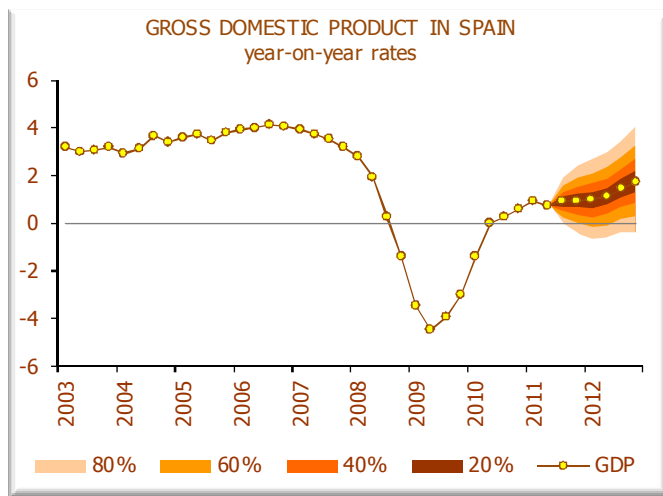


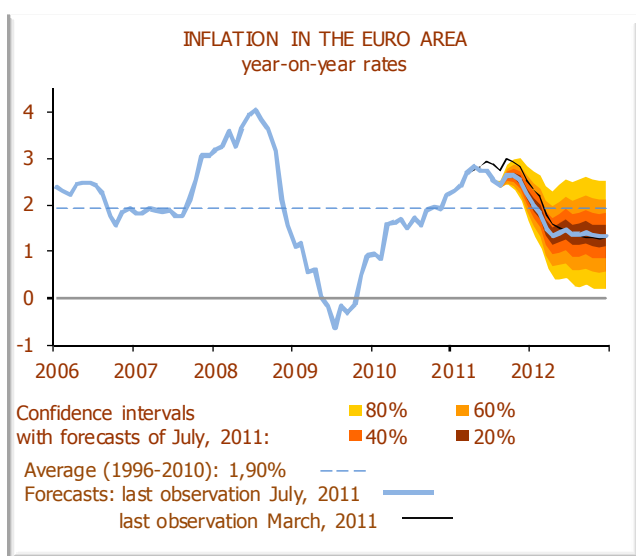


Market services are the protagonists of the upwards revision of two tenths of a point in the average GDP growth expected for Spain for 2011, which is now 0.9% (± 0.4)



Source: INE & BIAM (UC3M)
Date: August 31, 2011

Inflation expectations in the euro area improve in the short term, and the ECB will be more likely to take new action to solve the public debt crisis and economic sluggishness



Source: Eurostat & BIAM (UC3M)
Date: August 29, 2011

Economic situation Page 1

August was a good example of the markets' doubts concerning governments' ability to solve the public debt crisis that is increasingly affecting developed countries in the short term. This uncertainty is not only affecting the financial markets, taking gold to its highest ever level and reducing the return on German and US debt to a minimum, but also putting a large number of investment decisions on hold, which is slowing down the economies of most developed countries. In this context, moreover, inflation expectations are revised downwards, leaving way to new incentives by the monetary authorities. The ECB has paid out nearly 43,000 million euros in a new extraordinary 6-month financing operation for euro area banks. Furthermore, the likelihood of a new issue by the Federal Reserve has significantly increased in the last few weeks.

The Spanish Economy: Recent Evolution Page 32

As mentioned in previous months, all the leading indicators pointed to the second quarter registering slightly less growth than the first. That GDP growth would be lower was confirmed by the estimation of the quarterly national accounts published at the end of August. At the same time, in August, the financial shocks derived from the European debt crisis intensified, now directly affecting Spain and Italy.

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

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I. ECONOMIC OUTLOOK

August was a good example of the markets' doubts concerning governments' ability to solve the public debt crisis that is increasingly affecting developed countries in the short term. This uncertainty is not only affecting the financial markets, taking gold to its highest ever level and reducing the return on German and US debt to a minimum, but also putting a large number of investment decisions on hold, which is slowing down the economies of most developed countries. In this context, moreover, inflation expectations are revised downwards, leaving way to new incentives by the monetary authorities. The ECB has paid out nearly 43,000 million euros in a new extraordinary 6-month financing operation for euro area banks. Furthermore, the likelihood of a new issue by the Federal Reserve has significantly increased in the last few weeks.

With regards to the European public debt crisis, the lack of consensus concerning the practical details of the plan agreed upon by leaders on 21 July is delaying its application, giving rise to doubts about their ability to overcome the crisis together. If an agreement is not rapidly reached, the amount to be paid out every month by the ECB to counteract the selling orders on the secondary European public debt market will be much greater. At a time of economic sluggishness and low inflation, such an intervention involves few inflationist risks.

The reasons for delayed investment decisions and sluggish growth not only include fiscal and financial uncertainty, but also the highly negative expectations regarding private consumption, based on the high unemployment rate and private sector indebtedness. Indeed, the consumer confidence index in the euro area fell to -2.9 points in August.

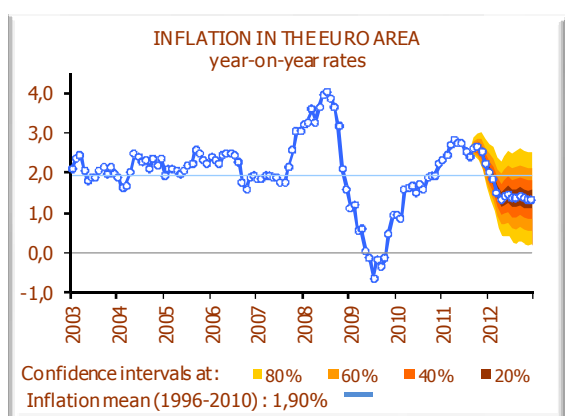
As we have mentioned in the Bulletin on several occasions, the economic crisis arose after the globalisation process, which required many

economies to apply reconversion plans, in general and on a company level, in order to be competitive. This was, and continues to be, particularly true for Spain, but no action was taken here. The leading indicators show no sign that economic growth will be greater in the short term. Indeed, for the euro area, the European Commission's Economic Sentiment Indicator (ESI) in August fell again to 98.3 points. Furthermore, the fact that the greatest reduction was found in Germany (more than 5 points) shows that even the most solid economies are sluggish. On the other hand, the euro area's manufacturing PMI fell in August to 49 points, the lowest since August 2009.

Inflationist fear should never have been serious, as not only our forecasts but also ECB expectations showed that inflation would be below the 2% mark in 2012. The emphasis, however, was placed on the short term, current inflation rates and immediate expectations. Now that inflation was more than 2%-2.5% in July and is expected to be the same in August, but is already falling, a few months sooner than we expected just two months ago, the ECB has not only been forced to intervene to contain the public debt crisis, but also to attempt to revert the economic deceleration process. It therefore paid out nearly 50,000 million in a new extraordinary 6-month financing operation for euro area banks, in order to reactivate the flow of credit to households and non-financial firms. The credit figures for next month will start to show the effects of that intervention.

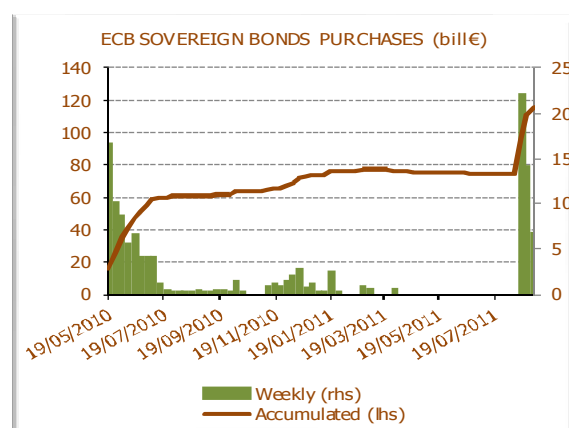
As for credit in Spain, Spanish banks continue to find it difficult to find financing on the primary market. They are therefore forced to use ECB financing and increase the intensity of the liability war aimed at private investors. Credit thus continues to reach households with much difficulty. The system's default rate, however, changed its

Graph I.1



Source: EUROSTAT & BIAM(UC3M)
Date: August 29, 2011

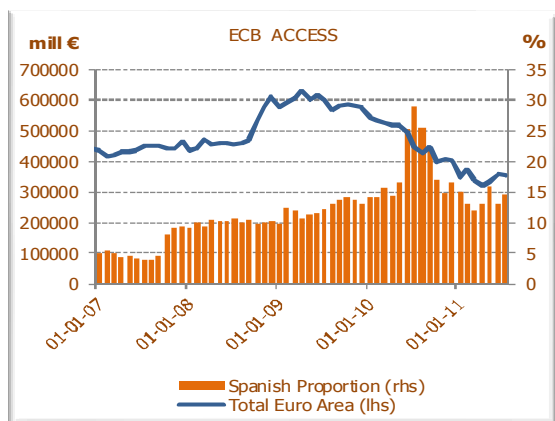
Graph I.2



Source: EUROSTAT & BIAM (UC3M)
Date: August 3, 2011



Graph I.3



Source: Eurostat & BIAM (UC3M)
Date: August 3, 2011

growing trend and fell to 6.39% in June.

Credit to non-financial firms also fell in July for the tenth consecutive months and is now back to August 2008 levels. The deleveraging process affecting firms does not appear to be having a negative impact on the rate at which Spanish enterprises are created and dissolved. Graph I.4 shows the mobile mean value of the year-on-year variation in the rate at which companies are created and destroyed in Spain. We can see that the deceleration affecting the rate at which firms were created during the crisis has changed significantly in the last few months. Likewise, there is also significant deceleration in the rate at which firms have closed down in the country.

In this context, our Spanish GDP growth forecasts have been revised this month. According to the INE, the Spanish economy grew by a year-on-year rate of 0.7% in the second quarter, two tenths of a point more than our previous forecasts. The INE also revised the first quarter's growth upwards to 0.9%.

According to our forecasts, expected Spanish GDP growth for 2011 has increased to 0.9% (± 0.4) thanks to greater expected growth of final consumer spending (both public and private) and there has been an improvement in growth expectations for market services and construction from a productive perspective. For 2012, our growth forecasts remain stable at 1.3% (± 1.0), with the greater than previously forecast gross capital formation counteracting the contribution expected from foreign demand.

On the demand side, our expectations for private consumption in Spain were accurate. The latest retail trade figures for July show a year-on-year rate of decline of 3.9% after correcting for calendar, less negative than expected. With no significant

improvement on the Spanish labour market, the latest trade figures seem to show that the employed population could be resuming their consumption decisions more intensely than forecast.

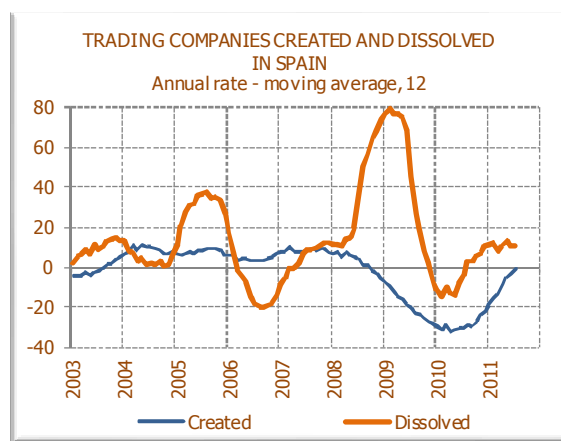
The forecast for average public consumption growth in 2011 also improved slightly due to the heavy upwards revision of the first quarter. We continue to discount important efforts by the State to meet its deficit target for the year. While the cumulative deficit up to April was 53% less than the same period of 2010, the cut in July was only 12%. In any event, the forecast for 2012 has been revised downwards by 6 tenths of a point to -0.6%.

On the other hand, the downwards revision of the average growth of investment forecast for 2011 was not enough to counteract our expectations regarding final consumption expenditure.

Foreign demand's expected contribution fell slightly for 2011 and more considerably for 2012. Although expected import growth fell this month, exports were more intensely revised, for two reasons: firstly, because of the sluggishness of euro area private consumption and activity and, secondly, because of the high level at which the euro has remained for four months now. Indeed, the reduction in export growth in the last few months was intense, going from 32% in January to 11% in June.

On the supply side, the downwards revision of the growth expectations for the GVA of agriculture and energy was counteracted by the revision of the other components, especially market and non-market services. The latter's upwards revision only applies to the average for 2011 and is largely due to our improved public consumption forecast for the year. With regards to market services, the continuing conflict in northern Africa continues to be one of the main reasons for Spain's good tourist

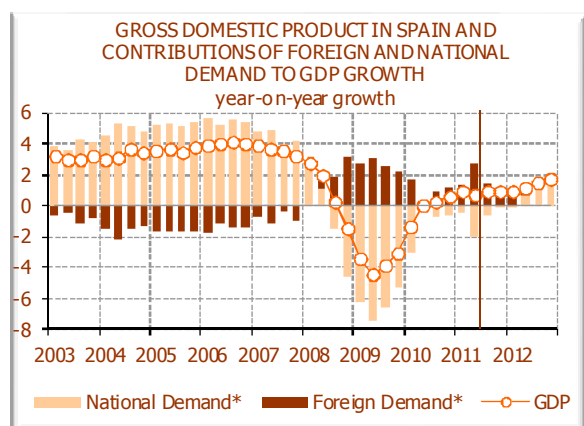
Graph I.4



Source: INE
Date: August 17, 2011



Graph I.5



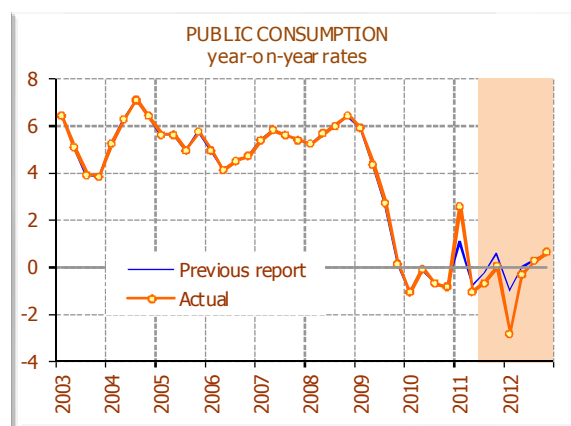
Source: INE & BIAM(UC3M)
Date: August 31, 2011

figures this summer.

Finally, this month we have also revised our forecast quarterly and annual GDP growth rates for all the autonomous regions. They have been estimated by *Instituto Flores de Lemus* since April using an econometric procedure which, using specific indicators for each region, subjects our forecasts to two criteria: a time-related criterion in which the aggregation of the quarterly figures gives rise to the annual figure, and another in which the quarterly GDP growth figures of the different regions result in the respective figure for the Spanish economy. These forecasts can be received on demand, as shown on the subscription form at the end of this Bulletin.

These forecasts could be of special interest, in view of the frequency with which the budgetary and financial status of the regions is analysed, and given that future perspectives regarding debt and deficits require thorough, independent regional economic growth forecasts. Indeed, now that the public accounts of the autonomous regions are one of the main sources of uncertainty for the international markets, objective, independent, thorough forecasts could be of interest in view of the potential impact that the recently approved reform of the Spanish Constitution could have on the regions' public accounts, so that their fluctuations have a closer correlation to the growth of their respective economies.

Graph I.6

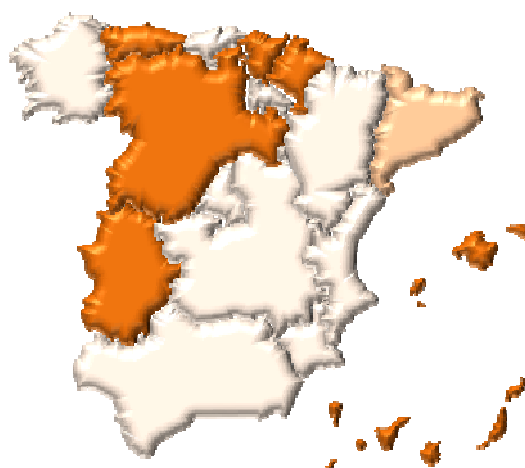


Source: INE & BIAM(UC3M)
Date: August 31, 2011

Graph I.7

GDP GROWTH BY REGIONS IN SPAIN

Forecasts for average annual rate for 2011



Related
Spain

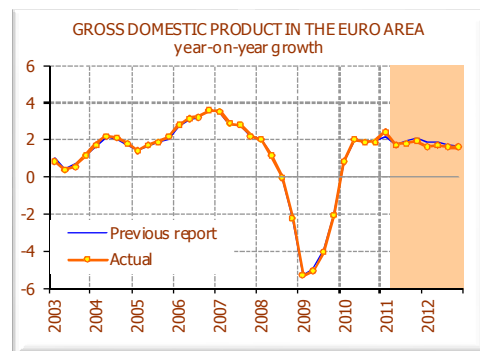
Greater Equal Less

Source: INE & BIAM(UC3M)
Date: August 31, 2011

II. THE ECONOMY IN THE EURO AREA

The expected euro area GDP growth remains unchanged this month: 2% (± 0.7) for 2011 and 1.6% (± 1.0) for 2012.

Heavy downwards innovations in manufactured goods and unprocessed food have reduced the total HICP forecast to 2.6% (± 0.13) and 1.5% (± 0.91) for 2011 and 2012, respectively.



MAIN VARIABLES AND INDICATORS IN THE EURO AREA						
Average annual rates						
	2007	2008	2009	2010	Forecasts	
					2011	2012
GDP mp.¹	2.9	0.2	-4.1	1.7	2 (± 0.6)	1.6 (± 1.4)
Demand						
Private final consumption	1.6	0.3	-1.2	0.8	1.1	1.2
Public final consumption	2.2	2.3	2.5	0.7	0.6	0.6
Gross capital formation	5.5	-1.8	-14.9	2.2	4.7	2.7
Contribution domestic demand	2.6	0.2	-3.0	1.0	1.7	1.3
Exports of goods and services	6.2	0.7	-13.1	11.1	7.1	6.7
Imports of goods and services	5.7	0.6	-11.8	9.4	6.5	6.1
Contribution foreign demand	0.3	0.0	-0.6	0.8	0.3	0.3
Supply GVA						
Total	3.0	0.5	-4.2	1.7	1.9	1.6
Agriculture	1.2	1.4	2.8	0.0	0.7	-0.7
Industry	3.2	-2.7	-13.1	6.0	3.9	2.5
Construction	2.4	-1.9	-6.1	-4.1	-0.1	-1.1
Trade services	3.7	1.3	-5.2	2.3	2.1	1.7
Financial services	4.0	1.5	-1.6	0.9	2.1	2.4
Public services	1.6	1.8	1.3	0.8	0.7	0.8
Prices (HICP²)						
Total	2.1	3.3	0.3	1.6	2.6 (± 0.13)	1.5 (± 0.91)
Core	2.0	2.4	1.3	1.0	1.6 (± 0.09)	1.5 (± 0.52)
Processed food	2.8	6.1	1.1	0.9	3.1	2.9
Non-energy industrial goods	1.0	0.8	0.6	0.5	0.5	0.5
Services	2.5	2.6	2.0	1.4	1.9	1.9
Residual	2.8	7.3	-4.5	4.7	7.2	1.2
Non-processed food	3.0	3.5	0.2	1.3	1.6	0.6
Energy	2.6	10.3	-8.1	7.4	11.2	1.6
Labour market³						
Unemployment rate	7.5	7.5	9.4	10.1	9.8	9.5
Industrial production index (excluding construction)⁴						
Total	3.9	-1.6	-14.8	7.5	4.4 (± 1.2)	3.1 (± 2.2)
Consumer goods	2.4	-1.9	-4.9	3.3	1.9	1.3
Durables	1.3	-5.2	-17.3	2.6	0.9	-2.4
Non-durables	2.6	-1.3	-2.9	3.4	2.1	1.8
Equipment	6.8	0.1	-20.8	9.4	9.0	7.5
Intermediate	4.0	-3.4	-19.0	10.1	5.5	2.1
Energy	-0.7	0.2	-5.4	3.8	-4.4	-1.3

The figures in the shaded area are forecasts.

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

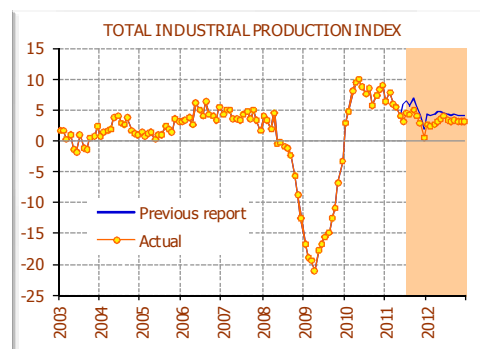
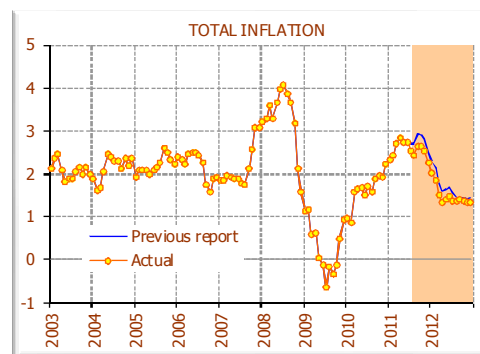
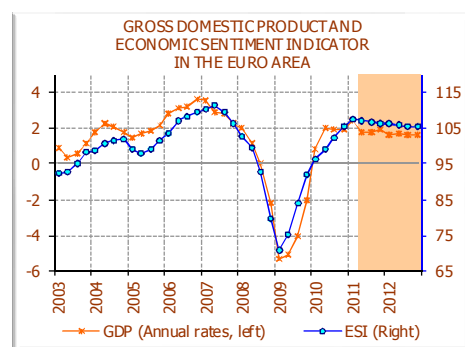
Source: EUROSTAT & BIAM (UC3M)

Date: (1) June 27, 2011

(2) August 29, 2011

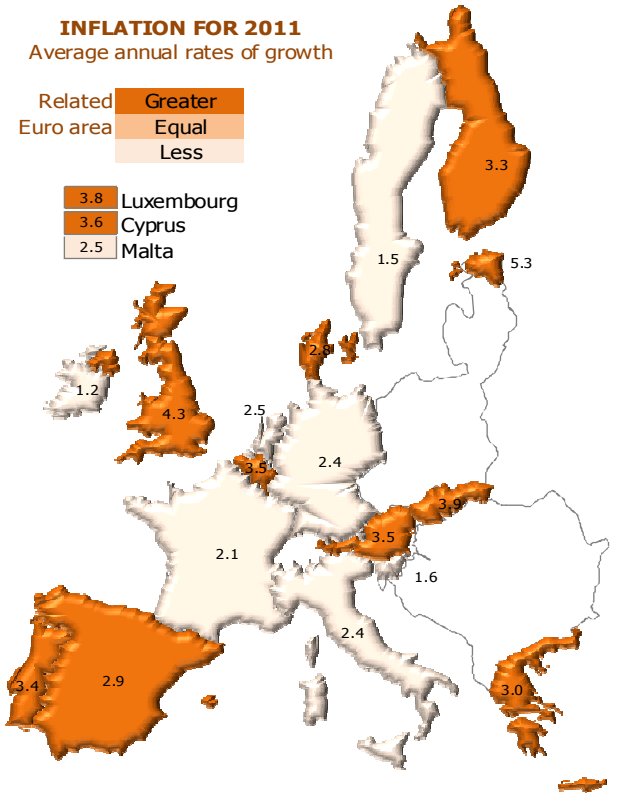
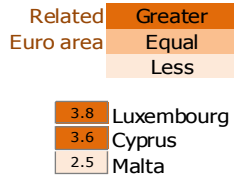
(3) June 22, 2011

(4) August 5, 2011

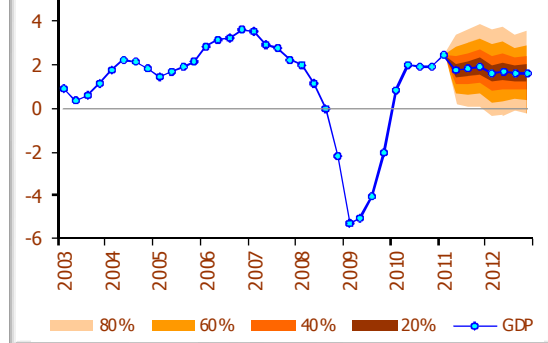


INFLATION FOR 2011

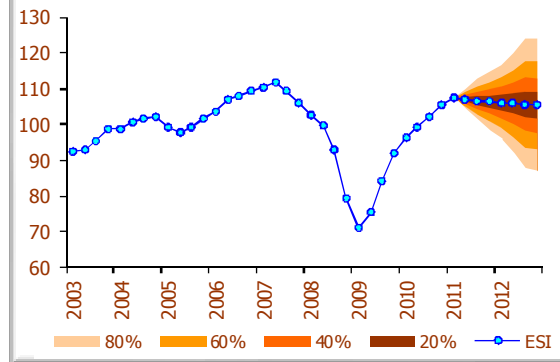
Average annual rates of growth



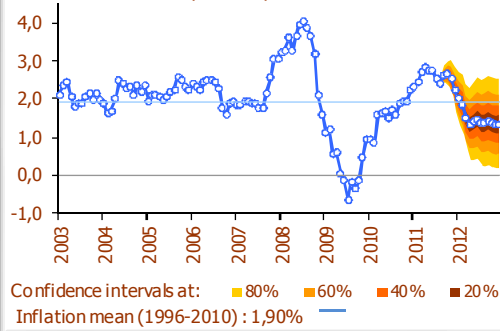
GROSS DOMESTIC PRODUCT IN THE EURO AREA



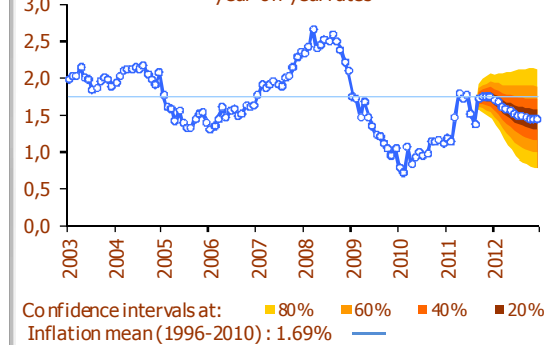
ECONOMIC SENTIMENT INDICATOR IN THE EURO AREA



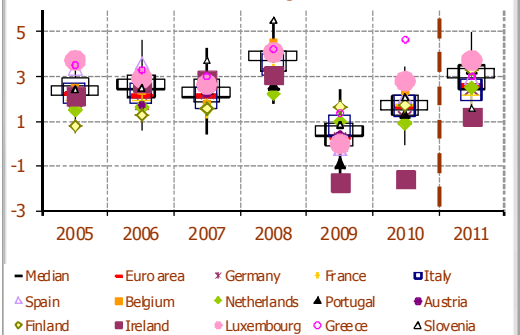
INFLATION IN THE EURO AREA year-on-year rates



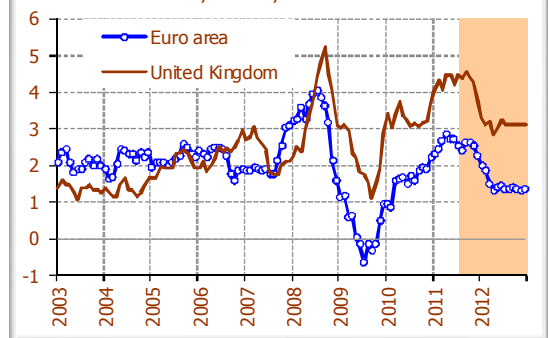
CORE INFLATION IN THE EURO AREA year-on-year rates



BOX DIAGRAM OF INFLATION IN THE COUNTRIES OF THE EURO AREA Annual average rate



HARMONIZED INDEX OF CONSUMER PRICES year-on-year rates



II.1. MACROECONOMIC FORECASTS.

In the first quarter of this year, the euro area economy registered strong growth with a quarter-on-quarter GDP growth rate of 0.8%, representing a considerable upwards innovation, particularly in Germany, with a year-on-year rate of nearly 5%. However, as we mentioned in the last two months' reports, most economic activity and confidence indicators showed less euro area growth in the second quarter. This was confirmed by the recent publication by Eurostat of aggregate GDP growth.

The estimation of the euro area GDP in the second quarter is a quarter-on-quarter rate of 0.2%, compared with 0.8% in the first, so the year-on-year rate of variation fell to 1.7% from 2.5%. As in the first quarter, when heavy euro area growth was due to Germany, the decrease in the second was due to the same country, which registered a quarter-on-quarter rate of 0.1%, after 1.3% in the first three months of the year. Also significant was the stagnation found in the French economy.

The disaggregate information is not yet available and our forecasts will not be updated until it is published. For the time being, then, our previous forecasts continue to be valid: 2% and 1.6% average annual GDP growth in 2011 and 2012, respectively. Nonetheless, in view of the second quarter GDP and the partial figures available for the third with regards to both activity and confidence indicators, added to recent growth expectations for the US and China, the forecasts will probably be revised downwards.

It is evident that the financial instability derived from the Greek crisis, which has had an impact on the Spanish and Italian debt markets, is transmitting pessimism to the euro area that has started to affect its economic activity, especially the central countries (Germany and France), which seemed to be immune to the crisis until a few months ago. Until recently, the crisis was referred to as affecting peripheral countries (Greece, Portugal, Spain, Italy and Ireland), with the German and French economies remaining untouched.

As in the three previous months, euro area industrial production continued to weaken in June. The month's Industrial Production Index

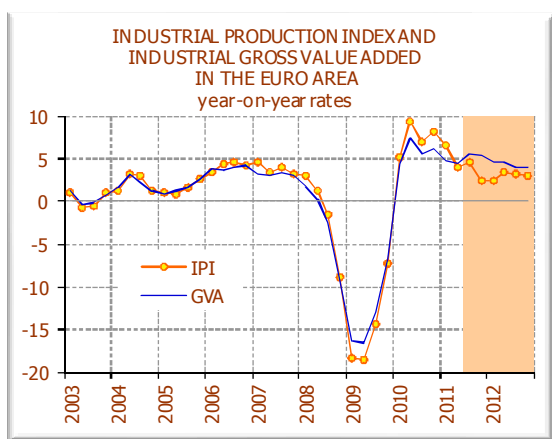
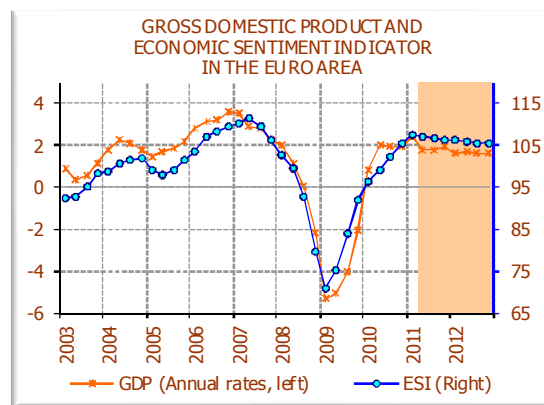
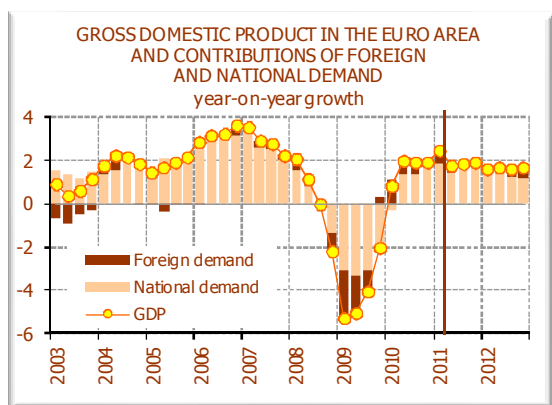
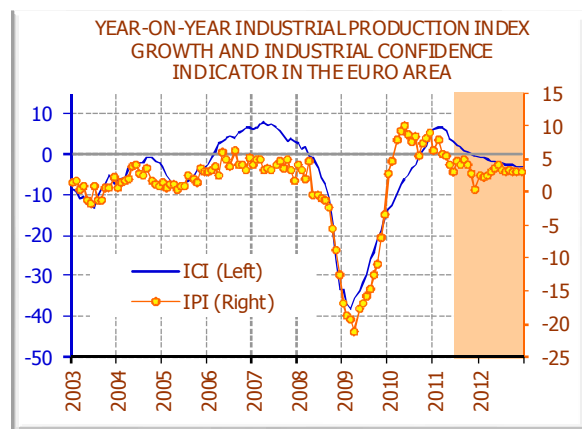
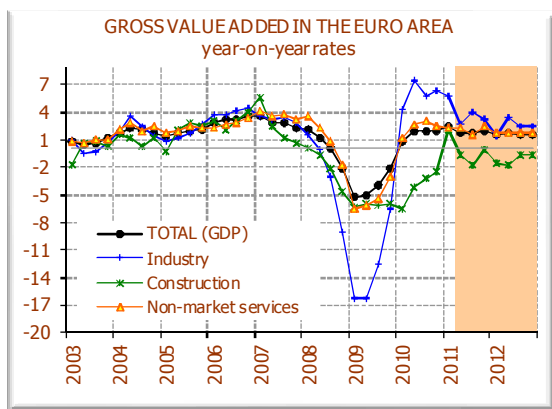
(IPI) showed a month-on-month decrease of 0.7%; in year-on-year terms, its growth rate was 3%, compared with 4% in May, considerably lower than our forecast. By component, capital goods registered a high year-on-year rate (7%), despite deceleration, with energy and durable consumer goods falling by 5.1% and 2.7%, respectively.

Our forecasts for this index have been updated with the latest data. The result is a downwards revision for 2011, forecasting a 4.4% average annual growth rate, 1.1 pp less than the previous estimate. For next year the forecast has also fallen by 1.1 pp to 3.1%. This reduction affects all major components, particularly durable consumer and intermediate goods.

The euro area Economic Sentiment Indicator (ESI) edited by the European Commission decreased in August, as in the previous two months. The ESI decreased in August by 4.7 points (after a 2.4 point reduction in July) to a total of 98.3. All sectors were affected except construction, which registered some growth. There was an important decrease in Germany (5.7 points) and the UK (5.6 points), and much less in Italy (0.7 points).

With regards to the euro area labour market, according to Eurostat the latest employment figures refer to the first quarter of this year, estimating 0.1% quarter-on-quarter growth, following the previous quarter's 0.2%. In turn, hours worked grew by 0.3%, showing that employment has been adjusted in the crisis largely at the cost of less working hours rather than in terms of employment. This is why, in this first recovery phase, hours worked are increasing more than employment. In July, the euro area unemployment rate relative to the active population remained at 10% for the third consecutive month, two tenths of a point less than a year earlier. We expect the unemployment rate to continue to fall in the next few months, albeit very gradually.





INDUSTRIAL PRODUCTION INDEX IN THE EURO AREA Average year-on-year rates					
	2008	2009	2010	2011	2012
Consumer goods					
Durable	-5,2	-17,3	2,6	0,9	-2,4
Non-durable	-1,3	-2,9	3,4	2,1	1,8
Capital	0,1	-20,8	9,4	9,0	7,5
Intermediate	-3,4	-19,0	10,1	5,5	2,1
Energy	0,2	-5,4	3,8	-4,4	-1,3
Total	-1,6	-14,8	7,5	4.4 (±1.2)	3.1 (±2.2)
Annual growth of GVA industrial sector	-2,4	-13,3	5,9	5,1	4,3

Source: EUROSTAT & BIAM (UC3M)

Date: August 5, 2011

Source: EUROSTAT & BIAM (UC3M)

Date: August 5, 2011



GROSS DOMESTIC PRODUCT IN THE EURO AREA: DEMAND

GROSS DOMESTIC PRODUCT AND COMPONENTS IN THE EURO AREA										
Annual average and 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							
ANNUAL AVERAGE	2006	2,1	2,2	6,5	3,0	8,9	8,6	0,2	3,2	
	2007	1,6	2,2	5,5	2,6	6,2	5,7	0,3	2,9	
	2008	0,3	2,3	-1,8	0,2	0,7	0,6	0,0	0,2	
	2009	-1,2	2,5	-14,9	-3,0	-13,1	-11,8	-0,6	-4,1	
	2010	0,8	0,7	2,2	1,0	11,1	9,4	0,8	1,7	
	2011	1,1	0,6	4,7	1,7	7,1	6,5	0,3	2 (±0,6)	
	2012	1,2	0,6	2,7	1,3	6,7	6,1	0,3	1.6 (±1.4)	
ANNUAL RATES*	2010	QI	0,5	1,1	-4,0	-0,3	7,4	4,2	1,1	0,8
		QII	0,6	0,7	4,3	1,3	13,2	11,5	0,7	2,0
		QIII	0,9	0,4	3,9	1,3	12,2	10,8	0,6	1,9
		QIV	1,1	0,7	4,8	1,7	11,5	11,0	0,2	1,9
	2011	QI	1,0	0,8	5,8	1,9	9,8	8,7	0,6	2,4
		QII	1,1	0,7	3,2	1,4	6,6	5,8	0,3	1,7
		QIII	1,3	0,5	4,2	1,6	6,1	5,6	0,2	1,8
		QIV	1,2	0,4	5,4	1,8	6,1	5,9	0,1	1,9
	2012	QI	1,2	0,5	3,3	1,4	6,1	5,7	0,2	1,6
		QII	1,2	0,5	3,1	1,4	6,5	6,0	0,3	1,7
		QIII	1,1	0,5	2,4	1,2	7,0	6,4	0,4	1,6
		QIV	1,1	0,6	2,1	1,2	7,1	6,4	0,5	1,6

GROSS DOMESTIC PRODUCT AND COMPONENTS IN THE EURO AREA										
Annual average 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	
		Private	Public							
ANNUAL AVERAGE	2006	2,1	2,2	6,5	3,0	8,9	8,6	0,2	3,2	
	2007	1,6	2,2	5,5	2,6	6,2	5,7	0,3	2,9	
	2008	0,3	2,3	-1,8	0,2	0,7	0,6	0,0	0,2	
	2009	-1,2	2,5	-14,9	-3,0	-13,1	-11,8	-0,6	-4,1	
	2010	0,8	0,7	2,2	1,0	11,1	9,4	0,8	1,7	
	2011	1,1	0,6	4,7	1,7	7,1	6,5	0,3	2 (±0.6)	
	2012	1,2	0,6	2,7	1,3	6,7	6,1	0,3	1.6 (±1.4)	
QUARTERLY RATES*	2010	QI	0,4	0,0	1,4	0,5	3,5	4,0	-0,2	0,3
		QII	0,2	0,2	3,5	0,8	4,2	4,0	0,2	1,0
		QIII	0,2	0,3	0,3	0,2	1,7	1,3	0,1	0,4
		QIV	0,4	0,2	-0,5	0,1	1,7	1,3	0,1	0,3
	2011	QI	0,3	0,1	2,4	0,6	1,9	1,8	0,2	0,8
		QII	0,3	0,1	1,0	0,4	1,3	1,2	-0,1	0,3
		QIII	0,3	0,1	1,3	0,4	1,1	1,1	0,0	0,4
		QIV	0,3	0,1	0,6	0,3	1,7	1,6	0,1	0,4
	2012	QI	0,3	0,3	0,4	0,3	1,8	1,7	0,2	0,5
		QII	0,3	0,1	0,8	0,3	1,6	1,5	0,1	0,4
		QIII	0,3	0,1	0,6	0,3	1,6	1,5	0,1	0,4
		QIV	0,3	0,2	0,3	0,3	1,8	1,6	0,1	0,4

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 & BIAM (UC3M)

Date: June 27, 2011



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	2006	-0,1	4,0	3,0	2,8	4,3	1,8	3,2	3,2	
	2007	1,2	3,2	2,4	3,7	4,0	1,6	3,0	2,9	
	2008	1,4	-2,7	-1,9	1,3	1,5	1,8	0,5	0,2	
	2009	2,8	-13,1	-6,1	-5,2	-1,6	1,3	-4,2	-4,1	
	2010	0,0	6,0	-4,1	2,3	0,9	0,8	1,7	1,7	
	2011	0,7	3,9	-0,1	2,1	2,1	0,7	1,9	2 (±0,6)	
	2012	-0,7	2,5	-1,1	1,7	2,4	0,8	1,6	1.6 (±1.4)	
ANNUAL RATES*	2010	QI	0,4	4,4	-6,6	1,3	0,3	1,1	1,0	0,8
		QII	-0,1	7,5	-4,1	2,6	0,5	0,9	2,0	2,0
		QIII	-0,9	5,8	-3,3	2,9	1,1	0,7	1,9	1,9
		QIV	0,7	6,3	-2,5	2,4	1,5	0,5	2,0	1,9
	2011	QI	0,6	5,8	2,2	2,3	1,5	0,7	2,2	2,4
		QII	1,3	2,6	-0,6	2,2	2,5	0,5	1,7	1,7
		QIII	1,3	4,0	-1,8	1,6	2,2	0,8	1,8	1,8
		QIV	-0,4	3,1	-0,2	2,4	2,4	0,8	1,9	1,9
	2012	QI	-1,4	1,4	-1,6	1,7	3,2	0,6	1,6	1,6
		QII	-1,1	3,4	-1,7	1,7	2,1	1,0	1,7	1,7
		QIII	-0,1	2,5	-0,6	1,8	2,2	0,7	1,6	1,6
		QIV	-0,2	2,5	-0,6	1,7	2,3	0,8	1,6	1,6

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	2006	-0,1	4,0	3,0	2,8	4,3	1,8	3,2	3,2	
	2007	1,2	3,2	2,4	3,7	4,0	1,6	3,0	2,9	
	2008	1,4	-2,7	-1,9	1,3	1,5	1,8	0,5	0,2	
	2009	2,8	-13,1	-6,1	-5,2	-1,6	1,3	-4,2	-4,1	
	2010	0,0	6,0	-4,1	2,3	0,9	0,8	1,7	1,7	
	2011	0,7	3,9	-0,1	2,1	2,1	0,7	1,9	2 (±0.6)	
	2012	-0,7	2,5	-1,1	1,7	2,4	0,8	1,6	1.6 (±1.4)	
QUARTERLY RATES*	2010	QI	0,7	2,4	-1,7	0,8	0,3	0,2	0,5	0,3
		QII	-0,8	2,0	0,9	1,1	0,3	0,3	0,8	1,0
		QIII	-0,5	0,7	-0,8	0,5	0,6	0,0	0,4	0,4
		QIV	1,3	1,1	-0,9	0,0	0,3	0,1	0,3	0,3
	2011	QI	0,6	1,9	3,0	0,7	0,2	0,3	0,8	0,8
		QII	-0,1	-1,1	-1,8	1,0	1,3	0,0	0,3	0,3
		QIII	-0,4	2,1	-2,0	0,0	0,3	0,3	0,4	0,4
		QIV	-0,4	0,2	0,7	0,7	0,5	0,1	0,4	0,4
	2012	QI	-0,5	0,2	1,5	0,0	1,1	0,1	0,5	0,5
		QII	0,2	0,8	-1,9	0,9	0,2	0,4	0,4	0,4
		QIII	0,6	1,2	-0,8	0,1	0,5	0,0	0,4	0,4
		QIV	-0,5	0,2	0,7	0,6	0,5	0,3	0,4	0,4

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 & BIAM (UC3M)

Date: June 27, 2011



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	2006	4,6	2,5	2,8	6,0	4,8	0,4	4,2	
	2007	1,3	2,6	2,4	6,8	4,0	-0,7	3,9	
	2008	-5,2	-1,3	-1,9	0,1	-3,4	0,2	-1,6	
	2009	-17,3	-2,9	-4,9	-20,8	-19,0	-5,4	-14,8	
	2010	2,6	3,4	3,3	9,4	10,1	3,8	7,5	
	2011	0,9	2,1	1,9	9,0	5,5	-4,4	4.4 (±1.2)	
	2012	-2,4	1,8	1,3	7,5	2,1	-1,3	3.1 (±2.2)	
ANNUAL RATES*	2010	QI	-0,2	3,8	3,3	3,1	8,9	3,3	5,2
		QII	4,9	3,7	3,9	9,8	14,3	5,3	9,4
		QIII	3,8	3,0	3,1	10,2	9,4	1,5	7,1
		QIV	2,0	3,0	2,9	14,3	7,9	4,8	8,1
	2011	QI	2,7	1,2	1,4	13,1	9,0	-2,3	6,6
		QII	0,9	2,5	2,3	9,3	4,3	-5,8	4,1
		QIII	1,2	2,1	2,0	8,5	5,2	-3,6	4,6
		QIV	-0,9	2,4	2,0	5,7	3,8	-6,3	2,5
	2012	QI	-1,9	1,9	1,4	7,2	2,2	-3,0	2,5
		QII	-2,3	1,6	1,2	7,7	2,3	0,3	3,5
		QIII	-2,7	1,8	1,3	7,6	2,0	-1,0	3,2
		QIV	-2,6	1,7	1,2	7,4	1,7	-1,1	3,0

INDUSTRIAL PRODUCTION INDEX IN THE EURO AREA							
year-on-year rates of growth							
	2006	2007	2008	2009	2010	2011	2012
January	3,0	4,1	4,1	-16,8	2,8	6,3	2,5
February	3,4	4,8	3,2	-18,9	4,8	7,9	2,4
March	3,8	4,8	2,0	-19,3	7,9	5,8	2,6
April	2,6	3,4	4,6	-21,1	9,4	5,4	3,0
May	6,1	3,6	-0,5	-17,7	10,0	4,0	3,5
June	4,9	3,4	-0,3	-16,8	8,7	3,0	4,1
July	3,9	4,2	-0,9	-15,7	7,6	4,6	3,3
August	6,3	4,6	-1,1	-14,8	8,5	4,2	3,0
September	4,1	3,6	-2,4	-12,6	5,6	4,8	3,2
October	4,1	4,9	-5,6	-10,9	7,3	4,1	3,0
November	3,2	3,3	-8,7	-6,8	8,2	2,7	3,0
December	5,3	1,7	-12,5	-3,4	9,0	0,5	3,0

Data adjusted for seasonality and working days effect

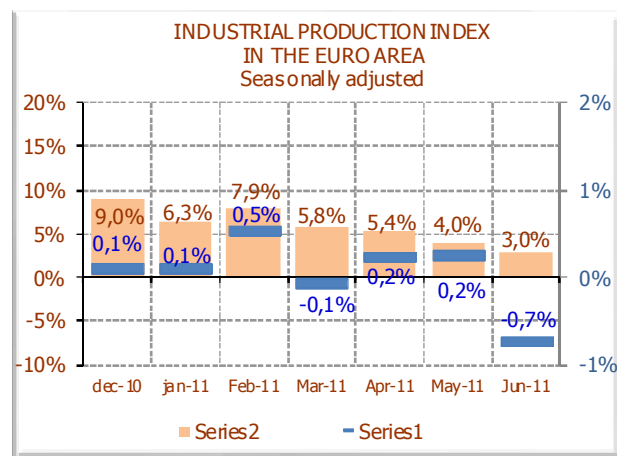
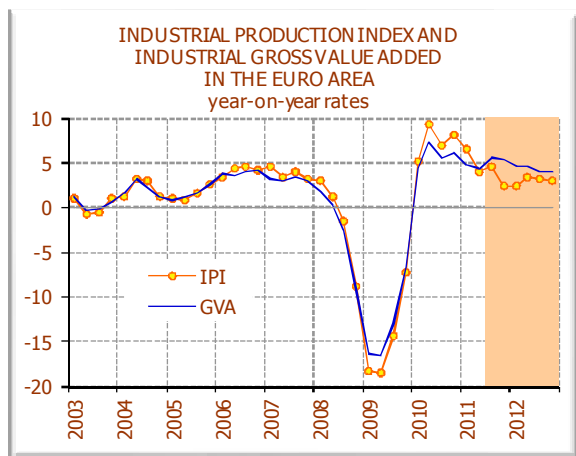
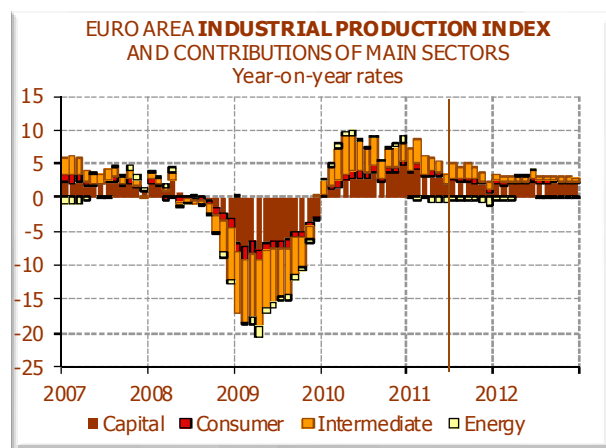
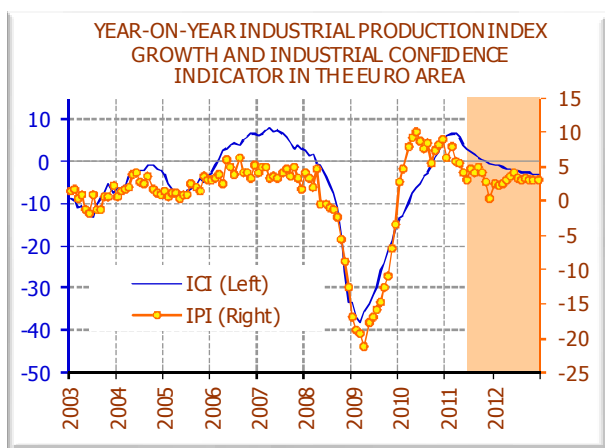
The figures in the shaded area are forecasts

*Year-on-year rates

Source: EUROSTAT & BIAM (UC3M)

Date: August 5, 2011





CONFIDENCE INDICATORS IN THE EURO AREA					
		jul-11	jun-11	Average 12 months	jan08 - last.obs
INDUSTRY	ICI	-2,9	0,9	3,1	
	PMI manufacturing	49,0	50,4	55,4	
	Employment	1,5	4,9	3,6	
	Sales prices	8,7	12,4	15,4	
	Production	6,0	10,0	14,8	
	Orderbooks	-9,1	-4,7	-6,3	
	Export Orderbooks	-9,4	-4,4	-6,0	
	New Orders Expectations ¹	3,4	18,5	20,1	
	Export Vol Expectations ¹	9,7	16,5	16,3	
	Capacity Utilization ¹	80,9	81,6	79,2	
GENERAL	Business Climate (ncve)	0,1	0,4	1,1	
	Economic Sentiment	98,3	103,0	105,4	
	Sentix - Sit Actual (ncve)	3,5	19,3	19,1	
	IFO	108,7	112,9	113,5	

1. Quarterly data, referred to aug-11 and may-11, respectively

Source: Datastream & BIAM (UC3M)

Date: August 1, 2011

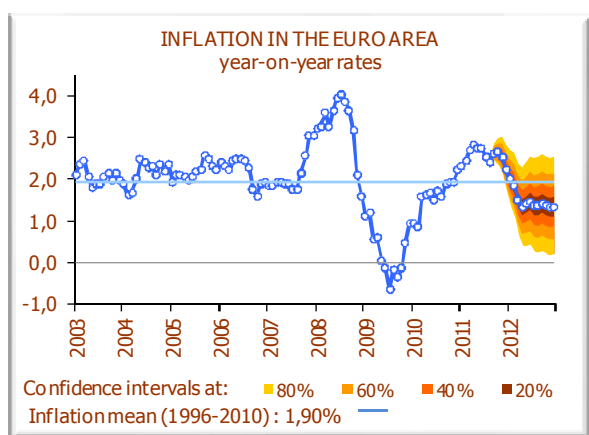


II.2. INFLATION

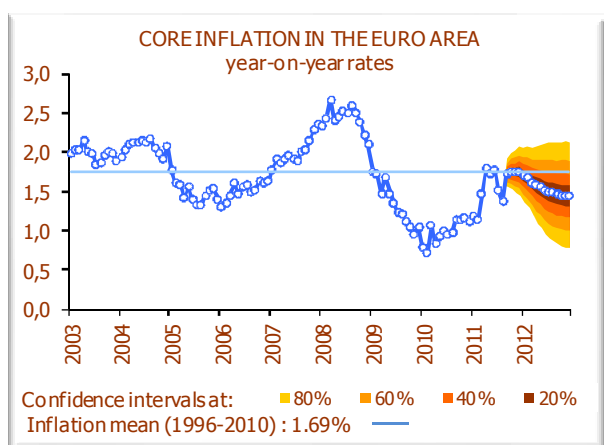
According to the final Eurostat estimation, in July the total HICP will be a year-on-year rate of 2.54% instead of the expected 2.71%. Core inflation was 1.51%, one tenth of a point less than our forecast. The mean inflation rate expected has now fallen for both 2011 and 2012 to 2.6% (± 0.13) and 1.5% (± 0.91). The core inflation forecast remains unaltered at 1.6% (± 0.09) for 2011, falling by one tenth of a point for 2012 to 1.5% (± 0.52).

By weight, manufactured goods registered the most important downwards innovation this month, falling by a monthly rate of 3.6%, 7 tenths of a point more than expected. The methodological change affecting seasonal products is increasing the seasonality of this series. The intensity of the change, however, is more important than expected. The reduced span of the series (from January 2010) is making it very difficult to estimate the magnitude of its increase in seasonality. This month's heavy downwards innovation has reduced our inflation forecasts for this variable, which are now at 0.5% for both 2011 and 2012.

Graph II.2.1



Graph II.2.2



Source: EUROSTAT & BIAM(UC3M)

Date: August 29, 2011

Services also registered a significant positive innovation, counteracting part of the negative movement in manufactured goods. What appeared to be a one-off surprise last month could be starting to confirm its structural nature. The extra number of tourists derived from the tension in northern Africa could be the reason behind this growth in service prices. Inflation in the group for 2011 and 2012 has been increased by 1 and 2 tenths of a point to 1.9%.

With regards to the residual component, inflation in unprocessed food also registered a heavy downwards surprise this month. Although the methodological change also affects this item, its lower prices appears to be more related to a reduction in inflation on the international food markets. When the FAO will publish the latest information in September, we will see whether this is confirmed.

In conclusion, although the methodological change affecting seasonality appears to be largely behind the moderation of inflation in July and August (forecast), our inflation forecasts show a real reduction in inflation that has reduced our expectations for 2011 and 2012. The probability of new rate increases before the end of the year, with moderation in prices and a stagnant economy, keeps decreasing.

Graph II.2.3

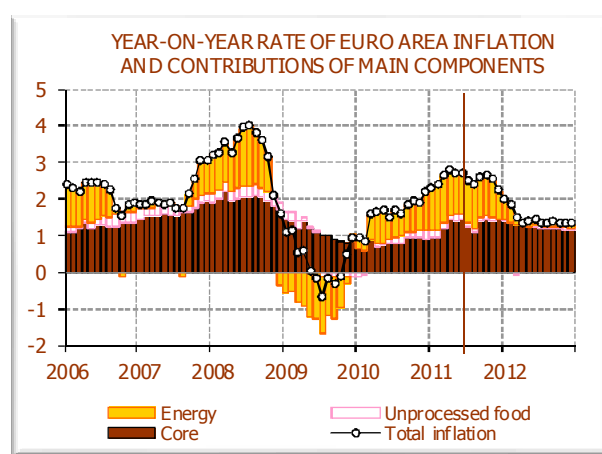


Table II.2.1

INFLATION IN THE EURO AREA						
HICP	Annual rates 2011		Annual average rates			
	July	August	2009	2010	2011	2012
Core 82.6%	1.5	1.4 (± 0.13)	1.3	1.0	1.6 (± 0.09)	1.5 (± 0.52)
Total 100%	2.5	2.4 (± 0.12)	0.3	1.6	2.6 (± 0.13)	1.5 (± 0.91)

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

(1) Year-on-year rate anterior

(2) Yearly average rate

Source: EUROSTAT & BIAM(UC3M)

Date: August 29, 2011



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

INFLATION IN THE EURO AREA Annual rates, July, 2011				
Harmonized Index of Consumer Prices HICP	Weights 2011	Observed	Forecasts	Confidence Intervals*
Processed Food	119,46	3,44	3,34	± 0.38
Tobacco	24,79	4,04	3,72	
Processed food excluding tobacco	94,67	3,29	3,25	
Non-energy Industrial goods	289,07	-0,02	0,67	± 0.21
Services	414,32	1,99	1,78	± 0.14
CORE	822,85	1,51	1,62	± 0.13
Non-processed food	73,52	1,31	2,46	± 0.72
Energy	103,88	11,82	11,73	± 0.86
RESIDUAL	177,40	7,38	7,81	± 0.57
TOTAL	1000	2,54	2,71	± 0.12

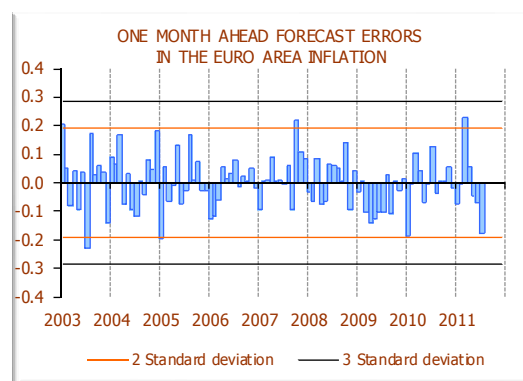
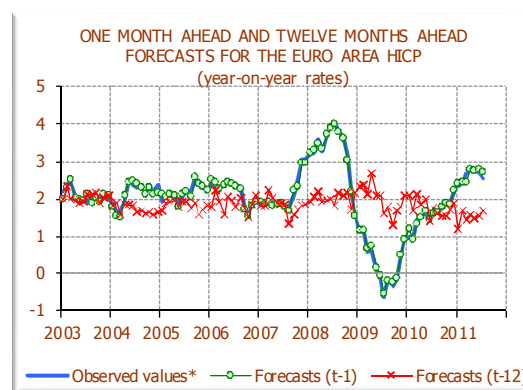
* Confidence intervals at 80% calculated with historical errors

According to the final Eurostat estimation, in July the year-on-year rate of total HICP was 2.54% instead of the expected 2.71%. Core inflation was 1.51%, one tenth of a point less than our forecast.

HARMONIZED INDICES OF CONSUMER PRICES BY COUNTRIES IN THE EURO AREA, UNITED KINGDOM, SWEDEN AND DENMARK Annual rates, July, 2011				
	Weights 2011 Euro area	Observed Monthly Rate	Forecast	Confidence Intervals at 80%
Germany	258,57	2,6	2,4	± 0.29
France	207,49	2,1	2,2	± 0.20
Italy	184,74	2,1	3,1	± 0.23
Spain	126,63	3,0	3,1	± 0.15
Netherlands	48,29	2,9	2,3	± 0.33
Belgium	32,99	4,0	4,0	± 0.32
Austria	31,77	3,8	3,8	± 0.37
Greece	38,41	2,1	2,9	± 0.78
Portugal	21,76	3,0	2,9	± 0.66
Finland	16,56	3,7	3,6	± 0.37
Ireland	12,81	1,0	1,2	± 0.30
Slovakia	7,38	3,8	4,2	
Slovenia	4,11	1,1	1,5	± 0.24
Luxembourg	3,12	3,2	3,6	± 0.32
Cyprus	2,97	3,5	4,4	
Estonia	1,49	5,3	4,9	
Malta	0,91	2,2	2,9	
United Kingdom		4,5	4,3	± 0.33
Sweden		1,6	1,6	± 0.50
Denmark		3,0	2,6	± 0.27

Source: EUROSTAT & BIAM(UC3M)

Date: August 17, 2011



HARMONIZED INDEX OF CONSUMER PRICES AND COMPONENTS IN THE EURO AREA													
Annual rates of growth													
		HICP											
		Core				TOTAL80 % Confidence Intervals*		Residual		TOTAL80 % Confidence Intervals*			
		Processed food excluding tobacco	Tobacco	Non energy industrial goods	Services			Non processed food	Energy		TOTAL		
Weights 2011		9,5%	2,5%	28,9%	41,4%	82,3%		7,4%	10,4%	17,7%	100%		
ANNUAL AVERAGE RATE	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	-0,2	5,5	0,5	1,4	1,0		1,3	7,4	4,7	1,6		
	2011	2,8	4,6	0,5	1,9	1,6	± 0,09	1,6	11,2	7,2	2,6	± 0,13	
2012	2,2	5,5	0,5	1,9	1,5	± 0,52	0,6	1,6	1,2	1,5	± 0,91		
ANNUAL RATES (year-on-year rates)	2010	January	-0,8	6,5	-0,1	1,4	0,8		-1,1	4,0	1,8	0,9	
		February	-0,8	6,3	-0,1	1,3	0,7		-1,0	3,3	1,4	0,8	
		March	-0,7	5,9	0,5	1,6	1,1		0,3	7,2	4,2	1,6	
		April	-0,7	6,2	0,4	1,2	0,8		1,2	9,1	5,6	1,6	
		May	-0,5	6,6	0,5	1,3	0,9		0,7	9,2	5,5	1,7	
		June	-0,3	5,4	0,6	1,3	1,0		1,1	6,2	4,0	1,5	
		July	-0,1	4,7	0,4	1,4	1,0		2,1	8,1	5,5	1,7	
		August	0,0	4,7	0,3	1,4	1,0		2,5	6,1	4,5	1,6	
		September	0,1	4,6	0,9	1,4	1,2		2,3	7,7	5,4	1,9	
		October	0,3	4,9	0,8	1,4	1,1		2,3	8,5	5,9	1,9	
		November	0,4	4,9	0,9	1,3	1,2		2,6	7,9	5,6	1,9	
		December	0,5	5,4	0,7	1,3	1,1		3,2	11,0	7,6	2,2	
	2011	January	0,8	5,5	0,5	1,5	1,2		2,2	12,0	7,7	2,3	
		February	1,2	5,3	0,1	1,6	1,1		2,7	13,1	8,6	2,4	
		March	1,7	5,4	0,9	1,6	1,5		2,2	13,0	8,4	2,7	
		April	2,3	4,9	1,0	2,0	1,8		1,4	12,5	7,7	2,8	
		May	2,7	4,8	1,0	1,8	1,7		2,4	11,1	7,4	2,7	
		June	3,0	3,5	0,9	2,0	1,8		2,0	10,9	7,1	2,7	
		July	3,3	4,0	0,0	2,0	1,5		1,3	11,8	7,4	2,5	
		August	3,4	4,1	-0,3	1,9	1,4	± 0,13	1,2	11,7	7,3	2,4	± 0,12
		September	3,6	4,5	0,5	2,0	1,7	± 0,19	1,4	10,8	6,9	2,6	± 0,24
		October	3,7	4,6	0,5	2,0	1,8	± 0,24	1,5	10,7	6,8	2,6	± 0,35
		November	3,7	4,4	0,5	2,0	1,7	± 0,28	1,0	10,0	6,2	2,5	± 0,47
		December	3,7	4,3	0,5	2,0	1,7	± 0,32	0,3	7,5	4,6	2,2	± 0,59
	2012	January	3,5	4,3	0,4	2,0	1,7	± 0,35	0,9	5,1	3,4	2,0	± 0,71
		February	3,4	4,5	0,4	2,0	1,7	± 0,40	0,1	4,3	2,6	1,8	± 0,80
		March	3,0	5,3	0,4	1,9	1,6	± 0,44	0,0	1,7	1,0	1,5	± 0,89
		April	2,7	5,5	0,4	1,9	1,6	± 0,50	0,3	0,2	0,3	1,3	± 0,97
		May	2,4	5,3	0,4	1,9	1,6	± 0,53	0,2	1,0	0,7	1,4	± 1,03
		June	2,2	6,1	0,5	1,8	1,5	± 0,58	0,6	1,6	1,2	1,5	± 1,09
		July	1,9	5,9	0,5	1,8	1,5	± 0,62	0,8	0,7	0,7	1,4	± 1,14
		August	1,7	5,9	0,5	1,8	1,5	± 0,64	0,8	0,9	0,9	1,4	± 1,18
		September	1,6	5,9	0,5	1,8	1,5	± 0,65	0,8	1,5	1,2	1,4	± 1,19
		October	1,5	5,8	0,5	1,8	1,5	± 0,67	0,8	1,0	0,9	1,4	± 1,19
		November	1,4	5,5	0,6	1,8	1,4	± 0,68	0,7	0,8	0,8	1,3	± 1,19
		December	1,4	5,6	0,6	1,8	1,4	± 0,68	0,8	0,9	0,9	1,3	± 1,19

* Confidence intervals calculated with historical errors

The figures in the shaded area are forecasts

Source: EUROSTAT & BIAM(UC3M)

Date: August 29, 2011



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 2011			9,5%	2,5%	28,9%	41,4%	82,3%	7,4%	10,4%	17,7%	100%
MONTHLY RATES (Growth of the month over the previous month)	January	2009	0,2	0,4	-2,6	-0,4	-1,1	1,0	0,0	0,4	-0,8
		2010	0,0	0,4	-3,1	-0,5	-1,3	1,5	2,1	1,8	-0,8
		2011	0,3	0,5	-3,3	-0,3	-1,3	0,5	3,0	2,0	-0,7
		2012	0,2	0,6	-3,4	-0,3	-1,3	1,1	0,7	0,9	-0,9
	February	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	0,2	-0,1	0,0	0,3
		2011	0,3	0,1	0,1	0,5	0,3	0,7	0,9	0,8	0,4
		2012	0,2	0,3	0,1	0,5	0,3	-0,1	0,1	0,0	0,2
	March	2009	-0,1	0,5	1,8	-0,1	0,6	-0,3	-1,2	-0,8	0,4
		2010	0,0	0,1	2,5	0,2	1,0	0,9	2,6	1,8	1,1
		2011	0,5	0,1	3,3	0,2	1,3	0,5	2,5	1,7	1,4
		2012	0,2	0,9	3,3	0,1	1,2	0,3	-0,1	0,1	1,0
	April	2009	-0,1	0,4	0,6	0,4	0,4	-0,1	0,2	0,1	0,4
		2010	-0,1	0,7	0,6	0,0	0,2	0,8	2,0	1,5	0,4
		2011	0,4	0,2	0,7	0,4	0,5	-0,1	1,5	0,8	0,6
		2012	0,1	0,3	0,7	0,3	0,4	0,3	0,0	0,1	0,4
	May	2009	-0,2	0,2	0,0	0,0	0,0	0,0	0,4	0,2	0,1
		2010	0,0	0,6	0,1	0,1	0,1	-0,5	0,6	0,1	0,1
		2011	0,4	0,5	0,1	-0,1	0,1	0,5	-0,6	-0,2	0,0
		2012	0,1	0,3	0,1	0,0	0,0	0,4	0,1	0,2	0,1
	June	2009	-0,2	2,0	-0,3	0,1	0,0	-0,5	2,5	1,2	0,2
		2010	0,1	0,9	-0,2	0,2	0,1	-0,1	-0,4	-0,3	0,0
		2011	0,3	-0,4	-0,3	0,4	0,1	-0,5	-0,5	-0,5	0,0
		2012	0,1	0,4	-0,3	0,3	0,1	0,0	0,1	0,0	0,1
	July	2009	-0,1	0,7	-2,5	0,8	-0,5	-1,2	-1,8	-1,5	-0,7
		2010	0,1	0,1	-2,7	0,9	-0,5	-0,3	0,0	-0,1	-0,4
		2011	0,4	0,6	-3,6	0,9	-0,8	-0,9	0,8	0,1	-0,6
		2012	0,1	0,4	-3,6	0,8	-0,8	-0,7	-0,1	-0,4	-0,7
	August	2009	0,0	0,2	0,5	0,2	0,3	-1,1	1,8	0,5	0,3
		2010	0,2	0,1	0,4	0,3	0,3	-0,7	-0,1	-0,4	0,2
		2011	0,3	0,2	0,1	0,2	0,2	-0,7	-0,2	-0,4	0,1
		2012	0,1	0,2	0,1	0,2	0,2	-0,7	0,0	-0,3	0,1
	September	2009	-0,1	0,0	1,5	-0,7	0,2	0,1	-1,2	-0,7	0,0
		2010	0,0	-0,1	2,1	-0,8	0,3	-0,1	0,3	0,1	0,3
		2011	0,2	0,4	3,0	-0,7	0,7	0,1	-0,5	-0,3	0,5
		2012	0,0	0,4	3,0	-0,7	0,7	0,1	0,1	0,1	0,6
	October	2009	0,0	0,1	0,7	0,1	0,3	0,1	-0,2	-0,1	0,2
		2010	0,1	0,4	0,7	0,0	0,3	0,1	0,6	0,4	0,3
		2011	0,2	0,5	0,7	0,0	0,3	0,1	0,5	0,3	0,3
		2012	0,1	0,4	0,7	0,0	0,3	0,1	0,0	0,0	0,2
	November	2009	0,0	0,8	0,1	-0,2	0,0	0,3	1,4	0,9	0,1
		2010	0,2	0,8	0,2	-0,3	0,0	0,6	0,8	0,7	0,1
		2011	0,2	0,6	0,1	-0,3	0,0	0,1	0,2	0,2	0,0
		2012	0,1	0,4	0,1	-0,3	-0,1	0,1	0,0	0,0	0,0
	December	2009	-0,1	0,7	0,0	0,8	0,4	0,2	-0,5	-0,2	0,3
		2010	0,1	1,1	-0,1	0,8	0,4	0,7	2,3	1,6	0,6
		2011	0,1	0,9	-0,2	0,8	0,4	0,1	0,0	0,0	0,3
		2012	0,0	1,0	-0,2	0,8	0,4	0,1	0,1	0,1	0,3

*The figures in the shaded area are forecasts

Source: EUROSTAT & BIAM(UC3M)

Date: August 29, 2011



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	Estonia				Malta	
Weights 2011 %		25,9	20,7	18,5	12,7	4,8	3,3	3,2	3,8	2,2	1,7	1,3	0,7	0,4	0,3	0,3	0,1	0,1				
ANNUAL AVERAGE RATE	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	5,6	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	3,6	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	1,4	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	3,0	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	4,1	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	4,4	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	6,7	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	10,6	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	0,2	1,8	2,2	1,9	1,1	
	2010	1,2	1,7	1,6	2,0	0,9	2,3	1,7	4,7	1,4	1,7	-1,6	0,7	2,1	2,8	2,6	2,7	2,0	3,3	1,9	2,2	
	2011	2,4	2,1	2,4	2,9	2,5	3,5	3,5	3,0	3,4	3,3	1,2	3,9	1,6	3,8	3,6	5,3	2,5	4,3	1,5	2,8	
	2012	1,2	1,3	1,2	1,2	2,0	2,6	2,9	3,0	2,1	2,1	1,5	3,7	1,5	3,0	3,2	4,9	2,1	3,1	1,6	2,2	
ANNUAL RATES OF GROWTH	2010	January	0,8	1,2	1,3	0,7	0,4	0,8	1,2	2,3	0,1	1,6	-2,4	-0,2	1,8	3,0	2,5	-1,0	1,2	3,4	2,7	1,9
		February	0,5	1,4	1,1	0,4	0,3	0,8	0,9	2,9	0,2	1,3	-2,4	-0,2	1,6	2,3	2,8	-0,3	0,7	3,0	2,8	1,8
		March	1,2	1,7	1,4	2,7	0,7	1,9	1,8	3,9	0,6	1,5	-2,4	0,3	1,8	3,2	2,3	1,4	0,6	3,4	2,5	2,1
		April	1,0	1,9	1,6	2,4	0,6	2,1	1,8	4,7	0,7	1,6	-2,5	0,7	2,7	3,1	2,5	2,5	0,8	3,7	2,1	2,4
		May	1,2	1,9	1,6	2,5	0,4	2,5	1,7	5,3	1,1	1,4	-1,9	0,7	2,4	3,1	1,8	2,8	1,8	3,3	1,9	1,9
		June	0,8	1,7	1,5	2,1	0,2	2,7	1,8	5,2	1,1	1,3	-2,0	0,7	2,1	2,3	2,1	3,4	1,8	3,2	1,6	1,7
		July	1,2	1,9	1,8	1,8	1,3	2,4	1,7	5,5	1,9	1,3	-1,2	1,0	2,3	2,9	2,7	2,8	2,5	3,1	1,4	2,1
		August	1,0	1,6	1,8	1,6	1,2	2,4	1,6	5,6	2,0	1,3	-1,2	1,1	2,4	2,5	3,4	2,8	3,0	3,1	1,1	2,3
		September	1,3	1,8	1,6	2,8	1,4	2,9	1,7	5,7	2,0	1,4	-1,0	1,1	2,1	2,6	3,6	3,8	2,4	3,0	1,5	2,5
		October	1,3	1,8	2,0	2,5	1,4	3,1	2,0	5,2	2,3	2,3	-0,8	1,0	2,1	2,9	3,2	4,5	2,2	3,1	1,6	2,4
		November	1,6	1,8	1,9	2,3	1,4	3,0	1,8	4,8	2,2	2,4	-0,8	1,0	1,6	2,5	1,7	5,0	3,4	3,2	1,7	2,5
		December	1,9	2,0	2,1	2,9	1,8	3,4	2,2	5,2	2,4	2,8	-0,2	1,3	2,2	3,1	1,9	5,4	4,0	3,7	2,1	2,8
	2011	January	2,0	2,0	1,9	3,0	2,0	3,7	2,5	4,9	3,6	3,1	0,2	3,2	2,3	3,4	3,0	5,1	3,3	4,0	1,4	2,6
		February	2,2	1,8	2,1	3,4	2,0	3,5	3,1	4,2	3,5	3,5	0,9	3,5	2,0	3,9	3,1	5,5	2,7	4,3	1,2	2,6
		March	2,3	2,2	2,8	3,3	2,0	3,5	3,3	4,3	3,9	3,5	1,2	3,8	2,4	4,0	3,2	5,1	2,8	4,1	1,4	2,5
		April	2,7	2,2	2,9	3,5	2,2	3,3	3,7	3,7	4,0	3,4	1,5	3,9	2,0	4,0	3,5	5,4	2,4	4,5	1,8	2,8
		May	2,4	2,2	3,0	3,4	2,4	3,1	3,7	3,1	3,7	3,4	1,2	4,2	2,4	3,8	4,1	5,5	2,5	4,5	1,7	3,1
		June	2,4	2,3	3,0	3,0	2,5	3,4	3,7	3,1	3,3	3,4	1,1	4,1	1,6	3,8	4,5	4,9	3,1	4,2	1,5	2,9
		July	2,6	2,1	2,1	3,0	2,9	4,0	3,8	2,1	3,0	3,7	1,0	3,8	1,1	3,2	3,5	5,3	2,2	4,5	1,6	3,0
		August	2,4	2,1	2,0	2,8	2,9	3,6	3,8	2,0	3,0	3,5	1,2	3,9	0,8	3,5	3,2	5,8	1,9	4,4	1,8	2,6
		September	2,7	2,3	2,2	2,8	2,9	3,6	3,8	2,1	3,4	3,6	1,4	4,0	1,2	3,9	3,1	5,4	2,3	4,6	1,6	2,8
		October	2,7	2,2	2,3	2,7	2,8	3,5	3,7	2,3	3,2	3,2	1,5	4,1	1,2	3,9	3,4	5,2	2,7	4,4	1,6	2,9
		November	2,6	2,2	2,2	2,4	2,8	3,3	3,8	2,5	3,1	2,9	1,6	4,1	1,2	4,0	4,4	5,3	2,0	4,3	1,5	2,8
		December	2,2	1,9	2,0	2,0	2,5	3,0	3,6	2,3	2,7	2,5	1,5	4,1	0,9	3,6	4,2	5,2	1,7	3,8	1,3	2,6
	2012	January	2,0	1,8	1,9	1,5	2,5	2,8	3,4	2,4	2,2	2,2	1,7	3,3	1,0	3,3	3,4	5,7	1,9	3,3	1,6	2,5
		February	1,7	1,7	1,6	1,3	2,4	2,8	3,1	2,6	2,2	2,0	1,4	3,5	1,2	3,0	3,4	5,4	2,3	3,1	1,7	2,3
		March	1,3	1,3	1,3	1,1	2,3	2,7	3,0	2,6	1,8	2,0	1,3	3,5	0,9	2,7	3,3	5,0	2,1	3,2	1,6	2,3
		April	1,0	1,1	1,2	1,0	2,2	2,7	2,8	2,8	1,9	2,0	1,2	3,4	1,0	2,6	3,2	4,5	2,3	2,8	1,4	2,1
		May	1,1	1,2	1,1	1,1	2,1	2,8	2,8	3,0	2,0	2,1	1,3	3,4	0,9	2,7	3,1	4,5	2,1	3,0	1,5	2,1
		June	1,3	1,2	1,1	1,3	2,2	2,7	2,8	3,0	2,3	2,1	1,5	3,6	1,5	2,8	2,8	5,1	1,8	3,2	1,6	2,4
		July	1,1	1,2	1,0	1,1	1,8	2,5	2,7	3,4	2,2	2,1	1,6	3,8	2,0	3,2	3,3	4,9	2,2	3,1	1,5	2,1
		August	1,1	1,2	1,0	1,2	1,8	2,6	2,7	3,4	2,2	2,1	1,5	3,9	2,0	3,1	3,4	4,8	2,2	3,1	1,5	2,1
		September	1,1	1,3	1,1	1,3	1,8	2,5	2,8	3,4	2,2	2,1	1,6	3,9	2,0	3,2	3,4	4,8	2,2	3,1	1,5	2,1
		October	1,1	1,2	1,0	1,3	1,8	2,5	2,8	3,3	2,2	2,1	1,6	4,0	2,0	3,2	3,2	4,8	2,2	3,1	1,6	2,1
		November	1,1	1,2	1,0	1,3	1,8	2,6	2,8	3,3	2,2	2,1	1,7	4,0	2,0	3,1	2,7	4,8	2,2	3,1	1,6	2,1
		December	1,1	1,2	1,0	1,3	1,8	2,6	2,8	3,3	2,2	2,1	1,7	4,0	2,0	3,2	2,8	4,8	2,2	3,1	1,7	2,1

* The figures in the shaded area are forecasts

Source: EUROSTAT & BIAM(UC3M)

Date: August 29, 2011



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	Estonia				Malta
Weights 2011 %			25,9	20,7	18,5	12,7	4,8	3,3	3,2	3,8	2,2	1,7	1,3	0,7	0,4	0,3	0,3	0,1	0,1			
MONTHLY RATES (Growth of the month over the previous month)	January	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	-0,6	-2,2	-0,7	-0,1	-0,4
		2010	-0,6	-0,2	-1,5	-1,5	-0,3	-1,4	-0,4	-0,8	-0,6	0,1	-0,7	0,1	-0,6	-0,6	-1,4	0,3	-0,5	-0,2	-0,2	0,3
		2011	-0,5	-0,3	-1,6	-1,3	-0,1	-1,2	-0,1	-1,0	0,5	0,4	-0,3	2,1	-0,4	-0,3	-0,4	0,0	-1,3	0,1	-0,9	0,1
		2012	-0,8	-0,4	-1,8	-1,8	-0,1	-1,4	-0,2	-0,9	0,0	0,2	-0,1	1,3	-0,4	-0,6	-1,1	0,4	-1,1	-0,4	-0,6	0,0
	February	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	-0,4	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	0,3	0,4	0,6	0,9
		2011	0,6	0,5	0,2	0,1	0,9	2,2	0,8	-1,3	-0,1	0,8	0,9	0,3	0,0	1,5	0,4	0,7	-0,3	0,8	0,5	1,0
		2012	0,4	0,4	0,0	-0,1	0,8	2,2	0,5	-1,1	0,0	0,6	0,6	0,4	0,2	1,2	0,4	0,4	0,1	0,6	0,5	0,8
	March	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	-0,5	1,5	0,2	0,5	0,4
		2010	0,6	0,5	1,5	2,4	1,5	0,5	1,0	3,1	1,2	0,6	0,1	0,1	1,0	0,7	0,9	1,2	1,4	0,5	0,3	0,7
		2011	0,6	0,9	2,2	2,4	1,4	0,4	1,2	3,2	1,6	0,6	0,5	0,4	1,4	0,8	1,0	0,8	1,5	0,3	0,4	0,6
		2012	0,2	0,5	1,8	2,1	1,3	0,3	1,1	3,1	1,2	0,5	0,4	0,4	1,1	0,5	1,0	0,4	1,4	0,3	0,3	0,6
	April	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	-0,6	2,3	0,3	0,3	-0,1
		2010	-0,1	0,3	0,9	0,7	0,3	0,5	0,2	1,2	0,4	0,3	0,0	0,4	1,1	0,4	1,1	0,5	2,6	0,6	-0,1	0,2
		2011	0,3	0,4	1,0	0,9	0,6	0,3	0,6	0,7	0,6	0,2	0,3	0,5	0,7	0,4	1,4	0,8	2,1	1,0	0,3	0,4
		2012	-0,1	0,2	0,9	0,8	0,4	0,3	0,4	0,9	0,6	0,2	0,2	0,4	0,8	0,3	1,3	0,4	2,4	0,7	0,1	0,3
	May	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	0,0	0,2	0,5	0,3	0,4
		2010	0,1	0,1	0,1	0,0	-0,1	0,4	-0,1	0,8	0,2	-0,2	0,3	0,1	0,4	0,3	0,1	0,3	1,2	0,2	0,1	-0,1
		2011	-0,2	0,1	0,2	-0,1	0,2	0,2	-0,1	0,2	-0,1	-0,1	0,0	0,3	0,8	0,1	0,6	0,4	1,3	0,2	0,0	0,2
		2012	0,0	0,2	0,0	0,0	0,1	0,2	-0,1	0,4	0,0	0,0	0,1	0,3	0,7	0,2	0,5	0,4	1,0	0,3	0,1	0,2
	June	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	-0,2	-0,1	0,3	0,2	0,2
		2010	0,0	0,0	0,1	0,1	-0,7	0,0	0,0	-0,2	0,2	0,2	-0,1	0,0	0,2	-0,1	0,3	0,4	-0,1	0,2	-0,1	-0,1
		2011	0,0	0,1	0,1	-0,2	-0,6	0,3	0,0	-0,2	-0,2	0,3	-0,2	-0,1	-0,6	-0,1	0,7	-0,1	0,5	-0,1	-0,3	-0,3
		2012	0,1	0,1	0,2	0,0	-0,5	0,2	0,0	-0,2	0,1	0,2	0,0	0,1	0,0	0,0	0,5	0,4	0,2	0,1	-0,2	0,0
	July	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	0,8	-0,1	-0,1	-0,2	-0,6
		2010	0,3	-0,3	-0,9	-1,1	-0,6	-1,8	-0,5	-0,4	0,4	-0,6	-0,1	0,1	-0,6	-0,4	-0,8	0,2	0,6	-0,3	-0,4	-0,1
		2011	0,5	-0,5	-1,7	-1,2	-0,2	-1,3	-0,4	-1,4	0,1	-0,4	-0,2	-0,2	-1,1	-0,9	-1,9	0,6	-0,3	0,0	-0,3	0,0
		2012	0,2	-0,4	-1,8	-1,3	-0,6	-1,5	-0,5	-1,0	0,0	-0,5	-0,1	0,0	-0,6	-0,6	-1,4	0,4	0,1	-0,1	-0,4	-0,3
	August	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	-0,1	0,6	0,5	0,2	0,3
		2010	0,1	0,2	0,2	0,2	0,1	2,0	0,3	-0,7	-0,1	0,4	0,2	-0,1	0,1	1,0	0,9	0,0	1,0	0,5	-0,1	0,5
		2011	-0,1	0,3	0,1	0,0	0,2	1,8	0,3	-0,8	-0,1	0,2	0,3	0,0	-0,1	1,3	0,6	0,5	0,7	0,5	0,1	0,1
		2012	0,0	0,2	0,1	0,1	0,1	1,8	0,3	-0,8	-0,1	0,2	0,3	0,1	-0,1	1,2	0,7	0,4	0,7	0,5	0,0	0,1
	September	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	-0,2	0,1	0,4	0,2
		2010	-0,2	0,0	0,6	0,9	0,7	0,1	0,4	1,9	-0,1	0,4	-0,2	0,0	-0,4	0,0	1,0	0,8	-0,7	0,0	0,8	0,4
		2011	0,1	0,1	0,9	0,9	0,8	0,1	0,4	2,0	0,3	0,5	0,1	0,1	-0,1	0,3	0,9	0,4	-0,3	0,2	0,6	0,5
		2012	0,1	0,2	0,9	1,0	0,8	0,0	0,4	2,0	0,3	0,5	0,1	0,2	-0,1	0,4	1,0	0,4	-0,3	0,2	0,7	0,5
	October	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	-0,1	-0,4	0,2	0,3	0,0
		2010	0,1	0,1	0,7	0,4	0,2	0,1	0,4	0,1	0,3	0,4	0,1	0,0	0,1	0,1	0,6	0,6	-0,6	0,3	0,3	-0,1
		2011	0,2	0,1	0,8	0,3	0,2	0,0	0,3	0,3	0,1	0,1	0,2	0,1	0,1	0,1	0,8	0,4	-0,2	0,2	0,3	0,0
		2012	0,1	0,1	0,7	0,3	0,1	0,0	0,3	0,2	0,1	0,1	0,2	0,2	0,1	0,2	0,7	0,4	-0,2	0,2	0,3	0,0
	November	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	-0,3	-2,6	0,3	0,0	0,0
		2010	0,1	0,1	0,0	0,3	-0,1	0,1	0,0	0,2	0,1	0,2	-0,2	0,3	0,3	0,1	-0,7	0,3	-1,5	0,3	0,2	0,1
		2011	-0,1	0,1	-0,1	0,1	-0,2	-0,1	0,1	0,4	0,0	0,0	-0,1	0,3	0,3	0,3	0,2	0,4	-2,2	0,2	0,1	0,0
		2012	-0,1	0,0	-0,1	0,1	-0,2	0,0	0,0	0,3	0,0	0,0	0,0	0,3	0,3	0,2	-0,3	0,4	-2,2	0,2	0,1	0,0
	December	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	0,1	-0,2	0,6	0,2	-0,2
		2010	1,2	0,5	0,4	0,6	-0,3	0,6	0,7	0,5	0,4	0,5	0,2	0,2	0,1	0,5	-0,2	0,5	0,5	1,0	0,6	0,1
		2011	0,9	0,2	0,2	0,1	-0,5	0,3	0,5	0,3	0,0	0,1	0,1	0,3	-0,1	0,1	-0,3	0,4	0,2	0,5	0,4	-0,1
		2012	0,9	0,2	0,2	0,1	-0,5	0,3	0,6	0,4	0,0	0,1	0,1	0,3	-0,1	0,2	-0,3	0,4	0,2	0,5	0,5	-0,1

*The figures in the shaded area are forecasts

Source: EUROSTAT & BIAM(UC3M)

Date: August 29, 2011



II.3. MONETARY POLICY

This month, confirmation of economic sluggishness has warded off the inflationist fears of the first quarter, reducing the likelihood of the ECB taking further action before the end of the year. In this context, the European monetary authority has been forced to approve a new extraordinary 6-month financing operation to help euro area banks, totalling nearly 50,000 million euros. The public debt crisis in the area is also growing in intensity and affecting more and more countries, taking the ECB to invest nearly 43,000 million euros in the last three weeks. The inflationist risks involved are reduced at this time of economic deceleration and falling inflation.

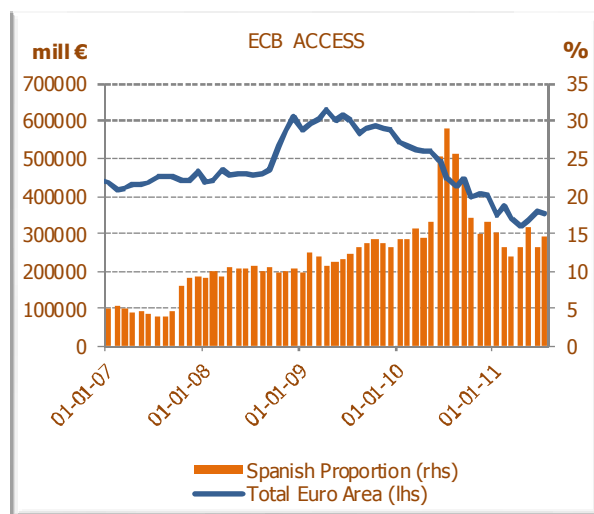
According to the figure advanced by Eurostat, euro area inflation remained stable at 2.5%. Our latest forecasts, updated on 29 August, show that euro area inflation will be in accordance with the ECB mandate a month earlier than expected, in February of next year.

On the other hand, the 12-month euribor rate decreased significantly this month, showing that, for the market, the ECB is unlikely to make further rate increases before the end of 2011.

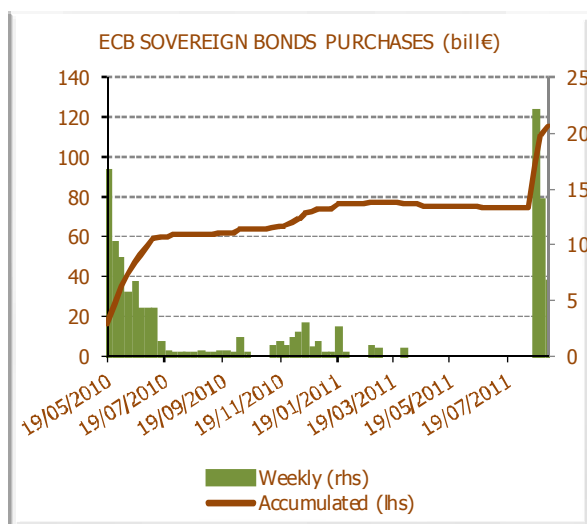
In July, access by European banks to ECB financing decreased slightly, without coming significantly closer to last April's low levels. Private sector credit reduced its growth again to a year-on-year rate of 2.4%, one tenth of a point less than in June. The protagonist of this process was credit to households, which reduced its growth rate by two tenths of a point to 3%, the same levels as last February. Both consumer loans and mortgages grew less in this month. Non-financial firms increased their access to financing, which grew at a year-on-year rate of 1.6%, one tenth of a point more than the previous month and back at July 2009 levels. M3 also reduced its growth rate in July to a year-on-year 2%, one tenth of a point less than in June.

In conclusion, confirmation of reduced activity and continuation of the public debt crisis in the euro area have reduced the likelihood of new monetary standardisation measured by the ECB and will continue to require new monetary incentive measures in the next few months.

Graph II.3.1



Graph II.3.2



Source: EUROSTAT & BIAM(UC3M)

Date: August 3, 2011



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	2007		1.9	0.5	2.9	3.7	2.7
	2008		-11.3	-3.2	-3.9	-2.7	-3.7
	2009		-15.9	-4.6	-13.3	-11.6	-11.2
	2010		11.1	2.5	4.2	6.4	5.3
	2011		8.0	1.0	4.2	4.4	3.6
	2012		9.2	1.5	3.6	4.5	3.0
ANNUAL RATES	2010	QI	12.5	0.3	-1.3	2.6	1.5
		QII	18.7	2.5	5.4	7.8	6.8
		QIII	8.8	4.1	6.3	7.6	6.7
		QIV	5.0	3.0	6.6	7.4	6.2
	2011	QI	9.7	1.1	6.8	6.0	5.3
		QII	5.3	1.3	4.4	4.5	3.9
		QIII	7.9	0.6	3.3	4.1	3.0
		QIV	9.3	0.8	2.6	3.2	2.1
	2012	QI	6.6	1.4	2.1	3.1	1.9
		QII	10.0	1.3	3.1	4.0	2.5
		QIII	10.4	1.7	4.1	4.9	3.2
		QIV	9.8	1.7	4.8	6.0	4.3

INDUSTRIAL PRODUCTION INDEX AND SECTORS IN U.S.							
Annual rates of growth							
	2006	2007	2008	2009	2010	2011	2012
January	1.6	2.1	2.4	-12.4	0.3	5.6	2.0
February	1.3	2.8	0.7	-13.0	1.0	5.0	2.0
March	2.1	2.3	0.0	-14.2	3.4	5.4	1.8
April	0.9	3.5	-0.7	-15.3	5.3	4.6	2.4
May	2.1	3.0	-2.0	-14.8	7.2	3.5	2.7
June	2.0	2.6	-2.3	-14.8	7.8	3.7	2.3
July	2.8	2.6	-2.0	-13.1	7.1	3.9	2.2
August	2.5	2.4	-4.4	-10.9	6.7	2.6	3.6
September	4.1	3.1	-8.6	-7.2	6.3	2.5	3.8
October	2.8	2.4	-7.5	-7.5	6.0	2.3	4.1
November	1.9	3.0	-8.9	-5.9	5.9	2.1	4.3
December	2.2	2.2	-10.7	-3.2	6.6	2.1	4.3

Source: Federal Reserve & BIAM(UC3M)

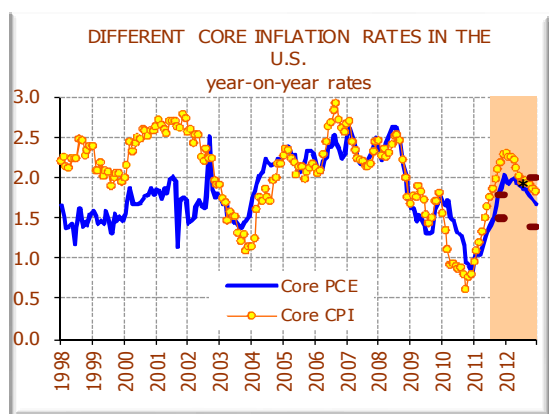
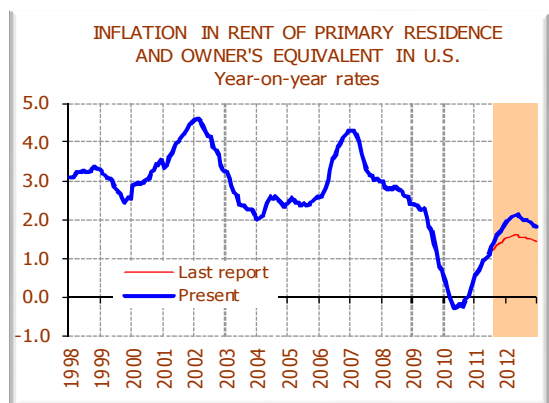
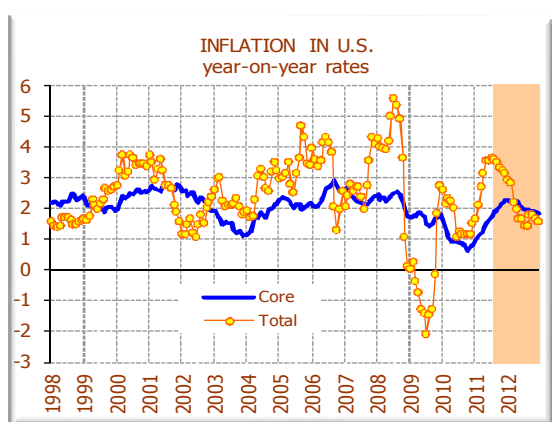
Date: August 16, 2011



III.2. INFLATION

There have essentially been three innovations in core inflation, starting with non-durable goods, specifically apparel. The second was in durable goods, specifically second-hand cars, which registered upwards innovations in the previous months. The third was home rentals and owner's equivalent rent of primary residence, which continue to rise.

The core inflation forecast has increased considerably since last month, and it is now expected to exceed the psychological barrier of 2% at the end of this year, albeit temporarily.



(*) Central tendency projected by the FOMC, for core PCE (fourth quarter of the previous year to the fourth quarter of the year indicated).
Source: BLS & BIAM
Date: August 18, 2011

The average annual core inflation rates expected for 2011 and 2012 are 1.66% (± 0.09)¹ and 2.05% (± 0.46), respectively, with a mean increase of one tenth of a point since last month's report.

Average annual total inflation is forecast at 3.10% (± 0.30) for 2011 and 1.90% (± 1.67) for 2012, representing a mean of one tenth of a point less than before.

In terms of the core personal consumption expenditure index –core PCE²–, which is the inflation indicator most closely monitored by the Fed, our forecast for August is now an annual rate of 1.42%. The forecast core PCE in December, 2.03%, is considerably higher than the upper limit of the central tendency established by the FED in its last meeting, 1.8%-1.5% for the last quarter of 2011 (see report)³.

DIFFERENT MEASURES OF INFLATION IN THE U.S. Annual rates of growth

		Total	Core			
		CPI	CPI	PCE	MB-PCE	
Annual Average Rates	2008	3.8	2.3	2.3	2.3	
	2009	-0.4	1.7	1.5	1.9	
	2010	1.6	1.0	1.3	0.9	
	2011	3.1	1.7	1.4	1.4	
	2012	1.9	2.1	1.9	2.0	
YEAR-ON YEAR RATES	2011	January	1.6	1.0	1.0	0.8
		February	2.1	1.1	1.1	0.9
		March	2.7	1.2	1.0	1.0
		April	3.2	1.3	1.2	1.1
		May	3.6	1.5	1.3	1.3
		June	3.6	1.6	1.3	1.4
		July	3.6	1.8	1.4	1.5
		August	3.6	1.9	1.5	1.5
		September	3.5	2.0	1.7	1.7
		October	3.3	2.1	1.8	1.9
		November	3.2	2.2	1.9	2.0
		December	3.1	2.3	2.0	2.2

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 & BIAM

Date: August 18, 2011

1. Considering a 80% confidence interval for all indexes.

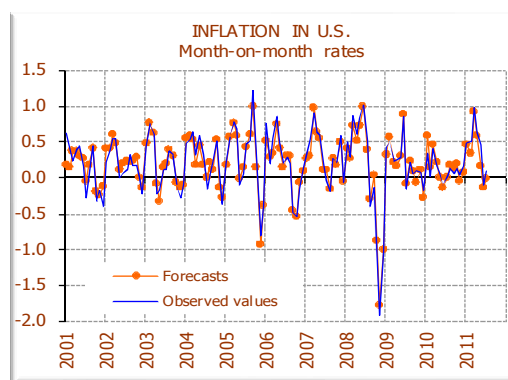
2. The PCE (Personal Consumption Expenditure) is a price index which has the advantage relative to the consumer price index (CPI) that instead of the shopping basket remaining unaltered, it is adjusted to actual expenditure and shows changes in its composition between the periods compared.

3. <http://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20110622.pdf>



FORECASTING ERRORS IN U.S. INFLATION

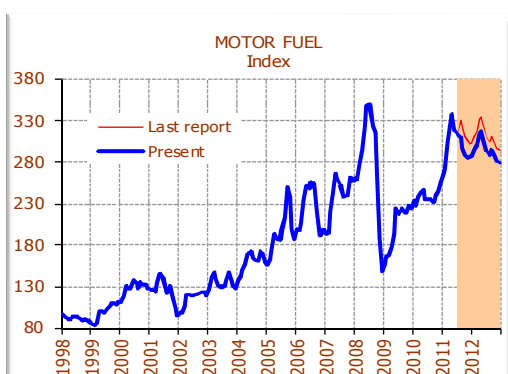
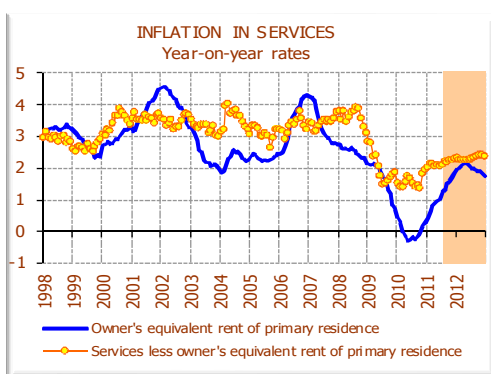
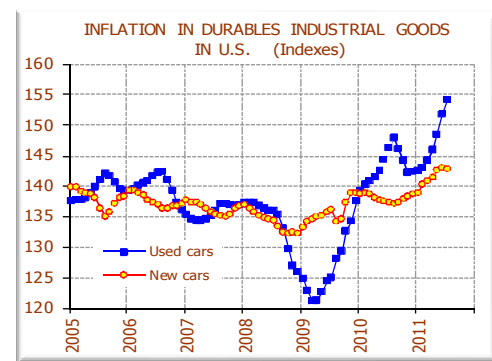
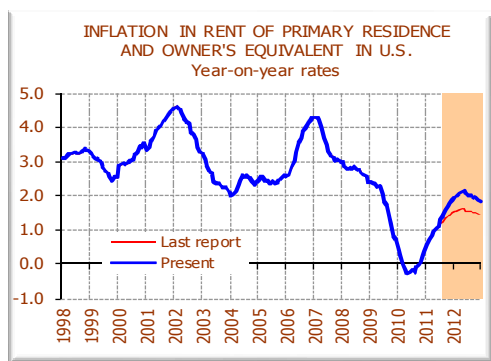
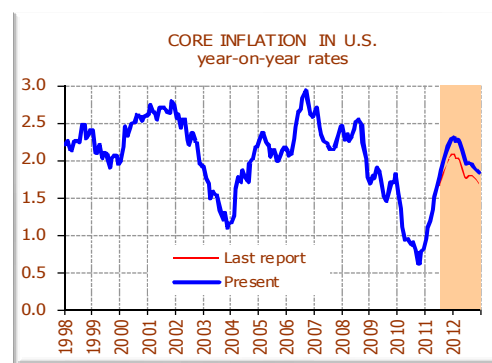
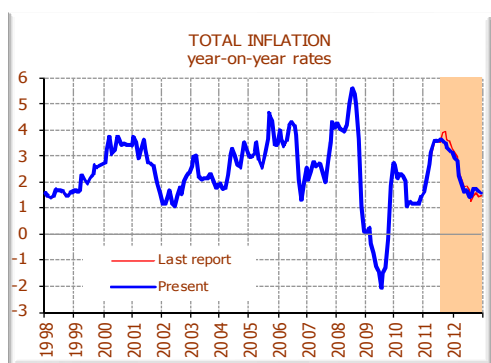
CONSUMER PRICE INDEX IN U.S. Monthly rates July, 2011				
	Relative Imp. Dec. 2009	Observed	Forecasts	Confidence Intervals*
TOTAL INFLATION	100.0	0.09	0.00	0.13
less Owner's equivalent rent of primary residence	76.4	0.05	-0.04	0.17
CORE INFLATION	77.7	0.12	0.03	0.12
less Owner's equivalent rent of primary residence	54.1	0.08	0.00	0.16
Non-food and non-energy goods	21.3	-0.17	-0.39	0.28
Less tobacco	20.4	-0.21	-0.50	0.27
- Durable goods	10.0	0.16	0.12	0.33
- Non-durable goods	11.3	-0.45	-0.85	0.39
Non-energy services	56.4	0.23	0.19	0.13
- Services less Owner's equivalent rent of primary residence	32.8	0.24	0.25	0.21
- Owner's equivalent rent of primary residence	23.6	0.22	0.11	0.12
RESIDUAL INFLATION	22.3	-0.01	-0.12	0.48
Food	13.7	0.42	0.27	0.25
Energy	8.6	-0.59	-0.64	1.14



Source: BLS & BIAM(UC3M)

Date: August 18, 2011

OTHER GRAPHS ON U.S. INFLATION FORECASTS



Source: BLS & BIAM(UC3M)

Date: August 18, 2011



CONSUMER PRICE INDEX AND COMPONENTS IN USA															
Annual rates of growth															
		CPI													
		Core						TOTAL Confidence Intervals at 80% level			Residual			TOTAL 100% 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%			
	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	1.3	0.8	1.1	0.0	1.6	0.9	1.0		0.8	9.5	4.0	1.6		
	2011	1.5	1.4	1.4	1.2	2.2	1.7	1.7	± 0.09	3.6	14.9	8.0	3.1	± 0.30	
	2012	1.5	1.9	1.7	2.0	2.3	2.2	2.1	± 0.46	2.7	-0.5	1.4	1.9	± 1.67	
ANNUAL RATES (growth of the month over the same month of the previous year)	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	1.6	0.5	1.1	-0.3	1.7	0.9	0.9		0.7	14.7	5.8	2.0	
		June	1.3	0.6	1.0	-0.2	1.7	0.9	0.9		0.7	3.0	1.6	1.1	
		July	1.5	0.6	1.0	-0.2	1.5	0.8	0.9		0.9	5.2	2.5	1.2	
		August	2.3	0.5	1.3	-0.3	1.4	0.7	0.9		1.0	3.8	2.1	1.1	
		September	1.6	0.0	0.8	-0.1	1.4	0.8	0.8		1.4	3.8	2.3	1.1	
		October	0.3	-0.1	0.1	0.0	1.4	0.8	0.6		1.4	5.9	3.1	1.2	
		November	-0.5	0.1	-0.2	0.2	1.8	1.1	0.8		1.5	3.9	2.5	1.1	
		December	-0.9	0.0	-0.4	0.3	2.0	1.3	0.8		1.5	7.7	3.9	1.5	
	2011	January	-0.9	0.5	-0.2	0.5	2.0	1.4	1.0		1.8	7.3	4.0	1.6	
		February	-0.5	0.4	0.0	0.6	2.1	1.5	1.1		2.3	11.0	5.6	2.1	
		March	0.0	0.3	0.2	0.8	2.2	1.6	1.2		2.9	15.5	7.8	2.7	
		April	0.7	0.7	0.7	0.9	2.1	1.6	1.3		3.2	19.0	9.4	3.2	
		May	1.3	1.1	1.2	0.9	2.1	1.6	1.5		3.5	21.5	10.6	3.6	
		June	1.93	1.40	1.65	1.03	2.06	1.64	1.64		3.71	20.08	10.14	3.56	
		July	1.99	1.70	1.84	1.24	2.09	1.74	1.77		4.20	18.97	10.01	3.63	
		August	1.98	1.83	1.90	1.31	2.21	1.84	1.86	± 0.12	4.31	17.84	9.63	3.61	± 0.13
		September	2.3	2.1	2.2	1.5	2.2	1.9	2.0	± 0.20	4.2	16.1	8.9	3.5	± 0.48
		October	2.7	2.3	2.4	1.6	2.3	2.0	2.1	± 0.27	4.3	12.3	7.5	3.3	± 0.87
		November	3.1	2.2	2.6	1.7	2.3	2.0	2.2	± 0.33	4.5	10.6	6.9	3.2	± 1.22
		December	3.3	2.2	2.7	1.9	2.3	2.1	2.3	± 0.37	4.6	8.1	6.0	3.1	± 1.52
	2012	January	3.4	2.0	2.7	2.0	2.3	2.2	2.3	± 0.41	4.5	5.8	5.0	2.9	± 1.77
		February	3.0	2.1	2.5	2.0	2.3	2.2	2.3	± 0.44	4.2	5.4	4.7	2.8	± 1.93
		March	2.6	2.4	2.5	2.1	2.2	2.2	2.3	± 0.48	3.5	0.0	2.0	2.2	± 2.04
		April	2.2	2.4	2.3	2.1	2.3	2.2	2.2	± 0.53	3.1	-1.6	1.1	2.0	± 2.12
		May	1.6	2.2	1.9	2.1	2.2	2.2	2.1	± 0.58	2.8	-3.4	0.1	1.6	± 2.17
		June	1.1	2.0	1.6	2.1	2.3	2.2	2.0	± 0.62	2.6	-2.2	0.6	1.7	± 2.23
		July	1.0	1.7	1.4	2.0	2.3	2.2	1.9	± 0.66	2.3	-3.6	-0.2	1.4	± 2.29
		August	0.9	1.7	1.3	2.0	2.4	2.2	2.0	± 0.68	2.2	-3.7	-0.3	1.4	± 2.36
		September	0.7	1.7	1.2	1.9	2.4	2.2	1.9	± 0.70	2.1	0.0	1.2	1.8	± 2.39
		October	0.5	1.7	1.1	1.9	2.4	2.2	1.9	± 0.70	2.0	0.4	1.3	1.8	± 2.39
		November	0.4	1.7	1.1	1.8	2.4	2.2	1.9	± 0.70	1.9	-0.3	1.0	1.7	± 2.39
		December	0.3	1.7	1.0	1.8	2.4	2.1	1.8	± 0.70	1.8	-0.8	0.8	1.6	± 2.39

Source: BLS & BIAM(UC3M)

Date: August 18, 2011



CONSUMER PRICE INDEX AND COMPONENTS IN USA													
Monthly rates of growth													
			CPI									TOTAL 100%	
			Core						Residual				
			Non-energy commodities less food			Non-energy services			TOTAL	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	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	0.2	-0.1	0.0	0.1	0.3	0.2	0.2	0.9	2.4	1.5	0.5
		2012	0.2	-0.3	-0.1	0.2	0.3	0.3	0.2	0.7	0.2	0.5	0.3
	February	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	0.5	0.7	0.6	0.1	0.4	0.3	0.4	0.4	1.6	0.9	0.5
		2012	0.1	0.8	0.5	0.2	0.3	0.3	0.3	0.1	1.2	0.6	0.4
	March	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	0.4	0.8	0.6	0.1	0.3	0.2	0.3	0.7	6.9	3.2	1.0
		2012	0.0	1.2	0.6	0.1	0.2	0.2	0.3	0.0	1.5	0.6	0.4
	April	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	0.5	0.3	0.4	0.1	0.2	0.1	0.2	0.4	4.5	2.1	0.6
		2012	0.1	0.3	0.2	0.1	0.2	0.1	0.2	0.0	2.8	1.1	0.4
	May	2009	0.2	-0.4	-0.1	0.1	0.0	0.0	0.0	-0.2	4.0	1.3	0.3
		2010	0.0	-0.4	-0.2	0.0	0.2	0.1	0.0	0.1	0.7	0.3	0.1
		2011	0.6	0.0	0.3	0.1	0.2	0.1	0.2	0.4	2.7	1.4	0.5
		2012	0.0	-0.2	-0.1	0.1	0.2	0.1	0.1	0.1	0.9	0.4	0.2
	June	2009	0.3	-0.8	-0.3	0.0	0.3	0.2	0.1	0.0	9.9	3.6	0.9
		2010	0.0	-0.7	-0.4	0.1	0.3	0.2	0.0	-0.1	-1.3	-0.5	-0.1
		2011	0.58	-0.40	0.06	0.16	0.22	0.20	0.16	0.17	-2.38	-0.94	-0.11
		2012	0.2	-0.6	-0.3	0.1	0.2	0.2	0.1	0.0	-1.2	-0.5	-0.1
	July	2009	-0.1	-0.7	-0.4	0.0	0.4	0.2	0.0	-0.2	-1.7	-0.8	-0.2
		2010	0.1	-0.8	-0.4	0.0	0.2	0.1	0.0	0.0	0.3	0.1	0.0
		2011	0.16	-0.47	-0.17	0.22	0.24	0.23	0.12	0.42	-0.59	-0.01	0.09
		2012	0.0	-0.7	-0.4	0.1	0.3	0.2	0.1	0.1	-2.0	-0.8	-0.1
	August	2009	-0.7	0.5	-0.1	0.1	0.3	0.2	0.1	0.0	1.5	0.6	0.2
		2010	0.0	0.4	0.2	0.0	0.1	0.1	0.1	0.2	0.1	0.2	0.1
		2011	0.01	0.56	0.30	0.12	0.24	0.19	0.22	0.27	-0.82	-0.19	0.12
		2012	-0.1	0.5	0.2	0.1	0.3	0.2	0.2	0.2	-1.0	-0.3	0.1
	September	2009	0.2	1.7	1.0	-0.1	0.0	0.0	0.2	-0.1	-1.3	-0.6	0.1
		2010	-0.4	1.2	0.5	0.0	0.1	0.0	0.2	0.3	-1.3	-0.3	0.1
		2011	-0.1	1.5	0.7	0.2	0.0	0.1	0.3	0.3	-2.7	-1.0	0.0
		2012	-0.3	1.5	0.7	0.2	0.1	0.1	0.3	0.2	1.0	0.5	0.3
	October	2009	1.2	0.4	0.8	0.0	0.1	0.1	0.3	0.1	-1.5	-0.5	0.1
		2010	-0.2	0.4	0.1	0.1	0.0	0.1	0.1	0.2	0.4	0.3	0.1
		2011	0.2	0.5	0.4	0.2	0.1	0.1	0.2	0.3	-2.8	-1.0	-0.1
		2012	0.0	0.5	0.3	0.2	0.1	0.1	0.2	0.2	-2.4	-0.9	-0.1
	November	2009	0.4	-0.4	0.0	-0.1	-0.3	-0.2	-0.2	-0.1	2.4	0.8	0.1
		2010	-0.4	-0.3	-0.3	0.1	0.1	0.1	0.0	0.0	0.5	0.2	0.0
		2011	0.0	-0.3	-0.1	0.3	0.1	0.2	0.1	0.1	-1.0	-0.4	0.0
		2012	-0.1	-0.3	-0.2	0.2	0.1	0.1	0.0	0.0	-1.7	-0.7	-0.1
	December	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	-0.9	-0.5	0.1	0.0	0.0	-0.1	0.1	2.8	1.2	0.2
		2011	0.2	-0.9	-0.4	0.2	0.0	0.1	0.0	0.3	0.5	0.4	0.1
		2012	0.0	-1.0	-0.5	0.2	0.0	0.1	-0.1	0.2	0.0	0.1	0.0

Source: BLS & BIAM(UC3M)

Date: August 18, 2011



III.3. PROPERTY SECTOR

In July, the American residential sector's volume indicators were in line with our expectations, or slightly lower¹.

The National Association of Realtors revised June's prices downwards, counteracting the upwards surprise mentioned in last month's report. So our price forecasts are now the same as they were two months ago.

Prices are expected to continue to remain stable at the currently historically low level.

As shown by Graphs A and B, the new and second hand housing markets are evolving differently in the crisis. This appears to be due to public incentives, and primarily the large number

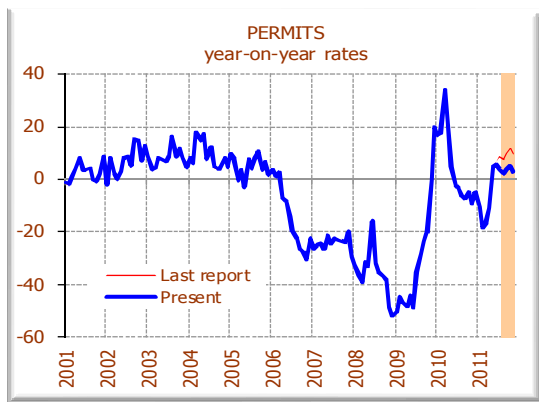
of mortgage foreclosures. While new home prices rise, second hand home prices remain stable or fall slightly.

The possible change of trend in second hand home prices mentioned last month has not been confirmed after the June figures were revised by the National Association of Realtors, and the current forecasts are similar to those published two months ago.

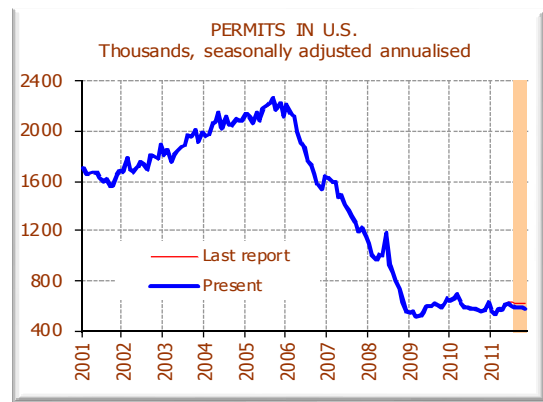
As the graphs show, practically all the volume series consolidate their positions at all-time lows, with stability expected for the next few months. For August, the forecast monthly rate declines slightly in all volume series, with annual rates of -1.8% and -4.0% expected for new and second hand home prices, respectively.

1. We recommend the reader to follow the series in levels.

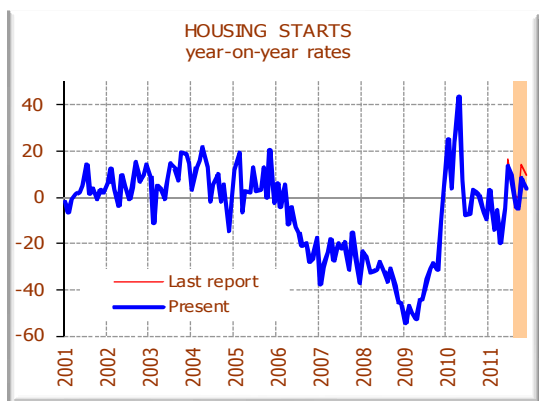
Graph III.3.1a



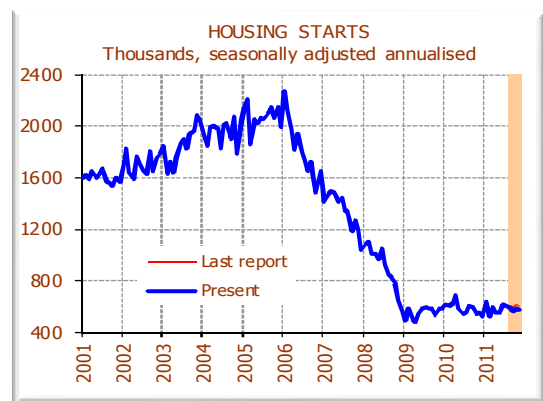
Graph III.3.1b



Graph III.3.2a



Graph III.3.2b

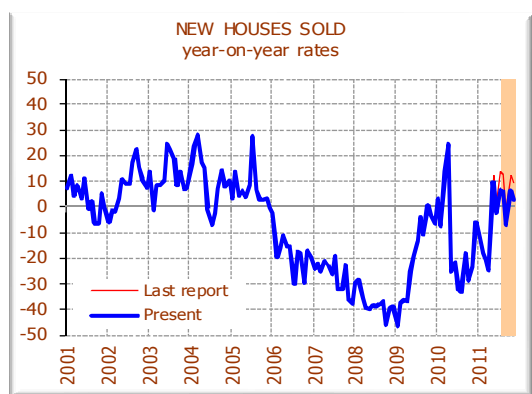


Source: U.S. Census Bureau & BIAM (UC3M)

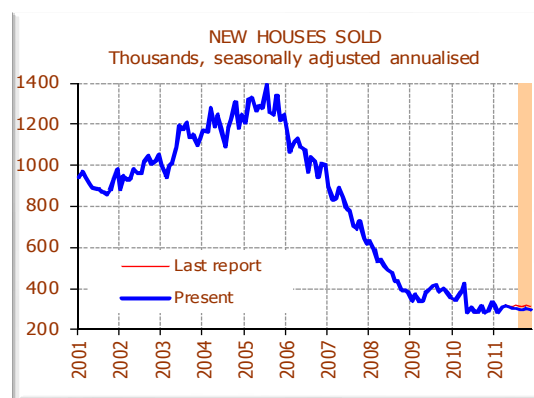
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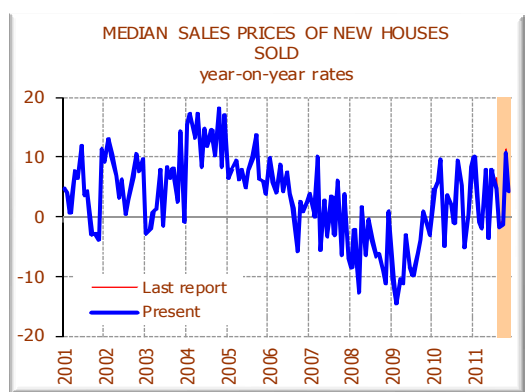
Graph III.3.3a



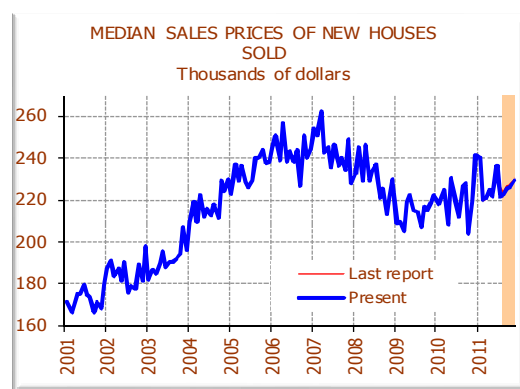
Graph III.3.3b



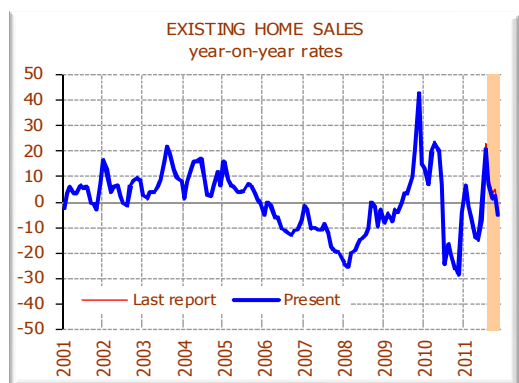
Graph III.3.4a



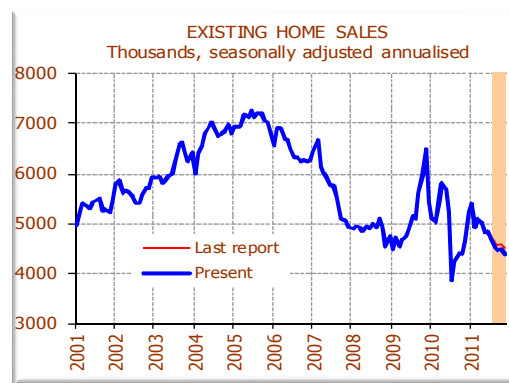
Graph III.3.4b



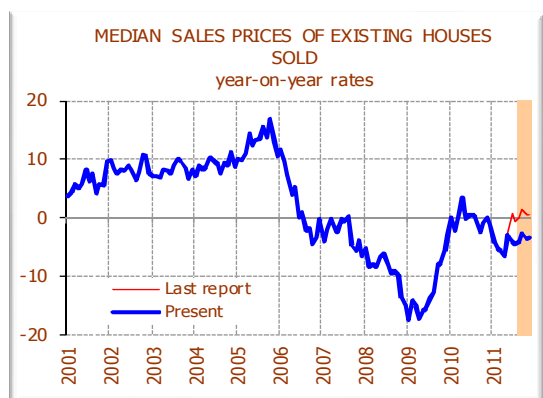
Graph III.3.5a



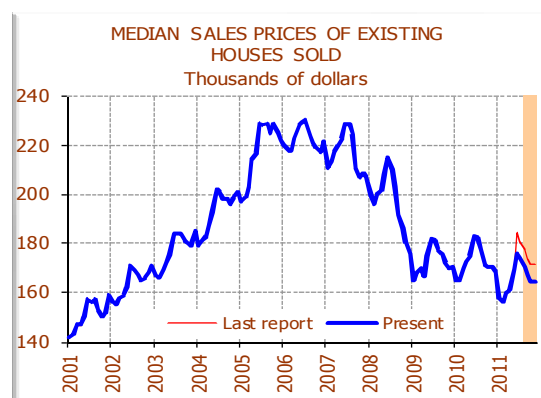
Graph III.3.5b



Graph III.3.6a



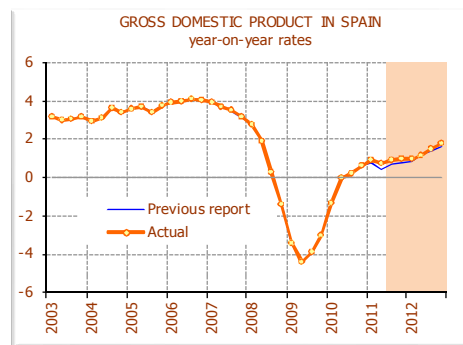
Graph III.3.6b



IV. SPAIN

The forecasts for average rate of growth of Spanish GDP for 2011 have been upward revisited this month to 0.9% (± 0.4) as consequence of a greater rates expected in the public and private final consumption (in demand side), and in market services and construction (in supply side).

The forecasts for total CPI in Spain don't change this month as consequence of two opposite effects: lower rates expected in the prices of energy products and higher rates expected in core inflation.



MAIN VARIABLES AND INDICATORS IN SPAIN										
Average annual rates										
					Forecasts					
					2011	2012				
					0.9 (±0.4)	1.3 (±1)				
GDP mp. ¹					3.6	0.9	-3.7	-0.1		
Demand	Private final consumption	3.7	-0.6	-4.3	1.3	0.5	1.3			
	Public final consumption	5.5	5.8	3.2	-0.7	0.2	-0.6			
	Gross fixed capital formation	4.5	-4.8	-16.0	-7.6	-5.4	-0.1			
	Equipment	10.4	-2.5	-24.8	1.8	0.6	6.0			
	Construction	3.2	-5.9	-11.9	-11.1	-8.5	-2.2			
	Other products	0.8	-4.1	-16.2	-8.2	-3.3	-1.2			
	Contribution domestic demand*	4.4	-0.6	-6.4	-1.2	-0.8	0.7			
	Exports of goods and services	6.7	-1.1	-11.6	10.3	9.2	4.7			
	Imports of goods and services	8.0	-5.3	-17.8	5.4	2.8	2.2			
	Contribution foreign demand*	-0.8	1.5	2.7	1.0	1.6	0.6			
Supply GVA	Agriculture	7.1	-2.1	1.0	-1.3	1.0	1.7			
	Energy	0.9	5.8	-6.4	3.0	0.9	0.9			
	Industry	0.8	-2.7	-13.6	0.9	4.7	2.1			
	Construction	2.5	-1.6	-6.2	-6.3	-3.3	1.0			
	Trade services	4.9	1.7	-1.9	0.4	1.2	1.7			
	Non-trade services	4.8	4.7	2.1	0.8	0.6	1.0			
	Total	3.9	1.1	-3.5	-0.2	1.1	1.5			
Tax	0.9	-1.1	-6.0	0.6	-0.4	0.3				
Prices CPI ²										
Total					2.8	4.1	-0.3	1.8	3.1 (±0.2)	1.5 (±1.4)
Core					2.7	3.2	0.8	0.6	1.6 (±0.1)	1.4 (±0.9)
dec / dec					4.2	1.4	0.8	3.0	2.1	1.7
Foreign sector ¹										
Balance of current account (bilE)					-105.35	-104.46	-57.97	-47.82	-42.60	-38.29
Net lending or borrowing (% of GDP)					-9.5	-9.1	-5.1	-3.9	-3.4	-2.9
Public Administration ¹ : Net lending or borrowing (% of GDP)					1.9	-4.2	-11.1	-9.3	-6.6	-5.1
Industrial production index (excluding construction) ⁴					2.4	-7.1	-16.2	0.9	-0.4 (±0.9)	1.1 (±7.1)
ECONOMICALLY ACTIVE POPULATION SURVEY ³										
Employed					3.1	-0.5	-6.8	-2.3	-0.8	0.0
Agriculture					-2.0	-5.0	-4.0	0.9	-3.4	-2.7
Industry					-0.9	-1.1	-13.3	-5.9	-1.4	-0.1
Construction					6.1	-10.9	-23.0	-12.6	-13.2	-9.2
Services					3.8	2.1	-2.5	-0.3	0.9	1.2
Active					2.8	3.0	0.8	0.2	0.1	0.2
Unemployment rate					8.3	11.3	18.0	20.1	20.9	21.0

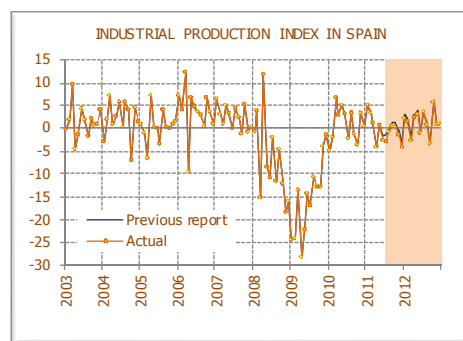
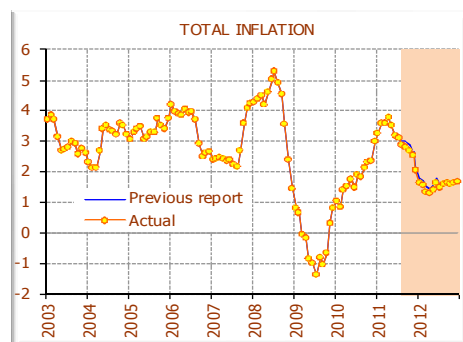
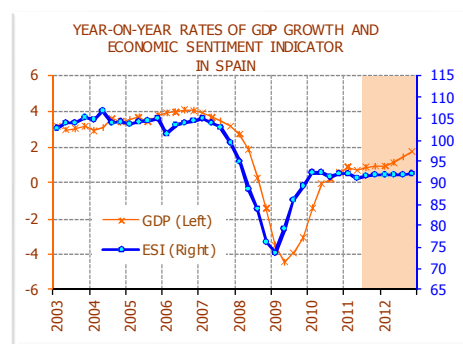
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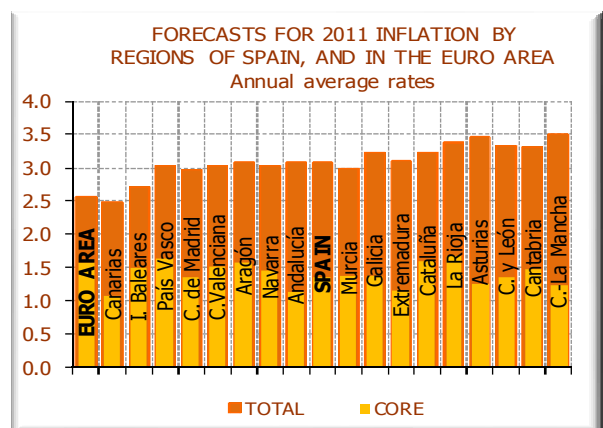
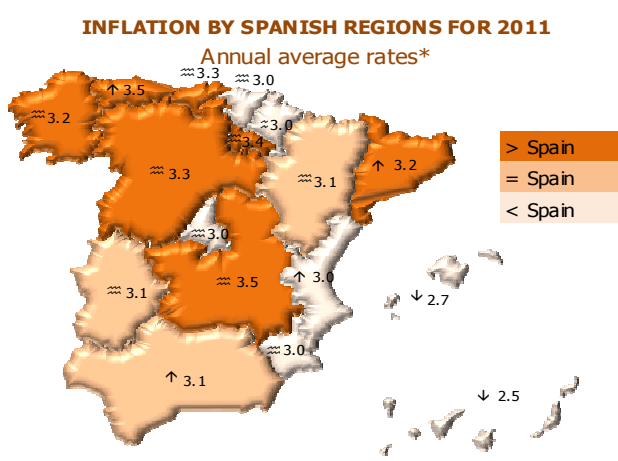
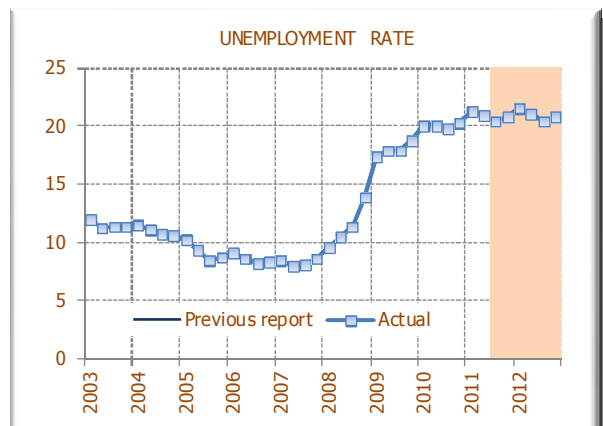
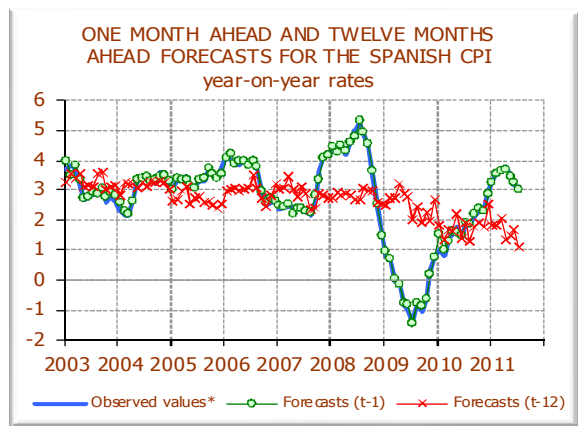
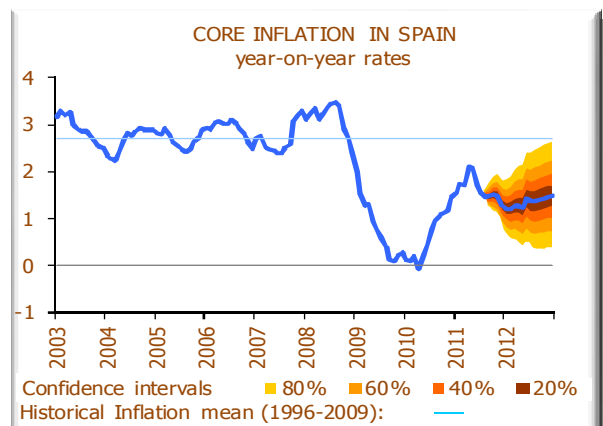
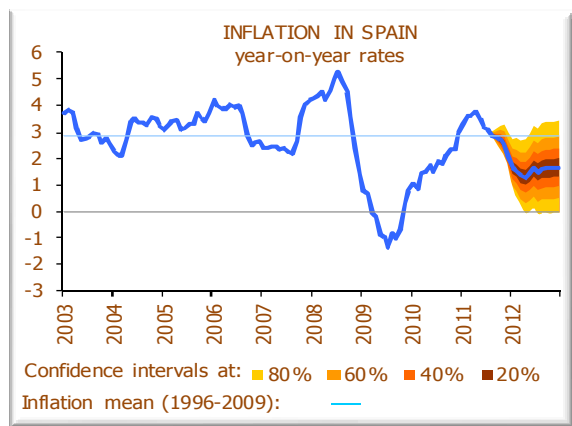
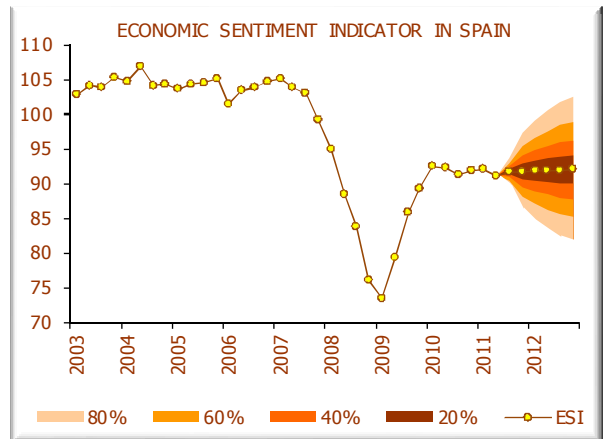
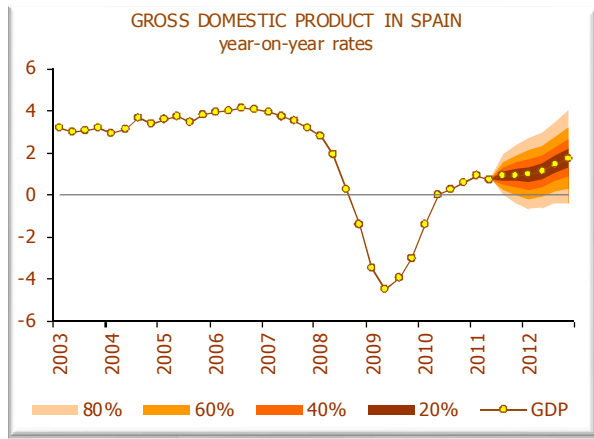
(1) Data adjusted for seasonality and working days effect.

Source: EUROSTAT & BIAM (UC3M)

Dates: (1) August 31, 2011 (2) August 29, 2011

(3) August 2, 2011 (4) August 5, 2011





IV.1. MACROECONOMIC FORECASTS

As mentioned in previous months, all the leading indicators pointed to the second quarter registering slightly less growth than the first. That GDP growth would be lower was confirmed by the estimation of the quarterly national accounts published at the end of August. At the same time, in August, the financial shocks derived from the European debt crisis intensified, now directly affecting Spain and Italy.

According to the latest estimates, in April-June the Spanish economy reduced its growth after accelerating in the first quarter, all in a setting defined by weakness. The second quarter accounts, corrected for seasonality and calendar effect, registered a quarter-on-quarter growth rate of 0.2% in real terms, two tenths of a point less than the previous quarter. In turn, relative to a year earlier, the GDP grew by 0.7%, two tenths of a point lower. The second quarter GDP was clearly an upwards innovation relative to our forecasts.

GDP growth continues to be very weak and the deceleration found in the second quarter in Spain coincided with a sluggish world and euro area economic recovery process. Weak growth is due to the evolution of domestic demand which, as usual in periods of crisis, is being counteracted by the good evolution of foreign demand. It is precisely by analysing second quarter GDP growth that we find that such modest growth continues to be thanks to the foreign sector, which increased its contribution to year-on-year GDP growth by 1.3 pp to a total of 2.6 pp, while domestic demand continued to have a negative impact, this quarter 1.9 pp compared to 0.4pp in the previous three months.

In the second quarter, private consumption registered 0.6% quarter-on-quarter growth, six tenths of a point more than the previous quarter. In year-on-year terms it registered a 0.2% reduction, following 0.7% growth in the previous quarter. This was largely due to the effect of the high consumption a year earlier in anticipation of the VAT increase in July and other fiscal measures. Private consumption was two tenths of a point higher than forecast. Public consumption, however, registered a heavy downwards innovation, with a quarter-on-quarter decrease of

2.4%, when the expected reduction was only 0.7%, which is consistent with the fiscal consolidation process in Spain.

Fixed gross capital formation decreased at a quarter-on-quarter rate of 1%, less than the previous month (1.6%) and very close to the forecast figure. However, there were different innovations in the major components of this aggregate which practically cancelled each other out. Capital goods grew by 0.3% instead of the expected 1.6%, and construction registered a fall of 0.9% instead of the forecast 2.4%.

Foreign trade was considerably reduced in the second quarter of this year. Real exports fell by 1.9% in the quarter-on-quarter rate and real imports fell by 3.7%, 7.7 and 8.7 percentage points, respectively, less than the previous month. This greater drop in imports explains the increased contribution by foreign demand to GDP growth. These figures represent heavy downwards innovations, particularly in imports.

With the new national accounts figures, we have updated our macroeconomic forecast for Spain for 2011-2012. The result is a forecast of 0.9% average annual growth for this year, two tenths more than previously expected, with the forecast for 2012 remaining unaltered. There have been changes in the composition of GDP growth; the capital goods forecast has been revised downwards and the construction forecast upwards, resulting in a better forecast contribution by domestic demand to GDP growth in 2011, which has risen to -0.8 pp, and in 2012, rising to 0.7 pp. The forecast growth of exports and imports has been revised downwards for both 2011 and 2012.

Besides the second quarter's national accounts, other indicators have also been published, some referring to June and others to July. The June IPI was worse than expected, with a considerable decline in the second quarter relative to the first. In turn, there was no improvement in social security contributors and registered unemployment in July, and therefore no signs of improvement for the labour market.

The June Industrial Production Index (*IPI*) registered a year-on-year growth rate of -2.7%,

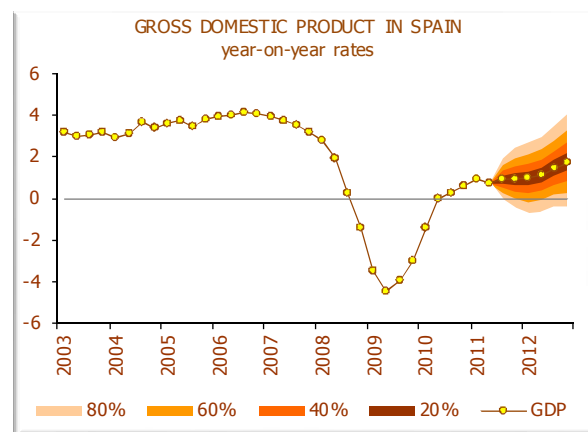


ending the second quarter of the year with -1.9%, compared with 3.1% growth in the previous three months. However, when corrected for calendar effect, the IPI registered a -2% rate in June. It was worse than expected, as we had forecast a rate of -1.7%.

Considering the new industrial information and its breakdown into major sectors, the forecast average annual IPI growth rate has been revised downwards for 2011 y 2012. For this year we expect an average annual rate of -0.4%, followed by 1.1% in the next.

With regards to the labour market, the July SS contributors and registered unemployment figures have both been published. Like in June, they show a clear decline compared to the relative improvement shown in the first five months of this year and 2010. Registered unemployment was also slightly worse than in the previous months. In July, SS contributors fell by a year-on-year rate of 1.2%, after falling by 1.1% in June. In turn, the month-on-month rate for SS contributors based on figures corrected for seasonality showed a reduction of 0.2% in July, the same as in June. In July, registered unemployment fell by 42,000 people. When corrected for seasonality, however, this figure becomes an increase of 30,000, equivalent to a 0.7% rate, the same as in the previous month.

Graph IV.1.1



Source: INE & IFL (UC3M)

Date: August 31, 2011

Table IV.1.1

INDUSTRIAL PRODUCTION INDEX IN SPAIN				
Average annual rates				
	2009	2010	2011	2012
Consumption	-8.8	0.9	-1.4	0.8
Durable	-28.3	-7.4	-7.7	1.0
Non-durable	-5.5	1.9	-0.6	0.8
Capital	-22.5	-3.3	2.2	2.1
Intermedite	-21.4	2.7	0.2	1.2
Energy	-8.6	2.5	-3.1	0.1
TOTAL	-16.2	0.9	-0.4 (±1.9)	1.1 (±3.2)
GVA Industry	-13.6	0.9	4.7	2.1

Source: INE & IFL (UC3M)

Date: July 27, 2011

Table IV.1.2

ECONOMICALLY ACTIVE POPULATION SURVEY				
year-on-year rates				
	2009	2010	2011	2012
Employed	-6.8	-2.3	-0.8	0.0
Agriculture	-4.0	0.9	-3.4	-2.7
Industry	-13.3	-5.9	-1.4	-0.1
Construction	-23.0	-12.6	-13.2	-9.2
Services	-2.5	-0.3	0.9	1.2
Active	0.8	0.2	0.1	0.2
Unemployment rate	18.0	20.1	20.9	21.0

Source: INE & IFL (UC3M)

Date: August 2, 2011



GROSS DOMESTIC PRODUCT IN THE SPAIN: DEMAND

GROSS DOMESTIC PRODUCT IN SPAIN													
Annual rates of growht													
		Final Consumption		Gross Fixed 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	2006	3.8	4.6	9.9	6.0	7.5	7.2	5.5	6.7	10.2	-1.4	4.0	
	2007	3.7	5.5	10.4	3.2	0.8	4.5	4.4	6.7	8.0	-0.8	3.6	
	2008	-0.6	5.8	-2.5	-5.9	-4.1	-4.8	-0.6	-1.1	-5.3	1.5	0.9	
	2009	-4.3	3.2	-24.8	-11.9	-16.2	-16.0	-6.4	-11.6	-17.8	2.7	-3.7	
	2010	1.3	-0.7	1.8	-11.1	-8.2	-7.6	-1.2	10.3	5.4	1.0	-0.1	
	2011	0.5	0.2	0.6	-8.5	-3.3	-5.4	-0.8	9.2	2.8	1.6	0.9 (±0.4)	
	2012	1.3	-0.6	6.0	-2.2	-1.2	-0.1	0.7	4.7	2.2	0.6	1.3 (±1)	
ANNUAL RATES	2010	QI	-0.3	-1.1	-4.6	-11.4	-15.8	-10.5	-3.0	9.4	2.0	1.6	-1.4
		QII	2.2	-0.1	8.7	-11.3	-11.0	-6.7	-0.3	11.9	9.6	0.3	0.0
		QIII	1.6	-0.7	2.4	-11.2	-3.0	-6.7	-0.7	9.4	5.0	0.9	0.2
		QIV	1.7	-0.9	1.2	-10.6	-1.5	-6.1	-0.6	10.5	5.3	1.2	0.6
	2011	QI	0.7	2.6	0.3	-10.4	-0.4	-6.0	-0.5	12.1	6.3	1.4	0.9
		QII	-0.2	-1.0	-3.7	-9.3	-2.7	-6.7	-2.0	8.4	-1.7	2.7	0.7
		QIII	0.9	-0.7	3.0	-8.2	-5.1	-5.0	-0.6	9.7	3.8	1.5	0.9
		QIV	0.8	0.0	3.0	-5.7	-5.1	-3.6	-0.1	6.8	2.8	1.0	0.9
	2012	QI	1.1	-2.8	4.4	-3.2	-4.4	-1.8	-0.1	2.3	-1.6	1.1	1.0
		QII	1.1	-0.3	6.1	-3.0	-1.0	-0.7	0.7	5.5	3.5	0.4	1.1
		QIII	1.4	0.3	6.4	-1.6	0.2	0.7	1.0	5.4	3.5	0.4	1.5
		QIV	1.5	0.6	7.0	-0.7	0.9	1.5	1.3	5.5	3.7	0.4	1.7

GROSS DOMESTIC PRODUCT IN SPAIN													
Annual and quarterly rates of growht													
		Final Consumption		Gross Fixed 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	2006	3.8	4.6	9.9	6.0	7.5	7.2	5.5	6.7	10.2	-1.4	4.0	
	2007	3.7	5.5	10.4	3.2	0.8	4.5	4.4	6.7	8.0	-0.8	3.6	
	2008	-0.6	5.8	-2.5	-5.9	-4.1	-4.8	-0.6	-1.1	-5.3	1.5	0.9	
	2009	-4.3	3.2	-24.8	-11.9	-16.2	-16.0	-6.4	-11.6	-17.8	2.7	-3.7	
	2010	1.3	-0.7	1.8	-11.1	-8.2	-7.6	-1.2	10.3	5.4	1.0	-0.1	
	2011	0.5	0.2	0.6	-8.5	-3.3	-5.4	-0.8	9.2	2.8	1.6	0.9 (±0.4)	
	2012	1.3	-0.6	6.0	-2.2	-1.2	-0.1	0.7	4.7	2.2	0.6	1.3 (±1)	
QUARTERLY RATES	2010	QI	0.9	-0.5	0.9	-3.0	-1.7	-1.8	0.1	4.4	4.0	0.0	0.1
		QII	1.5	1.1	4.4	-2.1	-1.3	-0.3	1.1	1.4	4.2	-0.7	0.3
		QIII	-1.0	-0.7	-5.1	-2.9	1.5	-2.8	-1.2	0.5	-4.3	1.2	0.0
		QIV	0.3	-0.7	1.2	-3.1	0.0	-1.4	-0.3	3.9	1.6	0.5	0.2
	2011	QI	-0.1	2.9	0.0	-2.8	-0.6	-1.6	0.3	5.8	5.0	0.1	0.4
		QII	0.6	-2.4	0.3	-0.9	-3.5	-1.0	-0.4	-1.9	-3.7	0.5	0.2
		QIII	0.1	-0.4	1.4	-1.7	-1.0	-1.0	0.0	1.7	1.1	0.1	0.1
		QIV	0.2	0.0	1.2	-0.4	-0.1	0.0	0.1	1.2	0.6	0.1	0.2
	2012	QI	0.2	0.0	1.4	-0.2	0.1	0.3	0.2	1.4	0.5	0.2	0.4
		QII	0.6	0.1	1.9	-0.7	-0.1	0.1	0.4	1.1	1.3	-0.1	0.3
		QIII	0.4	0.2	1.8	-0.2	0.2	0.4	0.4	1.5	1.0	0.1	0.5
		QIV	0.3	0.3	1.7	0.4	0.6	0.8	0.4	1.3	0.8	0.1	0.5

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 & BIAM (UC3M)

Date: August 31, 2011



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	2006	5.8	1.3	1.9	4.7	4.6	4.0	4.1	3.7	4.0	
	2007	7.1	0.9	0.8	2.5	4.9	4.8	3.9	0.9	3.6	
	2008	-2.1	5.8	-2.7	-1.6	1.7	4.7	1.1	-1.1	0.9	
	2009	1.0	-6.4	-13.6	-6.2	-1.9	2.1	-3.5	-6.0	-3.7	
	2010	-1.3	3.0	0.9	-6.3	0.4	0.8	-0.2	0.6	-0.1	
	2011	1.0	0.9	4.7	-3.3	1.2	0.6	1.1	-0.4	0.9 (±0.4)	
	2012	1.7	0.9	2.1	1.0	1.7	1.0	1.5	0.3	1.3 (±1)	
ANNUAL RATES	2010	QI	-1.2	0.1	-2.0	-6.4	-1.0	0.8	-1.4	-1.0	-1.4
		QII	-2.1	0.6	2.5	-6.5	0.3	0.9	-0.2	1.7	0.0
		QIII	-2.2	4.6	1.7	-6.6	0.9	0.7	0.2	0.8	0.2
		QIV	0.3	6.6	1.4	-5.8	1.3	0.7	0.6	1.0	0.6
	2011	QI	0.2	3.4	4.1	-5.4	1.5	0.9	1.0	-0.4	0.9
		QII	-0.1	0.9	3.2	-4.1	1.4	0.5	0.9	-1.2	0.7
		QIII	3.3	-0.3	5.8	-2.3	0.9	0.6	1.2	0.3	0.9
		QIV	0.9	-0.4	5.8	-1.4	1.0	0.5	1.3	-0.2	0.9
	2012	QI	0.0	-0.3	1.4	0.3	1.7	0.8	1.2	0.4	1.0
		QII	3.5	1.3	2.3	0.8	1.5	0.6	1.4	0.5	1.1
		QIII	1.0	1.3	2.1	1.4	1.7	1.1	1.6	0.2	1.5
		QIV	2.3	1.3	2.7	1.6	1.9	1.4	1.9	0.2	1.7

GROSS DOMESTIC PRODUCT IN SPAIN											
Annual and quarterly rates of growht											
		Gross Value Added							Tax	Real GDP	
		Agriculture	Energy	Industry	Construction	Market services	Non-market services				
ANNUAL AVERAGE	2006	5.8	1.3	1.9	4.7	4.6	4.0	4.1	3.7	4.0	
	2007	7.1	0.9	0.8	2.5	4.9	4.8	3.9	0.9	3.6	
	2008	-2.1	5.8	-2.7	-1.6	1.7	4.7	1.1	-1.1	0.9	
	2009	1.0	-6.4	-13.6	-6.2	-1.9	2.1	-3.5	-6.0	-3.7	
	2010	-1.3	3.0	0.9	-6.3	0.4	0.8	-0.2	0.6	-0.1	
	2011	1.0	0.9	4.7	-3.3	1.2	0.6	1.1	-0.4	0.9 (±0.4)	
	2012	1.7	0.9	2.1	1.0	1.7	1.0	1.5	0.3	1.3 (±1)	
QUARTERLY RATES	2010	QI	0.9	3.2	2.3	-2.0	-0.2	-0.3	0.0	0.8	0.1
		QII	-1.8	1.1	0.5	-1.6	0.5	0.8	0.3	0.7	0.3
		QIII	-0.7	1.6	-1.5	-1.9	0.8	-0.2	0.0	-1.1	0.0
		QIV	2.0	0.5	0.2	-0.4	0.1	0.4	0.2	0.6	0.2
	2011	QI	0.8	0.1	4.9	-1.6	0.0	-0.2	0.5	-0.6	0.4
		QII	-2.1	-1.3	-0.3	-0.3	0.5	0.5	0.2	0.0	0.2
		QIII	2.6	0.4	0.9	-0.1	0.3	-0.1	0.3	0.3	0.1
		QIV	-0.4	0.4	0.2	0.5	0.2	0.3	0.2	0.2	0.2
	2012	QI	-0.1	0.2	0.6	0.1	0.6	0.2	0.5	0.0	0.4
		QII	1.4	0.3	0.6	0.3	0.3	0.2	0.3	0.0	0.3
		QIII	0.2	0.3	0.7	0.5	0.5	0.4	0.5	0.1	0.5
		QIV	0.9	0.4	0.8	0.8	0.5	0.6	0.6	0.1	0.5

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 & BIAM (UC3M)

Date: August 31, 2011



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	Total excluding energy	TOTAL	
ANNUAL AVERAGE	2006	8.3	0.9	2.1	7.7	3.6	0.9	4.1	3.7	
	2007	3.4	2.0	2.2	5.0	1.6	0.8	2.6	2.4	
	2008	-16.5	-2.2	-4.6	-8.7	-11.0	1.6	-8.4	-7.1	
	2009	-28.3	-5.5	-8.8	-22.5	-21.4	-8.6	-17.4	-16.2	
	2010	-7.4	1.9	0.9	-3.3	2.7	2.5	0.6	0.9	
	2011	-7.7	-0.6	-1.4	2.2	0.2	-3.1	0.1	-0.4 (±1.9)	
	2012	1.0	0.8	0.8	2.1	1.2	0.1	1.3	1.1 (±3.2)	
ANNUAL RATES*	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	-12.0	1.8	0.2	-2.6	2.1	-0.8	-0.8	0.1
		QII	-1.6	4.1	3.5	-0.7	7.5	1.9	1.9	3.8
		QIII	-5.3	0.8	0.2	-6.5	0.7	4.2	4.2	-0.4
		QIV	-10.2	1.0	-0.3	-3.5	0.5	5.0	5.0	0.1
	2011	QI	-8.7	0.9	-0.1	4.3	6.4	0.8	0.8	3.1
		QII	-11.9	-0.4	-1.7	1.6	-3.2	-3.3	-3.3	-1.9
		QIII	-6.7	-0.9	-1.4	2.7	-0.7	-5.5	-5.5	-1.1
		QIV	-3.2	-2.1	-2.2	0.3	-1.1	-4.4	-4.4	-1.7
	2012	QI	1.7	1.0	1.1	1.1	-0.6	-1.3	-1.3	0.1
		QII	0.9	0.8	0.8	1.9	1.7	0.6	0.6	1.5
		QIII	-1.7	-0.9	-1.0	1.3	0.8	0.3	0.3	0.2
		QIV	2.6	2.1	2.1	4.2	2.9	0.8	0.8	2.6

INDUSTRIAL PRODUCTION INDEXES IN SPAIN							
Annual rates of growth							
	2006	2007	2008	2009	2010	2011	2011
January	7.2	6.6	-0.8	-24.5	-5.0	5.0	2.1
February	4.1	3.0	3.8	-24.3	-1.9	3.3	1.4
March	12.4	1.0	-15.3	-13.5	6.8	1.3	-2.8
April	-9.4	5.1	12.0	-28.4	3.0	-4.0	2.3
May	6.7	3.3	-8.4	-22.3	5.1	0.8	3.0
June	4.8	0.1	-10.9	-14.3	3.2	-2.7	-0.9
July	3.7	4.5	-1.9	-16.9	-2.3	-2.8	3.6
August	3.0	2.4	-11.5	-10.6	3.4	-0.8	0.6
September	0.6	-1.3	-4.7	-12.7	-1.1	0.5	-3.4
October	6.6	5.3	-12.2	-12.8	-3.5	0.3	5.8
November	3.6	-0.8	-18.3	-4.0	3.4	-1.6	1.0
December	0.8	0.2	-16.0	-1.5	0.4	-4.1	0.9

- Data adjusted for seasonality and working days effect

The figures in the shaded area are forecasts.

Source: INE & BIAM (UC3M)

Date: July 27, 2011



INDUSTRIAL PRODUCTION INDEX BY ECONOMIC ACTIVITIES IN SPAIN									
Annual rates of growth									
		Weights 2011	2011				Average rates		
			Mar	Apr	May	Jun	2010	2011	2012
B Mining and quarrying	05 Mining of coal and lignite	0.4	-50.3	-43.2	-35.7	-36.7	9.0	-39.3	-11.1
	08 Other mining and quarrying	1.4	7.1	-6.3	-8.7	-3.8	3.0	-2.5	-1.6
		1.8	-9.0	-15.9	-14.8	-11.9	4.4	-11.7	-4.1
D Manufacture Industries	10 Manufacture of food products	10.7	-7.3	-3.9	5.2	2.2	2.1	-0.9	0.7
	11 Manufacture of beverages	3.3	-2.1	-9.6	0.5	-4.4	-5.7	-3.5	-0.4
	12 Manufacture of tobacco products	0.4	-12.9	-34.8	-8.4	-12.8	-4.7	-12.9	-8.2
	13 Manufacture of textiles	1.7	3.6	-2.2	1.4	-11.0	7.4	-3.5	-5.0
	14 Manufacture of wearing apparel	1.8	-12.1	-14.2	-0.4	-6.2	-8.7	-10.4	-9.5
	15 Manufacture of leather and related products	0.9	1.3	3.6	12.8	5.8	3.7	2.2	-1.7
	16 Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	2.1	0.7	-8.5	-2.9	-9.6	-6.8	-7.1	-3.8
	17 Manufacture of paper and paper products	2.6	5.2	-2.1	1.3	1.3	5.2	0.9	0.5
	18 Printing and reproduction of recorded media	2.3	12.3	18.2	-1.0	0.6	0.9	7.3	0.7
	19 Manufacture of coke and refined petroleum products	3.5	0.4	7.5	5.0	-8.9	1.3	-0.5	0.5
	20 Manufacture of chemicals and chemical products	5.8	7.7	-2.3	-4.3	-4.1	5.3	0.7	0.2
	21 Manufacture of basic pharmaceutical products and pharmaceutical preparations	2.4	1.2	-14.6	4.9	-0.9	9.7	2.9	5.4
	22 Manufacture of rubber and plastic products	3.4	4.8	-1.8	-1.0	-2.2	8.3	1.5	3.4
	23 Manufacture of other non-metallic mineral products	8.0	1.0	-6.5	-7.4	-10.8	-5.1	-6.6	-3.3
	24 Manufacture of basic metals	4.3	9.8	-4.8	0.5	1.6	11.8	5.0	5.3
	25 Manufacture of fabricated metal products, except machinery and equipment	10.7	7.5	-6.8	0.9	1.3	-6.3	1.8	1.7
	26 Manufacture of computer, electronic and optical products	1.6	-17.7	-26.8	-16.7	-18.7	4.4	-18.1	-9.9
	27 Manufacture of electrical equipment	3.7	5.1	-0.9	6.3	1.6	-2.4	2.2	2.2
	28 Manufacture of machinery and equipment n.e.c.	5.4	3.3	2.1	16.7	0.1	-3.9	8.0	6.3
	29 Manufacture of motor vehicles, trailers and semi-trailers	7.4	10.1	9.2	9.9	2.2	12.7	11.1	9.0
	30 Manufacture of other transport equipment	2.1	-11.9	-17.7	-9.5	-12.6	-11.2	-13.7	-7.5
	31 Manufacture of furniture	2.8	-4.4	-9.4	-2.1	-17.6	-8.2	-11.3	-7.2
	32 Other manufacturing	1.8	0.4	-4.9	2.0	1.7	5.8	2.8	4.0
	33 Repair and installation of machinery and equipment	0.3	-20.6	-17.6	-7.0	-9.7	-17.5	-7.5	-5.9
		89.0	1.7	-3.7	1.9	-2.5	0.7	0.1	1.3
D Electricity, gas, steam and air conditioning supply		9.2	-0.6	-5.5	-1.7	-2.7	3.0	-2.6	0.4
IPI Total		100	1.3	-4.0	0.8	-2.7	0.9	-0.4	1.1

Source: INE & BIAM (UC3M)

Date: July 27, 2011



IV.2. INFLATION

The annual CPI in July was 3.1%, 6 hundredths of a point more than expected. The innovation in the core component was one tenth of a point, rising to an annual rate of 1.59%. The latest figures have not substantially changes our forecasts. The total CPI prediction remains stable at 3.1% (± 0.22), falling to 1.5% (± 1.42) for 2011 and 2012, while core inflation remains at 1.6% (± 0.15) for 2011 and increases to 1.4% (± 0.91) for 2012.

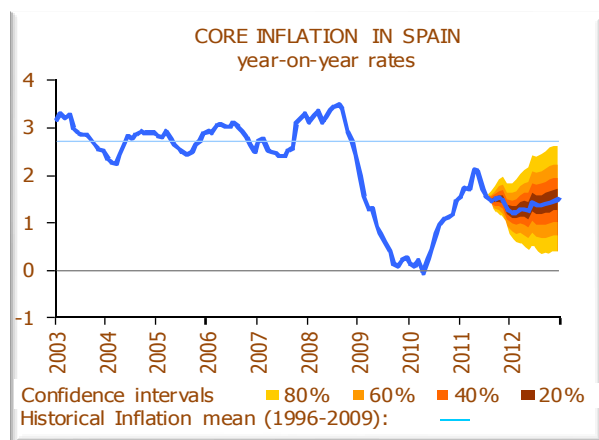
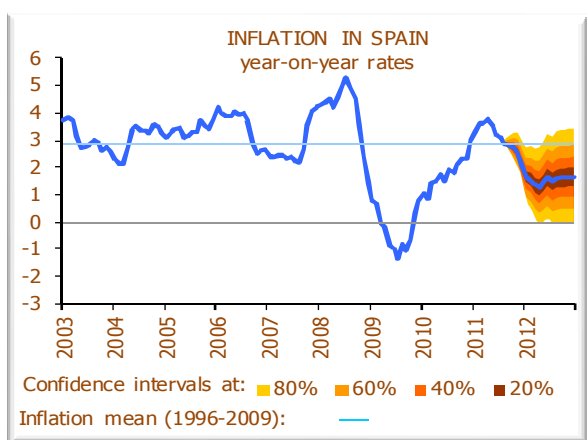
The small upwards revision for core inflation is due to tourist and unprocessed food not including tobacco. In the residual component, our forecasts were in line with the observed figure.

Our forecast for non-energy industrial goods was accurate. Small upwards and downwards innovations in footwear and cars mean that our forecasts for 2011 and 2012 remain unchanged at 0.6% and 0.3%, respectively.

The opposite is true of unprocessed food not including tobacco, with a greater impact on the core component. It represents more than 10%, so this innovation is a significant one (less than 2 tenths of a point in the monthly rate). Our forecasts for this group have increased by 1 tenth for 2011 to 1.9% and 3 tenths for 2012 to 2.6%. This month's forecasts are therefore practically the same as last month.

In services, two important innovations, a negative one in telephony and a positive one in tourism, cancelled each other out. There are more and more new firms in the telecommunications sector and consumers are increasingly disloyal to their regular providers, and this is making the price war in the sector more intense. The innovation, however, was not enough to counteract for the heavy upwards innovation in tourism prices, which registered a monthly variation of 12.3%. This figure was over 10% for the first time since the year 2000. The conflict in northern Africa continues to explain the rise in all tourist indicators, and this may have been an incentive for the price increase usually found in August to be brought forward to July. Our inflation expectations for services remain unaltered at 1.7% and 1.6% for 2011 and 2012, respectively.

With regards to the prices of unprocessed food, our inflation forecast remains stable at 2.1% and 2.7% for 2011 and 2012, respectively. Energy inflation registered a slight downwards innovation due to stable international oil prices in the last month. With the latest information about fuel prices, our forecasts have fallen to 15.1% and 2.2% for 2011 and 2012, respectively.



INFLATION IN SPAIN				
Annual rates, July, 2011				
Consumer Price Index CPI	Weights 2011	Observed	Forecasts	Confidence Intervals at 80%
Processed food	14.58	3.38	3.14	± 0.47
Non-energy industrial goods	28.51	0.43	0.41	± 0.3
Services	39.86	1.70	1.61	± 0.17
CORE	82.96	1.59	1.48	± 0.18
Non-processed food	6.45	1.63	1.79	± 0.93
Energy	10.60	15.96	16.12	± 0.7
RESIDUAL	17.04	10.47	10.34	± 0.71
TOTAL	100	3.09	3.03	± 0.17

Source: INE & BIAM(UC3M)
Date: August 12, 2011

Source: INE & BIAM(UC3M)
Date: August 29, 2011



INFLATION BY COMPONENTS IN THE CONSUMER PRICE INDEX OF SPAIN										
Annual average rates										
				Weights 2011	2007	2008	2009	2010	2011	2012
CPI Total	Core Inflation	Processed food	AE less tobacco & fats	11.4	4.5	7.4	-0.1	-1.2	2.0	2.6
			Oils & Fats	0.6	-16.8	2.2	-11.4	-2.6	0.6	0.7
			Tobacco	2.0	8.8	3.5	11.7	15.0	11.3	4.7
				14.6	3.8	6.7	0.9	1.0	3.4	2.9
		Non energy industrial goods	Vehicles	5.0	1.4	-0.5	-3.8	-1.1	2.9	2.1
			Footwear	1.8	1.3	1.4	-0.4	0.5	0.6	-0.2
			Clothing	6.6	0.9	0.4	-2.1	-0.6	0.0	-0.3
			Rest	15.1	0.3	0.3	-0.1	-0.2	0.2	0.0
			28.5	0.8	0.4	-1.2	-0.4	0.6	0.3	
		Services	Postal services	0.0	3.6	2.8	2.8	4.5	3.6	2.0
			Cultural services	1.9	3.1	2.8	2.7	1.4	0.8	1.4
			Education	0.9	4.1	3.4	2.5	2.1	1.9	2.1
			Hotels	0.8	5.5	4.2	-1.4	0.2	1.5	1.6
			Health	2.6	4.2	4.1	3.9	2.7	2.5	2.7
			Household equipment	1.9	4.2	4.4	3.4	2.5	2.6	2.6
			Restaurants	11.4	4.8	4.7	2.2	1.3	1.7	1.6
			Telephone	3.8	0.3	0.6	0.1	-0.4	-0.6	-0.5
			Transports	5.6	3.1	4.1	3.1	2.2	2.7	1.5
			Package holidays	1.5	0.6	4.5	0.2	-4.6	1.9	2.9
			University	0.5	5.3	5.2	5.3	3.3	3.2	3.7
			Housing	5.7	4.6	4.1	3.0	1.7	1.7	1.5
			Rest	3.3	3.9	3.8	2.4	1.6	2.1	2.2
				39.9	3.8	3.9	2.4	1.3	1.7	1.6
			83.0	2.7	3.2	0.8	0.6	1.6	1.4	
	Residual Inflation	Non processed foods	Meat	2.5	5.2	3.9	-0.6	-1.9	2.6	3.7
			Fruits	1.2	4.5	9.4	0.3	-1.2	1.5	2.1
			Eggs	0.2	4.3	10.7	1.2	-1.1	-1.7	-0.2
			Vegetables	0.8	6.4	2.4	2.1	1.3	0.0	3.0
			Mollusc	0.5	0.1	-0.2	-2.2	3.2	5.6	4.1
			Potatoes	0.3	8.4	-1.7	-7.0	7.6	1.9	0.4
			Fish	1.1	2.5	1.2	-4.6	1.3	1.9	1.0
				6.4	4.5	3.8	-1.2	0.0	2.1	2.7
		Energy	Heat energy	6.1	1.4	13.0	-15.2	16.9	14.5	0.3
			Fuels	0.5	-0.8	23.5	-32.7	24.7	27.1	0.0
			Electricity and gas	4.1	2.1	8.7	2.1	4.2	14.3	5.2
				10.6	1.7	11.9	-9.0	12.5	15.1	2.2
				17.0	3.1	8.2	-5.2	7.4	9.8	2.4
				100.0	2.8	4.1	-0.3	1.8	3.1	1.5

* The figures in the shaded area are forecasts

Source: INE & BIAM(UC3M)

Date: August 29, 2011



CONSUMER PRICE INDEX AND COMPONENTS IN SPAIN											
Annual rates of growth											
		Consumer Prices Index									
		Core					Residual				
		Processed food excluding tobacco	Tobacco	Non energy industrial goods	Services	TOTAL	Confidence intervals at 80% *	Non processed food	Energy	TOTAL	TOTAL 100%
Weights 2011		12.5%	2.1%	28.5%	39.9%	83.0%		6.4%	10.6%	17.0%	Confidence intervals at 80% *
AVERAGE ANNUAL RATES	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	-1.3	15.0	-0.4	1.3	0.6		0.0	12.5	7.4	1.8
	2011	1.9	11.3	0.6	1.7	1.6	± 0.15	2.1	15.1	9.8	± 0.22
	2012	2.6	4.7	0.3	1.6	1.4	± 0.91	2.7	2.2	2.4	± 1.42
Year-on-year rates	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	-1.6	17.0	-1.1	1.0	0.2	-0.8	16.4	9.6	1.8
		June	-1.3	17.7	-0.8	1.0	0.4	0.5	10.9	6.8	1.5
		July	-1.0	11.7	-0.1	1.4	0.8	1.1	11.8	7.6	1.9
		August	-0.9	11.6	0.2	1.5	1.0	1.6	8.9	6.0	1.8
		September	-0.6	11.6	0.4	1.5	1.1	1.3	11.1	7.2	2.1
		October	-0.5	11.6	0.6	1.5	1.1	2.1	12.6	8.4	2.3
		November	-0.4	11.6	0.8	1.5	1.2	2.2	11.7	8.0	2.3
		December	-0.3	20.8	0.9	1.6	1.5	2.6	15.6	10.5	3.0
	2011	January	0.1	21.9	0.7	1.6	1.6	2.3	17.6	11.7	3.3
		February	0.7	19.5	0.8	1.8	1.8	2.9	19.0	12.7	3.6
		March	1.1	19.5	0.7	1.7	1.7	3.1	18.9	12.8	3.6
		April	2.1	19.3	0.9	2.2	2.1	2.4	17.7	11.8	3.8
		May	2.3	19.3	0.9	2.0	2.1	2.7	15.3	10.5	3.5
		June	2.5	4.7	0.9	1.9	1.7	2.1	15.4	10.3	3.2
		July	2.7	7.1	0.4	1.7	1.6	# 0.00	16.0	10.5	3.1
		August	2.7	7.3	0.4	1.5	1.5	± 0.18	15.1	9.5	± 0.17
		September	2.6	7.3	0.5	1.5	1.5	± 0.29	14.2	9.0	± 0.35
		October	2.5	7.3	0.5	1.6	1.5	± 0.39	13.1	8.3	± 0.55
		November	2.5	7.3	0.4	1.6	1.5	± 0.47	11.4	7.4	± 0.75
		December	2.5	-0.8	0.4	1.7	1.3	± 0.54	8.2	5.6	± 0.93
	2012	January	2.4	-2.6	0.3	1.7	1.2	± 0.60	4.4	3.6	± 1.08
		February	2.4	-1.8	0.3	1.7	1.2	± 0.68	3.5	3.0	± 1.22
		March	2.6	-0.9	0.4	1.7	1.3	± 0.75	1.5	1.7	± 1.34
		April	2.5	0.1	0.3	1.7	1.3	± 0.83	0.4	1.3	± 1.45
		May	2.6	0.9	0.3	1.6	1.3	± 0.90	1.9	2.2	± 1.53
		June	2.6	8.7	0.3	1.6	1.4	± 0.97	2.4	2.5	± 1.60
		July	2.5	6.6	0.3	1.6	1.4	± 1.03	1.5	2.0	± 1.67
		August	2.5	7.4	0.2	1.6	1.4	± 1.07	2.3	2.6	± 1.73
		September	2.5	8.3	0.2	1.6	1.4	± 1.10	2.5	2.7	± 1.75
		October	2.6	9.2	0.2	1.6	1.4	± 1.13	2.2	2.4	± 1.76
		November	2.6	10.2	0.2	1.6	1.5	± 1.13	2.1	2.4	± 1.76
		December	2.6	11.0	0.2	1.6	1.5	± 1.14	2.2	2.5	± 1.76

* Confidence intervals calculated with historical errors

*The figures in the shaded area are Forecasts

Source: INE & BIAM(UC3M)

Date: August 29, 2011



CONSUMER PRICE INDEX AND COMPONENTS IN SPAIN											
Monthly rates of growth											
Weights 2011			Consumer Prices Index								
			Core				TOTAL	Residual		TOTAL	TOTAL 100%
			Processed food excluding tobacco	Tobacco	Non energy industrial goods	Services		Non processed food	Energy		
Weights 2011			12.5%	2.1%	28.5%	39.9%	83.0%	6.4%	10.6%	17.0%	
MONTHLY RATES (Growth of the month over the previous month)	January	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	0.2	2.8	-4.6	0.0	-1.5	0.0	4.6	2.8	-0.7
		2012	0.2	0.9	-4.6	0.0	-1.5	0.6	1.0	0.8	-1.1
	February	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	0.2	0.1	-0.4	0.3	0.1	-0.9	1.2	0.4	0.1
		2012	0.2	0.9	-0.4	0.3	0.1	-0.8	0.3	-0.1	0.0
	March	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	0.2	0.0	1.0	0.3	0.5	0.5	2.4	1.7	0.7
		2012	0.4	0.9	1.1	0.3	0.6	0.3	0.4	0.4	0.6
	April	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	0.5	-0.1	2.9	0.5	1.3	-0.1	1.7	1.0	1.2
		2012	0.4	0.9	2.8	0.6	1.3	0.6	0.6	0.6	1.2
	May	2009	-0.5	0.1	0.3	-0.3	-0.1	-0.5	0.9	0.3	0.0
		2010	-0.1	0.0	0.6	-0.1	0.2	0.0	0.7	0.4	0.2
		2011	0.2	0.0	0.6	-0.3	0.1	0.4	-1.3	-0.7	0.0
		2012	0.2	0.9	0.7	-0.4	0.1	0.2	0.2	0.2	0.1
	June	2009	-0.2	6.1	-0.5	0.3	0.0	-0.8	4.4	2.4	0.4
		2010	0.1	6.7	-0.2	0.3	0.2	0.5	-0.5	-0.1	0.2
		2011	0.2	-6.4	-0.2	0.2	-0.1	-0.1	-0.5	-0.4	-0.1
		2012	0.2	0.9	-0.2	0.2	0.1	0.0	0.0	0.0	0.1
	July	2009	-0.3	6.0	-3.9	0.5	-1.1	-0.1	0.3	0.1	-0.9
		2010	0.0	0.5	-3.3	0.8	-0.7	0.6	1.1	0.9	-0.4
		2011	0.2	2.8	-3.8	0.6	-0.9	0.1	1.6	1.1	-0.5
		2012	0.1	0.9	-3.8	0.6	-1.0	0.3	0.7	0.5	-0.7
	August	2009	0.1	0.0	-0.5	0.5	0.1	0.2	2.5	1.7	0.3
		2010	0.2	0.0	-0.2	0.6	0.3	0.7	-0.1	0.2	0.3
		2011	0.3	0.2	-0.2	0.4	0.2	0.1	-0.8	-0.5	0.0
		2012	0.3	0.9	-0.2	0.3	0.2	0.2	0.0	0.1	0.2
	September	2009	-0.2	0.0	0.8	-0.7	-0.1	0.3	-1.7	-1.0	-0.2
		2010	0.1	0.0	1.1	-0.7	0.0	0.1	0.2	0.2	0.1
		2011	0.0	0.0	1.1	-0.6	0.1	0.2	-0.5	-0.3	0.0
		2012	0.0	0.9	1.1	-0.6	0.1	0.1	-0.4	-0.2	0.0
	October	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	-0.2	0.9	0.3	1.3	0.9	0.9
		2011	0.0	0.0	2.9	0.0	0.9	0.1	0.3	0.3	0.8
		2012	0.0	0.9	2.9	0.0	1.0	0.0	0.0	0.0	0.8
	November	2009	0.1	0.0	1.4	-0.2	0.4	-0.1	1.9	1.2	0.5
		2010	0.2	0.0	1.5	-0.2	0.5	0.1	1.2	0.8	0.5
		2011	0.2	0.0	1.5	-0.2	0.5	0.5	-0.3	0.0	0.4
		2012	0.2	0.9	1.5	-0.1	0.5	0.5	-0.4	-0.1	0.4
	December	2009	0.1	0.0	-0.4	0.3	0.0	0.2	-0.6	-0.3	0.0
		2010	0.2	8.3	-0.3	0.4	0.3	0.6	2.8	2.0	0.6
		2011	0.2	0.1	-0.3	0.4	0.1	0.9	-0.2	0.2	0.1
		2012	0.2	0.9	-0.4	0.4	0.1	0.9	-0.1	0.3	0.2

* The figures in the shaded area are Forecasts

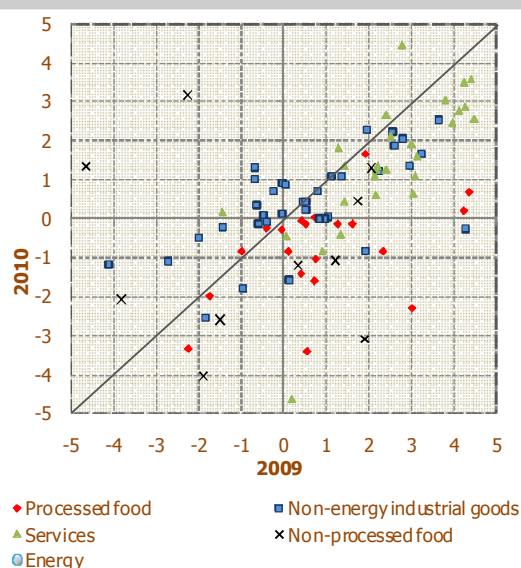
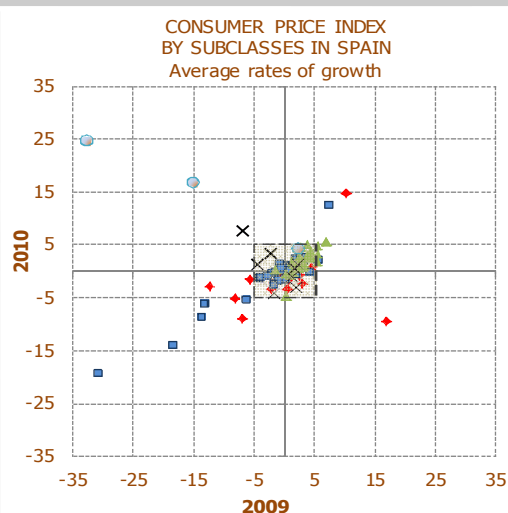
Source: INE & BIAM(UC3M)

Date: August 29, 2011



INFLATION FORECASTING BY SUBCLASS IN SPAIN

The tables and graphs show the observed values for 2008, 2009 and 2010 and Forecasts for 2011 and 2012, according to the five special groups.



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

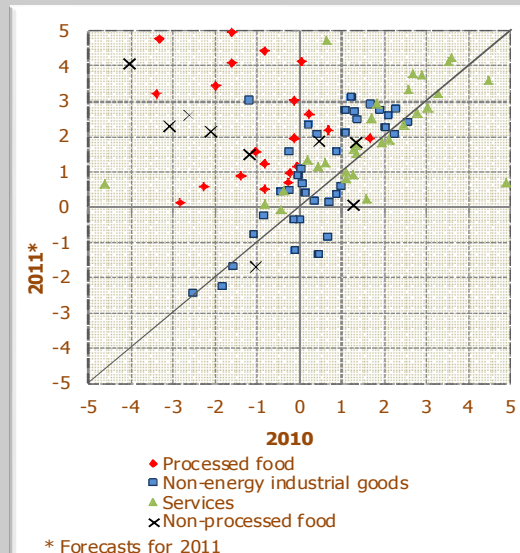
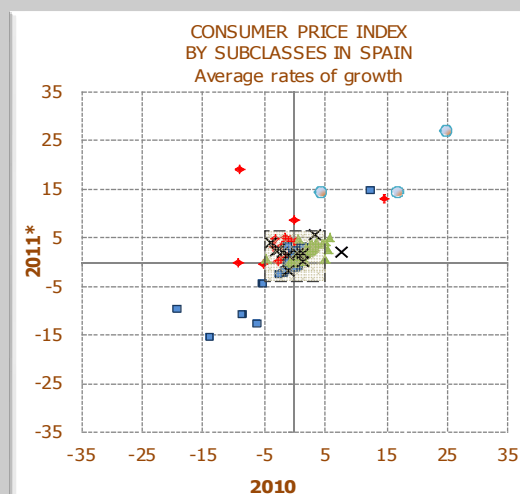
Source: EUROSTAT & BIAM (UC3M)

CONSUMER PRICE INDEX BY SUBCLASS IN SPAIN					
Annual average rates of growth					
	2008	2009	2010	2011	2012
PROCESSED FOOD					
Rice	18.8	16.8	-9.4	-0.3	4.7
Flours and cereals	8.7	0.5	-3.4	3.2	2.5
Bread	8.9	0.0	-0.3	0.7	1.7
Pastry goods, cakes, mixes and doughs for ba	7.5	1.6	-0.1	3.0	3.2
Farinaceous-based products	18.5	-5.8	-1.6	4.1	2.4
Delicatessen type meat products	3.3	0.4	0.0	1.2	2.6
Processed meat products	4.8	2.3	-0.8	1.2	2.7
Preserved and processed fish	5.3	0.7	0.0	4.1	4.0
Milk	15.6	-8.3	-5.2	-0.5	0.9
Other dairy products	7.6	-2.2	-3.3	4.8	3.9
Cheeses	10.0	-0.4	-0.2	1.0	2.6
Preserved fruits, nuts and dried fruits	2.1	0.4	-1.4	0.9	2.3
Dried pulses and vegetables	10.8	-1.0	-0.8	4.4	1.7
Frozen and preserved pulses and vegetables	7.8	0.7	-1.0	1.6	1.9
Sugar	0.3	-6.9	-9.0	19.2	3.8
Chocolates and confectionery	5.3	0.5	-0.1	2.0	3.6
Other food products	8.7	4.2	0.2	2.6	5.7
Baby food	3.7	-1.7	-2.0	3.4	5.0
Coffee, cocoa and infusions	7.1	1.3	-0.1	8.7	3.4
Mineral water, soft drinks, fruit and vegetable	4.0	3.0	-2.3	0.6	1.5
Spirits and liqueurs	4.5	1.9	1.7	1.9	2.8
Wines	4.7	0.1	-0.8	0.5	1.3
Beer	5.5	4.3	0.7	2.2	4.1
Tobacco	3.5	10.2	14.7	13.2	3.7
Butter and margarine	16.2	0.7	-1.6	5.0	2.8
Oils	1.1	-12.4	-2.8	0.1	0.4
NON-ENERGY INDUSTRIAL GOODS					
Men's outerwear	0.1	-2.0	-0.5	0.4	0.1
Men's underwear	1.2	0.0	0.9	0.4	2.4
Women's outerwear	0.3	-2.7	-1.1	-0.8	-0.9
Women's underwear	1.4	0.0	0.9	1.6	0.9
Children's and infants' garments	0.6	-1.4	-0.2	0.5	0.0
Clothing accessories of garments	1.4	-0.2	0.7	0.1	-0.6
Men's footwear	1.3	0.0	0.1	0.4	0.0
Women's footwear	1.6	-0.7	1.0	0.6	-0.2
Children's and infants' footwear	1.3	-0.5	0.1	0.7	-0.5
Motor vehicles	-0.5	-4.1	-1.2	3.0	2.1
Other vehicles	-2.4	1.0	0.0	1.1	-0.1
Spare parts and maintenance accessories	4.6	-0.7	1.3	2.7	2.7
Materials for the maintenance and repair of tl	5.1	3.0	1.4	2.5	2.4
Water supply	4.9	5.7	2.1	2.6	2.6
Furniture	3.9	1.1	1.1	2.1	2.8
Other equipments	2.7	0.5	0.4	2.1	1.7
Household textiles	2.2	0.5	0.2	2.4	1.8
Refrigerators, washing machines and dishwas	-1.9	-1.0	-1.8	-2.3	-1.8
Cookers and ovens	-0.8	0.1	-1.6	-1.7	-1.5
Heating and air conditioning	-0.5	0.8	0.7	-0.9	-0.3
Other household appliances	-0.2	0.5	0.5	-1.3	-0.2
Glassware, crockery and cutlery	3.1	2.6	1.9	2.7	1.4
Other kitchen utensils and furnishing	3.7	2.6	2.2	2.1	2.2
Tools and accessories for house and garden	3.0	1.9	2.3	2.8	1.8
Cleaning household articles	1.7	1.9	-0.8	-0.2	0.7
Other non-durable household articles	2.7	1.4	1.1	2.8	1.8
Medicines and other pharmaceutical products	-6.5	-6.3	-5.3	-4.5	-2.7
Therapeutic appliances and equipment	3.6	1.0	0.0	-0.4	1.1
Telephone equipments	-25.7	-30.9	-19.3	-9.8	-19.2
Equip. for the reception, recording and reprod	-12.7	-13.7	-8.6	-10.8	-12.3
Photographic and cinematographic equipment	-18.0	-18.5	-14.0	-15.6	-21.5
Information processing equipments	-21.5	-13.3	-6.1	-12.6	-18.3
Recording media	-0.9	-0.4	-0.1	-1.2	-0.3
Games and toys	-0.4	-1.8	-2.5	-2.5	-1.1
Large sports equipment	0.6	4.3	-0.3	1.6	1.5
Other recreational and sporting articles	1.1	-0.6	-0.1	-0.4	0.0
Gardens, plants, flowers and pets	5.3	2.8	2.1	2.3	2.3
Books	2.0	2.2	1.2	3.1	2.2
Newspapers and magazines	2.2	3.6	2.6	2.4	1.6
Material de papelería	3.7	3.2	1.7	2.9	2.0
Personal care articles	2.2	0.8	0.0	0.9	0.6
Jewellery, costume jewellery, clocks and wat	11.1	7.5	12.5	14.6	9.4
Other articles for personal use	1.1	-0.6	0.4	0.2	-0.8

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					
	2008	2009	2010	2011	2012
SERVICES					
Maintenance and repair services	4.8	4.1	2.8	2.7	1.8
Other services related to vehicles	3.3	1.3	-0.4	0.5	-1.4
Railway transport	3.7	5.5	4.9	0.7	-7.6
Road transport	4.2	5.3	1.7	2.5	1.4
Air transport	13.7	3.0	0.6	4.8	1.5
Other transport services	7.3	7.0	5.5	2.7	2.4
Insurances connected with transport	2.0	1.3	1.8	3.0	2.7
Restaurants, bars, coffee bars, canteens	4.7	2.2	1.3	1.6	1.5
Hotels and other lodgings	4.2	-1.4	0.2	1.4	1.4
Package holidays	4.5	0.2	-4.6	0.7	1.7
Higher education	5.2	5.3	3.3	3.2	3.7
Postal services	2.8	2.8	4.5	3.6	2.0
Telephone services	0.6	0.1	-0.4	-0.1	0.0
Rentals for housing	4.2	3.1	1.1	1.0	0.8
Services for the maintenance and repair of th	5.1	1.4	0.4	1.2	0.8
Sewerage collection	3.4	3.8	3.0	2.8	2.8
Out-of-hospital medical and paramedical serv	4.9	2.2	1.4	1.6	2.4
Dental services	3.2	2.4	1.3	0.9	1.2
Hospital services	3.4	0.9	-0.8	0.1	0.2
Medical services	4.7	6.9	5.6	5.1	4.9
Recreational and sporting services	1.7	2.1	1.1	0.8	1.0
Cultural services	3.6	3.1	1.6	0.3	0.4
Education	3.4	2.5	2.1	1.9	2.1
Repair of footwear	6.2	4.2	3.5	4.1	4.3
Domestic service and other household service	4.8	3.0	1.9	1.8	1.7
Insurances connected with the dwelling	3.5	4.4	3.6	4.3	4.5
Personal care services	4.0	1.4	1.4	1.8	1.5
Social services	4.6	4.0	2.5	2.3	3.1
Other insurances	3.9	4.5	2.6	3.3	3.5
Financial services	4.7	3.6	5.1	4.3	2.7
Other services	2.2	2.2	0.6	1.3	1.8
Repair of household appliances	4.3	4.2	2.9	3.8	2.9
Repairs and cleaning of garments	4.7	2.4	2.7	3.8	3.5
NON-PROCESSED FOOD					
Beef	4.0	1.7	0.5	1.9	4.6
Pork	1.6	-3.8	-2.1	2.1	2.1
Mutton	5.3	1.9	-3.1	2.3	3.6
Poultry	4.3	-1.9	-4.0	4.1	3.5
Other meats, viscera and other non-meat edi	7.0	-1.5	-2.6	2.6	5.8
Fresh fish	1.2	-4.6	1.3	1.9	1.0
Crustaceans and molluscs	-0.2	-2.2	3.2	5.6	4.1
Eggs	10.7	1.2	-1.1	-1.7	-0.2
Fresh fruits	9.4	0.3	-1.2	1.5	2.1
Fresh pulses and vegetables	2.4	2.1	1.3	0.0	3.0
Potatoes and processed potato products	-1.7	-7.0	7.6	1.9	0.4
ENERGY					
Electricity and gas	8.7	2.1	4.2	14.3	5.2
Other fuels	23.5	-32.7	24.7	27.1	0.0
Fuels and lubricants	13.0	-15.2	16.9	14.5	0.3



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

Source: EUROSTAT & BIAM (UC3M)

Date: August 29, 2011



IV.3. THE RECENT EVOLUTION OF THE CURRENT ACCOUNT BALANCE: AN INTERNATIONAL COMPARISON

In the more than three years since the onset of the economic and financial crisis, the Spanish economy has been rapidly correcting the large current account (C/A) foreign deficit accumulated in the previous period of growth. Indeed, from 2007 to 2010 the C/A deficit was cut by more than half, from 10% of the GDP to 4.5%; it will probably fall by more than half a point more this year. Foreign trade disequilibrium is correcting itself in most countries, but this is happening faster in Spain, even if it still has the highest deficit after Portugal. The trade deficit is the main reason behind the current account balance in most western countries.

IV.3.1. Introduction

The Spanish economy accumulated a high C/A deficit in the period of growth from the second half of the 1990s to 2007. At the end of that period, immediately before the onset of the economic crisis, the foreign trade C/A deficit was 10.1%, when the country had registered a 1% superavit just ten years earlier. Such a disequilibrium had never before been found in the Spanish economy and the only country with similar figures at that time was Portugal.

However, the present crisis is rapidly correcting this deficit, particularly in 2008 and 2009, although the process was considerably slower in 2010 and 2011. Nonetheless, it is both faster and more intense than in other countries in our setting. The foreign deficit adjustment process is based on the fall in domestic demand which, in the first two years of the crisis, led to a heavy fall in imports, much greater than the reduction in exports; in 2010 and the first half of 2011, as the foreign markets recovered, exports increased again much more than imports.

The Spanish economy has a long tradition of maintaining C/A balance of payment deficits. In very few of the last forty years has the balanced registered equilibrium or a superavit (see graph IV.3.1). The reasons are well known and have been discussed in previous issues of the Bulletin. In general, this is due to the fact that our firms find it difficult to export and compete on foreign markets. Besides cyclical and other factors such as rising oil and other raw material prices at certain times, this disequilibrium is due to structural factors.

IV.3.2. An analysis of the Spanish current account balance and its components

After the onset of the economic crisis, the current account deficit started to correct itself in an ongoing process. According to the national accounts, it fell by one per cent in 2010 to 4.5% of the GDP, equivalent to 47,998 million euros, meaning that since the onset of the crisis the deficit has fallen by 5.6 per cent relative to the GDP. In the first half of this year, the deficit continued to decrease, although at a slower pace than in the first two years of the crisis. Note that an adjustment of the C/A deficit like the process registered since the onset of the crisis has no precedent in previous periods in Spain.

The C/A deficit in 2011 and 2012 is expected to continue to correct itself, albeit modestly, and our forecasts, which have improved slightly, are 3.9% and 3.4% of the GDP, respectively (see graphs IV.3.2 and IV.3.3).

When we analyse the current account balance by component, we find that its evolution continues to depend largely on the trade balance. In the last few years, however, the degree of dependence has decreased slightly (see graphs IV.3.2. and IV.3.3). In 2010 the trade deficit, which had been correcting itself since the onset of the crisis, increased by 4.3% relative to a year earlier, 1,918 million euros more than in 2009, rising to 4.4% of the GDP. However, if we divide the trade deficit into energy and non-energy, the entire process was largely due to the energy deficit.

The latest information regarding the second quarter of this year shows that the trade deficit totalled 9,933 million euros, representing a year-on-year reduction of close to 20%; relative to the GDP, the deficit fell by 4.3% in the first quarter to 3.6%, all due to oil prices. In the next two quarters, the trade deficit is expected to continue to fall, as current oil prices are tending to normalise. The forecast for the trade deficit for 2011 and 2012 shows that it will continue to correct itself to 3.8% of the GDP in 2011 and 3.3% in 2012.

The traditional positive tourist balance has been tending to fall slightly in the last few years, but this trend changes in 2010 (and probably in 2011) due to the good evolution of tourism. Last



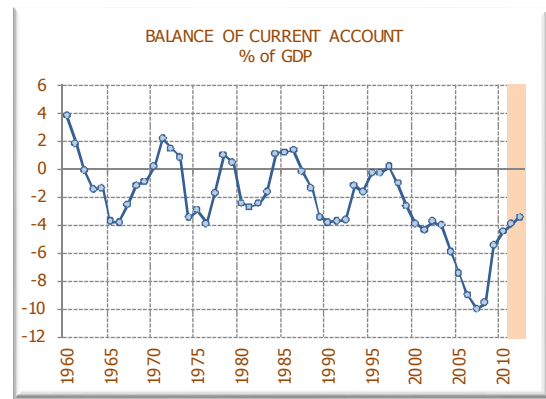
When analysing the foreign accounts of the countries with superavits, Germany and Japan, we find that their current account balances had been improving constantly since the start of the century up to the year prior to the economic crisis. Also, the composition of their C/A balances is very similar (see graphs IV.3.5-IV.3.12). In both economies, the superavit is largely due to the balance of trade, particularly in Germany, as is to be expected in highly competitive countries. Furthermore, their service balance shows a deficit throughout the period. The primary income and current transfer balance (C/A balance less service and trade balance) in Germany is small and was positive in most of the years considered. In Japan it has always been positive and, unlike in Germany, is of considerable importance as it has been greater than the balance of trade since 2005.

The country most comparable to Spain is probably Portugal. Indeed, this century they have both systematically registered the highest C/A deficits in the world economy. Before the crisis, Portugal had a larger C/A deficit than Spain. Indeed, in 2000 and 2001 it was around 10%, while the Spanish figure was nearer to 4%. The two deficits were similar, however, in the year before the crisis (2007). In the present recessive phase, while the Spanish economy corrected its foreign deficit to 4.5% of the GDP in 2010, in Portugal it remained practically unaltered at 9.8%. The structure and composition of the Spanish and Portuguese C/A balances are very similar (see graphs IV.3.5-IV.3.12). In both countries, the balance is always large and negative, which largely determines the negative C/A balance. The primary income and current transfers balance is systematically negative and the balance of services is always positive in both countries.

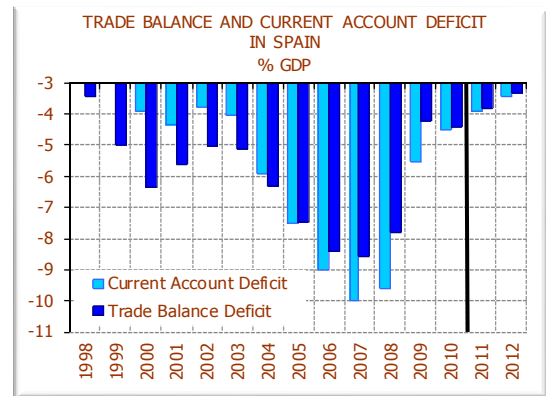
These high C/A deficits clearly show that the countries became less competitive, particularly after the introduction of the euro. Not only do they both have high foreign deficits and belong to the same monetary union, but they also share other factors, such as a competitiveness problem.

France and Italy are the only countries with C/A deficits in which they increased during the crisis. In these countries, the Italian C/A balance was practically zero in 2001, when France presented a superavit representing 2% of the GDP. This balance has been deteriorating ever since. In the year before the crisis (2007), the French balance

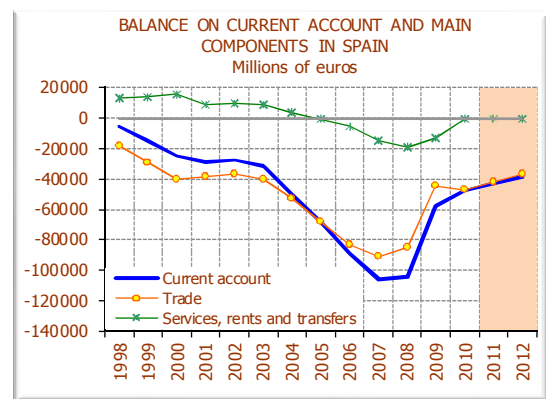
Graph IV.3.1



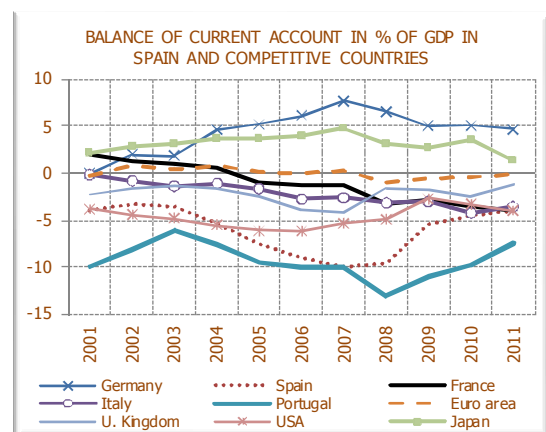
Graph IV.3.2



Graph IV.3.3



Graph IV.3.4



Source: INE & EUROSTAT & BIAM (UC3M)



was -1.2% of the GDP and the Italian balance was -2.6%. They have since grown to -3.5% and -4.2%, respectively. However, despite the similar evolution of their C/A balances in the period we are considering, their structure and composition are very different (see graph IV.3.5-IV.3.12). In France, the C/A balance largely depends on the balance of trade, while the latter was only significant in Italy in 2010. The balance of services is systematically positive in France and negative in Italy, although it is of little significance in both countries.

From the start of the century until the onset of the economic crisis, the UK and US registered growing C/A deficits, which subsequently were reduced. In the UK, it had risen to 4.2% of the GDP in 2007 from 2.2% in 2001, but has since fallen to 1.2% (2010). Its composition depends on the balance of trade, which is partially counteracted by the positive balance of services, primary income and current transfers. In the US economy, the C/A deficit peaked at 6.2% of the

GDP in 2006, falling to 3.3% in 2010. Unlike other countries, its size means that its C/A deficit is important for world economic stability. It depends a great deal on the balance of trade. The conclusions to be obtained from the above analysis are as follows:

- In all countries, the balance of trade is of the greatest significance for the C/A balance; also important are the balances of services, income and current transfers.
- In most cases, the balance of trade is procyclical, the balance of services is not affected by the crisis and is not very cycle-sensitive.
- Spain was the country that most corrected its C/A deficit after the onset of the crisis, although its deficit continues to be the second highest, after Portugal.

Table IV.3.1

BALANCE OF CURRENT ACCOUNT IN % GDP BY COUNTRIES									
	Germany	Spain	France	Italy	Portugal	Euro area	U. Kingdom	USA	Japan
2001	0.0	-3.9	2.0	-0.1	-9.9	-0.3	-2.2	-3.8	2.2
2002	2.0	-3.3	1.3	-0.8	-8.1	0.8	-1.6	-4.4	2.9
2003	1.9	-3.5	0.9	-1.4	-6.1	0.4	-1.3	-4.8	3.2
2004	4.6	-5.3	0.5	-1.1	-7.6	0.8	-1.6	-5.5	3.7
2005	5.2	-7.5	-0.9	-1.7	-9.5	0.2	-2.5	-6.1	3.7
2006	6.1	-9.0	-1.2	-2.7	-10.0	0.0	-3.9	-6.2	3.9
2007	7.7	-10.0	-1.2	-2.6	-10.0	0.3	-4.2	-5.3	4.8
2008	6.6	-9.6	-3.3	-3.1	-13.0	-0.9	-1.5	-4.9	3.2
2009	5.0	-5.5	-2.9	-3.0	-11.0	-0.6	-1.7	-2.7	2.8
2010	5.1	-4.5	-3.5	-4.2	-9.8	-0.4	-2.5	-3.3	3.5
2011	4.7	-3.9	-3.9	-3.5	-7.5	-0.2	-1.2	-4.0	1.4

Source: INE & EUROSTAT & BIAM (UC3M)



BALANCE OF CURRENT ACCOUNT AND MAIN COMPONENTS

Thousands of millions of euros, except Japan (yen), United States (dollar) and United Kingdom (pound sterling).

Gráfico IV.3.5

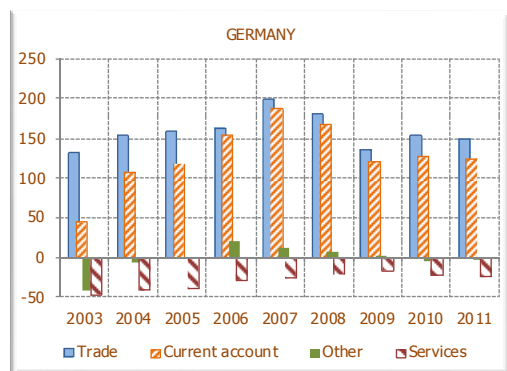


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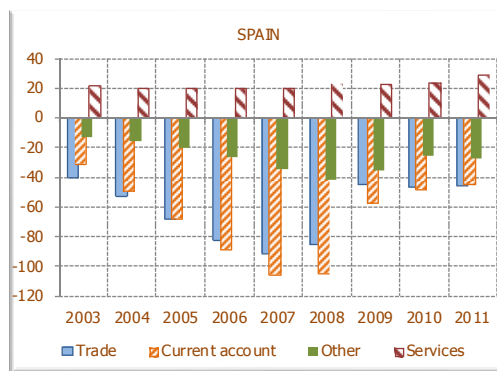


Gráfico IV.3.7

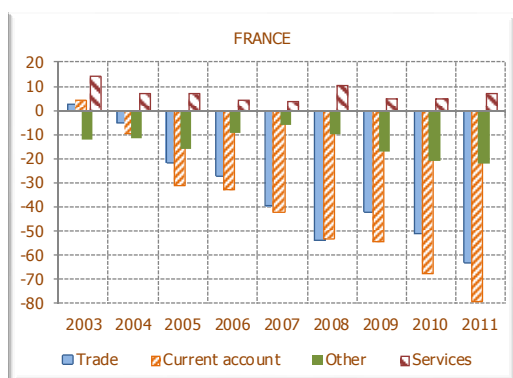


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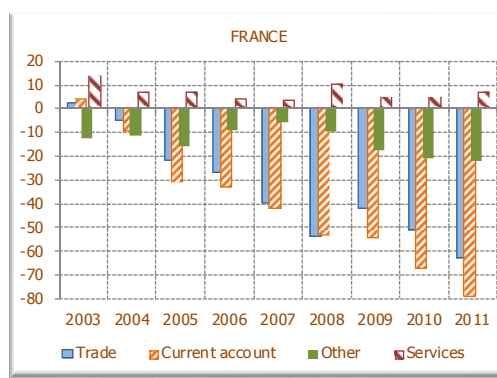


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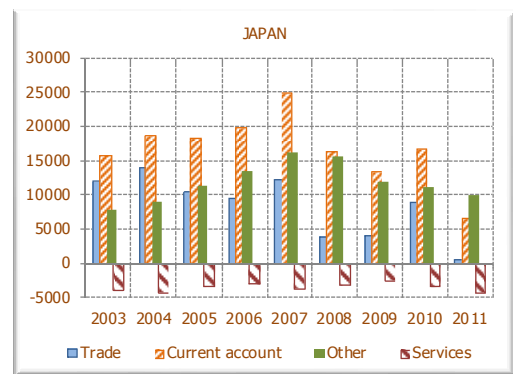


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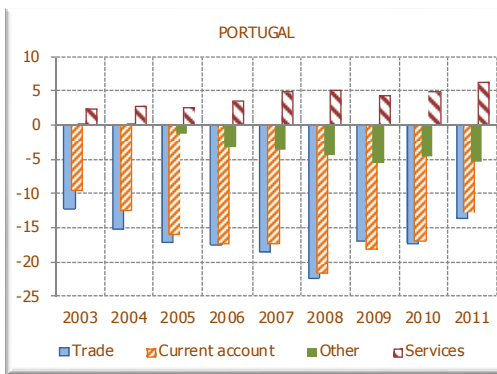


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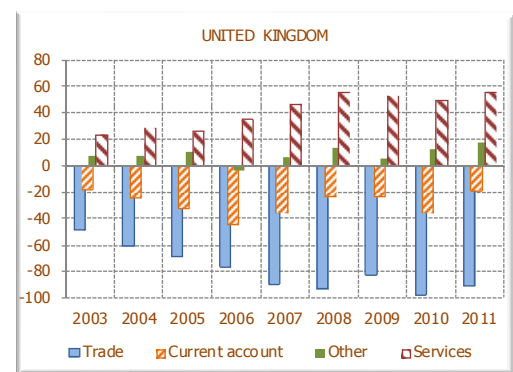
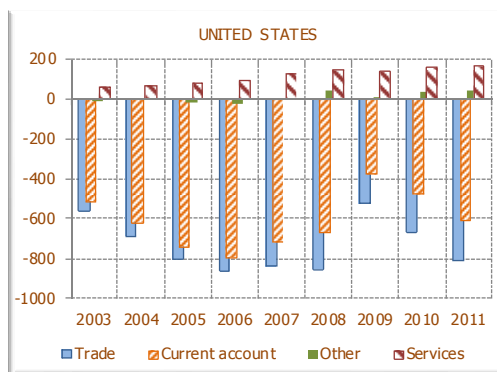


Gráfico IV.3.12



Source: INE & EUROSTAT & BIAM (UC3M)



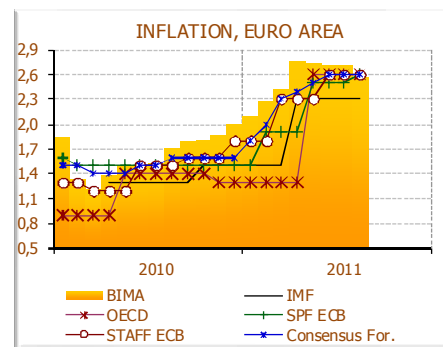
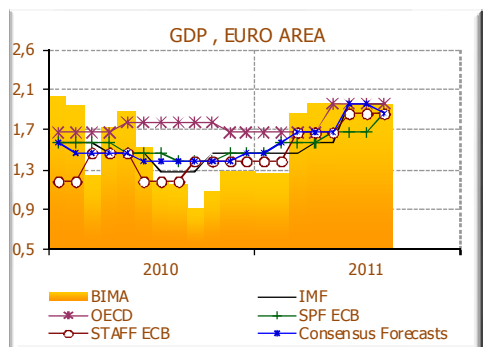
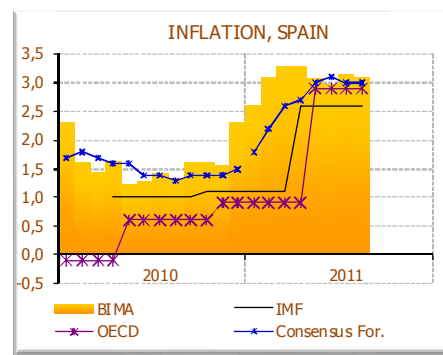
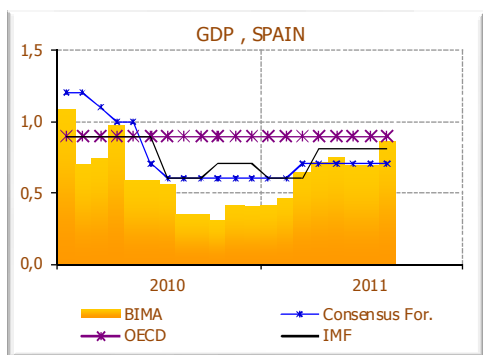
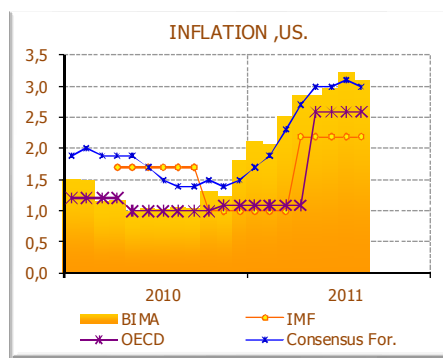
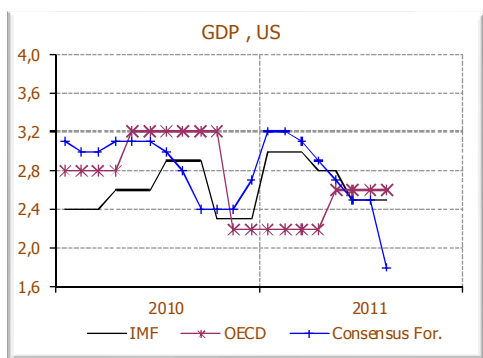
V. FORECASTS OF DIFFERENT INSTITUTIONS

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	2011	1,8	-	2,5	2,6	0,7	0,9	0,8	0,9	1,9	2,0	2,0	1,9	1,9	2,0
	2012	2,4	-	2,7	3,1	1,1	1,3	1,6	1,6	1,5	1,6	1,7	1,6	1,7	2,0
CPI	2011	3,0	3,1	2,2	2,6	3,0	3,1	2,6	2,9	2,6	2,6	2,3	2,6	2,6	2,6
	2012	2,1	1,9	1,6	1,5	1,7	1,5	1,5	0,9	1,9	1,5	1,7	2,0	1,7	1,6

1. Consensus Forecasts, August, 2011.
2. BIAM. Bulletin of EU & US Inflation and Macroeconomic Analysis, August, 2011.
3. FMI. IPC: World Economic Outlook. April, 2011; GDP: June, 2011.
4. OCDE. Economic Outlook, May, 2011
5. BCE SPF, "Survey of Professional Forecasters", August, 2011.
6. BCE STAFF, staff macroeconomic projection for the Euro Area. Junio, 2011. Point forecast for interval.

EVOLUTION OF FORECASTS FOR 2011

Annual average rates



VI. MACROECONOMIC FORECASTS OF THE NORWEGIAN ECONOMY

By Professors Gunnar Bardsen and Ragnar Nymoen

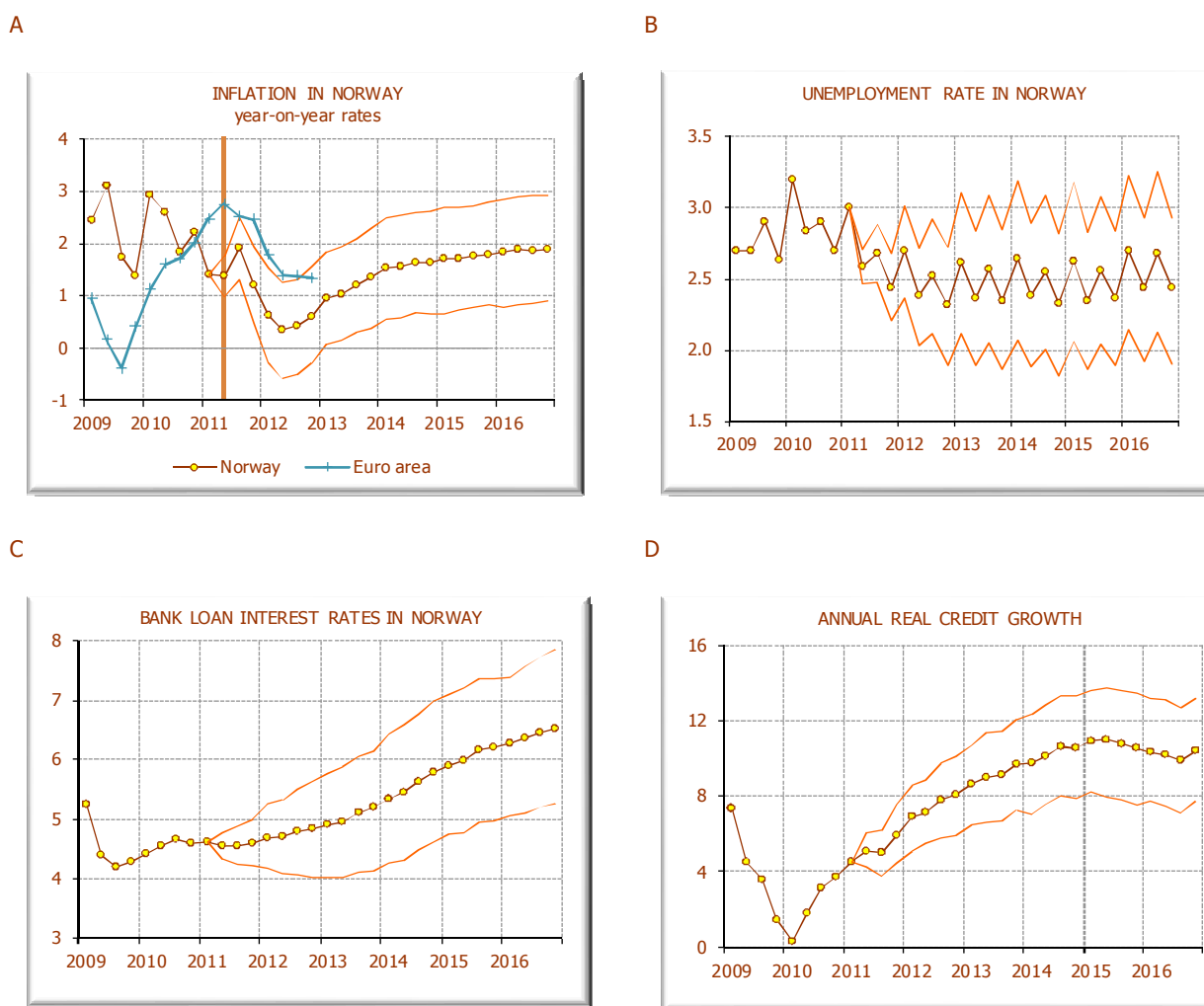
Forecasts are presented for the second quarter of 2011 until the end of 2016 of important macroeconomic variables, using The Norwegian Aggregate Model (NAM). Information about the model and a disclaimer are in the box at the back of the document. The forecasts are presented in Figures 1-4 below, each consisting of four graphs. Starting from upper left, going to upper right and then to lower left, and ending at lower right, the four panels of each Figure are referred to as a)-d).

Figure 1 shows NAM forecasts of four headline variables: CPI inflation, the rate of unemployment, the average nominal interest rate on loans in Norwegian banks, and real credit growth. The distance between the dashed (red) lines represents the approximate 70% prediction intervals. Hence, future realizations within the intervals are regarded by the model as more likely events than realizations outside the intervals.

Inflation is projected to increase to around 2 % from 2013

CPI *inflation*, which is 1.4 % in the second quarter of 2011, is forecasted to rise slightly in the third quarter before a period with markedly lower inflation takes over. Inflation is projected to increase to around 2 % from 2013. The forecast reflects three assumptions. First, the relatively high inflation rates now seen abroad are expected to be temporary, and that inflation rates at around 2.0 % will characterize the period as a whole. Second, electricity prices will start to fall late in 2011, and then to drop markedly in 2012. Finally, unit labour costs are forecasted to grow moderately, meaning that there is little cost-push on inflation in 2011 and 2012. The *rate of unemployment* (panel b) is forecasted to stabilize with normal seasonal variation around 2.5%. Panel c) shows the domestic *interest rate*, represented by the average bank loan rate. The bank lending rate is forecasted to increase during the period, towards 7% at the end of 2016. According to the model, most of the increase takes place after 2013 though. The final panel in Figure 1 shows real credit growth, which is projected to increase towards a representative growth rate of roughly 10%.

Figure 1



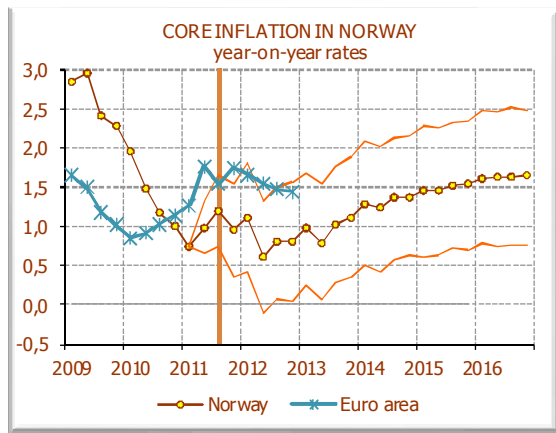
Headline variables. NAM forecasts for the period 2011q2-2016q4 with 68% prediction intervals (represented by the dotted lines). Data for the period 2009q1-2011q1 are included for reference.



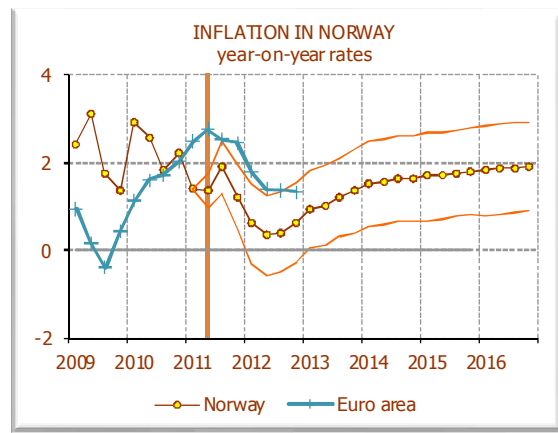
Figure 2 gives an overview over the development in prices by showing inflation adjusted for energy and taxes (CPI-AET), so-called core inflation, in panel a), CPI inflation and wage cost growth in panels b) and c), and import price growth (panel d). Core inflation is forecasted to be low (sometimes below 1 %) until 2013. The forecasted rate of wage inflation is moderate in 2011, and very low in 2012. This is a reflection of the wage-price spiral which is part of NAM. Over the forecast horizon, wage equilibrium correction brings the forecasted wage inflation up to 4 %. In the last graph in Figure 2, we see that import price inflation is forecasted to increase somewhat during 2011, but for the period as whole also this part of the inflation process is stabilizing at around 2%.

Figure 2

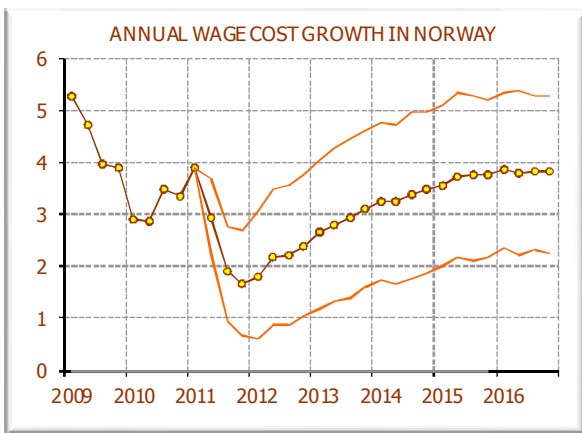
a)



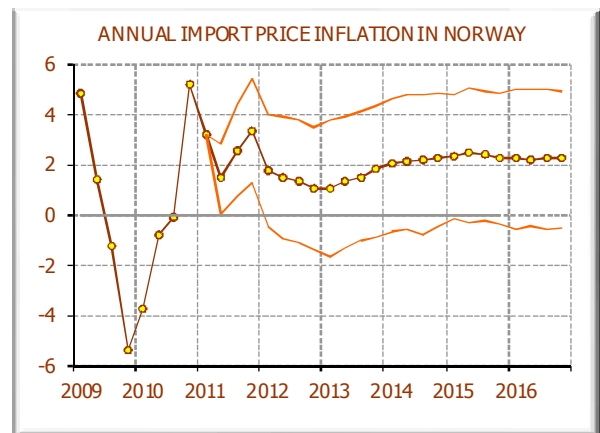
b)



c)



d)

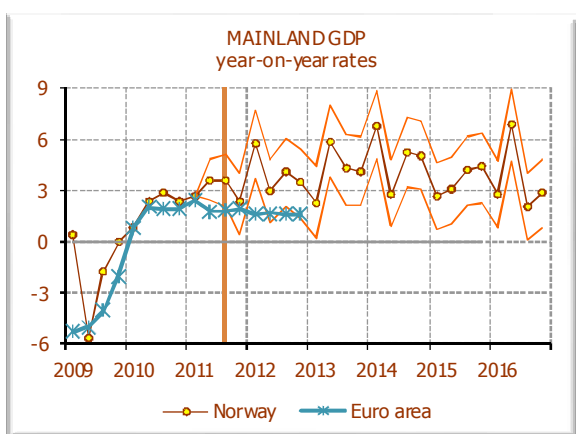


Prices and wages. NAM forecasts for the period 2011q2-2016q4 with 68% prediction intervals (represented by the dotted lines).

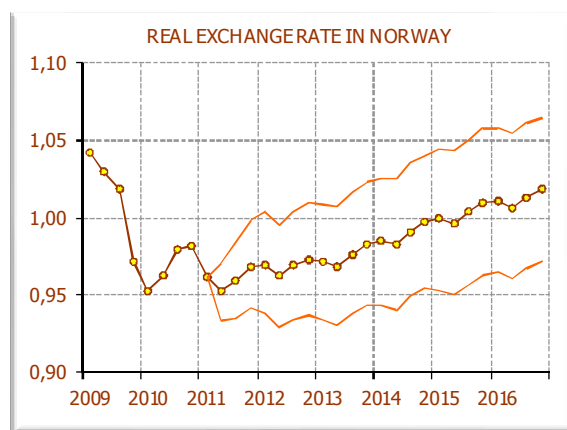
Four important real variables are shown in Figure 3. Panel a) shows real GDP growth for the mainland economy. The point forecast gives 3 % growth for the year 2011, and closer to 4 % later in the period. Panels b) and c) of Figure 3 show two important explanatory variables for mainland GDP: the real exchange rate and the domestic real interest rate. According to the evidence contained in NAM, the real currency appreciation that has taken place after 2009, has pushed the real exchange rate below its equilibrium level. Therefore, the forecast is showing moderate real depreciation over the period. (graph b). The forecasted real interest rate on bank loans is increasing over the period, which is consistent with the overall “normalization” of the performance of the Norwegian economy after the financial crisis. Growth is a main factor behind the stabilization of the unemployment rate shown in Figure 1 above, and in graph d) in Figure 3 which contains the Labour Force Survey measure of the rate of unemployment.

Figure 3

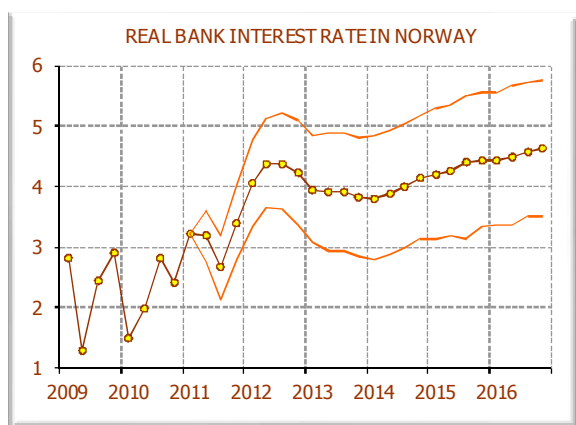
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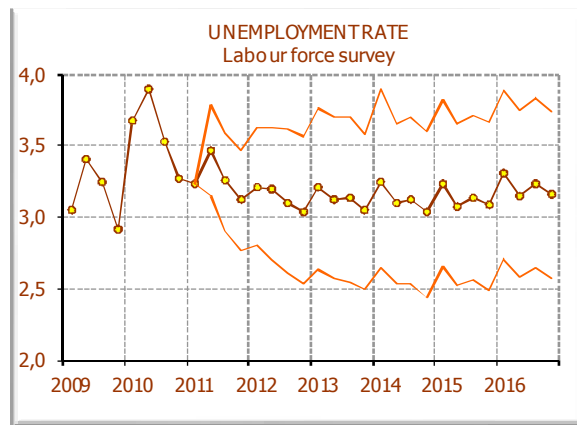
b)



c)



d)



Real variables. NAM forecasts for the period 2011q2-2016q4 with 68% prediction intervals (represented by the dotted lines).

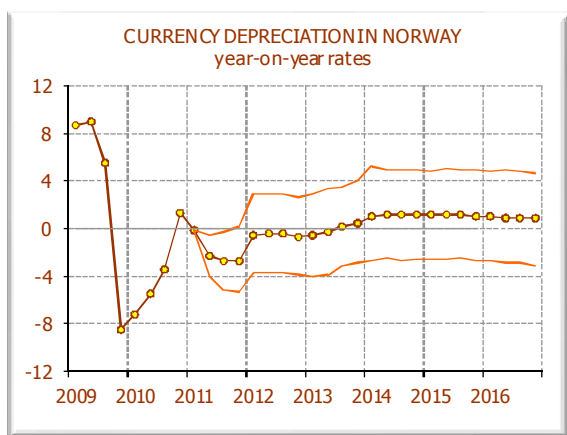


Figure 4 takes a closer look at some financial variables: interest rates, the exchange rate and domestic real credit growth. Panel a) shows the rate of nominal currency depreciation (the four quarter rate of change in the trade weighted nominal exchange rate). The international value of the krone is projected to depreciate at the beginning of the period, reflection the estimated "overvaluation" already mentioned above.

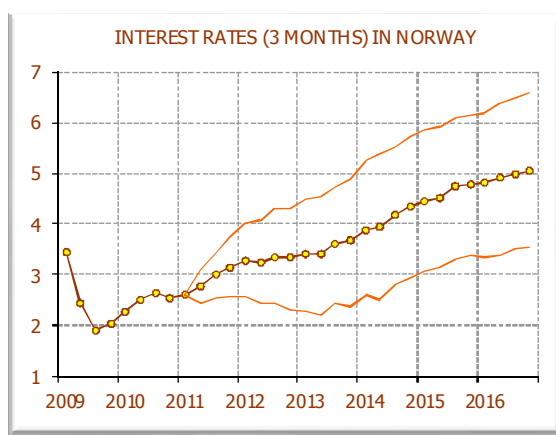
The money market interest rate (panel b) is forecasted to increase steadily over the period. This is due to the forecasted increase in sight deposit rate (Norges Bank's monetary policy instrument), see panel c). According to the model, the low interest rate level induces credit growth to continue to increase for most of the period (panel d). In this connection, we note that that GDP growth is also related to credit growth, which is captured by NAM in two important ways. First, the easing of credit supply affects the GDP growth rate positively. Second, higher GDP growth increases the demand for loans.

Figure 4

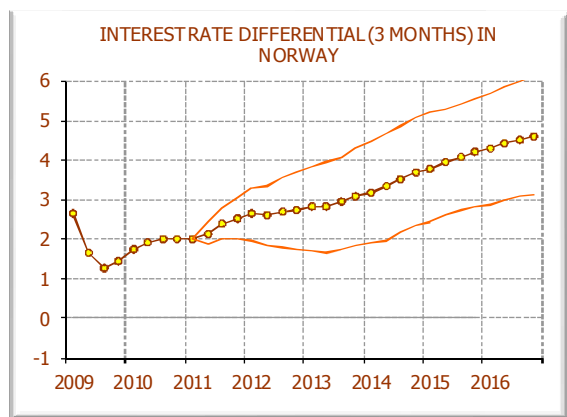
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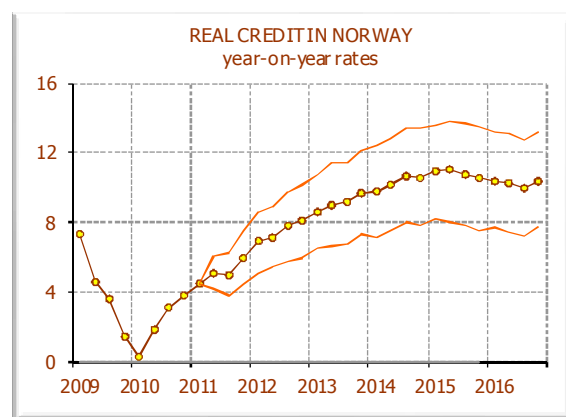
b)



c)



d)



Exchange rates, interest rates and credit growth. NAM forecasts for the period 2011q2-2016q4 with 68% prediction intervals (represented by the dotted lines).



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Nymoen, Ragnar. 1991. "A small linear model of wage- and price-inflation in the Norwegian economy." *Journal of Applied Econometrics*, 6, pp. 255-69.

About NAM and disclaimer

Model developers are Gunnar Bårdsen (<http://www.svt.ntnu.no/iso/gunnar.bardsen>) and Ragnar Nymoen (<http://folk.uio.no/rnymoen/>).

Norwegian Aggregate Model (NAM) is an econometric model project which extends from the early econometric assessment of wage- and price-inflation in Nymoen (1991), further developed in Bårdsen, Fisher, and Nymoen (1998), Bårdsen and Fisher (1999), and the monetary transmission model of Bårdsen and Klovland (2000).

Earlier versions of the model are documented in Bårdsen and Nymoen (2001), Bårdsen, Jansen, and Nymoen (2003) Bårdsen, Eitrheim, Jansen, and Nymoen (2005) and Bårdsen and Nymoen(2009). NAM is used for both research purposes and for teaching. The macroeconomic data is from the model databases of Statistics Norway (KVARTS model) and Norges Bank (FPAS database).

Earlier forecasts can be found at

<http://www.svt.ntnu.no/iso/gunnar.bardsen/nam/forecasts/forecasts.html> <http://folk.uio.no/rnymoen/NAM/Forecasts.html>

NAM relies on data provided by the macroeconometric research unit in Statistics Norway, and on data from the macroeconomic database of The Norwegian Central Bank.

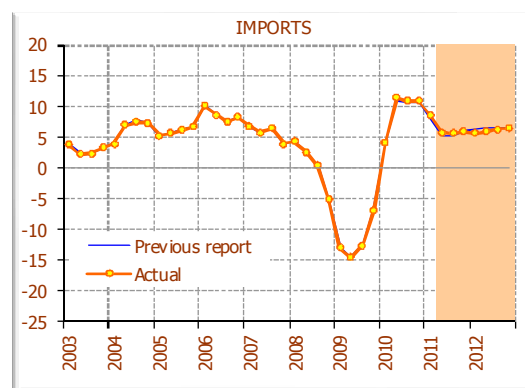
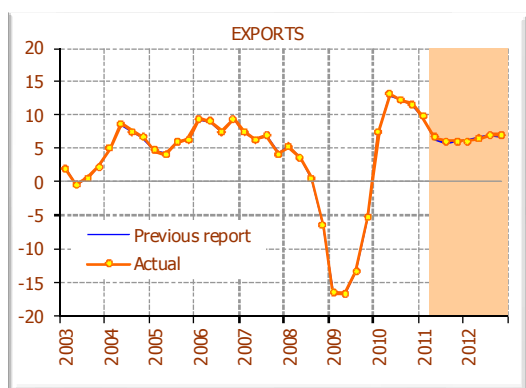
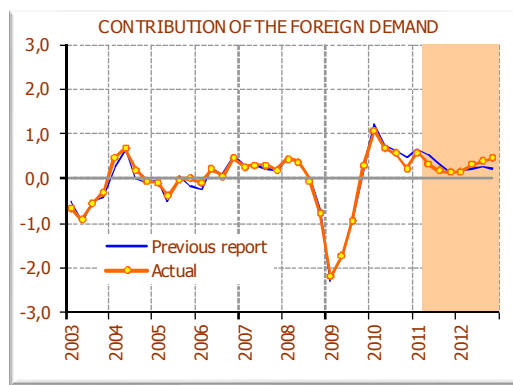
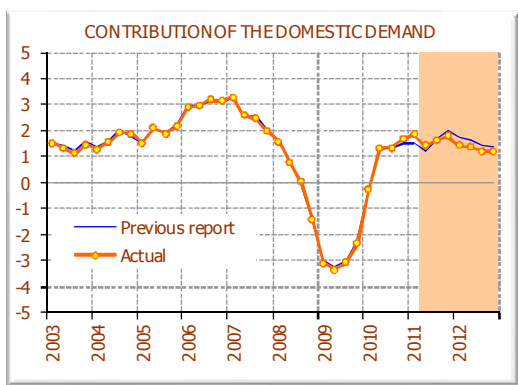
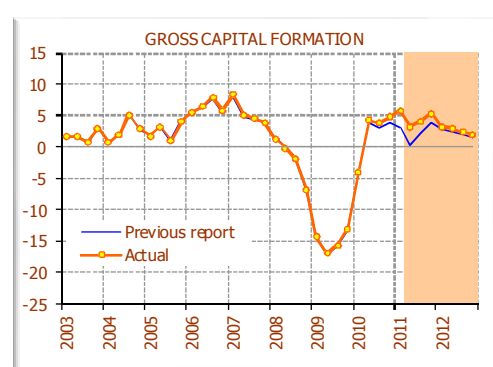
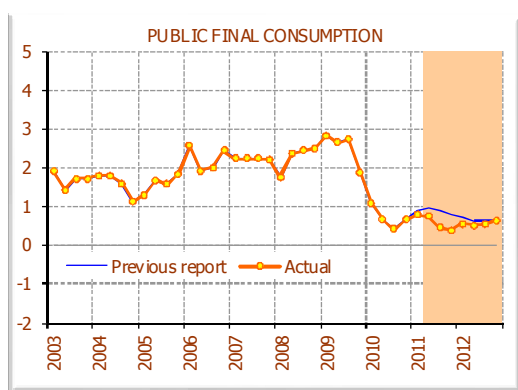
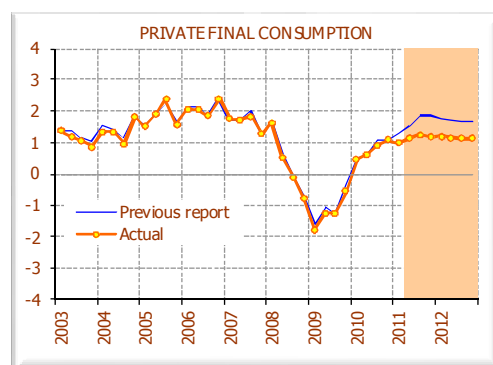
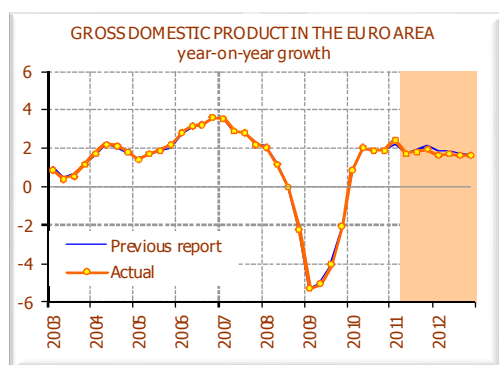
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VII. ANNEX I: CHANGE IN FORECASTS AND DATA REVISION

COMPONENTS OF GROSS DOMESTIC PRODUCT DEMAND IN THE EURO AREA

Year-on-year rates



Source: EUROSTAT & BIAM (UC3M)

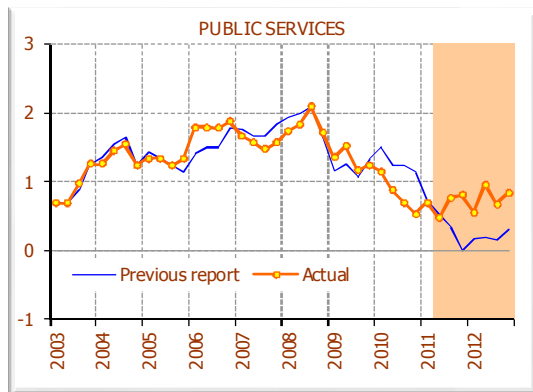
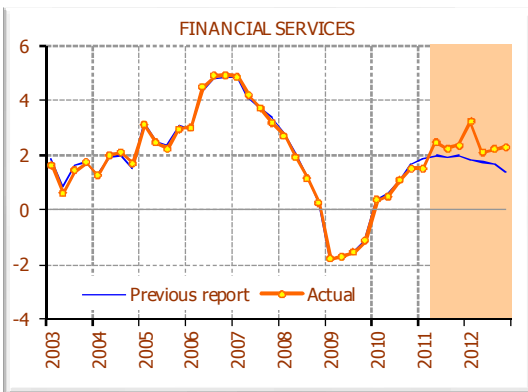
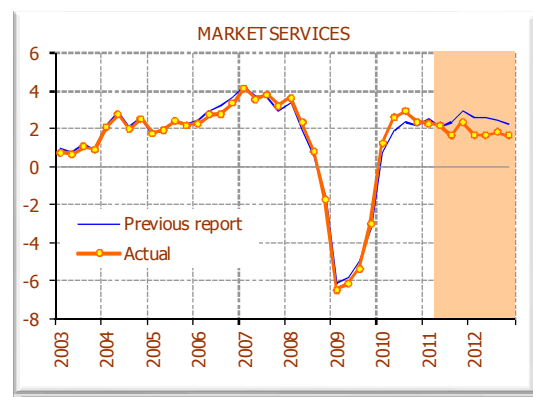
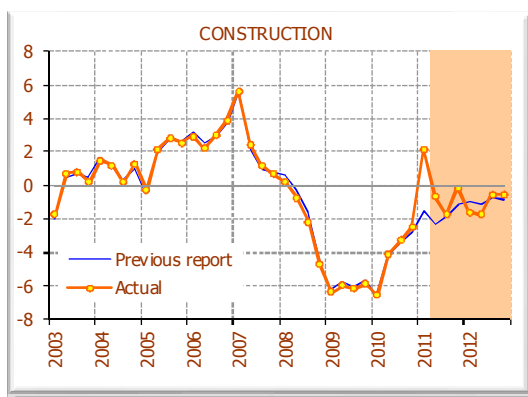
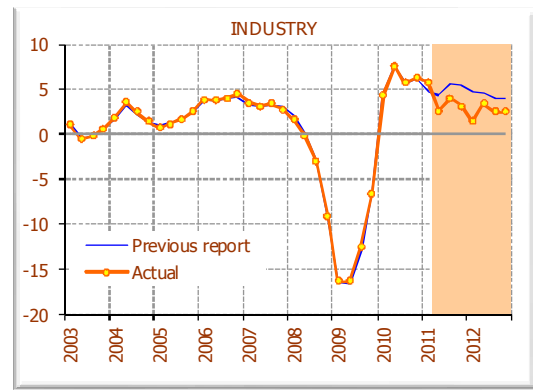
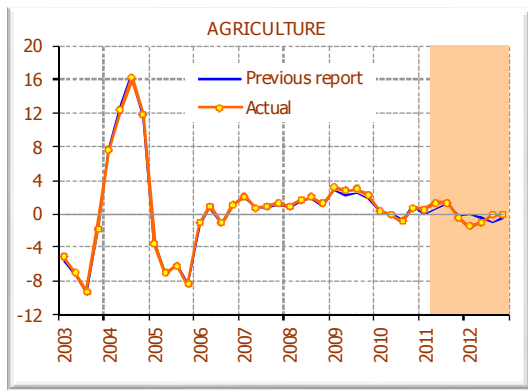
Date actual report: June 27, 2011

Date previous report: April 27, 2011



COMPONENTS OF GROSS DOMESTIC PRODUCT SUPPLY IN THE EURO AREA

Year-on-year rates



Source: EUROSTAT & BIAM (UC3M)

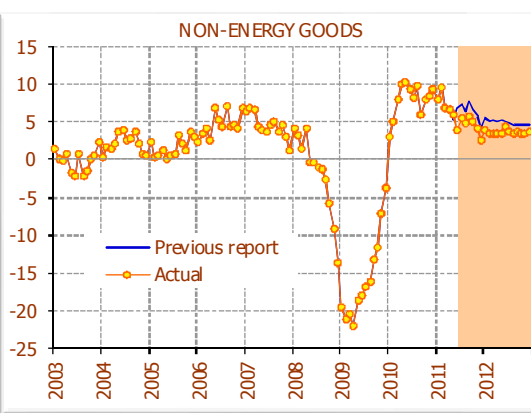
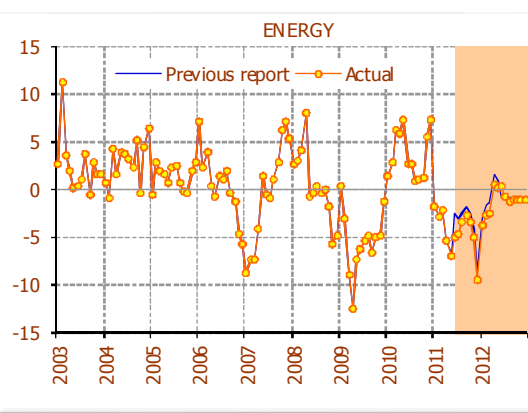
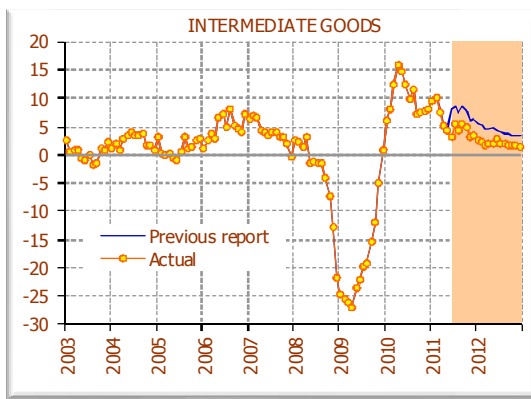
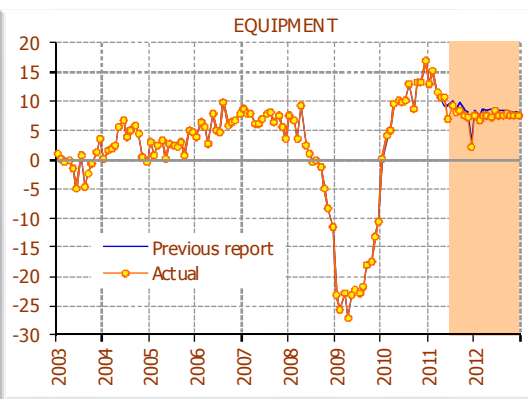
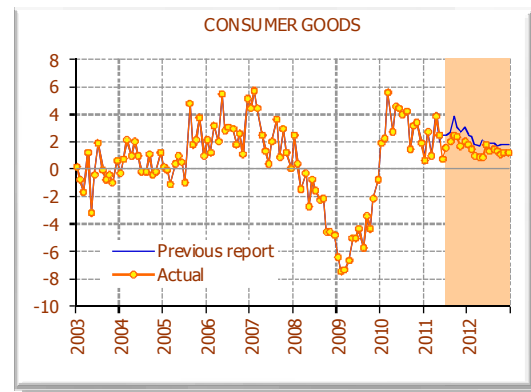
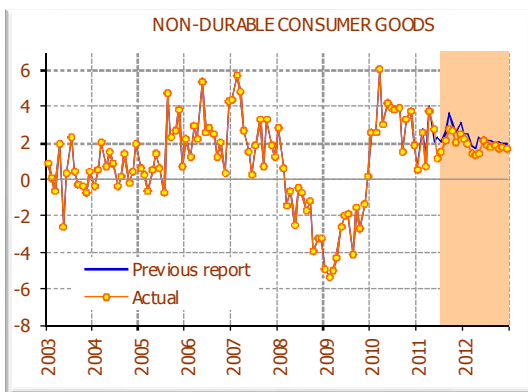
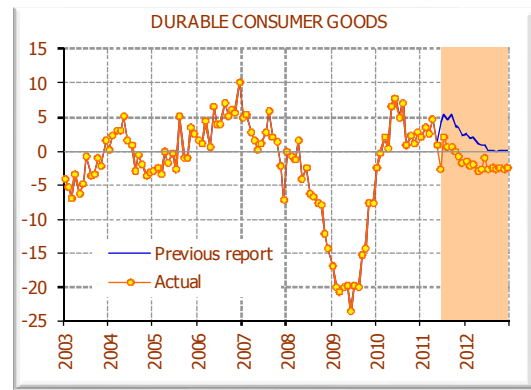
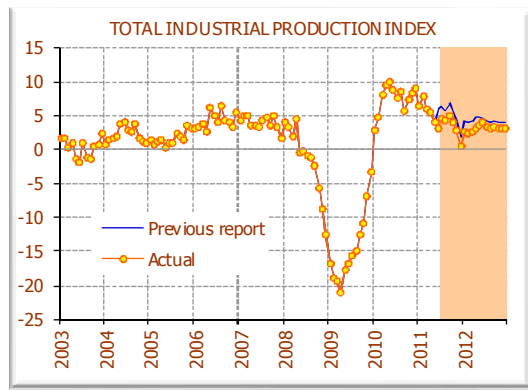
Date actual report: June 27, 2011

Date previous report: April 27, 2011



COMPONENTS OF INDUSTRIAL PRODUCTION INDEX IN THE EURO AREA

Year-on-year rates



Source: EUROSTAT & BIAM (UC3M)

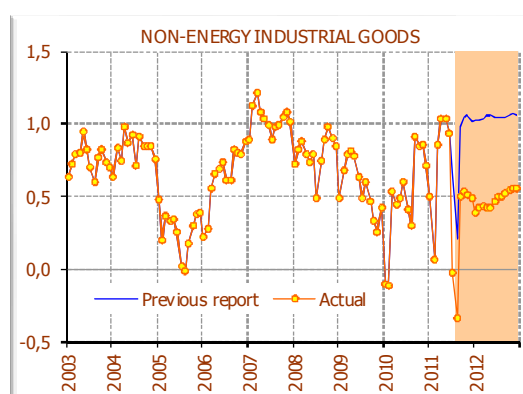
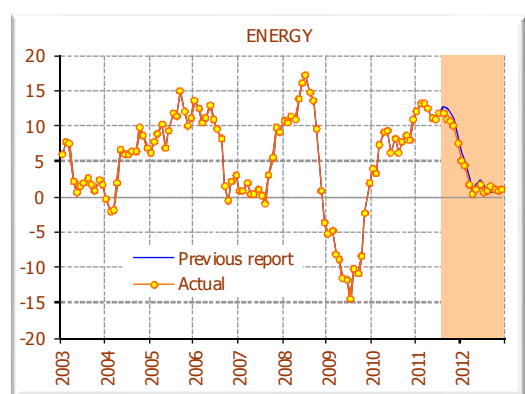
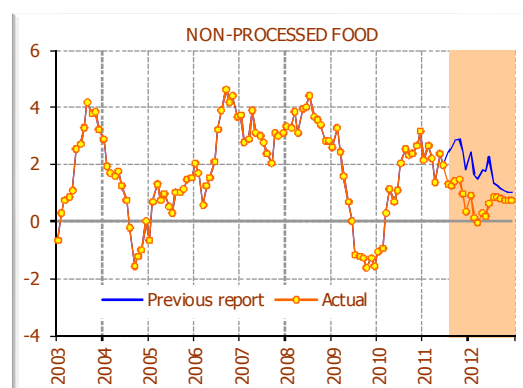
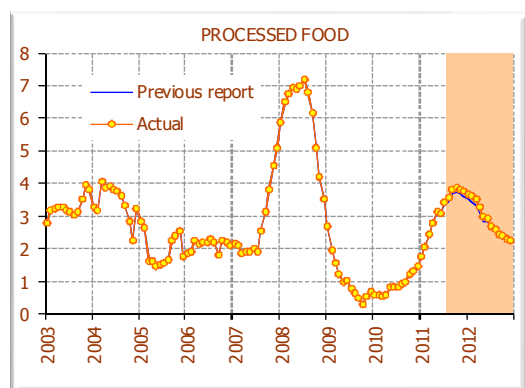
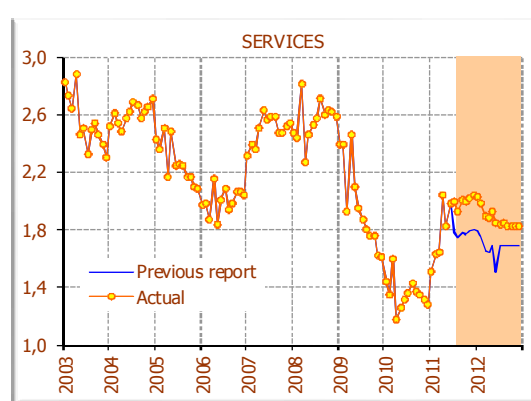
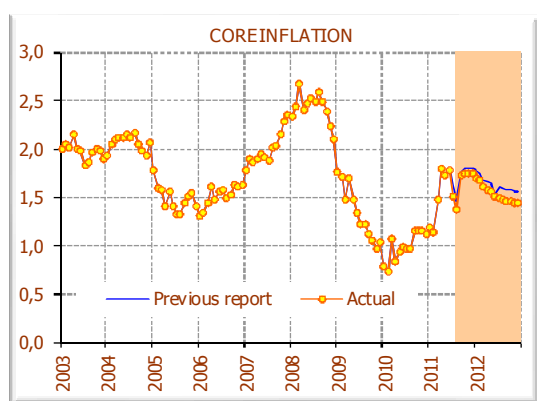
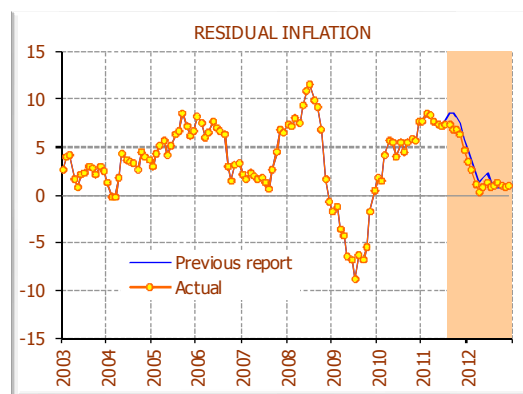
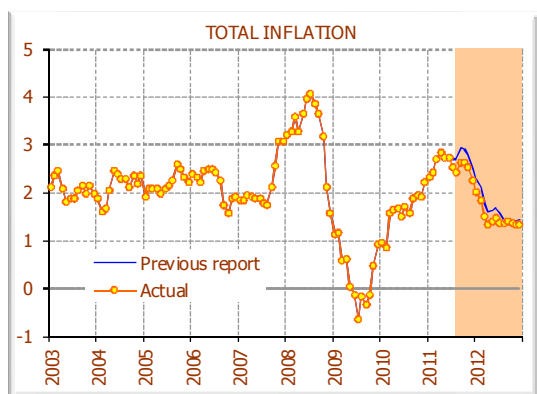
Date actual report: August 12, 2011

Date previous report: July 25, 2011



COMPONENTS OF HARMONISED INDEX OF CONSUMER PRICES IN THE EURO AREA

Year-on-year rates



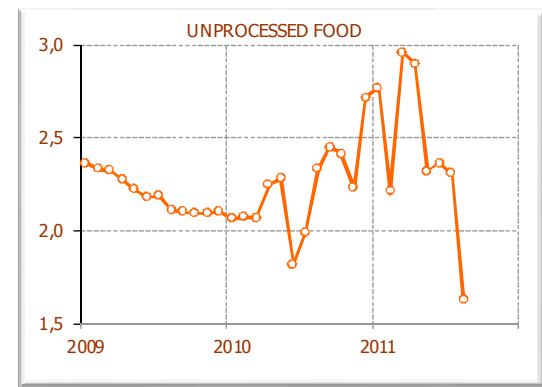
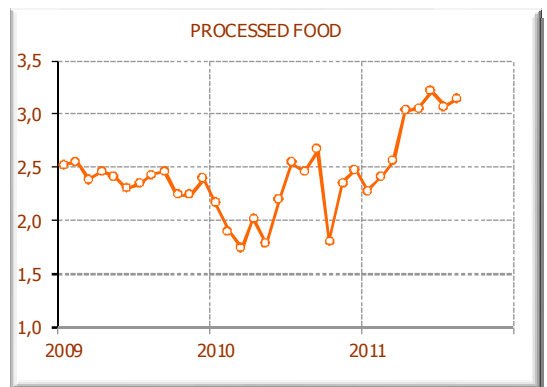
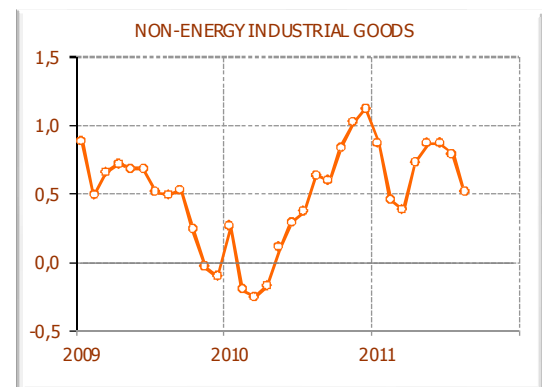
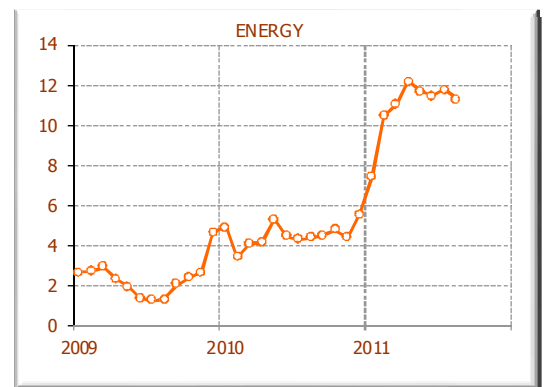
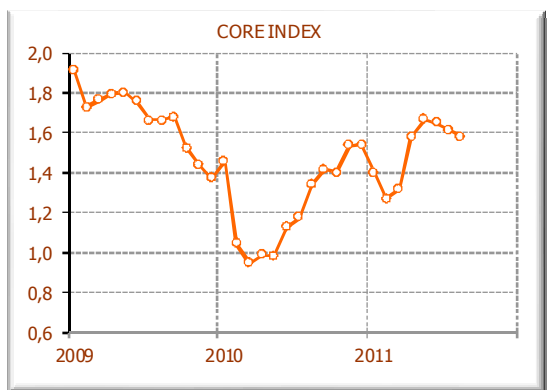
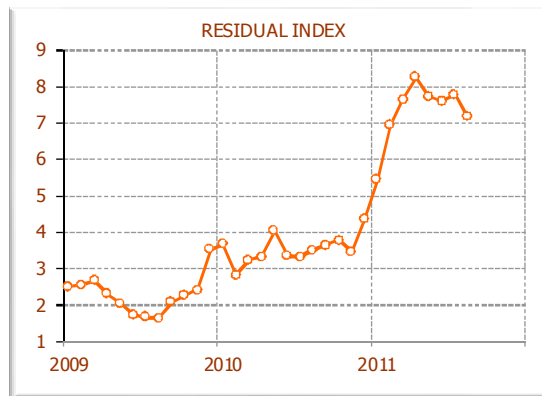
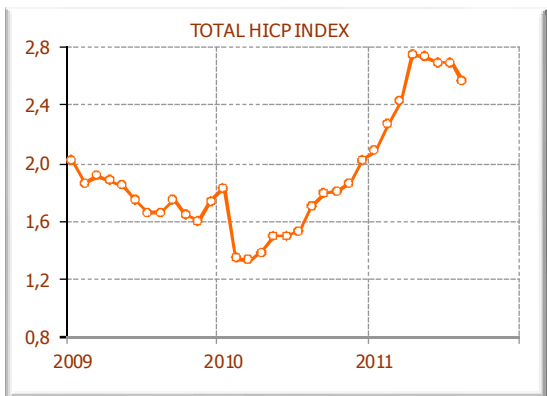
Source: EUROSTAT & BIAM (UC3M)

Date actual report: August 29, 2011

Date previous report: July 28, 2011



EURO AREA INFLATION FORECASTS BY SPECIAL GROUP
CHANGES OF EXPECTATIONS FOR THE AVERAGE 2011 RATE



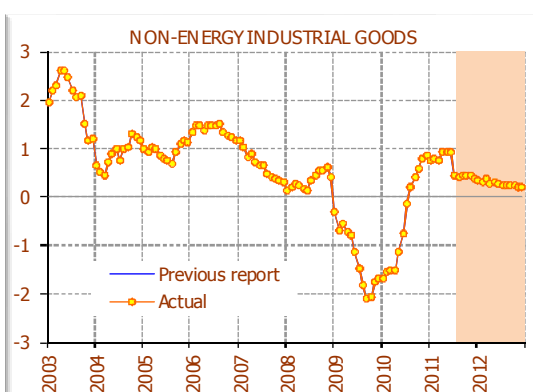
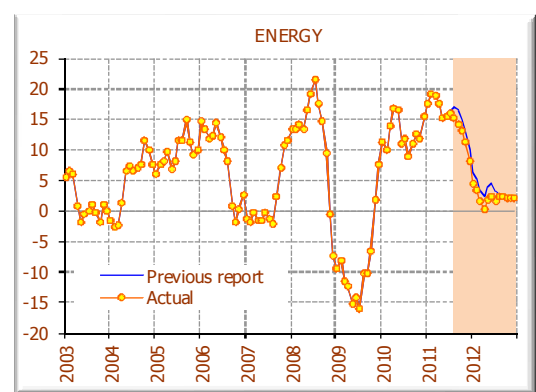
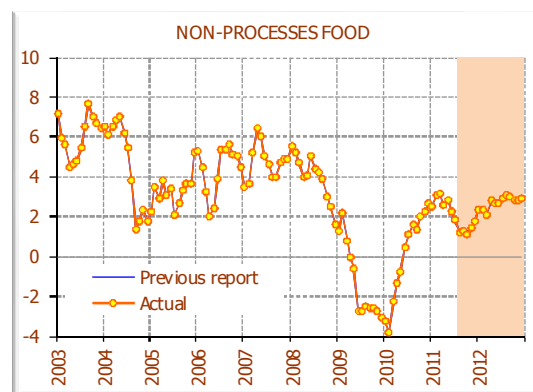
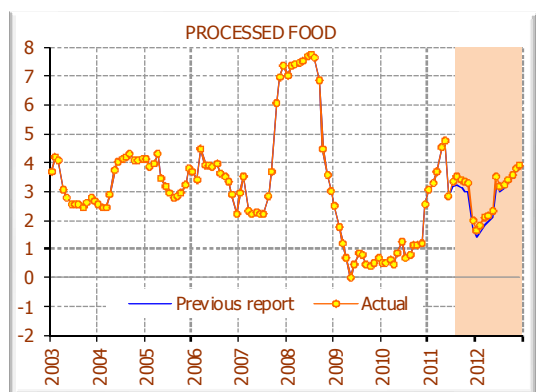
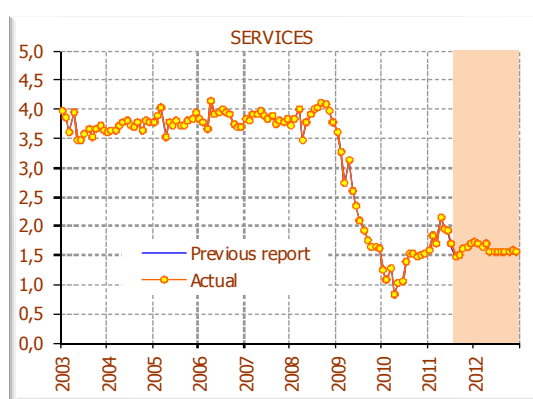
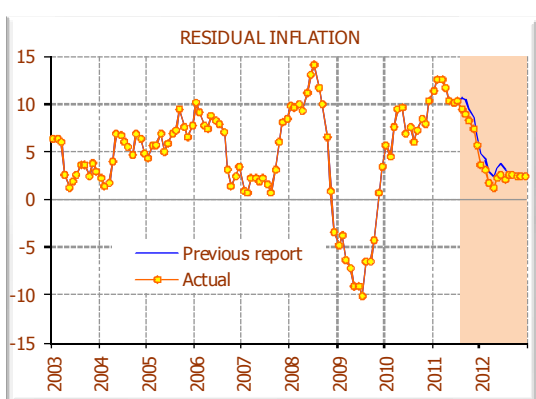
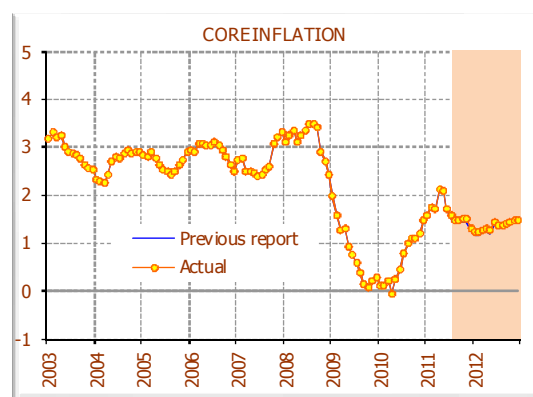
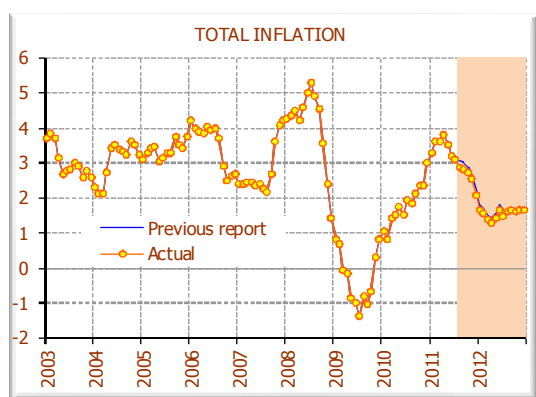
Source: EUROSTAT & BIAM (UC3M)

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ANNUAL RATE OF INFLATION BY SPECIAL GROUPS IN SPAIN

Year-on year rates



Source: INE & BIAM (UC3M).

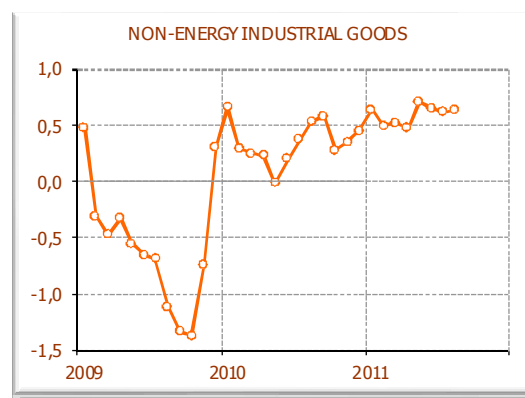
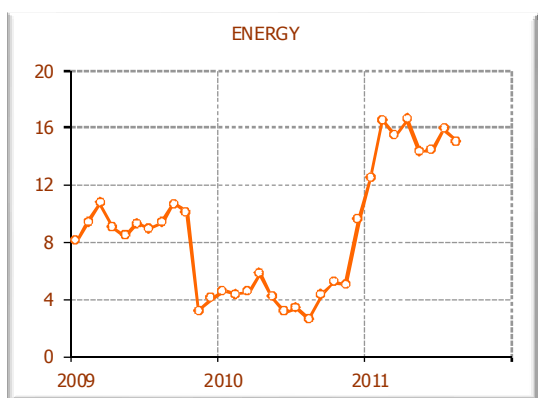
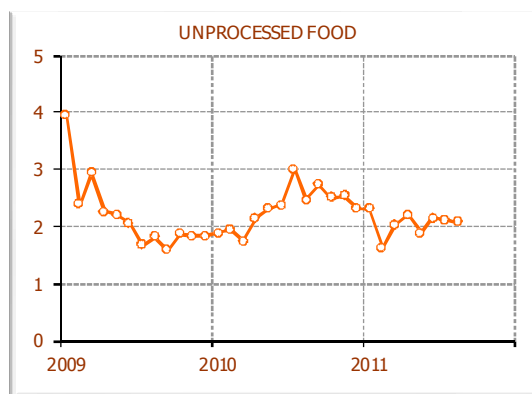
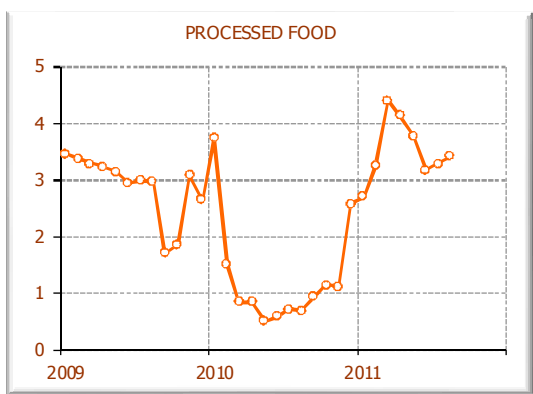
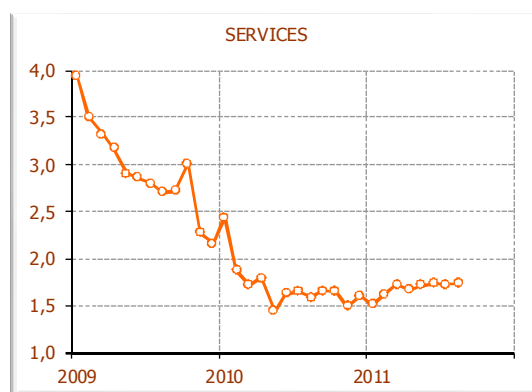
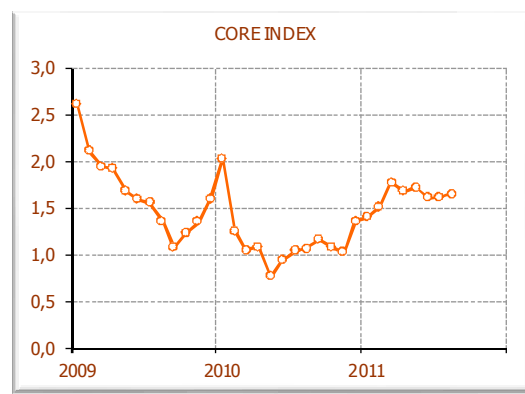
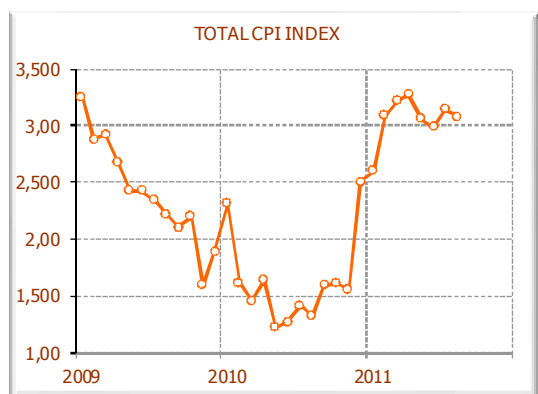
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INFLATION BY SPECIAL GROUP IN SPAIN

CHANGES OF EXPECTATIONS FOR THE AVERAGE 2011 RATE



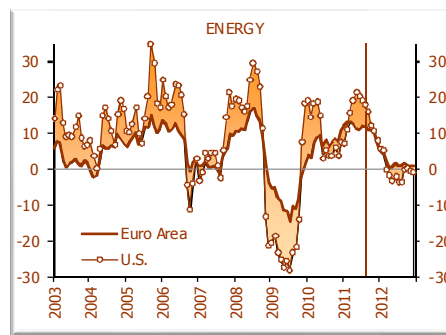
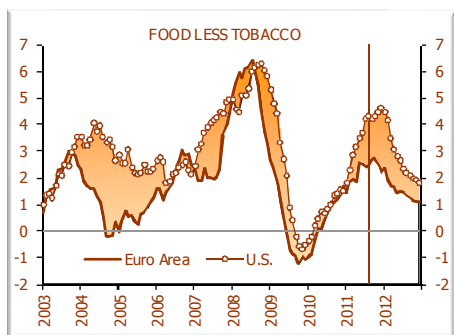
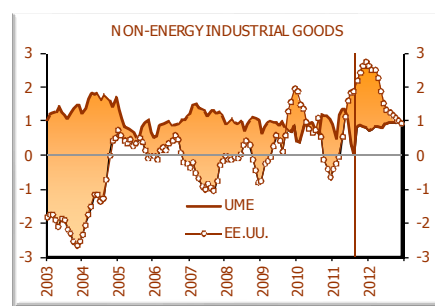
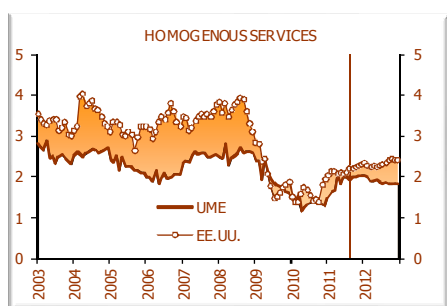
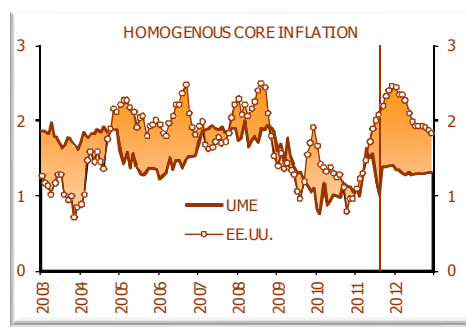
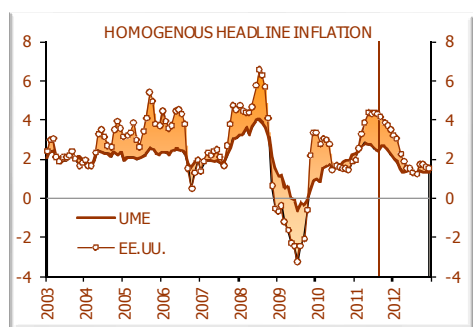
Note: These graphs show the average anual CPI growth rates forecast in the Bulletin published in the month on the abscissa
 Source: INE & BIAM (UC3M)
 Date: August 29, 2011



VIII. ANNEX II: SUMMARY OF FORECASTS FOR DIFFERENT AREAS

EURO AREA– EE.UU.

HOMOGENOUS INFLATION IN THE EURO AREA AND U.S.										
Annual average rates										
EA: Weights 2011		2004	2005	2006	2007	2008	2009	2010	Forecasts	
USA: Weights 2009									2011	2012
TOTAL										
less Owner's equivalent rent of primary residence										
Euro area	100,0	2,1	2,2	2,2	2,1	3,3	0,3	1,6	2,6	1,5
U.S.	76,4	2,8	3,7	3,1	2,7	4,3	-1,0	2,2	3,7	1,9
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	70,3	1,8	1,4	1,4	1,9	1,8	1,4	1,0	1,3	1,3
U.S.	53,2	1,6	2,1	2,1	1,8	2,1	1,4	1,2	1,8	2,1
COMPONENTS OF HOMOGENOUS CORE INFLATION										
Services less Owner's equivalent rent of primary residence										
Euro area	41,4	2,6	2,3	2,0	2,5	2,6	2,0	1,4	1,9	1,9
U.S.	32,8	3,6	3,1	3,3	3,4	3,6	2,0	1,6	2,2	2,3
Non-energy industrial goods less Tobacco										
Euro area	28,9	0,8	0,3	0,6	1,0	0,8	0,6	0,5	0,5	0,5
U.S.	20,4	-1,0	0,3	0,1	-0,7	-0,1	0,5	0,7	1,4	1,7
EXCLUDED COMPONENTS FROM HOMOGENOUS CORE INFLATION										
Food less Tobacco										
Euro area	16,8	1,0	0,6	2,1	2,6	5,3	0,2	0,5	2,3	1,5
U.S.	13,7	3,4	2,4	2,3	4,0	5,5	1,8	0,8	3,6	2,7
Energy										
Euro area	10,4	4,5	10,1	7,7	2,6	10,3	-8,1	7,4	11,2	1,6
U.S.	8,6	10,9	16,9	11,2	5,5	13,9	-18,4	9,5	14,9	-0,5



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.

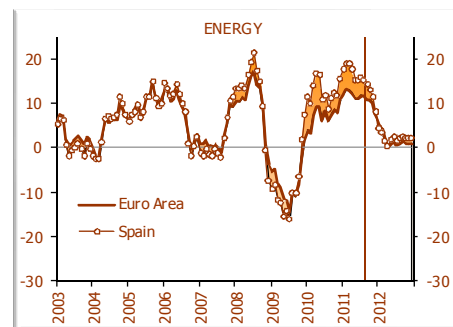
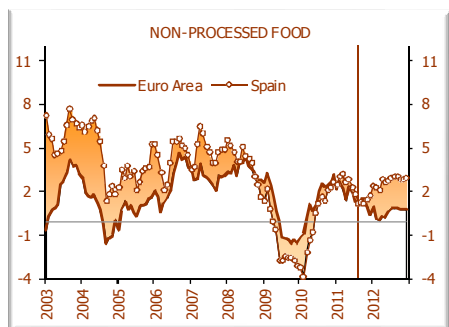
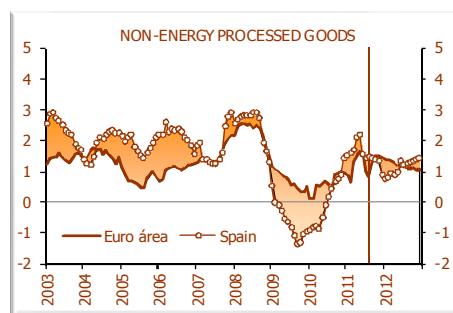
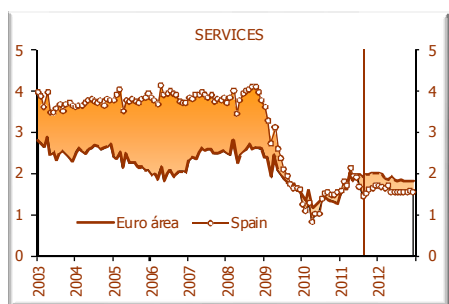
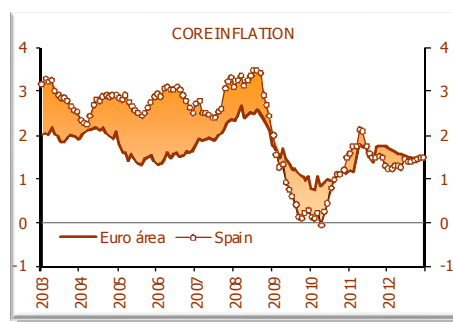
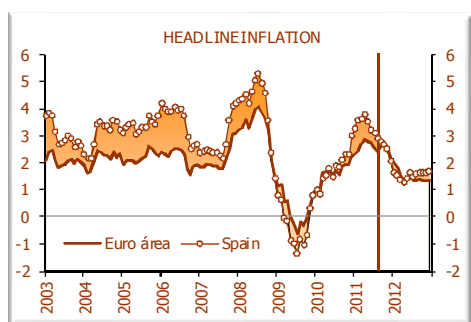
Source: EUROSTAT, BLS & BIAM (UC3M)

Date: August 29, 2011



EURO AREA– SPAIN

INFLATION IN SPAIN (CPI) AND IN THE EURO AREA (HICP)										
Annual average rates										
	Weights 2011	2004	2005	2006	2007	2008	2009	2010	Forecasts 2011 2012	
TOTAL										
Spain	100,0	3,0	3,4	3,5	2,8	4,1	-0,3	1,8	3,1	1,5
Euro area	100,0	2,1	2,2	2,2	2,1	3,3	0,3	1,6	2,6	1,5
CORE INFLATION										
Processed food, Non-energy industrial goods and Services										
Spain	83,0	2,7	2,7	2,9	2,7	3,2	0,8	0,6	1,6	1,4
Euro area	82,3	2,1	1,5	1,5	2,0	2,4	1,3	1,0	1,6	1,5
COMPONENTS OF CORE INFLATION										
Processed food										
Spain	14,6	3,6	3,4	3,6	3,8	6,7	0,9	1,0	3,4	2,9
Euro area	11,9	3,4	2,0	2,1	2,8	6,1	1,1	0,9	3,1	2,9
Non-energy industrial goods										
Spain	28,5	1,0	1,1	1,5	0,8	0,4	-1,2	-0,4	0,6	0,3
Euro area	28,9	0,8	0,3	0,6	1,0	0,8	0,6	0,5	0,5	0,5
Services										
Spain	39,9	3,6	3,7	3,8	3,8	3,9	2,4	1,3	1,7	1,6
Euro area	41,4	2,6	2,3	2,0	2,5	2,6	2,0	1,4	1,9	1,9
COMPONENTS OF RESIDUAL INFLATION										
Non-processed food										
Spain	6,4	4,4	3,4	4,2	4,5	3,8	-1,2	0,0	2,1	2,7
Euro area	7,4	0,6	0,8	2,8	3,0	3,5	0,2	1,3	1,6	0,6
Energy										
Spain	10,6	4,8	9,6	8,0	1,7	11,9	-9,0	12,5	15,1	2,2
Euro area	10,4	4,5	10,1	7,7	2,6	10,3	-8,1	7,4	11,2	1,6



Source: EUROSTAT, BLS & BIAM (UC3M)
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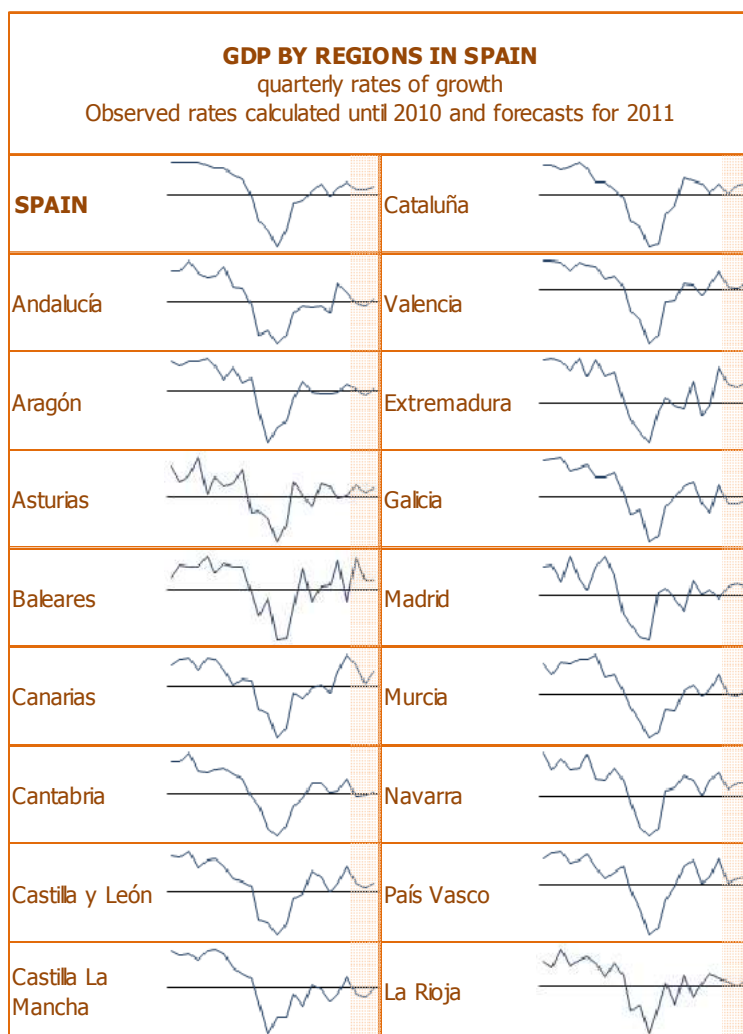
AUGUST						
1	2 USA PCE (July) Unemployment Rate (July)	3	4	5 Spanish IPI (June)	6	7
8	9	10	11	12 Spanish CPI (July) Euro Area IPI (June)	13	14
15	16 Euro Area PIB (Flash 2T)	17 Euro Area CPI (July)	18 USA CPI (July)	19	20	21
22	23	24	25	26 Spanish GDP (2T)	27	28
29 USA PCE (July)	30 Spanish HICP (D.A. July) Spanish ESI Euro Area ESI (August)	31 Euro Area HICP (D.A. July)				

SEPTEMBER						
			1	2 Unemployment Rate (August)	3	4
5	6 Euro Area GDP (F2T)	7	8 Spanish IPI (July)	9	10	11
12	13 Spanish CPI (August)	14 Euro Area IPI (July)	15 USA CPI (August) Euro Area CPI (August)	16	17	18
19	20	21	22	23	24	25
26	27	28	29 Spanish HICP (D.A. September) Spanish ESI Euro Area ESI (September)	30 USA PCE (August) Euro Area HICP (D.A. August)		

* 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



Forecasts for quarter-on-quarter rates of growth of GDP in Spanish Regions:
In 6 Regions, GDP growth could be greater than 1.0% in the average rate of 2011



Source: INE & BIAM (UC3M)
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