

ICE

CONTENTS

NUM. 780
SEPTEMBER 1999

INFORMACION COMERCIAL ESPAÑOLA. REVISTA DE ECONOMIA

SPANISH EXTERNAL SECTOR

Enrique Verdeguer Puig 3 Introduction

Exchange Rate and Macroeconomics

José A. Alonso and Carlos 9 External Restraints and Convergence. The Case of Spain
Garcimartín

Miguel Carrera and 21 Intra-industrial Trade and Asymmetric Shocks: Implications for the
Ana Rosa Martínez European Monetary Union

Vicente Esteve, Juan Sapena and 35 Devaluation Expectations and Macroeconomic Variables:
Cecilio R. Tamarit Spanish Case History

Enrique Feás 49 Euro Exchange Rate and the Geographic Concentration of Spanish
Exports

Pedro Martínez Solano 63 Methodology for Measuring Economic Exposure to Exchange
Risk: A Review

Enrique Verdeguer Puig 81 Choosing an Exchange Rate Regime: Is «Dollarisation» the Solution?

Spanish External Sector

Juana Castillo and Andrés Picazo 89 Price and Quality of Spanish Textile Imports

J.M. Delgado; M. Ramírez 101 Spanish Companies' Foreign Investment Behaviour

and M. Espitia
Carmen Fillat 113 Exports and the Development of the Economy: The Case of Spain

ECONOMIC FORUM

Agustín Cañada 125 The New System of National Accounts (SEC-95) and Its
Implications for Analysis of the Trend of Economic Activity

Jordi Pons 143 Growth Projections for the Spanish Economy: An Appraisal

BOOK REVIEWS

155 Critiques, reviews

CONTENTS

163 Contents, abstracts

ALONSO RODRIGUEZ, José A. and GARCIMARTIN ALFEREZ, Carlos

External Restraints and Convergence. The Case of Spain

The purpose of the present article is to discuss to what extent the external restraint hypothesis as originally formulated by Thirlwall is compatible with the convergence process observed in developed economies in recent decades. The lack of consistency detected between the two phenomena prompted the authors to develop an analytical proposal that entails a modification of the traditional premises of Thirlwall's Law. Specifically, a further variable was included in the cash-balance equation to take account of the processes of structural change and improved supply-side composition and quality achieved in «following economies» as a result of the spillover and technological effort associated with convergence dynamics. Tested for the specific case of Spain, the model proved to be valid.

Key words: economic convergence, monetary theory of the balance of payments adjustments, elasticity of demand, external equilibrium, exports, imports, Spain

JEL Classification: F15, F43

CAÑADA MARTINEZ, Agustín

The New System of National Accounts (SEC-95) and Its Implications for Analysis of the Trend of Economic Activity

Most European countries, Spain among them, are presently adapting their national accounts to a new methodology, the «European System of National and Regional Accounts, 1995» (abbreviated as SEC-95). This system, the outcome of a joint effort on the part of European countries, intends to standardise macroeconomic measurements and make them more comparable within the European Union. The article highlights some of the novelties in SEC-95, setting the system against the backdrop of the variables and structure of the macroeconomic cadre, which constitutes a basic element for economic analysts and users of the national accounts in general.

Key words: economic analysis, conjunctural analysis, national accounting, macroeconomic magnitudes, economic methodology, Spain, EU.

JEL Classification: C82, E20

CARRERA TROYANO, Miguel and MARTINEZ CAÑETE, Ana Rosa

Intra- industrial Trade and Asymmetric Shocks: Implications for the European Monetary Union

This article attempts to ascertain whether there are significant differences in industrial specialisation among European Union members, considering both EMU and non-EMU

countries. Using standard methodology to estimate their respective levels of intra-industrial trade in manufactured goods, differences are identified in productive specialisation. The implication of this finding is that the euro exchange rate policy may potentially have spatially and sectorally asymmetric effects. To reduce the risk of such asymmetric shocks, it is suggested that countries specialising in goods of lower quality should undertake suitable product transformation to compete more in terms of horizontally differentiated goods than in price.

Key words: foreign trade relations, production specialization, manufactured products, bilateral trade, EU.

JEL Classification: F15, F33, F42

CASTILLO GIMENEZ, Juana and PICAZO TADEO, Andrés J.

Price and Quality of Spanish Textile Imports

The purpose of this paper is to study the relative price and quality levels of Spanish textile imports by geographic origin: to do so, the authors proceeded to calculate price translog indices to attribute the differences in unit value of import flows to the various quality levels of the products comprising them and to differences in price. The analysis was run for the period 1993-1997 using six-digit disaggregation of Combined Nomenclature and EUROSTAT data. The results show that there are considerable differences in the unit values of Spanish imports by origin, with the higher levels corresponding to European countries, compared to goods imported from China and other Asian countries. The lower unit value of Asian imports is primarily a reflection of their lower prices and, while quality levels are generally higher in goods from European countries, the differences in this regard are less significant.

Key words: imports, price index, industrial quality, textile products, Spain, 1993-1997

JEL Classification: C43, F14, L67

DELGADO GOMEZ, José Manuel; RAMIREZ ALESON, Marisa and ESPITIA ESCUER, Manuel A.

Spanish Companies' Foreign Investment Behaviour

The purpose of this paper is to analyse the existence of standard behaviour patterns among companies engaging in the same line of business, with regard to their internationalisation strategies. The sample is based on the Ministry of Economy and Finance data base of Spanish foreign investment in the years 1996 and 1997. Taking this sample as a point of departure, the authors study the relations between four key variables: industry in which the investor company engages, host sector, host geographic location and anticipated investment volume. The result of statistic analysis suggests that such patterns exist and eight different groups are identified in terms of sectors, host countries and investment volume.

Key words: investments abroad, space location, countries of origin, destination countries, Spain, 1996-1997

JEL Classification: F20

ESTEVE GARCIA, Vicente; SAPENA BOLUFER, Juan and TAMARIT ESCALONA, Cecilio R.

Devaluation Expectations and Macroeconomic Variables: Spanish Case History

Using figures on the Spanish economy for the years 1986-1997, this article analyses the impact of certain determining macroeconomic factors on the expectations for depreciation of the peseta with respect to the Deutsche mark, measured on the basis of the interest rate spread on securities denominated in the two currencies. VAR modelling estimates were computed in which variables are introduced into 1st differences if necessary to avoid estimation of spurious or unbalanced variable regressions.

Key words: exchange rate, devaluation, expectations, macroeconomic variables, Spain, 1986-1997

JEL Classification: E43, E52, F31

FEAS COSTILLA, Enrique

Euro Exchange Rate and the Geographic Concentration of Spanish Exports

Spain's participation in the European Economic and Monetary Union poses a series of relevant questions from the sectoral standpoint, since the only possible competitive advantage that can be gained over euro zone countries is based on price differentials. Moreover, although exchange rates may provide an avenue for achieving some competitive edge over countries outside the euro zone, such rates are no longer controlled within the dimensions of domestic policy. In the first part of the paper the author analyses the foreseeable mid-term evolution of the euro with respect to the main benchmark currency for international transactions, i.e., the dollar, in terms of the role that the new European currency is to play as a unit of account, medium of exchange and store of value. In the second part of the article average export figures for the period 1996-1998 are taken as the grounds for identifying the export sectors that concentrate their sales in the dollar or the euro area of influence, respectively, making them more or less vulnerable to changes in the euro-dollar exchange rate.

Key words: foreign trade, exports, spatial distribution, monetary union, euro, dollar, Spain, 1996-1998

JEL Classification: F14, F41

FILLAT CASTEJON, Carmen

Exports and the Development of the Economy: The Case of Spain

A review of international markets on the grounds of information available today and the use of econometric techniques reveals that a country's economic development tends to be mirrored by enhanced export competitiveness. The analysis discussed in this paper is based on a Michaely proposal, conducted with panel data for a broad sample of countries and years, to ascertain whether countries' export rates are indicative of greater or lesser development with respect to the point of departure and when deviations are normal in the international context and when they should be considered excessive. The pattern thus deduced was used to determine whether Spain's export performance is in keeping with its actual development status.

Key words: competitiveness, exports, economic development, trend, Spain, 1990-1996

JEL Classification: F14, O19

MARTINEZ SOLANO, Pedro

Methodology for Measuring Economic Exposure to Exchange Risk: A Review

Spanish companies' growing integration into world's economy makes their cash flows more and more sensitive to exchange rate fluctuations. This is what is known as «economic exposure». This paper analyses the notion of economic exposure to exchange risk and its components. It also presents a review of the existing literature on this subject and finally applies the concept to the Spanish Stock Exchange through the study of the effects that a series of selected exchange rates had on the performance of eighteen sectoral portfolios in the period 1991-1995.

Key words: exchange rate, asset pricing, foreign exchange risk, stock exchange, Spain, 1991-1995

JEL Classification: F31, M21

PONS NOVELL, Jordi

Growth Projections for the Spanish Economy: An Appraisal

Although there are extreme voices that sustain that economic forecasting is useless, the projection of a country's macro economic indicators is of unquestionable interest to indicate the path the economy will be taking in the future and, where appropriate, the need to adopt economic measures other than those originally envisaged. The purpose of the present paper is to review Ministry of Economy and Finance predictions on the growth of Spain's economy, studying the prediction errors made and comparing these forecasts with other

projections. In addition to the usual contrast methods discussed in the literature, this comparative analysis uses encompassing tests which make it possible to ascertain whether any one of a series of predictions for a given economic indicator contains information not included in the others.

Key words: economic analysis, economic forecasts, conjunctural analysis, macroeconomic magnitudes, Spain, 1983-1997

Classification JEL: C53, E17, E37

VERDEGUER PUIG, Enrique

Choosing an Exchange Rate Regime: Is «Dollarisation» the Solution?

The instability prevailing in emerging markets since mid-1997 has re-kindled the debate on the most suitable exchange rate regime for developing economies. This paper analyses the advantages and drawbacks to the various alternatives, not only from the theoretical standpoint but taking account as well of the most recent empirical evidence. The final paragraphs contain a review of the implications of introducing the dollar as the currency generally used for economic transactions, such as is in fact the case at this time in a number of Latin American economies.

Key words: exchange rate, devaluation, exchange rate policy, monetary correction, monetary integration.

JEL Classification: F31, F41.