

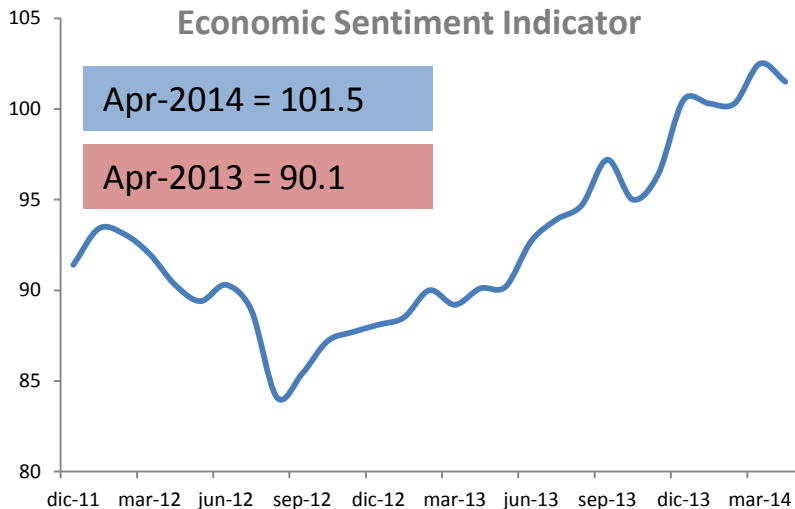
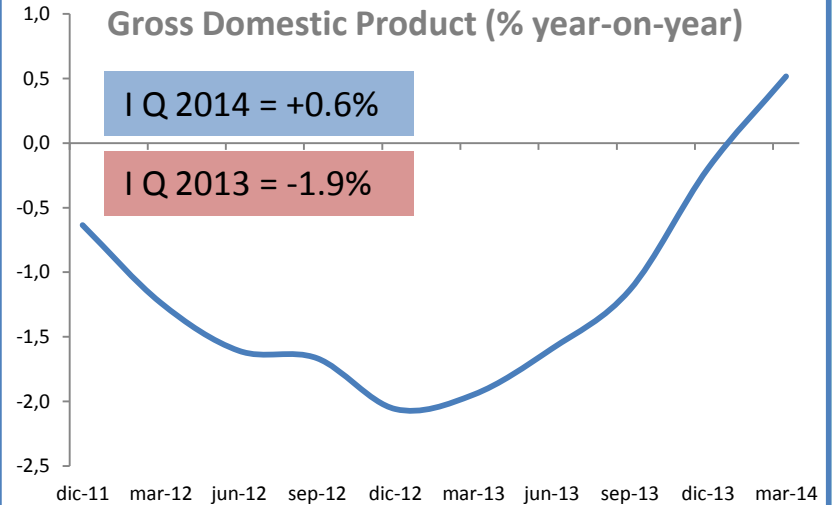
GOVERNMENT OF SPAIN'S STABILITY PROGRAMME 2014

New scenario, improved forecasts: more reforms

30 April 2014

- The Stability Programme and the National Reform Programme forecast the measures to be taken and reflect economic trends. They are also **evidence of an undeniable fact: the consolidation of economic recovery.**
- One year ago Spain was in a very difficult situation that required prudence and responsibility. We said back then that **we were going to work to exceed the forecasts and we have done just that.**
- **We can now substantiate that we have easily exceeded the targets** we had set:
 - We have come out of recession and recovered the competitiveness of the economy. *Spain is growing at the same rate as six years ago.*
 - We have managed to respect the deficit objectives, and we have uncovered and tackled hidden debts. *The Supplier Payment Plan has provided financing of close on 42 billion euros, and the Regional Liquidity Fund almost 40 billion euros.*
 - We have avoided a bailout of the Spanish economy and recovered investment confidence. *The risk premium has fallen by almost 500 points since it hit a high in the summer of 2012.*
 - We have turned the foreign trade sector into the driver of the economy and consumption has started to grow again. *There are more than 150,000 export companies and we now have three positive quarters behind us in household spending.*
 - We have reduced unemployment and reactivated job creation. *Spain has gone from heading up unemployment growth in the EU to heading up the reduction in unemployment (Eurostat Feb. 2014).*
- **We can now see results and have a better outlook.** In 2014, real growth will be more than double the forecast a year ago and we will enjoy job creation, when a decline was forecast back then.
- **We now have a new outlook. But our objective has not changed:** to continue creating jobs. *We will close this legislature with fewer unemployed than at the start and we are on the right track. That is why we are continuing with the reforms.*

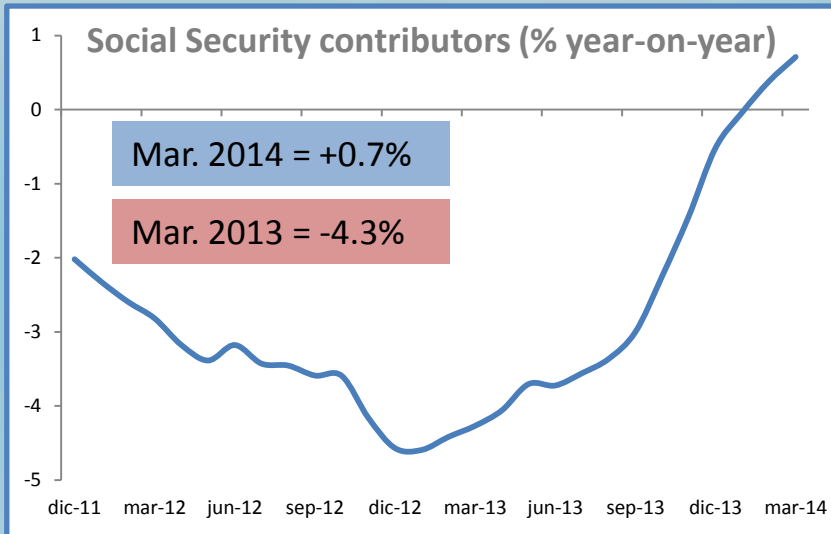
- ✓ **Spain has started its recovery.** We have recovered growth, from a fall of almost 2% a year ago, and the forecasts back then have been exceeded.
- ✓ **Spain enjoys growth** which will continue at a sustainable and stable rate in the future.



- ✓ **The foreign trade sector has set historic records** and **household consumption is posting positive figures.**
- ✓ **Economic confidence has picked up** and stands **at maximum levels of 2007.**



The situation: Reduction in unemployment and driving job creation

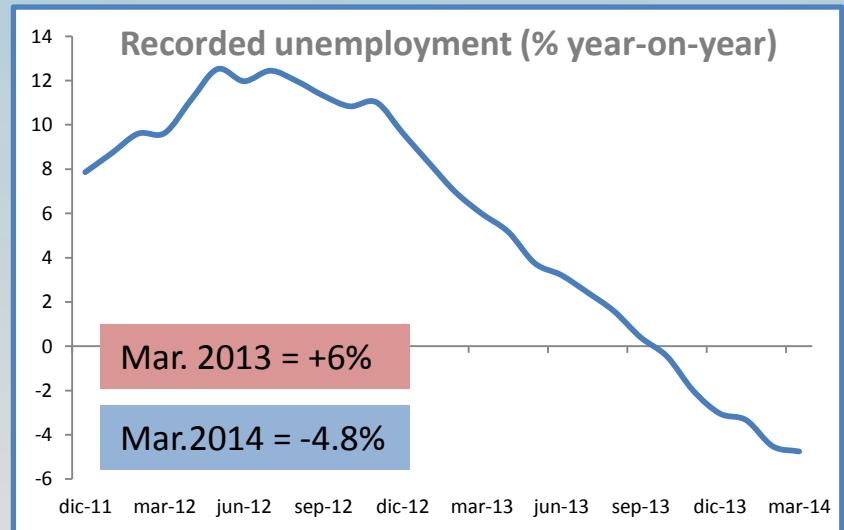


✓ The reforms undertaken have enabled **jobs to be created despite only moderate growth.**

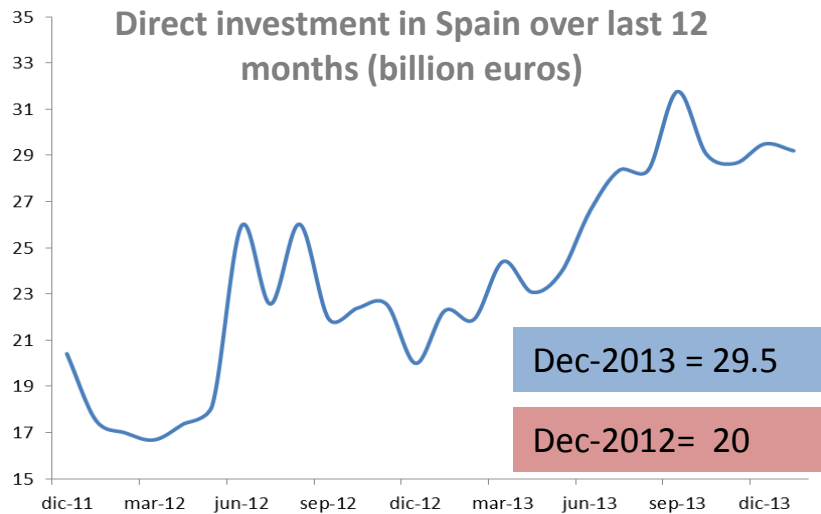
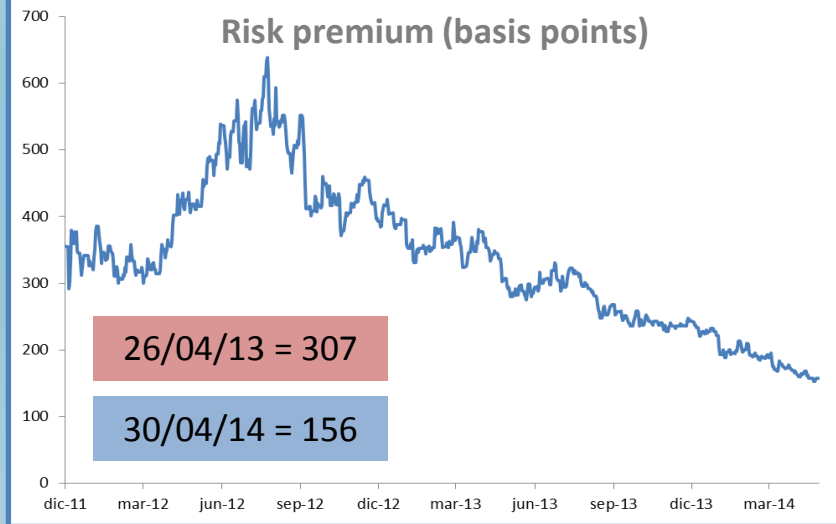
✓ Unemployment is the worst legacy of the crisis and priority of the government. **All efforts are focused on reducing unemployment.**

✓ In March, the system posted **115,000 more contributors than a year ago**, with the highest annual rate in the last six years.

✓ **Recorded unemployment has fallen by almost 240,000** in the last year.



- ✓ **Spain has recovered loss confidence.** It is a credible country, a key partner and a place to invest.
- ✓ No-one is speaking about a **bailout**. **Spain is now marked by its recovery.**



- ✓ **The risk premium has fallen to pre-crisis levels,** resulting in a saving of 8.8 billion euros in interest in 2013.
- ✓ **Foreign investment has returned to Spain:** direct investment has grown by 48% to 29.5 billion euros in 2013.

MORE GROWTH AND MORE ACTIVITY

- ✓ **Greater growth** (I Q. 2014): **0.6%** increase in GDP on previous year.
- ✓ **Increased exports**: Spanish goods exports grew by **4%** to February compared with the same period of 2013, to a total of 37.76 billion euros.
- ✓ **Reduction in trade deficit**: This has been reduced by **5.2%** in the first two months of the year.
- ✓ **Increased turnover of service sector**: **1.5%** increase in February, with six months of increases.
- ✓ **New tourism record**: The number of tourists grew by **7.2%** in the first quarter compared with the first quarter of 2013, which was a new record in itself. Tourist accommodation was **75.7%** occupancy in Easter Week.
- ✓ **Creation of companies**: The number of companies incorporated grew in the first quarter by **6.23%** on the previous quarter.
- ✓ **New vehicle registration**: This grew by **11.8%** to March. The private sector grew by **25%** thanks to the PIVE Plan.

LESS UNEMPLOYMENT AND MORE CONTRIBUTORS

- ✓ **Reduction in unemployment** (I Q. 2014. Active Employment Survey): **344,900** fewer unemployed in the last year, according to the Active Employment Survey Spanish acronym: EPA). The highest annual decrease in unemployment since the third quarter of 2005.
- ✓ **Reduction in recorded unemployment** (March. Ministry of Employment and Social Security): by **239,377** people in the last year (-4.75%). Youth unemployment has fallen by **48,027** people in the last year (-10%).
- ✓ **Increase in contributors** (March. Ministry of Employment and Social Security): **115,013** more contributors than last year (0.71%), the best annual rate in the statistical series since April 2008.
- ✓ **Increase in self-employed** (March. Ministry of Employment and Social Security): **53,568** more than the previous year.

GREATER FINANCIAL STABILITY

- ✓ **Better rating**: Moody's improved its rating in February (Baa2 with a positive outlook) and Fitch in April (BBB+ with a stable outlook).
- ✓ **Reduction in interest on debt**: Lowest average effective interest rate in historic series (2.1%).
- ✓ **Fall in late payments**: First real fall since March 2011.



Forecasts: Improved outlook

Forecasts 2013

IMPROVEMENT

Forecasts 2014

GROWTH

2013 2014 2015

-1.3 0.5 0.9

Recovery is speeding up...

- ✓ Growth in 2013: Better forecasts (-1.2%)
- ✓ I Q. 2014: Highest growth since start of crisis (+0.4% quarter-on-quarter)
- ✓ End of recession: 3 consecutive positive quarters

2013 2014 2015

-1.2 1.2 1.8

EMPLOYMENT

2013 2014 2015

-3.4 -0.4 0.3

...with sustained job creation...

- ✓ Moderation of job losses from -4.8% (2012) to -3.4% (2013), in line with forecasts
- ✓ Reduction in unemployment of 344,900 people in last year (-5.49%)

2013 2014 2015

-3.4 0.6 1.2

DEFICIT (EU)

2013 2014 2015

6.5 5.8 4.2

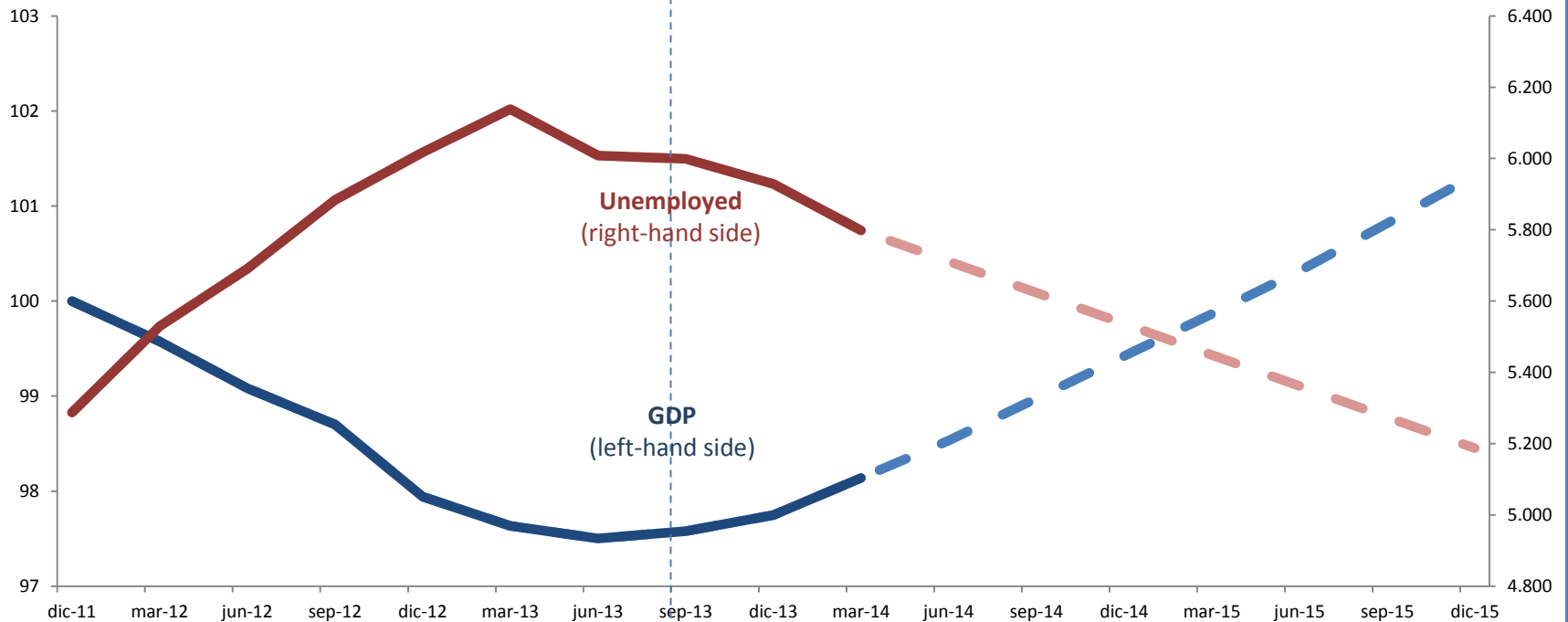
...while maintaining fiscal consolidation.

- ✓ 2013 deficit objective respected (6.6%)
- ✓ Improved financing conditions: ratings raised, reduction of risk premium, lower interest rates

2013 2014 2015

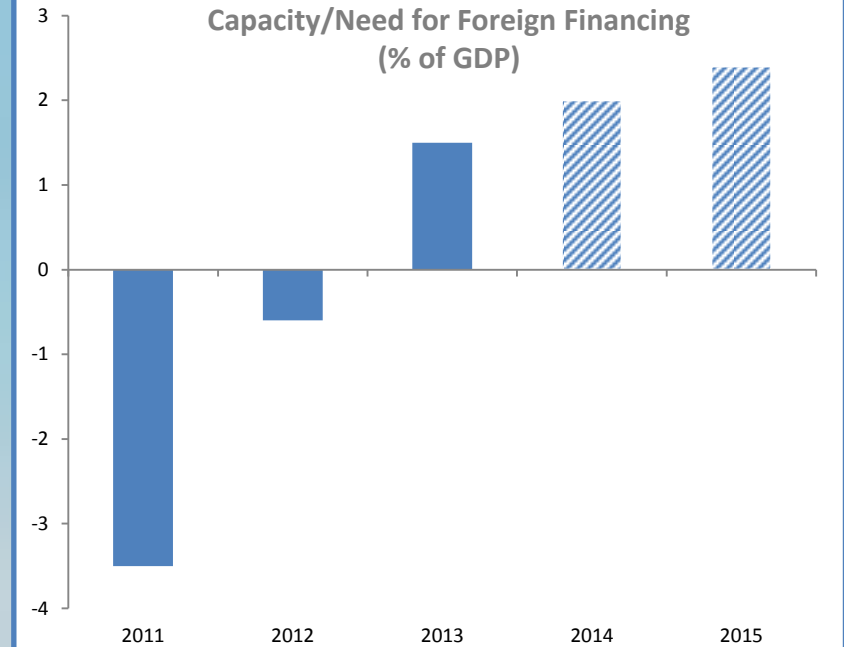
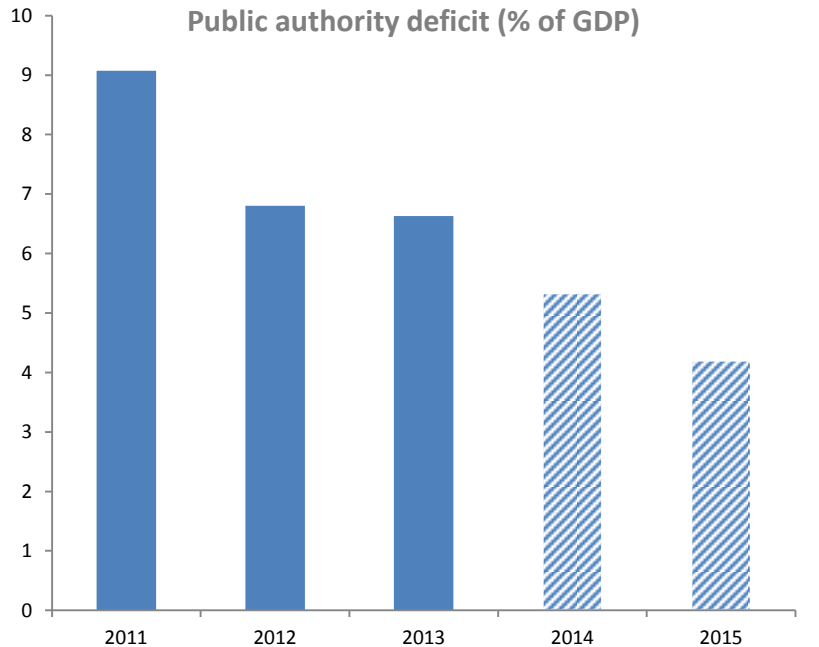
6.6 5.5 4.2

Turning point in terms of generation of activity and reduction in unemployment



- ✓ We have managed to tackle the worst economic crisis suffered in Spain since the democratic transition, correct the imbalances and reverse the trends. 2013 has seen a turnaround and 2014 and 2015 will be years of economic recovery and job creation.
- ✓ As in the 1990s, we are at the start of a virtuous circle in growth and employment. As the reforms undertaken start to consolidate, the economy will grow more steadily and unemployment will fall progressively, contributing to economic activity.

On the right fiscal path and correcting imbalances



- ✓ The bases for recovery are sound. We have overcome the imbalances that affected our economy. We will now consolidate this change through continued reforms.
- ✓ Public finances have changed from being a problem to becoming part of the solution. The primary structural adjustment in two years has been the greatest of any G-20 country and double the Eurozone average (IMF).
- ✓ Economic recovery in activity has resulted in increased revenue by 4.7% to March.
- ✓ We have financing capacity: in two years, Spain has gone from foreign borrowing of 33.5 billion euros to loaning 15.8 billion euros.

- ✓ **Spain has met and improved on the economic forecasts** made a year ago. The reforms have allowed us to observe results and improve our outlook.
- ✓ **Spain will have fewer unemployed by the end of 2015 than at the end of 2011.** Employment will not only not fall but will actually increase by more than was expected just a year ago for 2014 (-0.4% vs. 0.6%) and for 2015 (0.3% vs. 1.2%).
- ✓ **Spain has come out of recession and will grow by double the forecast** from a year ago for 2014 (0.5% vs. 1.2%) and for 2015 (0.9% vs. 1.8%).
- ✓ **Spain is complying with its fiscal consolidation targets** and continues to make progress in correcting its imbalances. It has financing capacity and will increase the surplus of its balance of payments.