

**INTRODUCTION**

This newsletter focuses on the Treasury’s Funding Programme and on the GDP statistics released on February 26<sup>th</sup> by the National Statistics Institute.

More broad-based employment growth is supported by investment and private consumption, and very recently by a pick-up in external demand.

The current account balance posted its second year in surplus on heightened primary and secondary income surplus in the latter part of the year, and the resilience in exports.

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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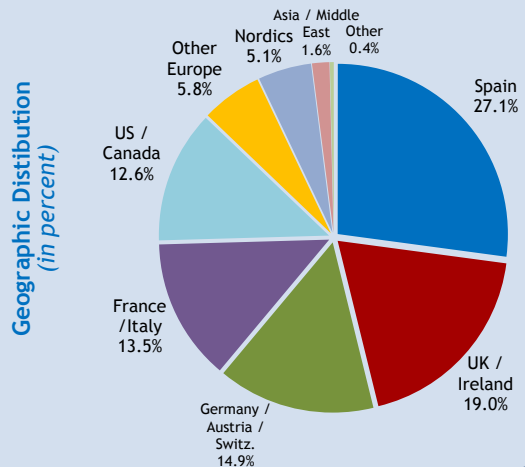
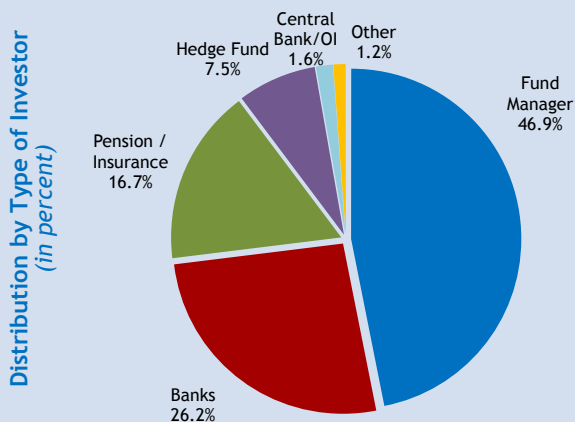
**Related Documents**

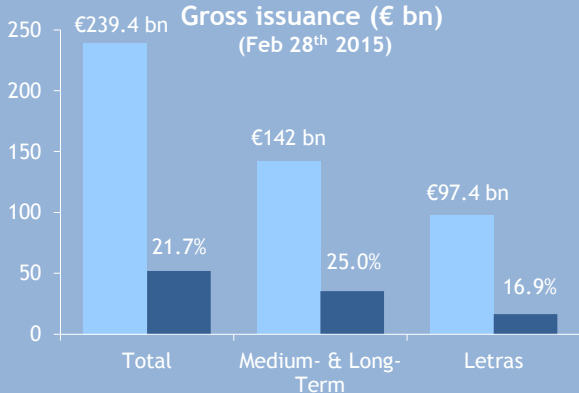
- [Tesoro Público. Funding Strategy 2015](#)
- [Tesoro Público. Investors Presentation](#)
- [Spain: Draft Budgetary Plan](#)
- [Presentation of the Budget](#)
- [Reforms undertaken. December 2014](#)

**SYNDICATED ISSUANCE IN FEBRUARY 2015**

The Kingdom of Spain priced, on the 25<sup>th</sup> of February, a new benchmark in the 15-year area, its first syndicated nominal issue in that segment since 2013.

The new EUR 7 billion SPGB due 30 July 2030 pays an annual coupon of 1.95% was priced at a spread of 100bps over mid swaps, implying a reoffer yield of 1.981%.

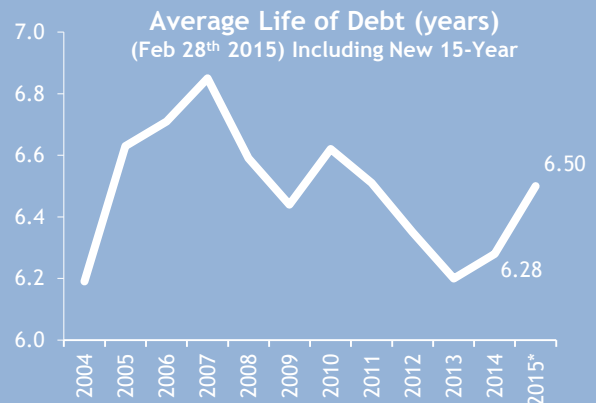
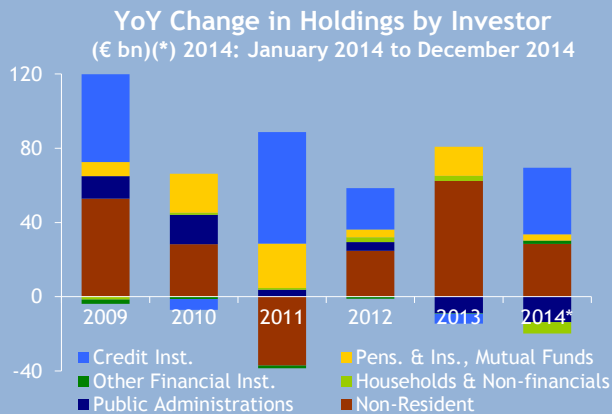
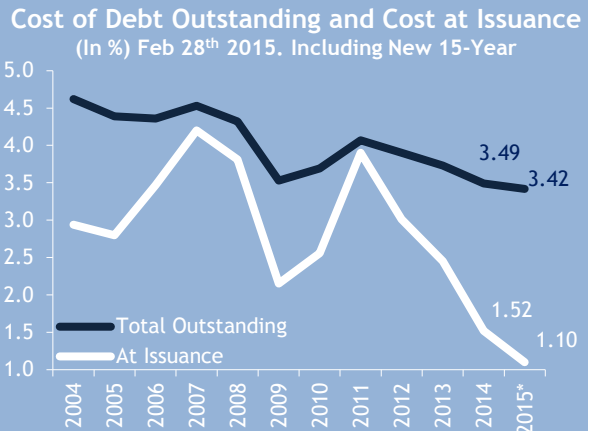
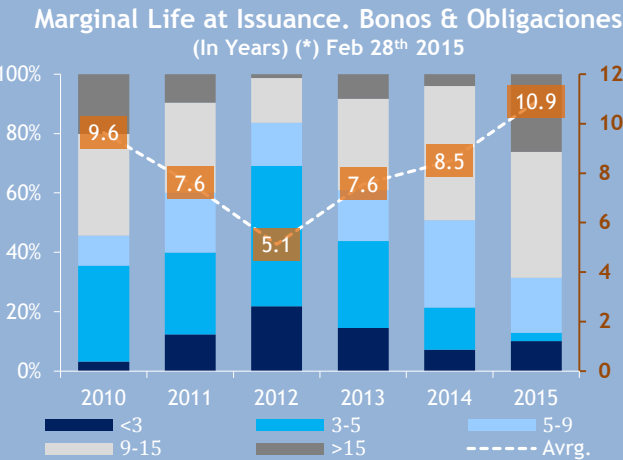
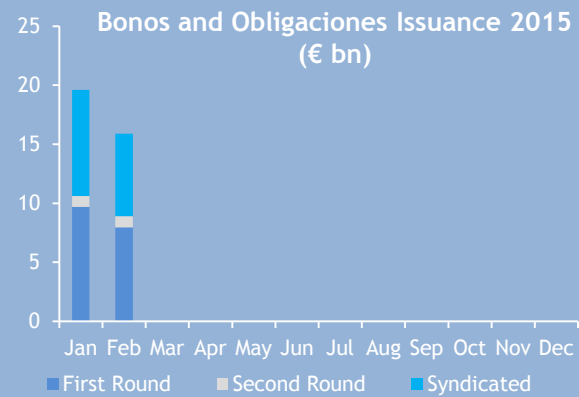




Up to February 28<sup>th</sup> the Spanish Treasury has funded €51.9 bn, representing 21.7% of the expected programme; €35.4 bn of the medium- and long-term gross issuance (25%), and €16.5 bn of its short-term programme (16.9%).

In 2015 the Spanish Treasury continues the trend of increasing the average life of its total portfolio; more than 87% of the total Bonos and Obligaciones issuance has had an initial maturity above 5 years, leaving the average maturity of new Bonos & Obligaciones issues, up to February 28<sup>th</sup>, in 10.9 years.

This feature continues accompanied by a reduction in the cost at issuance, which is pushing the cost of the total portfolio towards historical lows (1.1% and 3.42%, respectively).



In Q4 the Spanish economy grew by +2.0% yoy (+1.6% in Q3). National demand contributed 2.7pp, while external demand moderated its negative contribution on better exports in Q4 to -0.7pp. Most recent data point towards an upward revision in the Government's 2015 GDP growth forecasts.

**Supply Side: impulse in construction & services**

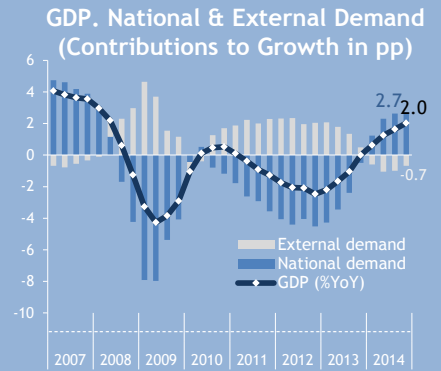
- Expansion in gross value added led by construction & services, particularly thanks to housing construction and professional activities.
- Taxes on products continued increasing despite the evolution of the GDP deflator.

**Demand Side: investment, private consumption & exports**

- Private consumption in line with employment creation and household confidence levels.
- Investment led by capital goods, especially transport equipment and machinery.
- Exports of services gathered renewed steam in Q4.

**Employment: broad-based expansion.**

- The number of full-time equivalent jobs accelerates to +2.4 yoy vs. 1.7% in the previous quarter. In the last year 392.000 full-time equivalent jobs have been created.

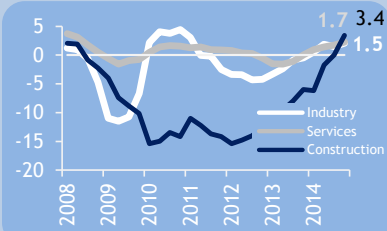


Source: National Statistics Institute.

MAIN AGGREGATES (Click on individual figures to enlarge)

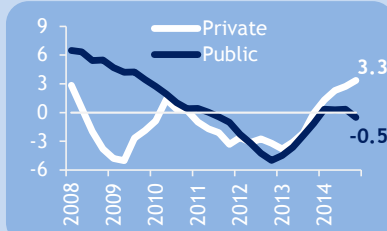
Supply-Side (yoy)

Gross Value Added



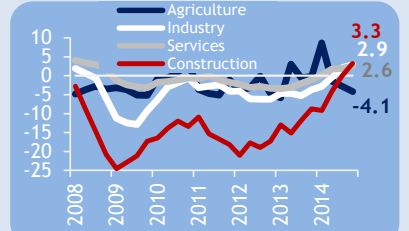
Demand-Side (yoy)

Private & Public Consumption

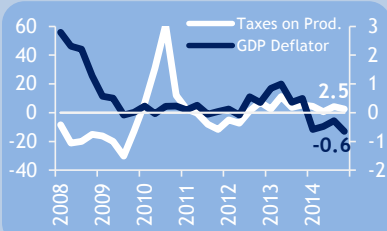


Employment (yoy)

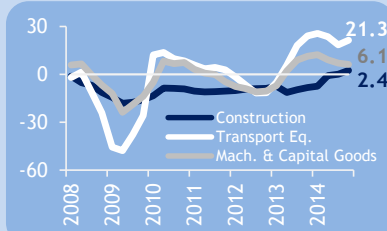
Full-Time Equivalent Employment



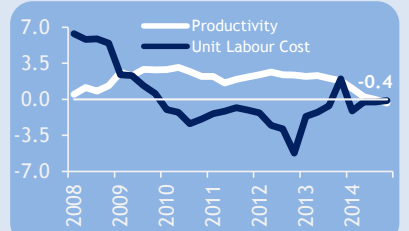
Net Taxes on Products vs. Deflator



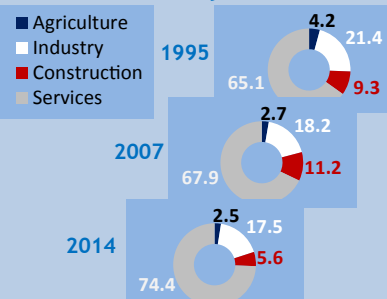
Gross Fixed Capital Formation



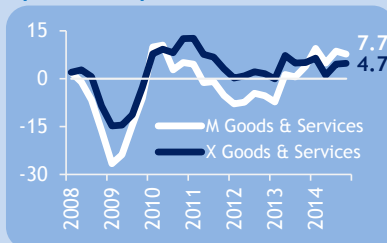
Unit Labour Costs & Productivity



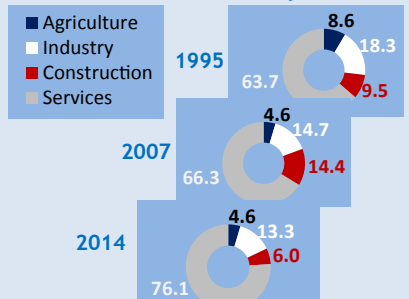
% of GVA by Sector



Exports & Imports. Goods & Services



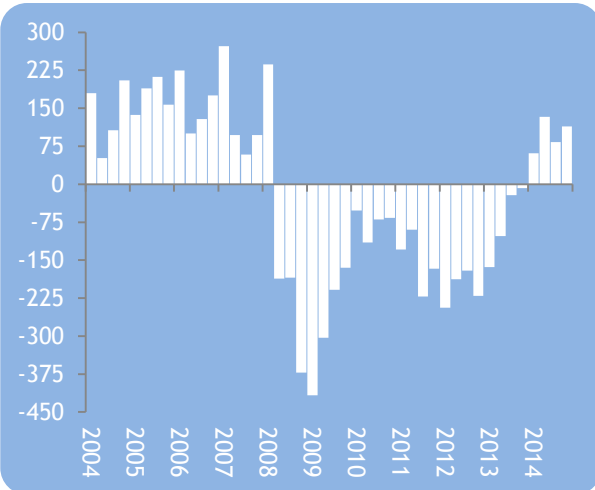
% of Hours Worked by Sector



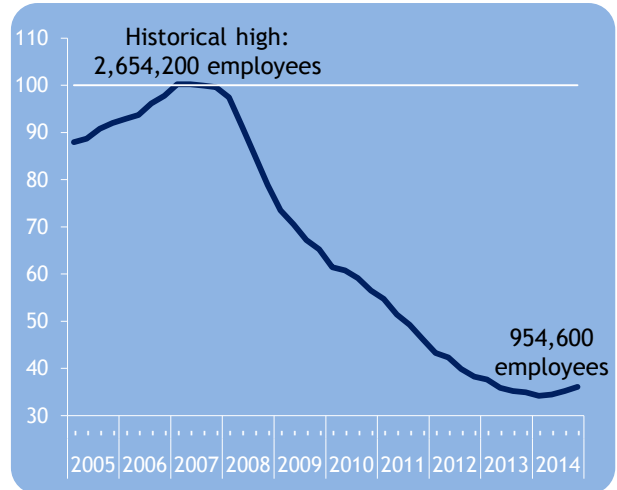
Source: National Statistics Institute.

For the first time since 2008, the Spanish economy has been able to generate employment. The construction sector has had a slight positive effect in the overall figures, but still remains well below 2007 levels.

**Evolution in Full-Time Equivalent Employment**  
(QoQ growth, Thousands of FTE Jobs)

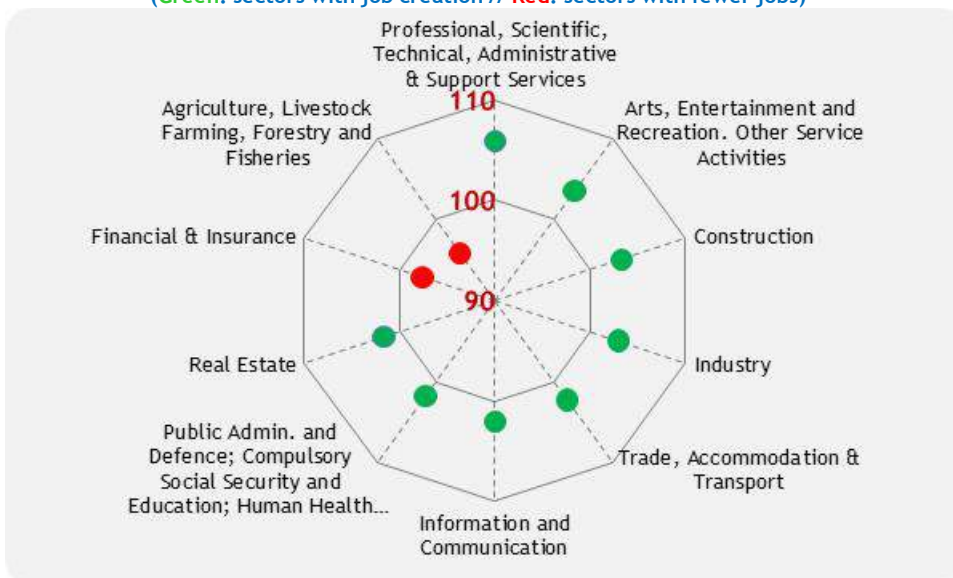


**Full-Time Equivalent Employment in the Construction Sector**  
(Index 2007=100)



- ▶ Expansion employment related to professional and tourism-related services, together with construction and industry, where employment reached its minimum level in 2014-Q1.
- ▶ Employment in the financial sector still declining, linked to the on-going capacity adjustment.
- ▶ The agricultural sector was negatively affected by weather and rain-fall conditions in 2014.

**Recent Evolution in Full-Time Equivalent Employment. Index 2013Q4=100**  
(Green: sectors with job creation // Red: sectors with fewer jobs)



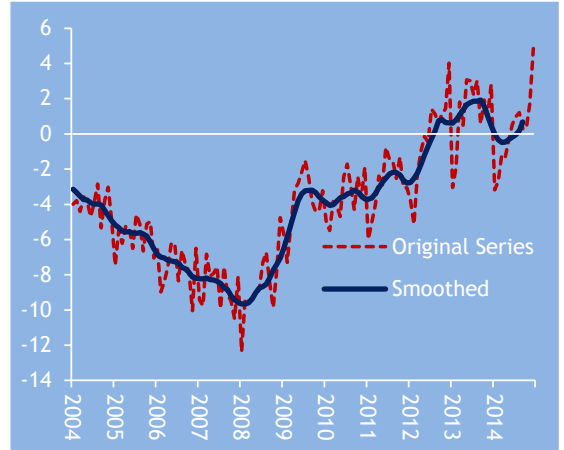
Source: National Statistics Institute.

During the first half of 2014 the current account registered a progressive deterioration linked to the high rate of growth of machinery and equipment goods but also to primary and secondary income.

Throughout the second half a more supportive trend in exports and the lower oil prices have enabled a positive balance for 2014 of 0.1 pp of GDP and a net lending capacity of 0.5 pp of GDP.

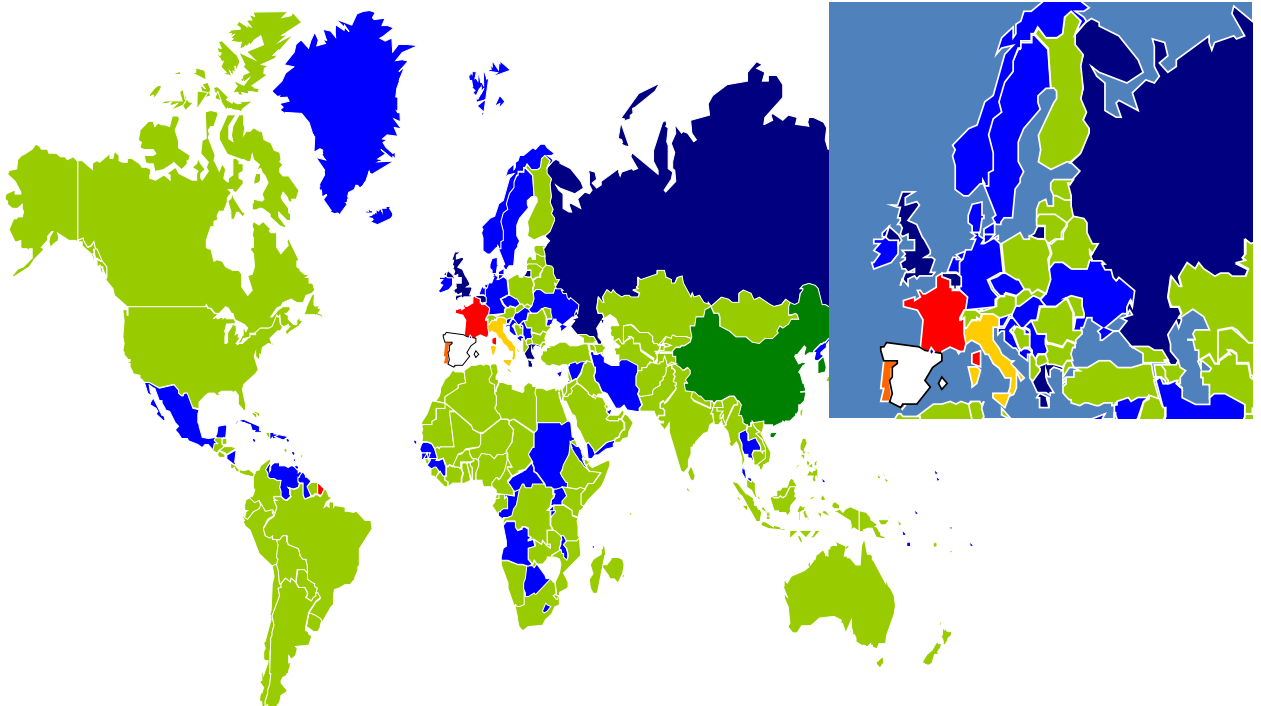
In December the current account registered the highest surplus and its seventh consecutive surplus in 2014 on higher primary and secondary income.

Current Account Balance. Monthly Data  
(€ Billion)



In a context of increasing exports diversification has played an important role. Increasing share of exports towards Africa, Asia, America and Oceania & lower export share of France, Portugal Italy and Russia.

Change in Share in Spanish Merchandise Exports since 2008



Sources: Bank of Spain and DataComex.

	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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### Contact details

Rosa María Sánchez-Yebra Alonso - General Secretary of the Treasury and Financial Policy  
[SecretariaGeneral@tesoro.mineco.es](mailto:SecretariaGeneral@tesoro.mineco.es)

José María Fernández Rodríguez - Director General of the Treasury  
[Directortesoro@tesoro.mineco.es](mailto:Directortesoro@tesoro.mineco.es)

Pablo de Ramón-Laca - Deputy Director, Head of Funding and Debt Management  
[SecretariaDeuda@tesoro.mineco.es](mailto:SecretariaDeuda@tesoro.mineco.es)

Leandro Navarro - Chief Economist, Funding and Debt Management  
[lnavarro@tesoro.mineco.es](mailto:lnavarro@tesoro.mineco.es)

José Miguel Ramos  
[jmramos@tesoro.mineco.es](mailto:jmramos@tesoro.mineco.es)

For more information please contact:  
Phone: 34 91 209 95 29/30/31/32  
Reuters: TESORO  
Bloomberg: TESO  
Internet: [www.tesoro.es](http://www.tesoro.es)