

No improvement seen in Spain's employment, economic growth: central bank governor

MADRID, Nov. 21 (Xinhua) -- Improvements were not perceived regarding employment and economic growth in Spain, the governor of the Bank of Spain Luis Maria Linde said on Wednesday.

However, the competitiveness of the Spanish economy had improved in terms of labor costs and productivity, Linde said at the Senate Budget Commission.

The central bank governor defended the structural measures adopted by the government of Mariano Rajoy, but pointed out that due to their structural nature, the effects would not be seen in the short term.

He said on Tuesday that the Spanish economy would probably start recovering in 2013 if it meets its commitments such as the deficit target.

But he added that he could not rule out the possibility of Spain failing to meet its 2012 deficit target of 6.3 percent of GDP.

He said the process of fiscal consolidation was being carried out in very adverse economic circumstances, but if the measures adopted have positive consequences in the third quarter of the year, the deficit could fall.

The central bank governor encouraged the government to control pension expenditure to give credibility to the process of fiscal consolidation and warned that if pensions are adjusted according to inflation, the government must reduce spending on other items if they want to reduce the fiscal deficit.

The Spanish government has already said no decision has been taken in this regard but it is thought that if pensions are adjusted to meet the needs of inflation, the government will need to find an extra 5 billion euros (6.4 billion U.S. dollars).

This situation will worsen in the coming years, as 37 percent of the Spanish population will be above 65 years old in the next 50 years, according to data published by the Spanish National Institute of Statistics (INE) last Monday.