Special Report

Sluggish Recovery Key Risk for Spain

Ratings

Foreign Currency	
Long-Term IDR	AA+
Short-Term IDR	F1+
Local Currency	
Long-Term IDR	AA+
Country Ceiling	AAA

Outlooks

Foreign-Currency Long-Term IDR	Stable
Local-Currency Long-Term IDR	Stable

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Related Research

- *Global Economic Outlook* (April 2010)
- *Spain* (research)
- *Major Spanish Banks: Semi-Annual Review and Outlook - Asset Quality a Key Challenge* (March 2010)
- *High-Grade Sovereigns and the Global Financial Crisis* (March 2009)

Summary

Fitch Ratings downgraded Spain's Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDRs) to 'AA+' from 'AAA' on 28 May 2010. The downgrade reflects Fitch's assessment that the process of adjustment to a lower level of private sector and external indebtedness will materially reduce the rate of growth of the Spanish economy over the medium term. Despite these expectations, the Stable Outlook on Spain's sovereign rating reflects Fitch's view that the country's credit profile will remain very strong and consistent with its 'AA+' rating, even in the event of some slippage relative to official fiscal targets.

The Spanish government has announced an ambitious fiscal consolidation plan to ensure a return to sustainable public finances after the global financial crisis. Fitch believes the Spanish government could find it hard to implement some of the expenditure cuts. In particular, the agency has some doubts over the feasibility of the cuts that need to be made by Spain's autonomous communities, who may also see a reduction in the transfers they will receive from the state budget.

Nevertheless, Fitch believes the risk that economic growth will fall short of the government's projections is a more important consideration. The Spanish government is forecasting a sharp recovery in private consumption and investment. Fitch believes that Spain's unemployment rate, the legacy of its construction boom, and its high level of indebtedness will weigh on private consumption and investment in the medium term. Consequently, Fitch is forecasting weaker growth for the Spanish economy in the medium term than the government is, although the agency's projections on the contribution of net trade to growth in the medium term are slightly more optimistic than those of the government.

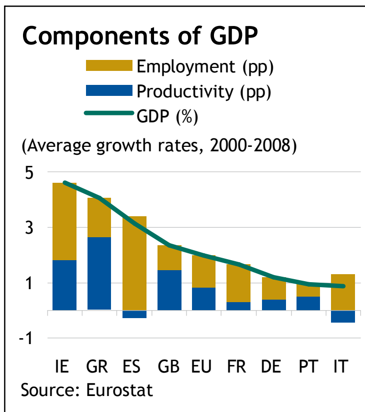
Real Growth Forecasts

(%)	2010f	2011f	2012f	2013f
Spanish government	-0.3	1.8	2.9	3.1
Fitch	-0.5	0.5	1.7	1.9

Source: EU Stability Programme Update 2009-2013, Fitch

Fitch's analysis suggests that, on its weaker growth forecasts, general government debt would rise to 70% of GDP by end-2011, the same as the 'AAA' median. However, in Fitch's scenario, debt would continue to rise, reaching almost 78% of GDP at end-2013, whereas the government projects debt will peak at 74% at end-2012 and start declining. Fitch's analysis assumes that the government implements all the consolidation measures it has pledged. It also assumes the same stock-flow adjustment over 2010-2013 implicit in the government's Stability Programme Update (EUR30bn). This reflects, among other operations, debt issuance to finance the restructuring of the banking sector.

Using a highly stressed scenario on the Spanish banking system assets with very conservative NPL and loss-given-default ratios, and assuming no pre-impairment operating profit and no support from existing shareholders, Fitch estimates that the government's already announced EUR99bn for bank system support should be more than sufficient to cover expected losses. Nevertheless, if the government were to issue the whole EUR90bn of debt resources available for bank restructuring in 2010 and 2011, general government debt would rise to 76% of GDP at end-2011 and 83% of GDP at end-2013. Less than full implementation of the austerity plan, weaker



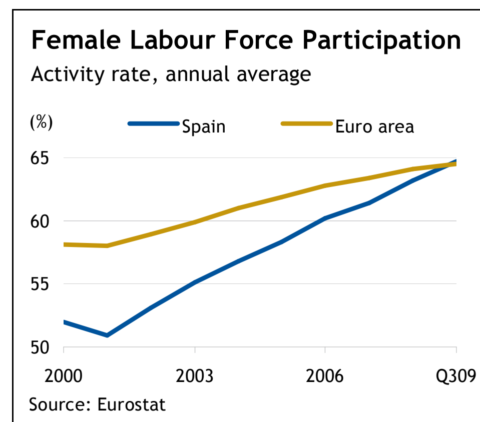
than expected growth, deflation or a larger disbursement for the banking sector would further increase debt.

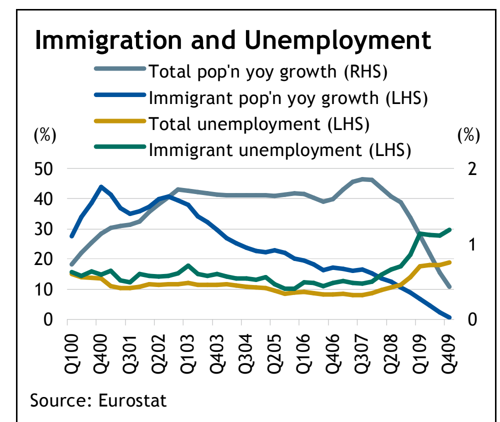
A Closer Look at Spain's Growth Trajectory

Fitch believes that both demand- and supply-side factors may constrain Spain's medium-term growth prospects. This section examines these factors in more detail. It also looks at two positive factors in Spain's growth story: the fact that the investment boom was not solely concentrated in housing construction and the positive contribution of net trade to growth.

Demographic Factors: A Supply-Side Constraint on Growth

Spain's real growth averaged 3.3% between 2000 and 2008. The growth was driven predominantly by demographic factors and increased labour force participation rather than productivity. In fact, Spain experienced a decline in productivity during this period, the only EU country to do so, with the exception of Italy. Rising female participation in the labour force, coupled with very high levels of immigration, explains the contribution that demographic factors made to growth during this period. Spain recorded the largest increase in the percentage of female employment in the EU. However, the potential increase in female labour supply over the medium term is likely to be lower, as the level of female participation in the labour force had converged with that of the euro area in Q309.



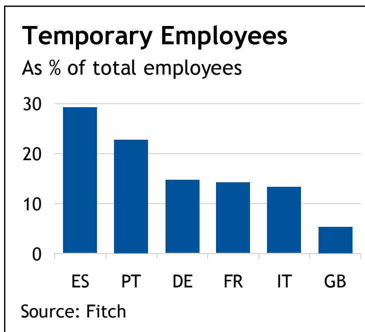


There were over 5 million immigrants in Spain at end-2009, accounting for almost 12% of the population, up from 2.5% of the population in 2000. With the exception of Ireland, Spain had the highest percentage increase in foreign participants in the labour force between 2000 and 2008 in the EU. However, the recent rise in unemployment has disproportionately affected foreign workers, partly because immigrants are more likely to have been working in the construction sector or on a temporary contract: around a quarter of construction workers are immigrants[1] and over half of temporary contracts are used to employ immigrants[2].

While Fitch believes the relative attractiveness of working conditions in Spain suggests immigration will continue to be a feature of the Spanish labour market (over half of Spain's immigrant population come from Latin America and Africa[3]), the agency expects much more subdued immigration flows in the near term. The number of immigrants in Spain declined in H209. This would diminish the positive effect on growth that can be attributed to high immigration.

Increasing labour productivity will become more important as a growth driver in the Spanish economy as the contribution of increasing female labour force participation

[1] IMF Article IV on Spain, April 2009
[2] OECD Economic Survey, Spain, 2008
[3] OECD Economic Survey, Spain, 2008



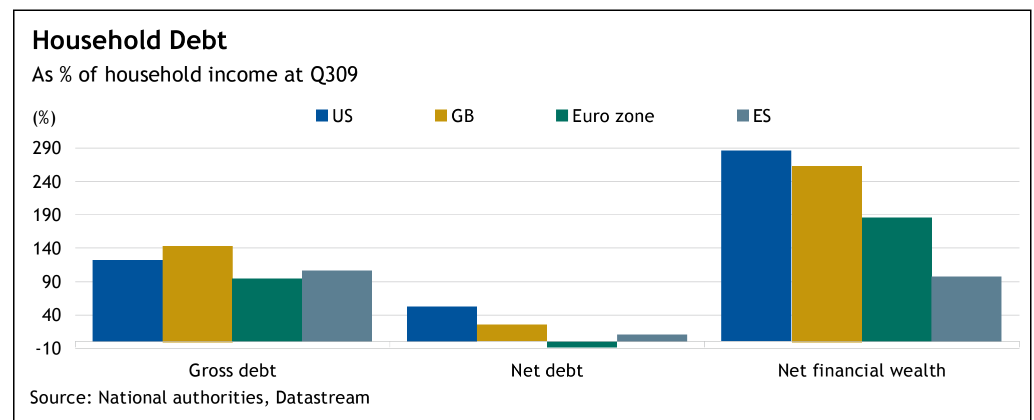
and immigration to growth become more subdued. An increase in productivity is likely to require an acceleration of reforms to improve product and labour market flexibility. While Spain's product market is relatively liberalised (ranking seventh out of 30 OECD countries), the country fares relatively badly overall in the World Bank's Ease of Doing Business indicators, with very restrictive permanent employment legislation and barriers to starting up businesses.

Fitch judges Spain's supply-side flexibility — the capacity of the economy to reallocate labour and capital resources following shocks — to be moderate compared with other high-grade sovereigns[4]. In particular, the high proportion of temporary employment contracts in the labour market makes it easier for companies to adjust to the economic downturn by shedding staff rather than reducing wages, resulting in a more marked increase in unemployment than in other high-grade sovereigns.

Wage growth appears to have moderated in Q110 but was still positive. From the point of view of maintaining potential growth rates, "price" rather than "quantity" might be a more optimal form of labour market adjustment, as high levels of unemployment, and especially long-term unemployment, could result in work skills becoming obsolete and a lower potential growth rate. While Fitch recognises that there are gains to be made from productivity-enhancing reforms, these will take time to be passed into law and implemented and then to have a positive impact on the growth rate.

High Indebtedness Also Weighs on Future Growth

While demographic factors are a supply-side constraint on growth, the overhang from the real estate boom and the need for private-sector deleveraging will act as demand-side constraints on Spain's medium-term growth prospects.

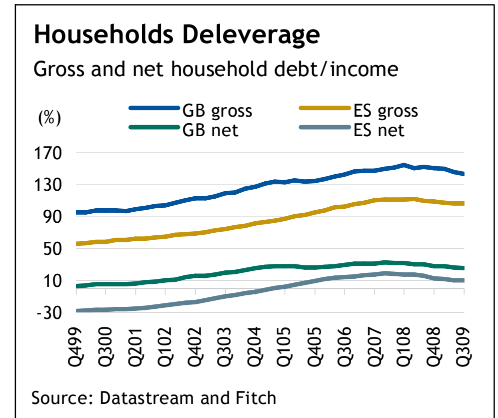


Spain's household sector is more heavily indebted than the euro area average: household debt equates to 106% of household income in Spain, compared with 95% in the euro zone. Net debt (debt minus household deposits) is 10% of household income in Spain, whereas the euro zone household sector is a net creditor to the tune of 9%. Spain's gross and net household debt/income ratios compare favourably with those of both the UK and the US, where household indebtedness is even higher.

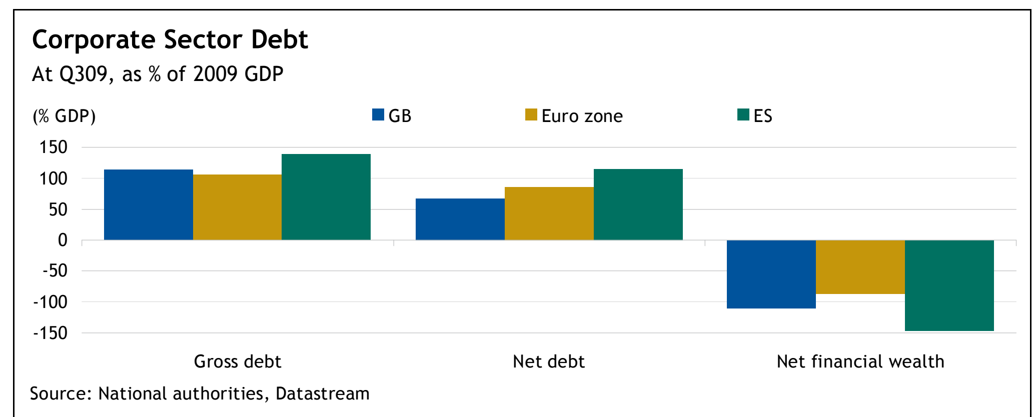
Nevertheless, net financial wealth (total financial assets held by households minus household debt) as a proportion of household income is lower in Spain than in the euro zone, the US and the UK. This reflects, in particular, the fact that Spanish households have much lower financial assets in the form of insurance or pension funds.

[4] See "*High-Grade Sovereigns and the Global Financial Crisis*" under *Related Research* on the front page

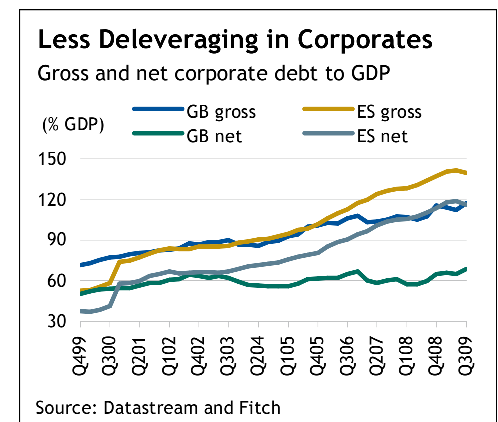
The ratio of gross household debt to income has been declining since Q208 and at end-Q309 had fallen to the same level it was at Q406. This is similar to the pattern of household deleveraging in the UK, where the gross household debt/income ratio peaked slightly earlier in Q108 and at Q309 had fallen to the same level as in Q306. In Spain, net household debt/income peaked earlier than gross debt/income (at Q307), and at Q309 had fallen back almost to end-2005 levels. The difference reflects the substantial rise in Spanish household deposits, which continued to grow even as the growth in gross debt was levelling off. Net household debt/income in the UK has followed a similar pattern.



Household sector deleveraging is set to continue to weigh on growth. Spanish households' saving ratio increased significantly over 2008-2009 to almost 19%, higher than for many of its peers. It is likely to remain high for some time, given high unemployment, the decline in household wealth, and financial constraints related to debt-servicing. As such, the potential boost to private consumption from the household saving ratio falling back from a high level will be muted. This will likely prevent the above-trend bounce-back in growth typically witnessed as recovery progresses.



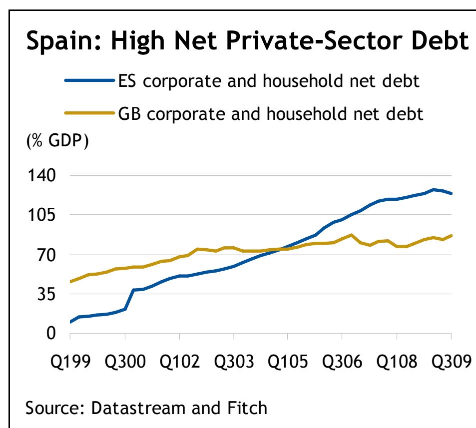
While a heavily indebted household sector is a feature Spain shares with the US and the UK, Spain's corporate sector is relatively more indebted and will therefore increase the burden of private-sector deleveraging and weigh on growth prospects. Spain's corporate sector is heavily indebted, with gross and net debt to GDP both significantly higher than in the euro zone as a whole and also the UK. Fitch notes that the construction and real estate sectors account for almost half of the debt owed by non-financial corporates. Overall net financial liabilities (total financial liabilities minus total financial assets) of the Spanish corporate sector as a percentage of GDP is also higher than in the euro zone as a whole and the UK.



Deleveraging appears to be progressing more slowly in Spain's corporate sector compared with its household sector. Gross and net corporate debt/GDP peaked in Q209, marking only one quarter of decline. UK gross and net corporate debt has continued to rise.

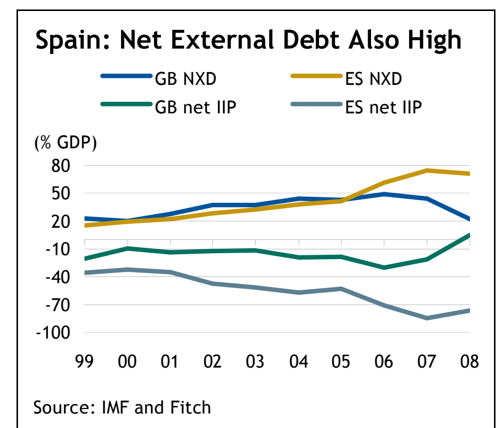
Another indicator underlining the indebtedness of the Spanish economy is the deterioration in the total net external debt burden and international investment position (IIP) relative to GDP, which has been driven by the private sector's foreign borrowing. A high external interest bill to service will also constrain domestic demand. Fitch estimates that Spain would need to achieve a primary current account surplus (the balance on goods, services and transfers, excluding the income balance) of 1.4% of GDP to stabilise the net international liability position. Spain recorded a primary current account deficit of 2.6% of GDP at end-2009 which implies that domestic demand will have to fall further relative to GDP to achieve a surplus.

Spain: High Net Private-Sector Debt



Source: Datastream and Fitch

Spain: Net External Debt Also High

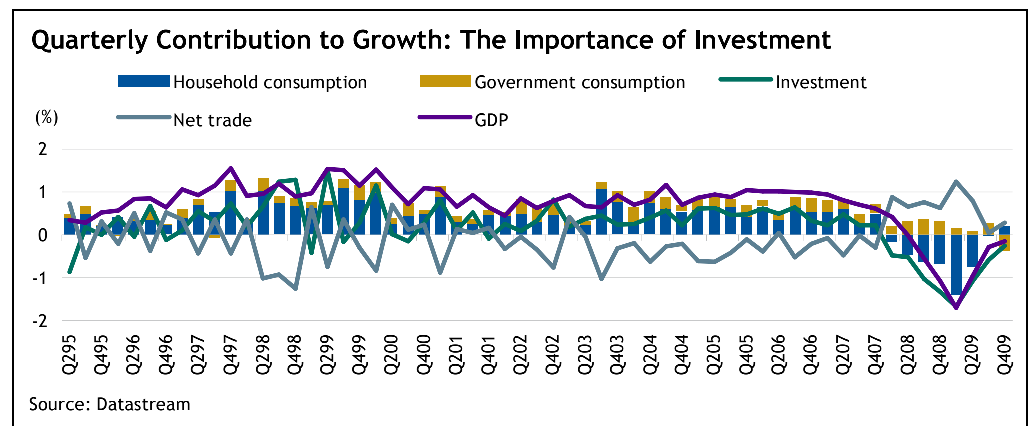


Source: IMF and Fitch

Construction Weighs on Growth But Investment Boom Was Not All Housing

The unwinding of the construction boom will weigh on investment in the medium term, constraining Spain's future growth. New housing supply is set to contract sharply, as housing approvals fell to 147,000 in December 2009 over the preceding 12 months from above 920,000 in early 2007.

Quarterly Contribution to Growth: The Importance of Investment



Source: Datastream

Housing Construction in the EU

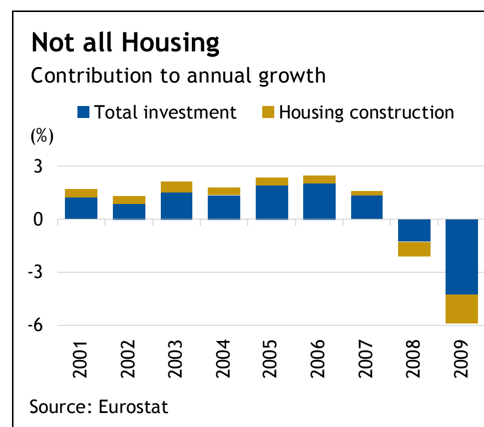
	IE	GR	ES	CY	Euro area	DK	GB
Average weight of housing construction in GDP (%)[a]	8.6	7.2	6.7	6.6	5.6	5.2	3.1
Average contribution of housing construction to annual growth (%)[b]	0.5	0.5	0.4	0.6	0.1	0.3	0.2

[a] 2000-2009 or 2000-2008 if not available
[b] 2001-2007
Source: Eurostat, Fitch

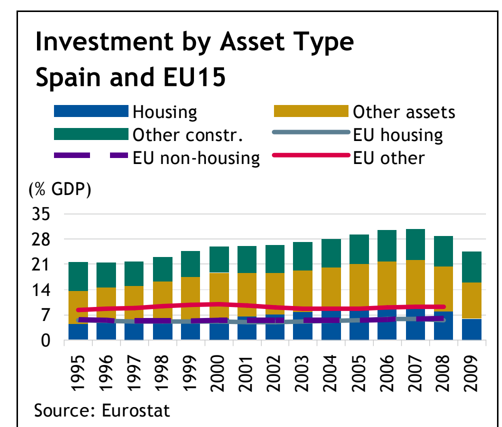
A closer look at the components driving growth in Spain over the last decade underscores the importance of investment. At the height of Spain's boom in 2007, domestic investment reached over 30% of GDP, the highest rate in Western Europe. During this period, an unsustainable volume of resources was directed to the residential construction sector. While the increase of household formation due to demographic changes and the increase in population resulting from immigration partly justified the increase in housing stock, there was a significant oversupply of housing by the end of the boom, due in part to an element of speculation on the back of rapidly increasing house prices and cheap labour and credit (Spain's entry into the euro area heralded a period of low real interest rates).

Between 2000 and 2009 (or 2000 and 2008 for countries for which 2009 data is not available), the average share of housing-related construction in GDP was the third-highest among all EU member states, after those in Ireland ('AA−'/Stable) and Greece ('BBB-'/Negative). At its peak, residential housing employed over 10% of Spain's workforce.

However, it is important to note that while Spain's investment boom and growth trajectory were partly related to the housing boom, this was not the whole story. The contribution of housing construction to growth averaged 0.43% between 2001 and 2007, less than a third of the average contribution to growth made by total investment. Even at the peak of the boom, housing construction was not the most significant investment by type of asset. Investment in non-housing construction was also significant but the largest share of investments has been in other sectors, including metals, machinery and transport equipment. This suggests that companies should be in a good position to take advantage of a pick-up in domestic or external demand.



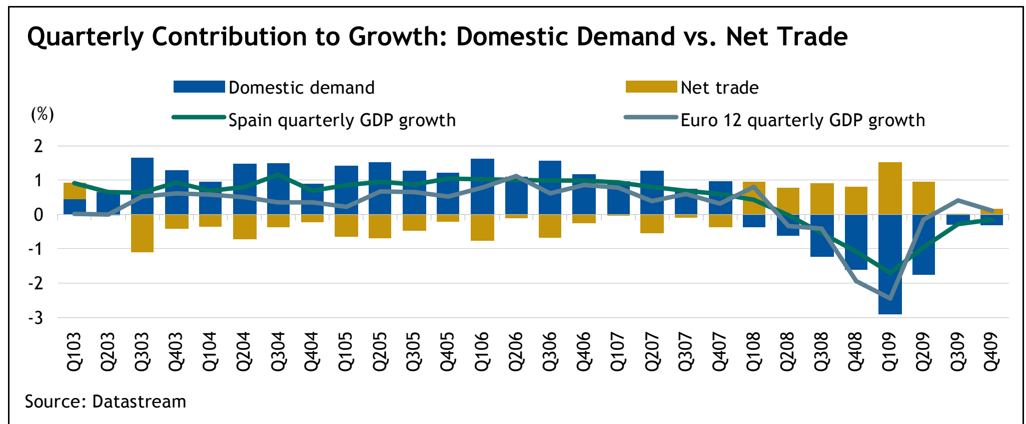
Source: Eurostat



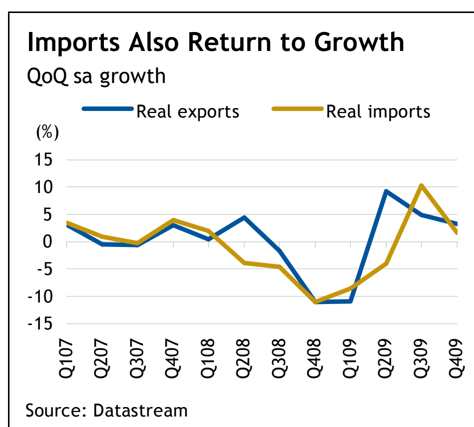
Source: Eurostat

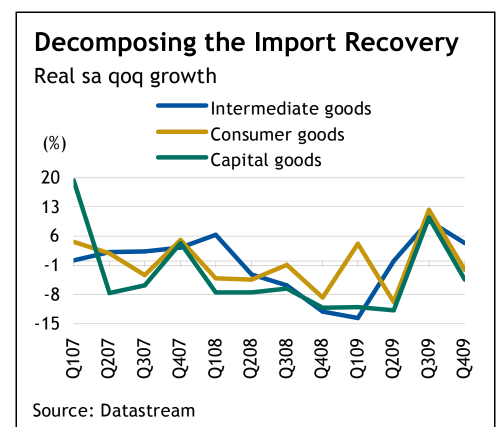
Net Trade Makes a Positive Contribution to Growth

While domestic demand has long made a positive contribution to the Spanish economy, net trade has been a drag on growth, particularly in the latter years of Spain's boom. However, the onset of the crisis saw domestic demand's contribution to (quarterly) growth turn sharply negative from Q108, seemingly reaching a nadir in Q109 before finishing the year still slightly negative. Net trade, on the other hand, began to register a positive contribution to quarterly growth in Q108.

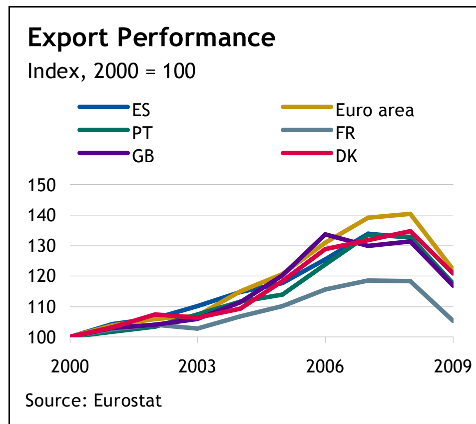


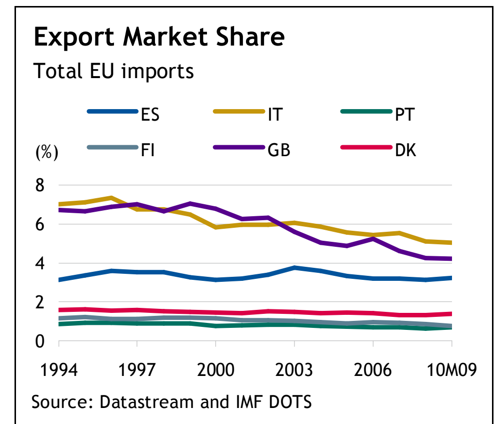
The positive contribution of net trade to growth can be linked to the fact that imports, which had risen much more quickly than exports in real terms during the boom, slowed much faster during the downturn. The sharp slowdown in domestic demand caused import demand to collapse, while exports may have been buoyed by the re-orientation of sectors serving domestic demand towards the export market. Real exports began to grow on a quarter-on-quarter basis in Q209, after three consecutive quarters of contraction. However, real imports bounced back quite vigorously in Q309 (after five consecutive quarters of contraction), suggesting that the positive contribution of net trade to growth could weaken in 2010. Imports of consumer goods appear to have been the most resilient throughout the downturn and, unsurprisingly, imports of capital goods the worst affected.



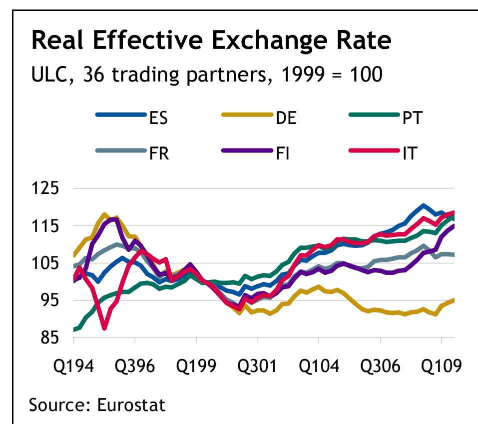


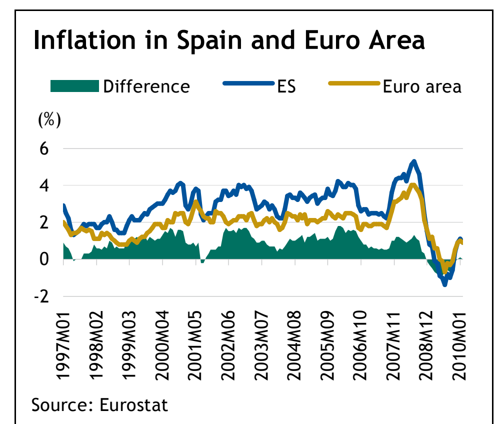
Data on Spain's export performance reveals a mixed picture. On an index basis, the volume of exports of goods and services fell below the euro area average after 2005. Spain's market share of EU imports declined after 2003 but less sharply than in France, Italy or Portugal. Furthermore, Spain managed to recover some lost market share in the first 10 months of 2009, although the export sector will have benefited from various temporary fiscal stimulus packages around Europe. On a positive note, Spain's real effective exchange rate, which had risen well above that of other large European countries, began to correct in H208 as the inflation differential with EMU fell.



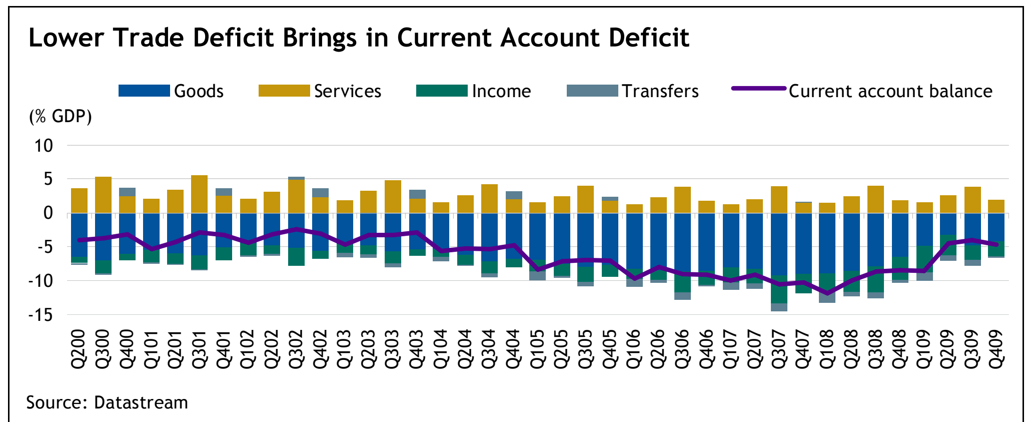


From euro adoption until Q408, annual inflation in Spain was around 1pp higher than the euro area average, eroding Spain's international price competitiveness against other euro area economies. However, the inflation gap started falling in Q408 and was in negative territory throughout most of 2009. Fitch believes the inflation differential will remain negligible in 2010, removing this pressure from Spain's export performance.





How has this affected Spain's current account deficit? The current account deficit fell from 9.7% of GDP in 2008 to 5.4% of GDP in 2009. The fall was driven predominantly by the almost halving of the trade deficit (to 4.3% of GDP) and slight improvements in both the income and transfers deficits. The services surplus also increased slightly, to 2.5% of GDP. Fitch is forecasting a further contraction of the trade deficit in 2010 and 2011, which should drive the current account deficit lower. Nevertheless, a current account deficit forecast at 4% of GDP in 2011 will still require external financing.



Fitch Forecasts Weak Growth in the Medium Term

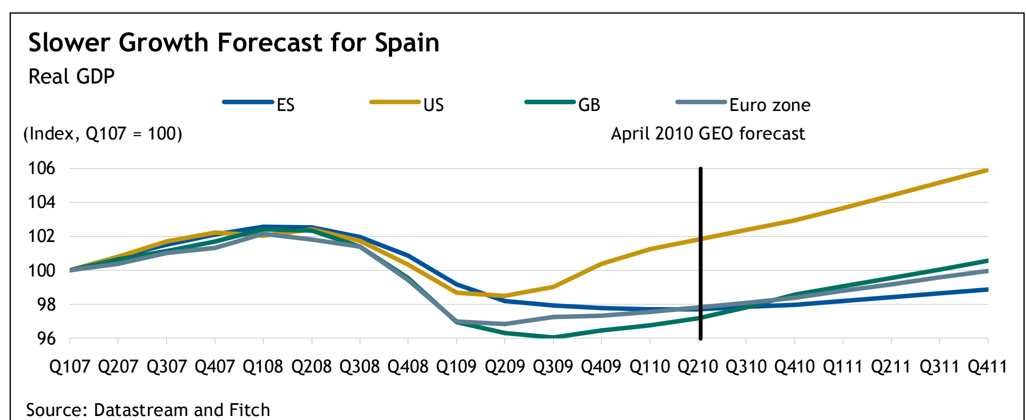
Fitch's forecasts on the contribution of net trade to growth in the medium term are slightly more positive than those of the Spanish government, reflecting a slower recovery in imports (on the basis of a relatively weaker projected domestic demand) and slightly stronger export growth projections. Nevertheless, for 2010-2013, Fitch is forecasting a slower recovery in private consumption and investment than the Spanish government, as economic activity is weighed down by high unemployment, the high level of indebtedness of the private sector and the legacy of the construction boom.

The contraction in private consumption in Spain in 2009 was much more marked than in other large high-grade economies such as France, Germany or the UK, and retail sales continue to decline year on year at a faster pace than in these countries. Consequently, the agency's growth forecasts for Spain are more subdued than the government's. (See *Slow Growth Would Hurt the Public Finances* below for a discussion of the effect that lower-than-expected growth would have on the public finances.)

How Much Support Will the Banking Sector Need?

Spanish banks successfully weathered the first stage of the global financial crisis due to their low exposure to the US subprime market and complex structured products, prudent regulation (including dynamic loan-loss provisioning and strict rules, which reduced incentives to set up off-balance-sheet vehicles), and banks' mainly retail-oriented business model. The banks' relative strength is reflected in a Banking System Indicator of 'B', placing it among the highest 11 Fitch-rated banking systems.

However, increasing difficulties in the domestic market — especially in the construction and property development sectors, where credit expansion was especially pronounced during the boom years — have put pressure on most banks'



asset quality and profitability. Spanish banks are suffering from a sharp deterioration in domestic-loan credit quality through the cycle. Banks' non-performing loans (NPLs) reached 5.1% of total loans at end-2009, up sharply from 1% in 2007. However, this ratio does not include recent debt-for-assets (including foreclosed property) and debt-for-equity swaps by Spanish banks and cajas (unlisted savings and loan institutions that account for around one half of the assets in the Spanish banking system). Fitch estimates that the ratio of impaired to total loans including foreclosed assets (both in the numerator and the denominator) would be around 8% at end-2009.

Using a highly stressed scenario on the Spanish banking system assets, Fitch has estimated the potential drawdown on resources from the Fund for Orderly Bank Restructuring (FROB), which was set up by the Spanish government in July 2009. The FROB, which has a total value of EUR99bn, is funded with EUR9bn of capital and up to EUR90bn of government-guaranteed debt. To date, only EUR3bn of debt has been issued by the FROB and the call on its resources amounted to only EUR2.2bn (to support three different merger processes involving eight cajas).

Using very conservative NPL and loss-given-default ratios, and assuming no pre-impairment operating profit and no support from existing shareholders, Fitch estimates that the FROB should be more than sufficient to cover expected losses, given the existence of loan impairment and other reserves of EUR68bn. It should be noted that this analysis ignores the buffer provided by net income. If Fitch's forecasts for pre-impairment operating profits for Spanish banks for 2010 and 2011 were included, the potential drawdown on FROB assets is even lower. It is also worth noting that the stress test includes the loan portfolios of Spain's largest banks, for which Fitch does not anticipate any need to use FROB funds.[5] However, Fitch notes that the caja sector is more exposed to the real estate and construction sectors which could weigh more heavily on its asset quality. Furthermore, the restructuring of this sector is progressing slowly which could intensify constraints on the supply of credit and affect the pace of economic recovery for the country.

Slow Growth Would Hurt the Public Finances

Fitch notes that Spain's planned fiscal adjustment is strong relative to austerity plans that have been adopted by other European governments (see table above). To bring the fiscal deficit down to below 3% of GDP in 2013, the government has announced a series of measures through the 2010 budget, an "immediate action plan" for 2010, a separate "austerity plan" for 2011-2013 and agreements with the autonomous regions and municipalities. These measures reflect a total fiscal consolidation effort of 5.7% of GDP. Furthermore, in May 2010, the government announced additional measures totalling 1.5% of GDP to accelerate deficit reduction in 2010 and 2011.

[5] The IMF has estimated that the FROB might be required to disburse EUR22bn in an adverse scenario. See Global Financial Stability Report April 2010 www.imf.org

Stability Programme Deficit and Debt Targets

Latest official forecasts

	General government balance						Public debt					
(% GDP)	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Austria	-3.4	-4.7	-4.0	-3.3	-2.7		66.5	70.2	72.6	73.8	74.3	
France	-7.5	-8.2	-6.0	-4.6	-3.0		77.6	83.2	86.1	87.1	86.6	
Germany	-3.3	-5.5	-4.5	-3.5	-3.0		73.2	76.5	79.5	81.0	82.0	
Italy[a]	-5.3	-5.0	-3.9	-2.7			115.8	118.4	118.7	117.2		
Spain	**-11.2**	**-9.3**	**-6.0**	**-5.3**	**-3.0**		**53.2**	**65.9**	**71.9**	**74.3**	**74.1**	
Belgium	-6.0	-4.8	-4.1	-3.0			96.7	100.6	101.4	100.6		
Portugal	-9.4	-7.3	-4.6				76.8	86.0	89.4	90.7	89.8	
Ireland[b]	-14.3	-11.6	-10.0	-7.2	-4.9	-2.9	64.0	77.9	82.9	83.9	83.3	80.8
Greece	-13.6	-8.1	-7.6	-6.5	-4.8	-2.6	115.1	133.0	145.3	148.8	149.3	146.3
UK[c]	-11.4	-11.2	-8.6	-6.9	-5.3	-4.2	71.4	80.5	86.0	88.7	89.2	88.7

[a] RUEF May 2010
[b] Official forecasts for 2010 onwards do not include transactions relating to Anglo Irish Bank; debt projections exclude NAMA bonds
[c] Budget 2010 (financial years), Fitch estimate for 2009
Source: Stability Programme Updates and later government announcements, Fitch

Fitch uses the same assumptions for Spain's potential output level made in Spain's Stability Programme Update 2009-2013 to calculate how much larger the output gap would be in the case of real GDP growth that is lower than the government's forecasts. To find the cyclical component of Spain's budget deficit, the output gap is multiplied by the European Commission's figure for the sensitivity of Spain's general government budget[6]. Using its own growth forecasts, but assuming the government's austerity plan is fully implemented (and including the positive impact on the budget given by the residual that is not explained by cyclical factors or consolidation), Fitch's analysis suggests that the general government budget deficit would decline more slowly, falling to 4.6% of GDP in 2013, rather than the 3% forecast by the government (see Appendix for further details). A less than full implementation of the austerity plan would result in an even higher deficit.

Under the scenario adopted in Spain's Stability Programme Update, Spain's general government debt ratio peaks at 74% of GDP in 2012 before starting to decline. This assumes a stock-flow adjustment of EUR30bn for 2010-2013, which reflects, among other operations, expected disbursement from the FROB. Assuming the same EUR30bn stock-flow adjustment as the government, Fitch projects that at end-2011 (currently Fitch's final forecast date for all 'AAA'-rated sovereigns), Spain's general government debt ratio would rise to 70% of GDP, the same as the 'AAA' median. However, in Fitch's lower-growth scenario, Spain's general government debt would continue rising to reach almost 78% of GDP by end-2013 instead of stabilising in 2012, as forecast by the government. Debt would increase even further if growth is lower than expected, Spain enters deflation, or the austerity plan is not fully implemented.

How would general government debt be affected by a stress scenario in the Spanish banking system? Fitch estimates that even in a 'stress scenario', the FROB should be more than sufficient to cover expected losses. Nevertheless, if the government were to issue the whole EUR90bn of FROB debt resources in 2010 and 2011, general government debt would rise to 76% of GDP at end-2011 and 83% of GDP at end-2013.

[6] See "New and Updated Budgetary Sensitivities for the EU Budgetary Surveillance", European Commission Directorate General for Economic and Financial Affairs, 30 September 2005

Annex

Macroeconomic Outlook

Change on previous period unless stated (%)	Real GDP	Consumption	Investment	Government spending	Exports	Imports	Industrial production	Unemployment (% labour force)	Retail sales volumes[a]	House prices[b]	CPI inflation[a]	Interest rates (%)	Bond yields, 10-year (%)
2008	0.9	-0.6	-4.4	5.5	-1.0	-4.9	-7.5	11.4	-5.4	1.1	4.1	3.89	4.3
2009	-3.6	-4.9	-15.3	3.8	-11.5	-17.9	-15.5	18.1	-5.4	-7.1	-0.3	1.28	4.0
Q109	-1.7	-2.4	-6.0	0.7	-8.4	-10.8	-5.9	16.6	-6.9	-6.5	0.5	1.99	4.0
Q209	-1.0	-1.3	-4.1	0.4	0.7	-2.3	-0.8	17.9	-5.9	-8.2	-0.7	1.13	4.1
Q309	-0.3	0.0	-2.4	1.4	2.1	1.7	0.1	18.7	-4.5	-7.8	-1.0	1.00	3.9
Q409	-0.1	0.3	-1.0	-1.7	3.0	2.1	0.5	18.9	-4.1	-6.2	0.2	1.00	3.8
October							0.7	19.0	-3.9		-0.6	1.00	3.8
November							0.1	18.9	-5.4		0.4	1.00	3.8
December							0.4	18.9	-2.8		0.9	1.00	3.8
January							-0.8	18.8	-3.2		1.1	1.00	3.9
February									-1.6		0.9	1.00	4.0
Forecasts													
2010	-0.5	-0.4	-6.5	1.2	3.4	-1.9		19.5			1.4	1.00	4.1
2011	0.5	0.2	-0.3	-0.7	4.3	1.8		19.6			2.1	1.50	4.2
Q110	-0.1	-0.5	-2.0	0.4	-0.4	-3.5		19.0			1.0	1.00	4.1
Q210	0.0	0.0	-1.8	0.5	0.0	-1.0		19.4			1.2	1.00	4.0
Q310	0.1	0.1	-0.6	1.2	0.2	0.3		19.8			1.4	1.00	4.2
Q410	0.2	0.4	0.2	1.2	0.7	1.8		19.6			1.8	1.00	4.2

[a] Change over same period a year earlier (%)
[b] INE index
Source: Fitch, Datastream

Spain Fiscal Adjustment

		2009	2010	2011	2012	2013	2011-2013	Source
1	GG balance/GDP (%) from Spain Stability Programme Update (SPU) 2009-2013	-11.2	-9.8	-7.5	-5.3	-3	-	Spain SPU
2	Latest official GG balance/GDP (%) targets (including May 2010 measures)	-11.2	-9.3	-6.0	-5.3	-3	-	Government announcements
3	Real GDP growth (%) from SPU	-3.6	-0.3	1.8	2.9	3.1	-	Spain SPU
4	Fitch Real GDP growth (%)	-3.6	-0.5	0.5	1.7	1.9		Fitch forecasts
5	**GG balance (% GDP)**	**-11.2**	**-9.4**	**-6.6**	**-6.4**	**-4.6**		
6	Nominal GDP growth (%)	-3.4	-0.1	1.4	3.1	3.3		
7	Nominal GDP (EURbn)	1,051	1,051	1,065	1,098	1,134		
8	Stock-flow adjustment (EURbn)		10.6	7.0	5.9	6.7		Spain SPU
9	GG debt (EURbn)	559.4	668.5	745.8	822.1	881.3		
10	**GG debt (% GDP)**	**53.2**	**63.6**	**70.0**	**74.9**	**77.7**		
11	**GG debt with all FROB (% GDP)**	**53.2**	**66.5**	**75.6**	**80.3**	**83.0**		

GG = general government
Source: Fitch, European Commission

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