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William Chislett

Foreign Policy

Popular Party Begins to Spell Out its Foreign Policy

A future government of the Popular Party (PP) would not seek to change the EU's common position on Cuba if, as expected, it wins the early general election on 20 November, as the present Socialist government unsuccessfully tried to do, and might revise the calendar for withdrawing Spain's peacekeeping troops from Afghanistan, due to begin during the first half of 2014.

These are some of the elements of PP's foreign policy, as spelled out by Jorge Moragas, the party's foreign policy coordinator and head of the office of Mariano Rajoy, the PP's leader, in an interview with *El País*.

The EU's stance on Cuba was largely engineered by the PP's José María Aznar, the former Prime Minister, and dates back to 1996. It demands that Cuba makes progress on democracy and human rights before any full normalisation of ties. Moragas, who was expelled from Cuba on his arrival in October 2004 after he had announced he would show his support for Cuban dissidents, said the economic reforms made were 'timid' and nothing had been done on the political front.

The Socialist government played a leading role in the release of prisoners earlier this year when it airlifted 37 prisoners and 209 members of their families to Madrid, concluding the agreement reached in the summer of 2010 with Havana and the Roman Catholic Church there. The total number freed and flown to Spain was 115 prisoners and 647 family members.

Moragas said there were no plans to recognise the independence of Kosovo. Spain is one of five EU countries that rejected a joint EU decision on Kosovo's status, acquired in 2008.

On Gibraltar, the only overseas territory that is part of Europe and which has long been claimed by Spain from the UK, Moragas said the tripartite forum between London, Madrid and the Rock, established in 2004 to achieve cooperation in various issues, was of little benefit to Spain. 'We reserve the right to fundamentally review that format which has only served to allow the Chief Minister of Gibraltar to pose sovereignty questions which he has no powers to do under international law'.

The latest Transatlantic Trends survey, conducted by the German Marshall Fund of the United States and regarded as the pre-eminent source of US and European public opinion on a host of transatlantic issues, showed that Spaniards have the lowest level of support (39%) for their government's foreign policy among the 14 countries surveyed (see Figure 1). The highest approval rate was in Sweden (74%) and the average for the EU-12 was 54%.

Figure 1. Approval of the way Governments are Handling International Policies (% of respondents)

	Approve	Disapprove	Refusal
EU-12	54	42	4
US	50	44	7
France	54	45	2
Germany	65	32	3
Italy	47	49	4
Spain	**39**	**57**	**4**
UK	55	38	6

Source: Transatlantic Trends, 2011.

Foreign Minister Moots Recognition of a Palestine State, Angers Israel

Trinidad Jiménez, Spain's Foreign Minister, angered Israel when she said that EU countries should 'move forward with recognition of the state of Palestine' as failure to give such a sign could generate 'a great deal of frustration among Palestinians'.

Mahmoud Abbas, the Palestinian President, asked the United Nations General Assembly on 23 September to recognise an independent state for his people when he submitted a request for full UN membership. If the issue goes to the UN Security Council, after a vote in the assembly, the US said it would use its veto to block the move.

Jiménez's remarks in an interview with *El País* resulted in the head of the European section of Israel's Foreign Ministry summoning the Spanish ambassador in Tel Aviv, Álvaro Iranzo, to relay his displeasure. This was followed by a visit to Madrid of Israel's Deputy Foreign Minister, Daniel Ayalon, for a meeting with Jiménez.

She told the UN assembly Palestine should first be given observer status.

Jorge Moragas, the coordinator of foreign policy for the conservative Popular Party (PP), said full UN membership would 'weaken the peace process'.

Madrid Reopens Embassy in Libya

The government reopened the embassy in Tripoli, which was closed in March when Madrid evacuated staff because of the uprising against Colonel Gaddafi.

José Riera, the Spanish government's representative since May before the National Transitional Council, based in Bengasi, moved to the Libyan capital as Ambassador.

The Transatlantic Trends survey showed that 69% of Spaniards are in favour of promoting democracy in North Africa and the Middle East even if it leads to periods of instability, compared with an EU-12 average of 61% (see Figure 2). Only 34% of Spaniards, however, are optimistic about stabilising the situation in Libya, below the EU-12 average of 39%.

Figure 2. Democracy should be Promoted in North Africa and the Middle East even if it Leads to Instability (% of respondents)

	% of respondents
EU-12	61
US	45
France	76
Germany	60
Italy	75
Spain	**69**
UK	53

Domestic Scene

Zapatero Calls Early Elections

Prime Minister José Luis Rodríguez Zapatero, who had vowed to see out his term in office until March 2012, called an early general election for 20 November.

Rodríguez Zapatero had already announced that he would not seek a third term in office. The Socialists' candidate is Alfredo Pérez Rubalcaba, the Deputy Prime Minister, who, according to all opinion polls, will lose to Mariano Rajoy, the leader of the conservative Popular Party (PP). Rajoy, who had repeatedly called for an early election, lost the last two elections in 2008 and 2004.

The only doubt appears to be whether the PP will win an absolute majority. A voting-intentions poll conducted by Metroscopia and published on 12 September gave the PP a lead of 14 percentage points over the Socialists (44.8% vs. 30.7%). This would give the PP an absolute majority in parliament, something the Socialists do not enjoy at the moment (see Figure 3).

Figure 3. Results of General Elections, 2008 and 2004 (seats, millions of votes and %)

	2008			2004		
	Seats	**Votes**	**%**	**Seats**	**Votes**	**%**
Socialists	169	11.06	43.64	164	11.02	42.59
Popular Party	153	10.16	40.12	148	9.76	37.71
Convergence & Union (Catalan)	11	0.77	3.05	10	0.83	3.23
Basque Nationalist Party	6	0.30	1.20	7	0.42	1.63
Catalan Republican Left	3	0.29	1.17	8	0.65	2.52
United Left	2	0.96	3.8	5	1.28	4.96
Galician National Bloc	2	0.20	0.82	2	0.20	0.81
CC-PNC (Canary Islands)	2	0.16	0.65	3	0.23	0.91
Progress and Democratic Union	1	0.30	1.2	–	–	–
Na-Bai (Navarra)	1	0.06	0.24	1	0.06	0.24

Source: Interior Ministry.

Rubalcaba and Rajoy began to draw up their electoral programmes. While the Socialists re-introduced a wealth tax, which was abolished in 2008 (see the next section), the PP pressed for a reform of the whole tax system.

Esteban González Pons, the spokesman for the PP, said a future PP government would aim to create 3.5 million jobs in four years.

The PP's campaign slogan '*Empieza el cambio*' (Change is beginning) echoes the Socialists' slogan in 1982 of '*Por el cambio*' (For change) when they won a sweeping victory.

Curb on Rumanian Workers as Unemployment Remains High
The government re-imposed work permits on Rumanians in a bid to stem the flow of people from that country at a time when Spain's unemployment rate remains stubbornly high at more than 20%.

Spain lifted the restrictions on Rumania, which joined the EU in 2007, in 2009, while France, the UK, Germany and Italy, among other countries, kept work permit requirements. EU members are allowed to keep labour market restrictions on citizens from new member states for up to seven years.

Madrid reversed its decision under a 'safeguard clause' and became the first EU country to reintroduce work permits after liberalising its labour market. The restrictions will remain in place until the end of 2012.

'The European Commission understands why, at this particular juncture –because of the dramatic employment situation and the very complex financial environment– the Spanish authorities wish to step back from full free movement', said Laszlo Andor, the EU Employment Commissioner.

Spain's stated rate of joblessness is 21%, the highest figure in a euro-zone country since the single currency was adopted in 1999 and double the EU average. The unemployment rate for Rumanians, 864,278 of whom live in Spain (the largest foreign community), according to the latest official figure, is 30%. Many lost their jobs in the collapse of the construction sector.

The restrictions, as of 11 August, do not affect Rumanians already working in Spain.

The measure will be very difficult to police because Rumanians are still allowed to come and live in Spain. However, it sends a clear signal to Rumanians in their own country of the dismal employment prospects in Spain and could deter new arrivals. In the year to March 2011, 89,000 Rumanians left for Spain, according to Rumanian Foreign Ministry estimates.

Trade unions said the restrictions would drive Rumanians wishing to be employed into the unofficial economy.

Spain's Population Falls for the First Time since 2002
The arrival of fewer immigrants and the increased number of people emigrating resulted in the first fall in the population since 2002, according to estimates by the National Statistics Office (INE).

The population declined by 27,771 in the first seven months of the year to 46.12 million. This was a small reduction but, nonetheless, a change of trend from previous years. The population grew by 700,000 a year between 2002 and 2007.

Pope Benedict's Visit Sparks Protests
Pope Benedict's four-day visit to Madrid during August for World Youth Day events brought hundreds of thousands of people into the streets and saw clashes between ardent Roman Catholics and an estimated 20,000 protesters demanding a fully-secular Spanish state and an end to all the privileges for the Church inherited from the Franco regime (1939-75).

The celebrations included an open-air Mass where around 800 bishops, archbishops and cardinals from around the world, together with 8,000 priests, tended to the congregation. This was reportedly the largest-ever gathering of Roman Catholics in Spain.

Organisers said the event generated around €100 million for the economy 'at zero cost to taxpayers', while critics estimated the cost was a similar amount at a time of austerity. The government gave no figure for the costs.

A recent survey by the state-owned Sociological Research Centre (CIS) showed that 72% of Spaniards described themselves as Roman Catholics, down from 82% a decade ago.

The Economy

Socialists and the Popular Party Approve Constitutional Cap on Budget Deficits
In an unprecedented move, the two main political parties buried their differences and hastily approved a constitutional amendment to restrict the size of budget deficits as of 2020.

Parliament approved on 2 September the changes by 316 votes to five. United Left MPs and most regional nationalist parties refused to vote or walked out of the 350-strong chamber. Some Socialist MPs were also uncomfortable with the amendment, only the second one since the democratic constitution was enacted in 1978 after the death of General Franco. Alfonso Guerra, the former Socialist Deputy Prime Minister (1982-91) called the deficit limit a 'poisonous pill'.

Trade union leaders were outraged and demanded a referendum on an issue of such pivotal importance to the future functioning of the state (it can be sought by 10% of MPs or members of the Senate) as they said it would tie the hands of governments too tightly.

'Not doing this (the change) would lead to clear and serious risks', said José Blanco, Public Works Minister and government spokesman, 'That's why it was done with such speed and urgency'.

Some analysts said the amendment opened a Pandora's box as it could lead to other changes in the Constitution through the same procedure of agreement among a majority of MPs, bypassing the population.

Rodriguez Zapatero told union leaders on 17 August that the country had been perilously close to an EU bail-out. 'He told us things were very bad', recalled Ignacio Fernández Toxo, Secretary General of Comisiones Obreras, and that the economy was 'at the edge of the abyss'.

The amendment was a *volte-face* as the government insisted right up to 23 August that existing legislative mechanisms were more than adequate to guarantee budgetary stability.

The two parties, which are at constant loggerheads over almost every aspect of economic policy, hope their gesture, albeit one that will not come into force for nine years, will help to assuage market concerns about Spain.

Ángel Gurria, the head of the Organisation for Economic Co-operation and Development (OECD), welcomed the move which followed a turbulent August in the stock and bond markets when Spain's sovereign debt risk premiums soared to euro-era record highs of more than 400 bp and the European Central Bank bought Spanish bonds in large quantities. On 26 September Spain's premium over the German 10-year benchmark yield was 3.38 pp (see Figure 4). Germany's yield was at a near record low of 1.82% and Spain's was 5.19%.

Figure 4. 10-year Government Bond Spreads Over Bunds (pp)

	Feb. 14	March 14	April 11	May 9	June 13	July 20	26 Sept.
Greece	+8.25	+9.17	+9.75	+12.77	+14.04	+14.65	+20.92
Ireland	+5.90	+6.28	+5.88	+7.97	+8.42	+10.46	+6.75
Italy	+1.53	+1.55	+1.24	+1.67	+1.82	+2.87	+3.83
Portugal	+4.28	+4.37	+5.33	+6.73	+7.69	+9.30	+10.25
Spain	**+2.17**	**+2.05**	**+1.73**	**+2.22**	**+2.55**	**+3.23**	**+3.38**

Source: ThomsonReuters.

The conservative PP raised the 'golden rule' idea some time ago and sought to have a rigid deficit limit inserted into the Constitution itself, while Alfredo Pérez Rubalcaba, the Deputy Prime Minister and the Socialists' candidate for the early general election on 20 November, called for 'flexibility'. The final agreement bridged the divide between the two parties.

An accompanying law to be enacted by 30 June next year will set the 'structural' deficit (yet to be fully defined) over the course of an economic cycle at 0.4% of GDP, except in times of recession or emergency situations, of which 0.26 pp will be for the central government and 0.14 pp for the 17 regions. Local governments would have to balance their budgets. Germany enshrined the same principle in its Constitution in 2009.

The constitutional amendment will commit Spain to adhere to the EU limits for debt and the budget deficit, which have been widely ignored. The limit for a country's accumulated public debt is 60% of GDP and 3% of GDP for the annual budget deficit (breached by France and Germany in 2003 and also by many other countries). Spain's deficit reached 11.1% in 2009 and is targeted to come down to 6% this year and 3% in 2013. Its total public debt is currently 65% of GDP compared with an OECD average of 98% and 83% for Germany (see Figure 3).

Figure 5. Spain's Budget Deficit and Public Debt (% of GDP), 2003-2011

	2003	2004	2005	2006	2007	2008	2009	2010	2011 (1)
Budget	-0.2	-0.3	+1.0	+2.0	+1.9	-4.2	-11.1	-9.2	-6.0
Public debt	48.7	46.2	43.0	39.0	36.1	39.8	53.3	60.1	68.1

(1) Forecast.
Source: Eurostat and Spain's Economy Ministry.

Meanwhile, María Dolores de Cospedal, the Premier of the new government of Castilla-La Mancha, won by the PP in May's regional elections after being run by the Socialists since 1983, announced a drastic 20% cut in the region's budget for 2012. Its budget deficit in the first half of 2011 was 4.1% of the region's GDP, the highest among the 17 regions, according to the Economy Ministry. Cospedal insists the deficit was higher, at 6.4%, and that the region, with 76,000 civil servants, has run out of money.

The central government's cap on the combined deficit of the regions, which account for one-third of public spending, is 1.3% of GDP. By June it had already reached 1.2%. As a result, the rating agency Fitch downgraded the credit of five regional governments on 14 September. They are Catalonia, Andalusia, Valencia, Murcia and the Canary Islands. Fitch put five more regions under review.

The debt of regional governments has increased from 5.7% of GDP in 2007 to 12.4%.

Meanwhile, the government of Castilla-La Mancha owes the region's 1,300 pharmacists €150 million in unpaid bills. Many of them staged a one-day strike during August.

Pharmaceutical groups and health-care technology suppliers say they are owed a total of €9.5 billion throughout Spain. Some invoices have been outstanding for close to two years.

The health-care company Roche, which has stopped applying some drugs to Greece because of unpaid bills, said a similar measure could be taken against Spain.

Socialists Reintroduce Wealth Tax

The government moved to stem a sharp fall in tax receipts by restating the wealth tax scrapped in 2008. The levy will apply to taxpayers' net worth (assets minus debts) above €700,000 and will be in force for two years (2011 and 2012).

The tax, approved in parliament by 176 votes with 166 abstentions, will affect around 160,000 people (0.7% of taxpayers) compared with 981,000 in 2007, when the minimum threshold was much lower (€120,000), and is projected to raise about €1 billion.

Mariano Rajoy, the leader of the Popular Party, declined to say whether he would eliminate the tax if he wins the election on 20 November. His party and the Basque and Catalan nationalist parties abstained from voting.

He did promise, however, to reduce corporate tax by up to 10 percentage points for companies that reinvested their profits instead of distributing dividends. The tax rate is currently 30% for large companies and 25% for SMEs.

GDP Growth Remains Sluggish, Surge in Exports Reduces Trade Deficit
The economy grew 0.7% year-on-year in the second quarter, according to the Bank of Spain, making it most unlikely the government will meet its forecast of 1.3% for 2011 as a whole. External, as opposed to domestic, demand was the engine of growth.

The International Monetary Fund (IMF), in its latest forecasts (see Figure 6), said the Spanish economy would grow 0.8% this year and 1.1% in 2012 (down from its previous projection of 1.6%).

Figure 6. IMF Forecasts for the Spanish Economy 2011-12

	GDP growth (%)	Budget deficit (% of GDP)	Public debt (% of GDP)	Jobless rate (%)
2011	0.8	-6.1	67.4	20.7
2012	1.1	-5.2	70.2	19.7
2013	1.8	-4.4	72.8	18.5
2014	1.9	-4.1	74.9	17.5
2015	2.0	-4.1	76.1	16.6
2016	1.9	-4.1	77.4	15.7

Source: IMF.

Spain’s exports of goods grew 17.8% in the first seven months of 2011 to €124.9 billion and it achieved a rare surplus with the EU (which takes 66.5% of exports) of €3.6 billion compared with a deficit of €3.7 billion in the same period of 2010. However, the country still recorded an overall trade deficit of €25.7 billion (15.8% less year-on-year) because of imports of €150.7 billion (+10.3%), largely as a result of an energy bill that was 18.2% higher.

The significant growth in exports, albeit it from a relatively low base and despite the loss of competitiveness over the last few years, in terms of costs, prices and productivity, is one of the few positive pieces of macroeconomic news. Export growth was 3.5 pp higher than the euro-zone average.

One factor behind this apparent paradox is that the cumulative loss of competitiveness has affected the export sector less as it has to be more efficient than the purely domestic sector in order to compete successfully on international markets.

Exporters have also reduced their profit margins in order to compete more strongly and enhanced the quality of their products. Exports to non-EU European countries, North America and Latin America rose by 34%, 31.2% and 26.8% year-on-year, respectively, in the first seven months.

As a result of the lower total trade deficit and a good year for tourism (the number of arrivals in August was 7.64 million, the best figure for that month since 1995). Spain’s current account deficit will be around 4% of GDP this year, down from a massive 10.1% in 2007 and 9.6% in 2008.

Privatisation Programme Moves into Gear
The government began in September the process for privatising part of the national lottery and the Madrid and Barcelona airports, as part of its strategy to boost revenues. The two privatisations could raise more than €13 billion.

Loterías y Apuestas del Estado, which runs the *El Gordo* Christmas draw, the world's biggest by pay-out, began marketing its flotation of 30% of the company.

Record Youth Employment Puts the Spotlight on Temporary Contracts

The government, in a reversal of previous policies, introduced a new temporary contract to try to reduce the dramatic rate of youth unemployment which, at 46% for those aged between 16 and 24, is more than double the national rate.

Until now the Socialists' labour market reforms had sought to reduce the proportion of workers on temporary contracts, which reached more than 30% during Spain's 13-year economic boom that ended in 2008, more than double the EU average. The level has since dropped to 25.5%, but primarily because workers on temporary contracts have borne the brunt of job losses and not because of the government's measures.

'In a crisis the important thing is to maintain employment, be it temporary or permanent, and we prefer to have someone with a temporary job than be unemployed,' said Valeriano Gómez, the Labour Minister. 'Labour market policy has to adapt to circumstances'.

The new apprentice/training contract targets those between the ages of 16 and 25 who left school early and have no qualifications and is inspired by the German system. It can also be applied to those under the age of 30 until the end of 2013. It is estimated that 700,000 people under the age of 25 do not have the basic secondary school qualification (known as ESO). Compulsory education ends at 16 in Spain.

Ban on Short-selling of Bank Stocks Extended

Spain joined Italy, France and Belgium in extending short-selling bans on selected bank stocks, introduced on 12 August for two weeks, until the end of September in order to reduce market volatility.

Short-sellers borrow shares and sell them with the intention of buying them back later at a lower price, a practice politicians and some investors have blamed for making the markets more volatile.

The Madrid stock market has dropped 16.8% so far this year, but has performed better than the Euro Stoxx 50, the benchmark index for the euro zone (see Figure 7).

Figure 7. Main Stock Market Indices (% change 1 January – 26 September)

Index	
Ibex-35 Spain)	**-16.8**
Dax (Frankfurt)	-22.7
FTSE 100 (London)	-13.7
Euro Stoxx 50	-25.4
Dow Jones	-4.6
Nikkei (Tokyo)	-18.1

Source: Markets.

VAT Rate on New Homes Halved in Bid to Spur Sales

The government cut the VAT rate on the sale of new homes from 8% to 4% for the rest of the year in the hope of reducing the stock of unsold homes of 700,000.

House prices in Spain have fallen on average by more than 20% since the bursting of the property bubble in 2008, but this has done little to reduce the stock.

Some banks have become significant owners of property, as a result of foreclosures and deals reached with heavily leveraged developers.

Resale properties will not benefit as they do not incur VAT; buyers will continue to pay an 8% transfer tax. Some banks have announced they will offer a 4% discount on the sale of repossessed homes.

Mariano Rajoy, the leader of the Popular Party, said that if he won the November general election he would extend to the VSAT reduction to the end of 2013.

Outward Direct Investment
The stock of Spain's outward investment stood at US$660.1 billion at the end of 2010 compared with a stock of inward investment of US$614.4 billion. In GDP terms, Spain's stock of outward investment soared from 3.0% in 1990 to 46.9% in 2010, higher than Italy's in relative and absolute terms (see Figure 8), while that of inward investment over the same period increased from 12.7% to 43.7%.[1] Outward flows more than doubled in 2010 to US$21.5 billion (see Figure 9).

Figure 8. Outward Stocks of Foreign Direct Investment 2010, Selected EU Countries (US$ million and % of GDP)

	UK	France	Germany	Spain	Italy
US$ million	1,689,330	1,523,046	1,421,332	**660,160**	348,737
% of GDP	75.3	59.1	43.0	**46.9**	23.2

Source: World Investment Report 2011, UNCTAD.

Figure 9. Outward Flows of Foreign Direct Investment 2010, Selected EU Countries (US$ million)

	Germany	France	Spain	Italy	UK	EU
US$ million	104,857	84,112	**21,598**	21,005	11,020	407,251

Source: World Investment Report 2011, UNCTAD.

Six Spanish companies were among the 20 largest by sales in 2010 in Europe, the largest presence, according to a study by Deloitte (see Figure 10). These companies – ACS, Ferrovial, FCC, Acciona, OHL and Sacyr– are players on the global market to varying degrees. Another one, San José, is in the top 50.

[1] See the author's recent Working Paper on Spain's multinationals at http://www.realinstitutoelcano.org/wps/wcm/connect/f50d3a004856cab782729e58d9f0a49c/WP17-2011_Chislett_Spain_Multinationals_Dynamic_Ailing_Economy.pdf?MOD=AJPERES&CACHEID=f50d3a004856cab782729e58d9f0a49c.

Figure 10. Ranking of Listed European Construction Companies by Total Sales (€ million)

Country	Total sales	Number of companies	Average sales
France	78,154	3	26,051
Spain	**56,508**	**7**	**8,073**
UK	38,284	13	2,945
Germany	29,298	3	9,766
Sweden	22,959	4	5,740
Austria	15,503	2	7,802
Netherlands	11,650	3	3,883
Finland	5,680	2	2,840
Italy	5,060	3	1,687
Portugal	4,279	3	1,426

Source: Deloitte, European Powers of Construction 2010.

Bank of Spain Nationalises Caja Mediterráneo (CAM)

The Bank of Spain took over CAM, a large savings bank with around 4% of the system's total assets, after it failed the stress test in July conducted on banks by the European Banking Authority. It was one of five Spanish banks whose core tier one capital ratio was below the 5% benchmark.

The authorities had earlier tried to find a buyer for CAM, weighed down by bad property loans, after its plans for a merger with three other *cajas* collapsed in March.

The Fund for Orderly Bank Restructuring (FROB) injected €2.8 billion of capital and €3 billion of liquidity into CAM. The bank lost more than €1.1 billion in the first half of 2011 and its non-performing loan ratio was 19%, double that at the end of 2010.

CAM is the third savings bank to be intervened. In 2010, Cajasur, controlled by the Roman Catholic Church, was intervened and sold to BBK, a Basque savings bank. The Bank of Spain has forced the *cajas* into mergers, reducing their number by more than half from 45.

CAM's non-performing loans (NPLs) represent 19% of its total credit (51% of loans to real estate developers are bad). The NPLs of the whole banking system at the end of July represented 6.9% of total credit, the highest figure since 1995.

Spain Rises in WEF's Global Competitiveness Index

Spain rose six places in the Global Competitiveness Index produced by the World Economic Forum (WEF) to 36th position out of 142 countries, but its score remained unchanged at 4.54 (see Figure 11). Spain was still below its ranking of 29th in 2008.

Figure 11. Global Competitiveness Index 2011-2012, Selected Rankings

Ranking 2011-12	Ranking 2010-11
1. Switzerland	1
2. Singapore	3
5. US	4
6. Germany	5
10 UK	12
18. France	15
26. China	27
36. Spain	**42**
43. Italy	48

Source: World Economic Forum.

The WEF said Spain's improvement in the ranking was due to slight improvements in several areas, as well as deterioration in the performance of other economies that previously ranked ahead of Spain. In the macroeconomic stability category, one of the elements that make up the index, Spain fell from 66th to 84th position. In the labour market, it was ranked 134th.