

Quarterly Spanish National Accounts. Base 2000

Fourth quarter of 2008

Quarterly National Accounts (GDP)

| Latest data | Interannual Variation | Quarter-on-quarter Variation |
|----------------------------|-----------------------|------------------------------|
| Fourth quarter 2008 | -0.7 | -1.0 |
| Year 2008 | 1.2 | |

Main results

Fourth quarter of 2008

- The Spanish economy registers a decrease of 0.7% in the fourth quarter of 2008, as compared with same period of 2007.
- The quarter-on-quarter stands at -1.0%, seven tenths behind the growth registered the previous quarter.
- The annual and quarter-on-quarter growth data coincides with that published in the Advance Estimate for the Quarterly National Accounts published on 12 February.
- The contribution to aggregate growth decreases 2.8 points (from -0.2 to -3.0 points), while foreign demand increases its contribution to quarterly GDP 1.2 points (from 1.1 to 2.3 points).
- Employment in the economy decrease at a rate of 3.1%, indicating a net reduction of 602 thousand full-time jobs in one year.
- Unit labour costs slows eight tenths, down to 2.6%, standing one tenth above that of the GDP deflator.

Year 2008

By aggregation of the four quarters, the growth in GDP in 2008 is 1.2%, two-and-a-half points less than in 2007.

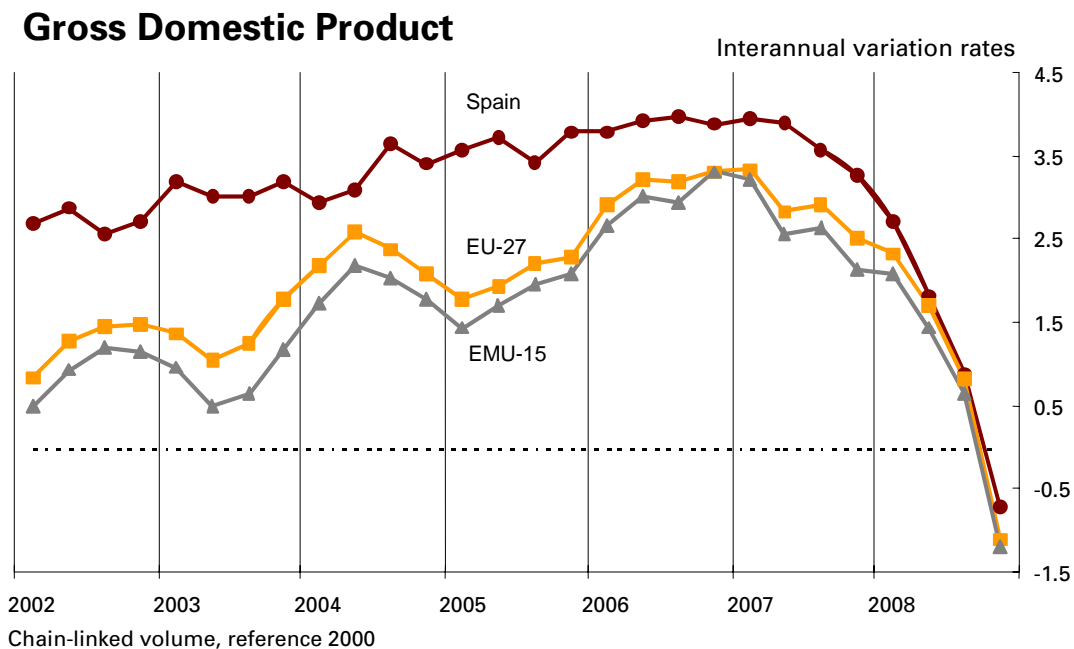
- The contribution of domestic demand to aggregate growth is 0.1 points, 4.3 points less than the previous year. Likewise, foreign demand contributed to GDP by 1.1 points. 1.8 points more than the previous year.
- In 2008, full-time employment in the Spanish economy decreased with a rate of 0.6%, indicating a net reduction of 112.1 thousand full-time jobs.
- Unit labour costs increase at a rate of 3.4% in 2008, four tenths above the implicit GDP deflator.

Gross Domestic Product¹ (GDP) generated by the Spanish economy in the fourth quarter of 2008 registered a 0.7% decrease as compared with the same period the previous year², a result 1.6 points lower than that estimated for the previous period.

In inter-quarterly terms, GDP decreased its level 1.0%, this figure being seven tenths lower than that of the third quarter.

As far as Europe is concerned, the majority of the main economies showed an evolution in their GDP similar to that of Spain. Thus, the common denominator was the estimation of negative growth in this fourth quarter, although with a different intensity. Italy (-2.6%), United Kingdom (-1.8%), Germany (-1.6%) and France (-1.0%) were the main countries in which GDP decreased more than in Spain, whereas in the Netherlands (-0.6%) or Austria (0.5%) the results recorded were higher than those of the Spanish economy.

Lastly, total GDP aggregate for the European Union decreased 1.1% and, in the case of the Eurozone, 1.2%.

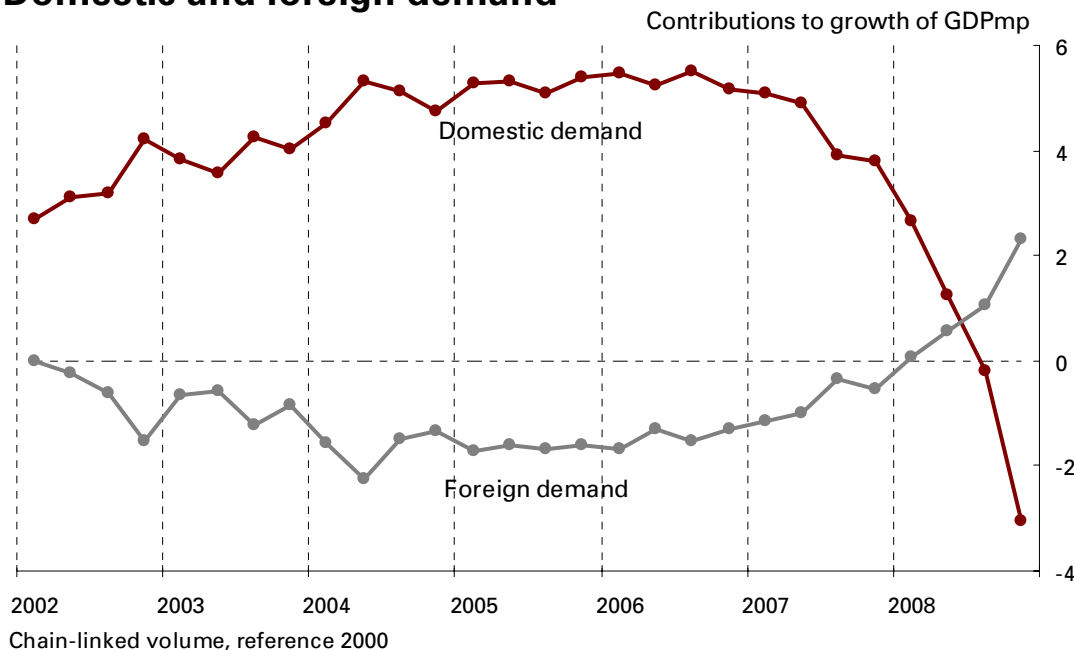


The profile shown by the GDP contribution series, both of national demand and of the foreign sector was similar to that of the previous periods, although both had marked gradients this quarter. Thus, whereas the first increased its negative contribution to quarterly GDP (from -0.2 to -3.0 points), the foreign sector improved its contribution to aggregate growth 1.2 points (from 1.1 to 2.3 points).

¹ Chain-linked volume measures, referring to the year 2000.

² Data corrected for seasonal and calendar effects.

Domestic and foreign demand



Demand. Chain-linked volume reference 2000. Interannual Variation Rates

| Operations | 2007 | | | | 2008 | | | |
|---|------------|------------|------------|------------|------------|------------|------------|-------------|
| | Q. I | Q. II | Q. III | Q. IV | Q. I | Q. II | Q. III | Q. IV |
| GROSS DOMESTIC PRODUCT at market prices | 4.0 | 3.9 | 3.6 | 3.3 | 2.7 | 1.8 | 0.9 | -0.7 |
| Household final consumption expenditure | 3.8 | 4.1 | 3.0 | 2.9 | 2.0 | 0.8 | -0.2 | -2.3 |
| NPISH final consumption expenditure | 5.1 | 4.4 | 4.6 | 4.2 | 3.8 | 3.7 | 3.1 | 3.7 |
| Public Administration final consumption expenditure | 5.3 | 5.0 | 4.8 | 4.4 | 3.7 | 5.0 | 6.1 | 6.3 |
| Gross formation of fixed capital | 6.6 | 5.8 | 4.6 | 4.5 | 2.4 | -0.8 | -4.1 | -9.3 |
| - Capital goods | 13.3 | 11.3 | 8.5 | 7.1 | 5.2 | 1.8 | -1.3 | -9.7 |
| - Construction | 5.1 | 4.2 | 3.3 | 2.9 | 0.2 | -3.1 | -7.3 | -10.9 |
| - Other products | 2.4 | 3.7 | 3.6 | 6.0 | 5.9 | 3.2 | 2.5 | -3.7 |
| Variation of stocks and acquisitions minus disposals of valuables (*) | -0.1 | -0.1 | -0.1 | 0.0 | 0.1 | 0.1 | 0.0 | 0.0 |
| Domestic demand (*) | 5.1 | 4.9 | 3.9 | 3.8 | 2.6 | 1.2 | -0.2 | -3.0 |
| Exports of goods and services | 3.3 | 3.9 | 8.2 | 4.0 | 4.8 | 4.4 | 1.5 | -7.9 |
| Imports of goods and services | 6.1 | 6.2 | 7.6 | 4.9 | 3.6 | 1.8 | -2.0 | -13.2 |

(*) Contribution to the growth of the GDP at market prices

National demand

The largest negative contribution of domestic demand in this quarter was due to an intensification of the decrease both of expenditure of final consumption by households, and in particular, in the gross formation of fixed capital. In the latter it is worth noting, in light of their negative records, investment both in dwellings and in capital goods. Lastly, Public Administrations expenditure evolved in the opposite direction to the previous aggregates, slightly accelerating its growth in this quarter.

Expenditure on final consumption of households accelerated its decrease from -0.2% down to -2.3%, in tune with the reduction in its available income. In effect, employee remuneration, the main resource of household income, slowed in the fourth quarter from 4.4% to 1.6%, nominally, as a consequence of the reduction in the level of employment.

As in previous periods, this moderating of household expenditure could be seen to be more intense in the case of durable goods than in that of non-durable goods and services. This evolution was also shared by the consumer confidence index.

Final consumption expenditure by Public Administrations continued to rise in the fourth quarter, in which it registered growth of 6.3%, as a result of the considerable growth both of purchases of goods and services, and of remuneration of employees of these administrations.

Gross formation of fixed capital intensified its decrease in the fourth quarter (from -4.1% in the third to -9.3% in the current one). Investment both in capital goods and in construction accelerated its downward pattern, a cycle also affecting investment in other products in this period.

Gross formation of fixed capital in capital goods evolved from -1.3% in the third quarter to -9.7%, in line with the behaviour of industrial production, turnover and imports of this type of goods. Its two large components showed negative growth, this being more intense in the case of investment in transport material (-16.3%) than in machinery (-6.6%).

Investment in construction continued to decrease in the fourth quarter, reaching an interannual variation of -10.9%. By component, investment in dwellings once again registered particularly negative growth rates (-19.6%), due to the gradual decrease in the rate of inception of new residential projects. In turn, infrastructure and non-residential building projects showed a decrease of 1.4%.

Foreign demand

Net foreign demand of the Spanish economy improved its quarterly GDP contribution 1.2 points, from 1.1 to 2.3 points. Both exports and imports reduced their level in this period, although the latter did so more markedly.

Exports of goods and services reduced their growth rate from 1.5% to -7.9%, in tune with the unfavourable evolution in domestic demand in the countries for which they are bound. This negative evolution could be seen to a greater degree in exports of goods, which decreased 10% this quarter, and in tourist expenditure by non-residents, standing at 11.8%. Lastly, exports of non-tourist services showed a 3.6% growth, improving the negative record estimated for the previous quarter.

Conversely, **imports** of goods and services showed a more marked reduction (from -2.0% in the third quarter to -13.2% in the fourth quarter), in keeping with the decrease in domestic demand. Its three components showed a similar evolution: imports of goods went from -2.4% to -14.4%, those of non-tourist services, from 0.2% to -8.1%, and purchases by residents in the rest of the world, from -3.9% to -12.1%.

Supply

From the perspective of supply, all branches of activity, on an aggregated level, registered more negative behaviour than in the previous quarter.

Thus, the gross added value of the **industrial branches** increased its decrease for the third consecutive quarter, its interannual variation being estimated at -4.7%. In the case of the manufacturing industry, the drop is greater (-5.5%), focusing the most adverse results in the industry of durable consumer goods, and in that of capital goods. In turn, the **energy branches** experienced a slowdown in the growth of their gross added value, from 2.5% to 0.0%.

The gross added value of **construction** activity intensified its decrease this quarter, from -4.6% to -8.0%. The causes of this evolution were the same as those mentioned in demand, that is, the reduction in the level of production, both in the construction of dwellings and in the construction of infrastructures and non-residential building.

Activity in the **services branches** decreased eight tenths in its growth rate, from 2.9% to 1.7% this quarter. Market services slowed their growth from 2.3% to 0.7%, while non-market services increased their growth rate from 5.1% to 5.5%.

Most of the market services activity branches showed slowed profiles, in line with the results of the services sector activity indicator. In the analysis by activity, those linked to information technologies and communications were those that had the most dynamic performance, whilst, conversely, trade of vehicles and fuel, as well as selection and placement of personnel services, and those linked with travel agencies were those that presented the highest negative growth rate.

Finally, the **primary branches** increased in the drop in their added value (from -0.5% to -2.7%), in accordance with the evolution estimated for agricultural and livestock production.

Supply. Chain-linked volume, reference 2000. Interannual variation rates

| Operations | 2007 | | | | 2008 | | | |
|--|------------|------------|------------|------------|------------|------------|------------|-------------|
| | Q. I | Q. II | Q. III | Q. IV | Q. I | Q. II | Q. III | Q. IV |
| GROSS DOMESTIC PRODUCT at market prices | 4.0 | 3.9 | 3.6 | 3.3 | 2.7 | 1.8 | 0.9 | -0.7 |
| Agricultural and Fishing branches | 4.6 | 2.5 | 2.8 | 2.1 | 1.1 | -0.1 | -0.5 | -2.7 |
| Industrial and Energy branches | 3.5 | 2.8 | 2.5 | 1.1 | 0.3 | -1.4 | -2.2 | -4.7 |
| - Energy branches | 0.2 | 1.1 | 0.2 | 1.7 | 1.6 | 3.5 | 2.5 | 0.0 |
| - Industrial branches | 4.1 | 3.1 | 2.9 | 1.0 | 0.0 | -2.2 | -2.9 | -5.5 |
| Construction | 3.8 | 4.3 | 3.1 | 2.8 | 1.5 | -2.0 | -4.6 | -8.0 |
| Services branches | 4.5 | 4.6 | 4.3 | 4.8 | 4.0 | 3.7 | 2.9 | 1.7 |
| - Market services | 4.6 | 4.7 | 4.3 | 4.8 | 4.0 | 3.4 | 2.3 | 0.7 |
| - Non-market services | 4.2 | 4.3 | 4.3 | 4.7 | 4.1 | 4.7 | 5.1 | 5.5 |
| Net taxes on products | 1.6 | 1.4 | 1.5 | -1.5 | 0.5 | 0.3 | -0.1 | -0.9 |

Employment

Employment, measured in terms of full-time equivalent job posts, decreased 3.1% in the fourth quarter of 2008, that is, 2.2 points below that from the previous quarter. This result indicated a decrease of almost 602 thousand net full-time job posts in a year.

As with the previous quarter, the services branches were the only branches that, on an aggregated level, generated an increase of employment in the economy (almost 140 thousand).

From the joint consideration of the growth of quarterly GDP and full-time occupied employment, we deduced that the interannual variation of apparent **productivity** of the work factor was 2.5%, this figure being seven tenths higher than that from the previous period.

Employment. Full-time equivalent jobs. Interannual variation rates

| | 2007 | | | | 2008 | | | |
|-----------------------------------|------------|------------|------------|------------|------------|------------|-------------|-------------|
| | Q. I | Q. II | Q. III | Q. IV | Q. I | Q. II | Q. III | Q. IV |
| Employed persons | 3.2 | 3.2 | 2.8 | 2.2 | 1.6 | 0.1 | -0.9 | -3.1 |
| Agricultural and Fishing branches | 0.4 | -3.1 | -2.5 | -1.6 | -5.4 | -4.7 | -4.2 | -4.1 |
| Industrial and Energy branches | 0.9 | -0.1 | -0.2 | 0.0 | -0.4 | 1.2 | 0.5 | -1.2 |
| Construction | 6.8 | 6.5 | 4.2 | 1.7 | -1.7 | -7.3 | -13.1 | -20.8 |
| Services branches | 3.5 | 3.8 | 3.7 | 3.2 | 3.0 | 1.9 | 1.9 | 1.1 |
| - Market services | 4.2 | 4.5 | 4.3 | 3.7 | 3.3 | 1.9 | 1.9 | 0.7 |
| - Non-market services | 1.8 | 1.9 | 2.0 | 2.0 | 2.2 | 1.9 | 2.0 | 2.1 |
| Wage earners | 3.8 | 3.8 | 3.1 | 2.5 | 1.8 | 0.2 | -0.9 | -3.4 |
| Agricultural and Fishing branches | 8.2 | 1.4 | -0.9 | 0.0 | -7.1 | -5.5 | -5.5 | -0.4 |
| Industrial and Energy branches | 0.7 | -0.3 | -0.2 | 0.1 | -0.3 | 1.4 | 0.4 | -1.4 |
| Construction | 7.5 | 7.2 | 4.4 | 2.5 | -2.1 | -8.1 | -13.7 | -22.8 |
| Services branches | 3.9 | 4.3 | 3.7 | 3.3 | 3.2 | 2.1 | 2.2 | 1.1 |
| - Market services | 5.0 | 5.5 | 4.6 | 4.0 | 3.6 | 2.2 | 2.2 | 0.7 |
| - Non-market services | 1.8 | 1.9 | 2.0 | 2.0 | 2.2 | 1.9 | 2.0 | 2.1 |

GDP valued at current prices registered an interannual increase of 1.8% in the fourth quarter of 2008, slowing its growth by 2.5 points. In this way, the growth of the implicit **deflator** of the economy reached 2.5%, nine tenths lower than the previous quarter.

Supply and demand. Current prices. Interannual variation rates

| Operations | 2007 | | | | 2008 | | | |
|---|------------|------------|------------|------------|------------|------------|------------|------------|
| | Q. I | Q. II | Q. III | Q. IV | Q. I | Q. II | Q. III | Q. IV |
| GROSS DOMESTIC PRODUCT at market prices | 7.6 | 7.3 | 6.6 | 6.3 | 6.0 | 5.0 | 4.3 | 1.8 |
| Household final consumption expenditure | 6.7 | 6.7 | 6.2 | 7.2 | 6.2 | 5.1 | 4.3 | 0.0 |
| NPISH final consumption expenditure | 9.2 | 8.5 | 8.4 | 8.1 | 7.8 | 7.6 | 7.1 | 7.6 |
| Public Administration final consumption expenditure | 8.7 | 8.3 | 7.9 | 7.7 | 7.5 | 9.1 | 10.0 | 9.3 |
| Gross formation of fixed capital | 10.1 | 8.3 | 7.0 | 7.5 | 4.9 | 1.3 | -2.0 | -9.1 |
| - Capital goods | 15.5 | 13.2 | 9.9 | 9.4 | 7.6 | 3.6 | 0.9 | -9.1 |
| - Construction | 9.0 | 6.9 | 5.9 | 6.1 | 2.7 | -0.7 | -4.9 | -10.9 |
| - Other Products | 6.2 | 6.5 | 6.4 | 9.7 | 8.5 | 4.7 | 3.7 | -3.2 |
| Variation of stocks and acquisitions minus disposals of valuables (*) | 0.0 | -0.1 | -0.1 | 0.0 | 0.1 | 0.1 | 0.0 | 0.0 |
| Domestic demand (*) | 8.5 | 7.8 | 7.1 | 7.8 | 6.6 | 5.0 | 3.7 | -1.1 |
| Exports of goods and services | 6.4 | 6.8 | 10.5 | 5.8 | 7.7 | 7.7 | 6.0 | -5.3 |
| Imports of goods and services | 8.0 | 6.9 | 9.8 | 9.2 | 7.8 | 6.4 | 3.1 | -12.6 |
| GROSS DOMESTIC PRODUCT at market prices | 7.6 | 7.3 | 6.6 | 6.3 | 6.0 | 5.0 | 4.3 | 1.8 |
| Agricultural and Fishing branches | 1.0 | 3.2 | 10.6 | 14.2 | 9.6 | 9.9 | 3.0 | -10.6 |
| Industrial and Energy branches | 4.9 | 6.5 | 5.7 | 5.9 | 5.7 | 7.3 | 6.8 | 6.3 |
| Construction | 9.4 | 9.2 | 7.8 | 8.1 | 6.7 | 2.4 | -0.6 | -6.7 |
| Services branches | 7.6 | 7.6 | 7.8 | 8.9 | 8.7 | 8.7 | 8.0 | 6.5 |
| - Market services | 7.5 | 7.5 | 7.6 | 8.9 | 9.0 | 8.8 | 7.8 | 5.9 |
| - Non-market services | 8.2 | 8.1 | 8.3 | 8.8 | 7.9 | 8.5 | 8.6 | 8.9 |
| Net taxes on products | 8.5 | 7.1 | -0.7 | -9.9 | -12.0 | -17.2 | -15.1 | -15.0 |

(*) Contribution to the growth of the GDP at market prices

Income

By primary distribution of income, employee remuneration decreased 2.8 points in its growth rate to 1.6%, as a result of the reduction of wage-earning employees and of the slight slowdown of average remuneration. In this way, the labour cost per product unit slowed eight tenths to 2.6%, this figure being one tenth higher than the implicit deflator of the economy.

Gross operating surplus and mixed income slowed their growth rate to 4.8% this quarter, and finally, taxes on production and net imports of subsidies decreased 11.6%.

Income. Current prices. Interannual variation rates

| Operations | 2007 | | | | 2008 | | | |
|--|------------|------------|------------|------------|------------|------------|------------|------------|
| | Q. I | Q. II | Q. III | Q. IV | Q. I | Q. II | Q. III | Q. IV |
| GROSS DOMESTIC PRODUCT at market prices | 7.6 | 7.3 | 6.6 | 6.3 | 6.0 | 5.0 | 4.3 | 1.8 |
| Employee remuneration | 7.3 | 7.4 | 7.0 | 6.7 | 7.2 | 5.5 | 4.4 | 1.6 |
| Unitary Labour Cost (ULC) | 2.7 | 2.7 | 3.1 | 3.0 | 4.2 | 3.6 | 3.4 | 2.6 |
| Remuneration per employee | 3.4 | 3.5 | 3.8 | 4.1 | 5.2 | 5.4 | 5.3 | 5.2 |
| Productivity per worker | 0.7 | 0.7 | 0.7 | 1.0 | 1.0 | 1.7 | 1.8 | 2.5 |
| Salary rate | 0.5 | 0.6 | 0.2 | 0.3 | 0.2 | 0.1 | 0.0 | -0.3 |
| Gross operating surplus / Gross mixed income | 7.9 | 7.5 | 8.6 | 11.0 | 9.7 | 10.0 | 9.2 | 4.8 |
| Net taxes on production and imports | 7.2 | 6.6 | -2.2 | -12.5 | -12.4 | -16.8 | -16.4 | -11.6 |

As regards the contributions of the transactions of the primary distribution of income to the growth of the implicit GDP deflator, we observed that operating surplus continued to be that which most contributed to the growth of the inflation rate of the economy (2.4 points), followed by employee remuneration (1.1 points). Conversely, net taxes on production and imports contributed negatively to the growth of the deflator (by -1.0 points).

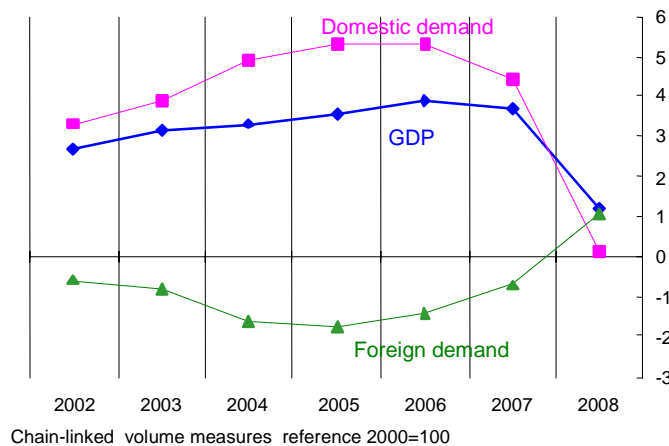
Income. Breakdown of the GDP deflator. Contributions

| Operations | 2007 | | | | 2008 | | | |
|--|------------|------------|------------|------------|------------|------------|------------|------------|
| | Q. I | Q. II | Q. III | Q. IV | Q. I | Q. II | Q. III | Q. IV |
| GROSS DOMESTIC PRODUCT at market prices | 3.5 | 3.3 | 3.0 | 3.0 | 3.2 | 3.1 | 3.4 | 2.5 |
| Employee remuneration | 1.5 | 1.6 | 1.6 | 1.6 | 2.1 | 1.8 | 1.7 | 1.1 |
| Unitary Labour Cost (ULC) | 1.3 | 1.3 | 1.5 | 1.4 | 2.0 | 1.7 | 1.6 | 1.3 |
| Remuneration per employee | 1.6 | 1.6 | 1.8 | 1.9 | 2.5 | 2.5 | 2.5 | 2.5 |
| Productivity per worker | -0.3 | -0.3 | -0.3 | -0.5 | -0.5 | -0.8 | -0.9 | -1.2 |
| Salary rate | 0.3 | 0.3 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | -0.1 |
| Gross operating surplus / Gross mixed income | 1.6 | 1.4 | 2.0 | 3.1 | 2.8 | 3.4 | 3.5 | 2.4 |
| Net taxes on production and imports | 0.4 | 0.3 | -0.6 | -1.7 | -1.7 | -2.0 | -1.8 | -1.0 |

Annual estimates

As a result of the aggregation of estimates for the four quarters of the year, in terms of the Quarterly National Accounts, Gross Domestic Product generated by the Spanish economy in 2008 recorded an interannual growth of 1.2%, expressed in volume, 2.5 points less than in the year 2007. This figure is higher than that estimated for the whole of the Member States of the European Union, which according to the data published by Eurostat, experienced a growth of 0.9% (this rate was two tenths higher than that estimated for the Eurozone, 0.7%).

Gross Domestic Product at market



Analysing the composition of economic growth from the perspective of expenditure, continuity was observed during 2008 in the trajectories of domestic and foreign demand, although the slope intensified as compared with that estimated in 2007.

Demand. Chain-linked volume reference 2000. Interannual Variation Rates

| | 2007 | 2008 |
|--|------------|------------|
| Operations | | |
| GROSS DOMESTIC PRODUCT at market prices | 3.7 | 1.2 |
| Household final consumption expenditure | 3.4 | 0.1 |
| NPISH final consumption expenditure | 4.6 | 3.6 |
| Public Administration final consumption expenditure | 4.9 | 5.3 |
| Gross formation of fixed capital | 5.3 | -3.0 |
| - Capital goods | 10.0 | -1.1 |
| - Construction | 3.8 | -5.3 |
| - Other products | 3.9 | 1.9 |
| Variation of stocks and acquisitions, minus disposals of valuables (*) | -0.1 | 0.0 |
| Domestic demand (*) | 4.4 | 0.1 |
| Exports of goods and services | 4.9 | 0.7 |
| Imports of goods and services | 6.2 | -2.5 |

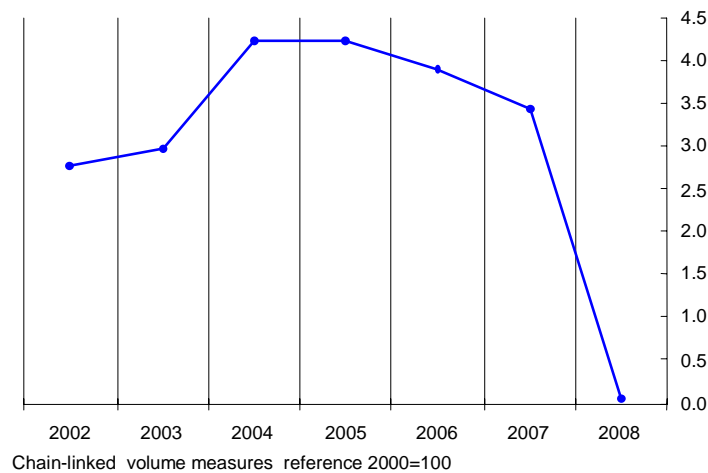
(*) Contribution to the growth of the GDP at market prices

On the one hand, the contribution of **domestic demand** to aggregate growth was reduced by 4.3 points (0.1 points as compared with 4.4 points during the year 2007), as a result of the slowdown of final consumption expenditure and the contraction of the gross formation of fixed capital. On the other hand, **foreign demand** improved its contribution to the growth of GDP, being positive (1.1 points as compared with the -0.7 points from the previous year), largely due to the decrease in imports.

Final consumption expenditure of the economy slowed 2.4 points in 2008 to 1.4%. This performance was explained both by the moderation of household expenditure (from 3.4% to 0.1%) and of non-profit-making institutions. Conversely, final consumption expenditure by Public Administrations experienced an increase in growth of four tenths (from 4.9% to 5.3%).

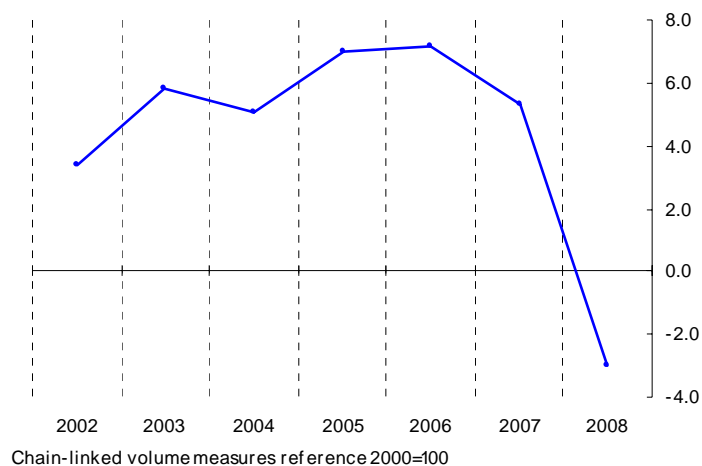
Household final consumption expenditure slowed its growth continuously throughout the year 2008, presenting positive rates in the first two quarters, and negative rates the last two quarters. Expenditure on durable goods experienced the most negative growth rate, followed by expenditure on non-durable goods and on services.

Household final consumption expenditure



The demand for **fixed capital investment** decreased 3.0% in 2008, more than eight points below the figure registered the previous year. Considering the different products, the drop was greater in investment in construction (-5.3% as compared with 3.8%) than in capital goods (-1.1% as compared with 10.0%). Finally, the gross formation in other products slowed (1.9% as compared with 3.9%).

Gross fixed capital formation

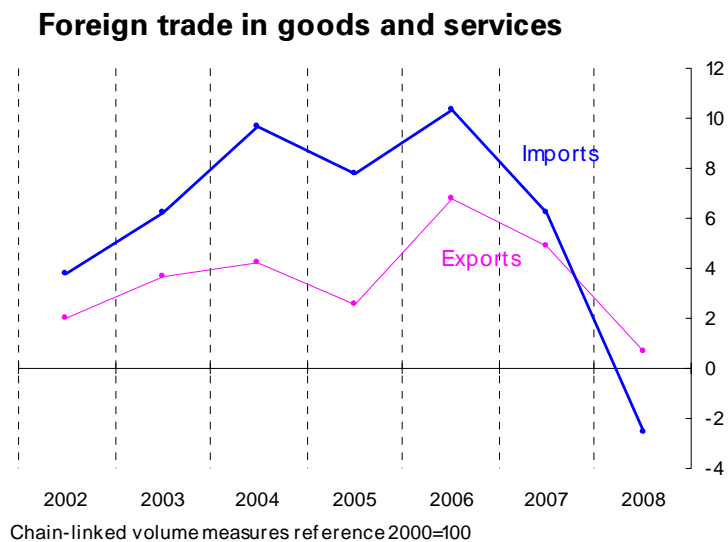


As regards intra-annual evolution, the investment in capital goods continued its downward trend, begun in 2007, showing negative growth rates in the last two quarters of the year. This

evolution was in line with both that of imports and that of production, turnover and new orders received in capital goods.

The pattern recorded for the gross formation of fixed capital in construction in 2008 was similar to that of capital goods, though it showed negative growth rates since the second quarter of the year, and with a greater intensity. This more negative data from investment in construction was almost entirely explained by the evolution of residential building. Thus, the slower rate in the beginning of dwellings, linked with the completion of those begun over the previous year, caused the investment in housing to register negative interannual variations that were increasingly intense, nearly -20% in the last quarter.

The contribution to aggregate growth of net **foreign demand** in the year 2008 was positive, in contrast to that which occurred the previous year (1.1 points as compared with -0.7 points), as a result of the decrease in imports of goods and services (-2.5% as compared with 6.2%), and the deceleration in exports (0.7% as compared with 4.9%).



Exports of goods slowed their growth in 2008 (0.9% as compared with 4.3%), according to the Customs data, whereas exports of services did so with a somewhat higher intensity (0.2% as compared with 6.1%), as indicated by the data from the Balance of Payments of the Bank of Spain. Analysing the intra-annual profile, exports of goods accelerated during the first half of the year, when was when they reached their cycle maximum. From that moment, a downward trend began, rounding off with a negative growth registered in the fourth quarter. In turn, exports of services were registered with a decreasing pattern, with positive growth in the first two quarters and negative figures in the last two quarters.

Finally, both **imports** of goods (-2.7% as compared with 4.8%) and imports of services (-1.7% as compared with 11.8%) decreased in 2008. The intra-annual profile that both recorded was similar, continuing the slowdown begun in 2007, and registering negative growth rates in the second half of the year.

In nominal terms, the national economy increased its financial situation as compared with the Rest of the World. The **financing need** of the national economy exceeded 99 thousand million euros (9.1% of GDP) in 2008, as compared with the 101 thousand million euros for the previous year (9.7% of GDP).

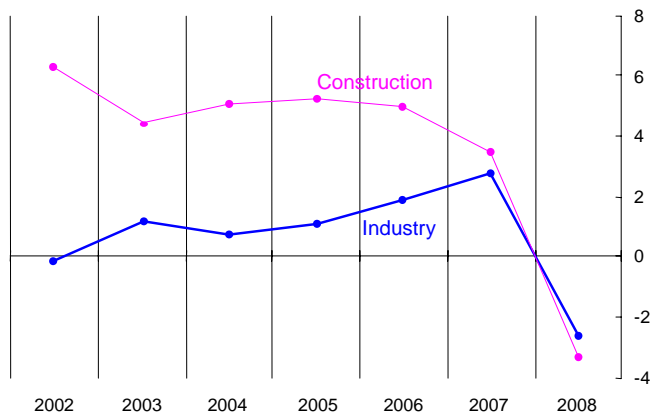
From the perspective of **supply**, the most noteworthy traits in the analysis of the macroeconomic model of 2008 were, on the one hand, the slowdown in the services

branches (3.1% as compared with 4.6%); on the other hand, the contraction in the level of added value of the primary branches (-0.6% as compared with 3.0%), the manufacturing branches (-2.7% as compared with 2.8%) and construction (-3.3% as compared with 3.5%), and finally, the acceleration of the energy branches (1.9% as compared with 0.8%).

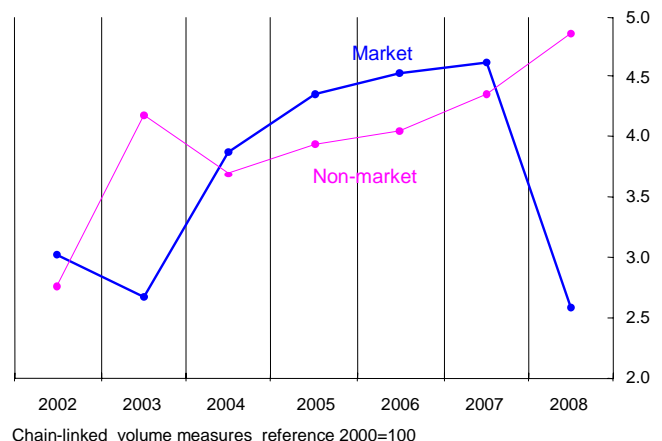
Supply. Chain-linked volume, reference 2000. Interannual variation rates

| Operations | 2007 | 2008 |
|--|------------|------------|
| GROSS DOMESTIC PRODUCT at market prices | 3.7 | 1.2 |
| Agricultural and Fishing branches | 3.0 | -0.6 |
| Industrial and Energy branches | 2.5 | -2.0 |
| - Energy branches | 0.8 | 1.9 |
| - Industrial branches | 2.8 | -2.7 |
| Construction | 3.5 | -3.3 |
| Services branches | 4.6 | 3.1 |
| - Market services | 4.6 | 2.6 |
| - Non-market services | 4.4 | 4.8 |
| Net taxes on products | 0.7 | -0.1 |

GVA industry and construction



GVA service



Chain-linked volume measures reference 2000=100

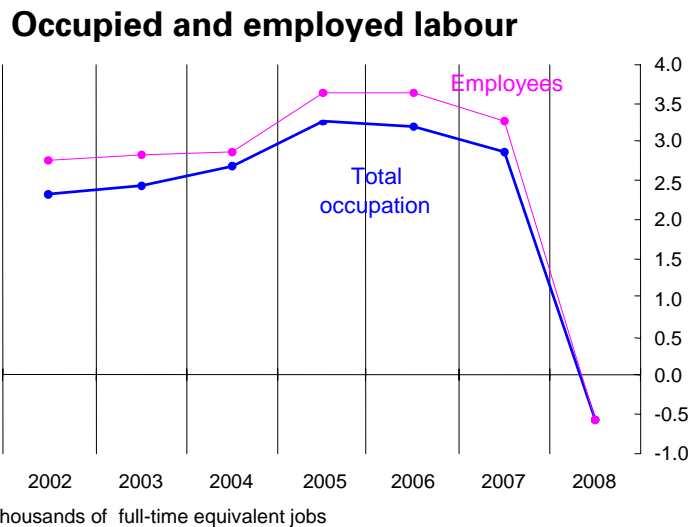
Manufacturing activity decreased 2.7% in 2008. At the beginning of the year, the slowdown maintained in 2007 continued, and beginning in the second quarter, negative growth rates were registered, rates that were increasingly higher, in line with the indicators regarding industrial production, new orders received and turnover in industry.

Likewise, market services showed a slowed growth rate over the year (2.6% as compared with the 4.6% from 2007), this evolution being observed uniformly throughout the four quarters. Analysing the performance of the different activities, those linked to information technologies and communications were the most dynamic, whereas those related to trade in vehicles and fuels, and to wholesale trade, registered negative growth rates in all of the quarters.

In turn, non-market services accelerated their growth from 4.4% to 4.8% in 2008, as a result of the evolution of employee remuneration in the Public Administrations.

Finally, the added value of the primary branches decreased 0.6% in 2008. The pattern of this aggregate decreased throughout the entire year, registering positive rates in the first quarter, and increasingly intense negative rates in the rest of the quarters.

The slowdown of the economy in 2008 was accompanied by a decrease in the level of full-time **employment**. The total occupied, full-time posts generated during the year decreased 0.6%, this rate being 3.5 points lower than that from 2007, indicating a net reduction of 112.1 thousand full-time equivalent job posts. The decrease in employees was similar (0.6%), almost four points lower than the rate from the previous year.



Employment. Full-time equivalent jobs. Interannual variation rates

| | 2007 | 2008 |
|-----------------------------------|------------|-------------|
| Employed persons | 2.9 | -0.6 |
| Agricultural and Fishing branches | -1.7 | -4.6 |
| Industrial and Energy branches | 0.1 | 0.0 |
| Construction | 4.8 | -10.7 |
| Services branches | 3.5 | 2.0 |
| - Market services | 4.2 | 1.9 |
| - Non-market services | 1.9 | 2.0 |
| Wage earners | 3.3 | -0.6 |
| Agricultural and Fishing branches | 2.1 | -4.7 |
| Industrial and Energy branches | 0.0 | 0.0 |
| Construction | 5.4 | -11.7 |
| Services branches | 3.8 | 2.1 |
| - Market services | 4.7 | 2.2 |
| - Non-market services | 1.9 | 2.0 |

Throughout the year, the quarterly occupation rate in the economy presented a downward trend, similar to that experienced by the main statistical sources of employment.

As a result of the growth of aggregate activity and employment, apparent **productivity** of the work factor of the economy increased at a rate of 1.8%, one point higher than the previous year.

In nominal terms, Gross Domestic Product at market prices grew 4.2% in 2008, this rate being 2.8 points lower than that from 2007, slowing the growth of the implicit **deflator** of the economy to a rate of 3.0%, two tenths less than in 2007.

Supply and demand. Current prices. Interannual variation rates

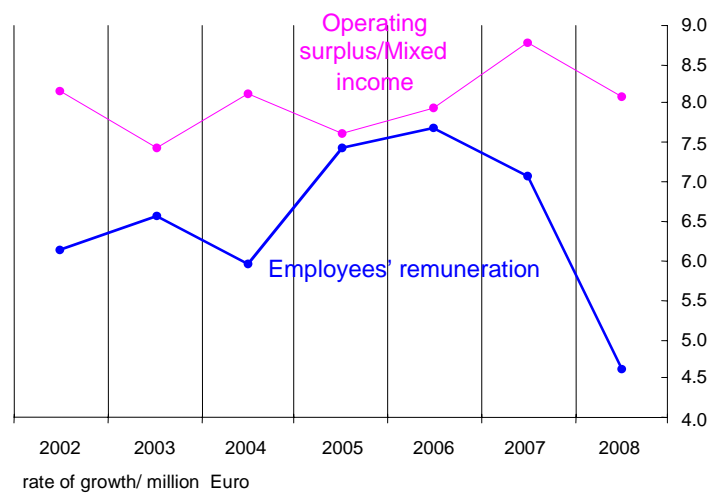
| Operations | 2007 | 2008 |
|---|------------|------------|
| GROSS DOMESTIC PRODUCT at market prices | 7.0 | 4.2 |
| Household final consumption expenditure | 6.7 | 3.9 |
| NPISH final consumption expenditure | 8.6 | 7.5 |
| Public Administration final consumption expenditure | 8.2 | 9.0 |
| Gross formation of fixed capital | 8.2 | -1.3 |
| - Capital goods | 11.9 | 0.6 |
| - Construction | 7.0 | -3.5 |
| - Other Products | 7.2 | 3.3 |
| Variation of stocks (*) | -0.1 | 0.0 |
| Domestic demand (*) | 7.8 | 3.5 |
| Exports of goods and services | 7.4 | 4.0 |
| Imports of goods and services | 8.5 | 1.0 |
| GROSS DOMESTIC PRODUCT at market prices | 7.0 | 4.2 |
| Agricultural and Fishing branches | 7.3 | 2.6 |
| Industrial and Energy branches | 5.8 | 6.5 |
| Construction | 8.6 | 0.4 |
| Services branches | 8.0 | 8.0 |
| - Market services | 7.9 | 7.8 |
| - Non-market services | 8.3 | 8.5 |
| Net taxes on products | 1.1 | -14.8 |
| GROSS DOMESTIC PRODUCT at market prices | 7.0 | 4.2 |
| Employee remuneration | 7.1 | 4.6 |
| Gross operating surplus / Gross mixed income | 8.8 | 8.4 |
| Net taxes on production and imports | -0.3 | -14.3 |

(*) Contribution to the growth of the GDP at market prices

As per the primary distribution of **income**, employee remuneration slowed to 4.6%, that is, 2.5 points less than the rate estimated the previous year, a result of the six-tenth decrease in the number of employees and the 5.3% increase in the average remuneration.

The joint consideration of said average remuneration and of the productivity of the economy, leaves the average labour cost per product unit (ULC) at 3.4%, five tenths higher than that for the previous year. In 2008, ULC remained four tenths above the deflator of the economy.

Primary income distribution



Finally, the total net taxes on production and imports experienced a decrease of 14.3%, while operating surplus and mixed income slowed their growth to 8.4%, four tenths less than in 2007.

For further information see INEbase-www.ine.es/en/welcome_en.htm All press releases at: www.ine.es/en/prensa/prensa_en.htm

Press office: Telephone: 91 583 93 63 / 94 08 – Fax: 91 583 90 87 - gprensa@ine.es

Information area: Telephone: 91 583 91 00 – Fax: 91 583 91 58 – www.ine.es/infoine