

Madrid Economía Economy 2007

OBSERVATORIO DE ECONOMÍA



MADRID!

Madrid Economía **Economy 2007**

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FOREWORD

We are pleased to present a new edition of the publication The Madrid Economy, with which we strive to continue with our objective of providing information on the key factors that define the economy of the City of Madrid, in a summarised and simple, yet rigorous fashion.

Madrid continues to build on its role as the economic centre of Spain, while at the same time strengthening its position within Europe. In an era in which cities, together with their corresponding metropolitan areas, have become the nuclei of national economies that are ever more globalised, the City of Madrid is becoming increasingly important as an economic leader on an international scale.

Madrid benefits from a strong economic dynamism, which is predicted to continue to flourish in the coming years, as is the Spanish economy as a whole. The growing incorporation of workers into the labour market, especially women, is an essential ingredient in making this growth possible. The great influx of workers from other countries is transforming not only the Madrid economy, but also the city's culture, giving it a cosmopolitanism and diversity that make Madrid a welcoming and open city.

At the same time, Madrid is transforming its urban space, creating and improving its infrastructure and facilities, which, in addition to providing a better quality of life for its inhabitants, is strengthening its potential for further economic development.

We are sure that this new, updated edition of The Madrid Economy will serve to make our current economic situation better understood. The city's economy can provide all those involved in economic activity, both national and international, with great opportunities, both now and in the future.

Miguel Ángel Villanueva González

*Director of the Department for the
Economy and Employment*

July 2007

INTRODUCTION

The City of Madrid is organised administratively into 21 districts and extends across an area of 604.3 square kilometres. The area has a well developed communication infrastructure which makes the city the main logistics centre for Spain and for southern Europe. It has a substantial network of motorways, both as ring roads and radial roads, and it is also the centre of the national railway system, which provides efficient communication with other parts of the region and the rest of Spain and Europe. The Madrid-Barajas airport is also situated within the area. This is the largest airport in Spain and is one of the largest in the world. The recent extension of the airport makes it possible to steadily increase the passenger throughput.

Madrid is the second most populated city in the European Union after Berlin, and is part of the third largest urban agglomeration in Europe, after the Île de France and Greater London. In the last few years, the city has attracted an increasing number of people from abroad, who currently comprise 17 per cent of the city's total population.

The economy of Madrid, which has been constantly growing in recent years, is characterised by a high level of specialisation in service sector industries, with particular emphasis on transport and communications, business services, financial services, property services and health and education. Tourism activity, which also involves activities concerned with the various branches of manufacturing, is of special importance in the city and has undergone substantial growth in recent years, especially those activities linked to business and trade fairs.

Madrid is also prominent in the fields of technology and innovation. Madrid is the Spanish region which invests most in research and development, exceeding both the national and European average as a percentage of GDP. It is also a centre for major universities, including those that are more technological in character, and Madrid acts as a centre for research, both public and private.

These factors have helped to create a labour market that is highly dynamic, providing employment for the majority of the city's population and for a substantial part of the population in the surrounding metropolitan region, and even for many outside the area. The level of employment is increasing and it is forecast that it will continue to grow. Unemployment is, therefore, decreasing and currently the net rate of unemployment is lower than regional, national and European unemployment rates.

These and other features are described in this document, which is aimed at informing readers about the key aspects of our city's economy and its recent development in a summarised fashion.

1

POPULATION

In 2007 Madrid has a population of 3,187,062 inhabitants, which is double that of Barcelona and four times that of Valencia, the next two largest Spanish cities. This makes it the second largest in the European Union, only exceeded by Berlin. With 7.1 per cent of the Spanish population, the city's population as a proportion of the country's total is the largest of all the European cities.

A total of 52.6 per cent of the population of the Community of Madrid lives in the City of Madrid. With 6 million inhabitants, it is the third largest metropolitan concentration in Europe, only exceeded by the Île de France and Greater London.

European cities

City	Population	% of country	% of region	Area of influence	Population
Berlin	3,392,425	4.1	100.0	Berlin	3,392,425
Madrid	3,187,062	7.1	52.6	Community of Madrid	6,061,680
Inner-London	2,766,065	4.6	37.6	Greater London	7,355,354
Rome	2,546,804	4.4	49.5	Lazio	5,145,805
Paris	2,125,246	3.6	19.0	Île-de-France	11,204,725

Source: General Department of Statistics, Madrid City Council (City of Madrid, 2007), Nacional Statistics Institute (Community of Madrid, 2007) and Eurostat (remainder, 2003).

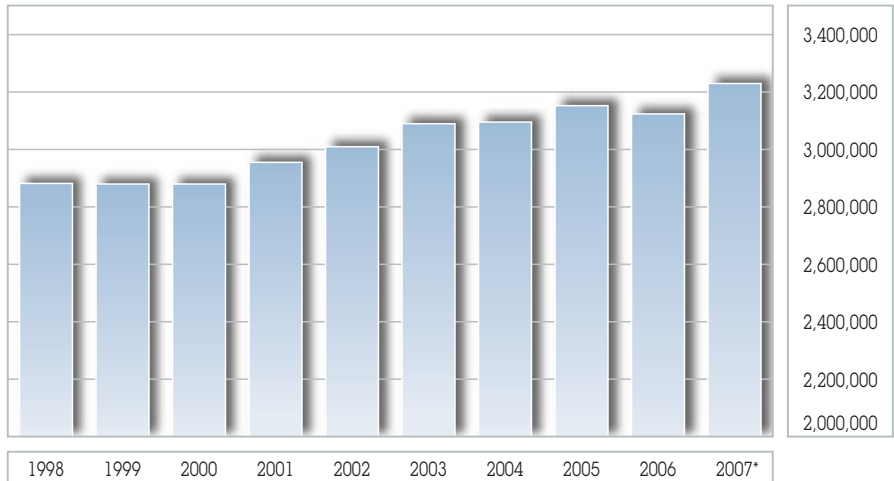
Spanish cities

City	Population	% of country	% of region	Region	Population
Madrid	3,187,062	7.1	52.6	Community of Madrid	6,061,680
Barcelona	1,605,602	3.6	22.5	Catalonia	7,134,697
Valencia	805,304	1.8	16.8	Community of Valencia	4,806,908
Seville	704,414	1.6	8.8	Andalusia	7,975,672
Scaragossa	649,181	1.5	50.8	Aragon	1,277,471

Source: General Department of Statistics, Madrid City Council (City of Madrid, 2007) and Nacional Statistics Institute (Community of Madrid, 2007, and remainder, 2006).

In recent years population trends have been driven by high levels of immigration. This has led to a change of trend, so the population is around 3.2 million in 2007.

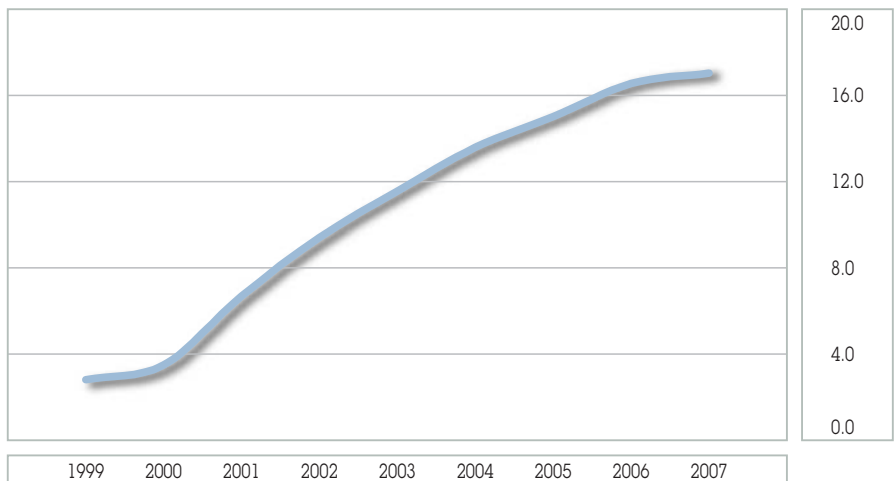
The population of Madrid



* Provisional
Source: Nacional Statistics Institute.

The arrival of substantial numbers of immigrants over the last few years means that there are now 555,000 immigrants living in the city. This represents about 17 per cent of the total population, compared to the 2.8 per cent of the population only eight years ago. On average, nearly 65,000 new foreigners chose Madrid as a place to live during each of the last seven years in a process which, although now slowing down, continues to be significant.

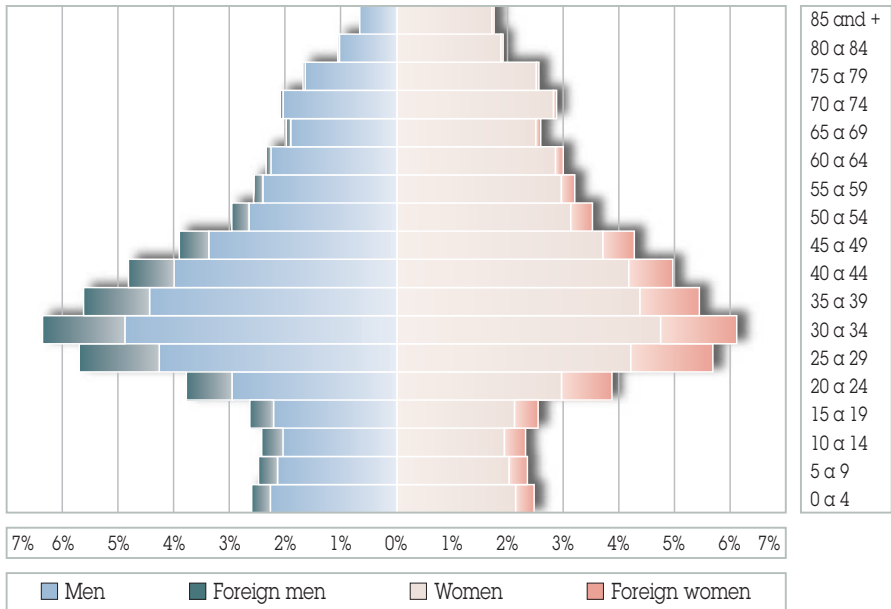
Percent of foreign population



Source: General Department of Statistics, Madrid City Council.

The arrival of people from other countries is having a positive impact on the demographic structure of the city, as it is possible to incorporate these workers into the work force, substantially widening the population pyramid in the 20 to 49 year old age group. At the same time, it has made it possible to initiate a process of significantly widening the base of the population pyramid, in an intense and necessary process of increasing the proportion of young people in the overall population.

City of Madrid - Population pyramid

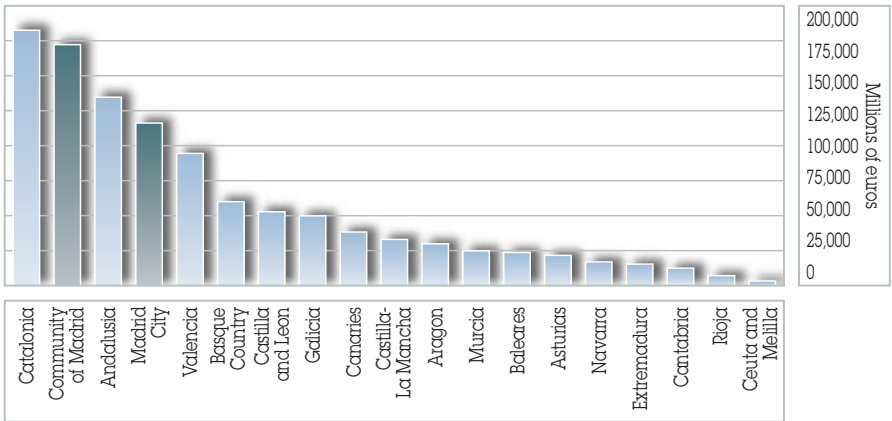


Source: General Department of Statistics, Madrid City Council.

ECONOMIC ACTIVITY

The gross domestic product (GDP) of the City of Madrid in 2006 was 116,400 million euros, which represents 67 per cent of the GDP of the Community of Madrid as a whole and 12 per cent of the GDP of Spain. This was, respectively, 15 and 5 percentage points above the weight of the population of these two regions that year. The city's production level is greater than that of any other Autonomous Community except Catalonia and Andalusia, and is greater than both the Community of Madrid itself, and that of eleven of the twelve countries (all apart from Poland) included in the two latest rounds of incorporations into the European Union.

GDP for Madrid and other spanish regions

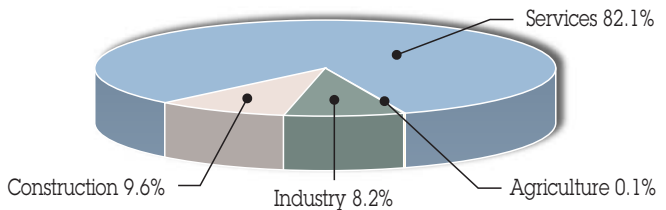


Source: National Statistics Institute for Madrid, GDP estimated by the Madrid City Council Economic Observatory based on figures published by the DG Statistical Office

Industry (mainly graphics, energy, chemicals, transport and electronics) represents 8.2 per cent in this production, and construction, which has been very active in recent years, represents 9.6 per cent. However, it is the service sector activity, which comprises 82.1 per cent of the total activity, which defines the productive structure of the City of Madrid.

Gross value added (2006)

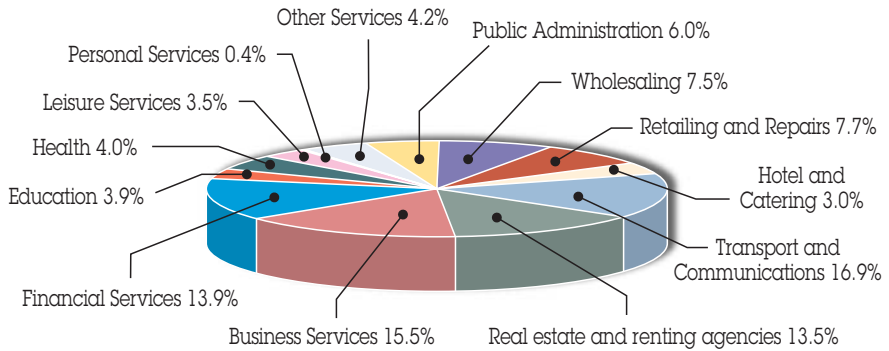
Agriculture	105,847
Industry	8,530,736
Construction	9,987,146
Services	85,248,881
Total	103,872,610



Source: Estimated by Madrid City Council Economic Observatory based on figures published by the DG Statistics of Madrid City Council.

The most prominent of all of these are transport and communications, followed by services for companies, financial services and property services. These four groups produced almost half the total value added generated by the Madrid economy. After these, education and health make up an every increasing proportion, already exceeding 7.9 per cent of the total services.

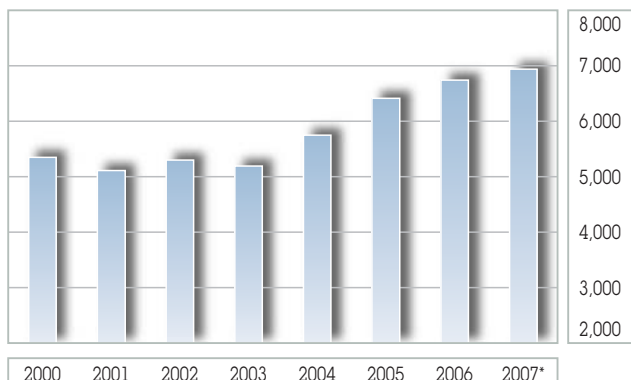
Service sector activities in Madrid (percentage)



Another activity that is also significant in the city is tourism, which provides employment for a significant proportion of the population in the hotel and catering industry, transport and the leisure industry. The hotel industry has grown significantly in recent years, after overcoming slow growth at the beginning of the millennium. The overall figures for 2006 reached a historic high, with 13.2 million overnight stays and nearly seven million visitors. The annual data up to May 2007 continues to reflect significant growth, which will make it possible to exceed last year's figure of seven million visitors in addition to more than 13.6 million overnight stays.

Tourism in the city (thousands and number of visitors)

Year	Visitors	Overnight stays
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	6,745.1	13,238.6
2007*	6,935.2	13,615.5



* to May 2007.
Source: Nacional Statistics Institute (Hotel Occupation Survey - HOS).

To accommodate this important influx of visitors, the city has a substantial and growing hotel sector, which in May 2007 had more than 68,000 beds in more than 830 establishments, employing more than 12,000 workers. A total of 61 per cent of the beds are in four or five star hotels.

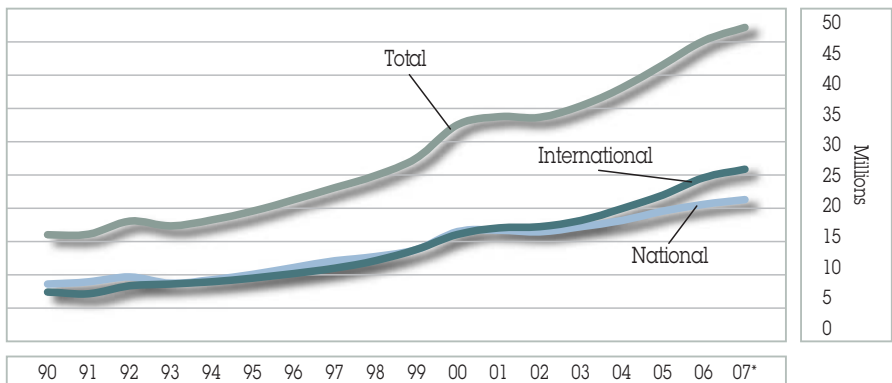
Hotels and Hostels

Category	Number	Beds	Employees
<i>Hotels</i>			
Five star	20	9,388	3,473
Four star	101	31,928	5,599
Three star	66	10,848	1,418
Two and one star	24	2,798	343
Total hotels	211	54,962	10,833
<i>Hostals</i>			
Three and two star	179	6,369	730
One star	433	6,827	686
Total hostals	612	13,196	1,416
Total	823	68,158	12,249

Source: Nacional Statistics Institute (HOS, May 2007).

Air traffic is closely related to tourism. The number of passengers using Madrid-Barajas airport has grown constantly in recent years, especially amongst international passengers. Every year, over 47 million passengers pass through the airport. This represents a doubling of the traffic in ten years, which is a reflection of the city's dynamic economic activity. The airport extension, which began to operate in 2006, makes it possible to handle a potential traffic of about 70 million passengers per year.

Madrid airport - Passenger traffic



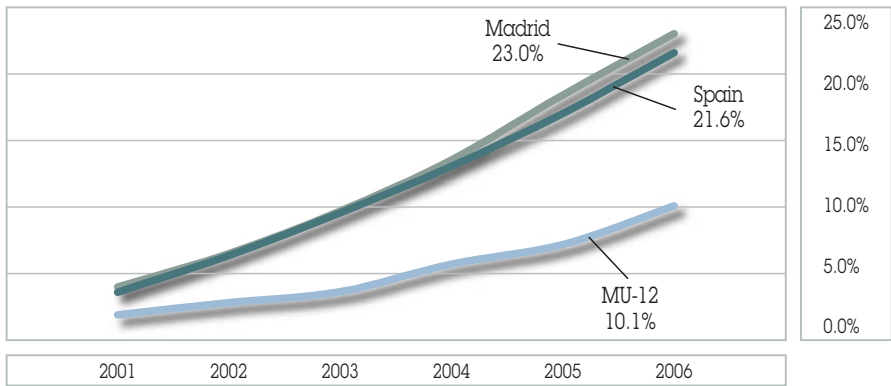
* to April 2007

Source: Ministry of Development and (AENA) Spanish Airports and Air Navigation.

Dynamic economic activity requires a dynamic business sector. The rate of company start-ups in Madrid is the highest in Spain, reflecting substantial growth in recent years. In the last two years, there have been over 16,000 company start-ups per year, with a subscribed capital of almost 3,000 million euros.

The strength of the dynamic Madrid economy clearly stands out in Spain. It is certainly not without good reason that the growth of the region in recent years has been the highest in Spain. Madrid's growth rate exceeded that for Spain as a whole by 1.4 percentage points during the period 2000-2006, and that of the European Monetary Union by almost 13 per cent. Madrid has been the Spanish region which has grown the most over the last three years, by 12.1 per cent to be precise, compared with a national average of 11 per cent.

GDP - Accumulated growth

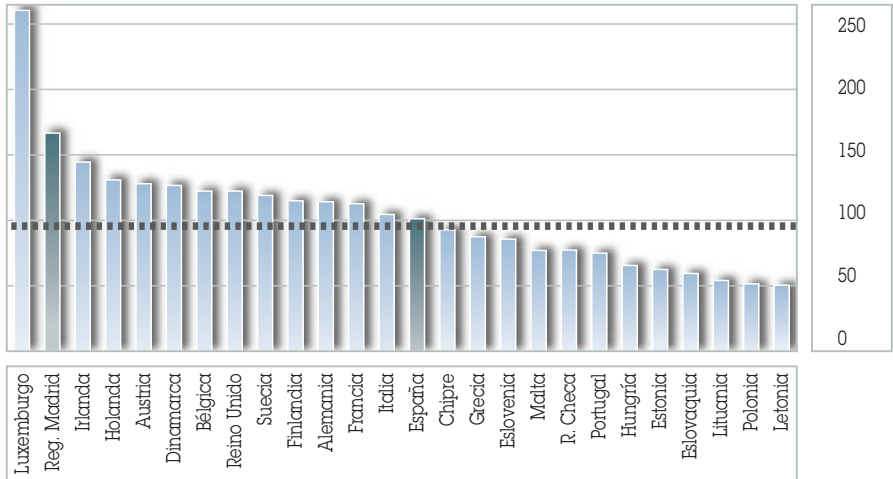


Source: National Statistics Institute and Eurostat.

The economy of the region as a whole grew by 3.9 per cent in 2006, which is the same as the Spanish average. And although the construction sector experienced the most growth, at 5.3 per cent, this was slightly less than the previous year. It is service industries, with a growth rate of 3.5 per cent, which have contributed to almost three quarters of the total growth. This is clearly the sector that stands out as having generated the most income.

The growth of the city's economy in 2006 is envisaged as being 4.1 per cent, while for the current year the estimate is 4.0 per cent, three decimal points above the figure for Spain as a whole. This growth continues to be significantly higher than that forecast for the Eurozone countries, which the European Commission has established at 2.6 per cent.

GDP per cápita (ppp)



Source: Eurostat, National Statistics Institute and own elaboration.

As a result of all the above, the GDP per capita for the City of Madrid, measured both in nominal terms and in purchasing power, is the highest in Spain. In terms of purchasing power, in 2005 the city was 64 per cent above the Spanish average and 67 per cent above the average for the 27 countries of the European Union.

3

RESEARCH AND TRAINING

The City of Madrid would not be so dynamic without an essential factor for the development of any economy: a high level of education and research. Madrid has a large number of university students in relation to its population. There are 230,000 students enrolled in universities in the city and its metropolitan area, 28 per cent of whom are taking courses in architecture or engineering.

Students enrolled in universities in Madrid (Academic year 2005-2006)

Course	Public	Private	Total
Degree courses	100,067	16,815	116,882
Architecture and Engineering (5 year degree)	29,365	7,656	37,021
Diploma courses	33,958	6,070	40,028
Architecture and Engineering (3 year degree)	25,129	3,532	28,661
Double accreditation	5,587	2,339	7,926
Total	194,106	36,412	230,518

Source: Nacional Statistics Institute.

The number of students from Madrid proportionately exceeds the Spanish average by 20 per cent. In addition, the extensive offer of universities (fifteen universities, seven public and eight private), attracts a high number of students from outside Madrid, a large proportion of whom join the Madrid labour force on finishing their university studies.

Universities in Madrid

Public	Private
University of Alcalá	Alfonso X El Sabio University
Autonomous University of Madrid	Antonio de Nebrija University
Carlos III University, Madrid	Camilo José Cela University
Complutense University of Madrid	European University of Madrid
Polytechnic University of Madrid	Francisco de Vitoria University
King Juan Carlos University	Pontificia Comillas University
National Distance-Learning University (UNED)	Pontificia University of Salamanca in Madrid
	San Pablo Ceu University

Source: The Community of Madrid, Directorate General of Universities and Research.

In addition to these university centres, another important factor is the large number of research institutions, in all fields, that are located in Madrid. Those especially worthy of mention include the *Consejo Superior de Investigaciones Científicas* (CSIC), (Higher Council for Scientific Research), which primarily works on scientific and technological matters.

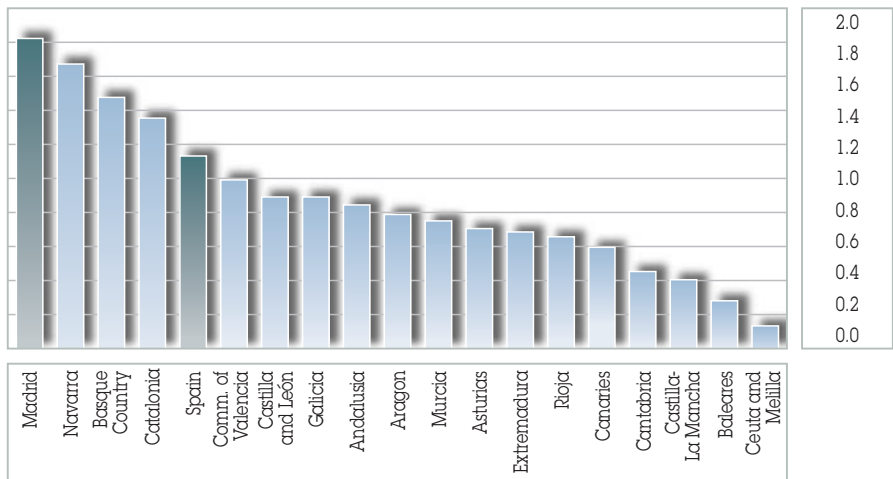
State research centres and institutes with headquarters in Madrid

Centre for Energy, Environmental and Technological Research (CIEMAT)	Higher Council for Scientific Research (CSIC): 46 Centres and Institutes
Spanish Institute of Oceanography (IEO)	National Institute Agrarian and Food Research and Technology (INIA)
Spanish Institute for Geomining Technology (IGME)	Education Research and Documentation Centre (CIDE)
National Institute for Aerospace Technology (INTA)	El Pardo Hydrodynamic Experience Channel (CEHIPAR)
Army Engineering Laboratories (LIE)	Navy Research and Development Centre (CIDA)
Institute for Energy Diversification and Saving (IDAE)	Spanish Metrology Centre (CEM)
Centre for Public Works Studies and Experiments (CEDEX)	National Geographical Institute (IGN)
Fiscal Studies Institute (IEF)	Centre for Legal Studies (CEJ)
National Metrological Institute (INM)	Centre for Political and Constitutional Studies (CEPCO)
Centre for Sociological Research (CIS)	National Centre for Oncological Research (CNIO)
National Centre for Cardiovascular Research (CNIC)	Carlos III Health Institute (ISCIII)
National Institute for Health and Safety at Work (INSHT)	

Source: Autonomous Community of Madrid, Department of Education.

Madrid is the city with the highest levels of investment in the area of research and development within Spain. The 2,913 million Euro investment made in Madrid in 2005 represents 28.6 per cent of the national total. There are 44,480 people (in full-time equivalents) employed in this activity, which represents 25.5 per cent of the total for Spain. A total of 57.6 per cent of research and development is carried out by private companies, and 25.8 per cent by public entities. In relation to its production, it represents 1.82 per cent of the GDP, and is the highest amount of GDP invested in all the Spanish regions, which on average is 1.13 per cent.

R+D as percent of GDP



Source: National Statistics Institute.

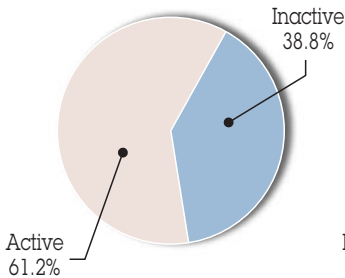
EMPLOYMENT

These demographic, productive and innovative features of the city of Madrid have led to substantial differences in the labour force in comparison to the surrounding area. As a result, the level of employment is higher than both the national average and the European average, and unemployment is much lower.

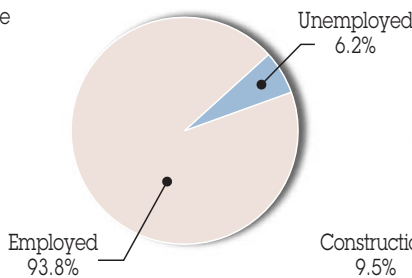
In recent years, Madrid has experienced a substantial job creation and a reduction in unemployment which has been above the European average. Particularly noticeable is the progressive incorporation of women into the labour market. Currently, there are almost as many women as men working in the 16 to 29 year age group, and more in the 25 to 29 age group.

Population and its relation with the activity

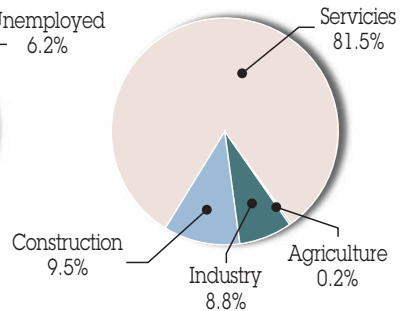
Population over 16 years of age



Active population



Working population



Employment situation		Rates		
Population / Situation	Number	Total	Men	Women
Over 16 years of age	2,690,900			
— Active	1,646,100	61.2	70.0	53.4
• Employed	1,543,700	57.4	66.1	49.7
– Agriculture	3,100			
– Industry	135,100			
– Construction	147,100			
– Services	1,258,500			
• Unemployed	102,300	6.2	5.6	7.0

Source: Department General of Statistics, Madrid City Council.

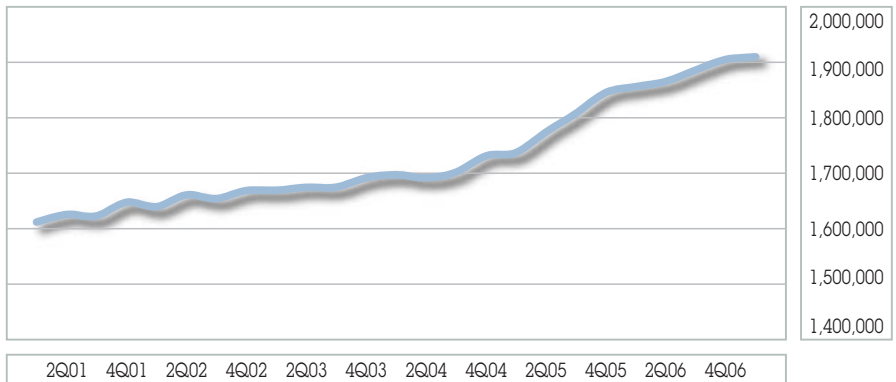
According to the employment data provided by EPA (the Active Population Survey) the main sector in which people in Madrid work is the service sector. This is consistent with the substantial development of this sector within the Madrid economy. There are 1,258,500 workers employed in this sector, which represents 81.5 per cent of the total workforce. A total of 9.5 per cent of Madrid citizens work in construction, and 8.8 per cent in industry.

Amongst the 1,543,700 people who are employed, 195,400 are entrepreneurs, 1,075,400 are salary earners in the private sector, and 261,000 are salary earners in the public sector. Over three quarters (75.9 per cent) of all salaried workers have permanent contracts.

The above figures only refer to the population that resides in Madrid, however, a large number of people come to Madrid to work on a daily basis who are residing in other municipalities and autonomous communities. The number of jobs in the City of Madrid can be estimated on the basis of the number of people registered with the Social Security service in companies and organisations based in the city.

In 2007, the City of Madrid had 1,910,000 people registered with the Social Security system, independently of where they live. This indicates a net balance of inward travel of some 366,000 workers commuting daily into the city to work. This indicator has continuously increased over recent years, such that there has been an increase of 31,000 workers compared to the first quarter of 2006.

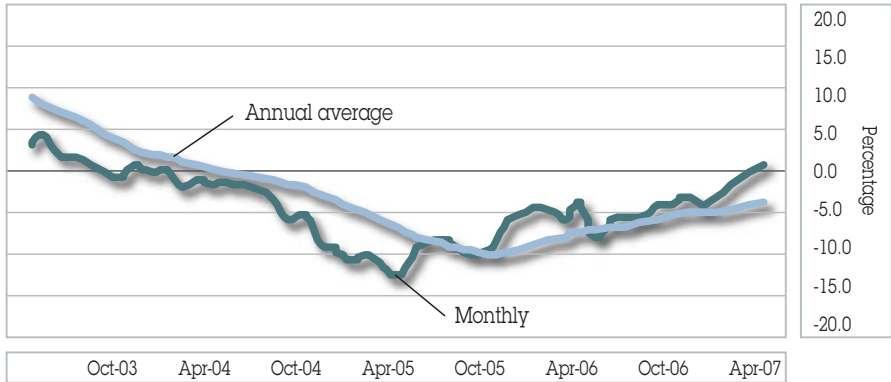
Social Security membership



The figures in relation to social security membership confirm that the majority of the work in the City of Madrid, 85.2 per cent of total employment, is in the service sector. The total number of workers within the sector is greater than the total number of Madrid residents employed in this field, reinforcing the view that the city is an area with an economy that specialises substantially in this type of activity.

The dynamism in the creation of employment correlates with an unemployment rate that is below 6.2 per cent, slightly below the national average and that of the Monetary Union. The number of people unemployed in May 2007 was 107,473, and over the last 12 months unemployment has averaged 105,416, 3.7 per cent below the previous 12 month period.

Registered unemployment (year-on-year rate)



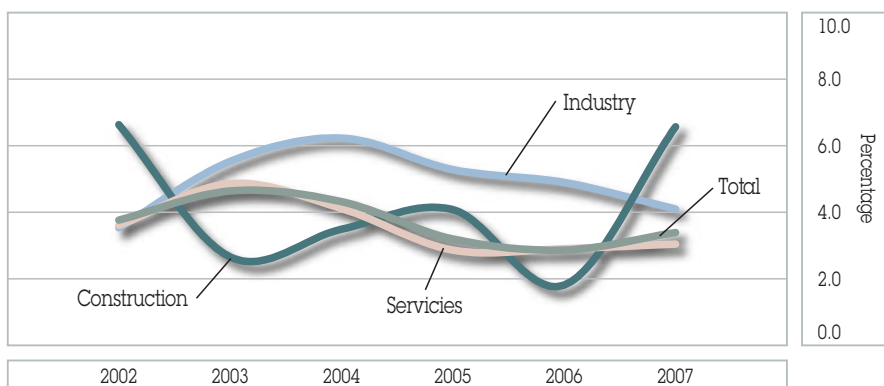
Source: Department of Statistics, Madrid City Council (Spanish Employment Institute data).

PRICES AND SALARIES

It is important to highlight that this positive trend in the labour market is not causing excessive tension in the area of labour costs, which is currently situated around the rate of inflation. As is to be expected, given that employees are more highly qualified, overall labour costs in the Madrid region are higher than in Spain as a whole.

In regard to the development of these costs in recent years, we can observe a deceleration trend in all fields, although this does not rule out some specific periodic variations. This has especially been the case in the construction industry, where wage costs have recently increased.

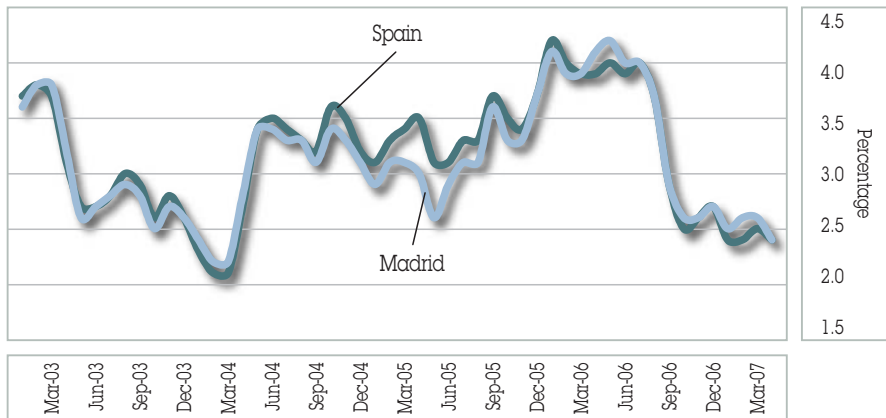
Labour costs per worker (percentage annual average variation, first quarter)



Source: National Statistics Institute, Quarterly Labour Costs Survey.

Consumer prices in Madrid and in Spain have increased at a similar pace in recent years, both undergoing significant periodic variations. The situation in the last few months has been characterised by a significant deceleration in the Consumer Price Index. It is significant that petroleum prices have remained relatively stable, although at a high level. Inflation for the month of May was 2.4 per cent, 1.8 points below inflation only a year ago, and only one decimal point above that of the nation as a whole.

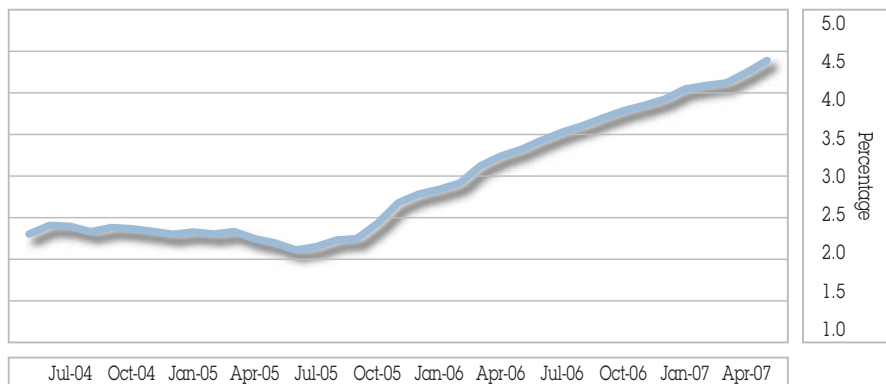
Consumer price index (annual rate of variation)



Source: National Statistics Institute.

Madrid is also Spain's leading financial centre, as the majority of transactions of this kind take place in markets situated, in one way or another, within the city. Despite the fact that one can no longer speak of physical financial markets, the fact that our country's largest companies have their head offices in Madrid combined with the fact the large majority of their employees also reside in Madrid, has led to the city taking on this central role. It also accommodates the vast majority of bodies and markets which constitute the Spanish financial system, such as the Stock Exchange.

Euribor over 12 months

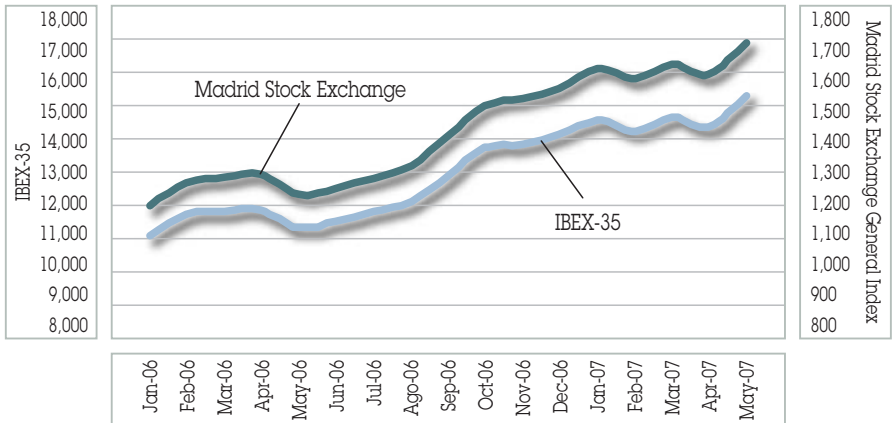


Average figures, in percentage. Interbank market
Source: Bank of Spain.

Interest rates in the Eurozone have undergone an increase since the end of the summer of 2005, in response to the decisions of the European Central Bank, which set its intervention rates at 4 per cent in June this year. The one year interest rates in the interbank market were 4.39 per cent on average in May, which is 1.07 points above those of last year.

The main stock exchange indicators, in particular the Madrid Stock Exchange General Index, have undergone significant increases in value throughout the year. Specifically, in 2006 the Madrid Stock Exchange General Index increased its value by 34.5 per cent, while the revaluation of the IBEX-35 was 31.8 per cent, in both cases significantly above 2005. In the first months of 2007, the indices also showed a positive trend, such that in only the first five months the Madrid Index increased its value by 8.7 per cent and that of the 35 main companies by 8.4 per cent.

Stock exchange indicators



Source: Madrid Stock Exchange.

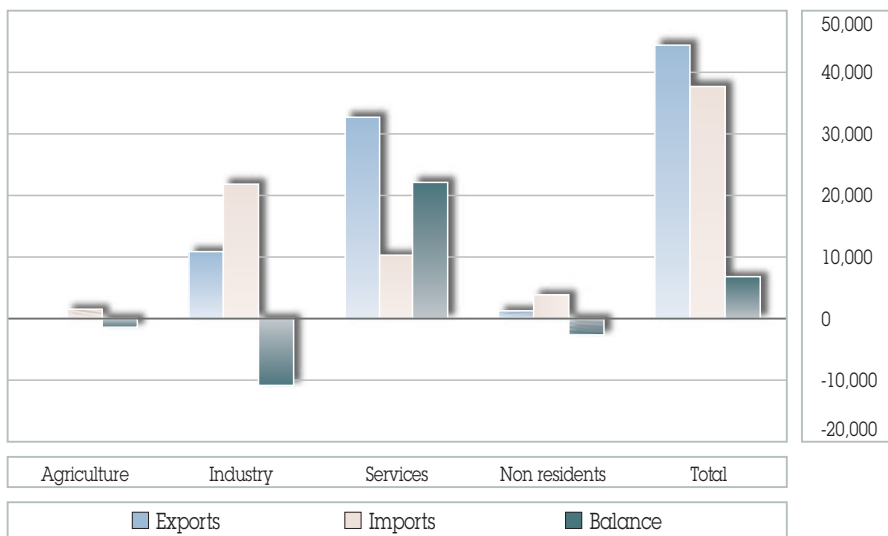
EXTERNAL SECTOR

This situation has resulted in the City of Madrid's business relations with other economies having a healthy positive balance. These exchanges take place, as is to be expected, with the rest of the Autonomous Community of Madrid and the rest of Spain. The estimated positive balance between exports and imports, both of goods and services, traded outside the Autonomous Community of Madrid, with the rest of Spain and abroad, is 6,916 million euros.

Despite being situated in the second industrial area of Spain, the city is an importer of a large part of the goods that it consumes, but this balance is more than compensated by the positive balance in service sector business, as it also exports a large part of the services it produces.

External economic relations

	Exports	Imports	Balance
Agriculture	16.9	1,602.1	-1,585.2
Industry	10,576.1	21,549.4	-10,973.3
Services	32,728.2	10,492.4	22,235.8
Non residents	1,097.9	3,859.4	-2,761.4
Total	44,419.2	37,503.3	6,915.9

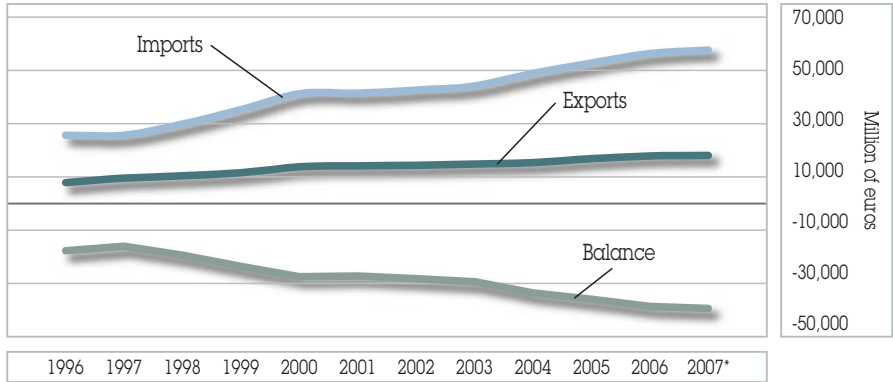


Millions of euros.

Source: Economic Observatory (estimated based on the Community of Madrid input-output tables).

The Madrid region, and within it the City of Madrid, plays a central role. It is the third Autonomous Community in terms of the export of goods, after Catalonia and only just behind Valencia. In terms of imports, it holds second place, after Catalonia. In 2006 it accounted for 10.7 per cent of the exports and 21.9 per cent of the imports of Spain as a whole.

Foreign trade in the region



* 12 months to March
Source: Secretary of State for Trade and Commerce.

The figures from the first quarter of 2007 indicate that exports grew, in the last twelve months, by 6.4 per cent and imports by 7.8 per cent, so that the trade deficit was 8.5 per cent. Capital equipment is the main component of trade outside the Madrid region, representing 38.3 per cent of imports and 37.5 per cent of exports of goods. In general, the most important items have undergone only minor variations compared with the previous year, with similar increases in exports and imports, but the greatest contribution to the increase in exports was the automobile sector, with 433.8 million euros, while in the case of imports it was energy, with 1,275.7 million euros.

Trade outside the Madrid Region

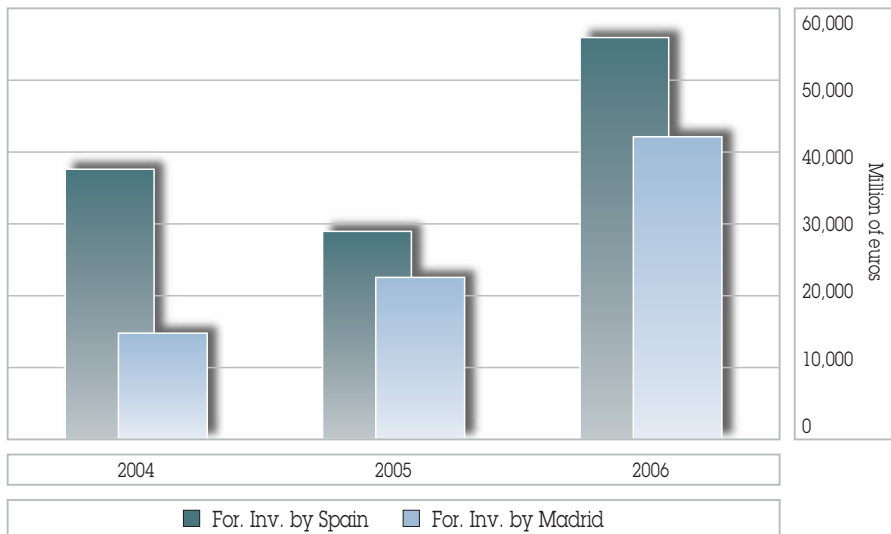
Sector	2006*		2007*		% VAR	
	Export	Import	Export	Import	Export	Import
Food	625,838	2,867,975	707,339	2,917,529	13.0	1.7
Energy	1,647,327	2,544,158	1,556,486	3,849,883	-5.5	50.1
Raw materials	146,172	333,106	167,532	447,907	14.6	34.5
Semi-manufactured goods	4,252,176	10,785,177	4,652,406	11,742,808	9.4	8.9
Capital equipment	6,608,038	20,427,717	6,952,897	21,594,188	5.2	5.7
Automobile sector	1,467,769	7,962,623	1,901,553	8,214,888	29.6	3.2
Consumer durables	352,345	1,714,974	317,051	2,007,775	-10.0	17.1
Consumer goods	1,689,890	6,362,726	1,674,594	6,311,203	-0.9	-0.8
Other merchandise	278,098	397,100	238,215	519,529	-14.3	30.8
Total	17,067,655	53,395,557	18,168,073	57,575,710	6.4	7.8

* To March.

Source: Secretary of State for Tourism and Commerce. Thousands of Euros.

Furthermore, Madrid attracts most of the investment made in Spain from abroad. In 2006, the Madrid region as a whole attracted 75.3 per cent of all of Spain's investments and 43.2 per cent of investments made by other countries in Spain.

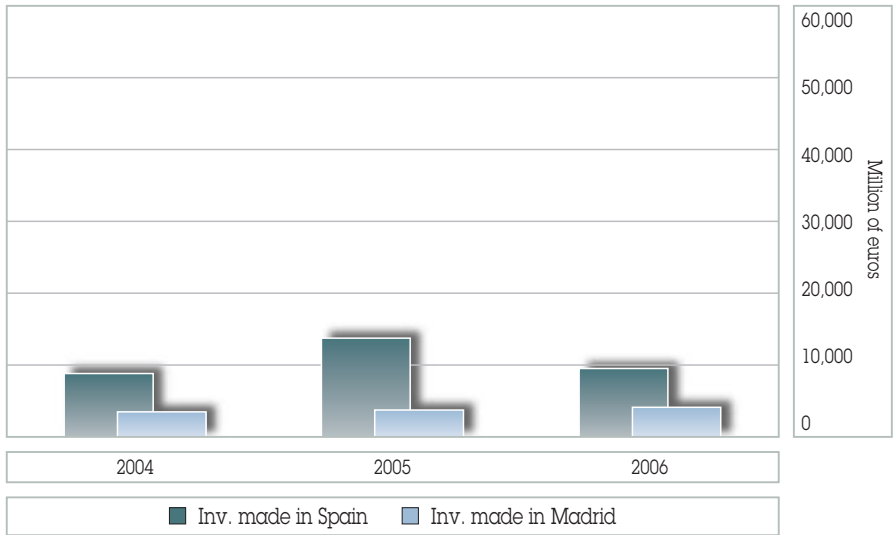
Spanish foreign investment



Source: Secretary of State for Commerce and Tourism

It is noteworthy that while investments made in Spain from abroad as a whole decreased significantly in 2006 by 30.8 per cent, investments in Madrid grew by 9.1%, which significantly increased Madrid's share of the national total. Investments in other countries varied greatly, in the case of Madrid increasing by 86.3 per cent and nationally by 93.2 per cent. As has been the case over the last 10 years, the outflow of capital clearly exceeded the inflow. Madrid, like most developed economies, is a net investor.

Foreign investment made in Spain



Source: Secretary of State for Commerce and Tourism

CONCLUSIONS

This brief report on the economy of the City of Madrid reflects an economic area with a large number of factors which generate growth. The first of these is its highly dynamic population, where the city's capacity to attract workers from other countries is a key factor.

The second factor is the city's specialisation within sectors, both in the industrial sector and the service sector. This provides a great potential for growth and a high capacity for generating value added, especially in services which can be sold, such as advanced business services, financial services, logistics and telecommunications, and health and education.

Combined with this specialisation, the dynamism of Madrid companies, their position in their respective sectors and the optimism with which they face the future all play a fundamental role. This has, without doubt, contributed to making Madrid the city in which most employment has been generated in recent years, and which has most reduced its unemployment rate, providing employment for a large part of the workers in the surrounding area. This trend continues today.

Another important factor is the large concentration of innovation centres in the city and the effort that various economic organisations are making in research and development. This is contributing to the economy of the city centres and is clearly greater than that of the European Union. This is particularly the case for the city's companies.

Despite the city's dynamism, the relative restraint in salaries resulting in salary increases below that of price increases, continues to be a characteristic of the city's economy. Combined with relatively low interest rates, this constitutes a very important factor for growth and stability.

All this contributes to creating the advantageous external economic relations that the City of Madrid enjoys both in trade and, above all, in investment.

Thus, expectations for the economy of the city, both for 2007 and for the coming year of 2008, are that it will continue to grow at a higher rate than those anticipated for similar cities both nationally and within Europe, enabling the City of Madrid to remain at the forefront of national growth.