March

2013

Company financing - Capital increases

4.54 € Billion

226.8 € Million

0.9 € Million

0.3 € Million

183.8 € Million

The Market Environment

Economic activity

Stock market prices rose significantly in 2013, with a gradual recovery in trading activity and an increasing propensity of companies to turn to the stock market to finance their corporate transactions and meet their financing needs, compared to 2012. Spain's stock markets saw a large volume of rights issues, putting it, once again, in the leading ranks of world markets with the largest funding flows to companies.

In almost all developed stock markets, annual volatility gradually declined in 2013, to levels nearer to those prior to the outbreak of the financial crisis in late 2007. There are two reasons for this increased stability: first, there is a general consensus that the crisis was due to generalised excessive leveraging; and, second, that the solution involves disciplined fiscal consolidation, loose monetary policy, increased control of bank risks and in-depth reform to enable economies to become more competitive and tackle their debts and the aid received to cope with the crisis.

Different countries and regions have implemented various measures and reforms that, overall, have resulted in the gradual stabilisation of financial markets. This process began in the summer of 2012, particularly in Europe. These reforms and the return to normal of financial market transactions and conditions have led to a slight economic improvement in advanced economies.

The 15th Latibex Forum, a success in terms of interest and attendance.

IMF macroeconomic forecasts*

	Actual		Forecasts	
GDP growth (%)	**2012**	**2013**	**2014**	**2015**
World output	3.1	3.0	3.7	3.9
Advanced economies	1.4	1.3	2.2	2.3
US	2.8	1.9	2.8	3.0
Japan	1.4	1.7	1.7	1.0
UK	0.3	1.7	2.4	2.2
Eurozone	**-0.7**	**-0.4**	**1.0**	**1.4**
Germany	0.9	0.5	1.6	1.4
Spain	-1.6	-1.2	0.6	0.8
Developing economies in Asia	6.4	6.5	6.7	6.8
Emerging market and developing economies	4.9	4.7	5.1	5.4
Latin America and Caribbean	3.0	2.6	3.0	3.3
China	7.7	7.7	7.5	7.3
India	3.2	4.4	5.4	6.4
Trade volume (yoy %)	**2.7**	**2.7**	**4.5**	**5.2**
Imports	**2011**	**2012**	**2013**	**2014**
Advanced economies	4.7	1.0	1.5	4.0
Emerging market and developing economies	5.7	5.3	5.9	6.5
Exports				
Advanced economies	5.7	2.0	2.7	4.7
Emerging market and developing economies	6.8	4.2	3.5	5.8
Consumer prices (yoy %)	**2011**	**2012**	**2013**	**2014**
Advanced economies	**2.7**	**2.0**	**1.4**	**1.8**
US	3.1	2.1	1.4	1.5
Japan	-0.3	0.0	0.0	2.9
UK	4.5	2.8	2.7	2.3
Eurozone	**2.7**	**2.5**	**1.5**	**1.5**
Germany	2.5	2.1	1.6	1.8
Spain	3.1	2.4	1.8	1.5
Newly industrialised Asian economies	6.3	4.7	5.0	4.7
Emerging market and developing economies	7.1	6.1	6.2	5.7

*GDP and annual trade figures updated to January 2014. Other figures updated to October 2013.

	Actual		Forecasts	
Unemployment rate (% of active workforce) [1]		**2012**	**2013**	**2014**
EU		9,7	10,5	11,1
Eurozone		**10,1**	**11,4**	12,2
Germany		5,9	5,5	5,4
Spain		21,7	25,0	26,6
UK		8,0	7,9	7,7
US		8,9	8,1	7,5
Japan		4,5	4,3	4,0
Current account balance (% of GDP)	**2011**	**2012**	**2013**	**2014**
Advanced economies	-0,1	-0,1	0,1	0,2
US	-2,9	-2,7	-2,7	-2,8
Japan	2,0	1,0	1,2	1,7
UK	-1,5	-3,8	-2,8	-2,3
Eurozone	**0,7**	**1,9**	**2,3**	**2,5**
Germany	6,2	7,0	6,0	5,7
Spain	-3,8	-1,1	1,4	2,6
Newly industrialised Asian economies	0,9	0,9	1,1	1,3
Budget deficit (% of GDP)	**2011**	**2012**	**2013**	**2014**
Advanced economies	-6,4	-5,9	-4,5	-3,5
US	-9,7	-8,3	-5,8	-4,6
Japan	-9,9	-10,1	-9,5	-6,8
UK	-7,8	-7,9	-6,1	-5,8
Eurozone	**-6,2**	**-4,1**	**-3,3**	**-2,6**
Germany	-0,8	0,1	-0,1	0,0
Spain	-9,6	-10,9	-6,7	-5,8
Gross public debt (% of GDP)	**2011**	**2012**	**2013**	**2014**
US	99,4	102,7	106,0	107,3
Japan	230,3	238,0	243,5	242,3
UK	84,3	88,8	92,1	95,3
Eurozone	**88,2**	**93,0**	**95,7**	**96,1**
Germany	80,4	81,9	80,4	78,1
Spain	70,4	85,9	93,7	99,1

(1) European Commission Autumn forecasts.

The international economic outlook: improvement in Europe, some slowing in emerging economies

In general, the global economic outlook suggests there will be some rebalancing between regions. Economic vigour is slowly returning to the United States and Europe, and this will take deeper root in 2014. This contrasts with emerging economies, particularly in Asia, where there are signs of weakness in the cycle, although it is probable that they will continue to drive economic growth in relative terms over the next few years. In the most dynamic emerging regions, such as China and India, stabilisation of commodity prices and the expected tightening of funding conditions suggest lower potential and cyclical growth.

One factor that has contributed to increasing prices and trading volumes on stock markets since September has been the improved performance of developed economies since the second quarter of 2013. This is particularly true of the United States and Europe, where inflationary pressures still remain subdue Other significant factors in these two areas include: continuing expansionary monetary policy, which is reducing the long-term returns on public and private bonds; the attractive "price/book value" of many leading advanced-economy companies; and the reconfiguration of the portfolios of large international funds and fund managers, reducing their exposure to emerging markets in the face of increased currency risk, in favour of equities denominated, mainly, in euros.

In broad-brush terms, the economic situation and outlook in which stock markets are operating is currently as follows:

- The IMF estimates global economic growth at 3.0% in 2013, rising to 3.7% in 2014 (up seven tenths of a point), mainly due to increased demand for inventories and a rebound in exports in emerging markets. The BRICs grew by 5% in 2013 and are expected to grow by 5.5% in 2014. Latin America grew by 2.6% in 2013, with 3.0% growth forecast for 2014. Growth forecasts for the United States and Europe have been revised upwards, although 2015 US growth is forecast at 3%, due to a tightening of the fiscal stance. The Eurozone shrank by 0.4% this year, with 1.0% growth expected for 2014.

- The US economy remains a focal point. 2013 was a good year, with growth of 1.9% and unexpected increases in inventories in the second half of the year. 2.8% growth is forecast for 2014. Internationally, expectations of the timing and speed of withdrawal of monetary stimulus in the US are affecting financial markets. The expected gradual return to normal of the FED's monetary policy is already materialising, with its debt purchases slowing.

- Growth in Japan has been boosted by "Abenomics", with a more gradual slowdown than expecte 2013 growth at 1.7% year-on-year came in below expectations. 2.4% growth is forecast to be 2.4%. Rising prices endorse the 2% inflation target, as a result of aggressive expansionary monetary policies.

- The Eurozone reported 0.3% GDP growth in the second quarter of 2013. Year-on-year growth was 1.1%. Core European countries can be said to be starting to show signs of recovery. The September manufacturing activity index was over 50 points, close to its highest level for two and a quarter years.

The European Commission has launched a review of Germany's excessive trade surplus, which exceeds 7% of GDP. Measures have been requested to increase salaries and boost domestic consumption to enable the major adjustment efforts in periphery Eurozone countries to be supported by exports to Germany, whose exports have swamped other European countries.

In order to progress towards a situation more consistent with the meaning of full European Union, financial fragmentation needs to be reduced to make the transmission of monetary policy more effective. At the same time, more decisive steps are needed towards real Banking Union.

Confidence in Spain improves: the challenges of growth and job creation

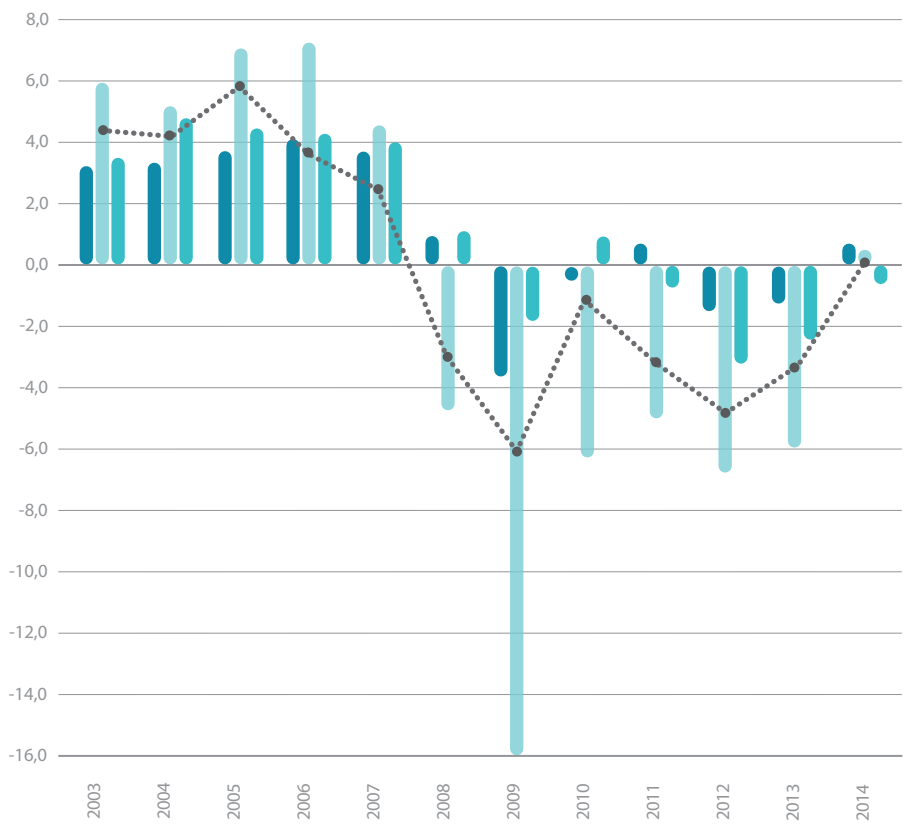
The Spanish economy went into the final stretch of 2013 in its best shape for several years, and this was reflected in its risk premium (down 400 basis points in the year), higher share prices and a return of capital flows seeking investment opportunities.

In the third quarter of 2013, Spain's GDP grew by 0.1% quarter-on-quarter, following nine straight quarters of continuing contraction, and the unemployment rate fell for the 3rd consecutive month. The European Commission has recently stated that the Bailout Plan for Spanish banks can be regarded as complete

Following a long period of reforms, the figures and market sentiment suggest that the cycle of decline has bottomed out. Investor confidence is starting to return, and this has been felt in the behaviour of stock markets, which theoretically are attributed some ability to predict or anticipation economic performance.

The only variable still lacking from the improved perceptions of Spain is the flow of bank lending. Lending to households fell by around 4.2% in 2013 (-3.6% in 2012), with lending to non-financial companies down 9.4%, following a 7.8% decline in 2012.

GDP, Investment, Consumption and Employment in Spain
Annual change (%) in real terms



GDP (annual %) | Investment (FBC annual) | Consumption (annual %) | Employment (annual %)

Source: Bank of Spain and PGE's forecasts for 2013 and 2014.

Fiscal consolidation and reform: a long process going in the right direction

The OECD has recognised Spain's reform efforts as the most significant of any developed economy over the last five years. It is starting to seem that avoiding a traditional European financial bailout -breaking the vicious circle of sovereign risk, bank risk and recession- is becoming possible, but there is a long way to go, and there are many risks along the way. The public debt holdings of the three large Spanish banks is around €107 billion, 27% higher than year-end 2012. In addition the Public Administrations have accumulated borrowings of €55.5 billion.

In 2013, the Treasury met its financing needs from debt auctions, with conditions improving for placements and high deman Public debt as a share of GDP currently stands at around 95%, but the financial burden on the public purse over the longer term is falling. However, according to the government Budget (Presupuestos Generales del Estado), the Treasury will have to attract €243.9 billion in 2014, with debt reaching almost 100% of GDP. This level is high, but could be the upper limit for this cycle, being similar to the ratio in France but lower than that of Italy (130%).

The economic policy priority has been reducing the deficit. During the year, ECOFIN approved an extension to the period for bringing Spain's public sector deficit below 3% of GDP. The 2013 deficit target of 6.5%, falls to 5.8% in 2014, 4.2% in 2015 and 2.8% in 2016: in other words, the 2.8% target previously established for 2014 has been put back 2 years. Pressure on the public accounts has fallen, but the depression in domestic demand, and lower average salaries (-2.5% in 2013, according to the AEAT tax agency), have led the EU to doubt whether these new targets will be met.

Non-financial companies reduce their debt by €190 billion in two and a half years.

The private sector has been deleveraging rapidly since 2010. For example, between December 2012 and June 2013, every part of Spain's private sector reduced its debt, as follows: households, €20 billion; financial institutions, €116 billion; and non-financial companies, €64 billion. Although public sector debt increased by €106 billion over this period, the overall debt of the Spanish economy fell by €94 billion (equivalent to 9 points of GDP) in just six months.

The share of Spain's total debt contributed by non-financial companies -which are responsible for private investment in Spain and, therefore, reflect our economy's ability to generate jobs- fell by five points in two and a half years, from 35% to 30%. In 2010, the debt of these companies peaked at €1.51 trillion. However, by the second quarter of 2013 it had fallen by €188 billion (around 18 points of GDP, double the reduction for the Spanish economy).

Increasing funding from internal rather than external resources

The picture is even more positive than expected if we analyse changes to the balance sheet structure of these companies. Since 2010, the main industrial and service companies listed on the Spanish stock exchange have reduced their debt and strengthened their balance sheets.

At the end of the first half of 2013, 30.3% of the assets of listed non-financial companies were financed from equity, compared to 27.7% at year-end 2010. The debt of Spanish companies has therefore fallen in both absolute value and in relative terms.

Increased funding from the markets

This deleveraging of the companies analysed has been accompanied by a change in the structure of their debt. Whilst companies have traditionally turned en masse to the banks for funding, listed companies are now going to the market, which is becoming more important as a source of finance.

Substantial reduction in private sector indebtedness in Spain between 2010 and 2Q 2013.

(Million euros)

Change in financial structure of IBEX 35 industrial and service companies (2010-2013)

(% change in equity between December 2010 and June 2013)

Spain - macroeconomic outlook 2013-2014

yoy change (%), unless otherwise stated

	2013				2014			
	IMF (October 2013)	European Commission (autumn 2013)	Spanish government budget	Consensus forecasts, Spanish analysts (14 January 2014) [1]	IMF (October 2013)	European Commission (autumn 2013)	Spanish government budget	Consensus forecasts, Spanish analysts (14 January 2014) [1]
Macroeconomic figures								
GDP	**-1.3**	**-1.3**	**-1.3**	**-1.2**	**0.2**	**0.5**	**0.7**	**0.9**
Household consumption	-2.8	-2.6	-2.6	-2.5	-0.4	0.1	0.2	0.6
Public consumption	-2.0	-3.0	-2.3	-1.6	-2.9	-2.1	-2.9	-1.6
GFCF	-7.3	-6.6	-6.1	-6.2	-2.8	-2.4	0.2	-0.9
Capital goods		-0.3		0.3		2.6		3.6
Construction		**-10.5**		**-10.3**		**-5.8**		**-4.2**
Domestic demand	-3.5	-3.4	-3.2	-3.0	-1.4	-0.8	-0.4	-0.2
Exports	5.7	4.5	5.7	5.3	5.8	5.2	5.5	5.8
Imports	-1.0	-1.9	-0.3	-0.1	1.8	1.5	2.4	3.0
Foreign balance (contrib. GDP)[1]				1.7				1.2
Other indicators								
Employment	-3.9	-3.6	-3.4	-3.1	-0.7	-0.8	-0.2	0.0
Unemployment (% active workforce)	**26.9**	**26.6**	**26.6**	**26.4**	**26.7**	**26.4**	**25.9**	**25.6**
Unit labour costs		1.0	0.5	0.1		0.1	0.3	0.1
Household savings rate (% of GDI) [1]				10.6				10.6
Current account balance (% of GDP)	1.4	1.4	1.7	1.1	2.6	2.6	2.8	1.8
Govt. deficit (% of GDP)	**-6.7**	**-6.8**	**-6.5**	**-6.7**	**-5.8**	**-5.9**	**-5.8**	**-5.9**
Gross public debt (% of GDP) [1]	**93.7**			**95.9**	**99.1**			**101.2**

Source: FUNCAS. (1) Source: FUNCAS forecasts.

The restructuring and clean up of the financial system is on the right track

The reform, restructuring and recapitalisation of Spain's banking sector as set out in the *"Memorandum of Understanding"* (MoU) continued to progress in 2013. Progress on bank solvency and liquidity, and with sector regulation and supervision, has contributed to increasing confidence and improving market sentiment towards Spanish banks.

The improvement in funding conditions in financial markets over recent months has been reflected in lower systemic risk indicators for Spain, and a major reduction in the gross drawings by Spanish entities from the Euro system.

In 2013, Spanish entities returned around 30% of the aid previously received, sold off non-strategic assets, disposed of packages of problem debt and increased their capital ratios. It is very likely that all surviving Spanish entities will pass the new *"Tier 1"* or *"Core Capital"* stress tests (nearly all exceeding 9%); however, the rapid rise in the overall non-performing loans ratio (now approaching 13%) means that the level of provisions will have to be reconsidered and questions need to be asked about whether the aid received will be sufficient to get the financial system back to normal, with orderly and frequent credit flows to companies and individuals.

The export sector, supporting the economy. Improved competitiveness. Spain becomes a net saver.

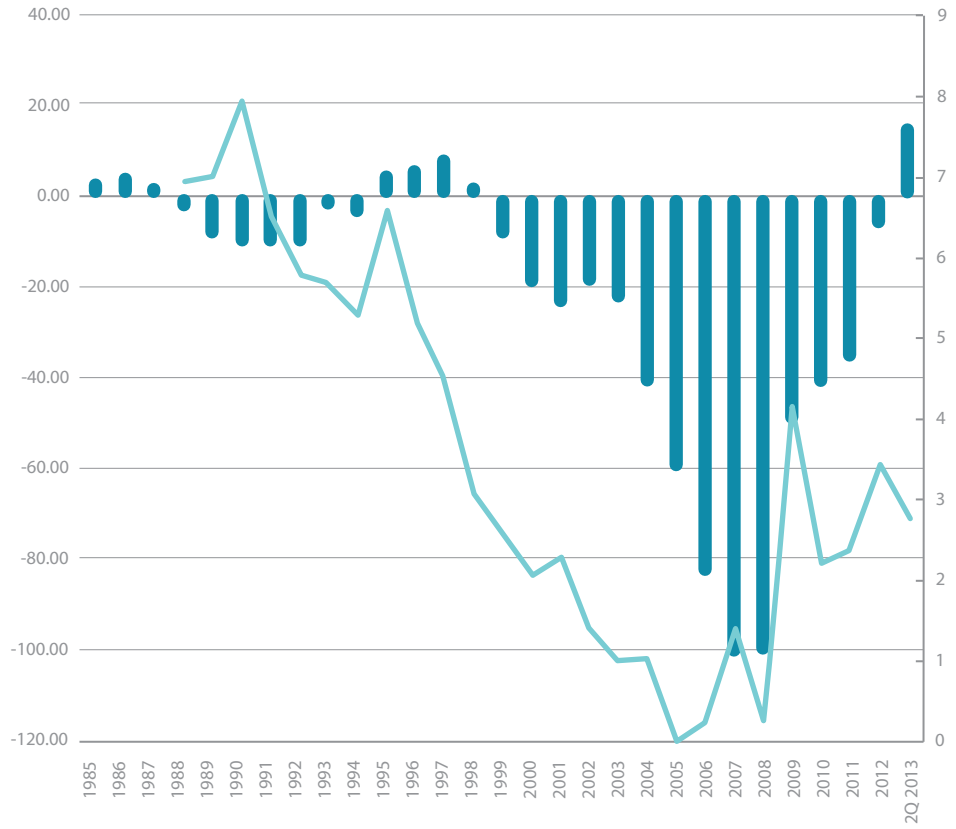
Most of the 2013 improvement in Spain's economy is based on the strong performance of the export sector. Tourism, exports and lower domestic activity have all contributed to shrinking imports (1.43% down on the previous year to November 2013), resulting in a rapid transformation of our trade position from deficit to surplus. In the first half of 2013, Spain ceased to need foreign financing for the first time in 15 years. 2007's 10% deficit of GDP has become a 2% surplus today.

Exports have become the lifebelt for many companies, particularly in the large and medium segments. Exporting companies grew by 10% in the year. Exports contribute around 62% to the total turnover of listed companies.

At times in 2013, Spain reported the fastest export growth in the world, and was the second largest in Europe, after Germany. Exports now account for 34% of Spain's GDP, compared to hardly 20% before the crisis. Spain is the only major Eurozone economy to have increased its exports and sales outside the EU, which now stand at 38.8% The non-energy trade surplus increased by 70% in 2013, whilst the trade surplus with the EU was over €12 billion, double the 2012 surplus.

This extraordinary export performance has mainly been possible due to competitiveness gains from falling salary costs, whilst also overcoming a 15% appreciation in the euro over the last year and a half. This cost containment has boosted productivity -rising at between 1.5% and 2% per worker year-on-year- and company profits. Large companies estimate that Spain's unit labour costs will fall by a cumulative 1.5% in 2014 and 2015, compared to a 2.9% increase for Eurozone countries. Gross profit per worker in Spain will increase by 6.7% in 2014 and 2015, easily beating the 1.5% in the rest of the Eurozone.

Spain becomes a net saver
Funding Capacity (+) or Need (-) of Spanish economy against rest of world vs. real interest rate.



Capacity or need (billion euros). Left axis.
Real interest rate (%). Right axis

Source: Banco de España.

The difficult triangle of debt, investment and savings

The above arguments and figures have certainly helped to improve impressions of Spain's economy abroa Spain's rating on the European Commission's Economic Confidence Indicator is at its highest since August 2007, and the OECD's synthetic indicator of growth expectations puts Spain near the top of the table of its 38 member countries. Consumer confidence indicators also improved considerably in 2013, which could be signalling a positive change in the trend for domestic consumer deman

The rate of decline in household and company indebtedness continued to accelerate in 2013, having fallen by €250 billion since 2010. Short and long-term loans to Spanish households fell by 10.5% between the end of 2008 and the second quarter of 2013 (€96 billion). This is a decline from 84% to 80% of GDP. Corporate indebtedness has fallen by 12.5% since year-end 2010 (down €188 billion). This represents a decline from 144% of GDP in 2010 to 129% at the end of the second quarter of 2013. However, the increase in public-sector debt has resulted in Spain's overall debt remaining practically constant over recent years.

Although private debt reduction is underway and accelerating, it will need to continue for a while yet. Meanwhile, bad debts are continuing to increase and incomes are falling. Disposable household income fell by 1.2% in the first half of 2013 compared to 2012 (-3.4% in real terms) with consumption down even more starkly, falling 2.5%. This combination partially explains the slight rebound in the household savings ratio in the second quarter of 2013. Over the last four quarters (to 2Q 2013), the household savings ratio stood at 11% of disposable income, around two points above the lowest level since 2000, which occurred in 2011, but almost 8 points below the 2009 peak, when there were the first glimpses of a frustrated economic recovery.

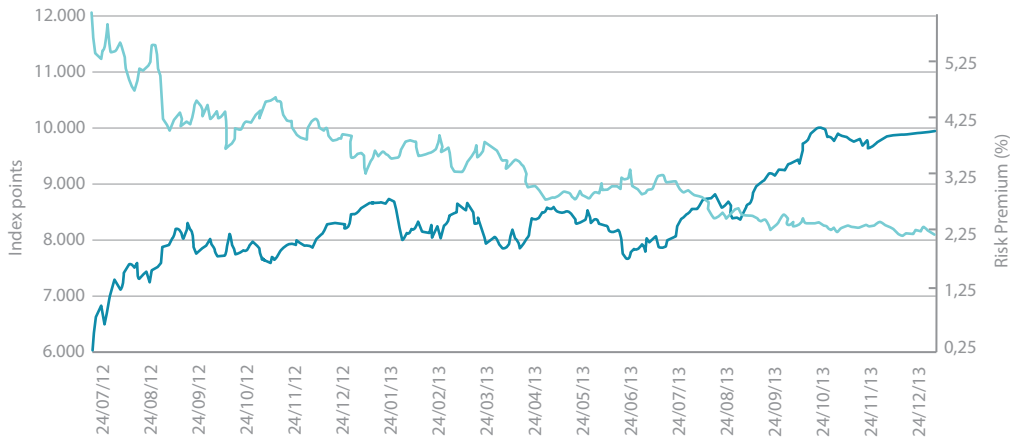
A return to growth would involve returning to investment in excess of 25% of GDP, but this would require household and company savings to increase by between 6 and 9 points of GDP over the coming years.

In search of funds to rescue investment

The major challenges for generating jobs are how to generate investment, how to finance this, and how to ensure that new companies are involved in the wealth-creation process in Spain, within a framework less dependent upon the cycle and the sector than in the past. At the start of the crisis, investment in Spain was around 32% of GDP: today, it is around 18%. In 2006 construction accounted for 13% of GDP: today it is 5%. Established large and medium companies are not having many problems obtaining finance from the markets, but they are focusing on deleveraging their balance sheets. This is confirmed by figures for rights issues on Spanish stock markets. The availability of finance for leading Spanish companies with the lowest costs is best illustrated by the €37.5 billion they have raised on the stock markets to October.

The challenge then is how to rekindle investment, the real generator of jobs and consumption. The European Commission is asking for more reform to achieve this. Spain's industrial output has fallen by 30% since 2008, and reduced from 34% of GDP in 1970 to 15.9% in 2012. Discounting investment and public-sector savings over the coming years, the private sector will be on its own in leading the change in the growth, investment and finance model Spain needs. This needs to be boosted and sustained by a more balanced combination of domestic and external savings. This process is underway, and some listed small and medium-sized companies are already showing this is possible, and that the stock market is an effective ally on this journey.

The stock market rises by over 55% following the ECB's express support for the euro
IBEX 35 and Risk Premium on spanish debt (Jul 2012 - Dec 2013)



IBEX 35 | 10-year Bond Risk Premium (Spain-Germany)

Internationalisation of listed companies. Exports reach a record 62%.

Although the total turnover of Spanish companies listed on the main stock exchange in the first six months of 2013 was down 2.41% year-on-year at €251.56 billion, exports played a strong role in supporting this, offsetting the fall in domestic revenues. Whilst domestic revenues fell 6.7% in the period, exports increased by 0.46% to €155.48 billion. The figures show that 61.79% of the sales revenues of most listed Spanish companies come from exports, one point up on 2012 and a historic peak for this indicator.

Listed Spanish companies are finding export markets to be a significant source of stability and growth, capable of mostly offsetting the weakness of domestic consumption. There can be little doubt that listing on a market enhances a strategy based on competitive products and services, strong brand value and increased visibility abroad, facilitating funding and export revenues.

The decision by many Spanish companies to pursue international expansion has made many of them into leading multinationals, with leading positions in many countries and sectors, and export revenues exceeding domestic revenues for more than half of such companies. 35 of these companies -of which there are over one hundred- make over 75% of their revenues outside Spain's borders.

By sectors, technology and telecommunications have the largest weight in the export sector, with average revenues from abroad accounting for more than 75% of their turnover, despite a slight decline in their weight as a whole during the first six months of the year.

Turnover distribution by Market in the first half of 2013
(Companies listed on the main market)

Total	Million euros	Structure (%)	1H 13 / 1H 12
Turnover	251,560	100.00	-2.41%
Dom. market	96,123	38.21	-6.71%
Exp. market	155,437	61.79	0.46%
EU	**48,289**	**19.20**	**-0.58%**
OECD (ex EU)	42,791	17.01	2.28%
Other	64,357	25.58	0.07%

Export market	Million euros	Structure (%)	1H 13 / 1H 12
Exp. market	155,437	100.00	0.46%
EU	48,289	31.07	-0.58%
OECD (ex EU)	42,791	27.53	2.28%
Other	**64,357**	**41.40**	**0.07%**

Corporate results

After declining for two years, the aggregate earnings of listed companies grew by 19% to the third quarter of 2013 (latest available figures), supported by lower provisions, increased exports and extraordinary income. This figure combines lower industrial and service earnings (-1.00%) and an 80% increase for the financial sector. Exports are continuing to provide significant support for companies. The importance of listed companies maintaining their employment levels should not be underestimated in the current crisis, as they employ 1.74 million people. However, these companies are also reducing their leverage and shoring up their capital. In general, in 2013 Spanish companies focused on three areas: obtaining affordable funding, conquering new markets and cleaning up their balance sheets by reducing debt. Spanish listed companies have, in all cases, achieved better results than the national average. There are three reasons for this. First, with the credit tap turned off and faced with the need to reduce their debt, they have found the appropriate market strategies to attract new funding. Second, their stock market presence gives them scale and international exposure, making it easier to sell abroa And, third, because replacing debt and strengthening capital is easier in an open market where such transactions can be arrange

In 2013, share prices overcame the spectacular collapse in domestic demand, with export activity and sales continuing to expan At the same time, companies have benefited from extraordinary gains and lower funding costs. This is the case for all companies in the Eurostoxx 50.

Illustrative panel on the trading floor of the Madrid stock exchange.

Total earnings of listed companies up 19.12%. Turnover down 3.47%.

Following two years of decline, the total earnings of listed companies have returned to growth, up 19.12% at the end of the third quarter of 2013. However, this was not based on higher turnover, which was actually down 3.47%, but did include extraordinary results.

The combined after tax earnings of companies listed on the main Spanish stock market increased by €21.856 billion in the first nine months of 2013, up over 19.12% year-on-year. Industrial and service-sector (including real estate) companies contributed €13.381 billion, down 1% year-on-year. However, banks contributed €7.422 billion, up 80.17%, with the remaining €1.054 million being generated by insurance, investment and holding companies.

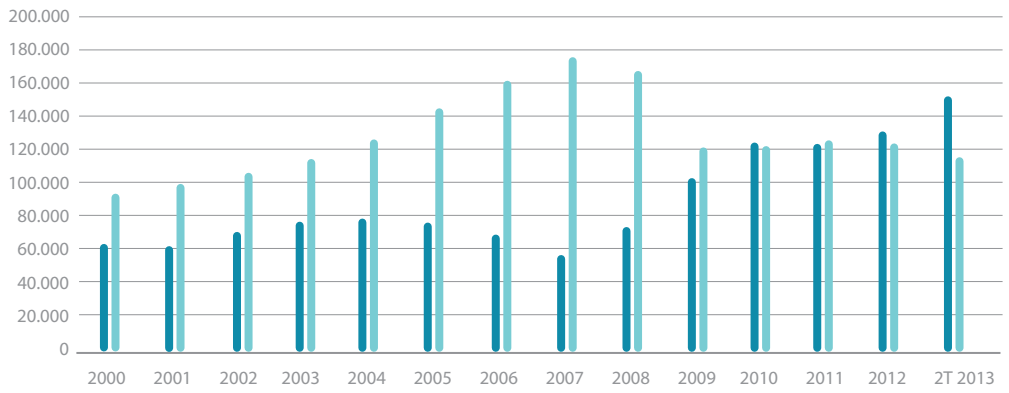
Over half of the 109 companies (62) in the sample improved their results over the last year. 72 companies (66% of the sample) were in profit, with only the last quarter remaining. 37 companies were loss making (46 at year-end 2012). Proportionally, the largest number of companies with losses was in the real estate sector. The situation looks better if EBITDA is considered, with 90 of the companies in positive territory.

1 The total figures do not include Bankia or Liberbank as a result of their particular circumstances over the last year. CVNE, Pescanova and Fergo Aisa are also exclude

Gross domestic product (GDP) and investment (GCF). Spain 200-2014.
(Million euros, nominal) 2013 and 2014 estimated. 2014 government budget.

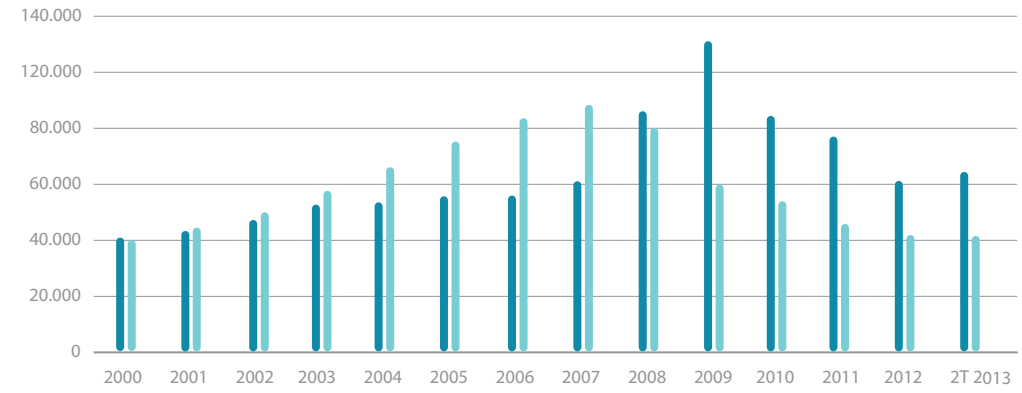
GDP | Investment (GCF)

Non-financial company savings and investment (GCF). Spain 2000 (2013).
(Million euros)



Non-financial comp. savings | Non-financial comp. investment (GCF) Source: Banco de España Cumulative 4 quarters to 2Q 2013.

Household savings and investment (GCF) . Spain 2000-2013.
(Million euros)



Household | Household investment (GCF) Source: Banco de España Figures for 4 quarters to 2Q 2013.

Public administrations savings and investment (GCF). Spain 2000-2013
(Million euros)

Public Admin Saving | Public Admin Investment (GCF) Source: Banco de España Cumulative 4 quarters to 2Q 2013.

Regulation

2013 saw intensive structural regulatory activity to improve Spain's economic situation.

The measures approved to promote economic activity included Act 11/2013, on measures to support entrepreneurs and youth employment, stimulate growth and create employment.

In addition, Act 14/2013, on support for entrepreneurs and internationalisation, aimed to promote all aspects of entrepreneurial activity, from company formation through to taxation, providing funding support and improving relationships between companies and the Public Administrations.

With regard to stock markets, on 31 January the CNMV agreed not to extend the short selling ban that expired that day, as the circumstances that had prompted it no longer applie The ban had been extended to 31 January 2013 because of circumstances such as the restructuring of the financial sector to meet capital requirements for banks, and because of the application in the autumn of Regulation (EU) 236/2012 of the European Parliament and of the Council, on short selling and certain aspects of credit default swaps.

In April, Ministry of Economy and Competitiveness Order ECC/680/2013 was approved, modifying the Regulations of Iberclear and allowing for the creation of Non-Clearing Trading Members, making access to the Spanish stock market more flexible.

In 2013, significant changes were made to corporate governance disclosure obligations, increasing the information requirements for the annual corporate governance report (Order ECC/461/2013). The CNMV also approved regulations providing additional protection for clients of investment services and transparency regulations for collective investment institutions.

The CNMV also issued an important Circular on adapting Mutual Fund Management Companies and Venture Capital Companies to Directive 2011/61/EU, on Alternative Investment Fund Managers (AIFMD).

The measures adopted include the procedure for international trading in alternative investment products, establishing that the CNMV will issue certification for managing and marketing alternative Spanish investment products in other EU countries for Spanish fund managers that comply with the Directive, by way of a "passport" or authorisation.

Approval of the EMIR Regulation was also significant, providing for increased security and transparency in over-the-counter (OTC) derivatives markets, reducing systemic risk, establishing common rules for central counterparties (CCPs), and introducing interoperability rules for clearing chambers. The MiFID II Directive and MiFIR Regulations on financial instrument markets are also on the verge of renewal.

Finally, Royal Decree 256/2013 incorporated the recommendations of the European Banking Authority (EBA) on professional honour, experience and good governance in financial entities into Spanish law: despite not being binding, these were approved to boost confidence in Spain's financial system.

Aereal view of BME's headquarters in Plaza de la Lealtad.