

Spanish National Accounts. Base 2000

Second quarter of 2008

Quarterly National Accounts (GDP)

Latest data	Interannual Variation	Quarter-on-quarter Variation
Second quarter 2008	1.8	0.1

Main results

Second quarter of 2008

- The Spanish economy registers an interannual growth of 1.8% in the second quarter of 2008, eight tenths less than in the previous quarter.
- The quarter-on-quarter growth stands at 0.1%, two tenths less than the growth registered last quarter.
- The annual and quarter-on-quarter growth data coincides with that published in the Advance Estimate for the Quarterly National Accounts published last 14 May.
- Domestic demand slows its contribution to aggregate growth by 1.3 points (from 2.8 to 1.5 points), while foreign demand reduces its negative contribution by five tenths (from -0.2 to 0.3 points).
- Employment in the economy grows at a 0.4% rate, indicating a net creation of almost 69.4 thousand full-time jobs in one year.
- Unit labour costs increase three tenths, up to 3.6%, standing two tenths above that of the GDP deflator.
- This quarterly series includes the updating of the annual estimates corresponding to the period 2004-2007 of the Spanish National Accounts, base 2000, presented last 26 August.

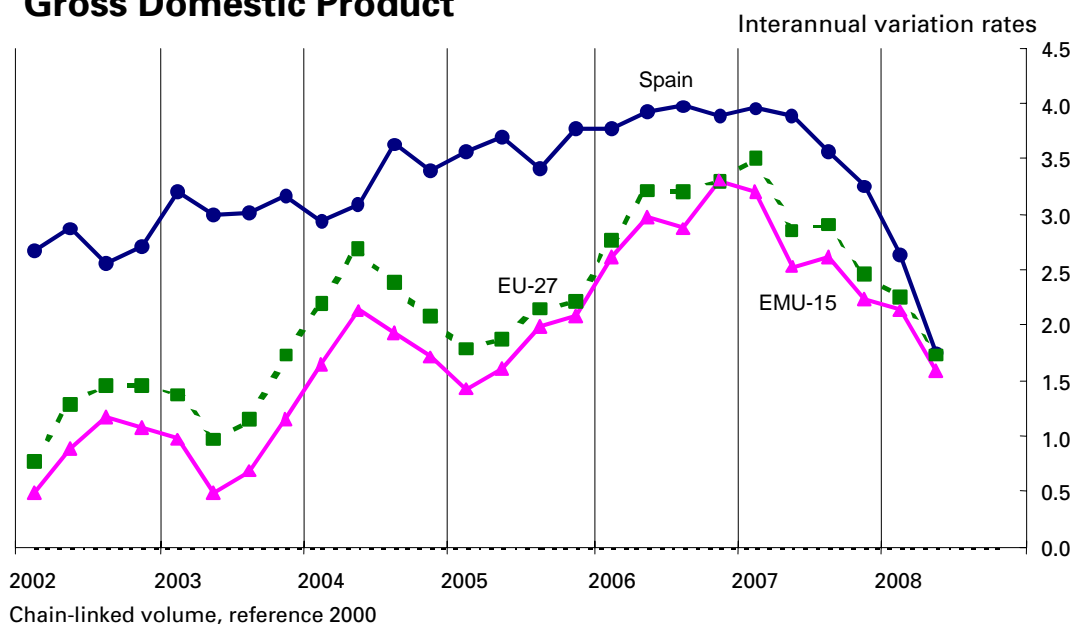
The Gross Domestic Product¹ (GDP) generated by the Spanish economy in the second quarter of 2008 registered a growth of 1.8% as compared with the same period of the previous year². This data, eight tenths lower than that estimated for the previous period, indicates a continued slowdown in the Spanish economy, having begun a year ago.

Quarter-on-quarter growth was 0.1%, two tenths less than that registered in the previous quarter.

This quarterly series includes the updating of the annual estimates of the Spanish National Accounts, base 2000, corresponding to the period 2004-2007, presented last 26 August. **The final section of this press release summarises the revisions carried out on the quarterly GDP growth.**

Studying the European context, in aggregate terms, both the European Union and Eurozone's GDP show behaviour similar to that of the Spanish economy, slowing their growth from 2.3% to 1.7% in the case of the former, and from 2.1% to 1.5% in the case of the latter. Considering the main European economies, Holland (2.8%) and Austria (2.3%) experienced growth above the Spanish GDP, whilst Germany (1.7%), the United Kingdom (1.6%), France (1.1%) and Italy (0.0%) experienced growth below this.

Gross Domestic Product

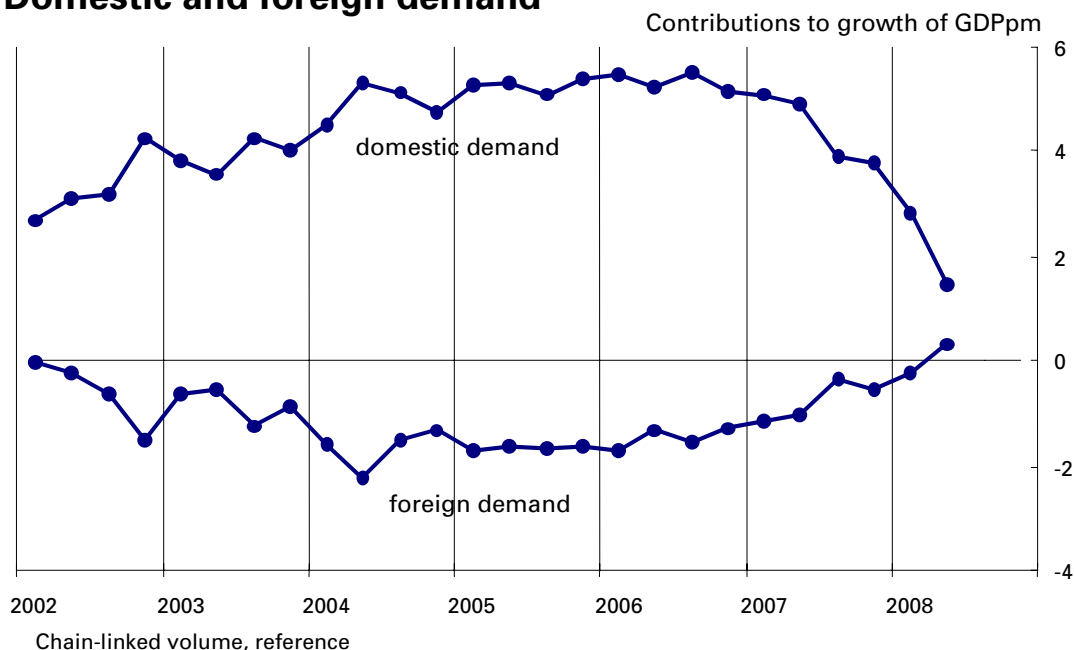


The curbing of the growth rate of the Spanish economy during the second quarter originated mainly in the slowdown of domestic demand, which reduced its contribution to aggregate growth by 1.3 points (from 2.8 to 1.5 points). Nevertheless, the lesser negative contribution of the foreign sector (from -0.2 to 0.3 points) partially compensated the said behaviour.

¹ Chain-linked volume measures, referring to the year 2000.

² Data corrected for seasonal and calendar effects.

Domestic and foreign demand



Demand. Chain-linked volume reference 2000. Interannual Variation Rates

Operations	2007				2008	
	Q. I	Q. II	Q. III	Q. IV	Q. I	Q. II
GROSS DOMESTIC PRODUCT at market prices	4.0	3.9	3.6	3.3	2.6	1.8
Household final consumption expenditure	3.8	4.1	3.0	2.9	2.2	1.2
NPISH final consumption expenditure	5.1	4.4	4.6	4.2	3.8	3.7
Public Administration final consumption expenditure	5.3	5.0	4.8	4.4	3.6	3.8
Gross formation of fixed capital	6.6	5.8	4.6	4.5	2.5	-0.2
- Capital goods	13.3	11.3	8.5	7.1	5.2	2.3
- Construction	5.1	4.2	3.3	2.9	0.3	-2.4
- Other products	2.4	3.7	3.6	6.0	6.0	3.3
Variation in stocks (*)	-0.1	-0.1	-0.1	0.0	0.1	0.1
Domestic demand (*)	5.1	4.9	3.9	3.8	2.8	1.5
Exports of goods and services	3.3	3.9	8.2	4.0	4.3	4.1
Imports of goods and services	6.1	6.2	7.6	4.9	4.1	2.3

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

Expenditure on final consumption by households decreased its growth rate by one point, from 2.2% down to 1.2%. Practically all the main follow-up indicators of this aggregate continue to provide gradually less favourable records, particularly those referring to expenditure on goods, both durable and non-durable (retail trade, motor car sales, turnover and availability of consumer goods, orders portfolio, sales of consumer products at large companies, etc.). Furthermore, these results are recorded in a context in which growth in employment continues to slow down and consumer confidence reaches new lows.

The growth in final Public Administration consumption expenditure increased two tenths to 3.8%, due to an increase in salaries of employees of these administrations.

Gross formation of fixed capital slowed its growth rate from 2.5% down to -0.2% in this second quarter. Although the descending trend is shared by its three large components, only the investment in construction shows negative growth rates (from 0.3% to -2.4%). In turn, capital goods slowed down from 5.2% to 2.3% and other products slowed from 6.0% to 3.3%.

The demand for investment in capital goods reduced their growth consistently with their approximation indicators. Thus, both industrial production and turnover and imports of this type of goods gradually continued to record more moderate rates of growth. On analysis of the components of this aggregate, both investment in transport equipment and in machinery showed commonly slowed trends, although the slowdown of the latter (2.6%) was more intense than the former (1.8%).

The advance rate of the investment in construction slowed by 2.7 points in the second quarter of 2008, registering negative growth rates (-2.4%). Considering the different types of project, and according to the production, intermediate consumption and employment indicators in this activity, on the one hand, a more intense contraction in the level of investment in residential construction (from -1.1% to -6.3%) and, on the other, behaviour of the other types of construction (civil engineering and non-residential building) stabilising growth at 1.9%, can be observed.

The net foreign demand of the Spanish economy improved its contribution to the quarterly GDP this period by five tenths, and was positive this quarter. Both imports and exports presented a more moderate evolution than in the previous quarter, more intensely in the case of the latter, which linked to their greater relative weight, determined the aggregate behaviour.

Exports of goods and services reduced their annual growth from 4.3% to 4.1. Distinguishing between their three components, it can be observed that exports of goods increased growth from 4.1% to 4.4%, in accordance with Customs data, whereas exports of non-tourist services slowed their rate of progress from 9.2% to 7.1%, consistently with the Balance of Payments. Lastly, tourist expenditure by non-residents continued to experience negative growth rates, slightly more intense in this latter period (from -0.2% to -0.6%).

Supply. Chain-linked volume, reference 2000. Interannual variation rates

Operations	2007				2008	
	Q. I	Q. II	Q. III	Q. IV	Q. I	Q. II
GROSS DOMESTIC PRODUCT at market prices	4.0	3.9	3.6	3.3	2.6	1.8
Agricultural and Fishing branches	4.6	2.5	2.8	2.1	2.7	1.9
Industrial and Energy branches	3.5	2.8	2.5	1.1	0.1	-1.7
- Energy branches	0.2	1.1	0.2	1.7	1.1	4.8
- Industrial branches	4.1	3.1	2.9	1.0	-0.1	-2.8
Construction	3.8	4.3	3.1	2.8	1.6	-1.9
Services branches	4.5	4.6	4.3	4.8	3.9	3.7
- Market services	4.6	4.7	4.3	4.8	3.8	3.4
- Non-market services	4.2	4.3	4.3	4.7	4.4	4.6
Net taxes on products	1.6	1.4	1.5	-1.5	0.1	-0.3

Finally, imports of goods and services experienced a decrease in growth from 4.1% to 2.3%. The three components show a less favourable evolution than in the preceding quarter. Thus, imports of goods slowed from 4.7% to 2.9%, those of non-tourist services from 1.4% to 1.1%, and lastly, purchases by residents in the rest of the world decreased their level, reducing growth from 2.7% to -4.3%.

From the supply perspective, and with the exception of energy, a decrease in growth rates was recorded in all branches of activity.

In effect, in the case of industrial activity and in line with the evolution of industrial production and turnover indices, added value of the manufacturing industry once again reduced its level by 2.8% this quarter. Consistent with the analysis of demand, industrial production of consumer goods both of durable and non-durable consumer goods looks less favourable.

As regards energy branches, growth of their gross added value in volume recovered from 1.1% to 4.8%, fundamentally due to the decreased growth in intermediate consumption rather than in production of these activities.

In tune with the evolution of gross formation in construction, gross added value in this branch of activity slowed its growth rate this quarter down to -1.9%, as compared with 1.6% the previous quarter. The indicators which determined this result were the same as mentioned previously for demand, in other words, moderated growth in civil works, and in particular, contraction in the level of production in the construction of dwellings.

Activity in the services branches registered a reduction in growth of two tenths, from 3.9% down to 3.7%. Considering the market or non-market nature of these activities, the former slowed their growth from 3.8% to 3.4%, whereas the latter recovered slightly from 4.4% to 4.6%.

As far as market services are concerned, the greater part of the branches of activity recorded a slowdown, in tune with the results of the service sector activity indicator. Considering growth intensity, some activities associated with business services and information technology show more dynamic performance, followed by wholesale trade and certain services associated with tourism (air transport and travel agencies). In contrast, trade of motor vehicles and fuel is the activity with the highest negative growth rate.

Finally, the primary branches experienced a slight decrease in the growth of added value (from 2.7% to 1.9%), in line with the evolution of agricultural activities.

Employment, measured in terms of full-time equivalent jobs, stood at 0.4%, one point less than the previous quarter. This rate indicated the creation of 69.4 thousand net full-time jobs in one year. The joint slowdown of employment in the industrial and services branches, as well as intensification in the reduction of the level of those employed in the construction branch are the most remarkable features of the analysis of employment this quarter.

Employment. Full-time equivalent jobs. Interannual variation rates

	2007				2008	
	Q. I	Q. II	Q. III	Q. IV	Q. I	Q. II
Employed persons	3.2	3.2	2.8	2.2	1.4	0.4
Agricultural and Fishing branches	0.4	-3.1	-2.5	-1.6	-5.2	-5.1
Industrial and Energy branches	-0.1	-0.2	0.0	-0.4	1.3	0.3
Construction	6.8	6.5	4.2	1.7	-2.0	-6.8
Services branches	3.5	3.8	3.7	3.2	2.7	2.3
- Market services	4.2	4.5	4.3	3.7	3.1	2.6
- Non-market services	1.8	1.9	2.0	2.0	1.6	1.4
Wage earners	3.8	3.8	3.1	2.5	1.6	0.4
Agricultural and Fishing branches	8.2	1.4	-0.9	0.0	-6.9	-6.4
Industrial and Energy branches	-0.3	-0.2	0.1	-0.3	1.4	0.2
Construction	7.5	7.2	4.4	2.5	-2.3	-7.6
Services branches	3.9	4.3	3.7	3.3	2.9	2.5
- Market services	5.0	5.5	4.6	4.0	3.5	3.0
- Non-market services	1.8	1.9	2.0	2.0	1.6	1.4

Of the joint analysis of quarterly GDP growth and full-time employment, the interannual variation in apparent productivity from the work factor obtained was 1.4%, two tenths higher than the rate for the previous period.

The GDP at current prices registered an interannual increase of 5.3% during the second quarter of 2008, slowing its rate of progress by seven tenths. Thus, the implicit deflator growth rate of the economy recovered to 3.4%, two tenths above that for the previous quarter.

Supply and demand. Current prices. Interannual variation rates

Operations	2007				2008	
	Q. I	Q. II	Q. III	Q. IV	Q. I	Q. II
GROSS DOMESTIC PRODUCT at market prices	7.6	7.3	6.6	6.3	6.0	5.3
Household final consumption expenditure	6.7	6.7	6.2	7.2	6.7	6.1
NPISH final consumption expenditure	9.2	8.5	8.4	8.1	7.8	7.6
Public Administration final consumption expenditure	8.7	8.3	7.9	7.7	6.9	7.3
Gross formation of fixed capital	10.1	8.3	7.0	7.5	5.2	2.2
- Capital goods	15.5	13.2	9.9	9.4	7.4	4.2
- Construction	9.0	6.9	5.9	6.1	3.3	0.3
- Other Products	6.2	6.5	6.4	9.7	8.9	6.0
Variation of stocks (*)	0.0	-0.1	-0.1	0.0	0.1	0.1
Domestic demand (*)	8.5	7.8	7.1	7.8	6.9	5.7
Exports of goods and services	6.4	6.8	10.5	5.8	7.6	7.4
Imports of goods and services	8.0	6.9	9.8	9.2	8.9	7.1
GROSS DOMESTIC PRODUCT at market prices	7.6	7.3	6.6	6.3	6.0	5.3
Agricultural and Fishing branches	1.0	3.2	10.6	14.2	14.7	15.5
Industrial and Energy branches	6.5	5.7	5.9	5.7	7.0	6.5
Construction	9.4	9.2	7.8	8.1	6.7	2.9
Services branches	7.6	7.6	7.8	8.9	8.2	8.6
- Market services	7.5	7.5	7.6	8.9	8.2	8.6
- Non-market services	8.2	8.1	8.3	8.8	8.5	8.7
Net taxes on products	8.5	7.1	-0.7	-9.9	-10.4	-15.3

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

Considering the primary distribution of income, employee remuneration decreased its growth rate by 1.3 points, down to 5.5%, solely as a result of the slowdown of paid employment, due to the fact that average paid employment grows at a generally stable rate. Thus, the labour cost per product unit slowed down to 3.6% (compared with 3.9% the previous quarter), standing at two tenths higher than the implicit deflator of the economy.

Income. Current prices. Interannual variation rates

Operations	2007				2008	
	Q. I	Q. II	Q. III	Q. IV	Q. I	Q. II
GROSS DOMESTIC PRODUCT at market prices	7.6	7.3	6.6	6.3	6.0	5.3
Employee remuneration	7.3	7.4	7.0	6.7	6.8	5.5
Unitary Labour Cost (ULC)	2.7	2.7	3.1	3.0	3.9	3.6
Remuneration per employee	3.4	3.5	3.8	4.1	5.1	5.1
Productivity per worker	0.7	0.7	0.7	1.0	1.2	1.4
Salary rate	0.5	0.6	0.2	0.3	0.2	0.0
Gross operating surplus / Gross mixed income	7.9	7.5	8.6	11.0	8.9	9.9
Net taxes on production and imports	7.2	6.6	-2.2	-12.5	-8.3	-13.8

Gross operating surplus and mixed income increased their growth rate to 9.9% during this quarter, and finally, taxes on net production and net imports of subsidies decreased 13.8%.

The following table shows contributions by primary distribution of income to growth of the implicit GDP deflator. The operating surplus was the operation which contributed the most this quarter to the growth in the rate of inflation of the economy (3.4 points), followed by employee remuneration (1.8 points). On the other hand, net taxes on production and imports contributed negatively to the deflator (by -1.7 points).

Income. GDP deflator breakdown. Contributions

Operations	2007				2008	
	Q. I	Q. II	Q. III	Q. IV	Q. I	Q. II
GROSS DOMESTIC PRODUCT at market prices	3.5	3.3	3.0	3.0	3.2	3.4
Employee remuneration	1.5	1.6	1.6	1.6	1.9	1.8
Unitary Labour Cost (ULC)	1.3	1.3	1.5	1.4	1.8	1.7
Remuneration per employee	1.6	1.6	1.8	1.9	2.4	2.4
Productivity per worker	-0.3	-0.3	-0.3	-0.5	-0.6	-0.7
Salary rate	0.3	0.3	0.1	0.1	0.1	0.0
Gross operating surplus / Gross mixed income	1.6	1.4	2.0	3.1	2.5	3.4
Net taxes on production and imports	0.4	0.3	-0.6	-1.7	-1.2	-1.7

Updating of the Quarterly National Accounts series

As mentioned at the beginning of this press release, the quarterly series of the GDP presented here includes the updating of the annual estimates of the Spanish National Accounts corresponding to the period 2004-2007, base 2000, presented last 26 August.

The following table shows the revisions carried out on the growth of the quarterly GDP during said period:

		Updated series	Previous series
2004	Q. I	2.9	2.9
	Q. II	3.1	3.1
	Q. III	3.6	3.6
	Q. IV	3.4	3.4
Year 2004		3.3	3.3
2005	Q. I	3.6	3.6
	Q. II	3.7	3.7
	Q. III	3.4	3.4
	Q. IV	3.8	3.7
Year 2005		3.6	3.6
2006	Q. I	3.8	3.7
	Q. II	3.9	3.8
	Q. III	4.0	3.9
	Q. IV	3.9	4.0
Year 2006		3.9	3.9
2007	Q. I	4.0	4.1
	Q. II	3.9	4.0
	Q. III	3.6	3.8
	Q. IV	3.3	3.5
Year 2007		3.7	3.8
2008	Q. I	2.6	2.7
	Q. II	1.8	-

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