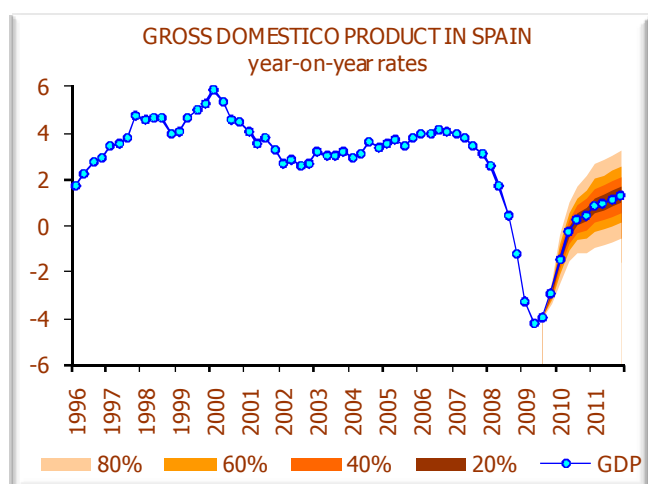




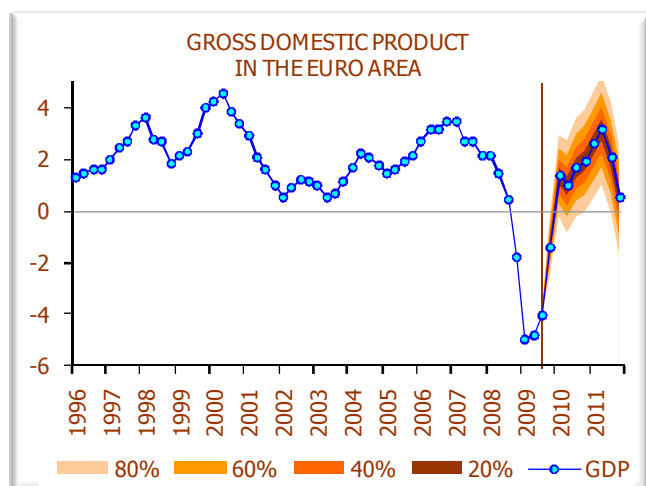
THE SPANISH GDP IS EXPECTED TO DECLINE BY 0.3%(±0.5) IN 2010 WHILE AN AVERAGE GROWTH RATE OF 1.1%(±0.7) IS EXPECTED FOR 2011.



Source: INE & IFL(UC3M)

Date: January 27, 2010

THE ECONOMIC RECOVERY IN THE EURO AREA GDP IS EXPECTED TO SLOW DOWN SLIGHTLY IN THE FIRST HALF OF THE CURRENT YEAR. OUR FORECAST ESTIMATE A GROWTH BY 1.5 AND 2.2% IN 2010 AND 2011, RESPECTIVELY.



Source: EUROSTAT & IFL(UC3M)

Date: January 3, 2010

Spanish public finance: a difficult situation

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In Spain, the present economic crisis is producing a huge increase in the unemployment rate, considerable disequilibria in the public accounts and a reduction in the disequilibrium affecting our foreign trade accounts. The latter was cut practically in half in 2009, from 10% of the GDP in 2008, due to a very weak domestic demand and, therefore, imports. The problem affecting the labour market and the current accounts will be more difficult to correct in the next few years, due to their heavy inertia. Courageous measures are required to redirect the situation to tolerable levels. Following is an analysis of the evolution of the Spanish public accounts in the last few years, identifying the main factors behind the large deficit, primarily due to the economic crisis. As we consider this public deficit, we also analyse the dynamics of how it is financed, public debt.

Macroeconomic Forecasts in the Euro Area.

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As mentioned in last month's report, the euro area economy ceased to contract in the third quarter of 2009, after five consecutive quarters of decline. Indeed, the second estimation of GDP growth in the euro area, published at the beginning of January this year, confirmed quarter-on-quarter growth of 0.4% in the third quarter, equivalent to a year-on-year rate of -4% (the previously advanced figure was -4.1%), slightly less than our forecast. This, together with the very likely quarter-on-quarter GDP growth in the fourth quarter would confirm that, technically, the euro area economy has overcome the recession (two consecutive quarters of quarter-on-quarter growth). The recovery of the euro area economy in the third, and very probably, the fourth quarters of 2009 is largely due to growing exports and, particularly, the economic stimuli implemented by the different governments of the member States.

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

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I. ECONOMIC OUTLOOK

In January, the international economic press, supported by the analyses of study centres, rating firms and economists with considerable media impact, has seriously questioned the medium-term solvency of the Spanish economy. This is not a sudden attack, but a series of ideas and arguments which have gained in intensity and support since the problems affecting the Greek economy came to light.

This debate is not questioning the short-term solvency of Spain or its financial system. Public debt in the country continues to be far lower than in other euro area countries and the domestic rate of saving is the highest of the last decade, limiting foreign financing requirements. The battle for the sustainability of public and private debt in Spain is a medium- and long-term battle and its success basically depends on the Spanish economy's ability, in the next 5 years, to generate economic growth, employment and enough tax income to financial global public expenditure, which is currently disproportionate.

Some aspects of the problem are well known: Spain is unable to devalue its currency, overcome the recession by heavily increasing exports and deflating debt and salaries in a painful inflationist process.

Some assumptions, however, that are made in association to this debate are too pessimistic, and not necessarily supported by the figures. Firstly, Spain has not irreparably lost international competitiveness in the last decade. Since 2001 (measured as a component of the GDP), Spain exported less than Germany but more than France and Italy, more or less in line with the euro area. After the first half of 2009, the turning point in the international trade crisis, Spanish exports have risen more than in any of these countries. Spain is obviously not Germany nor Japan, but it is capable of competing in the global marketplace and,

as we shall see later, has the potential to improve its competitiveness.

Another recurring theme in analyses of the Spanish economy is the inability of the Government to control the expenditure and indebtedness of local corporations and regional governments. The drop in fiscal income has certainly had a negative effect on regional accounts, and the protocols designed to contain excessive deficit have not been as effective as was hoped. Nonetheless, the figures show moderate growth in regional debt, far from the idea of uncontrolled growth that is often assumed. In the third quarter of 2009, total regional debt represented 7.9% of the country's GDP, 2.4 pp more than the lowest ever figure registered in the third quarter of 2007, and only 1.6 pp higher than the 2001-2006 average. The exceptional situation in the last two years may have created some excesses, but they can easily be contained from both an economic and political perspective.

Once we have clarified the situation regarding these false problems, we can now analyse the true risks that will be affecting the Spanish economy in the next few years. The principal risk at the moment is private debt. At the end of 2008, the indebtedness of Spanish households and non-financial firms represented 221% of the GDP, clearly higher than in all the principal emerging and developed economies. A McKinsey report showed that private debt (not including banks) is 215% of the GDP in the United Kingdom, 174% in the US, and 154%, 128% and 122%, respectively, in France, Germany and Italy. In other words, not only is the private debt/gross domestic product ratio higher in Spain than in English-speaking countries, which traditionally have higher ratios, but it is completely out of line with other major euro area countries. The figures available for 2009 show that the Spanish private sector's leverage has fallen in the last year to 212% of the GDP.

In January, the international economic press seriously questioned the medium-term solvency of the Spanish economy.

Growth of Spanish exports since 2001 (measured as components of the GDP) was less than in Germany but more than in France and Italy, more or less in line with the euro area. Since the first half of 2009, the peak of the international trade crisis, Spanish exports have risen more than those of any of these countries.



The debt reduction process lasts for an average of 6-7 years, and has always been associated to a substantial reduction in economic growth.

An important part of this indebtedness is in credit to developers, which continued to grow in 2009 to 30% of the GDP. This is important, because there are only three possible ways to improve the sector's situation: either 1) banks assume the losses or 2) the developers (or banks themselves) sell their housing, transforming this debt into mortgage loans, or 3) part of the debt is absorbed by the State.

The property bubble, although important, is only one aspect of the enormous credit bubble that financed Spanish economic growth in the last 15 years.

The McKinsey analysts also study the consequences of the deleveraging process on GDP growth through 45 episodes occurring after 1930, in which a total of 14 countries were forced to reduce both their public and private debt. The debt reduction process took an average of 6-7 years, and was always associated to a substantial reduction in economic growth. This

process has started timidly in the private sector in Spain, while the economy's global indebtedness grew in 2009 due to an increase of more than 10 pp in public debt relative to the GDP. A study published in December by Crédit Agricole, Spanish public debt in 2015 will be 100% of the GDP, with an evolution similar to that registered in Italy in the 1980s, when public debt went from 60% to 120% of gross domestic product in a ten-year period.

Although important, the property bubble only represents one aspect of the enormous credit bubble that finances Spanish economic growth in the last 15 years. From 2000 to 2008, Spain's aggregate debt grew by an average of 7.5 pp per year, compared with 3.9 pp in France, 3.5 pp in the US and 0.3 pp in Germany. It is very difficult to estimate forecasts with appropriate confidence intervals for the Spanish economy's leverage for more than a few years in the future, so it is complicate to strictly validate the sombre scenario projected by the McKinsey and Crédit Agricole reports or the more optimistic approach recently found in a report by Banco de Sabadell. It is much easier, however, to argue that Spain will not be repeating the previous boom in the inevitable context of deleveraging the private sector.

Indebted consumers have to adjust their consumption patterns downwards; indebted firms have to cut costs, investment plans and, sadly clear as it is, their work force. On both the demand and the supply sides, excessive debt limits basic economic growth capabilities

In any event, the effect of the debt pertaining to the housing sector

—oversized, not very productive and, although temporarily, largely inoperative—will be transmitted to sectors that are fundamental for recovery, affecting the State's investment capacity,

banks' ability to finance productive investment in other sectors and household spending capacity.

Graph I.1

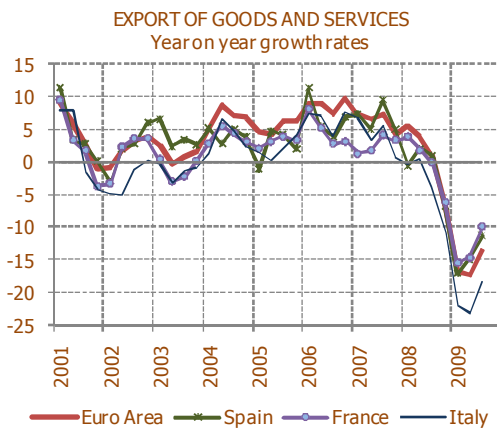


Table I.1

Spanish debt by sector as percentage of GDP				
Period	Public Sector	Households	Non-financial firms	Total
2005	51,1	71,9	89,3	212,3
2006	45,4	79,5	120,2	245
2007	40,9	83,3	130,6	254,8
2008	46,5	83,9	135,3	265,6
2009*	55,2	82,1	132,3	269,6

*Estimates

Source: BDE & IFL (UC3M)
Date: January 27, 2010



and the burden of debt will become more evident as monetary policy is tightened.

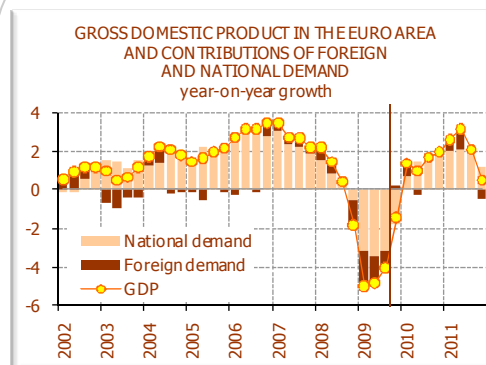
These problems are clear for all to see, they are known to the markets and the solutions are neither rapid nor easy nor painless. The Government has established a savings plan which, in 4 years, will represent a cut in public expenditure of 1.2 pp per year relative to the GDP, while the deficit of the public administrations in 2009 will probable be 12% of the Gross Domestic Product. These plans also come up against indefinite hiring which has grown by 128,000 units in the public administrations in the last two years, and 80,000 in 2009 alone. If there is a significant drop in income, which is difficult to forecast, these plans will clearly not be enough to reassure the markets.

In sum, Spain can not expect us to ignore the seriousness of this situation, but it can face it with credibility and decision. First, the export potential of the Spanish economy must be strengthened with appropriate economic policies. Secondly, regional public accounts require greater international transparency, showing that most of them are under control and that the State is able to correct the greatest problems. Finally, we have to assume that, for the time being, a scenario in which Spain in 2012 returns to economic growth of 3.0% or more is both an ambitious and a legitimate target, but that it is not credible for the markets, as lower growth rates are more than likely. What is needed is a State pact to guarantee budgetary stability in even more pessimistic scenarios.

Finally, the credibility of the Spanish economic system cannot be restored while accepting an unemployment rate of around 20%. Such rate was economically sustainable in the 1980s when households had few debts, when there was practically no immigrant population and family support minimised the social impact of unemployment. To sustain that part of these unemployed work in the

submerged economy is another argument in favour of the absolute need for reform, and this is also supported by the Greek experience. Expectations of GDP growth in Spain for the next two years continue to be weak, with a downwards revision of more than 3 tenths of a point in the last month in the average annual rate forecast for 2011, to 1.1% (± 0.9). The forecasts for 2010 show a negative average annual rate of 0.3% (± 0.5).

Graph I.2



Analysing the confidence intervals, we see that the likelihood of seeing mean contraction in 2009 of more than the IMF forecasts (0.6%) is similar to that of positive growth. In other words, the Spanish GDP is more likely to contract in 2010 than to grow, and this contraction is more likely to be around 0.3% than 0.6%. With a GDP growth rate on the upper limit of the 80% confidence interval of the 2011 forecasts, growth will only be enough to produce very modest increases in employment.

Table I.2

GDP GROWTH IN SPAIN		
Growth rates		
	QoQ	YoY
2009 I	-1,6	-3,2
II	-1,1	-4,2
III	-0,3	-4,0
IV	0,0	-2,9
2010 I	-0,2	-1,5
II	0,1	-0,3
III	0,2	0,3
IV	0,3	0,5
2011 I	0,2	0,9
II	0,3	1,0
III	0,4	1,2
IV	0,4	1,3

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



While the private sector adjusts its position, the public sector will continue to be decisive for the Spanish economy. The exceptionally good starting point of Spanish public debt relative to the GDP provides significant, but not endless, room for intervention, as shown in our analysis above. According to our forecasts, the GDP components more closely related to public expenditure will continue to grow considerably in 2010 and 2011.

revised upwards by one tenth of a point to practically zero. For the first quarter of 2010, we are expecting a negative quarterly rate (-0.2%) and Spain is not expected to overcome nearly two years of recession until the second quarter of this year.

Analysing the GDP on the demand side, the most significant revisions made this month are found in the foreign sector and private consumption.

The recovery process in the euro area has slowed down. This is shown by our forecasts, the cyclical indicators relating to the fourth quarter of 2009 and the latest declarations of the Governor of the ECB. Our estimates for GDP growth in the euro area shows an average annual rate of 1.5% (+0.4) in 2010, with the unemployment rate growing to 10.7% in the same year.

The monthly import and export indicators at constant prices for the Spanish economy up to November show the weakness of the euro area recovery process. For 2010 growth has been revised downwards for both imports and exports, showing an unfavourable change in euro area recovery. In 2011, this reduction is partly compensated for by a small upwards revision, particularly in the second half of the year. Nonetheless, the level of activity expected at the end of the forecasting horizon has fallen in both sectors.

With regards to household consumption, the evolution of the high frequency indicators in the fourth quarter of 2009 was divergent. On the one hand, the consumer confidence index continued to grow, albeit somewhat slower than in the previous quarter. On the other, retail sales adjusted for seasonality were weak, with a 1.2% turnaround. In the forecast growth expected for private consumption in the fourth quarter of 2009, the negative effect was slightly greater, with a downwards revision of one tenth of a point, to -0.2%.

Private consumption forecasts also fell for the medium-term: for 2010 we are expecting an average annual rate of 0.6%, followed by 1.0% growth in 2011.

While the private sector adjusts its position, the public sector will continue to be decisive for the Spanish economy. The exceptionally good starting point of Spanish public debt relative to the GDP provides significant, but not endless, room for intervention, as shown in our analysis above. According to our forecasts, the GDP components more closely related to public expenditure will continue to grow considerably in 2010 and 2011.

These expectations are largely based on two factors: firstly, there are no objective figures showing that the public administrations are reducing their expenditure. Although such a reduction has become a priority in the Government's discourse, a significant structural cut in public spending inevitably requires an important reduction in personnel. The current labour market and the latest active population survey figures clearly go against such an adjustment.

With regards to employment, the fourth quarter active population survey and the SS contributor and registered unemployment figures at the beginning of February confirm that the labour market's adjustment process is not yet over, but this is not too surprising. There has been an increase of 125,000 unemployed relative to December, in line with our forecasts. In other words, the expectations for this variable remain unaltered, and it will tend to grow throughout.

On the other hand, the drop in SS contributors was greater than expected and shows that job losses are growing again, after reducing their growth in the last few months. The figure adjusted for seasonality shows a significant drop in construction and industry, while



evolution is stable in services and agriculture.

The figures show that jobs continue to be lost in Spain, although at a clearly slower pace than in 2009. The dates of an economy's economic cycle can vary much according to the variable used. If we consider GDP growth in one quarter relative to the previous quarter, the peak of the crisis is found in November 2008. But if we consider GDP growth in one quarter relative to the same quarter in the previous year, it peaked in April 2009. If we believe that the crisis is

getting worse, even if GDP contraction is reduced, if jobs continue to be lost, we have still not reached a turning point in this recession, but it could be around the corner. According to our forecasts, estimated from the active population survey, the Spanish economy is expected to stop losing jobs in the second half of 2010, with around two million jobs lost in this crisis. The unemployment rate, which also depends on the inclusion of new unemployed people in the previous period, is expected to peak at 22% in the first quarter of 2011, falling to 18.8% by the end of the year.

The dates of an economy's economic cycle can vary much according to the variable used. If we consider GDP growth in one quarter relative to the previous quarter, the peak of the crisis is found in November 2008. But if we consider GDP growth in one quarter relative to the same quarter in the previous year, it peaked in April 2009. If we believe that the crisis is getting worse, even if GDP contraction is reduced, if jobs continue to be lost, we have still not reached a turning point in this recession.

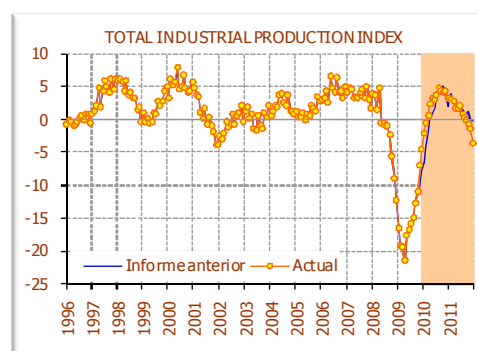
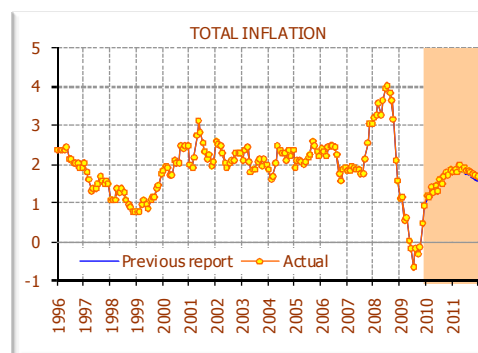
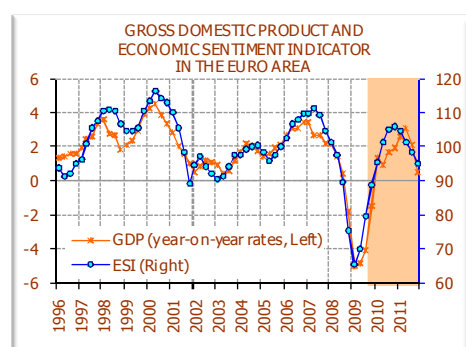
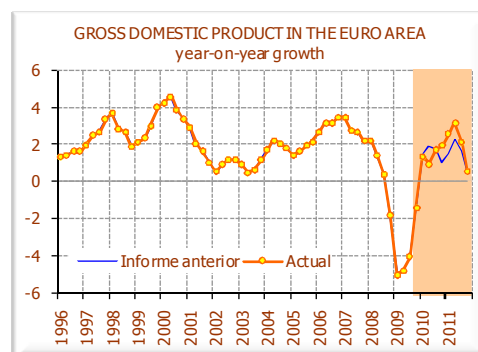


II. THE ECONOMY IN THE EURO AREA

The Economic Sentiment Indicator in the euro area ends 2009 with a rapid recovery from the lowest ever levels seen in March. The euro area left the recession behind in the third quarter, but at a slower than expected pace. The forecasts show average GDP growth rates of 1.5% and 2.1% for 2010 and 2011, respectively.

The inflation forecasts for 2010 and 2011 have hardly changes: for this year we are expecting an average annual rate of 1.5% (± 0.64) which will rise to 1.8% (± 0.92) in 2011. Core inflation will be 1.2% (± 0.34) and 1.5% (± 0.53), respectively.

In November, the industrial production growth was higher than expected due to surprising growth in intermediate goods. Recovery expectations are accelerating in 2010 after several months of remaining unaltered. By component, capital and intermediate goods have improved their growth forecasts for 2010.



MAIN VARIABLES AND INDICATORS						
Average annual rates						
	2006	2007	2008	Forecasts		
				2009	2010	2011
GDP mp.¹	3,1	2,7	0,5	-3,8	1,5	2,1
Demand						
Private final consumption	2,1	1,6	0,4	-0,9	1,1	2,5
Public final consumption	2,1	2,3	2,0	2,6	1,5	-0,1
Gross capital formation	6,3	4,5	-0,3	-13,0	2,3	2,0
Contribution domestic demand	3,0	2,3	0,5	-2,9	1,4	1,8
Exports of goods and services	8,7	6,3	0,8	-13,9	4,7	18,8
Imports of goods and services	8,6	5,5	0,9	-11,9	4,4	18,8
Contribution foreign demand	0,2	0,4	0,0	-1,0	0,2	0,3
Supply GVA						
Total	3,1	3,0	0,8	-3,8	1,5	2,1
Agriculture	0,2	-0,2	1,9	0,2	0,5	0,6
Industry	3,8	2,3	-0,9	-13,6	3,1	3,8
Construction	3,1	2,2	-0,8	-4,0	1,2	1,5
Trade services	2,9	3,5	0,7	-4,4	1,8	2,7
Financial services	4,2	4,3	1,6	-0,9	1,0	2,2
Public services	1,5	2,0	1,6	1,1	0,2	0,2
Prices (HICP²)						
Total	2,2	2,1	3,3	0,3	1,5	1,8
Core	1,5	2,0	2,4	1,3	1,2	1,5
Processed food	2,1	2,8	6,1	1,1	1,3	2,2
Non-energy industrial goods	0,6	1,0	0,8	0,6	0,3	0,3
Services	2,0	2,5	2,6	2,0	1,9	2,1
Residual	5,5	2,8	7,3	-4,5	2,8	3,6
Non-processed food	2,8	3,0	3,5	0,2	0,6	2,1
Energy	7,7	2,6	10,3	-8,1	4,5	4,9
Labour market³						
Unemployment rate	8,3	7,5	7,5	9,4	9,3	10,2
Industrial production index (excluding construction)⁴						
Total	4,2	3,7	-1,7	-15,0	2,6	0,8
Consumer goods						
Durables	4,7	1,4	-5,7	-17,2	-1,4	1,5
Non-durables	2,7	2,5	-1,4	-3,2	1,6	2,4
Equipment	6,0	6,7	-0,1	-20,4	2,6	4,1
Intermediate	4,9	3,7	-3,3	-19,4	3,4	-1,6
Energy	-1,0	-1,0	1,4	-7,8	5,4	-3,9

The figures in the shaded area are forecasts.

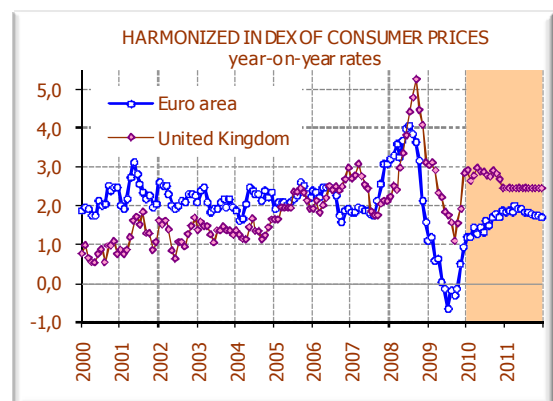
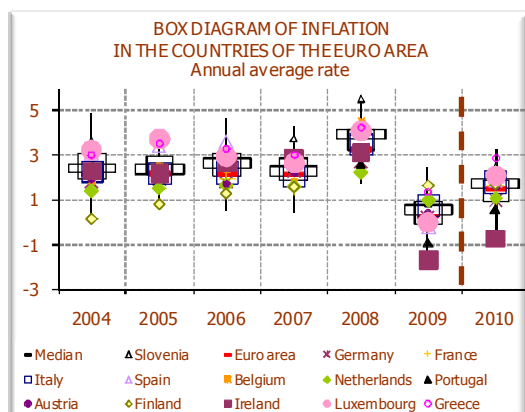
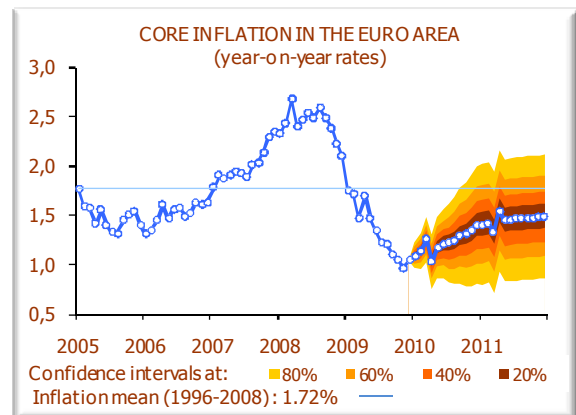
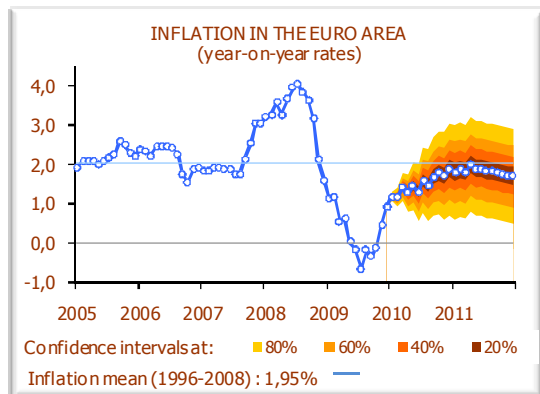
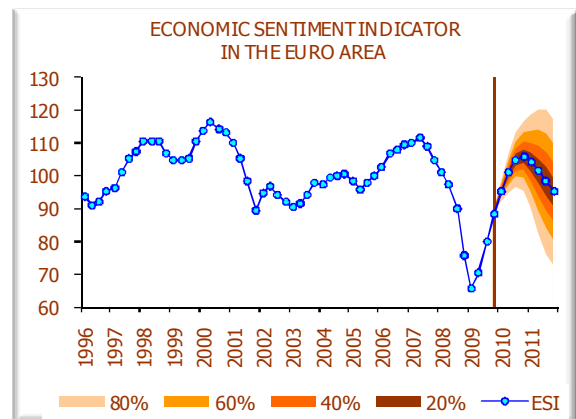
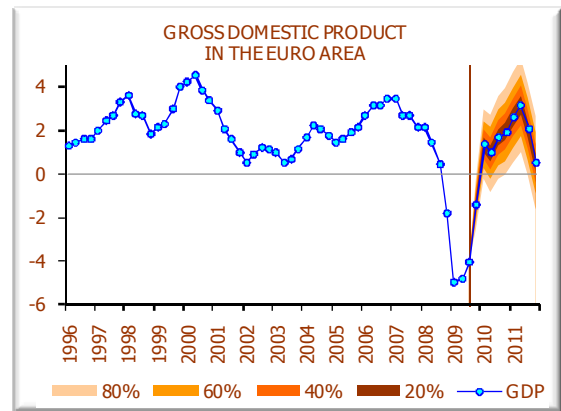
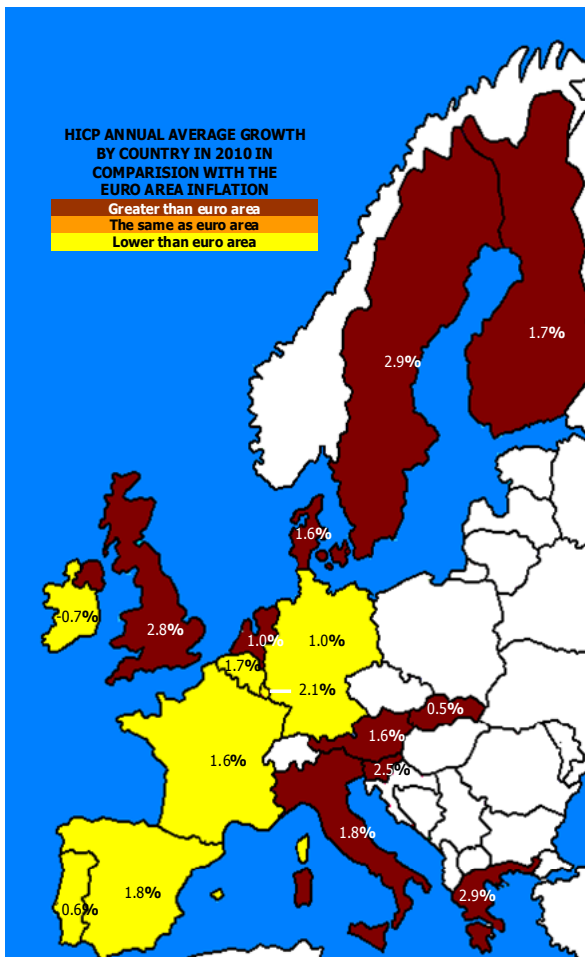
(1) Data adjusted for seasonality and working days effect.

Source: EUROSTAT & IFL (UC3M)

Date: (1) January 8, 2010 (2) January 15, 2010

(3) January 8, 2010 (4) January 13, 2010

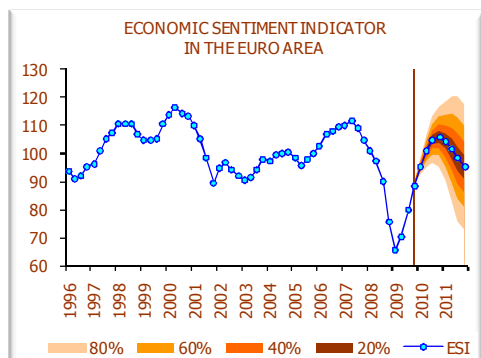




II.1. MACROECONOMIC FORECASTS.

As mentioned in last month's report, the euro area economy ceased to contract in the third quarter of 2009, after five consecutive quarters of decline. Indeed, the second estimation of GDP growth in the euro area, published at the beginning of January this year, confirmed quarter-on-quarter growth of 0.4% in the third quarter, equivalent to a year-on-year rate of -4% (the previously advanced figure was -4.1%), slightly less than our forecast. This, together with the very likely quarter-on-quarter GDP growth in the fourth quarter would confirm that, technically, the euro area economy has overcome the

Graph II.1.1



Source: EUROSTAT & IFL (UC3M)
Date: January 8, 2010

referred to the fourth quarter, such as economic confidence in December 2009 and the previous two months, and the November and October industrial production indices, show that economic activity continued to improve in the last quarter of last year. The available labour market indicators, however, show great weakness and represent one of the principal downwards risks affecting possible euro area scenarios.

The December Economic Sentiment Indicator (ESI) for the euro area continued to grow, as in the last eight months, by 2.5 points to a total of 91.3. This was slightly better than our forecast (90.9) and the index has not been higher since June 2008. Economic sentiment improved in all the sectors covered by the ESI except construction, with industry registering the greatest progress (three points).

The new ESI information represents a small upwards innovation and when the indicator's forecasts were revised considering the new figures, its expectations remain practically unaltered. In the first half of 2010 it is expected to show a similar rate of recovery, in a context of low interest rates and continued public aid programmes. At the end of 2010, however, moderation is expected.

recession (two consecutive quarters of quarter-on-quarter growth). The recovery of the euro area economy in the third, and very probably, the fourth quarters of 2009 is largely due to growing exports and, particularly, the economic stimuli implemented by the different governments of the member States.

This timid recovery continues to question its consolidation in 2010, as some of the measures behind it are temporary and domestic demand continues to be very weak. Furthermore, there are still no improvements in the labour market, as the unemployment rate continues to rise. This is having a negative impact on households' real income and could ultimately be largely responsible for the drop in private consumption and, consequently, domestic demand. In any event, although the perspectives show that the euro area is overcoming the crisis, the forecasts, in view of the low GDP growth anticipated for 2010 and 2011, indicate that recovery will be slow.

The euro area economic activity indicators that show more recent information,

The November Industrial Production Index (IPI) for the euro area has also been published. It registered a month-on-month increase of 1%, equivalent to a year-on-year figure of -7.1%, compared with the 10.9% decrease in the previous month, according to Eurostat data corrected for calendar effect. This has significantly improved our forecast (an annual rate of -9.5%). This heavy discrepancy between the observed and forecast IPI value was largely due to the forecasting error in the group of intermediate goods, which was a strong positive surprise as the result of a greater than expected provisioning rate in November.

Also published was the December industrial confidence indicator for the euro area. It continued to rise as in previous months and was just above our forecast. This

The December Economic Sentiment Indicator (ESI) for the euro area continued to grow, as in the last eight months, by 2.5 points.

This timid recovery continues to question its consolidation in 2010, as some of the measures behind it are temporary and domestic demand continues to be very weak.



indicator is expected to register neutral levels in the second half of 2010, involving positive annual production rates.

The new IPI forecasts, estimated with the most recent information, have improved for 2009. We now expect an average annual decline of 15% instead of the previously forecast 15.4%. For 2010, the average growth rate forecast for the index has grown by 2.6%, 1.5 pp more than the previous forecast. This year, all the major components will contribute to IPI growth except durable consumer goods. For 2011, however, we expect a lower average annual growth rate, 0.8% versus 1.5%.

The revision of the forecasts for the euro area macro table, considering the second GDP estimation for the third quarter and the leading indicators for the fourth, shows similar results to the first estimation, which we discussed last month. The GDP is expected to fall by 3.8% in 2009, growing by 1.5% in 2010 and 2.1% in 2011. Relative to our previous forecast, the most outstanding differences is the greater growth in 2011, resulting from greater recovery of domestic demand.

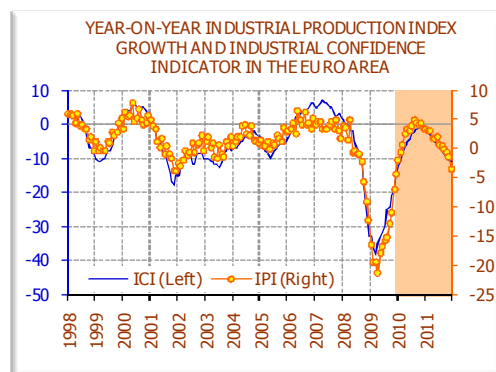
The labour market continues to deteriorate in the euro area and, in the current context, is one of the principal downwards risks affecting our forecasts, as recovery will not consolidate until employment starts to be created and the unemployment rate falls. With regards to the evolution of employment, the last published figure was for the third quarter, and the second estimation confirmed a quarter-on-quarter decrease of 0.5%, corrected for seasonality, making five consecutive quarters of falling employment. In year-on-year terms the decrease was 2.1%, considerably less than the fall registered on the Spanish labour market in the same quarter (-7.3% according to the Active Population Survey). Given the delayed effect of the evolution of economic activity on the labour market, we can expect job losses to continue for another few quarters. The last known unemployment

The GDP is expected to fall by 3.8% in 2009, growing by 1.5% in 2010 and 2.1% in 2011.

rate in the euro area corresponds to November, when it was 10%, one tenth of a point higher than the previous month and two points higher than a year earlier.

For 2009, the forecasts anticipate an average annual unemployment rate of 9.5% and 10.6%, showing that unemployment will continue to grow during most of this year.

Graph II.1.2



* Year-on-year growth rate. IPI data is calendar adjusted and excludes the construction sector. The last observed data corresponds to July 2009. The last available data for Industrial Confidence Indicator is August 2009.

Source: EUROPEAN COMMISSION, EUROSTAT & IFL (UC3M)

Date: January 14, 2010

For 2009, the forecasts anticipate an average annual unemployment rate of 9.5% and 10.6%, showing that unemployment will continue to grow during most of this year.

The new IPI forecasts, estimated with the most recent information, have improved for 2009. We now expect an average annual decline of 15% instead of the previously forecast 15.4%. For 2010, the average growth rate forecast for the index has grown by 2.6%, 1.5 pp more than the previous forecast.

GROSS DOMESTIC PRODUCT IN THE EURO AREA: DEMAND

GROSS DOMESTIC PRODUCT AND COMPONENTS IN THE EURO AREA										
Annual average and annual rates of growth										
		Final Consumption		Gross Capital Formation	Domestic Demand (1)	Exports of goods and services	Imports of goods and services	Foreign Demand (1)	Real GDP	
		Private	Public							
ANNUAL AVERAGE	2005	1,9	1,6	2,7	1,9	5,3	6,1	-0,1	1,8	
	2006	2,1	2,1	6,3	3,0	8,7	8,6	0,2	3,1	
	2007	1,6	2,3	4,5	2,3	6,3	5,5	0,4	2,7	
	2008	0,4	2,0	-0,3	0,5	0,8	0,9	0,0	0,5	
	2009	-0,9	2,6	-13,0	-2,9	-13,9	-11,9	-1,0	-3,8	
	2010	1,1	1,5	2,3	1,4	4,7	4,4	0,2	1,5	
	2011	2,5	-0,1	2,0	1,8	18,8	18,8	0,3	2,1	
ANNUAL RATES*	2009	QI	-1,3	2,5	-13,3	-3,2	-16,6	-12,8	-1,8	-5,0
		QII	-0,9	2,5	-15,3	-3,4	-17,2	-14,3	-1,4	-4,8
		QIII	-1,0	2,5	-14,0	-3,2	-13,5	-11,8	-0,9	-4,0
		QIV	-0,5	3,0	-9,4	-1,8	-7,8	-8,7	0,2	-1,4
	2010	QI	0,5	2,5	-0,1	0,7	-0,3	-2,2	0,8	1,4
		QII	0,2	2,1	4,3	1,5	0,0	0,6	-0,3	1,0
		QIII	1,3	1,3	3,6	1,8	3,8	3,8	0,1	1,7
		QIV	2,6	0,1	1,5	1,8	15,0	15,3	0,1	1,9
	2011	QI	3,1	0,1	1,1	2,0	23,2	22,8	0,5	2,6
		QII	2,9	-0,5	2,4	2,1	27,6	25,9	1,1	3,1
		QIII	2,2	0,0	3,2	1,9	21,4	21,8	0,2	2,1
		QIV	1,6	0,0	1,4	1,2	5,0	6,6	-0,5	0,5

GROSS DOMESTIC PRODUCT AND COMPONENTS IN THE EURO AREA										
Annual average and quarterly rates of growht										
		Final Consumption		Gross Capital Formation	Domestic Demand (1)	Exports of goods and services	Imports of goods and services	Foreign Demand (1)	Real GDP	
		Private	Public							
ANNUAL AVERAGE	2005	1,9	1,6	2,7	1,9	5,3	6,1	-0,1	1,8	
	2006	2,1	2,1	6,3	3,0	8,7	8,6	0,2	3,1	
	2007	1,6	2,3	4,5	2,3	6,3	5,5	0,4	2,7	
	2008	0,4	2,0	-0,3	0,5	0,8	0,9	0,0	0,5	
	2009	-0,9	2,6	-13,0	-2,9	-13,9	-11,9	-1,0	-3,8	
	2010	1,1	1,5	2,3	1,4	4,7	4,4	0,2	1,5	
	2011	2,5	-0,1	2,0	1,8	18,8	18,8	0,3	2,1	
QUARTERLY RATES*	2009	QI	-0,4	0,6	-8,8	-2,1	-8,6	-7,4	-0,6	-2,5
		QII	0,1	0,6	-4,4	-0,8	-1,2	-2,8	0,6	-0,1
		QIII	-0,1	0,6	1,6	0,4	3,1	3,0	0,1	0,4
		QIV	0,0	1,1	2,2	0,7	-1,1	-1,5	0,2	0,7
	2010	QI	0,6	0,1	0,5	0,5	-1,1	-0,8	-0,1	0,3
		QII	-0,2	0,3	-0,1	-0,1	-1,0	0,0	-0,4	-0,5
		QIII	0,9	-0,2	1,0	0,7	7,1	6,3	0,5	1,1
		QIV	1,3	-0,1	0,1	0,7	9,6	9,4	0,3	1,0
	2011	QI	1,1	0,1	0,2	0,7	5,9	5,6	0,2	0,9
		QII	-0,4	-0,2	1,2	0,0	2,6	2,5	0,1	0,0
		QIII	0,2	0,2	1,7	0,5	1,9	2,8	-0,3	0,1
		QIV	0,6	-0,1	-1,6	0,0	-5,2	-4,3	-0,4	-0,6

Data adjusted for seasonality and working days effect

The figures in the shaded area are forecasts

(1) Contribution to GDP growth

*Year-on-year rates

Source: EUROSTAT & IFL (UC3M)

Date: January 8, 2010



GROSS DOMESTIC PRODUCT IN THE EURO AREA: SUPPLY

GROSS DOMESTIC PRODUCT AND COMPONENTS IN THE EURO AREA										
Annual average and annual rates of growth										
		GVA							Real GDP	
		Agriculture	Industry	Construction	Trade Services	Financial Services	Public Services	TOTAL		
ANNUAL AVERAGE	2005	-6,1	1,6	1,7	2,1	2,8	1,3	1,8	1,8	
	2006	0,2	3,8	3,1	2,9	4,2	1,5	3,1	3,1	
	2007	-0,2	2,3	2,2	3,5	4,3	2,0	3,0	2,7	
	2008	1,9	-0,9	-0,8	0,7	1,6	1,6	0,8	0,5	
	2009	0,2	-13,6	-4,0	-4,4	-0,9	1,1	-3,8	-3,8	
	2010	0,5	3,1	1,2	1,8	1,0	0,2	1,5	1,5	
	2011	0,6	3,8	1,5	2,7	2,2	0,2	2,1	2,1	
ANNUAL RATES*	2009	QI	0,1	-16,6	-5,9	-5,5	-1,0	1,1	-4,9	-5,0
		QII	0,1	-17,1	-4,7	-5,1	-1,2	1,3	-4,9	-4,8
		QIII	0,1	-13,6	-4,2	-4,6	-1,3	1,0	-4,1	-4,0
		QIV	0,6	-6,4	-1,0	-2,3	-0,2	1,1	-1,4	-1,4
	2010	QI	0,7	2,2	0,1	0,7	0,5	1,3	1,2	1,4
		QII	0,9	4,7	1,1	2,2	0,5	0,1	1,7	1,0
		QIII	0,6	3,0	2,3	1,7	1,6	0,2	1,7	1,7
		QIV	-0,1	2,5	1,4	2,5	1,2	-0,7	1,3	1,9
	2011	QI	0,3	4,4	1,5	2,7	1,2	0,5	1,9	2,6
		QII	0,5	3,7	1,7	2,2	2,7	0,6	2,2	3,1
		QIII	0,7	2,8	1,9	3,9	2,0	0,1	2,1	2,1
		QIV	0,9	4,2	1,1	2,0	2,8	-0,2	2,1	0,5

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

Data adjusted for seasonality and working days effect

The figures in the shaded area are forecasts

(1) Contribution to GDP growth

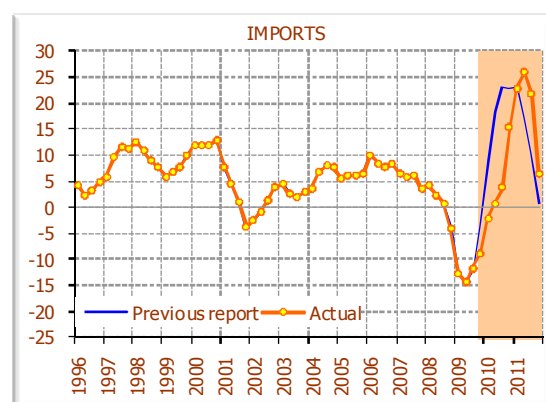
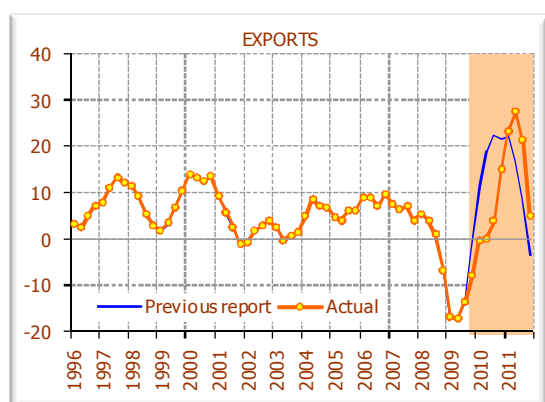
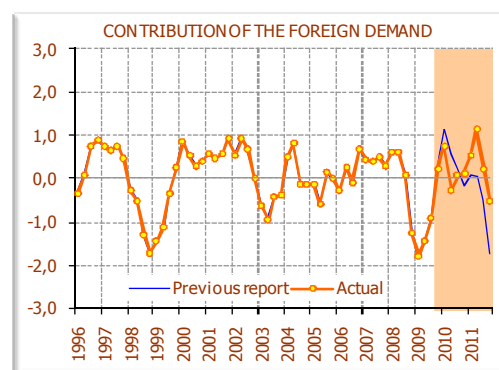
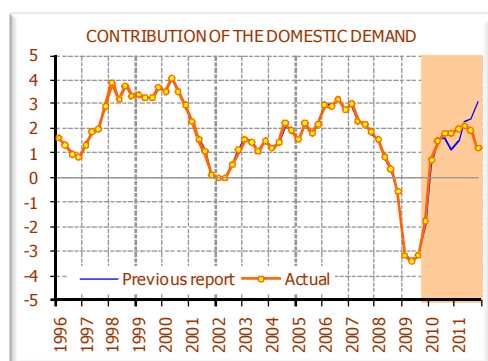
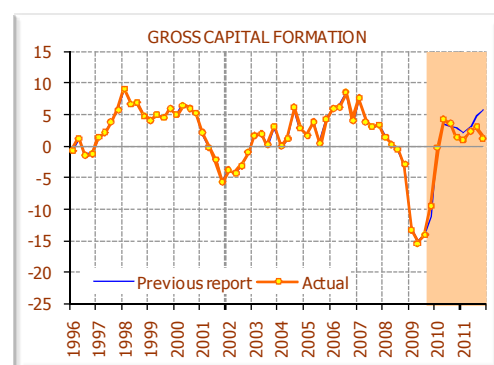
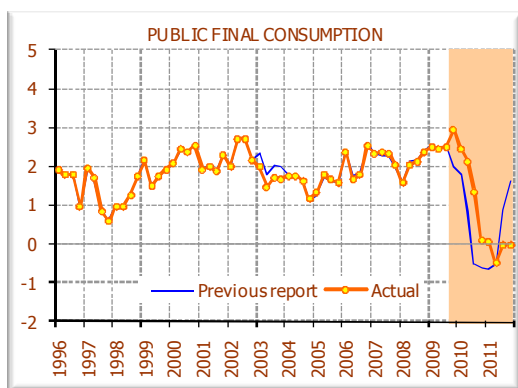
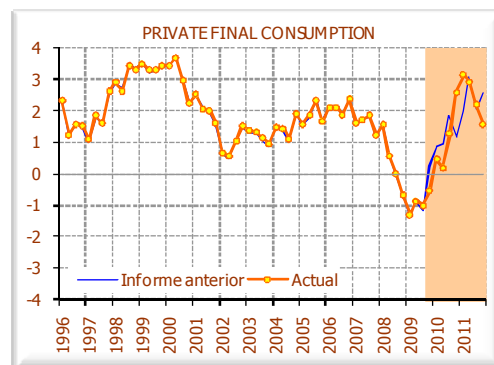
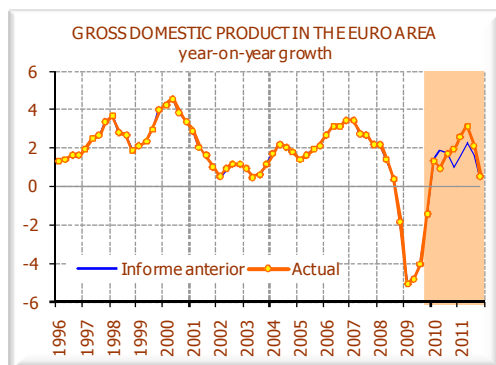
* Year-on-year rates

Source: EUROSTAT & IFL (UC3M)

Date: January 8, 2010



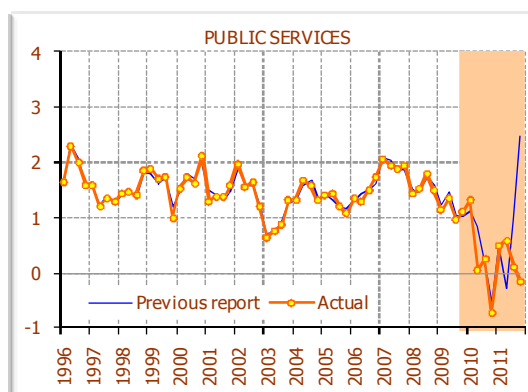
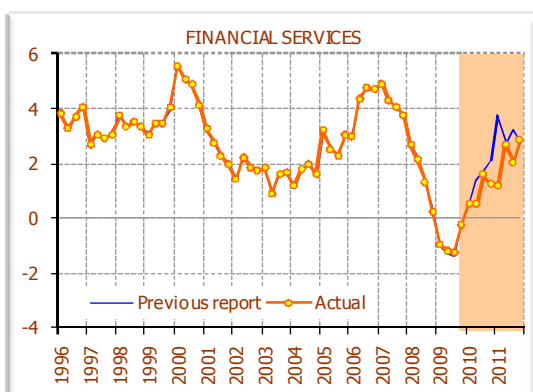
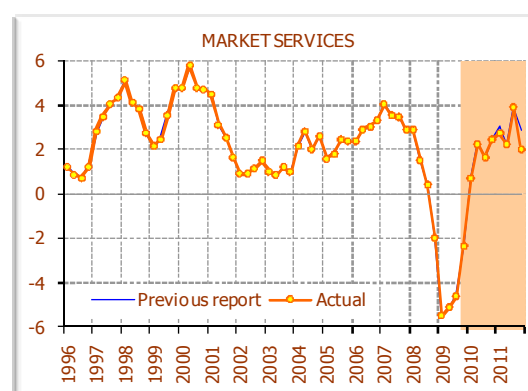
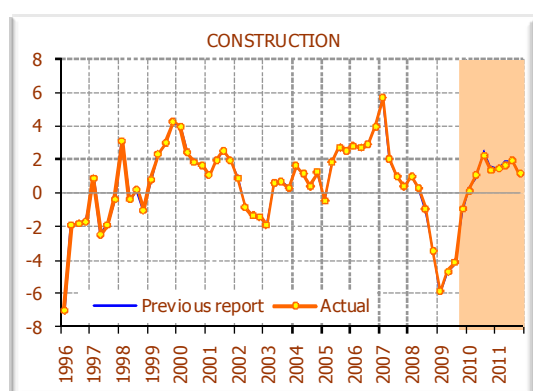
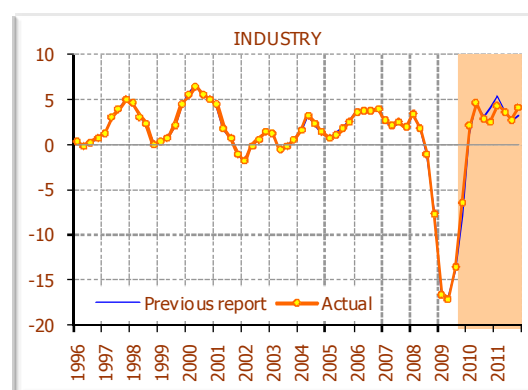
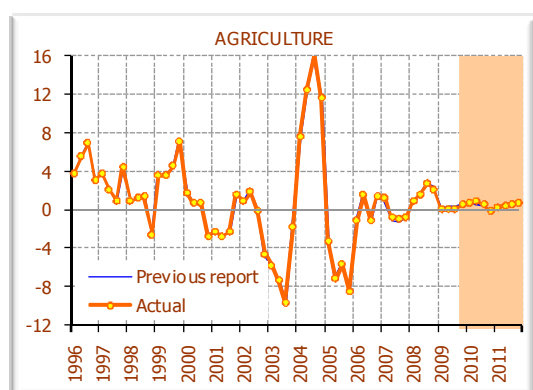
CHANGE IN FORECASTS AND DATA REVISION FOR THE COMPONENTS OF GROSS DOMESTIC PRODUCT DEMAND IN THE EURO AREA



Source: EUROSTAT & IFL (UC3M)
Date actual report: January 8, 2010
Date previous report: November 31, 2009



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



Source: EUROSTAT & IFL (UC3M)
 Date actual report: January 8, 2010
 Date previous report: November 31, 2009



INDUSTRIAL PRODUCTION INDEX IN THE EURO AREA

INDUSTRIAL PRODUCTION INDEX AND SECTORS IN THE EURO AREA*									
Annual rates of growth									
		Consumer Goods			Capital Goods	Intermediate Goods	Energy	TOTAL	
		Durable	Non Durable	Total					
ANNUAL AVERAGE RATES	2005	-0,8	1,1	0,8	2,5	0,6	-2,7	1,3	
	2006	4,7	2,7	3,0	6,0	4,9	-1,0	4,2	
	2007	1,4	2,5	2,3	6,7	3,7	-1,0	3,7	
	2008	-5,7	-1,4	-2,1	-0,1	-3,3	1,4	-1,7	
	2009	-17,2	-3,2	-5,4	-20,4	-19,4	-7,8	-15,0	
	2010	-1,4	1,6	1,2	2,6	3,4	5,4	2,6	
	2011	1,5	2,4	2,3	4,1	-1,6	-3,9	0,8	
ANNUAL RATES*	2009	QI	-19,8	-5,5	-23,9	-23,9	-25,4	-8,5	-18,5
		QII	-21,3	-3,4	-24,2	-24,2	-24,3	-8,7	-18,6
		QIII	-18,2	-1,9	-21,1	-21,1	-18,4	-8,7	-14,5
		QIV	-9,0	-1,9	-12,0	-12,0	-7,8	-5,5	-7,7
	2010	QI	-4,4	0,4	-1,5	-1,5	2,1	2,9	-0,7
		QII	-1,9	1,5	1,4	1,4	3,3	6,8	2,9
		QIII	1,4	2,0	4,3	4,3	4,4	6,6	4,3
		QIV	-0,7	2,5	5,8	5,8	3,7	0,8	3,9
	2011	QI	3,1	3,9	7,4	7,4	0,3	-0,2	4,9
		QII	2,1	2,8	6,5	6,5	-0,5	-4,7	-1,7
		QIII	0,9	1,8	4,3	4,3	-2,1	-5,5	1,5
		QIV	0,0	1,4	-1,1	-1,1	-3,9	-0,9	-5,7

INDUSTRIAL PRODUCTION INDEX IN THE EURO AREA*							
year-on-year rates of growth							
	2005	2006	2007	2008	2009	2010	2011
January	1,3	3,1	4,1	3,8	-16,6	-2,0	3,3
February	0,4	3,3	4,7	3,6	-19,3	-0,7	3,0
March	0,4	4,3	4,5	1,4	-19,4	0,5	2,9
April	1,1	2,5	3,3	4,8	-21,4	2,4	1,7
May	0,0	6,5	3,4	-0,6	-17,8	3,2	1,7
June	0,8	4,7	3,2	-0,5	-16,7	3,0	2,0
July	0,6	4,0	4,2	-0,9	-15,9	3,7	0,7
August	2,1	6,3	4,5	-1,0	-15,1	4,8	0,2
September	1,8	4,0	3,2	-2,3	-12,7	4,4	-0,1
October	1,1	4,2	4,9	-5,7	-10,9	4,1	-0,7
November	3,5	3,2	3,1	-9,0	-7,1	4,2	-1,5
December	2,8	5,1	1,6	-12,4	-4,5	3,3	-3,7

Data adjusted for seasonality and working days effect

The figures in the shaded area are forecasts

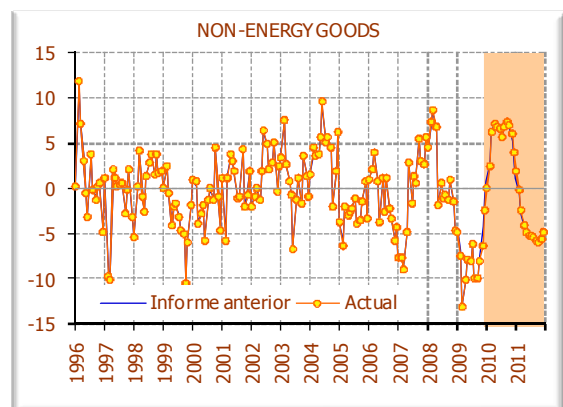
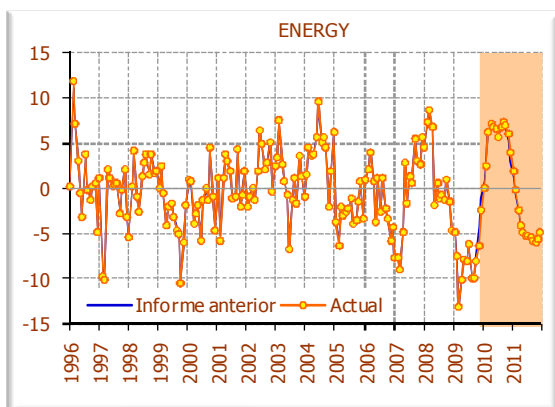
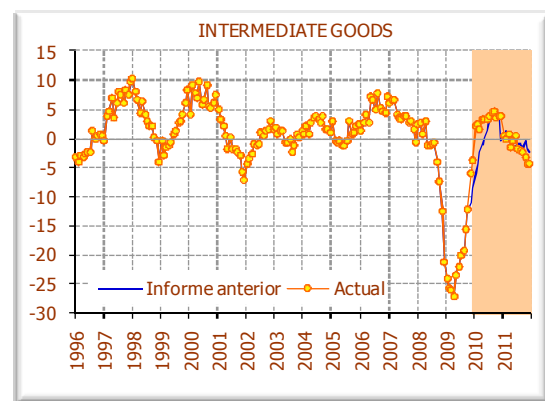
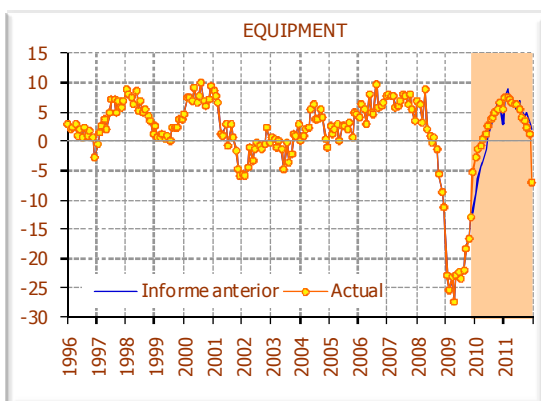
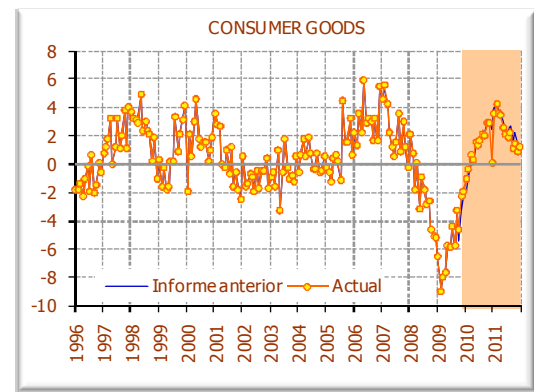
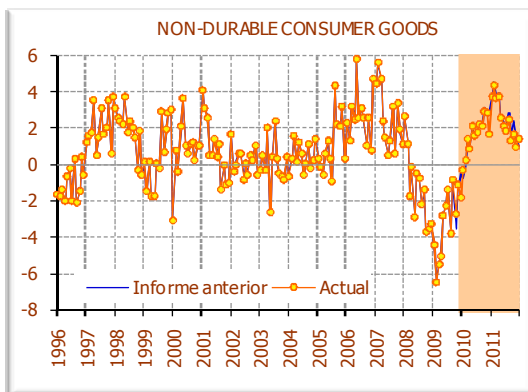
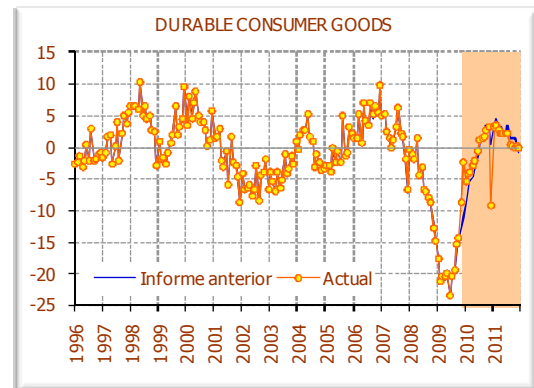
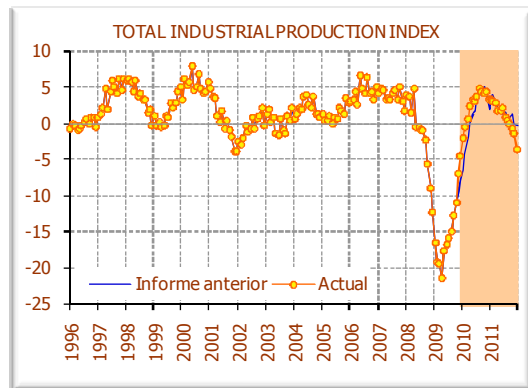
*Year-on-year rates

Source: EUROSTAT & IFL (UC3M)

Date: January 13, 2010



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



Source: EUROSTAT & IFL (UC3M)
Date actual report: January 13, 2010
Date previous report: December 14, 2009



II.2. INFLATION

The new inflation forecasts for the euro area have undergone some changes in food and manufactured goods, but the profile expected for headline and core inflation remains unaltered.

The average annual rate forecast for 2010 is 1.3%, like last month, with core inflation for 2011 rising by one tenth

of a point to 1.8%. Core inflation is expected to be 1.2% this year and 1.5% the next, the latter having been revised upwards by one tenth of a point.

The food prices forecasts were revised downwards as the observed figures were somewhat lower than expected. These revisions were offset by an opposite change in the forecasts for the prices of non-energy industrial goods. In this respect, our forecasts have gone from a zero or slightly negative average annual rate for 2010 and 2011 to a slightly positive rate for both years, 0.3%.

At this time, the reasons for this rise are merely statistical: the innovation observed in December signals an unexpected

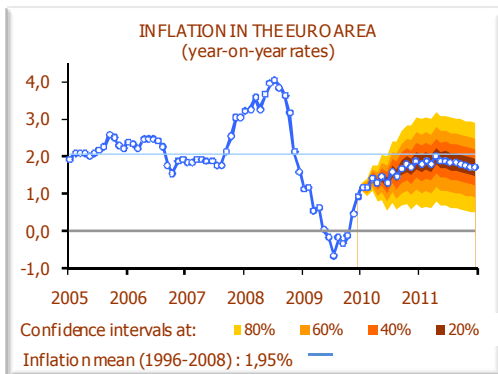
turning point and has altered the medium-term trend for these prices. The January figures will be fundamental for learning whether this change will be consolidated or if it is an atypical observation the impact of which should not have affected our forecasts.

In general, in spite of this adjustment among components, expected inflation in the euro area maintains the profile of moderate, gradual recovery which has characterised its evolution in the last few months. The European monetary authorities share this viewpoint and have clearly announced that there will be no changes in the official rates in the short term, while the rate curve discounted by the fixed income market rules out an increase in 2010.

Monetary expansion policies and the liquidity injected into the financial system do not appear have had significant inflationist effects on consumer prices, and they have helped to stabilise economic activity and the banking system. However, the heavy recovery in financial asset prices is cause for concern by the monetary authorities and could represent a new risk for economic stability when aid starts to be withdrawn in 2010. No inflationist effects have been seen in 2009 because, in spite of extraordinarily low rates and the liquidity transmitted to the banking sector, household and business credit has continued to contract. This trend may have come to an end in November, with a small rise in the annual growth rate of household credit, both consumer loans and mortgages; business credit continues to fall, however, and new growth in the sector is highly unlikely. Banks have not transmitted the liquidity pumped into the system to the private sector for three major reasons:

The inflation forecasts for 2010 and 2011 have hardly changes: for this year we are expecting an average annual rate of 1.5% (± 0.64) which will rise to 1.8% (± 0.92) in 2011.

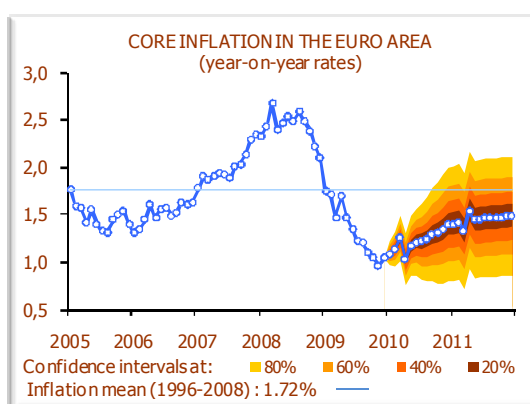
Graph II.2.1



Source: EUROSTAT & IFL(UC3M)
Date: January 15, 2010

Euro area inflation in December consolidated its rising trend, with a positive rate of 0.9%, as expected. The forecasts for headline and core inflation have hardly changed.

Graph II.2.2



Source: EUROSTAT & IFL(UC3M)
Date: January 15, 2010



- There was a fall in the demand for credit in the private sector.
- Banks needed this liquidity to improve their balance sheets and remain operative.
- Banks had better investment opportunities (more profits and less risk) on the variable and fixed income markets.

The expectations for food prices were revised downwards. This change was offset by a revision in the opposite direction of inflation in non-energy industrial goods.

The fact that monetary expansion had no tangible effect on inflation does not mean that the withdrawal of subsidies and the liquidity auctioned in 2009 will also be neutral. When we start to see stricter monetary conditions, it can be expected to be transmitted to consumers and firms much faster than occurred in the recent period of a laxer monetary policy.

In sum, there do not appear to be any significant upwards risk in the observed and forecast inflation figures which could depend on the last year's expansionary monetary policy. However, the as yet unknown "exit strategy" could represent a significant downwards risk for consumer prices.

The inflation forecasts for services and energy remain stable.

The monetary expansion policies applied in 2009 do not appear to have generated inflationist trends. However, the end of the extraordinary intervention measures could represent a downwards risk for consumer prices.

Table II.2.1

INFLATION IN THE EURO AREA						
HICP	Annual rates		Annual average rates			
	December	January	2008	2009	2010	2011
Core 82.6%	1,0	1.1 ±0.13	2,4	1,3	1.2 ±0.34	1.5 ±0.53
Total 100%	0,9	1.2 ±0.11	3,3	0,3	1.5 ±0.64	1.8 ±0.92

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

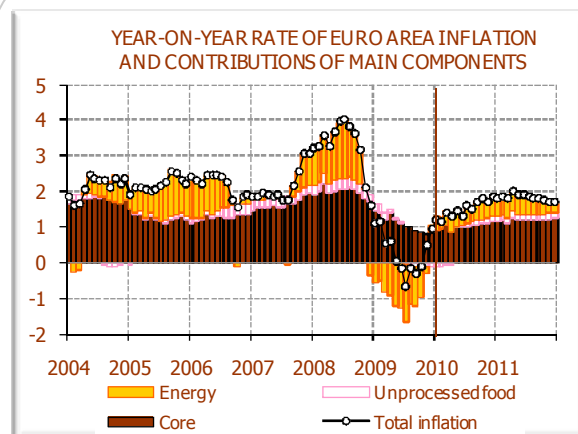
(1) Year-on-year rate anterior

(2) Yearly average rate

Source: EUROSTAT & IFL(UC3M)

Date: January 15, 2010

Graph II.2.3



Source: EUROSTAT & IFL(UC3M)

Date: January 15, 2010



Table II.2.2

GOODS AND SERVICES IN THE EURO AREA WITH NEGATIVE ANNUAL RATES IN HICP GROWTH																		
Weights x 1000																		
Special Group*	Weights 2009	Description	December 2009	November 2009	October 2009	September 2009	August 2009	July 2009	June 2009	May 2009	April 2009	March 2009	February 2009	January 2009	QIV 2008	QIII 2008	Average 2008	
PROCESSED FOOD 64.02	22,67	Milk, cheese and eggs	-2,86	-3,34	-4,38	-4,10	-3,77	-3,47	-3,05	-2,57	-2,38	-1,82	-1,14	-0,07				
	5,38	Oils and fats	-2,58	-3,46	-5,32	-7,17	-7,01	-6,41	-5,14	-4,08	-3,47	-2,25	-1,28					
	26,21	Bread and cereals	-0,99	-0,47	-0,16													
	9,76	Sugar, jam, honey, chocolate and confectionery	-0,27															
	3,7	Coffee, tea and cocoa		-0,16	-0,16													
NON-ENERGY INDUSTRIAL GOODS 66.28	0,17	Clothing materials	-0,57	-1,94	-2,63	-0,94	-3,54	-1,21	-1,24	-1,94	-2,58	-1,33	-0,30	-0,93				
	50,18	Garments					-0,77						-0,42	-1,12				
	9,38	Major household appliances whether electric or not and small electric household appliances												-0,03	-0,385	-0,72	-0,69	
	42,67	Motor cars	-1,32	-1,45	-1,54	-1,67	-1,10	-0,68	-0,62	-0,22	-0,26		-0,17					
	1,81	Telephone and telefax equipment	-10,33	-8,98	-6,37	-6,50	-11,86	-12,97		-9,33	-12,60	-14,21	-12,32	-14,19	-16,045	-18,73	-16,81	
	4,82	Equipment for the reception, recording and reproduction of sound and pictures	-10,94	-11,34	-11,68	-12,21	-12,92	-13,55	-13,38	-13,46	-13,37	-13,36	-13,62	-13,10	-12,087	-10,58	-10,76	
	1,66	Photographic and cinematographic equipment and optical instruments	-10,18	-10,21	-11,62	-11,44	-12,20	-13,43	-13,47	-14,06	-14,65	-15,17	-15,99	-15,84	-15,561	-14,65	-14,19	
	4,83	Information processing equipment	-6,30	-6,29	-6,16	-7,78	-8,44	-8,93	-9,68	-11,01	-12,09	-12,43	-12,81	-13,70	-15,084	-14,61	-14,62	
	3,07	Recording media	-3,41	-3,27	-3,08	-3,79	-3,84	-3,53	-3,73	-2,93	-2,03	-3,62	-4,09	-3,09	-3,458	-3,36	-3,06	
	5,35	Games, toys and hobbies	-0,98	-1,71	-1,48	-0,61	-0,40	-0,17		-0,71		-0,23		-0,69	-0,566	-1,17	-0,72	
	6,45	Gardens, plants and flowers														-0,19		
	6,16	Books														-0,24	-0,09	
	12,17	Pharmaceutical products			-0,01													
	1,9	Carpets and other floor coverings	-0,07	-0,25														
SERVICES 50.86	6,01	Passenger transport by air	-4,54	-5,39	-4,11	-5,40	-4,84	-4,97	-4,88	-1,55		-2,17			-1,229	-1,24	-1,13	
	27,88	Telephone and telefax services	-0,36	-0,40		-0,44	-0,04	-0,07		-0,69	-1,16	-1,26	-0,81	-1,25				
	17,22	Accommodation services		-0,15	-0,19	-0,44	-0,40	-0,25	-0,21			-1,15						
	16,28	Package holidays	-0,84	-0,30														
	0,69	Other purchased transport services	-1,32	-1,62	-0,91	-0,48												
NON-PROCESSED FOOD 74.55	11,07	Fish and seafood	-0,63	-0,40	-0,61	-0,45	-0,50	-1,09	-1,87	-0,72	-0,72	-0,63						
	11,59	Fruits	-1,71	-2,94	-3,60	-4,72	-6,10	-5,53		-0,34	-0,08							
	15,41	Vegetables	-4,79	-2,95	-4,68	-3,20	-2,74	-2,90	-0,71									
	36,48	Meat	-0,41	-0,24														
ENERGY 24.19	7,47	Liquid fuels		-12,37	-24,58	-32,78	-32,48	-41,52	-39,27	-39,53	-0,08	-34,78	-25,64	-21,74	-2,61			
	39,94	Fuels and lubricants for personal transport equipment			-9,24	-14,43	-13,62	-20,71	-18,84	-19,72	-33,93	-19,00	-15,04	-17,16	-6,383			
	18,46	Gas	-16,39	-15,53	-14,54	-10,89	-8,88	-7,51	-0,78									
	5,73	Heat energy	-9,14	-7,17	-4,76	-0,70												
Total weight of COICOP classes with negative YoY price variations			279,9	298,53	268,10	226,02	247,48	297,66	200,85	196,39	185,03	159,35	212,55	179,23	106,21	71,41	64,96	
*With the sum of the weights of the sub-groups with negative YoY price variations in the last month. In shaded area the items with negative year-on-year inflation since January 2009.																		

*With the sum of the weights of the sub-groups with negative YoY price variations in the last month.
In shaded area the items with negative year-on-year inflation since January 2009.

Source: EUROSTAT & IFL(UC3M)

Date: January 15, 2010



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

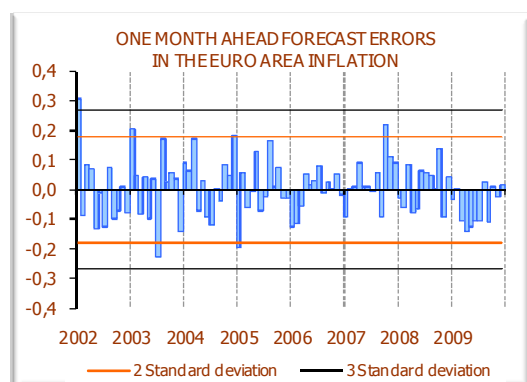
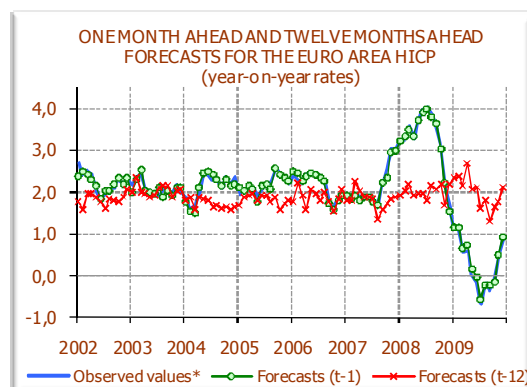
INFLATION IN THE EURO AREA Annual rates, December, 2009				
Harmonized Index of Consumer Prices HICP	Weights 2009	Observed	Forecasts	Confidence Intervals*
Processed Food	118,77	0,69	0,79	± 0.38
Tobacco	22,61	6,60	6,64	
Processed food excluding tobacco	96,16	-0,70	-0,59	
Non-energy Industrial goods	297,24	0,40	0,18	± 0.21
Services	413,73	1,60	1,65	± 0.14
CORE	829,74	1,04	1,00	± 0.13
Non-processed food	74,55	-1,56	-1,13	± 0.72
Energy	95,71	1,85	1,77	± 0.86
RESIDUAL	170,26	0,36	0,50	± 0.57
TOTAL	1000	0,93	0,91	± 0.12

The inflation forecasts for 2010 and 2011 have hardly changes: for this year we are expecting an average annual rate of 1.5% (± 0.64) which will rise to 1.8% (± 0.92) in 2011. Core inflation will be 1.2% (± 0.34) and 1.5% (± 0.53), respectively.

Euro area inflation in December consolidated its rising trend, with a positive rate of 0.9%, as expected. The forecasts for headline and core inflation have hardly changed.

The expectations for food prices were revised downwards. This change was offset by a revision in the opposite direction of inflation in non-energy industrial goods.

HARMONIZED INDICES OF CONSUMER PRICES BY COUNTRIES IN THE EURO AREA, UNITED KINGDOM, SWEDEN AND DENMARK year-on-year rates, December, 2009				
	Weights 2009 Euro area	Observed Monthly Rate	Forecast	Confidence Intervals at 80%
Germany	260,74	0,8	0,9	± 0.29
France	205,97	1,0	1,0	± 0.20
Italy	184,97	1,1	1,1	± 0.23
Spain	127,92	0,9	0,9	± 0.15
Netherlands	50,94	0,7	0,8	± 0.33
Belgium	33,85	0,3	-0,1	± 0.32
Austria	30,23	1,1	1,0	± 0.37
Greece	34,55	2,6	2,4	± 0.78
Portugal	21,99	-0,1	-0,4	± 0.66
Finland	16,81	1,8	1,6	± 0.37
Ireland	15,64	-2,6	-2,5	± 0.30
Slovakia	6,77	0,0	0,2	± 0.24
Slovenia	3,71	2,1	2,8	
Luxembourg	2,60	2,5	2,8	± 0.32
Cyprus	2,50	1,6	1,4	± 0.27
Malta	0,81	-0,4	-0,1	
United Kingdom		2,8	2,5	± 0.33
Sweden		2,8	2,5	± 0.50
Denmark		1,2	1,3	± 0.27



Source: EUROSTAT & IFL(UC3M)

Date: January 15, 2010



HARMONIZED INDEX OF CONSUMER PRICES AND COMPONENTS IN THE EURO AREA													
Annual rates of growht													
		HICP											
		Core				TOTAL80 % Confidence Intervals*		Residual		TOTAL80 % Confidence Intervals*			
		Processed food excluding to bacco	Tobacco	Non energy industrial goods	Services			Non processed food	Energy				
Weights 2009		9,6%	2,3%	29,7%	41,4%	83,0%		7,5%	9,6%	17,0%	100%		
ANNUAL AVERAGE RATE	2001	2,7	3,8	0,9	2,5	1,9		7,0	2,2	4,4	2,3		
	2002	2,4	5,9	1,5	3,1	2,5		3,1	-0,6	1,2	2,2		
	2003	2,1	8,4	0,8	2,5	2,0		2,1	3,0	2,6	2,1		
	2004	1,3	12,2	0,8	2,6	2,1		0,6	4,5	2,6	2,1		
	2005	0,5	7,8	0,3	2,3	1,5		0,8	10,1	5,7	2,2		
	2006	1,6	3,9	0,6	2,0	1,5		2,8	7,7	5,5	2,2		
	2007	2,3	4,5	1,0	2,5	2,0		3,0	2,6	2,8	2,1		
	2008	6,8	3,2	0,8	2,6	2,4		3,5	10,3	7,3	3,3		
	2009	0,2	4,7	0,6	2,0	1,3		0,2	-8,1	-4,5	0,3		
	2010	0,0	7,0	0,3	1,9	1,2	± 0,34	0,6	4,5	2,8	1,5	± 0,64	
2011	1,1	6,5	0,3	2,1	1,5	± 0,53	2,1	4,9	3,6	1,8	± 0,92		
ANNUAL RATES (year-on-year rates)	2009	January	2,7	2,8	0,5	2,4	1,8		2,6	-5,3	-1,8	1,1	
		February	1,7	2,9	0,7	2,4	1,7		3,3	-4,9	-1,3	1,2	
		March	1,2	3,2	0,8	1,9	1,5		2,4	-8,1	-3,6	0,6	
		April	0,7	3,4	0,8	2,5	1,7		1,6	-8,8	-4,4	0,6	
		May	0,4	3,5	0,8	2,1	1,5		0,7	-11,6	-6,4	0,0	
		June	0,0	5,4	0,6	2,0	1,3		0,0	-11,7	-6,8	-0,1	
		July	-0,3	5,6	0,5	1,9	1,2		-1,1	-14,4	-8,9	-0,7	
		August	-0,6	5,8	0,6	1,8	1,2		-1,2	-10,2	-6,4	-0,2	
		September	-0,7	5,7	0,5	1,8	1,1		-1,3	-11,0	-6,9	-0,3	
		October	-0,9	5,8	0,3	1,8	1,0		-1,6	-8,5	-5,5	-0,1	
		November	-0,8	6,0	0,2	1,6	1,0		-1,3	-2,4	-1,8	0,5	
		December	-0,7	6,6	0,4	1,6	1,0		-1,6	1,8	0,4	0,9	
	2010	January	-0,7	7,7	0,3	1,7	1,1	± 0,13	-1,3	3,9	1,6	1,2	± 0,11
		February	-0,5	7,5	0,4	1,7	1,1	± 0,18	-1,2	3,4	1,3	1,2	± 0,23
		March	-0,4	8,0	0,3	1,9	1,3	± 0,23	-0,7	4,6	2,2	1,4	± 0,35
		April	-0,3	8,1	0,3	1,5	1,0	± 0,27	-0,1	4,6	2,5	1,3	± 0,49
		May	-0,2	8,1	0,3	1,8	1,2	± 0,31	0,5	4,6	2,8	1,5	± 0,61
		June	0,0	6,4	0,3	1,9	1,2	± 0,35	0,8	2,3	1,7	1,3	± 0,73
		July	0,1	6,0	0,3	1,9	1,2	± 0,40	1,4	5,0	3,4	1,6	± 0,82
		August	0,1	6,0	0,3	1,9	1,2	± 0,44	1,6	3,4	2,6	1,5	± 0,92
		September	0,3	6,3	0,3	2,0	1,3	± 0,49	1,7	5,2	3,7	1,7	± 1,00
		October	0,4	6,7	0,3	2,0	1,3	± 0,53	1,8	5,9	4,1	1,8	± 1,06
		November	0,4	6,5	0,3	2,1	1,3	± 0,57	1,6	4,9	3,5	1,7	± 1,12
		December	0,6	6,6	0,3	2,1	1,4	± 0,60	2,0	6,0	4,2	1,9	± 1,16
	2011	January	0,7	6,3	0,3	2,1	1,4	± 0,61	2,0	5,1	3,8	1,8	± 1,20
		February	0,9	6,4	0,3	2,1	1,4	± 0,61	2,1	5,5	4,0	1,9	± 1,20
		March	0,9	6,5	0,3	1,9	1,3	± 0,62	2,1	5,9	4,2	1,8	± 1,20
		April	1,0	6,4	0,3	2,3	1,5	± 0,62	2,1	5,9	4,2	2,0	± 1,20
		May	1,1	6,4	0,3	2,1	1,4	± 0,62	2,1	5,6	4,1	1,9	± 1,20
		June	1,2	6,4	0,3	2,1	1,5	± 0,62	2,1	5,6	4,1	1,9	± 1,20
		July	1,2	6,5	0,3	2,1	1,5	± 0,62	2,1	4,9	3,7	1,8	± 1,20
		August	1,3	6,5	0,3	2,1	1,5	± 0,62	2,1	4,7	3,6	1,8	± 1,20
		September	1,3	6,5	0,3	2,1	1,5	± 0,62	2,1	4,4	3,4	1,8	± 1,20
		October	1,3	6,6	0,3	2,1	1,5	± 0,62	2,1	3,9	3,1	1,8	± 1,20
		November	1,4	6,6	0,3	2,1	1,5	± 0,62	2,1	3,6	2,9	1,7	± 1,20
		December	1,4	6,7	0,3	2,1	1,5	± 0,62	2,1	3,2	2,7	1,7	± 1,20

* Confidence intervals calculated with historical errors

The figures in the shaded area are forecasts

Source: EUROSTAT & IFL(UC3M)

Date: January 15, 2010



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

*The figures in the shaded area are forecasts

Source: EUROSTAT & IFL(UC3M)

Date: January 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 2009 %		26,1	20,6	18,5	12,8	5,1	3,4	3,0	3,5	2,2	1,7	1,6	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	-0,3	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	1,0	1,6	1,8	1,8	1,0	1,7	1,6	2,9	0,6	1,7	-0,7	0,5	2,5	2,1	2,5	0,6	2,8	2,9	1,6	
2011	1,7	1,9	2,1	1,9	1,6	1,9	1,1	2,5	0,7	1,8	-1,1	1,4	3,0	1,2	1,6	1,3	2,4	2,4	1,9		
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	-1,4	-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	-0,8	-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	-1,0	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	2,8	2,8	1,2
	2010	January	0,9	1,4	1,5	1,7	0,8	0,3	1,2	2,6	0,2	1,6	-2,4	-0,1	1,9	2,9	1,8	0,4	2,9	2,8	1,5
		February	0,7	1,4	1,5	1,6	0,6	0,7	1,1	2,7	0,1	1,5	-1,9	0,1	1,7	2,3	2,0	0,1	2,6	2,7	1,2
		March	1,0	1,6	1,7	1,9	0,6	1,3	1,5	2,8	0,2	1,6	-1,4	0,3	1,8	2,7	1,7	-0,2	2,8	2,9	1,3
		April	0,7	1,5	1,6	1,9	0,6	1,2	1,5	2,9	0,3	1,6	-1,3	0,4	2,2	2,3	1,9	0,1	3,0	3,0	1,7
		May	0,8	1,6	1,7	2,1	0,7	1,8	1,7	3,1	0,7	1,7	-0,8	0,4	2,4	2,4	2,4	0,3	2,9	3,0	1,6
		June	0,6	1,5	1,5	1,7	0,7	2,2	1,9	3,1	0,7	1,5	-0,5	0,5	2,3	2,0	2,7	0,5	2,9	3,1	1,5
		July	1,1	1,7	1,8	1,8	1,4	2,5	2,0	3,1	0,7	1,8	-0,2	0,6	3,2	2,1	3,2	0,8	2,8	3,0	1,7
		August	0,9	1,5	1,8	1,6	1,5	2,2	1,7	3,0	0,7	1,6	-0,2	0,8	2,9	1,7	3,3	0,6	2,7	2,9	1,4
		September	1,2	1,8	1,9	1,9	1,5	2,3	1,8	3,1	1,0	1,7	0,1	0,9	3,1	1,9	3,4	0,8	2,9	3,2	1,8
		October	1,3	1,9	2,1	2,0	1,4	2,3	1,7	3,0	1,0	2,2	0,1	0,9	3,1	2,0	3,3	1,3	2,8	3,0	1,8
		November	1,4	1,8	2,1	1,8	1,4	2,1	1,5	2,6	0,8	1,9	0,1	0,8	2,6	1,4	2,3	1,1	2,7	2,7	1,9
		December	1,7	2,0	2,3	1,9	1,5	2,1	1,4	2,6	0,7	1,8	0,0	1,0	2,8	1,3	2,1	1,3	2,4	2,5	1,9
	2011	January	1,6	1,9	2,2	1,7	1,6	2,2	1,3	2,6	0,7	1,8	-0,1	1,0	3,1	1,2	2,1	1,3	2,4	2,4	1,9
		February	1,7	1,9	2,3	1,7	1,7	2,1	1,4	2,6	0,7	1,9	-0,3	1,0	3,0	1,3	2,0	1,3	2,4	2,5	1,9
		March	1,7	1,9	2,1	1,8	1,6	2,0	1,2	2,5	0,7	1,8	-0,6	1,2	3,0	1,1	2,2	1,3	2,4	2,4	1,9
		April	1,9	2,1	2,3	2,1	1,7	2,1	1,2	2,5	0,8	1,9	-0,8	1,2	3,0	1,1	2,1	1,3	2,4	2,4	1,9
		May	1,8	2,0	2,2	2,1	1,6	1,9	1,1	2,4	0,7	1,9	-1,0	1,3	3,0	1,0	1,6	1,3	2,4	2,4	1,9
		June	1,8	2,0	2,2	2,0	1,6	1,8	1,0	2,4	0,7	1,9	-1,3	1,3	3,0	0,9	1,5	1,3	2,4	2,3	1,9
		July	1,7	2,0	2,1	2,0	1,6	1,8	0,9	2,4	0,7	1,8	-1,4	1,4	3,0	0,8	1,2	1,3	2,4	2,4	1,9
		August	1,7	1,9	2,1	2,0	1,6	1,8	1,1	2,4	0,7	1,8	-1,5	1,5	3,0	1,1	1,2	1,3	2,4	2,4	1,9
		September	1,7	1,9	2,1	2,0	1,6	1,8	1,0	2,4	0,7	1,8	-1,6	1,6	3,0	1,1	1,1	1,3	2,4	2,3	1,9
		October	1,6	1,9	2,0	2,0	1,5	1,8	1,0	2,4	0,7	1,8	-1,7	1,6	3,0	1,1	1,1	1,3	2,4	2,4	1,9
		November	1,6	1,8	2,0	2,0	1,5	1,8	1,1	2,5	0,7	1,8	-1,7	1,6	3,0	1,5	1,6	1,3	2,4	2,5	1,9
		December	1,6	1,8	1,9	1,9	1,5	1,7	1,2	2,6	0,7	1,8	-1,6	1,6	3,0	1,7	1,6	1,3	2,4	2,6	1,9

* The figures in the shaded area are forecasts

Source: EUROSTAT & IFL(UC3M)

Date: January 15, 2010



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

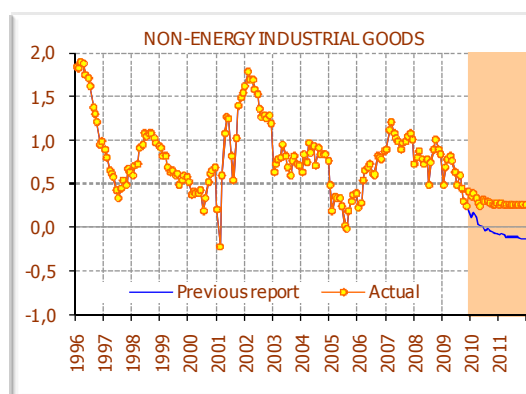
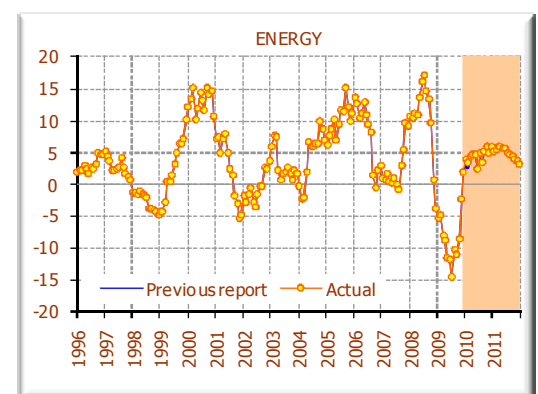
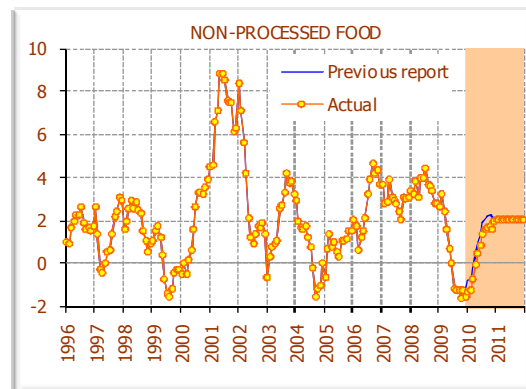
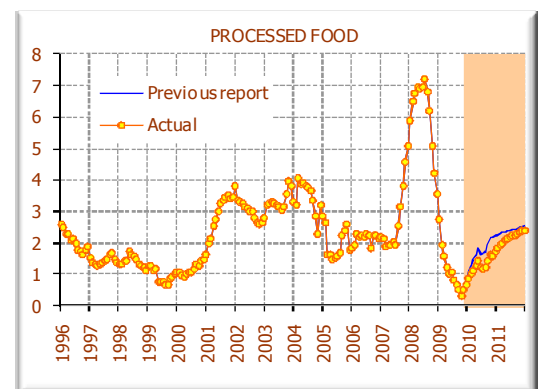
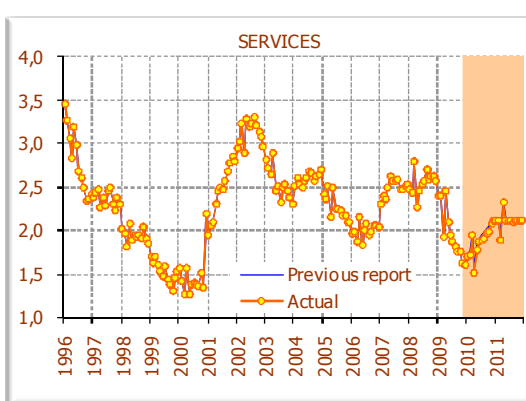
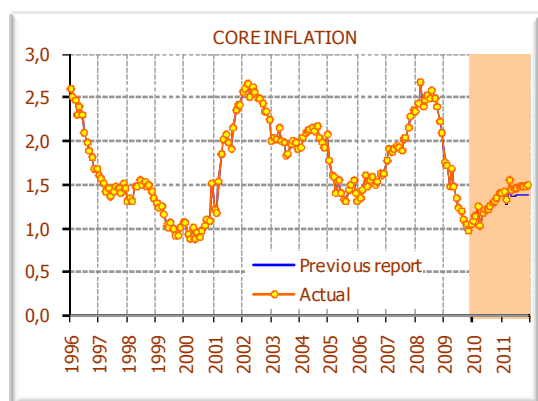
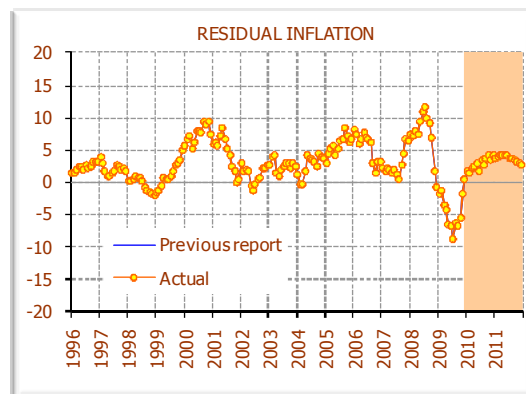
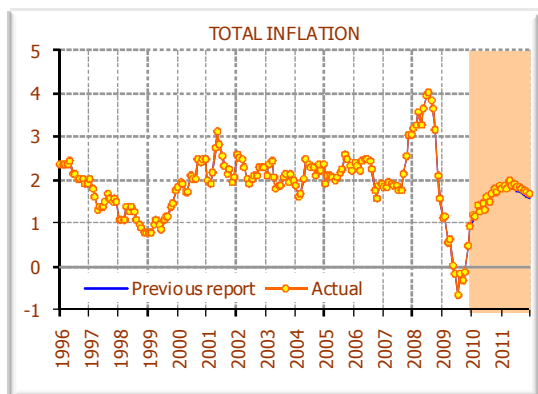
*The figures in the shaded area are forecasts

Source: EUROSTAT & IFL(UC3M)

Date: January 15, 2010



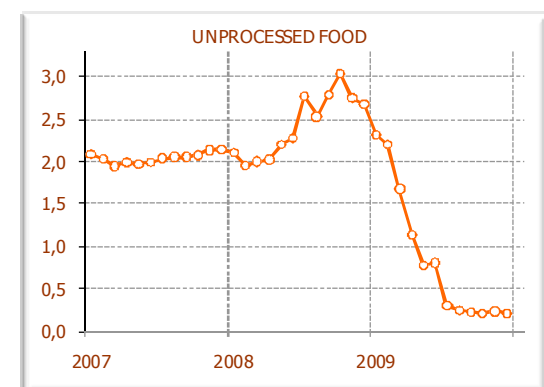
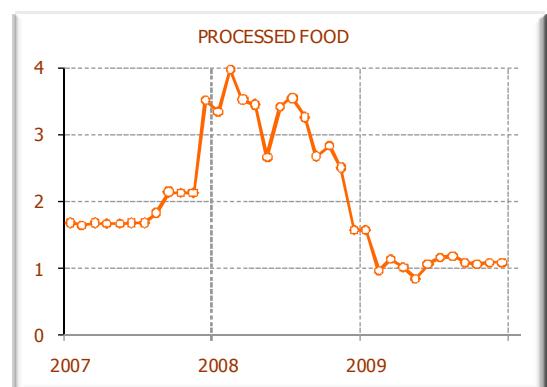
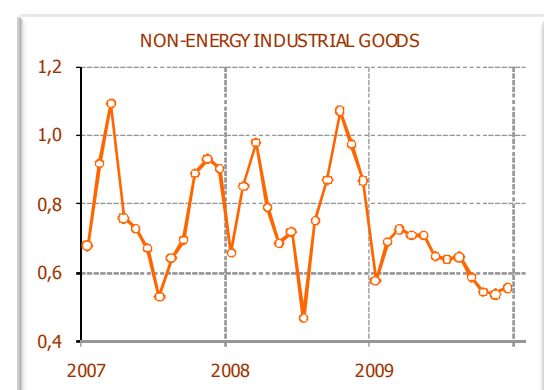
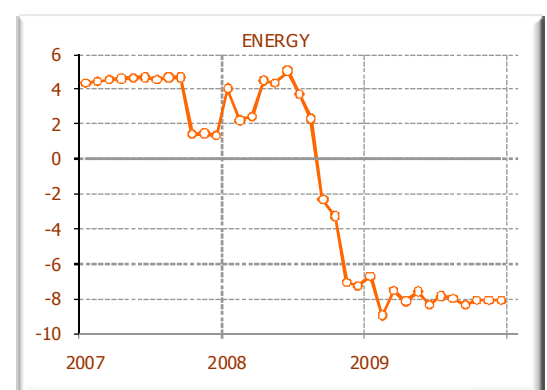
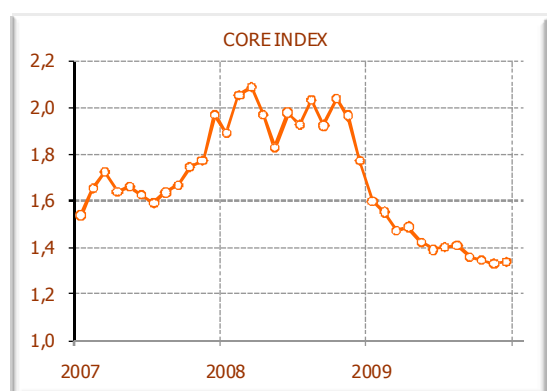
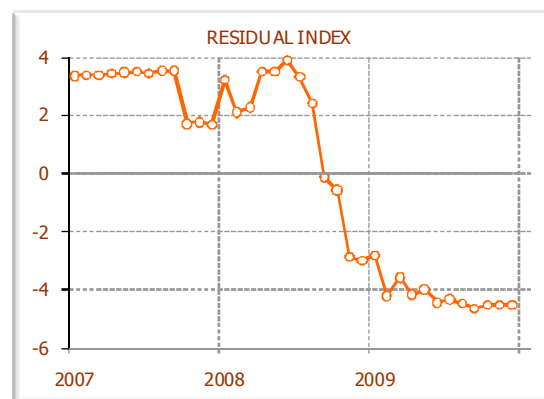
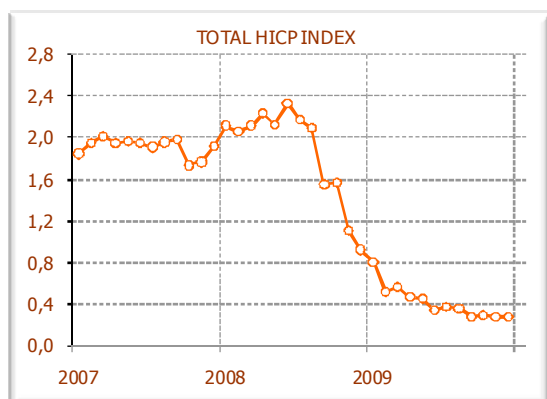
CHANGE IN FORECASTS FOR THE COMPONENTS OF HARMONISED INDEX OF CONSUMER PRICES IN THE EURO AREA



Source: EUROSTAT & IFL (UC3M)
Date actual report: January 15, 2010
Date previous report: December 16, 2009



EURO AREA INFLATION FORECASTS BY SPECIAL GROUP CHANGES OF EXPECTATIONS FOR THE AVERAGE 2009 RATE



Source: EUROSTAT & IFL (UC3M)
Date: January 15, 2010



II.3. MONETARY POLICY

Spain, the most indebted country in the euro area, need not be concerned with monetary policy developments in the area. Trichet's declarations regarding the possibility of recovery remaining stagnant in 2010, the 10% unemployment rate in the euro area and lower than expected inflation figures provide the ECB with a comfortable margin with which to keep interest rates at their current levels throughout 2010. At the same time, the extraordinary measures taken to increase the monetary base could be withdrawn extremely gradually, guaranteeing liquidity on the markets in the short term.

The evolution of credit last year can be analysed with the monetary mass figures published in December 2009.

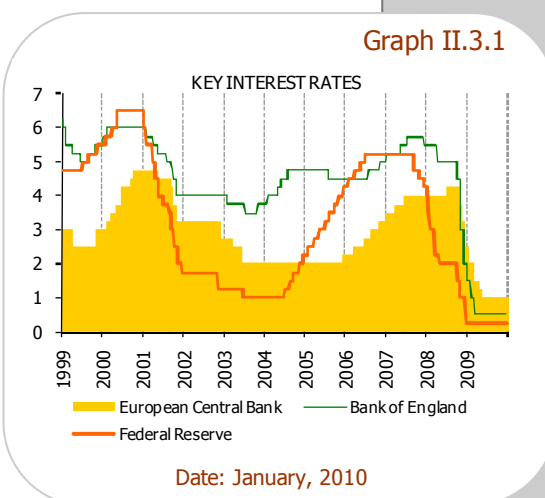
In January 2009, the M3 aggregate was growing at an annual rate of 5.9%, while credit to the private sector registered an annual rate of 5.0%. In December of the same year, the annual variation of M3 could be near to its lowest point with a negative value of 0.3%, whereas credit to the private sector fell to its lowest in October, with a rate of -0.8%, rising to zero in December.

As expected, the evolution in credit to the public sector shows the opposite process, going from 5.2% growth in January to 15.2% in October 2009. It has since fallen considerably, due to the Government's need to reduce its rate of indebtedness. In December, the annual rate of variation of public credit fell to 11.2%, two pp less than the previous month.

In view of these figures, it is clear that in 2009, the public sector's need for financing had a crowding out effect on credit to the private sector. This phenomenon registered a turning point in October due to the rise in inflation which is reducing the real rate of return on public debt and to the need to consolidate the public accounts after a year of high deficits in all euro area countries.

With regards to the private sector, the contraction of credit to non-financial firms was intense and has not yet come to an end. The growth rate of this type of loan has gone in one year from an 8.8% annual growth rate to a 2.3% reduction, and this

could continue for a few more months. Household credit, however, reached a turning point in October and grew in December at a year-on-year rate of 1.5%, largely due to mortgage loans.



In conclusion, the evolution of credit in the euro area has been much as expected. Liquidity auctions guaranteed the financial system's solvency but have not been transmitted to the private sector as long as the real returns on public debt continued to provide banks with practically risk-free opportunities of significant returns. In the last quarter of 2009, there was a rise in household credit. Except for Spain and another few countries, households have relatively few debts and their expectations have improved. At the same time, credit to businesses continued to fall, pushing more competitive and better equipped firms to differentiation of their sources of financing, which could even be positive in the medium term.

In conclusion, the evolution of credit in the euro area has been much as expected. Liquidity auctions guaranteed the financial system's solvency but have not been transmitted to the private sector as long as the real returns on public debt continued to provide banks with practically risk-free opportunities of significant returns.



III. UNITED STATES

III.1. INDUSTRIAL PRODUCTION INDEX

INDUSTRIAL PRODUCTION INDEX AND SECTORS IN U.S.							
Annual rates of growth							
		Consumer Goods		Capital Goods	Intermediate Goods	TOTAL	
		Durable	Non Durable				
ANNUAL AVERAGE RATES	2006	-1,0	0,9	4,2	2,4	2,3	
	2007	0,4	1,1	1,5	2,0	1,5	
	2008	-9,9	-0,5	-2,4	-1,9	-2,2	
	2009	-17,1	-1,8	-11,7	-10,9	-9,9	
	2010	13,3	2,4	2,1	6,7	4,8	
	2011	7,5	2,6	5,4	7,3	5,9	
ANNUAL RATES*	2009	QI	-25,2	-2,2	-12,4	-13,4	-11,5
		QII	-24,3	-3,5	-14,9	-15,3	-13,5
		QIII	-13,1	-1,0	-11,6	-10,3	-9,2
		QIV	-3,7	-0,6	-7,5	-4,2	-4,9
	2010	QI	6,0	0,7	-4,1	1,8	-0,3
		QII	11,8	2,5	0,4	6,1	3,8
		QIII	16,3	2,6	4,2	8,7	6,5
		QIV	18,4	3,7	8,0	10,3	9,0
	2011	QI	15,1	4,0	9,7	11,8	9,8
		QII	13,1	3,2	8,2	9,3	8,0
		QIII	3,8	2,7	3,0	4,8	3,9
		QIV	0,1	0,7	1,4	3,6	2,2

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

Source: Federal Reserve & IFL(UC3M)

Date: January 15, 2010



III.2. INFLATION

The general CPI, in aggregate terms, was slightly worse than expected.

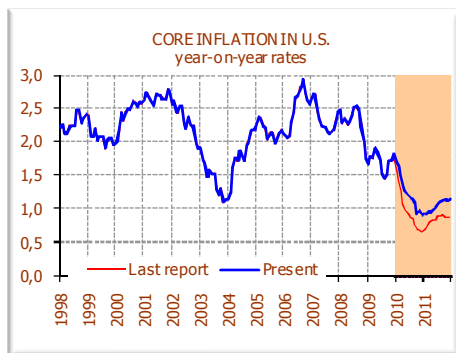
In the US in December, the general consumer price index fell by a monthly rate of 0.18%¹, instead of the forecast 0.28%. The annual rate grew from 1.84% to 2.72%.

On the other hand, the core index registered a month-on-month fall of 0.16% instead of the expected 0.26%. The annual rate rose from 1.70% to 1.82%.

Although the total CPI performed as expected, the upwards innovation in second hand cars, the slightly higher than expected rise in home rentals and the new growth in oil prices have taken expectations for the average annual CPI to 2.2% and 1.5% for 2010 and 2011.

similar to our forecasts in all the sub-groups, with a small upwards innovation in both actual rental prices and owner's estimated rent of primary residence. Even so, the annual rate for effective rentals fell from 0.89% to 0.70% and the rate for owner's estimated rent of primary residence fell from 0.81% to 0.73%. The new forecasts show less than the falls predicted last month (see Graph III.2.2).

Graph III.2.1



Source: BLS & IFL
Date: January 15, 2010

The upwards innovation in core inflation is largely due to non-energy industrial goods, specifically second hand cars.

Indeed, non-energy industrial goods registered an upwards surprise, with a month-on-month decrease of 0.34% instead of the forecast 0.57%.

The annual rate rose from 2.59% to 2.98%. Second hand cars have increased their annual rate from 5.76% to 9.17%.

The import prices of durable and non-durable goods, however, were somewhat lower than expected.

As we have mentioned before, this crisis is registering different price behaviours, with non-energy industrial goods on the rise and service prices falling. Indeed, if we do not include tobacco (its weight is reduced but its rates are high) and estimated rent figures (not included in European statistics), we find that for the first time, the annual rate of non-energy industrial goods is higher than the annual rate of services.

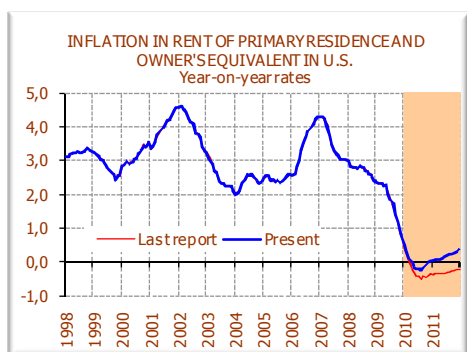
Based on the above, core inflation expectations have worsened (see Graph III.2.1).

With regards to prices not included in the core index, food prices evolved much as expected. Indeed, as we mentioned last month, the November figure was the lowest point in the annual rate, which will now start to rise to around 2.0%. In fact, the annual rate went from -0.68% in November to -0.53% in December.

The monthly decline of 0.85% in energy prices was much as expected (1.26%), with the annual rate rising from 7.42% to 18.20%. This heavy rise is due to the effect of last year's oil prices and explains the heavy increase in the annual rate of the general CPI.

West Texas oil on the futures markets has increased by an average of 6% since last month, and this is the basic reason for the increase in headline inflation expectations.

Graph III.2.2



Source: BLS & IFL
Date: January 15, 2010

With regards to services, the figure was worse than expected, with a drop of 0.09% instead of the forecast 0.14%. The annual rate went from 1.36% to 1.37%. Within this group, the evolution was

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

Core inflation fell by one tenth of a point less than expected, thanks to second hand cars and home rentals, increasing our core inflation forecasts.



All the above leads to inflation expectations growing to an average annual rate of 2.2% in 2010.

The profile forecast for the general CPI is that the annual rate will remain close to 2.9%-2.7% in the next three months, subsequently falling to around 1.5% by the end of 2010 (see Graph III.2.3).

With regards to the forecasts for January, the general CPI is expected to grow by 0.59% (± 0.13), with the annual rate rising to 2.88%. For core inflation, the forecast is a monthly increase of 0.19% (± 0.12), with the annual rate falling from 1.82% to 1.72%.

For 2010 and 2011, we are expecting average annual core inflation rates of 1.24% (± 0.31)² and 1.04% (± 0.41), respectively, representing 0.26% and 0.20% more, respectively, than last month's forecasts (Table III.2.1 and Graph III.2.1).

On the other hand, average annual headline inflation is expected to be 2.17% (± 1.26) in 2010 and 1.51% (± 1.86) in 2011, representing an increase in the expected rates of 0.43% and 0.13%, respectively (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, and including the December CPI figure in the models, our forecast for December is 1.43%. The actual figure will be published at the end of this month. For the next two years, our forecasts are on the lower half of the central tendency established by the Fed in its November meeting (see report⁴).

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/newsevents/press/monetary/fomcminutes20090429.pdf>

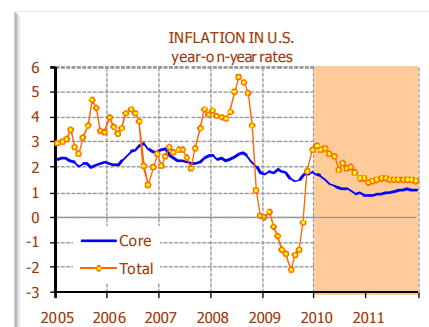
In conclusion, the heavy increase in durable goods prices, particularly second hand cars, the less than expected fall in home rentals and, above all, rising oil prices on the international markets (6% since last month), have increased inflation expectations by close to four tenths of a point, and we expect an average annual rate of 2.17% for 2010.

On the other hand, December saw a more intense acceleration of goods prices and moderation of services prices, and higher annual rates are now found in goods than in services.

Finally, our core PCE forecasts are in the lower half of the central tendency established by the Fed in November.

Our core PCE forecasts are on the lower limit of the central tendency established by the Fed in November.

Graph III.2.3



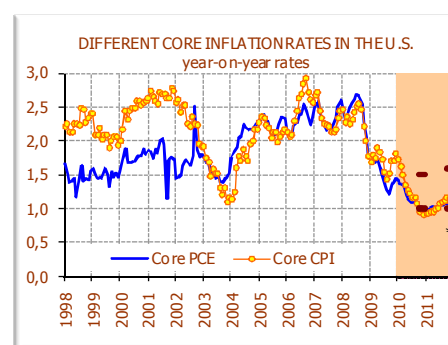
Source: BLS & IFL
Date: January 15, 2010

Table III.2.1

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

The shaded values are forecasts
(1) PCE: chain-type price index for personal consumption expenditures
(2) MB-PCE: Market-based components of PCE prices Source: BLS & IFL
Date: January 15, 2010

Graph III.2.4



Source: BLS & IFL
Date: January 15, 2010

Table III.2.2

Goods and Services with Negative Annual Rates in U.S. Inflation																		
Group*	Weights 2007	Item	December 2009	November 2009	October 2009	September 2009	August 2009	July 2009	June 2009	May 2009	April 2009	March 2009	February 2009	January 2009	QIV 2008	QIII 2008	Average 2008	
Food and beverages 6.45	0,211	Bread	-3,48	-3,16	-2,27	-2,21	-1,18	-0,55										
	0,098	Fresh biscuits, rolls, muffins	-2,58	-2,52	-1,55	-2,23	-3,17	-0,99										
	0,208	Other bakery products			-0,49													
	0,203	Uncooked ground beef	-6,08	-5,94	-6,15	-3,72	-1,91	-0,79										
	0,083	Uncooked beef roasts	-2,46	-0,86	-8,21	-6,48	-7,75	-6,01	-2,98	-1,06								
	0,192	Uncooked beef steaks	-5,06	-4,40	-7,40	-6,77	-6,85	-5,93	-2,29	-0,78			-0,80		-0,04			
	0,048	Uncooked other beef and veal	-0,84	-3,70	-3,38	-3,22	-2,47	-0,63										
	0,118	Bacon, breakfast sausage, and related products	-5,15	-6,33	-5,70	-3,60	-3,67										-0,50	
	0,067	Ham	-8,48	-7,00	-5,45	-3,40		-0,44				-2,37						
	0,065	Pork chops	-7,99	-7,80	-8,62	-9,21	-5,94	-6,46	-5,20	-3,05								
	0,080	Other pork including roasts and picnics	-10,97	-12,70	-10,54	-10,81	-8,25	-5,66	-5,56	-0,64								
	0,234	Other meats	-2,45	-1,45	-1,05	-0,59												
	0,260	Chicken	-2,10	-1,88	-2,09	-1,44												
	0,057	Other poultry including turkey		-1,66														
	0,152	Fresh fish and seafood	-1,42	-0,88	-4,07	-1,12	-0,53											
	0,120	Eggs	-6,61	-10,50	-15,55	-17,94	-13,12	-21,30	-18,52	-17,79	-14,59	-17,67	-12,99	-9,51	-5,53			
	0,323	Milk	-10,55	-13,41	-13,17	-16,02	-17,74	-18,35	-14,53	-13,63	-13,56	-12,08	-10,04	-4,45	-4,52			
	0,269	Cheese and related products	-9,33	-10,34	-9,07	-10,11	-11,02	-9,01	-5,81	-3,79	-1,23							
	0,139	Ice cream and related products	-2,09	-1,16	-0,17	-0,04	-0,15											
	0,157	Other dairy and related products	-3,82	-5,06	-4,05	-3,55	-3,57	-3,43	-2,25	-1,86	-2,44	-0,25						
	0,078	Apples	-9,89	-14,80	-18,22	-21,99	-22,41	-18,19	-15,19	-12,74	-9,89	-7,92	-5,61	-0,57				
	0,064	Bananas	-8,45	-11,16	-4,50	-4,35	-3,99	-2,00	-2,05	-1,08	-0,61							
	0,080	Citrus fruits			-5,45	-8,64	-6,97	-4,19	-9,37	-7,24	-8,84	-9,67	-6,73	-3,98	-1,42			-2,92
	0,243	Other fresh fruits	-1,30	-1,23	-4,20	-7,82	-5,69	-4,05	-3,57	-7,06	-5,09	-1,50	-5,93	-12,99	-4,97			
	0,068	Potatoes	-16,93	-18,45	-17,12	-15,53	-11,18	-5,97										
	0,059	Lettuce		-0,01	-10,80	-8,17	-4,37	-2,52										
	0,092	Tomatoes		-5,19	-3,99	-8,28	-11,48	-8,86	-12,23	-7,10	-7,19	-14,27	-9,90	-16,33	-4,70			
	0,222	Other fresh vegetables	-5,53	-6,31	-5,63	-4,75	-6,17	-6,07	-3,88	-2,88								
	0,126	Canned fruits and vegetables		-0,27														
	0,077	Frozen fruits and vegetables	-3,26		-2,07													
	0,292	Carbonated drinks		-0,71														
	0,301	Nonfrozen noncarbonated juices and drinks	-3,00	-1,60	-1,88		-0,33											
	0,115	Coffee	-2,76	-2,06	-2,80	-2,57	-2,63	-2,91	-1,81	-3,09	-2,01							
	0,206	Other beverage materials including tea		-0,10	-0,23													
	0,052	Other sweets		-0,17														
	0,570	Butter and margarine	-7,70	-8,48	-7,80	-5,34	-2,75	-0,73										
	0,090	Other fats and oils including peanut butter	-5,54	-5,41	-4,18	-4,14	-4,10	-2,06										
	0,088	Soups	-2,18	-3,47														
	0,295	Frozen and freeze dried prepared foods	-0,84	-1,08														
	0,068	Baby food	-1,16															
0,404	Other miscellaneous foods	-1,11	-1,85	-0,48														
0,229	Wine at home	-0,01																
0,036	Flour and prepared flour mixes	-4,22	-4,48	-1,06	-0,05	-0,88												
0,096	Rice, pasta, cereal	-2,93	-3,01	-2,14	-1,75													
Housing 7.96	2,416	Other lodging away from home including hotels and motels	-5,72	-6,80	-6,06	-7,60	-8,58	-9,64	-7,58	-7,49	-6,54	-8,55	-6,36	-5,28	-2,73	-0,72		
	0,239	Fuel oil		-6,94	-26,34	-35,95	-39,95	-48,26	-47,57	-45,96	-41,24	-39,52	-29,17	-26,88	-2,67			
	0,113	Propane, kerosene, and firewood	-4,17	-9,03	-17,37	-23,71	-24,48	-24,72	-20,33	-18,00	-14,67	-9,68	-4,95	-3,93				
	2,766	Electricity	-0,51		-0,59	-0,15	-1,21	-4,02	-2,79									
	1,098	Utility (piped) gas service	-18,08	-18,63	-23,95	-27,99	-32,73	-37,45	-28,65	-19,81	-10,78	-2,96						
	0,048	Floor coverings	-2,73	-2,50	-1,73	-0,79	-0,81											
	0,112	Window coverings	-6,19	-6,63	-7,97	-6,72	-5,32	-4,00	-2,79	-3,29	-1,30	-2,31	-2,60	-1,01			0,96 0,35	
	1,036	Other linens	-1,46	-1,83	-2,06	-2,69	-4,07	-4,43	-5,18	-5,64	-5,95	-5,44	-6,35	-7,61	-7,30	-4,01	-5,35	
	0,338	Bedroom furniture	-2,41	-2,73	-4,38	-2,56	-1,85								-1,03		-0,46 0,71	
	0,505	Living room, kitchen, and dining room furniture		-1,03	-0,07	-0,50	-0,99				-0,23	-1,90				-0,51	-0,60 -1,26	
	0,186	Other furniture	-0,80			-0,99											-0,78 0,86	
	0,219	Major appliances	-2,92	-3,11	-3,31	-2,31	-1,77											
	0,133	Other appliances	-2,14	-2,25														
	0,349	Clocks, lamps, and decorator items	-5,47	-5,37	-3,08	-4,46	-3,74	-3,63	-3,88	-4,05	-3,22	-1,71	-3,58	-3,99	-4,31	-3,65	-0,06 -2,96 -1,89	
	0,104	Indoor plants and flowers	-2,90	-0,81	-0,73	-1,68	-1,22	-0,50	-2,13	-2,15		-0,20						
	0,074	Dishes and flatware	-2,29	-1,31	-1,68	-1,28	-3,14	-1,11	0,79	-2,29	-0,03				-1,25	-1,15	-0,43 0,48	
	0,211	Tools, hardware and supplies	-2,48	-1,28	-1,61	-1,20	-0,65						-0,02				-0,82 0,76	
	0,350	Outdoor equipment and supplies	-1,10	-0,76	-0,36													
	0,292	Miscellaneous household products	-1,41	-2,09	-2,16	-1,06											-0,38 -0,73 -1,44	
	0,246	Gardening and lawnware services		-0,35	-0,11	-0,15												
	0,080	Moving, storage, freight expense	-2,23	-2,32	-3,04	-2,70	-3,37	-3,70	-1,36	-2,05	-2,73	-2,08	-3,02	-3,40	-0,58			
	0,148	Men's suits, sport coats, and outerwear	-2,03	-4,50	-4,07	-6,99	-5,80	-9,12	-7,62	-4,86	-5,91	-4,18	-2,14	-3,77	-2,81			
	0,224	Men's shirts and sweaters		-0,97	-1,37							-0,24		-1,21	-2,00	-2,39	-2,53	
	0,175	Men's pants and shorts	-0,43	-0,85	-1,45	-0,81	-1,65	-0,21										
	0,196	Boys' apparel	-2,27	-0,29								-0,38				-1,00		
	0,122	Women's outerwear		-1,11	-3,07	-3,18	-7,56								-0,86	-1,53		
	0,105	Women's dresses		-0,36								-0,81			-1,21	-2,00	-0,04	0,50
	0,739	Women's suits and separates				-1,09	-2,43			0,97		-2,25	-3,76	-5,25	-4,03	-0,24	-3,65	
	0,349	Women's underwear, nightwear, sportswear and accessories												-0,21	-0,39	-0,35	-1,55	
	0,271	Girls' apparel			-1,76				-0,07		-2,58				-3,32	-0,24	-2,58	
	0,144	Boys' and girls' footwear							-9,61									
	0,319	Women's footwear						-0,54	-0,90	-0,41	-0,29	-0,25	-0,34	-2,85	-0,65			
	0,185	Infants' and toddlers' apparel								-0,38		-0,42	-1,91	-1,35	-1,01	-0,10	-0,16	
	0,045	Watches	-2,75	-4,15	-3,57	-1,91	-1,92	-1,37										-0,03
	0,288	Jewelry					-0,81											
	Transportation 0.44	4,632	New vehicles									-0,23	-0,82	-1,54	-2,60	-2,68	-1,32	-1,49
		1,773	Used cars and trucks				-2,67	-5,45	-9,71	-10,86	-11,20	-10,20	-9,01	-4,47	-8,99	-6,83	-1,50	-1,32
		5,215	Gasoline (all types)			-17,91	-29,66	-29,96	-37,26	-34,63	-39,42	-39,47	-39,30	-35,57	-40,43	-21,02		
		0,268	Other motor fuels		-6,03	-28,29	-35,79	-40,37	-46,20	-46,57	-48,80	-45,22	-44,76	-32,61	-29,29	-7,02		
	Medical care 0.54	0,721	Airline fare			-6,50	-11,70	-15,88	-16,60	-17,06	-13,28	-9,15	-7,72	-3,52	-0,94			
0,167		Other intercity transportation	-4,06	-6,65	-7,10	-9,02	-7,65	-7,24	-7,49	-4,99	-3,27	-4,20	-2,70	-2,72				
0,252		Internal and respiratory over-the-counter drugs																
0,113		Nonprescription medical equipment and supplies		-0,72													0,18	
Recreation 2.01	0,537	Eyelasses and eye care						-0,13	-0,29	-0,23	-0,94	-0,87						
	0,167	Health insurance	-3,02	-2,86	-3,27	-3,17	-2,85	-2,93	-3,19	-3,28	-3,39	-3,60	-3,53	-3,68	-3,19	-1,72		
	0,035	Televisions	-27,43	-27,92	-29,29	-27,31	-25,58	-24,80	-23,48	-22,35	-21,30	-20,86	-21,03	-20,78	-18,80	-15,58	-17,44	
	0,036	Other video equipment	-10,01	-10,67	-10,73	-10,10	-7,48	-8,37	-9,63	-8,88	-10,70	-13,40	-13,43	-14,38	-13,55	-13,43	-13,30	
Education and communication 1.4	0,163	Video cassettes, discs, and other media including	-3,27	-1,78	-0,87													
	0,109	Audio equipment	-4,81	-5,90	-7,77	-6,24	-5,10	-4,35	-3,90	-3,73	-3,99	-4,72	-5,99	-5,03	-3,47	-4,63	-4,73	
	0,082	Audio discs, tapes and other media	-8,96	-4,08	-4,49	-6,62	-4,92	-4,27	-3,56	-1,62	-3,93	-5,75	-4,07	-1,17	-2,79	-2,61	-1,87	
	0,321	Sports vehicles including bicycles	-0,15	-0,90	-0,09										-0,12			
	0,255	Sports equipment	-2,25	-1,98														
	0,077	Photographic equipment and supplies	-2,17	-3,12	-2,52	-2,41	-2,36	-1,47	-3,16	-3,05	-3,45	-5,30	-6,57	-5,84	-6,13	-6,44	-6,20	
	0,245	Toys	-6,19	-7,02	-6,46	-5,66	-5,37	-3,61	-4,27	-4,57	-4,64	-5,34	-5,76	-5,99	-5,73			

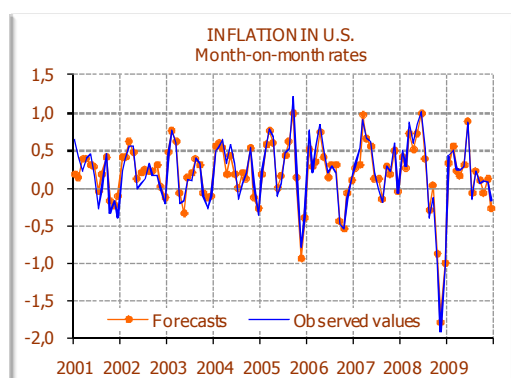
*With the sum of the weights of the sub-groups with negative YoY price variations in the last month.
In shaded area the items with negative year-on-year inflation since January 2009.

Source: BLS & IFL
Date: January 15, 2010



FORECASTING ERRORS IN U.S. INFLATION

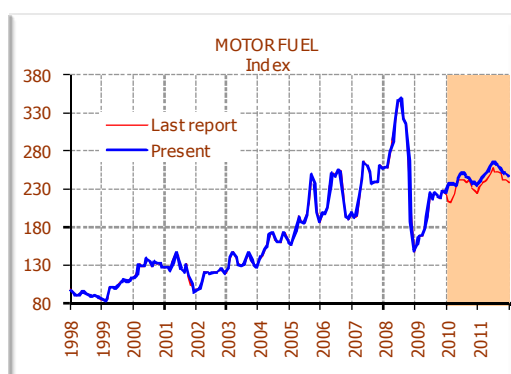
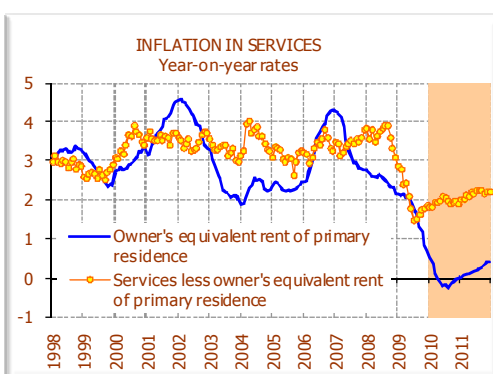
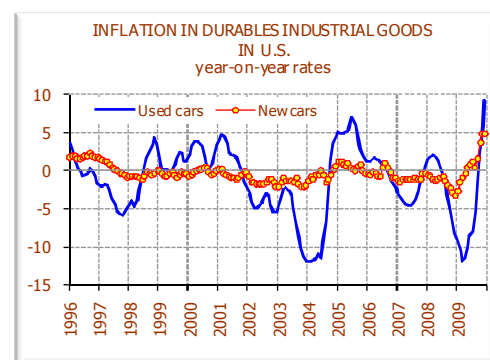
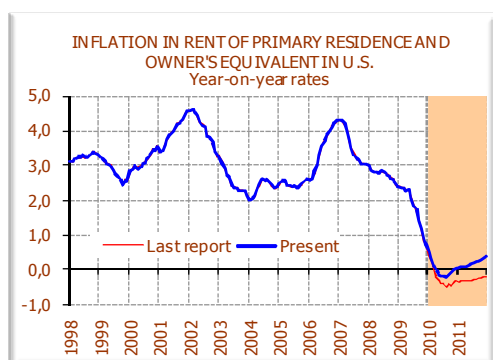
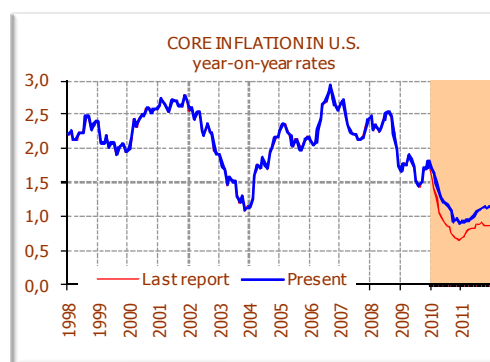
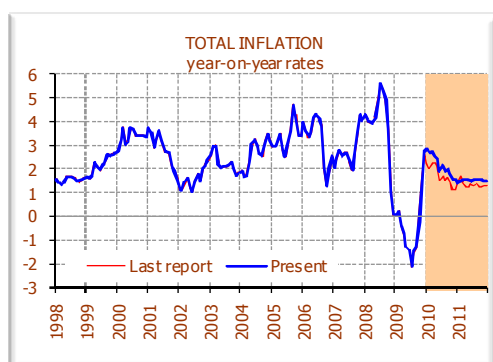
CONSUMER PRICE INDEX IN U.S. Monthly rates December, 2009				
	Relative Imp. Dec. 2008	Observed	Forecasts	Confidence Intervals*
TOTAL INFLATION	100,0	-0,18	-0,28	0,13
less Owner's equivalent rent of primary residence	75,6	-0,23	-0,35	0,17
CORE INFLATION	77,7	-0,16	-0,26	0,12
less Owner's equivalent rent of primary residence	53,3	-0,24	-0,35	0,16
Non-food and non-energy goods	21,5	-0,34	-0,57	0,26
Less tobacco	20,7	-0,37	-0,61	0,24
- Durable goods	10,5	0,29	-0,18	0,33
- Non-durable goods	11,0	-0,93	-0,93	0,38
Non-energy services	56,3	-0,09	-0,14	0,14
- Services less Owner's equivalent rent of primary residence	31,9	-0,16	-0,20	0,28
- Owner's equivalent rent of primary residence	24,4	0,00	-0,05	0,12
RESIDUAL INFLATION	22,3	-0,22	-0,35	0,48
Food	14,6	0,17	0,21	0,29
Energy	7,6	-0,85	-1,26	1,16



Source: BLS & IFL(UC3M)

Date: January 15, 2010

OTHER GRAPHS ON U.S. INFLATION FORECASTS



Source: BLS & IFL(UC3M)

Date: January 15, 2010



CONSUMER PRICE INDEX AND COMPONENTS IN USA															
Annual rates of growth															
		CPI													
		Core						TOTAL Confidence Intervals at 80% level			Residual			TOTAL 100% Confidence Intervals at 80% level	
		Non-energy commodities less food			Non-energy services						Food	Energy	TOTAL		
		Durables	Non durables	All	Owner's equivalent rent of primary residence	Other services	All								
IR December 08		10,5%	11,0%	21,5%	24,4%	31,9%	56,3%	77,7%		14,6%	7,6%	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	1,4	1,8	1,6	0,0	1,9	1,1	1,2	± 0,31	1,1	12,6	5,4	2,2	± 1,26	
	2011	-0,9	1,5	0,3	0,2	2,2	1,3	1,0	± 0,41	1,9	4,9	3,1	1,5	± 1,86	
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	2,6	3,4	3,0	0,5	1,8	1,2	1,7	± 0,12	-0,2	20,4	6,9	2,9	± 0,13
		February	2,6	3,0	2,8	0,3	1,8	1,2	1,6	± 0,20	0,1	17,8	6,3	2,7	± 0,44
		March	2,6	2,3	2,5	0,1	1,9	1,1	1,5	± 0,26	0,3	19,3	7,0	2,7	± 0,82
		April	2,4	1,6	2,0	0,0	1,9	1,1	1,3	± 0,32	0,7	17,8	6,7	2,5	± 1,16
		May	2,0	1,6	1,8	-0,1	2,0	1,1	1,3	± 0,35	0,9	15,9	6,3	2,4	± 1,46
		June	1,6	1,5	1,6	-0,2	2,1	1,1	1,2	± 0,38	1,0	9,5	4,3	1,9	± 1,70
		July	1,4	1,3	1,4	-0,2	2,0	1,1	1,2	± 0,39	1,4	12,0	5,5	2,1	± 1,86
		August	1,7	1,3	1,5	-0,3	2,0	1,0	1,2	± 0,41	1,5	9,4	4,5	1,9	± 1,98
		September	1,1	1,3	1,2	-0,1	1,9	1,0	1,1	± 0,44	1,7	10,4	5,0	2,0	± 2,08
		October	-0,2	1,4	0,7	-0,1	1,9	1,0	0,9	± 0,48	1,8	9,2	4,6	1,8	± 2,17
		November	-0,2	1,5	0,7	0,0	2,0	1,1	1,0	± 0,51	1,9	6,2	3,6	1,6	± 2,25
		December	-0,6	1,4	0,4	0,0	1,9	1,1	0,9	± 0,56	2,0	6,6	3,8	1,6	± 2,32
	2011	January	-0,8	1,4	0,3	0,0	2,0	1,1	0,9	± 0,57	2,0	4,5	3,0	1,4	± 2,42
		February	-1,0	1,4	0,2	0,1	2,0	1,2	0,9	± 0,57	2,0	5,5	3,3	1,5	± 2,47
		March	-1,2	1,5	0,2	0,1	2,1	1,2	1,0	± 0,57	2,0	5,8	3,5	1,5	± 2,50
		April	-1,1	1,4	0,2	0,1	2,1	1,2	0,9	± 0,57	1,9	6,3	3,6	1,6	± 2,51
		May	-1,1	1,4	0,2	0,1	2,2	1,3	1,0	± 0,57	1,9	5,9	3,5	1,6	± 2,51
		June	-1,0	1,5	0,2	0,2	2,2	1,3	1,0	± 0,57	1,9	4,9	3,1	1,5	± 2,52
		July	-1,0	1,5	0,3	0,2	2,2	1,4	1,1	± 0,57	1,9	4,6	3,0	1,5	± 2,56
		August	-0,9	1,5	0,3	0,3	2,2	1,4	1,1	± 0,57	1,8	4,5	2,9	1,5	± 2,62
		September	-0,8	1,5	0,4	0,3	2,2	1,4	1,1	± 0,57	1,8	4,4	2,8	1,5	± 2,64
		October	-0,5	1,4	0,5	0,3	2,2	1,4	1,1	± 0,57	1,8	4,2	2,8	1,5	± 2,65
		November	-0,8	1,5	0,4	0,4	2,2	1,4	1,1	± 0,57	1,8	4,1	2,7	1,5	± 2,67
		December	-0,8	1,5	0,4	0,4	2,2	1,4	1,1	± 0,57	1,8	3,9	2,6	1,5	± 2,71

Source: BLS & IFL

Date: January 15, 2010



CONSUMER PRICE INDEX AND COMPONENTS IN USA													
Monthly rates of growth													
			CPI										
			Core						TOTAL	Residual			TOTAL 100%
			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 08			10,5%	11,0%	21,5%	24,4%	31,9%	56,3%	77,7%	14,6%	7,6%	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	0,3	-0,5	-0,1	0,0	0,5	0,3	0,2	0,7	4,0	1,9	0,6
		2011	0,1	-0,5	-0,2	0,0	0,6	0,3	0,2	0,7	1,8	1,1	0,4
	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	0,2	1,1	0,6	-0,1	0,5	0,2	0,4	0,1	0,1	0,1	0,3
		2011	0,0	1,1	0,6	0,0	0,5	0,3	0,4	0,1	1,1	0,5	0,4
	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	1,2	0,7	0,0	0,3	0,2	0,3	-0,1	0,6	0,2	0,3
		2011	-0,1	1,3	0,6	0,0	0,4	0,2	0,4	0,0	0,8	0,3	0,3
	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	-0,1	0,3	0,1	0,0	0,1	0,0	0,1	0,1	0,0	0,1	0,1
		2011	0,0	0,2	0,1	0,0	0,1	0,0	0,1	0,0	0,5	0,2	0,1
	May	2008	-0,3	-0,4	-0,3	0,1	0,3	0,2	0,1	0,5	7,0	3,3	0,8
		2009	0,2	-0,4	-0,1	0,1	0,0	0,0	0,0	-0,2	4,0	1,3	0,3
		2010	-0,1	-0,4	-0,3	0,0	0,0	0,0	-0,1	0,0	2,3	0,9	0,2
		2011	-0,1	-0,3	-0,2	0,0	0,1	0,0	0,0	0,1	1,9	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	-0,1	-0,9	-0,5	0,0	0,4	0,2	0,0	0,1	3,9	1,6	0,4
		2011	-0,1	-0,9	-0,5	0,0	0,4	0,2	0,0	0,0	2,9	1,2	0,3
	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	-0,2	-0,9	-0,6	0,0	0,3	0,2	0,0	0,2	0,6	0,3	0,1
		2011	-0,2	-0,9	-0,5	0,0	0,4	0,3	0,0	0,2	0,3	0,2	0,1
	August	2008	-0,4	0,8	0,2	0,2	0,2	0,2	0,2	0,5	-5,2	-2,1	-0,4
		2009	-0,7	0,5	-0,1	0,1	0,3	0,2	0,1	0,0	1,5	0,6	0,2
		2010	-0,4	0,5	0,1	0,0	0,2	0,1	0,1	0,2	-0,9	-0,3	0,0
		2011	-0,3	0,5	0,1	0,1	0,2	0,1	0,1	0,1	-1,0	-0,3	0,0
	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	1,7	0,7	0,0	-0,1	0,0	0,2	0,1	-0,4	-0,1	0,1
		2011	-0,3	1,7	0,7	0,1	-0,1	0,0	0,2	0,1	-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	-0,1	0,6	0,3	0,0	0,1	0,1	0,1	0,2	-2,6	-0,9	-0,1
		2011	0,2	0,6	0,4	0,1	0,1	0,1	0,2	0,2	-2,7	-1,0	-0,1
	November	2008	-0,4	-0,2	-0,3	0,3	-0,4	-0,1	-0,2	0,0	-18,0	-7,4	-1,9
		2009	0,4	-0,4	0,0	-0,1	-0,3	-0,2	-0,2	-0,1	2,4	0,8	0,1
		2010	0,4	-0,3	0,0	0,0	-0,3	-0,2	-0,1	0,1	-0,5	-0,1	-0,1
		2011	0,1	-0,3	-0,1	0,1	-0,3	-0,1	-0,1	0,0	-0,6	-0,2	-0,1
	December	2008	-0,3	-1,1	-0,7	0,1	-0,2	-0,1	-0,3	0,0	-9,9	-3,6	-1,0
		2009	0,3	-0,9	-0,3	0,0	-0,2	-0,1	-0,2	0,2	-0,8	-0,2	-0,2
		2010	-0,1	-1,0	-0,5	0,0	-0,2	-0,1	-0,2	0,2	-0,4	0,0	-0,2
		2011	-0,1	-1,0	-0,5	0,1	-0,2	-0,1	-0,2	0,2	-0,5	-0,1	-0,2

Source: BLS & IFL(UC3M)

Date: January 15, 2010



III.3. PROPERTY SECTOR

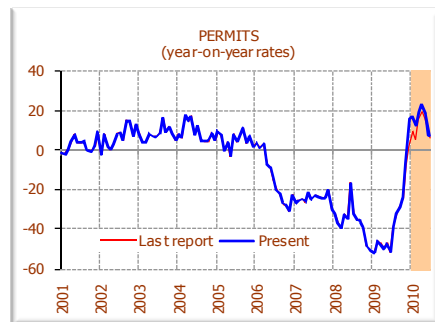
The **building permit and housing start** figures showed different behaviour. There were 653,000 permits¹ instead of the forecast 576,000, while there were 557,000 housing starts instead of the forecast 611,000. The poor housing start figure is partly affected by bad weather conditions (see Graphs III.3.1, III.3.1b, III.3.2 and III.3.2b).

Likewise, **new housing** registered a significant downwards deviation, with prices higher than expected (see Graphs III.3.3, III.3.3b, III.3.4 and III.3.4b).

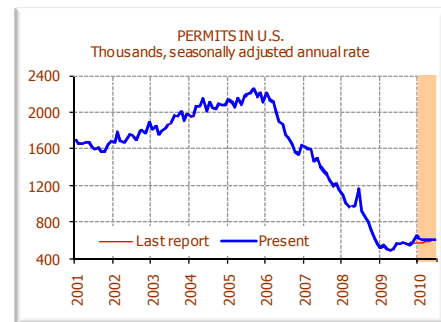
The number of **second hand house** sales registered a strong decline relative to November, affected by the public aid calendar. Prices, however, were higher than expected (see Graphs III.3.5, III.3.5b, III.3.6 and III.3.6b).

Given the low levels of the series, the reader is advised to follow the graphs, which better illustrate the sector's evolution, particularly Graph III.3.5b this month, showing the drop in second hand homes.

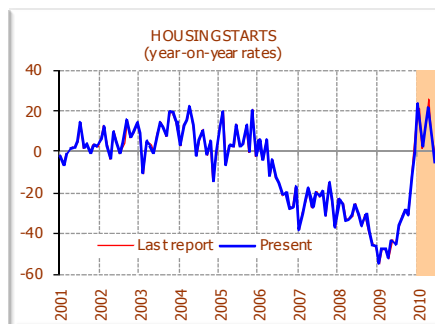
Graph III.3.1



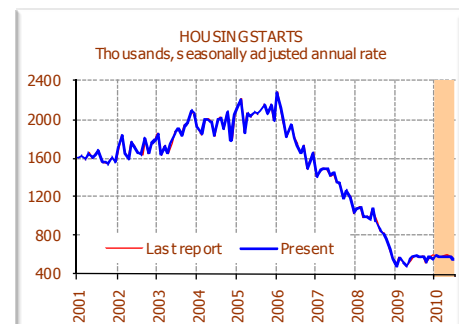
Graph III.3.1b



Graph III.3.2



Graph III.3.2b



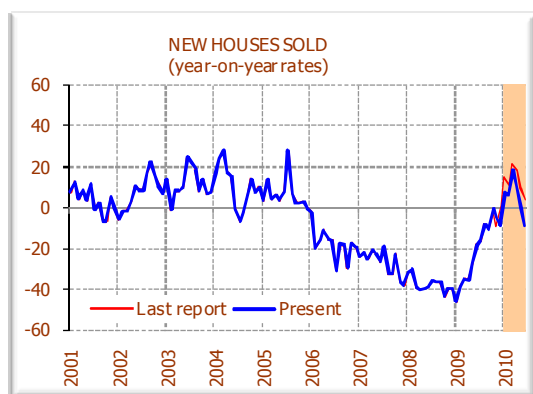
Source: U.S. Census Bureau & IFL (UC3M)

Date: February 1, 2010

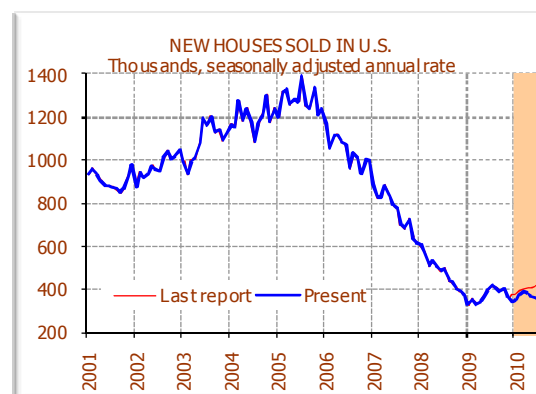
1. Seasonally adjusted and annualized.



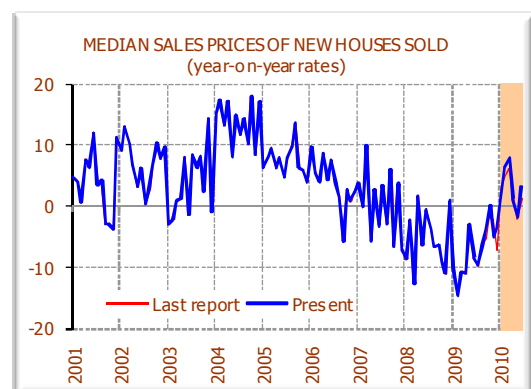
Graph III.3.3



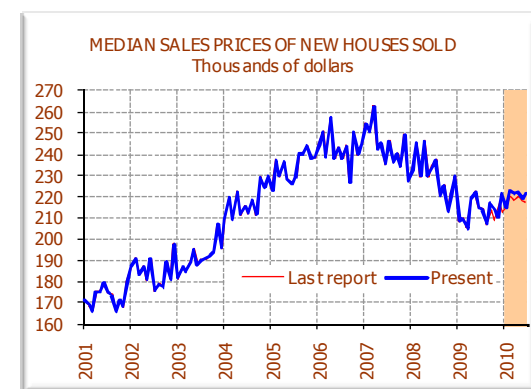
Graph III.3.3b



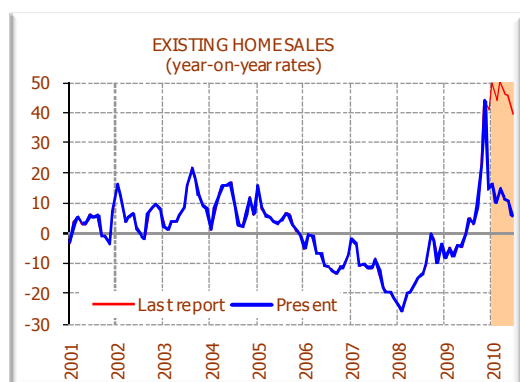
Graph III.3.4



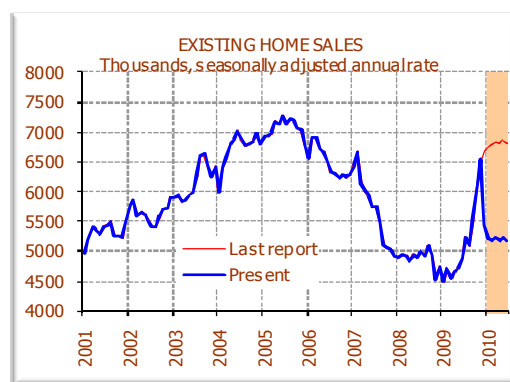
Graph III.3.4b



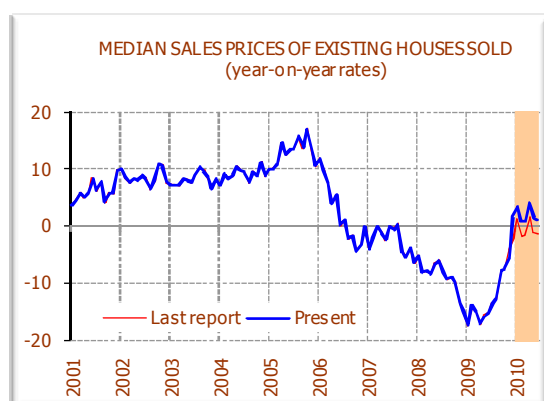
Graph III.3.5



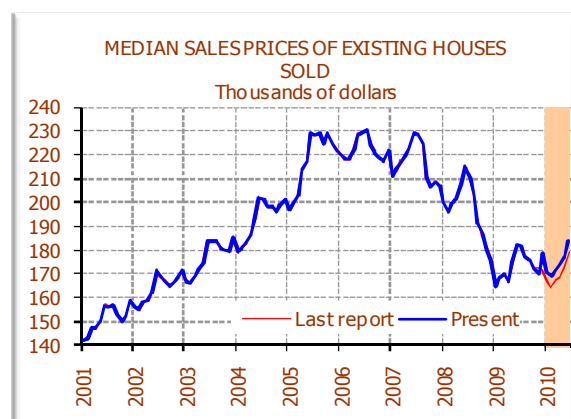
Graph III.3.5b



Graph III.3.6



Graph III.3.6b



Source: National association of REALTORS & IFL (UC3M)
Date: February 1, 2010



IV. SPAIN

For the last quarter of 2009 we expect no variations in GDP with respect to the previous quarter. As for 2010 and 2011, the forecasts for private consumption, imports and exports have been revised downwards.

Average annual inflation rates of 2.3% and 2.4%, respectively, are expected for 2010 and 2011. These forecasts include the VAT increase approved for July this year.

We expect industrial production to resume to positive growth in March. In spite of this average annual growth of industrial GVA is expected to be slightly negative.

MAIN VARIABLES AND INDICATORS						
Average annual rates						
	2006	2007	2008	Forecasts		
				2009	2010	2011
GDP mp.¹	4,0	3,6	0,9	-3,6	-0,3	1,1
Demand						
Private final consumption	3,8	3,6	-0,6	-5,1	-0,6	1,0
Public final consumption	4,6	5,5	5,5	5,2	4,5	4,8
Gross fixed capital formation	7,2	4,6	-4,4	-15,3	-3,9	0,5
Equipment	9,9	9,0	-1,8	-24,5	1,3	5,4
Construction	6,0	3,2	-5,5	-11,1	-5,6	-1,2
Other products	7,5	3,6	-4,3	-16,9	-7,7	-0,7
Contribution domestic demand*	5,3	4,4	-0,7	-6,4	-0,6	1,7
Exports of goods and services	6,7	6,6	-1,0	-12,4	4,9	4,5
Imports of goods and services	10,2	8,0	-4,9	-18,6	2,9	5,6
Contribution foreign demand*	-1,4	-0,9	1,4	2,7	0,3	-0,6
Supply GVA						
Agriculture	5,8	1,8	-0,8	-0,6	-1,5	-1,8
Energy	1,3	0,9	1,9	-7,5	-0,1	0,5
Industry	1,9	0,9	-2,1	-15,0	-2,1	-0,2
Construction	4,7	2,3	-1,3	-6,0	-1,7	1,7
Trade services	4,6	5,1	1,6	-2,0	-0,2	0,9
Non-trade services	4,0	4,8	4,4	2,9	2,6	2,6
Total	4,1	3,9	1,1	-3,7	-0,3	1,0
Tax	3,7	1,0	-1,0	-2,2	-0,1	1,2
Prices CPI²						
Annual average rate	3,5	2,8	4,1	-0,3	2,1	2,3
dec / dec	2,7	4,2	1,4	0,8	2,6	2,0
Labour market³						
Active population (% change)	3,3	2,8	3,0	0,9	0,2	0,3
Employment EPA (Aver. year-on year)	4,1	3,1	-0,5	-6,7	-2,2	-0,6
Unemployment rate	8,5	8,3	11,3	18,0	19,9	20,7
Basic Balances¹						
Foreign sector						
Balance of Current Account (m. €)	-88872	-105441	-103917	-52680	-50322	-46776
Net lending or borrowing (% of GDP)**	-8,4	-9,6	-9,1	-5,0	-4,8	-4,2
Public Administration						
Net lending or borrowing (% of GDP)**	2,0	1,9	-4,1	11,4	9,5	9,0
Industrial production index (excluding construction)⁴						
Total	3,7	2,4	-7,1	-16,4	1,0	2,2

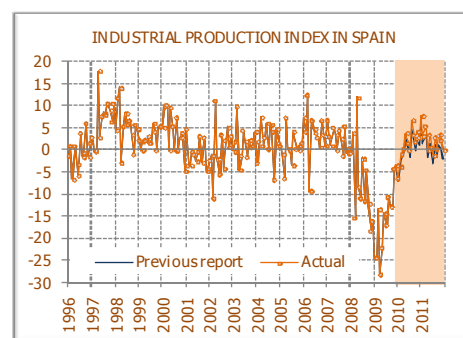
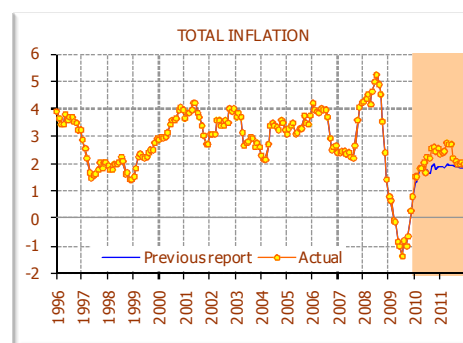
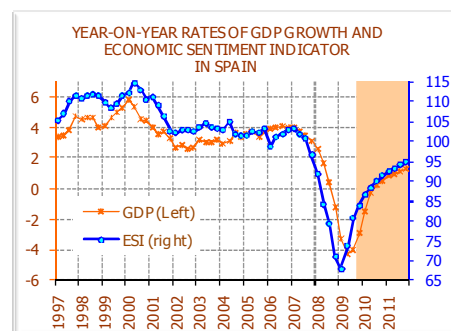
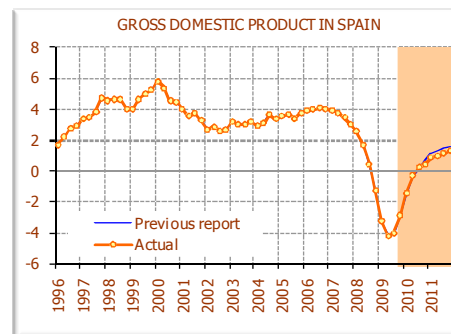
The figures in the shaded area are forecasts

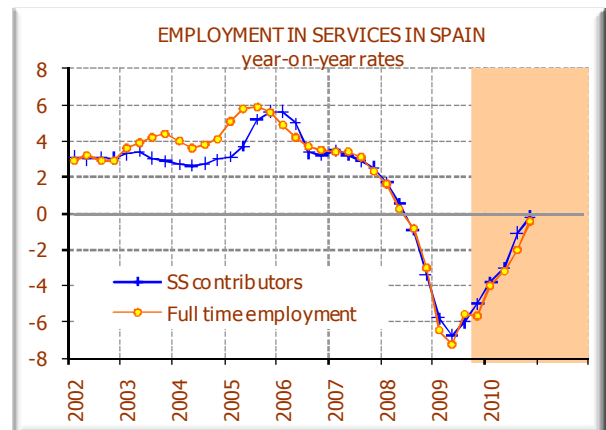
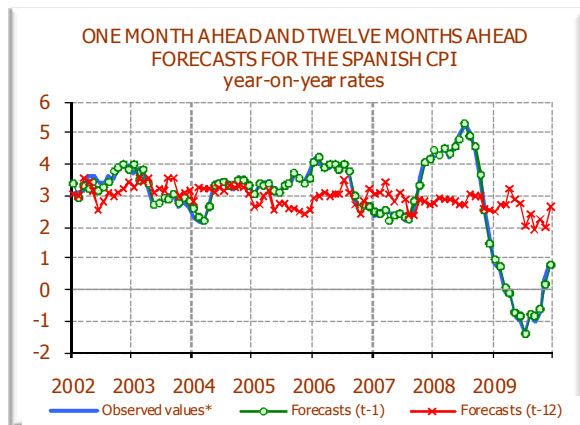
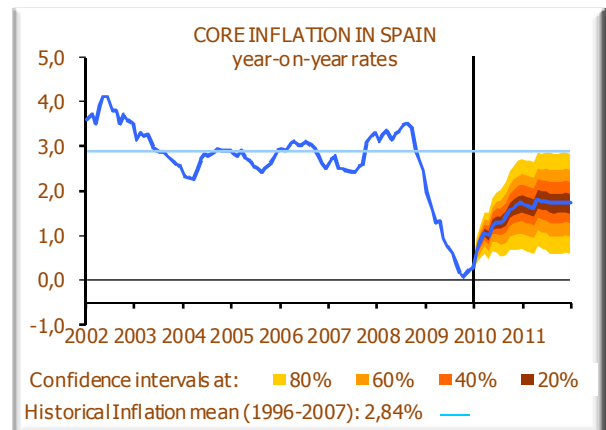
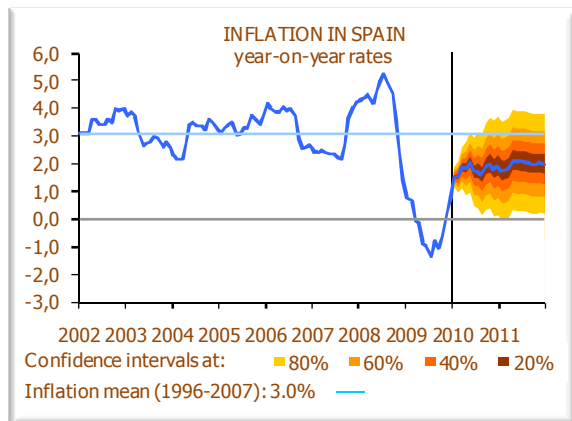
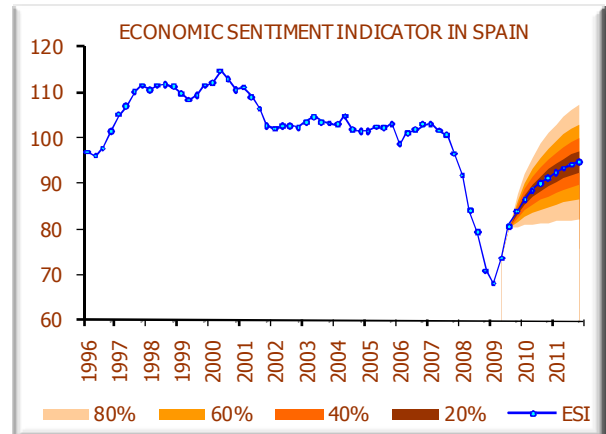
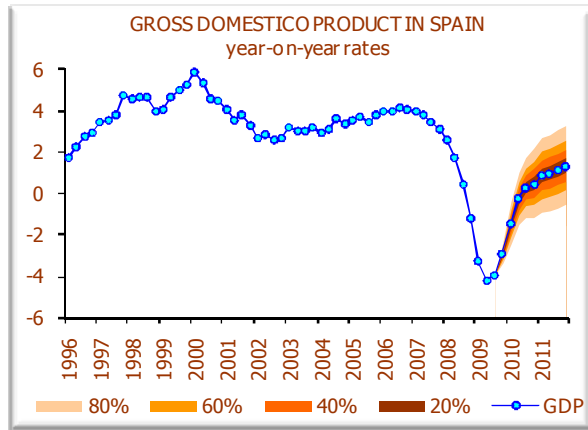
(1) Data adjusted for seasonality and working days effect.

Source: EUROSTAT & IFL (UC3M)

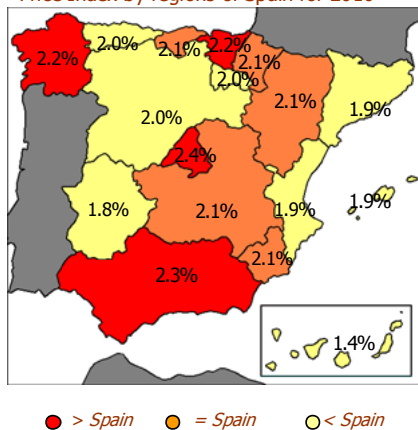
Dates: (1) January 28, 2010 (2) January 14, 2010

(3) January 2, 2010 (4) January 8, 2010

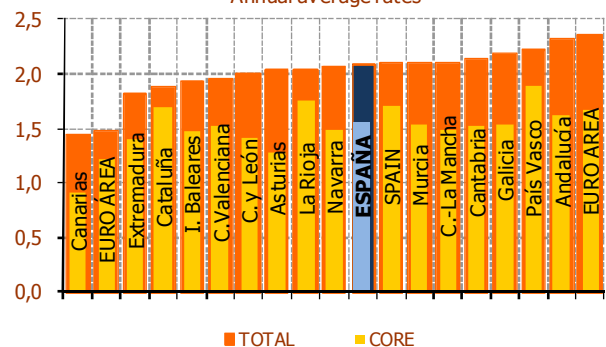




Average annual rates of growth of Consumer Price Index by regions of Spain for 2010



FORECASTS FOR 2010 INFLATION BY REGIONS OF SPAIN, AND IN THE EURO AREA
Annual average rates



IV.1. MACROECONOMIC FORECASTS

The perspectives derived from our latest forecasts, estimated with the most recent information available, show that the Spanish economy continues to show a weak and uncertain recovery profile.

With regards to private consumption, for the fourth quarter its quarter-on-quarter growth rate has been revised downwards by one tenth of a point to -0.2%.

According to the latest indicators, largely referring to the last two months of last year, the Spanish economy continued to weaken, as it has been doing for nearly two years, albeit more moderately. Unlike the euro area economy, which registered clear growth in the third quarter and will probably continue to do so in the fourth, the question in the Spanish economy is whether it will continue to decline this quarter, stabilise or register some growth. Our latest forecast anticipates a practically stable quarter-on-quarter GDP rate for the quarter.

The perspectives derived from our latest forecasts, estimated with the most recent information available, show that the Spanish economy continues to show a weak and uncertain recovery profile.

Activity will slow down slightly in the euro area in the last quarter of 2009 and that is reflected in our exports.

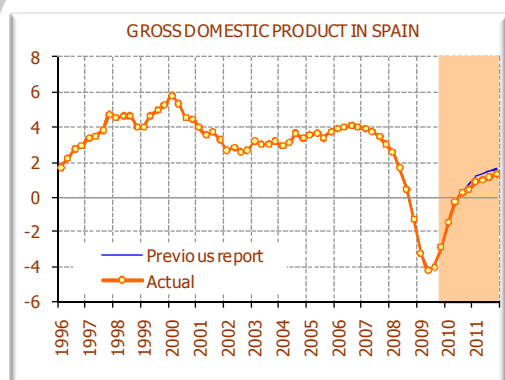
The International Monetary Fund recently updated last October's international economic forecasts for the next two years. The Spanish forecast has been revised upwards and now shows a negative average annual growth rate for 2009 (-3.6%) instead of the previously expected -3.8%. For 2010, it forecasts a rate of -0.6%, followed by 0.9% growth in 2011.

The revision of our GDP forecasts on the demand side shows that the most significant changes are found in the foreign sector and private consumption, with small, negligible changes in all the other sectors. Activity will slow down slightly in the euro area in the last quarter of 2009 and that is reflected in our exports. After the increase in trade in the third quarter, more moderate recovery is expected in the last quarter of 2009, with quarter-on-quarter rates of 0.2%. This evolution of the foreign sector indicators leads us to revise the average growth rates expected for exports and imports downwards for 2010, and we now expect 4.9% growth in exports and 2.9% in imports, with foreign demand making a positive contribution to GDP growth (0.3 pp). For 2011, we expect exports to grow a little less than the previous year (4.5%), with imports growing by 2.7 pp. For the first time after three years, the foreign sector's contribution to GDP growth will be negative (0.6 pp).

With regards to private consumption, for the fourth quarter its quarter-on-quarter growth rate has been revised downwards by one tenth of a point to -0.2%. This change is derived from the differing evolution of its high frequency indicators, with consumer confidence rising and retail trade sales adjusted for seasonality falling. For 2010 and 2011, growth of this aggregate has been revised downwards slightly to -0.6% for this year and 1% for the next. The weakness of private consumption is due to several factors, including the adverse evolution of the labour market in the same period, with an unemployment rate of around 20%, high household indebtedness and a VAT increase in July this year.

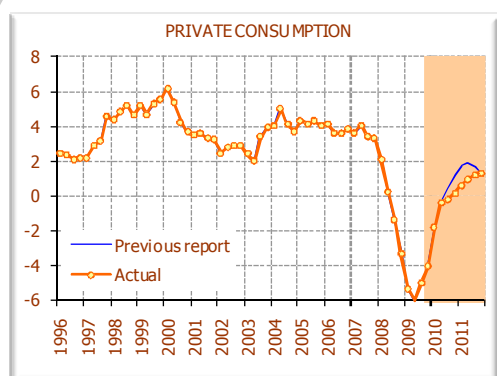
The Government's recent austerity plan does not change our public expenditure forecasts for 2010 and 2011, as it largely refers to civil servants' wages and salaries, and our forecasts already contemplated

Graph IV.1.1



Source: INE & IFL (UC3M)
Date: January 28, 2010

Graph IV.1.2



Source: INE & IFL (UC3M)
Date: January 28, 2010



some moderation in this item. As further information becomes available, however, the forecasts will be updated accordingly.

On the supply side, the forecasts have hardly changes in services, agriculture and construction, while industrial GVA growth has been revised upwards for 2010, in view of the good IPI in November, much better than expected. For 2011, however, expectations have fallen, and the forecast shows an annual rate of 0.2%.

The November Industrial Production Index (IPI) registered a year-on-year decrease of 4.1%, equivalent to -5.7% when corrected for calendar effect. This rate is 3.5 points higher than last month. These results have improved our forecast estimated with information up to October and represent significant upwards innovations in most of the groups that comprise the index.

The upwards innovation of the IPI was largely due to consumer and intermediate goods. With regards to the former, durable consumer good production more than exceeded the expected growth rate, due to the effects of public incentives for motor vehicle purchases. The smaller apparent effect of this aid in the previous months was due to the fact that car manufacturers were selling their stocks. In the last few years of the past period of growth, these firms accumulated an excess in capacity which will probably lead to a structural change, the scope of which is as yet unknown. The non-durable consumer good index also improved our forecast and the same occurred with intermediate goods. In capital goods and energy, however, the deviation between the observed and the forecast figures was marginal.

Using the latest information about the industrial sector, we have updated our IPI forecasts, resulting in upwards revisions in all the sectors. For 2009, we expect the IPI to register an average annual rate of -16.4% and rates of 1% and 2.2%, respectively, for this year and the next. This improvement will be due to consumption of durable and non-durable consumer and intermediate goods. Non-durable consumer goods will show average annual rates of 3.7% and 5% and intermediate goods 1.1% and 1.8%, respectively, while durable consumer goods will continue with decreasing negative rates.

The Spanish Economic Sentiment Indicator (ESI) estimated by the European

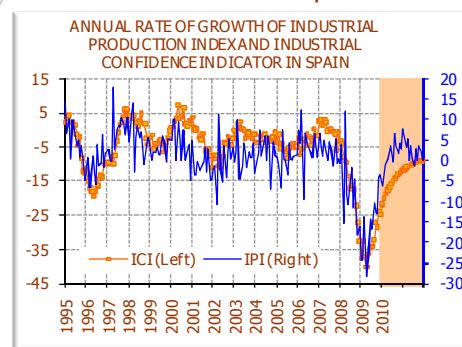
Commission for December rose by 1.2 points to a total of 85.2. This is 18.6 points more than the lowest figure observed 12 months earlier, and reinforces the upwards evolution registered since March 2008. Different sectors evolved differently. Confidence increased by three points in both services and consumption and two points in industry, falling in construction and the retail trade.

As mentioned in earlier reports, one of the most visible and negative effects of the economic crisis on the Spanish economy is found in the labour market. Its decline is much more intense than in other euro area countries, basically because of its peculiar characteristics. In the last two years our unemployment rate has doubled, increasing by nearly 10 points, while it hardly grew in the euro area. The perspectives show that it could end 2009 at more than 18%, with well over four million unemployed. The latest information about the labour market takes the form of administrative data for December 2009, Social Security (SS) contributors and registered unemployment. SS contributors fell by

a month-on-month rate of 43,800 people, which falls to 15,400 when corrected for seasonality. Relative to a year earlier, there are now 727,500 contributors less, representing a year-on-year rate of decline of 3.9%, although this figure was higher in the previous month (4.7%). This affected all non-farming sectors, starting with construction (17.9%). Consistent with the evolution of SS contributors, registered unemployment at the end of the month totalled nearly four million people (3,923,600), with 794,600 added during the year. The results of the fourth quarter's Active Population Survey (EPA) will be published at the end of January. We are forecasting a year-on-year decline of 5.7%, after a greater decrease in the previous quarter (7.3%), with 158,000 jobs lost in the quarter. Unemployment is expected to reach 4.3 million, with an unemployment rate of 18.5%, six tenths of a point more than the previous quarter.

The upwards innovation of the IPI was largely due to consumer and intermediate goods.

Graph IV.1.3



Source: EUROPEAN COMMISSION, INE & IFL (UC3M)

Date: January 13, 2010.

SS contributors fell by a month-on-month rate of 43,800 people, which falls to 15,400 when corrected for seasonality.



GROSS DOMESTIC PRODUCT IN THE EURO AREA: DEMAND

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

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	
		Private	Public	Total	Equipment	Building	Other products						
ANNUAL AVERAGE	2005	4,2	5,5	7,0	9,2	6,1	7,1	5,2	2,5	7,7	-1,7	3,6	
	2006	3,8	4,6	7,2	9,9	6,0	7,5	5,3	6,7	10,2	-1,4	4,0	
	2007	3,6	5,5	4,6	9,0	3,2	3,6	4,4	6,6	8,0	-0,9	3,6	
	2008	-0,6	5,5	-4,4	-1,8	-5,5	-4,3	-0,7	-1,0	-4,9	1,4	0,9	
	2009	-5,1	5,2	-15,3	-24,5	-11,1	-16,9	-6,4	-12,4	-18,6	2,7	-3,6	
	2010	-0,6	4,5	-3,9	1,3	-5,6	-7,7	-0,6	4,9	2,9	0,3	-0,3	
	2011	1,0	4,8	0,5	5,4	-1,2	-0,7	1,7	4,5	5,6	-0,6	1,1	
QUARTERLY RATES*	2009	QI	-2,4	1,2	-6,3	-14,6	-3,0	-5,0	-3,1	-8,7	-11,1	1,4	-1,6
		QII	-1,5	0,5	-3,9	-6,3	-3,0	-5,3	-2,0	0,6	-2,3	0,9	-1,1
		QIII	-0,1	1,6	-2,2	1,9	-2,6	-7,0	-0,3	2,3	2,0	-0,1	-0,3
		QIV	-0,2	1,2	-1,4	-1,8	-1,7	0,1	-0,3	0,2	-0,6	0,3	0,0
	2010	QI	-0,1	0,8	-1,0	-0,6	-1,0	-1,5	-0,2	0,7	0,5	0,0	-0,2
		QII	0,0	1,0	-0,1	3,1	-1,2	-1,2	0,1	2,2	1,8	0,0	0,1
		QIII	0,1	1,4	0,1	3,1	-1,0	-0,8	0,3	1,7	1,8	-0,1	0,2
		QIV	0,2	1,3	0,0	0,6	-0,3	-0,2	0,4	0,8	1,1	-0,2	0,3
	2011	QI	0,3	0,9	0,3	0,9	0,1	0,1	0,4	0,4	1,0	-0,2	0,2
		QII	0,3	1,1	0,0	0,5	-0,2	0,0	0,4	1,8	1,9	-0,1	0,3
		QIII	0,3	1,5	0,4	2,2	-0,2	0,1	0,6	1,3	1,7	-0,2	0,4
		QIV	0,4	1,3	0,4	0,8	0,3	0,4	0,6	0,3	0,6	-0,1	0,4

Data adjusted for seasonality and working days effect

*The figures in the shaded area are forecasts

(1)Contribution to GDP growth

Quarter-on-quarter rates

Source: INE & IFL (UC3M)

Date: January 28, 2010



GROSS DOMESTIC PRODUCT IN THE EURO AREA: SUPPLY

GROSS DOMESTIC PRODUCT IN SPAIN Annual rates of growht											
		Gross Value Added							Tax	Real GDP	
		Agriculture	Energy	Industry	Construction	Market services	Non-market services	Total			
ANNUAL AVERAGE	2005	-8,2	1,2	1,1	5,2	4,4	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	1,8	0,9	0,9	2,3	5,1	4,8	3,9	1,0	3,6	
	2008	-0,8	1,9	-2,1	-1,3	1,6	4,4	1,1	-1,0	0,9	
	2009	-0,6	-7,5	-15,0	-6,0	-2,0	2,9	-3,7	-2,2	-3,6	
	2010	-1,5	-0,1	-2,1	-1,7	-0,2	2,6	-0,3	-0,1	-0,3	
	2011	-1,8	0,5	-0,2	1,7	0,9	2,6	1,0	1,2	1,1	
ANNUAL RATES*	2009	QI	-2,1	-7,6	-15,5	-5,8	-1,0	2,9	-3,1	-1,7	-3,2
		QII	-0,9	-9,6	-17,0	-6,6	-2,5	3,2	-4,1	-2,6	-4,2
		QIII	-0,6	-7,9	-15,7	-6,6	-2,4	2,6	-3,8	-2,7	-4,0
		QIV	1,1	-4,5	-11,6	-5,0	-2,0	3,0	-2,7	-1,8	-2,9
	2010	QI	-0,7	-0,3	-6,5	-3,3	-1,0	2,8	-1,2	-1,5	-1,5
		QII	-1,4	0,7	-1,8	-2,2	0,0	2,1	-0,1	-0,1	-0,3
		QIII	-1,9	-0,8	0,2	-1,1	0,0	3,1	0,3	0,8	0,3
		QIV	-2,1	-0,1	0,1	-0,1	0,3	2,4	0,5	0,4	0,5
	2011	QI	-1,3	0,5	0,2	0,9	0,5	2,8	0,9	0,9	0,9
		QII	-1,7	0,4	-0,1	1,5	0,8	2,5	1,1	1,1	1,0
		QIII	-2,0	0,4	-0,5	2,1	1,1	2,6	1,2	1,4	1,2
		QIV	-2,1	0,8	-0,4	2,4	1,3	2,7	1,4	1,5	1,3

* 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	Total			
ANNUAL AVERAGE	2005	-8,2	1,2	1,1	5,2	4,4	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	1,8	0,9	0,9	2,3	5,1	4,8	3,9	1,0	3,6	
	2008	-0,8	1,9	-2,1	-1,3	1,6	4,4	1,1	-1,0	0,9	
	2009	-0,6	-7,5	-15,0	-6,0	-2,0	2,9	-3,7	-2,2	-3,6	
	2010	-1,5	-0,1	-2,1	-1,7	-0,2	2,6	-0,3	-0,1	-0,3	
	2011	-1,8	0,5	-0,2	1,7	0,9	2,6	1,0	1,2	1,1	
QUARTERLY RATES*	2009	QI	0,4	-4,5	-5,2	-2,2	-1,1	0,2	-1,6	-0,6	-1,6
		QII	0,5	-0,9	-4,6	-1,2	-1,0	1,6	-0,9	-1,3	-1,1
		QIII	0,3	1,5	-1,7	-1,1	0,1	-0,2	-0,3	-0,6	-0,3
		QIV	-0,2	-0,7	0,0	-0,7	-0,1	1,4	0,1	0,7	0,0
	2010	QI	-1,4	-0,2	-0,4	-0,4	0,0	0,0	-0,1	-0,3	-0,2
		QII	-0,2	0,1	0,2	-0,1	0,0	0,9	0,2	0,1	0,1
		QIII	-0,2	-0,1	0,3	0,0	0,1	0,8	0,2	0,3	0,2
		QIV	-0,3	0,1	-0,1	0,4	0,2	0,7	0,3	0,4	0,3
	2011	QI	-0,6	0,4	-0,2	0,6	0,2	0,4	0,2	0,2	0,2
		QII	-0,6	0,0	-0,1	0,5	0,3	0,6	0,3	0,3	0,3
		QIII	-0,5	-0,1	-0,1	0,6	0,4	0,9	0,4	0,6	0,4
		QIV	-0,5	0,4	0,0	0,7	0,4	0,8	0,5	0,5	0,4

Data adjusted for seasonality and working days effect

The figures in the shaded area are forecasts

(1)Contribution to GDP growth

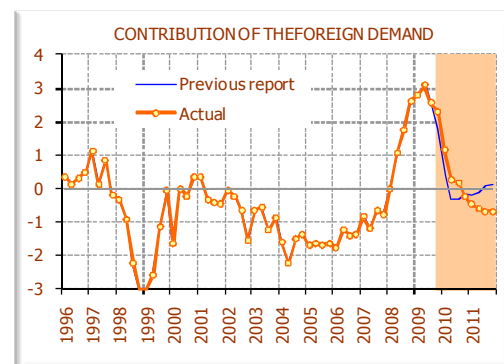
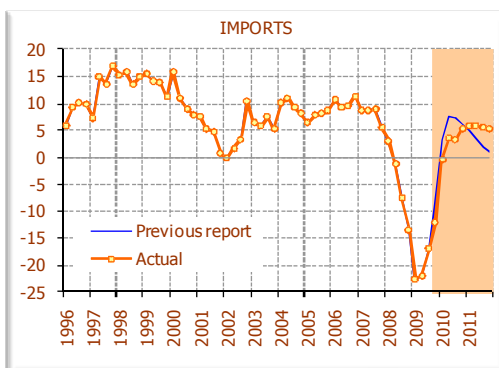
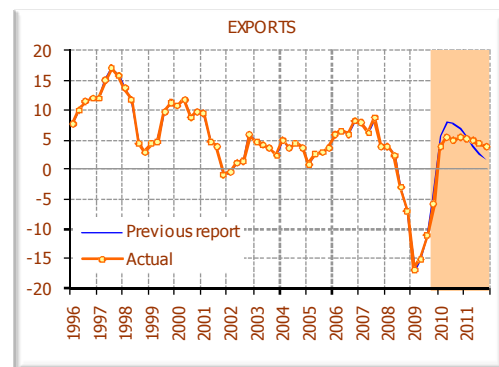
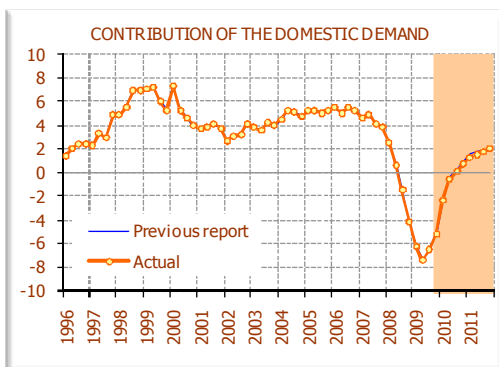
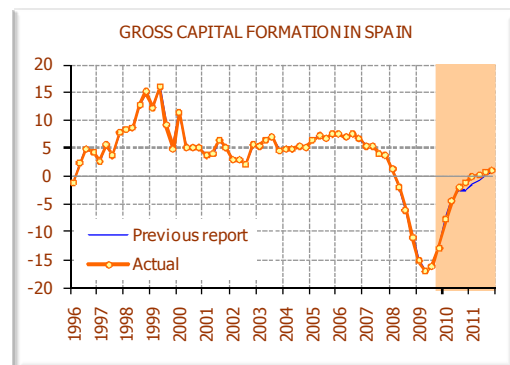
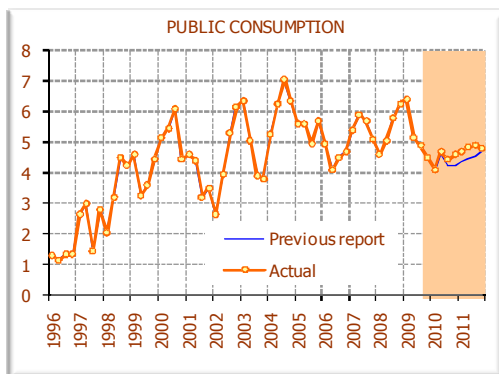
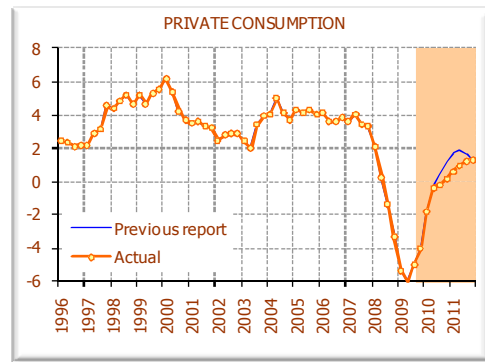
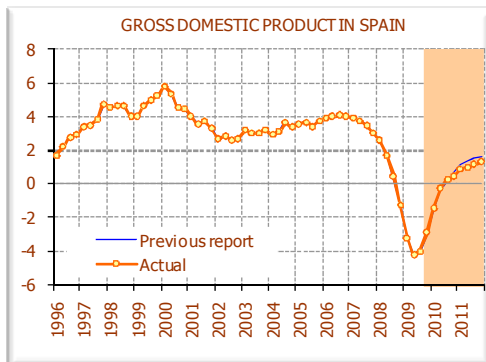
Quarter-on-quarter rates

Source: EUROSTAT & IFL (UC3M)

Date: January 28, 2010



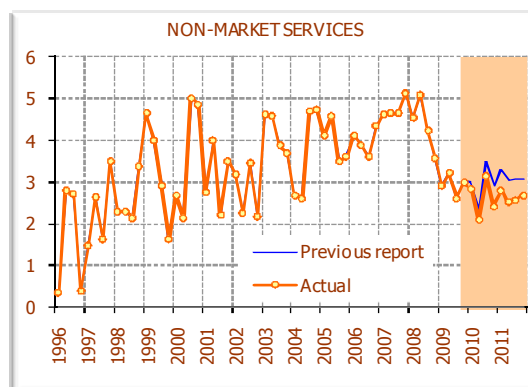
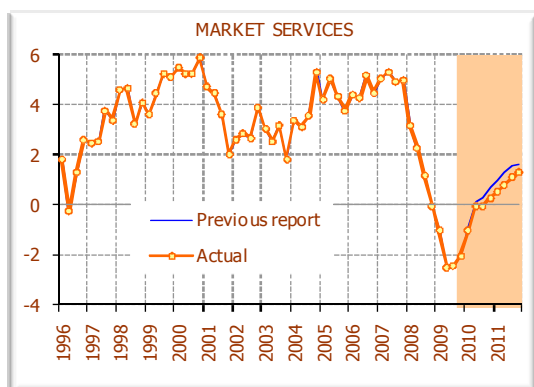
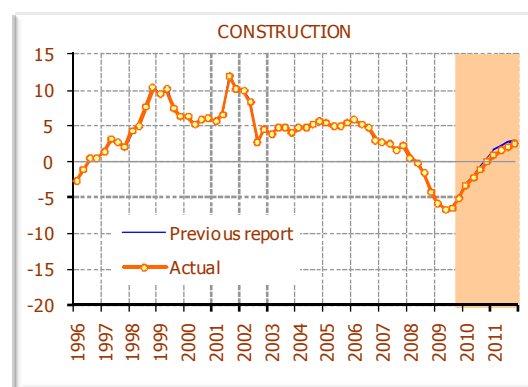
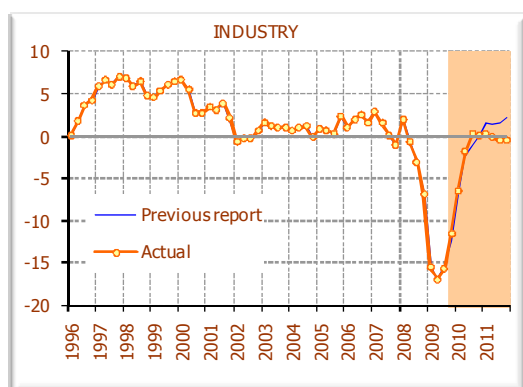
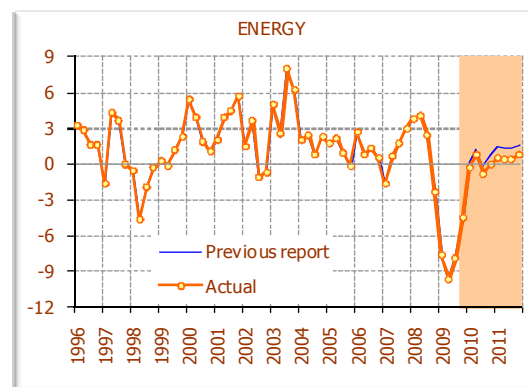
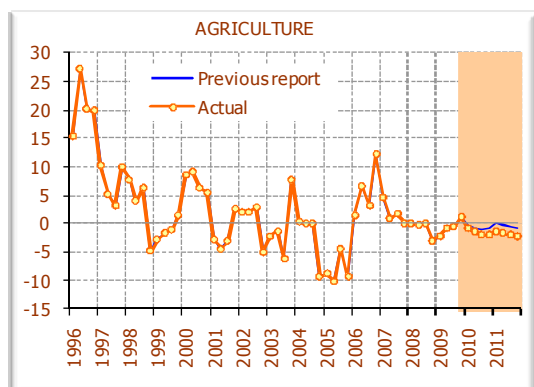
CHANGE IN FORECASTS AND DATA REVISION FOR THE COMPONENTS OF GROSS DOMESTIC PRODUCT DEMAND IN SPAIN



Source: INE & IFL (UC3M)
 Date actual report: January 28, 2010
 Date previous report: December 31, 2009



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



Source: INE & IFL (UC3M)

Date actual report: January 28, 2010

Date previous report: December 31, 2009



INDUSTRIAL PRODUCTION INDEX IN SPAIN

INDUSTRIAL PRODUCTION INDEX AND SECTORS IN SPAIN									
Annual rates of growth									
		Consumer Goods			Capital Goods	Intermediate Goods	Energy	TOTAL	
		Durable	Non Durable	Total					
ANNUAL AVERAGE RATES	2005	-1,6	0,3	0,1	-1,1	-0,3	3,1	0,2	
	2006	8,3	0,9	2,1	7,7	3,6	0,9	3,7	
	2007	3,4	2,0	2,2	5,0	1,6	0,8	2,4	
	2008	-16,5	-2,2	-4,6	-8,7	-11,0	1,6	-7,1	
	2009	-29,2	-5,6	-9,0	-22,7	-21,5	-8,6	-16,4	
	2010	-8,1	3,7	2,7	0,0	1,1	-2,7	1,0	
	2011	-1,1	5,0	4,4	2,3	1,8	-2,1	2,2	
ANNUAL RATES*	2008	QI	-14,1	-1,7	-3,7	-4,9	-7,8	4,7	-4,5
		QII	-10,1	-0,4	-2,1	-3,3	-5,3	2,0	-3,1
		QIII	-16,8	-1,1	-3,5	-6,8	-8,6	1,6	-5,4
		QIV	-25,1	-5,6	-8,9	-19,7	-22,7	-1,7	-15,4
	2009	QI	-29,6	-8,2	-11,4	-28,3	-28,9	-8,3	-21,0
		QII	-35,9	-8,6	-12,9	-28,6	-28,2	-10,5	-21,9
		QIII	-28,8	-4,2	-7,5	-19,6	-18,6	-6,8	-13,9
		QIV	-20,7	-1,0	-3,5	-12,0	-6,8	-8,7	-7,2
	2010	QI	-22,4	-0,2	-2,4	-6,0	-3,6	-4,7	-3,7
		QII	-8,3	5,1	3,9	0,2	2,1	-2,1	1,8
		QIII	0,8	5,2	5,2	2,6	2,8	-2,4	2,9
		QIV	-0,5	4,8	4,3	3,4	2,8	-1,6	2,9
	2011	QI	3,9	7,9	7,6	6,5	5,4	-0,9	5,4
		QII	-2,5	4,2	3,5	1,1	0,9	-2,0	1,4
		QIII	-3,8	2,9	2,3	0,2	-0,1	-2,9	0,3
		QIV	-1,6	5,0	4,4	2,0	1,3	-2,4	1,9

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	-6,4	9,0
February	-1,0	4,1	3,0	3,8	-24,3	-3,8	4,6
March	-6,6	12,4	1,0	-15,3	-13,5	-1,1	6,3
April	7,3	-9,4	5,1	12,0	-28,4	0,3	0,7
May	0,3	6,7	3,3	-8,4	-22,3	3,7	4,2
June	-0,1	4,8	0,1	-10,9	-14,3	1,4	1,4
July	-3,4	3,7	4,5	-1,9	-16,9	-0,2	-0,5
August	4,1	3,0	2,4	-11,5	-10,6	6,5	3,6
September	0,3	0,6	-1,3	-4,7	-12,7	3,5	0,6
October	0,0	6,6	5,3	-12,2	-12,9	1,8	3,8
November	1,0	3,6	-0,8	-18,3	-4,1	4,2	2,4
December	1,5	0,8	0,2	-16,0	-3,5	2,7	0,2

- Data adjusted for seasonality and working days effect

The figures in the shaded area are forecasts.

Source: INE & IFL (UC3M)

Date: January 8, 2010



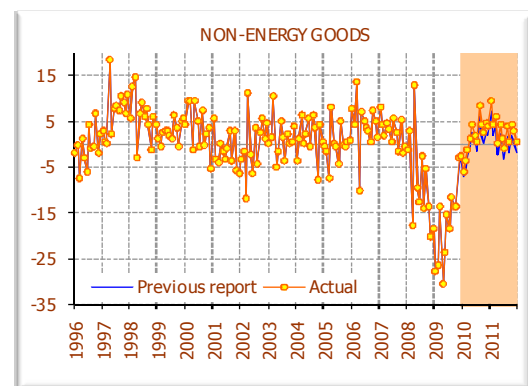
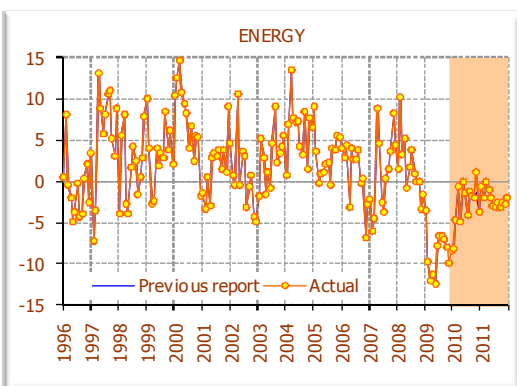
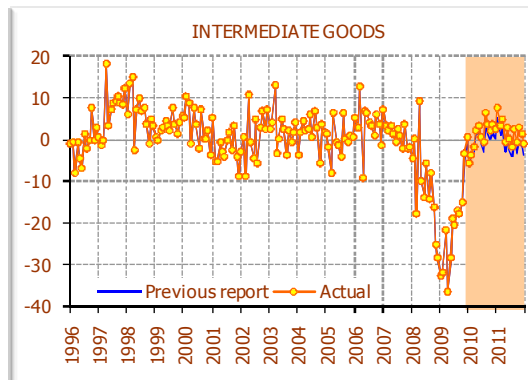
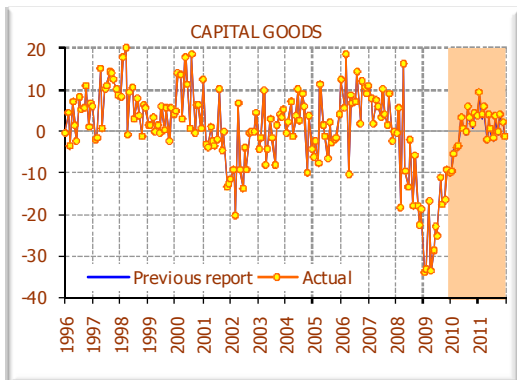
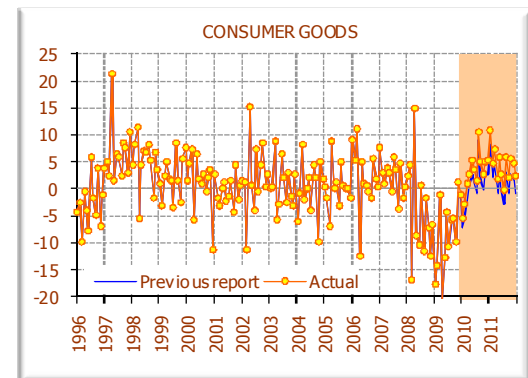
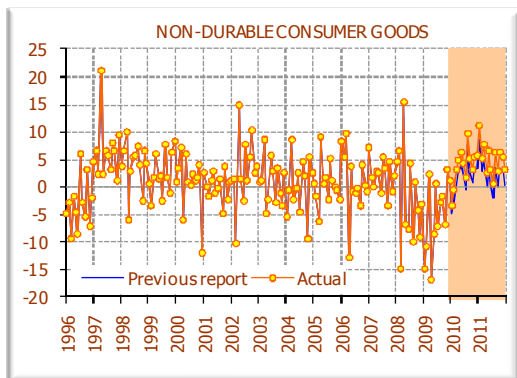
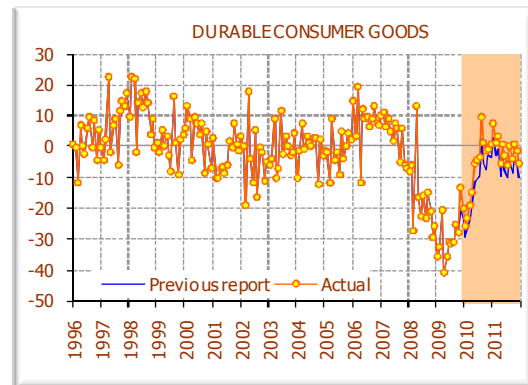
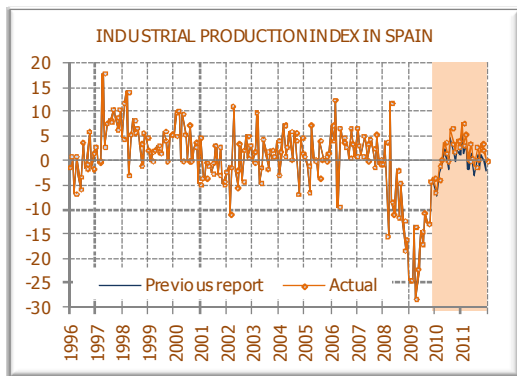
INDUSTRIAL PRODUCTION INDEX BY ECONOMIC ACTIVITIES IN SPAIN										
Average annual rates of growth										
			Weights 2009	2005	2006	2007	2008	2009	2010	2011
IPI Total	B Mining and quarrying	05 Mining of coal and lignite	0,4	-9,6	2,8	-4,0	-3,7	-14,8	-12,7	2,4
		08 Other mining and quarrying	1,4	1,7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

Source: INE & IFL (UC3M)

Date: January 8, 2010



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



Source: EUROSTAT & IFL (UC3M)
 Date actual report: January 8, 2010
 Date previous report: December 4, 2009



IV.2. INFLATION

The inflation forecasts for Spain have been revised upwards slightly, without significantly altering the recovery profile expected for this variable. From now on, unless otherwise specified, they will always include the VAT increase approved in December.

The new forecasts show an average annual value of 2.3% and 2.4% in 2010 and 2011, respectively. Core inflation will be 1.4% and 1.7%. The impact of the VAT increase on the headline inflation rate is estimated at 3 tenths of a percentage point in 2010 and 4 in 2011. In core inflation, the impact will be 2 and 3 tenths, respectively. It will be somewhat less this year because the transmission of the tax increase to consumers is expected to be gradual.

Net of these effects, we expected a slight upwards revision in price dynamics, partly due to energy products and partly to greater expected growth in processed food prices (not including tobacco). Although there was practically zero innovation in these items, the figure's composition in relation to the intermediate aggregates comprising the index has generated a significant upwards revision. The expected average annual rates have risen by 8 tenths of point for this year and 1 pp for the next, to 1.1% and 3.3%, respectively.

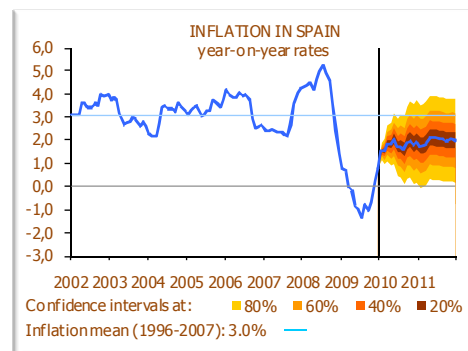
No significant changes are found in other items, and the forecasts published last month largely remain unaltered. Headline inflation, after its annual rate reached its turning point in August, will continue to rise in the next few months and could reach values of around 2.0% by March. Core inflation, after reaching practically zero rates, consolidated the previous month's increase in December. Processed food and manufactured goods will moderate their negative rates in the next few month and return to positive rates in April and August, respectively. Service inflation fell to its lowest point in the last two months, with an annual rate of 1.6%. It could start to rise as early as January 2010, with an expected rate of 1.8%.

Only unprocessed food prices continue to vary with increasingly negative annual rates. The lowest, according to our forecasts, will be seen in February 2010 with an estimated annual decline of 3.5%.

In sum, Spanish inflation in 2009 was exceptionally low, much lower than economic agents expected at the beginning of the year. The most intense adjustment phase, however, appears to have ended and our forecasts show relatively rapid recovery, which will end at levels clearly lower than those of the last decade. Nonetheless, the inflation differential with the euro area could continue to be unfavourable for Spain: without considering the VAT increase, it is estimated at 5 and 3 tenths of a point (average annual rate) in 2010 and 2011, while it will be zero for core inflation in the first year and rise to 0.2pp in the second.

Spain has clearly lower economic growth expectations than the euro area, especially in 2010. The Spanish unemployment rate is also expected to be around 20% in the next two years, practically double the average euro area rate. It is therefore evident that Spanish inflation expectations could be difficult to

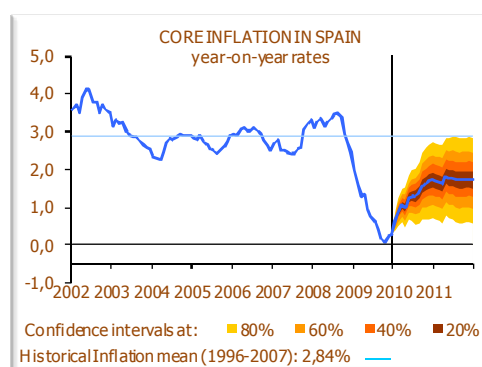
Graph IV.2.1



Source: INE & IFL(UC3M)
Date: January 14, 2010

The annual inflation rate grew to 0.8%, as expected. Energy and food prices cause a slight upwards revision in our forecasts.

Graph IV.2.2



Source: INE & IFL(UC3M)
Date: January 14, 2010



Unless specified otherwise, all our forecasts in the future will include the estimated impact of the VAT increase approved for July 2010.

understand and it is normal to ask why prices have not fallen, or are not still falling, even further.

One possible explanation can be found in the stability of nominal salaries and housing prices. There is important disequilibria in these two markets in the country. It is not surprising, as real salaries are growing faster than in the last 5 years, while the adjustment in housing prices is clearly insufficient. The creation of employment and sale of assets can react to nominal fluctuations in the short term, but equilibrium on these markets depends on real prices. With the stability of some nominal prices, negative or too moderate inflation would not moderate the accumulated disequilibria; quite the opposite. Low or negative inflation with constant

nominal salaries increases real salaries and reduces creation of employment. At the same time, the effect of the clearly insufficient reduction in real housing prices is also smaller. These reasons could be making inflation reach its turning point with the Spanish economy still in recession, and it is rising relatively quickly, in spite of weak economic growth and a high unemployment rate. Spain appears to have gradually deflated nominal salaries and property prices through a moderate, and always positive, inflation rate. The loss of international competitiveness and a subsequent decline in the dual aspect of the Spanish labour market –temporary and indefinite employment– are the principal risks involved with this option.

Core inflation consolidated the rise registered in November and will continue to grow in the next few months. Annual rates of 0.6% and over 1.0% are expected for January and after March.

The stability of nominal salaries and property prices may have limited the price adjustment and be favouring rising inflation.

Table IV.2.1

INFLATION IN SPAIN						
CPI	Annual rates		Annual average rates			
	December	January	2008	2009	2010	2011
Core 82.3%	0,3	0.7 ±0.18	3,2	0,8	1.5 ±0.49	2 ±0.58
Total 100%	0,8	1.5 ±0.16	4,1	-0,3	2.1 ±1.09	2.3 ±1.29

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

Source: BLS & IFL (UC3M)
Date: January 14, 2010



Table IV.2.2

COICOP SUBCLASSES IN SPAIN WITH NEGATIVE VALUES IN YEAR-ON-YEAR INFLATION RATES																	
weights x 1000																	
Special Group*	Weights 2009	Subclass COICOP	December 2009	November 2009	October 2009	September 2009	August 2009	July 2009	June 2009	May 2009	April 2009	March 2009	February 2009	January 2009	QIV 2008	QIII 2008	Aver. 2008
PROCESSED FOOD 102.14	0,889	Rice	-4,4														
	15,613	Bread	-0,5	-0,7	-0,7	-0,7	-0,5	-0,2	-0,1	0,0	-0,1						
	1,136	Farinaceous-based products	-5,3	-5,5	-7,6	-9,5	-10,3	-9,6	-9,7	-7,4	-3,0	-1,9					
	8,863	Bakery and pastry-cook products	-0,7	-0,1	-0,3												
	1,39	Flours and cereals	-1,1	-1,0	-0,6		-0,2	-0,1									
	15,587	Delicatessen type meat products	-0,5	-0,7	-0,6	-0,5	-0,1										
	2,769	Meat preparation	-0,7														
	5,988	Preserved and processed fish	-0,8	-0,9	-0,9	-0,2											
	10,184	Milk	-8,1	-9,2	-10,1	-10,1	-9,4	-9,3	-8,3	-8,8	-6,5	-6,6	-6,7	-6,4	-3,9		
	7,416	Other dairy products	-5,4	-6,3	-5,5	-4,2	-2,9	-3,4	-2,5	-0,7	-0,2						
	6,499	Cheeses	-1,5	-2,1	-2,2	-1,8	-0,9	-0,8	-0,6	-0,5							
	0,49	Butter and margarine	-2,0	-1,3	-1,3	-1,0	-0,4										
	5,84	Oils	-5,6	-8,4	-11,7	-17,3	-17,8	-17,5	-16,5	-14,2	-7,1	-5,7	-4,0	-2,1	-0,3		
	2,525	Preserved fruits, nuts and dried fruits	-1,2	-1,0													
	0,836	Fresh pulses and vegetables	-1,9	-2,1	-2,1	-0,2	-1,0	-1,8	-1,5	-1,5	-13,2	-11,2	-9,1	-5,2	-0,2		
	3,317	Frozen and preserved pulses and vegetables	-1,6	-1,5	-1,3	-0,1											
	1,154	Sugar	-7,4	-10,0	-9,0	-8,0	-6,8	-7,6	-7,7	-7,6	-0,7	-0,9	-0,1				
	4,715	Chocolates	-1,4	-1,6	-1,4	-0,8	-0,6	-0,5	-0,2								
	0,737	Baby food	-1,5	-1,3	-1,5	-1,9	-1,9	-2,0	-2,4	-2,2	-2,2	-2,4	-1,5				
	2,843	Coffee, cocoa and infusions	-0,6	-0,6	-1,6	-0,7	-0,5	-0,6									
	3,349	Wines	-1,3	-1,7	-1,9	-1,0	-0,8	-0,3									
NON-ENERGY INDUSTRIAL GOODS 196.568	22,808	Men's outerwear	-0,5	-0,5	-1,1	-2,6	-2,6	-2,5	-2,4	-2,3	-2,4	-2,6	-2,5	-2,3			
	1,438	Men's underwear				-0,7	-1,0	-0,3	0,0				-1,9	-0,4			
	29,552	Women's outerwear	-1,7	-2,0	-3,6	-3,4	-3,4	-3,4	-2,5	-2,6	-2,6	-2,6	-2,5	-2,5	-0,1		
	2,508	Women's underwear			-0,1								-1,7	-0,7			
	10,452	Children's and infants' garments	-1,3	-0,6	-1,8	-2,0	-1,9	-1,8	-0,7	-0,6	-1,7	-1,9	-1,8	-1,5			
	1,714	Clothing accessories of garments				-1,3	-1,2	-0,2	-0,1			-0,5	-1,9	-0,8			
	6,757	Men's footwear		-0,1	-0,3	-0,3	-0,3	0,0			0,0	-0,1					
	8,849	Women's footwear	-0,2	-0,1	-1,6	-1,3	-1,3	-1,0	-0,4	-0,3	-0,8	-0,4	-0,2	-0,6			
	3,402	Children's and infants' footwear	-0,6	-0,8	-0,7	-0,3	-0,6	-0,5	-0,5	-0,6	-0,2	-0,4	-0,2	-0,2			
	2,613	Other equipments					-0,1	-0,2									
	6,353	Household textiles	-0,2														
	5,005	Refrigerators, washing machines and dishwash.	-1,2	-1,0	-0,9	-0,4	-0,5	-0,8	-1,1	-0,8	-0,9	-1,2	-1,3	-1,5	-1,6	-2,2	-1,9
	1,645	Cookers and ovens	-0,1								0,0		-0,1	-0,1	-1,2	-1,3	-0,8
	2,939	Heating and air conditioning													-0,7	-0,9	-0,5
	1,286	Other household appliances										-0,2	-0,2	-0,1	-0,1	-0,4	-0,2
	9,525	Medicines and other pharmaceutical products	-7,5	-7,5	-7,5	-7,3	-7,3	-7,3	-7,3	-7,3	-2,3	-2,3	-5,8	-5,9	-5,9	-6,5	-6,5
	6,239	Therapeutic appliances and equipment					-0,1										
	54,075	Motor vehicles	-6,5	-6,5	-6,5	-7,0	-5,8	-4,2	-3,6	-2,0	-2,6	-2,0	-2,2	-0,2	0,0	-0,4	-0,5
	2,323	Other vehicles										-1,5	-1,5		-2,7	-3,1	-2,4
	1,494	Spare parts and maintenance accessories	-2,4	-2,3	-2,0	-0,9	-1,0	-1,1	-0,9	-0,7	-0,3						
	0,841	Telephone equipments	-33,0	-34,4	-37,2	-35,0	-33,7	-37,3	-36,8	-32,3	-24,1	-23,0	-21,6	-24,1	-16,7	-23,8	-25,7
	4,909	Equip. recep., record. and rep. of sound and pict.	-12,4	-12,9	-13,4	-13,5	-13,4	-13,2	-13,4	-13,7	-14,4	-14,8	-14,7	-14,2	-12,5	-12,3	-12,7
	1,365	Photographic and cinematographic equipments	-15,0	-14,9	-17,1	-17,4	-17,9	-18,4	-19,0	-19,8	-19,8	-21,4	-20,8	-19,4	-19,3	-19,0	-18,0
	4,241	Information processing equipments	-8,4	-9,1	-9,4	-11,0	-11,6	-11,6	-11,7	-14,4	-17,0	-16,8	-17,2	-18,2	-19,9	-20,7	-21,5
	2,624	Recording media	-0,2			-0,3	-0,4	-0,8	-0,9	-0,8	-0,7	-0,3	-0,5	-1,1	-1,4	-1,0	-0,9
	6,223	Games and toys	-3,5	-3,6	-3,7	-3,0	-1,6	-1,1	-1,5	-1,5	-0,8		-0,6	-1,2	-0,4	-0,5	-0,4
	0,868	Large sports equipment														-0,2	
	0,825	Other recreational and sporting articles	-1,2	-0,8	-1,0	-0,7	-0,3	-0,3	-0,5	-0,9	-1,1	-0,4	-0,3				
	2,086	Gardens, plants and flowers	-0,8	-1,7	-0,9	-0,5	-0,4	-0,2									
	17,523	Personal care articles	-0,1		-0,1												
	2,771	Other articles for personal use	-0,8	-0,9	-0,8	-0,8	-1,2	-1,0	-0,4	-0,2	-0,4	-0,7	-0,5	0,0			
SERVICES 26.29	1,188	Hospital services	-0,1														
	3,228	Air transport	-1,2	-0,1	-1,3	-1,7	-1,0	-1,1	-1,0								
	14,223	Package holidays	-3,7	-4,3	-4,9	-3,5	-2,7					-1,6					
NON-PROCESSED FOOD 62.549	1,167	Obligatory education			-4,5	-4,0	-2,1	-2,1	-2,1	-2,1	-2,1	-2,1	-2,1	-2,1			
	7,651	Hotels and other lodgings	-1,4	-1,7	-2,3	-3,1	-1,3	-3,3	-1,7	-0,7		-5,0					
	5,937	Pork	-4,6	-4,6	-5,4	-5,3	-4,8	-4,5	-5,3	-4,2	-3,1	-2,4	-1,4	-0,2			
	2,984	Sheep meat	-4,2														
	7,324	Poultry	-5,8	-4,2	-2,3	-3,0	-3,5	-4,5	-5,4	-4,4	-1,3				-1,3		
	1,436	Other meats, viscera and other non-meat edibles	-4,9	-3,9	-5,7	-4,2	-1,9	-4,0	-3,5	-2,4	-1,2						
	10,852	Fresh fish	-2,6	-2,8	-3,3	-3,5	-4,4	-7,4	-9,4	-4,9	-6,5	-7,4	-4,6	-6,6	-1,9		
	2,283	Frozen fish	-2,8	-2,8	-2,2	-1,7	-1,5	-1,7	-1,6	-1,3	-0,7	-0,3					
	5,729	Crustaceans and molluscs	-1,3	-0,7	-1,4	-1,8	-2,0	-2,8	-4,3	-3,3	-2,9	-3,0	-1,4	-1,9	-1,3	-0,1	-0,2
	1,678	Eggs	-0,3														
	12,763	Fresh fruits	-4,1	-4,1	-3,8	-3,3	-2,7	-0,8									
	8,536	Fresh vegetables	-0,5														
	3,027	Potatoes and processed potato products	-10,0	-11,3	-12,4	-13,6	-14,3	-15,1	-12,4	-1,3							-1,7
	ENERGY 13.077	13,077	Gas	-19,7	-19,7	-18,3	-15,7	-15,7	-15,2	-13,4	-13,4	-10,8					
4,836		Other fuels		-11,5	-28,2	-37,5	-37,2	-45,1	-43,4	-42,4	-38,8	-36,0	-26,8	-28,8	-7,0		
60,16		Fuels and lubricants			-9,5	-15,1	-15,4	-23,3	-22,2	-24,0	-20,4	-22,4	-17,9	-19,6	-6,5		
Total weight in COICOP subclasses with negative year-on-year rates			400,6	369,0	444,9	420,4	421,3	384,8	353,0	343,5	331,4	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.																	

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

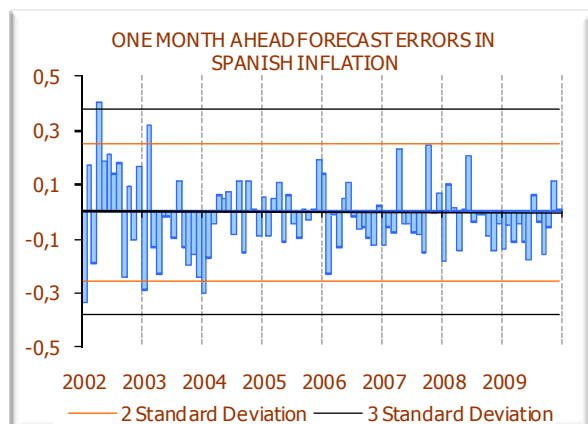
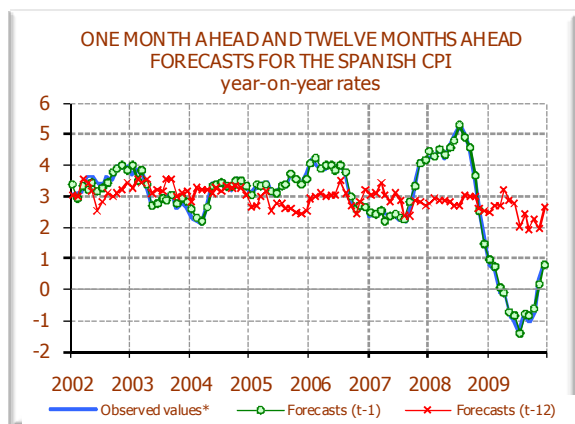
In shaded area the items with negative year-on-year inflation since January, 2009.

Source: INE & IFL (UC3M)

Date: January 14, 2010



FORECASTS ERRORS IN SPAIN



INFLATION IN SPAIN				
Annual rates, December, 2009				
Consumer Price Index CPI	Weights 2009	Observed	Forecasts	Confidence Intervals at 80%
Processed food	14,04	0,68	0,67	0,50
Non-energy industrial goods	30,01	-1,68	-1,71	0,31
Services	39,09	1,63	1,63	0,16
CORE	83,14	0,27	0,26	0,18
Non-processed food	6,57	-3,09	-2,73	1,02
Energy	10,29	7,49	7,51	0,75
RESIDUAL	16,86	3,37	3,31	0,78
TOTAL	100	0,79	0,79	0,16

Source: INE & IFL (UC3M)

Date: January 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	9,5	2,8	4,5	7,4	-0,1	1,1	3,3
			Oils & Fats	0,5	23,4	-16,8	2,2	-11,4	5,2	1,6
			Tobacco	1,6	1,5	8,8	3,5	11,7	10,3	6,7
				11,6	3,6	3,7	6,5	0,9	2,5	3,7
		Non energy industrial goods	Vehicles	6,2	2,3	1,4	-0,5	-3,8	-2,0	0,9
			Footwear	1,9	1,6	1,3	1,4	-0,4	1,0	1,0
			Clothing	6,9	1,1	0,9	0,4	-2,1	1,3	1,1
			Rest	14,9	1,2	0,3	0,3	-0,1	0,2	0,3
				29,9	1,4	0,7	0,3	-1,3	0,0	0,7
		Services	Postal services	0,0	5,7	3,6	2,8	2,8	2,0	2,0
			Cultural services	1,9	2,4	3,1	2,8	2,7	2,4	2,9
			Education	0,9	3,5	4,1	3,4	2,5	2,4	2,6
			Hotels	0,8	3,6	5,5	4,2	-1,4	1,4	3,2
			Health	2,4	4,1	4,2	4,1	3,9	3,3	3,4
			Household equipment	1,9	4,4	4,2	4,4	3,4	3,6	4,3
			Restaurants	11,6	4,5	4,8	4,7	2,2	1,9	1,8
			Telephone	3,6	-1,4	0,3	0,6	0,1	0,2	0,2
			Transports	5,5	4,2	3,1	4,1	3,1	3,2	3,2
			Package holidays	1,4	3,1	0,6	4,5	0,2	4,2	8,3
			University	0,4	5,0	5,3	5,2	5,3	3,5	4,0
			Housing	5,3	4,7	4,6	4,1	3,0	2,0	1,1
			Rest	3,3	4,3	3,9	3,8	2,4	2,9	2,9
				38,9	3,9	3,9	3,9	2,4	2,4	2,5
				82,3	2,9	2,7	3,2	0,8	1,5	2,0
	Residual Inflation	Non processed foods	Meat	2,7	6,0	5,2	3,9	-0,6	-0,9	2,8
			Fruits	1,3	0,1	4,5	9,4	0,3	-1,1	2,4
			Eggs	0,2	2,8	4,3	10,7	1,2	-0,5	-0,1
			Vegetables	0,9	-0,8	6,4	2,4	2,1	0,6	4,6
			Mollusc	0,6	2,3	0,1	-0,2	-2,2	0,6	3,1
			Potatoes	0,3	17,6	8,4	-1,7	-7,0	-0,1	1,9
			Fish	1,3	5,7	2,5	1,2	-4,6	-1,8	-2,6
				7,2	4,4	4,7	4,0	-1,3	-0,7	1,9
		Energy	Heat energy	6,0	6,6	1,4	13,0	-15,2	11,1	4,0
			Fuels	0,5	11,8	-0,8	23,5	-32,7	16,7	6,3
			Electricity and gas	3,8	9,6	2,1	8,7	2,1	2,0	5,2
				10,3	8,0	1,7	11,9	-9,0	8,5	5,0
				17,5	6,3	3,2	8,5	-5,4	4,7	3,8
				99,8	3,5	2,8	4,1	-0,3	2,1	2,3

* The figures in the shaded area are forecasts

Source: INE & IFL(UC3M)

Date: January 14, 2010



CONSUMER PRICE INDEX AND COMPONENTS IN SPAIN												
Annual rates of growth (With assumption of VAT increment in July, 2010)												
		Consumer Prices Index										
		Core				Residual				TOTAL 100% Confidence intervals at 80% *		
		Processed food excluding tobacco	Tobacco	Non energy industrial goods	Services	TOTAL	Confidence intervals at 80% *	Non processed food	Energy			TOTAL
Weights 2009		11,6%	1,8%	29,9%	38,9%	82,3%		7,2%	10,3%	17,5%		
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	10,3	0,0	2,4	1,5 ± 0,49		-0,7	8,5	4,7	2,1 ± 1,09	
	2011	3,3	6,7	0,7	2,5	2,0 ± 0,58		1,9	5,0	3,8	2,3 ± 1,29	
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	-1,3	17,3	-1,1	1,8	0,7 ± 0,18		-3,3	11,6	5,5	1,5 ± 0,16
		February	-0,7	15,4	-0,8	1,9	0,9 ± 0,28		-3,5	10,1	4,5	1,5 ± 0,35
		March	-0,2	15,4	-0,8	2,2	1,1 ± 0,38		-2,3	10,9	5,5	1,8 ± 0,54
		April	0,2	15,3	-0,6	1,8	1,0 ± 0,45		-1,5	10,9	5,8	1,8 ± 0,75
		May	0,8	15,2	-0,5	2,0	1,3 ± 0,53		-1,0	10,5	5,8	2,0 ± 0,93
		June	1,2	8,6	-0,1	2,0	1,3 ± 0,59		-0,4	6,2	3,4	1,7 ± 1,08
		July	1,8	6,6	0,1	2,5	1,7 ± 0,68		0,1	8,6	5,1	2,2 ± 1,23
		August	2,0	6,6	0,4	2,8	1,8 ± 0,75		0,3	6,2	3,7	2,2 ± 1,34
		September	2,5	6,6	0,9	2,8	2,1 ± 0,83		0,2	7,9	4,6	2,6 ± 1,46
		October	2,8	6,5	1,0	2,8	2,1 ± 0,89		0,6	8,1	5,0	2,7 ± 1,55
		November	3,0	6,5	1,1	2,8	2,2 ± 0,95		1,1	5,6	3,6	2,5 ± 1,63
		December	3,1	6,5	1,1	2,8	2,3 ± 1,00		1,6	6,1	4,1	2,6 ± 1,71
	2011	January	3,2	5,3	1,0	2,8	2,2 ± 1,01		1,8	4,3	3,3	2,4 ± 1,76
		February	3,2	5,3	0,9	2,8	2,2 ± 1,02		1,8	4,7	3,6	2,4 ± 1,78
		March	3,3	6,6	0,9	2,6	2,2 ± 1,03		2,0	5,6	4,2	2,5 ± 1,79
		April	3,4	7,4	1,0	2,9	2,4 ± 1,03		2,2	6,5	4,8	2,8 ± 1,79
		May	3,4	8,3	1,1	2,8	2,4 ± 1,05		2,2	6,5	4,8	2,7 ± 1,79
		June	3,4	9,5	1,1	2,7	2,4 ± 1,07		2,2	6,5	4,8	2,7 ± 1,79
		July	3,2	6,3	0,6	2,3	2,0 ± 1,10		1,9	4,6	3,6	2,3 ± 1,79
		August	3,2	6,3	0,4	2,2	1,8 ± 1,14		1,8	4,4	3,4	2,1 ± 1,79
		September	3,2	6,4	0,2	2,2	1,8 ± 1,14		1,7	4,2	3,3	2,0 ± 1,79
		October	3,2	6,4	0,2	2,2	1,8 ± 1,14		1,6	4,2	3,2	2,0 ± 1,79
		November	3,2	6,5	0,3	2,2	1,8 ± 1,14		1,7	4,1	3,2	2,0 ± 1,79
		December	3,2	6,7	0,3	2,1	1,8 ± 1,14		1,8	4,0	3,2	2,0 ± 1,79

* Confidence intervals calculated with historial errors

*The figures in the shaded area are Forecasts

Source: INE & IFL(UC3M)

Date: January 14, 2010



CONSUMER PRICE INDEX AND COMPONENTS IN SPAIN											
Monthly rates of growth (With assumption of VAT increment in July, 2010)											
			Consumer Prices Index								
			Core				TOTAL	Residual		TOTAL	TOTAL 100%
			Processed food excluding tobacco	Tobacco	Non energy industrial goods	Services		Non processed food	Energy		
Weights 2009			11,6%	1,8%	29,9%	38,9%	82,3%	7,2%	10,3%	17,5%	
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	0,4	2,4	-3,9	0,5	-1,0	0,2	3,0	1,7	-0,5
		2011	0,5	1,2	-4,0	0,5	-1,1	0,3	1,2	0,9	-0,7
	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	0,3	0,0	-0,3	0,3	0,1	-1,0	-0,1	-0,4	0,0
		2011	0,4	0,0	-0,4	0,3	0,1	-1,0	0,3	-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	1,0	0,5	0,6	0,0	-0,3	-0,2	0,5
		2011	0,2	1,2	1,1	0,3	0,6	0,2	0,5	0,4	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	0,1	0,0	2,9	0,2	1,1	0,4	0,3	0,3	1,0
		2011	0,2	0,8	3,0	0,5	1,3	0,6	1,1	0,9	1,2
	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	0,5	-0,1	0,1	0,0	0,5	0,3	0,2
		2011	0,1	0,8	0,5	-0,2	0,1	0,0	0,5	0,3	0,2
	June	2008	0,3	0,0	-0,2	0,5	0,2	1,3	3,1	2,4	0,6
		2009	-0,2	6,1	-0,5	0,3	0,0	-0,8	4,4	2,4	0,4
		2010	0,1	0,0	-0,2	0,3	0,1	-0,2	0,3	0,1	0,1
		2011	0,2	1,1	-0,2	0,2	0,1	-0,2	0,2	0,1	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	0,4	4,0	-3,7	0,9	-0,8	0,5	2,5	1,7	-0,3
		2011	0,1	1,0	-4,1	0,6	-1,1	0,3	0,7	0,6	-0,8
	August	2008	0,2	0,0	-0,2	0,6	0,3	0,0	-3,9	-2,4	-0,2
		2009	0,1	0,0	-0,5	0,5	0,1	0,2	2,5	1,7	0,3
		2010	0,2	0,0	-0,1	0,7	0,3	0,4	0,3	0,3	0,3
		2011	0,2	0,0	-0,4	0,6	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	0,3	0,0	1,3	-0,6	0,2	0,2	-0,2	-0,1	0,1
		2011	0,3	0,1	1,1	-0,6	0,1	0,1	-0,4	-0,2	0,0
	October	2008	0,1	0,0	2,7	0,0	0,9	-0,4	-3,9	-2,4	0,3
		2009	0,0	0,0	2,7	-0,1	0,9	-0,5	0,0	-0,2	0,7
		2010	0,3	0,0	2,8	-0,1	1,0	0,0	0,2	0,1	0,8
		2011	0,3	0,0	2,9	-0,1	1,0	0,0	0,2	0,1	0,8
	November	2008	0,0	0,0	1,0	-0,2	0,3	0,1	-6,6	-3,8	-0,4
		2009	0,1	0,0	1,4	-0,2	0,4	-0,1	1,9	1,2	0,5
		2010	0,3	0,0	1,5	-0,2	0,5	0,4	-0,4	-0,1	0,3
		2011	0,3	0,0	1,5	-0,2	0,5	0,4	-0,5	-0,2	0,4
	December	2008	-0,1	0,0	-0,5	0,3	0,0	0,6	-5,8	-3,0	-0,5
		2009	0,1	0,0	-0,4	0,3	0,0	0,2	-0,6	-0,3	0,0
		2010	0,2	0,0	-0,4	0,3	0,1	0,8	-0,1	0,2	0,1
		2011	0,3	0,2	-0,4	0,2	0,0	0,8	-0,2	0,2	0,1

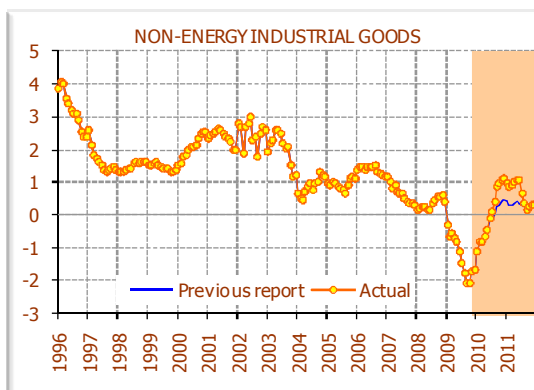
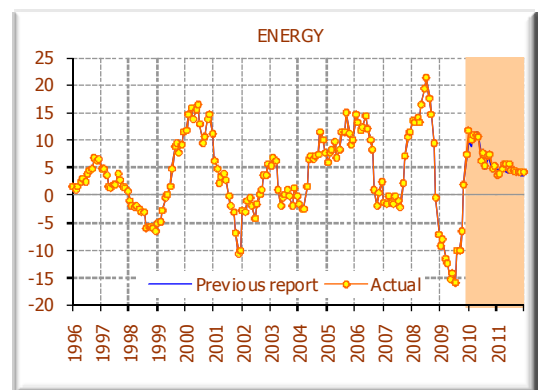
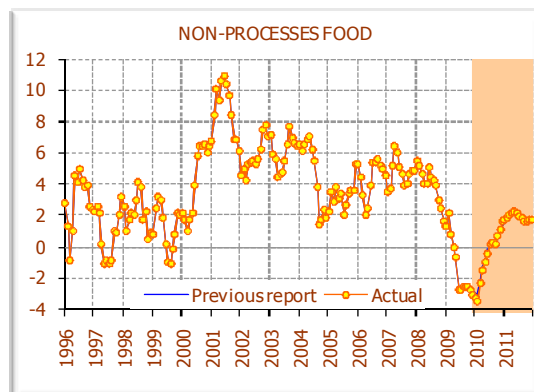
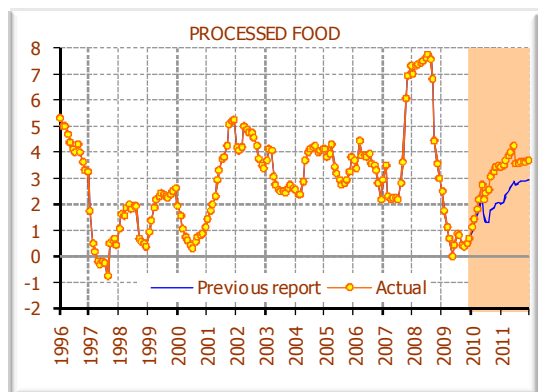
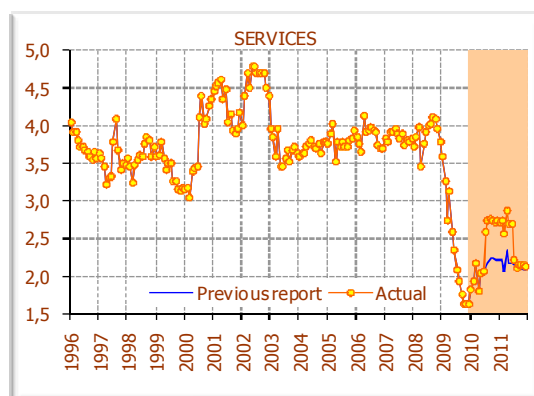
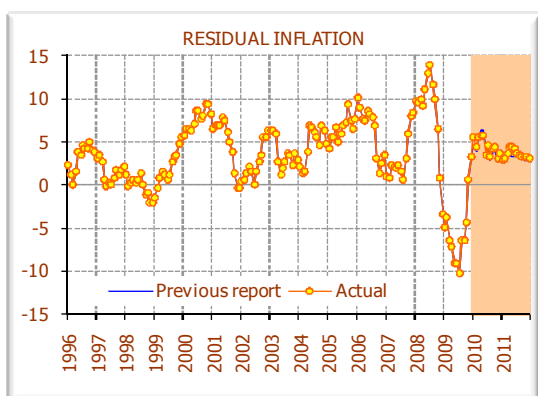
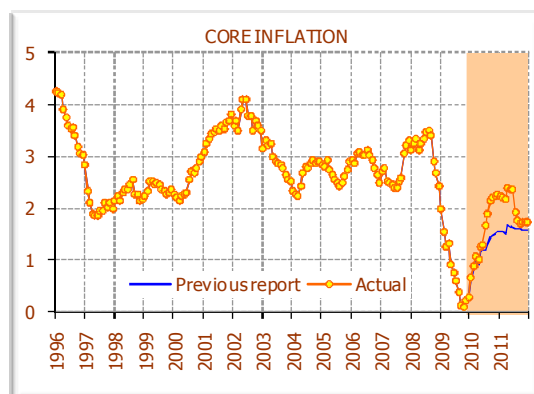
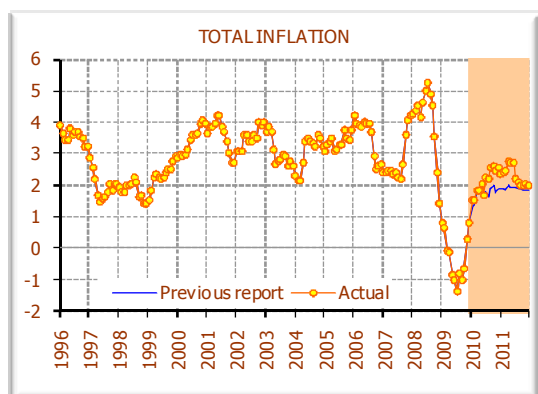
* The figures in the shaded area are Forecasts

Source: INE & IFL(UC3M)

Date: January 14, 2010



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



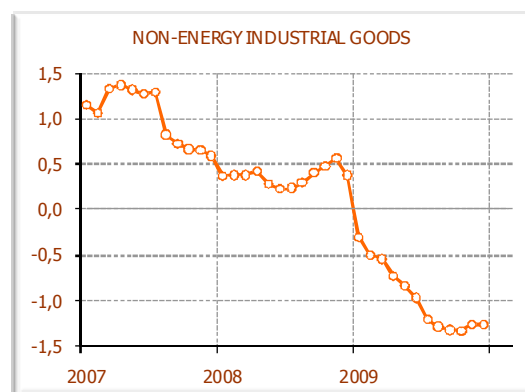
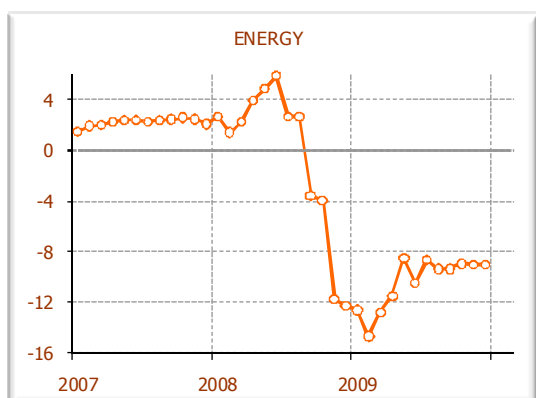
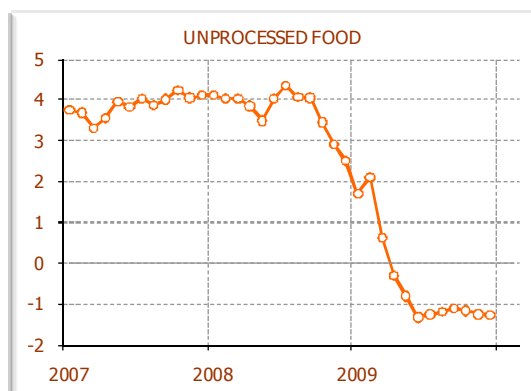
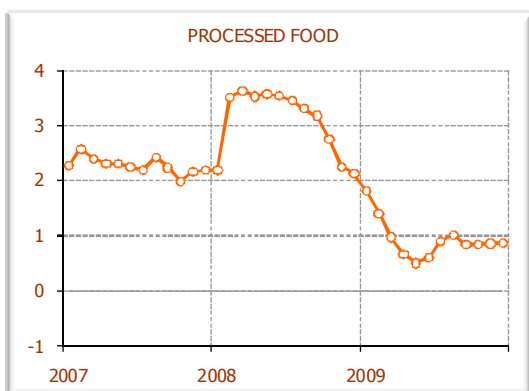
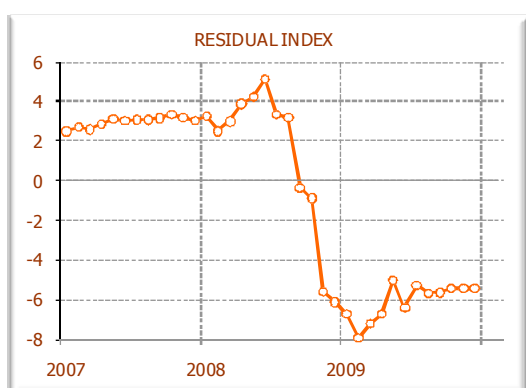
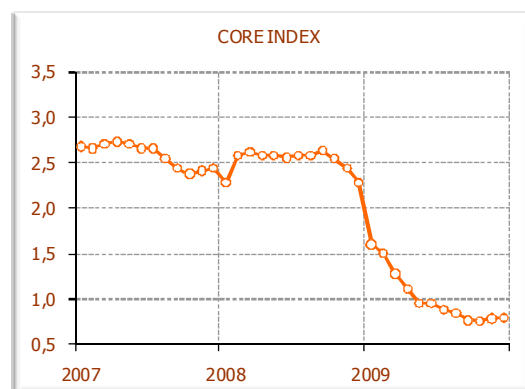
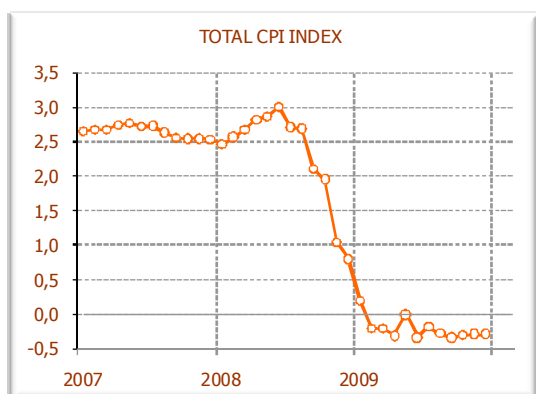
Source: INE & IFL (UC3M).

Date actual report: January 14, 2010

Date previous report: December 15, 2009



FORECASTS FOR 2009 ANNUAL AVERAGE CPI GROWTH RATE BY COMPONENT



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

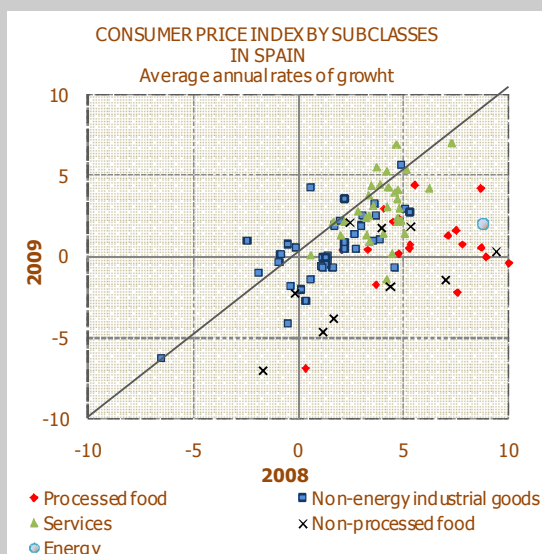
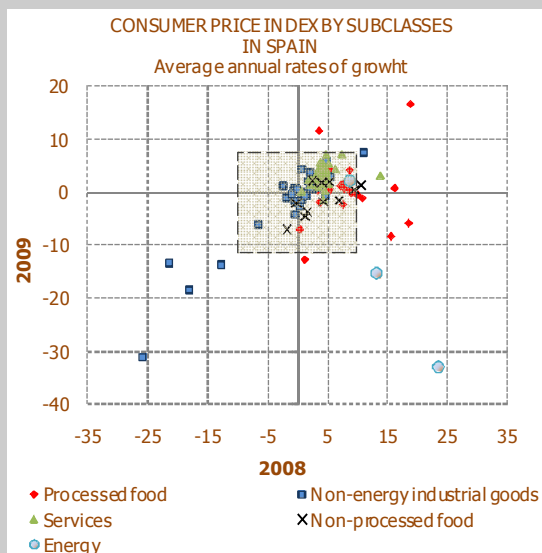
Source: INE & IFL (UC3M)

Date: January 14, 2010



INFLATION FORECASTING BY SUB-GROUPS IN SPAIN

The tables and graphs show the observed annual rates for 2008 and 2009, and the forecast for 2010 according to the five special groups.



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

Source: EUROSTAT & IFL (UC3M)

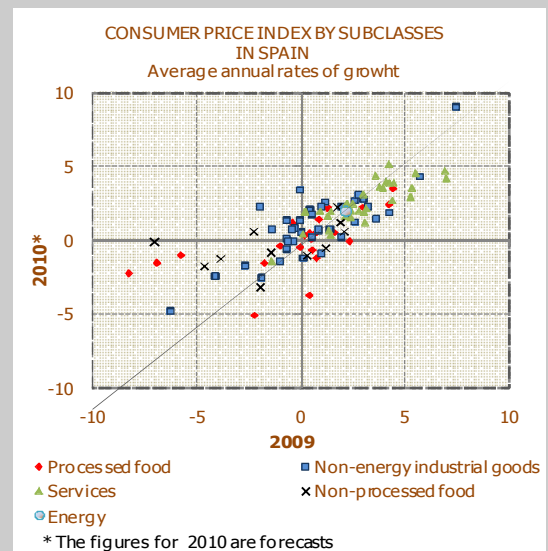
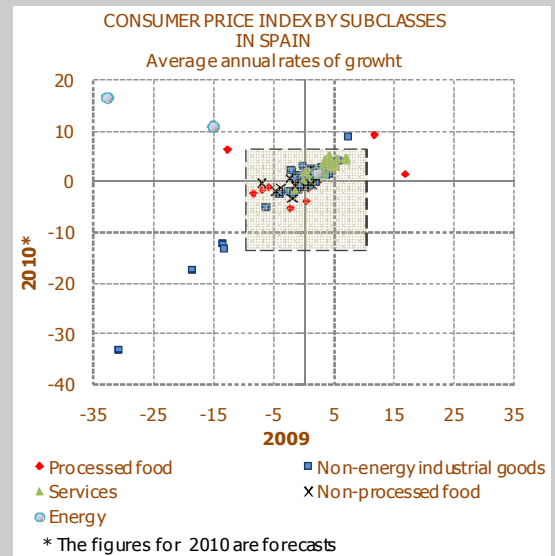
Date: January 14, 2010

CONSUMER PRICE INDEX BY SUBCLASSES IN SPAIN					
Annual average rates of growth					
	2006	2007	2008	2009	2010
PROCESSED FOOD					
Rice	-1,0	2,7	18,8	16,8	1,6
Flours and cereals	0,5	3,7	8,7	0,5	-0,6
Bread	4,5	8,2	8,9	0,0	-0,4
Pastry goods, cakes, mixes and doughs for bakery pi	3,1	2,6	7,5	1,6	0,5
Farinaceous-based products	-0,5	3,9	18,5	-5,8	-1,0
Delicatessen type meat products	2,4	3,9	3,3	0,4	0,5
Processed meat products	2,8	2,3	4,8	2,3	0,0
Preserved and processed fish	4,2	3,7	5,3	0,7	0,6
Milk	3,5	10,0	15,6	-8,3	-2,2
Other dairy products	0,6	3,1	7,6	-2,2	-5,1
Cheeses	1,5	3,7	10,0	-0,4	1,2
Preserved fruits, nuts and dried fruits	4,4	0,5	2,1	0,4	-3,7
Dried pulses and vegetables	0,3	3,8	10,8	-1,0	-0,3
Frozen and preserved pulses and vegetables	1,5	6,3	7,8	0,7	-1,2
Sugar	-0,3	1,6	0,3	-6,9	-1,5
Chocolates and confectionery	2,5	2,8	5,3	0,5	0,1
Other food products	2,1	3,5	8,7	4,2	2,5
Baby food			3,7	-1,8	-1,5
Coffee, cocoa and infusions	4,9	4,7	7,1	1,3	2,2
Mineral water, soft drinks, fruit and vegetable juices	2,2	2,5	4,0	3,0	2,3
Spirits and liqueurs	4,6	2,5	4,5	2,1	2,1
Wines	1,6	2,5	4,7	0,2	0,3
Beer	3,2	3,6	5,5	4,4	3,6
Tobacco	1,5	8,8	3,5	11,7	9,2
Butter and margarine	1,2	4,6	16,2	0,9	1,4
Oils	25,3	-18,4	1,1	-12,6	6,4
NON-ENERGY INDUSTRIAL GOODS					
Men's outerwear	1,1	0,4	0,1	-2,0	2,3
Men's underwear	1,1	1,9	1,2	0,0	3,4
Women's outerwear	1,1	1,4	0,3	-2,7	-1,7
Women's underwear	1,6	1,1	1,4	0,0	0,6
Children's and infants' garments	0,9	1,5	0,6	-1,4	0,8
Clothing accessories of garments	0,0	-7,2	1,4	-0,2	0,9
Men's footwear	1,6	1,9	1,3	0,0	1,3
Women's footwear	1,9	0,7	1,6	-0,7	1,4
Children's and infants' footwear	0,9	1,6	1,3	-0,5	0,7
Motor vehicles	2,4	1,4	-0,5	-4,1	-2,5
Other vehicles	-1,1	-0,6	-2,4	1,0	-0,9
Spare parts and maintenance accessories	2,6	3,9	4,6	-0,7	0,1
Materials for the maintenance and repair of the dwe	4,8	5,7	5,1	3,0	2,8
Water supply	3,4	5,4	4,9	5,7	4,3
Furniture	3,8	3,9	3,9	1,1	2,6
Other equipments	3,3	4,8	2,7	0,5	2,1
Household textiles	2,0	2,1	2,2	0,5	1,8
Refrigerators, washing machines and dishwashers	-0,3	-1,3	-1,9	-1,0	-1,4
Cookers and ovens	-0,8	0,5	-0,8	0,1	-1,2
Heating and air conditioning	-0,7	-1,1	-0,5	0,8	0,7
Other household appliances	-1,5	0,3	-0,2	0,5	0,3
Glassware, crockery and cutlery	2,1	1,6	3,1	2,6	1,3
Other kitchen utensils and furnishing	2,8	4,2	3,7	2,6	2,7
Tools and accessories for house and garden	2,7	4,1	3,0	1,9	2,3
Cleaning household articles	2,2	1,4	1,7	1,9	0,3
Other non-durable household articles	1,1	2,7	2,7	1,4	0,8
Medicines and other pharmaceutical products	-1,6	-9,0	-6,5	-6,3	-4,8
Therapeutic appliances and equipment	2,0	1,7	3,6	1,0	2,2
Telephone equipments		-5,2	-25,7	-30,9	-33,0
Equip. for the reception, recording and reproduction i	-8,5	-11,4	-12,7	-13,7	-12,1
Photographic and cinematographic equipments	-9,5	-14,5	-18,0	-18,5	-17,2
Information processing equipments	-15,4	-20,0	-21,5	-13,3	-13,0
Recording media	-0,4	-1,3	-0,9	-0,4	-0,1
Games and toys	-0,6	-0,8	-0,4	-1,8	-2,5
Large sports equipment		-0,5	0,6	4,3	1,9
Other recreational and sporting articles	0,4	0,0	1,1	-0,6	-0,1
Gardens, plants, flowers and pets	2,7	4,1	5,3	2,8	3,1
Books	2,0	2,9	2,0	2,2	1,7
Newspapers and magazines	1,2	1,4	2,2	3,6	1,4
Material de papelería	1,5	2,7	3,7	3,2	2,2
Personal care articles	2,1	2,1	2,2	0,8	0,8
Jewellery, costume jewellery, clocks and watches	16,4	9,7	11,1	7,5	9,1
Other articles for personal use	1,8	0,8	1,1	-0,6	-0,6

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 SUBCLASSES IN SPAIN					
Annual average rates of growth					
	2006	2007	2008	2009	2010
SERVICES					
Maintenance and repair services	5,9	4,5	4,8	4,1	4,0
Other services related to vehicles	4,5	3,7	3,3	1,3	0,7
Railway transport	3,7	4,2	3,7	5,5	4,5
Road transport	4,9	3,9	4,2	5,3	2,9
Air transport	9,0	3,0	13,7	3,0	1,9
Other transport services	6,3	3,9	7,3	7,0	4,2
Insurances connected with transport	2,0	1,7	2,0	1,3	1,6
Restaurants, bars, coffee bars, canteens	4,5	4,8	4,7	2,2	2,3
Hotels and other lodgings	3,6	5,5	4,2	-1,4	-1,4
Package holidays	3,1	0,6	4,5	0,2	1,9
Higher education	5,0	5,3	5,2	5,3	3,5
Postal services	5,7	3,6	2,8	2,8	2,0
Telephone services	-1,4	0,3	0,6	0,1	0,4
Rentals for housing	4,4	4,4	4,2	3,1	1,2
Services for the maintenance and repair of the dwell	5,2	5,5	5,1	1,4	0,3
Sewerage collection	4,8	4,6	3,4	3,8	3,6
Out-of-hospital medical and paramedical services	3,9	4,0	4,9	2,2	2,5
Dental services	3,2	3,2	3,2	2,4	2,0
Hospital services	5,6	3,6	3,4	0,9	2,0
Medical services	4,9	5,3	4,7	6,9	4,7
Recreational and sporting services	3,9	2,8	1,7	2,1	1,6
Cultural services	1,4	3,4	3,6	3,1	2,2
Education	3,5	4,1	3,4	2,5	2,5
Repair of footwear	6,2	5,8	6,2	4,2	5,1
Domestic service and other household services	4,8	4,4	4,8	3,0	3,1
Insurances connected with the dwelling	3,5	3,6	3,5	4,4	2,7
Personal care services	4,3	4,1	4,0	1,4	2,0
Social services	5,3	5,2	4,6	4,0	3,6
Other insurances	5,8	3,9	3,9	4,5	3,9
Financial services	3,5	7,8	4,7	3,6	4,4
Other services	2,2	2,2	2,2	2,2	2,0
Repair of household appliances	4,0	3,9	4,3	4,2	3,9
Repairs and cleaning of garments		3,8	4,7	2,4	1,5
NON-PROCESSED FOOD					
Beef	8,9	6,0	4,0	1,7	2,2
Pork	4,4	2,7	1,6	-3,8	-1,3
Mutton	3,5	-0,7	5,3	1,9	1,2
Poultry	3,5	9,7	4,3	-1,9	-3,2
Other meats, viscera and other non-meat edibles	2,4	0,1	7,0	-1,5	-0,8
Fresh fish	5,7	2,5	1,2	-4,6	-1,8
Crustaceans and molluscs	2,3	0,1	-0,2	-2,2	0,6
Eggs	2,8	4,3	10,7	1,2	-0,5
Fresh fruits	0,1	4,5	9,4	0,3	-1,1
Fresh pulses and vegetables	-0,8	6,4	2,4	2,1	0,6
Potatoes and processed potato products	17,6	8,4	-1,7	-7,0	-0,1
ENERGY					
Electricity and gas	9,6	2,1	8,7	2,1	2,0
Other fuels	11,8	-0,8	23,5	-32,7	16,7
Fuels and lubricants	6,6	1,4	13,0	-15,2	11,1



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

Source: EUROSTAT & IFL (UC3M)

Date: January 14, 2010

IV.4. SPANISH PUBLIC FINANCE: A DIFFICULT SITUATION

In 2009, the aggregate deficit of all the Spanish public administrations was around 12%, after a 4.1% deficit in 2008 and a 1.9% surplus in 2007.

the huge drop in public income in the last two years (in which the reduction represented 6.5% of the GDP, to 34.6% in 2009) is not only for cyclical reasons.

There was an outstanding increase in social benefits (12.8%), largely related to unemployment (these benefits grew by 115% from 2007 to 2009, to 33,000 million euros in the last year).

In Spain, the present economic crisis is producing a huge increase in the unemployment rate, considerable disequilibria in the public accounts and a reduction in the disequilibrium affecting our foreign trade accounts. The latter was cut practically in half in 2009, from 10% of the GDP in 2008, due to a very weak domestic demand and, therefore, imports. The problem affecting the labour market and the current accounts will be more difficult to correct in the next few years, due to their heavy inertia. Courageous measures are required to redirect the situation to tolerable levels. Following is an analysis of the evolution of the Spanish public accounts in the last few years, identifying the main factors behind the large deficit, primarily due to the economic crisis. As we consider this public deficit, we also analyse the dynamics of how it is financed, public debt.

IV.4.1.- Public income and expenditure

In 2009, the aggregate deficit of all the Spanish public administrations was around 12%, after a 4.1% deficit in 2008 and a 1.9% surplus in 2007 (Table IV.4.1.1). This rapid and profound deterioration of Spanish public finance is derived from the effects on the international financial crisis on the public accounts, as a result of less economic activity and, therefore, less income from taxes and greater unemployment benefits; although, to a large extent, the problem could also be attributed to the measures taken by the Government to mitigate the effects of the economic crisis on the liquidity and disposable income of businesses and households. Furthermore, as we shall see later, there appears to be a structural deficit accumulated over time, which can be seen in the historic evolution of public expenditure, which has systematically grown more than the Spanish economy's potential product, which was traditionally not clearly manifest thanks to a nominal GDP growth rate which was higher than the potential rate, enabling the economic growth conditions and booming prices which regularly affected Spanish public finance, particularly in the last period of growth.

Table IV.4.1.1 shows the large drop in public income in the last two years, specifically from taxes, an income which is highly sensitive to the economic cycle. This reduction was much greater than that of the nominal GDP, which remained practically unaltered. This divergence between public income and the national accounts magnitudes that are normally associated to the different tax bases (private consumption with VAT, GDP with all taxes, etc.)

to establish the respective elasticities, arises when the country experiences price bubbles for real (property) and financial (stock) assets, as was the case in Spain from 2004 to 2007. In these cases, the high gains obtained with such assets are not usually included in the national account variables (flow accounts) while they are considered in the legal tax bases.

In these circumstances of economic growth and reduction of the public deficit, in the context of an asset price bubble, the application of traditional elasticities (around one for income from tax) leads to underestimating the cyclical component of the deficit and, therefore, overestimating the structural component (the authorities' fiscal consolidation efforts). Naturally, the opposite would occur when, as in the current recessive phase, the bubbles burst and public income falls significantly below what could be suggested by national accounts variables¹

However, the huge drop in public income in the last two years (in which the reduction represented 6.5% of the GDP, to 34.6% in 2009) is not only for cyclical reasons (in the broad sense of cycle due to the GDP and cycle due to the asset boom), but because the measures applied by the Government to combat the economic crisis have also had a significant impact on public income and expenditure (Table IV.4.1.2).

In the last two years, they maintained the heavy growth of previous years, while the nominal GDP remained unaltered or fell slightly, leading to an importance increase in public spending relative to the GDP (7.4 points), reaching 46.6% in 2009 (Table IV.4.1.1). This table shows how all expenditure items grew, which is only natural considering the denominator's stability (GDP), although there was an outstanding increase in social benefits (12.8%), largely related to unemployment (these benefits grew by 115% from 2007 to 2009, to 33,000 million euros in the last year). The interest on debt contributed to a lesser extent. After moderate evolution and even a reduction in the last few years of economic growth, it grew significantly in the last two, solely due to the increase in public debt, as interest rates (long-term) remained more or less stable and even decreases (short-term).

1. See, in this respect, "Una aproximación al componente transitorio del saldo público en España". Boletín Económico. June 2008. Bank of Spain.



TABLE IV.4.1.1. ACCOUNTS OF THE PUBLIC ADMINISTRATIONS 2006-2009

	Millions of euros				% mean annual variation		% GDP			
	2006	2007	2008	2009	2006/ 2007	2008/ 2009	2006	2007	2008	2009
1.INCOME	397.720	432.808	402.677	363.880	9,9	-8,3	40,4	41,1	37,0	34,6
Taxes	241.094	264.627	229.802	192.115	11,1	-14,8	24,5	25,1	21,1	18,3
Social contributions	127.104	136.752	143.043	140.559	7,9	1,4	12,9	13,0	13,1	13,4
Other income	29.522	31.429	29.832	31.206	9,3	-0,4	3,0	3,0	2,7	3,0
2.EXPENDITURE	377.873	412.742	446.937	489.728	8,7	8,9	38,4	39,2	41,1	46,6
Consumption (1)	173.270	189.123	205.646	219.544	8,9	7,7	17,6	18,0	18,9	20,9
Investment	36.604	42.587	41.642	48.721	14,7	7,0	3,7	4,0	3,8	4,6
Interest	16.149	16.923	17.229	19.657	2,0	7,8	1,6	1,6	1,6	1,9
Social benefits	112.740	122.486	135.460	155.779	7,8	12,8	11,5	11,6	12,4	14,8
Other expenditure	39.110	41.623	46.960	46.026	8,0	5,2	4,0	4,0	4,3	4,4
3.BALANCE (1-2)	19.847	20.066	-44.260	-125.848			2,0	1,9	-4,1	-12,0
<i>State administration</i>	6.802	11.880	-30.500	-98.537			0,7	1,1	-2,8	-9,4
<i>Autonomous regions</i>	-382	-2.346	-16.992	-26.260			0,0	-0,2	-1,6	-2,5
<i>Local councils</i>	767	-3.227	-5.230	-6.302			0,1	-0,3	-0,5	-0,6
<i>Social Security</i>	12.660	13.759	8.462	5.252			1,3	1,3	0,8	0,5
	19.847	20.066	-44.260	-125.848			2,0	1,9	-4,1	-12,0
Pro memoria:										
Public debt	389.507	380.543	432.023	579.988	-1,4	23,5	39,6	36,1	39,7	55,2
GDP	984.284	1.052.730	1.088.502	1.050.405	7,6	-0,1	100,0	100,0	100,0	100,0

(1) For the purposes of this table, public consumption comprises salaries, intermediate consumption and transfers in kind (via market).

SOURCE: 2006-2008, Ministry of Economy and Public Finance. 2009, author's estimation.

Table IV.4.1.2. Measures with impact on public deficit (1)
% of GDP

Measures	Impact
<u>With impact on income:</u>	2,3
400 € deduction personal income tax	0,6
Reform of personal and corporate income tax	1,0
Suppression of wealth tax	0,2
Tax deferral	0,6
<u>One-off measure:</u>	0,7
Support for liquidity (3)	0,7
<u>With impact on spending:</u>	1,4
State Local Investment Fund	0,8
Economic Dynamisation Fund	0,3
2500 € deduction per child	0,1
Extension of unemployment benefits	0,1
Other measures (2)	0,2
Total	4,4
Total (not including one-off measures)	3,8

(1) With impact in 2008 and 2009. (2) Promotion of home rental and Dependency Act. (3) Extension of monthly VAT return and advancement of housing deduction.

Source: Ministry of Economy and Public Finance and the author



Public debt grew by more than 19 percentage points from 2007 to 2009, and was just over 55% in 2009

Spain is one of the countries (together with Ireland, Greece or the United Kingdom) with a high public deficit, although its debt is still in the low part of the table because of its low level at the beginning of the period.

We can see how public expenditure (not including unemployment) has been growing since the start of the century and is diverging from nominal potential product growth.

IV.4.2. Public deficit and the dynamics of public debt

Indeed, public debt grew by more than 19 percentage points from 2007 to 2009, and was just over 55% in 2009 (Table IV.4.2.1). This significant increase is firstly due to the decline in the primary budgetary balance (after discounting interest) in these two years (12.6 points) in the context of the economic crisis (cycle effect) and the Government's support measures (structural effect), whereas interest payments have helped to increase the debt/GDP ratio by 3.5 points. The reduction in the GDP (denominator) in 2009 for the first time in many years, represented 0.3 points of this increase. Finally, the adjustment required to reconcile deficit and debt, the main component of which is the net acquisition of financial assets by public administrations, is estimated at nearly 3 points. In this respect, we should mention the extraordinary increase in the State's financial assets in 2009 as a result of the contributions made to the Financial Assets Acquisition Fund (FAAF) and the Fund for Orderly Restructuring of Credit Institutions (FROB), the objectives of which are to increase banks' solvency and liquidity and to facilitate bank mergers.

In the European Union, Spain is one of the countries (together with Ireland, Greece or the United Kingdom) with a high public deficit, although its debt is still in the low part of the table because of its low level at the beginning of the period (36.1% of the GDP in 2007, versus 58.7% in the European Union or 66% in the euro area, in the same year) (Table IV.4.2.2). However, in situations of weak economic growth and rising primary deficits, debt levels increase rapidly, and can become unsustainable in extreme cases.

As a result of how the deficit has evolved, the

European Commission has opened an excessive deficit procedure for many European Union countries. In the case of Spain, the procedure establishes a target of 3% public deficit by 2013, requiring a considerable fiscal consolidation effort. Such an effort will require the responsible involvement of all

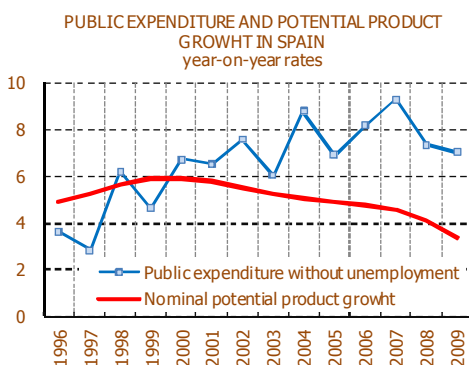
public administrations, as half the spending corresponds to autonomous regions and local councils, pension, unemployment and other benefits, which are not very flexible, at least in the short term, represent nearly 30% of public expenditure and just over 20% corresponds to the central administration (Table IV.4.2.3).

Table IV.4.2.4, which attempts to explain the factors behind the significant deterioration of the deficit from 2007 and 2009, was edited in order to estimate, albeit approximately, the magnitude of the effort required to position Spanish public finance on the way to consolidation.

Of the nearly 14 points in which the public deficit grew in the period, around 4 can be attributed to loss of economic activity, employment and income (including the effects derived from the drop in asset prices, according to the previously described method) and 0.3 to interest, so the Government's discretionary actions, measured by the evolution of the primary structural balance, contributed more than 9 and a half points. As shown on Table IV.4.1.2, economic support measures had a 3.8 point impact on the deficit², so there is still an unidentified residual structural deficit of around 6% of the GDP (some 60.000 million euros), which needs to be corrected by Spanish fiscal policy with reforms in the tax system and, preferably, public expenditure.

In this respect, on the enclosed graph we can see how public expenditure (not including unemployment) has been growing since the start of the century and is diverging from nominal potential product growth³. This situation has been maintained over time, thanks to the long period of economic growth in this decade (with positive output gaps during most of the period). The perspective of growth rates being more moderate in the next few years shows the magnitude of the challenge facing Spanish public finance.

Graph IV.2.1



Source: INE & IFL(UC3M)
Date: January, 2010

2. After discounting measures that have one effect one year and the opposite effect in the next (one-off measures), such as enabling all businesses to opt for monthly VAT returns, which had a high cost (0.6% of the GDP) in 2009, but will represent greater income (smaller returns) in the same amount in 2010.

3. Utilizando un deflactor del PIB del 2%, objetivo de inflación de la política monetaria del Banco Central Europeo.



TABLE IV.4.2.1. DYNAMICS OF PUBLIC DEBT % of GDP						
	2005	2006	2007	2008	2009	Variation 2009-2007
Gross debt	43,0	39,6	36,1	39,7	55,2	19,1
Variation from previous year	-3,2	-3,5	-3,4	3,5	15,5	19,1
Factors explaining the variation in the debt/GDP ratio:						
Primary balance	2,8	3,7	3,5	-2,5	-10,1	-12,6
Interest	1,8	1,6	1,6	1,6	1,9	3,5
Effect of nominal GDP growth	-3,4	-3,3	-2,6	-1,2	1,4	0,3
Debt-deficit adjustment	1,2	1,9	1,1	0,7	2,1	2,8
Total factors	-3,2	-3,5	-3,4	3,5	15,5	19,1
Promemoria						
Implicit interest ratio (1)	4,18	4,13	4,34	4,53	4,55	
Nominal GDP growth	8,1	8,3	7,0	3,4	-3,5	
(1) Year's interest divided by year's debt SOURCE: Bank of Spain and the author						

TABLE IV.4.2.2. PUBLIC FINANCE IN THE EUROPEAN UNION % GDP								
Countries	Deficit (-) or Surplus (+)				Public debt			
	2006	2007	2008	2009	2006	2007	2008	2009
Germany	-1,6	0,2	0,0	-3,4	67,6	65,0	65,9	73,1
Ireland	3,0	0,3	-7,2	-12,5	25,0	25,1	44,1	65,8
Greece	-2,9	-3,7	-7,7	-12,7	97,1	95,6	99,2	112,6
Spain	2,0	1,9	-4,1	-12,0	39,6	36,1	39,7	55,2
France	-2,3	-2,7	-3,4	-8,3	63,7	63,8	67,4	76,1
Italy	-3,3	-1,5	-2,7	-5,3	106,5	103,5	105,8	114,6
Portugal	-3,9	-2,6	-2,7	-8,0	64,7	63,6	66,3	77,4
Euro area	-1,3	-0,6	-2,0	-6,4	68,3	66,0	69,3	78,2
United Kingdom	-2,7	-2,7	-5,0	-12,1	43,2	44,2	52,0	68,6
European Union	-1,4	-0,8	-2,3	-6,9	61,3	58,7	61,5	73,0
SOURCE: European Commission forecasts (autumn 2009) except Spain (2009) which are the author's estimations								

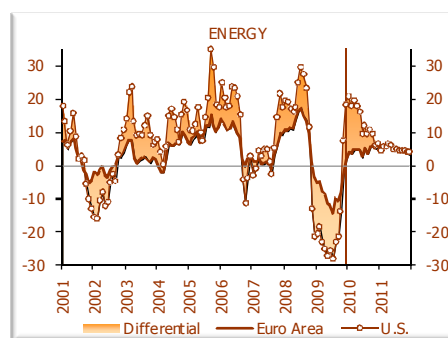
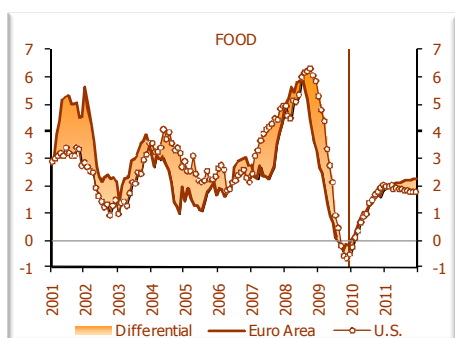
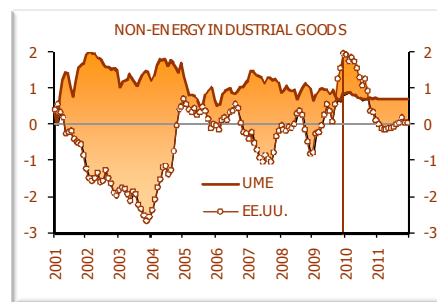
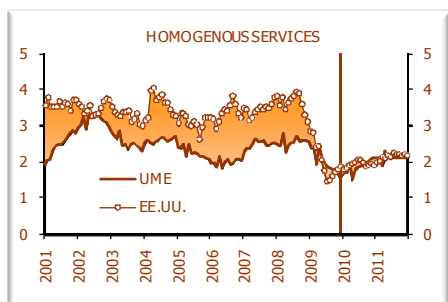
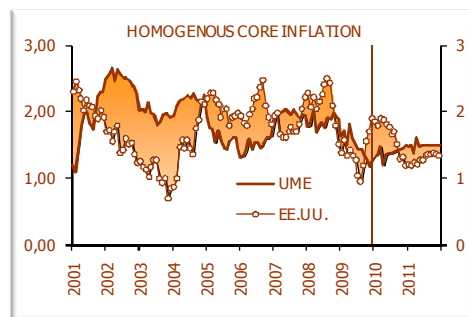
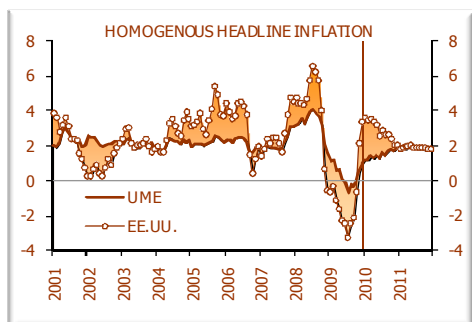
TABLE IV.4.2.3. PUBLIC EXPENDITURE BY ADMINISTRATION (1)						
Administrations	% Average annual growth			% of total spending		
	2001/ 2005	2006/ 2008	2001/ 2008	2000	2005	2008
Central administration	4,3	7,1	5,4	25,7	22,4	21,5
Autonomous regions	12,4	9,3	11,2	28,3	35,7	36,5
Councils	7,9	9,7	8,5	12,6	13,0	13,4
Social Security administrations	4,2	8,3	5,7	33,3	28,8	28,6
Total Public Administrations	7,2	8,6	7,7	100,0	100,0	100,0
(1) Not including transfers between public administrations SOURCE: EUROSTAT						

TABLE IV.4.2.4. STRUCTURAL DEFICIT % GDP			
	2007	2009	2009-2007
Output gap	1,5	-2,8	-4,3
Sensitivity	0,43	0,43	
Cyclical balance due to GDP	0,6	-1,2	-1,8
Cyclical balance due to asset boom	1,5	-0,7	-2,2
Total cyclical balance	2,1	-1,9	-4,0
Budgetary balance	1,9	-12,0	-13,9
Structural balance	-0,2	-10,1	-9,9
Interest	1,6	1,9	-0,3
Primary structural balance	1,4	-8,2	-9,6
- Impact of measures (except one-off)			-3,8
- Unidentified			-5,8
SOURCE: European Commission (output gap) and the author			



V. SUMMARY OF FORECASTS FOR DIFFERENT AREAS

HOMOGENOUS INFLATION IN THE EURO AREA AND U.S.										
Annual average rates										
	Weights 2009	2003	2004	2005	2006	2007	2008	2009	Forecasts	
									2010	2011
TOTAL										
less Owner's equivalent rent of primary residence										
Euro area	100,0	2,1	2,1	2,2	2,2	2,1	3,3	0,3	1,5	1,8
U.S. ⁽¹⁾	75,6	2,2	2,8	3,7	3,1	2,7	4,3	-1,0	2,9	1,9
CORE										
Services less Owner's equivalent rent of primary residence and Non-energy industrial goods less Food and Tobacco										
Euro area	73,4	2,0	2,2	1,6	1,5	2,0	1,9	1,5	1,4	1,5
U.S. ⁽¹⁾	53,3	1,1	1,6	2,1	2,1	1,8	2,1	1,4	1,6	1,3
COMPONENTS OF 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	1,9	2,1
U.S. ⁽¹⁾	31,9	3,3	3,6	3,1	3,3	3,4	3,6	2,0	1,9	2,2
Non-energy industrial goods less Food and Tobacco										
Euro area	29,7	0,8	0,8	0,3	0,6	1,0	0,8	0,6	0,3	0,3
U.S.	21,5	-2,1	-1,0	0,3	0,1	-0,7	-0,1	0,5	1,2	0,0
EXCLUDED COMPONENTS FROM CORE INFLATION										
Food										
Euro area	19,3	2,8	2,3	1,5	2,4	2,8	5,1	0,7	1,1	2,1
U.S.	14,6	2,1	3,4	2,4	2,3	4,0	5,5	1,8	1,1	1,9
Energy										
Euro area	9,6	3,0	4,5	10,1	7,7	2,6	10,3	-8,1	4,5	4,9
U.S.	7,6	12,2	10,9	16,9	11,2	5,5	13,9	-18,4	12,6	4,9



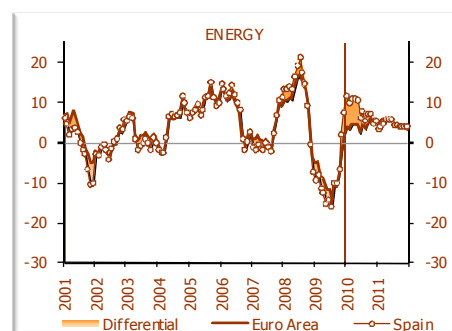
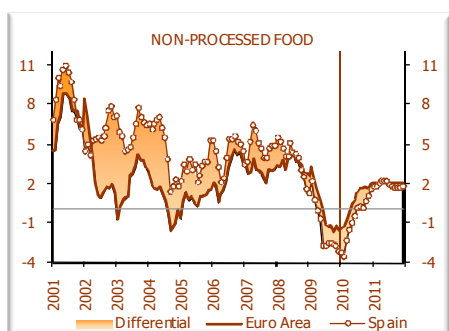
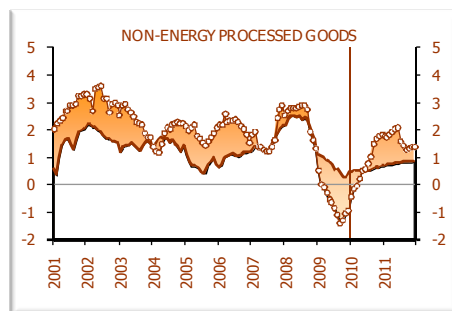
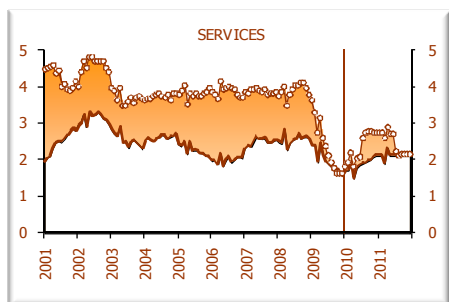
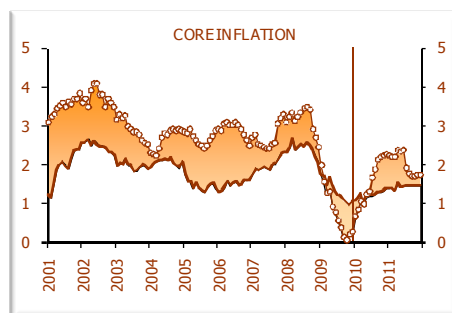
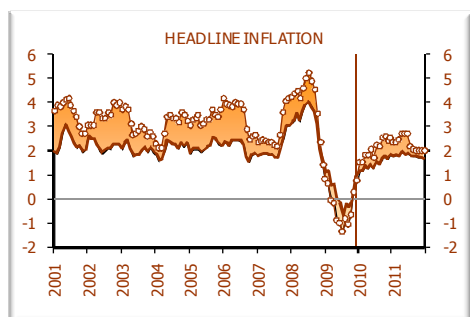
1. Excluding owner's equivalent rent of primary residence. 2. This homogeneous measure of core inflation does not coincide with the usual measure of core inflation for the euro area nor for the USA. It has been constructed in order to compare the data in the euro area and in the USA.

Source: EUROSTAT, BLS & IFL (UC3M)

Date: January 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	2,1	2,3	
Euro area	100,0	2,1	2,1	2,2	2,2	2,1	3,3	0,3	1,5	1,8	
CORE INFLATION											
Services and Non-energy industrial goods											
Spain	82,3	2,9	2,7	2,7	2,9	2,7	3,2	0,8	1,6	2,0	
Euro area	83,0	2,0	2,1	1,5	1,5	2,0	2,4	1,3	1,2	1,5	
COMPONENTS OF CORE INFLATION											
Processed food											
Spain	13,4	3,0	3,6	3,4	3,6	3,7	6,5	0,9	2,5	3,7	
Euro area	11,9	3,3	3,4	2,0	2,1	2,8	6,1	1,1	1,3	2,2	
Non-energy industrial goods											
Spain	29,9	2,0	0,9	0,9	1,4	0,7	0,3	-1,3	0,0	0,7	
Euro area	29,7	0,8	0,8	0,3	0,6	1,0	0,8	0,6	0,3	0,3	
Services											
Spain	38,9	3,7	3,7	3,8	3,9	3,9	3,9	2,4	2,3	2,4	
Euro area	41,4	2,5	2,6	2,3	2,0	2,5	2,6	2,0	1,9	2,1	
COMPONENTS OF RESIDUAL INFLATION											
Non-processed food											
Spain	7,2	6,0	4,6	3,3	4,4	4,7	4,0	-1,3	-0,7	1,9	
Euro area	7,5	2,1	0,6	0,8	2,8	3,0	3,5	0,2	0,6	2,1	
Energy											
Spain	10,3	1,4	4,8	9,6	8,0	1,7	11,9	-9,0	8,1	4,6	
Euro area	9,6	3,0	4,5	10,1	7,7	2,6	10,3	-8,1	4,5	4,9	



Source: EUROSTAT, BLS & IFL (UC3M)
Date: January 15, 2010



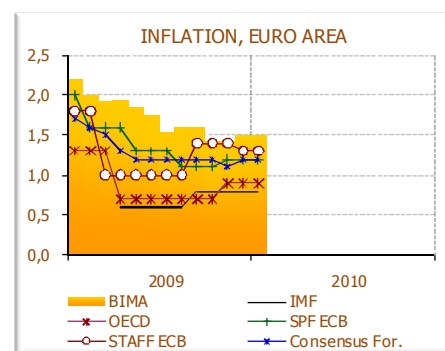
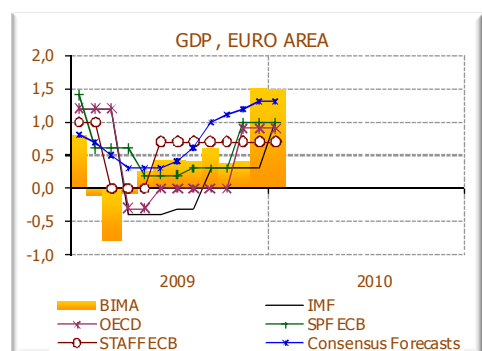
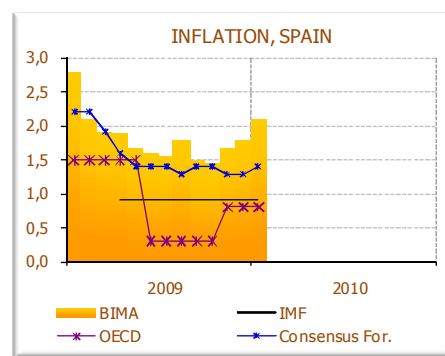
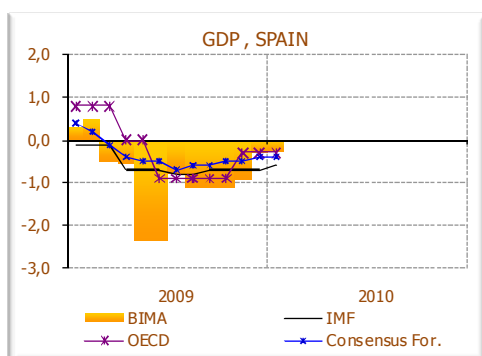
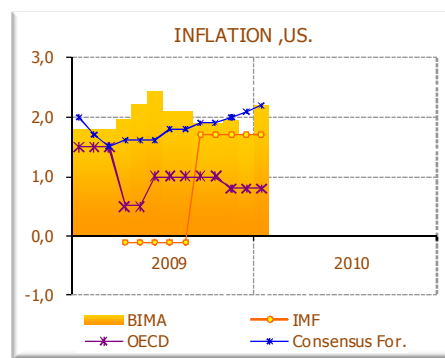
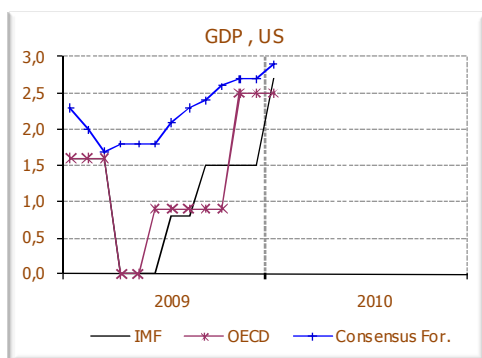
VI. FORECASTS OF DIFFERENT INSTITUTIONS

		FORECASTS FOR DIFFERENT INSTITUTIONS													
		UNITED STATES				SPAIN				EURO AREA					
		Consensus Forecasts ²	BIMA ³	IMF ⁴	OECD ⁵	Consensus Forecasts	BIMA	IMF	OECD	Consensus Forecasts	BIMA	IMF	ECB SPF ⁶	ECB Staff ⁷	OECD
GDP	2009	-2,5	-	-2,5	-2,5	-3,6	-3,6	-3,6	-3,6	-3,9	-3,8	-3,9	-3,9	-4,0	-4,0
	2010	2,9	-	2,7	2,5	-0,4	-0,3	-0,6	-0,3	1,3	1,5	1,0	1,0	0,7	0,9
CPI	2010	2,2	2,2	1,7	0,8	1,4	2,1	0,9	0,8	1,2	1,5	0,8	1,2	1,3	0,9
	2011	1,9	1,5	-	1,2	1,7	2,3	-	-0,1	1,5	1,8	-	1,6	1,4	0,7

1. The Economist. Economist Poll. November, 2009.
2. Consensus Forecasts, January, 2010.
3. BIMA. Bulletin of EU & US Inflation and Macroeconomic Analysis, January, 2010.
4. FMI. World Economic Outlook. GDP: January, 2010.
5. BCE SPF, "Survey of Professional Forecasters", November, 2009.
6. BCE STAFF, staff macroeconomic projection for the Euro Area. December, 2009. Point forecast for interval.
7. OCDE. Euro area and US: Interim Economic Outlook, November, 2009.

EVOLUTION OF FORECASTS FOR 2010

Annual average rates



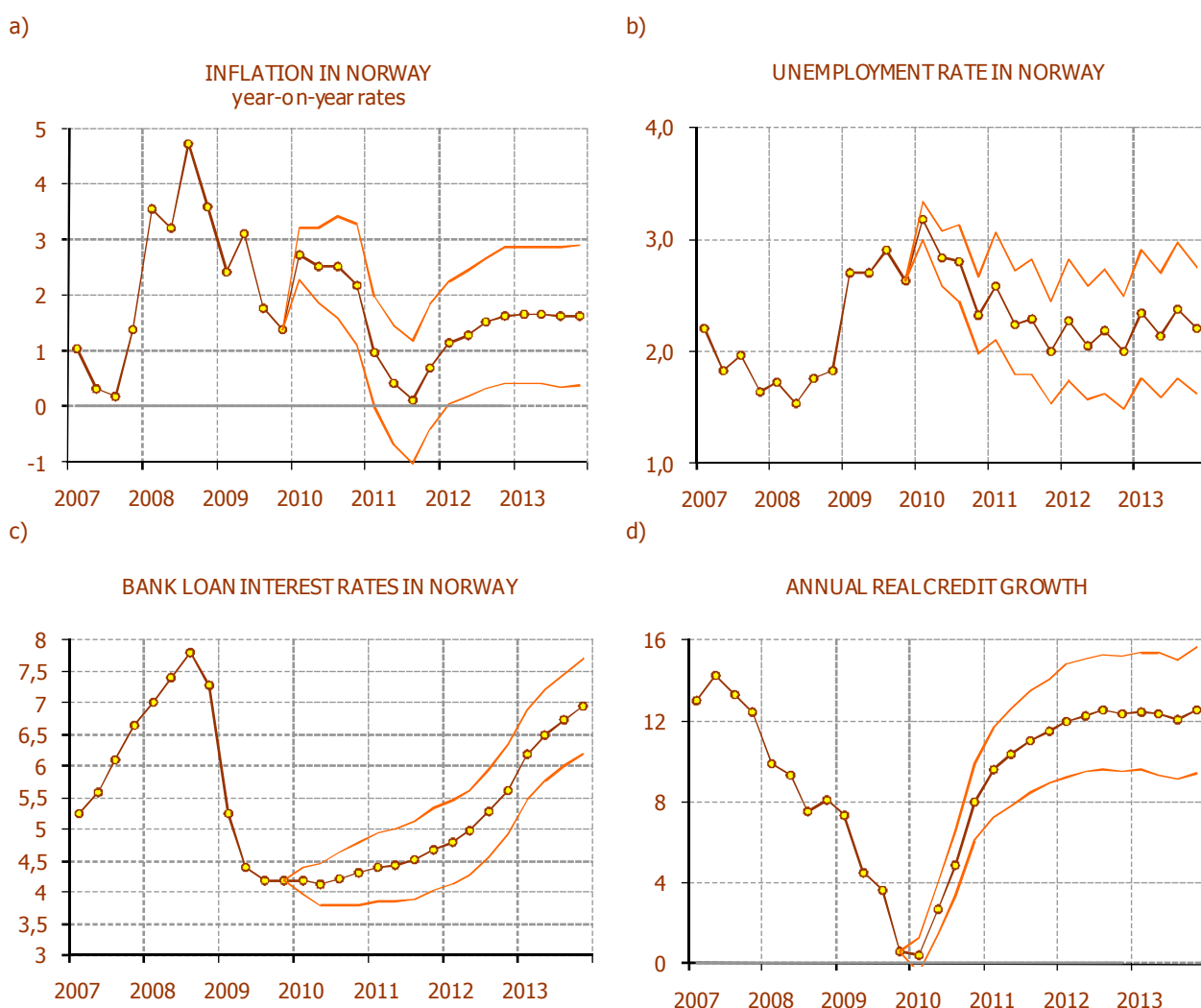
VII. FORECASTS FOR THE NORWEGIAN ECONOMY 2010q1-2013q4

Forecasts are presented for the first quarter of 2010 until the end of 2013 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.

Panel a) shows a decrease in the annual rate of CPI *inflation* during 2011, before stabilizing around 2%. The *rate of unemployment* (panel b) is forecasted to start falling during 2010 and stabilize just below 2.5%. 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, ending around 7% at the end of 2013. 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 12% at the beginning of 2012.

Figure 1

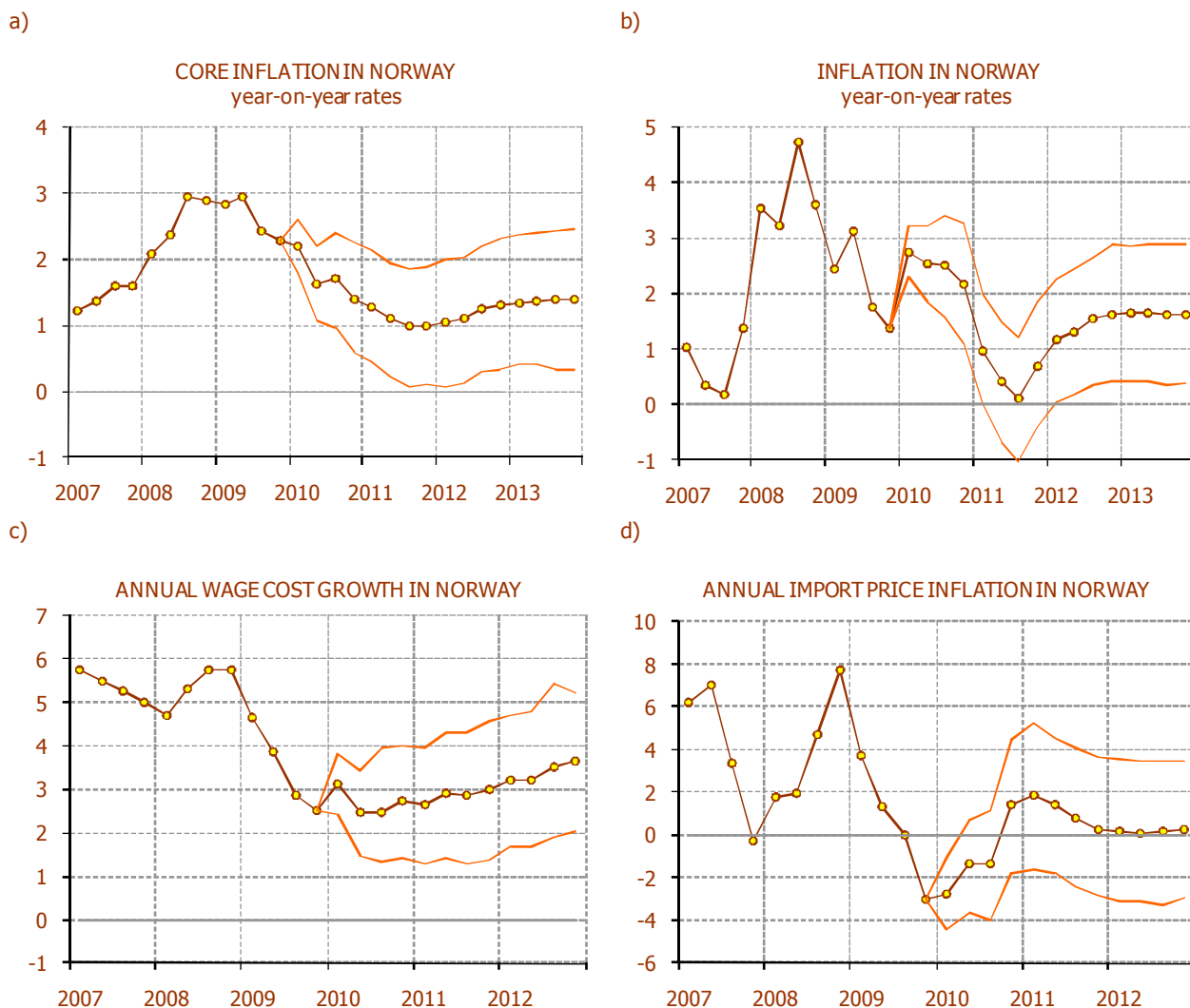


NAM forecasts for the period 2010q1-2013q4 with 68% prediction intervals (represented by the dotted lines). Data for the period 2007q1-2009q4 are included for reference.



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 towards 1% by late 2011, before stabilizing around 1,5% at the end of 2013. The annual rate of wage inflation is starting increasing at the end of 2010. Import price fall is halted, due to stabilizing prices internationally.

Figure 2

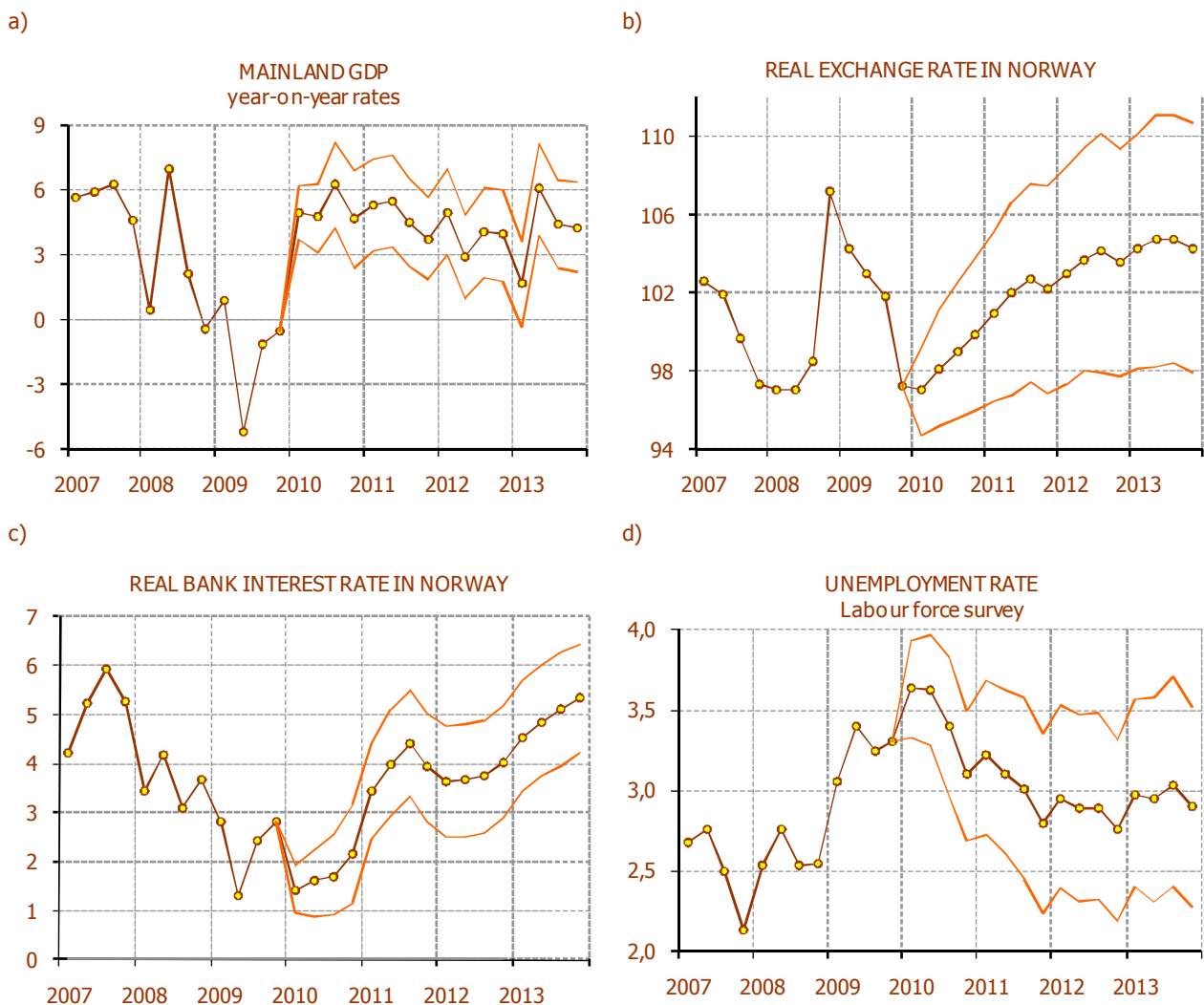


NAM forecasts for the period 2010q1-2013q4 with 68% prediction intervals (represented by the dotted lines).



Four important real variables are shown in Figure 3. Panel a) shows real GDP growth for Mainland-Norway. The forecasted GDP growth is shown in graph a). After the negative growth in 2009 as a manifestation of the ongoing world recession, growth is expected to be back close to 4% already at the end of 2010 and will increase towards the end of the forecast period. This might prove to be optimistic and will depend upon whether international contraction 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 increase and then fall in unemployment shown in Figure 1 above, and graph d) in figure 3 shows how the model projects the Labour Force Survey rate of unemployment. 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 3

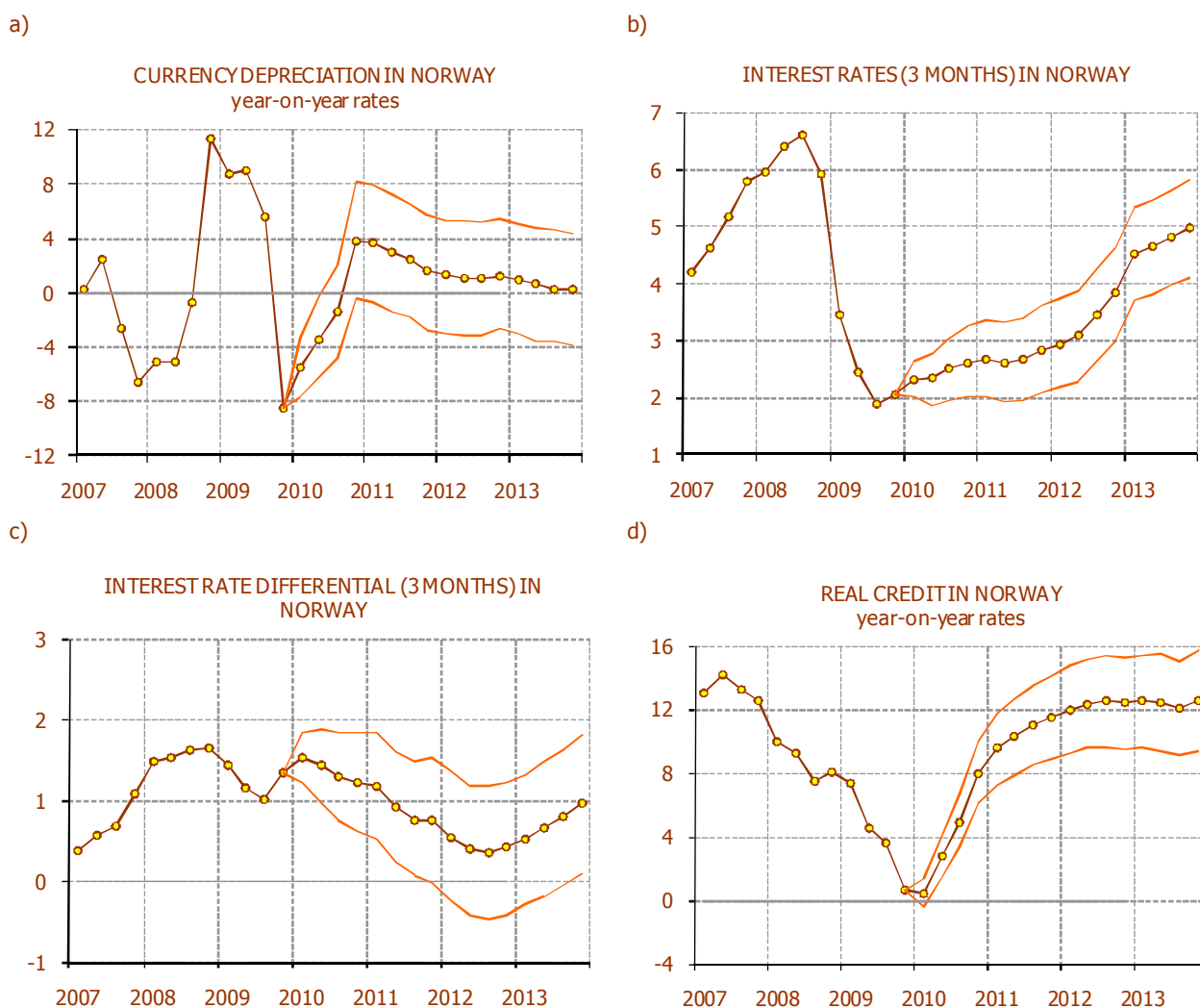


NAM forecasts for the period 2010q1-2013q4 with 68% prediction intervals (represented by the dotted lines).



Figure 4 takes a closer look at the interest rate and (the market for) foreign exchange. 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). Of the in spite of the 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.

Figure 4



NAM forecasts for the period 2010q1-2013q4 with 68% prediction intervals (represented by the dotted lines).



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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) and Bårdsen, Eitrheim, Jansen, and Nymoen (2005). 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.

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* 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 data for the Euro Area relative to the month of November 2009 were extremely positive. Growth expectations for 2010 and 2011 were revised upwards up to 3.1% and 3.3%, respectively

INDUSTRIAL PRODUCTION INDEX AND SECTORS IN THE EURO AREA*									
Annual rates of growth									
		Consumer Goods			Capital Goods	Intermediate Goods	Energy	TOTAL	
		Durable	Non Durable	Total					
ANNUAL AVERAGE RATES	2005	-0,8	1,1	0,8	2,5	0,6	-2,7	1,3	
	2006	4,7	2,7	3,0	6,0	4,9	-1,0	4,2	
	2007	1,4	2,5	2,3	6,7	3,7	-1,0	3,7	
	2008	-5,7	-1,4	-2,1	-0,1	-3,3	1,4	-1,7	
	2009	-17,2	-3,2	-5,4	-20,4	-19,4	-7,8	-15,0	
	2010	-1,4	1,6	1,2	2,6	3,4	5,4	2,6	
	2011	1,5	2,4	2,3	4,1	-1,6	-3,9	0,8	
ANNUAL RATES*	2009	TI	-19,8	-5,5	-23,9	-23,9	-25,4	-8,5	-18,5
		TII	-21,3	-3,4	-24,2	-24,2	-24,3	-8,7	-18,6
		TIII	-18,2	-1,9	-21,1	-21,1	-18,4	-8,7	-14,5
		TIV	-9,0	-1,9	-12,0	-12,0	-7,8	-5,5	-7,7
	2010	TI	-4,4	0,4	-1,5	-1,5	2,1	2,9	-0,7
		TII	-1,9	1,5	1,4	1,4	3,3	6,8	2,9
		TIII	1,4	2,0	4,3	4,3	4,4	6,6	4,3
		TIV	-0,7	2,5	5,8	5,8	3,7	0,8	3,9
	2011	TI	3,1	3,9	7,4	7,4	0,3	-0,2	4,9
		TII	2,1	2,8	6,5	6,5	-0,5	-4,7	-1,7
		TIII	0,9	1,8	4,3	4,3	-2,1	-5,5	1,5
		TIV	0,0	1,4	-1,1	-1,1	-3,9	-0,9	-5,7

Data adjusted for

The figures in the shaded area are forecasts

*Year-on-year rates

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