

## SPAIN

Output is projected to fall by 4¼ per cent in 2009, with the rate of decline slowing as the year progresses, and by 1 per cent in 2010. The unemployment rate will reach about 20% in 2010, and inflation will fall to near zero. The government deficit is projected to reach 9½ per cent of GDP in 2010.

Fiscal policy should remain neutral in 2010. Small financial intermediaries with solvency problems should be allowed to fail, which would limit the fiscal costs of interventions. Programmes to support construction of social housing should be halted: support to low-income households should be provided via means-tested cash benefits earmarked to the housing costs. Scope for the savings banks to raise equity from private external sources should be expanded and barriers to mergers removed.

## Spain: Demand, output and prices

	2005	2006	2007	2008	2009	2010
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption	525.1	3.9	3.5	0.1	-4.4	-1.1
Government consumption	163.7	4.6	4.9	5.3	3.4	2.9
Gross fixed capital formation	267.0	7.1	5.3	-3.0	-13.5	-4.6
Final domestic demand	955.9	4.9	4.2	0.1	-5.5	-1.1
Stockbuilding <sup>1</sup>	0.9	0.2	-0.1	0.0	-0.1	0.0
Total domestic demand	956.8	5.1	4.2	0.1	-5.6	-1.2
Exports of goods and services	233.4	6.7	4.9	0.7	-22.8	-1.3
Imports of goods and services	281.4	10.3	6.2	-2.5	-24.0	-2.1
Net exports <sup>1</sup>	- 48.0	-1.5	-0.8	1.0	1.7	0.3
GDP at market prices	908.8	3.9	3.7	1.2	-4.2	-0.9
GDP deflator	—	4.0	3.2	3.0	0.7	0.3
<i>Memorandum items</i>						
Harmonised index of consumer prices	—	3.6	2.8	4.1	-0.1	0.3
Private consumption deflator	—	3.4	3.2	3.8	0.1	0.3
Unemployment rate	—	8.5	8.3	11.3	18.1	19.6
Household saving ratio	—	11.2	10.2	12.1	14.1	13.6
General government financial balance <sup>2</sup>	—	2.0	2.2	-3.8	-9.1	-9.6
Current account balance <sup>2</sup>	—	-9.0	-10.0	-9.5	-6.1	-5.6

Note: National accounts are based on official chain-linked data. This introduces a discrepancy in the identity between real demand components and GDP. For further details see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

2. As a percentage of GDP.

Source: OECD Economic Outlook 85 database.