

17 November 2010

## Quarterly Spanish National Accounts. Base 2000

### Third quarter of 2010

#### Quarterly National Accounts (GDP)

Latest data	Year-on-year growth rate	Quarter-on-quarter growth rate
Third quarter of 2010	0.2	0.0

#### Main results

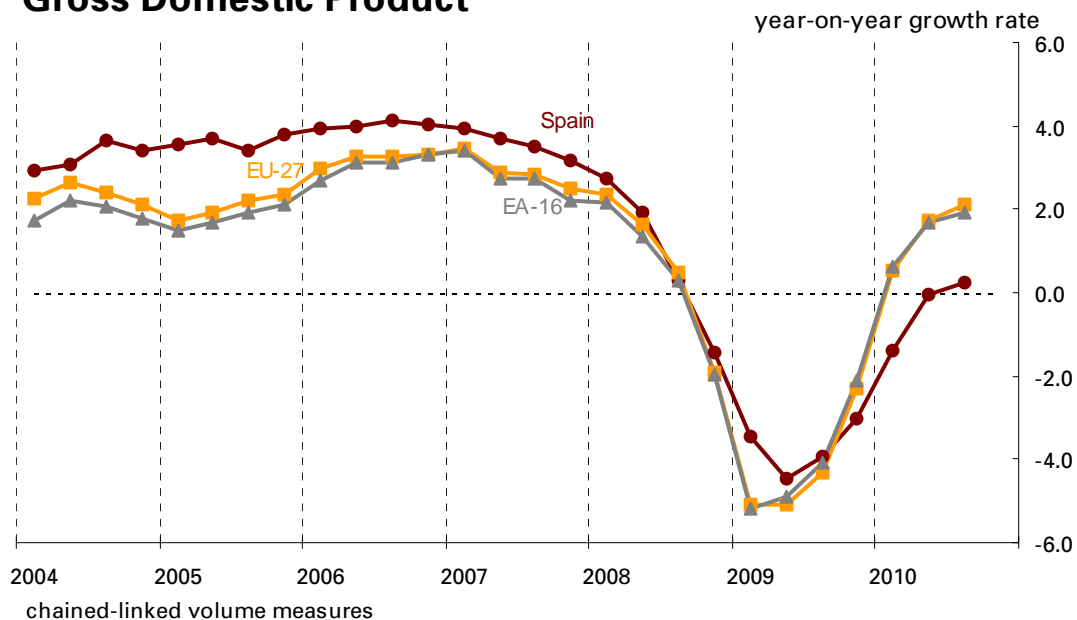
- The Spanish economy registers an **interannual increase of 0.2%** in the third quarter of 2010, that is, two tenths above the previous quarter.
- **Quarter-on-quarter growth stands at 0.0%**, three tenths less than that recorded the previous quarter.
- The annual and quarterly growth data coincides with that published in the Advance Estimate of the Quarterly National Accounts published last 11 November.
- The negative contribution of **national demand** to aggregate growth increases half-a-point (**from -0.3 to -0.8 points**), while **foreign demand** increases its contribution to quarterly GDP seven tenths (**from 0.3 to 1.0 points**).
- **Employment** in the economy **drops at a rate of 1.7%**, indicating a net reduction of almost 295 thousand full-time jobs in one year. In terms of hours actually worked, the rate of decrease stands at 1.2%.
- The **Unit labour cost** decrease quickens four tenths to **-1.4%**, remaining almost three points below the GDP deflator.

Gross Domestic Product<sup>1</sup> (GDP) generated by the Spanish economy during the third quarter of 2010 registered a 0.2% growth, as compared with the same period the previous year<sup>2</sup>, two tenths higher than that estimated for the previous period. Therefore, the Spanish economy presented again a positive interannual increase, which had not occurred since the third quarter 2008.

In quarter-on-quarter terms, GDP grew at a rate of 0.0%, three tenths less than that recorded the previous quarter.

In terms of the European sphere, both the European Union and the Euro zone quickened their growth in the third quarter (the European Union to 2.1% and the Euro zone to 1.9%), derive from the favourable performance of their largest economies. The greatest growth was in Germany (3.9%), United Kingdom (2.8%), Austria (2.5%), France and Holland (1.8%) and finally Italy (1.3%). Nevertheless, all of them presented lower interannual rates than the second quarter, just as occurred in Spain.

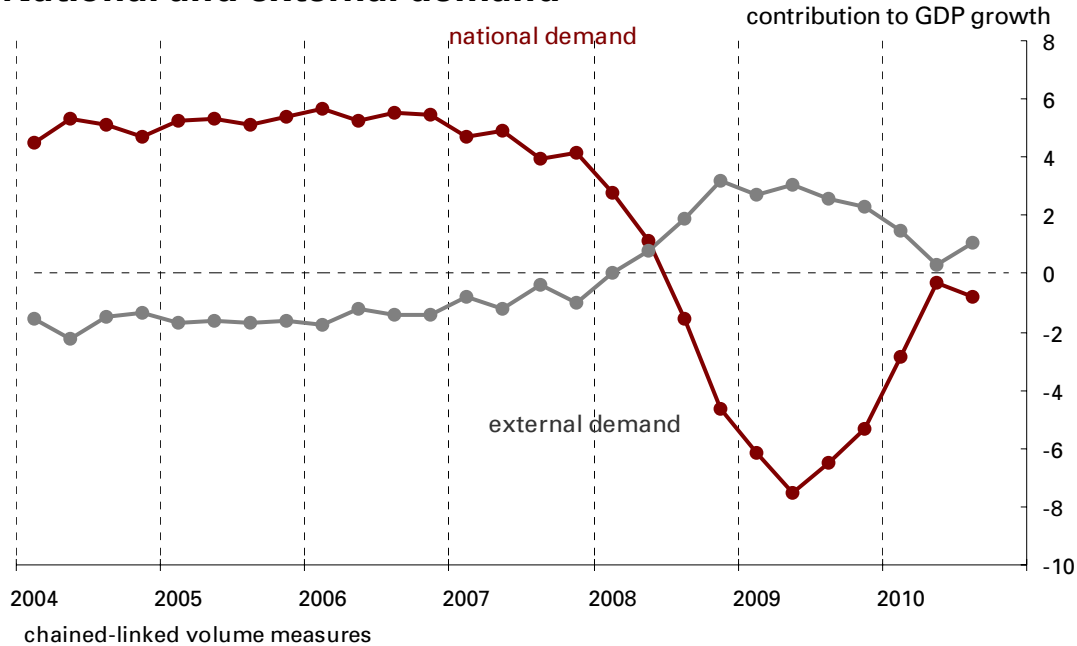
### Gross Domestic Product



On analysing the two large components of Spanish GDP from the perspective of expenditure, a similar pattern of performance could be observed as in the previous quarter. On the one hand, the negative contribution of national demand to GDP increased half-a-point, from -0.3 to -0.8 points, whereas, in contrast, foreign demand increased its positive contribution to the aggregate growth seven tenths, from 0.3 to 1.0 points.

<sup>1</sup> Chain-linked volume measures, referring to the year 2000.

## National and external demand



### Demand. Chained-linked volume measures reference 2000. Year-on-year growth rates

	2009				2010		
	Q. I	Q. II	Q. III	Q. IV	Q. I	Q. II	Q. III
<b>GROSS DOMESTIC PRODUCT at market prices</b>	<b>-3.5</b>	<b>-4.4</b>	<b>-3.9</b>	<b>-3.0</b>	<b>-1.4</b>	<b>0.0</b>	<b>0.2</b>
Household final consumption expenditure	-5.0	-5.5	-4.2	-2.6	-0.3	2.2	1.4
Final consumption expenditure of NPISHs	0.9	1.0	1.2	0.8	0.9	1.3	0.7
Final consumption expenditure by government	5.9	4.3	2.7	0.2	-0.5	0.1	-0.1
Gross fixed capital formation	-15.3	-18.0	-16.4	-14.0	-10.4	-6.8	-7.0
- Equipment	-24.2	-31.5	-25.5	-16.9	-4.4	8.7	2.4
- Construction	-12.2	-12.0	-11.7	-11.9	-11.4	-11.4	-11.6
- Other products	-12.1	-16.9	-18.7	-17.2	-15.4	-11.2	-3.3
Changes in inventories and acquisitions less disposals of valuables (*)	0.0	0.0	0.0	-0.1	0.0	0.1	0.1
<b>NATIONAL DEMAND (*)</b>	<b>-6.2</b>	<b>-7.5</b>	<b>-6.5</b>	<b>-5.3</b>	<b>-2.9</b>	<b>-0.3</b>	<b>-0.8</b>
Exports of goods and services	-16.5	-15.8	-11.0	-2.1	9.1	11.6	8.7
Imports of goods and services	-21.5	-22.2	-17.2	-9.2	2.3	9.3	3.9

(\*) Contribution to GDP growth

### National Demand

The change presented in the evolution of national demand in this period was shared by its two main aggregates, gross fixed capital formation and, in particular, final consumption expenditure.

In fact, **household final consumption expenditure** slowed its growth this quarter to 1.4%. Although this change in trajectory is shown both by consumption of goods and by consumption of services, the component with the most negative performance was that associated with durable goods.

A host of factors have influenced this result. Thus, removing fiscal stimuli to consumption (vehicle registrations fell 25%, after three consecutive quarters of large-scale growth), advance purchases made as a result of the increase in VAT at the beginning of the third quarter or the ongoing decrease in employee remuneration, the main income for families, are the main causes of the performance household final consumption expenditure during the quarter.

**Final consumption expenditure of the Public Administrations** decreased its growth two tenths to  $-0.1\%$  in this third quarter, in line with the evolution of its components, particularly of Public Administration employee remuneration.

**Gross formation of fixed capital** quickened its contraction two tenths in this quarter, from  $-6.8\%$  to  $-7.0\%$ . By its main components, capital goods slowed their positive increase, construction maintained rates of contraction similar to those of previous quarters and, lastly, other products showed a slight recovery in the period, albeit still with negative interannual rates.

As with consumption demand, investment in **capital goods** slowed down growth in this period, from  $8.7\%$  to  $2.4\%$ , in line with the information that we conclude from practically all of its monitoring indicators (industrial production, imports of this type of goods, turnover and industrial new orders for equipment, etc.), which registered less favourable evolution than in the previous quarter. On analysis of the different components, the rate of investment in machinery ( $3.9\%$ ) was better than for transport equipment ( $-1.5\%$ ).

Conversely, the decrease in the gross formation in **construction** quickened slightly in the third quarter, from  $-11.4\%$  to  $-11.6\%$ . Residential investment continued to offer the worst growth results, albeit having begun a slight recovery (from  $-19.3\%$  to  $-16.4\%$ ). Other constructions, both of non-residential buildings and of infrastructures, gradually receded, reaching  $-8.5\%$  in this quarter.

Lastly, the gross formation of fixed capital in **other products** slightly reduced its decrease from  $-11.2$  to  $-3.3\%$ , this evolution being associated with the growth of assets linked to housing sales.

## Foreign demand

The contribution of the net foreign demand of the Spanish economy to quarterly GDP increased seven tenths, from 0.3 to 1.0 points. Both exports and imports of goods and services slowed down in this quarter, albeit more intensely in the case of imports.

**Exports** of goods and services slowed their growth, from  $11.6\%$  to  $8.7\%$ , in line with the moderation of national demand of the countries to which these exports are sent, that is, fundamentally the European Union. In the case of the export of goods, growth rates reached  $10.4\%$ , and in the export of non-tourist services,  $5.4\%$ . Lastly, tourist expenditure of non-residents increased notably from  $-0.9\%$  to  $5.4\%$ , a positive figure which had not occurred since the first quarter 2008.

Lastly, **imports** of goods and services slowed their growth, from  $9.3\%$  to  $3.9\%$ . As with exports, the goods component was the most dynamic ( $5.6\%$ ), whereas imports of non-tourist services receded  $2.5\%$  and expenditure by residents in the rest of the world increased  $5.2\%$ .

## Supply

Analysed from a supply perspective, contrasting performances are observed in the evolution of added value for the different branches of activity. Thus, the industrial and market services branches registered positive and slightly quickened growth. In turn, Agriculture and Construction presented slightly more intense decreases than in the previous quarter.

### Supply. Chained-linked volume measures. Year-on-year growth rates

	2009				2010		
	Q. I	Q. II	Q. III	Q. IV	Q. I	Q. II	Q. III
<b>GROSS DOMESTIC PRODUCT at market prices</b>	<b>-3.5</b>	<b>-4.4</b>	<b>-3.9</b>	<b>-3.0</b>	<b>-1.4</b>	<b>0.0</b>	<b>0.2</b>
Agriculture and fishing	0.4	0.7	1.6	1.5	-1.5	-2.0	-2.2
Energy and industry	-11.5	-14.3	-13.5	-10.2	-1.7	2.0	2.3
- Energy	-5.5	-6.5	-7.3	-6.3	0.2	0.8	4.6
- Industry	-12.7	-15.9	-14.8	-11.0	-2.1	2.3	1.7
Construction	-6.1	-6.3	-7.1	-5.4	-6.5	-6.6	-6.8
Service activities	-0.8	-1.6	-0.9	-0.9	-0.5	0.4	0.9
- Market services	-1.8	-2.6	-1.7	-1.6	-0.8	0.4	1.0
- Non-market services	2.5	2.2	2.0	1.6	0.5	0.6	0.3
Taxes less subsidies on products	-5.7	-6.8	-6.5	-4.8	-0.8	1.7	0.8

Gross added value of the **industrial branches** moderately quickened its growth during this quarter, from 2.0% to 2.3%, in line with a slowdown in industrial production, and more intensely in the case of intermediate consumption. On analysis of the different industrial branches, **manufacturing industry** moderated its growth six tenths (from 2.3% to 1.7%), as a consequence of the decrease in demand for consumer goods, particularly durable goods and capital goods. On the other hand, added value of **energy branches** increases growth to 4.6%.

Along the lines of the evolution of production and of intermediate consumption of the activity, gross added value of **Construction** quickened its contraction two tenths, from -6.6% to -6.8%. The main factors leading to this result were the same as those mentioned above in the section on demand, that is, the more unfavourable situation of construction in infrastructures and residential construction, slightly compensated for by the improvement in residential construction.

As in the case of Industry, activity in the **service branches** registered positive growth in this quarter, from 0.4% to 0.9%, although differentiated behaviours were observed in its two components. Thus, Market services increased their added value (from 0.4% to 1.0%), whereas Non-market services decreased (from 0.6% to 0.3%).

In line with national demand and with indicators for these branches of activity, added value of trade and of personal services moderated their growth, whereas those associated with tourism noticeably improved their results for previous quarters. Most remarkably, trade of motor vehicles and motorcycles, which had been the most dynamic in previous quarters, was the one presenting the greatest drop this quarter, in line with the decrease in demand for these goods.

Lastly, the primary branches once again quickened their contraction this quarter, with their added value decreasing two tenths more than the previous period (from -2.0% to -2.2%), in line with the evolution of agricultural and livestock activity.

## Employment

**Employment**, measured in terms of full-time equivalent job posts, slowed its decrease eight tenths, from -2.5% to -1.7%. This result indicated a decrease of almost 295 thousand net full-time jobs in one year.

On an aggregate level, just as occurred in the previous quarter, the industrial and market services branches still registered negative growth, albeit gradually less intense.

### Employment. Full-time equivalent jobs. Year-on-year growth rates

	2009				2010		
	Q. I	Q. II	Q. III	Q. IV	Q. I	Q. II	Q. III
<b>Total</b>	<b>-6.2</b>	<b>-7.1</b>	<b>-7.2</b>	<b>-6.0</b>	<b>-3.8</b>	<b>-2.5</b>	<b>-1.7</b>
Agriculture and fishing	-2.6	-2.8	-3.8	-2.7	-0.3	-0.5	1.3
Energy and industry	-11.0	-13.4	-14.5	-11.1	-8.1	-4.6	-3.4
Construction	-23.8	-24.2	-23.5	-18.9	-16.5	-12.2	-9.5
Service activities	-1.6	-2.5	-2.8	-2.9	-1.1	-0.8	-0.4
- Market services	-2.7	-4.0	-4.5	-4.5	-2.1	-1.7	-0.8
- Non-market services	1.2	1.4	1.5	1.4	1.3	1.5	0.6
<b>Employees</b>	<b>-6.1</b>	<b>-7.2</b>	<b>-7.3</b>	<b>-5.6</b>	<b>-3.8</b>	<b>-2.4</b>	<b>-1.3</b>
Agriculture and fishing	2.0	0.9	-1.2	-3.7	2.7	2.0	6.3
Energy and industry	-11.1	-13.8	-14.8	-10.9	-8.3	-4.0	-2.7
Construction	-25.6	-25.4	-24.6	-19.5	-17.4	-13.8	-10.6
Service activities	-1.2	-2.3	-2.5	-2.2	-1.0	-0.5	0.0
- Market services	-2.3	-4.0	-4.4	-3.8	-2.1	-1.5	-0.3
- Non-market services	1.2	1.4	1.5	1.4	1.3	1.5	0.6

In addition, the rate of decrease of the number of hours actually worked by employed persons in the economy was lower (-1.2%), although it contracted four tenths as compared with the previous quarter.

It could be deduced from the joint consideration of the growth of quarterly GDP, and the data on employed persons, that the year-on-year growth rate of **apparent productivity per equivalent job post** dropped seven tenths, from 2.6% to 1.9%, whereas the growth of **apparent productivity per hour actually worked** increased from 0.8% to 1.4%.

## GDP at current prices and implicit deflator

GDP valued at current prices quickened its interannual growth from 0.6% to 1.6% in the third quarter of 2010. As a result, the growth of the implicit **deflator** of the economy reached 1.4%, eight tenths more than the previous quarter.

### Demand and supply. Current prices. Year-on-year growth rates

	2009				2010		
	Q. I	Q. II	Q. III	Q. IV	Q. I	Q. II	Q. III
<b>GROSS DOMESTIC PRODUCT at market prices</b>	<b>-2.3</b>	<b>-3.7</b>	<b>-3.8</b>	<b>-2.7</b>	<b>-0.7</b>	<b>0.6</b>	<b>1.6</b>
Household final consumption expenditure	-4.2	-5.8	-4.7	-2.0	1.3	4.7	4.5
Final consumption expenditure of NPISHs	1.3	1.2	0.7	0.3	2.1	2.4	2.1
Final consumption expenditure by government	8.3	6.6	4.2	1.0	0.5	0.9	-1.1
Gross fixed capital formation	-17.0	-21.4	-20.2	-16.7	-10.5	-5.0	-4.2
- Equipment	-24.2	-32.2	-26.5	-17.6	-3.4	11.0	5.5
- Construction	-14.6	-17.0	-16.9	-15.8	-12.2	-10.5	-9.8
- Other products	-14.3	-19.7	-21.9	-18.8	-14.3	-7.0	2.1
Changes in inventories and acquisitions less disposals of valuables (*)	0.0	0.0	0.0	-0.1	0.0	0.1	0.1
<b>NATIONAL DEMAND (*)</b>	<b>-5.8</b>	<b>-8.3</b>	<b>-7.6</b>	<b>-5.5</b>	<b>-1.8</b>	<b>1.7</b>	<b>1.4</b>
Exports of goods and services	-18.1	-18.0	-15.2	-5.8	10.1	14.1	13.2
Imports of goods and services	-25.0	-28.3	-24.3	-14.3	4.8	17.3	11.3
<b>GROSS DOMESTIC PRODUCT at market prices</b>	<b>-2.3</b>	<b>-3.7</b>	<b>-3.8</b>	<b>-2.7</b>	<b>-0.7</b>	<b>0.6</b>	<b>1.6</b>
Agriculture and fishing	-2.0	-1.8	-2.8	-1.5	-3.8	-1.7	-0.2
Energy and industry	-10.1	-12.9	-13.3	-9.7	-2.2	-0.3	0.3
Construction	-5.9	-6.1	-9.2	-7.0	-8.1	-9.0	-8.1
Service activities	2.5	2.0	1.4	0.9	0.1	-1.0	-1.0
- Market services	1.9	0.9	0.5	0.1	-0.3	-1.5	-0.8
- Non-market services	4.8	5.7	4.8	3.7	1.5	0.7	-1.5
Taxes less subsidies on products	-18.2	-26.3	-19.5	-13.3	6.2	34.5	44.1

(\*) Contribution to GDP growth

## Income

Considering the primary distribution of income, employee remuneration stabilised its negative growth at -0.9%, as a result of the slowdown in the fall in number of employees (from -2.4% to -1.3%), compensated completely by the slowdown in average remuneration (from 1.5% to 0.5%). Thus, the labour cost per product unit (ULC) decreased at a rate of -1.4%, four tenths below the previous period and three points below the implicit deflator of the economy.

### Income. Current prices. Year-on-year growth rates

	2009				2010		
	Q. I	Q. II	Q. III	Q. IV	Q. I	Q. II	Q. III
<b>GROSS DOMESTIC PRODUCT at market prices</b>	<b>-2.3</b>	<b>-3.7</b>	<b>-3.8</b>	<b>-2.7</b>	<b>-0.7</b>	<b>0.6</b>	<b>1.6</b>
<b>Compensation of employees</b>	<b>-1.6</b>	<b>-3.0</b>	<b>-3.7</b>	<b>-2.7</b>	<b>-2.2</b>	<b>-0.9</b>	<b>-0.9</b>
Unit Labor Cost (ULC)	1.9	1.7	0.3	0.0	-0.8	-1.0	-1.4
Compensation per employee	4.8	4.5	3.9	3.2	1.8	1.5	0.5
Productivity per worker	2.9	2.8	3.6	3.1	2.6	2.6	1.9
Salary rate	0.0	-0.1	0.0	0.4	0.0	0.2	0.3
Gross operating surplus / Gross mixed income	0.2	0.1	-1.5	-1.0	-0.8	-3.4	-1.5
Net taxes on production and imports	-17.7	-26.5	-16.9	-11.8	9.2	37.9	38.0

Gross operating surplus and mixed income decreased to -1.5%, and lastly, taxes on production and net imports of subsidies slowed their rate of increase to 38.0%.

Regarding the contributions of these operations to the growth of the implicit GDP deflator, it was observed in the following table, net taxes on production and imports contributed 2.7

points to the growth of said index, whereas both employee remuneration (–0.6 points) and the operating surplus and mixed income (–0.7 points) had negative contributions to the growth of the GDP deflator.

**Income. Components of the GDP deflator. Contributions**

	2009				2010		
	Q. I	Q. II	Q. III	Q. IV	Q. I	Q. II	Q. III
<b>GROSS DOMESTIC PRODUCT at market prices</b>	<b>1.2</b>	<b>0.8</b>	<b>0.1</b>	<b>0.3</b>	<b>0.7</b>	<b>0.6</b>	<b>1.4</b>
<b>Compensation of employees</b>	1.0	0.8	0.1	0.2	-0.4	-0.4	-0.6
Unit Labor Cost (ULC)	1.0	0.8	0.1	0.0	-0.4	-0.5	-0.7
Compensation per employee	2.4	2.2	1.9	1.5	0.9	0.7	0.2
Productivity per worker	-1.4	-1.4	-1.8	-1.5	-1.3	-1.3	-0.9
Salary rate	0.0	-0.1	0.0	0.2	0.0	0.1	0.2
Gross operating surplus / Gross mixed income	1.6	2.0	1.1	0.9	0.2	-1.5	-0.7
Net taxes on production and imports	-1.4	-2.0	-1.1	-0.7	0.8	2.5	2.7

For further information see [INEbase-www.ine.es/en/welcome\\_en.htm](http://www.ine.es/en/welcome_en.htm) All press releases at: [www.ine.es/en/prensa/prensa\\_en.htm](http://www.ine.es/en/prensa/prensa_en.htm)

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