

2005

# Economic Report on Andalusia



**JUNTA DE ANDALUCÍA**

**Consejería de Economía y Hacienda**  
Secretaría General de Economía

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# Presentation

*The Regional Ministry of Economy and Finance presents its eighteenth successive Economic Report on Andalusia, this time for 2005, featuring a detailed study of the Andalusian economy's performance in relation to those of its benchmark economies.*

*This year the world economy again displayed a strong growth rate, albeit more restrained than was seen the previous year, with the rising pattern registered since 2002 being checked in an almost across-the-board slowdown over the various areas.*

*The developing economies remained at the forefront of world growth with the Asian countries notably vigorous, in particular China, which accounted for almost one third of world economic growth in 2005.*

*Against a backdrop of widespread economic slowdown, Japan proved the exception among the industrialised countries, using 2005 to build on the recovery it began two years earlier. The USA, however, was once again the country showing the largest relative growth, this comprising nearly half of the rise in GDP among the industrialised economies for the year.*

*The growth rate in the European Union and the euro area also slackened, doing so to a greater extent than on average among the industrialised nations and with some of the most representative economies, such as Germany and Italy, conspicuously weaker.*

*In this scenario of world economic slowdown the Andalusian economy posted real GDP growth of 3.6% in 2005, thus keeping up the growth cycle begun in 1994 for a twelfth successive year and showing distinctive buoyancy with respect to the economies around it.*

*Andalusia's economic growth was specifically two tenths of a point higher than the national average (3.4%) and more than double that for the euro area (1.4%), allowing it to continue moving closer towards and more into line with its benchmark economies. GDP per capita for Andalusia reached 79.3% of the Spanish average in 2005, 0.3 points more than for the year before, and stood at over 75% of the average for the EU-25.*

*On the supply side, growth for the Andalusian economy was underpinned by non-farm sectors which, taken together, proved more dynamic than in 2004, bettering results in Spain and, above all, the euro area.*

Concerning demand, indicators on the one hand confirm the noticeable strength of the internal components of consumption and investment and, on the other, fresh progress in integrating Andalusia into world markets. The openness of the Andalusian economy, the combination of exports plus imports with respect to GDP, hit its highest level for the last five years in 2005, with the export rate, the ratio of exports to export goods (farming and industrial), at a historic high.

These results for supply and demand were accompanied by vigorous business venture activity and a striking pick-up in the process of creating jobs and cutting jobless numbers, with higher rates than those registered for the Spanish and European economies as a whole.

Regarding business structure, the number of non-farming enterprises was 5.1% higher than the previous year, which is one point over the national level (4.1%), with Andalusia reinforcing its status as the autonomous region with the second largest business sector. Furthermore, as has been observed without let-up since 1997, Andalusia continued to show a lower relative propensity among companies to dissolve than on average in Spain.

In terms of the labour market, the rate of job creation picked up significantly, contributing to a sizeable drop-off in jobless numbers and leaving the unemployment rate at its lowest level for twenty-six years.

According to the LFS (the Labour Force Survey), the population in work in Andalusia rose by 7.1% in 2005, the highest rate recorded, beating the previous year's figure by almost two points and coming in above average growth in Spain (5.6%) and, above all, among the EU-25 (1.6%).

This meant that the all-time absolute high was reached in 2005 of 2,959,600 people in work in Andalusia, which was 196,500 more than in the previous year and accounted for almost one fifth of total job creation on a national scale and 6.3% among the EU-25. These percentages outstripped the relative weight of Andalusia's working population within the Spanish and European economies as a whole (15.6% and 1.5%, respectively).

Among the most significant features of job creation it is worth noting that, on the one hand, it was relatively more intensive in the non-farming sectors, especially in industry and services, and among women, the under 25s and wage-earners with open-ended contracts. On the other hand, it was concentrated on the private sector and more highly qualified workers, that is those with secondary or university education, who represented 80% of the total of those in a job in Andalusia.

Together with this surge in employment, a notable rise was seen in the labour force, this hitting the historic high of 54.3% and moving towards average levels in Spain. The relatively stronger job growth relative to labour force growth led to a major drop in the number of jobless, which, according to the LFS stood at -16.3% year-on-year, which was more than the average drop in Spain, with almost one third of the total fall in unemployment nationally focusing on Andalusia.

In the realm of prices and against a background of rising oil prices on world markets, the Andalusian economy ended 2005 with a higher inflation rate than the previous year, though this was lower than the Spanish average. Meanwhile, pay-rises outstripped price increases, prompting a gain in purchasing power, which in Andalusia doubled that seen nationally.

*This all took place in an environment in which Andalusia continued to exhibit more vigour than the nation as a whole in the process of implementing and using information and communication technologies and it drew closer to average levels across Spain with respect to what has come to be termed the “new economy”, “information society”, or the “knowledge society”.*

*A comparison of these results for the Andalusian economy with those returned for the other regional autonomies shows Andalusia to have been one of the most buoyant regions in the Spanish economy in 2005, after seeing relatively higher growth rates in, for example, GDP generation, employment, trade and entrepreneurial activity, as well as being notable as one of the regions with least inflation.*





1.

# World Economy



# World Economy

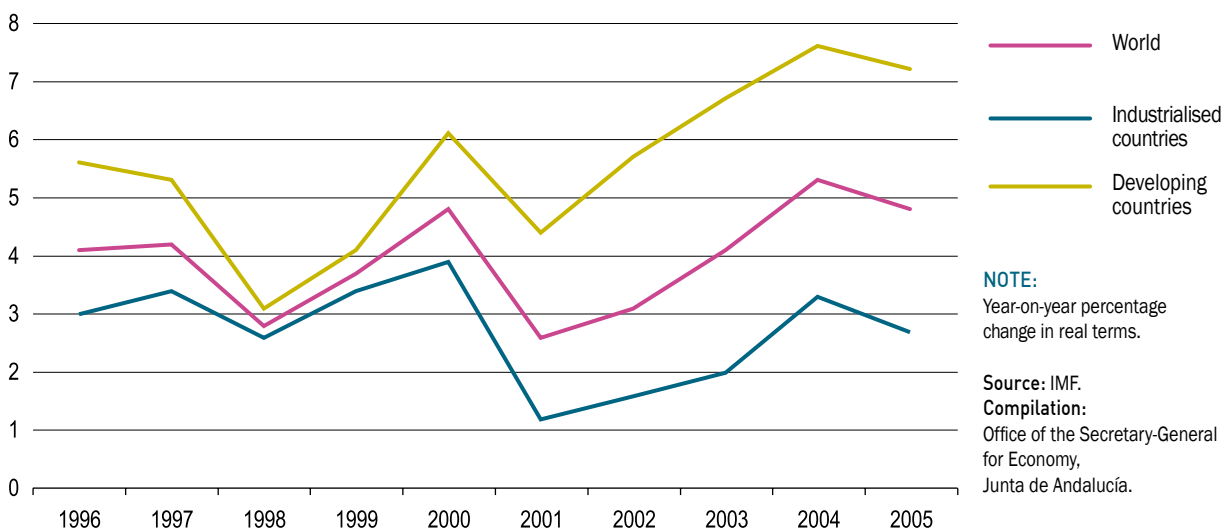
## Introduction

The world economy in 2005 continued to grow, even though the growth rate eased up in a departure from the trend of a steady increase in GDP which had been registered since 2002. According to the IMF, world GDP experienced real growth of 4.8%, half a point lower than the year before, with the slowdown virtually across-the-board in the various economic areas.

Although they slowed up, the developing countries were still heading up world growth, with the Asian countries notably buoyant, particularly China, which in 2005 accounted for almost one third of world economic growth.

Taken as a whole, the industrialised countries also grew at a slower clip in 2005. Of these it is worth noting the slowdowns felt in both the USA and the European Union and the euro area, while on the other

Chart 1. **GROSS DOMESTIC PRODUCT**



hand Japan marked the exception, continuing to build on the recovery it had set out on two years previously.

All this took place against a backdrop of rising oil prices on world markets, which nonetheless had no particular bearing on inflation rates, which held at relatively moderate levels. In 2005 the average price was 54.2 dollars a barrel, compared with 38.3 dollars the year before, implying a price-rise of some 41.4%.

On the other hand monetary policy at the various central banks proved mixed. While the US Federal Reserve steadily raised the official cost of borrowing with several hikes, the Bank of Japan held this at around the zero level, which has been a feature in recent years, while the European Central Bank broke with a stable situation at the end of the year and raised the official rate in December.

On top of this there were other hallmarks to the world economy in 2005, such as the significant swings in the dollar against key currencies and the slowdown in world trade in a climate of more sluggish economic growth.

As has come to be the custom in this report, this overview of the world economy is supplemented

with the information published in the Human Development Report published by the United Nations Development Programme (UNDP), which offers a wider insight into human development than conventional economic indicators.

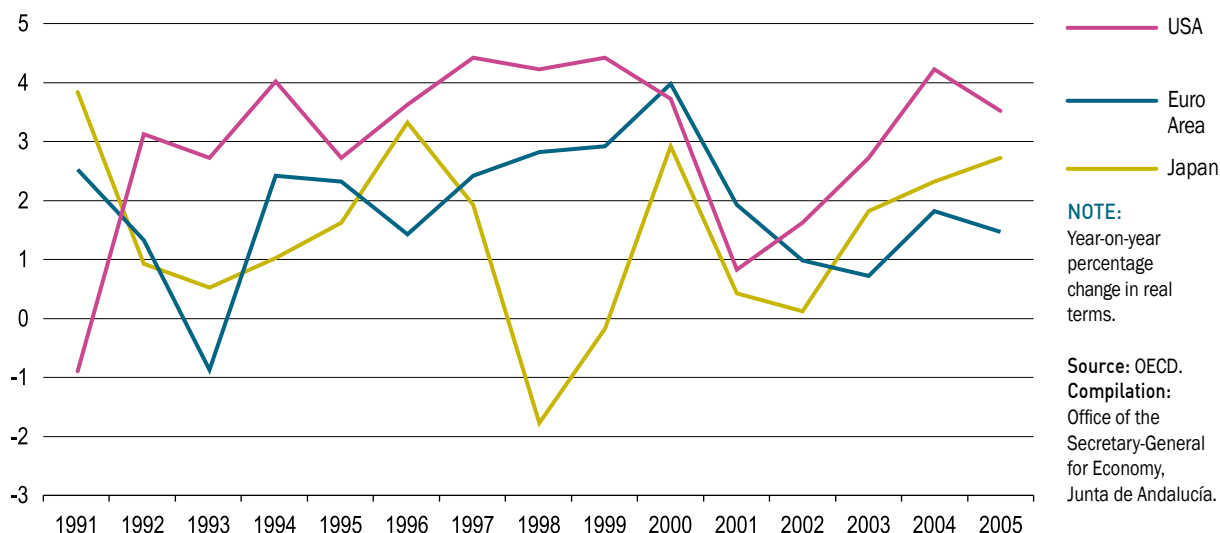
The 2005 report makes the point that although in more recent years there has been a lot of progress in terms of human development, in 2003 there was a group of countries which experienced a reverse with respect to the situation in 1990 and there were more in this group during this period than there were over the decade in the eighties.

## Industrialised countries

Against a background of widespread economic slowdown in 2005, growth rates in the industrialised countries fell back, with the OECD estimating an increase in real GDP of 2.8%, which is five tenths of a point lower than a year earlier.

This trend affected most countries, among which Japan stood out as the exception in 2005 as it continued to build on the recovery it had begun two years previously. In contrast to this, in the

Chart 2. **GROSS DOMESTIC PRODUCT**



European Union and the euro area economic growth eased up, as it did in the United States, which nonetheless still featured prominently among the industrialised countries with the highest growth rates, accounting for almost half of growth in the industrialised economies in 2005.

This all took place within the context of price-rise containment in spite of soaring oil prices on world markets, which resulted in the private consumption deflator rose 2% for the OECD as a whole, one tenth of a point lower than the previous year.

On the other hand the labour market reflected the lower level of economic activity, with the employment creation rate slowing down for the OECD countries taken together. In specific terms the number of those in work was up 1.1% in 2005, two tenths of a point less than the previous year. Despite this the unemployment rate was 6.5% of the labour force, two tenths of a point lower than in 2004.

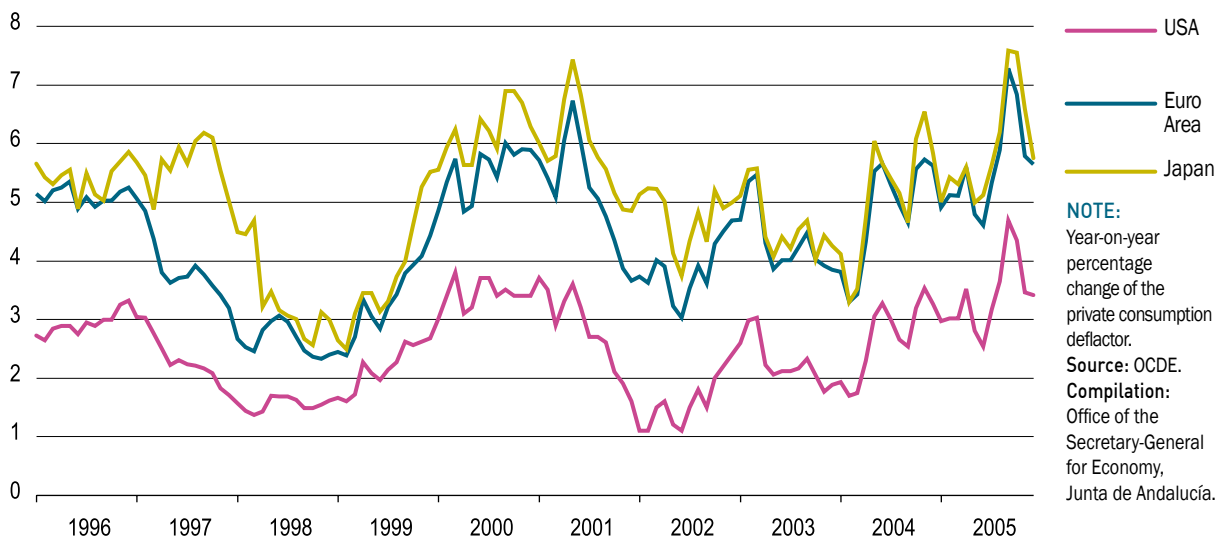
In the breakdown by countries, Turkey was the most buoyant, with a rise in GDP of 7.4%, followed by Slovakia and the Czech Republic (6% each), which were the European Union countries showing the highest growth in 2005. Together

with these, other European Union countries where the GDP rise topped the average for the whole of the OECD were Ireland, Luxembourg, Hungary, Greece, Spain, Poland and Denmark. Outside the European Union and in addition to those countries already mentioned, this was the case for Iceland, the Korean Republic, the United States, Mexico and Canada.

In the **United States** GDP saw real growth of 3.5%, which was seven tenths of a point lower than in 2004, although this was notably ahead of the level for the whole set of OECD countries (2.8%). On the domestic demand side, growth for all components slowed down in 2005, noticeable among these being gross fixed capital formation, with growth of 7.3%, over a point lower than in 2004, although this was still the most vigorous component. Private consumption rose 3.5%, against 3.9% the previous year, while public sector consumption fell back to 1.5%.

On the other hand, the foreign sector was hit by lower growth in the world economy and added weakness in private consumption, and in 2005 there was a slowdown in exports and, above all, in imports. Exports were nonetheless up by more than imports and the foreign sector's negative

Chart 3. INFLATION RATE



contribution to growth was three tenths of a point lower than in 2004 (eight tenths of a point the previous year).

On the supply side there was a noticeable fall-off in industrial activity, with the industrial production index registering a rise of 3.2%, compared with 4.1% the previous year, though this was notably better than the figure for the OECD countries together (2.3%).

On the other hand price trends were swayed by developments in energy prices, these in turn being influenced by the oil price hikes on international markets. The inflation rate as measured by the private consumption deflator thus came in at 2.8%, two tenths more than the previous year and higher than the figure for the whole set of industrialised countries (2%).

The labour market meanwhile did not show any sign of the economic slowdown and continued to progress favourably. The number of those in work rose 1.8%, compared with 1.1% the previous year, and the unemployment rate was down for the second year in a row, moving to

5.1%, which was four tenths of a point less than in 2004.

Within this scenario of economic slowdown which was a feature of the industrialised countries in 2005, for the third year running **Japan** showed a steady pick-up in its GDP growth rate, reaching 2.7%, the highest in five years. On the demand side this was due to the buoyancy of private consumption, above all gross fixed capital formation, which saw a year-on-year rise of 3.3% in 2005, over two points higher than the year before. In contrast to this, public consumption growth fell back to 1.8%.

On the other hand the foreign sector was still characterised by higher growth for exports than for imports, meaning that for the fourth year in a row this contributed positively to GDP growth, though less so than the previous year. The surplus on the current account balance was thus 3.6% of GDP, one tenth of a point less than in the previous year.

On the supply side, industrial activity eased up markedly, the industrial production index rising

Chart 4. **EMPLOYMENT**



1.5%, almost four points lower than the figure for the previous year.

With respect to prices, despite the greater level of economic dynamism, the deflationary phase was not overcome in 2005 and the inflation rate as measured by the private consumption deflator was  $-0.8\%$ , one tenth of a point lower than in the previous year.

The labour market however reflected better economic trends and for the second year running it showed an uptick in those in work ( $0.4\%$ ), with the unemployment rate dropping to  $4.4\%$ , the lowest rate in the last seven years.

## European Union

Against the backdrop of widespread economic slowdown, growth rates in the European Union countries and the euro zone were down in 2005, more so than on average for the industrialised countries. To be precise, the European Commission estimates that euro area GDP

showed a rise of  $1.3\%$ , this being  $1.6\%$  for the European Union as a whole, seven and eight tenths of a point below figures for the previous year respectively, against a slowdown of five tenths of a point for the OECD, where GDP climbed by  $2.8\%$  in 2005.

Latvia is the European Union country which grew the most ( $10.2\%$ ), followed by Estonia ( $9.8\%$ ) and Lithuania ( $7.5\%$ ), with the Czech Republic and Slovakia too among the most buoyant countries. At the other end of the scale Italy, with flat growth in 2005, was the country which performed the worst, while the very modest GDP rises seen in Portugal ( $0.3\%$ ) and Germany ( $0.9\%$ ) were also notable in this regard.

Domestic demand was up  $1.7\%$ , compared with  $2.5\%$  for the year before. Among the various components the most vigorous was gross fixed capital formation, though this exhibited a certain sluggishness compared to 2004, rising by  $2.9\%$ , which was one tenth of a point less than previously. On the other hand both public and private consumption rose by  $1.6\%$ , the former showing a recovery and the latter a reduction in growth rates.

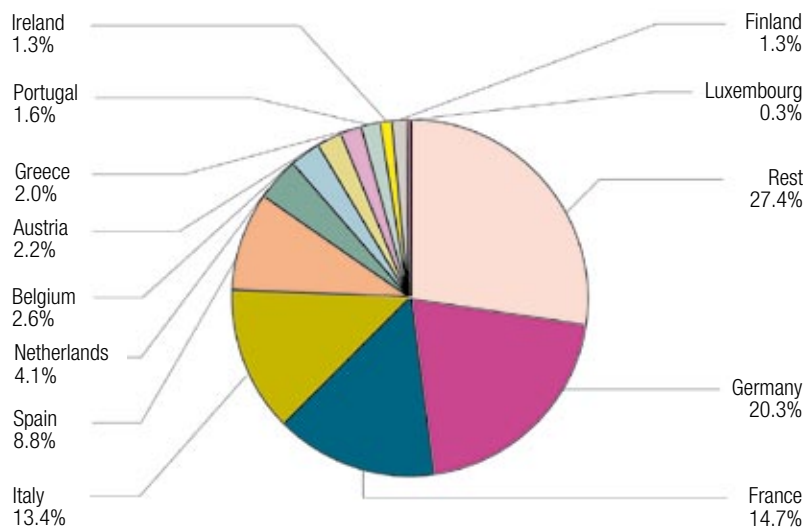
Table 1. **AGGREGATE DEMAND AND OUTPUT IN THE EU AND THE EURO AREA. YEAR 2005**

	EU-25		Euro Area	
	% of GDP	04-05 growth %	% of GDP	04-05 growth %
Domestic demand	99.3	1.7	98.6	1.6
- Private consumption	58.2	1.6	57.2	1.3
- Public consumption	20.9	1.6	20.5	1.4
- Gross fixed capital formation	19.8	2.9	20.5	2.3
Export of goods and services	37.2	4.7	37.7	3.8
Import of goods and services	36.5	5.0	36.3	4.6
GROSS DOMESTIC PRODUCT	100.0	1.6	100.0	1.3
	% of GVA	04-05 growth %	% of GVA	04-05 growth %
- Primary sector	1.9	-3.2	2.0	-3.7
- Industry	20.6	0.8	20.6	0.8
- Construction	6.0	1.6	6.1	1.1
- Services	71.5	2.2	71.3	1.9
GROSS VALUE ADDED	100.0	1.7	100.0	1.5

**NOTE:**  
Chained volume indexes, base year 2000.

**Source:**  
EUROSTAT.  
**Compilation:**  
Office of the Secretary-General for Economy, Junta de Andalucía.

Chart 5. EUROPEAN UNION GDP DISTRIBUTION. YEAR 2005



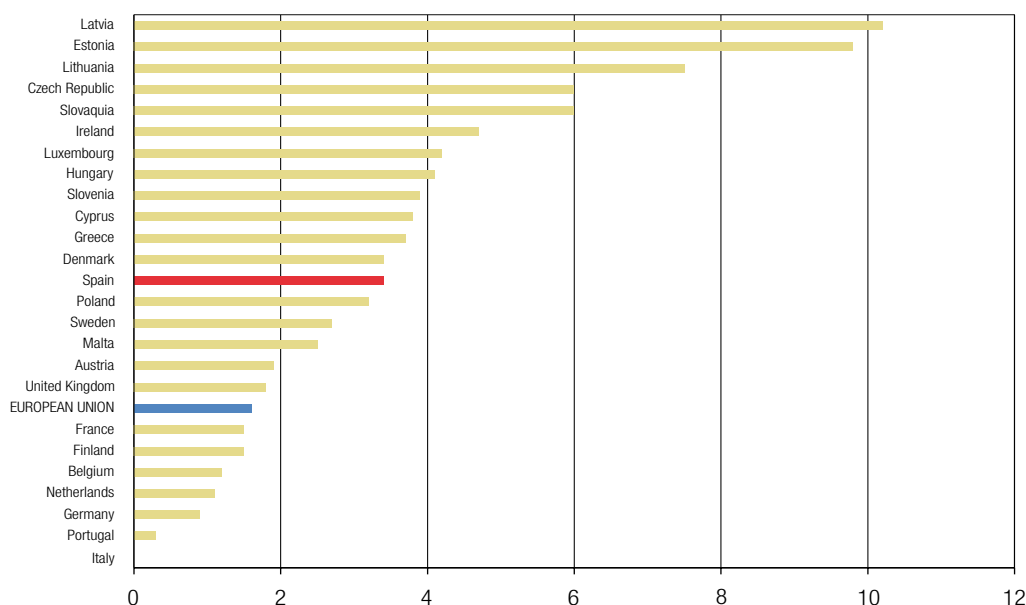
**NOTE:**  
Percentage at purchasing power parity in US dollars.

**Source:** IMF.  
**Compilation:** Office of the Secretary-General for Economy, Junta de Andalucía.

The foreign sector was characterised by a slowdown in exports and imports which served as testimony to the lower growth for the world economy in 2005. Imports again increased by more than exports (5% and 4.7% respectively), the deficit on current account representing 0.3% of the GDP.

On the supply side all sectors except services slowed down in 2005. Among these was the primary sector, the only one with negative growth, at -3.2%. Industry registered a very slight rise (0.8%), being followed by construction with a GVA of 1.6% and services, the most vigorous sector, at 2.2%.

Chart 6. GROSS DOMESTIC PRODUCT. EUROPEAN UNION COUNTRIES. YEAR 2005



**NOTE:**  
Year-on-year percentage change in real terms.

**Source:** EUROSTAT.  
**Compilation:** Office of the Secretary-General for Economy, Junta de Andalucía.



The labour market, however, did not betray the worsening output activity and kept up its ability to generate employment, the unemployment rate thus falling. The precise figure for the rise in employment across the whole European Union in 2005 was 0.8%, compared with 0.6% the year before. This trend was not across-the-board among the EU-25 countries and was bucked by Germany, Italy and the Netherlands with less economic growth in 2005 and a drop in employment.

On the other hand the unemployment rate was 8.7%, four tenths of a point beneath that for the previous year and the lowest for four years. In some countries however joblessness rose, notable among these Sweden with an unemployment rate of 7.8%, a point and a half higher than the previous year.

Trends for prices in 2005 however were shaped by fluctuations in energy prices on world markets, most specifically those of oil. Nonetheless the reining in of crude prices in the latter months of the year favoured tamer growth rates for prices, so the year closed with an increase in the harmonised index of consumer prices (HICP) of 2.1% for the EU countries as a whole, one tenth lower than had been seen in December the previous year, though this was above the 2% target set by the European Central Bank.

With regard to the **Euro Area** countries, Ireland stood out, its GDP rising by 4.7%, two tenths of a point more than in the previous year. It was followed by Luxembourg, with 4.2%, keeping up the 2004 growth rate, and Spain, which, together with Ireland, were the only countries in the euro area to have experienced economic recovery, thus bucking the general trend of a slowdown. At the other end of the scale were Italy, with flat growth, and Germany (0.9%), which are two of the area's economic heavyweights and together provided almost one half of its GDP (47.3%).

Though it did so to a lesser extent than among the European Union countries as a whole, domestic demand growth was more sluggish in 2005,

rising 1.6%, four tenths of a point less than the year before. This was generally the trend, except in Spain, Ireland and Luxembourg, where, as has been mentioned, they did not see tamer GDP growth rates either and also shone as the most dynamic countries in 2005.

The key driving force on the demand side was gross fixed capital formation, which saw a similar increase to the previous year (2.3%), chiefly due to vigorous capital expenditure (3.7%), with the increase in construction investment more modest (1.4%). Among the various countries, Ireland and Belgium were notable as having the largest rises in this demand component, while at the opposite end, in Germany, Greece, Italy and Portugal, gross fixed capital formation fell.

With a rise of 1.4% public consumption came second, appearing somewhat revitalised with respect to the previous year. Private consumption growth, however, slackened to 1.3%, two tenths of a point under 2004 levels.

On the other hand, the foreign sector revealed a slowdown, both in exports and in imports, the latter rising by more (4.6% versus 3.8% for exports). The balance on current account, however, threw up a positive outcome for the seventh year running, coming in at 0.1% of GDP, which contrasts with the deficit which characterised the European Union countries as a whole.

From a supply standpoint the most striking aspect was the fall in the primary sector, with GVA falling away by 3.7%. The other sectors contributed positively to GVA growth in 2005, particularly services with growth of 1.9%, four tenths of a point more than the previous year. Growth rates were more moderate for industry and construction (0.8% and 1.1%, respectively) and in both cases lower than the year before.

The inflation rate for December came in at 2.2%, slightly under the figure for 2004 (2.4%) and two tenths of a point higher than in the European Union bloc (2.1%).

**Box 1. CHANGES IN SHARE OF WORLD GROSS DOMESTIC PRODUCT**

World comparisons of economic aggregates such as GDP call for a comparable unit of measure to be used. Differences in value for this economic indicator among the various countries are not only due to volumes of goods and services, but also price levels, meaning that to make a genuine comparison of volume conversion, factors have to be built in to reflect price differences among countries.

Using exchange rates as conversion factors does not make for genuine comparison as these are shaped not only by price differences, but also by other factors which come to bear on supply and demand for currencies, such as world trade and interest rate differentials.

This is why purchasing power parities (PPP) are used, which are currency exchange rates which convert economic indicators expressed in nominal national currencies into a common currency with equal purchasing power for all of them and act as price deflators and currency converters, thereby allowing GDPs and their aggregate figures to be compared among the various countries.

On this basis analysis of International Monetary Fund (IMF) figures on Gross Domestic Product (GDP) valued using purchasing power parities reveals that over the last twenty-five years the share of the major economic areas in world GDP has undergone significant change. Between 1980 and 2005 the GDP for the whole set of emerging and developing nations has risen in a greater proportion than that of the industrialised countries, moving from a share of 39.4% of world GDP to one of almost half (47.7%). In contrast to this, the most advanced economies have seen their share over the twenty-five year period dwindle from 60.6% in 1980 to 52.3% in 2005.

These findings are largely explained by the trends seen in developing countries in Asia, which, in 2005 and using the purchasing power parity method, generated over a quarter of world economy GDP (27.1%) against 10% in 1980, while the share from the other emerging and developing countries such as Africa, Central and Eastern Europe, the Commonwealth of Independent States (CIS), the Middle East and Latin America dropped in the same period.

The USA is still the country with the biggest weight out of the figure for the whole world economy, generating a little over one fifth of total GDP (20.1%) in 2005, produced by a percentage of 4.6% of the world's population. In the last twenty-five years its relative importance has slipped, both in output and in population terms, as in 1980 it provided 21.4% of world GDP and accounted for 5.2% of the population.

Secondly the relative importance of China is self-evident. This is the world's most populated country which has made big strides in the twenty-five year period, as in 1980 it only represented 3.2% of world output, but in 2005 it accounted for 15.4%. China's advance has been so spectacular that its economy in this period became the second biggest contributor to world GDP valued using purchasing power parity from a situation in 1980 where its GDP was surpassed by the countries currently forming the euro area, Latin America, Japan, Russia and even India.

Thus the euro area bloc, which at the beginning of the eighties was in second place, has been unseated by China, and stands in third place in 2005 with 14.8% of world GDP. This also means that it has seen a major loss in its relative weight, as in 1980 the GDP of euro area countries represented 20.1% of the total, a similar share to that held by the US economy.

Among the remaining countries the Latin American ones stand out, with 7.4%, followed by Japan (6.4%), and India, which almost doubled its relative importance in world output between 1980 and 2005, of which it accounts for some 5.9% and is closing hard on the heels of Japan.

**DISTRIBUTION OF GDP AND WORLD POPULATION**



**NOTES:**

GDP valued at purchasing power parity, in US dollars. Percentage of world total.

Source: European Commission.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

Among the various components, “housing” and “transport” showed the largest price rises, with increases in the harmonised index of consumer prices of 5.1% and 4.4% respectively in December. At the other end “communication”, as has been observed in recent years, saw prices fall (-2.8%), this being the only component to show a deflationary trend in 2005.

Among the various euro area countries only five registered an inflationary upturn in 2005 (Belgium, Spain, Finland, Greece and the Netherlands), while in the other seven price increases were tamer. Spain had the highest inflation rate (3.7%), followed by Greece and Luxembourg (3.5% and 3.4%, respectively). At the other end was Finland, with the lowest rate (1.1%).

These performances underline the fact that the gap in inflation rates among euro area countries narrowed in 2005, with the spread between the highest and the lowest standing at 2.6 percentage points, against 3.4 the year before.

## Developing countries

Against a scenario of worldwide economic slowdown, the developing countries saw milder growth in 2005, with the IMF estimating a 7.2% rise in GDP, four tenths of a point lower than the previous year. This outcome nonetheless highlights the fact that, as has been happening uninterruptedly since the early nineties, these countries were still the most dynamic bloc on the

Table 2. **ECONOMIC ESTIMATES AND FORECASTS FOR DEVELOPING COUNTRIES**

	2005	2006	2007
<b>GDP</b>			
Developing countries	7.2	6.9	6.6
Africa	5.2	5.7	5.5
Asia	8.6	8.2	8.0
China	9.9	9.5	9.0
India	8.3	7.3	7.0
Latin America	4.3	4.3	3.6
Argentina	9.2	7.3	4.0
Brazil	2.3	3.5	3.5
Chile	6.3	5.5	5.2
Colombia	5.1	4.5	4.0
Costa Rica	4.1	3.6	3.0
Mexico	3.0	3.5	3.1
Central and Eastern Europe	5.3	5.2	4.8
<b>INFLATION</b>			
Developing countries	5.4	5.4	4.8
Africa	8.5	9.1	7.3
Asia	3.6	3.9	3.5
China	1.8	2.0	2.2
India	4.2	4.8	4.9
Latin America	6.3	5.8	5.6
Argentina	9.6	12.9	15.0
Brazil	6.9	4.9	4.4
Chile	3.1	3.8	3.0
Colombia	5.0	4.7	4.2
Costa Rica	1.6	13.1	11.0
Mexico	4.0	3.5	3.0
Central and Eastern Europe	4.8	4.1	3.4

**NOTES:**

Year-on-year percentage change. GDP at constant prices.

Source: IMF.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

world economic stage. The slowdown felt by the bloc of developing countries was also less sharp than it was for the industrialised area, so that in 2005 the growth gap between both zones widened to 4.5 percentage points, which contrasts sharply with the figure of four tenths of a point in the early nineties.

On the other hand the economic slowdown was noticeable generally throughout the various blocs of countries, except the Middle East, where GDP rose 5.9% in 2005, half a point higher than the year before. In contrast to this, the biggest slowdown was in the Commonwealth of Independent States, whose growth rate fell by almost two points.

The lowest expansion rate, however, occurred in Latin America, with GDP rising, according to the IMF, by 4.3%. Growth was to a great extent based on primary product exports (oil and metals, among others), these being spurred above all by demand from high-growth countries such as China and India.

High oil prices on world markets and, generally among commodities, particularly benefited fuel-exporting countries such as Bolivia, Colombia and Venezuela, and mineral and metal exporters such as Chile and Peru. Overall the highest economic growth rate in 2005 was achieved by Venezuela (9.3%), followed by Argentina and the Dominican Republic.

The African countries on the other hand had growth of 5.2%, according to the IMF, three tenths of a point below the previous year's figure. Angola, with a 15.7% increase in GDP, saw the most growth, in a continuation of the trend of economic recovery embarked on the year before, which contrasts with the widespread slowdown which characterised the African countries as a whole. At the other extreme was Zimbabwe, with a drop in GDP for the seventh successive year (-6.5%), recessionary trends also being reported in the Seychelles and Lesotho.

In Central and Eastern Europe GDP rose by 5.3%, more than one point below the figure registered

in 2004. Leaving aside those countries in the European Union, the highest growth was reported in Turkey (7.4%), with the zone's average also surpassed in Albania and Bulgaria. In the other countries growth was lower, though positive in all of them for the fourth year in a row, with Macedonia (3.8%) expanding the least.

The Middle East, as has been indicated before, is the only bloc within the developing country category which did not see an economic slowdown in 2005. Despite this, some of the countries in the zone did grow more slowly, particularly the Lebanon, which, according to the IMF registered an increase in GDP of 1% in 2005, five points lower than in the previous year.

For the Commonwealth of Independent States the IMF estimates GDP growth of 6.5%, these being the countries with the sharpest economic slowdown, as in 2004 they achieved growth of 8.4%. Despite this, it is worth noting the strong pick-up seen by certain countries such as Azerbaijan, and to a lesser extent Armenia and Georgia, which nonetheless did not manage to offset the slowdown posted in the other countries and the recessive performance in the Republic of Kyrgyzstan.

The Asian developing countries were again the most dynamic for the fourth year in a row, with GDP growth of 8.6%, providing over a quarter of world GDP in 2005 (27.1%). Among the various countries Afghanistan was notable as having the highest growth rate in 2005 (13.8%) in a major recovery with respect to the previous year. However it was China, with a GDP increase of 9.9% and a relative weight in the world economy of 15.4% in terms of purchasing power parity which contributed the most to world growth in 2005, accounting for almost a third of it, largely on the basis of vigorous export-led growth.

The lower growth rate of the developing economies in 2005 was accompanied by generally more moderate inflation in a trend seen for the second year in a row. To be exact, according to the IMF the inflation rate for these countries taken together

was 5.4%, a drop of three tenths of a point on the year before.

Inflation was generally kept in check, except in the African countries, with prices surging ahead by 8.5%, four tenths of a point more than in 2004, and in the Commonwealth of Independent States, where the rate was 12.3%, two points over the 2004 figure and the highest among the various blocs of countries.

In the other countries prices were generally curbed, notably among the Asian countries where the inflation rate was 3.6%.

Central and Eastern Europe were similarly among the developing countries with the lowest price-rises (4.8%), presenting major disparities as, while Macedonia's inflation rate was 0.5%, in Serbia and Montenegro this hit 16.3%.

In Latin America the inflation rate was 6.3%, overtaking the 5.7% on average for developing countries. By countries this varied between 1.2% for Antigua and Barbuda and 16.8% in Haiti.

On the other hand, in the Middle East the rise in prices in 2005 was put at 8.4%, unchanged on the previous year, with the Lebanon (0.3%) and Saudi Arabia (0.4%) showing the lowest inflation rates and Yemen the most inflationary trend (11.8%).

### Financial markets

In 2005 monetary policy pursued by the various central banks was mixed and shaped by the economic conditions holding at the time in each zone. Broadly speaking, in contrast to the steady hikes in rates carried out by the US Federal Reserve, in Japan the climate was one of stability, as it was in the euro area, although this situation changed around year-end. Combined with this, for the year as a whole and with respect to 2004 the salient aspect from the currency standpoint was the dollar's rise against the yen, while the rate against the euro remained virtually the same.

Specifically, the US Federal Reserve stuck to its trend of raising the intervention rate which it had been doing since June 2004 and lifted the official cost of borrowing by a quarter of a point on nine occasions over 2005, leaving this at 4.25% in December.

In the euro area the official cost of borrowing remained stable at a historic low of 2% until midway through December when, to counteract inflationary pressure, the European Central Bank raised this to 2.25% in what was the first change following two and a half years of stable rates and the first hike for five years.

On the other hand, the Bank of Japan held the interest rate stable at a level close to zero, as had been a feature over the previous four years, while, in an environment of economic slowdown and after a year of stable rates, the Bank of England cut the cost of borrowing by 25 basis points in August to 4.5%.

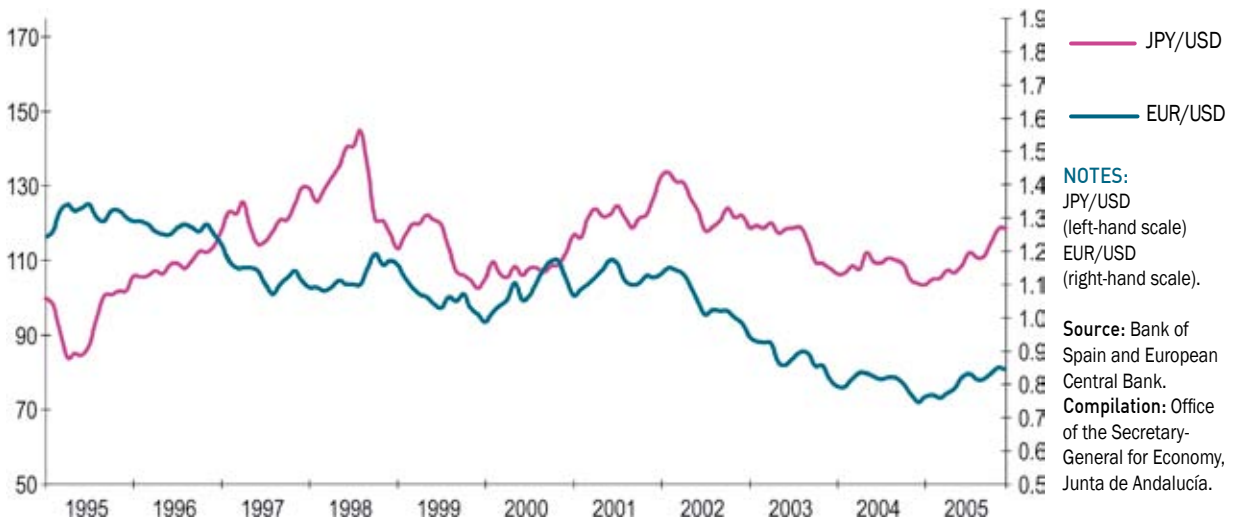
In following exchange rate developments on the other hand, a distinction should be made between the dollar's fall against key currencies in the first half of 2005 and its widespread climb in the second half of the year, which meant that, on average for the year, the exchange rate scarcely changed.

Specifically, against the euro the rise in the latter months offset the weakening early on in the year, with an average rate for the year as a whole of 0.805 euros to the dollar, which was similar to the previous year. In the yen's case the rate averaged out at 110.1 yen to the dollar, which represents a 1.8% rise for the dollar against the yen in 2005.

### World Trade

The lower rate of economic growth hit world trade, whose expansion slowed up in 2005. In specific terms the IMF estimates that the rise in the volume of world trade of goods and services was 7.3%, against 10.4% the previous year. This

Chart 7. **US DOLLAR EXCHANGE RATES**



aside, these findings make it clear that for the fourth year running trade flows grew by more than world GDP (4.8%).

The greater dynamism was driven by the developing countries, which had been a constant observed over the preceding six years. According to IMF estimates, exports of goods and services from these countries were up 11.5% in 2005, more than twice the rise for the industrialised

economies (5.3%). The increase in imports was also higher in the developing countries (12.4% and 5.8%, respectively).

The balance on current account for the entire set of industrialised countries was thus again in deficit for the seventh year in succession, standing at 1.5% of the GDP, while in the case of the developing countries this was positive, as had been observed unabated since 2000.

Chart 8. **LONG-TERM INTEREST RATES**

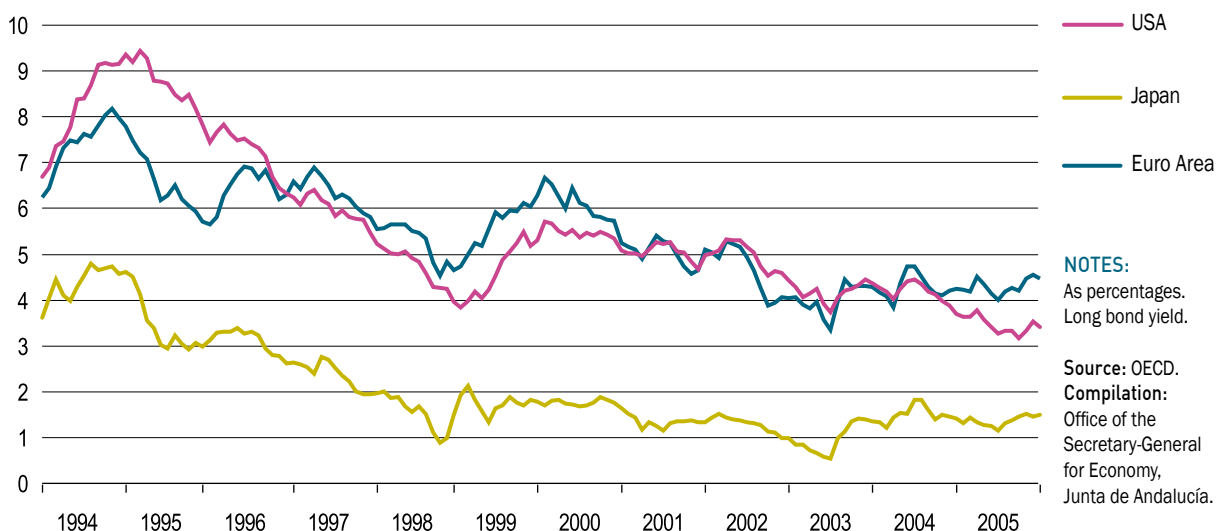
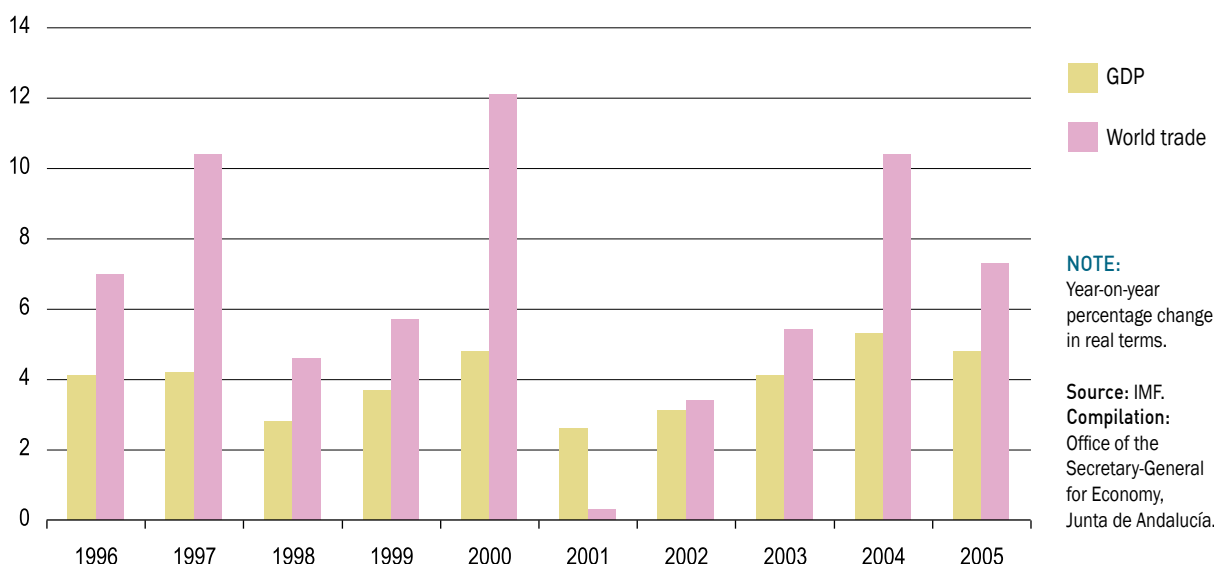


Chart 9. GDP AND WORLD TRADE



Both on the export and on the import side, among the industrialised countries there were notable rises in the USA, in both cases over the bloc average. In Japan too both imports and exports had above-average rises despite the slowdown, which was particularly sharp for exports, these seeing their growth rate almost halve in 2005 from 13.9% to 6.9%.

Among the developing countries it was the Asian ones whose exports climbed the most (16.7%), while imports rose most in the Middle East (17.1%). All of them except just Central and Eastern Europe returned a trading surplus in 2005.

## Forecasts

The most recent economic forecasts published in the spring of 2006 by the various international organisations state that following the slowdown in the world economy in 2005 growth could be slightly higher in 2006.

According to the IMF, world GDP could be set to rise by 4.9% in 2006, one tenth of a point above

the advance registered in 2005, only to dampen again in 2007.

In the breakdown into the two larger economic areas, while the industrialised countries will see a recovery in 2006, growth rates in the developing economies will ease off, although they will remain noticeably buoyant, as has been the case on a continuous basis over the last fifteen years.

In precise terms, the IMF estimates GDP growth in 2006 of 6.9% for the set of developing countries, which is higher than the 3% predicted for the industrialised nations. Among them economic expansion will still be driven by the developing Asian countries, which the IMF estimates will lift their GDP by 8.2% in 2006. Behind these comes the Commonwealth of Independent States with forecast growth of 6%, also above the average for the zone. The African countries are the only ones for which the IMF estimates a pick-up in the GDP growth rate and these come in third place with a rise of 5.7%, half a point over the 2005 rate, with Angola growing at a striking 26%. The Middle East is also forecast to grow at 5.7%, while the Central and Eastern European countries as a whole will do so at 5.2%. Bringing up the rear is Latin America,



Table 3. **WORLD ECONOMY. ECONOMIC ESTIMATES AND FORECASTS. YEARS 2005-2007** <sup>(1)</sup>

	OECD			IMF			EUROPEAN COMMISSION		
	2005	2006	2007	2005	2006	2007	2005	2006	2007
<b>GDP</b>									
WORLD	-	-	-	4.8	4.9	4.7	4.6	4.6	4.3
DEVELOPING COUNTRIES	-	-	-	7.2	6.9	6.6	-	-	-
INDUSTRIALISED COUNTRIES	2.8	3.1	2.9	2.7	3.0	2.8	2.7	2.9	2.5
USA	3.5	3.6	3.1	3.5	3.4	3.3	3.5	3.2	2.7
Japan	2.7	2.8	2.2	2.7	2.8	2.1	2.7	2.8	2.4
EU-25	-	-	-	1.8	2.4	2.3	1.6	2.3	2.2
Euro Area	1.4	2.2	2.1	1.3	2.0	1.9	1.3	2.1	1.8
Spain	3.4	3.3	3.0	3.4	3.3	3.2	3.4	3.1	2.8
<b>INFLATION</b> <sup>(2)</sup>									
DEVELOPING COUNTRIES	-	-	-	5.4	5.4	4.8	-	-	-
INDUSTRIALISED COUNTRIES	2.0	2.1	2.0	2.3	2.3	2.1	-	-	-
USA	2.8	2.9	2.2	3.4	3.2	2.5	2.8	2.3	1.5
Japan	-0.8	-0.1	0.7	-0.3	0.3	0.6	-0.8	0.5	0.7
EU-25	-	-	-	2.2	2.1	2.2	1.9	2.1	2.1
Euro Area	1.9	1.9	2.0	2.2	2.1	2.2	1.9	2.1	2.1
Spain	3.5	3.4	2.9	3.4	3.4	3.1	3.5	3.6	3.2
<b>UNEMPLOYMENT RATE</b> <sup>(3)</sup>									
INDUSTRIALISED COUNTRIES	6.5	6.2	6.0	6.0	5.8	5.8	-	-	-
USA	5.1	4.7	4.7	5.1	4.9	5.1	5.1	4.8	5.1
Japan	4.4	4.0	3.5	4.4	4.1	4.0	4.4	4.3	4.3
Euro Area	8.6	8.2	7.9	8.6	8.3	8.1	8.6	8.4	8.2
Spain	9.2	8.7	8.6	9.2	8.6	8.5	9.2	8.7	8.3
<b>EMPLOYMENT</b>									
INDUSTRIALISED COUNTRIES	1.1	1.3	1.1	1.2	1.2	0.9	-	-	-
USA	1.8	1.6	1.0	1.8	1.8	1.2	1.8	1.4	0.6
Japan	0.4	0.4	0.3	0.4	0.1	0.0	0.4	0.4	0.3
Euro Area	0.9	1.1	1.1	1.0	1.0	0.9	0.7	0.9	0.8
Spain	4.8	4.1	3.1	3.6	3.2	2.7	3.1	2.7	2.2
<b>WORLD TRADE</b>									
Volume	7.5	9.3	9.1	7.3	8.0	7.5	-	-	-

**NOTES:**

(1) Year-on-year percentage change unless otherwise stated.

(2) OECD and European Commission estimates refer to the private consumption deflator; IMF estimates refer to consumer prices.

(3) As a percentage of labour force.

Source: OECD; IMF and European Commission.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

Table 4. EUROPEAN UNION AND EURO AREA ECONOMIC FORECASTS

	2006		2007		NOTES: Year-on-year change unless otherwise stated. (1) As a percentage of GDP. (2) As a percentage of labour force.
	Euro Area	EU-25	Euro Area	EU-25	
GDP	2.1	2.3	1.8	2.2	Source: European Commission. Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.
DOMESTIC DEMAND	2.7	2.7	1.6	2.0	
- Private consumption	1.7	1.9	1.4	1.7	
- Public consumption	2.0	2.1	1.2	1.4	
GROSS FIXED CAPITAL FORMATION	4.2	4.4	2.4	3.1	
HICP	2.2	2.1	2.2	2.2	
BUDGET DEFICIT <sup>(1)</sup>	0.6	0.4	0.6	0.5	
GOVERNMENT DEBT <sup>(1)</sup>	70.5	63.2	70.1	62.9	
EMPLOYMENT	0.9	0.9	0.8	0.8	
UNEMPLOYMENT RATE <sup>(2)</sup>	8.4	8.5	8.2	8.2	

which in 2006 is set to grow at the same rate as in 2005, at 4.3%.

On the prices side, the inflation rate is expected to show less restraint in 2006, with the IMF foreseeing a 5.4% rise for the developing countries taken together, as happened in 2005. Among the various countries trends are expected to be mixed, falling into two blocs. On the one hand there are the developing countries in Asia, Africa and the Middle East, where there is expected to be an uptick in inflation in 2006. On the other hand, prices will not rise as fast in 2006 in Central and Eastern Europe and Latin America. Despite all this the lowest inflation rate will be experienced by the Asian countries (3.9%) and the highest by the Commonwealth of Independent States (10.4%).

In 2007 inflation for the developing countries as a whole could well dampen, with the IMF forecasting a rate of 4.8%, six tenths of a point lower than the estimate for 2006, these trends affecting all blocs of countries.

Unlike the cooling of the estimated GDP growth rate forecast for the developing countries, the industrialised area is set to recover, with the OECD estimating a rise of 3.1% and the IMF one of 3%, which in both cases implies one of three tenths of a point more than in 2005.

The recovery will be widespread and particularly strong in the euro area, though the United States will be the economic force that will continue to spearhead growth among the industrialised countries, with a GDP rise of 3.6% according to the OECD (3.4% according to the IMF). For Japan both organisations predict GDP growth of 2.8%, one tenth of a point higher than in 2005.

Economic recovery will be accompanied by inflation virtually holding at the same rate. The IMF puts this rate for the whole set of industrialised countries at 2.3% in 2006, the same as in 2005. The OECD estimates a rate of 2.1%, one tenth of a point up on 2005. For the following year both organisations expect prices to ease off slightly, with rises of 2% and 2.1% according to the OECD and the IMF respectively. Looking at the breakdown into the various countries, the most inflationary trend will be in the USA, with an estimated rate for 2006 of 2.9% according to the OECD and 3.2% according to the IMF. In contrast to this, Japan will see a softening of the deflationary trend which has characterised it in recent years, charting a 0.1% drop in prices according to the OECD, but a 0.3% rise on IMF estimates.

The trends expected for the labour market mirror the brighter economic situation in 2006 and job creation is predicted to keep up a healthy

rate with the unemployment rate continuing to ebb. According to the OECD, the number of those in work could increase by 1.3% for the industrialised countries as a whole, two tenths of a point more than in 2005, while the IMF sees employment growth in 2006 holding at the same rate as the previous year (1.2%). Meanwhile the unemployment rate will be somewhere in the range of the 6.2% estimated by the OECD and the 5.8% predicted by the IMF. For 2007 both organisations foresee lower employment growth, with the OECD more optimistic about developments for the unemployment rate and suggesting that this will be cut further, while the IMF takes the view that it could remain stable at the 2006 level.

These trends will hold true generally among the various countries, with Japan's unemployment levels notably the lowest of the major industrialised economies, although over the next two years it will also have the weakest job creation.

The latest estimates published by the European Commission in spring 2006 predict that for the set of countries in the European Union and the euro area economic recovery will continue into the year. GDP growth is estimated at 2.3% and 2.1% respectively, this being in both cases very much higher than in 2005. For 2007, however, the Commission forecasts growth becoming restrained again, especially in the euro area, where GDP could rise at only 1.8%, which is three tenths of a point below the estimate for 2006.

The upturn predicted for 2006 will be especially significant in countries where economic activity remained weak in 2005, including Germany in particular, with forecast GDP growth virtually double the figure for 2005 (1.7% and 0.9% respectively) and Italy, where GDP could climb by 1.3% following the flat growth reported the year before. At the other end of the scale is a group of countries whose growth rate is estimated to ease in 2006, which includes the Czech Republic, Estonia, Latvia, Lithuania, Malta, Spain and Greece, although all of these except Malta will be above the area average.

Domestic demand will likewise reflect more vigorous activity and the European Commission predicts that this will increase by 2.7%, both for the European Union as a whole and for the euro area, which is around one point above 2005 growth levels. Among the different components the strongest growth is estimated for gross fixed capital formation for the third year running, although both private and public consumption will also see an upturn.

The higher level of economic growth will, on the other hand, coincide with an uptick in inflation and an increase is forecast for the private consumption deflator of 2.1% in both the European Union and the euro area, which is two tenths of a point higher than in 2005, and this rate is set to hold for the following year.

Estimates for the labour market speak of a gradual improvement, with a 0.9% increase in employment both in the European Union and the euro area for 2006, although this pace could ease off slightly the following year to 0.8%. The unemployment rate, however, will see a steady fall in the next two years down to 8.2% in 2007 in both blocs of countries, this being around half a point below the figure for 2005.

The step-up in economic activity will stoke an expansion in world trade in 2006 and the OECD and the IMF both predict that there will be a pick-up in worldwide exchanges of goods and services this year, the OECD estimates being particularly optimistic in putting this at 9.3%, over two points more than the increase registered in 2005 (7.5%) and higher than the IMF forecast of 8%.

## Development Indicators

Study of the information in the Human Development Report published under the United Nations Development Programme (UNDP), which contains indicators additional to income-based ones, affords more details on the world economic situation and thus gives a fuller picture of development.

Table 5. **DEVELOPMENT INDICATORS**

	Yearly population growth (%) <sup>(1)</sup>	Fertility rate <sup>(2)</sup>	Life expectancy at birth	Adult literacy rate (%) <sup>(3)</sup>	GDP per capita in USD (PPP)	GDP distribution by sector (%) <sup>(4)</sup>			Telephone lines (per 1000 people)	Computers with internet access (per 1000 people)	Mobile phone subscribers (per 1000 people)	Internet users (per 1000 people)	Expenditure on R&D (% GDP)	R&D researchers million inhabitants	Electricity consumption per capita (Kwh)	Human development index (HDI) <sup>(5)</sup>	Gender-related development index (GDI) <sup>(6)</sup>
						Agriculture	Industry	Services									
						2003-2015	2000-05	2003									
Developing countries	1.3	2.9	65.0	76.6	4,054	13.5	34.1	52.4	113	1	134	53	0.9	400	1,155	0.694	0.634
OECD	0.5	1.8	77.7	97.5	24,904	2.2	29.6	64.6	494	92	644	403	2.5	3,046	8,615	0.892	0.889
Spain	0.4	1.3	79.5	97.7	22,391	3.3	29.5	67.2	429	11	916	239	1.0	2,036	6,154	0.928	0.922
World total	1.1	2.6	67.1	79.2	7,804	4.8	30.6	62.1	184	18	226	120	2.4	1,146	2,465	0.741	0.706

**NOTES:**

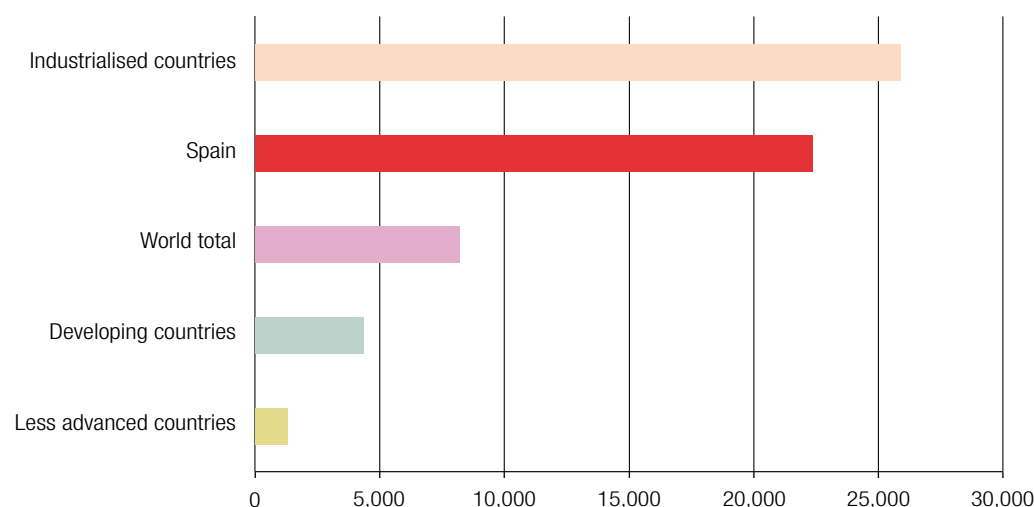
- (1) The data for Spain is for 2001-2015.  
(2) Births per woman. Estimates  
(3) Over 14 years old. Figures for the OECD and world total refer to 1999.  
(4) Figures for developing countries, the OECD and world total refer to 1998. Industry also includes construction.  
(5) A composite index measuring achievement in three basic aspects of human development: longevity, knowledge and standard of living. Values range between 0 and 1.  
(6) A composite index measuring achievement in the same aspects as HDI but taking into account gender inequality. Values range between 0 and 1. Figures for developing countries, the OECD and world total refer to 1998.

Source: Human Development Report 2005, United Nations Development Program (UNDP).

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

To be precise, the report, which has been compiled for fifteen years now, sets out the results of a general human development index (HDI) together with others focusing on specific aspects, such as gender (the gender-related development index, or GDI) and poverty (the human poverty index, or HPI).

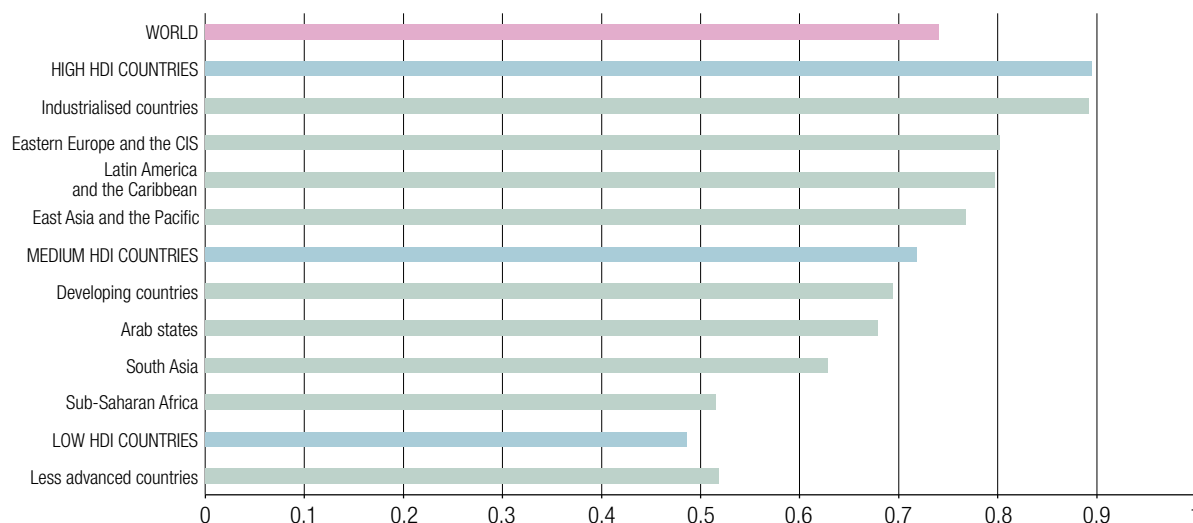
The human development index is a composite indicator measuring a country's progress on three basic scales of human development: longevity (measured by life expectancy at birth), education (measured by the adult literacy rate and the gross combined enrolment rate in primary, secondary and tertiary education), and

Chart 10. **GDP PER CAPITA. YEAR 2003****NOTE:**

Purchasing power parity (PPP) in US dollars.

**Source:**

Human Development Report 2005, United Nations Development Program (UNDP).  
**Compilation:** Office of the Secretary-General for Economy, Junta de Andalucía.

Chart 11. **HUMAN DEVELOPMENT INDEX 2003.****NOTE:**

A composite index measuring achievement in three basic aspects of human development: longevity, knowledge and standard of living. Values range between 0 and 1.

Source: Human Development Report 2005, United Nations Development Program (UNDP).

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

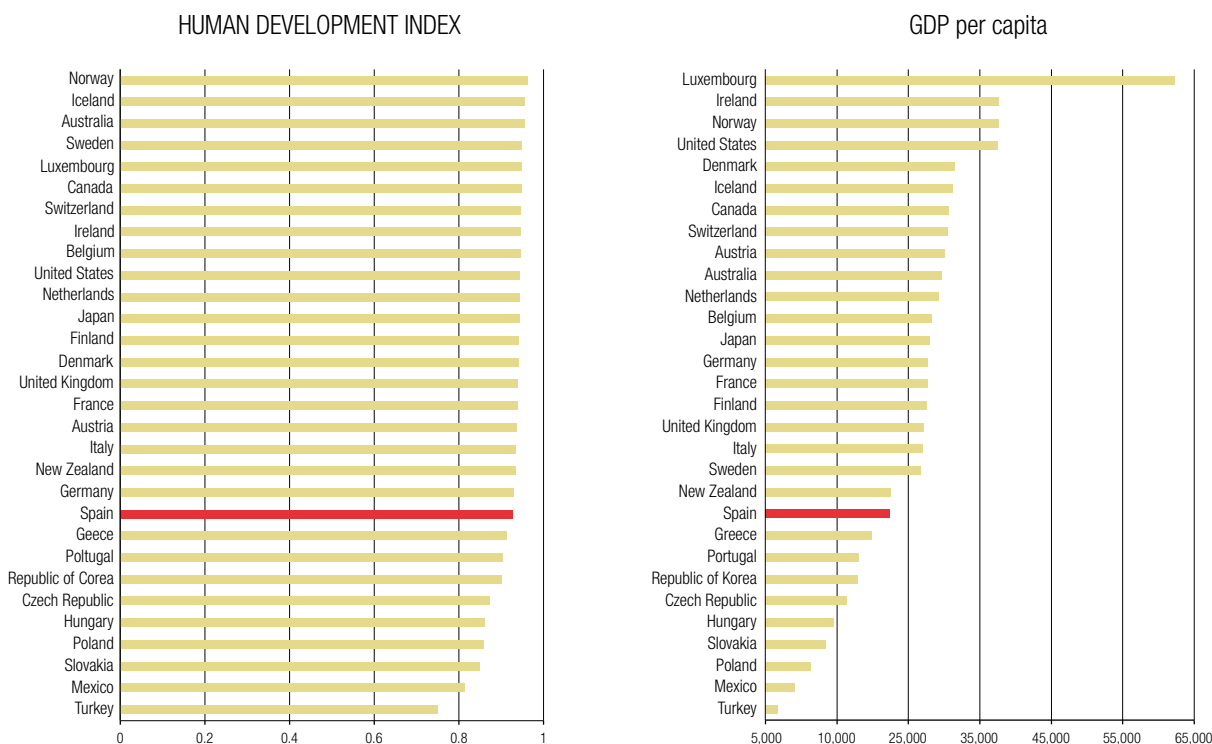
how decent their standard of living is (measured by per capita GDP). The results for this index (ranging from 0 to 1) are published in the 2005 human development report for 177 countries and refer to 2003.

It says in it that in recent years there has been major progress in terms of human development. Specifically, life expectancy in developing countries has risen by two years since the early nineties, partly due to the drop in child mortality rates. By 2003 two million less children a year died than in 1990, the chances of a child living to 5 years-old having increased by 15%, and 30 million more children received schooling in this period.

Despite such progress having been made, in 2003 some 19 countries had a lower HDI than in 1990, whereas in the eighties only six countries slipped back. Out of all of these countries six belong to the former Soviet Union (Russia, Belarus, Ukraine, Kazakhstan,

the Republic of Moldavia and Tajikistan) and according to the UN these were affected by the economic disarray caused by the break-up of the Soviet Union and the fall in life expectancy. The other thirteen countries are located in Sub-Saharan Africa (Swaziland, Lesotho, Kenya, Côte d'Ivoire, Tanzania, Zambia, the Democratic Republic of Congo, the Central African Republic, South Africa, Botswana, Congo, Zimbabwe and Cameroon), the lower development score in this case being accounted for by the effects of HIV/AIDS on life expectancy. On the other hand, the HDI score for Bangladesh, China and Uganda had risen by almost 20% since 1990.

The 2003 data also reveal that out of the 177 countries for which an HDI score was calculated, the lowest one was for Niger (0.281) and the highest for Norway (0.963). Spain was in 21st place with a score of 0.928, above the average for the OECD (0.892) and even that for OECD countries with high incomes (0.911).

Chart 12. **INDUSTRIALISED COUNTRIES. YEAR 2003****NOTES:**

HDI: A composite index measuring achievement in three basic aspects of human development (longevity, knowledge and standard of living).

Values range between 0 and 1.

GDP per capita measured in US dollars at purchasing power parity.

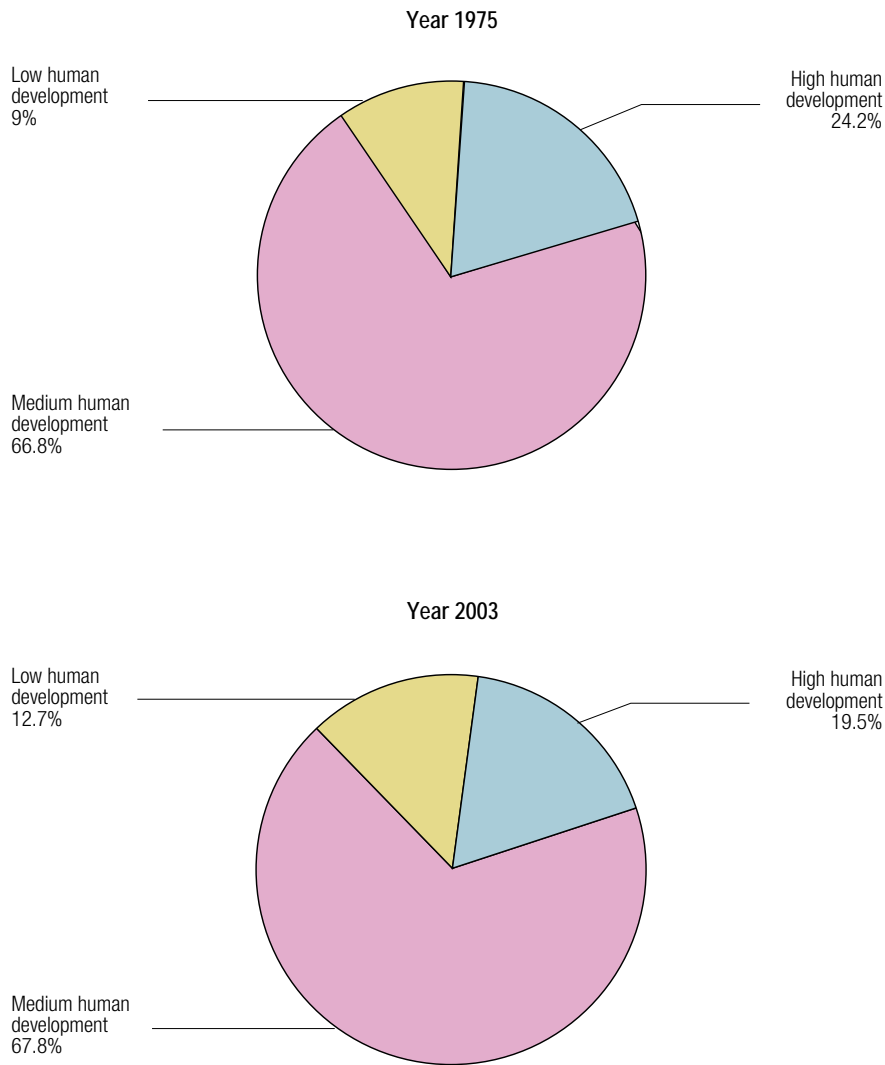
Source: Human Development Report 2005, United Nations Development Program (UNDP).

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

Out of all the countries, only in Bhutan, ranked as having an average human development score, did its HDI and per capita GDP rankings coincide. In the other countries the rankings were disparate. In 56.5% of them their HDI ranking was more favourable than that for per capita GDP, revealing a strong ability to convert income into development. This situation, which affected over two thirds of countries with a high human development level (68.4%), was the case in Spain, which lay in 21<sup>st</sup> place according to the HDI and 24<sup>th</sup> place in terms of per capita GDP, as well as in most of the other countries in the European Union (Sweden, Belgium, Finland, the United Kingdom, Italy, Greece, Portugal and the ten latest member states who joined in 2004).

There are also other countries where there were noticeable difficulties in converting wealth into human development. This situation was seen in almost a third of countries with a high human development level, notable among these being the United States, Hong Kong, and seven members of the European Union (Luxembourg, Ireland, the Netherlands, Denmark, France, Austria and Germany).

Just as the HDI measures a country's average progress in terms of human development, the gender-related development index (GDI) rates development by distinguishing between men and women and uses the same parameters as the HDI, that is, longevity, education and standard of

Chart 13. **DISTRIBUTION OF WORLD POPULATION BY HUMAN DEVELOPMENT**

living to appreciate gender-related development inequalities.

The latest results for this index, which has been published since 1995, referred in 2003 to 140 countries. As with its HDI ranking, Spain lay in 21st position with a score of 0.922, lower than its HDI score of 0.928. For the other countries it may also be seen that their GDI score was lower than their HDI rating, which shows that the development-related differences between men and women were widespread and affected

all the world's economic areas. Yemen, Saudi Arabia, Oman, Guinea-Bissau, Pakistan and Sierra Leone stood out as the countries with the biggest gaps between the scores achieved using one index or the other, which is indicative of a greater gender disparity in their human development. At the other end of the scale the closest scores to each other were registered in Australia, Switzerland, Finland, Estonia, Lithuania, Kuwait, Bulgaria, Belarus and China, which are the countries where development was more egalitarian between men and women.

The gender empowerment measure (GEM), which was also introduced in 1995, gives a deeper insight into gender inequalities in terms of three fundamental spheres: political inclusion and decision-making power (measured according to the proportion of women to men who hold seats in parliament), economic inclusion and decision-making power (measured according to two indicators, on the one hand the proportion of women to men who are law-makers, senior civil servants and directors, and on the other hand the proportion of women and men in professional and specialist posts), and power over financial means (measured according to earnings received by men and women). The 2005 UNDP report includes the GEM results for 80 countries and of these only in nine was the score for this index over 0.8, with Norway, Denmark and Sweden prominent among the top-ranked. With a score of 0.745, Spain held 15th place.

While the HDI measures average progress in terms of human development, the human poverty index (HPI), which was first published in the 1997 report, measures privations focusing on the same basic aspects as are reflected in the HDI. Due to the different social and economic conditions which characterise developing and industrial countries, two human poverty indexes are compiled based on different variables.

To be precise, the index compiled for developing countries (HPI-1), takes into account longevity by considering the chances of dying at a relatively

early age (measured according to the probability when born of not living to 40 years-old), education by looking at exclusion from the world of reading and communications (measured according to the adult illiteracy rate), and standard of living using two indicators, the percentage of the population lacking access to drinking water and the percentage of children who are underweight for their age. In 2003 this index was calculated for 103 developing countries. The better-off places were Uruguay, Chile, Costa Rica, Barbados and Cuba, with human poverty levels of under 5% of the population. At the other end, the highest human poverty levels were registered in Niger, Burkina Faso, Mali, Chad and Ethiopia, with scores of over 55%.

On the other hand, with the HPI-2 index compiled for higher income OECD countries, longevity is measured according to the chances at birth of not living to 60, education by the percentage of illiterate adults between 16 and 65, and the standard of living by the percentage of people who live beneath the income poverty threshold (50% of the available family income median). HPI-2 also assesses social exclusion via the long-term unemployment rate (12 months or more). In the eighteen OECD countries for which this indicator was calculated in 2003, which all had a better HDI score than Spain, the results range between 6.5% for Sweden and 29.9% in Italy for persons enduring poverty. With an HPI-2 index score of 11.6%, Spain was ranked eleventh, which is better than the 21st place it stood in according to the HDI.



2.

## Spanish Economy



# Spanish Economy

## Introduction

According to Spain's Quarterly National Accounts published by the Instituto Nacional de Estadística (National Statistics Institute, INE), in 2005 the Spanish economy's Gross Domestic Product (GDP) grew in real terms by 3.4% year-on-year, three tenths of a point more than the previous year and two points above the average for the euro area.

This trend in production activity fed through to the labour market, boosting job creation and cutting jobless numbers.

In the meantime, prices were affected by oil-driven inflationary pressures on international markets and rose more sharply than in the previous year, thereby augmenting the adverse inflation rate gap with the euro area.

On the foreign side, the combined current and capital account balance revealed that the Spanish economy needed to finance the equivalent of 6.7% of its GDP. This figure is higher than the one posted the year before (3.7% of GDP) and stemmed from a notable rise in the deficit on current account and a lower surplus on capital account.

From a monetary standpoint the policy implemented by the European Central Bank in 2005 was marked by the quarter-point rise in the interest rate for mainstream refinancing operations in early December, this being left at 2.25%. This was the first interest rate rise for five years and brought an end to two and a half years of stable rates at 2%.

Finally, regarding the handling of the budget, it is worth noting that the government accounts closed 2005 with a surplus of 1.1% of GDP, chiefly as a consequence of the positive balance reported by Social Security.

## Supply

On the supply side, the Spanish economy's growth in 2005 was underpinned by the positive contribution from non-farming sectors, which generally saw growth pick up, with construction relatively the most vigorous. Meanwhile the primary sector again showed a fall-off in output, for the third year running, although this was less than in the previous year.

Table 6. **GROSS DOMESTIC PRODUCT AND AGGREGATE SUPPLY. SPAIN**

	Year 2005		Growth on previous year (%) (*)			NOTE: (*) Chained volume indexes, base year 2000.  Source: INE Spanish Quarterly National Accounts. Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.
	€ million	Weight (%)	2003	2004	2005	
Agriculture and fishing	26,830	3.3	-0.1	-1.1	-0.7	
Industry	125,196	15.5	1.0	0.3	0.6	
Energy	19,676	2.4	1.3	2.0	4.4	
Construction	93,898	11.6	5.0	5.1	5.5	
Service industries	544,577	67.2	2.9	3.6	3.9	
Market services	428,216	52.9	2.6	3.6	4.0	
Non-market services	116,361	14.4	4.2	3.6	3.5	
GVA at basic prices	810,177	100.0	2.6	2.9	3.3	
Net taxes on production	94,146	–	6.8	4.1	3.8	
GDP at market prices	904,323	–	3.0	3.1	3.4	

Gross Value-Added at basic prices (GVA b.p.) dropped in real terms in the **primary sector** by 0.7% year-on-year, which was less than the fall registered in 2004 (-1.1%). This retrenchment was caused by poor weather, which damaged such typical crops as cereals and olives.

In contrast to this, **industry** stepped up its growth rate, both on the purely industrial side (0.6% year-on-year) and most particularly in the energy sector, where the GVA growth rate

was 4.4%, more than doubling the previous year's clip.

Both here and taking into account the results of the industrial production index, one can observe that the increased vitality came, as with the year previous, from the energy sector, which grew by 2.9% year-on-year, while consumer goods output virtually settled at the same level as 2004. Elsewhere, both capital and intermediate goods output was down by

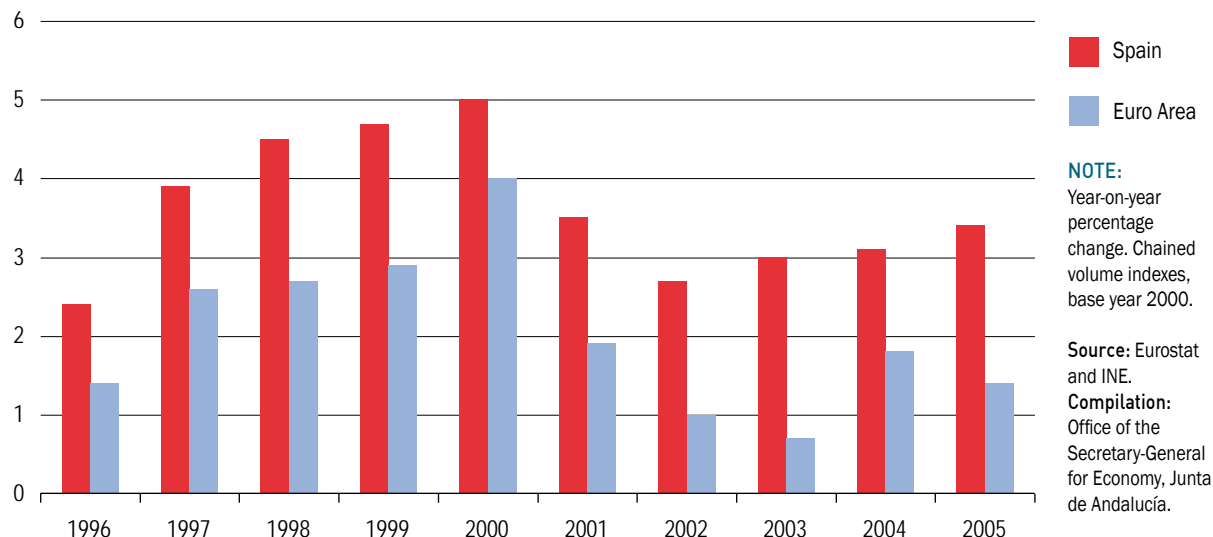
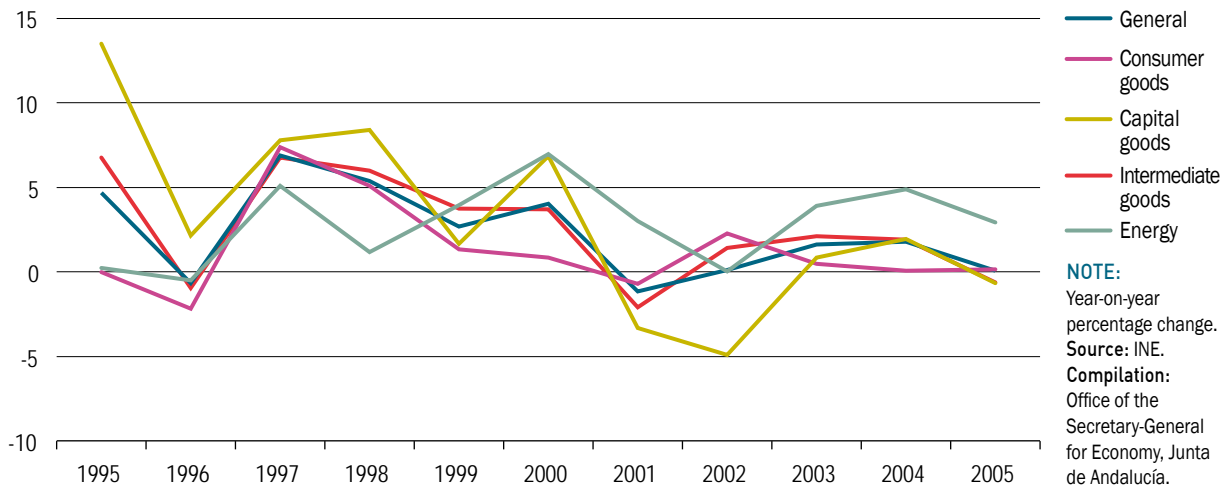
Chart 14. **GROSS DOMESTIC PRODUCT**

Chart 15. **INDUSTRIAL PRODUCTION INDEX. SPAIN**



roughly 0.7% in the wake of the rises seen the year before (1.9% each).

Together with these results the Industrial Situation Survey points towards an upturn in capacity utilisation in Spanish industry, which stood at 80.2% in 2005, or four tenths of a point above its level the year before.

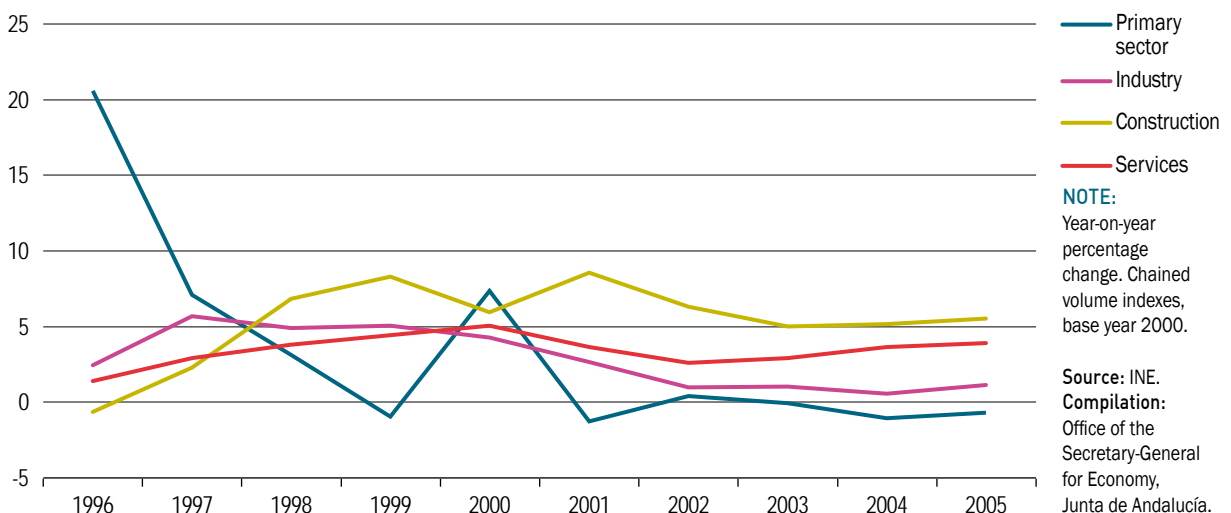
**Construction** continued to shine as the Spanish economy's most robust sector, posting an increase

in real GVA of 5.5% in 2005, four tenths of a point higher than the previous year, this essentially relying on strength in the building sector.

This performance was mirrored by intermediate inputs used by the sector, specifically cement, which rose 5.1% for the year as a whole, over one point more than the rise seen in 2004.

With respect to future developments, the leading activity indicators, such as official tenders or

Chart 16. **GROSS VALUE ADDED BY SECTOR. SPAIN**



housing endorsements, reveal that the sector still has significant pent-up growth, particularly as regards building, with a rise in the volume of approved tenders for this type of work of some 40.4% in 2005 as well as one of 6.6% for housing projects endorsed by architectural associations. Likewise official tendering for public projects shows that it is gaining ground, though more modestly, (10.7%), this largely due to work on main roads and airports.

Finally, in **services**, real GVA growth was 3.9% in 2005, three tenths of a point more than in the previous year and at its highest level since the year 2000. This performance arose from favourable trends in market services, which were up 4%, four tenths of a point more than in 2004, while non-market services posted growth of 3.5%, one tenth of a point under the previous year's level.

Of the market-oriented services, it is noticeable that those which turned in better growth rates were linked to financial intermediation as well as information and communication technologies and corporate services. Trade, in keeping with considerable consumer spending demand, and tourism also displayed significant growth rates. In tourism, the number of travellers staying in hotels grew by 5.7% for the year, also boosting

total nights stayed by them (4.6%), this being spurred by a recovery in inbound tourism.

## Demand

From a demand standpoint, GDP growth again sprang from the positive showing from domestic components, with, on the opposite side, the foreign side lifting its negative contribution as a result of strong import growth, which was seven times higher than that for exports.

Domestic demand accounted for 5.3 percentage points of GDP growth, four tenths of a point more than the previous year. This was underpinned by gross fixed capital formation, which stood out as the most dynamic component in 2005, hitting a growth rate of 7.2%, 2.3 percentage points over the year before. This result was above all explained by notably stronger capital goods investment, this climbing by 9.5% in 2005, the highest rise for the last six years and almost tripling the 2004 increase. Investment in construction was up by 6% too, half a point over the previous year.

Final consumption expenditure rose 4.4%, four tenths of a point less than the previous year.

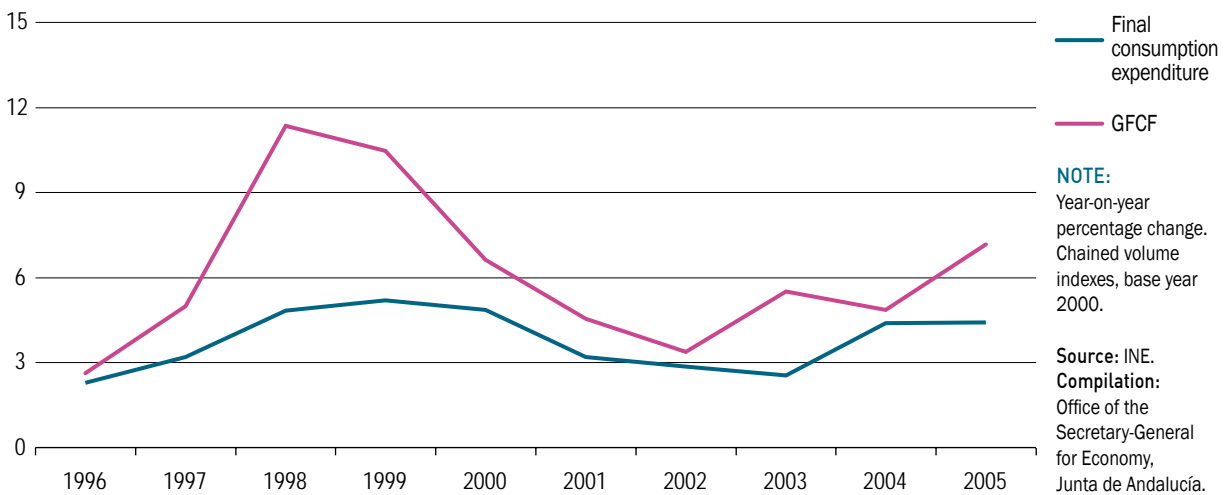
Table 7. **GROSS DOMESTIC PRODUCT AND AGGREGATE DEMAND. SPAIN**

	Year 2005		Growth on previous year (%) (*)		
	€ million	Weight (%)	2003	2004	2005
Final consumption expenditure	683,122	75.5	3.1	4.8	4.4
Household final consumption expenditure	514,253	56.9	2.6	4.4	4.4
NPISH final consumption expenditure	7,945	0.9	1.9	5.0	4.3
Government final consumption expenditure	160,924	17.8	4.8	6.0	4.5
Gross fixed capital formation	265,544	29.4	5.5	4.9	7.2
Capital goods	63,521	7.0	2.6	3.7	9.5
Construction	154,799	17.1	6.3	5.5	6.0
Other products	47,224	5.2	7.8	4.4	7.6
Domestic demand	948,666	104.9	3.7	4.8	5.1
Export of goods and services	229,655	25.4	3.6	3.3	1.0
Import of goods and services	276,900	30.6	6.0	9.3	7.1
GDP at market prices	904,323	100.0	3.0	3.1	3.4

**NOTE:**  
Chained volume indexes, base year 2000.

Source: INE Spanish Quarterly National Accounts.  
Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

Chart 17. CONSUMPTION AND INVESTMENT. SPAIN



This relaxation in the consumption growth rate is due to both flagging government consumption expenditure, which was up 4.5% in 2005, 1.5 points less than in 2004, and expenditure by non profit-making institutions (4.3%, seven tenths of a point down from the previous year). Meanwhile, consumption spending by households held at the same growth rate as in 2004 (4.4% year-on-year).

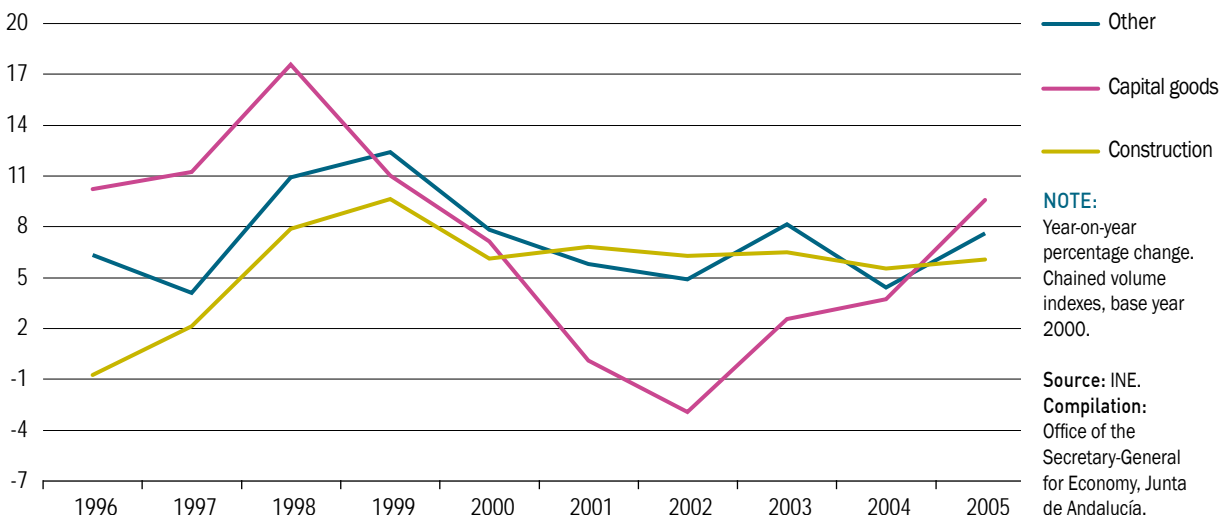
In 2005 foreign demand made a more pronounced negative contribution to GDP growth, which moved to -1.9 percentage points

(-1.8 points in 2004), owing to larger relative import growth compared to exports.

According to the INE's Quarterly National Accounts, in 2005 both imports and exports lowered their growth rates by over two points on the year before, and the 7.1% rise in imports in real terms was well above that reported for exports (1%).

Along the same lines, the foreign trade figures from the Customs Department of the Economy

Chart 18. GROSS FIXED CAPITAL FORMATION. SPAIN



### Box 2. THE TOURIST SATELLITE ACCOUNT IN SPAIN

The Tourist Satellite Account in Spain (TSAS), is a statistical initiative compiled by the INE which comprises a set of accounts and tables based on standards used in the National Accounts. They set out the various economic parameters for tourism in Spain, both from the supply and the demand sides and their inter-relationship for a given base date.

In the case of supply, aspects are studied such as the structure of production and costs for tourism-related enterprises, the kind of inputs needed for them to carry out their activities, the extent to which they utilise labour, investments in productive capital, and the role of the government in directly offering services or contributing to this, etc.

On the demand side, different types of tourists are identified from an economic perspective (national versus international tourism), the kind of goods and services required, etc. The most important demand component is tourist consumption, which is broken down into several categories: domestic tourist consumption (by residents travelling on national soil), inbound tourist consumption (by foreign visitors to Spain), and outbound tourist consumption (by residents travelling outside national territory).

All these aspects are inter-related in the TSAS so as to obtain detailed and reliable measurements of tourism's contribution to the economy through macro-variables such as GDP, output or employment.

In 2005 the INE presented the TSAS figures with base year 2000, which adapt the sphere of tourism to the revision to the Spanish National Accounts and bring in new methodologies and statistical aspects, notably among the latter those included in the set of data under the heading "tourism and travel" in the balance of payments compiled by the Bank of Spain.

Information is available for 2000 to 2004 and for the latter year the TSAS puts tourism's contribution to the Spain's GDP at 11%, the loss of share for this figure witnessed in preceding years bottoming out. In fact, from the year 2000, tourism's relative weight in the Spanish economy shrank back by 0.6 percentage points, moving from 11.6% at that time to 11% in 2004.

In the breakdown by components, inbound tourism accounted for 4.9% of Spain's GDP in 2004, with other components of tourist demand (resident consumption on national soil, government consumption and gross fixed capital formation) representing a higher

#### CONTRIBUTION OF TOURISM TO SPANISH ECONOMY GDP (Current prices)

Million euros	2000	2001 <sup>(P)</sup>	2002 <sup>(P)</sup>	2003 <sup>(P)</sup>	2004 <sup>(A)</sup>
Inbound tourism <sup>(*)</sup>	36,414.5	38,565.6	38,204.5	39,619.6	41,346.3
Other tourism components	36,573.8	39,526.6	43,078.4	46,363.5	50,642.4
TOTAL	72,988.3	78,092.2	81,282.9	85,983.1	91,988.7
Percentage (%)					
Inbound tourism <sup>(*)</sup>	5.8	5.7	5.2	5.1	4.9
Other tourism components	5.8	5.8	6.0	5.9	6.1
TOTAL	11.6	11.5	11.2	11.0	11.0

#### NOTES:

(P): Provisional estimate. (A): Advance estimate.

(\*): Expenditure by tourists travelling to Spain.

Source: TSAS (INE).

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

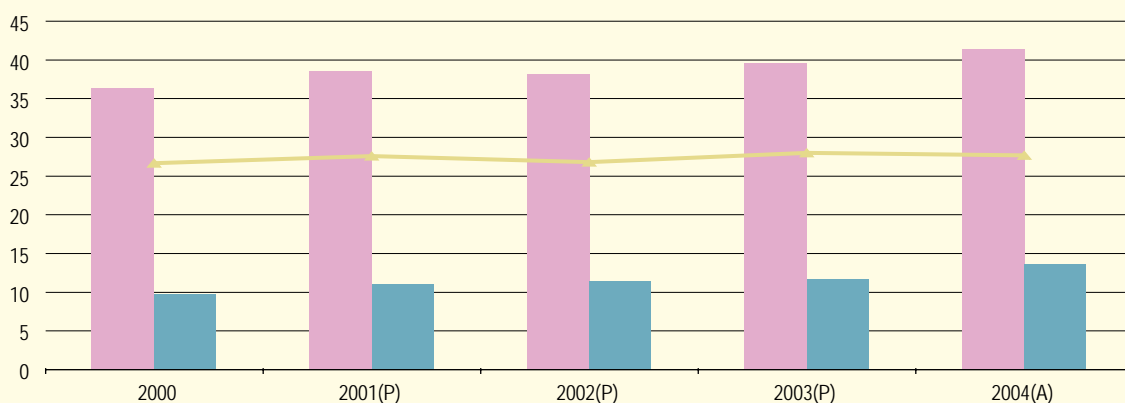


percentage, specifically 6.1% of GDP. These other components lifted their relative share in the economy since the year 2000 by 0.3 percentage points, while inbound tourism lost one percentage point in GDP weight over these years.

Tourist flows between Spain and the rest of the world remained the basic element in at least partly offsetting the balance of payment deficit, despite the fact that the revision to the balance of payments data means that tourism's net contribution to the economy was reduced with respect to the original series. In 2004 income from inbound tourism, arising from spending by non residents on Spanish soil (41,346.3 million euros), was over three times more than outlays associated with outbound tourism (by Spaniards abroad), which amounted to 13,671 million euros. Tourism's positive balance within the Spanish economy thus reached 27,675.3 million euros, representing 3.3% of Spain's GDP for that year and offset the bias to the balance of payments on current account by almost a half.

The TSAS also makes it possible to analyse tourism's direct and indirect effects on the economy. Direct effects come from companies supplying goods and services directly to visitors, and indirect ones arise insofar as specifically tourism-related enterprises boost other companies in the economic system. This multiplier effect meant that in 2000, for which figures are available, tourism moved from an initial or direct contribution to output in the Spanish economy of 68,388 million euros (5.7% of total output) to one of 123,779 million euros, representing 10.4% of total output. By the same token, in employment tourism directly accounted for 5.3% of the economy's total employment, a percentage which rises to 9.6% if the indirect effects on employment in activities boosted by it are taken into account.

### TOURIST BALANCE FOR SPAIN WITH THE REST OF THE WORLD



#### NOTES:

Billion euros.

(P): Provisional estimate. (A): Advance estimate.

(1): Expenditure by tourists travelling to Spain.

(2): Expenditure by Spaniards travelling abroad.

■ Inbound tourism (1)

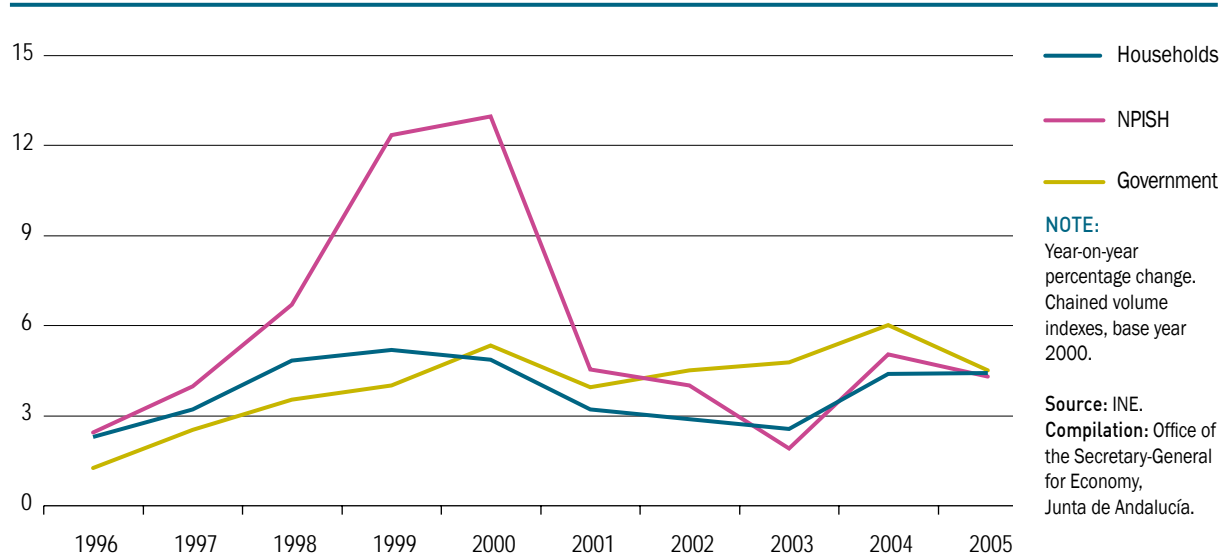
■ Outbound tourism (2)

—▲ Balance

Source: TSAS (INE).

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

Chart 19. EXPENDITURE ON FINAL CONSUMPTION. SPAIN



and Finance Ministry point to a nominal 11% increase in imports in 2005, more than doubling that for exports (4.5%), these increases in both cases being lower than those seen the previous year. As a result the trade balance showed a deficit of 77,808 million euros, over 28.3% wider than that posted the year before, with the export/import ratio coming in at 66.4%, 4 points under the 2004 figure and the lowest since 1992.

In a breakdown into types of goods, the most vigorous activity was in capital goods purchases (20.7%), followed by intermediate goods (10.5%), essentially due to the sharp increase in energy good imports (36.5%).

Meanwhile, consumer good imports showed relatively lower growth (8.5%), particularly among food products (5.1%).

Chart 20. EXPORTS AND IMPORTS OF GOODS AND SERVICES. SPAIN

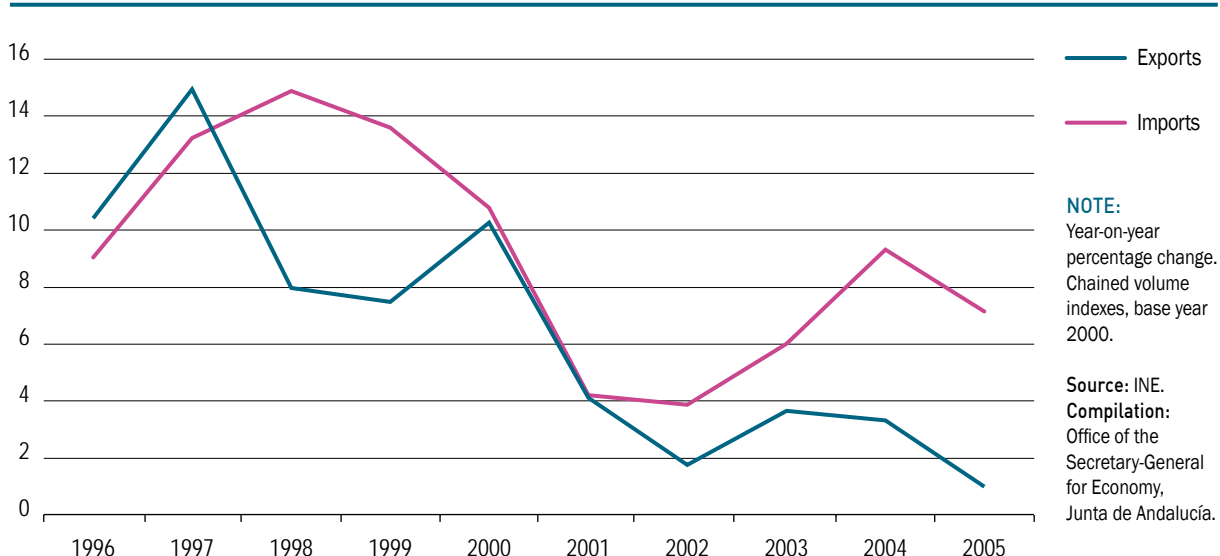
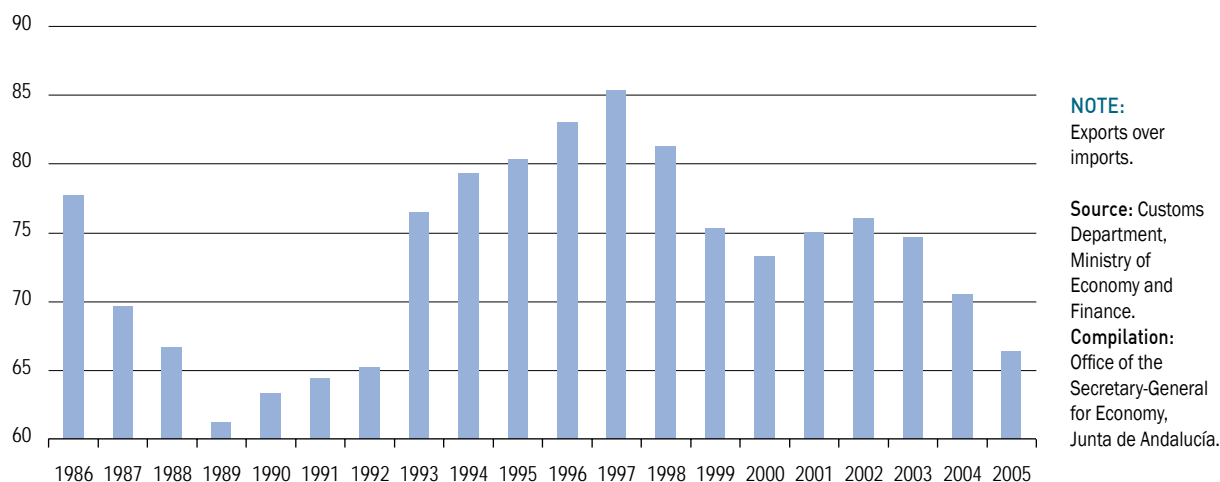


Chart 21. EXPORT/IMPORT RATIO. SPAIN



On the export side those which rose most were capital goods (12.5%), as well as intermediate goods (6.9%), whereas exports of consumer goods dropped (these represent almost 40% of total sales abroad) by 0.3% owing to the fall-off in non-food goods exports.

By geographic destination, in 2005 exports to the European Union, representing almost three quarters of the total (72.1%), were up by 2.2%, notably those to France, which grew by 4.1% year-on-year.

Outside the European Union, there was a drop in exports to Japan, these down by 2.8%, against the figure of 19% registered the previous year.

Regarding imports, those coming from the European Union, accounting for 60.8% of the total, rose 5.2%, with buying particularly evident from Benelux and Portugal, which in both cases increased by over 10%. Outside the European Union there was a marked rise in imports from Russia, China and OPEC, all these increases being above 35% year-on-year.

## Labour market

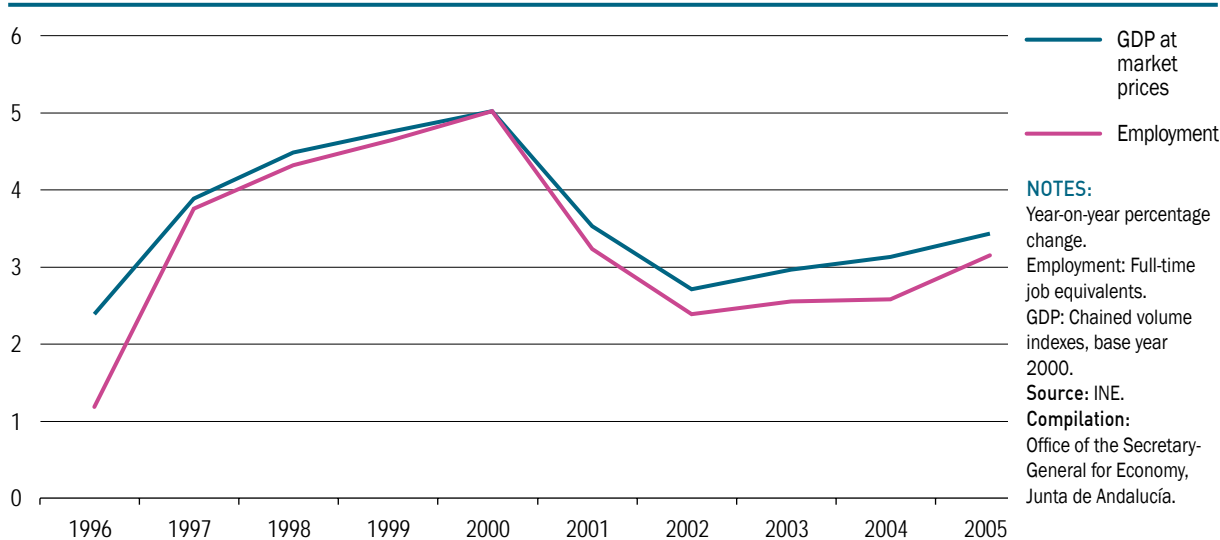
According to figures from the INE's Quarterly National Accounts, in 2005 employment measured in terms of equivalent full-time jobs saw growth of 3.1%, half a point higher than in the previous year.

Similarly, figures from the Ministry of Employment and Social Affairs indicate that the number of people registered with Social Security as actively employed was 5.8% higher than the year before, showing growth 2.4 points up on 2004. A very substantial part of this result was the growth in registration by foreigners, which is put at 57.1% year-on-year, these coming to represent 9.3% of total registered people in Spain.

The INE's Labour Force Survey (LFS) also reveals a pick-up in the pace of job creation, with a 5.6% increase in employment in 2005, 1.7 points higher than the rise the year before and the highest since 2000.

In terms of sectors, the LFS shows widespread rises in employment across all sectors, especially services, where growth was 7.1%

Chart 22. **GROSS DOMESTIC PRODUCT AND EMPLOYMENT. SPAIN**

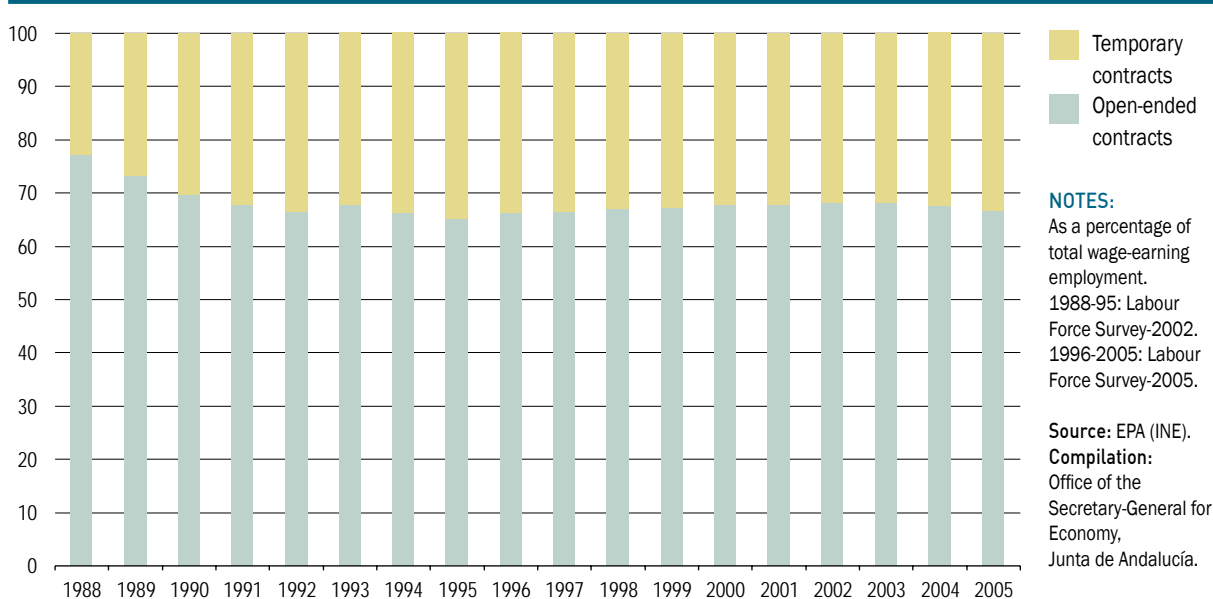


year-on-year, followed by construction with a rise of 4.6%. In industry the rise in employment in 2005 was 2.1% and 1.2% in the primary sector, this being the first increase following three years of falls.

By gender, the rise in employment was relatively sharper among females, standing at 7.8%, against 4.2% for males.

In terms of professional status, wage-earning employment rose 5.3% on the previous year, while non wage-earning did so by 6.8%, over four points above the figure in 2004. Among wage-earners, those with a temporary contract increased by 8.2%, doubling the numbers for those with an open-ended contract. As a result the temporary employment rate stood at 33.3%, eight tenths of a point more than the previous year.

Chart 23. **WAGE-EARNING EMPLOYMENT BY LENGTH OF CONTRACT. SPAIN**



This growth in employment was likewise accompanied by a slight step-up in the rate of people joining the labour market, at 3.5% year-on-year, two tenths of a point up on the rate for 2004.

Overall, the larger increase in employment (5.6%) compared to the labour force prompted a drop in jobless numbers of -13.6% year-on-year, far in excess of the fall noted the previous year (-1.3%), with the unemployment rate standing at 9.2% of the work force, 1.8 points below the figure in 2004 and the lowest in the last twenty-five years.

In gender terms, the drop in the unemployment rate was softer among females (-15.5%) than for males (-11.1%), with the heaviest fall in age-groups among the unemployed aged over 25 (-15.5% year-on-year).

The lower unemployment rate particularly affected the long-term unemployed, these falling by 31.6% on the previous year, while those unemployed for less than two years did so by 9.2%.

In comparison with these LFS findings, the unemployment figures recorded at National

Employment Institute (INEM) offices suggest a slowdown in the rate at which unemployment was dropping, this figure standing at -0.5% year-on-year in December 2005 (-3.1% in 2004).

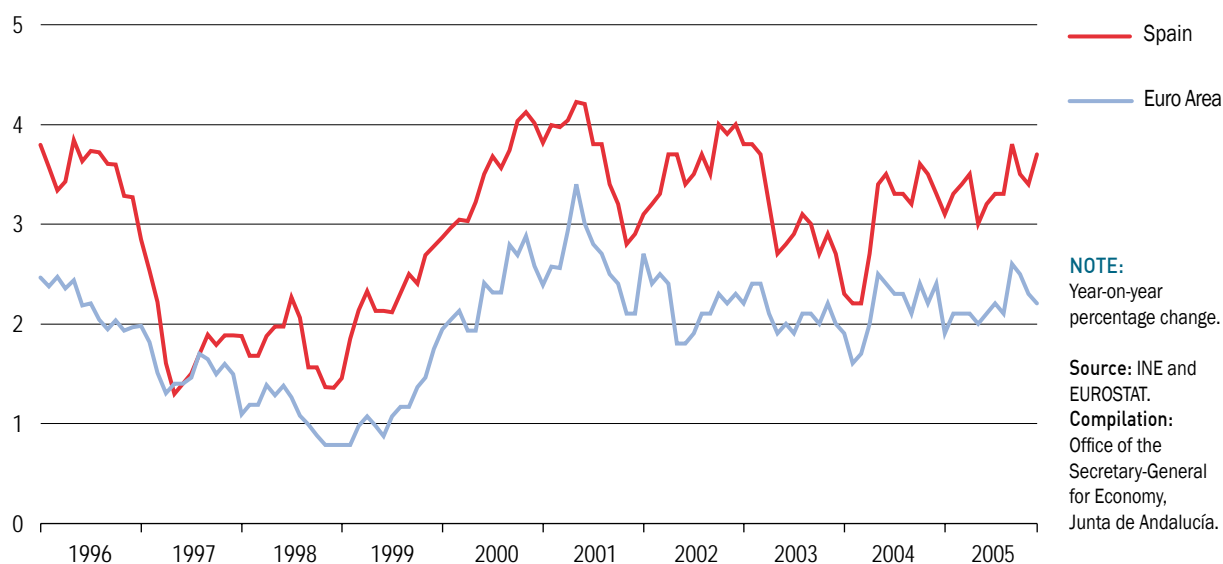
## Prices and wages

Both on the demand and on the supply side, price indicators showed a higher growth path in 2005 than for the year before. From the point of view of supply prices, the GDP deflator managed to rise by 4.4% year-on-year in 2005, over three tenths of a point more than 2004.

By sectors the most inflation-hit was again construction, the deflator rising by 10%, one point above the previous year and more than doubling average deflator growth for output sectors as a whole. Next came services with a rise of 3.5%, one tenth of a point higher than in 2004, and lastly industry and the primary sector (3.3% for both).

From a demand standpoint, the Consumer Price Index (CPI) also showed a more inflationary trend in 2005, reaching year-on-year growth in December of 3.7%, half a point up on 2004.

Chart 24. **HARMONISED INDEX OF CONSUMER PRICES. SPAIN**



This outcome was basically determined by the upward trends for energy prices resulting from oil-price pressure on international markets, the Brent barrel ending the year at a price of 56.5 dollars in December, 42.3% up on the like month the previous year. As a result the fuels CPI reveals 13% growth year-on-year in December 2005, the highest for the last five years and accentuating the upward trend of the year before (9.8%). If underlying inflation is considered, that is, leaving out the more volatile components such as non-processed foods and energy goods, there was therefore growth of 2.9% year-on-year in 2005, the same result as for the previous year.

Compared with the performance of consumer prices in the euro area, one can observe that the adverse inflation gap Spain had with the other countries reached 1.5 percentage points in 2005 (0.9 percentage points in 2004), leaving Spain as the most inflationary country in the euro area.

On the wages front, the pay-rise convened under the collective bargaining agreements signed in 2005, including the impact of the safeguard clauses agreed to the year before, was set at 4.02%, above inflation and thus representing a gain in purchasing power of 0.32 percentage points.

### Balance of payments

According to Bank of Spain figures in 2005 the net balance for the current and capital account figures together, that is the Spanish economy's funding capacity or requirement, showed a deficit of 60,788.8 million euros, which equalled 6.7% of GDP. This figure means that the Spanish economy's funding requirement in 2005 was 69.3% higher than that posted the preceding year, the result of a notable widening of the deficit on current account combined with a reduction of the surplus on capital account.

The deficit on current account in 2005 amounted to 68,952 million euros, 55.1% higher than for the year before, mainly due to the larger trade deficit. The deficit on the income and current transfers account similarly widened.

The balance on capital account on the other hand showed a surplus of 8,163.3 million euros in 2005, 4.5% below 2004, developments being shaped by the decrease in income from capital transfers from the EU, the main item under this caption.

As for the financial account, excluding the Bank of Spain, in 2005 net inflows were higher than those posted in 2004, resulting from net inflows from portfolio investments, financial derivatives, and other investments, while direct investments showed net outflows.

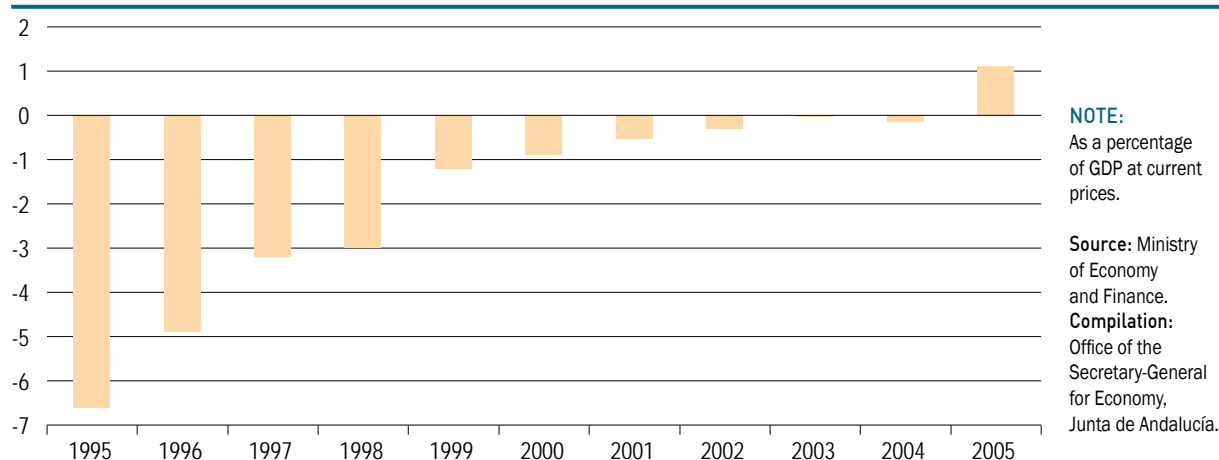
### Monetary trends

In 2005 monetary policy implemented by the Central European Bank (ECB) was marked by the quarter-point rise in the interest rate for key refinancing operations in early December, this being left at 2.25%. This was the first interest rate rise for five years and marked the end of two and a half years of rates stable at 2%.

In this context the average rate for transactions on the Spanish inter-bank market at the short end was 2.33% at year-end, slightly over the previous year's figure of 2.28%.

As for monetary aggregate trends, the M3 growth rate was 7.6% in 2005, higher than the reference rate set by the ECB (4.5%), which continued to reflect the preference for cash on the part of economic agents.

On the other hand and regarding the cost of borrowing, the fact that interest rates held at low levels, which were negative in real terms, spurred a surge in bank lending, which, at year-end were 23.1% over the 2004 level, over six points above the year before's growth rate.

Chart 25. **BUDGET DEFICIT. SPAIN**

## Budget performance

With respect to how the national budget performed, 2005 closed with an overall surplus for the government of almost 10 billion euros in terms of the National Accounts, which represented 1.1% of Spain's GDP and was above the initial forecast established under the stability programme (0.1% of GDP). This means that, along with Finland, Spain was notable as one of the only countries in the euro area to show a budget surplus.

This surplus arose from central government's positive balance (the State plus autonomic bodies) of 0.39% of GDP and particularly from

Social Security, which posted a surplus of 1.06% of GDP, whereas the regional autonomies showed a deficit of 0.22% and local authorities one of 0.14%.

## Economic forecasts

Forecasts by the various national and international organisations coincide in pointing to a mild slowdown in the Spanish economy's growth rate in 2006.

Specifically the Economy and Finance Ministry, the OECD and the IMF predict real GDP growth

Table 8. **SPANISH ECONOMY: MACROECONOMIC FORECASTS**

	Ministry of Economy and Finance	European Commission		OECD		IMF	
	2006	2006	2007	2006	2007	2006	2007
GDP	3.3	3.1	2.8	3.3	3.0	3.3	3.2
Private consumption	3.5	3.7	3.1	3.8	3.5	3.7	3.6
Employment	2.8	2.7	2.2	4.1	3.1	2.7	2.2
Inflation <sup>(1)</sup>	3.2	3.6	3.2	3.4	2.9	3.4	3.1
Unemployment rate <sup>(2)</sup>	8.4	8.7	8.3	8.7	8.6	8.7	8.3

### NOTES:

Year-on-year percentage change unless otherwise stated.

(1) Ministry of Economy and Finance GDP deflator, OECD and European Commission: private consumption deflator, IMF: consumer prices

(2) As a percentage of labour force.

Source: Ministry of Economy and Finance, European Commission, OECD and IMF.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

for Spain of 3.3% in 2006, the European Commission's forecast being slightly lower (3.1%).

Though rather more modest than the growth registered in 2005, this time it will in any case surpass the level expected in the euro area (2.1% according to the European Commission) and will once again be driven by domestic demand.

In the same vein, in the labour market job creation is expected to slacken, with the Economy and Finance Ministry forecasting a rise in employment in terms of equivalent full-time jobs of 2.8%, slightly over the European Commission and IMF estimates (2.7%) and lower than the forecast ventured by the OECD (4.1%). This employment growth will mean a further reduction in the unemployment rate, which is expected to be between 8.4% (Economy and Finance Ministry) and 8.7% (according to the European Commission, the OECD and the IMF).

The growth rate for prices is widely expected to be harnessed, both from the point of view of consumer and output prices. The Economy and Finance Ministry indicates GDP deflator growth in 2006 of 3.2%, 1.2 points under the figure for the preceding year, with consumer prices expected to rise by 3.4%, according to the IMF.

For 2007 forecasts by the various international organisations agree that the Spanish economy's growth rate will slow down again, perhaps coming in at 3.2% (according to the IMF) or 2.8% (European Commission). These trends for activity will be accompanied by slacker price and employment growth, the reduction in the unemployment rate however expected to continue, and according to the IMF and the European Commission this could be 8.3%.



3.

## Overview of the Andalusian Economy



## Overview of the Andalusian Economy

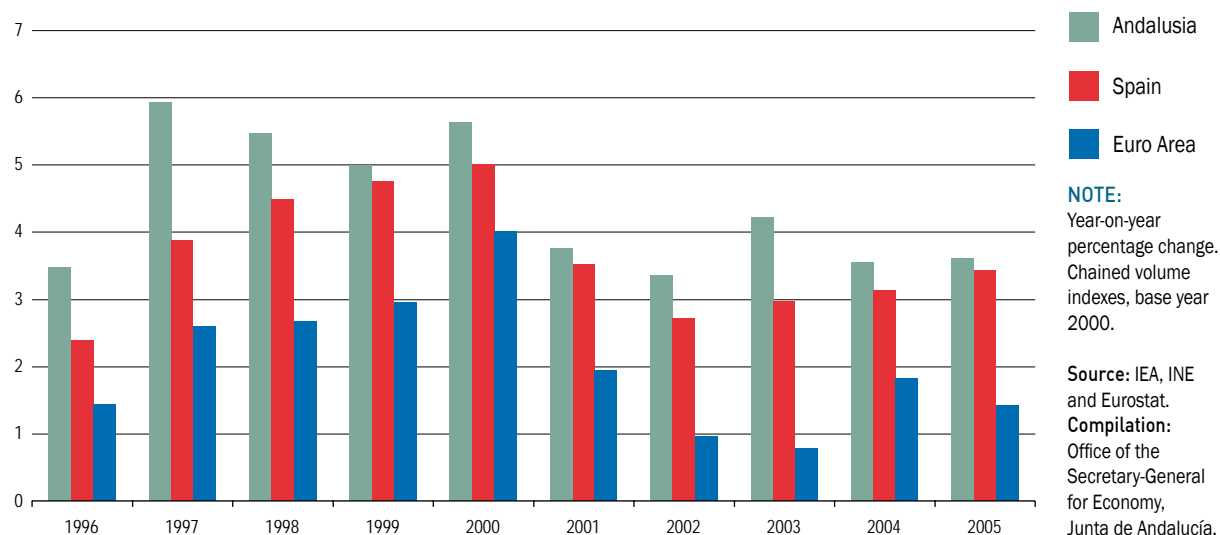
### Introduction

Against the backdrop of a virtually worldwide slowdown in economic activity, according to the Andalusian Quarterly Accounts in 2005 the Andalusian economy's GDP grew 3.6% in real terms, one tenth of a point more than in the previous year. This result means that for the twelfth successive Andalusia remained ensconced in the growth cycle begun in 1994 and

GDP growth stood at two tenths of a point above the national average rate (3.4%, according to the INE), more than doubling that for the euro area (1.4% according to Eurostat).

In nominal terms GDP generated in Andalusia in 2005 amounted to 127,831 million euros, 8.6% up on the year before, giving it a relative share of national GDP of 14.1% and 1.6% with respect to the euro area.

Chart 26. **GROSS DOMESTIC PRODUCT AT MARKET PRICES**



### 3. OVERVIEW OF THE ANDALUSIAN ECONOMY

These GDP results were accompanied by a swelling of the Andalusian population, which, according to the INE's Municipal Register of Inhabitants, stood at 7,849,799 people on 1 January 2005. This was 2.1% more than in the previous year and equal to growth for Spain as a whole, though far above that for the euro area (0.6% according to Eurostat).

The higher GDP growth relative to the population led to a rise in GDP per capita in Andalusia, which was 6.2% up on the previous year's level and 0.4 points above the average growth rate in Spain (5.8%), closing in on the national GDP level and coming to represent 79.3% of it, which is 0.3 points more than the previous year.

From a supply standpoint and in keeping with the performance in Spain overall, the Andalusian economy's growth relied on non-farming sectors, with the primary sector slipping back for the second year in a row.

On the demand side, the key tracking indicators confirm on the one hand the notable strength of the domestic components, consumption and investment, and on the other hand further progress in Andalusia's process of integrating into world markets.

With this 2005 saw a flurry of business initiatives, as well as a notable pick-up in job creation and a substantial trimming of jobless numbers, with rates bettering those for the nation as a whole.

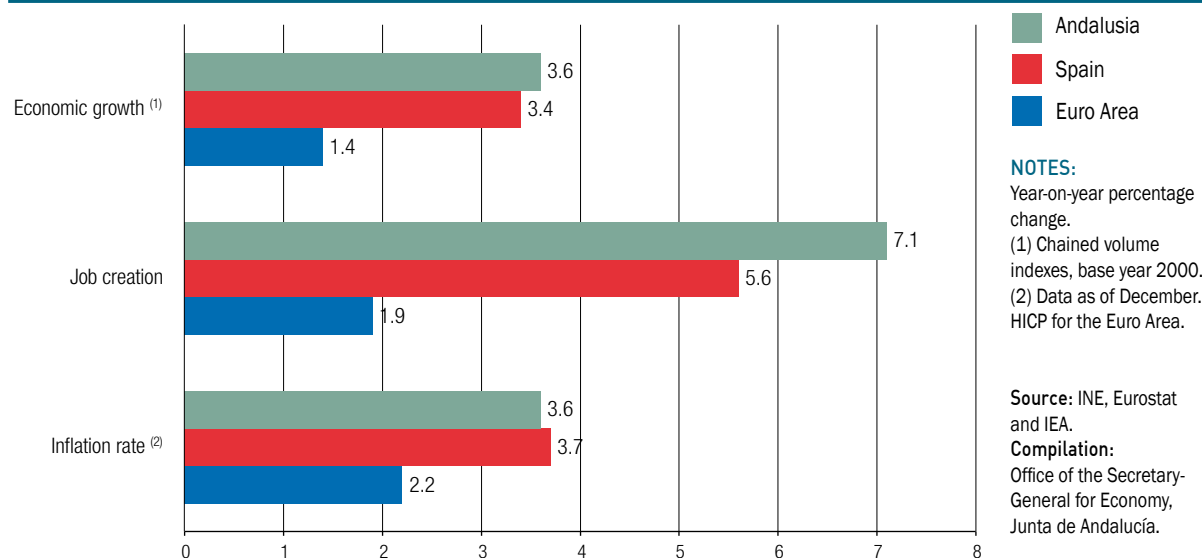
Regarding business structure, according to the INE's Central Business Directory (DIRCE), on 1 January 2005 some 464,179 non-farming companies were recorded in Andalusia, a figure representing 15.1% of the national total and 5.1% up on 2004, a sharper rise than the average in Spain (4.1%).

Moving to the labour market, job creation quickened notably, prompting a substantial paring of jobless numbers, with the unemployment rate sinking to a low for the last twenty-six years.

These results occurred in a nominal context marked by the steady climb of the oil price on world markets, the year closing with the inflation rate higher than the previous year, lower though than the Spanish average.

This all transpired in an environment in which Andalusia continued to show more vigour than nationally in implementing and using information and communication technologies, as far as one

Chart 27. **ECONOMIC GROWTH, EMPLOYMENT AND INFLATION. YEAR 2005**



can gauge from the key indicators used to monitor what has come to be variously known as the “new economy”, the “information society” or “knowledge society”, and it was drawing close to average levels in Spain.

## Population

According to the INE’s Municipal Register of Inhabitants, official residents in Andalusia on 1 January 2005 numbered 7,849,799, a figure which represented 17.8% of the national total, 2.5% of the euro area and 1.7% of the twenty-five country European Union (EU-25).

Compared with 2004 the population of Andalusia rose by 162,281, which meant growth of 2.1% year-on-year, the same as for Spain, which was one point up on the previous year and four times higher than in the euro area and the EU-25 (0.6% and 0.5% respectively).

The increase in the Andalusian population was in line with the results in recent years and the performance nationwide and was to a great extent accounted for by the rise in the foreign population. This numbered 420,207 in 2005, 98,637 more than in the preceding year, with year-on-year growth of 30.7%, which was higher than the national average (22.9%). This meant that, with the foreign population accounting for 60.8% of the overall increase in the Andalusian population in the year, its relative share of the population stood at 5.4% of the total (8.5% in Spain).

In the breakdown into age groups, the highest growth rates fell at the older end, specifically within the 60 to 64 year-old band (6.6% year-on-year) and the 80 to 84 year-old group (5.9%), which confirms the population’s ageing trend in recent decades.

Meanwhile, as happened in Spain as a whole, the younger age-groups experienced population falls, even though it is worth noting that in 2005, for the fourth year running, the population under four years old remained on an upward path, growing

at 4.4% year-on-year, in keeping with the upturn which fertility rates have shown in recent years. The fertility rate situation stood at 1.47 children per woman in Andalusia in 2005, its highest level since 1994 and higher than the nationwide rate (1.34), though somewhat lower than the average rates for the EU-25 and the euro area (around 1.5 children per woman in 2004, according to the latest information available).

All in all the Andalusian population was still relatively younger than that of Spain and the euro area, with a weight out of the total for the under 15 group of 16.4% in 2005, compared to 14.2% in Spain and 15.8% in the euro area (2004 figure). On the other hand, the most elderly population, that is those aged 65 or over, made up 14.6% of the total in Andalusia, lower than the 16.6% national average and the figure of 17.2% for the euro zone.

The demographic dependency index, which gives the non labour force population (under 15 and over 65) as a percentage of the potential labour force (between 15 and 64) stood at 44.8% in Andalusia in 2005, similar to the Spanish average (44.6%) and significantly lower than that of the euro area (around 49%), which can be explained by the larger relative weight of the oldest age group.

In terms of provinces, the Andalusian population rose across the board in them in 2005, though growth was uneven, the biggest increases occurring in Almeria (5.6%), Malaga (4%) and, further behind, Granada (2.3%). Seville, however, was still the province with the most voluminous population, with almost a quarter of the total for Andalusia, followed by Malaga and Cadiz, and among the three they accounted for over half (56.6%) of the population of Andalusia in 2005.

If we compare the population data with the area over which it is spread, it can be seen that the average population density in Andalusia was 90 inhabitants per square kilometre in 2005, which was greater than for Spain (87 inhabitants per square kilometre), yet substantially lower than in the EU (116 inhabitants per square kilometre)

### 3. OVERVIEW OF THE ANDALUSIAN ECONOMY

Table 9. **BASIC INDICATORS OF THE ANDALUSIAN ECONOMY. YEAR 2005**

<b>GDP at market prices <sup>(*)</sup></b>		
Millions of current euros		127,831.2
Nominal growth in the year		8.6%
Real growth in the year		3.6%
GDP per capita <sup>(1)</sup>		16,284.6
GDP per capita. Spain = 100 <sup>(1)</sup>		79.4%
Andalusian GDP/Spanish GDP <sup>(1)</sup>		14.1%
Andalusian GFCF/Andalusian GDP <sup>(2)</sup>		31.5%
<b>GDP distribution <sup>(3)</sup></b>		
Employee compensation		48.1%
Gross operating surplus <sup>(4)</sup>		41.2%
Net taxes on production		10.7%
<b>Employed</b>		
Thousand people		2,959.6
Annual growth		7.1%
Employment in Andalusia/employment in Spain		15.6%
<b>Productivity <sup>(5)</sup></b>		
Spain=100		93.3%
<b>Price growth</b>		
GDP deflator		4.8%
CPI <sup>(6)</sup>		3.6%
<b>Labour costs <sup>(7)</sup></b>		
Euros		1,907.6
Annual growth		1.7%
Spain=100		90.4%
<b>Enterprises <sup>(8)</sup></b>		
Number		464,179
Annual growth		5.1%
Enterprises in Andalusia/Enterprises in Spain		15.1%
<b>Foreign trade</b>		
Exports		
€ million		14,261.2
Annual growth		7.3%
Imports		
€ million		17,535.9
Annual growth		23.7%
Trade balance		
€ million		-3,274.7
% of GDP		-2.6%
Openness to trade <sup>(9)</sup>		24.9%
Export share <sup>(10)</sup>		69.0%

**NOTES:**

- (\*) Advance figures.
- (1) GDP at market prices in current euros.
- (2) Data from 2004.
- (3) Data from 2003.
- (4) Includes mixed income.
- (5) GDP at market prices in current euros per job held.
- (6) Year-on-year rate as of December.
- (7) Labour costs per worker per month.
- (8) Non-farming sectors only.
- (9) Sum of exports and imports as a percentage of GDP at market prices in current euros.
- (10) Primary and Industry sector exports as a percentage of GVA at basic prices in current euros.

Source: IEA and INE.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

and, above all, the euro area (124 inhabitants per square kilometre).

## Supply

As with Spain as a whole, the Andalusian economy's growth in 2005 was sustained by non-farming sectors, which overall registered a more vigorous performance than the previous year, while the primary sector's slump deepened.

According to the Quarterly Accounts for Andalusia, the Gross Value-Added at basic prices (GVA b.p.) generated by the whole set of non-farming sectors rose 4.2%, one tenth of a point up on 2004, half a point above the level for Spain (3.7%), and significantly higher than for the euro area (1.6%).

On the other hand, in the context of a drop in activity in Spain and the euro zone, the **primary sector** showed negative results for output for the second year running. Sector GVA .b.p. shrank back 4.9% in real terms year-on-year, similarly to the decline in the euro area (-4.2%) and within the context of a slight fall in Spain (-0.7%).

The slip was more moderate in nominal terms, with GVA at 6,313.6 million euros, representing

almost one quarter of the sector's value-added on a national scale (23.5%) and 5.5% of Andalusia's productive sectors as a whole.

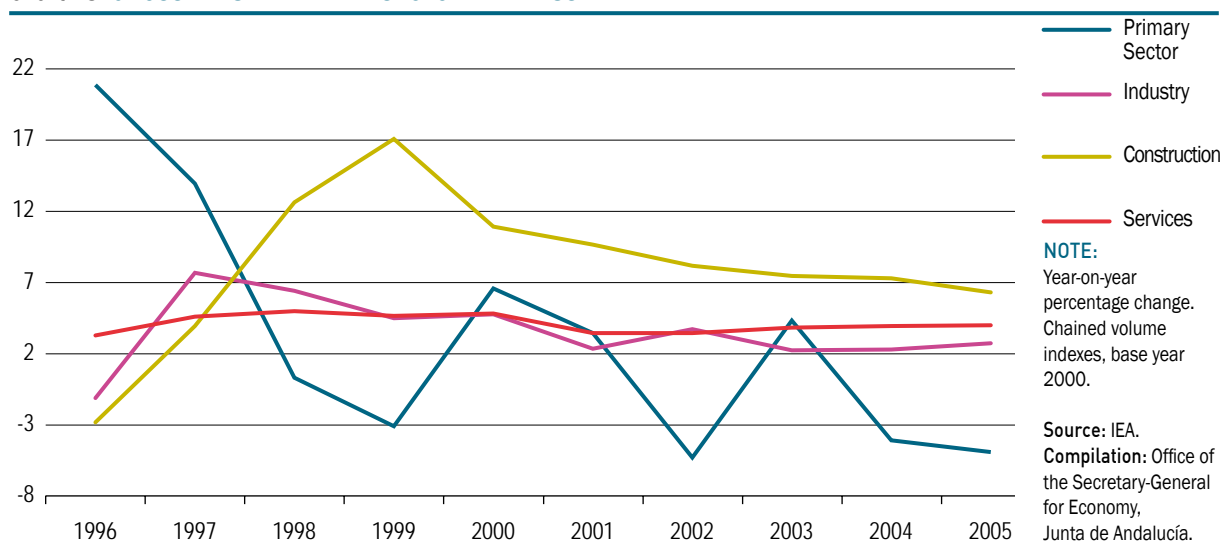
These negative results on the output side were spread across all sectors, particularly farming, which was very badly hit by the drought conditions that were a feature of the year from the weather standpoint.

Estimates from the Regional Ministry of Agriculture and Fisheries point to a drop-off in final farming output at current prices of 9% year-on-year, with falls generally for almost all crops, except vegetables and forage plants, with output dwindling notably in such representative areas as olives and cereals.

Together with this, animal farming output fell back by 6.8% in 2005, being likewise adversely affected by the lack of rain hitting livestock pasturage conditions, its share in Andalusia's total farming output dropping to 12.8%.

In the fishing sub-sector, however, according to information supplied by the national port authority Puertos del Estado and by the regional government port authority Empresa Pública de Puertos de Andalucía, in 2005 the falling trend for catches observed in the two preceding years

Chart 28. **GROSS VALUE ADDED BY SECTOR. ANDALUSIA**



### 3. OVERVIEW OF THE ANDALUSIAN ECONOMY

continued, albeit less markedly. The volume of fresh fish landed at Andalusian ports was 2.3% down on the previous year owing to a reduction in this at state-owned ports, whereas at those owned by the regional government this figure rose after five straight years of falls.

These output results were also accompanied by a similar-sized drop in sales abroad, with the export rate, the percentage of exports out of sector GVA, standing at 42.7% for 2005, practically the same as 2004 (43%).

On the other hand, with respect to the labour market the outcome for the sector was a recovery of job creation following three successive years of falls. According to the LFS, employment in farming and fishing activities rose 4% year-on-year in 2005, far exceeding the growth seen in Spain as a whole (1.2%), so that in absolute terms job creation in the Andalusian primary sector came to account for 87.3% of the sector total nationally.

In the **Industrial sector** the year ended with real GVA growth of 2.7%, the highest seen in the last three years, far above the level in Spain (1.1%), and triple the rate for the euro area (0.9%).

Nine years of uninterrupted growth in Industry activity have now passed in Andalusia, with the sector's GVA in current terms rising to 14,351.6 million euros, representing 12.5% of total regional GVA and 9.9% of Spanish industry.

Along the same lines and within the context of a slowdown in Industry output among the chief developed economies, the IEA's Andalusian Industrial Production Index (AIPI) showed growth of 5.6% year-on-year, almost one point higher than in 2004, comfortably ahead of the national and euro area averages.

In the breakdown by economic use for goods, energy-related Industry production surged ahead by 28.6% year-on-year, three times the 2004 level (8.7%) and far above the average rise for this activity in Spanish industry (2.9%). Some way behind it came investment and intermediate goods production, with rises of 4.3% and 2.7%, respectively, in a context of falls nationally.

Together with this output-side sector result, the Industrial Situation Survey compiled by the Ministry of Industry, Tourism and Trade put productive capacity utilisation in industry at 75.4%, the same as the year before and standing at around historic highs.

With respect to prices, as was the case for Spain, the GVA deflator confirmed the previous year's pattern of faster growth, rising 5.1% in 2005, the highest rate on record and above the deflator's overall growth rate for the whole Andalusian economy (4.8%).

The INE's Industrial Prices Index also rose more sharply in Andalusia, hitting 7.9% year-on-year

Table 10. **GROWTH OF GDP AND GDP COMPONENTS. YEAR 2005**

	ANDALUSIA		SPAIN		NOTE: Year-on-year percentage change.
	Nominal	Real	Nominal	Real	
Agriculture and fishing	-2.0	-4.9	2.3	-0.7	Source: IEA and INE. Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.
Industry	8.0	2.7	4.2	1.1	
Construction	16.2	6.3	16.1	5.5	
Service industries	7.9	4.0	7.4	3.9	
GVA at basic prices	8.3	3.6	7.5	3.3	
Net taxes on production	10.7	3.7	12.1	3.8	
GDP at market prices	8.6	3.6	8.0	3.4	



in 2005, almost one point more than in 2004 and above the national average (4.9%), greatly affected by soaring energy prices (17%).

As regards the sector's trade relations abroad, in 2005 exports of Industrial goods rose by a nominal 10%, above nominal GVA growth (8%), which helped Andalusian industry's export rate to rise to 77.5%, 2.7 points up on 2004.

This favourable result for the sector in terms of output fed through to the labour market, where employment rose at a clip of 10.1% year-on-year, the highest for the last seven years and almost five times more than the national sector average (2.1%). In absolute terms employment in Andalusian industry was thus greater than the year before by some 30,100 people, the region accounting for 43.6% of the whole increase in employment in Spanish industry for the year.

For the eighth successive year the **construction sector** again stood out as the most buoyant in the Andalusian economy, showing a real GVA rise of 6.3%, almost one point above the average in Spain (5.5%) and within the context of very modest growth in activity in the euro area (1.1%).

This growth rate was higher than the average registered by the Andalusian productive sectors as a whole and lifted the sector's share of Andalusia's productive structure to 13.5%, a historic high, and sector GVA to 15,384.9 million euros.

In the residential subsector, according to Ministry of Housing figures there were a total of 151,761 housing starts in Andalusia in 2005, up 6.6% on the year before, ahead of the increase nationally (4.2%) and with slightly over one fifth of all housing starts in Spain (21.2%) concentrated in the region. If we distinguish between free-market and government-subsidised housing, there was greater housing start activity in subsidised housing, which was 12.2% higher than the figure for 2004, its relative weight out of the total rising to 9.3%, its highest percentage in the last six years.

151,872 housing completions were recorded in the year, some 29.9% more than the previous year, most growth being focused on the free-market bracket, in contrast to the fall in housing completions in Spain as a whole (-7%).

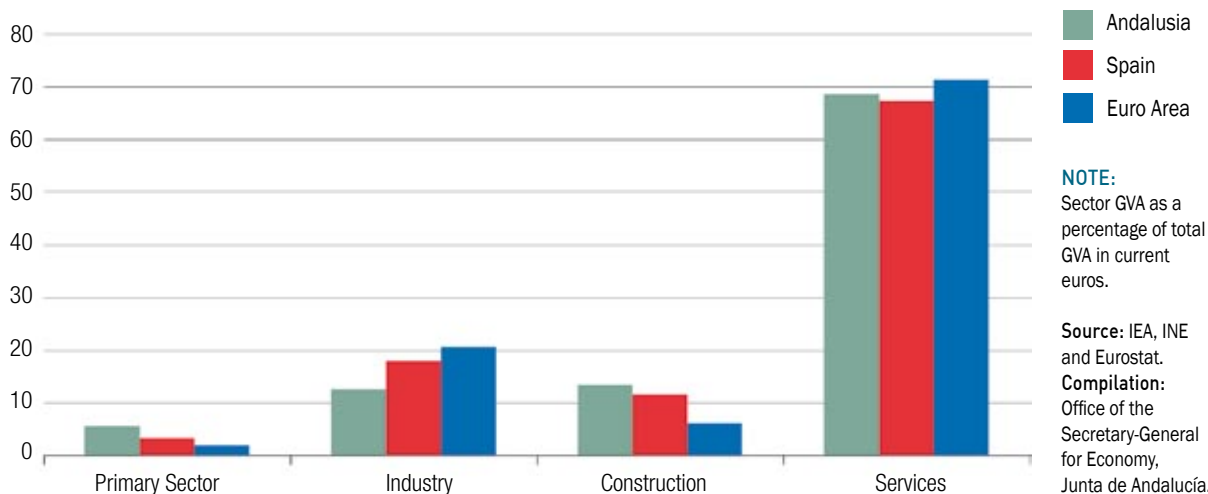
Together with this residential supply-side performance, the statistics on housing transactions which the Ministry of Housing started to publish in 2005, give some idea of trends in housing demand. For the year as a whole 152,475 housing transactions were recorded in Andalusia, 16.9% of the total nationally, growing by 3.3% on 2004, a more moderate rate than the average in Spain (6.3%). This rise was concentrated exclusively on newly-built dwellings (10.1% year-on-year), while existing homes remained at practically the same level as the year before. On the other hand it is worth mentioning activity was greater among subsidised housing (3.1%) than free-market dwellings (2.7% year-on-year), the latter, however, accounting for 93.4% of total transactions made.

As for the average transaction price, there is only information available for free-market housing and in 2005 this was 126,161,8 euros in Andalusia, representing 81.9% of the national average and 17.1% up on the previous year, which is above the average for growth in Spain (15.8%).

Similar findings emerge from the Ministry of Housing's statistics on house prices, which show that the price per square metre for free-market housing built in Andalusia stood at 1,468.8 euros in 2005 (83.4% of the average in Spain), 14.9% higher than the year before and above the national average rate of growth (13.9%). These figures highlight that in 2005 the pace of growth in the price per square metre for free-market housing slowed down in Andalusia, and this was the most moderate rate for the last five years, even though it outstripped wage growth (1.5%, according to the Labour Cost Index).

Housing thus became less affordable in 2005, so if we take into account an average home in

Chart 29. **PRODUCTION STRUCTURE. YEAR 2005**



Andalusia with floor-space of 90 m<sup>2</sup> as indicated in the INE's 2001 Housing Census, 8 years' earnings would have to be used to acquire a dwelling in the region, almost one year's more than was needed in 2004, although this rate is lower than the average for Spain (8.5 years).

In a climate where interest rates held at relatively low levels, even being negative in real terms, mortgage lending to buy housing in Andalusia continued to grow at a very fast pace in 2005, at a nominal 34.6% to be precise according to the INE, above the national average rate (26.7%) and that for 2004 (28.5%). With this trend the total sum of mortgage loans granted to finance housing purchases in Andalusia amounted to 25,772 million euros in 2005, or 20.2% of GDP (17% in Spain).

The buoyancy of construction activity in Andalusia was coupled with a surge in job creation (6%), 2005 being the eleventh consecutive year of employment increases in the sector, outpacing national average growth (4.6%) and almost a quarter (23.7%) of the increase in construction sector employment nationally occurred in Andalusia in absolute terms.

Lastly, the **services sector** showed a sound and sustained rate of growth throughout the whole

year, resulting in a real rise on GVA of 4% in 2005, over the national average (3.9%), and more than doubling that for the euro area (1.8%).

This took sector GVA to 78,422.6 million euros, accounting for 14.4% of the national total, its weight in Andalusia's productive structure being 68.5%, this sector taking shape as the most representative of the Andalusian economy.

Dividing this out into its sub-sectors, the favourable results were virtually across the board. Tourism demand showed an expanding pattern, attaining historic highs for visitor numbers to the region, while supply was broadening notably, with virtually universal increases in all the various types of establishment.

According to the IEA's Tourist Situation Survey, Andalusia hit a historic high of 23,629,200 tourists in 2005, this figure beating that of 2004 by over one and a half million, meaning an increase of 7.1% year-on-year, more than doubling 2004's figure (2.9%).

By place of origin, it was domestic tourists who showed the strongest growth (8.7%), most particularly those from the Andalusia region itself, being 20.8% more than the level from the previous

year. In combination with this, foreign tourism recovered from the stagnation witnessed in 2004 and was up 4.8% year-on-year, boosted both by the influx of visitors from the European Union, from where 81.7% of total tourists came from, a rise of 4.4%, and by the substantial rise in tourism from other areas of the world (6.5% year-on-year).

The overall increase in tourist in-flows was likewise accompanied by a significant rise in the average daily outlay from them, which, at 52.9 euros, was 6.7% up on 2004.

Rising tourist demand was supported by a further increase in supply. According to the Regional Ministry of Tourism, Trade and Sport a total of 401,789 beds for tourist accommodation were recorded in 2005, 3.2% more than the previous year.

The biggest increase in supply came from countryside lodgings, which numbered 778 houses in Andalusia in 2005, 112 more than in 2004. These results were in line with the growing boom in rural tourism and were mirrored by an increase in both the number of travellers staying in this kind of establishment (56.6%) and nights stayed (82.6%), according to the INE's Rural Tourism Accommodation Occupancy Survey.

Accommodation capacity also showed a notable rise, with a total of 1,490 hotels recorded in Andalusia in 2005, 61 more than in 2004, the number of beds in these climbing (by 5.1% year-on-year) to a total of 213,628, representing 53.2% of the overall supply of beds for tourist accommodation in Andalusia in 2005. By hotel category, four star ones were the most prevalent, accounting for 52.8% of total available beds and also being those showing the most activity in 2005, with a 9.3% rise in available beds.

This trend on the hotel supply side was accompanied by a notable step-up in demand, with tourist numbers staying at hotels in Andalusia rising by 8.7% on the previous year, the highest rate on record and 3 points over that registered

nationally (5.7%). All this took place within the context of prices at these establishments dampening their rate of growth, which was 1.8% year-on-year in 2005, 0.4 points less than the year before and below the rise in consumer prices that year. The net result of this is that hotel earnings rose by more than in 2004, doing so by 2.5%, above the increase in Spain (1.9%).

With respect to the other subsectors comprising the services sector and on the basis of employment information, growth affected all of them, it being production-related services which were the most dynamic, with a 19% increase in employment year-on-year, notable here being "insurance and pension schemes" and "real estate activities". Behind these fell services to companies, particularly "IT activities" and "research and development", and leisure and personal services, essentially "hotels and restaurants".

The whole sector on balance showed employment growth of 7.3% in 2005, the highest on record, 1.5 points higher than in 2004 and above the national average increase (7.1%).

## Domestic demand

The key indicators for monitoring domestic demand confirmed the notable strength kept up by consumption and investment in 2005, in an environment of surging job creation and interest rates holding at relatively low levels, being negative in real terms.

This was mirrored in lending by the financial system to the private sector, this ending the year with a 30.8% rise year-on-year, the highest on record, 7.6 points higher than the level registered the previous year and heavier than in Spain (27.5%). Thus for the second year in a row the balance of loans to the private sector was running ahead of regional GDP generated at 31 December 2005. In precise terms this was 22.6% higher, although this was a lower

percentage than for the Spanish economy (26.9% of GDP).

From the point of view of **consumption**, a variable which represented close to three quarters of regional demand, the indicators revealed notable vigour.

According to the INE's Household Budget Survey (ECPF), the average outlay per person in Andalusia rose by a nominal 8.4% in 2005, the highest growth rate in the last four years, 2 points higher than the year before (6.2%) and similar to the average in Spain (8.3%).

This favourable trend for spending was in keeping with the improved perception held by households as to their ability to save and chances of getting by financially each month, aspects which are also included in the Household Budget Survey. In 2005 there was an increase in the proportion of households which stated that they could set some money aside for saving in Andalusia, according to their levels of earnings and expenses, this figure coming to 36.9% of total households, one point up on the previous year.

In line with these results the retail trade index, which charts trends in retail sector sales, picked up its rate of growth, reaching a nominal 5.5% in 2005, the highest on record since these data have been available and above the average for Spain (4.4%).

With respect to the availability levels for consumer goods, there was notably brisk growth in imports, which in nominal terms was 12.1% higher than in 2004, a rate which climbed to 35% in real terms, that is to say stripping out the effect of price trends on them.

As far as **investment** is concerned, in construction this showed substantial buoyancy, as can be gathered from the sector's growth rate, which was 6.3%, the highest of all the productive sectors and almost a point above that registered on average in Spain (5.5%).

Regarding capital goods investment, indicators for the availability of these reveal increases both in

domestic production and buying in from abroad. The API for capital goods was up 4.3% in 2005, with imports rising to the greatest extent, at a nominal 24.8%, which climbed to 54.5% in real terms.

In addition to this, other indicators monitoring capital goods investment, such as goods vehicle registrations, also showed favourable results in 2005, with a historic high of 60,817 registered goods vehicles counted, 3,694 more than the previous year, which meant year-on-year growth of 6.5%.

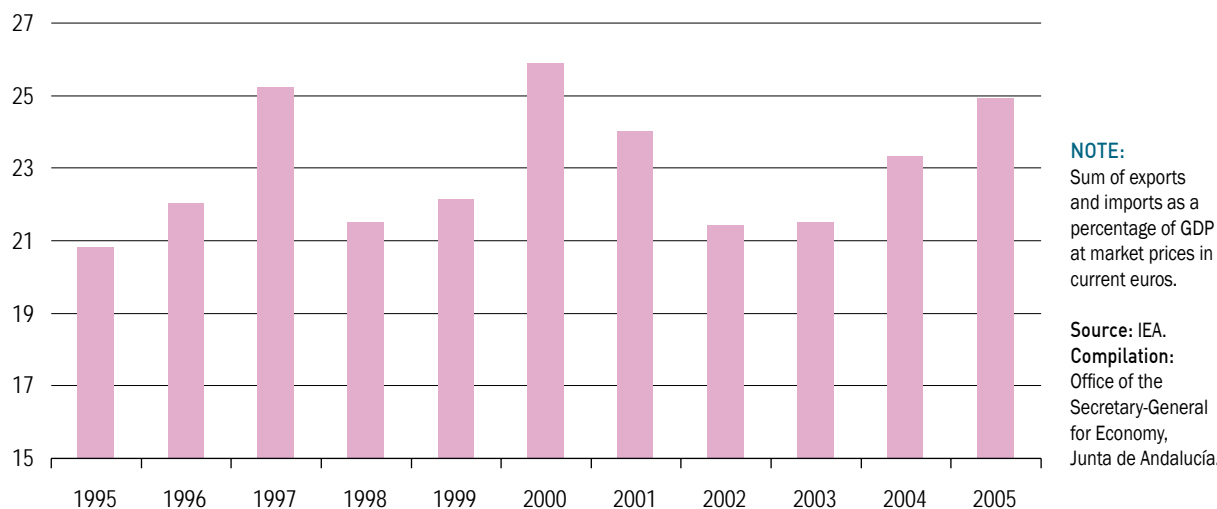
On the other hand, according to data from the Regional Ministry of Innovation, Science and Enterprise, in 2005 there was substantially higher investment which was channelled through regional economic incentives in Andalusia, with 210 projects on record as approved, almost four times more than in 2004 (62 projects) for a total sum of 899.7 million euros, almost tripling the previous year's figure.

In terms of the economic sectors into which investment was directed, it should be pointed out that practically 50% went into services, fundamentally "hotels and restaurants" (98.2% of total sector investment) and the other 50% into industry, notably the "chemicals industry".

## Foreign Trade and Investment in Andalusia

Andalusia's international economic activity in 2005 was characterised, on the one hand, by a renewed surge in trade exchanges with countries abroad, thus integrating Andalusia more deeply into world markets, and on the other hand, by another positive balance for investment capital inflows and outflows.

In **foreign trade**, imports and exports together hit a historic high of 31,797 million euros, outstripping the 2004 level by 15.7%, as a result of both growth in exports and, to a greater extent, imports.

Chart 30. **OPENNESS TO TRADE. ANDALUSIA**

This overall rise in trade exchanges was similar to the one registered the previous year, and was stronger than that registered in GDP (a nominal 8.6%), which meant an increase in the Andalusian economy's openness, the sum of exports and imports together with respect to GDP, which was 24.9% in 2005, the highest level for the last five years, and 1.6 percentage points above the previous year's figure.

Similarly the export share, the ratio of exports to export goods produced (farming and industrial) reached a historic high in 2005 of 69%, also 1.6 percentage points over its 2004 level.

In detail, Andalusian exports rose 7.3% in nominal terms, surpassing growth for Spain (4.5%) and reaching the historic high of 14,261 million euros. There was a still bigger surge in imports, which, within the context of a considerable rise in commodities prices, essentially oil, rose to 23.7% year-on-year, hitting the high of 17,536 million euros.

In consequence of the higher value of purchases with respect to sales the Andalusian trade balance proved negative at 3,274.7 million euros, which represents 2.6% of the Andalusian GDP, which was nonetheless lower than the relative weight which

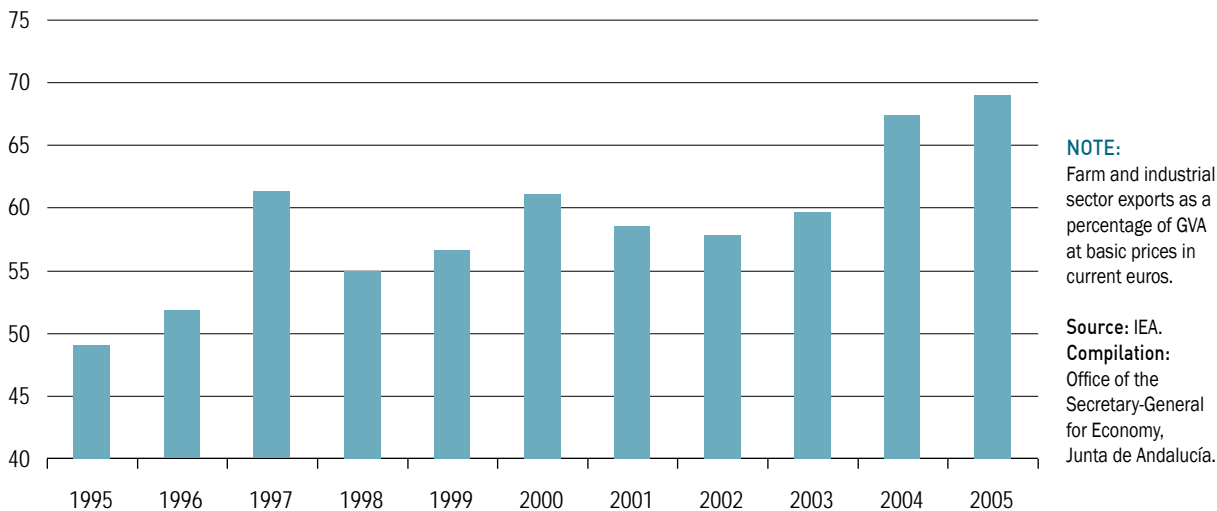
the trade deficit had in the Spanish economy as a whole (8.6% of GDP).

In real terms, which means taking into account price movements in imports and exports, the results showed a 13.9% rise in buying and one of 1.5% for sales, both of which were higher than for the national economy (6.4% and 0.2% respectively).

Breaking this down into the economic blocs with which Andalusia trades (the OECD, OPEC, newly industrialised countries and other countries), the largest rise in imports came from the OPEC countries, which were up by a nominal 47.4%, this largely conditioned by soaring oil prices.

In contrast to this, buying from the OECD countries, from where almost one half of total imports came (42.9%) having in the last three years leaped up, showed very moderate growth in 2005 at 2.5% year-on-year. This was essentially accounted for by buying trends from the European Union, where two thirds of imports from the bloc come from. These imports remained at practically the same level as the previous year (0.3%), due to the slip observed in imports from non euro area countries (-11%), while those from the euro area (82.3% of the total for the EU-25) rose 3.2%.

Chart 31. EXPORT SHARE. ANDALUSIA



On the export side the performance was uneven, with falls for those bound for OPEC and the newly industrialised countries and rises for those to the OECD and other countries. In more detail, sales of Andalusian goods to the OECD, representing 78.3% of the total, amounted to 11,161.6 million euros in 2005, 6.4% above their level the year before, even though there was a slight loss of price competitiveness for the Andalusian economy compared with that bloc, due to both euro strength against other currencies and the higher relative price growth in Andalusia.

Within the OECD, due to its magnitude it is useful to pick out sales to EU-25 countries, which provided the destination for almost two thirds of Andalusian exports. In 2005 these grew by a nominal 2%, with notable increases in those going to Lithuania, Hungary or Slovenia.

All in all Andalusia still registered a surplus position vis-à-vis the OECD in 2005, this standing at 3,644.5 million euros, 15.4% up, with the value of exports almost 50% higher than that of imports. The surplus with the EU-25 was also, for the sixth successive year, still over the 3 billion euro mark, specifically 3,258.9 million euros in 2005, 5% higher than in 2004 and representing 2.6% of Andalusian GDP.

Considering the classification of trade exchanges by tariff schedule sections and from the import standpoint, overall growth in 2005 buying was fundamentally due to the major rise noted in “mineral products” (42.4% year-on-year), which in absolute terms accounted for 71% of the total rise in Andalusia’s buying from abroad. Added to this there was also notable growth in “transport equipment” and “edible oils and fats”, while on the other hand there were falls in imports of “machinery and electrical equipment”, “base metals” and “optical instruments and photographic equipment”.

From the export point of view, the largest increases were for sales of “mineral products” (37.2% year-on-year), followed by “transport equipment” and “base metals”. While other significant captions such as “vegetable products”, “edible oils and fats” and “machinery and electrical equipment” showed falls.

With respect to the trade balance for the different tariff schedule sections, “vegetable products” was notable for its net surplus position (1,991 million euros), with an export figure almost four times that of imports. In second place came “edible oils and fats”, also with a sales volume four times higher

than purchases, followed by “transport equipment”, with an export/import rate of 176.6%. On the other hand, out of those sections showing deficits, “mineral products” stood out due to its high weight out of the total, at 5,947 million euros.

In terms of **foreign investments**, the figures from the Investment Register kept by the Ministry of Industry, Tourism and Trade make it clear that, as has consistently been the case since data have been available (1993), in 2005 Andalusia was a net recipient of capital, the opposite of what happened in Spain.

Foreign investments in the region were 62.1 million euros above those made by Andalusia abroad in 2005, unlike events nationally, where, as has happened since 1997, the balance was negative with outflows of capital exceeding inflows by 9,728 million euros.

Gross foreign investment in Andalusia was 270.9 million euros in 2005, which was 11.6% down on the previous year and this reduction was similar to that for foreign investments in the whole of the Spanish economy (-10.6%).

Despite this, Andalusia’s share in the total volume of foreign investment into Spain held at 2004 levels of 1.63% and it was the autonomous community which attracted the fourth largest amount of foreign capital, behind Madrid, Catalonia and the Canary Islands. Here one should add the qualification that these data do not reflect real investment levels into each autonomous community, as the so-called “headquarters effect” distorts the results in favour of Madrid, since foreign investors report the investment in the region where the headquarters of the enterprise is located rather than the region in which the actual operating facilities are located.

A breakdown of inward investment by sectors shows trends to be distinctly uneven, there being a major rise in investment in industry, which was almost eight times that for the previous year, while that in construction, services, and to a lesser extent the primary sector, dwindled.

Analysing the origin of investment, as with national trends the OECD’s contribution was 17% down on 2004, though it provided the region with over 70% of inward investment. Within this bloc, investment coming in from the EU-25 accounted for two thirds of the total amount in the region, yet while this dropped 18.8% it should be pointed out that there were substantial rises in those from the Netherlands, the United Kingdom and Germany, doubling their figure for the previous year.

Looking now at Andalusia’s gross investment abroad in 2005, this surged ahead to the figure of 208.8 million euros, six times 2004 levels, in contrast with the fall seen for Spain (-46.9%). Breaking this down by productive sector invested in, the strongest rises were in industry, essentially under the caption of “production and distribution of electrical energy, gas and water”, as well as construction and services, chiefly “real estate, rental and business service activities”. By geography, Brazil was a notable destination and, within the EU, Portugal and Luxembourg, with EU bound investment as a whole at 7.5 times the 2004 figure.

## Business sector structure

According to the Central Business Directory (DIRCE) produced by the INE, on 1 January 2005 Andalusia’s business sector comprised a total of 464,179 enterprises non-farming sectors, 22,556 up on the previous year and with growth of 5.1% year-on-year, which was one point more than for Spain (4.1%). This made Andalusia the autonomous community with the second largest business sector after Catalonia, accounting for 15.1% of the national total.

There was also a rise in enterprise density, measured as the ratio of enterprises to population, which stood at 59 enterprises for every thousand inhabitants, two more than in 2004.

Business sector growth was observed both for enterprises without pay-rolled staff (5%) and

#### Box 3. ECONOMIC INTEGRATION AND GROWTH OF THE ANDALUSIAN ECONOMY

Under its various guises (tariff preference zone, free trade zone, customs union, common market and economic union) economic integration brings with it the progressive removal of international economic frontiers, the disappearance of physical, technical and tax-related barriers, and coordination of economic policies to promote structural change and balanced social and economic development throughout the territory. One step further involves creating a monetary union whereby exchange rates are irreversibly fixed between member countries' currencies, a single currency being created.

The European Monetary Union (EMU) is the most advanced integration process yet carried out. Based on the 1958 Treaty of Rome, under which the European Economic Community of six countries was set up, it has passed through several stages and additions to its membership, including Spain's in 1986, before arriving at its current euro area composition of 12 member states within a wider European Union of 25 countries.

Among the medium and long term benefits cited in favour of economic integration are 1) a reduction in transaction and hedging costs 2) improved competition, investment and welfare, thanks to price stability 3) more open trade 4) improved capital and work productivity 5) the disappearance of currency speculation 6) an increase in the specific gravity of the integrated area within world financial markets and 7) market unity thanks to the single currency.

Looking at the performances of the key economic figures (GDP, employment and inflation) for Andalusia over the last twenty-five years, it can be seen that as it has committed itself more deeply to integration and opening up to outside markets, especially since Spain joined the EU in 1986, the pace of economic growth and job creation in Andalusia has picked up at the same time as inflation has fallen back.

To give more details, since 1981, when Andalusia's autonomy began, and up to 2005, GDP grew at an annual accumulated rate of 3.3%, and this rises to 3.7% if 1986 is taken as the base year, picking up to 4.1% a year from the start of the second phase of the EMU in 1994 and, in the last seven years, marked by the coming in of the euro and the end of the EMU in 1999, it reached 4.2% a year. These growth rates are above those registered in Spain and the EU for the periods

#### ECONOMIC GROWTH, EMPLOYMENT AND INFLATION IN ANDALUCIA. 1981-2005

	Economic growth	Employment growth	Inflation	
			Average annual rate	EU difference <sup>(*)</sup>
1981-2005	3.3	2.4	12.5	5.7
1986-2005	3.6	3.4	6.5	2.6
1994-2005	4.1	4.5	3.7	1.4
1999-2005	4.2	5.5	3.3	1.3

#### NOTES:

Cumulative average annual rate (%), unless otherwise stated.

(\*) Differences in percentage points. From 2004 figures for the EU-25.

Source: IEA, INE and Eurostat.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.



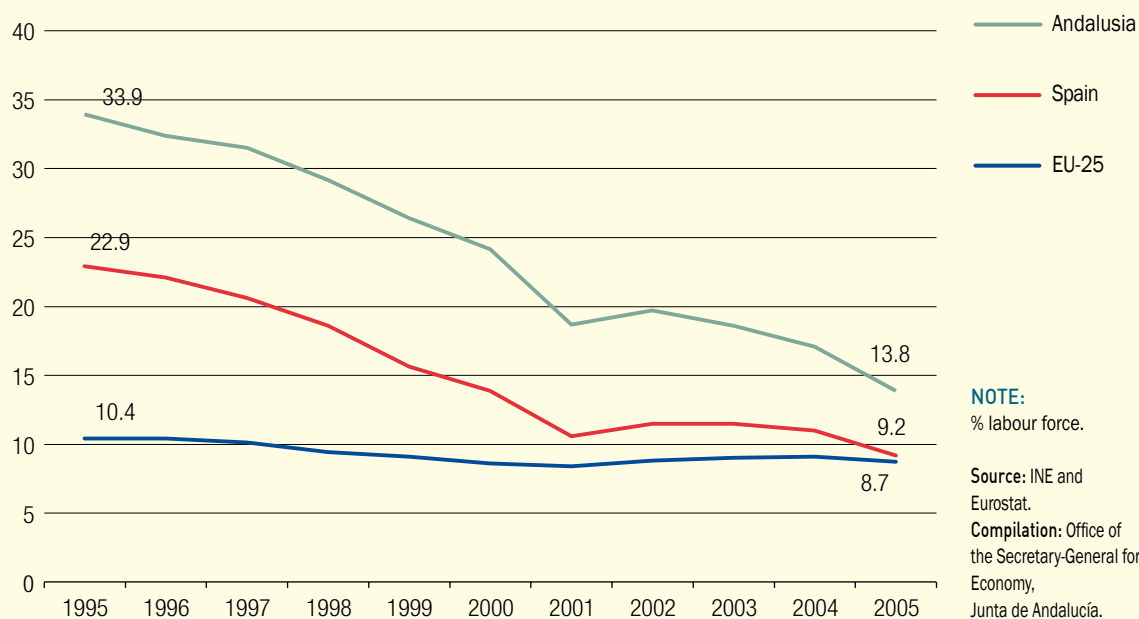
under review, particularly for the last phase (1999-2005), where Andalusia's growth was half a point above the Spanish average and 2 points over that of the EU. These results were helped along by the notable rise in exports to the EU, which have risen by 2.5 times since 1994, in a tariff barrier-free market.

This economic vitality fed through into the labour market, where the pace of job creation has quickened progressively over the years studied, moving from an annual average of 2.4% between 1981 and 2005 to one of 5.5% in the last seven years. This pace was 5 times that seen in the EU as a whole and outstripped Spain (4.5%) by one point. There was also a gradual trimming of the unemployment rate in Andalusia, which in 2005 sank to its lowest level in the last twenty-five years, with the differences against the national and EU unemployment rates at the lowest levels recorded.

All of this took place within a nominal context of an increasingly concerted effort to curb inflation, which led to average annual CPI growth passing from 12.5% between 1981 and 2005 to a rate of 3.3% between 1999 and 2005, with the unfavourable gap in the inflation rate against the EU being pared by more than 4 percentage points over the period.

Thus, for an open economy such as Andalusia's joining the EMU has meant an increasingly large boost to economic growth and convergence with the more advanced economies around it, with its GDP per capita currently topping 75% of the European average (75.7% in 2004, according to the latest data from the INE).

#### UNEMPLOYMENT RATE. ANDALUSIA-SPAIN-EU. 1995-2005



### 3. OVERVIEW OF THE ANDALUSIAN ECONOMY

to a slightly greater extent for those with them (5.2%), with particularly appreciable rises in those of a larger relative size. Enterprises with 50 to 200 workers increased by 11.7% on 2004 and those with 200 to 500 did so by 11.2%, both rates virtually doubling those registered for such enterprises nationally.

In terms of the preferred legal form adopted, business sector growth was mainly based on enterprises being incorporated (9.7%), essentially as private limited companies (11.6%).

By sectors, all productive ones showed increases in enterprise numbers, particularly construction, with growth of 9.5% in keeping with trends in the sector, followed further behind by services (4.9%) and industry (1.1%).

The DIRCE does not provide information for the Autonomous Community itself on enterprises registering, dropping out of or staying on in the business sector, which means that it is not possible to study inflows and outflows from it in Andalusia. Some insight into these figures can be gained from the Statistics on Commercial Companies compiled by the INE, but there is the drawback that these statistics do not cover proprietorships,

which account for almost two thirds (61.5%) of the Andalusian business sector.

Taking into account public and private limited companies as well as both general and limited partnerships, in Andalusia a total of 22,125 commercial companies were set up in 2005 and 1,537 were dissolved, meaning a net gain of 21,588 companies (those set-up minus those dissolved), which was 5.1% up on the previous year. This growth rate was higher than that registered for GDP in real terms (3.6%) and meant that the business sector gained in relative weight in the Andalusian economy with the region having a 16.8% share of all the commercial companies created nationally in net terms, which was higher than the Andalusian economy's share of Spain's GDP (14.1%).

The percentage of companies which were dissolved against those set up, the ratio which can be used as a measure of "business mortality", further reveals that, as has been observed uninterruptedly since 1997, in Andalusia there has been a lower relative propensity to dissolve than in Spain among enterprises. In Andalusia in 2005 6.6% of the companies set up were dissolved, which is below the rate registered for

Table 11. **ECONOMIC GROWTH AND EMPLOYMENT. ANDALUSIA**

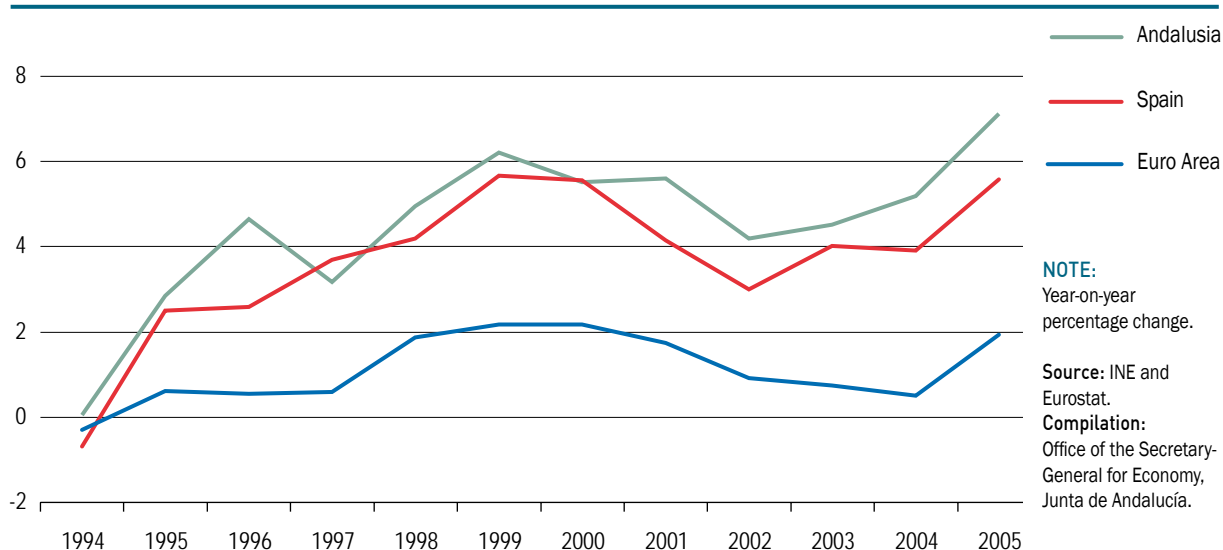
	GDP at market prices				EMPLOYMENT			
	YEAR 2005		Growth on previous year (%) <sup>(*)</sup>		YEAR 2005		Growth on previous year (%)	
	€ million	Weight (%)	2004	2005	Thousands	Weight (%)	2004	2005
Primary Sector	6,313.59	5.5	-4.1	-4.9	271.2	9.2	-0.6	4.0
Industry	14,351.63	12.5	2.3	2.7	328.5	11.1	-1.1	10.1
Construction	15,366.20	13.4	7.3	6.3	435.4	14.7	11.3	6.0
Services	78,422.61	68.5	4.0	4.0	1,924.6	65.0	5.8	7.3
<b>GVA at basic prices</b>	114,454.03	100.0	3.6	3.6	—	—	—	—
Net taxes on production	13,377.17	—	3.1	3.7	—	—	—	—
<b>TOTAL</b>	127,831.20	—	3.5	3.6	2,959.6	100.0	5.2	7.1

**NOTE:**

(\*) Chained volume indexes, base year 2000.

Source: IEA; INE.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

Chart 32. **EMPLOYMENT**

the previous year and the national average (7.3% in both cases).

Such a study of the business sector's inflows and outflows can be supplemented with more detailed information at regional level offered by the "Statistics on Commercial Companies in Andalusia", compiled by the IEA on the basis of data from the Official Mercantile Register Gazette (BORME).

According to this, virtually all commercial companies set up in Andalusia in 2005 (98.8%) took on the form of private limited company. Likewise most companies changing their legal form (88%) changed from public limited company to private limited company.

By economic sector, most companies setting up did so in services (56.2%), above all in "commerce" and "real estate and rental activities". Nonetheless in terms of trends with respect to 2004, the biggest increases were noted in industry and energy (10% year-on-year), construction (10%) and corporate services (8.3%).

In terms of number of founding partners and only considering those who are natural persons,

practically two thirds of companies set up (66.1%) had just a single founder, with this especially prevalent under the legal form of private limited company (63.2% of the total are sole proprietorships). The larger enterprises, of 6 or more partners, were those which showed a higher growth rate in 2005 (24.1% year-on-year).

Looking at the gender of founders, 80.2% were males and 19.8% females, percentages which vary by sector, with the highest proportion of female founders in service-related activities, such as banking and insurance and corporate services.

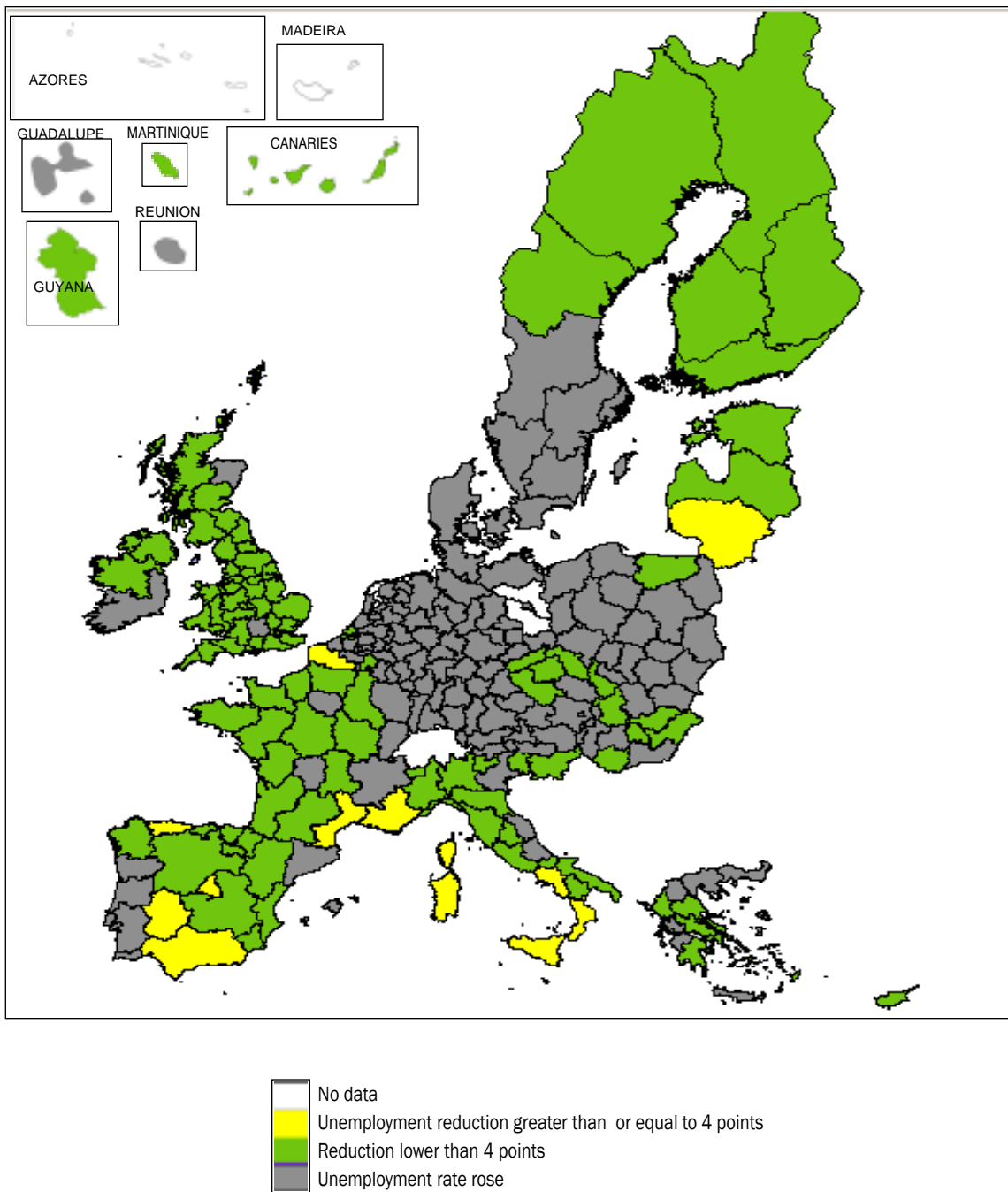
## Labour market

In 2005 the Andalusian labour market showed substantial employment growth and a considerable drop in jobless numbers, both of these being more marked than for Spain and Europe as a whole.

According to the LFS, employment in Andalusia was up 7.1% in 2005, the sharpest rise on record, almost two points firmer than the figure the previous year (5.2%), above average growth in Spain (5.6%) and, above all, the EU-25 (1.6%).

### 3. OVERVIEW OF THE ANDALUSIAN ECONOMY

Chart 33. **REDUCTION IN THE UNEMPLOYMENT RATE IN THE EU-25 REGIONS. 2000-2004 PERIOD**



**NOTE:**

Difference in percentage points. No data is available for Brandenburg-Nordost, Brandenburg Südwest, Azores, Madeira or Åland.

Source: Eurostat.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

In absolute terms, in 2005 the highest ever employment figure, of 2,959,600 people, was achieved in Andalusia, which was 196,500 more than the previous year and accounted for almost one fifth of job creation nationally (19.6%) and 6.3% in the EU-25. These percentages go beyond Andalusian employment's relative weight within the Spanish and European economies (15.6% and 1.5%, respectively).

Among the most salient features of job creation in Andalusia was, on the one hand, its relative strength in non farming sectors, this chiefly occurring in industry (10.1%) and services (7.3%), among females (10.3%), among the under 25s (8.3%) and among wage-earning staff with open-ended contracts (7.8%), and on the other hand, the fact that it focused exclusively on the private sector (9%) and among more highly qualified workers, in other words with secondary and/or university education (16.7% year-on-year), which represent 78.7% of employment in 2005, 6.5 points more than it did the previous year.

Likewise the number of workers officially registered as employed with the Social Security reached a high of 2,939,183 at year-end, 5% ahead of 2004.

Contributing to this favourable trend was the surge observed among foreigners registering, which, on 31 December 2005 amounted to 181,859 workers in Andalusia, representing 6.2% of those registered in the region (9.3% in Spain). In relative terms foreign registrations rose 61.1% in the year, 4 points over the national increase (57.1%), there being 68,960 more foreigners recorded as registered than in the previous year, accounting for almost half of the total rise in registrations in Andalusia.

Breaking this down by gender, as with Spain as a whole, male registered foreigners were in the majority at 62.6% in Andalusia, a percentage slightly higher than that recorded for the nation as a whole (59.9%), the remaining 37.4% being females. With respect to 2004 growth was similar,

both for males and for females (60.9% and 61.4% year-on-year, respectively), while nationwide there was a noticeable bias in growth in favour of females.

Together with these results for the labour force, the rate of members of the labour force joining the labour market was 3.1%, practically the same as the year before and similar to the national average (3.5%), with the participation rate hitting a historic high of 54.3%, 0.7 points above the figure for 2004 and drawing close to average levels for Spain.

Meanwhile, the economically inactive population comprising those aged 16 or more who are not actively engaged in the labour market for various reasons (those doing the house-work, students, those who have retired or done so early etc.) rose 0.4% in 2005 within a context of a slight drop nationwide (-0.6%). In terms of categories of not being in official employ, as with Spain, three accounted for 80% of the non-working population; those working about the house (35.1%), a group which is gradually losing ground in terms of weight, those have retired or taken early retirement (26.1%) and students (16.4%).

Of the economically inactive population total, 5.9% (171,700 people) were considered by the LFS to be potential members of the labour force. These are those people without work and available for it but do not seek employment for certain reasons (they are disheartened, they do not believe that there will be any in the neighbourhood, they do not know where to look for it, etc...). adding these potential employees to the labour force, Andalusia would have moved from having a participation rate of 54.3% in 2005 to a potential participation rate of 57%, virtually the same as the participation rate for the Spanish economy.

The relatively sharper growth of employment with respect to the labour force led to a substantial reduction in jobless numbers in Andalusia, which, according to the LFS, was -16.3% year-on-year, tripling the figure for 2004 (-5.2%) and above the average fall in Spain (-13.6%). In absolute terms

### 3. OVERVIEW OF THE ANDALUSIAN ECONOMY

this was 92,800 jobless people less than in the previous year, which means that almost one third (30.8%) of Spain's total fall in unemployment was focused in Andalusia.

This downward path for unemployment was particularly steep for those out of work who have been looking for it for between 6 and 11 months (-37%), between 1 and 2 years (-23.2%) and for 2 or more years (-17%).

The sharp drop in unemployment in Andalusia in 2005 left the unemployment rate standing at 13.8%, 3.2 points lower than for the previous year and at a low for the last twenty-six years. The fall was heavier than in Spain (-1.8 points) and narrowed the unfavourable gap with the Spanish unemployment rate, which revealed a historic low of 4.7 percentage points in 2005.

With respect to recruitment trends, according to the INEM, in 2005 3,977,523 employment contracts were offered in Andalusia, which was 0.7% more than for the year before, this figure representing 23.2% of total contracts recorded nationally and ahead of the relative weight of employment in Andalusia with respect to that in Spain as a whole (around 16%). Particularly buoyant were open-

ended contracts, which rose an annualised 10.8%, 2.1 points more than the figure for Spain.

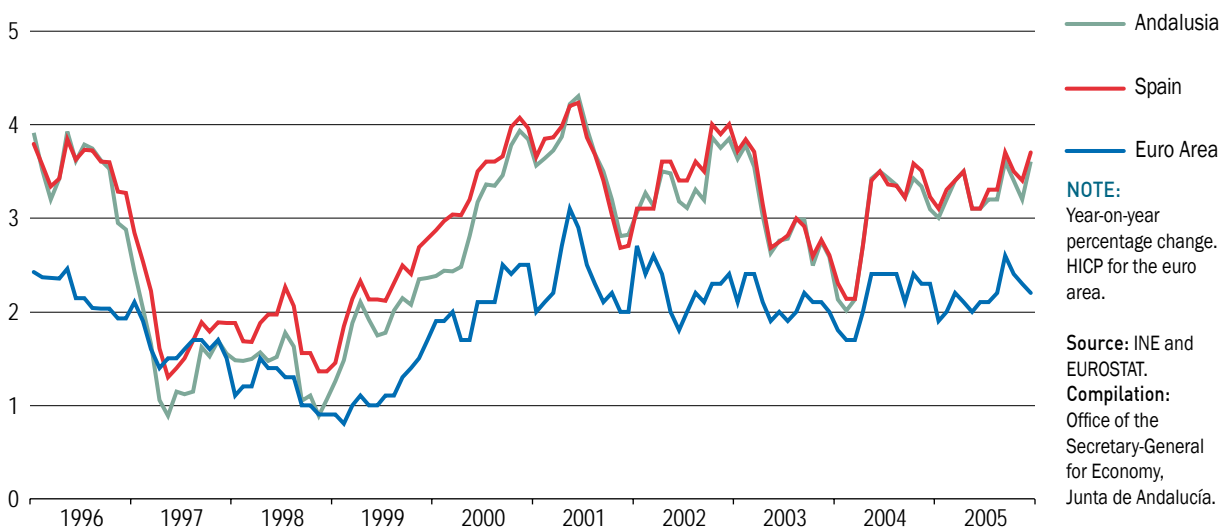
All these developments in the Andalusian labour market took place within a context of a low incidence of labour disputes, the number of working days lost to strikes having shrunk back almost completely (-97.8% year-on-year), doing so even more sharply than happened on a nationwide basis (-83%).

Lastly, with respect to the number of hours worked, the statistics indicate that Andalusian workers did more than the national average, there being in both cases a reduction on 2004. Thus, according to the Labour Situation Survey conducted by the Ministry of Labour and Social Affairs, the number of hours actually worked per worker in Andalusia was 1,651.2 hours in 2005, 12.6 hours more than the average in Spain but 11.2 hours less than in 2004.

### Prices, labour costs and income

Over 2005 **prices** indicators in Andalusia mirrored the inflationary pressures generally observed among the industrialised economies as a whole

Chart 34. **CONSUMER PRICE INDEX**



and which were strongly linked to soaring oil prices on world markets.

On the supply side, the Gross Domestic Product deflator, which measures price performance for the goods and services an economy produces, rose 4.8% in 2005, its quickest rate on record (since 1995) and four tenths of a point above the pace registered for the Spanish economy.

In the breakdown by productive sectors, construction stood out for the sixth successive year as rising the most sharply (9.3%), followed by industry and services, with the primary sector, as in 2004 showing the least inflation.

In comparing producer price trends with those experienced by GDP, it is noticeable that for the second year in a row the deflator rise in Andalusia was ahead of real growth in the economy, so that for every point output rose in real terms, prices did so by 1.3 percentage points, as happened for the national economy.

From the standpoint of demand-side prices, the Consumer Price Index (CPI) closed 2005 showing an annualised rise of 3.6%, one tenth of a point lower than the Spanish average (3.7%) and half a point higher than the previous year's figure, in an upturn of the same size as was reported nationally.

As was the case for the whole of the Spanish economy and the industrialised countries, this upward trend for prices in Andalusia was strongly driven by movements in the oil price on world markets, the Brent barrel ending the year at an average of 56.5 dollars in December, 42.3% up on the comparable figure for the same month the previous year.

This circumstance was reflected by the fuel CPI for Andalusia, which closed the year with an annualised rise of 12.8%, 4.7 points higher than in 2004. Likewise the "personal transport" heading, which includes spending on fuel was the one which contributed the most to overall CPI growth in 2005

(0.9 percentage points), accounting for almost one quarter of the inflation rate in Andalusia.

Along with the rise in energy prices, there was also an uptick in non-processed food prices, which jumped 4.1% year-on-year, doubling 2004's figure.

If, however, underlying inflation is considered, that is to say leaving out all the more volatile components (non-processed foods and energy products), 2005 growth was 2.8%, one tenth of a point below the preceding year's figure and the Spanish average, and eight tenths of a point underneath the overall CPI rise.

Regarding **labour costs**, the INE's Quarterly Labour Cost Survey showed the pace of growth easing up in 2005 in Andalusia, doing so relatively more sharply than was the case for the nation as a whole.

The labour cost per worker per month in non-farming sectors was 1,907.6 euros in Andalusia (90.4% of the Spanish average), with growth of 1.7% with respect to the previous year, 1.2 points lower than it was nationwide (2.9%).

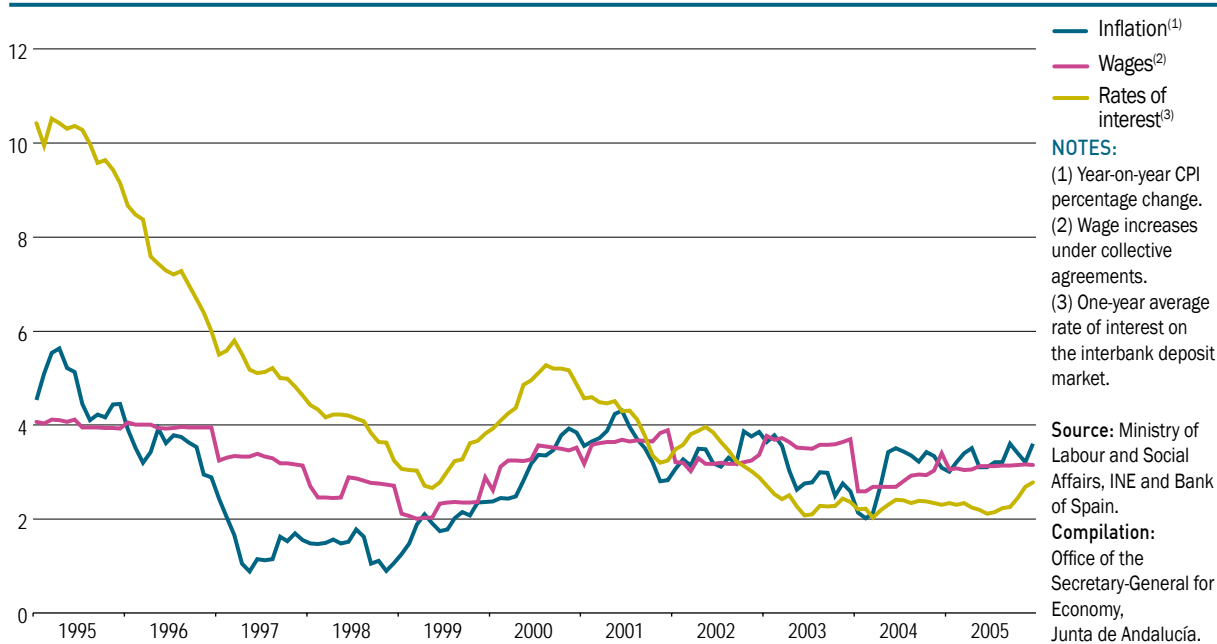
By productive sectors, industry (1.3%) and services (1.4%) were the ones which saw the smallest increases, these being under half that for the Spanish economy as a whole (3.1% in both cases), with construction standing out with the largest rise (3%), slightly higher than the national average (2.8%).

Breaking costs down into their components, wage costs, which represent nearly three quarters of the total, registered an increase of 1.5% year-on-year, 1.1 points under the national average.

On the other hand, non-wage costs, which include Social Security contributions and other non-wage items such as payments for temporary disability, unemployment benefit, etc, rose an annualised 2% (3.6% in Spain).

In addition to these data, the Ministry of Labour and Social Affairs gave a figure of 4.26% for the

Chart 35. **INFLATION, WAGES AND RATES OF INTEREST. ANDALUSIA**



pay rises negotiated in collective agreements in Andalusia in 2005, incorporating the impact of the safeguard clauses agreed the previous year. This is slightly more than for the previous year (3.97%) and over the national average (4.02%).

This pay-rise was likewise higher than the increase in prices, prompting a 0.66 percentage point rise in the purchasing power of wages in Andalusia, double the national increase (0.32).

Information published by the Andalusian Statistics Institute (IEA) in the Annual Regional Accounts (base 2000) for Andalusia gives an indication of how **income** is distributed in the Andalusian productive process.

According to the latest figures, which relate to 2003, the distribution was very similar to that observed nationally, with 43.1% of Andalusia’s GDP accounted for by employee (48.5% for Spain), 41.2% by gross operating surplus and mixed income together (41.4% nationally) and the remaining 10.7% by net taxes on production and imports (10.1% for the Spanish economy).

### Banking system

Developments within the Andalusian banking system are shaped by European Central Bank monetary and financial policy, whose overriding objective is price stability. In pursuing this goal the ECB relies on controlling the supply of money in the hands of those living in the euro area using the M3 definition, as well as analysing the economic and financial situation.

In terms of M3, 2005 saw liquidity growth picking up in the euro area, rising 7.3%, which is seven tenths of a point more than in 2004 (6.6%), and outpacing the 4.5% benchmark growth rate adopted under ECB monetary policy.

This took place in an environment of restrained economic growth and inflationary pressures stemming from soaring oil prices on world markets which provided a heightened threat to price stability. The ECB therefore opted in favour of a quarter-point base rate hike in early December after this had remained stable at a historic low for two and a half years. The interest rate for



mainstream refinancing operations thus stood at 2.25% in December.

Spanish financial markets were influenced by this, especially as regards operations at the short end. The average one-year rate in 2005 on the interbank deposit market was slightly higher than in the previous year at 2.34%, against 2.28% in 2004. However, at the long end on the government bond market the ten-year yield at the close of 2005 was 3.37%, down on December 2004's level of 3.64%.

The Spanish banking system in general and that in Andalusia in particular thus operated at a higher rate of interest in 2005. The weighted average lending rate nationwide ended the year at 3.93%, against 3.87% the year before, leaving the real rate of interest at 0.2%. On the other hand, the weighted average deposit rate closed 2005 at 1.26%, implying negative yields in real terms.

Given this situation, lending in the Spanish banking system rose by a nominal 26.8% in 2005, almost ten points more than in 2004. In Andalusia growth was 29.6%, the highest on record (since 1984).

As has been mentioned, deposits offered a negative real yield, yet they increased by 26.1% in Spain, almost double the rise the year before (13.5%). However, in Andalusia growth shrank back considerably to 3.5%, compared to 17.9% in 2004.

The financial savings rate, calculated as the ratio of bank deposits to loans and which shows Andalusia's funding requirement using savings from outside, sank to a historic low of 54.2% in 2005, due to the lower relative increase in deposits compared to loans. This implies a fall of 13.6 points on the year before, while for Spain, where the financial savings rate also reveals that deposits obtained by the banking system are insufficient to satisfy the demand for credit, the financial savings rate shrank back by four tenths of a point to 81.5%.

These results came about within a context of an increase in the relative size of the Andalusian banking system. The total number of branches operated by commercial banks, savings banks and credit cooperatives in the Andalusian banking network at 31 December 2005 was 6,222. This represented an increase of 253 branches with respect to the previous year (4.2%) and reached a historic high. On a national scale the number of branches increased to a lesser extent (3.4%) meaning that almost one quarter of the rise in branches in Spain took place in Andalusia. The weight of the Andalusian banking network within the Spanish system therefore rose to 15%, two tenths of a point up on the year before.

Following on from previous years, the largest increase in branches by type of institution occurred for the savings banks, with 146 more than in 2004. These were followed by commercial banks, with 82 more than the year before, while credit cooperatives were up by 25 branches.

By the end of 2005 savings banks had 54.3% of the branches in Andalusia, commercial banks 28.6% and credit cooperatives the remaining 17.1%. The fact that the savings banks had the lion's share within the Andalusian banking system can also be seen from the figures for lending to the private sector, where they accounted for 48.1% of the total in 2005 after increasing by 31.8%.

Breaking down the savings banks according to their origin, the strongest growth in lending to the private sector was among those from outside the region, this rising by 52.9% in 2005, whereas lending by Andalusia-based savings banks rose by 22.1%. It was however the latter which accounted for the biggest volume of private lending in the region, with 30.5% of the total, while those from outside Andalusia handled 17.6%.

As was the case with lending, the highest market share for private deposits fell to the savings banks, with 56.8% of the total in Andalusia, even though they lost out in relative weight with respect to the previous year, mostly to the credit cooperatives,

which were the banking institutions which attracted most new funds in 2005, with an 8.5% increase, followed by the commercial banks (3.6%).

## Knowledge society

The proliferation of information and communication technologies is a widespread phenomenon in today's society. Encapsulated under headings such as "the knowledge society", "the information society", or "the new economy" it is also apparent in the Andalusian economy, and the indicators available for monitoring it in 2005 show a difference in the robustness of its activity levels with respect to the national economy.

According to the DIRCE, on 1 January 2005, there were a total of 9,792 enterprises on record as belonging to advanced technology sectors, representing 11% of the total for Spain. This means a 9.4% increase in Andalusia on the year before, almost four points over the national average. It is also very significant that the "aeronautical and space construction" sector showed the strongest growth in 2005, rising by 25% and almost doubling the national level (12.4%).

A notable feature of these advanced technology sectors is their close commercial ties abroad. In 2005 almost one quarter of Andalusia's trade exchanges (23.8%) originated in this sector, a percentage substantially higher than the weight accorded to high-technology enterprises within Andalusia's whole business structure (2.1%).

Especially striking was their strong leaning towards exports, as sales abroad by Andalusian companies in these sectors were 13.2 times those made by enterprises on average. Exports by advanced technology sectors furthermore grew by 8.6% in 2005, above the average for Andalusian exports (7.3%).

The trade balance in these sectors thus continued to show a surplus in 2005, at 378.8 million euros or 0.3% of GDP.

The Information and Communication Technology (ICT) sector became increasingly established within the Andalusian economy in 2005. The increase in enterprises within this sector over the year was 14.2%, compared to 9.1% nationally, representing 10% of total enterprises of this nature located in Spain. The "telecommunications" sector was notably buoyant, growing by 21.8% in 2005, far above the level of 14.9% seen nationwide.

As with advanced technology, the ICT sector has strong trade links abroad, which is confirmed if it is taken into account that average exchanges undertaken by ICT enterprises almost doubled the average for Andalusian enterprises as a whole.

The use of these information and communication technologies and the infrastructure upon which they rely is becoming increasingly commonplace in today's society, becoming a prerequisite for enhancing competitiveness among enterprises, helping to modernise the civil service and featuring more and more in terms of household equipment.

The INE Survey on the use of Information and Communication Technologies (ICT) and e-commerce in companies published in 2005 confirms that the use of ICT is very common among Andalusian enterprises, as 96% of them have a computer, over three quarters have e-mail, and over half have a local area network installed. 85.5% of Andalusian companies have an internet connection, of which most (83.5%) use broad-band, which represents a big step forward with respect to 2002, the first year for which this information was available when these only amounted to slightly over one half.

The Survey on household ICT usage and equipment conducted by the INE reveals the increasing use of ICTs in Andalusian households, and that while practically all households have the more basic equipment such as telephones and televisions, it is becoming more commonplace for homes to use advanced technology. 11.5% of Andalusian households with televisions had cable, which implies a rise of 22.2% on the preceding year, 12.7% had a satellite dish, which was 25% up

on 2004, and the number of homes with digital terrestrial television increased by 2.3 times with respect to the year before, bigger rises being noted in Andalusia in all cases than nationally. There was likewise major progress regarding computer equipment in homes, with 19.3% more with an internet connection than in 2004 (16.1% for Spain), and in terms of e-commerce, the number of people who had used this almost doubling in 2005 with respect to the previous year, while on a national scale the increase was 71.6%.

The i@andalus Barometer produced by the Institute for Advanced Social Studies of Andalusia (IESA) also confirms the progress made by Andalusian households in equipping themselves with technology, and it can be said that this is not only happening in the large cities but also among smaller population clusters.

## Economic forecasts

The buoyancy displayed by the Andalusian economy in 2005 followed on into the first few months of 2006. According to the IEA's Quarterly Accounts for Andalusia, real GDP growth was an annualised 3.6% in the first quarter, one tenth of a point higher than for Spain (3.5%) and 1.6 points above the euro area average (2%).

On the basis of this performance for the first few months and the outlook for the world economy according to the major international organisations, the Regional Ministry of Economy

and Finance predicts that in 2006 the Andalusian economy will keep up its high and sustained growth rate of recent years and show real GDP growth of 3.5%, once again outpacing Spain and the euro area.

The Regional Ministry of Economy and Finance forecasts that the Spanish economy will grow 3.3% in 2006, with Andalusia thus presenting a difference in its favour of 0.2 points with respect to the national average.

The difference will be even higher against the euro area, for which the European Commission in its recent spring report forecasts real GDP growth of 2.1%, Andalusia being 1.4 points over this.

For the thirteenth year in a row Andalusia will continue to ride the economic growth cycle as it has done without let-up since 1994 and this is allowing it to progress along the path of real convergence with the economies around it.

From the supply standpoint, the Andalusian economy's growth will be more even in 2006, being sustained by the positive contribution of all the productive sectors. The primary sector is expected to bounce back from the falls of the previous two years and make a positive contribution to GDP growth. Together with this, among the non-farming sectors and in the context of a predicted pick-up for the world economy, services are forecast to keep up a similar growth rate to 2004, while construction is expected to see something of a slowdown after the surges in earlier years.

Table 12. **ECONOMIC ESTIMATES AND FORECASTS. ANDALUSIA**

	2004	2005	2006 (f)
GDP at market prices <sup>(*)</sup>			
€ million	117,749	127,831	136,652
% nominal growth	8.3	8.6	6.9
% real growth	3.5	3.6	3.5
Employment			
LFS employment (thousands of people)	2,763.1	2,959.6	3,065.0

**NOTES:**

(\*) 2004-2005, advance figures.  
(f) Forecast.

Source: INE, IEA and Office of the Secretary-General for Economy, Junta de Andalucía.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

On the demand side, domestic components will continue to show a pattern of growth, though this will be at slacker rates than in 2005. Export growth too is expected to rise, against a backdrop of an expansion in world trade and the greater activity in the major benchmark economies which international forecasts indicate.

These supply and demand trends will be mirrored by the labour market, where job creation is forecast to continue apace.

In terms of the Labour Market Survey, employment in Andalusia is forecast to rise by 3.6% in 2006, which in absolute terms means there will be roughly 105,000 more people in work, with the figure for those in employment topping the three million mark for the year as a whole for the first time.

#### Business outlook

The greater dynamism forecast for Andalusia in 2006 compared to its benchmark economies is also suggested by the survey conducted by Eurochambres, the Association of European Chambers of Commerce and Industry on the business expectations of entrepreneurs.

This survey is qualitative and comes out once a year. It features the opinions of businessmen from 23 member states of the EU-25 (all of them except Belgium and the Czech Republic) and from Bulgaria, Croatia, Romania and Turkey. The figures are split out regionally, based on the NUTS 1 classification, except for Spain, Poland and Sweden, where the NUTS 2 level is used, which, in Spain's case coincides with the autonomous communities. For Croatia, Cyprus, Denmark, Estonia, Greece, Ireland, Lithuania, Latvia, Malta, Portugal, Slovakia, Romania and Turkey the figures are aggregated nationally. All in all results are obtained for 119 regions, of which 110 belong to the EU-25.

For 2006 the survey shows that Andalusian businessmen are more optimistic regarding their turnover expectations than last time around, these being slightly higher than average expectations for the Spanish economy as a whole and much more favourable than those on a Europe-wide level.

64% of Andalusian businessmen surveyed considered that their total sales will rise in 2006, while in Spain as a whole 61% say this and 47% in the EU. On the other hand only 3% of businessmen expected sales to drop off, less than half the figure for Spain (7%) and far below the European average (14%).

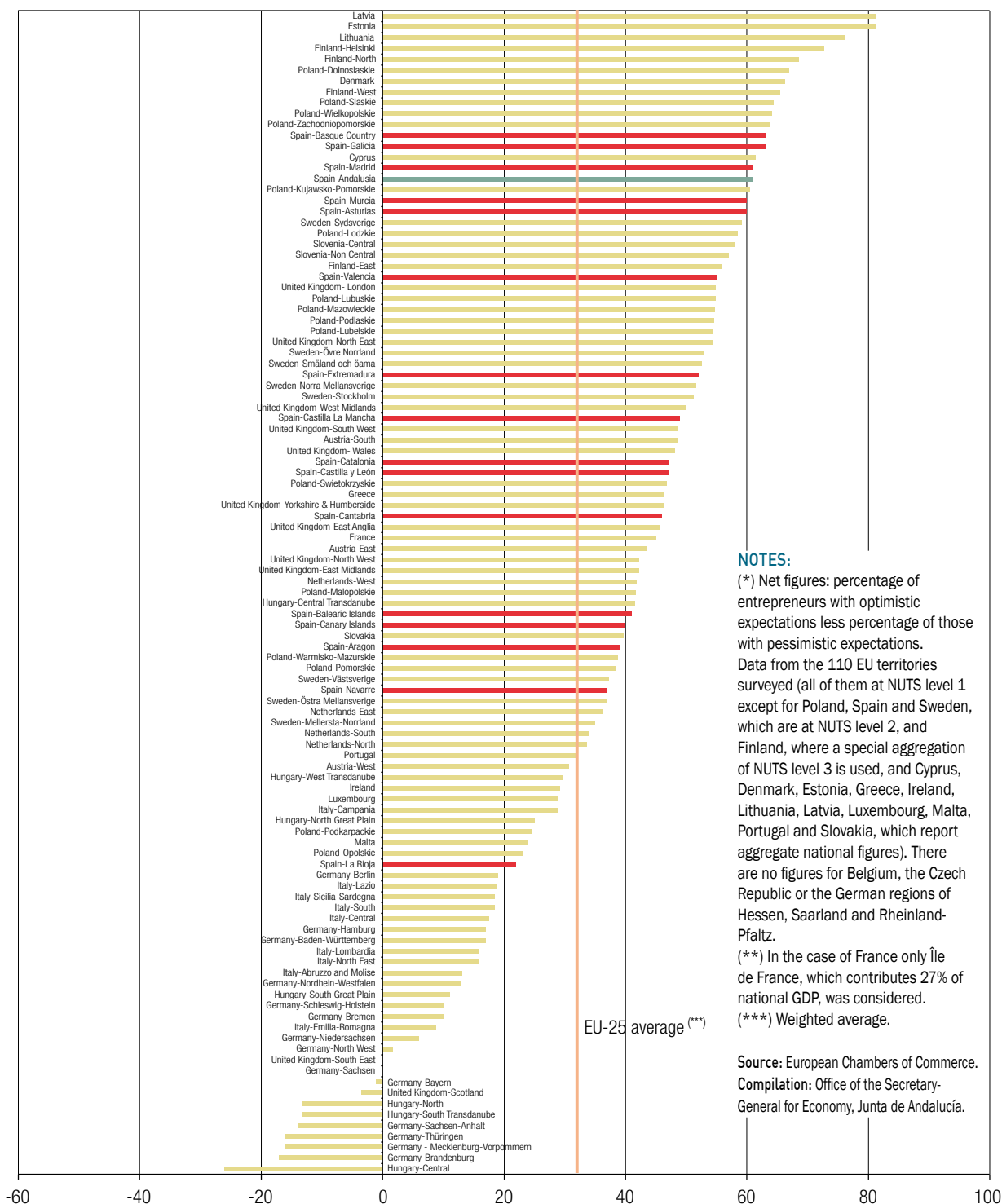
On balance the difference between those forecasting that sales would rise and those expecting them to slip back was thus 61% in Andalusia. After Galicia and the Basque country, this was the Spanish region with the most favourable expectations about future trends, bettering the results the year before and those for the Spanish economy (54% in both cases) and 28 points above the balance expected in the EU (33%). It is worth noting that of the 110 EU regions targeted by the survey, Andalusia came 16th among the most optimistic turnover expectations for 2006.

This outlook is based, on the one hand, on expected favourable trends for domestic sales, with 52% of respondents on balance expecting rises (49% in Spain), and on the other hand, on expectations of a pick-up in exports, these being significantly more optimistic than for Spain nationally.

Breaking the results down into sectors, and from information available only for Spain and its autonomous communities, the best trends are for services, where 62% of Andalusian entrepreneurs envisage a rise in total sales volumes in 2006.

The survey also features another set of indicators, such as concern investment or job creation,

Chart 36. EU-25 TURNOVER FORECASTS (\*). YEAR 2006



**NOTES:**  
 (\*) Net figures: percentage of entrepreneurs with optimistic expectations less percentage of those with pessimistic expectations. Data from the 110 EU territories surveyed (all of them at NUTS level 1 except for Poland, Spain and Sweden, which are at NUTS level 2, and Finland, where a special aggregation of NUTS level 3 is used, and Cyprus, Denmark, Estonia, Greece, Ireland, Lithuania, Latvia, Luxembourg, Malta, Portugal and Slovakia, which report aggregate national figures). There are no figures for Belgium, the Czech Republic or the German regions of Hessen, Saarland and Rheinland-Pfalz.  
 (\*\*) In the case of France only Île de France, which contributes 27% of national GDP, was considered.  
 (\*\*\*) Weighted average.

Source: European Chambers of Commerce.  
 Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

which show the expectations of Andalusian businessmen to be more positive than their European counterparts for these aspects too.

Specifically, as regards investment, 49% foresee this rising, especially in services, with positive and negative responses emerging at 39% on balance, 8 points higher than the Spanish

average (31%), and far above the result for the EU (11%).

With respect to employment, entrepreneurs expect job creation to keep up a brisk pace and that this will be spread across all the productive sectors, with 40% pointing to taking on more staff in 2006.

4.

## Population





# Population

## Andalusia's population in 2005

According to the Municipal Population Census published by the INE (the Spanish National Statistics Institute), Andalusia's resident population on 1 January 2005 was 7,849,799, accounting for 17.8% of the national total, 2.5% of the euro area and 1.7% of the current 25 member European Union (EU-25).

Since last year the Andalusian population has climbed by 162,281 people, this being the Spanish autonomous community with the second highest population increase in absolute terms after Catalonia.

In relative terms, Andalusia's population growth rate was an annualised 2.1%, equalling the Spanish average, one point above the preceding year's figure and four times higher than in the euro area and the EU-25 (0.6% and 0.5%, respectively).

As has been observed in recent years and in line with national trends, Andalusia's population rise in 2005 can largely be explained by a growing foreign population, which, on 1 January 2005 was 420,207 people, which was 98,637 more than the previous year and represented a 30.7% increase, this being higher than the national average (22.9%). This means that the foreign population in Andalusia accounted for 60.8% of the overall

Table 13. **RESIDENT POPULATION OF ANDALUSIA. BREAKDOWN BY PROVINCE. YEAR 2005**

	Population	% of total population	CHANGE ON 2004	
			Absolute	Relative (%)
Almeria	612,315	7.8	32,238	5.6
Cadiz	1,180,817	15.0	16,443	1.4
Cordova	784,376	10.0	4,506	0.6
Granada	860,898	11.0	19,211	2.3
Huelva	483,792	6.2	7,085	1.5
Jaen	660,284	8.4	5,826	0.9
Malaga	1,453,409	18.5	55,484	4.0
Seville	1,813,908	23.1	21,488	1.2
<b>ANDALUSIA</b>	<b>7,849,799</b>	<b>100.0</b>	<b>162,281</b>	<b>2.1</b>

Source: INE.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

population rise in Andalusia for the year, its relative weight standing at 5.4%, 1.2 percentage points higher than in 2004.

Bigger still was the relative increase of the foreign population in Spain, where over three quarters of the overall population increase in 2005 (76.4% to be exact) were foreigners. Nationally the foreign population on 1 January 2005 reached 3,730,610, which was 696,284 more than in 2004, representing 8.5% of the total population.

### Population structure by gender and age

A breakdown by gender shows that growth was higher among males (2.4%) than females (1.9%) among the Andalusian population in 2005, as occurred nationally. The female population was however slightly larger than the male one, representing a little over half of the total Andalusian population (50.4% in 2005), a very similar percentage to that observed for the Spanish economy as a whole (50.6%).

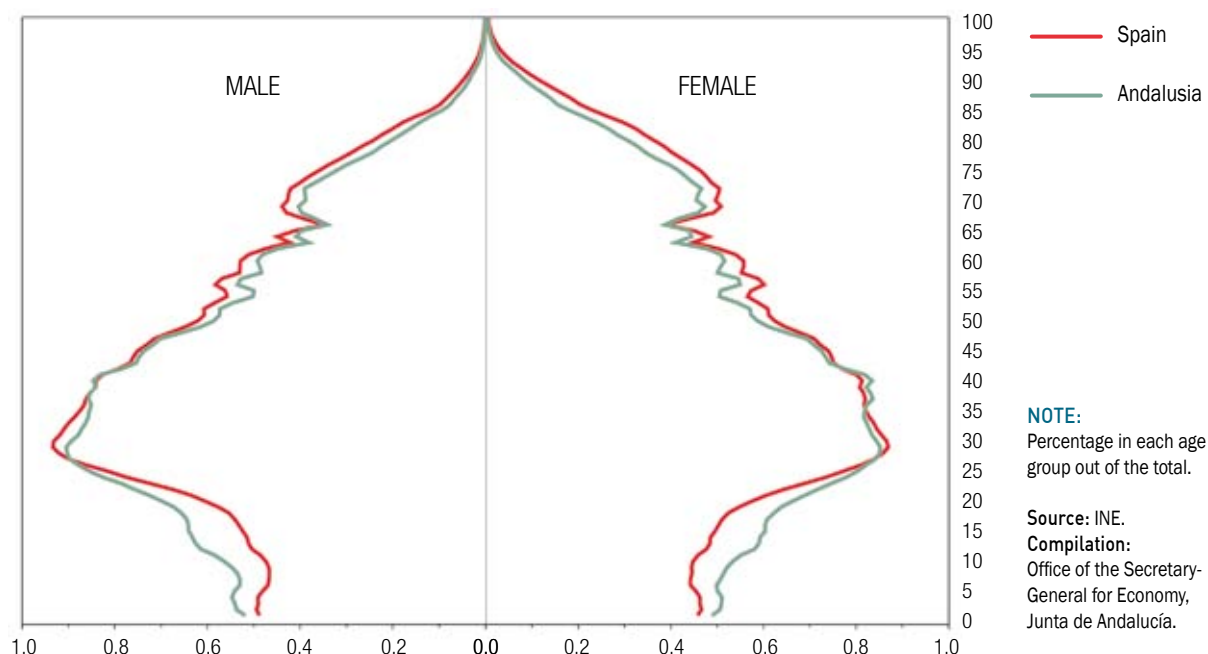
By age groups the highest population growth rates were at the older end, specifically in the 60 to 64 year-old range (6.6% year-on-year) and in the 80 to 84 bracket (an annualised 5.9%), which were a long way above the region's average population increase and continued the trend of a gradually ageing population.

Meanwhile, at the other end of the scale among the younger age-groups, it can be seen that, as with events nationally, there were drops in population on the year previous, with the 10 to 14 year-old group notably falling by an annualised 1.1%.

It is important, however, to point out that in 2005, for the fourth year running and in keeping with trends nationally, the population group under four years old grew, doing so by 4.4% in Andalusia (6.1% for the entire nation), this coming as a result of the upturn in fertility levels of recent years.

The fertility situation index, which in the late 1990s saw the falling trend of preceding decades

Chart 37. **POPULATION PYRAMIDS. ANDALUSIA-SPAIN. YEAR 2005**



bottom out and rebound, actually worked out at 1.47 children per mother in 2005 in Andalusia, its highest level since 1994 and higher than nationally (1.34), although this was below average indexes in the European Union and the euro area (1.5 and 1.48 children per mother respectively in 2004, according to the latest data available).

On balance, however, the Andalusian population continued to be relatively younger than nationally and in the euro area, with the under 15 band having a weight of 16.4% of the total in 2005, compared to 14.2% in Spain and 15.8% in the euro area in 2004, the last year for which this data is available.

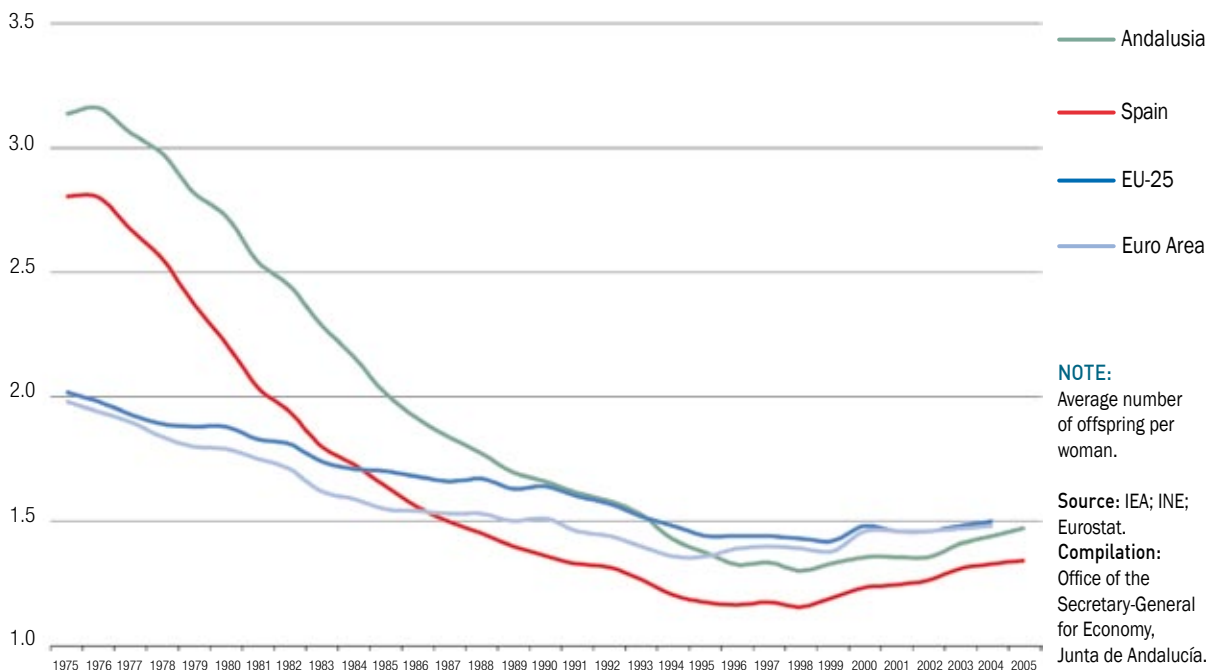
On the other hand, the oldest population band, which embraces the over 65s, had a lower relative weight in Andalusia than it did nationally or in Europe, representing 14.6% of the total, against 17.2% in the euro area and 16.5% in the EU-25 (these two figures being from 2004) and 16.6% in Spain.

Taking the two age bands of the under 15s and the over 64s, which respectively form the base and the apex of the population pyramid and dividing these by the population between 15 and 64, we obtain what is known as the dependency ratio, which to a certain extent measures the percentage of the economically inactive population which has to be supported by the potentially active population.

The dependency ratio showed 44.8% for Andalusia in 2005, similar to that for the Spanish economy as a whole (44.6%) and substantially lower than in the euro area and the EU-25, where the dependency ratio for 2004 was around 49% due to the higher relative weight of the oldest population band in both of these blocs compared to Andalusia.

The dependency ratio is an indicator which has traced a steady decline since the mid seventies and this was particularly pronounced in Andalusia. Between 1975 and 2005 the dependency ratio fell in Andalusia by 23 percentage points, moving from around 68% in 1975, which was eight points above

Chart 38. **FERTILITY RATE SITUATION**



## 4. POPULATION

Table 14. **POPULATION BREAKDOWN BY AGE GROUP. YEAR 2005**

	Andalusia	Spain	Euro Area (**)	EU-25 (**)
< 15 years old	16.4	14.2	15.8	16.4
15-64 years old	69.1	69.2	66.9	67.2
65+ years old	14.6	16.6	17.3	16.5
Demographic dependency ratio (*)	44.8	44.6	49.4	48.9

### NOTES:

As a percentage of total population.

(\*) Population under 15 or over 65 as a percentage of population aged 15-64.

(\*\*) last available information from 2004.

Source: Eurostat and INE.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

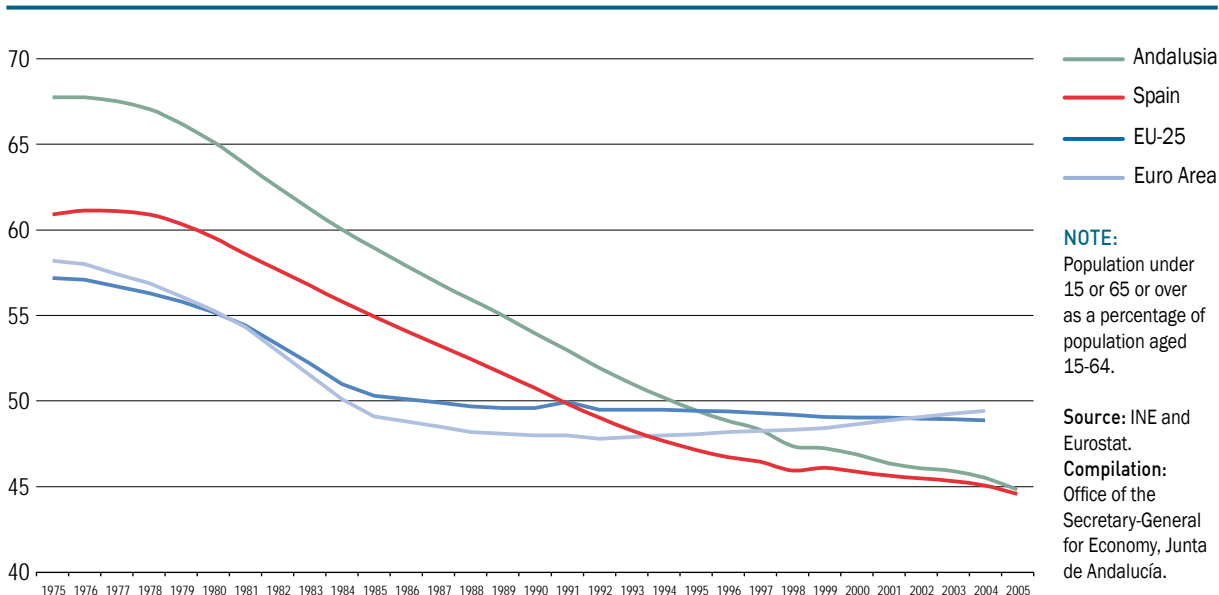
the national average and ten points higher than for the euro area, to 44.8% which it currently shows, even lower than in Europe. This drop was heavier than for Spain, where the ratio lost 16.3 percentage points, thus practically wiping out the difference between both.

These trends for the dependency ratio were mainly prompted by the loss of share among the total population by the under 15 band (-14.6 percentage points since 1975) and the gain in share by those between 15 and 64 years old (9.4

points), while the population over 64 also lifted its share of the total population (5.2 percentage points), though to a lesser extent.

The downward pattern for the dependency ratio was also observed in the European sphere, though this was relatively less sharp. Thus for the EU-25 the dependency ratio shrank back by 8.3 percentage points between 1975 and 2004, the fall in the euro area being 8.8 points and slowing down noticeably in the more recent years, when it even recorded a slight rise.

Chart 39. **DEMOGRAPHIC DEPENDENCY RATE**



## Geographical distribution

All the provinces in Andalusia experienced population growth in 2005, although there were notable differences in its relative strength. The biggest growth was noted in Almeria and Malaga, with rates of 5.6% and 4% respectively, far over the regional average (2.1%), Granada also surpassing this, with growth of 2.3%.

At the other end of the scale, Cordova and Jaen grew the least, with respective rates of 0.6% and 0.9%, followed by Seville (1.2%), Cadiz (1.4%) and Huelva (1.5%), all of these being under the rise for the Autonomous Community.

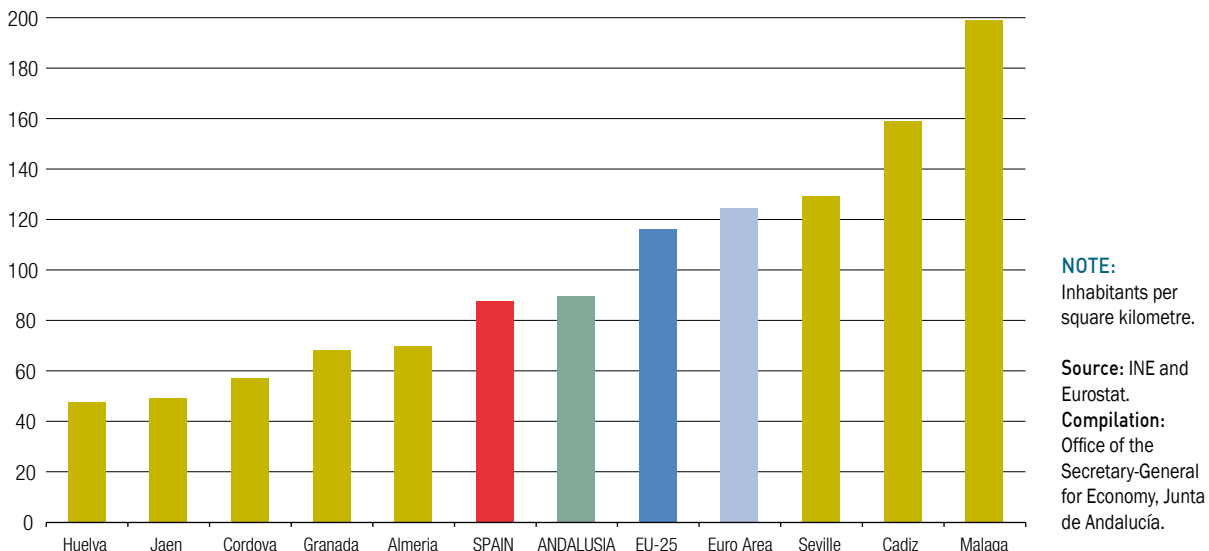
It was however Seville which was still the province with the largest population at almost one quarter of the regional total (23.1%), followed by Malaga, where 18.5% of the Andalusian population live, and Cadiz, with 15%. These three provinces together held over half (56.6%) of the Andalusian population in 2005. Meanwhile on the other hand Huelva was still the province with the lowest number of inhabitants with 6.2% of the regional total.

Comparing these population data with land area reveals that the average population density in Andalusia was 90 inhabitants per square kilometre in 2005, higher than nationally (87 inhabitants per square kilometre), though this was notably underneath the EU-25 figure (116 inhabitants per square kilometre) and particularly the euro area, where population density was 124 inhabitants per square kilometre.

By provinces there was a great disparity in population densities. Huelva and Jaen, had densities of 48 and 49 inhabitants per square kilometre respectively, which were almost half of the autonomic community average. This contrasts with Malaga, where the density doubled the regional average with 199 inhabitants per square kilometre, followed by Cadiz (159) and Seville (129), these three provinces rising above the average density in the euro area (124).

On the other hand, splitting out the population living in municipalities which are provincial capitals from the other municipalities, there was a lower relative propensity on the part of the population to concentrate in capitals in Andalusia than was the case on average in Spain.

Chart 40. **POPULATION DENSITY. YEAR 2005**



## 4. POPULATION

In 2005 less than one third of the Andalusian population (30.5%) lived in the eight provincial capitals, a lower percentage than the national average (33.2%) and which moreover represented a mild fall on the previous year (31%) due to its lower relative growth. The population residing in capitals thus grew 0.6% on 2004, while the population living in other municipalities rose 2.8%, in line with trends in Spain, where these growth rates were 1.3% and 2.5%, respectively.

The pattern was very uneven in the various Andalusian provinces. On the one hand, appearing with drops in the population living in the capitals were Cadiz (-1.1%) and Granada (-0.5%), meaning that population growth experienced in them in 2005 was exclusively due to the increases occurring in municipalities outside the capital.

On the other hand, in the other provinces the population living in the capitals rose, though this was very moderately and in all cases lower than the increases recorded by the population in the rest of each province's municipalities. Only growth in Almeria and Malaga (the capital) exceeded average population increases in the capitals, with rates of 2.3% and 1.9% respectively.

Following these results it was still Cadiz which was the province with the lowest percentage of its population living in the capital, with 11.2% of the total, almost three times less than the average for the Autonomic Community. This contrasts with other provinces such as Seville, Malaga and Cordova, where the share of the population living in the capital stood at around 40%, which was not only higher than the Andalusian average, but also above the national average (33.2%).

### Population distribution by municipality size

According to the Municipal Population Census, there are 770 municipalities in Andalusia. Given the total official resident population in 2005, this means that on average there were 10,195 inhabitants in every municipality, which was virtually double the Spanish average municipality size of 5,439 inhabitants.

The fact that the Andalusian municipalities are larger can also be appreciated from the breakdown of municipalities by size. In 2005, out of the

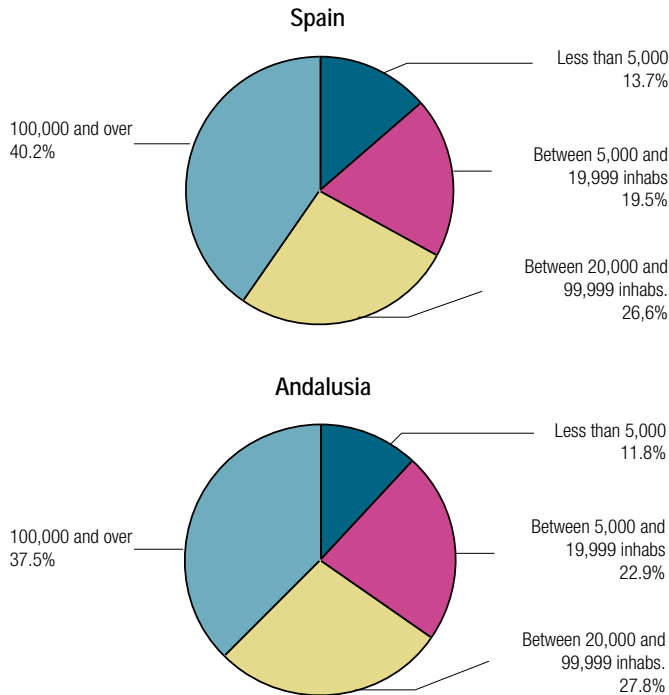
Table 15. **DISTRIBUTION OF POPULATION BY PROVINCES. ANDALUSIA. YEAR 2005**

	YEAR 2005					% Change on 2004		
	Population			% of total population		Provincial capital	Rest of province	Total
	Provincial capital	Rest of province	Total	Provincial capital	Rest of province			
Almeria	181,702	430,613	612,315	29.7	70.3	2.3	7.0	5.6
Cadiz	131,813	1,049,004	1,180,817	11.2	88.8	-1.1	1.7	1.4
Cordova	321,164	463,212	784,376	40.9	59.1	0.5	0.7	0.6
Granada	236,982	623,916	860,898	27.5	72.5	-0.5	3.4	2.3
Huelva	145,150	338,642	483,792	30.0	70.0	0.5	1.9	1.5
Jaen	116,540	543,744	660,284	17.6	82.4	0.5	1.0	0.9
Malaga	558,287	895,122	1,453,409	38.4	61.6	1.9	5.3	4.0
Seville	704,154	1,109,754	1,813,908	38.8	61.2	0.0	2.0	1.2
ANDALUSIA	2,395,792	5,454,007	7,849,799	30.5	69.5	0.6	2.8	2.1
SPAIN	14,645,673	29,462,857	44,108,530	33.2	66.8	1.3	2.5	2.1

Source: INE.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

Chart 41. **POPULATION BREAKDOWN BY MUNICIPALITY SIZE.. ANDALUSIA-SPAIN. YEAR 2005**



**NOTE:**  
As a percentage of total population.

**Source:** INE.  
**Compilation:** Office of the Secretary-General for Economy, Junta de Andalucía.

770 municipalities in Andalusia 70 of them had populations of over 20,000, namely 9.1% of the total, which more than doubles the percentage for Spain, where only 4.4% of municipalities had populations of this size.

Likewise noticeable was a greater relative presence of municipalities with a population of between 5,000 and 20,000 inhabitants, these representing 23.8% of the total in Andalusia and 10.9% nationally.

On the other hand, smaller municipalities were quantitatively less numerous in the region so that, while in Spain 84.8% of municipalities had a population of under 5,000 inhabitants, in Andalusia these accounted for 67.1% of the total. The difference is even starker if clusters of less than 2,000 inhabitants are considered, as, while in Spain 72.2% of municipalities fell into this size category, in Andalusia they only represented 40.3%.

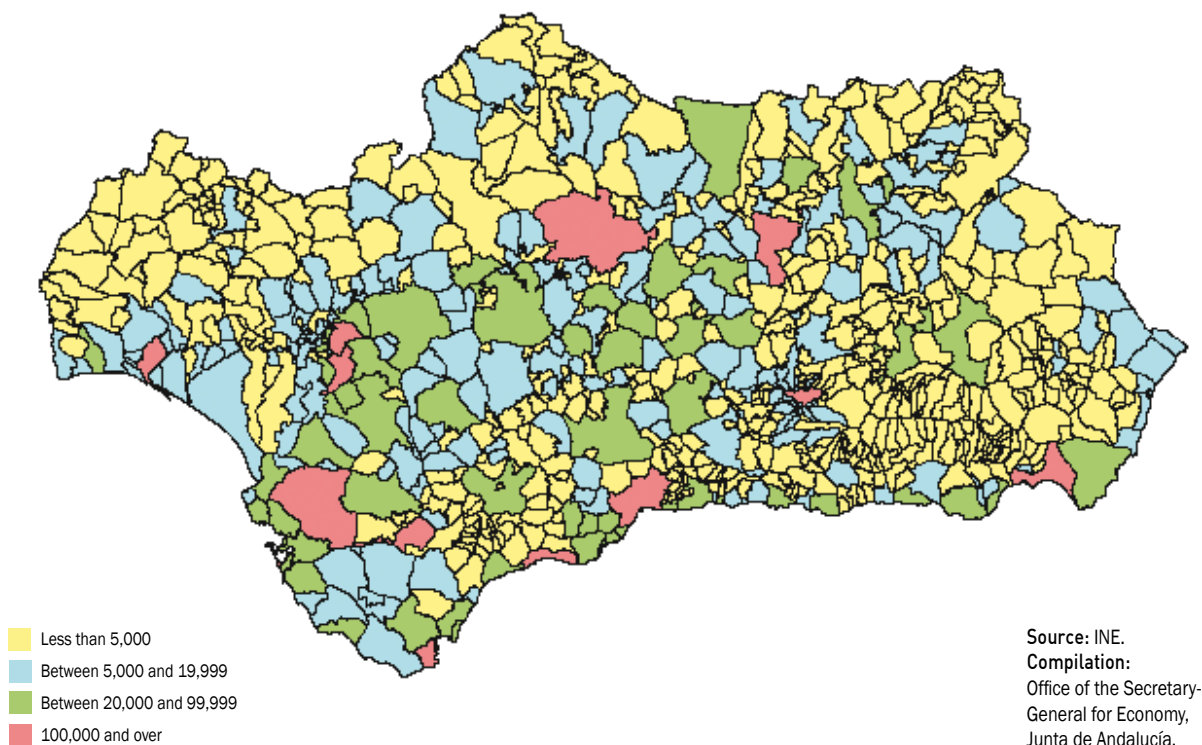
Analysis of the population of Andalusia by municipality size reveals a greater propensity among the Andalusian population, compared to Spain as a whole, to concentrate in so-called small cities or towns, which are municipalities of between 5,000 and 20,000 inhabitants.

According to the Municipal Population Census, 22.9% of the entire Andalusian population lived in such municipalities in 2005, in contrast to a percentage of 19.5% for Spain.

Meanwhile, 11.8% of the Andalusian population were living in rural municipalities of under 5,000 inhabitants (13.7% for Spain), the difference being even bigger for municipalities of less than 2,000 inhabitants, where 3.5% of the Andalusian population were living, compared with 6.6% nationally.

The relative slice of the population living in large cities (of over 100,000 inhabitants) was greater

Chart 42. **MAP OF ANDALUSIAN MUNICIPALITIES BY POPULATION SIZE BAND. YEAR 2005**



nationally, with 40.2% of the total population living in them, while in Andalusia this proportion was 37.5%.

Lastly, with respect to medium-sized cities (of between 20,000 and 100,000 inhabitants), Andalusia’s relative concentration compared to the figure seen nationally, at a bit more than one quarter of the total population.

### Population trends

Every year since 1998 the INE releases official population figures as at 1 January each year in the revisions it makes for the Municipal Population Census.

The availability of such data makes it possible to analyse trends experienced by the Andalusian population over the seven years which have

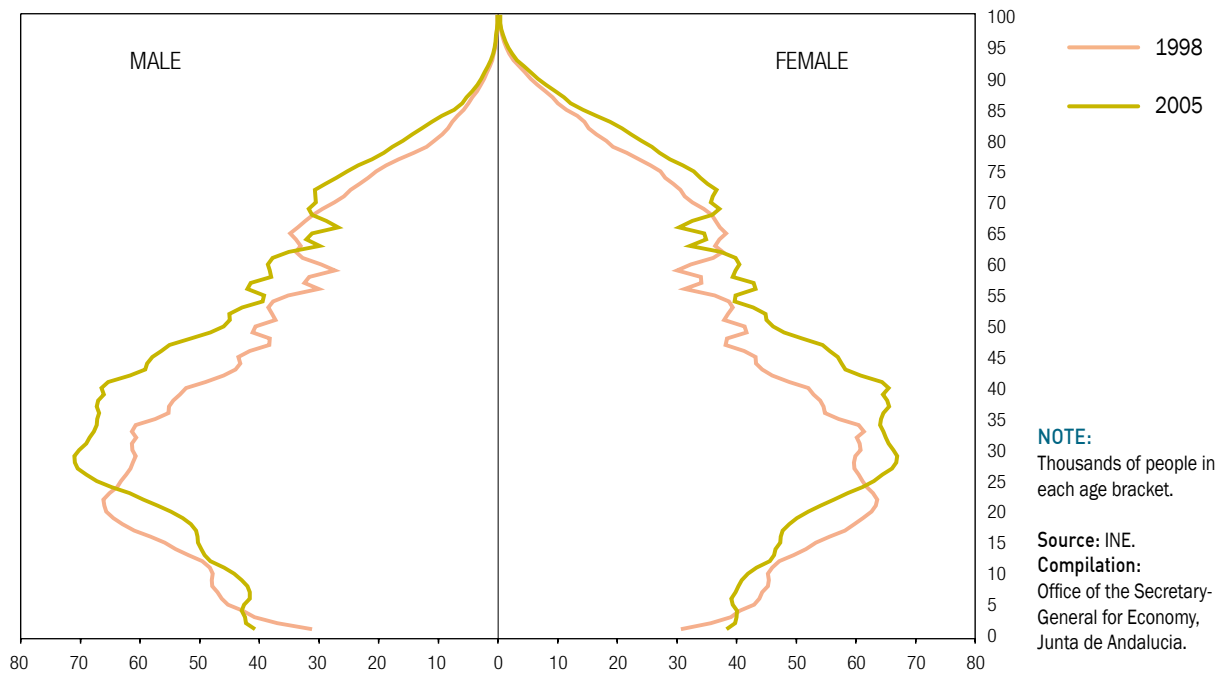
elapsed since 1998, as well as some of their most important aspects.

The first of the findings to draw attention to is that between 1998 and 2005 the population of Andalusia grew more slowly than the national average, unlike what previous analyses based on the population censuses in 1981, 1991 and 2001 had shown for the two preceding decades.

Specifically the population of Andalusia has grown 8.5% in cumulative terms in the last seven years, a little over two percentage points below the average increase in Spain (10.7%).

This higher relative population increase over Spain vis-à-vis the Andalusian situation was due to the greater growth nationally in recent years on the part of the foreign population, this aspect emerging as one of the most distinctive in population trends of recent years in Spain.



Chart 43. **ANDALUSIAN POPULATION PYRAMIDS. 1998 AND 2005**

## Foreign population

According to the Municipal Population Census, on 1 January 2005 the foreign population in Spain amounted to 3,730,610, which, in comparison with the 637,085 foreigners recorded in 1998, represents an almost six-fold rise in the foreign population in the seven-year period, or a far higher growth rate than that registered for the total population (10.7%).

Almost three quarters (72.7%) of the total absolute rise in the Spanish population between 1998 and 2005 (4,255,879 people) were foreigners, with the remaining 27.3% attributable to Spanish nationals.

Meanwhile in Andalusia, where a notable influx of foreigners was also recorded, growth among this element of the population was relatively more moderate, with a total of

420,207 foreigners residing in the autonomous community in 2005, which is four times higher than in 1998.

In absolute terms the rise in the foreign population in Andalusia in the last seven years amounted to 320,426 people, representing practically half (52.2%) of the overall increase in the Andalusian population, with the other half being Spanish nationals.

In the breakdown by provinces, the rise in the foreign population was across the board, at growth rates much higher than those recorded among Spanish nationals.

Malaga and Almeria had the highest increases in foreign population in absolute terms, as indeed they did in terms of overall population over the seven-year period (17.2% and 21.1%, respectively).

### Box 4. TRENDS AND DISTRIBUTION OF THE FOREIGN POPULATION IN ANDALUSIA'S MUNICIPALITIES

Within the sphere of migration studies Spain has traditionally been considered a country of emigrants. A change in the direction of migratory flows came about in the second half of the eighties, this becoming particularly acute since the nineties, above all in more recent years, with Spain turning into a host country for foreigners.

There are various sources of information available for studying the foreign population in Spain: The Yearbook of Immigration Statistics published by the Home Office, the latest available edition being for 2002, the Population Censuses conducted by the National Statistics Institute (INE), the last of which was for 2001, and the Municipal Population Censuses, which the INE has published annually since 1998. This last statistical survey offers the most up-to-date and in-depth information and makes it possible to analyse trends and distribution for the foreign population in Spain between 1998 and 2005, the period for which the latest information is available, even at municipal level.

According to the Municipal Population Census, on 1 January 2005 there were 420,207 foreigners living in Andalusia, or 11.3% of the total foreign population in Spain. Since 1998 this population has risen four-fold in the region, having grown by 320%, though this is lower than the growth recorded nationally (485.6%). This process has seen the foreign population raise its presence among the total Andalusian population in the period to the current level of 5.4%, which compares to the figure of 1.4% for it in 1998, even though this is three points below the relative share that this population has among the total population of Spain (8.5%).

On a provincial scale, almost two thirds of the foreign population living in Andalusia was concentrated in two provinces, Malaga and Almeria, with 43.2% in the former and 22.1% in the latter. These two provinces were the only ones which had a foreign population density which was higher than the regional average, these being 12.5% in Malaga and 15.2% in Almeria. However, in the comparison of relative weights which the foreign population had in these provinces in 1998, it is in Almeria where this has risen the most, with a current foreign population seven times larger than the one recorded in 1998, more than doubling the increase occurring in Malaga.

More specifically, in municipal terms and breaking the data down into geographical zones, it is striking how the foreign population was especially concentrated in municipalities on the Andalusian coastline or close to it. In 2005 most municipalities with a foreign population density above the regional average lay on the Mediterranean coastline, most particularly in the Costa del Sol area and the east coast of Almeria, where most of the municipalities had a foreign population density of over 10%, that is to say practically double the average in the autonomous community. Particularly noticeable is the case of municipalities such as Mojácar in the province of Almeria, which had a foreign population density of 53%, the foreign population thus being more numerous than Spanish nationals, as well as Bédar, also in Almeria, and Benahavis, in the province of Malaga, which had densities of close to 50%. On the other hand, on the Atlantic coast it is worth noting the municipality of Cartaya, on the Huelva coast, where the foreign population represented 10.4% of the total, practically double the regional level.

Unlike the situation on the coast and its vicinity, the region's foreign population had a much lower concentration inland. This is illustrated by the fact that in only two of Andalusia's municipalities inland was the foreign population over 10% of the total, these being Molina in the province of Malaga with 13.6% and Freila in Granada with 12.1%.

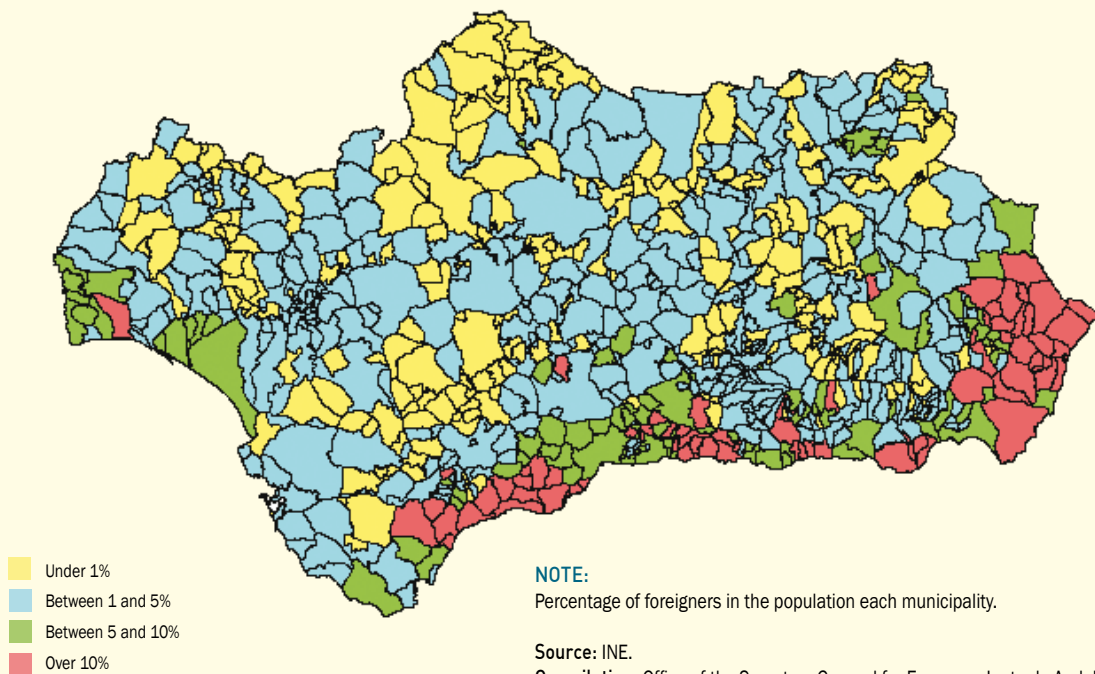
If the foreign population distribution is considered according to municipality size it is noticeable that the municipalities with a population of between 5,000 and 20,000 inhabitants were the ones which had the highest foreign population concentration in 2005. Almost half of the foreign population (42.8% of the total) lived in municipalities of this size, which is above the relative weight that the latter had among the overall population of Andalusia (27.8% of the Andalusian

population were living in them), the average density of the foreign population in these being 8.2%, which was three points above the regional average (5.4%).

In second place were the small municipalities with under 5,000 inhabitants, where the foreign population tends to congregate as well, with 30.1% of all foreigners in Andalusia living in them, though this was below the relative weight which these municipalities had as regards the total regional population (37.5%). Finally, the municipalities of between 20,000 and 100,000 inhabitants accounted for 18.7% of foreigners, the rest of these living in the larger cities of over 100,000 inhabitants (8.4%). In all of these cases the foreign population density was between 1 and 1.5 points below the regional average.

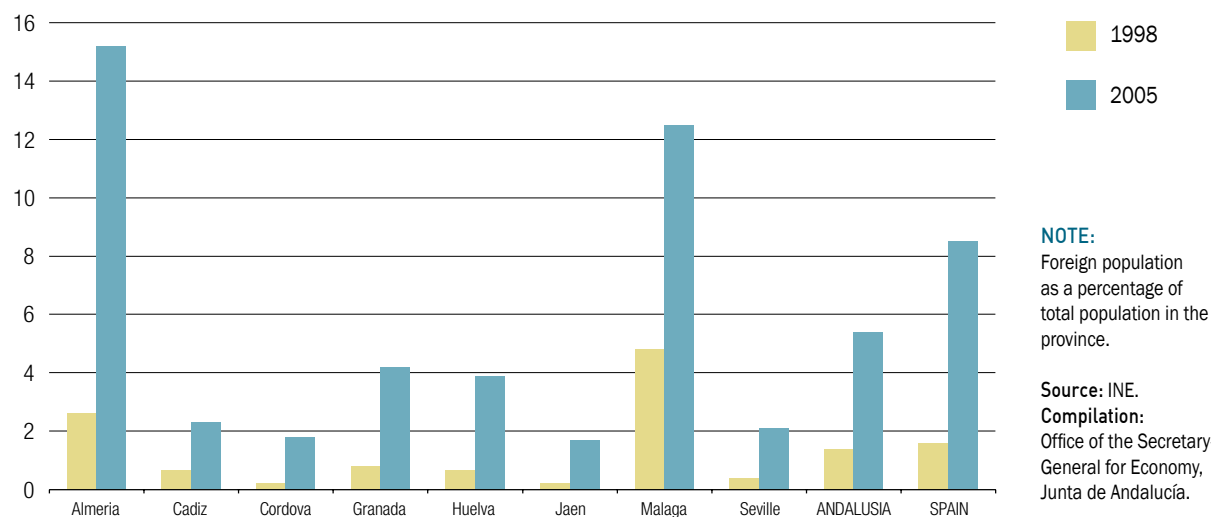
As for trends with respect to 1998 it can be seen that 85% of Andalusian municipalities have recorded rises in foreign population, in 654 of the 770 municipalities to be exact. By municipality size, the largest population growth among foreigners occurred in the smaller ones with under 5,000 inhabitants. In these the foreign population rose almost seven-fold in the period reviewed, there being currently close to one third of all foreigners living in Andalusia concentrated in them, almost double the figure in 1998 (16.5%). On the other hand, the municipalities with populations of between 5,000 and 20,000 inhabitants were those which experienced the least growth in foreign population, holding 42.8% of all foreigners living in the region in 2005, 16.3 points less than seven years previously.

#### DENSITY OF FOREIGN POPULATION IN THE MUNICIPALITIES OF ANDALUSIA. YEAR 2005



## 4. POPULATION

Chart 44. **FOREIGN POPULATION**



In Malaga there are in fact 121,975 more foreigners at present than were recorded in 1998, representing 38.1% of the total increase in the foreign population in the region. This has taken the relative share of the foreign population out of the provincial total in Malaga to 12.5% in 2005, almost eight percentage points more than seven years ago and far above

the average foreign population weight in Andalusia (5.4%).

The relative share of the population attributable to foreigners was even higher in Almería, where this has risen sevenfold since 1998.

In 2005 the foreign population in Almería amounted to 93,058, representing 15.2% of

Table 16. **RESIDENT POPULATION BY NATIONALITY. YEARS 1998-2005**

	YEAR 2005			Change on 1998					
	Spaniards	Foreigners	Total	Absolute			Relative (%)		
				Spaniards	Foreigners	Total	Spaniards	Foreigners	Total
Almeria	519,257	93,058	612,315	27,069	79,798	106,867	5.5	601.8	21.1
Cadiz	1,153,097	27,720	1,180,817	52,994	20,339	73,333	4.8	275.6	6.6
Cordova	770,520	13,856	784,376	5,010	12,191	17,201	0.7	732.2	2.2
Granada	824,580	36,318	860,898	29,879	29,842	59,721	3.8	460.8	7.5
Huelva	464,983	18,809	483,792	13,971	15,863	29,834	3.1	538.5	6.6
Jaen	648,896	11,388	660,284	4,530	9,962	14,492	0.7	698.6	2.2
Malaga	1,271,820	181,589	1,453,409	90,854	121,975	212,829	7.7	204.6	17.2
Seville	1,776,439	37,469	1,813,908	68,608	30,455	99,063	4.0	434.2	5.8
ANDALUSIA	7,429,592	420,207	7,849,799	292,914	320,426	613,340	4.1	321.1	8.5
SPAIN	40,377,920	3,730,610	44,108,530	1,162,354	3,093,525	4,255,879	3.0	485.6	10.7

Source: INE.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

the province's total population, compared with its share of 2.6% in 1998.

On the other hand, Cordova and Jaén were the provinces showing the lowest levels of foreign population, the latter having a weight of roughly 1.7% of total population.

Among the most significant features of the foreign population living in Andalusia were, on the one hand, its relative youth compared to Spanish nationals, and, on the other hand, the greater number of males relative to females.

In 2005 over half the foreigners living in Andalusia (54.1%) were males, against 45.9% for females. As regards age, 72.5% were under 45, whereas among the Spanish population this was 63.1%. The relative youth of the foreign population was due to the greater weight of the 25 to 44 year-old band, which represented 45.3% of all foreigners, compared to 32.6% among Spanish nationals.

By country of origin among foreigners, the most numerous group in Andalusia appears to have been the Moroccan population, which in 2005 accounted for 17.8% of the region's total

foreigners. This population, which has risen almost five-fold in the last seven years, was in the main concentrated in the provinces of Almería, with 37.2% of total Moroccans in Andalusia, and Malaga (25.7%).

This was followed in size by the population from the United Kingdom, which accounted for 15.2% of total foreigners living in Andalusia, these being mainly concentrated in the province of Malaga (68.8% of the total). Although this group continued to grow, having increased 2.6 times since 1998, it did so by less than the total foreign population in this period.

After these nationalities and somewhat further behind was the foreign population from the countries in South America and Eastern Europe. Among the former, Ecuador, Argentina and Colombia stood out, jointly representing 17.5% of total foreigners in Andalusia in 2005. In the last seven years the populations from these countries and living in Andalusia have grown spectacularly, doing so 200-fold in the case of Ecuador, which has leapt from accounting for 0.1% of all foreigners in Andalusia in 1998 to representing 6.5% today. Alongside this, the

Table 17. **CHARACTERISTICS OF THE POPULATION OF ANDALUSIA BY NATIONALITY, GENDER AND AGE. YEAR 2005**

	Spanish population		Foreign population		Total	
	Number	Percentage of total	Number	Percentage of total	Number	Percentage of total
<b>Gender:</b>						
Males	3,662,375	49.3	227,230	54.1	3,889,605	49.6
Females	3,767,217	50.7	192,977	45.9	3,960,194	50.4
<b>Age:</b>						
Under 15	1,228,049	16.5	55,793	13.3	1,283,842	16.4
15 to 24	1,034,948	13.9	58,336	13.9	1,093,284	13.9
25 to 44	2,423,719	32.6	190,514	45.3	2,614,233	33.3
45 to 64	1,632,517	22.0	80,567	19.2	1,713,084	21.8
Over 64	1,110,359	14.9	34,997	8.3	1,145,356	14.6
<b>TOTAL</b>	<b>7,429,592</b>	<b>100.0</b>	<b>420,207</b>	<b>100.0</b>	<b>7,849,799</b>	<b>100.0</b>

Source: INE.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

## 4. POPULATION

Table 18. **FOREIGN POPULATION IN ANDALUSIA BY COUNTRY OF ORIGIN**

	YEAR 2005		Change on 1998	
	Number	Percentage of total	Absolute	Relative (%)
Marocco	74,743	17.8	57,950	345.1
United Kingdom	64,066	15.2	39,856	164.6
Ecuador	27,395	6.5	27,256	19,608.6
Romania	26,126	6.2	25,987	18,695.7
Argentina	26,010	6.2	23,368	884.5
Colombia	20,188	4.8	19,542	3,025.1
Germany	17,687	4.2	7,926	81.2
Italy	10,803	2.6	8,153	307.7
France	9,667	2.3	5,040	108.9
Ukraine	8,812	2.1	8,786	33,792.3
Bolivia	7,613	1.8	7,526	8,650.6
Russia	6,959	1.7	6,646	2,123.3
China	6,395	1.5	5,154	415.3
Netherlands	6,170	1.5	3,096	100.7
Rest	107,573	25.6	74,140	221.8
<b>TOTAL</b>	<b>420,207</b>	<b>100.0</b>	<b>320,426</b>	<b>321.1</b>

Source: INE.  
 Compilation:  
 Office of the  
 Secretary-  
 General for  
 Economy,  
 Junta de  
 Andalucía.

Argentine foreign population has increased ten-fold in the seven-year period, while the rise in the Colombian population has been even more dramatic, being currently 30 times higher than in 1998.

In the last seven years there has also been a notable influx of people from the Eastern European countries. This is true for foreigners from Romania, the Ukraine and Russia, which together represent ten percent of the foreign population in the region. Breaking this figure down, the Romanian population rose almost

200-fold between 1998 and 2005, today accounting for 6.2% of all foreigners in Andalusia, compared with the figure of barely 0.1% which it represented in 1998. Still more significant was the rise in the foreign population from the Ukraine, which increased by almost 340 times, with the figure of a mere 26 people of this nationality recorded in Andalusia in 1998 and rising to 8,812 in 2005, representing 2.1% of all foreigners. In addition to this, the Russian population now living in Andalusia is 22 times bigger than that recorded in 1998, standing at 1.7% of total foreigners in the region in 2005.

5.

## Productive Sectors





## Primary sector

### Overview

Within a context of a drop-off in activity in 2005 in Spain and the euro area, the Andalusian primary sector showed negative output results for the second year in a row.

Gross value added at basic prices (GVA b.p.) for the sector was down in real terms by 4.9% with respect to 2004, similar to the fall in the euro area (-4.2%) and in an environment of a mild fall-back in farming and fishing activity in Spain (-0.7%).

In nominal terms the fall was more moderate (-2%), with GVA at 6,313.6 million euros in 2005, which represented almost one quarter of the value added generated by the sector in Spain (23.5%) and 5.5% of GVA for all of Andalusia's productive sectors, both of these percentages representing a mild reduction on the levels observed the year before.

The drop-off in output was accompanied by a fall in sales abroad of a similar size, with the export share, which is the percentage of exports out of sector GVA, at 42.7% in 2005, practically the same as in 2004 (43%).

In contrast to these negative results on the output side, the labour market saw an increase in employment of 4%, far above employment growth in the sector in Spain (1.2%) and bouncing back from the falls seen in the three years beforehand.

With respect to prices, the GVA deflator showed a more inflationary trend than the year before, rising by 3%, although this was the most modest increase in all the productive sectors and below the pay-rise set under the sector's collective bargaining agreements.

This study of the key results in 2005 can be supplemented by way of a more structural view of the sector based on the figures provided by the Annual Regional Accounts for Andalusia with base date the year 2000 (CRAA), compiled by the IEA and where the last available information by sector of activity is for 2003.

The first thing to point out is that these figures reflect the fact that the Andalusian primary sector has a value-added percentage per unit of output which is above average for Andalusian productive sectors as a whole. Specifically, in 2003 GVA b.p. generated by the farming and fishing industries represented 60.6% of the sector's output, while

## 5. PRODUCTIVE SECTOR

Table 19. **BASIC INDICATORS OF THE PRIMARY SECTOR. ANDALUSIA. YEAR 2005**

GVA at basic prices <sup>(*)</sup>	
Millions of current euros	6,313.6
Nominal growth in the year	-2.0%
Real growth in the year	-4.9%
Primary sector GVA/Total Andalusian GVA	5.5%
Primary sector GVA/Spanish primary sector GVA	23.5%
Primary sector GVA/Primary sector output <sup>(1)</sup>	60.6%
Primary sector GFCF/Andalusian primary sector GVA <sup>(1)</sup>	13.2%
GVA distribution <sup>(1)</sup>	
Employee compensation	36.9%
Gross operating surplus <sup>(2)</sup>	65.6%
Net taxes on production	-2.5%
Employment	
Thousand people	271.2
Annual growth	4.0%
Primary sector jobs/Total jobs in Andalusia	9.2%
Primary sector jobs/Primary sector jobs in Spain	27.1%
Productivity <sup>(1)(3)</sup>	
Andalusian productivity=100	67.3
Spain's primary sector productivity=100	102.3
GVA deflator <sup>(*)</sup>	
Annual growth	3.0
Wages	
Wage increases under collective agreements	4.12%
Foreign trade	
Exports	
€ million	2,693.2
Annual growth	-2.8%
Imports	
€ million	860.4
Annual growth	19.6%
Trade balance	
€ million	1,832.8
EXPORT SHARE <sup>(4)</sup>	42.7%

### NOTES:

(\*) Advance figures.

(1) Data from 2003.

(2) Includes mixed income.

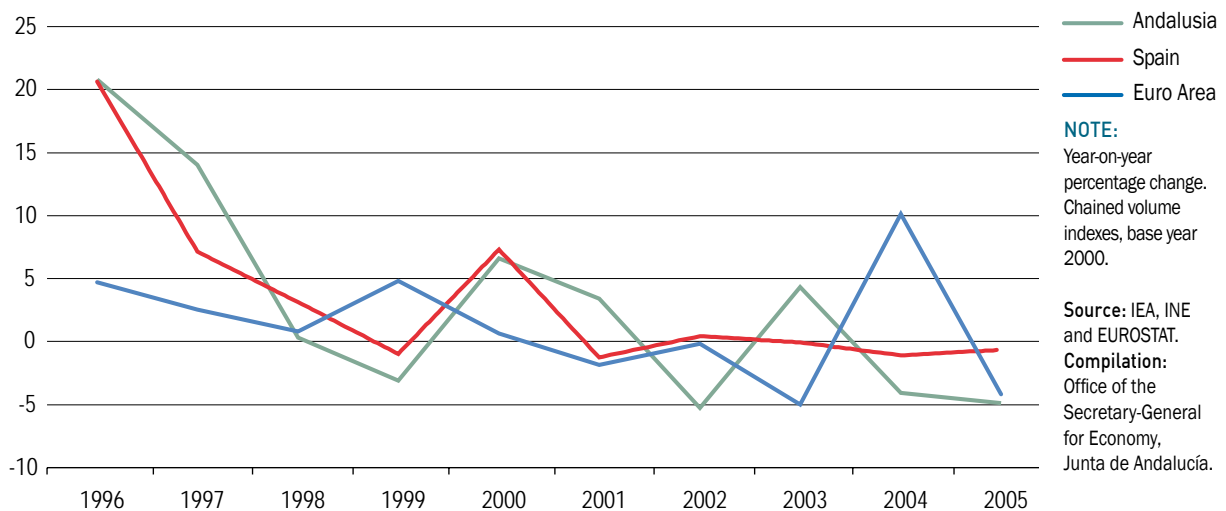
(3) GVA at basic prices in current euros per job.

(4) Exports as a percentage of GVA at basic prices in current euros.

Source: IEA, INE and Ministry of Labour and Social Affairs.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

Chart 45. PRIMARY SECTOR GVA



for the whole of the Andalusian economy this percentage was 48.5%, this being a feature common to all industries in the primary sector, in other words in crop and livestock farming, hunting and forestry, and also in fishing.

On the other hand, with respect to how the sector's value-added was distributed between earned and capital income, it is observable that, as happened nationally, capital income had a bigger relative share than earned income.

Gross operating surplus including mixed income, which is that earned by the self-employed, and therefore incorporates a remuneration component and an operating surplus component, represented 65.6% of GVA b.p. for the sector in Andalusia in 2003 (85.5% in Spain), whereas earned income accounted for 36.9% (19.5% in Spain). This implies a negative share of net taxes on production (-2.5% of GVA), which means that the Andalusian primary sector was a net recipient of subsidies, as was the case for Spain, where this amount was even higher than it was in Andalusia (-5% of GVA, according to INE figures).

A breakdown into activities shows that in all of them gross operating surplus was higher than

earned income. With respect to net taxes on production, crop and livestock farming, hunting and fishing emerged as net subsidy beneficiaries, something which was not seen in forestry, where taxes accounted for 0.1% of GVA.

In addition to these results from the IEA's Annual Regional Accounts for Andalusia, the Regional Accounts for Spain (CRE) with base year 2000, produced by the INE, also make it possible to analyse two further aspects, which are, on the one hand the weight on the demand side of gross fixed capital formation in the sector, and on the other apparent productivity per worker in it.

With respect to gross fixed capital formation, the figures reveal that in 2003 this represented 13.2% of sector GVA in Andalusia, which was under the relative weight for the whole set of Andalusian productive sectors (27.4% of GDP), although an increase in this was noticeable from the year 2000 (12.2% of GVA). At subsector level investment represented a larger percentage of GVA in fishing (17% of GVA) than in agriculture, livestock farming and hunting (13%).

As regards apparent productivity per worker in the primary sector measured in terms of GVA per job

## 5. PRODUCTIVE SECTOR

Table 20. **FINAL AGRICULTURAL OUTPUT**

	2004		2005		04-05 growth %
	€ million	% of total	€ million	% of total	
AGRICULTURAL SECTOR OUTPUT	11,358	100.0	10,366	100.0	-8.7
CROP OUTPUT	9,591	84.4	8,728	84.2	-9.0
Cereal crops	810	7.1	501	4.8	-38.2
Industrial	659	5.8	455	4.4	-31.0
Forage	62	0.5	71	0.7	15.2
Market vegetables	2,884	25.4	2,904	28.0	0.7
Potatoes	187	1.6	108	1.0	-42.2
Fruits	2,033	17.9	2,028	19.6	-0.3
Wine and grape juice	28	0.2	20	0.2	-28.1
Olive oil	2,815	24.8	2,525	24.4	-10.3
Other	114	1.0	117	1.1	2.9
ANIMAL OUTPUT	1,427	12.6	1,330	12.8	-6.8
SERVICIES OUTPUT	181	1.6	160	1.6	-11.6
NON FARMING SECONDARY ACTIVITIES	159	1.4	148	1.4	-7.0

### NOTE:

Current prices.

Source: Andalusian Ministry of Agriculture and Fisheries.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

held, its level was higher than on average in the sector in Spain at 2.3% above it, although this was lower than average productivity for productive sectors overall in Andalusia.

## Production

The real fall in the sector in terms of production in 2005 was common to all industries, with the drop-off in agriculture being very significant and badly hit by the drought which characterised the year from a weather point of view.

The 2004/2005 agricultural season saw a lack of water and rainfalls in most zones were 60% below what is considered to be the Normal Cumulative Rainfall (yearly average cumulative rainfall between 1961 and 1990), even being 75% below this in some zones.

Andalusian reservoirs reflected the lower rainfall levels, and on 30 August 2005, coinciding with the end of the crop year, the amount of water stored in reservoirs was far below what it had been on the same date in 2004. Specifically the reservoirs owned by the Guadalquivir Hydrographic Confederation stood at 40% of their capacity, with 44% less water than the year before. The situation was similar to that of those owned by the Guadiana Hydrographic Confederation, at 44% of total capacity and with 40% less water than in 2004, with the reservoirs in the Andalusian Mediterranean Basin at 32% of their capacity with 40% less water than the year before.

With respect to the weather, the start of the 2004/2005 crop year in the first few days of September was characterised by the appearance of scattered showers which affected the eight Andalusian provinces unevenly, there being

no significant rainfall until the second half of September, with isolated storms in the eastern part of the region.

In October a cloudy front left widespread showers across all the provinces, although rainfall levels at no time exceeded 40 litres per square metre. This was followed by a new front which only affected the western half, with the result that when the month ended the zone's weather stations recorded higher than normal rainfalls, while all those in the eastern part showed a major water shortage. Later on, in November and December, rainfalls were very scarce and thermometers recorded sub-zero temperatures. The outcome of this situation was that when December ended results showed a substantial lack of water, with water levels standing at 70% less than in a normal year in the western provinces.

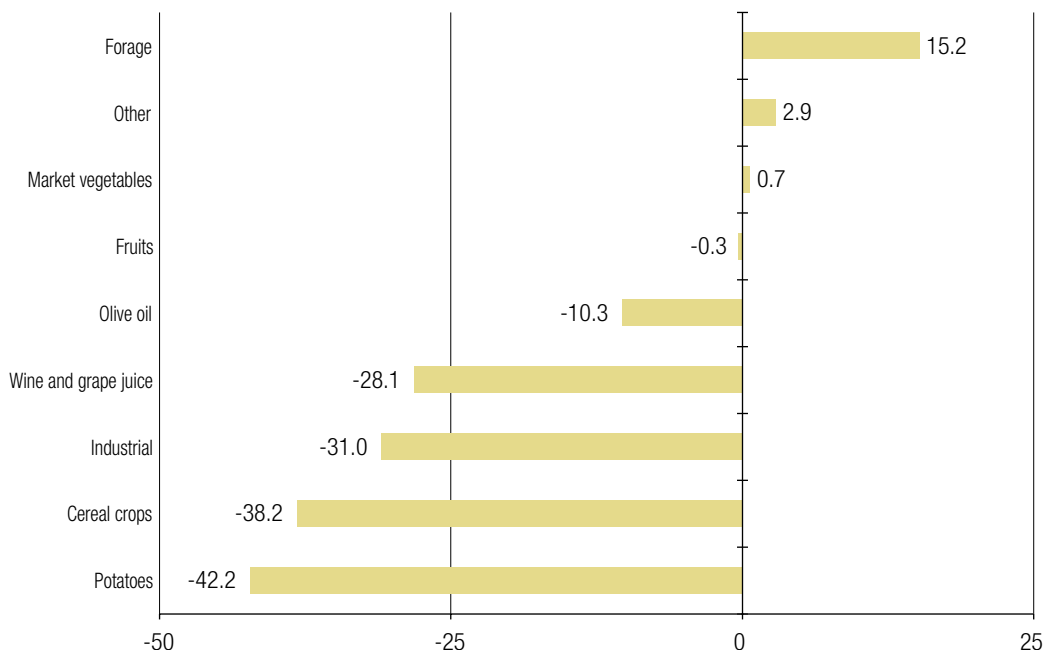
The first two months of 2005 were again marked by a lack of rainfall, making the shortage more acute, and this was accompanied by very low

temperatures and numerous frosts at night. The rains came in March and April, prompting thermometer readings to rise, reaching 25° C in certain zones. Subsequently, in the first days of May and June the weather turned very cloudy, although it did not rain much and temperatures rose considerably, nudging 40° C in the second fortnight in May, and this situation lasted into July and August when no rainfall was recorded at any weather stations in the autonomous community.

According to estimates by the Regional Ministry of Agriculture and Fisheries these adverse weather conditions caused crop output valued at current prices to fall off in 2005 by an annualised 9%. The drop was widely observed for almost all crops, except market vegetables, forage and others, being particularly notable in such representative areas as olive and cereal production.

Specifically, olive oil, which accounts for almost 30% of Andalusian crop output, saw production

Chart 46. **FINAL CROP OUTPUT. ANDALUSIA. YEAR 2005**



**NOTE:**  
Year-on-year percentage change. Current prices.

**Source:**  
Andalusian Ministry of Agriculture and Fisheries.  
**Compilation:**  
Office of the Secretary-General for Economy, Junta de Andalucía.

### Box 5. WATER CONSUMPTION IN THE FARMING SECTOR

As part of the European Union's strategy to foment sustainable development, one of the priority areas is the sustainable use of natural resources, including water, a vital element for human activity.

The availability of a comprehensive set of statistical figures on water and how it is used is essential for developing government action to take as regards water-related planning.

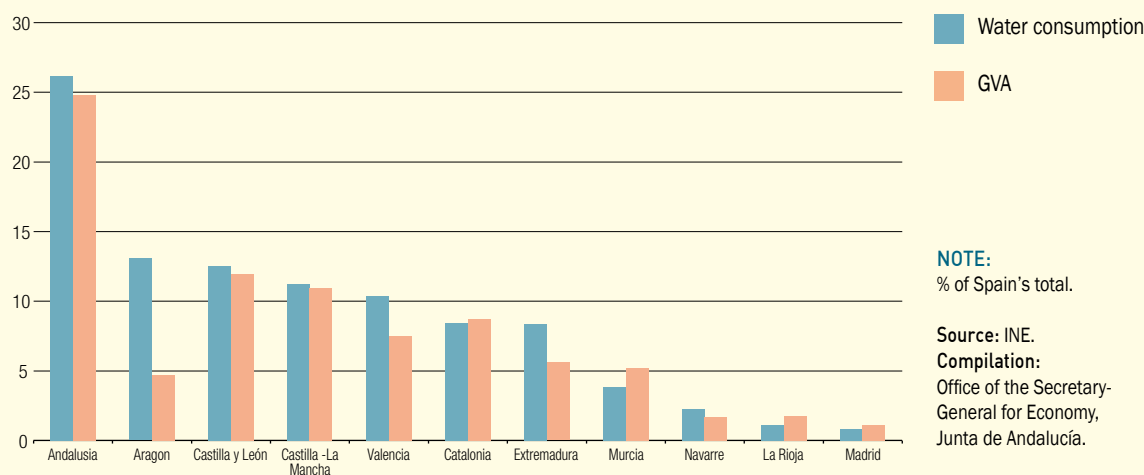
The INE's "Survey of water usage in the agricultural sector" covers the first phase of a collection of projects and surveys which comprise the statistical exercise known as "Environmental Statistics on Water", part of the National Statistics Plan, whose main objective is to quantify the volume of water used to irrigate the farming sector.

The population surveyed are the units of economic activity classified under sub-group 01.410 of CNAE-93 (the Spanish national classification of economic activities), that is to say the statistical units whose prime activity is operating watering systems in relation to farming and stockbreeding. The quantity of water required for stockbreeding, however, in comparison to agriculture, is much less, with the most substantial use in farming being irrigation, which the survey is essentially aimed at. Time-wise this is an annual survey and the findings are available for 1999 to 2003. From a geographical point of view the survey is designed to provide results on a national scale and also for the autonomous communities, except for Asturias, Cantabria, the Balearic Islands and the autonomous cities of Ceuta and Melilla.

According to the latest figures for this survey from 2003, water consumption in the farming sector in Spain amounted to 17,568 cubic hectometres (Hm<sup>3</sup>), of which 4,611 Hm<sup>3</sup> was in Andalusia. This means that in Andalusia, where one quarter of land farmed was irrigated, (20% nationally), 26.2% of total Spanish water consumption was concentrated, which is a similar percentage to irrigated farmland in Andalusia with respect to the total in Spain (26%) as well as that for GVA generation in the Autonomous Community with respect to the whole sector (24.8% of the national total in 2003). After Andalusia came Aragon, where water consumption represented 13.1% of the national total, followed by Castilla y León, Castilla-La Mancha and Valencia, all of which had water consumption of about 10% of the total. Together these five communities accounted for 78.7% of total land farmed on Spanish soil and 73.3% of water consumption in the farming sector.

If we look at the ratio of water consumption to area of land farmed, Valencia stands out as the region which most used irrigation on farmland, with water consumption of 3.3 Hm<sup>3</sup>/Ha of land farmed, followed by Catalonia (1.9 Hm<sup>3</sup>/Ha) and

Chart 1. WATER CONSUMPTION AND GVA GENERATED IN THE AGRICULTURAL SECTOR. YEAR 2003



Murcia (1.7 Hm<sup>3</sup>/Ha). Andalusia was three tenths above the national average with consumption of 1.4 Hm<sup>3</sup>/Ha, with Castilla-La Mancha the community with the lowest water consumption to land area ratio at 0.5 Hm<sup>3</sup>/Ha, being one of the communities with the lowest presences of irrigation.

Focusing on Andalusia and crop-type, it was the herbaceous ones which consumed the most water with 35% of total water consumption in the sector in the region being used for them. After these came fruit crops, with 14% of water consumed, olive groves and vineyards (12%), and potatoes and market vegetables (11%).

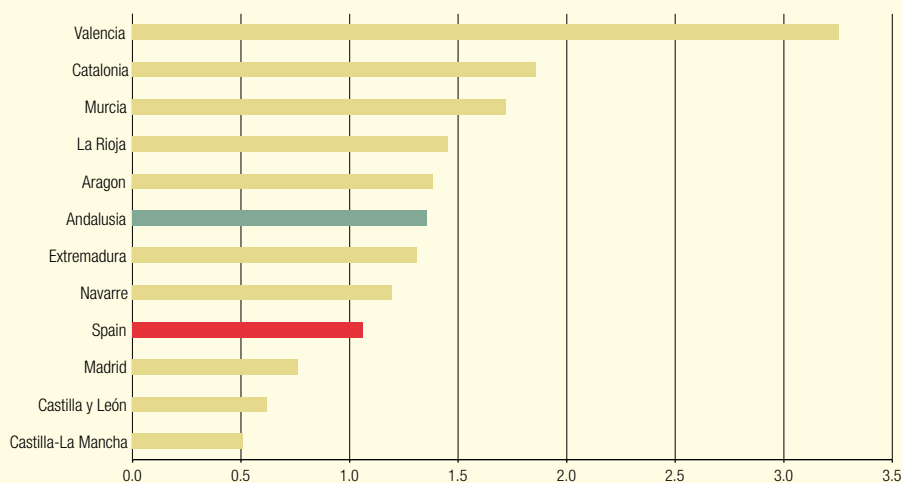
With respect to watering techniques, flow irrigation required the most water consumption in the region, accounting for over half of total consumption (58%), a percentage which was even higher in national terms, where 69% of water was consumed in the sector using this system. This was followed by drip irrigation, representing 22% of consumption in Andalusia, which was double the national level (10%), and lastly sprinkling techniques, at 18% of the total, similar to the percentage in Spain (16%).

Trends from 1999, the first year for which figures are available, indicated that water consumption in the farming sector dropped by 0.6% nationally, though developments were uneven in the breakdown by autonomous communities. Among those which cut down water consumption the most were Catalonia, Valencia and La Rioja, this falling by around 15% with respect to 1999, followed by Aragon, where it was down by 9.7%, and Andalusia, with a 4% reduction, which, though lower in percentage terms, was more significant in scale. In the other autonomous communities sector water consumption in the period rose, mainly in Murcia, where it increased by 72.6%, followed by Castilla-La Mancha (14.3%), Madrid (12.1%) and Castilla y León (11%).

In Andalusia and looking at crop-type, the largest increase in water consumption was recorded for potatoes and market vegetables (75.7% in the period), herbaceous crops (73.9%) and fruit crops (59.6%), whereas for all other crops the figure fell.

In terms of watering methods, the four-year period saw a rise in water consumption due to drip irrigation, which became used on an increasingly larger relative scale, while the other techniques, such as flow irrigation and sprinkling became less widely used.

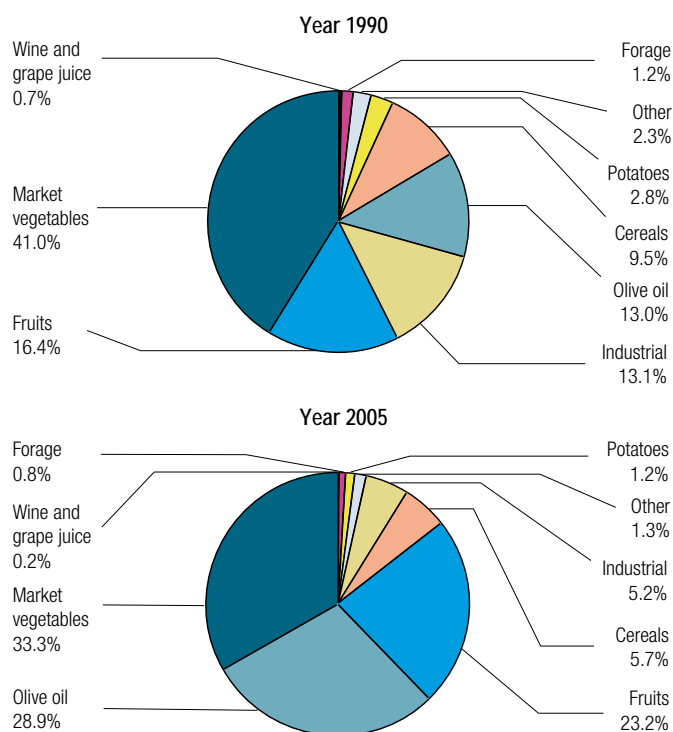
Chart 2. WATER CONSUMPTION BY AREA FARMED. YEAR 2003



**NOTE:**  
Cubic hectometres per hectare.

**Source:** INE.  
**Compilation:** Office of the Secretary-General for Economy, Junta de Andalucía.

Chart 47. **ANDALUSIAN CROP OUTPUTS**



**NOTE:**  
Percentage of final crop output at current prices.

**Source:**  
Andalusian Ministry of Agriculture and Fisheries and MAPA.  
**Compilation:**  
Office of the Secretary-General for Economy, Junta de Andalucía.

fall by 10.3% in 2005 as a result of the sharp and frequent frosts in the first few months of the year which caused olives severe damage, this being followed from June onwards by the water shortage and high temperatures.

The drought conditions also severely harmed the cereal crop, which is the fourth largest in Andalusian agricultural production at 5.7% of it, this falling by 38.2% on the previous year. The lack of rain caused problems when it came to sowing cereals, and this had to be done when it was dry in the hope that some rainfall might bring on germination. The lack of moisture proved seriously detrimental to this crop later on in what became a difficult growth cycle, with the result that in the end it was not harvested over wide areas due to the expected yield not covering its costs.

Likewise tubers and industrial herbaceous crops (sugar beet, textile plants, seeds and

oleaginous fruits...) came off very badly from the poor weather, with output falling by 42% and 31% respectively, with significant damage done due to the January and February frosts, which served to aggravate the lack of water.

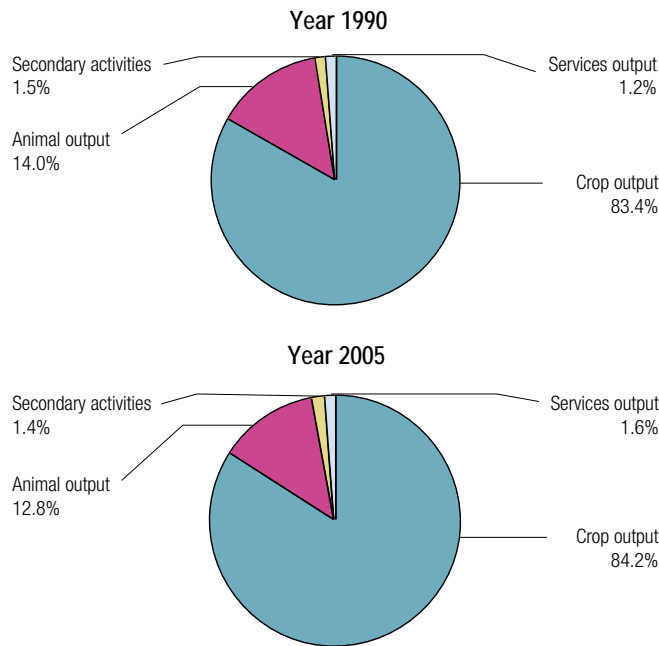
There was also a substantial drop in wine and grape-juice production, which was down 28.6% on the previous crop year.

Lastly fruit production, representing 23.2% of the total, held virtually stable at the previous year's level (-0.2%), as non-citric fruit output fell, while citric fruits were up by 14.2%.

On the other hand market vegetables, which were the most typical Andalusian crop, accounting for one third of vegetable output, saw production rise 0.7% on the previous year. Though less important in relative terms, there were also rises in forage output (15.2%) and other, miscellaneous crops (2.6%).



Chart 48. **FINAL AGRICULTURAL OUTPUTS**



**NOTE:**  
Percentage of final agricultural output at current prices.

**Source:** Andalusian Ministry of Agriculture and Fisheries and MAPA.  
**Compilation:** Office of the Secretary-General for Economy, Junta de Andalucía.

As regards animal output, this dropped in 2005 by 6.8% to 12.8% of total farming output in Andalusia, one point less than in 2004. The subsector was harmed by the rainfall shortage,

which hit fields and pasture-lands and delayed the start of the Autumn grazing season, forcing stockbreeders to supplement livestock feeding with fodder, entailing subsequently higher costs.

Chart 49. **FRESH CATCHES LANDED AT ANDALUSIAN PORTS**



**NOTE:**  
Metric tons.

**Source:** National Port Authority and Empresa Pública de Puertos de Andalucía, (regional government port authority).  
**Compilation:** Office of the Secretary-General for Economy, Junta de Andalucía.

Services output, which embraces machinery leasing, pesticide treatment, third-party harvesting and other services and represented 1.6% of total farm production, was also hit by the weather conditions, falling by an annualised 11.6% in 2005. By the same token, secondary, non-farming but related activities, including the processing of agricultural products and the sizing and preparation of fruits and market vegetables, also fell on the previous year (-7%), representing 1.4% of total sector output.

Lastly, according to information provided by the national port authority Puertos del Estado and by the regional government port authority Empresa Pública de Puertos de Andalucía, the fishing subsector continued to see the pattern of falling catches in 2005 which had been observed in the two years beforehand, though this had been less sharp. The volume of fresh fish landed at Andalusian ports was put at 76,137 tons in 2005, 2.3% down on 2004.

This fall in hauls arose from the drop in catches recorded in state-owned ports (-13.4%), while, on the contrary, in those owned by the regional government there was a rise in fish landed of

9.5%, the first increase after five years in a row of reductions.

### Foreign trade

Trade exchanges by the Andalusian primary sector with countries abroad continued to rise in 2005, showing an overall nominal rise of 1.3%, which was not as strong as the year before due to sharp growth in buying and a slight drop in sales.

Sector exports at current prices were 2.8% down on 2004, which was similar to the nominal drop in GVA, meaning that the export share, worked out as the percentage of exports relative to sector GVA, was 42.7% in 2005, practically the same as the previous year (43%).

The decrease in exports was due to falling sales of farming and livestock products not being offset by rising sales in the fishing subsector, forestry and logging.

Agricultural exports, which account for 95.8% of the sector total, thus fell 3.9% on the previous year against a backdrop of falling output, there

Chart 50. FOREIGN TRADE IN THE PRIMARY SECTOR

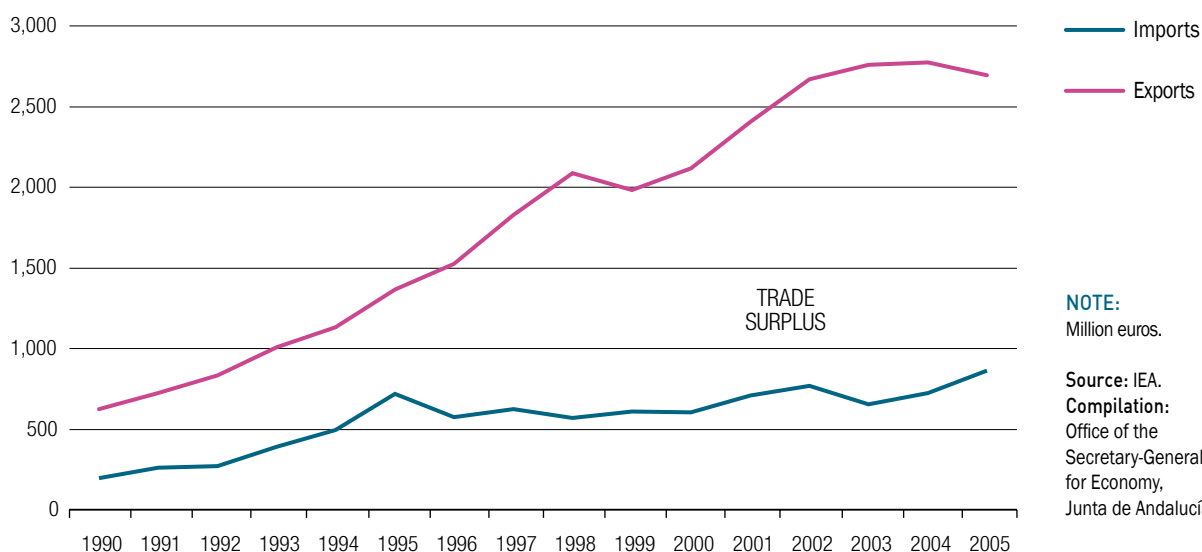


Table 21. **FOREIGN TRADE IN THE PRIMARY SECTOR. ANDALUSIA. YEAR 2005**

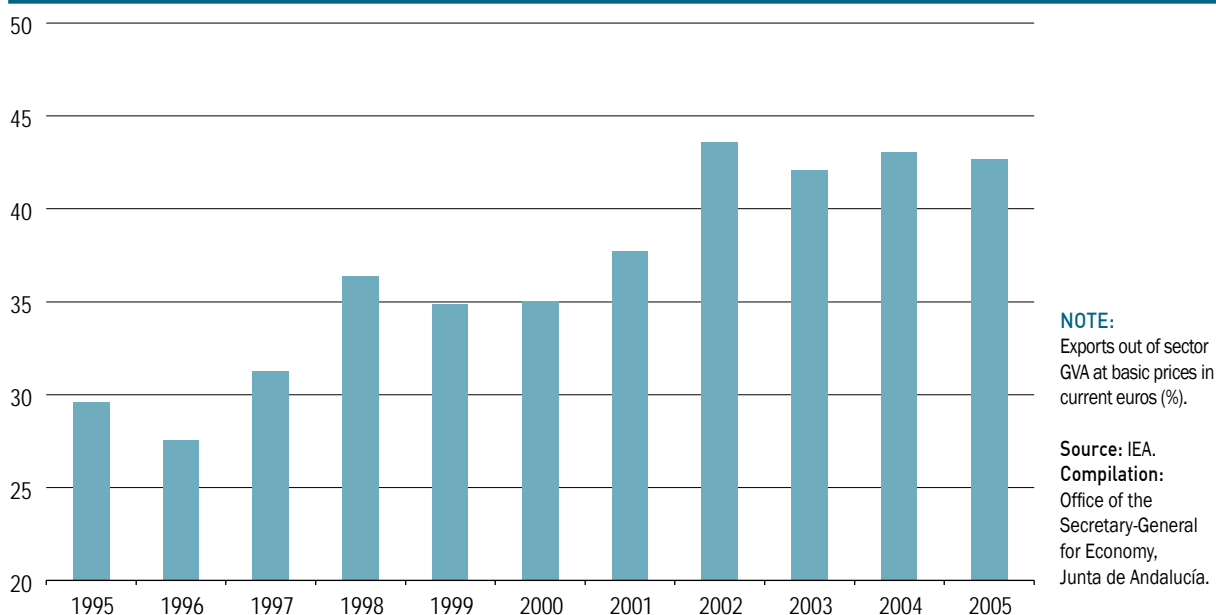
	Imports			Exports			Trade balance
	€ thousand	% of total	04-05 growth %	€ thousand	% of total	04-05 growth %	€ thousand
Crop output	711,045.1	82.6	26.0	2,579,803.9	95.8	-3.9	1,868,758.8
Cereal crops and other	511,319.7	59.4	33.4	131,013.5	4.9	-44.0	-380,306.2
Market vegetables and nursery products	114,369.8	13.3	10.8	1,706,891.0	63.4	0.8	1,592,521.2
Fruit, nuts and dried fruit	85,355.5	9.9	10.0	741,899.4	27.5	-2.1	656,543.8
Animal farming output	20,099.8	2.3	-20.0	12,299.1	0.5	-1.2	-7,800.7
Bovine, ovine, caprine, equine and porcine output	6,390.8	0.7	-38.9	6,749.0	0.3	38.5	358.2
Poultry output	6,084.3	0.7	-15.5	3,410.8	0.1	-34.0	-2,673.5
Other	7,624.7	0.9	2.2	2,139.3	0.1	-11.2	-5,485.4
Forestry and logging	21,489.6	2.5	-12.2	30,324.7	1.1	147.4	8,835.0
Fishing, fish hatcheries and fish farms	107,737.0	12.5	2.1	70,794.8	2.6	14.9	-36,942.2
<b>TOTAL</b>	<b>860,371.5</b>	<b>100.0</b>	<b>19.6</b>	<b>2,693,222.4</b>	<b>100.0</b>	<b>-2.8</b>	<b>1,832,850.9</b>

Source: IEA.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

being a particularly sharp drop in cereal sales which almost halved (44% year-on-year), in keeping with this crop's production trends. Fruit exports were also down 2.1%, while those of market vegetables edged up (0.8%), which partly cushioned the falls in other crops, inasmuch as they represent 63.4% of total sector exports.

There was also a decline in livestock product sales (-1.2%) due to the sharp drop in poultry exports (-34%) arising from the health-related problems these have experienced which prompted demand for these types of product to tail off. This fall cancelled out the rise observed in bovine, ovine and caprine etc. exports (38.5%

Chart 51. **PRIMARY SECTOR EXPORT SHARE. ANDALUSIA**

## 5. PRODUCTIVE SECTOR

year-on-year), which were the most substantial in the sector.

On the other hand, sales of products in the forestry and logging subsector almost tripled, although they only represented 1.1% of the total, and those in the fishing subsector did too (14.9%), coming to account for 2.6% of the total.

On the imports side, the rise in these in 2005 was very substantial, coming to an overall nominal 19.6% due to rising purchases of agricultural products (an annualised 26%), which represented 82.6% of total sector products imported. The rise in cereal buying stood out (33.4%) in a situation where domestic output of these crops declined. There was also a step-up in imports of fishing and fish-farming products (2.1%), whereas imports of livestock products were down (-20%), as well as those relating to forestry and logging (-12.2%).

Overall, as is traditional, the sector's trading balance continued to be positive, with a surplus of 1,832.8 million euros, which was nonetheless down on the previous year. In the breakdown by subsectors, the surplus on farming products

stood out, most particularly as regards market vegetables, as well as fruits, whereas there was a deficit for cereals. There was likewise a surplus on exchanges of forestry and logging products, while, on the other hand, for livestock, fishing and fish-farming output there was a deficit.

### Labour market

The labour market showed a recovery in job creation following three years in a row of falls. According to the Labour Force Survey, employment in the Andalusian primary sector stood at 271,150 in 2005, some 4% higher than the previous year and far above the increase in employment seen nationally (1.2%). In absolute terms job creation in the Andalusian primary sector in 2005 (10,300) accounted for 87.3% of the total in the sector for Spain.

This employment growth was however lower than that recorded for the whole of the Andalusian economy (7.1%), which saw a continuation in the trend of a fall in the relative weight of employment

Table 22. **PRIMARY SECTOR LABOUR MARKET**

	Year 2005			Change on 2004			
	Andalusia	Spain	% And/Sp.	Absolute		Relative (%)	
				Andalusia	Spain	Andalusia	Spain
Labour force	338.7	1,108.2	30.6	-39.7	-59.4	-10.5	-5.1
Employed	271.2	1,000.7	27.1	10.3	11.8	4.0	1.2
Crop and animal farming, hunting and forestry	264.2	940.6	28.1	11.0	3.0	4.3	0.3
Fishing	6.9	60.1	11.5	-0.7	8.7	-9.2	17.0
Unemployed <sup>(*)</sup>	67.5	107.5	62.8	-50.0	-71.2	-42.6	-39.8
Unemployment rate <sup>(*)</sup>	19.9	9.7	-	-11.2	-5.6	-	-
Wage-earner to overall employment ratio	70.0	49.0	-	-1.7	2.0	-	-

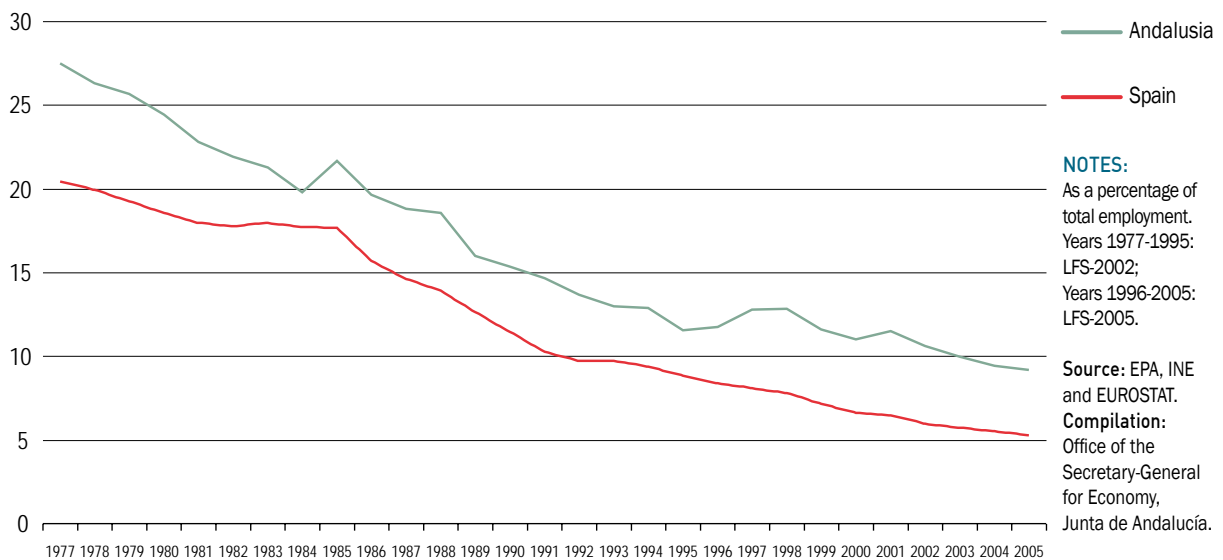
#### NOTES:

Thousand people unless otherwise stated.

(\*) From 2005 sector unemployment figures are affected by the change in the definition of unemployed without previous employment, those being included who left their employment a year or more previously (before this was 3 years or more).

Source: INE Labour Force Survey.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

Chart 52. **EMPLOYMENT IN THE PRIMARY SECTOR**

in agriculture and fishing out of the total to 9.2%, a historic low.

In the breakdown by subsectors trends have been very uneven, with increases in employment in agriculture, stockbreeding, hunting and forestry (4.3% year-on-year) and a fall in the fishing subsector (-9.2%).

By gender, employment growth focused exclusively on females, with an annualised 14.9% increase. This took the relative weight of female employment in the Andalusian primary sector up to 32.4% of the total, above the national level (26.9%). Meanwhile, on the other hand, a fall was observed in employment among males (-0.6%).

Distinguishing by work hours, employment in the sector rose in 2005 in terms of part-time work, jobs almost doubling with respect to the previous year, while jobs in full-time work, representing 89.2% of the total, were down by 1.1%.

On the other hand, the rise in employment was principally among wage-earners (10.6% year-on-year), which prompted the wage-earner to overall employment ratio to reach 70%, above the

average national level (49%). There were similar trends among workers registered under the Social Security's Special Agricultural Workers' Scheme, where 93% of the total were employed by others, far above this figure for Spain as a whole (74.4%).

The rise in employment in the sector was accompanied by a significant fall in the jobless rate, which was 19.9% of the labour force, the unfavourable gap also narrowing with the average unemployment rate in the sector nationally (9.7%).

Unemployment figures registered at National Employment Institute (INEM) offices likewise indicated a fall in sector unemployment of an annualised -2.5% in December, there being 27,272 unemployed persons recorded at the end of the year, a lower figure than that suggested by the LFS (67,500 without a job).

This disparity in the sector unemployment figures between the INE's LFS and the INEM is at least partly due to the different notion of what unemployed means according to both sources. The INEM's definition is narrower than that of

the LFS as it does not cover certain groups such as occasional farm workers on unemployment benefit.

This group of workers was notably sizeable in Andalusia, representing 61% of the total of those employed in the sector and virtually one half of the labour force (48.8%), and showed a fall of an annualised -2.9% in the region.

Lastly, regarding wage trends, the figures from the Ministry of Labour and Social Affairs put the sector increase in pay negotiated under collective agreements, including safeguard clauses, at 4.12% in 2005, higher than the rise recorded the previous year (3.92%) and on a par with the national average (4.17%), in line with trends observed in the other productive sectors.

# Industrial sector

## Overview

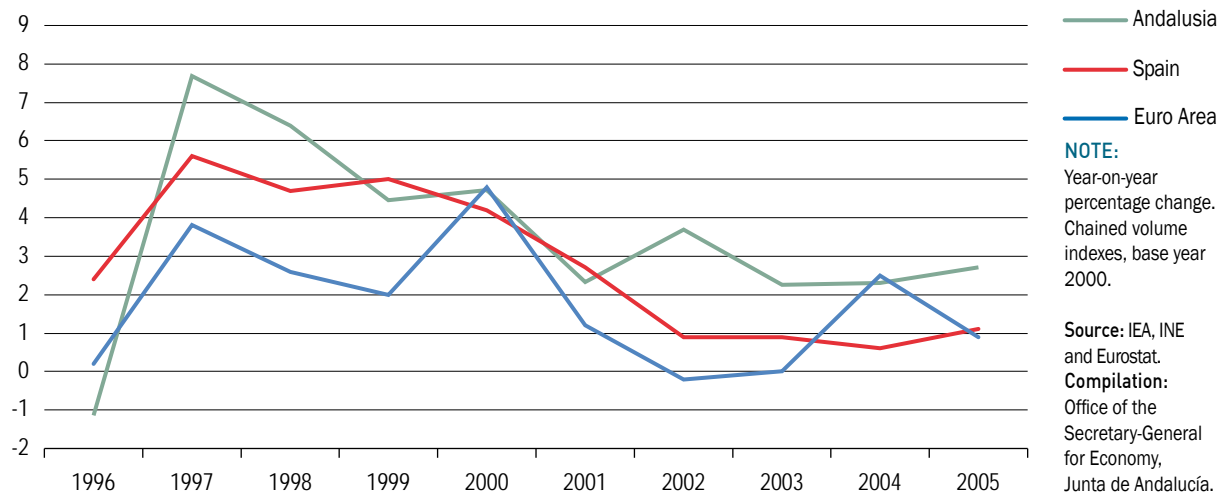
In 2005 the Andalusian industrial sector registered real Gross Value-Added (GVA) growth of 2.7%, the highest for three years and a long way above sector growth for Spain as a whole (1.1%) and triple that seen in the euro area (0.9%).

This means that there have now been nine years of unbroken growth in industrial activity in Andalusia

with sector GVA rising to 14,351.6 million euros in current terms, representing 12.5% of total regional GVA and 9.9% for Spanish industry.

This sector performance in GVA terms was accompanied by a positive surge in the labour market. Sector employment was up 10.1% in 2005, the highest rate for seven years and above average employment growth for the Andalusian economy (7.1%) and almost five times the increase

Chart 53. **INDUSTRIAL SECTOR GVA**



## 5. INDUSTRIAL SECTOR

Table 23. **BASIC INDICATORS OF THE INDUSTRIAL SECTOR. YEAR 2005**

<b>GVA at basic prices <sup>(*)</sup></b>	
Millions of current euros	14,351.6
Nominal growth in the year	8.0%
Real growth in the year	2.7%
Industrial sector GVA/Total Andalusian GVA	12.5%
Industrial sector GVA/Spanish industrial sector GVA	9.9%
Industrial sector GVA/Industrial sector output <sup>(1)</sup>	25.7%
Industrial sector GFCF/Industrial sector GVA <sup>(1)</sup>	19.5%
<b>GVA distribution <sup>(1)</sup></b>	
Employee compensation	52.2%
Gross operating surplus <sup>(2)</sup>	47.3%
Net taxes on production	0.5%
<b>Employment</b>	
Thousand people	328.5
Annual growth	10.1%
Industrial sector jobs/Total jobs in Andalusia	11.1%
Industrial sector jobs/Industrial sector jobs in Spain	10.0%
<b>Productivity <sup>(1) (3)</sup></b>	
Andalusian productivity=100	117.3
Spain's industrial sector productivity=100	95.0
<b>Industry sector GVA deflator <sup>(*)</sup></b>	
Annual growth	5.1%
<b>Labour costs <sup>(4)</sup></b>	
Euros	2,127.3
Annual growth	1.3%
Labour cost Andalusia=100	114.8
Spain's industrial sector labour cost=100	87.9
<b>Enterprises</b>	
Number	32,891
Annual growth	1.1%
Industrial enterprises/Spain's industrial enterprises	13.3%
<b>Foreign trade</b>	
Exports	
€ million	10,940.0
Annual growth	10.0%
Imports	
€ million	16,492.1
Annual growth	24.4%
Trade balance	
€ million	-5,552.1
EXPORT SHARE <sup>(5)</sup>	77.5%

### NOTES:

(\*) Advance figures.

(1) Data from 2003.

(2) Includes mixed income.

(3) GVA at basic prices in current euros per job.

(4) Labour cost per worker per month.

(5) Exports as a percentage of GVA at basic prices in current euros.

Source: IEA and INE.

Compilation:

Office of the Secretary-General for Economy, Junta de Andalucía.



for the sector nationally (2.1%). The number of those in work in industry thus hit the historic high of 328,492, representing 11.1% of the total employed in Andalusia and 10% of those in a job in industry in Spain, almost one point more than the previous year.

This took place in an environment in which labour costs per worker in the sector showed very moderate growth (1.3%), this being under average cost growth for the whole set of non-farming productive sectors in Andalusia (1.7%) as well as that seen by industry on a national scale (3.1%).

On the business front, the number of Andalusian industrial enterprises on 1 January 2005 had climbed to 32,891, 347 more than the previous year and representing growth of 1.1%. This rise was within a context nationwide of a 0.7% fall in the number of industrial companies, with the outcome that 13.3% of all enterprises in the sector in Spain in 2005 were to be found in the region.

As was true for Spain, the GVA deflator confirmed the pattern of fast-growing prices shown the preceding year, with a 5.1% rise in 2005, the highest on record (since 1996), outstripping overall deflator growth for the whole of the Andalusian economy (4.8%).

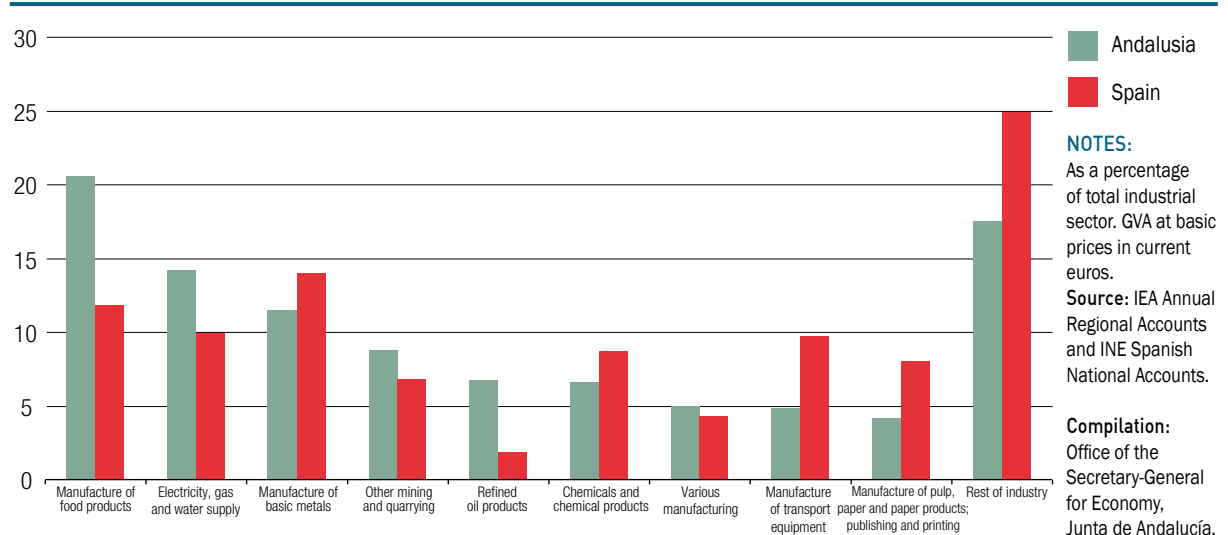
Along the same lines, the Industrial Prices Index (IPRI) composed by the INE kept up the quick growth trend seen the year before and rose 7.9% in Andalusia in 2005, almost one point higher than the previous year and in keeping with the trend in Spain.

The sector's trade relations with other countries in 2005 featured a substantial rise in industrial imports (24.4%) as well as, albeit to a lesser extent, exports (10%). Despite this, growth in industrial product sales abroad was higher in nominal terms than that experienced by sector GVA, which contributed to a rise in Andalusian industry's export share, this reaching 77.5% in 2005, 2.7 points more than the year before.

Further to these results for the sector in 2005, Andalusia's Annual Regional Accounts, with base year 2000, compiled by the IEA, for which the latest detailed information sorted by branch of activity dates from 2003, afford a more structural view of industry.

Firstly, in terms of Andalusian industry's subsector composition, it is worth noting that its most representative branch was agro-foods, with a relative nominal weight of 20.6% of total sector GVA, nine points higher than nationally. This was

Chart 54. **INDUSTRIAL SECTOR. YEAR 2003**



## 5. INDUSTRIAL SECTOR

followed by electricity, gas and water, accounting for 14.2% of the sector in Andalusia (9.9% in Spain), and in third place metallurgy, with a 11.5% share, though this was below what it was for this branch within Spanish industry as a whole. These three branches together accounted for practically half of industry GVA in Andalusia (46.3% of the total), ten points more than the share these activities had in the sector nationally.

Another aspect of the sector is that its GVA to output ratio (25.7%) was lower than the average for all Andalusian productive sectors (48.5%), with the extractive industry standing out among the branches as having the highest GVA to output ratio (40.8%).

Worth noting too is the fact that the split of value-added between earned and capital income was similar to the situation in Spain as a whole, with a more symmetrical distribution between, on the one hand, gross operating surplus and mixed incomes (47.3% of industry GVA in Andalusia, 43.6% in Spain), and employee compensation on the other (52.2% in Andalusian industry, 56.7% nationally). The rest was accounted for by the share of net taxes on production, which, in the case of Andalusia, was 0.5% of GVA, this being -0.3% in Spain, which means that according to these figures industry nationally was a net recipient of subsidies in 2003.

In the breakdown by branches of activity, manufacturing industry had an income split in line with the sector average, with earned income (56.9%) having a higher percentage than capital income (42.7%). On the other hand in both extractive industry and electricity, gas, steam and hot water production and distribution the divide is different, with a higher proportion falling to capital income (57% and 71.9%, respectively), than to employee compensation (42.2% and 27.1%, respectively).

This more structurally oriented view of the sector offered by Andalusia's Regional Accounts compiled by the IEA can be supplemented by the Spanish Regional Accounts, base year 2000, prepared by the INE, which offer further information on other aspects of interest, such as sector productivity and the relative weight which Gross Fixed Capital Formation had in this.

On the basis of information for 2003, Gross Fixed Capital Formation in industry accounted for 19.5% of sector GVA, similar to the percentage observed overall in Spanish industry (20.6%), yet this was below the relative weight which investment had in the Andalusian economy as a whole in that year (27.4% of GDP).

These statistics state that productivity gauged as GVA per job, also for 2003, was higher in industry

Chart 55. **INDUSTRIAL PRODUCTION INDEX. YEAR 2005**

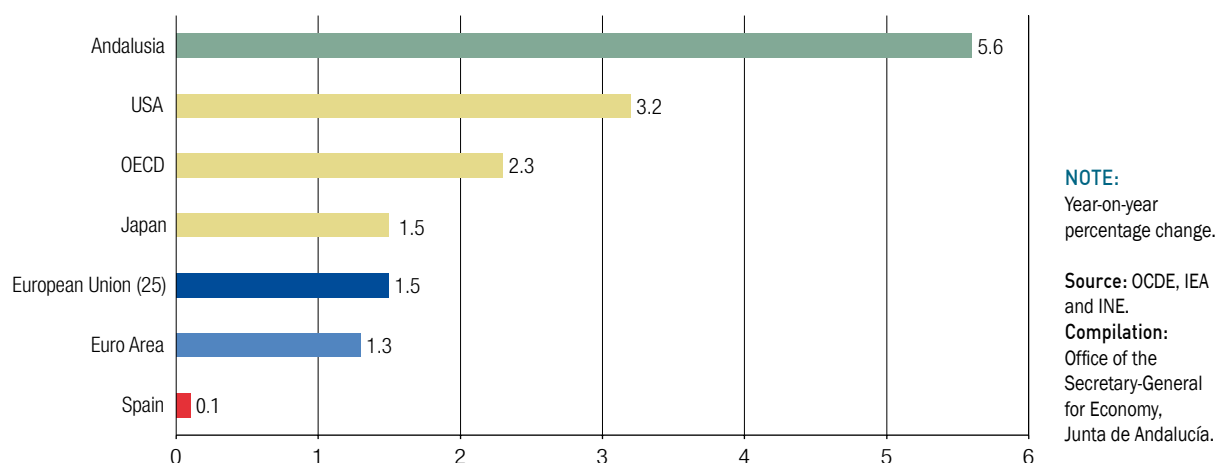


Table 24. **INDUSTRIAL PRODUCTION INDEX. ANDALUSIA - SPAIN**

	2004	2005
Andalusia General Index (*)	4.7	5.6
Energy	8.7	28.6
Consumer Goods	0.8	-3.6
Intermediate Goods	2.5	2.7
Investment Goods	13.5	4.3
Spain General Index	1.8	0.1
Energy	4.9	2.9
Consumer Goods	0.0	0.1
Intermediate Goods	1.9	-0.6
Investment Goods	1.9	-0.8

**NOTES:**

Year-on-year percentage change.

(\*) Provisional data.

Source: IEA and INE.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

than it was on average among the whole set of productive sectors, being 17.3% above this and Andalusian industry notable as the most productive sector in the regional economy, with productivity levels on a par with the industry average in Spain.

## Production

Within the context of a slowdown in the economic growth rate for the major industrialised countries, the Industrial Production Index (IPI) shows an almost generalised slackening for most such economies.

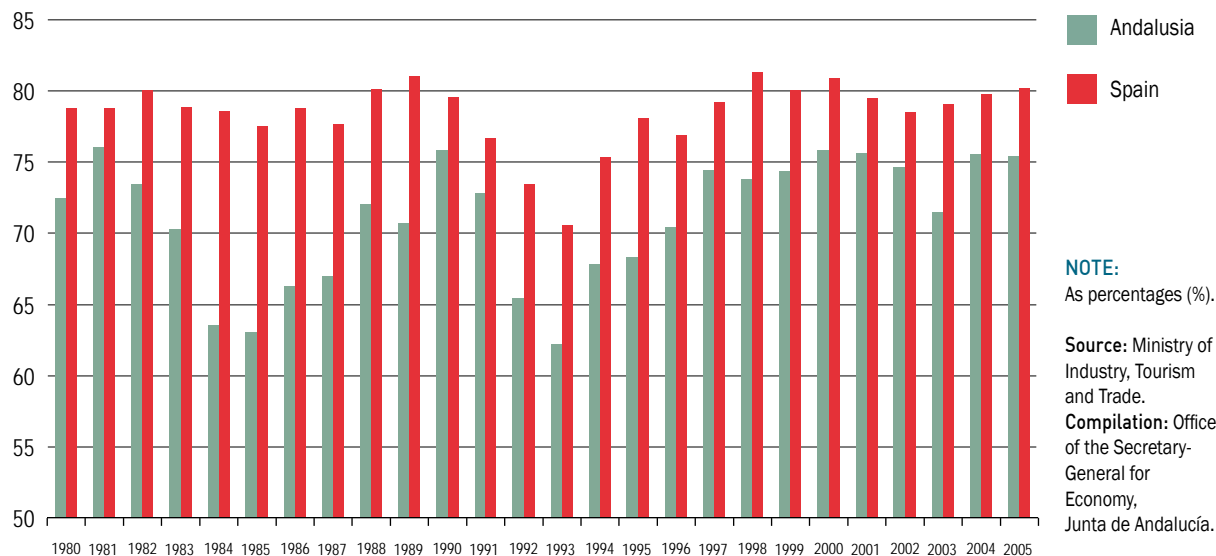
For the whole set of OECD countries the IPI rose 2.3% in 2005, 1.6 points less than the previous year, in line with increased buoyancy in the United States, where growth was 3.2%, although this was almost one point lower than in 2004. The slowdown was more pronounced in Japan, where industrial output was up 1.5%, compared with 5.3% the year before. On the other hand, in the euro zone the industrial production index eased its growth rate to 1.3% in 2005, seven tenths lower than in 2004 (2%), the rise for the Spanish economy being 0.1%, the lowest in three years.

Against this background of a slowdown, the Andalusian Industrial Production Index compiled by the Andalusian Statistical Institute (IEA) showed growth of 5.6% in 2005, almost one point up on the previous year and comfortably ahead of the national and euro area average.

In the breakdown of goods according to economic end-use, particularly noteworthy was the expansion experienced by energy output, which achieved a growth rate of 28.6% in 2005, far above the increase seen the previous year (8.7%) and the rise for this activity in Spain (2.9%).

This was followed by industrial output of investment goods, which was up 4.3% for the year as a whole, in contrast with the fall nationally (-0.8%), just as there was an increase in the industrial output of intermediate goods (2.7% year-on-year), while there was a reduction for Spain as a whole (-0.6%).

On the other hand the consumer goods industry registered a 3.6% drop in output, while growth for this in Spain was practically flat (0.1%).

Chart 56. **CAPACITY UTILISATION IN INDUSTRY**

## Business sentiment

In addition to this round-up of the sector in output terms, the Industrial Situation Index produced by the Ministry of Industry, Tourism and Trade shows that opinions voiced by entrepreneurs on the sector's performance were similar to those expressed the year before.

The industrial climate indicator, which embraces entrepreneurs' opinions on their order book levels, expected output trends for the coming months and stocks, offered a similar reading to 2004, in a context where, despite stocks and orders being somewhat down, output prospects for the coming months were substantially brighter.

This survey also gives information on the sector's productive capacity utilisation. In 2005 productive capacity utilisation in Andalusian industry held at the preceding years' levels (75.4%) at around historic highs, although this was below the average level for Spanish industry as a whole (80.2%).

Separating out the economic end-uses of goods produced, there was a notable pick-up in

capacity utilisation within the consumer goods industry, which hit a historic high of 78.2%, 1.2 points over its level of the previous year. There was also an increase in capacity utilisation in the investment goods industry, this reaching 66.8% in 2005, 4.7 points up on 2004. On the other hand, in the intermediate goods industry this dipped to 77.9%, roughly half a point below levels the year before.

## Prices

From a prices standpoint the GVA deflator confirmed, as with Spain as a whole, the pattern of faster growth begun the year before, rising by 5.1% in 2005, the highest level on record (since 1996) and three tenths of a point up on 2004 and overall deflator growth for the Andalusian economy as a whole (4.8%).

Similar trends are suggested by the Industrial Prices Index (IPRI) produced by the INE, which charts price trends for industrial goods manufactured and sold in the domestic market at the first phase of the commercial cycle, in

Table 25. **INDUSTRIAL PRICES INDEX. ANDALUSIA - SPAIN**

	2003	2004	2005
Andalusia General Index	1.7	7.0	7.9
Energy	0.2	8.4	17.0
Consumer Goods	3.9	4.7	7.2
Consumer durables	1.9	2.8	4.6
Non durable consumer goods	4.1	4.9	7.5
Intermediate Goods	0.1	11.6	3.2
Investment Goods	1.6	0.7	1.0
Spain General Index	1.4	3.4	4.9
Energy	1.3	5.3	14.0
Consumer Goods	2.3	2.5	2.8
Consumer durables	1.7	2.1	2.1
Non durable consumer goods	2.3	2.6	2.8
Intermediate Goods	0.8	4.5	3.8
Investment Goods	1.2	1.5	1.9

**NOTE:**

Year-on-year percentage change.

Source: INE.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

other words factory gate prices. In Andalusia the IPRI grew at 7.9% in 2005 in a continuation of the accelerating trend started in 2003, this rise being ahead of that seen in Spain (4.9%).

Breaking goods down according to their economic end-uses, price rises were practically universal, with notably higher energy prices, which were up by an annualised 17% in 2005, doubling the previous year's rate and above the increase registered in Spain (14%).

Behind these were industrial consumer goods prices, which climbed 7.2% in 2005, 2.5 points up on 2004, this due to both the rise in consumer durable goods (4.6%) and, to a greater extent, non-durables (7.5%), both of these outstripping national levels.

There were more moderate price increases for intermediate industrial goods, at 3.2% for the year, significantly down on the rate the year before (11.6%) and under the average national rise (3.8%).

Finally, for investment goods the 2005 price rise was 1%, similar to the preceding year and under the Spanish economy's overall level (1.9%).

## Labour market

On balance the labour market saw a surge in employment, this growing at 10.1% in 2005, the highest rate in seven years and almost five times the average level nationally (2.1%). In absolute terms employment in Andalusian industry surpassed the

**Box 6. WASTE GENERATION IN THE INDUSTRIAL SECTOR IN ANDALUSIA**

The Community's Sixth Environment Action Programme, known as "Environment 2010: the future is in our hands", points to waste management as one of the key areas for political action in line with the following basic principles: cutting down on waste volume, optimising recycling, and reutilisation and safe disposal.

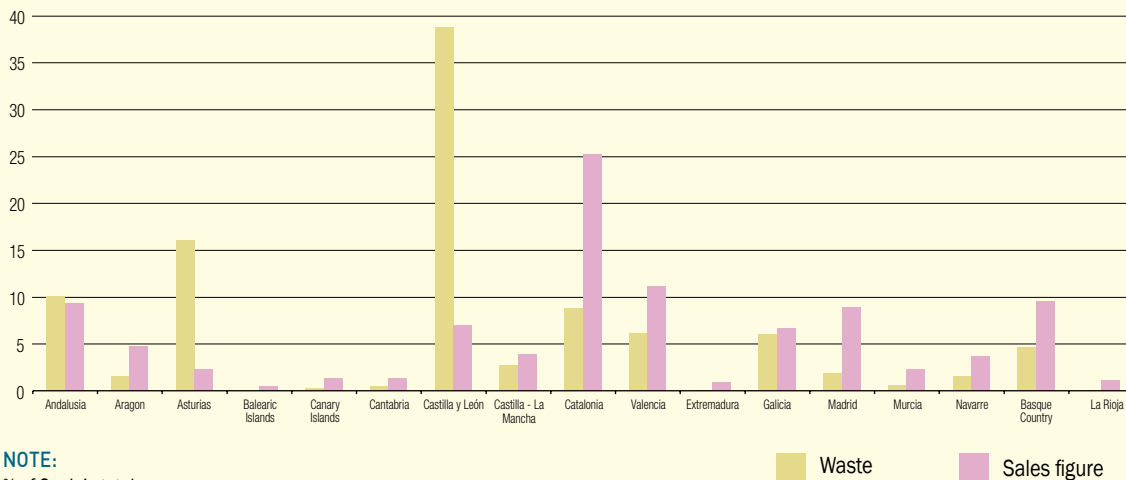
The availability of statistical data on waste production, recycling, reutilisation and disposal which outlines the situation and state of waste in Spain, and how it is faring relative to other EU member states, is vital for monitoring action in the public arena as regards this issue.

Within its National Statistical Plan, the INE conducts the "Survey on waste generation in the industrial sector" using information split out into autonomous communities, the last one published being for 2003.

According to this survey, in 2003 Andalusian industry produced six million tons of waste, accounting for 10.1% of total waste generated in industry in Spain that year, similar to Andalusia's relative weight in Spanish industry's GVA (9.2% according to the INE's Regional Accounts) and likewise to what it represented in the sales figures for the sector nationally (9.4% according to the INE's Industrial Products Survey).

This circumstance was not the case in other autonomous communities, where, on the contrary, the weight of waste produced by industry was far higher than their contribution to national industrial GVA. This was true for Castilla y León, where, largely owing to the strong presence of mining activity, more than one third of total waste generated by Spanish industry was concentrated (38.7%), which was a long way above this autonomous community's share of sector GVA nationally (6%). The situation was the same in Asturias, where, also due to ore extraction, waste generation accounted for 16.1% of the national total, the region's contribution to GVA being 2.6%.

**WASTE AND SALES FIGURES IN INDUSTRY. YEAR 2003**



**NOTE:**  
% of Spain's total.

**Source:** INE.  
**Compilation:** Office of the Secretary-General for Economy, Junta de Andalucía.

Focusing now on Andalusia, out of the total figure for waste produced by industrial establishments, 84% was from the manufacturing industry, the most important in the sector (82.6% of industrial GVA in Andalusia), followed by the extractive industry, which provoked 15.8% of waste, although this was relatively more than its share of industrial GVA (3.2%). Bringing up the rear was electricity generation and distribution, with barely 0.2% of total sector waste. In the breakdown by precise branches and in this case using information from 2002, within the manufacturing industry it was the chemicals industry which really stood out as regards waste production, with 44.6% of the total.

As is the case for industry in Spain as a whole, 96% of waste was considered not to be dangerous according to community regulations. More explicitly, mineral and construction waste accounted for the largest share of the total (59.5%), both in Andalusia and Spain, this being almost wholly non dangerous. Meanwhile, among the most notable types of dangerous waste both regionally and nationally was chemical waste.

Looking at trends since the year 2000, the first for which there are consistent figures from the survey mentioned, it can be seen that in Andalusia there has been a significant reduction in waste from industry, this more than halving between 2000 and 2003, actually dropping by 68%, which is far better than the figure nationally (-7.8%). This took place within a context of rising Gross Added-Value for the sector in Andalusia, which in 2003 was 16.2% more than in the year 2000, and also a substantial increase in total sales (20.4% in the period).

Looking at the waste to industrial GVA ratio, in Andalusia between the year 2000 and 2003 this fell by 72.7%, which was even more according to the percentage of waste to sector sales ratio (-73.7% for the period).

By branch of activity, the most severe waste reduction occurred in the extractive industry, where waste was cut by almost 100% (94% to be exact) followed by electricity generation and distribution (-78%). In contrast to this, the manufacturing industry saw waste produced rise by 63.1%.

It was the non dangerous types of waste which dropped the most (-69.3% between 2000 and 2003), this being mainly due to the decrease in mineral and construction waste.

### WASTE GENERATION IN THE INDUSTRIAL SECTOR. ANDALUSIA-SPAIN. YEAR 2003

	Andalusia		Spain		Percentage change on 2000	
	Tons	Percentage of total	Tons	Percentage of total	Andalusia	Spain
<b>TOTAL</b>	6,019,606	100.0	59,549,698	100.0	-68.3	-7.8
<b>By economic activity</b>						
Extractive industry	952,674	15.8	30,952,869	52.0	-94.0	-25.9
Manufacturing industry	5,057,934	84.0	26,477,706	44.5	63.1	30.4
Energy, electricity and gas	8,998	0.2	2,119,394	3.6	-78.0	-13.9
<b>By dangerousness</b>						
Not dangerous	5,767,648	95.8	57,404,557	96.4	-69.3	-9.1
Dangerous	251,957	4.2	2,145,411	3.6	31.6	55.9

Source: INE.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

## 5. INDUSTRIAL SECTOR

Table 26. **INDUSTRY LABOUR MARKET**

				Changes on 2004			
	2005			Absolute		Relative (%)	
	Andalusia	Spain	And/Sp %	Andalusia	Spain	Andalusia	Spain
LABOUR FORCE	350.4	3,441.2	10.2	19.2	-17.1	5.8	-0.5
EMPLOYED	328.5	3,280.0	10.0	30.1	69.0	10.1	2.1
Mining and quarrying	6.7	60.4	11.1	-0.8	0.8	-10.0	1.3
Manufacturing n.e.c.	305.6	3,113.1	9.8	28.2	65.4	10.2	2.1
Food products, beverages and tobacco	60.9	490.7	12.4	8.4	34.8	15.9	7.6
Textiles and textile products	14.8	239.9	6.2	-1.3	4.1	-8.4	1.7
Leather and leather products	4.5	72.2	6.2	0.8	-9.6	21.9	-11.7
Wood and wood and cork products	13.0	126.6	10.3	0.9	13.0	6.8	11.4
Manufacture of pulp, paper products; publishing	17.7	239.0	7.4	-2.3	-7.7	-11.5	-3.1
Refined oil products	5.2	18.3	28.4	-0.4	1.1	-6.8	6.2
Chemicals, chemical products and man-made fibres	12.8	172.2	7.4	-0.1	12.6	-0.3	7.9
Processing of rubber and plastic products	8.2	115.1	7.1	-1.6	-3.3	-15.9	-2.8
Other non-metallic mineral products	27.0	206.1	13.1	4.0	6.4	17.2	3.2
Metallurgy and fabricated metal products	51.4	476.1	10.8	9.5	10.8	22.5	2.3
Manufacture of machinery and equipment n.e.c.	17.1	248.1	6.9	7.2	37.1	72.2	17.6
Electrical, electronic and optical equipment	16.3	173.8	9.4	1.6	0.3	11.0	0.2
Manufacture of transport equipment	25.5	293.0	8.7	1.8	-32.4	7.3	-10.0
Manufacturing n.e.c.	31.3	242.2	12.9	0.0	-1.7	-0.1	-0.7
Electricity, gas and water supply	16.1	106.6	15.1	2.5	2.9	18.9	2.7
UNEMPLOYED (*)	21.9	161.3	13.6	-10.9	-86.1	-33.2	-34.8
UNEMPLOYMENT RATE (*)	6.2	4.7	1.3	-3.6	-2.5	-	-

### NOTE:

Thousand people unless otherwise stated.

(\*) From 2005 sector unemployment figures are affected by the change in the definition of unemployed without previous employment, those being included who left their employment a year or more previously (before this was 3 years or more).

Source: INE Labour Force Survey.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

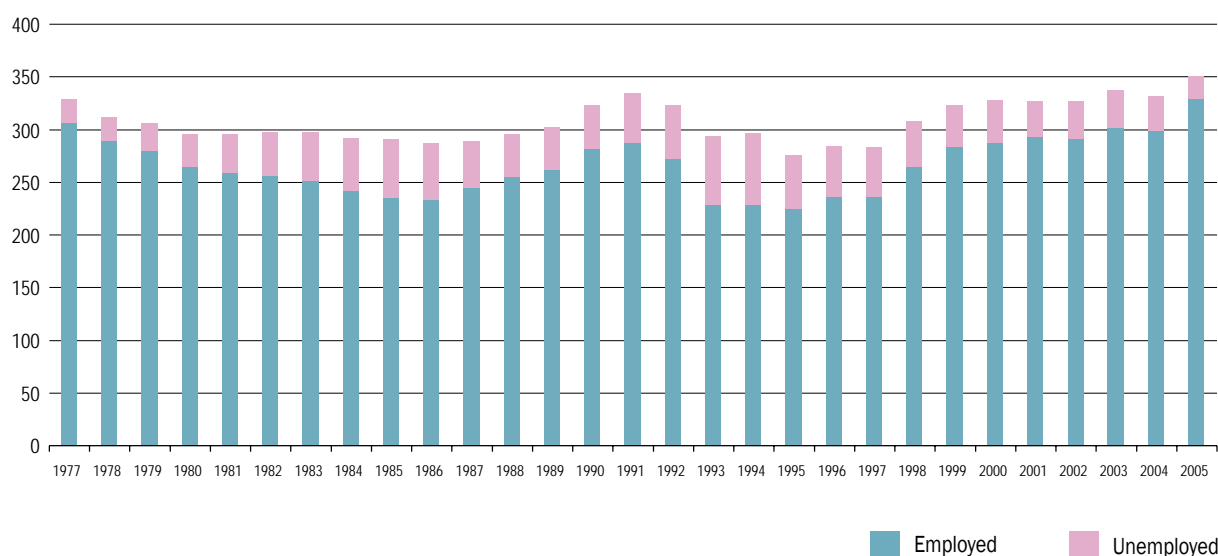
previous year's level by 30,100 people, with the region accounting for 43.6% of the whole increase in employment in Spanish industry for the year. This left those in work in Andalusian industry at a historic high of 328,492, representing 10% of total industrial employment in Spain.

Breaking this down into subsectors, employment rose in electricity, gas and water, as well as manufacturing, while it dipped in the extractive

industry (-10% year-on-year), essentially due to the fall registered in the branch of energy product extraction.

In the manufacturing industry, which accounted for 93.1% of total sector jobs, employment rose by 10.2% in 2005, almost five times more than in Spain as a whole (2.1%). This was largely due to growth in the foods, beverages and tobacco branch (15.9%), which represented close to 20%



Chart 57. **LABOUR FORCE IN THE INDUSTRIAL SECTOR. ANDALUSIA****NOTES:**

Thousand people.

Years 1977-1995: LFS-2002

Years 1996-2005: LFS-2005

From 2005 sector unemployment figures are affected by the change in the definition of unemployed without previous employment, those being included who left their employment a year or more previously (before this was 3 years or more).

Source: INE Labour Force Survey.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

of Andalusian employment in industry. Bearing in mind branch shares out of total sector employment, this was combined with considerable rises in metallurgy and fabricated metal products (22.5%), other, non-metallic mineral products (17.2%) and transport equipment (7.3%). The largest relative growth, however, was in the machinery construction and mechanical equipment industry (72.2%), which soared above the average increase in employment for these activities in Spain.

On the other hand, employment growth in the electricity, gas and water industry was an annualised 18.9%, this bouncing back from the fall registered the previous year and far above this branch's rise on a national scale (2.7%).

Gender-wise employment in Andalusian industry was up in 2005 both for males (9.2%) and particularly for females (13.8%), this taking the

share of employment for females in the sector up to 19.1%, six tenths of a point higher than in 2004, with males holding the other 80.9% of jobs.

In terms of working hours, those in work in industry in Andalusia mostly had full-time contracts (94.7%), although in 2005 growth here was more discreet than for employment in part-time work (8.9% and 34.1% year-on-year respectively).

In tandem with the considerable rise in employment in the sector, numbers of those in the labour force entering it showed significant dynamism, growing by an annualised 5.8% in 2005, unlike in Spain as a whole, where these fell (-0.5%). The net result was that the sector unemployment rate shrank back to a historic low of 6.2% in 2005, the lowest level of all the productive sectors, though somewhat higher than the figure for industry in Spain (4.7%).

## 5. INDUSTRIAL SECTOR

On the other hand, jobless figures recorded at National Employment Institute (INEM) offices showed a rise in unemployment in Andalusian industry (an annualised 2.5% in December 2005) in a context of a slight drop in industrial unemployment in Spain (-0.7%).

### Foreign trade

Trade exchanges of industrial products with countries abroad saw growth surge ahead in 2005, both for exports and, to a lesser extent, imports.

Andalusian industrial product sales abroad were up by a nominal 10% in 2005, outpacing overall

growth for Andalusian exports (7.3%), the rise taking place generally, in both the extractive and manufacturing industries and in electricity, gas and water.

Manufacturing exports, which provided 99% of the sector total, rose 9.7% on 2004, with considerable increases for oil refining (36.2%), transport equipment (20.9%) and metallurgy and metal products (17.8%), which together accounted for almost half of Andalusia's industrial exports. Alongside this, sales abroad in the extractive industry climbed by 20.4%, due to the increase in non-energy minerals (68.1%). Particularly robust was export growth for electricity, gas and water, whose level in 2005

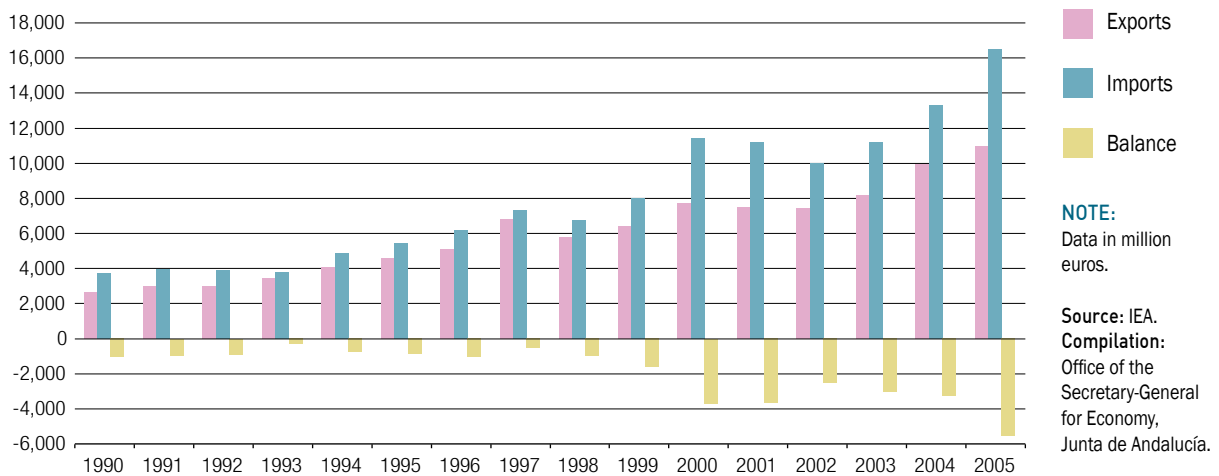
Table 27. **FOREIGN TRADE IN THE INDUSTRIAL SECTOR. ANDALUSIA. YEAR 2005**

	Import			Export			Trade balance
	€ thousand	% of total	04-05 growth %	€ thousand	% of total	04-05 growth %	€ thousand
<b>MINING AND QUARRYING</b>	6,957,917.4	42.2	52.5	93,876.9	0.9	20.4	-6,864,040.5
Mining of energy producing materials	5,939,692.1	36.0	50.0	2,737.8	0.0	-88.5	-5,936,954.3
Mining of non-energy producing materials	1,018,225.3	6.2	69.5	91,139.2	0.8	68.1	-927,086.1
<b>MANUFACTURING INDUSTRIES</b>	9,533,927.5	57.8	9.7	10,829,085.0	99.0	9.7	1,295,157.5
Food products, beverages and tobacco	1,629,050.1	9.9	21.7	2,440,635.9	22.3	-0.5	811,585.8
Textiles and textile products	380,950.5	2.3	11.3	179,974.7	1.6	-3.7	-200,975.8
Leather and leather products	89,556.4	0.5	11.9	61,172.1	0.6	-10.3	-28,384.4
Wood and wood and cork products	176,533.1	1.1	3.3	47,680.6	0.4	-22.6	-128,852.5
Pulp, paper products; publishing and printing	170,996.8	1.0	1.9	201,779.1	1.8	5.8	30,782.3
Refined oil products	988,637.5	6.0	-1.7	1,665,065.7	15.2	36.2	676,428.2
Chemical products and man-made fibres	1,076,601.9	6.5	11.0	946,191.4	8.6	3.1	-130,410.5
Rubber and plastic products	203,767.6	1.2	9.3	149,182.3	1.4	8.8	-54,585.2
Other mining and quarrying	278,981.7	1.7	22.4	135,245.5	1.2	-8.8	-143,736.2
Metallurgy and fabricated metal products	1,815,745.9	11.0	-4.6	1,803,195.2	16.5	17.8	-12,550.7
Machinery and equipment n.e.c.	625,120.8	3.8	-17.6	205,345.8	1.9	14.4	-419,775.0
Electrical and optical equipment	776,268.2	4.7	-8.0	879,122.0	8.0	-7.8	102,853.8
Transport equipment	1,121,239.6	6.8	108.8	1,947,994.6	17.8	20.9	826,755.0
Manufacturing n.e.c.	200,477.3	1.2	23.6	166,500.1	1.5	-18.9	-33,977.2
<b>ELECTRICITY, GAS AND WATER</b>	284.7	0.0	5,994.6	17,385.8	0.2	4,028.0	17,101.1
<b>TOTAL</b>	16,492,129.6	100.0	24.4	10,940,347.7	100.0	10.0	-5,551,781.9

Source: IEA.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

Chart 58. FOREIGN TRADE IN THE INDUSTRIAL SECTOR. ANDALUSIA



was 40 times that for 2004, even though this only represented 0.2% of sector exports.

Industrial export growth was higher than the rise in GVA (8% in nominal terms), which caused the export share to go up, that is, the proportion of industrial GVA employed in exports, which was 77.5% in 2005, 2.7 percentage points higher than in 2004.

Along with this export performance, buying from abroad of industrial products leaped up, growing at a rate of 24.4% in 2005 as Andalusia's imports swelled generally (23.7%).

This rise extended to virtually all branches and was especially sharp in connection with the buying of extractive industry products, which represented almost one half (42.2%) of total Andalusian industrial imports, this up by 52.5% on 2004 with heavy increases in purchases of

both non-energy mineral resources (69.5%) and energy product extraction (50%).

There was also more buying in manufacturing products, though growth was more modest (9.7% year-on-year), yet significant for imports of foods, beverages and tobacco (an annualised 21.7%), this representing a substantial quantity.

The fact that imports grew relatively more than exports meant that the trade deficit on industrial products opened up in 2005 to -5,552 million euros. This negative balance was exclusively due to the deficit on extractive products (-6,864 million euros) given the sizeable share taken up by crude oil imports. Exchanges of manufacturing industrial products, however, still showed a surplus (1,295 million euros), which basically centred on the transport equipment, agro-foods and oil refining branches.



## Construction sector

### Overview

For the eighth year in a row, in 2005 construction again shone as the Andalusian economy's most buoyant sector, with a rise in real GVA of 6.3%, almost one point above the average in Spain (5.5%) and within a scenario of very moderate growth in activity in the euro area (1.1%).

Growth was higher than the average for the whole set of Andalusian productive sectors (3.6%) and thus augmented construction's weight in Andalusia's productive structure, this reaching a historic high of 13.5%, one point higher than the previous year, and raising sector GVA to 15,384,9 million euros.

The forcefulness of construction activity in Andalusia was also accompanied by strong job creation, with a 6% increase in employment, as 2005 became the sector's eleventh successive year of rises in this regard, outstripping average growth nationally (4.6%). The result of this was that almost one quarter (23.7%) of the absolute rise in employment in construction nationally was attributable to Andalusia.

Business activity in the sector leaped ahead, with the number of enterprises in it on 1 January

2005 standing at 51,862 in Andalusia, 9.5% more than the year before and surpassing the increase nationally (6.2%). Andalusia now has 12.5% of all construction enterprises in Spain.

Labour cost per worker per month in construction ticked up more sharply than for the other productive sectors, rising by an annualised 3% and almost doubling the average increase regionally (1.7%) and slightly above the growth rate in the sector in Spain (2.8%). This higher relative growth meant that labour costs per worker in construction were 8.5% above the average for the Andalusian economy, 0.6% over the sector cost in Spain.

Along the same lines, sector producer prices also experienced a higher rise than the other productive sectors, which has also been the unbroken trend for the last six years. The construction GVA deflator therefore rose 9.4% in 2005, practically doubling the average increase for the GDP deflator throughout the whole Andalusian economy (4.8%).

In addition to these features of sector performance in 2005, the figures from the Annual Regional Accounts for Andalusia (CRAA) compiled by the IEA, which show data split out into branches of activity up to 2003, reveal certain other, more

## 5. CONSTRUCTION SECTOR

Table 28. **BASIC INDICATORS OF THE CONSTRUCTION INDUSTRY. ANDALUSIA. YEAR 2005**

GVA at basic prices <sup>(1)</sup>	
Millions of current euros	15,384.9
Nominal growth in the year	16.3%
Real growth in the year	6.3%
Construction GVA/Total Andalusian GVA	13.5%
Construction GVA/Spanish construction GVA	16.4%
Construction GVA/Construction output <sup>(1)</sup>	32.3%
Construction GFCF/Construction GVA <sup>(1)</sup>	7.9%
GVA distribution <sup>(1)</sup>	
Employee compensation	60.8%
Gross operating surplus <sup>(2)</sup>	38.3%
Net taxes on production	0.9%
Employed	
Thousand people	435.4
Annual growth	6.0%
Construction jobs/Total jobs in Andalusia	14.7%
Construction jobs/Construction jobs in Spain	18.5%
Productivity <sup>(3)</sup>	
All sectors in Andalusia = 100	88.5
Spain's construction sector = 100	102.4
Construction GVA deflator	
Annual growth	9.4%
Labour costs <sup>(4)</sup>	
Euros	2,069.2
Annual growth	3.0%
All sectors in Andalusia = 100	108.5
Spain's construction sector = 100	100.6
Enterprises	
Number	51,862
Annual growth	9.5%
Construction enterprises/Construction enterprises in Spain	12.5%

### NOTES:

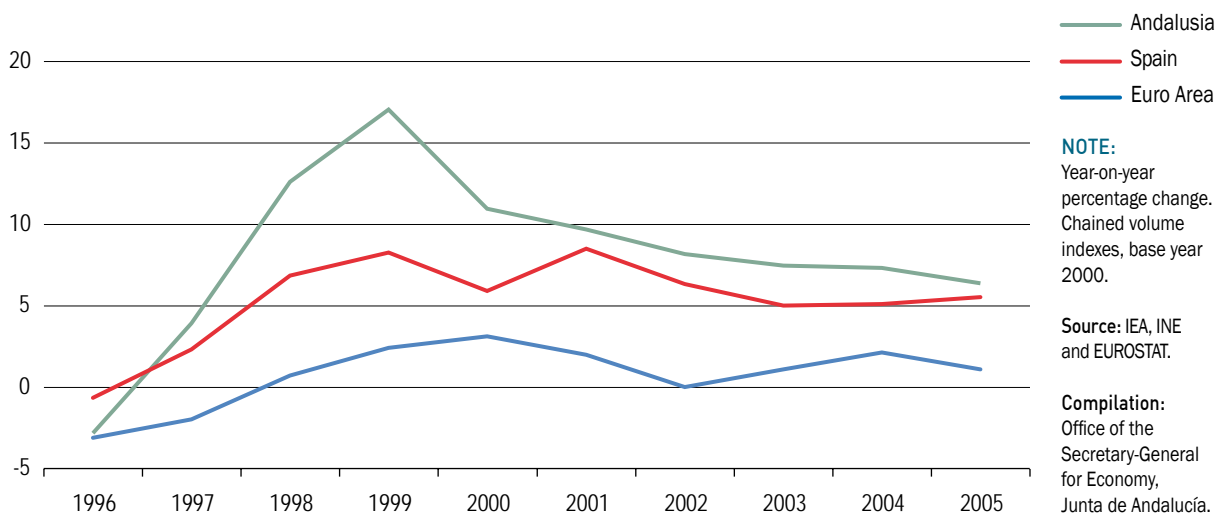
- (\*) Advance figures.
- (1) Data from 2003.
- (2) Includes mixed income.
- (3) GVA per job at basic prices in current euros.
- (4) Labour costs per worker per month.

Source: IEA and INE.  
 Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

structural characteristics of the construction sector in Andalusia.

Firstly it is worth noting that construction was a sector where the GVA to output ratio (32.3%) was under the average for the whole group of Andalusian productive sectors (48.5%).

On the other hand, the split between earned income and capital income in the productive process identifies the sector as one where the former had a higher relative weight in comparison with the regional average. In 2003 employee compensation had a share in GVA of 60.8% (53.6% on average in Andalusia), whereas gross operating

Chart 59. **CONSTRUCTION INDUSTRY GVA**

surplus and mixed incomes accounted for 38.3% (45.8% regionally). This distribution of construction income in Andalusia was similar to that registered for the whole sector in Spain, where, according to the INE, employee compensation represented 61.7% of GVA and gross operating surplus and mixed incomes the remaining 37.5%.

On top of these results from the Annual Regional Accounts for Andalusia, the Spanish Regional Accounts produced by the INE allow other structural aspects of the sector to be studied, such as the weight of Gross Fixed Capital Formation in GVA and apparent labour productivity.

Here, on the basis of data for 2003, Gross Fixed Capital Formation accounted for 7.9% of sector gross value-added, which is a considerably lower percentage than it had out of the whole of the Andalusian economy (27.4% of GDP) and is in line with the relative weight it held for the whole of the sector in Spain (9%).

The sector's apparent productivity, taken as GVA per job, shows that Andalusia was slightly above the national level at 2.4% higher. Likewise, despite being underneath the average productivity level for the Andalusian productive sectors (88.5%),

between 2000 and 2003 it improved significantly and moved from representing 81.7% of the regional average in 2000 to the current level of 88.5%.

## Housing subsector

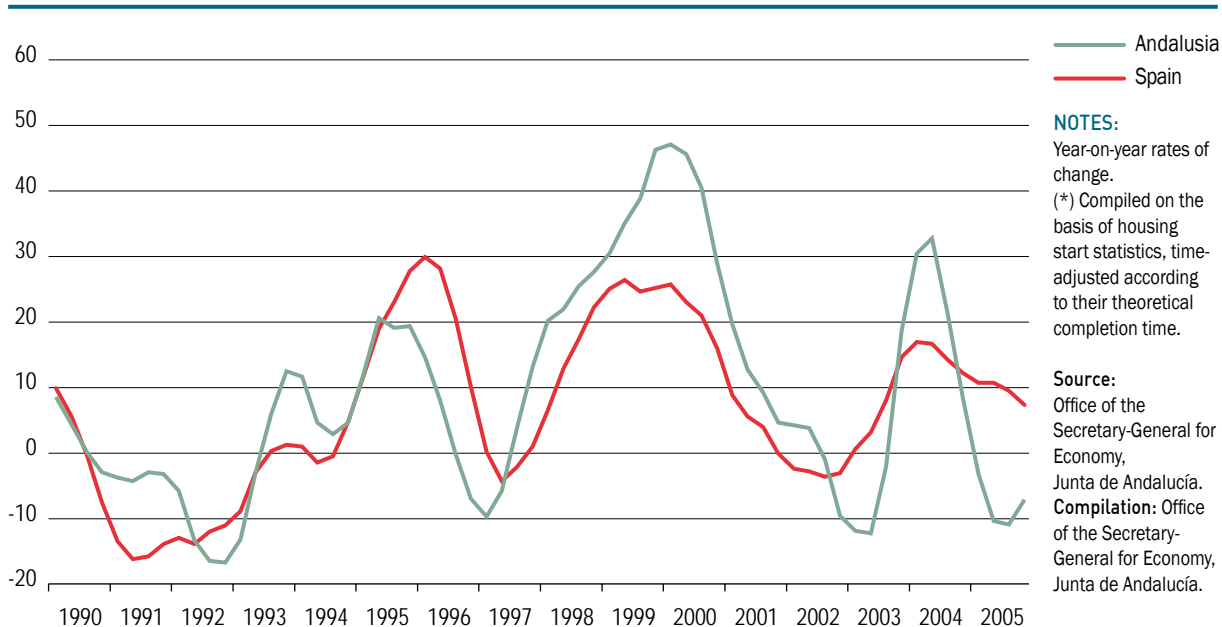
According to Housing Ministry data there were a total of 151,761 housing starts in 2005, with growth at an annualised 6.6%. This performance meant a significant bounce-back after the negative results for 2004, when the rate of housing starts showed a year-on-year drop of 10.9%.

It was exactly this decline in housing starts in 2004 which sparked a downturn in the housing activity indicator, which, is produced on the basis of monthly housing starts time-adjusted according to their theoretical completion periods and showed a drop of 7.9% for 2005 as a whole. However in charting movements for this, two clearly distinguishable phases were noticeable, with a pick-up in the downward pattern over the first half and then something of a recovery in the closing months of the year.

Growth for housing starts in Andalusia in 2005 was higher than it was nationally (4.2%), with the

## 5. CONSTRUCTION SECTOR

Chart 60. **RESIDENTIAL ACTIVITY INDICATOR** (\*)



outcome that Andalusian housing starts came to represent a little more than one fifth of all those carried out in Spain (21.2% for the year as a whole), a percentage far higher than that represented by the stock of houses in Andalusia with respect to the national average (16.9% according to the last Housing Census conducted in 2001) and likewise out-punching its relative weight in population terms (17.8%).

Differentiating between open-market and government-sponsored dwellings, housing starts

for the latter were more dynamic, outperforming those begun the previous year by 12.2% and boosting their relative weight out of the total, taking this up to 9.3% of all starts, the highest percentage for six years. Along with this, the number of open-market housing starts, representing 90.7% of the total, posted growth of 6% for the year as a whole.

As for housing completions, in 2005 a total of 151,872 were recorded in Andalusia, growing at an annualised 29.9% and also rallying from the previous year's fall-back in the context of a drop nationally (-7% year-

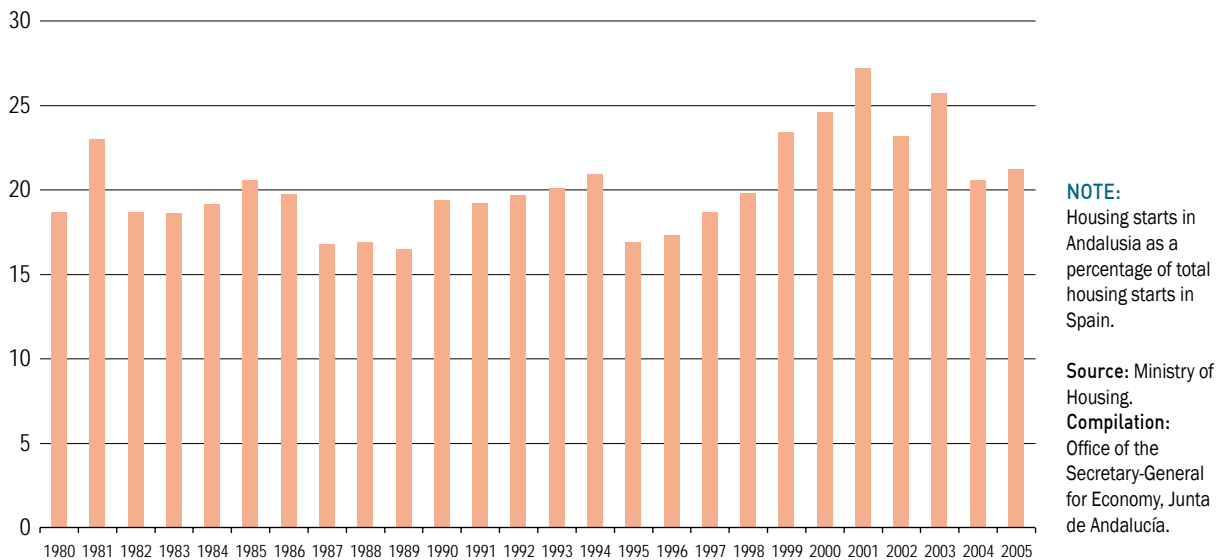
Table 29. **HOUSING SUBSECTOR. YEAR 2005**

	ANDALUSIA						SPAIN	
	Government-sponsored		Open-market		TOTAL		TOTAL	
	2005	04-05 growth %	2005	04-05 growth %	2005	04-05 growth %	2005	04-05 growth %
Housing starts	14,142	12.2	137,619	6.0	151,761	6.6	714,799	4.2
Housing completions	11,279	-7.2	140,593	34.2	151,872	29.9	637,951	-7.0
Projects endorsed by architects' associations	12,279	2.1	160,768	10.0	173,047	9.4	812,294	18.4

Source: Ministry of Housing and The Board of Spanish Architects Associations.  
Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.



Chart 61. HOUSING STARTS IN ANDALUSIA VIS-À-VIS SPAIN

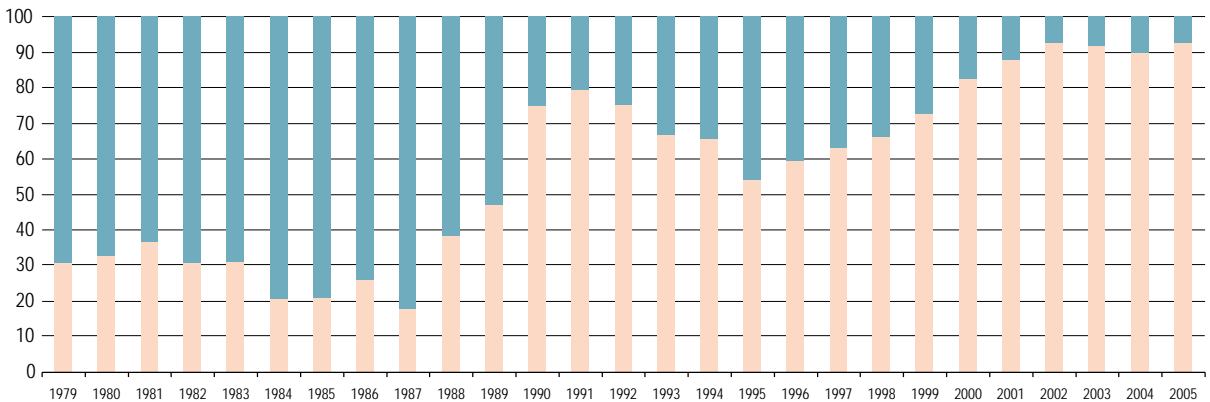


on-year), resulting in Andalusia accounting for almost one quarter of all housing completed over the whole Spanish economy (23.8%).

This enlargement of the stock of housing in Andalusia focused exclusively on the open-

market section, which represented 92.6% of total dwellings completed in Andalusia in the year, and was up sharply (34.2% year-on-year), while there was a reduction in completions of government-sponsored housing (an annualised -7.2%), which barely represent 7.4% of the total.

Chart 62. HOUSING COMPLETIONS BY TYPE. ANDALUSIA



**NOTE:** Percentage of total housing completions.

**Source:** Ministry of Housing.  
**Compilation:** Office of the Secretary-General for Economy, Junta de Andalucía.

Open-market  
Government-sponsored

Table 30. **REAL ESTATE HOUSING TRANSACTIONS. YEAR 2005**

	Andalusia	04-05 growth %	Spain	04-05 growth %	% And/Sp
No. of transactions	152,475	3.3	901,574	6.3	16.9
New homes	54,892	10.1	336,478	14.0	16.3
Existing homes	97,493	-0.2	565,096	2.2	17.3
Open-market	142,337	2.7	854,689	6.6	16.7
Government-sponsored	10,138	13.1	46,885	0.4	21.6
Average open-market transfer value (euros)	126,161.8	17.1	153,986.3	15.8	81.9
New homes	142,086.8	12.7	162,223.0	9.1	87.6
Existing homes	117,891.2	19.0	149,463.0	19.5	78.9

Source: Ministry of Housing.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

Further to this statistical information which provides an insight into trends in the supply of residential housing, in September 2005 the Housing Ministry began to publish Real Estate Transaction Statistics, whose chief aim is to quantify the total number of dwellings sold on the property market and which can therefore be considered as an indicator of housing demand.

Data for these statistics are available since the first quarter of 2004, and according to them, for 2005 as a whole the number of real estate housing transactions came to 152,475 in Andalusia, or 16.9% of the national total, having experienced growth of 3.3% on 2004, which was more restrained than on average in Spain (6.3%).

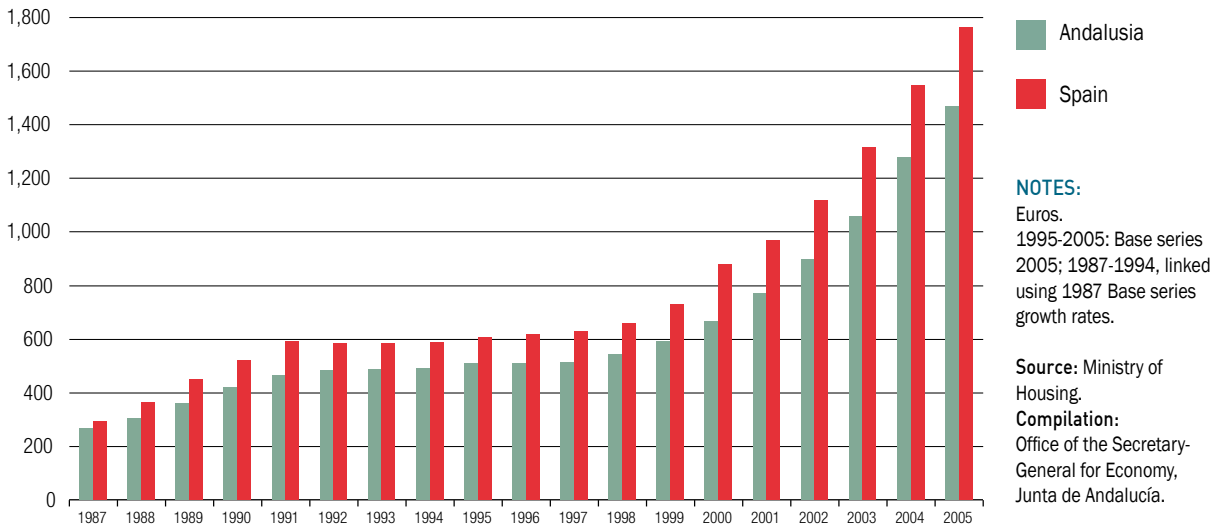
The rise in real estate transactions in Andalusia in 2005 was centred exclusively on new buildings, and these were up 10.1% on those carried out in 2004, whereas existing home transactions practically held at the 2004 level (-0.2%). Out of total transactions effected over the year, however, almost two thirds (63.9%) involved existing homes, which was similar to the percentage seen nationally, where 62.7% of dwellings transferred were existing homes.

On the other hand, analysing the breakdown between open-market and government-sponsored

housing, it should be noted that growth was stronger in transactions involving government-sponsored dwellings (these 13.1% up on 2004) than it was for open-market housing (2.7% year-on-year), although the latter represented 93.4% of total transactions closed. These trends differ from those seen nationally, where growth in real estate transactions was fundamentally in open-market housing (6.6%), while government-sponsored transactions virtually stagnated with respect to 2004 (0.4%). On balance a little over one fifth (21.6%) of total government-sponsored dwellings transferred nationally in 2005 were in Andalusia.

The above-mentioned Housing Ministry statistics also provide information on the average price of transactions closed, though this is only the case for open-market housing. According to this data, the average transfer price for open-market housing in Andalusia was 126,161.8 euros in 2005, a figure which represented 81.9% of the national average and was 17.1% higher than in 2004, above average growth for Spain as a whole (15.8%). This increase was in keeping with national trends but it was more pronounced in the case of existing homes, whose price was 19% higher than the year before, than it was for new buildings, where growth was 12.7%. The outcome of this was that the average transfer price for

Chart 63. OPEN-MARKET HOUSING PRICE PER SQUARE METRE



new open-market dwellings was 142,086.8 euros in 2005, 20.5% higher than existing ones (117,891.2 euros).

Similar results can be drawn from the Housing Price Statistics also compiled and published by the Housing Ministry. According to these, the

price per square metre of open-market housing built in Andalusia was 1,468.8 euros in 2005, 14.9% higher than in 2004, which was above the average growth rate in Spain (13.9%), though this was the most restrained in five years. The price per square metre of open-market housing in Andalusia was however still below the Spanish

Chart 64. OPEN-MARKET HOUSING PRICE PER SQUARE METRE. ANDALUSIA

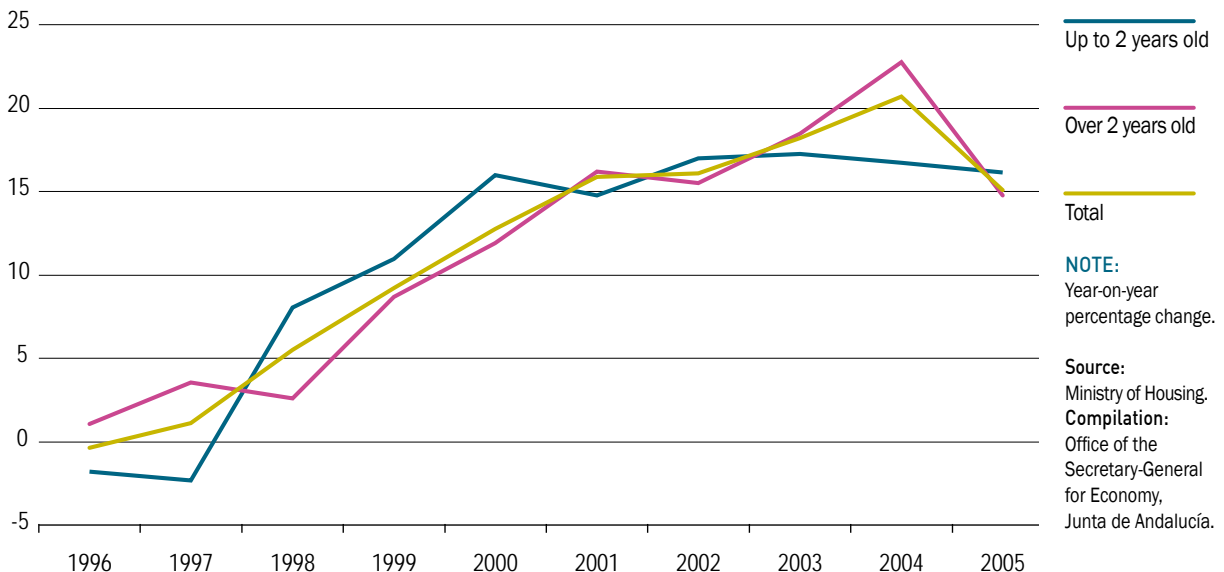


Chart 65. **AFFORDABILITY OF HOMES**

average, standing at 83.4% of this in 2005 yet steadily creeping towards it.

In terms of the age of housing, greater relative growth could be seen in the price per square metre of dwellings up to two years old, with this an annualised 16.1% above the year before in 2005. Meanwhile the price per square metre of open-market housing over two years old rose by slightly less (14.7%), though both of these readings were within the context of a slackening trend, this being more pronounced for housing over two years old.

While these results make it plain that in 2005 there was a slowdown in the growth rate of the price per square metre of open-market housing in Andalusia, they also mean that housing became increasingly less affordable again as prices rose faster than wage income, which, according to the INE's Quarterly Labour Cost Survey, was up by 1.5% in 2005.

Thus if the level of difficulty in affording a dwelling is measured in terms of the relationship between its price and wages, and bearing in mind that an average dwelling in Andalusia has 90 m<sup>2</sup> of floor-space as indicated by the INE's 2001 Housing Census, we find that 8 years of wages were

needed to buy a home in the region in 2005, which is almost one year more than was required in 2004. This ratio was still below the average in Spain, where 8.5 years of wages were needed to buy a 90 m<sup>2</sup> dwelling.

Besides these figures on the price per square metre of open-market dwellings, the Housing Ministry also provides information on the price per square metre of government-sponsored housing, but in this case this is only available for the years 2004 and 2005. In 2005 the price per square metre of government-sponsored housing in Andalusia was 851.2 euros, 3.9% higher than the previous year and 42% lower than its open-market equivalent. Given that the average rise in Spain was 6.3%, the price per square metre of government-sponsored housing in Andalusia thus represented 91.8% of the national average.

By provinces, the most sizeable rises in prices per square metre for both open-market and government sponsored housing were registered in Cordova, at 20.7% and 7.7% year-on-year respectively. After this and in open-market terms, came Cadiz, Almeria, Granada and Jaen, with increases above the regional average, and

Table 31. HOUSING PRICE PER SQUARE METRE. YEAR 2005

	Open-market			Government-sponsored		
	Euros	04-05 growth %	Andalusia=100	Euros	04-05 growth %	Andalusia=100
Almeria	1,356.2	17.0	92.3	852.0	4.6	100.1
Cadiz	1,538.7	18.9	104.8	853.5	2.5	100.3
Cordova	1,207.9	20.7	82.2	856.8	7.7	100.7
Granada	1,213.7	16.8	82.6	855.0	1.8	100.5
Huelva	1,395.4	13.0	95.0	859.2	3.0	100.9
Jaen	892.8	16.3	60.8	829.9	4.2	97.5
Malaga	1,986.6	9.0	135.3	849.5	5.2	99.8
Seville	1,453.9	13.4	99.0	853.3	5.2	100.2
Andalusia	1,468.8	14.9	100.0	851.2	3.9	100.0
Spain	1,761.0	14.0	–	926.4	6.3	–

Source: Ministry of Housing.

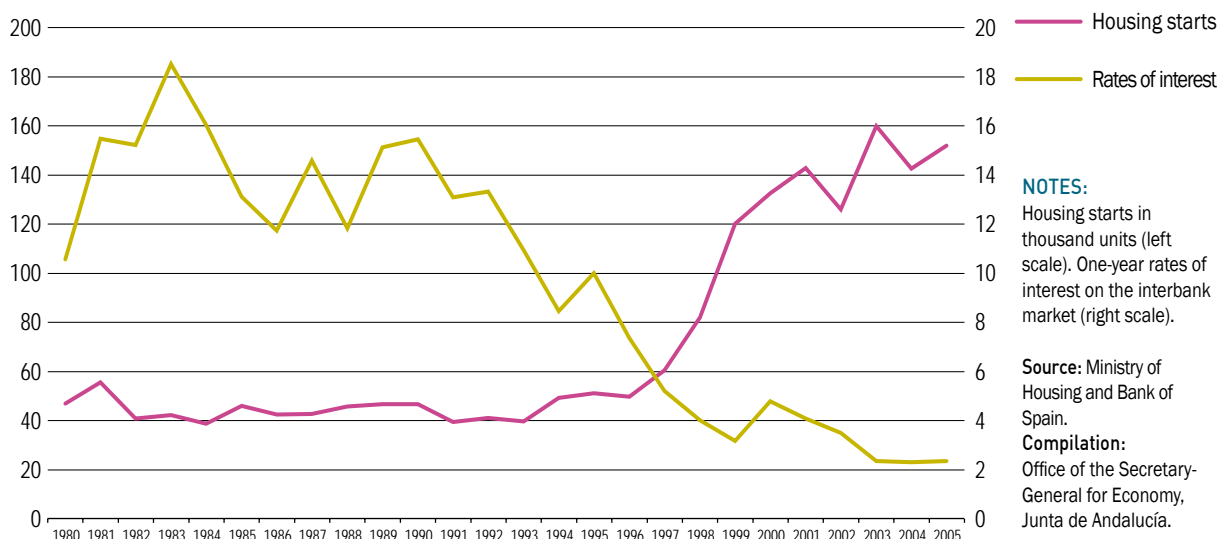
Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

Malaga at the other end of the scale with a rise of 9%. On the government-sponsored side, after Cordova came Malaga, Seville, Almeria and Jaen, with above-average increases, while Granada presented the lowest (1.8%).

In absolute terms Malaga stood out as having the highest price per square metre for open-market

housing (1,986.6 euros), some 35% higher than the regional average and even 13% above the national one. It was followed by Cadiz, where the open-market price per square metre was 4.8% over the Andalusian average, while Jaen stood at the other extreme, where the price per m<sup>2</sup> for open-market housing was roughly 61% of the regional average.

Chart 66. HOUSING STARTS AND RATES OF INTEREST. ANDALUSIA



Box 7. REAL ESTATE MARKET TRANSACTIONS

In 2005 the Housing Ministry began publishing its Real Estate Transaction Statistics, which are compiled using a database generated by the real estate transactions executed before notaries and whose prime objective is to quantify the number of dwellings sold on the property market, thus serving as an indicator of the demand for housing.

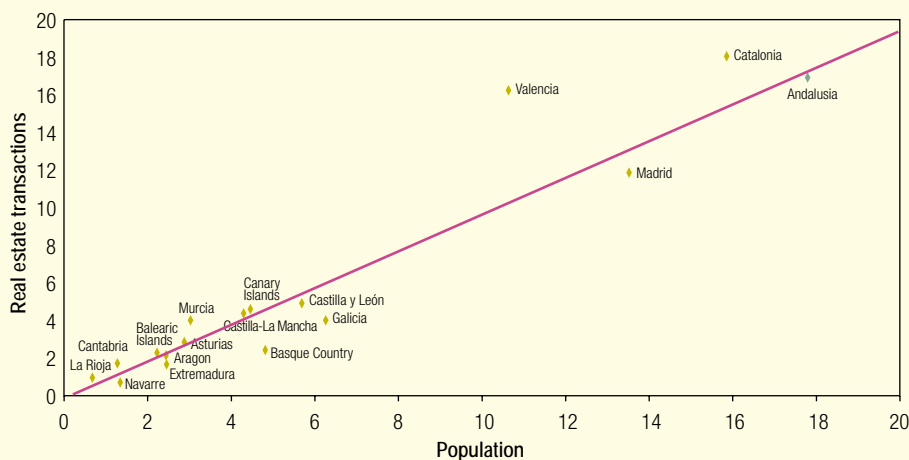
Data is available from the first quarter of 2004 and the statistics provide quarterly information on the total number of transactions made during the reference period, distinguishing between new and existing homes and, within these categories, if they are open-market or government-sponsored dwellings. They similarly offer information on the value of the transactions made, though only for the open-market housing section, both for new and existing homes, as well as their built surface area. Geographically, the statistics take in all national territory, breaking this down into provinces.

From the results available it can be concluded that in 2005 a total of 901,574 housing transactions were carried out in Spain, 6.3% more than in 2004. By autonomous communities, Catalonia, Andalusia and Valencia, in that order, had the most transactions, the three of them together accounting for more than half (51.2%) the national total. Relative to the population of each of these regions, the cases of Catalonia and particularly Valencia were significant, with housing transaction percentages out of the national total far in excess of their weight in population terms. Valencia saw 16.2% of total housing transactions in 2005, while its population was 10.6% of the national total. At the other end of the spectrum were the Basque country and Galicia, with population weights higher than their share of housing transactions. Andalusia was in the same situation with a population representing 17.8% of the national total and 16.9% of housing transactions in Spain.

Focusing on only open-market transfers (94.8% of the total nationally), the overall value for those carried out in Spain in 2005 came to 131,954.6 million euros, 23.5% up on 2004 and representing 14.6% of national GDP, with Andalusia situated at around this average (14.1% of GDP). This percentage was nonetheless far higher in autonomous communities such as Valencia, Cantabria and Catalonia, where total open-market housing transactions in 2005 had a value of roughly 19% of GDP, while Navarre, Extremadura, the Basque Country and Galicia stood at around 7%.

The average transfer price for open-market housing in Spain in 2005 was 153,986.3 euros in 2005, 15.8% higher than in 2004, with an across-the-board rise for all the autonomous communities, among which those for La Rioja, Extrema-

Chart 1. REAL ESTATE HOUSING TRANSACTIONS AND POPULATION. YEAR 2005



NOTE:  
% of national total

Source: Ministry of Housing and INE.  
Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

dura and Castilla-La Mancha were notable. The highest average transfer prices for open-market housing were however in Madrid, where this was 51.1% over the national average, the Basque Country (43.7% above), and Catalonia (25.6% over). At the other end of the scale was Extremadura, where this figure was roughly half the national one. Andalusia also stood at this end, where the average transfer value was 81.9% of the national one.

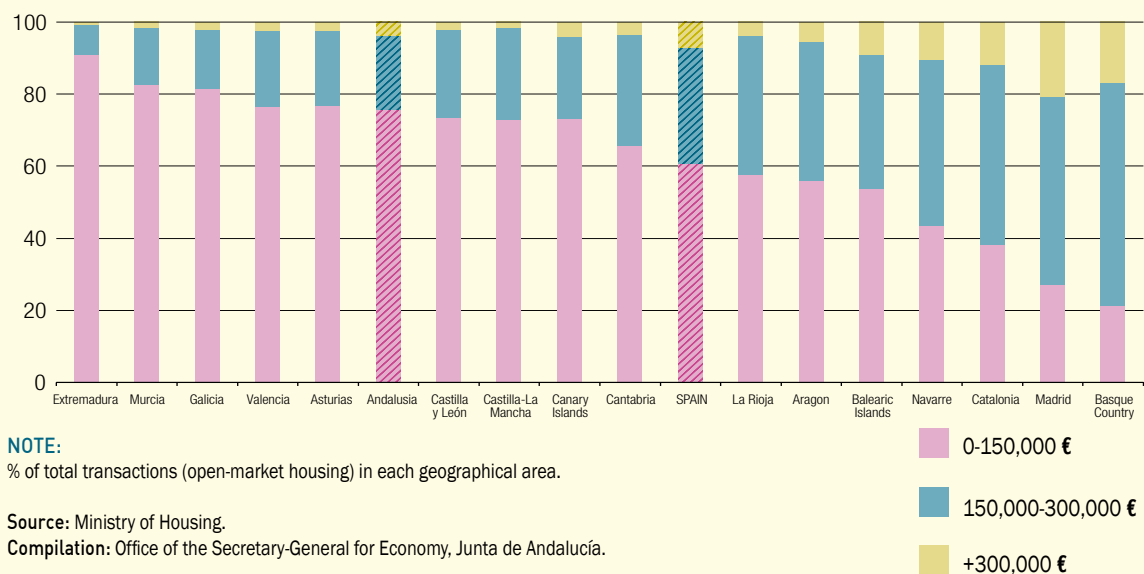
The statistics referred to also provide information on open-market real estate transactions according to their value and built surface area.

By built surface area, out of total open-market real estate transactions in Spain in 2005, over one third (38%) had a built surface area of between 60 and 90 m<sup>2</sup>, this band accounting for the majority in almost all the autonomous communities, although the weights were different. Andalusia stood at around the national average with 35.4% of transactions for housing of this size, while in Asturias and the Basque Country they represented about half of the total (48.9% and 47.7% respectively) and, at the other extreme, in Castilla-La Mancha, they were only one quarter of it.

In Spain 6.6% of total transactions in 2005 involved dwellings within the largest surface area band (over 180 m<sup>2</sup>), there being autonomous communities where this percentage was considerably higher, such as Castilla-La Mancha (where they are 15% of the total), Extremadura (10.6%) and Castilla y León (10.3%). On the other hand, housing transactions in the smallest surface area band (under 30 m<sup>2</sup>) represented 1.3% nationally, Madrid having the highest relative weight, with 2% of the total.

Lastly, analysis of open-market real estate transactions according to their value reveals that in Andalusia most of them (75.6%) were for a value of under 150,000 euros, this percentage being 60.6% nationally. In the other autonomous communities most transactions were also on this scale, except in Catalonia, Navarre, Madrid and, above all the Basque Country, where housing transfers predominated which were for a value of between 150,000 and 300,000 euros. It is also worth noting the cases of Madrid and the Basque Country, where 14.6% and 12.8% respectively of transactions were for over 300,000 euros, when on average in Spain only 5% of the total fell within this band.

Chart 2. REAL ESTATE HOUSING TRANSACTIONS BY VALUE. YEAR 2005



## 5. CONSTRUCTION SECTOR

In an environment where interest rates held at the relatively low levels of previous years, even being negative in real terms, mortgage lending continued to grow in 2005 at a very high rate.

According to the INE, the sum of mortgage loans approved by banking institutions in Andalusia to fund house purchases rose a nominal 34.6% in 2005, above average growth nationally (26.7%) and the rise registered in 2004 (28.5%). As a result the total amount for new mortgage loans granted to fund house-buying in Andalusia came to 25,772 million euros in 2005, which represented 20.2% of Andalusian GDP, compared to the share of 17% of GDP that the sum of mortgages accounted for nationally.

Taking into account the number of mortgage arrangements, we find that the average mortgage sum used to finance a home in Andalusia in 2005 was 109,805.5 euros, 13.3% over the 2004 level, even though this represented 88.2% of the average amount nationally (124,538.3 euros).

### Labour market

Employment in the Andalusian construction sector continued to race ahead in 2005, although less quickly than in previous years.

According to the LFS, the number of people in work was 6% up on 2004, above the growth rate for the sector as a whole in Spain (4.6%). This took employment in Andalusian construction up to 435,350 people, 24,675 more than in 2004, with the region accounting for almost one quarter (23.8%) of sector job creation on a national scale.

Employment growth in construction affected the female population more than the male one, with increases of 40% and 4.9% respectively. Even so, construction is a sector where employment is mostly male, with the involvement of females low, to the extent that only 4.2% of the total of those employed in the sector in 2005 were female, although this was the highest percentage on record to date.

Looking at working hours, most of those working in construction did so full-time (96.7%), there being an increase of these registered in 2005 of an annualised 4.3%. There was also a notable spike in part-time employment, which more than doubled with respect to the previous year, even though this only accounted for 3.3% of employment.

The rise in employment comfortably eclipsed the inflow of new members of the labour force into

Table 32. **CONSTRUCTION INDUSTRY LABOUR MARKET**

	Change on 2004						
	Year 2005			Absolute		Relative (%)	
	Andalusia	Spain	And/Sp %	Andalusia	Spain	Andalusia	Spain
Labour force	476.3	2,509.2	19.0	2.9	46.8	0.6	1.9
Employed	435.4	2,357.2	18.5	24.7	104.0	6.0	4.6
Unemployed (*)	41.0	151.9	27.0	-21.8	-57.4	-34.7	-27.4
Unemployment rate (*)	8.6	6.1	—	-4.7	-2.4	—	—

#### NOTES:

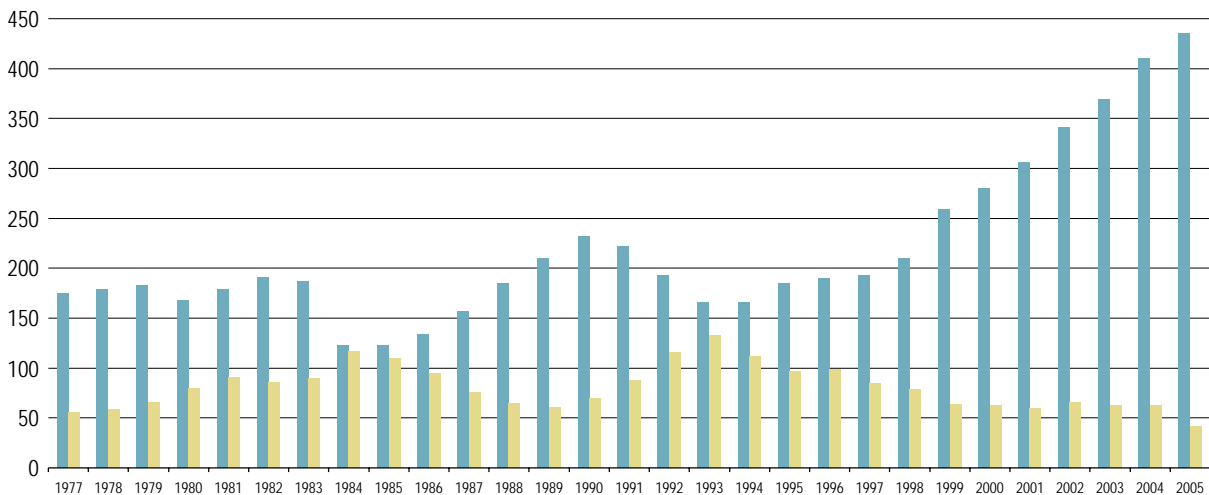
Thousand people unless otherwise stated.

(\*) From 2005 sector unemployment figures are affected by the change in the definition of unemployed without previous employment, those being included who left their employment a year or more previously (before this was 3 years or more).

Source: INE Labour Force Survey.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.



Chart 67. **LABOUR FORCE IN THE CONSTRUCTION INDUSTRY. ANDALUSIA****NOTES:**

Thousand people.

1997-1995: LFS 2002; 1996-2005: LFS 2005.

Source: INE Labour Force Survey.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

■ Employed

■ Unemployed

the sector, giving rise to a sizeable cut in the unemployment rate, which stood at 8.6% of the labour force, 4.7 points below its level the previous year, and the unfavourable gap with respect to the sector's national average unemployment rate narrowed.

Meanwhile the unemployment figures registered at the INEM's offices showed a departure from the falling unemployment trend in construction, this ending 2005 with annualised growth of 2.8%, in contrast with the 3% fall registered for the sector as a whole in Spain.

## Outlook

The leading indicators for activity suggest a very favourable outlook for construction in 2006, it being expected to keep up its vigorous growth rate, both in building work and civil engineering projects.

On the building work side, both official tenders approved by the various government tiers for this

kind of work and housing projects approved by architectural associations showed very positive results in 2005.

For the year as a whole some 173,047 projects for new homes in Andalusia were approved, this being up 9.4% on the previous year. This growth was especially noticeable in the open-market subsector, with a rise in approved housing of an annualised 10%, compared with 2.1% for government-sponsored dwellings, the former coming to represent 92.9% of total projects approved in Andalusia in the year.

In addition to this, official tenders approved for building projects also suggest favourable developments for this activity, with a total sum approved of 1,570 million euros in 2005, 24.3% up on 2004 in nominal terms.

Higher still is the growth for official government tenders approved for civil engineering work, which represented over two thirds (69.6%) of all work put out to tender in Andalusia, this being 31.6% over

## 5. CONSTRUCTION SECTOR

Table 33. **GOVERNMENT TENDERS BY TYPE OF WORK AND GOVERNMENT TIER. ANDALUSIA. YEARS 2004-2005**

	2004	2005	04-05 growth %	
			Nominal	Real <sup>(1)</sup>
Building construction	1,263	1,570	24.3	18.4
Civil works	2,732	3,596	31.6	25.4
<b>TOTAL</b>	<b>3,995</b>	<b>5,166</b>	<b>29.3</b>	<b>23.2</b>
Central government	2,011	1,928	-4.1	-8.7
Andalusian government	951	1,423	49.7	42.6
Local governments	1,034	1,814	75.4	67.1
<b>TOTAL</b>	<b>3,995</b>	<b>5,166</b>	<b>29.3</b>	<b>23.2</b>

**NOTES:**  
Data in million euros unless otherwise stated.  
(1) Deflated by the construction cost index.  
  
Source: SEOPAN and Ministry of Public Works.  
Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

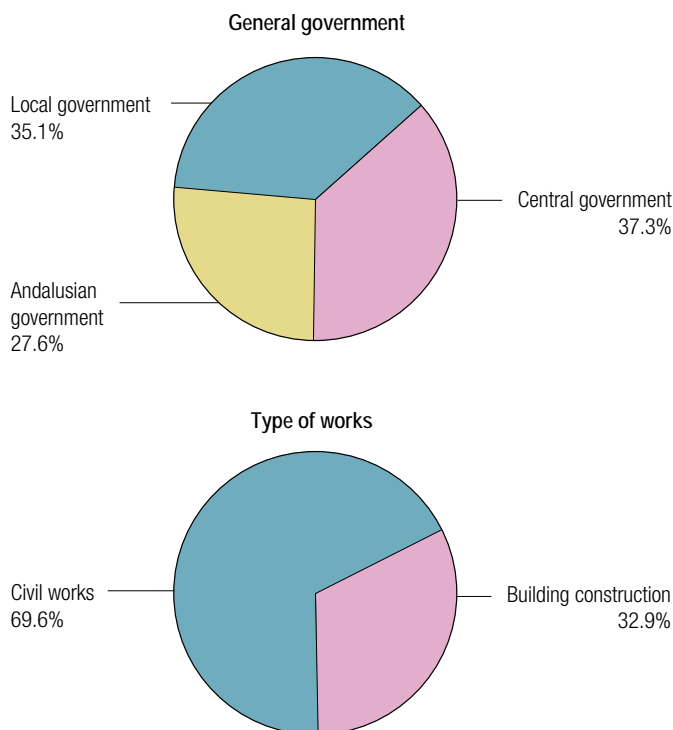
the previous year's level in 2005 and reaching the figure of 3,596 million euros.

Overall the total sum for official tenders approved by the whole set of government tiers in Andalusia amounted to 5,166 million euros in 2005, which meant an increase in nominal terms of 29.3% with respect to the previous year and was over

the national level (24.1%), with 13.2% of all government tenders approved in Spain taking place in the region.

In the breakdown by government tiers, there was notable growth in tenders approved by local authorities (75.4%) and the Junta de Andalucía, Andalusia's regional government (49.7%), which

Chart 68. **OFFICIAL TENDERING. ANDALUSIA. YEAR 2005**



**NOTE:**  
Breakdown of government tenders by type of work and government tier.

Source: SEOPAN.  
Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

together account for almost two thirds (62.7%) of the total, while tenders approved by central government, representing 37.3% of the total, fell slightly (-4.1%).

Lastly, the rise in official tenders was spread across all of the provinces except Jaen, where they

dropped 55.3%. The biggest increase occurred in Granada, where the volume of approved official tenders tripled on 2004, followed by Huelva, with 9.3% growth. The provinces which finally saw the largest official tender turnover were Malaga (22.5%), followed by Granada and Seville (17.2% and 17.1% respectively).



## Services sector

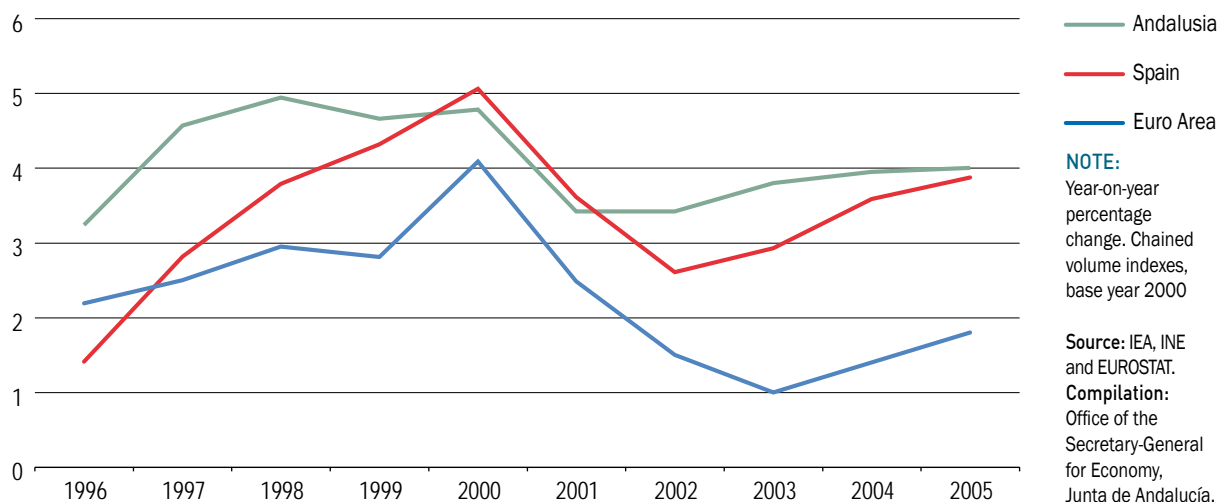
### Overview

In Andalusia the services sector kept up a sound and sustained growth rate over the whole year, the result for 2005 being brisker activity than on average in Spain and, particularly, the euro area. In real terms sector growth was an annualised 4%, the same as in 2004, slightly above the rate for Spain as a whole (3.9%) and more than double that in the euro area (1.8%).

Services sector GVA in Andalusia thus came to 78,422.6 million euros in 2005, a figure which accounted for 14.4% of the sector nationally, one tenth of a point more than in 2004, and 68.5% of total regional GVA, being therefore the largest in the Andalusian economy.

In addition to such favourable trends in terms of output, the labour market witnessed strong job creation. According to the LFS, employment in

Chart 69. **SERVICES INDUSTRY GVA**



## 5. SERVICES SECTOR

Table 34. **BASIC INDICATORS OF THE SERVICE INDUSTRIES. ANDALUSIA. YEAR 2005**

GVA at basic prices <sup>(*)</sup>	
Millions of current euros	78,422.6
Nominal growth in the year	7.9%
Real growth in the year	4.0%
Services GVA/Total Andalusian GVA	68.5%
Services GVA/Spanish services GVA	14.4%
Services GVA/Services production <sup>(1)</sup>	62.9%
Services GFCF/Andalusian services GVA <sup>(1)</sup>	37.9%
GVA distribution <sup>(1)</sup>	
Employee compensation	54.2%
Gross operating surplus <sup>(2)</sup>	44.9%
Net taxes on production	0.9%
Employed	
Thousand people	1,924.6
Annual growth	7.3%
Service sector jobs/Total jobs in Andalusia	65.0%
Service sector jobs/Service sector jobs in Spain	15.6%
Productivity <sup>(1) (3)</sup>	
All sectors in Andalusia = 100	104.5
Spain's service sector = 100	93.2
GVA deflator <sup>(*)</sup>	
Annual growth	3.7%
Labour costs <sup>(4)</sup>	
Euros	1,817.5
Annual growth	1.4%
All sectors in Andalusia = 100	95.3
Spain's service sector = 100	89.6
Enterprises	
Number	379,426
Annual growth	4.9%
Service sector enterprises/Service sector enterprises in Spain	15.8%

### NOTES:

- (\*) Advance figures.
- (1) Data from 2003.
- (2) Includes mixed income.
- (3) GVA per job at basic prices in constant euros.
- (4) Labour costs per worker per month.

Source: IEA and INE.  
 Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

services in Andalusia rose 7.3% in 2005, 1.5 points more than the previous year and two tenths of a point above the national growth level (7.1%). This and the sector's notable weight in the Andalusian economy as a whole meant that sector job creation in 2005 represented two thirds (66.9%) of the total rise in employment in Andalusia for the year and 16.1% of all of this generated in services in Spain. The working population engaged in the sector in Andalusia thus came to account for 65% of the regional total and 15.6% of sector employment in the whole of Spain.

These developments in employment arose within a context of a mild increase in labour costs, with growth in the cost per worker per month at an annualised 1.4%, half a point higher than in 2004, albeit far below the increase registered nationally (3.1%) and also lower than the overall rise in costs in Andalusia (1.7%). In absolute terms the labour cost per worker in services in Andalusia was still

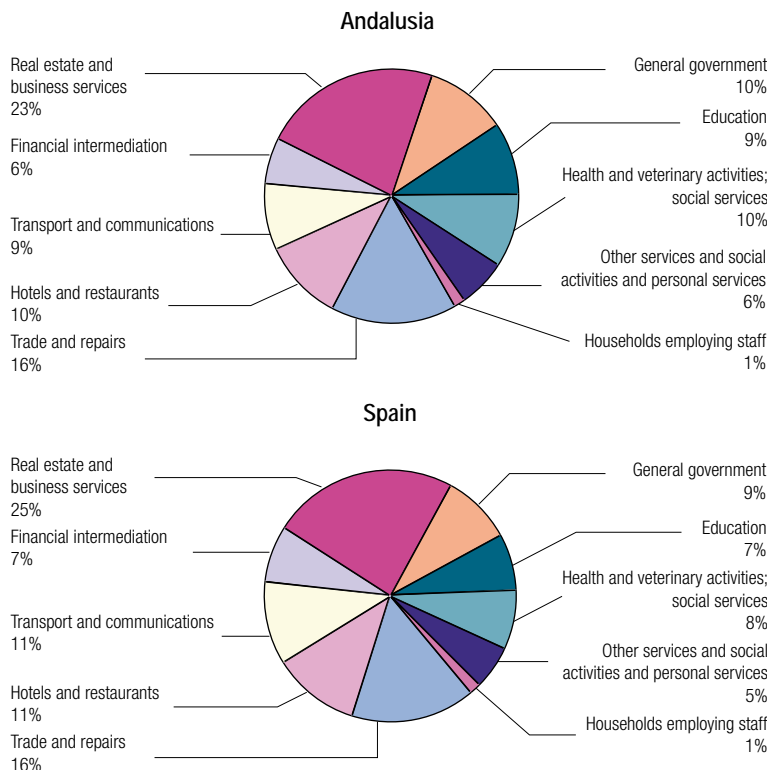
under the average for non-farming sectors (95.3%) and more modest than for tertiary activities in Spain (89.6%).

The sector's buoyancy was mirrored in business activity, a total of 379,426 enterprises being recorded in the sector in Andalusia in 2005, 17,702 more than in 2004, which represented growth of 4.9%, 0.6 points higher than the average in Spain (4.3%). Services sector enterprises in Andalusia thus raised their share of the national total to 15.8% in 2005.

On the other hand, as regards prices, the GVA deflator kept up the same rate of growth as the previous year (an annualised 3.7%), slightly above the national average (3.4%) yet below overall growth for the deflator in the region (4.8%).

This analysis of the key results displayed by the sector in 2005 can be supplemented by a more

Chart 70. **STRUCTURE OF THE SERVICES INDUSTRIES. YEAR 2003**



**NOTES:**

As a percentage of total. GVA at basic prices in current euros.

**Source:** IEA Annual Regional Accounts, base year 2000 for Andalusia and INE Spanish National Accounts, base year 2000.

**Compilation:** Office of the Secretary-General for Economy, Junta de Andalucía.

## 5. SERVICES SECTOR

structural view of it based on information provided by the Annual Regional Accounts for Andalusia, base year 2000, produced by the IEA, which is available in terms of branches of activity for 2003.

According to these statistics and splitting them out by productive branches, almost 40% of sector GVA in Andalusia came from two of them, “real estate and business services” (22.6%) and “trade and repairs” (16%), which is similar to what occurred nationally, there being observed since 1995, the first year for which records are available, a steady increase in the relative significance of the former to the detriment of the latter. These were followed by “general government”, “hotels and restaurants”, “health and veterinary activities; social services”, “education” and “transport and communications”, with weights roughly at 10% of the sector total for all of these.

On the other hand it is worth pointing out that it is among the tertiary activities where the percentage of added-value per unit of output was the highest, with GVA b.p. representing 62.9% of sector output in 2003, comfortably ahead of the 48.5% average registered for all the productive services. By branches “households employing domestic staff” and “education” were the ones which incorporated

the most added-value per unit of output (100% and 88.4% respectively), with, at the other end of the scale, “transport and communications” (45.7%) and “hotels and restaurants” (53%) with the lowest percentages.

From the point of view of income generated in the productive process and in line with the results nationally, the share of services GVA was relatively higher for earned income compared with capital income. Employees’ compensation represented 54.2% of sector GVA in 2003 (53.6% for Spain), whereas gross operating surplus including mixed income accounted for 44.9% (45.6% for Spain), with the remaining 0.9% taken up by net taxes on production. By branches, for all of these except “real estate and business services” and “financial intermediation” the weight of earned income was greater than that of capital income, with notable contributions from “households employing domestic staff” (100%), “general government” (84.8%) and “education” (81.9%).

In addition to the conclusions drawn from the IEA’s Annual Regional Accounts for Andalusia, the Spanish Regional Accounts with base year 2000, produced by the INE, also make it possible to study other, structural sector attributes, such as the relative weight of gross fixed capital formation in it, as well as

Table 35. **TOURISTS VISITING ANDALUSIA**

	2004	2005	04-05 growth %
No. of tourists (thousand people)	22,065.3	23,629.2	7.1
From Andalusia	5,376.3	6,494.7	20.8
From rest of Spain	7,676.6	7,690.1	0.2
From EU-25	7,388.3	7,714.4	4.4
From rest of world	1,624.1	1,730.0	6.5
Average daily spending (euro)	49.6	52.9	6.7
Average length of stay (days)	10.1	7.5	-2.6 <sup>(2)</sup>
Composite perception index <sup>(1)</sup>	7.7	7.7	0.0 <sup>(2)</sup>

**NOTES:**

(1) Rated 1 to 10.

(2) Growth on previous year.

Source: IEA Andalusian Tourist Situation Survey.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.



levels of apparent labour productivity in these activities.

In 2003, which is the last year for which these statistics are available, the services sector showed productivity levels, measured as the ratio of GVA to jobs, of over the regional average and above those registered in 2000, the first year on record. To be precise, services productivity was 4.5% higher than for the whole group of Andalusian productive sectors and 15% above the level in the year 2000. By productive branches it was “real estate and business services activities” and “financial intermediation” which showed the highest productivity levels in 2003, these together with “education” being where this improved the most in the period.

The sector featured a strong relative weight for share of gross fixed capital formation in GVA, which represented 37.9% of GVA in 2003, over the average for the sector in Spain (36.5%) and that for the Andalusian economy as a whole (27.4% of GDP), having risen 5.3 points with respect to the year 2000, almost double the national increase. By branches there were notable contributions from “real estate and

business services”, with GFCF having a weight out of GVA of 85.5% in 2003, 15.5 points over the level registered in 2000, followed quite a way behind by “transport and communications” (52.5% of GVA).

### Tourist industry

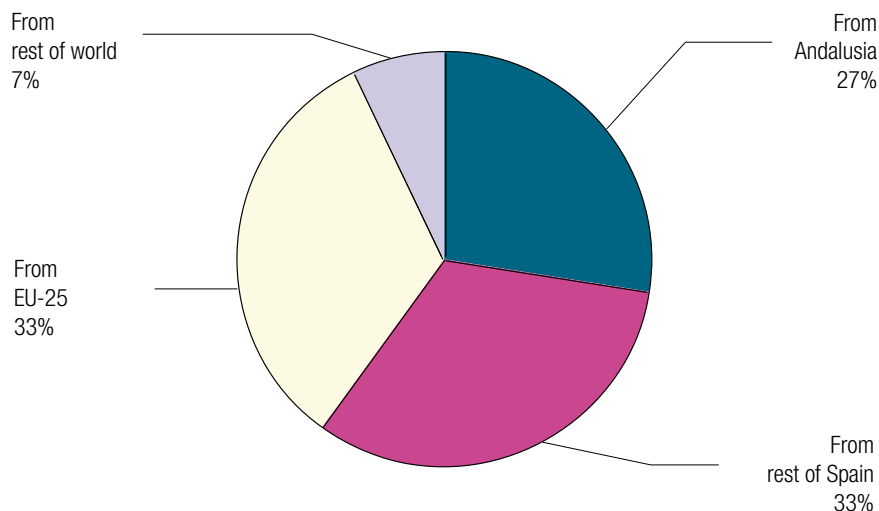
According to both the Andalusian Tourist Industry Situation Survey (ECTA) published by the IEA and the Hotel Occupancy Survey as well surveys for other tourist accommodation (apartments, camp-sites and rural accommodation) produced by the INE, tourist demand in Andalusia showed a pattern of growth in 2005, with historic highs for visitors to the region.

In keeping with these trends the supply of accommodation for tourists also increased, with increases in almost all the different types of establishments.

### Tourist demand

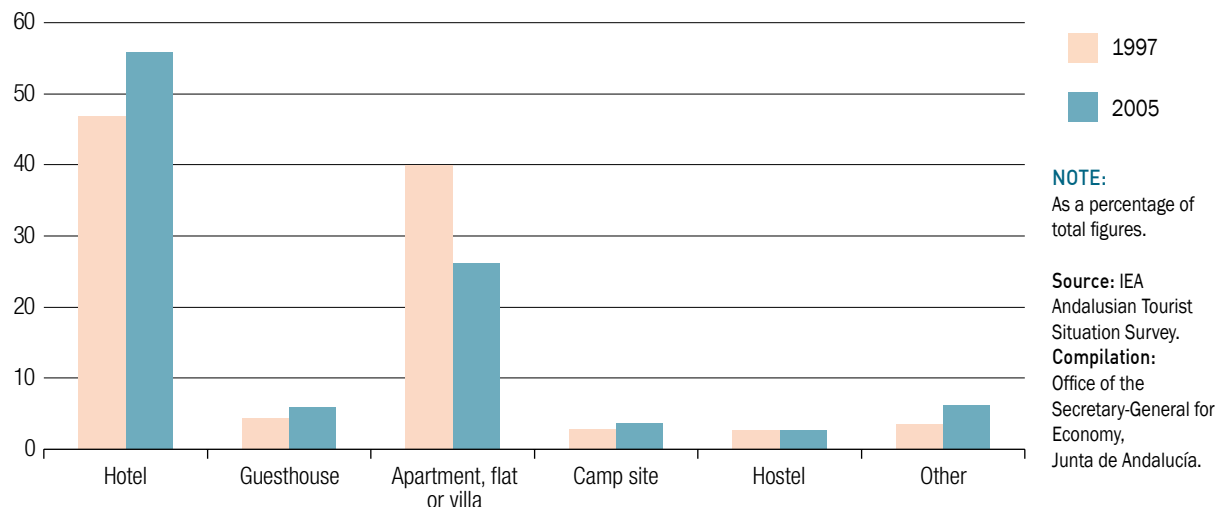
According to the Andalusian Tourist Industry Situation Survey, Andalusia hit a historic high of

Chart 71. **TOURISTS BY PLACE OF ORIGIN. ANDALUSIA. YEAR 2005**



**NOTE:**  
As a percentage of total.

**Source:** IEA Andalusian Tourist Situation Survey.  
**Compilation:** Office of the Secretary-General for Economy, Junta de Andalucía.

Chart 72. **TYPES OF ACCOMMODATION PREFERRED BY TOURISTS. ANDALUSIA**

23,629,200 tourists in 2005, surpassing the volume seen the year before by over one and a half million, which means an increase of 7.1%, more than doubling the figure for 2004 (2.9%).

By origin of tourists, it was domestic tourists who grew the most in relative terms (8.7%), particularly those from the Andalusian region itself, who were 20.8% more than the year before.

Along with this, foreign tourism bounced back from the stagnation revealed in the preceding year, rising by an annualised 4.8% in 2005, helped by both the influx of tourists from the European Union, which accounted for 81.7% of the total for foreign tourists, rising by an annualised 4.4%, and the notable recovery in tourism from other parts of the world, which rose 6.5% following the fall in 2004.

The bigger boost in domestic vis-à-vis foreign tourism, however, meant that 60% of tourists visiting Andalusia in 2005 were from Spain, this being a segment that is gaining in importance year after year, and which represented 55.7% of the total in 1999, the first year for which comparable information exists. Within this

grouping it should be pointed out that almost one half (45.8%) were tourists from the Andalusia region itself, which was 4.5 points more than in 1999.

The general increase in tourist inflows was also accompanied by a significant rise in their average daily spending, which came to 52.9 euros, 6.7% higher than the previous year with the biggest increase among tourists from abroad, especially those from the European Union (11.7% year-on-year). In absolute terms it was the foreigners from countries which are not part of the EU who spent the most on average (61.5 euros), whereas it was Andalusians themselves who spent the least (48.1 euros).

The average stay in 2005 was 7.5 days, 2.6 days less than the previous year, with a drop in this spreading to all tourist segments, though it was relatively more severe among foreigners.

Total tourist spending is calculated by multiplying the number of tourists by average daily spending and stay measured in days, and this fell with respect to the previous year (-15.2%), although a substantial rise was observed in tourism from the region itself (14.9%), largely due to the surge in tourist numbers.

Table 36. **TRAVELLERS STAYING AT HOTELS. ANDALUSIA**

	2004	2005	04-05 growth %
TRAVELLERS (thousand people)	12,534.8	13,623.6	8.7
Domestic	7,654.3	8,399.6	9.7
Foreign	4,880.5	5,224.0	7.0
EU countries (15)	3,565.7	3,802.3	6.6
United Kingdom	1,122.7	1,264.3	12.6
Germany	790.1	790.1	0.0
France	560.1	574.2	2.5
Italy	284.6	334.9	17.7
Portugal	187.6	202.0	7.7
Netherlands	189.1	185.6	-1.9
Belgium	171.0	165.0	-3.5
Rest of EU-15	260.6	286.2	9.8
United States	385.1	362.0	-6.0
Japan	211.7	196.1	-7.3
Other	718.0	863.6	20.3
OVERNIGHT STAYS (thousands)	38,846.2	41,341.2	6.4
Domestic	20,699.8	22,318.5	7.8
Foreign	18,146.4	19,022.7	4.8
HOTEL OCCUPANCY RATE	50.2	50.9	0.7 (*)

**NOTE:**

(\*) Growth on previous year.

Source: INE Hotel Occupancy Survey.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

A breakdown by type of accommodation chosen by tourists visiting Andalusia shows that hotels were still by and large the favourite. According to the Andalusian Tourist Industry Situation Survey, 55.8% of tourists in 2005 stayed in hotel-type establishments, this percentage being 1.3 points higher than in 2004. Behind hotels came apartments, flats or villas, whether these be their own, belonging to friends or relatives or rented, with 26.1% of tourists staying in them, although this category's weight fell in comparison with previous years. There was also a noticeable fall in the trends for staying in hostels (2.5% of the total), in favour of guesthouses or boarding houses (5.8%), with camp-sites keeping up the same percentage (3.6%).

In terms of the main reason for travelling to Andalusia, 81.7% of tourists said that they wanted to enjoy a holiday or a break and that the

main attractions were the climate, the beaches and sight-seeing opportunities.

The Andalusian Tourist Industry Situation Survey also includes other qualitative aspects and ratings by tourists of their trip to Andalusia, with the average score on a scale of 1 to 10 in 2005 being 7.7 points, unchanged on the previous year's and with the highest going to the province of Jaén, followed by Seville. Among the different aspects of their trip tourists gave very high ratings for accommodation, restaurants and scenery, with urban environments obtaining the lowest scores.

On top of these findings from the Andalusian Tourist Industry Situation Survey, the Hotel Occupancy Survey conducted by the INE offers a deeper insight into tourist hotel demand in Andalusia.

**Box 8. THE EDUCATIONAL SECTOR IN THE ANDALUSIAN ECONOMY**

Education represents one of the mainstays of the economy, as it is the pipeline for human capital needed to see through the productive processes. It is therefore useful to analyse this branch of activity's scale in the Andalusian economy and compare this with what it represents in other economies around it.

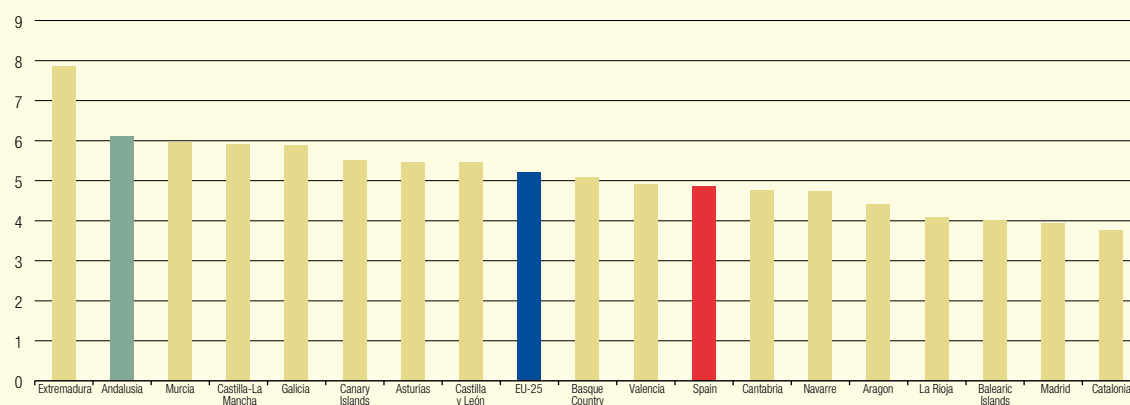
According to the Spanish Regional Accounts (CRE), base year 2000, produced by the INE, GVA generated by the sector in Andalusia, which according to the CNAE (the Spanish national classification of economic activities) includes primary, secondary and higher education, career development and other teaching activities, amounted in 2003 (the last year for which figures are available) to 5,851 million euros. This represented 17.1% of the sector's total nationally, above the relative weight which Andalusia had in GDP in Spain (13.6% in 2003) and similar to its share in population terms (17.9%). Relative to total GVA generated in the region this activity represented 6.1% in 2003, 1.2 points above the weight it had out of the national total (4.9%) and almost one point over the average for the EU-25 (5.2%). By autonomous communities, Andalusia came after Extremadura as the region with the highest education weight out of total gross added value, with Catalonia, Madrid and the Balearic Islands at the other end of the spectrum.

Since the year 2000, the first year for which such information is available from the Spanish Regional Accounts, GVA in this sector has risen a nominal 21.3% in Andalusia, which is similar to average growth nationally (22.8%) and far higher than the increase registered in the EU-25 (13.5%).

In Andalusia in 2003 some 150,200 people were on record as being employed in education (in terms of jobs in the Spanish Regional Accounts), with 94.5% of these wage-earners. This figure represented 5.5% of employment in all of Andalusia's productive sectors and 15.9% of the total in this activity nationally, Andalusia being the autonomous community after Catalonia with the biggest relative weight of those employed in this field.

Education in Andalusia accounted for 8.9% of the services sector in GVA terms and 8.4% of jobs, above the averages for this activity nationally (7.2% and 7.8%, respectively), and was notable among the autonomous communities as having the greatest degree of tertiary activity specialisation in the sector after Extremadura, Castilla-La Mancha, Galicia, Murcia and Castilla y León.

**GVA GENERATED BY THE EDUCATION SECTOR. YEAR 2003**



**NOTE:**

% of total GVA in each geographical area.

Source: Spanish Regional Accounts.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

Looking at productivity levels as measured by GVA per job, it emerges that education sector productivity in Andalusia was 7.3% higher than the Spanish average and it was the autonomous community with the fourth highest productivity in this area after the Basque Country, Castilla-La Mancha and the Canary Islands. Since the year 2000 this has actually risen notably (18.8%), outstripping the level nationally (14.2%).

By income distribution, 86.8% of GVA driven by education in Andalusia was accounted for by employee compensation and the remaining 13.2% by gross operating surplus and mixed income, similar to the case on average nationally, with employee compensation having risen 18.5% since the year 2000, which was below the Spanish average (19.8%). Taking into account the total number of employees reveals that compensation per employee in the sector was 35,764 euros in Andalusia, 10.7% higher than in Spain, with only Castilla-La Mancha, the Basque Country and the Canary Islands bettering this.

It is lastly a worthwhile exercise to distinguish between what part of educational activity was attributable to the private sector and what to the public sector. The Spanish Regional Accounts with base year 2000, do not offer a breakdown, but this does appear in the Spanish Regional Accounts with base year 1995, whose last available figures are for the year 2002. According to this information, public or non-market education in Andalusia represented 78.6% of the sector total, above what it represents on average in Spain (70.3%), the region being the autonomous community with the sixth largest public sector weight in education after the Canary Islands, Extremadura, Castilla-La Mancha, Murcia and Galicia. On the other hand, in the Basque Country, Catalonia and Navarre over 40% of sector GVA was from private or market education.

#### BASIC INDICATORS OF THE EDUCATION SECTOR. ANDALUSIA-SPAIN. YEAR 2003

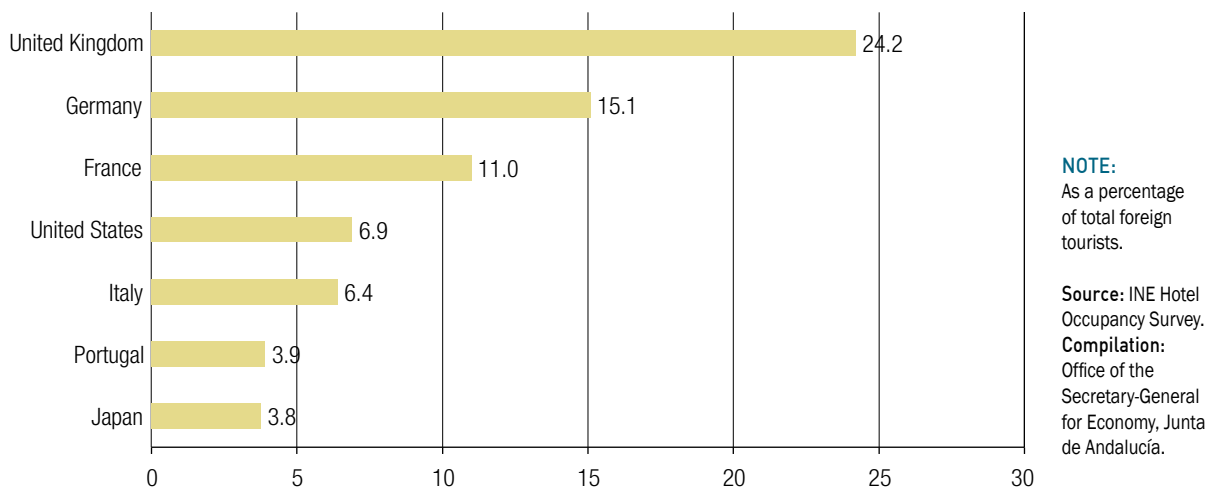
	Andalusia	Spain
<b>GVA b.p.</b>		
Thousand euros	5,851,480	34,310,000
Education GVA/Total GVA	6.1%	4.9%
<b>Employed <sup>(1)</sup></b>		
Thousand people	150.2	945.4
Education jobs/Total jobs	5.5%	5.1%
<b>Wage-earning jobs</b>		
Thousand people	142.0	896.9
Wage-earning jobs/Employment	94.5%	94.9%
All sectors in Andalusia = 100	6.2%	5.7%
<b>Compensation for employees (CE)</b>		
Thousand euros	5,078,524	28,974,000
Education EC/Total EC	10.3%	7.7%
<b>Compensation per employee (Cpe)</b>		
Euros	35,764	32,305
Education Cpe/Total Cpe	165.8%	135.3%
<b>Productivity <sup>(2)</sup></b>		
Euros	38,958	36,292
Education Productivity/Total Productivity	111.4%	96.1%

#### NOTES:

- (1) Jobs.  
(2) GVA per job in current euros.

Source: INE Spanish Regional Accounts Base 2000.  
Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

Chart 73. FOREIGN TOURISTS IN ANDALUSIA



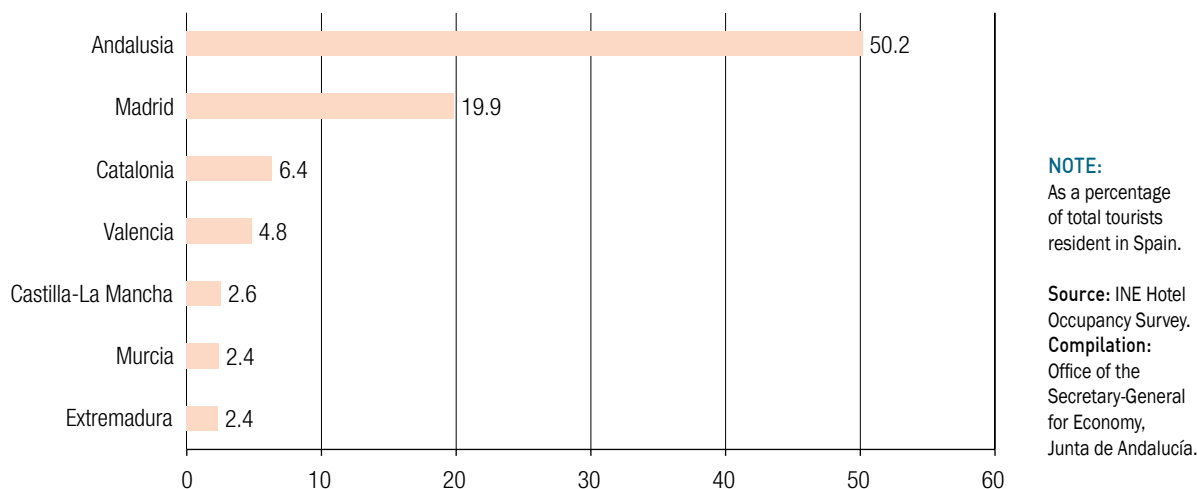
The survey reveals a step-up in growth for travellers staying in hotels in 2005, these 8.7% up on 2004 levels, the highest rate on record and 3 points above the national reading (5.7%). The figure of 13.6 million travellers staying in Andalusian hotels was thus reached for the first time, this being almost one fifth of the total in Spain (19.3%) and 1.1 million more than in 2004. The rate of growth in nights stayed by these also picked up, increasing by 6.4%, 1.8 points higher than the national level (4.6%).

By origin, the biggest increase in tourists was national, this group rising by 9.7% in 2005, almost 4 points more than for the whole of Spain (6%).

Along with this trend, travellers from abroad broke off their steady fall since 2000 and bounced back, rising an annualised 7%, more than the national level (5.3%).

Examining this in greater depth we find that tourists from the EU-15 represented 72.8% of total foreign tourists and were up 6.6%, with the

Chart 74. SPANISH RESIDENT TOURISTS IN ANDALUSIA



United Kingdom a notable source, accounting for almost one fifth of the total (24.2%) and increasing by 12.6% in 2005. The biggest jumps were among tourists from Ireland (24.9%), Greece (24.1%) and Italy (17.7%). On the other hand there were drop-offs in tourists from the Netherlands, Belgium, Luxembourg, Austria and Sweden. As for those countries which recently joined the European Union information was only available for travellers from Poland and the Czech Republic in 2005, both of these countries notably up on the previous year (41.6% and 54.6%, respectively).

Outside the EU there were healthy growth trends for foreigners staying in hotel accommodation who came from Norway (14.3%), Switzerland (9.8%) or Russia (5.5%), while, on the other hand there were falls among the Japanese and the North Americans (-7.3% and -6% respectively), even though they continued to have a significant weight out of the total, together accounting for 10.7% of total foreign tourism in Andalusia in 2005.

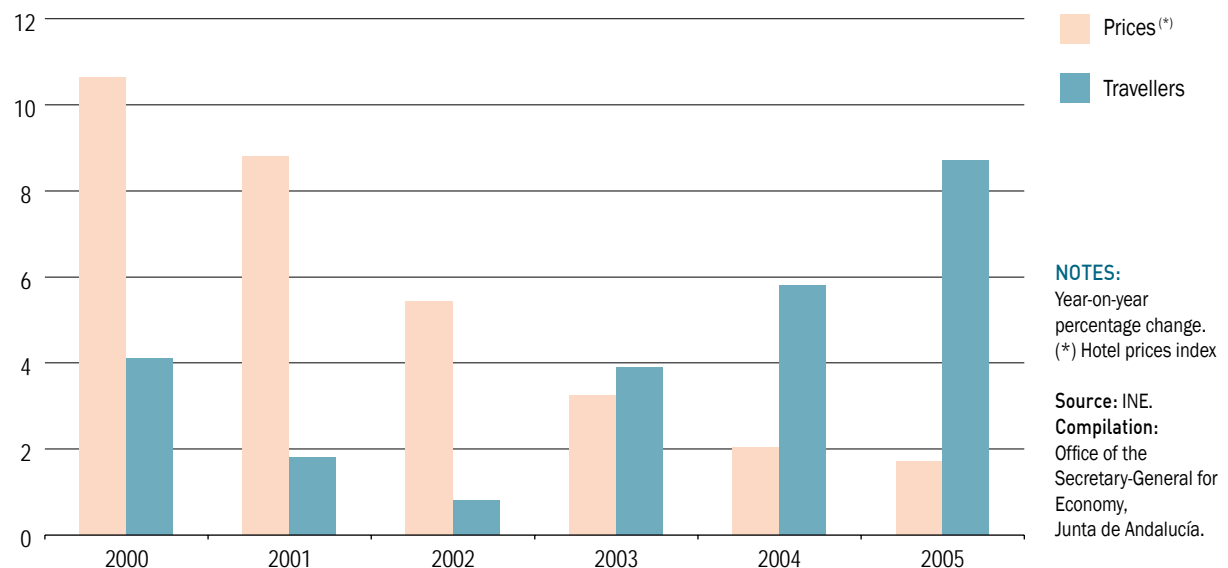
With respect to domestic tourism, a little over half of travellers were from Andalusia itself (50.2%), followed in size by those from the Autonomic

Community of Madrid, with almost one fifth of the total (19.9% of domestic tourism), and then, some way below that, by those from Catalonia (6.4%) and Valencia (4.8%). In relative terms the largest rises on 2004 were recorded by travellers from Castilla-La Mancha (15.1% year-on-year), the Autonomic Community of Andalusia itself (14.1%) and Castilla y León (13.9%).

The most popular tourist destination in the region was still the province of Malaga, with the most visitors at 28.4% of the total. After this came Granada (16.3%) and Seville (16.2%), which were, behind Huelva, the destinations showing the most dynamism in 2005. These findings tell us that at the moment there is increasing diversification in tourism in Andalusia, with, besides the typical "sun, sea and sand" holidays, inland tourism, with a cultural or rural etc bias, which is steadily gaining ground in terms of weight. Along these lines, visitors staying at hotels in Cordova, Granada, Jaen and Seville came from representing 22.7% in the early nineties to 43.1% of the total in 2005.

The major increase in tourist numbers staying at hotels led, as with the Spanish economy as a

Chart 75. **TRAVELLERS IN ACCOMMODATION AND HOTEL PRICES. ANDALUSIA**



## 5. SERVICES SECTOR

whole, to an increase in hotel occupancy levels in Andalusia, this being 50.9% in 2005, 0.7 points up on the year before. The highest occupancy levels were to be found in Malaga (57.1%) and Almeria (51%), with Cordova and Cadiz seeing the most sizeable rises in the year.

The buoyancy of hotel demand was also mirrored by sector job creation, with the Hotel Occupancy Survey estimating an increase of 8.6% in employment in hotel establishments in Andalusia in 2005, 2.3 points higher than in Spain (6.3%). Of the total rise in employment in absolute terms nationwide, almost one fifth (24.9%) took place in Andalusia.

With respect to the provision of new technology facilities in Andalusian hotel establishments, the Hotel Occupancy Survey found that in 2005 62.9% of the region's hotels had internet access, which is a higher percentage than for the whole of Spain (54.6%) and far ahead of the previous year's reading (51.8%), which serves to illustrate the considerable effort being made by hotels to make new information technologies accessible to their customers.

All of these findings regarding tourist hotel demand were registered within the context of a slackening in the growth rate of prices at such establishments, this recorded at an annualised

Table 37. **TRAVELLERS STAYING IN APARTMENTS, CAMP-SITES AND COUNTRYSIDE ACCOMMODATION. ANDALUSIA**

	2004	2005	04-05 growth %
<b>TOURIST APARTMENTS</b>			
Travellers (thousand people)	750.5	786.8	4.8
Domestic	362.6	378.4	4.4
Foreign	387.9	408.4	5.3
Nights stayed (thousand)	5,529.3	5,580.4	0.9
Domestic	1,886.2	1,879.5	-0.4
Foreign	3,643.1	3,700.9	1.6
Average stay (days)	7.37	7.09	-0.28 (*)
<b>TOURIST CAMP-SITES</b>			
Travellers (thousand people)	1,050.5	1,071.4	2.0
Domestic	703.6	744.2	5.8
Foreign	346.9	327.2	-5.7
Nights stayed (thousand)	4,042.2	4,173.4	3.2
Domestic	2,315.0	2,499.2	8.0
Foreign	1,727.2	1,674.3	-3.1
Average stay (days)	3.85	3.90	0.05 (*)
<b>TOURIST CAMP-SITES</b>			
Travellers (thousand people)	89.4	140.1	56.6
Domestic	71.1	110.1	55.0
Foreign	18.4	29.9	63.1
Nights stayed (thousand)	307.8	562.1	82.6
Domestic	216.9	369.5	70.3
Foreign	90.9	192.6	111.9
Average stay (days)	3.44	4.01	0.57 (*)

**NOTE:**

(\*) Difference on previous year.

Source: INE Tourist Accommodation Occupancy Survey.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.



Table 38. **TRANSPORT SUBSECTOR INDICATORS. ANDALUSIA**

	2004	2005	04-05 growth %
<b>Maritime transport</b>			
Passengers (thousand people)	6,415.4	6,596.8	2.8
Freight (thousand tons)	105,772.2	113,909.9	7.7
<b>Air transport</b>			
Passengers (thousand people)	17,020.1	19,224.6	13.0
Freight (tons)	12,071.5	12,183.0	0.9
<b>Rail transport</b>			
Local line passengers (thousand people)	19,086.0	20,048.0	5.0
Regional line passengers (thousand people)	4,038.0	4,268.0	5.7
Goods vehicle registrations	57,123.0	60,817.0	6.5

Source: National Port Authority, Directorate General of Traffic, Directorate General of Civil Air Transport and RENFE. Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

1.8% in 2005, which, although slightly above the Spanish average (1.2%), was 0.4 points under the previous year's and more restrained than the average increase in consumer prices in the year. Overall, hotel revenues rose by more than in 2004, doing so by 2.5%, half a point over the rate the previous year and in excess of the rise in Spain (1.9%).

This study of tourist hotel demand can be supplemented by analysing tourist flows for other types of tourist accommodation, such as apartments, camp-sites and countryside facilities.

The INE's Tourist Apartment Occupancy Survey reveals a rally in the number tourists staying in this type of establishment in Andalusia in 2005, which bounced back by 4.8% following the negative outcome the year before and within a context of a reduction throughout Spain as a whole. These developments were particularly prompted by the rebound in international tourism in these establishments, which rose at an annualised 5.3% in the wake of the heavy fall in 2004 (-9.3%). The average stay in days was slightly down in 2005, settling at 7.1 days or 0.3 less than in 2004, though this was far higher than the figures for other types of tourist accommodation. On the other hand the high degree of new technology penetration in this

environment is worth noting, as in 2005 70% of establishments had a web-site and 40.9% offered their services on-line, which were far higher percentages than those recorded on average in Spain (58.4% and 22.4% respectively).

The Tourist Camp-Site Occupancy Survey also shows a recovery for this type of tourism in Andalusia in 2005 with a 2% increase in tourist numbers following the previous year's slip (-5.2%), this being driven by the recovery in national tourism. This was accompanied by a pick-up in growth rates for overnight stays (3.2%) and the average stay remained virtually unchanged at 3.9 days. With respect to communication technology penetration levels, the percentage of establishments which transact their services on-line was 24.3% in 2005, above the average reading for Spain (20.9%).

Lastly, in terms of countryside tourist accommodation there was a significant increase in 2005 both in numbers of tourists lodging in it in Andalusia (56.6%) and nights stayed (82.6%), especially in the foreign tourism segment. These growth rates were also far higher than those registered on average in Spain, where visitors to this type of accommodation rose 13% and nights stayed by 15%, the average length of stay rising to 4 days, 0.6 more than the previous year and above the average stay in Spain (3.2 days).

Table 39. **TOURIST ACCOMMODATION IN ANDALUSIA**

	2004		2005		04-05 growth %	
	No. of establishments	No. of beds	No. of establishments	No. of beds	No. of establishments	No. of beds
<b>HOTELS</b>	1,429	203,309	1,490	213,628	4.3	5.1
5-star	38	11,365	40	11,694	5.3	2.9
4-star	324	103,187	355	112,758	9.6	9.3
3-star	422	59,792	436	60,489	3.3	1.2
2-star	407	20,268	417	19,685	2.5	-2.9
1-star	238	8,697	242	9,002	1.7	3.5
<b>COUNTRYSIDE</b>						
<b>LODGINGS</b>	666	4,840	778	5,928	16.8	22.5
<b>GUEST HOUSES</b>	1,513	35,683	1,529	36,331	1.1	1.8
<b>APARTMENTS</b>	590	56,499	651	58,010	10.3	2.7
<b>CAMP SITES</b>	175	88,817	171	87,892	-2.3	-1.0
<b>TOTAL</b>	4,373	389,148	4,619	401,789	5.6	3.2

Source: Andalusian Ministry of Tourism, Trade and Sports. Junta de Andalucía. Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

This tourist segment is thus taking on a new significance in Andalusia with each year that passes, having shown a rising trend since 2001, the first year for which these statistics are available, a total of 140,088 tourists being recorded for 2005, which was 2.5 times higher than the level posted for 2001. The performance was boosted by the ease of accessing this kind of tourism via the internet, given that 85.7% of these establishments have a web-site and around 60% allow their services to be transacted on-line.

Finally, due to its close ties with tourism, it is worth mentioning the favourable figure for air passengers in Andalusia in 2005, which rose by 13% over the year as a whole, almost doubling the reading for 2004 and a long way over the average increase for Spain (9.3%). These results were strongly influenced by the ferment in passengers arriving through budget airlines, and in 2005 the Institute of Tourist Studies puts the figure for these at a total of 2,787,747 visitors in Andalusia, 32.8% up on the previous year and 2 points over the growth rate for Spain. This means that 47.7% of foreign passengers coming into Andalusia did so using this type of company, whereas the national average was

29.7%. By airports, Malaga became the one with the second biggest volume of budget air traffic, these basically being UK citizens, while Seville's airport registered the largest rise in 2005, with a figure of four times that for 2004.

### Tourist supply

Rising tourist demand was backed up by a fresh boost to supply. According to the Regional Ministry of Tourism, Trade and Sport, a total of 401,789 beds were recorded in 2005 in tourist accommodation in Andalusia, 3.2% up on the previous year.

From a territorial standpoint, this rise was spread out over all the provinces, with growth strongest in (5.5%), followed by Seville (5.3%) and Cordova (5.1%). The biggest number of beds was still registered in Malaga, at 34.5% of the total, with Cadiz in second place (15.8%) and after that Almeria (12.5%).

Breaking this down into accommodation types, in keeping with the boom which has been taking shape in countryside tourism it was country lodgings which grew the most, with 778 such

Table 40. **SERVICE INDUSTRIES LABOUR MARKET**

	Year 2005			Change on 2004			
				Absolute		Relative (%)	
	Andalusia	Spain	And/Sp %	Andalusia	Spain	Andalusia	Spain
Labour force	2,071.3	13,009.2	15.9	61.8	518.7	3.1	4.2
Employed	1,924.6	12,335.4	15.6	131.4	817.6	7.3	7.1
Wholesale and retail trade	486.9	2,886.9	16.9	4.0	69.3	0.8	2.4
Hotels and restaurants	221.7	1,291.2	17.2	28.7	90.6	14.9	7.0
Transport	149.6	1,117.3	13.4	15.5	50.1	11.6	4.5
Financial intermediation	56.6	457.3	12.4	8.3	56.3	17.2	12.3
Real estate activities and business services	223.3	1,678.4	13.3	27.6	132.9	14.1	7.9
General government, defence and social security	212.4	1,196.7	17.7	4.5	71.2	2.2	5.9
Education	183.7	1,090.5	16.8	13.5	80.6	7.9	7.4
Health and veterinary activities	168.4	1,134.6	14.8	10.5	105.2	6.6	9.3
Social activities and personal services	119.2	793.7	15.0	14.6	65.7	14.0	8.3
Households employing staff	102.2	682.8	15.0	4.0	91.4	4.1	13.4
Extraterritorial entities	0.7	6.1	11.5	0.2	4.4	51.3	72.0
Unemployed <sup>(*)</sup>	146.7	673.9	21.8	-69.5	-298.9	-32.1	-30.7
Unemployment rate <sup>(*)</sup>	7.1	5.2	-	-3.7	-2.6	-	-

**NOTES:**

Thousand people unless otherwise stated.

(\*) From 2005 sector unemployment figures are affected by the change in the definition of unemployed without previous employment, those being included who left their employment a year or more previously (before this was 3 years or more).

Source: INE Labour Force Survey.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

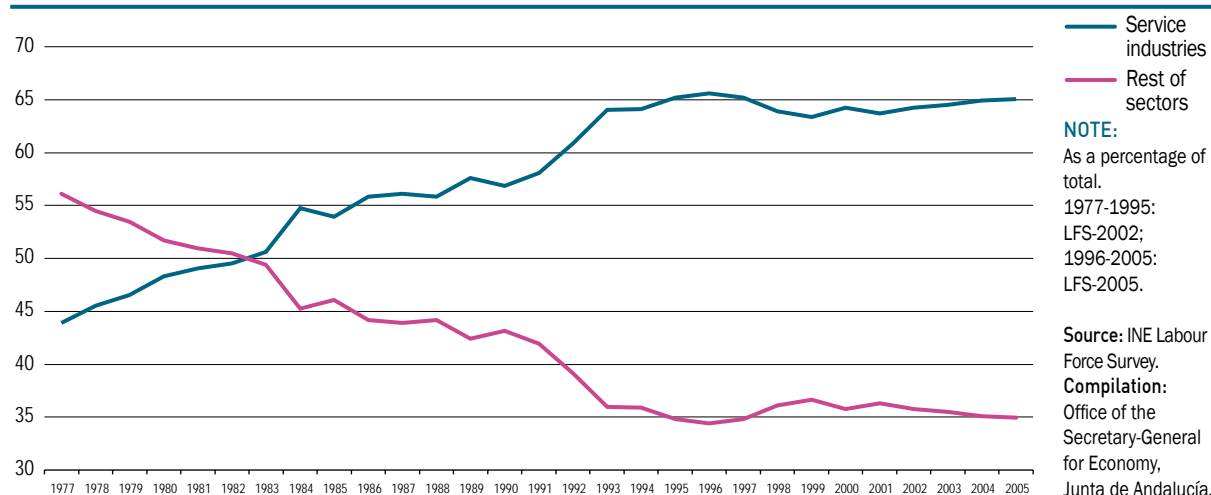
establishments recorded in Andalusia in 2005, 112 more than in 2004, and the number of available beds rising to 5,928, some 22.5% more than in 2004. By provinces, the largest growth rates in this segment were in Seville (52.9%) and Cordova (35%), together accounting for 41% of the total increase.

The supply of hotel accommodation also staged a considerable advance, with 1,490 establishments open in 2005, 61 more than the previous year, which represented a 4.3% increase. Beds available grew to a greater extent (5.1%), the number posted rising to a total of 213,628, this figure representing 53.2% of the total for beds in tourist accommodation in Andalusia.

By provinces, Malaga stood out with 37.7% of available hotel beds in Andalusia and 40% of the overall increase registered in these in 2005. This was followed at some distance by Cadiz, with 14.3% of accommodation and Almeria (12.4%). The largest annualised rises in relative terms were registered in Jaen (11%) and Huelva (8.1%).

Of the hotel categories it was four-star ones which predominated, accounting for 52.8% of total hotel beds, and growing the most vigorously in 2005, by 9.3% of beds on offer.

Lastly, increases were also registered in 2005 in beds available in tourist apartments (2.7%) and boarding houses (1.8%), while places at campsites fell back slightly (-1%).

Chart 76. **TERTIARISATION OF EMPLOYMENT. ANDALUSIA**

## Other subsectors

Given that statistical information on them is limited, the performance in 2005 of the remaining subsectors within services will be analysed using the employment data on each of them.

Bearing in mind that according to the LFS employment in the sector as a whole rose 7.3% in Andalusia in 2005, the first aspect to point out is that job creation was spread across all of the subsectors.

The quickest growth was in production-related services, where employment jumped 19%, which was higher than the Spanish average (15.6%) and far above the figure posted the previous year (4.1%). The increase was general to all branches but was especially felt in “insurance and pension schemes” (26.3% year-on-year), as well as “real estate activities” (18.8%).

In second place were business services, with employment up 12.8%, 5.5 points higher than in Spain, the largest growth rates being recorded by “IT activities” and “research and development”, these being over the 50% mark year-on-year.

Also having above sector average growth rates was recreational and personal services, with

employment 11.8% up on the preceding year and slightly over the average rise in Spain (9.9%), this being the subsector advancing the most in absolute terms too. Among these and in line with the vigour shown by tourist demand in Andalusia “hotels and restaurants” was prominent, with a 14.9% rise in employment, doubling the national level and accounting for two thirds of the total rise in employment in recreational and personal services activities.

Growth was more restrained in social services (5.8%), the strongest performance coming from “public sanitation” (27.6%) and “education” (7.9%).

Lastly, employment was up 3.2% in distribution services, which was similar to the national performance (3.1%), with aspects worth noting being the growth for “travel agencies” (38.9%), “motor vehicle sales, maintenance and repair” (13.3%) and “overland transportation” (8.4%), and on the other hand, the mild fall for the wholesale and retail trade branches (-1%).

## Labour market

The favourable result for this sector’s activities was mirrored in the labour market, with overall

employment growth of 7.3%, the fastest pace on record, 1.5 points better than the previous year and a little over the average increase nationally (7.1%).

1,924,600 people were thus on record in absolute terms as being employed in services in Andalusia in 2005, 131,400 more than the preceding year, accounting for two thirds (66.9%) of the total increase in unemployment in Andalusia in the year.

Looking at the gender breakdown, in line with events nationally, female employment grew more sharply than that for males (9.1% and 5.7% respectively), meaning that roughly 60% of sector job creation was among females. Thus, in absolute terms the figure for female employment achieved in the Andalusian services sector was 910,125, almost half of the total in work for the sector, and 84.4% of females employed in the region.

By working hours, 83.5% of those in work in services were in full-time employment, while the

remaining 16.5% were part-time, this proportion being higher than in the other sectors, which is partly due to this being a sector where female involvement is high and the fact that they are more inclined to accept such contracts, accounting for 76.4% of total part-time contracts in services in 2005.

This employment growth occurred alongside an increase in those joining the sector labour force, although this was less sharp, the net result being a drop in the services unemployment rate, which was 7.1%, 3.7 points lower than the previous year, with the gap narrowing against the corresponding unemployment rate nationally.

In contrast to this, the unemployment figures recorded at the National Employment Institute (INEM) offices showed a departure from the falling trend in the last few months of 2005, ending the year with an annualised rise of 2.6% and a total of 260,787 unemployed persons being registered, of which 3.3% were foreign.



6.

## Aggregate demand





# Aggregate demand

## Introduction

The key indicators for monitoring aggregate demand in Andalusia demonstrate that the features typifying 2005 were, on the one hand, notable strength in the domestic components, such as consumption and investment, and, on the other hand, further progress in integrating Andalusia into world markets.

Vigorous regional demand was spurred by strong job creation and the fact that interest rates held at relatively low levels, being negative in real terms, which was conducive to businesses and households continuing to enjoy comfortable terms to finance their consumption and investment decisions.

This was mirrored by the volume of credit granted to the private sector by the financial system in Andalusia, which swelled sharply in 2005, ending the year showing an annualised growth rate of 30.8, the highest on record, 7.6 points up on 2004 and ahead of the average rise in Spain (27.5%). Thus for the second year in a row the balance of private sector lending on 31 December 2005 was higher than GDP generated in the region, actually 22.6% above it, though this was lower than what this represented for the Spanish economy as a whole (26.9% of GDP).

A look at Andalusia's foreign trade flows, represented by imports and exports taken together, shows that these were up by a nominal 15.7% and ahead of GDP growth (8.6%), which resulted in greater openness of the Andalusian economy as measured by the sum of imports and exports in relation to GDP, which worked out at 24.9% in 2005, 1.6 points more than the previous year and a five year high.

Export growth (a nominal 7.3%) was higher than that for export goods output (agricultural and industrial), which lifted the export share to a historic high of 69%.

## Consumption

According to the Annual Regional Accounts for Andalusia with base year 2000, produced by the Andalusian Statistics Institute (IEA), consumption represented around three quarters of regional demand (72.3% in 2004, latest information available) and its performance therefore to a great extent shaped trends for aggregate demand as a whole.

The key indicators for charting the progress of this component continued to show considerable strength in 2005. Particularly striking was average expenditure per person in Andalusia,

## 6. AGGREGATE DEMAND

Table 41. **DEMAND INDICATORS. ANDALUSIA. YEARS 2004-2005**

	2004	2005	04-05 growth %
<b>PRIVATE CONSUMPTION</b>			
Average expenditure per capita (euros)	6,917.2	7,496.9	8.4
- Food products, beverages and tobacco	1,419.2	1,509.8	6.4
- other spending	5,498.0	5,987.2	8.9
Consumer goods AIPI (base year 2002 = 100)	99.8	96.2	-3.6
Total employment (thousand people)	2,763.2	2,959.6	7.1
Passenger car registrations (number)	261,185	264,602	1.3
VAT collection (in million euros)	3,223.0	3,517.1	9.1
Retail and wholesale trade index (base year 2001 = 100)	94.8	100.0	5.5
Index of sales in large scale retail outlets (base year 2005 = 100)	111.1	114.8	3.3
- Food products	100.3	101.8	1.5
- Non-food products	117.1	122.1	4.2
Wage costs per worker per month (euros)	1,365.5	1,386.4	1.5
Consumer goods imports (in million euros)	1,887.2	2,116.5	12.1
<b>CAPITAL EXPENDITURE</b>			
Capital goods AIPI (base year 2002 = 100)	120.3	125.5	4.3
Construction industry GVA (Chained volume index, base year 2000)	136.7	145.4	6.3
Goods vehicle registrations (number)	57,123	60,817	6.5
General government tendering (in million euros)	3,995.3	5,165.5	29.3
Private sector borrowing (in million euros)	119,789.1	156,704.0	30.8
Capital goods imports (in million euros)	1,188.9	1,483.7	24.8

Sources: Bank of Spain, Directorate General of Traffic, IEA, INE SEOPAN and, Ministry of Economy and Finance.

Compilation: Office of the Secretary-General for Economy. Junta de Andalucía.

which, according to the Household Budget Survey conducted by the INE, reached a growth rate of a nominal 8.4%, two points up on the previous year (6.2%). Nonetheless, since it grew at a similar rate to that in Spain (8.3%), average expenditure per person in the region remained at a level roughly 10% lower than the national average, standing at 89% of it.

Breaking this down into what it was spent on, there was a notable swelling of expenditure on foods, beverages and tobacco, which rose 6.4% in 2005 having practically stagnated the year before (0.8%). The sharpest growth, however, in keeping with national trends, was on non-food products, which was up 8.9%, lifting its share in total expenditure per person to around 80%.

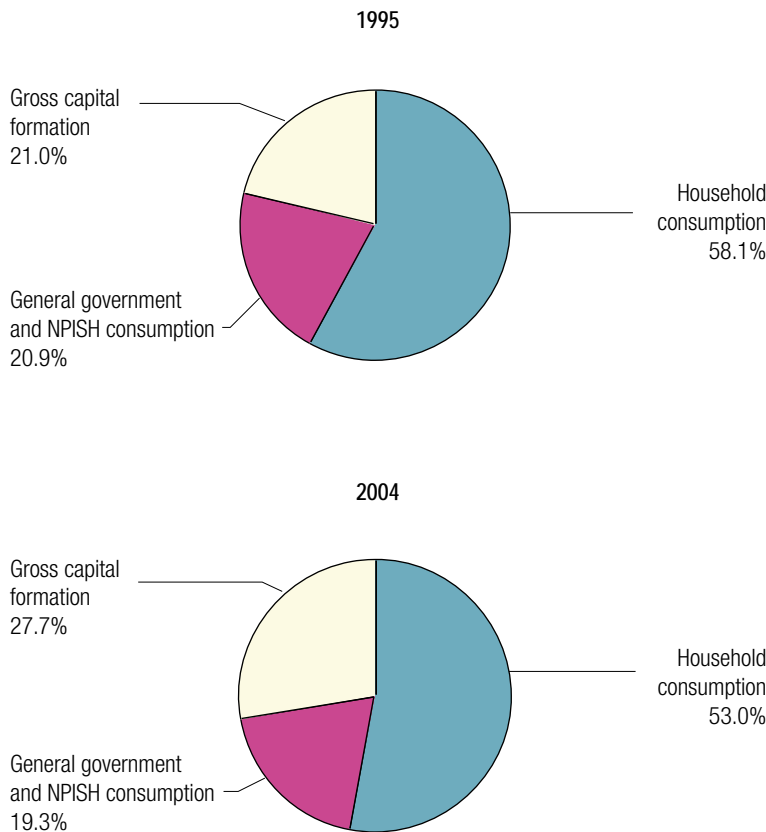
The favourable trends in spending were in line with the greater confidence households had of

their ability to save and make ends meet which the Household Budget Survey also mentions. In 2005 the proportion of households stating that they could set aside some money for saving in Andalusia according to their means and financial commitments rose, with 36.9% of them actually claiming this, which was one point higher than the previous year.

The percentage of households too which stated that they were finding it hard to make ends meet with the net monthly income they earned also fell, reaching 64.4% in Andalusia in 2005, 1.3 points below the preceding year's findings and a heavier fall than on average in Spain (-0.7 points), where 54.9% of households said this.

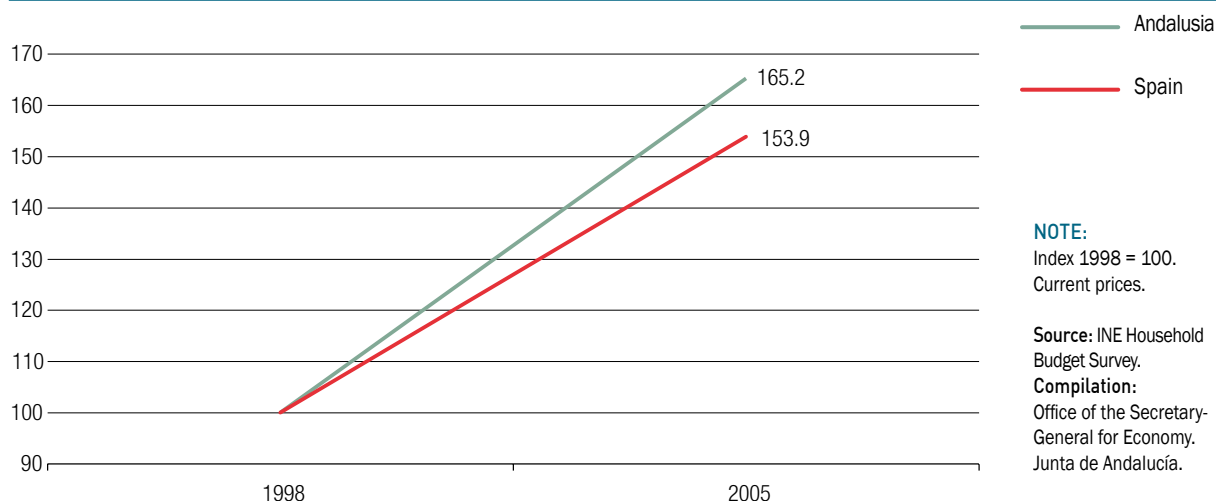
By the same token, the percentage of households which said that the present time was not the right moment to purchase big-ticket items

Chart 77. REGIONAL DEMAND BREAKDOWN. ANDALUSIA



Sources: IEA Andalusian Regional Accounts, base year 2000.  
 Compilation: Office of the Secretary-General for Economy. Junta de Andalucía.

Chart 78. **AVERAGE EXPENDITURE PER CAPITA**



(excluding housing) also dropped, arriving at 55.8% in 2005, 4.5 points lower than in 2004 and doubling the reduction seen in Spain (2.2 points), where this share was 52.4%.

In line with these results, growth in the retail trade index, which gauges retail sector trends, picked up to a nominal 5.5% in 2005, the highest level on record for this statistic and above the

Spanish average (4.4%). In real terms, which means taking out the effect of price rises on sales, the pattern was also one of growth, with a rise of 2.4%, one point higher than in 2004 and double the national average (1.2%).

In contrast, sales in large scale retail outlets in Andalusia eased up slightly, growing by a nominal 3.3% over the year, 0.4 points less

Chart 79. **BREAKDOWN OF HOUSEHOLD EXPENDITURE. ANDALUSIA**

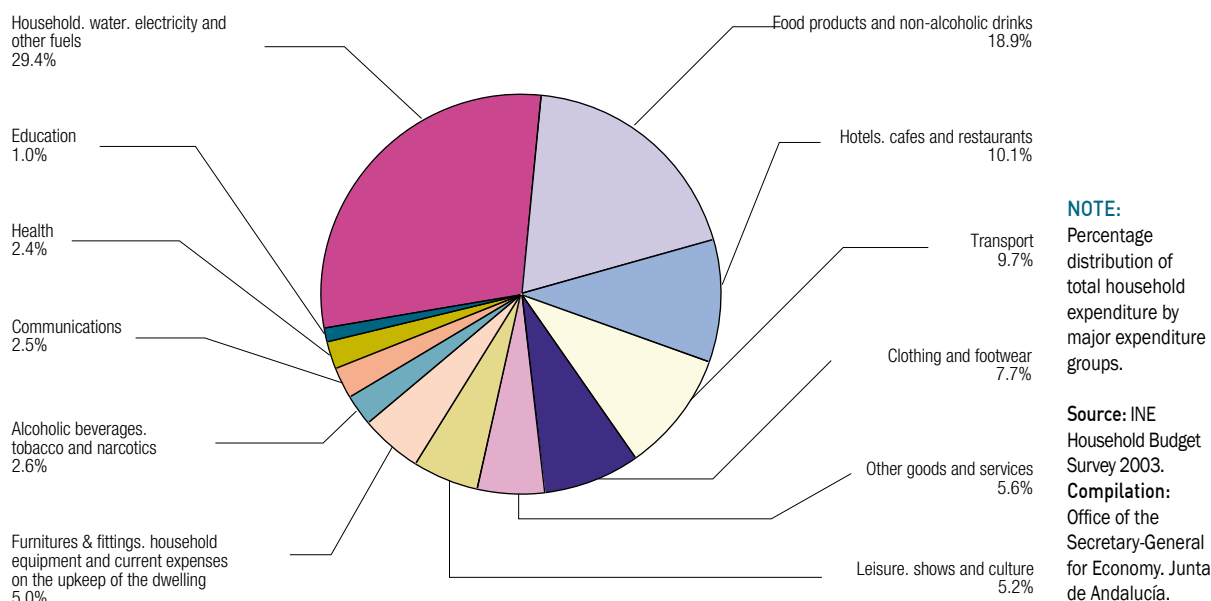
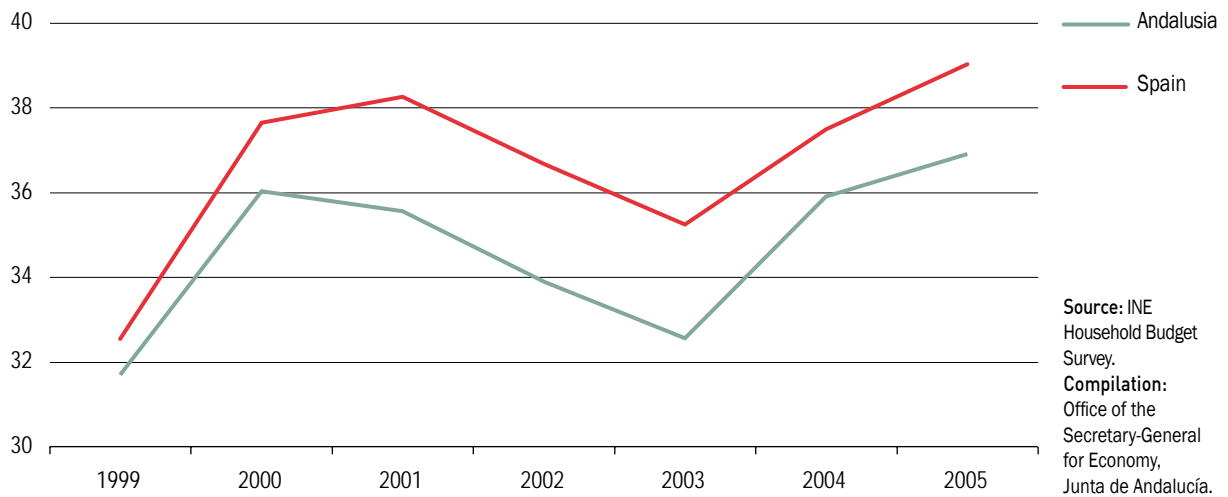


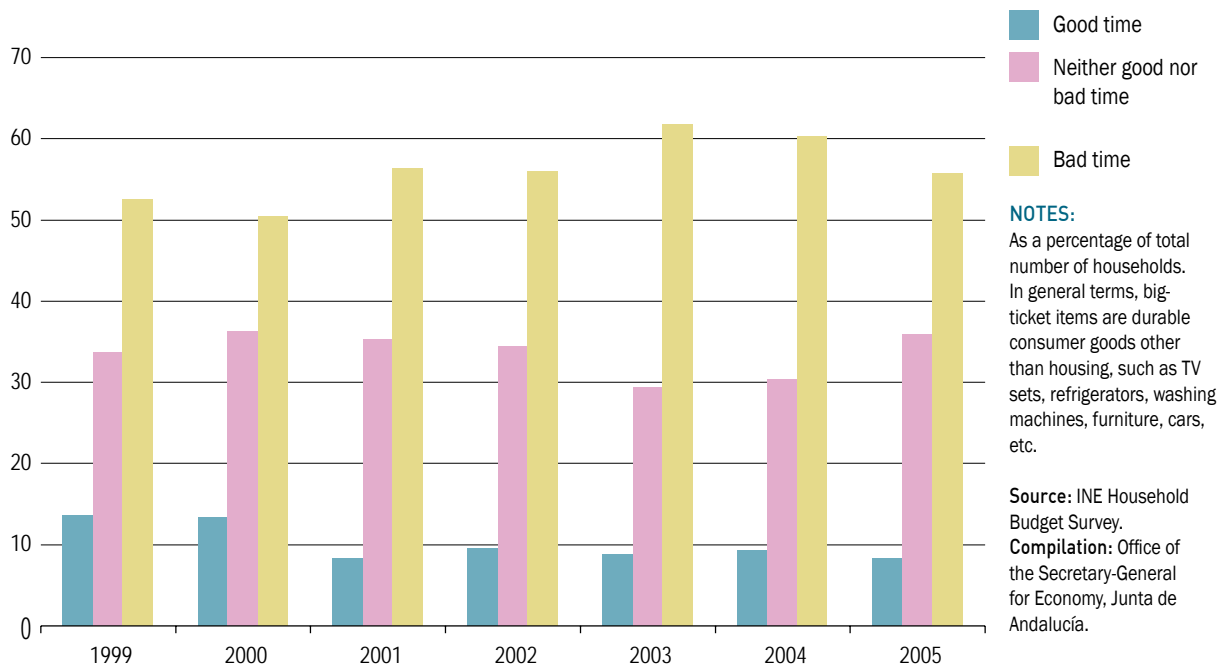
Chart 80. **PERCENTAGE OF HOUSEHOLDS ABLE TO SAVE MONEY**



than in 2004. This performance was due to relatively less sharp growth in sales of non-food products, which grew by 4.9%, 0.7 points less than the previous year, while, on the contrary, food product sales were relatively more buoyant. Other indicators for monitoring consumption, such as passenger car registrations,

showed, as they did in Spain, a slowdown in growth rate in 2005, following the surge the previous year, even though registrations hit a historic high. In Andalusia a total of 264,602 motor cars were registered in 2005, 1.3% more than the year before and on a par with the national average (1.4%).

Chart 81. **PURCHASE INTENTIONS FOR BIG-TICKET ITEMS. ANDALUSIA**



VAT collections, which is a tax-based consumption indicator, also recorded a historic high in 2005, reaching a figure of 3,517.1 million euros in Andalusia, representing 2.8% of the autonomous community's GDP for the year and rising 9.1% with respect to 2004.

Looking at the availability of consumer goods, the indicators confirm that a notable growth rate in imports of these was kept up, these being a nominal 12.1% up on the previous year. If the considerable drop in the import prices for these goods is added into this situation, which, according to the unit value index was one of 17%, it can be seen that in real terms the increase in these was one of an annualised 35%, 4.5 points higher than in 2004.

On the other hand, domestic consumer goods output was down by 3.6% in the year according to the Andalusian Industrial Production Index produced by the IEA, following the year before's mild increase (0.8%).

## Investment

Investment emerged as the most dynamic element of regional demand in recent years, with real

cumulative growth of 82.8% between 1995 and 2004, above the Spanish average (68.6%) and coming to represent over one quarter of regional demand (27.7%) compared to 21% in 1995.

The key indicators for charting investment continued to reveal considerable rises in 2005, both in construction and in capital equipment.

Sound progress by investment in construction was confirmed by this productive activity's strong growth, which was again the highest in 2005 (6.3%), almost one point over the national level (5.5%). Upward growth trends for official tenders also picked-up speed, hitting a nominal 29.3% in 2005, ahead of the previous year's level (22.9%) and the national average (24.1%). Distinguishing by type of project, there were increases for public investment both in civil engineering work (31.6%), representing 70% of the total, and in building work (24.3%).

Availability indicators for capital goods point to investment in them increasing, both regarding those produced domestically and those bought from abroad. The IEA's Industrial Production Index for capital goods shows a rise of 4.3% in 2005, though this was below the year before's level (13.5%).

Chart 82. INDEX OF SALES IN LARGE-SCALE RETAIL OUTLETS. ANDALUSIA

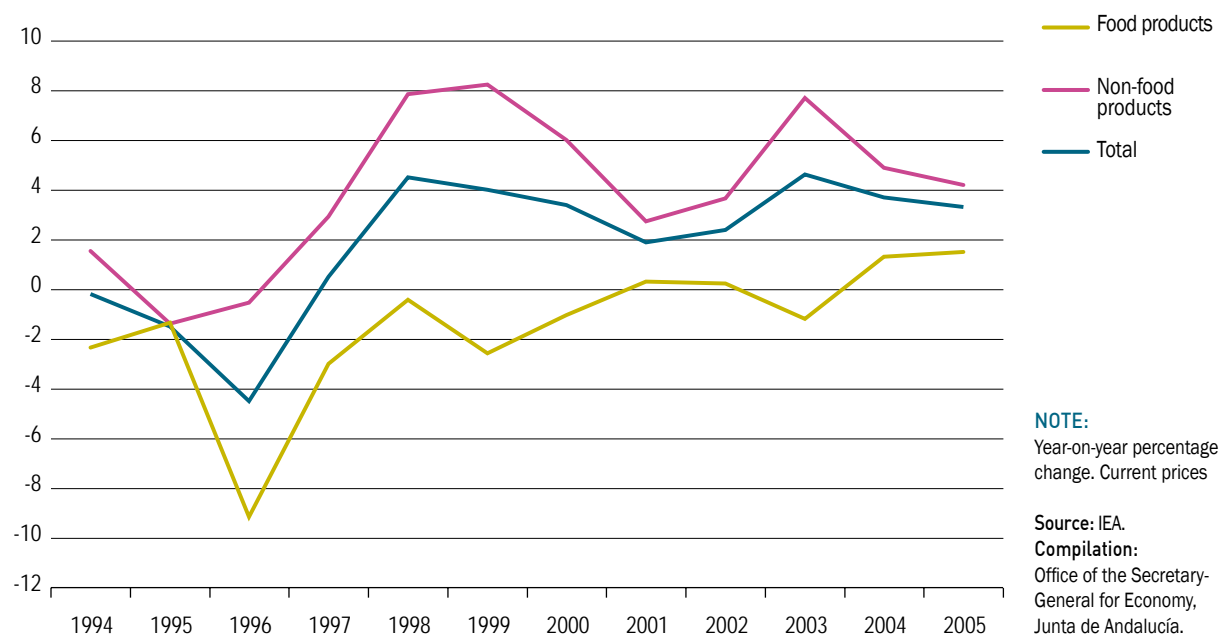
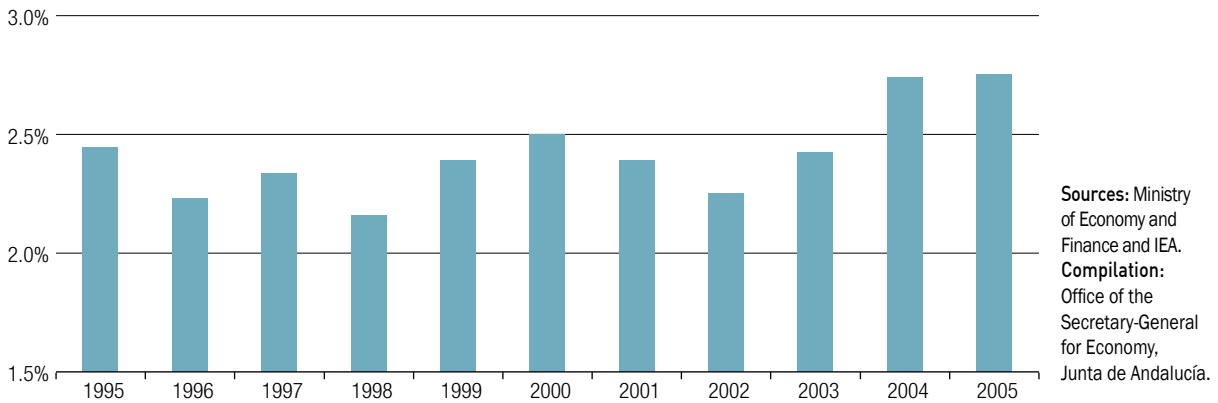


Chart 83. VAT COLLECTIONS AS A PERCENTAGE OF GDP. ANDALUSIA

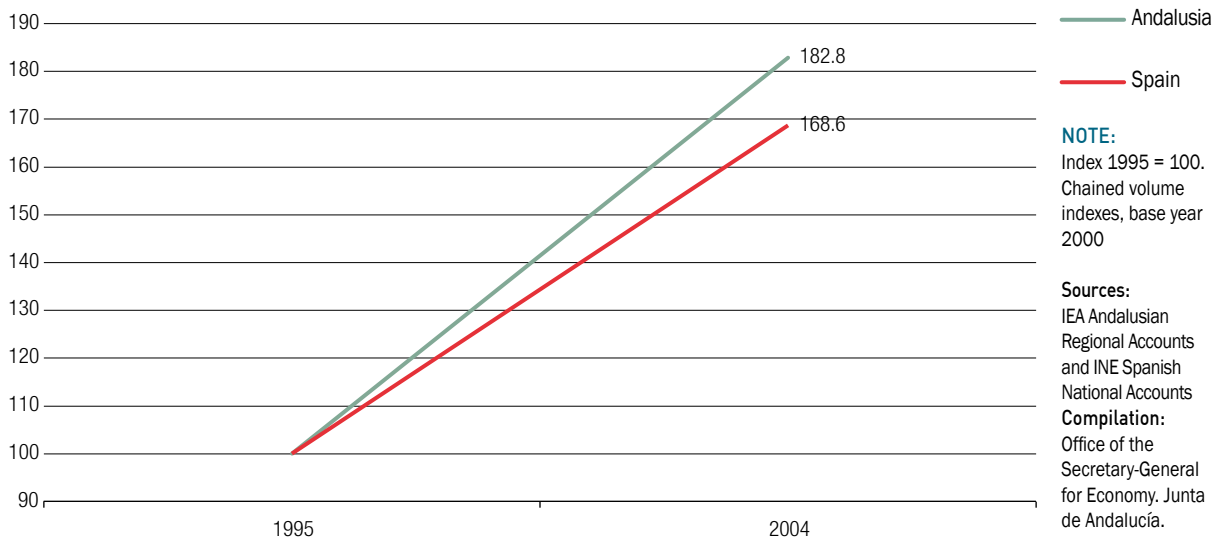


Imports of capital goods rose a nominal 24.8%, or 54.5% in real terms, 1.7 points over the 2004 level, after discounting the effect of price-falls seen by such imports (-19.2%).

Other indicators for tracking capital goods investment, such as goods vehicle registrations, also provided favourable readings on balance in 2005, with a historic high recorded of 60,817 goods vehicles registered, 3,694 more than in the previous year, which means growth was an annualised 6.5%.

On the other hand, in 2005 there was a substantial rise in investment channelled through regional economic incentive schemes in Andalusia. According to data from the Andalusian Ministry of Innovation, Science and Business, 210 approved projects were recorded in 2005, almost four times more than in 2004 (62), total investment in these amounting to 899.7 million euros, almost tripling the figure for the year before and the average investment per project being 4.3 million euros.

Chart 84. GROSS CAPITAL FORMATION



### Box 9. BREAKDOWN OF AGGREGATE DEMAND IN ANDALUSIA

The System of Economic Accounts seeks to present a detailed, systematic description of the region's major figures under consideration using so-called macro-parameters: output, value-added, available income, consumption, gross fixed capital formation, etc. Particularly important among these is Gross Domestic Product (GDP), which is the most typically used measure of economic activity and can be gauged from three standpoints: supply, demand and income.

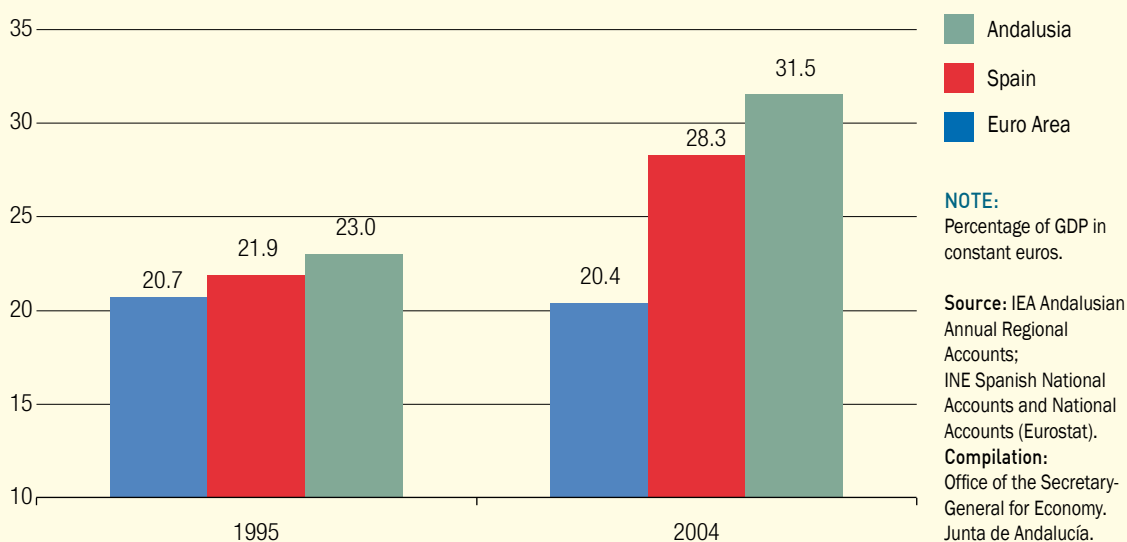
From a supply point of view, GDP is obtained as the sum of gross value-added produced by the various branches of activity plus net taxes on products. From an income standpoint it is the sum of earnings for the factors of production, which means employee compensation, gross operating surplus (capital reward), mixed income (self-employed worker compensation) and net taxes on production and imports. From a demand angle, this is obtained by adding together the sum of the end-uses to which goods and services are put by resident institutional units (households, non profit-making organisations or government), which might include final effective consumption, directly satisfying human, individual or collective needs; gross capital formation, which refers to net acquisitions of tangible or non-tangible assets used regularly or continuously in productive processes for over one year, as well as accumulated business inventory variations and acquisitions minus transfers of valuable items; and exports, from which imports should be subtracted.

Shifting the focus to the GDP breakdown on the demand side and the Andalusian economy, analysis of this can be approached using figures provided by the Annual Regional Accounts with base year 2000, published and compiled by the IEA for the 1995-2004 period within the Andalusian System of Economic Accounts.

According to these statistics, Andalusia's GDP in 2004 was 117,749 million euros, of which 60.2% was household consumption, 21.9% general government and NPISH consumption, and 31.5% gross capital formation. Altogether this tells us that regional demand was 113.6% of GDP, with the foreign sector's contribution turning out to be negative (exports minus imports, -13.6% of GDP).

Comparison of the Andalusian aggregate demand breakdown with the one presented by the Spanish economy according to the Spanish National Accounts using base year 2000, produced by the INE reveals the higher relative weight of

Chart 1. GROSS CAPITAL FORMATION AS A PERCENTAGE OF GDP



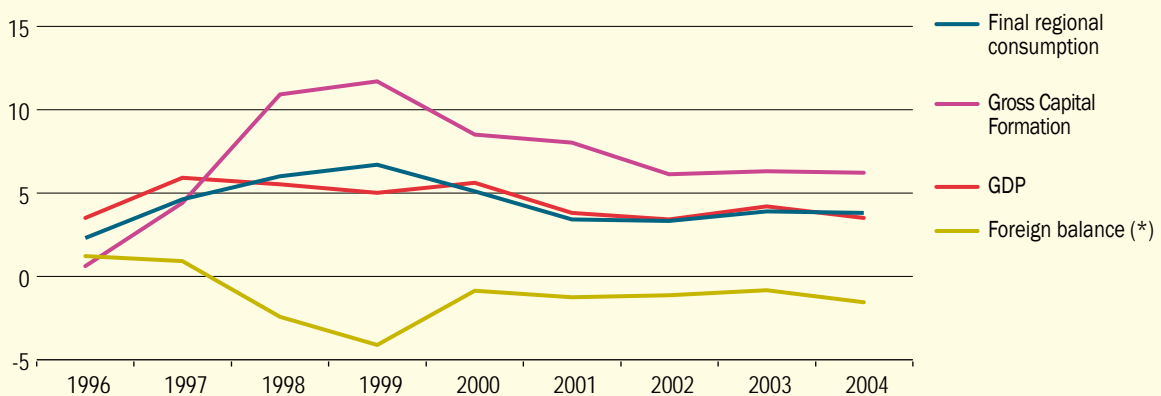


domestic components in the Autonomous Region. National demand in Spain represented 103.8% of GDP in 2004 (113.6% in Andalusia) and each and every one of its components had a lower relative weight: household consumption accounted for 56.8% of GDP, 3.4 points less than in Andalusia, while general government and NPISH consumption was 18.7% (21.9% in Andalusia), and gross capital formation was 28.3%, compared with 31.5% in Andalusia.

Trends in the composition of aggregate demand in Andalusia have undergone variations since 1995, the first year for which such data are available, particularly noticeable being the increase in gross capital formation, which has lifted its weight in GDP by 8.5 percentage points, from 23% in 1995 to 31.5% today. This percentage was not only above the national average but also far higher than that registered for the euro area as a whole (20.4% of GDP). This climbing average weight for investment in the Andalusian economy was higher than was observed for the Spanish economy, where it rose 6.4 points (from 21.9% in 1995 to 28.3% in 2004) and contrasts with the results for the euro area, where it is noticeable that this shrank back slightly, with gross capital formation accounting for 20.4% of GDP in 2004, three tenths of a point lower than in 1995. This lift in investment in Andalusia arose from its considerable buoyancy over the entire period, when it expanded at a nominal average annual clip of 11.8%, significantly ahead of GDP growth (an annual 8%) and outstripping the growth rate for gross capital formation in Spain (10.1% annually) as well as that seen in the euro area (3.7%) in particular.

The nominal performance was also appreciable in real terms. Here the real GDP rise in Andalusia for the 1995-2004 period (48.3% in cumulative terms) was sustained by domestic components, which displayed considerable vigour, jointly growing by 54.1%, with gross capital formation impressing by growing 82.6% in the period, thus doing so at an annual rate of a real 6.9%. Along with this expenditure on final consumption rose 46.3% between 1995 and 2004, such growth being relatively sharper among households (47.4%) than from general government and NPISH (43.3%). Moving to the foreign side, import growth outpaced that of exports, leading to a negative contribution from the foreign sector to GDP growth.

**Chart 2. GDP AND COMPONENTS OF AGGREGATE DEMAND. ANDALUSIA**



**NOTES:**

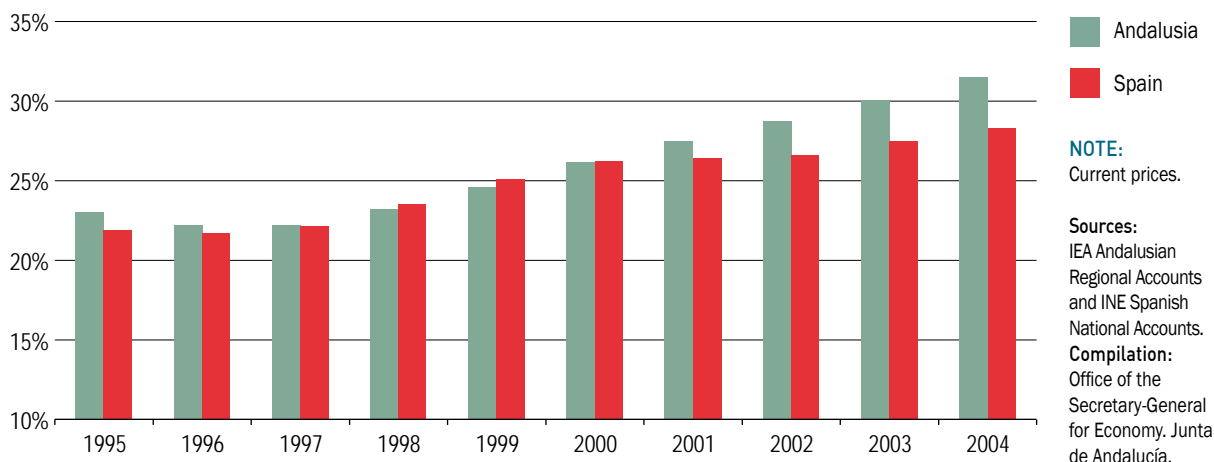
Percentage year-on-year change. Chained volume indexes, base year 2000.

(\*) Contribution to GDP growth in percentage points.

Source: IEA Andalusian Annual Regional Accounts .

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

Chart 85. GROSS CAPITAL FORMATION AS A PERCENTAGE OF GDP



Splitting this out according to the amounts involved, three projects were approved for a sum of over 30 million euros, together accounting for over one fifth of total investment (22.3%), these being in the chemical industry, non-metallic mineral manufacturing, and hotels and restaurants sectors.

Behind these and for sums between 6 and 30 million euros, 24 projects were recorded, together accounting for 38.4% of total investment, 125 projects for between 1 and 6 million euros, representing 34.6% of total investment, and 53 projects for under one million euros and accounting for the remaining 4.7% of approved investment.

Looking at the different sectors into which investment channelled through regional economic incentive schemes was divided, the split was virtually 50% for services, mainly involving hotels and restaurants (98.2% of total sector investment) and the remaining 50% for industry. Especially significant in the latter sector were “chemical industry” projects, with an investment total of 115.4 million euros, representing a little over one quarter of investment in industry (25.9%), followed quite far behind by projects in the categories of “the manufacture of other non-metallic mineral products” (14.1% of sector investment), “rubber and plastic products” (10%) and “metallic products manufacturing” (8.4%).

According to geographical distribution, Cadiz was the province with the most investment channelled through regional economic incentive schemes with 20.9% of the total in 2005, this going mainly into projects falling under the heading of “hotels and restaurants” (90.9%). In second place was Huelva, with 18.7% of total investment, with “the chemical industry” attracting the most volume, and in third place came Almeria, with 16%, investment here basically going into “hotels and restaurants” and “the manufacture of non-metallic minerals”.

In 2005 there were increases in investment in annualised terms across all the provinces, except in Seville (-22.9%), with Huelva particularly prominent as it moved from having projects approved in 2004 to the value of 3.1 million euros, or 1% of the regional total, to absorbing 157.2 million euros in 2005 or 18.7% of the total. Also notable were the increases in investment channelled through regional economic incentive schemes in Cadiz, where the amount for projects rose seven-fold, and Jaen, where this increased five-fold.

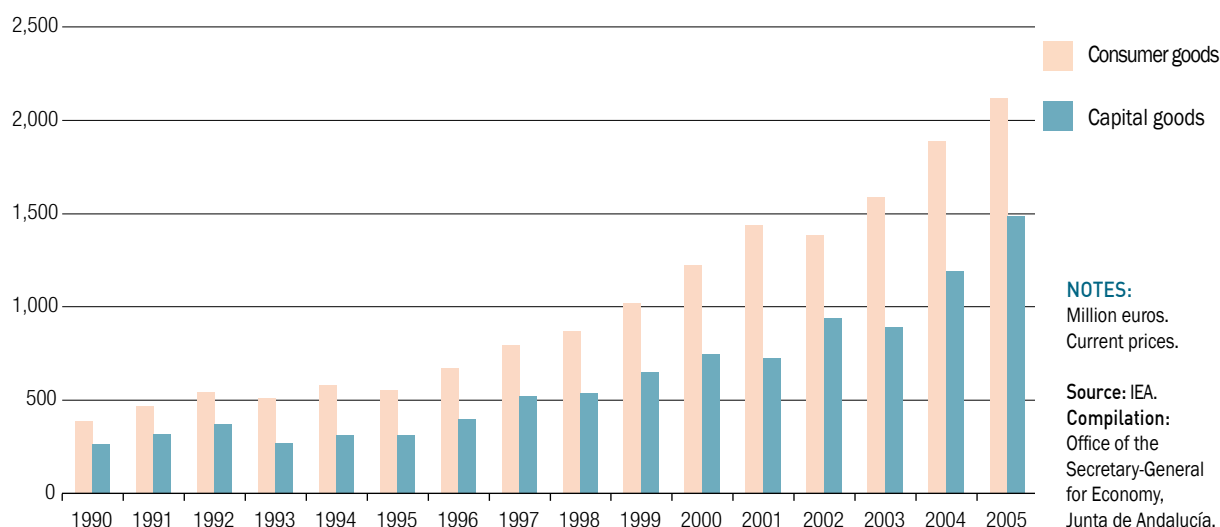
Lastly, in connection with investment from abroad and in keeping with trends in Spain, in 2005 there was an appreciably lower inflow of capital into Andalusia in terms of foreign direct investment, with a total recorded for the year as a whole of 270.9 million euros, 11.6% less than

Table 42. **PROJECTS APPROVED UNDER REGIONAL ECONOMIC INCENTIVE SCHEMES. ANDALUSIA. YEAR 2005**

	No. of projects	Capital expenditure	
		thousand euros	% of total
<b>AGRICULTURAL SECTOR</b>	1	949	0.1
Mining of metal ores	1	949	0.1
<b>INDUSTRIAL SECTOR</b>	145	445,681	49.5
Food products and beverages	11	22,359	2.5
Textiles	3	5,435	0.6
Fur and clothing industries	2	4,099	0.5
Wood and wood and cork products, except furniture	6	15,751	1.8
Pulp, paper and paper products	2	5,674	0.6
Publishing, printing and reproduction of recorded media	21	23,421	2.6
Chemicals, chemical products and man-made fibres	5	115,404	12.8
Rubber and plastic products	11	44,434	4.9
Other non-metallic mineral products	15	62,858	7.0
Metallurgy	8	23,533	2.6
Fabricated metal products (except machinery)	18	37,449	4.2
Machinery and mechanical equipment n.e.c.	9	19,661	2.2
Electrical machinery and apparatus n.e.c.	2	3,410	0.4
Electronic, radio, television and communication equipment and apparatus	2	5,482	0.6
Medical, precision and optical instruments, watches and clocks	1	1,036	0.1
Motor vehicles, trailers and semi-trailers	2	4,304	0.5
Other transport equipment n.e.c.	6	14,092	1.6
Furniture; manufacturing n.e.c.	18	23,630	2.6
Recycling	2	3,553	0.4
Production and distribution of electricity, gas, steam and hot water	1	10,098	1.1
<b>CONSTRUCTION</b>	2	3,091	0.3
Machinery and mechanical equipment construction	2	3,091	0.3
<b>SERVICE INDUSTRIES</b>	62	449,947	50.0
Hotels and restaurants	60	441,803	49.1
Sport, culture and recreational activities	2	8,144	0.9
<b>TOTAL</b>	210	899,668	100.0

Source: Andalusian Ministry of Innovation, Science and Business. Junta de Andalucía.

Compilation: Office of the Secretary-General for Economy. Junta de Andalucía.

Chart 86. **IMPORTS. ANDALUSIA**

in 2004 and similar to the average fall for Spain as a whole (-10.6%). This drop was due to the dip in foreign investment in the services sector, basically within “wholesale and retail trade”, while on the other hand, there was a substantial increase in industry, where the volume of foreign capital received was 7 times higher than the previous year.

### Imports and exports

On the foreign side, in 2005 growth in Andalusian purchases from abroad stepped up markedly, these rising against a backdrop of soaring oil prices on world markets by a nominal 23.7%, 6.5 points more than in 2004. Combined with this, export growth was more restrained, moving ahead by a nominal 7.3% following the previous year’s rate of 17.8%. Overall trade exchanges between Andalusia and countries abroad rose

by a nominal 15.7%, far outpacing nominal GDP growth (8.6%), which meant that the Andalusian economy’s degree of openness as measured by the ratio of total exports and imports to GDP increased to 24.9%, its highest level for five years.

The export share, which is the percentage of exports to export good production (agricultural and industrial), hit a historic high in 2005 of 69%, 1.6 points higher than the previous year, as a result of the greater relative momentum of sales abroad (7.3%) compared to the agricultural and industrial value-added generated (4.7% in nominal terms).

In real terms, that is stripping out the effect of trends for import prices, which rose 8.9% according to the unit value index, and export prices, which did so by 5.8%, the net result was an increase in imports of 13.9% and one in exports of 1.5%.

# 7.

## Foreign Trade and Investment in Andalusia



## Foreign Trade and Investment in Andalusia

Andalusia's international economic activity in 2005 was marked by, on the one hand, renewed momentum in trade exchanges with countries abroad, which further advanced the region's integration with world markets, and, on the other hand, by another positive balance for inflows and outflows of foreign investment capital.

With respect to foreign trade, imports and exports together achieved a historic high in 2005 of 31,797 million euros, some 15.7% up on the previous year's level as a result of growth for both exports (7.3%) and, to a greater extent, imports (23.7%).

The rise in trade exchanges was sharper than that seen by Gross Domestic Product (GDP), which meant that the Andalusian economy's openness as measured by the sum of exports and imports in relation to GDP increased, stood at 24.9% in 2005, the highest level for five years and 1.6 percentage points above the year before's reading.

Likewise the export share, the ratio of exports to export goods produced (agricultural and industrial), hit a historic high in 2005 of 69%, also 1.6 percentage points ahead of its 2004 level.

Foreign investment figures taken from the Investment Register at the Ministry of Industry, Tourism and Trade reveal that, as has always been the case since records began (1993), Andalusia still had a net inflow of capital in 2005, while the opposite was the case for Spain.

Foreign capital inflows into Andalusia in fact outstripped outflows by roughly 62 million euros in 2005, while in Spain capital outflows were almost 10,000 million euros higher than inflows.

### FOREIGN TRADE

#### Overview

As had happened for the two previous years, in 2005 Andalusia's trade flows with countries abroad again grew, being 15.7% higher than the previous year and above the levels for the Spanish economy as a whole (8.3%).

This growth rate was of the same order as for the year before (17.5%) and was a long way above the nominal increase in GDP (8.6%), which meant that

Chart 87. **ANDALUSIAN FOREIGN TRADE**



the Andalusian economy's degree of openness rose, reaching 24.9%, the highest for five years and 1.6 points over its 2004 level.

The export share too, which is the percentage of exports out of export goods produced (agricultural and industrial), hit a historic high at 69%, which was also 1.6 percentage points above the previous year's figure.

Exports were actually up by 7.3% in nominal terms, compared with a growth rate of 4.5% for Spain, and

notched up a historic high of 14,261 million euros in 2005. There was, however, still greater vigour from imports, which shot up an annualised 23.7% in a context of a considerable rise in commodity prices, essentially oil, reaching a high of 17,536 million euros.

The higher value of buying in from abroad with respect to sales left the Andalusian trade balance with a deficit of 3,274.7 million euros, a figure which represented 2.6% of the region's GDP, although this was lower than the weight of GDP

Chart 88. **GDP AND FOREIGN TRADE. ANDALUSIA**

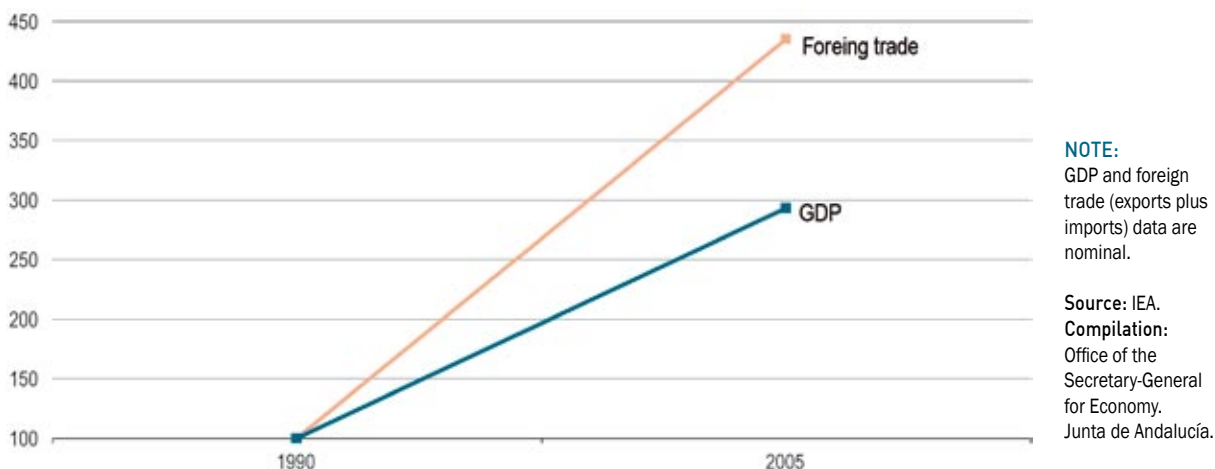




Table 43. **UNIT VALUE INDEXES OF EXPORTS AND IMPORTS. YEAR 2005**

	IMPORTS		EXPORTS		NOTE: Year-on-year percentage change.
	Andalusia	Spain	Andalusia	Spain	
<b>BY DESTINATION</b>					
Consumer goods	-17.0	1.1	10.6	1.9	Source: IEA; Ministry of Economy and Finance. Compilation: Office of the Secretary- General for Economy, Junta de Andalucía.
Intermediate goods	20.7	8.0	7.5	6.5	
Capital goods	-19.2	1.0	-4.1	6.8	
<b>BY GEOGRAPHIC AREA</b>					
EU countries	-2.7	2.6	6.6	3.7	
Rest of world	15.6	9.6	3.3	7.7	
<b>TOTAL</b>	<b>8.9</b>	<b>5.0</b>	<b>5.8</b>	<b>4.7</b>	

held by the deficit for the Spanish economy as a whole (8.6%).

The fact that imports outpaced exports also meant that the export/import ratio dropped back in 2005, in keeping with the trend for Spain as a whole, to 81.3%, which was considerably above the export/import ratio shown by Spain's foreign trade balance (66.4%).

The unit value indices for foreign trade produced by the Andalusian Statistics Institute (IEA) show how the results for Andalusia's trade exchanges with countries abroad were partly influenced by price movements over the year in 2005.

They reveal that in 2005 import prices paid by Andalusia rose 8.9%, which was higher than the rise observed in prices nationally (5%) and the increase registered the year before (6.8% year-on-year).

This rise in import prices could be traced exclusively to the surge in intermediate goods prices, which were up by 20.7%, while both consumer goods prices (-17%) and those for investment goods fell (-19.2%). This rise in the price of intermediate goods imports was in turn attributable to the soaring oil price, which also means that in examining the origin of imported goods it can be seen that it was the prices of goods imported from non European

Union countries which accounted for the overall increase.

Nevertheless, if we strip inflation out from the set of Andalusian imports using their unit value index, we find that in real terms imports rose by 13.9% in 2005, compared to nominal growth of 23.7%.

On the export side the unit value index shows a price rise of 5.8% in Andalusia, which is higher than the figure of 4.7% registered in Spain. This increase was brought about by price trends for intermediate and consumer goods, which were up by 10.6% and 7.5% respectively, while the price of capital goods exports showed a drop of 4.1%.

Analysis of their geographical destination shows that price rises were more severe for exports going to the EU than to the rest of the world, while the reverse was true nationally.

Allowing for the price rises for exports, their growth in real terms was 1.5%, which compares to nominal growth of 7.3% and a context of stagnation in Spain (0.2%).

### Breakdown by geographical area

Splitting the countries with which Andalusia has a trading relationship out into economic blocs (the OECD, OPEC, newly industrialised countries and

Table 44. **ANDALUSIAN FOREIGN TRADE. GEOGRAPHIC DISTRIBUTION. YEAR 2005**

	2005		EXPORT/IMPORT RATIO <sup>(1)</sup>		04-05 GROWTH %	
	Imports	Exports	2004	2005	Imports	Exports
OECD	7,517.1	11,161.6	143.1	148.5	2.5	6.4
EU-25 <sup>(*)</sup>	5,804.2	9,063.1	153.6	156.1	0.3	2.0
Non EU Europe	628.4	1,145.4	153.2	182.3	37.0	63.0
America	890.1	1,016.1	127.8	114.2	14.3	2.0
Asia	162.2	226.2	66.1	139.5	-32.1	43.3
Oceania	147.1	58.3	53.3	39.6	-1.8	-26.9
OPEC	5,444.2	448.8	18.0	8.2	47.4	-32.4
NIC	77.4	62.6	121.5	80.9	25.2	-16.6
REST OF COUNTRIES	4,491.0	2,588.1	66.8	57.6	45.3	25.4
Europe	1,305.7	684.8	55.8	52.4	51.7	42.6
America	1,160.0	466.7	33.3	40.2	58.2	91.1
Asia	660.5	425.0	77.9	64.3	22.7	1.4
Africa	1,244.9	625.7	76.1	50.3	40.5	-7.2
Oceania	118.7	43.1	2.5	36.3	66.2	2,294.4
Other countries	1.2	342.8	81,100.0	27,645.2	313.3	40.9
<b>TOTAL</b>	<b>17,535.9</b>	<b>14,261.2</b>	<b>93.8</b>	<b>81.3</b>	<b>23.7</b>	<b>7.3</b>

**NOTES:**

Data in million euros. Figures for 2005 are provisional. (1) Exports/Imports as percentages. (\*) Cyprus, Slovenia, Estonia, Latvia, Lithuania and Malta are not included in the OECD.

Source IEA.

Compilation: Office of the Secretary-General for Economy. Junta de Andalucía.

the rest of the world) and initially looking at imports, it can be seen that the largest nominal growth in imports in 2005 was from OPEC countries, which were 47.4% higher than the previous year. This was in part due to the oil price rise on world markets as the Brent barrel hit an average dollar price that was 42.4% higher than the previous year's and this resulted in a substantial impact, as imports from these countries accounted for 31% of the total, amounting to slightly over 5,000 million euros in 2005.

Behind imports from the OPEC countries there were notable growth rates in those from countries not included in any of the three major blocs (OECD, NICs and OPEC), which together represented one quarter of total imports into Andalusia and rose by a nominal 45.3% in 2005. In third place were imports from the NICs, which rose 25.2%, although the impact of this was very low as the value of these only accounted for 0.4% of total Andalusian imports.

Imports from the OECD bloc of countries accounted for almost half of the total coming into

Andalusia from abroad (42.9%) and had shown a very substantial growth trend over the previous three years, though in 2005 this was very modest, amounting to an annualised 2.5%.

Within this bloc, imports from the European Union represented two thirds of the total but virtually stagnated with respect to the previous year (0.3%) due to the noticeable dip in those from countries not falling within the euro area (-11% year-on-year). Meanwhile imports from the euro area accounted for 82.3% of the total from the EU-25, growing 3.2% in 2005.

Despite the general fall outside the euro area, considerable rises in imports were worth noting from countries involved in the most recent enlargement, such as Cyprus (2,932.6%), Latvia (877.7%) and Lithuania (709.3%), although in absolute terms these represented a slender sum and were unable to offset the drop in imports purchased from the United Kingdom and Sweden. On the other hand, in the euro area there were substantial rises in imports from Portugal (18.1%), Italy (15%) and the Netherlands (7.4%).

Table 45. **ANDALUSIAN TRADE WITH EU COUNTRIES. YEAR 2005**

	2005		EXPORT/IMPORT RATIO <sup>(1)</sup>		04-05 GROWTH %	
	Imports	Exports	2004	2005	Imports	Exports
<b>EURO AREA</b>	4,775,727.0	6,953,220.9	150.6	145.6	3.2	-0.3
Germany	884,987.3	1,428,248.4	161.9	161.4	1.8	1.5
Austria	74,307.6	65,079.4	100.7	87.6	9.3	-5.0
Belgium	258,479.6	445,654.0	130.9	172.4	-17.1	9.1
Finland	38,406.3	32,029.9	68.5	83.4	-18.0	-0.3
France	735,071.4	1,693,989.1	211.2	230.5	-7.8	0.6
Greece	79,839.0	87,773.8	118.3	109.9	-12.6	-18.7
Ireland	184,405.5	34,033.7	12.0	18.5	-15.1	30.6
Italy	1,036,331.6	1,284,380.8	155.4	123.9	15.0	-8.3
Luxembourg	11,497.9	1,580.5	106.2	13.7	-16.9	-89.2
Netherlands	768,265.0	733,564.4	94.7	95.5	7.4	8.3
Portugal	704,135.7	1,146,886.8	192.0	162.9	18.1	0.2
<b>NON EURO AREA</b>	1,028,485.5	1,797,605.1	148.8	174.8	-11.0	4.6
Cyprus	2,139.5	2,090.2	9,787.2	97.7	2,932.6	-69.7
Denmark	157,076.5	104,648.0	61.4	66.6	29.2	40.2
Slovakia	1,885.3	41,267.4	646.5	2,188.9	-69.4	3.7
Slovenia	1,542.1	43,781.0	1,707.1	2,839.1	-9.5	50.6
Estonia	4,294.5	3,457.5	44.1	80.5	-53.3	-14.8
Hungary	26,159.8	47,865.9	207.0	183.0	73.5	53.4
Latvia	17,833.3	4,129.6	171.4	23.2	877.7	32.1
Lithuania	16,144.9	15,832.5	249.2	98.1	709.3	218.5
Malta	271.7	2,983.7	5,777.1	1,098.2	40.7	-73.3
Poland	35,724.9	123,689.7	479.7	346.2	13.7	-17.9
United Kingdom	634,470.6	1,082,600.0	141.2	170.6	-18.2	-1.2
Czech Republic	8,868.0	62,419.5	637.7	703.9	13.2	24.9
Sweden	122,074.4	262,840.1	119.3	215.3	-33.1	20.7
<b>EU-25 <sup>(1)</sup></b>	5,804,212.5	9,063,081.0	153.6	156.1	0.3	2.0

**NOTES:**

Data in thousand euros. Figures for 2005 are provisional. (1) Exports/Imports as percentages. (\*) Total figures do not match the sum of exports because the destination countries of some trade operations are unknown.

Source: IEA.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

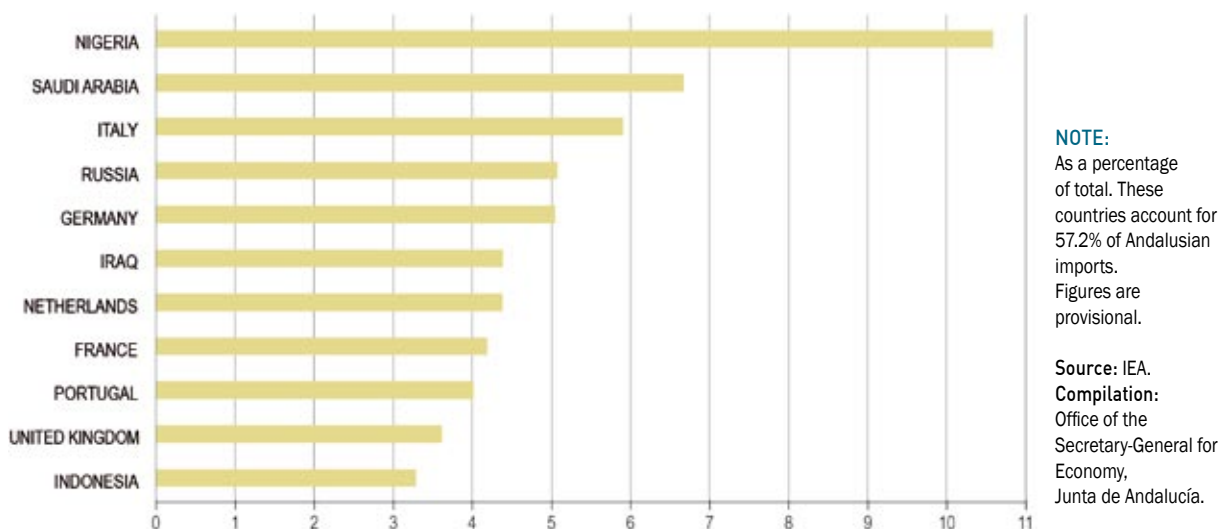
In absolute terms the main European Union countries from which Andalusia imported goods were, in order, Italy, Germany, the Netherlands, France, Portugal and the United Kingdom, together accounting for 82.1% of Andalusian imports from that bloc.

The mild increase in nominal terms in Andalusian imports from the EU in 2005 arose within the context of a fall in the price of these, which, according to the unit value index, came to an annualised -2.7%. However, if we use this index to take out the negative inflation effect for the set

of imports from the EU, we can see that growth in imports from this bloc was 3.1% in real terms, compared to nominal growth of 0.3%.

On the other hand, within the OECD bloc there was a noticeable increase in imports from European countries who were not members of the European Union, which were 37% up on those the previous year and had an absolute value of 628.4 million euros.

The chief countries, however, from which Andalusian imports came in 2005 were Nigeria

Chart 89. **MAIN COUNTRIES OF ORIGIN OF ANDALUSIAN IMPORTS. YEAR 2005**

(10.6% of the total), Saudi Arabia (6.7%) and Italy (5.9%), the main product being imported from the first two being crude oil and in Italy's case refined oil derivatives.

From an export standpoint and again breaking our analysis down into blocs of countries trends in 2005 were uneven, with drops in exports bound for OPEC countries and NICs, while those going to the OECD and the rest of the world rose.

To be precise, exports to the OECD, which accounted for 78.3% of Andalusia's total sales abroad in 2005, amounted to 11,161.6 million euros, some 6.4% above the previous year's level.

This increase arose despite a slight loss of price competitiveness for the Andalusian economy in comparison with the bloc, which is mirrored by Andalusia's real effective exchange rate against the OECD. This indicator takes into account the differentials in prices and exchange rates between Andalusia and these countries and in 2005 this showed a mild increase, meaning a loss of competitiveness, due to both a stronger euro and Andalusia's greater relative price growth compared to the rates in the other countries.

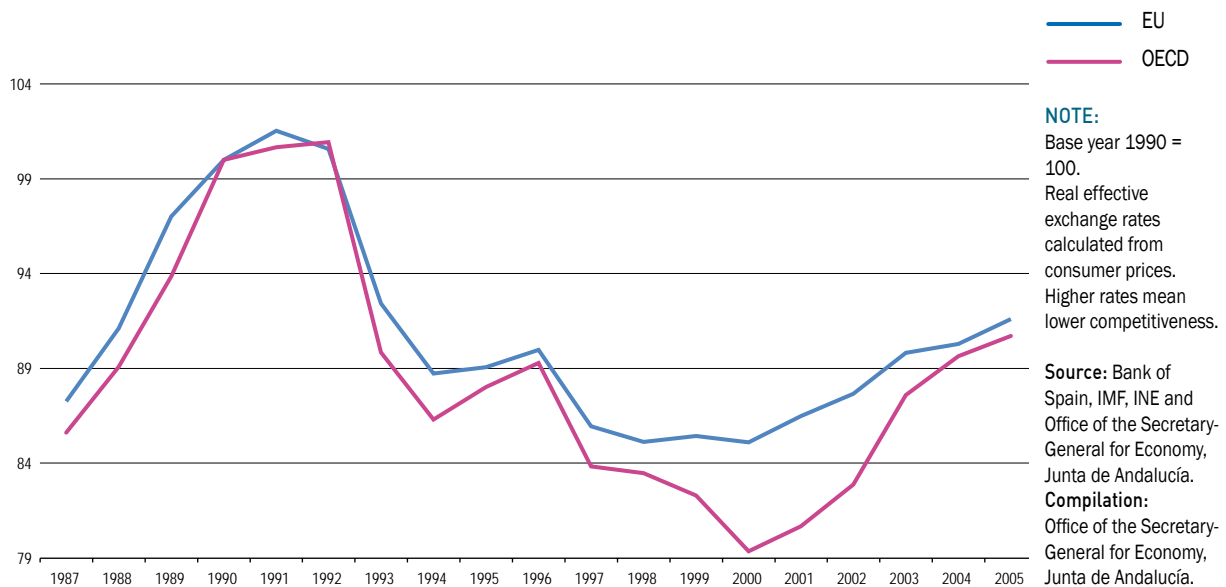
Within the OECD exports were notable in terms of scale to the EU-25 countries, where almost two thirds (64%) of total Andalusian exports went, these showing nominal growth in 2005 of 2%, which was below the overall growth rate for Andalusian exports (7.3%).

In real terms, which means allowing for price trends for Andalusian exports to the EU as indicated by the unit value index (5.9%), there was even a fall in exports of an annualised -3.7%.

Movements in the real effective exchange rate between Andalusia and the EU suggest that these results came about within a context of a dip in Andalusia's price competitiveness against the zone, the rate rising by 1.4% due to the region's prices growing relatively more.

As was the case for the origin of its imports, within the EU the chief destination for Andalusia's exports were the euro area countries, to which 76.7% of Andalusia's total exports to the European Union in 2005 went, although this was slightly down on the previous year (-0.3% in nominal terms). In order of volumes the most exports went to France, Germany, Italy and Portugal, these accounting

Chart 90. **REAL EFFECTIVE EXCHANGE RATE FOR ANDALUSIA VIS-À-VIS THE EU AND THE OECD**



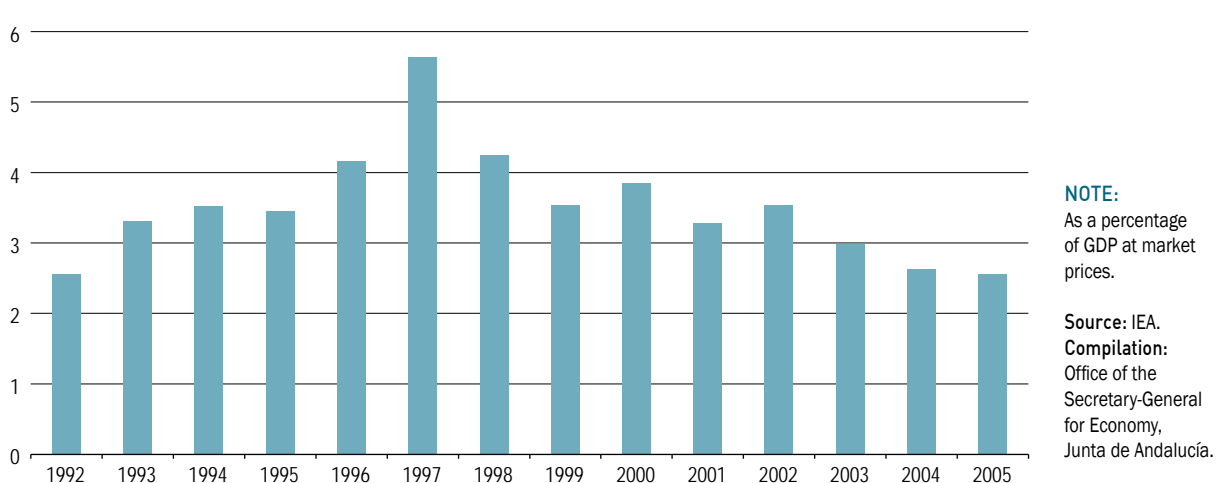
for almost 80% of Andalusian exports to the euro area for the year as a whole. The most robust trends, however, were noted for exports to Ireland (an annualised 30.6%), Belgium (9.1%) and the Netherlands (8.3%).

Exports to the other EU countries outside the euro area showed a growth rate of 4.6%, with notable rises to countries involved in the recent enlargement, such as Lithuania (218.5%), Hungary

(53.4%) and Slovenia (50.6%). In absolute terms, however, the highest levels of exports to such countries were recorded for those bound for the United Kingdom, which were over the 1,000 million euro mark, and, some way behind, those going to Sweden, Poland and Denmark.

Alongside this rise in exports going to the OECD bloc, there were also increases in Andalusian sales to those countries not included in the other

Chart 91. **ANDALUSIAN TRADE BALANCE WITH THE EU-25**



two major blocs of the NICs and OPEC in 2005, to which 18.1% of Andalusian exports went.

On the other hand, Andalusian exports to the OPEC countries, worth 448.8 million euros and representing 3.1% of the region's total exports for the year, dived 32.4% with respect to 2004, as did exports to the NICs (-16.6%), whose weight out of the total was still very much on the small side (0.4%).

Looking at the trade balances with the various economic areas, it should be noted that in 2005 Andalusia still posted a surplus in relation to the OECD, this amounting to 3,644.5 million euros, 15.4% higher than the previous year. This stemmed from a sharper rise in exports (6.4%) than in imports (2.5%), leaving the export/import cover ratio with the OECD at 148.5%, which means that exports were worth almost 50% more than imports from the bloc.

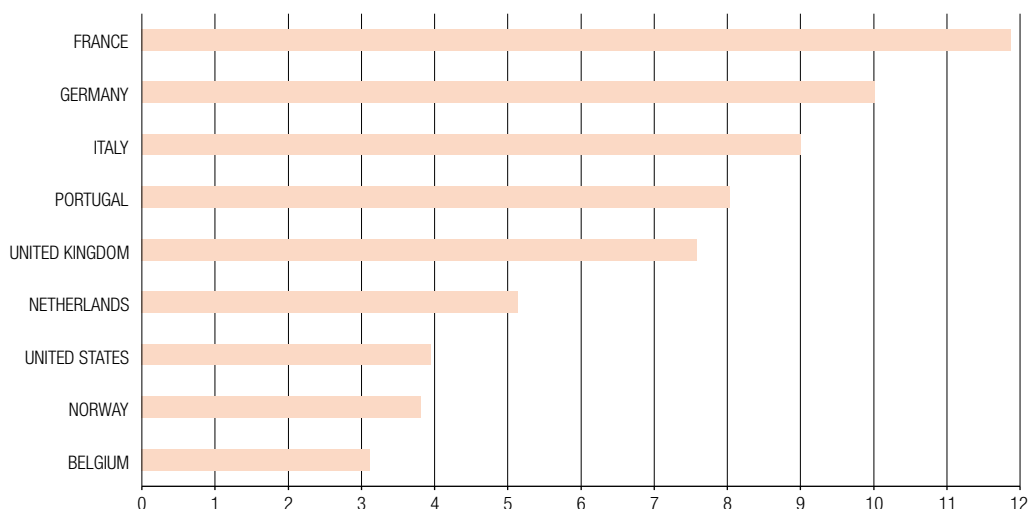
Focusing within the OECD on the current European Union, the surplus with these countries topped the 3,000 million euro mark for the sixth year in a row, the exact figure emerging as 3,258.9 million euros in 2005, 5% up on 2004 and representing 2.6% of Andalusian GDP.

Breaking this down by countries, the Andalusian surplus position extended to virtually all of the EU-25, with the exceptions of the Netherlands, Austria, Finland, Denmark, Ireland and Luxembourg, and in absolute terms the largest trade surpluses were with France, Germany, the United Kingdom and Portugal.

In relative terms, if we consider the export to import ratio, also known as the cover ratio, it is worth noting Andalusia's strong trading position compared to the block of new EU members under the recent enlargement, with which the volume of exports is three times that of imports. Within this grouping there were substantial results in relation to certain countries such as Slovakia, Slovenia and Malta, with which the export figures were between 10 and 30 times more than imports.

On the other hand, when it comes to the OPEC bloc of countries, as has become typical, Andalusia showed a trade deficit. In 2005 this was one of 4,995.4 million euros, this arising from a significant jump in imports (47.4%), these much affected by soaring oil prices on world markets combined with lower exports (-32.4%).

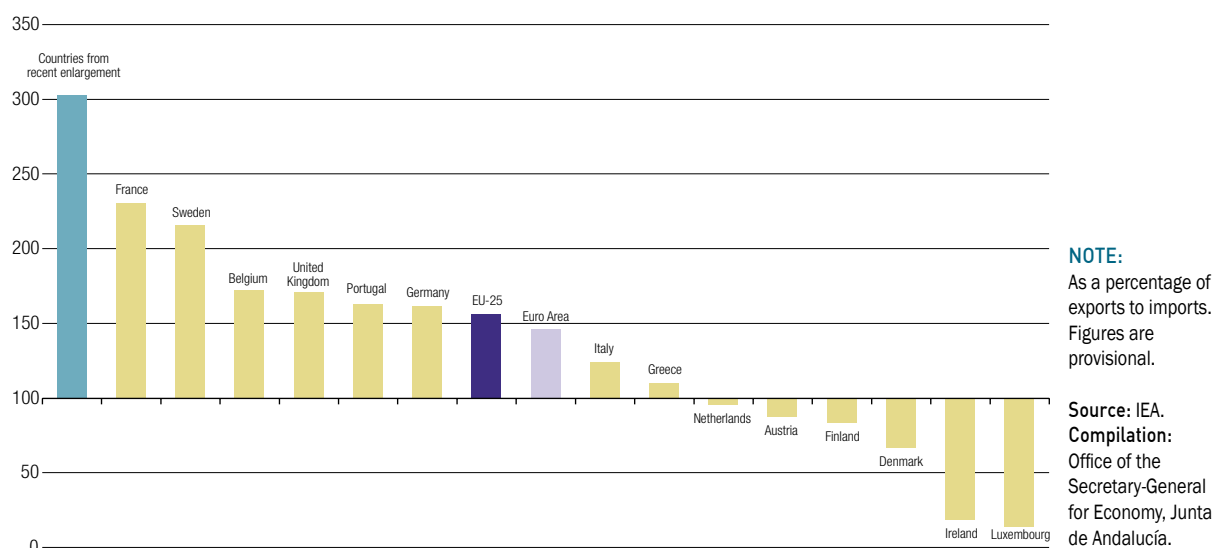
Chart 92. **MAIN DESTINATIONS OF ANDALUSIAN EXPORTS. YEAR 2005**



**NOTE:**

As a percentage of total. These countries account for 62.6% of Andalusian exports. Figures are provisional.

Source: IEA.  
 Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

Chart 93. **EXPORT/IMPORT RATIO FOR ANDALUSIAN TRADE WITH THE EUROPEAN UNION. YEAR 2005**


There was a similar deficit situation with the newly industrialised countries and the other countries not falling into any of the three major blocs.

Examination of the provincial breakdown of Andalusia's trade exchanges with countries abroad reveals that in 2005 there were increases everywhere, even though these were relatively uneven.

On the import side, Huelva showed the highest growth (35.9% year-on-year), followed by Cadiz (29.8%), both of which were above-average for

the region. On the other hand, with growth rates substantially below-average for Andalusia, were Malaga, where imports grew by 3.2%, Almeria (6%) and Cordova (9.9%).

From an export point of view, Cadiz and Huelva had the highest relative growth rates (15% and 14.1% respectively), in contrast to falls in exports for Jaen (-8.8%) and Malaga (-2.6%).

Taking imports and exports together, the provinces where foreign trade grew the most and at rates which topped the regional average (15.7%) were

 Table 46. **FOREIGN TRADE. BREAKDOWN BY PROVINCE. YEAR 2005**

	2005		EXPORT/IMPORT RATIO <sup>(1)</sup>		04-05 GROWTH %	
	Imports	Exports	2004	2005	Imports	Exports
Almeria	596,105	1,624,052	286.5	272.4	6.0	0.8
Cadiz	7,069,020	5,186,172	82.9	73.4	29.8	15.0
Cordova	542,980	895,849	174.7	165.0	9.9	3.8
Granada	537,674	633,259	131.4	117.8	13.0	1.3
Huelva	4,435,454	1,893,110	50.9	42.7	35.9	14.1
Jaen	549,449	674,561	334.0	122.8	19.5	-8.8
Malaga	1,503,856	1,073,834	75.6	71.4	3.2	-2.6
Seville	2,301,360	2,280,372	107.9	99.1	13.7	4.4
<b>ANDALUSIA</b>	<b>17,535,898</b>	<b>14,261,209</b>	<b>93.8</b>	<b>81.3</b>	<b>23.7</b>	<b>7.3</b>

**NOTES:**  
In thousand euro. Figures for 2005 are provisional.  
(1) Exports/Imports as percentages.

**Source:** IEA.  
**Compilation:** Office of the Secretary-General for Economy, Junta de Andalucía.

Box 10. **ANDALUSIA'S EXPORT ENTERPRISES. 1998-2003**

The increasing internationalisation of Spanish companies, both from the export and import aspects, has picked up gradually in recent years, particularly since Spain's accession into the European Union (EU).

The High Council of Chambers of Commerce has been very much aware of this fact and in recent years has published separate reports titled "Spanish export enterprises" and "Spanish import enterprises" (the last ones published covered the 1998-2003 period) to afford a deeper insight into foreign trade relations from the point of view of enterprises engaging in imports and exports.

These reports source their information from foreign trade data supplied by the Spanish Tax Office (AEAT) at the Economy and Finance Ministry and give some idea as to the number of enterprises trading with countries abroad as well as some of their typical features, such as average transaction value, destination/origin of exchanges and main goods traded. This information is broken down by autonomous communities, and even by provinces for certain aspects.

Focusing on export companies, the report titled "Spanish export enterprises. 1998-2003" puts the number of Andalusian companies making exports in 2003 at 7,942, 46% more than was the case in 1998 and far above the growth rate registered for the Spanish economy as a whole (26.6%). This means that Andalusia accounted for 10.5% of all enterprises having made exports in Spain and had the fourth most such enterprises in the ranking by autonomous communities after Catalonia, Madrid and Valencia.

The same findings emerge if one analyses those companies which are regular exporters, which the report classifies as those that did this on a continuous basis in each of the four years between 2000 and 2003. Such companies numbered 2,653 in Andalusia (8.3% of the Spanish average), making it the region with the fourth highest level after Catalonia, Madrid and Valencia.

Average export volume per enterprise in Andalusia was 1.4 million euros in 2003, although among those enterprises exporting on a regular basis the annual average was much higher, at 3.4 million euros.

**EXPORTER ENTERPRISES. ANDALUSIA-SPAIN**

	1998	2003	98-03 change	2000-2003 <sup>(*)</sup>
<b>ANDALUSIA</b>				
Number of enterprises	5,440	7,942	46.0%	2,653
Average annual exports per enterprise (thousand euros)	1,439	1,383	-3.9%	3,385
Total exports (thousand euros)	7,827,072	10,982,198	40.3%	8,979,874
Share accounted for by 10 largest (%)	31.4	30.0	-1.4 p.p.	35.4
Share accounted for by 4 largest (%)	21.7	20.8	-0.9 p.p.	25.4
<b>SPAIN</b>				
Number of enterprises	59,492	75,318	26.6%	32,007
Average annual exports per enterprise (thousand euros)	1,662	1,819	9.5%	3,697
Total exports (thousand euros)	98,851,907	137,026,037	38.6%	118,313,876
Share accounted for by 10 largest (%)	19.4	17.9	-1.5 p.p.	18.4
Share accounted for by 4 largest (%)	11.9	10.5	-1.4 p.p.	11.3

**NOTES:**

(\*) Enterprises which have made exports in each of the four years in the period.  
p.p.: percentage points.

Source: Foreign Investment Register.

Compilation: Ministry of Industry, Tourism and Trade, Junta de Andalucía.



This led overall export volume for all companies in Andalusia to rise by 40.3% between 1998 and 2003, which was above-average for the Spanish economy as a whole (38.6%).

With respect to the weight of the major companies in the overall export figures, it can be seen that in Andalusia the ten biggest accounted for 30% of total exports in 2003 (this was 17.9% in Spain), a percentage which, when compared with that on record for 1998 (31.4%), shows a lower level of concentration in exports. The same conclusion can be drawn when considering the four largest companies, whose exports took up 20.8% of the total in Andalusia in 2003 (10.5% nationally), the degree of concentration having lessened by almost one percentage point.

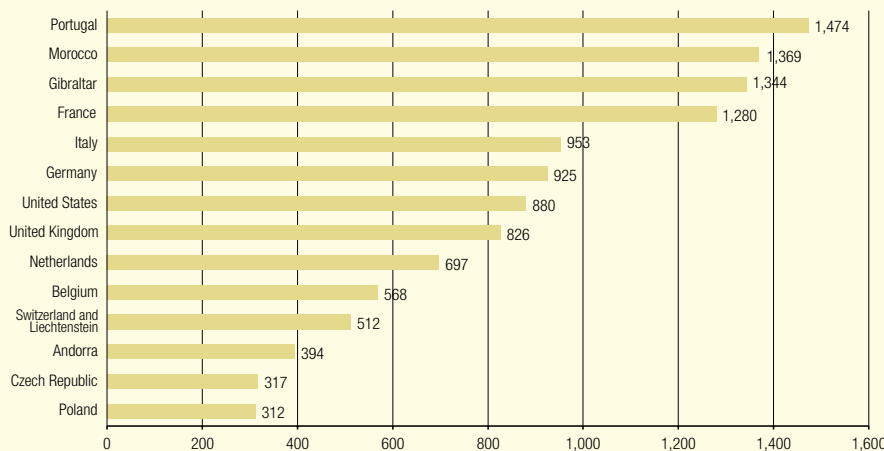
Splitting the figures out into the geographical destination for exports, the countries which most Andalusian enterprises sold to in 2003 were Portugal (18.6% of total enterprises), Morocco (17.2%), Gibraltar (16.9%) and France (16.1%), and which, taken together, a little over two thirds of the companies making exports sold to. From the point of view of trends since 1998, there was notably sharp growth in the number of enterprises exporting to Morocco, this figure having increased by 2.5 times in the five-year period, from 558 enterprises in 1998 to 1,369 in 2003. Behind these there was a significant rise too in the number of concerns exporting to some of the new EU member states, such as the Czech Republic and Poland, with increases of 82.2% and 68.6% respectively in the same period. The number of Andalusian enterprises exporting to the EU-25 moved from 2,292 in 1998 to 3,078 in 2003, with the average export value per enterprise in the latter year being 2.5 million euros, ahead of average exports for Andalusian enterprises and 3.6% over 1998 levels.

By tariff schedule headings, in 2003 Andalusian enterprises exporting “machinery and mechanical equipment” were the most numerous, at 1,019, being 12.8% of the total. Since 1998 there was a notable surge in enterprises exporting under “smelting, iron and steel”, these rising six-fold, and in second place those selling “motor vehicles and tractors”, which increased 2.4 times in the period.

Finally, looking at the analysis by provinces, the first thing that stands out is that there was an increase in enterprises having made exports in all Andalusian provinces in the five years for which there are records, with Almeria having witnessed the biggest rise in relative terms, where these have practically doubled. However, if we refer to the figures for enterprises having effected exports on a continuous basis in all the years during the 2000-2003 period, over 40% of the region’s total export companies were located in the provinces of Seville (20.8% of the total) and Cadiz (20.2%), followed by Malaga, with 13.1%, and Almeria (12.5%).

In terms of average export values per enterprise, Huelva, Cadiz and Almeria were prolific, with figures close to four million euros, which was over the regional and national average.

**ANDALUSIAN EXPORT ENTERPRISES. MAIN COUNTRIES OF DESTINATION . YEAR 2003**



**NOTE:**  
Number of countries exporting to each area.

**Source:** Council of Chambers of Commerce.  
**Compilation:** Office of the Secretary-General for Economy, Junta de Andalucía.

## 7. FOREIGN TRADE AND INVESTMENT IN ANDALUSIA

Huelva (28.6%) and Cadiz (23.1%), with the former accounting for 38.5% of all foreign trade in Andalusia in 2005, and the latter 19.9%. At the other extreme was Granada, which had the smallest relative weight out of the region's total foreign trade at 3.8%.

In the analysis of the balances for exports and imports it was Almeria which emerged in absolute terms as the province with the biggest trade surplus, with an export/import ratio of 272.4%, which means that the value of its exports almost tripled that of its imports. Also with surpluses were Cordova, Jaen and Granada, with export/import ratios of 165%, 122.8% and 117.5% respectively, with the other provinces below 100%, which shows that they had deficits on their trade balances.

### Breakdown by sector

When analysing the sector classification for Andalusian trade with countries abroad, the data make it clear that most of it involved goods in the industrial sector.

In fact, in 2005 86.3% of foreign trade (adding together exports and imports) was in the industrial sector with the remaining 13.7% split between the primary sector (11.2%) and services (2.5%).

On the import side, 94% was in industrial goods. Particularly striking due to their quantity were "energy product" imports, which represented one third of all Andalusian buying in for the year, followed by those under "metallurgy and

Table 47. **ANDALUSIAN FOREIGN TRADE BY ECONOMIC SECTOR. YEAR 2005**

	2005				04-05 growth %	
	Imports		Exports		Imports	Exports
	€ thousand	% of total	€ thousand	% of total		
<b>PRIMARY SECTOR</b>	860,365.5	4.9	2,693,222.4	18.9	19.6	-2.8
Crop and animal farming, hunting and forestry	752,628.5	4.3	2,622,427.6	18.4	22.6	-3.2
Fishing	107,737.0	0.6	70,794.8	0.5	2.1	14.9
<b>INDUSTRY</b>	16,492,129.6	94.0	10,940,347.7	76.7	24.4	10.0
Energy producing materials	5,939,692.1	33.9	2,737.8	0.0	50.0	-88.5
Mining and quarrying, except of energy producing materials	1,018,225.3	5.8	91,139.2	0.6	69.5	68.1
Food products, beverages and tobacco	1,629,050.1	9.3	2,440,635.9	17.1	21.7	-0.5
Textiles and textile products	380,950.5	2.2	179,974.7	1.3	11.3	-3.7
Leather and leather products	89,556.4	0.5	61,172.1	0.4	11.9	-10.3
Wood and wood and cork products	176,533.1	1.0	47,680.6	0.3	3.3	-22.6
Pulp, paper and paper products; publishing and printing	170,996.8	1.0	201,779.1	1.4	1.9	5.8
Coke, refined oil products and nuclear fuel	988,637.5	5.6	1,665,065.7	11.7	-1.7	36.2
Chemicals, chemical products and man-made fibres	1,076,601.9	6.1	946,191.4	6.6	11.0	3.1
Processed rubber and plastic products	203,767.6	1.2	149,182.3	1.0	9.3	8.8
Other non-metallic mineral products	278,981.7	1.6	135,245.5	0.9	22.4	-8.8
Metallurgy and fabricated metal products	1,815,745.9	10.4	1,803,195.2	12.6	-4.6	17.8
Machinery and equipment n.e.c.	625,120.8	3.6	205,345.8	1.4	-17.6	14.4
Electrical and optical equipment	776,268.2	4.4	879,122.0	6.2	-8.0	-7.8
Transport equipment	1,121,239.6	6.4	1,947,994.6	13.7	108.8	20.9
Miscellaneous manufacturing n.e.c.	200,477.3	1.1	166,500.1	1.2	23.6	-18.9
Electricity, gas, steam and warm water	284.7	0.0	17,385.8	0.1	5,994.6	4,028.0
<b>SERVICES</b>	183,402.6	1.0	627,639.4	4.4	-10.7	8.6
Computer-related activities	659.2	0.0	46.4	0.0	142.9	-96.1
Other business activities	286.1	0.0	159.2	0.0	-81.6	-90.9
Sport, culture and recreational activities	286.1	0.0	980.5	0.0	20.6	-85.8
Extraterritorial entities	5,828.2	0.0	626,453.2	4.4	-11.1	10.2
<b>TOTAL</b>	17,535,897.7	100.0	14,261,209.4	100.0	23.7	7.3

**NOTE:**

Thousand euros.

Source: IEA.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

fabricated metal products” (10.4% of the total) and “food products, beverages and tobacco” (9.3%).

In terms of exports, industrial goods accounted for 76.7% of the total in Andalusia, with “food products, beverages and tobacco” the most significant category (17.1% of total exports), followed by “manufacture of transport equipment” (13.7%), “metallurgy and fabricated metal products” (12.6%) and “oil refining and by-products” (11.7%).

Trends since 2004 reveal that both industrial imports and exports rose in 2005 (24.4% and 10% year-on-year respectively), in both cases eclipsing overall growth rates for Andalusian foreign trade.

Growing industrial imports were largely due to the surge seen in “energy products” (50%), as well as “transport equipment” (an annualised 108.8%) and “food products, beverages and tobacco” (21.7%). Meanwhile for exports, there was notable growth under “coke, refined oil products and nuclear fuel” (36.2%), “transport equipment” (20.9%) and “metallurgy and fabricated metal products” (17.8%).

All things considered, the trade balance still showed a deficit in 2005, this standing at -5,551.5 million euros.

After industry it was the primary sector where most foreign transactions were made, this being especially true for exports, the sector accounting for 18.9% of total sales abroad in 2005, having slipped back slightly with respect to the year before (-2.8% year-on-year). Meanwhile primary sector goods imports picked up significantly (an annualised 19.6%), which did not stop the sector’s trade balance still showing a surplus, this emerging as one of 1,832.8 million euros.

Lastly, foreign trade in tertiary activities was not very substantial, with a drop in imports in 2005 (-10.7%) and higher exports (8.6%), leaving a surplus of 444.2 million euros, 19.2% up on 2004.

## Breakdown by product

The classification of foreign trade into tariff schedule sections, focusing on the import side in 2005, tells us that the overall rise in imports was essentially due to the major growth noted under “mineral products”, where buying from abroad was 42.4% higher than the year before. The absolute rise in imports in this category was 2,408 million euros and spoke for 71% of Andalusia’s overall rise in imports in 2005 (3,359 million euros).

On this subject one could also mention the impact of “transport equipment” on import figures generally, as this accounted for 6.4% of total buying into Andalusia from abroad and doubled on the previous year (growing 117.1% year-on-year). Other sections, such as “animal or vegetable fats and oils, prepared edible fats, animal or vegetal waxes” show relatively higher increases yet they are not as influential, as their relative weight is less.

On the other hand there were drops in “machinery and electrical equipment” imports (-19.4%) and those of “base metals and articles of base metal” (-2.4%), as well as under “optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus” and “arms and ammunition”, though these did not feature in a major way in total import figures.

Closer inspection of imports by product type shows that they were tightly grouped among a low number of them, the main category being “crude oil”, which in 2005 represented 28.8% of total Andalusian imports, 4.3 points more than in 2004, after rising by an annualised 45.8%. With considerably lower figures this was followed by imports of “refined oil products” (which accounted for 5.4% of the total), “petroleum gas” (3.9%), “copper ores and concentrates” (3.7%), as well as “boats”, “iron and steel waste and scrap” and “hydrocarbons and their derivatives”, with weights around 3% of the total.

Table 48. **ANDALUSIAN FOREIGN TRADE. TARIFF SCHEDULE SECTIONS. YEAR 2005**

	2005		EXPORT/IMPORT RATIO <sup>(1)</sup>		04-05 growth %	
	Imports	Exports	2004	2005	Imports	Exports
I. Live animals; animal products	490,857.7	314,774.2	63.1	64.1	13.2	15.1
II. Vegetable products	686,722.8	2,677,703.7	508.0	389.9	23.6	-5.2
III. Animal or vegetable fats and oils	276,407.8	1,214,955.5	824.6	439.6	83.8	-2.1
IV. Prepared foodstuffs and tobacco	1,008,014.3	856,262.7	91.8	84.9	13.5	5.1
V. Mineral products	8,088,079.0	2,141,028.3	27.5	26.5	42.4	37.2
VI. Products of the chemical or allied industries	939,621.6	806,476.6	94.4	85.8	12.1	1.9
VII. Plastics and articles thereof and rubber	338,856.4	245,746.8	65.8	72.5	9.6	20.8
VIII. Raw hides and skins, leather, pelts and articles thereof	46,339.6	44,618.5	135.9	96.3	7.9	-23.6
IX. Wood and articles of wood and cork	193,146.8	76,373.2	38.7	39.5	2.8	5.1
X. Pulp of wood or of other cellulose-like material; paper and paperboard	166,098.3	200,920.9	117.2	121.0	1.5	4.9
XI. Textiles and textile articles	367,773.0	217,782.7	74.4	59.2	10.6	-11.9
XII. Footwear, headgear, umbrellas	64,559.1	21,108.7	26.5	32.7	18.3	45.8
XIII. Articles of stone, plaster, cement, asbestos, mica or similar material	131,12.2	12,478.1	114.5	9.7	12.4	-8.0
XIV. Natural or cultured pearls, precious stones, precious metals	98,976.5	47,334.7	56.6	47.8	5.8	-10.6
XV. Base metals and articles of base metal	1,774,517.1	1,591,820.2	77.4	89.7	-2.4	13.1
XVI. Machinery and electrical equipment	1,328,103.7	941,194.9	58.2	70.9	-19.4	-1.8
XVII. Vehicles, aircraft, vessels and associated transport equipment	1,097,611.6	1,938,672.6	316.9	176.6	117.1	21.0
XVIII. Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments	90,586.7	148,303.0	170.0	163.7	-20.5	-23.5
XIX. Arms and ammunition	5,812.7	2,512.3	36.9	43.2	-46.2	-37.0
XX. Miscellaneous manufactured articles	166,320.9	161,097.2	130.6	96.9	21.9	-9.6
XXI. Works of art, collectors' pieces	4,717.5	231.6	16.0	4.9	233.5	2.6
SOO. Not Classifiables	171,062.4	488,813.1	475.3	285.8	71.9	3.4
<b>TOTAL</b>	<b>17,535,897.7</b>	<b>14,261,209.3</b>	<b>93.8</b>	<b>81.3</b>	<b>23.7</b>	<b>7.3</b>

**NOTES:**

Thousand euros. Figures for 2005 are provisional.

(1) Exports/Imports as percentages.

Source: IEA.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

From the export standpoint and going by classification according to tariff schedule sections there was a notably positive showing in sales of "mineral products", which represented 15% of the total and registered growth of 37.2% with respect to the previous year, followed by exports of "transport equipment" (an annualised 21%) and "base metals and articles of base metal" (13.1%), both of which had a significant weight out of overall export figures.

At the other end of the spectrum mention should be made of the drops in exports of "vegetable products" (-5.2%) and "animal or vegetable fats and oils, prepared edible fats, animal or vegetal waxes" (-2.1%) on account of their impact on the total, as they represented 18.8% and 8.5% of exports respectively.

Unlike what happened with imports, detailed analysis of exports by product type indicates more relative diversification. The highest export volume in 2005 was in "refined oil products", which accounted for 11% of total exports in the year after surging ahead by 35.6% with respect to 2004. These exports basically went to countries outside the European Union, which were the destination for just over two thirds of the total (69%), and the roughly one third remaining went to the European Union.

In second place were "olive oil" exports, accounting for 8.2% of Andalusian exports in 2005 after dipping by 2.8% over the year. These basically went to European Union countries (69.3% of them). Following these came "stainless steel" (6.8% of total exports), "boats"

Table 49. **ANDALUSIAN IMPORTS BY PRODUCT. YEAR 2005**

PRODUCTS	From the EU	From rest of world	Total	
	€ thousand	€ thousand	€ thousand	% of total
Crude petroleum	0.1	5,056,105.7	5,056,105.8	28.8
Refined oil products	374,680.0	566,378.7	941,058.7	5.4
Petroleum gases	2,020.2	684,044.9	686,065.2	3.9
Copper ores and concentrates	68,866.4	574,369.1	643,235.5	3.7
Boats	29,635.9	550,026.1	579,662.0	3.3
Waste and scrap of iron and steel	435,546.1	102,742.1	538,288.2	3.1
Hydrocarbons and their derivatives	354,110.6	110,052.5	464,163.1	2.6
Spirits, liqueurs and other spirituous beverages	207,470.6	82,265.2	289,735.8	1.7
Crustaceans and molluscs	57,387.7	232,295.7	289,683.3	1.7
Precious metal ores and concentrates	0.0	213,018.2	213,018.2	1.2
Ferronickel	33,562.0	167,669.2	201,231.2	1.1
Coal	100.6	193,644.0	193,744.6	1.1
Olive oil	94,600.7	75,020.2	169,620.9	1.0
Cigars, cheroots, cigarillos and cigarettes of tobacco	169,272.2	5,926.6	175,198.8	1.0
Nickel, not alloyed	54.8	171,868.3	171,923.2	1.0
Prepared foods	149,180.6	377.3	149,557.9	0.9
Steel and iron bars and wire rods	41,240.0	100,257.8	141,497.8	0.8
Hydraulics cements	36,741.3	105,715.8	142,457.1	0.8
Motor vehicle parts and accessories	97,000.9	40,241.6	137,242.4	0.8
Wheat	84,264.2	51,559.5	135,823.7	0.8
Solid residues resulting from the extraction of soybean oil	121.9	116,830.8	116,952.7	0.7
Sunflower seeds	9,386.7	94,992.3	104,379.0	0.6
Electronic integrated circuits and microassemblies	63,988.0	29,292.8	93,280.8	0.5
Ferro-chromium	7,183.9	88,421.1	95,605.0	0.5
Wood, sawn or planed lengthwise and no thicker than 6mm	37,942.6	44,379.8	82,322.4	0.5
Sunflower oil	16,264.6	53,581.1	69,845.7	0.4
Barley	56,175.9	8,037.8	64,213.7	0.4
Motor cars and other motor vehicles principally designed for the transport of persons	67,960.4	6,682.9	74,643.3	0.4
Fish, fresh or chilled	32,333.0	45,861.9	78,194.8	0.4
Tractors	76,668.0	443.6	7,111.6	0.4
Unconcentrated molybdenum ores	14,864.5	41,005.6	55,870.1	0.3
Chemical woodpulp, soda or sulphate, other than dissolving grades	7,544.7	43,493.1	51,037.8	0.3
Angles, shapes and sections of iron or steel	49,118.4	8,237.8	57,356.2	0.3
Calcium phosphate	0.0	54,935.4	54,935.4	0.3
Cell-phones	43,645.8	254.1	43,899.9	0.3
Ethylene polymers in primary forms	40,751.1	13,994.6	54,745.8	0.3
Seeds, fruits and spores of a kind used for sowing	1,134.4	59,691.7	60,826.1	0.3
Tailor made dresses for ladies or girls	24,868.6	27,383.3	52,251.9	0.3
Other	3,018,525.2	1,910,586.8	4,929,112.0	28.1
<b>TOTAL</b>	<b>5,804,212.5</b>	<b>11,731,685.2</b>	<b>17,535,897.7</b>	<b>100.0</b>

**NOTE:**

Figures are provisional.

Source: Compiled with information from the IEA.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

## 7. FOREIGN TRADE AND INVESTMENT IN ANDALUSIA

Table 50. **ANDALUSIAN EXPORTS BY PRODUCT. YEAR 2005**

PRODUCTS	From the EU	From rest of world	Total	
	€ thousand	€ thousand	€ thousand	% of total
Refined oil products	486,645.4	1,084,887.5	1,571,532.9	11.0
Olive oil	815,047.3	360,742.0	1,175,789.4	8.2
Stainless steel	669,673.1	304,790.3	974,463.5	6.8
Boats	17,434.2	919,999.6	937,433.8	6.6
Aircraft and parts thereof	238,020.4	242,119.3	480,139.6	3.4
Tomatoes	424,413.4	10,800.9	435,214.2	3.1
Motor vehicle parts and accessories	310,636.3	53,209.3	363,845.6	2.6
Olives, prepared or preserved	115,207.4	239,491.9	354,699.3	2.5
Peppers	298,031.9	10,747.4	308,779.3	2.2
Strawberries	13,195.2	301,340.1	314,535.3	2.2
Cucumbers, including gherkins, fresh or chilled	263,734.1	9,260.2	272,994.3	1.9
Electrical lighting or signalling equipment	204,821.6	18,281.6	223,103.2	1.6
Ash and residues (other than from the manufacture of iron or steel), containing metals	55.0	180,308.3	180,363.3	1.3
Copper and articles thereof	179,191.9	8,320.1	187,512.0	1.3
Phenols	135,252.7	42,076.9	177,329.6	1.2
Spirits, liqueurs and other spirituous beverages	97,601.7	49,512.9	147,114.6	1.0
Vegetable marrows	144,707.8	1,924.7	146,632.5	1.0
Unrefined copper	110,441.5	36,256.1	146,697.6	1.0
Melons (including watermelons)	134,907.3	3,578.4	138,485.7	1.0
Peaches and plums	119,596.8	4,291.3	123,888.1	0.9
Wine and grape must	105,150.4	23,648.8	128,799.2	0.9
Motor cars and other motor vehicles for the transport of persons	97,818.1	10,463.6	108,281.7	0.8
Acetone	74,369.9	18,734.9	93,104.8	0.7
Oranges	98,634.2	6,199.5	104,833.7	0.7
Radiotelephonic, radiotelegraphic, radio or television broadcast or transmission equipment	29,367.7	76,366.2	105,733.9	0.7
Chemical woodpulp, soda or sulphate, other than dissolving grades	78,307.6	24,995.8	103,303.5	0.7
Hydrocarbons and their derivatives	58,448.2	28,887.4	87,335.6	0.6
Instruments and automatic apparatus to regulate and control pressure, temperature, etc.	82,929.9	1,003.5	83,933.4	0.6
Colouring matter	37,384.3	47,423.8	84,808.1	0.6
Pork meat	70,931.7	3,234.3	74,166.0	0.5
Refined copper and unrefined copper alloys	42,979.4	43,534.1	86,513.6	0.6
Lettuce	81,090.0	4,266.3	85,356.3	0.6
Aubergines	67,671.4	1,428.0	69,099.4	0.5
Poly(ethylene terephthalate)	64,824.9	12,126.3	76,951.2	0.5
Avocados	54,901.8	3,378.5	58,280.3	0.4
Electrical capacitors	44,790.4	12,273.8	57,064.3	0.4
Cement, concrete or artificial stone manufactures, including reinforced ones	14,883.0	43,333.4	58,216.5	0.4
Fish, fresh or chilled	35,855.3	26,126.7	61,982.1	0.4
Other	3,144,127.6	928,764.4	4,072,892.1	28.6
<b>TOTAL</b>	<b>9,063,081.0</b>	<b>5,198,128.3</b>	<b>14,261,209.3</b>	<b>100.0</b>

**NOTE:**

Figures are provisional.

Source: Compiled with information from the IEA.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

(6.6%) and a mixed bag of goods each representing two or three percent of overall exports, such as “aircraft and aircraft parts”, “tomatoes”, “motor vehicle parts and spares”, “olives”, “peppers”, etc.

Looking at the trade balances for the various tariff schedule sections, there was a notable surplus for “vegetable products”, with an export figure almost four times the size of imports, this netting out at 1,991 million euros in 2005, the highest of all categories. In second place came “animal or vegetable fats and oils, prepared edible fats, animal or vegetal waxes”, which also had an export volume four times greater than imports, and then “transport equipment”, with an export/import ratio of 176.6%.

Of the tariff schedule sections betraying the largest deficits, the biggest in relative terms due to its high weight out of all foreign trade was “mineral products”, which emerged at over 5,900 million euros.

## FOREIGN INVESTMENT

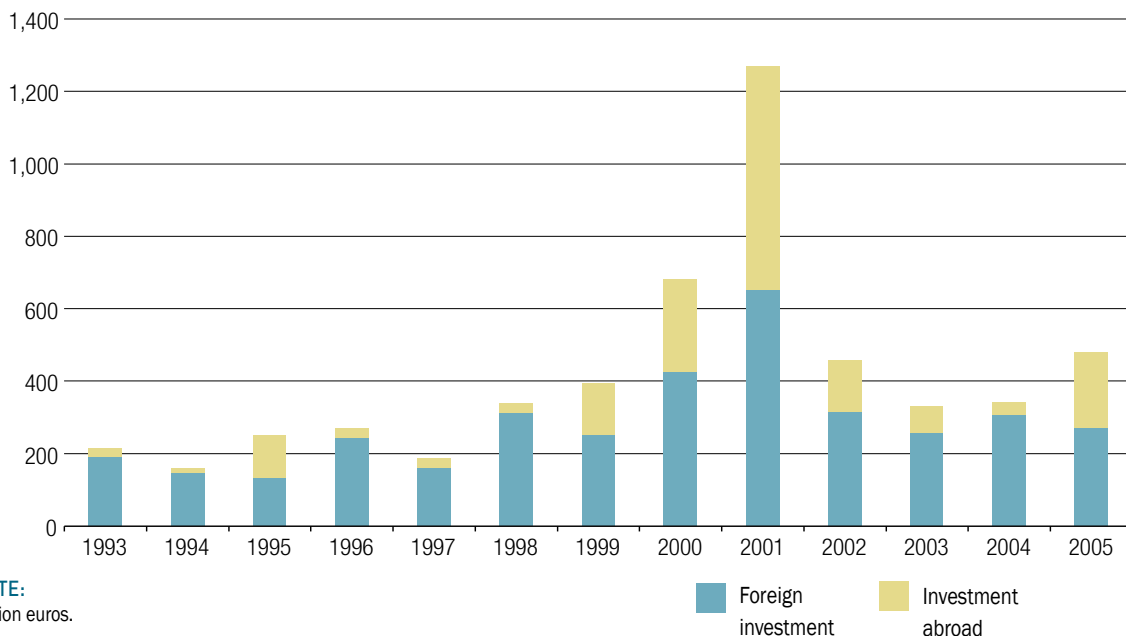
### Introduction

In accordance with Royal Decree 664/1999 of 23 April to ensure compliance with the obligation to report foreign investments, these must be entered in the Investment Register at the Directorate General for Trade and Investment which belongs to the Ministry of Industry, Tourism and Trade.

This allows an insight into foreign investment inflows into Andalusia, as it does investment abroad by Andalusia.

The register features records of investment flows into unlisted companies or listed ones in which the investor’s equity holding is greater than or equal to 10%, as well as the opening and expansion of new branches, and provides information split out into geographical areas and those economic sectors which are the source or target for investment.

Chart 94. **FOREIGN INVESTMENTS AND INVESTMENT ABROAD. ANDALUSIA**



**NOTE:**  
Million euros.

Source: Foreign Investment Register. Ministry of Industry, Tourism and Trade.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

It contains two sorts of entry, gross or net investment. The latter is arrived at by subtracting the disposals recorded in the register due to transfers or sell-offs from the gross figure, whether these be total or partial, but for the case of the autonomous communities only data referring to gross investment is available.

Going by this information, as has been the case since 1993, which was the first year when data became available, in 2005 inflows and outflows of foreign investment revealed a surplus in Andalusia, in other words, inward foreign investment for the region outstripped Andalusian investments abroad, the actual figure being 62.1 million euros, which contrasted with the picture nationally, where, as has happened since 1997, the balance was negative, with outflows of capital exceeding inward investment by 9,728 million euros.

## Inward investment

Gross foreign investment arriving in Andalusia in 2005 came to 270.9 million euros, a figure which was 11.6% down on the previous year and similar to the contraction of foreign investment seen for Spain as a whole (-10.6%).

Andalusia's share in the total volume of inward investment in Spain held at the 2004 level, at 1.63% of the total, making it the autonomous community which attracted the fourth largest amount of foreign capital after Madrid, Catalonia and the Canary Islands. Here it is important to make the qualification that these figures do not reflect the actual investment reaching each autonomous community as a bias exists in favour of Madrid due to the so-called "headquarters effect" stemming from the fact that foreign investors report the investment in the region where the headquarters of the enterprise is located rather than the region in which the operating facilities proper are located. This is why Madrid, which represents roughly 17.7% of national GDP, accounted for almost 35% of foreign investment in Spain in 2005, the remaining 65% being shared among the other 16 autonomous communities.

Inward investment was 0.2% of the Andalusian economy's Gross Domestic Product in 2005, as with 2004, and this percentage was under the figure for the nation as a whole (1.8%).

A look at the sectors into which inward capital was invested shows very uneven trends, with a sizeable uptick in investment in industry, whereas that

Chart 95. **FOREIGN INVESTMENT AND SECTOR GVA. YEAR 2005**

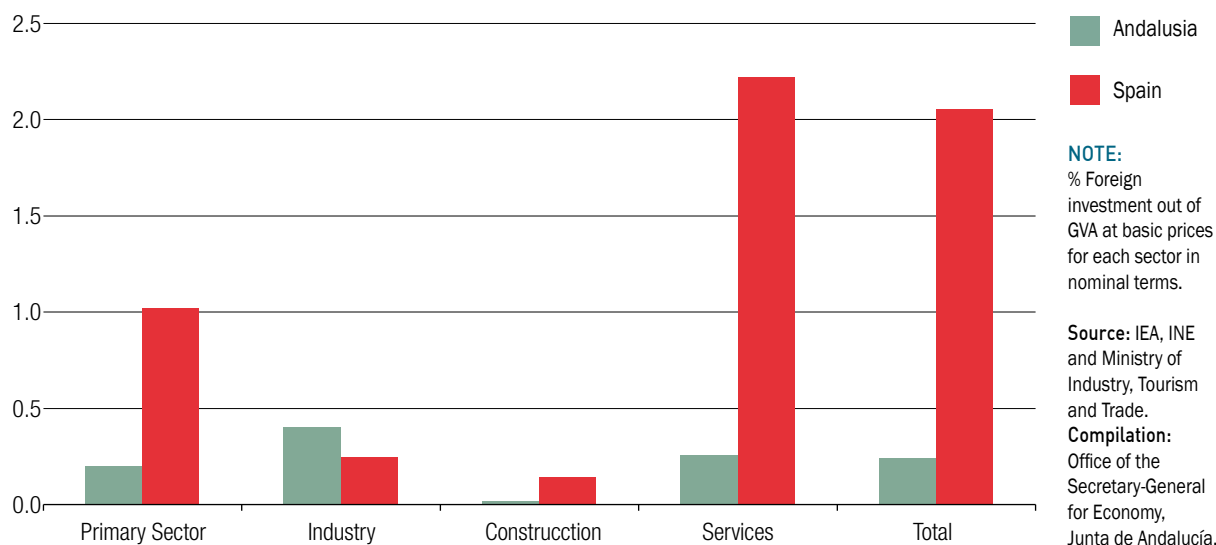




Table 51. **GROSS INWARD INVESTMENT BY SECTOR. YEAR 2005**

				% change on 2004	
	Andalusia	Spain	And./Esp. %	Andalusia	Spain
<b>PRIMARY SECTOR</b>	12,614	27,345	46.13	-5.5	-47.9
Crop and animal farming, hunting and forestry, and fishing	12,614	27,345	46.13	-5.5	-47.9
<b>INDUSTRY</b>	57,249	3,571,202	1.60	685.8	-27.2
Production and distribution of electricity, gas and water	713	63,930	1.12	423.4	-90.6
Mining and quarrying	1	77,134	0.00	-88.0	4.8
Food products, beverages and tobacco	55,995	274,413	20.41	1,072.1	-25.8
Textiles and textile products	25	25,374	0.10	277.6	-88.1
Pulp, paper and paper products; publishing and printing	38	123,293	0.03	315.3	-12.8
Chemicals, chemical products and man-made fibres	30	1,208,888	0.00	-98.5	64.9
Manufacturing n.e.c.	447	1,798,169	0.02	25.4	-33.1
<b>CONSTRUCTION</b>	2,306	132,374	1.74	-55.8	155.6
<b>SERVICES</b>	198,754	12,086,561	1.64	-29.2	-11.0
Wholesale and retail trade	3,712	800,194	0.46	-97.4	-68.8
Hotels and restaurants	23,739	166,206	14.28	40.6	26.7
Transport	163	6,644,952	0.00	10.8	770.4
Financial intermediation, banking and insurance	14,671	850,893	1.72	2,547.2	-47.2
Real estate activities and business services	153,661	1,836,370	8.37	26.7	37.9
Management of companies and securities holding	2,000	2,185,240	0.09	19,920.0	-68.3
Others services	808	402,900	0.20	632.7	50.1
<b>TOTAL</b>	<b>270,925</b>	<b>16,617,676</b>	<b>1.63</b>	<b>-11.6</b>	<b>-10.6</b>

**NOTE:**  
Thousand euros.

Source: Foreign Investment Register, Ministry of Industry, Tourism and Trade.  
Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

directed at construction and services fell, ebbing less dramatically with respect to the primary sector.

Foreign capital invested in Andalusian industry was almost eight times what it had been the previous year, while this figure fell on a national scale (-27.2%). The net result was that Andalusia accounted for 1.6% of all inward investment in Spanish industry, the weight of such investment out of sector GVA in Andalusia being 0.4%, almost doubling the figure for the Spanish economy as a whole (0.25%). Breaking this down into branches, almost all investment went into “food products, beverages and tobacco”, which received 56 million euros in foreign capital, 97.8% of inward investment in the Andalusian industrial sector and one fifth of investment in this sector in the whole of the Spanish economy.

In contrast, inward investment in the construction sector dropped 55.8% in Andalusia in the context of a surge in growth in Spain (155.6%), with its

weight with respect to sector GVA coming to a meagre 0.02% while this was 0.1% nationally. After this, the investment in service activities also fell (an annualised -29.2%), which explained the overall drop in investment for the year, as this represented almost three quarters of the region’s inward investment. Nonetheless its relative weight in sector GVA in Andalusia was also very low (0.25%), in contrast to the scenario nationally (2.22%).

Within services the tendency in 2005 was for inward investment to go into “real estate, rental and business service activities”, which accounted for 75% of the sector total received, meaning growth of 26.7% on 2004. This was followed by “hotels and restaurants”, with an investment volume 40.6% up on the previous year, this amounting to 14.3% of total capital received in this branch in Spain. On the other hand, there was a notable fall of almost 100% in investment going into “the retail and wholesale trades”, which underlay the drop in

Table 52. **GROSS INWARD INVESTMENT. GEOGRAPHICAL DISTRIBUTION. YEAR 2005**

	Year 2005			% change on 2005	
	Andalusia	Spain	And./Esp.%	Andalusia	Spain
OECD	190,322	15,896,657	1.20	-17.0	-8.0
EUROPEAN UNION 25 (*)	177,167	11,920,987	1.49	-18.8	-0.6
EU-15	176,817	11,916,143	1.48	-18.5	-0.6
NETHERLANDS	107,565	7,195,556	1.49	103.2	82.2
UNITED KINGDOM	25,922	563,450	4.60	114.3	-57.7
ITALY	16,244	314,862	5.16	2,281.5	-36.4
GERMANY	12,348	1,193,709	1.03	104.0	223.8
BELGIUM	6,023	59,790	10.07	2,293.8	60.1
REST OF EU-15	8,715	2,588,776	0.34	-94.0	-55.4
ACCESSION COUNTRIES (*)	350	4,844	7.22	-71.1	-61.0
NON COMMUNITY EUROPEAN COUNTRIES	11,010	559,360	1.97	482.5	-72.0
SWITZERLAND	6,215	546,938	1.14	618.5	-72.5
NORWAY	4,765	7,667	62.15	364.9	-14.6
NON-EUROPEAN OECD COUNTRIES	2,145	3,416,311	0.06	-76.2	4.0
UNITED STATES	1,837	2,987,324	0.06	-79.6	56.4
NON-OECD COUNTRIES	80,603	721,019	11.18	4.2	-44.5
TAX HAVENS	49,430	193,032	25.61	-24.5	-0.7
OTHER COUNTRIES	31,173	527,987	5.90	162.1	-52.2
<b>TOTAL</b>	<b>270,925</b>	<b>16,617,676</b>	<b>1.63</b>	<b>-11.6</b>	<b>-10.6</b>

**NOTES:**

In thousand euro.

(\*) Cyprus, Estonia, Lithuania, Latvia, Malta and Slovenia are not included in the OECD.

Source: Foreign Investment Register, Ministry of Industry, Tourism and Trade.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

investment in this sector, as all the other branches registered increases year-on-year.

Foreign investment aimed at the primary sector also dipped over the year (-5.5%), doing so, however, notably less sharply than the fall seen for the sector in Spain as a whole (-47.9%). Andalusia's share out of total inward investment in the sector nationally was significant (46%), although foreign investment's weight in Andalusian farming GVA was only 0.24%, which is far below the national level of 2%.

In terms of the geographical origin of inward investment, over 70% of total capital received by Andalusia in 2005 came from OECD countries,

a percentage which was 95.7% for the Spanish economy as a whole. Investment in Andalusia from this area was 17% down on 2004, which was a steeper fall than the one seen nationally (-8%).

Within the OECD bloc it was the current 25 country European Union which most invested in Andalusia, accounting for two thirds of the total received in the region in 2005, in spite of this figure having fallen 18.8% on the previous year. More specifically still, it was the countries from the former EU-15 which provided almost all of capital invested, the contribution to investments by the ten new member countries as yet on the scant side and even dwindling by over 70% with respect to 2004. Out of the countries which made up the EU-15, the

Table 53. **GROSS OUTWARD INVESTMENT BY SECTOR. YEAR 2005**

	Year 2005		And./Esp. %	% change on 2004	
	Andalusia	Spain		Andalusia	Spain
<b>PRIMARY SECTOR</b>	0	130,885	0.00	-100.0	-1.8
Crop and animal farming, hunting and forestry, and fishing	0	130,885	0.00	-100.0	-1.8
<b>INDUSTRY</b>	76,016	3,879,969	1.96	7,041.4	-73.3
Production and distribution of electricity, gas and water	75,800	637,442	11.89	20,672.9	-53.0
Mining and quarrying	0	2,251	0.00	N.C.	-99.6
Food products, beverages and tobacco	77	730,631	0.01	286.7	-66.5
Textiles and textile products	120	15,500	0.77	N.C.	-65.0
Pulp, paper and paper products; publishing and printing	0	272,813	0.00	-100.0	145.5
Chemicals, chemical products and man-made fibres	19	686,983	0.00	N.C.	-79.8
Manufacturing n.e.c.	0	1,534,350	0.00	-100.0	-77.9
<b>CONSTRUCTION</b>	86,196	195,310	44.13	973.7	-49.7
<b>SERVICES</b>	46,600	22,139,218	0.21	155.9	-35.9
Wholesale and retail trade	3,421	3,345,731	0.10	-53.3	-3.3
Hotels and restaurants	124	83,559	0.15	-95.2	-21.8
Transport	2,300	8,072,884	0.03	22.6	53.5
Financial intermediation, banking and insurance	50	5,304,697	0.00	-99.1	-74.8
Real estate activities and business services	40,705	4,514,436	0.90	199,630.0	30.8
Management of companies and securities holding	0	0	N.C.	N.C.	N.C.
Other services	0	817,911	0.00	-100.0	-30.4
<b>TOTAL</b>	<b>208,811</b>	<b>26,345,381</b>	<b>0.79</b>	<b>516.0</b>	<b>-46.9</b>

**NOTES:**

Thousand euros.  
N.C.: Not calculable.

Source: Foreign Investment Register, Ministry of Industry, Tourism and Trade.  
Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

investment effort made by the Netherlands was far and away the most notable, this country being the source of two thirds of capital entering from this bloc, its contribution doubling the previous year's figure, as did those made by the United Kingdom and Germany. There were also very significant increases in foreign investment from Italy and Belgium, being almost twenty-three times higher than in 2004 and meaning that investment as a whole from these five countries increased by 2.3 times with respect to the year before. This increase, however, was cancelled out by the almost 100% reduction in investment from the remaining EU-15 countries.

Outside the European Union, albeit of less relative significance, there was a considerable rise in

investments from non-community European countries, such as Switzerland and Norway, which were together nearly six-fold higher than in 2004. At the other extreme, investments from the United States plunged, dropping 80% on 2004.

Lastly, with regard to the remaining 30% of inward investment in Andalusia that did not come from the OECD, the reading for 2005 shows a 4.2% rise on the year before

## Outward investment

Gross investment by Andalusia abroad picked up considerably in 2005, hitting 208.8 million euros

Table 54. **GROSS OUTWARD INVESTMENT. GEOGRAPHICAL DISTRIBUTION. YEAR 2005**

	Year 2005			% change on 2004	
	Andalusia	Spain	And./Esp.%	Andalusia	Spain
OECD	121,626	21,368,126	0.57	652.1	-45.8
EUROPEAN UNION 25 (*)	121,502	21,368,126	0.57	655.9	-45.8
EU-15	121,502	13,199,419	0.92	655.9	-60.9
PORTUGAL	79,204	1,190,209	6.65	13,216.0	-48.5
LUXEMBOURG	36,000	1,030,583	3.49	3,535.3	100.4
UNITED KINGDOM	4,505	2,367,897	0.19	-22.6	-85.7
FRANCE	984	5,850,042	0.02	-73.1	53.0
NETHERLANDS	609	1,048,475	0.06	-82.5	-79.6
REST OF EU-15	200	2,607,860	0.01	-86.9	-60.8
ACCESSION COUNTRIES (*)	0	5,986,704	0.00	N.C.	N.C.
NON COMMUNITY EUROPEAN COUNTRIES	0	552,348	0.00	N.C.	-74.1
SWITZERLAND	124	1,629,655	0.01	25.0	-0.5
UNITED STATES	124	1,485,370	0.01	25.0	45.3
NON-OECD COUNTRIES	87,186	4,977,255	1.75	391.9	-51.2
TAX HAVENS	52	61,340	0.09	-97.7	-90.6
OTHER COUNTRIES	87,134	4,915,915	1.77	463.2	-48.5
BRAZIL	85,605	1,150,080	7.44	1,312.2	94.6
MOROCCO	561	17,112	3.28	2,450.0	-22.8
MEXICO	538	377,009	0.14	-85.4	-93.1
TOTAL	208,811	26,345,381	0.79	516.0	-46.9

**NOTES:**

In thousand euro. N.C.: Not calculable.

(\*) Cyprus, Estonia, Lithuania, Latvia, Malta and Slovenia are not included in the OECD.

Sources: Foreign Investment Register, Ministry of Industry, Tourism and Trade.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

and thus reaching six times the 2004 figure, in contrast to the national performance, where Spanish outward investment shrank back by 46.9% on the preceding year. The net result was that Andalusian outward investment came to account for 0.8% of the national total (0.07% in 2004).

There was likewise an increase in the relative weight of Andalusian outward investment in relation to the region's GDP, this representing 0.16% in 2005, against the previous year's 0.05%.

Breaking Andalusian outward investment down by the productive sectors into which it was

directed, 2005 figures show that this became more concentrated in non-farming activities, where rises extended to all of them.

Specifically 41.3% of such investment went into the construction sector, this recording a figure 10 times higher than in 2004, whereas this fell on a national scale (-49.7%), meaning that a little over 44% of Spanish investment abroad emanated from Andalusia.

After construction came industry, the target for 36.4% of investment, worth 76 million euros, compared to just one million euros the year before, virtually all of this going into "production

and distribution of electricity, gas and water". This contrasts with the capital which Spain invested in industry abroad in 2005, which dived 73.3%, with falls in practically all of its branches.

On the other hand, investments in services, which account for 22.3% of the total, shot up 155.9% on the preceding year, the most notable being those assigned to "real estate, rental and business services activities", which totalled 40.7 million euros against a mere twenty thousand euros in 2004 and came to represent 87.3% of investment in the sector.

By geographical destination, 96% of Andalusian investment in 2005 targeted just three countries, two of which belong to the European Union, with 37.9% of total investment bound for Portugal and 17.2% going to Luxembourg, and, on the other hand, 41% directed at Brazil, the amounts for the three swelling impressively with respect to the preceding year's levels.

Overall Andalusian investment flowing into the European Union proliferated by 7.5 times its 2004 figure, whereas nationally speaking this virtually halved (-45.8%).



8.

## Structure of the Business Sector





## Structure of the Business Sector

### Introduction

According to the DIRCE (Central Business Directory) compiled by the INE, as of 1 January 2005 the Andalusian business sector comprised a total of 464,179 enterprises from non-farming sectors, which was 22,556 more than in 2004, with growth working out at 5.1% or one point above the national average (4.1%).

This expansion extended to all the Andalusian provinces and bolstered Andalusia's standing

as the autonomous community with the second largest business sector in Spain behind Catalonia, absorbing 15.1% of total enterprises nationally.

This contributed to a denser business sector as measured in terms of the ratio of enterprise numbers to inhabitants, which stood at 59 to every thousand, two more than were to be found the previous year.

Business sector growth could be seen both for enterprises without employees and, to a slightly

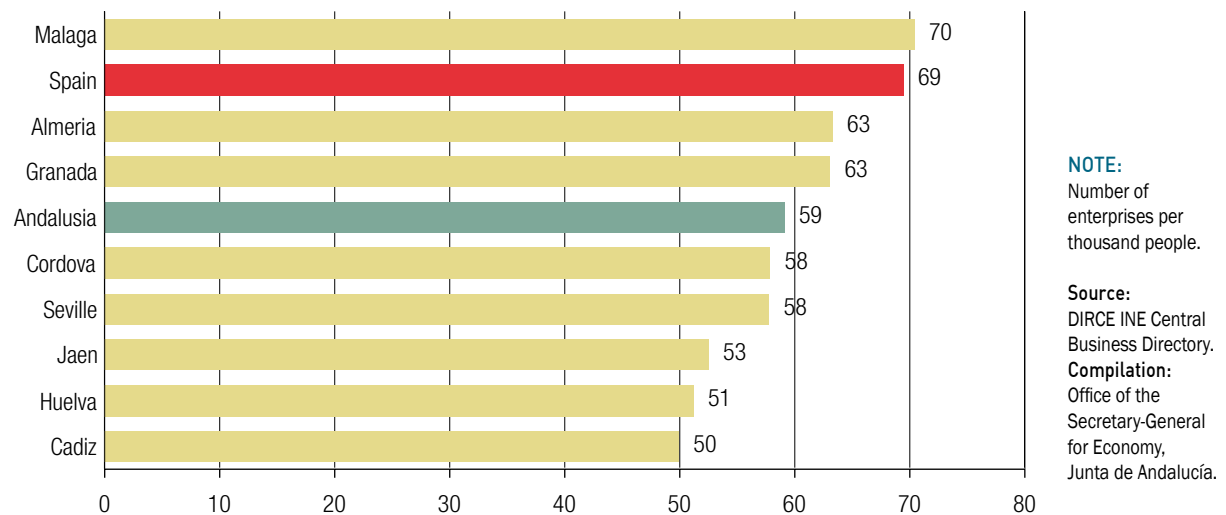
Table 55. **NUMBER OF ENTERPRISES**

	Year 2005		Change on 2004	
	Number	% of And. total	Absolute	Relative (%)
Almeria	38,766	8.4	2,506	6.9
Cadiz	58,986	12.7	1,848	3.2
Cordova	45,405	9.8	2,011	4.6
Granada	54,341	11.7	3,833	7.6
Huelva	24,777	5.3	507	2.1
Jaen	34,675	7.5	1,518	4.6
Malaga	102,382	22.1	5,795	6.0
Seville	104,847	22.6	4,538	4.5
<b>ANDALUSIA</b>	<b>464,179</b>	<b>100.0</b>	<b>22,556</b>	<b>5.1</b>
<b>SPAIN</b>	<b>3,064,129</b>		<b>121,546</b>	<b>4.1</b>

Source:  
INE Central Business  
Directory.

Compilation:  
Office of the Secretary-  
General for Economy,  
Junta de Andalucía.

Chart 96. **DENSITY OF ENTERPRISES. YEAR 2005**



greater extent, those with them, with particularly striking rises in those of a larger relative size.

On the other hand, as has been witnessed in recent years, as far as legal form is concerned growth in the business sector has chiefly been spearheaded by incorporated companies, fundamentally private limited companies.

A final point is that business growth occurred across all economic sectors, prominent in this sense being construction, which again proved to be the most buoyant sector in the Andalusian economy in 2005.

Alongside these figures provided by the Central Business Directory (DIRCE), the INE Statistics of Commercial Companies give some idea of the business sector's inflows and outflows and confirm that in 2005 Andalusian enterprises enjoyed a lower failure rate than in Spain, which is something that has been a constant since 1997.

### Number and location of enterprises

With some 464,179 non-farming sector enterprises according to the DIRCE (Central Business

Directory), the scale of Andalusia's business sector in 2005 established Andalusia as the autonomous community with the second most extensive after Catalonia, absorbing 15.1% of total enterprises in Spain as a whole and outweighing the region's relative GDP (14.1% of the total nationwide).

Vis-à-vis 2004, the business sector grew by 22,556 enterprises at a clip of 5.1%, outpacing the national average by one point.

This brisker relative growth rate lent itself towards increased business density in the region, this being posted at 59 enterprises per thousand inhabitants, which is two businesses more than in 2004, albeit under-average for Spain, where the figure was 69 enterprises per thousand inhabitants (68 in 2004).

Geographically speaking, business sector growth was spread across all of the Andalusian provinces, with Granada impressing with a rise of an annualised 7.6%, as did Almeria (6.9%) and Malaga (6%), all of these better than the regional average.

It was nonetheless still Seville and Malaga which stood out as having the largest business sectors,

Table 56. **ENTERPRISES BY EMPLOYMENT SIZE BAND. YEAR 2005**

	Number		% of total		04-05 growth %	
	Andalusia	Spain	Andalusia	Spain	Andalusia	Spain
Without employees	239,881	1,574,166	51.7	51.4	5.0	4.9
With employees	224,298	1,489,963	48.3	48.6	5.2	3.3
1 to 9	198,525	1,306,597	42.8	42.6	5.1	3.3
10 to 49	22,411	156,471	4.8	5.1	5.9	3.3
50 to 199	2,833	21,397	0.6	0.7	11.7	6.3
200 to 499	426	3,817	0.1	0.1	11.2	6.3
500 and over	103	1,681	0.0	0.1	4.0	4.0
<b>TOTAL</b>	<b>464,179</b>	<b>3,064,129</b>	<b>100.0</b>	<b>100.0</b>	<b>5.1</b>	<b>4.1</b>

Source: INE Central Business Directory.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

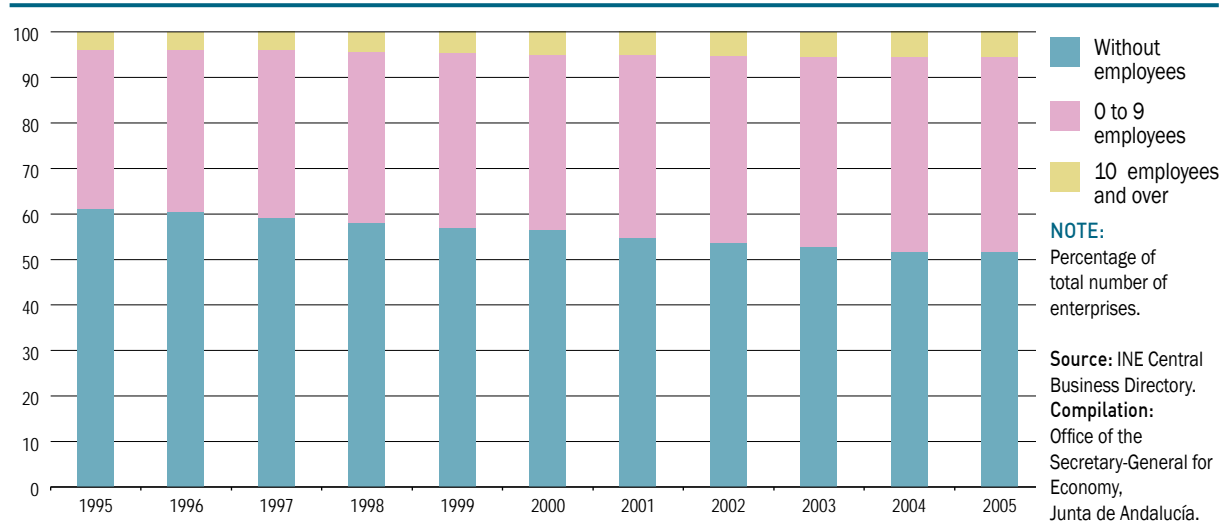
these together taking in 44.7% of Andalusia's total in keeping with their heavier relative weight in terms of GDP. At the other end of the scale, Huelva was the province with the least enterprises (5.3% of the regional total) and also emerged with the most sluggish growth rate in 2005 (2.1%).

Malaga shone as having the thickest business density at 70 enterprises per thousand inhabitants, even improving on the national average (69). It was followed by Almeria and Granada with 63 per thousand inhabitants each, which was denser

than on average in Andalusia. Cadiz was at the other extreme, being the province showing the thinnest number of enterprises per thousand inhabitants (50).

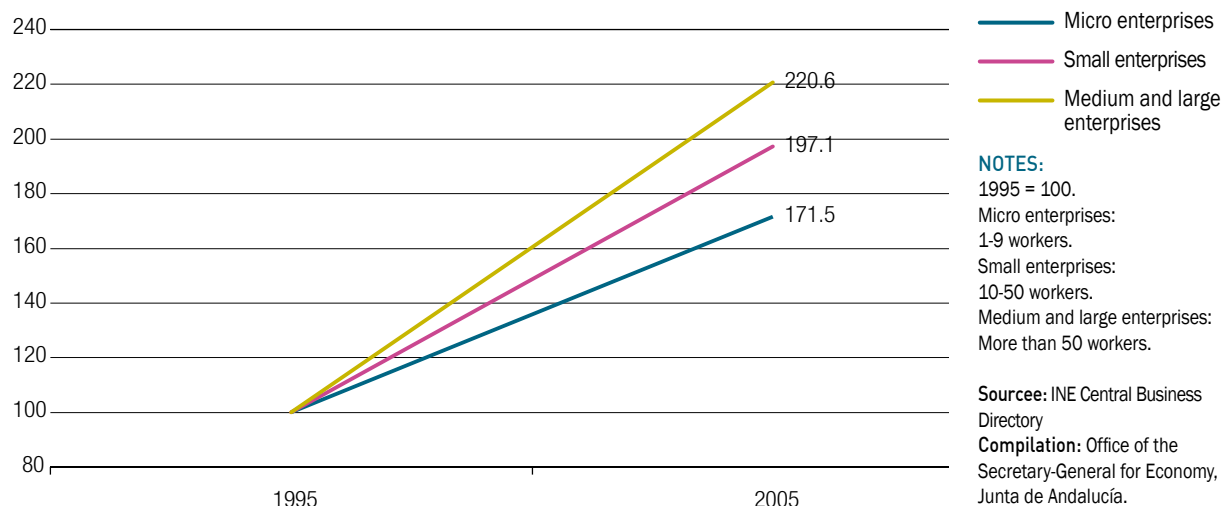
## Employment scale

As is the case nationally, a feature of the Andalusian business sector is the prevalence of enterprises without employees. In 2005, of the 464,179 non-farming enterprises in Andalusia, 51.7% had

Chart 97. **ENTREPRENEURIAL ACTIVITY BY BUSINESS SIZE. ANDALUSIA**

## 8. STRUCTURE OF THE BUSINESS SECTOR

Chart 98. **BUSINESS SECTOR GROWTH. ANDALUSIA**



no employed staff, which is a moderately higher percentage than for Spain in general (51.4%) and the same as for the preceding year owing to the analogous growth rates reported for both companies with and without employees.

Enterprises with employees actually recorded growth in 2005 of 5.2% in Andalusia, 1.9 points over the national average, while those without employees were up by 5%, which was on a par with average growth in Spain generally.

Chart 99. **SIZE OF ENTERPRISES ACCORDING TO MAIN ACTIVITY. ANDALUSIA. YEAR 2005**

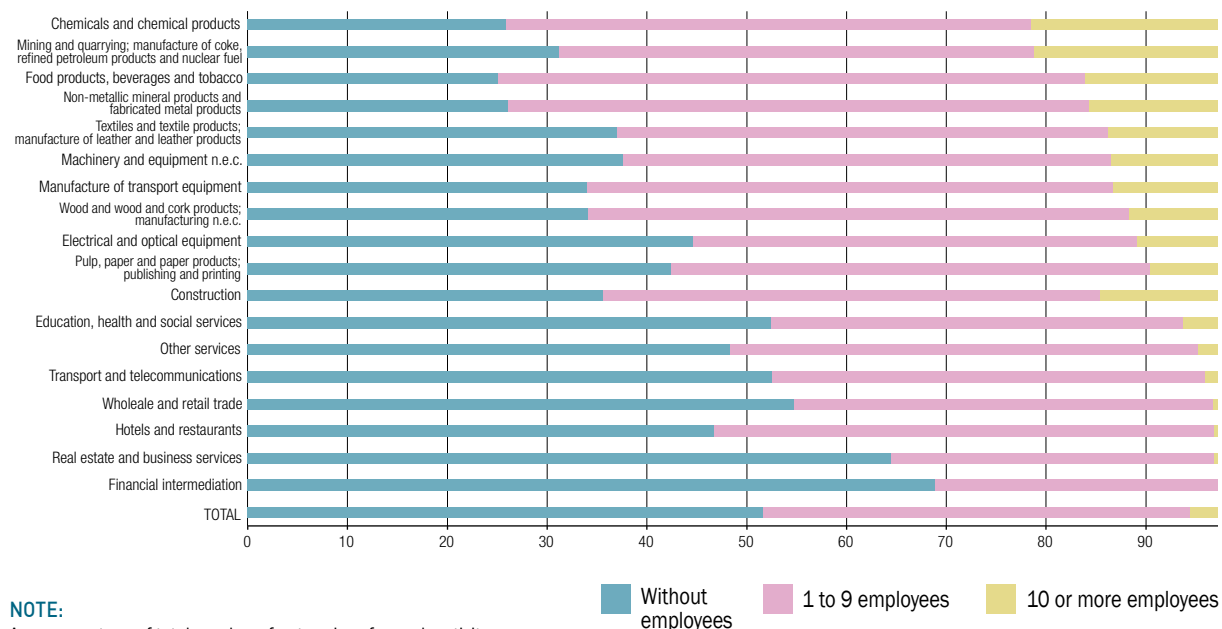


Table 57. **NUMBER OF ENTERPRISES BY ECONOMIC ACTIVITY. ANDALUSIA**

	Year 2005	% of total	04-05 growth %	
<b>INDUSTRY</b>	32,891	7.1	1.1	
Manufacture of fabricated metal products (except machinery and equipment)	5,939	1.3	5.1	
Manufacture of food products and beverages	5,847	1.3	-0.7	
Manufacture of furniture	4,929	1.1	1.3	
Manufacture of other non-metallic mineral products	2,678	0.6	0.0	
Publishing, printing and reproduction	2,521	0.5	2.8	
Manufacture of wood and of products of wood and cork, except furniture esparto and wickerwork	2,189	0.5	0.0	
Fur and clothing industries	1,629	0.4	-6.2	
Manufacture of machinery and equipment n.e.c.	1,432	0.3	6.0	
Rest of industrial activities	5,727	1.2	0.3	
<b>CONSTRUCTION</b>	51,862	11.2	9.5	
<b>SERVICES</b>	379,426	81.7	4.9	
Retail trade	103,133	22.2	1.8	
Other business activities	58,012	12.5	6.4	
Hotels and restaurants	46,860	10.1	0.3	
Wholesale trade	30,553	6.6	4.4	
Land transport; pipeline transport	30,119	6.5	1.6	
Real estate activities	23,722	5.1	24.2	
Health and veterinary activities	16,699	3.6	2.0	
Sale, maintenance and repair of motor vehicles	13,257	2.9	4.3	
Rest of services	57,071	12.3	9.1	
<b>TOTAL</b>	464,179	100.0	5.1	

Source: DNE  
Central Business  
Directory.  
Compilation:  
Office of the  
Secretary-General  
for Economy,  
Junta de  
Andalucía.

Of the enterprises with employees, growth was especially lively for those which were relatively more sizeable, with enterprises with a staff of between 50 and 500 showing rates of 11.7% year-on-year, and those employing between 200 and 500 growing at 11.2%, both of these tempos virtually doubling the averages for such enterprises in the Spanish economy as a whole.

Again as with Spain as a whole, it was nonetheless enterprises with under ten employees which predominated, these representing 88.5% of all enterprises with employees in Andalusia, which was comparable with the Spanish average percentage (87.7%). After these came enterprises with 10 to 49 employees, which made up 4.8% in Andalusia (5.1% in Spain) and lastly those with over

50 staff, that is to say the medium to large sized enterprises, which have a 0.7% share in Andalusia (0.9% nationally).

Looking at trends over the last ten years though, it is noticeable that it was the medium to large sized enterprises which showed the most relative zest, with a 2005 level 2.2% above that seen in 1995. These were followed by the smaller enterprises (10 to 50 employees), which increased almost tenfold in the period considered.

### Sector distribution

All sectors contributed towards Andalusia's increased business activity in 2005, with

**Box 11. ENTERPRISE MULTI-LOCATION IN SPAIN**

One of the most immediately striking effects of the economy's increasing globalisation is the geographically dispersed nature of enterprises in a variety of different settings. Currently available official statistics for gauging Gross Domestic Product in each autonomic community do not distinguish between productive activity on the part of companies or enterprises domiciled there for tax purposes and that effected by enterprises with tax domiciles in others.

The set of statistics entitled "the labour market and pensions in relation to tax sources", produced by the Spanish Tax Office (AEAT) belonging to the Economy and Finance Ministry, offers an insight into this phenomenon, including information on jobs and wages broken down according to the tax domicile of the paying company or enterprise and that of the employee.

When referring to a paying company or enterprise, these statistics include any individual body required to present a Standard Form 190, a summarised annual statement of deductions and payments on account in relation to income from employment activities. Such bodies might be companies or enterprises which supply goods and services for sale, whatever their legal personality, activity or size is; private non profit-making institutions or private organisations offering services not designed to be sold to specific family or corporate groups; general, autonomic and local government; or natural or legal persons and other entities that are not official residents on Spanish soil but which operate through permanent establishments there.

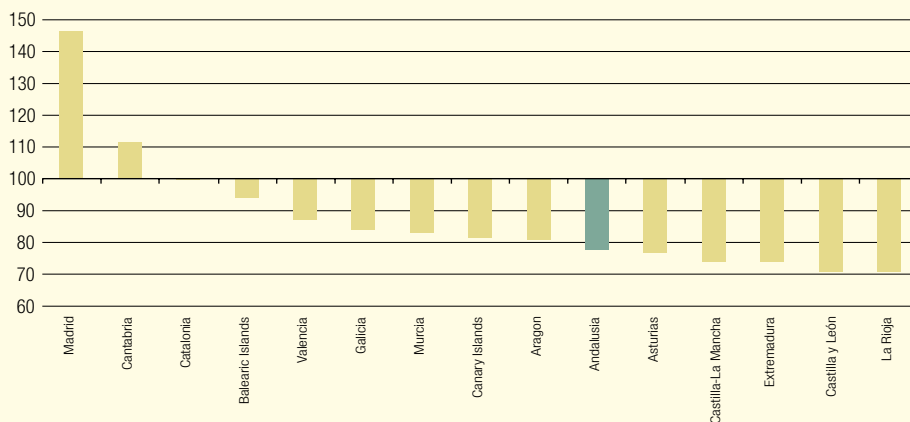
Any person employed by an enterprise is considered as a worker or recipient of such income, so that if an individual is working at more than one, they are counted as many times as the number of companies for which they work.

As far as geographic catchment area is concerned, the statistics cover the Common Tax System Territory (TRFC), and thus do not include the regional authorities in the Basque Country and Navarre, although any receiver of income from companies or enterprises established inside and outside the latter territories and that is domiciled in Common Tax System Territory is included.

Scrutiny of the data offered by these statistics affords an idea of business multi-location in the various autonomic communities. In this regard, if it is generally accepted that people work in establishments located in the autonomic community where they live, the volume of wages in any particular region can be considered to be a good indicator of the wage income generated within it, while it is also possible to distinguish whether such wage income has been paid by businesses domiciled in the autonomous community or in a different one.

According to the latest information published by the Spanish Tax Office and for 2004, employees in Andalusia received a total of 39,411.9 million euros that year, of which 77.7% was paid by businesses domiciled in that region for tax purposes. The remaining 22.3% came from enterprises domiciled in other autonomous communities but with premises

**Chart 1. WAGES BY RESIDENCE OF PAYERS AND RECEIVERS. YEAR 2004**



**NOTE:**  
Percentage of wage incomes paid through institutions domiciled in autonomous community/ wage incomes received by workers with tax domicile in the autonomous community.

**Source:** Spanish Tax Office (AEAT), Economy and Finance Ministry.  
**Compilation:** Office of the Secretary-General for Economy, Junta de Andalucía.

in Andalusia. Compared with the situation in 1999, the first year for which consistent information exists on this issue (due to the Income Tax reform instituted under Law 40/1998 of 9 December), this situation clearly shows that in the five-year period the proportion of salaries paid by businesses with tax domiciles in the Autonomous Community of Andalusia itself has risen, doing so from 75.5% in 1999 to the current 77.7%.

In the breakdown by autonomous communities, La Rioja, Castilla y León, Extremadura, Castilla-La Mancha and Asturias all showed a proportion of total wage income generated by enterprises from outside which was greater than the figure for Andalusia. In all of these autonomous communities, with the sole exception of Castilla-La Mancha, the relative weight of enterprises from outside has risen in the last five years, which is something that has not happened in Andalusia, where, on the contrary, this has fallen, from 24.5% in 1999 to 22.3% in 2004.

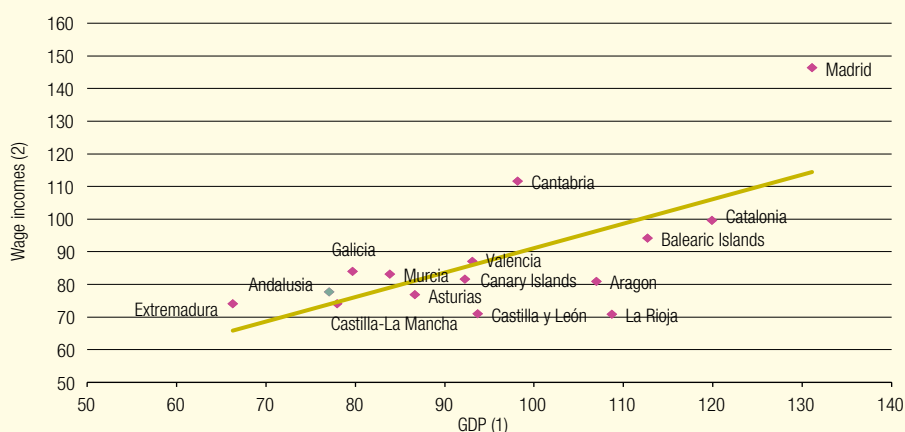
On the other hand, in the regions of Madrid and Cantabria the opposite has occurred, that is to say that the ratio of wages paid by enterprises domiciled within them to wages earned by workers domiciled in them was over 100% (146.3% and 111.5% respectively), although these percentages dropped compared with those registered in 1999 (149.6% and 122.8% respectively).

Looking at the data on numbers of people employed according to the domicile of the enterprise for which they work we arrive at the same conclusions. In 2004, 82.2% of employees in Andalusia were working in enterprises domiciled in the Autonomous Community of Andalusia itself (81.6% in 1999) and the remainder in those domiciled outside the region, it likewise being the case that the two Castillas, La Rioja, Extremadura and Asturias were the regions where the proportion of employees working for enterprises from outside was larger than for Andalusia.

This information leaves one to conclude that while less than one fifth of Andalusian employees were working for enterprises from outside (17.8%) and drew over one fifth of total wage earnings (22.3%), those enterprises domiciled outside Andalusia on average paid out higher wages than those registered for tax within the region, these figures being 16,013 euros and 12,077 euros per person respectively in 2004. It can nevertheless be seen that recent years have seen a narrowing of the wage gap between both kinds of enterprises, so while in 1999 the average annual wage paid by Andalusian enterprises was 69.7% of the equivalent offered by an enterprise from outside, in 2004 this percentage had reached 75.4%.

On a final note, if these findings are compared against per capita GDP in each autonomous community, it appears generally true that the lower per capita GDP is, the greater the percentage is of wage incomes paid by enterprises domiciled in other regions, and vice versa. Hence, as we have seen, while Andalusia, Extremadura, Castilla y León, Castilla-La Mancha and Asturias were the regions with the highest relative weight of enterprises registered for tax in other autonomous communities, both in terms of employment and wages, they were among the regions displaying the lowest levels of per capita GDP.

**Chart 2. GROSS DOMESTIC PRODUCT AND WAGE INCOME . YEAR 2004**



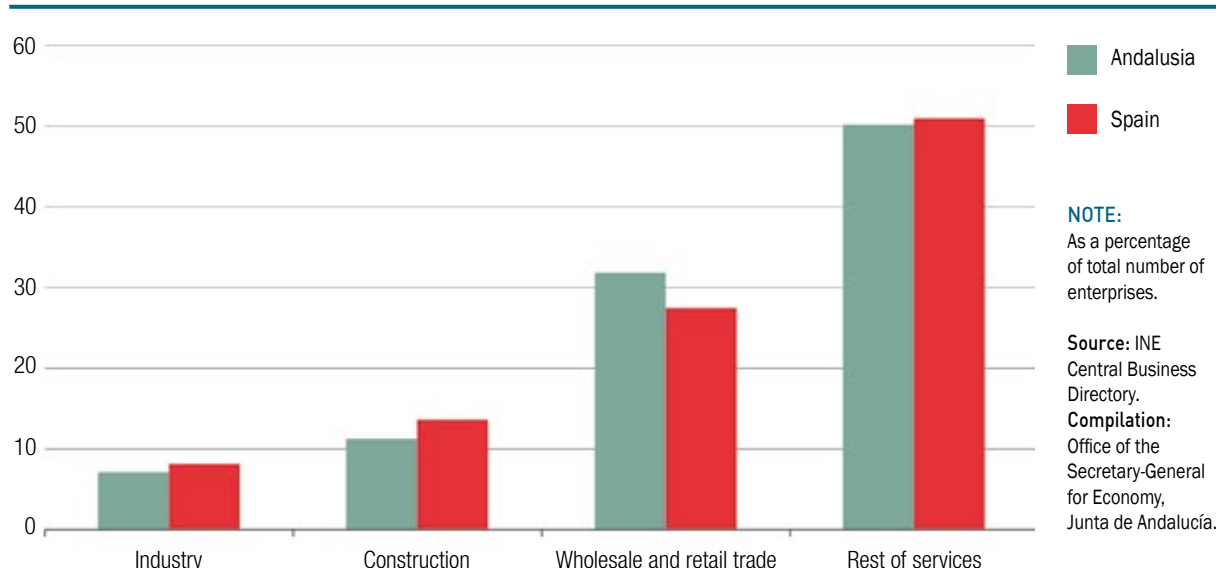
**NOTES:**

- (1) GDP per inhabitant. Spain= 100.
- (2) Percentage of wage incomes paid through institutions domiciled in autonomous community with respect to total wage incomes received in it.

**Source:** INE and Spanish Tax Office (Economy and Finance Ministry).

**Compilation:** Office of the Secretary-General for Economy, Junta de Andalucía.

Chart 100. **ENTERPRISES BY ECONOMIC SECTOR. YEAR 2005**



construction at the forefront, where enterprise numbers notched up a 9.5% rise on 2004, reaching the figure of 51,862 or 11.2% of the regional total.

This was followed by services, which embraced 81.7% of all Andalusian non-farming enterprises and grew by 4.9% in 2005.

Within this sector enterprises in the branches of retail trade, hotel and restaurants, and business activities were very much in evidence, together comprising 44.7% of the total, having grown at moderate rates in the case of the former two and very much apace in business activities (6.4%).

On the other hand, industrial sector enterprises were up by 1.1% over the year, spurred on by the growth in those manufacturing fabricated metal products except machinery and equipment (5.1%), which accounted for the lion's share in the sector, as well as those listed under manufacture of furniture and manufacturing n.e.c. (1.3%), while the number of enterprises in the food products and beverages industry drifted back slightly (-0.7%).

In 2005 industry comprised 7.1% of total Andalusian non-farming enterprises, most of these engaged in

manufacturing food and drink products as well as metal products except machinery and equipment.

Focusing on branches of activity, among the more dynamic ones registering very much above-average growth was real estate activities, which expanded by an annualised 24.2%, and recycling, insurance and pension schemes, IT, public sanitation, research and development, postal and telecommunications services and education.

Among the other branches which showed increased entrepreneurial activity in 2005, albeit below average, were textiles, health, wholesale and retail trade, land transport, and hotels and restaurants.

Finally those revealing a decline included clothes manufacture, sea-going transport, paper, chemicals, and food and drink products.

If we consider enterprise size and the type of activity they engage in, it emerges that it was in industry where businesses with employees predominated and were largest. The branches of this showing the highest percentage of enterprises with employees were: food, beverages and tobacco, chemicals, non metallic minerals and fabricated



metal products and the mining and quarrying and energy industries.

In contrast, the branches with the highest percentage of enterprises without employees were financial intermediation, real estate and business services and wholesale and retail trade.

### Legal form

Andalusian business sector growth in 2005 was mainly through enterprises being started up through incorporation, these rising by 9.7%, far above average growth (5.1%), whereas sole proprietorships did so by 2.4%. This brought about a reduction in the weight of sole proprietorships, which were the form prevailing in the Andalusian business sector, which slipped to 61.5% of total enterprises in 2005, against the 75.5% share they held a decade before.

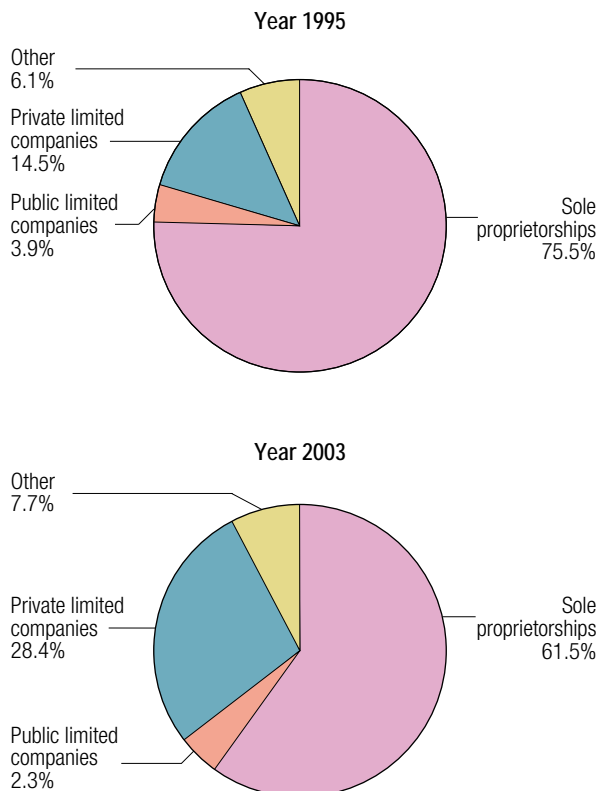
Within the incorporated enterprises it was private limited companies, having the biggest share of total weight, which proliferated the most in 2005, growing by an annualised 11.6%. The opposite happened with public limited companies, which became slightly less numerous (-0.1% year-on-year) for the fifth straight year.

These trends have recurred over the last decade, which has caused private limited companies to double their relative weight in the period, this now being 28.4% of the total compared to 14.5% in 1995.

### Entries and exits in the business sector

The INE's Central Business Directory does not give information on enterprises starting up, closing or staying on in business in its regional analysis, which hinders study of flows in this

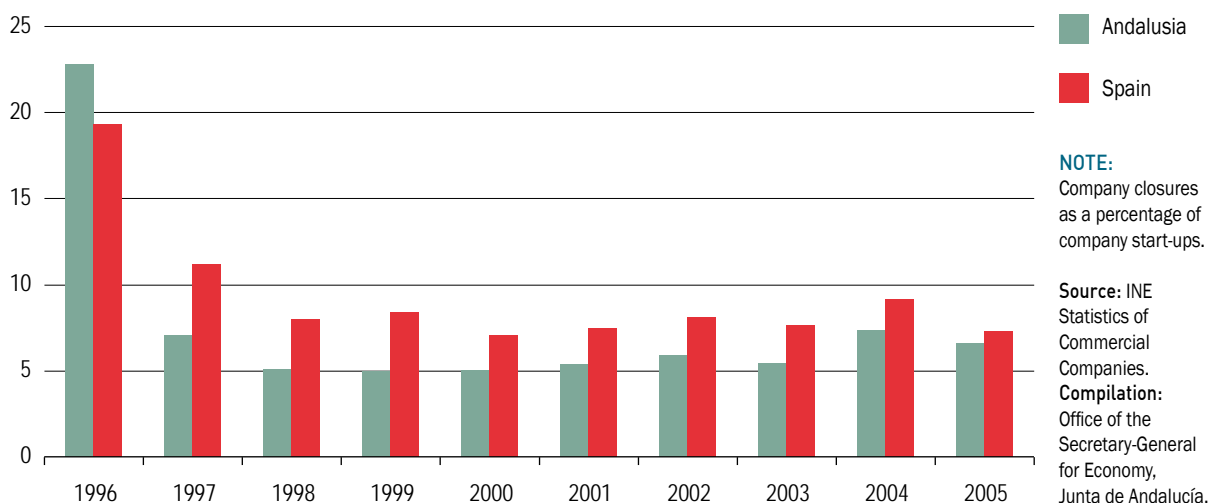
Chart 101. **BREAKDOWN OF ENTERPRISES BY LEGAL FORM. ANDALUSIA**



**NOTE:**  
As a percentage of total number of enterprises.

**Source:** INE Central Business Directory.  
**Compilation:** Office of the Secretary-General for Economy, Junta de Andalucía.

Chart 102. COMPANY CLOSURE RATIO



regard. To overcome this shortcoming, the INE Statistics of Commercial Companies put a number on commercial companies set up or dissolved over the year in every autonomous community, thus providing some idea of entries and exits in connection with the business sector, the drawback being that these statistics do not embrace enterprises started up as sole proprietorships, which represented just short of two thirds (61.5%) of the Andalusian business sector.

Therefore, only including public and private limited companies and general and limited partnerships, a total of 23,125 commercial companies were started up in Andalusia in 2005 and 1,537 were dissolved, so on balance 21,588 companies were set up (those started up minus those folding), which was 5.1% more than in 2004. They thus grew faster than GDP in real terms (3.5%) and prompted the business sector to gain in weight in Andalusia in 2005, with Andalusia coming to account for 16.8% of all newly created commercial companies nationwide and outpunching the Andalusian economy's weight out of total Spanish GDP (14.1%).

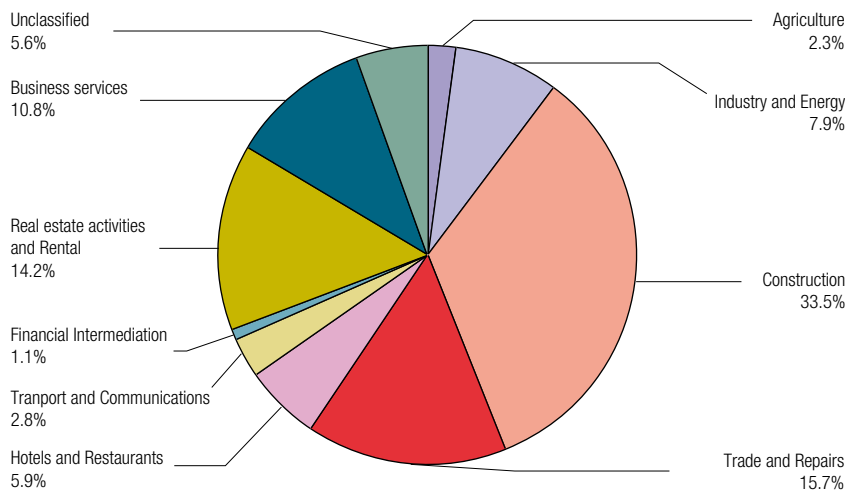
Company closures as a percentage of company start-ups, which can be used as an indicator

of "company mortality" reveal, as has been observed without exception since 1997, that Andalusian enterprises have a lower relative propensity than Spanish ones to be wound up. The precise figure for this in Andalusia in 2005 was 6.6% of newly created companies, below the ratio posted the previous year as well as the national average (both 7.3%).

Geographically, Almeria and Granada were the provinces which saw the lowest "company closure rates" in 2005, these being 4.5% in both. At the other extreme, Jaen had the highest such figure (10.2%), followed by Cordova (9%) and Cadiz (7.9%).

Altogether, total subscribed capital for newly created companies was 1,089.1 million euros, representing 0.9% of regional GDP and meaning that average subscribed capital per company was 47,098 euros, under-average for Spain, where this was 75,173 euros.

On top of these figures provided by the INE, since 2004 the Andalusian Statistics Institute (IEA) has produced "Trading Companies Statistics in Andalusia", which allows more detailed study of comings and goings in the business sector, elaborating more in regional and provincial terms

Chart 103. **COMMERCIAL COMPANIES STARTED UP BY ACTIVITY. YEAR 2005****NOTE:**

As a percentage of total.

**Source:** IEA Statistics of Commercial Companies.**Compilation:** Office of the Secretary-General for Economy, Junta de Andalucía.

on commercial companies set up, terminated and dissolved, as well as those changing legal form. This is all done using the Official Trade Register Gazette as a source, with the reference date being that when any movement was entered in the appropriate trade register.

With respect to companies incorporated, these statistics make it possible to find out their legal form, economic sector, and number of founding partners as well as their gender.

The statistics reveal that 98.8% of commercial companies started up in Andalusia in 2005 took on the legal form of private limited company, 1% that of public limited company, and the remaining 0.2% was accounted for by other legal forms (general partnerships, limited partnerships, joint ownerships, and civil partnerships and collective enterprises).

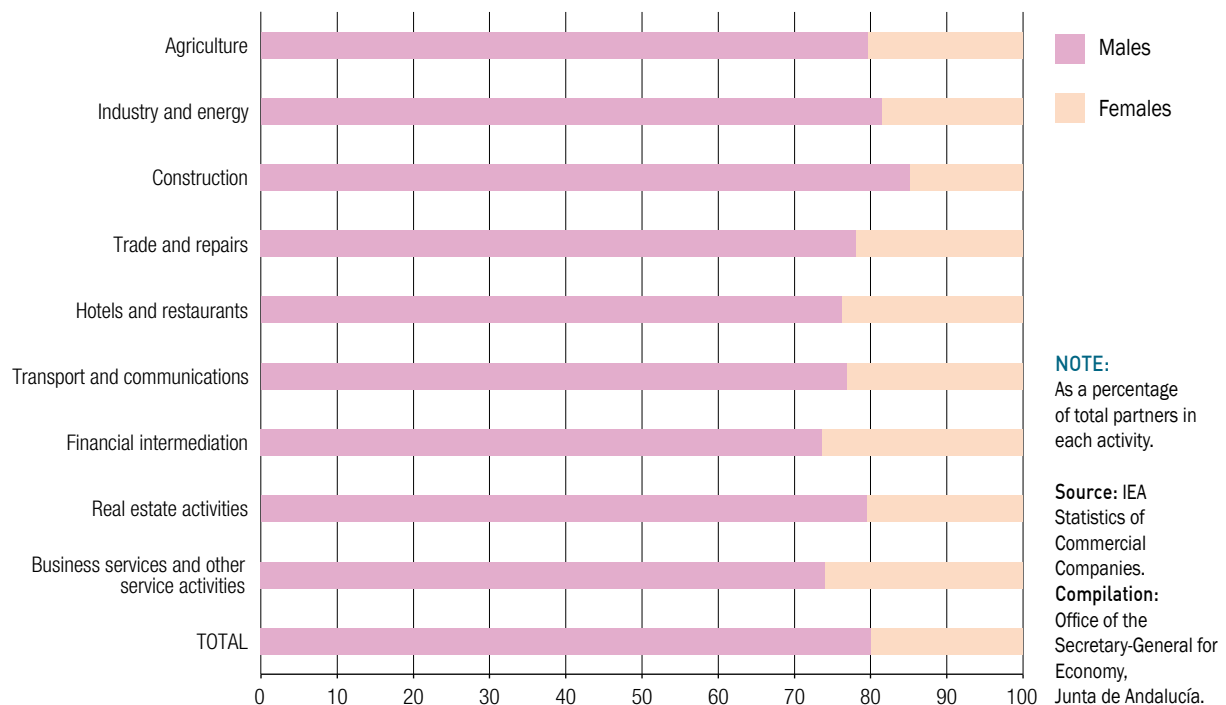
By sector, most companies were incorporated in 2005 to operate in services (56.2% of the total), followed by (33.5%), industry and energy (7.9%) and lastly the primary sector (2.3%).

Within the services sector, wholesale and retail trade stood out, absorbing 15.7% of all the companies set up in the year. Notable too

were real estate and rental activities, which embraced 14.2% of such new enterprises, and hotels and restaurants, with 5.9%. Comparison of this situation with 2004 shows that it was in the branches of industry and energy (10% year-on-year), construction (10%), and business services (8.3%) where the most sizeable step-ups were to be found in company creation.

Looking at numbers of founding partners, and confining ourselves to those who were natural persons rather than legal ones, we find that practically two thirds (66.1%) of companies incorporated in 2005 had just a single founding partner, while 25.8% had two and 7.5% between 3 and 5. Meanwhile, larger concerns with 6 or more founders, which were the grouping that grew the most in 2005 (at an annualised 24.1%), represented 0.6% of the total, while the remainder were accounted for by those companies where there were legal persons with an interest. Such a predominance of sole proprietorships was particularly evident among businesses set up under the legal form of private limited companies, where 63.2% of all companies created had a single shareholder. Public limited companies, however, tended to be set up with a bigger relative size, and 6.7% of these actually had six or more associates.

Chart 104. **BREAKDOWN OF FOUNDING PARTNERS BY GENDER AND ACTIVITY OF COMMERCIAL COMPANY. YEAR 2005**



In terms of the gender of the founding partners, 71% of companies created were set up by males alone, while 15.1% were incorporated solely by females. In 7.2% of start-ups the founders males and females in equal numbers, while the rest were split among companies where most of the founders were males (2%), those with a female majority (0.6%) and those set up by legal persons.

Of total founding partners among companies established in 2005, 80.2% were males and 19.8% females. These percentages vary by sector of activity, with female founding partners proportionally larger in the services sector, especially in banking and insurance (26.3%) and business services and other service activities (25.9%). On the other hand construction is the sector where the percentage of female founding partners is the lowest, at 14.8%.

Of all the companies which changed their legal form in 2005, the data reveal that 88% did so

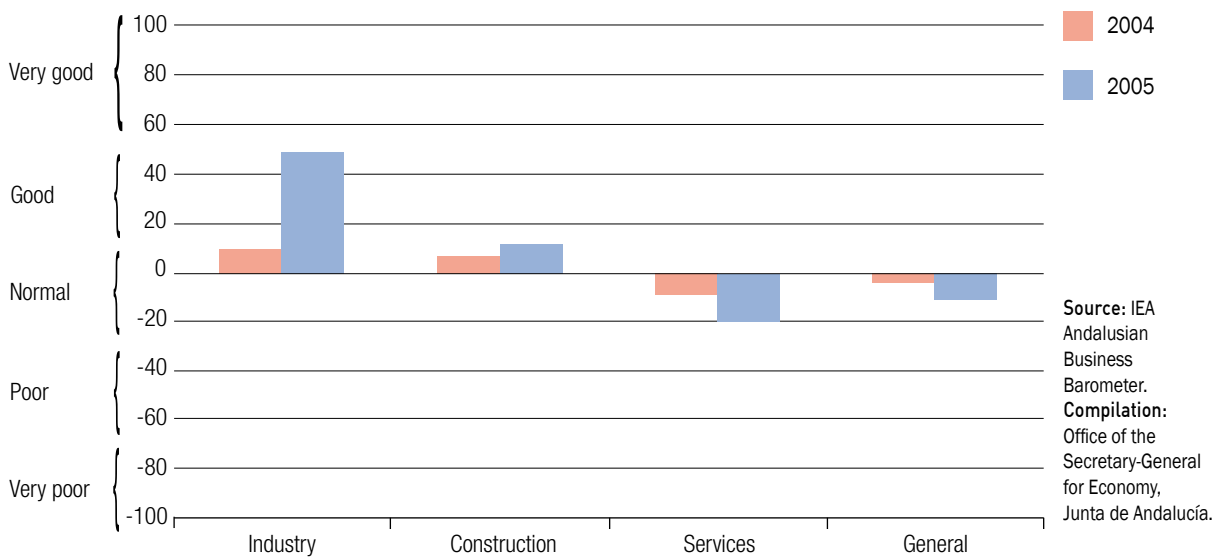
from public limited company to private limited company.

### Andalusian Business Barometer

The Andalusian Business Barometer, is a statistical tool developed by the IEA to reflect information gathered from the business community with productive establishments in Andalusia (except those engaged in farming activities) concerning its current economic situation and its short term prospects.

The barometer includes a general Business Climate Index, as well as three others relating to each of the non-farming sectors of industry, construction and services. The index moves on a scale between +100 (fully optimistic situation) and -100 (the most pessimistic), these values being the net findings from higher or lower responses to each of the variables making up the index: order book volume, output and finished goods inventories. The

Chart 105. **BUSINESS CLIMATE INDEX. ANDALUSIA**



index is interpreted as follows: values in the 100 to 60 range are classed as very good, in the 59 to 20 band as good, from 19 to -19 as normal, from -20 to -59 as poor, and from -60 to -100 as very poor.

The Business Climate Index for Andalusia in 2005 returned a figure of -12, thus falling within the normal business climate band, though this was lower than the 2004 level of -3.19.

From a sector standpoint the most optimistic business climate index was industry, with a

reading of 49.72 points, far higher than the one recorded the previous year (9.82).

This is followed by construction, where the business climate index was 12.71, classed as normal, though this was above the 2004 level (5.73).

Finally, the services business climate index proved the most pessimistic (-39.41), which rates as poor and was more negative than in 2004 (-9.95).



9.

## Labour market





# Labour market

## Overview

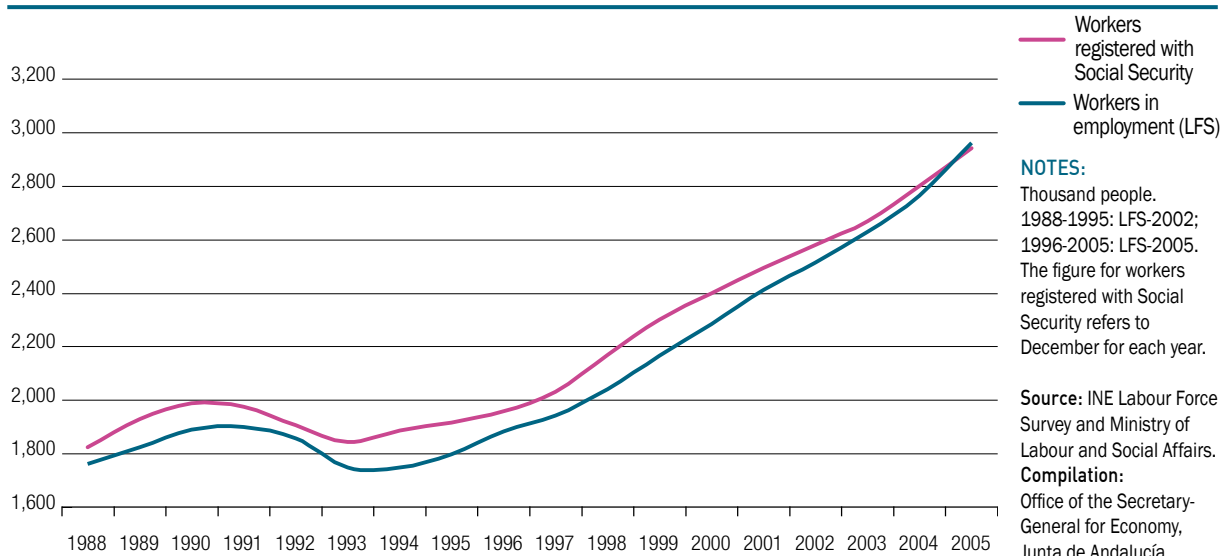
In 2005 the Andalusian labour market was characterised by a signal swell in employment and a heavy fall in jobless numbers, both of these relatively more conspicuous than for the Spanish and European economies as a whole.

The Labour Force Survey (LFS) indicates that employment in Andalusia increased by 7.1% for

the year as a whole, the fastest rate on record, surpassing the previous year's reading by almost two points (5.2%) and showing above-average growth in terms of Spain (where this was 5.6%) and in particular the European Union (1.6%).

In absolute terms this brought the figure for those in work in Andalusia in 2005 up to the historic high of 2,959,600, which was 196,500 more than in 2004 and accounted for almost one fifth

Chart 106. **EMPLOYMENT IN ANDALUSIA**



## 9. LABOUR MARKET

of job creation nationally (19.6%) as well as 6.3% of this in the EU-25. Both of these percentages were higher than Andalusia's relative weight in the Spanish economy as a whole and in Europe (15.6% and 1.5% respectively).

In the same vein the number of workers registered as actively employed with Social Security hit a high of 2,939,183 at year-end, which was 5% over the previous year's figure, keeping up the same growth rate but still slightly underneath the Spanish average (5.8%). Especially noticeable was the flurry of registrations by foreigners, these rising by an annualised 61.1%, 4 points more than in Spain (57.1%), and increasing their share out of total registrations in Andalusia to 6.2% in 2005, although this was three points less than the percentage seen nationwide (9.3%).

Along with this, the rate at which job-seekers joined the labour market in Andalusia was 3.1%, virtually equalling the previous year and comparable to the average in Spain (3.5%),

the participation rate reaching a historic high of 54.3%, 0.7 points higher than the reading for 2004 and approaching average levels for Spain.

The relatively faster growth in employment compared to the expansion of the labour force prompted a substantial drop in jobless numbers of 16.3% in 2005, the biggest in four years and heavier than the one registered in Spain (-13.6%). This shrank the unemployment rate to 13.8% of the labour force, the lowest in twenty-six years, with the adverse gap relative to the national unemployment rate narrowing to a low of 4.7 percentage points.

Jobless figures recorded at National Employment Institute (INEM) offices nationally, however, point to a trend from September of a climb in unemployment, 2005 ending with a jobless level in December that was 6.3% up on the year before against a background of a virtual standstill in Spain (-0.5%).

Table 58. **ANDALUSIAN AND SPANISH LABOUR MARKETS. YEAR 2005**

	Change on 2004					
	Year 2005		Absolute		Relative (%)	
	Andalusia	Spain	Andalusia	Spain	Andalusia	Spain
<b>LABOUR FORCE SURVEY</b>						
Population over 16	6,325.3	36,416.0	114.1	605.2	1.8	1.7
Out of the labour force	2,890.1	15,530.3	10.5	-96.1	0.4	-0.6
Labour force	3,435.2	20,885.7	103.7	701.3	3.1	3.5
Employed	2,959.6	18,973.3	196.5	1,002.4	7.1	5.6
Unemployed	475.6	1,912.5	-92.8	-301.1	-16.3	-13.6
Participation rate	54.31	57.35	07	1.0	-	-
Unemployment rate	13.85	9.16	-3.2	-1.8	-	-
<b>National Employment Institute <sup>(1)</sup></b>						
Registered unemployment	480.9	2,102.9	28.3	-9.8	6.3	-0.5
<b>SOCIAL SECURITY <sup>(1)</sup></b>						
Total workers registered with Social Security	2,939.2	18,156.2	138.8	994.3	5.0	5.8
Foreign workers	181.9	1,668.6	69.0	613.8	61.1	57.1

**NOTE:**

Thousand people unless otherwise stated.

(1) Data as of 31 December.

Source: INE Labour Force Survey, National Employment Institute and Ministry of Labour and Social Affairs.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

All these readings for the labour market in Andalusia came about within a context of a scant impact in terms of labour disputes, there being an almost total drop in the number of days lost due to strikes (-97.8% year-on-year), this being even sharper than nationally (-83%).

Added to this, the statistics show that the working day in Andalusia was longer than on average in Spain, both of which were slightly down on the previous year.

## Employment, participation and unemployment

### Employment

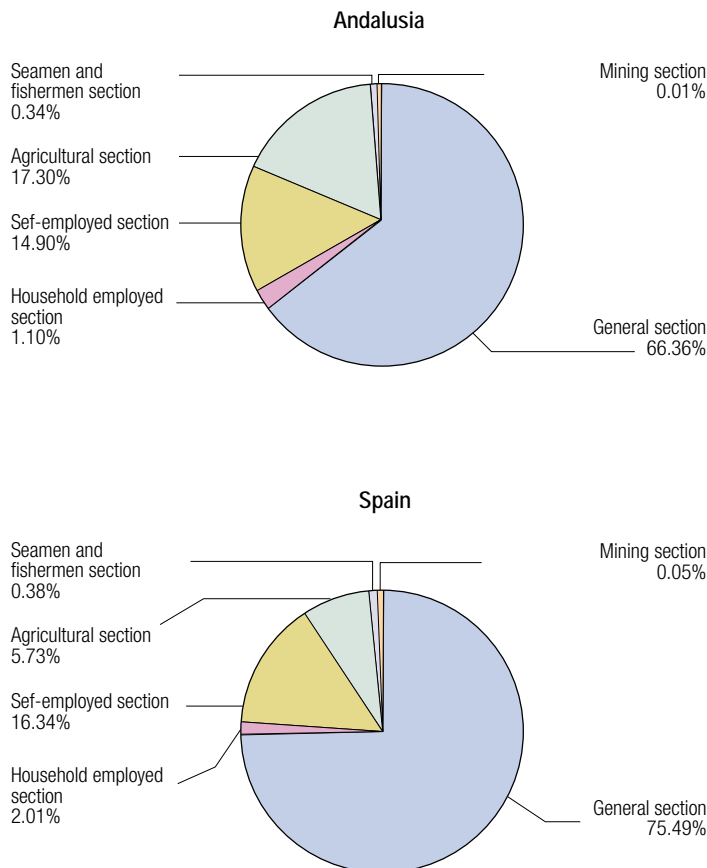
Employment turned in a highly dynamic display in Andalusia in 2005, both in terms of growth as

reported by the Labour Force Survey (LFS) and workers registering with Social Security.

According to the Ministry of Labour and Social Affairs, on 31 December 2005 a high was registered in Andalusia of 2,939,180 workers registered as actively employed with Social Security, representing 16.2% of all those registered as such in Spain and 5% ahead of the previous year's level. In absolute terms, in Andalusia there were 138,807 more people registered than in 2004, almost 14% of the rise in these in Spain, where the growth rate was 5.8%.

Splitting this out into sections, the largest increase was under household employees, where the number of those registered in Andalusia almost doubled, up by 81.5% on 2004 (98% in Spain). After this came the general section, accounting

Chart 107. **WORKERS REGISTERED WITH SOCIAL SECURITY BY SECTION. YEAR 2005**



**NOTES:**

As a percentage of total registrations. Data as of 31 December.

Source: Ministry of Labour and Social Affairs.  
 Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

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for 66.4% of those registered and growing by an annualised 7%, above the average for Spain (5.9%). There was more modest growth for the self-employed (4.5% year-on-year), though this was higher than seen nationwide (3%), and under the seamen and fishermen section (3.5%), which rose again after four straight years of falls, while this dropped for Spain as a whole.

In contrast, the number of workers registered under the special section for mining continued to decline, which it has been doing steadily since 1993 (the first year for which data are available), as did that of workers in the agricultural section.

Contributing to these positive trends for registration with Social Security was the upsurge in the

Table 59. **CHARACTERISTICS OF FOREIGNERS REGISTERED WITH SOCIAL SECURITY. ANDALUSIA. YEAR 2005**

	Year 2005		Change on 2004	
	Thousand persons	% of total	Absolute (thousand)	Relative (%)
<b>TOTAL</b>	<b>181,859</b>	<b>100.0</b>	<b>68,960</b>	<b>61.1</b>
<b>Gender</b>				
Females	67,971	37.4	25,869	61.4
Males	113,888	62.6	43,091	60.9
<b>Sections</b>				
General	91,926	50.5	33,437	57.2
Self-employed	23,080	12.7	3,222	16.2
Agricultural	46,078	25.3	18,364	66.3
Seamen and fishermen	442	0.2	112	33.9
Household employees	20,333	11.2	13,825	212.4
<b>Economic activity <sup>(1)</sup></b>				
Agriculture	1,286	1.4	506	64.9
Industry	6,343	6.9	2,430	62.1
Construction	22,091	24.0	10,567	91.7
Services	62,197	67.7	19,925	47.1
<b>Country of origin</b>				
Morocco	40,329	22.2	15,158	60.2
Romania	15,688	8.6	8,700	124.5
Ecuador	15,208	8.4	7,567	99.0
United Kingdom	13,822	7.6	1,249	9.9
Colombia	9,307	5.1	3,622	63.7
Argentina	8,456	4.6	4,267	101.9
The Ukraine	5,785	3.2	3,402	142.8
Italy	5,588	3.1	825	17.3
China	5,103	2.8	1,534	43.0
Others	62,573	34.4	22,636	56.7

### NOTES:

Data as of 31 December.

(1) Data relate to general section.

Source: Ministry of Labour and Social Affairs.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

foreigners grouping, which on 31 December 2005 comprised some 181,859 people in Andalusia, representing 6.2% of all those registered in the region (9.3% in Spain). In relative terms registration by foreigners grew by 61.1% over the year, 4 points more than nationally (57.1%), 68,960 more registered foreigners being recorded than in 2004, accounting for nearly half of the total rise in Andalusian registrations in 2005.

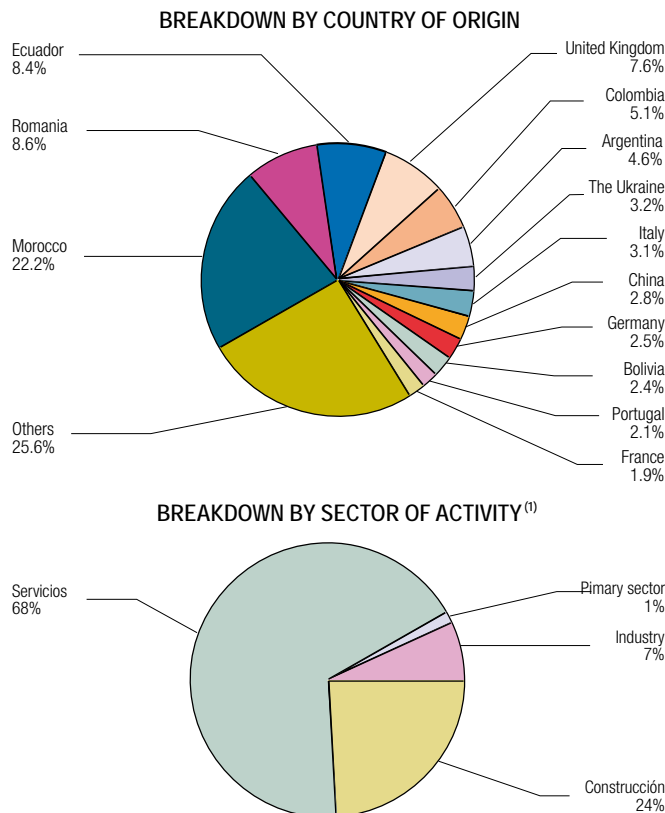
Here it is important to make the qualification that these results were influenced by the government’s campaign to regularise foreign workers in the course of 2005, which affected 67,803 people in Andalusia, or 12.3% of the national total.

Breaking this down by gender, as with Spain, it was mostly male foreign workers who were registered, these accounting for 62.6% of the total in Andalusia, a slightly higher percentage than was

the case nationally (59.9%), the remaining 37.4% obviously being females. Compared with 2004 growth was similar both for males and females (60.9% and 61.4% year-on-year respectively), while over Spain there was a relatively sharper rise among females.

Examining types of Social Security section, we find that foreign workers are fundamentally registered under the general one (50.5%) and agriculture (25.3%), these two speaking for three quarters of the total. To give more detail concerning the former we can subdivide this into activities, among which the more notable were “construction” (24% of total foreigners registered), “hotels and restaurants” (20.2%), “wholesale and retail trade and repair of motor vehicles” (18.2%) and “real estate and rental activities, and business services” (13.6%), which furthermore account for 81% of the

Chart 108. **FOREIGNERS REGISTERED WITH SOCIAL SECURITY. ANDALUSIA. YEAR 2005**



**NOTES:**

Percentage of total. Data as of 31 December.  
(1) Data relate to general section.

Source: Ministry of Labour and Social Affairs.  
Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

total growth in foreigners registering under the general section in 2005.

In relative terms, however, it was the household employees section which grew the most, where foreign workers registered tripled the 2004 level, followed to a lesser extent by agriculture (66.3% year-on-year) and the general section (57.2%).

Considering nationality, almost one quarter of total foreigners registered (22.2%) hailed from Morocco, this group growing 60.2% in 2005. These were followed by workers from Romania (8.6% of the total) and Ecuador (8.4%), which both doubled their numbers the previous year. Following these was the United Kingdom (7.6%), which fell with respect to 2004, Colombia (5.1%), which shot up on the preceding year (63.7%) and Argentina (4.6%), which doubled its registered workers on the year before.

By provinces, the one with the highest number of registered foreign workers was Malaga, with 35% of the regional total, followed by Almeria, with 28.6%. Nonetheless, if one considers the relative weight of foreigners vis-à-vis total registered workers, the largest percentage was

found in Almeria, where almost one fifth of the total (19.1%) were foreigners, ahead of Malaga, with 11.3%. In contrast, the lowest weight was to be found in Cordova and Cadiz (2.1% and 2.3% respectively), below the regional average. Compared to 2004, Almeria (83.6% year-on-year), Granada (76.8%) and Cordova (74%) were the provinces showing the quickest growth in foreigners registering, with Huelva emerging as having the most modest increase (an annualised 35.5%).

Together with these findings regarding registration, the data from the LFS show that job creation was growing apace in Andalusia in 2005, with a 7.1% rise in employment, the highest on record and above the average nationally (5.6%) and for the EU-25 (1.6%).

All in all, in absolute terms, 2005 saw a historic high attained in Andalusia of 2,959,600 in work, 196,500 more than the previous year, which accounted for almost one fifth of all job creation nationally (19.6%) and 6.3% of this in the EU-25, these percentages in both cases outperforming the relative weight of Andalusian employment in the whole of the Spanish and European economies (15.6% and 1.5% respectively).

Chart 109. **EMPLOYMENT**

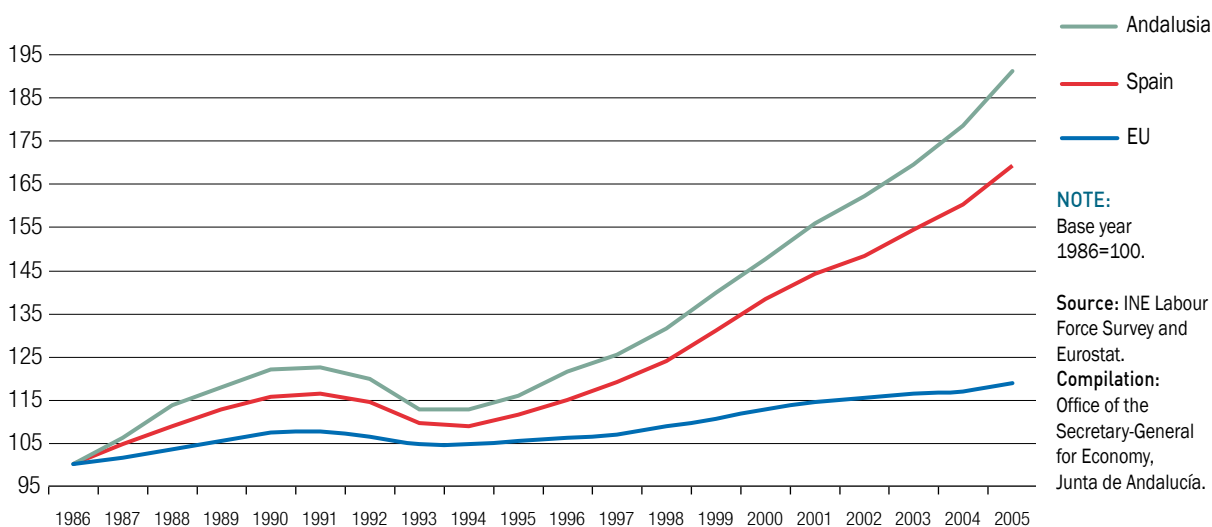


Table 60. **CHARACTERISTICS OF EMPLOYMENT. ANDALUSIA. YEAR 2005**

	Year 2005		Change on 2004	
	Thousand people	% of total	Absolute (Thousand)	Relative (%)
<b>TOTAL</b>	2,959.6	100.0	196.5	7.1
<b>Gender:</b>				
Females	1,078.3	36.4	100.3	10.3
Males	1,881.3	63.6	96.2	5.4
<b>Age:</b>				
< 25	379.5	12.8	29.3	8.3
25-45	1,742.4	58.9	105.5	6.4
> 45	837.7	28.3	61.7	8.0
<b>Nationality:</b>				
Spanish	2,747.4	92.8	–	–
Foreign	212.2	7.2	–	–
<b>Sector:</b>				
Private	2,448.5	82.7	202.9	9.0
Public	511.1	17.3	-6.4	-1.2
<b>Economic activity:</b>				
Agriculture	271.2	9.2	10.3	4.0
Industry	328.5	11.1	30.1	10.1
Construction	435.4	14.7	24.7	6.0
Services	1,924.6	65.0	131.4	7.3
<b>Hours worked:</b>				
Full time	2,582.0	87.2	66.0	2.6
Part time	377.6	12.8	130.4	52.8
<b>Qualifications:</b>				
No academic qualifications	169.4	5.7	-2.4	-1.4
Primary school	462.4	15.6	-134.5	-22.5
Secondary school	1,755.9	59.3	300.1	20.6
University degree	571.9	19.3	33.3	6.2
<b>Type of job:</b>				
Wage earners	2,405.7	81.3	158.0	7.0
Non-wage earners	553.9	18.7	38.5	7.5
- Sole proprietors with employees	163.9	5.5	11.7	7.7
- Sole proprietors without employees	303.2	10.2	16.7	5.8
- Cooperative members	17.6	0.6	3.1	21.4
- Family help <sup>(1)</sup>	64.3	2.2	7.3	12.8
Other	4.9	0.2	-0.3	-5.8
<b>Duration of contract:</b>				
Open-ended contracts	1,320.7	54.9	95.2	7.8
Temporary contracts	1,085.0	45.1	62.8	6.1

**NOTE:**

(1) People working without a formal salary in the business of a family member living in the same household.

Source: INE Labour Force Survey.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

Among the most noteworthy features of this job creation in Andalusia was, on the one hand, that it was relatively more robust in non-farming sectors, basically in industry and services, among females, at the younger end of the market (among the under 25s) and among employees working on open-ended contracts. On the other hand it focused exclusively on the private sector and more qualified workers (those with secondary and / or university education).

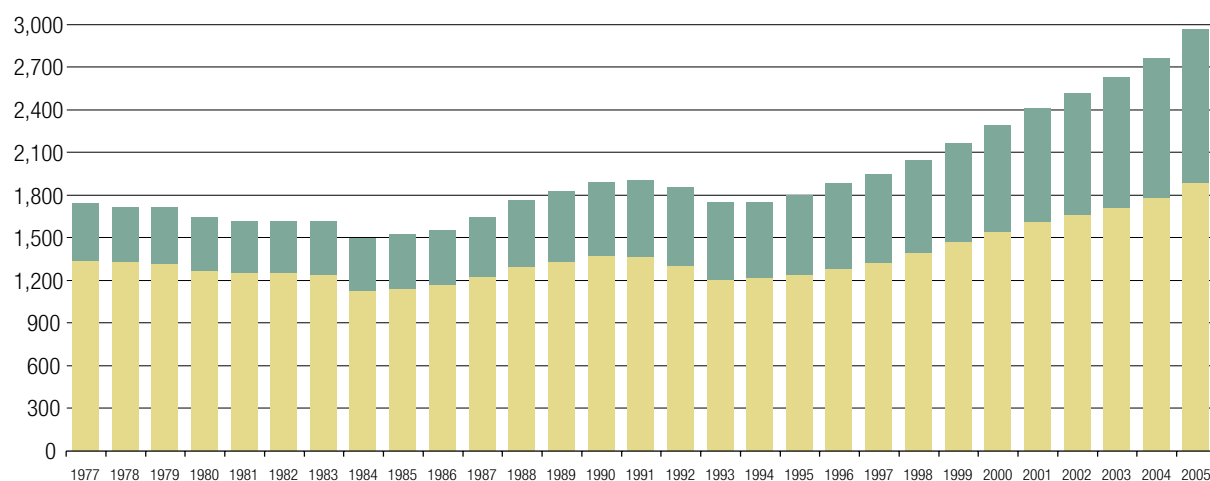
Separating this out by productive sectors, rising employment extended across all of these, as happened with the Spanish economy as a whole, with the non-farming ones particularly prominent as they increased by 7.4%, 1.6 points more than in Spain overall (5.8%). On the other hand, the primary sector rallied after three years of employment decline, with jobs rising by an annualised 4%, far above the sector average for Spain (1.2%), this actually leading to 87.7% of employment growth in the primary sector nationally taking place in Andalusia.

Among the non-farming sectors the biggest job growth was in industry, which touched a rate of 10.1% year-on-year, the briskest in seven years and close to five times higher than the national average (2.1%). In absolute terms Andalusia thus accounted for almost one half (43.6%) of the total rise in employment in industry in Spain in 2005.

Meanwhile, the growth construction rate was lower against the previous year in a context of a similar slowdown over Spain, with employment up 6% following 11.3% in 2004, although it was still more lively than in Spain as a whole (4.6%).

Lastly, services stepped up its rising trend, reporting 7.3% more jobs than the previous year, which was a shade higher than on average nationally (7.1%) and the highest on record. In absolute terms sector employment lifted by 131,400 people, this being two thirds (66.9%) of the overall rise in jobs over the region. Subdividing into productive branches there were notable rises across virtually all of them, above all in “hotels and restaurants” and “business services”.

Chart 110. TRENDS IN EMPLOYMENT BY GENDER. ANDALUSIA



NOTES:

Thousand people.

1977-1995: LFS-2002; 1996-2005: LFS-2005.

Female Male

Source: INE Labour Force Survey.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.



In gender terms, as has happened in unbroken fashion since 1998, female employment showed a different level of dynamism, growing by 10.3% in 2005 and doubling the male rate (5.4%) as well as outpacing the average of 7.8% in Spain. Females thus continued to claim a more important role in the labour market, coming to represent 36.4% of total employment in Andalusia in 2005, in contrast to the share of 22.8% they had in the early eighties.

Job creation was relatively more prolific at the younger end, meaning among the under 25s, this band growing at 8.3% in 2005, 3.4 points more than in the preceding year and above-average in Spanish terms (6.8%). On the other hand those employed who were over 25 rose 6.9%, 1.7 points higher than in 2004, with the greater gains among the 40 to 49 year-old band (7.8%).

All things considered, in absolute terms the results show a younger skew to employment in the Andalusian labour market compared with the Spanish average. To illustrate, while in Andalusia those in work and under 40 represented 58.2% of the total in 2005, in Spain they account for 55.1%. By sectors this band has a larger relative presence in the branches of “financial intermediation”, “real estate activities and business services”, “wholesale and retail trade”, “construction” and “manufacturing industries”, with relative weights of the total employed in these activities of around 63%. Meanwhile the over 40s group is concentrated in the branches of “education”, “general government”, “health and veterinary activities, and social services” and “agriculture, stockbreeding, hunting, forestry and fishing”.

Table 61. **EMPLOYMENT BY OCCUPATION AND GENDER. ANDALUSIA. YEAR 2005**

	Year 2005			Change on 2004					
	Females	Males	Total	Absolute			Relative (%)		
				Females	Males	Total	Females	Males	Total
Managers and government administrators	64.4	132.2	196.6	-2.0	-2.2	-4.2	-2.9	-1.6	-2.1
Professionals	162.2	171.9	334.0	2.1	-8.8	-6.7	1.3	-4.9	-2.0
Professional support staff	115.5	177.9	293.4	23.9	20.6	44.4	26.0	13.1	17.8
Clerical workers	145.3	90.6	235.9	23.7	14.6	38.3	19.5	19.2	19.4
Restaurant, personal services, private security and sales workers	263.1	208.0	471.1	32.3	21.8	54.1	14.0	11.7	13.0
Skilled agriculture and fishing workers	11.6	65.8	77.3	0.4	-16.9	-16.6	3.3	-20.5	-17.6
Artisans and qualified workers in the manufacturing, construction and mining industries	30.9	495.3	526.2	5.4	63.7	69.1	21.3	14.8	15.1
Machine operators and assemblers	17.7	216.0	233.7	6.3	18.4	24.7	55.5	9.3	11.8
Non-skilled workers	265.9	307.5	573.4	9.4	-10.9	-1.5	3.7	-3.4	-0.3
Armed forces	1.7	16.1	17.8	-1.2	-4.0	-5.3	-41.9	-20.0	-22.8
<b>TOTAL</b>	<b>1,078.3</b>	<b>1,881.3</b>	<b>2,959.6</b>	<b>100.3</b>	<b>96.2</b>	<b>196.4</b>	<b>10.3</b>	<b>5.4</b>	<b>7.1</b>

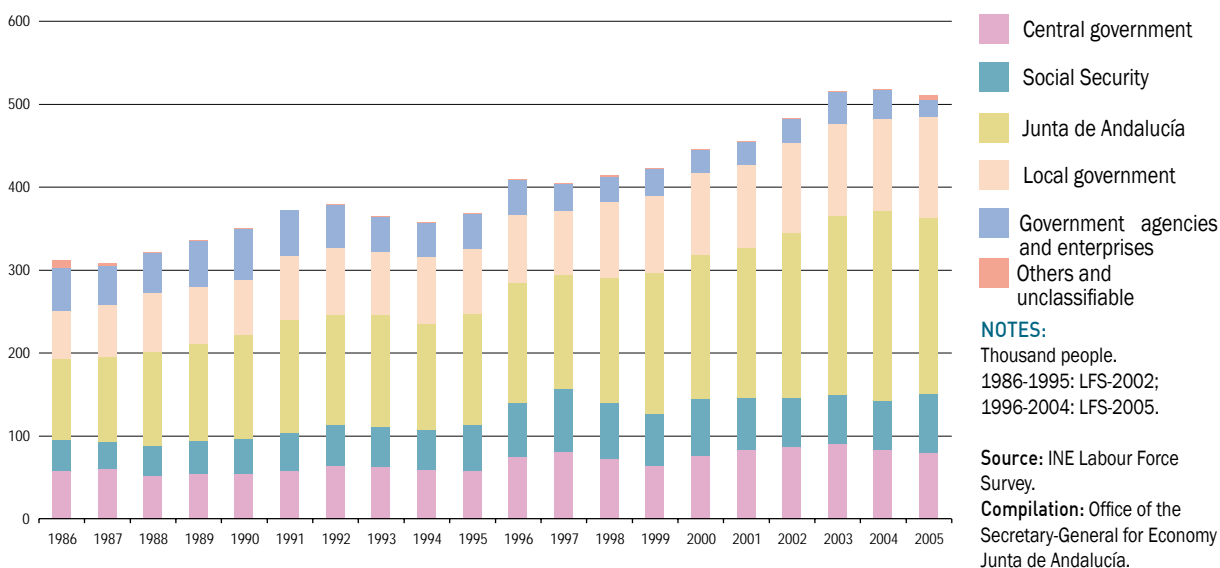
**NOTE:**

Thousand people, save where otherwise indicated.

Source: INE Labour Force Survey.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

Chart 111. PUBLIC-SECTOR EMPLOYMENT. ANDALUSIA



In the breakdown by professional status, growth in 2005 was a little bit higher among the self-employed (7.5%) than employees (7%), both of these rates being sharper than nationally (6.8% and 5.3% respectively). Within the latter grouping there was a significant rise among employees with open-ended contracts, which were 7.8% up on the 2004 level, doubling the growth rate in Spain, with 60.3% of the total increase in employees having contracts of this type in absolute terms.

As for the self-employed, the fastest growth was among members of cooperative associations (21.4% year-on-year). However, if relative weight out of the total is the criterion used, it is worth mentioning the bands of both entrepreneurs with employees (7.7%) and those without employees (5.8%). Under the former heading and distinguishing between productive activities, the largest increases occurred under “transport, storage and communications”, “construction”, “agriculture, stockbreeding, hunting and forestry” and “wholesale and retail trade”.

By employment the most sizeable rises in 2005 were registered under “clerical work” (an annualised 19.4%), “skilled and professional support staff” (17.8%) and “qualified artisans and

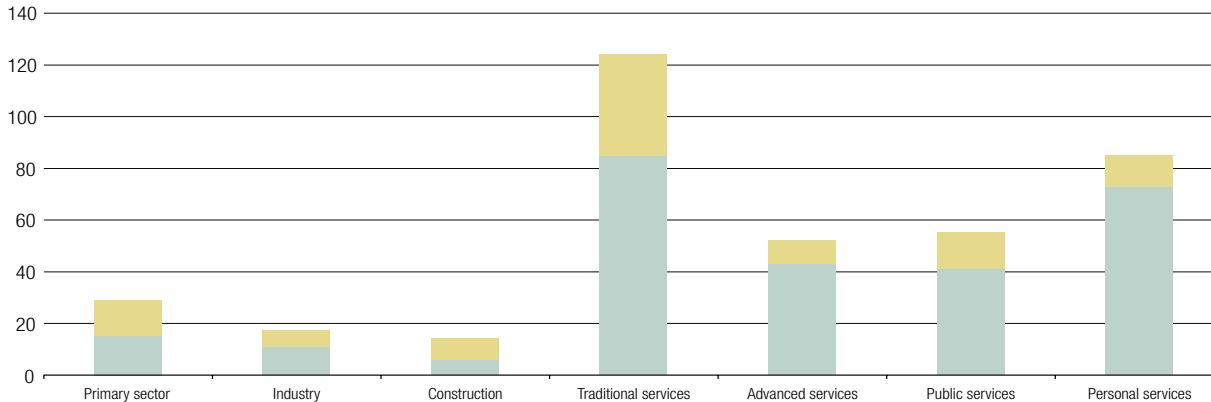
workers in manufacturing industries, construction and mining” (15.1%), in all three cases growth being relatively stronger among women than men.

With respect to work hours, 87.2% of those in work in Andalusia worked full-time, whereas the remaining 12.8% did so on a part-time basis, the main reason for having this kind of work being that they could not find full-time work. By productive sector, the incidence of part-time employment was greatest in services, which accounted for 83.9% of part-time jobs, the highest percentages being found among traditional services, particularly “hotels and restaurants”, followed by personal services, basically in “households employing staff”.

Along with this, it should be pointed out that 72.6% of those engaged in part-time jobs were females (78.1% in Spain), with notable levels of participation in both traditional services and personal services.

In terms of institutional sector, unlike what occurred in Spain, all the jobs created in Andalusia in 2005 were in the private sector, which saw annualised growth of 9% in contrast to a drop of 1.2% in the

Chart 112. **PART-TIME EMPLOYMENT BY SECTOR AND GENDER. ANDALUSIA. YEAR 2005**



**NOTES:**

Thousand people.

Traditional services: Trade, hotels and restaurants, transport and communications.

Advanced services: Financial intermediation and real estate and rental activities.

Public services: Government, education, health and veterinary activities, social services and extraterritorial organisations.

Personal services: Public sanitation, club and society-related and recreational activities, and households employing domestic staff.

■ Females ■ Males

Source: INE Labour Force Survey.

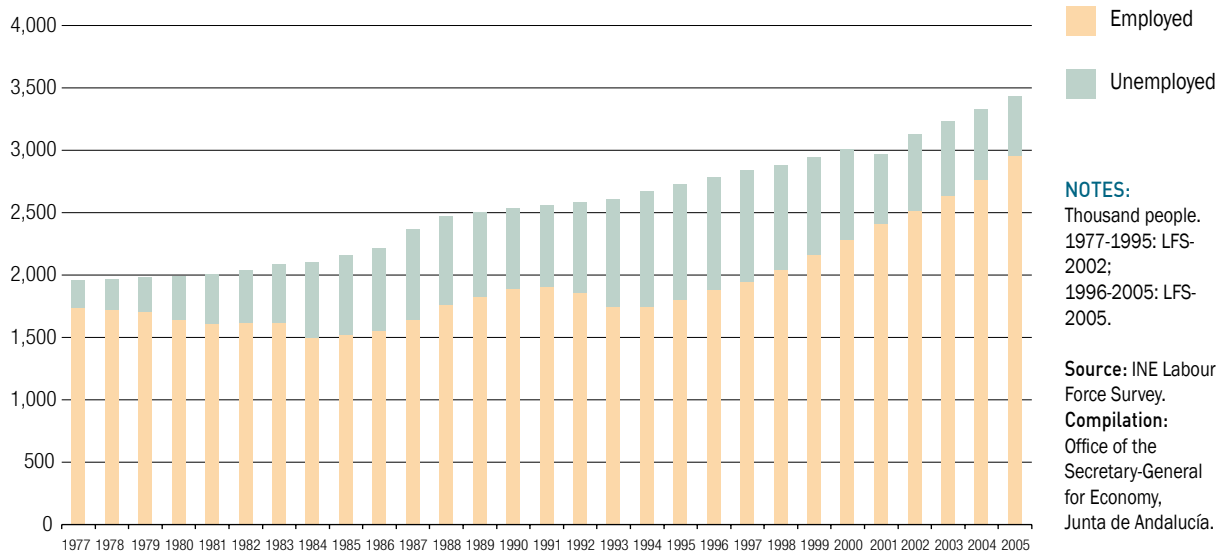
Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

public sector, this due to the fall in employment in government agencies and enterprises (-37.7%) and in central and regional government, which together took in over 60% of total public sector employment. This contrasted with increased

employment in Social Security (an annualised 19.8%) and in local authorities (8.6%).

In keeping with trends nationally, the educational level among workers finding employment in 2005

Chart 113. **LABOUR FORCE. ANDALUSIA**



**NOTES:**

Thousand people.

1977-1995: LFS-

2002;

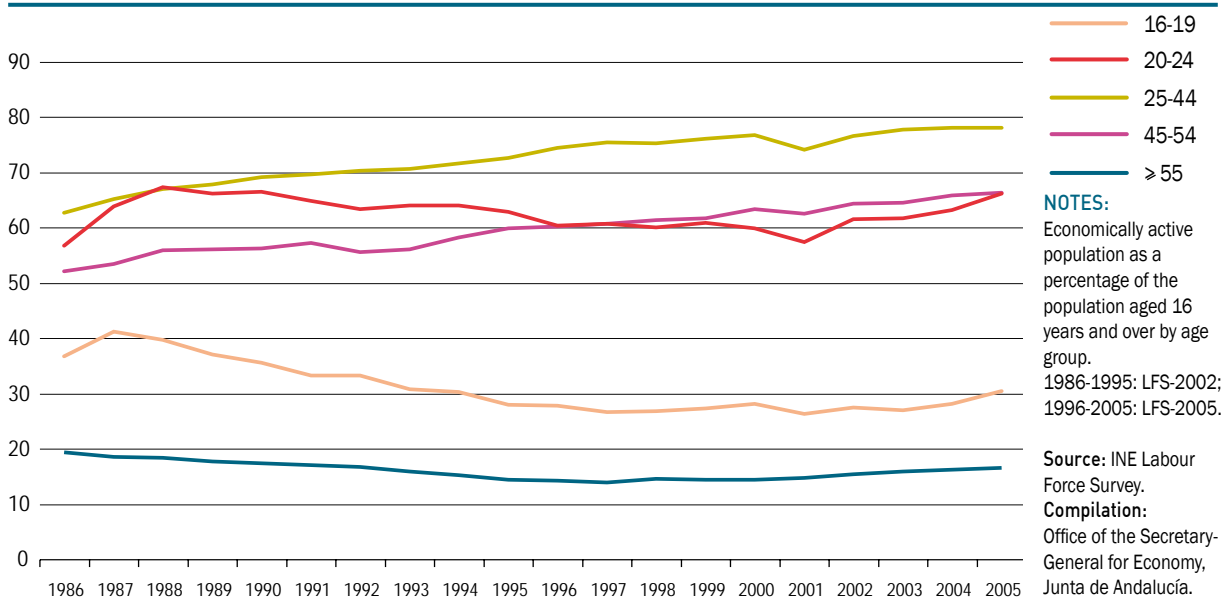
1996-2005: LFS-

2005.

Source: INE Labour Force Survey.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

Chart 114. PARTICIPATION RATES BY AGE. ANDALUSIA



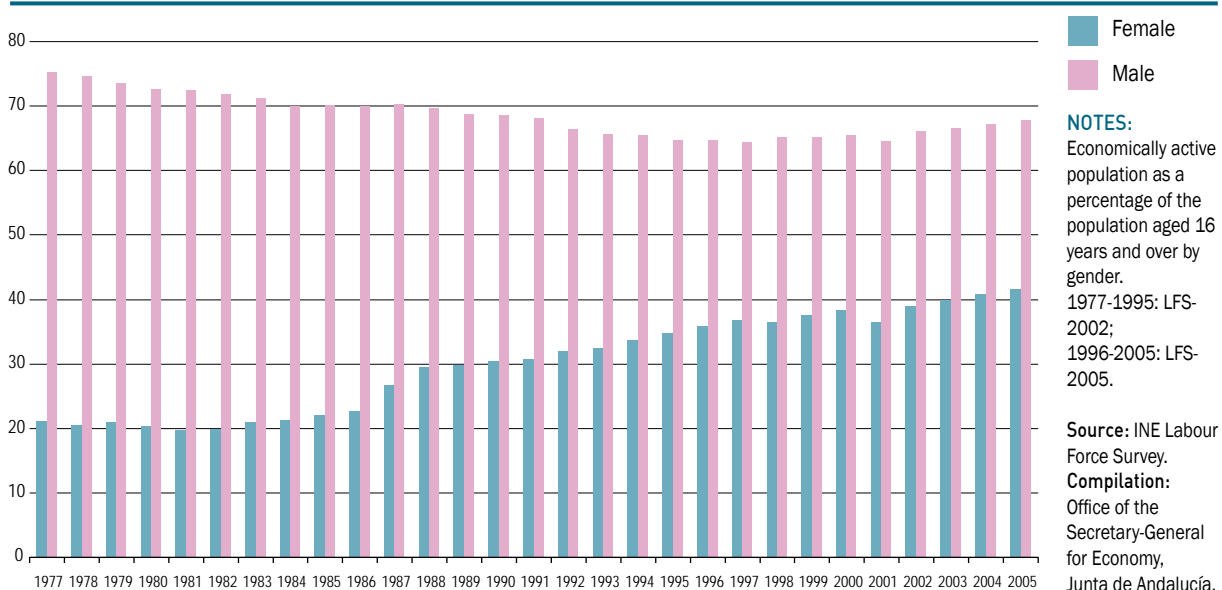
was skewed in favour of the more highly qualified, that is to say, those with secondary and / or university studies, this band expanding by 16.7% year-on-year in Andalusia (8.6% in Spain).

Among the qualified people in work the most numerous were those with secondary education at almost 60% of the total, this group also showing the

biggest growth (an annualised 20.6%) in the year with 300,100 more in a job than in 2004, which was far higher than the rise in Spain (8.3%).

After this group came those employed who had university level education, who absorbed almost one fifth of total employment and were up 6.2% on 2004, these having an especially high presence

Chart 115. PARTICIPATION RATES BY GENDER. ANDALUSIA



in the branches of “education” (79.8% of all those engaged in this), “health and veterinary activities and social services” (46.8%), “financial intermediation” (43.7%), “real estate and rental activities, and business services” (34.8%) and “general government, defence and compulsory social security” (30.7%).

Employment among those with secondary and / or university education was still gathering ground with respect to the total, having raised its relative share by 6.5 percentage points with respect to 2004 to 78.7% in 2005, which is double what it was in the mid eighties.

On the other hand, the unqualified (those without academic qualifications at all and / or with a primary-school certificate) fell 17.8% on

the previous year, both among the former (an annualised -1.4%) and most particularly among the latter (-22.5%).

Employment growth in 2005 was spread over all the provinces, Malaga expanding the quickest (10.3% year-on-year), followed by Almeria and Cadiz (8.6% each). Other provinces which outstripped the average too was Huelva (7.2%), while Seville (6.5%), Granada (5.5%), Jaen (4.2%) and Cordova (3.1%) were relatively the most sluggish.

## Labour force participation

In 2005 the Andalusian labour force hit a historic high of 3,435,200 people, and at 103,700 more than in 2004 this represented relative growth of an

Table 62. **CHARACTERISTICS OF THE LABOUR FORCE. ANDALUSIA. YEAR 2005**

	Year 2005		Change on 2004	
	Thousand people	% of total	Absolute (Thousand)	Relative (%)
<b>TOTAL</b>	3,435.2	100.0	103.7	3.1
<b>Gender:</b>				
Female	1,338.6	39.0	49.2	3.8
Male	2,096.6	61.0	54.5	2.7
<b>Age:</b>				
< 25	502.7	14.6	19.0	3.9
25-45	2,000.4	58.2	45.9	2.3
> 45	932.1	27.1	38.8	4.3
<b>Nationality:</b>				
Spanish	3,192.8	92.9	–	–
Foreign	242.4	7.1	–	–
<b>Economic activity<sup>(1)</sup>:</b>				
Agriculture	388.7	9.9	-39.7	-10.5
Industry	350.3	10.2	19.2	5.8
Construction	476.4	13.9	2.9	0.6
Services	2,071.3	60.3	61.9	3.1
Unclassifiable	198.6	5.8	59.5	42.7
<b>Qualifications:</b>				
No academic qualifications	209.3	6.1	-17.3	-7.6
Primary school	548.9	16.0	-182.7	-25.0
Secondary school	2,054.0	59.8	286.4	16.2
University degree	622.9	18.1	17.2	2.8

### NOTE:

(1) From 2005 those unemployed persons have been considered as unclassifiable who stopped working one or more years ago; previously they were taken to be those who had done this three or more years previously.

Source: INE Labour Force Survey.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

Box 12. **EMPLOYMENT SITUATION AMONG ANDALUSIAN HOUSEHOLDS. YEAR 2005**

According to the Labour Force Survey (LFS), in 2005 there were a total of 2,578,800 households on record in Andalusia. This statistic classifies these as first family homes, meaning the ones used over the whole or most of the year as regular or permanent abodes. This therefore does not embrace collective dwellings or establishments (hospitals, hotels, barracks or convents,...), seasonal or second residences, or empty or unoccupied housing.

The average size of such households in Andalusia was 3 members in 2005, compared to 4 in 1987, the first year this information was published in the LFS. It can also be observed that the type of their structure has undergone a steady change, with single-member households gaining ground and registering the biggest relative growth in the period reviewed, rising from a share of 7.8% of all households in 1987 to one of 14.3% in 2005. On the other hand, households of five or more members have seen their share shrink to a current 12.6% from a figure almost doubling this in 1987. Overall, however, the most commonly seen household is the four-member dwelling, with a little over one quarter of all Andalusian households being of this size (26.5%), followed by those containing two members, which make up roughly a further quarter (24.1%), and lastly homes with three members, which represent 22.5% of the total (17.8% in 1987).

**CHARACTERISTICS OF ANDALUSIAN HOUSEHOLDS. YEAR 2005**

	No. of households	% of total
<b>TOTAL</b>	<b>2,578.8</b>	<b>100.0</b>
<b>By number of members</b>		
One person	368.9	14.3
Two people	622.6	24.1
Three people	579.3	22.5
Four people	682.7	26.5
Five people	233.8	9.1
Six or more people	91.5	3.5
<b>By employment situation of members</b>		
<b>All members economically inactive</b>	<b>621.4</b>	<b>24.1</b>
Not receiving any income	46.3	1.8
Receiving unemployment benefit	16.5	0.6
Receiving unemployment benefit and pensions	26.4	1.0
Receiving pensions	532.2	20.6
<b>At least one member economically active</b>	<b>1,957.5</b>	<b>75.9</b>
At least one person employed	1,828.7	70.9
All members employed	1,550.2	60.1
Some members employed and some unemployed	278.4	10.8
All members unemployed	128.8	5.0
Not receiving income	35.1	1.4
Receiving unemployment benefit	30.8	1.2
Receiving unemployment benefit and pensions	19.1	0.7
Receiving pensions	43.9	1.7
<b>Memo items</b>		
Average size of household (No. of people)	3.00	
Family unemployment rate (%) <sup>(1)</sup>	6.58	

**NOTES:**

Figures in thousands; percentages of total households save indication otherwise. (1) Percentage of households with all members unemployed with respect to total households with at least one member economically active.

Source: INE Labour Force Survey.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

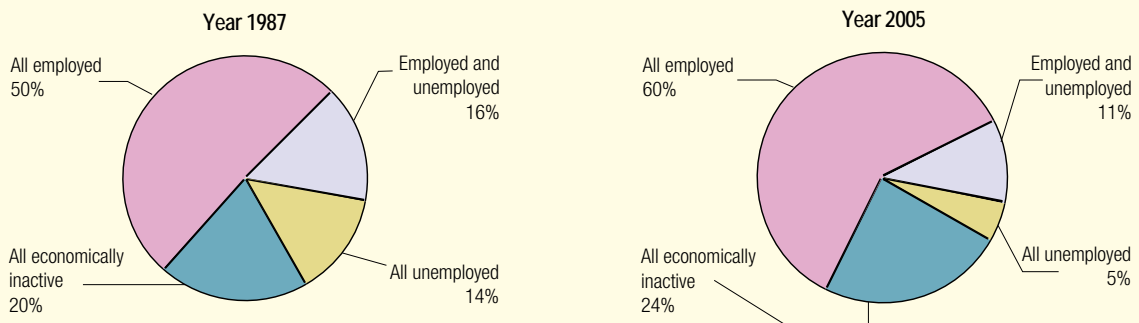
Looking at the relationship between household members and economic activity, almost one quarter of Andalusian households in 2005 (24.1%) were wholly occupied by economically inactive members, which was 4 points higher than the figure for 1987. Meanwhile, the remaining 75.9%, or 1,957,500 households had a least one member who was active in the labour market, this percentage being distributed as follows: all the members were employed in 60.1%, there were some in work and others unemployed in 10.8%, and all the members were unemployed in 5%.

On the other hand, if we examine the composition of the 1,828,700 households where at least one member was in work, it can be seen that in two thirds of them (75.9%), the employed person was the head of the household. It is also worth noting that in over one third of such households (36.9%) there were two members in work, and in most cases these were a married couple.

In 32.7% of the 407,200 homes where at least one member was unemployed, the unemployed person was the head of the household, which is a lower percentage than was registered in 1987 (39.1%). On the other hand, in 346,000 households (85% of the total) only one member of the family was unemployed, while the remaining 15% had more than one member in this situation, there being a low proportion of families where both members of married couple were unemployed (4.2% of total households with at least one person unemployed). Thus the family unemployment rate, which is considered to be the percentage of households where all members are out of work with respect to total households with at least one person who is employed, was 6.6% in Andalusia in 2005, at least ten points lower than it was in 1987 (16.9%) and far below the unemployment rate among the labour force (13.8%).

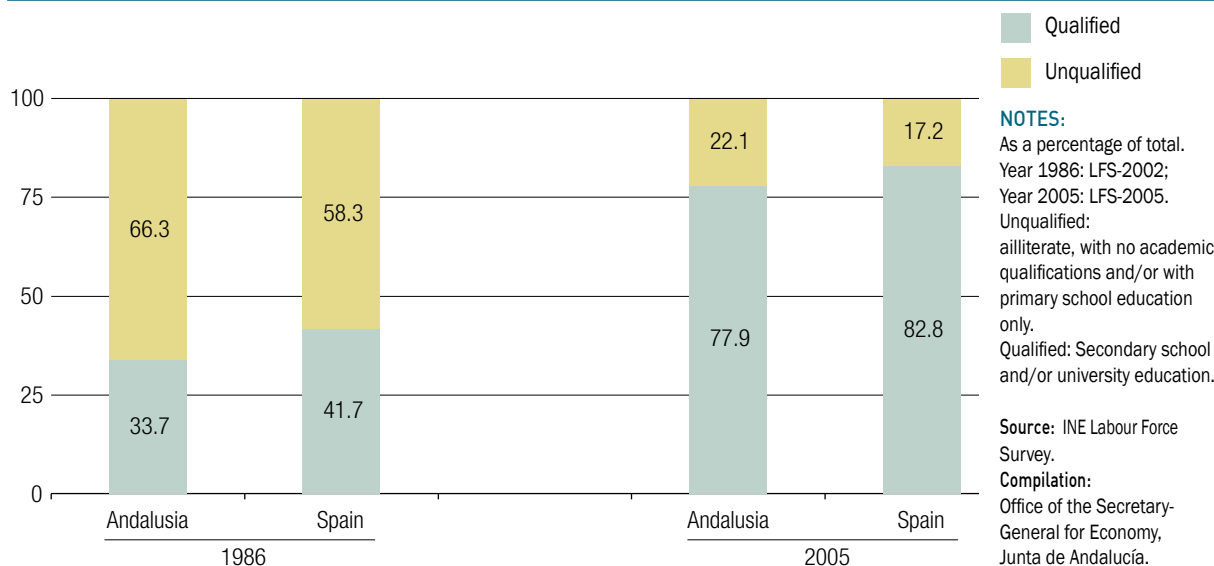
Finally it is worth mentioning the financial means of families deriving from the earnings received by their various members. As was indicated above, 60% of Andalusian households contained members who were all in work and so had resources to provide for all of them. Along with this, of those households where all the members were unemployed, 72.7% received unemployment benefit and/or pensions (70.6% in 1987) and this percentage was 92.5% in the case of households where all the members were economically inactive. Thus 3.2% of Andalusian households in 2005 had no earnings of any kind, compared to 5.6% in 1987.

**HOUSEHOLDS BY EMPLOYMENT SITUATION OF THEIR MEMBERS. ANDALUSIA**



**NOTE:**  
Percentage of all households.

Source: EPA (INE).  
Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

Chart 116. **BREAKDOWN OF LABOUR FORCE BY EDUCATIONAL LEVEL**

annualised 3.1%, on a par with the level in 2004 (3.2%) and a touch under the national average (3.5%). These trends led the participation rate to climb to 54.3%, which was a high and 0.7 points better than the previous year, as it closed in on average levels for Spain as a whole.

By gender, the female labour force rose by 3.8%, two tenths of a point more than in the previous year, while its male counterpart saw its growth rate ease off gently to 2.7%. This brought the female participation rate to a historic high of 41.5%, almost one point up on 2004 and paring down the gap with the male participation rate by 0.4 points.

Scrutiny of age-groups reveals that under 25s in the labour force showed more dynamism than did the over 25s (3.9% and 3% respectively), with the participation rate for the younger end touching a historic high of 51.7%, 2.7 points over the 2004 level and narrowing the gap against the participation rate for the over 25s (54.8%).

Within the under 25 band, in line with events nationally, the largest increase was registered among the 16 to 19 year-old group, which showed growth of an annualised 6.7%.

On the other hand, among the over 25s it was the 45 to 54 year-old band which grew the most in relative terms in 2005, 4.6% up on the year before. However, in absolute terms it was the economically active between 25 and 44 who accounted for 44.3% of the increase in the labour force in Andalusia and showed the highest participation rate at 78.1%, far above the regional average.

By nationality 92.9% of the labour force was Spanish and the remaining 7.1% foreign, a percentage which reflects a lower relative share of foreigners in the Andalusian labour market than was the case nationally, where they account for 11.2% of the total labour force.

In educational terms, labour force growth relied on the most qualified, this group rising by an annualised 12.8%, especially among people with secondary studies (16.2%) and, within this band, highly qualified professionals (24.4%), followed by those having received compulsory secondary education (18.6%). altogether, the qualified portion of the labour force accounted for 77.9% of the total, which was 6.7 points above 2004 and more than double what it was in the mid eighties.



In contrast, the labour force with a lower qualification level shrank by 20.9% in 2005, doing so more sharply than in Spain (-9.7%), this trend being especially noticeable among those who had received only primary school level education (-25%) and, to a lesser extent, economically active people with no academic qualifications at all (-7.6%). The secular contraction of the weight of the less educated in the labour force thus continued, this representing 22.1% of the total in 2005, one third of what this was in the mid eighties (66.3%).

Concerning the marital status of those joining the labour market, it could be observed that the highest participation rates were among the separated or divorced, both men (73.7%) and women (66.7%), followed by single people (69.7% among men and 57% for women). Meanwhile, among married people, the results differed according to gender, with women showing a participation rate of 39.1%, 5.6 points

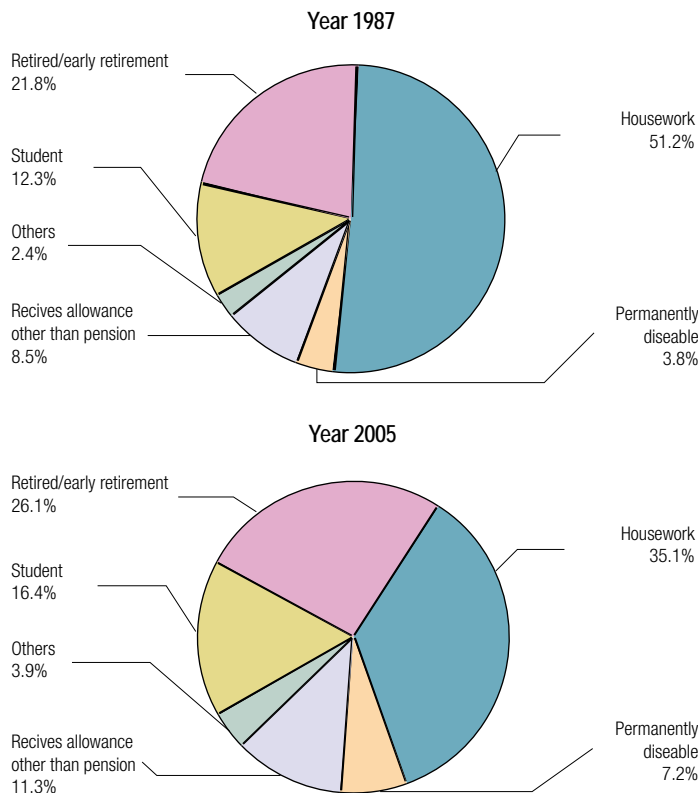
below the level for unmarried women (44.7%) and men displaying a higher participation rate among those married than those unmarried (68.2% and 66.8% respectively).

Besides just marital status and qualification level, it was clear that the highest participation rates were among the professionally qualified (medium and higher level), which in the case of men (whether married or not) was 88% and for unmarried women was 81.2%. However, among married women the highest participation rate (77.4%) was observed for those with a university education.

### Non participation in the labour force

According to the Labour Force Survey (LFS), the population which is economically inactive means

Chart 117. **BREAKDOWN OF ECONOMICALLY INACTIVE POPULATION BY CATEGORY. ANDALUSIA**



**NOTES:**

As a percentage of total.  
Year 1987: LFS-2002;  
Year 2005: LFS-2005.

Source: INE Labour Force Survey.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

the set of people over 16 years old not classified as either employed or unemployed, comprising, among others, the following categories: people who look after their homes, students, the retired or those having taken early retirement, people receiving an allowance other than a retirement or early retirement pension, people who perform unpaid social or charity work, and those with a disability that means they are unable work.

In 2005 there were 2,890,100 economically inactive people in Andalusia, 10,500 more than in 2004, which represented an increase of an annualised 0.4% within a scenario of a slight fall nationwide (-0.6%). There was a notable rise in numbers of retired people and those having taken early retirement (6.1% year-on-year) and in people who carried out household work (2.6%), whereas, on the other hand, there was a sizeable drop in student numbers (-7.6%). On balance the overall result was that the economically inactive population came to represent 45.7% of people over 16 in Andalusia, which was above the like figure on a national basis (42.6%).

Closer inspection of the categories of economic inactivity reveals that three of them accounted

for nearly 80% of the all those out of the labour force. These were those doing house-work, which represented 35.1% of the total (32.3% in Spain), the retired and those in early retirement (26.1%), though their weight was in fact below the average nationally (32%), and students, who spoke for 16.4% (15.5% in Spain).

Since 1987, the first year on record for such information, a steady decline has been appreciable in the weight of those doing house-work among the economically inactive, which has dropped from representing over half of those outside the labour force in 1987 to little over one third today. In contrast, against the backdrop of a gradually ageing population, the share of retired and those in early retirement has swelled from 21.8% of the whole in 1987 to 26.1% in 2005. By the same token, there has been a rise in the proportion of students among those outside the labour force, these representing 16.4% of the total now, which is 4.1 points more than in 1987.

By gender, and in line with the national average, two thirds of those outside the labour force are women, these additionally being 60% of the

Table 63. **POTENTIAL LABOUR FORCE. YEAR 2005**

	Andalusia			Spain		
	Women	Men	Total	Women	Men	Total
Labour force	1,338.6	2,096.6	3,435.2	8,634.1	12,251.6	20,885.7
Potential members of the labour force <sup>(*)</sup>	125.0	46.8	171.7	457.9	177.6	635.5
Potential employment force <sup>(**)</sup>	1,463.6	2,143.3	3,606.9	9,092.0	12,429.2	21,521.2
Potential employment force as a percentage of the employment force	109.3	102.2	105.0	105.3	101.4	103.0
Participation rate <sup>(1)</sup>	41.5	67.6	54.3	46.4	68.8	57.4
Potential participation rate <sup>(2)</sup>	45.4	69.1	57.0	48.9	69.8	59.1
Difference resulting from (2)-(1)	3.9	1.5	2.7	2.5	1.0	1.7

#### NOTES:

Thousands of people save indication otherwise.

(\*)People without work and available for work but who do not seek employment for some reason (disheartened, affected by redundancy plan, waiting to start in a particular job, they do not believe there are any to try for, or they do not know where to seek work).

(\*\*)The sum of the labour force and potential members of the labour force.

(1) % Labour force / population over 16.

(2) % Potential employment force / population over 16.

Source: INE Labour Force Survey. Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

potentially active female population, while in the case of men, those outside the labour force represent 32.4% of the potentially economically active. Despite this, in annualised terms the most sizeable growth in 2005 was among males, this grouping rising by 0.7% compared to 0.2% for females.

According to the LFS, of the total economically inactive population in Andalusia in 2005, 5.9% (171,700 people) were considered to be potential members of the labour force, these being those

without work and available for employment who do not seek work for any of the following reasons: they believe that they will not find work, whether they have previously sought it or not (the disheartened); they believe there are no jobs locally; they think that no jobs are available which match their qualifications; they are affected by a redundancy plan; they do not know where to turn to find work; they are waiting for the high season; they are waiting on the outcome of previous processes; or else they are hoping to start up again as self-employed.

Table 64. **CHARACTERISTICS OF THE UNEMPLOYED POPULATION. ANDALUSIA. YEAR 2005**

	Year 2005		Change on 2004	
	Thousand people	% of total	Absolute (Thousand)	Relative (%)
<b>TOTAL</b>	475.6	100.0	-92.8	-16.3
<b>Gender:</b>				
Female	260.4	54.7	-51.1	-16.4
Male	215.2	45.2	-41.8	-16.2
<b>Age:</b>				
< 25	123.2	25.9	-10.2	-7.7
25-45	258.0	54.2	-59.6	-18.8
> 45	94.4	19.8	-22.9	-19.5
<b>Nationality:</b>				
Spanish	445.4	93.7	-	-
Foreign	30.2	6.3	-	-
<b>Economic activity <sup>(1)</sup>:</b>				
Agriculture	67.5	14.2	-50.0	-42.5
Industry	21.8	4.6	-10.9	-33.4
Construction	41.0	8.6	-21.8	-34.7
Services	146.7	30.9	-69.5	-32.1
Unclassifiable	198.6	41.8	59.5	42.7
<b>Qualifications:</b>				
No academic qualifications	39.9	8.4	-14.9	-27.1
Primary school	86.5	18.2	-48.2	-35.8
Secondary school	298.2	62.7	-13.6	-4.4
University degree	51.0	10.7	-16.1	-23.9
<b>Time seeking job:</b>				
Less than 6 months	260.4	54.8	-18.1	-6.5
6 to 11 months	63.8	13.4	-37.5	-37.0
1 to 2 years	63.0	13.2	-19.0	-23.2
2 years and over	88.4	18.6	-18.2	-17.0

**NOTE:**

(1) ) From 2005 those unemployed persons have been considered as unclassifiable who stopped working one or more years ago; previously they were taken to be those who had done this three or more years previously.

Source: INE Labour Force Survey. Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

Such potential members of the labour force were divided into 72.8% women and 27.2% men, which was similar to the situation in Spain as a whole, although since 1987, the first year on record, there has been a noticeable decrease in the proportion of women who are potential members of the labour force, this grouping representing 82.5% that year.

All of this means that the potential labour force in Andalusia, this being the sum of actual and potential members of the labour force, came to 3,606,900 people, a figure which was 5% higher than the labour force (3% in Spain as a whole), this difference being wider among women, where the potential labour force was 9.3% higher than the actual labour force.

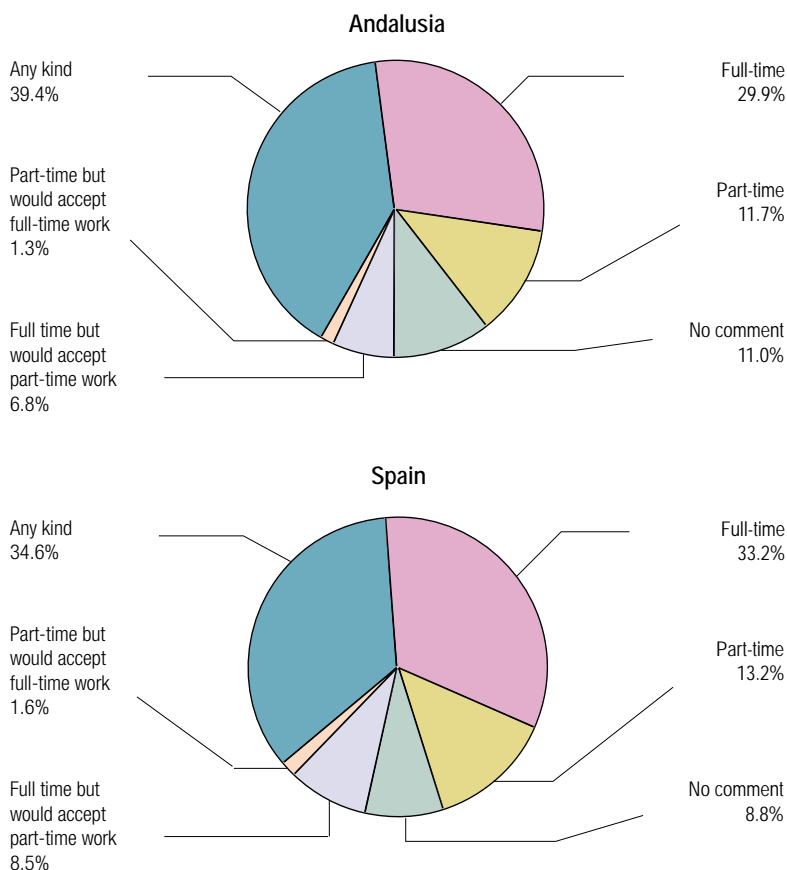
The potential participation rate therefore, defined as the potential labour force with respect to the

population over 16 years old, was 57% in 2005 in Andalusia, 2.7 percentage points higher than the real participation rate and practically the same as the participation rate for the Spanish economy as a whole. This difference is particularly striking among women, where the potential participation rate was 45.4%, nearly four points higher than their real participation rate (41.5%).

### Unemployment

The employed population's relatively sharper growth compared to that for the labour force fed through to a significant drop in jobless numbers in Andalusia in 2005, which, according to the LFS, was an annualised -16.3%, thrice the previous year's level (-5.2%) and falling further than on

Chart 118. **TYPE OF WORK SOUGHT BY THE UNEMPLOYED. YEAR 2005**



**NOTE:**  
As a percentage of total.

**Source:** INE Labour Force Survey.  
**Compilation:** Office of the Secretary-General for Economy, Junta de Andalucía.

average for Spain (-13.6%). In absolute terms 475,600 people were registered as unemployed in Andalusia in 2005, the lowest level for twenty-two years, 92,800 less than the previous year, this figure representing almost one third (30.8%) of the total fall in unemployment across Spain.

This reduction in unemployment was of a similar order both among women ( 16.4%) and men (-16.2%), these in both cases being larger than they were on average nationally (-15.5% and -11.1% respectively).

In terms of age-groups, as with events in Spain, there was a heavier fall among the over 25s (-19%) than for the under 25s (-7.7%), which was basically due to the rising population of unemployed 16 to 19 year-olds (+6.9%).

The fall in unemployment extended to all qualification bands, being particularly acute among the grouping for those with no academic qualifications and / or primary level education, where unemployment was down an annualised 33.3%. There was also a fall among those with secondary education (-4.4%), and especially among those with a university education (-23.9%), the latter grouping's share among the unemployed shrinking to 10.7%, whereas in Spain these represented 15.6% of the total.

Looking at time spent searching for jobs, the fall is across all bands, being especially pronounced among those members of the unemployed who have spent 6 to 11 months job-seeking (an annualised -37%) and in the 1 to 2 years band (-23.2%). It should also be stressed that the pattern

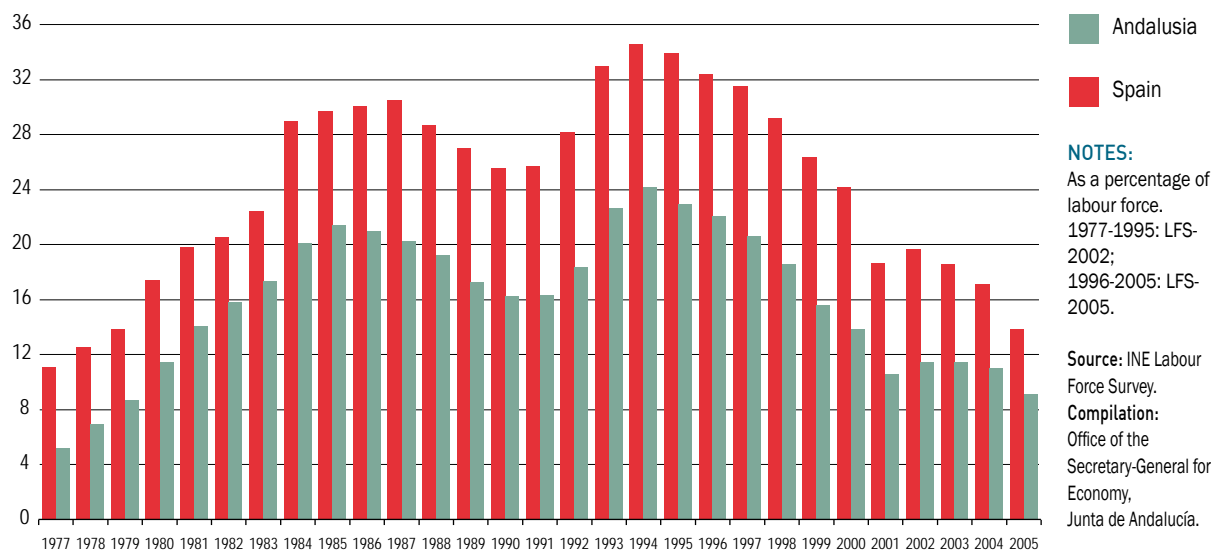
Table 65. **CHARACTERISTICS OF UNEMPLOYMENT RATE. ANDALUSIA-SPAIN. YEAR 2005**

	Year 2005		Change on 2004 <sup>(*)</sup>	
	Andalusia	Spain	Andalusia	Spain
TOTAL	13.85	9.16	-3.2	-1.8
Gender:				
Female	19.45	12.16	-4.7	-2.9
Male	10.27	7.04	-2.3	-1.1
Age:				
< 25	24.51	19.66	-3.1	-2.4
25-45	12.90	8.57	-3.4	-2.0
> 45	10.13	6.15	-3.0	-1.1
Nationality:				
Spanish	14.00	8.90	–	–
Foreign	12.50	11.40	–	–
Economic activity <sup>(1)</sup> :				
Agriculture	19.94	9,70	-11.1	-6.8
Industry	6.22	4.69	-3.7	-2.7
Construction	8.61	6.05	-4.6	-3.2
Services	7.08	5.18	-3.7	-3.0
Qualifications:				
No academic qualifications	19.06	13.21	-5.1	-12.1
Primary school	15.76	10.10	-2.7	-2.0
Secondary school	14.52	9.70	-3.1	-2.2
University degree	8.19	6.44	-2.9	-1.9

NOTES:  
(\*) Differences in percentage points.  
(1) From 2005 those unemployed persons have been considered as unclassifiable who stopped working one or more years ago; previously they were taken to be those who had done this three or more years previously.

Source: INE Labour Force Survey.  
Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

Chart 119. UNEMPLOYMENT RATE. ANDALUSIA-SPAIN



of a steady decrease in structural or long-term unemployment continued, this referring to those who have been looking for work for two years or more (-17% year-on-year), and this grouping representing 18.6% of the whole in Andalusia in 2005, which was one tenth of a point less than the previous year and slightly above its share nationally (15.5%).

In the breakdown by type of job sought and bearing in mind working hours, the LFS shows that almost 40% of the unemployed in Andalusia were prepared to accept any working day arrangement, which was 5 points more than nationwide (34.6%). These were followed by those in search of full-time work, who represented 29.9% of the total (33.2% in Spain) and, in third place, those wanting a part-time job, which represented 11.7% of the total in Andalusia, below average in national percentage terms (13.2%).

Due to the drastic reduction in unemployment in Andalusia in 2005, the unemployment rate came to 13.8%, 3.2 percentage points below the previous year's figure and the lowest in twenty-six years. This was sharper than in Spain as a whole (-1.8 points) and narrowed the shortfall against the Spanish unemployment rate, which

came in at a historic low of 4.7 percentage points for 2005.

By gender, it should be noted that the female unemployment rate fell below 20% for the first time since the early eighties, actually arriving at 19.4%, 4.7 points below the 2004 level, doubling the reduction seen by the male unemployment rate. The gap between the two rates was thus cut to 9.2 percentage points, the narrowest since the mid eighties.

Examining age-groups, the unemployment rates in the under 25 and over 25 bands were 24.5% and 12% respectively, around three points lower than in 2004.

As to nationality, the unemployment rate was relatively higher among Spanish people than among foreigners (14% and 12.5% respectively), unlike the situation across the nation, where the unemployment rate for the foreign population was 11.4%, 2.5 points above that for the Spanish population.

Lastly, qualification-wise the unemployment rate fell across the board, as it did in Spain, with

Table 66. **EMPLOYMENT CONTRACTS. ANDALUSIA-SPAIN. YEAR 2005**

	No. of contracts		% of total		% change on 2004	
	Andalusia	Spain	Andalusia	Spain	Andalusia	Spain
Ordinary open-ended contract	54,518	547,449	1.4	3.2	10.5	11.3
For specific project or service	1,715,673	6,401,169	43.1	37.3	4.2	5.7
Determined by market requirements	1,813,083	7,487,659	45.6	43.6	-1.9	5.2
For temporary replacement of workers	179,755	1,314,449	4.5	7.7	11.5	6.5
Open-ended contracts under incentives	32,604	285,285	0.8	1.7	-10.4	-6.5
Temporary contracts for disabled workers	1,734	12,646	0.0	0.1	9.8	14.0
Substitution contracts	152	1,697	0.0	0.0	4.1	0.8
Work-experience contracts	12,176	85,577	0.3	0.5	-4.6	-0.3
Training contracts under Law 63/1997	33,641	120,584	0.8	0.7	1.6	-4.7
Disabled worker contracts	1,149	10,021	0.0	0.1	6.4	5.5
Replacement contracts	1,388	22,751	0.0	0.1	62.3	41.9
Partial retirement contracts	1,242	21,232	0.0	0.1	50.9	34.6
Temporary contracts under Law 12/2001	2,186	4,969	0.1	0.0	-17.6	-92.6
Other contracts	44,469	149,394	1.1	0.9	-49.9	-24.2
<b>TOTAL NEW CONTRACTS</b>	<b>3,893,770</b>	<b>16,464,882</b>	<b>97.9</b>	<b>95.9</b>	<b>0.3</b>	<b>4.6</b>
<b>FIXED-TERM CONTRACTS</b>						
CONVERTED INTO OPEN-ENDED	83,753	700,083	2.1	4.1	22.5	14.1
<b>TOTAL CONTRACTS</b>	<b>3,977,523</b>	<b>17,164,965</b>	<b>100.0</b>	<b>100.0</b>	<b>0.7</b>	<b>5.0</b>
<b>OPEN-ENDED CONTRACTS</b>	<b>172,024</b>	<b>1,542,838</b>	<b>4.3</b>	<b>9.0</b>	<b>10.8</b>	<b>8.7</b>
- Ordinary	54,518	547,449	1.4	3.2	10.5	11.3
- Contracts under job creation incentives	32,604	285,285	0.8	1.7	-10.4	-6.5
- Fixed-term converted into open-ended	83,753	700,083	2.1	4.1	22.5	14.1
- Disabled worker contracts	1,149	10,021	0.0	0.1	6.4	5.5
<b>TEMPORARY CONTRACTS</b>	<b>3,805,499</b>	<b>15,622,127</b>	<b>95.7</b>	<b>91.0</b>	<b>0.2</b>	<b>4.6</b>

Source:  
National  
Employment  
Institute.  
Compilation:  
Office of the  
Secretary-  
General for  
Economy,  
Junta de  
Andalucía.

sharper drops among those with no academic qualifications (-5.1 points) and in the band for those with secondary education (-3.1). The lowest unemployment rate was, however, for those with a university education (8.2% in 2005), this grouping also being the one showing the least difference with respect to Spain on average.

### Contract-based recruitment

According to INEM figures, 3,977,523 employment contracts were given in Andalusia in 2005, 0.7% more than in the previous year, a figure which

represented 23.2% of total contracts registered nationally and above the Andalusian labour force's weight relative to the Spanish total (around 16%).

Out of the overall figure for contracts registered in Andalusia, 97.9% were new ones (95.9% in Spain), while the rest were existing contracts that became open-ended in 2005, which showed a growth rate of 22.5%, far above the Spanish average (14.1%).

Drawing a distinction between the different contract forms and looking purely at new contracts, almost 90% of all of them fell into two categories: temporary contracts designed to meet market and production requirements (45.6% of the total) and

those for a specific project or service (43.1%), having weights relatively higher than those they show in Spain as a whole (80.9% together). Quite a bit behind these were contracts for temporary replacement of workers (4.5% of the total) and ordinary open-ended contracts (1.4%). In comparison with 2004 there was a notable rise in contracts for temporary replacement of workers (11.5%) and ordinary open-ended contracts (10.5%), even though, given their weight out of the total, it was those for a specific project or service, which increased by 4.2%, which were most behind the growth in new contracts.

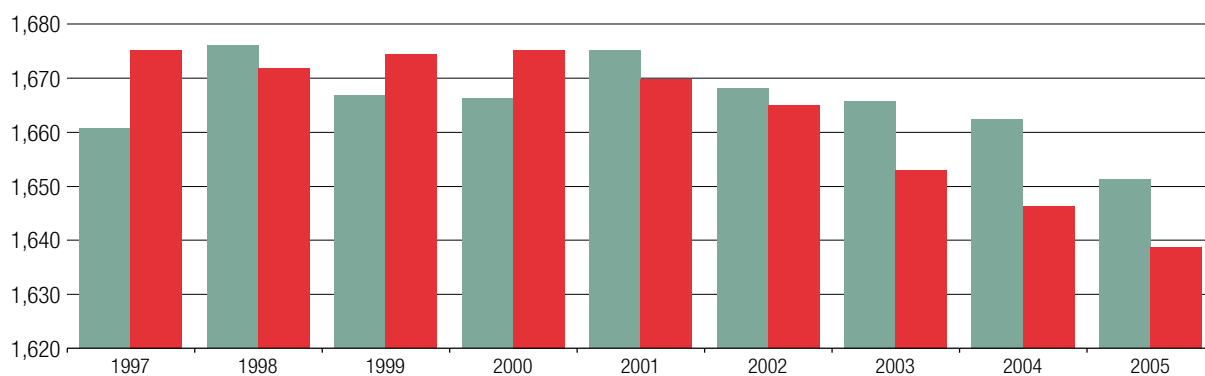
In terms of working day, 81.6% of contracts agreed in Andalusia in 2005 were full-time, although it was the part-time ones which showed the most dynamism (9.7% year-on-year).

By gender, most of the increase in new contract numbers focused on women, with a rise of 1.8%, whereas new contracts for men edged back slightly (-0.8%). The female share in new contracts therefore rose to 42.4% of the total, 0.6 points more than the previous year and a little below the Spanish average (44.8%).

According to sector of activity, almost 30% of new contracts were in “agriculture, stockbreeding, hunting and forestry”, although these saw a substantial fall on 2004 (-10%). Behind these came “construction”, which took up 19.7% of the total, followed by “real estate and rental activities, and business services” (16%), this category, along with “financial intermediation” and “hotels and restaurants”, being the ones which had the largest growth rates with respect to 2004, with rates in excess of an annualised 10%.

Distinguishing by contract life, there was a high level of activity among open-ended contracts, which were up 10.8% on the previous year, eclipsing average growth in Spain (8.7%), whereas temporary contracts held at virtually the same level as in 2004 (0.2% year-on-year). More refined analysis of the various forms of open-ended contract shows that growth extended to practically all types, especially fixed-term contracts converted into open-ended ones, which represented almost half of all of them and rose an annualised 22.5%. These were followed by ordinary ones, which were up 10.5%, and those for disabled workers

Chart 120. HOURS ACTUALLY WORKED PER WORKER



**NOTE:**

Number of hours. Hours actually worked include annual hours bargained, plus overtime, minus hours not worked for occasional reasons such as temporary disability, paid leave, labour disputes, unjustified absence, etc.

■ Andalusia  
 ■ Spain

Source: Labour Situation Survey, Ministry of Labour and Social Affairs.  
 Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.



(6.4%), whereas those signed under job creation incentives fell, as they did in Spain as a whole.

It should lastly be pointed out that in 2005 some 212,689 contracts were agreed through temporary employment agencies (ETTs), in the form of temporary placement contracts, these accounting for 5.3% of all contracts registered in the region and having a slightly bigger weight than the year before (5.1%) though really quite a lot below the average seen in Spain (13.7%), which illustrates the smaller role of the agency function which such companies perform in the Andalusian labour market.

## Labour relations

Events in the Andalusian labour market in 2005 passed within a context of a low incidence of labour disputes, with 73,600 working days lost through strike action in the region, which represented 9.7% of the total seen nationally and was 97.8% down on the year before, this being a sharper fall than in Spain as a whole (-83%).

In terms of collective agreements, as yet provisional information from the Ministry of Labour and Social Affairs states that 599 were signed in Andalusia in 2005, which was 178 less than the previous year and in keeping with trends for Spain nationally. This figure refers to the agreements signed in the course of the year as well as to the annual revisions carried out for previously signed contracts with a life of two or more years.

The number of workers covered by these (1,263,043 people) was 11.8% below the previous year's level, with falls both among employees protected by more general collective agreements (-11.7%), who represent the largest grouping (93.1%), as well as those working under enterprise-specific ones (-13.2%).

Finally, on the issue of redundancies, as with what happened on average in Spain, there was a substantial fall in the number of labour force

adjustments approved in 2005 (-34.7%), although the number of workers hit by them did actually rise (52.9%), particularly in the permanent lay-off category, which accounted for 84.2% of the total increase.

## Hours worked

Two statistical sources are available for information on hours worked: the Labour Situation Survey produced by the Ministry of Labour and Social Affairs and the Quarterly Labour Cost Survey conducted by the INE.

The Labour Situation Survey is an ongoing, quarterly study, aimed at collating information on the labour market from the point of view of enterprises. The figures it provides include hours actually worked, hours not worked (and the reasons why) and overtime.

Its universe comprises wage-earners registered under the Social Security's general section and its special mining section, and it covers the industrial, construction and service sectors, the latter excluding government, defence, compulsory Social Security, extra-territorial bodies and religious organisations. Its geographical scope encompasses Spanish soil as a whole, except for Ceuta and Melilla.

The number of hours actually worked is calculated on the basis of the number of hours a year bargained collectively or agreed between employers and employees, plus overtime and minus any hours not worked for any reason, including annual holiday entitlements, statutory holidays, non-recoverable long weekends, temporary disability, maternity leave, redundancy plans, industrial disputes, paid leave, union representation activities, unjustified absenteeism, training and other motives.

The LSS estimates that in 2005 hours actually worked per worker in Andalusia were 1,651.2, which was 12.6 hours more than on average in Spain, due to a relatively lower loss of working

Table 67. **HOURS ACTUALLY WORKED PER WORKER. ANDALUSIA-SPAIN. YEAR 2005**

	Year 2005		Change on 2004	
	Andalusia	Spain	Andalusia	Spain
<b>LABOUR SITUATION SURVEY</b>				
TOTAL	1,651.2	1,638.6	-11.2	-7.6
Work hours				
Full-time	1,769.1	1,749.4	-12.8	-5.7
Part-time	1,042.5	1,030.7	1.7	6.7
Economic activity				
Industry	1,687.7	1,689.6	5.8	-6.0
Construction	1,778.0	1,758.4	-3.8	-2.6
Services	1,608.3	1,598.6	-17.4	-9.0
Enterprise size (No. of workers)				
Between 1 and 10	1,626.1	1,630.8	7.4	-6.0
Between 11 and 50	1,703.0	1,682.3	2.9	-1.8
Between 51 and 250	1,669.3	1,634.1	-22.7	-7.4
More than 250	1,628.1	1,598.7	-12.5	-16.3
<b>QUARTERLY LABOUR COST SURVEY</b>				
TOTAL	1,647.6	1,642.8	-9.9	-10.2
Work hours				
Full-time	1,793.4	1,768.8	-1.5	-6.0
Part-time	879.3	899.7	7.8	16.5
Economic activity				
Industry	1,714.2	1,699.5	-18.3	-13.2
Construction	1,829.4	1,784.1	-2.1	-3.3
Services	1,582.5	1,596.9	-11.4	-10.5

**NOTE:**

Number of hours. Hours actually worked include annual hours bargained plus overtime minus hours not worked for occasional reasons such as temporary disability, paid leave, labour disputes, unjustified absence, etc...

Source: Labour Situation Survey, Ministry of Labour and Social Affairs and Quarterly Labour Cost Survey (INE).

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

hours owing to holidays and for exceptional reasons (temporary disability, paid leave, redundancy plans, industrial disputes, union representation activities) and a greater number of overtime hours completed.

Compared with 2004, hours actually worked in Andalusia dropped, in line with trends over Spain, a figure of 11.2 hours less being registered. In

terms of working hours, this fall focused on full-time work, whereas hours actually worked by those on part-time contracts rose slightly, as happened for Spain as a whole.

Going by economic sector, hours worked in Andalusia fell in construction and, especially in services, while they rose in industry, within a context of a decrease in Spain. Hours worked

were highest in construction, however, where they exceed the regional average by 7.7% and the sector average for Spain by 1.1%. In contrast, it was in services where hours worked were the lowest, at 2.6% under the average, though they were above-average for the sector as a whole in Spain.

In terms of enterprise size, the fall in hours worked was concentrated at the larger end (with over 50 workers), which contrasts with the rise observed among micro-enterprises (less than 10 workers) and smaller enterprises (11 to 50 workers).

All in all, in 2005 the most hours actually worked were in the smaller companies, while the least were among the micro-enterprises, closely followed by the larger enterprises (with over 250 workers). On average, an employee at a smaller enterprise in Andalusia worked 4.7% more hours than one in a micro-enterprise and 4.6% more than one in a larger enterprise.

Moving to overtime, in 2005 a total of 95.8 hours were clocked per worker in Andalusia, 3.2 hours more than was true in Spain, the figures for both areas nonetheless showing a drop on the previous year.

Meanwhile, hours not worked in Andalusia came to 220.4 per worker, almost 20 less than in Spain (239.7 hours), both of these figures being higher than for the year before. Enquiry into the various reasons behind this reveals that the rise was shared among the whole range, being particularly attributable to holiday entitlements and public holidays, and, to a lesser extent, exceptional circumstances. Within the latter, most increases arose due to temporary disability and maternity leave, whereas, hours not worked owing to industrial disputes and redundancy plans actually fell.

The other statistics which tell us something about hours worked are provided, as mentioned, by the Quarterly Labour Cost Survey produced by the INE, which is also an ongoing data flow, reflects the situation and is quarterly.

In arriving at hours worked these statistics also consider hours bargained, hours actually worked, hours not worked and overtime, its scope comparable with that used by the LSS as regards population and sector, with the only difference that in the QLCS household service is excluded.

As with the LSS, hours actually worked are the net result of annual hours negotiated, meaning legally established by verbal agreement, individual contract or under collective bargaining between workers and enterprises, plus overtime, minus hours not worked for any reason (holiday entitlements and public holidays, temporary disability, maternity leave, adoption leave and for personal reasons, breaks as compensation for overtime worked, union representation, attending to inescapable commitments, sitting exams and medical appointments, days or hours not worked for technical, organisational or productive reasons, hours wasted at work, industrial disputes, absenteeism, legal custody, lock-outs ...).

According to the QLCS, in 2005 hours actually worked in Andalusia came to 1,647.6, this being 4.8 more than on average in Spain due to the lower relative loss of hours in Andalusia on account of any of the reasons cited above, a figure of 33 hours less being lost per worker in the region than nationally.

With respect to 2004, as with the LSS, the QLCS shows a drop in hours actually worked per worker, both in Andalusia and over the nation as a whole, this being concentrated among full-time workers, where hours worked was down by 1.5 hours, whereas hours worked by part-time contract workers rose by 7.8.

By sector, as occurred across Spain, the dip in hours actually worked extended to all of them, this effect being relatively more pronounced in industry and services. The most hours actually worked were, however, actually in construction, at 11% above the average, followed by industry. Meanwhile, in services, hours actually worked were below the regional average and that for the sector in Spain.

From an overtime standpoint, in 2005 some 5.4 hours per worker were completed, which was below the figure of 9.5 hours seen nationally, as well as that for 2004 (7.6 hours), this fall focusing on industry and services, while overtime hours worked rose slightly in construction.

Lastly, in connection with hours not worked in 2005, these came to 223.9 per worker in Andalusia, 0.5 less than in 2004 and below the average in Spain, which was 256.9 hours.

10.

## Prices, Labour Costs and Income



## Prices, Labour Costs and Income

### Prices

Throughout 2005 price indicators in Andalusia mirrored the inflationary pressures generally observed in the industrialised economies as a whole, these in turn being largely linked to the steady step-up in the oil price charted on world markets.

From a productive standpoint, according to Andalusia's Quarterly Accounts base year 2000

produced by the Andalusian Statistics Institute (IEA), the Gross Domestic Product deflator at market prices (GDP m.p.), which measures price trends for goods and services produced within the region's economy, moved up by 4.8% in 2005. This was the briskest rate on record (since 1995) and four tenths of a point higher than the clip registered for the Spanish economy as a unit.

Sorting price growth out into productive sectors, for the sixth year in succession construction stood

Chart 121. **GROSS DOMESTIC PRODUCT DEFLATOR**



out as having the largest output price growth, the GVA deflator rising by 9.3%, three tenths of a point more than in 2004, although this was lower than the increase nationwide (10%).

In second place came industry, with GVA deflator growth of 5.1%, outpacing the previous year's level by three tenths of a point and two points above the clip at which the sector grew throughout the whole of the Spanish economy (3.1%).

This was in turn followed by services, the only sector in which prices did not pick up in 2005, with the deflator showing a growth rate unchanged on the preceding year (3.7%), though this was two tenths of a point higher than the level for the Spanish economy.

Lastly, the primary sector remained the least inflationary for the second straight year, the deflator up by 3%, a shade underneath the national average (3.1%), though four tenths of a point up on 2004's rise (2.6%).

If these price movements are held against GDP trends, it emerges that in 2005 deflator growth in Andalusia outran real growth for the economy, which was what happened nationally too.

As previously mentioned, Andalusia's deflator growth was in fact 4.8%, ahead of the real rise in GDP (3.6%), so that for every point of output growth in real terms, prices grew by 1.3 percentage points, as happened nationally.

Such higher relative growth for prices compared to output was not seen generally across all productive sectors. Leaving aside the primary sector, where both in Andalusia and in Spain price growth was accompanied by a drop in real GVA, the most pressure was felt in industry.

The industry deflator increased by 5.1% in 2005, which meant that it almost doubled sector GVA (2.7%), although the situation was actually more inflationary on average nationally, where for every point of real growth in industrial activity prices rose by 2.8 points.

In construction too the price rise proportionately overhauled output growth, so that for every point of real GVA growth the deflator climbed 1.5 points, although in this case inflation was lower than on a national scale, where deflator growth (10%) almost doubled the GVA increase (5.5%).

In contrast, the services sector was the least inflationary, and with every point that real GVA

Chart 122. **OUTPUT DEFLATORS. YEAR 2005**

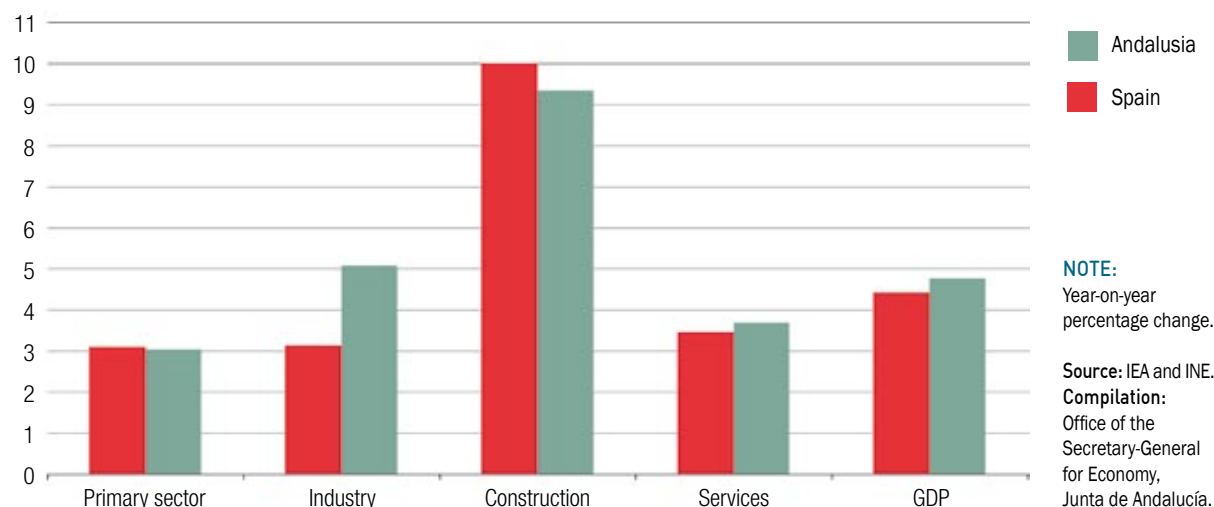
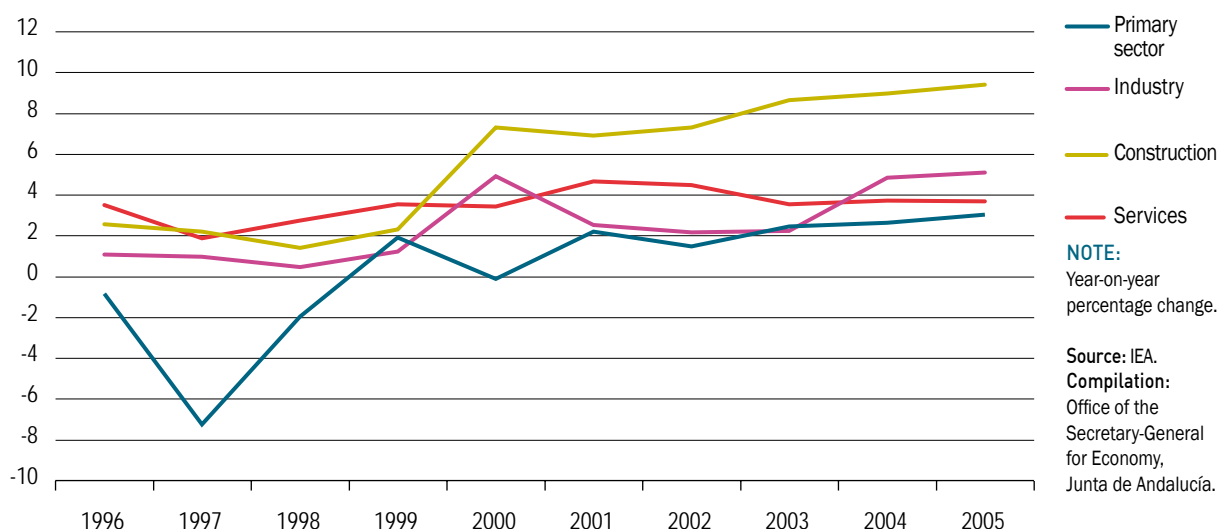




Chart 123. GROSS VALUE ADDED DEFLATOR. ANDALUSIA



rose, prices moved up by 0.9 percentage points, both in Andalusia and in Spain overall.

From the point of view of demand-side prices, the Andalusian Consumer Price Index (CPI) ended 2005 with a year-on-year rise of 3.6%, one tenth of a point below the Spanish average (3.7%) and half a point ahead of the previous year's result, with a bounce-back on the same scale registered nationally.

Meanwhile in the Euro area and in the European Union overall, the inflation rate receded a little with respect to 2004, posting December readings of 2.2% and 2.1% respectively, around two tenths below the 2004 figures.

Price movements were mixed among the euro area countries. As with Spain, the CPI ticked upwards in 2005 in Belgium, Finland, Greece and the Netherlands, the other seven countries seeing dips. Behind Spain, Greece had the highest inflation rate (3.5%), in contrast to Finland, which saw the lowest rise (1.1%), despite reporting a rate one point up on the year before.

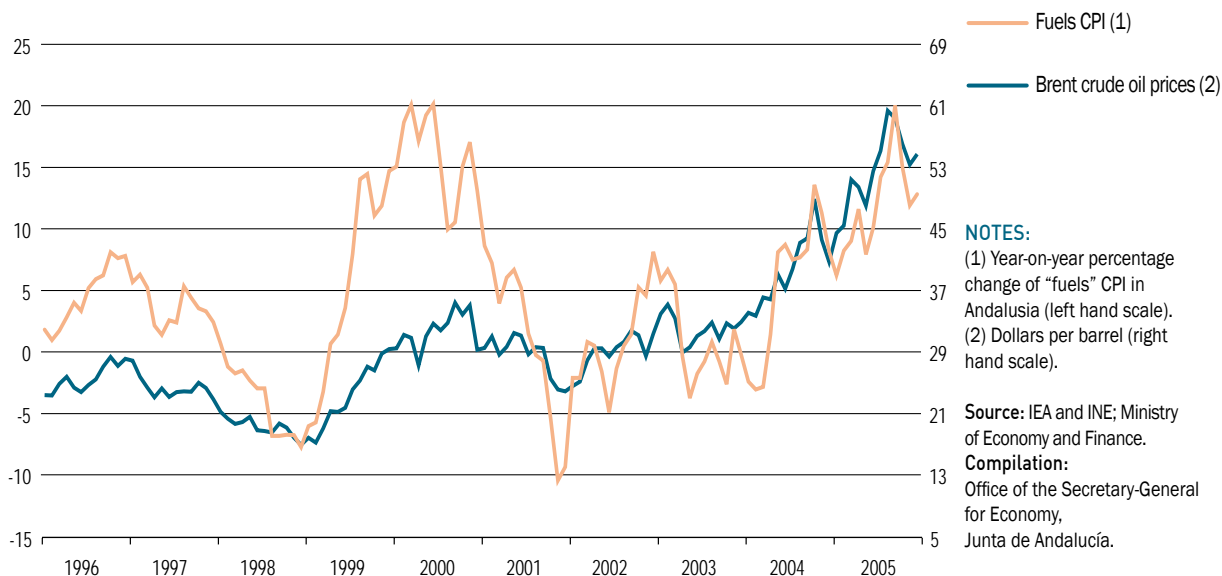
As for the other countries making up the current European Union, in all the countries from the

recent enlargement except Lithuania and Malta the inflation rate receded with respect to 2004, in contrast to the rises seen in Denmark, the United Kingdom and Sweden. Latvia had the highest inflation rate, at 7.1%, and Poland the lowest (0.8%), moreover experiencing a hefty cut on its 2004 level (4.4%).

Charting the course of consumer prices in Andalusia over 2005 progress was mixed, with notable pressure in the opening months, which eased off midway through the year, only to produce quicker growth rates from summer onwards.

In more detail, in the first few months of 2005 the CPI picked up growth steadily, and by April the inflation rate stood at an annualised 3.5%, then it fell back quite a way in May, reaching 3.1%, holding at moderate rates over the summer. Subsequently, in September the inflation rate reared up again to 3.6%, the level at which it closed the year.

As with the whole of Spain, this trend was very much affected by fuel price movements over the year as they reacted to the soaring cost of oil on world markets.

Chart 124. **FUELS CPI AND CRUDE OIL PRICES**

The fuels CPI had already shown a climbing pattern in the second half of 2004 and began the year by reining itself in, but the opposite trend prevailed in later months to the extent that in April it reached an annualised rise of 11.6%. Subsequently, after a brief spell of moderation it picked up again sharply for a period, registering year-on-year growth of 20% in September, the highest rate since midway through the year 2000. In the last quarter fuel prices rose at a somewhat more restrained pace, nonetheless closing the year with a spurt of an annualised 12.8%, over four points above the reading for December 2004.

Decisive in shaping this component's performance were movements in the price of Brent oil, which hit a historic high in August, which it averaged the month at, of 64.3 dollars a barrel, and then showed restraint for the next few months before rallying again in December. 2005 thus closed with the average price of the Brent barrel in December at 56.5 dollars, 42.3% higher than in the comparable month the year before.

The rise in the oil price coincided with a slide in the euro against the dollar on currency markets, which

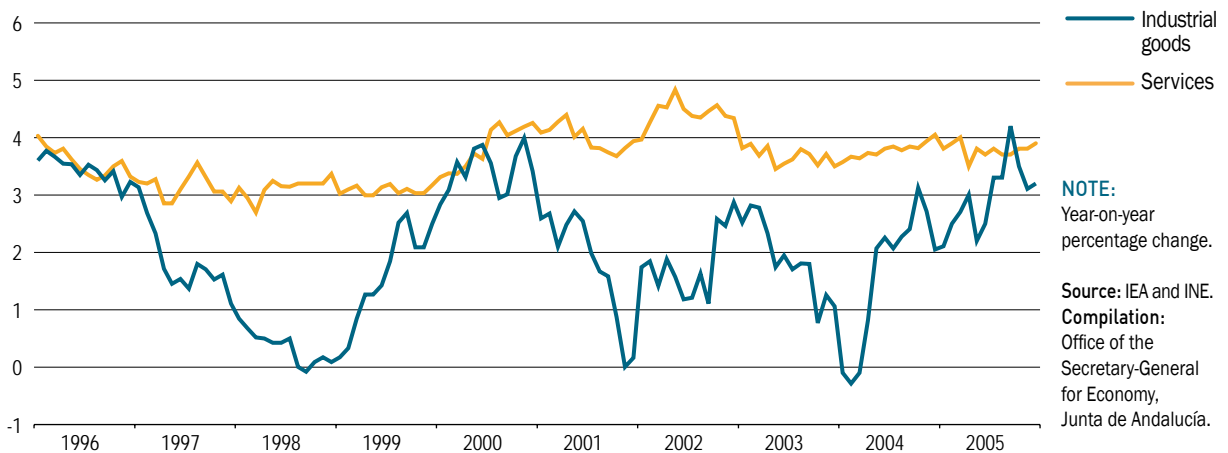
meant that oil became even more costly in euro terms. With the average barrel price in December of 47.7 euros the increase on the like month the previous year thus worked out at 60.6%.

Stripping out fuel prices from the CPI, the net effect is that the remaining consumer prices in Andalusia grew by an annualised 2.9%, two tenths of a point less than was the case for Spain and seven tenths of a point below the rise in the all-item index (3.6%).

Examining price trends in terms of the three broad baskets into which the CPI is divided (foods, industry and services), it emerges that inflation grew most rapidly among "industrial goods", followed by "food products", whereas "services" prices were to a certain extent kept in harness.

The "services" CPI has tended to advance in a very sustained manner without erring significantly from such a course and it rose an annualised 3.9% in December 2005, one tenth of a point less than in 2004, its contribution to the rise in the all-item index being 1.2 percentage points, practically the same as in 2004 and accounting for one third of the year's inflation.

Chart 125. **INDUSTRIAL GOODS AND SERVICES CPI. ANDALUSIA**



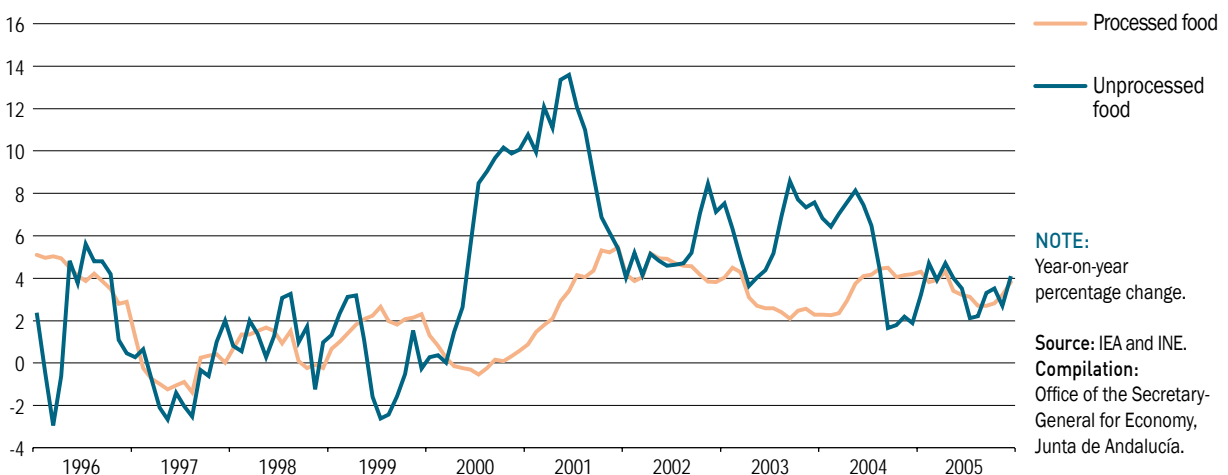
In contrast, the “industrial goods” CPI ticked up the most in 2005, rising by 3.1% year-on-year in December, one point more than in 2004, this being tied to the climb in energy product prices. Bearing in mind that this grouping has a weight of 40.6% in the all-item price index, its contribution to overall growth in 2005 was 1.3 percentage points, half a point up on the year before and making up 36% of the general rise in prices in Andalusia in the year.

The “foods, beverages and tobacco” CPI was up 3.9% year-on-year in December, four tenths of a point higher

than in 2004, behind this being the higher prices in unprocessed food, whereas processed foods, beverages and tobacco saw price growth ease off.

The processed foods, beverages and tobacco CPI actually showed annualised growth of 3.8% in December 2005, four tenths of a point down on 2004, with the slowdown in the cost of some foods such as bread, milk and sugar, as well as that of tobacco, helping to dampen price growth down. This came in contrast to the 22.1% rise for edible oils and fats, which was the highest for ten years.

Chart 126. **FOOD COMPONENT OF CPI. ANDALUSIA**



On the other hand, the CPI for unprocessed foods marched ahead at an annualised 4.1%, more than doubling the previous year's showing (1.9%), basically due to dearer fresh vegetables, whose prices leapt up by 13.7% year-on-year within the context of a fall-off in output, after 6.9% a year earlier. Worth noting too were the price rises for certain meats, such as ovine products (20.7% year-on-year) or beef (7.7%), due to demand shifting towards them in the wake of the health crisis affecting poultry, whose cost sank 4.9%.

The upturn in prices for unprocessed foods and the rise in energy prices (9.5% year-on-year) both occurred for components viewed as the most volatile in the CPI. If we remove these from calculations for the all-item index and thus instead focus on underlying inflation, growth in 2005 was 2.8%, one tenth of a point down on the year before and the national average, and eight tenths of a point under the increase for the all-item index.

In the breakdown into the twelve spending groups into which the CPI is divided, "housing" emerges as the most inflationary in Andalusia in 2005, with an annualised rate of 6.3%, nearly doubling the 2004 level (3.2%) and ahead of the increase seen for this component both nationwide (6%) and

within the European Union as a whole (5.3%) as well as the euro area (5.1%). However, in certain countries these prices stepped up growth more sharply than in Andalusia, prominent among these being Greece (10%) and Ireland (8.8%), within the euro area and almost all of those in the EU in 2004, especially Malta (14.2%), The Slovak Republic (13.1%) and Cyprus (11.4%). Decisive in shaping the performance of this spending group in 2005 were higher heating, lighting and water distribution prices, the increase here being an annualised 8%, four times more than in 2004, on the impact of more expensive energy prices.

After the "housing" CPI came the one for "transport", which includes fuel prices and saw an annualised 6.1% rise in Andalusia, one tenth of a point lower than the national average, though still above the level registered in most countries within the European Union, except Latvia (11.3%), Lithuania (10.2%), Estonia (6.9%) and Portugal (6.2%).

"Alcoholic beverages and tobacco" was in third place, showing an annualised rise for December of 5.3%, although this was a more restrained one than in the year before (5.8%) owing to tobacco being held in check after its notable upturn in 2004, when it hit a price growth rate of 7.1%, this

Chart 127. CONSUMER PRICE INDEX. ANDALUSIA

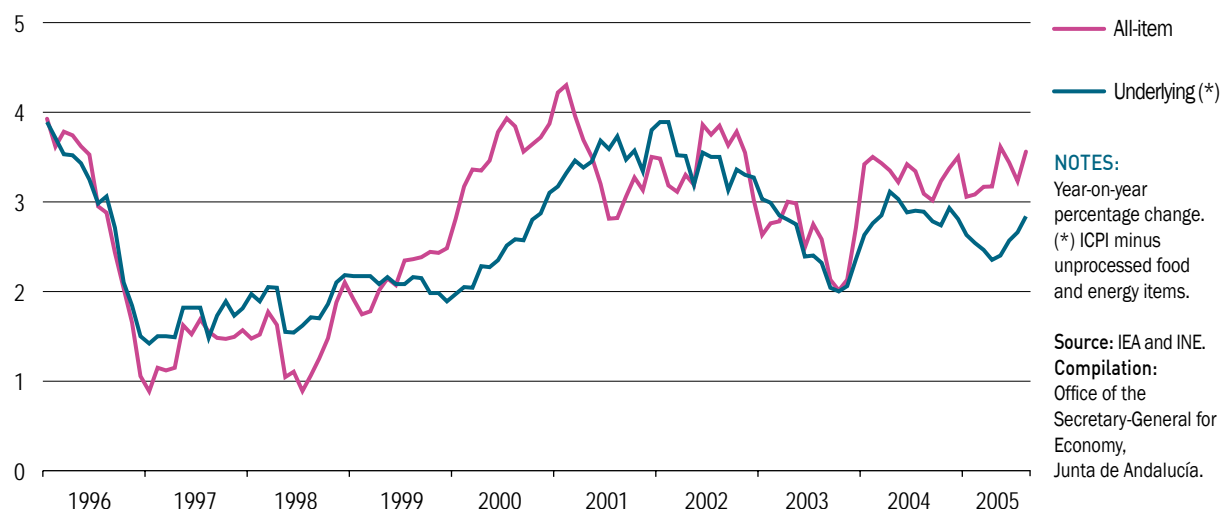


Table 68. **CONSUMER PRICE INDEX. YEAR 2005**

	Andalusia (1)	Spain (2)	Difference (1-2)
All-item CPI	3.6	3.7	-0.1
Food and non-alcoholic beverages	3.7	4.2	-0.5
Alcoholic beverages and tobacco	5.3	5.1	0.2
Clothing and footwear	1.2	1.4	-0.2
Housing, water, electricity, gas and other fuels	6.3	6.0	0.3
Furnishings, household equipment and home maintenance	1.7	2.2	-0.5
Health	-0.2	0.7	-0.9
Transport	6.1	6.2	-0.1
Communication	-1.6	-1.7	0.1
Recreation and culture	0.0	0.6	-0.6
Education	3.7	4.1	-0.4
Restaurants and hotels	4.5	4.3	0.2
Miscellaneous goods and services	3.0	3.4	-0.4

**NOTE:**

Year-on-year percentage change as of December.

Source: INE.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

rate being almost one point lower in 2005 (6,3%). The increase for this component was nonetheless higher than that seen in Spain and the European Union countries, where the only exceptions were Austria (6.5%) and Latvia (6.9%).

Following this came “hotels, cafés and restaurants”, which in 2005 also saw lower price growth than the year before (4.5% and 4.9% respectively), although this was higher than for the Spanish economy as a whole (4.3%) and the European one too (2.4% in the euro area and 2.6% in the EU). Here mention should be made, however, of the striking increase in these prices in Latvia (12.4%), which was almost five times above the average for the EU countries together.

Behind this component and also up by more than the all-item price index were “education” and “food products and non alcoholic beverages”, with year-on-year rates of 3.7% in both cases.

In the case of the “education” CPI the reading was lower than for the year before (4.5%) and the Spanish average (4.1%), yet higher than in

the euro area (2.5%) and the European Union (3.1%), although in certain countries the rise in such prices was substantially sharper than in Andalusia, particularly in the Slovak Republic (17.6%), Latvia (8.9%) and Hungary (7.4%). At the other extreme was the Netherlands, where education prices dropped by 15.6%, while there was also a fall in these, though a less abrupt one, in Lithuania (-1.4%).

In contrast, “food products and non alcoholic drinks” saw inflation rally in 2005, with an annualised 3.7% increase in December in Andalusia (3.1% in 2004). This price rise was lower than the nationwide case (4.2%), but it was almost triple the level seen in the European countries (1.3% in the euro area and the European Union), where some even registered dips (Ireland, the Czech Republic, the Slovak Republic, Poland and Sweden).

Appearing below average price growth in Andalusia in 2005 were the “miscellaneous”, “furnishings, household equipment and home maintenance” and “clothing and footwear” components.

Table 69. EUROPEAN UNION CPI BREAKDOWN. YEAR 2005

	All-item CPI	Food and non-alcoholic beverages	Alcoholic beverages and tobacco	Clothing and footwear	Housing, electricity, water and gas	Furnishings, household equipment	Health	Transport	Communication	Recreation culture	Education	Restaurants and hotels	Miscellaneous goods and services
Germany	2.1	0.8	3.7	-1.9	4.9	-0.1	0.9	5.0	-2.5	0.3	1.7	1.0	1.2
Austria	1.6	0.9	6.5	-0.3	3.5	0.7	5.1	3.5	-8.9	-2.4	2.0	2.0	2.0
Belgium	2.8	1.6	2.7	0.0	5.8	1.0	3.3	5.9	-1.0	0.6	1.6	2.6	2.3
Finland	1.1	0.3	1.4	-1.0	3.2	0.7	0.7	2.4	-12.0	0.3	2.8	2.3	1.3
France	1.8	0.8	0.2	0.1	4.5	0.8	2.1	3.6	-2.6	-0.9	3.1	2.1	1.8
Greece	3.5	1.3	3.3	3.4	10.0	1.6	4.1	5.2	1.7	1.4	3.7	2.5	2.8
Netherlands	2.1	0.4	1.4	-0.8	5.7	0.0	0.9	5.5	-1.8	-0.4	-15.6	1.5	2.7
Ireland	1.9	-1.1	0.6	-1.8	8.8	-1.3	5.9	3.3	-0.5	-0.5	4.9	3.2	2.3
Italy	2.1	0.8	2.5	1.5	5.7	1.6	0.8	3.3	-3.3	1.2	3.0	2.1	2.6
Luxembourg	3.4	2.0	4.8	0.5	5.5	1.4	1.1	5.8	-2.6	1.9	5.1	3.9	1.8
Portugal	2.5	1.3	5.0	-1.3	3.9	1.6	-0.2	6.2	-1.1	1.7	6.8	2.0	2.1
EUROAREA	2.2	1.4	2.7	0.3	5.1	0.8	1.5	4.5	-2.8	0.1	2.4	2.4	2.0
Czech Republic	1.9	-0.8	0.7	-6.8	7.0	-1.8	7.5	4.0	6.2	2.8	2.6	1.2	1.1
Cyprus	1.4	0.0	0.0	-1.8	11.4	0.0	-2.0	4.3	-8.9	-1.1	4.5	1.4	3.5
Denmark	2.2	1.6	2.9	-0.1	3.9	0.9	1.6	4.3	-0.8	0.0	1.1	2.1	2.3
Slovak Republic	3.9	-0.5	0.4	-0.1	13.1	-1.7	5.3	2.9	-0.5	0.8	17.6	3.0	3.5
Slovenia	2.4	0.8	5.1	-2.2	7.2	3.3	-1.6	1.9	-0.3	2.1	5.7	4.2	3.1
Estonia	3.6	2.5	3.0	4.1	7.5	1.5	2.0	6.9	-2.8	2.4	2.2	2.9	2.7
Hungary	3.3	3.0	-0.7	0.5	6.3	-0.5	12.8	4.3	-0.2	1.8	7.4	4.8	3.2
Latvia	7.1	8.8	6.9	0.5	9.0	4.1	9.3	11.3	-6.5	3.1	8.9	12.4	7.0
Lithuania	3.0	3.5	-0.8	-1.2	6.7	-0.6	6.1	10.2	-5.1	2.1	-1.4	2.7	1.4
Malta	3.4	1.0	2.0	0.0	14.2	2.3	5.7	5.8	3.2	2.5	2.0	1.5	3.0
Poland	0.8	-1.3	2.7	-6.1	3.4	0.2	3.0	2.4	-0.3	-0.7	1.6	1.8	0.7
United Kingdom	2.0	1.8	2.5	-4.2	6.4	0.0	2.4	2.8	-1.0	-1.7	4.7	3.5	4.2
Sweden	1.3	-0.7	1.2	-0.1	3.6	-2.2	1.2	5.5	-6.8	-1.7	3.0	2.1	3.0
EU COUNTRIES	2.1	1.3	2.5	-0.7	5.3	0.6	1.8	4.2	-2.3	-0.3	3.1	2.6	2.5
Spain	3.7	4.2	5.1	1.4	6.0	2.2	0.7	6.2	-1.7	0.6	4.1	4.3	3.4
Andalusia	3.6	3.7	5.3	1.2	6.3	1.7	-0.2	6.1	-1.6	0.0	3.7	4.5	3.0

## NOTE:

Year-on-year percentage change as of December.  
HICP except for Spain and Andalusia.

Source: INE and EUROSTAT.  
Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

Table 70. **CONSUMER PRICE INDEX FOR SPECIAL PRODUCT GROUPS. YEAR 2005**

	Andalusia (1)	Spain (2)	Difference (1-2)
Food products, beverages and tobacco	3.9	4.3	-0.4
Processed food plus beverages and tobacco	3.8	3.8	0.0
Unprocessed food	4.1	5.2	-1.1
Industrial goods	3.1	3.2	-0.1
Energy products	9.5	9.9	-0.4
Fuels	12.8	13.0	-0.2
Durable industrial goods	0.7	0.9	-0.2
Non durable industrial goods	4.0	4.1	-0.1
Services	3.9	3.9	0.0
ALL-ITEM INDEX	3.6	3.7	-0.1
Minus food, beverages and tobacco	3.4	3.5	-0.1
Minus household rent	3.5	3.7	-0.2
Minus energy products	3.0	3.1	-0.1
Minus fuels	2.9	3.1	-0.2
Minus unprocessed food and energy items	2.8	2.9	-0.1

**NOTE:**

Year-on-year percentage change as of December.

Source: INE.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

In fact the “miscellaneous” CPI, which encompasses tourist, financial and personal care services etc., rose a year-on-year 3% in December, four tenths of a point less than nationally, but above the average for the euro area (2%) and the European Union (2.5%), as well as the previous year’s reading.

“Furnishings, household equipment and home maintenance” also saw an uptick, although prices in Andalusia grew by less than on a nationwide level (1.7% and 2.2% respectively) and in certain European Union countries such as Latvia, Slovenia and Malta. Overall, in the European countries as a bloc, the price rise for this component was relatively tamer (0.9% in the euro area and 0.6% in the European Union).

Meanwhile the pace of price growth in the “clothing and footwear” category slackened in 2005, rising by an annualised 1.2% in Andalusia, half a point less than in 2004 and likewise than on average in Spain (1.4%). On the other hand, in the European Union such prices cooled, with notable drops seen

in the Czech Republic (-6.8%), Poland (-6.1%) and the United Kingdom (-4.2%).

On the other hand, the “leisure and culture” component showed flat price growth in Andalusia in 2005 within a scenario of slight rises in Spain and the euro area (0.6% and 0.1% respectively) and a drop in the European Union as a whole (-0.3%).

Finally, “medicine” and “communication” had negative price growth rates, as in the previous year. The medicine CPI actually fell in Andalusia by an annualised -0.2% in a context of mild growth in Spain (0.7%) and in the European arena (1.5% in the euro area and 1.8% in the European Union), with Hungary particularly prominent as it displayed an increase of a year-on-year 12.8%, and Latvia too (9.3%).

There was an even more pronounced drop in prices in “communication”, at an annualised -1.6% in Andalusia, one point more than in 2004

## Box 13. DISTRIBUTION OF EMPLOYEE WAGE INCOME IN ANDALUSIA

According to the statistics in “the labour market and pensions in relation to tax sources” produced by the Spanish Tax Office belonging to the Ministry of Economy and Finance, in 2004, the last year for which data is available, there were a total of 3,084,332 wage-earners in Andalusia. This takes into account all employees by enterprise, which means that where a person is working in more than one enterprise or organisation they count as many times as the number of enterprises they are working for. The figure for wage-earners means that 17.8% of all employees in Spain were in Andalusia, reflecting an increase in these of 560,436 people in the region since 1999, the first year for which such data is available, which is 22.2% in relative terms and above the national growth rate of 20%.

Likewise there was an increase in the overall volume of remuneration earned by employees in the five year period in Andalusia, this actually standing at 54.7% and ahead of the rate nationally of 47.8%, with the average annual wage per employee in Andalusia one of 12,778 euros in 2004, which represented 81.6% of the national average wage (15,658 euros), compared with the figure of 79.3% which it stood at in 1999.

If one analyses wage income distribution according to three separate wage brackets, it emerges that 24% of Andalusian employees in 2004 had a wage of below half of the official minimum wage, which stood at 6,659.1 euros, compared with 29.6% in this situation in 1999, although this was above the level of 16.5% of employees falling within this wage bracket on a national scale. Almost one quarter of Andalusian employees (24.7%) earned wages between half and 1.5 times the minimum wage, which was similar to what occurred on average nationally in Spain (22.3% of employees), with more substantial gaps being observed in the wage brackets at the higher end. Thus, whereas for Spain as a whole 1.2% of employees earned over ten times more than the minimum wage in 2004, in Andalusia this figure was 0.5%.

It is on the other hand worth pointing out that the largest rises in employees between 1999 and 2004 were registered among the groups with earnings in excess of the minimum wage. Almost one quarter (22.9%) of all the 560,436 new wage earners registered in Andalusia in the period joined the labour market with a wage of between 2 and 2.5 times the minimum wage, while 19.4% did so earning wages of between 1.5 and 2 times the minimum wage, and 12.7% earned 1 and 1.5 times the minimum wage. Thus, overall the remuneration of over half of new employees (55%) fell between 1 and 2.5 times the minimum wage.

The data from these statistics also make it possible to study how total wage income is distributed among employees. An analysis of this type can be conducted graphically using a Lorenz curve, showing, on one axis, cumulative percentages for total earnings, and, on the other, cumulative percentages for employees. Every point on the Lorenz curve thus shows the cumulative percentage of wage-earners receiving a particular percentage of cumulative total earnings. The diagonal line implies a situation of absolute distributional equity and the further the Lorenz curve strays from this, the greater is the degree of inequality.

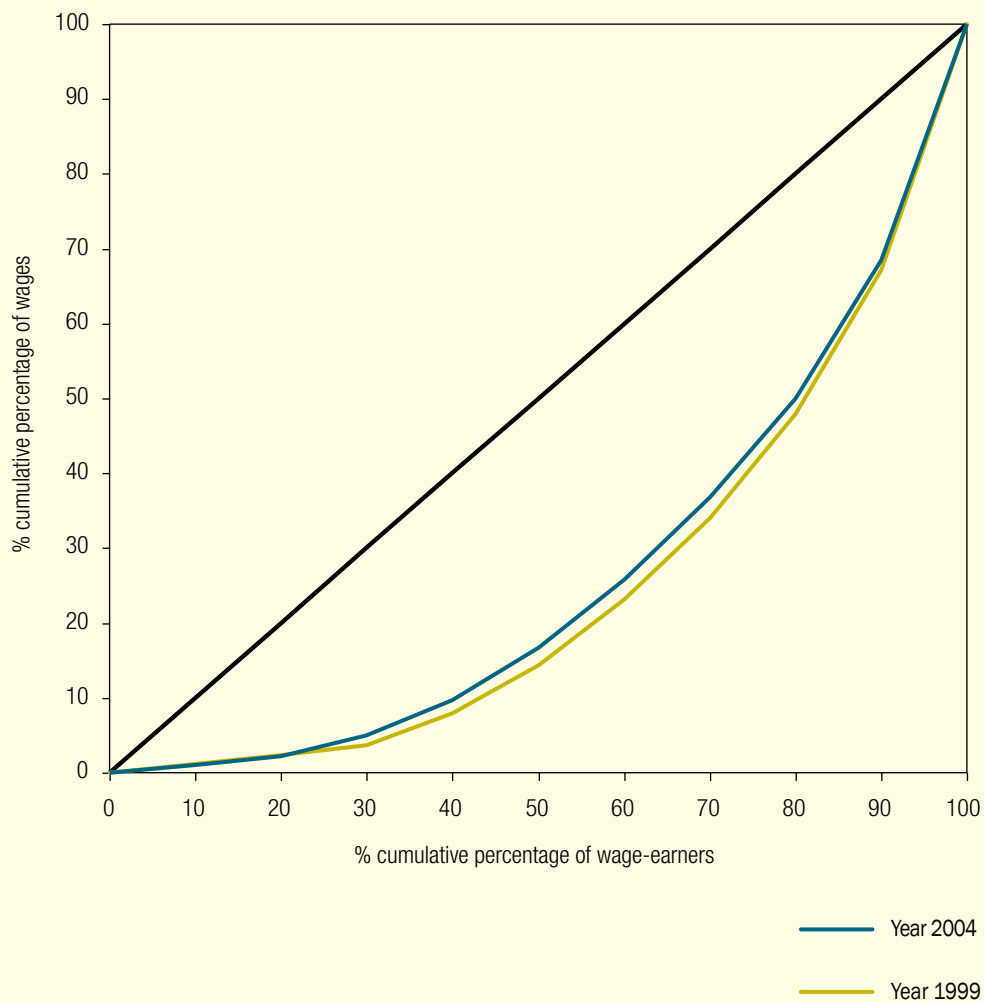
Looking at the Lorenz curves for Andalusia for 1999 and 2004, it becomes clear that the wage income distribution improved over the period as the curve drew closer to the diagonal line.

Various indexes are available which summarise the graphic information provided by the Lorenz curve in terms of a quantitative measure which shows the divergence between the curve and the situation of perfect equality. Among these is the Gini Index, which is equal to twice the area lying between the Lorenz curve and the diagonal line, and the smaller this is, the lower is the level of income concentration, or, which amounts to the same thing, the more equitable is the income distribution. This index has values of between zero and one, where a value of zero implies that the sample is uniformly distributed, whereas a value of one points to a maximum level of concentration and thus the greatest possible degree of



inequality. In 2004 the Gini Index in Andalusia showed a reading of 0.52, the original situation in 1999 showing 0.55. It is therefore clear that there was an improvement in wage income distribution in Andalusia over the five-year period, the Gini Index having fallen by 5.6%, which was more than the fall registered nationwide (-3.3% over the same period).

#### DISTRIBUTION OF WAGE INCOMES IN ANDALUSIA



Source: Labour market and pensions at tax sources. AEAT.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

Table 71. **MAIN HEADINGS DETERMINING CPI TRENDS IN ANDALUSIA. YEAR 2005**

	Weight (%)	Year-on-year % increase	Contribution (*)
<b>Major positive contributors</b>			
Personal transport	15.42	5.7	0.88
Tourism, hotels and restaurants	11.68	4.5	0.53
Heating, lighting and water distribution	4.89	8.0	0.39
Oils and fats	0.91	22.1	0.20
Tobacco	2.93	6.3	0.18
Fresh vegetables	1.11	13.7	0.15
Maintenance and repair of dwelling	3.23	4.6	0.15
Bread	2.40	5.0	0.12
<b>Negative contributors</b>			
Recreational items and equipment	2.32	-4.6	-0.11
Poultry meat	1.06	-4.9	-0.05
Communications	2.85	-1.6	-0.05
Medicine and therapeutic equipment	1.53	-2.4	-0.04
Household appliances and repairs	1.10	-1.5	-0.02
Ladies clothing	3.51	-0.2	-0.01
<b>All-item CPI</b>	<b>100</b>	<b>3.6</b>	<b>3.6</b>

**NOTES:**

CPI as of December.

(\*) Percentage points contributed to overall CPI growth.

Source: INE.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

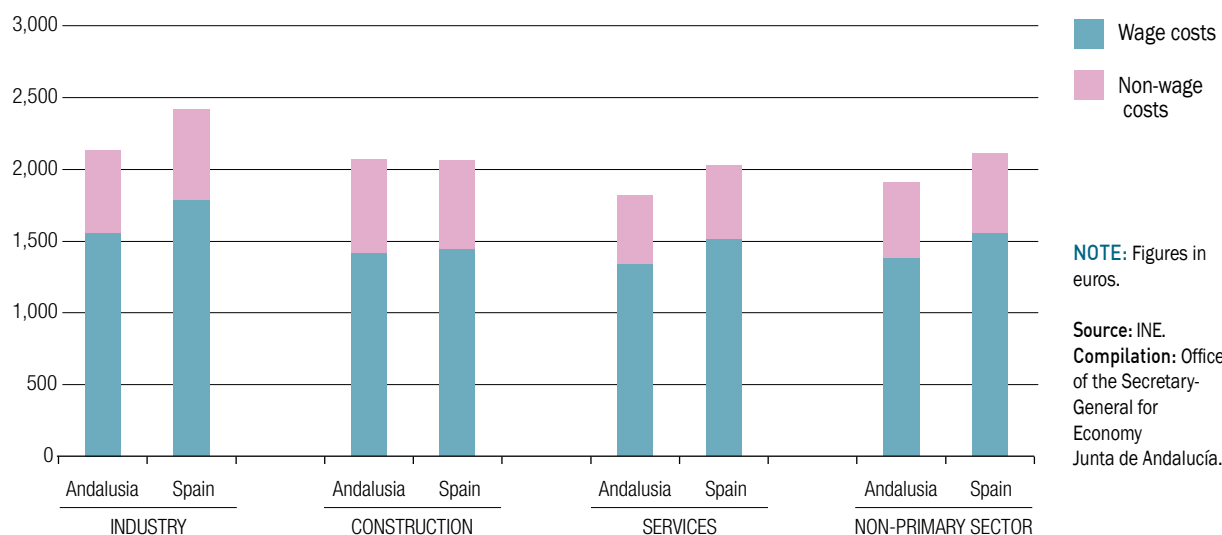
(-0.6%) and on a par with the national average (-1.7%), though this was less sharp than in the European Union (-2.3%) and, more particularly, in the euro area (-2.8%), the fall extending to virtually all countries except Greece, the Czech Republic and Malta.

More detailed analysis of the CPI by the various headings which it comprises, taking into account their weights out of the all-item index, shows that in 2005 the biggest contribution to price growth in Andalusia was from "personal transport", which includes fuel expenditure.

With a weight in the CPI's expenditure structure of 15.4% in 2005, this heading was actually responsible for 0.88 percentage points of the index's overall growth, which meant that almost

one quarter (24.4%) of the Andalusian inflation rate in the year was due to the rise in these prices.

Alongside this and in second place was "tourism, and hotels and restaurants", which accounted for 0.53 points, followed by "heating, lighting and water distribution", also affected by higher energy prices and accounting for 0.39 points. Thus between the three headings, which have a joint weight of under one third (32%) of the all-item index, they accounted for one half (49.9%) of price growth in Andalusia in 2005. Behind these, among the headings most contributing to the CPI rise for the year were "edible oils and fats", "tobacco", "fresh vegetables", "household maintenance" and "bread", accounting for between one and two tenths of a point in all cases.

Chart 128. **LABOUR COSTS PER WORKER PER MONTH. YEAR 2005**

On the other hand, among slightly negative contributions to price growth the most significant came from “recreational items” (-0.11 percentage points), “poultry meat” and “communication” (-0.05 points in both cases). There were likewise

negative readings within the all-item index for “medicine and therapeutic equipment”, “household appliances and repairs”, and “ladies’ clothing” in 2005.

Table 72. **LABOUR COSTS. YEAR 2005**

	Euros			% change on 2004	
	Andalusia	Spain	And/Sp (%)	Andalusia	Spain
Total labour costs per worker per month	1,907.6	2,110.1	90.4	1.7	2.9
<b>Economic sector:</b>					
Industry	2,127.3	2,420.1	87.9	1.3	3.1
Construction	2,069.2	2,057.8	100.6	3.0	2.8
Services	1,817.5	2,028.4	89.6	1.4	3.1
<b>Cost component:</b>					
Wage costs	1,386.4	1,560.2	88.9	1.5	2.6
Non-wage costs (*)	521.2	549.9	94.8	2.0	3.6
<b>Wages negotiated in collective agreements</b>	–	–	–	4.26	4.02
Enterprise-specific agreements	–	–	–	3.21	3.40
Broader agreements	–	–	–	4.34	4.09

**NOTES:**

(\*) Non-wage items and compulsory Social Security contributions.

Source: INE and Ministry of Labour and Social Affairs.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

## Labour costs

According to the INE Quarterly Labour Cost Survey, the labour cost per worker per month in non-farming sectors was 1,907.6 euros in Andalusia in 2005, 1.7% over the previous year's level.

For the second year running this cost growth rate was below the national level (2.9%), with the labour cost per worker per month in Andalusia coming to represent 90.4% of the Spanish average in 2005.

Splitting this cost out into its components, the lower relative growth than in Spain occurred both in wage costs and non-wage costs.

Specifically, the wage cost component, representing almost three quarters of the total rose 1.5% in Andalusia, the same as in 2004 and 1.1 percentage points below its increase on a national level.

On the other hand, non-wage costs, which include Social Security contributions, as well as non-

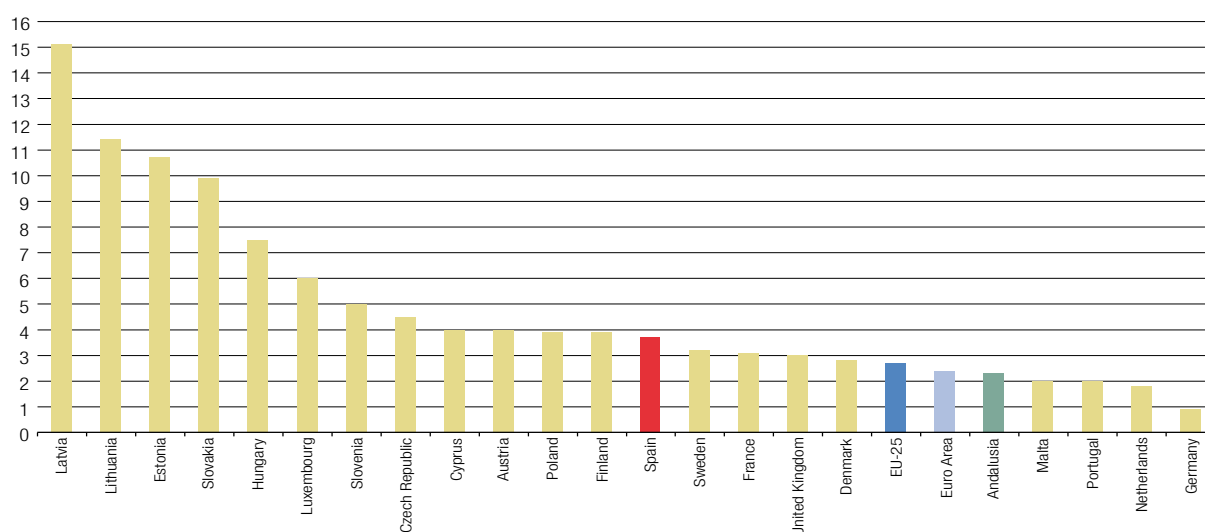
wage earnings, such as payments for temporary disability, unemployment benefit, etc., rose a year-on-year 2% in Andalusia, compared to 3.6% in Spain, this being the lowest growth rate on record (since 2001).

By productive sectors, industry and services showed the lowest rises, at 1.3% and 1.4% year-on-year respectively, less than half of their cost growth rates for the Spanish economy as a whole (3.1% in both cases).

This contrasted with construction, where for the second successive year it reported the highest cost growth, this being 3% over the year before's rate and slightly above the national average (2.8%).

However, in absolute terms, it was still industry which was the sector with the highest level of labour costs, at 2,127.3 euros per worker per month in Andalusia, which was 11.5% higher than on average for non-farming sectors as a whole. Despite this, Andalusian industry had relatively

Chart 129. **LABOUR COST PER HOUR ACTUALLY WORKED. YEAR 2005**



### NOTES:

Year-on-year percentage. No data is available for Italy, Belgium, Greece or Ireland.

Source: INE and EUROSTAT.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

more modest labour costs than the sector did nationally, representing 87.9% of them.

Services sector labour costs were likewise lower in Andalusia than in Spain as a whole, representing 89.6% of them. Meanwhile, construction labour costs were slightly over the national level (100.6%), also coming in at over the average cost in non-farming sectors in Andalusia (108.5%).

In terms of labour cost per hour actually worked, the increase in 2005 was also lower in Andalusia than in Spain (2.3% and 3.5% respectively) and likewise below the rises in the euro area and the European Union as a whole (2.4% and 2.7% respectively, according to Eurostat).

By cost component, the non-wage element was up in Andalusia by 2.7%, as it was in the euro area, yet lower than the 4.3% felt on average nationwide. On the other hand, wage cost per hour climbed 2.1% on 2004, similar to the reading in the euro area (2.2%) and more than one point below the average in Spain.

On top of these data, the Ministry of Labour and Social Affairs provides information on the pay-rises negotiated under collective bargaining agreements

signed over the year, which does actually cover all the productive sectors.

In 2005 the pay-rise negotiated through collective bargaining in Andalusia was 4.26%, including the impact of safeguard clauses established the previous year, which was slightly higher than it had been the year before (3.97%) and the national average (4.02%), as well as ahead of the increase in prices, which implies that there was a rise in real wages.

The pay-rise was in fact 0.66 percentage points higher than the year's inflation rate (3.6% year-on-year in December), meaning that there was a gain in purchasing power of a similar magnitude, this doubling the comparable figure nationally (0.32 percentage points).

The pay-rise affected a total of 1,263,043 workers in Andalusia in 2005, 11.8% less than in the previous year, this reduction being sharper than it was nationwide, where the number of workers covered by the collective agreement shrank by 3.4%.

Distinguishing by collective agreement scope, most workers (93.1%) were covered by common

Chart 130. **REAL WAGES**

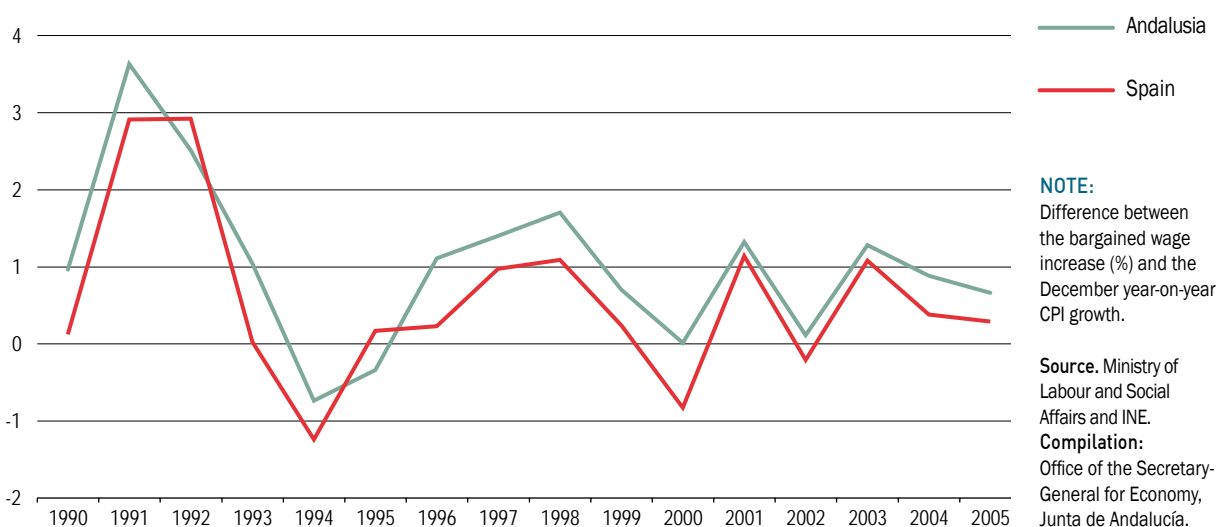
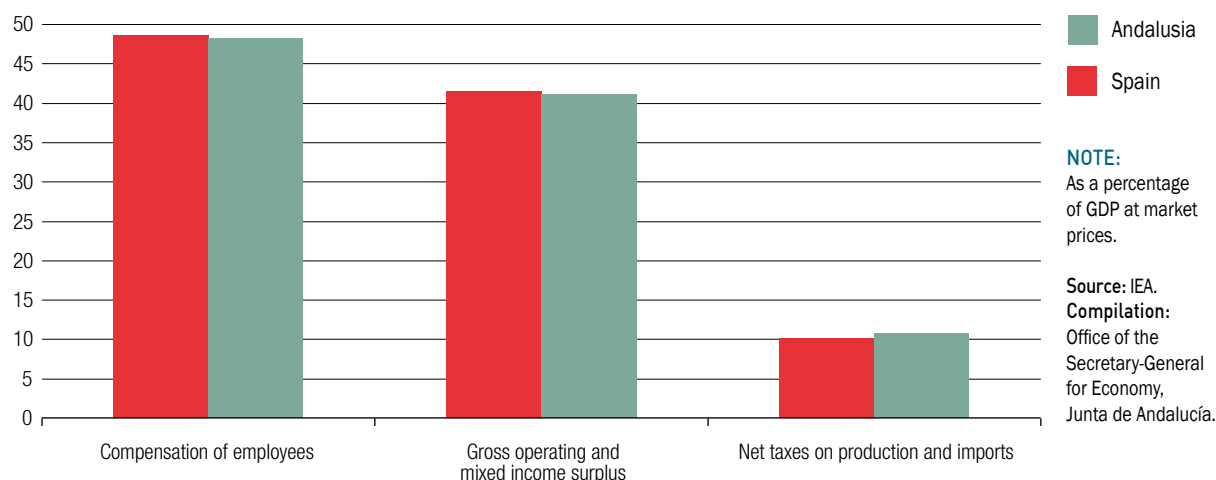


Chart 131. PRIMARY DISTRIBUTION OF INCOME. YEAR 2003



agreements, where the pay-rise negotiated was 4.34%, compared to 3.21% for enterprise-specific agreements.

## Income

The Annual Regional Accounts for Andalusia with base year 2000, published by the Andalusian Statistics Institute (IEA), provide information on how income generated in the Andalusian productive process is distributed.

In 2003, the last year for which such information is available, Andalusian GDP was distributed as follows: 48.1% in employee remuneration, 41.2% in gross operating surplus and mixed income, and 10.7% in net taxation on production and imports.

This distribution of productive income in Andalusia was very much akin to what was observed on average in Spain, where, according to the INE, employee remuneration represented 48.5% of GDP in 2003 (four tenths of a point more than in Andalusia), gross operating surplus and mixed income 41.4% (two tenths of a point less in the case of Andalusia) and net taxation on production and imports 10.1% (10.7% in Andalusia).

On the other hand, if these results are compared against those from 1995, the first year for which they are available, it can be seen that, as in Spain, in Andalusia it was taxation on production and imports which registered the largest rises in the period reviewed, ahead of nominal GDP growth, which means that its relative weight in productive income distribution rose.

Taxation on production and imports actually doubled between 1995 and 2003, rising 101%, which was similar to events nationally (105%), and overhauling the increase in Andalusian GDP for the period (84.1% in nominal terms). Thus the relative share of taxation on production and imports in GDP climbed from 9.8% in 1995 to almost one point above this, at 10.7% in 2003.

In contrast, gross operating surplus and mixed income as well as employee remuneration saw their share of GDP drop, as happened for Spain as a whole.

Gross operating surplus and mixed income, which rose a nominal 82% in Andalusia in the eight-year period, lost out on four tenths of a point in GDP share, moving from 41.6% in 1995 to 41.2% in 2003, although this was less than in the national

case, where the weight of such income with respect to GDP fell by 1.2 percentage points.

Finally, having risen by 82.4% in the period, employee compensation went from accounting

for 48.6% of GDP in 1995 to 48.1% in 2003, in other words it lost five tenths of a point in share in Andalusia, and this percentage was down by four tenths of a point for Spain as a whole (from 48.9% in 1995 to 48.5% in 2003).





11.

## Banking System



# Banking System

## Introduction

Developments within the Andalusian banking system are very much shaped by the monetary and financial policy pursued by the European Central Bank (ECB), whose overriding objective is to maintain price stability within the euro area.

In seeking to achieve this goal the ECB relies on controlling the volume of money, as measured by M3, in the hands of citizens living in the euro area and gauging the economic and financial situation by monitoring various economic and monetary indicators.

With respect to M3, liquidity growth in the euro area picked up in 2005, rising 7.3%, which was seven tenths of a point more than in 2004 (6.6%) and in excess of the benchmark growth rate set under ECB monetary policy (4.5%).

This took place within a context of restrained growth and inflationary pressures stemming from the escalation in the oil price on world markets, which made for greater risks in achieving the target of medium term price stability. Faced

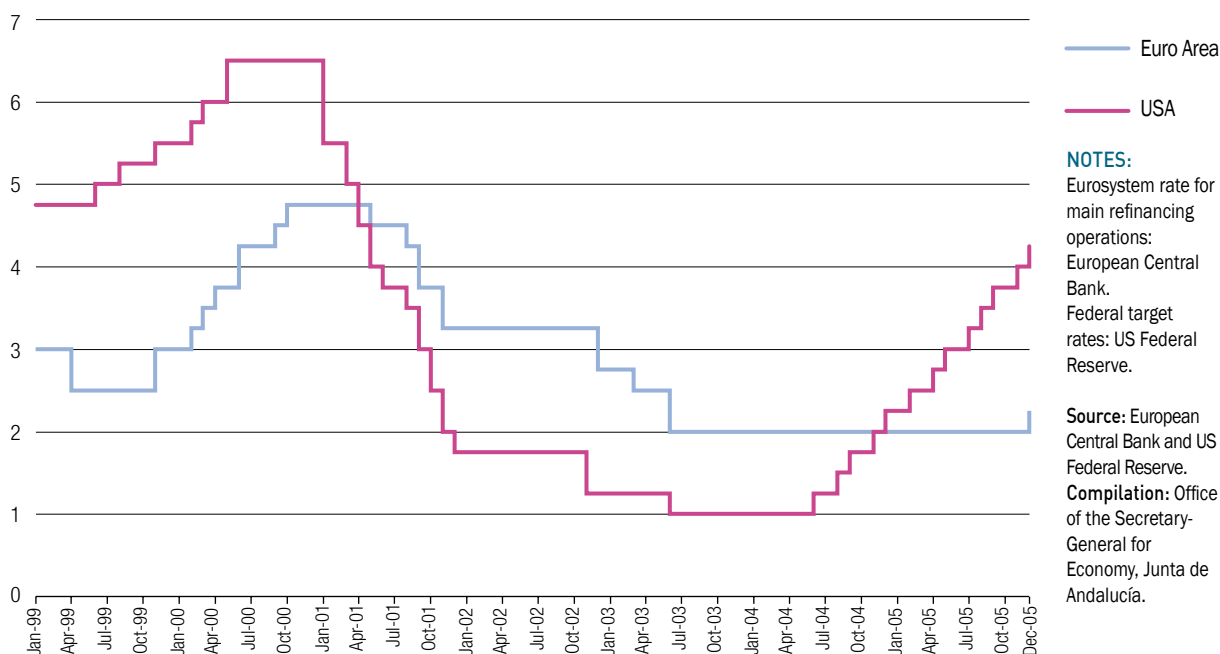
with this scenario, in early December the ECB Governing Council decided on a quarter point hike in the official interest rate after this had remained stable at a historic low for two and a half years. The main refinancing rate on open market operations was thus 2.25% in December.

The Spanish financial markets saw an impact from these events, particularly regarding operations at the short end. Specifically, the average one-year interbank rate in 2005 was slightly higher than in the previous year, at 2.34% versus 2.28%. However, at the long end, in the government bond market the ten-year yield ended 2005 at 3.37%, which was under the rate of 3.64% seen in December 2004.

Operations generally within the Spanish banking system, and particularly in the Andalusian one, thus showed a rise in rates in 2005. The weighted average lending rate for Spain as a whole closed the year at 3.93%, against 3.87% in 2004, leaving the real interest rate at 0.2%. On the other hand, the weighted average deposit rate ended 2005 at 1.26%, implying negative real yields.

## 11. BANKING SYSTEM

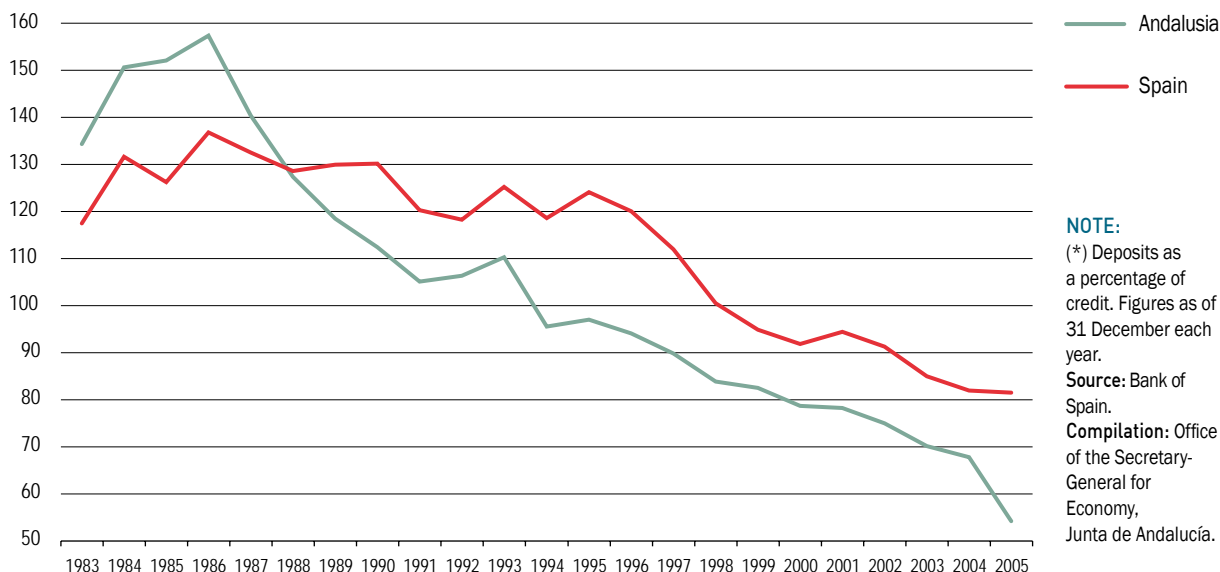
Chart 132. **INTERVENTION RATES**



Against this backdrop, Spanish bank credit rose by a nominal 26.8% in 2005, almost ten points more than in 2004. In Andalusia growth was 29.6%, the highest on record (since 1984).

Conversely, as mentioned above, deposits, which offered a negative real yield, were up 26.1% in Spain, almost doubling the previous year's rise (13.5%). In Andalusia, however,

Chart 133. **DEPOSIT/CREDIT RATIOS IN THE BANKING SYSTEM\***



growth in these eased back notably as they rose 3.5% against 17.9% in 2004.

## Andalusian banking system structure and size

Overall, the branches run by the commercial banks, savings banks and credit cooperatives comprising the Andalusian banking system came to a total of 6,222 on 31 December 2005. This meant 253 branches more with respect to 2004 (4.2%) and was a historic high. In percentage terms the number of branches rose by less on a national scale (3.4%), with the result that almost one quarter of the rise in the Spanish branch network was attributable to Andalusia.

These trends meant that the Andalusian banking network gained in importance out of the Spanish total, coming to have a share of 15%, two tenths of a point more than in the previous year.

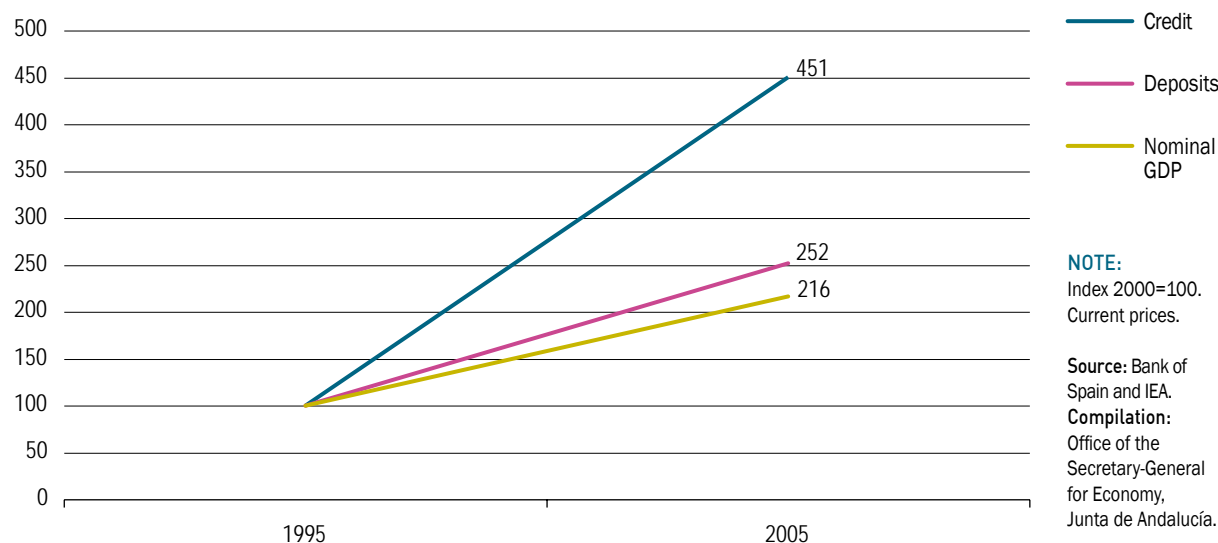
In terms of the number of inhabitants per branch, Andalusia moved closer still to the Spanish average in 2005. In Andalusia there were an average of

1,262 inhabitants per branch, compared to 1,060 for Spain as a whole, meaning that the Andalusian figure was 19.1% higher than nationally, narrowing the gap with Spain by eight tenths with respect to 2004 due to the relatively larger increase in branch numbers in Andalusia.

Continuing the trend of recent years, it was the savings banks which were responsible for the biggest increase in branch numbers, with 146 branches more in 2005. They were followed by the commercial banks, with 82 more, while credit cooperative branches were up by 25. Thus by the end of 2005 the savings banks were operating 54.3% of banking outlets in Andalusia, the commercial banks 28.6% and the credit cooperatives the remaining 17.1%.

Comparing this distribution of the banking network with the situation for Spain as a whole, it can be seen that commercial banks had a smaller relative share in Andalusia than on average nationwide (28.6% and 34.9% respectively). However, credit cooperatives had a larger weight in Andalusia (17.1% compared to 11.2% for Spain), which ties in with the relatively greater significance of the farm

Chart 134. **CREDIT, DEPOSITS AND GDP TRENDS. ANDALUSIA**



## 11. BANKING SYSTEM

Table 73. **BASIC INDICATORS OF THE BANKING SYSTEM** <sup>(1)</sup>. YEAR 2005

	Andalusia	Spain
<b>BRANCHES</b>		
Number	6,222	41,599
Breakdown by type of bank (%)		
Commercial banks	28.6	34.9
Savings banks	54.3	53.9
Credit cooperatives	17.1	11.2
Inhabitants per branch	1,262	1,060
<b>DEPOSITS</b>		
€ million	87,942	965,404
As a percentage of GDP at market prices	68.9	106.8
Breakdown by sector (%)		
Public sector	8.5	5.7
private sector	91.5	94.3
Private deposits per inhabitant (in thousand euro)	11.2	21.9
Private deposits per branch (in million euro)	14.1	23.2
Breakdown of private deposits by type of bank (%)		
Commercial banks	27.7	40.0
Savings banks	56.8	53.1
Credit cooperatives	15.4	6.9
Breakdown of private deposits by type of account (%)		
Sight deposits	38.3	24.9
Savings deposits	28.5	19.1
Time deposits	33.2	56.0
<b>BORROWING</b>		
€ million	162,391	1,184,914
As a percentage of GDP at market prices	127.2	131.0
Breakdown by sector (%)		
Public sector	3.5	3.1
private sector	96.5	96.9
Private deposits per inhabitant (in thousand euro)	20.7	26.9
Private deposits per branch (in million euro)	26.1	28.5
Breakdown of private deposits by type of bank (%)		
Commercial banks	41.7	46.1
Savings banks	48.1	48.3
Credit cooperatives	10.2	5.6
Deposits/Credit (%)	54.2	81.5

**NOTES:**

Data as of 31 December 2005. Population as of 1 January 2005.  
(1) Commercial and savings banks and credit cooperatives.

Source: Bank of Spain, INE and IEA.  
Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

sector within the Andalusian economy, while savings banks had similar relative shares both in Andalusia and in Spain (54.3% and 53.9% respectively).

The rise in branch numbers was spread across all the provinces, with Malaga, Almeria and Seville seeing above-average figures for Andalusia, while the smallest rises were in Jaen and Huelva (both under 2%). Subdividing into bank type, in Cadiz, Cordova and Jaen the largest rise in branches was among the commercial banks, while in Almeria, Huelva and Malaga it was the savings banks which grew most actively, and in the other two provinces of Granada and Seville it was the credit cooperative branches which increased the most.

For the second year running, bank credit volume in Andalusia was larger than GDP, reaching 127.2% (106.4% of GDP in 2004). Over the whole of Spain too, credit volume lifted its percentage of GDP, though to a lesser extent, arriving at 131%. This meant that in 2005 the gap with average national levels closed up further, which is also evident from analysis of other credit parameters.

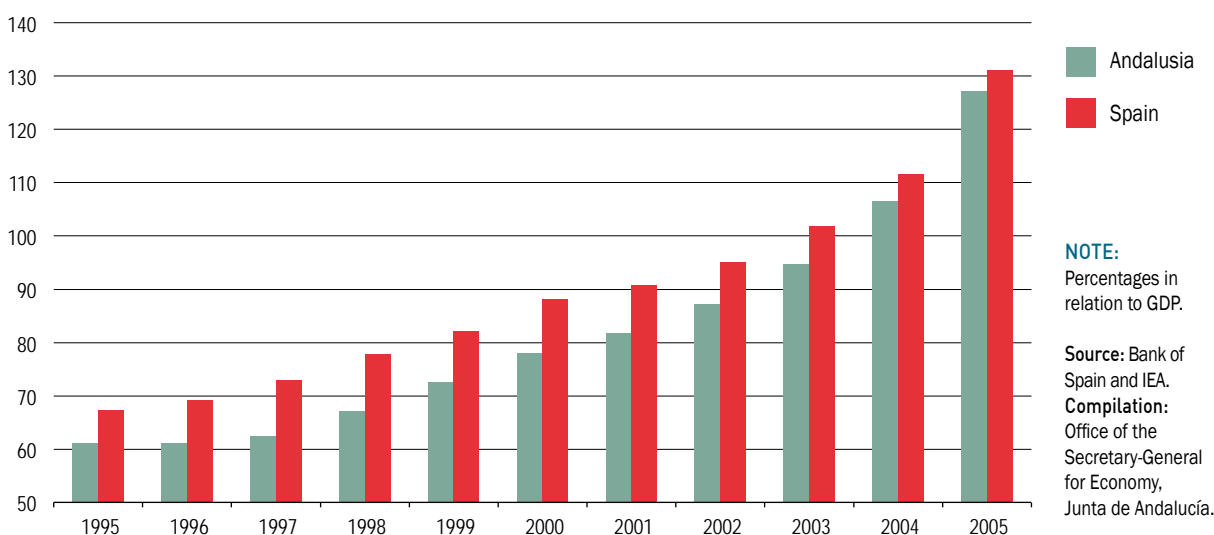
Private sector lending per inhabitant came to 20,700 euros in Andalusia in 2005, which was

77% of the national average and two percentage points higher than the year before. Along with this, private sector credit per branch was 26.1 million euros, which was 91.6% of the Spanish average and almost two points up on 2004.

On the deposit side, the situation in Andalusia differed more greatly in comparison with that seen on average nationally, and in 2005 some parameters even fell back. Total deposits within the Andalusian banking system were 68.9% of GDP at year-end in 2005, over three percentage points down on the year previous and far below the figure of 106.8% on a national level. Private deposits per inhabitant were 51.1% of the national average, more than ten points less than in 2004, and private deposits per branch also lost weight with respect to Spain as a whole, standing in 2005 at 60.8% of the average for the national banking system, 8.7 percentage points below the year before.

The financial savings rate, calculated as the ratio of bank deposits to loans and which shows Andalusia's funding requirement using savings from outside, dropped to a historic low of 54.2% in 2005 due to the lower relative increase in

Chart 135. **BORROWING IN RELATION TO GDP**



deposits vis-à-vis credit. This meant a reduction of 13.6 points on 2004, whereas in Spain, where the financial savings ratio also revealed that deposits attracted by the banking system were too small in volume to cater for borrowing demand, the financial savings ratio shrank by four tenths of a point to 81.5%.

### Bank credit

At the close of 2005 the Andalusian banking system had credit open of 162,391 million euros, which implied a annualised increase of 29.6%, the highest on record and ahead of the national average (26.8%).

Of total credit made available in Andalusia in 2005, 96.5% was granted to businesses and households, the remaining 3.5% going to the public sector, which saw modest growth of 3%.

The rise in private sector credit hit a historic high of 30.8%, with the most sizeable rises coming from the credit cooperatives, followed by the savings banks and lastly the commercial banks.

In 2005 the savings banks accounted for 48.1% of total private sector lending, whereas the commercial banks handled 41.7% and the cooperative banks 10.2%. This distribution was very much akin to what was seen on average in Spain, where it was also the savings banks which accounted for the largest share of private credit (48.3%). The commercial banks were in second place, as they were in Andalusia, but they had a relatively larger market share, with 46.1%. In contrast, the weight taken up by credit cooperatives was smaller (5.6%, almost halving the level in Andalusia).

On the other hand, the volume of private credit opened by the Andalusian savings banks rose 22.1% in 2005, whereas the amounts granted by other savings banks were up by 52.9%. Andalusian savings banks thus accounted for 30.5% of private credit opened in Andalusia in 2005, which was 2.2 percentage points down on the year before, while the savings banks from outside the region absorbed 17.6%, 2.6 points up, and 36.5% of private credit granted by savings banks as a whole in Andalusia.

Chart 136. PRIVATE SECTOR BORROWING BY BANK TYPES. ANDALUSIA

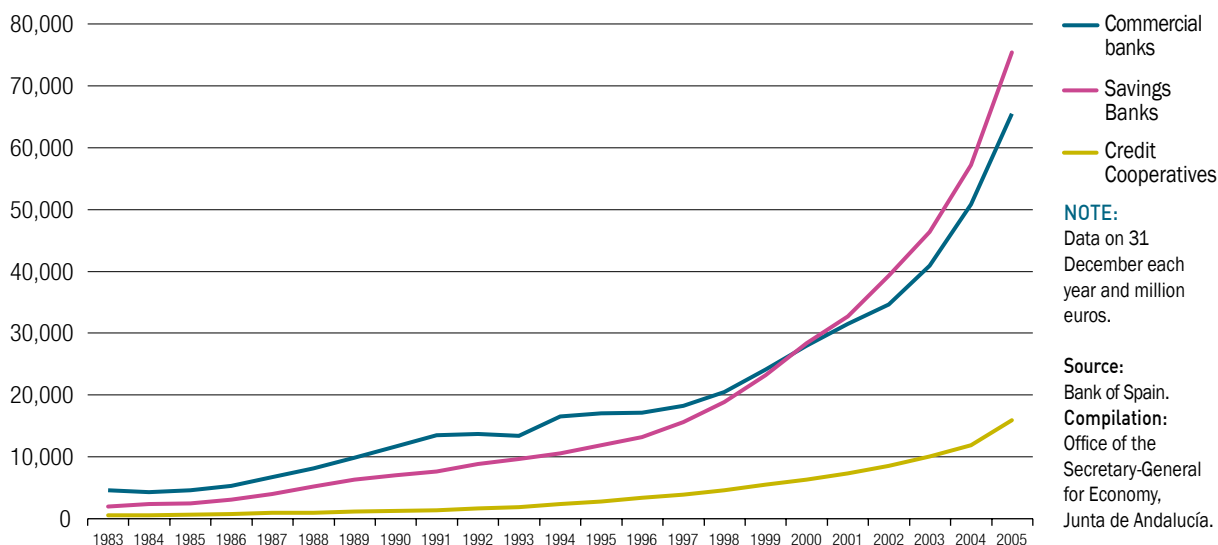
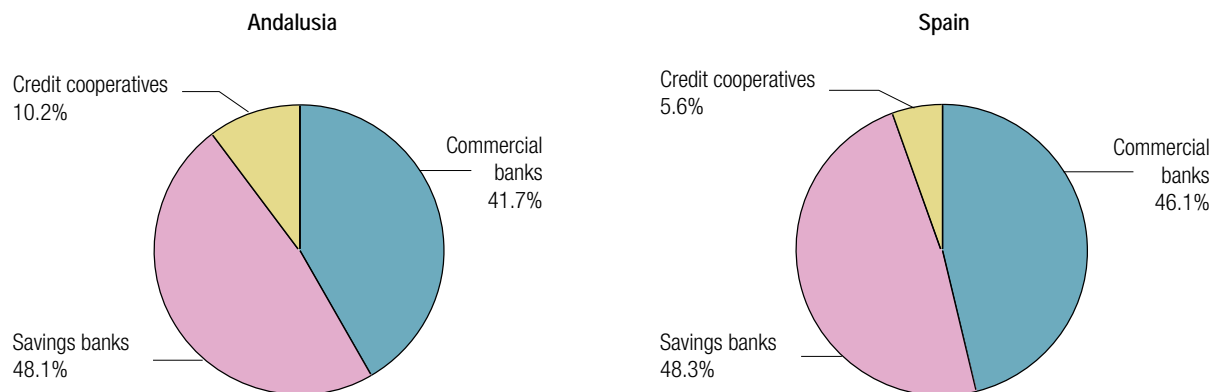




Chart 137. MARKET SHARE OF BANKS OF PRIVATE SECTOR BORROWING. YEAR 2005



**NOTES:**

Total private sector borrowing at each type of financial institution as a percentage of the total (%). Data as of 31 December 2005.

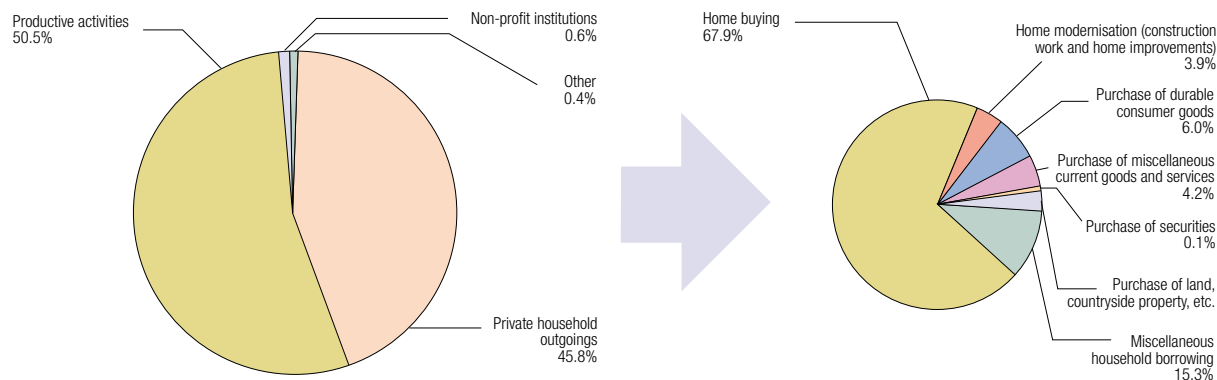
Source: Bank of Spain.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

Looking at the destination of private lending granted by Andalusian savings banks, 50.5% went into productive activities in 2005. Among these, the services sector stood out, absorbing 57.7% of total lending, with the

lion's share focusing on real estate activities and business services. This was followed by construction, with 20% of credit for productive activities, followed by the primary sector and industry.

Chart 138. PRIVATE SECTOR RESIDENT BORROWING BY DESTINATION. ANDALUSIA SAVING BANKS. YEAR 2005



**NOTES:**

Private sector borrowing as of 31 December 2005. As a percentage of total borrowing.

Source: Andalusian savings banks.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

## 11. BANKING SYSTEM

Table 74. **PRIVATE SECTOR BORROWING FROM ANDALUSIAN SAVINGS BANKS**

	2005		Growth rate (%)
	€ thousand	% of total	05/04
<b>PRODUCTIVE ACTIVITIES</b>	26,719,595	50.54	14.7
Crop and animal farming, hunting and forestry	3,051,130	5.77	-11.1
Fishing	77,660	0.15	10.8
Mining and quarrying	113,071	0.21	5.7
Manufacturing n.e.c.	2,263,002	4.28	14.2
Food products, beverages and tobacco	745,911	1.41	18.7
Refined oil products	8,030	0.02	13.0
Chemicals, chemical products and man-made fibres	92,195	0.17	16.9
Glass, ceramic and construction products	229,713	0.43	16.7
Metallurgy and fabricated metal products, machinery and equipment n.e.c.,			
Manufacture of transport equipment	420,120	0.79	18.7
Manufacture of transport equipment	54,263	0.10	22.3
Manufacturing n.e.c.	712,770	1.35	6.2
Production and distribution of electricity, gas and water	445,003	0.84	-19.3
Construction	5,350,068	10.12	18.8
Buildings and civil works	4,515,372	8.54	18.7
Motorways, roads and railways	224,911	0.43	1.0
Installations and finishings	479,801	0.91	31.3
Site preparation; renting of construction or demolition	129,984	0.25	15.6
Wholesale and retail trade and repairs	2,771,445	5.24	3.0
Hotels and restaurants	858,605	1.62	18.9
Transport, storage and communication	700,322	1.32	6.7
Financial intermediation, except banking	824,592	1.56	70.1
Insurance	3,853	0.01	6.0
Other financial intermediation	820,739	1.55	70.6
Real estate activities and business services	9,293,645	17.58	28.5
Real estate activities	8,372,009	15.84	30.2
Other business services	921,636	1.74	15.0
Other services	971,052	1.84	11.2
<b>PRIVATE HOUSEHOLDS</b>	25,654,166	48.52	32.4
Home buying	17,430,098	32.97	33.4
Home modernisation (construction work and home improvements)	991,458	1.88	28.5
Purchase of durable consumer goods	1,542,223	2.92	35.2
Purchase of miscellaneous current goods and services	1,070,329	2.02	7.6
Purchase of securities	19,344	0.04	6.9
Purchase of land, countryside properties, etc	677,211	1.28	32.3
Miscellaneous household borrowing	3,923,503	7.42	36.6
<b>NON-PROFIT INSTITUTIONS</b>	289,250	0.55	2.6
<b>OTHER (unclassified)</b>	206,193	0.39	13.8
<b>TOTAL</b>	52,869,204	100.00	22.5

**NOTE:**

Includes all borrowing, both inside and outside the Autonomous Community of Andalusia.  
**Source:** Andalusian savings banks.  
**Compilation:** Office of the Secretary-General for Economy, Junta de Andalucía.

Table 75. **PRIVATE SECTOR BORROWING AND DEPOSITS IN THE ANDALUSIAN PROVINCES. YEAR 2005**

	BORROWING			DEPOSITS		
	€ million	04-05 growth %	€ thousand per inhabitant	€ million	04-05 growth %	€ thousand per inhabitant
Almeria	16,707	34.5	27.3	7,221	3.1	11.8
Cadiz	19,448	29.2	16.5	9,072	6.2	7.7
Cordova	15,614	27.8	19.9	9,012	4.0	11.5
Granada	16,941	37.4	19.7	9,939	4.4	11.5
Huelva	8,084	28.6	16.7	4,066	11.4	8.4
Jaen	8,701	20.3	13.2	6,840	5.4	10.4
Malaga	32,699	33.9	22.5	16,032	2.4	11.0
Seville	38,511	29.1	21.2	18,313	2.6	10.1
ANDALUSIA	156,704	30.8	20.0	80,495	1.8	10.3
SPAIN	1,147,749	27.5	26.0	910,445	25.9	20.6

**NOTE:**

Data as of 31 December 2005.

Source: Bank of Spain and INE.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

Lending to fund productive activities showed an annualised 14.7% rise in 2005, this largely taken up by loans towards real estate activities and business services, these accounting for over two thirds of the increase. On the other hand, due to their high growth rates there were notable rises for lending destined for financial intermediation, except involving credit institutions, which means insurance activities and pension plans, and other activities related to financial intermediation, such as administration for financial markets, securities houses, valuation agencies, stock exchange companies, etc.

Credit to individuals represented 48.5% of all credit granted by Andalusian savings banks in 2005, with house-buying one of the major reasons for borrowing, accounting for 67.9% of lending to individuals and one third of all lending by Andalusian savings banks in 2005.

Such loans rose by a year-on-year 32.4%, outstripping the increase in lending for productive activities. This was largely due to home-buying, which accounted for almost three quarters (70%) of the increase in all lending by Andalusian savings banks to individuals in 2005.

In the provincial distribution of private credit opened by the Andalusian banking system in 2005, Seville and Malaga accounted for most of this, this joint slice being relatively larger both in economic terms and according to population, the two absorbing 45.4% of the total amount. In a ranking of credit volume per inhabitant, Almeria came first with 27,285 euros per person, followed by Malaga and Seville. At the other extreme, Jaen and Cadiz were the Andalusian provinces with the lowest borrowing per inhabitant.

On the other hand, the largest increase in borrowing levels was recorded in Granada, with a rise in private sector credit in 2005 of 37.4% year-on-year, whereas the lowest rise was in Jaen (13.2%).

## Mortgage lending

According to mortgage statistics produced by the INE, the total amount of mortgage lending arranged against urban real estate in Andalusia in 2005 amounted to 41,520.7 million euros,

Box 14. **MORTGAGE BORROWING FOR HOUSE-BUYING**

According to mortgage statistics produced by the INE, the total amount for mortgage loans arranged within the Spanish banking system in 2005 came to 241,392.4 million euros. The number of mortgages was 1,752,947, most of which were on urban real estate (97.1% of the total), of which almost three quarters (72.5%) was on housing.

Almost one fifth of the mortgage loans arranged on housing in 2005 were in Andalusia (19%), followed by Catalonia (18.4%), Valencia (13%) and Madrid (13%), with these four autonomous communities absorbing over half of mortgages executed against housing in Spain that year. In terms of numbers of mortgages compared to population, Valencia led the way with 38.2 mortgages per thousand inhabitants, followed by Murcia, Baleares and Catalonia, with Andalusia in fifth place (29.9 per thousand inhabitants).

Most of the mortgage loans on housing in 2005 were arranged at variable interest rates (97.6%) and only 2.4% at a fixed rate. Among the mortgages arranged at a variable rate the main benchmark used was Euribor (83.1%), compared with 13.4% which used the IRPH (Mortgage Loans Reference Index), whereas the remaining 3.5% used other indices as a reference. Among the various autonomous communities the findings were fairly uniform, although, on the one hand, Cantabria, La Rioja and Navarre were remarkable as having over 5% of loans locked in at fixed rates of interest, while on the other Catalonia was too as being the only region with a significant percentage of variable rate loans which used the IRPH as a benchmark (23.8%).

The ratio of total mortgage lending on housing to GDP, which was 17% nationwide, was highest in Murcia out of all the autonomous communities, this figure representing 22.9% there in 2005. It was followed by Valencia and the Balearic Islands, with Andalusia in fourth place with 20.7%, while, at the other extreme, the lowest ratios arose in Ceuta and Melilla, Navarre, Extremadura and Galicia, none of which reached a figure of 10% of GDP.

Of the autonomous communities Madrid was the one with the highest average home mortgage loan (165,795.1 euros). A further three regions (Catalonia, the Basque Country and the Balearic Islands) were above the average for Spain (124,538.3

**INTEREST RATES ON HOME MORTGAGE LOANS. YEAR 2005**

			BENCHMARK INDEX FOR VARIABLE RATE LOANS <sup>(1)</sup>		
	FIXED	VARIABLE	Euribor	Mortgage loan Index	Others
Andalusia	2.9	97.1	81.5	14.0	4.5
Aragon	2.9	97.1	92.9	4.3	2.8
Asturias	3.3	96.7	87.0	7.9	5.1
Balearic Islands	1.6	98.4	87.8	10.9	1.3
Canary Islands	4.0	96.0	85.7	11.9	2.4
Cantabria	6.3	93.7	86.9	9.8	3.3
Castilla y León	0.7	99.3	88.6	8.4	3.0
Castilla-La Mancha	3.8	96.2	91.1	5.9	3.3
Catalonia	1.8	98.2	73.4	23.8	2.8
Valencia	1.3	98.8	82.0	14.2	3.8
Extremadura	2.5	97.5	76.4	12.8	10.8
Galicia	2.2	97.8	90.3	5.1	4.6
Madrid	2.8	97.2	87.7	8.9	3.4
Murcia	0.9	99.1	85.9	11.2	2.9
Navarre	5.5	94.5	88.5	9.6	2.0
Basque Country	2.1	98.0	89.4	8.6	2.0
Rioja	5.9	94.1	87.4	6.3	6.2
SPAIN	2.4	97.6	83.1	13.4	3.5

**NOTES:**

As a percentage of the total.

(1) As a percentage of all variable rate loans.

Source: Spanish Association of Property and Mercantile Registrars. Property Register Statistics.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

euros). In Andalusia the average amount mortgaged in arrangements on housing in 2005 was 109,805.4 euros, representing 88.2% of the national average, with five autonomous communities having levels below it, these being Murcia, Castilla y León, Galicia, Asturias and Extremadura, as well as the autonomous cities of Ceuta and Melilla.

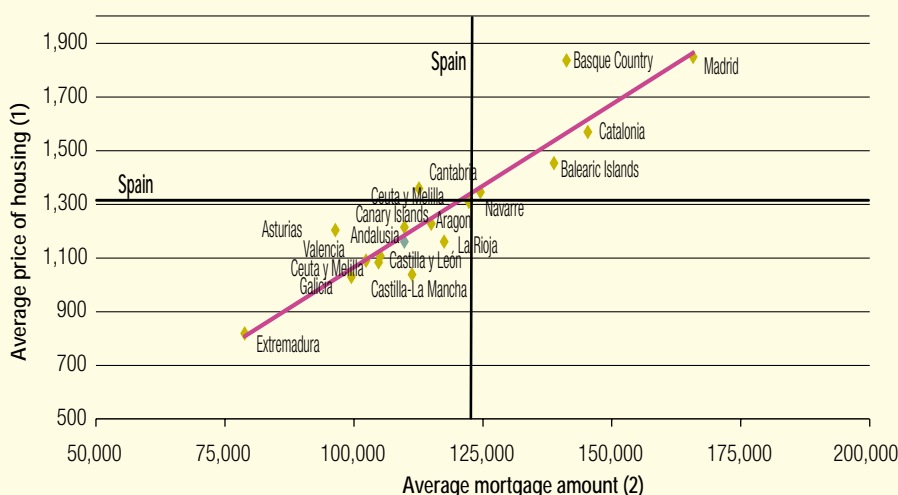
Data from the Ministry of Housing shows the direct correlation between house prices and the amount for mortgage loans arranged on such dwellings. This information reveals that it was the autonomous communities with the highest prices per square metre which had the largest mortgage loans and vice versa. Here the two extremes were Madrid and Extremadura. In 2005, in Madrid house prices per square metre stood at 1,847.3 euros with a typical arranged mortgage loan working out at 165,795.1 euros. At the other end of the scale, in Extremadura the house price per square metre was 817 euros and the average mortgage loan was 78,834.3 euros. Catalonia, the Basque Country and the Balearic Islands, which, next to Madrid were the autonomous communities with the highest average mortgage loans for housing, were also the regions with the highest house prices. In contrast, the lowest prices next to Extremadura were in Galicia, Castilla-La Mancha, Castilla y León, Murcia, and Ceuta and Melilla, which were among the autonomous communities with the lowest mortgage loans.

It can therefore be asserted that there were major differences according to residence location, to the extent that a typical citizen living in Extremadura gained access to a house at a price which was 44.2% of the going rate in Madrid by taking on a mortgage loan representing 47.5% of what people in Madrid committed to.

Comparing this situation with the mid nineties, it can be seen that over the ten-year period there was a major increase both in home mortgage numbers and in the average size of these. To be precise, for Spain as a whole the mortgage numbers per inhabitant more than doubled, with Andalusia and the Balearic Islands notable among the autonomic communities as being regions where this figure tripled. On the other hand the average amount for such mortgages increased almost three-fold on average in Spain between 1995 and 2005, with the situation in Madrid striking in this sense as the figure rose almost four-fold.

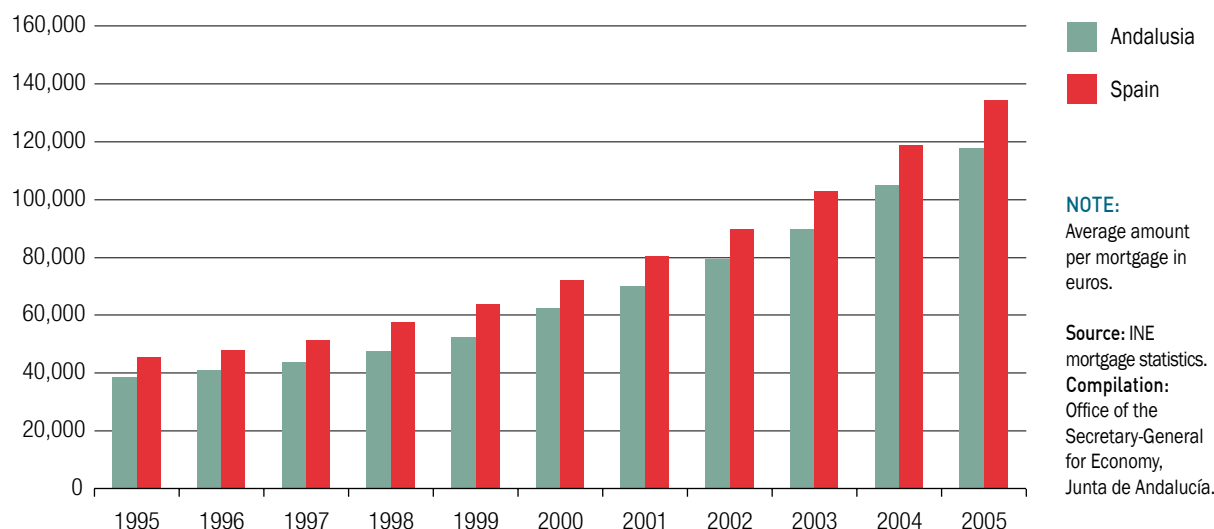
This phenomenon was in the main due to the easier terms on offer today on the financial markets for taking out such loans. On the one hand, there has been a notable lengthening evident over the period analysed in the time given for paying off mortgages, with the average at 25.2 years in 2005 for Spain as a whole (24.8 in Andalusia), compared with 10 years in the mid nineties. On the other hand, interest rates have come down too, these standing at around 3% in 2005, compared with 10% in 1995.

**INTEREST RATES AND LENDING TO BUSINESSES AND HOUSEHOLDS**



**NOTES:**  
 (1) Euros per square metre.  
 (2) Euros per mortgage on a dwelling.

**Source:** INE and Ministry of Housing.  
**Compilation:** Office of the Secretary-General for Economy, Junta de Andalucía.

Chart 139. **MORTGAGES ON URBAN REAL ESTATE**

23.8% more than in 2004, a rise on a par with the average in Spain (23.5%), and representing 32.5% of GDP. The number of such mortgages came to 352,783, 10.3% more than in 2004 and over the figure of 9% for the nation as a whole. The average amount for this type of mortgage came to 117,694.7 euros, compared to 104,842.5 the year before, which means that in Andalusia the average mortgage amount against urban real estate increased by less than it did throughout the nation as a whole, representing 87.6% of the national average compared to 88.4% in 2004.

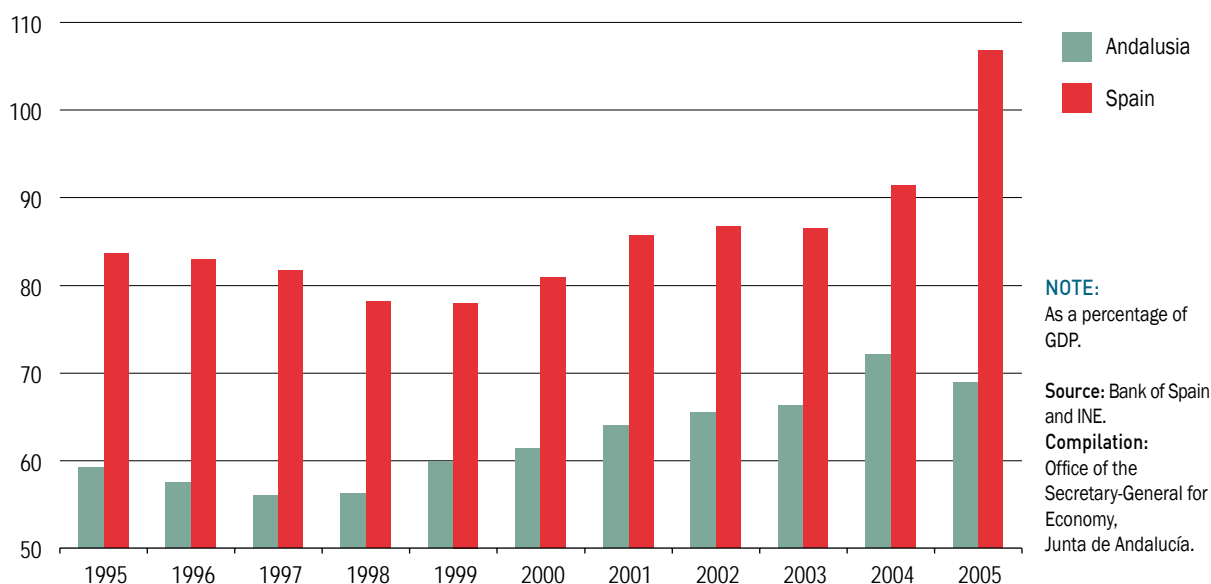
The bulk of mortgage loans authorised in 2005 to acquire urban real estate focused on Malaga and Seville, which together accounted for 43.8% of them and almost half of credit granted (49.4%). At the other end of the scale, Jaen was the Andalusian province with the lowest level of mortgage loan activity. Nonetheless, if the number of mortgage loans is set against the population, Almeria stood out as having the biggest concentration, with 73.9 mortgages per thousand inhabitants. It was followed by Malaga and Huelva, which also had a higher than average ratio for Andalusia, this being 44.95 mortgages per thousand inhabitants (40.5 in 2004).

For Andalusia as a whole the average amount for a mortgage arrangement was 117,694.7 euros and, as previously mentioned, only in Malaga was this figure higher, with an average of 153,495.8 euros per mortgage for urban real estate in 2005, while Jaen was the province with the lowest average. This had a correlation with the average price of housing in the various provinces, as Malaga had the highest price per square metre in 2005, while Jaen was the Andalusian province with the lowest house prices.

Of the total amount of mortgage loans granted for urban real estate, the bulk was for home buying (62.1% of the total), this figure rising noticeably with respect to the previous year (58.7%). The sum which went towards buying other types of urban real estate, such as commercial and industrial premises, garages and offices, among others, lost relative weight, this share being 30.2% compared to 33.8% in 2004. The remaining 7.7% was invested in the acquisition of plots of land.

This distribution of mortgage loans for urban real estate was similar for all the Andalusian provinces, although Almeria stands out as a province where the amount borrowed for housing and plots of land was

Chart 140. DEPOSITS IN RELATION TO GDP



the highest, while Malaga had the highest proportion used for other types of urban real estate.

In terms of the various financial institutions, in 2005 the savings banks accounted for almost half (49%) of the total volume of mortgage loans for urban real estate, overtaking the commercial banks which were the predominant type of lending institution in 2004 and lent 40.1% that year. The other lenders, including credit cooperatives, agricultural credit banks, insurance companies and financial credit establishments were responsible for 10.9% of total mortgage loans in 2005.

These trends were common to all the various provinces, with Jaen having the highest market share of savings bank business, Malaga the biggest commercial bank presence and Almeria the largest relative share of loans from the other types of institution.

## Bank deposits

Bank deposits in Andalusia rose 3.5% in 2005, growth being notably smaller than the previous

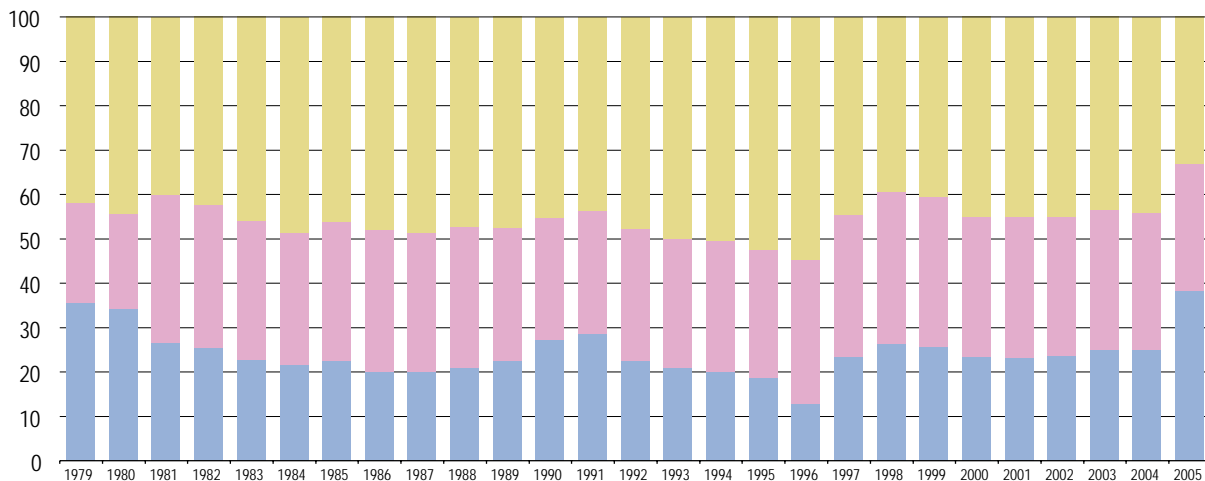
year's figure of 17.9%, in a context of negative real interest rates. This slowdown did not take place on a national scale, however, with deposits attracted by banks over Spain rising by 26.1%, almost double the 2004 rate (13.5%).

To be precise, in late 2005 deposits in the Andalusian banking system amounted to 87,942 million euros, representing 70.7% of GDP, almost five points less than in the previous year (75.5%). Most of these deposits (91.5%) were made by enterprises and households, although these only rose 1.8% with respect to 2004. In contrast, public sector deposits, which represented 8.5% of the total were up by 26.4%.

Among the different types of private deposits, only the volume of sight deposits rose in 2005, while both term and savings deposits were down. The growth rate for sight deposits actually picked up, reaching a historic high of 55.9%, while term deposits dropped 23.4% on 2004, which previously had not happened since 1998, and savings deposits fell by 5.9%, something which had not occurred since 1980, which is as far back as such information goes.

## 11. BANKING SYSTEM

Chart 141. **PRIVATE SECTOR DEPOSIT STRUCTURE. ANDALUSIA**

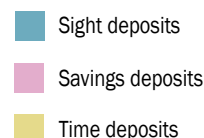


**NOTE:**

As a percentage of total private sector deposits. Figures as of 31 December each year.

Source: Bank of Spain.

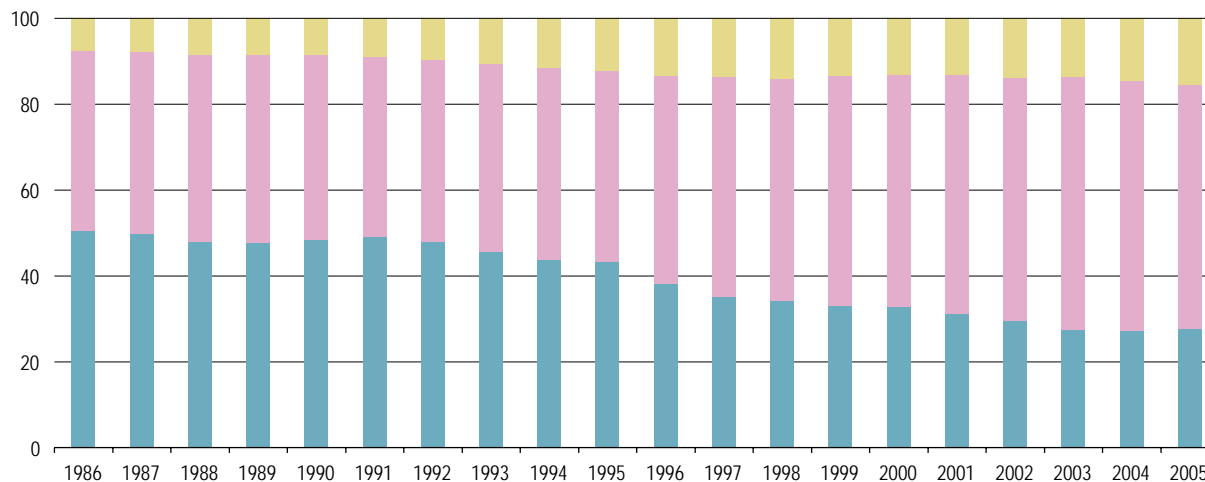
Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.



Looking at the relative weight of each type of deposit in Andalusia in 2005, there was a predominance of those with greater liquidity, namely sight deposits (38.3%), these replacing

term deposits which were the most voluminous type in 2004 and still had the biggest weight nationally (56%, compared with 33.2% in Andalusia). Savings deposits accounted for the

Chart 142. **PRIVATE SECTOR DEPOSITS BY FINANCIAL INSTITUTION. ANDALUSIA**



**NOTES:**

As a percentage of total private sector deposits. Figures as of 31 December each year.

Source: Bank of Spain.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

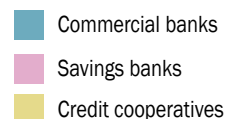
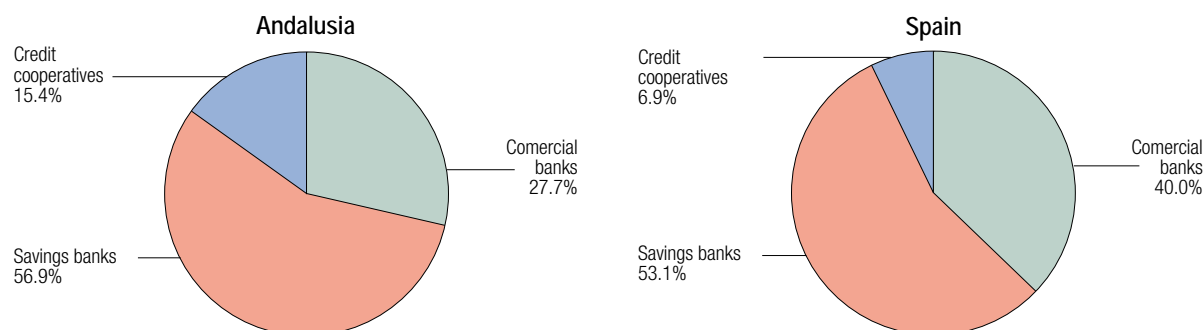




Chart 143. MARKET SHARE OF PRIVATE SECTOR BANK DEPOSITS. YEAR 2005

**NOTE:**

Total private sector deposits at each type of financial institution as a percentage of total deposits (%). Data as of 31 December 2005.

Source: Bank of Spain.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

remaining 28.5%, these having a larger relative weight than on average in Spain (19.1%).

In terms of how private deposits were distributed among banks in Andalusia in 2005, the most robust growth was displayed by the credit cooperatives, this registering 8.5% with respect to the previous year. On the other hand, private deposits left with the commercial banks grew by 3.6%, whereas deposits with savings banks were down by 0.7%.

For the twelfth year in a row, however, it was the savings banks which still had the largest market share of deposits, these handling 56.8% of private business of this kind in Andalusia in 2005, 1.5 points less than in 2004. Credit cooperatives gained ground, obtaining 15.4%, almost one point more than in 2004, as did the commercial banks, albeit to a lesser extent, these attracting 27.7% of total private deposits. For Spain as a whole it was also the savings banks which had the largest volume of such deposits, although they had a lower share than in Andalusia (53.1%) and they were also down on the previous year. Commercial banks, however, had a higher market share nationally than in Andalusia (40% versus 27.7%), while credit cooperatives had a lower relative weight on average in Spain (6.9%).

On the other hand, private deposits made in the Andalusian savings banks in the region fell by 3.5% with respect to the previous year in contrast to the 11.2% rise in 2004 and the 1.8% increase for total deposits lodged in Andalusia in 2005. As a result the relative weight of these deposits out of the total was lower than the 2004 level (45.1% and 48.2% respectively). In contrast, the volume of private deposits with savings banks from outside the region rose by 12.7%, absorbing 11.1% of total private deposits in Andalusia, one point more than in the previous year.

Among the various provinces, private deposits in the Andalusian banking system focused on Seville (22.8%) and Malaga (19.9%). The largest rise with respect to 2004 was registered in Huelva (11.4%), a long way above the Andalusian average (1.8%), whereas, at the other extreme, the Andalusian province with the lowest growth in private deposits in 2005 was Malaga (2.4%). If the data is compared to population, the highest private deposit to inhabitant ratio was in Almeria, followed by Cordova and Granada, all of these at 11,500 euros or more. The lowest savings levels in 2005 were in Cadiz, with 7,700 euros per inhabitant.

Table 76. **INCOME STATEMENTS FOR DEPOSIT-TAKING INSTITUTIONS. YEAR 2004**

	€ thousand		2003-2004 percentage change		As a percentage of total banking system figures	
	Andalusia	Spain	Andalusia	Spain	Andalusia	Spain
<b>Banking System</b>						
Net interest income	3,506,718	29,514,396	5.3%	3.2%	–	–
Gross operating income	4,779,938	40,920,823	10.6%	11.0%	–	–
Net operating income	2,548,470	18,997,038	32.0%	23.5%	–	–
Income before tax	1,724,438	12,516,417	25.0%	9.7%	–	–
Net income for the year	1,487,941	10,658,754	31.3%	14.9%	–	–
<b>Commercial banks</b>						
Net interest income	1,543,224	14,821,727	10.3%	3.6%	44.0%	50.2%
Gross operating income	2,224,150	21,714,729	20.0%	17.3%	46.5%	53.1%
Net operating income	1,333,964	11,080,833	48.0%	38.0%	52.3%	58.3%
Income before tax	956,063	7,281,777	33.8%	14.7%	55.4%	58.2%
Net income for the year	814,061	6,143,292	39.8%	21.1%	54.7%	57.6%
<b>Savings banks</b>						
Net interest income	1,661,583	13,374,000	6.2%	5.4%	47.4%	45.3%
Gross operating income	2,174,568	17,566,000	7.1%	7.1%	45.5%	42.9%
Net operating income	1,017,623	7,312,000	19.9%	11.0%	39.9%	38.5%
Income before tax	646,201	4,818,000	15.4%	5.8%	37.5%	38.5%
Net income for the year	569,270	4,153,000	22.8%	10.2%	38.3%	39.0%
<b>Credit cooperatives</b>						
Net interest income	301,912	1,318,669	-17.5%	-17.4%	8.6%	4.5%
Gross operating income	381,220	1,640,094	-13.0%	-16.3%	8.0%	4.0%
Net operating income	196,883	604,205	8.8%	-21.1%	7.7%	3.2%
Income before tax	122,175	416,640	16.8%	-18.3%	7.1%	3.3%
Net income for the year	104,610	362,462	19.4%	-17.4%	7.0%	3.4%

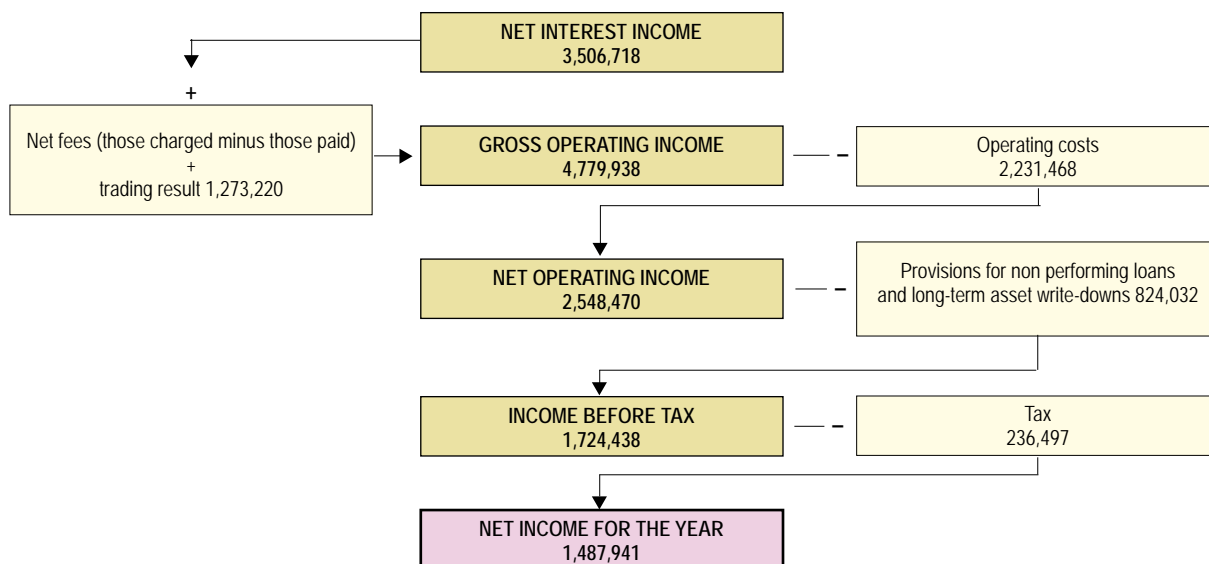
Source: IEA Statistics of the Andalusian financial system.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

## Income statements for deposit-taking institutions

According to the “Statistics on the Andalusian Financial System” published by the Andalusian Statistics Institute in 2004, net interest income deposit-taking institutions in Andalusia, calculated as the difference between interest income and interest expense, rose 5.3% with respect to the previous year, almost two points higher than the national average (3.2%), as

has been the case since such information has been available (2001). The bulk of this (47.4%) was generated by savings banks, which had a high presence within the Andalusian financial system, being notable for their high number of branches and high market share, both in terms of loans and deposits attracted. The commercial banks, on the other hand, were responsible for 44% of net interest income in 2004 and the credit cooperatives the remaining 8.6%.

Chart 144. **BANKING SYSTEM RESULTS. ANDALUSIA. YEAR 2004****NOTE:**

Thousands of euros.

Source: IEA Statistics of the Andalusian financial system.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

Gross operating income, obtained by adding net fees (those charged minus those paid) to net interest income and trading income rose by more than net interest income (10.6%) and was similar to the national average (11%), due to the fact that net fees and trading income were up by 24.2%. On the other hand such fees and trading income, which form part of gross operating income, had a lower weight in the Andalusian banking system than in the national one, representing 26.6% of gross operating income in Andalusia and 27.9% in the case of Spain. Among the different types of financial institutions the biggest such weight was to be found within the commercial banks (30.6%), followed by the savings banks (23.6%), the credit cooperatives having the lowest (20.8%).

Net operating income, being the balance of gross operating income and operating costs, which include expenses on staff, administration, amortisation and other operating charges rose

32%, above the national level of 23.5%, with particularly strong growth experienced by the commercial banks (48%).

The percentage of operating expenses against gross operating income can be considered as an indicator of the efficiency of the financial system, and 2004 saw a more favourable situation among the Andalusian institutions than in those in Spain as a whole (46.7% and 53.6% respectively). Looking at the various types of institution, it was the commercial banks which had the best relative position, spending 40% of gross operating income on operating costs, compared to 53.2% for the credit cooperatives and 48.4% for the savings banks.

Pre-tax income, which is obtained by subtracting provisions for non performing loans and fixed investment write-downs, the banking risk fund and extraordinary losses from net operating income rose by 25% in Andalusia in 2004,

comfortably ahead of the figure of 9.7% seen nationally.

Finally the results for the year, which are obtained by deducting taxes paid from pre-tax income were up by more than for Spain as a whole for the second year in a row. The rise in Andalusia was 31.3%, more than doubling the Spanish average (14.9%) with an especially strong performance by the commercial banks (39.8%).

Net income for the Andalusian banking system in the year came to 1,487,941 thousand euros, representing 42.4% of net interest income, far above the figure of 36.1% seen nationally. Of total net income for the year, over half was accounted for by commercial banks (54.7%), 38.3% by savings banks and the remaining 7% by credit cooperatives. 52.8% of net interest income for commercial banks was retained as net income for the year, compared with 34.6% for credit cooperatives and 34.3% for the savings banks.

12.

## Andalusia in the Context of the Spanish Regions



# Andalusia in the Context of the Spanish Regions

## Introduction

According to the Spain's Quarterly National Accounts published by the National Statistics Institute, in 2005 the Gross National Product (GDP) of the Spanish economy grew by an annualised 3.4% in real terms, three tenths more than the previous year and with a positive two percentage point differential with respect to the euro area (1.4%).

From a supply-side standpoint the expansion of the Spanish economy in 2005 was fuelled by the positive contribution of the non-farming sectors which generally saw a pick-up in their growth rate, construction being prominent as relatively the most vigorous sector. On the demand side the domestic components upped their positive contribution to GDP growth as a result of substantially higher investment, whereas the foreign trade performance revealed import growth that far exceeded that of exports.

These favourable trends in activity levels fed through to the labour market with high rates of job creation registered and a drop in jobless numbers.

All this took place in an environment where prices were swayed by the steady climb in oil prices on world markets, 2005 ending with inflation at 3.7% in Spain, half a point up on 2004.

This outcome for the Spanish economy in 2005 was the result of trends displayed by the various autonomous communities, which throughout the country recorded positive rates of economic growth and job creation as well as more inflationary price behaviour. Within this scenario, the indicators for production, demand, foreign trade, business sector activity and employment all indicated that Andalusia was relatively more buoyant than on average for the Spanish regions, even having a lower inflation rate than Spain as a whole.

## Population

The latest Municipal Population Census published by the INE and dating from 1 January 2005 showed the Spanish population as comprising 44,108,530 people, 910,846 more than in 2004, which represented an increase of 2.1% in relative terms.

Table 77. **RESIDENT POPULATION. YEAR 2005**

	Population	% of total	Change on 2004	
			Absolute	Relative (%)
Andalusia	7,849,799	17.8	162,281	2.1
Aragon	1,269,027	2.9	19,443	1.6
Asturias	1,076,635	2.4	2,874	0.3
Balearic Islands	983,131	2.2	28,086	2.9
Canary Islands	1,968,280	4.5	52,740	2.8
Cantabria	562,309	1.3	7,525	1.4
Castilla-La Mancha	2,510,849	5.7	16,931	0.7
Castilla y León	1,894,667	4.3	45,786	2.5
Catalonia	6,995,206	15.9	181,887	2.7
Valencia	4,692,449	10.6	149,145	3.3
Extremadura	1,083,879	2.5	8,593	0.8
Galicia	2,762,198	6.3	11,213	0.4
Madrid	5,964,143	13.5	159,314	2.7
Murcia	1,335,792	3.0	41,098	3.2
Navarre	593,472	1.3	8,738	1.5
Basque Country	2,124,846	4.8	9,567	0.5
La Rioja	301,084	0.7	7,531	2.6
<b>SPAIN</b>	<b>44,108,530</b>	<b>100.0</b>	<b>910,846</b>	<b>2.1</b>

Source: INE.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

In absolute terms among the autonomous communities the largest rises were registered in Catalonia, Andalusia, Madrid and Valencia in that order, the four together absorbing almost three quarters (71.7%) of the total population increase in Spain.

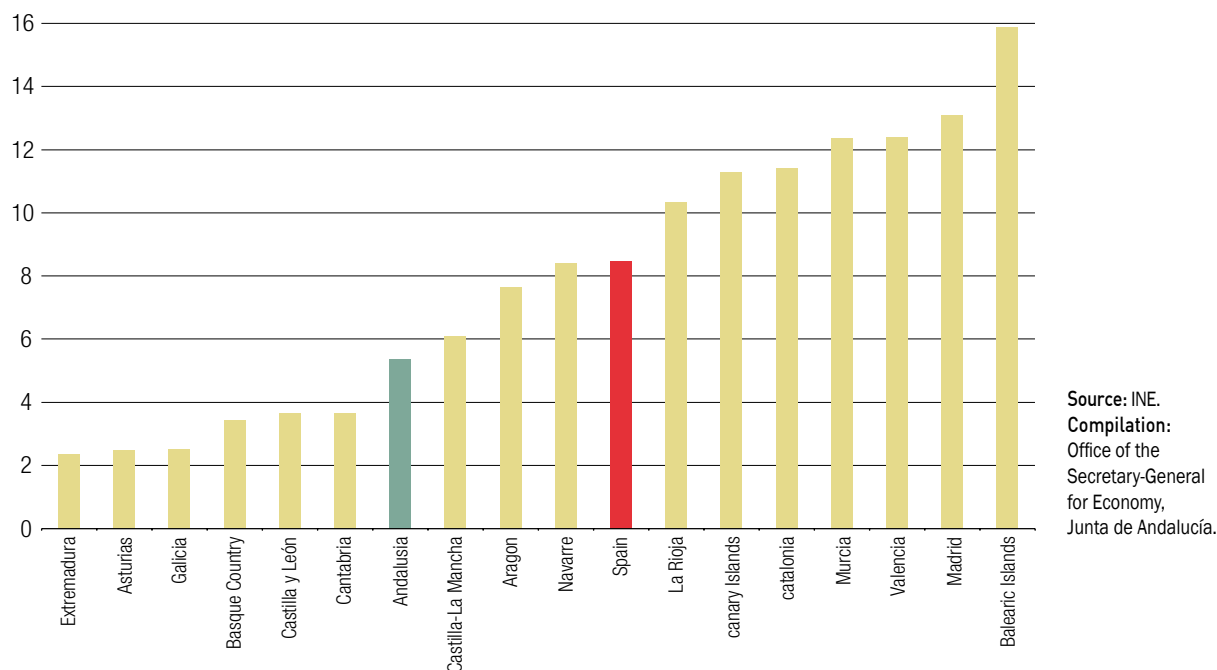
Relatively the biggest growth rates were observed in Valencia (3.3%) and Murcia (3.2%), these being more than one point over the Spanish national average. These were followed by the Balearic Islands (2.9%), the Canary Islands (2.8%), Catalonia and Madrid (both 2.7%), La Rioja (2.6%) and Castilla y León (2.5%), all of which had above-average growth rates compared to the national economy as a whole. The increase in Andalusia matched the national average, with the other autonomous communities showing more restrained levels, particularly Asturias, Galicia and the Basque Country, at around 0.5%.

After these rises Andalusia was still the most heavily populated autonomous community in Spain, with 7,849,799 inhabitants in 2005, 17.8% of the national total. It was followed by Catalonia, with 15.9% of the Spanish population, Madrid (13.5%) and Valencia (10.6%), the four regions together taking in 60% of the population of Spain. At the other extreme, the regions with the lowest population levels were La Rioja (0.7% of the national total), Cantabria and Navarre (both with 1.3%).

As has been unceasingly the case in recent years, Spanish population growth in 2005 relied heavily on the influx of foreigners, this population rising across all the regions and numbering 696,284 more in Spain than the previous year, accounting for over three quarters (76.4%) of the overall population rise.

The autonomous communities which have witnessed the most sizeable increases in foreign



Chart 145. **PERCENTAGE OF FOREIGN POPULATION OUT OF TOTAL. YEAR 2005**

population in absolute terms were Catalonia, with 156,058 more than in 2004, Valencia (117,668), Madrid (116,497) and Andalusia (98,637), the four together embracing 70.2% of the total foreign population rise in Spain in 2005.

Relatively the largest foreign population rises were in Andalusia (30.7% year-on-year), Castilla-La Mancha (29.7%) and La Rioja (28.1%), ahead of the national average of 22.9%, with the smallest gains in Navarre (15%) and Madrid (17.5%).

The foreign population in Spain thus came to represent 8.5% of the total in 2005, 1.5 points more than the year before, with notable differences by autonomous communities. The Balearic Islands had a share of foreign population that practically doubled the national average at 15.9% of total population. This was followed by Madrid (13.1%), Murcia, Valencia (12.4% in both), Catalonia, the Canary Islands and La Rioja (around 10% in all three cases), all of these surpassing the national average. On the other hand, the regions showing the lowest foreign population percentages were

Extremadura (2.3%), Asturias and Galicia (2.5% in each), followed by the Basque Country, Castilla y León and Cantabria (around 4%).

## Production

Real GDP growth in the Spanish economy in 2005 (3.4%) came from a positive contribution from all of the autonomous communities, according to Spain's Regional Accounts published by the INE.

The regions with the strongest growth rates at over the national average were Madrid (4%), Extremadura, Murcia (3.8% each) and the Basque Country (3.7%). These were followed by Andalusia, which the Andalusian Quarterly Accounts produced by the IEA attributes as having grown by 3.6% (3.5% according to the INE). At the other end of the scale, the Balearic Islands performed the most modestly, with a rise in real GDP of 2.4%, one point below the national average.

Table 78. **GROSS DOMESTIC PRODUCT AT MARKET PRICES. OUTPUT. YEAR 2005**

	Primary sector	Industry	Construction	Services	GDP
Andalusia	-5.0 (-4.9)	0.8 (2.7)	6.4 (6.3)	4.2 (4.0)	3.5 (3.6)
Aragon	0.2	2.1	6.9	3.8	3.5
Asturias	1.9	-0.1	4.1	3.7	2.9
Balearic Islands	2.1	2.7	2.2	2.4	2.4
Canary Islands	2.1	2.9	0.7	3.2	2.9
Cantabria	1.9	-0.6	3.9	4.0	3.0
Castilla y León	0.5	1.5	5.8	3.8	3.3
Castilla-La Mancha	-0.9	3.2	5.5	3.9	3.5
Catalonia	-2.6	0.1	5.4	4.3	3.3
Valencia	1.3	-1.0	4.8	3.9	3.0
Extremadura	2.2	1.4	5.6	4.0	3.8
Galicia	2.0	1.4	3.5	3.9	3.3
Madrid	1.7	1.6	8.0	3.8	4.0
Murcia	1.1	4.8	5.8	3.4	3.8
Navarre	0.0	1.6	4.7	3.7	3.1
Basque Country	5.3	2.6	8.0	4.0	3.7
La Rioja	2.1	0.8	4.3	3.8	3.0
SPAIN	-0.7	1.1	5.5	3.9	3.4

**NOTES:**

Year-on-year percentage change.

Chained volume index, base year 2000. Andalusia, in brackets IEA Andalusian Quarterly Accounts data.

Source: INE Spanish Regional Accounts, base year 2000 and IEA Andalusian Quarterly Accounts, base year 2000.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

The growth in the Spanish economy was propelled by the positive contributions made by the non-farming sectors, where growth rates picked up throughout, with construction the most vigorous. In contrast the primary sector once more, for the third time in succession, produced a negative result in its activity levels.

Specifically, in 2005 the **primary sector** in Spain registered a fall in real GVA of an annualised 0.7%, though this was more moderate than the year before.

According to the INE's Regional Accounts for Spain this overall result for the sector nationally arose from very uneven performances by the autonomous communities. The biggest rise in activity was in the

Basque Country (5.3%), followed at some distance by Extremadura, La Rioja, the Balearic Islands, the Canary Islands and Galicia, all of these being of around 2%. This contrasts with the declines observed in Andalusia (-5% year-on-year), the region which had the largest relative weight of sector GVA nationwide (23.5% of the total), Catalonia (an annualised -2.6%) and Castilla-La Mancha (-0.9%).

While the sector result was negative in productive terms, there was nonetheless an increase in employment, which was 1.2% across the whole nation, this being the first rise after three successive years of falls.

As with the output side, the sector employment showing varied considerably according to

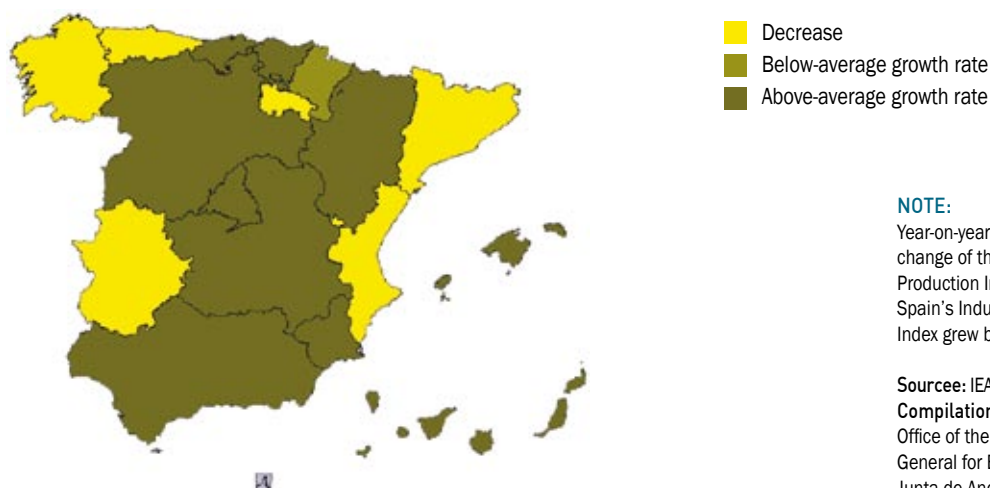
Table 79. **EMPLOYMENT IN THE PRIMARY SECTOR. YEAR 2005**

	Thousand people	% of total	Change on 2004	
			Absolute	Relative (%)
Andalusia	271.2	27.1	10.3	4.0
Aragon	42.5	4.2	5.4	14.4
Asturias	21.8	2.2	-4.3	-16.6
Balearic Islands	9.3	0.9	-0.3	-3.1
Canary Islands	29.2	2.9	-8.5	-22.6
Cantabria	13.9	1.4	1.1	8.4
Castilla y León	86.5	8.6	7.3	9.3
Castilla-La Mancha	62.1	6.2	-9.1	-12.8
Catalonia	80.3	8.0	8.1	11.1
Valencia	77.8	7.8	-0.6	-0.8
Extremadura	52.1	5.2	1.5	3.0
Galicia	121.0	12.1	-3.6	-2.9
Madrid	29.2	2.9	7.5	34.6
Murcia	64.0	6.4	-6.9	-9.7
Navarre	13.7	1.4	-1.1	-7.3
Basque Country	15.3	1.5	3.1	25.2
La Rioja	11.2	1.1	2.1	23.2
<b>SPAIN</b>	<b>1,000.7</b>	<b>100.0</b>	<b>11.8</b>	<b>1.2</b>

Source: INE Labour Force Survey.  
 Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

autonomous communities, with Andalusia notable for having job growth of 4%, the region absorbing 87.3% of all job creation in the sector nationally. There were also major rises in

Catalonia, Castilla y León and Madrid, whereas in contrast Castilla-La Mancha, the Canary Islands, Asturias and Murcia all saw sizeable falls in sector employment.

Chart 146. **INDUSTRIAL PRODUCTION. YEAR 2005****NOTE:**

Year-on-year percentage change of the Industrial Production Index.  
 Spain's Industrial Production Index grew by 0.1%.

Source: IEA and INE.  
 Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

On the other hand **industry** in 2005 saw a step-up in activity levels over Spain as a whole, with real GVA growth moving ahead at an annualised 1.1%, half a point more than in 2004.

Looking at performance by autonomic communities, the largest gain was made in Murcia (4.8% year-on-year), followed by Castilla-La Mancha and the Canary Islands (3.2% and 2.9%, respectively), with Andalusia (2.7% according to IEA estimates) joining the Balearic Islands and the Basque Country as regions where industry grew at over double the average rate in Spain. Counter to this were Valencia, Cantabria and Asturias (-1%, -0.6% and -0.1% year-for-year respectively), which showed flagging levels of activity in industry over the year.

As for production data, the INE's Industrial Production Index (IPI) suggests a virtual standstill in 2005, with a rise of 0.1% in Spain, with very differing performances in the breakdown by autonomous communities. Thus, as was the case for GVA, it was Murcia which stood out with the highest growth (6.6%), followed by Andalusia and the Balearic Islands, all of these with rates of well over the national average. On the other hand, there

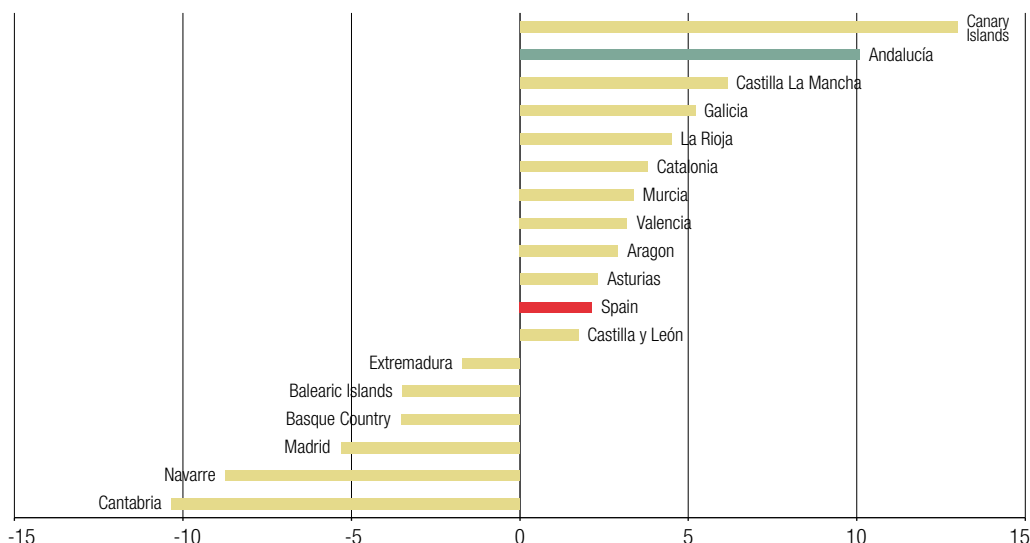
were slips for Extremadura (-2.9%), Catalonia and Valencia (-2.6% in each), with Galicia, La Rioja and Asturias also showing drop-offs in production.

On top of this, the Industrial Situation Survey conducted by the Ministry of Industry, Tourism and Trade reveals an upturn in capacity utilisation levels within the sector, which reached 80.2% in Spain in 2005, four tenths of a point above the previous year's level. Galicia was the region with the highest utilisation level (82.7%), with the Basque Country, Asturias and Madrid too above average for the nation. At the other end of the spectrum Murcia proved to be the region with the lowest industrial capacity utilisation level, this standing at 61%.

Within the realm of sector prices, the Industrial Production Index showed an uptick in 2005, with growth on average in Spain of 4.9%, 2.5 points above the previous year's increase, with the largest rises to be found in the Canary Islands (9.4%), Andalusia (7.9%) and Asturias (7.5%) and the smallest in Castilla y León, Extremadura and Madrid (at around 2%).

With respect to the labour market, the figures from the Labour Force Survey point to a rise in employment in

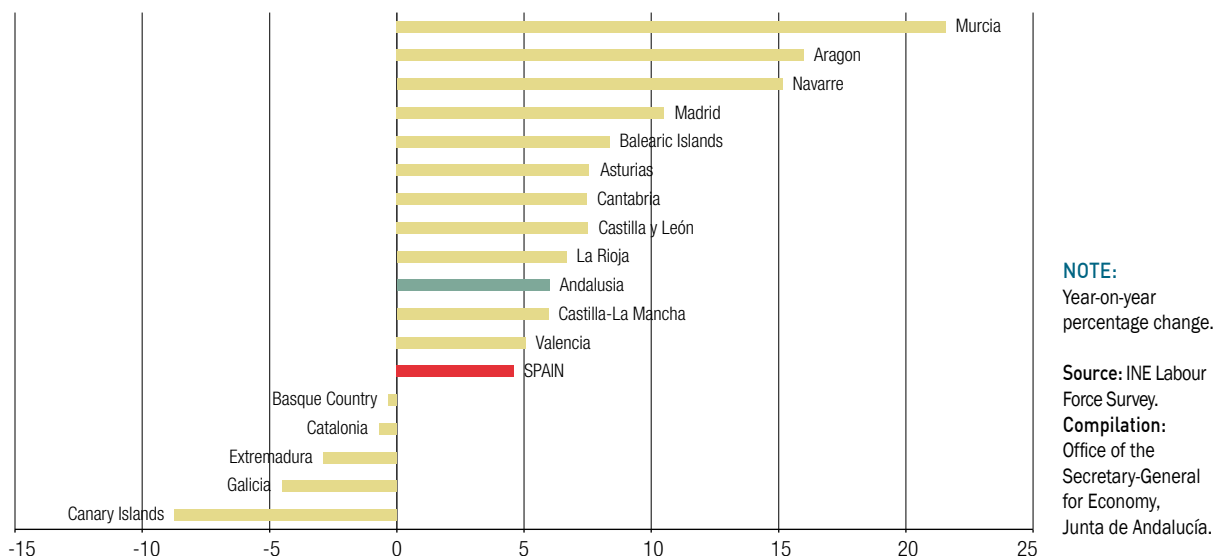
Chart 147. **EMPLOYMENT IN INDUSTRY. YEAR 2005**



**NOTE:**  
Year-on-year  
percentage change.

**Source:** INE Labour  
Force Survey.  
**Compilation:**  
Office of the  
Secretary-General  
for Economy,  
Junta de Andalucía.

Chart 148. **EMPLOYMENT IN CONSTRUCTION. YEAR 2005**



Spanish industry of 2.1%, with disparate showings by the autonomous communities and the Canary Islands and Andalusia boasting substantially high increases (13% and 10.1% respectively), whereas at the other extreme Cantabria suffered a 10.3% reduction in sector employment.

The **construction sector** again impressed in 2005 as the most lively of the Spanish productive

sectors, growing at a real rate of 5.5%, four tenths of a point more than in 2004.

All of the autonomic communities turned in positive results in this sector, above average rates for Spain produced by Madrid, Aragon, Andalusia, Castilla y León and Murcia, while, conversely, the Canary Islands edged ahead the most moderately (0.7%).

Chart 149. **HOUSING PRICE TRENDS. YEAR 2005**



**NOTE:**  
Year-on-year percentage change of price of open-market housing per square metre. Growth was 13.9% in Spain.

**Source:** Ministry of Housing.  
**Compilation:** Office of the Secretary-General for Economy, Junta de Andalucía.

Table 80. HOUSING PROPERTY TRANSACTIONS. YEAR 2005

	Number of transactions	% of total	Percentage growth 04-05	Average transfer value(*) (euros)	% of total	Percentage growth 04-05
Andalusia	152,475	16.9	3.3	126,161.8	81.9	17.1
Aragon	25,685	2.8	12.3	155,483.8	101.0	22.1
Asturias	19,339	2.1	5.2	120,852.3	78.5	22.1
Balearic Islands	20,611	2.3	12.7	174,493.5	113.3	11.7
Canary Islands	41,467	4.6	1.0	132,852.4	86.3	14.3
Cantabria	15,494	1.7	16.2	143,877.1	93.4	3.5
Castilla y León	44,312	4.9	8.5	126,147.3	81.9	20.6
Castilla-La Mancha	39,539	4.4	18.2	122,562.0	79.6	28.6
Catalonia	162,845	18.1	19.4	193,344.4	125.6	18.3
Valencia	146,466	16.2	-2.2	122,167.9	79.3	17.8
Extremadura	15,036	1.7	-0.9	85,302.4	55.4	34.8
Galicia	36,139	4.0	15.8	112,221.5	72.9	14.5
Madrid	107,029	11.9	-3.5	232,690.6	151.1	7.2
Murcia	36,190	4.0	7.5	112,465.8	73.0	17.4
Navarre	6,446	0.7	14.2	179,473.4	116.6	4.6
Basque Country	21,977	2.4	22.8	221,321.0	143.7	5.8
La Rioja	8,534	0.9	-3.8	150,545.9	97.8	55.6
SPAIN	901,574	100.0	6.3	153,986.3	100.0	15.8

**NOTE:**

(\*) Open-market housing.

Source: Ministry of Housing.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

This pattern of sector growth fed through to the labour market too, where employment grew by 4.7% on average in Spain, although the autonomous communities performed very unevenly. Increases topping 10% were to be found in Murcia, Aragon, Navarre and Madrid, whereas, on the other hand, the Basque Country, Catalonia, Extremadura, Galicia and especially the Canary Islands posted dips in sector employment.

The dynamic activity levels in the construction sector were largely fuelled by the strength kept up by the residential sub-sector as reflected by the way housing demand behaved. According to the Housing Ministry, in 2005 a total of 901,574

real estate housing transactions were carried out, 6.3% more than in the previous year. Of the autonomous communities Catalonia, Andalusia and Valencia saw the greatest numbers of transactions, together the three amassing 51.2% of the national total, while on the other hand, Navarre and La Rioja provided the scene for a transaction volume barely representing 1% of the total in Spain.

In comparison with its 2004 performance it was the Basque Country which emerged with the largest rise (an annualised 22.8%), followed by Catalonia (19.4%) and Castilla-La Mancha (18.2%), whereas falls were noted in La Rioja, Madrid, Valencia and Extremadura.

With respect to average transfer value information is only available for the open-market housing bracket where prices averaged at 153,986.3 euros in Spain in 2005, 15.8% higher than in 2004. The largest growth rate was in La Rioja (55.8% year-on-year), followed by Extremadura and Castilla-La Mancha, both at around 30%. In contrast, the most moderate pace of increases were those recorded in Cantabria, Navarre and the Basque Country.

In absolute terms Madrid (€ 232,690.6), the Basque Country (€ 221,321) and Catalonia (€ 193,344.4) were the autonomous communities showing higher average housing transfer values, while at the other end of the scale were Galicia and Murcia (around 73% of the Spanish average).

Similar findings are suggested by the statistics on the price per square metre of open-market housing in Spain, with Madrid (€ 2,873.9/m<sup>2</sup>), the Basque Country (€ 2,716/m<sup>2</sup>), Catalonia (€2,012.8/m<sup>2</sup>) and the Balearic Islands (€1,972.3 €/m<sup>2</sup>) the autonomic communities posting the highest figures, all of which were above the average for Spain (€ 1,761/m<sup>2</sup>). On the other hand, in Extremadura the price per square metre for open-

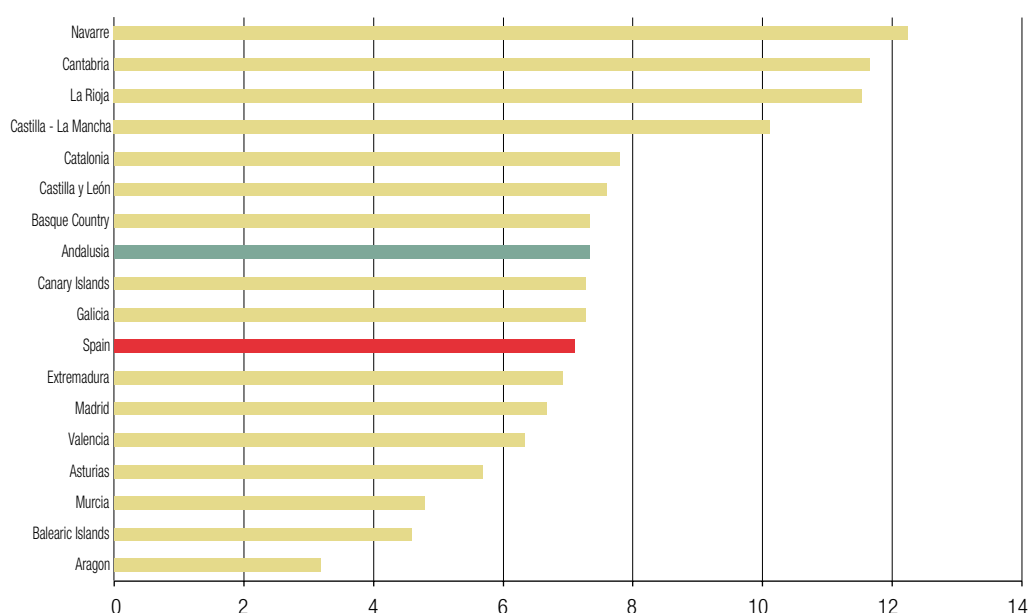
market housing was € 865.4), some 50% below the national average.

With respect to the 2004 performance the price per square metre of open-market housing in Spain was up 13.9%, with La Rioja experiencing the biggest rise (27.6%), followed by the Basque Country and Murcia (20.7% and 20.6% respectively). This contrasts with Asturias, where the rise was 9%, underneath the average national growth level.

The increase in the price per square metre of open-market housing outstripped pay rises (2.6% according to the INE's Quarterly Labour Cost Survey), meaning that, if we consider an average home with a floor-space of 90m<sup>2</sup>, housing became less affordable, it being necessary in 2005 to pay 8.5 years of one's full earnings to buy a house in Spain, which was one more year than in 2004.

Separating out the figures by regions, the lowest emerges in Extremadura, where 5.2 years of earnings were needed to buy a 90 m<sup>2</sup> dwelling, in contrast to Madrid, where this worked out at 11.4 years, the Basque Country (11.2 years) or the Balearic Islands (10.1 years), which were the

Chart 150. SERVICES SECTOR EMPLOYMENT. YEAR 2005



**NOTE:**

Year-on-year percentage change.

Source: INE Labour Force Survey.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

Table 81. TRAVELLERS STAYING AT HOTELS. YEAR 2005

	No. of travellers	04-05 growth %	Overnight stays	04-05 growth %	Hotel occupancy rate (%) (*)
Andalusia	13,623,591	8.7	41,341,227	6.4	50.9
Aragon	1,924,468	0.3	4,098,066	3.0	38.0
Asturias	1,288,534	9.1	3,040,941	13.7	36.5
Balearic Islands	7,158,633	4.2	49,451,486	3.4	70.5
Canary Islands	5,102,276	1.5	38,650,496	1.7	66.6
Cantabria	1,051,223	11.6	2,617,812	13.3	42.5
Castilla y León	4,014,412	-0.1	6,701,909	-0.4	35.0
Castilla-La Mancha	1,983,511	4.4	3,440,853	7.2	33.3
Catalonia	12,152,692	5.1	39,976,650	4.9	55.6
Valencia	6,377,014	8.7	23,337,835	7.7	57.8
Extremadura	1,007,548	-2.2	1,781,791	-1.4	30.3
Galicia	3,530,979	-3.9	7,565,500	-3.9	35.8
Madrid	7,307,536	12.8	14,930,009	11.0	51.8
Murcia	1,001,521	8.2	2,654,848	1.9	46.9
Navarre	666,678	6.2	1,308,095	6.5	38.9
Basque Country	1,864,013	7.5	3,573,510	8.2	48.2
La Rioja	468,389	7.0	816,482	0.5	40.2
SPAIN	70,629,755	5.7	245,561,310	4.5	54.3

**NOTE:**

(\*) Occupancy level weighted by beds.

Source: INE Hotel Occupancy Survey.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

regions with the highest ratios required to afford homes. Also with figures above the national average were the Canary Islands, Cantabria and Catalonia, where earnings of around 9 years were needed.

Finally, turning to the **services sector** there was a noticeable sharpening in the pattern of growth in 2005, this arriving at a real increase of 3.9% nationally, 0.3 points more than in 2004 and the highest level for five years.

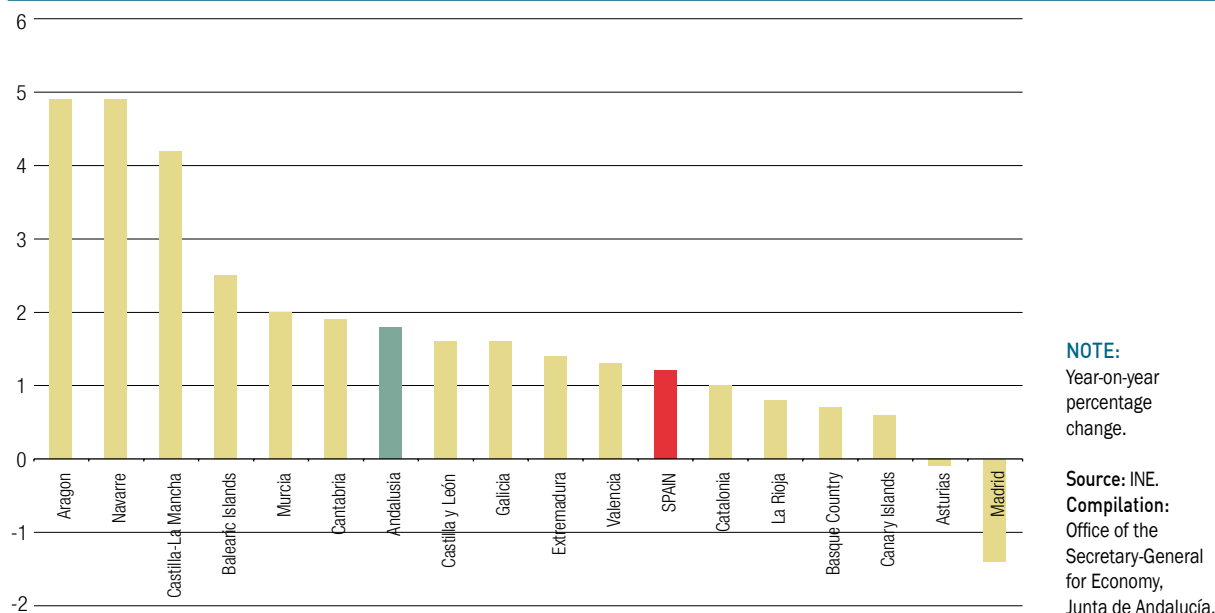
Across the various autonomous communities the results were fairly uniform, all of them experiencing growth at a similar level to the national average. The most relatively buoyant region was Catalonia

(4.3%), followed by Andalusia, with the Balearic Islands (2.4%), the Canary Islands (3.2%) and Murcia (3.4%) showing the smallest increases.

This was accompanied by intensive job creation, with employment in the sector as a whole in Spain up by 7.1%, the highest rate on record and far over the previous year's figure of 4.7%. These trends extended to all the autonomous regions, with especially notable employment growth in Navarre (12.2%), Cantabria (11.7%), La Rioja (11.5%) and Castilla-La Mancha (10.1%), while at the other extreme were Aragon, the Balearic Islands and Murcia with the lowest relative growth. In absolute terms the most sizeable increases occurred in Catalonia, Madrid and



Chart 151. HOTEL PRICES INDEX. YEAR 2005

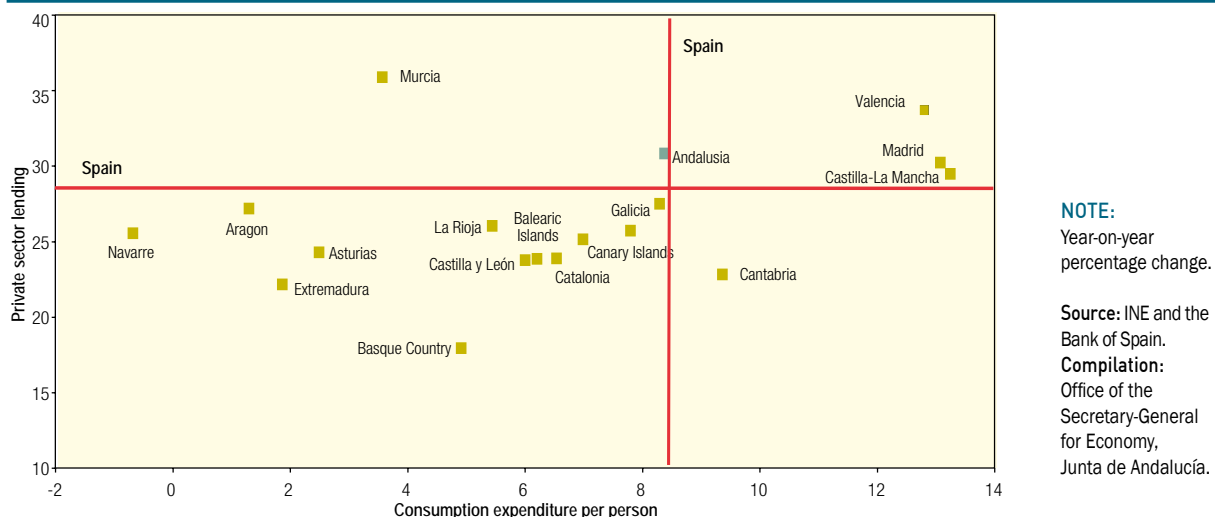


Andalusia, the three between them accounting for over half (50.9%) of the total rise in sector employment in Spain.

At subsector level one of the most representative is tourism, where the INE's Hotel Occupancy Survey indicated very positive trends for 2005 with the number of travellers staying at hotels amounting

to 70,629,755 people, 5.7% up on the preceding year while overnight stays also rose (4.5% year-on-year). Regionally, growth in traveller numbers was spread over practically all of Spain, with the only exceptions of Galicia (-3.9%), Extremadura (-2.2%) and Castilla y León (-0.1%). The largest rises were in Madrid (12.8%), Cantabria (11.6%), Asturias (9.1%), Andalusia and Valencia (8.7%

Chart 152. CONSUMPTION EXPENDITURE AND PRIVATE SECTOR BORROWING. YEAR 2005



in each case). In absolute terms Andalusia was the region with the biggest number of travellers staying in its hotels, some 13.6 million being recorded in 2005, almost one fifth of the national total (19.3%), followed by Catalonia (17.2%).

Such trends in hotel demand took place within a context of prices keeping to their pattern in recent years of slowing down their growth rate. According to the INE's Hotel Prices Index the 2005 increase was 1.2% down on the preceding year (1.5%) and more reined in than the rise experienced by the CPI. By autonomous communities the largest rises came about in Aragon, Navarre (4.9% in both cases) and Castilla-La Mancha (4.2%), a long way above the average. On the other hand, Madrid saw a dip in hotel prices of 1.4%, these holding practically stable in Asturias (-0.1%) and the other regions coming in at around the national average mark.

Very closely related to tourist trends is passenger air travel and in 2005 there was an upsurge in the use of this means of transport, passenger numbers climbing by 9.3% nationally, 1.3 points up on the year before. There was notable activity in all the economic communities except Extremadura, where passenger air traffic held at 2004 levels. There were particularly noteworthy growth rates in Cantabria (88.6%), Aragon (80%) and Murcia (68.1%), helped along by the boom in budget airlines in these regions.

In absolute terms Andalusia, with 19.2 million passengers was the autonomous community with the fifth biggest volume of passenger air traffic after Madrid, the Canary Islands, Catalonia and the Balearic Islands, this figure rising by 13% over the 2004 level.

### Domestic demand

Within a scenario of notably vigorous job creation and with interest rates at relatively low levels, actually being negative in real terms, domestic demand's

positive contribution to real GDP growth rose, boosted by a pick-up in investment and consumption growth managing to keep up at a lively clip.

Such trends were mirrored by loans granted to enterprises and households to realise their consumption and investment decisions, and as of 31 December 2005 these were 27.5% up on the previous year's level, a rise which was 9.3 points ahead of the one posted in 2004. By autonomous communities the highest increases were all over the national average and were seen in Murcia (35.9%), Valencia (33.7%), Andalusia (30.8%), Madrid (30.2%) and Castilla-La Mancha (29.5%), whereas on the other hand the tame performance was in the Basque Country (an annualised 17.9%).

From the standpoint of consumption, a component which accounts for around three quarters of national demand, households kept up a notable rise in expenditure, whereas expenditure by general government and non profit-making institutions eased back. The Household Budget Survey conducted by the INE noted a widespread increase in average spending per person over all the autonomous communities with the sole exception of Navarre (-0.7%), the biggest growth rates being seen in Castilla-La Mancha (13.2%), Madrid (13.1%) and Valencia (12.8%). Also slightly up on the national average (8.3%) were the autonomous communities of Cantabria (9.4%) and Andalusia (8.4%).

Along with this the Retail Trade Index showed that retail trade sales grew a nominal 4.4% for the Spanish economy as a whole in 2005, the most substantial rises occurring in Castilla-La Mancha (8.9%), the Basque Country (5.7%), Andalusia (5.5%) and Murcia (5.3%).

Other partial indicators used to monitor consumption or, to be exact, consumer durable goods consumption, such as passenger car registrations, appeared to have grown slightly more sluggishly in 2005 (1.4%) following the surge the year before (10.8%). Results are uneven among

Chart 82. **DOMESTIC DEMAND INDICATORS. YEAR 2005**

	Average spending per capita on goods and services		Private sector borrowing <sup>(1)</sup>		Passenger car registrations		Goods vehicle registrations		Retail trade index <sup>(2)</sup>
	Euros	04-05 growth %	€ Million	04-05 growth %	Numbers	04-05 growth %	Numbers	04-05 growth %	04-05 growth %
Andalusia	7,497	8.4	156,704	30.8	264,602	1.3	60,827	6.5	5.5
Aragon	8,112	1.3	31,417	27.2	37,008	5.5	15,253	31.4	4.1
Asturias	7,942	2.5	17,670	24.3	29,586	1.0	6,438	14.1	4.4
Balearic Islands	9,766	6.2	28,500	23.8	54,430	-11.0	8,109	8.0	3.3
Canary Islands	7,545	7.0	38,361	25.1	69,060	9.2	23,873	17.0	0.0
Cantabria	8,572	9.4	10,972	22.8	17,196	0.2	4,177	12.4	3.2
Castilla y León	7,925	6.0	49,659	23.8	68,234	0.3	17,497	11.7	4.5
Castilla-La Mancha	7,349	13.2	32,822	29.5	53,996	5.4	17,654	13.9	8.9
Catalonia	8,897	6.5	222,753	23.9	263,536	0.2	66,421	14.4	4.5
Valencia	8,652	12.8	117,000	33.7	203,949	2.7	43,263	9.4	4.1
Extremadura	5,782	1.9	14,637	22.1	25,628	6.1	6,956	13.4	4.7
Galicia	7,523	7.8	44,249	25.7	80,031	0.6	13,641	7.3	4.2
Madrid	10,497	13.1	264,712	30.2	372,599	2.0	89,339	18.7	3.8
Murcia	7,147	3.6	30,992	35.9	48,511	5.9	13,563	10.3	5.3
Navarre	8,913	-0.7	15,958	25.5	17,125	0.5	6,013	8.9	4.9
Basque Country	9,268	4.9	60,517	17.9	58,792	-4.4	15,882	12.0	5.7
La Rioja	8,370	5.4	8,358	26.0	7,668	0.2	2,883	5.3	1.6
SPAIN	8,422	8.3	1,147,749	27.5	1,676,732	1.4	413,129	13.2	4.4

**NOTES:**

(1) Balances as of 31 December.

(2) Current prices.

Source: INE and Directorate General for Traffic, Ministry of Interior and Bank of Spain.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

the autonomous communities, there having been considerable rises in the Canary Islands (9.2%), Extremadura (6.1%) and Murcia (5.9%), while on the other hand the registration rate fell back significantly in the Balearic Islands (-11%) and the Basque Country (-4.4%). Andalusia, however, showed passenger car registration growth very much in line with the national average, at an annualised 1.3%.

Another indicator, this time for capital goods investment, is goods vehicle registrations, whose growth picked up steam, rising 13.2% in Spain in 2005, 1.5 points more than the previous year, the

largest gain being made in Aragon (31.4%), which more than doubled the national average. This was followed by Madrid (18.7%), the Canary Islands (17%), Catalonia (14.4%), Asturias (14.1%), Castilla-La Mancha (13.9%) and Extremadura (13.4%), all of which were above the average, while La Rioja (5.3%) posted the lowest relative increase.

## Foreign Trade

Figures compiled by the Customs and Excise Department at the Spanish Tax Office (Economy

## 12. ANDALUSIA IN THE CONTEXT OF THE SPANISH REGIONS

and Finance Ministry) indicate that in 2005 the overall volume of Spain's foreign trade as measured by the sum of imports and exports came to 384,930 million euros, which was 8.3% higher than in the preceding year.

In nominal terms, this increase in trade flows was slightly higher than GDP growth (8%), which means that the Spanish economy's trade openness (exports plus imports with respect to GDP) rose, reaching 42.6% in 2005, 0.4 percentage points above its 2004 level.

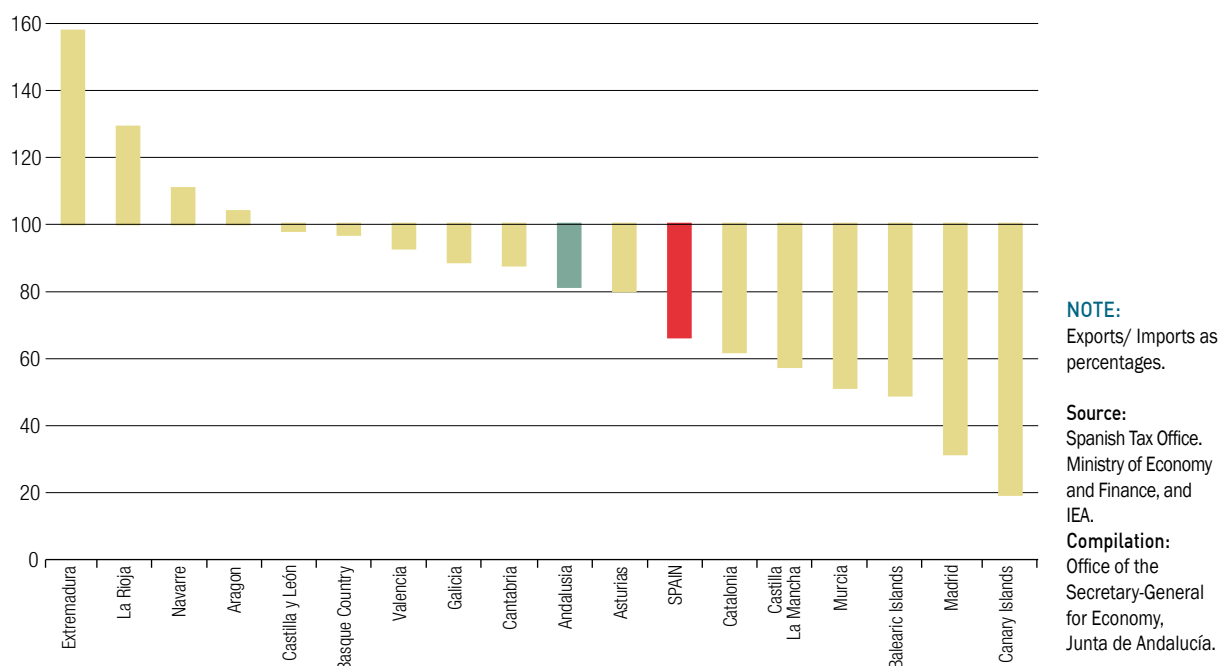
The increase was especially pronounced in import terms, amounting to 231,372 million euros, or 11% up on the previous year's figure. All the autonomous communities except Castilla-La Mancha, Navarre, La Rioja and Extremadura saw imports rise in 2005, with Murcia prominent after an annualised 25.8% rise which more than doubled the national average. The region was followed by Andalusia (23.7%), Galicia (23.4%), Asturias (16.2%) and

the Basque Country (15.2%). Conversely there were drops in imports in Castilla-La Mancha (-8.9%) and, even if less so, in Navarre (-2.2%), La Rioja (-1%) and Extremadura (-0.4%).

The regions showing the highest import volumes in absolute terms, however, were Catalonia and Madrid, the two between them accounting for over half of Spanish buying from abroad in 2005 (51.8% of the total), followed quite a bit further behind by Valencia (7.9% of the total) and Andalusia (7.6%).

On the exports side, there was nominal growth of 4.5% nationally, falling short of the rise in imports by almost seven points, with trends very mixed among the autonomic communities. The biggest export growth was felt by Galicia, this turning out to be 14.9% up on the previous year, followed by Cantabria (7.9%), Madrid, Castilla-La Mancha (7.4% each), Andalusia and the Canary Islands (7.3% apiece). These contrasted with notable

Chart 153. **EXPORT/IMPORT RATIO. YEAR 2005**



declines in exports for the Balearic Islands (-11.3%) and Extremadura (-7.2%), as well as, to a lesser extent, Castilla y León (-2.5%), Valencia (-2.1%) and Navarre (-1.9%).

The autonomous community with the highest export turnover in absolute terms was Catalonia, which spoke for over one quarter of the total (27.2%), this being followed in order of weight by Valencia, Madrid, Andalusia and the Basque Country, which each exported around 10% of the Spanish total.

Weighing up exports and imports it can be seen that the Spanish trade balance once again produced a deficit in 2005. This actually came to a figure of 77,813 million euros, 26.6% up on 2004 owing to quicker growth registered by imports in comparison with exports. The

export/import ratio slipped back by over four percentage points, settling at 66.4% in 2005.

By autonomous communities there was quite an assortment of trade positions. Among those with export/import ratios of over 100%, meaning that they had a surplus on balance, were Extremadura, La Rioja, Navarre and Aragon. On the other hand, the regions with the lowest export/import ratios were the Canary Islands (19.4%), Madrid (31.5%) and the Balearic Islands (48.9%), all of which had export figures under half of the import value.

The Andalusian trade balance revealed a deficit, having an export/import ratio of 81.3%, although, in keeping with trends seen in almost all the autonomous communities, this was down a bit on the previous year's reading. Particularly significant were the cases of Castilla y León,

Table 83. **FOREIGN TRADE. YEAR 2005**

	€ thousand		% of Spain's total		Export/import ratio		04-05 growth %	
	Imports	Exports	Imports	Exports	2004	2005	Imports	Exports
Andalusia	17,535,898	14,261,209	7.6	9.3	93.8	81.3	23.7	7.3
Aragon	6,819,034	7,079,062	2.9	4.6	106.9	103.8	3.7	0.7
Asturias	3,013,283	2,414,082	1.3	1.6	88.7	80.1	16.2	4.9
Balearic Islands	2,083,448	1,018,799	0.9	0.7	55.8	48.9	1.2	-11.3
Canary Islands	4,247,711	824,123	1.8	0.5	20.2	19.4	11.8	7.3
Cantabria	2,031,760	1,783,569	0.9	1.2	87.1	87.8	7.0	7.9
Castilla y León	9,160,152	8,979,951	4.0	5.8	102.9	98.0	2.3	-2.5
Castilla-La Mancha	4,659,734	2,679,576	2.0	1.7	48.8	57.5	-8.9	7.4
Catalonia	67,383,637	41,749,540	29.1	27.2	64.6	62.0	11.3	6.7
Valencia	18,223,796	16,910,735	7.9	11.0	102.9	92.8	8.6	-2.1
Extremadura	634,830	1,001,288	0.3	0.7	169.2	157.7	-0.4	-7.2
Galicia	13,586,752	12,066,661	5.9	7.9	95.4	88.8	23.4	14.9
La Rioja	748,699	966,558	0.3	0.6	124.2	129.1	-1.0	3.0
Madrid	52,563,407	16,542,452	22.7	10.8	31.4	31.5	7.3	7.4
Murcia	7,652,779	3,927,062	3.3	2.6	63.7	51.3	25.8	1.4
Navarre	4,355,066	4,822,828	1.9	3.1	110.4	110.7	-2.2	-1.9
Basque Country	14,486,579	14,056,109	6.3	9.2	105.5	97.0	15.2	6.0
<b>SPAIN</b>	<b>231,371,566</b>	<b>153,558,995</b>	<b>100.0</b>	<b>100.0</b>	<b>70.5</b>	<b>66.4</b>	<b>11.0</b>	<b>4.5</b>

**NOTE:**

Figures are provisional.

Source: Customs and Excise Department, Ministry of Economy and Finance and IEA.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

Valencia and the Basque country, which shifted from showing a trade surplus in 2004 to a deficit in 2005.

## Foreign investment

Inspection of the Foreign Investment Register of the Ministry of Industry, Tourism and Trade reveals that in 2005 there was a substantial dampening of Spanish investment abroad as well as, albeit to a lesser extent, of foreign capital inflows into Spain by way of investment.

Spanish investment abroad was in fact down by 46.9% on the previous year, at 26,345 million euros, with 79.8% of all of it emanating from the Madrid region, although this was very largely due to the “headquarters effect” among enterprises. Next came Catalonia, with 8.7% of Spanish outward investment, and the Basque Country (4.7%), with the remaining 6.8% split among the other fourteen autonomous communities.

Compared to the previous year’s performance, outward trends in investment by the different regions were very uneven. In eight of them there were rises, the most remarkable being those experienced by Aragon, with investment abroad shooting up to over fourteen times the 2004 level, and Andalusia, whose investment rose to six times that of the preceding year. These were followed by Asturias and Murcia, where outward investment volume swelled by 3.6 and 2.4 times respectively. This can be set against the situation in Cantabria, Castilla-La Mancha and La Rioja, where outward investment fell away by practically 100%.

Gross foreign investment coming into the Spanish economy in 2005 waned by an annualised 10.6%, actually amounting to 16,618 million euros. Among the autonomous communities it was again Madrid which stood out, absorbing 32.5% of total investment received in Spain, due, as mentioned above, to the “headquarters effect” among enterprises. Behind Madrid the region with the next largest influx of

Table 84. **GROSS OUTWARD INVESTMENT. YEAR 2005**

	€ thousand	% of Spain's investment	04-05 growth %
Andalusia	208,811	0.79	516.0
Aragon	345,129	1.31	1,437.7
Asturias	5,282	0.02	255.6
Balearic Islands	17,456	0.07	-13.7
Canary Islands	39,536	0.15	-52.4
Cantabria	118,901	0.45	-99.1
Castilla y León	79,158	0.30	60.9
Castilla-La Mancha	528	0.00	-91.9
Catalonia	2,291,654	8.70	-70.2
Valencia	173,382	0.66	69.0
Extremadura	255	0.00	-83.4
Galicia	693,742	2.63	44.4
Madrid	21,015,536	79.77	-0.6
Murcia	47,164	0.18	142.4
Navarre	58,607	0.22	65.8
Basque Country	1,249,713	4.74	-81.7
La Rioja	527	0.00	-91.5
<b>SPAIN</b>	<b>26,345,381</b>	<b>100.00</b>	<b>-46.9</b>

Source: Foreign Investment Registry, Ministry of Industry, Tourism and Trade.  
 Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

investment from abroad was Catalonia (19.8% of the total), these two between them soaking up over half (52.3%) of inward investment nationally. 37.2% could not be attributed to any one territory, while the remaining 10.5% was spread among the other fifteen autonomous communities.

As with Spanish outward investment, the inflow of foreign capital into the various autonomous regions showed mixed results with respect to 2004. Of those regions where inward investment expanded, the case of Castilla y León was striking, as volumes received were ten times more than in the year before, while there were also significantly higher investment levels in Aragon, La Rioja and Extremadura, all of which more than doubled their 2004 levels. In contrast, among those regions where investment diminished, Asturias, Cantabria, Valencia and the Basque Country were notable, with falls of close to 100%.

All in all, as has occurred without let-up since 1997, in absolute terms, Spanish investment

abroad outstripped inward investment entering Spain, this time by 9,727.7 million euros, meaning that capital outflows were 60% higher than inflows. In this sense Madrid was much in evidence, with outward investment at almost four times incoming levels, the other net exporters of capital being the Basque Country, Galicia, Aragon, Cantabria, Navarre, Castilla y León and Murcia. The other regions on the other hand returned positive investment flow balances, attracting more from abroad than they invested there, with the largest balances claimed by Catalonia, the Canary Islands and the Balearic Islands.

## Business sector

According to the Central Business Directory (DIRCE) produced by the INE, on 1 January 2005 the number of enterprises in non-farming sectors in Spain stood at 3,064,129, up by 121,546 on the year before, having grown at a year-on-year 4.1%.

Table 85. **GROSS INWARD INVESTMENT. YEAR 2005**

	Thousands of euros	Percentage of Spanish total	04-05 growth %
Andalusia	270,925	1.63	-11.6
Aragon	114,826	0.69	164.9
Asturias	8,288	0.05	-98.8
Balearic Islands	186,091	1.12	63.3
Canary Islands	473,978	2.85	28.8
Cantabria	1,095	0.01	-95.6
Castilla y León	32,532	0.20	973.1
Castilla-La Mancha	13,165	0.08	-53.6
Catalonia	3,283,421	19.76	-25.5
Valencia	181,572	1.09	-92.1
Extremadura	8,793	0.05	133.4
Galicia	190,018	1.14	-51.4
Madrid	5,400,459	32.50	-21.1
Murcia	41,464	0.25	-87.2
Navarre	11,004	0.07	-36.3
Basque Country	205,625	1.24	-90.6
La Rioja	3,798	0.02	145.0
<b>SPAIN</b>	<b>16,617,676</b>	<b>100.00</b>	<b>-10.6</b>

### NOTE:

The Spanish total does not coincide with the sum for the autonomous communities insofar as this includes investments made in Ceuta and Melilla and those not recorded in a particular area of Spanish territory.

**Source:** Foreign Investment Registry, Ministry of Industry, Tourism and Trade.

**Compilation:** Office of the Secretary-General for Economy, Junta de Andalucía.

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Table 86. **ENTERPRISES BY AUTONOMOUS REGION. YEAR 2005**

	No. of enterprises <sup>(1)</sup>	% of total	Change on 2004	
			Absolute	Relative (%)
Andalusia	464,179	15.1	22,556	5.1
Aragon	90,005	2.9	4,191	4.9
Asturias	68,175	2.2	1,136	1.7
Balearic Islands	87,024	2.8	1,599	1.9
Canary Islands	128,020	4.2	7,726	6.4
Cantabria	36,561	1.2	912	2.6
Castilla y León	159,196	5.2	4,192	2.7
Castilla-La Mancha	118,396	3.9	4,429	3.9
Catalonia	567,019	18.5	23,300	4.3
Valencia	329,334	10.7	14,120	4.5
Extremadura	61,898	2.0	6,330	11.4
Galicia	185,722	6.1	4,745	2.6
Madrid	456,175	14.9	20,101	4.6
Murcia	85,110	2.8	2,626	3.2
Navarre	40,730	1.3	1,051	2.6
Basque Country	57,539	5.1	1,873	1.2
La Rioja	21,598	0.7	549	2.6
<b>SPAIN</b>	<b>3,064,129</b>	<b>100.0</b>	<b>121,546</b>	<b>4.1</b>

**NOTE:**

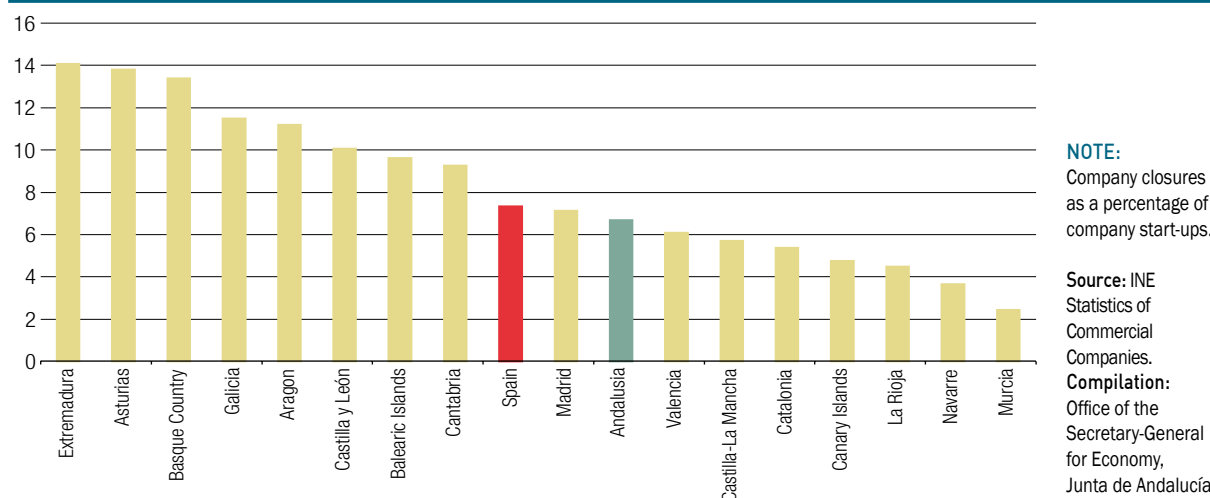
(1) Non-agricultural sectors only.

Fuente: INE Central Business Directory.  
 Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

This step-up in entrepreneurial activity was spread across all the autonomous communities in Spain, with Catalonia especially conspicuous in this sense with 23,300 enterprises more than in 2004,

representing 19.2% of the total increase nationwide. It was followed by Andalusia, with 22,556 more companies than the year before, which accounted for 18.6% of business sector expansion in Spain.

Chart 154. **COMPANY CLOSURE RATIO. YEAR 2005**



**NOTE:**

Company closures as a percentage of company start-ups.

Source: INE Statistics of Commercial Companies.  
 Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.



In relative terms it was Extremadura which showed the briskest growth, at an annualised 11.4%, followed by the Canary Islands (6.4%) and, in third place, Andalusia, which saw a rate of 5.1%, one point above the Spanish average. This set of results left Andalusia as still the autonomous community with the second most extensive business sector after Catalonia, with 464,179 enterprises or 15.1% of the national total.

The Statistics on Commercial Companies compiled by the INE offer, on the other hand, an insight into comings and goings within the business sector in that they show data on company start-ups and closures in the various regions. In Spain as a whole, in 2005 a total of 140,330 companies were set up, while 10,812 ceased in business. This last figure represented 7.3% of such newly created companies, which is a ratio that may be viewed as a means of gauging company mortality.

Looking at such a company mortality rate by autonomous communities, the highest were in Extremadura (14.1%), Asturias (13.8%) and the Basque Country (13.4%), whereas the lowest were to be found in Murcia (2.4%), Navarre (3.6%) and La Rioja (4.4%). With such a ratio of 6.6%, Andalusia emerged as having the eighth lowest, which was below average for Spain, as has been the case without exception since 1997.

## Labour market

The Spanish labour market saw heightened job creation and a sharper drop in unemployment in 2005 in step with the busier trend in economic activity.

The number of people registered as in work on Social Security files was up by an annualised 5.8% in December, 2.3 points higher than in 2004, with growth recorded over all the autonomous

Table 87. **EMPLOYMENT. YEAR 2005**

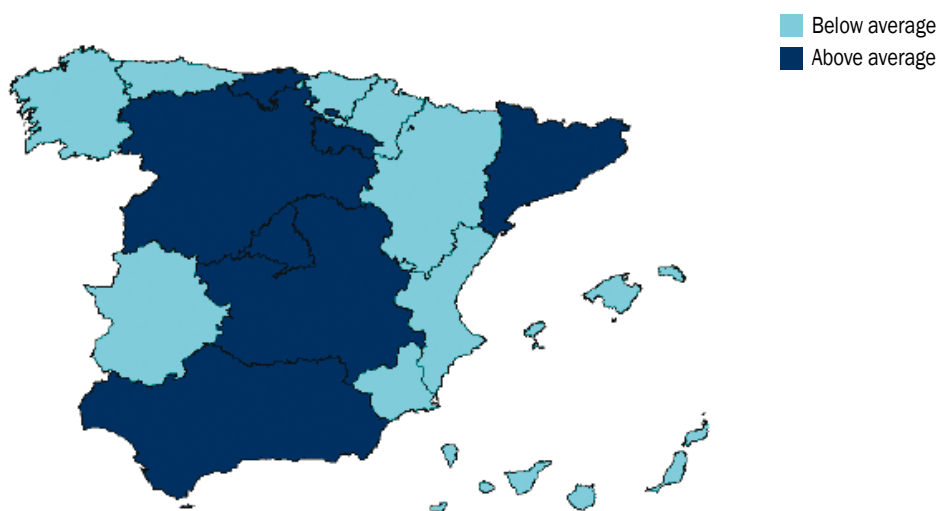
	Workers registered with <sup>(1)</sup>	04-05	Employed	04-05
	Social Security	growth %		growth %
Andalusia	2,939.2	5.0	2,959.6	7.1
Aragon	541.8	5.5	568.6	5.1
Asturias	379.2	3.6	405.2	3.8
Balearic Islands	385.0	8.0	468.1	4.3
Canary Islands	766.5	4.4	836.2	3.7
Cantabria	209.5	4.0	239.2	6.3
Castilla y León	911.9	3.9	1,022.7	6.6
Castilla-La Mancha	684.8	8.5	763.7	6.5
Catalonia	3,260.0	5.8	3,291.1	5.9
Valencia	1,909.4	6.5	2,053.1	5.2
Extremadura	372.8	3.2	385.8	4.0
Galicia	1,000.8	3.5	1,130.1	4.3
Madrid	2,885.7	8.3	2,858.8	5.7
Murcia	560.5	10.1	569.7	5.0
Navarre	262.8	4.3	274.4	5.2
Basque Country	922.8	3.1	958.2	3.9
La Rioja	127.4	5.8	140.8	9.7
<b>SPAIN</b>	<b>18,156.2</b>	<b>5.8</b>	<b>18,973.3</b>	<b>5.6</b>

### NOTES:

Thousand people.  
(1) Data as of December.

Source: Ministry of Labour and Social Affairs and INE Labour Force Survey.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

Chart 155. **JOB GROWTH. YEAR 2005****NOTES:**

Year-on-year percentage change. The average growth rate in Spain was 5.6%.

Source: INE Labour Force Survey.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

communities. Notably high rates in relative terms were seen in Murcia (10.1% year-on-year), Castilla-La Mancha (8.5%), Madrid (8.3%) and the Balearic Islands (8%), while the most sluggish levels of activity were in the Basque Country (3.1%) and Extremadura (3.2%).

It was however Catalonia which had the highest number of workers registered (18% of the national total), followed by Andalusia (16.2%), these two along with Madrid showing the biggest absolute increases in 2005, the three between them accounting for 54% of total growth in Spain.

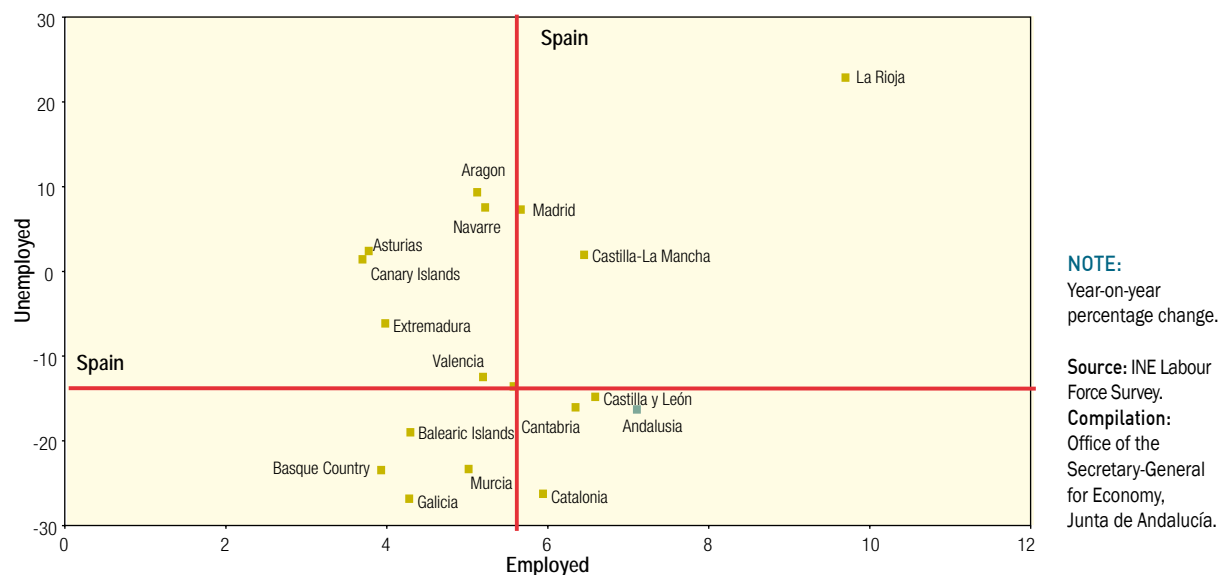
These figures were given a special boost by increasing numbers of foreigners registering, growth for these averaging an annualised 57.1% in Spain in 2005, with the highest rates in Castilla-La Mancha (85%), Valencia (66.2%), Aragon (64%), Madrid (62.4%), Murcia (61.6%) and Andalusia (61.1%). In absolute terms over 70% of the total increase in foreign workers registering was concentrated in four regions: Madrid (24.1%), Catalonia (21.9%), Valencia (13.8%) and Andalusia (11.2%).

A similar rate of job growth is suggested by the Labour Force Survey, which puts the increase in

employment in Spain at 5.6% in 2005, with positive results for all the regions. The largest relative rises appeared in La Rioja (9.7%), Andalusia (7.1%), Castilla y León (6.6%) and Castilla-La Mancha (6.5%), whereas the most modest were in the Canary Islands, Asturias and the Basque Country, with rates of under an annualised 4%.

In absolute terms Andalusia shone as the autonomous community with the most job creation in 2005, there being 196,500 more in work than in the previous year, or 19.6% of the total increase in Spain.

Relatively less pronounced was the growth in the labour force, which meant that there was a significant cut in jobless numbers in the year. The national figure for this was -13.6%, although it is true that trends were very diverse among the autonomous communities. Unemployment actually fell in ten regions, with the largest drops in Galicia (-26.9% year-on-year), Catalonia (-26.3%), the Basque Country (-23.5%) and Murcia (-23.3%), with the decrease in Andalusia (-16.3% year-on-year) also greater than it was nationally. In contrast, considerably large rises were registered in La Rioja (22.9%) and, to a

Chart 156. **EMPLOYMENT AND UNEMPLOYMENT. YEAR 2005**

lesser extent, Aragon (9.3%), Navarre (7.5%) and Madrid (7.3%).

Besides these findings from the LFS, the jobless figures recorded at National Employment Institute (INEM) offices showed a slowdown in the falling pattern, with unemployment down by 0.5% as 2005 ended and twelve autonomic communities registering decreases, chief among which were Cantabria (-9.7%), Asturias (-8.7%) and the Basque Country (-6.7%), while the other five showed gains.

## Prices and labour costs

Price trends in 2005 hinged on the soaring value of oil on world markets, leading to the CPI for the Spanish economy as a whole registering an annualised increase of 3.7% in December, half a point up on the reading from the year before.

This pick-up in the pace of consumer price growth extended to all the autonomous communities, with La Rioja seeing an increase in the CPI in 2005 that was 1.1 percentage points higher than

in 2004, followed by Cantabria and Murcia, with upturns of eight tenths of a point in both cases.

La Rioja thus emerged as the autonomic community with the highest inflation in 2005, its CPI rising by an annualised 4.4% in December, seven tenths of a point over the national average. Also above-average were the rates seen in Catalonia, Murcia, Aragon and Castilla-La Mancha, while inflation in Castilla y León, Galicia, Madrid, Navarre and the Basque Country equalled the national rate.

At the opposite extreme, the Canary Islands had the lowest inflation, the CPI rising by an annualised 2.8%, almost one point less than for the Spanish economy as a whole, while the rises in Extremadura, Asturias, the Balearic Islands, Valencia, Andalusia and Cantabria also fell short of the average.

With respect to labour costs, 2005 saw the pace of these reined in a little, as the labour cost per worker per month according to the INE was 2,110.1 euros on average in Spain, 2.9% up on the year before and not quite matching the 2004 rise (3%).

Chart 157. INFLATION RATE. YEAR 2005



**NOTE:**  
Year-on-year CPI growth as of December.  
The inflation rate for Spain was 3.7%.

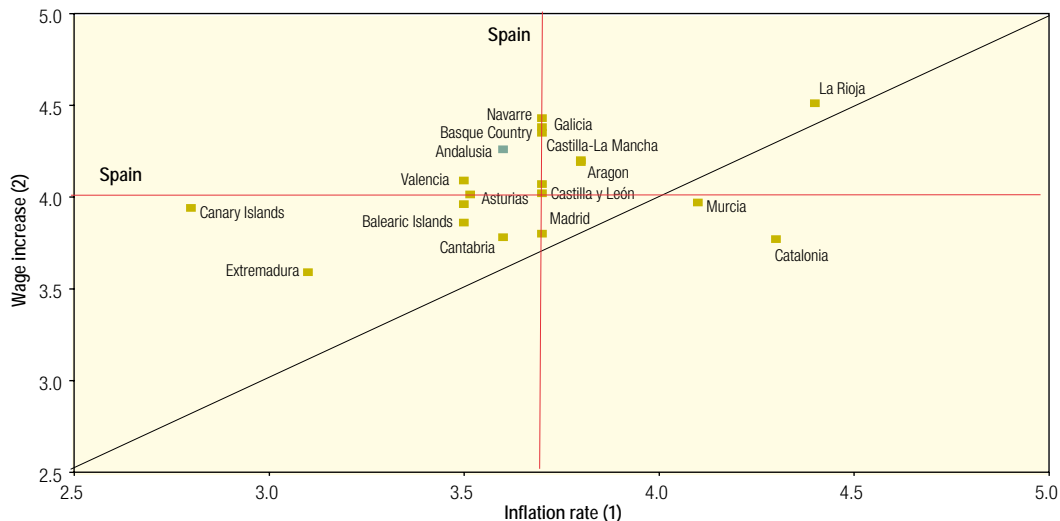
**Source:** INE.  
**Compilation:** Office of the Secretary-General for Economy Junta de Andalucía.

By individual autonomous communities, the smallest cost growth occurred in Andalusia (1.7% year-on-year), 0.7 percentage points under the figure for the year before and 1.2 below the Spanish average. This was followed by Cantabria (2.2%) and there were likewise lower than average growth rates in Asturias, Catalonia, Valencia and Navarre.

On the other hand it was the Basque Country where the greatest rise in costs took place, at 4.1% in 2005, 1.3 points up on the previous year.

Madrid was still the autonomous community with the greatest labour costs at 2,510.7 euros per worker per month, 19% over the national level. Higher than

Chart 158. INFLATION AND WAGES. YEAR 2005



**NOTES:**  
(1) Year-on-year CPI growth as of December.  
(2) Wage increases under collective agreements, including safeguard clauses.

**Source:** INE and Ministry of Labour and Social Affairs.  
**Compilation:** Office of the Secretary-General for Economy, Junta de Andalucía.

average labour costs were also recorded in Asturias, Catalonia, Navarre and the Basque Country, whereas the lowest were to be found in Extremadura, the Canary Islands and Murcia (between 81% and 85% of the Spanish average).

Splitting this cost into its components, average non-wage costs nationally represented slightly over one quarter of the total (26.1%) and they grew by more than wage costs (3.6% and 2.6% respectively). This trend was observed in all the autonomous communities except the Balearic Islands, Castilla-La Mancha, Navarre and La Rioja, where wage cost growth was relatively the sharpest.

Focusing on Andalusia, non-wage cost growth was 2% year-on-year, above the increase for wage-costs of 1.6%, yet both were below the respective rises

witnessed on average for the whole of the Spanish economy. All things considered, the labour cost per worker per month in Andalusia in 2005 was still under the average in Spain, standing at 1,907.6 euros and representing 90.4% of the national average.

In addition to the data from the INE, the Ministry of Labour and Social Affairs provides information on pay rises bargained under collective agreements. According to these statistics the pay-rise negotiated under collective agreements struck in Spain in 2005, including the safeguard clauses established in 2004, was 4.02%, higher than the figure of 3.6% agreed in 2004.

By autonomous communities the lowest wage growth was in Extremadura (3.59%), while

Table 88. **LABOUR COSTS. YEAR 2005**

	Labour costs per worker per month			% of Spain's costs	04-05 growth %		
	Wage costs	Non-wage costs	Total costs		Wage costs	Non-wage costs	Total costs
Andalusia	1,386.4	521.2	1,907.6	90.4	1.6	2.0	1.7
Aragon	1,523.7	543.1	2,066.9	98.0	3.2	4.5	3.5
Asturias	1,539.9	574.0	2,113.8	100.2	2.3	2.7	2.4
Balearic Islands	1,460.4	520.1	1,980.4	93.9	3.7	3.0	3.5
Canary Islands	1,294.2	475.3	1,769.5	83.9	2.9	3.0	2.9
Cantabria	1,441.9	536.5	1,978.4	93.8	2.0	2.9	2.2
Castilla y León	1,440.4	524.9	1,965.2	93.1	3.2	4.3	3.5
Castilla-La Mancha	1,349.0	502.7	1,851.7	87.8	3.9	3.7	3.8
Catalonia	1,678.9	564.5	2,243.4	106.3	2.3	3.8	2.6
Valencia	1,388.0	511.2	1,899.2	90.0	2.8	3.0	2.8
Extremadura	1,253.4	466.5	1,720.0	81.5	2.3	4.8	3.0
Galicia	1,318.1	497.5	1,815.6	86.0	2.2	5.5	3.1
Madrid	1,887.3	623.5	2,510.7	119.0	2.7	4.0	3.0
Murcia	1,317.3	489.0	1,806.3	85.6	3.2	4.9	3.6
Navarre	1,763.0	591.8	2,354.7	111.6	2.7	2.1	2.5
Basque Country	1,820.7	631.5	2,452.2	116.2	3.6	5.4	4.1
La Rioja	1,436.7	507.4	1,944.1	92.1	4.3	2.4	3.8
SPAIN	1,560.2	549.9	2,110.1	100.0	2.6	3.6	2.9

**NOTE:**

Figures in euros unless otherwise stated.

Source: INE.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

Table 89. **BANKING SYSTEM. YEAR 2005**

	Inhabitants per branch	Loans		Deposits		Deposits/Loans (%)
		growth 04-05 %	% GDP	growth 04-05 %	% GDP	
Andalusia	1,262	29.6	130.5	3.5	70.7	54.2
Aragon	747	26.3	116.8	-3.4	79.6	68.2
Asturias	1,195	22.8	96.0	10.7	79.1	82.4
Balearic Islands	851	24.2	132.7	3.1	65.9	49.7
Valencia	1,047	32.7	138.3	11.4	82.4	59.6
Canarias	1,576	25.1	109.3	5.1	54.6	50.0
Cantabria	1,204	21.7	100.2	9.0	69.9	69.7
Castilla y León	855	23.1	105.4	-2,0	92.8	88.1
Castilla-La Mancha	1,035	29.8	112.2	14.2	90.5	80.7
Catalonia	917	22.8	134.8	5.8	82.9	61.5
Extremadura	934	20.7	103.7	4.0	82.9	80.0
Galicia	1,148	24.6	99.2	2.6	77.8	78.5
La Rioja	660	24.6	128.0	3.0	75.5	59.0
Madrid	1,121	30.4	169.9	23.9	146.2	86.1
Murcia	1,109	34.8	138.6	9.9	78.3	56.5
Navarre	871	25.2	104.3	-5.8	78.9	75.7
Basque Country	1,213	17.5	110.7	1.7	87.5	79.0
SPAIN	1,060	26.8	131.0	26.1	106.8	81.5

Source: Bank of Spain, INE and IEA.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

Asturias, the Balearic Islands, the Canary Islands, Cantabria, Catalonia, Madrid and Murcia all showed rises below the national average level. On the other hand, the largest rise occurred in La Rioja (4.51%) followed by Navarre (4.43%).

Comparing wage increases and price rises, it could be seen that, with the exception of Catalonia and Murcia, there was a gain in purchasing power throughout all the regions in 2005, as pay rises under collective agreements overtook CPI growth by 0.32 percentage points in Spain.

The autonomous community with the biggest wage rises in real terms was, for the third time in a row, the Canary Islands, at 3.94% and an inflation rate of 2.8%, experiencing a gain in purchasing power

of 1.1 percentage points, tripling the level for the whole of the Spanish economy.

### Banking system

As at 31 December 2005, the Spanish bank network comprised a total of 41,599 branches split among commercial banks, savings banks and credit cooperatives, 3.4% more than in the previous year. 18.3% of all of these were located in Catalonia, Andalusia being the autonomous community with the second greatest number (15%), and between the two regions they accounted for one third of the national total.

The greatest increase in branch numbers on the year before was registered in the Canary

Islands, followed by Madrid, Murcia, Valencia and La Rioja, with Andalusia the autonomous community seeing the sixth biggest (4.2% year-on-year).

By type of bank, it was the savings banks which proliferated the most (growing at an annualised 4.2%), these coming to represent over one half of branches in Spain as a whole (53.9%). This trend was not uniform across all the regions and in Navarre the number of savings bank branches actually shrank by 2.8% in 2005, while on the other hand the largest relative growth was registered by the commercial banks in Andalusia and Catalonia, and the credit cooperatives in Asturias, Cantabria, Extremadura, La Rioja and Navarre.

Looking at the number of inhabitants per branch, in 2005 each branch in Spain served an average of 1,060 people, while this average was surpassed in eight autonomous communities, namely Andalusia, Asturias, the Canary Islands, Cantabria, Galicia, Madrid, Murcia and the Basque Country. This contrasted with the situation in La Rioja and Aragon, which had the lowest ratio of inhabitants per branch at under 750.

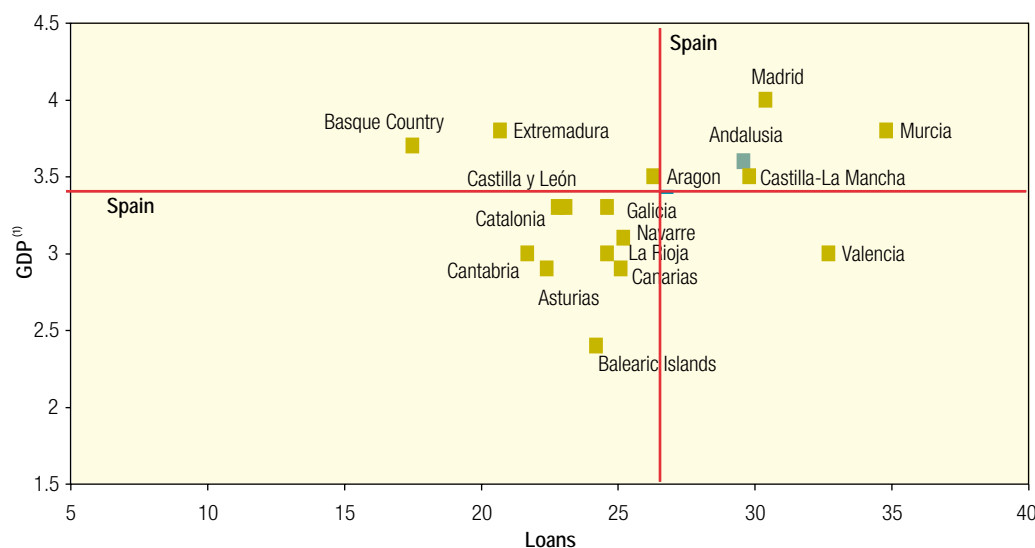
By the end of 2005 Spanish banking system lending was at a total of 1,184,914 million euros, this having risen by 26.8% with respect to the previous year. Almost one quarter of this was done in Madrid (23%) and around one fifth in Catalonia (19.4%), while Andalusia stood in third place with a share of 13.7%.

The biggest step-up in lending in 2005 was registered in Murcia (34.8%), followed by Valencia, Madrid, Castilla-La Mancha and Andalusia, all of which outstripped the national average level (26.8%). At the other extreme the lowest growth was in the Basque Country.

On the other hand, in almost all of the autonomous communities bank credit was observed to have been higher than the GDP figure. In this sense notably above-average (131%) percentages were registered in the Balearic Islands, Valencia, Catalonia, Madrid and Murcia.

Narrowing the scope down to private sector credit, almost one third was granted by savings banks (48.3% of the total), although the most sizeable rise was seen in credit opened by credit cooperatives (30.5% year-on-year). Among the

Chart 159. **GDP AND BANK LENDING. YEAR 2005**



**NOTES:**

Year-on-year percentage change.  
(1) Chained volume index, base year 2000.

Source: IEA, INE and the Bank of Spain.  
Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

various regions activity differed considerably, as in nine of them (Andalusia, Aragon, the Balearic Islands, Cantabria, Castilla y León, Catalonia, Madrid, Murcia and Navarre) private sector credit from credit cooperatives was the type which proved the most buoyant, while in a further seven (Asturias, Valencia, the Canary Islands, Castilla-La Mancha, Galicia, La Rioja and the Basque Country) it was savings bank credit which increased to the greatest extent. Lastly, Extremadura turned out to be the only autonomous community where the largest rise was accounted for by the commercial banks.

In per capita terms, Madrid had the largest credit volume per inhabitant in 2005, followed by Catalonia, while Andalusia came tenth in the ranking. By the same token it was Madrid which had the biggest private sector credit volume per bank branch, with Andalusia in seventh place.

On the deposit side, by the end of 2005 these totalled 965,404 million euros, 26.1% higher than the year before in a context where interest rates were actually negative. Almost one quarter of deposits were lodged in Madrid (24.3%), followed by Catalonia (14.6%), while Andalusia had the third highest volume in 2005 (9.1%).

Analysing by type of bank and considering private sector deposits, in most autonomous

communities (fourteen of them to be exact) in 2005 the largest rises in deposit taking occurred among the credit cooperatives, although these institutions were in fact the ones with the lowest market share in deposit terms (at 6.9%). There were departures from this norm in Asturias and Castilla-La Mancha, where the biggest rises took place in the savings banks, which actually had the highest market share (53.1%), while in Madrid and the Basque Country it was the private deposits made in commercial banks which were up the most.

On the other hand, as with the credit situation, Madrid was the autonomous community with the largest volume of private deposits per inhabitant, as well as deposits per branch. This contrasted with the Canary Islands, which had the lowest deposit per head reading in 2005, and Extremadura, with the lowest deposit volume per branch.

Lastly, examination of the financial savings ratio, which is the percentage of bank deposits to loans, reveals that this plumbed a historic low in 2005 of 81.5%, with the Balearic Islands and the Canary Islands having the lowest ratios and therefore the greatest need for funding from outside. On the other hand, Castilla y León had the highest, with Madrid in second place.



13.

## Convergence between Andalusia and the European Union



# Convergence between Andalusia and the European Union

## Introduction

This chapter of the report looks at Andalusia's progress in converging with the European Union. Analysis is based on official statistics and the situation in 2005 is compared with trends for Andalusia since Spain acceded to the European Union.

Before beginning it is necessary to explain certain points regarding the methodology to be used. Measuring convergence is complex and three strands have to be brought together:

- Firstly convergence cannot merely refer to the productive capacity of one economy in relation to another in per capita terms. Evaluating convergence has to be approached through a set of indicators which enable the sustainability of development leading to it to be gauged. These measure human and physical capital, technological and organisational capital, and natural and social capital (sustainable development).
- Secondly there must be a time-frame, as convergence necessarily implies a process of narrowing a gap and this means looking at progress over time.
- Thirdly the performance of the economy at issue should be set against a benchmark environment, which in Andalusia's case means Spain and the European Union.

It is also important to point out that it is not possible to make a full analysis of Andalusia's progress in converging with Europe as set out above with indicators, as there is a shortage of comparable official statistics which are available and up-to-date for the variables measuring trends for human, physical, technological, social and natural capital. Nonetheless a synthetic overview is provided for Andalusia and Spain using indicators which shed light on some of the progress made in these economies from 1986 to 2005.

Given the statistical limitations in this report, convergence by Andalusia and Spain with the EU

### 13. CONVERGENCE BETWEEN ANDALUSIA AND THE EUROPEAN UNION

is approached in a simplified way which quantifies it in terms of output per capita and employment. The performance of a set of key economic indicators is therefore expressly referred to, these reflecting economic GDP growth, employment and productivity. Likewise a distinction is drawn between real and nominal convergence. In analysing real convergence, monetary indicators are corrected for differing price levels and are valued in terms of purchasing power parity (PPP). Nominal convergence is measured by charting trends in purchasing power parity taking into account the general price level situation in relation to the EU average.

With regard to the timeframe, the analysis traces Andalusia's comparative showing since Spain joined the EU in 1986 and more specifically assesses the current situation and the performance in 2005.

The information used for this comes from official statistical institutes the IEA (Andalusian Statistics

Institute), the INE (National Statistics Institute) and Eurostat. Specifically the GDP variable uses the official estimates from each of the statistical institutes for all the separate areas.

The purchasing power parity calculations for Spain with respect to the EU are official Eurostat estimates. In working out PPP data Eurostat only takes into account the national price relative differential and not the ones for each region. For this reason calculation of Andalusia's purchasing power parity trends with respect to the EU has been done by combining the Eurostat estimates with the progress of the GDP deflator differential with Spain.

The data on Andalusia's population is from INE estimates. Here the reference population used is the one from the Spanish Regional Accounts. In the cases of Spain and the EU the population data used are those published by the European Commission in European Economy.

Table 90. **BASIC MACROECONOMIC CONVERGENCE INDICATORS FOR ANDALUSIA AND SPAIN VIS-À-VIS THE EU-15 AND THE EU-25 COUNTRIES IN REAL TERMS. YEAR 2005**

	ANDALUSIA	SPAIN	EU-15	EU-25
POPULATION (thousand people) <sup>(1)</sup>	7,732	43,304	387,940	462,033
Nominal GDP in billions of euros (PPP) <sup>(2)</sup>	127.8	904.3	10,257.4	10,798.4
GDP in billions of euros (PPP) <sup>(2)</sup>	143.2	994.2	9,822.0	10,798.4
Year-on-year percentage change. Chained volume index, base year 2000 <sup>(2)</sup>	3.6	3.4	1.5	1.6
GDP PER CAPITA in euros (PPP) <sup>(3)</sup>	18,516	22,959	25,318	23,371
EMPLOYED (thousand people) <sup>(4)</sup>	2,960	18,973	167,370	196,710
APPARENT PRODUCTIVITY <sup>(5)</sup> of labour (€, PPP)	48,374	52,400	58,684	54,895
EMPLOYMENT RATE % <sup>(6)</sup>	38.3	43.8	43.1	42.6

#### NOTES:

Provisional data.

(1) POPULATION: Figures for Spain and Andalusia obtained from the 2000-based Spanish Regional Accounts as calculated by INE. EU data were obtained from the European Commission (European Economy).

(2) GDP: Data from Andalusian Quarterly Accounts, INE and Eurostat respectively. PPP: The purchasing power parity (PPP) figures result from converting national currencies into euros in terms of purchasing power parity. These data were obtained from the European Commission (European Economy). The discrepancies that may exist for Spanish and Andalusian data are due to the correction made to adjust nominal GDP for purchasing power parity, taking into account differences in price levels measured by the GDP deflator.

(3) GDP PER CAPITA adjusted for purchasing power parity was obtained by dividing GDP (PPP) by the registered population.

(4) EMPLOYMENT: Andalusia and Spain were obtained from the Labour Force Survey. EU figures come from European Labour Force Survey.

(5) Apparent productivity results from dividing GDP in euros (PPP) by the number of people in work.

(6) The employment rate shows people in employment as a percentage of total population.

Source: IEA, INE, Eurostat and Office of the Secretary-General for Economy, Junta de Andalucía.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

As for employment data, the information relating to Andalusia and Spain comes from the INE's Labour Force Survey and that on the European Union is from the European Union Labour Force Survey for the period for which information is available (1995-2005), this dataset being linked with the employment growth figures contained in the above-mentioned publication for the rest.

## Convergence in 2005

In 2005 Andalusia's GDP at market prices went up 3.6% in real terms according to Andalusia's Quarterly Accounts produced by the IEA. This percentage eclipsed those of the Spanish economy (3.4%), the European Union of 15 nations (EU-15, 1.5%) and that of the twenty-five strong European Union (EU-25, 1.6%). In productive terms this represented a step forward in the process of real convergence with respect to Andalusia's benchmark economies, as, according to the INE, such GDP growth was two tenths of a point over that experienced by the Spanish economy and 2.1 and 2 points above the GDP which Eurostat credited the EU-15 and the EU-25 respectively as having. Likewise, this meant that in 2005 the Andalusian economy kept up the growth trend begun in 1994 which has helped it converge in real terms with the European Union for the twelfth successive year.

These results achieved by the Andalusian economy in 2005 take on an added significance if their effect on employment is taken into account, where the available indicators make it evident that, on the one hand, the process of job creation registered since the mid nineties continued and, on the other hand, this was stronger in Andalusia than nationally and, particularly, over Europe as a whole.

According to the INE's Labour Force Survey, the number of those in work in Andalusia in 2005 was 2,959,600 people, representing growth of 7.1% or 196,500 more jobs than in 2004. This notable climb in employment was a major contribution to job creation in Spain and in the EU. Andalusia accounted for 19.6% of the total increase in

employment in Spain in 2005, 7.3% for the EU-15 and 6.3% in the EU-25. These figures show the sheer vigour of employment growth in Andalusia, which was 1.5 points higher, according to the INE, than what the Spanish economy experienced (5.6%) and 5.5 points above, what the European Union Labour Force Survey attributed the EU-15 and the EU-25 (1.6%) as seeing. The net result was that the number of those in work and the employment rate both recorded historic highs.

Such real convergence has been making it possible for the level of jobs and wealth per inhabitant in the Autonomous Community to move steadily towards European Community average levels. The macroeconomic indicators for real convergence regarding Andalusia in 2005 actually read as follows:

- The per capita GDP (PPP) indicator was 73.1% of the EU-15 level (90.7% for Spain). According to the INE in 2004 Andalusia's per capita GDP with respect to the EU-25 was 75.7% (98.3% for Spain).
- In employment rate terms in 2005 this stood at 88.7% of the EU-15 level (101.6% for Spain) and 89.9% of the EU-25 level (102.9% for Spain).
- Apparent productivity was 82.4% of the EU-15 average (89.3% for Spain) and 88.1% of the EU-25 rate (95.5% for Spain).
- With respect to the general price level, purchasing power parity in Andalusia was 85.6% of the EU-15 figure (87.2% for Spain) and 89.3% of the EU-25 level (91% for Spain).

## Convergence since accession to the EU (1986-2005)

Los The results achieved by the Andalusian economy in 2005 illustrate the convergence patterns which have been displayed by Andalusia and Spain at a similar pace since Spain joined

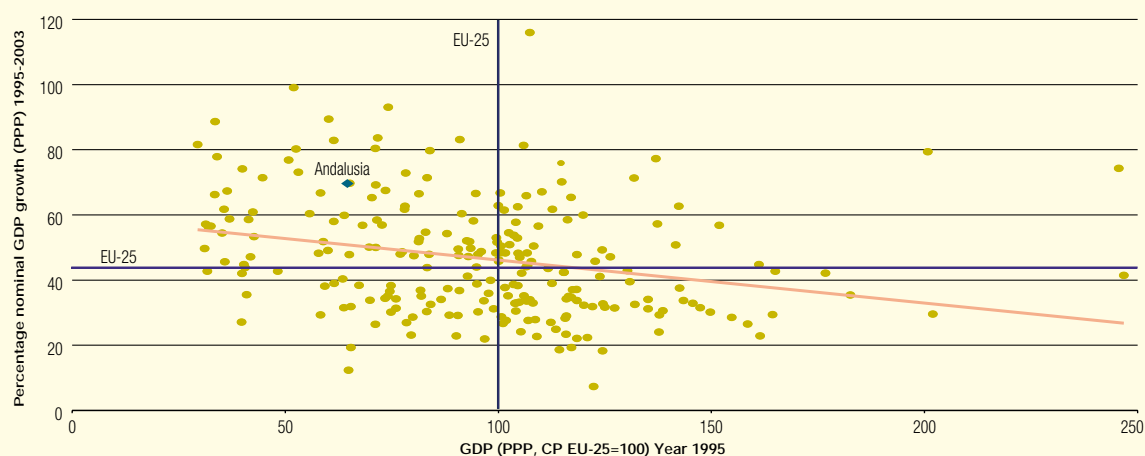
**Box 15. ECONOMIC GROWTH AND CONVERGENCE IN THE EU-25 REGIONS**

The European Union (EU) is, all-told, one of the most developed economic areas in the world, yet it still has notable economic and social disparities among its member states and regions. Given this fact, the very Treaty establishing the European Community laid down in articles 2 and 3 that the Community should, among other of its objectives, “promote throughout the Community a harmonious, balanced and sustainable development of economic activities, a high level of employment and of social protection,..... the raising of the standard of living and quality of life, and economic and social cohesion and solidarity among Member States.” More specifically, title XVII (articles 158 to 162) is given over to Economic and social cohesion, it being stipulated that “In particular, the Community shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions or islands, including rural areas”.

Looking exclusively at the economic disparities and using GDP per inhabitant measured at purchasing power parity (PPP) as an indicator, the results bring out this mixed situation. In 2003, the year for which the last Eurostat data is available, of the 254 regions at NUTS level 2 comprising the EU-25, 37 showed a GDP level (PPP) per inhabitant of over the average of 125% (35 in 1995), while in 60 this was under 75% (70 in 1995), with results ranging from 33% for Lubelskie and Podkarpackie, both in Poland, and 278% in Inner London, in the United Kingdom.

The process of economic integration and regional policy, which is handled chiefly through the Structural and Cohesion Funds, has over time steadily narrowed these differences among regions and, more significantly, among Member States, as a result of the greater relative dynamism shown by the more backward regions. In actual fact, in the 1995-2003 period nominal EU GDP rose by 43.3%, with the most sizeable gains (60% plus) occurring in the poorest regions of Poland, the Baltic states (Estonia, Latvia, Lithuania), Hun-gary, Slovakia and countries on the Mediterranean rim (Greece and Spain), these being joined by Ireland and Luxembourg too. On the other hand, it was generally the richest regions, which returned the most modest results (below 40%), namely Belgium, Austria, Italy and Germany. As a consequence, GDP (PPP) per capita has gradually become less disperse within the area with respect to the average, as is witnessed by the 5% drop in standard deviation experienced in the 1995-2003 period.

**Chart 1. REGIONAL CONVERGENCE AMONG THE EU-25. 1995-2003 PERIOD**

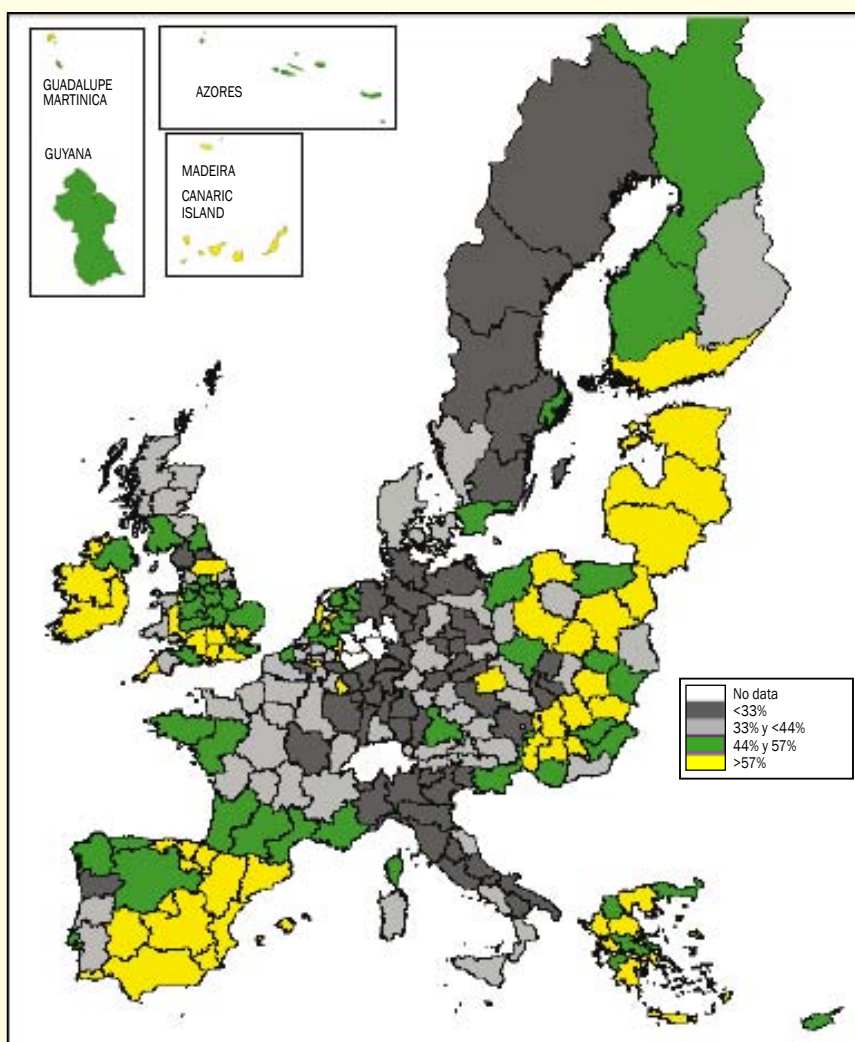


**NOTE:**  
NUTS level 2 regions. No data exist from 1995 for Düsseldorf, Köln, Münster, Detmold, Arnsberg, Ceuta, Melilla or Malta.

**Source:** Eurostat.  
**Compilation:** Office of the Secretary-General for Economy, Junta de Andalucía.

Being favoured by its location in the South of the focal point for growth represented by the Mediterranean rim, Andalusia has recorded a 69.6% increase in nominal GDP (PPP), far above the average, and is the 28th ranked region in terms of how far it has progressed of the 254 in the EU. As a result its relative position in per inhabitant terms with respect to the average has also improved, this moving from 69.6% of it in 1995 to 74.1% in 2003, thus closing up its gap with respect to the EU by 9.5 points and making it the 38th ranked region in terms of convergence progress within the Union and the 17th of the 70 NUTS 2 level regions which had a GDP (PPP) per inhabitant of under 75% of the European average in 1995.

Chart 2. **ECONOMIC GROWTH IN THE EU-25 REGIONS. 1995-2003 PERIOD**



**NOTE:**  
Percentage change in nominal GDP (PPP).

**Source:** Eurostat.  
**Compilation:** Office of the Secretary-General for Economy, Junta de Andalucía.

### 13. CONVERGENCE BETWEEN ANDALUSIA AND THE EUROPEAN UNION

Table 91. **CONVERGENCE INDICATORS FOR ANDALUSIA AND SPAIN, AND VIS-À-VIS THE EU-15 AND THE EU ENLARGEMENT COUNTRIES. YEARS 2004-2005**

	ANDALUSIA	SPAIN	EU-15	EU-25
RESIDENT POPULATION GROWTH (%) <sup>(1)</sup>	1.6%	1.4%	0.5%	0.4%
NOMINAL GDP PER CAPITA (PPS) GROWTH (%) <sup>(2)</sup>	3.6%	3.4%	1.5%	1.6%
REAL GDP PER CAPITA (PPS) GROWTH <sup>(3)</sup>	3.8%	3.8%	2.8%	3.2%
EMPLOYED POPULATION GROWTH (%) <sup>(4)</sup>	7.1%	5.6%	1.6%	1.6%
APPARENT PRODUCTIVITY GROWTH (%) <sup>(5)</sup>	-1.5%	-0.3%	1.7%	2.0%
GENERAL PRICE LEVEL GROWTH (%) <sup>(7)</sup>	4.8%	4.4%	1.7%	2.1%
GROWTH OF GDP PER CAPITA (PPS) (in p.p.) <sup>(3)</sup>				
VS. EU-15	0.7	0.9	-	0.3
VS. EU-25	0.5	0.6	-0.3	-
GROWTH OF EMPLOYMENT RATE (in p.p.) <sup>(4)</sup>				
VS. EU-15	3.6	2.9	-	0.1
VS. EU-25	3.6	2.9	-0.1	-
GROWTH OF PURCHASING POWER PARITY (in p.p.) <sup>(6)</sup>				
VS. EU-15	2.6	2.4	-	0.2
VS. EU-25	2.5	2.3	-0.2	-
CUMULATIVE ANNUAL RATE OF CONVERGENCE <sup>(8)</sup>				
WITH THE EU-15	1.0	1.0	-	0.4
WITH THE EU-25	0.7	0.6	-0.4	-

### CONVERGENCE INDICATORS FOR ANDALUSIA AND SPAIN VIS-À-VIS THE EU-15. YEARS 1986-2005

	ANDALUSIA	SPAIN	EU-15
RESIDENT POPULATION GROWTH (%) <sup>(1)</sup>	15.1%	12.3%	8.0%
REAL GDP GROWTH (%) <sup>(2)</sup>	108.2%	91.7%	58.0%
NOMINAL GDP PER CAPITA (PPS) GROWTH (%) <sup>(3)</sup>	207.0%	189.6%	135.6%
REAL GDP PER CAPITA (PPS) GROWTH (%) <sup>(4)</sup>	94.9%	72.4%	20.0%
APPARENT PRODUCTIVITY GROWTH (%) <sup>(5)</sup>	81.3%	88.6%	112.1%
PRICE GROWTH (%) <sup>(7)</sup>	155.8%	163.0%	83.7%
GROWTH OF GDP PER CAPITA (PPS) (EU-15 = 100 p. p.) <sup>(3)</sup>	17.0	16.9	-
GROWTH OF EMPLOYMENT RATE (EU-15 = 100 p. p.) <sup>(4)</sup>	30.5	28.1	-
GROWTH OF PURCHASING POWER PARITY (EU-15 = 100 p.p.) <sup>(6)</sup>	26.4	28.5	-
CUMULATIVE ANNUAL RATE OF CONVERGENCE WITH THE EU <sup>(8)</sup>	1.3%	1.0%	

#### NOTES:

Figures for 2004 and 2005 are provisional.

(1) POPULATION: Figures for Spain and Andalusia were obtained from the INE Spanish Regional Accounts with base year 2000, linked with the 1980-based data for 1980-1985, the 1986-based data for 1986-1994, and that based in 1995. Spain and the EU: Data were obtained from the European Commission linked series including the new German territories after the reunification in 1991.

(2) GDP: Figures for Andalusia were obtained from the INE Spanish Regional Accounts, base year 1986 until 1995 and then linked to the IEA 2000-based series from 1995 onwards. Figures for Spain were obtained from the INE 1995-based homogeneous series up to 1995 linked with the INE series with base year 2000 from that same year onwards. EU data were obtained from the Eurostat linked series including the new German territories after the reunification in 1991.

(3) GDP PER CAPITA adjusted for purchasing power parity was obtained by dividing GDP (PPP) by the registered population.

(4) EMPLOYMENT: Andalusia and Spain were obtained from the Labour Force Survey. EU figures come from the European Labour Force Survey from 1995

to 2005, linked for other years to employment growth rates from the European Commission National Accounts (*European Economy*). The employment rate shows people in employment as a percentage of total population.

(5) Apparent productivity results from dividing GDP in euros (1995 PPP) by the number of people in work.

(6) PPP: The purchasing power parity (PPP) figures result from converting national currencies into euros in terms of purchasing power parity. These data were obtained from the European Commission (*European Economy*).

The discrepancies that may exist for Spanish and Andalusian data are due to the correction made to adjust nominal GDP for purchasing power parity, taking into account differences in price levels measured by the GDP deflator. EU-25=100.

(7) PRICES: General price level growth is measured through the GDP deflator.

(8) The annual rate of convergence is equal to the nominal GDP per capita (PPS) average cumulative annual growth differential vis-à-vis the EU in the period reviewed.

Source: IEA, INE, Eurostat and Office of the Secretary-General for Economy, Junta de Andalucía.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.



the European Union in 1986. Since then notable headway has been made in terms of both real and nominal convergence with the European Union, with stronger population expansion, economic growth and job creation levels than witnessed in the EU as a whole.

According to the latest available information, between 1986 and 2005:

- The population rose by 15.1%, which was 2.8 points more than in Spain and above the EU-15 rate (8%).
- Cumulative real GDP growth for the Andalusian economy was 108.2%, which was 50.2 points higher than the EU-15 (58%) and 16.5 points more than Spain (91.7%).
- Nominal per capita GDP growth (PPP) was 207% in Andalusia, which was 71.4 points above the EU-15 level (135.6%) and 17.4 points above the rate for Spain (189.6%).
- Employment rose in Andalusia by 94.9%, meaning it moved 74.9 percentage points ahead with respect to the growth seen in the EU-15 (20%) and 22.5 points against Spain (72.4%).

These results suggest that the Andalusian economy has been closing in on average levels of wealth per inhabitant in the EU-15. The speed of convergence, meaning the level of approximation that occurs, as measured using the nominal per capita GDP growth differential (PPP), has been a cumulative 1.3% year-on-year and real convergence, measured using per capita GDP (PPP) with respect to the EU-15 has risen by 17 points.

The above-mentioned figures likewise show that the Andalusian economy has experienced per capita GDP growth based on a strategy of stepping up employment, as for every point of economic growth employment has risen by 0.88 points in Andalusia, compared to 0.34 for the EU-15. This translates as meaning that in during the period reviewed Andalusia has managed to feed 88% of economic growth through to employment, whereas in the EU this percentage was 34%.

The model of economic development followed in Andalusia therefore shows that the rise in wealth measured through GDP or per capita GDP has taken place by combining a great capacity for turning economic growth into job creation with, to a lesser extent, a rise in productivity. This comes in contrast to other periods from before accession in which Andalusia's economic growth was based on stimulating productivity and did not feed through sufficiently to job creation, thereby generating a process of population emigration. In this period reviewed, job creation (94.9%) was six times greater than population growth (15.1%).

Also useful as regards the issue of convergence is analysis of trends in general price levels. Given that the Economic and Monetary Union implies a single currency and one exchange rate, price level differences determine an economy's competitiveness. Purchasing power parity is used as an indicator to compare general price levels in Andalusia or Spain with the EU-15. This indicator offers a composite insight into general price level convergence between both areas.

In 1985, the year before EU accession, there was a difference in price levels in Andalusia and Spain with respect to the EU-15 of 40 points measured in terms of real purchasing power parity. This means that price levels were roughly 60% of the average EU level. Progress since then has been overwhelming. The Andalusian and Spanish economies have converged apace with the EU average in purchasing power parity terms, and therefore in price terms. In 2005 Spain's purchasing power parity was 87.2% of the EU-15 level and Andalusia's was 85.6%. Purchasing power parity vis-à-vis the EU-25 in 2005 was 91% in Spain and 89.3% in Andalusia.

Trends in purchasing power parity are shaped by two factors: inflation and the exchange rate. Since the single currency came in, purchasing power parity relative to the EU-15 has been basically determined by the course of inflation. Inflation has thus become a centrepiece of economic policy as the economy's level of competitiveness partly hinges on it.

In the 1986 to 2005 period price growth in Andalusia rose at a higher level than in the European Union. The GDP deflator charts these trends more fully than does the consumer price index as it reflects price movements for all demand and supply components. According to this indicator, between 1986 and 2005 prices rose in Andalusia by 155.8%, 7.2 points less than they did in Spain (163%) yet 72.1 points more than in the EU-15 (83.7%). It is clear that price trends in Andalusia have been largely shaped by the performance nationally.

It is thus very important that in the Spanish and Andalusian economies price convergence (87.2% of the EU-25 average) moves in step with that of per capita GDP (90.7%), which in the context of the current EMU depends exclusively on inflation trends. There is still a gap of roughly 4 points, but this has narrowed fast from its level of 13 points in 1985, when the difference in per capita GDP between the Spanish economy and the EU-15 was some 27 points and the price level differential was 40 points.

Inasmuch as Spain's economic growth outstrips the rate for the EU, which is a prerequisite for real

convergence to happen, it is natural for there to be a more sizeable increase in prices. Nonetheless, if Spain's inflation differential with the EU grows faster than the per capita GDP gap, this prompts a fall in the economy's productivity level and will complicate the chances of real convergence. This situation has been the case for the Spanish economy since the year 2000. To illustrate, in 2005 the per capita GDP growth differential between Spain and the EU-15 was 0.9 points, yet purchasing power parity increased by 2.4 points. To conclude, one can say that Andalusia's path of convergence with the European Union since 1986 has shown considerable progress. This was based on substantially stronger growth relative to the fifteen most developed member states, this laying special emphasis on the employment side. This strategy has allowed Andalusia to move seventeen points closer to its most developed European partners.

The chances of the Spanish and the Andalusian economies continuing along these lines depend on keeping up a strategy of enhancing employment, while ensuring productivity increases similar to EU levels and containing inflation in the economy.

14.

## New Economy and Knowledge Society in Andalusia



## New Economy and Knowledge Society in Andalusia

### Overview of the position of Andalusia in relation to the new economy and the information society

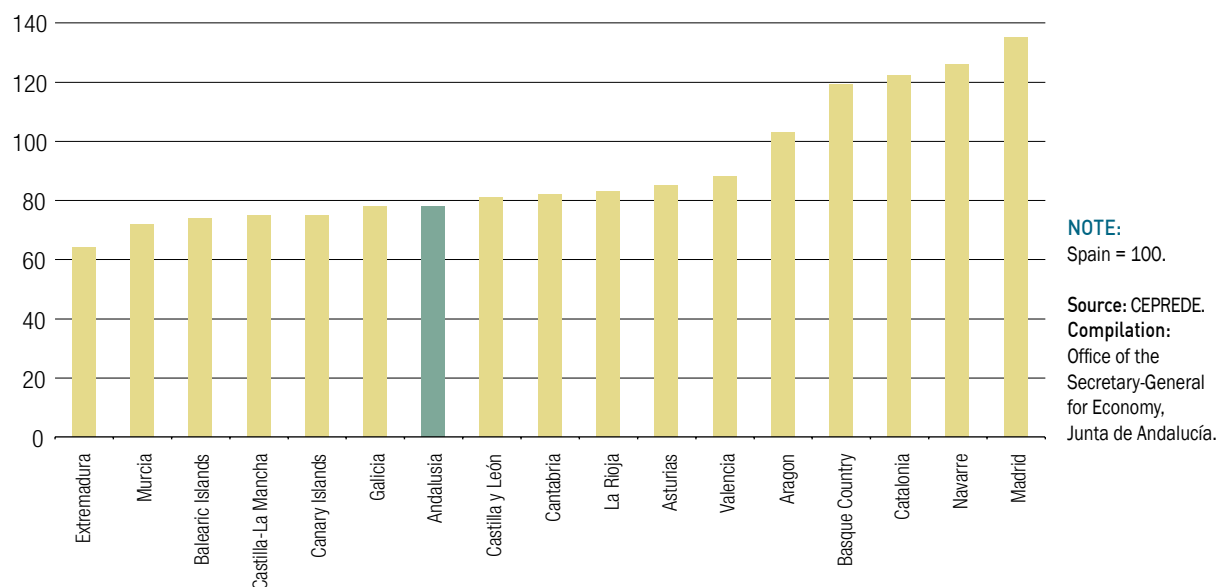
The practice of producing global indicators to provide an overview of every economy's situation as regards the new economy and the knowledge society has become more and more widespread, both nationally and internationally, even though this has major shortcomings when it comes down to autonomous community level.

Among the indicators available for analysing the relative position of the various autonomous communities on this issue is the one produced by the *Centro de Predicción Económica* (CEPREDE – Economic Forecast Centre) of the faculty of Economics and Business Science at the Autonomous University of Madrid, which has been published since 2001 under the name of the *composite indicator for regional penetration of the new economy*.

This indicator comprises four categories for which composite indicators are compiled in

relation to technological innovation and the level of penetration of the new economy within three distinct spheres, which are business, households and regional government. The first three of these each have a 30% weighting in the overall index, while the fourth, the degree of penetration of the new economy in regional government, accounts for the remaining 10%.

These four categories encompass a total of fourteen indicators representing the distinct trends within each of them. More precisely, the technological innovation situation is measured by looking at R&D expenditure, employment in R&D activities, the number of high technology companies, and the number of registered patents. The level of penetration of the new economy in businesses is also gauged using four indicators; enterprises offering e-commerce or having a web-site, worker numbers in high technology enterprises, and the foreign trade figures for the information and communication technology (ICT) sector. The new economy's penetration level in households also takes into account four variables: households with a personal computer and also telephone lines, people with internet access and

Chart 160. **COMPOSITE INDICATOR FOR REGIONAL PENETRATION OF THE NEW ECONOMY. YEAR 2005**

those who use this to shop. Finally the penetration of the new economy in regional government is estimated on the basis of the budget for the information and communication technology (ICT), and the percentage of enterprises which interact with the regional government by internet. These indicators are published more regularly and are more representative than those used in former versions of the composite indicator for regional penetration of the new economy (expenditure on IT and PCs per government employee).

Every one of these indicators has the same weighting within the economic category into which they fall, in other words one of 25% in the first three cases and one of 50% for the composite indicator for regional penetration of the new economy in government.

According to the most recent data published, the composite indicator for regional penetration of the new economy in Andalusia in 2005 had a value of 78 against an average value in Spain of 100. This made the Andalusia region the 11<sup>th</sup> ranked autonomous community, with it gaining slightly with respect to the previous year, as in 2004 it stood in 12<sup>th</sup> place according to this classification.

Behind Andalusia, with less favourable results, were Castilla-La Mancha, the Canary Islands, the Balearic Islands, Murcia and Extremadura. At the other extreme, five autonomous communities attained values above the national average, these being Madrid, Navarre, Catalonia, the Basque Country and Aragon.

Looking at the data published over the years on the other hand, it can be claimed that penetration by the new economy has not only deepened in the various autonomous communities but this has also led to a higher degree of convergence among them regarding this issue.

Between 2001 and 2005 penetration by the new economy advanced in Spain as a whole at an average annual rate of 8.4%, varying between the clip of 16.8% a year seen in Navarre and the tempo of 3.7% in La Rioja and Madrid. Andalusia had growth of an average 10.4% a year in this period and was one of the autonomous communities which moved ahead of the national average.

On the other hand, inspection of the first set of data published in 2001 reveals that the disparity between the autonomic communities with the

greatest and the lowest levels of new economy penetration was one of 104 points, whereas according to the latest set of data from 2005 this difference had shrunk to 71 points, which goes to show that the “digital gap” among the autonomous communities is closing up.

In Andalusia’s particular case, its score in 2001 was 85 points lower than Madrid, which was top-ranked, whereas four years later, in 2005, the differential against this autonomous community, which once again claimed first place, had narrowed down to 57 points. This phenomenon was especially marked over the latter year as in 2004 the difference in score between Andalusia and Madrid was 70 points.

A glance at the different indicators used to set a value on the penetration of the new economy might lead one to conclude that in 2005 for the whole of Spain, the ones which show the greatest degree of convergence, meaning the least regional dispersion levels with respect to the national average are households with telephone lines, households with PCs, enterprises with websites, numbers of people with internet access, and enterprises which interact with the general government by internet. At the other end of the scale, the lowest level of convergence can be surmised from foreign trade in high technology, the ICT budget, patents, worker numbers in high technology enterprises, and people working in R&D activities.

Looking at the *composite indicators making up the four categories within the composite indicator for regional penetration of the new economy*, the best results for Andalusia were registered by *composite regional indicator for the new economy in government*, which scored 94 against the national average of 100 and was also notable as having the biggest average annual growth rate in the 2001-05 period (15.8% compared to the average of 8.5% in Spain as a whole). This was followed by the *composite regional indicator for the new economy among households*, with a score of 85 and an average annual growth rate of

15.7% in the 2001-2005 period, equalling that of Spain as a whole. Among the variables making up this category, the most striking were households with telephone lines and those with PCs, scoring 94 and 93 respectively, whereas the lowest score was for numbers of people shopping through the internet (65).

In third place came penetration in businesses (74), where it should be pointed out that among the variables making this up, enterprises offering e-commerce attained the average Spanish national level, whereas workers in high technology did not even reach half of this indicator’s average level nationwide. Finally, the least positive score was for technological innovation (69), where the highest scoring indicator was for R&D expenditure (81) and the worst for patents (54).

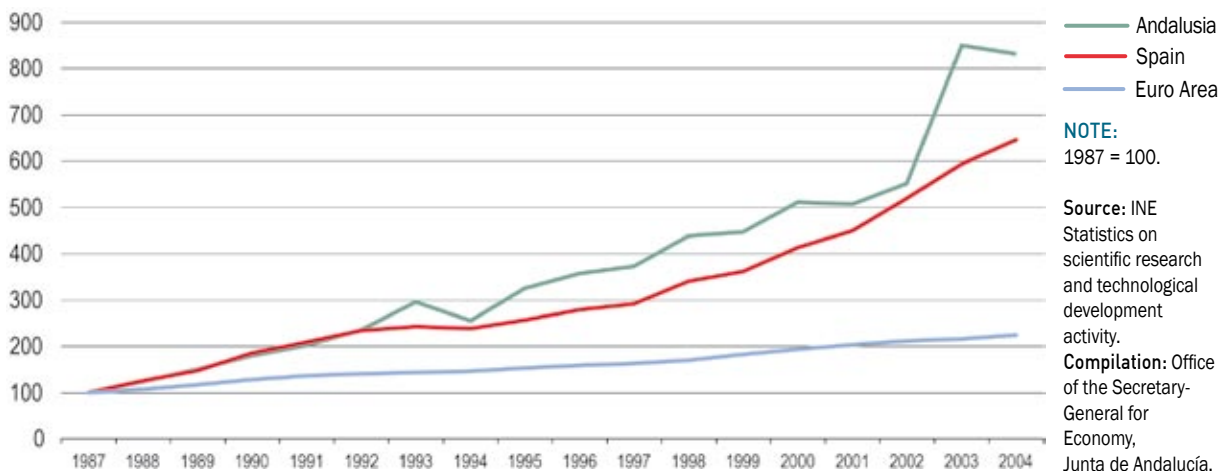
In addition to the *composite indicator for regional penetration of the new economy*, CEPREDE also publishes an *indicator of regional coverage of the new economy*, calculated using twelve indices including the four from the *composite indicator for the new economy among businesses*, the four from the *composite regional indicator for the new economy among households*, and four more, these being enterprises with an internet connection, households with internet access, the number of ADSL lines installed, and the net internal market for information technology.

In 2005, as with the penetration indicator, Andalusia scored 78 against the national average of 100, also equalling its score the previous year and leaving it 13<sup>th</sup> ranked among the autonomous communities.

## Technological research and development in Andalusia

According to what is laid down in the *Frascati Manual*<sup>1</sup>, scientific research and technological development (R&D) covers the creative work systematically undertaken to boost the corpus of

Chart 161. **R&D EXPENDITURE**



know-how, as well as to employ this in creating new applications.

Three types of activity come under the heading of R&D. These are basic research, applied research and technological development. Basic research refers to original, experimental or theoretical work carried out chiefly to acquire new knowledge and

know-how without this being focused towards any specific application or use, but rather aimed at formulating and verifying hypotheses, theories or laws. Applied research, on the other hand, also consists of work to acquire new knowledge but, unlike the above, it is fundamentally conducted with a specific practical objective in mind. Applied research is thus carried out to ascertain the

Chart 162. **R&D EXPENDITURE WITH RESPECT TO GDP**

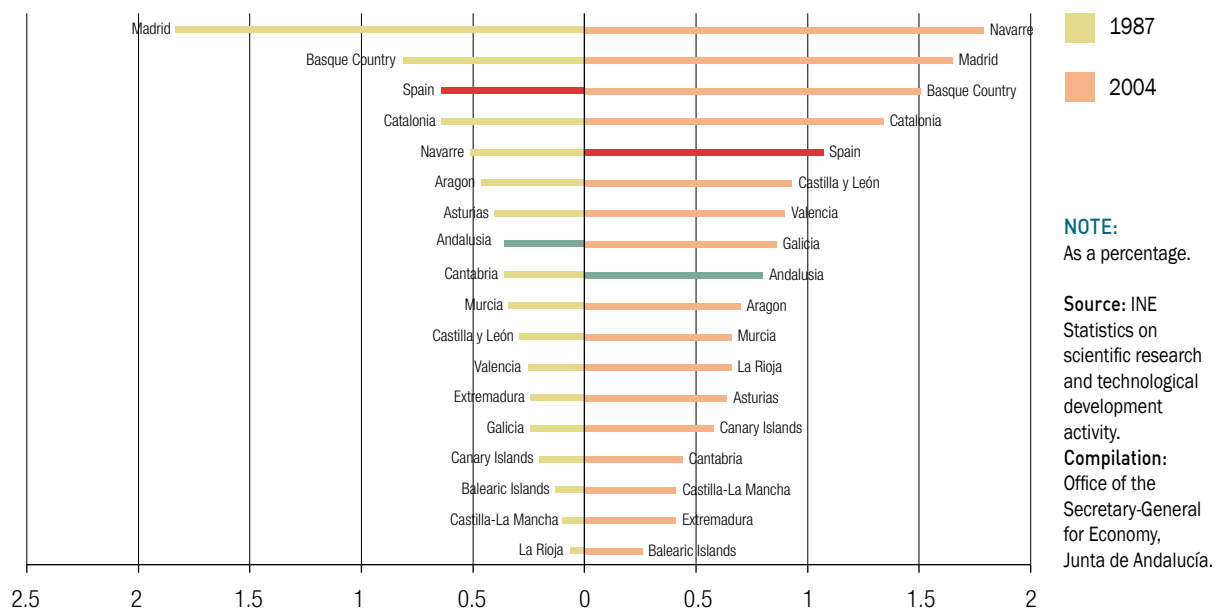




Table 92. **R&D EXPENDITURE IN TERMS OF GDP (%)**

	ANDALUSIA	SPAIN	EURO AREA
1987	0.36	0.64	–
1988	0.40	0.72	–
1989	0.44	0.75	–
1990	0.46	0.85	–
1991	0.47	0.87	–
1992	0.52	0.91	–
1993	0.64	0.91	–
1994	0.52	0.85	–
1995	0.62	0.85	1.78
1995	0.59	0.81	1.78
1996	0.62	0.83	1.77
1997	0.61	0.82	1.77
1998	0.68	0.90	1.79
1999	0.65	0.89	1.84
2000	0.67	0.94	1.85
2000	0.65	0.91	1.85
2001	0.60	0.92	1.87
2002	0.60	0.99	1.88
2003	0.85	1.05	1.88
2004	0.80	1.07	1.86

**NOTES:**

1987-1995: GDP at market prices as shown in the Spanish Regional Accounts.

Base year 1986.

1995-2000: GDP at market prices as shown in the Spanish Regional Accounts.

Base year 1995.

2000-2004: GDP at market prices as shown in the Spanish Regional Accounts.

Base year 2000.

Source: INE Statistics on scientific research and technological development activity.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

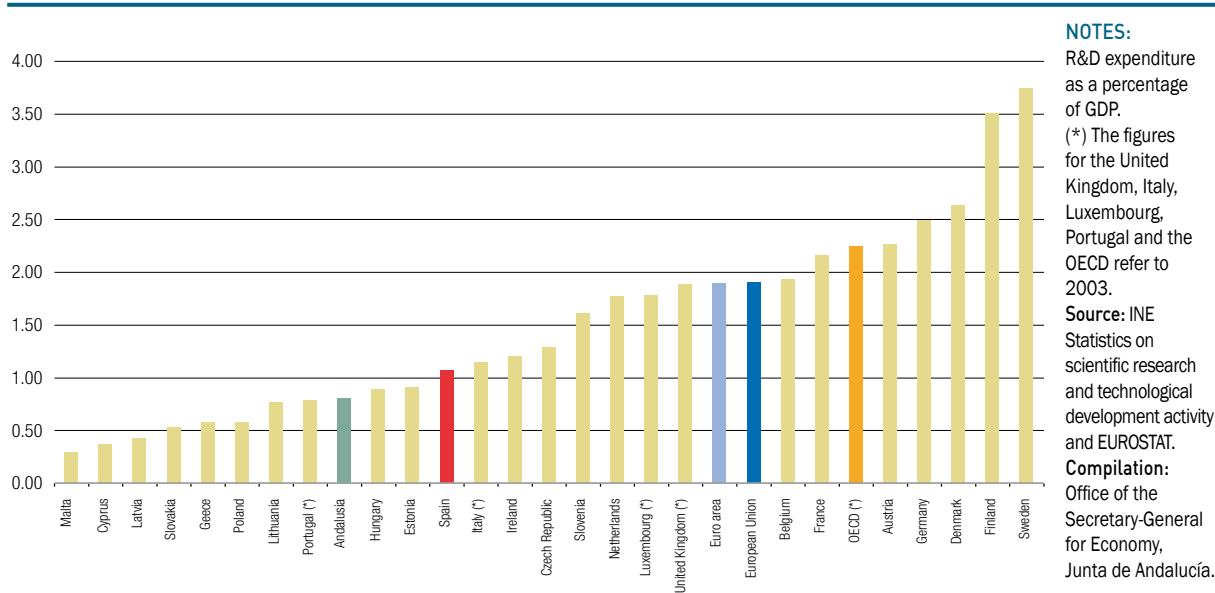
possible uses of the findings yielded by basic research or to find out new methods or ways of achieving specific, predetermined objectives. Technological development involves systematic work based on existing know-how acquired through research and / or practical experience aimed at manufacturing new materials, products or devices, establishing new processes, systems and services, or substantially enhancing pre-existing ones.

The annual *Statistics on Scientific Research and Technological Development* produced by the INE following the guidelines in the *Frascati Manual* offer information on the economic and human resources linked to these activities which gives an insight into the state of research work both nationally and among the various Spanish regions.

The latest data published refer to 2004 and reveal that internal expenditure on R&D<sup>2</sup> in Andalusia was 882,913 thousand euros, or 9.9% of the national total, this being the autonomous community with the third highest outlay of this kind after Madrid and Catalonia. If, on the hand, comparison is made of the current situation with that in 1987, the first year for which such information is available, it is evident that over the seventeen year period R&D expenditure in Andalusia rose in a greater proportion than on average in Spain. Specifically this happened at an annual pace of 13.3% and 11.6% respectively, growth being almost three times higher than on average among the euro area countries (4.8% a year).

Taking technological intensity to be measured by R&D expenditure as a percentage of GDP, in 2004 this figure was 0.8% in Andalusia, against

Chart 163. **TECHNOLOGICAL INTENSITY WITHIN THE EUROPEAN UNION. YEAR 2004**

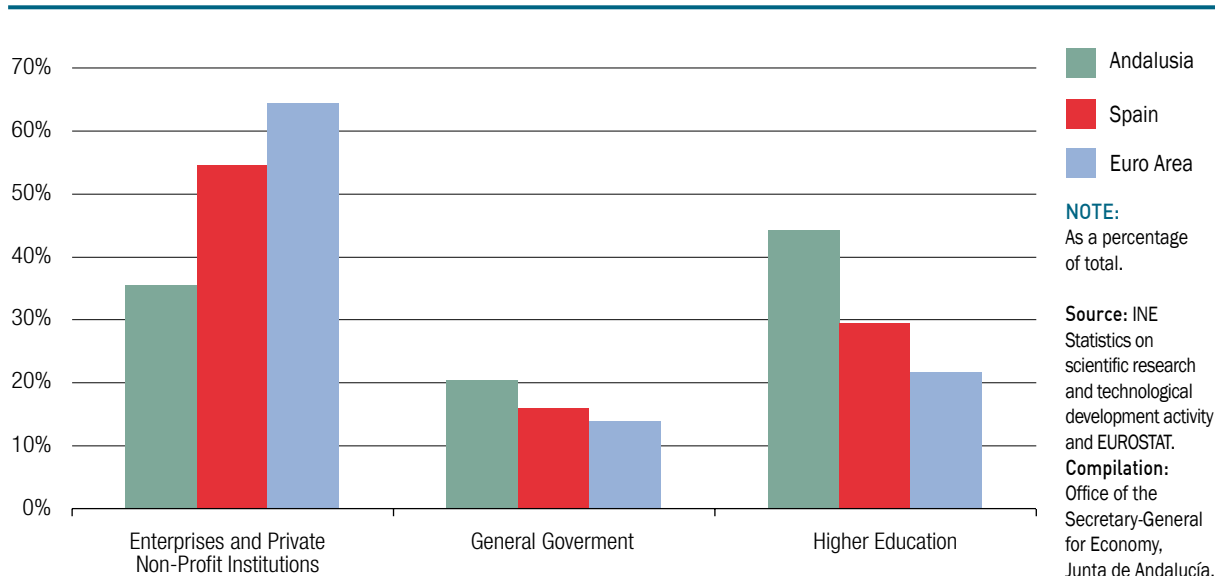


1.07% on average in Spain. These levels are lower than in the economies from their peer groups as, according to Eurostat, in 2004 technological intensity reached 1.89% of GDP in the euro area countries (1.9% in the European Union) and 2.24% of GDP in the OECD according to figures from 2003. One should nonetheless bear in mind that both in the OECD and in the EU such levels

have remained virtually stable since the mid eighties, whereas in Andalusia over the 1987 to 2004 period R&D spending more than doubled its weight with respect to GDP, moving from 0.36% to the already mentioned 0.80%.

A breakdown by R&D implementing sectors shows that for Andalusia in 2004 almost two thirds (64.6%)

Chart 164. **R&D EXPENDITURE BY INSTITUTIONAL SECTOR. YEAR 2004**



of expenditure was accounted for by general government and higher education, the latter being the sector which grew the most over the seventeen year period (15.4% a year). On a nationwide scale, as well as in the euro area, it was the business sector which stood out as spending the most on R&D, absorbing 54.4% and 63.7% of the total in 2004 respectively in a situation similar to that in 1987. It was nonetheless again higher education in both cases which raised its expenditure on R&D the most over the period (at 14.5% a year in Spain and 6.5% in the euro area).

The INE's *Statistics on Scientific Research and Technological Development* also gives information on numbers of people engaged in these activities. In 2004 staff working on R&D in full-time equivalent jobs in Andalusia came to 17,057 people, 10.5% of the national total, 3.5 percentage points more than in 1987. In the last seventeen years on record the rise in numbers of people working on R&D activities was greater in Andalusia than in Spain and the euro zone as a whole. In fact between 1987 and 2004 these increased at an annualised rate of 10%, while for Spain on average the rise was 7.4% year-on-year, these figures in both cases outstripping those for those in work (3.1% and

2.5% year-on-year respectively). Meanwhile, in the euro area the rise staff numbers engaged in R&D activities in equivalent full-time jobs between 1987 and 2004 was significantly lower (2%).

On the other hand, looking at technological intensity in terms of human resources valued according to the ratio of people in work in R&D activities to total employment numbers, this shows that in Andalusia, despite the increase in the weight registered in recent years, this figure is below the average in Spain as well as the euro area countries as a whole. According to Eurostat data referring to 2003 this ratio was actually 1.1% in Andalusia, four tenths of a point below the figure of 1.5% attained both in Spain as a whole and the euro area.

Of the total for those in Andalusia engaged in R&D work, most of them belong to the higher education sector, followed by business and private non-profit institutions and lastly general government.

Over half of those engaged in R&D work (53.5%) were in higher education, whereas on average in Spain and in the euro area it was the business

Chart 165. **R&D PERSONNEL**

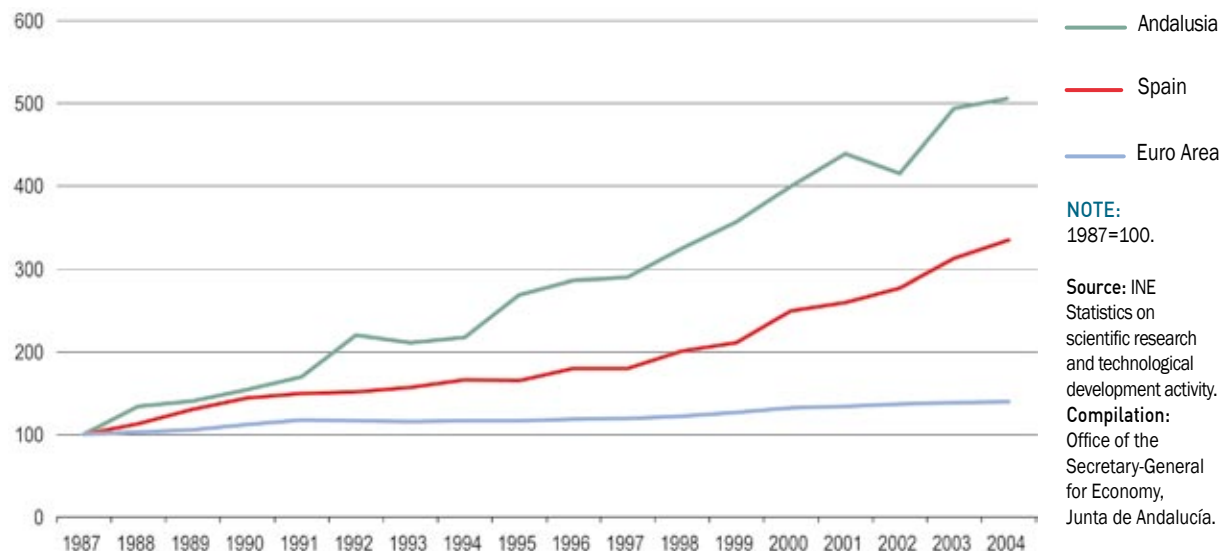
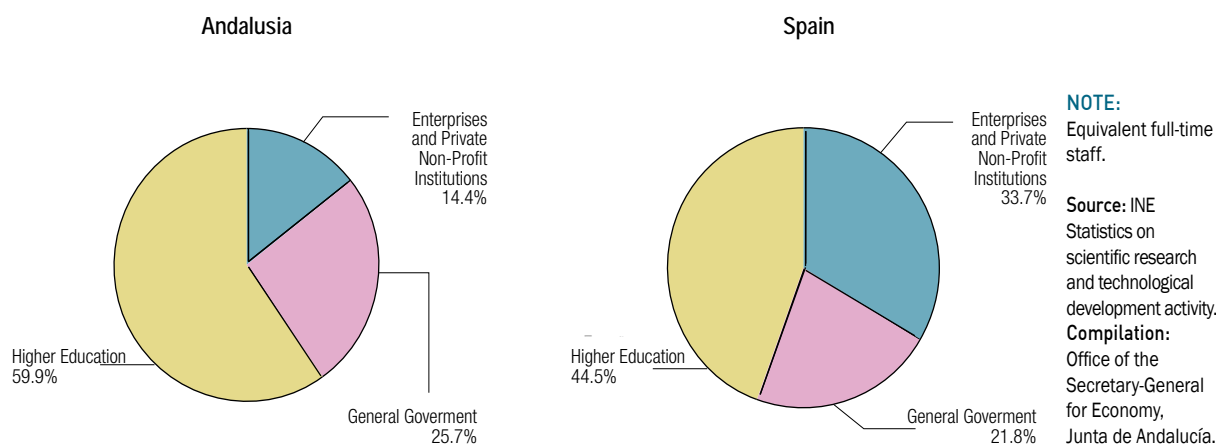


Chart 166. **WOMEN EMPLOYED IN R&D. YEAR 2004**

sector which absorbed the largest slice of R&D workers (43.9% and 55% respectively).

34.7% of R&D staff in Andalusia were women (37.4% nationally), with the highest female presence to be found in general government (42.8%), as with the case on average in Spain (48.6%). On the other hand, the share of women involved in such work was lowest in the business sector and among private non profit-making institutions, where this was under one fifth in Andalusia's case (19.5%), this figure being higher on average over Spain (28.5%).

Breaking R&D workers in 2004 down into types, 70.3% were researchers (62.4% for Spain as a whole), this classification embracing scientists and engineers involved in devising or creating new know-how, products, processes, methods and systems, and managing such projects<sup>3</sup>. The remaining staff were technicians and support staff, the former being those who take part in R&D projects by performing scientific and technical tasks, as well as applying operational principles and methods, their fundamental duties requiring experiments, testing and analyses to be conducted. Technicians differ from researchers in that the latter are in charge of directing research work.

On the other hand support staff refers to those workers, whether qualified or not, or secretarial

and office staff, who take part on R&D projects or relate directly to them. This category includes managers and administrators working principally on financial, man-management and general administrative issues, provided that their work relates directly to R&D activities.

Given that applied research requires a more technically skilled type of staff than basic research, the data mentioned above mean that it is reasonable to conclude that the research conducted in Andalusia as well as in Spain as a whole was in the main basic research work. This was likewise observed to be the case for the euro area countries as a whole, though to a lesser degree, as on average in the euro area 56.8% of staff engaged in R&D work were researchers in 2004.

Of total researchers in Andalusia, 36.5% were women, which was higher than the figure of 34.7% represented by women engaged in R&D work with respect to the total. Nationwide women represented 37.2% of total researchers, with no meaningful difference between women's share among researchers and that among total staff working in R&D (37.4%).

The greater weight of researchers with respect to total staff working in R&D in Andalusia than in Spain (70.3% and 62.4% respectively) to some extent accounts for the fact that expenditure

per researcher was lower in Andalusia than in Spain as a whole. In 2004 average expenditure per researcher in Andalusia was actually 73.6 thousand euros, compared to 88.6 thousand euros per researcher on average in Spain. In the euro area as a whole, where researchers represented 56.8% of all those working in R&D in 2004 the average expenditure per researcher was significantly higher at 173.1 thousand euros.

### Technological innovation in businesses

Businesses are key elements when it comes to production and investment decisions and they play a decisive role within the R&D&I system<sup>4</sup>, constituting one of the fundamental agents in it as centres for developing and implementing new technology.

The data published by the INE in its “*Survey of Technological Innovation in Companies*” offer information on the structure of the innovation process, which takes in the following activities: R&D, the purchase of machinery, equipment and software, the acquisition of other, external know-how, training, the marketing of innovations, and other preparatory activities for production and/or distribution, and afford an insight into

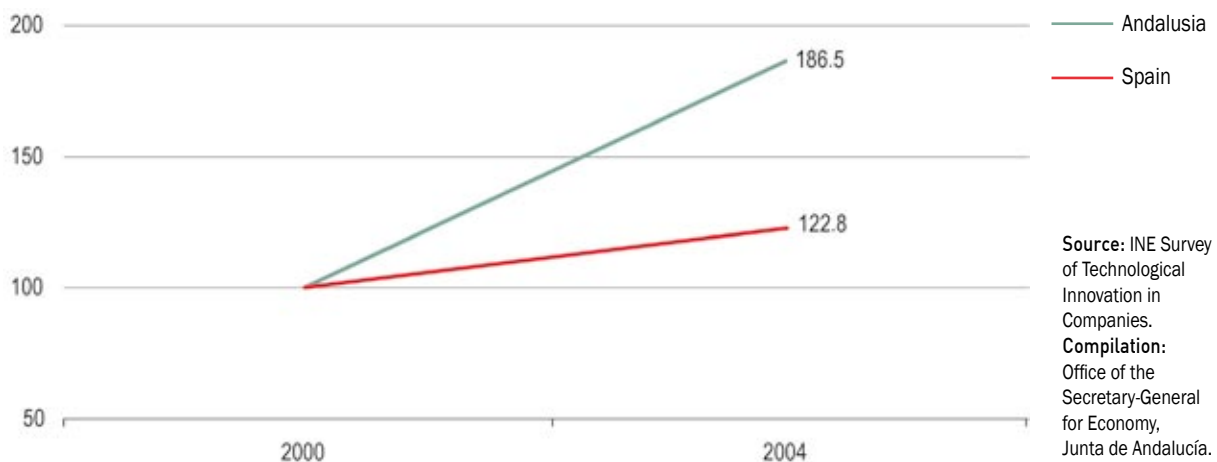
the state of technological innovation among businesses, while the handling of the results for Andalusia falls to the Andalusian Statistics Institute (IEA).

The latest available information refers to 2004 and reveals that innovation expenditure by Andalusian businesses came to 1,182,776 thousand euros that year, 9.5% of the national outlay, which represented 1% of GDP (1.5% for Spain on average).

In the 2000-2004 period, for which like-for-like information is available, it could be observed that the increase in such expenditure was higher in Andalusia than in Spain as a whole, these two rises actually moving at a pace of an annualised 16.9% and 5.3% respectively, which meant that there was an increase in the weight of technological innovation by Andalusian enterprises with respect to the average in Spain as a whole, the share climbing from 6.2% in 2000 to the figure of 9.5% referred to in 2004.

An examination of innovation expenditure according to business size shows that in Andalusia in 2004 almost two thirds (62.4%) was effected by Andalusian enterprises with less than 250 employees, this percentage having risen in the last

Chart 167. **INNOVATION EXPENDITURE**



four years for which data is available, as in 2000 (the first year on record) companies employing under 250 people accounted for slightly over half of the total outlay on innovation made by Andalusian businesses (54%). On a national basis, however, it was the larger enterprises which were responsible for the lion's share of innovation expenditure (55.4% in 2004 by those employing 250 or more people) and these also gained steadily in share during the period reviewed (52.2% in 2000).

On the other hand, of total expenditure made by Andalusian companies on innovation, almost

one quarter (23.5%) was on internal R&D expenditure (37.9% nationally), and the rest was on other activities, including acquiring technology (external R&D), buying machinery and equipment, spending on design, industrial engineering, tools and materials and production start-up as well as marketing new products and training. Among the various sectors it was in industry where the weight of R&D was most substantial (41.2% of total innovation expenditure), while on the other hand, in construction almost all of innovation spending focused on other innovation activities (98.4%). In the services sector internal spending on R&D

Chart 93. **TECHNOLOGICAL INNOVATION BY PRODUCTIVE SECTOR. YEAR 2004**

	Innovation expenditure		Turnover		Technological intensity <sup>(1)</sup>	
	Andalusia	Spain	Andalusia	Spain	Andalusia	Spain
<b>INDUSTRY</b>	454,834	6,919,696	46,331,188	495,366,434	0.98	1.40
Mining and quarrying; manufacture of coke, refined petroleum products and nuclear fuel	24,563	250,385	10,875,740	72,370,059	0.23	0.35
Food products, beverages and tobacco	101,887	603,668	12,095,353	83,357,115	0.84	0.72
Textiles and textile products; Leather and products	7,017	251,112	1,093,940	20,963,791	0.64	1.20
Wood, pulp, paper and products and publishing	22,630	428,303	2,238,397	37,676,347	1.01	1.14
Chemicals, chemical products and man-made fibres	24,754	1,115,577	3,165,877	41,289,493	0.78	2.70
Plastics, rubber and articles thereof	35,654	180,009	886,015	17,823,391	4.02	1.01
Non-metallic mineral products n.e.c.	37,364	217,618	3,300,484	29,092,799	1.13	0.75
Metallurgy and metal products	20,744	569,369	5,781,601	60,847,459	0.36	0.94
Machinery and transport equipment	176,429	3,160,827	5,441,827	116,674,886	3.24	2.71
Manufacturing n.e.c.	3,600	123,259	1,451,954	15,271,094	0.25	0.81
Recycling	192	19,569	-	-	-	-
<b>CONSTRUCTION</b>	318,639	715,123	-	-	-	-
<b>SERVICES</b>	409,304	4,855,995	-	-	-	-
Wholesale and retail trade; hotels and restaurants	36,565	576,978	-	-	-	-
Transport and communication	171,247	1,297,913	-	-	-	-
Financial intermediation	23,254	376,599	-	-	-	-
Real estate activities and business services	142,232	2,274,851	-	-	-	-
Public, social and collective services	36,006	329,654	-	-	-	-
<b>TOTAL</b>	1,182,776	12,490,814	-	-	-	-

**NOTES:**

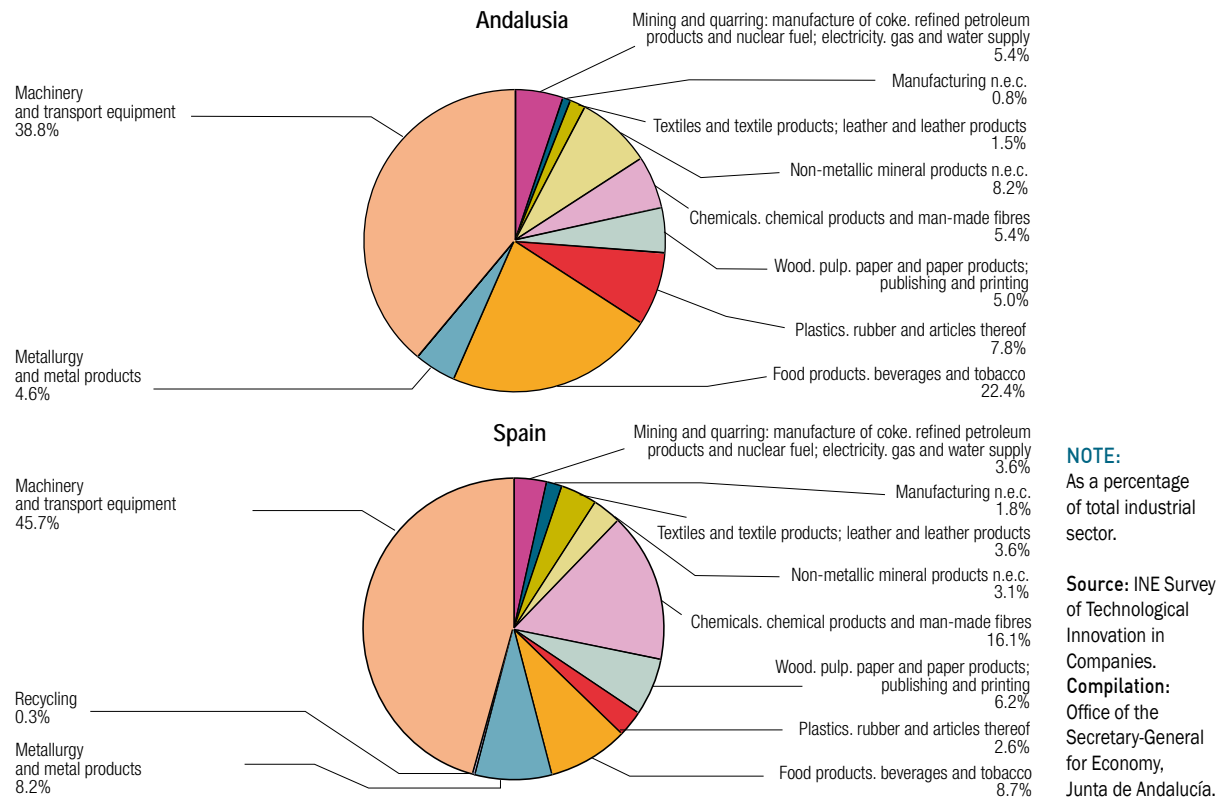
In thousand euros unless otherwise stated.

(1) Innovation expenditure as a percentage of turnover.

Source: INE Survey of Technological Innovation in Companies and INE Industrial Companies Survey.

Compilation: Office of the Secretary-General for Economy. Junta de Andalucía.

Chart 168. **INNOVATION EXPENDITURE IN INDUSTRY. YEAR 2004**



**NOTE:**  
As a percentage of total industrial sector.

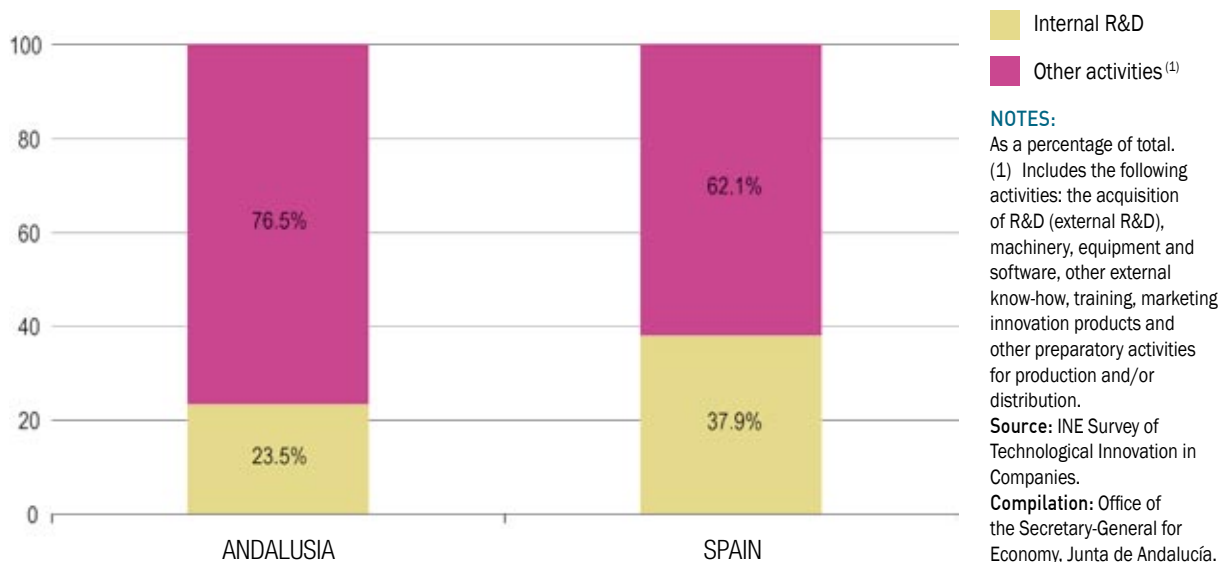
**Source:** INE Survey of Technological Innovation in Companies.  
**Compilation:** Office of the Secretary-General for Economy, Junta de Andalucía.

represented almost one quarter (23.2%) of the total sum spent on innovation.

Splitting expenditure on innovation out into branches of economic activity, in 2004 industry was at the forefront in Andalusia with over two thirds of the whole (38.5%). This was followed by services, with 34.6%, while the remaining 26.9% was from construction, which moved ahead strongly in the year, as in 2003 it only accounted for 1.4% of total expenditure on innovation. Using the ratio of innovation expenditure to GVA as an indicator of technological intensity for the various productive sectors it can be seen that the highest intensity level fell to industry (3.4%), followed by construction (2.4%), whereas in services the weight of innovation expenditure to GVA was least significant (0.6%).

Within the industrial sector, the branch with the largest volume of innovation expenditure was machinery and transport equipment (38.8%), followed by food, beverages and tobacco (22.4%). On a national level, however, the activity after machinery and transport equipment which absorbed the highest expenditure in 2004 was the chemicals industry (16.1%). Analysis of technological intensity among the various industrial sectors using the innovation expenditure to turnover ratio tells us that it was the heading of “plastics, rubber and articles thereof” which showed the highest level, with machinery and transport equipment in second place, which is the category that was ranked first nationally. On the other hand, the industrial heading of “mining and quarrying; manufacture of coke, refined petroleum products and nuclear fuel; electricity, gas and water

Chart 169. **DISTRIBUTION OF TECHNOLOGICAL INNOVATION EXPENDITURE BY ACTIVITIES. YEAR 2004**

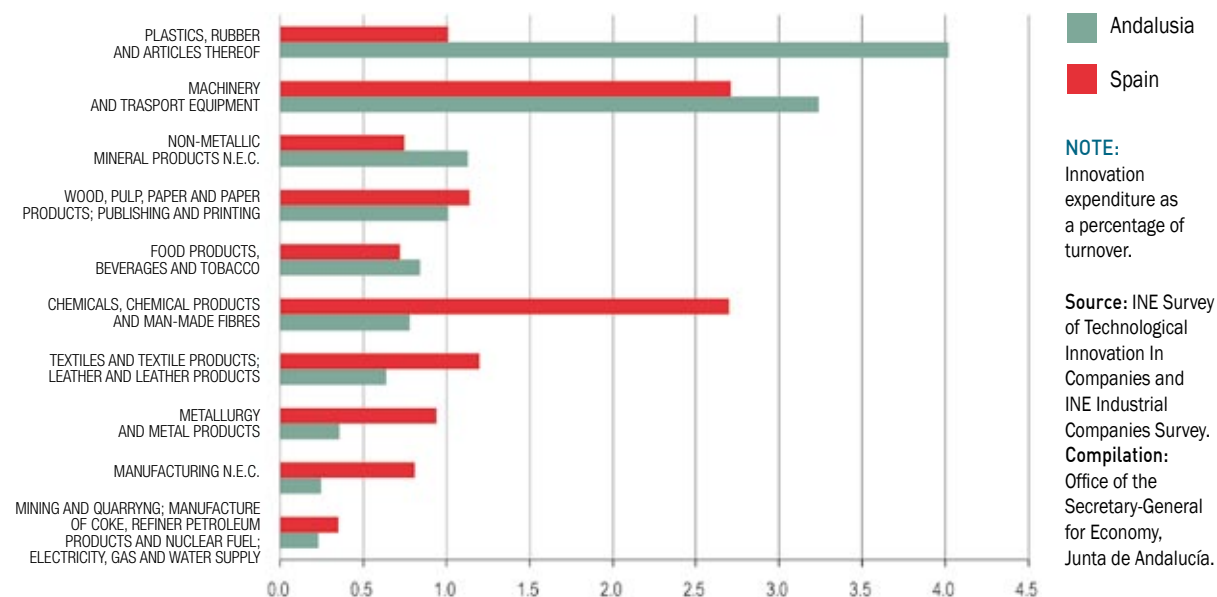


supply” was where the least technological intensity was evident, both in Andalusia and in Spain.

As for the services sector, this type of expenditure was mainly on transport and communication

(41.8% of the sector total), followed by real estate and business services (34.7%), tertiary branches which were also the ones which absorbed the greatest volume of expenditure on innovation nationally (26.7% and 46.8% respectively).

Chart 170. **TECHNOLOGICAL INTENSITY IN INDUSTRY. ANDALUSIA AND SPAIN. YEAR 2004**





## Advanced technology sectors

According to the INE, if technology is considered as the corpus of know-how needed to produce new products and processes, high technology is characterised by a rapid updating of know-how, which is far greater than in other technologies, and by its high degree of complexity, which requires a non-stop R&D effort.

For statistical purposes defining high technology means listing of branches of economic activity and classifying them according to various degrees of technological intensity, this concept being susceptible to change with time, as something that might be thought of as high technology today might be categorised as traditional technology tomorrow, or vice-versa. Among such classifications are those made by the OECD, which formulated a list for the 1970-80 period, which was modified for 1980-95. Subsequently a further revision was made of high technology activities for the 1990-2000 period, when not only manufacturing sectors were included among advanced technology activities, but also services activities.

The manufacturing sectors in high technology are actually currently considered to be the “pharmaceuticals industry”, “office machinery and IT equipment”, “electronic components”, “radio, television and communications sets”, “aeronautical and space construction” and “medical, precision and optical instruments, watches and clocks”, which was considered a medium-high sector under the previous classification.

On the other hand, “the chemicals industry”, “machinery and equipment”, “electrical machinery and devices”, and “the motor car industry and other transport equipment” are classified as medium-high technology sectors.

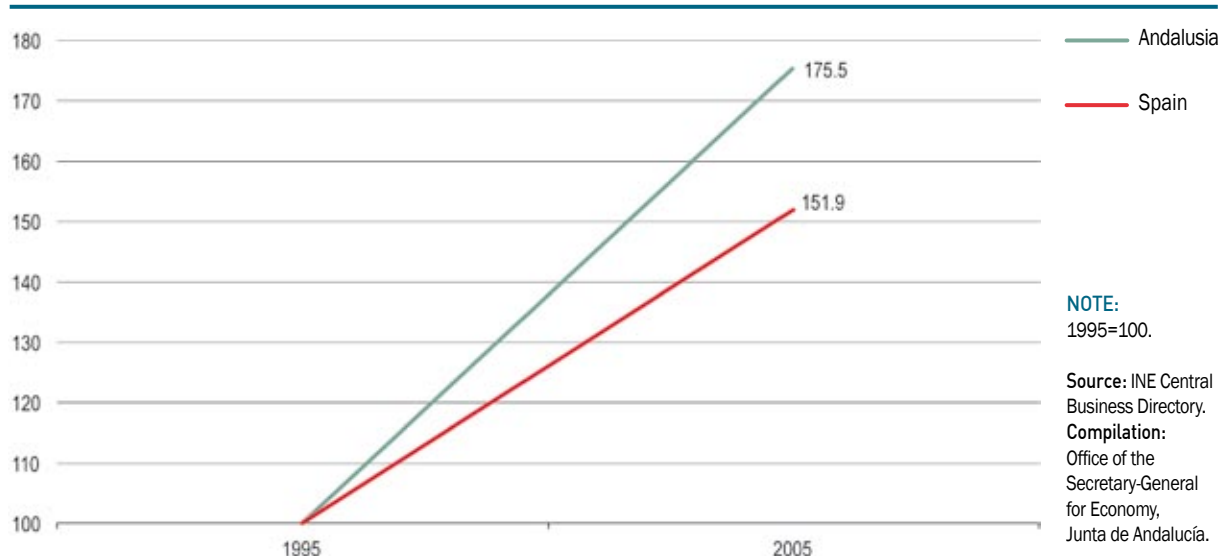
Besides this, the services considered as being high or leading-edge technology sectors are “post and telecommunications”, “IT activities” and “research and development activities”.

Basing itself on the OECD classification, Eurostat relates this with the sectors under the statistical classification of economic activities in the European Community, known as NACE, and the

Table 94. **HIGH AND MEDIUM-HIGH TECHNOLOGY SECTORS**

1980-1985 PERIOD	1990-2000 PERIOD
High technology manufacturing sectors	High technology manufacturing sectors
1. Aerospace	1. Aerospace
2. Office, accounting and computing machinery	2. Office, accounting and computing machinery
3. Electronics & communication	3. Electronics & communication
4. Manufacture of pharmaceuticals, medicinal chemicals and botanical products	4. Manufacture of pharmaceuticals
Medium-high technology manufacturing sectors	5. Scientific instruments
5. Scientific instruments	Medium-high technology manufacturing sectors
6. Electrical machinery	6. Electrical machinery
7. Automobile industry	7. Automobile industry
8. Manufacture of chemicals and chemical products	8. Manufacture of chemicals and chemical products
9. Manufacture of machinery and equipment n.e.c.	9. Manufacture of machinery and equipment n.e.c.
	High or leading edge technology services
	10. Post and telecommunication
	11. IT activities
	12. Research and Development

Source: OECD.  
Compilation:  
Office of the  
Secretary-General  
for Economy,  
Junta de Andalucía.

Chart 171. **ADVANCED TECHNOLOGY ENTERPRISES**

INE on the other hand adapts NACE criteria to CNAE-93, which is the classification used as the basis for analysing productive sector advanced technologies in Andalusia.

Having pointed this out, it should be added that the data used in this analysis basically come from the compilation of “high technology indicators”<sup>6</sup> made by the INE, also taking into account others from the Central Business Directory (DIRCE), also put together by this organisation, as well as those from Customs, concerning foreign trade.

According to DIRCE information referring to 1 January 2005, businesses belonging to those sectors which the INE considers as advanced technology ones rose that year by 9.4% in Andalusia, almost four points more than for Spain as a whole (5.6%). There were 9,792 such enterprises, representing 11% of total advanced technology companies located in Spain, compared with the figure of 9.5% these accounted for in the mid nineties. This shows that in the last ten years these companies have grown more strongly in Andalusia than throughout the nation as a whole (5.8% and 4.3% year-to-year respectively) between 1995 and 2005.

Enterprises belonging to sectors classified as advanced technology ones had a lower relative weight in Andalusia with respect to the business sector as a whole than nationwide (2.1% and 2.9% respectively), although they have gained in share over the last ten years, as in 1995 they represented 1.7% of the Andalusian business sector. This means that enterprises in advanced technology sectors grew more than in the business sector as a whole on average (5.8% and 3.5% respectively).

Most Andalusian advanced technology enterprises belonged to the services sector (60.1%), which was also the case nationwide, where these came to 59.6% of the total. In both cases these businesses were also the ones which increased most over the last year. In Andalusia high technology services companies actually rose 13.6% in 2005, compared with 3.5% for manufacturing enterprises, while over the nation as a whole these increases were 8.9% and 1% respectively. Within the services sector “IT activities” stood out, both because they absorbed almost half of this type of Andalusian services companies and because they grew the most, doing so by 16.5% in 2005.

In terms of the manufacturing sector, medium-high technology companies accounted for 71% of

Table 95. **ENTERPRISES IN ADVANCED TECHNOLOGY SECTORS. YEAR 2005**

	ANDALUSIA		SPAIN		AND/SP %
	Nº of enterprises	05/04 growth %	Nº of enterprises	05/04 growth %	
High technology manufacturing sectors	1,130	5.1	8,881	1.9	12.72
Pharmaceuticals, medicinal chemicals and botanical products	24	4.3	441	-1.3	5.44
Pharmaceuticals, medicinal chemicals and botanical products	217	12.4	1,257	4.0	17.26
Office, accounting and computing machinery	40	-2.4	628	-2.9	6.37
Electronic components	26	-3.7	482	1.7	5.39
Radio, television and communication sets	793	3.4	5,919	2.0	13.40
Aeronautical and space construction	30	25.0	154	12.4	19.48
Medium-high technology manufacturing sectors	2,773	2.9	27,126	0.8	10.22
Chemicals and man-made fibres, except pharmaceuticals	515	-1.7	4,148	-0.5	12.42
Machinery and equipment n.e.c.	1,432	6.0	14,997	1.4	9.55
Electrical machinery and apparatus n.e.c.	199	0.0	3,145	-1.2	6.33
Motor car industry	256	5.8	2,266	0.4	11.30
Other transport equipment	371	-2.1	2,570	2.1	14.44
High technology or leading edge services	5,889	13.6	53,178	8.9	11.07
Postal and telecommunications services	917	7.6	7,664	9.2	11.97
IT activities	2,909	16.5	30,261	10.4	9.61
Research and development	2,063	12.4	15,253	5.9	13.53
Total advanced technology sectors	9,792	9.4	89,185	5.6	10.98

Source: INE Central Business Directory.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

the total, while the remaining 29% were classified as high technology. Nationwide, high technology enterprises had a lower relative weighting in the manufacturing sector overall than in Andalusia, as they represented 24.7% of the total figure. Among such companies, those falling under the heading of “medical, precision and optical instruments, watches and clocks”<sup>7</sup> were notable as they represented 70.2% of total high technology enterprises in Andalusia in 2005, followed by those in the category of “office, accounting and computing machinery” (19.2%), both of these sectors being likewise the ones with the highest weighting in high technology nationally, yet in both cases they had a lower relative weighting than in Andalusia (66.6% and 14.2% respectively). Nonetheless, the sector which grew the fastest in Andalusia in 2005 was “aeronautical and space

construction”, at a rate of 25%, almost doubling the national pace (12.4%).

On the other hand, among the medium-high technology manufacturing sectors the most significant was “machinery and equipment”, with more than half such enterprises (51.6% in Andalusia and 55.3% in Spain), followed some way behind by “chemicals, chemical products and man-made fibres” (18.6% and 15.3% respectively).

Looking at the advanced technology enterprises with employees, in most of them there are less than ten of these (79.4%), which was the same as the situation nationwide, though to a lesser extent, as on average in Spain the number of such enterprises having between 1 and 9 employees represented 72.7% of total companies with wage-

Table 96. **ADVANCED TECHNOLOGY MANUFACTURING SECTORS. YEAR 2004**

	TURNOVER		VALUE ADDED		VALUE ADDED/ TURNOVER (%)	
	Andalusia	Spain	Andalusia	Spain	Andalusia	Spain
High technology manufacturing sectors	1,830.4	22,728.5	467.6	6,314.5	25.5	27.8
Pharmaceuticals, medicinal chemicals and botanical products	226.6	11,213.5	49.0	3,036.2	21.6	27.1
Office machinery and computers	106.2	739.4	20.2	131.4	19.0	17.8
Electronic components, and radio, television and communication sets	501.1	4,991.5	78.0	1,000.4	15.6	20.0
Medical, precision and optical instruments, watches and clocks	391.7	3,334.3	95.3	1,251.4	24.3	37.5
Aeronautical and space construction	605.0	2,449.8	225.1	895.0	37.2	36.5
Medium-high technology manufacturing sectors	6,777.3	135,507.6	1,699.3	30,894.2	25.1	22.8
Chemicals and chemical products, except pharmaceuticals	2,939.3	30,309.9	571.4	7,207.0	19.4	23.8
Machinery and equipment n.e.c.	1,364.8	26,269.2	492.5	8,461.5	36.1	32.2
Electrical machinery and apparatus n.e.c.	651.3	16,081.8	211.6	4,470.3	32.5	27.8
Motor vehicles, trailers and semi-trailers	1,265.9	56,800.8	254.2	9,102.8	20.1	16.0
Other transport equipment	556.0	6,045.9	169.6	1,652.6	30.5	27.3
Total advanced technology manufacturing sectors	8,607.7	158,236.1	2,167.0	37,208.6	25.2	23.5

**NOTE:**

Data in million euros.

Source: INE high technology indicators.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

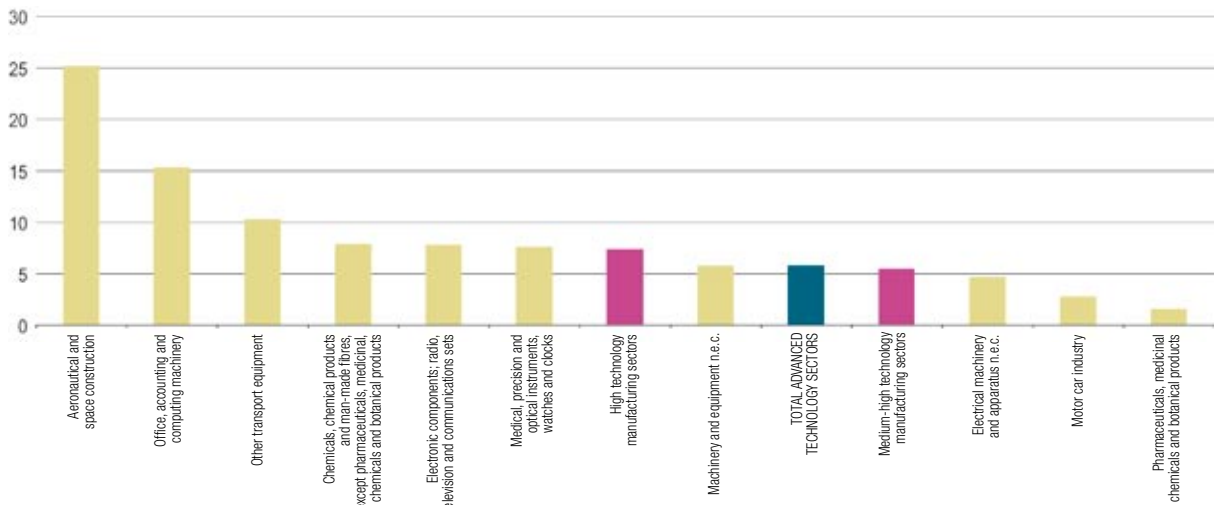
earning staff, almost seven percentage points below the level in Andalusia.

This feature was more patent in the services sector, particularly in Andalusia, where 85.3% of enterprises in the sector had under ten workers (82.7% nationally). In the manufacturing sector it was the enterprises classified as high technology ones which had the highest proportion of small-sized businesses, with 85.2% of enterprises having under ten employees, while among the Andalusian medium-high technology enterprises 71.8% had between 1 and 9 workers.

In contrast, only 3.4% of all Andalusian advanced technology enterprises had fifty or more employees (6.1% for Spain as a whole), with the "aeronautical and space construction" subsector especially to the fore with 30.4% of enterprises of this size, while on a national level the sector where the larger businesses predominated most was "manufacture of machinery and mechanical equipment" (35.1%).

Alongside this, according to information published by the INE in its "High Technology Indicators", in 2004 the Andalusian advanced technology manufacturing enterprises generated 5.8% of total value-added by such enterprises nationwide, while, on the other hand, they accounted for 21.1% of total Andalusian manufacturing industry GVA (30.9% for Spain as a whole).

Over three quarters of value-added was generated by medium-high technology enterprises (78.4%), compared with a figure of 83% on average nationally. This implies that enterprises belonging to high technology manufacturing sectors contribute a greater proportion of GVA in Andalusia than in Spain (21.6% and 17% out of the total respectively). Among the sectors the most notable were the enterprises belonging to "chemicals, chemical products and man-made fibres", which created more than one quarter of value-added generated by advanced technology manufacturing enterprises in Andalusia (26.4%), followed by "machinery and equipment" (22.7%)

Chart 172. **WEIGHT OF ANDALUSIAN ADVANCED TECHNOLOGY MANUFACTURING SECTORS IN SPAIN. YEAR 2004****NOTE:**

Value-added for each Andalusian economic branch as a percentage of total in Spain.

Source: INE High technology indicators.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

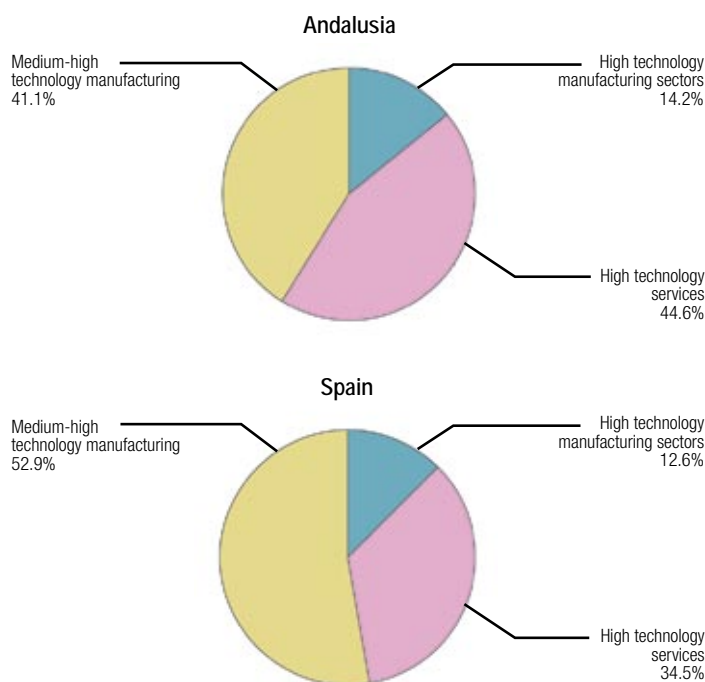
and “the motor car industry” (11.7%), which are classified as medium-high technology sectors.

“Aeronautical and space construction” stood out among high technology sectors for its 10.4% contribution to total GVA, as well as for being the sector with the largest weight relative to the national total, with a little over one quarter of value-added produced by such enterprises nationally being generated in Andalusia (25.2%). Besides “aeronautical and space construction”, an impressive 15.3% of value-added nationwide was created by “office, accounting and computing machinery”. There was a greater degree of specialisation in these two sectors in Andalusia than for Spain as a whole, and the specialisation ratio, calculated as the ratio of the percentage of sector GVA out of total GVA generated by all advanced technology manufacturing sectors in the region compared to the same percentage nationally was 4.3 for the former sector and 2.6 for the latter. Andalusia also had greater specialisation in “other transport equipment”, “chemicals,

chemical products and man-made fibres”, “electronic components, and radio, television and communication sets” and “medical, precision and optical instruments, watches and clocks”.

As for the advanced technologically services sector, according to DIRCE figures, in 2005 in Andalusia there were 5,889 enterprises, which implies that there was a 13.6% rise that year compared to one of 8.9% on average nationally. This meant that the weight of Andalusian advanced technology services enterprises out of the Spanish total rose to 11.1% (10.6% in 2004), a percentage which is lower than that for total Andalusian enterprises in the services sector out of the total for Spain as a whole (12.8%).

Of the total of such advanced Andalusian services enterprises almost a half belonged to the sector of “IT activities” (49.4%), which had a heavier weight nationally (56.9%). This was followed by “research and development”, with “postal and telecommunications services” enterprises having a less significant presence.

Chart 173. **EMPLOYMENT IN ADVANCED TECHNOLOGY SECTORS. YEAR 2004****NOTE:**

As a percentage of the total.

**Source:** INE high technology indicators.

**Compilation:** Office of the Secretary-General for Economy, Junta de Andalucía.

The INE publishes figures on employment in these activities in its “High Technology Indicators”, which reveal that in 2004, those in a job in advanced technology sectors in Andalusia came to 110,700 people, 7.8% up on the previous year and double the rise registered nationally (an annualised 3.5%). Those employed thus represented 8.3% of the national total (8% in 2003), which is a lower percentage than the 15.4% that total jobs in Andalusia represented.

On the other hand, those in work in advanced technology sectors in Andalusia accounted for 4% of all people employed there in 2004, compared with 7.4% on average nationally. Most of them (55.3% in Andalusia and 65.5% in the whole of Spain) belonged to manufacturing industries, prominent among these being those involved in medium-high technology. The remaining 44.7% of those engaged in technologically advanced sectors in Andalusia were in high technology services, these growing the most in 2004 (12.5% year-on-year) and also outstripping the rise seen on average nationally (11%).

As for trade in the advanced technology sectors with countries abroad, the first striking aspect is the notable relative weight this had within the region’s total trade. According to 2005 figures, trade flow, meaning exports plus imports, for these sectors was almost one quarter (23.8%) of total trade carried out in Andalusia that year, which was a significantly greater percentage than the weight which Andalusian advanced technology sectors had within the business sector as a whole (2.1%).

It can therefore be stated that the technologically advanced sectors have strong commercial ties with countries abroad, above all exhibiting a strong leaning towards exports as those made by Andalusian enterprises belonging to such sectors were 13.2 times more than those made by enterprises on average.

The 2005 figures on the other hand show that while these exports rose at the rate of 8.6%, above the average for Andalusian exports (7.3%), imports fell back by 5.5%.

Table 97. **FOREIGN TRADE IN ADVANCED TECHNOLOGY SECTORS. ANDALUSIA. YEAR 2005**

	IMPORTS			EXPORTS			TRADE BALANCE
	€ thousand	% of total	04-05 growth %	€ thousand	% of total	04-05 growth %	€ thousand
<b>HIGH TECHNOLOGY MANUFACTURING SECTORS</b>	624,387.5	17.3	-1.9	1,073,669.9	27.0	3.4	449,282.4
Pharmaceuticals, medicinal chemicals and botanical products	15,792.2	0,4	59.6	63,225.5	1.6	111.3	47,433.3
Office, accounting and computing machinery	77,755.2	2,2	1.1	56,968.2	1.4	-38.7	-20,787.0
Electronic components	176,184.7	4.9	-20.2	143,612.0	3.6	-24.5	-32,572.7
Radio, television and communication sets	175,508.7	4.9	12.6	182,898.5	4.6	4.2	7,389.8
Medical, precision and optical instruments, watches and clocks	89,957.6	2.5	-19.4	146,025.7	3.7	-19.2	56,068.1
Aeronautical and space construction	89,189.1	2.5	44.7	480,940.0	12.1	30.1	391,750.9
<b>MEDIUM-HIGH TECHNOLOGY MANUFACTURING SECTORS</b>	2,974,842.9	82.6	-6.3	2,904,984.0	73.0	10.7	-69,858.9
Chemicals, chemical products and man-made fibres	1,060,809.7	29.5	10.5	882,966.0	22.2	-0.5	-177,843.7
Machinery and equipment n.e.c.	625,120.8	17.4	-17.6	205,345.8	5.2	14.4	-419,775.0
Electrical machinery and apparatus n.e.c.	256,861.9	7.1	-7.8	349,617.6	8.8	11.1	92,755.7
Motor car industry	418,360.6	11.6	5.3	509,636.0	12.8	-1.7	91,275.4
Other transport equipment	613,689.9	17.0	-21.2	957,418.6	24.1	32.5	343,728.7
<b>HIGH OR LEADING EDGE TECHNOLOGY SERVICES</b>	659.2	0.0	142.9	46.4	0.0	-96.1	-612.8
Postal and telecommunication services	-	-	-	-	-	-	-
IT activities	659.2	0.0	142.9	46.4	-	-96.1	-612.8
Research and development	-	-	-	-	-	-	-
<b>TOTAL ADVANCED TECHNOLOGY MANUFACTURING SECTORS</b>	3,599,889.6	100.0	-5.5	3,978,700.3	100.0	8.6	378,810.7

**NOTE:**

Figures are provisional.

Source: Compiled with information from the IEA and the INE classification.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

The heaviest drops in imports focused on the medium-high technology manufacturing sectors, these slipping by 6.3%, with the most notable areas here being “other transport material” and “machinery and equipment”. If we consider the high technology manufacturing sectors, the most salient declines were in “electronic components” and “medical, precision and optical instruments, watches and clocks”. At the other extreme there was a notable rise in imports of high or leading edge technology services, which centred totally on “IT activities”, and more specifically on software consultancy and supply, with imports here being almost 2.5 times up on the previous year.

Prominent on the exports front were those of “pharmaceuticals, medicinal chemicals and

botanical products”, which more than doubled on 2004. However, despite the fact that exports as a whole for the advanced technology sectors rose 8.6% in 2005, in certain sectors there were major drops, notable among these being “office, accounting and computing machinery” and “electronic components”. Likewise there was a striking fall-off in exports relating to “IT activities”.

All in all these sectors continued to display a surplus on balance in 2005, this estimated at 378,810.7 thousand euros, which equalled 0.3% of GDP. This is due to the results for the high technology manufacturing sectors, more specifically to “aeronautical and space construction”, which emerged as having the largest surplus in 2005. On the other hand, the medium-high technology

sectors and services showed a deficit, this being particularly high under the heading of “machinery and equipment”.

## ICT-related sectors

As with the case of the advanced technology sectors, there is no precise definition of information and communication technologies (ICT). In 1998 the member countries of the OECD agreed to define the

ICT sector as a set of manufacturing and services industries which capture, transmit and display information electronically. For manufacturing industries to be classified as ICTs they have to make goods relating to information processing and communication and use electronic processing to detect, measure and record physical phenomena or control a physical process. For services the prerequisite is that they enable the function of information processing and communication by electronic means.

Table 98. **ENTERPRISES IN THE INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SECTOR. ANDALUSIA. YEAR 2005**

	ANDALUSIA		SPAIN		AND./SP. %
	No. of enterprises	% growth 04-05	No. of enterprises	% growth 04-05	
<b>INDUSTRY</b>	334	7.4	3,565	1.7	9.37
Manufacture of office, accounting and computing machinery	21,712.4	1,257	4.0	17.26	
Manufacture of insulated wire and cable	5	0.0	246	0.0	2.03
Manufacture of electronic valves and tubes and other electronic components	40	-2.4	628	-2.9	6.37
Manufacture of television and radio transmitters and apparatus for line telephony and line telegraphy	19	5.6	300	1.4	6.33
Manufacture of television and radio receivers, sound or video recording or reproducing apparatus, and associated goods	7	-22.2	182	2.2	3.85
Manufacture of instrument and appliances for measuring, checking, testing, navigating and other purposes, except industrial process control equipment	39	2.6	809	2.5	4.82
Manufacture of industrial process control equipment	7	0.0	143	2.9	4.90
<b>SERVICES</b>	3,634	14.9	36,198	9.8	10.04
Wholesale of machinery, equipment and supplies	329	-2.4	3,221	2.9	10.21
Telecommunications	335	21.8	2,323	14.9	14.42
Renting of machinery and equipment	61	10.9	393	1.0	15.52
Hardware consultancy	49	14.0	708	7.8	6.92
Software consultancy and supply	1,116	15.1	13,577	11.4	8.22
Data processing	403	15.5	3,652	6.0	11.04
Data base activities	40	-4.8	556	8.2	7.19
Maintenance and repair of office, accounting and computing machinery	1,126	19.4	9,514	11.9	11.84
Other computer related activities	175	16.7	2,254	7.1	7.76
<b>TOTAL</b>	3,968	14.2	39,763	9.1	9.98

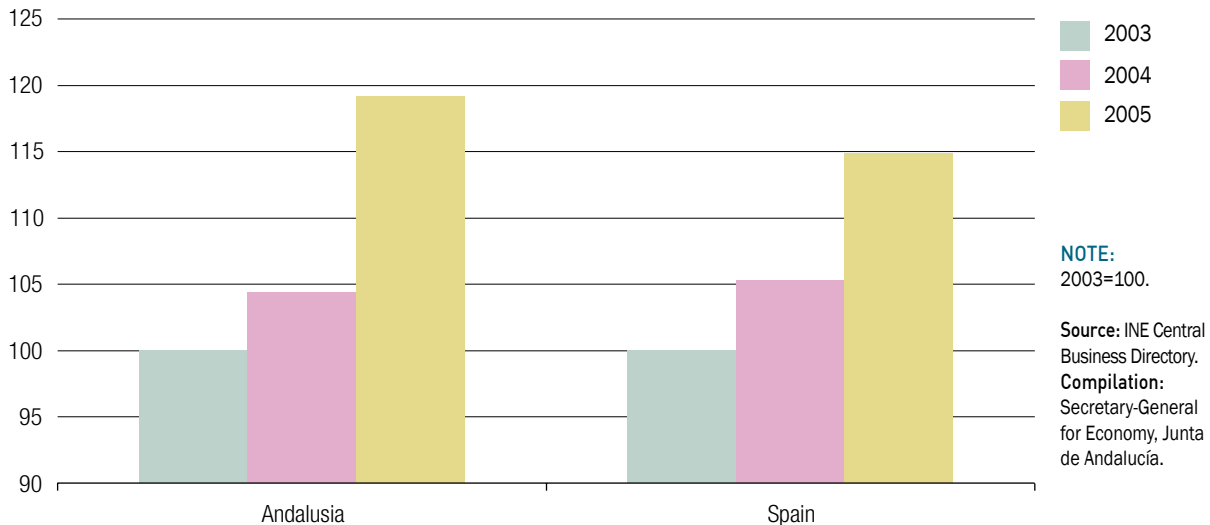
### NOTE:

This classification is based on the correspondence between CNAE-93 and the sectors considered as ICT by the OECD.

Source: INE Central Business Directory.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.



Chart 174. **ENTERPRISES IN THE INFORMATION AND COMMUNICATION TECHNOLOGY SECTOR**

The OECD definition is based on the International Standard Industrial Classification (ISIC)<sup>8</sup> and is the one used to analyse the ICT situation in Andalusia according to how this fits in with the NACE (the statistical classification of economic activities employed in the EU) and the CNAE (the Spanish national classification of economic activities).

The ICT sectors within industry are thus the manufacture of: office, accounting and computing machinery; insulated wire and cable; electronic valves and tubes and other electronic components; other television and radio transmitters and apparatus for line telephony and line telegraphy; television and radio receivers, sound or video recording or reproducing apparatus; instruments and appliances for measuring, checking, testing, navigating and other purposes; and industrial process control equipment.

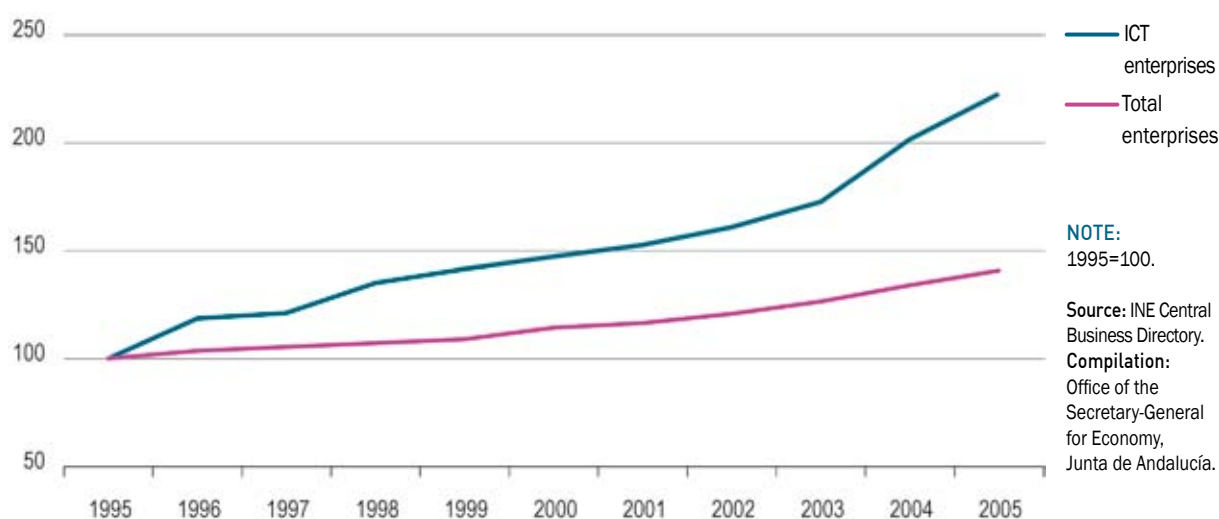
On the other hand, the branches of services classified as ICTs are wholesaling of electronic components and equipment, computers, peripherals and software; telecommunications; renting of office machinery and equipment (including computers); and computer and related activities.

On the basis of this OECD classification and going by the figures published by the INE in its Central Business Directory, in Andalusia in 2005 there were 3,968 enterprises in ICT sectors or 10% of the total nationwide, which implies that they had less relative weight with respect to Spain nationally than enterprises did as a whole, these representing, according to the DIRCE, 15.1% of the national total.

Even so, in recent years the information and communication technologies sector has grown faster in Andalusia than in Spain and in 2005, whereas such businesses increased at 14.2%, over the nation as a whole they did so at 9.1%.

Despite this fact and as was stated when advanced technology companies were analysed, the relative weight of the ICT enterprises with respect to the business sector as a whole was lower in Andalusia than in Spain. In 2005 enterprises belonging to the ICT sectors accounted for 0.9% of the Andalusian business sector, while on a national scale this figure was 1.3%.

Breaking such companies down into branches of activity, a great similarity between the

Chart 175. **ENTERPRISES IN THE INFORMATION AND COMMUNICATION TECHNOLOGY SECTOR. ANDALUSIA**

Andalusian and the Spanish situation becomes apparent. Most of them belonged to the services sector (91.6% in Andalusia and 91% in Spain), which was also the one which displayed the most vigorous growth, up by 14.9% in 2005 in Andalusia and 9.8% across the whole nation. In contrast, the ICT enterprises in the industrial sector grew at a more leisurely pace, which was especially true for Spain (7.4% and 1.7% respectively).

Among the various services branches, in terms of enterprise numbers the IT-related activities were much in evidence<sup>9</sup>, altogether amassing 2,909 enterprises in Andalusia or 80% of total ICT services enterprises (83.6% nationally) and growing at an annualised 16.5% in 2005, while this figure was 10.4% for the whole of Spain, thus outpacing ICT services companies as a whole. On the other hand, “telecommunications” stood out as expanding particularly fast, doing so at 21.8% in 2005 (14.9% nationally).

Most of the ICT enterprises among the industrial branches were clustered under “manufacture of office, accounting and computing machinery” (65% of the ICT industry in Andalusia and 35.3% in Spain), a sector which likewise had the heartiest

growth in 2005 (12.4% and 4% respectively). On the other hand, there was a drop-off in the number of enterprises belonging to “manufacture of television and radio receivers, sound or video recording or reproducing apparatus” (-22.2%), as well as “manufacture of electronic valves and tubes and other electronic components” (-2.4%).

Another feature of the information and communication technologies sector, as with advanced technologies as a whole, is its strong commercial ties abroad. The trade flow for such activities, meaning exports plus imports, represented 3.3% of Andalusia’s total trade exchanges, this percentage being greater than the weight which enterprises belonging to its sectors had within the business sector (0.9%). The outward orientation displayed by such branches of activity is also confirmed when one realises that the foreign trade carried out on average by ICT enterprises was almost double that for Andalusian enterprises as a whole on average (1.7 times more).

ICT sector foreign trade dipped in 2005, with both import and, above all, export volumes lower, which contrasted with foreign trade trends for the Andalusian economy over the year.

Imports actually shrank by 7.5%, compared with an increase of 23.7% for the Andalusian economy as a whole, while exports were off by 16.2%, in contrast to the 7.3% average increase for Andalusian exports overall.

The decline in imports was particularly brusque in the subsector of “manufacture of Instruments and appliances for measuring, checking, testing, navigating and other purposes, except

industrial process equipment”, at 29.9%, followed by “manufacture of electronic valves and tubes and other electronic components” (-20.2%), although the latter is the sector which absorbed the highest volume of imports with slightly over one third of the total (34.8%). At the other extreme was the rise in imports under “manufacture of television and radio transmitters and apparatus for line telephony and line telegraphy” (41.2%), as well as those

Table 99. **FOREIGN TRADE IN THE INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SECTOR. ANDALUSIA. YEAR 2005**

	IMPORTS			EXPORTS			TRADE BAL.
	€ thousand	% of total	04-05 growth %	€ thousand	% of total	04-05 growth %	€ thousand
<b>INDUSTRY</b>	505,744.9	99.9	-7.6	534,543.2	100.0	-16.1	28,798.3
Manufacture of office, accounting and computing machinery	77,755.2	15.4	1.1	56,968.2	10.7	-38.7	-20,787.0
Manufacture of insulated wire and cable	31,716.6	6.3	5.9	10,073.2	1.9	277.8	-21,643.4
Manufacture of electronic valves and tubes and other electronic components	176,184.7	34.8	-20.2	143,612.0	26.9	-24.5	-32,572.7
Manufacture of television and radio transmitters and apparatus for line telephony and line telegraphy	77,168.8	15.2	41.2	126,529.9	23.7	16.2	49,361.1
Manufacture of television and radio receivers, sound or video recording or reproducing apparatus, and associated goods	98,339.9	19.4	-2.8	56,368.6	10.5	-15.5	-41,971.3
Manufacture of instruments and appliances for measuring, checking, testing, navigating and other purposes, except industrial process control equipment	44,579.7	8.8	-29.9	140,991.3	26.4	-19.7	96,411.6
Manufacture of industrial process control equipment	-	-	-	-	-	-	-
<b>SERVICES</b>	659.2	0.1	-	46.4	0.0	-96.1	-612.8
Wholesale of machinery, equipment and supplies	-	-	-	-	-	-	-
Telecommunications	-	-	-	-	-	-	-
Renting of machinery and equipment	-	-	-	-	-	-	-
Hardware consultancy	-	-	-	-	-	-	-
Software consultancy and supply	-659.2	0.1	142.9	46.4	0.0	-96.1	-612.8
Data processing	-	-	-	-	-	-	-
Data base activities	-	-	-	-	-	-	-
Maintenance and repair of office, accounting and computing machinery	-	-	-	-	-	-	-
Other computer related activities	-	-	-	-	-	-	-
<b>TOTAL</b>	506,404.1	100.0	-7.5	534,589.6	100.0	-16.2	28,185.5

**NOTE:**

Figures are provisional.

Source: Compiled with information from the IEA and the OECD classification.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

under “software consultancy and supply”, which were up by 2.4 times.

From the export point of view there was a dramatic drop in the sector classified as “manufacture of office, accounting and computing machinery” (-38.7%) and a notable rise in sales abroad within “insulated wire and cable”, which was 3.8 times more than the year before, although they barely accounted for 2% of total ICT sector exports in 2005.

The overall trade balance for the sector showed a surplus in 2005 of 28,185.5 thousand euros, which was 68.9% down on the preceding year. Among the various sectors only “manufacture of television and radio transmitters and apparatus for line telephony and line telegraphy” and “manufacture of instruments and appliances for measuring, checking, testing, navigating and other purposes, except industrial process equipment” posted a surplus in 2005, while the other ICT activities had a trade deficit, this being especially pronounced in the sector listed as “manufacture

of television and radio receivers, sound or video recording or reproducing apparatus, and associated goods”.

## Use of information and communication technologies

On the basis of the most relevant statistical information available to date, this section looks at how information and communication technologies are used in Andalusian businesses and households, as well as by the regional government, thus rounding off the overview of the new economy and the knowledge society in Andalusia.

## ICT use in business

Examination of ICT use in Andalusian businesses is based on figures published by the INE in its *Survey on the use of Information and Communication*

Table 100. **INFORMATION AND COMMUNICATION TECHNOLOGY IN BUSINESS**

	2002		2005	
	Spain	Andalusia	Spain	Andalusia
Enterprises with computers	95.0	92.5	97.4	96.0
Enterprises with e-mail	76.0	67.5	85.7	79.4
Enterprises with internet connection	81.7	74.8	90.0	85.5
Enterprises with internet connection and website <sup>(1)</sup>	40.9	30.8	48.3	44.3
Enterprises with broad-band internet connection <sup>(1)</sup>	62.4	51.7	83.7	83.5
Enterprises using the internet in their dealings with the Government <sup>(1)</sup>	53.7	52.0	61.5	57.7 <sup>(*)</sup>
Enterprises with a website to sell their products <sup>(2)</sup>	74.4	78.1	86.6	92.2
Enterprises with a local area network	55.3	50.5	60.8	56.1
Enterprises with an intranet	29.5	24.2	31.4	27.3
Enterprises with an extranet	12.2	8.2	15.5	11.5
Personnel using computers at least once a week	47.8	34.0	47.7	37.9
Personnel using internet-connected computers at least once a week	29.1	20.2	33.6	27.7

### NOTES:

Percentages.

(\*) Figure refers to 2004.

(1) As a percentage of total internet-connected enterprises.

(2) As a percentage of total internet-connected enterprises with a website.

Source: INE Survey on ICT usage and e-commerce 2004-05.

Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

*Technologies (ICT) and e-commerce in companies (ETICCE)*<sup>10</sup>, which includes variables such as the availability in enterprises of various computer-related and telecommunications resources, such as PCs, local area networks, an internet connection, intranet and extranet, and e-mail, as well as how employees use them.

The last ETICCE, which came out in 2005<sup>11</sup>, used a double time parameter, as the variables on ICT use referred to January 2005, while those relating to e-commerce were for 2004. It confirmed that ICT use was very prevalent among Andalusian enterprises and although levels were generally lower in Andalusia, the gap in comparison with the average situation in Spain and the euro area was closing up significantly.

In 2005 some 96% of Andalusian enterprises had a computer, which was the same as the average percentage throughout the euro area and almost one and a half points below the average in Spain (97.4%). In 2002, the first year for which information is available by regions, the shortfall with respect to the national average was 2.5 percentage points.

79.4% of Andalusian enterprises had e-mail (11.9 points more than in 2002), compared with 85.7% for Spain as a whole, while over half (56.1%)

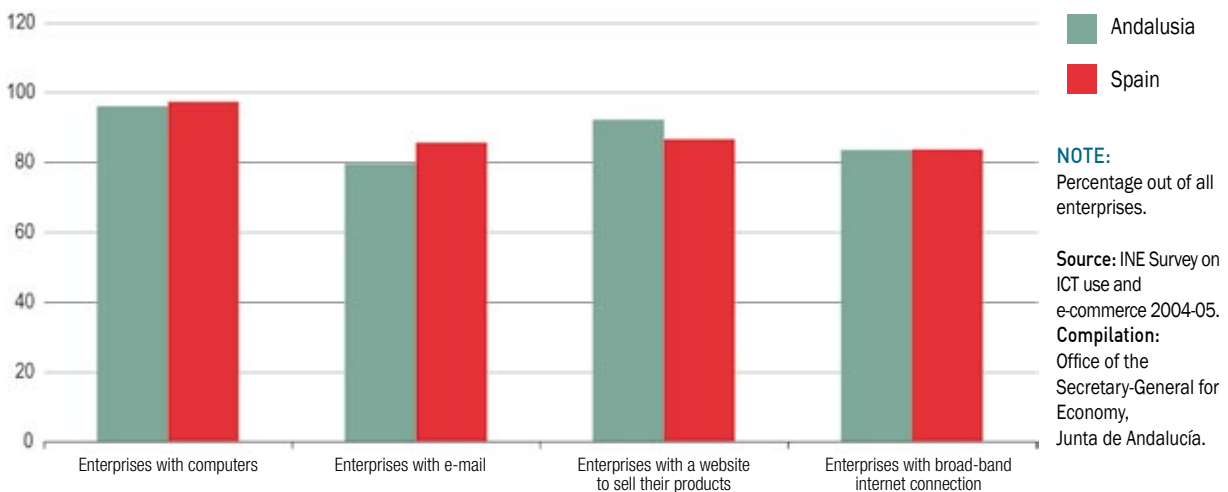
had a local area network set up, although this proportion was also under the figure of 60.8% seen nationally and 68% in the EU.

There was an internet connection at 85.5% of Andalusian businesses, leaving the differential with Spain as a whole (90%) at 4.5 percentage points. This meant an increase of over ten points with respect to 2002, when the difference was 6.9 percentage points, and the level is closing up on average levels for the euro area altogether (93%). Of these enterprises, 44.3% also had a web-site and 83.5% had a broad-band connection, which is close to the level for Spain as a whole. These figures also represent major progress on 2002, when only 30.8% of companies with internet access also had a web-site and slightly over one half used broad-band (51.7%).

Among the purposes cited for using internet, the chief one was to use banking and financial services, which was also the case nationally (91.1% of enterprises and 90.2% respectively), this representing a notable advance on 2002 (80.6% of Andalusian companies and 81.7% nationwide).

On the other hand, the percentage of enterprises in 2004 which dealt with government departments

Chart 176. **INFORMATION AND COMMUNICATION TECHNOLOGY IN ENTERPRISES. YEAR 2005**



through the internet came to 57.7% of those with a connection (61.5% in Spain), one of the most frequent reasons being to obtain information. Among enterprises with a web-site the main use for this was as a means to market the business's products, this tendency being more pronounced in Andalusia than in Spain (92.2% and 86.6% respectively).

Regarding computer use levels by staff at enterprises, *the Survey on the use of Information and Communication Technologies (ICT) and e-commerce in companies* gives information on those using computers at least once a week and those using computers connected to the internet at least once a week. In both cases there was an improvement on levels seen three years previously. In the first, a slight decrease was observed nationally, the gap between Andalusia and the Spanish average shrinking from 13.9 percentage points in 2002 to 9.7 points in 2005. In the case of employees who use computers hooked up to the internet at least once a week,

the improvement in Andalusia was more marked, also drawing closer to the national average.

Looking at the use of ICTs within the various productive sectors, it was in services companies where this was the most widespread, particularly among the larger ones (with 250 or more employees). In 2005 almost all enterprises in the tertiary sector had a computer (99.1%), 89.8% had e-mail and nearly two thirds (62.9%) had a local area network, the percentages attained in all three cases topping the averages for Andalusian businesses. The construction companies had the lowest levels for the three indicators, with below average proportions.

The services sector was also the one where internet connections were most extensively used, with 92.7% of companies using this in 2005 (85.5% for the whole of Andalusia), with all the enterprises falling under the two branches of "computer-related activities" and "audiovisual services" having a connection, which was also true of one of

Table 101. **INFORMATION AND COMMUNICATION TECHNOLOGY IN HOUSEHOLDS**

	2002		2005	
	Andalusia	Spain	Andalusia	Spain
Homes with a TV set	99.55	99.74	99.39	99.32
Homes with a DVD player	11.39	10.69	62.93	62.34
Homes with a radio set	77.09	71.48	87.42	81.62
Homes with a stack system, HiFi or laser disc unit	54.34	49.91	63.85	59.23
Homes with a VCR	67.15	67.35	68.64	64.77
Homes with some type of telephone	-	-	97.91	95.83
Homes with a mobile phone	65.03	64.28	80.92	77.91
Homes with a computer	36.05	31.11	51.88	47.42
Homes with internet access	17.36	12.93	33.95	27.00
Number of people who have used a computer in the last 3 months	-	-	48.62	41.50
Number of people who have used the internet in the last 3 months	18.74	14.52	42.10	35.98
Number of people who have made purchases over the internet in the last 3 months	2.10	1.30	8.41	5.85

**NOTES:**

The 2005 figure refers to the second half of the year. Family homes and people aged 15 years and over living in family homes, as percentages.

**Source:** INE Survey on household ICT use and equipment.  
**Compilation:** Office of the Secretary-General for Economy, Junta de Andalucía.

the industrial subsectors, in this case “production and distribution of electricity, gas and water”.

As for the reason for using internet, even though using banking and financial services was a purpose widely given across all sectors, it was in construction where this was most prevalent, with 92.4% of enterprises (91.1% in Andalusia on average).

On the other hand, the percentage of enterprises dealing with government administrations over the internet was higher in services (61.4%), this sector also standing out as having the highest proportion of enterprises with staff using computers connected to the internet at least once a week.

### ICT use in the home

*The Survey on Information and Communication Technologies Equipment and Use in Households (ICT-H)* conducted by the INE since 2002 provides information on the penetration and use of ICT technologies in homes, including data on products

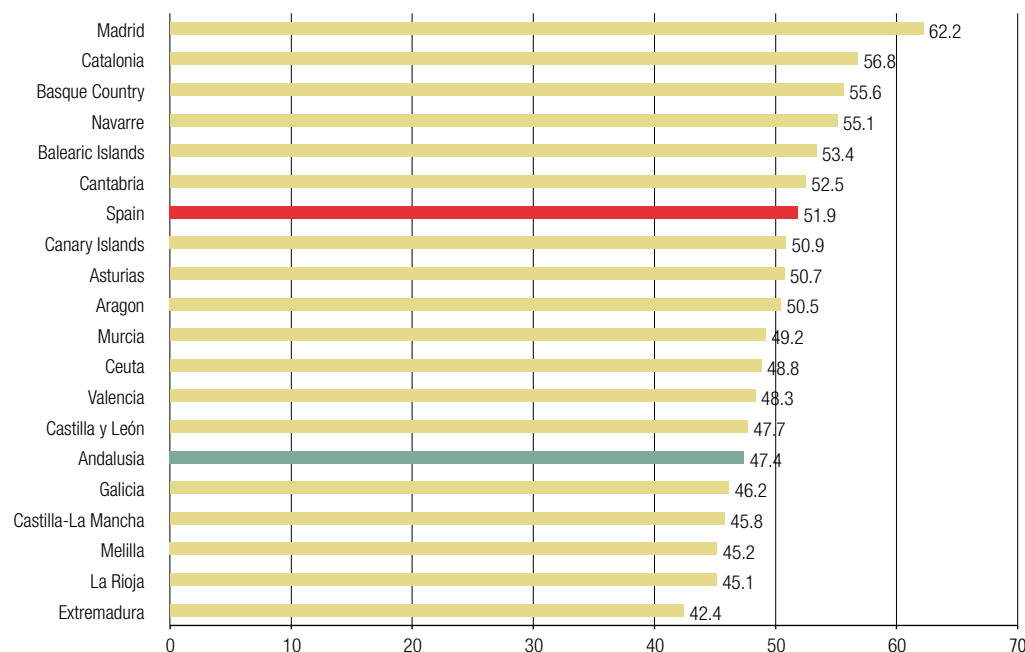
of this type in homes in Spain as well as how household members<sup>12</sup> use them, internet and e-commerce.

Carried out half-yearly since 2005 this survey is based on a sample of 28,224 homes, of which 3,068 are located in Andalusia.

The last available data refer to the second half of 2005 and show that in Andalusia the presence of ICT equipment in homes has become increasingly widespread to the extent that even though practically all households have the most basic resources such as telephones and televisions, homes using advanced technologies are also spreading in numbers.

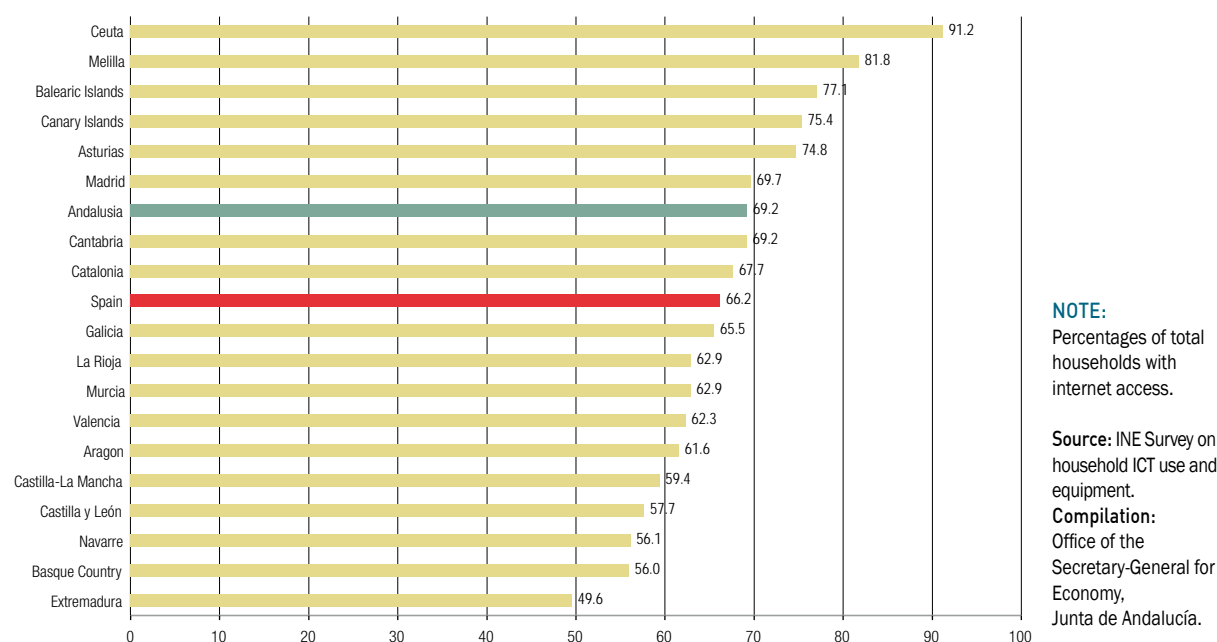
In 2005, of the Andalusian households which had a television (99.2%), 11.5% had cable reception, implying a 22.2% increase with respect to 2004, which was over the level of 18.3% seen nationally. 12.7% had a satellite dish (25% more homes than in 2004) and the number with digital terrestrial television rose by 2.3 on the previous year, it being evident that in such developments Andalusia

Chart 177. **HOMES WITH A COMPUTER. YEAR 2005**



**NOTE:**  
As a percentage of total homes.

**Source:** INE Survey on household ICT use and equipment.  
**Compilation:** Office of the Secretary-General for Economy, Junta de Andalucía.

Chart 178. **BROAD-BAND INTERNET ACCESS IN HOUSEHOLDS. YEAR 2005**

moved further forward than on average across Spain.

On the other hand practically all households had some kind of telephone (95.8% in Andalusia and 97.9% in Spain, rises being recorded of 6.7% and 5.2% respectively on 2004), with particular growth in the use of mobile phones, which could be found in 77.9% of Andalusian households in 2005 (80.9% in Spain), whereas in 2002 only 64.3% of homes had them.

On the other hand there was also major progress in terms of computer equipment in Andalusian households. 47.4% of them in 2005 had some kind of PC, 14% more than in 2004, which implies a significant degree of convergence with the average levels recorded in Spain as a whole, where 51.9% of homes had a computer. Out of the various regions, those with the most households with computers were in Madrid, Catalonia, the Basque Country, Navarre, the Balearic Islands and Cantabria, all of which had levels above the national average. On the other hand, there were four autonomous communities with readings

below that for Andalusia, these being Galicia, Castilla-La Mancha, La Rioja, Extremadura and the autonomous city of Melilla.

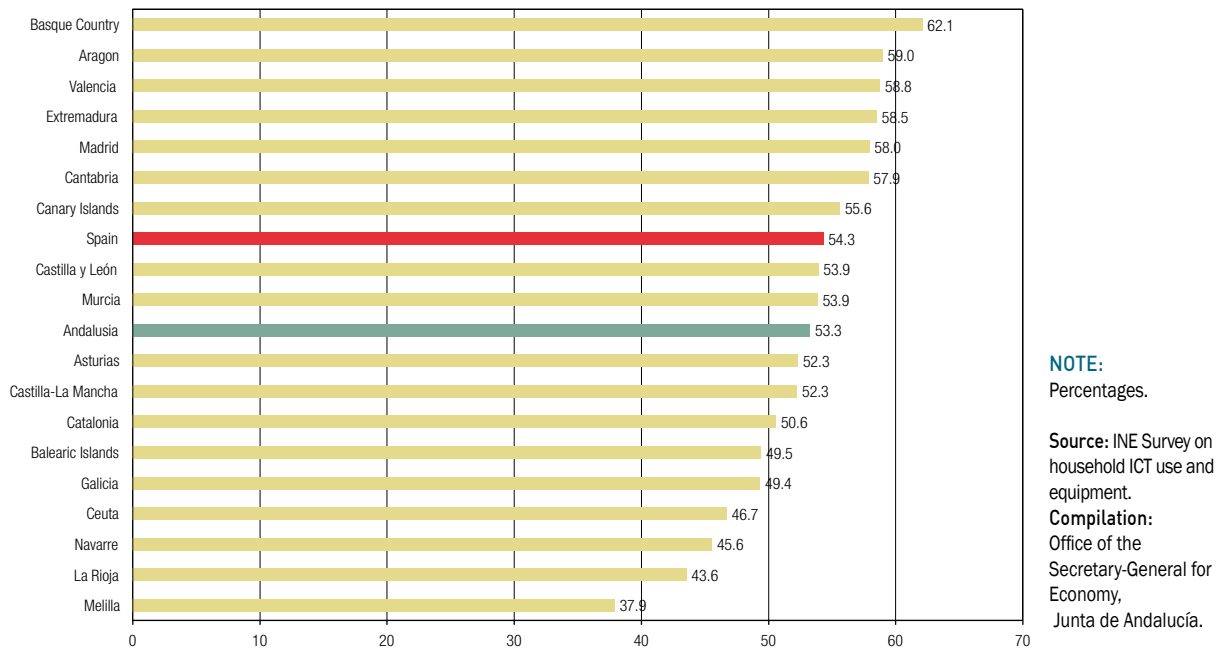
27% of Andalusian households had internet access, which was under the national average of 34%, although in the last year there was faster relative growth in Andalusia, where this was 19.3% compared to 16.1% for Spain as a whole. Moreover, according to the first information available, from 2002, the headway made over the last three years was very substantial, as in that year a mere 12.9% of Andalusian homes had such services.

In most households with an internet connection the most common type was using a desktop computer and broad-band, this method enjoying a higher proportion in Andalusia than in Spain as a whole (69.3% and 66.2% respectively), which contrasts with the situation in 2002, when over three quarters of Andalusian homes (76.3%) hooked up using conventional dial-up access.

In terms of ICT use by household members, figures collected for Andalusia in 2005 reveal that 41.5%



Chart 179. POPULATION BETWEEN 10 AND 14 YEARS OLD WITH A MOBILE PHONE. YEAR 2005



of those aged 15 or over had used a computer (48.6% nationally), which implies a 7.1% increase on the previous year.

Looking at how often computers are used, in Andalusia a greater proportion of users logged in every week even though they might not use computers every day (29.04% compared to 25.58% on average in Spain). As for where they used the computer, most did so at home, this percentage being higher on average nationally (78.5% compared to 76.6% for Andalusia) due to the lower percentage of Andalusian households which had a computer. By the same token the percentage of people using computers at work was also higher in Spain as a whole (50.9% compared to 44.1% in Andalusia), whereas for other places (friends' and relatives' houses, places of study, public facilities, cybercafés...) the percentage of those using computers in Andalusia was greater.

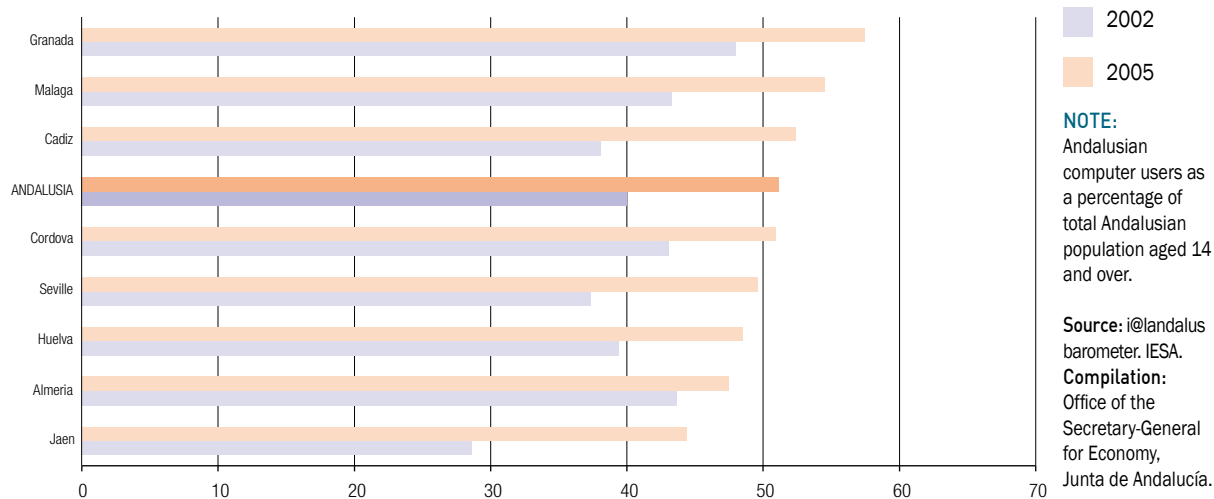
Internet use in 2005 saw 36% of those aged 15 or over in Andalusia go on-line, which was 20.4% more than in 2004, although this was still below

the average for Spain (42.1%), where the rise on 2004 was 14.6%. Home was favoured as the place to access the internet most often (76.6% in Andalusia and 78.5% nationwide), followed by the workplace. As with how often people used computers, Andalusia had a larger percentage of users who used the internet every week (29% and 25.6% respectively).

The *Survey on Information and Communication Technologies Equipment and Use in Households (ICT-H)* also gives details on e-commerce habits, making it clear that e-shopping had not really caught on among Spanish society in general and particularly in Andalusia, although its popularity was on the rise. In 2005 only 5.9% of the Andalusian population aged 15 or over stated they had made purchases using this means (8.4% in Spain), although the number of people who had used e-commerce nearly doubled with respect to 2004, while this figure rose 71.6% nationwide.

The survey also provides information referring specifically to children between the ages of ten and fourteen, which shows that the use of ICTs is

Chart 180. **COMPUTER USERS**



more widespread among this bracket than among adults, which is a phenomenon that has become more marked in recent years. 62.1% of children between ten and fourteen used a computer in 2005, which implies a notable rise on 2003, the first year for which such information was available (52.5%), and that they were used more widely than among adults, as 41.5% of the population aged 15 or over used a computer. The conclusions are similar if internet access is the criterion used, with a percentage of child users of 59.1%

(42.9% in 2003), compared with 40% for adults. Likewise, 53.3% of such children had a mobile phone in 2005, which means almost twenty percentage points more than two years before (33.6% in 2003).

Information for interpreting ICT equipment and use in Andalusian households provided by the figures from the INE can be supplemented using data contained in the i@landalus Barometer, published since 2002 and for the fourth successive year by

Chart 181. **USERS WHO HAVE RECENTLY CONNECTED TO THE INTERNET**

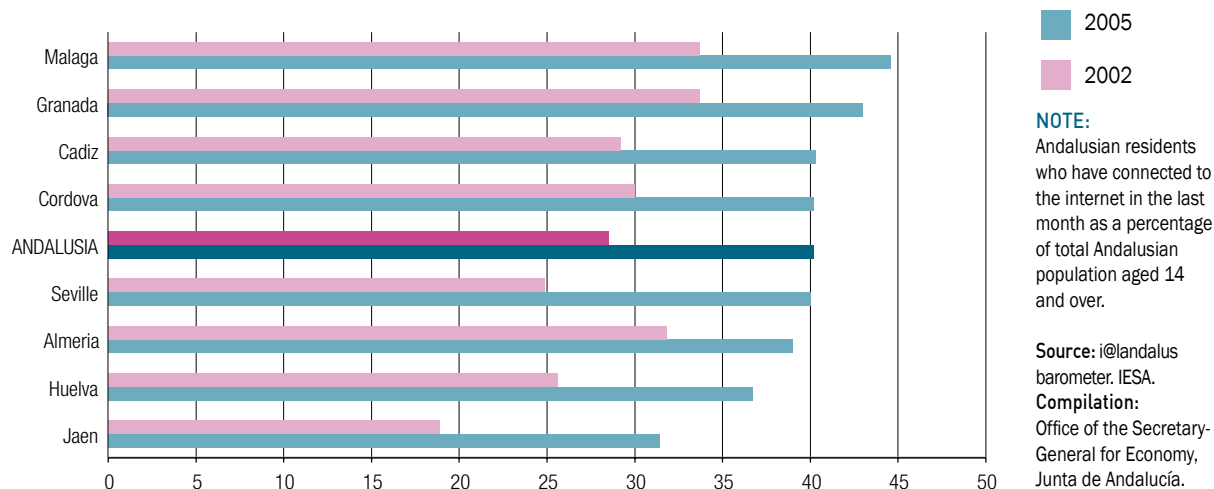
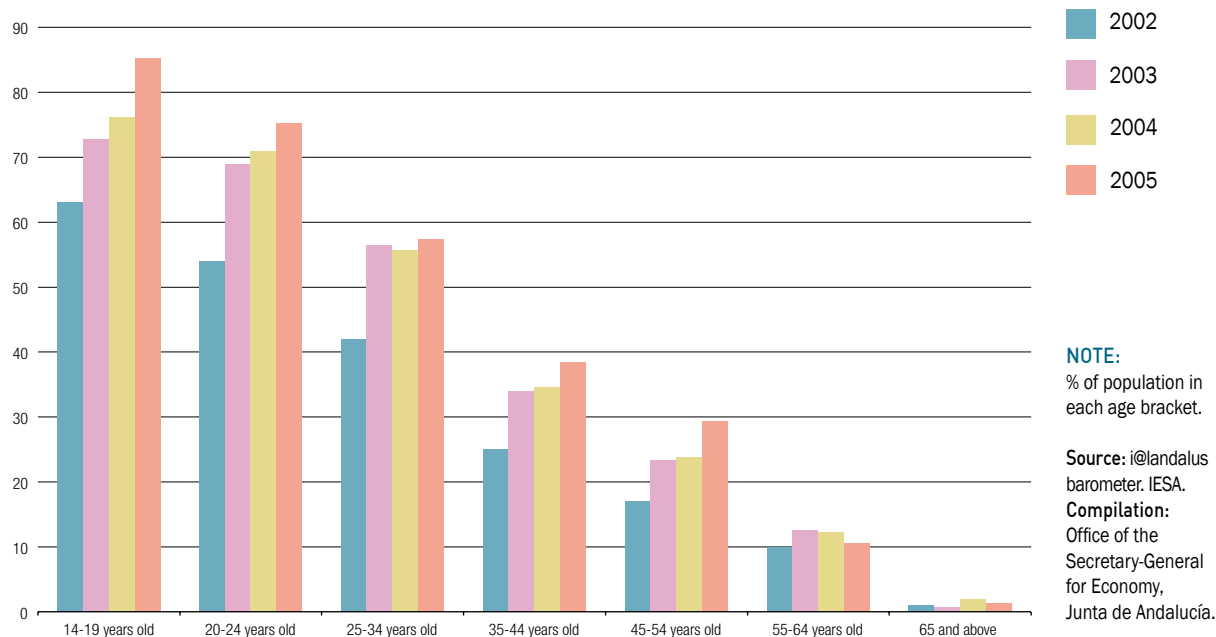


Chart 182. INTERNET USERS BY AGE



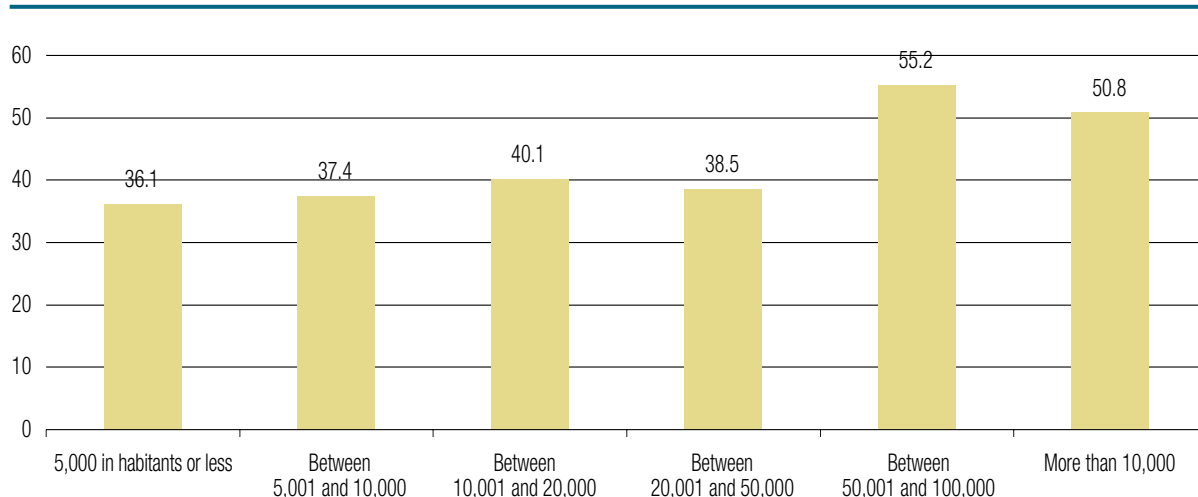
the Instituto de Estudios Sociales de Andalucía (IESA - Institute for Advanced Social Studies of Andalusia) of the Spanish Higher Council for Scientific Research (CSIC) under an agreement with the Secretariat-General of Telecommunications and the Information Society belonging to the Regional Ministry of Innovation, Science and Enterprise.

The study for the 2005 is based on a sample of 5,520 surveys conducted in Spanish households among people aged 14 or more and, as with the figures from the Survey on Information and Communication Technologies Equipment and Use in Households (ICT-H), it reveals that trends in recent years regarding ICT provision and use levels in Andalusian homes were very positive, with not only traditional but also more advanced technologies extensively available and used.

According to the Barometer 80.2% of Andalusian households in 2005 had a mobile telephone, compared to 66.5% in 2002. Among the different provinces Malaga stood out as having the highest percentage of homes with mobile phones (83.8%),

with the average for the region also topped in Cadiz, Huelva and Seville, while at the other end of the scale the lowest rate was found in Jaen. On the other hand 43.6% of Andalusian households had a computer in 2005, 10.7 percentage points more than three years ago, and 25.8% had internet access (14.8% in 2002), with Cadiz leading the ranking for the biggest proportion of households with a computer (41.1%) and Malaga with the greatest level of internet access (29.8% of households). It is also worth noting that in 2005 the chief technology used for internet access was broad-band, as 45.7% of Andalusian households with internet access had ADSL, while just a few years ago this was a relatively little used method (14% of households in 2002).

The i@andalus Barometer also provides information on ICT equipment penetration in households according to town or city size. In 2005 over half (50.8%) of homes in the larger cities (of more than 100,000 inhabitants) had a computer and almost one third (32.7%) of them had internet access. This also implies that progress has been made in recent years, as in 2003, which was the first

Chart 183. **ANDALUSIAN HOUSEHOLDS WITH A COMPUTER BY SIZE OF MUNICIPALITY. YEAR 2005****NOTE:**

Andalusian households with a computer as a percentage of total Andalusian households by municipality size.

Source: i@landalus barometer. IESA. Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

year for which such information was published, the fraction of Andalusian homes in these municipalities with a computer was below one half (47.9%) and internet access was available in 30%. In other towns and cities computers are also widely available, even in the smallest of population centres. In towns with 5,000 or less inhabitants 36.1% of homes had a computer, almost five percentage points more than in 2003 (31.2%) and, while also becoming more widespread, internet access was still limited (17.7% of homes in 2005 and 14.7% in 2003).

In examining those people who were users of information and communication technology the Barometer indicated that in 2005 over half (51.2%) of the Andalusian population aged 14 or over used computers, compared to 40% in 2002, with this average being overtaken in Granada, Malaga and Cadiz. The favourite place for using them was at home (77.3% of total computer users), while the most popular reason for doing so was for gaming.

On the other hand the percentage of internet users climbed to 40.2% in 2005, 11.7 percentage points more than in 2002, the favourite place for browsing being at home (57.2%), while the main

reason for using the internet was to search for information or reference material. The Andalusian provinces with the highest percentages of users over the last year were Malaga and Granada, with Jaen the lowest-ranked.

In addition to this the Barometer also furnishes information on e-commerce, revealing that of Andalusian internet users in 2005, 21.4% used this shopping method compared with 15.7% in 2003 (the first year for which this figure was available). Almeria was notable for this among the provinces, while travel and accommodation were too, among the goods and services most widely acquired.

Lastly the i@landalus Barometer offers an insight into social and demographic distinctions among those using ICTs, stating that users were most commonly found among the young and in urban population centres, while the percentage of users was higher among males than females. To give more detail, 30.6% of computer users and 43.5% of internet users were in the 14 to 24 year-old age band, with most in towns and cities of over 100,000 inhabitants, males accounting for 55.7% of computer users and 56.2% of internet users.

## ICT in public administration

The *Report on information technology in public administration* is published every two years by the Higher Council for Electronic Administration (formerly the Higher Information Technology Council) of the Ministry of Public Administrations. It contains information on the use of ICT in government. The last one was for 2004 and only includes information on central and local government. The most up-to-date figures available on regional government come from the findings of the e-Government Questionnaire carried out by the working party known as “the e-Government monitoring unit for the autonomous communities” set up under the aegis of the e-Government Sector Committee that reports to the Government Sector Conference, yet they are not broken down for the individual autonomous communities. For this reason, if it is desired to study the situation at regional level, it becomes necessary to turn to the 2002 report, where the figures refer to 2001, these already having been analysed in the *Economic Report on Andalusia for 2004*.

According to the 2004 *Report on information technology in public administration*, total

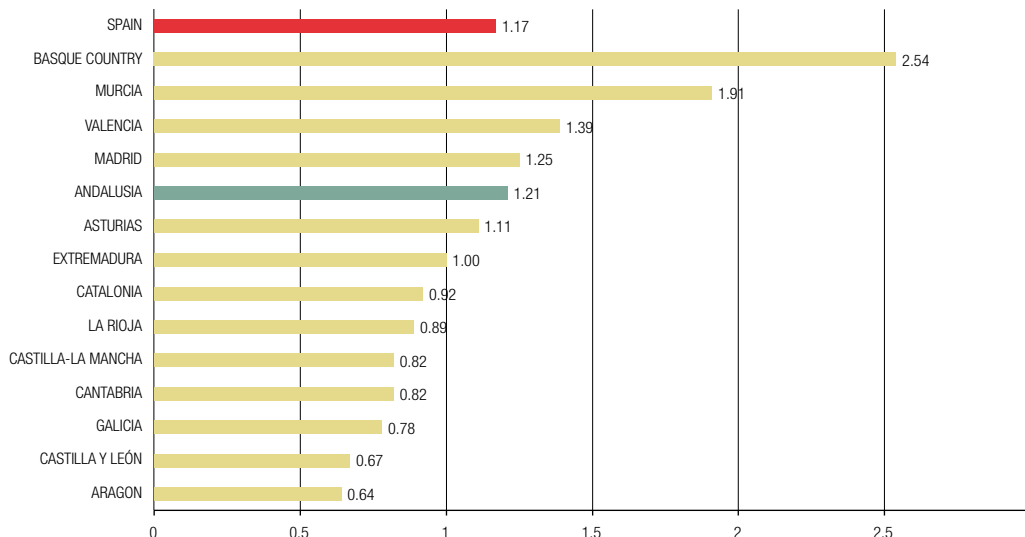
expenditure by central government in 2003 on information and communication technologies came to 1,184,678 million euros, representing 3.6% of the total budget. Three quarters of all of this went towards IT expenditure, while telecommunications absorbed the remaining 25%.

It can be seen from the breakdown of IT expenditure, which accounted for 2.7% of the total central government budget in 2003, that 29% of it fell within the caption of equipment<sup>13</sup>, with investment particularly notable on PCs (37% of total equipment expenditure), this showing a bias towards desktop computers. After equipment, the largest slice of IT expenditure went towards IT services<sup>14</sup> (28%), followed by personnel expenses (27%), with software soaking up the remaining 13%.

Within the IT services caption almost one half (46%) of expenditure was on program maintenance and development, the second biggest item being hardware and software support and maintenance (27%).

With respect to telecommunications expenditure, the main points to note are that 10% of this was

Chart 184. IT EXPENDITURE BY REGIONAL GOVERNMENTS IN BUDGET TERMS. YEAR 2001



**NOTE:**

Data as percentages. Budget chapters I, II and VI. No information is available for the Canary Islands, Navarre or the Balearic Islands.

Source: IReport on Information Technology in Public Administration, Ministry of Public Administration. Compilation: Office of the Secretary-General for Economy, Junta de Andalucía.

on investments, while the remaining 90% went towards services, of which 40% was in connection with fixed phones.

The report also gives information on central government's stock of IT equipment, which as at 1 January 2004 comprised 328,158 computer systems, these being on average three years old. Among these, there were 318,059 PCs, which implied that 63 computers were available for every 100 civil servants. Most of the PCs (90%) were hooked up to a local area network, 64% were on an intranet, and a little over one half (51%) had internet access, meaning that there were thirty computers with internet access for every hundred central government employees. *The Report on information technology in public administration* mentions that this figure is 10 points below the average in Spanish businesses.

On the other hand, at local government level expenditure on information and communication technologies came to 577,086 thousand euros in 2003, representing 1.5% of the total budget, which was under half of what central government spent (3.6%). As with central government, the bulk (78%, and 75% centrally)

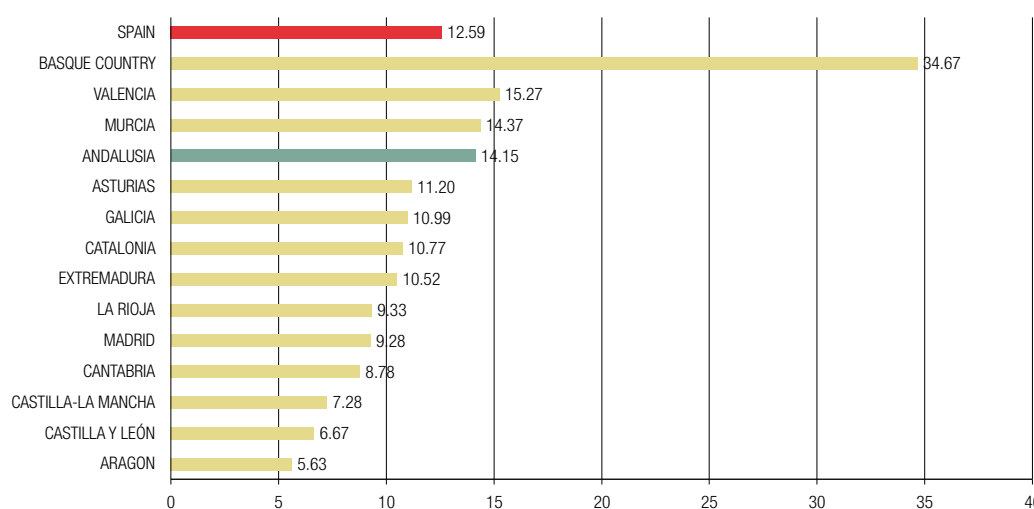
went towards IT expenditure and the remaining 22% on telecommunications.

Within the outlay on IT, which represented 1.2% of the total budget (2.7% centrally), the largest part was on personnel (40%), which contrasts with the IT cost structure within central government, where staff costs were in a minority compared to those on IT equipment and services.

The details given on the stock of IT equipment, on the other hand, show that in early January 2004 the number of PCs set up in local government came to 234,065, of which 94% were on an intranet system and 67% had internet access, which are higher shares than those seen in central government.

Within regional government the initial results from the e-Government Questionnaire, which, as mentioned, does not give a breakdown by autonomous communities, derive from figures obtained between 15 May and 15 September 2005 for the combined set of government and administration bodies for every autonomic community and city, the study leaving out public enterprises from these.

Chart 185. IT EXPENDITURE BY REGIONAL GOVERNMENTS PER INHABITANT. YEAR 2001



**NOTES:**

In euros per inhabitant. No information is available for the Canary Islands, Navarre or the Balearic Islands.

**Source:** Report on Information Technology in Public Administration, Ministry of Public Administration.

**Compilation:** Office of the Secretary-General for Economy, Junta de Andalucía.

The questionnaire responses are split into three areas: e-Administration, e-Government, and e-Democracy. The e-Administration part embraces indicators relating to the internal structure of government and refer to infrastructure, policy development, organisational activities and knowledge management. The e-Government facet looks at relations between autonomous government and other organisations or institutions (citizens, companies or other government departments) and gauges public services provided using information and communication technologies. Finally the e-Democracy section includes variables which assess the opportunities and chances which citizens have to be actively involved in decision-making regarding issues that affect them using ICT and it analyses the presence of such resources within regional government.

Within the e-Administration sphere, the figures obtained show that in 2005 the regional government had an average of 60 PCs per 100 employees<sup>15</sup>, compared to 18 PCs in 2001 according to the *Report on information technology in public administration* for that year. This implies that over the last four years average computer terminals per employee have increased more than three-fold. On the other hand the study reveals that 70% of regional government facilities have broad-band access and that 100% of these have an Intranet system. Additionally, some 3.2% of employees had an electronic signature, which was higher than the comparable figure for central government of 2%.

With respect to e-Government, it was noted that in 29.4% of the autonomous communities participating in the study<sup>16</sup>, citizens could sort out administrative business completely on the phone, while in 23.5% they could set in train administrative processes by giving information over the phone, and in the remaining 47.1% they could only obtain information by this means. The highest degree of interactivity with citizens was through using IT media and more specifically via the web, as in 76.5% of autonomous communities it was possible to carry out dealings completely

on the internet via websites. In contrast, the use of faxes or SMS messaging was less the norm, as in both cases in only 5.9% of regions could administrative business be fully carried out using these means. Within this category assessment is also made of accessibility to internet in public places such as libraries, civic centres, resident's associations<sup>17</sup>..., it emerging that there were an average of 1.1 public places with internet access and 6.2 computer terminals per 10,000 inhabitants aged over fourteen.

To complete matters, on the issue of e-Democracy 57% of the autonomous communities taking part in the study had the chance to conduct surveys<sup>18</sup> and 80% of them did so in 2005. By the same token, 80% of the regions holding on-line surveys published the results of them, while 62% had a procedure whereby the findings from the survey were taken into account in decision-making processes. Lastly, 35% of autonomous communities in 2005 offered citizens the chance to get into direct contact with members of the regional government, and 29% with senior officials.

If one wishes to look into the state of ICTs in the Andalusia region or in the other autonomous communities, as has been mentioned above, the most up-to-date reference is the 2002 *Report on information technology in public administration*. According to this IT expenditure<sup>19</sup> in 2001 was some 103,837 thousand euros within the Andalusian regional government, which accounted for 22.1% of total IT spending in the Spanish autonomies, Andalusia turning out to be the region which accounted for the most expenditure of this type, followed by the Basque Country (15.5%) and Catalonia (14.5%).

The IT expenditure split among the various categories was not uniform across the different autonomous communities. Considering them on average, the highest percentage was spent on IT services, followed by equipment, personnel, system software and application packages, and in last place, consumables and miscellaneous expenses.

In Andalusia, as on average among the autonomous communities, the lion's share was spent on IT services (38.7%), which was also the case in Catalonia and the Basque Country, whereas personnel expenses, which represented 30.7% of total expenditure in Andalusia (25.2% for the regions as a whole), accounted for the most spending in Madrid, Castilla-La Mancha, Murcia and Extremadura. On the other hand, expenditure on equipment was the most predominant in Valencia, Galicia and Castilla-y-León.

On the other hand, IT expenditure per inhabitant in Andalusia was 14.2 euros in 2001, which was over the average figure of 12.6 euros per inhabitant for the various regional governments, Andalusia being the region with the fourth highest level after the Basque Country, Valencia and Murcia.

Taking IT expenditure as a proportion of the budget<sup>20</sup>, the Andalusia region was also above-average, with IT spending in 2001 representing 1.21%, compared to 1.17% for the autonomous communities as a whole, and Andalusia among the top three regions in this respect.

The *Report on information technology in public administration* also gives specific numbers regarding the investment undertaken by the autonomous communities in hardware<sup>21</sup>, this actually comprising PCs, computer systems and local area networks (LANs). Over half of such spending was on PCs (55.1%), with 37.4% on computer systems and the remaining 7.5% on local area networks.

In Andalusia in 2001 the regional government spent 21,900 thousand euros on hardware, or 17.8% of total expenditure, this being the largest volume of investment after Valencia's. There was a predominance of investment in computer systems (55.3% of the whole), which was something that also transpired in autonomous communities such as Galicia, the Basque Country, Asturias and Murcia. Outlays on PCs represented 38.8% of total hardware capex, against an average of 55.1% across all the regions. With

respect to spending on LANs, the relative weight in Andalusia was less substantial than among the regional governments as a whole (5.9% and 7.5% respectively).

As well as outlining financial resources earmarked for ICTs, the *Report on information technology in public administration* also gives details of equipment installed, which means one can assess the availability of infrastructure of this kind. According to figures as at 1 January 2002, some 97.3% of the computer terminals in place among the Spanish autonomous communities were PCs, the rest being accounted for by computer systems.

The largest share of computers is concentrated in the Autonomous Community of Andalusia (17.3% of the total), followed by Catalonia, where 14% are located. In contrast, the lowest levels were in Cantabria and La Rioja.

In all the regions PCs account for over 96% of computer equipment (97.2% in Andalusia's case). Turning our attention to computer terminal numbers for every hundred regional government employees, the figures from 1 January 2002 painted a mixed picture among the various autonomous communities<sup>22</sup>, these ranging between 8.9 terminals per hundred employees in Cantabria to 38.5 in the Basque Country. In the Andalusia region 15.3% of civil servants had a computer, thus betraying a level of computer penetration that was below the average for the autonomous communities, where terminals per hundred government employees worked out at 18.

More useful is the data on computer systems, which, while only accounting for 2.8% of the total, embody a greater degree of innovation. The bulk are focused geographically in Catalonia and Andalusia, with small systems prominent in all the autonomous communities. The regions with the greatest numbers of such systems are the Basque Country, with 12 large ones, and Andalusia with 7, while medium-sized systems<sup>23</sup> are much in evidence in Castilla y León and Catalonia.



## Conclusions

The spread of information and communication technologies is a widespread circumstance in today's society. This phenomenon, which is intertwined with concepts such as the advent of the "knowledge society" the "information society" or the "new economy" is also discernible within the Andalusian economy.

Among the available markers for gauging the relative situations among the various autonomous communities as regards this issue, the regional new economy penetration indicator calculated by the CEPREDE showed a value of 78 for Andalusia in 2005 against an average score of 100 for Spain as a whole. This put the Autonomous Community of Andalusia in eleventh place, which was an improvement on the previous year, as in 2004 it had stood twelfth-ranked under this classification. These figures make it evident that not only has the new economy penetrated deeper within the various autonomous communities in recent years, with above-average levels seen in Andalusia, but that this has also brought with it a greater degree of convergence in this respect. In fact, in the 2001-05 period, new economy penetration escalated at an average yearly rate of 8.4% throughout Spain as a whole, with Andalusia registering an above-average level of 10.4%. On the other hand, in 2005 the autonomous communities with the lowest new economy penetration scores lagged behind the regions showing the highest values by 71 points, while in 2001, the first year for which this information became available, this differential was one of 104 points, which goes to show that the "digital gap" among the autonomous communities is narrowing.

Andalusia's favourable progress within the "knowledge society" is also apparent from other indicators.

Figures from the INE on internal R&D expenditure show that in 2004 Andalusia was the autonomous community with the third largest volume of this kind of spending. It can also be seen that since

the mid eighties, which was when records became available, the rise in such expenditure, as well as in personnel specialising in R&D activities, was greater in Andalusia than in the whole of Spain and on average for the euro area countries.

Spending by enterprises on technological innovation, which includes internal R&D expenses and the cost of acquiring technology (external R&D), purchasing machinery and equipment, expenses on design, industrial engineering, tools and production start-ups, as well as marketing for new products and training, was also more intensive in Andalusia than in Spain as a whole, with the weight of technological innovation carried out by Andalusian enterprises rising with respect to the national average level. In the 2000-2004 period expenditure on innovation by Andalusian enterprises rose at an annual rate of 16.9%, against an average growth figure of 5.3% for Spain, thus coming to account for 9.5% of the national total (6.2% in 2000).

Of total innovation expenditure by Andalusian enterprises, nearly one quarter was on internal R&D while the rest was on other innovation activities. Industry absorbed over two thirds of this, this sector being the one with the greatest degree of technological intensity as calculated by the ratio of innovation expenditure to value-added created.

On the other hand, the advanced technology productive sectors are still taking on weight within the Andalusian economy at a faster pace than in Spain. In 2005 advanced technology enterprises increased by 9.4% in Andalusia, almost four points more than was the case for Spain as a whole, coming to represent 11% of the total nationally compared to a percentage of 9.5% in the mid nineties. This growth moreover outstripped the rate of expansion for the Andalusian business sector as a whole (5.1%). Most Andalusian advanced technology enterprises (60.1%) belonged to the services sector, which was also true nationwide, and in both cases it was these businesses which increased the most over the last year.

Based on information for 2004, Andalusian advanced technology enterprises in manufacturing generated 5.8% of the value-added produced by all such businesses nationwide, amassing over one fifth (21.1%) of total GVA created by the whole of the Andalusian manufacturing industry. Among the different sectors the most prominent in this respect was “aeronautical and space construction”, which contributed 10.4% of total advanced technology enterprise GVA and was likewise the sector with the heaviest weight relative to the national total, slightly over one quarter of the value-added created by such enterprises nationally being generated in Andalusia. On the other hand those working in high technology sectors rose that year by 7.8%, which more than doubled the rise seen nationwide.

Another characteristic feature of the advanced technology sectors was their strong trade links abroad. In 2005 almost one quarter of total Andalusian trade could trace its origin to this sector, which had a particularly marked leaning towards exports, as those made by Andalusian enterprises in it amounted to 13.2 times more than exports by enterprises on average. Furthermore, these exports outgrew Andalusian exports on average in 2005.

2005 also witnessed the growing importance of the information and communication technologies sector within the Andalusian and Spanish economies. Enterprises in this sector rose by 14.2%, compared to 9.1% nationwide, representing 10% of total enterprises of this kind located in Spain. Most belonged to the services sector, which also grew more in 2005 than in Spain as a whole, at 14.9% and 9.8% respectively. Going by numbers of enterprises, among the various subsectors IT-related ones were much in evidence, altogether accounting for 80% of total ICT companies in services. The “telecommunications” sector also impressed, on account of its 21.8% growth in 2005, this being far above the national level of 14.9%.

As with the advanced technologies sector, ICT was also strongly linked to foreign trade, confirmation

of this coming from the fact that on average trade carried out by ICT enterprises almost doubled the average by Andalusian enterprises as a whole.

As regards patterns in the use of information and communication technologies, the latest available information shows that this was on the rise in businesses, households and government. In terms of enterprises, the 2005 figures confirm that these technologies were widely used in them in Andalusia, as 96% of businesses had a computer, over three quarters had e-mail, and over half had a local area network set up. 85.5% of Andalusian enterprises had an internet connection, of which the bulk (83.5%) had broad-band access, which was a great improvement on 2002, the first year for which such information became available, when enterprises with broad-band access amounted to little over a half.

Figures relating to ICTs in households show that they are increasingly used in Andalusia. While virtually all homes have the most basic items such as telephones and televisions, more and more are starting to use more advanced technology. 11.5% of Andalusian homes with a television had a cable connection, which implies a 22.2% rise on the previous year, 12.7% had a satellite dish, which was 25% more than in 2004, and the number of households with digital terrestrial television was 2.3 times higher than the year before, with all of these rises for Andalusia outstripping national levels. There was similarly major progress as regards computerisation in the home, where 19.3% more had internet access than in 2004 (16.1% in Spain) and the number of people who had used e-commerce in 2005 almost doubled on 2004, while the national increase was 71.6%.

The i@landalus Barometer also verified the strides made by Andalusian households in terms of technological equipment used, and it appeared to be the case that such progress occurred not only in the larger cities but also among the smaller population clusters.

ICT use has become more rife within government. On the basis of information from 2001 it is evident that more effort was being made in this direction on the part of the Andalusian regional government than in other autonomous communities, as both IT expenditure per inhabitant and as a proportion of the regional budget topped the average among the various regional governments.

To close, more recent information which refers to regional governments throughout Spain taken together shows that the state of play vis-à-vis the new technologies has come a long

way in recent years. By 2005 average computer numbers per employed person had more than tripled since 2001. Almost three quarters of regional government offices had broad-band access, while all of them were on an intranet system. In addition to such progress in terms of ICT resources available, it was noticeable that interaction with citizens by using such means was becoming increasingly widespread and in 29.4% of autonomous communities administrative issues could be fully dealt with on the telephone and in 76.5% of them the public at large could discharge such matters through the internet.

### NOTES:

1. This embodies the OECD proposal as to how to conduct R&D surveys, which provides internationally recognised definitions and classifications. The sixth edition was published in 2002.
2. In addition to internal R&D expenditure, which refers to spending on activities of this type undertaken within research units or centres, R&D expenditure is also taken to include purchasing R&D (external R&D).
3. Also included are managers and administrators who work on planning and arranging scientific and technical aspects to do with the work undertaken by researchers and who normally have equal or higher status than them. They are often former or part-time researchers.
4. These three initials are joined by a "&" sign and refer to the integration of research, technological development and innovation in a single system, linking science, technology and business and encompassing everything from the acquisition of new expertise to the marketing of new or improved products and services.
5. The survey covers all industrial, construction and service enterprises with ten or more employees, whose main activity corresponds to the branches included in the Spanish national classification of economic activities CNAE-93, with the exception of "public administration, defence and compulsory Social Security" (75) and "education" (80).
6. These statistics bring together information from the survey on technological innovation in companies, statistics on scientific research and technological development, the industrial companies survey, the annual services survey, and the labour force survey etc.
7. Prior to the last revision of the classification of productive sectors according to their level of technological intensity carried out by the OECD in 2002 this sector was classed as a medium-high technology one.
8. The ISIC consists of a classification of economic activities which the United Nations has published since 1948. At the March 1999 meeting of the Statistical Commission it was resolved to agree to effect a minor revision in 2002 and a further one in 2007, which will involve a re-classification using a new structure.
9. Hardware consultancy, software consultancy and supply, data processing, database-related activities, maintenance and repair of office, accounting and computing machinery, and other IT-related activities.
10. Those surveyed were enterprises principally engaged in activities classified under the following CNAE sections: D (manufacturing industry), E (production and distribution of electricity, gas and water), F (construction), G (wholesale and retail trade), H (hotels and restaurants), I (transport, storage and communication), J (financial intermediation), K (real estate activities) and groups 92.1 and 92.2 of section O (motion picture and video activities and radio and television activities).
11. The survey sample consisted of 20,467 enterprises, of which 2,156 were located in Andalusia.
12. The survey targeted one person aged over 14 in each household, where a study was also made of all those aged between 10 and 14.
13. Capital expenditure on computer systems, local area network installation and computer hire.
14. These are hardware and software maintenance, application development and maintenance, training, technical and management consultancy, data preparation and transcription, computer centre services, telecommunication services, etc.
15. Employees are taken to be those people whose remuneration is included under section I of the appropriate budget.
16. Figures are not included for Galicia and the Autonomous City of Melilla.
17. Schools are not counted and only those centres are included which are fully or mostly funded by the regional government (50% or more).
18. An autonomous community is considered to be able to conduct surveys if its web-site allows the public to get involved regarding public issues raised. The survey could be hosted on the autonomic community's web-site or any other official one not owned by it but run by it and representing an environment where one can interact with the autonomous community.
19. No information is available for the Canary Islands, the Balearic Islands or Navarre.
20. Includes sections I, II and VI of the budget.
21. No information is available for the Canary Islands or Navarre.
22. No information is available for the Canary Islands or Navarre.
23. An computer system consists of a CPU, peripherals, terminals and communications equipment, where the CPU is worth between 60,000 and 600,000 euros.

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