

# **Madrid Economía** **Economy 2008**



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## PRESENTATION

This is the new edition of the publication *Madrid Economy*, which maintains the objective of showing the most relevant aspects that reflect the City of Madrid's economic reality in a summarised, simple but rigorous way.

Currently the City of Madrid, Spain's economic centre, is reinforcing its role at a European level. Despite the present times of uncertainty and international economic deceleration, the dynamism of Madrid's economy and its evolving urban transformation follow this line of action.

The significant boost given to its infrastructures over the last years has been a key aspect to this dynamism, which is not only economic but also reflected in the City itself. A process that Madrid's Corporation hopes to carry on with. As such, Madrid's recent election as a host city for the 2016 Olympic Games once again sets a new stage for renovation and strong economic drive for the coming years.

Transformation, economic and social dynamism are the keys to the future, permanently monitored by this publication. We hope that our work in this task will still be useful to you.

**Miguel Ángel Villanueva González**

*Delegate of the Government Area  
for Economy and Employment*

June 2008

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## INTRODUCTION

The City of Madrid occupies a space of 604.3 square-kilometres and is administratively divided into 21 districts. Within this territory there are significant communication infrastructures which make Madrid the main logistics centre in Spain and Southern Europe. The City has a significant network of motorways, including both ring roads and bypasses, and it is the centre of the national railway system, which allows an easy access to other locations in the region and throughout the rest of Spain and Europe. In the City one can find as well the Madrid Barajas International Airport, the most important in Spain and one of the largest in the world.

Madrid is ranked number two among European Union cities in terms of population, following Berlin, and it is the third largest built-up urban area in Europe, after Île-de-France and Greater London. Over the past years, Madrid's attraction to foreign visitors has experienced such an increase that they currently represent 16.9 % of the total.

According to the economic forecasts and along the same line as all developed economies in the world, Madrid's economic activity, which has seen constant growth during the past several years, has initiated a process of deceleration due to the recent international financial tensions and the shrinking of the real estate market. The City's economy is characterised by a great specialisation in services, highlighting transportation and communication, as well as those aimed at companies, financial services and real estate agencies. The tourist sector, which includes all activities from all production branches, continues to register a significant growth.

The City also stands out in the fields of innovation and technology. It is the Spanish region that invests the most in research and development, surpassing both the national and European average of GDP percentage. Madrid is also the most important headquarter for both public and private university centres, including those that concentrate heavily on technology and investigation.

Following years of significant growth, employment has been sustained with gradual growth rates, while unemployment has been kept at a lower rate than our national environment. The City of Madrid still takes a large part of the population belonging to the surrounding metropolitan area, as well as a large part of the territory outside it.

Through these aspects and many others, this document tries to provide a summary of our City's economic reality and its recent evolution.

## 1

## POPULATION

In 2008 Madrid's population reaches 3,238,208 inhabitants, which is two-times more than the population of Barcelona and four-times that of Valencia, the two largest Spanish cities after Madrid. It is also the second-largest city in the European Union, just behind Berlin. With 7.0 per cent of Spain's population, of all of the largest European cities, Madrid is the one that has the greatest percentage of its country's overall population.

The City of Madrid houses 51.8 per cent of the population of the Community of Madrid. Its 6.25 million inhabitants make it the third-largest metropolitan concentration in Europe, surpassed only by Île-de-France and Greater London.

## European cities

City	Population	% of country	% of region	Metropolitan area	Population
Berlin	3,404,000	4.1	100.0	Berlin	3,404,000
<b>Madrid</b>	<b>3,238,208</b>	<b>7.0</b>	<b>51.8</b>	<b>Community of Madrid</b>	<b>6,251,876</b>
Inner-London	2,972,900	4.9	39.6	Greater London	7,512,400
Rome	2,705,603	4.6	49.3	Lazio	5,493,308
Paris	2,168,000	3.4	18.9	Île-de-France	11,491,000

Source: Madrid City Council Statistics Office (City of Madrid, 2008), SABL (Germany, 2007), Spanish National Statistics Institute (INE) (Community of Madrid, 2008), ISTAT (Italy, 2007), INSEE (France, 2006).

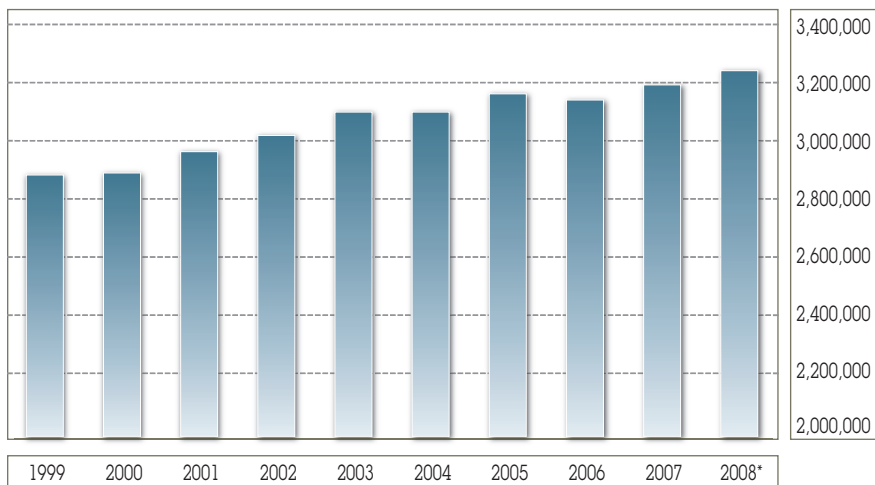
## Spanish cities

City	Population	% of country	% of region	Metropolitan area	Population
<b>Madrid</b>	<b>3,238,208</b>	<b>7.0</b>	<b>51.8</b>	<b>Community of Madrid</b>	<b>6,251,876</b>
Barcelona	1,595,110	3.5	22.1	Catalonia	7,210,508
Valencia	797,654	1.8	16.3	Community of Valencia	4,885,029
Seville	699,145	1.5	8.7	Andalusia	8,059,461
Zaragoza	654,390	1.4	50.5	Aragon	1,296,655

Source: Madrid City Council Statistics Office (City of Madrid) and the INE (Community of Madrid, 2008, and 2007).

Madrid's population has grown over the past years due to the significant number of foreign immigrants. Currently, both populations have been stabilised, as it can be observed in the following charts.

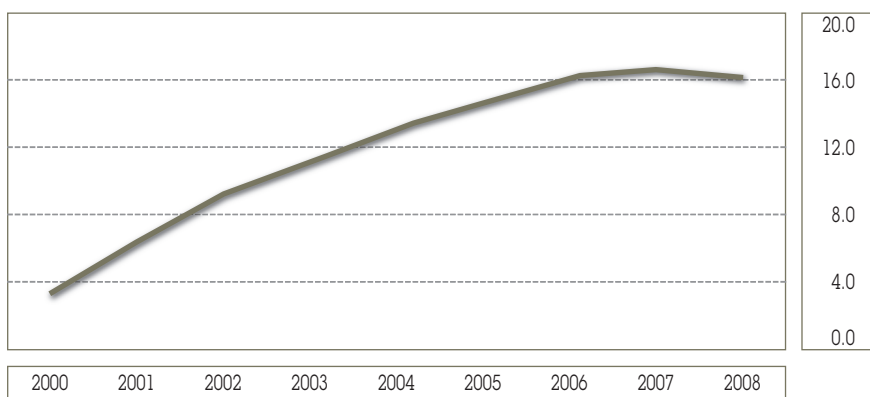
## Madrid's population



\* Madrid City Council Statistics Office (provisional).  
Source: INE.

The significant number of foreign immigrants that have arrived to the City over the past years now account for 16.9 per cent of the overall population –548,000 on 1 January 2008– in comparison to 2.8 per cent in 2000. However, this past year saw a slight reduction of 0.4 % in the foreign population, although this may be influenced by the change of nationality-related processes that increasingly affect this group. In any case, the stability initiated last year is steady.

## Foreign population (%)

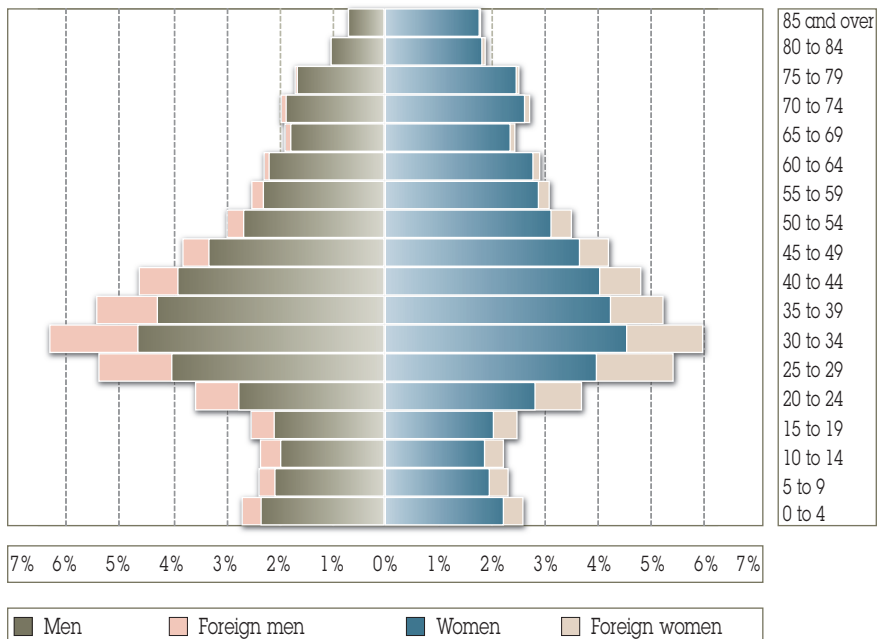


Source: Madrid City Council Statistics Office.



The arrival of foreigners has also had a positive effect on the City's demographic structure, enabling the incorporation of workers into productive activity and greatly expanding the population pyramid for the age groups between 20 and 49 years. At the same time, it has also considerably widened the base of the population pyramid through an intense and necessary rejuvenation process.

City of Madrid population pyramid

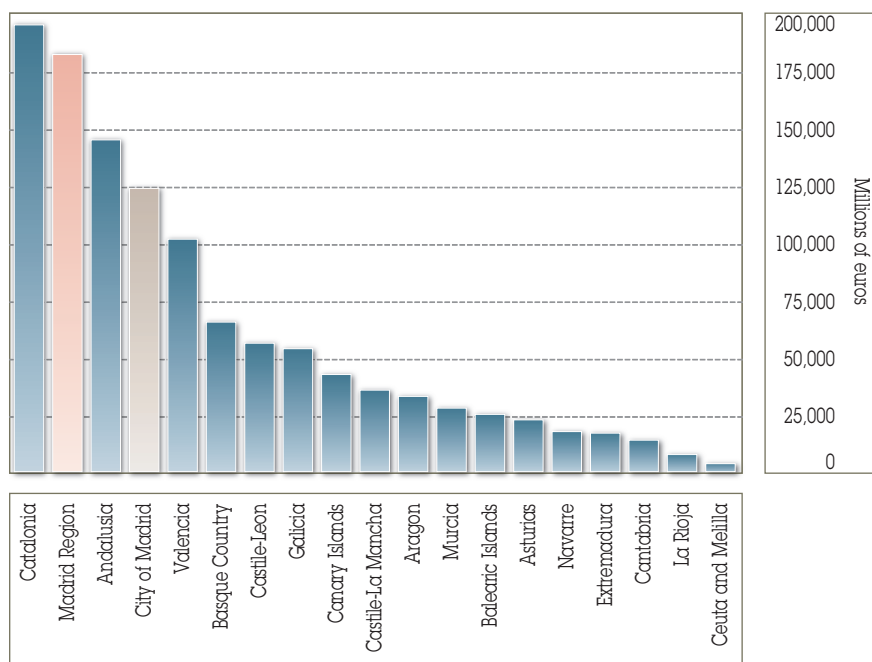


Source: Madrid City Council Statistics Office.

## ECONOMIC ACTIVITY

The City of Madrid's Gross Domestic Product (GDP) in 2007 is estimated to amount to 123,782 million euros, representing 67.6 per cent of the entire Community of Madrid and 11.8 per cent of Spain. These figures are 14.3 and 4.9 percentage points higher, respectively, than the City of Madrid's portion of the population in each of these two regions on this date. This level of production exceeds all of Spain's Autonomous Communities except for Catalonia, Andalusia and the Community of Madrid itself, as well as 11 out of the 12 countries included in the past two enlargements of the European Union (except Poland).

The GDP of Madrid and spanish regions (2007, millions of euros)

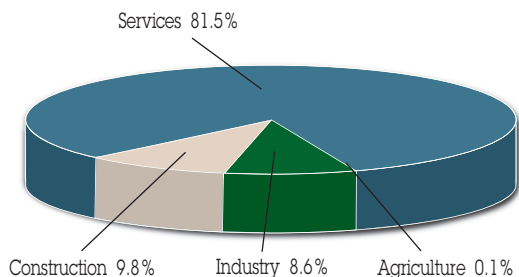


Source: INE; for Madrid, GDP estimated by the Madrid City Council Economic Observatory.

The industry sector (mainly graphic, energetic, chemical, transportation-related and electronic) supplies 8.6 per cent of production, while construction, which has seen great boost over the past years, contributes to 9.8 per cent. Although service activities, with 81.5 per cent of the global activity, are those that define the City of Madrid's productive structure.

## Gross added value (2007, thousands of euros)

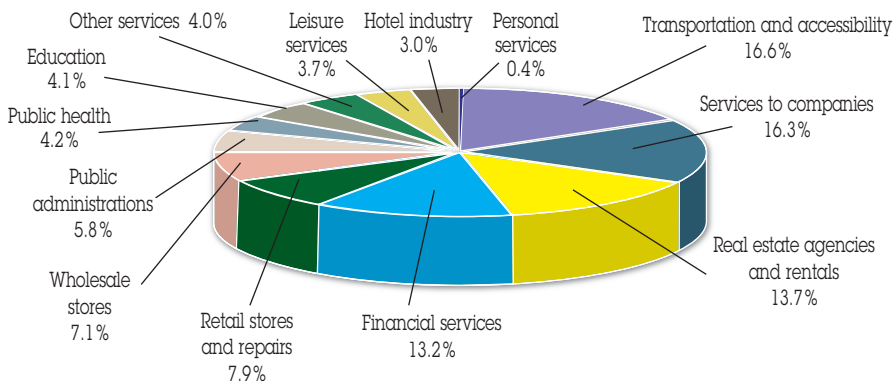
Agriculture	96,402
Industry	9,586,252
Construction	10,901,810
Services	90,974,585
<b>Total</b>	<b>111,559,049</b>



Source: Estimated by the Madrid City Council Economic Observatory, based on data published by the Madrid City Council Statistics Office.

Among these activities, those that stand out the most are transportation and communications, followed by services aimed at companies, real estate agencies and financial services. These four groups produce 52 % of the added value generated by Madrid's economy.

## Services in Madrid (per cent)



Source: INE; for Madrid, GDP estimated by the Madrid City Council Economic Observatory.

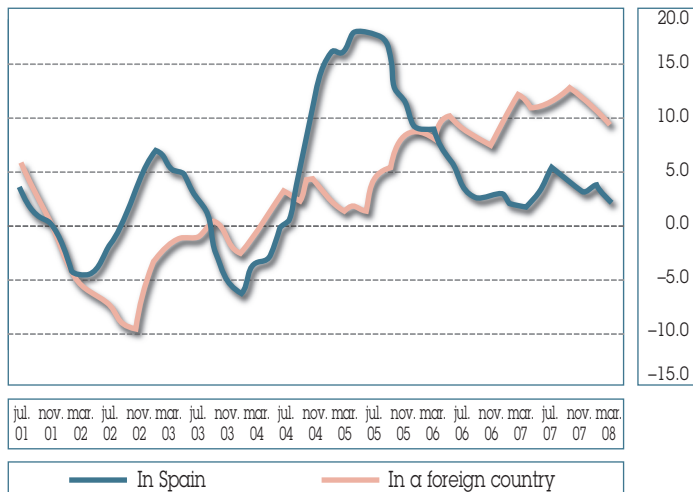
The tourist sector is especially noteworthy in the City of Madrid, since it boosts the employment of locals in trade, the hotel industry, transportation and the leisure industry sectors. Figures from throughout 2007 registered historic levels – more than 7.3 million travellers and 14.2 million overnight stays in hotels. Annually collected data up to April 2008 registers smaller growth rates, reaching almost 7.4 million travellers and 14.3 overnight stays. Foreign tourism continues to grow at high rates, as 11.6 per cent of non-residents spent overnight stays in the City throughout 2007.

## Tourism in the city

Tourism in the city and overnight stays  
(thousands)

Year	Travellers	Overnight stay
2000	5,348.9	11,598.0
2001	5,109.4	10,975.1
2002	5,297.6	11,128.0
2003	5,193.7	10,633.1
2004	5,749.9	11,546.7
2005	6,413.9	12,599.5
2006	6,740.4	13,226.7
2007	7,311.8	14,201.5
2008*	7,371.4	14,271.3

Overnight stays according to residency  
(inter-annual % variation of an average of 12 months)



\* 12 months up to April.

Source (tourism): INE. Final data up to April 2007.

Source (overnight stay): INE (EOH - Hotel Occupancy Survey).

The City features a significant and growing number of hotels to accommodate this noteworthy number of visitors. In April 2008 this offer surpassed over 69,000 vacancies in the City. The City has over 850 establishments that are served by approximately 12,300 employees. This represents an increase of 26 establishments and 817 vacancies in comparison to the previous year. 60 per cent of vacancies are in 4 and/or 5-star hotels.

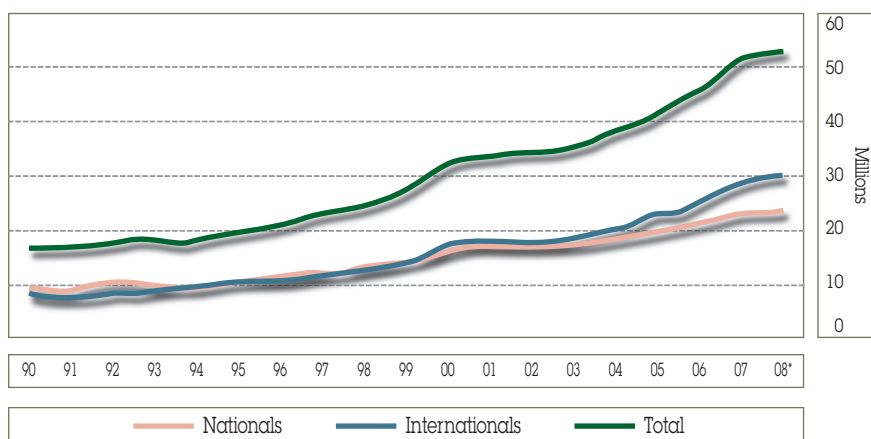
## Hotel establishments

Category	Number	Capacity	Employees
<b>Hotels</b>			
Five	19	8,807	3,178
Four	103	32,561	5,881
Three	69	11,161	1,531
Two and One	23	3,265	392
<b>Total hotels</b>	<b>214</b>	<b>55,794</b>	<b>10,982</b>
<b>Hostels</b>			
Three and Two	185	6,260	683
One	454	6,988	622
<b>Total hostels</b>	<b>639</b>	<b>13,248</b>	<b>1,305</b>
<b>Total</b>	<b>853</b>	<b>69,042</b>	<b>12,248</b>

Source: INE (EOH, April 2008).

Air traffic has an important relationship with the tourist activity. The flow of passengers through Madrid's airport has maintained a high growth during the past years, especially in terms of international flights. Currently almost 53 million passengers pass through the Madrid Barajas International Airport annually. The number of commercial passengers registered in 2007 was 13.2 per cent greater than in the previous year. However, a certain stalling has begun to be observed since the opening of the new high-speed railway lines in the first months of 2008, especially the one linking Madrid and Barcelona. In any case, the enlargement that began in 2006 has enabled a potential flow of 70 million passengers annually.

### Passenger traffic at Madrid's airport



\* Up to April 2008.

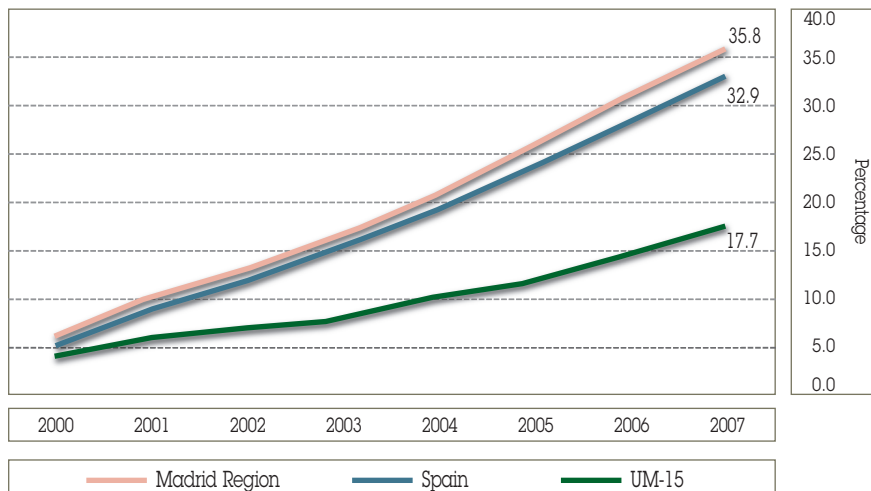
Source: Aena (Spanish Airports and Airspace).

The City of Madrid's business dynamism is marked by the net creation of companies, placing the City at the head of Spain in this matter. Despite the fact that since the end of the previous year the rhythm of newly created businesses has been decreasing, in the last annual period, up to March 2008, 15,651 businesses were created with 3,592 million euros in paid-up capital.

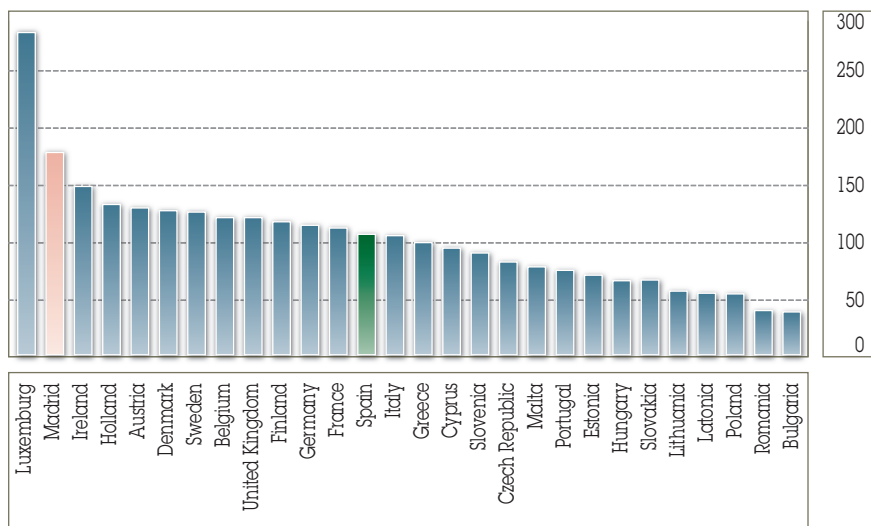
The Madrilian economy has stood out during the past years for its strength. Not surprisingly, in these last years the region's growth has placed it at the head of Spain, surpassing it by 2.9 points during the 2000-2007 period, and the 15 countries in the European Monetary Union by 18.1 points. Madrid is also the Spanish region that has grown the most over the past four years, specifically 16.9 per cent, while the average sits at 15.4 per cent.

In 2007 the City's economy grew 4.1 per cent in real terms and will register 2.6 per cent in 2008, once again decelerating its growth in 2009, down to 1.8 per cent. This growth continues to sit significantly above what has been predicted for all of the countries within the Eurozone in 2008, which the European Commission itself has reduced to 1.7 per cent. The estimation for Spain is of 2.2 per cent. The dynamic of the various branches in 2007 is quite balanced; as services pull the economy since both the industry and construction sectors register a below-average growth, especially the latter, which fell 1 per cent.

### Accumulated GDP Growth



### GDP per capita (PPA) (UE - 27 = 100)



Source: Eurostat. For Madrid, own creation.

As a consequence of the abovementioned, the GDP per capita of the City of Madrid – measured both in nominal terms and purchasing power- is at the head of Spain. In these last terms, in 2006 the City was situated 67 per cent above the Spanish average and 76 per cent above the average of the 27 countries belonging to the European Union.

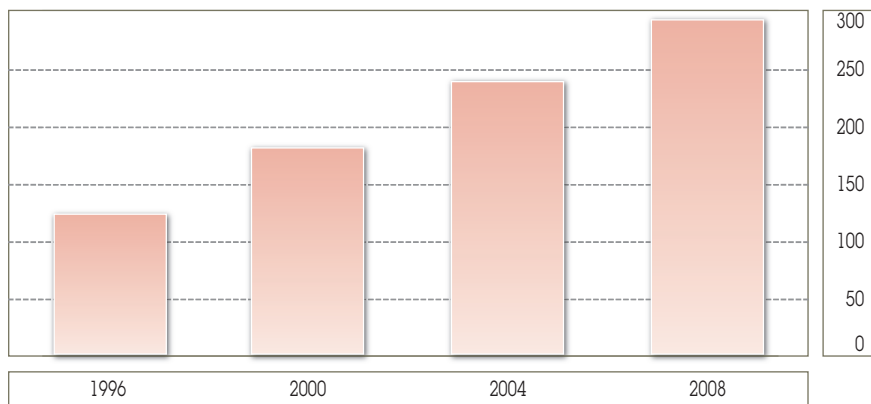
## 3

## TRANSPORTATION INFRASTRUCTURES

One of the City of Madrid's greatest assets is its outstanding network of transportation infrastructures, which efficiently links the City to the international, national and regional environments, and at the same time satisfies the national transportation needs.

Within this last section, the Metro (Underground) network plays an essential role, as it offers wide coverage of the urban area and the City's suburbs. Over the last 12 years, the Metro's network has multiplied its size by two-and-a-half, 25 per cent in the last four years, up to 283 kilometres, making Madrid's Underground the second-most extensive in Europe, just behind London.

**Evolution of the Metro Network (length in km)**



Source: Eurostat. For Madrid, own creation.

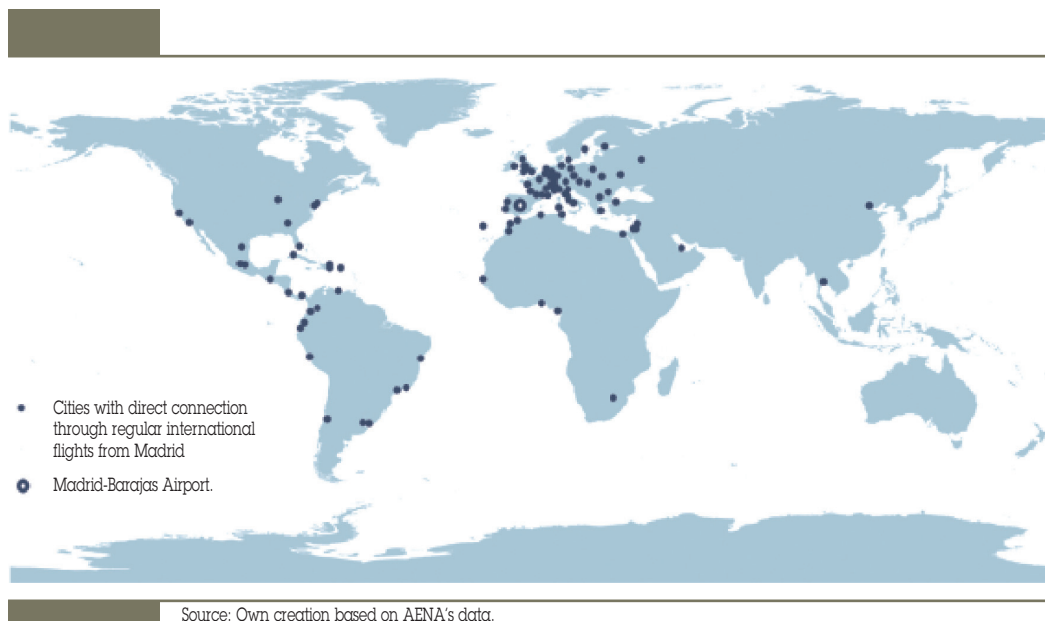
To this network we must add the suburban railway network (*cercanías*), whose 350 kilometres in length – divided into ten lines, some with a frequency similar to that of the Underground – connect the City's various regions, as well as the City to the rest of the Community of Madrid and the two neighbouring Autonomous Regions.

This territorial railway is complemented by a dense urban bus network, which has very large and growing coverage. In 2008 the length of the entire network of lines owned by the Municipal Transport Company (EMT) measured 3,618 kilometres, having increased 20 per cent over the past eight years. The network is serviced by a growing fleet of more than 2,000 vehicles. At the same time, this represents a permanent process of renovation to achieve the highest standards of speed, comfort and sustainability.

A key element to the City's mobility are the interchange stations that exist between the various transportation lines. Madrid features 26 modern interchange stations that facilitate the connection between the various modes of transportation in strategic locations, including each of the City's main entrances (see the publication's central map).

Madrid complements this public transport network with an extensive and modern motorway network that, in addition, connects the City to the entire region as well as to the rest of Spain and, from there onwards, Europe. Over the past years the network of high-capacity roads has increased by 37 per cent; until achieving the current 750 kilometres, and it represents more than the 22 per cent of an extensive network of over 3,400 kilometres in the entire region.

Although one of the most important features of Madrid's connectivity is the high-speed rail network. 2008 saw the opening of three new lines which have produced a drastic reduction in journey times to cities such as Barcelona or Malaga. This is part of a process that will connect Madrid to Mediterranean cities such as Lisbon and Paris, among others. As such, Madrid stands alongside Tokyo and Paris as one of the three largest high-speed railway centres in the world.



Despite all of the above, Madrid's main means of international transportation is its airport: Barajas. A door to the entire world, and with a potential capacity of 70 million passengers per year, Barajas is the international airport that is currently experiencing the highest growth. According to data from April 2008, Madrid's airport has received over 53 million passengers, showing a growth trend that exceeds 11.5 per cent and contributes to the airport's position as the fourth-largest in Europe and the tenth-largest in the world, according to the number of passengers. Barajas' recent expansion has increased its connections by 25 per cent, producing a current total of 138 connections, 105 of which are international.



## 4

## RESEARCH AND TRAINING

The City of Madrid's dynamism would not be possible without a factor that is fundamental for the development of any economy: a high level of education and research. Madrid features a high number of university students in comparison to its general population. In 2008, there were 240,000 students enrolled in the universities within the City and its metropolitan area, 28 per cent of which are studying architecture or engineering degrees. To these we must add over 36,000 students who are enrolled in Madrid's associated centre, the National University for Distance Learning (UNED).

## Students enrolled in madrildrilian universities (2006-07 academic year)

Studies	Public	Private	Total
4/5 years degree	101,157	17,044	118,201
Architecture and Engineering	28,396	8,073	36,469
3 years degree	34,354	6,370	40,724
Architecture and Technical Engineering	24,366	3,319	27,685
Double Degrees	6,570	2,800	9,370
<b>Total</b>	<b>194,843</b>	<b>37,606</b>	<b>232,449</b>

Source: INE. Current students, UNED students not included.

In the City of Madrid there are currently 542 university students for every 1,000 young people between 18 and 25 years, while the Spanish average is 265. In addition, the entire region is the first in Spain, with 373 students per 1,000. Madrid features a rich offer of universities within its metropolitan area (16 universities, seven public and nine private) and attracts a large number of students who are not residents, many of whom, upon finishing their studies, join the productive system within the City and its metropolitan surroundings.

## Madrid universities

Public	Private
University of Alcalá	Alfonso X el Sabio University
Autonomous University of Madrid	Antonio de Nebrija University
Carlos III University of Madrid	Camilo Jose Cela University
Madrid Complutense University	European University of Madrid
Polytechnic University of Madrid	Francisco de Vitoria University
Rey Juan Carlos University	Pontificia Comillas University
National University for Distance Learning	Pontificia de Salamanca University of Madrid
	San Pablo-Ceu University
	Madrid Distance-learning University

Source: Directorate General for Universities and Research of the Community of Madrid.

Alongside these university centres, there is a high number of research institutions located in Madrid that touch upon all fields. Among these, the Spanish National Research Council (CSIC) stands out, as it is dedicated to all matters related to science and technology.

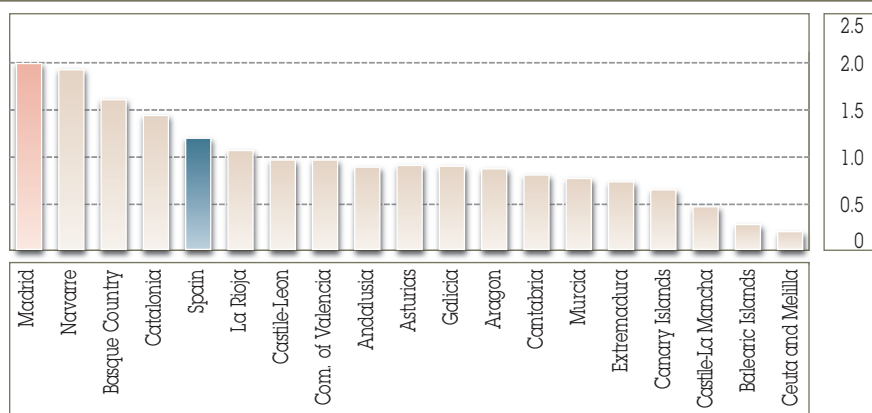
### State research centres and institutes with headquarters in the City of Madrid

Spanish Centre of Energy, Environmental and Technological Investigations (CIEMAT)	Spanish Institute for Energy Diversification and Savings (IDEA)
Spanish National Research Council (CSIC): 46 Centres and Institutes	Spanish Centre for Historic Studies of Public Works and Town Planning (CEDEX)
Spanish Institute of Oceanography (IEO)	Spanish National Institute of Geography (IGN)
Spanish National Institute of Agricultural Technology and Nutrition Research (INIA)	Spanish Institute for Fiscal Studies (IEF)
Spanish Geomining Technological Institute of Spain (IGME)	Spanish Centre for Legal Studies (CEJ)
Spanish Educational Research and Documentation Centre (CIDE)	Spanish National Meteorological Institute (INM)
Spanish National Institute of Aero-spatial Technology (INTA)	Spanish Centre for Political and Constitutional Studies (CEPCO)
Spanish El Pardo Hydrodynamic Experience Channel (CEHIPAR)	Spanish Centre for Sociological Research (CIS)
Spanish Army Engineering Laboratories (LIE)	Spanish National Centre for Oncological Research (CNIO)
Centre of Research and Development for the Spanish Army (CIDA)	Spanish National Centre for Cardiovascular Research (CNIC)
	Spanish Carlos III Institute for Health (ISCIII)
	Spanish National Institute for Workplace Safety and Health (INSHT)

Source: CAM Department of Education.

Madrid is the region that invests the most in R+D throughout Spain. In 2006 the investment effort made by Madrid's metropolitan area amounted up to 3,416 million euros, representing 28.9 per cent of the national total and employing 48,036 people – 25.4 per cent of Spain's total. 61.0 per cent of the investment is carried out by companies; 23.3 per cent by the public administration. Most of it is carried out in the City of Madrid, the City's R+D investment represents 2.7 per cent of its GDP and 1.98 per cent of the Community of Madrid's GDP, the highest percentage of all Spanish autonomous regions, whose average sits at 1.20 per cent. In addition, the City of Madrid's investment in R+D greatly exceeds that of the European Union, which has remained at 1.84 per cent.

### R+D en % de GDP



Source: INE.

## 5

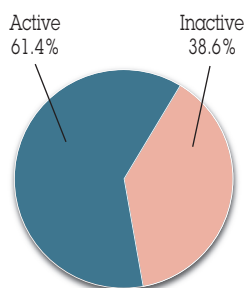
## EMPLOYMENT

The City of Madrid's demographic, productive and innovative characteristics entail important labour singularities with respect to the City's environment. For example, Madrid's activity rate is higher than both the national and European averages, while its unemployment rate is significantly lower than the one for the rest of Spain.

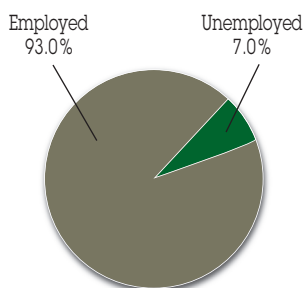
Over the past several years, Madrid has experienced a significant boost on employment creation, surpassing Europe and underlining the progressive incorporation of women into the labour market. Currently there is almost the same number of women as men working in the youngest section of the population, between the age of 16 and 29 years.

## Population and its connection to the 2008 activity

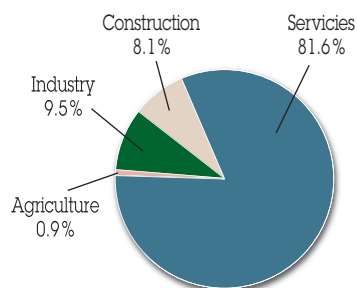
Population over 16 years



Active population



Employed population



Labour situation	
Population/Situation	Number
16 years	2,690,700
— Active	1,652,000
• Employed	1,535,900
— Agriculture	13,200
— Industry	145,200
— Construction	123,700
— Services	1,253,800
• Unemployed	116,100
— Inactive	1,038,700

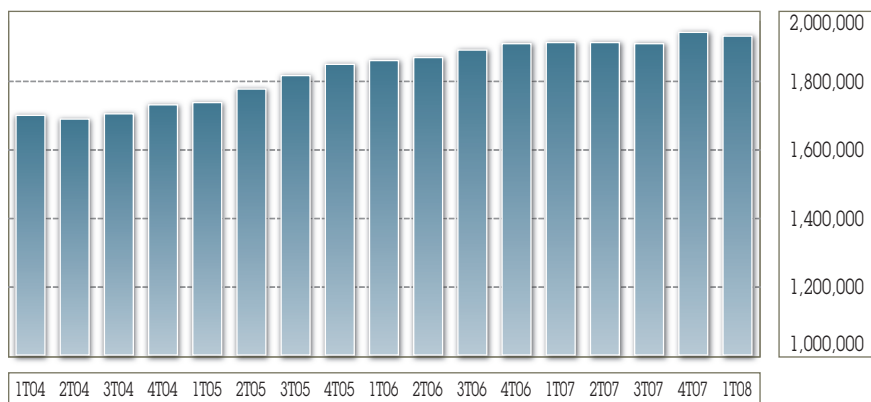
According to the activity data collected by the EPA (Spanish Active Population Survey), the sector in which the majority of Madrid's citizens work is services, in line with the strong tertiarization of the City's economy. The number of employees in this sector reaches the figure of 1,253,580, representing 81.6 per cent of all workers. On the other hand, 9.5 per cent of Madrid citizens work in industry and 8.1 per cent in construction.

Of the 1,535,900 employed citizens, 195,200 are businessmen, 1,091,600 are employees in the private sector and 247,500 government employees. Of all wage-earners in the first half of 2008, over three-quarters –77.8 per cent– have indefinite contracts or 4.3 points more than in the previous year.

However, in Madrid there are not only residents working. 1,923,000 people work in the City of Madrid, all of which hold a Spanish National Insurance Number (*Seguridad Social*) and work regardless of their places of residence. This implies 387,000 workers among those who daily enter and leave the City for work purposes. The evolution of this indicator has shown a steady growth in the last years, producing an increase of 21,000 workers regarding the first quarter of 2007.

The affiliation with the Spanish *Seguridad Social* continues to grow, although the inter-annual rate for the first quarter of 2008 was only 0.7 per cent. In the last two months, up to March 2008, the affiliation in the City of Madrid grew 1.4 per cent in comparison to the 12 previous months, implying a steady deceleration since the end of the labour normalisation process in 2005, which boosted the affiliation levels extraordinarily.

#### Affiliation with Social Security



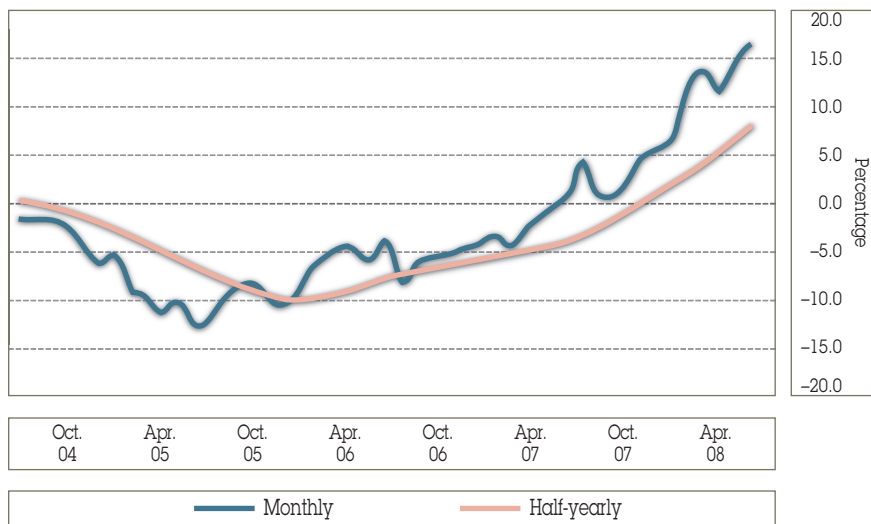
Source: Madrid City Council Statistics Office (data Ministry of Works and Social Affairs).

Regarding this situation by sectors, the affiliation in the industry sector decreased by an average of 2.5 per cent in 2007, while that of construction fell 1.6 per cent. On the other hand, services grew 2.5 per cent. With the inclusion of data from the first quarter of 2008, the trend

continues: during the last four quarters, industry presented an average inter-annual variation of -2.1 per cent, while construction fell -4.9 per cent and services increased by 2.2 per cent.

The loss of rhythm in employment creation corresponds to an employment rate of 7.0 per cent, eight decimals higher than that of the previous year, although considerably below the national average and the average of the Monetary Union.

#### Registered unemployment (inter-annual rate, %)

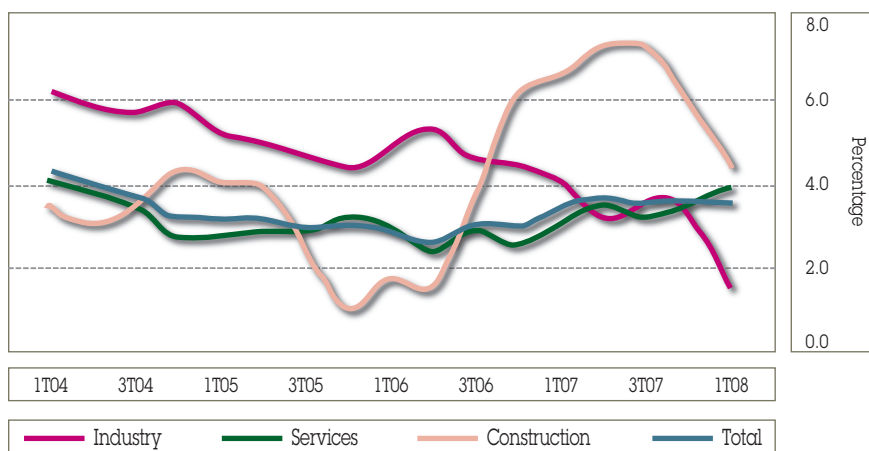


Source: Madrid City Council Statistics Office (data Public State Employment Service).

## PRICES AND SALARIES

It is important to highlight how the previous dynamic of the labour market is producing current labour costs below inflation. Logically, since those are highly skilled employees, the global labour costs in the region of Madrid are higher than those for the whole of Spain.

**Labour cost per worker (average annual % variation)**

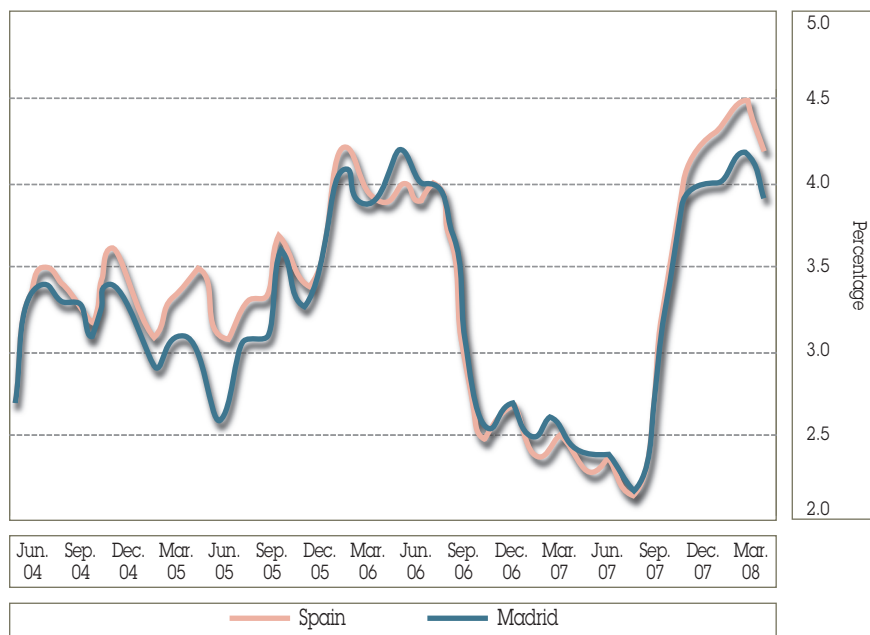


Source: INE (Quarterly Labour Costs Survey).

The evolution of these costs reflects a slight rise in the trend, although it has stabilised in the past year. In the first quarter of 2008, the inter-annual variation sat at 4.0 per cent, although this figure is 0.5 points less than the one for the same period in the previous year. Over the last several quarters, the behaviour of the industry and construction sectors has pointed sharply downwards, with even a negative inter-annual rate in the last quarter for the industry sector.

In the last several years, consumption prices in Madrid and Spain have maintained a similar evolution, although in the most recent periods a slight price differential in favour of the City has been observed. This has occurred in a context in which energy and food prices are creating an international situation of inflation. Inflation in Madrid dropped three decimals in March, down to 3.9 per cent, placing it three decimals below Spain's. However, although estimates foresee larger price increases within the coming months, a significant deceleration is forecasted for autumn, which will enable 2008 to close with an inflation rate of around 3.8 per cent.

## Consumer price index (annual variation rate, %)



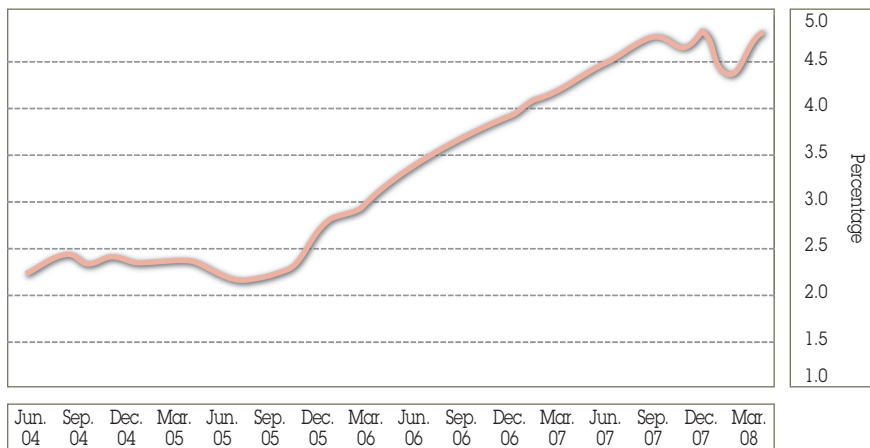
Source: INE.

Madrid is Spain's main financial market since most of those types of transactions take place in Madrid. Although today one can't really speak of physical financial markets, the presence in Madrid of the most important companies that operate in our country, including their corporate headquarters in a large number of cases and operational headquarters in others, along with the location of a substantial portion of the agents who work in these buildings, grants the City this central role. Accordingly, recent studies place Madrid as the sixth banking market in the world and the ninth stock market in terms of capitalisation.

As such, Madrid captures a great majority of the bodies and markets in which the Spanish financial system is organised. The Bank of Spain (Banco de España), the Spanish National Securities Market Commission, the General Directorate of the Treasury and Financial Policy and of Insurance and Pension Funds, of Spanish Stock Exchanges and Markets (BME), AIAF, SENAF, MEFF-RV, IBERCLEAR, among others. The headquarters of Spain's main Stock Exchange is located in Madrid.

The various types of Euro interest rates have seen increases since the end of the summer of 2005, a result of the European Central Bank's decisions to raise its intervention rates until leaving them at 4 per cent in June 2007. However, financial market tensions have continued to increasingly pressure the interbanking market, producing in June a one-year interest rate in the Spanish market that exceeded 5 per cent, half a point higher than the previous year.

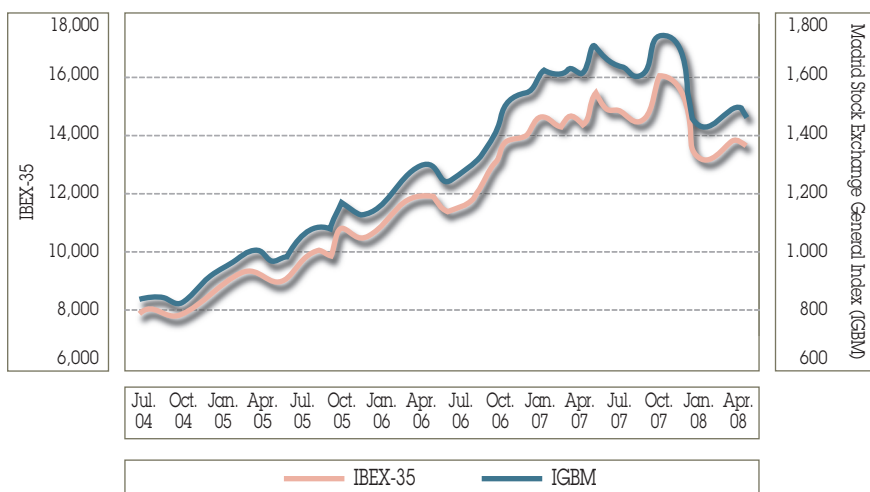
### Interbanking at 12 months



Average data, in interbanking market %.  
Source: Bank of Spain.

The main stock exchange indexes, particularly the Madrid Stock Exchange General Index, have experienced significant adjustments throughout the last two years, especially since the end of 2007; in line with the world's largest stock exchanges, this trend changed, with both indexes registering significant losses. Its behaviour in recent months reflects a slight recover, with a rise at the close in March and April, although it fell slightly again in May, which anticipates the continuation of this trend.

### Stock exchange indexes



Source: Madrid Stock Exchange.



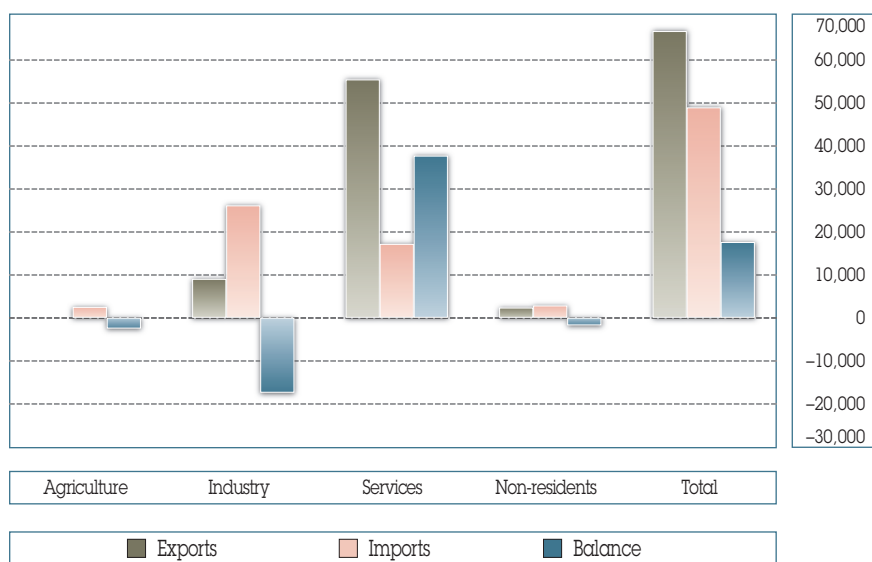
## EXTERNAL SECTOR

The City of Madrid's commercial relations with other economies result in a positive balance. Exchanges take place, as it couldn't be any other way, with the rest of the Autonomous Region and Spain, as well as outside of the country's borders. The estimated balance between exports and imports, including both goods and services, within the territory outside of the Community of Madrid, as well as within the rest of Spain and foreign countries, gives a positive figure of 17,305 million euros.

Despite its location in Spain's second industrial zone, the City imports most of the goods it consumes. However, this balance is overly compensated by the positive result of the services business, a large part of which is exported.

### Economic relations with territory outside of the region

	Exports	Imports	Balance
Agriculture	44.3	2,259.7	-2,215.4
Industry	9,078.8	26,167.2	-17,088.4
Services	54,717.0	17,137.2	37,579.8
Non-residentes	1,963.4	2,934.5	-971.0
<b>Total</b>	<b>65,803.6</b>	<b>48,798.6</b>	<b>17,305.0</b>



Source: Economic Observatory (estimates based on the Community of Madrid's Input-Output tables).

The Madrid region, and within it, the City of Madrid, plays a central role – in 2007 it was the second Autonomous Region in Spain for both its export and import levels of goods, only behind Catalonia. In 2007 it registered 10.8 per cent of the exports and 21.5 per cent of the imports for the whole of Spain, a trend that was maintained during the first months of 2008.

### The region's exports



\* 12 months, up to March.

Source: Trade Secretary of State.

In 2007 Madrid's exports grew 8.9 per cent while its imports rose up to 4.1 per cent, resulting in a negative balance that only grew 1.9 per cent, nine points below the previous year. Including the first quarter of 2008, exports grew 12.6 per cent during the last 12 months while imports did so at a rate of 7.7 per cent, resulting in a deficitary balance that grew 5.5 per cent. It's also noteworthy highlighting the significant increase in exports during the past two quarters, along with that of imports in the last year.

### Madrid region exports

Sector	2007*		2008*		% VAR.	
	Export	Import	Export	Import	Export	Import
Food	684,846	2,990,294	818,713	3,385,839	19.5	13.2
Energy products	1,531,450	3,841,376	1,901,707	4,779,494	24.2	24.4
Raw materials	168,083	451,872	175,413	475,388	4.4	5.2
Semi-manufacturers	4,734,967	11,922,449	5,496,400	12,692,319	16.1	6.5
Capital equipment	6,970,139	21,889,239	7,670,763	23,126,300	10.1	5.7
Automobile sector	1,676,268	8,185,222	1,706,930	8,137,168	1.8	-0.6
Durable consumption goods	338,892	2,055,861	410,171	2,073,428	21.0	0.9
Consumption manufacturers	1,679,925	6,341,685	1,830,166	7,530,006	8.9	18.7
Other merchandise	238,661	530,374	289,431	498,421	21.3	-6.0
<b>Total</b>	<b>18,023,230</b>	<b>58,208,373</b>	<b>20,299,694</b>	<b>62,698,361</b>	<b>12.6</b>	<b>7.47</b>

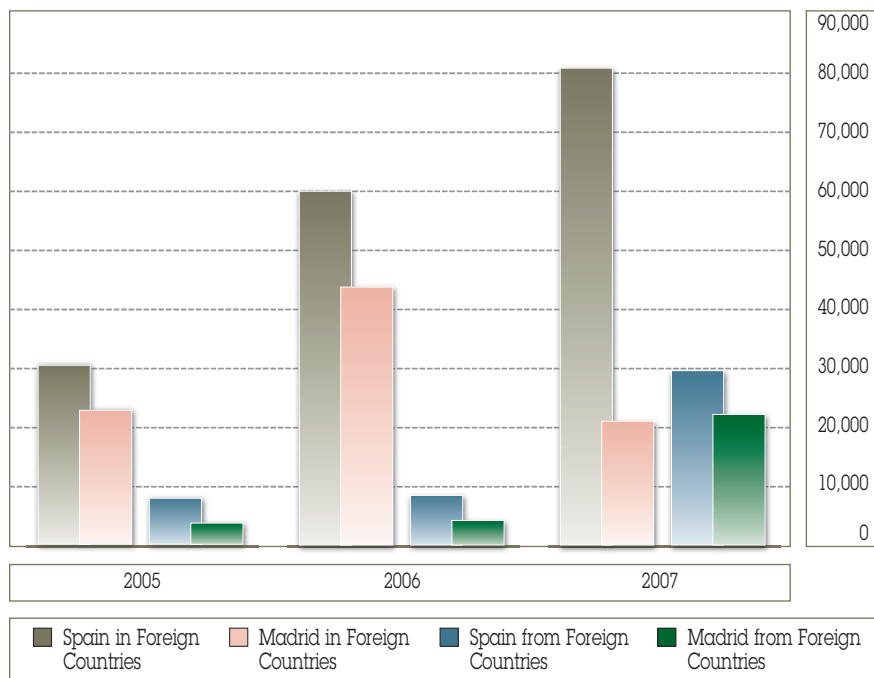
\* Up to March.

Source: Trade Secretary of State. Thousands of euros.

Capital Equipment is the main component of the region of Madrid's foreign trade, representing 38 per cent and 37 per cent of good's exports and imports in the annual calculation, respectively. Both in this sector and in that of semi-manufacturers, the second-most important, exports have clearly exceeded imports in growth over the past 12 months. On the other hand, a stalling of both activities can be observed in the automobile sector.

In addition, Madrid concentrates the largest portion of global investor flow between Spain and foreign countries. In 2007, the entire region of Madrid registered 25.7 per cent of all Spanish investments, following the Basque Country and Cantabria, and 77.1 per cent of those received from third-party countries. Also in 2007, one may observe a decrease in Madrid's investments outside the region, a result of the comparison to a year in which a high-figure operation occurred in the telecommunications sector. At the same time, in 2007 investments from outside of Madrid exceeded those that originated in Madrid.

Foreign investments (millions of euros)



\* Only investments assigned by CCAA.  
Source: Trade and Tourism Secretary of State.