

INTRODUCTION

After posting a growth rate of 1.4% in 2014, GDP has continued accelerating. Preliminary data for the first quarter of 2015 point to 2.6% year-on-year growth, after seven consecutive quarters of positive growth, resulting in positive net job creation: +504,200 in the last twelve months.

This newsletter provides a brief summary of the Updated Stability Programme for 2015-2018, and also sheds some light on recent indicators of Construction and Real Estate Promotion activity.

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: Stability Programme Update](#)

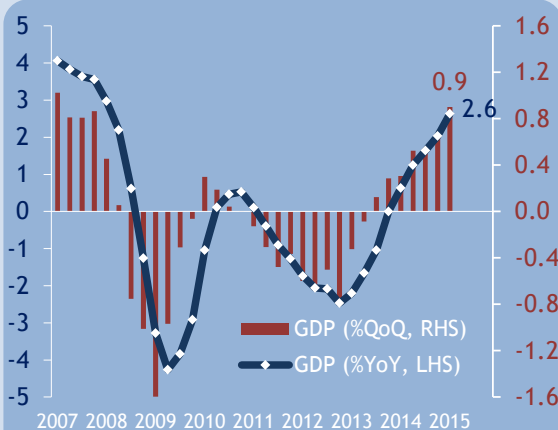
[Spain: National Reform Programme](#)

[General Government Balance 2014](#)

RECENT GDP ESTIMATES

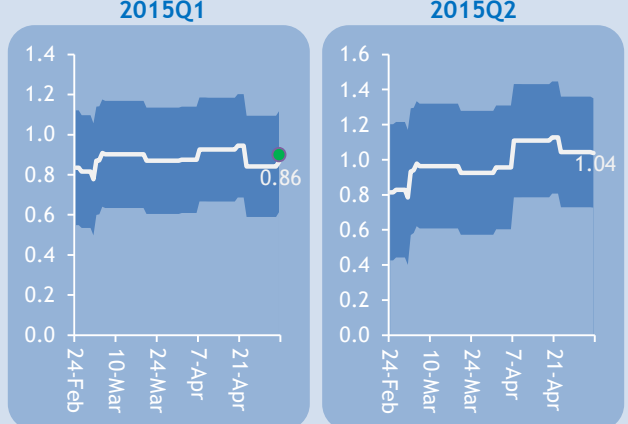
The flash GDP estimate for 2015Q1 released today by the National Statistics Institute reflects an acceleration in GDP growth to 0.9% QoQ, and 2.6% YoY.

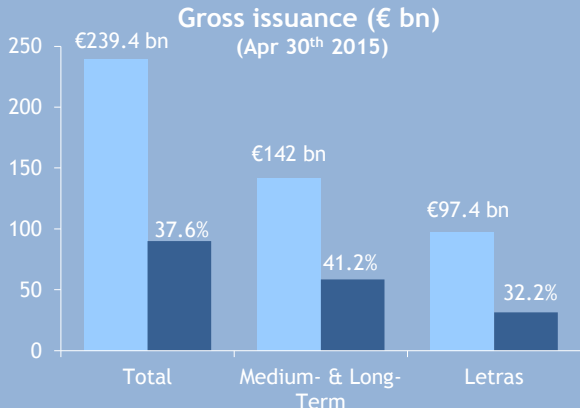
GDP
(YoY Growth Rate LHS and QoQ Growth Rate RHS)



Sources: National Statistics Institute and [AIReF](#).

AIReF Real-time GDP Estimates
(QoQ Growth Rate)

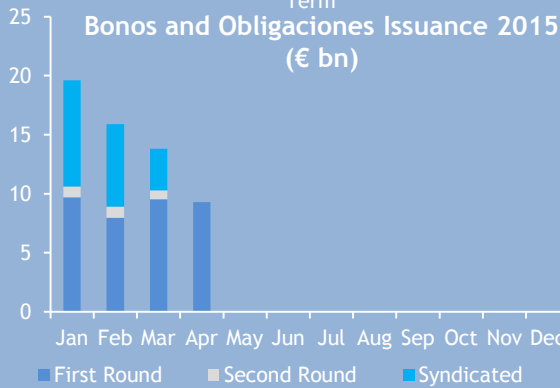




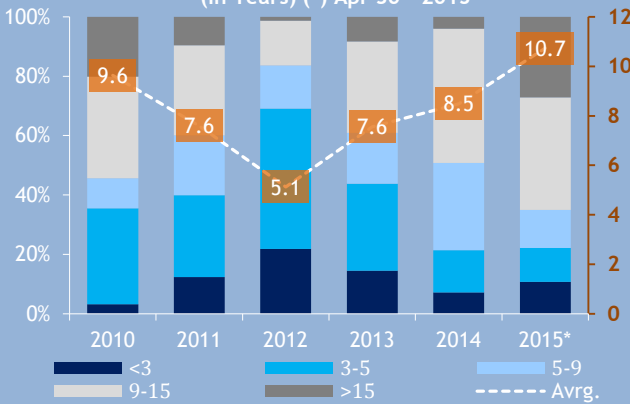
Up to April 30th the Spanish Treasury has funded €89.9 bn, representing 37.6% of the expected programme; €58.5 bn of the medium- and long-term gross issuance (41.2%), and €31.4 bn of its short-term programme (32.2%).

In 2015 the Spanish Treasury continues gradually increasing the average life of its total portfolio (to 6.68 years); more than 75% 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 April 30th at 10.7 years.

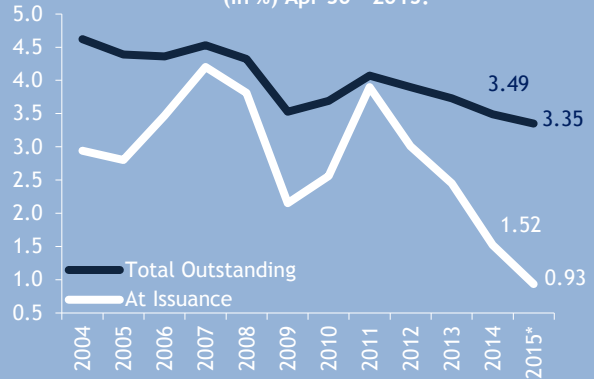
At the same time, the cost of issuance has diminished, pushing down the cost of the total portfolio towards historical lows (0.93% and 3.35%, respectively).



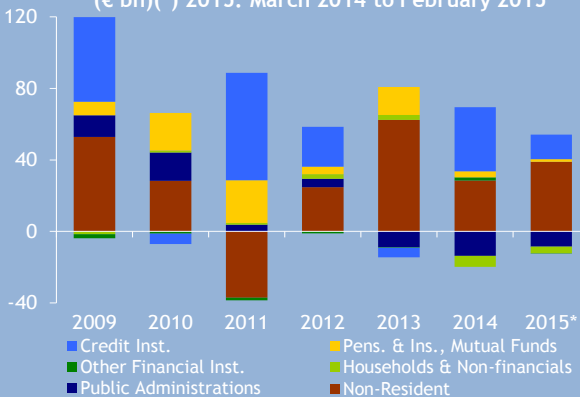
Marginal Life at Issuance. Bonos & Obligaciones
(In Years) (*) Apr 30th 2015



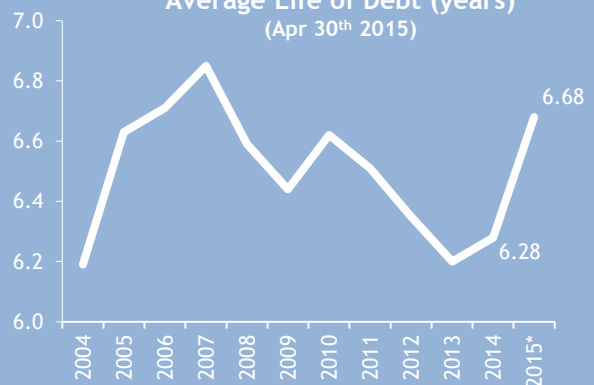
Cost of Debt Outstanding and Cost at Issuance
(In %) Apr 30th 2015.



YoY Change in Holdings by Investor
(€ bn)(*) 2015: March 2014 to February 2015



Average Life of Debt (years)
(Apr 30th 2015)



On April 30th the macroeconomic scenario for 2015-2018 has been presented at the Council of Ministers.

- Acceleration of GDP to 2.9% YoY in 2015 & 2016 and 3.0% in 2017 & 2018; private consumption and investment to exert the initial push.
- Unemployment rate forecasted to break below the 20% barrier by 2016 and reach an average of 15.6% by 2018; +2.100.000 net jobs to be created in the forecast horizon.
- Increase in net Lending to the Rest of the World to progressively reduce the Net International Investment Position.
- Unit labour costs projected to increase at a rate close to or below GDP deflator underpins productivity growth.

Macroeconomic scenario (YoY growth rates in percent)					
	2014	2015	2016	2017	2018
Private consumption expenditure	2.4	3.3	2.9	2.7	2.5
General Government consumption expenditure	0.1	0.1	0.1	1.0	1.5
Gross Fixed Capital Formation	3.4	6.3	5.8	5.9	5.9
National Demand*	2.1	3.2	2.9	3.0	2.9
Exports of goods and services	4.2	5.4	6.0	5.8	5.7
Imports of goods and services	7.6	6.7	6.4	6.3	6.2
External demand*	-0.8	-0.2	0.1	0.0	0.1
Gross Domestic Product	1.4	2.9	2.9	3.0	3.0

(* Contributions to GDP in p.p)

Other macroeconomic variables					
	2014	2015	2016	2017	2018
Unemployment rate (in %)	24.4	22.1	19.8	17.7	15.6
Full-time Equiv. Employment (YoY Growth)	1.2	3.0	3.0	2.9	2.9
Unit Labour costs (YoY Growth)	-0.4	0.3	1.1	1.3	1.4
Net lending(+)/borrowing(-) with RoW (% of GDP)	1.0	1.7	1.8	1.6	1.4
GDP deflator (YoY Growth)	-0.5	0.6	0.9	1.2	1.6
Deficit Excl. Financial Sector One-Offs (in % of GDP)	-5.7	-4.2	-2.8	-1.4	-0.3
Primary Deficit(-)/Surplus(+) Excl. Financial Sector	-2.4	-1.1	0.1	1.2	2.2
Debt/GDP ratio (in % of GDP)	97.7	98.9	98.5	96.5	93.2

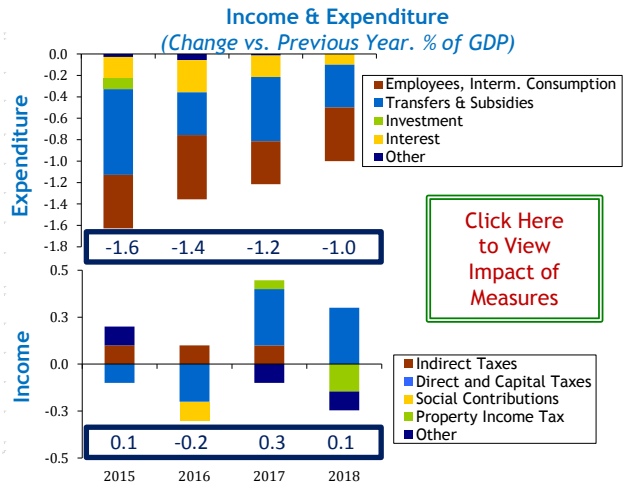
Underlying assumptions					
	2014	2015	2016	2017	2018
USD/€ exchange rate	1.3	1.1	1.1	1.1	1.1
World GDP growth, excl. EU (YoY Growth)	3.7	4.0	4.4	4.5	4.6
World Import Volume, excl. EU (YoY Growth)	2.1	3.9	5.2	5.5	6.0
Spanish Export Market Growth (YoY Growth)	2.4	3.8	4.9	5.2	5.4
Euro Area GDP growth (YoY growth)	0.9	1.5	1.9	2.1	2.2
Oil prices (Brent, USD/barrel)	99.4	61.5	68.8	68.8	68.8

Source: Ministerio de Economía y Competitividad.

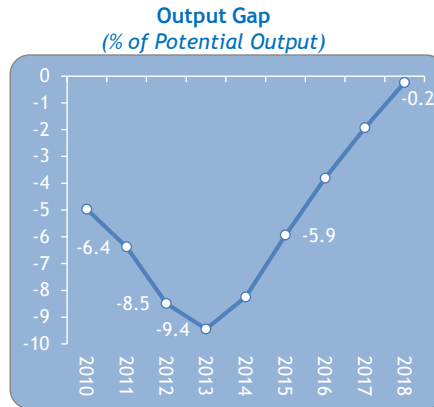
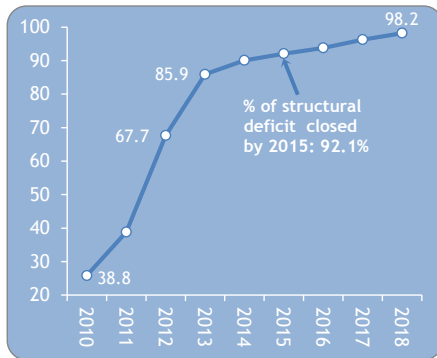
2015 & 2016 deficit targets of 4.2% and 2.8%, respectively, in line with European Council Recommendations. Despite leaving the Excessive Deficit Protocol, structural adjustment is set to continue in the forecast horizon → no fiscal relaxation. By 2015 92.1% of the structural adjustment will be carried out.

Net Lending(+)/Borrowing(-). (% of GDP). Excl. Financial Sector One-Offs	2014	2015	2016	2017	2018
Central Government	-3.50	-2.9	-2.2	-1.1	-0.2
Autonomous Regions	-1.66	-0.7	-0.3	-0.1	0.0
Local Governments	0.53	0.0	0.0	0.0	0.0
Social Security Administrations	-1.06	-0.6	-0.3	-0.2	-0.1
General Government	-5.69	-4.2	-2.8	-1.4	-0.3

Cyclical Evolution. Including Financial Sector One-Offs	2014	2015	2016	2017	2018
Cyclical Balance	-4.5	-3.2	-2.1	-1.0	-0.1
Cyclically Adjusted Balance	-1.3	-1.0	-0.7	-0.4	-0.2
Structural Balance	-0.9	-0.7	-0.6	-0.3	-0.2
Primary Structural Balance	2.4	2.3	2.3	2.3	2.3



Reducing the Structural Deficit
(Cumulative % of Structural Deficit Reduction)

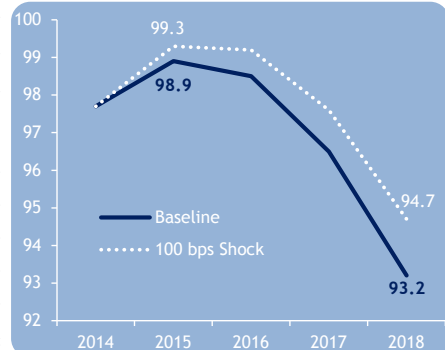


Debt to GDP ratio set to peak in 2015 at 98.9%. In 2016 the positive primary balance and nominal GDP growth will cause the ratio to fall below 98.5% of GDP. At the end of the forecast horizon, under the baseline scenario, the ratio would progressively fall to 93.2% of GDP.

Debt to GDP Dynamics (% of GDP)	2014	2015	2016	2017	2018
Central Government	97.7	98.9	98.5	96.5	93.2

Contributions to Growth in the Debt to GDP Ratio	2014	2015	2016	2017	2018
Primary Balance (incl. Financial Sector)	-2.5	-1.1	0.1	1.2	2.2
Interest Paid	3.3	3.1	2.8	2.6	2.5
Nominal GDP Growth	-0.8	-3.4	-3.7	-4.0	-4.2
Stock-Flow Adjustments	0.6	0.4	0.5	0.6	0.6
Implicit Interest Rate	3.58	3.24	2.98	2.79	2.68

Debt to GDP Ratio
(Baseline vs. 100 bps Shock on Yields. % of GDP)

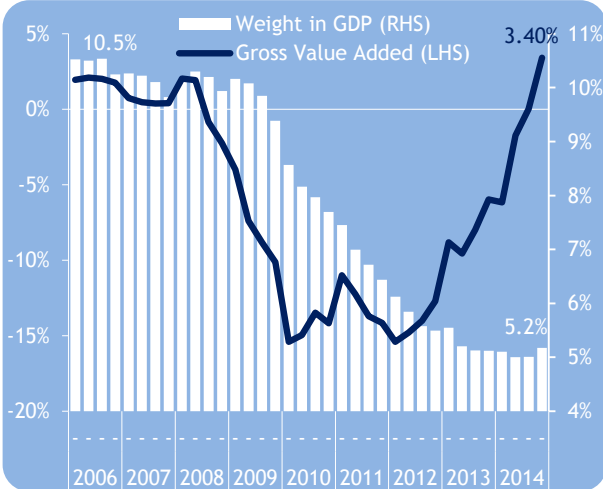


Source: Ministerio de Economía y Competitividad.

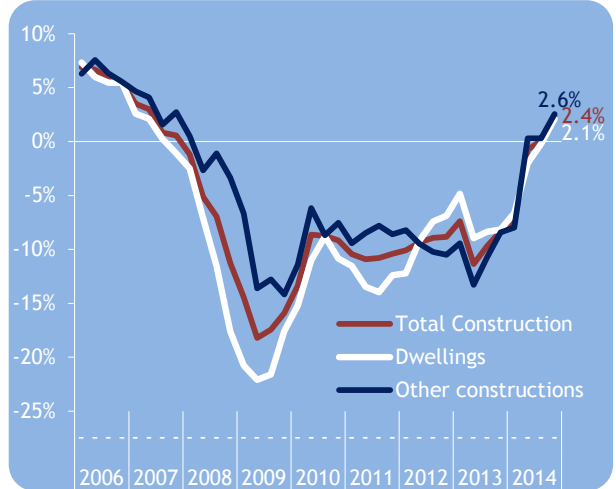
The latest indicators point to an incipient recovery in Spain's construction sector after seven years of contraction.

- The construction sector represents approximately 5% of GDP (10% in 2008).
- The recent pick-up in activity is broad-based.

Gross Value Added in Construction
(YoY Growth Rates, LHS/Weight in Total GDP, RHS)



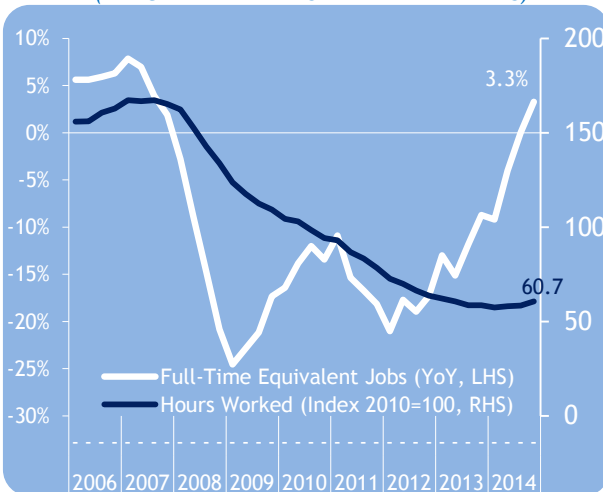
Gross Fixed Capital Formation in Construction
(YoY Growth Rates)



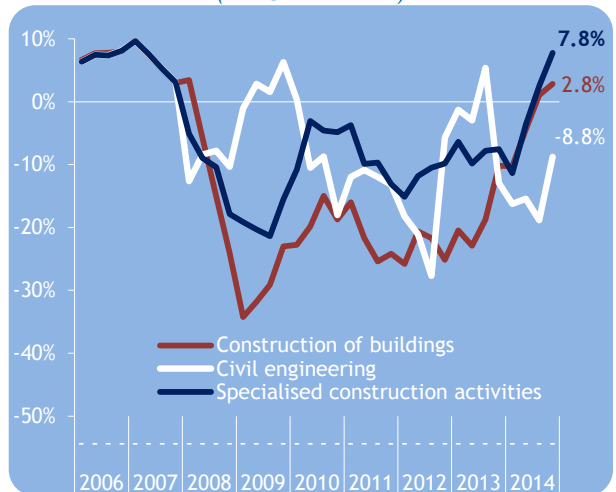
This same pattern is reflected in employment, although more prominently linked to specialised construction and construction of building, rather than civil engineering projects.

Despite the recent advances, hours worked in the construction and real estate branches have fallen by 64% from the 2007 peak levels.

Employment in Construction
(YoY Growth Rates LHS/Index 2010=100 RHS)



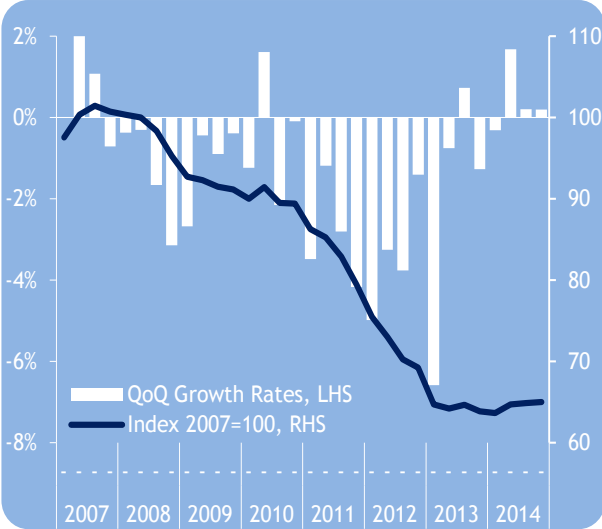
Employment in Construction by Main Activity
(YoY Growth Rates)



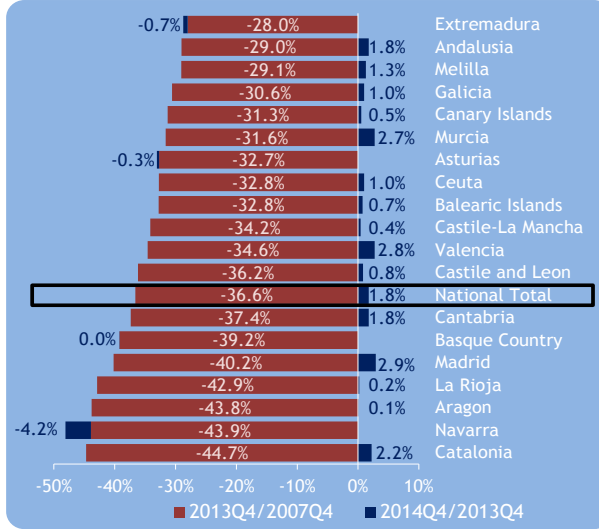
Source: National Statistics Institute.

House prices increased by 1.8% YoY in 4Q14 (vs. +0.3% YoY in 3Q14), and rose by 0.3% YoY in 2014 as a whole. Prices in Spain bottomed-out around mid-2014, and have shown a moderate upward trend. The most dynamic regions have been Madrid, Valencia, Murcia and Catalonia, posting price increases of 2% YoY.

House Price Index
(QoQ Growth Rates, LHS / Index, RHS)



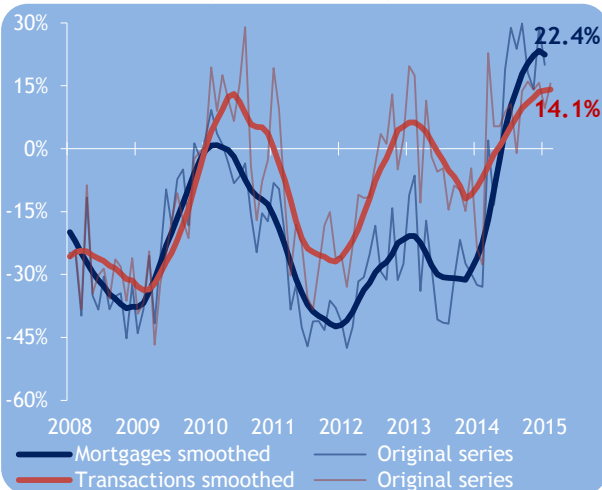
House Price Index by Region
(Growth Rates: 2007-2013 vs. 2013-2014)



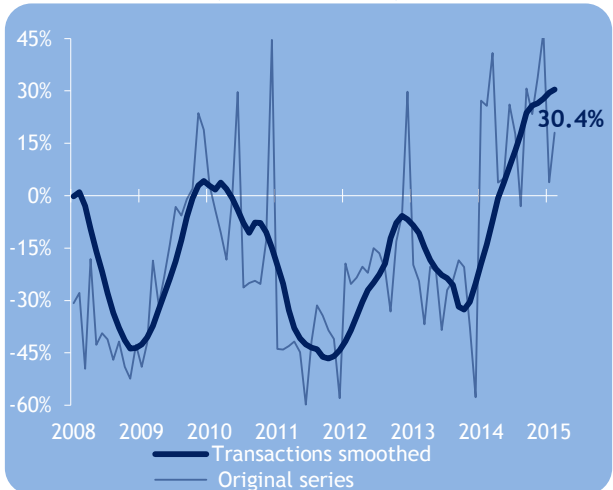
Though transaction levels are still modest, the number of transactions of dwellings, as well as mortgages and new loans indicates a rebound from the lows reached in 2013.

The improvement in the macroeconomic outlook and in financing conditions, together with the base effect contribute to a moderate rebound in this sector in terms of prices and volumes.

Mortgages and Housing Transactions
(YoY Growth Rates)



New loans for House Purchase
(YoY Growth Rates)



Source: National Statistics Institute.

	May	June	July	August
National Accounts				
Annual National Accounts				2014
Quarterly National Accounts	28/May (Q1/15)			27/Aug (Q2/15)
Quarterly National Accounts (Flash)			30/Jul (Q2/15)	
Quarterly Non-Financial Accounts		30/Jun (Q1/15)		
Quarterly Financial Accounts			15/Jul (Q1/15)	
Deficit and Debt				
Consolidated Deficit. Excl. Local Gov.	26/May (Mar/15)	30/Jun (Apr/2015)	28/Jul (May/15)	
Deficit of the Public Administrations		30/Jun (Q1/15)		
Tax Collection	26/May (Apr/15)	30/Jun (May/15)	28/Jul (Jun/15)	31/Aug (Jul/15)
EDP Debt		12/Jun (Q1/15)		
Labour Market				
Labour Force Survey			23/Jul (Q2/15)	
Economically Active Population Flow			23/Jul (Q2/15)	
Harmonised Labour Cost Index		17/Jun (Q1/15)		
Social Security Affiliation	5/May (Apr/15)	2/Jun (May/15)	2/Jul (Jun/15)	4/Aug (Jul/15)
Registered Unemployment	5/May (Apr/15)	2/Jun (May/15)	2/Jul (Jun/15)	4/Aug (Jul/15)
Industry and Services				
Industrial production Index	8/May (Mar/15)	5/Jun (Apr/15)	6/Jul (May/15)	7/Aug (Jun/15)
Services Sector Activity Indicators	21/May (Mar/15)	18/Jun (Apr/15)	17/Jul (May/15)	14/Aug (Jun/15)
Industrial New Orders	21/May (Mar/15)	18/Jun (Apr/15)	17/Jul (May/15)	14/Aug (Jun/15)
Industry Turnover Index	26/May (Mar/15)	23/Jun (Apr/15)	21/Jul (May/15)	18/Aug (Jun/15)
External Sector				
Balance of Payments (Monthly)	29/May (Mar/15)	30/Jun (Apr/15)	31/Jul (May/15)	31/Aug (Jun/15)
Balance of Payments (Quarterly)		30/Jun (Q1/15)		
International Investment Position		30/Jun (Q1/15)		
Merchandise Exports	20/May (Mar/15)	18/Jun (Apr/15)	16/Jul (May/15)	18/Aug (Jun/15)

Links to complete release calendars:



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