



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

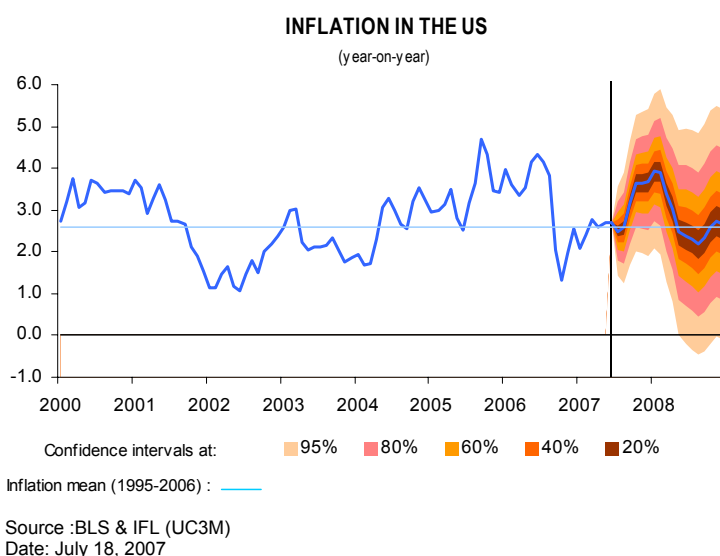


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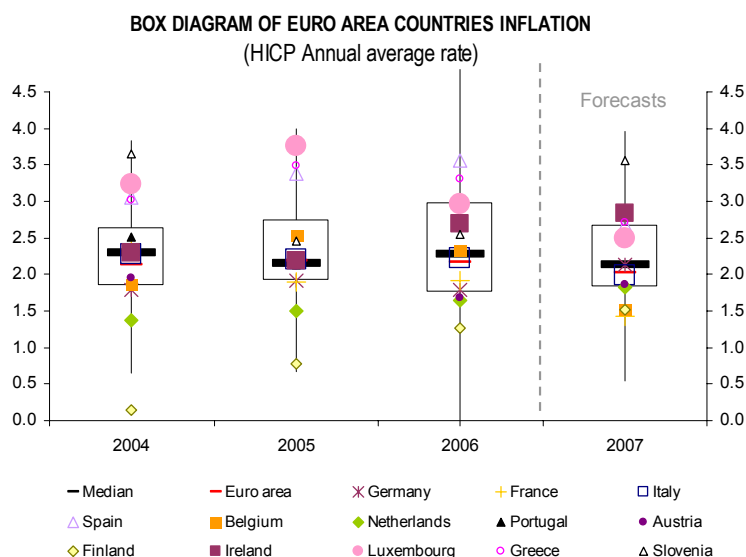
Second Phase

**IN THE US, THE ANNUAL CPI GROWTH RATE  
COULD BE NOT FAR FROM 4% AT THE  
BEGINNING OF 2008, SUBSEQUENTLY  
RETURNING TO VALUES OF LESS THAN 3%.**



**EURO AREA INFLATION IS EXPECTED TO BE  
2.0% IN 2007 AND 2.1% IN 2008.**

**By country, inflation in 2007 in the euro area is  
expected to range from 1.4% in France to 3.6%  
in Slovenia**



N. 154  
July, 2007

Main results in this Bulletin:

- A slight moderation in economic growth in the euro area is forecast, with average annual rates of 2.7% in 2007 and 2.5% in 2008.
- Inflation in the euro area is expected to be 2.0% ( $\pm 0.17$ ) in 2007. In 2008, the forecast for this rate is 2.05% ( $\pm 0.44$ ), which is slightly above the ECB target.
- ECB interest rate is expected to rise to 4.25% in 2007.
- The annual CPI growth rate in the US could be not far from 4% at the beginning of 2008, subsequently returning to values below 3%.
- In 2008, PCE could be above the central tendency established by the Fed for that year (1.75%-2.00%).
- The Fed is not expected to change interest rates until the probability of meeting inflation target is higher.
- The Spanish economy is forecast to experience less dynamic annual growth in the second quarter of 2007, with an annual rate of 3.9%, two tenths below the rate in the first quarter.
- The average inflation rate for the Spanish economy is expected to be 2.6% ( $\pm 0.19$ ) in 2007 and 2.8% ( $\pm 0.74$ ) in 2008, so the inflation differential with the euro area would tend to stabilise at around 0.7pp.

N 154



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



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## TERMINOLOGY USED:

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

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

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

# **CONTENTS\***

<b>I. ECONOMIC OUTLOOK</b>	p.1
<b>II. THE ECONOMY IN THE EURO AREA</b>	
II.1 Macroeconomic Forecasts	
II.1.1 Macroeconomic Table	p.6
II.1.2 Quarterly Forecasts of GDP	p.7
II.1.3 IPI: monthly and quarterly forecasts	p.9
II.1.4 Economic Sentiment Indicator	p.10
II.1.5 Inflation	p.10
II.2 Economic growth, inflation and monetary policy	p.17
II.3 Tables and plots	p.24
<b>III. UNITED STATES</b>	
III.1 Macroeconomic Forecasts	
III.1.1. IPI: monthly and quarterly forecasts	p.31
III.1.2 Inflation	p.32
III.2 Inflation: main points and new results	p.36
III.3 Tables and plots	p.39
<b>IV. THE SPANISH ECONOMY</b>	
IV.1 Macroeconomic Forecasts	
IV.1.1 Macroeconomic Table	p.44
IV.1.2 Quarterly Forecasts of GDP	p.45
IV.1.3 IPI: monthly and quarterly forecasts	p.47
IV.1.4 Inflation	p.48
IV.2 Analysis of the Spanish Economy	
IV.2.1 The recent evolution of the Spanish economy.	p.53
IV.2.2 Inflation	p.55
IV.3 Tables and plots	p.59
<b>V. SUMMARY OF FORECASTS FOR DIFFERENT AREAS</b>	
V.1 Euro area and USA	p.63
V.2 Euro area and Spain	p.65
<b>VI. FORECASTS FROM DIFFERENT INSTITUTIONS</b>	p.67
<b>VII INDICATORS CALENDAR</b>	p.68

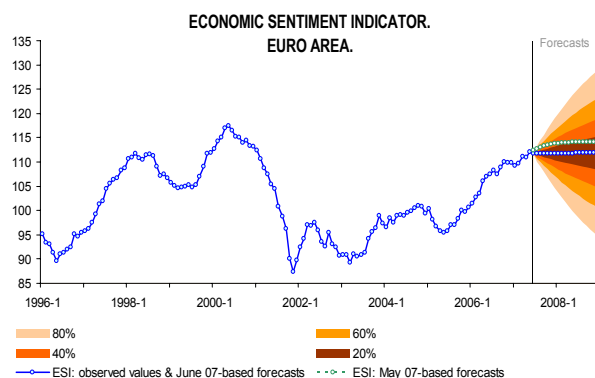
\*The cut-off date for the statistics included in this Bulletin was July 20, 2007.

## I. ECONOMIC OUTLOOK

### EURO AREA

- According to our forecasts, the quarter-on-quarter rate of growth of the euro area **GDP** is expected to stabilise in the next quarter at values of close to 0.6%, similar to the first quarter of 2007. In annual terms, we are expecting a gradual but slight fall in growth during the following quarters, leading to an average annual rate of 2.7% for 2007. For 2008, expectations point to an average annual GDP growth rate of 2.5%.
- In line with these forecasts based on macroeconomic aggregates, the forecast for the **Economic Sentiment Indicator** updated with the figure for June, 2007, announce stabilisation in the next few quarters at levels similar to June. The monthly figure, slightly worse than expected, and showing a decline in confidence in the service, consumer goods and retail trade sectors, has led to a downwards revision in the forecasts estimated with information up to May. The indicator continues to be stable at values we have not seen since early 2001.

Graph I.1

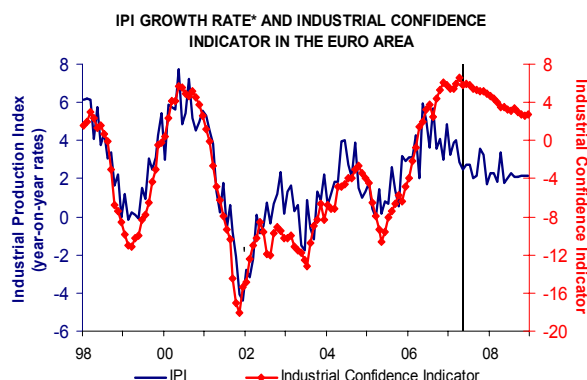


Source: EUROPEAN COMMISSION & IFL (UC3M)  
Fecha: June 29, 2007

- The recent indicators with partial information for the second quarter in the industrial sector (May Industrial Production Index and June Industrial Confidence Indicator) were better than expected. In the case of the IPI, there were upwards innovations in all sectors (intermediate, durable and non-durable consumer, capital goods and energy). In view of these figures, the forecast IPI growth for 2007 has been revised by 0.6 pp to 2.9%, so after the worse expectations derived from the April figures, we return to the rates we have been forecasting since the December 2006 figures were published. The forecasts point to moderation in annual growth of the sector's

production in the second quarter of 2007. For 2008, we are expecting a 2.2% growth rate, 0.3 pp more than in last month's Bulletin.

Graph I.2



\*Year-on-year rates.

IPI figures have been adjusted by working days and exclude the construction sector.

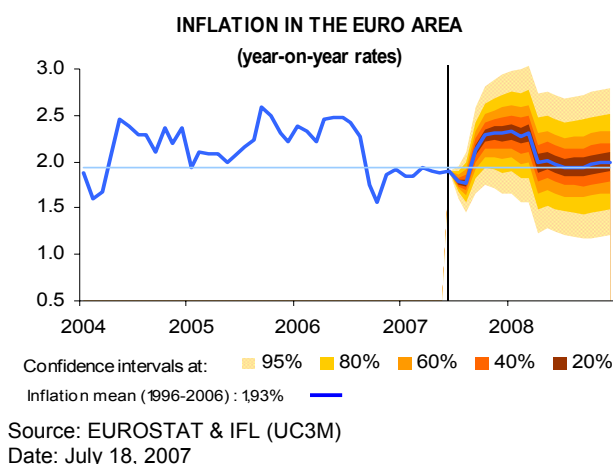
Source: EUROPEAN COMMISSION, EUROSTAT & IFL (UC3M)

Date: July 12, 2007

- With regards to **inflation**, the first half of the year was characterised by a stable annual rate of 1.8-1.9% both in headline and core inflation. In June, they both remained at 1.9%, as forecast.
- The forecasts updated with the June figures have not significantly changed from the previous Bulletin. In the core inflation components, the revision in the average annual rate is less than 0.1 pp and for the entire index we continue to expect average annual rates of 1.9% and 1.7% for 2007 and 2008. Outside core inflation, the upwards revision was a little larger and, with the latest information about fuel prices, we no longer forecast a negative contribution from energy to headline inflation in the next few months. This upwards revision outside core inflation hardly leads to a 0.03 pp increase in the average annual rate forecast for headline inflation in 2007 in the last Bulletin. Therefore, the perspectives for headline inflation continue to border the ECB target, at 1.99% and 2.05% for 2007 and 2008, respectively.
- For the next few months the annual headline inflation rate is expected to fall slightly to 1.8% (instead of the 1.7% forecast in the last Bulletin), rising to 2.3% in the last quarter of 2007 as a result of the expected energy rates and stabilising at around 1.9-2.0% from the first quarter of 2008 on.

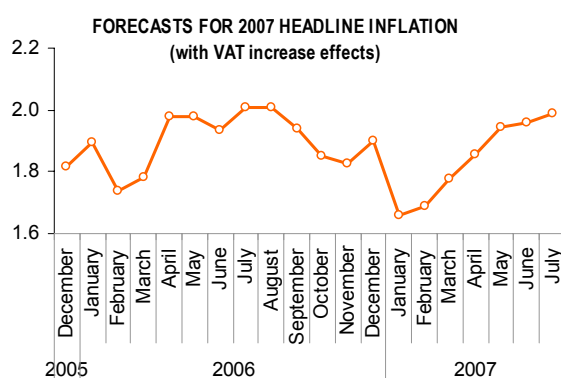


Graph I.3



- The euro area inflation section in this month's Bulletin includes an analysis of how our forecasts for the average annual HICP rate and its components have evolved in the last eighteen months. These forecasts remained quite stable, ranging from 1.7% to 2.0% (see graph I.4). As in the case of Spain, which was analysed in Bulletin No. 153, there were downwards revisions since the August 2006 Bulletin (2.0%) to January 2007 (1.7%), influenced by the heavy downwards revision in our forecasts for the energy index. From the January 2007 Bulletin on, the trend reversed and the revisions started to increase to 2.0% by June, 2007, their current value. This upwards evolution is also due to the impact of the energy component, in this case reinforced by the upwards revisions in core inflation.

Graph I.4

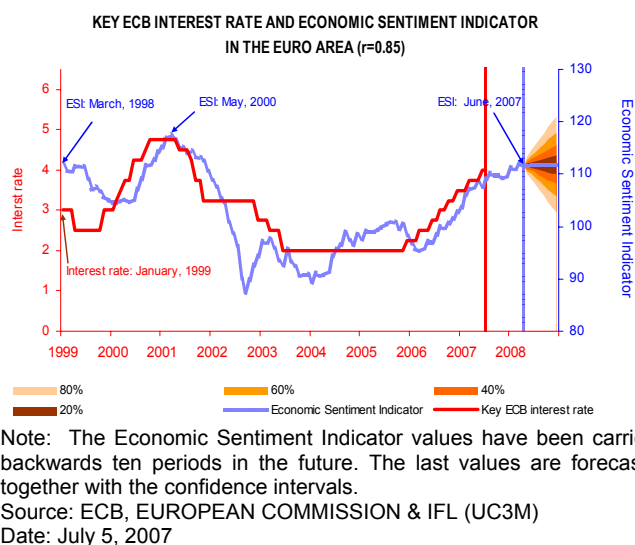


- With regards to the evolution of the **monetary aggregates**, M3 grew in May more than in April and more than expected (10.7%). It continues to be strong, but the ECB has warned that in a context of a relatively flat yield curve and high interest by non-residents in euro area financial

assets, M3 growth should be analysed with caution. Our forecasts point to deceleration from the second half of 2007 on, stabilising in the second quarter of 2008 at rates of around 8.4%, similar to those registered a year ago. On the counterparts side, credit to euro area residents registered an increase in its annual rate in May. The part corresponding to loans to the private sector maintained the same rate as in April, with an increase in loans to non-financial corporations and lower growth in loans to households. Our perspectives have fallen slightly, after growing in May (7.4%) somewhat less than expected. They are expected to stabilise at 7.0% from the last quarter of 2007 on.

- In view of the language used by the ECB, there will nearly certainly be an increase in the reference **interest rate** to 4.25% in 2007. Graph I.5 shows the evolution of the ECB interest rate in the last years and its close relationship to that of the Economic Sentiment Indicator.

Graph I.5



## UNITED STATES

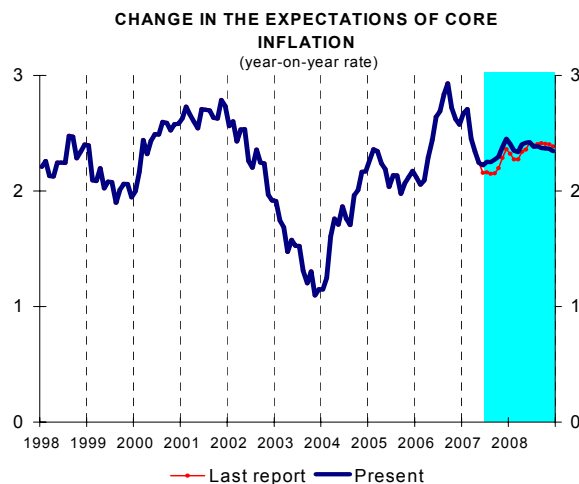
- In June, the U.S. CPI grew by a monthly 0.19%<sup>1</sup> instead of the forecast 0.16%. The forecast update with the latest information available has involved an upwards revision of the average annual rate expected for headline **inflation** in the U.S. to 2.9 and 2.8% in 2007 and 2008, respectively, 0.3 and 0.2 pp more than were forecast in the previous Bulletin.

<sup>1</sup> Unless otherwise specified, our US reports use non-seasonally adjusted data.



- This revision is largely due to the expected evolution of energy prices. Motor fuel prices are tending to their normal status as the refinery problems are corrected, but crude oil prices continue to rise; relative to last month's report, they have increased by an average of 3.6\$ barrel in the forecasting horizon. Until the refinery problems are not finally solved, motor fuel prices are subject to more than normal variability. Given the weight of motor fuel prices in the general CPI, their evolution is decisive in our forecasting changes.
- For core inflation, however, the medium-term forecasts published last month remain unaltered, while they worsen very slightly in the short-term (see graph I.6). The forecast average annual rates for this index are 2.4% for 2007 and 2008, 0.1 pp more than last month for 2007.

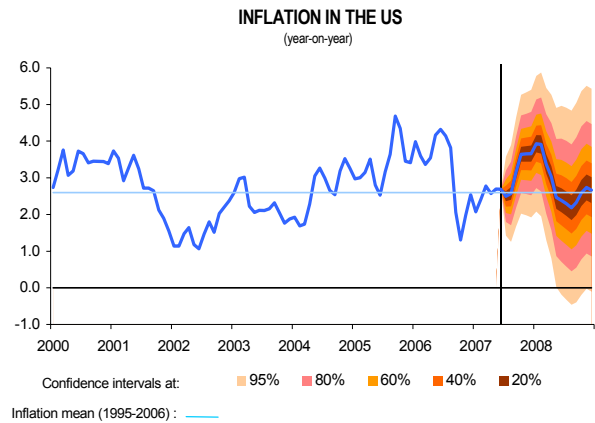
Graph I.6



Source: BLS & IFL (UC3M)  
Date: July 18, 2007

- With regards to the evolution of annual total CPI rates, after falling in July from 2.7% to 2.5%, we are expecting them to rise to close to 4% at the beginning of 2008, as a result of the evolution of crude oil prices. After the first few months of 2008, inflation is expected to return to rates of less than 3.0% (graph I.7).

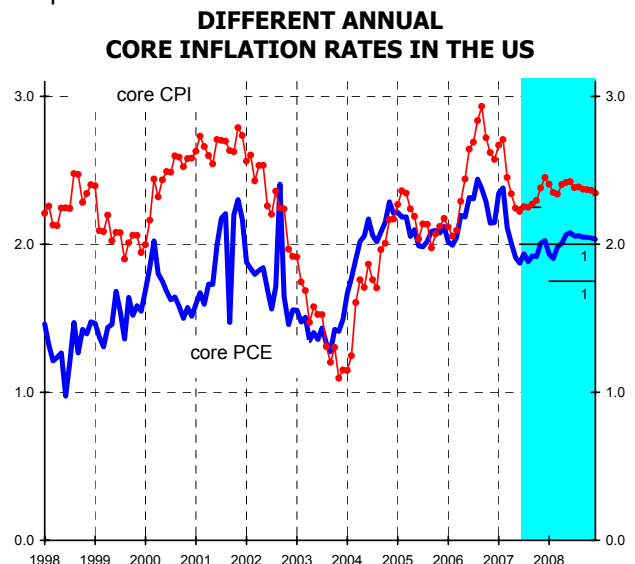
Graph I.7



Source: BLS & IFL (UC3M)  
Date: July 18, 2007

- With regards to the core PCE<sup>2</sup> (core personal consumption expenditure index), which is the indicator most closely monitored by the Fed, with the June CPI figure the forecasts from last month have worsened slightly, but only in the short term. We are expecting an annual rate for June of 1.87% and an average annual rate for 2007 of 2.03%, on the lower limit of the target range for the year (2.00-2.25%). For 2008, the perspectives point to 2.02%, slightly higher than the target for the year (1.75%-2.00%).

Graph I.8



(1) Central tendency established by the Fed.  
Source: BLS & IFL (UC3M)  
Date: July 18, 2007

<sup>2</sup> The PCE (Personal Consumption Expenditure) is a price index which has the advantage over the consumer price index (CPI) that, instead of using a fixed shopping basket, it adapts to real expenditure, reflecting changes in the composition of the basket between the periods compared.





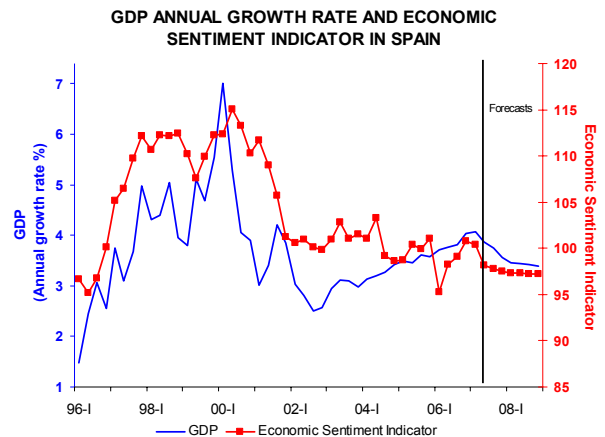
- With regards to the real economy, the June **industrial production** figures were somewhat better than forecast (1.34% annual rate versus the forecast 0.49%) and the rate of **use of productive capacity** grew to 81.7%. On the other hand, the latest information relating to **building permits** was worse than expected, with more adjustment in the property sector. **New home sales** in May were lower than expected, even though prices remained on a low level. On the other hand, the number and price of **existing home sales** was in line with our forecast.
- In view of the above, we confirm our previous reports in the sense that the Fed will not be lowering its interest rate until it is more likely to meet its inflation targets.

## SPAIN

- The recent indicators with information, in some cases partial information, about the second quarter of 2007, support our expectations for moderate annual **GDP** growth in Spain in the second quarter of 2007. According to our forecasts based on the Quarterly National Accounts for the first quarter of 2007, the GDP will grow by 3.9% in the second quarter, after 4.1% in the first. For 2007 we are expecting 3.8% growth and 3.4% for 2008, after the 3.9% observed in 2006.
- The recent indicators include the **Economic Sentiment Indicator** edited by the European Commission, which performed in June better than expected, with an increase favoured by the increased confidence of economic agents in the evolution of the service and construction sectors. Our expectations have been revised upwards, but we still expect a slight decline in the next few months and stabilisation in the second half of 2008, in line with our perspectives based on the Quarterly National Accounts (see graph I.9).
- The latest **Industrial Production Index** (IPI) and **Industrial Confidence Indicator** (ICI) figures also point to moderated growth in industrial production in the second quarter of 2007. They both performed worse than expected and, in the case of ICI, it appears to be confirmed that a local peak was reached in March. In view of the latest information relating to these indicators, the forecast IPI growth for 2007 has been revised downwards by 0.3 pp to 3.3% (versus the 3.7% observed in 2006). For

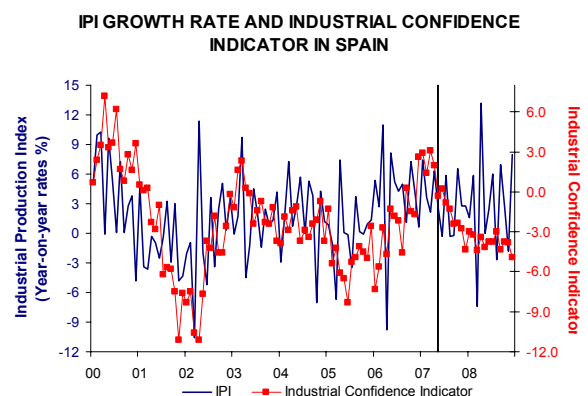
the second quarter, we are expecting an annual rate of 2.7%, compared with the 4.2 and 4.1% of the previous two quarters. For 2008, we continue to expect an average annual rate of 2.8%, as in the last Bulletin (graph I.10).

Graph I.9



Source: EUROPEAN COMMISSION, INE & IFL (UC3M)  
Date: June 29, 2007

Graph I.10



Source: EUROPEAN COMMISSION, INE & IFL (UC3M)  
Date: July 5, 2007

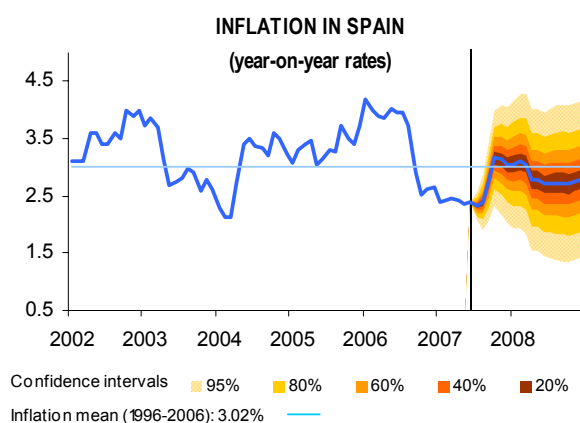
- The latest information about the labour market (Social Security contributors, employment) and consumer indicators (car registrations, total sales) also point to some activity moderation in the second quarter of 2007 in annual terms.
- With regards to **inflation** which, as expected, was 2.4% in June, the forecasts updated with the latest information are practically the same as last month, just a little lower, at 2.60% and 2.82%, respectively for 2007 and 2008. For core inflation, the average annual rates expected for these years have been revised downwards by 0.06 pp to 2.61% and 2.67%, respectively, largely due to non-energy industrial goods and services. The downwards revision in the former is added to those registered in the last year, when we have gone from a forecast average annual rate of 1.5% a



year ago, to today's 0.9%. Outside core inflation, the average annual rates for 2007 were revised upwards, but for 2008 they remained practically unaltered.

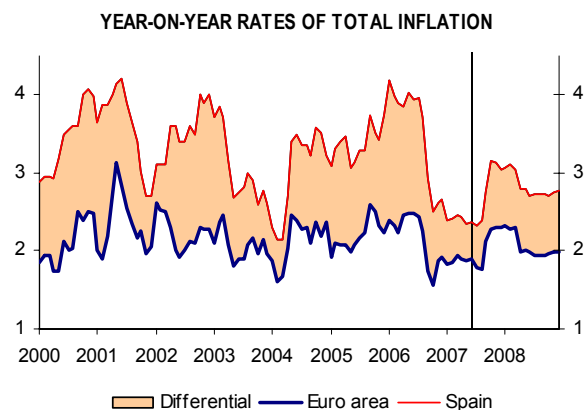
- For the next few months, headline inflation is expected to remain at about 2.4%, rising after the central summer months to end the year at 3.0-3.1% as a result of the increase expected in the energy component. After a first quarter of 2008 at these values, the annual rate is expected to stabilise at around 2.7%.
- The differential with the euro area in June was 0.5 pp, but it is expected to increase to 0.7-0.8 pp at the end of the year, remaining at that level in 2008.

Graph I.11



Source: INE & IFL (UC3M)  
Date: July 18, 2007

Graph I.12



Source: INE & IFL (UC3M)  
Date: July 18, 2007





## II. THE ECONOMY IN THE EURO AREA.

### II.1 MACROECONOMIC FORECASTS.

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

	Annual Average Rate				
	2004	2005	2006	Forecasts	
				2007	2008
<b>GDP mp (1)</b>	<b>1.8</b>	<b>1.6</b>	<b>2.8</b>	<b>2.7</b>	<b>2.5</b>
<b>Demand</b>					
Private Final Consumption	1.4	1.6	1.7	1.6	2.0
Public Final Consumption	1.4	1.4	1.9	1.8	1.8
Gross Capital Formation	2.8	3.0	5.5	5.4	4.1
Contribution Domestic Demand	1.6	1.8	2.5	2.5	2.4
Exports of Goods and Services	6.4	4.4	8.5	5.9	5.6
Imports of Goods and Services	6.4	5.2	8.0	5.6	5.6
Contribution Foreign Demand	0.2	-0.2	0.3	0.2	0.1
<b>Supply</b>					
Gross Value Added Total (market prices)	1.8	1.6	2.8	2.7	2.5
Gross Value Added Total (basic prices)	1.8	1.6	2.7	2.6	2.4
Gross Value Added Agriculture	11.6	-5.1	-1.9	1.1	1.1
Gross Value Added Industry	1.2	1.4	4.1	3.1	2.1
Gross Value Added Construction	0.7	1.6	4.7	4.3	3.7
Gross Value Added Trade Services	2.6	1.9	2.9	2.8	2.7
Gross Value Added Financial Services	1.6	2.3	2.7	2.7	2.8
Gross Value Added Public Services	1.3	1.3	1.4	1.5	1.6
<b>Prices (2)</b>					
CPI harmonized, annual average	2.1	2.2	2.2	2.0	2.1
CPI harmonized, dec. / dec.	2.4	2.2	1.9	2.3	2.0
<b>Employment (3)</b>					
Unemployment rate	8.8	8.6	7.9	7.2	7.0
<b>Other Economic Indicators (4)</b>					
Industrial Production Index (excluding construction)	2.2	1.3	4.0	2.9	2.2

The figures in the shaded area are forecasts.

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

Source: EUROSTAT & IFL (UC3M)

Date: (1) June 1, 2007.

(2) July 18, 2007

(3) July 3, 2007

(4) July 12, 2007



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

Table II.1.2.1

TABLE 11.12.1

ANNUAL RATES OF GROWTH IN GDP AND COMPONENTS IN THE EURO AREA										
		Final Consumption Expenditure		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 RATES	2003	1.2	1.8	2.2	1.5	1.1	3.2	-0.7	0.8	
	2004	1.4	1.4	2.8	1.6	6.4	6.4	0.2	1.8	
	2005	1.6	1.4	3.0	1.8	4.4	5.2	-0.2	1.6	
	2006	1.7	1.9	5.5	2.5	8.5	8.0	0.3	2.8	
	2007	1.6	1.8	5.4	2.5	5.9	5.6	0.2	2.7	
	2008	2.0	1.8	4.1	2.4	5.6	5.6	0.1	2.5	
	ANNUAL RATES (*)	2006	QI	1.7	2.1	4.3	2.3	9.1	9.4	0.0
QII			1.7	1.7	6.1	2.6	8.1	7.7	0.3	2.9
QIII			1.7	1.9	7.6	2.9	6.9	7.5	-0.1	2.8
QIV			1.9	2.2	3.9	2.3	9.8	7.5	1.0	3.3
2007		QI	1.3	1.9	8.7	3.0	6.3	6.3	0.0	3.0
		QII	1.8	1.9	4.7	2.5	6.5	5.9	0.3	2.8
		QIII	1.7	1.7	3.7	2.1	6.5	5.3	0.6	2.7
		QIV	1.8	1.8	4.5	2.3	4.4	5.1	-0.2	2.1
2008		QI	2.3	1.6	2.4	2.1	5.5	4.8	0.3	2.4
		QII	1.9	2.0	5.1	2.5	5.7	5.9	0.0	2.5
		QIII	1.9	1.9	3.9	2.3	5.7	5.9	0.0	2.3
		QIV	1.9	1.8	5.1	2.5	5.7	5.8	0.0	2.5

Data adjusted for seasonality and working days effect.

The figures in the shaded area are forecasts.

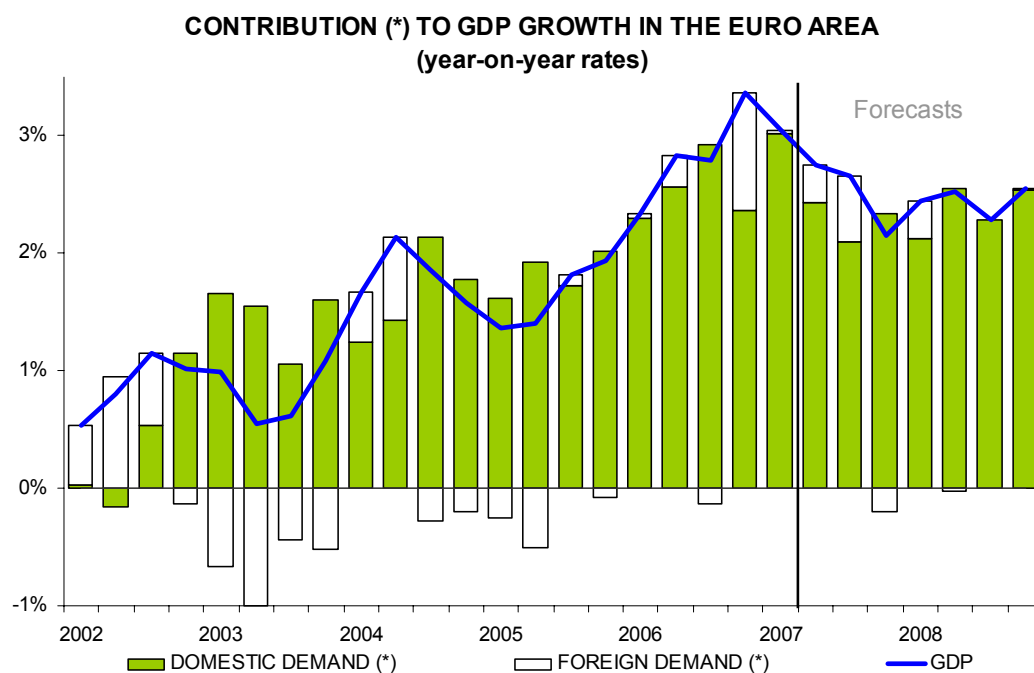
(1) Contribution to GDP growth

(\*) Year-on-year rates.

Source: EUROSTAT & IFL (UC3M)

Date: June 1, 2007

Graph II.1.2.1



Data adjusted for seasonality and working day effect.

Source: EUROSTAT & IFL (UC3M)

Date: June 1, 2007



Table II.1.2.2

ANNUAL RATES OF GROWTH IN GDP AND COMPONENTS IN THE EURO AREA										
		GVA								
		Agriculture	Industry	Construction	Trade Services	Financial Services	Public Services	TOTAL	Real GDP	
ANNUAL AVERAGE RATES	2003	-5.9	0.4	0.3	0.4	1.7	1.0	0.7	0.8	
	2004	11.6	1.2	0.7	2.6	1.6	1.3	1.8	1.8	
	2005	-5.1	1.4	1.6	1.9	2.3	1.3	1.6	1.6	
	2006	-1.9	4.1	4.7	2.9	2.7	1.4	2.7	2.8	
	2007	1.1	3.1	4.3	2.8	2.7	1.5	2.6	2.7	
	2008	1.1	2.1	3.7	2.7	2.8	1.6	2.4	2.5	
ANNUAL RATES (*)	2006	QI	-3.3	3.5	3.6	2.4	2.0	1.3	2.2	2.3
		QII	-1.8	4.0	4.6	2.9	2.9	1.4	2.8	2.9
		QIII	-2.5	4.3	5.0	3.0	2.7	1.4	2.8	2.8
		QIV	-0.2	4.5	5.4	3.3	3.2	1.3	3.1	3.3
	2007	QI	0.6	3.9	7.4	2.9	3.0	1.4	3.0	3.0
		QII	1.5	2.9	3.8	2.9	2.5	1.4	2.5	2.8
		QIII	2.7	2.8	3.3	2.8	2.5	1.6	2.5	2.7
		QIV	-0.4	2.7	3.0	2.7	2.7	1.6	2.4	2.1
	2008	QI	3.2	2.3	1.9	3.3	2.9	1.6	2.5	2.4
		QII	0.8	2.4	4.4	2.6	2.6	1.6	2.4	2.5
		QIII	-0.3	1.9	4.4	2.7	2.9	1.6	2.4	2.3
		QIV	0.8	1.9	4.3	2.3	2.7	1.6	2.3	2.5

Data adjusted for seasonality and working days effect.

The figures in the shaded area are forecasts

(\*) Year-on-year rates.

Source: EUROSTAT & IFL (UC3M)

Date: June 1, 2007



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

Table II.1.3.1

ANNUAL RATES OF GROWTH IN IPI AND SECTORS IN THE EURO AREA*							
		Consumer Goods		Capital	Intermediate	Energy	TOTAL
		Durable	Non durable	Equipment	Goods		
ANNUAL AVERAGE RATE	2003	-4.4	0.4	-0.1	0.4	2.8	0.3
	2004	0.1	0.6	3.4	2.4	2.2	2.2
	2005	-0.9	0.7	2.8	0.9	1.4	1.3
	2006	4.2	2.1	5.9	4.9	0.8	4.0
	2007	1.0	2.6	5.2	3.7	-2.9	2.9
	2008	0.4	1.2	3.4	2.1	1.7	2.2
ANNUAL RATES**	2006	QI	2.4	2.2	5.3	3.0	3.5
		QII	3.7	2.4	5.7	0.9	4.3
		QIII	5.1	1.2	5.7	1.5	4.2
		QIV	5.6	2.7	6.8	-3.3	4.0
	2007	QI	4.3	3.2	7.2	6.4	3.7
		QII	0.8	2.0	4.9	3.3	2.7
		QIII	-0.9	2.6	4.0	2.8	2.3
		QIV	-0.3	2.5	4.8	2.5	2.9
	2008	QI	0.1	1.7	2.9	1.7	2.1
		QII	0.6	1.2	3.8	2.4	2.4
		QIII	0.4	1.1	3.5	2.2	2.2
		QIV	0.3	1.1	3.5	2.2	2.1

The figures in the shaded area are forecasts.

\* Adjusted by working days.

\*\* Year-on-year rates

Source: EUROSTAT & IFL (UC3M)

Date: July 12, 2007

Table II.1.3.2

### OBSERVED VALUES AND FORECASTS IN THE IPI\* ANNUAL RATES IN THE EURO AREA

	2002	2003	2004	2005	2006	2007	2008
January	-2.82	1.30	0.60	1.77	3.15	3.22	2.27
February	-3.18	1.63	1.19	0.40	3.12	3.86	2.28
March	-2.18	0.27	1.86	-0.05	4.29	3.99	1.84
April	0.09	0.61	1.81	1.43	2.02	2.89	3.35
May	-0.84	-1.51	3.93	0.15	5.92	2.47	1.75
June	-0.48	-1.77	3.99	0.79	5.04	2.72	2.01
July	0.75	0.87	2.73	0.71	3.60	2.75	2.26
August	-0.37	-0.58	2.06	2.61	5.66	2.03	2.09
September	0.66	-1.19	3.88	1.38	3.55	2.16	2.10
October	1.20	1.33	1.53	0.54	4.10	3.55	2.13
November	2.38	0.87	0.97	3.22	3.00	3.25	2.14
December	0.16	2.20	1.32	2.94	4.84	1.72	2.13

\* Adjusted by working days

The figures in the shaded area are forecasts.

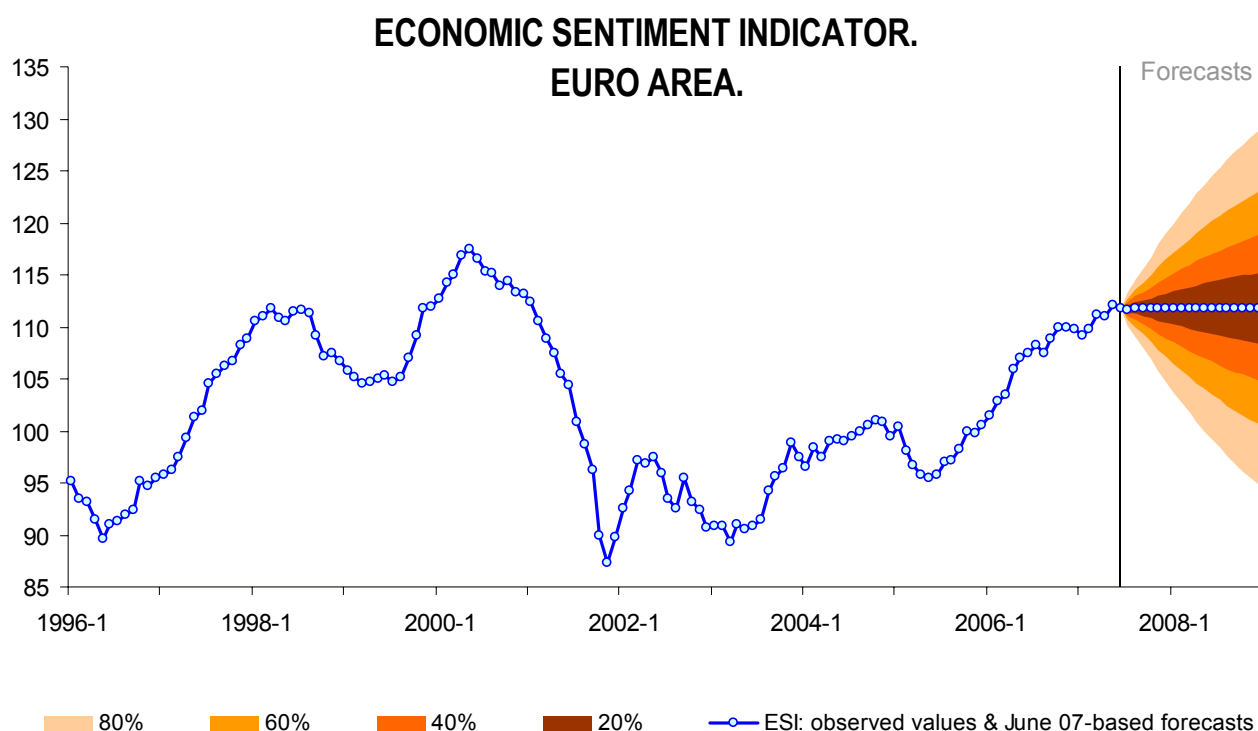
Source: EUROSTAT & IFL (UC3M)

Date: July 12, 2007



## II.1.4 ECONOMIC SENTIMENT INDICATOR.

Graph II.1.4.1



Source: EUROPEAN COMMISSION & IFL (UC3M)  
Date: June 29, 2007

## II.1.5 INFLATION.

Table II.1.5.1

FORECASTS IN THE ANNUAL AVERAGE RATE IN INFLATION IN THE EURO AREA					
Harmonized Index of Consumer Price (HICP)	2004	2005	2006	Forecast	
				2007	2008
<b>TOTAL (100%)</b>	2.1	2.2	2.2	<b>2.0</b>	<b>2.1</b>
<b>CORE (82.8%)</b>	2.1	1.5	1.5	<b>1.9</b>	<b>1.7</b>
Processed food without tobacco (9.4%)	1.3	0.5	1.6	<b>1.3</b>	<b>1.7</b>
Processed food with tobacco (11.9%)	3.4	2.0	2.1	<b>2.1</b>	<b>2.2</b>
Non-energy industrial goods (30.0%)	0.8	0.3	0.6	<b>1.0</b>	<b>0.7</b>
Services (40.8%)	2.6	2.3	2.0	<b>2.5</b>	<b>2.3</b>
<b>RESIDUAL (17.2%)</b>	2.6	5.7	5.5	<b>2.4</b>	<b>3.8</b>
Non-Processed food (7.6%)	0.6	0.8	2.8	<b>2.4</b>	<b>2.0</b>
Energy (9.6%)	4.5	10.1	7.7	<b>2.4</b>	<b>5.1</b>

Source: EUROSTAT & IFL (UC3M)  
Date: July 18, 2007



Table II.1.5.2

HICP ANNUAL GROWTH BY COMPONENTS IN THE EURO AREA													
		Harmonized Index of Consumer Prices									TOTAL 80 % Confidence Intervals*		
		Core				Residual							
		Processed food excluding tobacco	Tobacco	Non energy industrial goods	Services	TOTAL	80 % Confidence Intervals*	Non processed food	Energy	TOTAL			
Weights 2007		9.4%	2.5%	30.0%	40.8%	82.8%		7.6%	9.6%	17.2%	100%		
ANNUAL AVERAGE RATE	1998	0.9	4.0	0.9	1.9	1.4		2.0	-2.6	-0.3	1.1		
	1999	0.5	3.1	0.7	1.5	1.1		0.0	2.4	1.2	1.1		
	2000	0.7	3.4	0.5	1.5	1.0		1.8	13.0	7.4	2.1		
	2001	2.7	3.8	0.9	2.5	1.9		7.0	2.2	4.4	2.3		
	2002	2.4	5.9	1.5	3.1	2.5		3.1	-0.6	1.2	2.2		
	2003	2.1	8.4	0.8	2.5	2.0		2.1	3.0	2.6	2.1		
	2004	1.3	12.2	0.8	2.6	2.1		0.6	4.5	2.6	2.1		
	2005	0.5	7.8	0.3	2.3	1.5		0.8	10.1	5.7	2.2		
	2006	1.6	3.9	0.6	2.0	1.5		2.8	7.7	5.5	2.2		
	2007	1.3	4.9	1.0	2.5	1.9	± 0.10	2.4	2.4	2.4	2.0	± 0.12	
2008	1.7	4.0	0.7	2.3	1.7	± 0.36	2.0	5.1	3.8	2.1	± 0.44		
ANNUAL RATES (year-on-year rates)	2006	January	1.3	4.0	0.2	2.0	1.3		2.0	13.6	8.2	2.4	
		February	1.5	3.7	0.3	2.0	1.3		1.7	12.5	7.5	2.3	
		March	1.6	4.6	0.6	1.9	1.4		0.6	10.5	5.9	2.2	
		April	1.6	4.1	0.7	2.2	1.6		1.2	11.0	6.5	2.5	
		May	1.7	4.2	0.7	1.8	1.5		1.5	12.9	7.6	2.5	
		June	1.6	4.2	0.7	2.0	1.6		2.1	11.0	6.9	2.5	
		July	1.8	4.1	0.6	2.1	1.6		3.2	9.5	6.7	2.4	
		August	1.7	4.0	0.6	1.9	1.5		3.9	8.1	6.3	2.3	
		September	1.8	2.0	0.8	2.0	1.5		4.6	1.5	2.9	1.7	
		October	1.8	4.0	0.8	2.1	1.6		4.2	-0.5	1.5	1.6	
		November	1.7	4.0	0.8	2.1	1.6		4.4	2.1	3.1	1.9	
		December	1.5	4.3	0.9	2.0	1.6		3.7	2.9	3.3	1.9	
	2007	January	1.4	5.1	0.9	2.3	1.8		3.7	0.9	2.1	1.8	
		February	1.2	5.6	1.1	2.4	1.9		2.8	0.8	1.6	1.8	
		March	1.1	4.9	1.2	2.4	1.9		2.9	1.8	2.3	1.9	
		April	1.1	5.0	1.1	2.5	1.9		3.9	0.4	1.9	1.9	
		May	1.1	4.9	1.0	2.6	1.9		3.1	0.3	1.5	1.9	
		June	1.3	4.8	1.0	2.6	1.9		3.0	0.9	1.8	1.9	
		July	1.3	4.3	1.0	2.5	1.9	± 0.13	2.4	0.1	1.2	1.8	± 0.11
		August	1.4	4.3	1.0	2.6	2.0	± 0.18	1.6	0.4	0.9	1.8	± 0.21
		September	1.4	6.7	1.0	2.6	2.0	± 0.22	1.2	3.9	2.7	2.1	± 0.30
		October	1.4	4.5	0.9	2.5	1.9	± 0.25	1.7	6.0	4.1	2.3	± 0.35
		November	1.4	4.5	0.9	2.6	1.9	± 0.27	1.2	6.7	4.3	2.3	± 0.39
		December	1.5	4.2	0.9	2.6	1.9	± 0.30	1.1	6.9	4.3	2.3	± 0.42
	2008	January	1.5	3.5	0.9	2.4	1.8	± 0.33	1.5	7.6	4.9	2.3	± 0.43
		February	1.7	3.0	0.6	2.4	1.7	± 0.36	2.1	7.6	5.2	2.3	± 0.46
		March	1.7	4.8	0.6	2.6	1.8	± 0.38	2.6	6.3	4.7	2.3	± 0.48
		April	1.7	4.5	0.6	2.2	1.6	± 0.40	1.8	5.2	3.7	2.0	± 0.49
		May	1.7	4.4	0.6	2.3	1.7	± 0.41	2.3	4.6	3.6	2.0	± 0.48
		June	1.7	4.3	0.6	2.3	1.7	± 0.42	2.0	4.3	3.3	2.0	± 0.48
		July	1.7	4.3	0.6	2.3	1.7	± 0.42	2.0	4.1	3.2	1.9	± 0.48
		August	1.7	4.3	0.6	2.3	1.7	± 0.42	2.0	4.1	3.2	1.9	± 0.49
		September	1.7	3.7	0.6	2.3	1.7	± 0.43	2.0	4.3	3.3	1.9	± 0.51
		October	1.7	3.7	0.6	2.3	1.7	± 0.44	2.0	4.4	3.3	2.0	± 0.52
		November	1.7	3.7	0.7	2.3	1.7	± 0.44	2.0	4.6	3.4	2.0	± 0.52
		December	1.7	3.7	0.7	2.3	1.7	± 0.46	2.0	4.7	3.5	2.0	± 0.52

\* Confidence intervals calculated with historical errors.

The figures in the shaded area are forecasts

Source: EUROSTAT & IFL (UC3M)

Date: July 18, 2007





Table II.1.5.3

HICP MONTHLY GROWTH BY COMPONENTS IN THE EURO AREA											
		Harmonized Index of Consumer Prices									
		Core					Residual			TOTAL	
		Processed food excluding tobacco	Tobacco	Non energy industrial goods	Services	TOTAL	Non processed food	Energy	TOTAL		
Weights 2007		9.4%	2.5%	30.0%	40.8%	82.8%	7.6%	9.6%	17.2%	100%	
MONTHLY RATES (Growth of the month over the previous month)	January	2005	0.1	0.2	-1.8	-0.3	-0.8	0.4	0.3	0.4	-0.6
		2006	0.3	0.0	-2.0	-0.4	-0.9	0.9	2.4	1.8	-0.4
		2007	0.2	0.7	-2.0	-0.1	-0.7	0.9	0.4	0.6	-0.5
		2008	0.2	0.0	-2.0	-0.3	-0.8	1.3	1.0	1.2	-0.5
	February	2005	0.1	0.2	-0.1	0.4	0.2	0.7	1.4	1.1	0.3
		2006	0.3	0.0	0.0	0.4	0.2	0.4	0.4	0.4	0.3
		2007	0.1	0.4	0.2	0.5	0.4	-0.5	0.3	0.0	0.3
		2008	0.2	0.0	0.0	0.5	0.3	0.0	0.3	0.2	0.2
	March	2005	0.1	0.0	1.3	0.2	0.6	0.9	2.3	1.7	0.7
		2006	0.2	0.8	1.6	0.1	0.7	-0.2	0.5	0.2	0.6
		2007	0.2	0.1	1.6	0.0	0.6	-0.1	1.5	0.8	0.7
		2008	0.1	1.8	1.6	0.2	0.8	0.5	0.3	0.4	0.7
	April	2005	0.1	0.5	0.7	0.0	0.3	-0.2	2.3	1.1	0.4
		2006	0.1	0.1	0.8	0.2	0.4	0.4	2.8	1.7	0.7
		2007	0.1	0.3	0.7	0.4	0.5	1.4	1.4	1.4	0.6
		2008	0.2	0.0	0.7	0.0	0.3	0.7	0.3	0.5	0.3
	May	2005	0.1	0.1	0.1	0.4	0.3	0.6	-0.6	-0.1	0.3
		2006	0.1	0.2	0.2	0.1	0.1	0.9	1.0	1.0	0.3
		2007	0.1	0.1	0.1	0.2	0.2	0.1	0.9	0.6	0.2
		2008	0.2	0.0	0.1	0.4	0.2	0.5	0.3	0.4	0.3
	June	2005	0.1	0.2	-0.2	0.1	0.0	-0.4	1.6	0.7	0.1
		2006	0.0	0.3	-0.2	0.3	0.1	0.2	-0.1	0.1	0.1
		2007	0.1	0.1	-0.2	0.2	0.0	0.1	0.5	0.3	0.1
		2008	0.1	0.0	-0.2	0.2	0.0	-0.2	0.3	0.1	0.1
	July	2005	0.0	0.6	-1.8	0.7	-0.3	-1.3	2.7	0.9	-0.1
		2006	0.1	0.5	-2.0	0.8	-0.3	-0.2	1.4	0.7	-0.1
		2007	0.1	0.0	-1.9	0.8	-0.3	-0.8	0.6	0.0	-0.2
		2008	0.1	0.0	-1.9	0.8	-0.3	-0.8	0.3	-0.2	-0.3
	August	2005	0.1	0.1	0.1	0.3	0.2	-0.6	1.3	0.5	0.2
		2006	0.0	0.0	0.1	0.1	0.1	0.0	0.1	0.0	0.1
		2007	0.1	0.0	0.1	0.2	0.1	-0.8	0.3	-0.2	0.1
		2008	0.1	0.0	0.1	0.2	0.1	-0.8	0.3	-0.2	0.1
	September	2005	0.0	2.2	1.3	-0.5	0.3	-0.1	3.0	1.6	0.5
		2006	0.1	0.2	1.5	-0.4	0.3	0.6	-3.2	-1.6	0.0
		2007	0.1	2.4	1.5	-0.4	0.4	0.2	0.2	0.2	0.3
		2008	0.1	1.8	1.4	-0.4	0.4	0.2	0.3	0.3	0.3
	October	2005	0.1	0.1	0.7	-0.1	0.2	0.1	0.2	0.2	0.3
		2006	0.1	2.0	0.7	0.0	0.4	-0.4	-1.8	-1.2	0.1
		2007	0.1	0.0	0.7	0.0	0.3	0.2	0.2	0.2	0.2
		2008	0.1	0.0	0.7	0.0	0.3	0.2	0.3	0.3	0.3
	November	2005	0.2	0.0	0.3	-0.1	0.1	0.4	-3.0	-1.5	-0.3
		2006	0.1	0.1	0.3	-0.1	0.0	0.6	-0.5	0.0	0.0
		2007	0.1	0.0	0.3	-0.1	0.0	0.0	0.2	0.1	0.1
		2008	0.1	0.0	0.3	-0.1	0.0	0.0	0.3	0.2	0.1
	December	2005	0.2	0.0	-0.1	0.9	0.4	1.1	-0.7	0.1	0.3
		2006	0.0	0.3	0.0	0.9	0.4	0.4	0.1	0.2	0.4
		2007	0.1	0.0	-0.1	0.9	0.4	0.4	0.3	0.3	0.4
		2008	0.1	0.0	-0.1	0.9	0.4	0.4	0.3	0.3	0.4

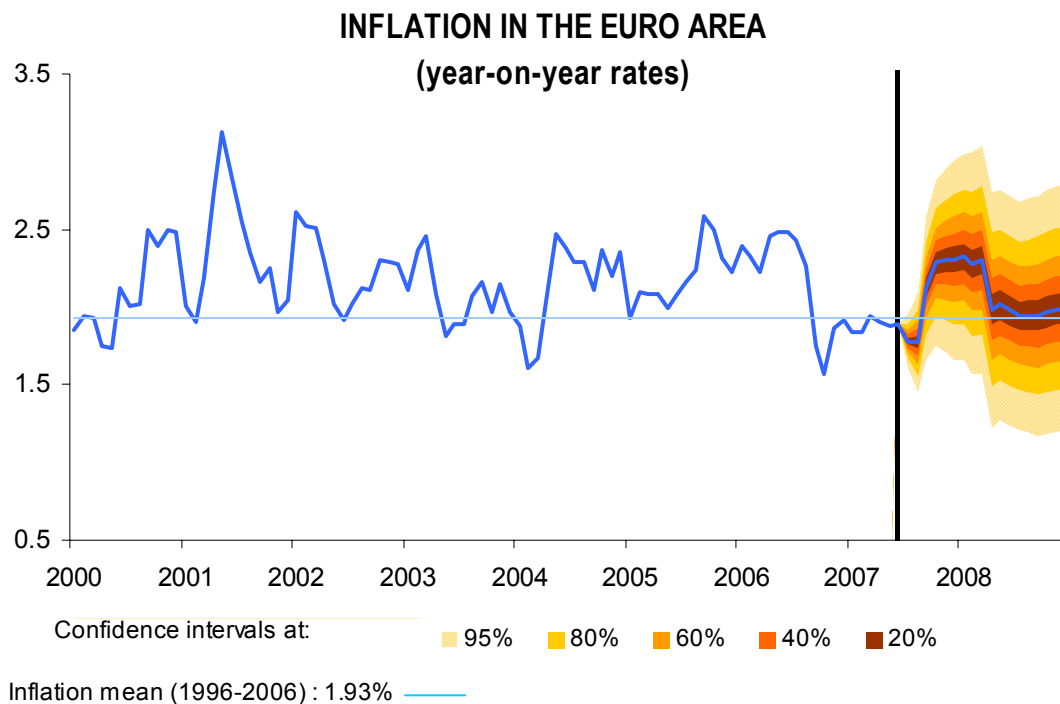
The figures in the shaded area are forecasts.

Source: EUROSTAT &amp; IFL (UC3M)

Date: July 18, 2007

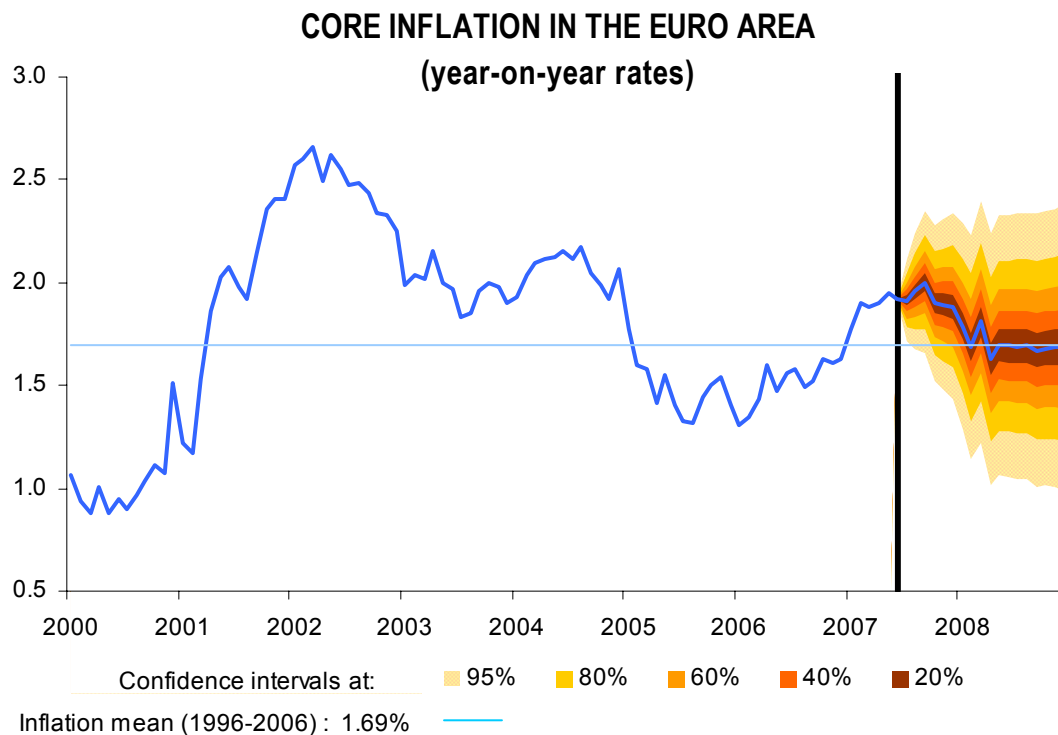


Graph II.1.5.1



Source: EUROSTAT & IFL (UC3M)  
Date: July 18, 2007

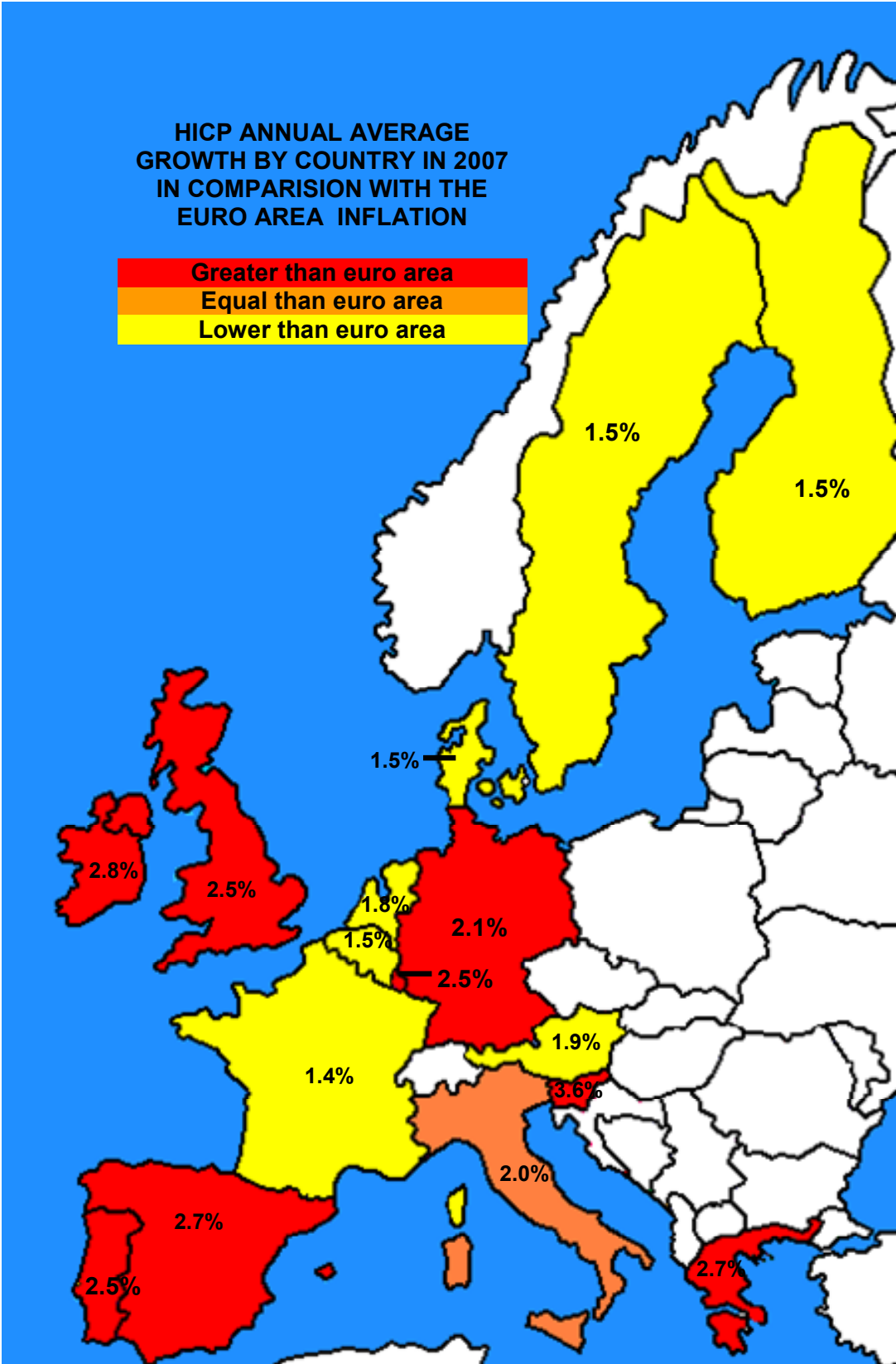
Graph II.1.5.2



Source: EUROSTAT & IFL (UC3M)  
Date: July 18, 2007



Graph II.1.5.3



Source: EUROSTAT & IFL (UC3M)  
Date: July 18, 2007



Table II.1.5.4

HICP ANNUAL GROWTH BY COUNTRY IN THE EURO AREA AND THE EU																					
		European Union														United Kingdom		Sweden		Denmark	
		Euro Area																			
		Germany	France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Portugal	Finland	Ireland	Slovenia	Luxembourg							
Weights 2007		28.2%	20.7%	18.3%	12.3%	5.3%	3.4%	3.1%	3.1%	2.1%	1.6%	1.4%	0.3%	0.2%							
ANNUAL AVERAGE RATE	1999	0.6	0.6	1.7	2.2	2.0	1.1	0.5	2.1	2.2	1.3	2.5	6.1	1.0	1.3	0.5	2.1				
	2000	1.4	1.8	2.6	3.5	2.3	2.7	2.0	2.9	2.8	2.9	5.3	8.9	3.8	0.8	1.3	2.7				
	2001	1.9	1.8	2.3	2.8	5.1	2.4	2.3	3.7	4.4	2.7	4.0	8.6	2.4	1.2	2.7	2.3				
	2002	1.4	1.9	2.6	3.6	3.9	1.6	1.7	3.9	3.7	2.0	4.7	7.5	2.1	1.3	1.9	2.4				
	2003	1.0	2.2	2.8	3.1	2.2	1.5	1.3	3.4	3.3	1.3	4.0	5.7	2.5	1.4	2.3	2.0				
	2004	1.8	2.3	2.3	3.1	1.4	1.9	2.0	3.0	2.5	0.1	2.3	3.7	3.2	1.3	1.0	0.9				
	2005	1.9	1.9	2.2	3.4	1.5	2.5	2.1	3.5	2.1	0.8	2.2	2.5	3.8	2.0	0.8	1.7				
	2006	1.8	1.9	2.2	3.6	1.7	2.3	1.7	3.3	3.0	1.3	2.7	2.5	3.0	2.3	1.5	1.9				
	2007	2.1	1.4	2.0	2.7	1.8	1.5	1.9	2.7	2.5	1.5	2.8	3.6	2.5	2.5	1.5	1.5				
	2008	2.0	1.5	2.1	2.9	2.2	1.7	1.9	2.4	2.5	1.4	2.8	4.1	2.7	2.2	1.5	1.6				
ANNUAL RATES (year-on-year rates)	2006	January	2.1	2.3	2.2	4.2	1.8	2.8	1.5	3.0	2.7	1.2	2.5	2.6	4.1	1.9	1.1	2.0			
		February	2.1	2.0	2.2	4.1	1.4	2.8	1.5	3.1	3.0	1.3	2.7	2.3	3.9	2.1	1.1	2.1			
		March	1.9	1.7	2.2	3.9	1.4	2.2	1.3	3.3	3.8	1.2	2.8	2.0	3.7	1.8	1.5	1.8			
		April	2.3	2.0	2.3	3.9	1.8	2.6	2.1	3.5	3.7	1.5	2.7	2.8	3.5	2.0	1.8	1.8			
		May	2.1	2.4	2.3	4.1	1.8	2.8	2.1	3.3	3.7	1.7	3.0	3.4	3.6	2.2	1.9	2.1			
		June	2.0	2.2	2.4	4.0	1.8	2.5	1.9	3.4	3.5	1.5	2.9	3.0	3.9	2.5	1.9	2.1			
		July	2.1	2.2	2.3	4.0	1.7	2.4	2.0	3.9	3.0	1.4	2.9	1.9	3.4	2.4	1.8	2.0			
		August	1.8	2.1	2.3	3.8	1.9	2.3	2.1	3.4	2.7	1.3	3.2	3.1	3.1	2.5	1.6	1.9			
		September	1.0	1.5	2.4	2.9	1.5	1.9	1.3	3.1	3.0	0.8	2.2	2.5	2.0	2.4	1.2	1.5			
		October	1.1	1.2	1.9	2.6	1.3	1.7	1.3	3.1	2.6	0.9	2.2	1.5	0.6	2.5	1.2	1.4			
		November	1.5	1.6	2.0	2.7	1.6	2.0	1.6	3.2	2.4	1.3	2.4	2.4	1.8	2.7	1.5	1.8			
		December	1.4	1.7	2.1	2.7	1.7	2.1	1.6	3.2	2.5	1.2	3.0	3.0	2.3	3.0	1.4	1.7			
	2007	January	1.8	1.4	1.9	2.4	1.2	1.7	1.7	3.0	2.6	1.3	2.9	2.8	2.3	2.7	1.6	1.8			
		February	1.9	1.2	2.1	2.5	1.4	1.8	1.7	3.0	2.3	1.2	2.6	2.3	1.8	2.8	1.7	1.9			
		March	2.0	1.2	2.1	2.5	1.9	1.8	1.9	2.8	2.4	1.6	2.9	2.6	2.4	3.1	1.6	1.9			
		April	2.0	1.3	1.8	2.5	1.9	1.8	1.8	2.6	2.8	1.5	2.9	2.9	2.5	2.8	1.6	1.7			
		May	2.0	1.2	1.9	2.4	2.0	1.3	1.9	2.6	2.4	1.3	2.7	3.1	2.3	2.5	1.2	1.7			
		June	2.0	1.3	1.9	2.5	1.8	1.3	1.9	2.6	2.4	1.4	2.8	3.8	2.3	2.4	1.3	1.3			
		July	1.9	1.3	1.8	2.4	1.9	1.3	1.8	2.7	2.4	1.6	2.8	4.6	2.8	2.4	1.5	1.2			
		August	2.0	1.2	1.8	2.5	1.8	1.3	1.8	2.8	2.4	1.6	2.7	4.0	2.1	2.3	1.6	1.2			
		September	2.4	1.6	2.0	2.9	2.0	1.6	1.9	2.6	2.2	1.7	3.0	3.8	2.4	2.4	1.5	1.3			
		October	2.5	1.8	2.2	3.3	2.1	1.6	2.0	2.6	2.4	1.7	3.0	4.3	2.8	2.4	1.5	1.5			
		November	2.5	1.8	2.2	3.2	1.9	1.5	1.9	2.6	2.6	1.6	3.0	4.4	3.1	2.3	1.5	1.4			
		December	2.7	1.8	2.2	3.2	1.8	1.4	1.9	2.5	2.6	1.6	2.8	4.1	3.2	2.1	1.5	1.3			
	2008	January	2.3	1.7	2.2	3.2	2.5	1.7	1.9	2.5	2.6	1.7	2.8	4.4	3.6	2.3	1.7	1.5			
		February	2.2	1.8	2.2	3.2	2.5	1.4	1.9	2.7	2.6	1.6	2.9	4.7	3.0	2.2	1.6	1.3			
		March	2.1	1.7	2.2	3.2	2.2	1.5	1.9	2.5	2.3	1.3	2.7	4.6	2.7	2.1	1.5	1.4			
		April	1.9	1.5	2.2	2.9	2.1	1.5	1.9	2.4	2.2	1.2	2.8	4.3	2.4	2.2	1.3	1.4			
		May	1.9	1.4	2.1	2.9	2.1	1.7	1.8	2.4	2.4	1.4	2.8	4.0	2.2	2.2	1.5	1.4			
		June	2.0	1.4	2.1	2.8	2.1	1.7	1.8	2.4	2.6	1.4	2.8	3.8	2.2	2.2	1.5	1.6			
		July	1.9	1.4	2.0	2.8	2.1	1.7	1.9	2.4	2.6	1.4	2.8	3.8	2.5	2.2	1.5	1.7			
		August	1.9	1.3	2.0	2.8	2.1	1.7	1.9	2.5	2.6	1.4	2.8	3.8	2.3	2.2	1.5	1.7			
		September	1.9	1.4	2.0	2.8	2.1	1.7	1.9	2.3	2.6	1.4	2.8	3.8	2.7	2.1	1.5	1.7			
		October	1.9	1.4	2.0	2.8	2.1	1.8	1.9	2.3	2.6	1.4	2.8	3.8	3.1	2.1	1.5	1.7			
		November	1.9	1.4	2.0	2.8	2.1	1.8	1.9	2.3	2.6	1.4	2.8	3.8	2.9	2.1	1.5	1.7			
		December	1.9	1.4	2.0	2.9	2.1	1.8	1.9	2.2	2.6	1.4	2.8	3.8	2.8	2.1	1.5	1.7			

The figures in the shaded area are forecasts.

Source: EUROSTAT &amp; IFL (UC3M)

Date: July 18, 2007



Table II.1.5.5

HICP MONTHLY GROWTH BY COUNTRY IN THE EURO AREA AND THE EU																		
		European Union																
		Euro Area																
		Germany	France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Portugal	Finland	Ireland	Slovenia	Luxembourg	United Kingdom	Sweden	Denmark	
Weights 2007		28.2%	20.7%	18.3%	12.3%	5.3%	3.4%	3.1%	3.1%	2.1%	1.6%	1.4%	0.3%	0.2%				
MONTHLY RATES (Growth of the month over the previous month)	January	2005	-0.6	-0.6	-1.0	-1.0	0.5	-1.3	0.0	0.2	-0.6	-0.5	-1.0	-0.5	-1.0	-0.5	-0.5	-0.2
		2006	-0.6	-0.1	-0.9	-0.5	0.2	-1.3	-0.1	-0.2	-0.4	-0.4	-0.5	-0.3	-0.4	-0.5	-0.7	-0.4
		2007	-0.2	-0.4	-1.1	-0.7	-0.2	-1.7	0.1	-0.4	-0.3	-0.3	-0.6	-0.5	-0.3	-0.8	-0.5	-0.3
		2008	-0.5	-0.5	-1.0	-0.7	0.4	-1.4	0.1	-0.3	-0.3	-0.3	-0.6	-0.3	0.0	-0.6	-0.4	-0.1
	February	2005	0.4	0.7	-0.1	0.2	0.8	2.2	0.4	-1.7	-0.1	0.6	0.9	0.7	1.7	0.2	0.4	0.6
		2006	0.4	0.4	-0.1	0.1	0.5	2.3	0.3	-1.6	0.2	0.8	1.2	0.4	1.5	0.4	0.4	0.7
		2007	0.5	0.2	0.1	0.1	0.7	2.4	0.3	-1.6	0.0	0.6	0.9	-0.1	1.0	0.5	0.5	0.8
		2008	0.3	0.3	0.1	0.1	0.6	2.1	0.3	-1.4	0.0	0.5	1.0	0.2	0.4	0.4	0.3	0.6
	March	2005	0.3	0.7	1.2	0.9	0.8	0.6	0.4	2.5	0.4	0.4	0.2	1.0	0.3	0.5	0.3	0.8
		2006	0.1	0.4	1.2	0.7	0.8	-0.1	0.3	2.7	1.2	0.3	0.3	0.7	0.2	0.2	0.7	0.5
		2007	0.2	0.5	1.2	0.8	1.3	0.0	0.5	2.5	1.3	0.7	0.7	1.1	0.7	0.5	0.6	0.5
		2008	0.2	0.4	1.1	0.7	1.0	0.1	0.4	2.2	0.9	0.4	0.5	0.9	0.4	0.4	0.5	0.6
	April	2005	0.0	0.2	0.8	1.4	0.2	0.2	-0.2	0.8	0.7	0.3	0.6	0.1	0.7	0.4	0.2	0.5
		2006	0.4	0.4	0.9	1.4	0.5	0.6	0.6	1.0	0.6	0.6	0.5	0.9	0.5	0.6	0.5	0.5
		2007	0.4	0.5	0.6	1.4	0.6	0.5	0.4	0.8	0.9	0.5	0.5	1.1	0.6	0.3	0.5	0.3
		2008	0.2	0.3	0.6	1.1	0.4	0.4	0.4	0.7	0.8	0.4	0.5	0.9	0.3	0.4	0.4	0.3
	May	2005	0.4	0.0	0.3	0.2	-0.1	0.2	0.0	0.4	0.6	-0.3	0.2	0.3	0.5	0.3	0.1	-0.1
		2006	0.2	0.4	0.3	0.4	0.0	0.4	0.0	0.1	0.5	-0.1	0.5	0.9	0.6	0.5	0.2	0.2
		2007	0.2	0.3	0.4	0.3	0.0	-0.1	0.2	0.2	0.2	-0.3	0.3	1.1	0.4	0.3	-0.1	0.2
		2008	0.2	0.2	0.3	0.3	0.0	0.1	0.1	0.2	0.4	-0.1	0.3	0.9	0.2	0.3	0.0	0.2
	June	2005	0.2	0.2	0.0	0.3	-0.3	0.3	0.3	-0.2	0.1	0.3	0.3	0.1	-0.1	0.0	0.1	0.2
		2006	0.1	0.0	0.1	0.2	-0.3	0.1	0.0	-0.1	0.0	0.0	0.2	-0.3	0.3	0.3	0.0	0.2
		2007	0.1	0.1	0.2	0.2	-0.5	0.1	0.0	0.0	0.0	0.1	0.3	0.3	0.2	0.2	0.1	-0.2
		2008	0.1	0.1	0.1	0.1	-0.4	0.1	0.0	0.0	0.1	0.1	0.3	0.2	0.2	0.1	0.1	0.0
	July	2005	0.4	-0.2	-0.2	-0.6	-0.3	-1.0	-0.3	-1.3	0.4	-0.3	-0.1	0.8	-0.1	0.1	-0.3	-0.2
		2006	0.5	-0.2	-0.3	-0.5	-0.4	-1.1	-0.2	-0.8	-0.1	-0.5	-0.1	-0.3	-0.6	0.0	-0.3	-0.3
		2007	0.4	-0.2	-0.4	-0.6	-0.3	-1.1	-0.2	-0.8	-0.1	-0.3	-0.2	0.5	-0.1	-0.1	-0.2	-0.4
		2008	0.3	-0.3	-0.4	-0.6	-0.3	-1.1	-0.2	-0.7	-0.1	-0.3	-0.2	0.4	0.2	-0.1	-0.1	-0.3
	August	2005	0.2	0.4	-0.2	0.5	0.3	1.8	0.2	-0.6	0.2	0.4	0.5	-0.5	1.4	0.3	0.3	0.1
		2006	-0.1	0.3	-0.2	0.2	0.5	1.7	0.3	-1.0	-0.1	0.3	0.8	0.7	1.1	0.4	0.0	0.0
		2007	0.0	0.3	-0.2	0.3	0.3	1.7	0.3	-0.9	-0.1	0.3	0.7	0.1	0.4	0.4	0.1	0.0
		2008	0.0	0.3	-0.2	0.3	0.3	1.7	0.3	-0.8	-0.1	0.2	0.7	0.1	0.2	0.3	0.1	0.0
	September	2005	0.3	0.4	0.6	0.6	0.9	0.0	0.6	2.4	0.2	0.6	0.7	1.0	0.6	0.2	0.8	0.8
		2006	-0.5	-0.2	0.7	-0.2	0.5	-0.5	-0.1	2.0	0.4	0.1	-0.3	0.3	-0.6	0.1	0.5	0.4
		2007	0.0	0.1	0.8	0.2	0.7	-0.2	0.0	1.8	0.2	0.3	0.0	0.2	-0.2	0.2	0.5	0.6
		2008	0.0	0.1	0.8	0.2	0.7	-0.2	0.0	1.6	0.2	0.2	0.0	0.2	0.2	0.2	0.4	0.6
	October	2005	0.0	0.0	0.7	0.8	0.0	-0.2	0.0	0.7	0.4	0.0	0.0	0.2	0.8	0.1	0.3	0.0
		2006	0.1	-0.2	0.2	0.4	-0.2	-0.3	-0.1	0.7	0.0	0.1	0.0	-0.7	-0.5	0.2	0.2	-0.1
		2007	0.2	0.0	0.4	0.8	0.0	-0.3	0.0	0.6	0.2	0.1	0.0	-0.3	-0.2	0.1	0.2	0.1
		2008	0.2	0.0	0.4	0.8	0.0	-0.2	0.0	0.5	0.2	0.1	0.0	-0.3	0.2	0.1	0.2	0.1
	November	2005	-0.5	-0.3	0.0	0.2	-0.3	-0.1	-0.2	-0.2	0.2	-0.3	-0.2	-0.6	-1.0	0.0	-0.3	-0.4
		2006	-0.1	0.1	0.1	0.2	0.0	0.2	0.1	-0.2	0.0	0.0	0.0	0.3	0.1	0.2	0.0	0.0
		2007	-0.1	0.1	0.1	0.2	-0.2	0.1	0.1	-0.1	0.2	-0.1	0.0	0.4	0.4	0.1	-0.1	-0.1
		2008	-0.1	0.1	0.1	0.3	-0.2	0.1	0.1	-0.1	0.2	-0.1	0.0	0.4	0.2	0.1	0.0	-0.1
	December	2005	1.0	0.2	0.0	0.2	-0.4	0.1	0.3	0.6	0.1	0.1	-0.2	-0.1	-0.4	0.3	0.1	0.1
		2006	0.9	0.2	0.1	0.3	-0.3	0.1	0.4	0.6	0.2	0.0	0.4	0.4	0.1	0.6	0.0	0.0
		2007	1.0	0.2	0.1	0.2	-0.4	0.0	0.4	0.5	0.1	0.1	0.2	0.2	0.2	0.4	0.0	-0.1
		2008	1.0	0.3	0.1	0.3	-0.4	0.0	0.4	0.5	0.1	0.1	0.2	0.2	0.2	0.4	0.1	-0.1

The figures in the shaded area are forecasts

Source: EUROSTAT &amp; IFL (UC3M)

Date: July 18, 2007



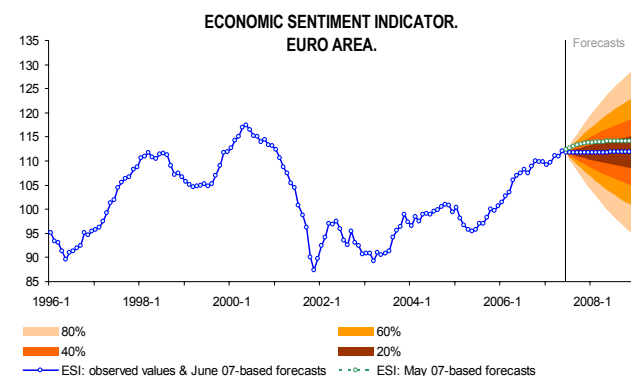
## II.2. ECONOMIC GROWTH, INFLATION AND MONETARY POLICY

### II.2.1 Economic growth

As described in last month's Bulletin, the euro area economy maintained a good rate of growth in the first quarter of 2007, but with some deceleration, largely due to weak consumption and exports. That Bulletin included an analysis of the macroeconomic aggregates for the first quarter and our forecasts updated with those figures. According to the latter, the quarter-on-quarter growth rate in the area is expected to stabilise in the next few quarters at values similar to the first, around 0.6%. In annual terms, the growth rate is expected to fall slightly to rates of 2.7-2.8%, with an average annual growth rate of 2.7% in 2007 and 2.5% in 2008.

Since the last Bulletin, the Economic Sentiment Indicator (ESI) figures for June 2007 have been published, adding to the information about macroeconomic aggregates in the first quarter with a more recent qualitative perspective. The forecasts for this indicator updated with this information point to stabilisation in the next few quarters at levels similar to those seen in June, in line with our forecasts for the GDP.

Graph II.2.1.1



Source: EUROPEAN COMMISSION & IFL (UC3M)  
Date: June 29, 2007

With regards to the recent evolution of this indicator, in June the ESI performed worse than expected, falling to 111.7 points from May's 112.1. This worsening was largely due to the deterioration of confidence of economic agents in the services, consumer goods and retail trade sectors, whereas their confidence in the evolution of the industrial sector remained unaltered, improving slightly in the construction sector.

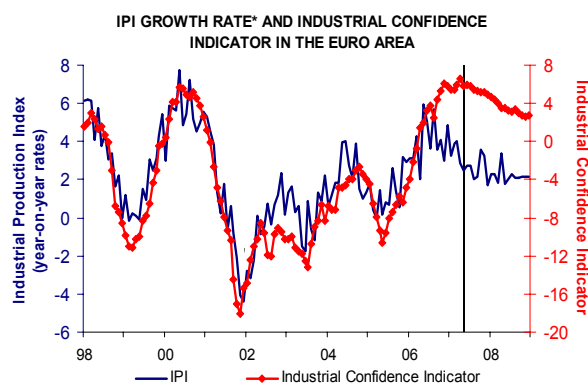
As graph II.2.1.1 shows, the forecast updated with the June figure led to a downwards revision relative to the forecast estimated with information up to May, 2007, but the indicator continues to stabilise at high values which have not been seen since early 2001.

Another indicator published with partial information relative to the second quarter of 2007 is the Industrial Production Index (IPI), for which the May figure is available. That month, the IPI performed better than expected, with an annual growth rate of 2.5% instead of the forecast 1.1%. The discrepancy between the observed value and the forecast was due to upwards innovations in all productive sectors by economic destination (intermediate goods, non-durable consumer goods, capital and durable consumer goods).

The figures for April (2.9%) and May (2.5%) show a good rate of growth, although lower than in previous months. In 2006, there was only one month in which the IPI grew by less than 3%.

Together with recent IPI data, we also have the Industrial Confidence Indicator (ICI) figure for June, which also performed better than expected. With this new information, we have revised the forecasts for this indicator upwards slightly, although we continue to expect a gradual fall in confidence in the evolution of the industrial sector in 2007 and 2008, tending to stabilise in the last quarter of next year at rates which are still high and greater than those registered in years when the sector experienced low growth (see graph II.2.1.2).

Graph II.2.1.2



\*Year-on-year rates.

IPI figures have been adjusted by working days and exclude the construction sector.

Source: EUROPEAN COMMISSION, EUROSTAT & IFL (UC3M)  
Date: July 12, 2007

In view of the IPI and ICI data, forecast IPI growth has been revised upwards by 0.6 pp for 2007, to 2.9%. The greatest contribution to this growth rate is expected to come from the capital and intermediate goods sectors, while energy is expected to make a negative contribution. Our forecasts point to a moderation of the annual growth rate in the industrial sector in the second quarter of 2007, for which we are forecasting a rate of 2.7% compared with 3.7% in the first quarter. For

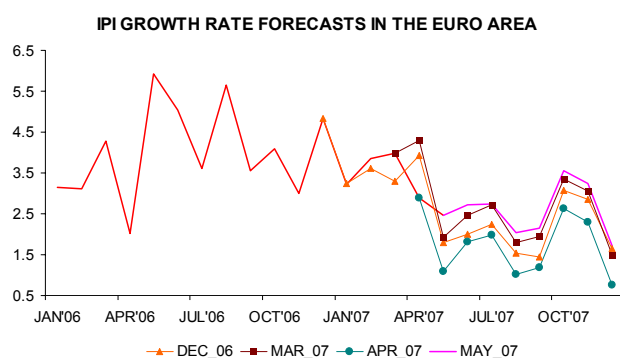




2008, the average annual growth rate forecast for the IPI has also been revised upwards by 0.3 pp to 2.2%.

After the fall in the expected average annual growth rate of the euro area IPI with information up to April, 2007, which was explained in our last Bulletin, our updated forecast returns to the rates being forecast since we added the figures for December, 2006, with average annual growth rates of around 2.8-2.9% for the IPI in 2007 (see graph II.2.1.3). Therefore, everything seems to show that the deterioration explained in last month's Bulletin could have been something temporary, as occurred with the confidence of economic agents in the evolution of the industrial sector measured through the Industrial Confidence Indicator.

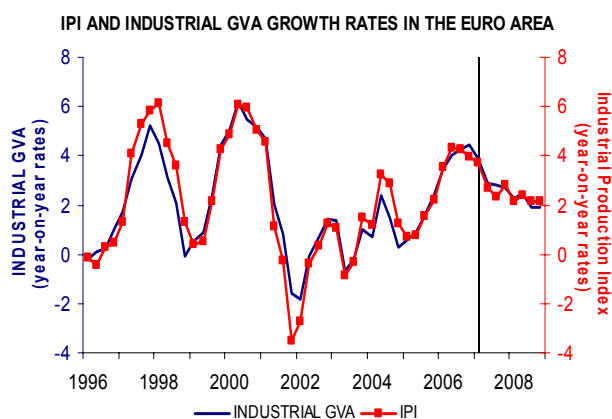
Graph II.2.1.3



Source: EUROSTAT & IFL (UC3M)  
Date: July 12, 2007

The forecasts for the Gross Value Added (GVA) of the industrial sector (eliminating intermediate consumption from production) with information up to the first quarter of 2007 also point to a lower annual growth rate in the second quarter, and we are expecting an average annual rate of 3.1% for 2007 and of 2.1% for 2008.

Graph II.2.1.4



Source: EUROSTAT & IFL (UC3M)  
Date: July 12, 2007

Finally, other recently published indicators with partial information relative to the second quarter of 2007 refer to the labour market and consumption. With regards to the labour market, positive figures continue to appear, with an unemployment rate falling to the lowest ever in May, 7.0%. Our forecast unemployment rate for the euro area in 2007 is 7.2%, lower than the 7.9% registered in 2006. As for indicators related to consumption, retail sales registered a monthly drop of 0.5% in May, with the annual rate at 0.4%, compared with the previous month's 1.5%. Our forecast growth for consumption in the euro area based on the macroeconomic aggregates of the first quarter of 2007 is an annual 1.7-1.8% in the next few quarters, compared with the first quarter's 1.3%.

## II.2.2 Inflation

The euro area HICP grew by 1.9% in June, as expected, remaining at the same level as the four previous months and ending the first half of 2007 with inflation stable at 1.8-1.9%.

This stability is also seen in terms of core inflation, which ended the first half of the year with a rate of 1.9%, the same as the five previous months, as expected.

By component, there was a small upwards innovation in the prices of processed food, which was counteracted by the downwards innovations in non-energy industrial goods and services, so core inflation overall registered a very small downwards innovation which disappears when rounding down to one decimal point.

Outside core inflation, the evolution of prices gave rise to greater than expected growth in both unprocessed food and energy. These upwards innovations, however, were small and compensated for by the downwards innovation in core inflation, leading to an increase in the total price index of only 0.01pp over the forecast.

With the latest information available, our updated core inflation forecasts have hardly changed since our previous Bulletin. In its components, our revision does not exceed 0.1 pp in the average annual rates expected for 2007 and 2008, so we continue to forecast rates of 1.9% and 1.7%, respectively, for those years, the same as in last month's report.



Table II.2.2.1

ANNUAL HICP GROWTH RATES IN THE EURO AREA*						
HICP	Observed			Forecasts		
	Aver 2005 <sup>(2)</sup>	Aver 2006 <sup>(2)</sup>	2007 Jun <sup>(1)</sup>	2007 Jul <sup>(1)</sup>	Aver 2007 <sup>(2)</sup>	Aver 2008 <sup>(2)</sup>
Core (82.8%)	1.5	1.5	1.9	1.9 (±0.13)	1.9 (±0.10)	1.7 (±0.36)
Total (100%)	2.2	2.2	1.9	1.8 (±0.11)	2.0 (±0.12)	2.1 (±0.44)

\* 80% confidence intervals calculated with historical errors.

Source: EUROSTAT & IFL (UC3M)

Date: July 18, 2007

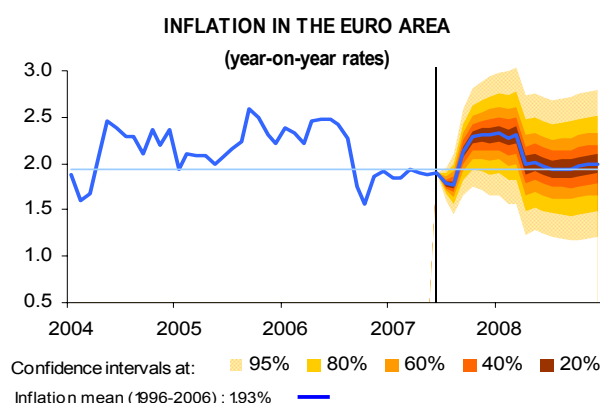
(1) Year-on-year rate

(2) Annual average rate

Outside core inflation, the revisions are somewhat more significant, upwards by about 0.2 pp in the average annual rates for unprocessed food and energy in 2007 and 2008. Note that with the latest information about fuel prices, the energy index is no longer expected to make a negative contribution to headline inflation in the next few months.

The previous perspectives regarding the evolution of annual headline inflation rates have been revised upwards very slightly, and the moderation expected for July and August is now somewhat lower, with annual rates of 1.8% instead of the previous Bulletin's 1.7%. Inflation is expected to rise in the last quarter of 2007 to 2.3%, subsequently falling to 1.9-2.0% from the first quarter of 2008 on (see graph II.2.2.1)

Graph II.2.2.1



Source: EUROSTAT & IFL (UC3M)

Date: July 18, 2007

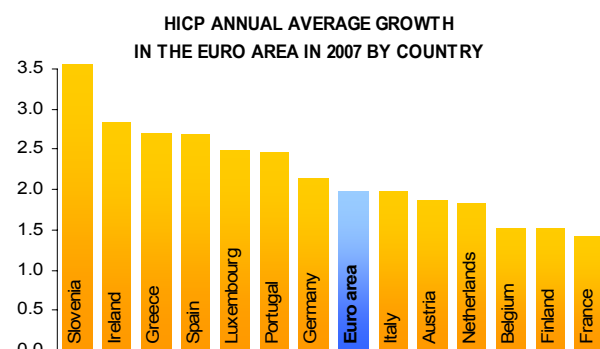
In all, when the latest information is added, we continue to expect euro area inflation in 2007 and 2008 to border on the ECB target, with average annual rates of 1.99% in 2007 and 2.05% in 2008, just 0.03 pp higher than before for 2007 and practically the same for 2008.

With regards to the analysis of euro area inflation by country, the four with greatest weight in the calculation of the HICP (Germany, France, Italy and Spain) registered small innovations in June (upwards in France and Italy, and downwards in Germany and

Spain), which disappear when rounding down to one decimal point. The inflation forecasts for 2007 and 2008 for these countries have therefore not changed, except for Spain in 2008, which has been revised downwards very slightly to 2.9%. The forecast inflation rates for these countries are significantly different; whereas the forecasts for Germany and Italy point to around 2.0%, for France they are around 1.4% and for Spain 2.8%.

Considering all the euro area countries, inflation in June ranged from 1.3% in France to 3.8% in Slovenia, and the forecasts show that in 2007 these countries will remain the least and most inflationist, respectively. On the low inflation rate side we find France accompanied by Belgium (1.5%) and Finland (1.5%). The most inflationist countries after Slovenia are Ireland (2.8%), Greece (2.7%) and Spain (2.7%). Together with Portugal and Luxembourg, according to our forecasts, their inflation would be clearly above the rate forecast for the euro area (2.0%) in 2007.

Graph II.2.2.2



Source: EUROSTAT & IFL (UC3M)

Date: July 18, 2007

Last month's Bulletin (No. 153) contained an analysis of how our forecasts for the average annual inflation rate in Spain in 2007 and 2008 by component have been revised over the last eighteen months. This Bulletin includes a similar analysis for the inflation forecasts for the euro area. Graphs II.2.2.3 and II.2.2.4 show their evolution. On the abscissa, every month is the Bulletin containing the average annual forecast shown on the graph. In other words, the figure on the graphs for January, 2006 is the average annual rate forecast for 2007 in that month's Bulletin (with information up to December, 2005).

In view of these graphs, we can see that the headline inflation forecasts for the euro area in 2007 over the last year and a half were quite stable, ranging from 1.7% to 2.0%. At no time, therefore, did they exceed the ECB target. In the February, 2006 Bulletin they were 1.7%, rising to 2.0% in April as a result of the upwards revisions applied to the energy component, supported by the core



component in April. Up to the August Bulletin, the headline inflation forecast was practically stable at very close to 2.0%, but from then on it fell until the 1.7% estimated in the January 2007 Bulletin (except for a brief increase in December), largely due to the expectations for energy prices, as we shall now see. From January on, the inflation forecasts started to be revised upwards until they returned to the limit of the ECB target, influenced by expectations for greater growth in energy prices and reinforced by the expected evolution of the core component.

In the case of the headline inflation forecasts for Spain analysed last month, from the August 2006 to the January 2007 Bulletins the average annual rates expected were revised downwards by nearly one percentage point, followed by a series of upwards revisions representing nearly half a percentage point. This evolution was largely explained by the path of our energy forecasts, but also supported by the evolution of core inflation expectations and, in the case of the downwards revisions, expectations regarding unprocessed food.

In the case of the euro area, in spite of the fact that revisions regarding energy forecasts followed a pattern similar to the one in the case of Spain, they had less impact on headline inflation expectations.

While the forecasts for average annual inflation rates in 2007 for energy in the euro area were revised downwards by 8 pp from the 5.1% of the August 2006 Bulletin to the -2.9% of the January 2007 Bulletin (they were revised downwards by 7.2 pp for Spain), the headline inflation forecasts fell from 2.0% in the August Bulletin to 1.7% in January, 2007. The effect of the downwards revision in energy inflation was compensated by the upwards evolution in our unprocessed food and core inflation forecasts.

In the January 2007 Bulletin, unprocessed food had a forecast average annual rate of 3.5%, one point more than in the August 2006 Bulletin, and its evolution in the second half of 2006 was a progressive increase, with the sole exception of the November Bulletin.

With regards to core inflation, the January 2007 Bulletin forecast an average annual rate of 1.7% for 2007, 0.1 pp more than was forecast in the August 2006 Bulletin and 0.2 pp more than the September 2006 Bulletin. This small upwards revision largely resulted from the evolution of our forecasts for the prices of non-energy industrial goods, which were increased by 0.3 pp in the second half of 2006. On the other hand, the average annual inflation forecasts for services in 2007 remained practically stable throughout this period, with 2.2% in the

August 2006 Bulletin and 2.1% in January 2007. The forecasts for processed food registered greater fluctuations, with a downwards revision in the September Bulletin followed by upwards revisions, ending in the January 2007 Bulletin at 0.3 pp beneath the forecast published in August, 2006.

In relation to the evolution in the first half of 2007 of the headline inflation forecasts for 2007, as we mentioned earlier, after the January Bulletin, which forecast 1.7%, they have gradually increased to the 2.0% of the July Bulletin. Once again, this profile is highly influenced by the evolution of the energy forecasts, which in the same period were increased from -2.9% to 2.4%. In this period, furthermore, the expectations for core inflation also rose from 1.7% to 1.9%, reinforcing the effect on headline inflation of the upwards revisions in energy. Within the core component, services contributed to this evolution with their average annual rate forecast going from 2.1% in the January Bulletin to the 2.5% of July. Non-energy industrial goods also started the year with upwards revisions to 1.2% in the April Bulletin, 0.4 pp more than the forecast published in January. In the last few months there have been small downwards innovations which have left the average annual rate forecast for 2007 at the 1.0% estimated in the July Bulletin, still 0.2 pp above the January figure. The forecasts for processed food started the year with downwards revisions to 1.8% in the March Bulletin from when they stabilised at 2.0% until this month's Bulletin, where the forecast is 2.1%, 0.2 pp beneath the January Bulletin's forecast.

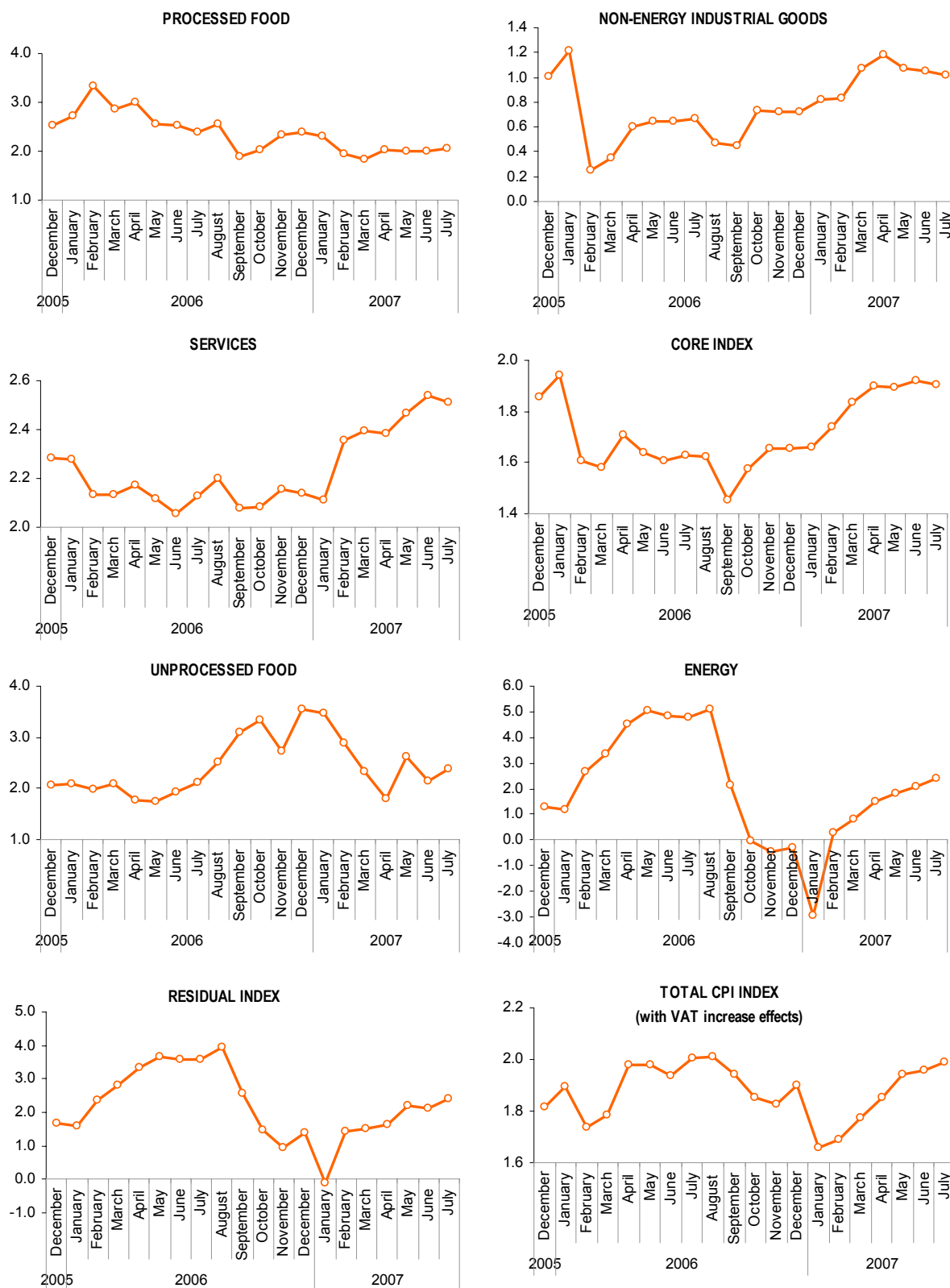
Finally, the expectations for unprocessed food have again been characterised by their variability. They started the year with downwards revisions up until the April Bulletin, where the forecast was at 1.7 pp less than in January, therefore counteracting the effect of the upwards revision in energy and the core component on headline inflation. After alternating upwards and downwards revisions in the last few months, the average annual rate forecast for 2007 is now 2.4%, 1.1 pp less than the rate forecast at the beginning of the year.

With regards to the evolution of headline inflation forecasts for 2008, which started to appear in the Bulletin in November 2006, up to January 2007 they had remained stable at 1.8% after which, up to April, there were upwards revisions resulting from more than expected growth in energy prices and the core component, specifically non-energy industrial goods and services. In the last few months, however, the headline inflation forecasts for 2008 have remained at around 2.0%, slightly lower than those estimated in April, favoured by the downwards innovations registered in the non-energy industrial goods component, which also led to a small decrease in the core inflation forecast.



Graph II.2.2.3

**FORECASTS FOR 2007 ANNUAL AVERAGE INFLATION RATE IN THE EURO AREA BY HICP COMPONENT**



Note: These graphs show the average annual inflation rates for 2007 forecast in the Bulletin published in the month on the abscissa.

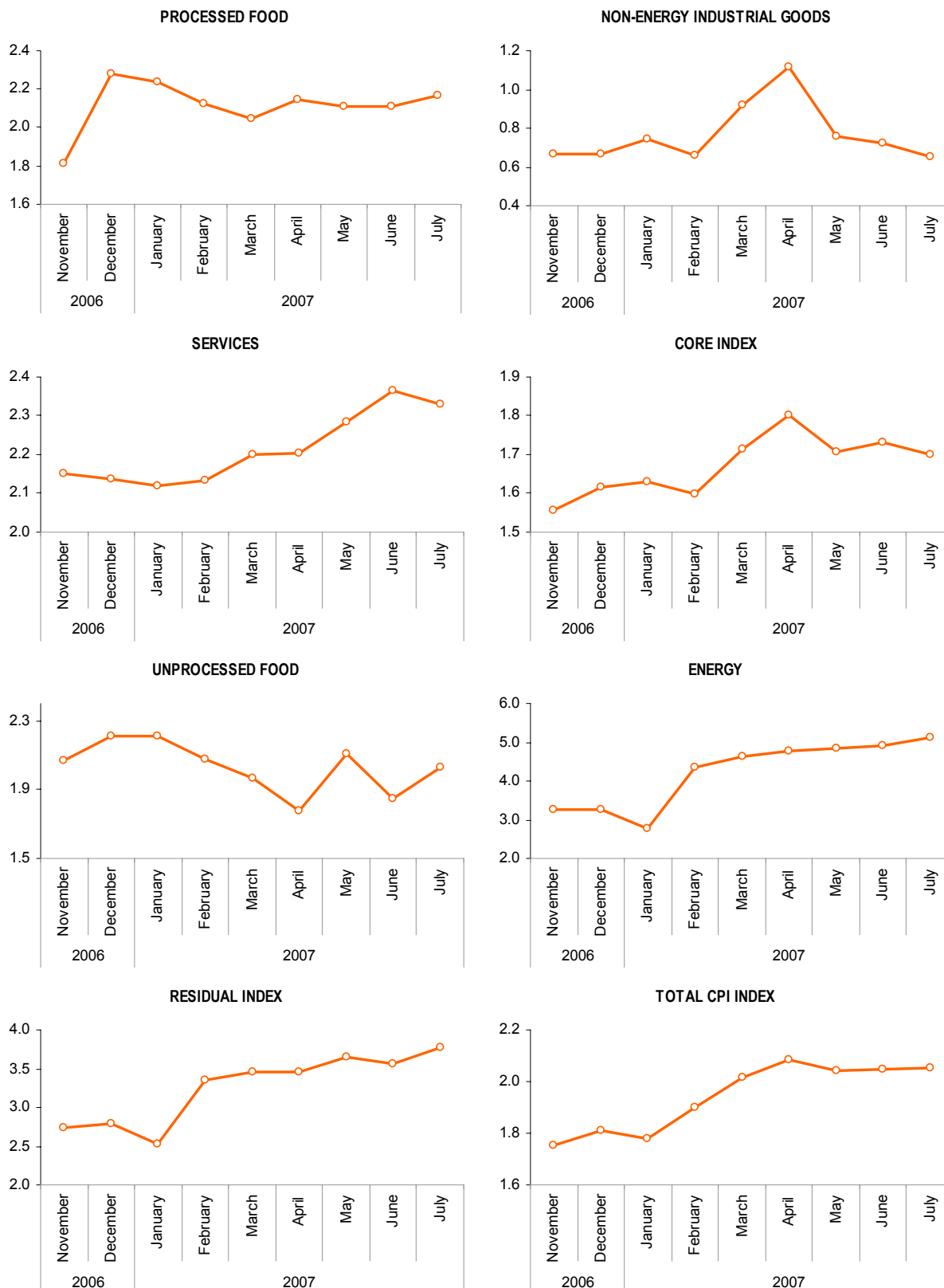
Source: EUROSTAT & IFL (UC3M)

Date: July 18, 2007



Graph II.2.2.4

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



Note: These graphs show the average annual inflation rates for 2008 forecast in the Bulletin published in the month on the abscissa  
Source: EUROSTAT & IFL (UC3M)

Date: July 18, 2007

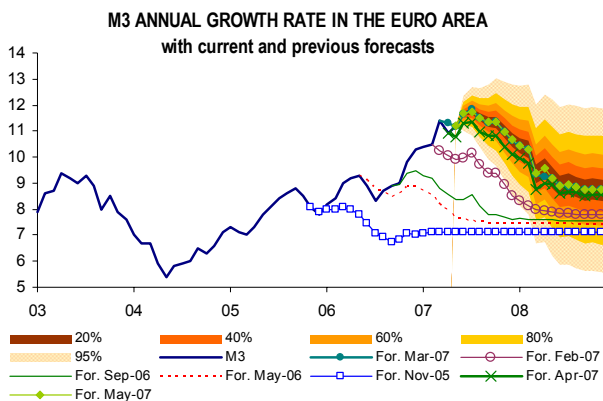


### II.2.3 Monetary Policy

As a complement to all the above, our forecasts for monetary aggregates have also been updated.

M3 grew by 10.7% in May, slightly more than in April and our forecast (10.4%). It continues to show high rates, but the ECB has warned that, in a context of a relatively flat yield curve and high interest by non-residents in euro area financial assets, M3 growth should be analysed with caution. Our forecasts point to deceleration from the second half of 2007 on to stabilise in the second half of 2008 at rates of around 8.4%, similar to those registered a year ago.

Graph III.2.3.1



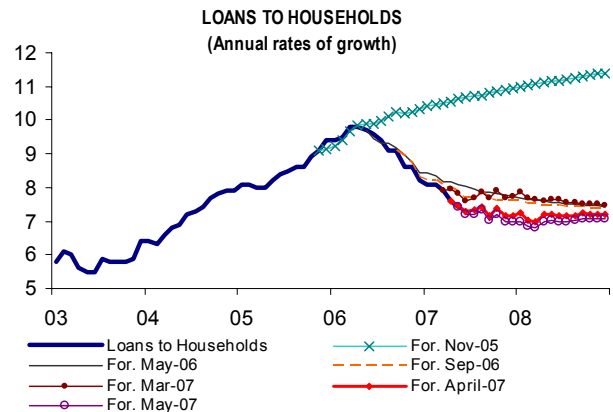
Source: ECB & IFL (UC3M)  
Date: June 28, 2007

On the components side, the rise in May is explained by the increase in the annual rate of deposits with an agreed maturity of up to two years (which form part of the M2 but not of the M1). The M1 continued to register more moderate growth, in line with the existence of higher short-term interest rates and the flat yield curve.

On the counterparts side, the rise relative to April is explained by the demand by Monetary Financial Institutions for general government and private sector securities, leading to an increase in the annual rate of credit to euro area residents to 8.2%. Loans to the private sector, however, have remained at the same rate as in April (10.3%), as forecast. This hides a rise in loans to non-financial corporations and lower growth in loans to households. The latter grew by 7.4% in May, slightly less than forecast, so our expectations have been revised downwards slightly from last month. We expect these loans to moderate their growth slightly

in the next few months, stabilising at rates of close to 7.0% (similar to those registered in mid-2004) from the last quarter of 2007 on. They do not appear, then, to be a factor we could expect to add significant pressure on inflation.

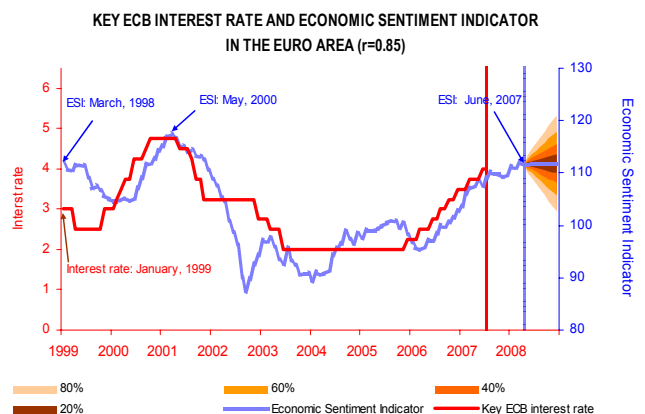
Graph III.2.3.2



Source: ECB & IFL (UC3M)  
Date: June 28, 2007

In view of the language used by the ECB, there will almost certainly be an interest rate increase to 4.25% in 2007. Graph II.2.3.3 shows the evolution of the ECB reference rate over the last few years and its close relationship to the evolution of the Economic Sentiment Indicator.

Graph III.2.3.3



Note: The Economic Sentiment Indicator values have been carried backwards ten periods in the future. The last values are forecasts together with the confidence intervals.

Source: ECB, EUROPEAN COMMISSION & IFL (UC3M)  
Date: July 5, 2007





## II.3. TABLES AND PLOTS.

### Tables:

- Methodology: analysis of euro area inflation by component.
- Observed values and forecasts for the euro area HICP.
- Forecast errors in the monthly inflation rate in the euro area and the European Union in June.

### Plots:

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



## METHODOLOGY: ANALYSIS OF EURO AREA INFLATION BY COMPONENT

AGGREGATES		BASIC COMPONENTS
<b>HICP TOTAL</b>	<b>IPSEBENE</b> 82.775% 1 + 2 + 3 + 4	<b>(1) AE (a)</b> 9.449 % <i>HICP Processed Food excluding tobacco</i>
	<b>BENE</b> 41.932% 1 + 2 + 3	<b>(2) TOBACCO</b> 2.479 % <i>HICP Tobacco</i>
	<b>CORE INFLATION</b> (IT IS CALCULATED ON THE IPSEBENE INDEX)	<b>(3) MAN</b> 30.004 % <i>HICP Non Energy Industrial Goods</i>
	<b>RESIDUAL INFLATION</b> 17.245% 5 + 6 <b>RESIDUAL INFLATION</b> (IT IS CALCULATED ON THE RESIDUAL INDEX)	<b>(4) SER</b> 40.823 % <i>HICP Services</i>
		<b>(5) ANE</b> 7.63 % <i>HICP Non processed Food</i>
		<b>(6) ENE</b> 9.615 % <i>HICP Energy</i>
$\text{HICP} = 0.09449 \text{ AE} + 0.02479 \text{ TOBACCO} + 0.30004 \text{ MAN} + 0.40823 \text{ SER} + 0.0763 \text{ ANE} + 0.09615 \text{ ENE}$		

(a) Our definition of AE, processed food, does not include tobacco prices.

Source: EUROSTAT & IFL (UC3M)

2007 weights

OBSERVED VALUES AND FORECASTS FOR THE EURO AREA HICP MONTHLY RATES				
Harmonised Index of Consumer Price (HICP)	Weights 2007	Observed June, 2007	Forecasts	Confidence intervals (*)
(1) Processed Food	119.28	0.13	0.08	± 0.34
(2) Tobacco	24.79	0.10	0.01	
(3) Processed Food excluding tobacco [1-2]	94.49	0.14	0.10	
(4) Non Energy Industrial Goods	300.04	-0.22	-0.17	± 0.23
(5) Services	408.23	0.22	0.25	± 0.14
<b>CORE INFLATION [1+4+5]</b>	<b>827.55</b>	<b>0.05</b>	<b>0.08</b>	<b>± 0.13</b>
(6) Unprocessed Food	76.30	0.09	-0.23	± 0.79
(7) Energy	96.15	0.53	0.42	± 0.88
<b>RESIDUAL INFLATION [6+7]</b>	<b>172.45</b>	<b>0.34</b>	<b>0.14</b>	<b>± 0.58</b>
<b>TOTAL INFLATION [1+4+5+6+7]</b>	<b>1000.00</b>	<b>0.10</b>	<b>0.09</b>	<b>± 0.11</b>

(\*) Confidence intervals at 80%

Source: EUROSTAT & IFL(UC3M)

Date: July 16, 2007



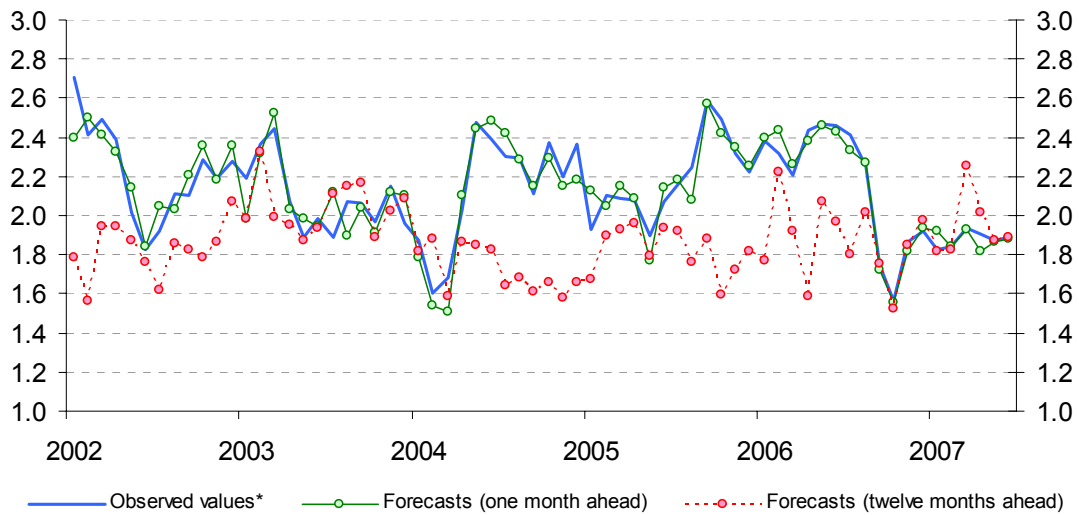
FORECAST ERRORS IN THE MONTHLY INFLATION RATE IN THE EURO AREA AND EUROPEAN UNION IN JUNE						
	Weights 2007 euro area	Weights 2006 EU	Observed Monthly Rate	Forecast	Confidence Intervals at 80%	Observed Annual Rate
Spain	122.91		0.20	0.22	± 0.15	2.45
Germany	281.62		0.10	0.17	± 0.29	1.96
Austria	31.20		-0.01	0.08	± 0.37	1.90
Belgium	33.83		0.08	-0.02	± 0.32	1.30
Finland	16.16		0.15	0.07	± 0.37	1.44
France	207.44		0.14	0.11	± 0.20	1.31
Greece	30.60		-0.05	-0.03	± 0.78	2.64
Netherlands	52.85		-0.52	-0.40	± 0.33	1.84
Ireland	14.08		0.28	0.24	± 0.30	2.82
Italy	182.75		0.19	0.17	± 0.23	1.95
Luxembourg	2.41		0.24	0.31	± 0.32	2.26
Portugal	20.79		-0.04	0.12	± 0.66	2.40
Slovenia	3.35		0.35	0.08	± 0.24	3.77
Denmark		11.73	-0.19	0.06	± 0.27	1.27
United Kingdom		186.86	0.19	0.04	± 0.33	2.44
Sweden		18.74	0.12	0.01	± 0.50	1.35

Source: EUROSTAT & IFL(UC3M)

Date: July 16, 2007 (United Kingdom: July 17, 2007).



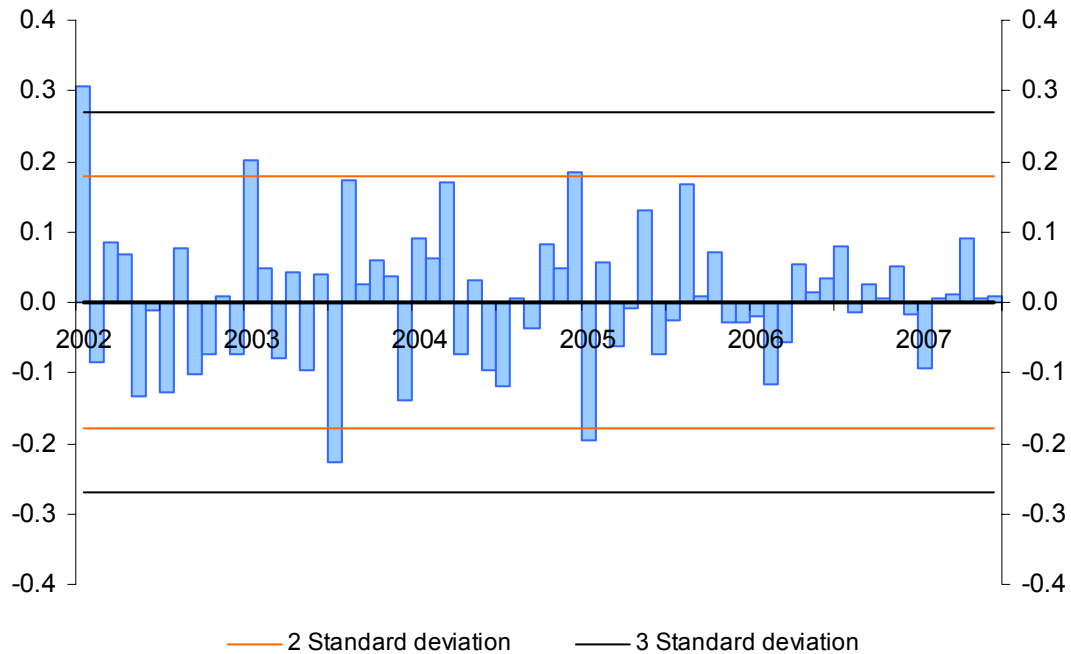
# **ONE MONTH AHEAD AND TWELVE MONTHS AHEAD FORECASTS FOR THE EURO AREA HICP (year-on-year rates)**



\* Observed values without revisions in the HICP

Source : EUROSTAT & IFL(UC3M)  
Date: July 16, 2007

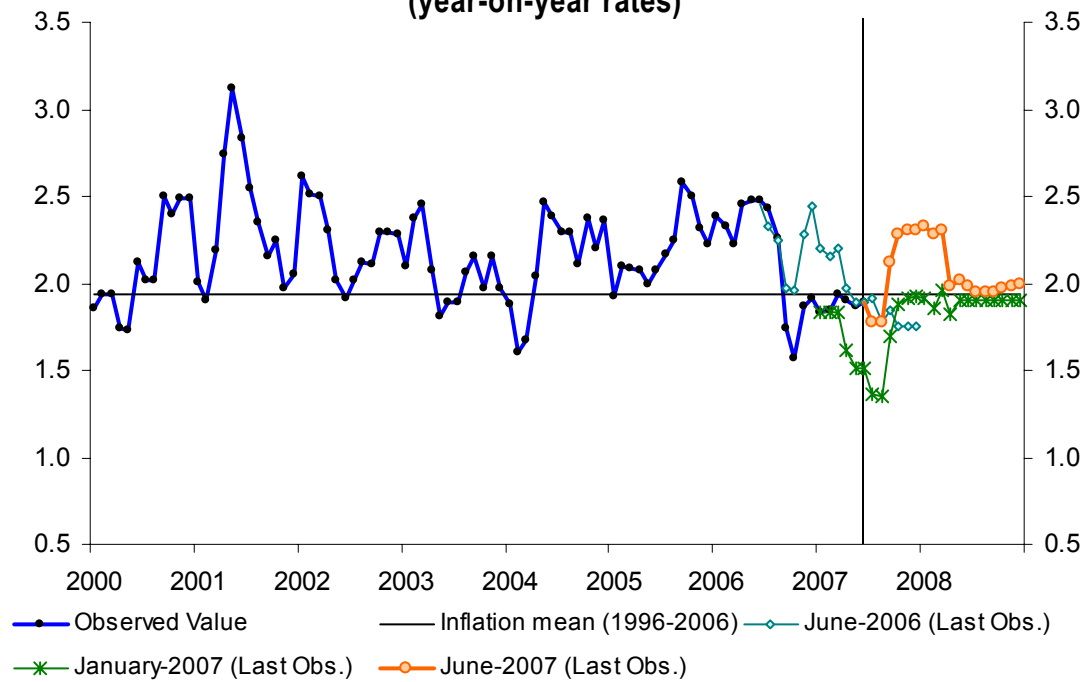
## **ONE MONTH AHEAD FORECAST ERRORS IN THE EURO AREA INFLATION**



Source : EUROSTAT & IFL(UC3M)  
Date: July 16, 2007

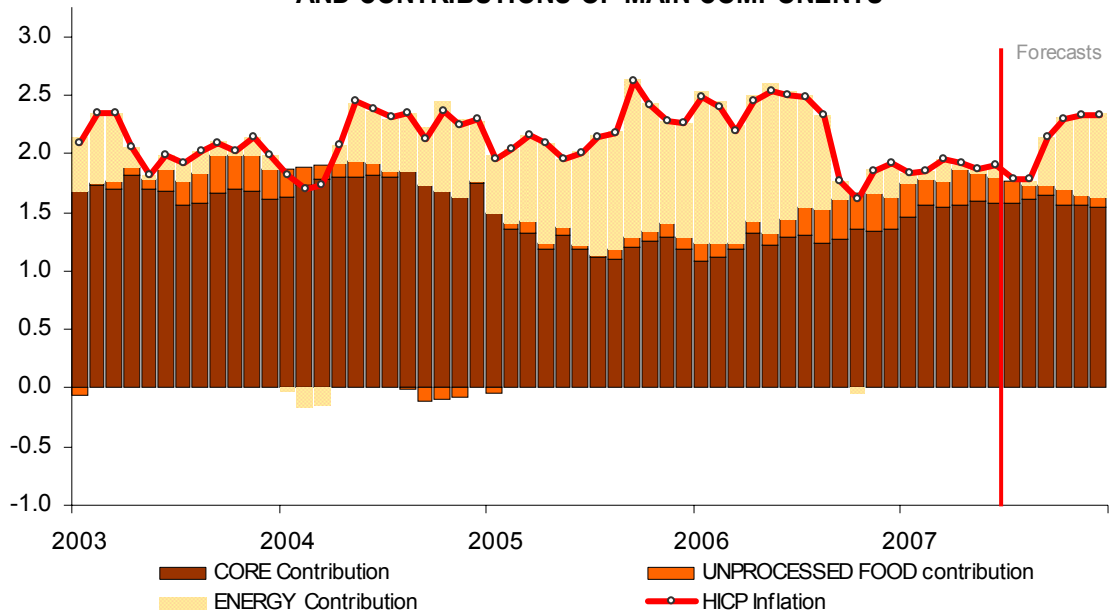


## INFLATION IN THE EURO AREA (year-on-year rates)



Source: EUROSTAT & IFL(UC3M)  
Date: July 18, 2007

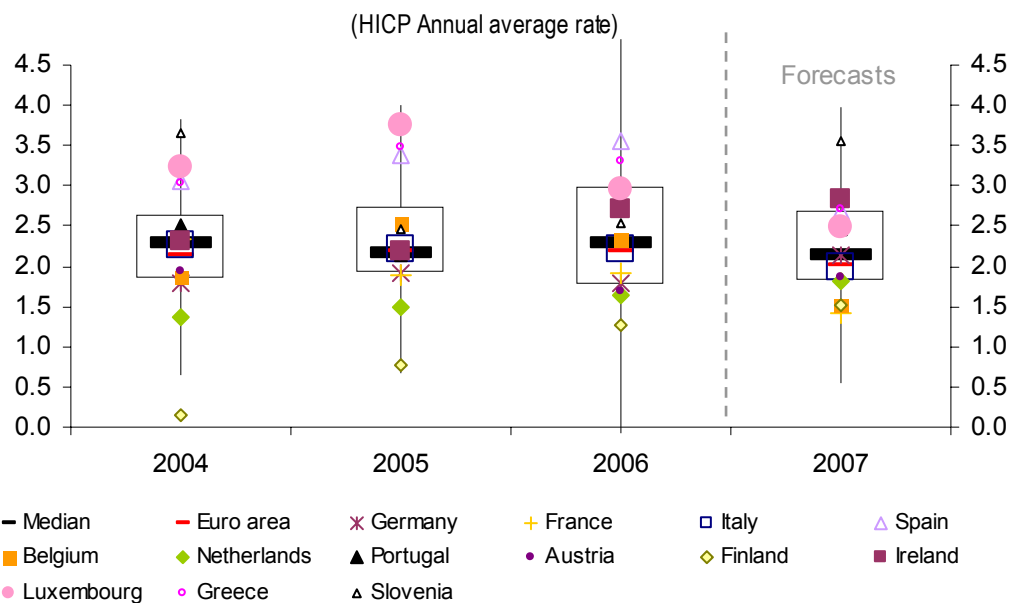
## YEAR-ON-YEAR RATE OF EURO AREA INFLATION AND CONTRIBUTIONS OF MAIN COMPONENTS



Source: EUROSTAT & IFL(UC3M)  
Date: July 18, 2007



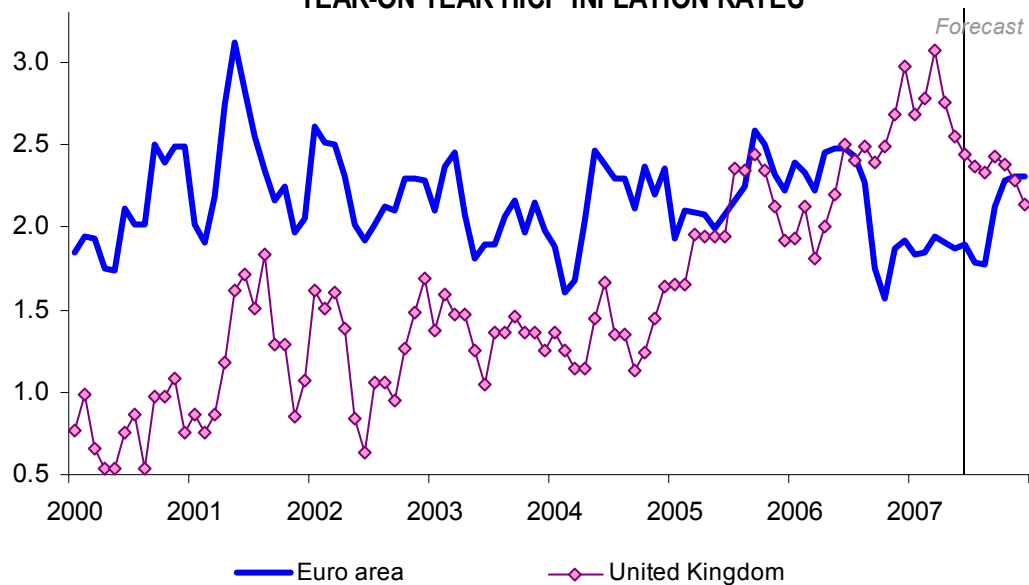
## BOX DIAGRAM OF EURO AREA COUNTRIES INFLATION



Source: EUROSTAT & IFL(UC3M)

Date: July 18, 2007

## YEAR-ON YEAR HICP INFLATION RATES



Source: EUROSTAT & IFL(UC3M)

Date: July 18, 2007







### III. UNITED STATES.

#### III.1. MACROECONOMIC FORECASTS.

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

Table III.1.1.1

ANNUAL GROWTH RATE IN THE IPI SECTORS IN THE US*							
		Consumer Goods		Equipment & Supplies	Materials	TOTAL	
		Durable	Non durable				
AVERAGE ANNUAL RATE	2003	3.4	0.5	1.6	0.9	1.1	
	2004	1.4	1.4	2.6	3.1	2.5	
	2005	1.0	3.5	4.6	2.2	3.2	
	2006	-0.3	1.6	3.9	4.5	3.9	
	2007	1.5	2.7	2.5	1.8	1.9	
	2008	4.1	1.6	3.0	3.5	2.9	
ANNUAL RATES*	2006	QI	1.4	0.8	4.1	3.1	3.3
		QII	0.6	1.3	4.1	4.0	3.8
		QIII	-0.6	2.4	4.8	6.1	5.2
		QIV	-2.5	2.1	2.7	4.7	3.5
	2007	QI	-2.2	3.8	2.8	2.2	2.5
		QII	0.8	2.5	2.3	1.5	1.8
		QIII	2.1	1.9	1.5	0.8	0.8
		QIV	5.3	2.4	3.1	3.0	2.5
	2008	QI	5.1	1.4	3.0	3.5	3.0
		QII	4.4	1.5	3.0	3.5	2.5
		QIII	3.2	1.8	3.1	3.5	3.2
		QIV	3.5	1.6	3.0	3.4	3.1

The figures in the shaded area are forecasts.

\* Year-on-year rates.

Source: FEDERAL RESERVE & IFL (UC3M)

Date: July 17, 2007.

Table III.1.1.2

OBSERVED VALUES AND FORECASTS IN THE IPI ANNUAL RATES IN THE US							
	2002	2003	2004	2005	2006	2007	2008
January	-4.51	2.91	1.17	3.64	2.83	2.59	3.25
February	-3.84	3.44	1.91	2.73	2.82	2.87	2.99
March	-3.06	2.63	1.31	2.77	4.16	1.95	2.77
April	-0.32	0.27	2.43	3.86	2.94	2.40	2.61
May	-0.65	0.31	3.40	2.70	4.18	1.65	2.37
June	0.88	-0.65	2.61	4.02	4.26	1.34	2.47
July	0.66	-0.10	3.69	3.72	4.96	-0.34	3.14
August	1.47	0.00	2.76	3.72	4.62	0.94	3.17
September	2.23	0.24	1.94	2.24	5.90	1.68	3.22
October	2.36	0.63	3.00	2.34	4.49	2.55	2.99
November	2.88	1.39	2.37	3.39	3.02	2.87	3.13
December	2.71	1.82	3.28	3.83	2.86	2.02	3.05

The figures in the shaded area are forecasts.

Source: FEDERAL RESERVE & IFL (UC3M)

Date: July 17, 2007.



### III.1.2 INFLATION.

Table III.1.2.1

#### AVERAGE ANNUAL RATE OF GROWTH IN US

CONSUMER PRICES INDEX (CPI)	2003	2004	2005	2006	2007 (forecasts)	2008 (forecasts)
<b>Food (1)</b>	2.1	3.4	2.4	2.3	<b>3.8</b>	<b>3.6</b>
<b>Energy (2)</b>	12.2	10.9	16.9	11.2	<b>5.6</b>	<b>5.2</b>
<b>Residual Inflation (3=2+1)</b>	<b>5.3</b>	<b>6.0</b>	<b>7.6</b>	<b>5.7</b>	<b>4.5</b>	<b>4.3</b>
<b>Non-food and non-energy goods (4)</b>	-2.0	-0.9	0.5	0.3	<b>-0.4</b>	<b>0.0</b>
-Durable goods	-3.2	-2.3	0.4	-0.7	<b>-1.6</b>	<b>-0.9</b>
-Nondurable goods	-0.7	0.5	0.6	1.3	<b>0.9</b>	<b>0.9</b>
<b>Non-energy services (5)</b>	2.9	2.9	2.8	3.4	<b>3.5</b>	<b>3.3</b>
-Services less owner's equivalent rent of primary residence (5-a)	3.2	3.3	3.1	3.4	<b>3.5</b>	<b>3.5</b>
-Owner's equivalent rent of primary residence (a)	2.4	2.3	2.3	3.5	<b>3.4</b>	<b>3.0</b>
<b>Core Inflation (6=4+5)</b>	<b>1.5</b>	<b>1.8</b>	<b>2.2</b>	<b>2.5</b>	<b>2.4</b>	<b>2.4</b>
[Confidence intervals at 80% level]					<b>± 0.13</b>	<b>± 0.45</b>
Core inflation less owner's equivalent rent of primary residence (6-a)	1.1	1.6	2.1	2.1	<b>1.9</b>	<b>2.1</b>
<b>Headline Inflation (7=6+3)</b>	<b>2.3</b>	<b>2.7</b>	<b>3.4</b>	<b>3.2</b>	<b>2.9</b>	<b>2.8</b>
[Confidence intervals at 80% level]					<b>± 0.27</b>	<b>± 1.30</b>
All items less owner's equivalent rent of primary residence (7-a)	2.2	2.8	3.7	3.1	<b>2.7</b>	<b>2.8</b>

Source: BLS & IFL (UC3M)  
Date: July 18, 2007



Table III.1.2.2

USA ANNUAL RATES OF GROWTH ON CPI AND ITS COMPONENTS																					
RI December 2006		CONSUMER PRICE INDEX																			
		CORE INFLATION						ALL	Confidence Intervals at 80% level	RESIDUAL INFLATION			ALL	Confidence Intervals at 80% level							
		Non energy commodities less food			Non energy services							ALL									
		durables	non durables less energy	ALL	Owner's equivalent rent of primary residence	Other services	ALL			Food	Energy										
11.1%		10.6%		21.7%		23.8%		31.8%		55.7%		77.4%		13.9%		8.7%		22.6%		100.0%	
AVERAGE ANNUAL	2001	-0.6	1.1	0.3	3.8	3.6	3.7	27		3.1	3.8	3.3	28								
	2002	-2.6	0.4	-1.1	4.1	3.6	3.8	23		1.8	-5.9	-0.8	1.6								
	2003	-3.2	-0.7	-2.0	2.4	3.2	2.9	1.5		2.1	12.2	5.3	2.3								
	2004	-2.3	0.5	-0.9	2.3	3.3	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	1.3	0.3	3.5	3.4	3.4	2.5		2.3	11.2	5.7	3.2								
	2007	-1.6	0.9	-0.4	3.4	3.5	3.5	24	± 0.13	3.8	5.6	4.5	29	± 0.27							
	2008	-0.9	0.9	0.0	3.0	3.5	3.3	24	± 0.45	3.6	5.2	4.3	28	± 1.30							
ANNUAL RATES (growth over the same month of the previous year)	2006	January	-0.6	1.0	0.1	2.5	3.3	2.9	2.1		2.6	24.8	10.5	4.0							
		February	-0.6	0.7	0.0	2.5	3.2	2.9	2.1		2.8	20.1	9.0	3.6							
		March	-0.5	1.0	0.3	2.7	3.0	2.8	2.1		2.6	17.3	8.0	3.4							
		April	-0.4	1.3	0.4	3.0	3.1	3.1	2.3		1.8	17.8	7.9	3.5							
		May	-0.7	1.3	0.3	3.3	3.3	3.3	2.4		1.9	23.6	10.0	4.2							
		June	-0.7	1.7	0.5	3.6	3.5	3.5	2.6		2.2	23.3	10.1	4.3							
		July	-0.3	1.4	0.5	3.7	3.4	3.5	2.7		2.2	20.5	9.2	4.1							
		August	-0.1	1.5	0.6	3.9	3.6	3.7	2.8		2.4	15.1	7.4	3.8							
		September	-0.7	1.8	0.5	4.0	3.8	3.9	2.9		2.5	-4.3	-0.4	2.1							
		October	-1.0	1.5	0.1	4.1	3.6	3.8	2.7		2.6	-11.3	-3.2	1.3							
		November	-1.2	1.1	-0.1	4.3	3.3	3.7	2.6		2.3	-3.8	-0.2	2.0							
		December	-1.4	1.3	-0.1	4.3	3.2	3.7	2.6		2.1	2.9	2.4	2.5							
	2007	January	-1.8	1.5	-0.2	4.3	3.5	3.8	2.7		2.4	-3.1	0.2	2.1							
		February	-1.8	1.9	0.0	4.2	3.4	3.8	2.7		3.1	-1.0	1.5	2.4							
		March	-1.7	1.2	-0.3	4.1	3.1	3.6	2.5		3.3	4.4	3.7	2.8							
		April	-1.8	0.9	-0.5	3.9	3.2	3.5	2.3		3.7	2.9	3.4	2.6							
		May	-2.0	0.7	-0.7	3.5	3.4	3.4	2.2		3.9	4.7	4.2	2.7							
		June	-1.9	0.4	-0.8	3.3	3.4	3.4	2.2		4.1	4.6	4.3	2.7							
		July	-2.0	0.9	-0.5	3.2	3.5	3.4	2.3	± 0.13	4.2	2.0	3.3	2.5	± 0.13						
		August	-1.8	0.8	-0.5	3.0	3.5	3.3	2.2	± 0.20	4.3	2.6	3.6	2.6	± 0.41						
		September	-1.6	0.7	-0.5	3.0	3.7	3.4	2.3	± 0.27	4.2	9.0	6.1	3.2	± 0.70						
		October	-1.4	0.7	-0.4	2.9	3.6	3.3	2.3	± 0.33	4.0	15.3	8.3	3.6	± 0.86						
		November	-1.0	0.8	-0.1	2.9	3.7	3.4	2.4	± 0.37	4.3	14.1	8.0	3.7	± 0.98						
		December	-0.8	0.8	0.0	2.9	3.8	3.4	2.5	± 0.41	4.5	13.2	7.9	3.7	± 1.06						
	2008	January	-0.8	0.7	-0.1	2.9	3.7	3.4	2.4	± 0.45	4.2	17.2	9.2	3.9	± 1.10						
		February	-0.9	0.6	-0.2	2.9	3.7	3.3	2.3	± 0.49	3.9	18.0	9.3	3.9	± 1.14						
		March	-0.9	0.7	-0.1	2.9	3.6	3.3	2.3	± 0.53	3.8	11.5	6.9	3.4	± 1.20						
		April	-1.0	1.0	0.0	2.9	3.6	3.3	2.4	± 0.55	3.9	6.8	5.1	3.0	± 1.28						
		May	-0.8	1.0	0.1	3.0	3.5	3.3	2.4	± 0.57	3.7	1.1	2.6	2.5	± 1.36						
		June	-0.7	1.1	0.2	3.1	3.4	3.3	2.4	± 0.60	3.6	0.5	2.3	2.4	± 1.45						
		July	-0.8	0.9	0.0	3.1	3.4	3.3	2.4	± 0.60	3.4	0.0	2.0	2.3	± 1.58						
		August	-0.9	0.9	0.0	3.1	3.4	3.3	2.4	± 0.60	3.3	-1.0	1.5	2.2	± 1.62						
		September	-0.9	0.9	0.0	3.1	3.4	3.3	2.4	± 0.60	3.3	0.6	2.2	2.3	± 1.73						
		October	-0.9	1.0	0.0	3.1	3.4	3.3	2.4	± 0.60	3.3	3.3	3.3	2.6	± 1.80						
		November	-0.9	1.0	0.0	3.1	3.4	3.3	2.4	± 0.60	3.3	4.9	4.0	2.7	± 1.82						
		December	-0.9	0.9	0.0	3.1	3.4	3.2	2.3	± 0.60	3.3	4.3	3.7	2.7	± 1.83						

Confidence intervals are calculated with historical errors.

The figures in the shaded area are forecasts.

Source: BLS &amp; IFL (UC3M)

Date: July 18, 2007



Table III.1.2.3

USA MONTHLY RATES OF GROWTH ON CPI AND ITS COMPONENTS												
CONSUMER PRICE INDEX												
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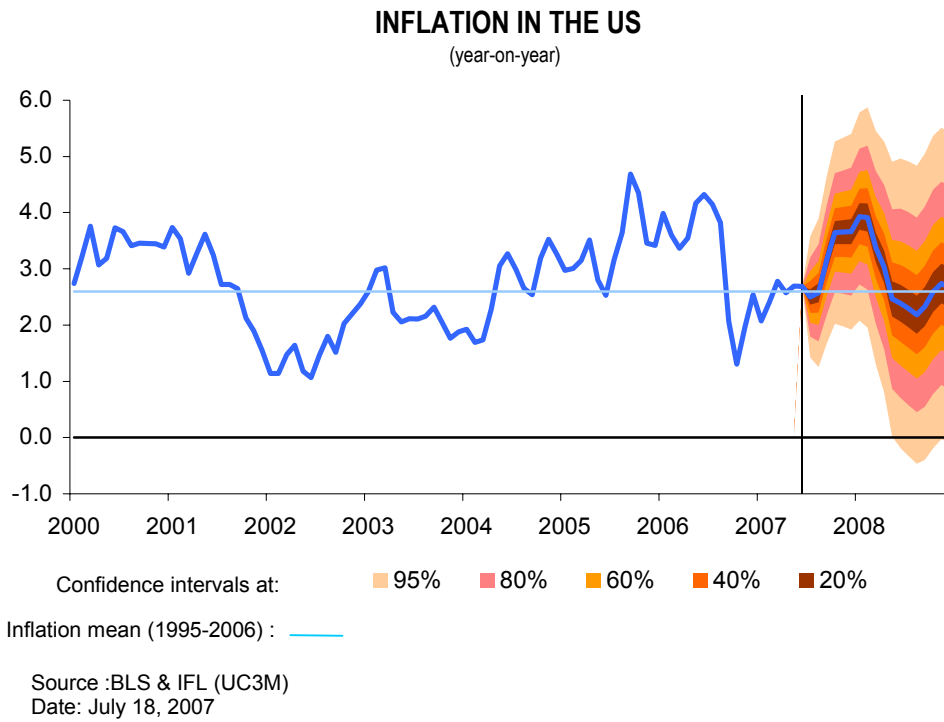
The figures in the shaded area are forecasts

Source: BLS &amp; IFL (UC3M)

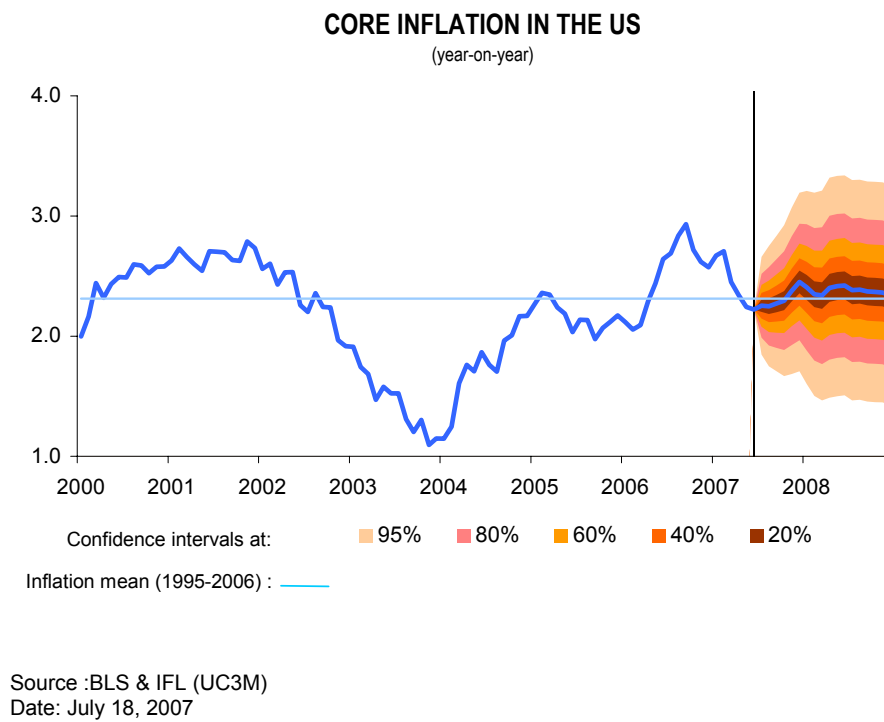
Date: July 18, 2007



Graph III.1.2.1



Graph III.1.2.2



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

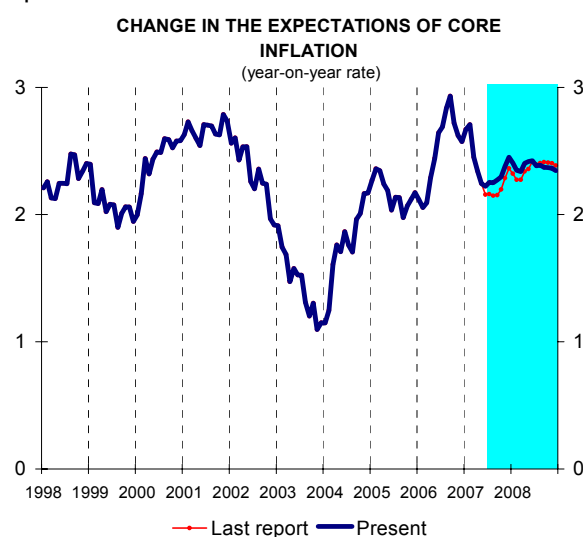
In the US in June, consumer prices rose slightly more than our forecast. Indeed, the monthly rate of the general CPI was 0.19%<sup>3</sup> compared with a forecast 0.16%. The annual rate remained at 2.69%.

On the other hand, core index prices rose by 0.08% versus the forecast 0.01%. The annual rate fell slightly from 2.24% to 2.22%.

Within core inflation, it was worse than expected in public transport services, telephone services and lodging away from home. On the other hand, a better than expected performance was observed in women's apparel, which went from a positive annual 4.3% in February to a negative annual 2.2% in June.

As a result of the above, and given the multiplier effects of the items registering innovations, expectations worsen slightly, but only in the short term (see Graph III.2.1).

Graph III.2.1.



Source: BLS & IFL (UC3M)  
Date: July 18, 2007

Specifically, for 2007 and 2008, we are forecasting average annual core inflation rates of 2.4% ( $\pm 0.13$ )<sup>4</sup> and 2.4% ( $\pm 0.45$ ), respectively, one tenth higher than the forecast published for 2007 in last month's Bulletin (see Table III.2.1).

<sup>3</sup> Unless otherwise specified, our US reports use non-seasonally adjusted data.

<sup>4</sup> The values in brackets correspond to 80% confidence intervals.

Table III.2.1.

### DIFFERENT ANNUAL INFLATION RATE MEASURES IN THE US

	CPI		PCE <sup>1</sup>	MB-PCE <sup>2</sup>
	Headline	Core	Core	Core
	% annual	% annual	% annual	% annual
2007 January	2.1	2.7	2.3	2.1
February	2.4	2.7	2.4	2.2
March	2.8	2.5	2.1	2.0
April	2.6	2.3	2.0	1.8
May	2.7	2.2	1.9	1.7
June	2.7	2.2	1.9	1.6
July	2.5	2.3	1.9	1.7
August	2.6	2.2	1.9	1.7
September	3.2	2.3	1.9	1.7
October	3.6	2.3	1.9	1.7
November	3.7	2.4	2.0	1.8
December	3.7	2.5	2.0	1.8
average annual				
2005	3.4	2.2	2.1	1.7
2006	3.2	2.5	2.2	1.9
2007	2.9	2.4	2.0	1.8
2008	2.8	2.4	2.0	1.7

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

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

Source: BLS & IFL (UC3M)

Date: July 18, 2007

Outside core inflation, dairy product prices have been rising more than expected, but the other food and energy items evolved as forecast.

As expected, motor fuel prices are tending towards normality again, now the refinery problems are being corrected. Indeed, this month, while crude oil prices rose on the international markets from 63.45\$/barrel to 67.49\$, motor fuel prices fell by 1.93%. Until the refinery problems are not finally solved, motor fuel prices are subject to more than normal variability. Given the weight of motor fuel prices in the general CPI, their evolution is decisive in our forecasting changes

Crude oil prices continue to rise to new historical values, so on our scenario crude oil prices have risen by an average of 3.6\$ per barrel in the forecasting period since our last report.

On the other hand, while the prices of imported durable and non-durable goods were in line with our forecasts, the production prices of both types of goods exceeded our forecast, although not significantly.

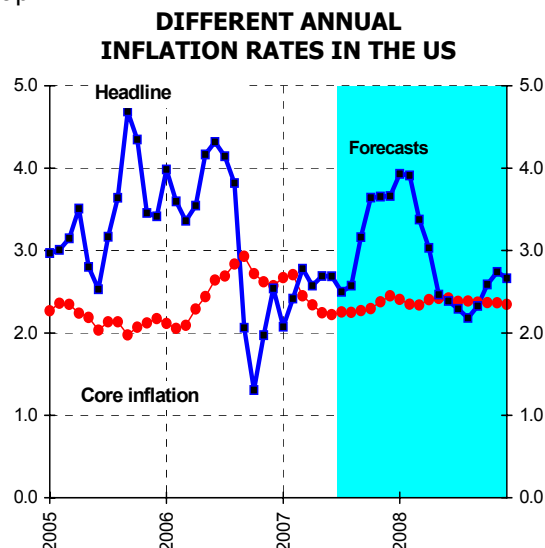
In all, average annual headline inflation in the US is forecast at 2.9% ( $\pm 0.27$ ) for 2007 and 2.8% ( $\pm$



1.30) in 2008, three and two tenths more than forecast last month (see Table III.2.1).

As a result of the current evolution of crude oil prices, the total CPI is expected to experience some acceleration to an annual rate of close to 4% in the first few months of 2008, subsequently returning to under 3.0% in the rest of the year (see graph III.2.2).

Graph III.2.2.



Source: BLS & IFL (UC3M)  
Date: July 18, 2007

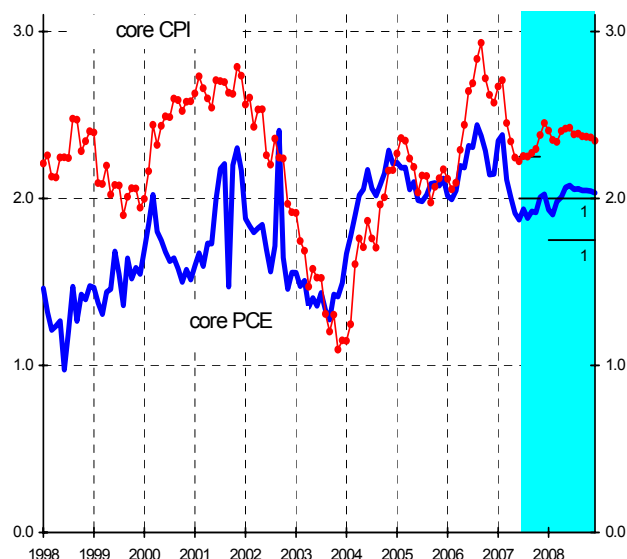
For July, we are expecting a monthly increase of 0.11% ( $\pm 0.13$ ), with the annual rate falling from 2.69% to 2.50%. For core inflation, we are forecasting a monthly increase of 0.18% ( $\pm 0.13$ ), raising the annual rate from 2.22% to 2.25%.

In terms of the core personal consumption expenditure index – core PCE<sup>5</sup> – which is the inflation indicator most closely monitored by the Fed, with CPI June figure we have revised our forecasts slightly upwards, expecting the PCE June figure – to be published at the end of July – to show an annual rate of 1.87% with an annual average of 2.03% for 2007, on the lower limit of the Fed's target range (2.00-2.25%). For 2008, the forecast is an average annual rate of 2.02%, slightly above the Fed's target for the year (1.75–2.00%).

<sup>5</sup> The PCE (Personal Consumption Expenditure) is a price index which has the advantage over the consumer price index (CPI) that, instead of using a fixed shopping basket, it adapts to real expenditure, reflecting changes in the composition of the basket between the periods compared.

Graph III.2.3.

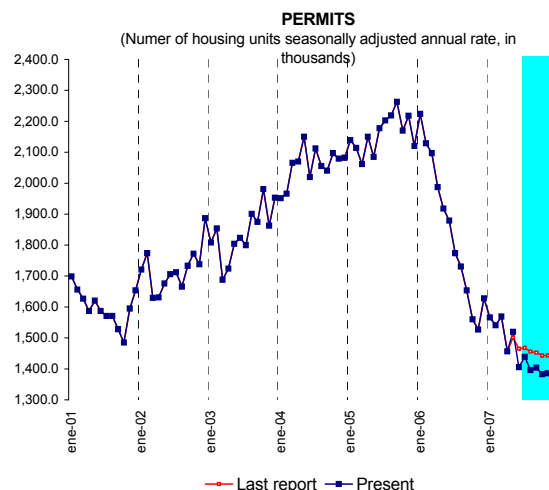
### DIFFERENT ANNUAL CORE INFLATION RATES IN THE US



(1) Central tendency established by the FED.  
Source: BLS & IFL (UC3M)  
Date: July 18, 2007

In the real sector, the latest industrial production data was somewhat better than expected (1.34% annual rate versus forecast 0.49%) and the use of installed capacity grew to 81.7%. However, the latest data referring to building permits was worse than forecast, emphasising the adjustment in the property sector (see Graph III.2.4).

Graph III.2.4.



Source: The U.S. Census Bureau and the Department of Housing and Urban Development & IFL (UC3M)  
Date: July 17, 2007

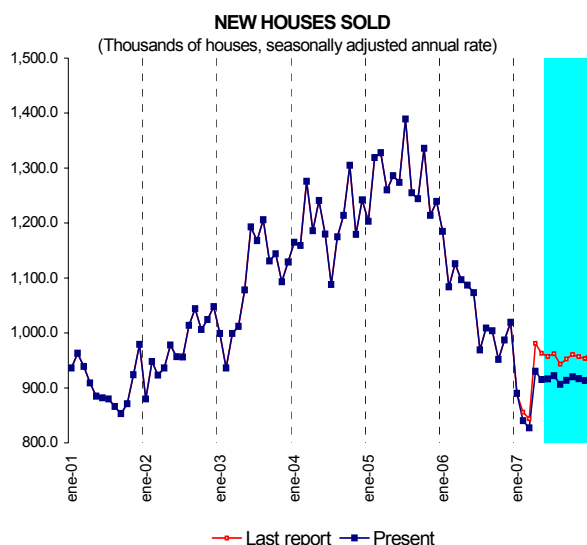




Other indicators relating to the property sector, published in June and corresponding to May (which were the latest available data when this Bulletin was closed), showed new homes sold beneath expectations, despite the fact that prices remained on a low level. On the contrary, sales and prices of existing homes were in line with our forecasts.

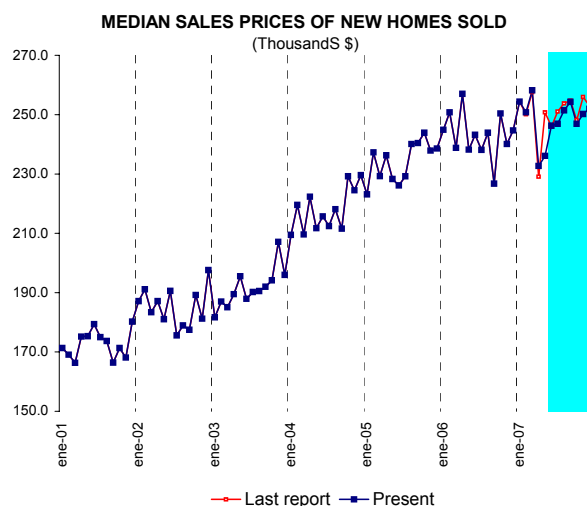
In view of the above, we confirm our opinion expressed in previous reports, in the sense that the Fed will not be lowering its interest rate until the probability of meeting inflation targets is greater.

Graph III.2.5.



Source: The U.S. Census Bureau and the Department of Housing and Urban Development & IFL (UC3M)  
Date: June 24, 2007

Graph III.2.6.



Source: The U.S. Census Bureau and the Department of Housing and Urban Development & IFL (UC3M)  
Date: June 24, 2007



### III.3. OTHER TABLES AND PLOTS.

#### **Tables:**

- CPI observed values and forecasts in the US.

#### **Plots:**

- CPI monthly growth rates.
- Commodities less food and energy (year-on-year rates).
- Some medical care services (year-on-year rates).
- Rent of primary residence (year-on-year rates).
- Services (year-on-year rates).
- Motor fuel (index).
- West Texas Intermediate (dollars per barrel).
- Change in the expectations of headline inflation (year-on-year rates).
- Change in the expectations of rent of primary residence and owner's equivalent (year-on-year rate).

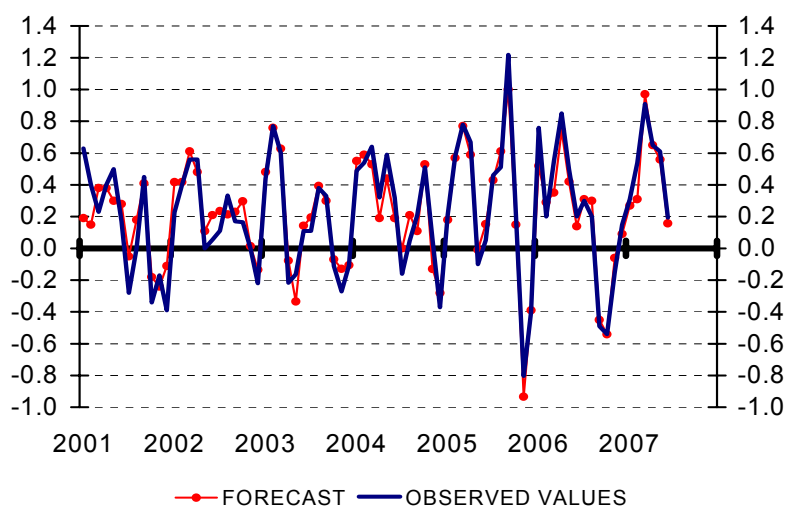


**OBSERVED VALUES AND FORECAST ON CPI IN US**  
(June 2007)

CONSUMER PRICES INDEX (CPI)	Relative importance Dec. 2006	Annual Growth (T <sup>1</sup> <sub>12</sub> ) observed	Monthly Growth (T <sup>1</sup> <sub>1</sub> )		Confidence Intervals at 80% level (+ -)
			observed (a)	forecasts (b)	
<b>Food (1)</b>	<b>13.9</b>	4.08	0.32	<b>0.18</b>	0.31
<b>Energy (2)</b>	<b>8.7</b>	4.63	0.92	<b>1.24</b>	1.27
<b>Residual Inflation (3=2+1)</b>	<b>22.6</b>	<b>4.31</b>	<b>0.57</b>	<b>0.63</b>	<b>0.50</b>
<b>Non-food and non-energy goods (4)</b>	<b>21.7</b>	<b>-0.79</b>	<b>-0.66</b>	<b>-0.54</b>	<b>0.25</b>
<b>Less tobacco</b>	<b>21.0</b>	-1.01	-0.70	<b>-0.56</b>	0.22
-Durable goods	<b>11.1</b>	-1.94	-0.23	<b>-0.33</b>	0.29
-Nondurable goods	<b>10.6</b>	0.41	-1.10	<b>-0.75</b>	0.37
<b>Non-energy services (5)</b>	<b>55.7</b>	<b>3.37</b>	<b>0.36</b>	<b>0.22</b>	<b>0.15</b>
-Services less owner's equivalent rent of primary residence (5-a)	<b>31.8</b>	3.45	0.49	<b>0.23</b>	0.22
(a) -Owner's equivalent rent of primary residence	<b>23.8</b>	3.27	0.19	<b>0.20</b>	0.12
<b>Core Inflation (6=4+5)</b>	<b>77.4</b>	<b>2.22</b>	<b>0.08</b>	<b>0.01</b>	<b>0.13</b>
Core inflation less owner's equivalent rent of primary residence (6-a)	<b>53.6</b>	1.76	0.03	<b>-0.07</b>	0.17
Core inflation less owner's equivalent rent of primary residence and tobacco	<b>52.9</b>	1.71	0.02	<b>-0.08</b>	0.16
<b>Headline Inflation (7=6+3)</b>	<b>100.0</b>	<b>2.69</b>	<b>0.19</b>	<b>0.16</b>	<b>0.13</b>
All items less owner's equivalent rent of primary residence (7-a)	<b>76.2</b>	2.51	0.20	<b>0.14</b>	<b>0.17</b>

Source: BLS & IFL (UC3M)  
Date: July 18, 2007

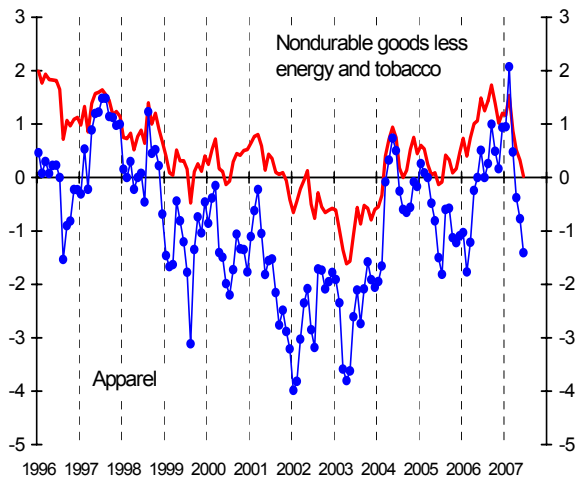
**CPI MONTHLY GROWTH RATES IN USA**



Source :BLS & IFL (UC3M)  
Date: July 18, 2007

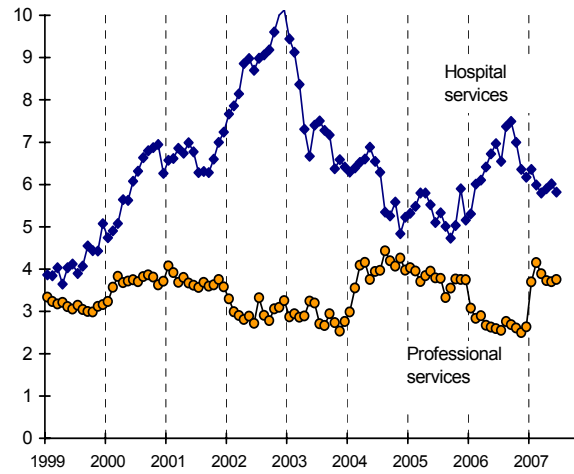


### COMMODITIES LESS FOOD AND ENERGY (YEAR ON YEAR RATES)



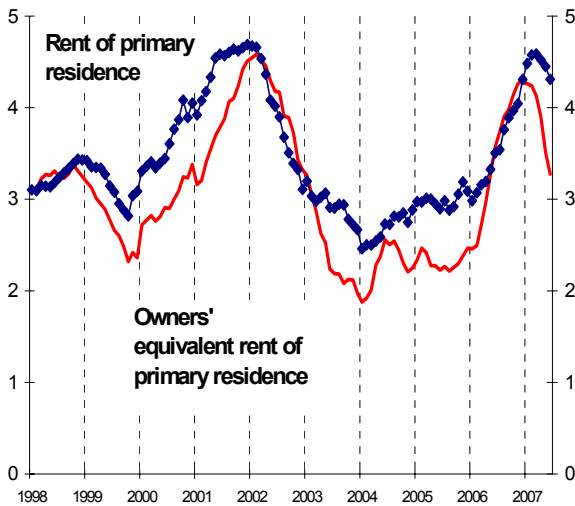
Source: BLS & IFL (UC3M)  
Date: July 18, 2007

### SOME MEDICAL CARE SERVICES (YEAR ON YEAR RATES)



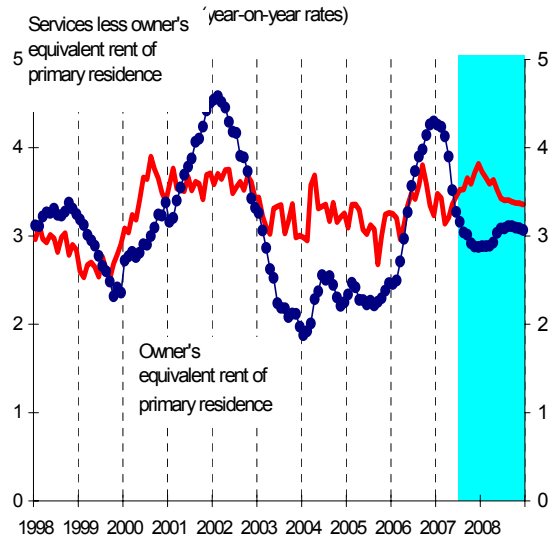
Source: BLS & IFL (UC3M)  
Date: July 18, 2007

### RENT OF PRIMARY RESIDENCE (year-on-year rate)



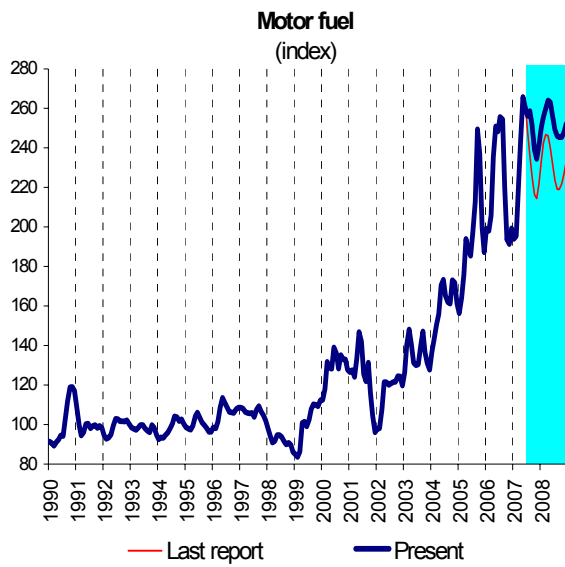
Source: BLS & IFL (UC3M)  
Date: July 18, 2007

### SERVICES (year-on-year rates)

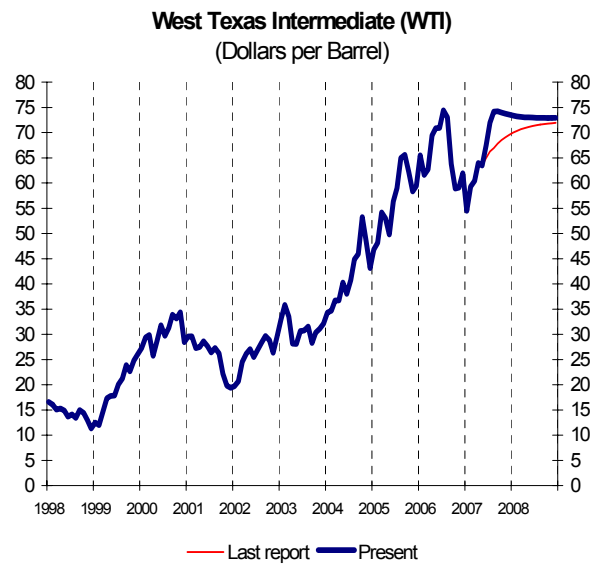


Source: BLS & IFL (UC3M)  
Date: July 18, 2007

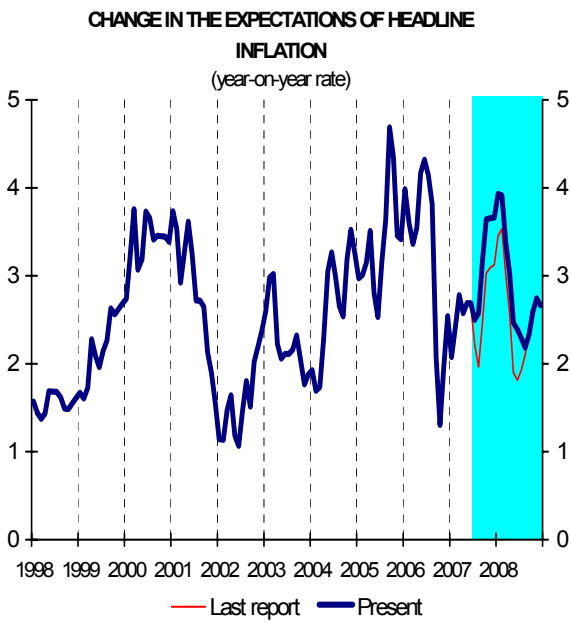




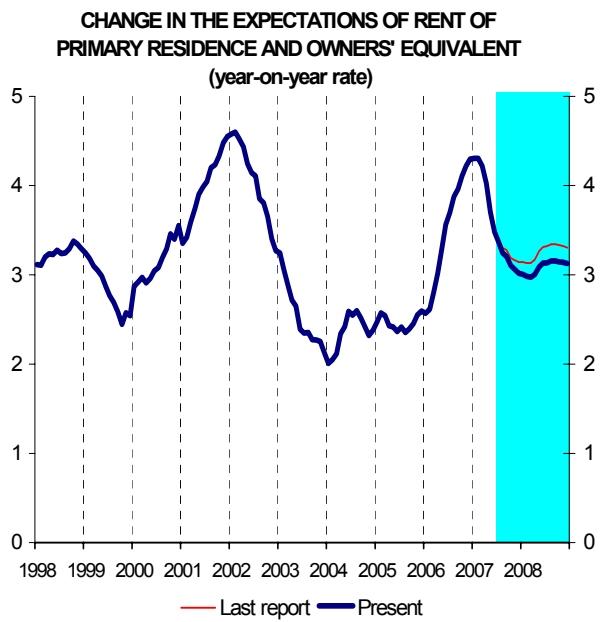
Source: BLS & IFL (UC3M)  
Date: July 18, 2007



Source: BLS & IFL (UC3M)  
Date: July 18, 2007



Source: BLS & IFL (UC3M)  
Date: July 18, 2007



Source: BLS & IFL (UC3M)  
Date: July 18, 2007





## IV. THE SPANISH ECONOMY.

### IV.1 MACROECONOMIC FORECASTS.

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

MACROECONOMIC TABLE AND INDICATORS				
	Annual Rates			
	2005	2006	Forecasts	
			2007	2008
Private Final Consumption Expenditure	4.2	3.7	3.4	3.3
Public Final Consumption Expenditure	4.8	4.4	4.8	5.4
Gross Fixed Capital Formation	7.0	6.3	6.2	5.1
Equipment	9.0	9.7	11.1	8.1
Building	6.0	5.9	4.9	4.2
Other products	7.5	3.2	3.3	4.3
National Demand (1)	5.2	4.9	4.6	4.4
Exports of Goods and Services	1.5	6.2	5.2	4.9
Imports of Goods and Services	7.0	8.4	6.7	6.8
Foreign demand (1)	-1.7	-1.0	-0.8	-1.0
<b>GDP (a)</b>	<b>3.5</b>	<b>3.9</b>	<b>3.8</b>	<b>3.4</b>
GDP, current prices	7.8	7.8	7.1	6.7
<b>Prices and Costs (b)</b>				
CPI, annual average	3.4	3.5	2.6	2.8
CPI, dec./dec.	3.7	2.7	3.0	2.8
Compensation per employee	2.6	3.5	3.1	3.1
Unit labour cost	2.2	2.7	2.3	2.2
<b>Labour Market (Data poll labour force) (2) (c)</b>				
Labour Force (% change)	3.2 / 3.5	3.3	2.9	2.8
Employment (EAPS)				
Annual average change in %	4.8 / 5.6	4.1	3.2	2.9
Annual average change in thousands	870.3/1002.4	774.4	635.5	601.0
Unemployment rate	9.6 / 9.2	8.5	8.2	8.1
<b>Basic balances (a)</b>				
Foreign sector				
Current Account (m.€.)	-67.580	-82.944	-95.140	-105.977
Net lending or borrowing (% GDP) (3)	-7.5	-8.5	-9.1	-9.5
Public Administration				
Net lending or borrowing (% GDP) (3)	1.1	1.8	1.2	1.0
<b>Other Economic Indicators (d)</b>				
Industrial Production Index	0.1	3.7	3.3	2.8

(1) Contribution to GDP growth

(2) Annual Rate EAPS Testigo / Annual Rate EAPS 2005

(3) In terms of National Accounts

Source: INE & IFL(UC3M)

Date: (a) May 23, 2007

(b) July 18, 2007

(c) April 27, 2007

(d) July 5, 2007



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

Table IV.1.2.1

ANNUAL GROWTH RATES IN GDP AND COMPONENTS IN SPAIN													
		Final Consumption Expenditure		Gross Fixed Capital Formation				National Demand (1)	Exports of goods and services	Imports of goods and services	Foreign Demand (1)	Real GDP	
				Total	Equipment	Building	Other Products						
		Private	Public										
ANNUAL AVERAGE RATES	2003	2.8	4.8	5.9	4.1	6.3	7.2	3.8	3.7	6.2	-0.8	3.0	
	2004	4.2	6.3	5.0	4.4	5.5	4.5	4.9	4.1	9.6	-1.7	3.2	
	2005	4.2	4.8	7.0	9.0	6.0	7.5	5.2	1.5	7.0	-1.7	3.5	
	2006	3.7	4.4	6.3	9.7	5.9	3.2	4.9	6.2	8.4	-1.0	3.9	
	2007	3.4	4.8	6.2	11.1	4.9	3.3	4.6	5.2	6.7	-0.8	3.8	
	2008	3.3	5.4	5.1	8.1	4.2	4.3	4.4	4.9	6.8	-1.0	3.4	
ANNUAL RATES *	2006	QI	3.7	4.3	6.3	8.6	5.8	4.8	4.8	9.5	11.6	-1.1	3.7
		QII	3.6	4.4	6.2	9.1	5.8	3.3	4.8	4.9	7.3	-1.0	3.8
		QIII	3.6	4.2	6.4	9.6	6.2	3.0	4.8	3.4	6.0	-1.0	3.8
		QIV	3.7	4.9	6.4	11.4	5.7	1.7	4.9	7.3	8.8	-0.9	4.0
	2007	QI	3.5	5.2	6.6	12.1	5.6	2.5	4.8	4.2	5.6	-0.7	4.1
		QII	3.4	5.3	6.4	12.6	4.7	3.2	4.8	5.5	7.2	-0.9	3.9
		QIII	3.3	4.8	5.8	10.7	4.6	2.5	4.4	7.0	7.7	-0.7	3.7
		QIV	3.2	4.1	5.9	9.2	4.8	4.9	4.4	4.3	6.2	-0.8	3.6
	2008	QI	3.3	5.7	5.1	8.2	3.9	4.8	4.4	3.5	5.7	-0.9	3.5
		QII	3.2	5.5	5.2	8.3	4.2	4.2	4.4	5.7	7.6	-1.0	3.4
		QIII	3.2	5.3	5.1	8.0	4.3	4.0	4.4	5.4	7.5	-1.0	3.4
		QIV	3.2	5.3	5.1	7.8	4.2	4.1	4.2	5.1	6.5	-0.8	3.4

The figures in the shaded area are forecasts.

(\*) Year-on-year rates.

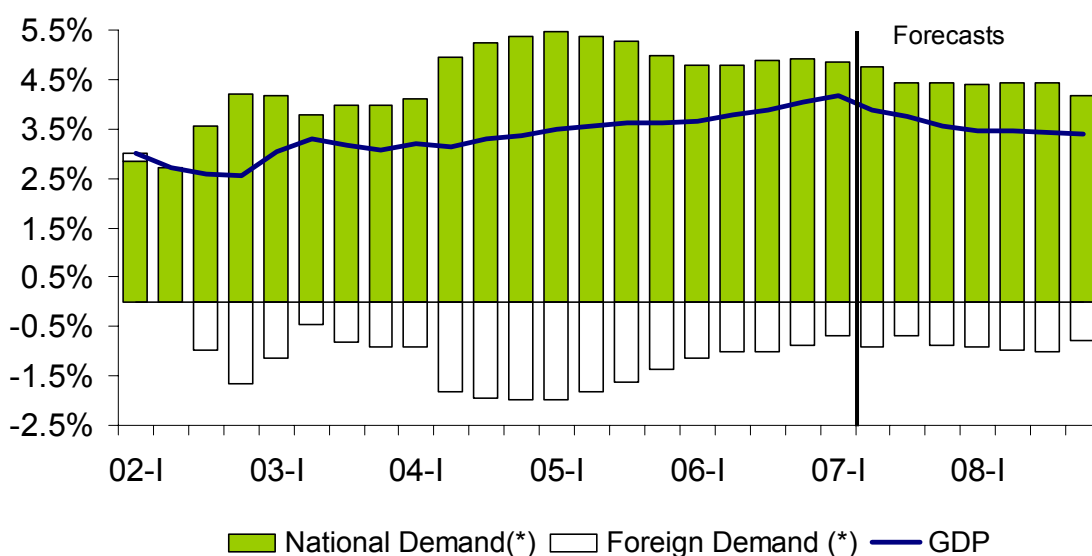
(1) contribution to GDP growth

Source: INE & IFL (UC3M)

Date: May 23, 2007

Graph IV.1.2.1

### CONTRIBUTION\* TO GDP GROWTH IN SPAIN



Source INE & IFL (UC3M)

Date: May 23, 2007





Table IV.1.2.2

ANNUAL GROWTH RATES IN GDP AND COMPONENTS IN SPAIN											
GROSS VALUE ADDED											
		Agriculture	Energy	Industry	Construction	Market services	Non-market services	TOTAL	Tax	Real GDP	
ANNUAL AVERAGE RATES	2003	-0.7	4.5	0.9	5.1	2.6	4.2	2.6	6.6	3.0	
	2004	1.9	2.2	0.4	5.1	3.6	3.7	3.1	4.4	3.2	
	2005	-10.0	3.8	0.3	5.4	4.6	3.5	3.2	5.7	3.5	
	2006	0.3	2.0	3.3	5.3	3.4	4.0	3.5	6.3	3.9	
	2007	-1.1	-1.6	4.0	4.8	3.5	4.2	3.5	5.2	3.8	
	2008	-1.4	1.6	3.0	4.5	3.2	4.1	3.2	4.6	3.4	
	ANNUAL RATES *	2006	QI	-3.2	3.2	1.9	5.3	3.9	3.9	3.4	6.2
QII			0.1	3.2	2.8	5.0	3.5	3.6	3.5	6.7	3.8
QIII			-0.5	3.9	4.0	5.8	3.2	3.8	3.6	5.5	3.8
QIV			4.3	-2.1	4.4	5.0	3.3	4.5	3.7	6.7	4.0
2007		QI	0.8	-2.2	5.1	4.9	3.9	4.2	4.0	4.9	4.1
		QII	-0.7	-2.5	4.6	5.0	2.9	4.4	3.3	6.5	3.9
		QIII	0.0	-3.4	3.2	4.5	3.2	4.5	3.2	5.5	3.7
		QIV	-4.3	1.9	3.1	4.8	3.8	3.7	3.5	4.1	3.6
2008		QI	2.1	1.6	3.0	4.6	3.0	5.0	3.3	5.1	3.5
		QII	-1.8	1.5	3.1	4.5	3.0	3.7	3.1	4.4	3.4
		QIII	-3.9	1.5	2.9	4.5	3.7	4.0	3.3	4.4	3.4
		QIV	-1.6	1.6	3.1	4.4	3.3	3.7	3.2	4.4	3.4

The figures in the shaded area are forecasts.

(\*) Year-on-year rates

Source: INE & IFL (UC3M)

Date: May 23, 2007



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

Table IV.1.3.1

		Durable Consumer	Non durable Consumer	Consumer Goods	Capital Equipment	Intermediate Goods	Energy	TOTAL	
ANNUAL AVERAGE RATE	2003	-0.6	0.7	0.5	0.8	2.1	3.9	1.6	
	2004	0.1	0.0	0.0	1.9	1.9	4.9	1.8	
	2005	-1.0	0.3	0.2	-0.7	-0.6	2.9	0.1	
	2006	10.6	0.8	2.1	8.2	3.8	0.9	3.7	
	2007	5.2	3.1	3.4	5.9	2.6	1.0	3.3	
	2008	0.6	2.4	2.1	5.3	2.1	2.7	2.8	
ANNUAL RATES*	2006	QI	7.8	4.3	4.7	11.6	6.5	3.5	6.4
		QII	6.7	-1.9	-0.8	4.1	1.3	0.9	1.2
		QIII	13.9	-0.9	0.9	7.0	3.7	2.5	3.2
		QIV	14.2	2.0	3.7	10.6	4.0	-3.2	4.1
	2007	QI	16.9	2.9	4.8	8.9	4.9	-4.4	4.2
		QII	2.8	2.9	2.9	4.7	1.1	4.0	2.7
		QIII	0.2	2.6	2.3	4.7	1.5	0.8	2.2
		QIV	1.9	3.9	3.6	5.4	3.1	4.2	3.9
	2008	QI	-4.8	-1.9	-2.4	-0.7	-2.4	3.9	-1.2
		QII	3.4	4.1	4.0	7.7	4.6	1.3	4.6
		QIII	2.5	3.7	3.6	8.1	3.3	2.2	4.1
		QIV	1.6	3.5	3.2	6.3	3.2	3.2	3.8

The figures in the shaded area are forecasts.

\* Year-on-year rates.

Source: INE & IFL (UC3M)

Date: July 5, 2007

Table IV.1.3.2

OBSERVED VALUES AND FORECASTS IN THE IPI ANNUAL RATES IN SPAIN							
	2002	2003	2004	2005	2006	2007	2008
January	-2.1	-0.1	-2.9	0.8	5.4	7.5	1.6
February	-0.9	1.7	1.8	-1.0	2.7	3.6	3.6
March	-10.6	9.7	7.2	-6.7	11.0	2.1	-8.1
April	11.4	-4.5	0.7	7.4	-9.8	6.3	13.8
May	-2.0	-1.2	2.7	0.1	8.1	2.4	-2.1
June	-5.2	4.5	5.7	-0.2	5.2	-0.1	3.3
July	3.6	1.9	0.0	-3.5	4.2	4.4	5.7
August	-3.4	-1.4	5.3	3.7	5.0	1.7	-2.2
September	2.4	2.5	3.8	0.2	1.1	0.3	7.1
October	5.1	0.8	-7.0	-0.1	7.3	6.4	4.0
November	0.3	1.4	4.3	0.9	4.1	2.4	0.3
December	3.5	4.2	1.2	1.4	0.6	2.7	7.6

The figures in the shaded area are forecasts.

Source: INE & IFL (UC3M)

Date: July 5, 2007



## IV.1.4 INFLATION.

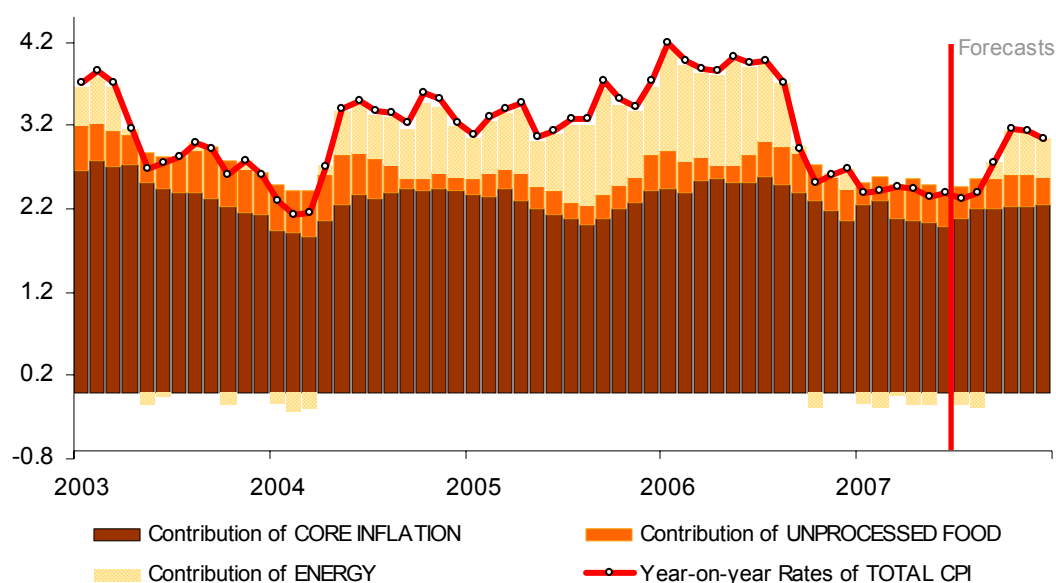
Table IV.1.4.1

FORECASTS IN THE ANNUAL AVERAGE RATE IN INFLATION IN SPAIN					
Consumer Price Index (CPI)	2004	2005	2006	Forecast	
				2007	2008
<b>TOTAL (100%)</b>	3.0	3.4	3.5	<b>2.6</b>	<b>2.8</b>
<b>CORE (82.3%)</b>	2.7	2.7	2.9	<b>2.6</b>	<b>2.7</b>
Processed food (16.8%)	3.6	3.4	3.6	<b>2.6</b>	<b>2.5</b>
Non-energy industrial goods (29.0%)	0.9	0.9	1.4	<b>0.9</b>	<b>1.2</b>
Services (36.5%)	3.7	3.8	3.9	<b>3.9</b>	<b>3.9</b>
<b>RESIDUAL (17.7%)</b>	4.7	6.5	6.3	<b>2.6</b>	<b>3.5</b>
Non-Processed food (8.1%)	4.6	3.3	4.4	<b>4.7</b>	<b>3.9</b>
Energy (9.6%)	4.8	9.6	8.0	<b>0.6</b>	<b>3.2</b>

Source: INE & IFL (UC3M)  
Date: July 18, 2007

Graph IV.1.4.1

### YEAR-ON-YEAR RATE OF INFLATION IN SPAIN AND CONTRIBUTIONS OF MAIN COMPONENTS



Source INE & IFL (UC3M)  
Date: July 18, 2007



Table IV.1.4.2

CPI ANNUAL GROWTH BY COMPONENTS IN SPAIN											
		Consumer Prices Index								TOTAL 100% Confidence intervals at 80% *	
		Core			TOTAL Confidence intervals at 80% *		Residual				
		Processed food	Non energy industrial goods	Services			Non processed food	Energy	TOTAL		
Weights 2007		16.8%	29.0%	36.5%	82.3%		8.1%	9.6%	17.7%		
ANNUAL AVERAGE RATE	1999	2.1	1.5	3.4	2.4		1.2	3.2	2.2	2.3	
	2000	0.9	2.1	3.7	2.5		4.2	13.3	8.8	3.4	
	2001	3.4	2.4	4.2	3.5		8.7	-1.0	3.6	3.6	
	2002	4.3	2.5	4.6	3.7		5.8	-0.2	2.6	3.5	
	2003	3.0	2.0	3.7	2.9		6.0	1.4	3.6	3.0	
	2004	3.6	0.9	3.7	2.7		4.6	4.8	4.7	3.0	
	2005	3.4	0.9	3.8	2.7		3.3	9.6	6.5	3.4	
	2006	3.6	1.4	3.9	2.9		4.4	8.0	6.3	3.5	
	2007	2.6	0.9	3.9	2.6	± 0.09	4.7	0.6	2.6	2.6 ± 0.19	
	2008	2.5	1.2	3.9	2.7	± 0.36	3.9	3.2	3.5	2.8 ± 0.74	
ANNUAL RATES (growth of the month over the same month of the previous year)	2006	January	3.7	1.4	3.8	2.9		5.3	14.8	10.1	4.2
		February	3.4	1.5	3.8	2.9		4.5	13.3	9.1	4.0
		March	4.5	1.5	3.7	3.1		3.3	11.8	7.7	3.9
		April	3.9	1.4	4.1	3.1		2.1	12.2	7.4	3.9
		May	3.9	1.5	3.9	3.0		2.4	14.4	8.7	4.0
		June	3.9	1.5	3.9	3.0		3.9	12.0	8.2	3.9
		July	4.0	1.5	4.0	3.1		5.4	10.1	7.9	4.0
		August	3.6	1.5	3.9	3.0		5.4	8.2	7.0	3.7
		September	3.5	1.3	3.9	2.9		5.6	0.9	3.0	2.9
		October	3.4	1.3	3.8	2.8		5.2	-1.9	1.3	2.5
		November	2.9	1.2	3.7	2.6		5.0	0.3	2.5	2.6
		December	2.2	1.2	3.7	2.5		4.5	2.6	3.5	2.7
	2007	January	2.9	1.2	3.8	2.7		3.5	-1.3	0.9	2.4
		February	3.5	1.0	3.8	2.8		3.7	-1.8	0.8	2.4
		March	2.3	0.8	3.9	2.5		5.2	-0.3	2.3	2.5
		April	2.2	0.9	3.9	2.5		6.4	-1.5	2.2	2.4
		May	2.3	0.7	4.0	2.5		6.0	-1.7	1.9	2.3
		June	2.2	0.7	3.9	2.4		5.0	-0.2	2.3	2.4
		July	2.3	0.9	3.9	2.5	± 0.17	4.8	-1.5	1.4	2.3 ± 0.17
		August	2.7	1.0	3.9	2.7	± 0.24	4.5	-1.7	1.1	2.4 ± 0.31
		September	2.7	1.0	3.9	2.7	± 0.31	4.4	1.8	3.1	2.8 ± 0.44
		October	2.8	1.0	4.0	2.7	± 0.33	4.6	5.9	5.4	3.2 ± 0.54
		November	2.9	1.0	4.0	2.7	± 0.36	4.6	5.5	5.1	3.1 ± 0.62
		December	2.9	1.0	4.0	2.7	± 0.35	3.9	5.0	4.5	3.0 ± 0.66
	2008	January	2.5	1.0	4.0	2.6	± 0.40	4.2	5.6	5.0	3.1 ± 0.73
		February	2.4	1.0	4.0	2.6	± 0.43	4.6	6.0	5.4	3.1 ± 0.77
		March	2.5	1.2	4.1	2.7	± 0.47	4.6	4.7	4.7	3.1 ± 0.79
		April	2.5	1.1	3.7	2.5	± 0.50	4.2	3.7	3.9	2.8 ± 0.80
		May	2.5	1.2	3.8	2.6	± 0.52	4.4	2.8	3.5	2.8 ± 0.81
		June	2.6	1.3	3.9	2.7	± 0.52	3.6	1.8	2.6	2.7 ± 0.82
		July	2.6	1.3	3.9	2.7	± 0.54	3.5	2.2	2.8	2.7 ± 0.86
		August	2.6	1.2	3.9	2.7	± 0.55	3.6	2.3	2.9	2.7 ± 0.88
		September	2.6	1.2	3.9	2.7	± 0.57	3.5	2.3	2.8	2.7 ± 0.90
		October	2.6	1.2	3.9	2.7	± 0.57	3.6	2.1	2.8	2.7 ± 0.90
		November	2.6	1.2	4.0	2.7	± 0.58	3.7	2.3	2.9	2.7 ± 0.90
		December	2.5	1.2	4.0	2.7	± 0.59	3.9	2.4	3.1	2.8 ± 0.90

\* Confidence intervals calculated with historical errors.

Source: INE &amp; IFL (UC3M)

Date: July 18, 2007

The figures in the shaded areas are forecasts



Table IV.1.4.3

CPI MONTHLY GROWTH BY COMPONENTS IN SPAIN										
		Consumer Prices Index							TOTAL 100%	
		Core				Residual				
		Processed food	Non energy industrial goods	Services	TOTAL	Non processed food	Energy	TOTAL		
Weights 2007		16.8%	29.0%	36.5%	82.3%	8.1%	9.6%	17.7%		
MONTHLY RATES (Growth of the month over the previous month)	January	2005	0.4	-3.8	0.6	-1.0	1.0	-0.8	0.1	-0.8
		2006	0.3	-3.6	0.5	-1.0	1.0	3.5	2.4	-0.4
		2007	1.0	-3.6	0.6	-0.8	0.0	-0.3	-0.2	-0.7
		2008	0.7	-3.6	0.6	-0.9	0.3	0.3	0.3	-0.7
	February	2005	0.1	-0.2	0.5	0.2	-0.7	2.0	0.7	0.3
		2006	-0.1	-0.1	0.5	0.1	-1.5	0.7	-0.3	0.0
		2007	0.4	-0.3	0.4	0.2	-1.3	0.2	-0.5	0.1
		2008	0.3	-0.3	0.4	0.2	-0.9	0.5	-0.1	0.1
	March	2005	0.4	1.0	0.6	0.7	0.3	1.9	1.1	0.8
		2006	1.4	1.0	0.5	0.9	-0.9	0.6	-0.1	0.7
		2007	0.3	0.8	0.6	0.6	0.6	2.0	1.4	0.8
		2008	0.3	1.0	0.6	0.7	0.6	0.8	0.7	0.7
	April	2005	0.9	3.0	0.2	1.3	1.1	2.6	1.9	1.4
		2006	0.3	2.8	0.7	1.4	-0.1	3.1	1.6	1.4
		2007	0.2	2.9	0.7	1.3	1.1	1.9	1.5	1.4
		2008	0.3	2.8	0.4	1.2	0.7	0.9	0.8	1.1
	May	2005	0.1	0.5	0.1	0.3	0.0	-0.2	-0.1	0.2
		2006	0.1	0.6	-0.1	0.2	0.4	1.7	1.1	0.4
		2007	0.2	0.4	-0.1	0.2	0.0	1.5	0.8	0.3
		2008	0.1	0.5	0.0	0.2	0.3	0.6	0.5	0.3
	June	2005	0.1	-0.1	0.4	0.1	-0.1	1.3	0.6	0.2
		2006	0.1	-0.1	0.4	0.1	1.3	-0.7	0.2	0.2
		2007	0.1	-0.2	0.3	0.1	0.4	0.7	0.6	0.2
		2008	0.2	-0.1	0.4	0.2	-0.5	-0.2	-0.3	0.1
	July	2005	0.0	-3.7	0.6	-1.1	-0.5	3.3	1.5	-0.6
		2006	0.1	-3.7	0.7	-1.0	0.9	1.5	1.2	-0.6
		2007	0.1	-3.5	0.7	-0.9	0.7	0.1	0.4	-0.7
		2008	0.1	-3.5	0.7	-0.9	0.6	0.5	0.6	-0.6
	August	2005	0.1	-0.1	0.6	0.2	0.9	1.9	1.4	0.4
		2006	-0.3	-0.1	0.5	0.1	0.9	0.2	0.5	0.2
		2007	0.1	0.0	0.6	0.3	0.6	0.0	0.3	0.3
		2008	0.1	-0.1	0.6	0.3	0.7	0.1	0.3	0.3
	September	2005	0.2	1.3	-0.4	0.3	0.5	3.1	1.9	0.6
		2006	0.1	1.1	-0.4	0.2	0.6	-3.8	-1.8	-0.2
		2007	0.1	1.2	-0.4	0.2	0.5	-0.3	0.0	0.2
		2008	0.1	1.2	-0.4	0.2	0.5	-0.4	0.0	0.2
	October	2005	0.2	2.8	0.1	1.1	0.2	-0.7	-0.3	0.8
		2006	0.0	2.7	0.0	0.9	-0.2	-3.5	-2.0	0.4
		2007	0.1	2.7	0.1	0.9	0.1	0.4	0.2	0.8
		2008	0.1	2.7	0.1	0.9	0.1	0.2	0.1	0.8
	November	2005	0.5	1.1	0.0	0.5	0.6	-2.9	-1.3	0.2
		2006	0.0	1.0	0.0	0.3	0.4	-0.7	-0.2	0.2
		2007	0.1	1.0	-0.1	0.3	0.4	-1.1	-0.4	0.2
		2008	0.1	1.0	0.0	0.4	0.5	-0.9	-0.2	0.2
	December	2005	0.7	-0.2	0.5	0.3	1.9	-1.9	-0.1	0.2
		2006	0.1	-0.2	0.5	0.1	1.4	0.4	0.9	0.3
		2007	0.1	0.5	0.5	0.2	0.8	-0.1	0.3	0.2
		2008	0.1	-0.2	0.5	0.2	1.0	0.0	0.5	0.2

The figures in the shaded area are forecasts.

Source: INE & IFL (UC3M)

Date: July 18, 2007



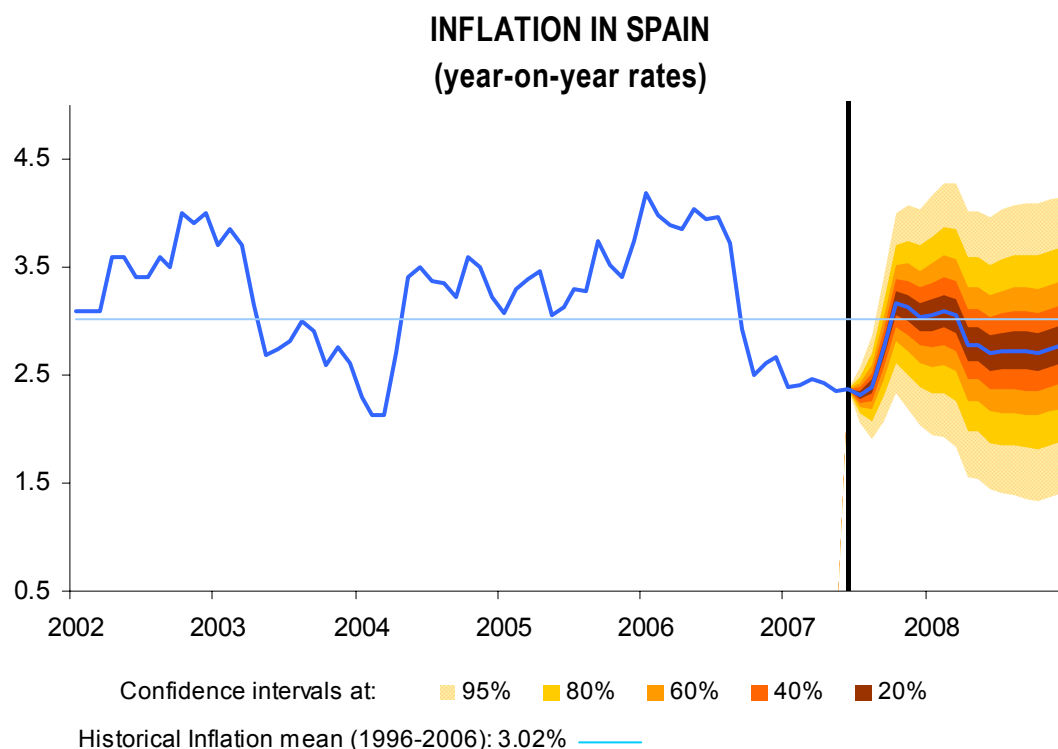
Table IV.1.4.4

CPI ANNUAL AVERAGE GROWTH RATES BY COMPONENTS IN SPAIN WITH FORECASTS FOR 2007 AND 2008											
Weights 2007					2003	2004	2005	2006	2007	2008	
CPI Total	Core Inflation	Processed food	AE less tobacco & fats	13.4	3.1	2.9	2.5	2.8	3.2	2.9	
			Oils & Fats	1.0	18.4	9.4	10.5	23.4	-17.7	0.0	
			Tobacco	2.4	0.2	0.4	6.6	1.5	8.8	1.2	
			Processed food	16.8	3.0	3.6	3.4	3.6	2.6	2.5	
		Non energy industrial goods	Vehicles	6.3	1.7	1.6	1.8	2.3	1.6	1.5	
			Footwear	1.9	3.6	1.9	2.2	1.6	1.3	2.4	
			Clothing	7.0	3.8	1.8	1.1	1.1	1.0	1.0	
			Rest	13.8	0.9	0.3	0.5	1.2	0.7	0.9	
			Non energy industrial goods	29.0	2.0	0.9	0.9	1.4	0.9	1.2	
		Services	Postal services	0.0	6.2	3.1	2.7	5.7	3.6	0.0	
			Cultural services	1.6	2.0	3.0	2.7	2.4	3.1	3.1	
			Education	1.1	3.3	3.6	4.1	3.5	4.1	4.0	
			Hotels	0.7	4.3	3.0	2.3	3.6	6.5	5.8	
			Health	2.1	4.1	3.2	4.0	4.1	4.2	4.0	
			Household equipment	1.6	4.6	4.4	4.5	4.4	4.3	4.5	
			Restaurants	10.9	4.4	4.1	4.3	4.5	4.8	4.8	
			Telephone	3.5	-1.3	-1.1	-1.6	-1.4	0.3	0.2	
			Transports	5.1	4.3	4.4	4.4	4.2	3.2	3.3	
			Package holidays	1.3	1.8	1.4	2.2	3.1	1.6	6.4	
			University	0.5	5.4	4.9	4.6	5.0	5.0	4.0	
			Housing	5.2	4.3	4.5	4.8	4.7	4.8	4.7	
			Rest	2.8	4.3	4.2	3.8	4.3	3.6	3.6	
		Services	36.5	3.7	3.7	3.8	3.9	3.9	3.9		
		Core Inflation			82.3	2.9	2.7	2.7	2.9	2.6	2.7
		Residual Inflation	Non processed foods	Meat	3.0	8.7	7.4	3.8	6.0	5.4	4.1
				Fruits	1.5	1.1	1.1	2.7	0.1	3.0	2.8
				Eggs	0.2	3.1	3.7	-3.2	2.8	1.8	0.4
	Vegetables			1.0	-2.7	-1.5	5.4	-0.8	6.5	5.0	
	Mollusc			0.7	1.5	1.1	5.4	2.3	0.0	3.6	
	Potatoes			0.3	23.0	24.2	-8.2	17.6	12.2	8.5	
	Fish			1.5	3.7	4.4	3.8	5.7	3.4	3.5	
	Non processed foods			8.1	6.0	4.6	3.3	4.4	4.7	3.9	
	Energy		Heat energy	5.5	1.4	7.1	12.3	6.6	-0.2	3.7	
			Fuels	0.4	6.1	12.0	26.8	11.8	-2.5	10.0	
			Electricity and gas	3.6	0.8	0.8	4.0	9.6	2.0	1.5	
		Energy	9.6	1.4	4.8	9.6	8.0	0.6	3.2		
	Residual Inflation			17.7	3.6	4.7	6.5	6.3	2.6	3.5	
	CPI Total			100.0	3.0	3.0	3.4	3.5	2.6	2.8	

Bold figures are forecasts  
Source: INE & IFL (UC3M)  
Date: July 18, 2007

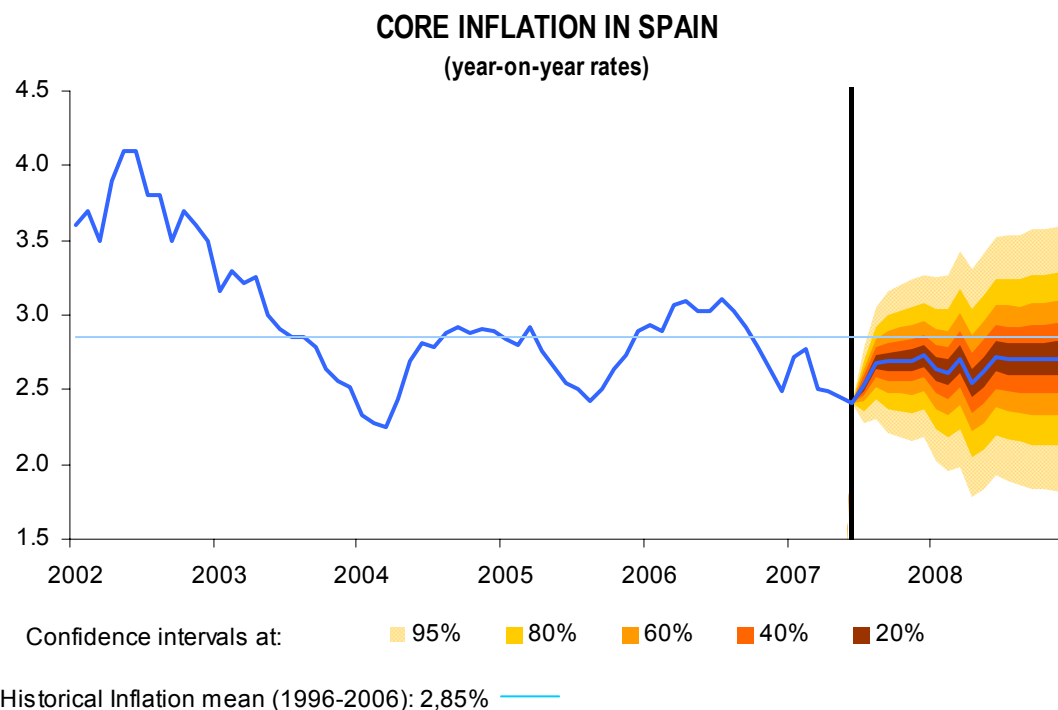


Graph IV.1.4.2



Source INE & IFL (UC3M)  
Date: July 18, 2007

Graph IV.1.4.3



Source INE & IFL (UC3M)  
Date: July 18, 2007



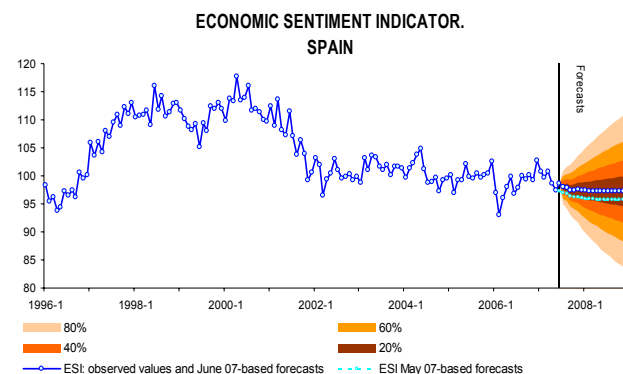
## IV.2 ANALYSIS OF THE SPANISH ECONOMY.

### IV.2.1 RECENT EVOLUTION OF THE SPANISH ECONOMY.

The results of the indicators published in the last month, largely referring to May and June and evaluated as a whole, support the hypothesis that the Spanish economy in the second quarter of this year continues to be strong, although slightly less dynamic than in the first quarter. This reinforces our expectations for moderation in annual GDP growth in the second quarter, based on the Quarterly National Accounts for the first quarter of 2007, according to which GDP growth would go from 4.1% in the first quarter of 2007 to 3.9% in the second. The Economic Sentiment Indicator (ESI), Industrial Production Index (IPI), the sales, employment and salaries of major corporations as published by the Tax Authorities (AEAT), new car registration figures, the Tourist Expenditure Survey, electricity consumption, etc. point in this direction.

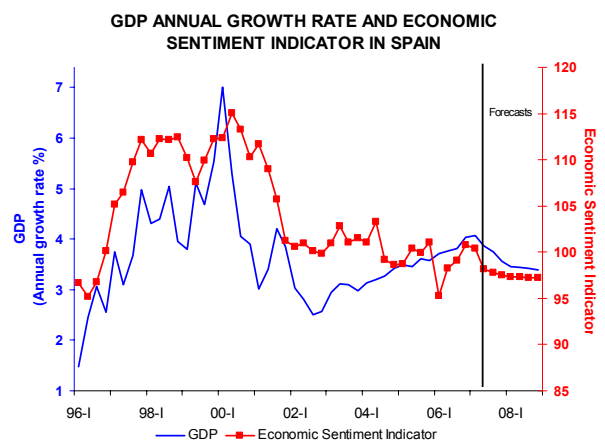
The ESI of the Spanish economy for June increased to 98.6 from the previous month's 97.4, a better than expected evolution although within the 60% confidence interval. The increase observed in the confidence of economic agents in June was largely due to better confidence in the service and construction sectors, whereas it remained unaltered in industry, consumer goods and the retail trade.

Graph IV.2.1.1



With the new information, the forecasts for the ESI of the Spanish economy have been revised upwards slightly (see graph IV.2.1.1), although confidence in the Spanish economy is still expected to decline slightly in the next few months, subsequently stabilising in the second half of 2008, consistent with the path expected in terms of the Quarterly National Accounts (see graph IV.2.1.2).

Graph IV.2.1.2



With regards to the industrial sector, the IPI in May registered a year-on-year growth rate of 2.4%, similar to the rate resulting from adjusting for seasonality and working day effect. This adjusted rate of growth represents 1.4 pp less than the previous month. These figures were worse than expected, as our forecast for year-on-year IPI growth was 3.2%. This difference largely resulted from the downwards innovations in durable consumer goods, capital and intermediate goods, which were not compensated by the opposite innovations in the energy and non-durable consumer goods sectors.

In turn, the *Industrial Confidence Indicator* for June, showing the expectations of economic agents in relation to the Spanish industrial sector, has improved slightly but less than expected, so the new forecasts have again been revised downwards. As we advanced last month, it appears to confirm that the confidence of economic agents in the evolution of the industrial sector registered a local peak in March. Confidence in the sector is expected to continue to decline in the second half of this year, and to remain largely stable throughout 2008.

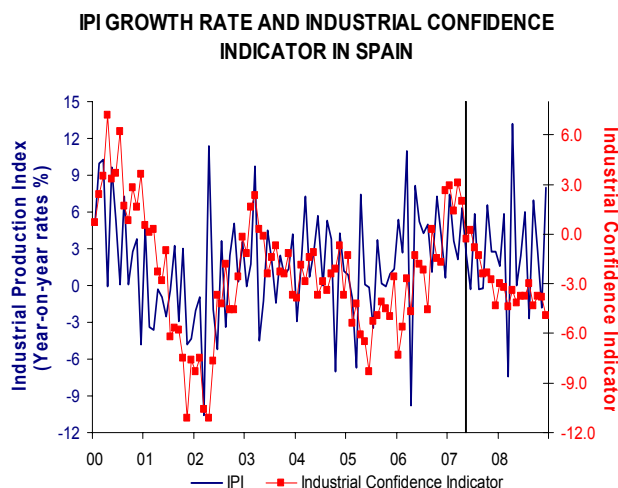
With the new IPI information, the forecast average annual growth of this indicator for 2007 has been revised downwards (by 0.3 pp) to 3.3%. The capital goods sector which, together with intermediate goods, was the driving force behind the consolidation of the industrial sector's recovery last year, will in the next two years continue to be the most dynamic, although its average annual growth rate has been revised downwards slightly. This expected loss of dynamism in capital and intermediate goods is partly compensated by the recovery expected in consumer goods and energy.





For 2008, the new information has not altered our previous forecast, and we continue to expect an average annual IPI growth rate of 2.8%.

Graph IV.2.1.3



Source: EUROPEAN COMMISSION, INE & IFL (UC3M)  
Date: July 5, 2007

With regards to the labour market, there has been moderation in the creation of employment and slightly worse unemployment figures. The employment figures estimated by the Tax Authorities in their Sales, Employment and Salary statistic related to major corporations shows that the year-on-year growth rate has fallen by four tenths in May to 3.5%, continuing the trend which started two months earlier. Social Security (SS)

contributors in the second quarter also show a slight reduction by three tenths in their annual growth rate, to 3.3%. The performance of these employment indicators is compatible with the unemployment figures registered by the Public Employment Service at the end of the second quarter of 2007, with a small but positive year-on-year rate in June (0.3%), after fourteen months of negative values. This slow-down in employment indicators and the slight worsening of unemployment will probably be shown in the Active Population Survey (EAPS) for the second quarter, to be published at the end of July.

With regards to household consumption, the available indicators point to the continuation of the slight moderation in its growth rate. New car registrations in June showed a year-on-year decline (1.8%) for the fifth consecutive month. As for the sales declared by major enterprises in their VAT returns in May, with data adjusted for working day effect and deflated, they show a continuation of the deceleration started in April. In May, total sales registered year-on-year growth of 3.6%, just over one point less than the previous month.

Other indicators also point to a slight loss of pulse in our economy activity. Indeed, electricity consumption in the second quarter registered a year-on-year growth rate of 4.3%, compared to 5% in the previous quarter. In turn, tourist expenditure in May registered a year-on-year decrease of 2.3% in current prices, added to the fall registered the previous month (3.8%); this was due both to average expenditure per tourist and the number of tourists. On the other hand, rail passenger traffic registered a year-on-year decline of 1.1% in May, whereas it had been stable in the previous month.



## IV.2.2 INFLATION.

The CPI grew by an annual 2.4% in June, in line with our forecast and the information advanced by the INE at the end of June. This represents a slight increase in inflation after May's 2.3%.

Table IV.2.2.1.

ANNUAL CPI GROWTH RATES IN SPAIN*						
CPI	Observed			Forecasts		
	Aver 2005 <sup>(2)</sup>	Aver 2006 <sup>(2)</sup>	2007 Jun <sup>(1)</sup>	2007 Jul <sup>(1)</sup>	Aver 2007 <sup>(2)</sup>	Aver 2008 <sup>(2)</sup>
CORE (82.3%)	2.7	2.9	2.4	2.5 (±0.17)	2.6 (±0.09)	2.7 (±0.36)
TOTAL (100%)	3.4	3.5	2.4	2.3 (±0.17)	2.6 (±0.19)	2.8 (±0.74)

\* 80% confidence intervals calculated with historical errors.

Source: INE & IFL(UC3M)

Date: July 18, 2007

<sup>(1)</sup> Year-on-year rate

<sup>(2)</sup> Annual average rate

By component, however, there were small innovations in the core and residual index which compensated for each other.

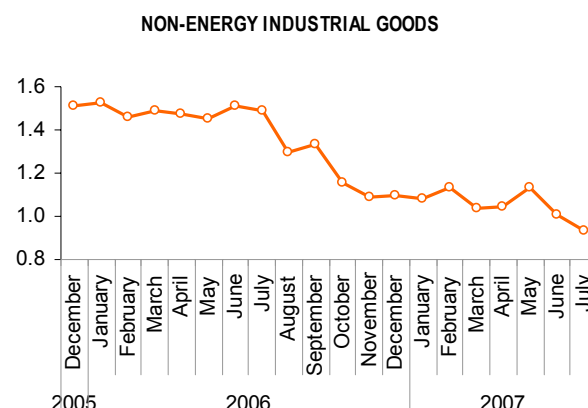
Core inflation performed somewhat better than expected, with an annual rate of 2.4%, the smallest this year to date. This resulted from less than expected growth in all the components (processed food, non-energy industrial goods and services). Especially significant was the less than expected growth in tourist package prices.

Outside core inflation, unprocessed food prices grew more than expected, quite generally except for meat and molluscs. On the other hand, the energy index also registered a higher than expected rate due to the upwards innovation in the fuel component.

The downwards innovations observed in the core index have led to a downwards revision of 0.06 pp in the inflation forecast for this component in 2007-2008, which is now 2.61% and 2.67%, respectively. The revision has been more noticeable in the non-energy industrial goods and service components. In the case of non-energy industrial goods, this revision is added to those applied over the last year, as shown in graph IV.2.2.1, where we can see the average annual inflation rate for 2007 forecast for this component in the Bulletin published in the month on the abscissa. The respective graphs for the other components can be found at the end of this section (graphs IV.2.2.5 and IV.2.2.6)<sup>6</sup>.

<sup>6</sup> A detailed analysis of how the average annual inflation rates forecast for Spain in 2007 and 2008 have been revised over the last eighteen months can be found in Bulletin No. 153.

Graph IV.2.2.1



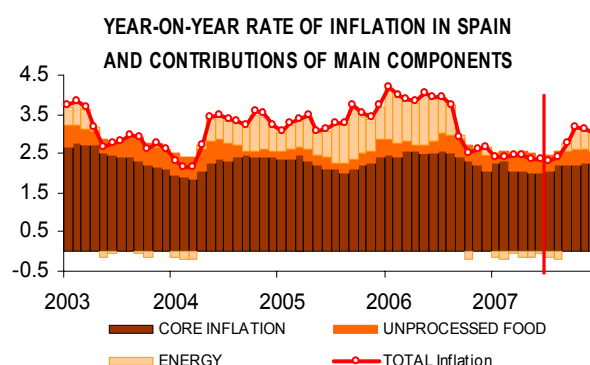
Source: INE & IFL(UC3M)

Date: July 18, 2007

On the other hand, in the components outside core inflation, with the latest information available we have performed an upwards revision of the average annual rates for 2007, although they remained practically unaltered for 2008. This upwards revision has not been as high as to completely counteract the effect of the better expectations for core inflation, so headline inflation forecasts, 2.60% and 2.82%, are practically at the same levels as the previous bulletin, slightly below.

Therefore, with the figures for the first six months of the year, we expect a drop in inflation in 2007 and 2008 relative to 2006, both in its core and total component, as in 2006 they registered rates of 2.9% and 3.5%, respectively. In the case of headline inflation, graph IV.2.2.2 shows that a significant part of this reduction responds to the different evolution of energy prices in the two years. Should these forecasts materialise, total inflation would be below the 3.0% mark for the first time since 1999.

Graph IV.2.2.2



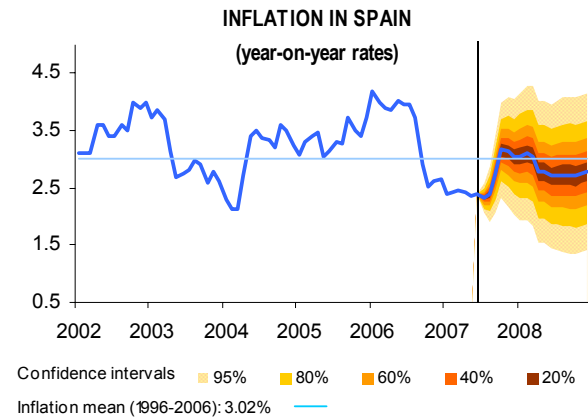
Source: INE & IFL(UC3M)

Date: July 18, 2007



With regards to the evolution of the annual rates, the forecasts updated with the June figures continue to point to inflation remaining around 2.4% in the summer months, with a subsequent increase to end the year at 3.0-3.1% as a result of the expected increase in the energy component, as shown on graph IV.2.2.2. In 2008, after the first quarter at these values, inflation is expected to stabilise at around 2.7%.

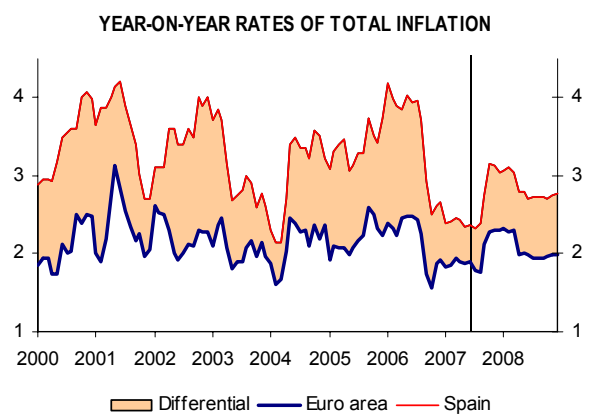
Graph IV.2.2.3



Source: INE & IFL (UC3M)  
Date: July 18, 2007

As for the differential with the euro area, Spanish inflation in June was 0.5 pp higher than the euro area, but this differential is expected to grow at the end of the year to 0.7-0.8 pp, remaining at that level in 2008. By component, the greatest differentials are found in services and unprocessed food (see section V.2).

Graph IV.2.2.4

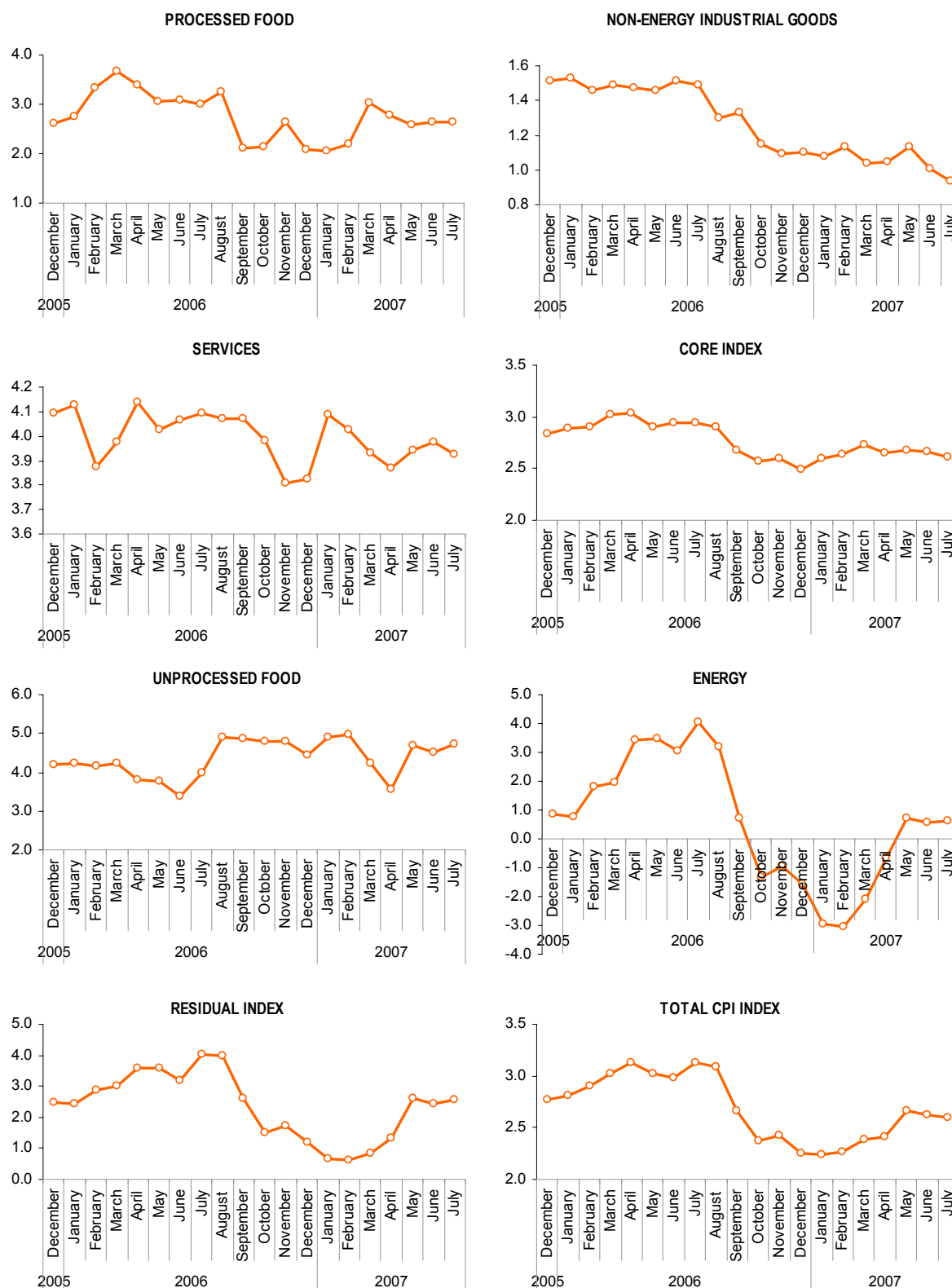


Source: INE & IFL (UC3M)  
Date: July 18, 2007



Graph IV.2.2.4

# **FORECASTS FOR 2007 ANNUAL AVERAGE INFLATION RATE BY COMPONENT**

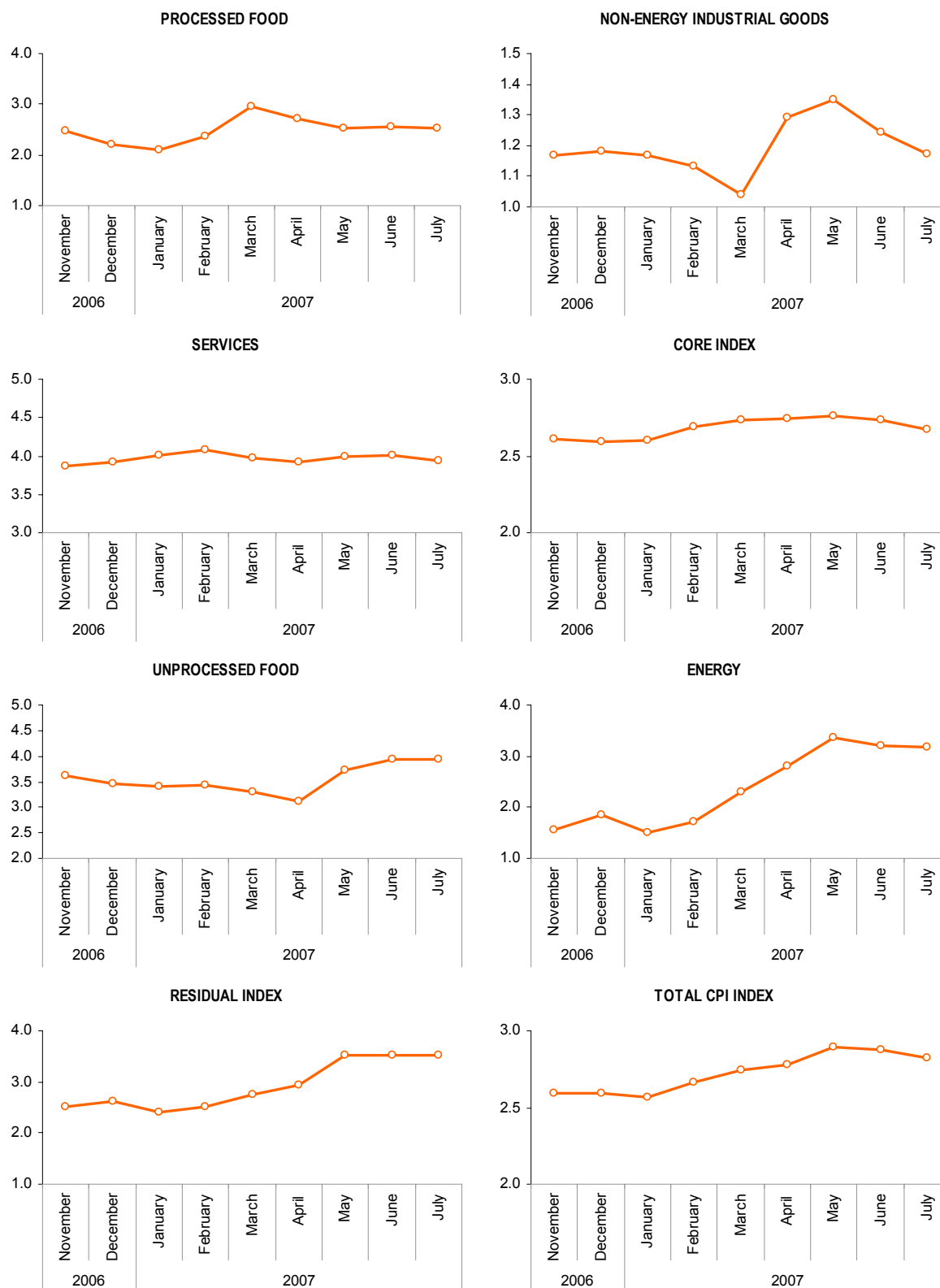


Note: These graphs show the average annual inflation rates for 2007 forecast in the Bulletin published in the month on the abscissa.  
Source: INE & IFL(UC3M)  
Date: July 18, 2007



Graph IV.2.2.5

# **FORECASTS FOR 2008 ANNUAL AVERAGE INFLATION RATE BY COMPONENT**



Note: These graphs show the average annual inflation rates for 2008 forecast in the Bulletin published in the month on the abscissa.  
Source: INE & IFL(UC3M)  
Date: July 18, 2007



### IV.3. TABLES AND PLOTS.

#### **Tables:**

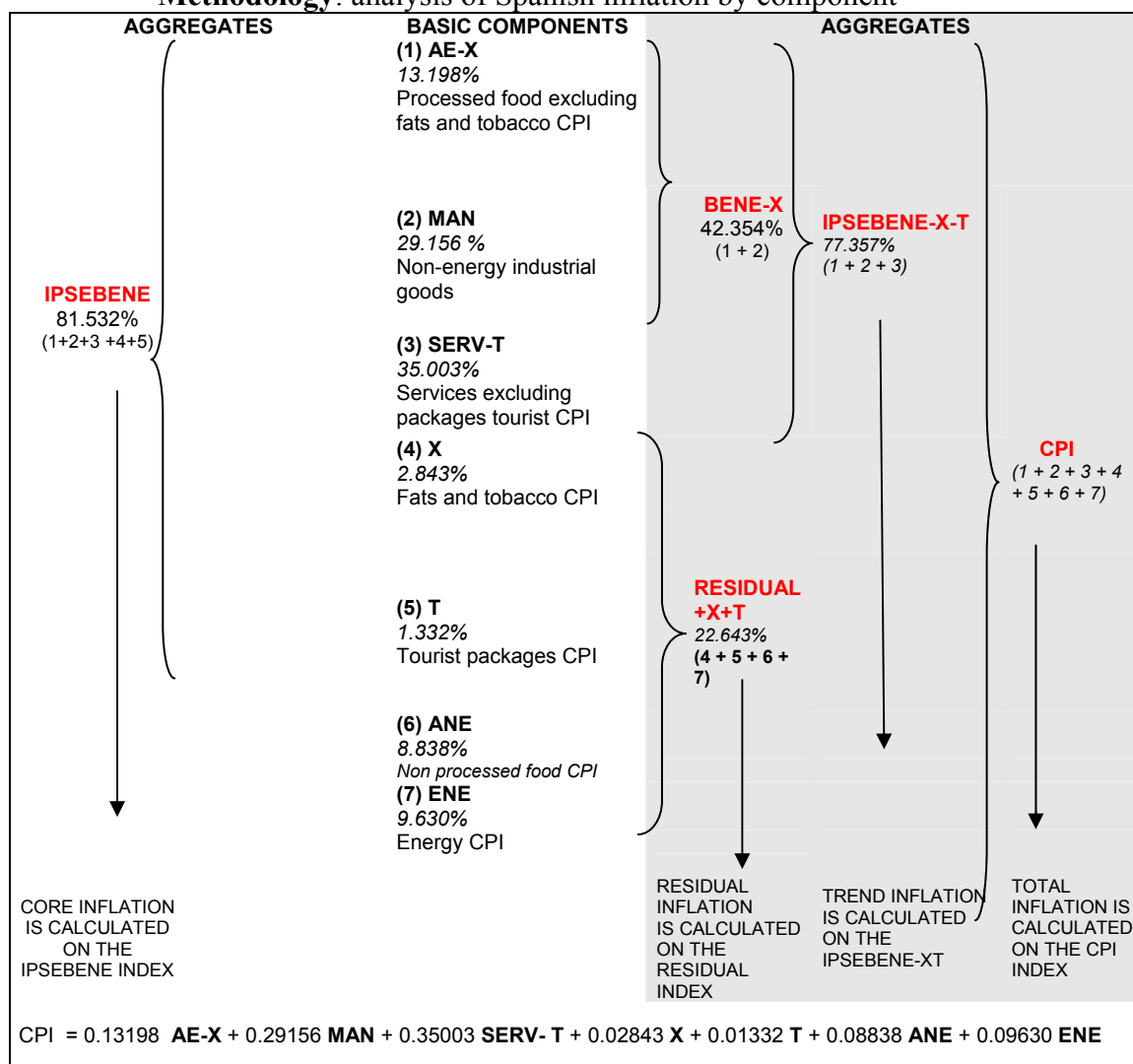
- Methodology: analysis of Spanish inflation by component
- Observed values and forecasts for the Spanish CPI.

#### **Plots:**

- One month ahead and twelve months ahead forecasts for the Spanish CPI (year-on-year rates).
- One month ahead forecast errors in Spanish inflation.



### Methodology: analysis of Spanish inflation by component



**Source:** INE & IFL (UC3M) Weights 2007. These weights are not exactly the same as the INE's weights as the result of slight aggregation errors that appear when applying the above methodology.

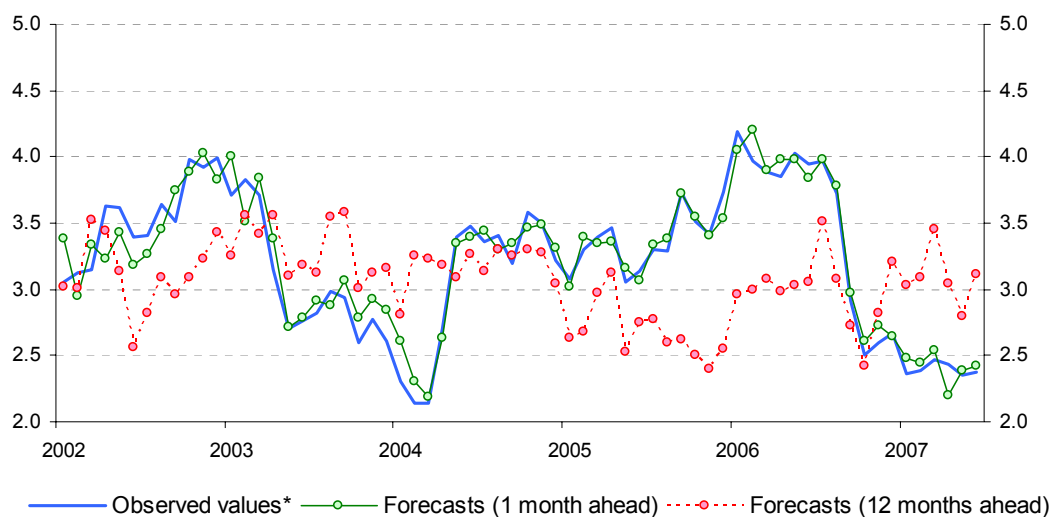
OBSERVED VALUES AND FORECASTS FOR THE SPANISH CPI. MONTHLY RATES				
Consumer Price Index (CPI)	Weights 2007	Observed values June, 2007	Forecasts	Confidence intervals (*)
(1) Processed food	16.78	0.07	0.12	± 0.48
(2) Non energy industrial goods	29.04	-0.18	-0.03	± 0.33
(3) Services	36.48	0.33	0.41	± 0.15
<b>CORE INFLATION [1+2+3]</b>	<b>82.30</b>	<b>0.10</b>	<b>0.20</b>	± <b>0.17</b>
(4) Non-Processed food	8.10	0.38	0.16	± 1.10
(5) Energy	9.60	0.74	0.50	± 0.68
<b>RESIDUAL INFLATION [4+5]</b>	<b>17.70</b>	<b>0.58</b>	<b>0.35</b>	± <b>0.61</b>
<b>TOTAL INFLATION [1+2+3+4+5]</b>	<b>100.00</b>	<b>0.18</b>	<b>0.23</b>	± <b>0.17</b>

(\*) Confidence intervals at 80%

Source INE & IFL (UC3M)  
Date: July 12, 2007



## ONE MONTH AHEAD AND TWELVE MONTHS AHEAD FORECASTS FOR THE SPANISH CPI (year-on-year rates)

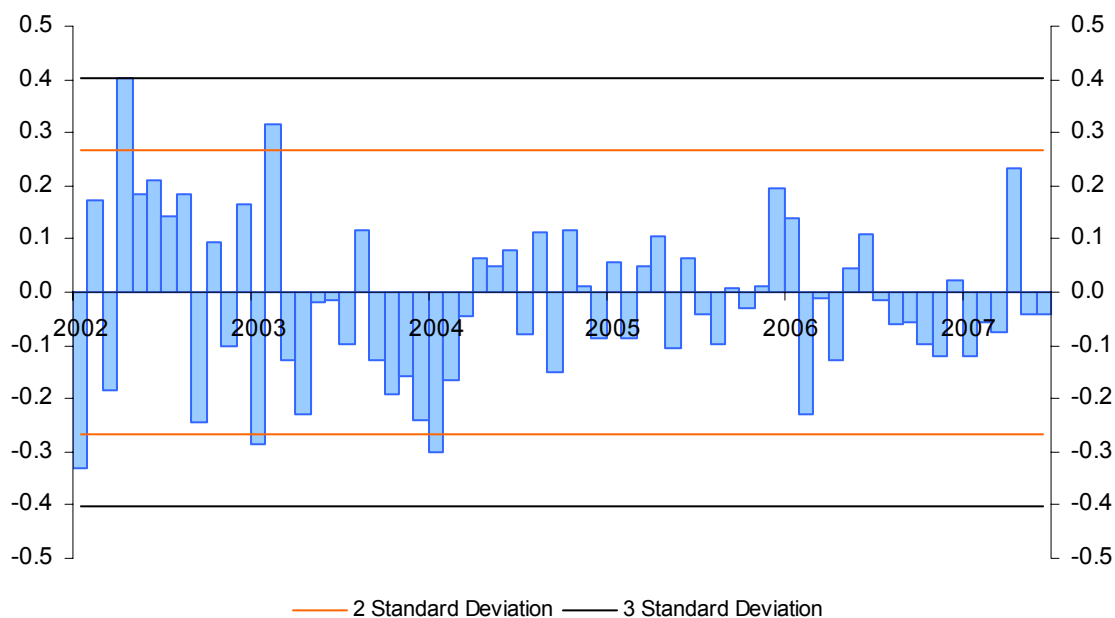


\* Observed values without revisions in CPI

Source: INE & IFL (UC3M)

Date: July 12, 2007

## ONE MONTH AHEAD FORECAST ERRORS IN SPANISH INFLATION



Source: INE & IFL (UC3M)

Date: July 12, 2007







## V. SUMMARY OF FORECASTS FOR DIFFERENT AREAS.

### V.1 EURO AREA AND USA

INFLATION FORECASTS AND EVOLUTION IN THE EURO AREA AND US								
	2001	2002	2003	2004	2005	2006	Forecast	
							2007	2008
HEADLINE INFLATION								
Euro-area (100%).	2.3	2.2	2.1	2.1	2.2	2.2	2.0	2.1
US (76.2%). <sup>(1)</sup>	2.6	0.9	2.2	2.8	3.7	3.1	2.7	2.8
A HOMOGENEOUS MEASURE OF CORE INFLATION <sup>(2)</sup>								
Services and Non-energy industrial goods excluding food and tobacco.								
Euro- area (70.83%).	1.8	2.4	1.8	1.8	1.4	1.4	1.9	1.6
US (52.9%). <sup>(1)</sup>	2.1	1.6	1.1	1.6	2.1	2.1	1.9	2.0
DIFFERENT COMPONENTS OF THE HOMOGENEOUS MEASURE OF CORE INFLATION								
(1) Services.								
Euro- area (40.82%).	2.5	3.1	2.5	2.6	2.3	2.0	2.5	2.3
US (31.8%). <sup>(1)</sup>	3.6	3.6	3.2	3.3	3.1	3.4	3.5	3.5
(2) Non-energy industrial goods excluding food and tobacco.								
Euro- area (30.00%).	0.9	1.5	0.8	0.8	0.3	0.6	1.0	0.7
US (21.0%).	0.3	-1.1	-2.0	-0.9	0.5	0.3	-0.4	0.0
INFLATION IN EXCLUDED COMPONENTS FROM THE HOMOGENEOUS MEASURE OF CORE INFLATION								
(1) Food.								
Euro- area (19.56%).	4.5	3.1	2.8	2.3	1.5	2.4	2.2	2.1
US (13.9%).	3.1	1.8	2.1	3.4	2.4	2.3	3.8	3.6
(2) Energy.								
Euro- area (9.62%).	2.2	-0.6	3.0	4.5	10.1	7.7	2.4	5.1
US (8.70%).	3.8	-5.9	12.2	10.9	16.9	11.2	5.6	5.2

<sup>(1)</sup> excluding owner's equivalent rent of primary residence.

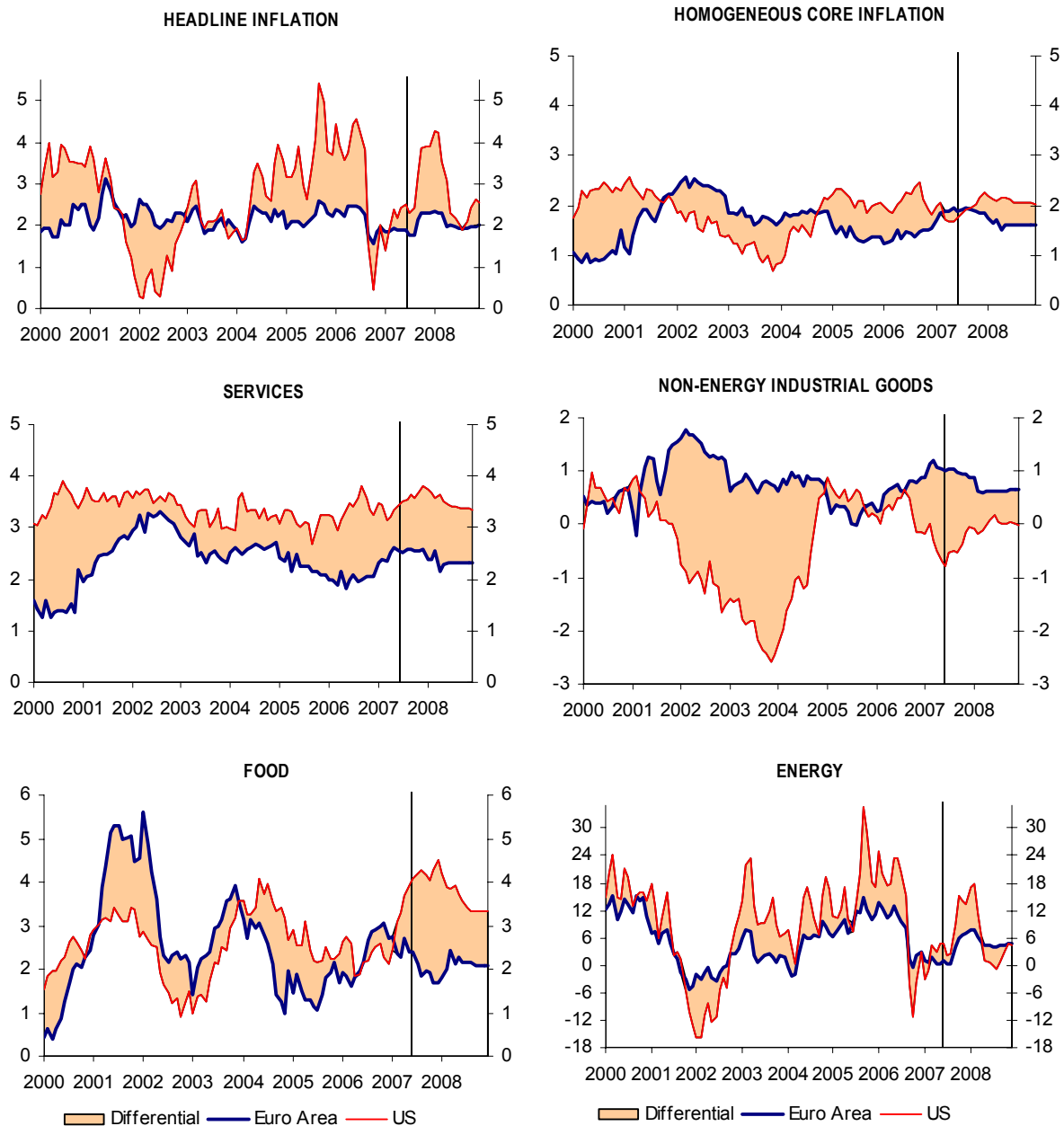
<sup>(2)</sup> This homogeneous measure of core inflation does not coincide with the usual measure of core inflation for the euro area nor for the USA. It has been constructed in order to compare the data in the euro area and in the USA.

Source: EUROSTAT, BLS & IFL (UC3M)

Date: July 18, 2007



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



Source: EUROSTAT, BLS & IFL (UC3M)

Date: July 18, 2007

Headline inflation, homogeneous core inflation and inflation in services do not include owner's equivalent rent of primary residence.

In the case of homogeneous core inflation, some additional transformations were required in both the euro area and U.S. inflation figures in order to make them comparable: the euro area figures exclude food and tobacco and the U.S. figures exclude tobacco (in addition to owner's equivalent rent of primary residence).



## V.2 EURO AREA AND SPAIN

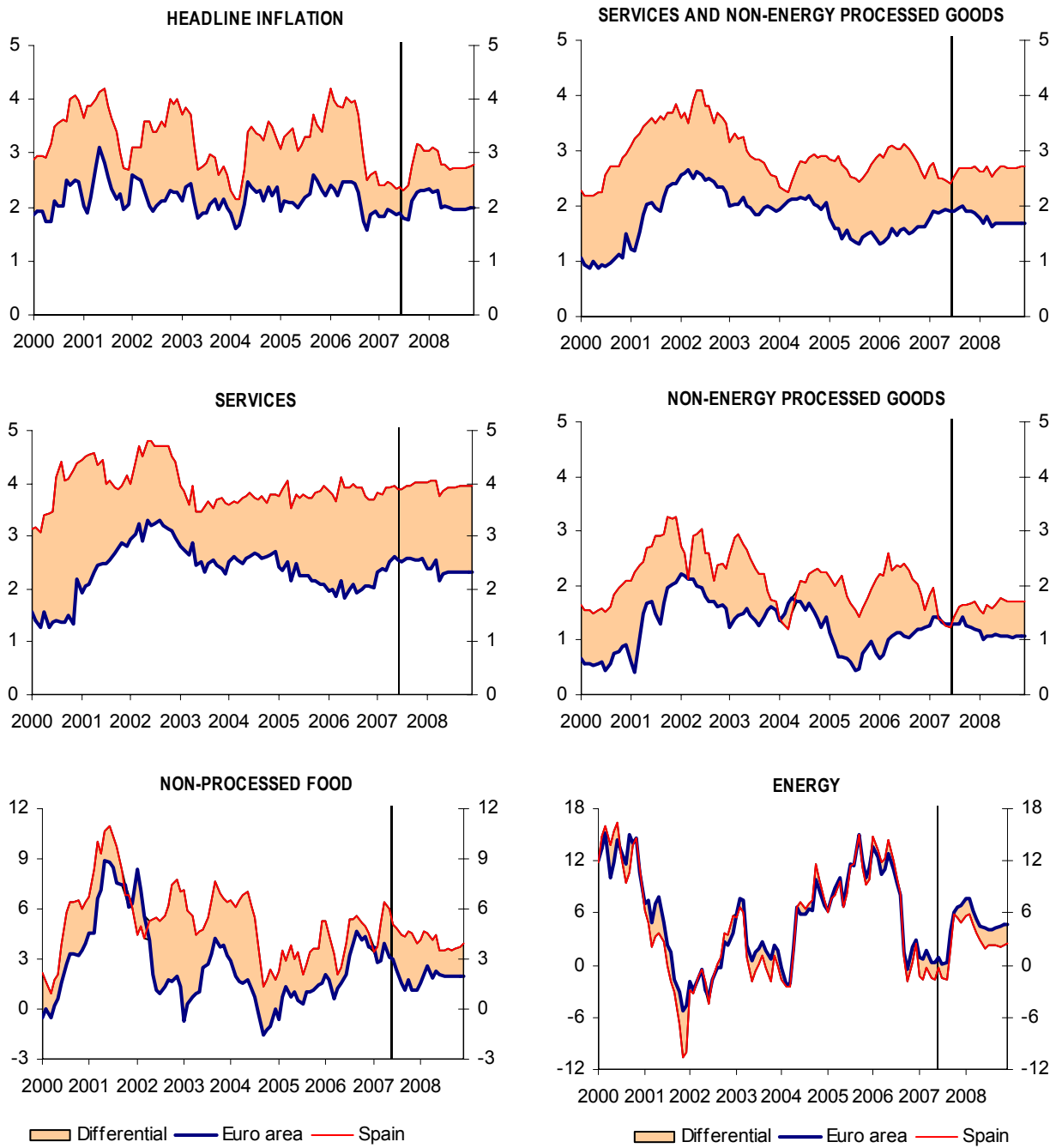
INFLATION FORECASTS AND EVOLUTION IN THE EURO AREA AND SPAIN								
	2001	2002	2003	2004	2005	2006	Forecasts	
							2007	2008
<b>TOTAL INFLATION</b>								
Spain (100%).	3.6	3.5	3.0	3.0	3.4	3.5	2.6	2.8
Euro-area (100%).	2.3	2.2	2.1	2.1	2.2	2.2	2.0	2.1
<b>CORE INFLATION</b>								
<b>Services and Non-energy processed goods.</b>								
Spain (82.30%).	3.5	3.7	2.9	2.7	2.7	2.9	2.6	2.7
Euro-area (82.76%).	1.9	2.5	2.0	2.1	1.5	1.5	1.9	1.7
<b>COMPONENTS OF CORE INFLATION</b>								
<b>(1) Services.</b>								
Spain (36.48%).	4.2	4.6	3.7	3.7	3.8	3.9	3.9	3.9
Euro- area (40.82%).	2.5	3.1	2.5	2.6	2.3	2.0	2.5	2.3
<b>(2) Non-energy processed goods.</b>								
Spain (45.82%).	2.8	2.6	2.4	1.9	1.9	2.2	1.6	1.7
Euro- area (41.93%).	1.5	1.9	1.4	1.5	0.7	1.1	1.3	1.1
<b>RESIDUAL INFLATION</b>								
<b>1) Non-processed food.</b>								
Spain (8.10%).	8.7	5.8	6.0	4.6	3.3	4.4	4.7	3.9
Euro- area (7.63%).	7.0	3.1	2.1	0.6	0.8	2.8	2.4	2.0
<b>(2) Energy.</b>								
Spain (9.60%).	-1.0	-0.2	1.4	4.8	9.6	8.0	0.6	3.3
Euro- area (9.61%).	2.2	-0.6	3.0	4.5	10.1	7.7	2.4	5.1

Source: EUROSTAT, INE & IFL

Date: July 18, 2007



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



Source: EUROSTAT, INE & IFL (UC3M)

Date: July 18, 2007



## VI. FORECASTS FROM DIFFERENT INSTITUTIONS

FORECASTS FROM DIFFERENT INSTITUTIONS <sup>1</sup>												
INFLATION												
	BIAM <sup>2</sup>		CONSENSUS FORECASTS <sup>3</sup>		IMF <sup>4</sup>		ECB <sup>5</sup>		ECB <sup>6</sup>		OECD <sup>7</sup>	
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
<b>EURO AREA</b>	2,0	2,1	2,0	2,0	2,0	2,0	1,9	1,9	2,0	2,0	1,8	2,0
<b>USA</b>	2,9	2,8	2,7	2,4	1,9	2,5	-	-	-	-	2,6	2,6
<b>SPAIN</b>	2,6	2,8	2,6	2,7	2,6	2,7	-	-	-	-	2,5	2,7

REAL GDP (Percentage change from previous year)												
	BIAM <sup>2</sup>		CONSENSUS FORECASTS <sup>3</sup>		IMF <sup>4</sup>		ECB <sup>5</sup>		ECB <sup>6</sup>		OECD <sup>7</sup>	
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
<b>EURO AREA</b>	2,7	2,5	2,7	2,3	2,3	2,3	2,5	2,3	2,6	2,3	2,7	2,3
<b>USA</b>	-	-	2,1	2,8	2,2	2,8	-	-	-	-	2,1	2,5
<b>SPAIN</b>	3,8	3,4	3,8	3,0	3,6	3,4	-	-	-	-	3,6	2,7

1 The forecasts are based on CPI in USA and Spain and on HICP in the Euro area.

2 Bulletin EU & US Inflation and Macroeconomic Analysis, July, 2007.

3 July, 2007.

4 IMF. World Economic Outlook. April, 2007.

5 Results of the ECB Survey of Professional Forecasters: ECB. Monthly Bulletin May 2007.

6 ECB staff macroeconomic projection for the euro area. June, 2007. Point forecast implied by the interval presented in these projections.

7 OECD Economic Outlook 81. May, 2007. For the Euro area and Spain the inflation forecasts are for the HICP.

To produce inflation forecasts in our Bulletin, headline inflation is broken down into core and residual inflation. Residual inflation is composed of inflation in unprocessed food and in energy prices.

The innovations in different components are transferred ahead through different multipliers. The innovations derived from residual inflation are less persistent.

In the view of the inflation forecasts from different institutions that we gather above, it can be said that there is quite a broad consensus regarding the expected values for the euro area. The majority of

the most recent ones show 2.0% for 2007 and 2008. BIAM has the highest forecast for 2008, slightly above the ECB target. There is also quite a broad consensus in the forecasts for Spain, around 2.6% for 2007 and 2.7% for 2008. BIAM has the highest forecast for 2008 in this case too. In the case of the USA, the variability is higher.

Our forecasts for real GDP growth rate in Spain and the euro area imply a smoother deceleration of GDP than the ones presented by the ECB and IMF, and in the case of 2008 ones, also smoother than the OECD and Consensus Forecast values.



## VII. INDICATORS CALENDAR.

### JULY

						1
2	3	4	5 Spanish IPI (May)	6	7	8
9	10	11	12 Spanish CPI (June) Euro Area IPI (May)	13	14	15
16 Euro Area HICP (June)	17 USA IPI (June)	18 USA CPI (June)	19	20	21	22
23	24	25	26	27 Spanish EAPS (QII 2007)	28	29
30 Spanish HICP (Flash July)	31 USA PCE (June) Euro Area HICP (Flash July) Euro Area ESI (July)					

### AUGUST

		1	2	3 Spanish IPI (June)	4	5
6	7	8	9	10 Spanish CPI (July)	11	12
13	14 Euro Area IPI (June)	15 USA CPI (July) USA IPI (July)	16 Euro Area HICP (July)	17	18	19
20	21	22	23	24	25	26
27	28	29 Spanish Nacional Accounts	30 Spanish HICP (Flash August)	31 USA PCE (July) Euro Area ESI (July) Euro Area HICP (Flash August)		

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





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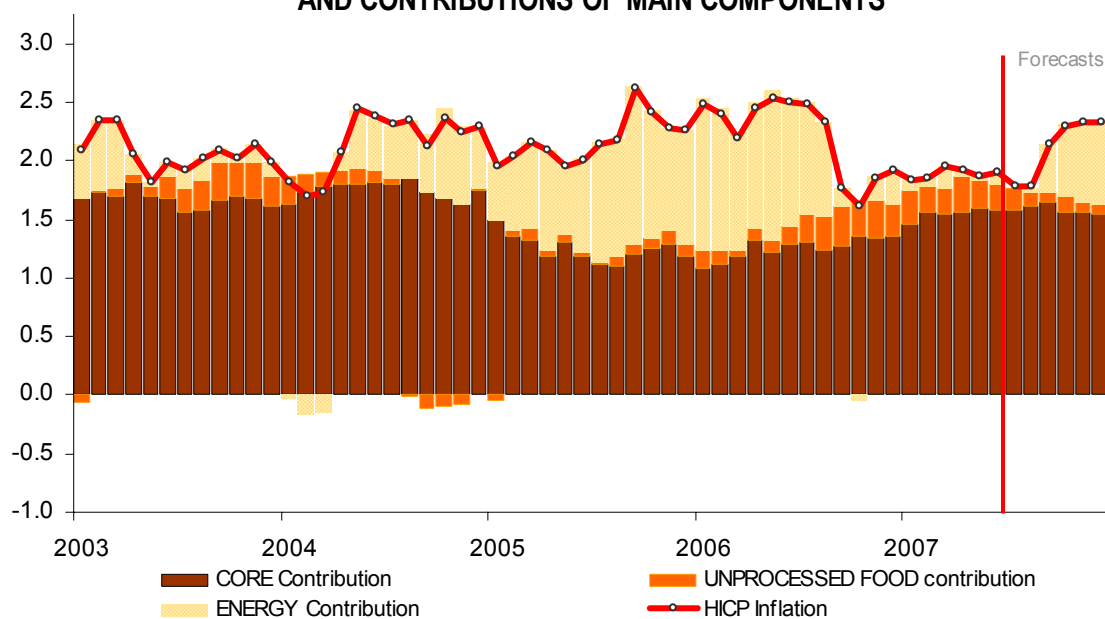




# Bulletin of EU & US Inflation and Macroeconomic Analysis

INSTITUTO FLORES DE LEMUS  
Universidad Carlos III de Madrid

## YEAR-ON-YEAR RATE OF EURO AREA INFLATION AND CONTRIBUTIONS OF MAIN COMPONENTS



Source: EUROSTAT & IFL (UC3M)  
Date: July 18, 2007

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