loans, deposits and repos) recorded net outflows of € 7.0 billion, compared to the net inflows of € 8 million registered in the same period of 2018, driven by the private financial sector and by the non-financial residential sector.

…as Spain's investment abroad falls

The assets net variation with the rest of the world, excluding the Bank of Spain, accumulated in the first ten months of 2019 net capital outflows of € 77.6 billion, 25% lower in comparison to the figures recorded a year earlier. Direct investment accumulated capital outflows amounting to € 19.9 billion, 34.1% lower than a year earlier, coming from the financial private sector and other resident sectors, although in the latter case it was reduced by half. The outflows in the form of portfolio investment fell by 47.6%, down to € 26.8 billion, focused on financial institutions and, above all, on the non-financial private sector, whose net outflows fell by 48.6%. On the other hand, other investment registered net outflows of € 38.3 billion (net outflows of € 20.6 billion a year earlier), mainly led by the Monetary Financial Institutions should be highlighted. Finally, financial derivatives recorded net inflows of € 7.3 billion, compared to the net outflows of € 1.7 billion registered a year earlier.

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

Current, capital and financial transactions generated an increase of net assets of the Bank of Spain (decrease of the net debtor position) amounting to € 26.9 billion, due to the rise recorded by vis-à- vis the Eurosystem, € 31.7 billion, and, to a lesser extent, the € 638 million growth of reserves, while other net assets fell € 5.4 billion.

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

	January-October 2018			January-October 2019		
	Assets change	Liabilities change	Balance	Assets change	Liabilities change	Balance
Financial account	**92,450**	**65,143**	**27,307**	**104,557**	**80,476**	**24,079**
- Excluding Bank of Spain	**103,563**	**65,143**	**38,420**	**77,638**	**80,476**	**-2,838**
Direct investment	***30,124***	***42,570***	***-12,446***	***19,852***	***9,817***	***10,035***
Monetary financial institutions	9,389	3,625	5,764	9,700	2,470	7,230
Other resident sectors	20,735	38,945	-18,210	10,151	7,346	2,805
Portfolio investment	***51,140***	***22,565***	***28,575***	***26,821***	***77,661***	***-50,840***
General Government	700	29,938	-29,238	245	54,401	-54,156
Monetary financial institutions	13,312	4,723	8,589	7,490	14,148	-6,658
Other resident sectors	37,128	-12,098	49,226	19,086	9,114	9,972
Other investment	***20,638***	***8***	***20,630***	***38,271***	***-7,002***	***45,273***
General Government	-2,317	-7,642	5,325	-2,040	1,109	-3,149
Monetary financial institutions	19,834	-16,516	36,350	34,832	-6,488	41,320
Other resident sectors	3,121	24,166	-21,045	5,479	-1,623	7,102
Financial derivatives	***1,661***	-	***1,661***	***-7,306***	-	***-7,306***
- Bank of Spain	**-11,113**	-	**-11,113**	**26,919**	-	**26,919**
Reserves	1,482	-	1,482	638	-	638
Claims on the Eurosystem	-7,428	-	-7,428	31,715	-	31,715
Other net assets	-5,169	-	-5,169	-5,435	-	-5,435
- Net errors and omissions	**5,570**	-	**5,570**	**3,761**	-	**3,761**

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

The debtor balance of the Net International Investment Position decreases

The Net International Investment Position (NIIP) decreased its debtor balance in the third quarter of 2019, by 1.2% y-o-y, reaching € 982 billion, equal to 79.6% of GDP, a percentage 3.8 points lower in comparison to the figure registered in the third quarter of 2018. Assets amounted to € 2.2 trillion, 9.1% more compared to a year earlier, and liabilities to € 3.1 trillion, 5.7% more in comparison to the third quarter of the previous year. On the other hand, the gross external debt rose to € 2.1 trillion in the third quarter of 2019 (172.2% of GDP), compared to the € 2 trillion registered in the same period of 2018 (168.6% of GDP).

The NIIP debtor balance, excluding the Bank of Spain, reached an amount of € 802 billion in the third quarter of 2019, 2.1% higher than a year earlier. Increases were registered in the debtor balance of portfolio investment (17.4% to up to € 614 billion) and financial derivatives (85.2% up to € 13.3 billion), while direct investment (-7.2% down to € 130 billion), and other investment (-61.5%, down to € 44.0 billion) reduced their debtor balance.

The Bank of Spain decreased its debtor balance by € 28.6 billion in the third quarter of 2019 compared to a year earlier, down to € 180.1 billion, equal to 14.6% of GDP. This decrease is mainly explained by the fall of € 23.9 billion of the Bank of Spain debtor balance vis-à-vis the Eurosystem and the reserves € 9.4 billion increase, while, on the other hand, the debtor balance of other net assets rises by € 4.8 billion.