THE BASQUE ECONOMY ALSO GREW IN THE FOURTH QUARTER

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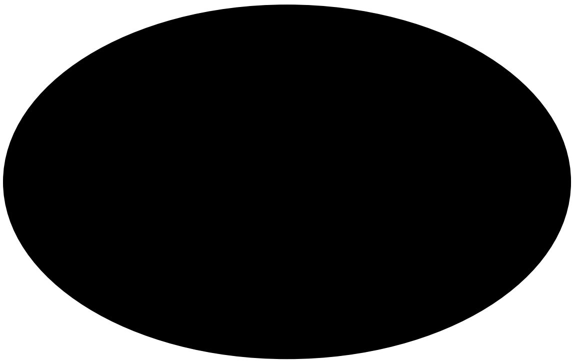

According to [quarterly short-term report] prepared by the Department of Treasury and Finance of the Basque Government, in the fourth quarter of 2014, the Basque economy intensified its growth rate until reaching the interannual variation rate at 1.9%, half a point above its previous value. With this, it chains four quarters of increasing increases, from 0.5% in the first quarter to the aforementioned figure at the end of the year.

Compared with the environment, the Basque GDP far exceeded the figure for the euro area (0.9%) and that of the European Union (1.3%), at the same time that it is one tenth below the rate set by the Spanish economy in the same quarter (2.0%).

On an annual average, **the Basque economy grew by 1.2% in 2014**, less than in other reference environments but leaving behind the sharp fall of the previous year (-1.7%) and correcting the differential that separated him from the main European references.

The good performance of the GDP has also been felt in the labor market, since the number of jobs increased by 1.0% in the fourth quarter. Despite this increase in employment, the unemployment rate remained at 14.5%, due to the increase in the number of people who have been encouraged to actively seek employment, given the improvement in economic expectations.

For its part, the strong reactivation of domestic demand did not put pressure on consumer prices, which, on the contrary, accentuated their decline to -0.2% in the last quarter of 2014. Furthermore, the data for January intensified to -1.0% the interannual rate of the CPI. These figures are conditioned by the sharp drop in oil prices on international markets, a process that appears to have ended in February.

Looking ahead to the coming quarters, the forecast of the Department of Treasury and Finance of the Basque Government points to a stabilization of GDP growth at rates slightly above 2.0%. Specifically, an increase of 2.3% is expected for 2015 as a whole. This growth will be based on the strength of domestic demand, with a small positive contribution from the external balance. There may still be problems in construction, but the rest of the sectors will show a dynamic profile. Job creation this year will be 1.6%.

update:

The regional Executive has today raised its forecast to 2.3% this year and "somewhat higher" for 2016. There had not been such high growth forecasts since 2007. The Government has revised upwards the forecasts for growth of the Basque economy for this year, from the previous 1.7% to 2.3%, a situation that will allow the unemployment rate to be reduced to 13.7%. The Government forecast a rise of 1.7% of GDP, although an upward revision was expected in line with what has been carried out in the Spanish economy -the Bank of Spain recently raised its calculations for the entire State to 2.8% .

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