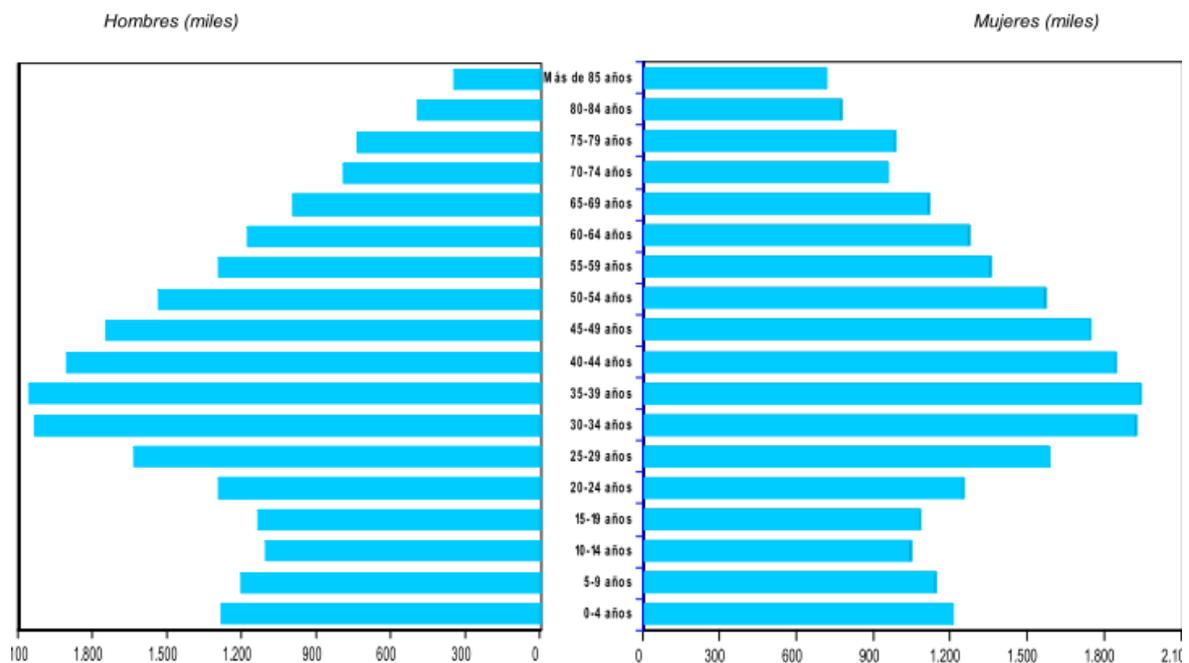


According to figures from the 2011 Census, published in December 2012, the Spanish demographic evolution in the last decade was characterized by a strong growth in the population, the largest one registered both in absolute and relative terms since the computation of such statistics has been carried out. Thus, the number of inhabitants increased by almost six million between 2001 and 2011, with an increase in the foreign population of more than three and a half million people.

However, the evolution was not homogeneous over the years. As a matter of fact, after the outbreak of the global financial and economic crisis, migration flows began to slow down intensifying the restraint starting in 2009. As a result of the continued economic downturn and the strong growth of unemployment, net inflows of migrants became negative in 2011. This produced even a slight fall in the population by the end of 2012. It was the first population decline since the data from the INE (*Instituto Nacional de Estadística*, in Spanish)(National Statistics Institute) began to be published in 1996.

In terms of age, the most significant feature is that it means an ageing population, as a result of a positive natural growth but low in terms of both of birth and mortality rates that also reduced derivative. The National Institute of statistics (INE) estimated 10.6 births and 8.5 deaths per thousand inhabitants in 2011). However, it is also perceived in a weakening of the base of the pyramid despite the observed widening in the generations who come to the first employment.



Source: INE (National Institute of Statistics)

As a matter of fact, the arrival of immigrants since the end of the 1990s has resulted in a positive migration balance, which has contributed, not only to a population growth, but also to a slight

rejuvenation of the Spanish population. Especially if we consider this increase was concentrated mostly among groups of young adults, between 20 and 40 years, who have also raised the birth rate.

From an economic and social perspective, the most significant change in the structure of the Spanish population in recent decades has been its progressive ageing. So, in this sense, it is of great interest to try to approximate the factors that impact on its evolution in the future to try to respond to possible imbalances.

If we focus on the evolution of the population according to ages up to 14 years old, we can see through the following table with data, the increase in population in the majority of ages. A different conclusion is observed after the analysis of the evolution of population from 15 to 34 years old, showing the decrease of population in all sections of age. From 12.374.106 people under 35 to October 2009, to 11.146.267 people in October 2012.

The total population under the age of 35, has declined in the past four years, as we see in the chart that follows.

Estimates of the current population of Spain.

National results

Population by date reference, sex and age

Units: People

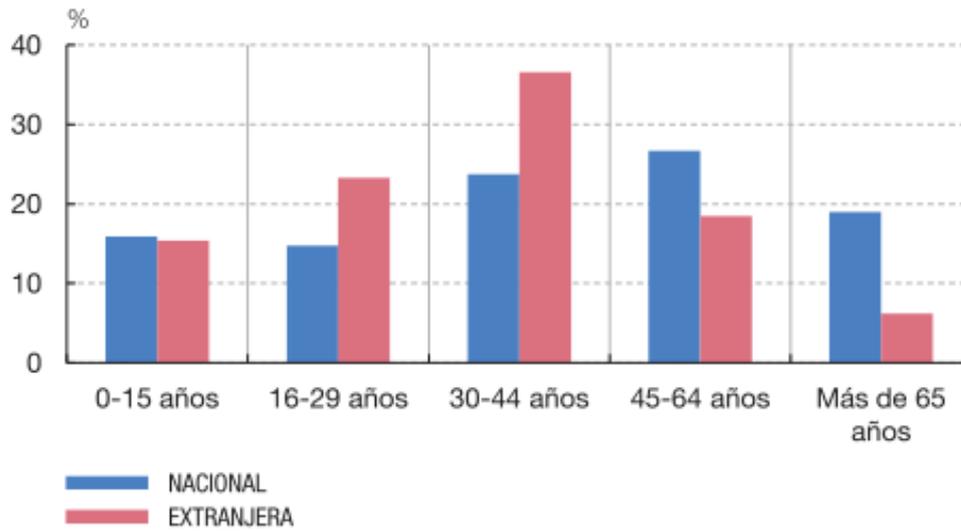
	oct-12	oct-11	oct-10	oct-09
0 - 14 years	7.051.096	7.011.538	6.950.894	6.839.565
15 - 34 years	11.146.267	11.583.434	12.001.802	12.374.106
TOTAL	18.197.363	18.594.972	18.952.696	19.213.671

Source: Own elaboration with data from INE.

The conclusion of this analysis is shown with a generic graph of the Spanish population by age, breaking down national population and foreign, and to observe the influence of the latter in the population

increased mainly in the segment ranging from 30 to 44 years, so thus widening the population pyramid.

ESTRUCTURA DE POBLACIÓN POR EDAD.
AÑO 2012 (a)



SOURCES: Statistical analysis of the Municipal register and estimates of current population, the National Statistics Institute.

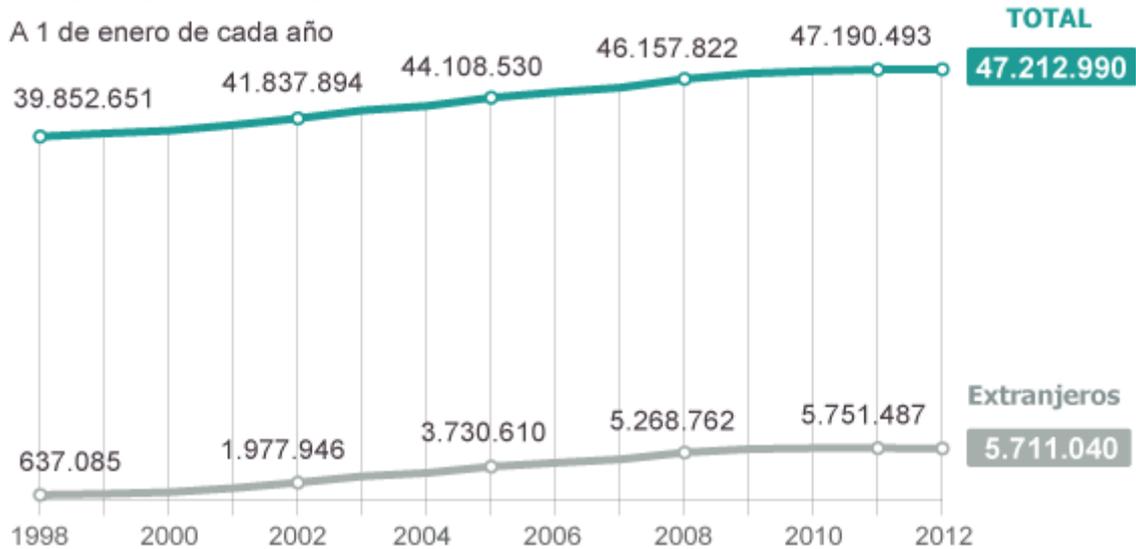
In terms of nationality, the ranking of foreign inhabitants in Spain is still led by the Romanians (868.635, foreigners 15.7), followed by Moroccans (787.013, 14.3 of foreigners), the British (383.093, 6.9 foreigners) and the Ecuadorians (262.223, 4.8 of foreigners)

According to the National Statistics Institute data, 85.9 registered population was born in Spain and the 14.1 abroad.

The 49.2 of the total registered are men and the 50.8 are women. Among the Spaniards, there are more women (51.1), while among foreigners the men are predominant (51.5%) according to the INE.

LA POBLACIÓN ESPAÑOLA

A 1 de enero de cada año



Source: INE / El País

During the first quarter of 2013, the Spanish economy continued the pattern of contraction in activity, even though to a slower pace than at the end of last year.

The Bank of Spain has confirmed in its last 2012 quarterly report on the Spanish economy that it accelerated its fall decreasing - 1.4%, with a decrease of domestic demand of 3.9%, while the contribution of external growth in product demand was 2.5 pp

All the components of domestic demand, during the year 2012 recorded negative rates, although investment in construction returned to be the component that showed a greater weakness. Employment fell a 4.4% in the whole of the year, so productivity increased 3.2%. This development, together with the decline of the 0.3% of remuneration by an employee, made that unit labour costs for the total economy decreased a 3.4%.

The following chart shows the evolution of annual GDP in Spain during the last 6 years.

Evolución anual PIB España			
PIB Mill.€	Var. Anual	Fecha	
1.049.525€	-1,4%	2012	
1.063.355€	0,4%	2011	
1.048.883€	-0,3%	2010	
1.048.060€	-3,7%	2009	
1.087.788€	0,9%	2008	
1.053.161€	3,5%	2007	

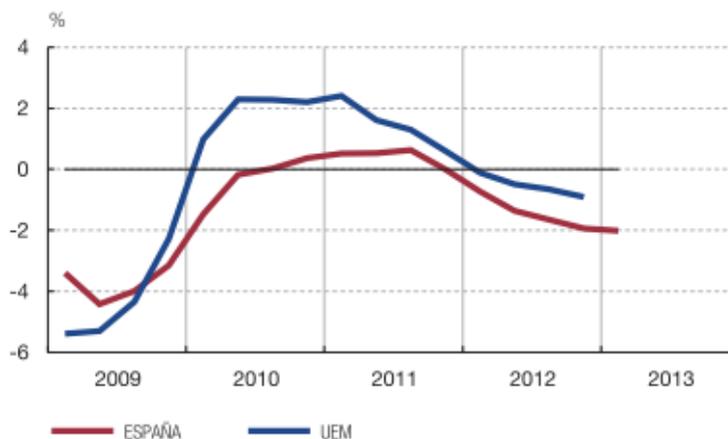
Source: National Statistics Institute (April 2013)

Economic indicators relating to the first quarter of 2013 show, in conjunction, the prolonging of contractive activity dynamics, although at a slightly slower pace than at the end of last year.

In the context described, activity in the Euro zone continued shrinking in the first months of the year, but possibly at one slower pace than in the preceding period, and with less percentage than the contraction of Spain, as shown in the following comparative graphic.

PRODUCTO INTERIOR BRUTO (a)

TASAS DE VARIACIÓN INTERANUAL



Source: European Central Bank, National Institute of statistics and Bank of Spain.

We provide a national analysis at sectorial level. In order to see what the pillars of growth of the Spanish economy have been for 2010, we analyze the GVA at basic prices according to data of the NSI (INE), by sector at current prices. (Units: thousands of Euros)

SECTORS OF ACTIVITY	Spain
Agriculture, livestock, forestry and fishing	24.554.000
Industry	154.770.000
manufacturing industry	124.097.000
Construction	104.762.000
Services	673.685.000
trade, catering, finance and other services	496.018.000
Public administration, education, health and social services	177.667.000
Total	957.771.000

Source: NSI. Regional accounting of Spain.

THE EMPLOYMENT SITUATION IN SPAIN

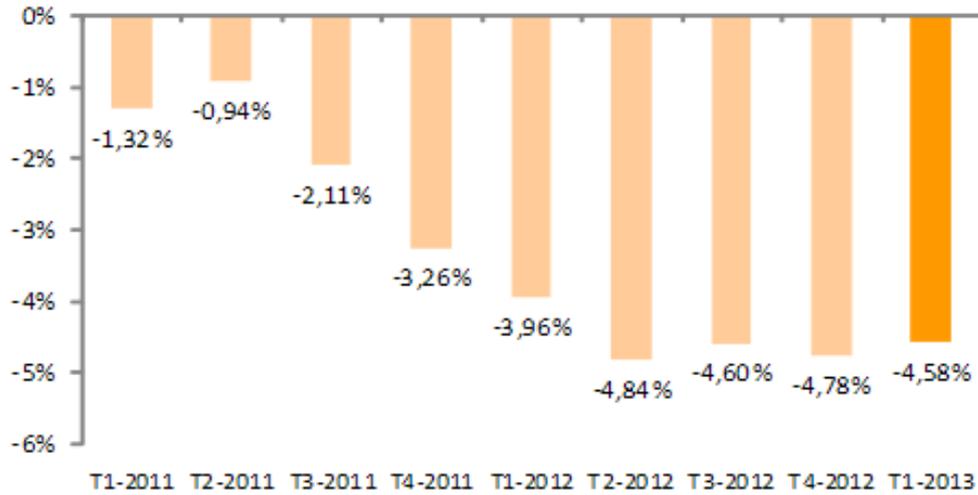
Employment rates have been falling in many countries of the European Union since the beginning of the crisis in 2007. Although with different intensity. One of the worse off Spain has been, which has come down from the 69.5% to the 59.3% and ranks last in the classification drawn up by Eurostat, according to the Institute of economic studies (IEE).

The data of the employment rate varies depending on the source that analyzes. According to the Eurostat, the employment rate of the first quarter of 2013 is rated at a 59.3%, and according to EPA (survey of active population, of the National Institute of statistics) it is the 43.50% in the same period.

In 2012, employment has been reduced by - 4.58%, an improvement of two-tenths from the previous quarter, as shown in the chart that follows. It was published by the NSI, in April 2013, on the evolution of the total number of employed people. The decline in employment practically affects all age groups, especially ranging from 25 to 29 years (69,000 unemployed).



Evolución del total de ocupados, en tasa anual



If we analyze the employment rate, which according to EPA in April 2013, it is situated at 43.50%, and if we break it down by age groups, we have the following breakdown with data relating to the first quarter of 2013.

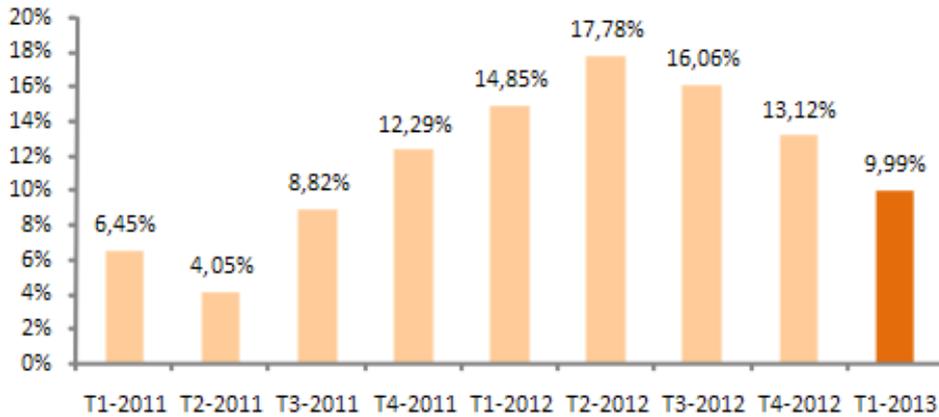
Age	Employment rate (1st quarter 2013)
From 20 a 24 years	27,60%
From 25 a 54 years	64,70%
From 55 years and older	17,90%
Total	43,50%

THE UNEMPLOYED IN SPAIN

The unemployment increased by 237.400 people in the first quarter of 2013, and stood at 6.202.700 people. The unemployment rate stands at this moment at the 27.16%. As far as gender is concerned, the composition of unemployment observed since 2008 has remained, with relatively short distance between the male and female rates and the unemployed men rates more than the women.

In terms of the annual evolution, the rate of increase in unemployment (9.99%) is moderated on the of quarter in more than three points, as indicated in the following chart of the NSI.

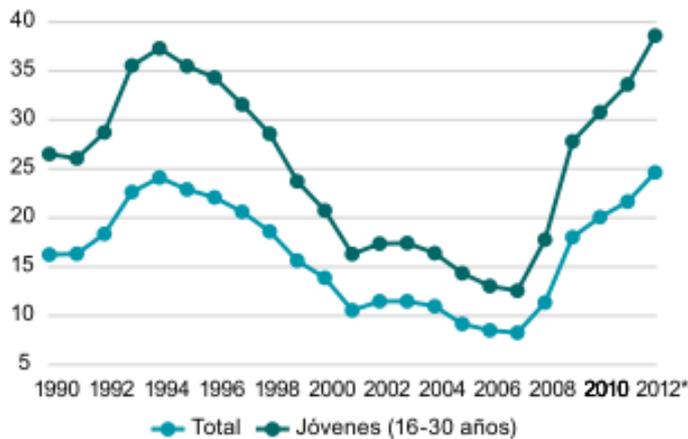
Evolución del total de parados, en tasa anual



Despite the fact that the crisis has strongly affected the Spanish labour market, the consequences for young people have been still greater as shown in the chart that follows. The sensitivity of youth unemployment to the economic cycle is much higher than that observed for the whole population.

In 2012 the unemployment rate of young people from 16 to 30 years of age stood at 38.6% against the 24.6% of the total population.

Gráfico 1. Evolución de la tasa de paro. 1990-2012



If we analyze the situation of unemployment by age, it is essential to highlight that Spain is situated at the top of the youth unemployment rate in Europe, more than doubling the average of 27% (23.2%). In addition, it puts at risk the future of a generation, as The International Labour Organization (ILO) repeatedly warns.

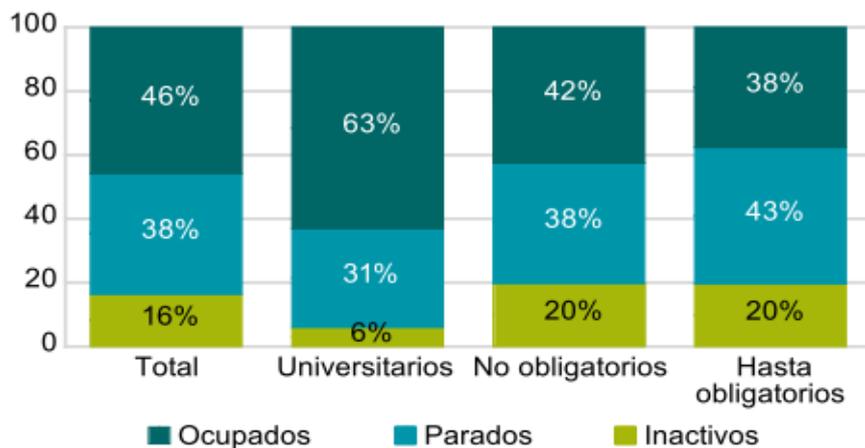
The unemployment rate of young people under 25 years in Spain has been multiplied by three since 2007, reaching figures of the 53.2%. This is the second highest in the European Union, only lagging behind Greece, according to the European statistics agency Eurostat. In the case of young people

between 25 and 29 years old, there are 880.800 of them who are unemployed, a 35.92% of its active population. Currently, 1 in 3 young acknowledges having abandoned the search because of the frustration of not finding a job.

THE EMPLOYMENT SITUATION OF GRADUATES

The level of training is one of the most important explanatory features of the employment situation of the population. As shown in the graph that follows, referenced to the 2011 data of the Spanish population, the proportion of employed youth varies depending on the level of studies. Thus, while one in six young people with University studies had a job, just four of every ten young people with the highest mandatory studies had work.

Gráfico 6. Situación laboral de la semana pasada por nivel de estudios alcanzado. España. 2011



Source: Observatory of labor insertion of the young 2011. Bancaja-Ivie (31/10/2012)

In relation to the educational level, it is observed that at higher educational level the higher employment. Among those who have completed their schooling, the 72% of young people with College studies were employed at the completion of this study, in 2011 (Observatory of labour inclusion of the 2011 youth. Bancaja - Ivie) while this percentage is reduced to 52% in the case of young people with compulsory studies.

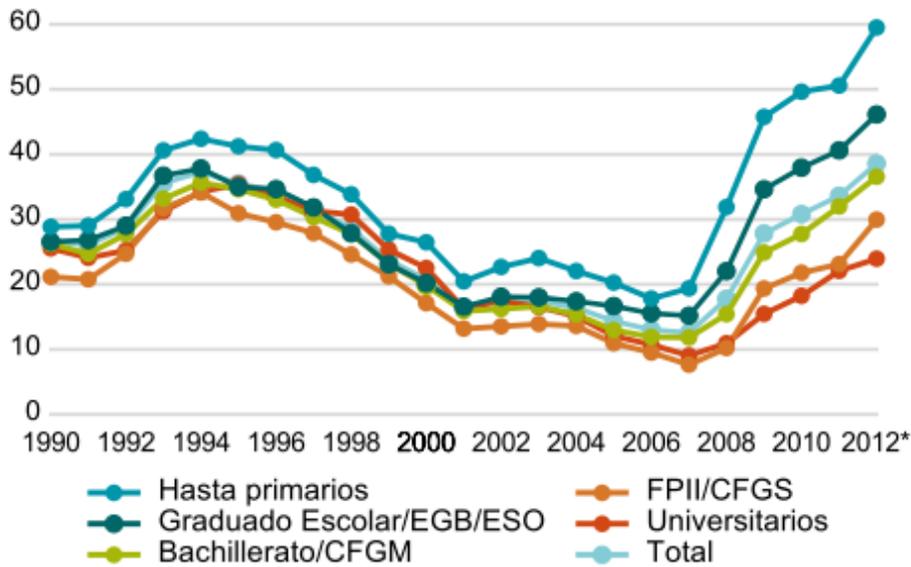
The pattern is repeated among young people remain in the education system: 27% of young people who attend university courses combine them with a job, against the 19 who are studying non-compulsory secondary studies while working.

THE UNEMPLOYMENT OF GRADUATES

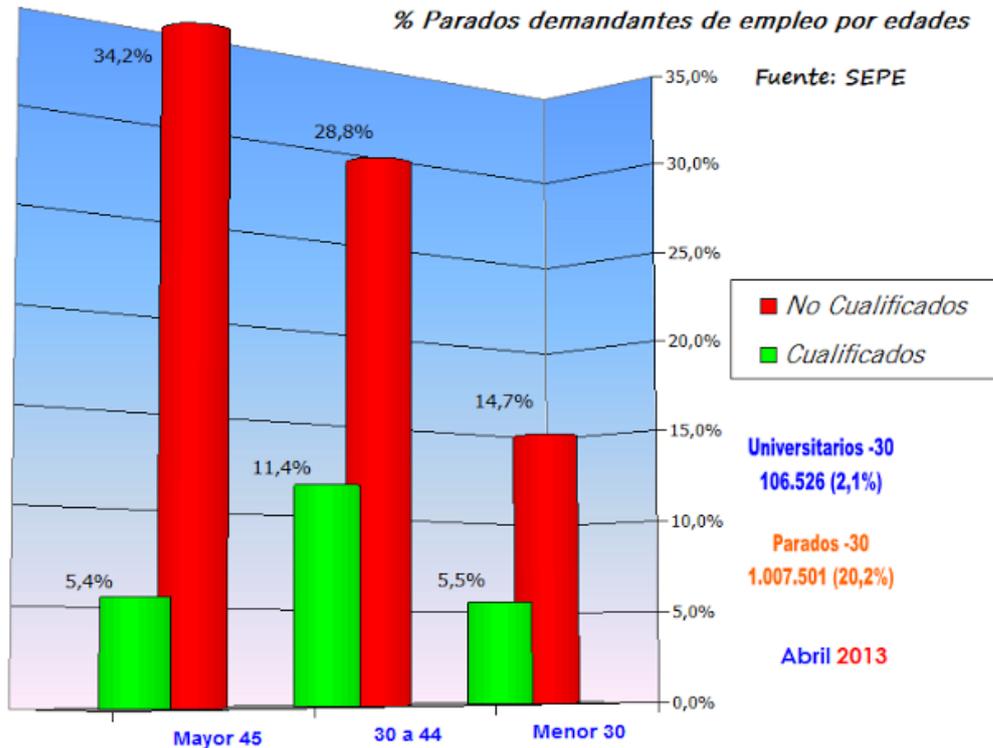
During the current economic crisis, juvenile unemployment has grown more strongly among young people who do not have university studies, as shown in the chart that follows. Thus in early 2011 the unemployment of the young university students was similar to the graduate in vocational training II

which is the educational level traditionally presented the lowest level of unemployment and in 2012 are young university students who have the lowest rate of unemployment (23.9%).

Gráfico 2. Evolución de la tasa de paro por nivel de estudios. Jóvenes de 16 a 30 años. 1990-2012



With the updated data in April 2013, and if we compare the unemployment rate by age, and with college groups, we observe that the higher the level of studies is, the lesser is the unemployment of young people, as shown below, with the data obtained from the SEPE (Public State Employment Service)



- Occupational mobility- total and youth, especially the young of higher education in the past 5 years

OCCUPATIONAL MOBILITY IN SPAIN

Spain is one of the three countries of the EU-15 with the highest rate of labour mobility, beaten only by France and United Kingdom, according to a study by Randstad conducted from 14,000 surveys in 32 countries during the first quarter of 2013. In a broader international context, labour mobility of Spain is situated below the average line that show countries like Australia, Norway and Japan.

In terms of geographic labour mobility, only in the year 2012, the number of Spaniards who chose to leave the country increased a 6.3% up to 1.9 million people, according to the statistical surveillance of the register of Spaniards resident abroad.

In regards to the population between 25 and 35 years, there are more than 300,000 young people who have left the country since the crisis reached Spain in 2008, according to the National Federation of associations of consulting, services, offices and offices (FENAC).

As relevant data, one can conclude that more people left Spain than entered the country. This is a trend that, according to the National Institute of Statistics, will continue until 2020.

The economic and employment crisis is pushing young people to look for work in different sectors, as well as outside of Spain.

A study published by infojobs and Esade, on 09.05.2013, points out that there are certain sectors in Spain that are facilitating the entry to the labour market of young people without experience, specifically tourism and catering, retail and customer service.

Regarding the geographical mobility, 23% young people are trying to find jobs in Europe, mainly in Britain, Germany and Ireland, and more than 50% regard employment opportunities outside the continent, especially in the United States, Canada and South America.

The data in the report cited above, note that 40% of 25 to 29 year-olds are willing to change their place of residence for a job, while 47 would value this option depending on the conditions.

MOBILITY OF YOUNG PEOPLE WITH HIGHER EDUCATION

The solution to seek out new career opportunities is an option that has increasingly more followers among qualified professionals who want to continue to develop. The ESCP Europe business school gathered recently at a studio in June 2012, a figure which illustrates this trend: the 44% of students in graduate programs or masters' students find work outside their country of origin.

Labor mobility has always been the unfinished subject of the Spanish society which coupled with poor language skills are restrictive possibilities to find new and better career opportunities. The level of education plays a very important role, especially in a job market that is constantly evolving. The highest rates of mobility are among those who have university studies and the "studies", without being the lowest average degree of Professional Training graduates.

Currently, the profile of the expatriate Spanish corresponds to that of a young man aged 25 to 35, highly qualified and without dependents. However, the consulting firm Adecco highlights that this trend in 2013 is changing and that there is increasingly more cases of unemployed over 45 years of age with family who seek employment abroad, mostly from the construction sector, as well as recent graduates who want to take their first steps out of Spain.

- **Labour market changes during the crisis**

It has been 6 years since the Spanish economy marked its historical maximum of employment. In the third quarter of 2007, Spain employed more than 20.5 million people. So one can be place that third quarter of 2007 as the climax of the expansive phase of the economic cycle. From then on, the situation of the Spanish economy and the job market has been deteriorating until today.

The evolution of the Spanish labour market in these past 6 years can be analyzed through the evolution of the figures of unemployment and employment provided by the survey of population (LFS), discussed in previous paragraphs of this chapter. It is summarized below with data on the first quarter of 2013.

Record in the number of unemployed: the total number of unemployed people increases and reaches the figure of 6.202.700, an unprecedented new record in the history of Spain. The unemployment rate advanced to 27.16%, also an all-time high.

The employment falls to levels of 2002: the fall of activity returned to reduce the number of occupied up to the 16.634.700. This is the lowest figure since 2002.

The youth unemployment rate sets new highs: after the slight relief from the end of 2012, unemployment among young people has climbed back at the start of 2013 after the end of the Christmas campaign.

The long-term unemployed surpasses more than three million: the unemployed ones who have been more than one year without work move to the 51% of the total. In addition, experts warn that if measures are not taken quickly, labour exclusion will become social exclusion.

The self-employed also recede: the total number of self-employed persons, collective who had revealed himself as the only hope in the Spanish labour scene during the past 2012 has also finished by yielding to the challenge of unemployment.

Less public and private employment is expected in coming quarters not only because of the contraction of the economy and the public sector adjustment but also because of, although the economy should return to growth, and will do so sooner or later, the employment will not grow at the same pace as the economy, since Spain is directed towards a more intensive production model in capital and technology than in labor.