BULLETIN

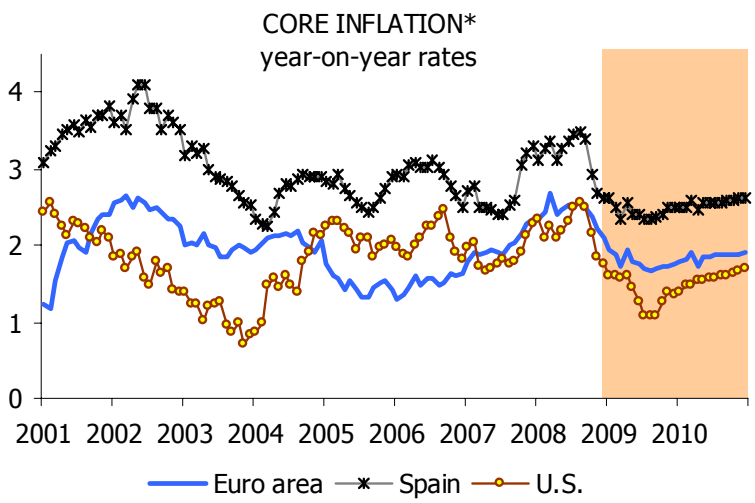
OF E.U. AND US INFLATION AND MACROECONOMIC ANALYSIS

Universidad Carlos III de Madrid

Instituto Flores de Lemus

Second Phase

THE ECONOMIC DOWNTURN IS FINALLY AFFECTING PRICES CAUSING A SIGNIFICANT REVISION IN CORE INFLATION EXPECTATIONS IN USA, EURO AREA AND SPAIN



*For U.S. exclude owner´s equivalent rent of primary residence

Source: INE & IFL (UC3M)
Date: January 16, 2009

THE GROWTH OF ACTIVE POPULATION AND THE JOBS DESTRUCTION IN CONSTRUCTION AND INDUSTRY WILL DRIVE THE UNEMPLOYMENT RATE UP TO 17,4% IN 2009. THESE FIGURES DO NOT TAKE INTO ACCOUNT THE RECENT GOVERNMENT PLAN TO SUPPORT EMPLOYMENT

EMPLOYMENT, ACTIVITY AND UNEMPLOYMENT FORECASTS (Annual rates of variation as %)

	2007	2008	**2009**	**2010**
Employed	3.1	-0.5	**-4.9**	**-1.5**
Agriculture	-2.0	-5.0	**-8.3**	**-3.3**
Industry	-0.9	-1.1	**-6.1**	**-1.4**
Construction	6.1	-10.9	**-29.8**	**-13.6**
Services	3.9	2.1	**-0.1**	**0.0**
Employed	2.8	3.0	**2.1**	**1.5**
Unemployment rate	8.3	11.3	**17.4**	**19.8**

Source: INE & IFL (UC3M)
Date: January 23, 2009

N. 172
January 2009

STATUS OF THE SPANISH LABOUR MARKET AT THE END OF 2008 AND FORECAST FOR 2009 AND 2010

"According to the last Active Population Survey, the Spanish labour market is suffering intensely from the effects of the economic crisis and jobs were lost, for the third consecutive quarter, at a rate of 3%.

This adjustment process continues to affect temporary employees, due to lower dismissal costs, but fixed employment could also begin to diminish next year. Unemployment continued to grow sharply and increased significantly relative to the third quarter, ending at a rate of 13.9%, 2.6 points more than in the previous quarter.

The forecasts estimated with the new information show that this situation will rapidly worsen. In 2009, employment is expected to fall by an average annual rate of 4.9%, compared with 5% in 2008, with the rate falling to 1.5% in 2010. The unemployment rate will increase considerably, with 2009 registering an average annual rate of 17.4%, after the 11.3% of 2008. It will rise to 19.8% in 2010.

Nº 172

www.uc3m.es/boletin

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OF E.U. AND US INFLATION AND MACROECONOMIC ANALYSIS

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TERMINOLOGY USED:

In inflation analysis it is advisable to break down a consumer price index for a country or an economic area in price indexes corresponding to homogenous markets. An initial basic breakdown used in this publication is 1) Non-processed Food price index (ANE) 2) Energy price index (ENE), 3) Processed Food (AE), 4) Other commodities (MAN), 5) Other services (SERV). The first two are more volatile than the others, and in Espasa et al. (1987) a **core inflation** measure exclusively based on the latter ones was proposed; the Spanish Statistical Institute and Eurostat proceed in the same way. Later, in the BULLETIN EU & US INFLATION AND MACROECONOMIC ANALYSIS was proposed to eliminate from components of core inflation those indexes which are excessively volatile.

Thus, the previous basic breakdown has been amplified for Spain in the following manner: a) ANE, b) ENE, c) Tobacco, Oils and Fats, and Tourist Packages, d) Processed Foods excluding Tobacco, Oils and Fats, (AEX).ge) Other Goods (MAN), and f) Other services, excluding Tourist Packages (SERT). The measure of inflation obtained with the AEX, MAN, and SERVT indexes we term **trend inflation**, as an alternative indicator similar to core inflation, but termed trend inflation to indicate a slightly different construction. The measure of inflation established with the price indexes excluded from the CPI to calculate trend inflation or core inflation, depending on the case, is termed **residual inflation**.

For the United States the breakdown by markets is principally based on four components: Food, Energy, Services, and Commodities. **Trend inflation** or **core inflation** is based in this case as the aggregation of services and non-energy commodities.

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*The cut-off date for the statistics included in this Bulletin was January 23, 2008.

I. ECONOMIC OUTLOOK

Expectations about the evolution of the world economy have worsened again in January. The leading indicators were worse than expected and the principal institutions have revised their growth forecasts downwards for the most important economies. In spite of this, the basic features of this crisis have remained relatively stable. On the one hand, the huge falls in industry and construction are accelerating job losses. On the other, the difficult situation of the banking system, especially in some countries, is destabilising the financial markets, restricting the credit market and forcing governments to directly intervene in the capital of lending institutions.

In previous months, the Bulletin has performed a thorough analysis of the causes and nature of this crisis. Different advances, editorials and articles have stated that it will be intense and long, with negative GDP growth rates up to the second half of 2010. We have also identified the principal disequilibria of the economic system, which have to be corrected in order to recover a sustainable growth trend. On several occasions, we have also mentioned the existence of downwards risks which are difficult or impossible to model and which could introduce upwards bias in forecasts based on quantitative models.

The evolution of the economic situation and the latest events confirm, to a certain extent, the macroeconomic analysis performed since October. However, this is not sufficient to prevent self-criticism in relation to the delay with which our quantitative models have reflected the seriousness of the economic deceleration found in both the euro area and Spain. The fact that practically all the principal institutions have had the same problem is no excuse. Improving our ability to anticipate and predict such important changes in the economic cycle is one of the main challenges facing economic science in the future. We cannot expect models and theories with such poor forecasting results to be a valid basis for economic policy. This argument, made popular by Clive Granger, is the focal point of an interview that the Nobel prize-winner recently granted the Bulletin, to be published in the next issue.

Three relatively new aspects have been observed in January, which will be analysed in more detail below. First, the economic crisis is affecting the evolution of prices beyond the energy sector. Second, economic debate is no longer focused on the causes or intensity of the crisis, but on the fact that economic policy is the new battleground for different views of the economic situation. Third, the new EPA figures concerning the labour market in Spain and the updated forecasts show that the likelihood of the unemployment rate exceeding 20% in 2010 is considerable. In view of this information, a debate is required to provide new ideas on how Spain should be facing this crisis.

In 2008, inflation registered to clearly different phases. Up to mid-August, the inflation rates rose sharply due to the prices of raw materials, food and, especially, oil. From August on, crude oil prices started to fall, followed by some raw materials and basic foodstuffs. This trend took inflation to all-time lows in both the euro area and the US, and it is expected to continue to fall throughout 2009, even registering negative year-on-year variations which could last for months in the US. It was in December, however, published in January, 2009, when we saw clear evidence that the economic crisis is directly affecting consumer prices, not only through energy costs.

Two explanations were put forward when energy prices were at their highest. On the one hand, it appeared that these prices were growing because of speculation on the derivatives markets. On the other, it was argued that the prices of limited resources such as crude oil, metals and even cereals, were reacting to the strong present and future increase in demand from emerging economies, largely China and India. After prices fell at the end of the year as rapidly as they had risen, the most likely explanation is that both these factors played an important role. Until the summer of 2008, growth expectations in the leading economies were relatively good. Although analysts expected an important fall in growth in the US. expectations remained positive in relation to the European economy and, especially, growth in the leading emerging economies: China, India, Brazil and Russia.

The expectations that these countries, with a total population of over one third of humanity, were rapidly progressing to consumer levels and patterns similar to those of the developed world were enough to push up oil and other raw material prices. When it became clear that the crisis would affect all the world economies, these expectations rapidly changes and prices started to drop.

In other words, expectations concerning supply and demand explain the price pattern, whereas the intensity and speed of their variations probably depend on a speculative component and the amplifying effect of the derivatives market.

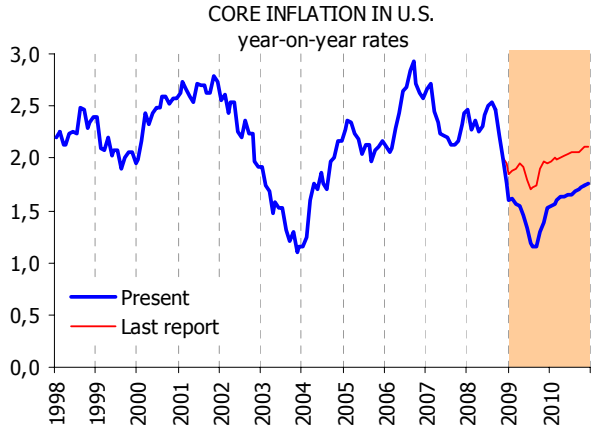
Until November, the effect of the economic crisis on consumer prices was limited to energy. From August to November in the US, the year-on-year inflation rate went from 5.6% to 1.1% and the core rate went from 2.5% to 2.0%. In the euro area, in the same period, headline inflation fell from 4.0% to 2.1%, with the core index going from 2.5% to 2.2%. The reduction in inflation in Spain followed a similar pattern, with the consumer price index growing by 5.3% in July, 2008 and 2.4% in November, and core inflation also falling from 3.5% to 2.7%. Analysing this information at a more disaggregate level, however, we find that the entire reduction depended on only two factors; first, the falling oil prices on world markets and secondly, processed food prices ceased to grow. Up to November, inflation fell rapidly but with few surprises. The reduction in core inflation focused on processed food and the transport sector, which directly depends on oil and fuel prices. In other words, until November, we did not see a generalised deceleration in prices compatible with a scenario of deep recession, which could confirm generalised downwards pressure on prices.

With the December figure, especially in the US and Spain, this price inertia has ceased and downwards innovations are found in all the leading sectors; they are difficult to explain other than with reference to the economic crisis.

In Spain, the data observed in December were less than forecast in 20 of the 22 sub-branches with free prices, which are used to model core inflation in the country. Although the total inflation forecast was correct, there was significant compensation between core inflation, which was 2.4% instead of the forecast 2.6%, and energy prices, which fell less than expected. In no sector was the error large, suggesting the involvement of a factor capable of moderately but homogeneously affecting all prices. The fall in aggregate demand caused by the economic prices is obviously the most likely explanation.

In the US, the downwards surprise in the core index was of the same intensity, with an observed annual rate of 1.8% instead of the 2.0% forecast with information up to November. Also in the US, the downwards innovations in core inflation were generalised in most goods and services, but the most significant innovation was found in owner's equivalent rent of primary residence, which represents 23.9% of headline inflation. The most likely explanation is the same as for Spain. In both cases the inflation forecasts have been revised downwards considerably. In the US, the annual rate will be negative until October, 2009, largely due to energy prices. However, core inflation forecasts have also been revised downwards, and now expect an average annual rate of 1.4% in 2009 and 1.7% in 2010. Core inflation will be at its lowest in August/September, 2009 at 1.2%, while core inflation not including owner's equivalent rent of primary residence (the inflation measure used to compare US and euro area inflation) could fall to 0.6%, even though this item is falling considerably.

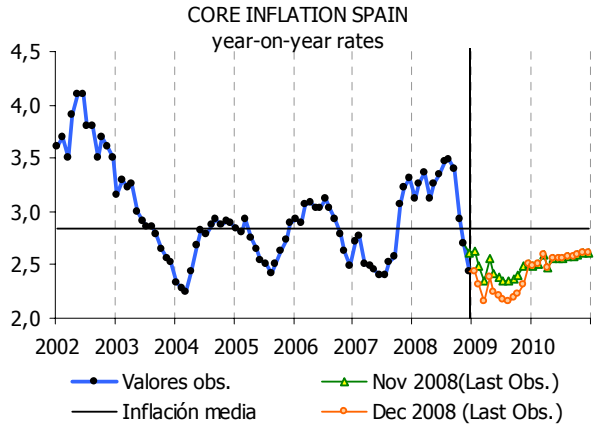
Graph I.1



Source: BLS & IFL(UC3M)
Date: January 16, 2008

In Spain, the forecasts point to less intense moderation of headline and core inflation than in the US. For 2009, we are expecting an average annual rate of 0.8% with core inflation at 2.3%. In the case of Spain, it is difficult to model and predict the impact of a recession on prices, as not even a remotely similar situation has occurred since the introduction of the euro. The most important component, where it is difficult to model the impact of the economic crisis on prices, is the service sector. On many markets, demand is highly inelastic with regards to income. Whereas families could rapidly reduce their demand for consumer goods, largely durables, it is more difficult to imagine an improvised reduction in the demand for transport, healthcare services, education and even telecommunications. In the US; service prices are expected to continue to grow by 2.4% in 2009 and just under 3.0% in 2010. In Spain the situation could differ due to the importance of bars and restaurants in the service sector, double the average in the euro area. These sectors could suffer an important drop in demand in the next few months, which could generate a more intense deceleration of prices than in the rest of the euro zone. Therefore, the downwards revision in our inflation forecasts has been moderate, opting for a forecasting strategy consistent with the past until new information becomes available.

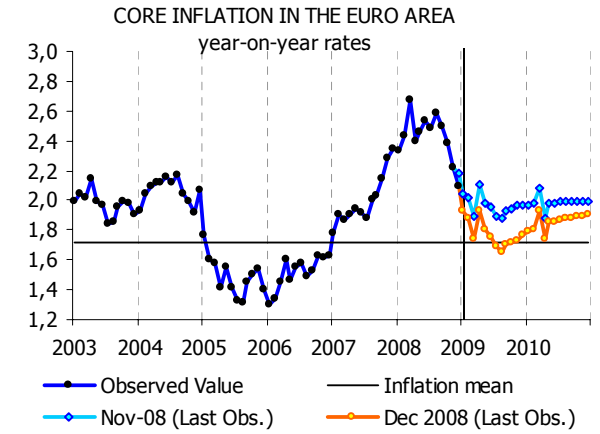
Graph I.2



Source: INE & IFL(UC3M)
Date: January 15, 2008

In the euro area there were also downwards innovations in processed food and manufactured goods, although smaller. The average annual inflation rate expected for 2009 has gone from 1.1% to 0.9%, with core inflation forecast at around 1.8%.

Graph I.3



Surce: EUROSTAT & IFL(UC3M)
Date: January 15, 2008

In conclusion, the consumer prices in the leading world economies have started to suffer the effects of the economic crisis. It is difficult to quantify the scope of this phenomenon, which will depend, among other things, on the duration and intensity of the crisis and, in the medium term, also on monetary and fiscal policy. For the time being, the most likely scenario is strong moderation of inflation, especially in manufactured goods, food and energy, which will last until the end of 2009. Whereas the situation in the US could be described as moderate deflation, prices in Spain and the euro area will continue to grow at a highly contained rate.

The decline in the economic situation in 2009, the increase in unemployment, asset deflation and strong moderation of consumer prices are all factors which have been accepted by the markets and analysts. The debate concerning the causes and nature of the crisis have also given way to interest in the monetary and economic policy measures required to prevent the current recession from turning into a long depression.

This debate is centred in the US. probably because the new president promised a radical change in economic policy. However, it would be wrong to think that such a debate is not required in or does not affect Europe.

The advantages of the euro area over the US are a healthier financial system, a property crisis limited to just a few countries and a level of public and private debt which is on average much lower than that found in the US.

There are also weak points, however, and according to our forecasts, the recession in the euro area in Spain will be intense and long. These two regions will reach negative year-on-year rates of close to 2% between the second and third quarter of 2009, and positive rates will not be seen again until the second half of 2010. In the last few days, the European Commission, the IMF and leading forecasting agencies have revised their forecasts downwards to values even lower than those published in this Bulletin.

Our growth forecasts for Spain will be updated again completely on February 18, with the new national accounts figures, whereas we will be publishing an advance on these forecasts with a partial update for Spain and the euro area in the first few days of February. The latest indicators published in January were negative and beneath expectations, so the forecasts will probably be revised downwards again this month.

The accentuation of the crisis and tension on the financial market have clearly shown the differences which still persist between euro area countries. The existence of a group of countries in which the economies have accumulated a large competitive deficit, makes it difficult for them to survive this recession without having to devaluate the currency. These countries are Spain, Italy, Greece and Portugal.

Unfortunately, these concerns are not without cause. The euro are has again shown that it is unable to apply a common economic policy. In the last few months, we have only seen intervention plans by different members, some of which are potentially conflicting, such as those applied to car manufacture. Besides their limited efficacy,

economic policies like these are, from a quantitative perspective, very difficult to model, so an estimate of the impact of the many different measures applied to each country on the euro area economy in general is considerably uncertain.

Furthermore, the different spending possibilities and the differential cost imposed by the market on the debt of the weakest countries will increase their disadvantage, worsening the problems caused by the excessive differences between single currency members. The enormous amount of debt to be issued by many countries in 2009 could even make it impossible for the weakest economies to sell their own bonds or generate a disproportionate increase in differentials.

In other words, the euro area and European Union on a whole could leave this crisis much less united than they start it. Europe requires a debate on how to face these disequilibria in the short and long term. We have to understand why convergence policies have not worked in some countries and what type of aid, conditions and incentives could be applied to correct this situation.

The last issue to be discussed is the labour market in Spain. The recent Active Population Survey (EPA) figures confirm its very rapid decline. The unemployment rate is 13,9%, with a year-on-year decrease in employment of 3.0%. With the sole exception of services, all sectors are losing jobs, particularly construction (-21%) and industry (-7%). All the indicators show that the situation will get worse in the next few months. According to our forecasts, the average unemployment rate in 2009 will be 17.4% and it will continue to rise in 2010 to close to 20%. These are dramatic figures, worthy of further discussion.

Firstly, the labour market model on which these forecasts are based does not consider the plans to create jobs which have been recently announced by the government and which, according to its estimates, should create 300,000 jobs. Assuming that this is concentrated in the second half of 2009, that the government's figures are correct and that the new jobs remain stable throughout 2010, our unemployment rate estimates would fall by 5-10%. The average unemployment rate would then be 16.4% in 2009 and 16.7% in 2010.

Secondly, although the unemployment rate is an important indicator, the creation of employment should be analysed separately. The rise in unemployment in the fourth quarter of 2009 and in the next few years also depends on the active population, which continues to grow. On the one hand, immigrants can be expected to continue to join the Spanish labour markets and few immigrants could agree to return to their own countries in spite of the incentives created. The reason is a simple one: this is a global crisis and immigrants realise that their own countries are also affected. They know that they will receive more aid in Spain and better welfare and that they will have the option to seek work elsewhere in the European Union if that is their only option. They also realise that if they leave Europe now it will be difficult to return when the economy starts to grow again.

Table I.1

EMPLOYMENT, ACTIVITY AND UNEMPLOYMENT FORECASTS (Annual rates of variation as %)

	2007	2008	**2009**	**2010**
Employed	3.1	-0.5	**-4.9**	**-1.5**
Agriculture	-2.0	-5.0	**-8.3**	**-3.3**
Industry	-0.9	-1.1	**-6.1**	**-1.4**
Construction	6.1	-10.9	**-29.8**	**-13.6**
Services	3.9	2.1	**-0.1**	**0.0**
Employed	2.8	3.0	**2.1**	**1.5**
Unemployment rate	8.3	11.3	**17.4**	**19.8**

Source: INE & IFL (UC3M)
Date: January 23, 2009

On the other hand, female participation in the labour market is growing. When all the other members of the family are unemployed, it is evident that they will all be seeking a chance to earn. The 3.0% increase in the active population registered in the last quarter was largely due to this phenomenon, and there are reasons to believe that it will not be temporary. Female participation in the labour market has been continuously growing in Spain over the last ten years. The average rate is still, however, lower than in the euro area. The difficult situation of the Spanish economy, the need to repay the huge debt accumulated by households and the risk of many workers losing their jobs in the next few months will lead them to go back to work for lower wages or with more precarious contracts, while they continue to look for new jobs. All this would lead to a structural increase in the active population.

In other words, the creation of jobs should be an absolute priority for the Spanish economy, as the measures applied to date could well be insufficient. Creating jobs through public spending is effective for mitigating a recession, but will have a limited impact and fail to solve the structural problems affecting the Spanish labour market. Jobs must largely be created by the private sector.

The most obvious option to be consider is reducing the cost of labour for businesses through fiscal

policy. This would have the double advantage of stimulating the creation of jobs and improving the competitiveness of Spanish businesses in the short term. Professor Granger, the Nobel prize winner in 2003, suggested this strategy at Universidad Carlos III when he recently visited Spain.

Another way to create incentives for the private sector to create employment is to make it easier to create a business. The government could support productive investment with fiscal advantages, financing facilities and even direct grants in the form of transfers. It is also necessary, however, to eliminate all the legal and administrative red tape which hinder, delay and increase the cost of creating a business and hiring staff. This reform would have a limited cost and is also part of the government's plans. The current situation of the Spanish economy, however, admits no further delay. All administrative reforms, with minimal costs, which could increase the dynamic nature of the labour market, will have to become effective in the next six months if they can be expected to impact the current crisis.

II. THE ECONOMY IN THE EURO AREA.

II.1 MACROECONOMIC FORECASTS.

II.1.1 MACROECONOMIC TABLE AND INDICATORS IN THE ECONOMY OF THE EURO-AREA: ANNUAL RATES.

ANNUAL RATES OF GROWTH						
	2005	2006	2007	Forecasts		
				2008	2009	
GDP mp. (1)	1,8	3,0	2,6	**0,9**	**-1,3**	**-0,1**
Demand						
Private final consumption	1,8	2,0	1,6	**0,2**	**-1,4**	**-0,8**
Public final consumption	1,6	1,9	2,3	**1,9**	**2,1**	**1,7**
Gross capital formation	3,4	5,8	4,2	**1,6**	**-5,4**	**-0,7**
Contribution domestic demand	2,0	2,8	2,3	**0,8**	**-1,5**	**-0,3**
Exports of goods and services	5,2	8,5	5,9	**3,1**	**-1,0**	**2,1**
Imports of goods and services	5,8	8,3	5,4	**3,0**	**-1,7**	**1,8**
Contribution foreign demand	-0,1	0,2	0,3	**0,1**	**0,2**	**0,1**
Supply						
GVA total	1,8	2,9	2,9	**0,7**	**-1,2**	**0,0**
GVA agriculture	-6,5	-1,8	0,7	**1,6**	**-2,0**	**-0,1**
GVA industry	2,1	3,8	3,4	**0,0**	**-2,7**	**-0,6**
GVA construction	1,9	2,9	3,2	**0,7**	**-2,6**	**0,8**
GVA trade services	1,5	3,2	2,6	**0,2**	**-1,7**	**-0,3**
VAB financial services	2,9	3,8	3,6	**0,9**	**-1,9**	**-0,1**
GVA public services	1,4	1,3	1,7	**1,3**	**1,4**	**0,8**
Prices (2)						
HICP anuual average rate	2,2	2,2	2,1	**3,3**	**0,9**	**2,2**
HICP dec / dec	2,2	1,9	3,1	**2,0**	**2,1**	**2,1**
Labour market (3)						
Unemployment rate	8,8	8,3	7,4	**7,5**	**8,4**	**9,0**
Other economic indicators (4)						
Industrial production index (excluding construction)	1,0	3,4	2,9	**-1,3**	**-4,6**	**-1,1**

The figures in the shaded area are forecasts.
1) Data adjusted for seasonality and working days effect.
Source: EUROSTAT & IFL (UC3M)
Date: 1) January 8, 2009.
2) January 15, 2009
3) January 8, 2009.
4) January 14, 2009. .

II.1.2 QUARTERLY FORECASTS OF GDP AND COMPONENTS OF DOMESTIC AND FOREIGN DEMAND.

Table II.1.2.1

ANNUAL RATES OF GROWTH IN GDP AND COMPONENTS IN THE EURO AREA			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		2004	1,5	1,6	1,8	1,5	6,7	6,5	0,2	1,9
		2005	1,8	1,6	3,4	2,0	5,2	5,8	-0,1	1,8
		2006	2,0	1,9	5,8	2,8	8,5	8,3	0,2	3,0
		2007	1,6	2,3	4,2	2,3	5,9	5,4	0,3	2,6
		2008	**0,2**	**1,9**	**1,6**	**0,8**	**3,1**	**3,0**	**0,1**	**0,9**
		2009	**-1,4**	**2,1**	**-5,4**	**-1,5**	**-1,0**	**-1,7**	**0,2**	**-1,3**
		2010	**-0,8**	**1,7**	**-0,7**	**-0,3**	**2,1**	**1,8**	**0,1**	**-0,1**
ANNUAL RATES*	2008	**QI**	1,2	1,4	3,7	1,8	5,3	4,3	0,5	2,1
		QII	0,4	2,0	2,5	1,2	3,9	3,0	0,4	1,4
		QIII	0,0	2,4	0,9	0,7	2,4	2,5	0,0	0,6
		QIV	**-0,9**	**1,9**	**-0,6**	**-0,2**	**0,9**	**2,3**	**-0,5**	**-0,4**
	2009	**QI**	**-1,0**	**2,6**	**-4,3**	**-1,0**	**-0,5**	**0,1**	**-0,2**	**-1,2**
		QII	**-1,3**	**2,1**	**-5,2**	**-1,5**	**-1,1**	**-0,7**	**-0,2**	**-1,5**
		QIII	**-1,8**	**1,5**	**-6,0**	**-2,1**	**-2,6**	**-3,2**	**0,2**	**-1,9**
		QIV	**-1,3**	**2,3**	**-5,9**	**-1,6**	**0,1**	**-2,7**	**1,1**	**-0,5**
	2010	**QI**	**-1,7**	**2,2**	**-4,0**	**-1,4**	**-0,5**	**-1,8**	**0,5**	**-0,9**
		QII	**-1,0**	**1,8**	**-2,3**	**-0,7**	**1,4**	**0,5**	**0,4**	**-0,4**
		QIII	**-0,3**	**1,7**	**0,5**	**0,3**	**4,2**	**4,0**	**0,2**	**0,4**
		QIV	**0,0**	**1,0**	**3,0**	**0,9**	**3,4**	**4,7**	**-0,4**	**0,5**

Data adjusted for seasonality and working days effect.
The figures in the shaded area are forecasts.
(1) Contribution to GDP growth.
* Year-on-year rates.
Source: EUROSTAT & IFL (UC3M).
Date: January 8, 2009.

Table II.1.2.2

QUARTERLY RATES OF GROWTH IN GDP AND COMPONENTS IN THE EURO AREA			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		2004	1,5	1,6	1,8	1,5	6,7	6,5	0,2	1,9
		2005	1,8	1,6	3,4	2,0	5,2	5,8	-0,1	1,8
		2006	2,0	1,9	5,8	2,8	8,5	8,3	0,2	3,0
		2007	1,6	2,3	4,2	2,3	5,9	5,4	0,3	2,6
		2008	**0,2**	**1,9**	**1,6**	**0,8**	**3,1**	**3,0**	**0,1**	**0,9**
		2009	**-1,4**	**2,1**	**-5,4**	**-1,5**	**-1,0**	**-1,7**	**0,2**	**-1,3**
		2010	**-0,8**	**1,7**	**-0,7**	**-0,3**	**2,1**	**1,8**	**0,1**	**-0,1**
QUARTERLY RATES*	2008	**QI**	-0,1	0,3	1,4	0,3	1,7	1,6	0,1	0,7
		QII	-0,2	0,8	-0,9	-0,1	-0,1	-0,4	0,1	-0,2
		QIII	0,1	0,9	-0,6	0,1	0,4	1,7	-0,5	-0,2
		QIV	**-0,7**	**-0,1**	**-0,5**	**-0,5**	**-1,1**	**-0,5**	**-0,2**	**-0,7**
	2009	**QI**	**-0,7**	**-0,1**	**-0,5**	**-0,4**	**-1,1**	**-0,5**	**0,4**	**-0,1**
		QII	**-0,5**	**0,3**	**-1,9**	**-0,6**	**-0,6**	**-1,2**	**0,2**	**-0,4**
		QIII	**-0,4**	**0,3**	**-1,4**	**-0,5**	**-1,1**	**-0,9**	**-0,1**	**-0,6**
		QIV	**-0,1**	**0,7**	**-0,4**	**0,0**	**1,6**	**0,0**	**0,7**	**0,7**
	2010	**QI**	**-0,7**	**0,8**	**-0,4**	**-0,3**	**-0,3**	**0,4**	**-0,2**	**-0,6**
		QII	**0,2**	**-0,1**	**-0,1**	**0,1**	**1,2**	**1,1**	**0,1**	**0,1**
		QIII	**0,3**	**0,2**	**1,4**	**0,5**	**1,6**	**pa**	**-0,3**	**0,2**
		QIV	**0,2**	**0,0**	**2,2**	**0,6**	**0,9**	**0,6**	**0,1**	**0,7**

Data adjusted for seasonality and working days effect.
The figures in the shaded area are forecasts.
(1) Contribution to GDP growth.
* Year-on-year rates.
Source: EUROSTAT & IFL (UC3M).
Date: January 8, 2009.

Table II.1.2.3

ANNUAL RATES OF GROWHT IN GDP AND COMPONENTS IN THE EURO AREA									
		GVA							
		Agriculture	Industry	Construction	Trade Services	Financial Services	Public Services	TOTAL	Real GDP
ANNUAL AVERAGE	2004	11,9	2,1	0,9	2,6	1,5	1,5	2,0	1,9
	2005	-6,5	2,1	1,9	1,5	2,9	1,4	1,8	1,8
	2006	-1,8	3,8	2,9	3,2	3,8	1,3	2,9	3,0
	2007	0,7	3,4	3,2	2,6	3,6	1,7	2,9	2,6
	2008	**1,6**	**0,0**	**0,7**	**0,2**	**0,9**	**1,3**	**0,7**	**0,9**
	2009	**-2,0**	**-2,7**	**-2,6**	**-1,7**	**-1,9**	**1,4**	**-1,2**	**-1,3**
	2010	**-0,1**	**-0,6**	**0,8**	**-0,3**	**-0,1**	**0,8**	**0,0**	**-0,1**
ANNUAL RATES*	2008 QI	1,2	2,6	2,8	2,3	2,7	1,2	2,3	2,1
	2008 QII	2,1	1,2	1,5	0,9	2,5	1,2	1,6	1,4
	2008 QIII	**2,5**	**-1,1**	**0,1**	**0,2**	**2,0**	**1,4**	**0,7**	**0,6**
	2008 QIV	**0,8**	**-2,5**	**-1,7**	**-2,4**	**-3,4**	**1,2**	**-1,7**	**-0,4**
	2009 QI	**-1,8**	**-3,1**	**-6,3**	**-3,4**	**-3,8**	**1,5**	**-2,5**	**-1,2**
	2009 QII	**-2,0**	**-3,1**	**-2,8**	**-1,7**	**-3,3**	**1,5**	**-1,7**	**-1,5**
	2009 QIII	**-2,1**	**-2,6**	**-0,8**	**-1,7**	**-2,9**	**1,3**	**-1,4**	**-1,9**
	2009 QIV	**-2,3**	**-2,0**	**-0,2**	**0,3**	**2,7**	**1,3**	**0,7**	**-0,5**
	2010 QI	**-0,6**	**-1,5**	**2,7**	**0,6**	**1,4**	**1,1**	**0,6**	**-0,9**
	2010 QII	**-0,7**	**-1,0**	**0,6**	**-1,1**	**0,3**	**1,4**	**0,0**	**-0,4**
	2010 QIII	**0,1**	**0,1**	**-0,1**	**-0,4**	**-0,9**	**0,6**	**-0,2**	**0,4**
	2010 QIV	**0,7**	**0,0**	**0,0**	**-0,4**	**-1,3**	**0,2**	**-0,4**	**0,5**

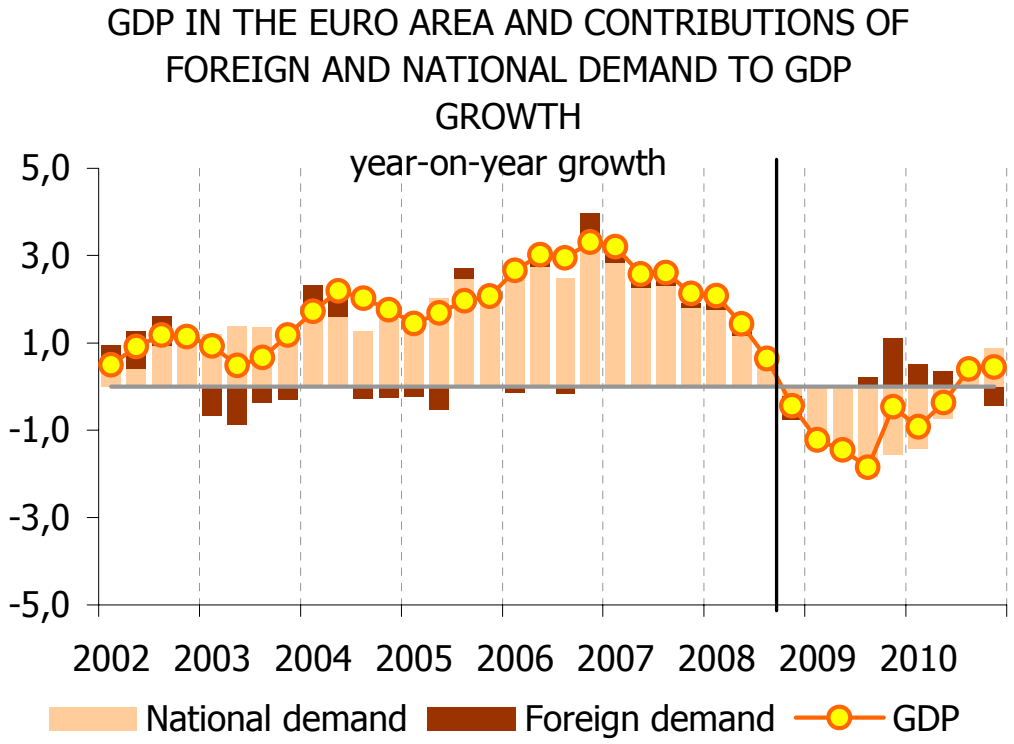
Data adjusted for seasonality and working days effect.
The figures in the shaded area are forecasts.
*Year-on-year rates.
Source: EUROSTAT & IFL (UC3M).
Date: January 8, 2009

Table II.1.2.4

QUARTERLY RATES OF GROWTH IN GDP AND COMPONENTS IN THE EURO AREA									
		GVA							
		Agriculture	Industry	Construction	Trade Services	Financial Services	Public Services	TOTAL	Real GDP
ANNUAL AVERAGE	2004	11,9	2,1	0,9	2,6	1,5	1,5	2,0	1,9
	2005	-6,5	2,1	1,9	1,5	2,9	1,4	1,8	1,8
	2006	-1,8	3,8	2,9	3,2	3,8	1,3	2,9	3,0
	2007	0,7	3,4	3,2	2,6	3,6	1,7	2,9	2,6
	2008	**1,6**	**0,0**	**0,7**	**0,2**	**0,9**	**1,3**	**0,7**	**0,9**
	2009	**-2,0**	**-2,7**	**-2,6**	**-1,7**	**-1,9**	**1,4**	**-1,2**	**-1,3**
	2010	**-0,1**	**-0,6**	**0,8**	**-0,3**	**-0,1**	**0,8**	**0,0**	**-0,1**
QUARTERLY RATES*	2008 QI	-0,1	0,3	1,4	0,3	1,7	1,6	0,1	0,7
	2008 QII	-0,2	0,8	-0,9	-0,1	-0,1	-0,4	0,1	-0,2
	2008 QIII	0,1	0,9	-0,6	0,1	0,4	1,7	-0,5	-0,2
	2008 QIV	**-0,7**	**-0,1**	**-0,5**	**-0,5**	**-1,1**	**-0,5**	**-0,2**	**-0,7**
	2009 QI	**-0,7**	**-0,1**	**-0,5**	**-0,4**	**-1,1**	**-0,5**	**0,4**	**-0,1**
	2009 QII	**-0,5**	**0,3**	**-1,9**	**-0,6**	**-0,6**	**-1,2**	**0,2**	**-0,4**
	2009 QIII	**-0,4**	**0,3**	**-1,4**	**-0,5**	**-1,1**	**-0,9**	**-0,1**	**-0,6**
	2009 QIV	**-0,1**	**0,7**	**-0,4**	**0,0**	**1,6**	**0,0**	**0,7**	**0,7**
	2010 QI	**-0,7**	**0,8**	**-0,4**	**-0,3**	**-0,3**	**0,4**	**-0,2**	**-0,6**
	2010 QII	**0,2**	**-0,1**	**-0,1**	**0,1**	**1,2**	**1,1**	**0,1**	**0,1**
	2010 QIII	**0,3**	**0,2**	**1,4**	**0,5**	**1,6**	**2,5**	**-0,3**	**0,2**
	2010 QIV	**0,2**	**0,0**	**2,2**	**0,6**	**0,9**	**0,6**	**0,1**	**0,7**

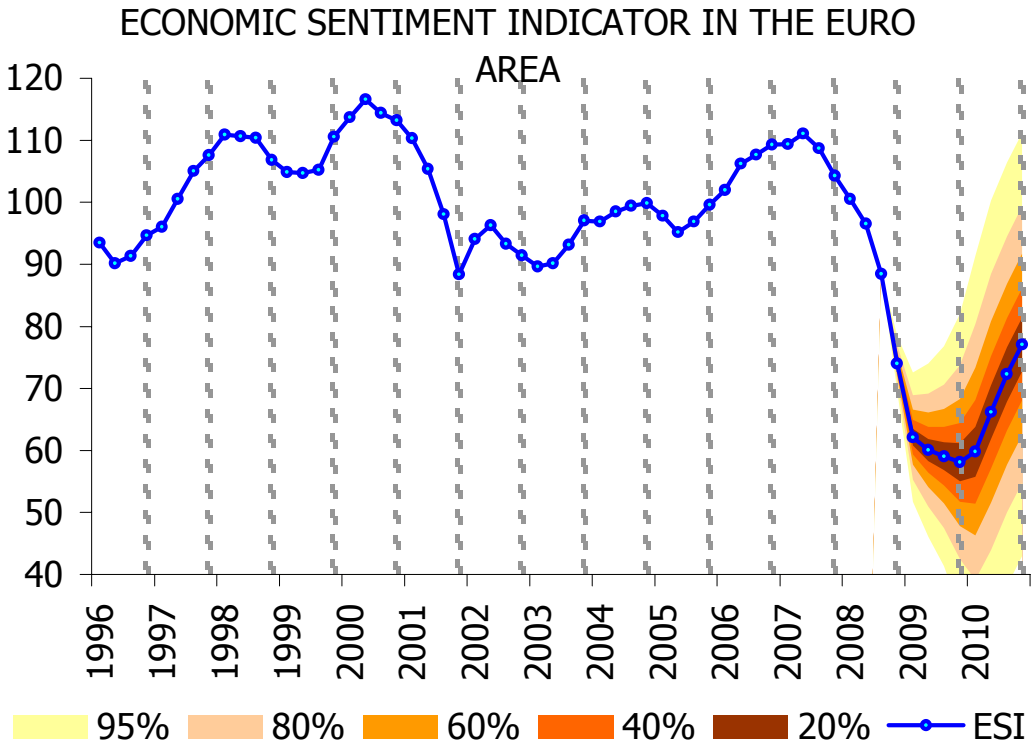
Data adjusted for seasonality and working days effect.
The figures in the shaded area are forecasts.
*Year-on-year rates.
Source: EUROSTAT & IFL (UC3M).
Date: January 8, 2009.

Graph II.1.2.1



*Data adjusted for seasonality and working days effect.
Source: EUROSTAT & IFL (UC3M).
Date: January 8, 2009

Graph II.1.2.2



Source: EUROPEAN COMISSION & IFL (UC3M)
Source: January 8, 2009

II.1.3 INDUSTRIAL PRODUCTION INDEX: MONTHLY AND QUARTERLY FORECASTS.

Table III.1.3.1

ANNUAL GROWTH RATES IN THE IPI AND SECTORS IN THE EURO AREA

			Consumer Goods		Capital Goods	Intermediate Goods	Energy	TOTAL
			Durable	Non Durable				
ANNUAL AVERAGE RATES		2004	0,1	0,6	3,4	2,3	2,2	1,9
		2005	-0,7	0,7	3,0	0,9	1,4	1,0
		2006	4,4	2,2	5,9	4,9	0,7	3,4
		2007	1,1	2,5	6,0	3,9	-0,6	2,9
		2008	**-5,0**	**-1,3**	**0,3**	**-2,3**	**1,0**	**-1,3**
		2009	**-10,5**	**-2,2**	**-8,1**	**-4,6**	**1,3**	**-4,6**
		2010	**-7,5**	**-0,5**	**-4,1**	**0,6**	**1,5**	**-1,1**
ANNUAL RATES*	2008	TI	-1,6	0,6	5,0	1,6	4,4	2,2
		TII	-2,6	-0,9	4,0	0,5	1,6	0,8
		TIII	-6,1	-2,3	-0,1	-2,0	0,3	-1,7
		TIV	**-9,4**	**-2,6**	**-6,9**	**-9,4**	**-2,2**	**-6,4**
	2009	**TI**	**-10,8**	**-2,9**	**-8,6**	**-7,8**	**-0,7**	**-6,2**
		TII	**-11,1**	**-2,6**	**-8,8**	**-5,4**	**0,4**	**-5,4**
		TIII	**-10,4**	**-2,0**	**-7,9**	**-3,1**	**2,0**	**-3,9**
		TIV	**-9,8**	**-1,6**	**-7,0**	**-1,5**	**3,3**	**-2,8**
	2010	**TI**	**-9,2**	**-1,2**	**-6,0**	**-0,6**	**2,8**	**-2,1**
		TII	**-8,1**	**-0,7**	**-4,8**	**0,3**	**2,2**	**-1,4**
		TIII	**-6,8**	**-0,2**	**-3,3**	**1,1**	**1,0**	**-0,6**
		TIV	**-5,6**	**0,1**	**-2,0**	**1,7**	**0,3**	**-0,1**

The figures in the shaded area are forecasts.
* Adjusted by working days.
** Year-on-year rates.
Source: EUROSTAT & IFL (UC3M)
Date: January 14, 2009

Table III.1.3.2

OBSERVED VALUES AND FORECASTS IN THE IPI ANNUAL RATES IN THE EURO AREA

	2004	2005	2006	2007	**2008**	**2009**	**2010**
January	0,9	1,3	2,7	2,9	2,7	**-6,4**	**-2,2**
February	1,3	0,3	2,5	3,4	2,8	**-6,1**	**-2,1**
March	1,9	-0,4	3,9	3,5	1,0	**-6,1**	**-1,9**
April	1,8	0,9	1,6	2,6	3,6	**-6,0**	**-1,6**
May	3,5	0,0	5,0	2,4	-0,4	**-5,3**	**-1,4**
June	3,6	0,8	3,9	2,4	-0,7	**-4,9**	**-1,2**
July	2,2	0,9	2,9	3,3	-1,0	**-4,3**	**-0,9**
August	1,9	1,8	4,7	3,9	-1,2	**-3,6**	**-0,5**
September	3,2	1,2	3,2	2,7	-2,8	**-3,6**	**-0,4**
October	1,1	0,4	3,7	3,8	-5,4	**-3,1**	**-0,2**
November	1,3	2,3	2,9	2,4	-7,6	**-2,7**	**-0,1**
December	0,6	2,6	4,3	1,4	**-6,1**	**-2,5**	**0,0**

* Adjusted by working days.
The figures in the shaded area are forecasts.
Source: EUROSTAT & IFL (UC3M)
Date: January 14, 2009

II.1.4. INFLATION.

Table II.1.4.1

ANNUAL AVERAGE RATE OF INFLATION IN THE EURO AREA							
Harmonized Index of Consumer Price (HICP)	Weights 2008	2005	2006	2007	Forecasts	**Forecasts 2009**	**2010**
TOTAL	100,0	2,2	2,2	2,1	3,3	**0,9**	**2,2**
CORE	82,6	1,5	1,5	2,0	2,4	**1,8**	**1,9**
Processed food without tobacco	9,6	0,5	1,6	2,3	6,8	**0,8**	**1,1**
Processed food (with tobacco)	11,9	2,0	2,1	2,8	6,1	**1,6**	**2,1**
Non-energy industrial goods	29,8	0,3	0,6	1,0	0,8	**0,9**	**0,9**
Services	40,9	2,3	2,0	2,5	2,6	**2,5**	**2,5**
RESIDUAL	17,4	5,7	5,5	2,8	7,3	**-3,0**	**3,9**
Non- processed food	7,6	0,8	2,8	3,0	3,5	**2,7**	**2,4**
Energy	9,8	10,1	7,7	2,6	10,3	**-7,2**	**5,2**

Source: EUROSTAT & IFL (UC3M)
Date: January 15, 2009

Table II.1.4.2

HICP ANNUAL GROWTH BY COMPONENTS IN THE EURO AREA

		Harmonized Index of Consumer Prices										
		Core						Residual				
		Processed food excluding tobacco	Tobacco	Non energy industrial goods	Services	TOTAL	80 % Confidence Intervals*	Non processed food	Energy	TOTAL	TOTAL	80 % Confidence Intervals*
	Weights 2008	9,6%	2,3%	29,8%	40,9%	82,6%		7,6%	9,8%	17,4%	100%	
ANNUAL AVERAGE RATE	2000	0,7	3,4	0,5	1,5	1,0		1,8	13,0	7,4	2,1	
	2001	2,7	3,8	0,9	2,5	1,9		7,0	2,2	4,4	2,3	
	2002	2,4	5,9	1,5	3,1	2,5		3,1	-0,6	1,2	2,2	
	2003	2,1	8,4	0,8	2,5	2,0		2,1	3,0	2,6	2,1	
	2004	1,3	12,2	0,8	2,6	2,1		0,6	4,5	2,6	2,1	
	2005	0,5	7,8	0,3	2,3	1,5		0,8	10,1	5,7	2,2	
	2006	1,6	3,9	0,6	2,0	1,5		2,8	7,7	5,5	2,2	
	2007	2,3	4,5	1,0	2,5	2,0		3,0	2,6	2,8	2,1	
	2008	6,8	3,2	0,8	2,6	2,4		3,5	10,3	7,3	3,3	
	2009	0,8	5,0	0,9	2,5	1,8	± 0,33	2,7	-7,2	-3,0	0,9	± 0,49
	2010	1,1	6,4	0,9	2,5	1,9	± 0,53	2,4	5,2	3,9	2,2	± 0,79
ANNUAL RATES (year-on-year rates) 2008	January	6,6	3,3	0,7	2,5	2,3		3,3	10,6	7,4	3,2	
	February	7,4	3,2	0,8	2,4	2,4		3,3	10,4	7,2	3,3	
	March	7,7	3,3	0,9	2,8	2,7		3,8	11,2	8,0	3,6	
	April	7,9	3,2	0,8	2,3	2,4		3,1	10,8	7,4	3,3	
	May	7,9	3,3	0,7	2,5	2,5		3,9	13,7	9,4	3,7	
	June	7,9	3,3	0,8	2,5	2,5		4,0	16,1	10,8	4,0	
	July	8,1	3,7	0,5	2,6	2,5		4,4	17,1	11,5	4,0	
	August	7,8	3,0	0,7	2,7	2,6		3,7	14,6	9,8	3,8	
	September	7,0	2,9	0,9	2,6	2,5		3,6	13,5	9,1	3,6	
	October	5,6	2,9	1,0	2,6	2,4		3,4	9,6	6,9	3,2	
	November	4,4	3,2	0,9	2,6	2,2		2,8	0,7	1,6	2,1	
	December	3,6	3,2	0,8	2,6	2,1		2,8	-3,7	-0,8	1,6	
2009	January	2,6	3,8	0,7	2,5	1,9	± 0,13	2,9	-6,6	-2,5	1,1	± 0,11
	February	1,8	3,9	0,8	2,5	1,9	± 0,19	3,7	-6,6	-2,1	1,2	± 0,23
	March	1,4	4,6	0,9	2,3	1,7	± 0,23	3,4	-7,9	-3,1	0,9	± 0,35
	April	1,0	5,0	0,9	2,7	1,9	± 0,26	3,3	-7,9	-3,1	1,0	± 0,48
	May	0,8	5,0	0,9	2,5	1,8	± 0,30	3,0	-10,4	-4,8	0,6	± 0,56
	June	0,6	5,1	0,9	2,5	1,8	± 0,33	2,7	-12,1	-6,0	0,3	± 0,63
	July	0,3	4,8	0,8	2,5	1,7	± 0,38	2,0	-12,8	-6,7	0,1	± 0,67
	August	0,1	5,0	0,9	2,4	1,7	± 0,42	2,2	-9,6	-4,6	0,5	± 0,74
	September	0,1	5,3	0,9	2,5	1,7	± 0,46	2,3	-8,9	-4,2	0,6	± 0,78
	October	0,0	5,8	0,9	2,5	1,7	± 0,49	2,0	-5,9	-2,5	1,0	± 0,83
	November	0,2	5,6	0,9	2,5	1,7	± 0,52	2,2	-0,5	0,7	1,6	± 0,86
	December	0,4	6,3	0,9	2,5	1,8	± 0,55	2,3	4,7	3,7	2,1	± 0,89
2010	January	0,6	6,3	0,9	2,5	1,8	± 0,55	2,4	7,5	5,2	2,4	± 0,91
	February	0,8	6,3	0,9	2,5	1,8	± 0,56	2,4	7,7	5,3	2,4	± 0,91
	March	0,9	6,4	0,9	2,7	1,9	± 0,57	2,4	7,0	4,9	2,4	± 0,93
	April	1,0	6,4	0,9	2,3	1,7	± 0,58	2,4	6,1	4,4	2,2	± 0,93
	May	1,1	6,4	0,9	2,5	1,8	± 0,58	2,4	5,5	4,1	2,2	± 0,93
	June	1,2	6,3	0,9	2,5	1,9	± 0,58	2,4	5,0	3,8	2,2	± 0,93
	July	1,2	6,4	0,9	2,5	1,9	± 0,59	2,4	4,6	3,6	2,2	± 0,93
	August	1,3	6,4	0,9	2,5	1,9	± 0,59	2,4	4,3	3,4	2,1	± 0,93
	September	1,4	6,4	0,9	2,5	1,9	± 0,59	2,4	4,1	3,3	2,1	± 0,93
	October	1,4	6,4	0,9	2,5	1,9	± 0,59	2,4	3,8	3,2	2,1	± 0,93
	November	1,4	6,5	0,9	2,5	1,9	± 0,59	2,4	3,6	3,0	2,1	± 0,93
	December	1,5	6,6	0,9	2,5	1,9	± 0,59	2,4	3,3	2,9	2,1	± 0,93

* Confidence intervals calculated with historical errors.
The figures in the shaded area are forecasts
Source: EUROSTAT & IFL (UC3M)
Date: January 15, 2009

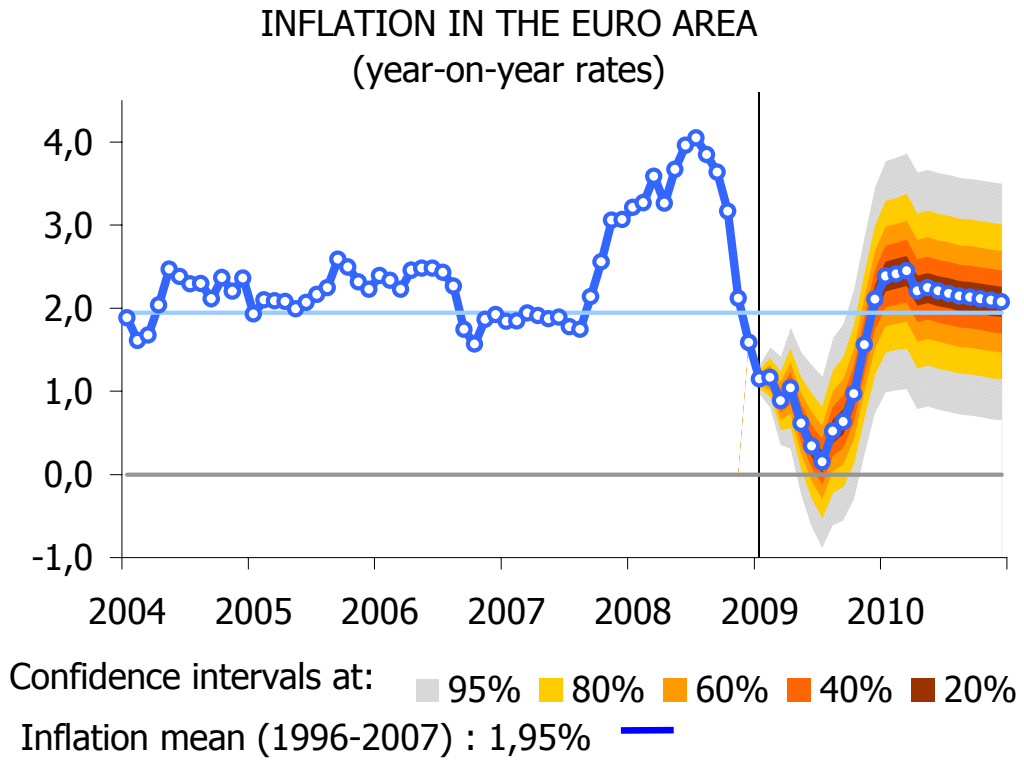
Table II.1.4.3

HICP MONTHLY GROWTH BY COMPONENTS IN THE EURO AREA

MONTHLY RATES (Growth of the month over the previous month)		Harmonized Index of Consumer Prices								
		Core					Residual			TOTAL
		Processed food excluding tobacco	Tobacco	Non energy industrial goods	Services	TOTAL	Non processed food	Energy	TOTAL	
	Weights 2008	9,6%	2,3%	29,8%	40,9%	82,6%	7,6%	9,8%	17,4%	100%
January	2007	0,2	0,7	-2,0	-0,1	-0,7	0,9	0,4	0,6	-0,5
	2008	1,0	0,9	-2,3	-0,2	-0,8	1,2	1,6	1,4	-0,4
	2009	**0,1**	**1,5**	**-2,4**	**-0,2**	**-0,9**	**1,3**	**-1,5**	**-0,3**	**-0,8**
	2010	**0,3**	**1,6**	**-2,4**	**-0,2**	**-0,9**	**1,3**	**1,1**	**1,2**	**-0,5**
February	2007	0,1	0,4	0,2	0,5	0,4	-0,5	0,3	0,0	0,3
	2008	0,9	0,3	0,3	0,5	0,5	-0,6	0,1	-0,2	0,3
	2009	**0,1**	**0,4**	**0,4**	**0,5**	**0,4**	**0,2**	**0,2**	**0,2**	**0,4**
	2010	**0,2**	**0,3**	**0,4**	**0,5**	**0,4**	**0,2**	**0,3**	**0,3**	**0,4**
March	2007	0,2	0,1	1,6	0,0	0,6	-0,1	1,5	0,8	0,7
	2008	0,4	0,2	1,7	0,4	0,9	0,5	2,3	1,5	1,0
	2009	**0,0**	**0,9**	**1,8**	**0,2**	**0,7**	**0,2**	**0,9**	**0,6**	**0,7**
	2010	**0,1**	**1,0**	**1,8**	**0,3**	**0,8**	**0,2**	**0,2**	**0,2**	**0,7**
April	2007	0,1	0,3	0,7	0,4	0,5	1,4	1,4	1,4	0,6
	2008	0,4	0,2	0,6	-0,2	0,2	0,7	1,0	0,9	0,3
	2009	**0,0**	**0,5**	**0,7**	**0,3**	**0,4**	**0,6**	**1,0**	**0,8**	**0,5**
	2010	**0,1**	**0,5**	**0,7**	**-0,1**	**0,2**	**0,6**	**0,2**	**0,4**	**0,2**
May	2007	0,1	0,1	0,1	0,2	0,2	0,1	0,9	0,6	0,2
	2008	0,1	0,1	0,1	0,4	0,2	0,9	3,6	2,4	0,6
	2009	**0,0**	**0,2**	**0,0**	**0,2**	**0,1**	**0,6**	**0,8**	**0,7**	**0,2**
	2010	**0,1**	**0,2**	**0,0**	**0,4**	**0,2**	**0,6**	**0,2**	**0,4**	**0,2**
June	2007	0,1	0,1	-0,2	0,2	0,0	0,1	0,5	0,3	0,1
	2008	0,2	0,1	-0,2	0,3	0,1	0,2	2,6	1,6	0,4
	2009	**0,0**	**0,2**	**-0,2**	**0,3**	**0,1**	**-0,1**	**0,6**	**0,3**	**0,1**
	2010	**0,0**	**0,2**	**-0,2**	**0,3**	**0,1**	**-0,1**	**0,2**	**0,0**	**0,1**
July	2007	0,2	0,0	-2,1	0,8	-0,3	-0,4	0,5	0,1	-0,2
	2008	0,3	0,5	-2,4	0,9	-0,4	-0,1	1,3	0,7	-0,2
	2009	**0,0**	**0,2**	**-2,4**	**0,9**	**-0,4**	**-0,7**	**0,5**	**0,0**	**-0,3**
	2010	**0,1**	**0,2**	**-2,4**	**0,9**	**-0,4**	**-0,7**	**0,2**	**-0,2**	**-0,4**
August	2007	0,5	0,8	0,2	0,2	0,2	-0,3	-0,9	-0,7	0,1
	2008	0,3	0,1	0,4	0,3	0,3	-1,0	-3,0	-2,2	-0,1
	2009	**0,1**	**0,2**	**0,5**	**0,2**	**0,3**	**-0,9**	**0,6**	**-0,1**	**0,2**
	2010	**0,1**	**0,2**	**0,5**	**0,2**	**0,3**	**-0,9**	**0,2**	**-0,3**	**0,2**
September	2007	0,8	0,2	1,5	-0,5	0,4	0,2	0,6	0,5	0,4
	2008	0,1	0,1	1,7	-0,7	0,3	0,1	-0,4	-0,2	0,2
	2009	**0,1**	**0,4**	**1,7**	**-0,6**	**0,3**	**0,2**	**0,4**	**0,3**	**0,3**
	2010	**0,1**	**0,4**	**1,7**	**-0,6**	**0,3**	**0,2**	**0,2**	**0,2**	**0,3**
October	2007	1,5	0,0	0,8	0,0	0,5	0,6	0,6	0,6	0,5
	2008	0,2	0,0	0,9	0,1	0,4	0,4	-2,9	-1,5	0,0
	2009	**0,1**	**0,5**	**0,9**	**0,0**	**0,4**	**0,2**	**0,4**	**0,3**	**0,4**
	2010	**0,1**	**0,5**	**0,9**	**0,0**	**0,4**	**0,2**	**0,2**	**0,2**	**0,3**
November	2007	1,0	0,2	0,3	-0,1	0,2	0,5	3,4	2,2	0,5
	2008	-0,1	0,5	0,2	-0,1	0,0	0,0	-4,9	-2,8	-0,5
	2009	**0,1**	**0,4**	**0,2**	**-0,1**	**0,0**	**0,2**	**0,4**	**0,3**	**0,1**
	2010	**0,1**	**0,5**	**0,2**	**-0,1**	**0,0**	**0,2**	**0,2**	**0,2**	**0,1**
December	2007	0,7	0,1	-0,1	0,9	0,5	0,5	-0,3	0,0	0,4
	2008	-0,1	0,1	-0,2	0,8	0,4	0,5	-4,7	-2,4	-0,1
	2009	**0,1**	**0,7**	**-0,2**	**0,9**	**0,4**	**0,6**	**0,4**	**0,5**	**0,4**
	2010	**0,1**	**0,8**	**-0,2**	**0,9**	**0,4**	**0,6**	**0,2**	**0,3**	**0,4**

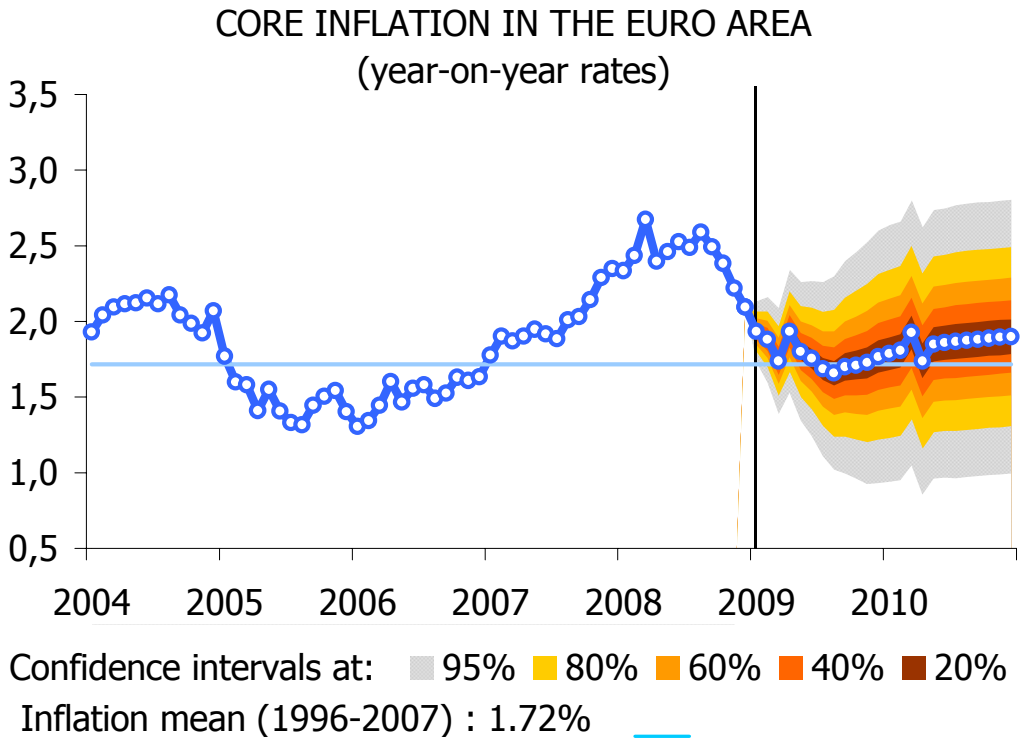
The figures in the shaded area are forecasts.
Source: EUROSTAT & IFL (UC3M)
Date: January 15, 2009

Graph II.1.4.1



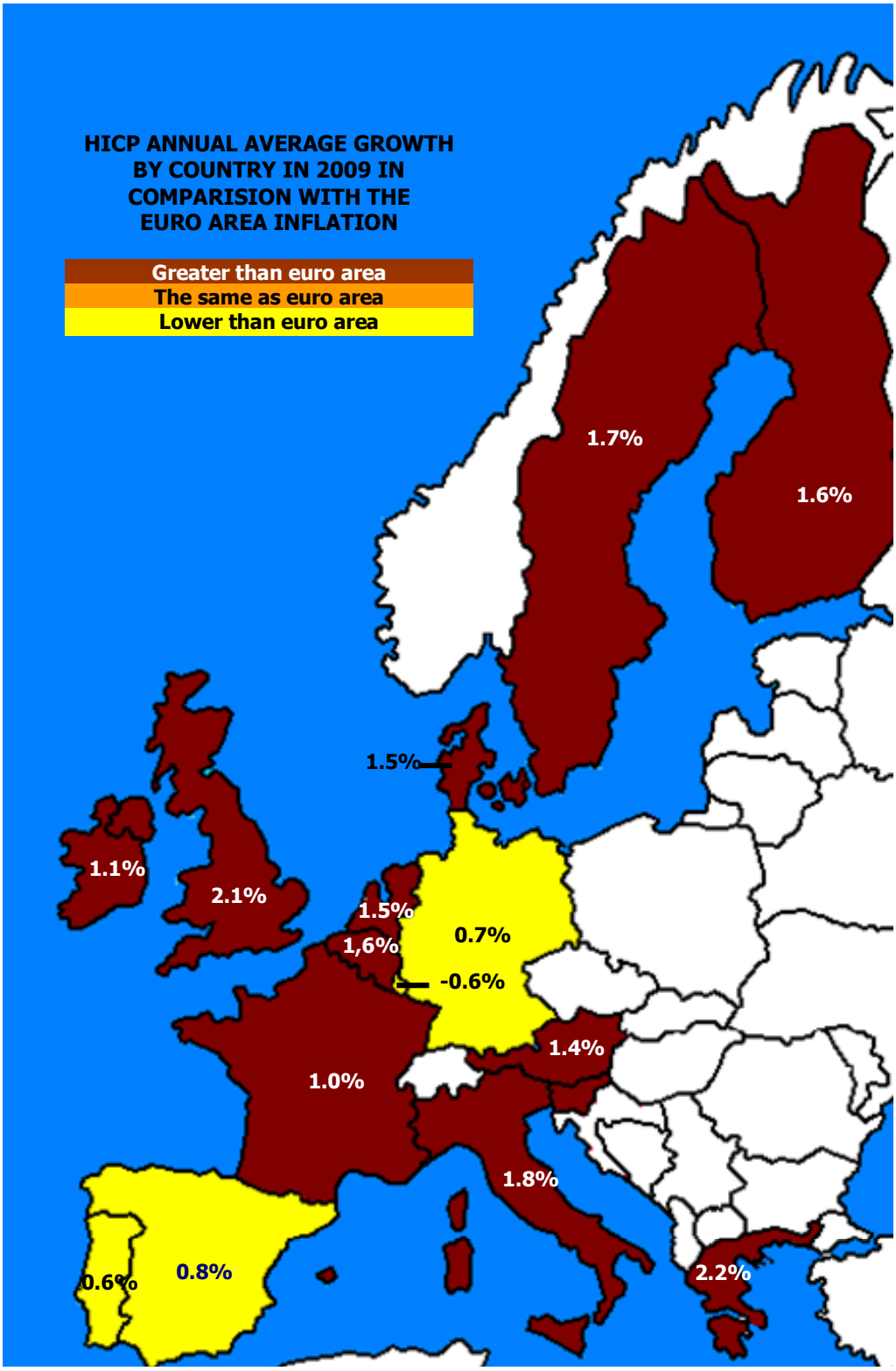
Source: EUROSTAT & IFL (UC3M)
Date: January 15, 2009

Graph II.1.4.2



Source: EUROSTAT & IFL (UC3M)
Date: January 15, 2009

Graph II.1.4.3



Source: EUROSTAT & IFL (UC3M)
Date: January 15, 2009

Table II.1.4.4

HICP ANNUAL GROWTH BY COUNTRY IN THE EURO AREA, UNITED KINGDOM, SWEDEN AND DENMARK

		Euro Area																	
		Germany	France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Portugal	Finland	Ireland	Slovenia	Luxembourg	Cyprus	Malta	United Kingdom	Sweden	Denmark
	Weights 2008 %	27,0	20,5	18,6	12,7	5,0	3,4	3,1	3,4	2,2	1,6	1,5	0,3	0,3	0,2	0,1			
ANNUAL AVERAGE RATE	2000	1,4	1,8	2,6	3,5	2,3	2,7	2,0	2,9	2,8	2,9	5,3	8,9	3,8	4,9	3,0	0,8	1,3	2,7
	2001	1,9	1,8	2,3	2,8	5,1	2,4	2,3	3,7	4,4	2,7	4,0	8,6	2,4	2,0	2,5	1,2	2,7	2,3
	2002	1,4	1,9	2,6	3,6	3,9	1,6	1,7	3,9	3,7	2,0	4,7	7,5	2,1	2,8	2,6	1,3	1,9	2,4
	2003	1,0	2,2	2,8	3,1	2,2	1,5	1,3	3,4	3,3	1,3	4,0	5,7	2,5	4,0	1,9	1,4	2,3	2,0
	2004	1,8	2,3	2,3	3,1	1,4	1,9	2,0	3,0	2,5	0,1	2,3	3,7	3,2	1,9	2,7	1,3	1,0	0,9
	2005	1,9	1,9	2,2	3,4	1,5	2,5	2,1	3,5	2,1	0,8	2,2	2,5	3,8	2,0	2,5	2,0	0,8	1,7
	2006	1,8	1,9	2,2	3,6	1,7	2,3	1,7	3,3	3,0	1,3	2,7	2,5	3,0	2,2	2,6	2,3	1,5	1,9
	2007	2,3	1,6	2,0	2,8	1,6	1,8	2,2	3,0	2,4	1,6	2,9	3,8	2,7	2,2	0,7	2,3	1,7	1,7
	2008	2,8	3,2	3,5	4,1	2,2	4,5	3,2	4,2	2,7	3,9	3,1	5,5	4,1	4,4	4,7	3,6	3,3	3,6
	2009	**0,7**	**1,0**	**1,8**	**0,8**	**1,5**	**1,6**	**1,4**	**2,2**	**0,6**	**1,6**	**1,1**	**2,0**	**-0,6**	**1,2**	**3,9**	**2,1**	**1,7**	**1,5**
	2010	**2,1**	**2,0**	**2,7**	**2,8**	**1,8**	**1,9**	**2,2**	**2,8**	**1,7**	**1,8**	**2,2**	**3,6**	**1,2**	**2,5**	**2,9**	**2,3**	**2,5**	**2,0**
ANNUAL RATES (year-on-year rates) 2008	January	2,9	3,2	3,1	4,4	1,8	3,5	3,1	3,9	2,9	3,5	3,1	6,4	4,2	4,1	3,8	2,2	3,0	3,0
	February	3,0	3,2	3,1	4,4	2,0	3,6	3,1	4,5	2,9	3,3	3,5	6,4	4,2	4,7	4,0	2,5	2,9	3,3
	March	3,3	3,5	3,6	4,6	1,9	4,4	3,5	4,4	3,1	3,6	3,7	6,6	4,4	4,4	4,3	2,4	3,3	3,3
	April	2,6	3,4	3,6	4,2	1,7	4,1	3,4	4,4	2,5	3,3	3,3	6,2	4,3	4,3	4,1	3,0	3,2	3,4
	May	3,1	3,7	3,7	4,7	2,1	5,1	3,7	4,9	2,8	4,1	3,7	6,2	4,8	4,6	4,1	3,3	3,7	3,6
	June	3,4	4,0	4,0	5,1	2,3	5,8	4,0	4,9	3,4	4,3	3,9	6,8	5,3	5,2	4,4	3,8	4,0	4,2
	July	3,5	4,0	4,0	5,3	3,0	5,9	3,8	4,9	3,1	4,3	3,6	6,9	5,8	5,3	5,6	4,4	3,8	4,4
	August	3,3	3,5	4,2	4,9	3,0	5,4	3,6	4,8	3,1	4,6	3,2	6,0	4,8	5,1	5,4	4,8	4,1	4,8
	September	3,0	3,3	3,9	4,6	2,8	5,5	3,7	4,7	3,2	4,7	3,2	5,6	4,8	5,0	4,9	5,2	4,2	4,5
	October	2,5	3,0	3,6	3,6	2,5	4,8	3,0	4,0	2,5	4,4	2,7	4,8	3,9	4,8	5,8	4,5	3,4	3,8
	November	1,4	1,9	2,7	2,4	1,9	3,2	2,3	3,0	1,4	3,5	2,1	2,9	2,0	3,1	4,9	4,1	2,4	2,8
	December	1,1	1,2	2,4	1,5	1,7	2,7	1,5	2,2	0,8	3,4	1,3	1,8	0,7	1,8	5,0	3,1	2,1	2,4
2009	**January**	**0,8**	**1,0**	**2,0**	**1,0**	**1,9**	**2,8**	**1,6**	**2,3**	**0,8**	**2,3**	**1,2**	**1,7**	**0,7**	**1,8**	**4,6**	**3,1**	**1,9**	**2,1**
	February	**0,7**	**1,2**	**2,0**	**0,9**	**1,8**	**2,4**	**1,5**	**2,0**	**0,7**	**2,4**	**1,0**	**2,0**	**0,4**	**1,4**	**4,6**	**2,8**	**1,9**	**1,6**
	March	**0,5**	**0,9**	**1,8**	**0,7**	**1,7**	**2,1**	**1,2**	**2,1**	**0,4**	**1,8**	**0,8**	**1,7**	**-0,1**	**1,6**	**4,4**	**2,8**	**1,8**	**1,7**
	April	**0,7**	**0,9**	**1,8**	**0,9**	**1,7**	**2,1**	**1,3**	**2,1**	**0,6**	**2,0**	**1,0**	**1,8**	**-0,3**	**1,6**	**4,9**	**2,5**	**1,8**	**1,6**
	May	**0,4**	**0,6**	**1,6**	**0,5**	**1,5**	**1,5**	**1,1**	**1,9**	**0,3**	**1,5**	**0,8**	**1,6**	**-1,3**	**1,1**	**4,9**	**2,3**	**1,5**	**1,5**
	June	**0,2**	**0,3**	**1,4**	**0,0**	**1,4**	**1,0**	**1,0**	**1,9**	**-0,1**	**1,3**	**0,7**	**1,1**	**-2,1**	**0,6**	**4,6**	**1,8**	**1,4**	**1,2**
	July	**0,0**	**0,4**	**1,3**	**-0,2**	**1,1**	**1,0**	**1,1**	**1,9**	**0,2**	**1,3**	**0,8**	**1,2**	**-2,2**	**0,6**	**3,2**	**1,6**	**1,5**	**1,1**
	August	**0,4**	**0,7**	**1,4**	**0,3**	**1,2**	**1,2**	**1,2**	**2,0**	**0,3**	**1,1**	**1,0**	**1,8**	**-1,6**	**0,7**	**3,2**	**1,4**	**1,4**	**1,0**
	September	**0,5**	**0,9**	**1,6**	**0,6**	**1,3**	**1,2**	**1,1**	**2,0**	**0,4**	**1,1**	**1,1**	**2,0**	**-1,4**	**0,7**	**3,3**	**1,1**	**1,3**	**1,1**
	October	**0,9**	**1,1**	**1,8**	**1,0**	**1,5**	**1,3**	**1,4**	**2,2**	**0,7**	**1,2**	**1,3**	**2,1**	**-0,8**	**0,8**	**2,8**	**1,5**	**1,7**	**1,3**
	November	**1,5**	**1,7**	**2,3**	**1,8**	**1,7**	**1,5**	**1,8**	**2,6**	**1,3**	**1,5**	**1,6**	**3,0**	**0,4**	**1,6**	**2,9**	**1,7**	**2,2**	**1,6**
	December	**2,1**	**2,3**	**2,6**	**2,5**	**1,8**	**1,7**	**2,2**	**2,8**	**1,7**	**1,8**	**2,0**	**3,7**	**1,3**	**2,1**	**2,9**	**2,3**	**2,3**	**2,0**
	January	**2,3**	**2,3**	**2,8**	**2,9**	**1,8**	**1,6**	**2,1**	**2,8**	**1,7**	**1,8**	**2,1**	**3,7**	**1,3**	**2,0**	**2,9**	**2,3**	**2,5**	**2,0**
	February	**2,3**	**2,3**	**2,8**	**2,9**	**1,8**	**1,8**	**2,1**	**2,9**	**1,7**	**1,8**	**2,2**	**3,6**	**1,3**	**2,2**	**2,9**	**2,3**	**2,4**	**2,0**
	March	**2,2**	**2,2**	**2,8**	**3,0**	**1,8**	**1,8**	**2,3**	**2,9**	**1,7**	**1,8**	**2,3**	**3,6**	**1,3**	**2,1**	**2,9**	**2,3**	**2,5**	**2,0**
	April	**2,1**	**2,1**	**2,8**	**2,8**	**1,8**	**1,8**	**2,3**	**2,9**	**1,7**	**1,8**	**2,3**	**3,6**	**1,3**	**2,2**	**2,9**	**2,3**	**2,5**	**2,0**
	May	**2,1**	**2,1**	**2,7**	**2,8**	**1,8**	**1,9**	**2,3**	**2,9**	**1,7**	**1,8**	**2,3**	**3,6**	**1,3**	**2,6**	**2,9**	**2,3**	**2,6**	**2,0**
	June	**2,1**	**2,0**	**2,7**	**2,8**	**1,8**	**2,0**	**2,4**	**2,9**	**1,7**	**1,8**	**2,4**	**3,6**	**1,4**	**2,9**	**2,9**	**2,3**	**2,7**	**2,0**
	July	**2,0**	**2,0**	**2,7**	**2,8**	**1,8**	**2,0**	**2,3**	**2,9**	**1,7**	**1,8**	**2,4**	**3,6**	**1,5**	**2,9**	**2,9**	**2,3**	**2,7**	**2,0**
	August	**2,0**	**2,0**	**2,7**	**2,8**	**1,8**	**2,0**	**2,3**	**2,9**	**1,7**	**1,8**	**2,3**	**3,6**	**1,3**	**2,9**	**2,9**	**2,3**	**2,7**	**2,0**
	September	**2,0**	**1,9**	**2,6**	**2,8**	**1,8**	**2,0**	**2,3**	**2,9**	**1,7**	**1,8**	**2,2**	**3,6**	**1,3**	**2,8**	**2,9**	**2,3**	**2,8**	**2,0**
	October	**2,1**	**1,9**	**2,6**	**2,8**	**1,8**	**2,0**	**2,2**	**2,8**	**1,7**	**1,8**	**2,1**	**3,6**	**1,2**	**2,8**	**2,9**	**2,3**	**2,6**	**2,0**
	November	**2,1**	**1,9**	**2,6**	**2,8**	**1,8**	**2,0**	**2,0**	**2,7**	**1,7**	**1,8**	**2,0**	**3,6**	**0,9**	**2,5**	**2,9**	**2,3**	**2,3**	**2,0**
	December	**2,1**	**1,9**	**2,6**	**2,8**	**1,8**	**2,0**	**1,8**	**2,6**	**1,7**	**1,8**	**1,8**	**3,6**	**0,7**	**2,3**	**2,9**	**2,3**	**2,2**	**2,0**

The figures in the shaded area are forecasts.
Source: EUROSTAT & IFL (UC3M)
Date: January 15, 2009

Table II.1.4.5

HICP MONTHLY GROWTH BY COUNTRY IN THE EURO AREA, UNITED KINGDOM, SWEDEN AND DENMARK

			Euro Area																	
			Germany	France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Portugal	Finland	Ireland	Slovenia	Luxembourg	Cyprus	Malta	United Kingdom	Sweden	Denmark
		Weights 2008 %	27,0	20,5	18,6	12,7	5,0	3,4	3,1	3,4	2,2	1,6	1,5	0,3	0,3	0,2	0,1			
MONTHLY RATES (Growth of the month over the previous month)	January	2007	-0,2	-0,4	-1,1	-0,7	-0,2	-1,7	0,1	-0,4	-0,3	-0,3	-0,6	-0,5	-0,3	-1,7	-1,1	-0,8	-0,5	-0,3
		2008	-0,4	0,0	-0,8	-0,6	0,0	-1,3	-0,3	-0,3	-0,1	1,2	-0,7	0,1	-0,4	-1,4	-0,4	-0,7	0,0	0,3
		2009	**-0,7**	**-0,2**	**-1,1**	**-1,1**	**0,2**	**-1,2**	**-0,2**	**-0,3**	**-0,2**	**0,0**	**-0,8**	**0,0**	**-0,4**	**-1,4**	**-0,7**	**-0,6**	**-0,3**	**0,0**
		2010	**-0,5**	**-0,1**	**-0,9**	**-0,7**	**0,2**	**-1,3**	**-0,2**	**-0,3**	**-0,2**	**0,0**	**-0,6**	**0,0**	**-0,5**	**-1,5**	**-0,7**	**-0,6**	**-0,1**	**0,0**
	February	2007	0,5	0,2	0,1	0,1	0,7	2,4	0,3	-1,6	0,0	0,6	0,9	-0,1	1,0	-0,3	0,2	0,5	0,5	0,8
		2008	0,6	0,2	0,1	0,1	0,9	2,5	0,3	-1,0	0,0	0,5	1,2	-0,1	1,0	0,3	0,4	0,8	0,4	1,0
		2009	**0,4**	**0,4**	**0,1**	**0,0**	**0,7**	**2,1**	**0,2**	**-1,2**	**-0,1**	**0,6**	**1,0**	**0,2**	**0,7**	**-0,1**	**0,4**	**0,4**	**0,4**	**0,6**
		2010	**0,4**	**0,4**	**0,1**	**0,1**	**0,7**	**2,2**	**0,3**	**-1,1**	**-0,1**	**0,6**	**1,1**	**0,2**	**0,6**	**0,2**	**0,4**	**0,4**	**0,4**	**0,6**
	March	2007	0,2	0,5	1,2	0,8	1,3	0,0	0,5	2,5	1,3	0,7	0,7	1,1	0,7	1,3	0,8	0,5	0,6	0,5
		2008	0,5	0,8	1,6	0,9	1,2	0,7	0,9	2,3	1,5	1,0	0,9	1,3	0,9	1,1	1,1	0,4	0,9	0,5
		2009	**0,3**	**0,5**	**1,4**	**0,7**	**1,1**	**0,4**	**0,6**	**2,4**	**1,1**	**0,5**	**0,8**	**1,0**	**0,4**	**1,2**	**0,9**	**0,4**	**0,7**	**0,6**
		2010	**0,2**	**0,4**	**1,4**	**0,7**	**1,1**	**0,4**	**0,7**	**2,3**	**1,1**	**0,5**	**0,9**	**1,0**	**0,5**	**1,1**	**0,9**	**0,4**	**0,8**	**0,6**
	April	2007	0,4	0,5	0,6	1,4	0,6	0,5	0,4	0,8	0,9	0,5	0,5	1,1	0,6	1,3	2,5	0,3	0,5	0,3
		2008	-0,3	0,4	0,6	1,1	0,4	0,2	0,3	0,8	0,3	0,2	0,1	0,7	0,5	1,2	2,3	0,8	0,4	0,4
		2009	**-0,1**	**0,3**	**0,5**	**1,3**	**0,4**	**0,2**	**0,3**	**0,8**	**0,5**	**0,3**	**0,2**	**0,8**	**0,2**	**1,2**	**2,8**	**0,5**	**0,4**	**0,3**
		2010	**-0,1**	**0,2**	**0,5**	**1,1**	**0,4**	**0,3**	**0,3**	**0,8**	**0,5**	**0,3**	**0,2**	**0,8**	**0,2**	**1,2**	**2,8**	**0,5**	**0,4**	**0,3**
	May	2007	0,2	0,3	0,4	0,3	0,0	-0,1	0,2	0,2	0,2	-0,3	0,3	1,1	0,4	0,5	0,7	0,3	-0,1	0,2
		2008	0,7	0,6	0,6	0,7	0,4	0,9	0,5	0,7	0,5	0,5	0,6	1,2	1,0	0,8	0,7	0,7	0,4	0,4
		2009	**0,3**	**0,3**	**0,4**	**0,2**	**0,2**	**0,2**	**0,4**	**0,5**	**0,2**	**0,1**	**0,5**	**1,0**	**0,0**	**0,3**	**0,7**	**0,4**	**0,1**	**0,3**
		2010	**0,2**	**0,2**	**0,4**	**0,3**	**0,2**	**0,3**	**0,4**	**0,6**	**0,2**	**0,1**	**0,6**	**1,0**	**0,0**	**0,7**	**0,7**	**0,4**	**0,3**	**0,3**
	June	2007	0,1	0,1	0,2	0,2	-0,5	0,1	0,0	0,0	0,0	0,1	0,3	0,3	0,2	0,0	0,2	0,2	0,1	-0,2
		2008	0,4	0,4	0,5	0,6	-0,3	0,7	0,3	0,0	0,5	0,3	0,5	0,9	0,7	0,5	0,5	0,6	0,4	0,4
		2009	**0,2**	**0,1**	**0,3**	**0,1**	**-0,4**	**0,2**	**0,1**	**0,0**	**0,2**	**0,1**	**0,4**	**0,4**	**0,0**	**0,0**	**0,3**	**0,2**	**0,2**	**0,1**
		2010	**0,1**	**0,1**	**0,2**	**0,1**	**-0,4**	**0,3**	**0,2**	**0,0**	**0,2**	**0,1**	**0,4**	**0,4**	**0,0**	**0,3**	**0,3**	**0,2**	**0,3**	**0,1**
	July	2007	0,5	-0,3	-0,6	-0,7	-0,8	-1,1	-0,1	-0,8	-0,2	-0,3	-0,2	-0,1	-0,8	-0,7	0,7	-0,6	-0,3	-0,5
		2008	0,7	-0,3	-0,6	-0,5	-0,1	-0,9	-0,3	-0,8	-0,5	-0,3	-0,5	0,0	-0,4	-0,6	1,9	0,0	-0,5	-0,3
		2009	**0,5**	**-0,2**	**-0,7**	**-0,7**	**-0,3**	**-0,9**	**-0,2**	**-0,8**	**-0,3**	**-0,3**	**-0,4**	**0,1**	**-0,5**	**-0,6**	**0,5**	**-0,2**	**-0,4**	**-0,4**
		2010	**0,4**	**-0,3**	**-0,7**	**-0,6**	**-0,3**	**-1,0**	**-0,2**	**-0,8**	**-0,3**	**-0,3**	**-0,4**	**0,1**	**-0,4**	**-0,6**	**0,5**	**-0,2**	**-0,4**	**-0,4**
	August	2007	-0,1	0,4	-0,2	0,2	0,1	1,6	0,0	-1,0	-0,4	0,0	0,4	0,1	0,9	0,5	0,5	0,3	-0,1	-0,2
		2008	-0,4	-0,1	0,0	-0,2	0,1	1,1	-0,2	-1,1	-0,4	0,3	0,0	-0,7	0,0	0,3	0,3	0,6	0,1	0,2
		2009	**0,1**	**0,3**	**0,1**	**0,3**	**0,2**	**1,3**	**-0,1**	**-1,1**	**-0,3**	**0,2**	**0,2**	**-0,1**	**0,6**	**0,3**	**0,2**	**0,4**	**0,0**	**0,0**
		2010	**0,1**	**0,3**	**0,1**	**0,3**	**0,2**	**1,3**	**-0,1**	**-1,1**	**-0,3**	**0,2**	**0,1**	**-0,1**	**0,5**	**0,3**	**0,2**	**0,4**	**0,0**	**0,0**
	September	2007	0,2	0,1	0,8	0,3	0,7	-0,2	0,2	2,3	0,4	0,4	0,3	0,4	0,1	1,3	0,5	0,1	0,8	0,7
		2008	-0,1	0,0	0,5	0,0	0,5	-0,1	0,4	2,1	0,5	0,6	0,3	0,0	0,1	1,2	0,0	0,5	1,0	0,5
		2009	**0,0**	**0,2**	**0,7**	**0,2**	**0,6**	**-0,2**	**0,3**	**2,2**	**0,5**	**0,5**	**0,3**	**0,2**	**0,3**	**1,3**	**0,2**	**0,3**	**0,9**	**0,6**
		2010	**0,0**	**0,1**	**0,7**	**0,2**	**0,6**	**-0,2**	**0,3**	**2,2**	**0,5**	**0,5**	**0,3**	**0,2**	**0,3**	**1,2**	**0,2**	**0,3**	**0,9**	**0,6**
	October	2007	0,2	0,3	0,8	1,3	0,2	0,5	0,7	0,7	0,5	0,3	0,1	0,7	0,5	0,9	0,1	0,5	0,5	0,5
		2008	-0,3	-0,1	0,5	0,3	-0,2	-0,2	0,0	0,0	-0,2	0,0	-0,4	0,0	-0,4	0,7	1,0	-0,2	-0,2	-0,2
		2009	**0,1**	**0,2**	**0,6**	**0,8**	**0,0**	**0,0**	**0,3**	**0,3**	**0,1**	**0,1**	**-0,2**	**0,1**	**0,2**	**0,8**	**0,5**	**0,1**	**0,2**	**0,1**
		2010	**0,2**	**0,1**	**0,6**	**0,8**	**0,0**	**0,0**	**0,1**	**0,2**	**0,1**	**0,1**	**-0,3**	**0,1**	**0,0**	**0,8**	**0,5**	**0,1**	**0,0**	**0,1**
	November	2007	0,5	0,6	0,4	0,7	0,2	0,9	0,5	0,8	0,3	0,3	0,5	0,9	0,5	0,4	-2,2	0,3	0,5	0,8
		2008	-0,6	-0,5	-0,5	-0,4	-0,4	-0,7	-0,3	-0,2	-0,7	-0,5	-0,1	-0,9	-1,3	-1,3	-3,0	-0,1	-0,5	-0,3
		2009	**0,1**	**0,1**	**0,1**	**0,3**	**-0,2**	**-0,5**	**0,1**	**0,1**	**-0,1**	**-0,2**	**0,2**	**0,0**	**-0,1**	**-0,5**	**-2,9**	**0,1**	**0,0**	**0,0**
		2010	**0,1**	**0,1**	**0,1**	**0,3**	**-0,2**	**-0,5**	**-0,1**	**0,0**	**-0,1**	**-0,2**	**0,1**	**0,0**	**-0,4**	**-0,8**	**-2,9**	**0,1**	**-0,2**	**0,0**
	December	2007	0,7	0,4	0,3	0,4	-0,5	0,4	0,6	0,5	0,1	-0,2	0,1	0,4	0,4	0,3	0,1	0,6	0,1	-0,1
		2008	0,4	-0,3	-0,1	-0,5	-0,8	-0,1	-0,2	-0,3	-0,5	-0,3	-0,7	-0,7	-0,9	-1,0	0,2	-0,4	-0,2	-0,5
		2009	**0,9**	**0,3**	**0,2**	**0,2**	**-0,6**	**0,0**	**0,2**	**0,0**	**0,0**	**-0,1**	**-0,3**	**-0,1**	**0,0**	**-0,5**	**0,2**	**0,2**	**0,0**	**-0,1**
		2010	**0,9**	**0,2**	**0,2**	**0,2**	**-0,6**	**0,0**	**0,0**	**-0,1**	**0,0**	**-0,1**	**-0,5**	**-0,1**	**-0,2**	**-0,7**	**0,2**	**0,2**	**-0,1**	**-0,1**

The figures in the shaded area are forecasts
Source: EUROSTAT & IFL (UC3M)
Date: January 15, 2009

II.2. ECONOMIC GROWTH, INFLATION AND MONETARY POLICY

II.2.1 ECONOMIC GROWTH

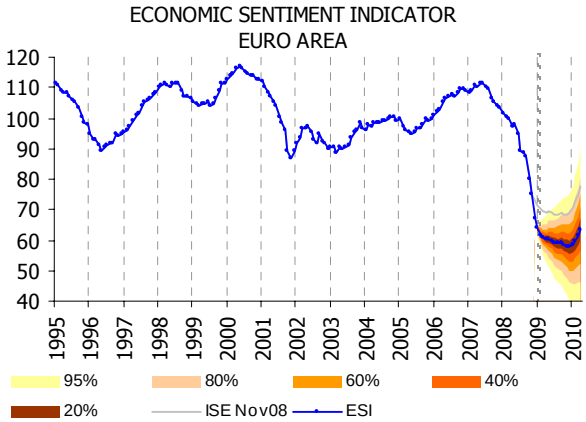
As we mentioned in last month's report, the euro area economy entered a technical recession in the third quarter of last year, after the quarter-on-quarter GDP growth rate decreased for two consecutive quarters (in each case by 0.2%). The macroeconomic information published in the last month, largely referring to the fourth quarter of 2008, shows that the recession will continue and even worsen, supporting our forecasts of a negative 0.7% rate of quarter-on-quarter variation. The economic sentiment indicator fell considerably in December for the seventh consecutive month, with confidence now at an all-time low. The November Industrial Production Index shows a heavy, worse than expected decline, and so does the December industrial confidence indicator. The labour market and household consumption figures for the fourth quarter of last year are also very poor.

Eurostat recently revised the National Accounts for the third quarter of 2008. The area's quarter-on-quarter Gross Domestic Product (GDP) growth rate, in real terms corrected for seasonality and calendar, has remained unaltered at a negative 0.2%. There are changes, however, in some components. Growth in public spending has been reduced by one tenth of a percentage point to 0.7% and export growth has become stagnant, with imports reducing their growth rate to 1.4%. As a result of these trade flow changes, the foreign sector's contribution to GDP growth has fallen by one tenth of a point, which has been compensated by an increase in stock variation.

The December Economic Sentiment Indicator (ESI) shows that confidence in the evolution of the euro area economy fell by 7.8 points to 67.1, representing the seventh consecutive decrease. This was worse than expected and an all-time low, with as much as 36.3 points having been lost since May, when the situation started to decline. This fall in the ESI in the last month of last year was due to a fall in confidence in all sectors, particularly industry and the retail trade.

The new forecasts for this indicator, estimated after the publication of the latest figures, continue to fall and show that confidence in the evolution of the euro area economy will not start to recover until early 2010, so the indicator could fall to close to 50 points (see graph II.2.1.1).

Graph II.2.1.1



Source: EUROSTAT & IFL (UC3M)
Date: January, 08 2009

The November Industrial Production Index (IPI) for the euro area registered a year-on-year decrease of 7.7%, after a 5.7% reduction in October. This result is worse than the forecast, which estimated a 5.3% fall. This discrepancy between the observed value and the forecast is due to the downwards innovations found in nearly all productive sectors, especially consumer goods.

Table II.2.1.1: Year-on-year Euro area IPI* Growth.

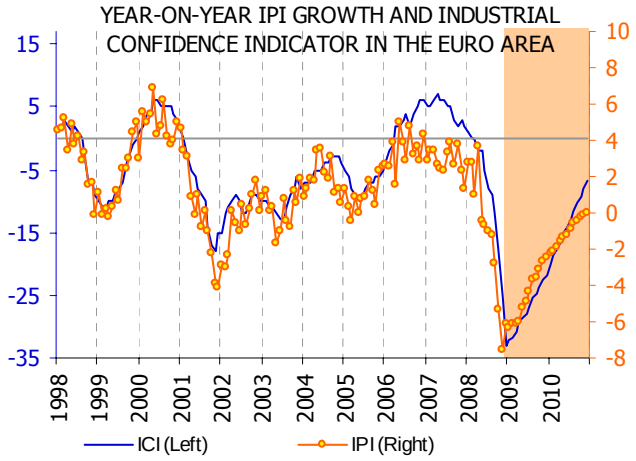
IPI IN THE EURO AREA year-on-year rates				
	2007	**2008**	**2009**	**2010**
Consumer goods				
Durable	1.1	**-5.0**	**-10.5**	**-7.5**
Non-durable	2.5	**-1.3**	**-2.2**	**-0.5**
Capital	6.0	**0.3**	**-8.1**	**-4.1**
Intermediate	3.9	**-2.3**	**-4.6**	**0.6**
Energy	-0.6	**1.0**	**1.3**	**1.5**
Total	2.9	**-1.3**	**-4.6**	**-1.1**
	3.4	**-1.0**	**-3.3**	**-0.5**

* Working days adjusted data and construction sector excluded.
Source: EUROSTAT & IFL (UC3M)
Date: January 14, 2009

In view of all this information, the forecast average annual growth of the euro area IPI has been revised downwards again for 2008, 2009 and 2010, when negative values are expected for the entire forecasting horizon. For 2008, we are expecting a 1.3% reduction and even more for 2009 (4.6%), followed by a slight improvement in 2010 (1.1%). From a sectoral perspective, the only sector which will grow in this period will be energy, with an average annual increase of 1% in 2008, followed by slightly higher rates in the next two years. The sectors expected to register the most

negative results are durable consumer and capital goods. The former will fall by 10.5% in 2009 and 7.5% in 2010 and the latter will decline by 8.1% in 2009 and 4.1% in 2010. It is evident that durable good consumption is highly affected by the drop in car sales, which will be continuing in the next few years, and that capital investment is negatively affected by both adverse economic expectations and the financing difficulties facing firms.

Graph II.2.1.2



Year-on-year growth rate. IPI data is calendar adjusted and excludes the construction sector. The last observed data corresponds to November 2008. The last available data for Industrial Confidence Indicator is December 2008.

Source: EUROPEAN COMMISSION, EUROSTAT & IFL (UC3M)
Date: January 14, 2009

In turn, considering the latest hard and soft data referred to the industrial sector, we have revised our forecast for the area's industrial GVA. The new estimates are worse than last month, and contemplate falls of 1% in 2008, 3.3% in 2009 and 1.1% in 2010.

The decline in economic activity is affecting the labour market, but less than in Spain. The unemployment rate has been rising since March, representing 7.8% of the active population in November, six tenths of a point less than the first quarter of 2008. Eurostat has also estimated that the creation of new jobs became stagnant in the third quarter, after the modest growth registered in the second (0.2%), and the different opinion polls show that it will be slightly worse in the last quarter of 2008.

In turn, the qualitative indicators referring to household consumption in December, which were mentioned earlier with regards to economic sentiment, are also weak. Together with a weak labour market, they predict less private consumption in the fourth quarter of 2008, in line with our forecasts.

II.2.2 INFLATION

Headline inflation was 1.6% in December, in line with our forecasts. A few hours after the figure was published, and as expected by the market, the European Central Bank cut the official interest rate by 50 base points.

While the forecasts point to subsequent decreases in the inflation rate, which are consolidated this month with a downwards revision in the core index, the implication of this price level for monetary policy are not so clear.

On the one hand, the latest figures confirm how inflation expectations are under control. In 2009, the average inflation rate is expected to be 0.9%(±0.49), rising again in 2010 to 2.2%(±0.79). These values have been revised downwards by two and one tenth of point relative to the December figure, respectively. This reduction is practically all due to the core component, motivated by a reduction affecting all the principal goods and services categories.

In other words, inflation will not be preventing subsequent interest rate cuts and there are obviously other kinds of considerations which are leading some ECB members to question the convenience of taking the rate below 2.0%. Certainly, the probable evolution of inflation and the aggressive policies being applied by the most important central banks will test the most conservative positions in the ECB. For the time being, the most likely scenario is a gradual reduction to 1.5%, possibly with two cuts of 25 base points each.

Table II.2.2.1

ANNUAL RATES OF GROWTH IN THE EURO AREA *						
	Observed			Forecasts		
HICP	Aver 2007(2	Aver 2008(2)	2008 Dec(1)	2009 Jan(1)	Aver 2009(2)	Aver 2010(2)
CORE (82,6%)	2.0	2.4	2.1	1.9 (±0.13)	1.8 (±0.33)	1.9 (±0.54)
TOTAL (100%)	2.1	3.3	1.6	1.1 (±0.12)	0.9 (±0.49)	2.2 (±0.55)

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

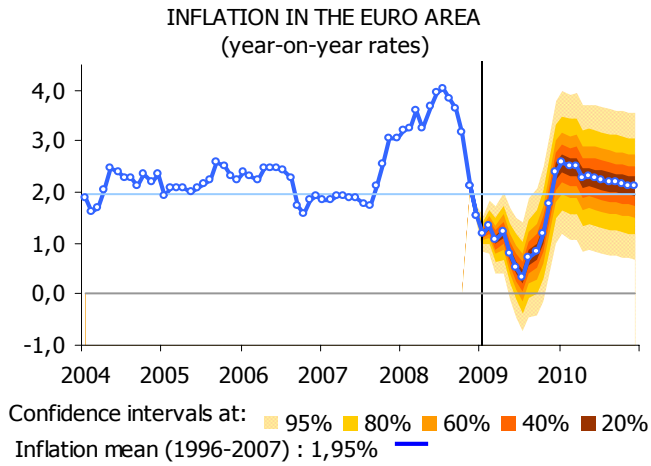
Source: EUROSTAT & IFL (UC3M) (1) Year-on-year rate

Date: January 15, 2009 (2) Annual average rate

With regards to inflation, in the items comprising the core index, the most important revision affected processed food, the average inflation of which for 2009 has fallen from 1.8% to 0.8%. As mentioned in the advance concerning Spain, there is sufficient evidence to affirm that, in addition to the step effect mentioned in previous issues, we are also seeing a downwards adjustment in the price of these goods, which rose considerably at the end of 2007. The inflation rate expected for 2010 is 1.1%.

Manufactured goods prices rose at an annual rate of 0.8%, returning to the values registered in the first half of 2008. The forecasts have been revised downwards slightly, with the expected average year-on-year rate going from 1.0% to 0.9% for both 2009 and 2010. These goods play a fundamental role in the European economy and represent one of the sectors most affected by the current economic crisis. It has been argued that the excess of accumulated capacity in the sector will lead to deflation in these goods. To date, the figures show a mild slow down in price growth compatible with the average values of the last 5 years and, while the current forecasts may be subsequently revised downwards, the likelihood of a sudden drop in prices in this sector continues to be very low.

Graph II.2.2.1



Source: EUROSTAT & IFL(UC3M)
Date: January 15, de 2009

Finally, services have evolved as expected. The 0.04pp difference between the observed value and the forecast has led to a slight downwards revision which does not affect the average rates expected for 2009 and 2010, which continue to be 2.5%.

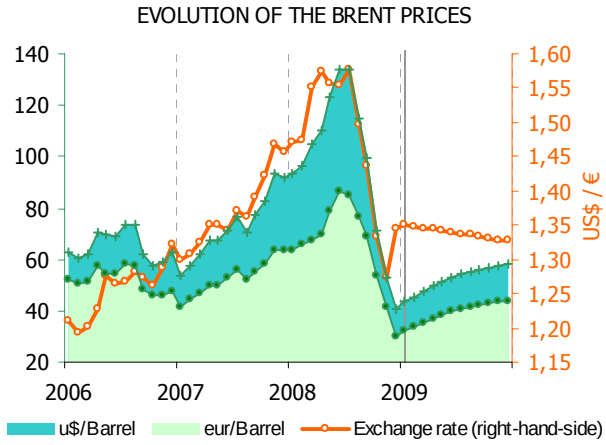
Core inflation overall has been affected by the change in the forecasting path of food and manufactured goods, and the average rate expected for 2009 has been revised downwards by two tenths of point for 2009, to 1.8%(±0.33), and by one tenth for 2010, to 1.9%(±0.54).

With regards to unprocessed food, our previous forecasts are confirmed with an average inflation rate of 2.7% for 2009 and 2.4% for 2010.

Energy prices have remained relatively stable during the last month. The average Brent price in December was 30€/barrel (40$/barrel), the same observed in December, 2004. Using future contracts for Brent prices, oil is expected to increase slowly in the next few years to 40 euros/barrel at the end of 2009 and close to 50 euros/barrel at the end of 2010. Obviously, these forecasts are subject to considerable uncertainty and should be seen as the most likely scenario expected by the market. With these assumptions, our energy price forecasts have been revised downwards slightly for 2009, with a negative average annual rate of 7.2% instead of last month's 7.1% estimate. Price contraction in this item will reach 12.8% by July, 2009. Energy prices will then rise and register positive year-on-year growth rates by the end of the year. For 2010, the average growth in energy prices is expected to registered a year-on-year rate of 5.2%, 0.5pp more than in the previous forecasts.

Using this information, our headline inflation forecasts have been revised downwards for 2009. The average annual rate expected has gone from 1.1% to 0.9%(±0.49). Year-on-year rates are expected to reach their lowest point in July with values of close to 0.0%. Subsequently, after the end of the impact of falling oil prices, inflation will slowly rise to around 2.1%(±0.89) in December, 2009, with an average rate of 2.2%(±0.79) in 2010.

Graph II.2.2.2



Source: EUROSTAT & IFL(UC3M)
Date: January 15, de 2009

II.2.3 MONETARY POLICY

In the January meeting, the ECB cut interest rates by 50 base points, in line with market expectations. Further cuts are expected in the future, although the Bank's Governor, Jean-Claude Trichet, has made it quite clear than a zero interest rate will not be established in the euro area.

In spite of the latest macroeconomic figures, the official euro area interest rate will not fall below 1.0%. Further cuts of 25 p.b. will probably be announced after the February and March meetings. The official interest rate, however, is no longer the issue of greatest interest for monetary policy. Experience in the U.S. and U.K. show that more aggressive rate-cutting policies have had practically no impact on the real economy and on recovering the credit market. Reducing the cost of money could, to a certain extent, increase the disposable income of families with loans at variable rates. Mortgage rates, however, and interest rates applicable to households and non-financial companies will never fall to near zero, due to the implicit risk premium and the need of banks and savings banks to strengthen their balance sheets before returning to a system of easy, cheap credit.

What is more interesting at this time is the set of ancillary measures that the ECB could apply in the next few months. With the last rate cut, the differential between the rate applied to loans and deposits in the ECB increased to 100p.b. The Central Bank's intention was to reactivate the interbank market. Deposits fell spectacularly just after the measure was taken, but they immediately grew again. The interbank market will probably not be reactivated in spite of ECB measures until the banks have improved their accounts and the market realises that this is the case. At the same time, the ECB is putting an end to the liberty with which loans flooded the market in the last few months, increasing the collateral required from banks to obtain liquidity. The conditions applicable to date had the perverse effect of being incentives for asset securitisation and the creation of new mortgage-backed securities in order to reach the maximum level of risk admitted by the ECB.

Another important aspect on which several statements by Central Bank members have focused is the possibility of the ECB adopting a quantitative easing policy or, in other words, starting to print money in order to generate moderate inflation and help the European economy to improve. Comments have been negative, as was to be expected. In the first place, there are objective difficulties: after printing the money it has to be distributed, and that is no easy task in a series of countries with considerably rivalries and differences. Secondly, the ECB does not wish to adopt potentially inflationist policies without a clear exit strategy.

In conclusion, in spite of the January cut and future reductions, the ECB's position continues to be conservative. With regards to the future, it is difficult to imagine a change of attitude, unless the expansive manoeuvres of other countries push the euro towards excessive appreciation, which would not be sustainable for the European, and especially the German, economy.

With regards to monetary masses, the December figures have not yet been published. The November figures, discussed in the previous Bulletin, showed that, after some strength even in the worst months of the financial crisis, the growth of monetary masses and household and business loans had become significantly slower, while credit granted to euro area governments was increasing. The December figures can be expected to show that this trend continues, although even more intensely.

I.3. TABLES AND PLOTS.

Tables:

- Methodology: analysis of euro area inflation by component.
- Observed values and forecasts for the euro area HICP.
- Forecast errors in the monthly inflation rates by countries in the euro area, United Kingdom, Sweden and Denmark.

Plots:

- One month ahead and twelve months ahead forecasts for the euro area HICP (year-on-year rates).
- One month ahead forecast errors in the euro area inflation.
- Inflation in the euro area (year-on-year rate).
- Year-on-year rate of euro area inflation and contributions of main components.
- Box diagram of the euro area countries inflation (HICP annual average rates).
- Euro area and United Kingdom inflation (year-on-year rate).
- Forecasts for 2008 annual average HICP growth rate in the euro area by component.

METHODOLOGY: ANALYSIS OF EURO AREA INFLATION BY COMPONENT

AGGREGATES	BASIC COMPONENTS
HICP TOTAL	
IPSEBENE *82.583%* *1 + 2 +3 +4* CORE INFLATION *(IT IS CALCULATED ON THE IPSEBENE INDEX)*	
BENE *41.679%* *1 + 2 + 3*	**(1) AE (a)** *9.643 %* *HICP Processed Food excluding tobacco*
	(2) TOBACCO *2.263 %* *HICP Tobacco*
	(3) MAN *29.773 %* *HICP Non Energy Industrial Goods*
	(4) SER *40.904 %* *HICP Services*
RESIDUAL INFLATION *17.417%* *5 + 6* RESIDUAL INFLATION *(IT IS CALCULATED ON THE RESIDUAL INDEX)*	**(5) ANE** *7.604 %* *HICP Non processed Food*
	(6) ENE *9.812 %* *HICP Energy*
HICP = 0.09643 **AE** + 0.02263 **TOBACCO** + 0.29773 **MAN** + 0.40904 **SER** + 0.07604 **ANE** + 0.09812 **ENE**	

Source: EUROSTAT & IFL (UC3M)
2008 weights

OBSERVED VALUES AND FORECASTS FOR THE EURO AREA HICP
Monthly rates, January 2009

Harmonised Index of Consumer Price (HICP)	Weights 2008	Observed rates	Forecast*	Confidence intervals **
(1) Processed Food	119,0	-0,06	0,22	± 0,39
(2) Tobacco	22,6	0,13	0,71	
(3) Processed Food excluding tobacco [1-2]	96,3	-0,11	0,12	
(4) Non Energy Industrial Goods	297,9	-0,16	-0,08	± 0,22
(5) Services	409,0	0,85	0,88	± 0,13
CORE INFLATION [1+4+5]	**825,8**	**0,36**	**0,45**	**± 0,13**
(6) Unprocessed Food	76,0	0,48	0,54	± 0,73
(7) Energy	98,2	-4,70	-5,94	± 0,84
RESIDUAL INFLATION [6+7]	**174,2**	**-2,42**	**-3,09**	**± 0,56**
HEADLINE INFLATION [1+4+5+6+7]	**1000**	**-0,13**	**-0,17**	**± 0,11**

* Forecasts published in the previous bulletin

** 80% Confidence intervals

Source: EUROSTAT & IFL(UC3M)
Date: January 15, 2009

OBSERVED VALUES AND FORECASTS FOR THE EURO AREA HICP Year-on-year rates, January 2009				
Harmonised Index of Consumer Price (HICP)	**Weights 2008**	**Observed rates**	**Forecast***	**Confidence intervals (*)**
(1) Processed Food	118,97	3,55	3,84	± 0,39
(2) Tobacco	22,63	3,23	3,83	
(3) Processed Food excluding tobacco [1-2]	96,34	3,62	3,85	
(4) Non Energy Industrial Goods	297,87	0,85	0,93	± 0,22
(5) Services	408,97	2,58	2,62	± 0,13
CORE INFLATION [1+4+5]	**825,81**	**2,09**	**2,18**	**± 0,13**
(6) Unprocessed Food	76,03	2,81	2,88	± 0,73
(7) Energy	98,15	-3,67	-4,93	± 0,84
RESIDUAL INFLATION [6+7]	**174,18**	**-0,84**	**-1,52**	**± 0,56**
HEADLINE INFLATION [1+4+5+6+7]	**1000**	**1,58**	**1,54**	**± 0,11**

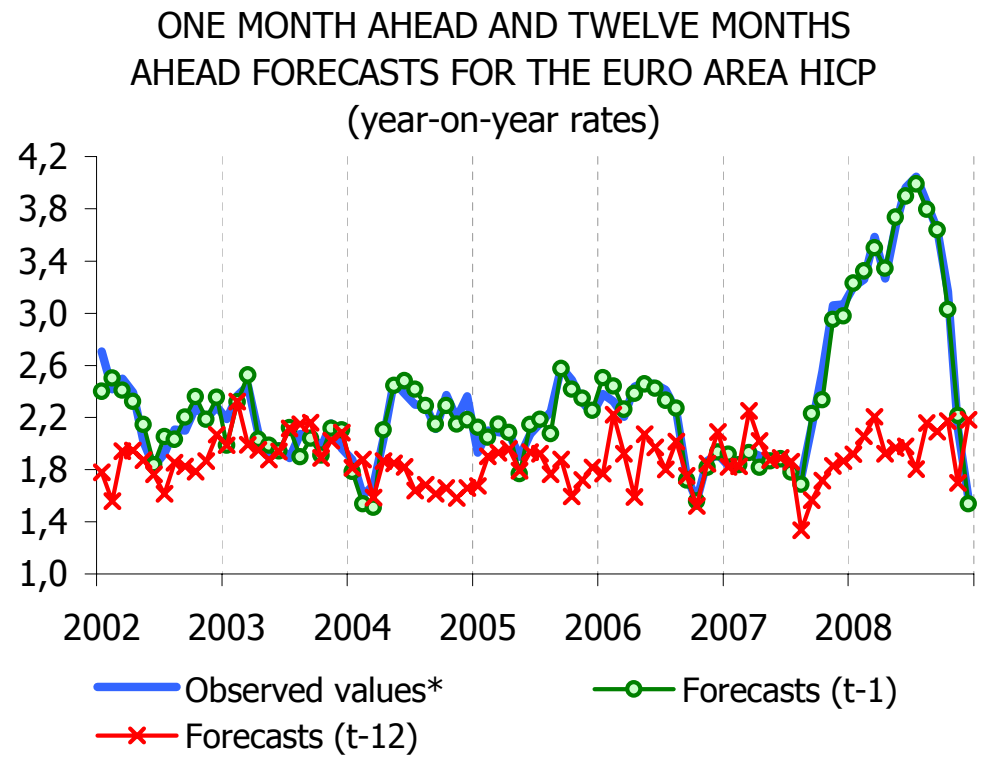
* Forecasts published in the previous bulletin

** 80% Confidence intervals

Source: EUROSTAT & IFL(UC3M)
Date: January 15, 2009

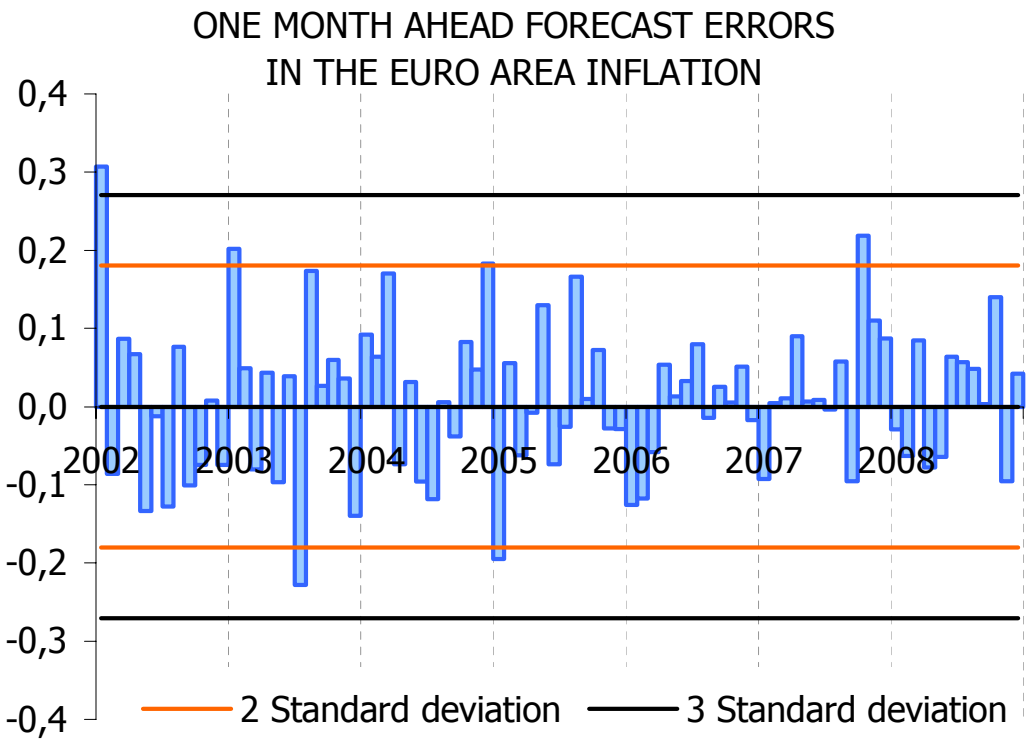
OBSERVED VALUES AND FORECASTS OF THE HICP BY COUNTRIES IN THE EURO AREA, UNITED KINGDOM, SWEDEN AND DENMARK Monthly rates, January 2009				
	Weights 2008 euro area	Observed Monthly Rate	**Forecast**	Confidence Intervals at 80%
Germany	270,45	0,4	**0,34**	± 0.29
France	205,45	-0,3	**-0,28**	± 0.20
Italy	185,71	-0,1	**-0,50**	± 0.23
Spain	126,83	-0,5	**-0,43**	± 0.15
Netherlands	50,24	-0,8	**-0,48**	± 0.33
Belgium	33,60	-0,1	**0,60**	± 0.32
Austria	30,97	-0,2	**0,56**	± 0.37
Greece	33,73	-0,3	**0,62**	± 0.78
Portugal	22,32	-0,5	**0,20**	± 0.66
Finland	16,25	-0,3	**-0,01**	± 0.37
Ireland	15,07	-0,7	**0,12**	± 0.30
Slovenia	3,43	-0,7	**-0,35**	± 0.24
Luxembourg	2,72	-0,9	**0,41**	± 0.32
Cyprus	2,46	-1,0	**0,34**	
Malta	0,77	0,2	**0,15**	
UK		-0,4	**0,46**	± 0.33
Sweden		-0,2	**0,02**	± 0.5
Denmark		-0,5	**-0,08**	± 0.27

Source: EUROSTAT & IFL(UC3M)
Date: January 15, 2009



* Observed values without revisions in the HICP

Source : EUROSTAT & IFL(UC3M)
Date: January 15, 2009



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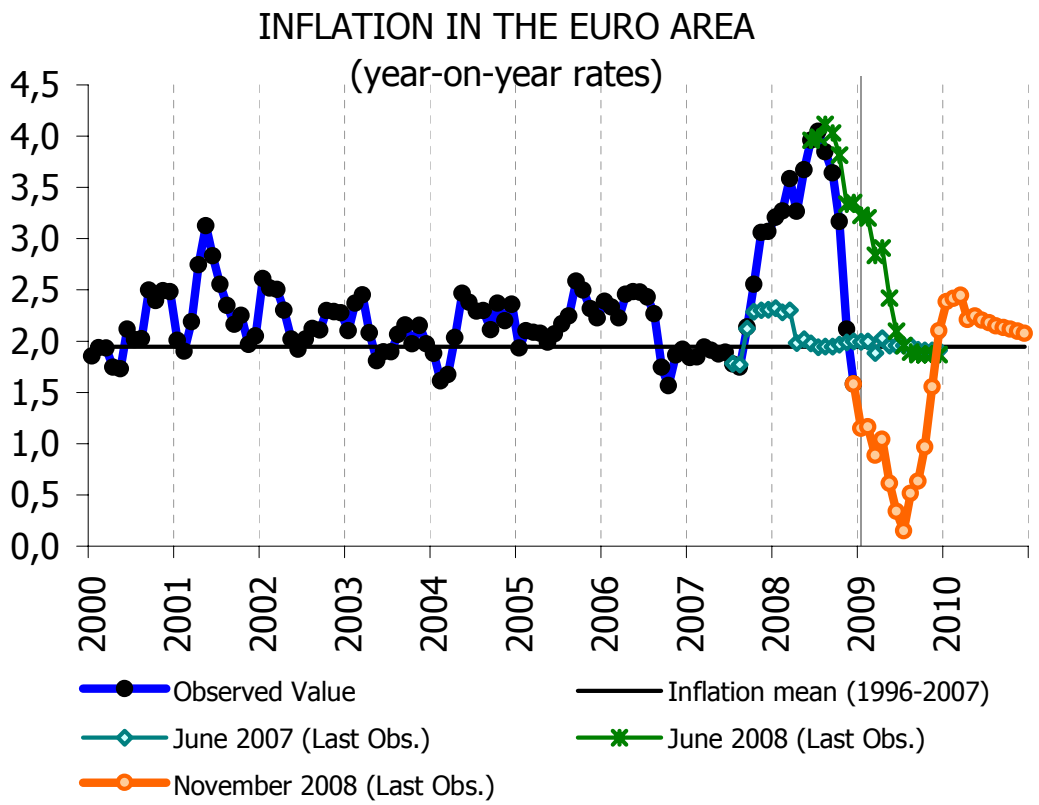

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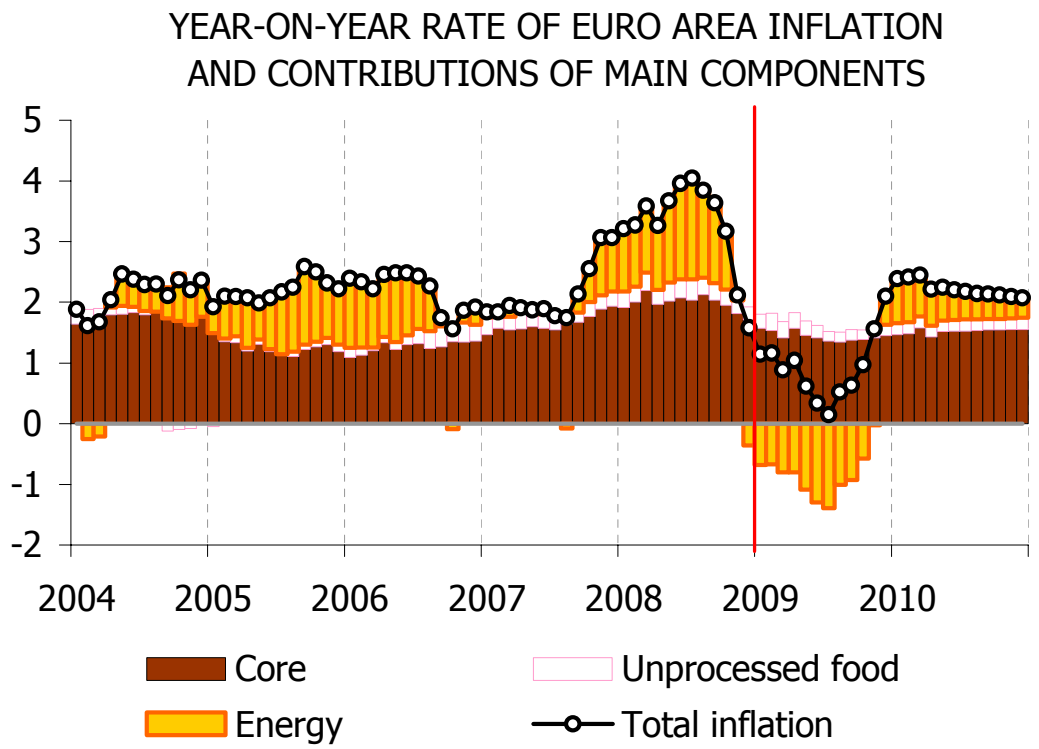

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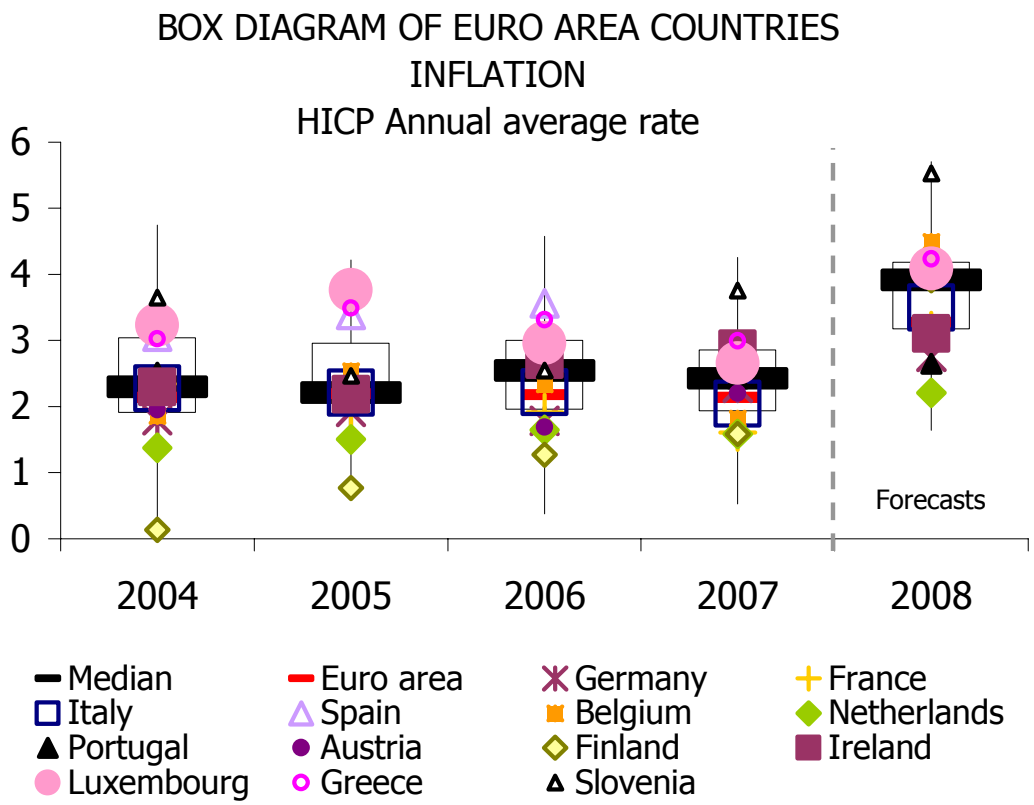
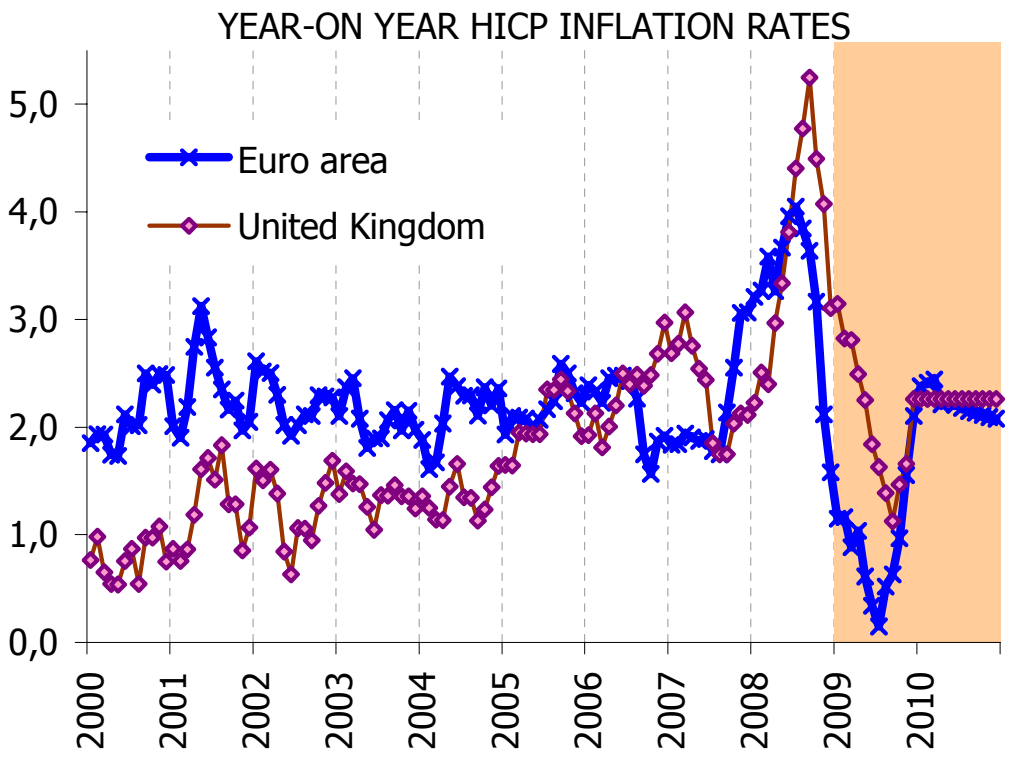


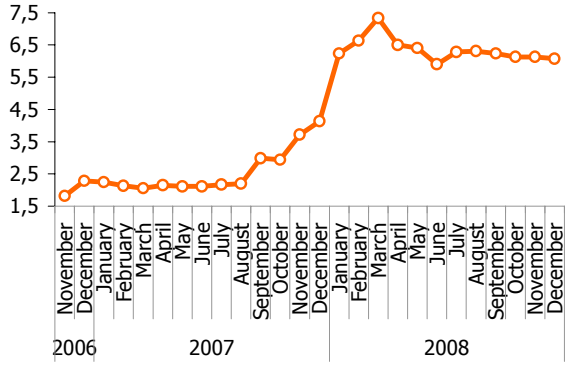
Source: EUROSTAT & IFL(UC3M)
Date: January 15, 20098



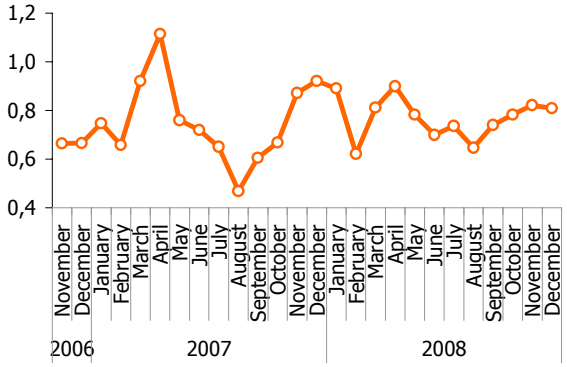
Source: EUROSTAT & IFL(UC3M)
Date: January 15, 2009

FORECASTS FOR 2008 ANNUAL AVERAGE HICP GROWTH RATE IN THE EURO AREA BY COMPONENT

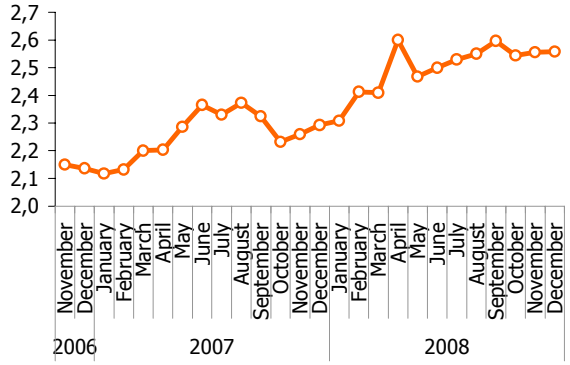
PROCESSED FOOD



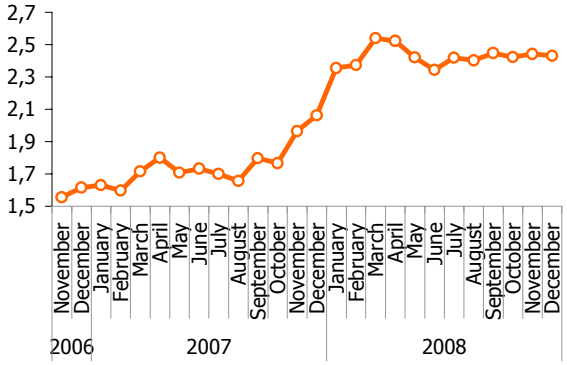
NON-ENERGY INDUSTRIAL GOODS



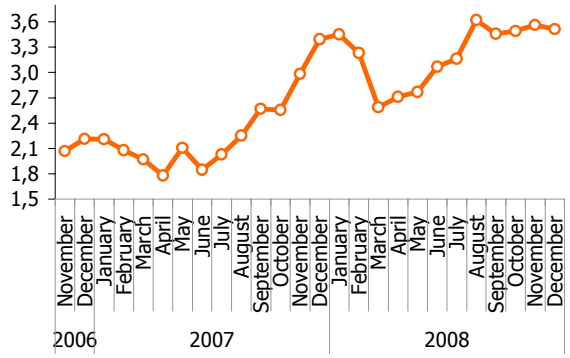
SERVICES



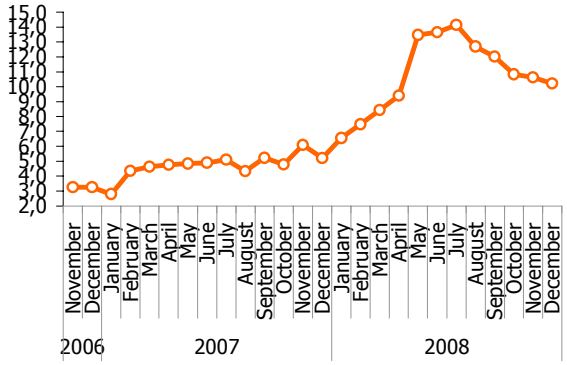
CORE INDEX



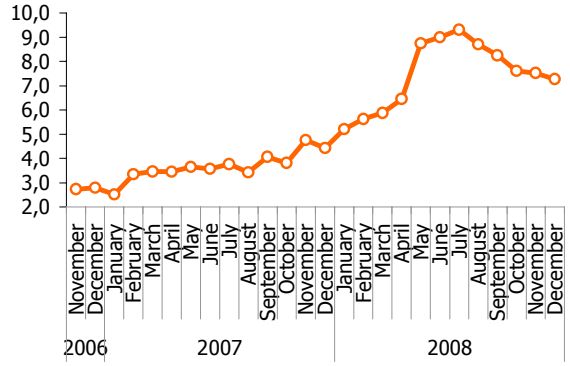
UNPROCESSED FOOD



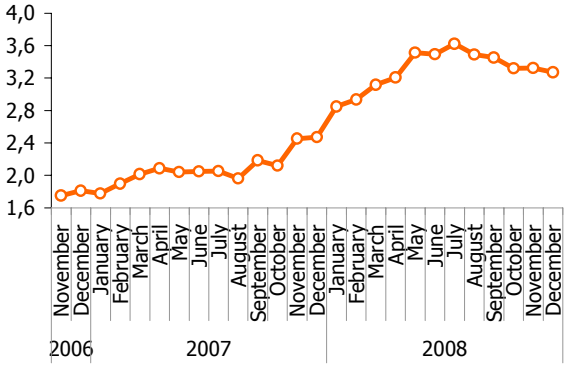
ENERGY



RESIDUAL INDEX



TOTAL HICP INDEX



Note: These graphs show the average annual HICP growth rates for 2008 forecast in the Bulletin published in the month on the abscissa
Source: EUROSTAT & IFL (UC3M)
Date: January 15, 2009

III. UNITED STATES.

III.1 MACROECONOMIC FORECASTS.

III.1.1 INDUSTRIAL PRODUCTION INDEX: MONTHLY AND QUARTERLY FORECASTS.

Table III.1.1.1

ANNUAL GROWTH RATES IN THE IPI AND SECTORS IN U.S.							
			Consumer Goods		Capital Goods	Intermediate Goods	TOTAL
			Durable	Non Durable			
ANNUAL AVERAGE RATES		2005	0,5	3,6	5,6	2,3	3,3
		2006	-1,3	0,8	4,3	2,2	2,2
		2007	-0,3	2,3	1,4	1,9	1,7
		2008	**-9,8**	**0,0**	**-2,2**	**-1,4**	**-1,8**
		2009	**-6,2**	**-0,6**	**-6,5**	**-7,8**	**-5,7**
		2010	**2,0**	**2,4**	**2,1**	**2,8**	**1,8**
ANNUAL RATES*	2008	QI	-2,9	0,6	1,6	2,8	1,6
		QII	-8,1	1,1	0,1	1,3	0,3
		QIII	-11,1	-1,7	-3,0	-2,6	-3,0
		QIV	-17,3	0,1	-7,1	-6,9	-6,0
	2009	**QI**	**-13,5**	**-1,3**	**-7,9**	**-10,3**	**-8,0**
		QII	**-6,7**	**-1,6**	**-7,6**	**-9,4**	**-6,7**
		QIII	**-3,6**	**0,1**	**-6,4**	**-7,1**	**-5,1**
		QIV	**0,0**	**0,3**	**-3,9**	**-4,1**	**-2,8**
	2010	**QI**	**0,7**	**1,9**	**-0,9**	**0,2**	**-0,1**
		QII	**0,6**	**2,7**	**1,5**	**2,8**	**1,7**
		QIII	**2,0**	**2,8**	**3,2**	**4,1**	**2,6**
		QIV	**4,8**	**2,1**	**4,5**	**4,3**	**3,1**

Source: Federal Reserve & IFL(UC3M)
Date: January 15, 2009

Table III.1.1.2

OBSERVED VALUES AND FORECASTS IN THE IPI ANNUAL RATES IN U.S.							
	2004	2005	2006	2007	2008	**2009**	**2010**
January	1,4	3,9	2,0	1,2	2,6	**-8,1**	**-0,9**
February	1,9	3,2	1,6	1,6	1,3	**-8,2**	**0,0**
March	1,2	3,4	2,5	1,0	0,9	**-7,6**	**0,6**
April	2,4	4,4	1,2	1,8	0,9	**-6,9**	**1,2**
May	3,3	3,1	2,4	1,3	0,2	**-6,3**	**1,7**
June	2,5	4,3	2,3	1,2	-0,3	**-6,9**	**2,1**
July	3,6	4,0	2,9	1,6	-0,3	**-5,6**	**2,4**
August	2,7	3,8	2,5	1,5	-2,1	**-5,8**	**2,6**
September	2,0	2,1	3,8	2,2	-6,4	**-3,8**	**2,9**
October	3,0	2,0	2,5	1,8	-4,5	**-3,8**	**3,0**
November	2,5	2,8	1,3	2,6	-6,0	**-2,6**	**3,1**
December	3,5	3,1	1,3	2,0	-7,4	**-1,8**	**3,2**

Source: Federal Reserve & IFL(UC3M)
Date: January 15, 2009

III.1.2 INFLATION.

Table III.1.2.1

AVERAGE ANNUAL RATE OF GROWTH IN U.S.						
Consumer Price Index	2005	2006	2007	2008	**2009**	**2010**
TOTAL INFLATION	3,4	3,2	2,9	3,8	**-1,1**	**1,8**
less Owner's equivalent rent of primary residence	3,7	3,1	2,7	4,2	**-2,2**	**1,4**
CORE INFLATION	2,2	2,5	2,3	2,3	**1,4**	**1,7**
less Owner's equivalent rent of primary residence	2,1	2,1	1,9	2,2	**1,0**	**1,1**
Non-food and non-energy goods	0,5	0,3	-0,4	0,1	**-1,0**	**-1,2**
- Durable goods	0,4	-0,7	-1,7	-1,4	**-3,7**	**-3,8**
- Non-durable goods	0,6	1,2	1,0	1,7	**1,8**	**1,3**
Non-energy services	2,8	3,4	3,4	3,1	**2,3**	**2,8**
- Services less Owner's equivalent rent of primary residence	3,1	3,3	3,4	3,6	**2,3**	**2,7**
- Owner's equivalent rent of primary residence	2,3	3,5	3,4	2,5	**2,4**	**2,9**
RESIDUAL INFLATION	7,6	5,8	5,1	9,2	**-8,1**	**2,3**
Food	2,4	2,3	4,0	5,5	**2,5**	**0,6**
Energy	16,9	11,2	5,5	13,9	**-24,6**	**5,6**

Source: BLS & IFL (UC3M)
Date: January 16 , 2009

Table III.1.2.2

CPI ANNUAL GROWTH BY COMPONENTS IN USA

		Consumer Price Index												
		Core								Residual				
		Non-energy commodities less food			Non-energy services									
		Durables	Non durables less energy	All	Owner's equivalent rent of primary residence	Other services	All	TOTAL	Confidence Intervals at 80% level	Food	Energy	TOTAL	TOTAL 100%	Confidence Intervals at 80% level
RI December 07		10,8%	10,8%	21,6%	23,9%	30,9%	54,9%	76,5%		13,8%	9,7%	23,5%		
	2001	-0,6	1,0	0,3	3,8	3,6	3,7	2,7		3,1	3,8	3,3	2,8	
	2002	-2,6	0,4	-1,1	4,1	3,5	3,8	2,3		1,8	-5,9	-0,8	1,6	
	2003	-3,2	-0,7	-2,0	2,4	3,3	2,9	1,5		2,1	12,2	5,3	2,3	
	2004	-2,3	0,4	-0,9	2,3	3,6	2,9	1,8		3,4	10,9	6,0	2,7	
	2005	0,4	0,6	0,5	2,3	3,1	2,8	2,2		2,4	16,9	7,6	3,4	
	2006	-0,7	1,2	0,3	3,5	3,3	3,4	2,5		2,3	11,2	5,8	3,2	
	2007	-1,7	1,0	-0,4	3,4	3,4	3,4	2,3		4,0	5,5	5,1	2,9	
	2008	-1,4	1,7	0,1	2,5	3,6	3,1	2,3		5,5	13,9	9,2	3,8	
	2009	**-3,7**	**1,8**	**-1,0**	**2,4**	**2,3**	**2,3**	**1,4**	**± 0,32**	**2,5**	**-24,6**	**-8,1**	**-1,1**	**± 0,82**
	2010	**-3,8**	**1,3**	**-1,2**	**2,9**	**2,7**	**2,8**	**1,7**	**± 0,39**	**0,6**	**5,6**	**2,3**	**1,8**	**± 1,57**
ANNUAL RATES (growth of the month over the same month of the previous year)	2008 January	-0,9	1,2	0,2	2,8	3,8	3,4	2,5		4,9	19,6	10,7	4,3	
	2008 February	-1,0	1,0	0,0	2,6	3,5	3,2	2,3		4,6	18,9	10,2	4,0	
	2008 March	-1,0	1,0	0,0	2,6	3,8	3,3	2,4		4,5	17,0	9,6	4,0	
	2008 April	-1,2	1,4	0,1	2,6	3,5	3,1	2,3		5,1	15,9	9,6	3,9	
	2008 May	-1,1	1,4	0,1	2,6	3,6	3,2	2,3		5,1	17,4	10,3	4,2	
	2008 June	-1,0	1,5	0,2	2,6	3,8	3,3	2,4		5,3	24,7	13,4	5,0	
	2008 July	-0,8	2,0	0,6	2,6	3,8	3,3	2,5		6,0	29,3	15,5	5,6	
	2008 August	-1,1	2,4	0,6	2,5	3,9	3,3	2,5		6,1	27,2	14,7	5,4	
	2008 September	-1,5	2,5	0,5	2,4	3,9	3,2	2,5		6,2	23,1	13,3	4,9	
	2008 October	-2,0	2,2	0,1	2,3	3,6	3,0	2,2		6,3	11,5	9,0	3,7	
	2008 November	-2,6	2,2	-0,2	2,3	3,3	2,9	2,0		6,0	-13,3	-0,8	1,1	
	2008 December	-2,9	1,8	-0,6	2,1	3,1	2,7	1,8		5,9	-21,3	-4,2	0,1	
	2009 January	**-3,2**	**1,9**	**-0,7**	**2,0**	**2,9**	**2,5**	**1,6**	**± 0,13**	**5,5**	**-21,3**	**-4,4**	**-0,1**	**± 0,13**
	2009 February	**-3,3**	**2,0**	**-0,7**	**2,1**	**2,8**	**2,5**	**1,6**	**± 0,20**	**5,2**	**-20,9**	**-4,3**	**-0,1**	**± 0,44**
	2009 March	**-3,5**	**2,3**	**-0,6**	**2,1**	**2,6**	**2,4**	**1,6**	**± 0,27**	**4,9**	**-25,8**	**-6,9**	**-0,7**	**± 0,82**
	2009 April	**-3,3**	**2,0**	**-0,7**	**2,1**	**2,6**	**2,4**	**1,5**	**± 0,32**	**4,0**	**-27,7**	**-8,6**	**-1,2**	**± 1,15**
	2009 May	**-3,5**	**2,2**	**-0,7**	**2,3**	**2,3**	**2,3**	**1,5**	**± 0,35**	**3,4**	**-31,0**	**-10,8**	**-1,9**	**± 1,37**
	2009 June	**-3,8**	**2,1**	**-0,9**	**2,3**	**2,1**	**2,2**	**1,3**	**± 0,38**	**2,8**	**-33,5**	**-12,8**	**-2,6**	**± 1,49**
	2009 July	**-4,3**	**1,8**	**-1,3**	**2,4**	**2,0**	**2,2**	**1,2**	**± 0,41**	**1,8**	**-33,8**	**-13,5**	**-2,9**	**± 1,50**
	2009 August	**-4,2**	**1,5**	**-1,4**	**2,5**	**1,9**	**2,1**	**1,2**	**± 0,43**	**1,3**	**-30,2**	**-11,8**	**-2,4**	**± 1,48**
	2009 September	**-4,2**	**1,5**	**-1,3**	**2,5**	**1,8**	**2,1**	**1,2**	**± 0,47**	**0,8**	**-28,0**	**-11,1**	**-2,1**	**± 1,49**
	2009 October	**-4,0**	**1,6**	**-1,2**	**2,6**	**2,0**	**2,3**	**1,3**	**± 0,51**	**0,4**	**-22,1**	**-8,4**	**-1,2**	**± 1,55**
	2009 November	**-3,7**	**1,5**	**-1,1**	**2,6**	**2,2**	**2,4**	**1,4**	**± 0,53**	**0,3**	**-7,3**	**-2,5**	**0,5**	**± 1,62**
	2009 December	**-3,6**	**1,6**	**-1,0**	**2,8**	**2,3**	**2,5**	**1,5**	**± 0,55**	**0,4**	**2,2**	**1,0**	**1,4**	**± 1,71**
	2010 January	**-3,6**	**1,5**	**-1,1**	**2,9**	**2,3**	**2,6**	**1,5**	**± 0,55**	**0,3**	**3,6**	**1,4**	**1,5**	**± 1,84**
	2010 February	**-3,7**	**1,4**	**-1,1**	**2,9**	**2,4**	**2,6**	**1,6**	**± 0,55**	**0,4**	**4,7**	**1,9**	**1,6**	**± 1,88**
	2010 March	**-3,8**	**1,3**	**-1,2**	**2,9**	**2,5**	**2,7**	**1,6**	**± 0,55**	**0,3**	**8,2**	**3,0**	**1,9**	**± 1,93**
	2010 April	**-3,9**	**1,4**	**-1,2**	**2,9**	**2,6**	**2,7**	**1,6**	**± 0,55**	**0,5**	**7,3**	**2,8**	**1,9**	**± 1,96**
	2010 May	**-3,9**	**1,3**	**-1,2**	**2,9**	**2,7**	**2,8**	**1,6**	**± 0,55**	**0,5**	**6,9**	**2,7**	**1,9**	**± 1,97**
	2010 June	**-3,9**	**1,3**	**-1,3**	**2,9**	**2,7**	**2,8**	**1,6**	**± 0,55**	**0,5**	**6,0**	**2,5**	**1,8**	**± 2,01**
	2010 July	**-3,8**	**1,3**	**-1,2**	**2,9**	**2,7**	**2,8**	**1,7**	**± 0,55**	**0,6**	**5,1**	**2,2**	**1,8**	**± 2,05**
	2010 August	**-3,8**	**1,3**	**-1,2**	**2,9**	**2,7**	**2,8**	**1,7**	**± 0,55**	**0,6**	**4,7**	**2,1**	**1,8**	**± 2,10**
	2010 September	**-3,8**	**1,3**	**-1,2**	**2,9**	**2,8**	**2,8**	**1,7**	**± 0,55**	**0,7**	**4,9**	**2,2**	**1,8**	**± 2,11**
	2010 October	**-3,8**	**1,3**	**-1,2**	**2,9**	**2,8**	**2,8**	**1,7**	**± 0,55**	**0,7**	**5,3**	**2,3**	**1,9**	**± 2,11**
	2010 November	**-3,8**	**1,3**	**-1,2**	**2,9**	**2,8**	**2,8**	**1,7**	**± 0,55**	**0,8**	**5,5**	**2,4**	**1,9**	**± 2,14**
	2010 December	**-3,8**	**1,3**	**-1,2**	**2,9**	**2,9**	**2,9**	**1,8**	**± 0,55**	**0,8**	**5,5**	**2,4**	**1,9**	**± 2,14**

Confidence intervals are calculated with historical errors. The figures in the shaded area are forecasts.
Source: BLS & IFL (UC3M)
Date: January 16 , 2009

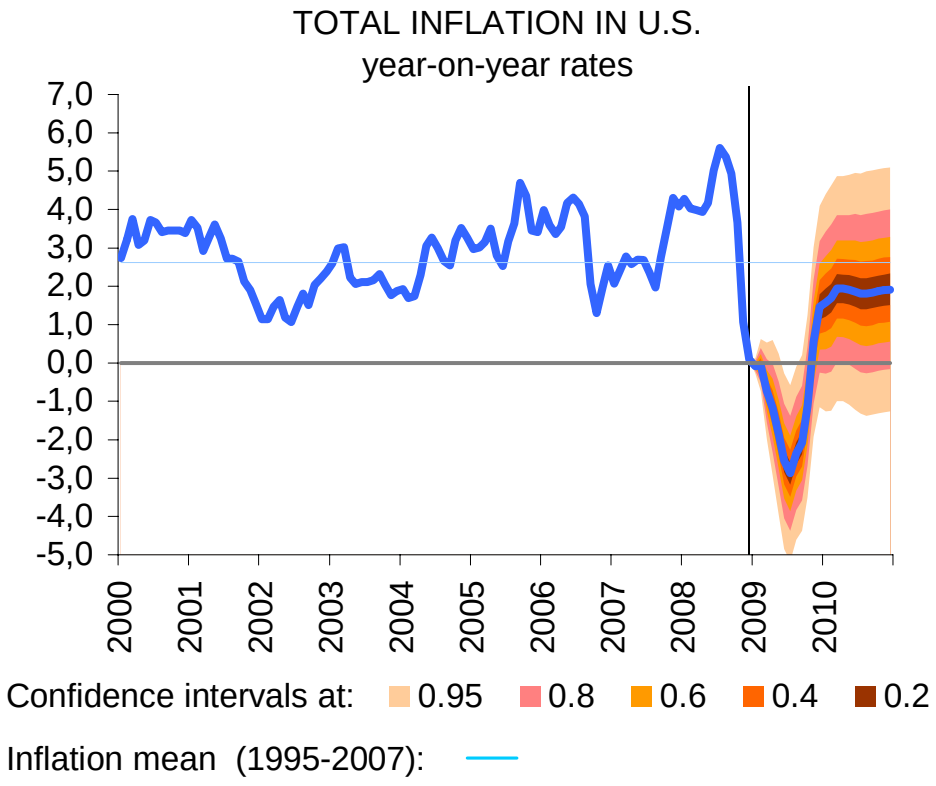
Table III.1.2.3

CPI MONTHLY GROWTH BY COMPONENTS IN USA

		Consumer Price Index										
		Core							Residual			
		Non-energy commodities less food			Non-energy services			TOTAL			TOTAL	TOTAL 100%
		Durables	Non durables less energy	All	Owner's equivalent rent of primary residence	Other services	All		Food	Energy		
	RI December 07	10,8%	10,8%	21,6%	23,9%	30,9%	54,9%	76,5%	13,8%	9,7%	23,5%	
MONTHLY RATES (Growth of the month over the previous month)												
January	2007	0,0	-0,4	-0,2	0,2	0,8	0,5	0,3	0,9	-0,9	0,2	0,3
	2008	0,2	-0,4	-0,1	0,2	0,8	0,6	0,4	0,9	0,9	0,9	0,5
	2009	**-0,1**	**-0,3**	**-0,2**	**0,1**	**0,6**	**0,4**	**0,2**	**0,6**	**0,9**	**0,7**	**0,3**
	2010	**-0,2**	**-0,5**	**-0,3**	**0,2**	**0,6**	**0,5**	**0,2**	**0,6**	**2,2**	**1,1**	**0,4**
February	2007	0,0	1,0	0,5	0,3	0,7	0,5	0,5	0,6	0,5	0,6	0,5
	2008	-0,2	0,9	0,3	0,1	0,5	0,3	0,3	0,3	-0,1	0,1	0,3
	2009	**-0,2**	**1,0**	**0,4**	**0,3**	**0,4**	**0,3**	**0,4**	**0,0**	**0,5**	**0,1**	**0,3**
	2010	**-0,3**	**0,9**	**0,3**	**0,2**	**0,5**	**0,4**	**0,4**	**0,0**	**1,6**	**0,6**	**0,4**
March	2007	0,0	1,1	0,5	0,2	0,4	0,3	0,4	0,2	6,8	2,7	0,9
	2008	0,0	1,1	0,5	0,2	0,6	0,4	0,5	0,1	5,1	2,2	0,9
	2009	**-0,2**	**1,4**	**0,6**	**0,2**	**0,5**	**0,3**	**0,4**	**-0,2**	**-1,5**	**-0,6**	**0,2**
	2010	**-0,3**	**1,3**	**0,5**	**0,2**	**0,6**	**0,4**	**0,4**	**-0,2**	**1,7**	**0,5**	**0,4**
April	2007	-0,2	0,1	0,0	0,2	0,4	0,3	0,2	0,2	5,2	2,2	0,6
	2008	-0,3	0,5	0,1	0,2	0,0	0,1	0,1	0,8	4,2	2,2	0,6
	2009	**-0,2**	**0,2**	**0,0**	**0,2**	**0,0**	**0,1**	**0,1**	**-0,1**	**1,6**	**0,4**	**0,2**
	2010	**-0,4**	**0,3**	**0,0**	**0,2**	**0,1**	**0,1**	**0,1**	**0,1**	**0,8**	**0,3**	**0,2**
May	2007	-0,3	-0,4	-0,3	0,1	0,2	0,1	0,0	0,5	5,7	2,5	0,6
	2008	-0,3	-0,4	-0,3	0,1	0,3	0,2	0,1	0,5	7,0	3,2	0,8
	2009	**-0,4**	**-0,3**	**-0,4**	**0,2**	**0,0**	**0,1**	**0,0**	**-0,1**	**2,1**	**0,7**	**0,1**
	2010	**-0,4**	**-0,4**	**-0,4**	**0,2**	**0,1**	**0,1**	**0,0**	**-0,1**	**1,7**	**0,5**	**0,1**
June	2007	-0,2	-1,1	-0,7	0,2	0,5	0,4	0,1	0,3	0,9	0,6	0,2
	2008	-0,1	-1,0	-0,5	0,2	0,6	0,4	0,2	0,6	7,2	3,4	1,0
	2009	**-0,4**	**-1,0**	**-0,7**	**0,2**	**0,4**	**0,3**	**0,0**	**-0,1**	**3,4**	**1,1**	**0,3**
	2010	**-0,4**	**-1,0**	**-0,7**	**0,2**	**0,4**	**0,3**	**0,1**	**0,0**	**2,6**	**0,9**	**0,2**
July	2007	-0,2	-1,0	-0,6	0,2	0,6	0,4	0,1	0,3	-1,7	-0,5	0,0
	2008	0,0	-0,6	-0,3	0,1	0,6	0,4	0,2	1,0	1,9	1,4	0,5
	2009	**-0,4**	**-1,0**	**-0,7**	**0,2**	**0,5**	**0,4**	**0,1**	**0,0**	**1,4**	**0,5**	**0,2**
	2010	**-0,4**	**-1,0**	**-0,7**	**0,3**	**0,5**	**0,4**	**0,1**	**0,1**	**0,5**	**0,2**	**0,1**
August	2007	-0,1	0,3	0,1	0,3	0,1	0,2	0,2	0,4	-3,7	-1,2	-0,2
	2008	-0,4	0,8	0,2	0,2	0,2	0,2	0,2	0,5	-5,2	-1,8	-0,4
	2009	**-0,4**	**0,6**	**0,1**	**0,3**	**0,1**	**0,2**	**0,2**	**0,0**	**0,0**	**0,0**	**0,1**
	2010	**-0,4**	**0,6**	**0,1**	**0,3**	**0,2**	**0,2**	**0,2**	**0,1**	**-0,3**	**0,0**	**0,1**
September	2007	-0,3	1,6	0,7	0,3	-0,1	0,1	0,2	0,5	0,2	0,4	0,3
	2008	-0,6	1,7	0,5	0,2	-0,1	0,0	0,2	0,6	-3,1	-0,9	-0,1
	2009	**-0,6**	**1,7**	**0,6**	**0,3**	**-0,1**	**0,0**	**0,2**	**0,0**	**-0,1**	**0,0**	**0,1**
	2010	**-0,6**	**1,7**	**0,6**	**0,3**	**-0,1**	**0,1**	**0,2**	**0,1**	**0,0**	**0,0**	**0,2**
October	2007	0,1	0,8	0,5	0,2	0,3	0,3	0,3	0,4	-1,0	-0,1	0,2
	2008	-0,4	0,5	0,1	0,2	0,0	0,1	0,1	0,5	-10,3	-3,9	-1,0
	2009	**-0,2**	**0,6**	**0,2**	**0,3**	**0,2**	**0,2**	**0,2**	**0,1**	**-2,8**	**-1,0**	**0,0**
	2010	**-0,2**	**0,6**	**0,3**	**0,3**	**0,2**	**0,2**	**0,2**	**0,1**	**-2,4**	**-0,8**	**0,0**
November	2007	0,2	-0,1	0,0	0,3	-0,1	0,1	0,1	0,2	5,5	2,3	0,6
	2008	-0,4	-0,2	-0,3	0,3	-0,4	-0,1	-0,2	0,0	-18,0	-6,9	-1,9
	2009	**-0,2**	**-0,3**	**-0,2**	**0,3**	**-0,2**	**0,0**	**-0,1**	**-0,1**	**-2,5**	**-0,9**	**-0,3**
	2010	**-0,2**	**-0,3**	**-0,2**	**0,3**	**-0,2**	**0,0**	**-0,1**	**0,0**	**-2,3**	**-0,9**	**-0,2**
December	2007	0,0	-0,8	-0,4	0,3	0,0	0,1	0,0	0,2	-0,7	-0,1	-0,1
	2008	-0,3	-1,1	-0,7	0,1	-0,2	-0,1	-0,3	0,0	-9,9	-3,6	-1,0
	2009	**-0,2**	**-1,0**	**-0,6**	**0,2**	**-0,1**	**0,0**	**-0,1**	**0,1**	**-0,6**	**-0,1**	**-0,1**
	2010	**-0,2**	**-1,0**	**-0,6**	**0,3**	**-0,1**	**0,1**	**-0,1**	**0,2**	**-0,6**	**-0,1**	**-0,1**

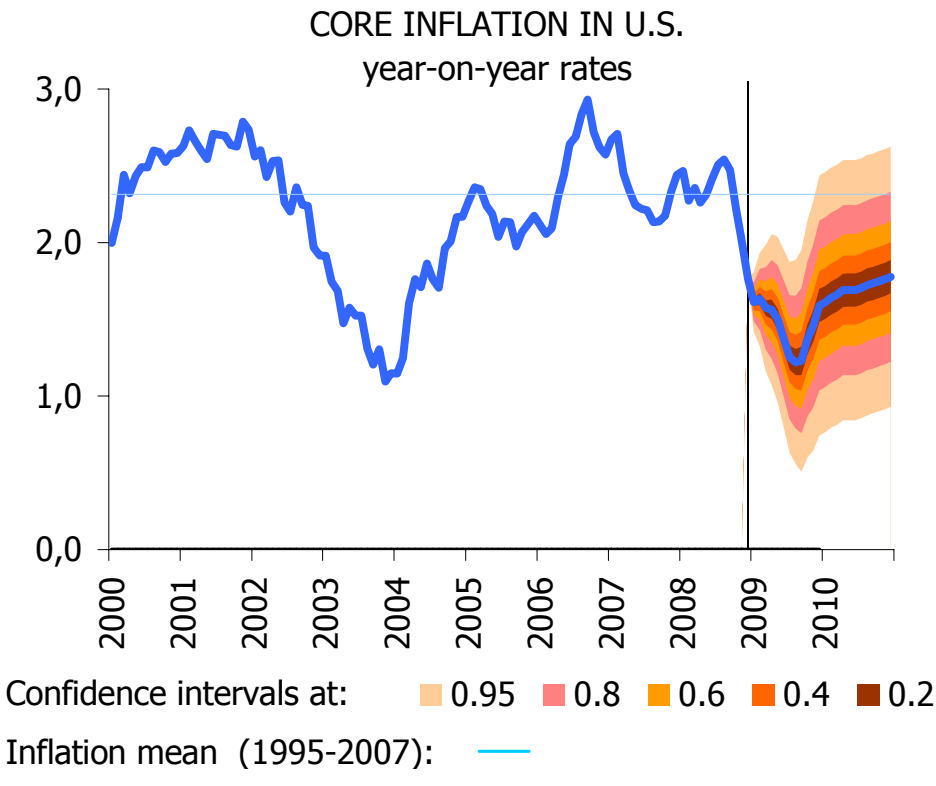
The figures in the shaded area are forecasts
Source: BLS & IFL (UC3M)
Date: January 16 , 2009

Graph III.1.2.1



Source :BLS & IFL (UC3M)
Date: January 16 , 2009

Graph III.1.2.2



Source :BLS & IFL (UC3M)
Date: January 16 , 2009

III.2. INFLATION: MAIN POINTS AND NEW RESULTS.

- The headline CPI was as expected, however, there were downwards innovations in several core inflation components, compensated by energy.
- The most outstanding innovations were in owned property and owners' equivalent rent of primary residence.
- Core inflation will decelerate considerably until mid-2009, reaching a lowest annual rate of 1.2%. Excluding estimated rent of primary residence, this rate is 0.6%.
- The average annual rate forecast for the total CPI for 2009 is a negative 1.1%.

In **December** in the US, consumer prices fell by a monthly 1.03%1, similar to the forecasted 1.01%. The annual rate fell from 1.07% to 0.09%. However, there were downwards innovations in core inflation which were compensated by upwards innovations in energy.

Indeed, the prices in **the core** index fell by a monthly 0.27% instead of the forecast 0.08%. The annual rate of this index has fallen from 2.00% to 1.76%.

Within core inflation, there were downwards innovations in both goods and services. Within goods, both durables and non-durables performed better than expected, although production and import prices rose more than expected.

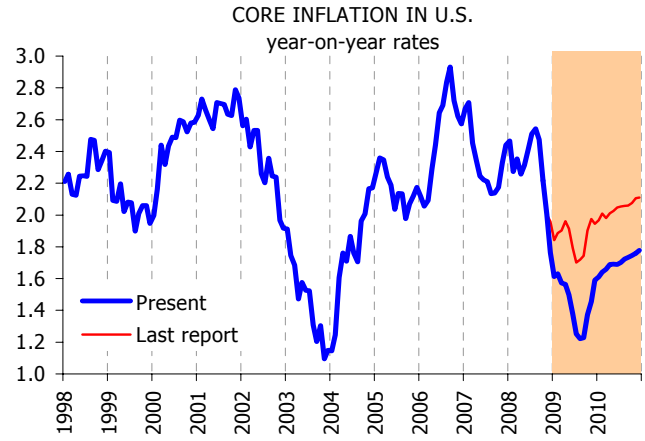
Within services, special attention should be paid to housing and accommodation in general. There were downwards innovations in actual rental prices and hotels and motels, but the most significant innovation was in estimated rent of primary residence, with a monthly rate of 0.08% instead of a forecast increase of 0.31%, so the annual rate has unexpectedly fallen from 2.33% to 2.14%. The heavy revision of the forecasts for owners' equivalent rent of primary residence, given its important weight in the indices, has had a significant effect on core inflation.

There were also downwards innovations in personal care and financial services.

In sum, core inflation expectations have decreased significantly from last month due to the figures published today and the accelerated decline in economic activity (see Graph III.2.1).

With regards **to the prices not included in** the core index, food prices performed much as expected.

Graph III.2.1.



Source: BLS & IFL
Date: January 16, 2009

As for energy prices, the fall was very intense this month, 9.89% instead of the expected 11.42%. Note the 20% cut in fuel prices, much as expected.

Crude oil prices on the international markets continued to fall to 35$/barrel, 10$ less than last month. Future prices at more than three months, however, are similar to last month, so energy has not undergone significant changes since last month's forecast was estimated.

As a result of all this, the general CPI in the next few months has been revised downwards. The expected profile is intense deceleration to a low negative value of 2.9% in July next year, subsequently stabilising at around a positive 1.9% rate in March, 2010 (see Graph III.2.2). It is evident that this evolution depends on the price of crude oil on the international markets and the macroeconomic context.

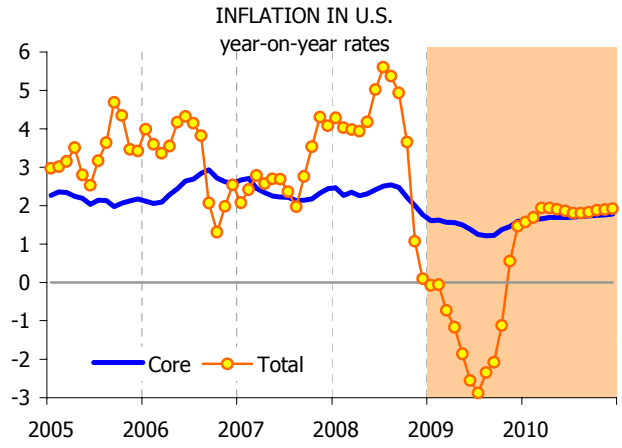
For core inflation, the deceleration process which started in August is expected to continue. The annual rate was then 2.5% and is now 1.8% and it is expected to reach its lowest point at 1.2% in August.

However, if estimated rent of primary residence is discounted from core inflation, to compare it with the core inflation measured in Europe and Spain, the annual rate in August was 2.6%. It is now 1.6%

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

and expected to reach its lowest point in September at 0.6%.

Graph III.2.2.



Source: BLS & IFL
Date: January 16, 2009

For core inflation the forecast for January is for the **monthly** rate to rise by 0.22% (± 0.13), with the annual rate falling from 1.76% to 1.61%. For **2009 and 2010**, then, we are forecasting average annual core inflation rates of 1.45% (± 0.32)[2] and 1.70% (±0.39), respectively, less than the forecast estimated last month (Table III.2.1 and Graph III.2.1).

For January, **the general** CPI is expected to register a monthly increase of 0.33% (± 0.13), with the annual rate falling from 0.09% to a negative 0.08%. We would have to go back to 1955 to find negative annual rates in the headline CPI. Average annual headline inflation is expected to be -1.09% (± 0.82) in 2009 and 1.84% (±1.57) in 2010, representing a downwards revision relative to last month's report (see Table III.2.1)

In terms of the core personal consumption expenditure index –core PCE3-, which is the inflation indicator most closely monitored by the Fed, with the December CPI figure, our forecasts have clearly improved since last month, and we now expect for December –to be published at the end of the month – that the annual rate will be 1.71%. For 2009 and 2010, the forecasts are an average annual rate of 1.54% and 1.75%, respectively, within the central tendency established by the FED[4] (see graph III.2.3).

With regards to **import prices,** the prices of both durable and non-durable goods were slightly higher than expected, whereas the **production prices** of durable goods were higher and non-durables lower than forecast.

As for the real economy, the figures published today in relation to industrial production and used capacity show a rapid decline, with industrial production growing at negative rates of 7.42% instead of the forecast 6.3%. We would have to go back to 1975 to see such a negative scenario. This context involves an unusual drop in used capacity rates, which have not been so low since 1983.

Table III.2.1.

DIFFERENT ANNUAL INFLATION RATE MEASURES IN THE U.S.

			Total	Core		
			CPI	CPI	PCE	MB-PCE
Annual Average Rates		2007	2,9	2,3	2,2	1,8
		2008	3,8	2,3	2,2	1,9
		2009	**-1,1**	**1,4**	**1,5**	**1,3**
		2010	**1,8**	**1,7**	**1,8**	**1,3**
YEAR-ON YEAR RATES	2008	July	5,6	2,5	2,4	2,1
		August	5,4	2,5	2,4	2,2
		September	4,9	2,5	2,3	2,1
		October	3,7	2,2	2,0	1,9
		November	1,1	2,0	1,9	1,8
		December	0,1	1,8	**1,7**	**1,6**
	2009	**January**	**-0,1**	**1,6**	**1,7**	**1,5**
		February	**-0,1**	**1,6**	**1,6**	**1,5**
		March	**-0,7**	**1,6**	**1,6**	**1,5**
		April	**-1,2**	**1,5**	**1,6**	**1,5**
		May	**-1,9**	**1,5**	**1,6**	**1,4**
		June	**-2,6**	**1,3**	**1,5**	**1,3**

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, BEA & IFL
Date: January 16, 2009

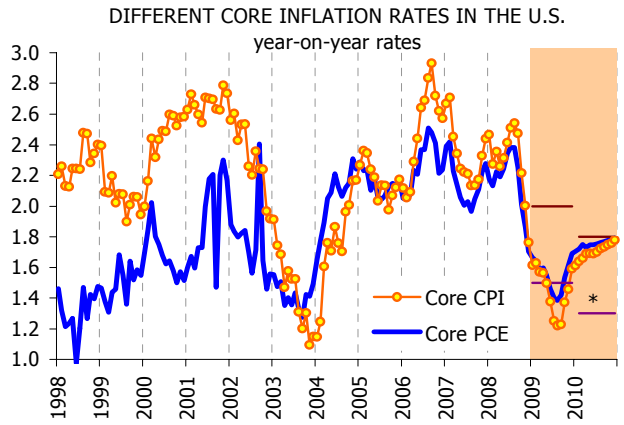
With regards to employment, the **unemployment rate increased surprisingly from** 6.8% to 7.2%, corrected for seasonality, and from 6.5% to 7.1% otherwise. The growth in the unemployment rate was due to heavy job losses, as the active population registered more moderate behaviour. Indeed, the annual employment rate has gone from a negative value of 1.7% to a negative 2.0%, whereas the active population growth rate remained at 0.4%. If this process continues, the US could register an unemployment rate of over 10%.

[2] Considering an 80% confidence interval for all indices
[3] The PCE (Personal Consumption Expenditure) is a price index which has the advantage relative to the consumer price index (CPI) that instead of the shopping basket remaining unaltered, it is adjusted to actual expenditure and shows changes in its composition between the periods compared.

[4] These forecasting intervals known as central tendencies are constructed by excluding the three highest and three lowest estimates presented by FOMC members. Each of them assume their own hypotheses regarding variables and economic policies. In particular, each participant assumes a monetary policy consistent with his own forecast and the most advisable policies to maximise both inflation and employment objectives.

In the **housing sector** the December's figures of building permits and housing starts have been dramatically low, showing falls of 10.7% and 15.5% respectively. These figures were substantially lower than forecasts. The residential house markets will continue to deteriorate and it's not clear when it will reach the bottom. Housing stats is an important leading indicator for this sector and it will be useful to forecast the end of the crisis Actual figures are telling us that the end is still far.

Graph III.2.3.



Date: January 16, de 2009
(*) Central tendency projected by the FOMC for core PCE.
Source: BLS, BEA & IFL

In **conclusion,** the rapid decline of the macroeconomic context and the repercussion of falling oil and raw material prices are having a significant impact on the core of inflation.

A sample of the rapid process of economic decline can be found in the December industrial production and employment figures, which were particularly negative.

To see better what is happening at the core of inflation, notice core inflation not including owner's rent of primary residence, the annual rate of which has fallen from 2.6% in August to 1.6% in December. For this index, comparable to the core index in Europe and Spain, we are expecting a fall to 0.6% by September. However, we must remain aware that the econometric models used may not suitably account for the respective leading indicators, given the exceptional current situation.

III.3. OTHER TABLES AND PLOTS.

Tables:

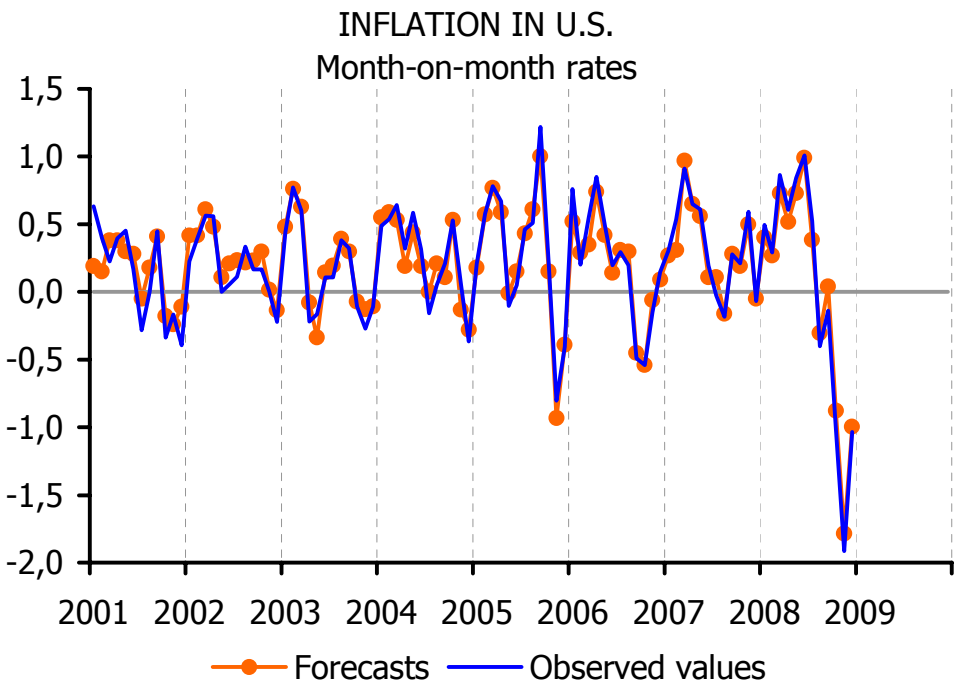
- CPI observed values and forecasts in the US.

Plots:

- CPI monthly growth rates.
- Commodities less food and energy (year-on-year rates).
- Some medical care services (year-on-year rates).
- Rent of primary residence (year-on-year rates).
- Services (year-on-year rates).
- Foods (year-on-year rates).
- West Texas Intermediate (dollars per barrel).
- Change in the expectations of headline inflation (year-on-year rates).
- New houses sold
- Median sales prices of new homes sold
- Existing homes sales.
- Sales price of existing homes.

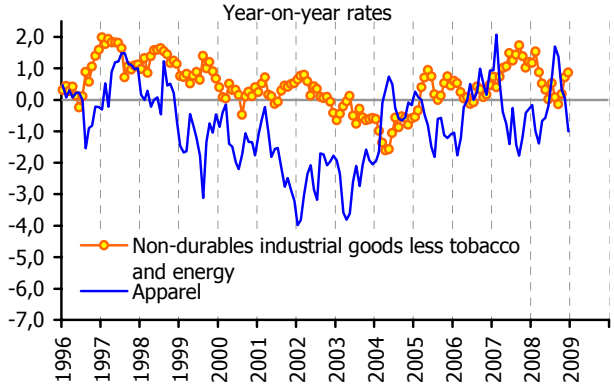
OBSERVED VALUES AND FORECAST ON CPI IN U.S. Monthly rates December, 2008				
	Relative Imp. Dec. 2007	Observed	**Forecasts**	Confidence Intervals*
TOTAL INFLATION	100,0	-1,03	**-1,00**	0,13
less Owner's equivalent rent of primary residence	76,1	-1,40	**-1,41**	0,17
CORE INFLATION	76,5	-0,27	**-0,08**	0,13
less Owner's equivalent rent of primary residence	52,5	-0,43	**-0,26**	0,16
Non-food and non-energy goods	21,6	-0,72	**-0,47**	0,24
Less tobacco	20,9	-0,76	**-0,51**	0,22
- Durable goods	10,8	-0,35	**-0,11**	0,28
- Non-durable goods	10,8	-1,07	**-0,81**	0,36
Non-energy services	54,9	-0,10	**0,07**	0,14
- Services less Owner's equivalent rent of primary residence	30,9	-0,24	**-0,11**	0,29
- Owner's equivalent rent of primary residence	23,9	0,08	**0,31**	0,12
RESIDUAL INFLATION	23,5	-3,58	**-4,08**	0,50
Food	13,8	0,03	**0,16**	0,31
Energy	9,7	-9,89	**-11,42**	1,24

Source: BLS & IFL (UC3M)
Date: January 16 , 2009



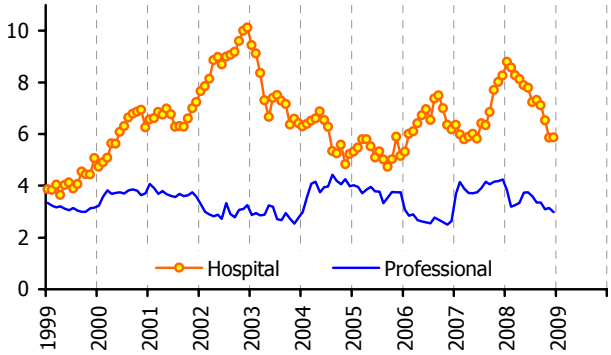
Source :BLS & IFL (UC3M)
Date: January 16 , 2009

INFLATION IN NON-DURABLES INDUSTRIAL GOODS IN U.S.
Year-on-year rates



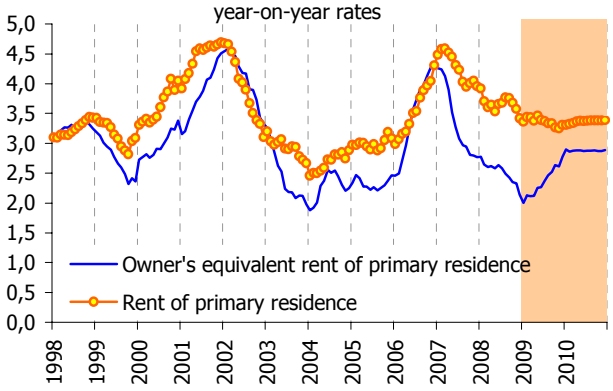
Source: BLS & IFL (UC3M)
Date: January 16 , 2009

INFLATION IN SOME MEDICAL CARE SERVICES IN U.S.
Year-on-year rates



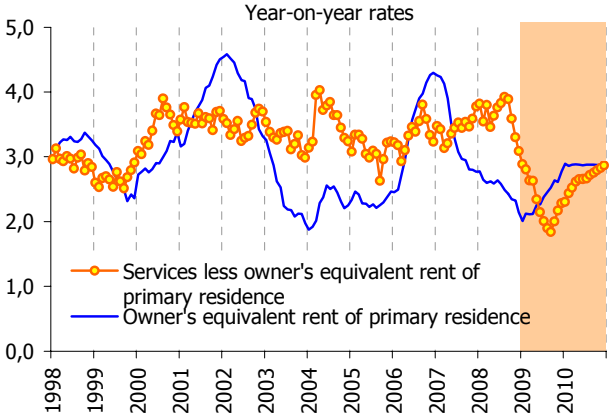
Source: BLS & IFL (UC3M)
Date: January 16 , 2009

INFLATION IN RENT OF PRIMARY RESIDENCE AND OWNER'S EQUIVALENT IN U.S.
year-on-year rates

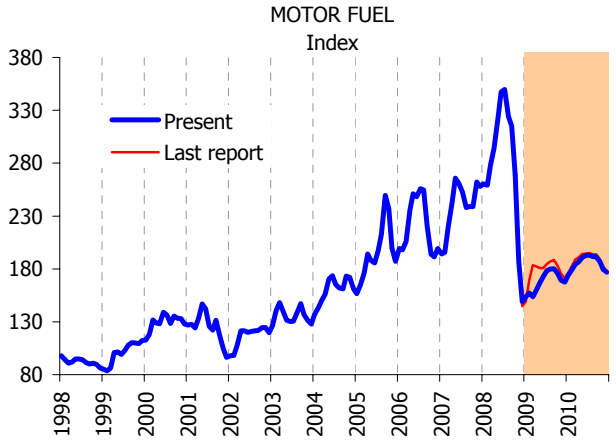


Source: BLS & IFL (UC3M)
Date: January 16 , 2009

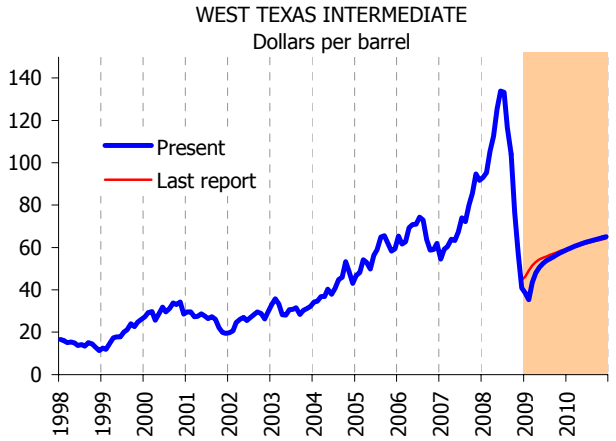
INFLATION IN SERVICES IN U.S.
Year-on-year rates



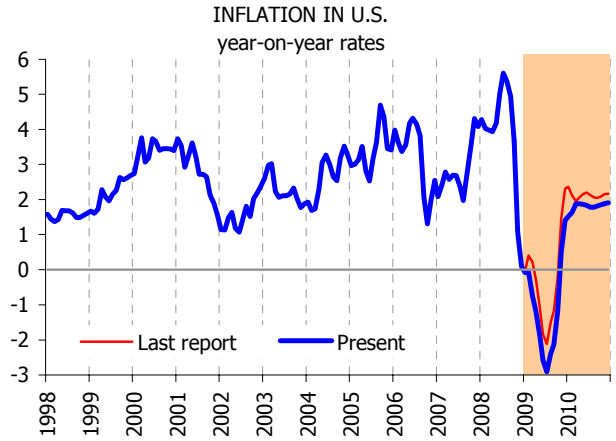
Source: BLS & IFL (UC3M)
Date: January 16 , 2009



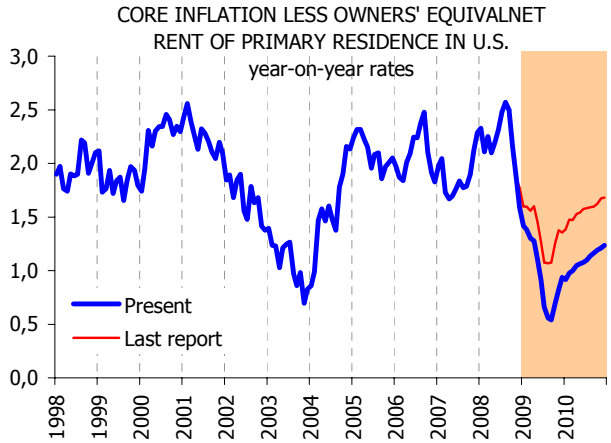
Source: BLS & IFL (UC3M)
Date: January 16 , 2009



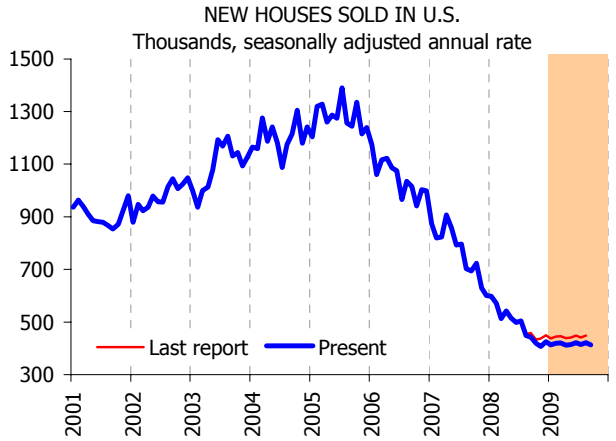
Source: BLS & IFL (UC3M)
Date: January 16 , 2009



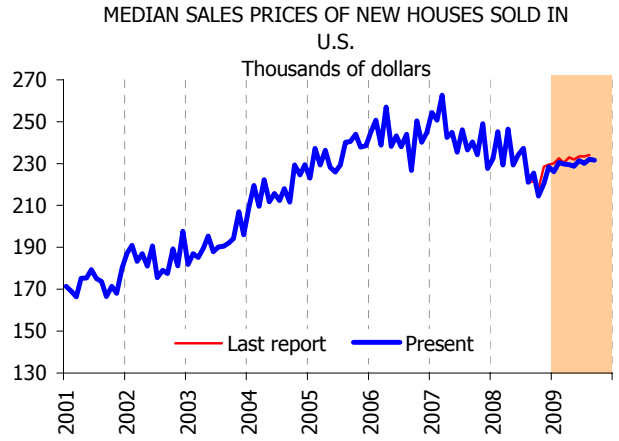
Source: BLS & IFL (UC3M)
Date: January 16 , 2009



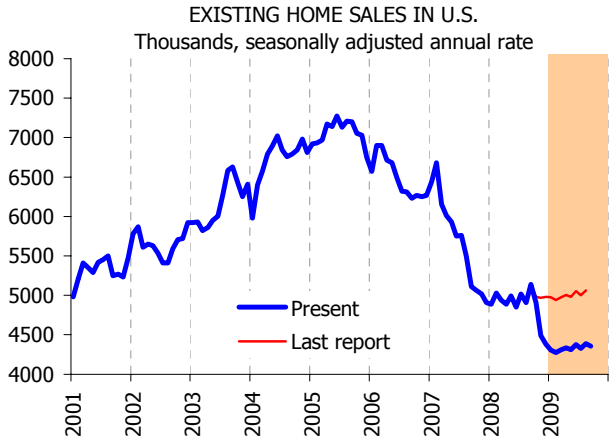
Source: BLS & IFL (UC3M)
Date: January 16 , 2009



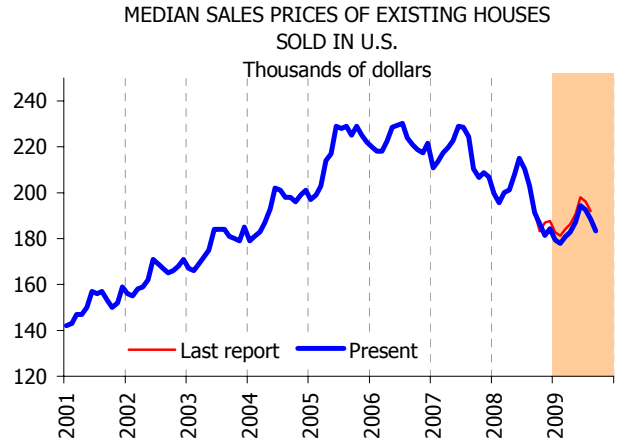
Source: BLS & IFL (UC3M)
Date: January 22,2009



Source: BLS & IFL (UC3M)
Date: January 22,2009



Source: BLS & IFL (UC3M)
Date: January 22,2009



Source: BLS & IFL (UC3M)
Date: January 22,2009

IV. THE SPANISH ECONOMY.

IV.1 MACROECONOMIC FORECASTS.

IV.1.1 MACROECONOMIC TABLE AND INDICATORS OF SPANISH ECONOMY: ANNUAL RATES.

ANNUAL RATES OF GROWTH						
	2005	2006	2007	Forecasts		
				2008	2009	2010
GDP mp. (1)	3,6	3,9	3,7	**1,2**	**-1,3**	**0,3**
Demand						
Private final consumption	4,2	3,9	3,4	**0,7**	**-1,1**	**-0,4**
Public final consumption	5,5	4,6	4,9	**5,2**	**6,7**	**6,6**
Gross fixed capital formation	7,0	7,1	5,3	**-1,6**	**-6,4**	**-3,3**
Equipment	9,2	10,2	10,0	**1,1**	**-7,0**	**-6,9**
Construction	6,1	5,9	3,8	**-4,2**	**-7,5**	**-2,9**
Other products	7,1	7,1	3,9	**3,3**	**-1,9**	**0,6**
Contribution domestic demand*	5,2	5,3	4,4	**0,8**	**-1,4**	**-0,1**
Exports of goods and services	2,5	6,7	4,9	**2,5**	**-2,1**	**1,3**
Imports of goods and services	7,7	10,3	6,2	**0,7**	**-1,8**	**0,7**
Contribution foreign demand*	-1,7	-1,5	-0,8	**0,4**	**0,0**	**0,1**
Supply						
GVA total	4,1	4,0	4,5	**1,9**	**-1,5**	**0,4**
GVA agriculture	-8,2	2,5	3,0	**1,2**	**-1,3**	**0,3**
GVA energy	1,2	-0,1	0,8	**2,5**	**0,1**	**0,9**
GVA industry	1,1	1,9	2,8	**-2,6**	**-7,4**	**-4,6**
GVA construction	5,2	5,0	3,5	**-3,5**	**-10,9**	**-7,4**
GVA trade services	4,3	4,5	4,6	**2,6**	**0,4**	**1,7**
VAB non-trade services	3,9	4,0	4,4	**4,9**	**5,3**	**4,9**
Tax	6,1	3,7	0,7	**-0,2**	**-0,7**	**-0,2**
Prices (2)						
CPI anuual average rate	3,4	3,5	2,8	**4,1**	**0,8**	**2,8**
CPI dec / dec	3,7	2,7	4,2	**1,4**	**2,4**	**2,7**
Labour market (3)						
Active population (% change)		3,3	2,8	**3,0**	**2,1**	**1,5**
Employment EPA (Aver. year-on year)		4,1	3,1	**-0,5**	**-4,5**	**-1,5**
Unemployment rate		8,5	8,3	**11,3**	**17,4**	**19,8**
Basic Balances (1)						
Foreign sector						
Current Account (m. €)	-68134	-86324	-104951	**-108925**	**-102807**	**-97308**
Net lending or borrowing (% of GDP)**	-6,5	-8,1	-9,5	**-9,1**	**-8,4**	**-7,7**
Public Administration						
Net lending or borrowing (% of GDP)**	0,0	1,8	2,2	**-3,6**	**-6,8**	**-6,1**
Other economic indicators (4)						
Industrial production index (excluding construction)	0,1	3,7	2,3	**-6,1**	**-9,6**	**-6,1**

* Contribution to GDP growth.
** In terms of National Accounts.
Source: INE & IFL (UC3M).
Date: 1) November 19, 2009
2) January 15, 2009
3) january 23, 2009
4) January 9, 2009

IV.1.2 QUARTERLY FORECASTS OF SPANISH GDP AND COMPONENTS OF DOMESTIC AND FOREIGN DEMAND.

Table IV.1.2.1

ANNUAL RATES OF GROWTH IN GDP AND COMPONENTS IN SPAIN

			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	Total	Equipment	Building	Other products					
ANNUAL AVERAGE		2004	4,2	6,3	5,1	5,1	5,4	3,8	4,9	4,2	9,6	-1,7	3,3
		2005	4,2	5,5	7,0	9,2	6,1	7,1	5,2	2,5	7,7	-1,7	3,6
		2006	3,9	4,6	7,1	10,2	5,9	7,1	5,3	6,7	10,3	-1,5	3,9
		2007	3,4	4,9	5,3	10,0	3,8	3,9	4,4	4,9	6,2	-0,8	3,7
		2008	**0,7**	**5,2**	**-0,6**	**1,1**	**-4,2**	**3,3**	**0,8**	**2,5**	**0,7**	**0,4**	**1,2**
		2009	**-1,1**	**6,7**	**-6,4**	**-7,0**	**-7,5**	**-1,9**	**-1,4**	**-2,1**	**-1,8**	**0,0**	**-1,3**
		2010	**-0,4**	**6,6**	**-3,3**	**-6,9**	**-2,9**	**0,6**	**-0,1**	**1,3**	**0,7**	**0,1**	**0,3**
ANNUAL RATES*	2008	QI	2,1	3,6	2,8	5,7	0,4	6,6	2,8	4,4	4,0	-0,2	2,6
		QII	1,1	4,9	-0,2	2,2	-2,3	3,7	1,4	4,2	2,4	0,3	1,8
		QIII	0,1	5,9	-3,2	-0,6	-6,4	3,5	0,1	1,5	-1,1	0,8	0,9
		QIV	**-0,6**	**6,2**	**-5,4**	**-2,6**	**-8,3**	**-0,3**	**-1,0**	**-0,1**	**-2,2**	**0,7**	**-0,3**
	2009	**QI**	**-1,0**	**6,4**	**-6,5**	**-5,2**	**-8,7**	**-1,0**	**-1,4**	**-2,1**	**-2,3**	**0,2**	**-1,2**
		QII	**-1,2**	**6,6**	**-7,5**	**-6,8**	**-9,5**	**-1,8**	**-1,8**	**-2,1**	**-2,1**	**0,1**	**-1,7**
		QIII	**-1,2**	**6,8**	**-6,1**	**-7,6**	**-6,5**	**-2,7**	**-1,3**	**-2,2**	**-1,6**	**0,0**	**-1,4**
		QIV	**-1,1**	**6,9**	**-5,4**	**-8,3**	**-5,0**	**-2,2**	**-1,1**	**-2,0**	**-1,0**	**-0,2**	**-1,3**
	2010	**QI**	**-1,0**	**6,9**	**-4,4**	**-7,9**	**-3,8**	**-1,0**	**-0,7**	**-0,8**	**-0,3**	**-0,1**	**-0,8**
		QII	**-0,7**	**6,5**	**-3,6**	**-7,3**	**-3,0**	**0,0**	**-0,4**	**0,9**	**0,4**	**0,1**	**-0,2**
		QIII	**-0,3**	**6,5**	**-3,0**	**-6,7**	**-2,7**	**1,2**	**0,0**	**2,1**	**1,0**	**0,2**	**0,3**
		QIV	**0,3**	**6,5**	**-2,3**	**-5,7**	**-2,1**	**2,3**	**0,7**	**2,9**	**1,6**	**0,3**	**0,9**

The figures in the shaded area are forecasts.
(*) Year-on-year rates.
(1) Contribution to GDP growth
Source: INE & IFL (UC3M)
Date: November 19, 2009

Table IV.1.2.2

QUARTERLY RATES OF GROWTH IN GDP AND COMPONENTS IN SPAIN

			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	Total	Equipment	Building	Other products					
ANNUAL AVERAGE		2004	4,2	6,3	5,1	5,1	5,4	3,8	4,9	4,2	9,6	-1,7	3,3
		2005	4,2	5,5	7,0	9,2	6,1	7,1	5,2	2,5	7,7	-1,7	3,6
		2006	3,9	4,6	7,1	10,2	5,9	7,1	5,3	6,7	10,3	-1,5	3,9
		2007	3,4	4,9	5,3	10,0	3,8	3,9	4,4	4,9	6,2	-0,8	3,7
		2008	**0,7**	**5,2**	**-0,6**	**1,1**	**-4,2**	**3,3**	**0,8**	**2,5**	**0,7**	**0,4**	**1,2**
		2009	**-1,1**	**6,7**	**-6,4**	**-7,0**	**-7,5**	**-1,9**	**-1,4**	**-2,1**	**-1,8**	**0,0**	**-1,3**
		2010	**-0,4**	**6,6**	**-3,3**	**-6,9**	**-2,9**	**0,6**	**-0,1**	**1,3**	**0,7**	**0,1**	**0,3**
QUARTERLY RATES*	2008	QI	0,2	0,7	0,3	1,2	-0,4	1,0	0,3	-0,2	-0,1	0,0	0,4
		QII	0,1	2,1	-1,9	-1,4	-2,4	-1,0	-0,2	1,9	0,3	0,4	0,1
		QIII	-1,0	2,1	-2,0	-1,5	-3,5	2,6	-0,8	0,9	-0,8	0,5	-0,2
		QIV	**0,0**	**1,2**	**-2,0**	**-0,9**	**-2,2**	**-2,8**	**-0,3**	**-2,6**	**-1,6**	**-0,2**	**-0,5**
	2009	**QI**	**-0,2**	**0,9**	**-0,8**	**-1,5**	**-0,8**	**0,2**	**-0,1**	**-2,1**	**-0,2**	**-0,5**	**-0,6**
		QII	**-0,1**	**2,3**	**-3,0**	**-3,1**	**-3,3**	**-1,8**	**-0,6**	**1,8**	**0,5**	**0,3**	**-0,3**
		QIII	**-1,0**	**2,2**	**-0,5**	**-2,4**	**-0,3**	**1,7**	**-0,3**	**0,8**	**-0,3**	**0,3**	**0,0**
		QIV	**0,1**	**1,3**	**-1,2**	**-1,6**	**-0,7**	**-2,3**	**0,0**	**-2,4**	**-1,0**	**-0,3**	**-0,4**
	2010	**QI**	**-0,1**	**0,9**	**0,2**	**-1,1**	**0,4**	**1,4**	**0,3**	**-1,0**	**0,5**	**-0,4**	**-0,1**
		QII	**0,2**	**1,9**	**-2,2**	**-2,4**	**-2,4**	**-0,8**	**-0,3**	**3,6**	**1,2**	**0,6**	**0,3**
		QIII	**-0,6**	**2,2**	**0,1**	**-1,7**	**0,0**	**2,9**	**0,1**	**2,0**	**0,3**	**0,4**	**0,5**
		QIV	**0,7**	**1,3**	**-0,4**	**-0,6**	**0,0**	**-1,2**	**0,6**	**-1,6**	**-0,4**	**-0,3**	**0,3**

The figures in the shaded area are forecasts.
(*) Year-on-year rates.
(1) Contribution to GDP growth
Source: INE & IFL (UC3M)
Date: November 19, 2009.

Table IV.1.2.3

ANNUAL RATES OF GROWHT IN GDP AND COMPONENTS IN SPAIN										
		GVA							Tax	Real GDP
		Agriculture	Energy	Industry	Construction	Market services	Non-market services	Total		
ANNUAL AVERAGE	2004	-2,3	1,9	0,7	5,1	3,9	3,7	3,4	4,4	3,3
	2005	-8,2	1,2	1,1	5,2	4,3	3,9	4,1	6,1	3,6
	2006	2,5	-0,1	1,9	5,0	4,5	4,0	4,0	3,7	3,9
	2007	3,0	0,8	2,8	3,5	4,6	4,4	4,5	0,7	3,7
	2008	**1,2**	**2,5**	**-2,6**	**-3,5**	**2,6**	**4,9**	**1,9**	**-0,2**	**1,2**
	2009	**-1,3**	**0,1**	**-7,4**	**-10,9**	**0,4**	**5,3**	**0,0**	**-0,7**	**-1,3**
	2010	**0,3**	**0,9**	**-4,6**	**-7,4**	**1,7**	**4,9**	**0,0**	**-0,2**	**0,3**
ANNUAL RATES*	2008 QI	2,7	1,1	-0,1	1,6	3,8	4,4	2,9	0,1	2,6
	2008 QII	1,9	4,8	-2,8	-1,9	3,4	4,6	2,0	-0,3	1,8
	2008 QIII	0,6	2,9	-3,4	-5,0	2,4	5,3	1,0	-0,2	0,9
	2008 QIV	**-0,4**	**1,0**	**-4,3**	**-8,3**	**1,1**	**5,3**	**-0,3**	**-0,4**	**-0,3**
	2009 QIV	**-0,9**	**0,2**	**-6,9**	**-10,2**	**0,6**	**5,3**	**-1,3**	**-0,6**	**-1,2**
	2009 QIV	**-2,0**	**0,0**	**-8,1**	**-11,6**	**0,2**	**5,4**	**-1,8**	**-0,7**	**-1,7**
	2009 QIV	**-1,2**	**0,2**	**-7,8**	**-10,9**	**0,4**	**5,4**	**-1,5**	**-0,7**	**-1,4**
	2009 QIV	**-1,0**	**0,2**	**-6,9**	**-10,7**	**0,6**	**5,2**	**-1,3**	**-0,7**	**-1,3**
	2010 QIV	**-0,9**	**0,4**	**-6,0**	**-9,3**	**0,9**	**5,2**	**-0,8**	**-0,4**	**-0,8**
	2010 QIV	**0,0**	**0,6**	**-5,1**	**-8,0**	**1,5**	**5,0**	**-0,2**	**-0,2**	**-0,2**
	2010 QIV	**0,6**	**0,9**	**-4,0**	**-7,1**	**2,0**	**4,8**	**0,4**	**-0,1**	**0,3**
	2010 QIV	**1,4**	**1,5**	**-3,1**	**-5,2**	**2,4**	**4,7**	**1,0**	**0,1**	**0,9**

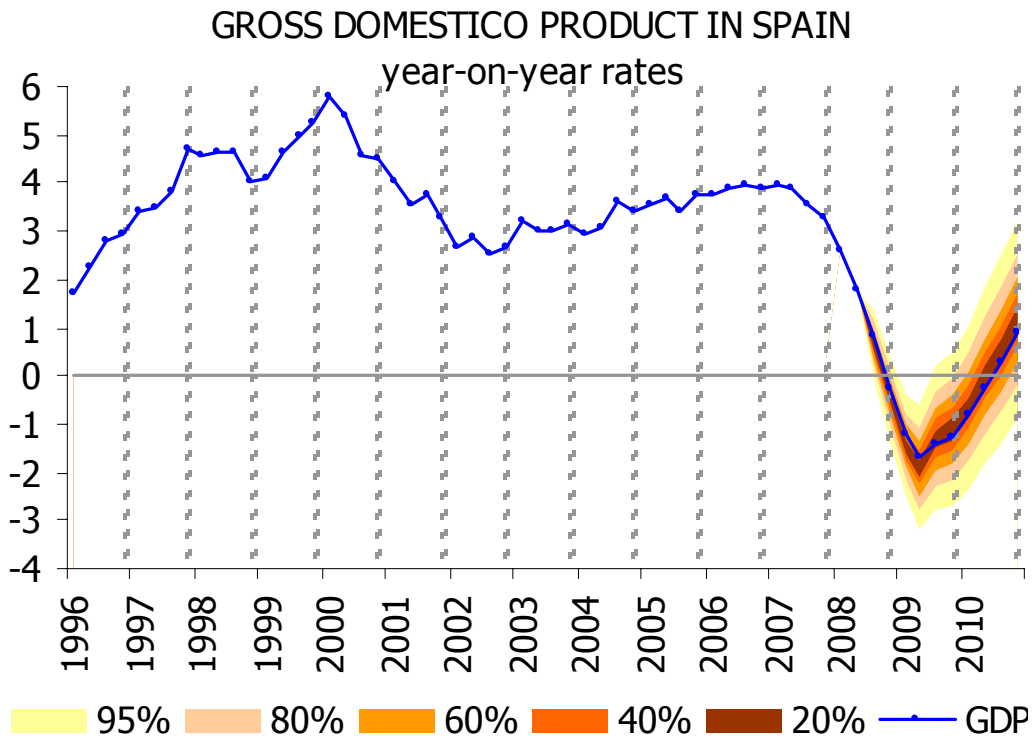
The figures in the shaded area are forecasts.
(*) Year-on-year rates
Source: INE & IFL (UC3M)
Date: November 19, 2009

Table IV.1.2.4

QUARTERLY RATES OF GROWHT IN GDP AND COMPONENTS IN SPAIN										
		GVA							Tax	Real GDP
		Agriculture	Energy	Industry	Construction	Market services	Non-market services	Total		
ANNUAL AVERAGE	2004	-2,3	1,9	0,7	5,1	3,9	3,7	3,4	4,4	3,3
	2005	-8,2	1,2	1,1	5,2	4,3	3,9	4,1	6,1	3,6
	2006	2,5	-0,1	1,9	5,0	4,5	4,0	4,0	3,7	3,9
	2007	3,0	0,8	2,8	3,5	4,6	4,4	4,5	0,7	3,7
	2008	**2,5**	**2,6**	**-2,7**	**-3,9**	**2,9**	**3,9**	**1,9**	**-0,4**	**1,2**
	2009	**0,2**	**0,5**	**-3,9**	**-5,0**	**1,7**	**1,8**	**0,0**	**0,0**	**0,0**
	2010	**0,2**	**0,5**	**-3,9**	**-5,0**	**1,7**	**1,8**	**0,0**	**0,0**	**0,0**
QUARTERLY RATES*	2008 QI	1,1	0,9	-0,2	-0,1	0,7	0,4	0,5	-0,6	0,4
	2008 QII	-1,3	2,6	-2,0	-2,2	0,8	1,8	0,1	0,1	0,1
	2008 QIII	-1,7	-1,7	-0,3	-2,9	0,1	1,2	-0,3	-0,1	-0,2
	2008 QIV	**1,5**	**-0,9**	**-1,9**	**-3,4**	**-0,5**	**1,7**	**-0,7**	**0,2**	**-0,5**
	2009 QI	**0,6**	**0,1**	**-2,9**	**-2,2**	**0,2**	**0,4**	**-0,5**	**-0,8**	**-0,6**
	2009 QII	**-2,4**	**2,5**	**-3,2**	**-3,6**	**0,5**	**2,0**	**-0,4**	**0,0**	**-0,3**
	2009 QIII	**-0,9**	**-1,4**	**-0,1**	**-2,2**	**0,3**	**1,2**	**0,0**	**-0,1**	**0,0**
	2009 QIV	**1,7**	**-0,9**	**-0,9**	**-3,2**	**-0,4**	**1,5**	**-0,5**	**0,2**	**-0,4**
	2010 QI	**0,8**	**0,4**	**-1,8**	**-0,6**	**0,5**	**0,4**	**0,0**	**-0,5**	**-0,1**
	2010 QII	**-1,5**	**2,7**	**-2,4**	**-2,3**	**1,2**	**1,9**	**0,3**	**0,2**	**0,0**
	2010 QIII	**-0,3**	**-1,2**	**1,1**	**-1,2**	**0,8**	**1,0**	**0,5**	**0,0**	**0,5**
	2010 QIV	**2,4**	**-0,4**	**0,0**	**-1,2**	**0,0**	**1,4**	**0,1**	**0,2**	**0,3**

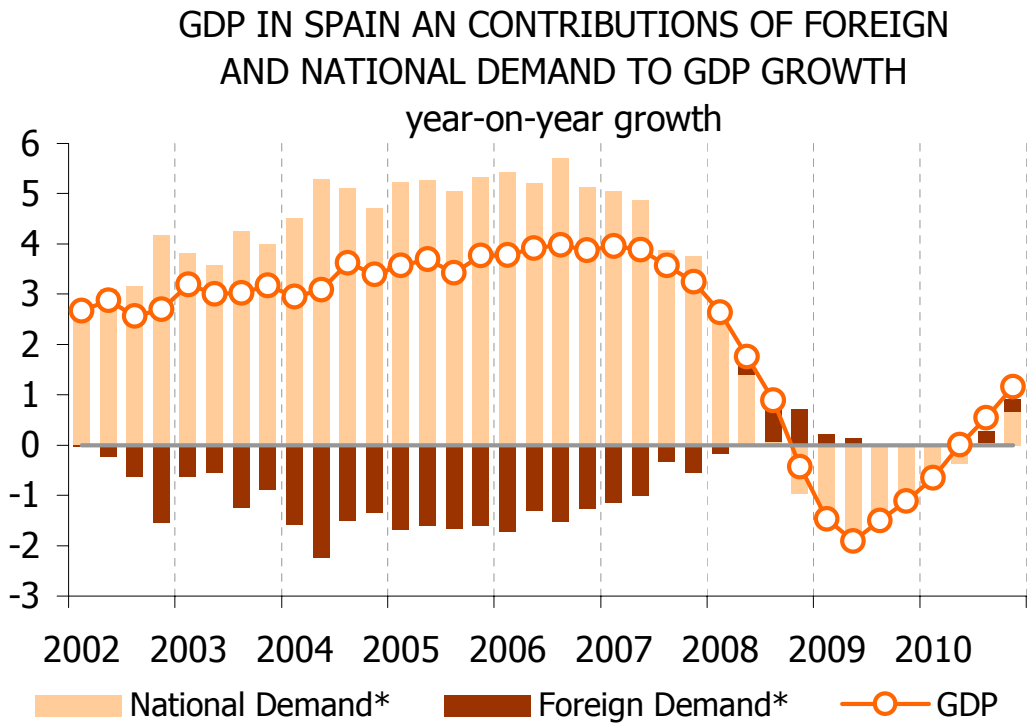
The figures in the shaded area are forecasts.
(*) Year-on-year rates
Source: INE & IFL (UC3M)
Date: November 19, 2009

Graph IV.1.2.1



Source INE & IFL (UC3M)
Date: November 19, 2009

Graph IV.1.2.2



Source INE & IFL (UC3M)
Date: November 19, 2009.

IV.1.3 INDUSTRIAL PRODUCTION INDEX AND PRODUCTION SECTORS IN SPAIN: MONTHLY AND QUARTERLY FORECASTS.

Table IV.1.3.1

ANNUAL GROWTH RATES IN THE IPI AND SECTORS IN SPAIN

			Consumer Goods			Capital Goods	Intermediate Goods	Energy	TOTAL
			Durable	Non Durable	Total				
ANNUAL AVERAGE RATES		2004	0,1	0,0	0,0	1,9	1,9	4,9	1,8
		2005	-1,0	0,3	0,2	-0,7	-0,6	2,9	0,1
		2006	10,6	0,8	2,1	8,2	3,8	0,9	3,7
		2007	5,4	1,1	1,8	6,3	1,3	0,7	2,3
		2008	**-13,2**	**-3,4**	**-4,9**	**-4,7**	**-10,5**	**1,2**	**-6,1**
		2009	**-15,3**	**-7,0**	**-8,1**	**-9,9**	**-13,0**	**-4,0**	**-9,6**
		2010	**-10,3**	**-7,0**	**-7,4**	**-4,4**	**-7,3**	**-3,4**	**-6,1**
ANNUAL RATES*	2007	QI	16,9	2,9	4,8	8,9	4,9	-4,4	4,3
		QII	5,7	1,5	2,1	5,3	1,0	2,8	2,4
		QIII	3,3	0,8	1,2	6,5	0,0	-1,0	1,3
		QIV	-2,8	-0,7	-1,0	4,7	-0,6	5,7	1,2
	2008	QI	-10,8	-3,3	-4,4	-2,2	-7,3	4,6	-3,8
		QII	-7,8	-1,9	-2,8	0,2	-5,0	2,2	-2,4
		QIII	-13,7	-2,8	-4,4	-2,4	-9,8	1,3	-5,1
		QIV	**-21,1**	**-5,5**	**-7,9**	**-13,9**	**-20,3**	**-3,2**	**-13,0**
	2009	**QI**	**-18,0**	**-6,9**	**-8,4**	**-10,3**	**-14,5**	**-2,6**	**-10,2**
		QII	**-18,1**	**-6,1**	**-7,9**	**-10,9**	**-14,4**	**-3,0**	**-10,2**
		QIII	**-12,6**	**-7,7**	**-8,3**	**-10,4**	**-12,0**	**-3,7**	**-9,3**
		QIV	**-11,7**	**-7,5**	**-8,0**	**-7,9**	**-10,4**	**-6,8**	**-8,6**
	2010	**QI**	**-7,7**	**-6,1**	**-6,3**	**-6,8**	**-9,4**	**-6,4**	**-7,5**
		QII	**-12,5**	**-8,6**	**-9,1**	**-7,7**	**-9,9**	**-5,7**	**-8,6**
		QIII	**-12,4**	**-6,9**	**-7,5**	**-3,3**	**-7,8**	**-2,7**	**-6,0**
		QIV	**-8,7**	**-6,6**	**-6,8**	**0,9**	**-1,2**	**1,6**	**-2,0**

The figures in the shaded area are forecasts.
* Year-on-year rates.
Source: INE & IFL (UC3M)
Date: January 9, 2009

Table IV.1.3.2

OBSERVED VALUES AND FORECASTS IN THE IPI ANNUAL RATES IN SPAIN

	2004	2005	2006	2007	**2008**	**2009**	**2010**
January	-2,9	0,8	5,4	7,5	-0,7	**-12,2**	**-7,5**
February	1,8	-1,0	2,7	3,6	4,0	**-16,2**	**-8,5**
March	7,2	-6,7	11,0	2,1	-13,8	**-1,5**	**-6,6**
April	0,7	7,4	-9,8	6,3	11,8	**-15,8**	**-8,7**
May	2,7	0,1	8,1	2,1	-7,6	**-8,3**	**-9,3**
June	5,7	-0,2	5,2	-0,5	-9,7	**-6,2**	**-7,8**
July	0,0	-3,5	4,2	3,7	-1,4	**-11,2**	**-6,0**
August	5,3	3,7	5,0	1,6	-11,0	**-7,2**	**-5,9**
September	3,8	0,2	1,1	-1,3	-4,7	**-8,7**	**-6,0**
October	-7,0	-0,1	7,3	4,7	-11,3	**-11,0**	**-2,8**
November	4,3	0,9	4,1	-1,0	-17,2	**-7,3**	**-2,0**
December	1,2	1,4	0,6	-0,2	**-10,0**	**-7,1**	**-1,2**

The figures in the shaded area are forecasts.
Source: INE & IFL (UC3M)
Date: January 9, 2009

Table IV.1.3.3

AVERAGE YEAR ON YEAR GROWTH RATE OF THE SPANISH INDUSTRIAL PRODUCTION INDEX NACE STATISTICAL CLASSIFICATION OF ECONOMIC ACTIVITIES

				Weights 2008	2005	2006	2007	2008	2009	2010
IPI Total	C Mining and quarrying	CA Mining and quarrying of energy producing materials		0,7	-12,6	0,6	-4,1	-6,4	-5,2	-1,6
		CB Mining and quarrying, except of energy producing materials		0,9	1,7	3,9	0,5	-13,6	-9,9	-0,1
		C Mining and quarrying		1,6	-3,8	2,6	-1,1	-10,4	-7,8	-0,8
	D Manufacturing	DA Manufacture of food products, beverages and tobacco	15 Manufacture of food products and beverages	12,1	1,6	0,4	-0,2	0,1	-0,6	-0,5
			16 Manufacture of tobacco products	0,5	-2,0	-13,7	5,2	-8,9	-3,2	-6,1
				12,6	1,6	0,0	-0,2	-0,3	-0,7	-0,7
		DB Manufacture of textiles and textile products	17 Manufacture of textiles	2,6	-11,2	-3,9	-1,2	-11,6	-22,5	-28,7
			18 Manufacture of wearing apparel; dressing and dyeing of fur	2,1	-9,1	1,5	-2,9	-10,5	-13,6	-14,4
				4,7	-10,3	-1,9	-2,3	-11,1	-18,5	-19,0
		DC Manufacture of leather and leather products		1,2	-13,1	-6,7	-7,8	-9,5	-12,9	-15,4
		DD Manufacture of wood and wood products		2,1	-0,8	1,1	0,4	-19,6	-18,0	-13,2
		DE Manufacture of pulp, paper and paper products; publishing and printing	21 Manufacture of pulp, paper and paper products	2,7	-0,4	2,8	2,7	-3,1	-5,3	-4,9
			22 Publishing, printing and reproduction of recorded media	5,2	4,4	-0,5	4,2	-10,7	-8,7	-5,8
				7,9	2,7	0,6	3,7	-8,1	-7,5	-2,7
		DF Manufacture of coke, refined petroleum products and nuclear fuel		2,5	1,6	0,4	-1,7	4,4	0,0	0,8
		DG Manufacture of chemicals, chemical products and man-made fibres		8,5	0,4	3,9	1,5	-1,4	-2,9	-2,6
		DH Manufacture of rubber and plastic products		4,2	-0,8	2,5	2,2	-8,2	-5,8	-1,6
		DI Manufacture of other non-metallic mineral products		7,2	2,0	3,5	-0,5	-20,4	-32,0	-30,0
		DJ Manufacture of basic metals and fabricated metal products	28 Manufacture of fabricated metal products, except machinery and equipment	4,3	-1,8	5,8	0,0	-5,6	-4,7	0,3
			29 Manufacture of machinery and equipment n.e.c.	8,6	5,3	4,4	4,6	-9,2	-16,2	-17,4
				12,9	2,7	4,9	3,0	-8,0	-15,6	-12,9
		DK Manufacture of machinery and equipment n.e.c.		6,1	0,1	12,2	10,7	-2,8	-1,7	-2,0
		DL Manufacture of electrical and optical equipment	30 Manufacture of office machinery and computers	0,5	4,5	-31,9	-11,4	-26,2	-47,2	-116,8
			31 Manufacture of electrical machinery and apparatus n.e.c.	3,3	-0,2	18,6	8,1	-5,4	-15,3	-14,1
			32 Manufacture of radio, television and communication equipment and apparatus	1,3	-10,5	0,7	3,6	14,0	-13,7	-3,0
			33 Manufacture of medical, precision and optical instruments, watches and clocks	1,1	-2,9	13,5	7,9	0,0	1,8	2,6
				6,2	-2,2	14,2	7,1	-2,1	-14,5	-11,9
		DM Manufacture of transport equipment	34 Manufacture of motor vehicles, trailers and semi-trailers	7,4	-5,1	6,2	3,8	-12,5	-14,9	-0,9
			35 Manufacture of other transport equipment	1,7	-0,6	4,0	0,2	13,2	11,1	8,8
				9,1	-4,3	5,7	3,1	-7,7	-10,0	0,9
		DN Manufacturing n.e.c.		3,6	-1,8	12,8	8,2	-13,7	-14,5	-1,8
				88,7	2,6	-5,8	-3,1	-6,8	-10,5	-7,4
	E Electricity, gas and water supply			9,7	4,0	1,2	1,7	1,3	0,7	0,8
IPI Total				100,0	0,1	3,7	2,3	-6,1	-9,6	-6,1

The figures in the shaded area are forecasts.
Fuente: INE & IFL(UC3M)
Fecha: January 9, 2009

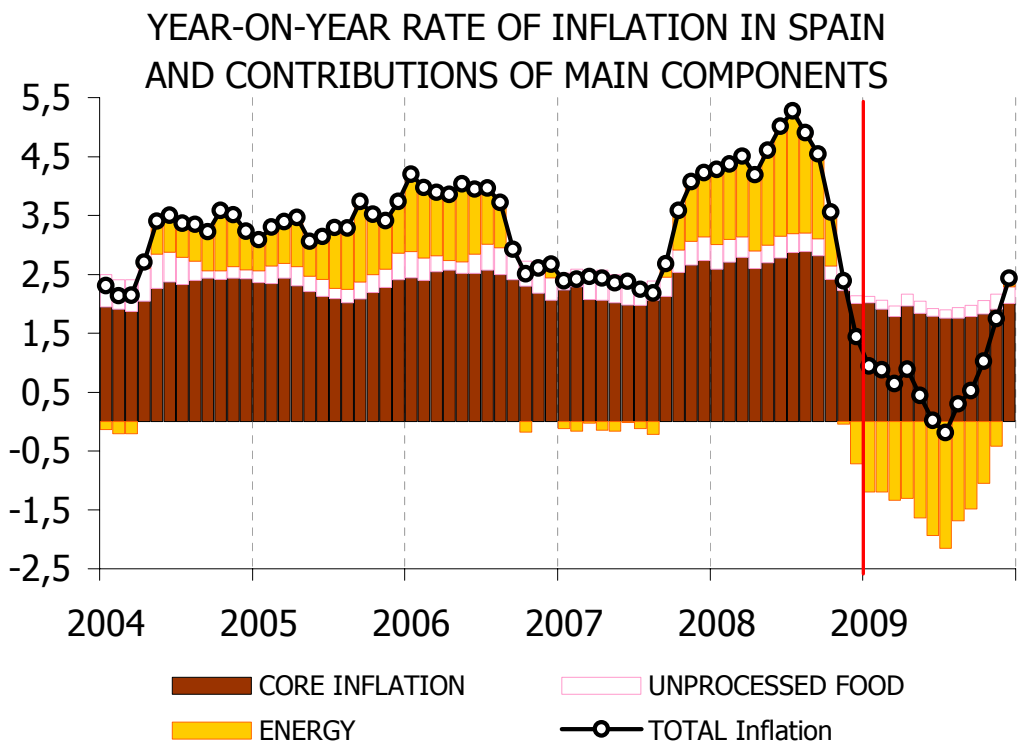
IV.1.4 INFLATION.

Table IV.1.4.1

CPI ANNUAL AVERAGE RATE IN SPAIN							
Consumer Price Index (CPI)	Weights	2005	2006	2007	Forecasts	**Forecasts**	
						2009	**2010**
TOTAL INFLATION	100,0	3,4	3,5	2,8	4,1	**0,8**	**2,8**
CORE INFLATION	82,9	2,7	2,9	2,7	3,2	**2,3**	**2,5**
Processed food	15,6	3,4	3,6	3,7	6,5	**2,1**	**3,1**
Non-energy induatrial goods	29,6	0,9	1,4	0,7	0,3	**0,4**	**0,3**
Services	37,7	3,8	3,9	3,9	3,9	**3,8**	**3,9**
RESIDUAL INFLATION	17,1	6,5	6,3	3,2	8,5	**-6,1**	**4,2**
Non processed food	7,4	3,3	4,4	4,7	4,0	**2,5**	**3,7**
Energy	9,8	9,6	8,0	1,7	11,9	**-12,3**	**4,6**

Source: INE & IFL (UC3M)
Date: January 15, 2009

Graph IV.1.4.1



Source: INE & IFL (UC3M)
Date: January 15, 2009

Table IV.1.4.2

CPI ANNUAL GROWTH BY COMPONENTS IN SPAIN

		Consumer Prices Index									
		Core					Residual				
		Processed food	Non energy industrial goods	Services	TOTAL	Confidence intervals at 80% *	Non processed food	Energy	TOTAL	TOTAL 100%	Confidence intervals at 80% *
	Weights 2008	15,6%	29,6%	37,7%	82,9%		7,4%	9,8%	17,1%		
ANNUAL AVERAGE RATE	2000	0,9	2,1	3,7	2,5		4,2	13,3	8,8	3,4	
	2001	3,4	2,4	4,2	3,5		8,7	-1,0	3,6	3,6	
	2002	4,3	2,5	4,6	3,7		5,8	-0,2	2,6	3,5	
	2003	3,0	2,0	3,7	2,9		6,0	1,4	3,6	3,0	
	2004	3,6	0,9	3,7	2,7		4,6	4,8	4,7	3,0	
	2005	3,4	0,9	3,8	2,7		3,3	9,6	6,5	3,4	
	2006	3,6	1,4	3,9	2,9		4,4	8,0	6,3	3,5	
	2007	3,7	0,7	3,9	2,7		4,7	1,7	3,2	2,8	
	2008	6,5	0,3	3,9	3,2		4,0	11,9	8,5	4,1	
	2009	2,1	0,4	3,8	2,3	± 0,29	2,5	-12,3	-6,1	0,8	± 0,72
	2010	3,1	0,3	3,9	2,5	± 0,46	3,7	4,6	4,2	2,8	± 1,05
2008	January	7,0	0,1	3,7	3,1		5,5	13,4	9,8	4,3	
	February	7,4	0,2	3,8	3,3		5,2	13,3	9,6	4,4	
	March	7,4	0,3	4,0	3,4		4,7	14,1	9,9	4,5	
	April	7,4	0,2	3,5	3,1		4,0	13,3	9,2	4,2	
	May	7,5	0,2	3,8	3,3		4,1	16,5	11,1	4,6	
	June	7,7	0,1	3,9	3,3		5,1	19,2	13,1	5,0	
	July	7,8	0,3	4,0	3,5		4,4	21,4	14,0	5,3	
	August	7,6	0,5	4,0	3,5		4,2	17,6	11,7	4,9	
	September	6,9	0,5	4,1	3,4		3,9	14,8	10,0	4,5	
	October	4,5	0,5	4,1	2,9		3,0	9,3	6,5	3,6	
	November	3,6	0,6	4,0	2,7		2,5	-0,5	0,8	2,4	
	December	3,0	0,4	3,8	2,4		1,6	-7,2	-3,4	1,4	
2009	January	2,6	0,5	4,0	2,5	± 0,17	1,4	-11,8	-6,2	0,9	± 0,17
	February	2,0	0,4	3,9	2,3	± 0,24	2,1	-11,8	-6,0	0,9	± 0,34
	March	1,9	0,4	3,7	2,2	± 0,31	2,4	-13,0	-6,6	0,6	± 0,52
	April	1,8	0,4	4,1	2,4	± 0,33	2,8	-12,6	-6,2	0,9	± 0,69
	May	1,8	0,5	3,8	2,2	± 0,36	2,9	-15,3	-7,9	0,4	± 0,79
	June	1,9	0,4	3,7	2,2	± 0,37	1,7	-17,7	-9,9	0,0	± 0,87
	July	1,9	0,3	3,7	2,2	± 0,41	2,0	-19,0	-10,7	-0,2	± 0,93
	August	1,9	0,3	3,7	2,1	± 0,44	2,4	-15,5	-8,2	0,3	± 0,98
	September	2,0	0,3	3,7	2,2	± 0,49	2,5	-13,9	-7,2	0,5	± 1,02
	October	2,2	0,3	3,7	2,2	± 0,51	3,0	-10,3	-4,7	1,0	± 1,05
	November	2,5	0,3	3,8	2,3	± 0,54	3,4	-4,4	-1,0	1,7	± 1,08
	December	2,8	0,3	3,9	2,4	± 0,55	3,7	1,6	2,5	2,4	± 1,13
2010	January	2,8	0,2	3,9	2,4	± 0,57	3,8	5,7	4,9	2,8	± 1,19
	February	2,9	0,2	3,9	2,4	± 0,58	3,8	6,1	5,1	2,8	± 1,21
	March	3,0	0,3	4,0	2,5	± 0,60	3,8	5,6	4,8	2,9	± 1,23
	April	3,1	0,3	3,7	2,4	± 0,59	3,7	5,0	4,5	2,7	± 1,23
	May	3,1	0,3	3,9	2,5	± 0,60	3,6	4,5	4,1	2,7	± 1,23
	June	3,2	0,3	3,9	2,5	± 0,61	3,5	4,3	4,0	2,7	± 1,23
	July	3,2	0,3	3,9	2,5	± 0,62	3,7	4,6	4,2	2,8	± 1,23
	August	3,2	0,3	3,9	2,5	± 0,64	3,7	4,3	4,0	2,7	± 1,23
	September	3,3	0,3	3,9	2,5	± 0,64	3,5	3,9	3,8	2,7	± 1,23
	October	3,3	0,3	3,9	2,5	± 0,64	3,6	4,0	3,8	2,7	± 1,23
	November	3,3	0,3	3,9	2,5	± 0,64	3,7	3,7	3,7	2,7	± 1,23
	December	3,4	0,3	3,9	2,5	± 0,64	3,8	3,4	3,6	2,7	± 1,23

* Confidence intervals calculated with historical errors. The figures in the shaded areas are forecasts

Source: INE & IFL (UC3M)

Date: January 15, 2009

Table IV.1.4.3

CPI MONTHLY GROWTH BY COMPONENTS IN SPAIN

MONTHLY RATES (Growth of the month over the previous month)		Consumer Prices Index							
		Core				Residual			TOTAL 100%
		Processed food	Non energy industrial goods	Services	TOTAL	Non processed food	Energy	TOTAL	
	Weights 2008	15,6%	29,6%	37,7%	82,9%	7,4%	9,8%	17,1%	
January	2007	1,0	-3,6	0,6	-0,8	0,0	-0,3	-0,2	-0,7
	2008	0,7	-3,8	0,5	-1,0	0,6	1,4	1,1	-0,6
	2009	**0,3**	**-3,7**	**0,7**	**-1,0**	**0,4**	**-3,5**	**-1,8**	**-1,1**
	2010	**0,3**	**-3,8**	**0,6**	**-1,0**	**0,5**	**0,4**	**0,4**	**-0,7**
February	2007	0,4	-0,3	0,4	0,2	-1,3	0,2	-0,5	0,1
	2008	0,7	-0,2	0,5	0,3	-1,6	0,0	-0,7	0,2
	2009	**0,1**	**-0,2**	**0,5**	**0,2**	**-0,9**	**0,0**	**-0,4**	**0,1**
	2010	**0,2**	**-0,2**	**0,5**	**0,2**	**-1,0**	**0,4**	**-0,2**	**0,1**
March	2007	0,3	0,8	0,6	0,6	0,6	2,0	1,4	0,8
	2008	0,3	0,9	0,8	0,7	0,1	2,8	1,7	0,9
	2009	**0,2**	**0,9**	**0,5**	**0,6**	**0,4**	**1,4**	**1,0**	**0,7**
	2010	**0,3**	**0,9**	**0,7**	**0,7**	**0,4**	**0,9**	**0,7**	**0,7**
April	2007	0,2	2,9	0,7	1,3	1,1	1,9	1,5	1,4
	2008	0,2	2,9	0,2	1,1	0,4	1,2	0,9	1,1
	2009	**0,2**	**2,9**	**0,6**	**1,3**	**0,7**	**1,7**	**1,3**	**1,3**
	2010	**0,3**	**2,9**	**0,3**	**1,2**	**0,7**	**1,1**	**0,9**	**1,2**
May	2007	0,2	0,4	-0,1	0,2	0,0	1,5	0,8	0,3
	2008	0,2	0,3	0,2	0,3	0,1	4,3	2,6	0,7
	2009	**0,2**	**0,4**	**-0,1**	**0,1**	**0,2**	**1,1**	**0,7**	**0,2**
	2010	**0,2**	**0,4**	**0,1**	**0,2**	**0,1**	**0,7**	**0,4**	**0,3**
June	2007	0,1	-0,2	0,3	0,1	0,4	0,7	0,6	0,2
	2008	0,2	-0,2	0,5	0,2	1,3	3,1	2,4	0,6
	2009	**0,3**	**-0,3**	**0,4**	**0,2**	**0,1**	**0,1**	**0,1**	**0,1**
	2010	**0,3**	**-0,3**	**0,4**	**0,2**	**0,0**	**0,0**	**0,0**	**0,1**
July	2007	0,1	-3,8	0,6	-1,0	0,5	0,5	0,5	-0,7
	2008	0,2	-3,6	0,7	-0,9	-0,1	2,3	1,4	-0,5
	2009	**0,2**	**-3,6**	**0,7**	**-0,9**	**0,2**	**0,6**	**0,4**	**-0,7**
	2010	**0,2**	**-3,6**	**0,7**	**-0,9**	**0,4**	**0,9**	**0,7**	**-0,6**
August	2007	0,3	-0,3	0,6	0,2	0,2	-0,8	-0,3	0,1
	2008	0,2	-0,2	0,6	0,3	0,0	-3,9	-2,4	-0,2
	2009	**0,2**	**-0,2**	**0,6**	**0,3**	**0,5**	**0,3**	**0,4**	**0,3**
	2010	**0,2**	**-0,2**	**0,6**	**0,3**	**0,6**	**-0,1**	**0,2**	**0,3**
September	2007	0,9	1,0	-0,6	0,3	0,7	0,6	0,6	0,3
	2008	0,2	1,1	-0,5	0,2	0,4	-1,8	-0,9	0,0
	2009	**0,2**	**1,1**	**-0,5**	**0,2**	**0,4**	**0,0**	**0,2**	**0,2**
	2010	**0,2**	**1,1**	**-0,5**	**0,2**	**0,3**	**-0,3**	**-0,1**	**0,2**
October	2007	2,3	2,7	0,1	1,4	0,5	1,0	0,7	1,3
	2008	0,1	2,7	0,0	0,9	-0,4	-3,9	-2,4	0,3
	2009	**0,3**	**2,7**	**0,0**	**1,0**	**0,1**	**0,2**	**0,1**	**0,8**
	2010	**0,3**	**2,7**	**0,0**	**1,0**	**0,1**	**0,2**	**0,2**	**0,9**
November	2007	0,9	1,0	-0,1	0,5	0,6	2,7	1,7	0,7
	2008	0,0	1,0	-0,2	0,3	0,1	-6,6	-3,8	-0,4
	2009	**0,3**	**1,0**	**-0,1**	**0,4**	**0,4**	**-0,4**	**0,0**	**0,3**
	2010	**0,3**	**1,1**	**-0,1**	**0,4**	**0,5**	**-0,7**	**-0,2**	**0,3**
December	2007	0,4	-0,3	0,5	0,2	1,5	1,1	1,3	0,4
	2008	-0,1	-0,5	0,3	0,0	0,6	-5,8	-3,0	-0,5
	2009	**0,2**	**-0,4**	**0,4**	**0,1**	**0,9**	**0,2**	**0,5**	**0,2**
	2010	**0,2**	**-0,5**	**0,5**	**0,1**	**1,1**	**-0,1**	**0,4**	**0,1**

The figures in the shaded area are forecasts.
Source: INE & IFL (UC3M)
Date: January 15, 2009

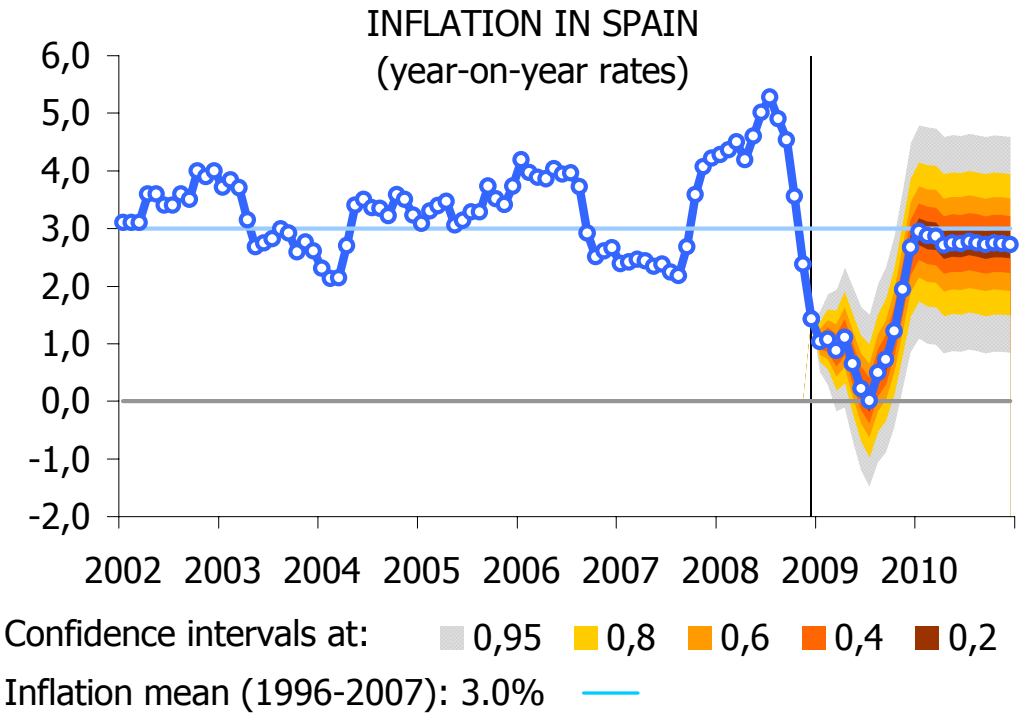
Table IV.1.4.4

CPI ANNUAL AVERAGE GROWTH RATES BY COMPONENTS IN SPAIN WITH FORECASTS FOR 2009 AND 2010

				Weights 2008	2005	2006	2007	2008	2009	2010
CPI Total	Core Inflation	Processed food	AE less tobacco & fats	12,8	2,5	2,8	4,5	7,4	2,5	3,6
			Oils & Fats	0,8	10,5	23,4	-16,8	2,2	-5,9	0,6
			Tobacco	2,0	6,6	1,5	8,8	3,5	2,6	1,4
			Processed food	15,6	3,4	3,6	3,7	6,5	2,1	3,1
		Non energy industrial goods	Vehicles	6,2	1,8	2,3	1,4	-0,5	0,0	-0,1
			Footwear	1,9	2,2	1,6	1,3	1,4	0,8	0,4
			Clothing	6,8	1,1	1,1	0,9	0,4	0,2	0,2
			Rest	14,7	0,5	1,2	0,3	0,3	0,5	0,4
			Non energy industrial goods	29,6	0,9	1,4	0,7	0,3	0,4	0,3
		Services	Postal services	0,0	2,7	5,7	3,6	2,8	3,0	2,0
			Cultural services	1,8	2,7	2,4	3,1	2,8	2,2	2,5
			Education	1,0	4,1	3,5	4,1	3,4	2,9	2,9
			Hotels	0,7	2,3	3,6	5,5	4,2	-1,0	4,6
			Health	2,3	4,0	4,1	4,2	4,1	3,9	3,9
			Household equipment	1,8	4,5	4,4	4,2	4,4	4,5	4,8
			Restaurants	11,2	4,3	4,5	4,8	4,7	4,3	4,3
			Telephone	3,6	-1,6	-1,4	0,3	0,6	0,2	0,2
			Transports	5,3	4,4	4,2	3,1	4,1	4,9	4,3
			Package holidays	1,4	2,2	3,1	0,6	4,5	6,1	6,5
			University	0,5	4,6	5,0	5,3	5,2	5,5	4,0
			Housing	5,2	4,8	4,7	4,7	4,1	4,3	4,3
			Rest	3,0	3,8	4,3	3,9	3,8	4,4	4,2
			Services	37,7	3,8	3,9	3,9	3,9	3,8	3,9
		Core Inflation		82,9	2,7	2,9	2,7	3,2	2,3	2,5
	Residual Inflation	Non processed foods	Meat	2,7	3,8	6,0	5,2	3,9	2,7	3,7
			Fruits	1,3	2,7	0,1	4,5	9,4	3,8	4,7
			Eggs	0,2	-3,2	2,8	4,3	10,7	1,9	0,5
			Vegetables	0,9	5,4	-0,8	6,4	2,4	5,5	4,8
			Mollusc	0,6	5,4	2,3	0,1	-0,2	-0,8	1,4
			Potatoes	0,3	-8,2	17,6	8,4	-1,7	2,8	3,0
			Fish	1,4	3,8	5,7	2,5	1,2	0,1	3,4
			Non processed foods	7,4	3,3	4,4	4,7	4,0	2,5	3,7
		Energy	Heat energy	5,7	12,3	6,6	1,4	13,0	-22,3	5,1
			Fuels	0,4	26,8	11,8	-0,8	23,5	-24,7	11,6
			Electricity and gas	3,6	4,0	9,6	2,1	8,7	5,2	2,9
			Energy	9,8	9,6	8,0	1,7	11,9	-12,3	4,6
		Residual Inflation		17,1	6,5	6,3	3,2	8,5	-6,1	4,2
	CPI Total			100,0	3,4	3,5	2,8	4,1	0,8	2,8

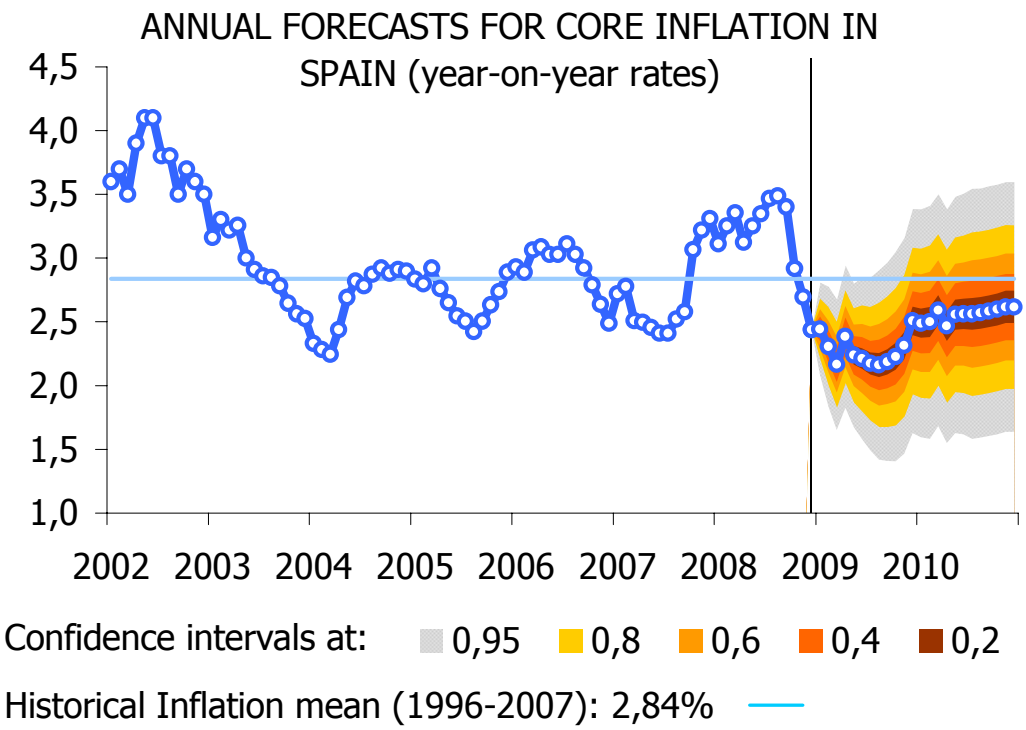
Bold figures are forecasts
Source: INE & IFL (UC3M)
Date: January 15, 2009

Graph IV.1.4.2



Source: INE & IFL (UC3M)
Date: January 15, 2009

Graph IV.1.4.3



Source: INE & IFL (UC3M)
Date: January 15, 2009

IV.2 ANALYSIS OF THE SPANISH ECONOMY.

IV.2.1 RECENT EVOLUTION OF THE SPANISH ECONOMY.

According to the latest indicators, largely referring to December and November, at the end of 2008 the Spanish economy continued to intensify the weakening process registered since the last few months of 2007. The international financial crisis is playing a major role in this real economy situation. In the fourth quarter of last year, the Spanish economy probably entered a period of technical recession (a quarter-on-quarter decline for two consecutive quarters) with GDP decreases in both the third and fourth quarters, in real terms and corrected for seasonality and calendar.

The perspectives point to the GDP continuing to fall, at least during most of 2009, although possibly at a slower rate in the second half of the year. This situation of economic weakness is having a significant impact on the labour market, with a high cost in terms of employment. The economy's foreseeable evolution is surrounded by a great deal of uncertainty and, as in 2008, the most pessimistic forecasts will probably be accurate. Indeed, in the last few quarters the revisions made to the IFL growth forecasts whenever new figures are published have systematically been downwards changes.

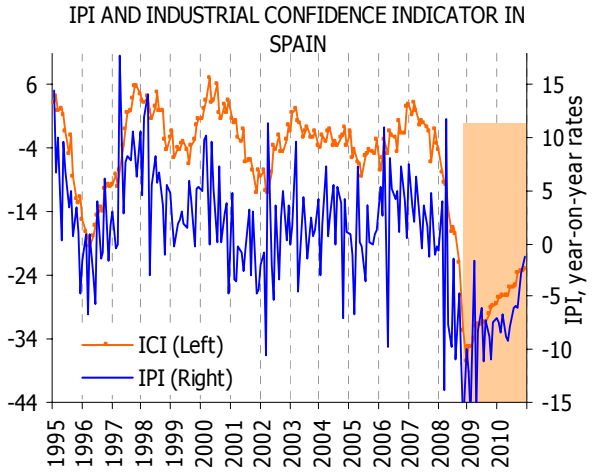
In this respect, the Government, when the updated Stability and Growth Plan (2009-2011) was presented in Brussels, updated its forecasts for the macroeconomic table. These forecasts contemplate a significant downwards revision in GDP growth for 2009, establishing an average annual fall of 1.6%, very similar to our own forecast. A few days later, however, the European Commission published their growth forecasts for Spain, which are considerably more pessimistic, estimating an average annual fall of 2% for this year.

The partial information available concerning the fourth quarter of 2008, considered overall, shows that the decline in growth of the Spanish economy has become more intense, as the indicators forecast by the IFL were more favourable than the observed figures for these three months. In December, the economic sentiment indicator was at its lowest ever, and some of the most important indicators in the Spanish economy, such as Social Security contributors and registered unemployment in December and the November IPI have shown unprecedented declines. Construction-related indicators such as housing sales, building permits, official calls for bids, etc., show that the Spanish economy continued to decline at a faster pace in the last quarter of the year. On the other hand, we are seeing good figures in inflation, oil prices and interest rates, the most immediate effect of which may be on private consumption.

The Industrial Production Index (IPI) in November showed a year-on-year decrease of 17.2%, equivalent to 15.1% when corrected for the calendar effect, 2.3 points less than the previous month. These results are worse than our forecasts estimated with information from October and represent important downwards innovations in all the sectors comprising the index. This result confirms the heavy decline in industrial activity over the last few months.

Disaggregating the latest IPI figure by economic destination, we find that all the major sectors have contributed to its fall, starting with intermediate goods (-23.7%) and followed by capital goods (-16%), consumption (-9.4%) and energy (-2.6%). When consumer goods are disaggregated into durable and non-durable, we find a heavy 23.9% decrease in durable goods.

Graph IV.2.1.1



Note: The last figure of the Industrial Production Index refers to the month of October. The Industrial confidence indicator is relative to November 2008.

Source: EUROPEAN COMMISSION, INE & IFL (UC3M)
Date: January 9, 2009.

The expectations of economic agents in the evolution of the Spanish industrial sector in December have also been published in the form of the Industrial Confidence Indicator (ICI), once again showing a decrease, with confidence at a negative value of 37.6, the lowest since April, 1993. The ICI forecast updated with the December figure show that it will continue to be negative in January, 2009 and throughout the next two years, although these negative values are expected to be an improvement on the last few months (see graph IV.2.1.1).

We have updated our IPI forecasts with the latest information about the industrial sector, leading to downwards revisions in both the IPI itself and all the sectors comprising the index. For our forecasting horizon, significant falls are expected in 2008 and 2009, 6.1% and 9.6%, respectively, followed by a slight improvement, with a slower decrease in 2010 (6.1%). This situation will be due to all the major sectors, especially durable consumer goods, consistent with their greater degree of cyclic sensitivity.

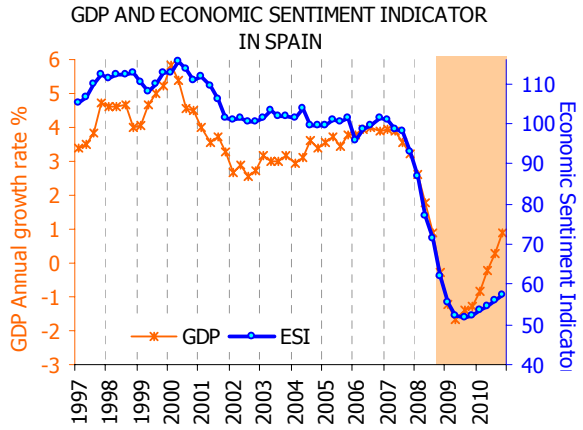
The Economic Sentiment Indicator (ESI) for the Spanish economy calculated by the European Commission for December fell by more than 6 points to 57, its lowest level since the series started in 1987. This figure is lower than our forecast, which contemplated a 60% confidence interval of 58.7-64.6 points. The decline in December affected all the sectors comprising the indicators, especially services and retail trade, with 8 points each.

The ESI forecast update with the December figure has again resulted in a downwards revision of the expectations of economic agents regarding the Spanish economy in the next few months. The values registered by the ESI in the last few months, in Spain and the euro area, have not been seen before, which is making forecasting more difficult and increasing the uncertainty regarding the indicator's evolution. In the next few months the ESI is expected to continue to decline, only recovering slightly towards the end of 2009 and probably continuing to do so in 2010.

The profile described by the ESI forecast is very similar to that of the GDP forecasts estimated at the end of November when the National Accounts for the third quarter of 2008 were published. The GDP is again expected to register a negative quarter-on-quarter rate in the fourth quarter, with which the Spanish economy will be immersed in a technical recession.

The more intense decline in economic activity in the last few months of 2008, as shown by the above indicators, is also confirmed by other recent figures. With regards to the construction sector, the indicators clearly show a continued decline. The Property Transaction Statistic published for October by the Ministry of Housing shows a 27.7% year-on-year decrease, with a greater impact on second hand (-43%) than new home sales (-8.7%). Building permits in the same month registered a year-on-year decrease of 56.8%, six points less than the previous month. This was due to both the residential and non-residential component, although the former fell more (62.1%) than the latter (33.3%). With regards to official calls for bids, there was a year-on-year of 12.6% at current prices in October, in contrast with the expansive tone of the two previous months, largely due to the building segment (-36%) and, to a lesser extent, to civil works (-3.8%).

Graph IV.2.1.2



Note: The last figure of the GDP refers to the third quarter of 2008. The ESI is relative to November 2008.

Source: EUROPEAN COMMISSION, INE & IFL (UC3M)
Date: January 8, 2009.

One of the most visible effects of the economic crisis in the Spanish economy is found in the labour market, with an intense decline, much greater than in other euro area countries because of the peculiar aspects of the market in Spain. Indeed, in 2008 our unemployment rate could increase by around five points, whereas it will be increasing by half a point in the euro area. The perspectives show that it could reach close to 18% by the end of 2009, with over 4 million unemployed. The most recent labour market figures come from official registers in December, Social Security (SS) contributors and registered

unemployment. The former showed a month-on-month decrease of 190 thousand people, or 140 thousand when using data corrected for seasonality. This represents 842 thousand less contributors than a year earlier, a year-on-year rate of -4.3%, compared with the previous month's -3.5%. This was due to all the non-agrarian sectors, with construction registering the greatest year-on-year decrease (20%). Consistent with the evolution of SS contributors, registered unemployment at the end of the month affected over three million people, with an increase of nearly a million during the year. In the next section, we discuss the Active Population Survey (EPA) for the fourth quarter of 2008, enabling us to perform a more global analysis of the Spanish labour market and also including updated forecasts for labour market figures.

IV.2.2 INFLATION.

Inflation decreased more than expected in December. However, the forecasting error is not due to energy or food prices, as has been usual in the last few months, as the prices of practically all the price categories used to analyse Spanish inflation have registered downwards surprises.

It is easy to assume a relationship between falling prices and the economic crisis. However, there are two possible interpretations of this relationship. On the one hand, the sluggishness found in all sectors of the economy could be causing a change in the dynamics of the evolution of prices in Spain. In the last 10 years, Spain has registered higher than average euro area growth both in the GDP and in consumer prices. In a monetary union, a persistent inflation differential is not sustainable in the long run, meaning that excess inflation in the Spanish economy will have to be corrected at some time. The current crisis, involving a strong decline in domestic demand in Spain, may be favouring such an adjustment, by forcing changes in the evolution of prices.

On the other hand, the downwards innovations observed may be seasonal, depending on an "atypical" December in which rising Christmas food prices have been limited by poor expectations regarding the evolution of demand; some stores and major outlets have brought the sales forward with particularly aggressive offers, and even some services such as hotels and restaurants may have limited their price increases in order to attract custom at a particularly important time.

Table IV.2.2.1

ANNUAL RATES OF GROWTH IN THE SPAIN*

HICP	Observed			Forecasts		
	Aver [2] 2007	Aver[2] 2008	2008 Dec[1]	2009 Jan[1]	Aver [2] 2009	Aver [2] 2010
CORE (82,9%)	2,7	3,2	2,4	2.5 (±0,17)	2,3 (±0,29)	2,5 (±0,46)
TOTAL (100%)	2,8	4,1	1,4	0,9 (±0,17)	0,9 (±0,72)	2,8 (±1,05)

* Intervals at 80% of confidence calculated with historical errors.
Source: INE & IFL (UC3M)
Date: January 15, 2009

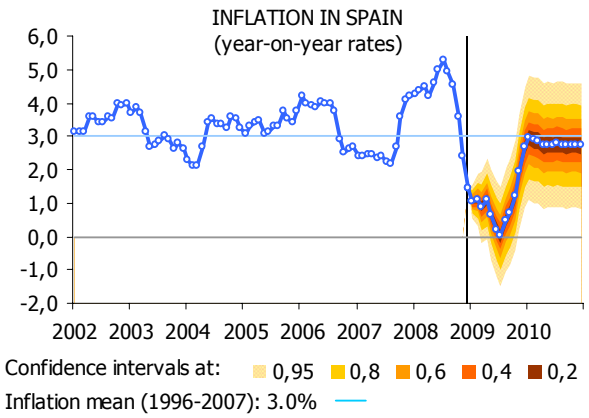
[1] Year-on-year rate
[2] Annual average rate

From the viewpoint of econometric inflation forecasting, the difference between these two interpretations is enormous. The first involves a thorough revision of all the models used in order to accurately identify new medium and long-term trends. The second, on the other hand, does not invalidate our current models and means that prices will continue to be moderate as forecast, although slightly more than was estimated with information up to the previous month.

In the new forecasts published here, we adopted the second interpretation for two reasons. Firstly, unlike what some of the media has attempted to transmit, the reduction in inflation up to November was unrelated to the economic crisis. It was caused by falling energy and food prices on the world markets. In the last few months, both services and manufactured goods have evolved in line with expectations, and the latter even registered a slight increase in prices. The December figure is the first which appears not to be in line with a stable evolution of non-energy prices, and one month's data does not contain enough information to lead to a radical change in the forecasts. The second reason is that, even if we accept the hypothesis of a structural change, there is insufficient information to reliably estimate new medium and long-term trends.

Therefore, as was to be expected, the inflation forecast has been revised downwards moderately for all the principal components.

Graph IV.2.2.1



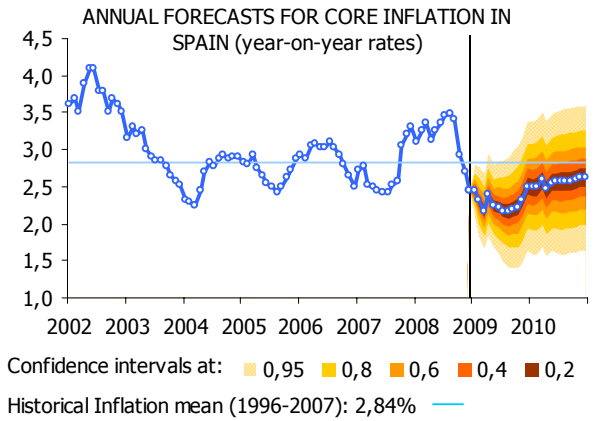
Source: INE & IFL(UC3M)
Date: January 15, 2009

Within the items comprising core inflation, all the forecasts for 2009 have been revised downwards. For processed food, the average annual rate expected for 2009 has fallen from 2.3% to 2.1%; this figure includes the recent increase in tobacco prices. In industrial goods the forecast was also revised downwards by two tenths of a point to 0.4%. Finally, in services, the most important sector in the core inflation and headline inflation index with a weight of approximately 40%, the expected average annual rate for 2009 has fallen from 4.0% to 3.8%. The expectations regarding

the core inflation rate also evolved downwards proportionally; the average annual value for 2009 is forecast at 2.3% (±0.29), with 2.6% (±0.46) for 2010.

With regards to the prices not included in the core index, the inflation forecast for unprocessed food was revised downwards to an average rate of 2.5% in 2009, 4 tenths of a point less than our previous forecast.

Graph IV.2.2.2

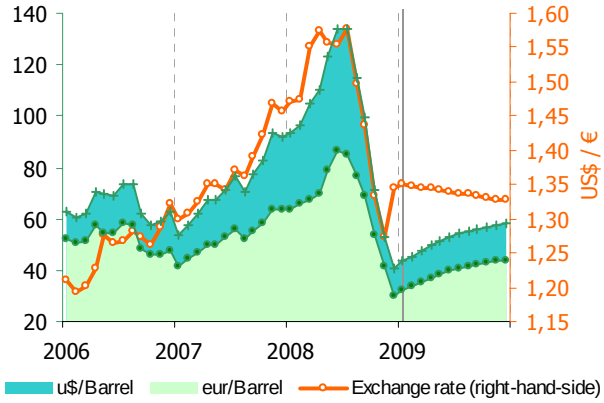


Source: INE & IFL(UC3M)
Date: January 15, 2009

To conclude, the evolution of industrial good and service prices is not compatible with the possibility of deflation. The reduction in inflation for some services and the core component in general is good news for the Spanish economy, and we shall have to hope that it becomes consolidated and spreads to other markets.

Energy prices remained relatively stable last month, and for the first time after months of sudden changes, the revisions were contained. The average price of Brent in December was 30 €/barrel (40$/barrel), the same as in December, 2004. Using future contracts for Brent prices, oil prices are expected to slowly increase in the next few years, to around 40 euro/barrel at the end of 2009 and close to 50 euros/barrel by the end of 2010. Obviously, these forecasts are subject to great uncertainty and should be seen as the most likely scenario discounted by the market. With these assumptions, the forecast evolution of energy prices has been revised downwards slightly for 2009 to a negative average annual rate of 12.3%, instead of the previously expected 11.8& decrease. The contraction of the prices in this item will reach 19% in July, 2009. Energy prices will then rise again to positive values by the end of the year. For 2010, we expect positive growth of energy prices, with a year-on-year rate of 4.2%.

Graph IV.2.2.3



Source: ECOWIN, Consensus Forecasts, ECB & IPE
Date: January 15, 2009

Aggregating the different forecasts, we obtain the new estimates for headline inflation. In 2009, the average annual inflation rate is expected to be 0.9%(±0.72). In July and June, the annual rate may show zero or slightly negative variations, largely due to a fall in energy prices. Inflation will increase in the second half of the year, reaching more than 2.0% by December.

IV.2.3 STATUS OF THE SPANISH LABOUR MARKET AT THE END OF 2008 AND FORECAST FOR 2009 AND 2010

Following is an analysis of the recent performance of the Spanish labour market, according to the Active Population Survey (EPA) for the last quarter of 2008. According to its results, the Spanish labour market is suffering intensely from the effects of the economic crisis and jobs were lost, for the third consecutive quarter, at a rate of 3%. This adjustment process continues to affect temporary employees, due to lower dismissal costs, but fixed employment could also begin to diminish next year. Unemployment continued to grow sharply and increased significantly relative to the third quarter, ending at a rate of 13.9%, 2.6 points more than in the previous quarter. The forecasts estimated with the new information show that this situation will rapidly worsen. In 2009, employment is expected to fall by an average annual rate of 4.9%, compared with 5% in 2008, with the rate falling to 1.5% in 2010. The unemployment rate will increase considerably, with 2009 registering an average annual rate of 17.4%, after the 11.3% of 2008. It will rise to 19.8% in 2010.

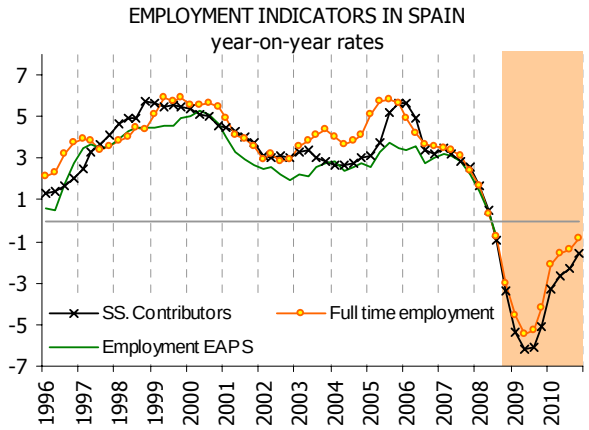
IV.2.3.1. The demand for employment

In the last quarter of last year, according to Active Population Survey (EPA) estimates, the number of employed people fell by 489.5 thousand in relation to the previous period, although this number is reduced by around 100 thousand when corrected for seasonal fluctuations. The Spanish economy, then, has been losing employment for three consecutive quarters. After this variation, employment fell from the 20 million level to 19.856.8 thousand people. Relative to a year earlier, the decrease is 3%, significantly greater than the previous quarter (0.8%), meaning that 620 thousand net jobs were lost last year. With regards to the average annual rate, the fall was 0.5%, contrasting with significant growth (3.1%) in 2007 (see table IV.2.3.1.1 and graphs IV.2.3.1.1 and IV.2.3.1.2).

These results show a greater decline in employment due to the effects of the economic and financial crisis in the last few quarters. The crisis is particularly felt in the Spanish labour market, much more than in other euro area countries and other western economies, partly due to certain peculiar aspects of our labour market.

The rate of employment, calculated as the percentage of people employed in the population over 16 years of age, fell by 1.4 pp from the previous quarter, to 51.8%. Note that this rate, after evolving upwards for more than ten years, with a significant increase of over 10 points, fell for the fifth consecutive quarter, on this occasion by 2.2 points relative to a year earlier.

Graph IV.2.3.1.1



Source: INE & MTIN

Employment in the fourth quarter of 2008 was worse than expected according to the IFL forecasts estimated in October when the third quarter EPA was published. Our forecasts contemplated a significant reduction in growth in employment, as they predicted a negative 1.8% year-on-year rate. However, the decline in the employment indicators in the fourth quarter of last year was no surprise, as it had been anticipated by the monthly Social Security contributor figures, which registered a year-on-year decrease of 3.4% in the quarter.

The intense deceleration of employment last year was significantly greater than the decline in the GDP, so apparent labour productivity is increasing considerably. Indeed, in 2008 productivity growth has nearly doubled, with an expected rate of 1.5%, compared to the 0.8% of 2007. This evolution of the productivity of the Spanish economy is contracyclic, unlike what is happening in other euro area economies. The December issue of the Bulletin mentions some of the possible reasons for this cyclic reversion of productivity in the Spanish economy.

Analysing the behaviour of employment from a sectoral perspective, we find that construction continued to be most affected by the economic crisis in October-December, 2008, although the other sectors are also progressively being affected. In the fourth quarter of 2008, all non-agrarian sectors lost jobs, with construction in the lead with a loss of 228 thousand. From an annual

perspective, services was the only sector that not only maintained its employment level during the year but also increased it by over 200 thousand people (1.5%), while most losses (559 thousand) were observed in construction, with a year-on-year reduction of 20.7%, 7.7 pp more than in the previous quarter. Industry lost 220 thousand jobs last year and increased its year-on-year reduction rate to 6.7%, nearly 6 pp less than the previous quarter, consistent with the evolution of the sector's other activity indicators.

The decline of employment in construction is consistent with the weak tone found in the most significant activity indicators for the sector, such as housing construction and sales, building permits, cement consumption, etc. The perspectives are for the sector to continue to decline in the next few quarters, so jobs will continue to be lost.

With regards to professional status, in October-December 2008 the decline in employment affected both salaried and non-salaried personnel, but was more intense in the former. Salaried employees registered a year-on-year decrease of -3.4%, 2.7 pp less than in the previous quarter, and in non-salaried employees the decrease was -1.4%, three tenths of a point less (see table IV.2.3.1.1). As a result of the evolution of employment in both groups, the rate of salaried employment fell by two tenths of a point to 82.1 percentage points. This ratio is nearly half a point less than a year earlier, consistent with procyclic behaviour.

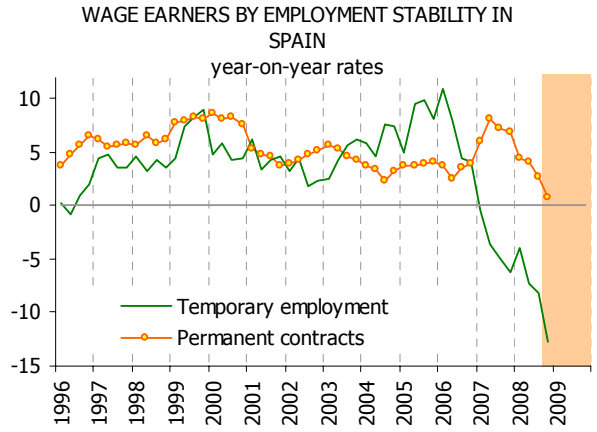
Table IV.2.3.1.1. Recent evolution of employment indicators

	Annual variation as % or ratio							Thousands		
	2007	2008	2007	2008				Mean 2008	Latest figure	
			IV	I	II	III	IV		Level	Δ annual
EPA										
Total employed	3,1	-0,5	2,4	1,7	0,3	-0,8	-3,0	20257,6	19856,8	-620,1
- Agriculture	-2,0	-5,0	-1,7	-6,8	-4,4	-4,1	-4,7	879,0	863,4	-42,4
- Industry	-0,9	-1,1	-1,2	2,3	0,9	-1	-6.7	3225,5	30599,6	-219,,5
- Construction	6,1	-10,9	2,7	-1,7	-7,9	-13	-20,7	2404,2	2135,0	-558,5
- Services	3,9	2,1	3,5	2,8	2,1	1,9	1,5	13748,9	13798,7	200,2
Employment rate	54	53,0	54,0	53,6	53,5	53,2	51,8	53,0	51,8	-3,0
Employed by professional status										
Salaried	3,4	-0,5	2,5	1,8	0,4	-0,7-	-3,4-	16681,2	16308,2	-568,3
- With indefinite contract	7,1	3,0	7,0	4,5	4,1	2,8	0,8	11800,7	11753,9	95,7
- With temporary contract	-3,8	-8,0	-6,3	-3,9	-7,3	-8,2	-12,7	4880,5	4554,3	-664,1
Non-salaried	1,6	-0,5	1,8	0,8	-0,4	-1,1	-1,4	3576,4	3548,6	-51,8
Employed by duration										
- Full time	3,3	-0,7	2,6	2,2	0,3	-1,2	-4,0	17832,2	17377,8	-716,0
- Part time	1,6	1,1	0,4	-1,8	0,4	2,1	4,0	2425,	2479,0	95,9
S.S. contributors										
- Total	3,0	-0,5	2,6	1,7	0,5	-0,9	-3,4	19130,3	19372,8	-841,5

Source: INE y MTIN.

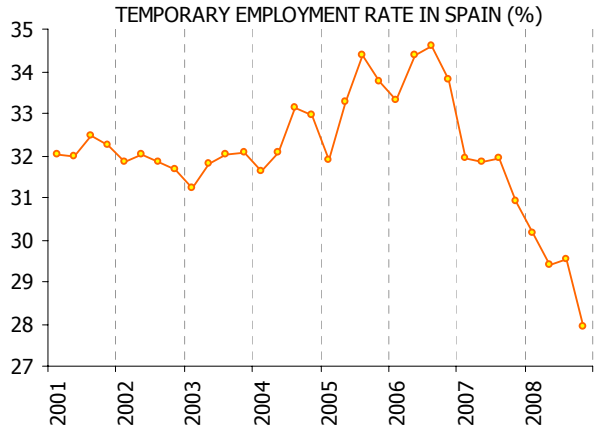
Analysing salaried employment from a stability perspective, we find that the employment adjustment in the fourth quarter of 2008 basically affected workers with temporary contracts, as indefinite contracts actually increased during the year, although there were signs of the economic crisis in the second half. Indeed, the group of workers with indefinite contracts ended last year with a year-on-year growth rate of 0.8%, two pp less than in the previous quarter and 6.2 less than a year earlier, with nearly 100 thousand indefinite jobs created during the year. On the other hand, workers with temporary contracts continued to intensify their year-on-year reduction rate from the third quarter's -8.2% to -12.7%, with a loss of 664 thousand net jobs in 2008 (see table 1 and graph IV.2.3.1.2). This evolution tells us that the adjustment in 2008 has most affected temporary contracts, largely because of their lower cost of dismissal, but fixed employment will also probably start to fall in 2009.

Graph IV.2.3.1.2



Source: INE

Graph IV.2.3.1.3



Surce: INE

With this evolution of employment according to type of labour contract, the temporary employment rate was 27.9%, 1.6 pp less than the previous quarter and three points less than a year earlier (see graph IV.2.3.1.3). In spite of this progress, this rate in the Spanish economy is more than double that of the euro area, and one of the factors causing its low productivity growth (see December issue of the Bulletin).

With regards to the results of employment by gender, both female and male employment fell in the last quarter of last year, although the latter did so more intensely. Female employment fell slightly relative to the previous period (0.8%), whereas fame employment fell by 3.6%. Relative to a year earlier, female employment rose by 36.4 thousand, while male employment fell by 657 thousand, representing rates of 0.4% and -5.5%, respectively.

With regards to working hours, in October-December 2008, full-time employees registered a year-on-year decrease of 4%, more than in the previous quarter (-1.2%). On the other hand, part-time employees increased at a year-on-year rate of 4%, nearly two points more than in the previous quarter. With this evolution, the weight of part-time workers in the total increased by 1.1 points to 12.5%, nearly a point more than a year earlier.

IV.2.3.2. Labour supply and unemployment

The labour supply (active population) continues to be surprisingly strong, especially considering the economic crisis and loss of many jobs. In the fourth quarter, the annual growth rate of the active population remained at 2.9%, nearly two tenths of a point more than expected. This is basically due to continued immigration and more female involvement in the labour market when other family members lose their jobs.

In the last quarter of 2008, the active population grew by 120 thousand people, for the first time exceeding 23 million (specifically 23,064.7 thousand); this figure represents an increase of 660.2 thousand people over the last four quarters and a year-on-year rate of variation of 2.9%, the same as in the previous period (see table IV.2.3.2.1). On the other hand, the population over 16 years of age showed a year-on-year variation of 1.2%, two tenths of a point less than the previous quarter, so the activity rate rose by one tenth to 60.1%. In turn, the activity rate relative to the population aged 16-64, which is usually used for international comparisons, was 74%, one tenth of a point more than in the previous period.

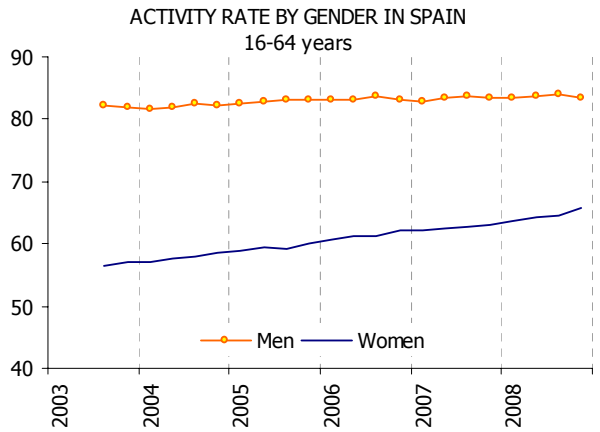
Table IV.2.3.2.1. Recent evolution of activity and unemployment indicators

	Annual variation as % or ratio							Thousands		
	2007	2008	2007	2008				Mean 2008	Latest figure	
			IV	I	II	Level	Level		Nivel	Δ anual
EPA										
Active	**2,8**	**3,0**	**2,7**	**3,0**	**3,1**	**2,9**	**2,9**	**22848,3**	**22064,7**	**660,2**
Activity rate										
(Over 16 years of age)	58,9	59,8	59,1	59,3	59,8	60,0	60,1	59,8	60,1	1,0
Unemployed	-0,2	41,3	6,5	17,1	35,3	45,0	66,4	2590,6	3207,9	1280,3
Unemployment rate	8,3	11,3	8,6	9,6	10,4	11,3	13,9	11,3	13,9	5,3
Public employment services										
Registered unemployment	0,0	24,6	3,9	10,6	18,8	26,0	42,5	2539,9	2978,8	999,5

Sources: INE and MTAS.

Analysing the behaviour of the labour supply by gender, we find that, as has been the case for several years, the active male population (over 16) is less dynamic than its female counterpart. In the fourth quarter, it registered a year-on-year rate of variation of 1.2%, compared with 5.3% for women. This greater growth in the female active population has slightly reduced the activity rate differential between the two genders (see graph IV.2.3.2.1), although it is still high. The activity rate relative to the male population (16-64) was 83.3%, seven tenths of a point less than the previous quarter, while for women it also increased by 1.2 points to 65.7%.

Graph IV.2.3.2.1

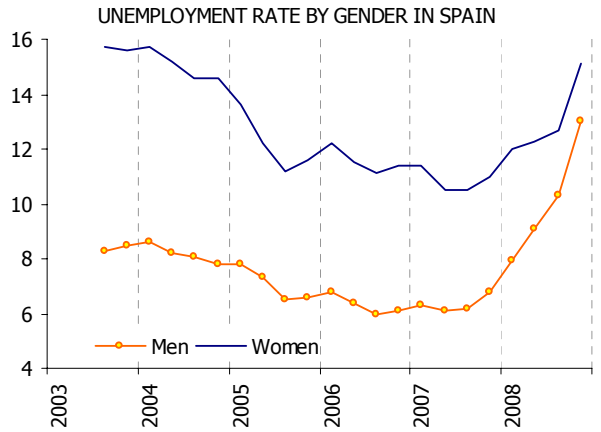


Source: INE

As a result of the evolution of the supply and demand for labour, the number of unemployed increased by 609 thousand people in October-December 2008, making a total of 3,208 thousand.

When corrected for seasonality, the quarter-on-quarter increase in unemployment was 500 thousand people. In relation to the same quarter of 2007, unemployment registered an increase of 1,208 thousand people, representing a very high year-on-year rate of variation (66.4%), some 20 points higher than in the previous period. With these figures, the unemployment rate relative to the active population rose to 13.9%, 2.6 points higher than in the third quarter.

Graph IV.2.3.2.2



Surce: INE

An analysis of unemployment by sector shows that construction continues to register the most negative figures for the last few quarters. On the other hand, unemployment continues to affect young people, women and people with less education more than others. The unemployment rate among the young is now 29.2%, and over 15% among women.

IV.2.3.3. Employment, activity and unemployment perspectives for 2009-2010

The labour market figures in the fourth quarter were significantly worse than the IFL forecast. The year-on-year decrease in employment (-3%) was much more than expected (-2,2%), as was the observed annual growth in the active population (2.9% instead of 2.6%).

Table IV.2.3.3.1

EMPLOYMENT, ACTIVITY AND UNEMPLOYMENT FORECASTS (Annual rates of variation as %)

	2007	2008	**2009**	**2010**
Employed	3.1	-0.5	**-4.9**	**-1.5**
Agriculture	-2.0	-5.0	**-8.3**	**-3.3**
Industry	-0.9	-1.1	**-6.1**	**-1.4**
Construction	6.1	-10.9	**-29.8**	**-13.6**
Services	3.9	2.1	**-0.1**	**0.0**
Employed	2.8	3.0	**2.1**	**1.5**
Unemployment rate	8.3	11.3	**17.4**	**19.8**

Source: INE & IFL (UC3M)
Date: January 23, 2009

With the new EPA information for the fourth quarter, we have revised our forecasts for the labour market in 2009-2010. They show that the market will continue to decline more intensely in 2009 and improve, although still with negative figures, in 2010. Employment is expected to fall by 4.9% in 2009, representing 835 thousand job losses during the year. For 2010, employment is expected to continue to fall, but at a much lower rate (1.5%). Note that in the worst year of the nineties crisis (1993), employment fell by 4.3% and the GDP decreased by 1%, so our forecast fall of 4.9% in 2009, with the GDP decreasing by more than 1.5% seems reasonable. The fall in employment will involve all major sectors, starting with construction, which will lose 29.8% of its jobs. It will be followed by agriculture (-8.3%) and industry (6.1%) and a few jobs may also be lost in services (0.1%).

The forecast average annual growth rate of the active population has been revised downwards for the forecasting horizon, consistent with a situation of economic weakness. For 2009, the average annual growth rate of the labour supply falls to 2.1%, three tenths of a point less than our previous forecast, and it is expected to be 1.5% in 2010. As a result of these forecasts, the unemployment rate will rise considerably, on the one hand due to the expected job losses, and on the other due to a dynamic active population, in spite of its expected deceleration. For 2009, the unemployment rate will be 17.4%, although it will end the year at around 19%, with unemployment increasing by just over 1 million people. This rate is expected to reach 19.8% in 2010.

IV.3. TABLES AND PLOTS.

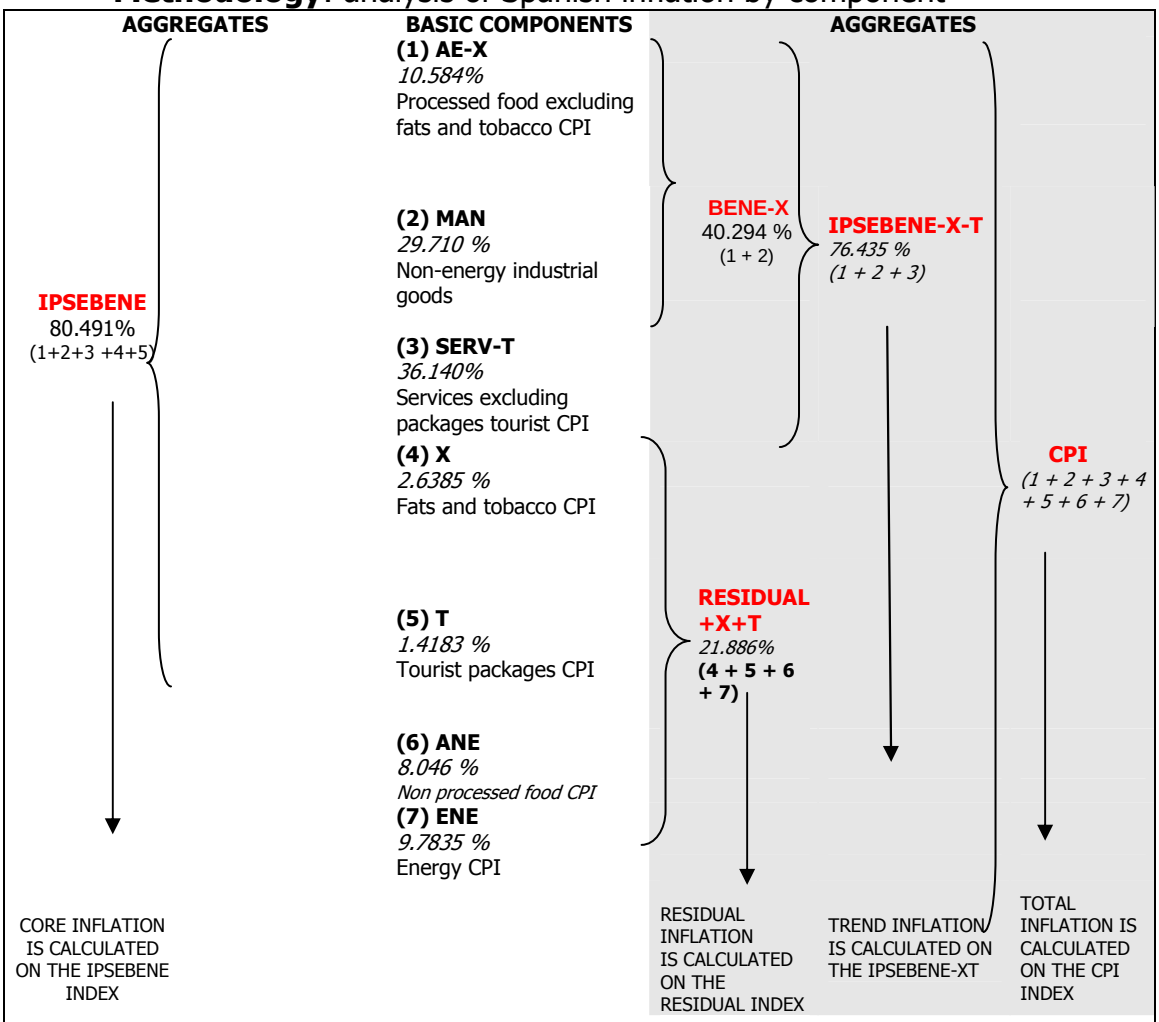
Tables:

- Methodology: analysis of Spanish inflation by component
- Observed values and forecasts for the Spanish CPI.

Plots:

- One month ahead and twelve months ahead forecasts for the Spanish CPI (year-on-year rates).
- One month ahead forecast errors in Spanish inflation.
- Forecasts for 2008 annual average CPI growth rate by component.

Methodology: analysis of Spanish inflation by component

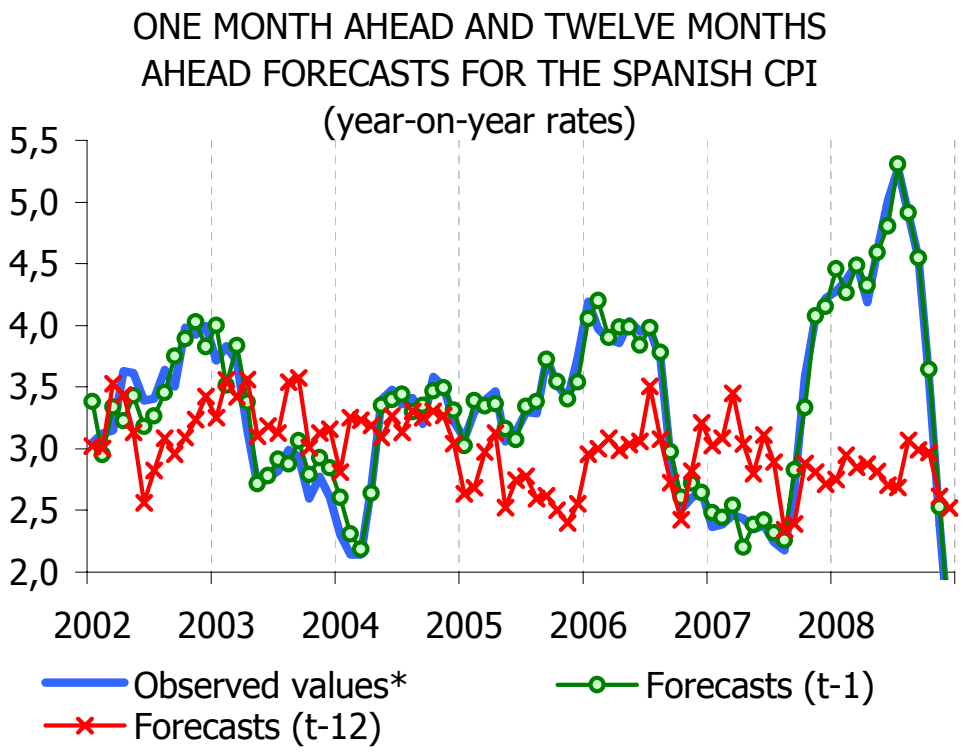


Source: INE & IFL (UC3M). Weights 2008. These weights are not exactly the same as the INE´s weights as the result of slight aggregation errors that appear when applying the above methodology.

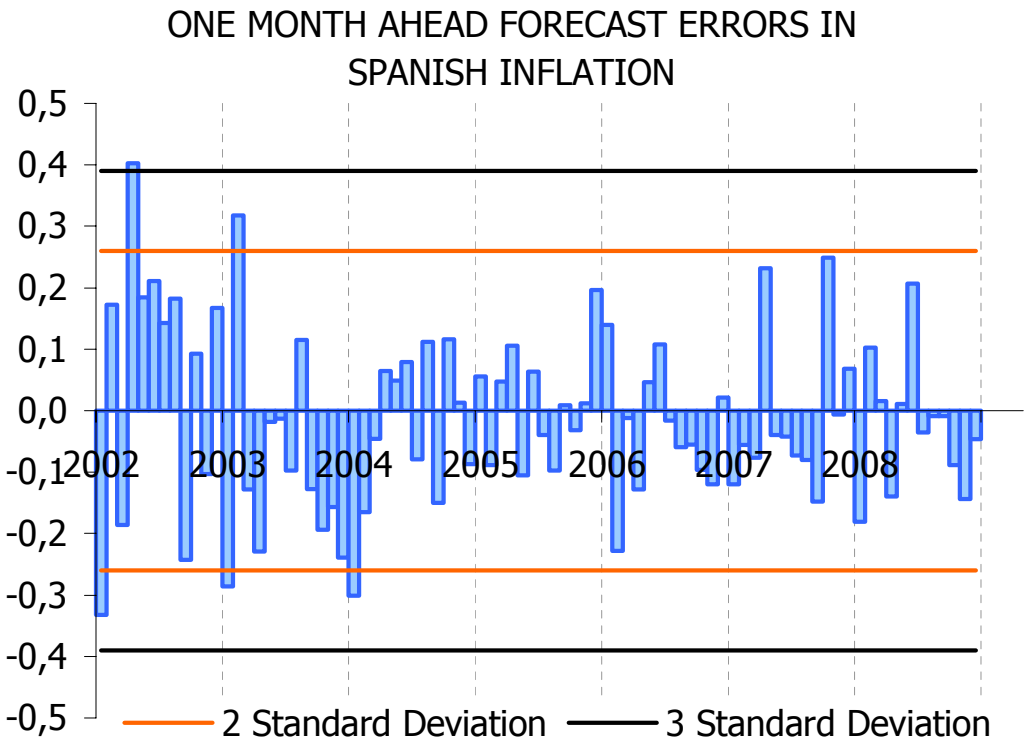
OBSERVED VALUES AND FORECASTS FOR THE SPANISH CPI
Monthly rates, January 2009

Consumer Price Index (CPI)	Weights 2008	Observed values	Forecast*	Confidence intervals **
(1) Processed food	15,57	-0,07	0,07	± 0,51
(2) Non energy industrial goods	29,58	-0,45	-0,25	± 0,30
(3) Services	37,72	0,34	0,50	± 0,15
CORE INFLATION [1+2+3]	**82,87**	**-0,02**	**0,16**	**± 0,17**
(4) Non-Processed food	7,37	0,61	1,20	± 1,03
(5) Energy	9,75	-5,76	-7,28	± 0,67
RESIDUAL INFLATION [4+5]	**17,13**	**-2,98**	**-3,58**	**± 0,78**
TOTAL INFLATION [1+2+3+4+5]	**100,00**	**-0,51**	**-0,47**	**± 0,17**

Source INE & IFL (UC3M)
Date: January 15, 2009

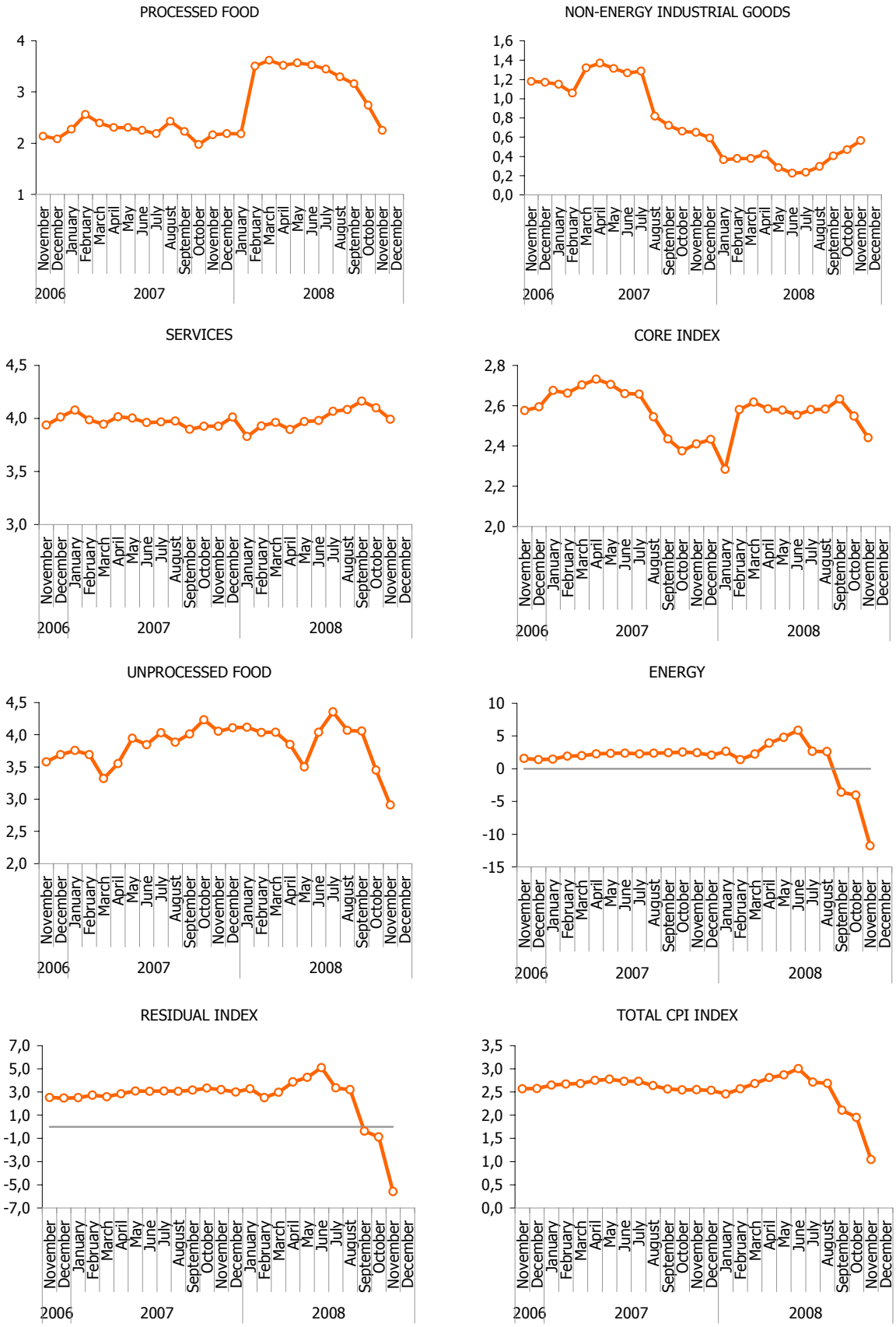


Source: INE & IFL (UC3M)
Date: January 15, 2009



Source: INE & IFL (UC3M)
Date: January 15, 2009

FORECASTS FOR 2008 ANNUAL AVERAGE CPI GROWTH RATE BY COMPONENT



Note: These graphs show the average annual CPI growth rates for 2008 forecast in the Bulletin published in the month on the abscissa.
Source: INE & IFL(UC3M)
Date: January 15, 2009

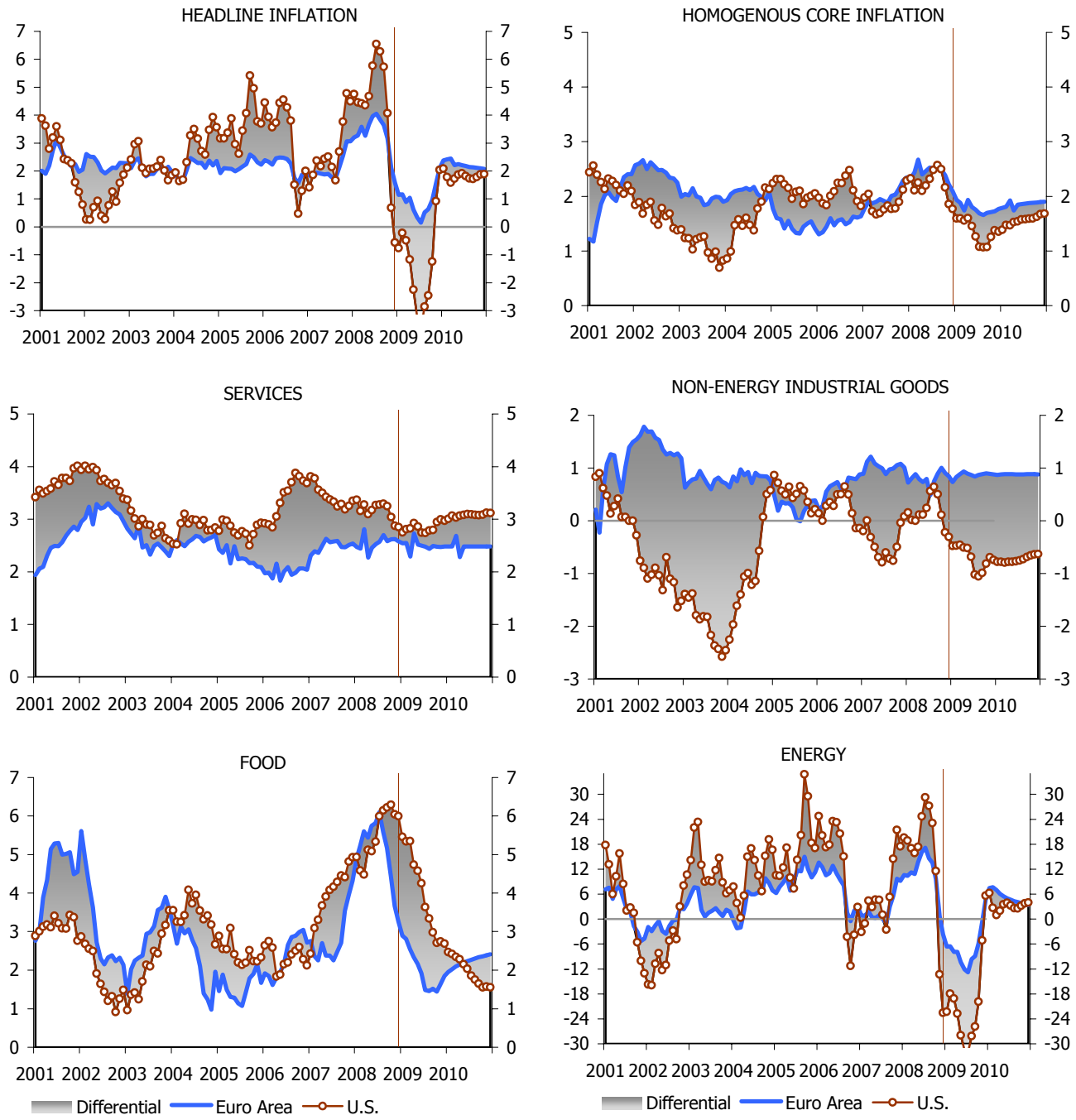
V. SUMMARY OF FORECASTS FOR DIFFERENT AREAS.

V.1 EURO AREA AND USA

INFLATION IN THE EURO AREA AND U.S.										
	Weights 2008	2002	2003	2004	2005	2006	2007	2008	Forecasts 2009	2010
TOTAL										
Euro area	100,0	2,2	2,1	2,1	2,2	2,2	2,1	3,3	**0,9**	**2,2**
U.S. (1)	80,7	0,9	2,2	2,8	3,7	3,1	2,7	4,3	**-1,3**	**-1,3**
A HOMOGENOUS MEASURE OF CORE INFLATION (2)										
Services and Non-energy industrial goods excluding food and tobacco										
Euro area	70,7	2,4	1,8	1,8	1,4	1,4	1,9	1,8	**1,8**	**1,8**
U.S. (1)	57,3	1,7	1,1	1,6	2,1	2,1	1,9	2,2	**1,4**	**1,4**
COMPONENTS OF THE HOMOGENOUS MEASURE OF CORE INFLATION										
(1) Services										
Euro area	40,9	3,1	2,5	2,6	2,3	2,0	2,5	2,6	**2,5**	**2,5**
U.S. (1)	25,0	3,6	3,2	3,3	3,1	3,4	3,5	3,7	**2,8**	**2,8**
(2) Non-energy industrial goods excluding food and tobacco										
Euro area	29,8	1,5	0,8	0,8	0,3	0,6	1,0	0,8	**0,9**	**0,9**
U.S. (1)	32,4	-1,1	-2,0	-0,9	0,5	0,3	-0,4	0,2	**-0,7**	**-0,7**
INFLATION IN THE EXCLUDED COMPONENTS FROM THE HOMOGENOUS MEASURE OF CORE INFLATION										
(1) Food										
Euro area	19,5	3,1	2,8	2,3	1,5	2,4	2,8	5,1	**2,0**	**2,2**
U.S. (1)	14,1	1,8	2,1	3,4	2,4	2,3	4,0	5,5	**4,0**	**4,0**
Energy										
Euro area	9,8	-0,6	3,0	4,5	10,1	7,7	2,6	10,3	**-7,2**	**5,2**
U.S. (1)	9,4	-5,9	12,2	10,9	16,9	11,2	5,5	13,8	**-22,0**	**-22,0**

(1) excluding owner's equivalent rent of primary residence.
(2) This homogeneous measure of core inflation does not coincide with the usual measure of core inflation for the euro area nor for the USA. It has been constructed in order to compare the data in the euro area and in the USA.
Source: EUROSTAT, BLS & IFL (UC3M)
Date: January 16 , 2009

YEAR-ON-YEAR RATES OF INFLATION IN THE EURO AREA AND US



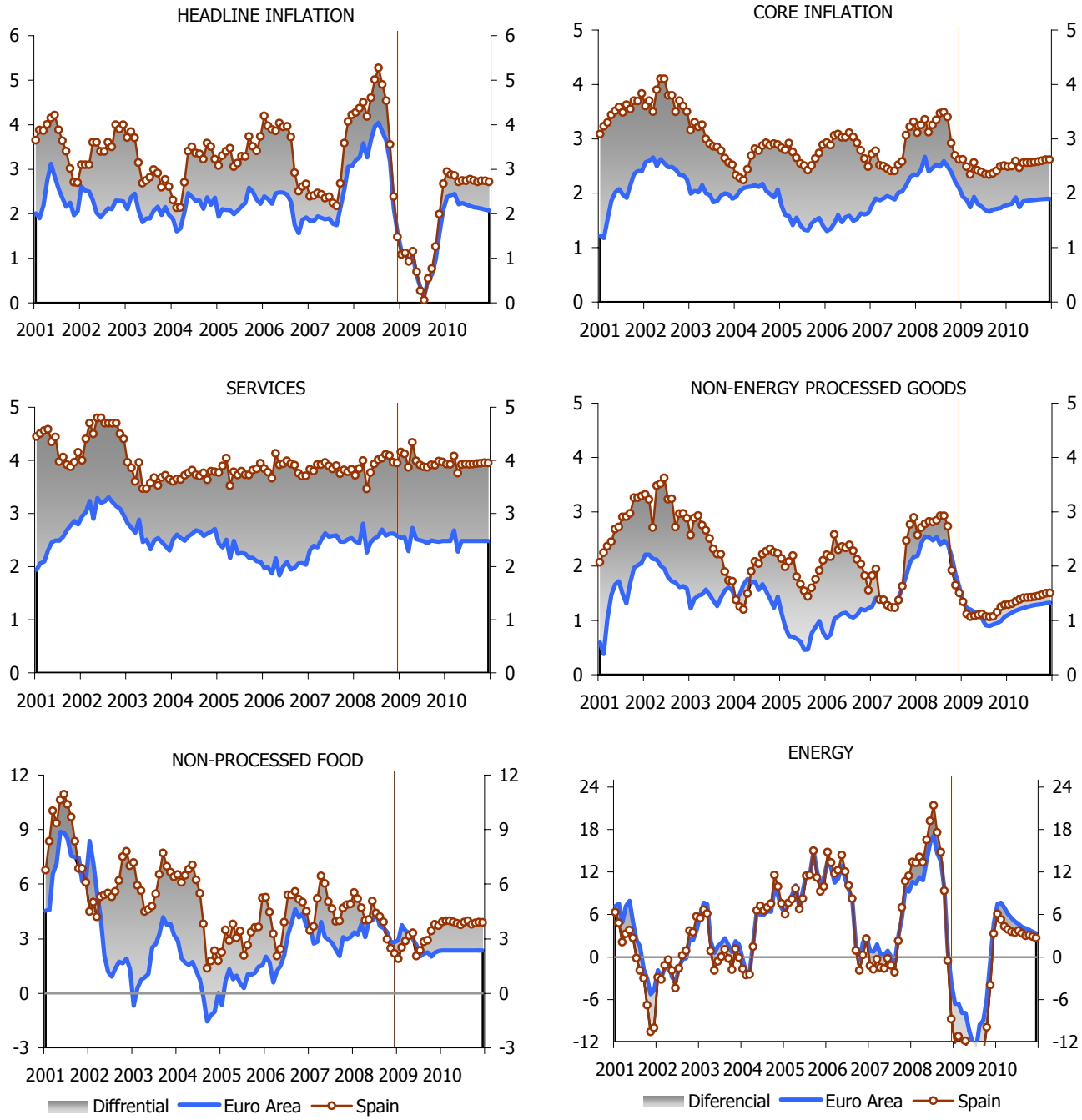
Source: EUROSTAT, BLS & IFL (UC3M)
Date: January 16 , 2009
Headline inflation, homogeneous core inflation and inflation in services do not include owner´s equivalent rent of primary residence.
In the case of homogeneous core inflation, some additional transformations were required in both the euro area and U.S. inflation figures in order to make them comparable: the euro area figures exclude food and tobacco and the U.S. figures exclude tobacco (in addition to owner's equivalent rent of primary residence).

V.2 EURO AREA AND SPAIN

INFLATION IN SPAIN AND THE EURO AREA										
	Weights 2008	2002	2003	2004	2005	2006	2007	2008	Forecasts 2009	2010
TOTAL										
Spain	100,0	3,5	3,0	3,0	3,4	3,5	2,8	4,1	**1,0**	**2,8**
Euro area	100,0	2,2	2,1	2,1	2,2	2,2	2,1	3,3	**0,9**	**0,9**
CORE INFLATION										
Services and Non-energy industrial goods										
Spain	82,9	3,7	2,9	2,7	2,7	2,9	2,7	3,2	**2,4**	**2,6**
Euro area	82,6	2,5	2,0	2,1	1,5	1,5	2,0	2,4	**1,8**	**1,8**
COMPONENTS OF CORE INFLATION										
(1) Processed food										
Spain	15,6	4,3	3,0	3,6	3,4	3,6	3,7	6,5	**2,3**	**3,2**
Euro area	11,9	3,1	3,3	3,4	2,0	2,1	2,8	6,1	**1,6**	**1,6**
(2) Non-energy industrial goods										
Spain	29,6	2,5	2,0	0,9	0,9	1,4	0,7	0,4	**0,6**	**0,5**
Euro area	29,8	1,5	0,8	0,8	0,3	0,6	1,0	0,8	**0,9**	**0,9**
(3) Services										
Spain	37,7	4,6	3,7	3,7	3,8	3,9	3,9	3,9	**4,0**	**3,9**
Euro area	40,9	3,1	2,5	2,6	2,3	2,0	2,5	2,6	**2,5**	**2,5**
COMPONENTS OF RESIDUAL INFLATION										
(1) Non-processed food										
Spain	7,4	5,8	6,0	4,6	3,3	4,4	4,7	4,0	**2,9**	**3,9**
Euro area	7,6	3,1	2,1	0,6	0,8	2,8	3,0	3,5	**2,7**	**2,7**
(2) Energy										
Spain	9,8	-0,2	1,4	4,8	9,6	8,0	1,7	11,8	**-11,8**	**3,8**
Euro area	9,8	-0,6	3,0	4,5	10,1	7,7	2,6	10,3	**-7,2**	**-7,2**

Source: EUROSTAT, INE & IFL
Date: January 15, 2009

YEAR-ON-YEAR RATES OF INFLATION IN THE EURO AREA AND SPAIN



Source: EUROSTAT, INE & IFL (UC3M)
Date: January 15, 2009

VI. FORECASTS FROM DIFFERENT INSTITUTIONS

FORECASTS FROM DIFFERENT INSTITUTIONS[1]

INFLATION

	BIAM[2]		CONSENSUS FORECASTS[3]		IMF[4]		ECB[5]		ECB[6]		OECD[7]	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
EURO AREA	0,9	2,2	1,0	1,7	1,9	-	2,2	2,0	1,4	1,8	1,4	1,3
USA	-1,1	1,8	-0,5	2,0	1,8	-	-	-	-	-	1,6	1,5
SPAIN	0,8	2,8	1,5	2,2	2,6	-	-	-	-	-	1,8	1,5

REAL GDP
(Percentage change from previous year)

	BIAM[2]		CONSENSUS FORECASTS[3]		IMF[4]		ECB[5]		ECB[6]		OECD[7]	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
EURO AREA	-2,1	0,8	-1,4	0,8	0,2	-	0,3	1,4	-0,5	1,0	-0,6	1,2
USA	-	-	-1,8	2,3	0,1	-	-	-	-	-	-0,9	1,6
SPAIN	-1,3	0,3	-1,5	0,4	-0.2	-	-	-	-	-	-0,9	0,8

1 The forecasts are based on CPI in USA and Spain and on HICP in the euro area.
2 Bulletin of EU & US Inflation and Macroeconomic Analysis, January 2009.
3 November 2008.
4 IMF. World Economic Outlook. October 2008.
5 Results of the ECB Survey of Professional Forecasters: ECB. November 20088.
6 ECB staff macroeconomic projection for the euro area. December 2008. Point forecast implied by the interval presented in these projections.
7 OECD Euro area and U.S. inflation: Economic Outlook 83. June 2008. GDP growth and inflation in Spain: Economic Outlook No. 84, November 2008. The inflation forecasts for the euro area and Spain are based on the HICP. For the euro area, only the members of the OECD.

This moth we publish for the first time the comparative information including 2010 forecasts.

Regarding inflation, our forecasts for 2009 are generally lower than those of the rest of institutions. According to the BIMA and the consensus the average inflation rate will be negative in USA during 2009, while the IMF and the OECD maintain positive figures due to the fact that they have not update recently their forecasts. In general inflation will be low in Spain and in the euro area too. This depends on the fall of energy prices in 2009 with respect to 2008,

Regarding GDP growth our forecasts are the most pessimistic for 2009 while they resemble the figures published by the other institution for 2010.

We expect the biggest fall in the euro area economy being our estimation of a negative 2.1% growth rate well below the expectations of other institutions. The fall in Spanish Growth will be more limited and our figures are actually among the most optimistic estimates. Regarding USA GDP growth, for which the BIMA does not publish forecasts, all the main institutions are expecting a big fall in 2009 followed by a fast recovery in 2010.

VII. INDICATORS CALENDAR.

JANUARY

			1	2	3	4
5 **Spain HICP** (A.D. december)	6 **Euro Area HICP** (A.D. decembre)	7	8 **Euro Area QNA** (III Quarter) **Spain ESI** **Euro Area ESI** (december)	9 **Spain IPI** (december)	10	11
12	13	14 **Euro Area IPI** (november)	15 **Spain HICP** **Euro Area HICP** (december)	16 **USA PCE** (december)	17	18
19	20	21	22	23 **Spain EAPS** (IV Quarter)	24	25
26 **Spain IPRI** (december)	27	28	29 **Euro Area ESI** **Spain ESI** (january)	30 **Spain HICP** **Euro Área HICP** (A.D. january)	31	

FEBRUARY

						1
2 **USA PCE** (december	3	4	5 **Spain IPI** (december)	6	7	8
9	10	11	12 **Euro Area IPI** (december)	13 **Spain HICP** (january)	14	15
16	17	18 **Spain QNA** (IV Quarter)	19	20 **USA IPC** (january)	21	22
23	24	25 **Spain IPRI** (january)	26 **Euro Area ESI** **Spain ESI** (february)	27 **Spain HICP** (A.D. february) **Euro Área HICP** (january)	28	29

* 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

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Instituto Flores de Lemus *Second Phase*

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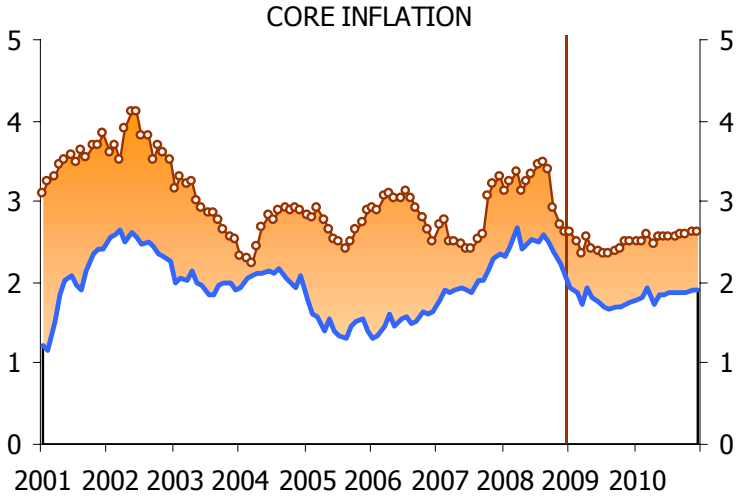
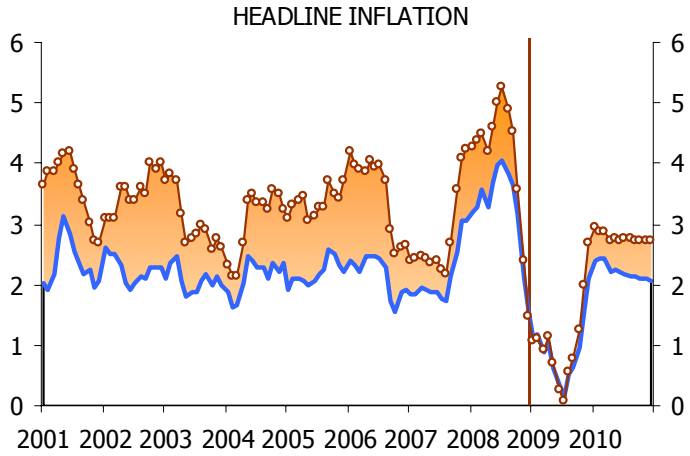
The inflation differential between Spain and the euro area will be almost zero in 2009 while average core inflation will be 0.5pp higher in Spain





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