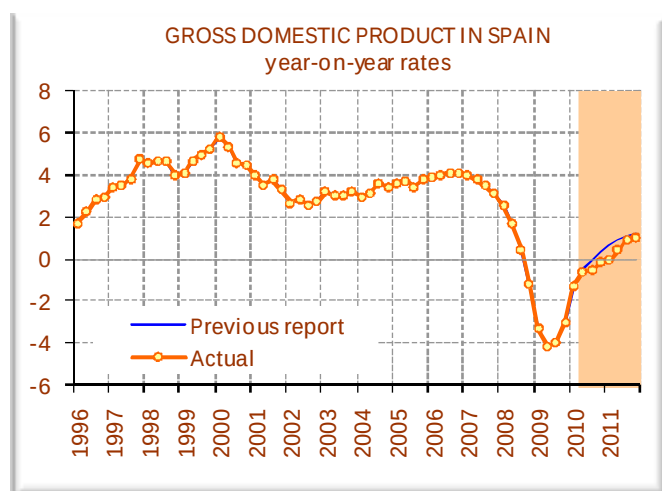


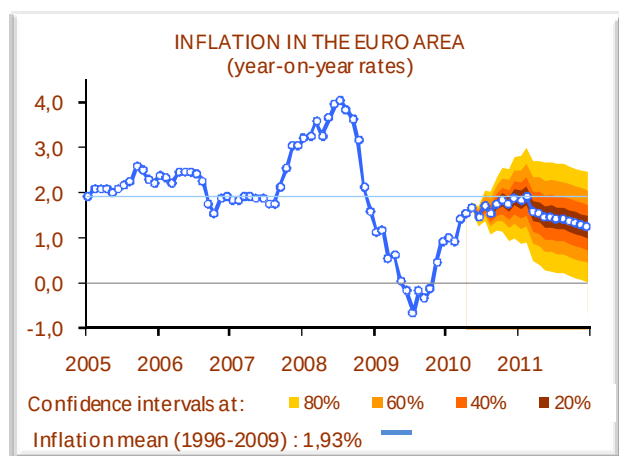


The forecasts for Spanish GDP growth were revised downwards for both 2010 and 2011. The Spanish economy is expected to shrink by 0.7 % (± 0.5) during this year and to achieve a positive growth rate of 0.6 % (± 0.8) in 2011



Source: INE & IFL (UC3M)
Date: May 18, 2010

Inflation in the euro area continues to be moderate in spite of soaring energy prices. Headline inflation is expected to remain below 2.0 % during all the forecasting horizon



Source: EUROSTAT & IFL (UC3M)
Date: May 18, 2010

Economic Outlook

P. 1

May was a critical month for the Spanish economy, with the government forced to make drastic decisions. The sovereign debt crisis in the weakest euro area countries peaked on 7 May. On May 10, under pressure from political institutions, the ECB started to buy those countries' sovereign debt. On May 12, the Spanish government announced heavy cuts in public spending. The most significant aspects of the measures are: a 5% cut in civil servants' salaries starting in June, the same salaries are frozen in 2011, as are all but the lowest pensions, a reduction in public investment of close to 6500 million euros in 2010 and 2011, and the disappearance of the baby cheque. Other countries, including Portugal, Italy and also Germany, announced their own measures a few days later. After the ECB's direct intervention, the differentials between the yield of German debt and that of other euro area countries have increased again sharply, and even French debt could see its rating dropped from triple A.

Situation of the Spanish Labour Market in the first Quarter of 2010 and forecasts for 2010 and 2011

P. 62

The current economic crisis is having a particularly devastating effect on the Spanish labour market, with a heavy increase in unemployment from one-digit levels to over 20%. Indeed, over two million net jobs have been lost since the start of the crisis. This shows that we are dealing with an inefficient market that urgently needs reform. From a sectorial perspective, the economic crisis is having unequal effects on employment. If we date the onset of the crisis, for practical purposes, in the first quarter of 2008, between then and the first quarter of 2010 most sectors have suffered job losses, starting with construction, followed by the manufacturing industry. However, some branches of activity, most of which are directly or indirectly related to the public sector, have generated net employment in these two years.

BULLETIN OF E.U. AND US INFLATION AND MACROECONOMIC ANALYSIS

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Depósito Legal: M22 938 – 1995

ISSN 1888-9298

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*The cut-off date for the statistics included in this Bulletin was May 30, 2010.

I. ECONOMIC OUTLOOK

May was a critical month for the Spanish economy, with the government forced to make drastic decisions. The sovereign debt crisis in the weakest euro area countries peaked on 7 May. On May 10, under pressure from political institutions, the ECB started to buy those countries' sovereign debt. On May 12, the Spanish government announced heavy cuts in public spending. The most significant aspects of the measures are: a 5% cut in civil servants' salaries starting in June, the same salaries are frozen in 2011, as are all but the lowest pensions, a reduction in public investment of close to 6500 million euros in 2010 and 2011, and the disappearance of the baby cheque. Other countries, including Portugal, Italy and also Germany, announced their own measures a few days later. After the ECB's direct intervention, the differentials between the yield of German debt and that of other euro area countries have increased again sharply, and even French debt could see its rating dropped from triple A.

Spanish economic policy then entered a phase of relative confusion, with proposed tax increases for the highest income brackets repeatedly announced and rejected (and now implemented in some autonomous regions) and other measures to contain local council indebtedness that have been postponed. There continues to be uncertainty in energy policy and, in particular, with regards to labour market reform. That it will be passed by decree seems inevitable, but there is not yet enough definition to affect agents' expectations.

Labour reform is a key aspect of the Spanish economy's modernisation, but it will not solve everything. In the first place, Spain is in a situation in which reform is urgent but must also be correct: half a reform could have small positive or even negative effects. If the key issues affecting the labour market (collective bargaining, duality, promotion of mobility, active employment and labour cost policies) are not faced globally and consistently, there will be no direct benefit, and more uncertainty will be added to labour relations, with a negative impact on consumers' and firms' decisions. Secondly, reform of the labour market will have to be followed by an increase in geographic mobility (dynamisation of the property market and reform of urban rental laws)

and a radical reform of education in general and occupational training in particular. The number of early school leavers in Spain continues to be unacceptable: 30% of all pupils leave school before they complete their secondary education. No labour market reform will be capable of providing them with stable, well-paid employment: this cancer has to be removed at birth.

The measures announced by the government have had a downwards impact on the Spanish economy's growth perspectives for the next two years, in two ways. One is direct, through GDP items related to public expenditure and investment, and the other is indirect, through the effects of a restrictive fiscal policy on the economy.

There has been a significant, negative change in expectations in this context. Indeed, before what happened in May, expectations did not appear to be considering the danger of a sharp drop in foreign investors' confidence in the Spanish economy. This change in expectations is not solely due to the exceptional nature of the announced measures, but also to a degree of indetermination in the direction followed by both Spanish and European economic policy and the lack of support by most of the political parties in Spain for the measures aimed at reducing public spending.

The May Economic Sentiment Indicator in the euro area fell by 2.2 points, with more than three points' variance in services, consumption and construction. Only industry was better than expected, thanks to the depreciation of the euro.

The decline has been considerably greater in Spain. The aggregate index fell by 3.9 points to 88.7, cancelling the recovery registered in the previous four months. Indeed, consumer confidence and confidence in the service sector has returned to the levels found in May and July 2009, respectively. The industrial confidence index has also fallen in Spain, albeit to a lesser extent.

The new growth forecasts published in this bulletin for the Spanish GDP are largely due to these two factors: the start of an age of less public spending and a generalised reduction in agents' expectations.

If the key issues affecting the labour market (collective bargaining, duality, promotion of mobility, active employment and labour cost policies) are not faced globally and consistently, there will be no direct benefit, and more uncertainty will be added to labour relations, with a negative impact on consumers' and firms' decisions.



Our growth forecasts for the Spanish economy in 2010 have been revised downwards to -0.7%, three tenths of a point less than our previous forecasts.

Our growth forecasts for the Spanish economy in 2010 have been revised downwards to -0.7%, three tenths of a point less than our previous forecasts, with the growth expected for 2011 falling by 5 tenths of a point to 0.6% (see table I.1). These downwards revisions affect practically all sectors except industry and energy on the supply side and private consumption on the demand side. It is now estimated that the Spanish economy could again register a recession in the second and third quarters of 2010, subsequently growing every quarter by 0.2-0.3%.

The relative improvement in industry is largely due to the depreciation of the euro, which could have a significant positive impact on the export of industrial goods. With regards to private consumption, the upwards innovation in the first quarter of 2010 was 2 tenths of a percentage point which, despite lower consumer expectations, has increased growth expectations to an average annual rate of 0.9% and 1.2% in 2010 and 2011, respectively.

On the other hand, the growth perspectives for investment are significantly reduced, due both to the announced cuts in public spending and to the negative impact on private investment of expectations regarding the Spanish economy. We expect an average annual decrease of 7.4% in gross fixed capital formation in 2010, followed by a 2.5% reduction in 2011. The forecasts for all sectors were revised downwards.

With our forecasts revised downwards, the large number of events occurring in May require an assessment of their effect on Spanish economic growth. In the

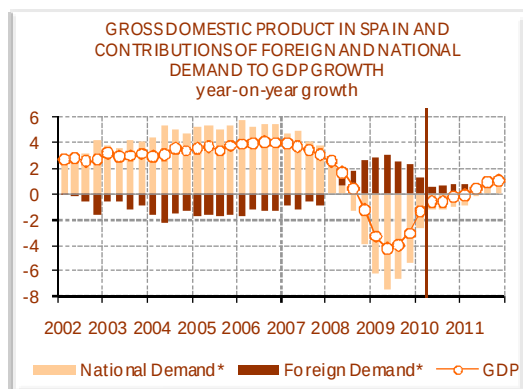
first half of the month, investors repeatedly showed their lack of confidence in the Spanish economy's solvency. Despite a relatively low public debt figure, international

investors – as pointed out by José Viñals from the IMF in a recent conference in Madrid – have been studying the basic principles of the Spanish economy in order to establish their expectations concerning the State's return of public debt. Those principles are competitiveness and fiscal consolidation, and the weakness of both supports such a lack of confidence. These disequilibria have been repeatedly described in our publications for the last few months, and we repeat them here once more.

- 1) While public debt relative to GDP is lower than in leading euro area countries, the degree of leverage of the private sector is unequalled elsewhere in Europe. The financial wealth of Spanish household relative to the GDP is also the lowest of all developed countries. The excess leverage represents a systemic risk for the financial system and will be having a negative impact on household and business spending and investment for several years.
- 2) The Spanish current account deficit has been corrected considerably in the last two years, but is still close to -5% of the GDP. In other words, the rate of growth of foreign debt has slowed down but the stock of debt continues to grow.
- 3) The unemployment rate was 20.1% in the first quarter of 2010. The average annual rate is expected to remain at around 19.7% for the next two years and it will be along time before it falls below 10%. There are positive aspects: the Spanish employment rate is still higher than in Italy and, despite the job losses in the last two years, Spain is the European country that created the most jobs in the last decade. But the impact of this on market confidence is minimal or zero.
- 4) Although an important part of the Spanish economic growth model no longer exists, the structural reforms required to create a positive change in medium to long-term growth expectations are still pending.

Spain needs foreign financing at a reasonable price, and the only way to get it is by means of a series of measures to ensure fiscal consolidation and generate medium-term growth perspectives based on increased productivity. In this respect,

Graph I.1



Source: INE & IFL(UC3M)
Date: May 27, 2010



the consequences of not making an immediate and credible cut in public spending would have been devastating, although their positive aspects have probably been affected by the lack of political unity. The impact, then, of the approved measures on GDP growth in 2010 and 2011 is negative when compared with the growth forecasts estimated in March and April. But such a comparison cannot be made as, with the drops in the Spanish debt markets in May, our forecasts would have been much worse without the announced restrictions. It is clear, however, that they are not sufficient to recover market confidence, as shown by the performance of Spanish public debt after the ECB's intervention. The structural problems affecting the Spanish economy have not vanished and have to be tackled urgently if such sacrifices are not to be wasted.

The expenditure cuts applied by the Government have been controversial, especially with regards to salary cuts and pension freezes. We have to analyse the structure of Spanish public spending in relation to that of other European countries in order to obtain a better idea of the real possibilities of reducing the deficit.

As table I.2 shows, in 2009 nearly 4% of the State budget (1.8% of the GDP) went on paying the interest on public debt. This will necessary grow in the new few years and could reach 6-7% of total public expenditure. The group formed by grants, intermediate consumption and "other expenses" represent 8.9% of the Spanish GDP, somewhat higher than Germany but less than France, Italy and the euro area average. In other words, these expense items show no significant signs of waste, and are largely in line with countries with similar socio-economic structures and welfare states. The remaining spending is represented by salaries and pensions, together with other social spending and investment, which represent around 70% of total expenditure and 35.2% of the GDP.

According to our forecasts, nominal GDP growth in the next two years will be close to 3%. Even assuming 4% nominal GDP growth for 2012, the reduction of the deficit to 5.3% of the GDP, as agreed with our European partners, will require a nominal expenditure adjustment of close to 5% of the GDP. In other words, although

intermediate spending, grants and "other expenses" are cut by half, and assuming no salary, pension or investment growth, the adjustment would still be insufficient.

It is clear that all unnecessary spending has to be eliminated, together with all privileged in the public administration; agents also have to be transmitted confidence in these measures. However, such a large deficit adjustment is impossible without both increased fiscal pressure and a restructuring of all major State expenditure items. Market confidence cannot be recovered if Spain does not show that its economy can return to significant, stable growth rates.

The conclusion is clear. Fiscal consolidation alone will not change investor confidence in the Spanish economy. It also needs structural changes and economic policy measures aimed to supporting and fostering productive plans that are both competitive and generate stable growth, with more innovation in the broadest sense of the word. These changes must be made and such plans must be promoted urgently to satisfy foreign investors. Only their prompt application, with an appropriate design, can improve investor confidence in the Spanish economy, and release us from having to subsequently speed up the fiscal adjustment process. Rapid fiscal adjustment can require additional cuts in public salaries, pensions, grants and welfare state aid, again delaying economic recovery.

The current challenge consists of finding the right pace for the joint implementation of fiscal consolidation, structural reforms and measures to foster competitive production.

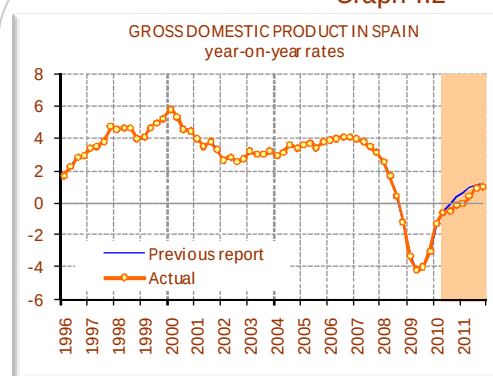
There are two options: like Greece, with considerable

social and political problems, or like Portugal or Ireland, with a high degree of cohesion and political support. The first option is certainly more expensive in terms of interest rates.

Although an important part of the Spanish economic growth model no longer exists, the structural reforms required to create a positive change in medium to long-term growth expectations are still pending.

Spain needs foreign financing at a reasonable price, and the only way to get it is by means of a series of measures to ensure fiscal consolidation and generate medium-term growth perspectives based on increased productivity.

Graph I.2



Source: INE & IFL(UC3M)
Date: May 27, 2010



The conclusion is clear. Fiscal consolidation alone will not change investor confidence in the Spanish economy. It also needs structural changes and economic policy measures aimed to supporting and fostering productive plans that are both competitive and generate stable growth, with more innovation in the broadest sense of the word.

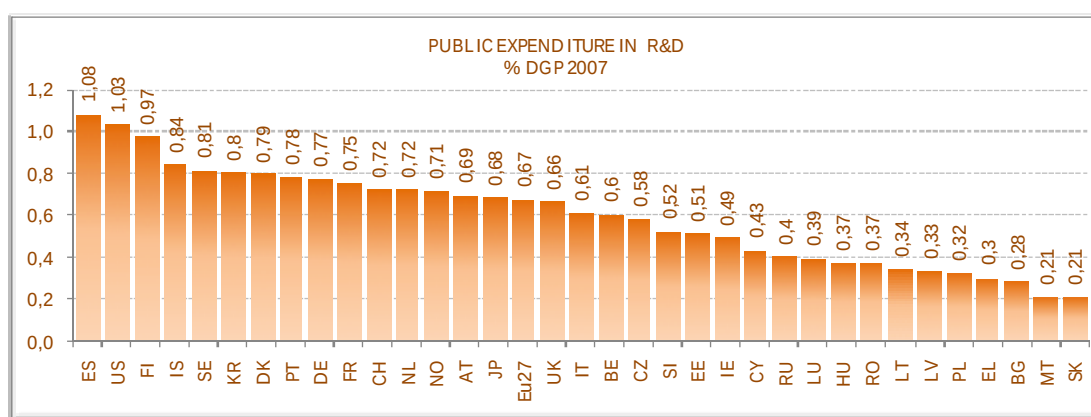
Table I.1

GROSS DOMESTIC PRODUCT IN SPAIN													
Annual rates of growht													
		Final Consumption		Gross Capital Formation				Domestic Demand (1)	Exports of goods and services	Imports of goods and services	Foreign Demand (1)	Real GDP	
		Private	Public	Equipment	Building	Other							
ANNUAL AVERAGE	2005	4,2	5,5	9,2	6,1	7,1	7,0	5,3	2,5	7,7	-1,7	3,6	
	2006	3,8	4,6	9,9	6,0	7,5	7,2	5,5	6,7	10,2	-1,4	4,0	
	2007	3,6	5,5	9,0	3,2	3,6	4,6	4,4	6,6	8,0	-0,9	3,6	
	2008	-0,6	5,5	-1,8	-5,5	-4,3	-4,4	-0,6	-1,0	-4,9	1,4	0,9	
	2009	-5,0	3,8	-23,1	-11,2	-17,2	-15,3	-6,8	-11,5	-17,9	3,0	-3,6	
	2010	0,9	-0,6	0,5	-8,8	-12,6	-7,4	-1,4	7,8	4,0	0,7	-0,7 (±0,6)	
	2011	1,2	-0,2	2,5	-3,2	-6,2	-2,5	0,1	4,8	2,4	0,5	0,6 (±0,8)	
ANNUAL RATES	2009	QI	-5,5	6,0	-24,0	-11,3	-13,2	-14,9	-6,1	-16,6	-22,3	2,8	-3,3
		QII	-6,0	4,7	-28,3	-11,6	-17,6	-17,0	-7,4	-14,7	-21,7	3,1	-4,2
		QIII	-5,0	4,1	-23,8	-11,4	-19,9	-16,0	-6,6	-10,8	-17,0	2,6	-4,0
		QIV	-3,5	0,8	-15,3	-10,2	-18,5	-12,9	-5,4	-2,9	-9,6	2,3	-3,1
	2010	QI	-0,6	1,5	-2,5	-10,6	-17,5	-9,9	-2,6	8,0	2,6	1,3	-1,3
		QII	1,2	0,2	2,8	-9,3	-13,9	-7,5	-1,2	8,7	5,7	0,6	-0,6
		QIII	1,6	-3,0	2,4	-8,1	-9,4	-6,1	-1,2	8,1	5,0	0,7	-0,5
		QIV	1,4	-1,0	-0,5	-7,1	-8,8	-6,0	-1,0	6,2	2,7	0,8	-0,2
	2011	QI	1,1	-2,1	1,1	-4,6	-7,7	-4,1	-0,8	5,4	2,0	0,8	-0,1
		QII	1,1	-1,0	2,9	-3,7	-6,7	-2,8	-0,3	5,1	2,1	0,7	0,4
		QIII	1,2	1,2	2,5	-2,7	-5,7	-2,0	0,4	4,5	2,2	0,5	0,9
		QIV	1,5	1,2	3,5	-1,6	-4,5	-1,0	0,8	4,4	3,3	0,2	1,1

Table I.2

GOVERNMENT REVENUE AND EXPENDITURE IN 2009						
% of GDP						
		Euro area 16	Germany	Spain	France	Italy
1=2+6+7+8+9	Total revenue	44,4	44,3	34,7	48,1	46,6
2=3+4+5	Taxes	24,5	23,6	18,7	24,9	29,1
3	Indirect taxes	12,8	12,6	8,7	14,8	13,6
4	Direct taxes	11,3	10,8	9,6	9,7	14,6
5	Capital taxes	0,4	0,2	0,4	0,4	0,8
6	Social contributions	15,7	17,1	13,4	18,3	14,1
7	Sales	2,2	2,1	1,2	3,3	1,3
8	Other current revenue	1,9	1,4	1,9	1,8	1,9
9	Capital revenue	<0.1	0,2	-0,5	-0,2	0,3
10=11+...+17	Total expenditure	50,7	47,6	45,9	55,6	51,9
11	Intermediate consumption	5,6	4,7	5,8	5,4	6,1
12	Compensation of employees	10,8	7,4	11,8	13,2	11,3
13	Interest	2,8	2,6	1,8	2,3	4,6
14	Subsidies	1,4	1,4	1,1	1,7	1
15	Social benefits	23,4	26,6	17,5	25	22,1
16	Other current expenditure	2,5	1,9	2	3,7	2,5
17	Capital creation	4,2	3	5,9	4,3	4,3
18	of which. Gross fixed capital formation	2.8	1.7	4.4	3.3	2.4

Graph I.3



When the regulatory framework for the economic system is inadequate, the system stops working and ceases to generate growth and wealth. Attempts to compensate for the lack of structural reforms by direct public investment nearly always fail, often wasting a good deal of public money. The recent publication of a thorough study of R&D in the euro area provides a very clear example.

This may be a surprise, but Spain has the greatest public investment in R&D relative to the GDP in the world. It invests 1.08% of the GDP, versus 1.03% in the US and 0.97% in Finland. If we measure per capita investment with purchasing power parity, Spain is fifth in the ranking above countries such as Japan, Germany or France. The situation is radically different when we consider the economic system's total investment in research and development. The Spanish private sector appears to be incapable of investing in this direction and, despite the heavy public contribution, total expenditure relative to the GDP is much lower than the euro area average and more competitive economies.

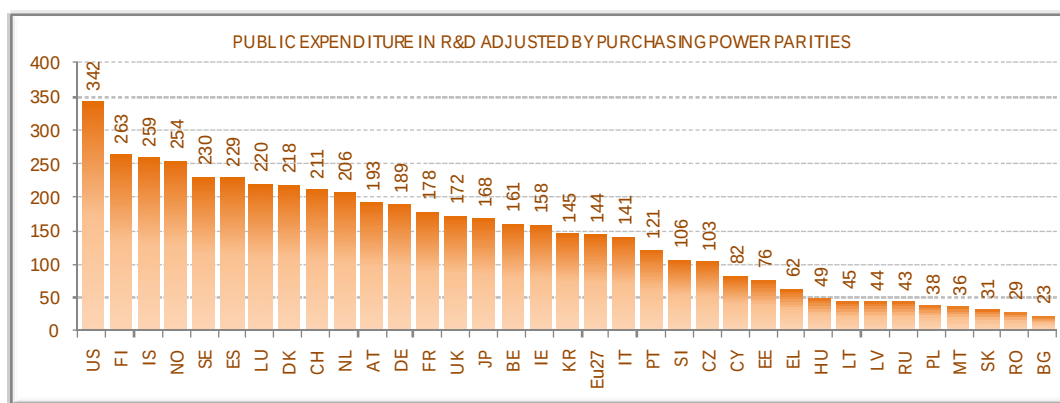
Things are even worse if we consider other key factors: the percentage of firms that introduced an innovation in 2004-2006 is 64% in Germany but no more than 33% in Spain, the lowest value in the euro area. Only 5% of all innovative firms collaborate with a university institution in R&D, versus 37% in Finland. Only Malta does worse (the information for Italy, Germany and France is not available).

Finally, these inefficiencies are transmitted to the productive system: the Spanish share in world exports of products with a high technological content in 2007 was 0.6%, less than Denmark, Finland or Austria and just over a third of the share of Italy or Belgium.

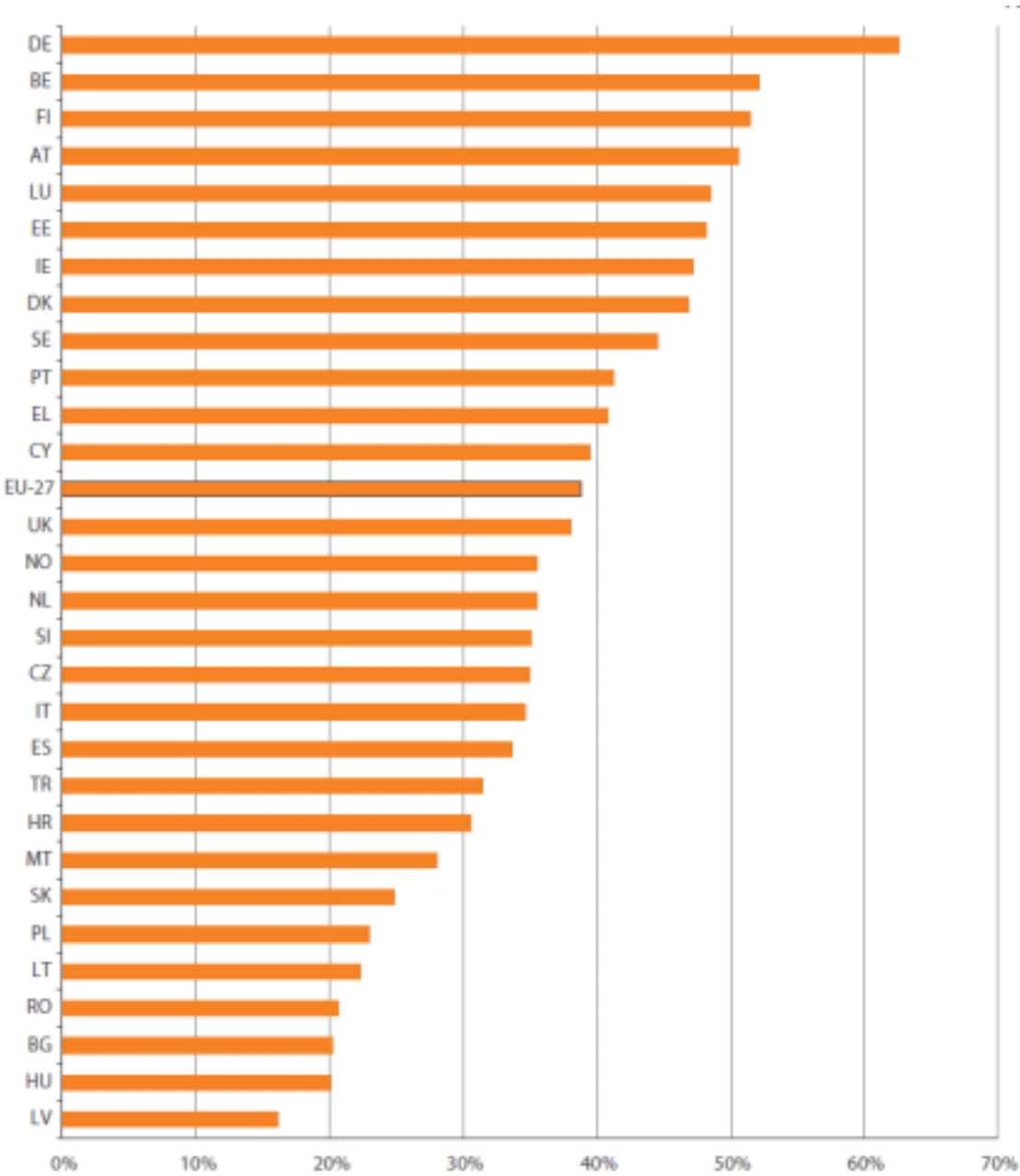
It is good for the State to support the development of new technologies, research and innovation, and in most cases economic systems transform these investments into competitiveness, growth and wealth. This does not happen in Spain and, despite the State's significant efforts, our economic system is last in the ranking for all the leading indicators related to innovation.

When the regulatory framework for the economic system is inadequate, the system stops working and ceases to generate growth and wealth. Attempts to compensate for the lack of structural reforms by direct public investment nearly always fail, often wasting a good deal of public money. The recent publication of a thorough study of R&D in the euro area provides a very clear example.

Graph I.4



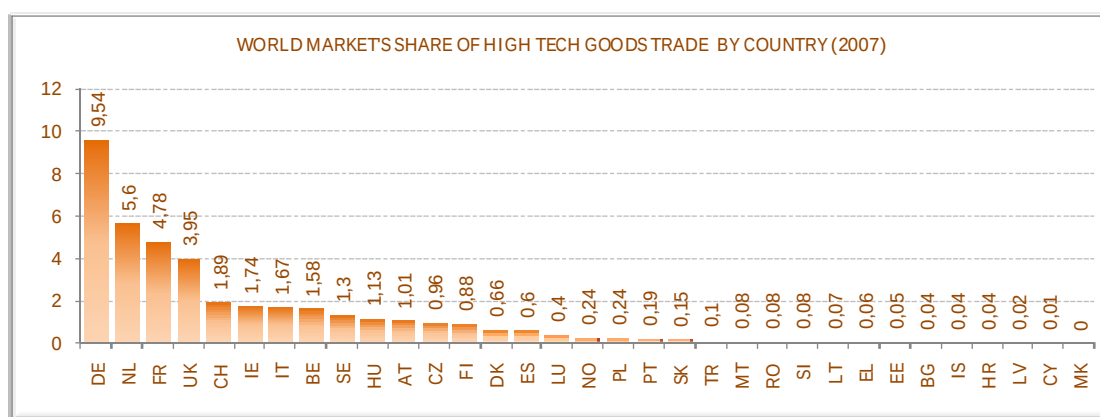
Graph I.5
Percentage of firms on total that have introduced some process or product innovation in the last two years



Fuente: EUROSTAT



Graph I.6



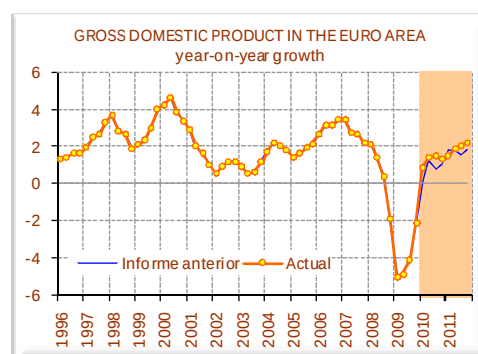
II. THE ECONOMY IN THE EURO AREA

The real data are greater than their leading indicators since they parted ways at the end of 2009.

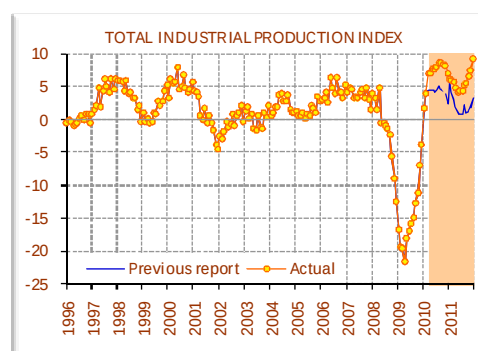
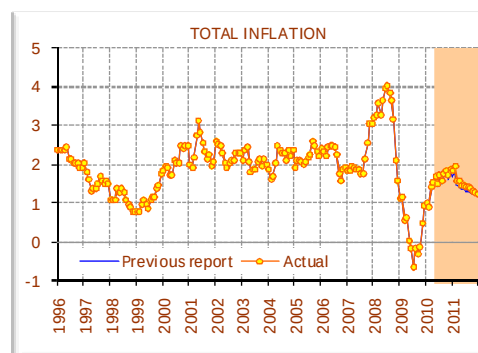
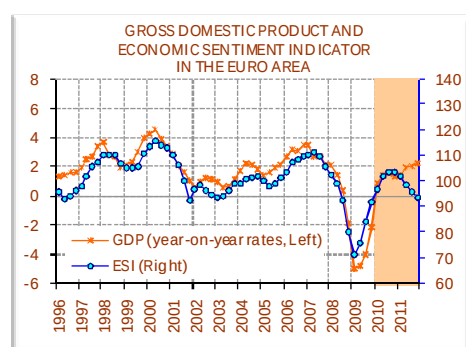
IPI growth forecast for 2010 and 2011 has grown to 6.9% and 5.8%, respectively.

Euro area inflation is evolving as expected and the forecast shows little change.

The rise in energy prices has increased the average annual inflation rate for 2011 by one tenth of a point to 1.5%(±0.32).



MAIN VARIABLES AND INDICATORS IN THE EURO AREA						
Average annual rates						
	2006	2007	2008	2009	Forecasts	
					2010	2011
GDP mp.¹	3,1	2,7	0,5	-4,0	1,3	1,9
Demand						
Private final consumption	2,1	1,6	0,4	-1,0	0,0	1,7
Public final consumption	2,1	2,3	2,1	2,3	1,7	0,6
Gross capital formation	6,3	4,5	-0,5	-14,7	1,9	4,3
Contribution domestic demand	2,9	2,3	0,5	-3,4	0,8	2,0
Exports of goods and services	8,7	6,3	0,8	-12,8	5,6	3,1
Imports of goods and services	8,6	5,5	0,9	-11,4	4,5	3,3
Contribution foreign demand	0,2	0,4	0,0	-0,8	0,5	0,0
Supply GVA						
Total	3,1	3,0	0,7	-4,2	1,2	2,0
Agriculture	0,1	-0,3	1,7	0,2	1,7	1,7
Industry	3,9	2,4	-0,9	-13,3	2,5	2,8
Construction	3,1	2,3	-1,0	-5,8	-0,7	1,6
Trade services	2,8	3,5	0,8	-4,8	0,4	1,9
Financial services	4,2	4,2	1,5	-1,8	0,8	2,5
Public services	1,5	2,0	1,6	1,4	1,1	1,1
Prices (HICP²)						
Total	2,2	2,1	3,3	0,3	1,5	1,5
Core	1,5	2,0	2,4	1,3	0,8	1,0
Processed food	2,1	2,8	6,1	1,1	0,6	1,8
Non-energy industrial goods	0,6	1,0	0,8	0,6	0,1	0,1
Services	2,0	2,5	2,6	2,0	1,4	1,4
Residual	5,5	2,8	7,3	-4,5	5,0	4,0
Non-processed food	2,8	3,0	3,5	0,2	1,4	2,3
Energy	7,7	2,6	10,3	-8,1	7,9	5,3
Labour market³						
Unemployment rate	8,3	7,5	7,5	9,4	10,7	10,4
Industrial production index (excluding construction)⁴						
Total	4,2	3,7	-1,7	-15,1	6,9	5,8
Consumer goods						
Durables	4,7	1,4	-5,7	-17,5	2,7	7,2
Non-durables	2,7	2,5	-1,4	-3,0	2,3	3,0
Equipment	6,0	6,6	-0,1	-21,3	8,2	9,6
Intermediate	4,8	3,7	-3,4	-19,2	9,3	5,7
Energy	0,6	-0,9	0,3	-5,7	6,4	2,2



The figures in the shaded area are forecasts.

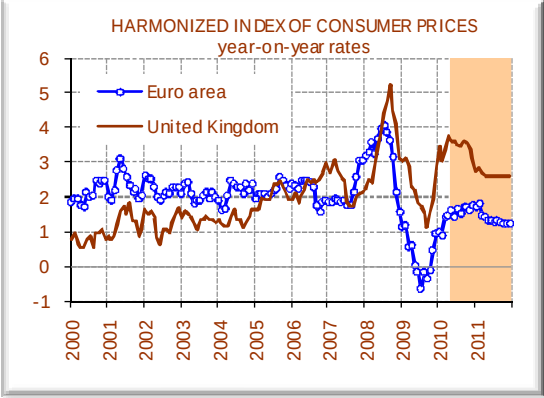
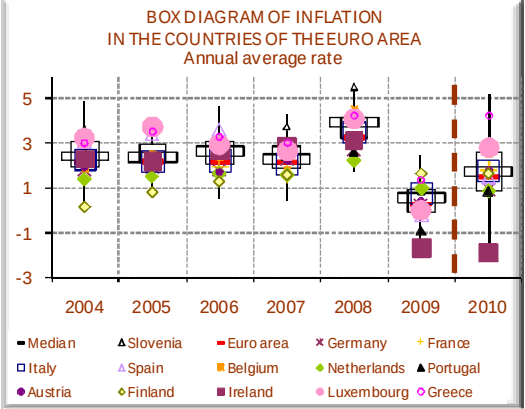
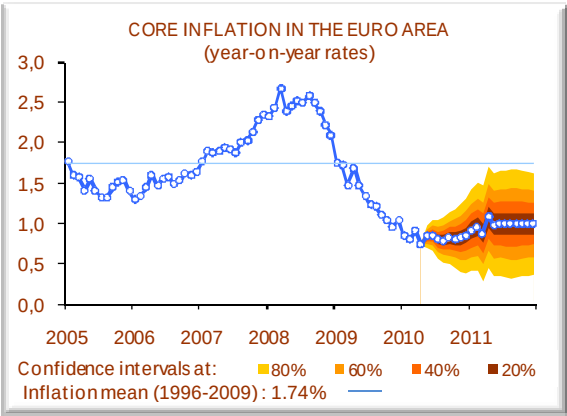
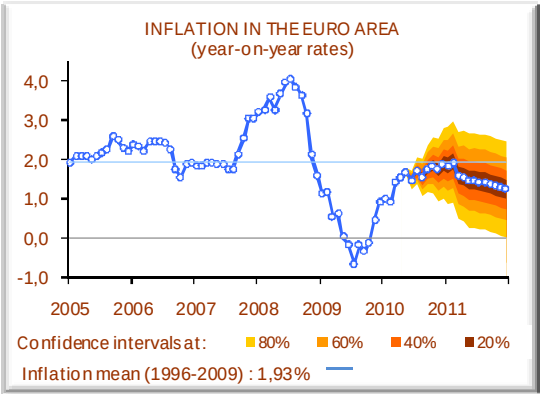
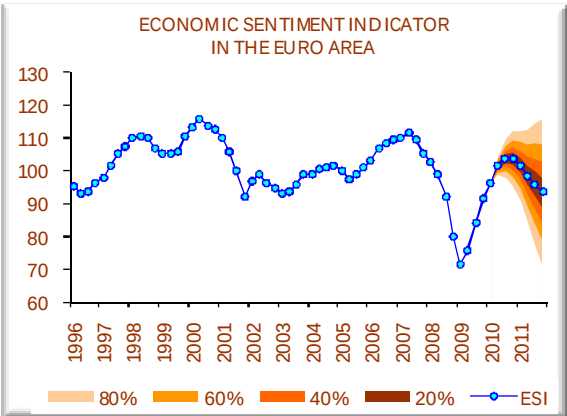
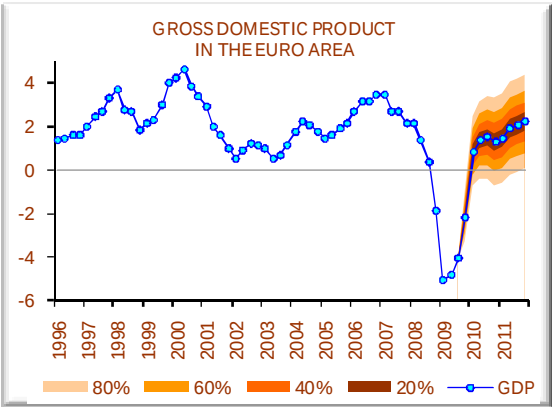
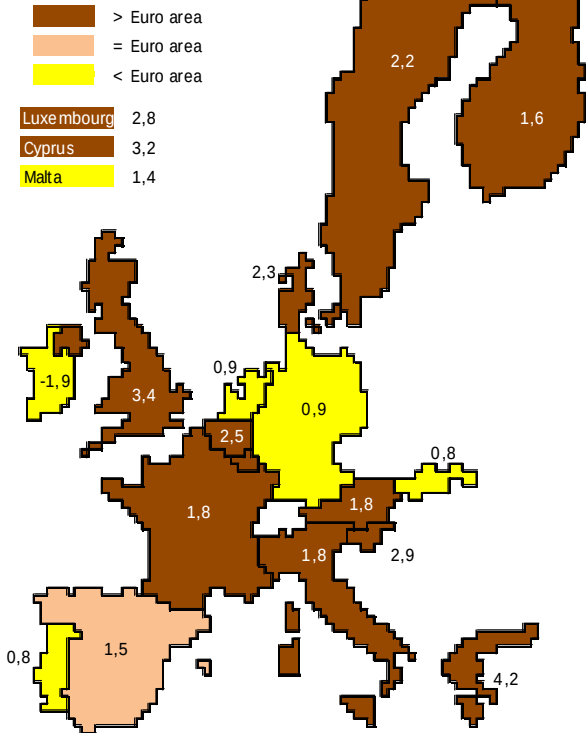
(1) Data adjusted for seasonality and working days effect.

Source: EUROSTAT & IFL (UC3M)

Date: (1) May 7, 2010 (2) May 18, 2010
(3) April 27, 2010 (4) May 12, 2010



ANNUAL AVERAGE RATES OF GROWTH IN THE EURO AREA COUNTRIES AND UNITED KINGDOM, SWEDEN AND DENMARK FOR 2010



II.1. MACROECONOMIC FORECASTS.

The euro area economy has returned to a pathway of growth, with a quarter-on-quarter figure of 0.2%.

In the first two weeks of May, the economic information about the euro area continued to be affected by the events in Greece, after the heavy fiscal adjustment instated by the government and the guaranteed aid to be provided by other euro area countries and the International Monetary Fund, if necessary. In the second half of the month, current affairs were more interested in the fiscal adjustment plan instated by the Spanish government. In spite of these plans, the debate continues and there is a some uncertainty regarding the success of these packages of measures applied by the most affected countries. In any event, irrespective of the Greek problem, which is much greater than that of other euro area countries such as Portugal, Ireland and Spain, there is still some fear of their contagion. Indeed, the risk premium for the public debt issued by this group of countries has risen sharply in the last month.

The Economic Sentiment Indicator (ESI) edited by the European Commission grew by 2.7 points in April to 100.6, very close to the historic average (100.7 points).

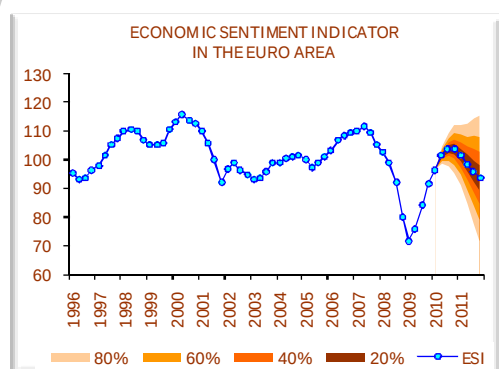
the previous forecast, and 1.5% (the same) in 2011; according to the Commission, this is due to an upwards revision of foreign demand and stocks. The OECD forecast, however, is more optimistic, showing 1.2% average annual growth for 2010, three tenths of a point more than the previous forecast. For 2011, it has risen to 1.8%, one tenth of a point more. Within euro area countries, the best performance is expected from Germany, with estimated growth rates of 1.9% and 2.1%, respectively, followed by France with 1.7% and 2.1%.

The latest euro area indicators, corresponding to the first quarter of this year, show a better situation than was anticipated by the figures registered in the fourth quarter of 2009. This is true of qualitative indicators such as the Economic Sentiment Indicator, which increased in the first quarter of 2010, and hard data such as the Industrial Production Index (IPI), which improved considerably in the same period. The worst figures continue to be found in the labour market. They continue to show a relative improvement but unemployment continues to grow and jobs continue to be lost.

The Economic Sentiment Indicator (ESI) edited by the European Commission grew by 2.7 points in April to 100.6, very close to the historic average (100.7 points), and this has improved our forecast by just over one point. ESI growth in April was primarily due to confidence in services, the retail trade and, to a lesser extent, in industry and consumers. By country, confidence increased heavily in Germany (4.3 points) and France (2). As a result of the upwards innovation in the sentiment indicator in both March and April, our forecasts have improved for the next two quarters, when it will more than exceed its neutral level (100.6 points).

The March euro area Industrial Production Index (*IPI*) registered a monthly growth rate of 1.3%, after growing by 0.7% in the previous month (adjusted for seasonality and calendar), representing a 3 pp increase in the year-on-year rate (6.9%). The IPI figure has improved our forecast

Graph II.1.1



Source: EUROSTAT & IFL (UC3M)
Date: May 29, 2010

With regards to the euro economy indicators published in May, the most important is the preliminary estimation of GDP growth in the first quarter of this year, estimated by Eurostat.

According to this indicator, the euro area economy has returned to a pathway of growth, with a

quarter-on-quarter figure of 0.2%, equivalent to 0.5% in year-on-year terms, after not moving in the last quarter of last year and growing considerably in the third (0.4%). Note that GDP growth in the first quarter was lower than our forecast.

May also saw the publication of the euro area spring forecasts for 2010 and 2011 by the European Commission and the OECD. According to the commission's estimated, the euro area economy will grow by 0.9% in 2010, two tenths of a point more than



and is consistent with the first two months of this year, when it also registered upwards innovations. IPI recovery in the euro area is therefore consolidated, supported by the evolution of this index in the area's leading economies. Contributions to month-on-month IPI growth came from all groups except energy. The greatest growth rates were found in capital goods (1.5%) and non-durable consumer goods (1.2%), with energy decreasing (0.6%).

The March IPI exceeded the levels shown by the leading indicators in the previous months, so our average annual IPI growth rate forecast has improved significantly for both 2010 and 2011. For this year, we are expecting an average annual growth rate of 6.9%, followed by 5.8% in the next, while we previously forecast 3.9% and 2.1%, respectively. From a sectoral viewpoint, growth in 2010 is expected to be fundamentally due to intermediate, capital and energy goods.

With the latest information available, particularly the April ESI and the MARCH IPI, we have updated our macroeconomic forecasts for this and next year, with an upwards movement in both cases. For 2010, we now expect an average annual GDP growth rate of 1.3%, followed in 2011 by 1.9%, half a point and two tenths, respectively, higher than our previous forecast. This upwards revision is due to better than expected leading indicators in the first quarter and an also better than expected performance by real variables such as the IPI. These forecasts are evidently affected by downwards risks, including the labour market, which has to improve if private consumption is to grow and recovery is to consolidate. Secondly, some European countries have to absorb the costs of their programmes applied during the recession, and the Greek crisis must be overcome.

With regards to the labour market, the latest euro area figures show that it continues to register a relative improvement, although jobs continue to be lost and unemployment continues to grow. Employment takes time to respond to economic activity; in the last quarter of 2009 it registered a quarter-on-quarter decrease of 0.3%, as estimated by national accounts. In any event, the decline is less intense than in the previous quarter, when

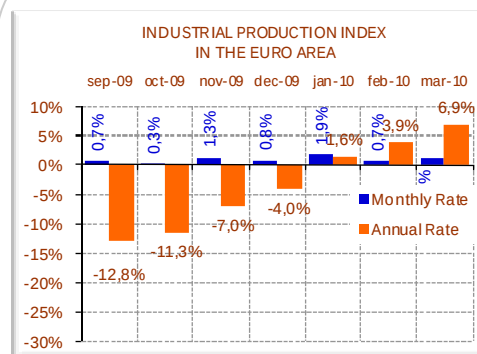
it fell by 0.5%. For the first quarter of this year, the labour market can be expected to improve, but not enough to generate net employment.

With regards to the unemployment rate, in the first quarter of this year it was 10% of the active population, one tenth of a point more than in the previous quarter. In spite of the unemployment rate's tendency to stabilise in the last few months, it could still grow in the next few months, although much slower than in 2009. Indeed, unemployment is forecast for 2010 at 10.6%, followed by 10.4% in 2011.

Note that the aggregate performance of the euro area labour market involves much dispersion between the different member states. Growth of unemployment has been moderate in Germany and France, and considerable in Spain and Ireland. The unemployment rate of these two countries are nearly double the average and the former are clearly below average, particularly Germany.

For 2010, we now expect an average annual GDP growth rate of 1.3%, followed in 2011 by 1.9%, half a point and two tenths, respectively, higher than our previous forecast.

Graph II.1.2



Source: EUROSTAT & IFL (UC3M)
Date: May 12, 2010

The IPI figure has improved our forecast and is consistent with the first two months of this year, when it also registered upwards innovations.

Table II.1.1

INDUSTRIAL PRODUCTION INDEX IN THE EURO AREA *					
Average year-on-year rates					
	2007	2008	2009	2010	2011
Consumer goods					
Durable	1,4	-5,7	-17,5	2,7	7,2
Non-durable	2,5	-1,4	-3,0	2,3	3,0
Capital	6,6	-0,1	-21,3	8,2	9,6
Intermediate	3,7	-3,4	-19,2	9,3	5,7
Energy	-0,9	0,3	-5,7	6,4	2,2
Total	3,7	-1,7	-15,1	6,9	5,8
Annual growth of GVA industrial sector	2,4	-0,9	-13,3	2,5	2,8

Source: EUROSTAT & IFL (UC3M)
Date: May 12, 2010

For the first quarter of this year, the labour market can be expected to improve, but not enough to generate net employment.



GROSS DOMESTIC PRODUCT IN THE EURO AREA: DEMAND

GROSS DOMESTIC PRODUCT AND COMPONENTS IN THE EURO AREA										
Annual average and annual rates of growth										
		Final Consumption		Gross Capital Formation	Domestic Demand (1)	Exports of goods and services	Imports of goods and services	Foreign Demand (1)	Real GDP	
		Private	Public							
ANNUAL AVERAGE	2005	1,9	1,6	2,7	1,9	5,3	6,1	-0,1	1,8	
	2006	2,1	2,1	6,3	2,9	8,7	8,6	0,2	3,1	
	2007	1,6	2,3	4,5	2,3	6,3	5,5	0,4	2,7	
	2008	0,4	2,1	-0,5	0,5	0,8	0,9	0,0	0,5	
	2009	-1,0	2,3	-14,7	-3,4	-12,8	-11,4	-0,8	-4,0	
	2010	0,0	1,7	1,9	0,8	5,6	4,5	0,5	1,3	
	2011	1,7	0,6	4,3	2,0	3,1	3,3	0,0	1,9	
ANNUAL RATES *	2009	QI	-1,4	2,4	-14,1	-3,5	-16,1	-12,9	-1,6	-5,0
		QII	-1,0	2,3	-16,3	-3,7	-16,6	-14,3	-1,2	-4,9
		QIII	-1,2	2,6	-14,9	-3,4	-13,2	-11,9	-0,7	-4,1
		QIV	-0,5	1,8	-13,4	-2,9	-4,6	-6,3	0,6	-2,2
	2010	QI	-0,2	2,5	-2,6	-0,2	5,0	2,5	1,1	0,9
		QII	-0,2	2,1	3,7	1,1	6,9	6,3	0,4	1,4
		QIII	0,1	1,4	2,7	0,9	5,8	4,5	0,6	1,5
		QIV	0,3	0,9	4,2	1,3	4,6	4,6	0,1	1,3
	2011	QI	1,1	0,4	2,6	1,2	4,1	3,7	0,2	1,5
		QII	1,5	0,6	3,8	1,8	3,3	3,1	0,1	1,9
		QIII	2,1	0,3	5,3	2,4	2,2	2,9	-0,2	2,1
		QIV	2,2	1,1	5,4	2,7	2,8	3,7	-0,3	2,2

GROSS DOMESTIC PRODUCT AND COMPONENTS IN THE EURO AREA										
Annual average and quarterly rates of growht										
		Final Consumption		Gross Capital Formation	Domestic Demand (1)	Exports of goods and services	Imports of goods and services	Foreign Demand (1)	Real GDP	
		Private	Public							
ANNUAL AVERAGE	2005	1,9	1,6	2,7	1,9	5,3	6,1	-0,1	1,8	
	2006	2,1	2,1	6,3	2,9	8,7	8,6	0,2	3,1	
	2007	1,6	2,3	4,5	2,3	6,3	5,5	0,4	2,7	
	2008	0,4	2,1	-0,5	0,5	0,8	0,9	0,0	0,5	
	2009	-1,0	2,3	-14,7	-3,4	-12,8	-11,4	-0,8	-4,0	
	2010	0,0	1,7	1,9	0,8	5,6	4,5	0,5	1,3	
	2011	1,7	0,6	4,3	2,0	3,1	3,3	0,0	1,9	
QUARTERLY RATES *	2009	QI	-0,4	0,5	-9,8	-2,3	-8,0	-7,6	-0,3	-2,5
		QII	0,1	0,7	-4,7	-0,9	-1,0	-2,8	0,7	-0,1
		QIII	-0,2	0,8	1,6	0,4	2,9	2,9	0,0	0,4
		QIV	0,0	-0,2	-0,7	-0,2	1,9	1,3	0,3	0,0
	2010	QI	-0,1	1,2	1,4	0,5	1,2	1,1	0,0	0,5
		QII	0,1	0,3	1,4	0,4	0,8	0,9	0,0	0,4
		QIII	0,1	0,1	0,6	0,2	1,9	1,2	0,3	0,5
		QIV	0,3	-0,7	0,7	0,2	0,7	1,3	-0,2	-0,1
	2011	QI	0,7	0,7	-0,2	0,5	0,7	0,3	0,2	0,7
		QII	0,5	0,5	2,6	1,0	0,0	0,2	-0,1	0,8
		QIII	0,7	-0,2	2,1	0,8	0,8	1,0	-0,1	0,7
		QIV	0,3	0,1	0,8	0,4	1,3	2,1	-0,3	0,0

Data adjusted for seasonality and working days effect

The figures in the shaded area are forecasts

(1) Contribution to GDP growth

*Year-on-year rates

Source: EUROSTAT & IFL (UC3M)

Date: May 7, 2010



GROSS DOMESTIC PRODUCT IN THE EURO AREA: SUPPLY

GROSS DOMESTIC PRODUCT AND COMPONENTS IN THE EURO AREA										
Annual average and annual rates of growth										
		GVA							Real GDP	
		Agriculture	Industry	Construction	Trade Services	Financial Services	Public Services	TOTAL		
ANNUAL AVERAGE	2005	-6,1	1,6	1,7	2,0	2,8	1,3	1,8	1,8	
	2006	0,1	3,9	3,1	2,8	4,2	1,5	3,1	3,1	
	2007	-0,3	2,4	2,3	3,5	4,2	2,0	3,0	2,7	
	2008	1,7	-0,9	-1,0	0,8	1,5	1,6	0,7	0,5	
	2009	0,2	-13,3	-5,8	-4,8	-1,8	1,4	-4,2	-4,0	
	2010	1,7	2,5	-0,7	0,4	0,8	1,1	1,2	1,3	
	2011	1,7	2,8	1,6	1,9	2,5	1,1	2,0	1,9	
ANNUAL RATES*	2009	QI	0,3	-16,1	-6,8	-5,7	-1,7	1,4	-5,1	-5,0
		QII	0,2	-16,4	-5,9	-5,4	-2,0	1,6	-5,0	-4,9
		QIII	0,3	-13,0	-5,5	-4,9	-2,1	1,4	-4,3	-4,1
		QIV	-0,1	-7,2	-4,7	-3,0	-1,4	1,4	-2,4	-2,2
	2010	QI	1,2	0,8	-2,7	0,7	0,0	1,7	0,7	0,9
		QII	2,4	3,8	-0,9	0,0	0,2	0,9	1,1	1,4
		QIII	2,1	2,3	-0,3	0,8	1,6	1,2	1,5	1,5
		QIV	1,3	3,2	1,2	0,2	1,4	0,8	1,4	1,3
	2011	QI	1,6	3,7	0,6	0,2	2,4	0,6	1,6	1,5
		QII	1,4	3,1	0,6	2,0	2,9	1,3	2,2	1,9
		QIII	1,5	1,9	2,7	2,4	2,3	1,3	2,1	2,1
		QIV	2,3	2,3	2,3	3,0	2,4	1,2	2,2	2,2

GROSS DOMESTIC PRODUCT AND COMPONENTS IN THE EURO AREA										
Annual average and quarterly rates of growht										
		GVA							Real GDP	
		Agriculture	Industry	Construction	Trade Services	Financial Services	Public Services	TOTAL		
ANNUAL AVERAGE	2005	-6,1	1,6	1,7	2,0	2,8	1,3	1,8	1,8	
	2006	0,1	3,9	3,1	2,8	4,2	1,5	3,1	3,1	
	2007	-0,3	2,4	2,3	3,5	4,2	2,0	3,0	2,7	
	2008	1,7	-0,9	-1,0	0,8	1,5	1,6	0,7	0,5	
	2009	0,2	-13,3	-5,8	-4,8	-1,8	1,4	-4,2	-4,0	
	2010	1,7	2,5	-0,7	0,4	0,8	1,1	1,2	1,3	
	2011	1,7	2,8	1,6	1,9	2,5	1,1	2,0	1,9	
QUARTERLY RATES*	2009	QI	0,0	-8,0	-1,3	-3,1	-1,1	0,1	-2,6	-2,5
		QII	-0,2	-1,3	-1,0	-0,1	-0,1	0,7	-0,2	-0,1
		QIII	0,3	2,4	-1,3	0,2	-0,3	0,2	0,4	0,4
		QIV	-0,3	-0,1	-1,2	0,0	0,1	0,4	0,0	0,0
	2010	QI	1,3	-0,1	0,8	0,6	0,2	0,4	0,5	0,5
		QII	1,0	1,7	0,8	-0,7	0,2	-0,1	0,3	0,4
		QIII	0,1	0,9	-0,6	0,9	1,0	0,6	0,8	0,5
		QIV	-1,1	0,7	0,3	-0,7	-0,1	0,0	0,0	-0,1
	2011	QI	1,6	0,4	0,2	0,6	1,3	0,2	0,7	0,7
		QII	0,8	1,1	0,8	1,1	0,7	0,6	0,8	0,8
		QIII	0,2	-0,3	1,5	1,4	0,4	0,6	0,6	0,7
		QIV	-0,3	1,1	-0,1	-0,1	0,0	-0,2	0,1	0,0

Data adjusted for seasonality and working days effect

The figures in the shaded area are forecasts

(1) Contribution to GDP growth

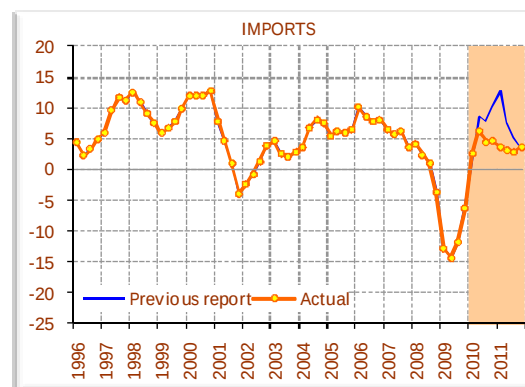
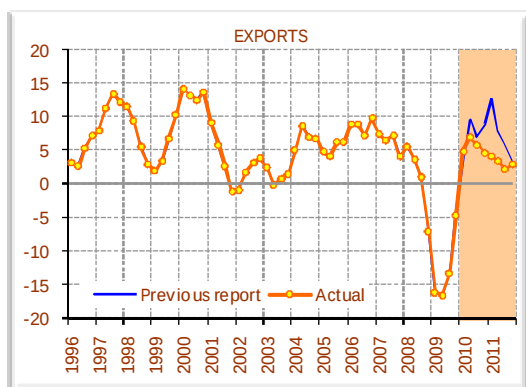
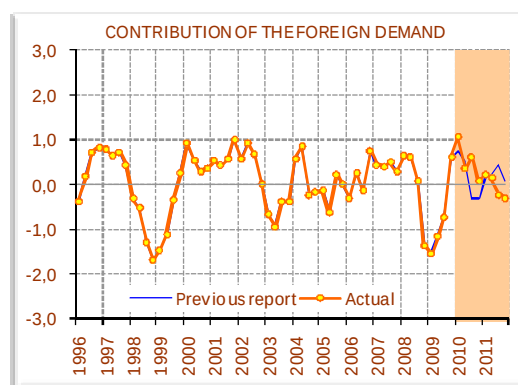
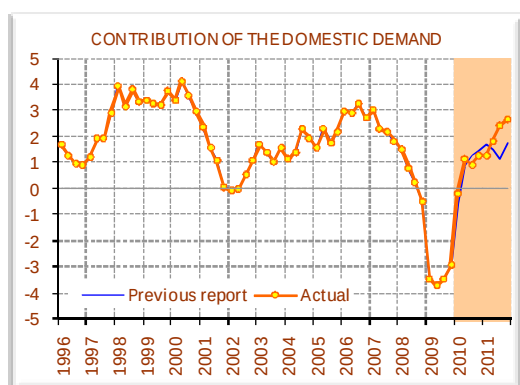
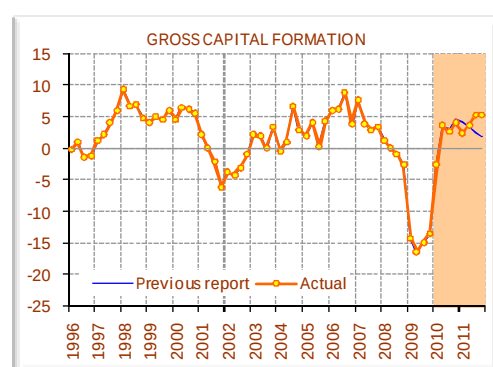
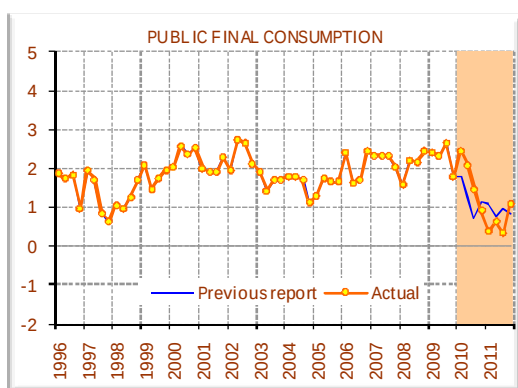
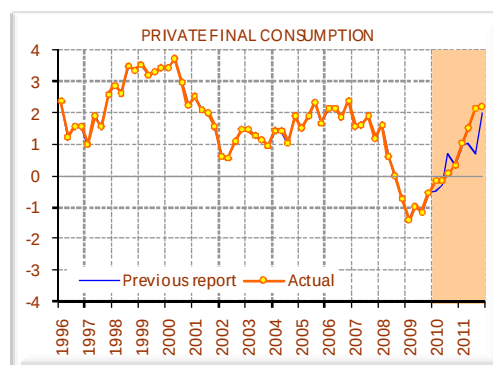
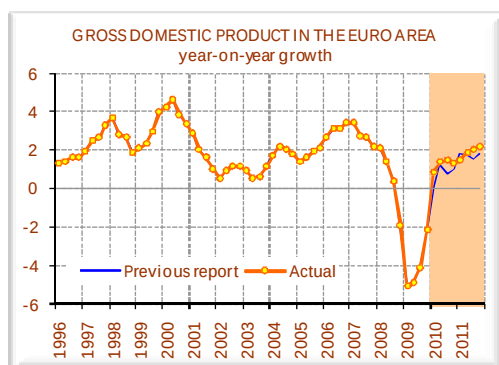
* Year-on-year rates

Source: EUROSTAT & IFL (UC3M)

Date: May 7, 2010



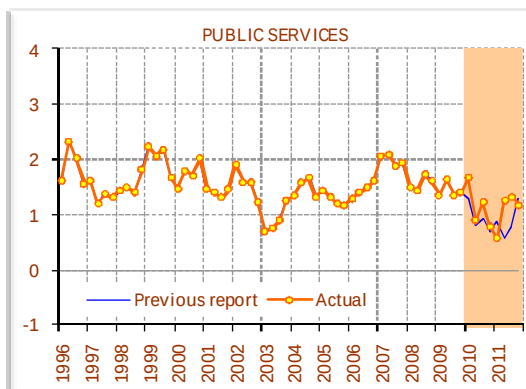
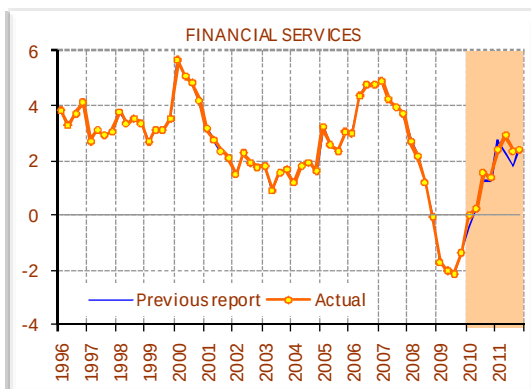
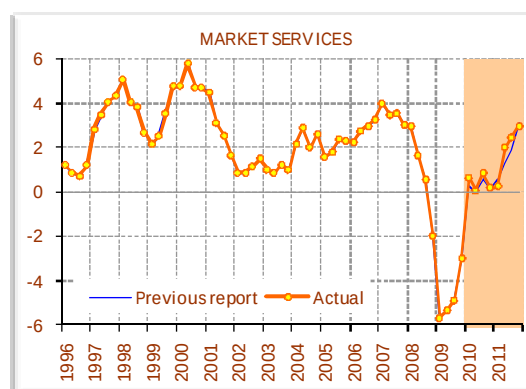
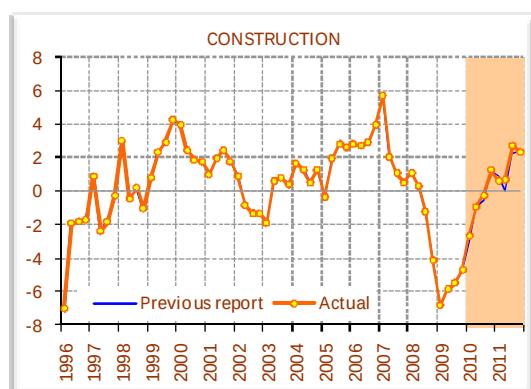
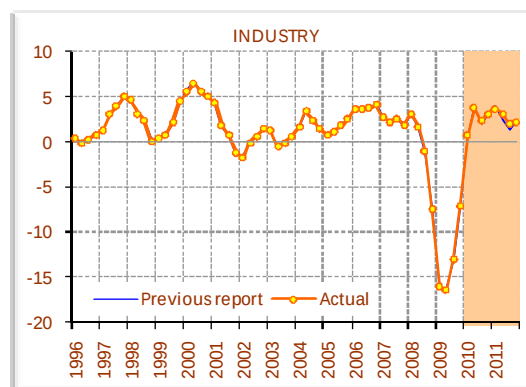
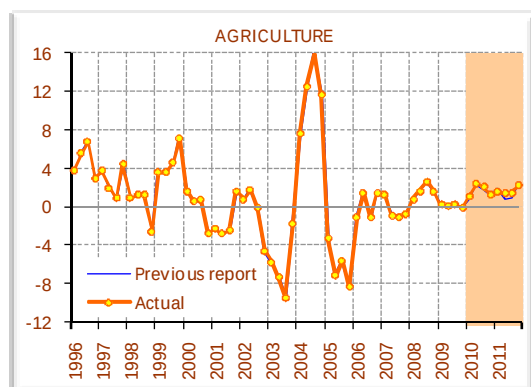
CHANGE IN FORECASTS AND DATA REVISION FOR THE COMPONENTS OF GROSS DOMESTIC PRODUCT DEMAND IN THE EURO AREA



Source: EUROSTAT & IFL (UC3M)
Date actual report: May 7, 2010
Date previous report: April 14, 2010



CHANGE IN FORECASTS AND DATA REVISION FOR THE COMPONENTS OF GROSS DOMESTIC PRODUCT SUPPLY IN THE EURO AREA



Source: EUROSTAT & IFL (UC3M)

Date actual report: May 7, 2010

Date previous report: April 14, 2010



INDUSTRIAL PRODUCTION INDEX IN THE EURO AREA

INDUSTRIAL PRODUCTION INDEX AND SECTORS IN THE EURO AREA *									
Annual rates of growth									
		Consumer Goods			Capital Goods	Intermediate Goods	Energy	TOTAL	
		Durable	Non Durable	Total					
ANNUAL AVERAGE RATES	2005	-0,8	1,1	0,8	2,5	0,6	1,5	1,3	
	2006	4,7	2,7	3,0	6,0	4,8	0,6	4,2	
	2007	1,4	2,5	2,3	6,6	3,7	-0,9	3,7	
	2008	-5,7	-1,4	-2,0	-0,1	-3,4	0,3	-1,7	
	2009	-17,5	-3,0	-5,0	-21,3	-19,2	-5,7	-15,1	
	2010	2,7	2,3	2,3	8,2	9,3	6,4	6,9	
	2011	7,2	3,0	3,5	9,6	5,7	2,2	5,8	
ANNUAL RATES *	2009	TI	-20,0	-5,4	-24,5	-24,5	-25,4	-4,3	-18,6
		TII	-21,2	-3,3	-24,7	-24,7	-24,3	-8,9	-18,9
		TIII	-18,4	-1,9	-21,4	-21,4	-18,3	-6,1	-14,6
		TIV	-10,2	-1,4	-14,3	-14,3	-6,8	-3,8	-7,6
	2010	TI	0,1	2,6	2,5	2,5	7,8	2,5	4,2
		TII	1,6	2,0	7,8	7,8	10,1	9,1	7,4
		TIII	3,8	2,1	11,0	11,0	10,3	8,1	8,4
		TIV	5,2	2,4	11,5	11,5	9,1	-0,4	7,8
	2011	TI	6,3	2,8	11,4	11,4	5,1	3,8	4,5
		TII	7,1	3,1	8,7	8,7	2,6	1,0	-0,3
		TIII	7,6	3,1	8,2	8,2	4,8	1,1	5,1
		TIV	7,7	3,1	10,0	10,0	10,3	10,0	-1,9

INDUSTRIAL PRODUCTION INDEX IN THE EURO AREA *							
year-on-year rates of growth							
	2005	2006	2007	2008	2009	2010	2011
January	1,3	3,1	4,0	3,9	-16,8	1,6	6,2
February	0,5	3,3	4,7	3,3	-19,3	3,9	5,9
March	0,5	4,2	4,6	1,5	-19,6	6,9	5,6
April	1,1	2,5	3,2	4,7	-21,6	6,9	4,8
May	0,0	6,3	3,3	-0,6	-18,1	7,6	4,1
June	0,9	4,7	3,1	-0,5	-16,9	7,6	4,3
July	0,7	4,0	4,0	-1,0	-15,9	7,9	4,4
August	2,1	6,2	4,5	-1,5	-15,1	8,7	5,2
September	1,8	4,0	3,2	-2,4	-12,8	8,6	5,6
October	1,0	4,2	4,8	-5,6	-11,3	8,2	6,6
November	3,5	3,3	3,1	-9,1	-7,0	8,2	7,4
December	2,8	5,1	1,6	-12,5	-4,0	6,9	9,1

Data adjusted for seasonality and working days effect

The figures in the shaded area are forecasts

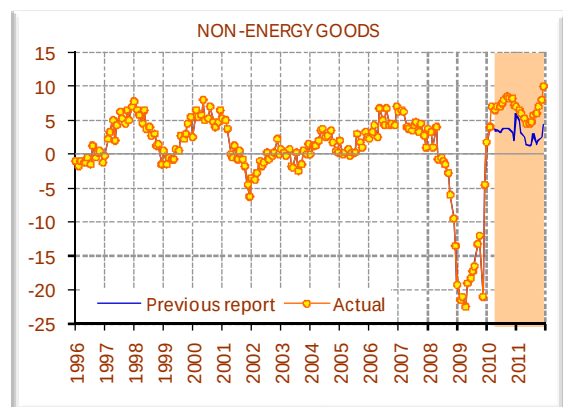
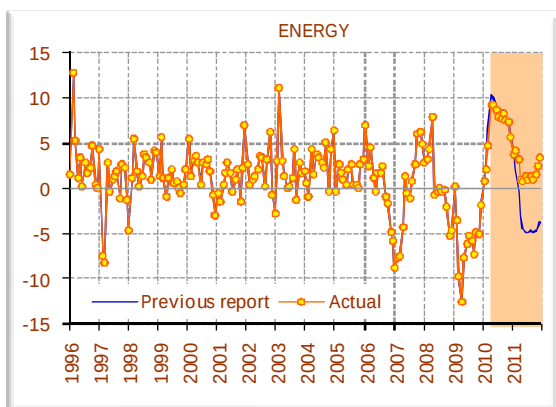
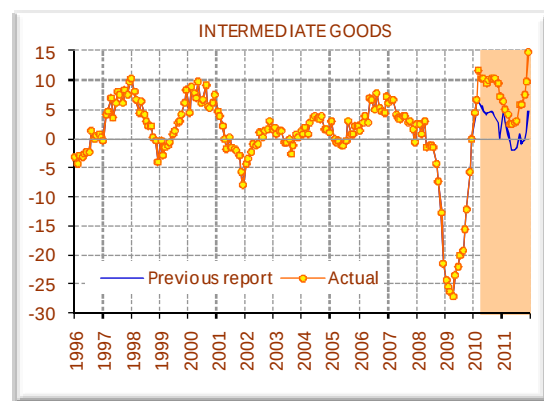
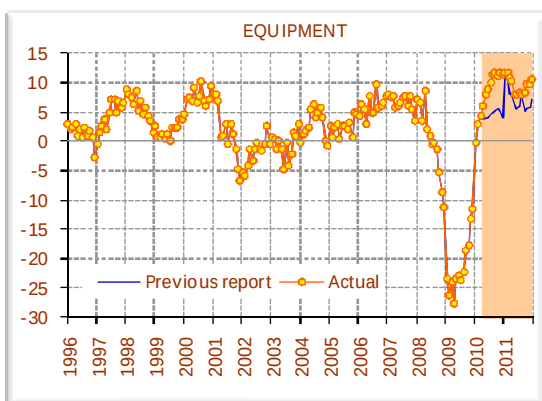
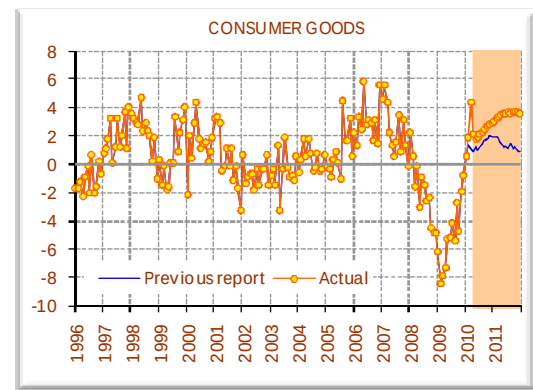
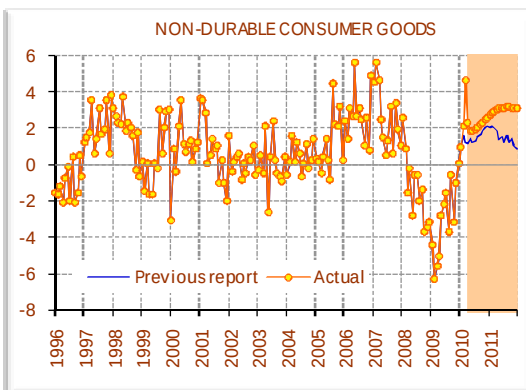
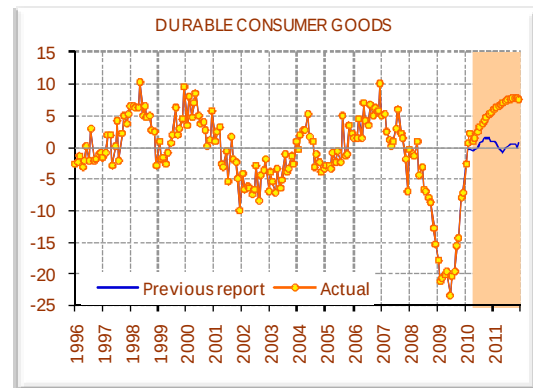
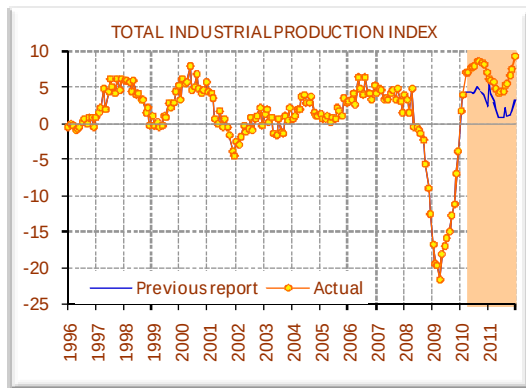
*Year-on-year rates

Source: EUROSTAT & IFL (UC3M)

Date: May 12, 2010



CHANGE IN FORECASTS AND DATA REVISION FOR THE COMPONENTS OF INDUSTRIAL PRODUCTION INDEX DEMAND IN THE EURO AREA



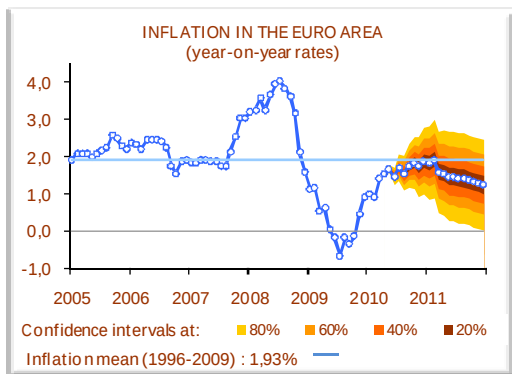
Source: EUROSTAT & IFL (UC3M)
Date actual report: May 12, 2010
Date previous report: April 14, 2010



II.2. INFLATION

After the March increase, euro area inflation evolved as expected and forecasts remain practically the same as last month.

Graph II.2.1



Source: EUROSTAT & IFL(UC3M)
Date: May 18, 2010

The total inflation forecast for 2010 and 2011 is 1.5% for both years. Expectations for core inflation remain at 0.8% (± 0.18) and 1.0% (± 0.53), respectively.

revision is solely due to energy prices, which have increased the average annual growth rate expected for 2011 from 4.1% to 5.3%.

In April, prices were much as expected. A small upwards innovation in non-energy industrial goods was compensated by a downwards innovation in services. The new figures included in our forecasting models leave our estimates practically the same both on a sectoral level and for core inflation in general.

Euro area inflation is evolving as expected and the forecast shows little change.

The rise in energy prices has increased the average annual inflation rate for 2011 by one tenth of a point to 1.5% (± 0.32).

close to 1.0%, largely due to processed food (not including tobacco). Annual inflation in non-energy industrial goods and services is expected to remain stable, as is the core HICP.

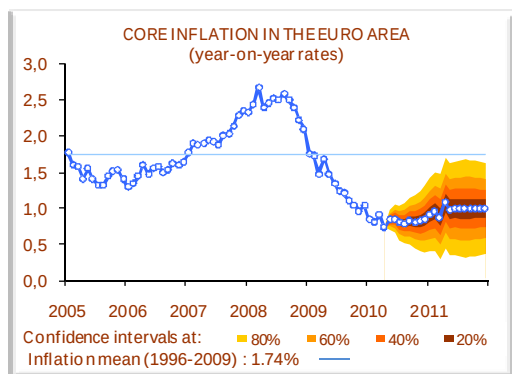
We continue to see significant differences in the inflation profiles of different euro area countries. In April, the harmonised inflation rates in Spain and Italy were 1.6%, and 1.9% in France. German inflation was again lower than in other large euro area countries, with an annual rate of 1.0%. Ireland was the only country with a negative annual total inflation rate (-2.5%), while the most inflationist countries were Belgium (2.1%), Slovenia (2.7%) and Greece (4.2%).

The core inflation panorama is more heterogeneous. In France, the annual rate was 0.9%, with 0.3% registered in Germany. Spanish core inflation, measured by the harmonised consumer price index, was 0.1%, two tenths of a point higher than the rate registered by the INE. In a note, Eurostat explains that this discrepancy is due to the different application of car prices, while the Spanish CPI considered the plan 2000E aid as a purchasing price reduction, the European statistical office does not consider such subsidies. With regards to other countries, Italy, with an annual core inflation rate of 1.7%, is one of the

In the next few months, total inflation is expected to be pushed up by energy prices to an annual rate of 1.9% by December. We will then see the rate gradually fall to 1.2% by the end of our forecasting period.

most inflationist. Finally, only Ireland and Portugal registered a negative core inflation rate (-0.5% and -3.3%, respectively).

Graph II.2.2



Source: EUROSTAT & IFL(UC3M)
Date: May 18, 2010

year, between 0.8% and 0.9%. In 2011, these prices are expected to rise slightly to

Although it is too soon to assume a direct impact on inflation, the change of course of ECB monetary policy must be monitored. In May, the ECB started to buy debt issued by the countries most suffering from market pressure (Greece, Spain and Portugal). The latest information shows that, since these operations started, it has bought sovereign debt in an amount of 16,500 million euros. This is a tiny percentage of the European GDP and these

Spanish core inflation, measured by the harmonised price index, registers an annual rate of 0.1%, two tenths of a point higher than the CPI rate.



The annual inflation rate is expected to rise to 1.9% in December this year, and then gradually start to decrease.

purchases so not represent a net increase of the monetary base. However, with this decision, the ECB has opened the door to a possible monetarisation of the debt of European countries, although just a few months ago this was but a very remote possibility. For the time being, Germany's strong objections to a potentially inflationist monetary policy maintains this scenario as highly unlikely. German public debt, however, has also been negatively affected by the crisis and there are euro area countries, such as Spain and Italy, that could not be salvaged without considerable monetarisation of their respective debts should the economic situation get worse.

The European Central Bank has started to buy sovereign debt from some member States. So far, the magnitude and modalities of this operation do not appear to represent a significant risk for inflation expectations.

Table II.2.1

INFLATION IN THE EURO AREA						
HICP	Annual rates ¹ 2010		Annual average rates ²			
	April	May	2008	2009	2010	2011
Core 82.6%	0,7	0.8 ±0.13	2,4	1,3	0.8 ±0.18	1 ±0.53
Total 100%	1,5	1.7 ±0.12	3,3	0,3	1.5 ±0.32	1.5 ±0.95

* Intervals at 80% of confidence calculated with historical errors.

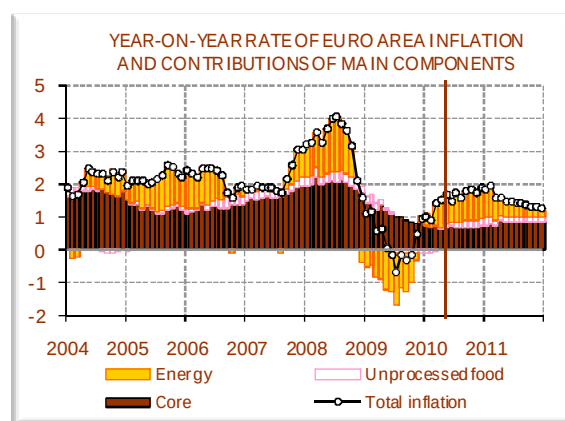
(1) Year-on-year rate anterior

(2) Yearly average rate

Source: EUROSTAT & IFL(UC3M)

Date: May 18, 2010

Graph II.2.3



Source: EUROSTAT & IFL(UC3M)

Date: May 18, 2010



Table II.2.2

GOODS AND SERVICES IN THE EURO AREA WITH NEGATIVE ANNUAL RATES IN HICP GROWTH																				
Weights x 1000																				
Special Group*	Weights 2010	Description	April 2010	March 2010	February 2010	January 2010	December 2009	November 2009	October 2009	September 2009	August 2009	July 2009	June 2009	May 2009	April 2009	March 2009	February 2009	January 2009	Q IV 2008	
PROCESSED FOOD 80.37	22,02	Milk, cheese and eggs	-2.4	-2.5	-2.67	-2.83	-2.86	-3.34	-4.38	-4.10	-3.77	-3.47	-3.05	-2.57	-2.38	-1.82	-1.14	-0.07		
	5,12	Oils and fats	-1.3	-1.9	-2.22	-1.98	-2.58	-3.46	-5.32	-7.17	-7.01	-6.41	-5.14	-4.08	-3.47	-2.25	-1.28			
	25,94	Bread and cereals	-0.5	-0.5	-0.56	-0.72	-0.59	-0.47	-0.16											
	9,7	Sugar, jam, honey, chocolate and confectionery	-0.3	-0.2	-0.34	-0.30	-0.27													
	9,34	Mineral waters, soft drinks, fruit and vegetable juices	-0.6	-0.5	-0.59	-0.19														
	4,55	Food products n.e.c.	-0.5	-0.2		-0.18														
	3,7	Coffee, tea and cocoa	-0.1		-0.07	-0.23		-0.16	-0.16											
NON-ENERGY INDUSTRIAL GOODS 87.6	0,15	Clothing materials			-0.24		-0.57	-1.94	-2.63	-0.94	-3.54	-1.21	-1.24	-1.94	-2.58	-1.33	-0.30	-0.93		
	49,68	Garments		-0.3	-0.88	-0.61						-0.77					-0.42	-1.12		
	9,14	Major household appliances whether electric or not and small electric household appliances	-0.5	-0.3	-0.08	-0.10												-0.03	-0.385	
	38,91	Motor cars	-0.6	-0.8	-0.77	-1.16	-1.32	-1.45	-1.54	-1.67	-1.10	-0.68	-0.62	-0.22	-0.26		-0.17			
	1,81	Telephone and telefax equipment	-8.4	-7.7	-7.36	-10.32	-10.33	-8.98	-6.37	-6.50	-11.86	-12.97		-9.33	-12.60	-14.21	-12.32	-14.19	-16,045	
	4,67	Equipment for the reception, recording and reproduction of sound and pictures	-9.1	-9.4	-9.35	-10.27	-10.94	-11.34	-11.68	-12.21	-12.92	-13.55	-13.38	-13.46	-13.37	-13.36	-13.62	-13.10	-12,087	
	1,64	Photographic and cinematographic equipment and optical instruments	-10.5	-10.1	-10.13	-10.20	-10.18	-10.21	-11.62	-11.44	-12.20	-13.43	-13.47	-14.06	-14.65	-15.17	-15.99	-15.84	-15,561	
	4,89	Information processing equipment	-5.6	-5.4	-5.25	-6.13	-6.30	-6.29	-6.16	-7.78	-8.44	-8.93	-9.68	-11.01	-12.09	-12.43	-12.81	-13.70	-15,084	
	2,88	Recording media	-4.4	-3.2	-3.17	-3.65	-3.41	-3.27	-3.08	-3.79	-3.84	-3.53	-3.73	-2.93	-2.03	-3.62	-4.09	-3.09	-3,458	
	5,38	Games, toys and hobbies	-1.1	-1.6	-1.82	-0.94	-0.98	-1.71	-1.48	-0.61	0.40	-0.17		-0.71		-0.23		-0.69	-0,566	
	6,48	Gardens, plants and flowers	1.6																	
	6,02	Books	-0.1																	
	12,26	Pharmaceutical products	-0.7	-0.3	-0.55	-0.03			-0.01											
	5,13	Household textiles		-0.2	-0.43															
	4,56	Other personal effects			-0.79	-0.09														
	3,05	Equipment for sport, camping and open-			-0.08	-0.09														
	1,86	Carpets and other floor coverings		-0.2	-0.43	-0.08	-0.07	-0.25												
	SERVICES 73.6	5,66	Passenger transport by air	-0.2		-2.33	-2.56	-4.54	-5.39	-4.11	-5.40	-4.84	-4.97	-4.88	-1.55		-2.17			
27,87		Telephone and telefax services	-0.5	-0.2	-0.60	-0.39	-0.36	-0.40			-0.04	-0.07		-0.69	-1.16	-1.26	-0.81	-1.25	-1,229	
16,69		Accommodation services	-0.1		-0.55	-0.02		-0.15	-0.19	-0.44	0.40	-0.25	-0.21			-1.15				
15,72		Package holidays	-6.1		-1.72	-1.58	-0.84	-0.30												
0,79		Passenger transport by sea and inland	-1.1	-5.0	-3.19	-4.63														
0,68		Other purchased transport services	-1.1	-1.2	-1.28	-1.78	-1.32	-1.62	-0.91	-0.48										
NON-PROCESSED FOOD 47.49	10,78	Fish and seafood			-0.59	-0.63	-0.63	-0.40	-0.61	-0.45	0.50	-1.09	-1.87	-0.72	-0.72	-0.63				
	11,42	Fruits	-1.3	-3.1	-3.28	-2.08	-1.71	-2.94	-3.60	-4.72	-6.10	-5.53		-0.34	-0.08					
	14,65	Vegetables			-1.33	-2.45	-4.79	-2.95	-4.68	-3.20	-2.74	-2.90	-0.71							
	36,07	Meat	-0.2	-0.6	-0.64	-0.67	-0.41	-0.24												
ENERGY 20.66	7,72	Liquid fuels						-12.37	-24.58	-32.78	-32.48	-41.52	-39.27	-39.53	-0.08	-34.78	-25.64	-21.74	-2.61	
	42,83	Fuels and lubricants for personal transport equipment						-9.24	-14.43	-14.43	-13.62	-20.71	-18.84	-19.72	-33.93	-19.00	-15.04	-17.16	-6.383	
	15,46	Gas	-6.4	-14.9	-15.64	-16.35	-16.39	-15.53	-14.54	-10.89	-8.88	-7.51	-0.78							
	5,2	Heat energy	-10.8	-11.2	-10.67	-9.95	-9.14	-7.17	-4.76	-0.70										
Total weight of COICOP classes with negative YoY price variations			309,7	312,4	382,82	382,09	279,9	298,53	268,10	226,02	247,48	297,66	200,85	196,39	185,03	159,35	212,55	179,23	106,21	
* With the sum of the weights of the sub-groups with negative YoY price variations in the last month. In shaded area the items with negative year-on-year inflation since January, 2009.																				

* With the sum of the weights of the sub-groups with negative YoY price variations in the last month.

In shaded area the items with negative year-on-year inflation since January, 2009.

Source: EUROSTAT & IFL(UC3M)

Date: May 18, 2010



FORECASTS ERRORS BY SECTORS, COUNTRIES IN THE EURO AREA, UNITED KINGDOM, SWEDEN AND DENMARK

INFLATION IN THE EURO AREA Annual rates, April, 2010				
Harmonized Index of Consumer Prices HICP	Weights 2010	Observed	Forecasts	Confidence Intervals*
Processed Food	118,64	0,62	0,65	± 0.38
Tobacco	23,77	6,19	6,01	
Processed food excluding tobacco	94,87	-0,71	-0,64	
Non-energy Industrial goods	292,76	0,20	0,04	± 0.21
Services	419,55	1,17	1,26	± 0.14
CORE	830,95	0,74	0,74	± 0.13
Non-processed food	72,93	0,75	0,66	± 0.72
Energy	96,12	9,07	8,76	± 0.86
RESIDUAL	169,05	5,39	5,19	± 0.57
TOTAL	1000	1,53	1,49	± 0.12

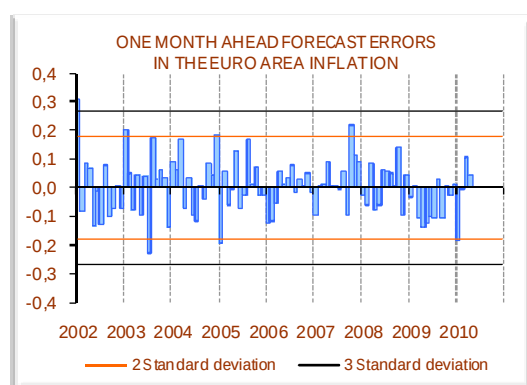
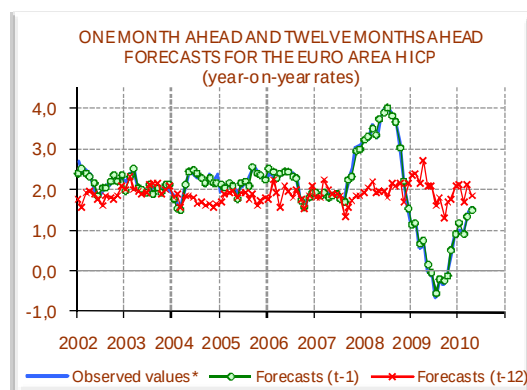
Euro area inflation is evolving as expected and the forecast shows little change

The rise in energy prices has increased the average annual inflation rate for 2011 by one tenth of a point to 1.5%(±0.32)

The total inflation forecast for 2010 and 2011 is 1.5% for both years. Expectations for core inflation remain at 0.8%(±0.18) and 1.0% (±0.53), respectively.

Spanish core inflation, measured by the harmonised price index, registers an annual rate of 0.1%, two tenths of a point higher than the CPI rate.

HARMONIZED INDICES OF CONSUMER PRICES BY COUNTRIES IN THE EURO AREA, UNITED KINGDOM, SWEDEN AND DENMARK year-on-year rates, April, 2010				
	Weights 2010 Euro area	Observed Monthly Rate	Forecast	Confidence Intervals at 80%
Germany	262,06	1,0	1,0	± 0.29
France	207,61	1,9	1,8	± 0.20
Italy	182,32	1,6	1,7	± 0.23
Spain	126,43	1,6	1,7	± 0.15
Netherlands	50,76	0,6	0,6	± 0.33
Belgium	32,47	2,1	1,8	± 0.32
Austria	30,40	1,8	1,8	± 0.37
Greece	36,33	4,7	4,0	± 0.78
Portugal	22,18	0,7	0,8	± 0.66
Finland	17,25	1,6	1,6	± 0.37
Ireland	14,71	-2,5	-2,4	± 0.30
Slovakia	7,22	0,7	0,4	
Slovenia	3,90	2,7	2,2	± 0.24
Luxembourg	2,76	3,1	2,8	± 0.32
Cyprus	2,79	2,5	2,6	
Malta	0,81	0,8	0,9	
United Kingdom		3,7	3,6	± 0.33
Sweden		2,1	2,5	± 0.50
Denmark		2,4	2,5	± 0.27



Source: EUROSTAT & IFL(UC3M)
Date: May 18, 2010



HARMONIZED INDEX OF CONSUMER PRICES AND COMPONENTS IN THE EURO AREA														
Annual rates of growth														
		HICP												
		Core				TOTAL		Residual		TOTAL		80 % Confidence Intervals*		
		Processed food excluding tobacco	Tobacco	Non energy industrial goods	Services			Non processed food	Energy					
Weights 2009		9,6%	2,3%	29,7%	41,4%	83,0%		7,5%	9,6%	17,0%	100%			
ANNUAL AVERAGE RATE	2001	2,7	3,8	0,9	2,5	1,9		7,0	2,2	4,4	2,3			
	2002	2,4	5,9	1,5	3,1	2,5		3,1	-0,6	1,2	2,2			
	2003	2,1	8,4	0,8	2,5	2,0		2,1	3,0	2,6	2,1			
	2004	1,3	12,2	0,8	2,6	2,1		0,6	4,5	2,6	2,1			
	2005	0,5	7,8	0,3	2,3	1,5		0,8	10,1	5,7	2,2			
	2006	1,6	3,9	0,6	2,0	1,5		2,8	7,7	5,5	2,2			
	2007	2,3	4,5	1,0	2,5	2,0		3,0	2,6	2,8	2,1			
	2008	6,8	3,2	0,8	2,6	2,4		3,5	10,3	7,3	3,3			
	2009	0,2	4,7	0,6	2,0	1,3		0,2	-8,1	-4,5	0,3			
	2010	-0,6	5,2	0,1	1,4	0,8	± 0,18	1,4	7,9	5,0	1,5	± 0,32		
	2011	0,7	6,2	0,1	1,4	1,0	± 0,53	2,3	5,3	4,0	1,5	± 0,95		
ANNUAL RATES (year-on-year rates)	2009	January	2,7	2,8	0,5	2,4	1,8		2,6	-5,3	-1,8	1,1		
		February	1,7	2,9	0,7	2,4	1,7		3,3	-4,9	-1,3	1,2		
		March	1,2	3,2	0,8	1,9	1,5		2,4	-8,1	-3,6	0,6		
		April	0,7	3,4	0,8	2,5	1,7		1,6	-8,8	-4,4	0,6		
		May	0,4	3,5	0,8	2,1	1,5		0,7	-11,6	-6,4	0,0		
		June	0,0	5,4	0,6	2,0	1,3		0,0	-11,7	-6,8	-0,1		
		July	-0,3	5,6	0,5	1,9	1,2		-1,1	-14,4	-8,9	-0,7		
		August	-0,6	5,8	0,6	1,8	1,2		-1,2	-10,2	-6,4	-0,2		
		September	-0,7	5,7	0,5	1,8	1,1		-1,3	-11,0	-6,9	-0,3		
		October	-0,9	5,8	0,3	1,8	1,0		-1,6	-8,5	-5,5	-0,1		
		November	-0,8	6,0	0,2	1,6	1,0		-1,3	-2,4	-1,8	0,5		
		December	-0,7	6,6	0,4	1,6	1,0		-1,6	1,8	0,4	0,9		
	2010	January	-0,8	6,5	0,1	1,4	0,9		-1,3	4,0	1,7	1,0		
		February	-0,8	6,3	0,1	1,3	0,8		-1,2	3,3	1,3	0,9		
		March	-0,7	5,9	0,1	1,6	0,9		-0,1	7,2	4,0	1,4		
		April	-0,7	6,2	0,2	1,2	0,7		0,7	9,1	5,4	1,5		
		May	-0,6	6,2	0,2	1,4	0,8	± 0,13	1,3	9,2	5,7	1,7	± 0,12	
		June	-0,6	4,5	0,2	1,4	0,9	± 0,19	1,7	6,7	4,5	1,5	± 0,24	
		July	-0,5	4,1	0,1	1,4	0,8	± 0,24	2,2	9,1	6,1	1,7	± 0,35	
		August	-0,6	4,1	0,1	1,4	0,8	± 0,28	2,5	7,4	5,3	1,6	± 0,48	
		September	-0,4	4,4	0,1	1,4	0,8	± 0,32	2,6	9,3	6,4	1,8	± 0,60	
		October	-0,4	4,8	0,1	1,3	0,8	± 0,37	2,7	10,1	6,9	1,8	± 0,72	
		November	-0,3	4,6	0,1	1,4	0,8	± 0,41	2,5	9,0	6,2	1,7	± 0,81	
		December	-0,2	4,7	0,2	1,4	0,9	± 0,46	2,9	10,1	7,0	1,9	± 0,90	
	2011	January	0,0	5,4	0,1	1,4	0,9	± 0,50	2,9	9,0	6,4	1,8	± 0,99	
		February	0,2	5,5	0,1	1,5	1,0	± 0,54	2,9	9,7	6,8	1,9	± 1,05	
		March	0,3	6,4	0,1	1,3	0,9	± 0,59	2,4	7,1	5,1	1,6	± 1,11	
		April	0,5	6,2	0,1	1,6	1,1	± 0,62	2,2	5,3	4,0	1,6	± 1,16	
		May	0,6	6,2	0,1	1,4	1,0	± 0,64	2,1	5,0	3,8	1,5	± 1,20	
		June	0,7	6,2	0,1	1,4	1,0	± 0,65	2,1	5,0	3,8	1,5	± 1,21	
		July	0,8	6,2	0,1	1,4	1,0	± 0,66	2,1	4,7	3,6	1,4	± 1,22	
		August	0,9	6,2	0,1	1,3	1,0	± 0,67	2,1	4,6	3,5	1,4	± 1,22	
		September	1,0	6,3	0,1	1,3	1,0	± 0,67	2,1	4,1	3,2	1,4	± 1,22	
		October	1,1	6,3	0,1	1,3	1,0	± 0,66	2,1	3,5	2,9	1,3	± 1,22	
		November	1,1	6,4	0,1	1,3	1,0	± 0,64	2,1	3,2	2,7	1,3	± 1,22	
		December	1,2	6,4	0,1	1,3	1,0	± 0,62	2,1	2,7	2,5	1,2	± 1,22	

* Confidence intervals calculated with historical errors

The figures in the shaded area are forecasts

Source: EUROSTAT & IFL(UC3M)

Date: May 18, 2010



HARMONIZED INDEX OF CONSUMER PRICES AND COMPONENTS IN THE EURO AREA											
Monthly rates of growth											
			Harmonized Index of Consumer Prices								
			Core				TOTAL	Residual		TOTAL	TOTAL
			Processed food excluding tobacco	Tobacco	Non energy industrial goods	Services		Non processed food	Energy		
Weights 2009			9,6%	2,3%	29,7%	41,4%	83,0%	7,5%	9,6%	17,0%	100%
MONTHLY RATES (Growth of the month over the previous month)	January	2008	1,0	0,9	-2,3	-0,2	-0,8	1,2	1,6	1,4	-0,4
		2009	0,2	0,4	-2,6	-0,4	-1,1	1,0	0,0	0,4	-0,8
		2010	0,0	0,4	-2,9	-0,5	-1,3	1,3	2,1	1,7	-0,8
		2011	0,2	1,0	-3,0	-0,4	-1,2	1,3	1,1	1,2	-0,8
	February	2008	0,9	0,3	0,3	0,5	0,5	-0,6	0,1	-0,2	0,3
		2009	-0,1	0,5	0,5	0,5	0,4	0,0	0,5	0,3	0,4
		2010	0,0	0,2	0,5	0,4	0,4	0,1	-0,1	0,0	0,3
		2011	0,2	0,4	0,5	0,4	0,4	0,2	0,5	0,3	0,4
	March	2008	0,4	0,2	1,7	0,4	0,9	0,5	2,3	1,5	1,0
		2009	-0,1	0,5	1,8	-0,1	0,6	-0,3	-1,2	-0,8	0,4
		2010	0,0	0,1	1,8	0,2	0,7	0,7	2,6	1,8	0,9
		2011	0,1	0,9	1,8	0,0	0,7	0,2	0,1	0,1	0,6
	April	2008	0,4	0,2	0,6	-0,2	0,2	0,7	1,0	0,9	0,3
		2009	-0,1	0,4	0,6	0,4	0,4	-0,1	0,2	0,1	0,4
		2010	-0,1	0,7	0,7	0,0	0,2	0,8	2,0	1,5	0,5
		2011	0,1	0,5	0,8	0,3	0,4	0,6	0,3	0,4	0,4
	May	2008	0,1	0,1	0,1	0,4	0,2	0,9	3,6	2,4	0,6
		2009	-0,2	0,2	0,0	0,0	0,0	0,0	0,4	0,2	0,1
		2010	-0,1	0,2	0,0	0,2	0,1	0,6	0,5	0,6	0,2
		2011	0,0	0,2	0,0	0,1	0,0	0,6	0,3	0,4	0,1
	June	2008	0,2	0,1	-0,2	0,3	0,1	0,2	2,6	1,6	0,4
		2009	-0,2	2,0	-0,3	0,1	0,0	-0,5	2,5	1,2	0,2
		2010	-0,1	0,4	-0,2	0,2	0,0	-0,1	0,2	0,0	0,0
		2011	0,0	0,4	-0,2	0,1	0,0	-0,2	0,2	0,0	0,0
	July	2008	0,3	0,5	-2,4	0,9	-0,4	-0,1	1,3	0,7	-0,2
		2009	-0,1	0,7	-2,5	0,8	-0,5	-1,2	-1,8	-1,5	-0,7
		2010	-0,1	0,3	-2,6	0,8	-0,5	-0,7	0,4	-0,1	-0,4
		2011	0,0	0,3	-2,7	0,8	-0,5	-0,7	0,1	-0,3	-0,5
	August	2008	0,3	0,1	0,4	0,3	0,3	-1,0	-3,0	-2,2	-0,1
		2009	0,0	0,2	0,5	0,2	0,3	-1,1	1,8	0,5	0,3
		2010	0,0	0,2	0,5	0,2	0,3	-0,9	0,2	-0,3	0,2
		2011	0,1	0,2	0,5	0,2	0,3	-0,9	0,1	-0,3	0,2
	September	2008	0,1	0,1	1,7	-0,7	0,3	0,1	-0,4	-0,2	0,2
		2009	-0,1	0,0	1,5	-0,7	0,2	0,1	-1,2	-0,7	0,0
		2010	0,0	0,4	1,5	-0,7	0,2	0,2	0,6	0,4	0,2
		2011	0,1	0,4	1,5	-0,7	0,2	0,2	0,1	0,1	0,2
	October	2008	0,2	0,0	0,9	0,1	0,4	0,4	-2,9	-1,5	0,0
		2009	0,0	0,1	0,7	0,1	0,3	0,1	-0,2	-0,1	0,2
		2010	0,0	0,4	0,8	0,0	0,3	0,2	0,5	0,4	0,3
		2011	0,1	0,5	0,8	0,0	0,3	0,2	0,0	0,1	0,3
	November	2008	-0,1	0,5	0,2	-0,1	0,0	0,0	-4,9	-2,8	-0,5
		2009	0,0	0,8	0,1	-0,2	0,0	0,3	1,4	0,9	0,1
		2010	0,1	0,5	0,1	-0,2	0,0	0,2	0,4	0,3	0,0
		2011	0,1	0,6	0,1	-0,2	0,0	0,2	0,0	0,1	0,0
	December	2008	-0,1	0,1	-0,2	0,8	0,3	0,5	-4,7	-2,4	-0,1
		2009	-0,1	0,7	0,0	0,8	0,4	0,2	-0,5	-0,2	0,3
		2010	0,1	0,8	0,0	0,8	0,5	0,6	0,5	0,5	0,5
		2011	0,1	0,9	0,0	0,8	0,5	0,6	0,0	0,2	0,4

*The figures in the shaded area are forecasts

Source: EUROSTAT & IFL(UC3M)

Date: May 18, 2010



HARMONIZED INDICES OF CONSUMER PRICES BY COUNTRIES IN THE EURO AREA, UNITED KINGDOM, SWEDEN AND DENMARK																							
Annual rates of growth																							
		Euro Area																United Kingdom		Sweden		Denmark	
		Germany	France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Portugal	Finland	Ireland	Slovakia	Slovenia	Luxembourg	Cyprus	Malta						
Weights 2010 %		26,2	20,8	18,2	12,6	5,1	3,2	3,0	3,6	2,2	1,7	1,5	0,7	0,4	0,3	0,3	0,1						
ANNUAL AVERAGE RATE	2000	1,4	1,8	2,6	3,5	2,3	2,7	2,0	2,9	2,8	2,9	5,3	12,2	8,9	3,8	4,9	3,0	0,8	1,3	2,7			
	2001	1,9	1,8	2,3	2,8	5,1	2,4	2,3	3,7	4,4	2,7	4,0	7,2	8,6	2,4	2,0	2,5	1,2	2,7	2,3			
	2002	1,4	1,9	2,6	3,6	3,9	1,6	1,7	3,9	3,7	2,0	4,7	3,5	7,5	2,1	2,8	2,6	1,3	1,9	2,4			
	2003	1,0	2,2	2,8	3,1	2,2	1,5	1,3	3,4	3,3	1,3	4,0	8,4	5,7	2,5	4,0	1,9	1,4	2,3	2,0			
	2004	1,8	2,3	2,3	3,1	1,4	1,9	2,0	3,0	2,5	0,1	2,3	7,5	3,7	3,2	1,9	2,7	1,3	1,0	0,9			
	2005	1,9	1,9	2,2	3,4	1,5	2,5	2,1	3,5	2,1	0,8	2,2	2,8	2,5	3,8	2,0	2,5	2,0	0,8	1,7			
	2006	1,8	1,9	2,2	3,6	1,7	2,3	1,7	3,3	3,0	1,3	2,7	4,3	2,5	3,0	2,2	2,6	2,3	1,5	1,9			
	2007	2,3	1,6	2,0	2,8	1,6	1,8	2,2	3,0	2,4	1,6	2,9	1,9	3,8	2,7	2,2	0,7	2,3	1,7	1,7			
	2008	2,8	3,2	3,5	4,1	2,2	4,5	3,2	4,2	2,7	3,9	3,1	3,9	5,5	4,1	4,4	4,7	3,6	3,3	3,6			
	2009	0,2	0,1	0,8	-0,2	1,0	0,0	0,4	1,3	-0,9	1,6	-1,7	0,9	0,9	0,0	0,2	1,8	2,2	1,9	1,1			
	2010	0,9	1,8	1,8	1,5	0,9	2,5	1,8	4,2	0,8	1,6	-1,9	0,8	2,9	2,8	3,2	1,4	3,4	2,2	2,3			
2011	0,9	1,5	1,9	1,3	1,2	2,4	1,1	3,4	0,8	1,7	-1,9	1,7	3,4	1,7	1,9	1,7	2,6	1,9	2,0				
ANNUAL RATES OF GROWTH	2009	January	0,9	0,8	1,4	0,8	1,7	2,1	1,2	2,0	0,1	2,5	1,1	2,7	1,4	0,0	0,9	3,1	3,0	2,0	1,7		
		February	1,0	1,0	1,5	0,7	1,9	1,9	1,4	1,8	0,1	2,7	0,1	2,4	2,1	0,7	0,6	3,5	3,1	2,2	1,7		
		March	0,4	0,4	1,1	-0,1	1,8	0,6	0,6	1,5	-0,6	2,0	-0,7	1,8	1,6	-0,3	0,9	3,9	2,9	1,9	1,6		
		April	0,8	0,1	1,2	-0,2	1,8	0,7	0,5	1,1	-0,6	2,1	-0,7	1,4	1,1	-0,3	0,6	4,0	2,3	1,8	1,1		
		May	0,0	-0,3	0,8	-0,9	1,5	-0,2	0,1	0,7	-1,2	1,5	-1,7	1,1	0,5	-0,9	0,5	3,4	2,2	1,7	1,1		
		June	0,0	-0,6	0,6	-1,0	1,4	-1,0	-0,3	0,7	-1,6	1,6	-2,2	0,7	0,2	-1,0	0,1	2,8	1,8	1,6	0,9		
		July	-0,7	-0,8	-0,1	-1,3	-0,1	-1,7	-0,4	0,7	-1,4	1,2	-2,6	0,6	-0,6	-1,5	-0,8	0,8	1,7	1,8	0,7		
		August	-0,1	-0,2	0,1	-0,7	-0,1	-0,7	0,1	1,0	-1,2	1,3	-2,4	0,5	0,1	-0,2	-0,9	1,0	1,6	1,9	0,7		
		September	-0,5	-0,4	0,4	-0,9	0,0	-1,0	0,0	0,7	-1,8	1,1	-3,0	0,0	0,0	-0,4	-1,2	0,8	1,1	1,4	0,5		
		October	-0,1	-0,2	0,3	-0,6	0,4	-0,9	0,1	1,2	-1,6	0,6	-2,8	-0,1	0,2	-0,2	-1,0	-0,5	1,5	1,8	0,6		
		November	0,3	0,5	0,8	0,4	0,7	0,0	0,6	2,1	-0,8	1,3	-2,8	0,0	1,8	1,7	1,0	-0,1	1,9	2,4	0,9		
		December	0,8	1,0	1,1	0,9	0,7	0,3	1,1	2,6	-0,1	1,8	-2,6	0,0	2,1	2,5	1,6	-0,4	2,9	2,8	1,2		
	2010	January	0,8	1,2	1,3	1,1	0,4	0,8	1,2	2,3	0,1	1,6	-2,4	-0,2	1,8	3,0	2,5	1,2	3,5	2,7	1,9		
		February	0,5	1,4	1,1	0,9	0,3	0,8	0,9	2,9	0,2	1,3	-2,4	-0,2	1,6	2,3	2,8	0,7	3,0	2,8	1,8		
		March	1,2	1,7	1,4	1,5	0,7	1,9	1,8	3,9	0,6	1,5	-2,4	0,3	1,8	3,2	2,3	0,6	3,4	2,5	2,1		
		April	1,0	1,9	1,6	1,6	0,6	2,1	1,8	4,7	0,7	1,6	-2,5	0,7	2,7	3,1	2,5	0,8	3,7	2,1	2,4		
		May	1,0	2,0	1,9	1,7	0,6	2,5	2,0	4,9	1,0	1,7	-2,1	0,8	3,1	3,2	3,0	1,1	3,6	2,1	2,3		
		June	0,6	1,9	1,8	1,1	0,6	2,9	2,3	4,9	1,0	1,4	-1,9	0,9	2,9	2,8	3,3	1,3	3,6	2,2	2,2		
		July	1,0	2,0	1,9	1,5	1,2	3,5	2,3	4,8	1,0	1,7	-1,6	1,0	3,8	3,0	4,0	1,6	3,5	2,1	2,4		
		August	0,8	1,7	1,9	1,4	1,2	2,9	2,0	4,7	1,0	1,5	-1,7	1,2	3,5	2,5	4,0	1,4	3,4	2,1	2,1		
		September	1,1	2,0	1,9	1,7	1,3	3,3	2,1	4,8	1,4	1,6	-1,4	1,3	3,7	2,8	4,2	1,6	3,6	2,3	2,5		
		October	1,0	2,0	2,1	1,8	1,1	3,4	2,0	4,6	1,3	2,1	-1,4	1,3	3,7	3,0	4,1	2,1	3,5	2,1	2,5		
		November	1,1	1,9	2,0	1,6	1,0	3,1	1,8	4,3	1,1	1,8	-1,4	1,3	3,2	2,3	3,0	1,9	3,4	1,8	2,6		
		December	1,3	2,0	2,1	1,7	1,2	3,0	1,6	4,1	0,9	1,7	-1,5	1,4	3,4	2,3	2,8	2,1	3,1	1,6	2,6		
	2011	January	1,1	1,9	2,3	1,6	1,3	2,9	1,4	4,2	1,0	1,7	-1,6	1,5	3,7	2,1	2,5	1,6	2,7	1,7	2,3		
		February	1,3	1,8	2,3	1,7	1,3	2,9	1,6	4,0	0,9	1,9	-1,6	1,6	3,7	2,3	2,4	1,8	2,9	1,6	2,1		
		March	0,8	1,6	2,1	1,5	1,1	2,6	1,1	3,5	0,7	1,7	-1,7	1,6	3,7	1,7	2,6	1,7	2,7	1,8	1,9		
		April	0,7	1,5	2,0	1,4	1,1	2,5	1,1	3,2	0,7	1,7	-1,6	1,5	3,3	1,5	2,5	1,7	2,6	2,0	2,0		
		May	0,8	1,4	1,7	1,5	1,2	2,4	1,0	3,2	0,7	1,7	-1,8	1,6	3,2	1,4	2,0	1,7	2,6	1,9	2,0		
		June	0,9	1,4	1,7	1,6	1,2	2,3	0,9	3,2	0,7	1,7	-1,9	1,7	3,2	1,4	1,9	1,7	2,6	1,9	2,0		
		July	1,0	1,5	1,7	1,2	1,2	2,2	0,9	3,2	0,8	1,7	-2,0	1,7	3,2	1,2	1,4	1,7	2,6	2,0	2,0		
		August	1,0	1,5	1,7	1,1	1,2	2,3	1,0	3,2	0,8	1,7	-2,1	1,9	3,2	1,5	1,4	1,7	2,6	2,0	2,0		
		September	1,0	1,5	1,7	1,0	1,2	2,2	1,0	3,2	0,8	1,7	-2,2	1,9	3,2	1,5	1,4	1,7	2,6	1,8	2,0		
		October	1,0	1,4	1,7	0,9	1,2	2,2	1,0	3,3	0,8	1,7	-2,2	1,9	3,2	1,6	1,4	1,7	2,6	2,0	2,0		
		November	1,0	1,4	1,7	0,9	1,2	2,2	1,1	3,4	0,7	1,7	-2,2	1,9	3,2	2,0	1,9	1,7	2,6	2,1	2,0		
		December	0,9	1,4	1,6	0,9	1,2	2,1	1,3	3,5	0,7	1,7	-2,2	2,0	3,2	2,1	1,9	1,7	2,6	2,2	2,0		

* The figures in the shaded area are forecasts

Source: EUROSTAT & IFL(UC3M)

Date: May 18, 2010



HARMONIZED INDICES OF CONSUMER PRICES BY COUNTRIES IN THE EURO AREA, UNITED KINGDOM, SWEDEN AND DENMARK																					
Monthly rates of growth																					
		Euro Area															United Kingdom Sweden Denmark				
		Germany	France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Portugal	Finland	Ireland	Slovakia	Slovenia	Luxembourg	Cyprus				Malta	
Weights 2010 %		26,2	20,8	18,2	12,6	5,1	3,2	3,0	3,6	2,2	1,7	1,5	0,7	0,4	0,3	0,3	0,1				
MONTHLY RATES (Growth of the month over the previous month)	January	2008	-0,4	0,0	-0,8	-0,6	0,0	-1,3	-0,3	-0,3	-0,1	1,2	-0,7	1,2	0,1	-0,4	-1,4	-0,4	-0,7	0,0	0,3
		2009	-0,6	-0,4	-1,7	-1,3	0,0	-1,9	-0,6	-0,5	-0,9	0,3	-0,8	0,3	-0,3	-1,1	-2,3	-2,2	-0,7	-0,1	-0,4
		2010	-0,6	-0,2	-1,5	-1,0	-0,3	-1,4	-0,4	-0,8	-0,6	0,1	-0,7	0,1	-0,6	-0,6	-1,4	-0,5	-0,2	-0,2	0,3
		2011	-0,9	-0,3	-1,3	-1,1	-0,1	-1,6	-0,5	-0,7	-0,6	0,0	-0,8	0,2	-0,3	-0,8	-1,7	-1,0	-0,5	-0,1	0,0
	February	2008	0,6	0,2	0,1	0,1	0,9	2,5	0,3	-1,0	0,0	0,5	1,2	0,3	-0,1	1,0	0,3	0,4	0,8	0,4	1,0
		2009	0,7	0,4	0,2	0,0	1,0	2,3	0,5	-1,1	0,0	0,7	0,2	0,0	0,6	1,8	0,0	0,8	0,8	0,6	1,0
		2010	0,4	0,6	0,0	-0,2	0,9	2,3	0,2	-0,6	0,0	0,4	0,2	0,0	0,3	1,1	0,3	0,3	0,4	0,6	0,9
		2011	0,6	0,5	0,1	-0,1	0,9	2,4	0,4	-0,8	0,0	0,6	0,2	0,1	0,3	1,3	0,2	0,5	0,5	0,6	0,7
	March	2008	0,5	0,8	1,6	0,9	1,2	0,7	0,9	2,3	1,5	1,0	0,9	0,3	1,3	0,9	1,1	1,1	0,4	0,9	0,5
		2009	-0,2	0,2	1,2	0,2	1,2	-0,6	0,2	2,0	0,8	0,4	0,1	-0,3	0,8	-0,1	1,4	1,5	0,2	0,5	0,4
		2010	0,6	0,5	1,5	0,7	1,5	0,5	1,0	3,1	1,2	0,6	0,1	0,1	1,0	0,7	0,9	1,4	0,5	0,3	0,7
		2011	0,1	0,3	1,2	0,5	1,2	0,2	0,6	2,6	1,0	0,5	0,1	0,2	1,0	0,2	1,2	1,3	0,4	0,4	0,6
	April	2008	-0,3	0,4	0,6	1,1	0,4	0,2	0,3	0,8	0,3	0,2	0,1	0,3	0,7	0,5	1,2	2,3	0,8	0,4	0,4
		2009	0,1	0,1	0,6	1,0	0,3	0,3	0,2	0,4	0,4	0,2	0,1	-0,1	0,2	0,5	0,9	2,3	0,3	0,3	-0,1
		2010	-0,1	0,3	0,9	1,1	0,3	0,5	0,2	1,2	0,4	0,3	0,0	0,4	1,1	0,4	1,1	2,6	0,6	-0,1	0,2
		2011	-0,2	0,2	0,8	1,0	0,3	0,4	0,2	0,9	0,5	0,3	0,0	0,3	0,8	0,2	0,9	2,6	0,5	0,1	0,3
	May	2008	0,7	0,6	0,6	0,7	0,4	0,9	0,5	0,7	0,5	0,5	0,6	0,4	1,2	1,0	0,8	0,7	0,7	0,4	0,4
		2009	-0,1	0,1	0,2	0,0	0,1	-0,1	0,1	0,2	-0,2	-0,1	-0,4	0,1	0,6	0,3	0,7	0,2	0,5	0,3	0,4
		2010	-0,1	0,2	0,5	0,1	0,1	0,4	0,2	0,4	0,1	0,0	0,0	0,2	1,1	0,4	1,2	0,5	0,4	0,4	0,3
		2011	0,0	0,2	0,2	0,2	0,1	0,3	0,2	0,3	0,1	0,0	-0,1	0,2	0,9	0,2	0,7	0,5	0,4	0,4	0,3
	June	2008	0,4	0,4	0,5	0,6	-0,3	0,7	0,3	0,0	0,5	0,3	0,5	0,4	0,9	0,7	0,5	0,5	0,6	0,4	0,4
		2009	0,4	0,1	0,2	0,5	-0,4	-0,1	-0,1	-0,1	0,2	0,4	0,0	0,0	0,5	0,7	0,1	-0,1	0,3	0,2	0,2
		2010	0,0	0,1	0,0	-0,1	-0,4	0,3	0,2	-0,1	0,2	0,2	0,3	0,1	0,4	0,3	0,4	0,1	0,2	0,3	0,1
		2011	0,1	0,1	0,0	0,0	-0,4	0,2	0,0	-0,1	0,2	0,2	0,1	0,2	0,4	0,2	0,2	0,1	0,2	0,3	0,1
	July	2008	0,7	-0,3	-0,6	-0,5	-0,1	-0,9	-0,3	-0,8	-0,5	-0,3	-0,5	0,0	0,0	-0,4	-0,6	1,9	0,0	-0,5	-0,3
		2009	-0,1	-0,5	-1,2	-0,8	-1,6	-1,6	-0,4	-0,7	-0,4	-0,7	-0,8	-0,1	-0,8	-0,9	-1,4	-0,1	-0,1	-0,2	-0,6
		2010	0,3	-0,4	-1,1	-0,4	-1,0	-1,1	-0,4	-0,8	-0,4	-0,4	-0,6	0,0	0,1	-0,7	-0,8	0,2	-0,2	-0,4	-0,4
		2011	0,3	-0,4	-1,1	-0,8	-1,0	-1,2	-0,4	-0,8	-0,4	-0,4	-0,8	0,1	0,1	-0,8	-1,2	0,2	-0,2	-0,3	-0,4
	August	2008	-0,4	-0,1	0,0	-0,2	0,1	1,1	-0,2	-1,1	-0,4	0,3	0,0	-0,1	-0,7	0,0	0,3	0,3	0,6	0,1	0,2
		2009	0,3	0,6	0,2	0,4	0,2	2,1	0,4	-0,8	-0,2	0,4	0,2	-0,2	0,1	1,3	0,2	0,6	0,5	0,2	0,3
		2010	0,0	0,3	0,2	0,3	0,2	1,6	0,1	-0,9	-0,2	0,2	0,2	0,0	-0,3	0,9	0,2	0,4	0,4	0,1	0,0
		2011	0,1	0,3	0,2	0,2	0,2	1,7	0,3	-0,9	-0,2	0,2	0,1	0,1	-0,3	1,2	0,2	0,4	0,4	0,2	0,0
	September	2008	-0,1	0,0	0,5	0,0	0,5	-0,1	0,4	2,1	0,5	0,6	0,3	0,4	0,0	0,1	1,2	0,0	0,5	1,0	0,5
		2009	-0,5	-0,2	0,7	-0,3	0,5	-0,4	0,2	1,9	-0,1	0,3	-0,4	-0,1	-0,1	-0,1	0,8	-0,2	0,1	0,4	0,2
		2010	-0,2	0,0	0,7	0,1	0,6	0,0	0,3	2,0	0,3	0,5	-0,1	0,0	0,1	0,2	0,9	0,0	0,2	0,7	0,5
		2011	-0,2	0,0	0,7	0,0	0,6	-0,2	0,2	1,9	0,3	0,5	-0,2	0,1	0,1	0,1	0,9	0,0	0,2	0,6	0,5
	October	2008	-0,3	-0,1	0,5	0,3	-0,2	-0,2	0,0	0,0	-0,2	0,0	-0,4	0,3	0,0	-0,4	0,7	0,9	-0,3	-0,2	-0,2
		2009	0,1	0,1	0,4	0,7	0,3	0,0	0,1	0,5	0,0	-0,5	-0,2	0,2	0,1	-0,2	0,9	-0,4	0,2	0,3	0,0
		2010	0,1	0,1	0,5	0,8	0,1	0,1	0,0	0,3	0,0	0,0	-0,2	0,2	0,1	0,0	0,9	0,1	0,1	0,0	0,1
		2011	0,1	0,1	0,5	0,7	0,1	0,0	0,1	0,4	0,0	0,0	-0,2	0,2	0,1	0,1	0,9	0,1	0,1	0,2	0,1
	November	2008	-0,6	-0,5	-0,5	-0,4	-0,4	-0,7	-0,3	-0,2	-0,7	-0,5	-0,1	0,1	-0,9	-1,3	-1,3	-3,0	-0,1	-0,5	-0,3
		2009	-0,2	0,2	0,1	0,5	-0,1	0,2	0,2	0,6	0,1	0,2	-0,1	0,3	0,8	0,6	0,7	-2,6	0,3	0,0	0,0
		2010	-0,1	0,1	0,0	0,3	-0,2	-0,1	0,0	0,3	-0,1	-0,1	-0,1	0,3	0,3	-0,1	-0,3	-2,7	0,1	-0,2	0,0
		2011	-0,2	0,0	0,0	0,3	-0,2	-0,1	0,1	0,4	-0,1	-0,1	-0,1	0,3	0,3	0,3	0,2	-2,7	0,1	-0,1	0,0
	December	2008	0,4	-0,3	-0,1	-0,5	-0,8	-0,1	-0,2	-0,3	-0,5	-0,3	-0,7	-0,1	-0,7	-0,9	-1,0	0,2	-0,4	-0,2	-0,5
		2009	0,9	0,3	0,2	0,0	-0,7	0,2	0,3	0,1	0,2	0,2	-0,5	-0,1	-0,4	-0,1	-0,4	-0,2	0,6	0,2	-0,2
		2010	1,1	0,4	0,3	0,1	-0,6	0,2	0,1	0,0	0,0	0,0	-0,6	0,1	-0,2	-0,2	-0,6	0,0	0,3	0,0	-0,1
		2011	1,1	0,3	0,3	0,1	-0,6	0,1	0,2	0,1	0,0	0,0	-0,5	0,2	-0,2	0,0	-0,6	0,0	0,3	0,1	-0,1

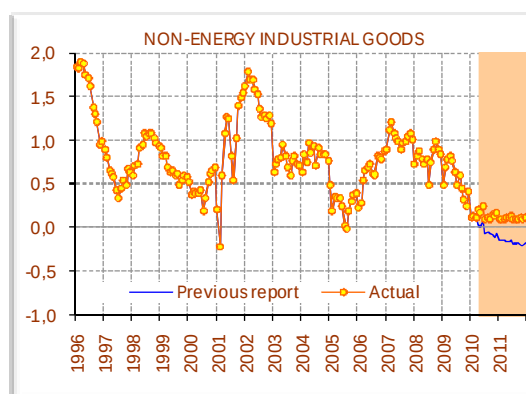
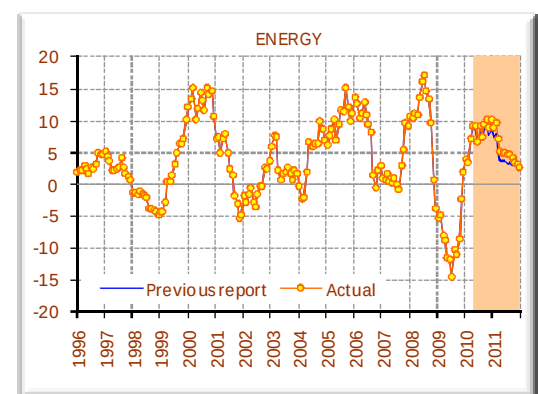
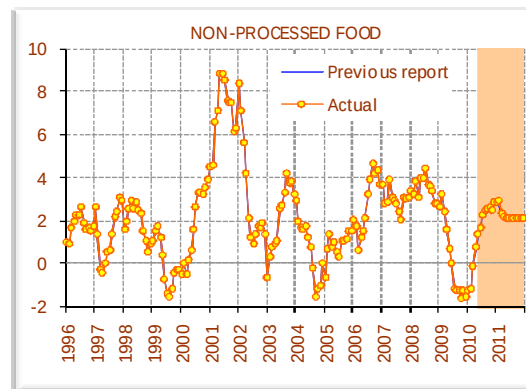
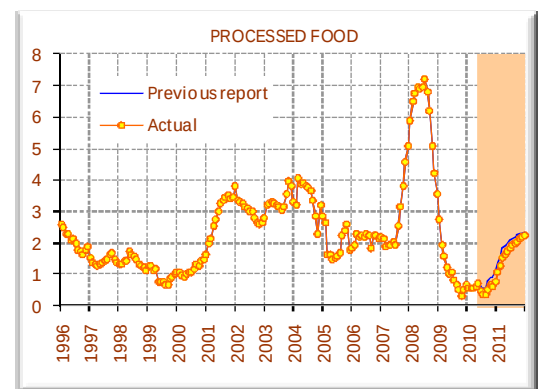
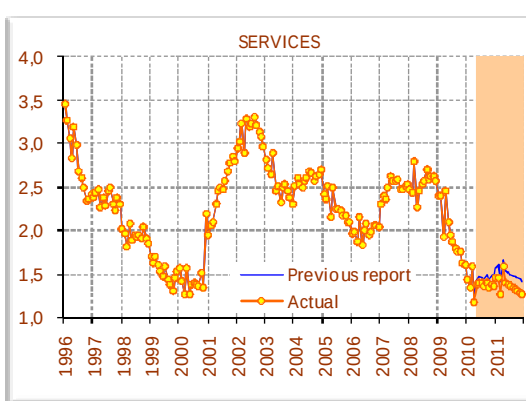
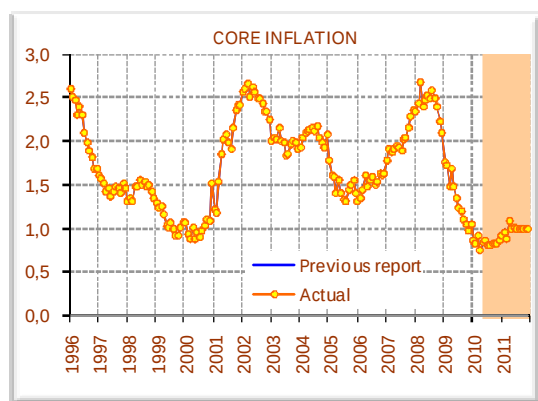
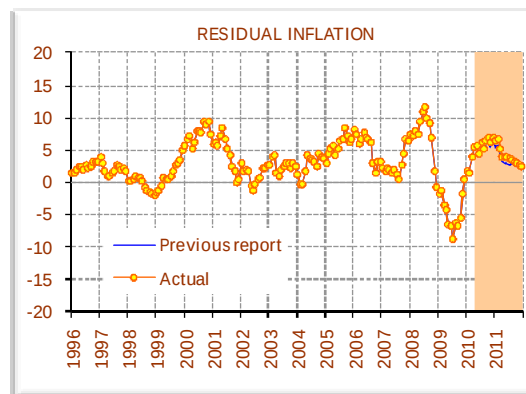
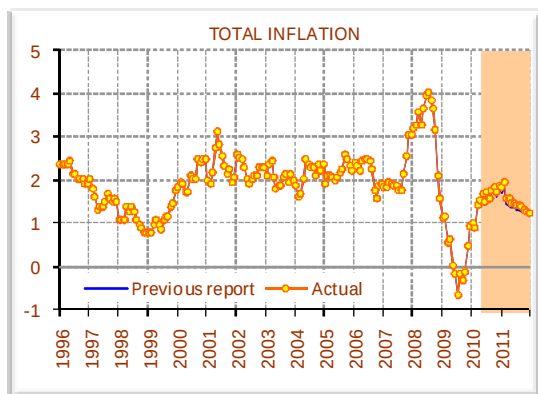
*The figures in the shaded area are forecasts

Source: EUROSTAT & IFL(UC3M)

Date: May 18, 2010



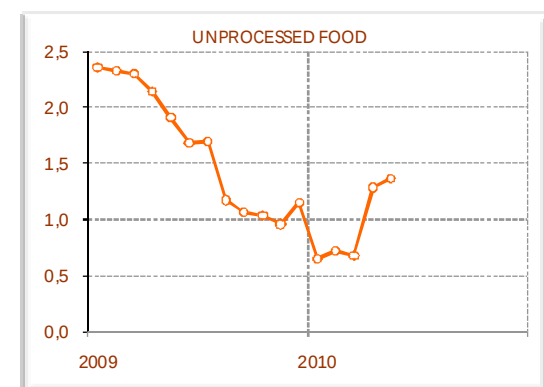
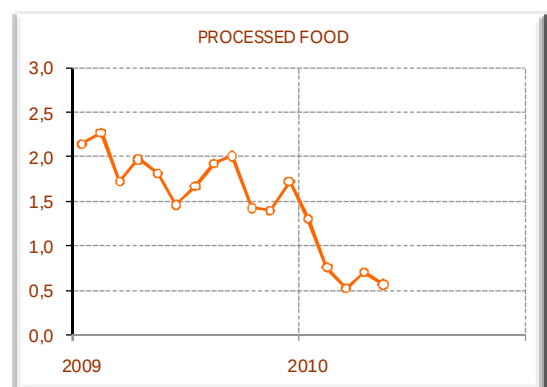
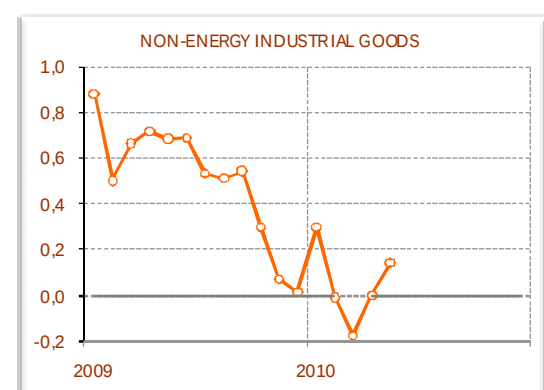
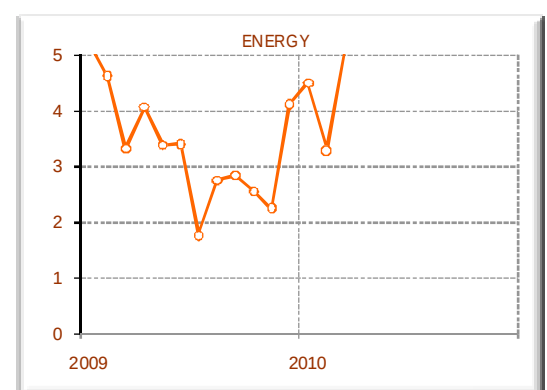
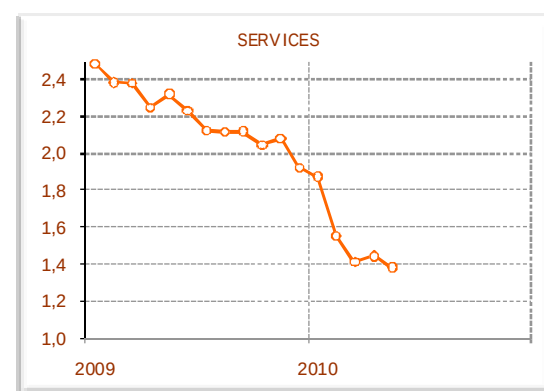
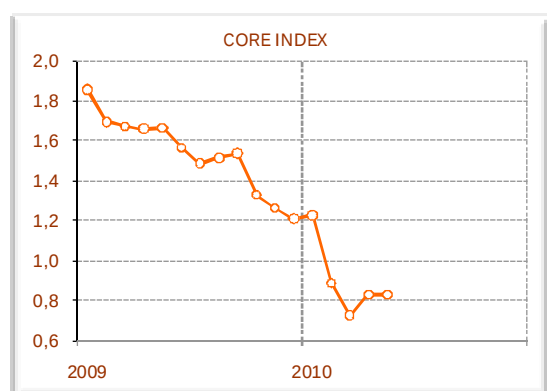
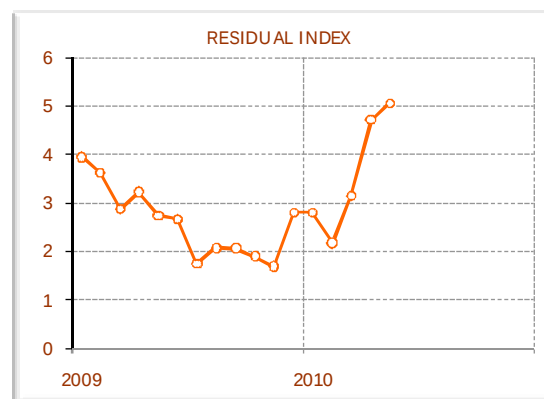
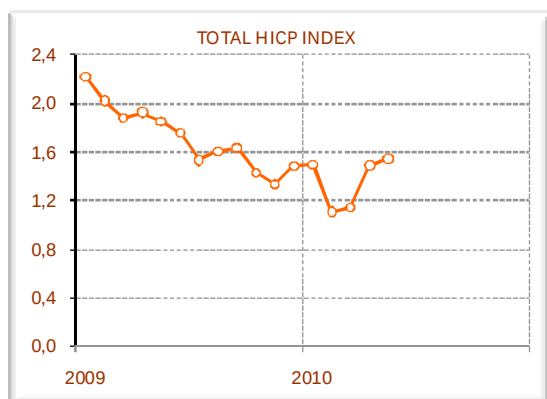
CHANGE IN FORECASTS FOR THE COMPONENTS OF HARMONISED INDEX OF CONSUMER PRICES IN THE EURO AREA



Source: EUROSTAT & IFL (UC3M)
Date actual report: May 18, 2010
Date previous report: April 16, 2010



EURO AREA INFLATION FORECASTS BY SPECIAL GROUP CHANGES OF EXPECTATIONS FOR THE AVERAGE 2010 RATE



Source: EUROSTAT & IFL (UC3M)
Date: May 18, 2010



II.3. MONETARY POLICY

It has been a complex and fascinating month for monetary policy in the euro area. Interest rates remain at their lowest ever, with no changes in sight. The weak

recovery, constant decline of the labour market and inflation expectations beneath 2.0% anticipate no changes in this situation.

The same cannot be said of the management of liquidity and monetary masses. On 10

May, under pressure from euro area political institutions, the European Central Bank was “forced” to buy government bonds from Greece, Portugal, Spain and Italy. To date, the purchase of 36,000 million bonds has been announced, a relatively small amount in relation to the size of the market.

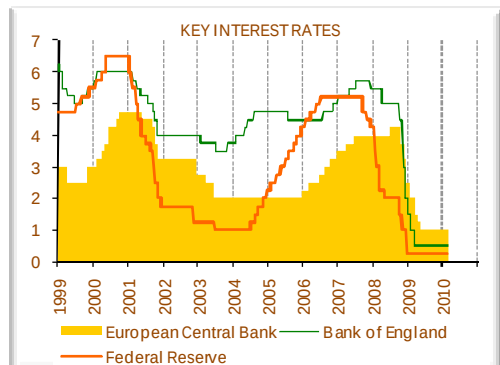
The purpose of this programme is to stabilise the differentials between Germany public debt and that of the weakest euro area countries. It was quite successful but the last week of May saw a new increase in said differentials. The yield on 10-year Spanish bonds has returned to 4.5%, exactly where it was before the ECB intervention. The same can be said of Italian bonds, which are at 4.2%, 1.8pp higher than German debt.

The purchase of sovereign bonds does not increase the monetary mass but redistributes the private sector's liquidity to the public sector. In other words, the liquidity that the ECB has been offering banks since the onset of the crisis has been reduced in the same amount as the purchase of sovereign debt. The damage to the financial system was minimal, considering that several banks used the ECB's intervention to reduce their exposure to the debt issued by these countries. This transfer of liquidity, however, could only be the beginning.

Members of the Central Bank's board have announced that the extraordinary liquidity granted to private banks could start to be withdrawn after July, after termination of the 442,000 million euro loan issued last year. We have to understand how this money has been used in order to assess the impact of the measure. The monetary mass figures discussed every month in this bulletin show a clear pattern: in the last year, credit to the private sector remained practically unaltered, while credit to the public sector grew at an annual rate of close to 10%. In other words, banks probably used the cheap liquidity provided by the ECB to finance the growing indebtedness of euro area governments, with a significant profit margin and limited risk. If this is so, the withdrawal of liquidity would be immediately transmitted to the governments involved, significantly reducing the demand for non-German debt on the fixed income market. Should this happen, the ECB could again be forced to increase its purchase of sovereign debt. The practical impact of this would be to transfer liquidity from banks to governments, hindering the plans to resize the monetary supply announced by the Central Bank.

No change as found in the evolution of monetary masses in April. Credit granted to the public sector grew at an annual rate of 9.8%, while private sector credit increased by a mere 0.3%. In this sector there was an annual decrease of 2.6% in credit to non-financial firms (-2.4% in March), compensated by growth in household credit (+2.5% in April).

Graph II.3.1



Date: April, 2010

No change as found in the evolution of monetary masses in April. Credit granted to the public sector grew at an annual rate of 9.8%, while private sector credit increased by a mere 0.3%. In this sector there was an annual decrease of 2.6% in credit to non-financial firms (-2.4% in March), compensated by growth in household credit (+2.5% in April).



III. UNITED STATES

III.1. INDUSTRIAL PRODUCTION INDEX

INDUSTRIAL PRODUCTION INDEX AND SECTORS IN U.S.							
Annual rates of growth							
		Consumer Goods		Capital Goods	Intermediate Goods	TOTAL	
		Durable	Non Durable				
ANNUAL AVERAGE RATES	2006	-1,0	0,9	4,2	2,4	2,3	
	2007	0,4	1,1	1,5	2,0	1,5	
	2008	-9,9	-0,5	-2,4	-1,9	-2,2	
	2009	-17,0	-1,9	-11,6	-11,0	-9,8	
	2010	11,9	2,1	4,7	7,3	5,6	
	2011	6,4	2,3	6,7	6,6	5,7	
ANNUAL RATES *	2009	QI	-25,2	-2,2	-12,4	-13,4	-11,5
		QII	-24,3	-3,5	-14,9	-15,3	-13,5
		QIII	-13,1	-1,3	-11,7	-10,3	-9,2
		QIV	-3,5	-0,7	-7,1	-4,5	-4,6
	2010	QI	12,4	1,3	-0,5	4,0	2,5
		QII	12,9	2,4	5,4	8,2	6,3
		QIII	11,9	2,4	6,6	8,5	6,8
		QIV	10,4	2,4	7,2	8,3	6,8
	2011	QI	8,7	2,4	7,3	7,7	6,4
		QII	7,1	2,3	7,1	7,0	6,1
		QIII	5,6	2,2	6,6	6,2	5,5
		QIV	4,4	2,1	6,0	5,4	4,9

INDUSTRIAL PRODUCTION INDEX AND SECTORS IN U.S.							
Annual rates of growth							
	2005	2006	2007	2008	2009	2010	2011
January	3,8	2,1	1,2	2,3	-10,5	1,4	6,5
February	3,1	1,7	1,7	0,9	-11,3	2,1	6,5
March	3,4	2,6	1,0	0,5	-12,5	3,9	6,4
April	4,3	1,3	1,9	0,5	-13,6	6,1	6,3
May	3,0	2,4	1,5	-0,4	-13,4	6,4	6,1
June	4,2	2,4	1,2	-0,8	-13,4	6,6	5,9
July	3,9	3,1	1,3	-0,6	-11,5	6,5	5,7
August	3,7	2,7	1,1	-2,4	-9,7	6,8	5,5
September	2,0	3,9	1,8	-6,5	-6,2	6,9	5,3
October	1,9	2,6	1,4	-5,0	-6,9	6,9	5,1
November	2,8	1,3	2,3	-6,6	-4,8	6,9	4,9
December	3,1	1,3	1,7	-8,4	-2,1	6,6	4,7

Source: Federal Reserve & IFL(UC3M)

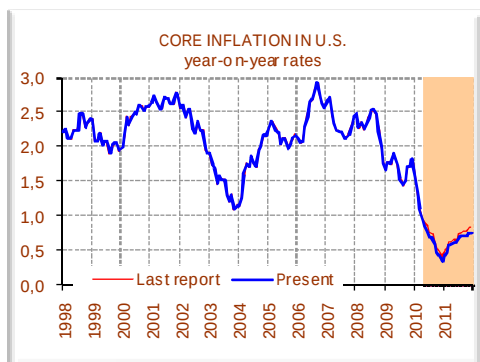
Date: May 14, 2010



III.2. INFLATION

In April in the US, the **general** consumer price index rose by a monthly rate of 0.17%¹, similar to the forecast 0.22%. The annual rate fell from 2.31% to 2.24%.

Graph III.2.1



Source: BLS & IFL
Date: May 19, 2010

The **core index** registered a month-on-month increase of 0.05%, just below the forecast 0.08%. The annual rate fell from 1.11% to 0.92%.

Within core inflation, **non-energy industrial goods**

registered a downwards surprise with a month-on-month reduction of 0.16% instead of the expected 0.20% increase, with the annual rate falling from 1.93% to 1.18%. This is largely explained by women's apparel. With regards to motor vehicle prices, they are gradually returning to normal after a few months of atypical increases.

The April CPI was as expected, but falling oil prices have moderated general inflation expectations.

The figures confirm our core PCE forecasts, which are still beneath the lower limit of the central tendency established by the Fed in its last January meeting.

0.82%. The forecasting error for services was due to airline prices and sports club membership fees.

Real home rental prices and estimated rent of primary residence registered negative values for the first time since 1943. This is due to the delicate situation affecting the property sector. This month, the figures were much as expected and our forecasts remain practically unaltered (see Graph III.2.2).

During this crisis, the prices of non-energy industrial goods are not evolving as expected, due to new and used cars, the prices of which were increasing sharply. This process is slowly being reversed, and the annual rates are now falling.

Based on the above, **core inflation expectations** have fallen very slightly (see Graph III.2.1).

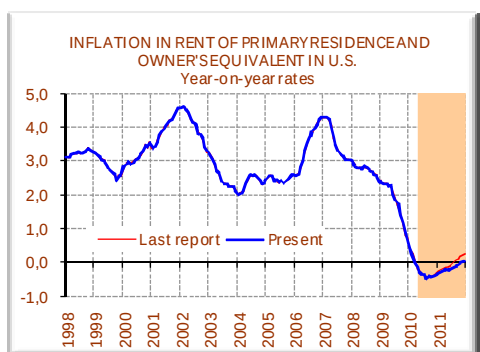
With regards to prices not included in the core index, food prices evolved much as expected both inside and outside the home.

Import and production prices of durable and non-durable goods were slightly lower than expected.

The monthly increase in **energy** prices was 1.42%, somewhat less than forecast (1.73%), and the annual rate rose from 18.34% to 18.52%.

The most significant innovation was in international oil prices. Indeed, oil prices have fallen by 12% for the entire forecasting period since last month.

Graph III.2.2



Source: BLS & IFL
Date: May 19, 2010

The figure in **services** was somewhat higher than forecast, with a monthly increase of 0.13% instead of 0.04%. The annual rate went from 0.79% to

Core inflation was much as expected, although a downwards innovation in women's apparel was compensated by upwards movements in airline prices and sports club membership fees.

1. In our reports, unless differently specified, only non-seasonally adjusted data are used.



Real and estimated rental values continue to reduce their annual rate, which is now negative in some indices.

The **general CPI in the next two months** is expected to fall to 1% by June (see Graph III.2.3).

In **May**, the general CPI is expected to grow by a monthly 0.01% (± 0.13), with the annual rate falling to 1.95%.

For **core inflation**, the forecast is a monthly reduction of 0.07% (± 0.12), with the annual rate falling from 0.92% to 0.86%.

For **2010 and 2011** we are forecasting average annual **core inflation** rates of 0.81% (± 0.18)² and 0.63% (± 0.53) respectively, which is 0.05% less for both years than last month's estimates (Table III.2.1 and Graph III.2.1).

The **average annual total inflation rate** is forecast at 1.45% (± 0.73) in 2010 and 0.98% (± 1.93) in 2011, four and two tenths of a point less than last month (Table III.2).

In terms of the core personal consumption expenditure index –**core PCE**³–, which is the indicator most closely monitored by the Fed, our forecast for April (to be published on the 28th May) is 1.19%. For this and next

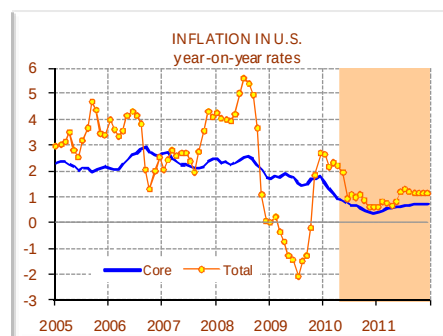
Core inflation expectations have fallen slightly and the likelihood of negative figures at the end of this year is 20%.

year our forecasts continue beneath the lower limit of the central tendency established by the Fed in its January meeting (see report⁴).

In conclusion, the CPI, both in the aggregate and by component, was much as expected. Analysing in detail, we see a fall in women's apparel and a rise in airline and sports club membership prices.

Also, although it was expected, the year on year inflation

Graph III.2.3



Source: BLS & IFL
Date: May 19, 2010

Table III.2.1

DIFFERENT MEASURES OF INFLATION IN THE U.S.						
Annual rates of growht						
		Total	Core			
		CPI	CPI	PCE	MB-PCE	
Annual Average Rates	2007	2,9	2,3	2,4	2,1	
	2008	3,8	2,3	2,4	2,3	
	2009	-0,4	1,7	1,5	1,9	
	2010	1,5	0,8	1,1	0,9	
	2011	1,0	0,6	0,9	0,9	
YEAR-ON YEAR RATES	2009	October	-0,2	1,7	1,4	1,7
		November	1,8	1,7	1,5	1,7
		December	2,7	1,8	1,6	1,6
	2010	January	2,6	1,6	1,5	1,4
		February	2,1	1,3	1,3	1,2
		March	2,3	1,1	1,3	1,1
		April	2,2	0,9	1,2	1,0
		May	2,0	0,9	1,2	1,0
		June	0,9	0,8	1,1	0,9
		July	1,1	0,7	1,1	0,9
		August	1,0	0,7	1,1	0,8
		September	1,1	0,6	1,1	0,8

The shaded values are forecasts

(1) PCE: chain-type price index for personal consumption expenditures

(2) MB-PCE: Market-based components of PCE prices

Source: BLS & IFL

Date: May 19, 2010

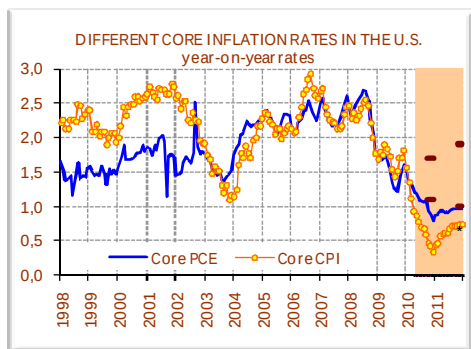
2. Considering an 80% confidence interval for all indices

3. The PCE (Personal Consumption Expenditure) is a price index which has the advantage relative to the consumer price index (CPI) that instead of the shopping basket remaining unaltered, it is adjusted to actual expenditure and shows changes in its composition between the periods compared.

4. <http://www.federalreserve.gov/monetarypolicy/files/fomcminutes20100127.pdf>

rates for real and estimated rental prices are at their lowest since 1943.

Graph III.2.4



Source: BLS & IFL
Date: May 19, 2010

The heavy cut in international oil prices (12%) has considerably reduced general CPI forecasts.

Furthermore, car prices in 2009 rose sharply, not as expected, and this should be temporary. The annual rate of car prices will now fall, helping to reduce core inflation.

On the other hand, unlike other months, international oil prices fell

considerably, close to 12% relative to last month, so the forecasts for the general index have fallen by four tenths of a point for 2010 and two for 2011.

Finally, the figures continue to confirm our core PCE forecast, which continues to be below the lower limit of the central tendency established by the Fed at the end of January.

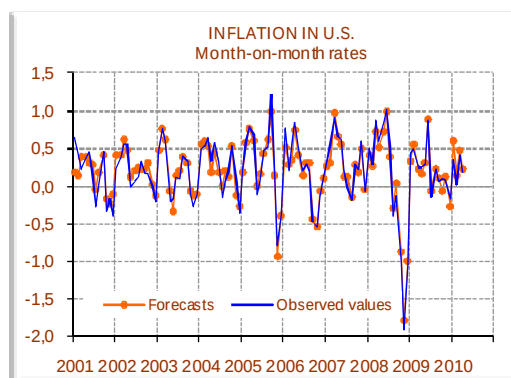
In the next two months, the total CPI will be falling to 1.95% in May and even further to 1.0% in June.

The figures confirm our core PCE forecasts, which continue to be beneath the lower limit of the central tendency established by the Fed in its last meeting in January.



FORECASTING ERRORS IN U.S. INFLATION

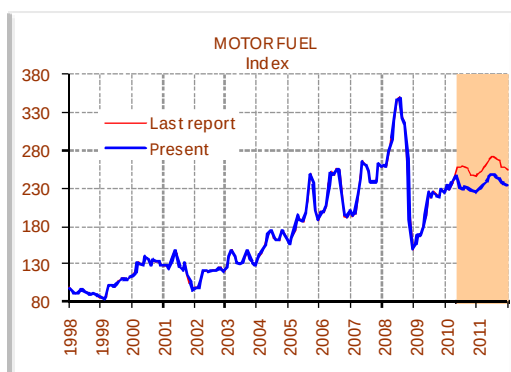
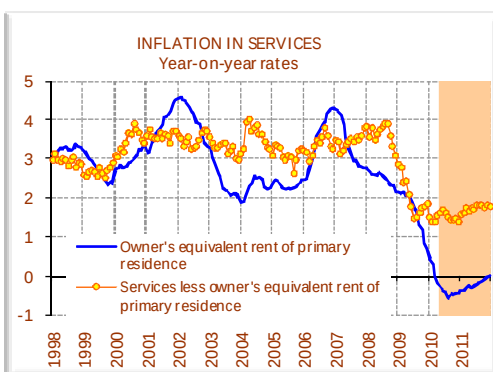
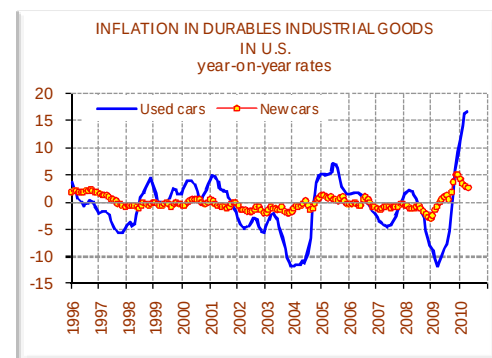
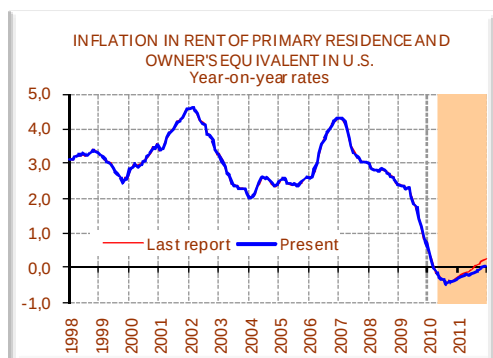
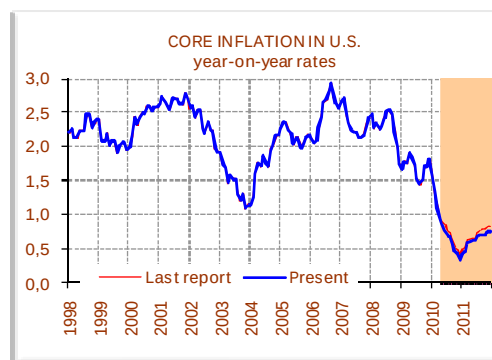
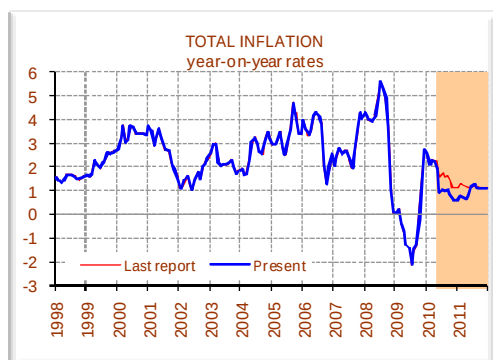
CONSUMER PRICE INDEX IN U.S. Monthly rates April, 2010				
	Relative Imp. Dec. 2009	Observed	Forecasts	Confidence Intervals*
TOTAL INFLATION	100,0	0,17	0,22	0,13
less Owner's equivalent rent of primary residence	76,4	0,24	0,31	0,17
CORE INFLATION	77,7	0,05	0,08	0,12
less Owner's equivalent rent of primary residence	54,1	0,09	0,14	0,16
Non-food and non-energy goods	21,3	-0,16	0,20	0,27
Less tobacco	20,4	-0,17	0,20	0,25
- Durable goods	10,0	-0,22	-0,01	0,32
- Non-durable goods	11,3	-0,16	0,38	0,40
Non-energy services	56,4	0,13	0,04	0,14
- Services less Owner's equivalent rent of primary residence	32,8	0,25	0,11	0,21
- Owner's equivalent rent of primary residence	23,6	-0,04	-0,05	0,12
RESIDUAL INFLATION	22,3	0,61	0,71	0,49
Food	13,7	0,08	0,06	0,26
Energy	8,6	1,42	1,73	1,17



Source: BLS & IFL(UC3M)

Date: May 19, 2010

OTHER GRAPHS ON U.S. INFLATION FORECASTS



Source: BLS & IFL(UC3M)

Date: May 19, 2010



CONSUMER PRICE INDEX AND COMPONENTS IN USA														
Annual rates of growth														
			CPI											
			Core						Residual			Confidence Intervals at 80 % level		
			Non-energy commodities less food			Non-energy services			Food	Energy	TOTAL			
			Durables	Non durables	All	Owner's equivalent rent of primary residence	Other services	All						
IR December 09			10,0 %	11,3 %	21,3 %	23,6 %	32,8 %	56,4 %	77,7 %		13,7 %	8,6 %	22,3 %	
	2002		-2,6	0,4	-1,1	4,1	3,5	3,8	2,3		1,8	-5,9	-0,8	1,6
	2003		-3,2	-0,7	-2,0	2,4	3,3	2,9	1,5		2,1	12,2	5,3	2,3
	2004		-2,3	0,4	-0,9	2,3	3,6	2,9	1,8		3,4	10,9	6,0	2,7
	2005		0,4	0,6	0,5	2,3	3,1	2,8	2,2		2,4	16,9	7,6	3,4
	2006		-0,7	1,2	0,3	3,5	3,3	3,4	2,5		2,3	11,2	5,8	3,2
	2007		-1,7	1,0	-0,4	3,4	3,4	3,4	2,3		4,0	5,5	5,1	2,9
	2008		-1,4	1,7	0,1	2,5	3,6	3,1	2,3		5,5	13,9	9,0	3,8
	2009		-0,9	3,4	1,3	1,7	2,0	1,9	1,7		1,8	-18,4	-6,8	-0,4
	2010		0,9	0,9	0,9	-0,3	1,5	0,8	0,8 ± 0,18		0,7	8,7	3,7	1,5 ± 0,73
	2011		-1,4	0,9	-0,1	-0,2	1,7	0,9	0,6 ± 0,53		1,5	3,3	2,2	1,0 ± 1,93
ANNUAL RATES (growth of the month over the same month of the previous year)	2009	January	-2,9	1,9	-0,5	2,2	2,8	2,5	1,7		5,3	-20,4	-5,3	0,0
		February	-2,6	2,5	0,0	2,1	2,8	2,5	1,8		4,8	-18,5	-4,8	0,2
		March	-2,5	3,3	0,4	2,1	2,4	2,3	1,8		4,4	-23,0	-7,2	-0,4
		April	-2,0	3,9	0,9	2,1	2,4	2,3	1,9		3,3	-25,2	-9,0	-0,7
		May	-1,5	3,9	1,2	2,1	2,1	2,1	1,8		2,7	-27,3	-10,7	-1,3
		June	-1,1	4,1	1,5	1,9	1,8	1,8	1,7		2,1	-25,5	-10,7	-1,4
		July	-1,2	4,0	1,4	1,7	1,5	1,6	1,5		0,9	-28,1	-12,6	-2,1
		August	-1,5	3,6	1,1	1,7	1,5	1,6	1,4		0,4	-23,0	-10,1	-1,5
		September	-0,6	3,7	1,6	1,3	1,6	1,5	1,5		-0,2	-21,6	-9,7	-1,3
		October	0,9	3,6	2,3	1,2	1,7	1,5	1,7		-0,6	-14,0	-6,1	-0,2
		November	1,8	3,3	2,6	0,8	1,8	1,4	1,7		-0,7	7,4	2,3	1,8
		December	2,5	3,5	3,0	0,7	1,9	1,4	1,8		-0,5	18,2	5,9	2,7
	2010	January	2,5	3,3	2,9	0,4	1,5	1,0	1,6		-0,4	19,1	6,4	2,6
		February	2,3	2,6	2,5	0,3	1,4	0,9	1,3		-0,2	14,4	4,9	2,1
		March	2,2	1,6	1,9	0,0	1,4	0,8	1,1		0,2	18,3	6,6	2,3
		April	1,9	0,5	1,2	-0,2	1,6	0,8	0,9		0,5	18,5	6,9	2,2
		May	1,5	0,5	1,0	-0,3	1,6	0,8	0,9 ± 0,12		0,6	14,9	5,8	2,0 ± 0,13
		June	1,0	0,4	0,7	-0,4	1,7	0,8	0,8 ± 0,19		0,6	3,0	1,5	0,9 ± 0,47
		July	0,7	0,2	0,5	-0,4	1,6	0,8	0,7 ± 0,27		1,0	4,6	2,3	1,1 ± 0,87
		August	1,2	0,3	0,7	-0,5	1,5	0,7	0,7 ± 0,32		1,0	3,9	2,1	1,0 ± 1,25
		September	0,6	0,2	0,5	-0,5	1,4	0,6	0,6 ± 0,36		1,2	5,3	2,8	1,1 ± 1,59
		October	-0,5	0,4	0,0	-0,5	1,4	0,6	0,5 ± 0,40		1,2	4,2	2,4	0,9 ± 1,85
		November	-1,0	0,5	-0,2	-0,5	1,4	0,7	0,4 ± 0,42		1,4	1,2	1,3	0,6 ± 2,02
		December	-1,3	0,4	-0,4	-0,5	1,4	0,6	0,3 ± 0,46		1,4	1,7	1,5	0,6 ± 2,13
	2011	January	-1,5	0,5	-0,5	-0,4	1,6	0,8	0,4 ± 0,50		1,5	0,4	1,1	0,6 ± 2,20
		February	-1,5	0,5	-0,4	-0,4	1,6	0,8	0,5 ± 0,55		1,6	2,6	2,0	0,8 ± 2,27
		March	-1,6	0,9	-0,2	-0,3	1,7	0,9	0,6 ± 0,59		1,5	1,2	1,3	0,8 ± 2,34
		April	-1,4	1,0	-0,1	-0,3	1,7	0,9	0,6 ± 0,63		1,3	0,5	1,0	0,7 ± 2,41
		May	-1,5	1,0	-0,1	-0,3	1,7	0,9	0,6 ± 0,63		1,4	1,5	1,4	0,8 ± 2,51
		June	-1,4	1,1	-0,1	-0,3	1,7	0,9	0,6 ± 0,63		1,4	5,7	3,1	1,2 ± 2,55
		July	-1,4	1,1	-0,1	-0,2	1,8	1,0	0,7 ± 0,63		1,4	6,2	3,3	1,3 ± 2,52
		August	-1,3	1,1	-0,1	-0,2	1,8	1,0	0,7 ± 0,63		1,4	4,8	2,8	1,2 ± 2,51
		September	-1,3	1,0	0,0	-0,1	1,8	1,0	0,7 ± 0,63		1,4	4,3	2,6	1,1 ± 2,50
		October	-1,3	1,0	0,0	-0,1	1,7	1,0	0,7 ± 0,63		1,5	4,2	2,5	1,1 ± 2,52
		November	-1,3	1,0	0,0	0,0	1,8	1,0	0,7 ± 0,63		1,5	4,0	2,4	1,1 ± 2,54
		December	-1,3	1,0	0,0	0,0	1,8	1,0	0,7 ± 0,63		1,5	4,0	2,4	1,1 ± 2,63

Source: BLS & IFL
Date: May 19, 2010



CONSUMER PRICE INDEX AND COMPONENTS IN USA													
Monthly rates of growth													
		CPI										TOTAL 100 %	
		Core						TOTAL	Residual				
		Non-energy commodities less food			Non-energy services				Food	Energy	TOTAL		
		Durables	Non durables	All	Owner's equivalent rent of primary residence	Other services	All						
IR December 09		10,0 %	11,3 %	21,3 %	23,6 %	32,8 %	56,4 %	77,7 %	13,7 %	8,6 %	22,3 %		
MONTHLY RATES (Growth of the month over the previous month)	January	2008	0,2	-0,4	-0,1	0,2	0,8	0,6	0,4	0,9	0,9	0,9	0,5
		2009	0,2	-0,4	-0,1	0,2	0,6	0,4	0,3	0,4	2,0	1,0	0,4
		2010	0,2	-0,5	-0,2	-0,1	0,2	0,1	0,0	0,6	2,8	1,4	0,3
		2011	0,1	-0,5	-0,2	0,0	0,4	0,3	0,1	0,7	1,5	1,0	0,3
	February	2008	-0,2	0,9	0,3	0,1	0,5	0,3	0,3	0,3	-0,1	0,1	0,3
		2009	0,2	1,5	0,8	0,1	0,4	0,3	0,4	-0,2	2,4	0,7	0,5
		2010	0,0	0,8	0,4	0,0	0,3	0,2	0,2	0,0	-1,7	-0,7	0,0
		2011	0,0	0,8	0,4	0,0	0,4	0,2	0,3	0,1	0,5	0,2	0,3
	March	2008	0,0	1,1	0,5	0,2	0,6	0,4	0,5	0,1	5,1	2,2	0,9
		2009	0,0	1,9	1,0	0,2	0,2	0,2	0,4	-0,3	-0,7	-0,4	0,2
		2010	-0,1	0,9	0,5	-0,1	0,2	0,1	0,2	0,1	2,7	1,1	0,4
		2011	-0,1	1,3	0,7	0,0	0,3	0,2	0,3	-0,1	1,3	0,5	0,4
	April	2008	-0,3	0,5	0,1	0,2	0,0	0,1	0,1	0,8	4,2	2,3	0,6
		2009	0,1	1,0	0,6	0,1	0,1	0,1	0,2	-0,2	1,3	0,3	0,2
		2010	-0,2	-0,1	-0,2	0,0	0,2	0,1	0,0	0,1	1,4	0,6	0,2
		2011	0,0	0,0	0,0	0,0	0,2	0,1	0,1	-0,1	0,7	0,2	0,1
	May	2008	-0,3	-0,4	-0,3	0,1	0,3	0,2	0,1	0,5	7,0	3,3	0,8
		2009	0,2	-0,4	-0,1	0,1	0,0	0,0	0,0	-0,2	4,0	1,3	0,3
		2010	-0,2	-0,3	-0,3	0,0	0,0	0,0	-0,1	-0,1	0,8	0,3	0,0
		2011	-0,2	-0,3	-0,3	0,0	0,1	0,0	0,0	0,1	1,8	0,8	0,1
	June	2008	-0,1	-0,9	-0,5	0,2	0,6	0,4	0,2	0,6	7,2	3,5	1,0
		2009	0,3	-0,8	-0,3	0,0	0,3	0,2	0,1	0,0	9,9	3,6	0,9
		2010	-0,2	-0,9	-0,6	-0,1	0,4	0,2	0,0	0,0	-1,4	-0,6	-0,1
		2011	-0,2	-0,9	-0,6	0,0	0,4	0,2	0,0	0,0	2,7	1,1	0,2
	July	2008	0,0	-0,6	-0,3	0,1	0,6	0,4	0,2	1,0	1,9	1,4	0,5
		2009	-0,1	-0,7	-0,4	0,0	0,4	0,2	0,0	-0,2	-1,7	-0,8	-0,2
		2010	-0,3	-0,9	-0,6	-0,1	0,3	0,1	-0,1	0,1	-0,2	0,0	0,0
		2011	-0,2	-0,9	-0,6	0,0	0,4	0,2	0,0	0,1	0,3	0,2	0,1
	August	2008	-0,4	0,8	0,2	0,2	0,2	0,2	0,2	0,5	-5,2	-2,1	-0,4
		2009	-0,7	0,5	-0,1	0,1	0,3	0,2	0,1	0,0	1,5	0,6	0,2
		2010	-0,3	0,6	0,2	0,0	0,1	0,1	0,1	0,1	0,8	0,4	0,2
		2011	-0,2	0,6	0,2	0,0	0,1	0,1	0,1	0,1	-0,5	-0,1	0,1
	September	2008	-0,6	1,7	0,5	0,2	-0,1	0,0	0,2	0,6	-3,1	-1,1	-0,1
		2009	0,2	1,7	1,0	-0,1	0,0	0,0	0,2	-0,1	-1,3	-0,6	0,1
		2010	-0,3	1,7	0,7	0,0	-0,1	-0,1	0,2	0,1	0,0	0,1	0,1
		2011	-0,3	1,7	0,8	0,0	-0,1	-0,1	0,2	0,1	-0,4	-0,1	0,1
	October	2008	-0,4	0,5	0,1	0,2	0,0	0,1	0,1	0,5	-10,3	-4,3	-1,0
		2009	1,2	0,4	0,8	0,0	0,1	0,1	0,3	0,1	-1,5	-0,5	0,1
		2010	0,1	0,6	0,3	0,0	0,1	0,1	0,1	0,2	-2,5	-0,9	-0,1
		2011	0,1	0,6	0,3	0,0	0,1	0,1	0,1	0,2	-2,7	-1,0	-0,1
	November	2008	-0,4	-0,2	-0,3	0,3	-0,4	-0,1	-0,2	0,0	-18,0	-7,4	-1,9
		2009	0,4	-0,4	0,0	-0,1	-0,3	-0,2	-0,2	-0,1	2,4	0,8	0,1
		2010	-0,1	-0,3	-0,2	0,0	-0,3	-0,2	-0,2	0,0	-0,5	-0,2	-0,2
		2011	-0,1	-0,3	-0,2	0,0	-0,3	-0,2	-0,2	0,0	-0,6	-0,2	-0,2
	December	2008	-0,3	-1,1	-0,7	0,1	-0,2	-0,1	-0,3	0,0	-9,9	-3,6	-1,0
		2009	0,3	-0,9	-0,3	0,0	-0,2	-0,1	-0,2	0,2	-0,8	-0,2	-0,2
		2010	-0,1	-1,0	-0,6	0,0	-0,2	-0,1	-0,2	0,2	-0,4	0,0	-0,2
		2011	0,0	-1,0	-0,5	0,0	-0,2	-0,1	-0,2	0,2	-0,5	0,0	-0,2

Source: BLS & IFL(UC3M)

Date: May 19, 2010



American residential sector figures continue to be affected by public aid, and it will be several months after such aid ceases when we will see the sector's core evolution.

Both new and second hand housing sales were higher than expected in April.

The poor figure is due to building permits, which fell heavily and unexpectedly.

As indicated in previous reports, however, several factors prevent us from seeing the core signal, particularly public aid for the purchase of first homes.

III.3. PROPERTY SECTOR

Building permits registered an unexpected monthly decrease of 11.5%, instead of the expected 0.8% increase. On the other hand, the number of **housing starts**, with a monthly increase of 5.8%, was a little higher than the forecast 4.1%, considering that there were permits that had not led to housing starts due to the poor weather in prior months (see Graphs III.3.1, III.3.1b, III.3.2 and III.3.2b).

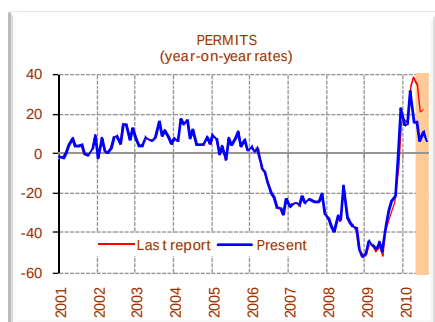
New home sales registered a significant upwards movement: 504,000 homes sold instead of the forecast 394,000, linked to the end of public aid for home purchasing (see Graphs III.3.3, III.3.3b, III.3.4 and

III.3.4b). Prices registered an atypical, sudden and unexpected fall. The stock of unsold residential property continues to gradually decrease.

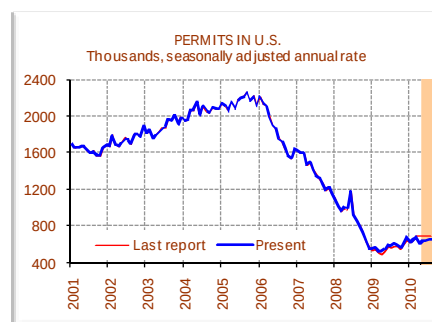
Second hand home sales registered a month-on-month increase of 7.6%, much higher than the forecast 0.4%. On the other hand, the annual rate of such prices continues to evolve as expected (see Graphs III.3.5, III.3.5b, III.3.6 and III.3.6b).

In May, sales are expected to fall due to the end of public aid to the sector.

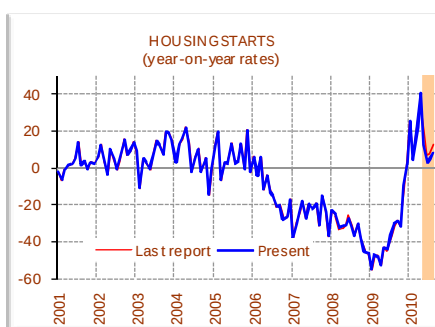
Graph III.3.1



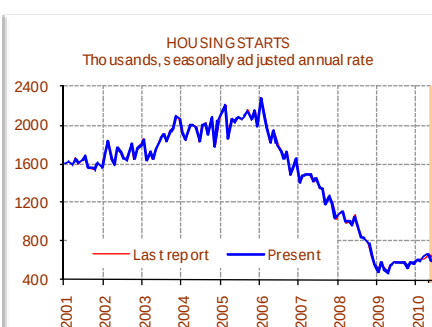
Graph III.3.1b



Graph III.3.2



Graph III.3.2b



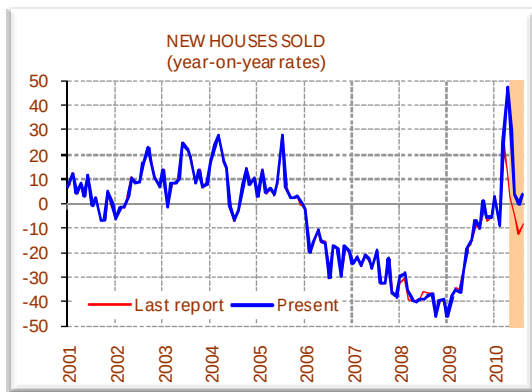
Source: U.S. Census Bureau & IFL (UC3M)

Date: May 27, 2010

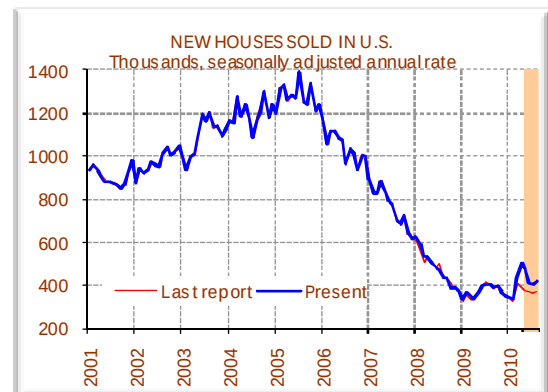
1. Seasonally adjusted and annualized.



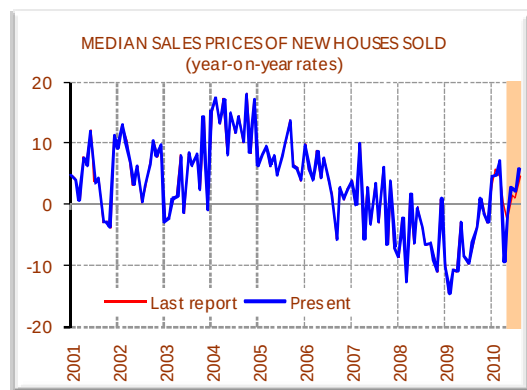
Graph III.3.3



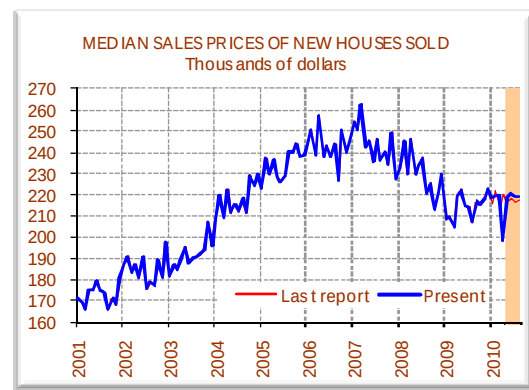
Graph III.3.3b



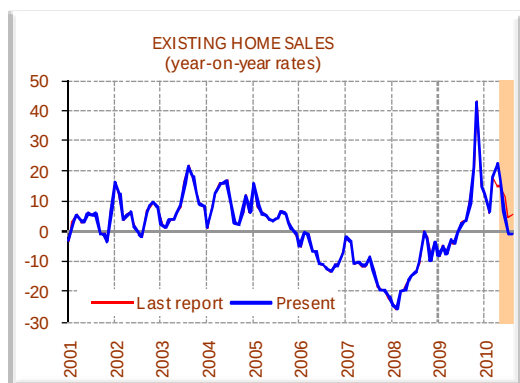
Graph III.3.4



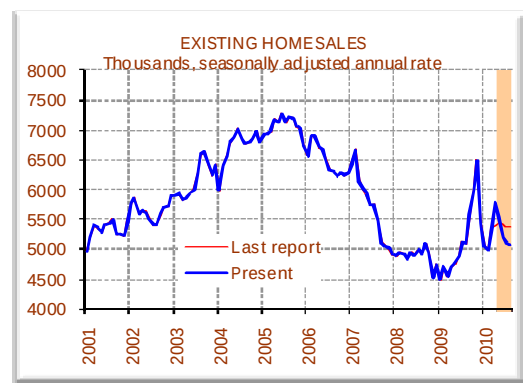
Graph III.3.4b



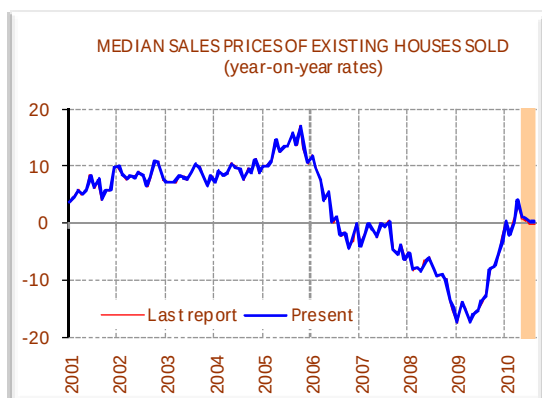
Graph III.3.5



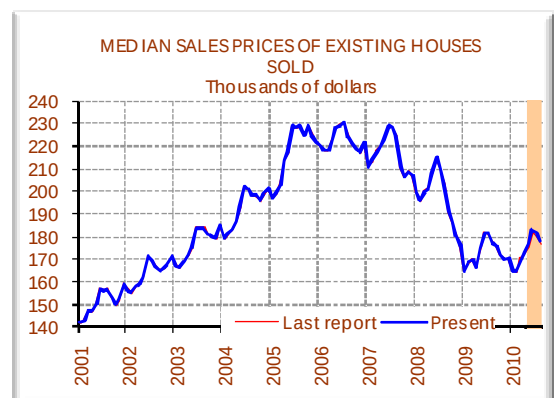
Graph III.3.5b



Graph III.3.6



Graph III.3.6b



IV. SPAIN

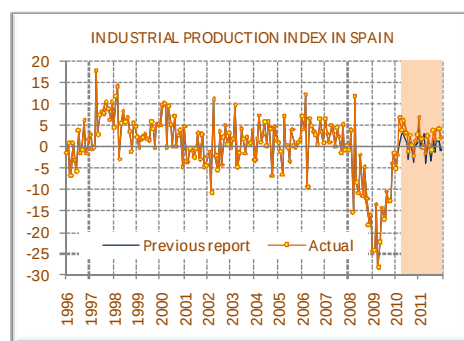
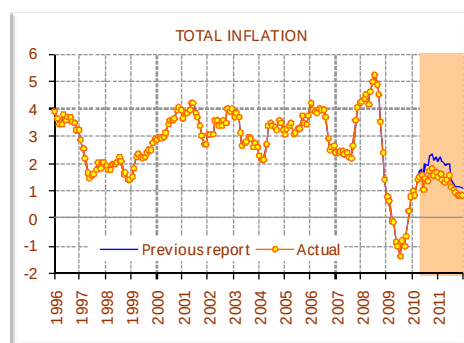
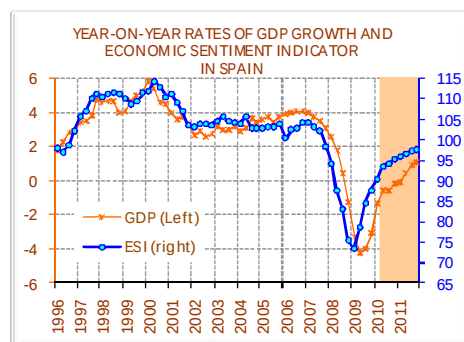
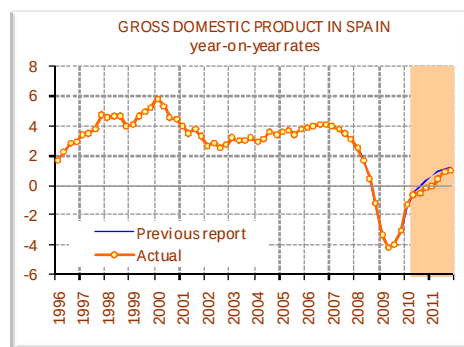
Spanish economy can fall back into recession during the central quarters of 2010. Subsequently, quarterly growth rates are expected to stabilize around 0.2-0.3%.

The industrial production index rebounded up to a positive 6.8% year on year growth rate in march.

This figure was above our expectations and forecasts were revised upwards.

The adjustments (necessary) to consumer prices in the Spanish economy intensified in April

Core inflation not including tobacco, which has been negative since September 2009, fell to an annual rate of -0.5%



MAIN VARIABLES AND INDICATORS IN SPAIN						
Average annual rates						
	2006	2007	2008	2009	Forecasts	
					2010	2011
GDP mp.¹	4,0	3,6	0,9	-3,6	-0,7	0,6
Demand						
Private final consumption	3,8	3,6	-0,6	-5,0	0,9	1,2
Public final consumption	4,6	5,5	5,5	3,8	-0,6	-0,2
Gross fixed capital formation	7,2	4,6	-4,4	-15,3	-7,4	-2,5
Equipment	9,9	9,0	-1,8	-23,1	0,5	2,5
Construction	6,0	3,2	-5,5	-11,2	-8,8	-3,2
Other products	7,5	3,6	-4,3	-17,2	-12,6	-6,2
Contribution domestic demand*	5,5	4,4	-0,6	-6,8	-1,4	0,1
Exports of goods and services	6,7	6,6	-1,0	-11,5	7,8	4,8
Imports of goods and services	10,2	8,0	-4,9	-17,9	4,0	2,4
Contribution foreign demand*	-1,4	-0,9	1,4	3,0	0,7	0,5
Supply GVA						
Agriculture	5,8	1,8	-0,8	-2,4	-1,9	2,2
Energy	1,3	0,9	1,9	-8,2	1,3	-0,1
Industry	1,9	0,9	-2,1	-14,7	0,9	1,6
Construction	4,7	2,3	-1,3	-6,3	-6,5	-4,5
Trade services	4,6	5,1	1,6	-2,0	-0,2	1,4
Non-trade services	4,0	4,8	4,4	2,6	-0,3	0,2
Total	4,1	3,9	1,1	-3,8	-0,8	0,6
Tax	3,7	1,0	-1,0	-2,0	0,5	0,6
Prices CPI²						
Total	3,5	2,8	4,1	-0,3	1,4	1,2
Core	2,9	2,7	3,2	0,8	0,4	0,8
dec / dec	2,7	4,2	1,4	0,8	1,7	0,8
Labour market³						
Active population (% change)	3,3	2,8	3,0	0,8	-0,2	0,1
Employment EPA (Aver. year-on year)	4,1	3,1	-0,5	-6,8	-2,3	0,0
Unemployment rate	8,5	8,3	11,3	18,0	19,7	19,7
Basic Balances¹						
Foreign sector						
Balance of current account (m€)	-8872	-105441	-103917	-49297	-43096	-39164
Net lending or borrowing (% of GDP)	-8,4	-9,6	-9,1	-4,7	-4,1	-3,7
Public Administration						
Net lending or borrowing (% of GDP)	2,0	1,9	-4,1	-11,2	-8,5	-7,2
Industrial production index (excluding construction)⁴						
Total	3,7	2,4	-7,1	-16,2	1,4	2,0

The figures in the shaded area are forecasts

(1) Data adjusted for seasonality and working days effect.

Source: EUROSTAT & IFL (UC3M)

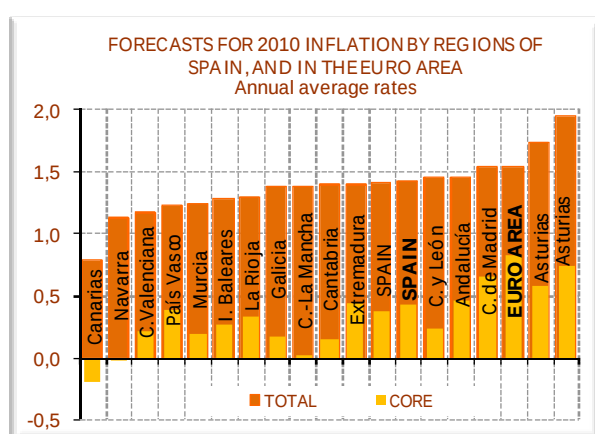
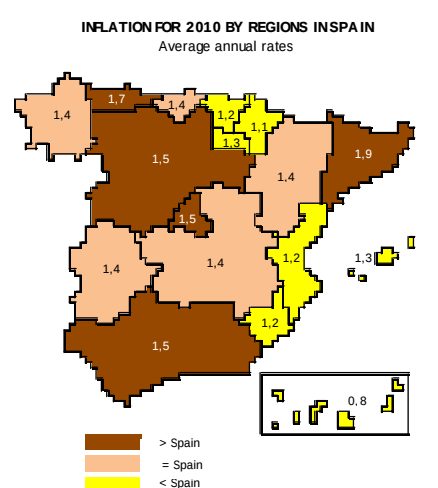
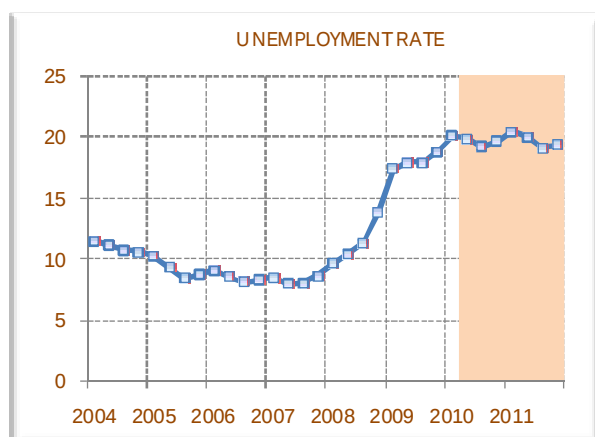
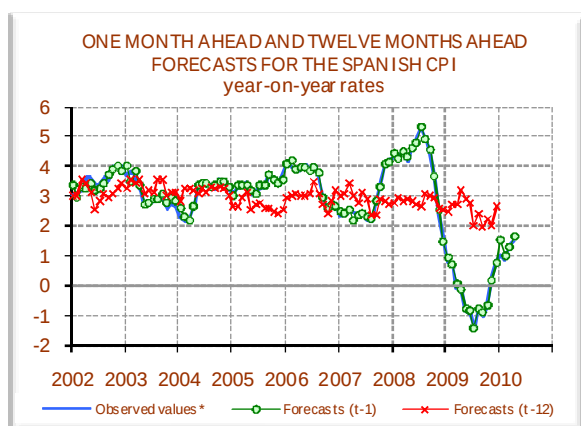
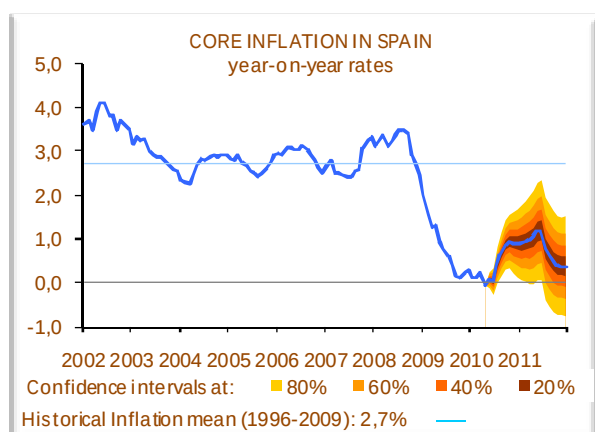
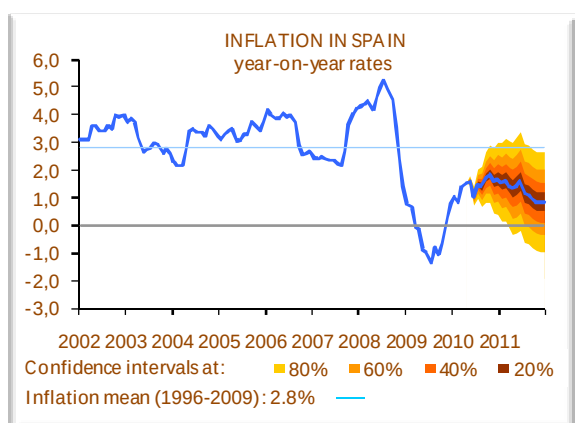
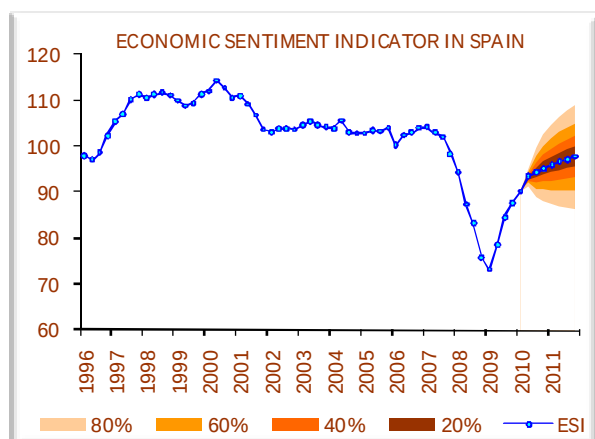
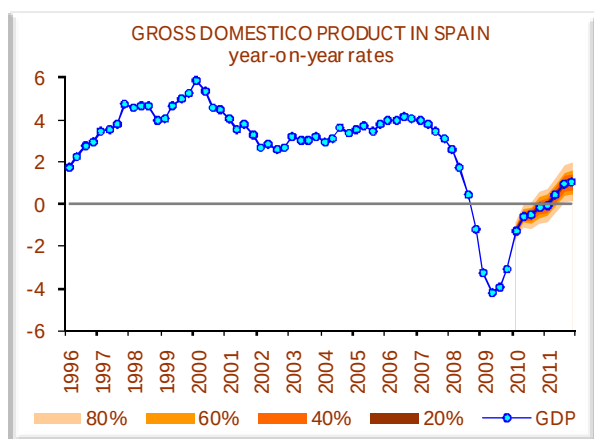
Dates: (1) May 27, 2010

(2) May 14, 2010

(3) May 27, 2010

(4) May 5, 2010





IV.1. MACROECONOMIC FORECASTS

The information concerning the Spanish economy in May was largely dependent on the Fiscal Adjustment Plan announced by

the government mid-month and approved at the end of the month. The Plan contemplates reducing the public deficit to 3% in 2013, with heavy public spending cuts. It foresees reducing civil servant salaries by 5% starting in June this year, with no salary increases in 2011, freezing all but the lowest pensions in

2011, eliminating 400

euros in tax rebate and the baby cheque and reducing state investment by 6500 million euros in 2010 and 2011. It is evident that this adjustment plan, although potential growth may increase in the short term (2010 and 2011) can be expected to reduce the GDP, by an estimated three tenths of a point for this year, to -0.7%, and half a point in 2011 to 0.6%.

The most significant macroeconomic information published in the last month pertains to the national accounts for the first quarter of 2010, according to which the Spanish economy registered some growth after a year and a half of constant reductions. Indeed, in the first quarter of year, the Spanish economy grew by a quarter-on-quarter rate of 0.1% in real terms, according to figures corrected for seasonality and calendar, after a 0.1% reduction in the previous quarter. In turn, the year-on-year rate registered a 1.3% reduction, which compares favourably with the significantly greater reduction in the previous quarter (3.1%). The Spanish economy has therefore grown for the first time after six consecutive quarters of contraction.

The first quarter GDP represented a small upwards innovation relative to our forecasts estimated in April which, following most leading indicators, predicted a quarter-on-quarter rate of variation of -0.1%. However, as mentioned previously in the Bulletin, the INE's method for editing the national accounts is partly based on observed data and partly on estimations, and it usually takes around a year to revise, so the IFL growth forecast is within an 80% confidence interval.

GDP growth in the first quarter is not enough to celebrate and confirm that the recession is over. Besides the weak growth figure, the set of fiscal measures applied by the government to reduce the public deficit to 3% in 2013, will reduce short-term growth expectations.

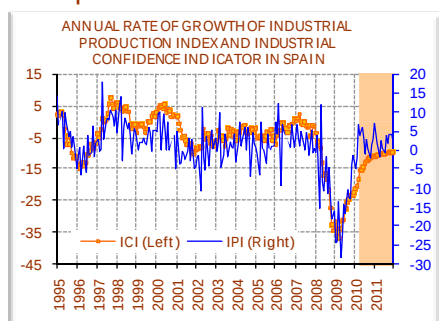
When we analyse the composition of GDP growth in the first quarter, we find that the small improvement in economic activity was due to less contraction of domestic demand, which detracted 2.5 pp from the year-on-year rate of variation, nearly three points less than the previous quarter. In turn, foreign demand continued to contribute with 1.2 pp, 1 pp less than the previous quarter.

The most positive figure in the first quarter's accounts is probably the evolution of private consumption, with 0.5% quarter-on-quarter growth, three tenths of a point more than forecast; this was the second consecutive quarter with a positive figure. This is largely due to several factors, such as better consumer confidence, low inflation and interest rates and possible purchases in anticipation of the coming VAT increase. Public consumption grew even more than private consumption, but the figure for the last quarter of 2009 was underestimated and the difference may have been applied to the next three months. Note that the measures approved at the end of May to limit spending will lead to a reduction in public expenditure, which will start to be noticeable in the second quarter of this year, and even more in the next two.

Gross Fixed Capital Formation (GFCF) intensified its rate of decline in the first quarter of the year to 2.7% from 1% in the last of 2009. This was due to all its components, particularly capital investment, which registered a quarter-on-quarter drop of 1.2% after two consecutive quarters of growth. On the other hand, investment in construction increased its rate of quarter-on-quarter decline, with -3.4% relative to the previous quarter, due both to residential and other constructions, which were affected by bad weather conditions and the completion of Plan E projects.

Foreign trade flows reduced their respective rates of quarter-on-quarter growth by one point, reducing foreign demand's contribution to GDP growth by 1 pp to 1.2 pp. Imports registered a quarter-on-quarter drop of 1.1%, 1 pp less than in the previous quarter, and exports also fell by 1 pp to 2%.

Graph IV.1.1



Source: EUROPEAN COMMISSION, INE & IFL (UC3M)
Date: May 5, 2010

In the first quarter of year, the Spanish economy grew by a quarter-on-quarter rate of 0.1% in real terms.

The most positive figure in the first quarter's accounts is probably the evolution of private consumption, with 0.5% quarter-on-quarter growth, three tenths of a point more than forecast; this was the second consecutive quarter with a positive figure.

Our GDP growth forecast has been revised downwards, as expected after the fiscal adjustment plan was approved; for this year, forecast GDP growth is -0.7% instead of the previous 0.4%, and for 2011 it has fallen by half a percentage point.



The reduction of these rates was due to goods, as services grew in both areas.

With the new national accounts figures, we have updated our macroeconomic forecasts for Spain for 2010-2011. Our GDP growth forecast has been revised downwards, as expected after the fiscal adjustment plan was approved; for this year, forecast GDP growth is -0.7% instead of the previous 0.4%, and for 2011 it has fallen by half a percentage point to 0.6%. The items most directly affected by the adjustment plan on the demand side are public consumption and investment in civil works, and on the supply side, construction and non-market services. According to our estimates, the Spanish economy will probably enter a new recession in the second and third quarters of this year, subsequently registering positive quarter-on-quarter growth rates of 0.2%-0.3%.

Private consumption was two tenths of a point greater than our forecast in the first quarter of this year. In spite of the decline in recent consumer expectations, this leads to a slight improvement in our forecasts to 0.9% and 1.2%, respectively. A significant decline is expected, however, in investment growth, because of cuts in public investment and lower expectations for private investment. Gross fixed capital formation is expected to register an average annual decrease of 7.4% in 2010 and 2.5% in 2011, instead of the previously forecast 5.2% and 1.2%, respectively.

With regards to public consumption, it grew in the first quarter by 1.4% after the -1.7% registered in the previous quarter. The fourth quarter figure was probably underestimated, and the first overestimated, due to the delay in processing some autonomous region spending. This item will suffer a strong and direct impact of the new adjustment plan, especially the 5% reduction in civil servant salaries. It is expected to fall by 0.6% in 2010 and 0.2% in 2011.

The contribution to GDP growth of net foreign demand remains unaltered for 2010, growing slightly for 2011, although it will continue to be positive throughout the forecasting horizon. The forecast for exports has been revised upwards slightly to 7.8% in 2010 and 4.8% in 2011, 1.7 pp and 1.1 pp, respectively, more than the previous forecast. The imports forecast has also increased due to the expected favourable evolution of private consumption. As a result of all this, foreign demand's contribution to growth has fallen to 0.7 pp in 2010 and 0.5 pp in 2011.

Besides the first quarter's national accounts, May saw the publication of other indicators, some of them applicable to April and others to March. The March IPI was better than expected; the April SS contributors and registered unemployment figures continue to show relative improvement, although unemployment continues to rise, albeit at a slower pace.

The March Industrial Production Index (*IPI*) registered a year-on-year increase of 6.8%, the first growth after nearly two years. However, when corrected for calendar effect, year-on-year growth is 5.4%, seven points more than the year-on-year rate of variation in the previous month. This reinforces this indicator's improvement in the last few months. Compared with the forecasts, there have been upwards innovations in all sectors.

In turn, the industrial confidence index (*ICI*) for April was better than the previous month. Confidence in the sector improved, helping to strengthen its recovery.

Considering the new information about the industrial sector, we have revised our IPI average annual growth forecasts upwards for 2010 and 2011. For this year, we are expecting 1.4%, followed by 2% in the next. This was due to all major groups, although the revision contemplates the end of public aid to the motor vehicle sector, which affects the capital goods group. A decisive contribution will come from consumer and intermediate goods. In 2011, growth will continue to depend on consumer goods, but intermediate goods will be replaced by capital goods.

With regards to the labour market, the April figures have been published for Social Security contributors and registered unemployment. They continue to show relative improvement of the labour market. SS contributors registered a year-on-year decline of 2.1% after a 2.6% drop in March. The month-on-month rate of variation calculated with data corrected for seasonality showed a slight decrease (-0.1%), which was a small improvement over the previous three months (-0.2%). Unemployment fell by 24,200 people. When corrected for seasonal factors, however, it represents an increase of 60,000 people, 1.6% compared with the March figure of 1.5%.

Private consumption was two tenths of a point greater than our forecast in the first quarter of this year.

The forecast for exports has been revised upwards slightly to 7.8% in 2010 and 4.8% in 2011, 1.7 pp and 1.1 pp, respectively, more than the previous forecast.

We have revised our IPI average annual growth forecasts upwards for 2010 and 2011. For this year, we are expecting 1.4%, followed by 2% in the next.

Graph IV.1.3

INDUSTRIAL PRODUCTION INDEX IN SPAIN				
Average annual rates				
	2008	2009	2010	2011
Consumption	-4,6	-8,8	2,2	2,7
Durable	-16,5	-28,3	0,8	9,9
Non-durable	-2,2	-5,5	2,3	1,8
Capital	-8,7	-22,5	0,2	2,2
Intermediate	-11,0	-21,4	1,6	0,9
Energy	1,6	-8,6	1,2	2,8
TOTAL	-7,1	-16,2	1,4	2,0
VAB Industry	-2,1	-14,7	0,9	1,6

Source: INE & IFL(UC3M)
Date: May 5, 2010



GROSS DOMESTIC PRODUCT IN THE SPAIN: DEMAND

GROSS DOMESTIC PRODUCT IN SPAIN													
Annual rates of growth													
		Final Consumption		Gross Capital Formation					Domestic Demand (1)	Exports of goods and services	Imports of goods and services	Foreign Demand (1)	Real GDP
		Private	Public	Equipment	Building	Other							
ANNUAL AVERAGE	2005	4,2	5,5	9,2	6,1	7,1	7,0	5,3	2,5	7,7	-1,7	3,6	
	2006	3,8	4,6	9,9	6,0	7,5	7,2	5,5	6,7	10,2	-1,4	4,0	
	2007	3,6	5,5	9,0	3,2	3,6	4,6	4,4	6,6	8,0	-0,9	3,6	
	2008	-0,6	5,5	-1,8	-5,5	-4,3	-4,4	-0,6	-1,0	-4,9	1,4	0,9	
	2009	-5,0	3,8	-23,1	-11,2	-17,2	-15,3	-6,8	-11,5	-17,9	3,0	-3,6	
	2010	0,9	-0,6	0,5	-8,8	-12,6	-7,4	-1,4	7,8	4,0	0,7	-0.7 (±0.6)	
	2011	1,2	-0,2	2,5	-3,2	-6,2	-2,5	0,1	4,8	2,4	0,5	0.6 (±0.8)	
ANNUAL RATES	2009	QI	-5,5	6,0	-24,0	-11,3	-13,2	-14,9	-6,1	-16,6	-22,3	2,8	-3,3
		QII	-6,0	4,7	-28,3	-11,6	-17,6	-17,0	-7,4	-14,7	-21,7	3,1	-4,2
		QIII	-5,0	4,1	-23,8	-11,4	-19,9	-16,0	-6,6	-10,8	-17,0	2,6	-4,0
		QIV	-3,5	0,8	-15,3	-10,2	-18,5	-12,9	-5,4	-2,9	-9,6	2,3	-3,1
	2010	QI	-0,6	1,5	-2,5	-10,6	-17,5	-9,9	-2,6	8,0	2,6	1,3	-1,3
		QII	1,2	0,2	2,8	-9,3	-13,9	-7,5	-1,2	8,7	5,7	0,6	-0,6
		QIII	1,6	-3,0	2,4	-8,1	-9,4	-6,1	-1,2	8,1	5,0	0,7	-0,5
		QIV	1,4	-1,0	-0,5	-7,1	-8,8	-6,0	-1,0	6,2	2,7	0,8	-0,2
	2011	QI	1,1	-2,1	1,1	-4,6	-7,7	-4,1	-0,8	5,4	2,0	0,8	-0,1
		QII	1,1	-1,0	2,9	-3,7	-6,7	-2,8	-0,3	5,1	2,1	0,7	0,4
		QIII	1,2	1,2	2,5	-2,7	-5,7	-2,0	0,4	4,5	2,2	0,5	0,9
		QIV	1,5	1,2	3,5	-1,6	-4,5	-1,0	0,8	4,4	3,3	0,2	1,1

Year-on-year-rates

GROSS DOMESTIC PRODUCT IN SPAIN													
Annual and quarterly rates of growth													
		Final Consumption		Gross Capital Formation				Domestic Demand (1)	Exports of goods and services	Imports of goods and services	Foreign Demand (1)	Real GDP	
				Equipment	Building	Other							
ANNUAL AVERAGE	2005	4,2	5,5	9,2	6,1	7,1	7,0	5,3	2,5	7,7	-1,7	3,6	
	2006	3,8	4,6	9,9	6,0	7,5	7,2	5,5	6,7	10,2	-1,4	4,0	
	2007	3,6	5,5	9,0	3,2	3,6	4,6	4,4	6,6	8,0	-0,9	3,6	
	2008	-0,6	5,5	-1,8	-5,5	-4,3	-4,4	-0,6	-1,0	-4,9	1,4	0,9	
	2009	-5,0	3,8	-23,1	-11,2	-17,2	-15,3	-6,8	-11,5	-17,9	3,0	-3,6	
	2010	0,9	-0,6	0,5	-8,8	-12,6	-7,4	-1,4	7,8	4,0	0,7	-0.7 (± 0.6)	
	2011	1,2	-0,2	2,5	-3,2	-6,2	-2,5	0,1	4,8	2,4	0,5	0.6 (± 0.8)	
QUARTERLY RATES	2009	QI	-2,5	0,7	-14,2	-3,1	-4,0	-6,3	-3,0	-8,4	-10,8	1,3	-1,7
		QII	-1,3	0,4	-5,9	-2,8	-6,4	-3,9	-1,9	0,7	-2,3	0,9	-1,0
		QIII	0,0	1,4	1,8	-2,6	-6,9	-2,4	-0,3	2,1	1,7	0,0	-0,3
		QIV	0,3	-1,7	3,1	-2,2	-2,6	-1,0	-0,3	3,0	2,1	0,1	-0,1
	2010	QI	0,5	1,4	-1,2	-3,4	-2,8	-2,7	-0,1	2,0	1,1	0,2	0,1
		QII	0,4	-0,9	-0,8	-1,4	-2,2	-1,6	-0,4	1,4	0,7	0,1	-0,2
		QIII	0,4	-1,8	1,4	-1,4	-2,1	-0,8	-0,4	1,6	1,0	0,1	-0,3
		QIV	0,1	0,3	0,2	-1,1	-1,9	-1,0	-0,1	1,2	-0,2	0,3	0,2
	2011	QI	0,3	0,3	0,3	-0,8	-1,6	-0,7	0,0	1,1	0,4	0,2	0,2
		QII	0,4	0,3	1,0	-0,5	-1,2	-0,3	0,2	1,1	0,9	0,0	0,2
		QIII	0,5	0,3	1,0	-0,2	-1,0	-0,1	0,3	1,1	1,0	0,0	0,3
		QIV	0,4	0,3	1,1	-0,1	-0,8	0,1	0,3	1,1	0,9	0,0	0,3

Data adjusted for seasonality and working days effect

*The figures in the shaded area are forecasts

(1)Contribution to GDP growth

Quarter-on-quarter rates

Source: INE & IFL (UC3M)

Date: May 27, 2010



GROSS DOMESTIC PRODUCT IN THE SPAIN: SUPPLY

GROSS DOMESTIC PRODUCT IN SPAIN									
Annual rates of growth									
		Gross Value Added						Tax	Real GDP
		Agriculture	Energy	Industry	Construction	Market services	Non-market services		
ANNUAL AVERAGE	2005	-8,2	1,2	1,1	5,2	4,4	3,9	3,3	6,1
	2006	5,8	1,3	1,9	4,7	4,6	4,0	4,1	3,7
	2007	1,8	0,9	0,9	2,3	5,1	4,8	3,9	1,0
	2008	-0,8	1,9	-2,1	-1,3	1,6	4,4	1,1	-1,0
	2009	-2,4	-8,2	-14,7	-6,3	-2,0	2,6	-3,8	-2,0
	2010	-1,9	1,3	0,9	-6,5	-0,2	-0,3	-0,8	0,5
	2011	2,2	-0,1	1,6	-4,5	1,4	0,2	0,6	0,6
ANNUAL RATES	2009	QI	-3,0	-7,6	-15,3	-5,8	-1,3	3,0	-3,4
		QII	-2,5	-9,3	-16,7	-6,7	-2,6	3,3	-4,4
		QIII	-2,2	-7,6	-15,5	-6,8	-2,4	2,8	-4,1
		QIV	-1,9	-8,3	-10,9	-5,8	-1,8	1,2	-3,3
	2010	QI	-2,9	0,3	-3,7	-5,9	-0,7	1,4	-1,4
		QII	-2,2	1,1	1,5	-6,4	-0,1	-0,6	-0,7
		QIII	-2,6	-0,8	3,3	-6,9	-0,2	-1,4	-0,7
		QIV	0,3	4,7	3,0	-6,9	0,1	-0,6	-0,3
	2011	QI	2,7	0,2	1,3	-5,7	0,7	-0,8	-0,1
		QII	2,4	-0,4	1,1	-4,8	1,3	-0,2	0,4
		QIII	2,5	-0,1	1,8	-3,9	1,8	1,0	0,6
		QIV	1,1	-0,3	2,3	-3,4	1,8	0,8	1,1

* Year-on-year rates.

GROSS DOMESTIC PRODUCT IN SPAIN									
Annual and quarterly rates of growth									
		Gross Value Added						Tax	Real GDP
		Agriculture	Energy	Industry	Construction	Market services	Non-market services		
ANNUAL AVERAGE	2005	-8,2	1,2	1,1	5,2	4,4	3,9	3,3	6,1
	2006	5,8	1,3	1,9	4,7	4,6	4,0	4,1	3,7
	2007	1,8	0,9	0,9	2,3	5,1	4,8	3,9	1,0
	2008	-0,8	1,9	-2,1	-1,3	1,6	4,4	1,1	-1,0
	2009	-2,4	-8,2	-14,7	-6,3	-2,0	2,6	-3,8	-2,0
	2010	-1,9	1,3	0,9	-6,5	-0,2	-0,3	-0,8	0,5
	2011	2,2	-0,1	1,6	-4,5	1,4	0,2	0,6	0,6
QUARTERLY RATES	2009	QI	-0,6	-4,4	-5,2	-2,2	-1,3	0,3	-1,8
		QII	-0,2	-0,6	-4,5	-1,3	-0,8	1,6	-1,0
		QIII	0,4	1,6	-1,7	-1,2	0,1	-0,1	-0,3
		QIV	-1,5	-5,0	0,5	-1,2	0,2	-0,5	-0,2
	2010	QI	-1,5	4,6	2,0	-2,3	-0,2	0,4	0,1
		QII	0,4	0,2	0,7	-1,9	-0,2	-0,4	-0,3
		QIII	0,0	-0,4	0,1	-1,7	0,1	-0,9	-0,3
		QIV	1,4	0,2	0,2	-1,2	0,4	0,3	0,2
	2011	QI	0,9	0,1	0,3	-1,1	0,4	0,2	0,2
		QII	0,1	-0,4	0,6	-0,9	0,4	0,2	0,1
		QIII	0,2	0,0	0,7	-0,8	0,5	0,2	0,3
		QIV	0,0	0,0	0,7	-0,6	0,5	0,2	0,3

Data adjusted for seasonality and working days effect

The figures in the shaded area are forecasts

(1)Contribution to GDP growth

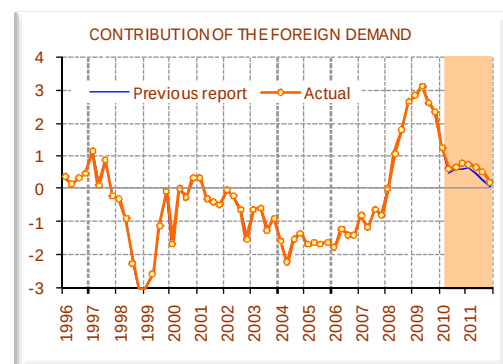
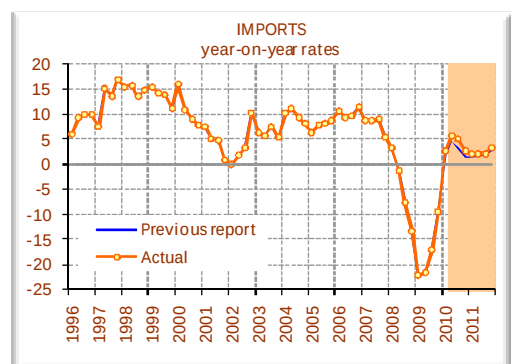
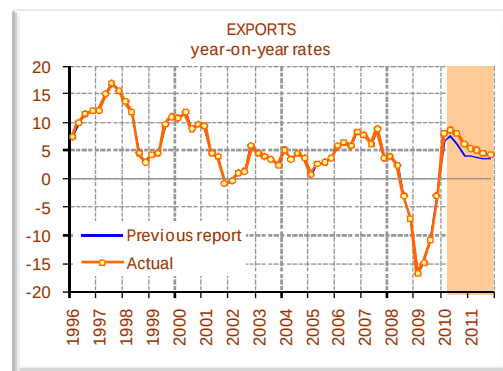
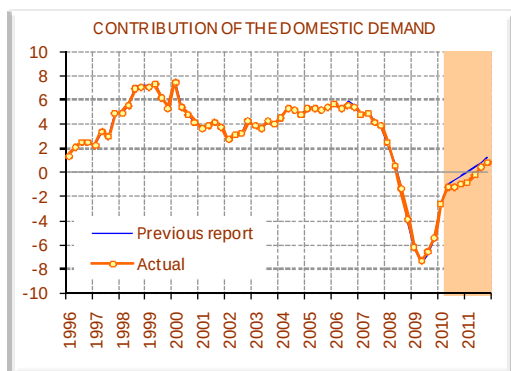
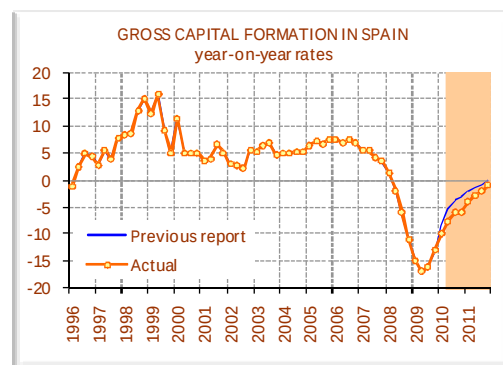
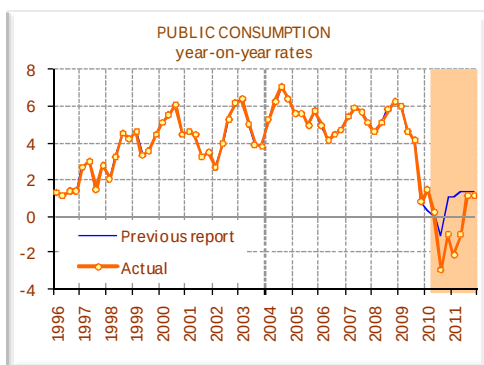
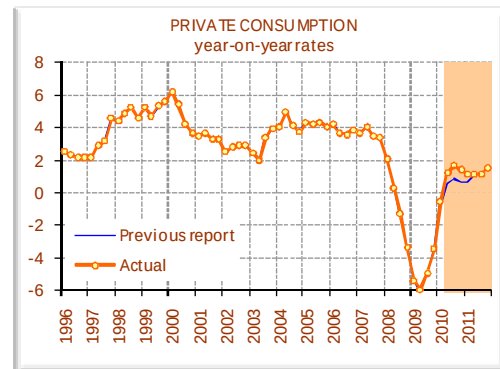
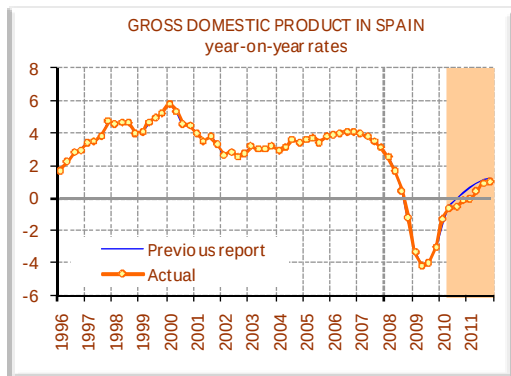
Quarter-on-quarter rates

Source: EUROSTAT & IFL (UC3M)

Date: May 27, 2010



CHANGE IN FORECASTS AND DATA REVISION FOR THE COMPONENTS OF GROSS DOMESTIC PRODUCT DEMAND IN SPAIN



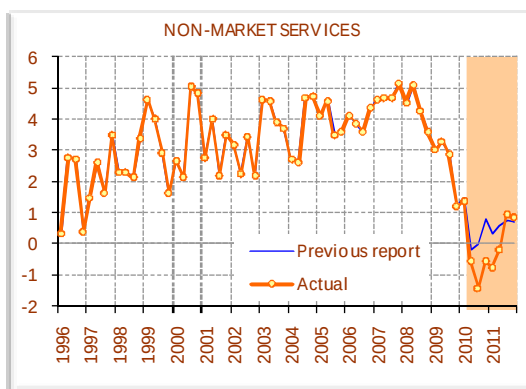
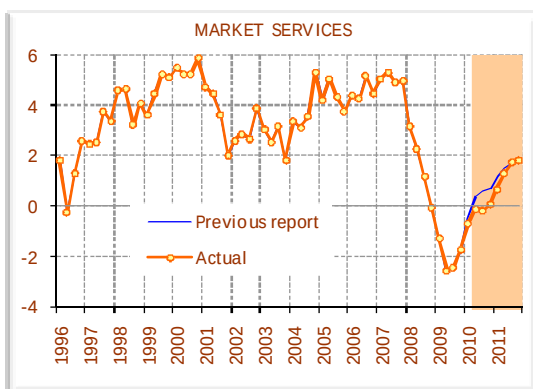
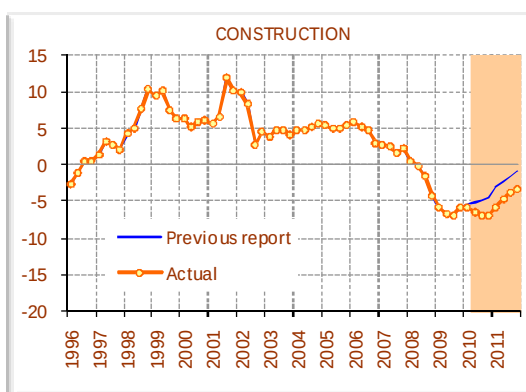
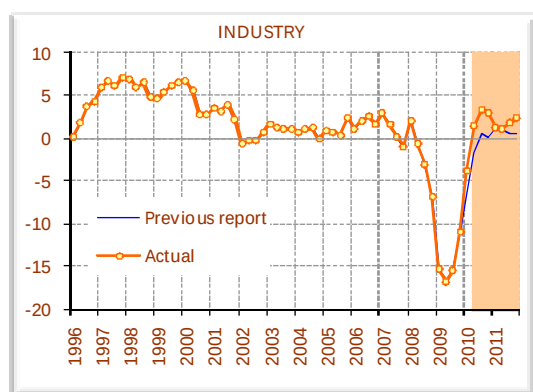
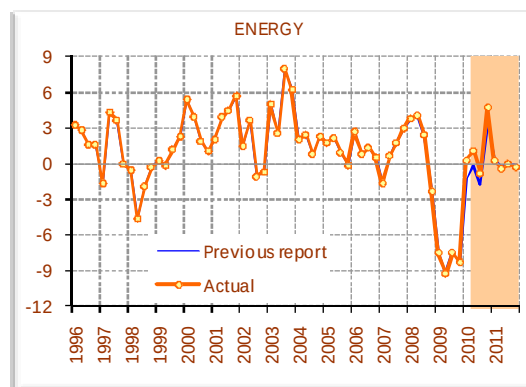
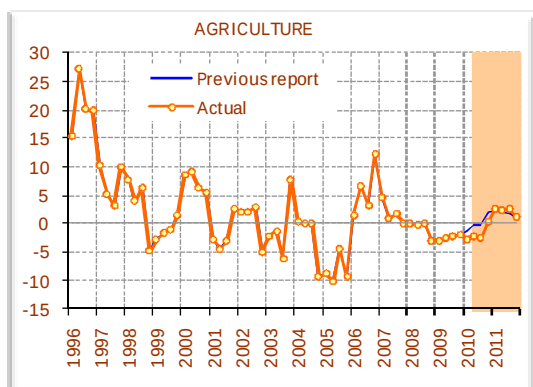
Source: INE & IFL (UC3M)

Date actual report: May 27, 2010

Date previous report: May 3, 2010



CHANGE IN FORECASTS AND DATA REVISION FOR THE COMPONENTS OF GROSS DOMESTIC PRODUCT SUPPLY IN SPAIN



Source: INE & IFL (UC3M)

Date actual report: May 27, 2010

Date previous report: May 3, 2010



INDUSTRIAL PRODUCTION INDEX IN SPAIN

INDUSTRIAL PRODUCTION INDEX AND SECTORS IN SPAIN										
Annual rates of growth										
		Consumer Goods								
		Durable	Non Durable	Total	Capital Goods	Intermediate Goods	Energy	Non-Energy	TOTAL	
ANNUAL AVERAGE		-1,6	0,3	0,1	-1,1	-0,3	3,1	-0,3	0,2	
		8,3	0,9	2,1	7,7	3,6	0,9	4,1	3,7	
		3,4	2,0	2,2	5,0	1,6	0,8	2,6	2,4	
		-16,5	-2,2	-4,6	-8,7	-11,0	1,6	-8,4	-7,1	
		-28,3	-5,5	-8,8	-22,5	-21,4	-8,6	-17,4	-16,2	
		0,8	2,3	2,2	0,2	1,6	1,2	1,4	1,4	
	9,9	1,8	2,7	2,2	0,9	2,8	1,9	2,0		
ANNUAL RATES *	2008	QI	-14,1	-1,7	-3,7	-4,9	-7,8	4,7	4,7	-4,5
		QII	-10,1	-0,4	-2,1	-3,3	-5,3	2,0	2,0	-3,1
		QIII	-16,8	-1,1	-3,5	-6,8	-8,6	1,6	1,6	-5,4
		QIV	-25,1	-5,6	-8,9	-19,7	-22,7	-1,7	-1,7	-15,4
	2009	QI	-29,6	-8,2	-11,4	-28,3	-28,9	-8,3	-8,3	-21,0
		QII	-35,9	-8,6	-12,9	-28,6	-28,2	-10,5	-10,5	-21,9
		QIII	-28,8	-4,2	-7,5	-19,6	-18,6	-6,8	-6,8	-13,9
		QIV	-17,1	-0,6	-2,9	-11,2	-6,0	-8,7	-8,7	-6,5
	2010	QI	-11,8	1,8	0,2	-2,7	2,2	-1,0	-1,0	0,1
		QII	5,5	4,8	4,9	3,5	5,9	1,4	1,4	4,4
		QIII	5,9	1,4	1,9	-0,4	-0,6	0,8	0,8	0,4
		QIV	4,8	1,3	1,7	0,1	-1,2	3,6	3,6	0,6
	2011	QI	16,2	2,4	3,8	3,5	1,2	2,9	2,9	2,7
		QII	8,6	0,2	1,2	0,7	-1,2	2,3	2,3	0,4
		QIII	5,9	1,0	1,6	1,2	0,6	2,7	2,7	1,4
		QIV	9,2	3,3	4,0	3,5	3,1	3,3	3,3	3,5

INDUSTRIAL PRODUCTION INDEX AND SECTORS IN SPAIN							
Annual rates of growth							
	2005	2006	2007	2008	2009	2010	2011
January	0,9	7,2	6,6	-0,8	-24,5	-5,0	6,9
February	-1,0	4,1	3,0	3,8	-24,3	-1,9	1,8
March	-6,6	12,4	1,0	-15,3	-13,5	6,8	0,0
April	7,3	-9,4	5,1	12,0	-28,4	4,0	-1,6
May	0,3	6,7	3,3	-8,4	-22,3	6,1	2,6
June	-0,1	4,8	0,1	-10,9	-14,3	3,3	0,2
July	-3,4	3,7	4,5	-1,9	-16,9	-1,1	-0,9
August	4,1	3,0	2,4	-11,5	-10,6	2,7	3,9
September	0,3	0,6	-1,3	-4,7	-12,7	0,3	1,8
October	0,0	6,6	5,3	-12,2	-12,8	-2,2	4,1
November	1,0	3,6	-0,8	-18,3	-4,0	1,4	4,3
December	1,5	0,8	0,2	-16,0	-1,5	2,9	2,1

- Data adjusted for seasonality and working days effect

The figures in the shaded area are forecasts.

Source: INE & IFL (UC3M)

Date: May 5, 2010



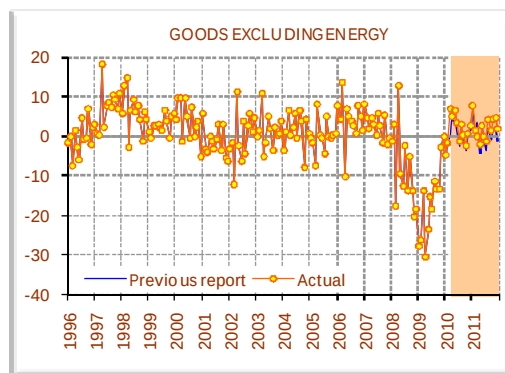
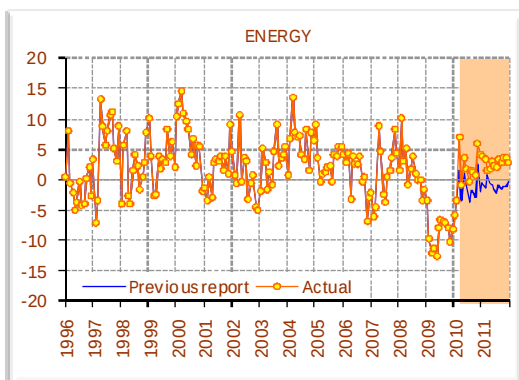
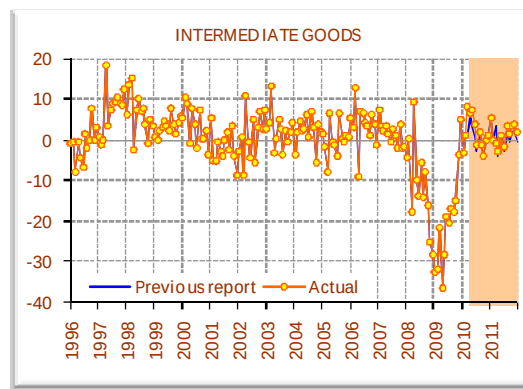
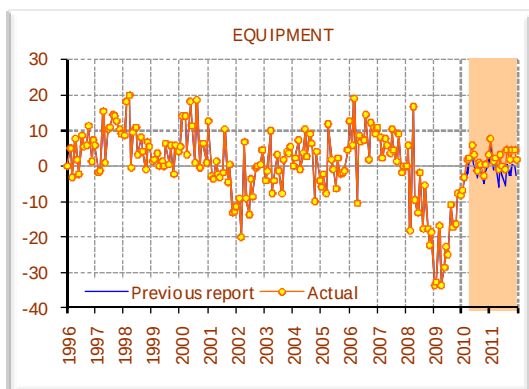
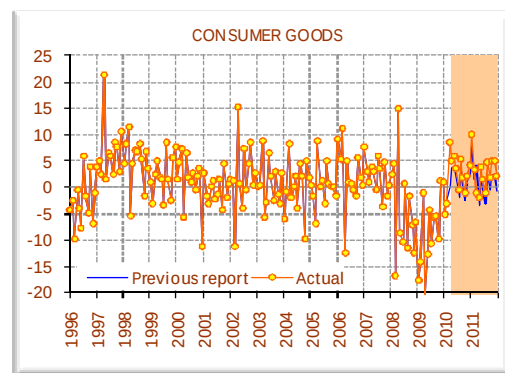
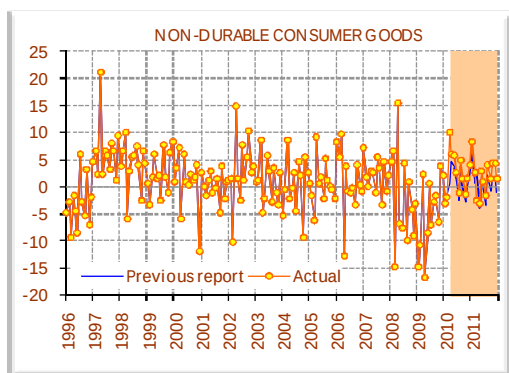
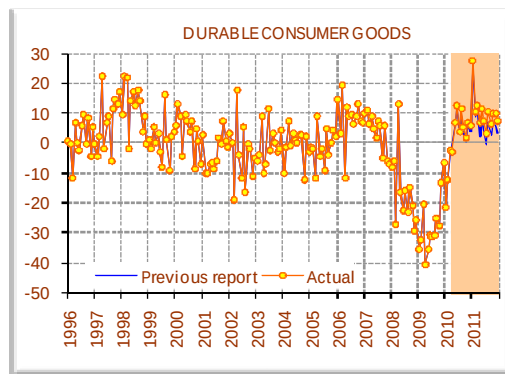
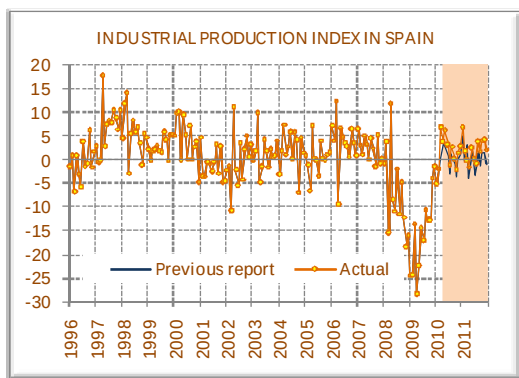
INDUSTRIAL PRODUCTION INDEX BY ECONOMIC ACTIVITIES IN SPAIN												
Average annual rates of growth												
			Weights 2009	2005	2006	2007	2008	2009	2010	2011		
IPI Total	B Mining and quarrying	05 Mining of coal and lignite	0,4	-9,6	2,8	-4,0	-3,7	-15,3	21,5	11,5		
		08 Other mining and quarrying	1,4	1,7	4,3	2,7	-15,4	-25,8	-7,5	-10,3		
			1,8	-3,8	3,1	0,9	-13,3	-23,5	0,5	-4,5		
	D Industrias manufactureras	10 Manufacture of food products	10,7	1,8	0,6	2,1	-0,8	-0,4	2,7	7,3		
		11 Manufacture of beverages	3,3	0,8	1,6	0,6	1,4	-4,7	-1,2	7,7		
		12 Manufacture of tobacco products	0,4	-2,1	-14,8	5,4	-2,4	-10,1	-2,4	-1,3		
		13 Manufacture of textiles	1,7	-10,9	-2,3	-4,4	-17,7	-18,4	8,3	9,8		
		14 Manufacture of wearing apparel	1,8	-9,9	-2,9	-1,2	-9,1	-18,8	-19,8	-17,1		
		15 Manufacture of leather and related products	0,9	-12,9	-6,1	-8,2	-7,9	-19,5	-11,8	-9,8		
		16 Manufacture of wood and of products of wood and cork, except furniture; manufacture	2,1	-0,8	1,3	-2,4	-22,0	-23,2	-20,1	-17,7		
		17 Manufacture of paper and paper products	2,6	-0,3	1,2	1,7	-1,8	-8,7	5,8	4,9		
		18 Printing and reproduction of recorded media	2,3	8,8	0,6	5,4	-10,8	-12,2	-2,9	1,2		
		19 Manufacture of coke and refined petroleum products	3,5	2,8	2,2	-1,7	4,2	-10,4	-8,0	3,0		
		20 Manufacture of chemicals and chemical products	5,8	0,8	1,4	2,3	-5,4	-0,8	2,4	5,7		
		21 Manufacture of basic pharmaceutical products and pharmaceutical preparations	2,4	0,5	10,1	7,6	8,0	0,6	6,8	10,0		
		22 Manufacture of rubber and plastic products	3,4	1,0	2,2	2,1	-10,9	-14,3	5,7	3,0		
		23 Manufacture of other non-metallic mineral products	8,0	2,0	3,9	-1,2	-21,3	-27,7	-13,0	-2,1		
		24 Manufacture of basic metals	4,3	-1,8	6,3	0,7	-6,6	-21,5	4,8	-7,4		
		25 Manufacture of fabricated metal products, except machinery and equipment	10,7	5,7	4,5	4,5	-9,5	-22,1	-4,7	2,3		
		26 Manufacture of computer, electronic and optical products	1,6	-8,1	3,4	7,5	4,1	-26,1	12,1	1,3		
		27 Manufacture of electrical equipment	3,7	-0,5	11,5	3,0	-6,2	-26,2	-4,8	-5,3		
		28 Manufacture of machinery and equipment n.e.c.	5,4	-0,6	15,4	9,4	-8,4	-26,1	-13,0	-1,8		
		29 Manufacture of motor vehicles, trailers and semi-trailers	7,4	-5,0	5,7	4,2	-16,1	-19,0	17,1	6,3		
		30 Manufacture of other transport equipment	2,1	0,4	0,6	7,7	6,6	-12,4	-2,2	5,6		
		31 Manufacture of furniture	2,8	0,7	8,9	4,7	-19,6	-29,1	-10,9	-3,2		
		32 Other manufacturing	1,8	-4,5	3,9	0,5	-8,1	-14,0	13,8	11,6		
		33 Repair and installation of machinery and equipment	0,3	-9,0	55,6	-4,2	12,8	-16,2	-3,7	5,7		
					89,0	0,0	4,0	2,6	-7,8	-16,2	0,9	1,8
		D Electricity, gas, steam and air conditioning supply			9,2	4,0	0,6	2,3	1,2	-7,6	2,8	3,9
					100	0,4	3,7	2,5	-7,0	-15,5	1,4	2,0

Source: INE & IFL (UC3M)

Date: May 5, 2010



CHANGE IN FORECASTS AND DATA REVISION FOR THE COMPONENTS OF INDUSTRIAL PRODUCTION INDEX DEMAND IN SPAIN



Source: EUROSTAT & IFL (UC3M)
Date actual report: May 5, 2010
Date previous report: April 8, 2010



IV.2. INFLATION

The annual core inflation rate was negative in April for the first time since 1986. In many circles, this was considered to be a significant innovation for the Spanish economy. The news was a source of alarm for the Spanish and international economic press and has caused a negative reaction on the markets. In fact, it cannot be classified as an innovation, as it should have been expected by the agents who, for instance, monitor our forecasts.

Indeed, our forecast annual core inflation rate in April was 0.11% (with an 80% significance interval of ± 0.19), so the observed figure, -0.06, is within our forecasting interval. Furthermore, not including tobacco – which has grown in the last year by around 17% due to changes in the applicable tax rate – in the core inflation calculation, the annual rate of variation of the index has been negative since September 2009, as mentioned in our Bulletin. Tobacco prices depend on the government's fiscal (and healthcare) policy and do not respond to supply and demand dynamics, so many countries, including the US, do not include them in the definition of core inflation.

In Spain, the core inflation rate since June 2009 has been increased by around four tenths of a point due to tax changes affecting tobacco and this will continue until May this year. We cannot say, then, that there have been alarming innovations in Spanish inflation in April. In fact, core inflation in April was in the low part of the forecasting interval, so core inflation not including tobacco prices increased its rate of decline to 0.5%.

With the drop in the annual core inflation rate, goods and services with negative annual inflation represented 44.5% of the total CPI in April, 2 pp more than the previous month. The

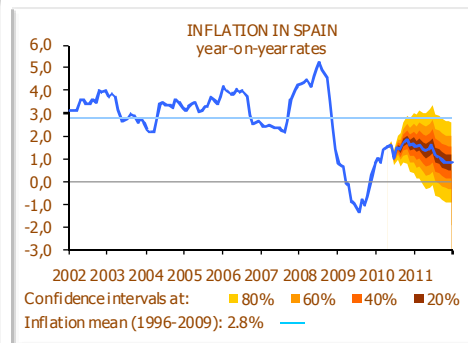
same value was found in October 2009, but with one substantial difference: a significant part of the prices with annual decreases was then represented by fuel and oil prices, which represent nearly 8% of the CPI. The prices of these goods are now growing with annual rates of more than 15%. In the present situation, prices with a negative

annual variation represent 50% of the non-energy CPI, the highest value since the onset of the crisis.

We have to assume that the deflationist dynamic of the core component started 8 months ago in Spain. The evolution of consumer prices in November and December 2009 appeared to show a turning point in the annual rates of the principal components, a scenario which has been ruled out with the

figures for the first few months of 2010. The annual core inflation rate in April was 0.16 pp lower than our forecast. In a normal situation this would represent a considerable, but not dramatic, downwards innovation. The problem is that this is occurring at a time of extreme economic weakness and only three days after announcing an unprecedented reduction in civil service salaries, frozen pensions starting in 2011 and an important cut in the State's investment plans.

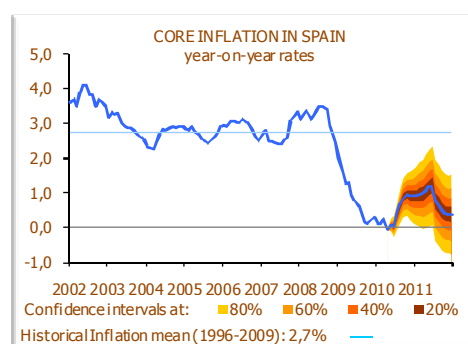
Graph IV.2.1



Source: INE & IFL(UC3M)
Date: May 27, 2010

The annual core inflation rate, not including tobacco prices, has been negative since September 2009 and the adjustment intensified in April. The average annual rate expected for 2010 and 2011 has been revised downwards to 0.4% and 0.8%, respectively.

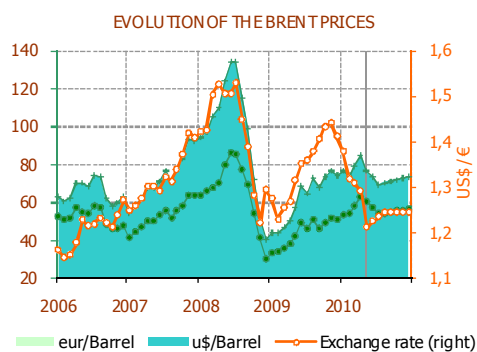
Graph IV.2.2



Source: INE & IFL(UC3M)
Date: May 27, 2010

Without including the effects of tobacco and the VAT rate increase scheduled for July, the average annual core inflation rate expected for this year is -0.1%, rising to 0.3% in 2011.

Graph IV.2.3



In the short term, the government's fiscal policy will affect prices in two opposite ways. On the one hand, the salary cuts imposed on the public sector and pensions will intensify the decline in prices and the effect will be even greater as this adjustment is transmitted to the private sector.

The announced measures can also be expected to be the first step towards greater, structured reforms which, although necessary and urgent, introduce considerably uncertainty to the estimation of future scenarios. On the other hand, the VAT increase scheduled for July and the imminent end of the 2000E plan will have a significant inflationist impact. Table IV.2.2.2 shows our core inflation forecasts without the impact of tobacco and the future VAT increase.

In the medium and long term, there are inflationist pressures that should not be underestimated. The ECB has started to monetarise the debt of some countries, to a limited extent for now and with no impact on the monetary base. If the European monetary authorities are forced to continue this process, some impact on inflation will be inevitable. At

the same time, the rapid deterioration of the euro will lead to growing energy and raw material prices and imports in general. This factor is unlikely to have a significant effect on Spanish inflation in the short term (obviously except for energy prices), but prolonged weakness of the euro versus the dollar would accelerate the increase in consumer prices.

A profound econometric analysis has been performed to include some of these factors in our models. The Spanish economy is facing fiscal and monetary policies with different effects on consumer prices, while exogenous variables such as the exchange rate and monetary policy introduce uncertainty regarding medium-term inflation perspectives. In the first place, a substantial convergence has been found in the different estimations; in other words, irrespective of the type of modelling used, they predict prolonged moderation of core inflation, which will remain lower in Spain than in the euro area throughout the forecasting period.

Our forecasts show that the average annual rate expected for 2010 is 0.4%, 4 tenths of a point lower than in the euro area. In 2011, core inflation could rise to 0.8%, reducing the differential by two tenths of a point. The estimates obtained by not including tobacco and tax policy show core inflation at an annual rate of -0.1% for this year and 0.3% for the next. The annual core inflation rate will continue to fluctuate around zero per cent until June 2010. The 80% confidence intervals do not rule out new negative annual rates before then.

Total inflation, however, will reflect the heavy impact of energy prices, at 1.4% and 1.2% in 2010 and 2011, respectively. Energy prices could grow at an average annual rate of 10.8% this year and 4.2% in 2011. Due to the

The weight of goods and services with negative annual inflation has risen to 44.5% of the total CPI and now represents 50% of the non-energy CPI. This is the highest value since the onset of the crisis.

Table IV.2.1

INFLATION IN SPAIN						
CPI	Annual rates 2010		Annual average rates			
	April	May	2008	2009	2010	2011
Core 82.7%	-0,1	0.1 ±0.19	3,2	0,8	0.4 ±0.32	0.8 ±0.71
Total 100%	1,5	1.6 ±0.17	4,1	-0,3	1.4 ±0.54	1.2 ±1.49

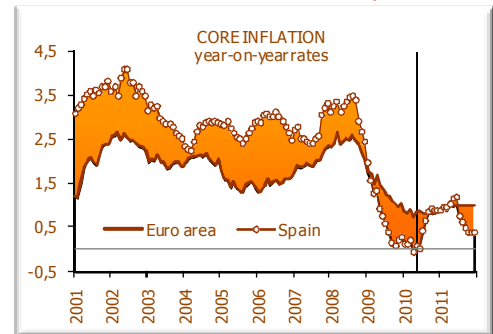
* The figures in the shaded area are forecasts
Source: INE & IFL(UC3M)
Date: May 27, 2010



greater impact of these prices on the Spanish CPI, the total inflation differential with the euro area will be favourable one tenth of a percentage point in 2010 and two tenth in 2011.

The deflationist trends in core inflation have alarmed the Spanish and international economic press, but the future of the Spanish economy is narrow and the current and expected evolution of inflation could be relatively balanced. On the one hand, the deflation of prices and salaries relative to the euro area could help to increase the competitiveness of Spanish industry, with positive effects on exports and the balance of payment. On the other, the excess indebtedness of the private sector limits the scope of this strategy, considering that the real value of the debt could reach an unsustainable level if the deflationist process is excessive. Moderation of inflation in the euro area leaves little room for the Spanish economy to manoeuvre but, within these limits, current expectations suggest a positive assessment of the evolution of prices.

Graph IV.2.4



Source: INE & IFL(UC3M)
Date: May 27, 2010

The heavy increase in energy prices has increased our total inflation forecasts to 1.4% for this year and 1.2% for the next. The differential with the euro area will one tenth of a percentage point in 2010 and two tenth in 2011.



Tabla IV.2.2

DIFFERENT MEASURES OF CORE INFLATION IN SPAIN						
Annual rates of growht						
		Core	Core less tobacco	Core less tobacco and VAT	Core less VAT	
Weights 2010		83,4%	81,4%	81,4%	83,4%	
AVERAGE ANNUAL RATES	2002	3,7	3,6	3,2	3,7	
	2003	2,9	2,9	2,5	2,9	
	2004	2,7	2,6	2,2	2,7	
	2005	2,7	2,6	2,6	2,7	
	2006	2,9	3,0	3,0	2,9	
	2007	2,7	2,6	2,6	2,7	
	2008	3,2	3,1	3,1	3,2	
	2009	0,8	0,5	0,5	0,8	
	2010	0,4	0,1	-0,1	0,2	
	2011	0,8	0,6	0,3	0,5	
ANNUAL RATES OF GROWHT	2009	January	2,0	1,9	1,9	2,0
		February	1,6	1,5	1,5	1,6
		March	1,3	1,2	1,2	1,3
		April	1,3	1,2	1,2	1,3
		May	0,9	0,8	0,8	0,9
		June	0,8	0,5	0,5	0,8
		July	0,6	0,2	0,2	0,6
		August	0,4	0,0	0,0	0,4
		September	0,1	-0,3	-0,3	0,1
		October	0,1	-0,3	-0,3	0,1
		November	0,2	-0,2	-0,2	0,2
		December	0,3	-0,1	-0,1	0,3
	2010	January	0,1	-0,3	-0,3	0,1
		February	0,1	-0,3	-0,3	0,1
		March	0,2	-0,2	-0,2	0,2
		April	-0,1	-0,5	-0,5	-0,1
		May	0,1	-0,4	-0,4	0,1
		June	0,0	-0,2	-0,2	0,0
		July	0,4	0,2	-0,1	0,1
		August	0,7	0,5	0,0	0,2
		September	0,9	0,7	0,2	0,3
		October	0,9	0,8	0,2	0,4
		November	0,9	0,7	0,2	0,4
		December	0,9	0,7	0,2	0,4
	2011	January	0,9	0,7	0,2	0,4
		February	0,9	0,8	0,3	0,4
		March	1,0	0,8	0,3	0,4
		April	1,0	0,9	0,4	0,5
		May	1,2	1,0	0,5	0,6
		June	1,2	1,0	0,5	0,7
		July	0,8	0,6	0,4	0,5
		August	0,6	0,5	0,4	0,5
		September	0,5	0,3	0,3	0,4
		October	0,4	0,2	0,2	0,4
		November	0,4	0,2	0,2	0,3
		December	0,4	0,2	0,2	0,3

Source: INE & IFL(UC3M)
Date: May 27, 2010



Table IV.2.3

COICOP SUBCLASSES IN SPAIN WITH NEGATIVE VALUES IN YEAR-ON-YEAR INFLATION RATES																						
weights x 1000																						
Special Group*	Weights 2010	Subclasse COICOP	April 2010	March 2010	February 2010	January 2010	December 2009	November 2009	October 2009	September 2009	August 2009	July 2009	June 2009	May 2009	April 2009	March 2009	February 2009	January 2009	QIV 2008	QIII 2008	Aver. 2008	
PROCESSED FOOD 112.12	0,997	Rice	-9,6	-9,2	-8,1	-6,2	-4,4	-0,7	-0,7	-0,7	-0,5	-0,2	-0,1	0,0	-0,1							
	16,19	Bread	-0,3	-0,4	-0,5	-0,6	-0,5	-0,7	-0,7	-0,7	-0,5	-0,2	-0,1	0,0	-0,1							
	1,235	Farinaceous-based products	-1,4	-2,0	-3,3	-3,5	-5,3	-5,5	-7,6	-9,5	-10,3	-9,6	-9,7	-7,4	-3,0	-1,9						
	9,315	Bakery and pastry-cook products	-1,0	-0,4	-0,7	-0,8	-0,7	-0,1	-0,3													
	1,537	Fiburs and cereals	-5,0	-3,3	-2,2	-2,0	-1,1	-1,0	-0,6			-0,2	-0,1									
	15,882	Delicatessen type meat products	-0,3	-0,5	-0,6	-0,7	-0,5	-0,7	-0,6	-0,5	-0,1											
	2,953	Meat preparation	-0,7	-0,4	-0,6	-0,8	-0,7															
	6,205	Preserved and processed fish	-1,0	-1,3	-1,6	-1,1	-0,8	-0,9	-0,9	-0,2												
	10,187	Milk	-8,8	-7,2	-7,2	-7,6	-8,1	-9,2	-10,1	-10,1	-9,4	-9,3	-8,3	-8,8	-6,5	-6,6	-6,7	-6,4		-3,9		
	7,494	Other dairy products	-6,6	-6,5	-6,9	-5,5	-5,4	-6,3	-5,5	-4,2	-2,9	-3,4	-2,5	-0,7	-0,2							
	6,821	Cheeses	-0,4	-0,7	-1,4	-1,1	-1,5	-2,1	-2,2	-1,8	-0,9	-0,8	-0,6	-0,5								
	0,546	Butter and margarine	-3,2	-2,5	-2,6	-2,2	-2,0	-1,3	-1,3	-1,0	-0,4											
	5,192	Oils	-2,5	-3,4	-3,8	-3,5	-5,6	-8,4	-11,7	-17,3	-17,8	-17,5	-16,5	-14,2	-7,1	-5,7	-4,0	-2,1		-0,3		
	2,656	Preserved fruits, nuts and dried fruits	-1,7	-1,3	-1,0	-1,3	-1,2	-1,0														
	0,834	Fresh pulses and vegetables	-0,8	-1,1	-1,6	-1,9	-1,9	-2,1	-2,1	-0,2	-1,0	-1,8	-1,5	-1,5	-13,2	-11,2	-9,1	-5,2		-0,2		
	3,406	Frozen and preserved pulses and vegetables	-1,5	-2,2	-2,0	-1,9	-1,6	-1,5	-1,3	-0,1												
	1,078	Sugar	-6,9	-7,1	-7,0	-7,4	-7,4	-10,0	-9,0	-8,0	-6,8	-7,6	-7,7	-7,6	-0,7	-0,9	-0,1					
	4,84	Chocolates	-0,6	-0,6	-1,0	-1,4	-1,4	-1,6	-1,4	-0,8	-0,6	-0,5	-0,2									
	0,831	Baby food	-2,6	-1,9	-1,5	-1,2	-1,5	-1,3	-1,5	-1,9	-1,9	-2,0	-2,4	-2,2	-2,2	-2,4	-1,5					
	3,006	Coffee, cocoa and infusions	-1,1	-0,9	-0,4	-0,6	-0,6	-0,6	-1,6	-0,7	-0,5	-0,6										
	7,739	Water and juices	-2,3	-1,2	-1,6	-0,1																
	3,176	Wines	-1,4	-1,8	-1,5	-1,6	-1,3	-1,7	-1,9	-1,0	-0,8	-0,3										
NON-ENERGY INDUSTRIAL GOODS 213.932	22,441	Men's outerwear	-0,8	-0,9	-1,2	-1,2	-0,5	-0,5	-1,1	-2,6	-2,6	-2,5	-2,4	-2,3	-2,4	-2,6	-2,5	-2,3				
	1,435	Men's underwear								-0,7	-1,0	-0,3	0,0				-1,9	-0,4				
	29,133	Women's outerwear	-1,8	-1,9	-2,2	-2,1	-1,7	-2,0	-3,6	-3,4	-3,4	-3,4	-2,5	-2,6	-2,6	-2,6	-2,5	-2,5		-0,1		
	2,496	Women's underwear							-0,1								-1,7	-0,7				
	10,336	Children's and infants' garments	-1,0	-1,0	-1,1	-1,1	-1,3	-0,6	-1,8	-2,0	-1,9	-1,8	-0,7	-0,6	-1,7	-1,9	-1,8	-1,5				
	1,705	Clothing accessories of garments							-1,3	-1,2	-0,2	-0,1			-0,5	-1,9	-0,8					
	6,575	Men's footwear	-0,3	-0,2	-0,3	-0,01		-0,1	-0,3	-0,3	-0,3	0,0			0,0	-0,1						
	8,641	Women's footwear	-0,3	-0,1	-0,2		-0,2	-0,1	-1,6	-1,3	-1,3	-1,0	-0,4	-0,3	-0,8	-0,4	-0,2	-0,6				
	3,356	Children's and infants' footwear	-0,5	-0,9	-1,2	-1,1	-0,6	-0,8	-0,7	-0,3	-0,6	-0,5	-0,5	-0,6	-0,2	-0,4	-0,2	-0,2				
	2,737	Other equipments	-0,2		-0,1								-0,1	-0,2								
	6,324	Household textiles	-0,2	-0,1			-0,2															
	4,63	Refrigerators, washing machines and dishwash.	-1,9	-1,5	-1,4	-1,2	-1,2	-1,0	-0,9	-0,4	-0,5	-0,8	-1,1	-0,8	-0,9	-1,2	-1,3	-1,5		-1,6	-2,2	
	1,47	Cookers and ovens	-2,0	-1,6	-1,4	-1,4	-0,1								0,0		-0,1	-0,1		-1,2	-1,3	
	2,53	Heating and air conditioning																		-0,7	-0,9	
	1,305	Other household appliances															-0,2	-0,2	-0,1	-0,1	-0,4	
	13,616	Cleaning products for household	-1,0	-0,4	-0,7	-0,2																
	3,777	Other non-durable household goods				-0,1																
	9,307	Medicines and other pharmaceutical products	-7,3	-7,4	-7,6	-7,4	-7,5	-7,5	-7,5	-7,3	-7,3	-7,3	-7,3	-7,3	-7,3	-2,3	-2,3	-5,8	-5,9	-5,9	-6,5	
	6,549	Therapeutic appliances and equipment	-0,4									-0,1										
	47,126	Motor vehicles	-4,2	-4,2	-4,3	-5,6	-6,5	-6,5	-6,5	-7,0	-5,8	-4,2	-3,6	-2,0	-2,6	-2,0	-2,2	-0,2		0,0	-0,4	
	2,182	Other vehicles	-0,9	-1,3	-1,3	-0,8											-1,5	-1,5		-2,7	-3,1	
	1,51	Spare parts and maintenance accessories	-0,1	-0,9	-1,5	-2,4	-2,3	-2,0	-0,9	-1,0	-1,1	-0,9	-0,7	-0,3								
	0,686	Telephone equipments	-25,1	-27,3	-26,7	-25,8	-33,0	-34,4	-37,2	-35,0	-33,7	-37,3	-36,8	-32,3	-24,1	-23,0	-21,6	-24,1		-16,7	-23,8	
	4,93	Equip. recep., record. and rep. of sound and pict.	-9,0	-9,5	-9,9	-10,6	-12,4	-12,9	-13,4	-13,5	-13,4	-13,2	-13,4	-13,7	-14,4	-14,8	-14,7	-14,2		-12,5	-12,3	
	1,188	Photographic and cinematographic equipments	-15,5	-14,3	-16,2	-16,1	-15,0	-14,9	-17,1	-17,4	-17,9	-18,4	-19,0	-19,8	-19,8	-21,4	-20,8	-19,4		-19,3	-19,0	
	4,196	Information processing equipments	-6,2	-6,9	-7,6	-7,9	-8,4	-9,1	-9,4	-11,0	-11,6	-11,6	-11,7	-14,4	-17,0	-16,8	-17,2	-18,2		-19,9	-20,7	
	2,242	Recording media		-0,7	-0,8	-0,4	-0,2			-0,3	-0,4	-0,8	-0,9	-0,8	-0,7	-0,3	-0,5	-1,1		-1,4	-1,0	
	6,062	Games and toys	-2,5	-3,1	-2,4	-2,7	-3,5	-3,6	-3,7	-3,0	-1,6	-1,1	-1,5	-1,5	-0,8			-0,6	-1,2	-0,4	-0,5	
	0,797	Large sports equipment	-0,9																		-0,2	
	0,84	Other recreational and sporting articles	-0,6	-0,1	-0,1		-1,2	-0,8	-1,0	-0,7	-0,3	-0,3	-0,5	-0,9	-1,1	-0,4	-0,3					
	2,003	Gardens, plants and flowers			-0,7	-0,3	-0,8	-1,7	-0,9	-0,5	-0,4	-0,2										
	18,568	Personal care articles	-0,9	-0,5	-0,3	-0,5	-0,1		-0,1													
	2,812	Other articles for personal use					-0,8	-0,9	-0,8	-0,8	-1,2	-1,0	-0,4	-0,2	-0,4	-0,7	-0,5	0,0				
SERVICES 74.799	9,775	Services for the maintenance of the dwelling	-0,2	-0,1																		
	1,201	Hospital services	-1,4	-0,3	-0,1	-0,1	0,1															
	3,478	Other services in respect of personal transport	-1,0	-1,2	-1,1	-0,9																
	3,321	Air transport			-0,7	-0,9	-1,2	-0,1	-1,3	-1,7	-1,0	-1,1	-1,0									
	38,06	Telephone services	-0,9																			
	14,761	Package holidays	-10,5	-2,7	-8,0	-6,3	-3,7	-4,3	-4,9	-3,5	-2,7						-1,6					
	1,158	Obligatory education	2,5						-4,5	-4,0	-2,1	-2,1	-2,1	-2,1	-2,1	-2,1	-2,1	-2,1				
NON-PROCESSED FOOD 43.783	7,524	Hotels and other bdgings	-1,4	-0,1	-0,6	-1,7	-1,4	-1,7	-2,3	-3,1	-1,3	-3,3	-1,7	-0,7								
	8,982	Beef		-0,3	-0,5																	
	6,111	Pork	-2,7	-2,9	-3,9	-4,8	-4,6	-4,6	-5,4	-5,3	-4,8	-4,5	-5,3	-4,2	-3,1	-2,4	-1,4	-0,2				
	3,028	Sheep meat		-2,5	-5,3	-4,6	-4,2															
	7,642	Poultry	-4,4	-7,7	-9,4	-7,7	-5,8	-4,2	-2,3	-3,0	-3,5	-4,5	-5,4	-4,4	-1,3							
	1,453	Other meats, viscera and other non-meat edibles	-2,6	-3,9	-3,9	-4,4	-4,9	-3,9	-5,7	-4,2	-1,9	-4,0	-3,5	-2,4	-1,2							
	10,066	Fresh fish			-1,6	-0,8	-2,6	-2,8	-3,3	-3,5	-4,4	-7,4	-9,4	-4,9	-6,5	-7,4	-4,6	-6,6		-1,9		
	2,247	Frozen fish	-2,9	-3,1	-3,2	-3,2	-2,8	-2,8	-2,2	-1,7	-1,5	-1,7	-1,6	-1,3	-0,7	-0,3						
	5,436	Crustaceans and molluscs			-1,7	-1,0	-1,3	-0,7	-1,4	-1,8	-2,0	-2,8	-4,3	-3,3	-2,9	-3,0	-1,4	-1,9		-1,3	-0,1	
	1,804	Eggs	-0,6	-0,7	-0,7	-0,6	-0,3															
ENERGY 0	13,013	Fresh fruits	-5,0	-5,1	-4,8	-4,1	-4,1	-4,1	-3,8	-3,3	-2,7	-0,8										
	8,677	Fresh vegetables	-1,7	-2,2	-2,9	-1,6	-0,5															
	2,836	Potatoes and processed potato products	-2,8	-6,4	-7,6	-8,8	-10,0	-11,3	-12,4	-13,6	-14,3	-15,1	-12,4	-1,3								
	11,988	Gas		-16,2	-16,2	-16,2	-19,7	-19,7	-18,3	-15,7	-15,7	-15,2	-13,4	-13,4	-10,8							
	4,441	Other fuels							-11,5	-28,2	-37,5	-37,2	-45,1	-43,4	-42,4	-38,8	-36,0	-26,8	-28,8	-7,0		
57,898	Fuels and lubricants								-9,5	-15,1	-15,4											

CONSUMER PRICE INDEX AND COMPONENTS IN SPAIN													
Annual rates of growth (With assumption of VAT increment in July, 2010)													
		Consumer Prices Index											
		Core					Residual				TOTAL 100% Confidence intervals at 80% *		
		Processed food excluding tobacco	Tobacco	Non energy industrial goods	Services	TOTAL	Confidence intervals at 80% *	Non processed food	Energy	TOTAL			
Weights 2010		12,6%	2,0%	29,0%	39,8%	83,4%		6,5%	10,1%	16,6%			
AVERAGE ANNUAL RATES	2002	3,9	7,4	2,5	4,6	3,7		5,8	-0,2	2,6	3,5		
	2003	2,9	3,8	2,0	3,7	2,9		6,0	1,4	3,6	3,0		
	2004	3,3	5,6	0,9	3,7	2,7		4,6	4,8	4,7	3,0		
	2005	3,0	6,6	0,9	3,8	2,7		3,3	9,6	6,5	3,4		
	2006	3,9	1,5	1,4	3,9	2,9		4,4	8,0	6,3	3,5		
	2007	3,0	8,8	0,7	3,9	2,7		4,7	1,7	3,2	2,8		
	2008	6,9	3,5	0,3	3,9	3,2		4,0	11,9	8,5	4,1		
	2009	-0,7	11,7	-1,3	2,4	0,8		-1,3	-9,0	-5,4	-0,3		
	2010	-1,9	11,8	-0,6	1,3	0,4	± 0,32	-0,4	10,8	6,3	1,4	± 0,54	
	2011	-0,6	6,9	0,0	1,4	0,8	± 0,71	2,3	4,2	3,4	1,2	± 1,49	
Year-on-year rates	2009	January	2,3	4,0	-0,3	3,6	2,0		1,3	-9,3	-4,8	0,8	
		February	1,3	4,7	-0,7	3,3	1,6		2,2	-8,1	-3,7	0,7	
		March	0,6	4,7	-0,6	2,7	1,3		0,8	-11,6	-6,4	-0,1	
		April	0,1	4,7	-0,7	3,1	1,3		0,0	-12,4	-7,1	-0,2	
		May	-0,7	4,7	-0,8	2,6	0,9		-0,6	-15,3	-9,1	-0,9	
		June	-1,1	11,1	-1,1	2,4	0,8		-2,7	-14,2	-9,1	-1,0	
		July	-1,6	17,6	-1,5	2,1	0,6		-2,7	-15,9	-10,2	-1,4	
		August	-1,7	17,6	-1,8	1,9	0,4		-2,5	-10,2	-6,5	-0,8	
		September	-2,1	17,6	-2,1	1,8	0,1		-2,5	-10,2	-6,5	-1,0	
		October	-2,1	17,7	-2,1	1,6	0,1		-2,6	-6,6	-4,3	-0,7	
		November	-2,0	17,7	-1,7	1,6	0,2		-2,7	1,9	0,6	0,3	
		December	-1,8	17,7	-1,7	1,6	0,3		-3,1	7,5	3,4	0,8	
	2010	January	-1,9	16,6	-1,7	1,2	0,1		-3,2	11,4	5,6	1,0	
		February	-2,0	17,2	-1,5	1,1	0,1		-3,8	9,9	4,5	0,8	
		March	-1,9	17,2	-1,5	1,3	0,2		-2,2	13,9	7,5	1,4	
		April	-2,0	17,1	-1,5	0,8	-0,1		-1,3	16,7	9,5	1,5	
		May	-2,0	17,0	-1,3	0,9	0,1	± 0,19	-0,8	16,2	9,3	1,6	± 0,17
		June	-2,0	10,3	-1,0	0,9	0,0	± 0,30	-0,1	10,1	6,0	1,0	± 0,35
		July	-1,7	8,3	-0,6	1,3	0,4	± 0,40	0,6	11,0	6,8	1,5	± 0,54
		August	-1,8	8,2	-0,1	1,5	0,7	± 0,48	0,7	7,8	4,9	1,4	± 0,74
		September	-1,7	8,2	0,4	1,6	0,9	± 0,55	0,6	9,3	5,8	1,7	± 0,92
		October	-1,8	8,2	0,6	1,6	0,9	± 0,61	1,1	9,7	6,2	1,8	± 1,06
		November	-1,8	8,2	0,6	1,6	0,9	± 0,70	1,6	7,3	4,9	1,6	± 1,20
		December	-1,7	8,2	0,5	1,6	0,9	± 0,77	2,1	7,8	5,4	1,7	± 1,32
	2011	January	-1,6	7,5	0,5	1,7	0,9	± 0,85	2,2	6,1	4,4	1,5	± 1,43
		February	-1,2	5,4	0,5	1,7	0,9	± 0,92	2,7	6,4	4,8	1,6	± 1,52
		March	-1,0	6,6	0,5	1,6	1,0	± 0,99	2,5	4,5	3,5	1,4	± 1,60
		April	-0,6	7,4	0,5	1,6	1,0	± 1,06	2,6	2,9	2,6	1,3	± 1,67
		May	-0,3	8,3	0,5	1,7	1,2	± 1,11	2,7	2,8	2,7	1,4	± 1,75
		June	-0,2	9,5	0,5	1,7	1,2	± 1,14	2,5	4,1	3,4	1,6	± 1,78
		July	-0,4	6,3	0,1	1,3	0,8	± 1,17	2,3	3,7	3,1	1,2	± 1,80
		August	-0,4	6,3	-0,2	1,2	0,6	± 1,17	2,1	4,2	3,3	1,1	± 1,80
		September	-0,4	6,4	-0,6	1,2	0,5	± 1,14	2,0	4,2	3,3	1,0	± 1,80
		October	-0,3	6,4	-0,8	1,2	0,4	± 1,12	2,0	4,0	3,2	0,9	± 1,80
		November	-0,3	6,5	-0,8	1,2	0,4	± 1,10	2,0	3,8	3,0	0,8	± 1,80
		December	-0,3	6,7	-0,8	1,1	0,4	± 1,14	2,1	3,7	3,0	0,8	± 1,80

* Confidence intervals calculated with historial errors

*The figures in the shaded area are Forecasts

Source: INE & IFL(UC3M)

Date: May 14, 2010



CONSUMER PRICE INDEX AND COMPONENTS IN SPA IN											
Monthly rates of growth (With assumption of VAT increment in July, 2010)											
			Consumer Prices Index								
			Core				TOTAL	Residual		TOTAL	TOTAL 100 %
			Processed food excluding tobacco	Tobacco	Non energy industrial goods	Services		Non processed food	Energy		
Weights 2010			12,6%	2,0%	29,0%	39,8%	83,4%	6,5%	10,1%	16,6%	
MONTHLY RATES (Growth of the month over the previous month)	January	2008	0,5	2,4	-3,8	0,5	-1,0	0,6	1,4	1,1	-0,6
		2009	-0,1	2,7	-4,4	0,3	-1,4	0,3	-0,8	-0,4	-1,2
		2010	-0,2	1,8	-4,4	-0,1	-1,6	0,2	2,8	1,8	-1,0
		2011	-0,1	1,2	-4,5	0,0	-1,6	0,3	1,2	0,8	-1,1
	February	2008	0,7	0,9	-0,2	0,5	0,3	-1,6	0,0	-0,7	0,2
		2009	-0,3	1,6	-0,6	0,2	-0,1	-0,7	1,3	0,5	0,0
		2010	-0,4	2,1	-0,4	0,1	-0,1	-1,4	0,0	-0,5	-0,2
		2011	0,0	0,0	-0,4	0,1	-0,1	-0,9	0,3	-0,2	-0,1
	March	2008	0,4	0,1	0,9	0,8	0,7	0,1	2,8	1,7	0,9
		2009	-0,3	0,0	1,0	0,3	0,4	-1,3	-1,1	-1,2	0,2
		2010	-0,2	0,0	1,1	0,5	0,5	0,4	2,5	1,7	0,7
		2011	0,0	1,2	1,1	0,4	0,6	0,2	0,6	0,5	0,5
	April	2008	0,3	0,1	2,9	0,2	1,1	0,4	1,2	0,9	1,1
		2009	-0,3	0,1	2,7	0,6	1,2	-0,4	0,3	0,0	1,0
		2010	-0,4	0,0	2,7	0,1	0,9	0,5	2,7	1,9	1,1
		2011	-0,1	0,8	2,7	0,1	1,0	0,6	1,2	0,9	1,0
	May	2008	0,3	0,0	0,3	0,2	0,3	0,1	4,3	2,6	0,7
		2009	-0,5	0,1	0,3	-0,3	-0,1	-0,5	0,9	0,3	0,0
		2010	-0,5	0,0	0,5	-0,2	0,0	0,0	0,5	0,1	0,1
		2011	-0,2	0,8	0,4	0,0	0,1	0,1	0,5	0,3	0,2
	June	2008	0,3	0,0	-0,2	0,5	0,2	1,3	3,1	2,4	0,6
		2009	-0,2	6,1	-0,5	0,3	0,0	-0,8	4,4	2,4	0,4
		2010	-0,2	0,0	-0,3	0,2	0,0	0,0	-1,1	-0,7	-0,1
		2011	0,0	1,1	-0,3	0,2	0,0	-0,2	0,1	0,0	0,0
	July	2008	0,2	0,0	-3,6	0,7	-0,9	-0,1	2,3	1,4	-0,5
		2009	-0,3	6,0	-3,9	0,5	-1,1	-0,1	0,3	0,1	-0,9
		2010	0,1	4,0	-3,5	0,9	-0,7	0,6	1,1	0,9	-0,4
		2011	-0,1	1,0	-3,9	0,5	-1,1	0,3	0,7	0,6	-0,8
	August	2008	0,2	0,0	-0,2	0,6	0,3	0,0	-3,9	-2,4	-0,2
		2009	0,1	0,0	-0,5	0,5	0,1	0,2	2,5	1,7	0,3
		2010	0,0	0,0	0,0	0,7	0,3	0,4	-0,4	-0,1	0,2
		2011	0,1	0,0	-0,3	0,5	0,2	0,2	0,1	0,1	0,2
	September	2008	0,2	0,0	1,1	-0,5	0,2	0,4	-1,8	-0,9	0,0
		2009	-0,2	0,0	0,8	-0,7	-0,1	0,3	-1,7	-1,0	-0,2
		2010	-0,1	0,0	1,4	-0,6	0,1	0,3	-0,4	-0,2	0,1
		2011	-0,1	0,1	1,0	-0,7	0,0	0,2	-0,4	-0,2	0,0
	October	2008	0,1	0,0	2,7	0,0	0,9	-0,4	-3,9	-2,4	0,3
		2009	0,0	0,0	2,7	-0,1	0,9	-0,5	0,0	-0,2	0,7
		2010	-0,1	0,0	2,9	0,0	1,0	0,0	0,4	0,2	0,8
		2011	-0,1	0,0	2,7	0,0	0,9	0,0	0,2	0,1	0,8
	November	2008	0,0	0,0	1,0	-0,2	0,3	0,1	-6,6	-3,8	-0,4
		2009	0,1	0,0	1,4	-0,2	0,4	-0,1	1,9	1,2	0,5
		2010	0,1	0,0	1,3	-0,2	0,4	0,4	-0,3	0,0	0,3
		2011	0,1	0,0	1,3	-0,2	0,4	0,4	-0,5	-0,1	0,3
	December	2008	-0,1	0,0	-0,5	0,3	0,0	0,6	-5,8	-3,0	-0,5
		2009	0,1	0,0	-0,4	0,3	0,0	0,2	-0,6	-0,3	0,0
		2010	0,2	0,0	-0,4	0,3	0,0	0,7	-0,2	0,2	0,1
		2011	0,2	0,2	-0,5	0,3	0,0	0,8	-0,2	0,2	0,1

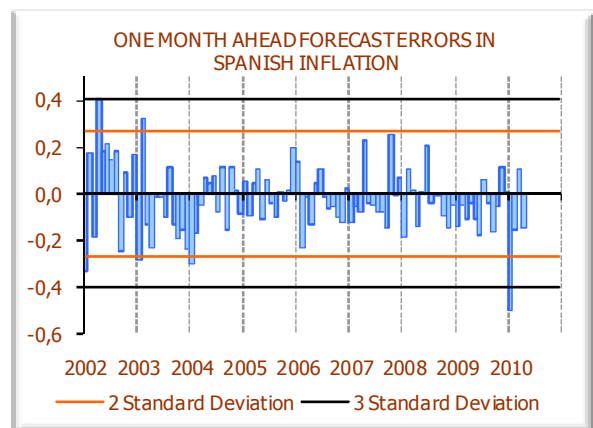
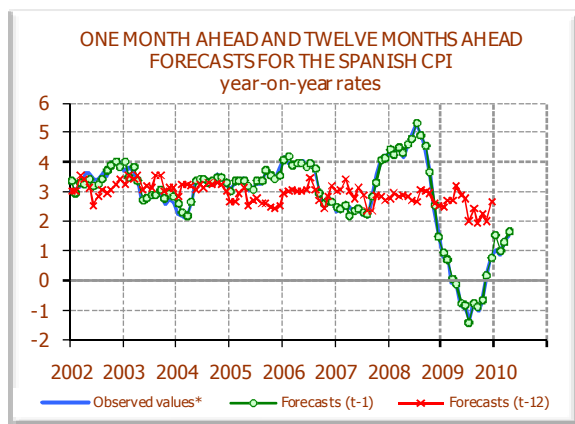
* The figures in the shaded area are Forecasts

Source: INE & IFL(UC3M)

Date: May 14, 2010



FORECASTS ERRORS IN SPAIN



INFLATION IN SPAIN				
Annual rates, April, 2010				
Consumer Price Index CPI	Weights 2010	Observed	Forecasts	Confidence Intervals at 80%
Processed food	14,54	0,46	0,83	0,49
Non-energy industrial goods	29,02	-1,49	-1,30	0,32
Services	39,80	0,82	0,91	0,17
CORE	83,36	-0,06	0,11	0,19
Non-processed food	6,55	-1,34	-1,59	0,98
Energy	10,09	16,68	16,91	0,73
RESIDUAL	16,64	9,48	9,33	0,75
TOTAL	100	1,50	1,65	0,17

Source: INE & IFL (UC3M)

Date: May 14, 2010



INFLATION BY COMPONENTS IN THE CONSUMER PRICE INDEX OF SPAIN									
Annual average rates									
				Weights 2009	2006	2007	2008	2009	
									2010 2011
CPI Total	Core Inflation	Processed food	AE less tobacco & fats	10,3	2,8	4,5	7,4	-0,1	-1,8 -0,6
			Oils & Fats	0,6	23,4	-16,8	2,2	-11,4	-3,7 -1,2
			Tobacco	1,7	1,5	8,8	3,5	11,7	11,8 6,9
				12,6	3,6	3,7	6,5	0,9	0,0 0,5
		Non energy industrial goods	Vehicles	5,6	2,3	1,4	-0,5	-3,8	-0,5 2,2
			Footwear	1,8	1,6	1,3	1,4	-0,4	-0,2 -0,6
			Clothing	6,6	1,1	0,9	0,4	-2,1	-1,0 -1,4
			Rest	15,0	1,2	0,3	0,3	-0,1	-0,4 -0,1
				29,0	1,4	0,7	0,3	-1,3	-0,6 0,0
		Services	Postal services	0,0	5,7	3,6	2,8	2,8	4,4 2,0
			Cultural services	1,9	2,4	3,1	2,8	2,7	1,5 2,5
			Education	0,9	3,5	4,1	3,4	2,5	2,3 2,5
			Hotels	0,8	3,6	5,5	4,2	-1,4	-0,1 0,0
			Health	2,5	4,1	4,2	4,1	3,9	2,7 2,7
			Household equipment	1,9	4,4	4,2	4,4	3,4	2,6 1,7
			Restaurants	11,8	4,5	4,8	4,7	2,2	1,2 0,9
			Telephone	3,7	-1,4	0,3	0,6	0,1	-0,7 0,0
			Transports	5,6	4,2	3,1	4,1	3,1	1,8 1,7
			Package holidays	1,5	3,1	0,6	4,5	0,2	-3,7 1,3
			University	0,5	5,0	5,3	5,2	5,3	3,5 4,0
			Housing	5,4	4,7	4,6	4,1	3,0	1,8 1,8
			Rest	3,3	4,3	3,9	3,8	2,4	1,9 1,8
				39,8	3,9	3,9	3,9	2,4	1,3 1,4
				83,4	2,9	2,7	3,2	0,8	0,4 0,8
	Residual Inflation	Non processed foods	Meat	2,4	6,0	5,2	3,9	-0,6	-0,8 3,0
			Fruits	1,2	0,1	4,5	9,4	0,3	-2,0 1,6
			Eggs	0,2	2,8	4,3	10,7	1,2	-0,6 -0,2
			Vegetables	0,8	-0,8	6,4	2,4	2,1	1,2 4,4
			Mollusc	0,5	2,3	0,1	-0,2	-2,2	1,5 3,8
			Potatoes	0,3	17,6	8,4	-1,7	-7,0	-6,9 0,9
			Fish	1,2	5,7	2,5	1,2	-4,6	1,4 -0,1
				6,5	4,4	4,7	4,0	-1,3	-0,4 2,3
		Energy	Heat energy	5,9	6,6	1,4	13,0	-15,2	14,9 2,8
			Fuels	0,5	11,8	-0,8	23,5	-32,7	23,1 4,9
			Electricity and gas	3,7	9,6	2,1	8,7	2,1	3,0 6,3
				10,1	8,0	1,7	11,9	-9,0	10,8 4,2
				16,6	6,3	3,2	8,5	-5,4	6,3 3,4
				100,0	3,5	2,8	4,1	-0,3	1,4 1,2

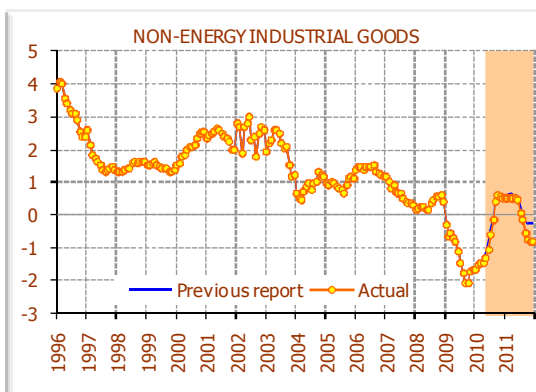
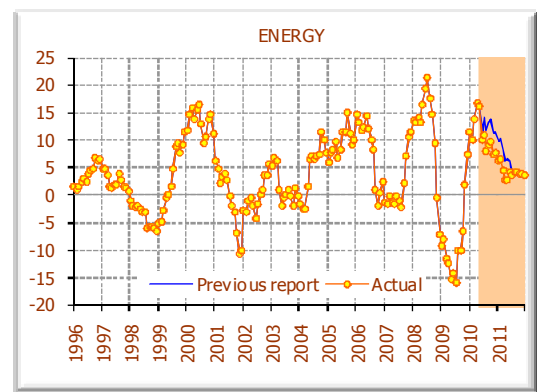
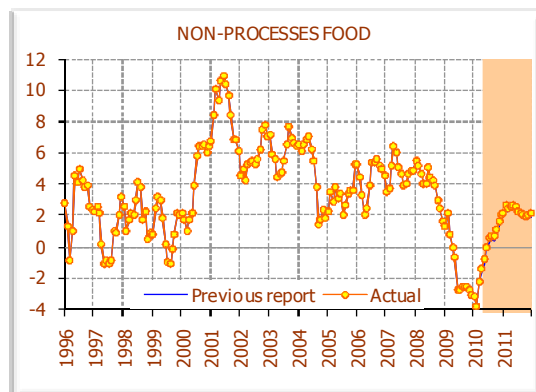
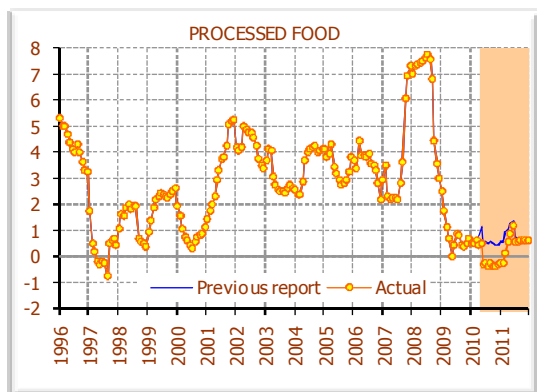
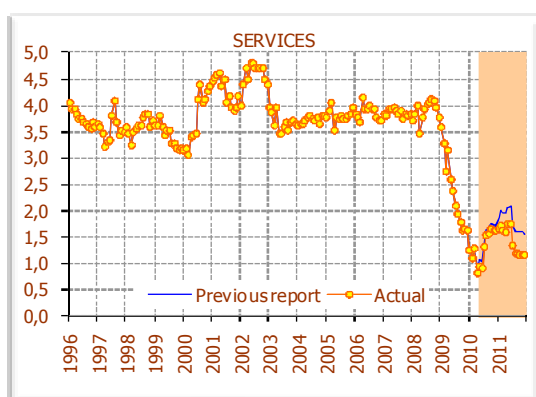
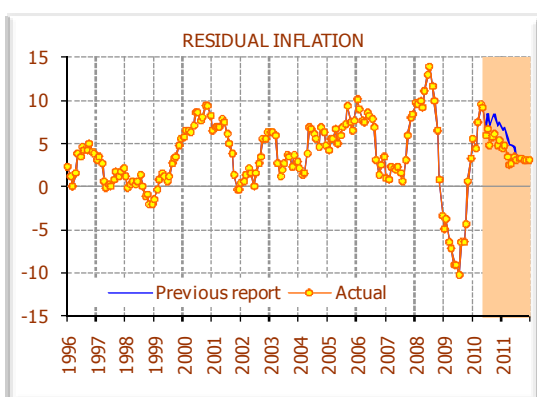
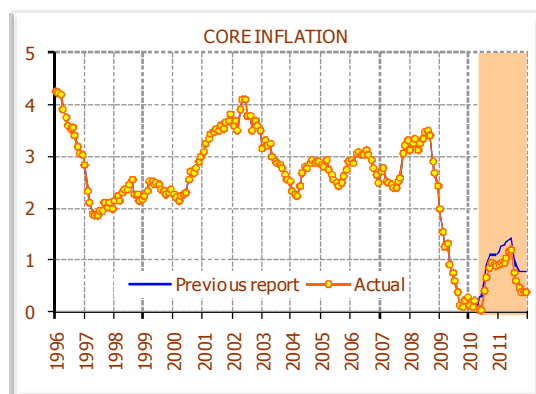
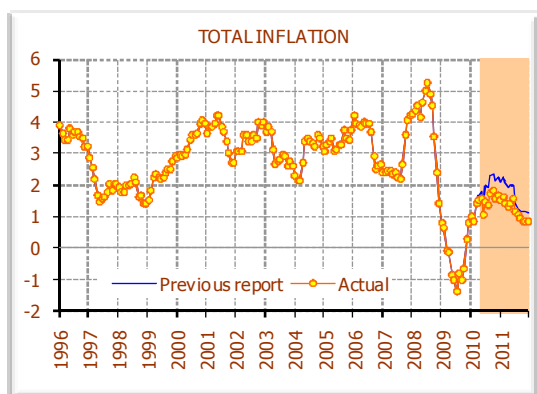
* The figures in the shaded area are forecasts

Source: INE & IFL(UC3M)

Date: May 14, 2010



CHANGE IN FORECASTS OF ANNUAL RATE OF INFLATION BY SPECIAL GROUPS IN SPAIN



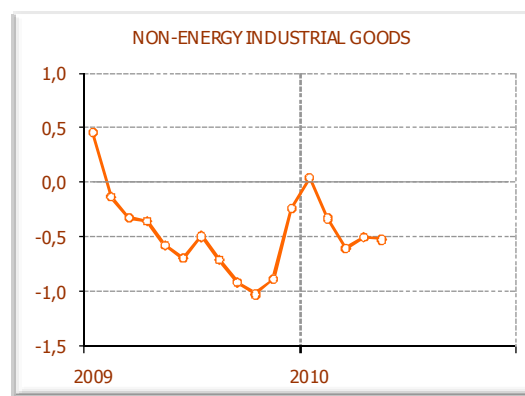
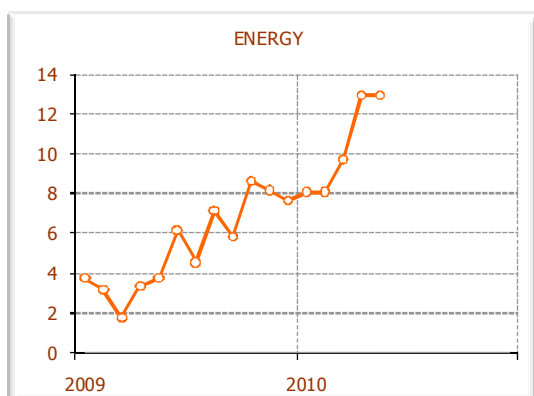
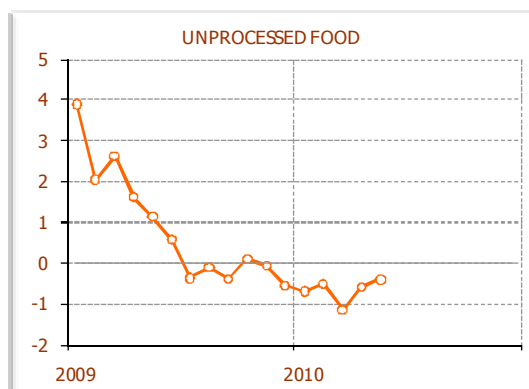
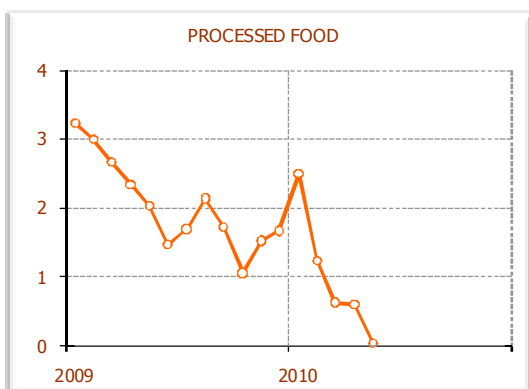
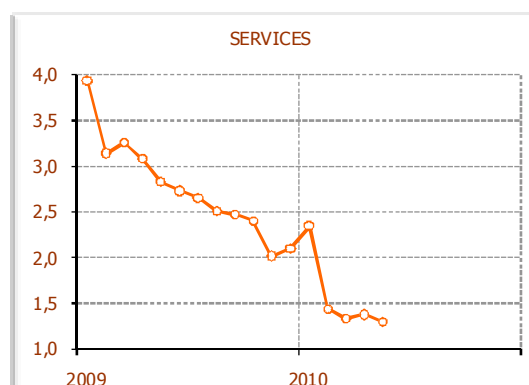
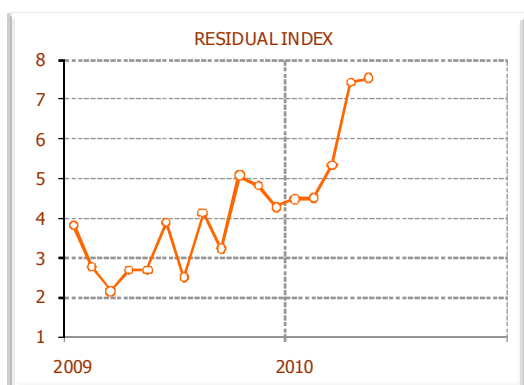
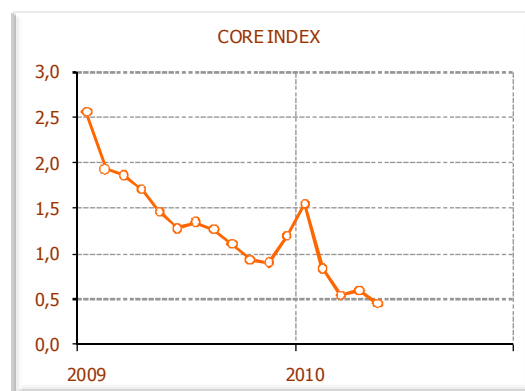
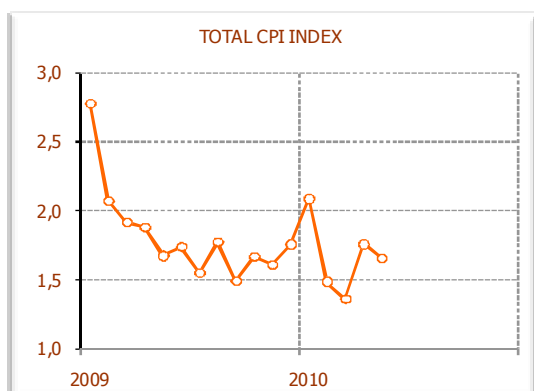
Source: INE & IFL (UC3M).

Date actual report: May 14, 2010

Date previous report: April 29, 2010



FORECASTS FOR 2010 ANNUAL AVERAGE CPI GROWTH RATE BY COMPONENT



Note: These graphs show the average anual CPI growth rates forecast in the Bulletin published in the month on the abscissa

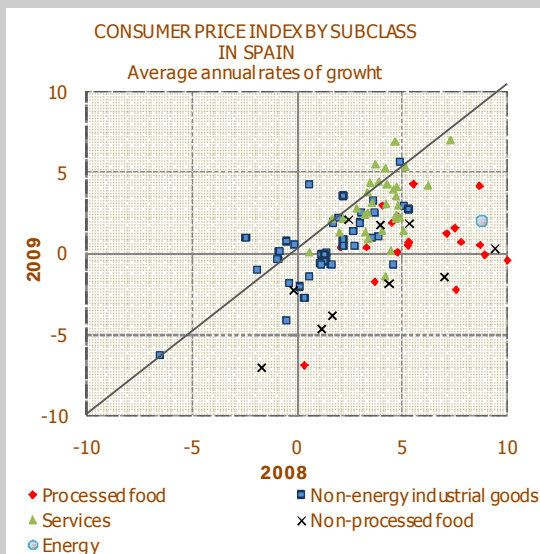
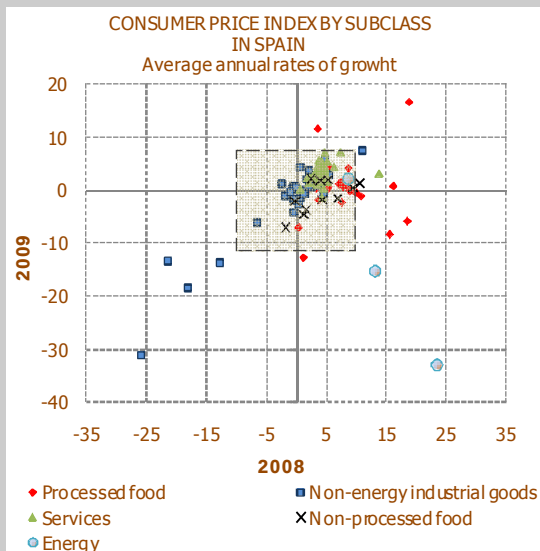
Source: INE & IFL (UC3M)

Date: May 14, 2010



INFLATION FORECASTING BY SUBCLASS IN SPAIN

The tables and graphs show the observed values for 2007, 2008 and 2009 and Forecasts for 2010 and 2011, according to the five special groups.



The graph below zooms on the grey area marked in the previous figure.

Source: EUROSTAT & IFL (UC3M)

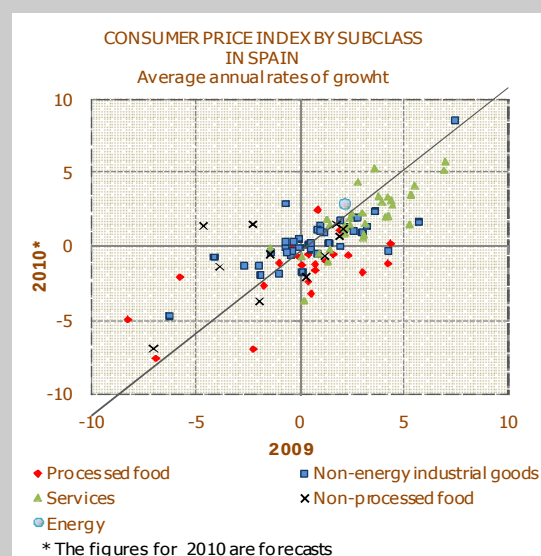
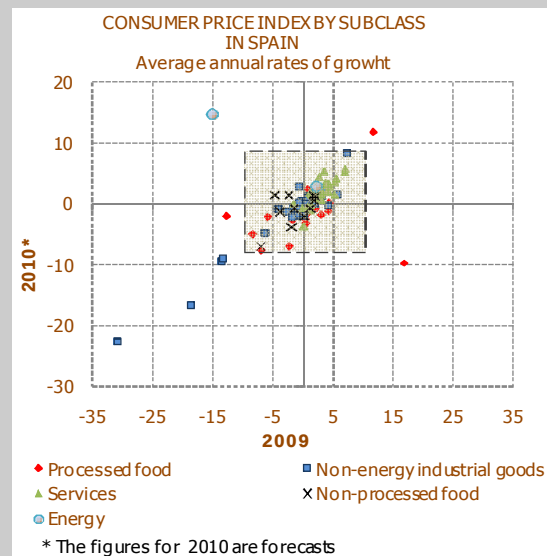
Date: May 14, 2010

CONSUMER PRICE INDEX BY SUBCLASS IN SPAIN					
Annual average rates of growth					
	2007	2008	2009	2010	2011
PROCESSED FOOD					
Rice	2,7	18,8	16,8	-9,7	-2,2
Flours and cereals	3,7	8,7	0,5	-3,2	0,1
Bread	8,2	8,9	0,0	-0,7	-0,9
Pastry goods, cakes, mixes and doughs for bakery pi	2,6	7,5	1,6	-0,6	1,5
Farinaceous-based products	3,9	18,5	-5,8	-2,1	-1,3
Delicatessen type meat products	3,9	3,3	0,4	-0,6	-0,6
Processed meat products	2,3	4,8	2,3	-0,6	0,7
Preserved and processed fish	3,7	5,3	0,7	-1,2	1,1
Milk	10,0	15,6	-8,3	-4,9	-1,1
Other dairy products	3,1	7,6	-2,2	-6,9	-7,3
Cheeses	3,7	10,0	-0,4	0,0	1,5
Preserved fruits, nuts and dried fruits	0,5	2,1	0,4	-2,4	-2,0
Dried pulses and vegetables	3,8	10,8	-1,0	-1,1	-0,4
Frozen and preserved pulses and vegetables	6,3	7,8	0,7	-1,6	-0,8
Sugar	1,6	0,3	-6,9	-7,6	-2,1
Chocolates and confectionery	2,8	5,3	0,5	-0,2	2,0
Other food products	3,5	8,7	4,2	-1,2	-3,3
Baby food	3,7	3,7	-1,7	-2,7	-3,1
Coffee, cocoa and infusions	4,7	7,1	1,3	-1,0	1,1
Mineral water, soft drinks, fruit and vegetable juices	2,5	4,0	3,0	-1,8	-0,2
Spirits and liqueurs	2,5	4,5	1,9	1,1	1,9
Wines	2,5	4,7	0,1	-1,3	0,1
Beer	3,6	5,5	4,3	0,2	2,6
Tobacco	8,8	3,5	11,7	11,8	6,9
Butter and margarine	4,6	16,2	0,9	2,4	2,6
Oils	-18,4	1,1	-12,6	-2,0	-0,8
NON-ENERGY INDUSTRIAL GOODS					
Men's outerwear	0,4	0,1	-2,0	-1,3	-0,7
Men's underwear	1,9	1,2	0,0	0,6	0,6
Women's outerwear	1,4	0,3	-2,7	-1,3	-1,6
Women's underwear	1,1	1,4	0,0	-0,1	-2,5
Children's and infants' garments	1,5	0,6	-1,4	-0,4	-2,1
Clothing accessories of garments	-7,2	1,4	-0,2	0,4	-2,0
Men's footwear	1,9	1,3	0,0	-0,1	0,5
Women's footwear	0,7	1,6	-0,7	-0,1	-1,1
Children's and infants' footwear	1,6	1,3	-0,5	-0,6	-1,5
Motor vehicles	1,4	-0,5	-4,1	-0,7	2,1
Other vehicles	-0,6	-2,4	1,0	1,4	2,5
Spare parts and maintenance accessories	3,9	4,6	-0,7	2,9	4,7
Materials for the maintenance and repair of the dwe	5,7	5,1	3,0	0,9	2,3
Water supply	5,4	4,9	5,7	1,6	3,0
Furniture	3,9	3,9	1,1	0,9	2,7
Other equipments	4,8	2,7	0,5	0,1	2,0
Household textiles	2,1	2,2	0,5	-0,1	0,4
Refrigerators, washing machines and dishwashers	-1,3	-1,9	-1,0	-1,8	-1,7
Cookers and ovens	0,5	-0,8	0,1	-1,8	-1,3
Heating and air conditioning	-1,1	-0,5	0,8	1,1	-0,2
Other household appliances	0,3	-0,2	0,5	0,2	0,0
Glassware, crockery and cutlery	1,6	3,1	2,6	1,0	1,4
Other kitchen utensils and furnishing	4,2	3,7	2,6	2,0	2,2
Tools and accessories for house and garden	4,1	3,0	1,9	1,8	2,1
Cleaning household articles	1,4	1,7	1,9	0,0	1,1
Other non-durable household articles	2,7	2,7	1,4	0,2	0,8
Medicines and other pharmaceutical products	-9,0	-6,5	-6,3	-4,7	-3,3
Therapeutic appliances and equipment	1,7	3,6	1,0	1,1	1,6
Telephone equipments	-5,2	-25,7	-30,9	-22,6	-26,0
Equip. for the reception, recording and reproduction i	-11,4	-12,7	-13,7	-9,5	-11,6
Photographic and cinematographic equipments	-14,5	-18,0	-18,5	-16,6	-21,0
Information processing equipments	-20,0	-21,5	-13,3	-8,9	-17,6
Recording media	-1,3	-0,9	-0,4	-0,2	-0,2
Games and toys	-0,8	-0,4	-1,8	-2,0	-1,4
Large sports equipment	-0,5	0,6	4,3	-0,3	0,9
Other recreational and sporting articles	0,0	1,1	-0,6	-0,4	0,0
Gardens, plants, flowers and pets	4,1	5,3	2,8	2,0	2,6
Books	2,9	2,0	2,2	1,4	1,6
Newspapers and magazines	1,4	2,2	3,6	2,4	1,7
Material de papelería	2,7	3,7	3,2	1,3	1,8
Personal care articles	2,1	2,2	0,8	-0,4	0,7
Jewellery, costume jewellery, clocks and watches	9,7	11,1	7,5	8,5	7,3
Other articles for personal use	0,8	1,1	-0,6	0,3	0,0

1. There exists a small aggregation caused by the fact that some sub-group contains goods and services that belong to different special groups.



CONSUMER PRICE INDEX BY SUBCLASS IN SPAIN					
Annual average rates of growth					
	2007	2008	2009	2010	2011
SERVICES					
Maintenance and repair services	4,5	4,8	4,1	2,0	2,2
Other services related to vehicles	3,7	3,3	1,3	-1,0	-0,9
Railway transport	4,2	3,7	5,5	4,1	2,5
Road transport	3,9	4,2	5,3	1,5	1,6
Air transport	3,0	13,7	3,0	0,6	1,3
Other transport services	3,9	7,3	7,0	5,8	3,6
Insurances connected with transport	1,7	2,0	1,3	1,8	1,6
Restaurants, bars, coffee bars, canteens	4,8	4,7	2,2	1,2	0,9
Hotels and other lodgings	5,5	4,2	-1,4	-0,1	0,0
Package holidays	0,6	4,5	0,2	-3,7	1,3
Higher education	5,3	5,2	5,3	3,5	4,0
Postal services	3,6	2,8	2,8	4,4	2,0
Telephone services	0,3	0,6	0,1	-0,7	0,0
Rentals for housing	4,4	4,2	3,1	0,8	0,1
Services for the maintenance and repair of the dwell	5,5	5,1	1,4	-0,2	-0,2
Sewerage collection	4,6	3,4	3,8	3,4	3,8
Out-of-hospital medical and paramedical services	4,0	4,9	2,2	1,3	2,3
Dental services	3,2	3,2	2,4	1,5	1,6
Hospital services	3,6	3,4	0,9	-0,5	1,0
Medical services	5,3	4,7	6,9	5,2	4,4
Recreational and sporting services	2,8	1,7	2,1	1,4	2,6
Cultural services	3,4	3,6	3,1	1,6	2,4
Education	4,1	3,4	2,5	2,3	2,5
Repair of footwear	5,8	6,2	4,2	3,4	4,0
Domestic service and other household services	4,4	4,8	3,0	2,3	2,0
Insurances connected with the dwelling	3,6	3,5	4,4	3,2	1,1
Personal care services	4,1	4,0	1,4	1,5	1,1
Social services	5,2	4,6	4,0	3,0	3,1
Other insurances	3,9	3,9	4,5	2,8	3,3
Financial services	7,8	4,7	3,6	5,3	1,3
Other services	2,2	2,2	2,2	0,9	1,5
Repair of household appliances	3,9	4,3	4,2	2,1	3,3
Repairs and cleaning of garments	3,8	4,7	2,4	1,9	1,4
NON-PROCESSED FOOD					
Beef	6,0	4,0	1,7	1,5	4,6
Pork	2,7	1,6	-3,8	-1,3	1,6
Mutton	-0,7	5,3	1,9	0,7	4,2
Poultry	9,7	4,3	-1,9	-3,7	1,4
Other meats, viscera and other non-meat edibles	0,1	7,0	-1,5	-0,6	4,0
Fresh fish	2,5	1,2	-4,6	1,4	-0,1
Crustaceans and molluscs	0,1	-0,2	-2,2	1,5	3,8
Eggs	4,3	10,7	1,2	-0,6	-0,2
Fresh fruits	4,5	9,4	0,3	-2,0	1,6
Fresh pulses and vegetables	6,4	2,4	2,1	1,2	4,4
Potatoes and processed potato products	8,4	-1,7	-7,0	-6,9	0,9
ENERGY					
Electricity and gas	2,1	8,7	2,1	3,0	6,3
Other fuels	-0,8	23,5	-32,7	23,1	4,9
Fuels and lubricants	1,4	13,0	-15,2	14,9	2,8



The graph below zooms on the grey area marked in the previous figure.

Source: EUROSTAT & IFL (UC3M)

Date: May 14, 2010



IV.3. SITUATION OF THE SPANISH LABOUR MARKET IN THE FIRST QUARTER OF 2010 AND FORECASTS FOR 2010 AND 2011

The current economic crisis is having a particularly devastating effect on the Spanish labour market, with a heavy increase in unemployment

from one-digit levels to over 20%. Indeed, over two million net jobs have been lost since the start of the crisis. This shows that we are dealing with an inefficient market that urgently needs reform. From a

sectoral perspective, the

economic crisis is having unequal effects on employment. If we date the onset of the crisis, for practical purposes, in the first quarter of 2008, between then and the first quarter of 2010 most sectors have suffered job losses, starting with construction, followed by the manufacturing industry. However, some branches of activity, most of which are directly or indirectly related to the public sector, have generated net employment in these two years.

IV.3.1. The demand for employment

The Spanish economy continued to register job losses in the first quarter of 2010, but at a slower pace than in the

previous quarters. According to the first quarter Active Population Survey (EPA), the Spanish economy registered 252,700 job losses in January-March, a significantly smaller number than a year earlier (696,600). This

variation is cut practically in half, however, when corrected for

seasonality, equivalent to a quarter-on-quarter rate of -0.7%, similar to the last

quarter of last year. Relative to a year earlier, employment declined by 3.6%, significantly less than the previous quarter (6.1%), with a net loss of 697,000 jobs in the last four quarters. The rate at which jobs are lost therefore continues to slow down, consistent with the relative improvement in economic activity which, for the first time in the last two years, registered positive (0.2%) quarter-on-quarter GDP growth in the first quarter of this year. This crisis is particularly devastating for the Spanish labour market, with a much greater impact than in other euro area countries and western economies.

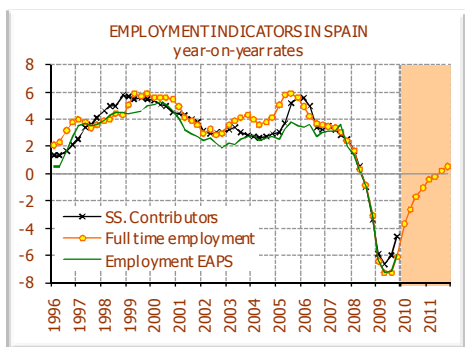
The employment rate, calculated as the percentage of employed individuals among the population aged over 16, fell by 0.9 points from the previous quarter, to 47.8%. This is the tenth consecutive decline, and the rate has now lost a total of 6.5 points in two and a half years, after rising constantly since the late nineties.

In the first quarter of 2010, employment was better than forecast by the IFL at the end of January with the EPA for the fourth quarter of 2009. This had been anticipated by the quarter's Social Security (SS) contributors, although this indicator has been more moderate than EPA employment since the onset of the crisis. This is due to certain differences in the indicators' definitions, which are usually greater in times of economic crisis; in the first quarter of this year, the divide has narrowed.

The partial information available concerning SS contributors for the second quarter of 2010 shows that the relative improvement found in the last three quarters will continue in the second of this year, and this will be seen in the EPA to be published at the end of July.

From a professional status perspective, the decline in employment in the first quarter of this year affected both salaried and non-salaried employees. Indeed, the former registered a year-on-year decrease of 3.7%, 1.3 pp less than in the previous

Graph IV.3.1.1



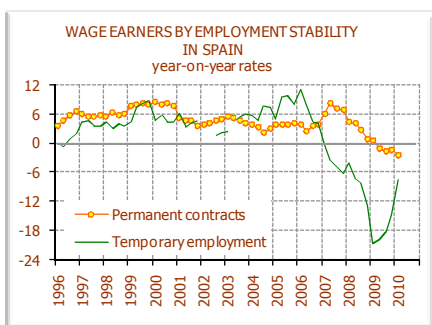
Source: INE & Eurostat

In the first quarter of 2010, employment was better than forecast by the IFL.

The Spanish economy has started to destroy quality (indefinite) employment and that the adjustment process is starting to affect both indefinite and temporary jobs.

The Spanish economy continued to register job losses in the first quarter of 2010, but at a slower pace than in the previous quarters.

Graph IV.3.1.2



Source: INE & Eurostat



quarter, and the latter registered a 3.3% decline, seven tenths of a point less. Therefore, in the last four quarters, 590,000 salaried positions have been lost, together with 107,000 non-salaried jobs.

Analysing the evolution of employment in the first quarter in more detail, we find two relevant aspects. The first refers to public employment, which has risen sharply again at a year-on-year rate of 1.9%, seven tenths of a point more than in the previous quarter, with public servants now totalling 3,088,400, the highest ever in the series. The Fiscal Adjustment Plan approved at the end of May will probably reduce this growth rate in the next few years. The second refers to the evolution of employment according to stability. In the first quarter of 2010, 167,000 temporary jobs were lost, plus 74,000 indefinite contracts. They are both cause for concern, as the first questions the Spanish economy's ability to significantly reduce public sector spending and rebalance its accounts in the short term. The second confirms that "quality" job losses are starting to be significant.

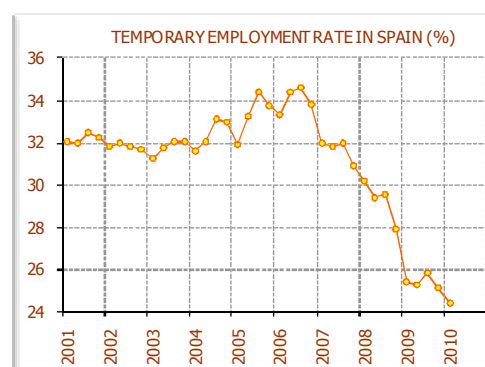
Analysing the composition of salaried employment from a stability perspective, we find that the Spanish economy has started to destroy quality (indefinite) employment and that the adjustment process is starting to affect both indefinite and temporary jobs, unlike the previous quarters, when it mostly affected temporary employees. In the first quarter of 2010, the number of temporary

workers fell by 166,000, and the group of workers with indefinite contracts fell by 74,000. From an annual perspective, the latter fell by 285,000 people, or -2.4%, with the former being reduced by 305,000, or -7.6% (see

table IV.3.1.1 and graph IV.3.1.2). The temporary employment rate also fell to 24.4%, seven tenths of a point in the quarter and 1 pp over the last four quarters.

With regards to working hours, full-time workers decreased by 4.4% relative to a year earlier, with the year-on-year rate of decline falling by 2.5 pp. Part-time workers, however, registered year-on-year growth of 1.2% versus -0.3% in the previous quarter. The part-time employment rate remained at 13.3%. Although this rate has grown by nearly two points in the last two years, it is still beneath the euro area average. The last few quarter, however, show that part-time employment is a good way of adjusting employment during recessive phases.

Table IV.3.1.3



Source: INE & EUROPEAN COMMISSION

The areas most affected have been construction and the manufacturing industry, with services suffering the least.

Table IV.3.1.1

RECENT EVOLUTION OF EMPLOYMENT INDICATORS										
	Annual variation as %							Thousands		
	2008	2009	2009				2010	Average 2009	Last figure	
			I	II	III	IV	I		Level	Δ annual
ECONOMICALLY ACTIVE POPULATION SURVEY (EAPS)										
Total employed	-0,5	-6,8	-6,4	-7,2	-7,3	-6,1	-3,6	18888,0	18394,2	-696,6
Employed by economic sector										
- Agriculture	-5,0	-4,0	-3,0	-4,2	-6,4	-2,6	-0,3	786,1	835,2	-2,6
- Industry	-1,1	-13,3	-12,5	-13,7	-14,9	-11,9	-10,4	2775,0	2599,8	-300,3
- Construction	-10,9	-23,0	-25,9	-24,6	-23,3	-17,3	-15,9	1888,3	1663,0	-315,0
- Services	2,1	-2,5	-1,3	-2,7	-2,8	-3,3	-0,6	13438,7	13296,1	-78,8
Employment rate	53,0	49,1	49,7	49,3	49,1	48,5	47,8	49,1	47,8	1,9
Employed by professional status										
Wage earners	-0,5	-6,0	-5,8	-6,6	-6,5	-5,0	-3,7	15680,7	15253,3	589,8
- With an indefinite contract	3,0	0,9	0,6	1,1	-1,7	-1,3	-2,4	11698,3	11532,7	-285,0
- With a temporary contract	-8,0	-18,4	-20,6	-19,8	-18,2	-14,7	-7,6	3982,4	3720,5	-305,0
Non wage earners	-0,5	-10,3	9,4	-10,2	-10,6	-11,1	-3,3	3207,3	3140,9	-106,0
Employed by type of working day										
- Complete	-0,7	-7,6	-7,2	-1,2	-8,1	-6,9	-4,4	16472,9	15942,4	-725,0
- Part time	1,1	-0,4	-1,1	2,1	-0,3	-0,3	1,2	2415,1	2451,7	28,8
Social Security contributors										
- Total	3,0	-0,5	1,7	0,5	-0,9	-3,4	-3,0	18019,0	17761,9	-342,0

Source: INE and MTAS.



Services is the sector which has least been affected by the economic crisis and six activities have even generated net employment in this period.

IV.3.2. The sectoral balance of employment in the current economic crisis

This economic crisis is having a devastating effect on employment, much worse than the previous crisis in the early nineties and than in other countries. If we date the onset of the crisis, for practical purposes, in the first quarter of 2008, employment fell from 20,402,300 to 18,394,200 from then to the first quarter of 2010, with a reduction of just over 2 million (2,008,100) jobs, equivalent to a 9.8% reduction, at an average annual rate of 5%.

With regards to different activities, the crisis is not having the same effect on employment in all areas. Job losses started in the construction sector, which triggered the crisis in Spain, but subsequently started to affect other major areas. The areas most affected have been construction and the manufacturing industry, with services suffering the least. Some service branches have even maintained or even increased their employment rates. Table IV.3.2.1 contains quantitative data for analysing the effect of the economic crisis on different sectors, following the 2009 National Classification of Economic Activities (CNAE-09).

The greatest job losses in these two years of crisis are found in the construction sector, as a result of the crisis affecting the residential segment. A total of 1,007,400 jobs were lost in the period, representing 37.7% of the total and an average annual rate of decline of 21.1%. The most affected branch was construction of buildings, which lost 721,700 jobs, nearly half the volume registered in the first quarter of 2008 (49.1%), at an annual rate of -28.6%. Specialised construction was also affected, falling from 1,019,800 jobs in the first quarter of 2008 to 737,000 two years later, a 27.7% reduction. Civil engineering (public works), however, only saw 2,900 job losses, a 1.6% reduction. A service activity that is closely related to the construction sector is property-related activities. It saw 31.4% job losses, a total of 38,000 people.

The industrial sectors are also registering less economic activity. In the first quarter of 2008, industry represented 3.2 million jobs, and two years later the figure has been

reduced by 713,600, or 22.3%. Most of this affects the manufacturing industry, with a loss of 712,200, or 23.2%. The mining industries saw 8,200 job losses, 15.4% of the employment level at the start of the crisis. Two branches, however, have maintained and even increased their employment figures. They are supply of water, sewage, waste management and decontamination and supply of electricity, gas, steam and air conditioning. The former created 300 jobs and the second 6,500, or 9%. They are probably related to renewable sources of energy, particularly wind and solar power. The controversy regarding the cost of grants to this type of power could lead to their reduction and employment in these industries could decrease.

In the considered period, agriculture lost 28,000 jobs, or 3.3%, at an annual rate of 1.7%. This is much like the sector's performance in normal times, and it continues to show a tendency to contract. The greatest job losses were found in fisheries, with a total of 12,300, or 12.7%.

Activities that created employment are directly related to the public sector and others depend on public grants even though they are under private management.

Services is the sector which has least been affected by the economic crisis and six activities have even generated net employment in this period. In the considered period, employment in the sector fell by 259,000, or 1.9%, at an average annual rate of 1%. The most negative area was property-related activities, with 31.4% job losses, followed by the wholesale and retail trades, motor vehicle and motorcycle repairs, with a 9.5% reduction (306,500 less jobs), financial and insurance activities (8.8%) and transport and storage (7.6%). Some activities generated net employment, largely public administration and defence, with 167,400 more jobs, or 13.7%, followed by artistic, recreational and entertainment-related activities (13.7%) and healthcare and social services (11.3%). In general, many of the activities that created employment are directly related to the public sector and others depend on public grants even though they are under private management, such as healthcare and social services, the latter probably related to the Dependency Act.



Table IV.3.2.1. Sectoral balance of employment in the current economic crisis (1)
(1st quarter 2008- 1st quarter 2010)

	Thousands		Variation in 000s	Variation in %	
	2008.I	2010.I	2010.I - 2008.I	2010.I - 2008.I	Average annual rate
TOTAL	20402.3	18394.2	-2008.1	-9.8	-5.0
AGRICULTURE, LIVESTOCK, FORESTRY AND FISHING	863.7	835.2	-28.4	-3.3	-1.7
Agriculture, livestock, hunting and related services	781.4	769.7	-11.7	-1.5	-0.8
Forestry	32.4	28.3	-4.1	-12.7	-6.5
Fisheries	49.8	37.2	-12.6	-25.3	-13.6
INDUSTRY	3198.3	2484.4	-713.6	-22.3	-11.9
Mining industries	53.2	45	-8.2	-15.4	-8.0
Manufacturing industry	3072.8	2360.6	-712.2	-23.2	-12.4
Supply of electricity, gas, steam and air conditioning	72.3	78.8	6.5	9.0	4.4
Supply of water, sewage, waste management and decontamination	115.1	115.4	0.3	0.3	0.1
CONSTRUCTION	2670.3	1663	-1007.4	-37.7	-21.1
Construction of buildings	1471.3	749.6	-721.7	-49.1	-28.6
Civil engineering	179.2	176.3	-2.9	-1.6	-0.8
Specialised construction activities	1019.8	737	-282.8	-27.7	-15.0
SERVICES	13554.8	13295.9	-258.9	-1.9	-1.0
Wholesale and retail trade; motor vehicle and motorcycle repairs	3210.2	2903.7	-306.5	-9.5	-4.9
Transport and storage	955.2	882.4	-72.8	-7.6	-3.9
Catering	1396.4	1326.5	-69.9	-5.0	-2.5
Information and communications	526.4	499.7	-26.7	-5.1	-2.6
Financial and insurance activities	518.1	472.7	-45.4	-8.8	-4.5
Property-related activities	121.2	83.2	-38.0	-31.4	-17.1
Professional, scientific and technical activities	876.1	843.3	-32.8	-3.7	-1.9
Administrative activities and auxiliary services	915.4	880	-35.4	-3.9	-2.0
Public administration and defence; Social security	1223.6	1391	167.4	13.7	6.6
Education	1159.2	1213.4	54.2	4.7	2.3
Healthcare and social services	1182.7	1316.6	133.9	11.3	5.5
Artistic, recreational and entertainment-related activities	281.4	320	38.6	13.7	6.6
Household activities as domestic staff employers	750.8	759.3	8.5	1.1	0.6
Extraterritorial organisation activities	2.2	3.5	1.3	59.1	26.1

(1) CNAE-2009 classification

Source: INE (EPA).



IV.3.3. The labour supply and unemployment

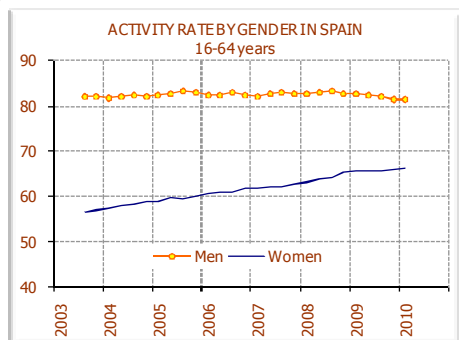
The active population totalled 23,006,900 in the first quarter, an increase of 34,400 people, although it is practically zero when corrected for seasonality. In year-on-year terms, the rate of decline remained the same

as in the previous quarter (-0.4%). In any event, this rate is 2.7pp lower than a year earlier. This is consistent with the current situation, the most visible effect of which is less pressure from the immigrant population, which is counteracting the effect of job losses on the unemployment rate.

Analysing the labour supply by gender, we find that the male active population is less dynamic than its female counterpart, as has been the case for a few years. This is reducing the difference between the two activity rates (see graph IV.3.3.1), although it is still high. The male activity rate (16-64) remained at 81.6% in the first quarter, with the female rate rising by half a point to 66.4%.

As a result of this situation, the number of unemployed grew by 286,200 in January-March 2010, to a total of 4,608,000. When corrected for seasonality, there was a reduction of around 127,000. Relative to a year earlier, unemployment had increased by 602,000 people, representing a high year-on-year rate of variation (15%), around 20 points lower than the rate in the previous period. The unemployment rate rose to 20% of the active population, 1.2 points higher than the previous quarter, and 0.5 points lower when corrected for seasonality. On the other hand, women, who have systematically registered a higher unemployment rate than men, are closing the gap. The male rate in the first quarter was 20% and the female rate was 20.2%, although the difference was more than a percentage point just a year earlier.

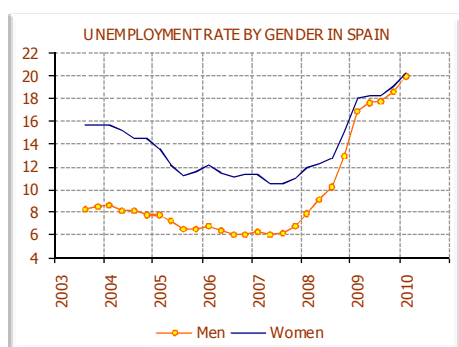
Graph IV.3.3.1



Source: INE & EUROSTAT

The activity rate of the population aged 16-64 remained at 73.9% in the fourth quarter of 2009, as the growth in the female rate was counteracted by the reduction in the male rate.

Graph IV.3.3.2



Source: INE & EUROSTAT

The unemployment rate rose to 20% of the active population, 1.2 points higher than the previous quarter, and 0.5 points lower when corrected for seasonality.

Table IV.3.3.1

RECENT EVOLUTION OF ACTIVITY AND UNEMPLOYMENT INDICATORS									
	Annual variation as %						Thousands		
	2008	2009	2009				2010	Average 2009	Last figure
			I	II	III	IV	I	Level	Δ annual
ECONOMICALLY ACTIVE POPULATION SURVEY (EAPS)									
Active population	3,0	0,8	2,3	1,2	0,2	-0,4		23037,5	23006,9 -94,6
Activity rate > 16 years old	73,7	74	74,2	74,2	73,9	73,9		74	74,1 0
Unemployed	41,3	60,2	84,5	73,7	58,7	34,9		4149,5	4612,7 602
Unemployment rate	11,3	18,0	17,4	17,9	17,9	18,8		18,0	20,0 2,7
Public employment service									
- Unemployment	24,6	43,5	51,4	52,9	43,5	29,8		3644,0	4066,2 446,1

Source: INE and MTAS.



IV.3.3.4. Employment, activity and unemployment perspectives for 2010-2011

The employment, activity and unemployment forecasts have been updated for 2010-2011. This EPA was better than forecast at the end of January, and that forecast already anticipated a relative improvement in the labour market. The new forecast points to certain stability in the employment rate in the forecasting period.

In 2010, employment is expected to fall by 2.3%, which is better than the previous forecast (-2.8%), although it represents

For 2010, the average annual unemployment rate will be around 19.67%, six tenths of a point less than the previous forecast, remaining stable in 2011 at 19.71% of the active population.

434,000 job losses in the year. For 2011 it is expected to remain largely unaltered, although we could see positive year-on-year rates at the end of the year. The drop in employment this year will be due to all major sectors, particularly

construction, with -10.5%, followed by industry (-7.1%), agriculture (-0.7%) and services (-0.2%).

The forecast average annual growth rate of the active population has been revised downwards slightly. For 2010, the average annual labour supply rate falls to -0.2%, followed by slight growth (0.1%) in 2011. The unemployment rate has been revised downwards. For 2010, the average annual unemployment rate will be around 19.67%, six tenths of a point less than the previous forecast, remaining stable in 2011 at 19.71% of the active population, half a point less than the previous forecast.

Table IV.3.2

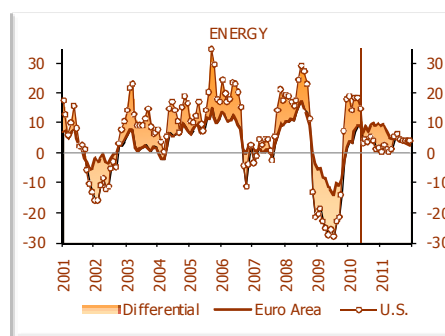
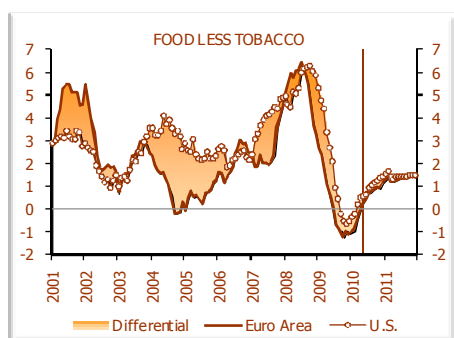
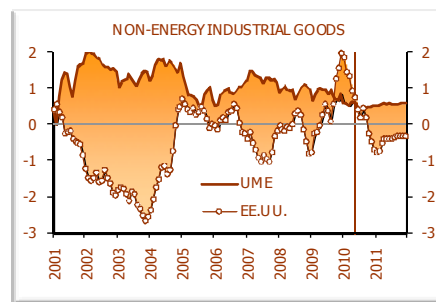
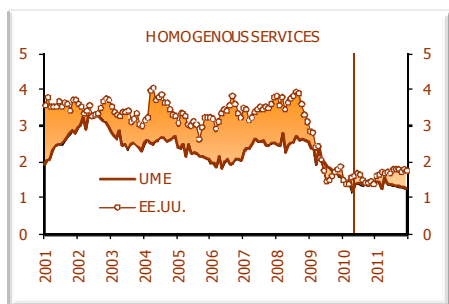
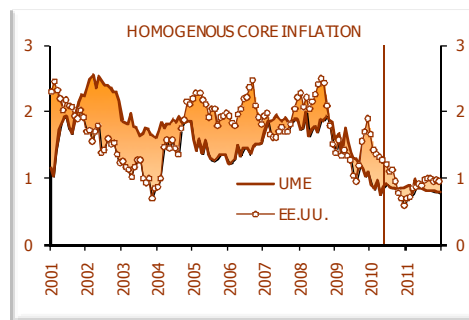
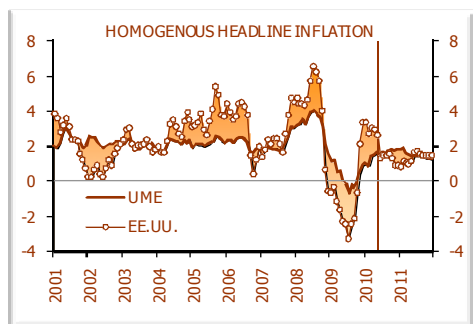
ECONOMICALLY ACTIVE POPULATION SURVEY				
	year-on-year rates			
	2008	2009	2010	2011
Employed	-0,5	-6,8	-2,3	0,0
Agriculture	-5,0	-4,0	-0,7	-2,9
Industry	-1,1	-13,3	-7,1	-2,0
Construction	-10,9	-23,0	-10,5	-2,1
Services	2,1	-2,5	-0,2	0,9
Active	3,0	0,8	-0,2	0,1
Unemployment rate	11,3	18,0	19,7	19,7

Source: UNCTAD



V. SUMMARY OF FORECASTS FOR DIFFERENT AREAS

HOMOGENOUS INFLATION IN THE EURO AREA AND U.S.										
Annual average rates										
	Weights 2009	2003	2004	2005	2006	2007	2008	2009	Forecasts	
									2010	2011
TOTAL										
less Owner's equivalent rent of primary residence										
Euro area	100,0	2,1	2,1	2,2	2,2	2,1	3,3	0,3	1,5	1,5
U.S.	76,4	2,2	2,8	3,7	3,1	2,7	4,3	-1,0	2,0	1,3
HOMOGENOUS CORE INFLATION										
- Non-energy industrial goods and Services, less Processed Food in the Euro area.										
- Non-energy industrial goods less Tobacco in U.S.										
- Services less Owner's equivalent rent of primary residence in U.S.										
Euro area	71,1	1,8	1,8	1,4	1,4	1,9	1,8	1,4	0,9	0,8
U.S.	53,2	1,1	1,6	2,1	2,1	1,8	2,1	1,4	1,1	0,9
COMPONENTS OF HOMOGENOUS CORE INFLATION										
Services less Owner's equivalent rent of primary residence										
Euro area	41,4	2,5	2,6	2,3	2,0	2,5	2,6	2,0	1,4	1,4
U.S.	32,8	3,3	3,6	3,1	3,3	3,4	3,6	2,0	1,5	1,7
Non-energy industrial goods less Tobacco										
Euro area	29,7	0,8	0,8	0,3	0,6	1,0	0,8	0,6	0,1	0,1
U.S.	20,4	-2,1	-1,0	0,3	0,1	-0,7	-0,1	0,5	0,5	-0,4
EXCLUDED COMPONENTS FROM HOMOGENOUS CORE INFLATION										
Food less Tobacco										
Euro area	17,1	2,1	1,0	0,6	2,1	2,6	5,3	0,2	0,3	1,4
U.S.	13,7	2,1	3,4	2,4	2,3	4,0	5,5	1,8	0,7	1,5
Energy										
Euro area	9,6	3,0	4,5	10,1	7,7	2,6	10,3	-8,1	7,9	5,3
U.S.	8,6	12,2	10,9	16,9	11,2	5,5	13,9	-18,4	8,7	3,3



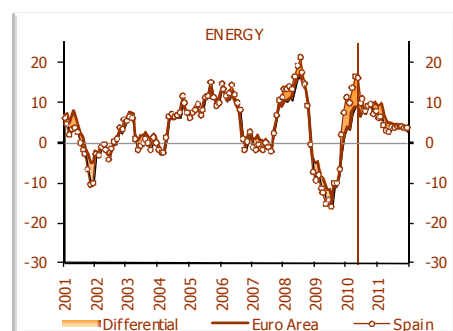
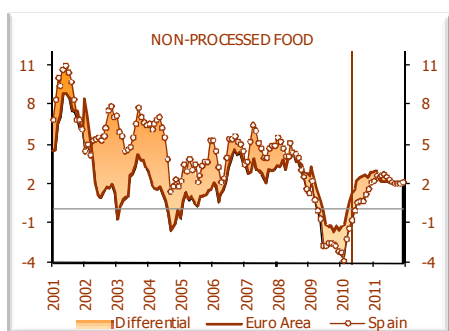
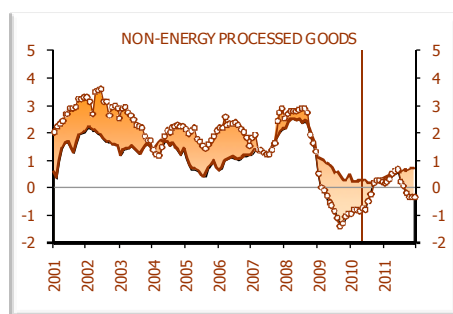
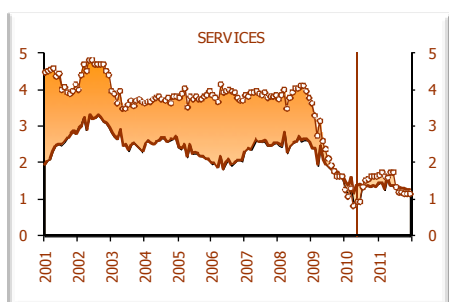
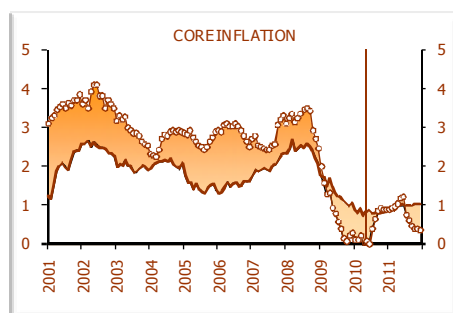
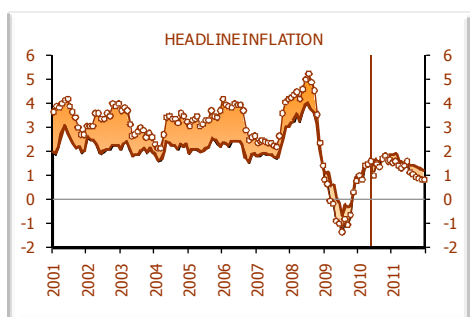
1. Excluding owner's equivalent rent of primary residence. 2. This homogeneous measure of core inflation does not coincide with the usual measure of core inflation for the euro area nor for the USA. It has been constructed in order to compare the data in the euro area and in the USA.

Source: EUROSTAT, BLS & IFL (UC3M)

Date: May 18, 2010



INFLATION IN SPAIN AND IN THE EURO AREA											
Annual average rates											
	Weights 2009	2003	2004	2005	2006	2007	2008	2009	Forecasts		
									2010	2011	
TOTAL											
Spain	100,0	3,0	3,0	3,4	3,5	2,8	4,1	-0,3	1,4	1,2	
Euro area	100,0	2,1	2,1	2,2	2,2	2,1	3,3	0,3	1,5	1,5	
CORE INFLATION											
Services and Non-energy industrial goods											
Spain	82,5	2,9	2,7	2,7	2,9	2,7	3,2	0,8	0,4	0,8	
Euro area	83,0	2,0	2,1	1,5	1,5	2,0	2,4	1,3	0,8	1,0	
COMPONENTS OF CORE INFLATION											
Processed food											
Spain	13,4	3,0	3,6	3,4	3,6	3,7	6,5	0,9	0,0	0,5	
Euro area	11,9	3,3	3,4	2,0	2,1	2,8	6,1	1,1	0,6	1,8	
Non-energy industrial goods											
Spain	30,1	2,0	0,9	0,9	1,4	0,7	0,3	-1,3	-0,6	0,0	
Euro area	29,7	0,8	0,8	0,3	0,6	1,0	0,8	0,6	0,1	0,1	
Services											
Spain	38,9	3,7	3,7	3,8	3,9	3,9	3,9	2,4	1,3	1,4	
Euro area	41,4	2,5	2,6	2,3	2,0	2,5	2,6	2,0	1,4	1,4	
COMPONENTS OF RESIDUAL INFLATION											
Non-processed food											
Spain	7,2	6,0	4,6	3,3	4,4	4,7	4,0	-1,3	-0,4	2,3	
Euro area	7,5	2,1	0,6	0,8	2,8	3,0	3,5	0,2	1,4	2,3	
Energy											
Spain	10,3	1,4	4,8	9,6	8,0	1,7	11,9	-9,0	10,8	4,2	
Euro area	9,6	3,0	4,5	10,1	7,7	2,6	10,3	-8,1	7,9	5,3	



Source: EUROSTAT, BLS & IFL (UC3M)
Date: May 18, 2010



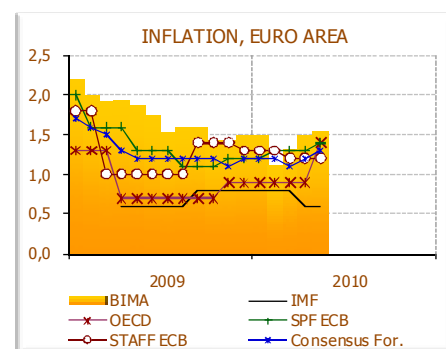
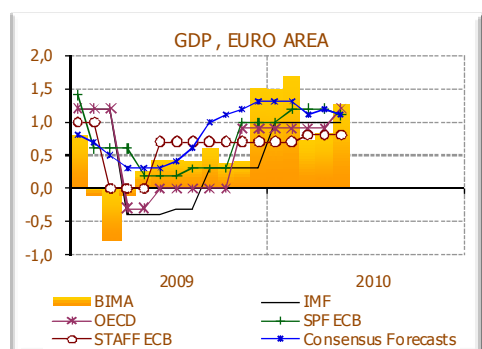
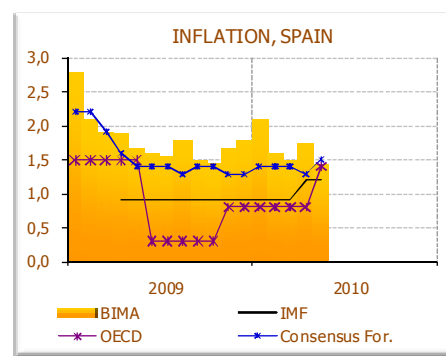
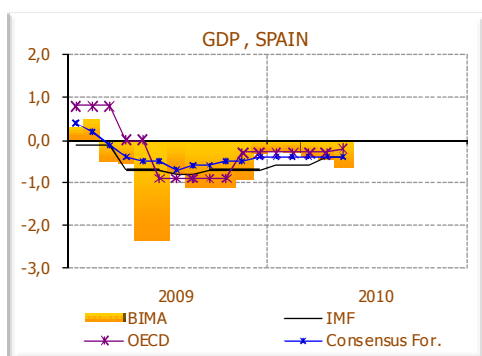
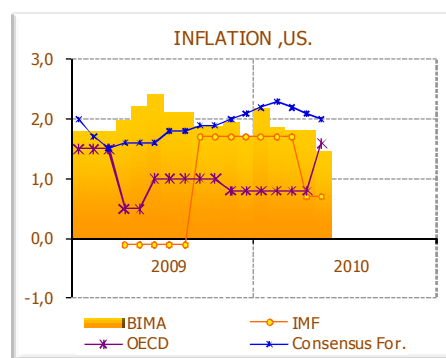
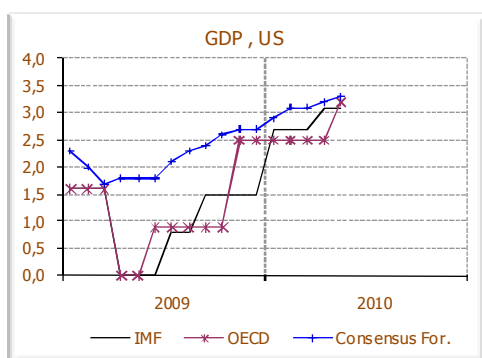
VI. FORECASTS OF DIFFERENT INSTITUTIONS

FORECASTS FOR DIFFERENT INSTITUTIONS															
Annual average rates															
		UNITED STATES				SPAIN				EURO AREA					
		Consensus Forecasts ¹	BIMA ²	IMF ³	OECD ⁴	Consensus Forecasts	BIMA	IMF	OECD	Consensus Forecasts	BIMA	IMF	ECB SPF ⁵	ECB Staff ⁶	OECD ⁴
GDP	2010	3,3	-	3,1	3,2	-0,4	-0,7	-0,4	-0,2	1,1	1,3	1,0	1,1	0,8	1,2
	2011	3,1	-	2,6	3,2	1,0	0,6	0,9	0,9	1,5	1,9	1,5	1,5	1,5	1,8
CPI	2010	2,0	1,5	0,7	1,6	1,5	1,4	1,2	1,4	1,3	1,5	0,6	1,4	1,2	1,4
	2011	1,9	1,0	1,5	1,0	1,6	1,2	1,0	0,6	1,4	1,5	1,1	1,5	1,5	1,0

1. Consensus Forecasts, May, 2010.
2. BIMA. Bulletin of EU & US Inflation and Macroeconomic Analysis, May, 2010.
3. FMI. World Economic Outlook. GDP: April, 2010.
4. OCDE. Euro area and US: Interim Economic Outlook, May, 2010
5. BCE SPF, "Survey of Professional Forecasters", May, 2010.
6. BCE STAFF, staff macroeconomic projection for the Euro Area. March, 2010. Point forecast for interval.

EVOLUTION OF FORECASTS FOR 2009

Annual average rates




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INDICATORS CALENDAR

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					1	2
3 PCE (March)	4	5 Spain IPI (March)	6	7	8	9
10	11	12 Euro Area IPI (March)	13	14 Spain CPI (April)	15	16
17 USA CPI (April)	18 Euro Area HICP (April)	19 Spain GDP I Quarter	20	21	22	23
24	25	26	27	28 Spain HICP (A.D May) PCE (April)	29	30
31 Euro Area ESI Spain ESI (May)						

JUNE

	1	2	3	4 Spanish IPI (April)	5	6
7	8	9	10	11 Spanish CPI (May)	12	13
14 Euro Area IPI (April)	15	16 Euro Area HIC (May)	17 USA CPI (May)	18	19	20
21	22	23	24	25	26	27
28 USA PCE (April)	29 Spanish HICP (A.D June) Euro Area ESI Spanish ESI (June)	30 Euro Area HICP (A.D. June)				

* ESI: Economic Sentiment Indicator
 CPI: Consumer Prices Index
 HICP: Harmonised Index of Consumer Price
 QNA: Quarterly National Accounts
 PCE: The Personal Consumption Expenditure Price Index
 EAPS Economically Active Population Survey
 IPI: Industrial Production Index
 A.D.: Advanced Indicator



In Spain, since the beginning of 2008, only sectors related to public sector has maintained a positive job supply. The industry sector destroyed as much jobs as the residential construction.

**EMPLOYMENT SECTORIAL BALANCE
IN THE ACTUAL CRISIS PERIOD**
(quarterly I 2008 - quarterly I 2010)

	Δ thousands	Δ%
Sectors with the greatest employment lost		
Agriculture	-12,6	-25,3
Manufacturing	-712,2	-23,2
Residencial construction	-721,7	-49
Specialized construction Activities	-282,8	-27,7
Real Estate Services	-38	-31,4
Sectors with the greatest employment gain		
Air Conditioning, Gas and Electricity supply	6,5	9
Water supply	0,3	0.3.
Public Services and Defense	167,4	13,7
Education	54,2	4,7
Healthcare and Social Services	133,9	11,3
Artistic and Entertainment Activities	38,6	13,7

Source: INE & IFL (UC3M)

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