

Quarterly National Accounts of Spain Base 2000

First Quarter of 2007

Quarterly National Accounts (GDP)

Last Data	Interannual Var.	Qr-on-qr variation
First quarter 2007	4.1	1.1

Main results

First quarter 2007

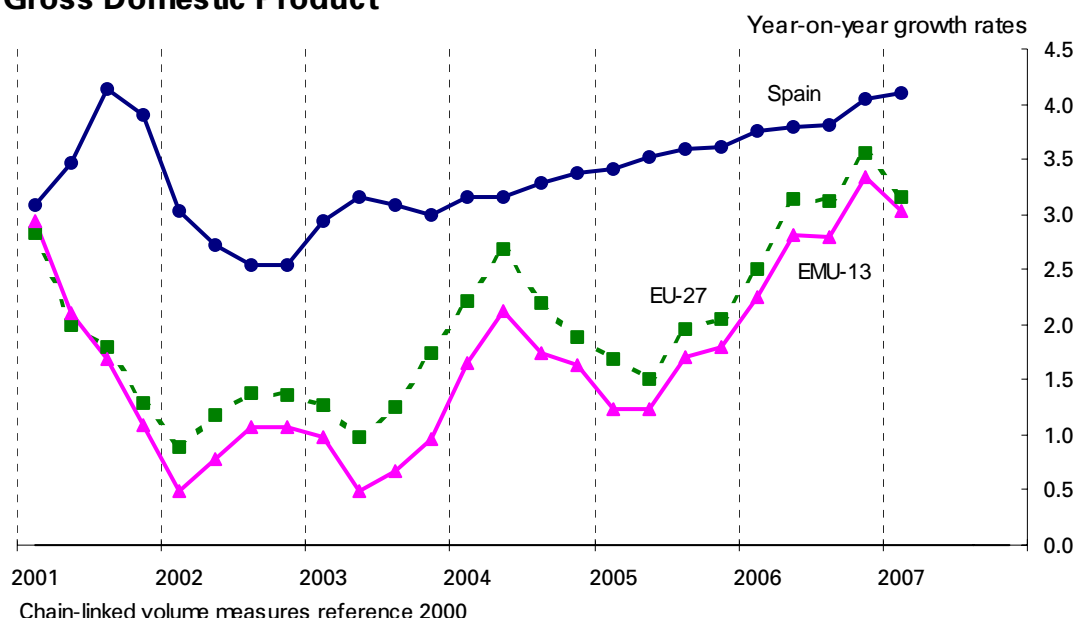
- During the first quarter of 2007 the Spanish economy grew by 4.1%, 0.1 points above the previous quarter's rate.
- Quarter on quarter growth stood at 1.1%, 0.1% below the rate of the last quarter of 2006.
- Annual and quarter on quarter growth rates stood 0.1% above those published last 14th May in the Quarterly National Accounts advance estimate.
- The contribution of national demand to aggregate growth decreased by 0.1% (from 4.9 to 4.8 points), while external demand improved its negative contribution by 0.2% (from -0.9 to -0.7 points).
- Employment grew at a rate of 3%, resulting in a net creation of 555 thousand full time jobs in a year.
- The growth rate of unit labour costs dropped to 2.4%, standing 0.9% below the GDP deflator.

During the first quarter of 2007 the Spanish economy experienced, on an annual basis¹, a growth rate of 4.1% in its Gross Domestic Product² (GDP). This growth rate was 0.1% higher than that estimated for the preceding period, thus maintaining the sustained growth trend observed since the end of 2003.

The quarter-on-quarter growth rate reached 1.1%, 0.1% below the rate for the previous quarter.

As can be seen in the figure below, during this quarter, the evolution of the Spanish economy was opposite to that of the European Union and the European Monetary Union as a whole, whose growth rates decelerated to 3.2% and 3.1%, respectively. However, during this quarter, countries such as Germany yielded high growth rates, reaching a growth rate of 3.6%. As far as the remaining main Member States are concerned, the UK and the Netherlands have also experienced high growth rates, i.e., 2.8% and 2.5%, respectively.

Gross Domestic Product

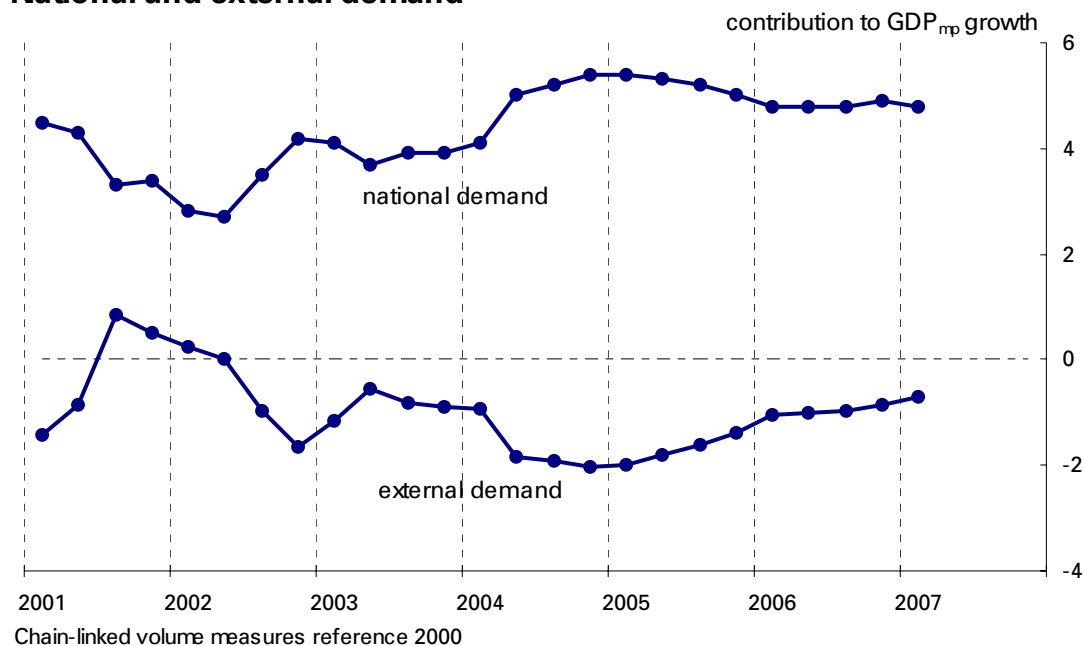


The acceleration in the growth rate of the Spanish economy resulted from the improvement in the external demand's contribution to quarterly GDP, which stands at -0.7 points, thus rising by 0.2 points. However, in comparison with the previous quarter, this improvement was partially offset by national demand, which contributed 0.1% less to aggregate growth (from 4.9 to 4.8 points).

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

² Chain-linked volume measures, with reference to the year 2000.

National and external demand



Demand. Chain-linked volume measures. Reference year 2000. Year-on-year growth rates

Transactions	2005				2006				2007
	Q. I	Q. II	Q. III	Q. IV	Q. I	Q. II	Q. III	Q. IV	Q. I
GROSS DOMESTIC PRODUCT at market prices	3.4	3.5	3.6	3.6	3.7	3.8	3.8	4.0	4.1
Household final consumption expenditure	4.4	4.4	4.1	3.8	3.7	3.6	3.6	3.7	3.5
NPISH final consumption expenditure	6.6	6.0	6.3	4.6	4.6	4.8	4.6	5.8	5.8
General Government final consumption expenditure	5.5	4.3	4.5	4.9	4.3	4.4	4.2	4.9	5.2
Gross fixed capital formation	6.8	7.4	7.1	6.6	6.3	6.2	6.4	6.4	6.6
- Equipment	9.2	9.8	8.3	8.6	8.6	9.1	9.6	11.4	12.1
- Construction	6.0	6.2	6.3	5.6	5.8	5.8	6.2	5.7	5.6
- Other products	6.4	8.0	8.4	7.4	4.8	3.3	3.0	1.7	2.5
Changes in inventories (*)	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.0	-0.1
National demand (*)	5.4	5.3	5.2	5.0	4.8	4.8	4.8	4.9	4.8
Exports of goods and services	-0.8	1.8	2.5	2.3	9.5	4.9	3.4	7.3	4.2
Imports of goods and services	5.9	7.7	7.7	6.6	11.6	7.3	6.0	8.8	5.6

(*) Contribution to GDP growth

After the previous quarter's peak, the growth rate of Household final consumption expenditure decelerated by 0.2%, thus reaching 3.5%. This result is consistent with both, the evolution of the compensation of employees and the employment figures, and especially, with that of consumer confidence related indicators. When considering expenditure by its purpose, a more dynamic behaviour can be noticed in the case of the consumption of services than in that of goods.

As a result of the significant growth in the intermediate consumption of the General Government the final consumption expenditure of these administrations accelerates to 5.2%, 0.3% more than in the previous quarter..

The yearly growth rate of the demand for investment in fixed capital rose to 6.6%. In this respect a different behaviour can be noticed when analysing its composition. Thus investment in equipment continued growing at a remarkable rate during the present quarter, accelerating up to 12.1%, which is consistent with the industrial production indicators, imports, incoming orders and turnover-related indicators for this kind of goods. Likewise, gross fixed capital formation in other products rebounded during the quarter, reaching 2.5%, after five consecutive quarters of decelerating growth rates.

Finally, during the quarter, investment in construction moderated slightly its aggregate growth rate, which stands at 5.6%, as a result of the slow-down in residential and non-residential building, which has been offset by the fast pace of infrastructure construction.

As a result of a less dynamic behaviour of exports and imports, although of greater intensity in the case of imports, Spain's net external demand improved its negative contribution to the quarterly growth rate of the GDP by 0.2 points, .

The growth rate of exports of goods and services decreased from 7.3% to 4.2%, an evolution, which according to Customs data, and in consistency with Balance of Payments data was shared by both components, goods (down to 3.7% from 5.3%), and services (from 11.4% to 5.2%). Moreover, during this period, after three consecutive quarters of deceleration, the expenditure in tourism carried out by non-resident visitors experienced a slight recovery (from 2% to 2.4%).

Finally, the growth of imports of goods and services decreased from 8.8% to 5.6%. This behaviour was shared by both components, goods (from 8.6% to 5.9%) and services (from 9.8% to 4.4%).

Supply. Chain-linked volume measures. Reference 2000. Year-on-year growth rates

Transactions	2005				2006				2007
	Q. I	Q. II	Q. III	Q. IV	Q. I	Q. II	Q. III	Q. IV	Q. I
Gross Domestic Product at market prices	3.4	3.5	3.6	3.6	3.7	3.8	3.8	4.0	4.1
Agriculture and fisheries	-14.1	-10.6	-9.2	-6.2	-3.2	0.1	-0.5	4.3	0.8
Industry and energy	0.6	0.2	1.0	1.2	2.1	2.9	4.0	3.5	4.1
Construction	5.3	5.4	5.7	5.3	5.3	5.0	5.8	5.0	4.9
Services	4.5	4.7	4.3	4.1	3.9	3.5	3.3	3.5	4.0
- Market services	5.1	4.6	4.6	4.1	3.9	3.5	3.2	3.3	3.9
- Non-market services	2.4	4.7	3.3	3.8	3.9	3.6	3.8	4.5	4.2
Taxes less subsidies on products	5.8	5.1	5.6	6.4	6.2	6.7	5.5	6.7	4.9

From the supply-side, the basic aspects, which stand out the most in the analysis of the macro-economic chart, is the recovery of the industrial and energy sectors (from 3.5% to 4.1%) and of market service related activities (from 3.3% to 3.9%).

The gross value added of the industrial and energy sectors was 0.6% higher than that of the previous quarter. This is mainly due to the positive evolution of the manufacturing sectors, which, in consonance with the evolution of the Industrial Production Index, as well as with the Industrial Turnover Index, grew from 4.4% to 5.1%. However, the energy sector has contracted anew its level (-2.2%), as a consequence of a more favourable winter season weather. This effect has offset to a large extent the aforementioned growth experienced by the manufacturing sector.

In accordance with the evolution of the gross fixed capital formation in construction, during this quarter, the gross value added in this sector has decelerated by 0.1%, reaching a year-on-year growth rate of 4.9%. The fast growth recorded in infrastructure building was not high

enough as to making it possible to offset the deceleration of residential and non-residential building construction.

During this first quarter, the activity of the services sectors as a whole quickened its growth rate from 3.5% to 4.0%, a pattern that could be noticed in the case of the market services sectors (up to 3.9% from 3.3%), but not in the case of the non-market services sectors, which saw their rate slow down slightly (from 4.5% to 4.2%). Considering market services, the branches that contributed most to this result were those related to enterprise services, transport and, to a lesser extent, commerce. Moreover, during this quarter, in consistency with the compensation of employees of the civil servants, non-market services have slightly slowed down their growth rate.

Finally, the gross value added of the primary sectors has significantly decelerated its growth rates (from 4.3% to 0.8%), an evolution similar to that of the agricultural and livestock breeding sectors.

Employment, measured in full-time equivalent jobs, yielded a 3% interannual growth rate, 0.1% less than in the previous quarter. As a result of this, growth rate, during the last year 555,000 net full-time jobs have been created.

Employment. Full-time equivalent jobs. Year-to-year growth rates.

	2005				2006				2007
	Q. I	Q. II	Q. III	Q. IV	Q. I	Q. II	Q. III	Q. IV	Q. I
Employment	2.9	3.1	3.3	3.2	3.2	3.1	2.9	3.1	3.0
Agriculture and fisheries	-4.2	-1.9	-0.6	0.1	-1.1	-0.3	-4.5	-5.6	-2.0
Industry and energy	0.5	0.5	0.7	-0.3	-0.2	0.3	-0.4	0.5	-0.3
Construction	6.3	7.0	7.6	7.2	6.9	7.3	7.8	8.0	8.3
Services	3.6	3.5	3.5	3.6	3.6	3.2	3.4	3.4	3.2
- Market services	3.7	3.4	3.6	4.5	4.4	4.1	3.9	3.8	3.6
- Non-market services	3.1	3.6	3.2	1.3	1.6	1.0	2.1	2.3	2.0
Employees	3.0	3.5	3.7	3.6	3.5	3.1	3.0	3.2	3.4
Agriculture and fisheries	-6.0	0.3	3.5	4.6	1.7	-0.4	-4.9	-5.4	4.1
Industry and energy	0.3	0.4	0.6	-0.2	-0.1	0.5	-0.1	0.8	-0.1
Construction	6.2	8.1	8.2	8.1	7.3	7.2	7.9	7.9	8.5
Services	3.6	3.7	3.7	3.7	3.9	3.1	3.3	3.3	3.3
- Market services	3.9	3.7	4.0	4.9	5.0	4.2	3.9	3.8	3.8
- Non-market services	3.1	3.6	3.2	1.3	1.6	1.0	2.1	2.3	2.0

The most remarkable fact emerging when analysing employment rates for this quarter, is that the level for industrial branches has decreased (-0.3%). On the other hand, both construction (8.3%) and market service branches (3.6%) remained as the most intense activities, in employment-growth terms.

Consequently, taking quarterly GDP and full-time employment growth rates jointly into consideration, the interannual apparent labour productivity growth rate stood at 1.1%, a figure that exceeds by 0.2% that of the previous quarter.

During the first quarter of 2007, GDP at current prices experienced a growth of 7.6%, on an annual basis, thus decelerating its growth rate by 0.2%.. In this manner, the growth rate of the economy's implicit deflator stood at 3.3%, 0.3% below that for the previous quarter.

Demand and supply side. Current prices. Year-to-year growth rates

Operations	2005				2006				2007
	Q. I	Q. II	Q. III	Q. IV	Q. I	Q. II	Q. III	Q. IV	Q. I
Gross Domestic Product at market prices	7.6	7.6	7.9	7.9	7.7	8.0	7.8	7.8	7.6
Final consumption expenditure of households	7.8	7.8	7.6	7.7	7.9	7.6	7.2	6.8	6.0
Final consumption expenditure of NPISHs	12.4	12.9	13.4	10.9	10.9	10.6	9.8	11.1	10.6
Final consumption expenditure of general government	9.2	8.3	8.0	8.9	7.7	7.3	7.3	8.4	8.7
Gross fixed capital formation	13.0	12.9	12.6	11.9	11.6	11.4	11.3	11.1	10.5
- Equipment	11.7	11.8	10.2	11.0	11.2	11.8	12.4	14.5	15.4
- Construction	14.1	13.5	13.6	12.2	12.5	12.3	11.9	11.2	9.7
- Other products	11.5	12.7	12.9	12.1	9.5	8.0	7.8	6.3	6.2
Changes in inventories (*)	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.0	-0.1
National demand (*)	9.7	9.6	9.4	9.5	9.4	9.3	8.9	8.8	8.1
Exports of goods and services	3.8	5.1	7.8	6.6	13.5	9.6	7.7	11.0	7.2
Imports of goods and services	10.6	11.1	11.7	10.8	16.8	12.1	10.1	12.3	7.5
Gross Domestic Product at market prices	7.6	7.6	7.9	7.9	7.7	8.0	7.8	7.8	7.6
Agriculture and fisheries	-10.7	-8.8	-7.0	-2.2	-0.3	2.3	3.1	5.7	2.6
Industry and energy	4.2	2.8	4.2	3.8	4.9	6.3	7.3	5.1	5.8
Construction	16.6	16.2	16.9	15.4	13.5	13.4	13.6	11.7	9.6
Services	7.7	7.9	7.7	7.3	6.9	6.7	6.7	6.6	7.5
- Market services	8.1	7.7	7.9	7.2	6.9	6.7	6.6	6.1	7.3
- Non-market services	6.2	8.5	7.0	7.6	7.0	6.8	7.1	8.2	8.1
Taxes less subsidies on products	10.9	11.7	11.9	14.0	13.6	13.8	10.2	15.0	9.9

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

Taking primary income distribution into consideration, the compensation of employees slowed down by 0.1% its rate, resulting in an interannual growth rate of 7%. This result was caused, on one hand, by the 0.2% increase in the employment rate, and a deceleration of the compensation per employee, which slowed down by 0.3%. As a consequence, unit labour costs have slowed down by 0.4%, reaching 2.4%, 0.9% below the economy's implicit deflator.

Income. Current prices. Year-to-year growth rates

Operations	2005				2006				2007
	Q. I	Q. II	Q. III	Q. IV	Q. I	Q. II	Q. III	Q. IV	Q. I
GROSS DOMESTIC PRODUCT at market prices	7.6	7.6	7.9	7.9	7.7	8.0	7.8	7.8	7.6
Compensation of employees	5.9	6.3	6.0	6.4	6.6	6.6	6.7	7.1	7.0
Unit labor costs	2.3	2.3	1.9	2.3	2.3	2.7	2.7	2.8	2.4
Compensation per employee	2.8	2.7	2.2	2.7	2.9	3.4	3.6	3.8	3.5
Productivity per worker	0.5	0.4	0.3	0.4	0.6	0.7	0.9	0.9	1.0
Employment rate	0.1	0.4	0.4	0.3	0.4	0.0	0.1	0.1	0.3
Property income and mixed income	8.9	8.2	9.0	8.3	7.7	8.7	10.0	7.3	8.8
Net taxes on production and imports	10.7	11.5	12.4	13.1	13.1	10.9	3.8	12.0	5.4

Growth rates of property and mixed income increased up to 8.8% during this quarter, and, finally, net taxes on production and imports showed during this first quarter of 2007 a more moderate growth rate, dropping from 12% to 5.4%.

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

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