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Foreign Policy

UK Royal Visit to Gibraltar Causes Queen Sofia to Cancel Trip to London
The visit next month by Prince Edward to Gibraltar, the UK overseas territory on the southern tip of Spain claimed by Madrid, provoked an angry response from the government and led to the cancellation of a planned trip in May by Queen Sofia to celebrate Queen Elizabeth's diamond jubilee.

The Spanish Foreign Ministry expressed its 'displeasure' at the visit to the Rock by the Queen's youngest son and his wife to Giles Paxman, the British Ambassador in Madrid.

'The government has considered that, under the current circumstances, it would be inappropriate for Queen Sofia to attend Queen Elizabeth's jubilee', a statement from the royal palace in Madrid said. The Spanish Queen had initially scheduled the trip in a private capacity.

Two other factors behind the cancellation of the trip were a fishing dispute with Gibraltar and the fact that the Royal Gibraltar Regiment's band was among those performing at the diamond jubilee. The Civil Guard is escorting Spanish fishing vessels in the Gibraltar area after clashes between fishermen and Gibraltar police.

Spain ceded sovereignty to Gibraltar in 1713 under the Treaty of Utrecht and this has long been a thorn in its relations with the UK. The conservative Popular Party that took office last December has turned up the heat on the issue.

This was not the first time Spain complained about a visit to Gibraltar by a member of the British royal family. In 1981, the Spanish royal couple declined an invitation to Prince Charles's wedding to Lady Diana Spencer because they planned to visit Gibraltar as part of their honeymoon, and a visit in 2009 by Princess Anne to inaugurate a clinic sparked an official complaint.

Military Presence in Libya to be Reduced because of Defence Budget Cuts
Spain's contingent of just over 1,000 troops in Lebanon will be reduced by around 20% during the course of the year in the first cut by the government of its overseas military presence.

The force in Lebanon is the second largest after Afghanistan where the withdrawal calendar, set by the previous government, has not been changed (10% this year, 40% in 2013 and the rest in 2014).

Domestic Scene

Foreign Population Falls and Total Population Hardly Changes

The population on 1 January 2012 was virtually unchanged from a year earlier at 47.21 million, according to provisional figures from the National Statistics Office (INE). The number of foreigners dropped by 0.7% to 5.77 million and the overall population increased by only 22,497 (see Figure 1).

Figure 1. Spain's Population and Foreigners' Share, 2003-12

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Population (mn)	42.7	43.2	44.1	44.7	45.2	46.1	46.6	46.9	47.1	47.2
Foreigners' share (%)	6.2	7.0	8.4	9.3	10.0	11.4	12.0	12.2	12.2	12.1

Note: the figures at 1 January of each year are based on those registered with local town halls. Foreigners have an incentive to do this as it entitles them to public health care and education, although not everyone does so. Failure to register leaves individuals with no legal recourse and no access to state services or aid.
Source: INE (National Statistics Office).

Spain's crisis since 2008 is making immigrants, mainly from non-EU countries, return home, while the country's birth rate remains low. The total number of immigrants fell by 40,447, based on the figures for those registering with town halls (known as *empadronados*).

Of the 5.77 million foreigners, 2.44 million were citizens from other EU countries, 45,494 more than in 2011, and 3.27 million from other countries, 85,941 fewer. The largest number of foreigners are Rumanian, whose number increased by 30,263 to 895,970, by far the largest increase of any country (see Figure 2). The biggest decline was registered by Ecuador (-54,330).

Figure 2. Foreign Population by Main Countries of Origin

	1 January 2012	% of total
Rumania	895,970	15.7
Morocco	783,137	13.7
UK	397,535	7.0
Ecuador	306,380	5.4
Colombia	244,670	4.3
Germany	196,729	3.4
Italy	191,713	3.4
Bolivia	184,706	3.2
Bulgaria	176,216	3.1
China	175,813	3.1
Total	5,711,040	100.0

Source: INE.

As part of its spending cuts, the government is to tighten healthcare access as of August 31 for non-EU immigrants in an irregular situation. Proof of residency will no longer be all that is required and some form of health insurance will be needed, which essentially means paying social security. It is estimated the measure could affect up to 150,000 people over the next two years, saving the Spanish state €240 million.

'Indignants' Mark First Anniversary of Movement

Thousands of people marked the first anniversary of the founding of the 15 May movement of 'indignants' with a pot-banging protest in Madrid's emblematic Puerta del Sol.

The movement, which caught politicians by surprise, spawned similar outbursts of anger around the developed world at austerity measures and the excesses of banks.

Spain's situation has deteriorated considerably in the last year, invigorating the heterogeneous movement, mobilised through mobile phones and the Internet and spanning the unemployed, students, pensioners and anyone with a grievance.

The Economy

Banking Crisis Deepens, with Part-Nationalisation of Bankia

The government moved to nationalise part of Bankia, Spain's third-largest bank by assets (with a market share of 10%), amid growing fears that Spain would need an EU bail-out.

The intervention came after the International Monetary Fund (IMF) recommended that Bankia and other banks take 'swift and decisive measures to strengthen their balance sheets'[1] and it emerged that the auditor Deloitte had refused to sign off on Bankia's 2011 accounts after discovering some 'inflated' figures.

Spain's problems are reminiscent of Ireland's in 2010 when the problems of its banks, also brought on by the huge scale of their bad property loans, triggered an international rescue package for the country.

The value of the total bad loans held by Spanish banks increased by a third in the 12 months to March to €148 billion and represented 8.4% of total lending, close to the all-time high of 9.1% in February 1994.

José Ignacio Goirigolzarri, former Chief Executive of rival BBVA, replaced Rodrigo Rato as Executive Chairman of Bankia. Goirigolzarri has much wider experience of commercial banking than Rato, a former IMF Managing Director and Finance Minister in the previous government of the Popular Party.

Mariano Rajoy, the Prime Minister, in what is a policy U-turn, said the rescue plan would involve public money. He had earlier pledged not to save banks with taxpayers' money. Luis de Guindos, the Finance Minister, said Bankia needed up to €7.5 billion of new capital. He denied that Spain's banks needed fresh capital from euro zone rescue funds, as the French President, François Hollande, had suggested.

Bankia was formed in 2010 from the merger of seven troubled savings banks, known as *cajas*, as part of the previous Socialist government's efforts to slim down a bloated sector long subject to the influence of local politicians. The number of *cajas*, almost all of them heavily exposed to a property sector whose bubble burst as of 2008, has so far been reduced from 45 to nine.

It is estimated that up to one million properties are still waiting to be sold. House prices have not yet fallen sufficiently to trigger a significant volume of sales. The number of unsold homes (new and existing) as a proportion of the total population is around 2% compared to the seven-year low of 0.8% in the US. House prices in Spain have fallen by

[1] See http://www.imf.org/external/np/ms/2012/042512.htm.

about a quarter since 2007. The property and land on the books of banks and *cajas* has been unrealistically valued.

Along with its parent company BFA, Bankia is the largest real-estate lender in Spain with a combined property exposure of €51.5 billion (17% of banks' total) compared with the €32 billion of the much healthier Santander, the country's biggest bank and also the largest in the euro zone by market value. Bankia was widely dubbed as the 'elephant in the room'.

When it was formed, Bankia, billed in its own publicity as the 'leader of the new banks', received €4.5 billion of state aid in the form of a convertible bond (now turned into equity) and raised €3.3 billion in an initial public offering (IPO) last July, around 60% of which came from 347,000 small savers, most of them clients of Bankia. The bank used its vast network of branches to push the IPO, but could not convince international money managers to participate. BFA renegotiated part of Bankia's loans last year to avoid them being treated as bad.

All banking shares including Santander and BBVA, although they are in a healthier position, have plummeted (see Figure 3), dragging down the Madrid stock market, the developed world's worst performer this year (see Figure 4). Moody's downgraded 16 Spanish banks on 17 May, with three-notch cuts for Santander and BBVA, the two big lenders, and three small institutions left in 'junk territory'. The Ibex-35 index has fallen 23.8% and is close to its lowest level in nine years.

Figure 3. The Decline in Spanish Bank Shares (%), 1 Janaury-21 May

	%
Bankia	-51.4
Banco Popular	-45.1
Caixabank	40.8
BBVA	-26.9
Santander	-23.1
Banco Sabadell	-48.8

Source: Bolsa de Madrid.

Figure 4. Main Stock Market Indices (% change), 1 January-21 May 2012

Index	
Ibex-35 Spain)	**-23.8**
Dax (Frankfurt)	+7.3
FTSE 100 (London)	-4.8
Euro Stoxx 50	-7.2
Dow Jones	+2.3
Nikkei (Tokyo)	+2.1

Source: Markets.

The nationalisation of Bankia sparked a heated debate among politicians and senior officials as to who was to blame for the mess. The ruling PP aimed its guns at Miguel Ángel Fernández Ordoñez, the Socialist-appointed governor of the Bank of Spain (since 2006), accusing him of lax oversight, while the Socialists targeted Rato.

The central bank had been regarded as a paradigm because of its prudent policy of counter-cyclical provisions introduced in 2000. These created a cushion during the upward phases of the economic cycle in order to soften the impact of bad loans on banks' earnings during periods of lower growth when defaults are higher.

Vicente Martínez-Pujalte, economy spokesman for the PP, accused the Bank of Spain of forcing Rato to 'take charge of Bancaja with data that at best were not exact'. The two main banks in Bankia are Caja Madrid and Bancaja, based in the regions of Madrid and Valencia and both governed by the PP, which has strong ties to these banks.

In order to restore confidence and credibility, the government is demanding further writedowns of the bad property loans of all banks so as to lift coverage substantially. It is also planning to hive off the most problematic loans into a kind of 'bad bank', which could take the form of one or more asset management companies, and has appointed two independent valuers (BlackRock and Oliver Wyman) of the real-estate loans.

The state-funded bailout-vehicle Frob has injected close to €15 billion into banks, and looks set to increase this unless the government seeks to tap EU money (see Figure 5).

Figure 5. Restructuring of the Spanish Banking Sector (€ million) (1)

Bank	Process	Support granted (€ mn)	Form of support & supporter
Catalunya Caixa	Integration	1,250	Pref. shares
	Recapitalisation	1,718	Ord. shares FROB stake 90%
NovacaixaGalicia	Integration	1,162	Pref. shares
	Recapitalisation	2,465	Ord. shares Initial FROB stake of 93%
Caja España-Duero	Integration	525	Preferred shares, FROB
Bankia	Integration	4,465	Preferred shares, FROB
Mare Nostrum	Integration	915	Preferred shares, FROB
Cívica	Integration	977	Preferred shares, FROB
CajaSur	Restructuring	392	Asset protection scheme. Sold to BBK
B.CAM	Restructuring	5,249	Ord. shares, asset protect. scheme, liquidity support, DGF and FROB, sold to B. Sabadell
Unnim	Restructuring	953	Ord. shares, asset protect. scheme, FROB support assumed by DGF, sold to BBVA
B. Valencia	Restructuring		FROB, temporary support
Total support guaranteed by FROB: 13,869			Total support granted by the DGF: 6,202

(1) Information in April.
Source: The Fund for Orderly Bank Restructuring (FROB). DGF: Deposit Guarantee Fund.

Rajoy Warns of Shut Out by International Financial Markets, Raises 2011 Deficit Again
Mariano Rajoy, the Prime Minister, starkly warned that failure to reduce the budget deficit ran a 'serious risk that we will not be able to borrow, or borrow at astronomical prices'.

Yields on Spanish 10-year government bonds breached 6.50% this month for the first time since last November, close to levels that triggered the bailouts for Portugal, Ireland and Greece, and then eased back (see Figure 6).

Figure 6. 10-Year Government Bond Yields (%) and Spreads over Germany's Bunds (pp) (1)

	Yield (%)	Spread (pp)
Germany	1.45	–
Greece	28.90	+27.4
Italy	5.96	+4.51
Portugal	12.43	+10.98
Spain	**6.28**	**+4.83**

(1) May 21.
Source: ThomsonReuters.

Rajoy's warnings came after the European Commission's latest forecasts showed that Spain would miss its budget deficit target of 5.3% of GDP this year and next year's objective of 3% by an even wider margin (see Figure 7). The Commission has offered to give Spain more time to meet the 3% target, in order not to intensify its double-dip recession, but the government said it does not want any loosening.

Figure 7. Macroeconomic Forecasts for Spain and the Euro Zone

	2011	2012	2013
Spain			
GDP growth (%)	0.7	-1.8	-0.3
Jobless rate (%)	21.7	24.4	25.1
Budget deficit (% of GDP)	-8.5	-6.4	-6.3
Public debt (% of GDP)	68.5	80.9	87.0
Euro zone			
GDP growth (%)	1.5	-0.3	1.0
Jobless rate (%)	10.2	11.0	11.0
Budget deficit (% of GDP)	-4.1	-3.2	-2.9
Public debt (% of GDP)	88.0	91.8	92.6

The government, for the second time since taking office last December after ousting the Socialists, revised upwards the 2011 total budget deficit from 8.5% of GDP to 8.9%. The increase was due to the higher deficits of four regions, three of them ruled by Rajoy's Popular Party. The Madrid deficit came in at double the figure it had previously announced. The first revision earlier this year was from 6% to 8.5%.

The European Commission sent a team of inspectors to Madrid to investigate why there had been another revision.

The wrangling over the real size of the 2011 deficit has eroded confidence in Spain and created confusion over the true state of finances.

Regions Fall into Line on Cutting their Budget Deficits in 2012

The central government approved the budget deficit cutting plans of 16 of Spain's 17 autonomous regions, a key part of its Herculean commitment with Brussels to reduce the overall deficit to 5.3% of GDP this year.

The target for the regions' combined deficit is 1.5% of GDP. This was the target in 2011, but it overshot to 3.2% (see Figure 8). The region whose finances were not approved is Asturias, where the government has threatened to intervene.

The precarious situation of regions such as Valencia, one of the most indebted regions, was highlighted in early May when it placed six-month debt at a higher yield (7%) than Greece and Portugal and well above the 1.6% of the Spanish Treasury at the end of April.

Figure 8. Regional Budget Deficits, 2011 (% of regional GDP)

Region	% of GDP
Andalusia	3.2
Aragón	2.9
Asturias	3.6
Balearic Islands	3.9
Basque Country	2.5
Canary Islands	1.7
Cantabria	4.0
Castilla y León	2.6
Castilla-La Mancha	7.3
Catalonia	3.7
Extremadura	4.6
Galicia	1.6
La Rioja	1.9
Madrid	2.2
Murcia	4.4
Navarre	1.8
Valencia	4.5
Combined deficit	3.2

Source: INE.

The adjustment by the regions is mainly coming from cuts in education and health services and lower salaries for civil servants and higher taxes over which they have control.

Spain Accounts for Close to One-Quarter of Total EU Unemployment

The number of unemployed in Spain reached 5.6 million in March, 22.6% of the EU-27 total of 24.7 million and 32.3% of the euro zone's total of 17.3 million. The seasonally adjusted jobless rate was 24.1%, more than double the EU average (see Figure 9). Youth unemployment was 51.1% compared with the EU average of 22.6%.

Figure 9. Seasonally Adjusted Unemployment Rates in the EU (% of work force) (1)

	Unemployment %	Youth unemployment (2)	In recession? (3)
France	10.0	21.8	No
Germany	5.6	7.9	No
Ireland	14.5	30.3	Yes
Italy	9.8	35.9	Yes
Netherlands	5.0	9.3	Yes
Poland	10.1	26.7	No
Portugal	15.3	36.1	Yes
Spain	**24.1**	**51.1**	**Yes**
UK	8.2	21.9	No
EU-27	10.2	22.6	

(1) March, 2012.
(2) Under the age of 25.
(3) At least two consecutive quarters of negative growth.
Source: Eurostat.

Unemployment rates varied considerably by region, deepening the divide (see Figure 10). The highest rate was in Andalusia (35%) and the lowest in the Basque Country (13.7%).

Figure 10. Unemployment by Region, March 2012 (%) (1)

Region	Unemployment (%)	Region	Unemployment (%)
Andalusia	35.0	Catalonia	21.8
Aragon	19.0	Extremadura	34.9
Asturias	29.6	Galicia	20.5
Balearic Islands	34.3	La Rioja	22.7
Basque Country	13.7	Madrid	17.7
Cantabria	19.3	Murcia	26.2
Canary Islands	34.3	Navarra	16.0
Castilla-La Mancha	30.4	Valencia	26.4
Castilla y León	21.5	Spain	24.6

(1) Not seasonally adjusted.
Source: INE.

Spain, Fifth in 2011 in Number of Inward Foreign Direct Investment Projects in Europe

Spain received the fifth-largest number of foreign direct investment projects in Europe in 2011, according to FDiIntelligence, part of the *Financial Times* (see Figure 11). It received 5.4% of the total.

Figure 11. Top 10 FDI Destination Countries in Europe, 2011

	Number of projects	% changeover 2010
UK	896	+13
Germany	551	-22
Russia	319	-16
France	281	-2
Spain	**252**	**+0.4**
Poland	227	-13
Ireland	186	+22
Netherlands	185	+29
Romania	177	+20
Czech Republic	136	-5
Total	4,639	

Source: FDiIntelligence.

Spain's Labour Costs below the EU Average

The hourly labour cost in Spain last year was €20.6, below the EU-27 average of €23.1, according to Eurostat, the European Union's statistical office (see Figure 12). Fifteen countries had costs lower than Spain's.

Figure 12. Hourly Labour Costs in the EU (€ per hour), 2011 (1)

Country	€	Country	€
Belgium	39.3	EU-27	23.1
Sweden	39.1	**Spain**	**20.6**
France	34.2	UK	20.1
Germany	30.1	Portugal	12.1
Finland	29.7	Hungary	7.6
Ireland	27.4	Poland	7.1
Italy	26.8	Bulgaria	3.5

(1) Companies with more than 10 employees.
Source: Eurostat.

Spain, 18th in EU's Innovation Scoreboard

Spain is ranked 18th out of 27 countries in the EU's 2011 innovation scoreboard, based on 24 indicators (see Figure 13).

Figure 13. European Union Innovation Scoreboard, Ranking by Countries

Rank	Country	Rank	Country	Rank	Country
1.	Sweden	10.	Ireland	19.	Hungary
2.	Denmark	11.	France/EU-27 av.	20.	Greece
3.	Germany	12.	Slovenia	21.	Malta
4.	Finland	13.	Cyprus	22.	Slovakia
5.	Belgium	14.	Estonia	23.	Poland
6.	UK	15.	Italy	24.	Rumania
7.	Netherlands	16.	Portugal	25.	Lithuania
8.	Luxembourg	17.	Czech Republic	26.	Bulgaria
9.	Austria	**18.**	**Spain**	27.	Latvia

Source: European Commission.

Two Spanish Business Schools in FT Top 10 for Executive Education

Two of Spain's business schools are in the top-10 ranking of the *Financial Times* for executive education and one of them, Iese, heads the league table (see Figure 14). Another one, IE Business School, is in 12th place.

Figure 14. Top 10 Business Schools in Executive Education, 2012

Rank	School	Country
1.	**Iese Business School**	**Spain**
2.	HRC Paris	France
3.	IMD	Switzerland
4.	Harvard Business School	US
5.	**Esade Business School**	**Spain/Argentina**
6.	Center for Creative Leadership	US/Belgium/Singapore/Russia
7.	University of Oxford, Saïd	UK
8.	Fundação Dom Cabral	Brazil
9.	Thunderbird School of Global Management	US
10.	Insead	France/Singapore/UAE

Source: Financial Times.

Corporate Scene

Bolivia seizes Red Electrica, Telefónica Fined in Argentina

Hard on the heels of Argentina's nationalisation last month of YPF, 58% owned by Repsol, Spain's oil and natural gas group, came Bolivia's seizure of Transportadora de Electricidad, the subsidiary of Red Eléctrica, the Spanish electricity grid.

Evo Morales, Bolivia's President, used the same reason as Cristina Fernández, the Argentine President, for justifying his decision: the alleged lack of investment in the utility and its responsibility in a mounting energy crisis.

Red Eléctrica says it has invested US$88 million in its Bolivian subsidiary since purchasing it in 2002 for US$91 million. Unlike Repsol with the Argentine government, Red Eléctrica hopes to reach a friendly agreement with the Bolivian government, which owns 20% of the grid, over compensation.

The Argentine government announced an ARS 185 million (€31.5 million) fine for Telefónica because of a massive service outage by its wireless unit, which left around 18 million clients without phone and data service for several hours in April. Fernández requested the fine the same day she announced the nationalisation of YPF, and it was confirmed this month by Julio de Vido, the Planning Minister.

Soraya Sáenz de Santamaría, Spain's Deputy Prime Minister, contacted Latin American governments to ask them to guarantee the security of Spain's investments in order to 'avoid actions that go against their indispensable economic and social value'.

Repsol Surprises with Higher First-Quarter Earnings, Launches Proceedings to Sue Argentina

Repsol posted higher than expected first-quarter profits of €792 million, 3.5% more than the same period of 2011, and €643 million (+12.4%) after stripping out its Argentine subsidiary YPF, which was 51% nationalised in April. Repsol's stake was cut from nearly 58% to 6.4%.

The results showed the extent of the loss of YPF. Repsol, however, has other significant international interests including a strong presence in Brazil's huge pre-salt fields and in the Gulf of Mexico. It also benefited from the return of its Libyan oil fields to pre-war levels of production.

Repsol began legal proceedings against the Argentine government over YPF, saying it had violated investment guarantees. The company is seeking compensation of US$10.5 billion. Buenos Aires is believed to be seeking to pay nothing. Repsol warned its rivals, including ExxonMobil, Chevron and ConocoPhillips, that it would sue if they try to invest in YPF or make any deals with it.

Santander and BBVA's Profits Hit by Bad Loan Provisions in Spain

Spain's two largest banks posted substantially lower profits in the first quarter, but continued to benefit from their geographic distribution. The profits of both banks in Spain plunged 52%.

The attributable profit of Santander, the euro zone's largest bank by market capitalisation, was 24% lower at €1.6 billion than in the first quarter of 2011 and BBVA's declined 12.6% to just over €1 billion.

Emerging markets accounted for 56% of Santander's profits and 72% of BBVA's. Brazil generated 27% of Santander's profit compared to just 12% in Spain (see Figure 15), while Mexico provided 30% of BBVA's profits, double that of Spain, South America 26%, EurAsia 21% and the US 8%.

Figure 15. Geographic Distribution of Santander's Attributable Profit (% of total operating areas)

	2004	2012 (1)
Continental Europe	59	25
Santander branch network	25	3
Banesto	11	2
Santander Consumer Finance	9	9
Of which: Germany	5	5
Portugal	7	1
Poland (BZ WBK)	--	3
Latin America	41	52
Brazil	16	27
Mexico	9	13
Chile	6	6
Argentina	0	3
UK	--	13
US	--	10

(1) Attributable profit of the operating areas, first quarter.
Source: Santander.

Telefónica Also Hit by Domestic Woes, but Propped Up by Latin America

Telefónica, the world's fifth-largest telecom operator by total customers, saw its net profits tumble 53.9% in the first quarter to €748 million year-on-year because of depressed domestic business.

Revenues dropped 13.6% in Spain to €1.6 billion and rose 8.3% in Latin America to €7.5 billion (48% of the total).

Zara Surges in Ranking of Top 100 Global Brands

Zara, the fashion retailer, jumped to 66th position in the Global Top 100 brands published by the *Financial Times*, up from 86th in 2011 (see Figure 16).

Movistar, Telefónica's brand for all landline and mobile products and services in Spain and Latin America, dropped to 41st position from 21st, its subsidiary O2 from 74th to 94th and Santander, the euro zone's largest bank by market capitalisation, to 95th from 77th position. Santander was ranked 20th among financial institutions.

The ranking, drawn up by Millward Brown Optimor, is the only one based on a brand-valuation methodology that is grounded in quantitative customer research and in-depth financial analysis.

Figure 16. Top 100 Most Valuable Global Brands, Selected Companies (US$ million)

Brand and ranking	Brand value 2012	% change 2012/2011	Brand Contribution (1)	Brand Momentum (2)
1. Apple	182,951	+19	4	10
3. Google	107,857	-3	4	5
5. Microsoft	76,651	-2	4	8
12. Vodafone	43,053	-1	3	6
19. Facebook	33,233	+74	3	10
41. Movistar	**17,113**	**-37**	**2**	**4**
66. Zara	**12,616**	**+22**	**3**	**3**
94. O2	**8,562**	**-27**	**2**	**3**
95. Santander	**8,546**	**-25**	**3**	**2**

(1) Out of 5.
(2) Out of 10.
Source: Millward Brown Optimor (including data from BrandZ, Kantar Worldpanel and Bloomberg).

The brand value is calculated in three steps. First, the proportion of a company's earnings generated 'under the banner of a brand' is determined. Secondly, only a portion of these earnings can be considered as being driven by brand equity. This is the 'brand contribution' (displayed as an index from 1 to 5, with 5 the highest). It is the degree to which the brand plays a role in generating earnings. In the final step, the growth potential of these branded earnings is taken into account. The brand momentum is displayed as an index from 1 to 10 (10 is the highest score).

Iberdrola Lifts Profits, Boosted by Brazil
Iberdrola, the power utility and the world's largest wind farm operator, increased its first quarter profits by 0.7% year-on-year to €1 billion. Revenues in Spain declined and those generated abroad increased, largely due to the inclusion of Elektro in Brazil acquired in 2011.

Earnings before interest, taxation, depreciation and amortisation (EBITDA) surged 105% in Brazil and fell 15% in Spain

Enagas Buys Stake in Chilean LNG Terminal
The gas transmission company Enagas agreed to acquire UK BG Group's 40% stake in GNL Quintero, operator of an LNG terminal in Chile, for €272 million.

The deal will be executed in two tranches valued at €136 million each. Enagas said the second tranche might be acquired in conjunction with a partner such that the 40% stake would be 51% owned by Enagas and the remaining 49% owned by an undisclosed third party.

Ferrovial Sells Edinburgh Airport
The UK airports operator BAA, majority-owned by Spain's Ferrovial, sold Edinburgh airport to Global Infrastructure Partners for €990 million.

The sale was in response to Britain's Competition Commission ordering Ferrovial to dispose of one of its Scottish airports in order to loosen its grip on the British airport market. BAA was also ordered to sell Stansted airport, leaving it Heathrow hub, Southampton, Glasgow and Aberdeen airports.