

ECONOMY

1.- Economic Overview

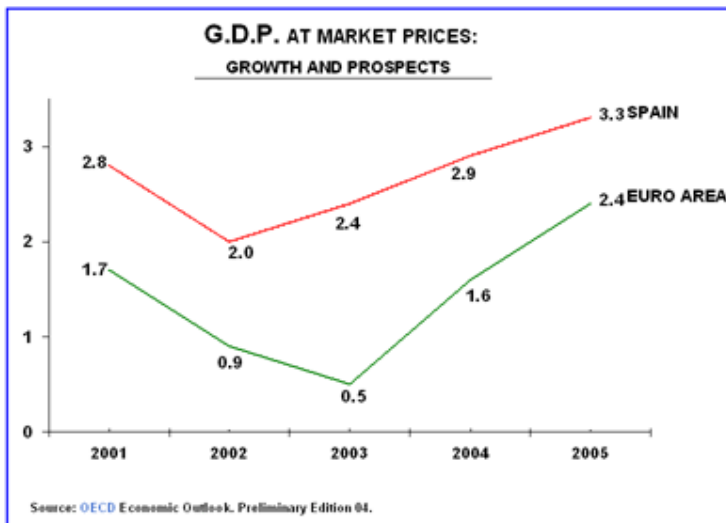
Spain is an extremely dynamic country, and has traditionally achieved very high economic growth rates, over and above the average for other industrialized countries. According to Bank of Spain, growth in 2003 was 2.4 percent, significantly above the EU, where average GDP growth reached just 0.6 percent last year and GDP was around US\$ 743 billion in 2003.

Inflation in Spain has fallen steadily since the late 1980's. The rate of inflation was kept under 5% for the first time in 1993, and was further reduced in subsequent years to under 4% and its current 2.6%. In February 2004, the inflation posted a year-on-year rate of 2.1%.

The impressive reduction in Spain's long term interest rates from 10% in 1993 to the current 4.2% is particularly noteworthy. (Source: Bank of Spain).

A fine climate, abundant sportive and leisure facilities and a rich cultural and social life make for high living conditions. These have been widely recognized by the media; in a recent study by The Economist the quality of life in Spain ranked third in the world in terms of a set of social, political, cultural and economic parameters.

The population in Spain is roughly 43 million people in 2003. Approximately 20% is under 19 years of age; 63% is between 19 and 65 years old, and 17% is over 65. The population density is 83 inhabitants per square kilometer. The most populated cities in Spain are Madrid, Barcelona, Valencia and Sevilla.



2.- Domestic Market

The rapid growth of the Spanish economy in recent years has been driven by strong domestic demand in the context of an increasingly open economy. Spain has a market of 43 million people with an estimated per capita income of roughly 20,800 €, plus an additional injection of demand coming from the 82.6 million people who visit the country in 2003.

3.- ForeignTrade

Since joining the European Union, Spain has experienced sweeping changes in foreign trade. Exports have grown faster than international commerce, increasing Spain's share of world trade. At the same time, Spain's industrial sector has naturally looked to the European market: exports and imports are for the most part with EU member nations, following the development of competitive advantages, as the result of the restructuring of Spain's industries over the last decade.

Distribution of Exports and Imports 2003 (Percentages of total)

Exports		Imports	
Vehicles	23.6	Vehicles	16.6
Mechanical	8.3	Mechanical	12.1
Electrical machinery and equipment	6.9	Fuel and mineral oils	10.4
Plastics and plastic products	3.4	Electrical machinery and equipment	8.6
Fruits, non preserved	3.3	Cast iron and steel	3.4
Fuel and mineral oils	3.1	Plastics and plastic products	3.3
Dried and fresh vegetables	2.5	Pharmaceutical products	3.3
Pharmaceutical products	2.5	Organic chemical products	3.0
Organic chemical products	2.3	Optical products and equipment	2.4
Cast iron and steel	2.1	Fishery Products	2.2

Source: *Ministry of Economy of Spain*