



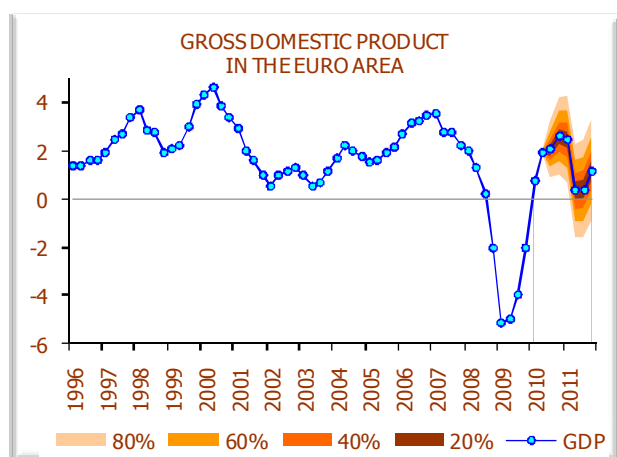
The Economically Active Population Survey relative to the third quarter confirms the paralysis of the Spanish labour market. Our forecasts for the unemployment rate in 2011 increase to 20.7%.

ECONOMICALLY ACTIVE POPULATION SURVEY				
year-on-year rates				
	2008	2009	2010	2011
Employed	-0,5	-6,8	-2,3	-0,3
Agriculture	-5,0	-4,0	-0,2	-0,5
Industry	-1,1	-13,3	-6,3	-2,5
Construction	-10,9	-23,0	-11,4	-3,5
Services	2,1	-2,5	-0,3	0,5
Active	3,0	0,8	0,2	0,4
Unemployment rate	11,3	18,0	20,1	20,7

Source: INE & BIAM (UC3M)

Date: October 29, 2010

The GDP growth in the euro area will remain strong in the second semester of 2010 while a sudden stop is expected during the first half of 2011. We forecast an average growth rate of 1.8%(±0.2) for the current year and 1.1%(±0.7) for the next.



Source: EUROSTAT & BIAM (UC3M)

The recent performance of productivity in the Spanish economy

P.56

In the last period of growth, from the second half of the nineties up to 2007, the Spanish economy registered high and sustained GDP growth rates. This was due to the increase in employment, with plenty of hand labour available from immigration, mostly employed in construction and some services. The contribution of productivity to such GDP growth was modest, however, as its growth was very weak throughout this period, and practically zero some years. This pattern of growth ended with the onset of the current economic crisis and when the property bubble burst. In this period, employment rose by 45.8%, equivalent to an average annual rate of 3.8%, with the creation of more than 6 million net jobs, while productivity grew by only 0.4%. With the onset of the economic crisis, there were huge job losses, and this process has not yet ended. Employment fell by much more than the GDP, so apparent labour productivity has improved. This improvement, however, was clearly due to a reduction in employment and not to production gains.

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

Director: **Antoni Espasa.**

Coordination: **Emiliano Carluccio.**

Macroeconomic Analyst: **Michele Boldrin**

Labor Market Analyst: **Jose Ignacio Pérez Infante**

Macroeconometric Consultant: **Román Minguez.**

Analysis of Financial Markets Consultant: **Esther Ruiz**

Inflation Analysis and Forecasts:

Europe and Spain: **Emiliano Carluccio and César Castro.**

United States: **Ángel Sánchez**

Macroeconomic Analysis and Forecasts:

Spain: **Nicolás Carrasco, Coordination and Juan de Dios Tena**

Euro Area: **Nicolás Carrasco, Coordination and Iván Mayo**

Norway: **Gunnar Bardsen y Ragnar Nymoen**

Industrial Production Analysis:

Spain: **Juan de Dios Tena and Carles Bretó**

Euro Area: **Iván Mayo**

USA: **Iván Mayo**

Composition: **Elena Arispe and Eva María Torijano**

Advisory Board:

Paulina Beato, Guillermo de la Dehesa, José Luis Feito, Miguel Ángel Fernández de Pinedo, Alberto Lafuente, José Luís Larrea, José Luis Madariaga, Carlos Mas, Teodoro Millán, Emilio Ontiveros, Amadeo Petitbò, Federico Prades, Narcís Serra, Tomás de la Quadra-Salcedo, Javier Santiso, Xavier Vives, and Juan Urrutia (Chairman).

BULLETIN OF EU & US INFLATION AND MACROECONOMIC ANALYSIS is an independent academic publication, monthly published by the Macroeconomic Forecast and Analysis Laboratory, Universidad Carlos III de Madrid.

All rights reserved. Reproduction in part or whole is strictly prohibited without prior written permission of the Macroeconomic Forecast and Analysis Laboratory.

Depósito Legal: M22 938 – 1995

ISSN 1888-9298

Macroeconomic Forecast and Analysis Laboratory, Instituto Flores de Lemus

Universidad Carlos III de Madrid

C/ Madrid, 126 E-28903 Getafe (Madrid) Tel +34 91 624 98 89 Fax +34 91 624 93 05

[www. uc3m.es/boletin](http://www.uc3m.es/boletin) E-mail: laborat@est-econ.uc3m.es

I. ECONOMIC OUTLOOK	p.1
II. THE ECONOMY IN THE EURO AREA	p.4
II.1. Macroeconomic Forecasts	p.6
Gross Domestic Product	p.8
Industrial Production Index	p.12
II.2. Inflation	p.14
II.3. Monetary Policy	p.24
III. UNITED STATES	
III.1. Industrial Production Index	p.25
III.2. Inflation	p.26
III.3. Property Sector	p.32
IV. THE SPANISH ECONOMY	p.34
IV.1. Macroeconomic Forecasts	p.36
Gross Domestic Product	p.38
Industrial Production Index	p.42
IV.2. Inflation	p.45
IV.3. The recent performance of productivity in the Spanish economy	p.56
V. SUMMARY OF FORECASTS FOR DIFFERENT AREAS	p.62
VI. FORECASTS FOR DIFFERENT INSTITUTIONS	p.64
VII. MACROECONOMIC FORECASTS OF THE NORWEGIAN ECONOMY	
By Proffessors Gunnar Bardsen and Ragnar Nymoén	p.65

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

I. ECONOMIC OUTLOOK

The most important macroeconomic figures referring to the third quarter of 2010 have been or are about to be published. The residual uncertainty concerning the exact growth figures for some economies, including Spain, does not significantly affect the most important conclusions regarding the global economic outlook.

To begin with, the world economy grew more than expected in the first half of 2010, sustained by a fast recovery of world trade and expansionary public policies. In the third quarter, as expected, growth slowed down in the most important developed economies but it was also confirmed that, in most countries, the growth registered in 2010 has not created employment, at least not quickly enough and in the sectors with the greatest labour supply.

Secondly, governments' reactions to the economic situation continue to be uncoordinated and contradictory. In the US, they have announced a new plan for the FED to purchase much more sovereign debt than expected. Euro area countries, however, maintain their intention to introduce stricter short and medium term fiscal policies, while the ECB has started to reduce the liquidity of the interbank market. The United Kingdom has announced public spending cuts while maintaining a more flexible and expansionary monetary policy. The liquidity flows from developed countries have gone to emerging markets in their search for greater returns, reducing their domestic impact and creating what some believe is a new and potentially destructive financial bubble. These monetary flows have certainly increased inflationist pressure in peripheral countries, forcing a sudden increase in interest rates. They have also caused currency appreciations in emerging countries, triggering a competitive devaluation war focused on the yuan-dollar exchange rate while involving all major currencies. More than two years after the onset of the crisis, there is not the least political, academic or social agreement about possible solutions. The price of this is a series of contradictory measures that are highly costly in political terms and will probably have limited results.

The third point is specific to Spain. As we have been warning for some time, the Spanish crisis is not the same as that of the euro area and the US. The Spanish economy hardly grew in the first half of the year, and growth is not expected to slow down towards the end of the year. Our forecasts show zero growth in the third quarter. Spanish economic growth has remained unaltered since the end of 2009 and expected to remain so until mid-2011 at least. The little growth registered in the first two quarters, together with the possibility of slightly negative growth at the end of the year, could lead to a heated political debate but merely confirm the economic and statistical evidence that there is no sign of reactivation of the Spanish productive system and labour market.

It is important to support this perspective with specific evidence.

Our forecasts for Spain show zero growth in the third quarter, relative to the second, while the fourth could register a downwards movement in the amount of one tenth of a percentage point.

The Spanish labour market is not only not creating employment (in terms corrected for seasonality) but jobs continue to be lost. The rate of decline decreased in 2010 and there is a tendency towards stabilisation, but this evolution cannot be seen as positive when the unemployment rate is double the European figure at around 20%. The latest Active Population Survey shows that 30,000 jobs were lost in the third quarter, and 202,000 since the beginning of 2010. The disaggregate data also shows extraordinary growth in the number of public servants, with over 90,000 more in the third quarter of 2010. In all, it is clear that the private sector has been even more disappointing than the aggregate figures appear to show.

The social security contributor numbers for October shows that the destruction of employment continues. The Spanish economy lost 27,000 jobs in October and 206,000 since the beginning of 2010. We are not seeing the heavy losses of 2009, but the reduction in the number of contributors in the last two months was greater than the average for the previous ten.

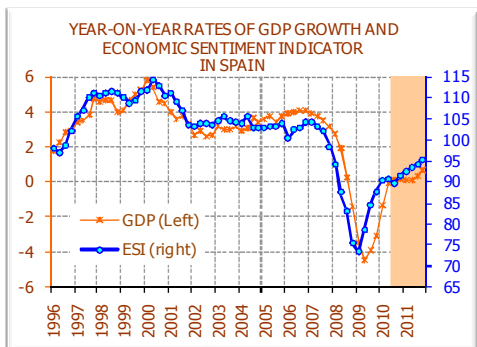
All sectors except agriculture registered job losses in October. There was also a new decline in definitive contracts, while

The world economy grew more than expected in the first half of 2010, sustained by the fast recovery of world trade and expansionary public policies. In the third quarter, as expected, growth slowed down slightly in the principal developed economies, and it has been confirmed that the growth registered in most countries is not creating employment.



temporary hiring continues to rise. The temporary employment rate was more than 25% of the total in the third quarter, the highest since the end of 2008.

Graph I.1



Source: EUROSTAT & INE & BIAM(UC3M)
Date: October 29, 2010

The information about housing starts in the third quarter is not yet available, but the second was the worst of the entire historic series.

The evolution of new hires in October confirms this trend. The labour market is certainly stabilising but the landing is not a gentle as could be expected. The reforms implemented before summer have not had

significant effects. Inefficiency, rigidity and polarisation continue to be the main features of the Spanish labour market. According to our forecasts, the average unemployment rate in 2010 will be 20.1%, rising to 20.7% in 2011. Employment will fall by 2.3pp this year and 0.3pp in the next.

With regards to production, industrial recovery slowed down considerably in August and a slightly negative variation (0.2%) is expected for the third quarter. This is certainly cause for concern if we consider that the economic environment was extremely favourable for the manufacturing sector in the last few months. Euro area industrial production grew by more than 7% in the same period, and around 9% in the previous quarter.

Table I.1

ECONOMICALLY ACTIVE POPULATION SURVEY				
year-on-year rates				
	2008	2009	2010	2011
Employed	-0,5	-6,8	-2,3	-0,3
Agriculture	-5,0	-4,0	-0,2	-0,5
Industry	-1,1	-13,3	-6,3	-2,5
Construction	-10,9	-23,0	-11,4	-3,5
Services	2,1	-2,5	-0,3	0,5
Active	3,0	0,8	0,2	0,4
Unemployment rate	11,3	18,0	20,1	20,7

Source: INE & BIAM(UC3M)
Date: October 29, 2010

As for construction, most of the principal indicators are published with some delay, so the only third quarter information available refers to employment and apparent cement consumption. Whether or not it is corrected for seasonality, this sector lost the most jobs in the third quarter. Apparent cement consumption grew slightly but its year-on-year rate of decline

has grown to 13.4%. The information about housing starts in the third quarter is not yet ready, but the second was the worst of the entire historic series.

The situation does not improve when we analyse the service sector. Both turnover and employment probably decreased in the third quarter, putting an end to the gradual recovery of the annual rate. Retail sales, which show the activity of retail outlets and the evolution of private demand, also fell in the third quarter, in both the quarterly and annual rates.

Car sales, as anticipated, fell by around 30%, and are an example of a series of variations which, induced by the distortions generated by economic policy, generate occasional fluctuations in the GDP or a sub-aggregate which nonetheless are irrelevant when it comes to defining a sustainable recovery. In the next few months, the end of fiscal subsidies affecting housing could bring purchase decisions forward, as happened with motor vehicles. This will again be insignificant for correcting the excess supply.

As real economic figures confirm the productive system's stagnation, surveys and confidence indices show that economic agents are aware of the situation and expect no improvement in the short term. The confidence indices of all the principal sectors fell slightly from July to September 2010. The October figure is in line with this uncertain evolution and the aggregate ESI has again fallen to 90.5, close to the February figure.

This is a realistic perspective of the Spanish economy but we still have to ask why, while Germany has the lowest unemployment rate for the last ten years, Spain still has no employment for more than 20% of the active population and continues to register job losses.

It is clear that it is not a demand problem. There has been more than enough demand for industrial products so far in 2010 but the Spanish economy has been incapable of intercepting it or

The figures regarding social security contributors in October show that jobs continue to be lost. In terms corrected for seasonality, the Spanish economy lost 27,000 contributors in October, totalling 206,000 since the beginning of 2010.



creating employment in specific sectors. The debate on the Spanish productive model is silent at a time when it is more necessary than ever before. There is and will continue be national and world demand, but not for housing, but for products that the Spanish economy is not capable of supplying in sufficient quantities at competitive prices.

Finally, we provide further details of the recent forecasts for the Spanish GDP. Both domestic and foreign demand have slightly increased their contribution to aggregate GDP growth in the third quarter of the year, again increasing our short term forecasts.

As for domestic demand, a significant fall is expected in private consumption, while public consumption will continue to grow at a similar quarterly rate. The drop in private consumption is reflected in both retail sales and in the sale of cars. The effect of the VAT increase and direct grants pushed private consumption up significantly in the first half of the year. However, the continued decline of the labour market and disposable income, and an uncertain economic context, show that this spectacular growth, with quarter-on-quarter rates of around 1%, was probably temporary, with rates of around 0.2% expected throughout 2011.

Our aggregate investment forecasts have been revised downwards slightly to a quarterly rate of -1.8%. This was due to an downwards movement in construction's fixed gross capital formation and an upwards revision in capital goods. Relative to leading European countries, investment is still a weak point in the Spanish economy's recovery. Although this is partly due to property market problems, the excessive leveraging of non-financial firms explains the prolonged situation of this GDP component.

High household indebtedness will also be a fundamental factor in consumption's medium and long term recovery. Spanish households have debts of close to 90% of the GDP and over 115% of total disposable income. Consumption's recovery is therefore highly vulnerable to changes in

monetary policy and depends on the availability of liquidity on the national and international financial markets. The rise in the rate of saving in the last year should also be seen as the beginning of a deleveraging process rather than the basis for a sustained increase in private consumption.

On the supply side, the GVA forecast for the energy sector has improved a little, as for non-market services. Our overall forecasts remain largely unchanged. For 2011, all sectors except construction are expected to show positive annual growth rates, although only industry and agriculture will grow by more than 1.0%.

In conclusion, both the estimated aggregate GDP and the leading indicators available confirm the stagnation of the Spanish economy. The slight revision for the third quarter is due to marginal variations in the contribution of foreign demand and expansionary expectations regarding the public sector. Due to distorting aspects of fiscal and economic policy, and the usual fluctuations found in all economic systems, GDP growth could be very close to zero. Despite the political or psychological significance of the first GDP estimate for the third quarter, to be published soon by the INE, the economic conclusion is obvious, and relatively certain: there is no tangible sign of economic reactivation.

Table I.2

INDUSTRIAL PRODUCTION INDEX IN SPAIN

Average annual rates

	2008	2009	2010	2011
Consumption	-4,6	-8,8	1,0	1,3
Durable	-16,5	-28,3	-4,9	5,1
Non-durable	-2,2	-5,5	1,8	0,9
Capital	-8,7	-22,5	-4,2	-4,5
Intermedite	-11,0	-21,4	3,0	2,5
Energy	1,6	-8,6	2,7	2,5
TOTAL	-7,1	-16,2	0,9	0,8
VAB Industry	-2,7	-13,6	1,6	1,7

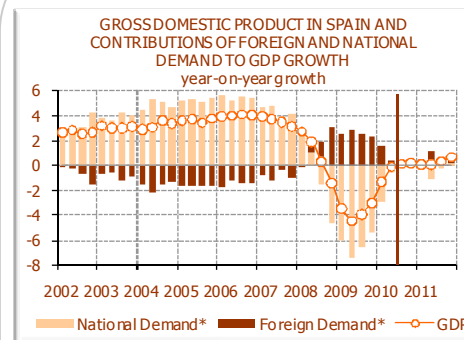
Source: INE & BIAM(UC3M)
Date: October 6, 2010

The figures concerning the real economy confirm the productive system's stagnation and the confidence indicators show that economic agents are aware of this situation and see no sign of an improvement in the short term.

The debate about the Spanish productive model is now silent, just when the evidence shows that it is most needed.

On the supply side, the forecasts for the energy GVA have improved slightly, and for non-market services they have also been revised upwards.

Graph I.2



Source: INE & BIAM(UC3M)
Date: October 29, 2010



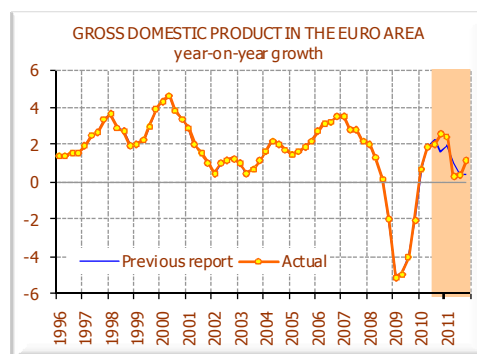
II. THE ECONOMY IN THE EURO AREA

The second quarter GDP reduces fears of a new recession in the Euro Area.

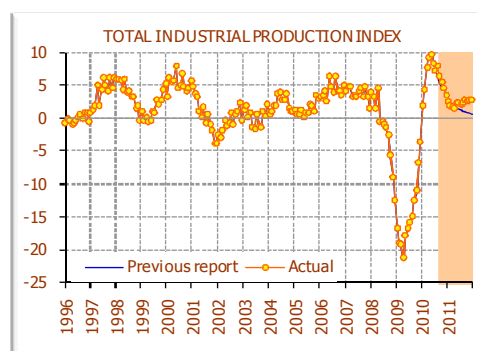
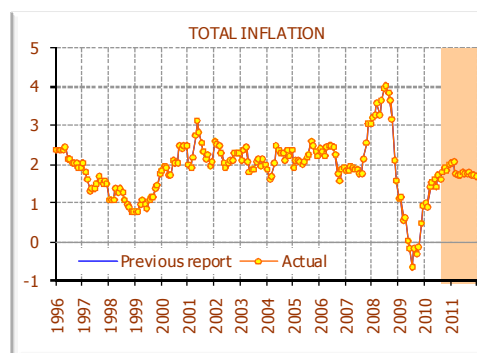
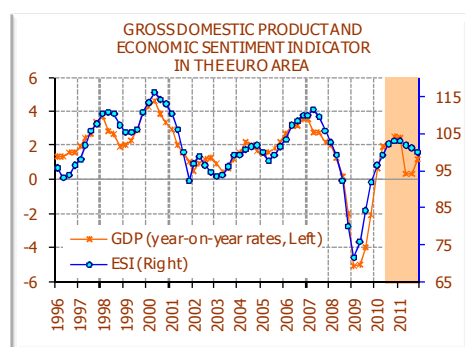
The forecast average annual GDP rates for 2010 and 2011 have been revised upwards slightly to 1.8%(±0.3) and 1.1% (±0.7), respectively.

Inflation expectations in the euro area remain stable for the second consecutive month. The average annual rates expected for 2010 and 2011 are 1.6%(±0.05) and 1.8%(±0.85), respectively.

The good august figure is explained by the positive surprise in the growth of some peripheral countries.
The forecasts continue to show a decline in industrial growth after the last quarter of this year.



MAIN VARIABLES AND INDICATORS IN THE EURO AREA						
Average annual rates						
	2006	2007	2008	2009	Forecasts	
					2010	2011
GDP mp.¹	3,2	2,8	0,4	-4,0	1,8	1,1
Demand						
Private final consumption	2,2	1,7	0,4	-1,0	0,8	1,1
Public final consumption	2,1	2,3	2,3	2,4	0,5	0,4
Gross capital formation	6,4	5,3	-1,8	-15,0	5,7	2,9
Contribution domestic demand	3,0	2,6	0,3	-3,4	1,8	1,4
Exports of goods and services	8,8	6,3	0,7	-13,1	9,6	4,3
Imports of goods and services	8,7	5,8	0,6	-11,8	9,4	4,9
Contribution foreign demand	0,2	0,3	0,1	-0,7	0,2	-0,1
Supply GVA						
Total	3,2	3,1	0,5	-4,2	1,9	1,1
Agriculture	0,0	0,9	0,9	2,3	1,4	-5,1
Industry	3,9	3,2	-2,4	-13,1	5,4	1,7
Construction	3,1	2,3	-1,6	-5,8	-3,0	-0,2
Trade services	3,1	3,6	1,1	-5,1	1,4	1,9
Financial services	4,2	4,0	1,6	-1,5	1,6	1,3
Public services	1,6	1,8	1,8	1,1	1,0	0,4
Prices (HICP²)						
Total	2,2	2,1	3,3	0,3	1,6	1,8
Core	1,5	2,0	2,4	1,3	1,0	1,4
Processed food	2,1	2,8	6,1	1,1	0,8	1,8
Non-energy industrial goods	0,6	1,0	0,8	0,6	0,4	0,8
Services	2,0	2,5	2,6	2,0	1,4	1,7
Residual	5,5	2,8	7,3	-4,5	4,6	3,8
Non.processed food	2,8	3,0	3,5	0,2	1,2	2,4
Energy	7,7	2,6	10,3	-8,1	7,2	4,8
Labour market³						
Unemployment rate	8,3	7,5	7,5	9,4	10,2	10,4
Industrial production index (excluding construction)⁴						
Total	4,2	3,7	-1,8	-14,8	6,3	2,3
Consumer goods	3,0	2,4	-2,1	-5,0	2,7	1,1
Durables	4,6	1,3	-5,7	-17,5	3,2	0,9
Non-durables	2,7	2,5	-1,5	-3,0	2,7	1,1
Equipment	6,0	6,6	-0,2	-20,7	7,1	4,3
Intermediate	4,8	3,8	-3,5	-19,2	9,0	2,6
Energy	0,6	-0,9	0,3	-5,4	3,9	-0,3



The figures in the shaded area are forecasts.

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

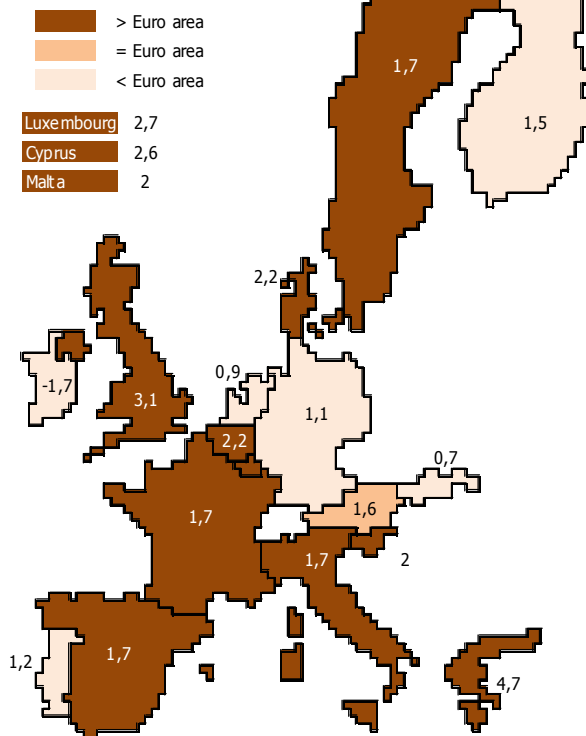
Source: EUROSTAT & BIAM (UC3M)

Date: (1) October 6, 2010 (2) October 15, 2010

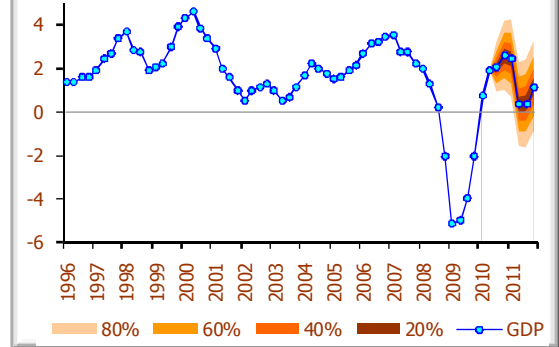
(3) October 6, 2010 (4) October 13, 2010



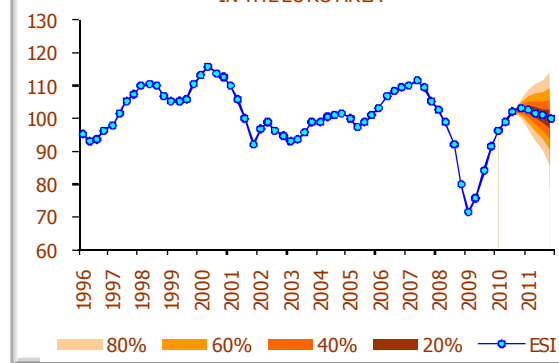
ANNUAL AVERAGE RATES OF GROWTH IN THE EURO AREA COUNTRIES AND UNITED KINGDOM, SWEDEN AND DENMARK FOR 2010



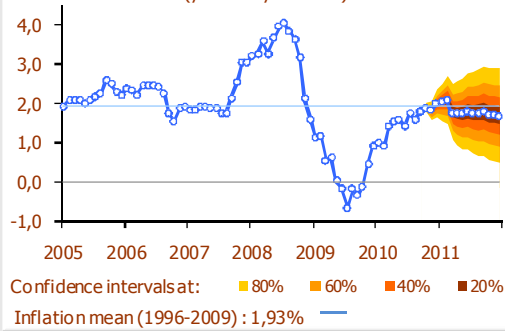
GROSS DOMESTIC PRODUCT IN THE EURO AREA



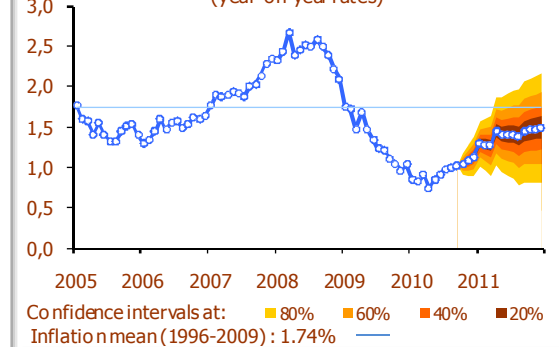
ECONOMIC SENTIMENT INDICATOR IN THE EURO AREA



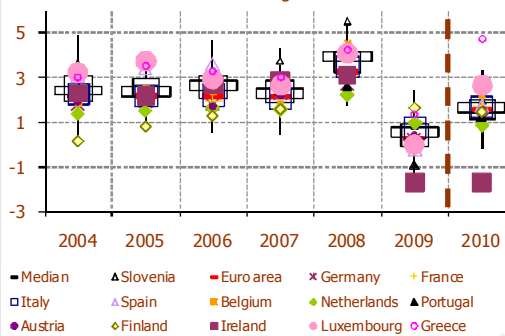
INFLATION IN THE EURO AREA (year-on-year rates)



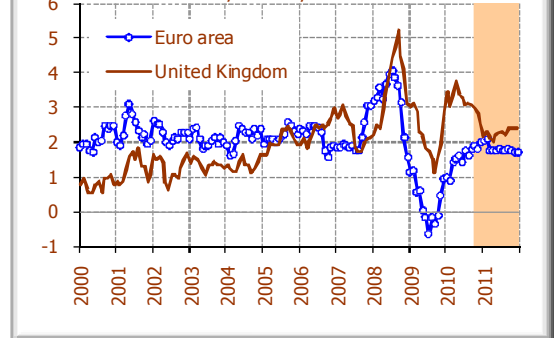
CORE INFLATION IN THE EURO AREA (year-on-year rates)



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



HARMONIZED INDEX OF CONSUMER PRICES year-on-year rates



II.1. MACROECONOMIC FORECASTS.

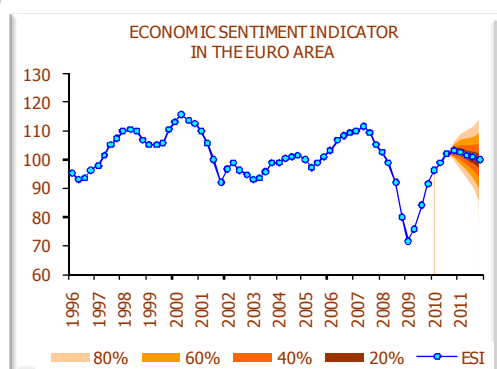
The euro area Economic Sentiment Indicator (ESI) grew by 0.9 points in September to a total of 103.2, more than forecast by the IFL.

The euro area economy continues to consolidate its recovery, as shown by the second GDP estimate published at the beginning of October. It confirmed the 1% quarter-on-quarter growth rate anticipated a month earlier, making four consecutive quarters of GDP growth. Nonetheless, recovery is expected to weaken in the third and fourth quarters of this year, largely due to the withdrawal of different economic incentives implemented by most of the area's governments. This is shown by the forecasts estimated by different international agencies and the IFL.

Global IPI expectations improve, with the average annual growth rate forecast for this year now up to 6.3% from the previous 6.1%.

This quarter-on-quarter rate in the second quarter is the equivalent to a year-on-year rate of 1.9%, representing a 1.2 pp increase. This is due to the German economy, which registered a 2.2% quarter-on-quarter rate in this period. During the euro area's economic recovery process, there are clearly two different rates of recovery in different countries.

Graph II.1.1



Source: EUROSTAT & BIAM (UC3M)
Date: October 6, 2010

The first comprises a series of countries led by Germany, with a fast rate of recovery, including France, Italy, Holland, Austria and Belgium, and another slower group comprising Spain, Portugal and Greece, the latter of which is still in recession.

Besides the upwards innovation in second quarter GDP growth, but the September economic confidence indicator and the August IPI represented positive surprises. On the other hand, labour market figures have been stable for several months, showing that we could be about to start to create employment. Nonetheless, recovery will be weaker in the second half of the year and the 2011 GDP will probably be lower than this year's figure.

The euro area Economic Sentiment Indicator (ESI) grew by 0.9 points in September to a total of 103.2, more than forecast by the IFL. A higher index has not been found since January 2008. The improvement in September was largely due to services and industry. Indeed, the service sector has now registered three consecutive months of growth, which is reflected in the sector's production. By country, we should mention the good results of Spain and Germany which, in September, were again the two countries in which the ESI grew the most, by 2 and 1.1 points, respectively. The new forecasts continue to show that it will peak at the end of this year, and subsequently fall to a neutral 100 points by the end of 2011.

The euro area Industrial Production Index (IPI) in August showed a month-on-month growth rate of 1%, after two months of remaining practically stable. Relative to a year earlier, the IPI registered a growth rate of 7.9%, seven tenths of a point more than the previous quarter, due to greater growth in capital (11.2%) and intermediate (10.8%) goods. Growth in August was better than expected and the upwards innovation (6.4%) was important and found in all groups except energy.

Global IPI expectations improve, with the average annual growth rate forecast for this year now up to 6.3% from the previous 6.1%. The improvement for next year is even greater, from 1.3% to 2.3%. These favourable results are due to the production of durable consumer and intermediate goods and, particularly, of capital goods. In spite of the good IPI in August, our forecasts continue to show a decline towards the end of 2010, which could last throughout 2011. This foreseeable deceleration in the industrial sector's recovery is supported by the depreciation of the euro and the decline in domestic demand.



The central GDP estimate shows an average annual growth rate in 2010 of 1.8%, although the quarter-on-quarter rate is expected to fall by two tenths of a point in the third quarter, to 0.6%.

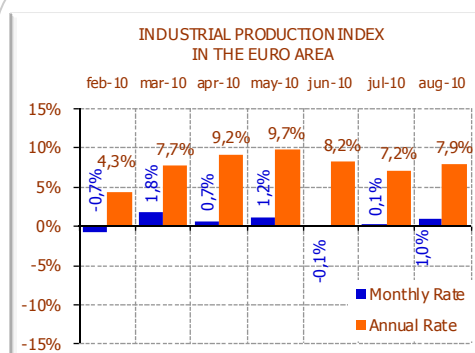
Growth perspectives in the euro area have been revised upwards for 2010 and 2011. The central GDP estimate shows an average annual growth rate in 2010 of 1.8%, although the quarter-on-quarter rate is expected to fall by two tenths of a point in the third quarter, to 0.6%. For 2011 the forecast has also been revised upwards to 1.1%, due to gross fixed capital formation and private consumption.

With regards to the euro area labour market, it would appear that unemployment has reached its highest point, and employment its lowest, as these variables have remained stable for several months. This is an improvement on a few months ago, when the market continued to decline, with rising unemployment rates for over eighteen months. According to the second estimation of the national accounts for the second quarter of this year, employment remained stable relative to the previous quarter although it had fallen by 0.6% relative to a year earlier, significantly less than the reduction registered in the previous quarter (1.2%). The job losses in the last two quarters of 2009 and the stability of the first half of this year, together with greater GDP growth, is leading to a rise in productivity per employee. In the second quarter it grew from 2.1% to 2.6%, consistent with its procyclical nature, unlike in Spain where this variable continues to be anticyclical.

On the other hand, the unemployment rate (relative to the active population) in September, corrected for seasonality, grew to 10.1% after remaining at 10% since March. It was three tenths of a point higher than a year earlier. The countries with the lowest rates were

Holland (4.4%) and Austria (4.5%) and the highest was in Spain (20.8%). Note that the Spanish unemployment rate estimated by EUROSTAT is not comparable to the rate estimated by the INE in the Active Population Survey (EPA), which was 20.2% in the third quarter. Our forecasts show that it will not be long before jobs are created and the unemployment rate decreases, a weak process that will probably start in the first few months of next year.

Graph II.1.2



Source: EUROSTAT & BIAM (UC3M)
Date: October 13, 2010

Table II.1.1

INDUSTRIAL PRODUCTION INDEX IN THE EURO AREA* Average year-on-year rates					
	2007	2008	2009	2010	2011
Consumer goods					
Durable	1,3	-5,7	-17,5	3,2	0,9
Non-durable	2,5	-1,5	-3,0	2,7	1,1
Capital	6,6	-0,2	-20,7	7,1	4,3
Intermediate	3,8	-3,5	-19,2	9,0	2,6
Energy	-0,9	0,3	-5,4	3,9	-0,3
Total	3,7	-1,8	-14,8	6,3	2,3
Annual growth of GVA industrial sector	3,2	-2,4	-13,1	5,4	1,7

Source: EUROSTAT & BIAM (UC3M)
Date: October 13, 2010

The job losses in the last two quarters of 2009 and the stability of the first half of this year, together with greater GDP growth, is leading to a rise in productivity per employee.



GROSS DOMESTIC PRODUCT IN THE EURO AREA: DEMAND

GROSS DOMESTIC PRODUCT AND COMPONENTS IN THE EURO AREA										
Annual average and annual rates of growth										
		Final Consumption		Gross Capital Formation	Domestic Demand (1)	Exports of goods and services	Imports of goods and services	Foreign Demand (1)	Real GDP	
		Private	Public							
ANNUAL AVERAGE	2005	1,8	1,6	2,6	1,9	5,3	6,0	-0,1	1,8	
	2006	2,2	2,1	6,4	3,0	8,8	8,7	0,2	3,2	
	2007	1,7	2,3	5,3	2,6	6,3	5,8	0,3	2,8	
	2008	0,4	2,3	-1,8	0,3	0,7	0,6	0,1	0,4	
	2009	-1,0	2,4	-15,0	-3,4	-13,1	-11,8	-0,7	-4,0	
	2010	0,8	0,5	5,7	1,8	9,6	9,4	0,2	1.8 (±0.2)	
	2011	1,1	0,4	2,9	1,4	4,3	4,9	-0,1	1.1 (±0.7)	
ANNUAL RATES*	2009	QI	-1,5	2,9	-15,2	-3,6	-16,1	-13,0	-1,5	-5,1
		QII	-1,1	2,5	-16,7	-3,8	-16,6	-14,4	-1,1	-4,9
		QIII	-1,2	2,6	-14,5	-3,4	-13,7	-12,3	-0,6	-4,0
		QIV	-0,4	1,7	-13,3	-2,9	-5,2	-7,1	0,8	-2,0
	2010	QI	0,3	1,2	0,2	0,4	5,6	4,8	0,3	0,7
		QII	0,4	1,2	7,6	2,2	11,6	12,0	-0,3	1,9
		QIII	1,2	-0,1	6,7	2,1	10,7	10,6	-0,1	2,0
		QIV	1,2	-0,2	8,5	2,5	10,4	10,2	0,0	2,6
	2011	QI	1,7	-0,4	5,2	2,0	8,5	7,4	0,4	2,5
		QII	0,6	-0,1	2,3	0,8	3,2	4,0	-0,5	0,3
		QIII	0,9	0,7	1,6	1,0	3,3	4,6	-0,6	0,4
		QIV	1,4	1,2	2,6	1,6	2,6	3,6	-0,4	1,2

GROSS DOMESTIC PRODUCT AND COMPONENTS IN THE EURO AREA										
Annual average and quarterly rates of growht										
		Final Consumption		Gross Capital Formation	Domestic Demand (1)	Exports of goods and services	Imports of goods and services	Foreign Demand (1)	Real GDP	
		Private	Public							
ANNUAL AVERAGE	2005	1,8	1,6	2,6	1,9	5,3	6,0	-0,1	1,8	
	2006	2,2	2,1	6,4	3,0	8,8	8,7	0,2	3,2	
	2007	1,7	2,3	5,3	2,6	6,3	5,8	0,3	2,8	
	2008	0,4	2,3	-1,8	0,3	0,7	0,6	0,1	0,4	
	2009	-1,0	2,4	-15,0	-3,4	-13,1	-11,8	-0,7	-4,0	
	2010	0,8	0,5	5,7	1,8	9,6	9,4	0,2	1.8 (±0.2)	
	2011	1,1	0,4	2,9	1,4	4,3	4,9	-0,1	1.1 (±0.7)	
QUARTERLY RATES*	2009	QI	-0,5	0,8	-10,0	-2,4	-8,0	-7,5	-0,1	-2,5
		QII	0,0	0,5	-4,1	-0,8	-1,3	-2,8	0,6	-0,2
		QIII	-0,1	0,5	1,5	0,4	2,4	2,2	0,1	0,5
		QIV	0,2	-0,1	-1,1	-0,2	2,0	1,1	0,4	0,2
	2010	QI	0,2	0,2	4,1	1,1	2,5	4,3	-0,8	0,3
		QII	0,2	0,5	3,0	0,9	4,3	4,0	0,1	1,0
		QIII	0,6	-0,8	0,6	0,3	1,6	0,9	0,2	0,6
		QIV	0,2	-0,2	0,5	0,2	1,7	0,7	0,5	0,7
	2011	QI	0,7	0,1	0,9	0,6	0,7	1,6	-0,5	0,2
		QII	-0,9	0,8	0,2	-0,3	-0,8	0,7	-0,8	-1,1
		QIII	0,9	-0,1	0,0	0,5	1,7	1,5	0,1	0,6
		QIV	0,8	0,3	1,4	0,8	1,1	-0,2	0,7	1,5

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 & BIAM (UC3M)

Date: October 6, 2010



GROSS DOMESTIC PRODUCT IN THE EURO AREA: SUPPLY

GROSS DOMESTIC PRODUCT AND COMPONENTS IN THE EURO AREA										
Annual average and annual rates of growth										
		GVA							Real GDP	
		Agriculture	Industry	Construction	Trade Services	Financial Services	Public Services	TOTAL		
ANNUAL AVERAGE	2005	-6,3	1,6	1,7	2,1	2,8	1,3	1,7	1,8	
	2006	0,0	3,9	3,1	3,1	4,2	1,6	3,2	3,2	
	2007	0,9	3,2	2,3	3,6	4,0	1,8	3,1	2,8	
	2008	0,9	-2,4	-1,6	1,1	1,6	1,8	0,5	0,4	
	2009	2,3	-13,1	-5,8	-5,1	-1,5	1,1	-4,2	-4,0	
	2010	1,4	5,4	-3,0	1,4	1,6	1,0	1,9	1.8 (±0.2)	
	2011	-5,1	1,7	-0,2	1,9	1,3	0,4	1,1	1.1 (±0.7)	
ANNUAL RATES*	2009	QI	2,4	-16,3	-6,0	-6,2	-1,8	1,1	-5,2	-5,1
		QII	1,9	-16,3	-5,5	-5,7	-1,8	1,2	-5,0	-4,9
		QIII	2,4	-12,8	-6,0	-5,1	-1,6	1,0	-4,2	-4,0
		QIV	2,2	-6,6	-5,7	-3,3	-0,8	1,1	-2,3	-2,0
	2010	QI	1,5	3,7	-6,4	0,4	0,8	1,3	0,9	0,7
		QII	1,6	7,0	-4,5	1,2	1,2	1,2	1,9	1,9
		QIII	2,3	5,5	-1,8	1,7	2,3	1,2	2,4	2,0
		QIV	0,3	5,5	0,9	2,1	2,0	0,2	2,3	2,6
	2011	QI	-5,3	3,8	4,2	2,6	2,7	-0,2	2,3	2,5
		QII	-3,1	1,1	1,0	2,7	1,8	0,1	1,5	0,3
		QIII	-6,1	1,2	-1,9	2,3	0,4	0,4	0,7	0,4
		QIV	-5,8	0,8	-4,3	-0,1	0,3	1,2	0,2	1,2

GROSS DOMESTIC PRODUCT AND COMPONENTS IN THE EURO AREA										
Annual average and quarterly rates of growht										
		GVA							Real GDP	
		Agriculture	Industry	Construction	Trade Services	Financial Services	Public Services	TOTAL		
ANNUAL AVERAGE	2005	-6,3	1,6	1,7	2,1	2,8	1,3	1,7	1,8	
	2006	0,0	3,9	3,1	3,1	4,2	1,6	3,2	3,2	
	2007	0,9	3,2	2,3	3,6	4,0	1,8	3,1	2,8	
	2008	0,9	-2,4	-1,6	1,1	1,6	1,8	0,5	0,4	
	2009	2,3	-13,1	-5,8	-5,1	-1,5	1,1	-4,2	-4,0	
	2010	1,4	5,4	-3,0	1,4	1,6	1,0	1,9	1.8 (±0.2)	
	2011	-5,1	1,7	-0,2	1,9	1,3	0,4	1,1	1.1 (±0.7)	
QUARTERLY RATES*	2009	QI	2,5	-8,2	-0,7	-3,4	-1,2	0,2	-2,6	-2,5
		QII	-0,4	-1,0	-1,7	-0,2	0,2	0,4	-0,2	-0,2
		QIII	0,2	2,1	-1,8	0,3	0,1	0,2	0,4	0,5
		QIV	-0,1	0,6	-1,7	0,1	0,1	0,3	0,1	0,2
	2010	QI	1,8	2,0	-1,4	0,3	0,5	0,4	0,6	0,3
		QII	-0,3	2,1	0,3	0,6	0,6	0,3	0,8	1,0
		QIII	0,9	0,7	1,0	0,8	1,1	0,1	0,8	0,6
		QIV	-2,1	0,6	1,1	0,5	-0,2	-0,7	0,0	0,7
	2011	QI	-3,9	0,3	1,8	0,8	1,2	0,0	0,6	0,2
		QII	2,0	-0,5	-2,8	0,7	-0,3	0,7	0,0	-1,1
		QIII	-2,2	0,9	-1,9	0,4	-0,4	0,4	0,1	0,6
		QIV	-1,8	0,1	-1,4	-1,9	-0,2	0,2	-0,5	1,5

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

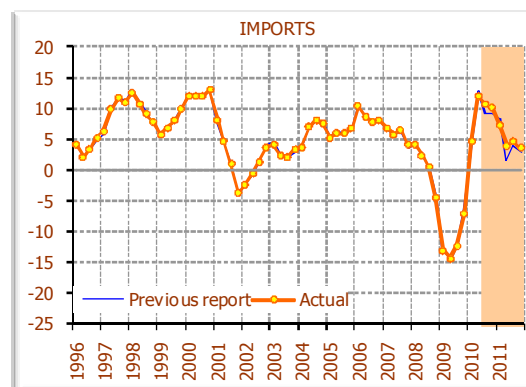
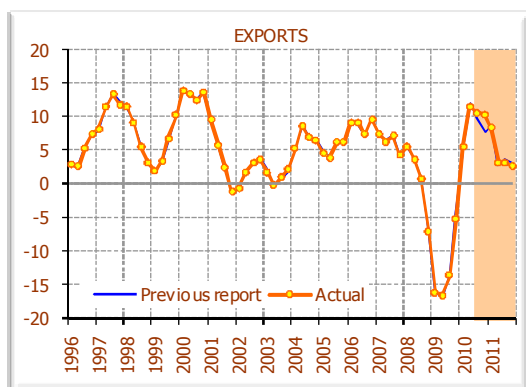
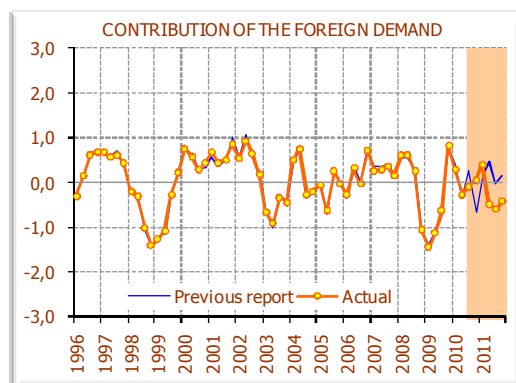
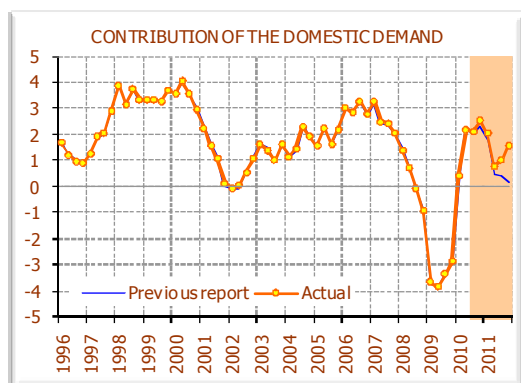
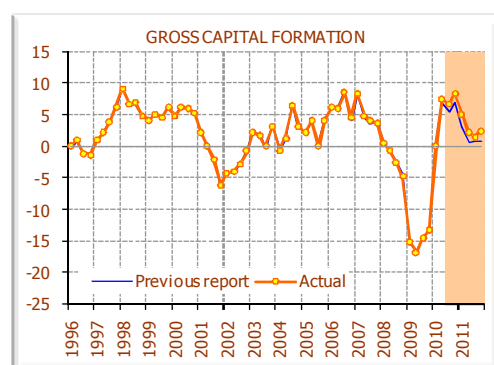
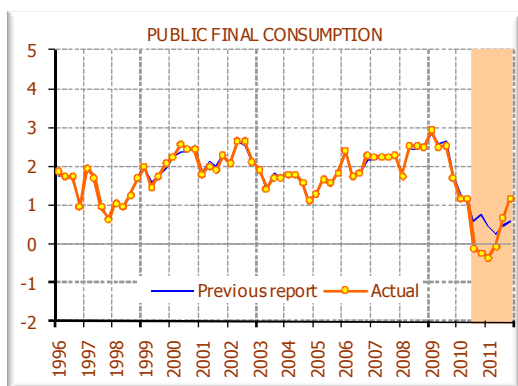
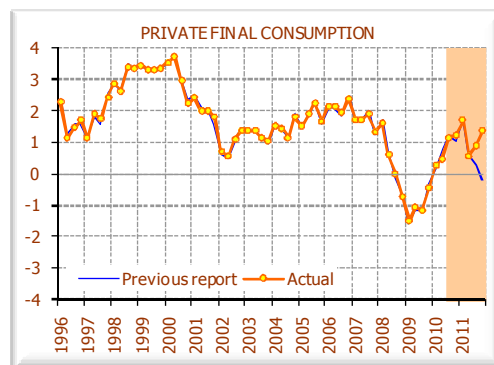
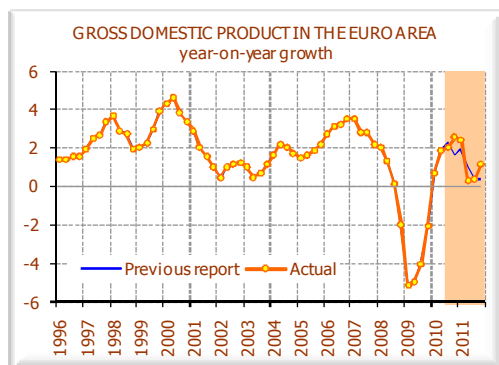
Source: EUROSTAT & BIAM (UC3M)

Date: October 6, 2010



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

Year-on-year rates

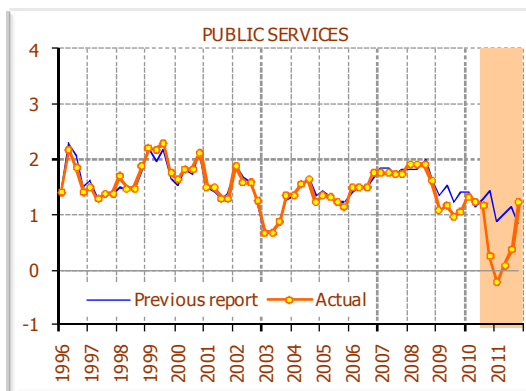
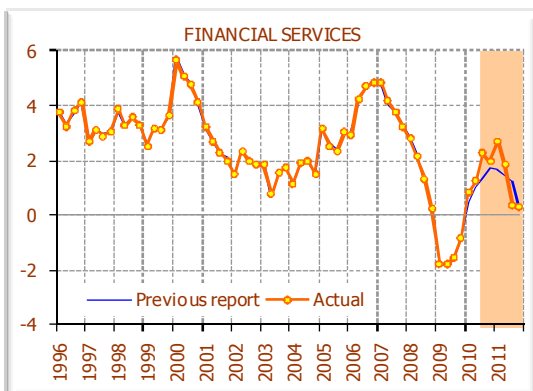
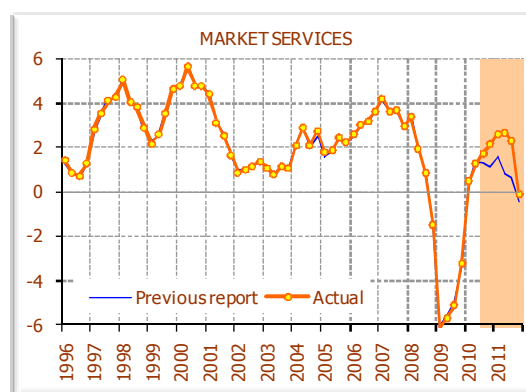
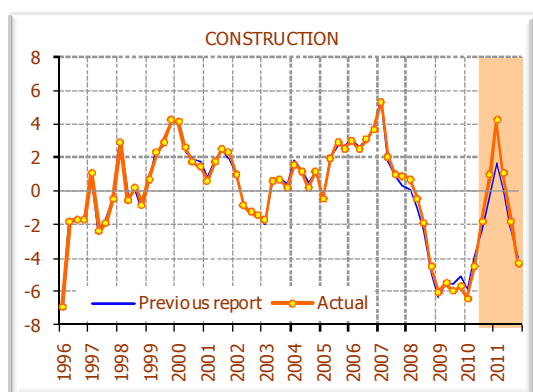
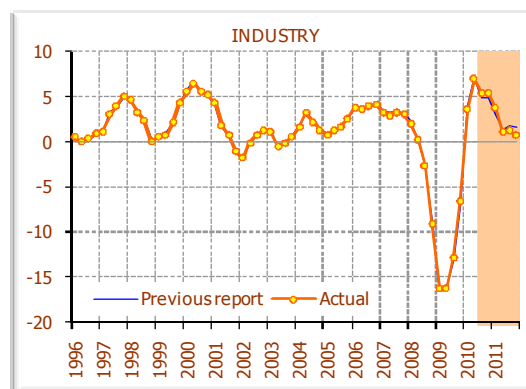
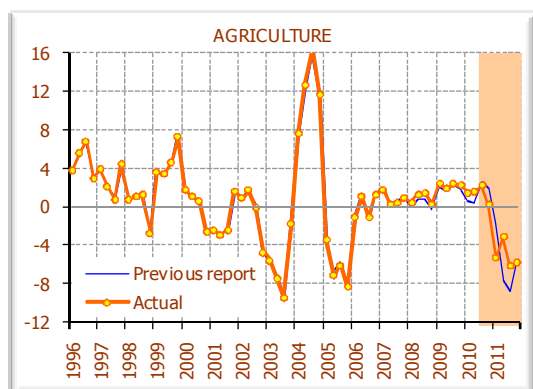


Source: EUROSTAT & BIAM (UC3M)
Date actual report: October 6, 2010
Date previous report: September 2, 2010



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

Year-on-year rates



Source: EUROSTAT & BIAM (UC3M)
 Date actual report: October 6, 2010
 Date previous report: September 2, 2010



INDUSTRIAL PRODUCTION INDEX IN THE EURO AREA

INDUSTRIAL PRODUCTION INDEX AND SECTORS IN THE EURO AREA *									
Annual rates of growth									
		Consumer Goods			Capital Goods	Intermediate Goods	Energy	TOTAL	
		Durable	Non Durable	Total					
ANNUAL AVERAGE RATES	2005	-0,8	1,2	0,9	2,5	0,6	1,5	1,4	
	2006	4,6	2,7	3,0	6,0	4,8	0,6	4,2	
	2007	1,3	2,5	2,4	6,6	3,8	-0,9	3,7	
	2008	-5,7	-1,5	-2,1	-0,2	-3,5	0,3	-1,8	
	2009	-17,5	-3,0	-5,0	-20,7	-19,2	-5,4	-14,8	
	2010	3,2	2,7	2,7	7,1	9,0	3,9	6,3	
	2011	0,9	1,1	1,1	4,3	2,6	-0,3	2,3	
ANNUAL RATES*	2009	QI	-20,0	-5,2	-7,2	-23,9	-25,4	-3,9	-18,3
		QII	-21,2	-3,3	-5,8	-24,1	-24,2	-8,8	-18,6
		QIII	-18,3	-2,3	-4,3	-20,7	-18,3	-5,6	-14,4
		QIV	-10,0	-1,5	-2,6	-13,7	-6,7	-3,6	-7,4
	2010	QI	0,3	3,6	3,2	2,5	8,1	3,2	4,7
		QII	4,8	3,6	3,7	8,8	14,0	5,4	9,0
		QIII	5,3	3,0	3,2	9,7	9,3	2,5	7,1
		QIV	2,5	0,6	0,9	7,4	4,9	-3,6	4,5
	2011	QI	0,9	0,3	0,3	5,0	2,0	1,3	0,5
		QII	0,7	0,8	0,8	4,2	2,2	-1,5	-5,0
		QIII	0,8	1,3	1,3	4,0	2,5	-0,2	3,1
		QIV	1,1	1,9	1,8	4,0	3,6	7,4	-1,1

INDUSTRIAL PRODUCTION INDEX IN THE EURO AREA*							
year-on-year rates of growth							
	2005	2006	2007	2008	2009	2010	2011
January	1,2	3,2	4,1	3,8	-16,7	1,8	2,6
February	0,5	3,3	4,8	3,2	-19,0	4,2	2,0
March	0,6	4,2	4,7	1,4	-19,2	7,7	1,6
April	1,1	2,5	3,3	4,6	-21,3	9,2	1,5
May	0,1	6,3	3,4	-0,6	-17,8	9,8	2,3
June	0,9	4,8	3,2	-0,6	-16,8	8,2	2,4
July	0,8	4,0	4,1	-1,0	-15,8	7,2	2,2
August	2,1	6,4	4,5	-1,5	-15,0	8,0	2,4
September	1,8	4,1	3,3	-2,6	-12,6	6,4	2,8
October	1,1	4,2	4,8	-5,7	-11,1	5,4	2,5
November	3,5	3,3	3,1	-9,1	-6,8	4,5	2,8
December	2,9	5,1	1,5	-12,6	-3,6	3,4	2,8

Data adjusted for seasonality and working days effect

The figures in the shaded area are forecasts

*Year-on-year rates

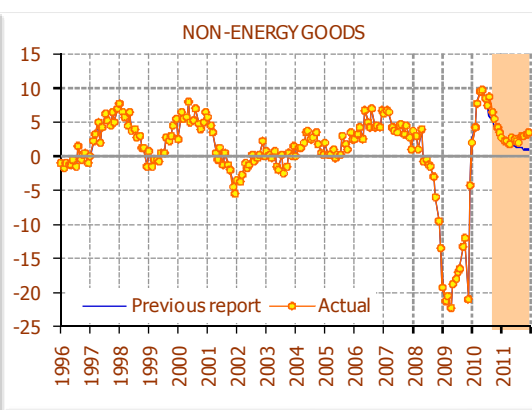
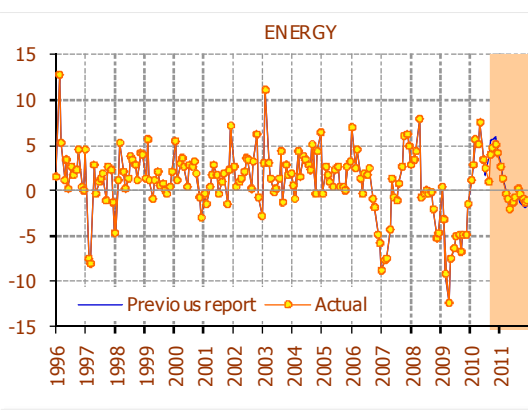
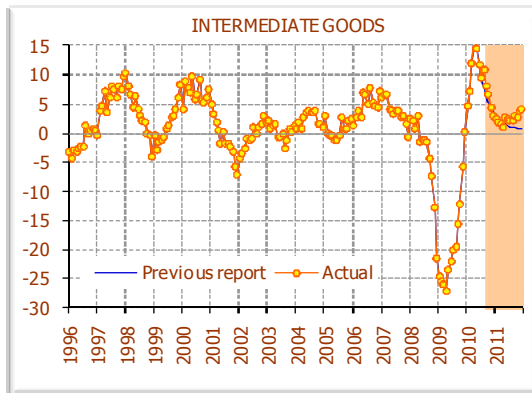
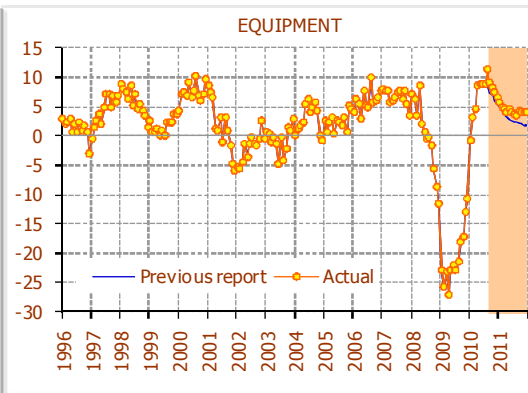
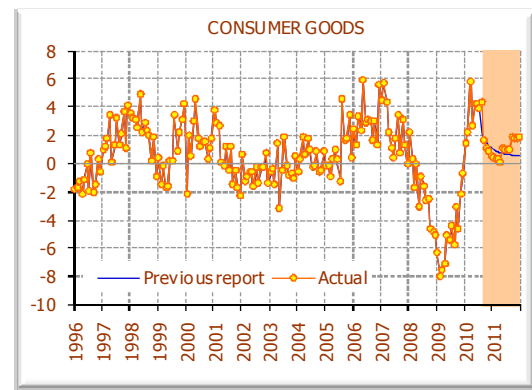
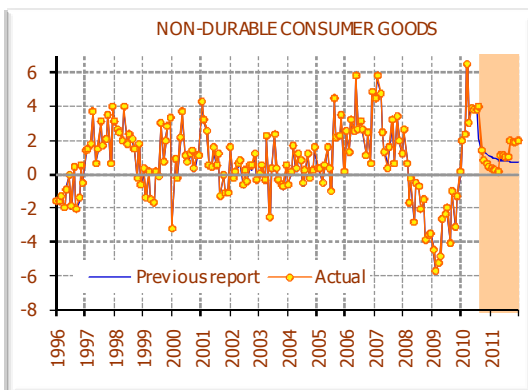
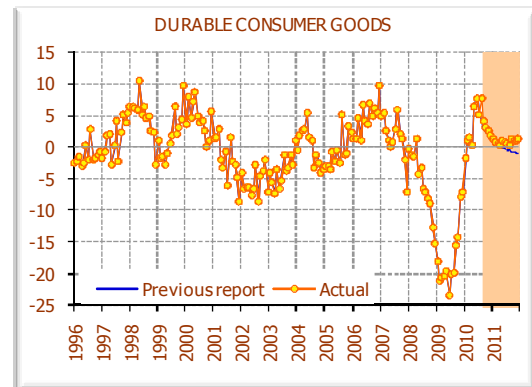
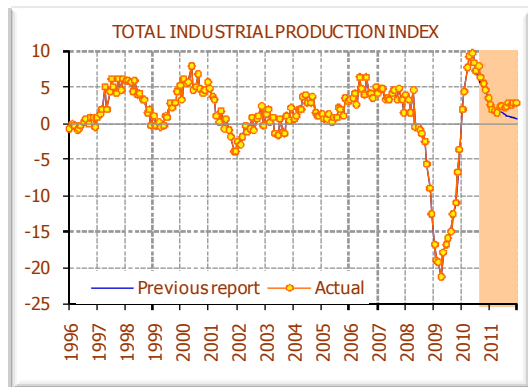
Source: EUROSTAT & BIAM (UC3M)

Date: October 13, 2010



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

Year-on-year rates



Source: EUROSTAT & BIAM (UC3M)
 Date actual report: October 13, 2010
 Date previous report: September 13, 2010



II.2. INFLATION

The total inflation forecasts for the euro area in 2010 and 2011 remain at the same values as last month. The average annual inflation rate expected for 2010 is 1.6%

(± 0.05), which could rise to 1.8% (± 0.85) next year.

Core inflation forecasts also remain constant at 1.0 (± 0.04) and 1.4% (± 0.46), respectively.

As warned in the morning's advance, there were some

to 1.4%. The average annual rate expected for 2011, however, has risen from 1.65% to 1.68%.

Within the residual component, the unprocessed food forecast remains constant, with inflation in energy goods rising slightly.

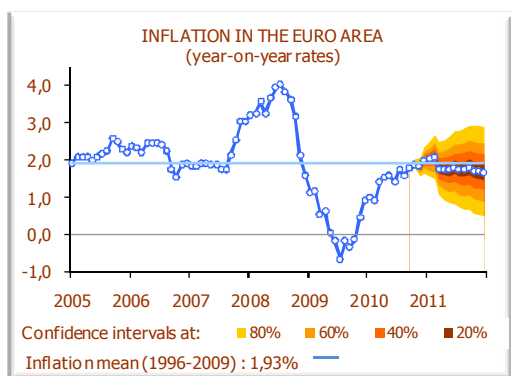
Inflation expectations for the euro area remain stable and are globally lower than 2.0%. With the September figure, there is a degree of re-equilibrium of inflationist tension from food and services to industrial goods. In the first half of 2010, the most competitive industries grew again, especially in Germany, where surplus capacity has started to rapidly decrease. At the same time, international raw material prices continue to grow at year-on-year rates of close to 20%. The greater dynamism of the sector and the exogenous increase in costs could explain the upwards innovation in non-energy industrial goods. It is more difficult, however, to pinpoint the causes of the slower inflation expected for processed food. Raw material prices for food are growing even more than for minerals. Nonetheless, there is no sign of inflationist tension in the sector that could be compared to those experienced in 2007-2008. On the one hand, after this price increase, the major producers may

have increased their aversion to risk and be using the derivatives market to protect themselves. On the other, the weak demand and heavy competition that have characterised the market in the last year could be limiting the ability of producers and distributors to transfer production cost increases to consumers.

Inflation in the euro area is certainly no risk for economic recovery, although this cannot be said of monetary policy.

With the new information, the core inflation forecasts for 2010 remain at 1.0% (± 0.04), followed by 1.4% (± 0.46) in 2011.

Graph II.2.1



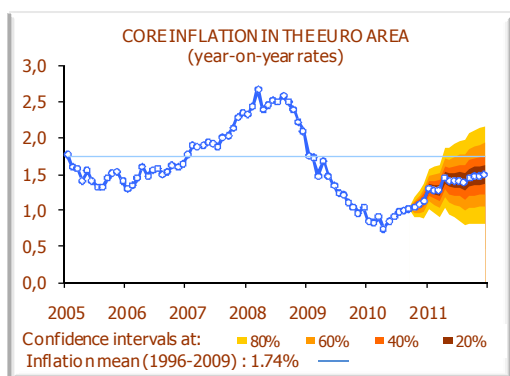
Source: EUROSTAT & BIAM(UC3M)
Date: October 15, 2010

significant changes in the special groups, especially with regards to core inflation. The forecasts for processed food prices were revised downwards to an average annual rate of 0.8% for 2011. The new value is nearly a point lower than before. This change is not reflected in total inflation due to an opposite movement in manufactured goods. The forecast for non-energy industrial goods has grown by one and two tenths of a point for 2010 and 2011, respectively. In spite of a smaller change, this item is of more significance for total and core

inflation, compensating for the fall in food prices.

No significant changes are found in services. The downwards innovation in September reduces the inflation forecast for the last quarter of 2010

Graph II.2.2



Source: EUROSTAT & BIAM(UC3M)
Date: October 15, 2010



Processed food expectations are revised downwards significantly, while there is an increase in the inflation forecast for non-energy industrial goods.

In the last few months, the ECB has been doing the opposite of other leading central banks. While the FED, the BoJ and the BoE are about to embark upon a new monetary expansion and attempting to facilitate the devaluation of their respective currencies, the ECB has started to remove liquidity from the interbank market and does not appear to be reconsidering its strategy or to be acting explicitly on the currency market to prevent the rapid appreciation of the euro. The euro area's industrial and export sectors, which have not benefited from the liquidity given to banks (credit to non-financial firms has been considerably reduced since the onset of the crisis and continues to register negative annual rates) will be heavily damaged by this strategy. Officially, the ECB's position is due to compliance with its mandate, which is to preserve price stability. However, without a sign of rising inflation (other than exogenous prices such as oil and other raw materials), such rigour seems excessive. Another possible explanation is that the ECB finds it difficult to implement a monetary expansion strategy without involving private banks. As we have mentioned on several occasions, while the FED can print money to buy bonds issued by the central government, this option only appears to be available in the euro area if a member country is at risk of insolvency. Without the issue of European debt, purchases of sovereign debt by the ECB become political decisions for which the bank is not authorised. Also, as we have seen in Greece, they are a potential source of conflict among members.

If euro area countries find no solution to this situation, the ECB's immobilism will be inevitable and the European economy will be punished by currency revaluation and a prompt hardening of its monetary and fiscal policy.

Inflation expectations in the euro area are stable, with no endogenous inflationist tension detected. The prompt tightening of monetary policy places the ECB in the opposite direction relative to other western central banks.

Table II.2.1

INFLATION IN THE EURO AREA						
HICP	Annual rates ¹ 2010		Annual average rates ²			
	September	October	2008	2009	2010	2011
Core 82.6%	1,0	1 ±0.13	2,4	1,3	1 ±0.04	1.4 ±0.46
Total 100%	1,8	1.9 ±0.11	3,3	0,3	1.6 ±0.05	1.8 ±0.85

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

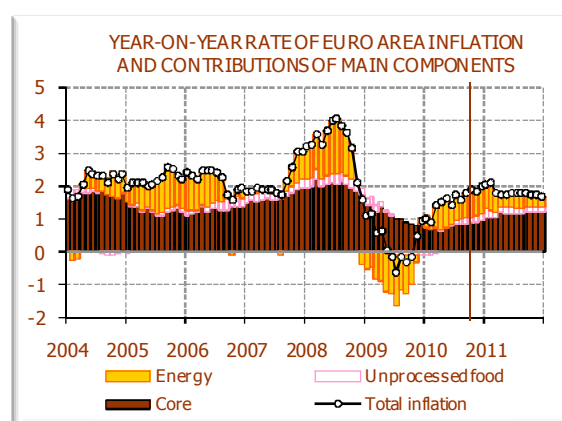
(1) Year-on-year rate anterior

(2) Yearly average rate

Source: EUROSTAT & BIAM(UC3M)

Date: October 15, 2010

Graph II.2.3



Source: EUROSTAT & BIAM(UC3M)

Date: October 15, 2010



Table II.2.2

GOODS AND SERVICES IN THE EURO AREA WITH NEGATIVE ANNUAL RATES IN HICP GROWTH																			
Special Group*	Weights 2010	Description	2010 Weights x 1000									2009				2008			
			September	August	July	June	May	April	March	February	January	QIV	QIII	QII	QI	QIV	QIII	Average	
PROCESSED FOOD 49.53	22,0	Milk, cheese and eggs			-0,4	-0,9	-1,5	-2,4	-2,5	-2,7	-2,8	-3,5	-3,8	-2,7	-1,0				
	5,1	Oils and fats					-1,0	-1,3	-1,9	-2,2	-2,0	-3,8	-6,9	-4,2	-1,0				
	25,9	Bread and cereals	-0,3	-0,2	-0,4	-0,4	-0,4	-0,5	-0,5	-0,6	-0,7	-0,4							
	9,7	Sugar, jam, honey, chocolate and confectionery	-0,3	-0,4	-0,4	-0,3	-0,3	-0,3	-0,2	-0,3	-0,3								
	9,3	Mineral waters, soft drinks, fruit and vegetable juices	-0,8	-0,8	-0,9	-0,9	-0,6	-0,6	-0,5	-0,6	-0,2								
	4,6	Food products n.e.c.	-0,7	-0,6	-0,8	-0,8	-0,6	-0,5	-0,2	0,0	-0,2								
	3,7	Coffee, tea and cocoa				-0,2	-0,4	-0,1	0,0	-0,1	-0,2	-0,1							
NON-ENERGY INDUSTRIAL GOODS 33.46	0,2	Clothing materials					0,0		0,0	-0,2	0,0	-1,7	-1,9	-2,0	-0,9				
	49,7	Garments		-0,01					-0,3	-0,9	-0,6		-0,2			-0,4			
	9,1	Major household appliances whether electric or not and small electric household appliances	-0,9	-1,0	-1,0	-0,6	-0,6	-0,5	-0,3	-0,1	-0,1					-0,4	-0,7	-0,7	
	38,9	Motor cars				-0,7	-0,7	-0,6	-0,8	-0,8	-1,2	-1,3	-1,0	-0,3		-16,0	-18,7	-16,8	
	1,8	Telephone and telefax equipment	-8,5	-1,3	-5,8	-8,3	-10,9	-8,4	-7,7	-7,4	-10,3	-8,6	-10,5	-11,9	-13,6				
	4,7	Equipment for the reception, recording and reproduction of sound and pictures	-8,0	-8,1	-8,3	-8,3	-8,7	-9,1	-9,4	-9,3	-10,3	-11,3	-12,9	-13,5	-13,4		-12,1	-10,6	-10,8
	1,6	Photographic and cinematographic equipment and optical instruments	-10,8	-10,9	-10,3	-10,6	-10,5	-10,5	-10,1	-10,1	-10,2	-10,7	-12,4	-14,2	-15,7		-15,6	-14,6	-14,2
	4,9	Information processing equipment	-3,8	-3,5	-3,9	-4,6	-5,2	-5,6	-5,4	-5,2	-6,1	-6,2	-8,4	-11,0	-13,0		-15,1	-14,6	-14,6
	2,9	Recording media	-3,0	-2,5	-2,7	-3,1	-3,6	-4,4	-3,2	-3,2	-3,7	-3,3	-3,7	-2,9	-3,6		-3,5	-3,4	-3,1
	5,4	Games, toys and hobbies	-1,4	-1,0	-1,2	-0,7	-1,6	-1,1	-1,6	-1,8	-0,9	-1,4	-0,4	-0,2	-0,3		-0,6	-1,2	-0,7
	6,5	Gardens, plants and flowers							0,0	0,0	0,0						-0,2	0,0	
	6,0	Books						-0,1	0,0	0,0	0,0						-0,2	-0,1	
	12,3	Pharmaceutical products		-0,04	-0,1			-0,7	-0,3	-0,6	0,0								
	5,1	Household textiles							-0,2	-0,4	0,0								
	4,6	Other personal effects		-0,1					0,0	-0,8	-0,1								
	3,1	Equipment for sport, camping and open-	-0,4	-0,7	-0,5	-0,5	-0,5		0,0	-0,1	-0,1								
	1,9	Carpets and other floor coverings		-1,0	-0,6	-0,5	-0,4		-0,2	-0,4	-0,1								
SERVICES 50.72	5,7	Passenger transport by air	-1,3				-1,0	-0,2	0,0	-2,3	-2,6	-4,7	-5,1	-1,0					
	27,9	Telephone and telefax services	-1,0	-0,9	-1,1	-1,1	-1,0	-0,5	-0,2	-0,6	-0,4	-0,2	0,0	-0,7	-1,1		-1,2	-1,2	-1,1
	16,7	Accommodation services						-0,1	0,0	-0,5	0,0	-0,1	-0,4						
	15,7	Package holidays	-1,6	-0,6	-1,4	-1,5	-2,2	-6,1	0,0	-1,7	-1,6								
	0,8	Passenger transport by sea and inland	-1,7				-0,7	-1,1	-5,0	-3,2	-4,6								
	0,7	Other purchased transport services	-0,7	-0,8	-0,6	-1,8	-1,1	-1,1	-1,2	-1,3	-1,8	-1,3							
	0,0	Maintenance and repair of other major durables for recreation and culture					-0,1	-0,3	0,0	0,0	0,0	0,0	0,0	0,0	0,0				
	10,8	Fish and seafood							0,0	-0,6	-0,6	-0,5	-0,7	-1,1					
	11,4	Fruits				-0,2	-1,3	-3,1	-3,3	-2,1	-2,8	-5,5	-0,5						
	14,7	Vegetables						0,0	-1,3	-2,5	-4,1	-2,9							
	36,1	Meat			-0,1	-0,1	-0,2	-0,6	-0,6	-0,7	-0,2								
	7,7	Liquid fuels							0,0	0,0	0,0	-12,4	-35,8	-37,6	-27,6		-2,6		
	42,8	Fuels and lubricants for personal transport equipment							0,0	0,0	0,0		-16,3	-18,5	-17,1		-6,4		
	15,5	Gas			-4,1	-5,2	-6,4	-14,9	-15,6	-16,3	-15,5	-9,1							
	5,2	Heat energy	-4,6	-5,8	-7,5	-9,0	-10,2	-10,8	-11,2	-10,7	-10,0	-7,0							
			138,91	200,82	168,6	250,5	273,5	303,5	312,4	382,8	382,1	269,3	290,2	193,8	176,7	106,2	71,4	65,0	

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

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

Source: EUROSTAT & BIAM(UC3M)

Date: October 15, 2010



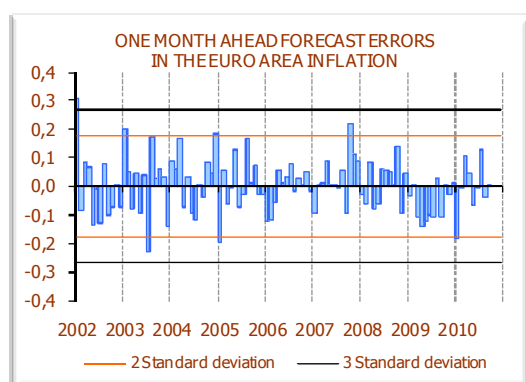
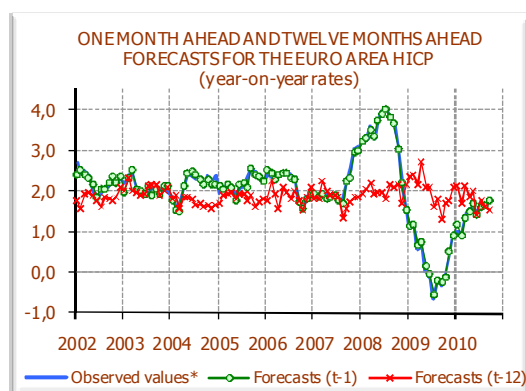
FORECASTS ERRORS BY SECTORS, COUNTRIES IN THE EURO AREA, UNITED KINGDOM, SWEDEN AND DENMARK

INFLATION IN THE EURO AREA Annual rates, September, 2010				
Harmonized Index of Consumer Prices HICP	Weights 2010	Observed	Forecasts	Confidence Intervals*
Processed Food	118,64	0,99	1,24	± 0.38
Tobacco	23,77	4,56	5,02	
Processed food excluding tobacco	94,87	0,11	0,31	
Non-energy Industrial goods	292,76	0,56	0,40	± 0.21
Services	419,55	1,37	1,50	± 0.14
CORE	830,95	1,03	1,07	± 0.13
Non-processed food	72,93	2,51	2,54	± 0.72
Energy	96,12	7,74	7,28	± 0.86
RESIDUAL	169,05	5,47	5,24	± 0.57
TOTAL	1000	1,78	1,78	± 0.12

Inflation expectations in the euro area remain stable for the second consecutive month. The average annual rates expected for 2010 and 2011 are 1.6% (± 0.05) and 1.8% (± 0.85), respectively

With the new information, the core inflation forecasts for 2010 remain at 1.0% (± 0.04), followed by 1.4% (± 0.46) in 2011.

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



Source: EUROSTAT & BIAM(UC3M)

Date: October 15, 2010



HARMONIZED INDEX OF CONSUMER PRICES AND COMPONENTS IN THE EURO AREA												
Annual rates of growth												
		HICP										
		Core				TOTAL80 % Confidence Intervals*		Residual		TOTAL80 % Confidence Intervals*		
		Processed food excluding tobacco	Tobacco	Non energy industrial goods	Services			Non processed food	Energy			
Weights 2010		9,6%	2,3%	29,7%	41,4%	83,0%		7,5%	9,6%	17,0%	100%	
ANNUAL AVERAGE RATE	2001	2,7	3,8	0,9	2,5	1,9		7,0	2,2	4,4	2,3	
	2002	2,4	5,9	1,5	3,1	2,5		3,1	-0,6	1,2	2,2	
	2003	2,1	8,4	0,8	2,5	2,0		2,1	3,0	2,6	2,1	
	2004	1,3	12,2	0,8	2,6	2,1		0,6	4,5	2,6	2,1	
	2005	0,5	7,8	0,3	2,3	1,5		0,8	10,1	5,7	2,2	
	2006	1,6	3,9	0,6	2,0	1,5		2,8	7,7	5,5	2,2	
	2007	2,3	4,5	1,0	2,5	2,0		3,0	2,6	2,8	2,1	
	2008	6,8	3,2	0,8	2,6	2,4		3,5	10,3	7,3	3,3	
	2009	0,2	4,7	0,6	2,0	1,3		0,2	-8,1	-4,5	0,3	
	2010	-0,3	5,4	0,4	1,4	1,0	± 0,04	1,2	7,2	4,6	1,6 ± 0,05	
	2011	0,8	6,1	0,8	1,7	1,4	± 0,46	2,4	4,8	3,8	1,8 ± 0,85	
ANNUAL RATES (year-on-year rates)	2009	January	2,7	2,8	0,5	2,4	1,8		2,6	-5,3	-1,8	1,1
		February	1,7	2,9	0,7	2,4	1,7		3,3	-4,9	-1,3	1,2
		March	1,2	3,2	0,8	1,9	1,5		2,4	-8,1	-3,6	0,6
		April	0,7	3,4	0,8	2,5	1,7		1,6	-8,8	-4,4	0,6
		May	0,4	3,5	0,8	2,1	1,5		0,7	-11,6	-6,4	0,0
		June	0,0	5,4	0,6	2,0	1,3		0,0	-11,7	-6,8	-0,1
		July	-0,3	5,6	0,5	1,9	1,2		-1,1	-14,4	-8,9	-0,6
		August	-0,6	5,8	0,6	1,8	1,2		-1,2	-10,2	-6,4	-0,2
		September	-0,7	5,7	0,5	1,8	1,1		-1,3	-11,0	-6,9	-0,3
		October	-0,9	5,8	0,3	1,8	1,0		-1,6	-8,5	-5,5	-0,1
		November	-0,8	6,0	0,2	1,6	1,0		-1,3	-2,4	-1,8	0,5
		December	-0,7	6,6	0,4	1,6	1,0		-1,6	1,8	0,4	0,9
	2010	January	-0,8	6,5	0,1	1,4	0,9		-1,3	4,0	1,7	1,0
		February	-0,8	6,3	0,1	1,3	0,8		-1,2	3,3	1,3	0,9
		March	-0,7	5,9	0,1	1,6	0,9		-0,1	7,2	4,0	1,4
		April	-0,7	6,2	0,2	1,2	0,8		0,7	9,1	5,4	1,5
		May	-0,5	6,6	0,3	1,3	0,9		0,4	9,2	5,3	1,6
		June	-0,3	5,4	0,4	1,3	0,9		0,9	6,2	3,9	1,4
		July	-0,1	4,7	0,5	1,4	1,0		1,9	8,1	5,4	1,7
		August	0,0	4,7	0,4	1,4	1,0		2,4	6,1	4,5	1,6
		September	0,1	4,6	0,6	1,4	1,0		2,5	7,7	5,5	1,8
		October	0,2	5,0	0,6	1,4	1,0	± 0,13	2,6	8,8	6,1	1,9 ± 0,11
		November	0,1	4,7	0,6	1,4	1,1	± 0,18	2,5	7,7	5,4	1,8 ± 0,23
		December	0,2	4,8	0,7	1,4	1,1	± 0,23	2,8	8,8	6,2	2,0 ± 0,34
	2011	January	0,4	5,5	0,9	1,6	1,3	± 0,27	2,8	7,7	5,6	2,0 ± 0,47
		February	0,6	5,7	0,7	1,6	1,3	± 0,32	2,9	8,3	6,0	2,1 ± 0,59
		March	0,7	6,5	0,8	1,5	1,3	± 0,36	2,3	5,7	4,2	1,8 ± 0,70
		April	0,8	6,3	0,8	1,8	1,5	± 0,41	2,1	3,9	3,2	1,7 ± 0,80
		May	0,8	6,0	0,8	1,7	1,4	± 0,46	3,0	3,6	3,3	1,7 ± 0,88
		June	0,8	5,5	0,8	1,7	1,4	± 0,50	2,9	4,3	3,7	1,8 ± 0,96
		July	0,7	5,8	0,9	1,7	1,4	± 0,55	2,4	4,4	3,5	1,8 ± 1,03
		August	0,6	5,8	0,8	1,7	1,4	± 0,59	2,1	4,7	3,6	1,8 ± 1,08
		September	0,8	6,3	0,9	1,7	1,4	± 0,62	2,1	4,6	3,6	1,8 ± 1,13
		October	0,9	6,3	0,9	1,7	1,5	± 0,64	2,1	3,8	3,1	1,7 ± 1,17
		November	0,9	6,4	0,9	1,7	1,5	± 0,66	2,1	3,5	2,9	1,7 ± 1,18
		December	1,0	6,5	0,9	1,7	1,5	± 0,68	2,1	3,1	2,7	1,7 ± 1,19

* Confidence intervals calculated with historical errors

The figures in the shaded area are forecasts

Source: EUROSTAT & BIAM(UC3M)

Date: October 15, 2010



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

*The figures in the shaded area are forecasts

Source: EUROSTAT & BIAM(UC3M)

Date: October 15, 2010



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

* The figures in the shaded area are forecasts

Source: EUROSTAT & BIAM(UC3M)

Date: October 15, 2010



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

*The figures in the shaded area are forecasts

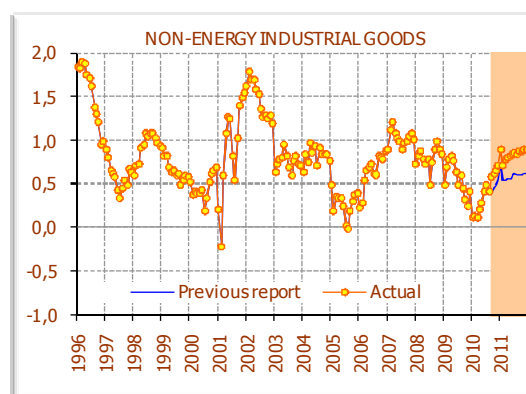
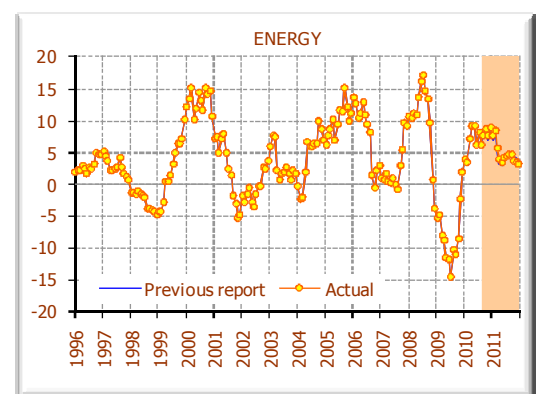
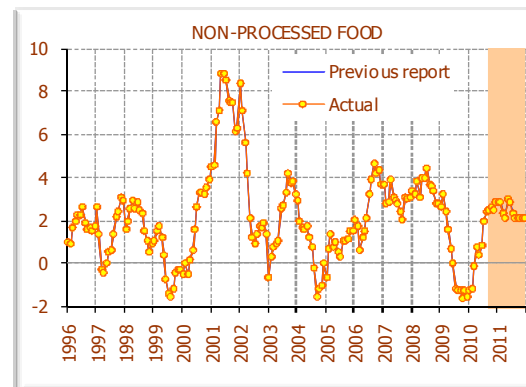
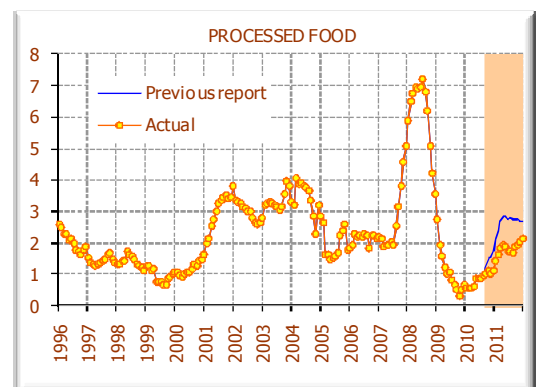
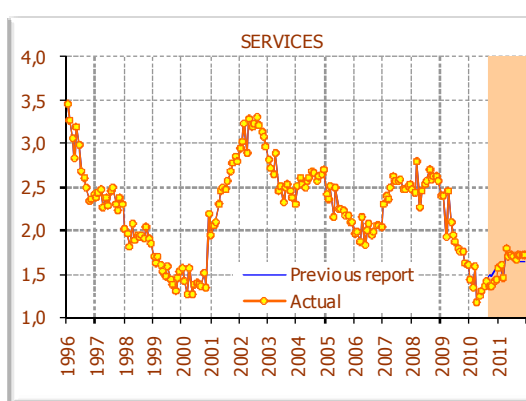
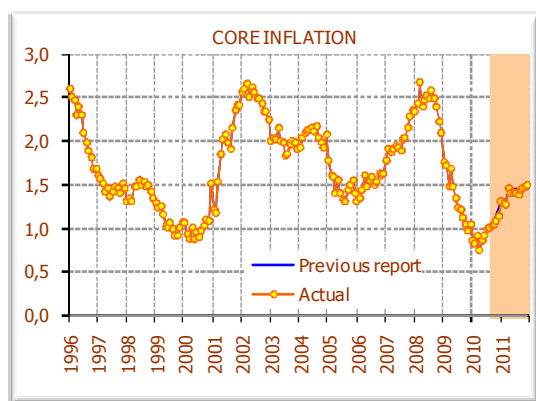
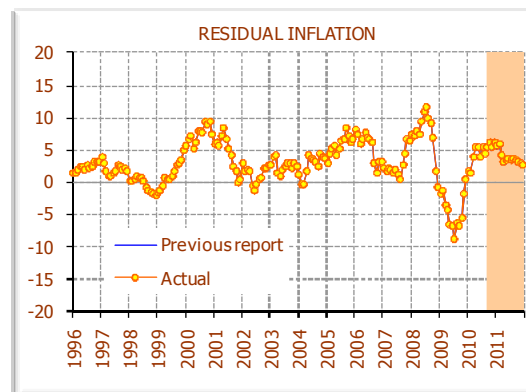
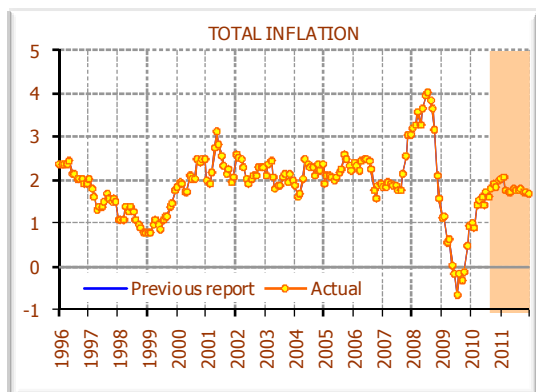
Source: EUROSTAT & BIAM(UC3M)

Date: October 15, 2010



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

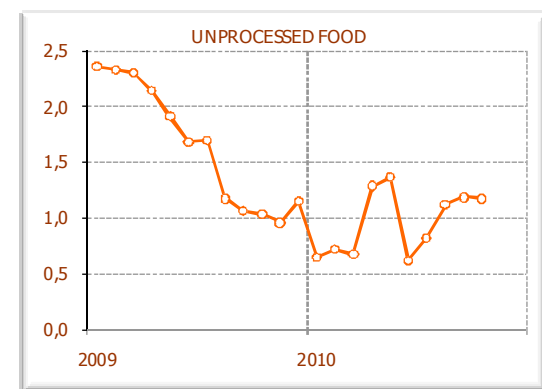
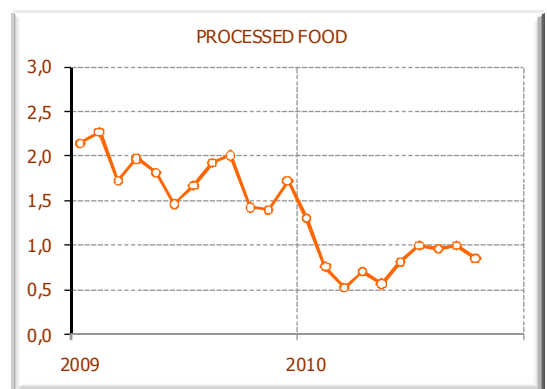
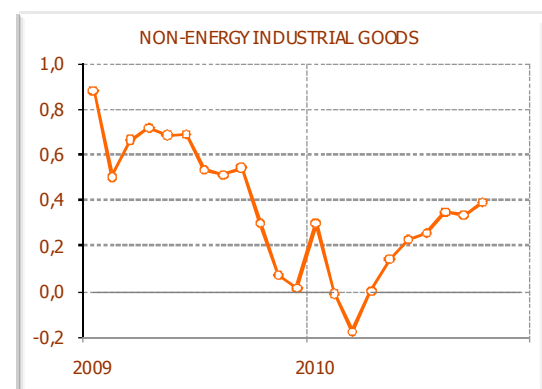
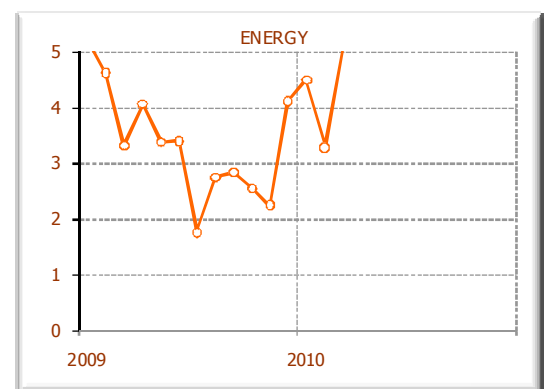
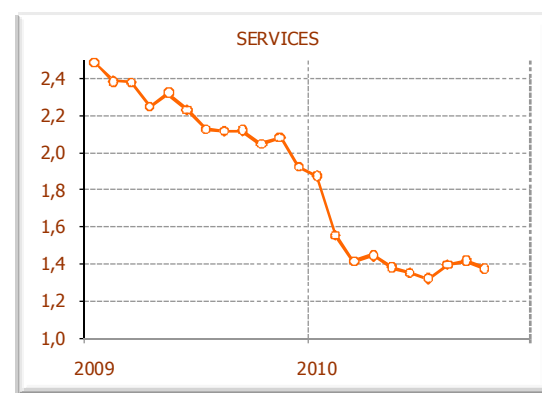
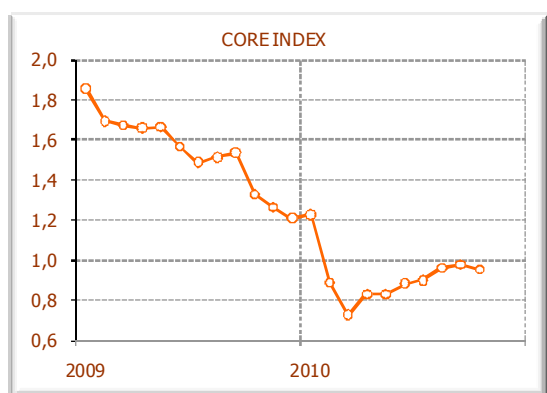
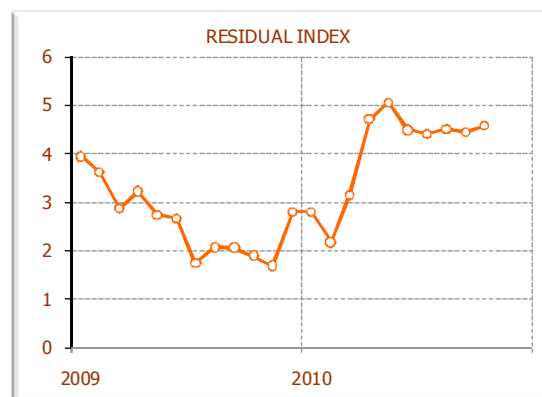
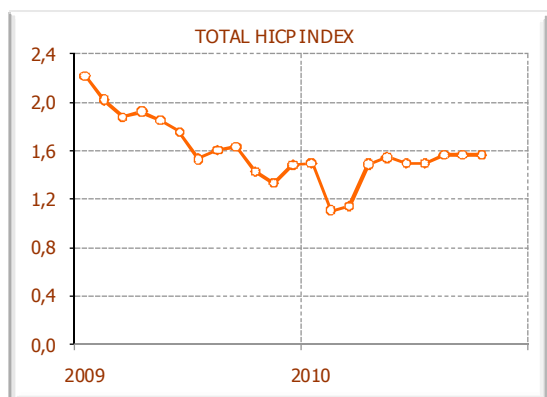
Year-on-year rates



Source: EUROSTAT & BIAM (UC3M)
 Date actual report: October 15, 2010
 Date previous report: September 15, 2010



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



Source: EUROSTAT & BIAM (UC3M)
Date: October 15, 2010



II.3. MONETARY POLICY

In October, the European Central Bank maintained rates at 1.0%, as the market expected. In the short term, no significant rate changes are expected in the euro

area. Economic and credit growth remains weak and could fall in the third and fourth quarter of 2010. The differences between the rate of recovery among euro area members continue to be extreme.

Consumer prices remain stable and there is no

sign of significant inflationist pressure in the short and medium terms.

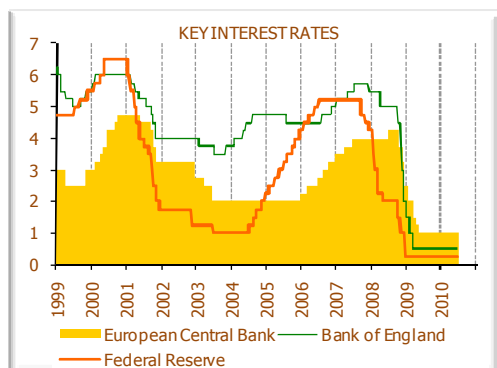
The ECB continues to plan a gradual withdrawal of exceptional measures and maintains a rigid stance regarding proposals for fiscal discipline in the euro area. From all perspectives, its strategies are completely different from those of the FED. Only diplomatic constraints have prevented Trichet from saying what is obvious: the new monetary expansion phase undertaken by the Federal Reserve aims to weaken the dollar on international currency markets. The euro has no defence strategy and will very probably rapidly appreciate. The economy of euro area exporting countries will be seriously affected by this process, increasing political pressure on the ECB itself.

Although the most important, the currency war is only one of the central bank's concerns. In October, the crisis affecting the Irish economy forced it to buy sovereign debt again. Despite this intervention, the differentials in the returns on the debt of the weakest countries, including Spain, rose again in this month.

Credit flows remained stable in September. Public sector credit continued to decelerate to an annual rate of 7.1%, three tenths of a point less than before. In the private sector, the annual growth rate of household credit remained practically

stable, with an annual rate of 2.5%, while credit to non-financial firms fell by half a point (-0.6%). Mortgage loans grew at an annual rate of 3.4%, with consumer credit falling from 0.4% to 0.9%. "Other credits" grew at an annual rate of 3% in September. In the aggregate, the annual variation in private sector credit remained at 1.2% in the September, the same figure that was registered in August.

Graph II.3.1



Date: November, 2010



III. UNITED STATES

III.1. INDUSTRIAL PRODUCTION INDEX

INDUSTRIAL PRODUCTION INDEX AND SECTORS IN U.S.							
Annual rates of growth							
		Consumer Goods		Capital Goods	Intermediate Goods	TOTAL	
		Durable	Non Durable				
ANNUAL AVERAGE RATES	2006	0,4	0,6	4,2	2,2	2,2	
	2007	1,8	0,4	3,4	3,7	2,7	
	2008	-10,3	-2,1	-3,4	-2,7	-3,3	
	2009	-17,0	-2,4	-11,1	-9,7	-9,3	
	2010	13,2	2,8	4,8	6,9	5,5	
	2011	5,8	2,2	6,3	5,6	4,5	
ANNUAL RATES*	2009	QI	-25,9	-3,1	-12,4	-12,5	-11,5
		QII	-25,2	-4,0	-14,2	-13,9	-13,1
		QIII	-12,0	-1,9	-10,9	-8,6	-8,4
		QIV	-2,1	-0,6	-6,5	-3,1	-3,7
	2010	QI	13,2	1,2	-0,6	4,2	2,7
		QII	20,0	3,1	6,4	9,0	7,7
		QIII	10,8	4,0	6,6	7,5	6,5
		QIV	9,3	2,9	6,9	6,9	5,3
	2011	QI	8,0	2,5	6,9	6,5	4,9
		QII	6,5	2,3	6,6	6,0	4,5
		QIII	5,1	2,1	6,1	5,4	4,3
		QIV	3,9	1,9	5,5	4,7	4,4

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

Source: Federal Reserve & BIAM(UC3M)

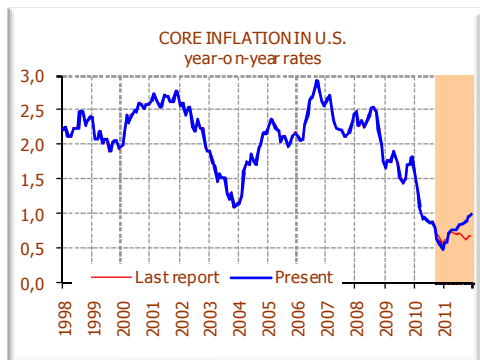
Date: October 18, 2010



III.2. INFLATION

In the US in September, the general consumer price index rose by a monthly 0.06%¹, less than the forecast 0.13%. The annual rate fell slightly from 1.15% to 1.14%.

Graph III.2.1



Source: BLS & BIAM
Date: October 15, 2010

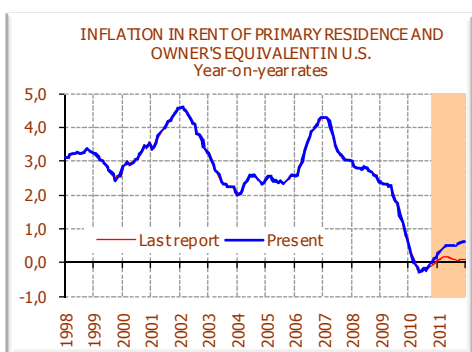
The core index registered a monthly rate of 0.16%, less than the forecast 0.21%. The annual rate fell from 0.89% to 0.80%.

This downwards innovation in the core index is explained by the important downwards

innovation in apparel and smaller, upwards innovations in medical service and home rentals. Although these innovations are globally negative in September, they signal a decline in expectations, as the items with upwards innovations are not as volatile as the apparel index.

Indeed, non-durable goods not including tobacco registered a monthly increase of 1.34% instead of the expected 1.80%, reducing the annual rate from -0.12% to -0.57%.

Graph III.2.2



Source: BLS & BIAM
Date: October 15, 2010

On the other hand, the prices of medical services, which registered a downwards surprise in the previous months, have now risen, generating a change in expectations.

Finally, and most important, home rentals last month registered a heavy downwards innovation, with a forecasting error of 0.14%, far in excess of the 80% confidence interval. This month, the innovation was just as important but in the other direction, with the annual rate rising from 0.00% to 0.16%. On the other hand, as it is a leading indicator for owner's estimated rent of primary residence, it pushes the latter's forecast up, even though their September value was as expected.

This upwards innovation is particularly important for medium term core inflation expectations and the general index, given its significant and inertia (see Graph III.2.2).

On this occasion, used car prices were slightly lower than expected, after upwards surprises in the last few months.

Import prices of both durable and non-durable goods were lower than expected. Production prices of durable goods innovated upwards and of non-durables downwards.

Based on the above, non-energy industrial goods registered a monthly increase of 0.46% versus the expected 0.83%, with the annual rate going from 1.34% to 0.80%. The August rise was temporary and

Inflation expectations have risen for several reasons: 1) price of oil, 2) price of agricultural raw materials, 3) depreciation of the dollar and 4) price of house rentals (although they have been showing contradictory signs in the last few months)

During the next months, core inflation is expected to reduce its annual rate to 0.5% in December 2010, subsequently rising to 1.0% by the end of 2011

Although the figure was more moderate than expected, the forecast has been revised upwards.

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



There was an important downwards innovation in apparel that was partly compensated by upwards innovations in medical services and house rentals.

the annual rate for this group is expected to fall to -0.55% in December this year.

With regards to services, the figure was higher than expected, with a 0.05% increase instead of the expected 0.03% reduction. The annual rate rose from 0.71% to 0.80%.

Based on the above, core inflation expectations remain stable for the next few months and rise in the medium term (see Graph III.2.1).

Food prices were higher than expected and, together with rising international raw material prices, are adding more pressure to medium-term price expectations.

Energy prices fell by a monthly 1.25% instead of the expected 0.50%, largely due to gas prices, where the prices in origin are falling considerably.

Finally, international oil prices have risen by an average of 6% throughout the forecasting horizon.

Based on the above, the CPI in October is expected to grow by 0.20% (± 0.13), with the annual rate rising from 1.14% to 1.24% (see Graph III.2.3).

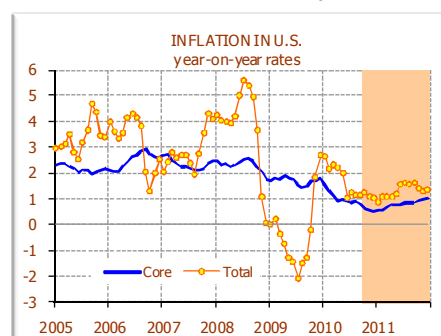
Given their inertia, however, house rentals have a greater impact in the medium term (although they have been showing contradictory signs in the last few months).

From October, the profile expected for general inflation is one of moderation, falling to 1% in December this year and then rising to 1.4% during 2011.

The forecast for core inflation is a monthly increase of 0.11% (± 0.11), with the annual rate falling from 0.80% to 0.64%.

From October, the core inflation profile is one of moderation to 0.5% in December this year, rising to 1% during 2011.

Graph III.2.3



Source: BLS & BIAM
Date: October 15, 2010

Table III.2.1

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

The shaded values are forecasts

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

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

Source: BLS & BIAM

Date: October 15, 2010

2. Considering an 80% confidence interval for all indices

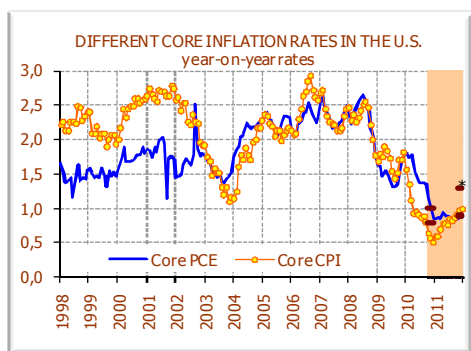
3. The PCE (Personal Consumption Expenditure) is a price index which has the advantage relative to the consumer price index (CPI) that instead of the shopping basket remaining unaltered, it is adjusted to actual expenditure and shows changes in its composition between the periods compared.

4. <http://www.federalreserve.gov/monetarypolicy/files/fomcminutes20100128.pdf>



For **2010 and 2011** we are forecasting average annual core inflation rates of 0.92% (± 0.09)² and 0.80% (± 0.42), respectively (Table III.2.1 and Graph III.2.1).

Graph III.2.4



Source: BLS & BIAM
Date: October 15, 2010

Average annual total inflation is forecast at 1.60% (± 0.30) for 2010 and 1.32% (± 1.62) for 2011, representing three tenths of a point more for 2011 than expected last month (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, our core forecast for September – to be published on 1st November – is 1.35%.

The core PCE at the end of 2011 is forecast at slightly higher than last month, on the lower limit established by the Fed for the year (see report)⁴(Graph III.2.4).

In conclusion, although the CPI was slightly lower than expected, medium-term forecasts have risen. The reasons are: 1) rising raw material prices in general, particularly energy (except gas) and agricultural; 2) considerable depreciation of the dollar; and 3) important upwards innovation in home rentals, a leading indicator of owner's estimated rent of primary residence, with great weight in the CPI.

In all, for the next three months we expect core inflation to fall to 0.5% by December, rising the following month and reaching December 2011 at a rate of 1.0%.

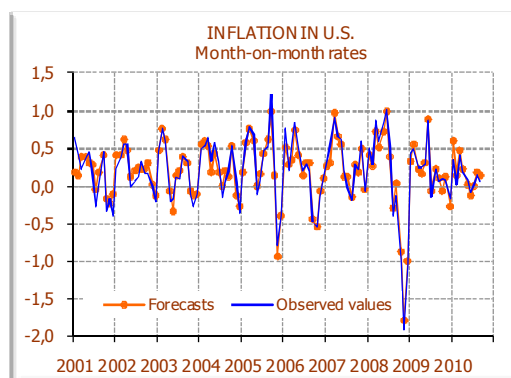
Raw material prices in general are also rising, which pushes expectations up.

The core PCE will start to reduce its annual rate from October, and could reach 0.9% by the end of this year, where it would remain for 2011. It would therefore be on the lower limit of the central tendency established by the Fed for 2011.



FORECASTING ERRORS IN U.S. INFLATION

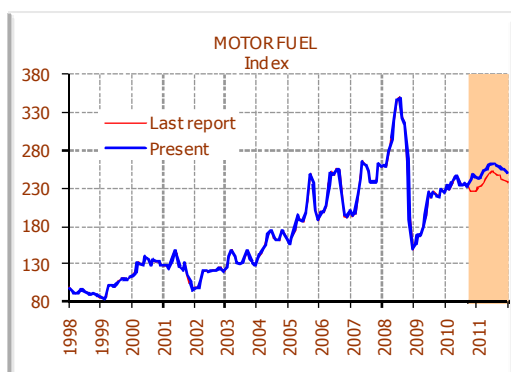
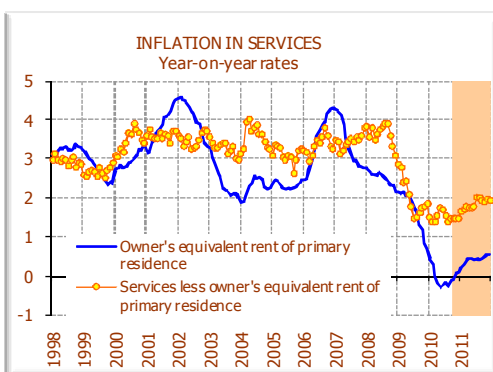
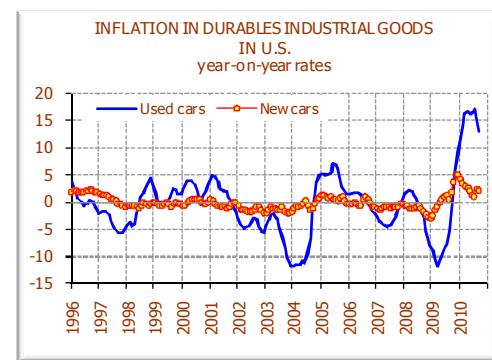
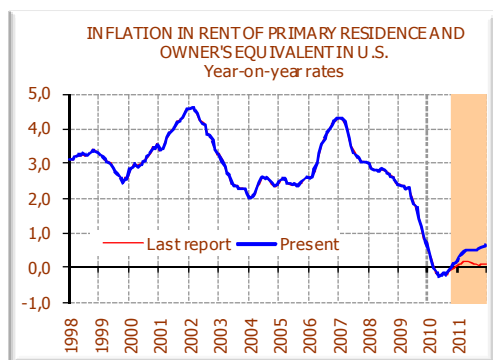
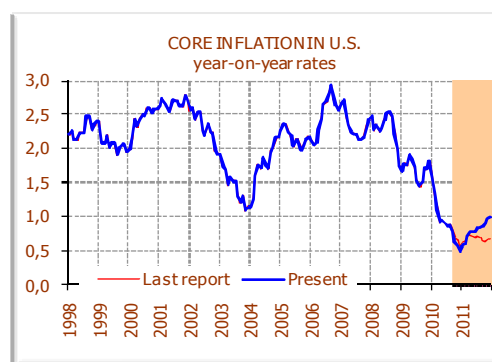
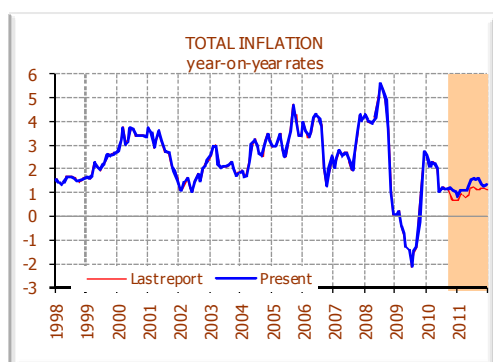
CONSUMER PRICE INDEX IN U.S. Monthly rates September, 2010				
	Relative Imp. Dec. 2009	Observed	Forecasts	Confidence Intervals*
TOTAL INFLATION	100,0	0,06	0,13	0,13
less Owner's equivalent rent of primary residence	76,4	0,07	0,17	0,17
CORE INFLATION	77,7	0,16	0,21	0,11
less Owner's equivalent rent of primary residence	54,1	0,22	0,28	0,15
Non-food and non-energy goods	21,3	0,46	0,83	0,28
Less tobacco	20,4	0,48	0,83	0,25
- Durable goods	10,0	-0,37	-0,16	0,31
- Non-durable goods	11,3	1,24	1,71	0,40
Non-energy services	56,4	0,05	-0,03	0,13
- Services less Owner's equivalent rent of primary residence	32,8	0,06	-0,07	0,21
- Owner's equivalent rent of primary residence	23,6	0,03	0,03	0,12
RESIDUAL INFLATION	22,3	-0,29	-0,11	0,48
Food	13,7	0,33	0,14	0,25
Energy	8,6	-1,25	-0,50	1,14



Source: BLS & BIAM(UC3M)

Date: October 15, 2010

OTHER GRAPHS ON U.S. INFLATION FORECASTS



Source: BLS & BIAM(UC3M)

Date: October 15, 2010



CONSUMER PRICE INDEX AND COMPONENTS IN USA															
Annual rates of growth															
			CPI												
			Core						Residual			TOTAL 100% Confidence Intervals at 80% level			
			Non-energy commodities less food			Non-energy services									
			Durables	Non durables	All	Owner's equivalent rent of primary residence	Other services	All	Food	Energy	TOTAL				
IR December 09			10,0%	11,3%	21,3%	23,6%	32,8%	56,4%	77,7%	13,7%	8,6%	22,3%			
	2002	-2,6	0,4	-1,1	4,1	3,5	3,8	2,3		1,8	-5,9	-0,8	1,6		
	2003	-3,2	-0,7	-2,0	2,4	3,3	2,9	1,5		2,1	12,2	5,3	2,3		
	2004	-2,3	0,4	-0,9	2,3	3,6	2,9	1,8		3,4	10,9	6,0	2,7		
	2005	0,4	0,6	0,5	2,3	3,1	2,8	2,2		2,4	16,9	7,6	3,4		
	2006	-0,7	1,2	0,3	3,5	3,3	3,4	2,5		2,3	11,2	5,8	3,2		
	2007	-1,7	1,0	-0,4	3,4	3,4	3,4	2,3		4,0	5,5	5,1	2,9		
	2008	-1,4	1,7	0,1	2,5	3,6	3,1	2,3		5,5	13,9	9,0	3,8		
	2009	-0,9	3,4	1,3	1,7	2,0	1,9	1,7		1,8	-18,4	-6,8	-0,4		
	2010	1,3	0,9	1,1	0,0	1,5	0,9	0,9	± 0,09	0,8	9,3	4,0	1,6	± 0,30	
	2011	-1,9	0,9	-0,4	0,4	1,8	1,3	0,8	± 0,42	2,5	4,1	3,1	1,3	± 1,62	
ANNUAL RATES (growth of the month over the same month of the previous year)	2009	January	-2,9	1,9	-0,5	2,2	2,8	2,5	1,7		5,3	-20,4	-5,3	0,0	
		February	-2,6	2,5	0,0	2,1	2,8	2,5	1,8		4,8	-18,5	-4,8	0,2	
		March	-2,5	3,3	0,4	2,1	2,4	2,3	1,8		4,4	-23,0	-7,2	-0,4	
		April	-2,0	3,9	0,9	2,1	2,4	2,3	1,9		3,3	-25,2	-9,0	-0,7	
		May	-1,5	3,9	1,2	2,1	2,1	2,1	1,8		2,7	-27,3	-10,7	-1,3	
		June	-1,1	4,1	1,5	1,9	1,8	1,8	1,7		2,1	-25,5	-10,7	-1,4	
		July	-1,2	4,0	1,4	1,7	1,5	1,6	1,5		0,9	-28,1	-12,6	-2,1	
		August	-1,5	3,6	1,1	1,7	1,5	1,6	1,4		0,4	-23,0	-10,1	-1,5	
		September	-0,6	3,7	1,6	1,3	1,6	1,5	1,5		-0,2	-21,6	-9,7	-1,3	
		October	0,9	3,6	2,3	1,2	1,7	1,5	1,7		-0,6	-14,0	-6,1	-0,2	
		November	1,8	3,3	2,6	0,8	1,8	1,4	1,7		-0,7	7,4	2,3	1,8	
		December	2,5	3,5	3,0	0,7	1,9	1,4	1,8		-0,5	18,2	5,9	2,7	
	2010	January	2,5	3,3	2,9	0,4	1,5	1,0	1,6		-0,4	19,1	6,4	2,6	
		February	2,3	2,6	2,5	0,3	1,4	0,9	1,3		-0,2	14,4	4,9	2,1	
		March	2,2	1,6	1,9	0,0	1,4	0,8	1,1		0,2	18,3	6,6	2,3	
		April	1,9	0,5	1,2	-0,2	1,6	0,8	0,9		0,5	18,5	6,9	2,2	
		May	1,6	0,5	1,1	-0,3	1,7	0,9	0,9		0,7	14,7	5,8	2,0	
		June	1,3	0,6	1,0	-0,2	1,7	0,9	0,9		0,7	3,0	1,6	1,1	
		July	1,5	0,6	1,0	-0,2	1,5	0,8	0,9		0,9	5,2	2,5	1,2	
		August	2,3	0,5	1,3	-0,3	1,4	0,7	0,9		1,0	3,8	2,1	1,1	
		September	1,6	0,0	0,8	-0,1	1,4	0,8	0,8		1,4	3,8	2,3	1,1	
		October	0,2	0,1	0,2	-0,1	1,5	0,8	0,6	± 0,11	1,5	6,3	3,3	1,2	± 0,13
		November	-0,6	0,1	-0,2	0,0	1,5	0,9	0,6	± 0,19	1,8	4,7	2,9	1,1	± 0,46
		December	-1,2	0,1	-0,5	0,1	1,5	0,9	0,5	± 0,26	2,0	4,4	2,9	1,0	± 0,84
	2011	January	-1,6	0,2	-0,7	0,2	1,7	1,1	0,6	± 0,31	2,2	1,3	1,9	0,9	± 1,21
		February	-1,9	0,2	-0,8	0,3	1,7	1,1	0,6	± 0,35	2,5	3,6	2,9	1,1	± 1,53
		March	-2,0	0,6	-0,6	0,4	1,8	1,2	0,7	± 0,38	2,4	2,7	2,5	1,1	± 1,79
		April	-1,9	1,0	-0,3	0,4	1,7	1,2	0,8	± 0,41	2,3	2,0	2,2	1,1	± 1,94
		May	-1,9	1,0	-0,4	0,4	1,7	1,2	0,8	± 0,44	2,4	3,2	2,7	1,2	± 2,05
		June	-1,9	0,8	-0,4	0,4	1,8	1,2	0,8	± 0,49	2,5	6,9	4,2	1,5	± 2,12
		July	-2,0	0,8	-0,5	0,4	2,0	1,4	0,8	± 0,54	2,7	6,8	4,3	1,6	± 2,18
		August	-2,1	0,8	-0,6	0,4	2,0	1,4	0,8	± 0,58	2,7	6,2	4,1	1,6	± 2,25
		September	-2,1	1,1	-0,4	0,5	1,9	1,3	0,9	± 0,63	2,6	7,0	4,3	1,6	± 2,32
		October	-1,9	1,2	-0,2	0,5	1,9	1,3	0,9	± 0,66	2,5	3,9	3,1	1,4	± 2,41
		November	-1,6	1,2	-0,1	0,5	2,0	1,4	1,0	± 0,68	2,4	2,5	2,4	1,3	± 2,45
		December	-1,4	1,2	0,0	0,6	1,9	1,4	1,0	± 0,69	2,3	3,1	2,6	1,4	± 2,43

Source: BLS & BIAM(UC3M)

Date: October 15, 2010



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

Source: BLS & BIAM(UC3M)

Date: October 15, 2010



The September figures show no change in the extreme weakness of the residential market in the US.

There were different small innovations, upwards and downwards, in September, but the levels are lower than ever before.

Second hand home sales and housing starts increased a little more than expected, but building permits registered a downwards innovation.

A new factor that will distort the residential sector's figures in the next few months will be the delay in mortgage foreclosures.

III.3. PROPERTY SECTOR

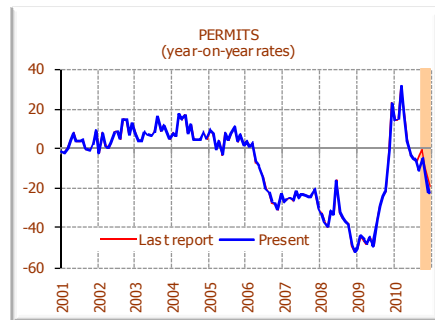
Building permits registered a monthly decrease of 5.6%¹, instead of the forecast 2.8% increase. On the other hand, the number of housing starts showed a monthly increase of 0.3% instead of the expected 5.3% decrease (see Graphs III.3.1, III.3.1b, III.3.2 and III.3.2b).

New home sales increased by a monthly 6.6%, just as expected, while prices grew considerably. This is not very significant, however, due to the high volatility of the price series (see Graphs III.3.3, III.3.3b, III.3.4 and III.3.4b).

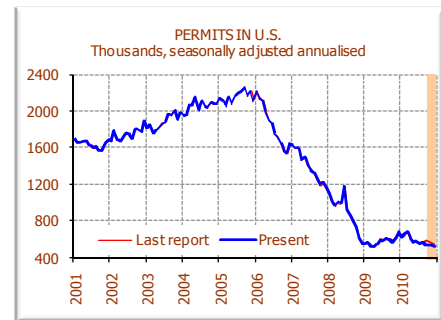
Second hand home sales registered a 10.0% increase versus the expected 1.3%, due to the adjustment process after the end of the incentive programme. Prices, however, fell more than expected (see Graphs III.3.5, III.3.5b, III.3.6 and III.3.6b).

The sector is expected to remain weak in October, with 2.9% increases in second hand home sales and 3.3% in new homes. However, it is advisable to monitor the market's evolution by levels and not according to monthly or annual rates.

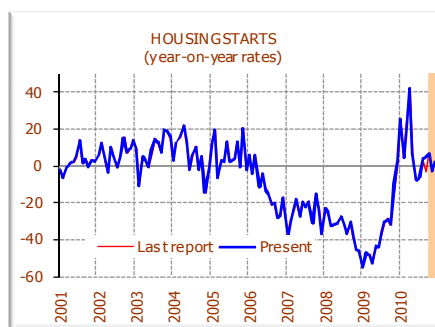
Graph III.3.1



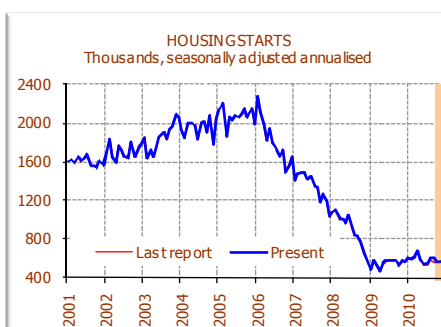
Graph III.3.1b



Graph III.3.2



Graph III.3.2b



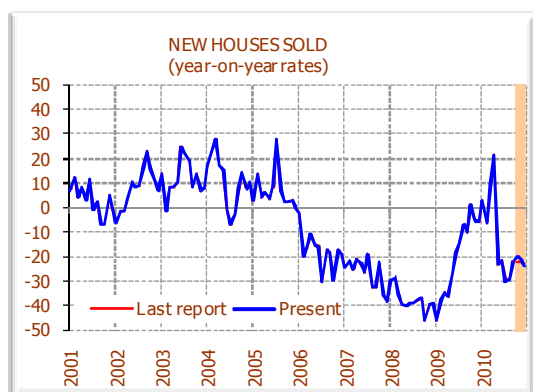
Source: U.S. Census Bureau & BIAM (UC3M)

Date: October 27, 2010

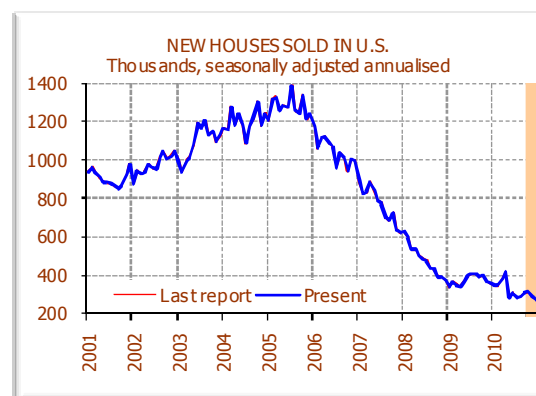
1. Seasonally adjusted and annualized.



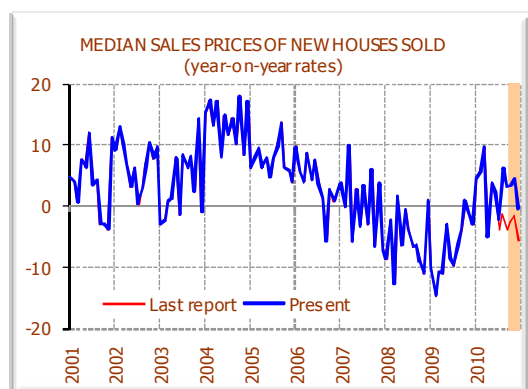
Graph III.3.3



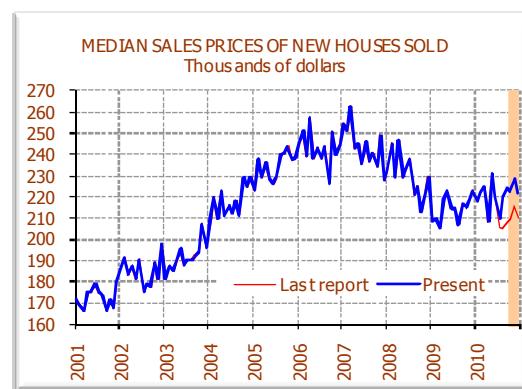
Graph III.3.3b



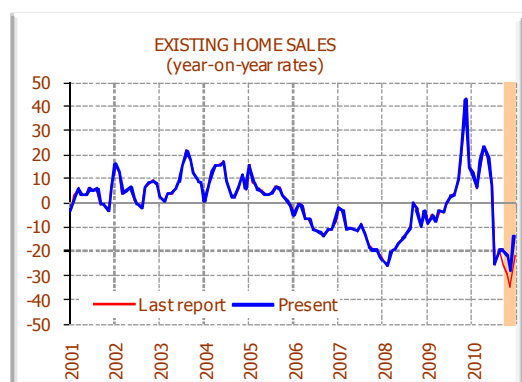
Graph III.3.4



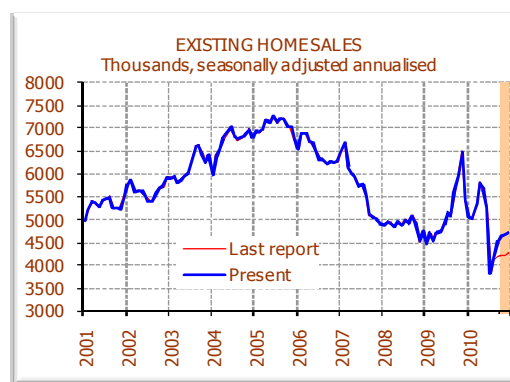
Graph III.3.4b



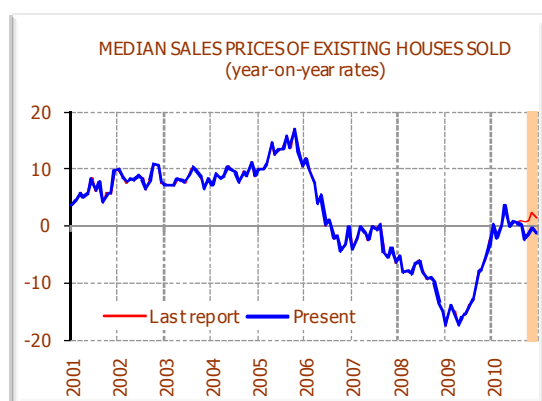
Graph III.3.5



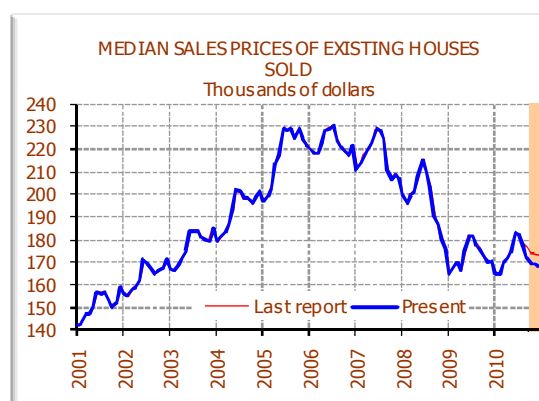
Graph III.3.5b



Graph III.3.6



Graph III.3.6b



IV. SPAIN

Inflation expectations remain stable. We observe some slowdown in core inflation and a mild rebound in energy prices.

The industrial production index grew in august with a year on year rate of 3.2%, slightly above our forecasts (2.5).

The negative differential with the euro area is somewhat reduced given that year on year growth in the euro zone was 8.0 in the same month.

MAIN VARIABLES AND INDICATORS IN SPAIN						
Average annual rates						
	2006	2007	2008	2009	Forecasts	
					2010	2011
GDP mp.¹	4,0	3,6	0,9	-3,7	-0,3	0,3
Demand						
Private final consumption	3,8	3,6	-0,6	-4,3	1,3	0,7
Public final consumption	4,6	5,5	5,8	3,2	0,4	-0,5
Gross fixed capital formation	7,2	4,5	-4,8	-16,0	-7,2	-3,3
Equipment	9,9	10,4	-2,5	-24,8	3,8	6,4
Construction	6,0	3,2	-5,9	-11,9	-10,4	-5,6
Other products	7,5	0,8	-4,1	-16,2	-11,1	-6,5
Contribution domestic demand*	5,5	4,4	-0,6	-6,8	-0,8	-0,5
Exports of goods and services	6,7	6,7	-1,1	-11,6	8,6	3,8
Imports of goods and services	10,2	8,0	-5,3	-17,8	5,4	0,6
Contribution foreign demand*	-1,4	-0,8	1,5	2,9	0,5	0,8
Supply GVA						
Agriculture	5,8	7,1	-2,1	1,0	-2,0	2,1
Energy	1,3	0,9	5,8	-6,4	1,9	0,5
Industry	1,9	0,8	-2,7	-13,6	1,6	1,7
Construction	4,7	2,5	-1,6	-6,2	-5,9	-2,7
Trade services	4,6	4,9	1,7	-1,9	0,0	0,4
Non-trade services	4,0	4,8	4,7	2,1	0,5	0,3
Total	4,1	3,9	1,1	-3,5	-0,3	0,2
Tax	3,7	0,9	-1,1	-6,0	1,0	0,8
Prices CPI²						
Total	3,5	2,8	4,1	-0,3	1,7	1,6
Core	2,9	2,7	3,2	0,8	0,6	1,1
dec / dec	2,7	4,2	1,4	0,8	2,3	1,1
Labour market³						
Active population (% change)	3,3	2,8	3,0	0,8	0,2	0,4
Employment EPA (Aver. year-on year)	4,1	3,1	-0,5	-6,8	-2,3	-0,3
Unemployment rate	8,5	8,3	11,3	18,0	20,1	20,7
Basic Balances¹						
Foreign sector						
Balance of current account (m€)	-88958	-105273	-103617	-49297	-43096	-39164
Net lending or borrowing (% of GDP)	-8,4	-9,6	-9,1	-4,7	-4,1	-3,7
Public Administration						
Net lending or borrowing (% of GDP)	2,0	1,9	-4,1	-11,2	-8,5	-7,2
Industrial production index (excluding construction)⁴						
Total	3,7	2,4	-7,1	-16,2	0,9	0,8

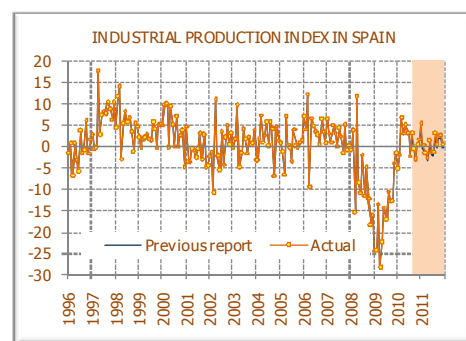
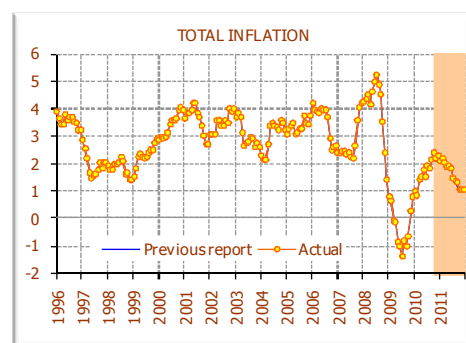
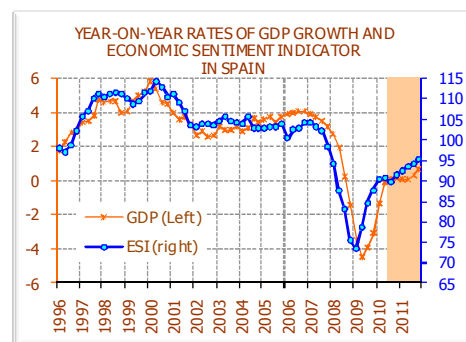
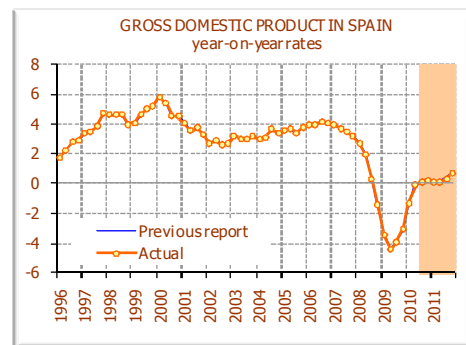
The figures in the shaded area are forecasts

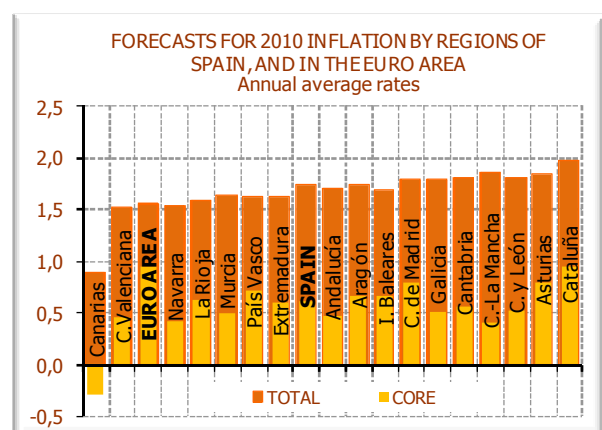
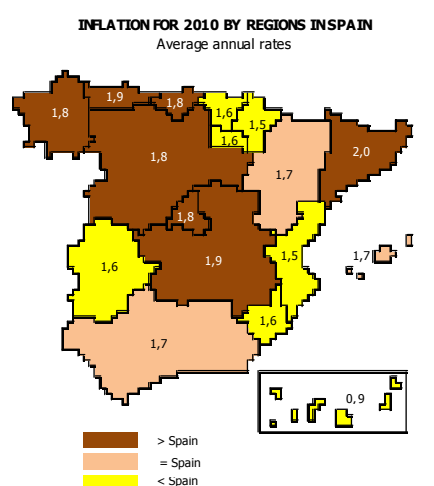
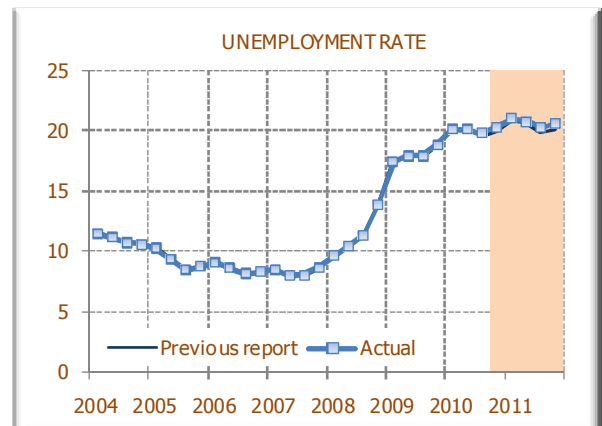
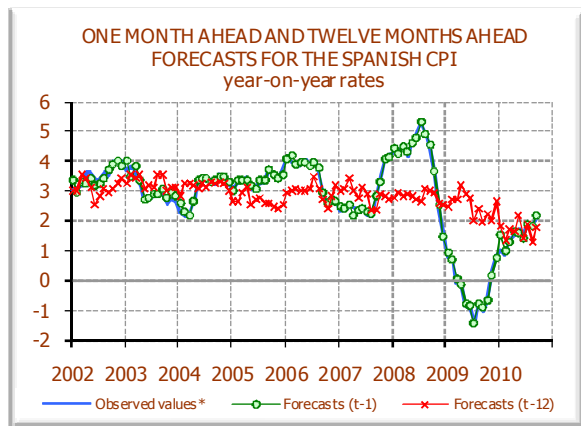
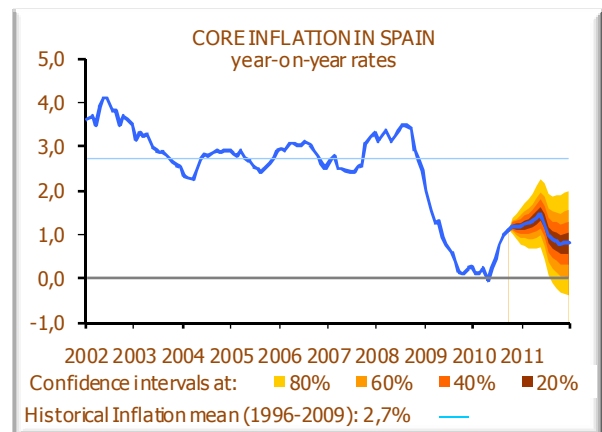
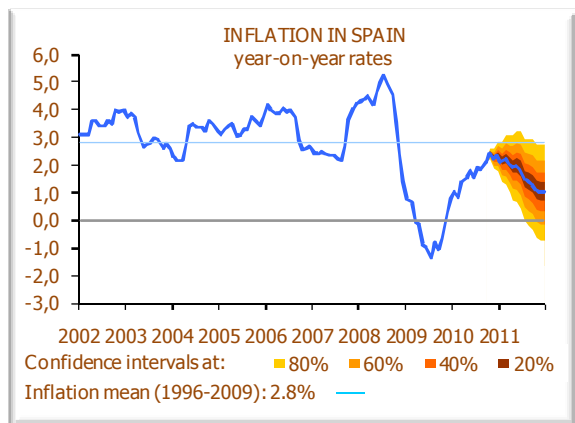
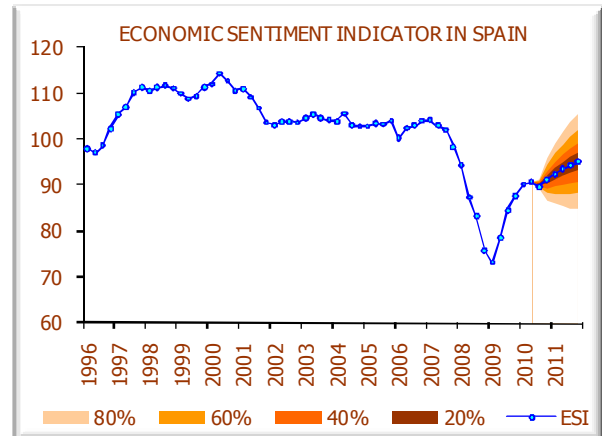
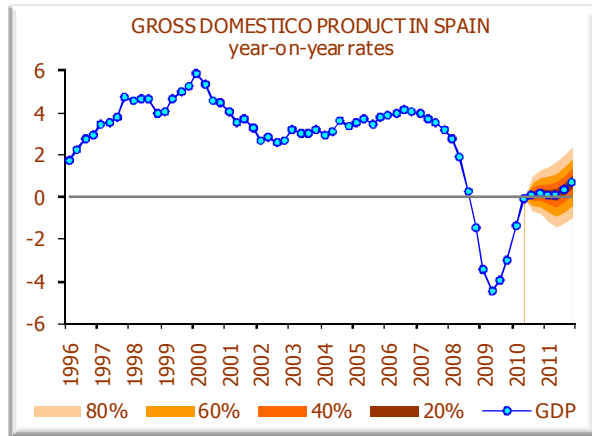
(1) Data adjusted for seasonality and working days effect.

Source: EUROSTAT & BIAM (UC3M)

Dates: (1) November 3, 2010 (2) October 28, 2010

(3) November 2, 2010 (4) October 14, 2010

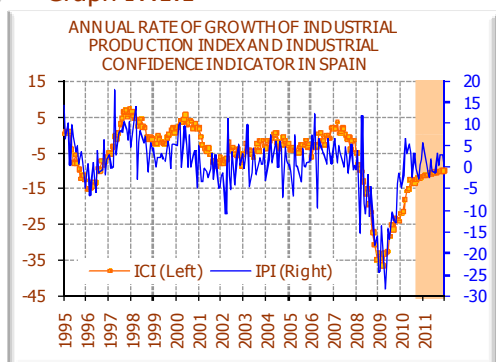




IV.1. MACROECONOMIC FORECASTS

The IPI forecasts have been revised upwards slightly for the rest of this year and the next.

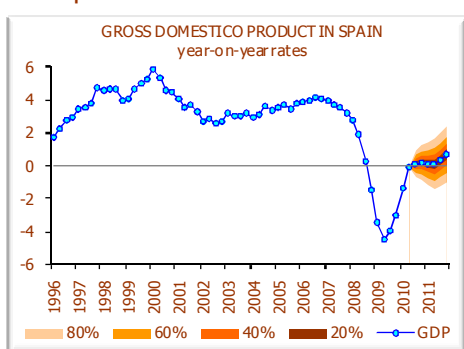
Graph IV.1.1



Source: INE & BIAM(UC3M)
Date: October 14, 2010

The revision of our Spanish GDP forecasts is expected to show stability in the third quarter.

Graph IV.1.2



Source: INE & BIAM(UC3M)
Date: October 14, 2010

Employment registered a quarter-on-quarter increase of 70,000 people, which becomes a reduction of around 30,000 when corrected for seasonality.

In the third quarter of this year, the Spanish economy showed signs of some stagnation, as anticipated by the recently published active population survey, among other indicators. This represents a pause in the weak recovery process found in the economy in the first two quarters of the year.

The August Industrial Production Index (IPI) registered a year-on-year growth rate of 3.2%, which falls to 1.3% when corrected for the calendar effect. The July figure was also revised downwards, so the change in expectations produced by the latest figure is considerably smaller. On the other hand, August is a special month for industrial production, because of holiday periods, so small variations can lead to considerable changes in its rates.

Analysing the IPI according to economic destination of goods, the production of intermediate and consumer goods increased more than expected, with downwards innovations in capital goods and energy. The fall in capital goods was 8.1%, as it includes motor vehicle production.

The IPI forecasts have been revised upwards slightly for the rest of this year and the next. For 2010, we expect an average annual growth rate of 0.9%, two tenths of a point more than our previous forecast; the rate expected in 2011 is 0.7%. The August figure has improved growth expectations slightly but the core situation remains unaltered. The industrial

sector is recovering very slowly and is much weaker than in other euro area countries.

The Spanish Economic Sentiment Indicator (ESI) rose by 1.1 points in September to a total of 90.7. From a sectoral perspective, confidence increased in all sectors except industry. The revision of our Spanish GDP forecasts is expected to show stability in the third quarter, and this represents a slight improvement on before, when a slight decrease was expected. The year-on-year rate of variation could return to positive values (0.1%) and the average annual rate for this year continues to be forecast as -0.3%. The previous forecast remains unaltered for 2011, with average annual GDP growth of 0.3%

According to the third quarter's Active Population Survey, the Spanish labour market improved, with employment increasing and unemployment falling. This improvement, however, is more apparent than real, as it is due to favourable seasonal factors in the quarter. When corrected for seasonality, we find that employment continues to decline and unemployment to grow; furthermore, both the employment and unemployment figures were worse than expected. Nonetheless, the rate at which employment fell and unemployment grew was slower, as has been the case for several quarters, so we appear to be slowly approaching the end of the labour market adjustment process.

Employment registered a quarter-on-quarter increase of 70,000 people, which becomes a reduction of around 30,000 when corrected for seasonality. This represents a quarter-on-quarter rate of -0.2%, a tenth of a point less than the previous quarter, maintaining the falling trend that started in the second quarter of 2009. Relative to a year earlier, 323,400 jobs were lost, a year-on-year rate of -1.71%, significantly lower than the previous quarter (2.5%) and close to the IFL forecast (-1.67%). All major non-agricultural sectors moderated their rates of decline and employment only increased in services. In construction and services the figure represented a downwards innovation and the opposite was true of industry and agriculture.



However, note that the increase of 70,000 jobs in the quarter was due to the public sector, which is not completely consistent with the current fiscal consolidation process in the Spanish economy.

Workers with definitive contracts reduced their year-on-year rate of decline from 1.9% to 0.8%, as did temporary workers, from 3.8% to 2.4%. These rates mean that the loss of definitive jobs in the last four quarters (97,600) was practically the same as for temporary jobs (96,100), although previously the latter was a much larger number. As a result of this, the temporary employment rate increased by seven tenths of a point, to 25.6%, more than double the euro area figure.

The labour supply totalled 23.121,500 people, hardly any change since the previous quarter. Relative to the same quarter of the previous year, the active population had grown by 128,000 people, a year-on-year growth rate of 0.6%. The quarter-on-quarter growth rate grew by 0.2%. This was more than expected due to the foreign population. As a result of this, unemployment fell by 70,800 people in the third quarter, to 4,574,700. The rate fell by three tenths of a point to 19.8%, slightly higher than our forecast.

The revision of our employment, unemployment and activity forecasts (EPA) for this and next year, considering the latest figures, has hardly changed our expectations. The forecast year-on-year growth rate estimated for employment in the fourth quarter is -1.22%, compared with the previously expected -1.02%, which would represent 227,000 job losses in 2010. In average annual terms, the employment forecast for this year has gone from -2.22% to -2.27%, representing 429,000 jobs. For 2011, employment is expected to fall slightly by 0.34%, instead of the previously forecast 0.29%. This would represent 64,000 job losses in average annual terms, although there would be slight growth, representing 11,000 jobs, during the year.

Job losses this year will affect all major sectors, starting with construction (11.4%), where the forecast has worsened slightly. It will be followed by industry (-6.3%), agriculture (-0.2%) and services (-0.3%). For 2011, services is expected to create net employment, albeit modestly (0.5%); industry and construction, however, will continue to reduce their

employment, although at a significantly slower pace than in 2010.

The forecast average annual growth of the active population has been revised upwards slightly, due to the upwards innovation in the third quarter derived from a larger foreign population. For 2010, the labour supply will grow by around 0.23%, more than previously forecast (0.15%), and the expectations for 2011 are for the active population to grow by an annual 0.41% instead of the previously forecast 0.34%. As a result of this, the unemployment rate forecast has risen by a few tenths of a percentage point.

For 2010, the average annual unemployment rate relative to the active population will be 20.05%, one tenth of a point more than before, and it can be expected to end this year at 20.3%, half a point more than in the third quarter. For the first quarter of 2011 it will reach 21%, representing 4.7 and 4.8 million unemployed, respectively, in those specific quarters. In average annual terms, there are 4.6 million unemployed this year, nearly half a million more than in 2009. This rate in 2011 is expected to grow to 20.7%; average unemployment will be 4.8 million, 158,000 people more than last year, increasing by 97,000 people in the four quarters of the year.

Note that the unemployment rate expected for the first quarter of 2011 (21%), with 4,847,000 unemployed, could be its highest. After that quarter, both the rate and number of unemployed will slowly start to fall, so the Spanish economy is unlikely to reach the 5 million unemployed mark.

Table IV.1.1

INDUSTRIAL PRODUCTION INDEX IN SPAIN

Average annual rates

	2008	2009	2010	2011
Consumption	-4,6	-8,8	1,0	1,3
Durable	-16,5	-28,3	-4,9	5,1
Non-durable	-2,2	-5,5	1,8	0,9
Capital	-8,7	-22,5	-4,2	-4,5
Intermedite	-11,0	-21,4	3,0	2,5
Energy	1,6	-8,6	2,7	2,5
TOTAL	-7,1	-16,2	0,9	0,8
VAB Industry	-2,7	-13,6	1,6	1,7

Source: INE & BIAM(UC3M)
Date: October 14, 2010

The forecast year-on-year growth rate estimated for employment in the fourth quarter is -1.22%, compared with the previously expected -1.02%

Table IV.1.1

ECONOMICALLY ACTIVE POPULATION SURVEY

year-on-year rates

	2008	2009	2010	2011
Employed	-0,5	-6,8	-2,3	-0,3
Agriculture	-5,0	-4,0	-0,2	-0,5
Industry	-1,1	-13,3	-6,3	-2,5
Construction	-10,9	-23,0	-11,4	-3,5
Services	2,1	-2,5	-0,3	0,5
Active	3,0	0,8	0,2	0,4
Unemployment rate	11,3	18,0	20,1	20,7

Source: INE & BIAM(UC3M)
Date: October 14, 2010

For 2010, the average annual unemployment rate relative to the active population will be 20.05%, one tenth of a point more than before, and it can be expected to end this year at 20.3%.



GROSS DOMESTIC PRODUCT IN THE SPAIN: DEMAND

GROSS DOMESTIC PRODUCT IN SPAIN													
Annual rates of growth													
		Final Consumption		Gross Capital Formation					Domestic Demand (1)	Exports of goods and services	Imports of goods and services	Foreign Demand (1)	Real GDP
				Equipment	Building	Other							
		Private	Public										
ANNUAL AVERAGE	2005	4,2	5,5	9,2	6,1	7,1	7,0	5,3	2,5	7,7	-1,7	3,6	
	2006	3,8	4,6	9,9	6,0	7,5	7,2	5,5	6,7	10,2	-1,4	4,0	
	2007	3,6	5,5	10,4	3,2	0,8	4,5	4,4	6,7	8,0	-0,8	3,6	
	2008	-0,6	5,8	-2,5	-5,9	-4,1	-4,8	-0,6	-1,1	-5,3	1,5	0,9	
	2009	-4,3	3,2	-24,8	-11,9	-16,2	-16,0	-6,8	-11,6	-17,8	2,9	-3,7	
	2010	1,3	0,4	3,8	-10,4	-11,1	-7,2	-0,8	8,6	5,4	0,5	-0.3 (±0.4)	
	2011	0,7	-0,5	6,4	-5,6	-6,5	-3,3	-0,5	3,8	0,6	0,8	0.3 (±0.8)	
ANNUAL RATES	2009	QI	-5,0	5,9	-24,2	-12,2	-12,1	-15,3	-6,0	-16,5	-21,5	2,5	-3,5
		QII	-5,5	4,4	-31,5	-12,0	-16,9	-18,0	-7,4	-15,8	-22,2	3,0	-4,4
		QIII	-4,2	2,7	-25,5	-11,7	-18,7	-16,4	-6,6	-11,0	-17,2	2,6	-3,9
		QIV	-2,6	0,2	-16,9	-11,9	-17,2	-14,0	-5,4	-9,2	2,4	2,4	-3,0
	2010	QI	-0,3	-0,2	-4,8	-11,4	-15,4	-10,5	-2,9	8,8	2,0	1,6	-1,3
		QII	2,0	0,4	8,7	-11,4	-12,4	-7,0	-0,5	10,5	8,1	0,4	-0,1
		QIII	1,8	1,0	6,4	-10,4	-7,8	-6,0	-0,3	8,7	6,5	0,4	0,1
		QIV	1,8	0,6	5,7	-8,4	-7,9	-5,0	0,0	6,6	5,1	0,2	0,2
	2011	QI	1,1	-0,3	6,9	-6,9	-8,3	-4,0	-0,4	3,7	1,3	0,5	0,1
		QII	0,1	-0,8	3,9	-5,9	-6,5	-4,0	-1,1	3,9	-1,1	1,2	0,1
		QIII	0,8	-1,1	7,4	-5,1	-5,8	-2,8	-0,3	3,8	0,9	0,7	0,3
		QIV	0,9	0,0	7,3	-4,3	-5,2	-2,2	0,1	3,8	1,4	0,6	0,7

Year-on-year-rates

GROSS DOMESTIC PRODUCT IN SPAIN													
Annual and quarterly rates of growht													
		Final Consumption		Gross Capital Formation				Domestic Demand (1)	Exports of goods and services	Imports of goods and services	Foreign Demand (1)	Real GDP	
				Equipment	Building	Other							
ANNUAL AVERAGE	2005	4,2	5,5	9,2	6,1	7,1	7,0	5,3	2,5	7,7	-1,7	3,6	
	2006	3,8	4,6	9,9	6,0	7,5	7,2	5,5	6,7	10,2	-1,4	4,0	
	2007	3,6	5,5	10,4	3,2	0,8	4,5	4,4	6,7	8,0	-0,8	3,6	
	2008	-0,6	5,8	-2,5	-5,9	-4,1	-4,8	-0,6	-1,1	-5,3	1,5	0,9	
	2009	-4,3	3,2	-24,8	-11,9	-16,2	-16,0	-6,8	-11,6	-17,8	2,9	-3,7	
	2010	1,3	0,4	3,8	-10,4	-11,1	-7,2	-0,8	8,6	5,4	0,5	-0.3 (±0.4)	
	2011	0,7	-0.5	6,4	-5,6	-6,5	-3,3	-0,5	3,8	0,6	0,8	0.3 (±0.8)	
QUARTERLY RATES	2009	QI	-1,4	0,7	-12,1	-3,5	-3,3	-6,3	-2,2	-6,6	-7,4	0,6	-1,6
		QII	-1,0	0,1	-8,4	-2,2	-6,7	-3,9	-1,8	-0,9	-2,3	0,8	-1,1
		QIII	-0,4	-0,1	0,7	-3,0	-6,9	-2,8	-1,0	2,8	-0,1	0,8	-0,3
		QIV	0,2	-0,6	2,4	-3,8	-1,6	-2,0	-0,5	2,8	1,3	0,3	-0,2
	2010	QI	0,9	0,3	0,8	-3,0	-1,2	-1,7	0,3	3,9	4,0	-0,1	0,1
		QII	1,3	0,7	4,6	-2,2	-3,3	-0,7	0,7	0,7	2,8	-0,5	0,2
		QIII	-0,5	0,5	-1,5	-1,9	-1,9	-1,8	-0,7	1,0	-1,7	0,7	0,0
		QIV	0,2	-0,9	1,8	-1,6	-1,7	-0,9	-0,3	0,9	0,0	0,2	-0,1
	2011	QI	0,2	-0,6	1,8	-1,4	-1,6	-0,8	-0,1	1,0	0,2	0,2	0,0
		QII	0,2	0,2	1,7	-1,2	-1,4	-0,6	0,0	0,9	0,3	0,1	0,2
		QIII	0,2	0,2	1,8	-1,0	-1,2	-0,5	0,1	0,9	0,4	0,1	0,2
		QIV	0,3	0,2	1,7	-0,8	-1,0	-0,3	0,2	0,9	0,5	0,1	0,3

Data adjusted for seasonality and working days effect

*The figures in the shaded area are forecasts

(1)Contribution to GDP growth

Quarter-on-quarter rates

Source: INE & BIAM (UC3M)

Date: November 3, 2010



GROSS DOMESTIC PRODUCT IN THE SPAIN: SUPPLY

GROSS DOMESTIC PRODUCT IN SPAIN											
Annual rates of growth											
		Gross Value Added							Tax	Real GDP	
		Agriculture	Energy	Industry	Construction	Market services	Non-market services				
ANNUAL AVERAGE	2005	-8,2	1,2	1,1	5,2	4,3	3,9	3,3	6,1	3,6	
	2006	5,8	1,3	1,9	4,7	4,6	4,0	4,1	3,7	4,0	
	2007	7,1	0,9	0,8	2,5	4,9	4,8	3,9	0,9	3,6	
	2008	-2,1	5,8	-2,7	-1,6	1,7	4,7	1,1	-1,1	0,9	
	2009	1,0	-6,4	-13,6	-6,2	-1,9	2,1	-3,5	-6,0	-3,7	
	2010	-2,0	1,9	1,6	-5,9	0,0	0,5	-0,3	1,0	-0.3 (±0.4)	
	2011	2,1	0,5	1,7	-2,7	0,4	0,3	0,2	0,8	0.3 (±0.8)	
ANNUAL RATES	2009	QI	0,4	-5,5	-12,7	-6,1	-1,8	2,5	-3,2	-5,7	-3,5
		QII	0,7	-6,5	-15,9	-6,3	-2,6	2,2	-4,2	-6,8	-4,4
		QIII	1,6	-7,3	-14,8	-7,1	-1,7	2,0	-3,7	-6,5	-3,9
		QIV	1,6	-6,3	-11,0	-5,4	-1,6	1,6	-2,9	-4,8	-3,0
	2010	QI	-2,2	0,1	-2,3	-6,3	-0,7	0,6	-1,4	-1,2	-1,3
		QII	-3,5	0,2	2,2	-6,4	0,3	0,7	-0,2	1,7	-0,1
		QIII	-1,7	3,0	3,4	-5,6	0,1	0,7	0,0	2,0	0,1
		QIV	-0,6	4,3	3,2	-5,2	0,4	0,1	0,2	1,6	0,2
	2011	QI	0,1	1,1	1,7	-3,9	0,3	0,5	0,1	1,2	0,1
		QII	3,5	0,4	1,5	-2,8	0,2	-0,1	0,1	0,5	0,1
		QIII	2,6	0,1	1,6	-2,2	0,4	0,1	0,2	0,7	0,3
		QIV	2,3	0,4	2,2	-1,6	0,6	0,6	0,6	0,8	0,7

* Year-on-year rates.

GROSS DOMESTIC PRODUCT IN SPAIN											
Annual and quarterly rates of growth											
		Gross Value Added							Tax	Real GDP	
		Agriculture	Energy	Industry	Construction	Market services	Non-market services				
ANNUAL AVERAGE	2005	-8,2	1,2	1,1	5,2	4,3	3,9	3,3	6,1	3,6	
	2006	5,8	1,3	1,9	4,7	4,6	4,0	4,1	3,7	4,0	
	2007	7,1	0,9	0,8	2,5	4,9	4,8	3,9	0,9	3,6	
	2008	-2,1	5,8	-2,7	-1,6	1,7	4,7	1,1	-1,1	0,9	
	2009	1,0	-6,4	-13,6	-6,2	-1,9	2,1	-3,5	-6,0	-3,7	
	2010	-2,0	1,9	1,6	-5,9	0,0	0,5	-0,3	1,0	-0.3 (±0.4)	
	2011	2,1	0,5	1,7	-2,7	0,4	0,3	0,2	0,8	0.3 (±0.8)	
QUARTERLY RATES	2009	QI	3,8	-3,4	-5,2	-1,1	-0,8	0,5	-1,5	-3,1	-1,6
		QII	-1,0	0,6	-3,9	-1,4	-0,7	0,6	-1,0	-1,9	-1,1
		QIII	-0,7	-2,2	-0,7	-1,8	0,2	0,1	-0,3	-0,3	-0,3
		QIV	-0,5	-1,4	0,4	-1,3	-0,2	0,3	-0,2	0,5	-0,2
	2010	QI	-0,1	3,1	1,9	-2,0	0,1	-0,5	0,1	0,6	0,1
		QII	-2,3	0,8	0,6	-1,5	0,2	0,8	0,1	0,9	0,2
		QIII	1,2	0,5	0,4	-0,9	0,0	0,1	0,0	0,1	0,0
		QIV	0,6	-0,1	0,2	-0,9	0,1	-0,3	-0,1	0,1	-0,1
	2011	QI	0,7	0,0	0,4	-0,6	0,0	-0,1	0,0	0,2	0,0
		QII	1,1	0,1	0,4	-0,5	0,1	0,3	0,1	0,2	0,2
		QIII	0,2	0,2	0,5	-0,3	0,2	0,3	0,2	0,2	0,2
		QIV	0,3	0,1	0,8	-0,2	0,3	0,2	0,3	0,2	0,3

Data adjusted for seasonality and working days effect

The figures in the shaded area are forecasts

(1)Contribution to GDP growth

Quarter-on-quarter rates

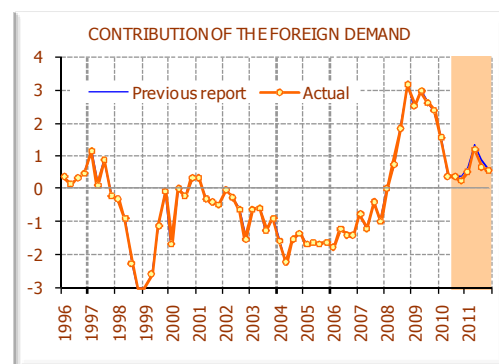
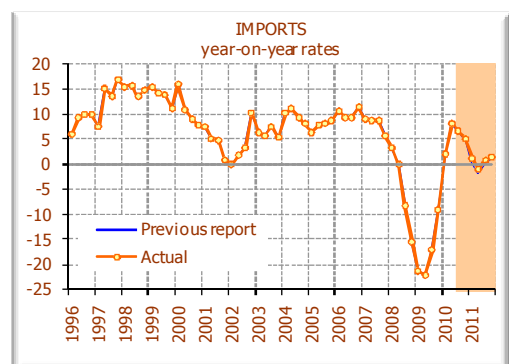
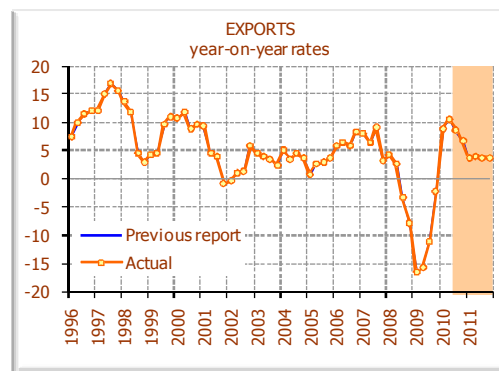
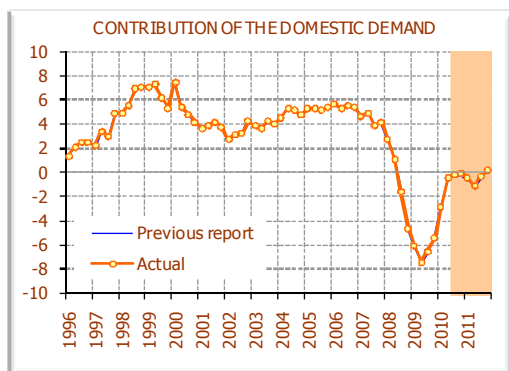
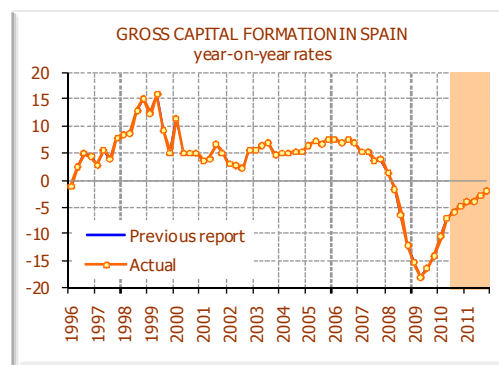
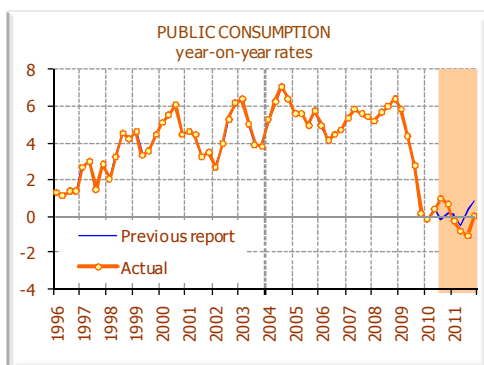
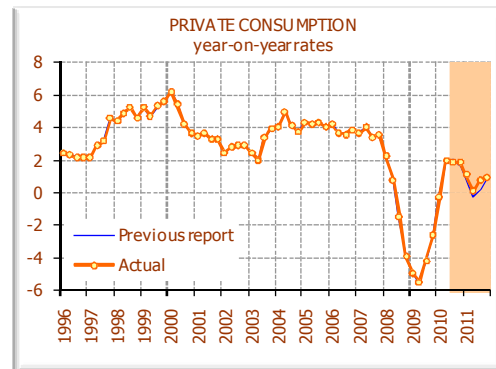
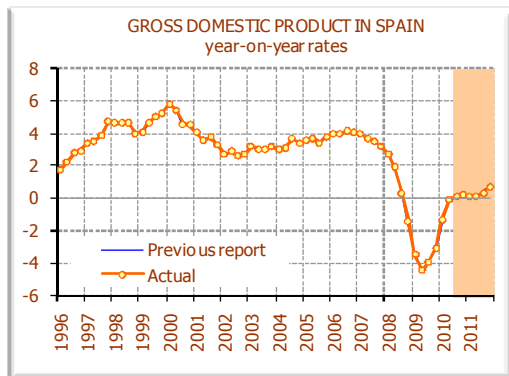
Source: EUROSTAT & BIAM (UC3M)

Date: November 3, 2010



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

Year-on-year rates



Source: INE & BIAM (UC3M)

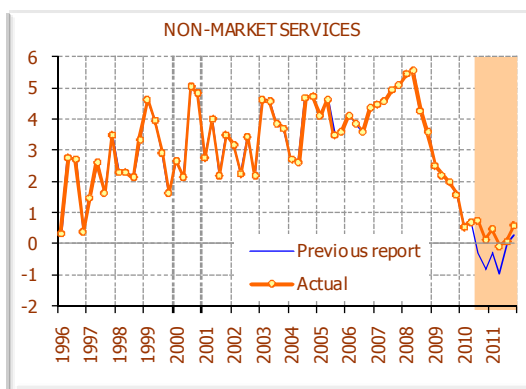
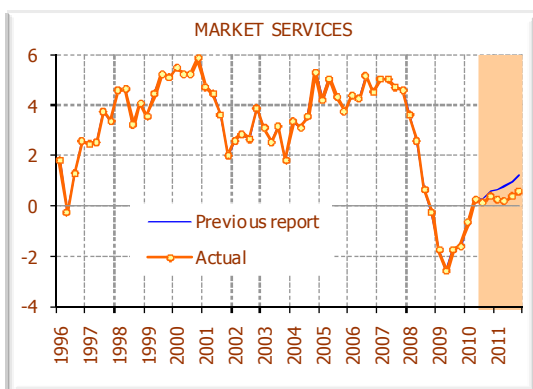
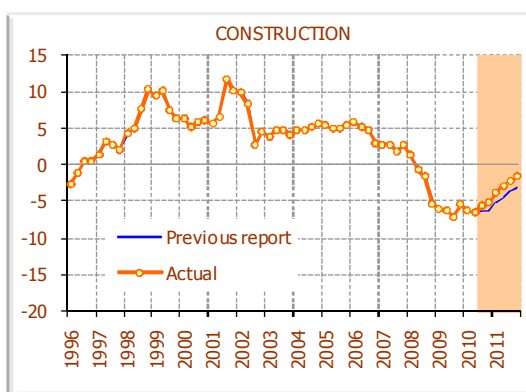
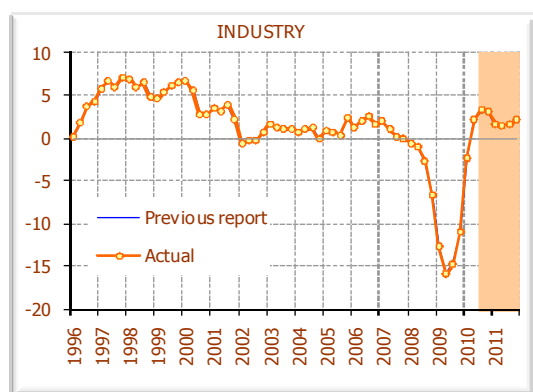
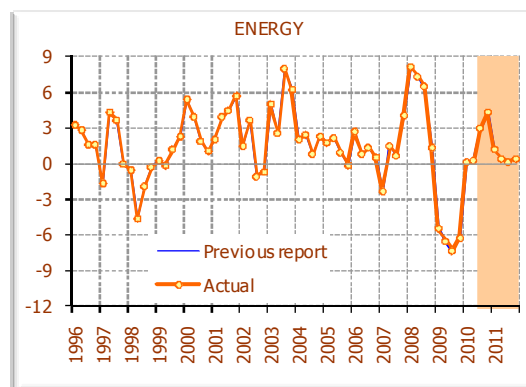
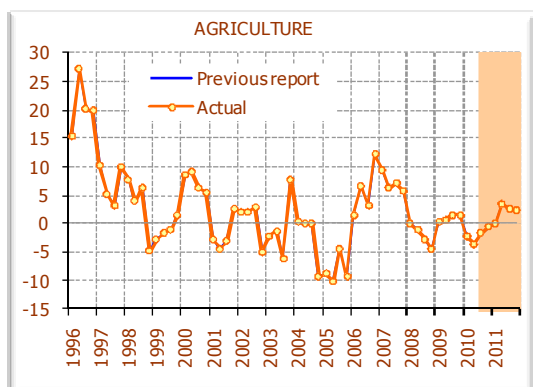
Date actual report: November 3, 2010

Date previous report: August 26, 2010



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

Year-on year rates



Source: INE & BIAM (UC3M)

Date actual report: November 3, 2010

Date previous report: August 26, 2010



INDUSTRIAL PRODUCTION INDEX IN SPAIN

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

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

- Data adjusted for seasonality and working days effect

The figures in the shaded area are forecasts.

Source: INE & BIAM (UC3M)

Date: October 14, 2010



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

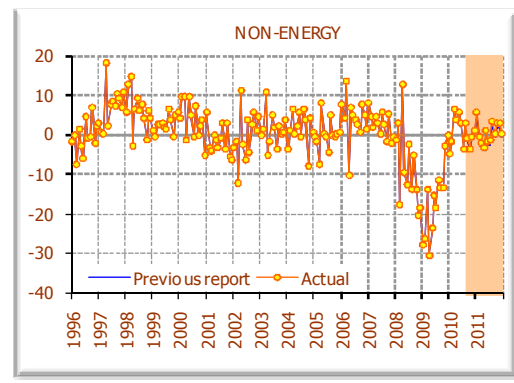
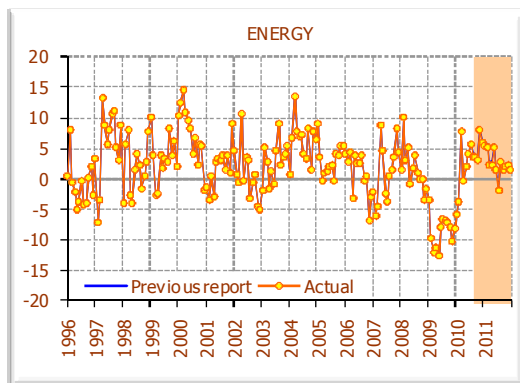
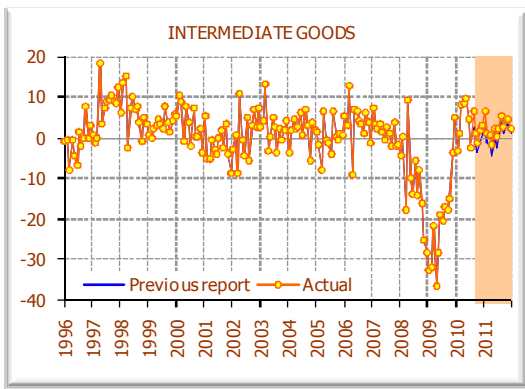
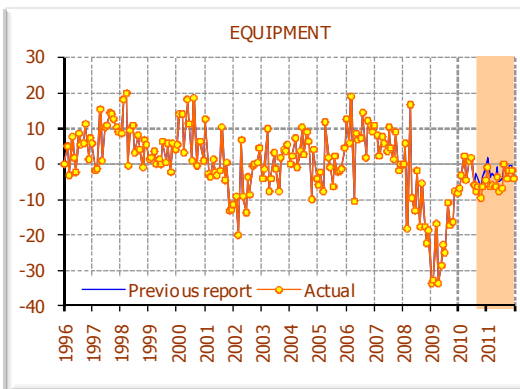
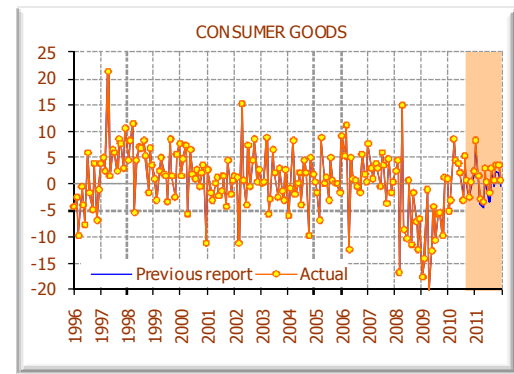
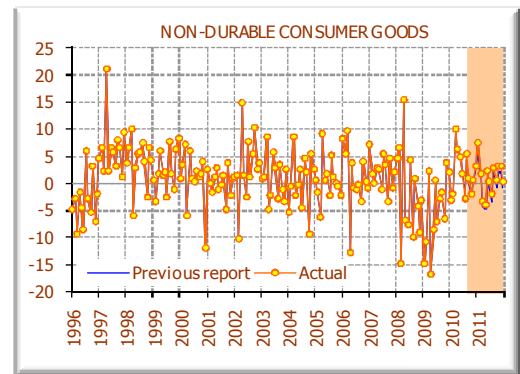
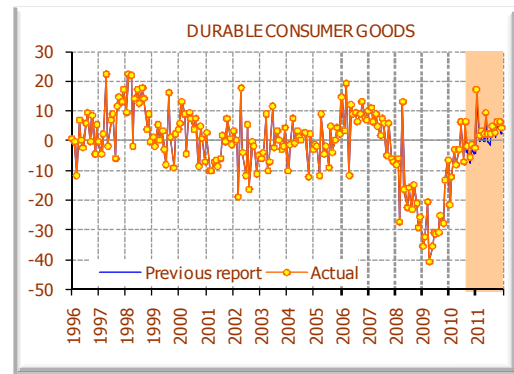
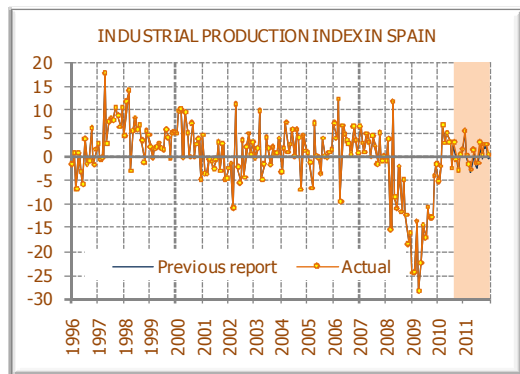
Source: INE & BIAM (UC3M)

Date: October 14, 2010



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

Year-on year rates



Source: EUROSTAT & BIAM (UC3M)
 Date actual report: October 14, 2010
 Date previous report: September 8, 2010



IV.2. INFLATION

Inflation expectations remain stable. Core inflation is sluggish and there is a new rise in energy prices.

Inflation in Spain was slightly lower than expected. However, the total inflation forecasts remain constant. The average annual inflation rate forecast for 2010 and 2011 is 1.7% (± 0.08) and 1.6% (± 1.43), respectively. Growth in core index prices is expected to fall, however, possibly to 0.6% (± 0.07) this year, rising to 1.1% (± 0.87) in 2011. Both values are one tenth of a point lower than our previous forecasts.

The moderation of core inflation is largely due to non-energy industrial goods and, to a lesser extent, services. The processed food forecasts have been revised upwards, as they were in September.

With regards to manufactured goods, car prices are stable, with a zero monthly variation in September. There was a fast price reduction after June 2009, due to the 2000E Plan. This plan came to an end at the end of June 2010. Together with the following month's VAT increase, this led us to forecast rapid price recovery. The figures show that this did not happen. Indeed, since June 2010, the car price index has only risen by 1.5% instead of by the expected 5pp. This shows that not only do prices remain on levels similar to those with public grants, but that the indirect tax increase has not been fully transferred to consumers. The forecasts for non-energy industrial goods were revised downwards by one tenth of a point for this year and by three tenths for next. The average annual rate expected for 2010 is -0.5%, followed by 0.3% in 2011.

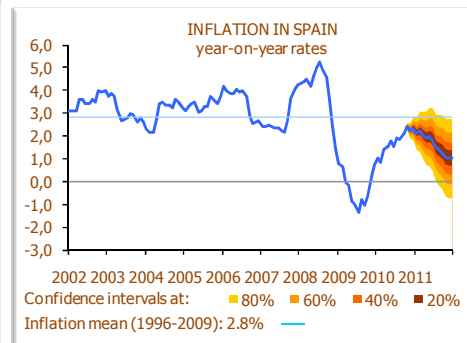
The core inflation forecasts for 2010 and 2011 have fallen by one tenth of a point to 0.6% (± 0.07) and 1.1% (± 0.87), respectively.

Within services, the tourism, teaching and culture indices were lower than expected, with some upwards innovations in hotel prices. The forecasts for 2010 remain at 1.3%, with expectations for 2011 falling to 1.6%.

The moderation in core inflation was counteracted by a new rise in energy prices that will have a significant impact on their inflation rates in the last quarter of 2010. The average annual rate expected for energy prices in 2010 has risen to 12.1%, followed by 5.2% in 2011.

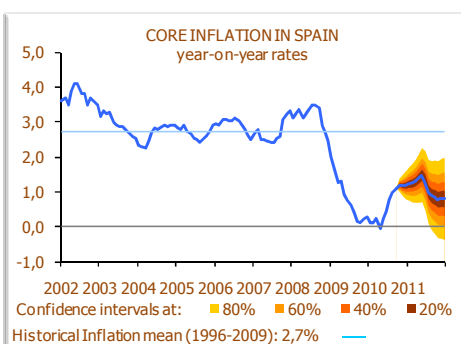
The recent rise in Spanish inflation was primarily due to energy prices and the July VAT increase. With the September figure, the global impact of this tax change is estimated at nearly 6 tenths of a percentage point, more or less what was originally calculated. Because of these factors, the annual inflation rate was higher than in the euro area in August and September, and this situation is expected to remain unaltered until mid-2011.

Graph IV.2.1



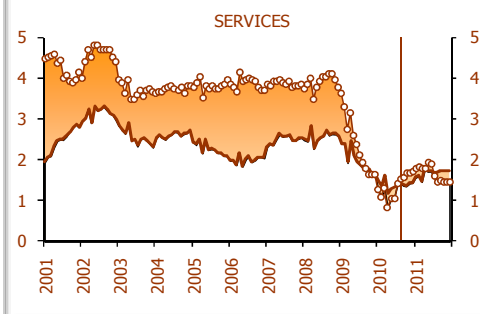
Source: INE & BIAM(UC3M)
Date: October 28, 2010

Graph IV.2.2



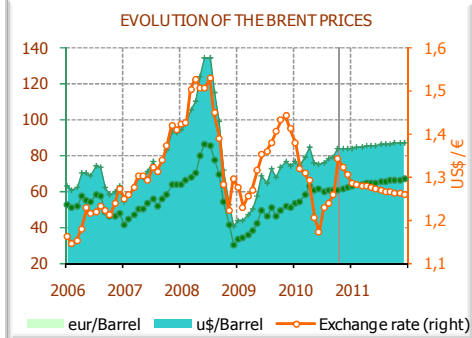
Source: INE & BIAM(UC3M)
Date: October 28, 2010

Graph IV.2.3



Source: INE & BIAM(UC3M)
Date: October 28, 2010

Graph IV.2.4



The annual inflation rate expected for December 2010 is 2.3%, three tenths of a point higher than our euro area forecast.

The reasons for this differential are temporary, linked to the intensity of the Spanish fiscal adjustment and the Spanish CPI's greater sensitivity to energy price variations. If this differential is transferred to salaries, the fiscal adjustment

process becomes a net loss of competitiveness, with a worse outlook for an already problematic labour market. The mistakes made at the end of 2008 are now evident, and we should learn not to make them again.

In conclusion, the figure is marginally different from our forecasts, which remain largely unaltered. Core inflation is sluggish especially due to car prices, which are taking longer than expected to

return to their previous levels. With regards to the energy component, there is a rise in international oil prices which has taken our inflation forecasts for the sector to more than 5% in 2011.

The impact of the VAT increase has come to an end. It is estimated at close to 6 tenths of a percentage point.

The relative weight of goods and services with negative annual inflation has fallen again this month, to 26%.

Table IV.2.1

INFLATION IN SPAIN						
CPI	Annual rates 2010		Annual average rates			
	September	October	2008	2009	2010	2011
Core 82.7%	1,1	1.2 ±0.19	3,2	0,8	0.6 ±0.07	1.1 ±0.87
Total 100%	2,1	2.4 ±0.17	4,1	-0,3	1.7 ±0.08	1.6 ±1.43

* The figures in the shaded area are forecasts
Source: INE & BIAM(UC3M)
Date: October 28, 2010



Table IV.2.3

COICOP SUBCLASSES IN SPAIN WITH NEGATIVE VALUES IN YEAR-ON-YEAR INFLATION RATES weights x 1000																	
Special Group*	Weights 2010	Subclasse COICOP	September	August	July	June	May	April	March	February	January	QI	QII	QIII	QIV	QIV	2008 QIII Average
PROCESSED FOOD 73.18	0,997	Rice	-11,0	-11,5	-10,9	-10,9	-9,6	-9,6	-9,2	-8,1	-6,2						
	16,19	Bread	-0,1	-0,3	-0,4	-0,1	-0,2	-0,3	-0,4	-0,5	-0,6	-0,6	-0,5	-0,1			
	1,235	Farinaceous-based products	-1,7	-0,7	-1,2	-0,7	-1,0	-1,4	-2,0	-3,3	-3,5	-6,2	-9,8	-6,8			
	9,315	Bakery and pastry-cook products	-0,02		-0,4	-0,6	-0,8	-1,0	-0,4	-0,7	-0,8	-0,4					
	1,537	Flours and cereals	-4,9	-3,9	-3,1	-4,0	-3,7	-5,0	-3,3	-2,2	-2,0	-0,9	0,0				
	15,882	Delicatessen type meat products					-0,2	-0,3	-0,5	-0,6	-0,7	-0,6	-0,2				
	2,953	Meat preparation	-2,2	-1,3	-0,4	-1,1	-1,0	-0,7	-0,4	-0,6	-0,8						
	6,205	Preserved and processed fish			-0,1	-0,6	-0,6	-1,0	-1,3	-1,6	-1,1	-0,8					
	10,187	Milk	-2,8	-4,2	-4,1	-6,0	-6,4	-8,8	-7,2	-7,2	-7,6	-9,1	-9,6	-7,9	-6,6	-3,9	
	7,494	Other dairy products	-0,9	-1,5	-4,0	-4,3	-5,9	-6,6	-6,5	-6,9	-5,5	-5,7	-3,5	-1,1			
	6,821	Cheeses			-0,5	-0,3	-0,1	-0,4	-0,7	-1,4	-1,1	-1,9	-1,2	-0,3			
	0,546	Butter and margarine	-1,3	-1,6	-2,5	-2,9	-3,1	-3,2	-2,5	-2,6	-2,2	-1,5	-0,4				
	5,192	Oils					-2,2	-2,5	-3,4	-3,8	-3,5	-8,6	-17,5	-14,6	-8,5	-0,3	
	2,656	Preserved fruits, nuts and dried fruits	-1,4	-1,7	-1,3	-2,0	-1,7	-1,7	-1,3	-1,0	-1,3	-0,7					
	0,834	Fresh pulses and vegetables	-0,6	-0,2	0,0	-0,3	-0,4	-0,8	-1,1	-1,6	-1,9	-2,0	-1,0	-1,2		-0,2	
	3,406	Frozen and preserved pulses and vegetables	-0,4	-0,5	-0,8	-1,4	-1,6	-1,5	-2,2	-2,0	-1,9	-1,5					
	1,078	Sugar	-10,8	-11,9	-10,8	-9,6	-7,6	-6,9	-7,1	-7,0	-7,4	-8,8	-7,5	-7,5	-3,9		
	4,84	Chocolates					-0,4	-0,6	-0,6	-1,0	-1,4	-1,5	-0,6				
	3,333	Other foods		-0,3	-0,6	-0,6	-0,5	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0		
	0,831	Baby food	-2,4	-1,8	-2,2	-2,5	-2,8	-2,6	-1,9	-1,5	-1,2	-1,5	-2,0	-2,3	-1,2		
	3,006	Coffee, cocoa and infusions	-0,6	-0,7	-0,1	-0,4	-0,5	-1,1	-0,9	-0,4	-0,6	-0,9	-0,6				
	7,739	Water and juices	-2,9	-4,2	-3,9	-3,0	-1,9	-2,3	-1,2	-1,6	-0,1						
	3,176	Wines	-0,5	-0,1		-0,4	-1,3	-1,4	-1,8	-1,5	-1,6	-1,6	-0,7				
NON-ENERGY INDUSTRIAL GOODS 114.631	22,441	Men's outerwear	-0,6	-0,6	-0,6	-0,6	-0,6	-0,8	-0,9	-1,2	-1,2	-0,7	-2,6	-2,3	-2,5		
	1,435	Men's underwear					0,0	0,0	0,0	0,0	0,0	-0,7					
	29,133	Women's outerwear	-0,7	-0,8	-0,8	-1,3	-1,5	-1,8	-1,9	-2,2	-2,1	-2,4	-3,4	-2,6	-2,6	-0,1	
	2,496	Women's underwear					0,0	0,0	0,0	0,0	0,0						
	10,336	Children's and infants' garments				-0,1	-0,4	-1,0	-1,0	-1,1	-1,1	-1,2	-1,9	-1,0	-1,7		
	1,705	Clothing accessories of garments					0,0	0,0	0,0	0,0	0,0		-0,9		-1,1		
	6,575	Men's footwear					-0,3	-0,3	-0,2	-0,3	-0,01	-0,1	-0,2				
	8,641	Women's footwear						-0,3	-0,1	-0,2	0,0	-0,6	-1,2	-0,5	-0,4		
	3,356	Children's and infants' footwear						-0,5	-0,9	-1,2	-1,1	-0,7	-0,5	-0,4	-0,3		
	2,737	Other equipments				-0,2	-0,1	-0,2	0,0	-0,1	0,0		-0,1				
	6,324	Household textiles				-0,3	-0,3	-0,2	-0,1	0,0	0,0						
	4,63	Refrigerators, washing machines and dishwash.	-2,0	-2,2	-2,1	-2,2	-2,0	-1,9	-1,5	-1,4	-1,2	-1,0	-0,6	-0,9	-1,3	-1,6	-2,2
	1,47	Cookers and ovens	-1,6	-1,6	-1,6	-1,8	-1,7	-2,0	-1,6	-1,4	-1,4				0,0	-1,2	-1,3
	2,53	Heating and air conditioning	-0,1				0,0	0,0	0,0	0,0	0,0					-0,7	-0,9
	1,305	Other household appliances					0,0	0,0	0,0	0,0	0,0					-0,1	-0,4
	13,616	Cleaning products for household	-0,8	-1,2	-1,1	-1,1	-1,1	-1,0	-0,4	-0,7	-0,2	0,0	0,0	0,0	0,0	-0,1	-0,2
	3,777	Other non-durable household goods					0,0	0,0	0,0	0,0	-0,1	0,0	0,0	0,0	0,0		
	9,307	Medicines and other pharmaceutical products	-3,4	-3,3	-3,3	-2,8	-2,9	-7,3	-7,4	-7,6	-7,4	-7,5	-7,3	-5,6	-4,7	-5,9	-6,5
	6,549	Therapeutic appliances and equipment	-0,7	-0,004	0,0	-0,3	-0,3	-0,4	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
	47,126	Motor vehicles			-0,1	-2,3	-3,9	-4,2	-4,2	-4,3	-5,6	-6,5	-5,7	-2,7	-1,5	0,0	-0,4
	2,182	Other vehicles				-1,6	-1,0	-0,9	-1,3	-1,3	-0,8				-0,9	-2,7	-3,1
	1,51	Spare parts and maintenance accessories					0,0	-0,1	-0,9	-1,5		-2,2	-1,0	-0,6		-2,4	
	0,686	Telephone equipments	-15,0	-16,0	-15,8	-15,8	-17,8	-25,1	-27,3	-26,7	-25,8	-34,9	-35,4	-31,1	-22,9	-16,7	-23,8
	4,93	Equip. recep., record. and rep. of sound and pict	-7,3	-7,6	-8,1	-9,0	-9,1	-9,0	-9,5	-9,9	-10,6	-12,9	-13,4	-13,8	-14,6	-12,5	-12,3
	1,188	Photographic and cinematographic equipments	-12,4	-12,4	-12,3	-14,1	-13,9	-15,5	-14,3	-16,2	-16,1	-15,7	-17,9	-19,5	-20,5	-19,3	-19,0
	4,196	Information processing equipments	-5,0	-5,1	-5,7	-6,3	-6,3	-6,2	-6,9	-7,6	-7,9	-9,0	-11,4	-14,4	-17,4	-19,9	-20,7
	2,242	Recording media					-0,1	0,0	-0,7	-0,8	-0,4		-0,5	-0,8	-0,7	-1,4	-1,0
	6,062	Games and toys	-2,2	-2,7	-3,9	-2,5	-2,4	-2,5	-3,1	-2,4	-2,7	-3,6	-1,9	-1,3	-0,6	-0,4	-0,5
	0,797	Large sports equipment	-0,8	-1,3	-1,8	-1,5	-1,0	-0,9	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-0,2	-0,4
	0,84	Other recreational and sporting articles				-0,3	-0,7	-0,6	-0,1	-0,1	0,0	-1,0	-0,4	-0,8	-0,1		
	2,003	Gardens, plants and flowers					0,0	0,0	-0,7	-0,3		-1,1	-0,3				
	4,284	Books	-0,5	-0,3													
	18,568	Personal care articles				-0,6	-0,7	-0,9	-0,5	-0,3	-0,5	0,0					
	2,812	Other articles for personal use	-0,6				0,0	0,0	0,0	0,0	0,0	-0,9	-1,0	-0,3	-0,4		
SERVICES 54.022	9,775	Services for the maintenance of the dwelling				-0,2	-0,2	-0,2	-0,1	0,0	0,0	0,0	0,0	0,0	0,0		
	1,201	Hospital services	-1,0	-1,0	-1,0	-1,2	-1,1	-1,4	-0,3	-0,1	-0,1	0,0	0,0	0,0	0,0		
	3,478	Other services in respect of personal transport				-0,9	-0,9	-1,0	-1,2	-1,1	-0,9	0,0	0,0	0,0	0,0		
	3,321	Air transport		-0,6	-0,7				0,0	-0,7	-0,9	-0,9	-1,3				
	38,06	Telephone services	-0,3	-0,3	-0,3	-0,9	-0,9	-0,9	0,0	0,0	0,0	0,0	0,0	0,0	0,0		
	14,761	Package holidays	-2,2	-0,1	-1,6	-5,3	-5,9	-10,5	-2,7	-8,0	-6,3	-4,3	-2,0				
	1,158	Obligatory education						0,0	0,0	0,0	0,0		-2,8	-2,1	-2,1		
	7,524	Hotels and other lodgings		-1,2				-1,4	-0,1	-0,6	-1,7	-1,8	-2,5		-1,3		
NON-PROCESSED FOOD 22.285	8,982	Beef					0,0	-0,3	-0,5	0,0	0,0	0,0	0,0	0,0	0,0		
	6,111	Pork	-1,8	-2,2	-2,1	-1,2	-2,0	-2,7	-2,9	-3,9	-4,8	-4,9	-4,9	-4,2	-1,3		
	3,028	Sheep meat	-3,2	-2,0	-1,1		0,0	-2,5	-5,3	-4,6	-2,1		-3,6	-3,7		-1,3	
	7,642	Poultry	-4,1	-4,0	-4,1	-3,7	-3,2	-4,4	-7,7	-9,4	-7,7	-4,1	-3,6	-3,7			
	1,453	Other meats, viscera and other non-meat edibles	-1,6	-2,2	-2,4	-2,5	-2,7	-2,6	-3,9	-3,9	-4,4	-4,8	-3,4	-2,4			
	10,066	Fresh fish					0,0	0,0	-1,6	-0,8	-2,9	-5,2	-7,0	-6,2	-1,9		
	2,247	Frozen fish	-1,4	-1,8	-1,6	-1,6	-2,0	-2,9	-3,1	-3,2	-3,2	-2,6	-1,6	-1,2			
	5,436	Crustaceans and molluscs					0,0	0,0	-1,7	-1,0	-1,2	-2,2	-3,5	-2,1	-1,3	-0,1	-0,2
	1,804	Eggs	-2,1	-1,7	-1,3	-0,3	-0,3	-0,6	-0,7	-0,7	-0,6	0,0	0,0	0,0	0,0		
	13,013	Fresh fruits				-1,8	-4,2	-5,0	-5,1	-4,8	-4,1	-4,0	-2,3				
ENERGY 0	8,677	Fresh vegetables					-0,6	-1,7	-2,2	-2,9	-1,6	0,0	0,0	0,0	0,0		
	2,836	Potatoes and processed potato products						-2,8	-6,4	-7,6	-8,8	-11,2	-14,3	-4,5			-1,7
	11,988	Gas					0,0	-16,2	-16,2	-16,2	-19,2	-15,5	-12,5				
ENERGY 0	4,441	Other fuels					0,0	0,0		0	0,0	-13,3	-40,1	-41,7	-30,7	-7,0	
	57,898	Fuels and lubricants					0,0	0,0		0	0,0		-18,1	-22,3	-20,0	-6,5	
Total weight in COICOP subclasses with negative year-on-year rates			264,1	270,5	318,1	382,2	425,6	444,6	422,0	429,5	412,0	306,0	285,8	281,1	203,1	133,2	105,8

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

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

Source: INE & BIAM(UC3M)

Date: October 28, 2010



CONSUMER PRICE INDEX AND COMPONENTS IN SPAIN											
Annual rates of growth											
		Consumer Prices Index									
		Core				Residual					
		Processed food excluding tobacco	Tobacco	Non energy industrial goods	Services	TOTAL	Confidence intervals at 80% *	Non processed food	Energy	TOTAL	TOTAL 100% Confidence intervals at 80% *
Weights 2010		12,6%	2,0%	29,0%	39,8%	83,4%		6,5%	10,1%	16,6%	
AVERAGE ANNUAL RATES	2002	3,9	7,4	2,5	4,6	3,7		5,8	-0,2	2,6	3,5
	2003	2,9	3,8	2,0	3,7	2,9		6,0	1,4	3,6	3,0
	2004	3,3	5,6	0,9	3,7	2,7		4,6	4,8	4,7	3,0
	2005	3,0	6,6	0,9	3,8	2,7		3,3	9,6	6,5	3,4
	2006	3,9	1,5	1,4	3,9	2,9		4,4	8,0	6,3	3,5
	2007	3,0	8,8	0,7	3,9	2,7		4,7	1,7	3,2	2,8
	2008	6,9	3,5	0,3	3,9	3,2		4,0	11,9	8,5	4,1
	2009	-0,7	11,7	-1,3	2,4	0,8		-1,3	-9,0	-5,4	-0,3
	2010	-1,3	14,2	-0,5	1,3	0,6	± 0,07	0,0	12,1	7,1	± 0,08
	2011	-0,1	8,0	0,3	1,6	1,1	± 0,87	2,5	5,2	4,1	± 1,43
Year-on-year rates	2009	January	2,3	4,0	-0,3	3,6	2,0	1,3	-9,3	-4,8	0,8
		February	1,3	4,7	-0,7	3,3	1,6	2,2	-8,1	-3,7	0,7
		March	0,6	4,7	-0,6	2,7	1,3	0,8	-11,6	-6,4	-0,1
		April	0,1	4,7	-0,7	3,1	1,3	0,0	-12,4	-7,1	-0,2
		May	-0,7	4,7	-0,8	2,6	0,9	-0,6	-15,3	-9,1	-0,9
		June	-1,1	11,1	-1,1	2,4	0,8	-2,7	-14,2	-9,1	-1,0
		July	-1,6	17,6	-1,5	2,1	0,6	-2,7	-15,9	-10,2	-1,4
		August	-1,7	17,6	-1,8	1,9	0,4	-2,5	-10,2	-6,5	-0,8
		September	-2,1	17,6	-2,1	1,8	0,1	-2,5	-10,2	-6,5	-1,0
		October	-2,1	17,7	-2,1	1,6	0,1	-2,6	-6,6	-4,3	-0,7
		November	-2,0	17,7	-1,7	1,6	0,2	-2,7	1,9	0,6	0,3
		December	-1,8	17,7	-1,7	1,6	0,3	-3,1	7,5	3,4	0,8
	2010	January	-1,9	16,6	-1,7	1,2	0,1	-3,2	11,4	5,6	1,0
		February	-2,0	17,2	-1,5	1,1	0,1	-3,8	9,9	4,5	0,8
		March	-1,9	17,2	-1,5	1,3	0,2	-2,2	13,9	7,5	1,4
		April	-2,0	17,1	-1,5	0,8	-0,1	-1,3	16,7	9,5	1,5
		May	-1,6	17,0	-1,1	1,0	0,2	-0,8	16,4	9,6	1,8
		June	-1,3	17,7	-0,8	1,0	0,4	0,5	10,9	6,8	1,5
		July	-1,0	11,7	-0,1	1,4	0,8	1,1	11,8	7,6	1,9
		August	-0,9	11,6	0,2	1,5	1,0	1,6	8,9	6,0	1,8
		September	-0,6	11,6	0,4	1,5	1,1	1,3	11,1	7,2	2,1
		October	-0,8	11,6	0,6	1,7	1,2	± 0,19	1,7	12,8	8,2
		November	-0,7	11,6	0,5	1,7	1,2	± 0,30	2,2	10,7	7,1
		December	-0,7	11,6	0,5	1,7	1,2	± 0,40	2,7	11,2	7,7
	2011	January	-0,5	10,9	0,5	1,8	1,2	± 0,48	2,8	8,7	6,3
		February	-0,1	8,7	0,5	1,8	1,2	± 0,55	3,2	9,1	6,7
		March	0,0	9,9	0,5	1,8	1,3	± 0,62	3,1	7,1	5,5
		April	0,4	10,7	0,6	1,8	1,4	± 0,70	3,3	5,1	4,4
		May	0,3	11,7	0,6	1,9	1,5	± 0,77	3,3	4,9	4,2
		June	0,2	5,8	0,6	1,9	1,3	± 0,85	2,5	5,6	4,3
		July	0,0	6,3	0,2	1,6	1,0	± 0,92	2,1	4,9	3,8
		August	-0,2	6,3	0,1	1,5	0,9	± 0,99	1,7	5,2	3,8
		September	-0,4	6,4	0,0	1,5	0,8	± 1,06	1,9	4,6	3,5
		October	-0,2	6,4	-0,1	1,5	0,8	± 1,10	2,0	3,0	2,6
		November	-0,2	6,5	-0,1	1,5	0,8	± 1,14	2,1	2,4	2,3
		December	-0,2	6,7	-0,1	1,4	0,8	± 1,17	2,2	2,4	2,3

* Confidence intervals calculated with historical errors

*The figures in the shaded area are Forecasts

Source: INE & BIAM(UC3M)

Date: October 28, 2010



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

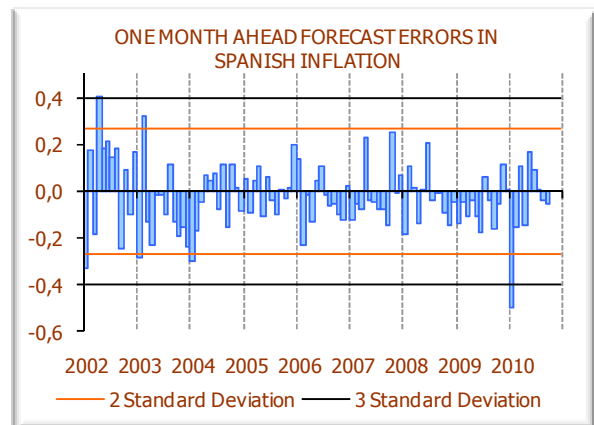
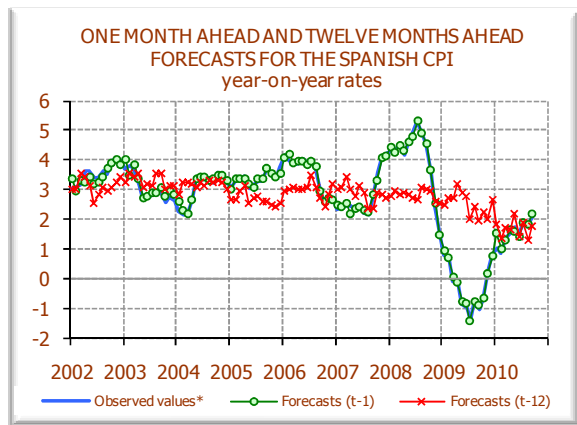
* The figures in the shaded area are Forecasts

Source: INE & BIAM(UC3M)

Date: October 28, 2010



FORECASTS ERRORS IN SPAIN



INFLATION IN SPAIN				
Annual rates, September, 2010				
Consumer Price Index CPI	Weights 2010	Observed	Forecasts	Confidence Intervals at 80%
Processed food	14,54	1,11	0,94	0,49
Non-energy industrial goods	29,02	0,42	0,66	0,32
Services	39,80	1,54	1,61	0,17
CORE	83,36	1,11	1,19	0,19
Non-processed food	6,55	1,32	1,43	0,97
Energy	10,09	11,07	11,03	0,72
RESIDUAL	16,64	7,25	7,07	0,74
TOTAL	100	2,13	2,21	0,17

Source: INE & BIAM (UC3M)

Date: October 14, 2010



INFLATION BY COMPONENTS IN THE CONSUMER PRICE INDEX OF SPAIN										
Annual average rates										
				Weights 2009	2006	2007	2008	2009	2010	2011
CPI Total	Core Inflation	Processed food	AE less tobacco & fats	10,3	2,8	4,5	7,4	-0,1	-1,3	-0,1
			Oils & Fats	0,6	23,4	-16,8	2,2	-11,4	-2,2	1,1
			Tobacco	1,7	1,5	8,8	3,5	11,7	14,2	8,0
				12,6	3,6	3,8	6,7	0,9	0,9	1,1
		Non energy industrial goods	Vehicles	5,6	2,3	1,4	-0,5	-3,8	-1,1	1,3
			Footwear	1,8	1,6	1,3	1,4	-0,4	0,5	1,5
			Clothing	6,6	1,1	0,9	0,4	-2,1	-0,7	-0,6
			Rest	15,0	1,2	0,3	0,3	-0,1	-0,2	0,2
			29,0	1,5	0,8	0,4	-1,2	-0,5	0,3	
		Services	Postal services	0,0	5,7	3,6	2,8	2,8	4,5	2,1
			Cultural services	1,9	2,4	3,1	2,8	2,7	1,6	2,8
			Education	0,9	3,5	4,1	3,4	2,5	2,1	2,1
			Hotels	0,8	3,6	5,5	4,2	-1,4	-0,2	0,0
			Health	2,5	4,1	4,2	4,1	3,9	2,7	2,9
			Household equipment	1,9	4,4	4,2	4,4	3,4	2,5	1,9
			Restaurants	11,8	4,5	4,8	4,7	2,2	1,3	1,3
			Telephone	3,7	-1,4	0,3	0,6	0,1	-0,4	0,3
			Transports	5,6	4,2	3,1	4,1	3,1	2,2	2,2
			Package holidays	1,5	3,1	0,6	4,5	0,2	-3,4	1,0
			University	0,5	5,0	5,3	5,2	5,3	3,5	4,0
			Housing	5,4	4,7	4,6	4,1	3,0	1,6	1,6
			Rest	3,3	4,3	3,9	3,8	2,4	1,7	2,0
				39,8	3,8	3,8	3,9	2,4	1,3	1,6
			83,4	2,9	2,7	3,2	0,8	0,6	1,1	
	Residual Inflation	Non processed foods	Meat	2,4	6,0	5,2	3,9	-0,6	-1,9	2,0
			Fruits	1,2	0,1	4,5	9,4	0,3	-1,0	3,6
			Eggs	0,2	2,8	4,3	10,7	1,2	-0,9	-0,2
			Vegetables	0,8	-0,8	6,4	2,4	2,1	1,1	3,0
			Mollusc	0,5	2,3	0,1	-0,2	-2,2	2,9	5,8
			Potatoes	0,3	17,6	8,4	-1,7	-7,0	7,4	10,3
			Fish	1,2	5,7	2,5	1,2	-4,6	1,2	-0,7
				6,5	4,2	4,5	3,8	-1,2	0,0	2,5
		Energy	Heat energy	5,9	6,6	1,4	13,0	-15,2	16,2	5,6
			Fuels	0,5	11,8	-0,8	23,5	-32,7	22,3	3,0
			Electricity and gas	3,7	9,6	2,1	8,7	2,1	4,3	5,0
				10,1	8,0	1,7	11,9	-9,0	12,1	5,2
			16,6	6,1	3,1	8,2	-5,2	7,1	4,1	
			100,0	3,5	2,8	4,1	-0,3	1,7	1,6	

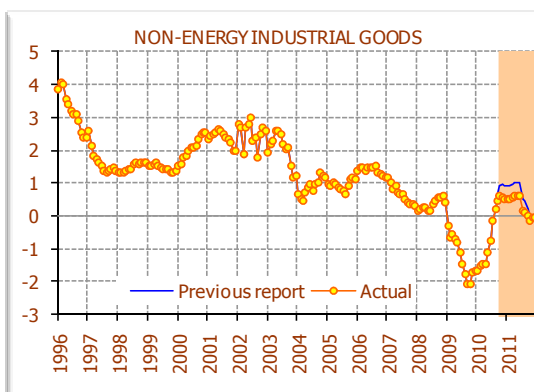
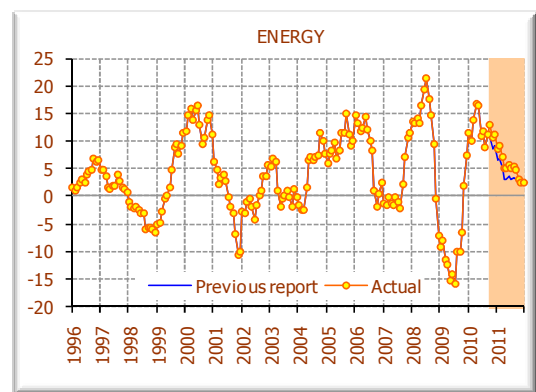
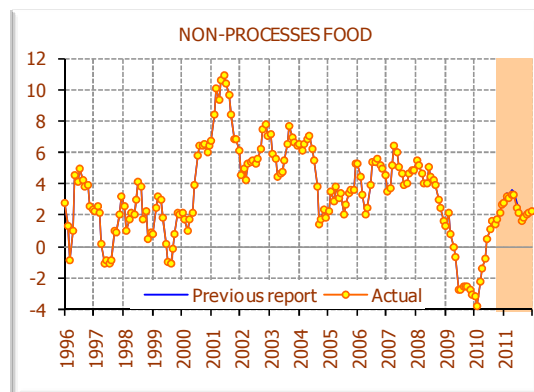
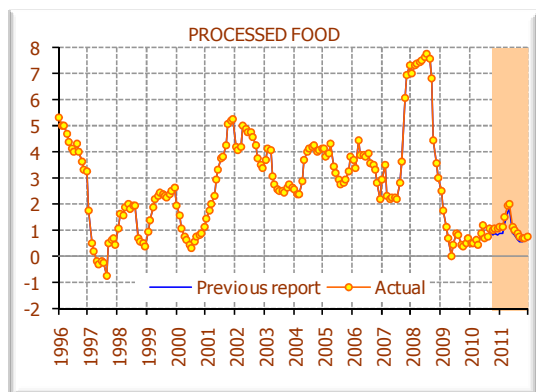
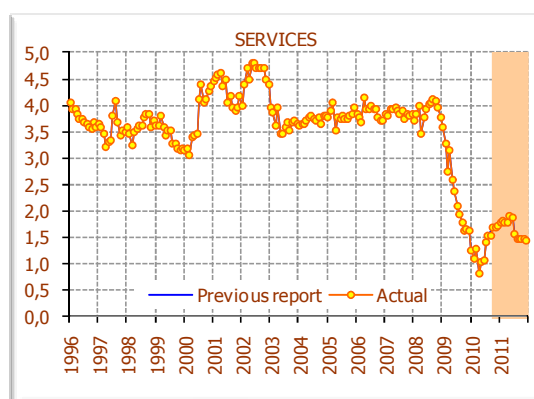
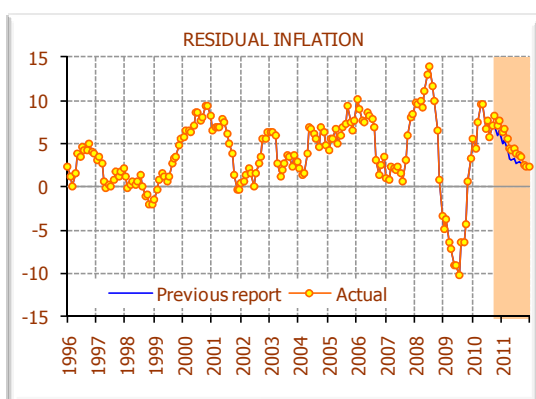
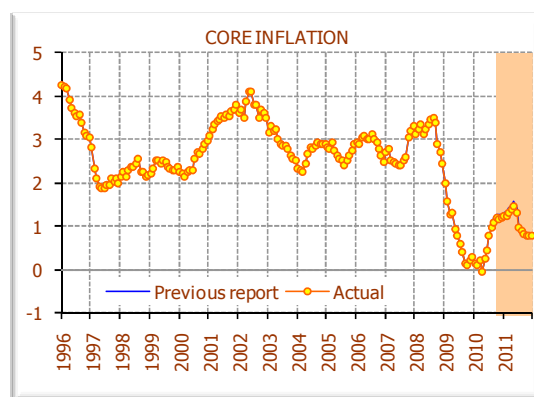
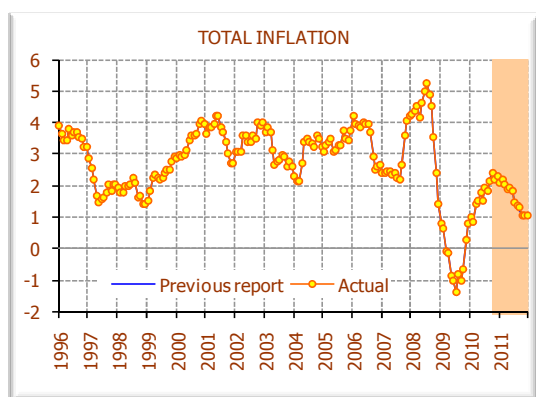
* The figures in the shaded area are forecasts

Source: INE & BIAM(UC3M)

Date: October 28, 2010



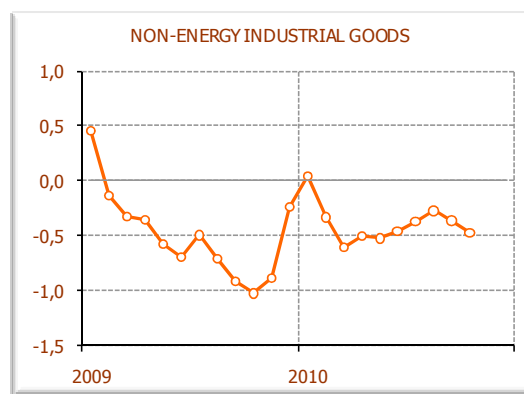
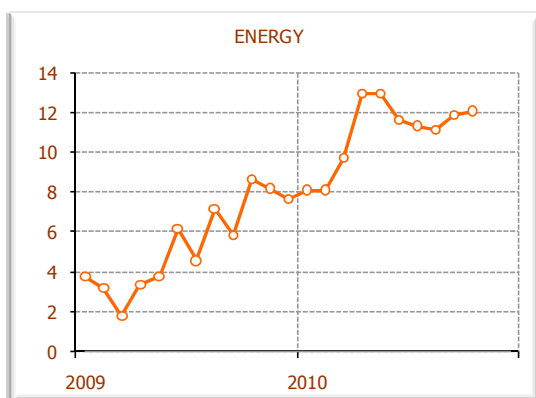
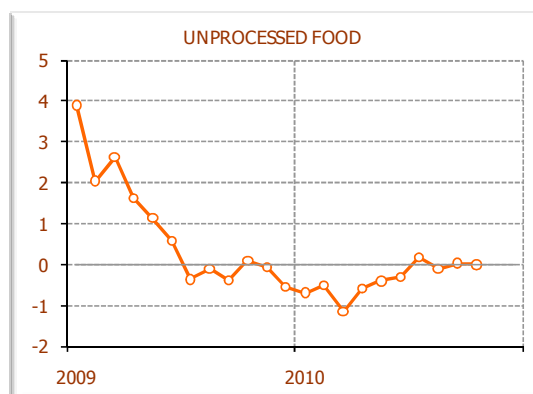
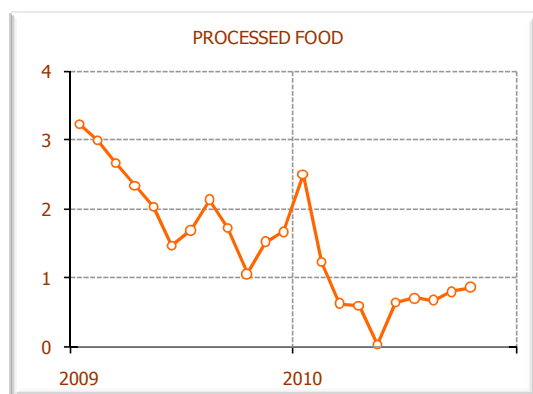
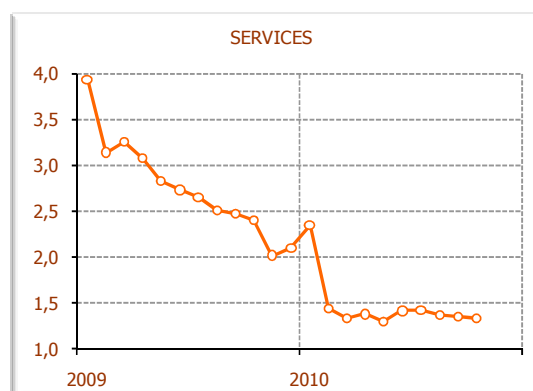
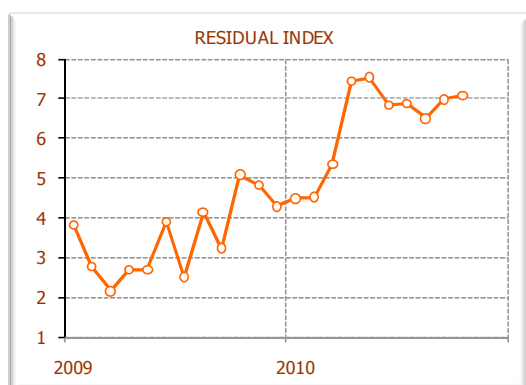
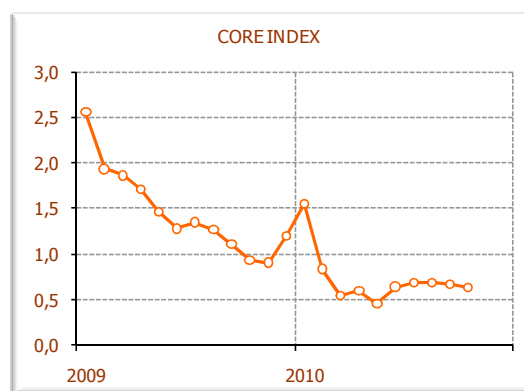
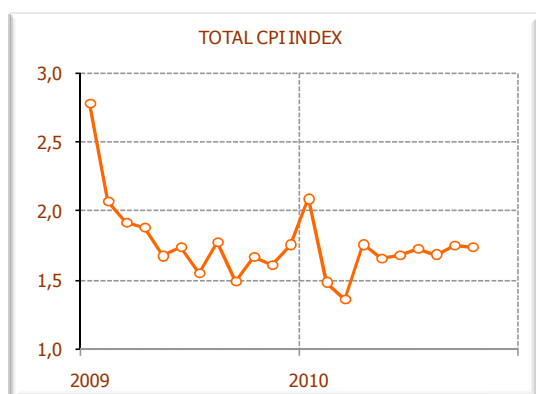
CHANGE IN FORECASTS OF ANNUAL RATE OF INFLATION BY SPECIAL GROUPS IN SPAIN Year-on year rates



Source: INE & BIAM (UC3M).
Date actual report: October 28, 2010
Date previous report: September 28, 2010



FORECASTS FOR 2010 ANNUAL AVERAGE CPI GROWTH RATE BY COMPONENT



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

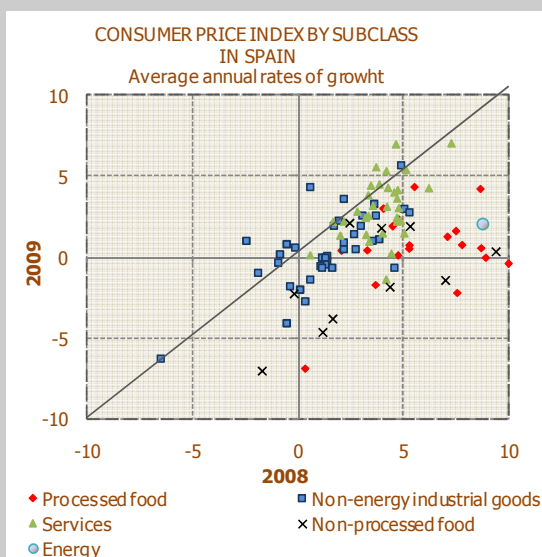
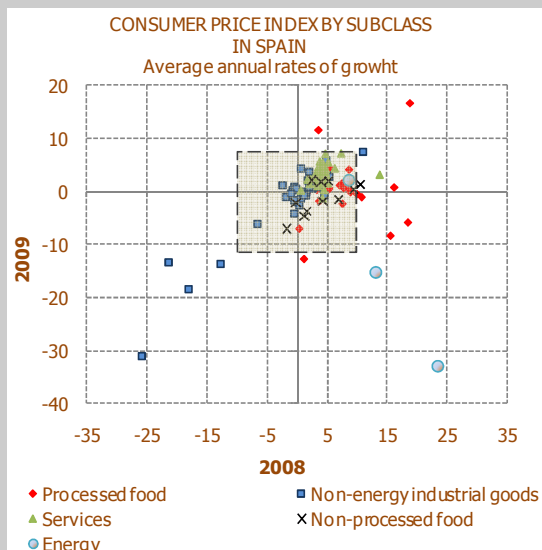
Source: INE & BIAM (UC3M)

Date: October 28, 2010



INFLATION FORECASTING BY SUBCLASS IN SPAIN

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



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

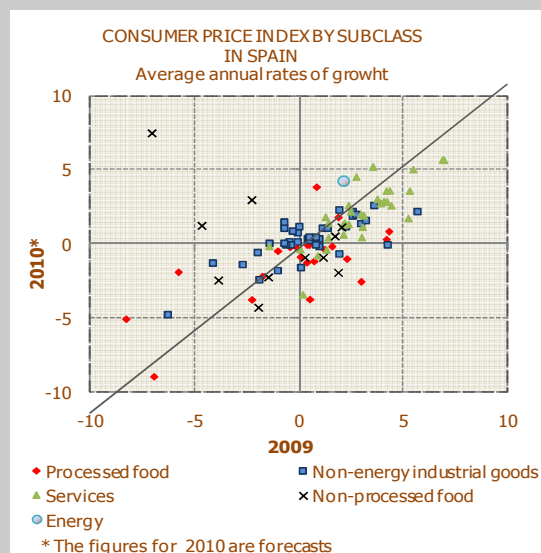
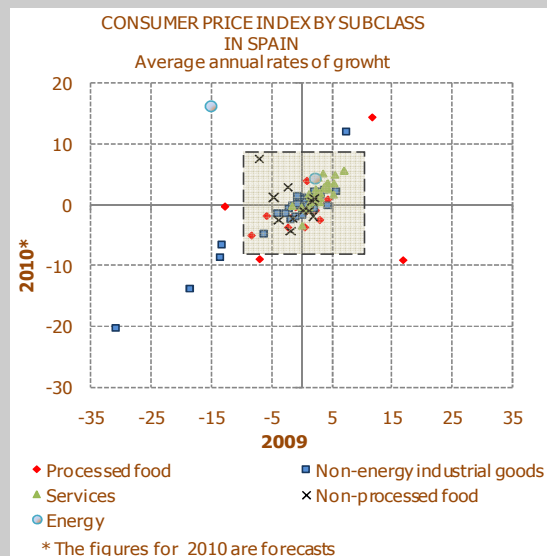
Source: EUROSTAT & BIAM (UC3M)

CONSUMER PRICE INDEX BY SUBCLASS IN SPAIN					
Annual average rates of growth					
	2007	2008	2009	2010	2011
PROCESSED FOOD					
Rice	2,7	18,8	16,8	-9,1	-0,6
Flours and cereals	3,7	8,7	0,5	-3,8	-2,1
Bread	8,2	8,9	0,0	-0,3	-0,9
Pastry goods, cakes, mixes and doughs for bakery pi	2,6	7,5	1,6	-0,2	1,2
Farinaceous-based products	3,9	18,5	-5,8	-1,9	-2,2
Delicatessen type meat products	3,9	3,3	0,4	-0,1	-0,4
Processed meat products	2,3	4,8	2,3	-1,0	-0,9
Preserved and processed fish	3,7	5,3	0,7	0,0	2,8
Milk	10,0	15,6	-8,3	-5,1	0,7
Other dairy products	3,1	7,6	-2,2	-3,8	-2,5
Cheeses	3,7	10,0	-0,4	-0,2	0,5
Preserved fruits, nuts and dried fruits	0,5	2,1	0,4	-1,3	0,8
Dried pulses and vegetables	3,8	10,8	-1,0	-0,5	-0,4
Frozen and preserved pulses and vegetables	6,3	7,8	0,7	-1,2	-0,7
Sugar	1,6	0,3	-6,9	-9,0	-3,8
Chocolates and confectionery	2,8	5,3	0,5	-0,1	1,2
Other food products	3,5	8,7	4,2	0,3	2,8
Baby food	3,7	3,7	-1,7	-2,2	-3,3
Coffee, cocoa and infusions	4,7	7,1	1,3	-0,4	1,1
Mineral water, soft drinks, fruit and vegetable juices	2,5	4,0	3,0	-2,6	-2,3
Spirits and liqueurs	2,5	4,5	1,9	1,8	1,8
Wines	2,5	4,7	0,1	-0,9	-0,2
Beer	3,6	5,5	4,3	0,8	2,7
Tobacco	8,8	3,5	11,7	14,2	8,0
Butter and margarine	4,6	16,2	0,9	3,8	4,2
Oils	-18,4	1,1	-12,6	-0,4	1,9
NON-ENERGY INDUSTRIAL GOODS					
Men's outerwear	0,4	0,1	-2,0	-0,6	0,6
Men's underwear	1,9	1,2	0,0	0,7	1,3
Women's outerwear	1,4	0,3	-2,7	-1,4	-1,3
Women's underwear	1,1	1,4	0,0	1,1	-0,9
Children's and infants' garments	1,5	0,6	-1,4	0,0	-1,1
Clothing accessories of garments	-7,2	1,4	-0,2	0,9	-1,0
Men's footwear	1,9	1,3	0,0	0,1	1,8
Women's footwear	0,7	1,6	-0,7	1,0	2,0
Children's and infants' footwear	1,6	1,3	-0,5	0,1	-0,1
Motor vehicles	1,4	-0,5	-4,1	-1,3	1,3
Other vehicles	-0,6	-2,4	1,0	0,3	1,8
Spare parts and maintenance accessories	3,9	4,6	-0,7	1,4	3,4
Materials for the maintenance and repair of the dwe	5,7	5,1	3,0	1,3	2,9
Water supply	5,4	4,9	5,7	2,2	3,3
Furniture	3,9	3,9	1,1	1,0	2,8
Other equipments	4,8	2,7	0,5	0,3	2,3
Household textiles	2,1	2,2	0,5	0,2	0,9
Refrigerators, washing machines and dishwashers	-1,3	-1,9	-1,0	-1,8	-1,6
Cookers and ovens	0,5	-0,8	0,1	-1,7	-1,3
Heating and air conditioning	-1,1	-0,5	0,8	0,5	-0,9
Other household appliances	0,3	-0,2	0,5	0,5	0,2
Glassware, crockery and cutlery	1,6	3,1	2,6	1,9	2,2
Other kitchen utensils and furnishing	4,2	3,7	2,6	2,2	2,3
Tools and accessories for house and garden	4,1	3,0	1,9	2,2	2,4
Cleaning household articles	1,4	1,7	1,9	-0,7	0,6
Other non-durable household articles	2,7	2,7	1,4	1,1	1,8
Medicines and other pharmaceutical products	-9,0	-6,5	-6,3	-4,8	-4,1
Therapeutic appliances and equipment	1,7	3,6	1,0	-0,1	0,5
Telephone equipments	-5,2	-25,7	-30,9	-20,2	-23,0
Equip. for the reception, recording and reproduction i	-11,4	-12,7	-13,7	-8,6	-9,5
Photographic and cinematographic equipments	-14,5	-18,0	-18,5	-13,9	-15,9
Information processing equipments	-20,0	-21,5	-13,3	-6,6	-14,7
Recording media	-1,3	-0,9	-0,4	-0,1	-0,1
Games and toys	-0,8	-0,4	-1,8	-2,4	-2,0
Large sports equipment	-0,5	0,6	4,3	0,0	1,4
Other recreational and sporting articles	0,0	1,1	-0,6	-0,1	-0,2
Gardens, plants, flowers and pets	4,1	5,3	2,8	2,0	2,2
Books	2,9	2,0	2,2	1,2	1,3
Newspapers and magazines	1,4	2,2	3,6	2,6	1,7
Material de papelería	2,7	3,7	3,2	1,6	2,2
Personal care articles	2,1	2,2	0,8	-0,1	1,0
Jewellery, costume jewellery, clocks and watches	9,7	11,1	7,5	12,1	12,2
Other articles for personal use	0,8	1,1	-0,6	0,1	-0,9

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



CONSUMER PRICE INDEX BY SUBCLASS IN SPAIN					
Annual average rates of growth					
	2007	2008	2009	2010	2011
SERVICES					
Maintenance and repair services	4,5	4,8	4,1	2,8	3,4
Other services related to vehicles	3,7	3,3	1,3	-0,4	-0,3
Railway transport	4,2	3,7	5,5	5,0	5,1
Road transport	3,9	4,2	5,3	1,7	1,9
Air transport	3,0	13,7	3,0	0,4	1,6
Other transport services	3,9	7,3	7,0	5,6	3,3
Insurances connected with transport	1,7	2,0	1,3	1,8	1,2
Restaurants, bars, coffee bars, canteens	4,8	4,7	2,2	1,3	1,3
Hotels and other lodgings	5,5	4,2	-1,4	-0,2	0,0
Package holidays	0,6	4,5	0,2	-3,4	1,0
Higher education	5,3	5,2	5,3	3,5	4,0
Postal services	3,6	2,8	2,8	4,5	2,1
Telephone services	0,3	0,6	0,1	-0,4	0,3
Rentals for housing	4,4	4,2	3,1	1,1	1,5
Services for the maintenance and repair of the dwell	5,5	5,1	1,4	0,4	1,3
Sewerage collection	4,6	3,4	3,8	3,0	2,8
Out-of-hospital medical and paramedical services	4,0	4,9	2,2	1,4	2,5
Dental services	3,2	3,2	2,4	1,3	1,7
Hospital services	3,6	3,4	0,9	-0,8	0,8
Medical services	5,3	4,7	6,9	5,6	4,7
Recreational and sporting services	2,8	1,7	2,1	1,3	2,5
Cultural services	3,4	3,6	3,1	1,9	3,1
Education	4,1	3,4	2,5	2,1	2,1
Repair of footwear	5,8	6,2	4,2	3,5	4,4
Domestic service and other household services	4,4	4,8	3,0	2,0	1,6
Insurances connected with the dwelling	3,6	3,5	4,4	3,5	2,4
Personal care services	4,1	4,0	1,4	1,4	1,5
Social services	5,2	4,6	4,0	2,7	3,0
Other insurances	3,9	3,9	4,5	2,5	3,2
Financial services	7,8	4,7	3,6	5,1	1,4
Other services	2,2	2,2	2,2	0,6	1,4
Repair of household appliances	3,9	4,3	4,2	2,8	4,1
Repairs and cleaning of garments	3,8	4,7	2,4	2,6	3,0
NON-PROCESSED FOOD					
Beef	6,0	4,0	1,7	0,5	3,5
Pork	2,7	1,6	-3,8	-2,5	0,1
Mutton	-0,7	5,3	1,9	-1,9	2,7
Poultry	9,7	4,3	-1,9	-4,3	1,4
Other meats, viscera and other non-meat edibles	0,1	7,0	-1,5	-2,3	1,8
Fresh fish	2,5	1,2	-4,6	1,2	-0,7
Crustaceans and molluscs	0,1	-0,2	-2,2	2,9	5,8
Eggs	4,3	10,7	1,2	-0,9	-0,2
Fresh fruits	4,5	9,4	0,3	-1,0	3,6
Fresh pulses and vegetables	6,4	2,4	2,1	1,1	3,0
Potatoes and processed potato products	8,4	-1,7	-7,0	7,4	10,3
ENERGY					
Electricity and gas	2,1	8,7	2,1	4,3	5,0
Other fuels	-0,8	23,5	-32,7	22,3	3,0
Fuels and lubricants	1,4	13,0	-15,2	16,2	5,6



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

Source: EUROSTAT & BIAM (UC3M)

Date: October 14, 2010



IV.3. THE RECENT PERFORMANCE OF PRODUCTIVITY IN THE SPANISH ECONOMY

This year, apparent labour productivity is reducing its growth rate and, in the first six months, it fell to 2.5%.

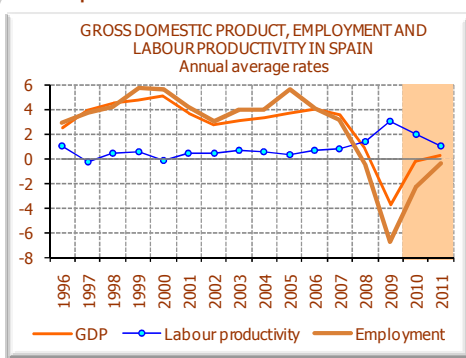
The limited growth of productivity usually found in the Spanish economy is one of its weak points, particularly in the last period of growth that started in the second half of the nineties. Since mid-2008, however, employment has been declining considerably, more than the GDP, leading to recovery of productivity, which increased its annual growth rate to 3.1% in 2009, from 0.7% in 2007, the year before the crisis. This improvement, based on job losses, is evidently due to the abnormal anticyclical nature of productivity in the Spanish economy since the mid-80s, unlike other western economies. The sustained improvement of labour productivity is an essential condition if the pattern of growth of the Spanish economy is to change and it is to gain competitiveness on the international markets.

ended with the onset of the current economic crisis and when the property bubble burst. In this period, employment rose by 45.8%, equivalent to an average annual rate of 3.8%, with the creation of more than 6 million net jobs, while productivity grew by only 0.4%. With the onset of the economic crisis, there were huge job losses, and this process has not yet ended. Employment fell by much more than the GDP, so apparent labour productivity has improved. This improvement, however, was clearly due to a reduction in employment and not to production gains.

With the onset of the economic crisis, there were huge job losses, and this process has not yet ended. Employment fell by much more than the GDP, so apparent labour productivity has improved.

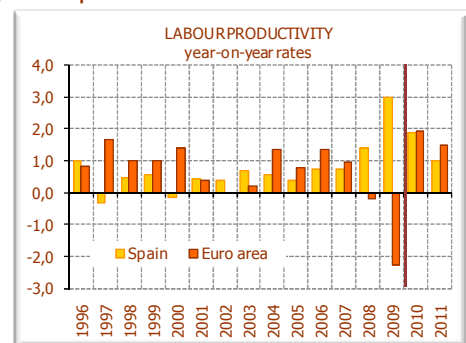
IV.3.1.1. The evolution of productivity

Graph IV.3.1.1



Source: INE & IFL

Graph IV.3.1.2



Source: INE, ESUROSTAT & IFL

In the last period of growth, from the second half of the nineties up to 2007, the Spanish economy registered high and sustained GDP growth rates. This was due to the increase in employment, with plenty of hand labour available from immigration, mostly employed in construction and some services. The contribution of productivity to such GDP growth was modest, however, as its growth was very weak throughout this period, and practically zero some years. This pattern of growth

Productivity growth is of the utmost importance for all economies. In Spain, with a view to the future, the necessary change in the pattern of growth, labour intensive and with low productivity, must involve a sustained improvement in actual productivity, although the effects would only be seen in the long run. This change should be encouraged by the structural reforms that are currently underway, especially the labour reform and the implantation of the service directive.

In this text, productivity is measured, in spite of the indicator's limitations, by the ratio between real product and the number of people employed to obtain it. The employment indicator used is equivalent to full-time employment estimated by the National Accounts.

Analysing the evolution of apparent labour productivity (ALP) in the current phase of the economic crisis, we find that in the first year (2008) its growth rate rose to 1.4%, double that of the previous year, and it again more than doubled in 2009, to 3.1%. However, this year, apparent labour productivity is reducing its growth rate and, in the first six months, it fell to 2.5%. Our perspectives show that this trend will continue in what



remains of 2010 and 2011, as recovery becomes consolidated; indeed, the average annual rates expected for 2010 and 2011 are 2.2% and 1.7%, respectively (see table IV.3.1.1 and graphs IV.3.1.2 and IV.3.1.3).

Labour productivity has recovered considerably in the current cyclical phase. In 1995-2000 it registered a low average annual growth rate (0.3%), recovered a little in 2001-2007 with 0.6% and increased in 2008-2010 to 2.2%, at the cost of heavy job losses.

In the context of growth accounting, labour productivity depends directly on capital equipment per worker and total factor productivity (TFP). The latter is identified with the Solow residual and covers the part of production that is not attributed to productive factors, capital and labour. Table IV.3.1.1 shows quantitative ALP data and TFP information for both Spain and the euro area. Its analysis reveals some characteristic features of the evolution of productivity from the mid-90s to date.

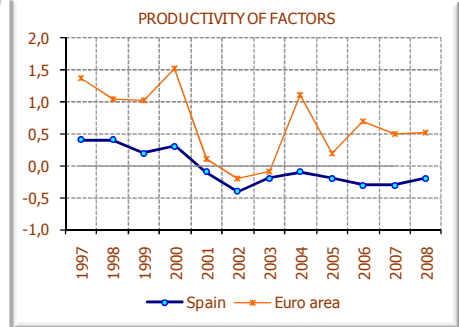
These data show that labour productivity in the Spanish economy has been growing very slowly since 1995, and practically not at all in some years (1997-2000), although it improved slightly in 2001-2007 and has recovered considerably since the onset of the present crisis. One peculiarity of labour productivity in the Spanish economy is its anticyclical behaviour, which is not found in the euro area or in other developed economies.

Both apparent labour productivity and TFP in Spain grew less than in the euro area, except for ALP, in 2001, 2002 and 2003. In turn, TFP tended to fall in the euro area. ALP growth in Spain is considerably less than in the euro area in most years, except 2008 and 2009. TFP also registered less growth than ALP, and was also lower in Spain in general than in the euro area.

Unlike in Spain in the economic crisis, productivity growth in the euro became slightly negative in 2008 (-0.2%), again in

2009 (-2.8%) and recovered considerably in 2010. The drop in productivity in 2008 and 2009 reflects the fact that the GDP decreased more than was due to job losses, explaining the variable's procyclical nature in the euro area. Also, in the last few years of the crisis, employment was not much affected, largely due to the protection of workers with indefinite contracts, who represent a greater percentage than in Spain, together with reduced working hours in many jobs, instead of outright dismissal. This is partly due to the support for shorter working hours provided by many euro area governments in response to the

Graph IV.3.1.3



Source: European Commission

Graph IV.3.1.4



Source: INE & IFL

Table IV.3.1.1

EVOLUTION OF THE PRODUCTIVITY				
	Spain		Euro area	
	Productivity by employee	Total factor productivity (TFP)	Productivity by employee	Total factor productivity (TFP)
Annual average rate of growth (%)				
1995-2000	0,3	0,4	1,1	1,1
2001-2007	0,6	-0,2	0,8	0,4
2008-2010 ¹	2,4	-	-0,2	-
Annual rate of growth (%)				
2001	0,4	-0,1	0,4	0,1
2002	0,4	-0,4	0,0	-0,2
2003	0,7	-0,2	0,2	-0,1
2004	0,6	-0,1	1,4	1,1
2005	0,4	-0,2	0,8	0,2
2006	0,7	-0,3	1,3	0,7
2007	0,7	-0,3	0,9	0,5
2008	1,4	-0,2	-0,2	0,5
2009	3,1	-	-2,2	-
2010	2,5	-	1,9	-

¹ First quarter, 2010

Source: INE & European Commission



Graph IV.3.1.5



Source: EUROSTAT & IFL

crisis. The increase in part-time work is not found in Spain.

The recovery of ALP in the Spanish economy since the onset of the crisis is due to the anticyclical nature of productivity, ultimately due to the fact that employment is decreasing much more than the GDP

in the current cycle, as in previous recessions in the Spanish economy, at least since 1985. Note that the high destruction of employment on this occasion is largely due to temporary employment, which is usually around a third of total employment in Spain, although this rate is now 25%, double that of the euro area, and has significantly lower dismissal costs. Also note that most of the net employment destroyed in Spain in this crisis is of a temporary nature.

Graphs IV.3.1.4 and IV.3.1.5 clearly show the cyclical profile of ALP in Spain and the euro area. Considering the GDP growth rate as an economic cycle indicator, we find that ALP is anticyclical in Spain and procyclical in the euro area. In most western economies, productivity is procyclical, as shown on graph IV.3.1.5 for the euro area. This is largely due to the adjustment costs derived from variation in employment, leading to the *hoarding* of labour in recessions. In such phases, employment tends to fall less than product, so productivity growth slows down as a result of a greater deceleration of the GDP than of employment. The opposite occurs in periods of growth.

Production grows and so does employment, but at a slower pace, as labour had previously

Labour productivity in the Spanish economy has been growing very slowly since 1995, and practically not at all in some years (1997-2000), although it improved slightly in 2001-2007 and has recovered considerably since the onset of the present crisis.

been hoarded, so the ALP growth rate rises.

The fact that the contracyclical nature of the Spanish economy is found since 1985 but not before that, when it was procyclical, supports the hypothesis that the high rate of temporary employment is what changed the trend, as 1984 saw the inclusion of a series of temporary hiring measures in the Workers' Statute. This reform fostered temporary hiring and probably made employment rise more than was actually required, in view of how easy it was to dismiss such workers in recessive phases. Temporary employment, which is usually around 30% of the total, although it has now fallen to 25%, is cheaply dismissed when growth is reduced, so employment decelerates faster than production.

IV.3.2. Sectoral productivity

There continue to be large differences among sectors with regards to labour productivity in the Spanish economy. Graph 6 clearly shows the heterogeneity of productivity growth in the major production sectors. Our first conclusion is that industrial productivity grew more than that of construction and services in 1998-2007. Productivity growth in these two sectors was either very low or negative. However, since the onset of the crisis, the industrial sectors moderated their productivity growth rates, especially in 2008 and 2009, probably because they have a lower proportion of temporary workers, while construction and service productivity grew due to the heavy employment adjustments due to more temporary workers with lower dismissal costs.

There are reasons for the greater growth of ALP in industry, largely because most industrial branches are prone to technological innovation and benefit from technical progress more than the service sector and construction.

The recovery of ALP in the Spanish economy since the onset of the crisis is due to the anticyclical nature of productivity

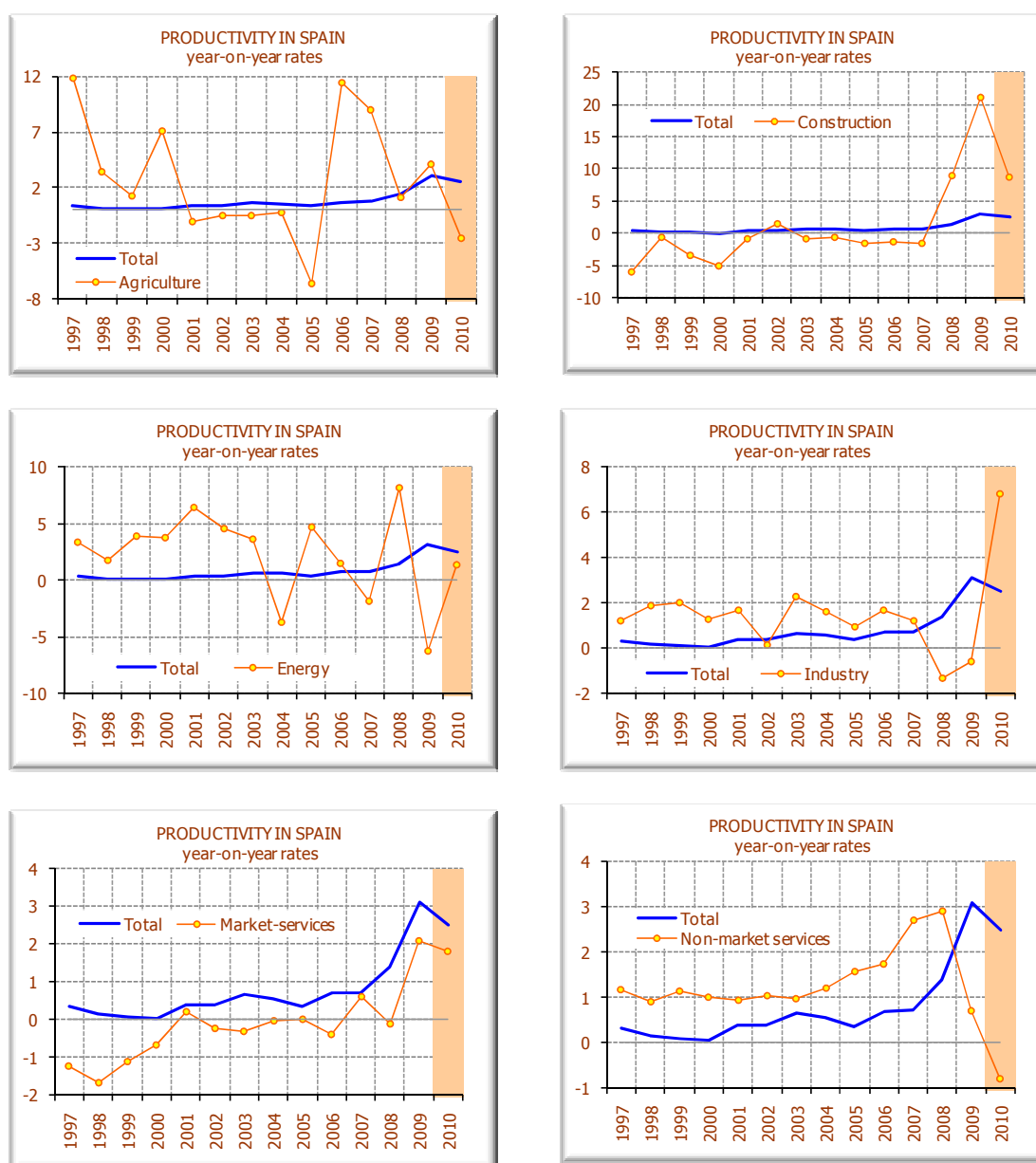


Productivity in construction from 1998 to 2007 fell nearly every year, coinciding with the property boom, except for 2002, when it grew slightly. Indeed, in 2007 it fell by 1.8%, more than the previous year (1%). However, the onset of the economic crisis and the heavy adjustment of employment in the construction sector, which started in mid-2007 and continues today, caused a heavy rise in the sector's productivity, to 9% in 2008, 21.9% in 2009 and 8.7% in the first half of 2010,

historic rates according to which the sector is the leader as far as productivity is concerned, and which explain most of the improvement in global Spanish productivity during the crisis. This evolution is due to the sector's heavy employment adjustment. Over one million jobs have been lost in this crisis, more than a third of the total, and nearly half the jobs lost throughout the economy.

The onset of the economic crisis and the heavy adjustment of employment in the construction sector, which started in mid-2007 and continues today, caused a heavy rise in the sector's productivity.

Graph IV.3.2.1



Market services registered very modest productivity growth rates in some years in the 2001-2007 period and negative rates in others.

Source: INE



In 1998-2007, both the manufacturing and energy industries tended to increase their productivity slightly, and it has remained systematically higher than the economy in general. In that period, their average annual growth rate was 1.5%, while the economy's ALP was just 0.5%. Indeed, the annual growth rate in 2007 was over 1.2% and it was 1.7% in 2006, much more than in 2005 (0.9%). This evolution of productivity in manufactured goods justified the improvement in the economy's global productivity in those two years (2006 and 2007). In 2008, however, there was a large decrease in productivity, 1.3%, as economic activity fell (2.2%) more than employment (1.4%). In 2009 this decrease fell to 0.6%, as the GVA fell by 13.6% and employment by 13%.

Market services registered very modest productivity growth rates in some years in the 2001-2007 period and negative rates in others. In 2007, their productivity rose to 0.6% from the -0.4% registered in 2006; in 2008 growth fell to -0.1% and rose considerably in 2009 and 2010 with rates of close to 2%, due to an intense employment adjustment (-3.7%), greater than the reduction in the sector's GVA, due to the large proportion of temporary employees. Note, however, that the low growth rate in services varies if we consider different branches of the sector, where some have very low productivity (such as bars and restaurants) and others have very high rates (such as communications and banking services). The latter are usually prone to technological innovation and their productivity therefore grows much more than that of industrial branches. In non-market services, we see that they grew much more in 2001-2009, except during the current crisis, when they have been growing less. Irrespective of other factors, the low productivity in market services in the last ten years, with negative figures in some of them, stability in others and slight increases in others, can partly be explained by the fact that, at the time, it was one of the sectors with the greatest rate of absorption of immigrant hand labour which is known to be less productive.

IV.3.3. Causes of low productivity growth

The information provided by the above tables and graphs shows the unfavourable status of Spanish labour productivity relative to the euro area. When identifying the origin of this problem, we find multiple causes, including:

- The sectoral structure of the Spanish economy, where construction is relatively very important together with some services such as tourism and catering, sectors that are very labour-intensive and have low productivity, but represent a large portion of the economy's total production of goods and services. Moreover, they are not the most ideal sectors for the use of high technology.
- The low capital endowment per worker (K/L), significantly lower than in the euro area, which in a way is the result of the Spanish economy's excessive dependence on construction and some of the services mentioned earlier (see graph IV.3.3.1).
- The structure and operation of the Spanish labour market, especially the segmentation between definitive and temporary workers, and the large proportion of the latter, is, according to different studies, another factor responsible for the Spanish economy's low productivity rates. Due to this segmentation, firms have no incentives to invest in training their temporary employees, as they are not expected to be with them for long.
- The low quality of the educational and research systems, according to the different assessments made by agencies such as the OECD. Also, the insufficient competition between firms in many sectors could also be limiting the growth of productivity.



- Another factor which, in the last decade, could have been discouraging investing in capital endowment per worker, could be the relative cheapening of the labour factor relative to capital, as the result of an increase in the labour supply, mostly from immigration, which accepts lower salaries than other workers.

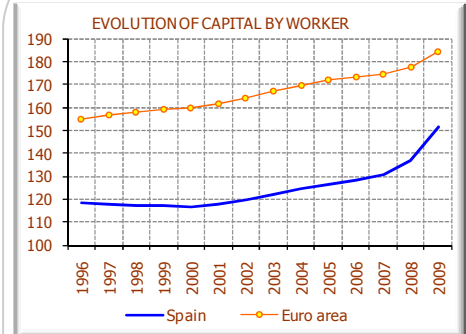
- Most of the employment created since the end of the nineties represented inexperienced and unqualified workers. Indeed, most of them were young and immigrants

- Low R&D investment and worker qualifications relative to other countries, leading to a lower TFP and, therefore, less ALP growth.

In the identification and analysis of these causes lie the possible solutions to the endemic problem of the low productivity

found in the Spanish economy. With our productivity growing less than that of our main competitors, and greater growth of labour costs, our economy's competitiveness relative to these countries is reduced. It is essential for productivity to grow if we are to change our economic pattern and increase our competitiveness. We therefore have to improve the efficiency of our productive system in both the private and public sectors, which involves increasing the educational level, continuing to promote the use of the new technologies and research and technological innovation.

Graph IV.3.3.1

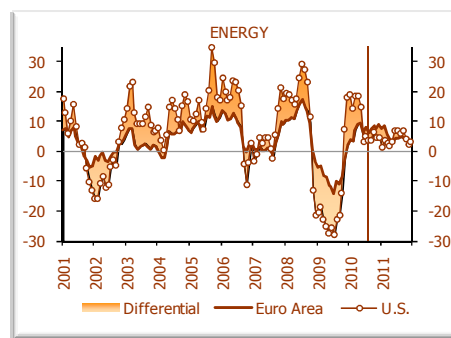
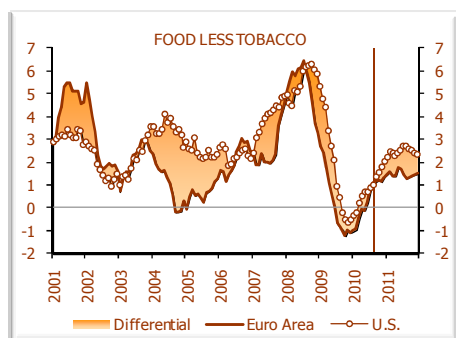
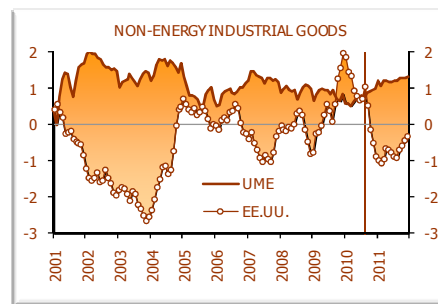
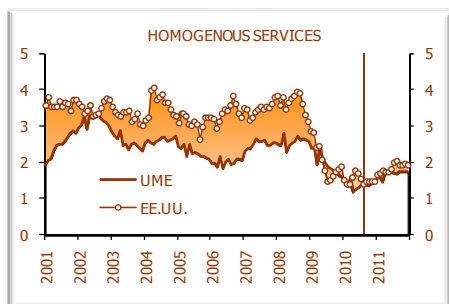
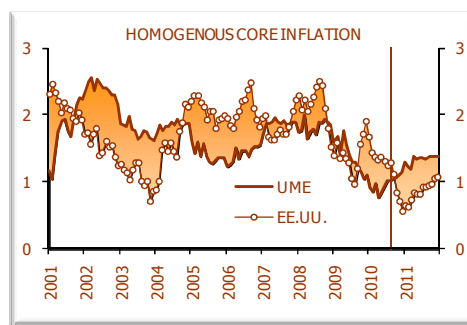
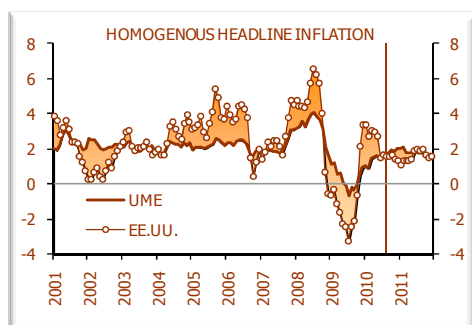


Source: European Commission

With our productivity growing less than that of our main competitors, and greater growth of labour costs, our economy's competitiveness relative to these countries is reduced.

V. SUMMARY OF FORECASTS FOR DIFFERENT AREAS

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



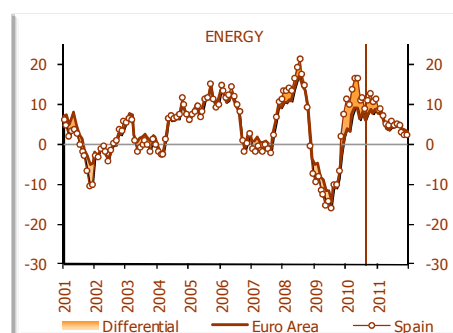
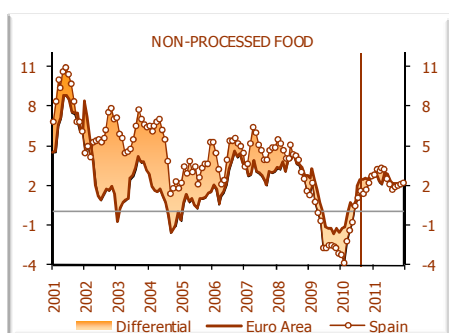
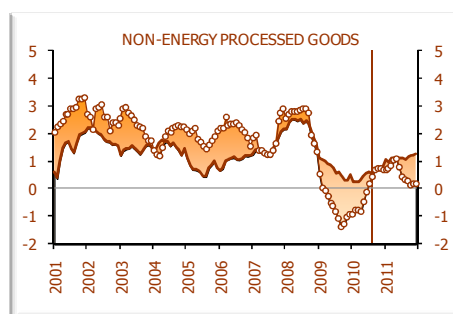
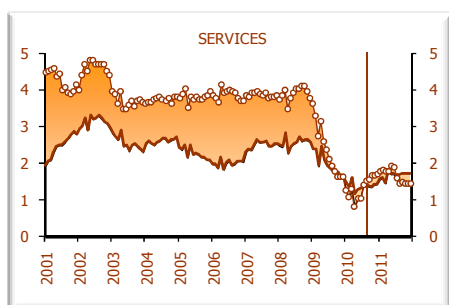
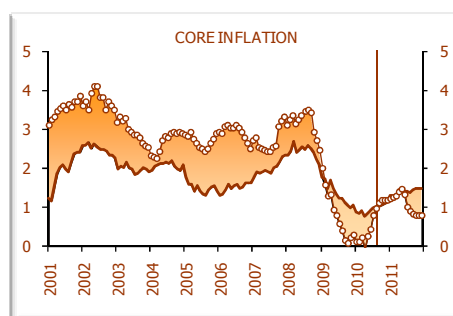
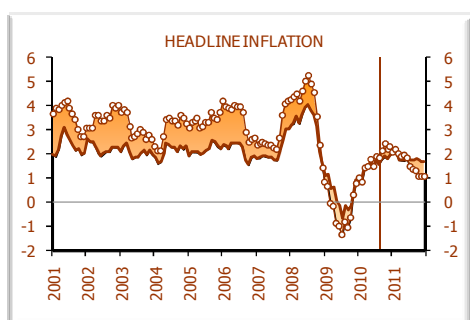
1. Excluding owner's equivalent rent of primary residence. 2. This homogeneous measure of core inflation does not coincide with the usual measure of core inflation for the euro area nor for the USA. It has been constructed in order to compare the data in the euro area and in the USA.

Source: EUROSTAT, BLS & BIAM (UC3M)

Date: October 15, 2010



INFLATION IN SPAIN AND IN THE EURO AREA											
Annual average rates											
	Weights 2009	2003	2004	2005	2006	2007	2008	2009	Forecasts 2010 2011		
TOTAL											
Spain	100,0	3,0	3,0	3,4	3,5	2,8	4,1	-0,3	1,7	1,6	
Euro area	100,0	2,1	2,1	2,2	2,2	2,1	3,3	0,3	1,6	1,8	
CORE INFLATION											
Services and Non-energy industrial goods											
Spain	82,5	2,9	2,7	2,7	2,9	2,7	3,2	0,8	0,6	1,1	
Euro area	83,0	2,0	2,1	1,5	1,5	2,0	2,4	1,3	1,0	1,4	
COMPONENTS OF CORE INFLATION											
Processed food											
Spain	13,4	3,0	3,6	3,4	3,6	3,8	6,7	0,9	0,9	1,1	
Euro area	11,9	3,3	3,4	2,0	2,1	2,8	6,1	1,1	0,8	1,8	
Non-energy industrial goods											
Spain	30,1	2,0	1,0	1,1	1,5	0,8	0,4	-1,2	-0,5	0,3	
Euro area	29,7	0,8	0,8	0,3	0,6	1,0	0,8	0,6	0,4	0,8	
Services											
Spain	38,9	3,6	3,6	3,7	3,8	3,8	3,9	2,4	1,3	1,6	
Euro area	41,4	2,5	2,6	2,3	2,0	2,5	2,6	2,0	1,4	1,7	
COMPONENTS OF RESIDUAL INFLATION											
Non-processed food											
Spain	7,2	5,7	4,4	3,4	4,2	4,5	3,8	-1,2	0,0	2,5	
Euro area	7,5	2,1	0,6	0,8	2,8	3,0	3,5	0,2	1,2	2,4	
Energy											
Spain	10,3	1,4	4,8	9,6	8,0	1,7	11,9	-9,0	12,1	5,2	
Euro area	9,6	3,0	4,5	10,1	7,7	2,6	10,3	-8,1	7,2	4,8	



Source: EUROSTAT, BLS & BIAM (UC3M)

Date: October 28, 2010



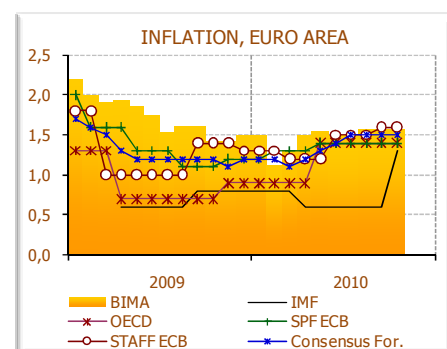
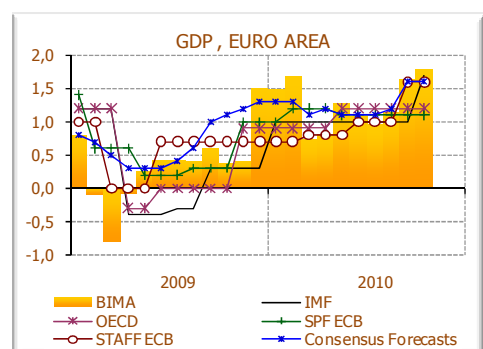
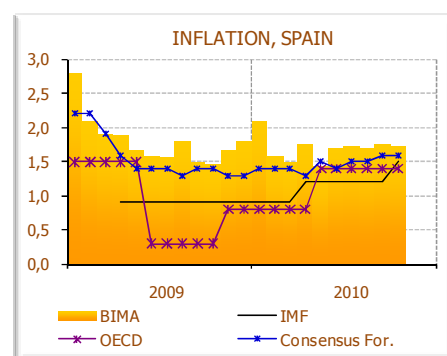
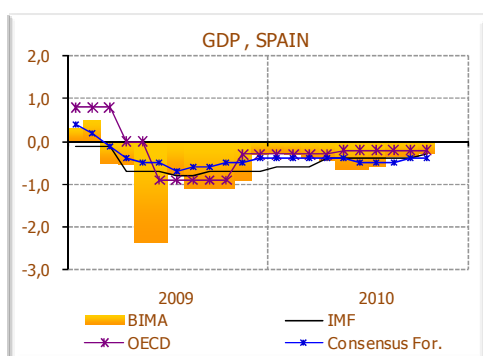
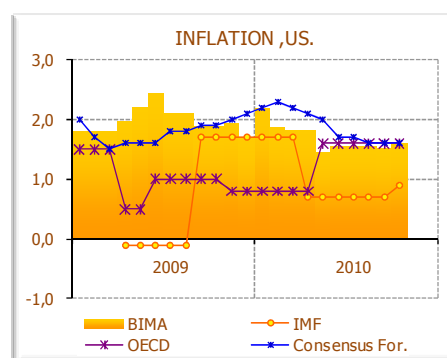
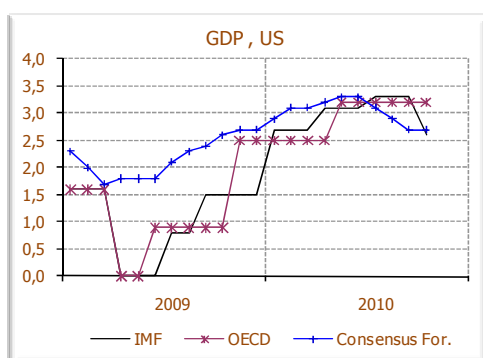
VI. FORECASTS OF DIFFERENT INSTITUTIONS

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

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

EVOLUTION OF FORECASTS FOR 2010

Annual average rates



VII. MACROECONOMIC FORECASTS OF THE NORWEGIAN ECONOMY

By Professors Gunnar Bardsen and Ragnar Nymoen

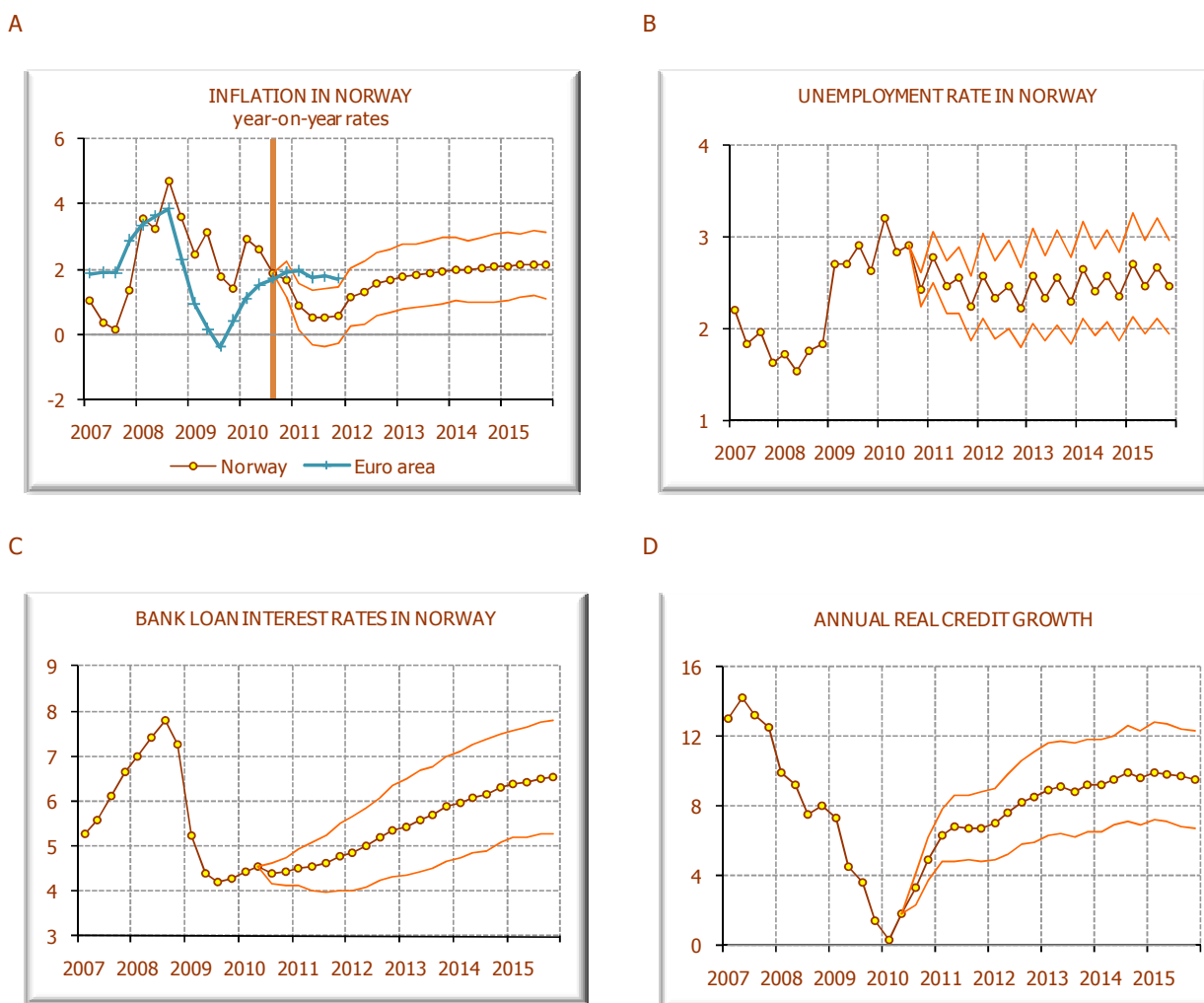
Forecasts are presented for the third quarter of 2010 until the end of 2014 of important macroeconomic variables, using The Norwegian Aggregate Model (NAM). Information about the model and a disclaimer are in the box at the back of the document. The forecasts are presented in Figures 1-4 below, each consisting of four panels of graphs. Starting from upper left, going to upper right and then to lower left, and ending at lower right, the four panels of each Figure are referred to as a)-d).

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

Figure 1: NAM forecasts for the period 2010q3-2014q4 with 68% prediction intervals (represented by the dotted lines). Data for the period 2009q1-2010q2 are included for reference.

Panel a) shows a decrease in the annual rate of CPI *inflation* during 2010-2011. For 2010 the annual average is 2.6%, while for 2011 it has dropped to 0.6%. For 2011 this is lower than the forecasts for the Euro area, while for the longer horizon inflation stabilizes just below 1.5%. The *rate of unemployment* (panel b) is forecasted to start falling during 2010 and stabilize around 2.5%. These rates are probably at the lower end of equilibrium unemployment estimates and thus illustrate the completely different economic environment of Norway when compared to the unemployment rates forecasted for the Euro area. Panel c) shows the domestic *interest rate*, represented by the average bank loan rate. Following recent increases in the policy rate, the bank lending rate will increase during the period, towards 6% at the end of 2014. The final panel in Figure 1 shows real credit growth, which is projected by the model to increase rapidly towards a representative growth rate of 10% in 2012-14.

Figure 1



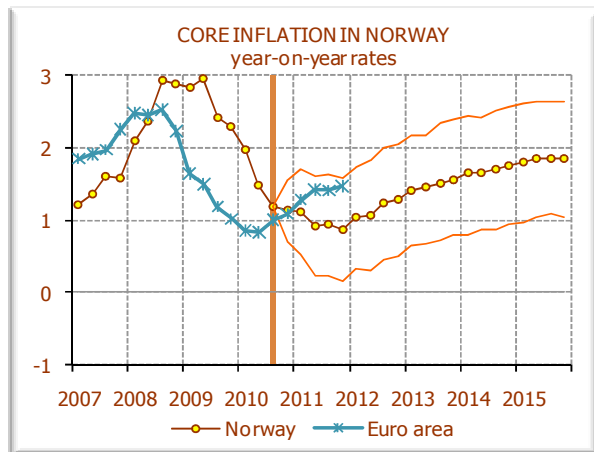
NAM forecasts for the period 2010q3-2014q4 with 68% prediction intervals (represented by the dotted lines). Data for the period 2009q1-2010q2 are included for reference.



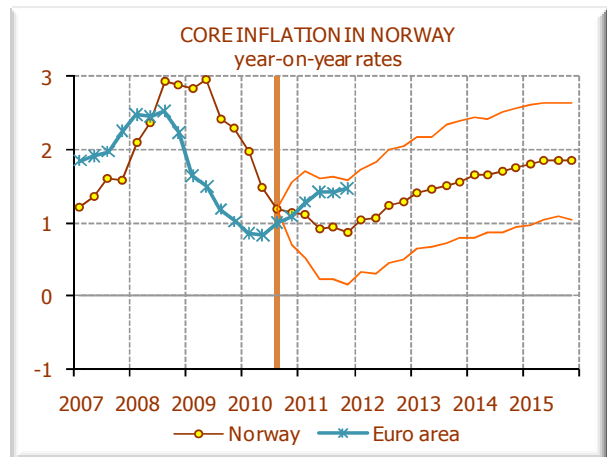
Figure 2 gives an overview over the development in prices by showing inflation adjusted for energy and taxes (CPI-AET), so-called core inflation, in panel a), CPI inflation and wage cost growth in panels b) and c), and import price growth (panel d). Core inflation is forecasted to fall gradually until the end of 2011, before stabilizing around 1% at the end of 2014. The annual rate of wage inflation is fairly stable around 3%. Import prices are momentarily increasing during the end of 2010, before stabilizing around zero.

Figure 2

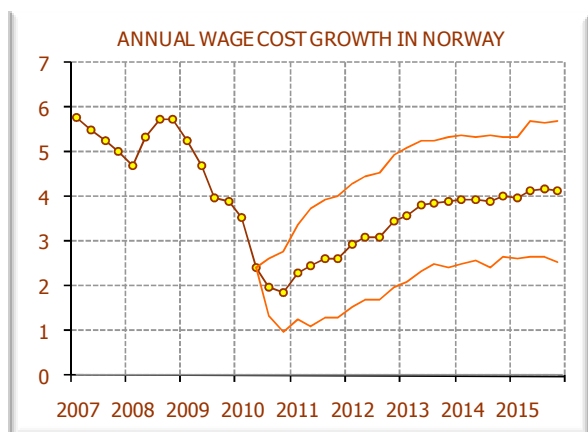
a)



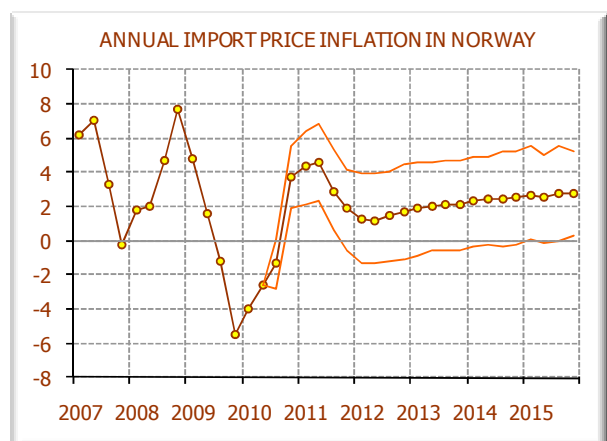
b)



c)



d)



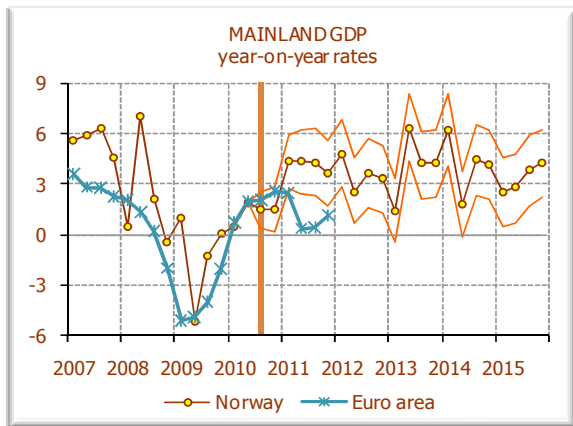
NAM forecasts for the period 2010q3-2014q4 with 68% prediction intervals (represented by the dotted lines).



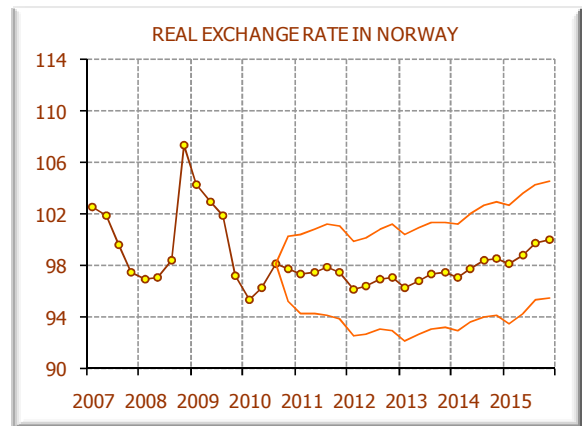
Four important real variables are shown in Figure 3. Panel a) shows real GDP growth for Mainland-Norway. After the negative growth in 2009, as a manifestation of the on-going world recession, annual growth for 2010 is expected to be 2%, while for 2011 the forecast is 4.5% in average annual growth, roughly in line with our earlier forecasts. These forecasts are much higher than for the Euro area, especially for 2011. Whether this will prove to be optimistic will depend upon whether the low forecasts of low international growth or domestic expansive policy will dominate. Panels b) and c) of Figure 3 give an indication. They show two important explanatory variables for mainland GDP: the real exchange rate and the domestic real interest rate. The real exchange rate (graph b) is depreciating over period as a whole, and is therefore a help for GDP growth to recover. The low real interest rate in 2010 in panel c) is also an important impetus, despite the increase during the rest of the period. Growth is a main factor behind the low unemployment rate shown in Figure 1 above, and graph d) in figure 3 shows how the model projects the Labour Force Survey rate of unemployment.

Figure 3

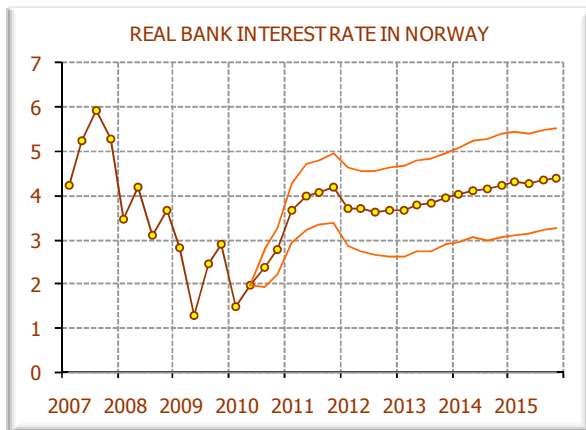
a)



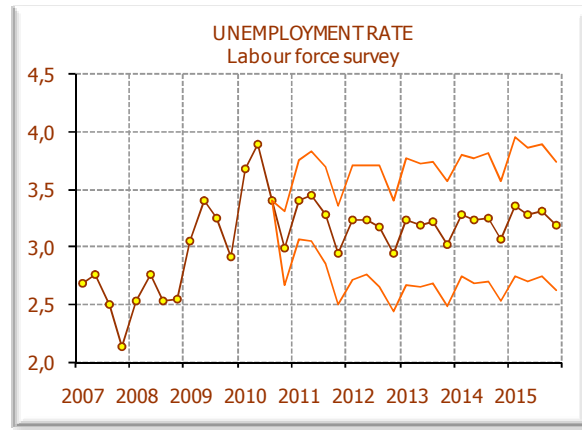
b)



c)



d)



NAM forecasts for the period 2010q3-2014q4 with 68% prediction intervals (represented by the dotted lines).

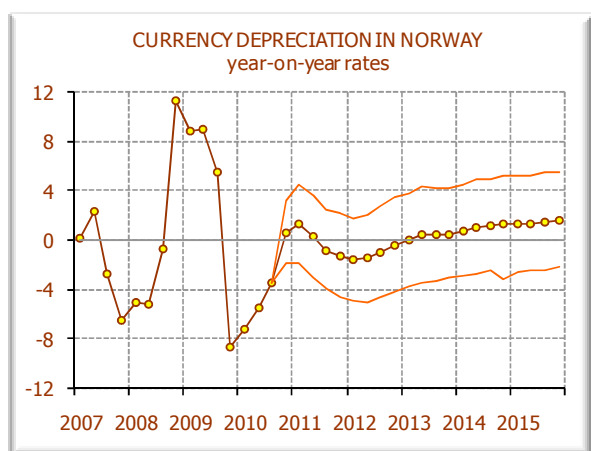


Figure 4 takes a closer look at financial factors: interest rates, the exchange rate and domestic real credit growth. Panel a) shows the rate of currency depreciation (the four quarter rate of change in the trade weighted nominal exchange rate). The international value of the krone is projected to decrease in 2010, before remaining roughly constant for the rest of the forecast period. We note that this is in line with the falling differential against foreign interest rates (panel c) in spite of the slow increase in the money market interest rate in panel b). The relatively low interest rates, however, will help credit growth to recover very quickly once it starts increasing during 2010.

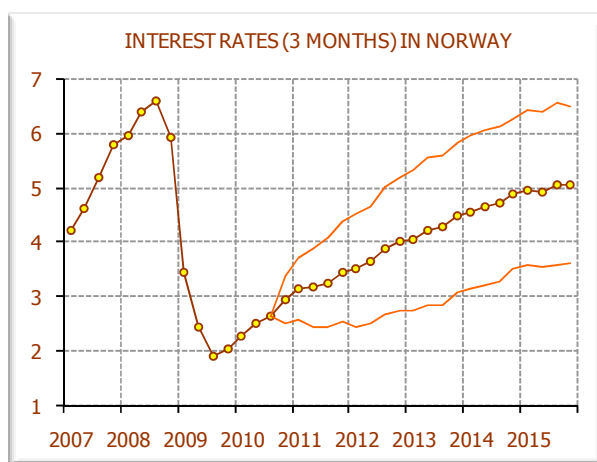
Note that GDP growth is also related to credit growth, which is captured by the model in two important ways. First, the easing of credit supply affects the GDP growth rate positively. Second, higher GDP growth increases the demand for loans.

Figure 4

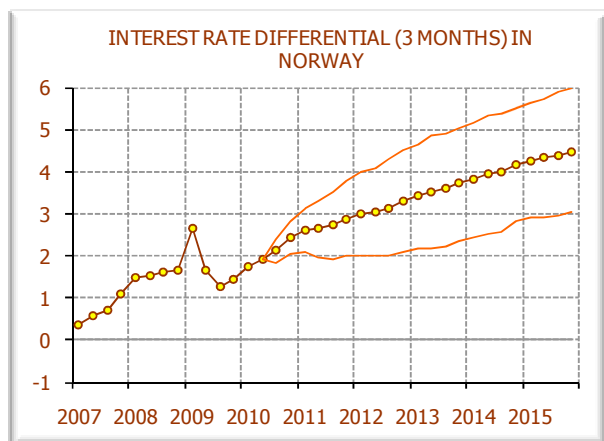
a)



b)



c)



d)

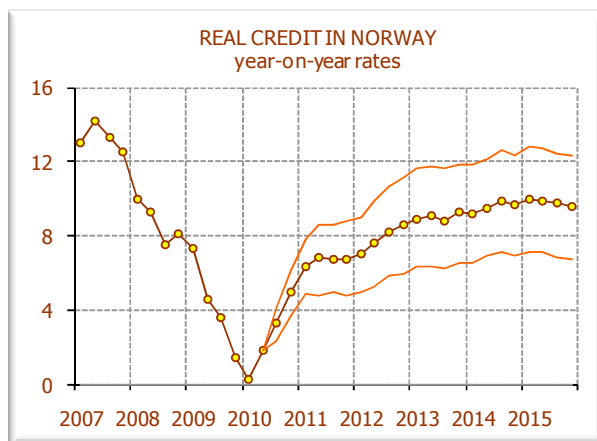


Figure 4. NAM forecasts for the period 2010q3-2014q4 with 68% prediction intervals (represented by the dotted lines).



References

Bårdsen, Gunnar and Ragnar Nymoen. 2009. "Macroeconometric modelling for policy", in Mills, T. C. and K.Patterson (eds.), *Palgrave Handbook of Econometrics* Vol. 2, ch. 17, 851-916, Palgrave-Macmillan.

Bårdsen, Gunnar, Øyvind Eitrheim, Eilev S. Jansen, and Ragnar Nymoen. 2005. *The Econometrics of Macroeconomic Modelling*. Oxford: Oxford University Press.

Bårdsen, Gunnar and Paul Gregory Fisher. 1999. "Economic Theory and Econometric Dynamics in Modelling Wages and Prices in the United Kingdom." *Empirical Economics*, 24:3, pp. 483-507.

Bårdsen, Gunnar., Paul G. Fisher, and Ragnar Nymoen. 1998. "Business Cycles: Real Facts or Fallacies?" *Econometrics and Economic Theory in the 20th Century: The Ragnar Frisch Centennial Symposium*. 499-527. Cambridge University Press: Cambridge.

Bårdsen, G., E. S. Jansen, and R. Nymoen. 2003. "Econometric Inflation Targeting." *Econometrics Journal*, 6:2, pp. 429-60.

Bårdsen, Gunnar and Jan Tore Klovland. 2000. "Shaken, or Stirred? Effects of Financial Deregulation on Money, Credit, and Output in Norway". *The Scandinavian Journal of Economics*, 102(4) 563--83, 2000.

Bårdsen, Gunnar and Ragnar Nymoen. 2001. "Rente og Inflasjon (Interest Rate and Inflation)." *Norsk Økonomisk Tidsskrift*, 115, pp. 125-48.

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

About NAM and disclaimer

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

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

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

Earlier forecasts can be found at

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

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

The user assumes the entire risk related to the use of this information. The authors are providing this information "as is," and the authors disclaim any and all warranties, whether express or implied, including (without limitation) any implied warranties of merchantability or fitness for a particular purpose. In no event will the authors be liable for any direct, indirect, incidental, consequential, special or exemplary damages or lost profit resulting from any use or misuse of this information.



SUBSCRIPTION FORM FOR 2010

Full Name:.....
 Company:.....
 Address of sending:.....
 Fiscal Address:.....
 VAT Number:.....
 Telephone:..... Fax:..... E-Mail:.....

PAYMENT TERM

(All prices included VAT and delivery costs)

Bank cheque

Made out to: Fundación Universidad Carlos III.

VAT: 79852257-G - Domicile: C/ Madrid, 126. 28903 Getafe (Madrid)

(Send cheque to: Fundación Universidad Carlos III. Dpto. Contabilidad. Avda. de la Universidad, 20. 28911 Leganés (Madrid).)

Bank transfer

To: Fundación Universidad Carlos III C.C.C.: 2096-0630-18-2839372704

Tarjeta de Crédito: VISA.....AMERICAN EXPRESS.....MASTERCARD.....CREDIT CARD..... (rellenar con una X)

Number:..... Expiry date:.....

Authorised signature:

Date:

BIMA, Bulletin of E.U. and US Inflation and Macroeconomic Analysis (monthly edition)

- via e-mail€ 400 ⁽¹⁾ ☐

- via regular mail (2).....€ 500 ☐

- Inflation forecasts broken down into a small number of sectors using econometric leading indicator and changing regime models when necessary, for EURO AREA, EU COUNTRIES and the US.
- Forecasts of the macroeconomic table, industrial indicators and economic sentiment in the Euro Area.
- Inflation forecasts for all the autonomous regions.
- Forecasts of the Spanish macroeconomic table.

Forecast and diagnosis update service€ 2.000 ☐

a) Forecast update service (via E-MAIL)

- 12 hours after the Spanish CPI is published.
- 12 hours after the euro area HCPI is published.
- 12 hours after the US CPI is published.

b) Diagnosis update service (via E-MAIL):

- E-mail notification of updates to the Bulletin's web page.
- E-mail update of the diagnosis of European inflation, 4 hours after the European harmonised inflation figure is published.
- Updated macroeconomic forecasts and Spanish and European economic indicators.

Joint subscription€ 2.100 ☐

+ Subscription to the BULLETIN OF EU AND US INFLATION AND MACROECONOMIC ANALYSIS

+ Forecast and diagnosis update service.

Subscription to the bulletin, updates, consultancy service and support for research.....€ 4.500 ☐

+ Subscription to the BULLETIN OF EU AND US INFLATION AND MACROECONOMIC ANALYSIS

+ Forecast and diagnosis update service

+ Immediate access to the working papers developed in relation to the Bulletin.

+ Access to the Bulletin's data bank upon individual request.

+ Consultancy service provided by the Bulletin's experts in related issues.

+ Inclusion of logo in the Bulletin and on the Internet in the list of collaborators supporting the research conducted by the Bulletin (optional).

(1) THESE SUBSCRIBERS WILL ALSO RECEIVE THE ELECTRONIC VERSION, PROVIDING THE TYPE OF DISTRIBUTION REMAINS UNALTERED

NOTA: payment must be made before February 15 to ensure continued delivery of the Bulletin.

INDICATORS CALENDAR

OCTOBER						
				1 USA PCE (August)	2	3
4	5	6 Euro Area GDP Spanish IPI (August)	7	8	9	10
11	12	13 Euro Area IPI (August)	14 Spanish CPI (September)	15 Euro Area HICP USA CPI (September)	16	17
18	19	20	21	22	23	24
25	26	27	28 Spanish ESI Euro Area ESI (October)	29 Spanish EAPS III Quarter Euro Area HICP Spanish HICP A.D. October	30	31

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

* 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



The industrial production in the euro area has already started to slow down. The annual growth rates may turn negative starting from the second quarter of 2011

INDUSTRIAL PRODUCTION INDEX AND SECTORS IN THE EURO AREA *									
Annual rates of growth									
		Consumer Goods			Capital Goods	Intermediate Goods	Energy	TOTAL	
		Durable	Non Durable	Total					
ANNUAL AVERAGE RATES	2005	-0,8	1,2	0,9	2,5	0,6	1,5	1,4	
	2006	4,6	2,7	3,0	6,0	4,8	0,6	4,2	
	2007	1,3	2,5	2,4	6,6	3,8	-0,9	3,7	
	2008	-5,7	-1,5	-2,1	-0,2	-3,5	0,3	-1,8	
	2009	-17,5	-3,0	-5,0	-20,7	-19,2	-5,4	-14,8	
	2010	3,2	2,7	2,7	7,1	9,0	3,9	6,3	
	2011	0,9	1,1	1,1	4,3	2,6	-0,3	2,3	
ANNUAL RATES*	2009	QI	-20,0	-5,2	-7,2	-23,9	-25,4	-3,9	-18,3
		QII	-21,2	-3,3	-5,8	-24,1	-24,2	-8,8	-18,6
		QIII	-18,3	-2,3	-4,3	-20,7	-18,3	-5,6	-14,4
		QIV	-10,0	-1,5	-2,6	-13,7	-6,7	-3,6	-7,4
	2010	QI	0,3	3,6	3,2	2,5	8,1	3,2	4,7
		QII	4,8	3,6	3,7	8,8	14,0	5,4	9,0
		QIII	5,3	3,0	3,2	9,7	9,3	2,5	7,1
		QIV	2,5	0,6	0,9	7,4	4,9	-3,6	4,5
	2011	QI	0,9	0,3	0,3	5,0	2,0	1,3	0,5
		QII	0,7	0,8	0,8	4,2	2,2	-1,5	-5,0
		QIII	0,8	1,3	1,3	4,0	2,5	-0,2	3,1
		QIV	1,1	1,9	1,8	4,0	3,6	7,4	-1,1

Data adjusted for seasonality and working days effect

The figures in the shaded area are forecasts

*Year-on-year rates

Source: EUROSTAT & BIAM (UC3M)

Date: October 13, 2010

For information about subscriptions see SUBSCRIPTION FORM inside this issue

www.uc3m.es/boletin

CAIXA CATALUNYA
OBRA SOCIAL



FUNDACIÓN
URRUTIA ELEJALDE
FOUNDATION



Fundación
Universidad Carlos III

