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Foreign Policy

Spain Protests at Gibraltar's Ending of Fishing Agreement…
The Spanish government formally protested to London over Gibraltar's decision to cancel an agreement that enabled Spanish fishing boats to operate in waters near the UK overseas territory. Spain ceded the Rock to Britain under the 1713 Treaty of Utrecht but continues to claim sovereignty over it.

Madrid insists that Spaniards who fish in waters near the Rock are within their rights as long as they respect applicable Spanish and European norms. The government refuses to recognise the Gibraltarian government's authority beyond the bounds set forth in the Treaty of Utrecht. Spain says the accord limits British maritime control to the port of Gibraltar.

Gibraltar's change overturned a truce reached last month allowing Spaniards to operate in Gibraltarian waters until the end of 2012. This followed incidents involving Spain's paramilitary Civil Guard boats and those of the Royal Gibraltar Police.

… Steps Up Humanitarian Aid to Syrian Rebels
The government is to increase its humanitarian aid to rebels fighting to overthrow the Syrian regime from €400,000 to €1.4 million. Aid to Damascus was suspended in March after the government of Bashar al-Assad intensified its repression of the civilian population.

Margallo, First EU Foreign Minister to Meet the New Egyptian President
José Manuel García-Margallo, the Foreign Minister, pledged Spain's support to help Egypt recover the wealth taken out of the country by Hosni Mubarak, the former dictator, and his supporters.

García-Margallo's meeting with the Islamist president, Mohamed Morsi, was the first by a EU foreign minister. The two sides also agreed to promote trade and investment.

The fugitive Egyptian business tycoon Hussein Salem, an ally of Mubarak, was arrested in Spain earlier this year and is awaiting extradition after a Cairo court sentenced him to 15 years in prison for his involvement in an allegedly shady gas deal with Israel.

Domestic Scene

Catalonia Ups the Pressure for Independence
Hundreds of thousands of people took part in Catalonia's national day, or *Diada,* this month and turned it into the largest ever rally in favour of the region's independence. The region generates one-fifth of Spain's GDP and exports and has a population of 7.5 million.

The Catalan government has long complained of the disproportionate share of its wealth it transfers to the central government in Madrid in relation to the funding it receives under the quasi-federal system developed after the end of the Franco dictatorship in 1975. This arrangement, it says, has increasingly pushed it into debt, and more so in the current crisis. As a proportion of its GDP, the Catalan government's debt is the highest among the 17 regions (see Figure 1).

Figure 1. Regional Debts (% of regional GDP), 2012 (1)

Region	% of GDP
Andalusia	10.7
Aragón	11.1
Asturias	9.8
Balearic Islands	17.5
Basque Country	10.8
Canary Islands	9.3
Cantabria	11.0
Castilla y León	10.3
Castilla-La Mancha	18.0
Catalonia	22.0
Extremadura	11.8
Galicia	13.3
La Rioja	12.4
Madrid	9.1
Murcia	11.7
Navarre	15.6
Valencia	20.8
Combined debt	14.2

(1) June.
Source: INE.

Catalonia is pressing for a system similar to that enjoyed by the Basque Country and adjoining Navarre, which collect and keep more of their own taxes. It transfers to Madrid up to 10 times more than the Basques on a per-capita basis. If it does not get the same system, the pressure for outright independence will intensify.

In August, after it was shut out of the international markets, Catalonia, ruled by the nationalist centre-right Convergence and Union (CiU), requested a bailout from Madrid of €5 billion from its yet to be activated €18 billion rescue fund, claiming it was owed that much in overpaid taxes.

Catalan officials warned of 'very big problems' in meeting payments if the emergency credit was not quickly granted. Some front line services in Catalonia have already been cut back.

Valencia and Murcia, run by the Popular Party, which governs at the national level, have requested aid of €3 billion and €300 million, respectively, and Andalusia, the fiefdom of the Socialists, said it would seek €2.4 billion. Only three regions have ruled out seeking emergency credits.

Cristóbal Montoro, Spain's Finance Minister, said rescue funds would only come in return for greater central control. He had a tense meeting with the 17 regional governments on spending curbs, which saw representatives from Andalucía, the most populous region, storm out.

Artur Mas, the Catalan Premier, said the time had come to give Catalonia 'state structures' as devolution was no longer enough. 'Spain made its transition and now it is our turn'. He called for Catalans to be consulted on independence in a referendum.

Polls this year showed, for the first time, a majority of Catalans in favour of independence.

Madrid Beats Barcelona for Europe's Largest Gambling Mecca
Sheldon Adelson, the world's 14th richest billionaire, is to build a controversial Las Vegas-style casino and entertainment complex in the region of Madrid, which will create tens of thousands of construction jobs for a sector whose collapse four years ago is mainly responsible for Spain's 25% unemployment rate.

However, Las Vegas Sands, of which Adelson is Chairman and CEO, said it would only finance 35% of EuroVegas, leaving the Madrid regional government to fund the rest of the €18 billion project. Adelson also wants changes to some of Spain's laws, including the ban on smoking in public places, and a non-unionised workforce at the complex.

The plan is to build six casinos, 12 vast hotels (each with 3,000 rooms), seven theatres, golf courses, restaurants and a concert hall which, it is hoped, will be visited by more than 9 million people a year, half of them foreigners.

Barcelona was also in the running for the mega deal. Politicians in both regions fell over themselves to court Adelson. Not to be undone, the Catalan government announced plans for a €4.8 billion 'Barcelona World' resort beside the Port Aventura theme park.

EuroVegas will bring much needed employment, but it has provoked protests from a loose coalition of ecologists, some Catholic bishops and the *indignado* protest movement, with accusations that the project will fuel crime, money-laundering and prostitution. It also accentuates Spain's skewed economic model, excessively based on construction and tourism, whose collapse is the root cause of the country's crisis, particularly the very high jobless rate.

The casino empire of Adelson, one of main financial backers of the Republican presidential candidate, Mitt Romney, stretches from the US to Singapore and Macao.

The US Justice Department is investigating whether Las Vegas Sands broke federal law by failing to report millions of dollars of potentially laundered money transferred to its casinos by two gamblers.

Government Extends Unemployment Benefits for Long-term Unemployed…
The government, faced with the highest unemployment rate since 1994, extended benefits for those whose subsidies have run out, but tightened eligibility conditions and controls.

Stated unemployment continued to rise and reached a record rate of 25.1% (seasonally adjusted) at the end of July, more than double the EU level. Youth unemployment for those aged 16 to 25 is 53.3%. This staggering figure is often misunderstood to mean that half of young people are jobless, as opposed to being in education or not seeking work, which is not the case. At 23%, the 'real' unemployment rate for this age bracket – based on the methodology employed by all EU countries to calculate those without work, looking for it and not in education or another form of activity– is, however, high by international standards.

Even more worrying is the high level of those aged between 15 and 29 not in employment, education or training (known as NEETs) which in 2010 was 23.7%, almost eight points above the OECD average and seven points higher than in 2008, according to the OECD's 2012 Education at a Glance report published this month (see Figure 2).

These people form a 'lost generation' as not only are they unemployed but many are also poorly qualified. Experience shows that if young people are not on the job ladder by 24 they are likely to suffer the consequences for the rest of their lives.

Figure 2. Not in Employment, Education or Training (% of People Aged 16 to 29), Selected Countries

Country	(%)
Turkey	36.6
Israel	27.4
Spain	**23.7**
Italy	23.0
France	16.7
US	16.1
UK	15.9
OECD average	15.8
Germany	12.0

Source: Education at a Glance, 2012, OECD.

Unemployment subsidies last two years in Spain for those who have paid into the social security system for at least 12 months. The new benefit is between €400 and €450, depending on circumstances such as the number of children dependent on the wage earner and the income of all other members of the family.

One of the new conditions is that the unemployed seeking an extension of their benefit must prove they are actively looking for a job. Another one is that public administrations and non-profit making organisations can request the jobless to do work such as clearing up areas affected by forest fires, which this year have raged in many parts of the country.

Of the 5.7 million unemployed, more than 3 million receive some kind of subsidy. In 1.73 million households no one is working, at least officially. Spain's underground economy is estimated to account for one-fifth of GDP. The family network is also strong and acts as a cushion in times of crisis, though it is increasingly under strain given the magnitude of the four-year long recession (growth in 2011 was anaemic).

The number of social security contributors in August fell to 16.9 million, the lowest level since February 2004, from just over 17 million in July. The continued rise in unemployment (and hence in benefits) and the decline in the number of people paying into the social security system (lower revenues) is adding to the central government's difficulties in lowering the budget deficit to 6.3% of GDP. The government had to dip into the social security's reserves in August, for the first time, to pay pensions.

Unemployment rates vary considerably by region, accentuating the country's north-south divide (see Figure 3).

Figure 3. Unemployment by Region, June 2012 (%) (1)

Region	Unemployment (%)	Region	Unemployment (%)
Andalusia	33.9	Catalonia	21.9
Aragon	18.6	Extremadura	33.4
Asturias	21.0	Galicia	21.1
Balearic Islands	21.3	La Rioja	22.7
Basque Country	14.5	Madrid	18.6
Cantabria	17.4	Murcia	26.2
Canary Islands	33.1	Navarra	16.4
Castilla-La Mancha	28.7	Valencia	27.1
Castilla y León	19.7	Spain	24.6

(1) Not seasonally adjusted.
Source: INE.

… Restricts Free Health Care for Irregular Immigrants
Immigrants without residence permits lost their automatic right to free public healthcare as of 1 September as part of the government's austerity measures. It is estimated that the move, opposed by some doctors and regional governments, will affect around 150,000 people (mainly from non-EU countries).

Those immigrants without a health card –obtainable after obtaining a residency permit– can only use the health system if they pay €710 a year (€1,864 for those over the age of 65). Only the most urgent cases of those without the card will be able to seek treatment from the accident and emergency wards of hospitals.

The rights groups Medecins du Monde (Doctors of the World) and Amnesty International denounced the measure as a violation of basic rights.

Seven of Spain's 17 regional governments, including all those not run by the ruling Popular Party and the one in Galicia that is, said they would continue to provide free healthcare to immigrants in an irregular situation. Healthcare has been devolved to regional governments.

No Spanish University in Shanghai Top 200 Ranking
The ranking of Spain's universities in the list drawn up each year by Shanghai's Jiao Tong University remained virtually unchanged. Harvard remained top.

No Spanish university was in the top 200, two were in the top 300 (the Autonomous and Complutense in Madrid), four in the top 400 (Valencia, the Autonomous in Barcelona, the Polytechnic of Valencia and the University of the Basque Country) and four in the top 500 (Granada, Pompeu Fabra, Vigo and Zaragoza). Only the top 100 are classified with a score.

Until 2009 there was usually one Spanish university ranked between 150th and 200th place. The University of the Basque Country entered the list this year for the first time and the University of Valencia dropped from the 201-300 level to the next one (301-400).

Universities are ranked by several indicators of academic or research performance, including alumni and staff winning Nobel Prizes and Fields Medals, highly cited researchers, papers published in Nature and Science, papers indexed in major citation indices, and the per capita academic performance of an institution.

The Economy

Rajoy Ponders EU Bailout, European Commission Urges him to Make up his Mind

The European Central Bank's promise of 'unlimited' purchases of sovereign bonds increased the possibility that Mariano Rajoy, the Prime Minister, will request a full EU bailout after months of speculation and refusing to be drawn on the issue.

The enigmatic Rajoy conceded before the ECB's announcement of its 'bazooka' to save the euro zone that he had not ruled out a bailout. 'I will do what I consider to be in the general interest of Spaniards', he said.

Joaquín Almunia, the Commission's Vice-President, warned of the risks of not resolving the doubts over the bailout and of continued uncertainty.

For the first time, the ECB is effectively offering limitless help, making a bailout financially more attractive.

The ball is now in Rajoy's court as it is up to him to publicly ask for a rescue. Yet this could bring damaging political consequences for his Popular Party, elected last November on a pledge to avoid the fate of Greece, Portugal and Ireland. The leaders of the governments of these three countries at the time of their bailouts have all been removed since then via the ballot box.

Mario Draghi, the ECB's President, made it clear that aid would come with tough fiscal and structural reform conditions.

However, Christine Lagarde, the International Monetary Fund's Managing Director, said before Draghi's bold move that the Spanish government was already doing what the IMF, and hence probably the EU, would demand in return for a bailout programme. 'When we look at what Spain has already done and is committing to do, there is not much more that we would be asking from Spain if it was in a programme with the IMF', she said.

The government, however, would have to submit its economic programme to greater scrutiny and loss of sovereignty than that agreed in return for the €100 billion offered in June for troubled banks which is now being accessed. The monitoring missions of the IMF, the ECB and the European Commission have been politically poisonous in the other rescued countries.

The ECB's magic bullet idea has provided Rajoy with a breathing space. The mere announcement of the decision in early September lowered Spanish bond yields sharply but they then rose again (see Figure 4). The 10-year bond yield has dropped from around 7% in the middle of July to just over 6%.

Figure 4. 10-Year Government Bond Yields (%) and Spreads over Germany's Bunds (pp) (1)

	Yield (%) and Spread (PP) (1)	Yield (%) and Spread (pp) (2)
Germany	1.68	1.21
Greece	20.85 (+19.1)	25.09 (+23.87)
Italy	5.18 (+3.5)	6.14 (+4.93)
Portugal	8.32 (+6.6)	10.61 (+ 9.40)
Spain	**6.03 (+4.3)**	**6.80 (+5.59)**

(1) 17 September.
(2) 16 July.
Source: ThomsonReuters.

Meanwhile, public debt relative to GDP reached a new high of 75.9% of GDP at the end of June, more than double the pre-crisis level in 2007 but below the euro zone average of 88.2%.

The Madrid stock market has strongly rallied (see Figure 5).

Figure 5. Main Stock Market Indices (% change), 1 January-17 September 2012

Index	1 January-18 June	1 January-17 September
Ibex-35 Spain)	-23.9	-4.8
Dax (Frankfurt)	+5.9	+25.5
FTSE 100 (London)	-1.4	+5.7
Euro Stoxx 50	-6.9	+11.5
Dow Jones	+4.3	+10.9

Source: Markets.

The two main trade unions, the General Union of Workers (UGT) and the Workers' Commissions (CCOO), are calling for a referendum on the government's austerity measures and are threatening a 'hot autumn' if the government does not change course. The leaders of the two unions met King Juan Carlos for the first time in more than two years and asked him to mediate the issue with Rajoy.

Tens of thousands marched in Madrid on 15 September against austerity. The Socialist leadership has yet to endorse the referendum idea.

Bankia Receives €4.5 Billion Amid Further Reforms Including a 'Bad Bank' for Distressed Real Estate Assets

The state bank rescue fund, Frob, injected €4,5 billion into Bankia, the ailing bank nationalised in May, after it announced a first-half loss of €4.4 billion. The move coincided with Spain's fifth package of measures to reform the banking sector in three years.

Bankia, a merger of seven savings banks listed in the summer of 2011, was nationalised after it was forced to request €19.5 billion in new capital.

The government's new reforms, ahead of the arrival of €100 billion in EU rescue money by November at the latest and drawn up in consultation with the European Central Bank and the IMF, include:

- The setting up of a 'bad bank' so that lenders can set aside in a separate entity their repossessed properties. Banks are weighed down by the burden of €180 billion of bad property loans arising from the bursting of a decade-long housing bubble. This bank will last for between 10 and 15 years and the capital for it will come from the Frob. Shares in it might be sold to private investors.
- The government has the power to intervene a bank before it gets into problems and to liquidate it if deemed unviable.
- Holders of bank preference shares and subordinated debt will take losses before a bank can receive state aid. This is a controversial issue as thousands of small savers were sold savings products linked to these shares by banks that were then nationalised and feel they were conned. Investors will be offered the market value of the shares (much lower than their original value).

Luis de Guindos, the Finance Minister, hailed the package as 'the authentic reform'.

Economic Growth Weaker, IMF Forecasts Tougher Recession

The IMF downgraded its negative economic growth forecast for Spain for 2013 from 0.5% to 1.2%, deepening the country's recession (see Figure 6).

The move came before the government revised down its growth figures for 2010 and 2011. GDP shrank 0.3% in 2010, compared with an originally reported 0.1% drop in output, and the positive growth in 2011 was revised down to 0.4% from 0.7%, according to the National Statistics Institute. Apart from the anaemic growth in 2011, Spain will have been in recession for five years (since 2009).

Figure 6. IMF Forecasts for Spain, 2011-2017

	2011	2012	2013	2014	2015	2016	2017
Real GDP growth (%)	0.7 (1)	-1.7	-1.2	0.9	1.6	1.7	1.7
Unemployment rate (%)	21.7	24.9	24.7	24.3	23.3	22.1	20.5
Consumer price inflation (%)	3.1	2.1	2.2	1.2	1.4	1.4	1.4
Current account balance (% of GDP)	-3.5	-1.8	-0.6	0.1	0.9	1.5	2.1
Budget deficit (% of GDP)	-8.9	-6.3	-4.7	-3.6	-3.3	-2.6	-2.1
Public debt (% of GDP)	68.5	89.6	94.3	96.6	97.3	97.0	96.3

(1) Subsequently revised downward to 0.4% by Spain's National Statistics Institute.
Source: IMF.

The unemployment rate is forecast at more than 20% until 2017 and the current account will post a surplus as of 2014 (deficit of 10% in 2008) when the economy will start to grow again. Plummeting imports, stronger exports[1] and another bumper tourism year are turning around a current account whose deficit in 2007 was 10% of GDP.

The current account deficit in June (latest figure) was €257 million, down from €1.3 billion in the same month of 2011

[1] See the author's analysis 'The Little Known Story of Spain's Export Success, but How Long will it Last?', ARI nr 60/2012, 17/IX/2012, http://www.realinstitutoelcano.org/wps/portal/rielcano_eng/Content?WCM_GLOBAL_CONTEXT=/elcano/Elcano_in/Zonas_in/ARI60-2012.

Tourism Continues to Benefit from that Lost by Arab Countries due to Uprisings
Spain is set for another bumper tourism year, partly thanks to still receiving tourists diverted to the country by the uprisings in Arab countries.

A total of 33 million foreigners visited Spain in the first seven months of 2012, 3.3% more than in the same period of 2011. Last year the total number of tourists was 56.7 million, 7.6% more than in 2010. July was a record month, with 7.7 million tourists, 4.4% more than the same month of 2011.

Two out of three hotel rooms were occupied by foreigners compared with an almost equal split between Spaniards and foreigners when the economy was booming and Spaniards could afford to holiday abroad.

The sector generates 11% of GDP.

Spain Remains Stable in the World Economic Forum's Global Competitiveness Index
Spain remained in 36th place out of 144 countries in the World Economic Forum's global competitiveness index (see Figure 7), but with a slightly higher score (4.60 as against 4.54 in the 2011 index). In 2008, it was ranked 29th out of 134 countries,

Figure 7. Global Competitiveness Index 2012-2013, Selected Rankings (1)

1. Switzerland
2. Singapore
6. Germany
6. US
8. UK
21. France
29. China
36. Spain
42. Italy

(1) Out of 144 countries.
Source: World Economic Forum.

The rankings are based on criteria such as institutions, infrastructure, financial systems, flexible labour markets, economic stability, innovations and public services.

The WEF said Spain benefited from world-class transport infrastructure (10th) and one of the highest tertiary education enrolment rates (18th), but its competitive edge is 'hampered by macroeconomic imbalances' and its labour markets, while improving slightly, 'remain too rigid'.

The recent cuts in public research and innovation, together with the private sector's difficulties in obtaining funding for R&D activities, 'could continue to hold back the capacity of firms to innovate, which will be crucial to facilitate the economic transformation of the country'. The WEF ranked Spain 122nd in the classification of the ease with which loans can be obtained, well below last year (see Figure 8).

Figure 8. Spain's Competitiveness Ranking by Various Criteria

Criteria	Ranking out of 144 countries
Institutions	48
Infrastructure	10
Quality of train infrastructure	8
Macroeconomic environment	104
Control of budget deficit	135
Health and primary education	36
Life expectancy	7
Primary education	6
Higher education and vocational training	29
Secondary education	2
Business schools	4
Efficiency of goods market	55
Labour market	108
Flexibility of wages	129
Hiring and firing system	129
Productivity and remuneration	133
Financial system	82
Access to credit	122
Technology	26
Market size	14
Business development	32
Innovation	35

Source: World Economic Forum.

Short-selling of Shares Reinstated until 23 October

The National Securities Market Commission (CNMV) banned short-selling of shares as of 23 July for three months for the second time in less than a year in a bid to discourage speculative trading.

'Given extreme volatility in European stock markets that could disturb the orderly functioning of financial activity it is necessary to review stock markets' operations in order to ensure financial stability', the stock-market regulator said.

The ban, also reintroduced by Italy, followed volatile trading amid fears that Spain would need a full sovereign bailout. So far the country has only received rescue aid for the banking sector.

According to a recent study by the Federal Reserve Bank of New York, short-selling bans do not work.[2] The study was based on the impact of a ban in the US between 22 September and 8 October, 2008.

Car Stock 'Oldest in Europe'

One of the symbols of Spain's economic boom, which petered out in 2008, was owning the latest model of a car, if possible top of the range. Today, with the country in recession, the stock of cars will be the oldest in Europe at the end of 2012, according to the National Association of Motor Vehicle Sellers (Ganvam).

[2] Robert Battalio, Hamid Mehran & Paul Schultz 2012), 'Market Declines: What is Accomplished by Banning Short-Selling?', Federal Reserve Bank of New York, July.

Of the total 2.5 million cars forecast to be sold this year, 1.75 million will be second hand and by the end of 2012 45% of cars on Spain's roads will be more than 10 years old (39% in 2011 and 36% in 2010).

Commercial Property Market Close to Collapse
Only three commercial property transactions were recorded in the second quarter compared with 58 deals in the previous three months, according to Real Capital Analytics.

The total value of transactions for offices, shops and industrial property was €67 million, down from €260 million in the first quarter. For the first time Spanish property transactions were below those of neighbouring Portugal.

Corporate Scene

Santander and BBVA Hit by Provisions against Real Estate Loans
The first-half net profits of Banco Santander, Europe's largest bank by market value, fell by 51.3% year-on-year to €1.7 billion after it was forced to set aside €1.3 billion in provisions against real estate loans. The provisions left the second quarter profit at just €100 million for the second quarter.

The results showed the extent to which Spain's problems are hitting the banks' bottom line, despite robust earnings abroad, and belie the notion that retail banking is low risk.

The non-performing loan (NPL) ratio stood at almost 6%, 1.17 pp higher than a year earlier but still relatively low. NPL coverage was higher at 69%. The bank's total domestic real-estate exposure at the end of June was €1.8 billion lower at €28.3 billion. Santander has made 70% of the provisioning requirements forced on Spanish banks by the government.

The Santander branch network in Spain and Banesto, its domestic subsidiary, accounted for only 8% of profits compared to 36% in 2004 (see Figure 8). Latin America generated 50% of profits.

Figure 9. Geographic Distribution of Santander's Attributable Profit (% of total operating areas)

	2004	2012 (1)
Continental Europe	59	27
Santander branch network	25	6
Banesto	11	2
Santander Consumer Finance	9	9
Of which: Germany	5	5
Portugal	7	2
Poland (BZ WBK)	–	4
Latin America	41	50
Brazil	16	26
Mexico	9	12
Chile	6	6
Argentina	0	3
UK	–	13
US	–	10

(1) Attributable profit of the operating areas, first half.
Source: Santander.

Santander is to sell 24.9% of its Mexican subsidiary through a simultaneous sale of shares in Mexico and New York. The initial public offering is expected to raise up to €3.3 billion.

BBVA, Spain's second-largest bank, posted a first half profit of €1.5 billion, 35% lower. It set aside €1.3 billion to cover real estate losses.

Like Santander, BBVA continued to generate strong earnings abroad, particularly in Mexico and Turkey.

Spain is due to receive up to €100 billion in EU rescue aid for its banks, particularly the sickly savings banks. Neither BBVA nor Santander require aid, according to an independent audit of the banking sector in June.

Repsol's Profit Drop Eased by Libyan Gains, Makes Big Gas Discovery in Peru
Repsol, the oil and gas conglomerate whose Argentine subsidiary YPF was nationalised earlier this year, reported a first half profit of €903 million, 14.6% lower than in the same period of 2011. The earnings exclude those at YPF.

The fall in profits was cushioned by Repsol's upstream division, which explores. Its income was boosted by the recovery in production in Libya, halted last year during the country's civil war.

In Peru, the company made a large natural gas discovery, estimated at between 1 and 2 trillion cubic feet, in block 57 of the Camisea fields. Repsol owns 53.84% of the block, and Brazil's Petrobras holds 46.16%.

Inditex's Founder Amancio Ortega, World's Third-Richest Person
The sharp rise in the shares of Inditex, the world's largest clothing retailer, this year has made Amancio Ortega, the main shareholder, the world's third-richest individual.

Ortega bumped Warren Buffett, Chairman of Berkshire Hathaway, from the third spot in the Bloomberg Billionaires Index at one point in August (see Figure 10). Since reporting in early June a 30% rise in first-quarter profits, Inditex's share price has risen from €65 to €90.

Figure 10. World's Five Richest Persons

	Net Worth (US$ bn)	Annual change (%)
1. Carlos Slim	74.2	20.4
2. Bill Gates	63.0	12.3
3. Amancio Ortega	46.6	32.2
4. Warren Buffett	45.7	6.8
5. Lawrence Ellison	39.5	19.8

Source: Bloomberg, 6 August, 2012.

Inditex's flagship store Zara has 1,323 branches outside of Spain.

Ferrovial Sells Stake in British Airport Operator
Ferrovial, the infrastructure company, sold 10.6% of BAA to Qatar Holding, the finance arm of the Gulf Arab state's sovereign wealth fund, for €607 million.

Ferrovial bought BAA, which owns Heathrow and other airports, in 2006 for €13.1 billion. Since then it has been forced, for reasons of competition, to sell Gatwick and Edinburgh airports and in July it lost its appeal against the sale of Stansted, leaving it with Southampton, Glasgow and Aberdeen airports.