



GOBIERNO
DE ESPAÑA

BALANCE

THREE YEARS IN GOVERNMENT

CONFIDENCE → COMPETITIVENESS → GROWTH
JOBS → WELL-BEING
RECOVERY

THREE YEARS OF REFORMS

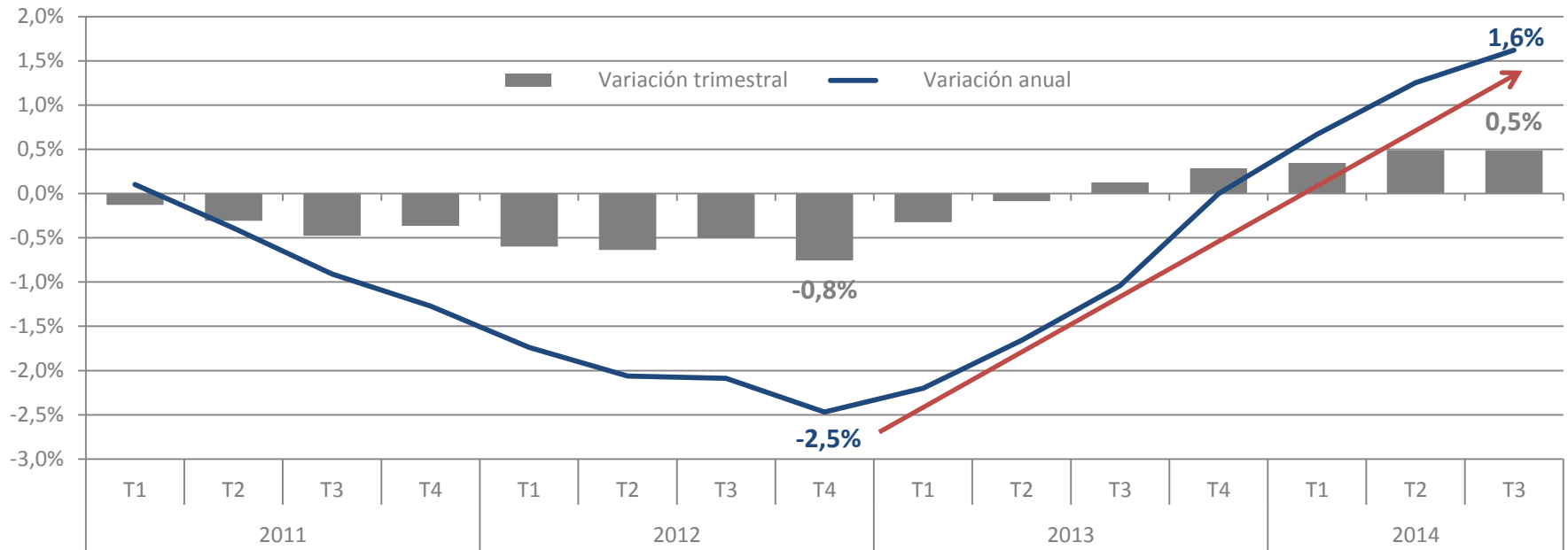
Over the last three years, the Government of Spain has been implementing an **intense agenda of reforms** aimed at correcting the economic imbalances and laying the foundations for sustained growth and sustainable well-being, while making **employment** the highest priority for this term of office. With that in mind, steps have been taken on all fundamental targets and **a major change for the better has been obtained at all levels:**

- To guarantee **budgetary sustainability**, which has enabled recovery from an unprecedented debt crisis and avoided a bailout of the Spanish economy, thereby demonstrating the country's flexibility.
- To undertake a **far-reaching process of bank restructuring** aimed at ensuring the solvency of Spanish financial entities and reactivating credit.
- To overcome economic imbalances and recover from the recession, **by fostering competitiveness, overseas activity and entrepreneurship** in order to drive growth and speed up job creation.
- To guarantee the sustainability of well-being and to focus efforts on ensuring the **effects of the recovery to filter down to the people.**

The Government of Spain's determination in its reforms and a commitment from the people of Spain have enabled **confidence to be restored and the process to recover growth, employment and well-being to begin.**

More reforms: More Growth

Trend in Gross Domestic Product



Source: National Statistics Institute. Accumulated volume. Reference 2008. Calendar-adjusted data.

Spain has returned to economic growth. The Spanish economy has now posted **five straight quarters of positive growth** (after 20 quarters of negative growth) and grew by **1.6%** in the third quarter of this year. Spain is the **fastest-growing country** among the leading Eurozone nations.

Fiscal consolidation: More Confidence

Trend in the cost of 10-year Public Debt

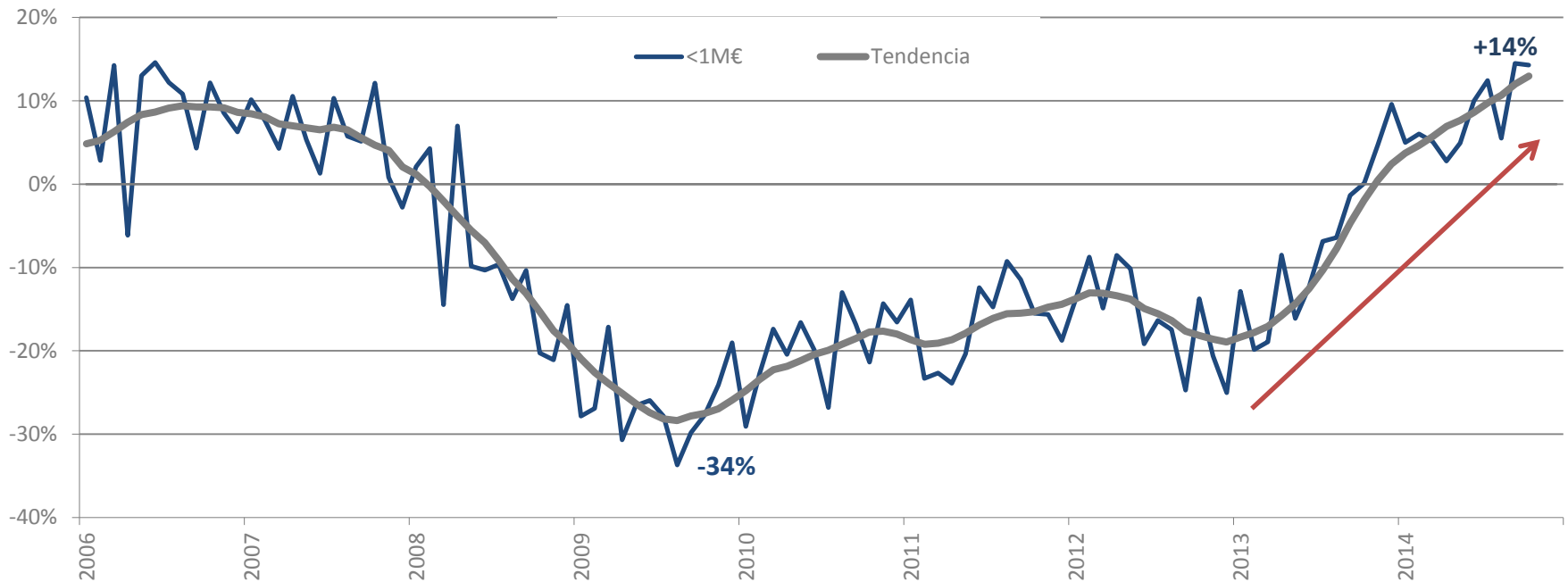


Source: Bloomberg.

Spain has regained confidence in its public accounts. Spain is the country that has carried out **the largest fiscal consolidation effort of all members of the G-20**. Increased credibility has translated into a saving on servicing debt: Spain **now pays less for its 10-year debt than it paid in 2011 for its six-month debt**.

Restructuring of the financial system: More credit

Annual trend in new credit to companies (<1M€)

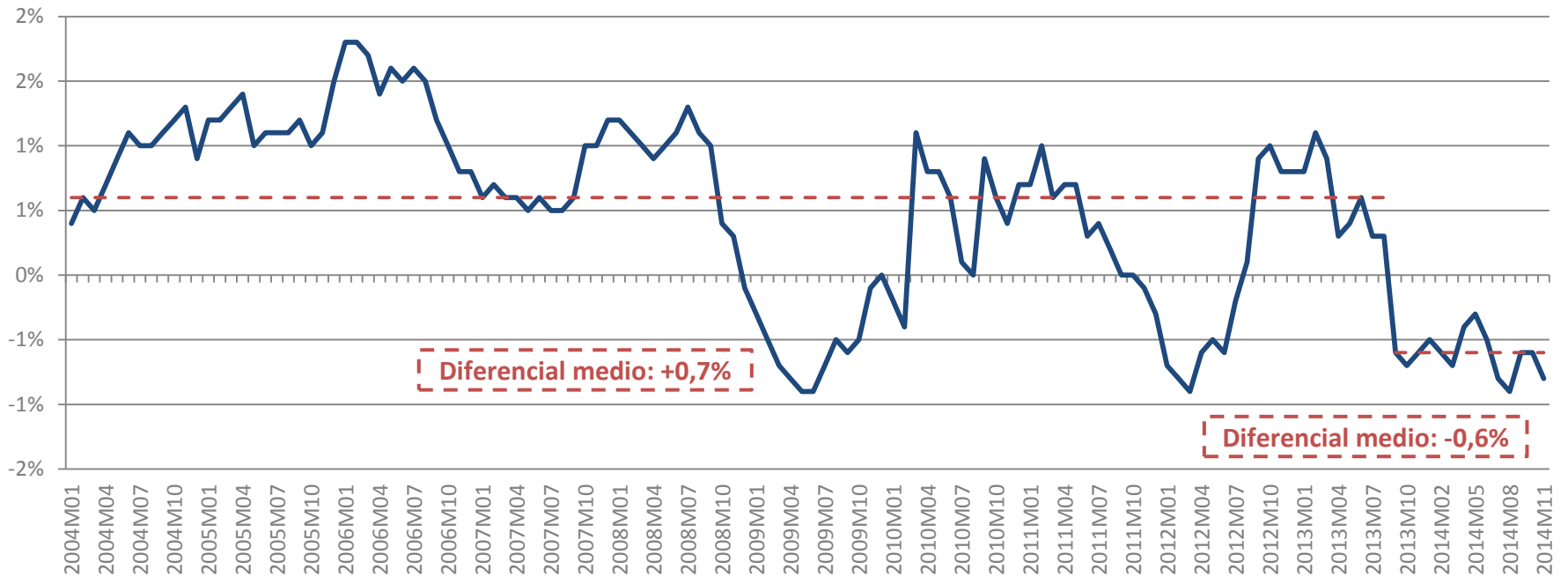


Source: Bank of Spain. Year-on-year growth in new loans of less than 1 million euros from credit institutions to non-financial companies.

The Spanish financial sector has guaranteed its solvency. Spain is the **country with the second-best score** from the tests by the European Single Supervisory System and the **best score in terms of the asset quality assessment.** Credit to new SMEs has begun to recover and is growing at 14%.

Structural reforms: More Competitiveness

Trend in the inflation differential between Spain and the Eurozone

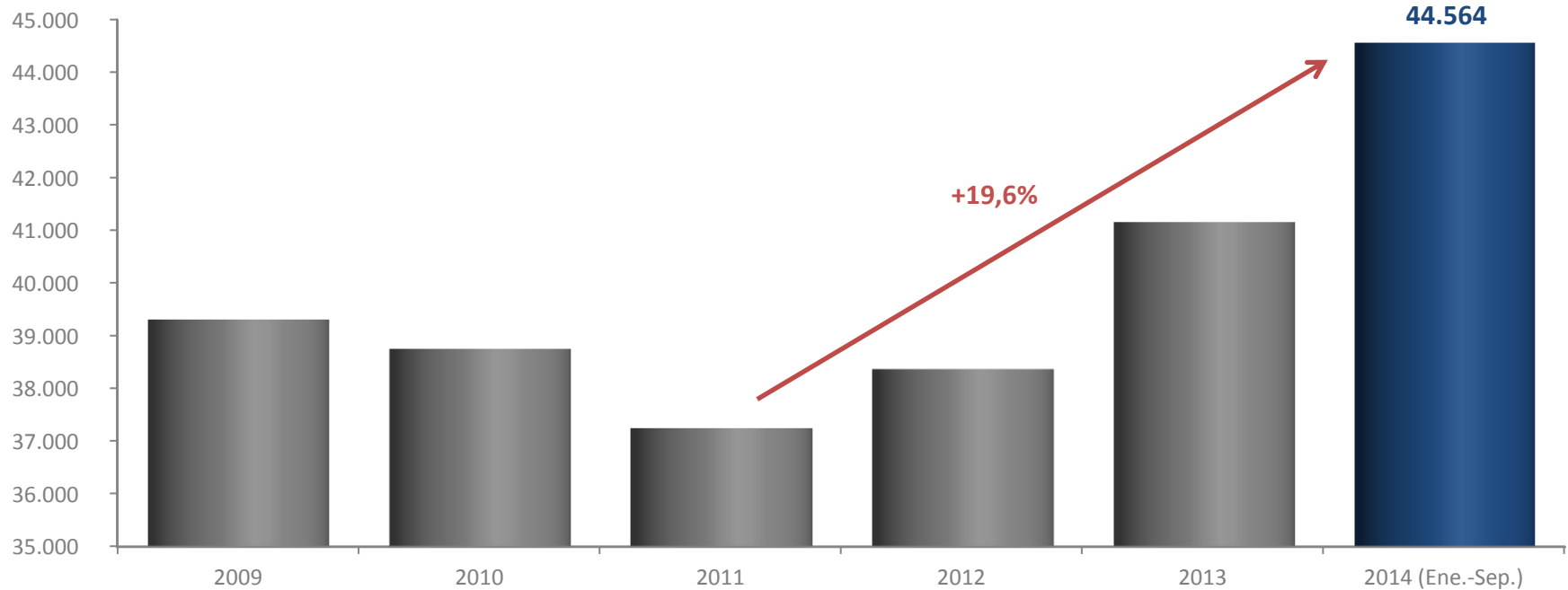


Source: Eurostat. Harmonised consumer price indices (HCPI). Annual price trend.

The economic growth is based on sound foundations thanks to the structural reforms implemented recently. The main imbalances in the Spanish economy have been overcome and an increase in competitiveness has been achieved. **Inflation is at its lowest rate in recent history.** Spain has posted a negative differential with the Eurozone and Germany for the last 14 consecutive months.

More competitiveness: More internationalisation

Export companies

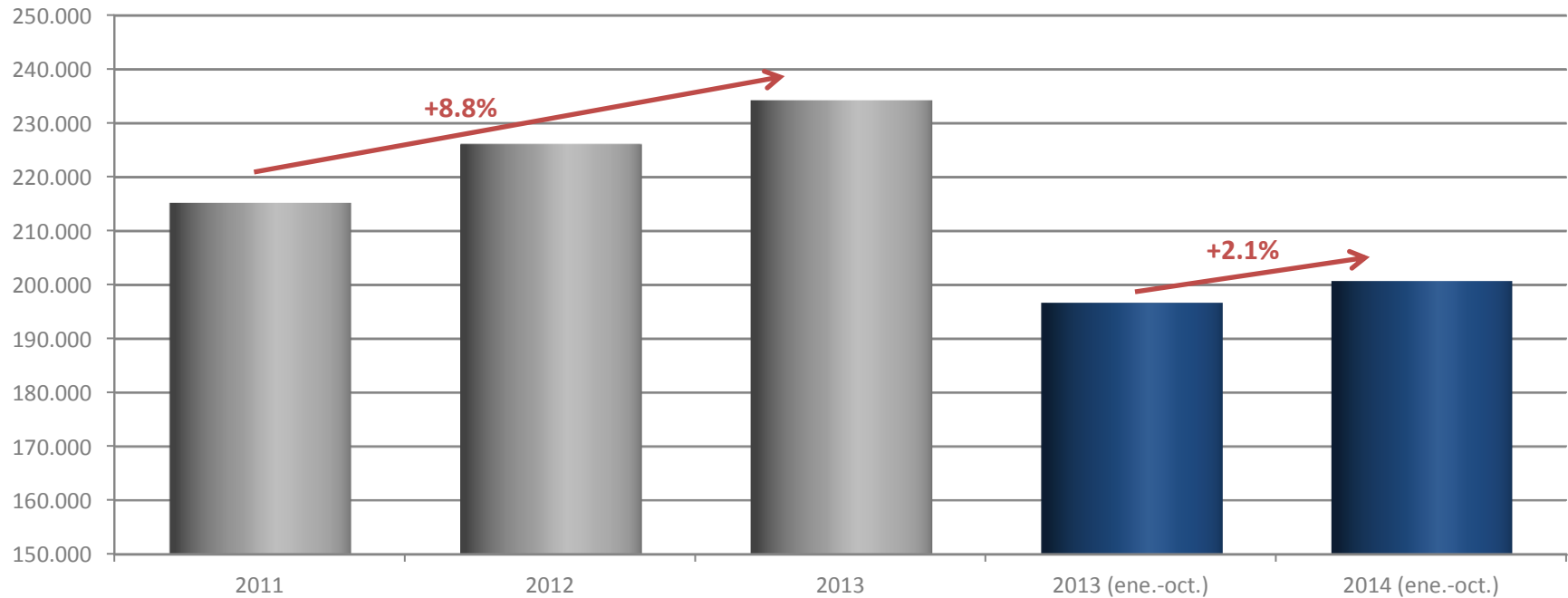


Source: Ministry of Economic Affairs and Competition. ICEX. Trend in companies that export regularly.

More and more companies are undertaking a process of internationalisation because they have gained competitiveness in the global market. Between 2011 and September 2014, the number of companies that export regularly has grown by almost 20%.

More internationalisation: More exports

Trend in exports

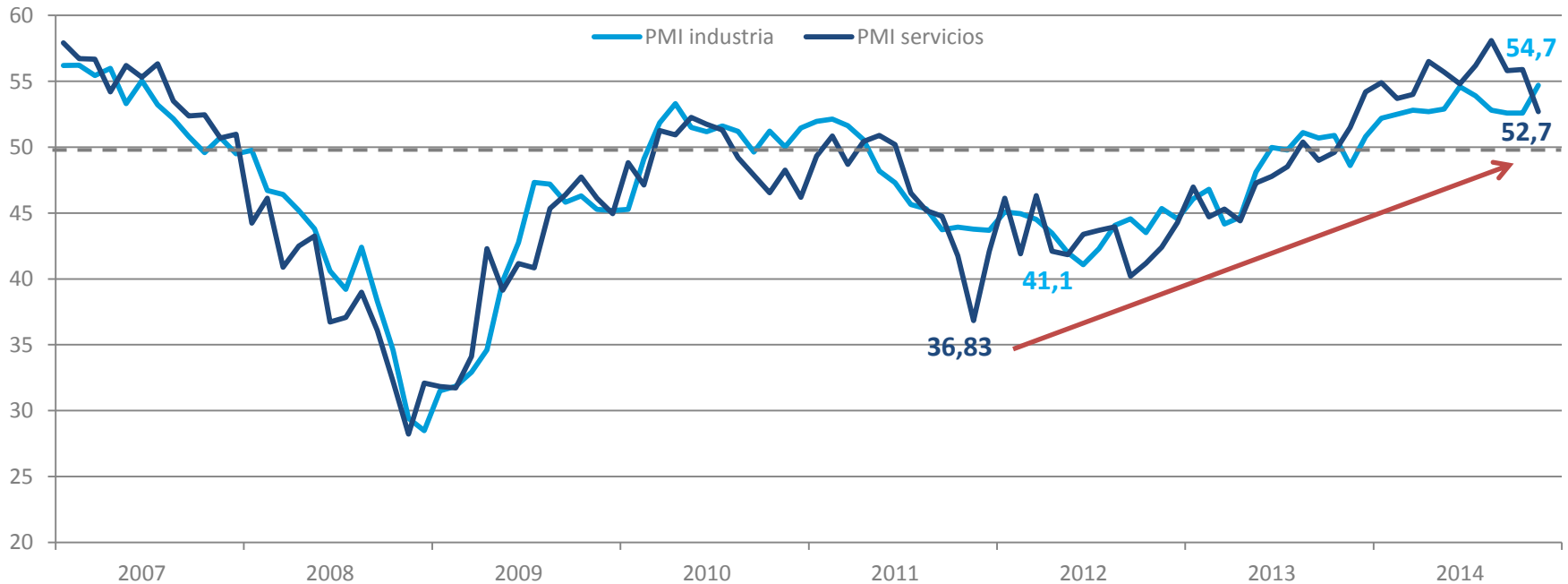


Source: Ministry of Economic Affairs and Competition.

Spain exports more than most G-7 countries (34% of GDP): USA (13%), Japan (16%), France (27%), Italy (30%) and the United Kingdom (31%). Only Germany has a higher export capacity. **Spanish exports grew by 8.8% to 2013 and continue to set new records in 2014.**

More exports: More business activity

Trend in business activity

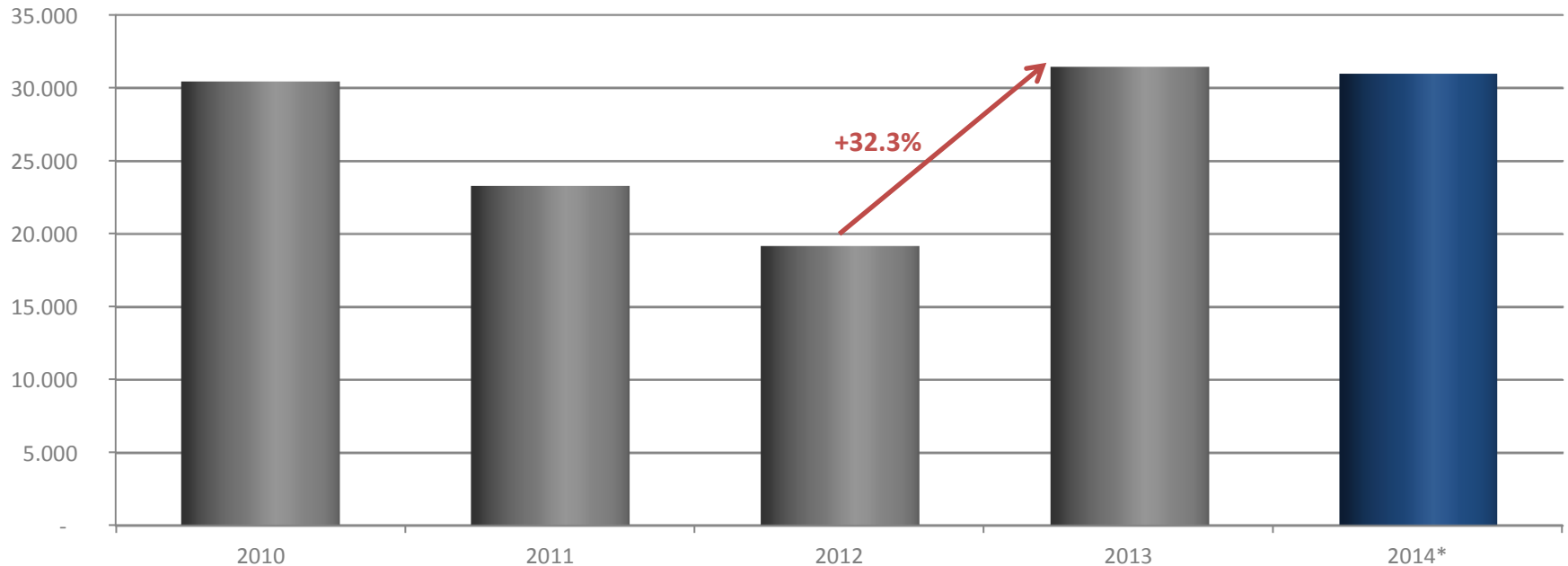


Source: Ministry of Economic Affairs and Competition. Purchasing Managers Index (PMI).

The internationalisation of Spanish companies has enabled a reactivation in production and, today, **business activity is close to its highest levels** before the crisis. Both the industrial and trade PMI are expanding, which helps boost investment.

More business activity: More investment

Trend in direct foreign investment (M€)

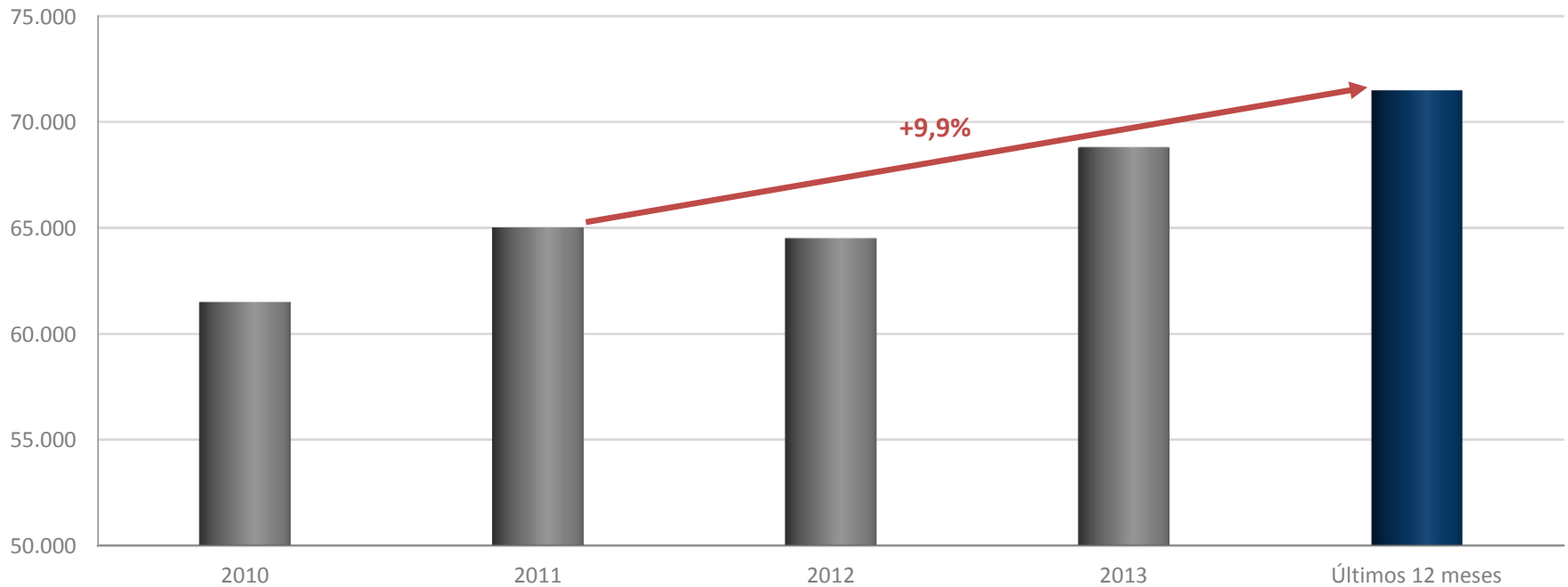


Source: Bank of Spain. 2014: Last 12 months (September to September).

Direct foreign investment shows renewed confidence in Spain. Gross investment grew by over 32% in 2013 and Spain became the **ninth country in the world in terms of inbound investment**. This trend is being maintained in 2014.

More investment: More companies

Trend in new companies

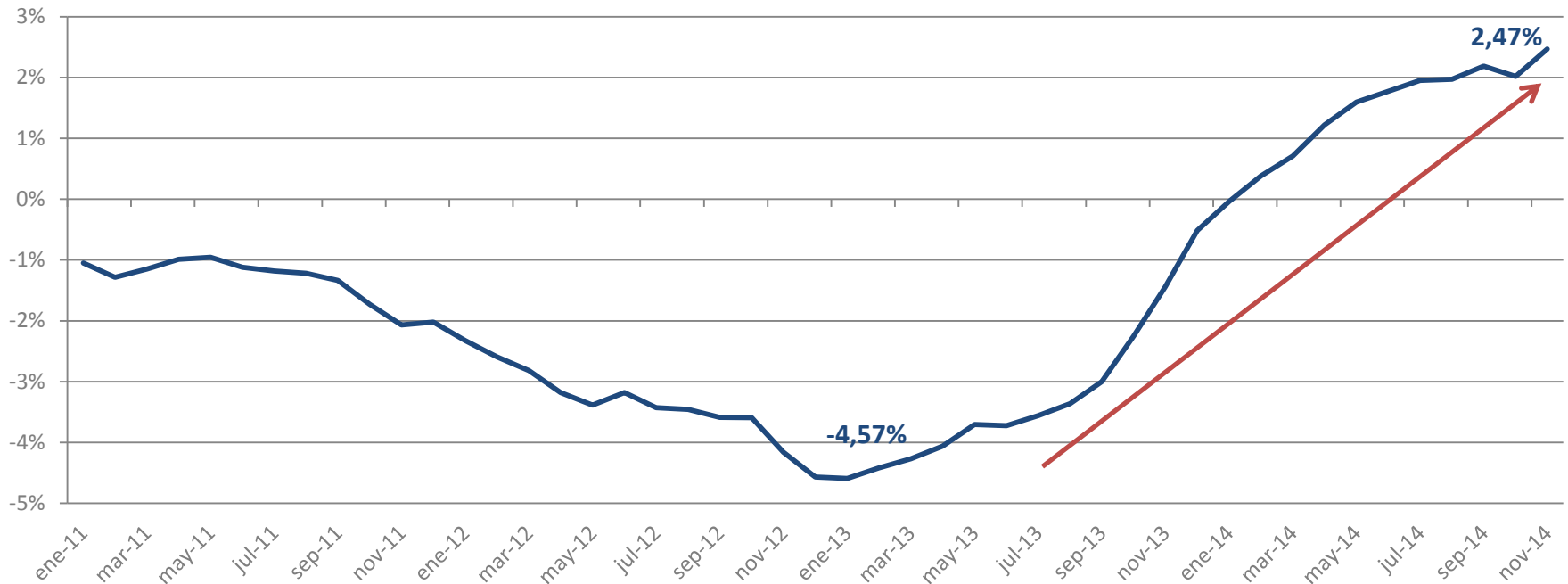


Source: Spanish National Statistics Institute (INE). Mercantile companies.

Investment translates into more companies and more competitiveness. In the last 12 months, the number of new companies has grown by 71,500. Net creation of companies rose by over 4% when compared with a year ago and by almost 10% on 2011.

More companies: More employment

Trend in National Insurance contributors

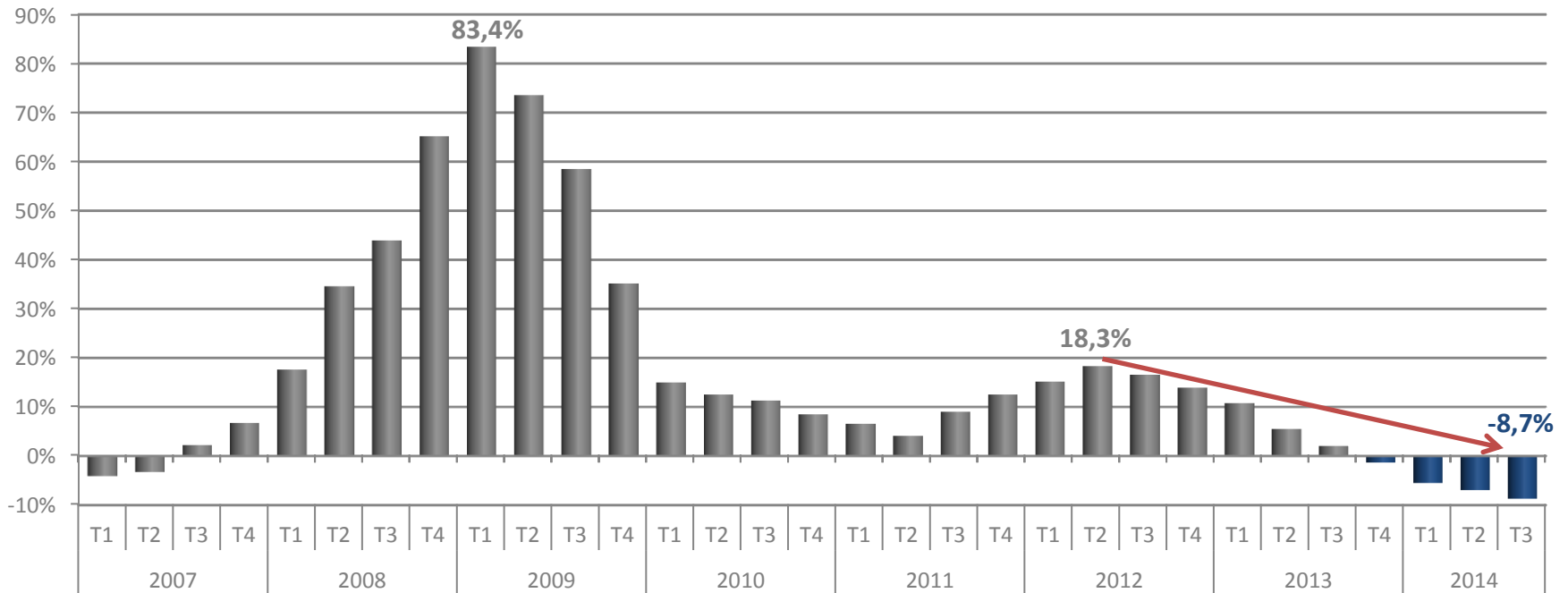


Source: Ministry of Employment and Social Security.

In the second and third quarters of this year, **550,000 jobs** were created in Spain in Labour Force Survey (EPA) terms. Furthermore, the number of **National Insurance contributors** has grown by **2.5%** in the last 12 months, i.e. by over 400,000 people. The figure for November is the **best since records began** and **2014 will close as the best year for employment since the start of the crisis.**

More employment: Less unemployment

Trend in unemployment

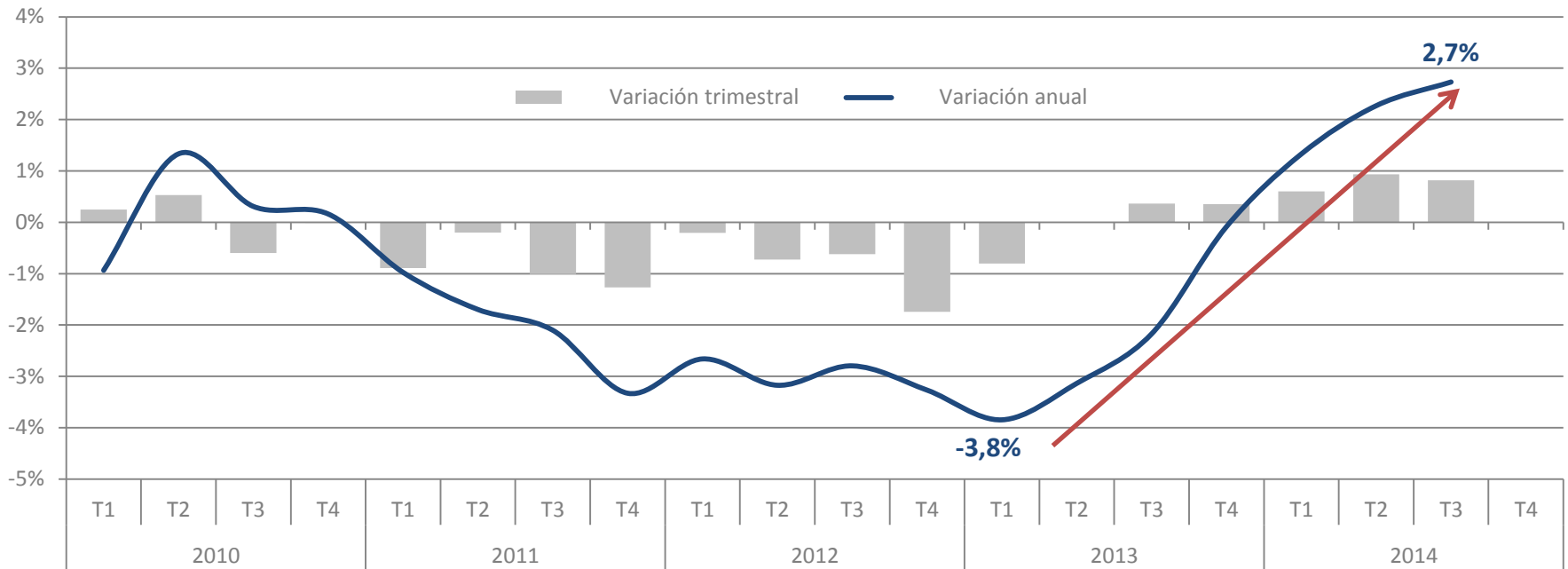


Source: National Statistics Institute. Year-on-year rates of change.

Improvements in the economic situation filter down to the labour market faster. The labour reform has produced a paradigm shift in unemployment, which at certain moments during the crisis climbed to 83% year-on-year. Today, unemployment is falling at a rate of 8.7%. Last year, **unemployment fell by over 500,000.**

Less unemployment: More well-being

Trend in household consumption

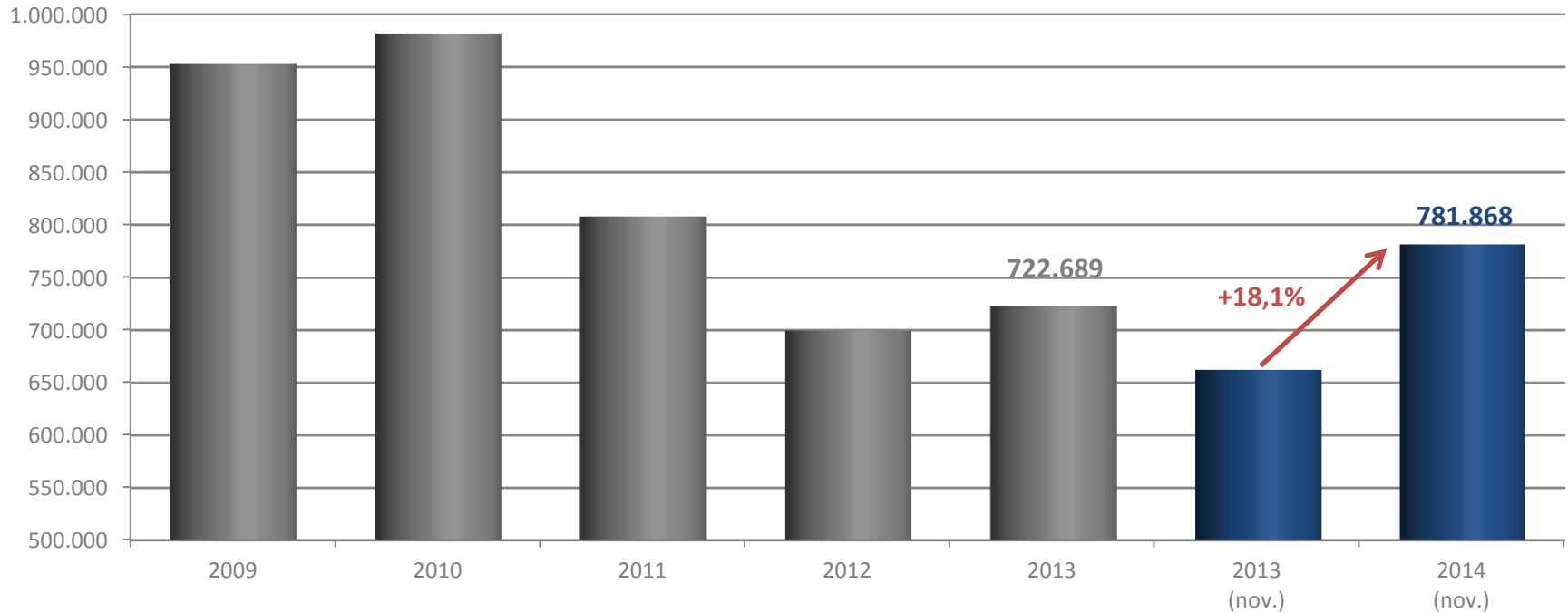


Source: National Statistics Institute. Accumulated volume index.

The job recovery is starting to be reflected in well-being for households. Household consumption has regained **strength** and is growing at pre-crisis levels. Private consumption rose in the third quarter of the year by 2.7% year-on-year, the **best figure in six years**.

More consumption: More well-being

New vehicle registrations

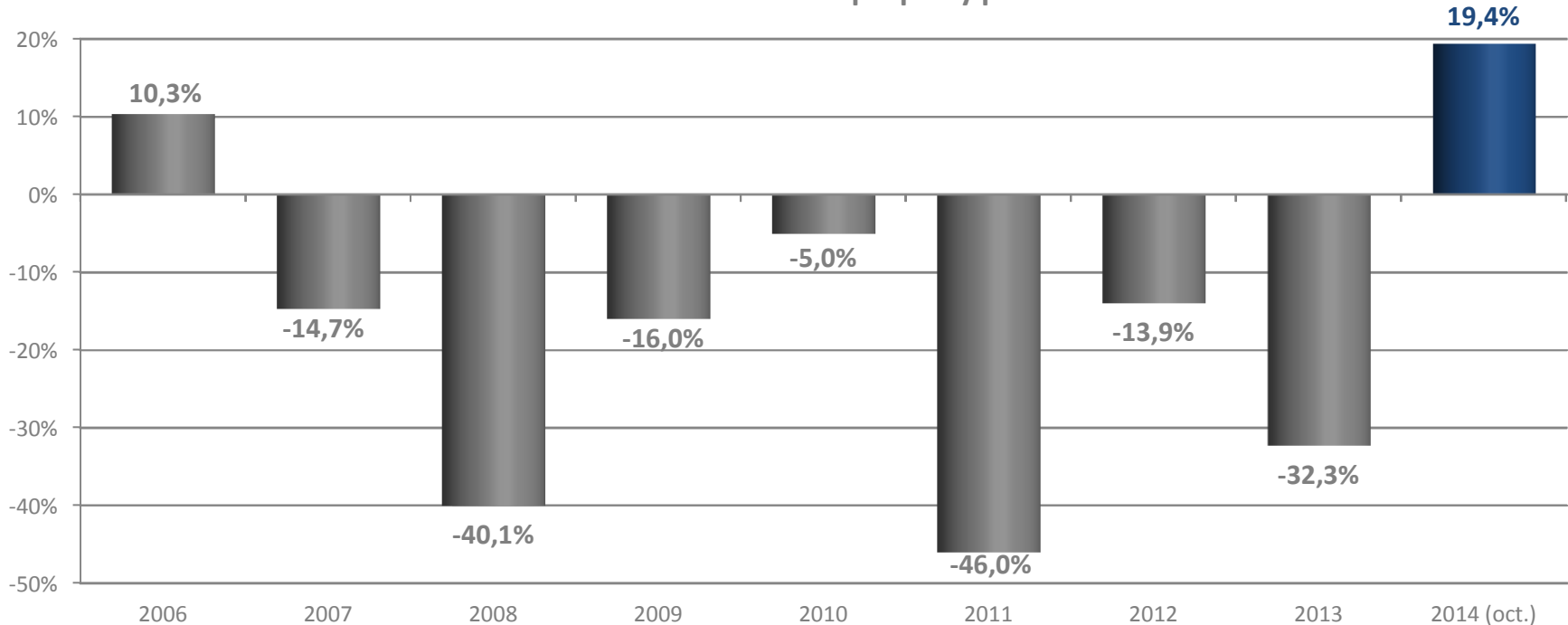


Source: ANFAC and the Directorate-General of Traffic.

After 69 straight months of falling **retail trade index** figures, this index began to grow slightly in September. **New vehicle registrations** to November 2014 grew by 18% and now exceed those registered in 2013.

More investment: More well-being

Trend in new loans for property purchase

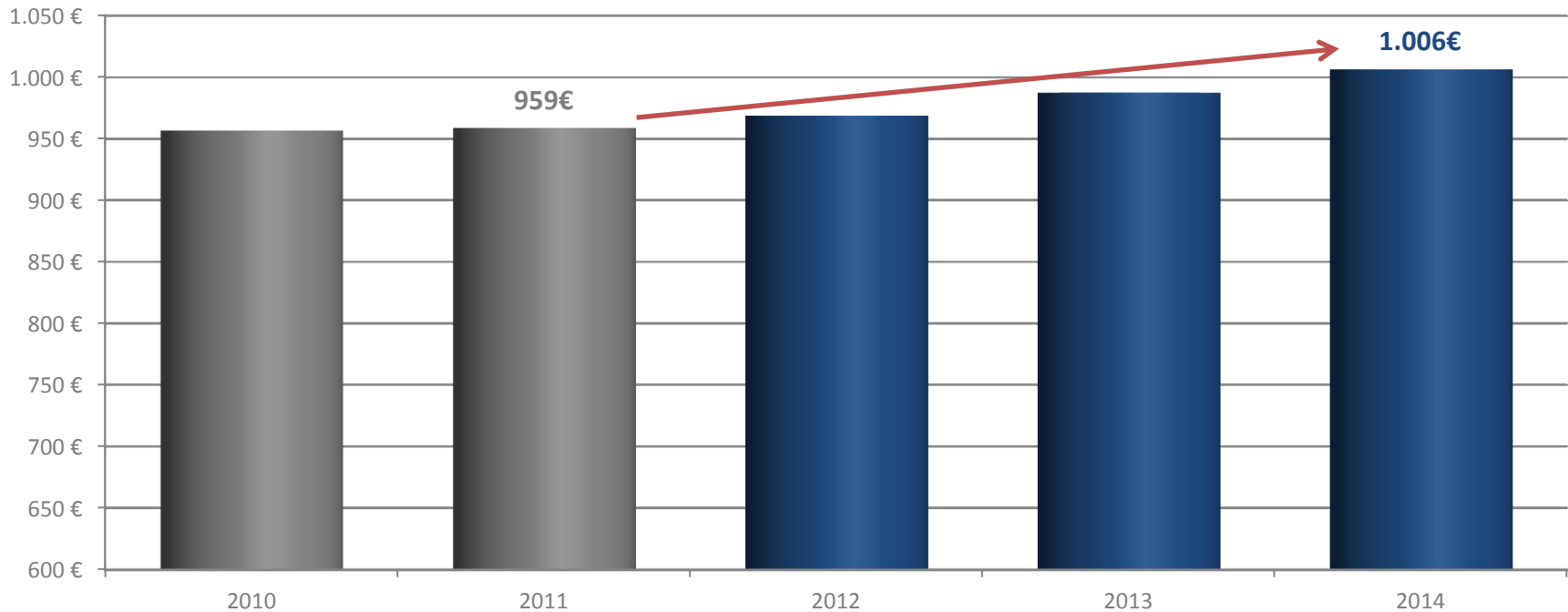


Source: Bank of Spain.

The general public is regaining confidence in the future and property purchases are picking up again. **After seven years of negative figures, new loans for the purchase of property will grow** in 2014 and post growth in October of almost 20%.

More pensions: More well-being

Average pension in real terms



Source: Ministry of Employment and Social Security. Constant euros in 2014.

A guarantee has been made to ensure pensions are not frozen or lowered. An increase of 0.25% was approved, which, within a context of falling prices (-0.4% in the CPI in November), **increases the purchasing power of pensioners.**

Less taxes: More well-being

Impact of the Tax Reform (M€)

Impact of the tax reform			
(M€)	2015	2016	Total
Personal Income Tax	-3,366	-2,615	-5,981
IS	-437	-2,641	-3,078
TOTAL	-3,803	-5,256	-9,059

Source: Ministry of the Treasury and Public Administration Services.

Efforts by the Government of Spain are focused on ensuring that the effects of the recovery quickly filter down to all households. The Tax Reform represents a **general tax decrease** (12.5%), but most benefits those people on the lowest incomes. **It will give Personal Income Tax and Corporate Income Tax payers 9 billion euros** more disposable income over two years.



GOBIERNO
DE ESPAÑA