

21 November 2007

## Quarterly Spanish National Accounts. Base 2000

### Third quarter of 2007

#### Quarterly National Accounts (GDP)

Latest data	Interannual Variation	Quarter-on-quarter Variation
<b>Third quarter 2007</b>	<b>3.8</b>	<b>0.7</b>

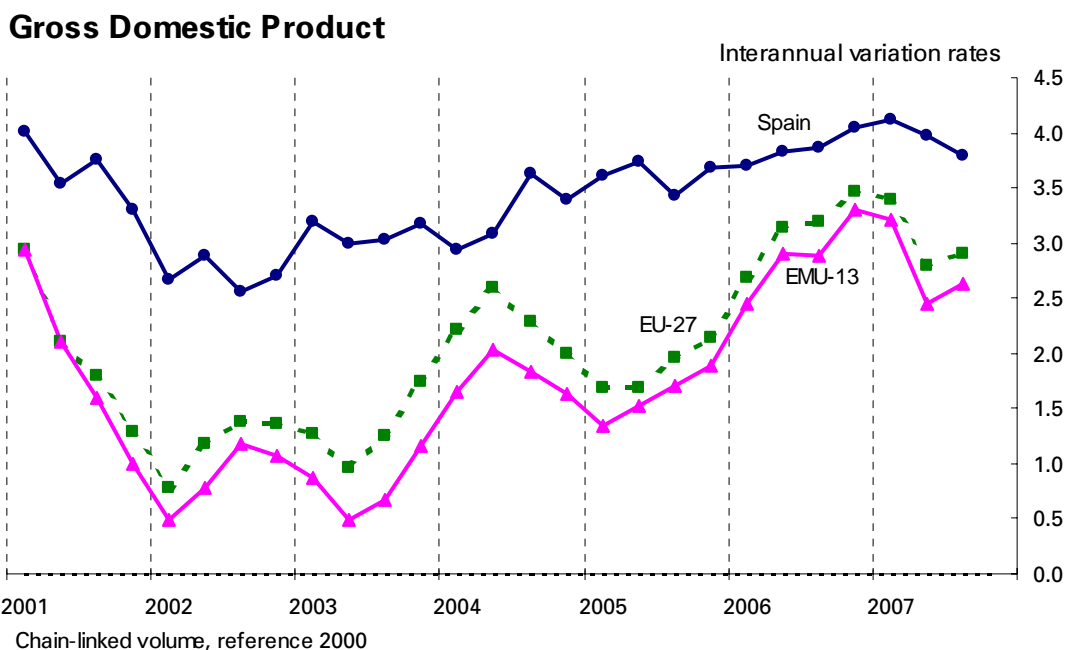
#### Main results

- During the third quarter of 2007, the Spanish economy registers a 3.8% real growth rate, slowing its interannual rate of progress by two tenths.
- The quarter-on-quarter growth stands at 0.7%, two tenths below the growth registered in the second quarter of 2007.
- The annual and quarter-on-quarter growth data coincides with that published in the Advance Estimate of the Quarterly National Accounts published last 13 November.
- The contribution of domestic demand to aggregate growth decreases five tenths (from 4.9 to 4.4 points), while the negative contribution of foreign demand improves by three tenths (from -0.9 to -0.6 points).
- Employment in the economy grows at a 3.0% rate, indicating a net creation of 560 thousand full-time jobs in one year.
- Unit labour costs increase growth this quarter to 3.0%, standing one tenth above the implicit GDP deflator.

The Gross Domestic Product<sup>1</sup> (GDP) generated by the Spanish economy during the third quarter of 2007 registered a real growth of 3.8% as compared with the same period of the previous year.<sup>2</sup> Thus, the Spanish economy gently slowed its rate of progress for the second quarter in a row, confirming that the cycle maximum was reached in the first quarter of this year.

Quarter-on-quarter growth stood at 0.7%, two tenths lower than the previous quarter.

As the following graph shows, the growth of the Spanish GDP during this period was greater than that of the European Union (EU-27) and that of the Euro-zone (MEU-13) as a whole, although its cyclic profile was the opposite of that of these latter unions. In fact, both the EU-27 and the MEU-13 gently rallied their growth to 2.9% and 2.6%, respectively, reflecting an evolution that was shared more or less generally by the countries that comprise these geographical areas.

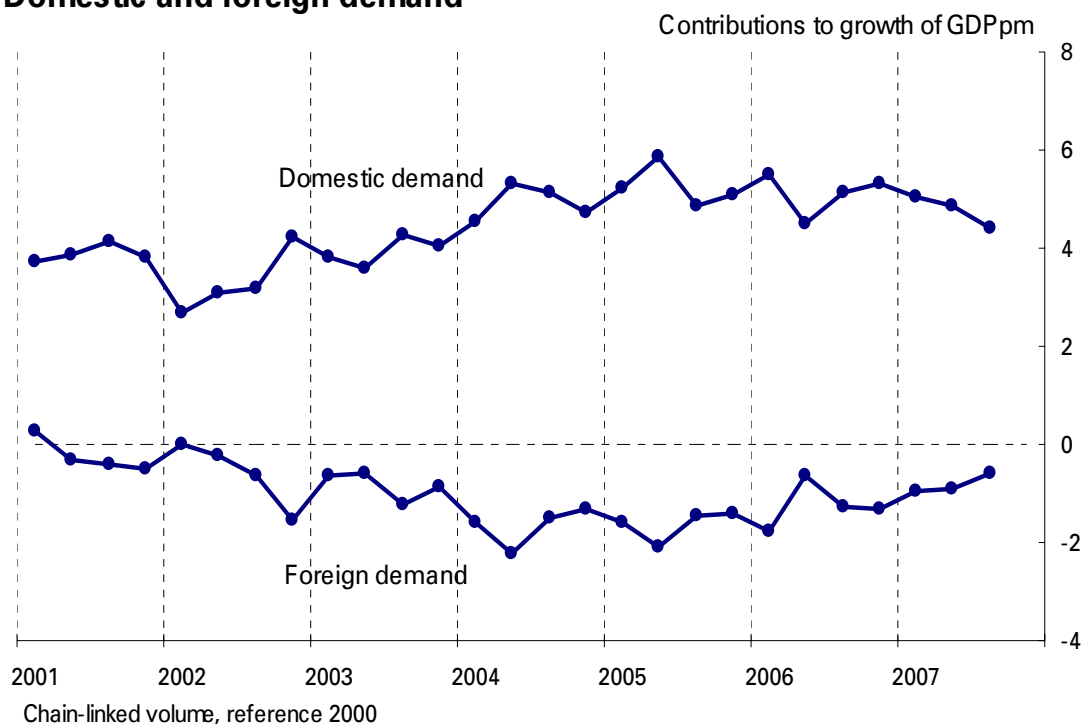


The curbing of the growth of the Spanish economy during this third quarter began with the slow-down of domestic demand, which contributed 4.4 points to the quarterly GDP, five tenths lower than the figure registered the previous period. Nonetheless, this result was partially compensated by the less negative contribution of the foreign sector (-0.6 points as compared with the -0.9 points from the second quarter).

<sup>1</sup> Chain-linked volume measures, referring to the year 2000.

<sup>2</sup> Data corrected for seasonal and calendar effects.

## Domestic and foreign demand



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

Operations	2005				2006				2007		
	Q. I	Q. II	Q. III	Q. IV	Q. I	Q. II	Q. III	Q. IV	Q. I	Q. II	Q. III
<b>GROSS DOMESTIC PRODUCT at market prices</b>	<b>3.6</b>	<b>3.7</b>	<b>3.4</b>	<b>3.7</b>	<b>3.7</b>	<b>3.8</b>	<b>3.9</b>	<b>4.0</b>	<b>4.1</b>	<b>4.0</b>	<b>3.8</b>
Household final consumption expenditure	4.4	4.5	4.0	3.8	4.1	3.5	3.7	3.7	3.4	3.3	2.9
NPISH final consumption expenditure	5.0	6.8	4.2	6.5	6.5	6.7	7.3	6.3	5.4	4.7	3.8
Public Administration final consumption expenditure	5.6	5.9	5.1	5.4	4.9	4.0	4.8	5.7	5.7	5.0	5.8
Gross formation of fixed capital	6.0	8.0	6.3	7.2	7.8	5.7	6.8	7.0	6.6	6.6	5.6
- Capital goods	6.3	12.0	7.3	11.1	10.0	7.4	11.0	13.0	13.3	13.1	11.2
- Construction	5.8	6.4	6.1	6.0	7.1	5.5	5.9	5.5	5.2	4.6	3.8
- Other products	6.4	7.9	5.6	5.6	7.1	3.8	3.7	3.8	2.2	4.2	3.5
Variation in stocks (*)	0.0	-0.1	-0.1	-0.1	0.0	0.0	0.1	0.1	0.0	0.0	0.0
Domestic demand (*)	5.2	5.8	4.9	5.1	5.5	4.5	5.1	5.3	5.1	4.9	4.4
Exports of goods and services	0.2	3.1	3.7	3.4	5.7	4.9	4.2	5.7	3.6	4.8	8.0
Imports of goods and services	5.4	9.7	8.0	7.7	10.6	6.1	7.5	8.9	5.9	6.6	8.3

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

Household final consumption expenditure slowed its growth by four tenths, to 2.9%. The moderation of the expenditure was more clearly observed in goods than in services and, within the former, in durable goods, of which the sale of vehicles was worth noting, having fallen to a rate near 3.0%, half a point higher than in the previous quarter. In addition, this result was registered within a context in which consumer trust presented an increasingly negative balance.

The growth in Public Administration final consumption expenditure increased to 5.8%, eight tenths more than in the previous quarter. This was due to the noticeable increase in both the employee remuneration and the intermediate consumption of these administrations.

The demand for investment in fixed capital slowed its interannual variation rate one point to 5.6%, similarly to all its products on an aggregated scale. Therefore, on the one hand, the investment in capital goods, still maintaining growth rates in the double digits (11.2%), reduced its rate of progress by almost two points, coherently with the evolution of the availability of this type of goods, as well as with the incoming orders and turnover indicators.

On the other hand, the investment in construction slowed its growth from 4.6% to 3.8% as a result of less dynamism in both infrastructure construction, and especially, residential building. In fact, the investment in dwellings was gradually losing strength, due to the lesser rhythm of construction start-ups. Thus, in this quarter, the growth of residential investment was reduced from 3.7% to 2.9%.

Finally, the gross formation of fixed capital in other products grew at a rhythm of 3.8%, eight tenths lower than the previous quarter.

The net foreign demand of the Spanish economy improved its negative contribution to the quarterly GDP this period by three tenths, as a result of the expansive behaviour of both exports and imports, although with greater intensity in the case of the former.

Exports of goods and services increased their growth noticeably, from 4.8% to 8.0%, reflecting an evolution shared by both the goods component (from 4.8% to 6.4%), in accordance with the data from foreign trade, and the services component (from 4.8% to 11.2%), coherently with the Balance of Payments. Within the latter, during this period there was an observable recuperation of the tourism expenditure of non-residents that, even though it continued to register a negative rate, the said rate improved by one and one half points as compared with the previous quarter (from -2.2% to -0.7%).

Finally, imports of goods and services increased their rate of progress from 6.6% to 8.3%. As with exports, their components presented a similar cyclic evolution. Thus, imports of goods increased from 6.2% to 7.2%, and those of services, from 8.5% to 12.8%.

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

Operations	2005				2006				2007		
	Q. I	Q. II	Q. III	Q. IV	Q. I	Q. II	Q. III	Q. IV	Q. I	Q. II	Q. III
<b>GROSS DOMESTIC PRODUCT at market prices</b>	<b>3.6</b>	<b>3.7</b>	<b>3.4</b>	<b>3.7</b>	<b>3.7</b>	<b>3.8</b>	<b>3.9</b>	<b>4.0</b>	<b>4.1</b>	<b>4.0</b>	<b>3.8</b>
Agricultural and Fishing branches	-11.0	-9.0	-4.1	-10.1	-0.1	2.3	-2.4	10.1	7.4	3.0	3.1
Industrial and Energy branches	1.2	1.0	0.8	3.4	1.7	2.4	3.9	2.4	3.8	3.6	2.0
Construction	5.5	5.5	5.7	5.5	5.8	5.3	5.1	3.9	4.6	4.3	3.6
Services branches	4.2	4.8	4.0	3.4	4.0	4.1	4.2	4.2	4.2	4.2	4.4
- Market services	4.2	4.6	4.3	3.5	4.1	4.1	4.3	3.9	4.2	4.1	4.2
- Non-market services	4.5	5.3	2.7	3.3	3.6	4.5	3.8	5.2	4.2	4.5	5.0
Net taxes on products	7.1	4.6	4.6	8.2	4.1	3.2	2.4	4.5	3.0	3.1	3.6

From a supply perspective, the most remarkable basic features of the macroeconomic chart analysis are the mild recovery in added value of the primary branches and of services, as well as the slow-down of energy, industry and construction activities.

In fact, the added value of the energy and industry branches slowed its growth, from 3.6% to 2.0%, in line with what was observed for the approximation indicators, among which the Industrial Production Index was worth noting, having reduced its growth from 2.4% to 1.1%.

In tune with the evolution of the investment in construction, the gross added value of this branch of activity slowed its growth by seven tenths as compared with the previous quarter, standing at a rate of 3.6%. The lesser dynamism of both infrastructure construction and, especially, residential building, was the main cause of this result.

Activity in the services branches increased aggregate growth from 4.2% to 4.4% during this third quarter, a pattern than could be observed in both the market branches (from 4.1% to 4.2%) and the non-market branches (from 4.5% to 5.0%). Regarding market services, the branches that contributed the most to this result were those linked to transport, both road and air, to services to companies, and to a lesser extent, to commercial activity. On the other hand, the added value of non-market services increased its growth in accordance with the evolution of the employee remuneration of the Public Administrations.

Finally, the added value of the primary branches recovered slowly during this quarter (from 3.0% to 3.1%), resulting from the favourable behaviour of agricultural activity.

The interannual growth of employment, measured in terms of full-time equivalent jobs, stood at 3.0%, two tenths lower than the previous quarter. This rate indicates the creation of 560 thousand full-time jobs in one year.

**Employment. Full-time equivalent jobs. Interannual variation rates**

	2005				2006				2007		
	Q. I	Q. II	Q. III	Q. IV	Q. I	Q. II	Q. III	Q. IV	Q. I	Q. II	Q. III
<b>Employed persons</b>	<b>2.6</b>	<b>3.1</b>	<b>3.7</b>	<b>3.5</b>	<b>3.4</b>	<b>3.6</b>	<b>2.7</b>	<b>3.1</b>	<b>3.3</b>	<b>3.2</b>	<b>3.0</b>
Agricultural and Fishing branches	-4.4	-2.1	-0.4	0.3	-3.4	-2.5	-6.8	-7.4	0.3	-3.1	-2.7
Industrial and Energy branches	0.3	0.1	0.9	0.3	0.5	1.0	0.0	1.0	0.2	-0.2	-0.3
Construction	7.7	7.4	7.0	6.0	4.7	5.1	5.6	6.3	7.4	7.4	5.5
Services branches	2.9	3.5	4.1	4.1	4.4	4.4	3.5	3.8	3.4	3.6	3.7
- Market services	3.2	3.9	4.8	4.8	4.2	3.7	2.5	2.6	2.9	3.2	3.2
- Non-market services	2.1	2.6	2.4	2.5	5.0	6.2	6.0	6.7	4.8	4.6	4.9
<b>Wage earners</b>	<b>2.7</b>	<b>3.4</b>	<b>4.1</b>	<b>4.1</b>	<b>3.9</b>	<b>3.8</b>	<b>3.1</b>	<b>3.5</b>	<b>3.8</b>	<b>3.5</b>	<b>3.4</b>
Agricultural and Fishing branches	-6.9	-1.3	1.9	4.5	1.0	0.3	-3.9	-5.1	7.7	0.7	-1.5
Industrial and Energy branches	0.7	0.9	1.6	0.9	0.8	1.0	0.0	0.9	-0.2	-0.4	-0.3
Construction	8.0	7.8	7.8	7.0	5.1	5.0	6.0	6.5	7.7	7.6	6.1
Services branches	2.8	3.5	4.3	4.4	4.8	4.5	3.8	4.1	3.9	3.8	4.1
- Market services	3.1	4.0	5.2	5.4	4.6	3.7	2.7	2.8	3.5	3.4	3.6
- Non-market services	2.1	2.5	2.4	2.5	5.0	6.2	6.0	6.7	4.8	4.6	4.9

The most remarkable facts observed in the employment analysis from this quarter were, on the one hand, that for the second quarter in a row, the industrial branches showed negative growth, one tenth higher than the previous quarter (from -0.2% to -0.3%); on the other hand, that employment in construction slowed by almost two points (from 7.4% to 5.5%) and, finally, that the services branches continued to increase in the creation of employment (from 3.6% to 3.7%).

As a result, considering together the growth of the quarterly GDP and that of full-time employment, the interannual variation of the apparent productivity of the work factor stood at 0.8%, a figure identical to that recorded the previous period.

The GDP at current prices registered an interannual increase of 6.7% during the third quarter of 2007, slowing its rate of progress by six tenths. Thus, the implicit deflator growth rate of the economy stood at 2.9%, three tenths below that for the previous quarter.

## Supply and demand. Current prices. Interannual variation rates

Operations	2005				2006				2007		
	Q. I	Q. II	Q. III	Q. IV	Q. I	Q. II	Q. III	Q. IV	Q. I	Q. II	Q. III
<b>GROSS DOMESTIC PRODUCT at market prices</b>	<b>7.9</b>	<b>8.1</b>	<b>7.9</b>	<b>8.1</b>	<b>8.1</b>	<b>8.1</b>	<b>7.9</b>	<b>7.9</b>	<b>7.7</b>	<b>7.3</b>	<b>6.7</b>
Household final consumption expenditure	7.6	7.8	7.8	7.7	7.9	7.3	7.0	6.9	6.2	5.8	5.3
NPISH final consumption expenditure	11.0	12.0	9.3	11.5	7.9	8.2	8.8	8.3	8.3	8.0	7.0
Public Administration final consumption expenditure	9.4	9.6	8.9	9.5	9.4	8.4	8.6	8.4	8.4	7.5	8.5
Gross formation of fixed capital	12.3	14.6	12.3	13.1	13.4	11.1	11.7	11.2	11.0	10.5	9.0
- Capital goods	8.9	16.0	10.2	14.6	11.8	9.4	13.7	15.2	16.9	16.4	14.0
- Construction	13.8	14.6	13.8	13.6	15.0	12.9	12.0	10.5	9.4	8.2	6.9
- Other Products	12.2	13.0	10.1	9.3	10.2	7.6	7.8	8.4	8.5	10.1	9.2
Variation of stocks (*)	0.0	-0.1	-0.1	-0.1	0.0	0.1	0.1	0.1	0.0	0.0	0.0
Domestic demand (*)	9.5	10.2	9.5	9.8	10.1	9.1	9.2	9.0	8.5	7.9	7.3
Exports of goods and services	5.1	6.8	8.5	7.6	10.7	9.4	7.9	9.5	6.3	6.8	10.1
Imports of goods and services	9.9	12.9	12.4	11.9	15.5	10.9	10.7	11.5	7.6	7.6	10.0
<b>GROSS DOMESTIC PRODUCT at market prices</b>	<b>7.9</b>	<b>8.1</b>	<b>7.9</b>	<b>8.1</b>	<b>8.1</b>	<b>8.1</b>	<b>7.9</b>	<b>7.9</b>	<b>7.7</b>	<b>7.3</b>	<b>6.7</b>
Agricultural and Fishing branches	-3.8	-13.4	3.1	-6.7	-8.1	-4.5	-3.5	4.9	4.6	6.1	8.5
Industrial and Energy branches	5.7	6.0	6.2	9.3	6.4	6.3	7.5	4.7	6.8	6.9	5.7
Construction	16.9	16.3	17.4	16.7	15.4	14.6	12.8	9.9	9.1	8.1	7.2
Services branches	6.6	7.3	7.1	6.7	7.0	7.3	7.7	7.1	7.6	7.7	7.9
- Market services	6.3	7.0	6.9	6.5	6.7	6.9	7.7	6.7	7.6	7.7	7.7
- Non-market services	7.4	8.3	7.5	7.7	7.8	8.6	7.5	8.5	7.4	7.8	8.7
Net taxes on products	15.6	16.7	8.4	10.5	15.2	12.4	7.9	16.1	8.7	4.8	0.8

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

Considering the primary distribution of income, the growth of employee remuneration remained stable at 7.3% during this third quarter, as a result of the mild slow-down of the number of employees, compensated by a similar increase in intensity of average remuneration. As a consequence of the growth in the productivity and the remuneration per employee, the labour cost per product unit increased one tenth to 3.0%, standing above the implicit deflator of the economy.

## Income. Current prices. Interannual variation rates

Operations	2005				2006				2007		
	Q. I	Q. II	Q. III	Q. IV	Q. I	Q. II	Q. III	Q. IV	Q. I	Q. II	Q. III
<b>GROSS DOMESTIC PRODUCT at market prices</b>	<b>7.9</b>	<b>8.1</b>	<b>7.9</b>	<b>8.1</b>	<b>8.1</b>	<b>8.1</b>	<b>7.9</b>	<b>7.9</b>	<b>7.7</b>	<b>7.3</b>	<b>6.7</b>
Employee remuneration	5.6	7.1	6.5	7.0	7.1	6.4	6.3	7.0	7.5	7.3	7.3
Unitary Labour Cost (ULC)	1.9	2.9	2.5	2.6	2.7	2.3	1.9	2.4	2.8	2.9	3.0
Remuneration per employee	2.8	3.6	2.3	2.8	3.0	2.5	3.1	3.4	3.6	3.7	3.7
Productivity per worker	1.0	0.6	-0.3	0.2	0.3	0.2	1.2	0.9	0.8	0.8	0.8
Salary rate	0.1	0.3	0.4	0.6	0.5	0.2	0.4	0.4	0.5	0.3	0.4
Gross operating surplus / Gross mixed income	8.3	7.0	9.6	8.9	8.2	9.7	10.4	7.0	8.4	8.4	8.1
Net taxes on production and imports	17.0	17.4	8.2	9.9	12.5	8.9	4.7	14.8	5.5	2.7	-0.9

The gross operating surplus and the mixed income decreased their growth rate to 8.1% during this quarter and, finally, the taxes on the net production and imports of subsidies decreased -0.9%.

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