

## Spanish National Accounts. Base 2000

Third quarter of 2008

### Quarterly National Accounts (GDP)

Latest data	Interannual Variation	Quarter-on-quarter Variation
Third quarter 2008	0.9	-0.2

### Main results

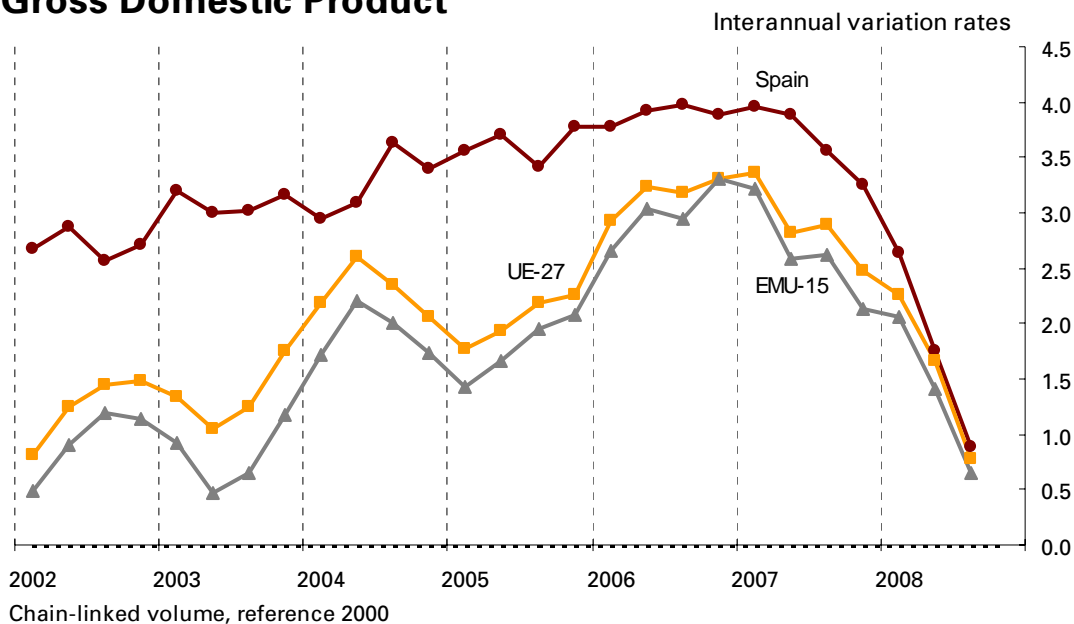
- The Spanish economy registers an interannual growth of 0.9% in the third quarter of 2008, nine tenths less than in the previous quarter.
- The quarter-on-quarter growth stands at -0.2%, three tenths less than the growth registered last quarter.
- The annual and quarter-on-quarter growth data coincides with that published in the Advance Estimate for the Quarterly National Accounts published last 14 November.
- National demand slows its contribution to aggregate growth by 1.4 points (from 1.5 to 0.1 points), while foreign demand increases its quarterly GDP contribution five tenths (from -0.3 to 0.8 points).
- Employment in the economy decreases at a 0.8% rate, indicating a net reduction of 145,7 thousand full-time jobs in one year.
- Unit labour costs decrease four tenths, down to 3.6%, standing two tenths above that of the GDP deflator.

The Gross Domestic Product<sup>1</sup> (GDP) generated by the Spanish economy in the third quarter of 2008 registered a growth of 0.9%, as compared with the same period of the previous year<sup>2</sup>, nine tenths lower than that estimated for the previous period. In this way, the Spanish economy continued to show a slowed down profile, for the sixth quarter in a row.

In quarter-on-quarter terms, the level of GDP decreased 0.2%, three tenths less than that registered in the second quarter.

Studying the European context, European Union GDP slowed its growth from 1.7% to 0.8%, as a consequence of the common slowdown of its main economies. Among these, of particular note are, on the one hand, Holland (from 3.0% to 1.8%) and Austria (from 2.0% to 1.5%), experienced growth above the Spanish GDP, whilst Germany (from 1.9% to 0.8%), France (from 1.2% to 0.6%), the United Kingdom (from 1.5% to 0.3%) and Italy (from -0.2% to -0.9%) experienced growth below this. In the case of the Euro zone, aggregate growth decreased from 1.4% to 0.7%.

### Gross Domestic Product

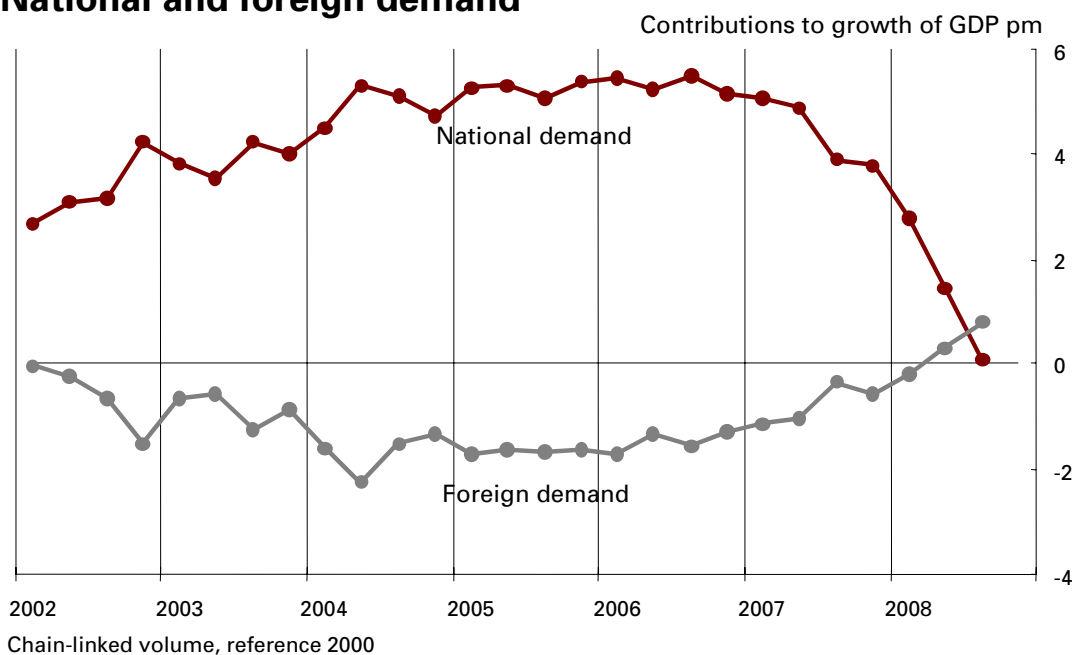


In the curbing of the growth rate of the Spanish economy during the third quarter, the part played by national demand and by the foreign sector was similar to the preceding quarters. Thus, whilst the former continued to slow down and reduced its quarterly GDP contribution 1.4 points (from 1.5 to 0.1 points), the latter improved its contribution to aggregate growth 0.5 points (from 0.3 to 0.8 points).

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

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

## National 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	Q. III
<b>GROSS DOMESTIC PRODUCT at market prices</b>	<b>4.0</b>	<b>3.9</b>	<b>3.6</b>	<b>3.3</b>	<b>2.6</b>	<b>1.8</b>	<b>0.9</b>
Household final consumption expenditure	3.8	4.1	3.0	2.9	2.1	1.1	0.1
NPISH final consumption expenditure	5.1	4.4	4.6	4.2	3.8	3.7	3.0
Public Administration final consumption expenditure	5.3	5.0	4.8	4.4	3.6	4.9	5.9
Gross formation of fixed capital	6.6	5.8	4.6	4.5	2.8	-0.2	-3.2
- Capital goods	13.3	11.3	8.5	7.1	5.7	2.2	-0.6
- Construction	5.1	4.2	3.3	2.9	0.4	-2.3	-6.4
- Other products	2.4	3.7	3.6	6.0	6.6	3.7	3.5
Variation of stocks less disposals of valuables (*)	-0.1	-0.1	-0.1	0.0	0.1	0.0	-0.1
National demand (*)	5.1	4.9	3.9	3.8	2.8	1.5	0.1
Exports of goods and services	3.3	3.9	8.2	4.0	4.4	4.2	1.5
Imports of goods and services	6.1	6.2	7.6	4.9	4.0	2.4	-1.1

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

The factors determining the behaviour of **national demand** this quarter were identical to those observed in the preceding period. Thus, on the one hand, the level of gross formation of fixed capital once again decreased, as a consequence of the unfavourable evolution both of the investment in capital goods, and particularly of the building of dwellings. Conversely, final household consumption expenditure gradually moderated its growth. Lastly, Public Administrations expenditure evolved in the opposite direction to the previous groups, with increased growth this quarter.

Expenditure on final consumption by households decreased its growth rate from 1.1% down to 0.1%. One of the essential determining factors in the current household expenditure situation was the unfavourable evolution in the level of employment in the economy (this quarter was already showing negative growth rates), thereby reducing the disposable income of families. On analysis of the components of household expenditure, the least favourable evolution corresponded to expenditure on durable goods (motor cars, household appliances...).

The growth in final Public Administration consumption expenditure increased one point to 5.9%, due to intense growth in both intermediate consumption and in salaries of wage earners of these administrations.

The level of gross formation of fixed capital further decreased in this third quarter, with growth falling from -0.2% to -3.2%. Both investment in capital goods and construction showed negative growth rates, which were more intense in the case of the latter (-6.4%) than in that of the former (-0.6%). In turn, the demand for investment in other products slowed down two tenths to 3.5%.

Gross formation of fixed capital in capital goods reduced their growth consistently with their approximation indicators this quarter. Thus, both industrial production and turnover and imports of this type of goods registered negative growth rates this quarter. Nevertheless, on examination of the two large components of this group, it was observed that, whilst demand for investment in machinery showed a slowdown, albeit with positive growth (1.9%), investment in transport material recorded negative growth rates (-6.0%) for the first time in the last panel cycle.

The rate of progress of the investment in construction slowed in the third quarter of 2008, registering a negative growth rate of -6.4%. The factors determining this evolution were similar to those analysed in previous periods. Thus, in the case of residential investment, joint analysis of the gradual decrease in the starting of projects and the rate of completion of dwellings constructed in recent months, the investment in this type of labour showed increasingly less favourable records. Specifically, the interannual variation went from the -6.4% estimated in the second quarter, down to -13.4% in the third quarter. Conversely, gross formation in infrastructure and non-residential buildings continued to record positive growth rates (1.2%).

The net **foreign demand** of the Spanish economy improved its contribution to the quarterly GDP this period by five tenths, from 0.3 to 0.8 points. Exports presented a more moderate evolution than in the previous quarter, whilst the level of imports decreased, in tune with the weak rate of progress of national demand.

Exports of goods and services reduced their annual growth from 4.2% to 1.5%. Distinguishing between their three components, it can be observed that exports of goods slowed their growth from 4.7% to 3.0%, in accordance with Customs data, whereas exports of non-tourist services slowed their rate of progress from 6.7% to 0.4%, consistently with the Balance of Payments. Lastly, tourist expenditure by non-residents continued to experience negative growth rates for the third consecutive quarter, standing at -3.9% this period.

Lastly, imports of goods and services registered a negative growth rate (-1.1%), a fact which appears common to their three components. Thus, imports of goods slowed from 2.9% to -1.0%, those of non-tourist services from 1.6% to -1.6%, and purchases by residents in the rest of the world from -4.6% to -1.6%.

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

Operations	2007				2008		
	Q. I	Q. II	Q. III	Q. IV	Q. I	Q. II	Q. III
<b>GROSS DOMESTIC PRODUCT at market prices</b>	<b>4.0</b>	<b>3.9</b>	<b>3.6</b>	<b>3.3</b>	<b>2.6</b>	<b>1.8</b>	<b>0.9</b>
Agricultural and Fishing branches	4.6	2.5	2.8	2.1	2.7	1.9	0.6
Industrial and Energy branches	3.5	2.8	2.5	1.1	0.2	-1.6	-2.5
- Energy branches	0.2	1.1	0.2	1.7	1.8	4.4	2.9
- Industrial branches	4.1	3.1	2.9	1.0	-0.1	-2.7	-3.4
Construction	3.8	4.3	3.1	2.8	1.5	-2.1	-5.0
Services branches	4.5	4.6	4.3	4.8	3.9	3.6	3.0
- Market services	4.6	4.7	4.3	4.8	3.8	3.3	2.4
- Non-market services	4.2	4.3	4.3	4.7	4.4	4.8	5.3
Net taxes on products	1.6	1.4	1.5	-1.5	0.1	-0.1	-0.2

From the supply perspective, all branches of activity, on an aggregate level, recorded less favourable behaviour than in the previous quarter.

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 reduced its level for the third consecutive quarter, estimating its interannual variation at -3.4%. Consistent with the evolution of national demand, industrial production of durable consumer goods and capital goods looked least favourable. Conversely, energy branches moderated their growth in added value in volume, from 4.4% to 2.9%.

In tune with the evolution of gross formation in construction, gross added value in this branch of activity showed a decrease in its level this quarter (-5.0% as compared with -2.1% for the preceding quarter). The factors determining this result are the same as those already mentioned for demand, in other words, a more pronounced decrease in the level of production in the construction of dwellings and a slowdown, albeit with a positive growth rate, in infrastructure construction and non-residential building construction.

Activity in the services branches registered a reduction in growth of six tenths, from 3.6% down to 3.0%. Considering the market or non-market nature of these activities, the former slowed their growth from 3.3% to 2.4%, whereas the latter recovered slightly from 4.8% to 5.3%.

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, as with the preceding quarter, some activities associated with business services and information technology show more dynamic performance, whereas, on the other hand, trade of motor vehicles and fuel was the activity with the highest negative growth rate, in accordance with production of and demand for these goods.

Finally, the primary branches experienced a slight decrease in the growth of added value (from 1.9% to 0.6%), in line with the evolution of agricultural activities.

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

	2007				2008		
	Q. I	Q. II	Q. III	Q. IV	Q. I	Q. II	Q. III
<b>Employed persons</b>	<b>3.2</b>	<b>3.2</b>	<b>2.8</b>	<b>2.2</b>	<b>1.4</b>	<b>0.4</b>	<b>-0.8</b>
Agricultural and Fishing branches	0.4	-3.1	-2.5	-1.6	-5.3	-4.7	-4.1
Industrial and Energy branches	-0.1	-0.2	0.0	-0.4	1.2	0.7	-1.2
Construction	6.8	6.5	4.2	1.7	-1.8	-7.1	-12.8
Services branches	3.5	3.8	3.7	3.2	2.6	2.3	2.1
- Market services	4.2	4.5	4.3	3.7	3.1	2.3	2.2
- Non-market services	1.8	1.9	2.0	2.0	1.6	2.3	1.9
<b>Wage earners</b>	<b>3.8</b>	<b>3.8</b>	<b>3.1</b>	<b>2.5</b>	<b>1.6</b>	<b>0.5</b>	<b>-0.8</b>
Agricultural and Fishing branches	8.2	1.4	-0.9	0.0	-7.1	-6.0	-5.4
Industrial and Energy branches	-0.3	-0.2	0.1	-0.3	1.4	0.5	-1.5
Construction	7.5	7.2	4.4	2.5	-2.0	-8.0	-13.6
Services branches	3.9	4.3	3.7	3.3	2.8	2.5	2.3
- Market services	5.0	5.5	4.6	4.0	3.4	2.6	2.4
- Non-market services	1.8	1.9	2.0	2.0	1.6	2.3	1.9

**Employment**, measured in terms of full-time equivalent jobs, decreased 0.8% this quarter, one point and two tenths less than the previous quarter. This rate indicated the reduction of 145.7 thousand net full-time jobs in one year. With the exception of service branches, in which employment increased 2.1%, the level of employment decreased in the remaining activities.

Of the joint analysis of quarterly GDP growth and full-time employment, the interannual variation in apparent **productivity** from the work factor obtained was 1.7%, four tenths higher than the rate for the previous period.

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

Operations	2007				2008		
	Q. I	Q. II	Q. III	Q. IV	Q. I	Q. II	Q. III
<b>GROSS DOMESTIC PRODUCT at market prices</b>	<b>7.6</b>	<b>7.3</b>	<b>6.6</b>	<b>6.3</b>	<b>5.9</b>	<b>5.1</b>	<b>4.3</b>
Household final consumption expenditure	6.7	6.7	6.2	7.2	6.4	5.5	4.6
NPISH final consumption expenditure	9.2	8.5	8.4	8.1	7.8	7.6	7.0
Public Administration final consumption expenditure	8.7	8.3	7.9	7.7	7.5	8.9	10.2
Gross formation of fixed capital	10.1	8.3	7.0	7.5	5.4	2.0	-1.0
- Capital goods	15.5	13.2	9.9	9.4	8.3	4.0	1.5
- Construction	9.0	6.9	5.9	6.1	3.0	0.2	-3.7
- Other Products	6.2	6.5	6.4	9.7	9.6	5.4	4.7
Variation of stocks less disposals of valuables (*)	0.0	-0.1	-0.1	0.0	0.1	0.0	-0.1
National demand (*)	8.5	7.8	7.1	7.8	6.9	5.4	4.2
Exports of goods and services	6.4	6.8	10.5	5.8	7.4	7.4	6.2
Imports of goods and services	8.0	6.9	9.8	9.2	8.7	7.0	4.5
<b>GROSS DOMESTIC PRODUCT at market prices</b>	<b>7.6</b>	<b>7.3</b>	<b>6.6</b>	<b>6.3</b>	<b>5.9</b>	<b>5.1</b>	<b>4.3</b>
Agricultural and Fishing branches	1.0	3.2	10.6	14.2	14.7	15.8	7.8
Industrial and Energy branches	6.5	5.7	5.9	5.7	7.0	6.6	6.1
Construction	9.4	9.2	7.8	8.1	6.4	2.2	-1.2
Services branches	7.6	7.6	7.8	8.9	8.3	8.7	8.2
- Market services	7.5	7.5	7.6	8.9	8.3	8.7	7.8
- Non-market services	8.2	8.1	8.3	8.8	8.5	9.0	9.8
Net taxes on products	8.5	7.1	-0.7	-9.9	-10.6	-17.3	-17.0

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

The GDP at current prices registered an interannual increase of 4.3% during the third quarter of 2008, slowing its rate of progress by eight tenths. Thus, the implicit **deflator** growth rate of the economy recovered to 3.4%, one tenth above that for the previous quarter.

### Income. Current prices. Interannual variation rates

Operations	2007				2008		
	Q. I	Q. II	Q. III	Q. IV	Q. I	Q. II	Q. III
<b>GROSS DOMESTIC PRODUCT at market prices</b>	<b>7.6</b>	<b>7.3</b>	<b>6.6</b>	<b>6.3</b>	<b>5.9</b>	<b>5.1</b>	<b>4.3</b>
Employee remuneration	7.3	7.4	7.0	6.7	6.8	5.9	4.5
Unitary Labour Cost (ULC)	2.7	2.7	3.1	3.0	3.9	4.0	3.6
Remuneration per wage earner	3.4	3.5	3.8	4.1	5.1	5.4	5.3
Productivity per worker	0.7	0.7	0.7	1.0	1.2	1.3	1.7
Salary rate	0.5	0.6	0.2	0.3	0.2	0.0	0.0
Gross operating surplus / Gross mixed income	7.9	7.5	8.6	11.0	9.6	10.0	9.8
Net taxes on production and imports	7.2	6.6	-2.2	-12.5	-11.2	-17.3	-19.1

Considering the primary distribution of income, wage earner remuneration decreased its growth rate by 1.4 points, down to 4.5%, solely as a result of the slowdown of paid employment, and the slight slowdown in average wage earner remuneration. Thus, the labour cost per product unit slowed down to 3.6% (compared with 4.0% the previous quarter), standing at two tenths higher than the implicit deflator of the economy.

Gross operating surplus and mixed income decreased their growth rate to 9.8% during this quarter, and lastly, taxes on net production and net imports of subsidies decreased 19.1%.

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 (3.7 points), followed by wage earner remuneration (1.7 points). On the other hand, net taxes on production and imports contributed negatively to the deflator (by -2.0 points).

### Income. GDP deflator breakdown. Contributions

Operations	2007				2008		
	Q. I	Q. II	Q. III	Q. IV	Q. I	Q. II	Q. III
<b>GROSS DOMESTIC PRODUCT at market prices</b>	<b>3.5</b>	<b>3.3</b>	<b>3.0</b>	<b>3.0</b>	<b>3.2</b>	<b>3.3</b>	<b>3.4</b>
Employee remuneration	1.5	1.6	1.6	1.6	1.9	1.9	1.7
Unitary Labour Cost (ULC)	1.3	1.3	1.5	1.4	1.8	1.9	1.7
Remuneration per wage earner	1.6	1.6	1.8	1.9	2.4	2.5	2.5
Productivity per worker	-0.3	-0.3	-0.3	-0.5	-0.6	-0.6	-0.8
Salary rate	0.3	0.3	0.1	0.1	0.1	0.0	0.0
Gross operating surplus / Gross mixed income	1.6	1.4	2.0	3.1	2.8	3.4	3.7
Net taxes on production and imports	0.4	0.3	-0.6	-1.7	-1.5	-2.0	-2.0

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**Press office:** Telephone: 91 583 93 63 / 94 08 – Fax: 91 583 90 87 - [gprensa@ine.es](mailto:gprensa@ine.es)  
**Information area:** Telephone: 91 583 91 00 – Fax: 91 583 91 58 – [www.ine.es/infoine](http://www.ine.es/infoine)