

**INTRODUCTION**

The Spanish Treasury's third Investors Newsletter is divided into three main sections: i) the Funding Programme of the Treasury (the execution of the 2014 programme and issuance plans for 2015), ii) the recent evolution of economic indicators and iii) a section devoted to the Spanish labour market.

In 2014Q4 the Spanish economy grew by 0.7% QoQ, confirming its accelerating trend. As a result, in 2014 GDP grew by 1.4%, above the Government's estimate, and at the upper end of analysts' projections.

Employment increased in 2014, for the first time since the beginning of the crisis, and Spain's active population is stabilising into 2015. New credit (households, SMEs) is being restored.

The electronic version contains hyperlinks to sources and additional material. Please do not hesitate to contact the Spanish Treasury Team if you wish to unsubscribe from this Newsletter's distribution list.

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**Related Documents**

[Tesoro Público. Funding Strategy 2015](#)

[Tesoro Público. Investors Presentation](#)

[Spain: Draft Budgetary Plan](#)

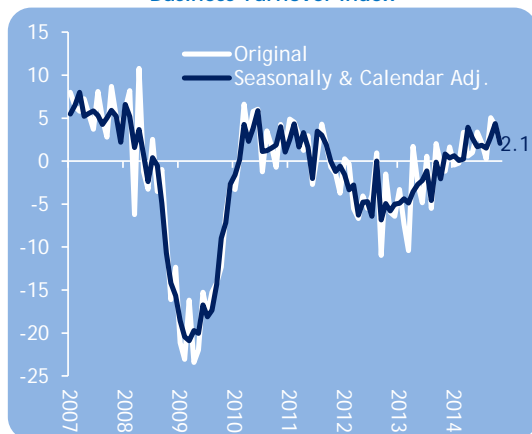
[Presentation of the Budget](#)

[Reforms undertaken. December 2014](#)

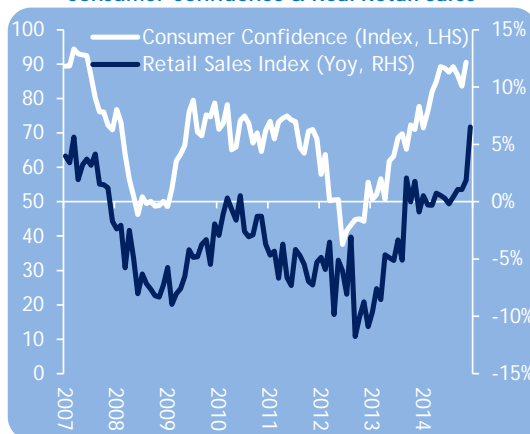
**RECENT INDICATORS**

The General Business Turnover Index increased by 2.1% yoy in November and Real Retail Sales increased by 6.5% yoy in December and continued with the upward trend initiated in 2012, in line with increasing consumer confidence & employment levels.

**Business Turnover Index**



**Consumer Confidence & Real Retail Sales**



The Spanish Treasury has successfully completed its 2014 funding programme.

In net terms, it has issued **55.641 billion euros**, combining negative net issuance of Letras del Tesoro (Treasury bills) of 10.413 billion euros, and a net medium- and long-term issuance of 66.054 billion euros.

In gross terms Tesoro Público has issued **241.333 billion euros**, of which 142.230 billion have been in medium- and long-term instruments, and 99.103 billion have been in Letras del Tesoro.

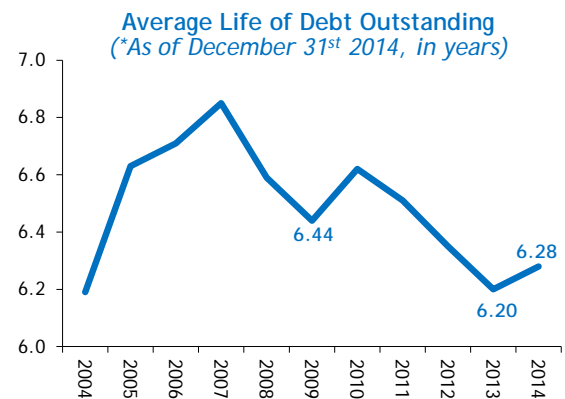
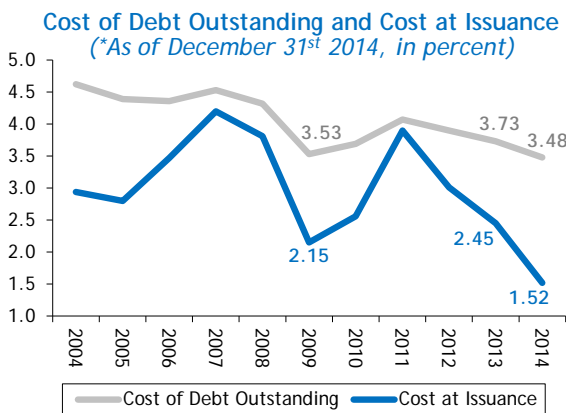
(in billion euros and in effective terms)	End 2013	Forecast Strategy Jan 2014	End 2014
Total Net Issuance	73,742	65,000	55,641
Total Gross Issuance	238,560	242,411	241,333
<i>Medium- and Long-term<sup>1</sup></i>			
Gross Issuance	130,298	133,324	142,230
Amortisation	62,318	68,324	76,176
Net Issuance	67,980	65,000	66,054
<i>Letras del Tesoro</i>			
Gross Issuance	108,262	109,087	99,103
Amortisation	102,500	109,087	109,516
Net Issuance	5,762	0	-10,413

<sup>1</sup> Includes debt in other currencies, Bonos and Obligaciones, assumed debts.

The average cost of issuing Spanish Central Government debt has fallen in 2014 by almost forty percent, from 2.45% at the end of 2013 down to 1.52% at the end of 2014.

This has lowered the average cost of the entire portfolio of outstanding Central Government debt, from 3.73% at the end of 2013 down to 3.48% on December 31<sup>st</sup> 2014. Both figures are the lowest in the Treasury's recent history.

Taking advantage of this development, the Kingdom of Spain has been able to maintain and even increase the average life of its outstanding portfolio, from 6.20 years at the end of 2013 up to the current 6.28 years.



**HIGHLIGHTS OF THE 2014 PROGRAMME**

**Active redemption management in 2014:** the Treasury has managed to reduce 2015 total redemptions for 2015 by 15.031 billion euros vs. the expectation at the start of 2014:

- Early redemption of 3.662 billion euros bought back in a switch syndication.
- Refinancing 10.413 billion euros of maturing Letras by issuing medium- and long-term bonds.

**New programme of Euro Area inflation-linked Bonos and Obligaciones del Estado:** two references were launched in 2014 via syndication.

**THE FUNDING PROGRAMME FOR 2015**

The net funding target will be 55 billion euros, practically identical to that of 2014. This target includes the enhanced liquidity mechanisms for Regions & Local Governments put in place in 2015.

Despite having to deal with significantly higher redemption payments of medium- and long-term instruments, total gross funding will be below 2014s.

(in billion euros and in effective terms)	Pro Memoria: End 2014	2015 Strategy
Total Net Issuance	55,641	55,000
Total Gross Issuance	241,333	239,369
<i>Medium- and Long-term<sup>1</sup></i>		
Gross Issuance	142,230	141,996
Amortisation	76,176	91,996
Net Issuance	66,054	50,000
<i>Letras del Tesoro<sup>2</sup></i>		
Gross Issuance	99,103	97,373
Amortisation	109,516	92,373
Net Issuance	-10,413	5,000

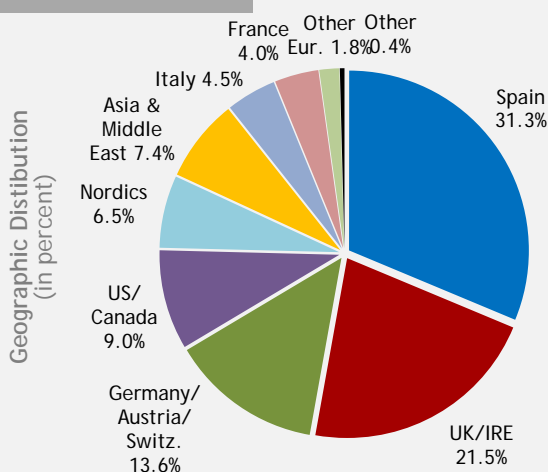
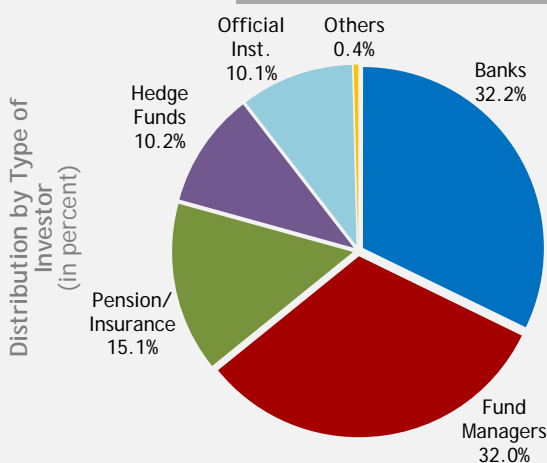
**AUCTIONS**

Ordinary auctions are defined as those that are summoned and held according to the usual schedule [published at the beginning of every year](#). As a general rule, with a few exceptions to adapt the schedule to official holidays, **Bonos and Obligaciones** auctions take place on the **first and third Thursday** of every month, whereas auctions of **Letras del Tesoro** occur on the **third Tuesday** (6- and 12- month bills) and **fourth Tuesday** (3- and 9-month bills) of every month.

This year, the Treasury plans to include **inflation-linked Bonos and Obligaciones** to the **first auction of some months**. When these securities are included, they will be announced and auctioned at the same time as other nominal references. In these cases, two separate indicative issuance ranges will be published. The Spanish Treasury intends to hold at least one auction of Euro Zone inflation-linked securities every quarter.

The expected issuance amount in ordinary auctions will be inside the published range, depending on of the structure of bids, demand conditions, the amount outstanding of each bond and the State's funding needs.

**SYNDICATED ISSUANCE IN JANUARY 2015**

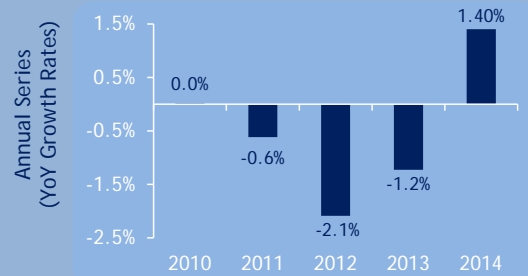
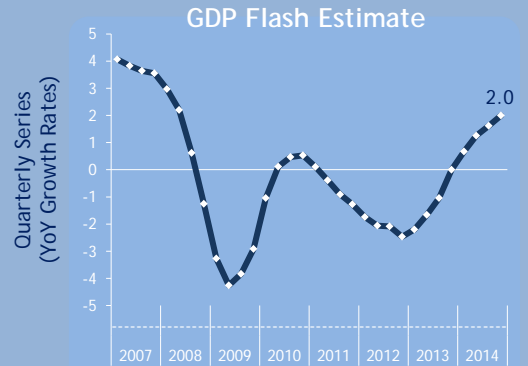


The National Statistics Institute's flash GDP estimate is that 2014Q4 GDP growth was 0.7% (QoQ), confirming its accelerating path.

It is the sixth consecutive quarter of positive growth and, on average, in 2014 output grew by 1.4% YoY.

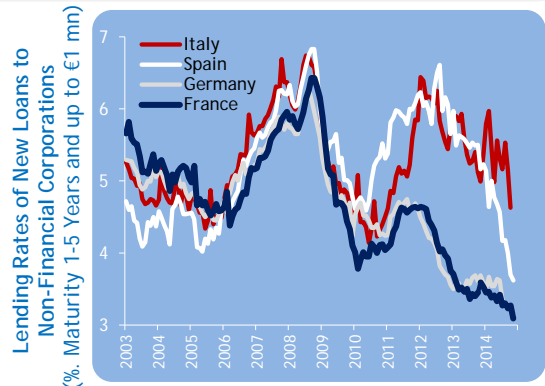
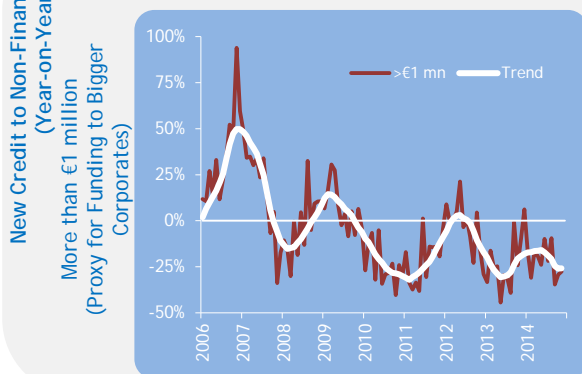
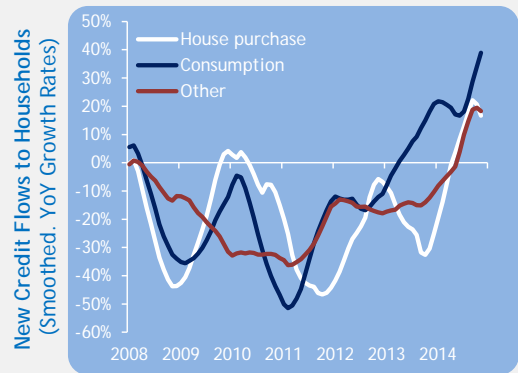
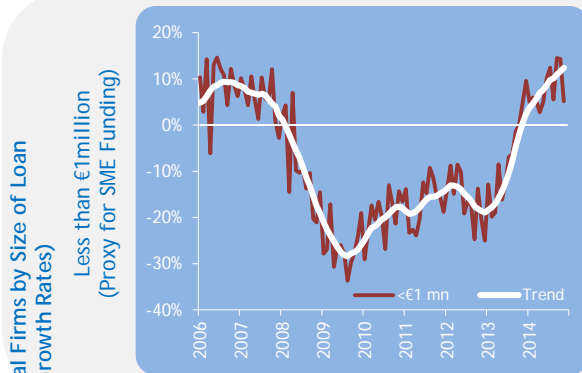
In parallel, SME funding conditions and new credit flows to households and SMEs continued to improve. Loans for up to €1 million are growing by more than 10% YoY. Lending rates for up to €1 million have fallen very significantly in 2014 and are now much closer to core country levels.

Household loans for home and consumption purchases are growing since mid-2014.



Source: National Statistics Institute.

RECENT TRENDS IN LENDING TO FIRMS & HOUSEHOLDS



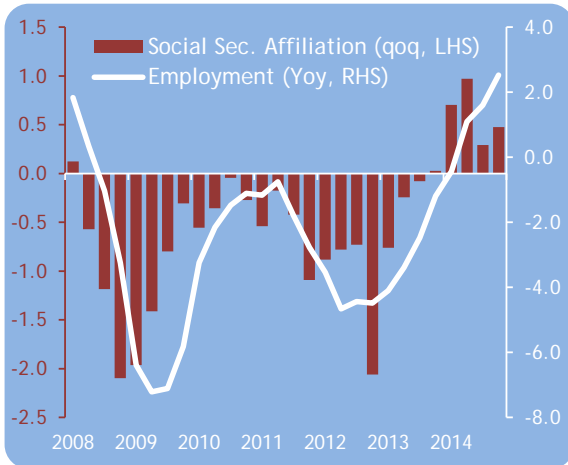
Sources: Bank of Spain & ECB.

According to the Labour Force Survey for 2014Q4, employment recorded a y-o-y growth rate of 2.5%, an increase of 433,900 persons in the last twelve months (415,700 persons in the private sector 18,100 in the public sector). The unemployment rate is currently 23.7%.

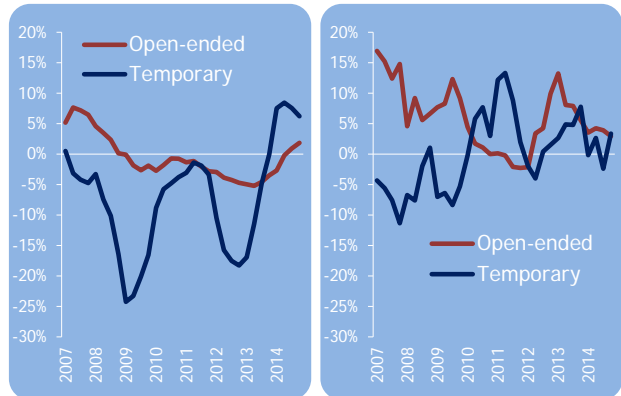
This year, employment increases in Services (344,200 persons), Industry (98,000 persons) and Construction (40,000 persons). Employment in agriculture continued to decline (48,400 persons).

For the first time since 2008, permanent, full-time employment is increasing.

Employment (YoY growth rate) and Social Security Affiliation (QoQ Growth Rate)

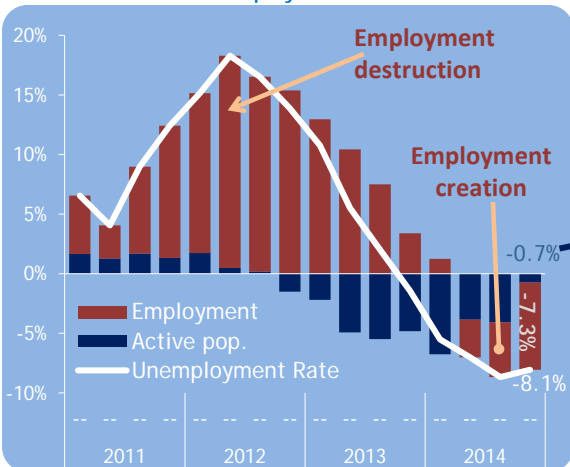


YoY growth rate of Employment by Type of Contract

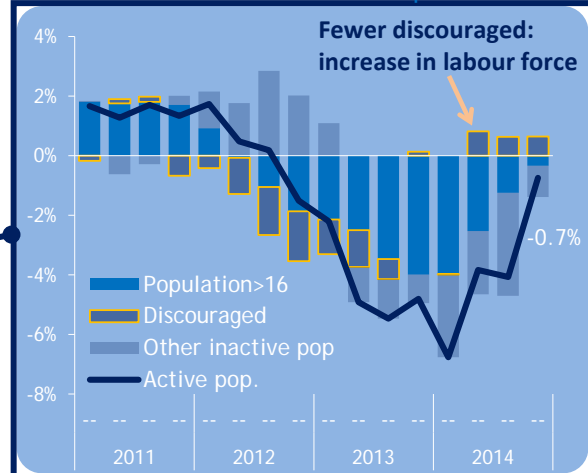


- ▶ The fall in the unemployment rate is now mainly explained by employment creation and not by a decline in the active population, unlike in late 2013.
- ▶ The active population is now stabilising for the first time since end 2012, due to previously discouraged workers returning to the labour force.

Breakdown of the Growth Rate of Unemployment into Changes in its Components: Active Population and Employment



Breakdown of the Growth Rate of Active Population into Changes in its Components: Population, Discouraged Workers and Other Inactive Population



Positive impact of employment: employment destruction.  
Negative impact of active population: reduction in active population.

Discouraged population is defined as the inactive population due to the belief it wouldn't find a job even if it were to search actively for one.

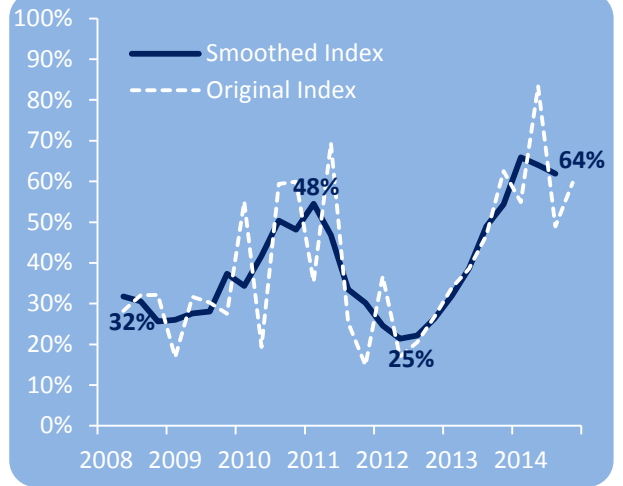
Source: National Statistics Institute.

Employment creation is broad-based across a series of economic branches and spreading through secondary and tertiary sectors.

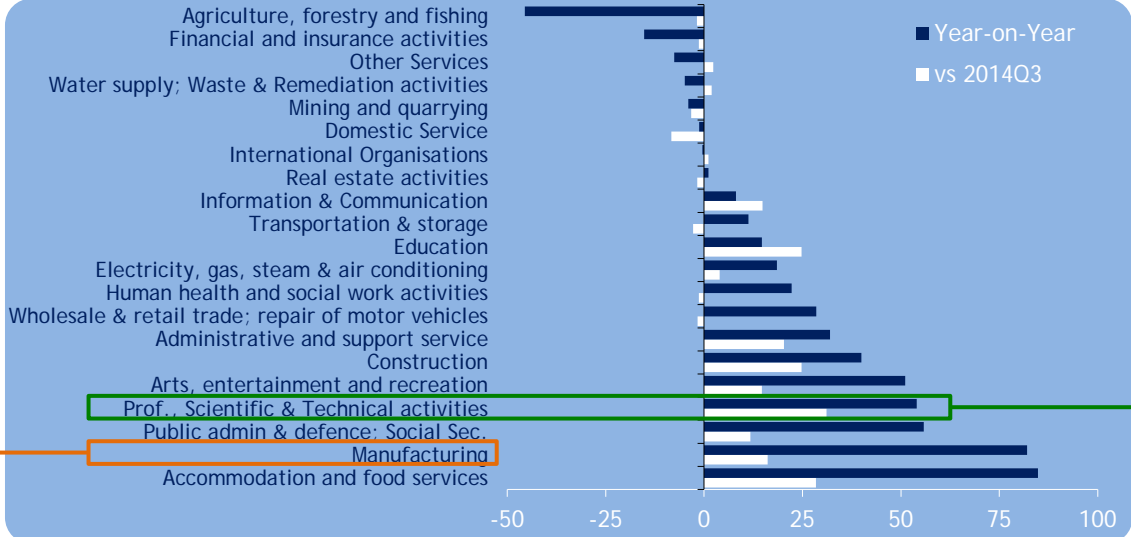
In 2014 the improvement has been especially intense not only in Accommodation Services but also in Professional, Scientific and Technical activities, especially Architecture and Engineering.

The Manufacturing sector is also growing very significantly, especially in Leather & Shoe products, Paper, Tobacco, Motor Vehicles and Chemicals.

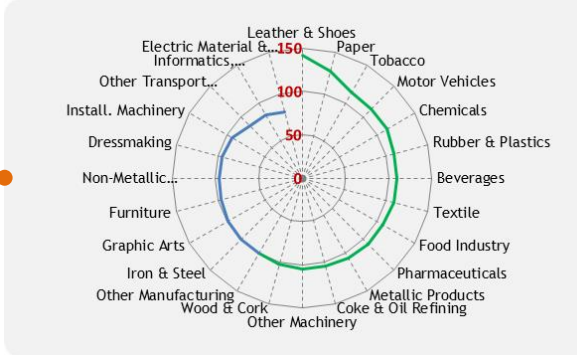
Weighted Average Percentage of Branches of Economic Activity with Positive QoQ Employment Growth



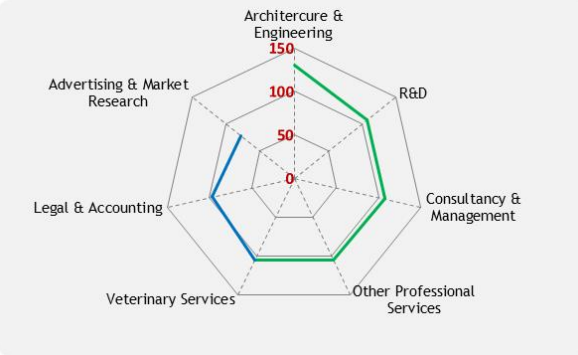
Recent Evolution of Employment by Branch. Labour Force Survey. (In Thousands of Persons)



Recent Evolution of Employment by Branch. Manufacturing Sector (Index 2013Q4=100)



Recent Evolution of Employment by Branch. Professional, Scientific & Technical Activities (Index 2013Q4=100)



— More employment — Less or equal employment

Source: National Statistics Institute.

	January	February	March	April
<b>National Accounts</b>				
<a href="#">Annual National Accounts</a>			First Estimate 2014	
<a href="#">Quarterly National Accounts</a>		26/Feb (Q4/14)		
<a href="#">Quarterly National Accounts (Flash)</a>	30/Jan (Q4/14)			30/Apr (Q1/15)
<a href="#">Quarterly Non-Financial Accounts</a>	8/Jan (Q3/14)		30/Mar (Q4/14)	
<a href="#">Quarterly Financial Accounts</a>				
<b>Deficit and Debt</b>				
<a href="#">Consolidated Deficit. Excl. Local Gov.</a>	27/Jan (Nov/14)		31/Mar (Dec/14)	
<a href="#">Deficit of the Public Administrations</a>			31/Mar (Q4/14)	
<a href="#">Tax Collection</a>			31/Mar (Dic/14-Feb/15)	28/Apr (Mar/15)
<a href="#">EDP Debt</a>				30/Apr (Q4/14)
<b>Labour Market</b>				
<a href="#">Labour Force Survey</a>	22/Jan (Q4/14)			23/Apr (Q1/15)
<a href="#">Economically Active Population Flow</a>	22/Jan (Q4/14)			23/Apr (Q1/15)
<a href="#">Harmonised Labour Cost Index</a>			10/Mar (Q4/14)	
<a href="#">Social Security Affiliation</a>	5/Jan (Dec/14)	3/Feb (Jan/15)	3/Mar (Feb/15)	2/Apr (Mar/15)
<a href="#">Registered Unemployment</a>	5/Jan (Dec/14)	3/Feb (Jan/15)	3/Mar (Feb/15)	2/Apr (Mar/15)
<b>Industry and Services</b>				
<a href="#">Industrial production Index</a>	9/Jan (Nov/14)	6/Feb (Dec/14)	6/Mar (Jan/15)	10/Apr (Feb/15)
<a href="#">Services Sector Activity Indicators</a>	20/Jan (Nov/14)	17/Feb (Dec/14)	24/Mar (Jan/15)	22/Apr (Feb/15)
<a href="#">Industrial New Orders</a>	20/Jan (Nov/14)	17/Feb (Dec/14)	24/Mar (Jan/15)	22/Apr (Feb/15)
<a href="#">Industry Turnover Index</a>	20/Jan (Nov/14)	17/Feb (Dec/14)	24/Mar (Jan/15)	22/Apr (Feb/15)
<b>External Sector</b>				
<a href="#">Balance of Payments (Monthly)</a>	30/Jan (Nov/14)	27/Feb (Dec/14)	31/Mar (Jan/15)	30/Apr (Feb/15)
<a href="#">Balance of Payments (Quarterly)</a>			31/Mar (Q4/14)	
<a href="#">International Investment Position</a>			31/Mar (Q4/14)	
<a href="#">Merchandise Exports</a>	16/Jan (Nov/14)	18/Feb (Dec/14)	20/Mar (Jan/15)	20/Apr (Feb/15)

Links to complete release calendars:



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