

Quarterly National Accounts of Spain. Base 2000

Fourth Quarter of 2006

Quarterly National Accounts (GDP)

| Last result | Year-to-year rate | Quarter-to-quarter rate |
|----------------------------|-------------------|-------------------------|
| fourth quarter 2006 | 4.0 | 1.2 |
| year 2006 | 3.9 | |

Main results

Fourth quarter of 2006

- The Spanish economy grew 4% in the fourth quarter of 2006, 20 basis points (b.p.) more than during the third quarter.
- Compared to the previous quarter, Gross Domestic Product (GDP) grew by 1.2%, thirty b.p. above the last quarter's figure.
- The contribution of both, national and external demand to GDP rises by 10 b.p., reaching 4.9 points y – 0,9 percentage point (p.p.), respectively.
- On an annual basis, employment grew at a pace of 3.0%, thus implying a net creation of 546 thousand full-time equivalent jobs.
- Unit labour costs grew 2.8%, 80 b.p. less than the GDP deflator.

Year 2006

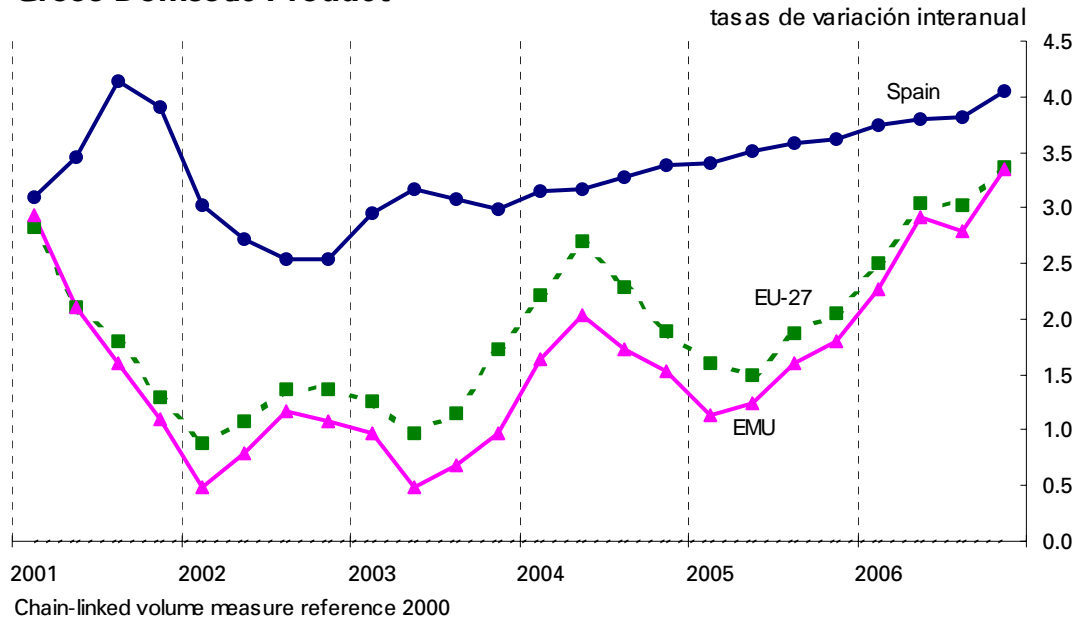
- The temporal aggregation of the four quarters yields a GDP growth rate of 3.9%, 40 b.p. higher than the preliminary estimate for the year 2005.
- National demand contributed 4.9 points to GDP growth, 30 b.p. less than in the previous year. In addition, external demand reduced its negative contribution to GDP by 70 b.p., thus reaching –1.0 points.
- In 2006, employment grew by 3,1%, a similar pace to that observed in the preceding year,. This implies a net creation of 550 thousand full-time equivalent jobs.
- In 2006 unit labour costs rose by 2.7%, 1,1 points lower than the implicit GDP deflator.

Note: The estimates presented herein comprise the expenditure of non-residents in the economy are calculated according to the new method agreed upon by the Tourism Studies Institute, the Bank of Spain and the Spanish Statistical Institute. For further information, please see http://www.ine.es/en/daco/daco42/daco4214/ingreturis_en.pdf

During the fourth quarter of 2006 the Gross Domestic Product¹ (GDP) generated by the Spanish economy has experienced a growth-rate of 4% with respect to the same quarter of the previous year². This rate is 20 b.p. higher than the one observed for the preceding quarter, thus maintaining the momentum of the last three years. The quarter-on-quarter rate of growth reaches 1.2%, 30 b.p. higher than in the third quarter.

In net terms, the Spanish GDP growth rate for the fourth quarter is the highest amongst the main economies in the European Union (EU). In fact, with the exception of Germany, whose GDP increased by 3.7%, France, Italy, the Netherlands and the U.K. grew by less than 3.0%. Notwithstanding, in this last quarter the strong dynamism exhibited by small and middle-sized countries has reduced the growth differential between Spain and the EU up to 0.5 p.p. (60 b.p. in the case of the European Monetary Union).

Gross Domestic Product

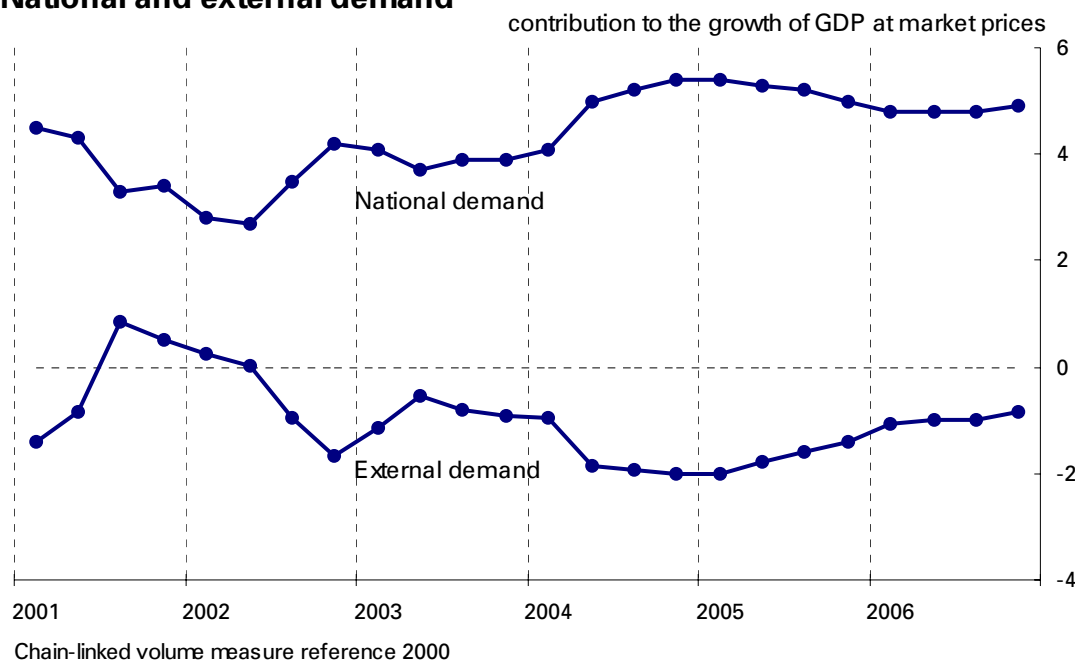


The trend followed by the Spanish economy has a double root. On the one hand, a higher contribution of national demand, which braced a stable growth path during the last three quarters (4.8 p.p.), has now accelerated its pace by 10 b.p. (4.9 p.p.), and on the other hand, a less negative contribution of external demand (rising from - 1.0 p.p. to - 0.9 p.p.).

¹ Chain-linked volume measures, reference-year 2000.

² In terms of seasonal and calendar effects adjusted data.

National and external demand



Demand. Chain-linked volume measure reference year 2000. Year-to-year rates of growth.

| Transactions | 2004 | | | | 2005 | | | | 2006 | | | |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | Q. I | Q. II | Q. III | Q. IV | Q. I | Q. II | Q. III | Q. IV | Q. I | Q. II | Q. III | Q. IV |
| Gross Domestic Product at market prices | 3.2 | 3.2 | 3.3 | 3.4 | 3.4 | 3.5 | 3.6 | 3.6 | 3.7 | 3.8 | 3.8 | 4.0 |
| Final consumption expenditure of households | 3.2 | 4.7 | 4.5 | 4.6 | 4.4 | 4.4 | 4.1 | 3.8 | 3.7 | 3.6 | 3.6 | 3.7 |
| Final consumption expenditure of NPISHs | 3.6 | 3.8 | 4.8 | 6.8 | 6.6 | 6.0 | 6.3 | 4.6 | 4.6 | 4.8 | 4.6 | 5.8 |
| Final consumption expenditure of general government | 5.7 | 6.3 | 6.8 | 6.2 | 5.5 | 4.3 | 4.5 | 4.9 | 4.3 | 4.4 | 4.2 | 4.9 |
| Gross fixed capital formation | 4.3 | 4.3 | 5.4 | 6.0 | 6.8 | 7.4 | 7.1 | 6.6 | 6.3 | 6.2 | 6.4 | 6.4 |
| - Equipment | 0.1 | 1.7 | 6.9 | 9.0 | 9.2 | 9.8 | 8.3 | 8.6 | 8.6 | 9.1 | 9.6 | 11.4 |
| - Construction | 6.0 | 5.5 | 5.2 | 5.2 | 6.0 | 6.2 | 6.3 | 5.6 | 5.8 | 5.8 | 6.2 | 5.7 |
| - Other products | 5.3 | 4.3 | 4.2 | 4.3 | 6.4 | 8.0 | 8.4 | 7.4 | 4.8 | 3.3 | 3.0 | 1.7 |
| Changes in inventories (*) | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | 0.0 |
| National demand (*) | 4.1 | 5.0 | 5.2 | 5.4 | 5.4 | 5.3 | 5.2 | 5.0 | 4.8 | 4.8 | 4.8 | 4.9 |
| Exports of goods and services | 4.8 | 3.8 | 4.5 | 3.5 | -0.8 | 1.8 | 2.5 | 2.3 | 9.5 | 4.9 | 3.4 | 7.3 |
| Imports of goods and services | 7.7 | 9.9 | 10.9 | 10.0 | 5.9 | 7.7 | 7.7 | 6.6 | 11.6 | 7.3 | 6.0 | 8.8 |

(*) Contribution to the growth of GDP at market prices

Household consumption expenditure, in harmony with growth path followed by employment and the compensation of employees as well as with the evolution of the consumer confidence indicator, increased by 3,7%, 10 b.p. more than in the preceding quarter. In this sense, during this quarter, expenditure in food and services still is the most dynamic one, although a significant improvement in the expenditure in durable goods has been perceived.

General government final consumption expenditure has grown by 4,9%, 70 b.p. more than the preceding quarter. Considering the components of expenditure, the main justification for this evolution lies in the compensation of civil servants, which has remarkably accelerated its growth rate by more than intermediate consumption.

The growth rate of gross fixed capital formation remains stable around 6.4%. Still, opposing performances can be identified when analysing its different components. On

the one hand, the investment in equipment maintains its accelerated trend. On the other hand, both fixed capital formation in construction and in other products, exhibit moderate rates of growth than in the preceding quarter.

In this respect, investment demand in equipment, in accordance with imports, the industrial production, new orders received and turnover indices, has quickened its pace, growing at a rate faster by 2 p.p. than the third quarter of 2006 (11.4%).

Investment in construction, as a consequence of the slow-down in building and of the stabilisation of civil works, decelerates by 0.5 p.p., reaching a growth rate of 5.7%.

Moreover, during this quarter, net external demand has mitigated its negative contribution to GDP by 10 b.p. Concerning this matter, a more dynamic behaviour of both exports and imports of goods and services, has been appreciated. However, the greater intensity of exports than that of imports, has determined the overall performance of the external sector.

Exports of goods and services have intensified its rate of growth from a 3.4% in the third quarter to a 7.3% in the fourth. This is a consequence of the accelerated growth trend of both components, goods (5.3% after 2.7% in the previous quarter) and services (11.6% after 4.8%), in conformity with the Customs and Balance of Payments data³, respectively.

In a similar manner, imports of goods and services have also quickened their growth, from 6.0% to 8.8% in the fourth quarter. This trend has been shared by both components, goods (from 7.0% to 8.6%) and services (from 2.0% to 9.8%).

Supply. Chain-linked volume measure reference year 2000. Year-to-year rates of growth.

| Operations | 2004 | | | | 2005 | | | | 2006 | | | |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | Q. I | Q. II | Q. III | Q. IV | Q. I | Q. II | Q. III | Q. IV | Q. I | Q. II | Q. III | Q. IV |
| Gross Domestic Product at market prices | 3.2 | 3.2 | 3.3 | 3.4 | 3.4 | 3.5 | 3.6 | 3.6 | 3.7 | 3.8 | 3.8 | 4.0 |
| Agriculture and fisheries | 4.0 | 2.0 | 1.2 | 0.6 | -14.1 | -10.6 | -9.2 | -6.2 | -3.2 | 0.1 | -0.5 | 4.3 |
| Industry and energy | 0.5 | 0.9 | 0.5 | 0.5 | 0.6 | 0.2 | 1.0 | 1.2 | 2.1 | 2.9 | 4.0 | 3.5 |
| Construction | 5.6 | 5.2 | 4.9 | 4.8 | 5.3 | 5.4 | 5.7 | 5.3 | 5.3 | 5.0 | 5.8 | 5.0 |
| Services | 3.3 | 3.5 | 3.5 | 4.1 | 4.5 | 4.7 | 4.3 | 4.1 | 3.9 | 3.5 | 3.3 | 3.5 |
| - Market services | 3.2 | 3.5 | 3.4 | 4.1 | 5.1 | 4.6 | 4.6 | 4.1 | 3.9 | 3.5 | 3.2 | 3.3 |
| - Non-market services | 3.4 | 3.4 | 3.8 | 4.1 | 2.4 | 4.7 | 3.3 | 3.8 | 3.9 | 3.6 | 3.8 | 4.5 |
| Taxes less subsidies on products | 4.8 | 3.7 | 5.9 | 3.2 | 5.8 | 5.1 | 5.6 | 6.4 | 6.2 | 6.7 | 5.5 | 6.7 |

From the standpoint of supply side, the basic prominent features are, the moderation of the growth rates of the industrial and energy sectors (from 4% to 3.5%, mainly due to the contraction of the latter one), the intense growth of the primary sector (from -0.5% to 4.3%) and the attenuation in the rate of growth of construction activities (from a 5.8% to 5%).

In effect, industrial activities have moderated their growth rates (from 4% to 3.5%), as a consequence of the slowdown observed during this quarter (-2.1%) in the energy

³ After the inclusion of the new estimation procedures of the expenditure of non-residents in the economic territory. For further information, please, refer to http://www.ine.es/en/daco/daco42/daco4214/ingreturis_en.pdf

industries, a slowdown that can be tracked down to a milder winter than usual. In opposition to this, and in accordance with the trend of the Industrial Production Index (IPI) and of the Industrial Turnover Index, the manufacture industries have shown a more dynamic performance than during the precedent quarter (from 4.0% to 4.4%).

In concordance with the trend followed by the gross capital formation in construction, during this quarter, the gross value added of these industries has decelerated its growth rate by 80 b.p., reaching its year-to-year growth rate 5.0%. The determinants of behind this evolution are, on one side, the lower growth rate of building activities and on the other side a relative stabilisation in the growth rates of civil works.

During the fourth quarter of 2006, the service industries have grown by 3.5% on an annual basis. This trend can be observed in the case of the market service industries (from 3.2% in the previous quarter to 3.3%) and, in a more intense manner, in the case of the non-market service industries (3.8% to 4.5%). On the one hand, concerning market services, the ones that have contributed most to this trend are the IT and communications, firm services and, to a lesser extent, commercial activities. On the other hand, non-market services share their accelerated trend with the compensation of employees in the General Government sector.

Finally, the primary industries' gross value added has experienced a significant increase (from -0.5% to 4.3%), thus abandoning the negative growth trend, which had characterized them all over the past three years.

The growth rate of employment, measured in terms of full-time equivalent jobs, grows by 3.0% on a yearly basis, a rate of growth similar to that estimated for the previous quarter, which implies a net creation of 546 thousand full-time equivalent jobs, on an annual basis.

When analysing employment, the most significant feature is the positive growth in the industrial sector, which attains a growth rate of 0.5%. In addition, the construction (7.9%) and market service industries (3.7%) are still the leaders in net employment creation. Finally, the primary sector has contracted again, reaching a negative growth rate of -5.7%.

Employment. Full-time equivalent jobs. Year-to-year growth rates.

| | 2004 | | | | 2005 | | | | 2006 | | | |
|---------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | Q. I | Q. II | Q. III | Q. IV | Q. I | Q. II | Q. III | Q. IV | Q. I | Q. II | Q. III | Q. IV |
| Employment | 2.8 | 2.4 | 2.5 | 2.8 | 2.9 | 3.1 | 3.3 | 3.2 | 3.2 | 3.1 | 3.0 | 3.0 |
| Agriculture and fisheries | 0.6 | -2.8 | -2.0 | -3.9 | -4.2 | -1.9 | -0.6 | 0.1 | -1.1 | -0.2 | -4.5 | -5.7 |
| Industry and energy | -1.7 | -1.2 | -0.8 | 1.3 | 0.5 | 0.5 | 0.7 | -0.3 | -0.2 | 0.3 | -0.4 | 0.5 |
| Construction | 5.6 | 3.8 | 5.7 | 7.6 | 6.3 | 7.0 | 7.6 | 7.2 | 6.9 | 7.3 | 8.0 | 7.9 |
| Services | 3.8 | 3.6 | 3.2 | 2.9 | 3.6 | 3.5 | 3.5 | 3.6 | 3.6 | 3.3 | 3.4 | 3.3 |
| - Market services | 4.4 | 4.4 | 3.6 | 2.6 | 3.7 | 3.4 | 3.6 | 4.5 | 4.4 | 4.2 | 4.0 | 3.7 |
| - Non-market services | 2.2 | 1.6 | 2.2 | 3.5 | 3.1 | 3.6 | 3.2 | 1.3 | 1.6 | 1.0 | 2.1 | 2.3 |
| Employees | 3.1 | 2.4 | 2.8 | 3.0 | 3.0 | 3.5 | 3.7 | 3.6 | 3.5 | 3.1 | 3.0 | 3.2 |
| Agriculture and fisheries | 5.6 | -0.7 | 3.5 | -3.9 | -6.0 | 0.3 | 3.5 | 4.6 | 1.7 | -0.1 | -4.9 | -5.6 |
| Industry and energy | -1.3 | -1.0 | -0.9 | 1.1 | 0.3 | 0.4 | 0.6 | -0.2 | -0.1 | 0.5 | -0.1 | 0.8 |
| Construction | 6.0 | 3.4 | 5.4 | 7.4 | 6.2 | 8.1 | 8.2 | 8.1 | 7.3 | 7.3 | 8.0 | 7.8 |
| Services | 3.7 | 3.4 | 3.3 | 3.1 | 3.6 | 3.7 | 3.7 | 3.7 | 3.9 | 3.2 | 3.3 | 3.2 |
| - Market services | 4.5 | 4.3 | 3.9 | 2.9 | 3.9 | 3.7 | 4.0 | 4.9 | 5.0 | 4.3 | 3.9 | 3.7 |
| - Non-market services | 2.2 | 1.6 | 2.2 | 3.5 | 3.1 | 3.6 | 3.2 | 1.3 | 1.6 | 1.0 | 2.1 | 2.3 |

In this manner, taking into consideration the quarterly GDP rate of growth and that of full-time employment, the year-to-year rise in apparent productivity of the labor factor has reached 1.0%, 20 b.p. above last quarter's estimate.

During the fourth quarter of 2006, GDP at current prices has grown by 7.8%, a similar rate to that observed in the precedent quarter, implying thus a growth rate of the implicit GDP deflator of 3.6%, 20 b.p. below last quarter's figure.

Demand and supply side. Current prices. Year-to-year growth rates

| Operations | 2004 | | | | 2005 | | | | 2006 | | | |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | Q. I | Q. II | Q. III | Q. IV | Q. I | Q. II | Q. III | Q. IV | Q. I | Q. II | Q. III | Q. IV |
| Gross Domestic Product at market prices | 7.5 | 7.3 | 7.2 | 7.4 | 7.6 | 7.6 | 7.9 | 7.9 | 7.7 | 8.0 | 7.8 | 7.8 |
| Final consumption expenditure of households | 6.5 | 8.6 | 8.2 | 8.2 | 7.8 | 7.8 | 7.6 | 7.7 | 7.9 | 7.6 | 7.2 | 6.8 |
| Final consumption expenditure of NPISHs | 6.0 | 6.5 | 8.6 | 12.4 | 12.4 | 12.9 | 13.4 | 10.9 | 10.9 | 10.6 | 9.8 | 11.1 |
| Final consumption expenditure of general government | 9.8 | 10.1 | 10.8 | 10.0 | 9.2 | 8.3 | 8.0 | 8.9 | 7.7 | 7.3 | 7.3 | 8.4 |
| Gross fixed capital formation | 9.4 | 9.9 | 11.4 | 12.2 | 13.0 | 12.9 | 12.6 | 11.9 | 11.6 | 11.4 | 11.3 | 11.1 |
| - Equipment | 2.3 | 4.3 | 9.4 | 11.1 | 11.7 | 11.8 | 10.2 | 11.0 | 11.2 | 11.8 | 12.4 | 14.5 |
| - Construction | 12.3 | 12.1 | 12.4 | 13.5 | 14.1 | 13.5 | 13.6 | 12.2 | 12.5 | 12.3 | 11.9 | 11.2 |
| - Other products | 11.1 | 11.1 | 10.7 | 9.8 | 11.5 | 12.7 | 12.9 | 12.1 | 9.5 | 8.0 | 7.8 | 6.3 |
| Changes in inventories (*) | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | 0.0 |
| National demand (*) | 8.1 | 9.4 | 9.7 | 9.8 | 9.7 | 9.6 | 9.4 | 9.5 | 9.4 | 9.3 | 8.9 | 8.8 |
| Exports of goods and services | 4.1 | 5.6 | 6.8 | 6.9 | 3.8 | 5.1 | 7.8 | 6.6 | 13.5 | 9.6 | 7.7 | 11.0 |
| Imports of goods and services | 5.8 | 12.7 | 14.9 | 14.8 | 10.6 | 11.1 | 11.7 | 10.8 | 16.8 | 12.1 | 10.1 | 12.3 |
| Gross Domestic Product at market prices | 7.5 | 7.3 | 7.2 | 7.4 | 7.6 | 7.6 | 7.9 | 7.9 | 7.7 | 8.0 | 7.8 | 7.8 |
| Agriculture and fisheries | 6.7 | 5.5 | 0.2 | -3.8 | -10.7 | -8.8 | -7.0 | -2.2 | -0.3 | 2.3 | 3.1 | 5.7 |
| Industry and energy | 2.7 | 3.7 | 3.6 | 4.0 | 4.2 | 2.8 | 4.2 | 3.8 | 4.9 | 6.3 | 7.3 | 5.1 |
| Construction | 14.5 | 13.7 | 14.3 | 15.7 | 16.6 | 16.2 | 16.9 | 15.4 | 13.5 | 13.4 | 13.6 | 11.7 |
| Services | 7.2 | 6.8 | 6.9 | 7.5 | 7.7 | 7.9 | 7.7 | 7.3 | 6.9 | 6.7 | 6.7 | 6.6 |
| - Market services | 7.1 | 6.8 | 6.5 | 7.4 | 8.1 | 7.7 | 7.9 | 7.2 | 6.9 | 6.7 | 6.6 | 6.1 |
| - Non-market services | 7.5 | 7.1 | 8.1 | 7.8 | 6.2 | 8.5 | 7.0 | 7.6 | 7.0 | 6.8 | 7.1 | 8.2 |
| Taxes less subsidies on products | 12.3 | 11.1 | 12.0 | 8.9 | 10.9 | 11.7 | 11.9 | 14.0 | 13.6 | 13.8 | 10.2 | 15.0 |

(*) Contribution to the growth of GDP at market prices

Considering the primary distribution of income, the compensation of employees has quickened its growth rate trend by 40 b.p., reaching a 7.1%. This increase can be tracked back to the rise in the mean compensation of workers and in the number of employees. This entails a growth rate of unit labor costs of 2.8%, 10 b.p. higher than in the previous quarter, although 80 b.p. below the implicit GDP deflator.

During this quarter, property and mixed income have moderated in a significant manner their growth rates (7.3%). Finally, during this quarter, net taxes on production and imports have gained momentum growing by 12.0%, departing so from the 3.8% observed in the third quarter.

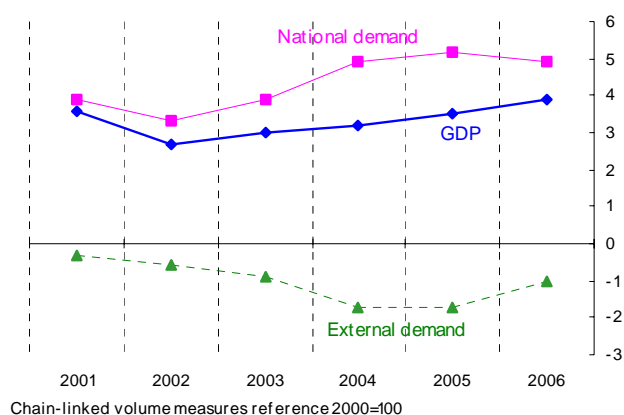
Income. Current prices. Year-to-year growth rates

| Operations | 2004 | | | | 2005 | | | | 2006 | | | |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | Q. I | Q. II | Q. III | Q. IV | Q. I | Q. II | Q. III | Q. IV | Q. I | Q. II | Q. III | Q. IV |
| GROSS DOMESTIC PRODUCT at market prices | 7.5 | 7.3 | 7.2 | 7.4 | 7.6 | 7.6 | 7.9 | 7.9 | 7.7 | 8.0 | 7.8 | 7.8 |
| Compensation of employees | 5.9 | 5.8 | 6.2 | 5.9 | 5.9 | 6.3 | 6.0 | 6.4 | 6.6 | 6.6 | 6.7 | 7.1 |
| Unit labor costs | 2.5 | 2.5 | 2.6 | 2.3 | 2.3 | 2.3 | 1.9 | 2.3 | 2.3 | 2.7 | 2.7 | 2.8 |
| Compensation per employee | 2.8 | 3.3 | 3.3 | 2.8 | 2.8 | 2.7 | 2.2 | 2.7 | 2.9 | 3.4 | 3.6 | 3.9 |
| Productivity per worker | 0.3 | 0.8 | 0.7 | 0.5 | 0.5 | 0.4 | 0.3 | 0.4 | 0.6 | 0.7 | 0.8 | 1.0 |
| Employment rate | 0.2 | 0.0 | 0.2 | 0.2 | 0.1 | 0.4 | 0.4 | 0.3 | 0.4 | 0.0 | 0.1 | 0.1 |
| Operating surplus and mixed income | 8.7 | 7.7 | 6.9 | 8.5 | 8.9 | 8.2 | 9.0 | 8.3 | 7.7 | 8.7 | 10.0 | 7.3 |
| Net taxes on production and imports | 10.5 | 13.0 | 13.7 | 9.5 | 10.7 | 11.5 | 12.4 | 13.1 | 13.1 | 10.9 | 3.8 | 12.0 |

Annual estimates

As a result of the temporal aggregation of the four quarterly estimates of the year, in terms of quarterly national accounts, year-to-year real GDP has increased by 3.9%, an estimate higher by 40 b.p. than the one put forward for 2005. This pace of growth is more intense than that of most of the European Union (EU) member states, which, according to the figures published by EUROSTAT, experienced a mean growth rate of 2.9% (20 b.p. less in the case of the EMU countries). This involves a higher degree of real convergence between the Spanish economy and those of other EU member states.

Gross Domestic Product at market prices

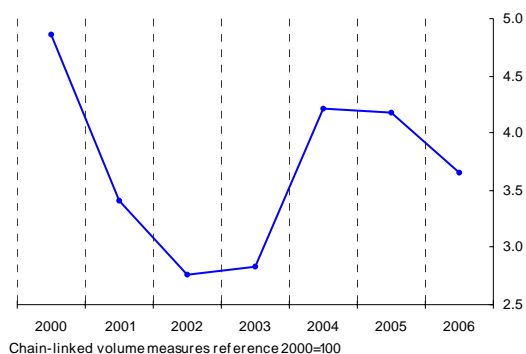


When analysing the internal composition of economic growth for the year 2006 from expenditure approach, a breakthrough can be detected in the trend followed during the last three years by the external and national demand. The contribution of national demand to GDP growth has decreased by 30 b.p. (4.9 points from 5.2 points in 2005), as a consequence of the diminishing vigour of consumption and investment demand, while external demand has reduced its negative contribution to GDP growth by 70 b.p. (-1.0 points from -1.7 points in the precedent year), mainly due to the higher intensity of exporting activities than of importing activities.

Although final consumption expenditure has kept growing during 2006 at high rates (3.9%), it has become less intense. To this result have contributed all three institutional sectors carrying out final consumption, i.e., households (from 4.2% in 2005 to 3.7% in 2006), NPISHs (from 5.9% to 5.0%) and General Government (4.8% to 4.4%).

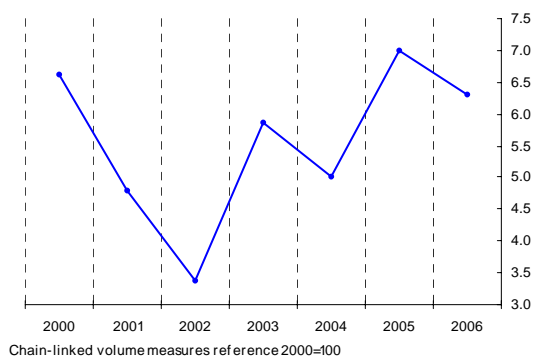
In this respect, during 2006 the final consumption expenditure of households has weakened, especially in what concerns durable goods (i.e., cars sold have declined a 0.9%, after growing by 2.1% in 2005). However, its evolution has not been identical across the fourth quarters, decelerating in the first two quarters of the year for recovering its vigour in the last two. This trend can also be seen in the consumer confidence index, which, after experiencing a downturn (-12.0 p.p. after -11.0 p.p.) in the first half of the year, recovered by the end of the year.

Final consumption expenditure of households



As in the case of final consumption expenditure, during 2006 gross fixed capital formation has attained a lower growth than the preceding year (6.3% after reaching 7.0% in 2005). However, not all the products have shared this trend. While investment in equipment and construction has accelerated their progress rates, in a more intense manner in the first case (9.7% after 9.0% in 2005) than in the second one (5.9% after 6.0%), investment in other products moderated its growth (3.2%, after attaining 7.5% in 2005).

Gross fixed capital formation

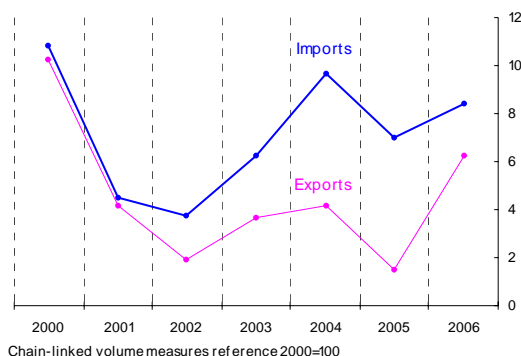


Across the year 2006, investment in equipment has continuously accelerated its growth, reaching an apex in the last quarter of the year. This feature is coherent with the buoyant importation and production of this kind of products, but also with the industrial turnover and the orders received indices.

In the four quarters of the year, gross capital formation in construction has reported a growth rate in the vicinity of 6.0%, showing a slight slowdown in the last one. In this respect, residential building and infrastructure construction (especially linked to roads and to the high-speed rail) have again acted as the driving forces of the construction activities, whereas, during the last quarter of the year, building activities have slightly worsened their performance.

Moreover, in 2006, as a consequence of a more intense acceleration of exports than of imports, the contribution of external demand to GDP has been more favourable than in 2005 (-1.0 p.p. after -1.7 p.p.).

Foreign trade in goods and services



The exports of goods have gained momentum (5.6% after 0.0% in 2005), whilst services achieved more moderate rates of growth (7.5% after a 4.5% in the preceding year). In this context, after experiencing an intense accretion in the first quarter of the year, the exports of goods have moderated its trend in the second and third quarters, for in the last one renewing its vigour. Additionally, in coherence with the balance of payments data, the exports of services showed up a better performance in the second and fourth quarters. The estimates for the export of services include the data concerning the final consumption expenditure of non-residents in the economic territory, that are computed according to the new procedure agreed upon by the Tourism Studies Institute, the Bank of Spain and the National Statistics Institute⁴.

Moreover, during this year, the imports of goods and services have grown by 8.4%, 1.4 p.p. more than in the preceding year. From an intra-annual perspective, a more brisk conduct could be observed in the case of the first and fourth quarters than in the intermediate ones.

As in the case of the exports, the trend followed by the imports of goods and services has been shared by its two components, i.e., 8.0% after 6.6% in the case of goods and 10.0% after 8.6% for service imports.

In spite of the less negative contribution to GDP of the external sector, as a consequence of a more unfavourable behaviour of the income, current and capital transfers, the financial perspectives with respect to the rest of the world have deteriorated. The net borrowing of the national economy amounted more than 76 billion Euro (7.8% of GDP), while during the precedent year this figure reached 59 billion Euro (6.5 % of GDP). In this respect, in the first quarter of the year, the net borrowing recorded a peak (9.5% of GDP), for in the following ones losing momentum and reaching its yearly minimum in the fourth quarter (7.0% of GDP).

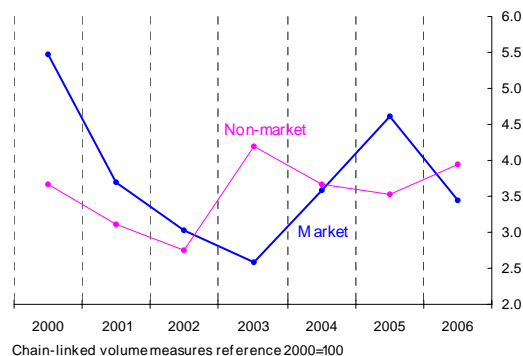
Form the perspective of supply, the most significant features are, on the one hand, the particularly more favourable progress of the secondary sector -excluding construction and energy- (3.3% after attaining a rate of 0.3% in 2005), and of the primary sector (0.3% after -10.0% in 2005), whereas construction (5.3% after 5.4%), the energy industries (2.0% in comparison with 3.8%) and the service sector (3.6% compared with 4.4%) have experienced a moderation in their growth rates.

⁴ For further information, please, refer to <http://www.ine.es/daco/daco42/daco4214/ingreturis.pdf>

GVA Industry and construction



GVA service industries



In contrast with 2005, during 2006, the manufacturing industries have exhibited an accelerated growth-trend all over the year. The production of machinery, electrical and electronic/optical equipment, and, to a lesser extent, car manufacturing, have been more dynamic than in 2005. Also, a recovery in the textile, leather, and clothing industries could be observed.

The construction industries, driven by residential building and civil works, have experienced the highest growth rates. Notwithstanding, during the second half of the year, an attenuation of this trend could be disentangled, especially in residential building.

In 2006, market services have decelerated their growth (3.4% in contrast with 4.6% in 2005). When analysing the different industries, it can be observed how these attaining more intense rates of growth are these linked to financial intermediation, and, to a lesser extent, to information technologies, communications and services to firms, in coherence with the services sector activity indicators. Also, but to a lesser extent than the aforementioned ones, in concordance with the strong consumption demand, sale and retail trade, and tourist services, have experienced high rates of growth.

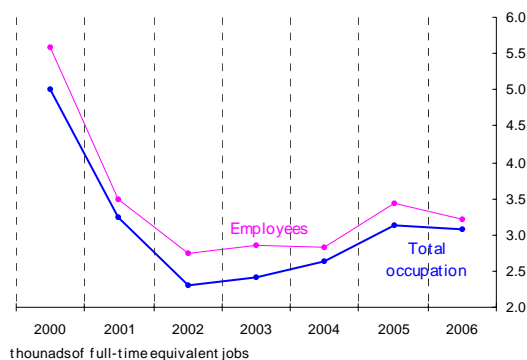
Non-market services, in consistency with the trend followed by the compensation of civil servants, accelerate their growth from a 3.5% in 2005 to a 4.0% in 2006.

Finally, the primary sector, after three consecutive years of negative rates, has entered a positive growth-path, growing its gross value added by 0.3%. In this respect, the fourth quarter of the year has been especially buoyant.

The acceleration of the growth rate of the economy has been conjoined by a stabilisation in the growth rates of total employment. In 2006, the total full-time equivalent jobs created increased by 3.1%, a rate similar to that in 2005, implying thus a net creation of 550 thousand full-time equivalent jobs. The increase in the case of the employed labour force was of 3.2%, 20 b.p. less than in 2005.

In this context, employment has been coherent with the main statistical sources, which showed a decelerated trend.

Occupied and employed labour force



When considering total employment by industry, the most remarkable feature is the intensity of the growth in the case of the construction industries (7.5% in comparison with 7.0% in 2005). In the case of the tertiary sector, market services have accelerated their growth by 30 b.p. (4.1% in contrast with 3.8%), while non-market services experienced lower rates (1.8% after 2.8% in 2005). Finally, in comparison with the year 2005, total employment in the manufacturing industries has almost stabilised.

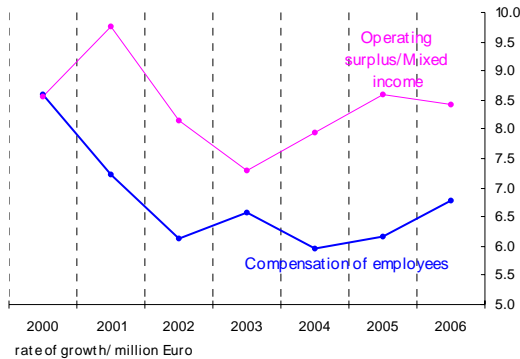
As a consequence of the GDP and employment growth, total apparent productivity of labour rose by 0.8%, 40 b.p. more than last year's estimate.

Furthermore, in 2006, the nominal GDP at market prices grew by 7.8%, a similar rate to the one estimated for 2005. Consequently, the implicit GDP deflator declined by 30 b.p. on a yearly basis, reaching 3.8%.

When taking into consideration the primary income distribution, during 2006, due to an increase by 90 b.p. of the compensation per employee, which was partially compensated by the dampening in the number of employees (lower by 20 b.p.), the compensation of employees has grown by 70 b.p. with respect to 2005, reaching thus a rate of 6.8%.

In 2006 unit labour costs increased by 2.7%, 50 b.p. more than in 2005 and lower by more than one basis point than the GDP deflator.

Primary income distribution



Finally, the net taxes on production and imports have attained a lower growth than in the precedent year (9,9% compared to 12.0% in 2005), while the operating surplus/mixed income has showed a more moderate behaviour growing by 8.4%, 20 b.p. less than in 2005.

For further information see [INEbase-www.ine.es](http://www.ine.es) All press releases at: www.ine.es/prensa/prensa.htm

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