EXECUTIVE SUMMARY

1. Analysis of the situation of the City of Madrid

1.1. Economic environment and prospects

Monetary policies continue to be expansionary: the US Federal Reserve (Fed) has resorted to “Operation Twist” to reduce the “duration risk” of the long end of the bond curve. The European Central Bank (ECB) may also react with further stimuli but with more traditional measures (interest rate cuts). On the fiscal policy front, there is a growing divergence between the US and Europe. The “Obama Plan” to revive employment contrasts with the philosophy of austerity that has come to dominate in the eurozone.

These measures have been adopted in a context with increasing signs of global economic deceleration, confirmed by the poor growth figures for the second quarter of 2011. In the euro area, the macroeconomic picture is worrying, due to both the exhaustion of domestic demand and the strong deceleration of investment. By countries, the virtual stagnation of activity in Germany and France stands out. The strong correction in the leading indicators in August and September interrupts the positive trend of the actual data in July, and the business surveys put confidence at levels consistent with negative economic growth.

GDP growth in the euro area (year-on-year rate in %)

	2T10	3T10	4T10	1T11	2T11
PIB	**0.9**	**2.0**	**2.0**	**2.0**	**2.4**
Consumption	0.6	0.7	0.8	0.8	0.9
Private	0.4	0.7	1.0	1.1	0.9
Public	1.1	0.7	0.3	-0.1	0.8
GFCF	-5.0	-0.6	0.6	1.2	3.7
Stocks (1)	-0.1	0.6	0.4	0.5	0.5
Domestic demand (1)	**-0.4**	**1.3**	**1.4**	**1.6**	**1.6**
Exports	7.0	12.7	11.7	11.1	9.6
Imports	3.8	11.0	10.5	10.5	8.2
Foreing demand (1)	**1.3**	**0.8**	**0.6**	**0.4**	**0.7**

Source: INE:
(1) Contribution to YoY GDP growth

Spain's GDP growth decelerated between March and June (down 0.2% QoQ and 0.7% YoY), again weighed down by domestic demand (with a relapse that takes the index back to levels of September 2010). In turn, the toughening of credit restrictions for the private sector, along with the fall in business confidence, is holding back investment decisions. Thus, investment in construction continues the persistent decline initiated in 2008 (with a cumulative fall of almost 17%), while business investment in capital goods begins to show signs of exhaustion (with a smaller quarterly increase than expected, at 0.3%) caused by the slowing of goods exports. The “surprise” has been the trend in private consumption, with quarterly growth of 0.6%, a by-product of the good performance of domestic tourist spending. Nevertheless, we cannot speak of a sustained recovery, and the outlook continues to be negative, in view of the poor prospects for the labour market.

With regard to the Madrid region, its GDP experienced YoY growth of 1.6%, supported by the services sector (up 1.9%). However, compared to the first quarter of the year, GDP has fallen by 0.6%, to a large extent due to the contraction in construction (down 3.2%), while industry stagnated (up 0.1%, in contrast with the recovery seen in the first quarter, when it grew 3%).

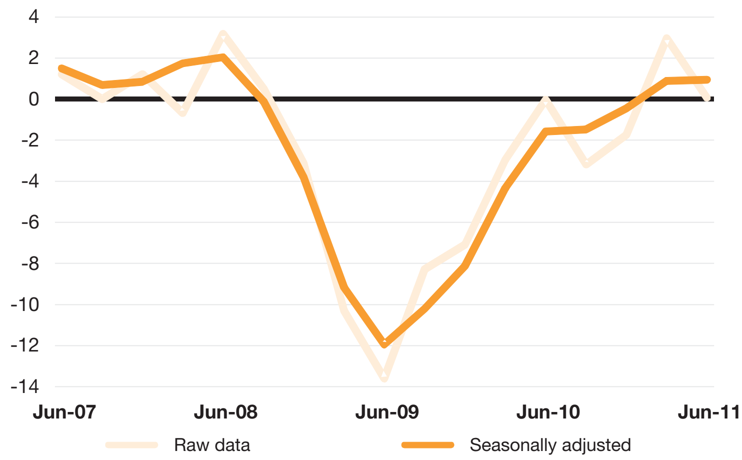
CEPREDE has maintained its GDP growth forecasts for Spain (0.8% in 2011 and 1% in 2012) at levels insufficient to bring about a recovery in employment. Growth would be driven by exports, although these would decline during the year. For the city of Madrid, the L.R. Klein Institute-Stone Centre forecasts point to YoY GDP growth in 2011 being 0.3 percentage points higher than the national average (1.1%), though the rate expected for the next years also slows

1.2. Production activities

INDUSTRY

In August, the Madrid region Industrial Production Index (IPI) rose at an annual average rate of 0.4% (a rate not seen since April 2008), a notable improvement with respect to the beginning of the year (with a fall of 3.9% in January), and in contrast to the contraction suffered by the national average (down 0.2% in August). By sector, the best performance was in capital equipment (7.3%), followed at a great distance by non-durable consumer goods (0.7%), while the deterioration in the durable goods and energy (down 12.2% and 6.6%, respectively) continues. On the other hand, the expectations for growth in the Madrid region industrial GVA were frustrated in the second quarter of 2011, with a YOY rise of only 0.1% in the gross data (as against the 3% of the first quarter). For now, the recovery in the IPI has not translated into an increase in employment in the sector, which recorded a fall of 4.3% in the second quarter.

Industry GVA in the Madrid Region (year-on-year rate in %)

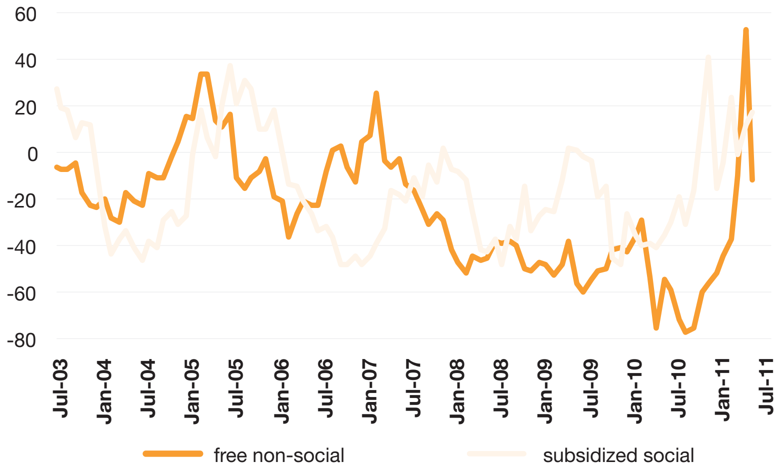


Source: Institute of Statistics of the Madrid Region (Quarterly Regional Accounts)

CONSTRUCTION AND THE REAL ESTATE MARKET

Social Security enrolment in the construction sector declined at a YoY rate of 10.1% in the second quarter of 2011, although the QoQ rate moderated its fall (down 1.6%, as against 2.1% in the previous quarter). By sub-sector, the sharpest decline was in civil engineering, down 23.2% year-on-year, a consequence of the collapse in public investment. Nevertheless, in the first seven months of 2011, residential activity has seen an increase of 6.5% in urban development licenses and 7.9% in new building permits granted by the districts. By housing types, from January to July social housing experienced the biggest rise with respect to the same period of 2010 (8.2%, compared with only 1.8% for non-social housing), expanding its share to 75.1% of all licenses granted. In contrast with the lethargy of new housing starts, permits for extensions and improvements rose by 272% between January and August with respect to 2010, showing the dynamism of refurbishment activity in the city of Madrid.

New housing construction licenses. Non-social and Social (annual average rate in %)



Source: Town planning and Housing Department Madrid City Council

SERVICES

Financial system

In the second quarter of 2011, the tight situation of the financial system in Madrid and by extension in Spain as a whole translated into stagnation in the concession of private credits, with a YoY fall of 0.1%. On the other hand, deposits, although they again declined (by 0.7%), have noticeably moderated their fall with respect to the first quarter (when the fall was 3.2%), and if this tendency continues it is possible that in the short term the annual average growth could move into positive figures. Consequently, the structural liquidity ratio for the Madrid region rose (to 71.6% in the second quarter, seven points above the Spanish average). On the other hand, mortgage lending in the region suffered another sharp decline, with a YoY fall for the second quarter of 38.4% in the number of mortgages and 45.7% in the amount lent.

In recent months, the worsening of the debt crisis of the peripheral countries and the generalised financial instability in the euro area have unleashed successive stock market falls. Thus, between June and August, the General Index of the Madrid market lost 17.3% of its value. There were even sharper falls in the main indices of the eurozone (20.7% for the DAX Index and 19.6% for the EuroStoxx), though less pronounced in other leading international indices (the S&P 500 was down 9.4%, the FTSE 100 9.9% and the Nikkei 7.6%).

Tourism

At this stage of the year 2011, the various indicators reflect the good health of the tourist sector in the city of Madrid. Between June and August, the number of visitors increased by 261,000 and overnight stays by 558,000 with respect to the same period of 2010. The bulk of these increases corresponded to foreign residents (who contributed 65.6% of the visitors and 73.8% of the overnight stays).

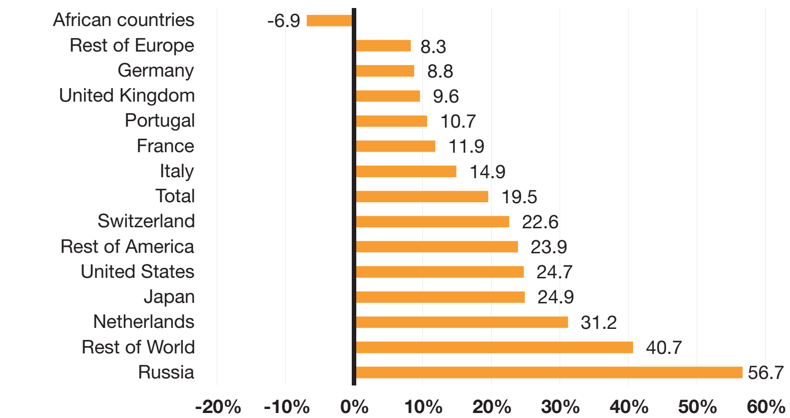
Main tourism indicators for the City of Madrid

	2010	2011			Change %	
		jun	jul	aug	10/09	11*/10
Tourists	**7,871,879**	**752,073**	**728,722**	**655,135**	**9.8%**	**13.9%**
domestic	4,023,172	349,720	338,796	299,806	5.9%	10.1%
foreign	3,848,707	402,353	389,926	355,329	14.4%	17.5%
Overnignt stays	**15,192,771**	**1,433,460**	**1.389,791**	**1,353,887**	**11.3%**	**15.4%**
domestic	6,926,264	571,513	554,087	533,127	7.4%	9.7%
foreign	8,266,507	861,947	835,704	820,760	14.8%	19.5%
Average stay	**1.93**	**1.91**	**1.91**	**2.07**	**1.3%**	**1.3%**
domestic	1.72	1.63	1.64	1.78	1.4%	-0.3%
foreign	2.15	2.14	2.14	2.31	0.4%	1.8%
Occupancy rate per place available	**54.4**	**59.7**	**56.1**	**56.1**	**8.3%**	**9.8%**

*** Accumulated June-August 2011**
Source: Hotel Occupancy Survey (EOH). INE

Disregarding the one-off impact of the World Youth Day celebrated in Madrid (August saw a YoY rise of 28.6% in overnight stays), the rise in the city's tourist flows is explained by Madrid's consolidation as a national tourist destiny, together with the strength of foreign source markets, with strong growth in non-EU markets (which provided three quarters of the increase in overnight stays by foreigners). Hence, the recent symptoms of global economic instability, particularly in the eurozone, may signify a downward trend in the tourist market in the coming months.

Foreigners´ hotel nights in City of Madrid hotels (accumulated June-August year-on-year rate in %)



Source: Hotel Occupancy Survey (EOH). INE

Transport

During the first eight months from the year, passenger traffic in the Madrid-Barajas airport increased by only 0.2% compared to the same period of 2010. The good performance of international traffic continues to offset the decline in domestic traffic. Between January and August 2011, the number of passengers on international flights rose to 21.8 million, i.e. more than one million up on the previous year, for a YoY increase of 5.5%. The good performance of tourism, both in the city and in Spain as a whole, due particularly to the rise of new non-EU source markets, has been the main motor of the recovery and subsequent growth of air traffic in recent months and, consequently, the international airport's dependence on tourism has increased. Air freight recorded a further increase (7.4% year-on-year), similarly supported by external movements. In the field of urban transportation, the first six months of the year saw a YoY rise of 3.5% in passenger journeys on EMT's buses, compared with the modest 0.2% increase on the Metro. Similarly, the January-May 2011 data for local train services indicate a YoY rise of only 0.2%.

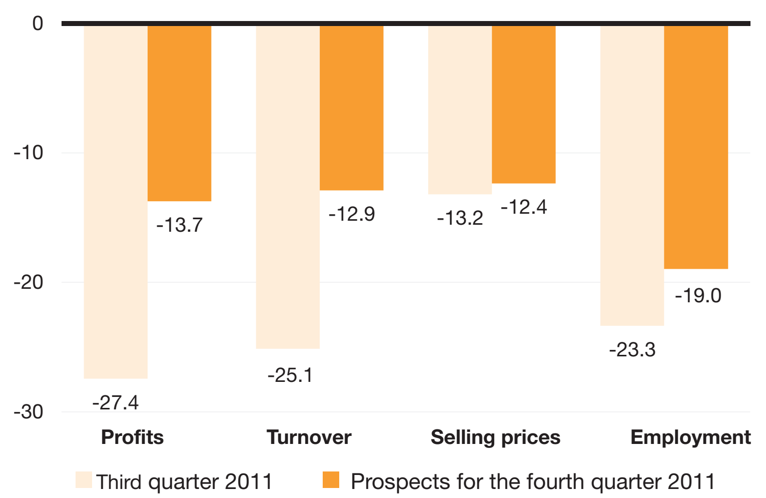
1.3. Business dynamic

Company start-ups in the city of Madrid stabilised in the two first quarters of the year. The annual average number of start-ups in June showed a YoY rise of 4.6%. Nevertheless, the rhythm of recovery has weakened and declines in the coming quarters cannot be ruled out. Moreover, by contrast, in the same period closures increased somewhat more, by 5.7%.

Excluding the impact of the creation of Bankia, which has distorted the trend in the annual average rate of capitalisation of companies in the city of Madrid (the figures for March to June were steady at around €1.4 million per new company), in the second quarter the capitalisation figure of total new companies in Madrid returned to normal (€244 million, very far from the €12.7 billion of the first quarter, but 11.9% more than the second quarter of 2010). As for the levels of contributions to the Social Security, the most positive fact was that the change in the second quarter of 2011 was no longer negative (the previous positive variation goes back to the second quarter of 2006), although the rise was barely perceptible, at 0.1%.

By contrast, the city of Madrid's business climate indicator deteriorated in the third quarter of 2011, to -16.2, almost five points below the previous quarter. By sectors, the most adverse figures came from construction, followed by industry, with -39.7 and -29.4 respectively, compared with -11.4 for the services sector. With respect to the economic variables considered, the worst scores are in the sections on profits, turnover and employment, all below twenty points, evidence that perceptions in the third quarter have declined even more than predicted. The outlook for the fourth quarter is well into negative figures for the set of variables as a whole, though noticeably less adverse for profits and turnover, while sale prices and employment have barely changed.

Perception of the business climate. City of Madrid (Balance of opinion)



Source: Business Climate Survey prepared by the Economic Observatory, Economy and Employment Department. Madrid City Council

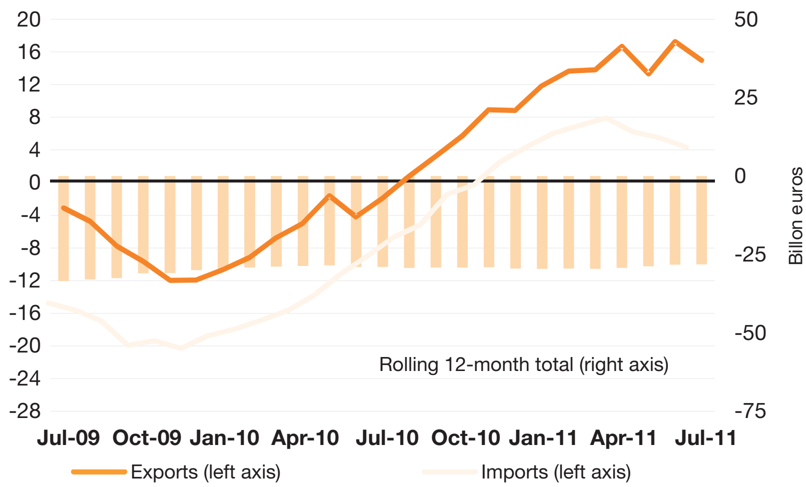
1.4. Demand

In the year to date, the deterioration of the retail trade in the Madrid region has been confirmed month by month. In July, the annual average decline in sales was 3.6%, three percentage points worse than the January figure. The poor outlook for consumption is also confirmed by the city of Madrid Consumer Confidence Index, which in the second quarter declined to 30.7 points, 5.2 less than last year. Similarly, the weak vehicle registration data in the first eight months of the year show the lethargy of durable goods consumption in the city, with a YoY fall of 26.6%. Nevertheless, employment in the retail trade maintained its trend towards recovery, with no change in July on a YoY basis.

A consistent improvement in productive investment can be observed in the Madrid region. The annual average growth rate of investment in capital equipment rose to 5.9% in July, compared with a decline of 0.4% in January, while in Spain as a whole it fell to 0.6%.

Meanwhile, exporting has become an increasingly common strategy among Madrid's businesses, as they seek to offset the decline in domestic consumption. Evidence of this is to be found in the YoY increase in exports, which has exceeded 10% in the first seven months of the year, higher than imports (up 4.8%); this has contributed to reduce the region's trade deficit. Nevertheless, the threat of a global recession, especially in the eurozone, may cut short the dynamism of Madrid's external sector in the coming months.

Foreign Trade of the Madrid Region (year-on-year rate in accumulated twelve months in %))



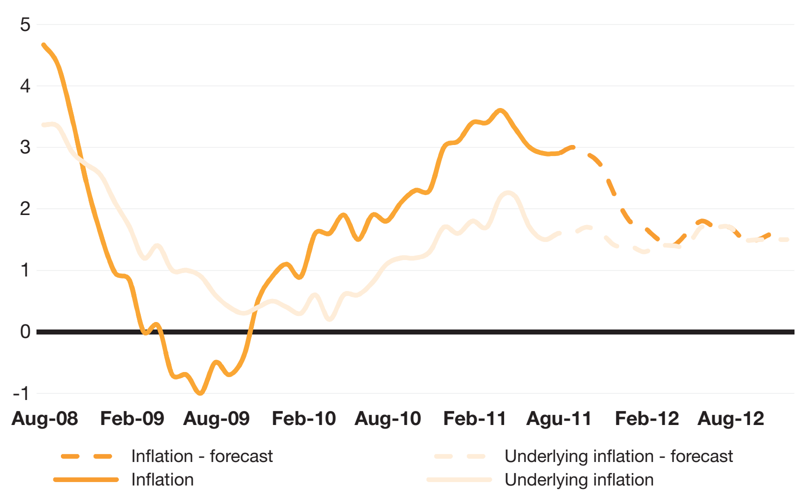
Source: ICEX

1.5. Prices and salaries

Between April and August, the YoY inflation rate declined by 0.7 pp in the Madrid region, falling below the 3% mark for the first time this year. This reduction was due to weak private consumption, the downward trend of the oil price in those months, and the fact that from August last year's VAT rise has fallen out of the YoY calculation. Nevertheless, the decline of the CPI has slowed in recent months and, if the forecasts (2.2% in the Madrid region by end year, according to the Flores Lemus Institute) are to be met, further substantial falls in oil and fuel prices will be required, as well as stability in the euro exchange rate.

In other categories, the Industrial Prices Index (IPRI) of the Madrid region increased by 1.7 points between April and July, putting the YoY rise at 6.3%. On the other hand, housing prices (by square meter) in the city, according to the data provided by TINSA for the second quarter of 2011, indicate new minima in the data series, with a YoY decline of 11.8%. Meanwhile, the labour cost by worker recorded a YoY rise of 1%, Madrid being the region with the highest cost (€342 above the Spanish average).

Headline and underlying CPI in the Madrid Region (year-on-year rate in %)

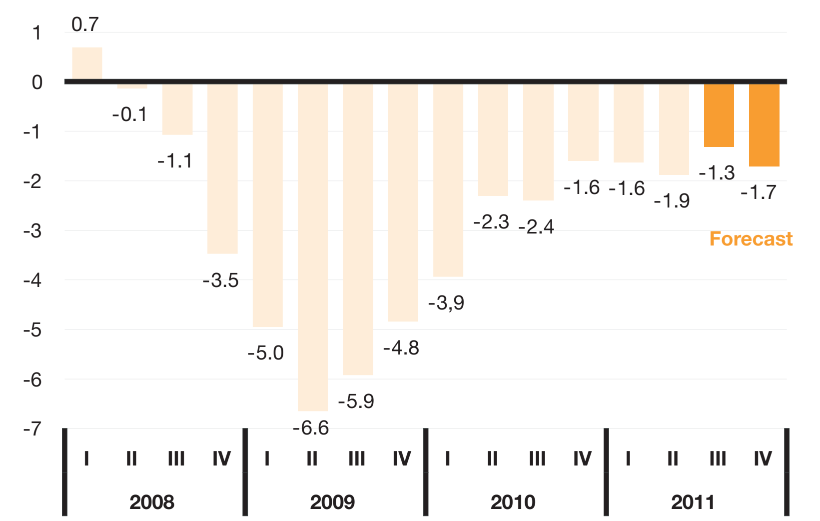


NB: The dotted lines show forecasts
Source: INE and IFL

1.6. Labour market

The second quarter of 2011 brought a further deterioration in the city of Madrid's labour market. The labour force increased by 9,500 during the second quarter of 2011, interrupting the consecutive declines of the previous four quarters. Women led the increase with a rise of 15,500, compared with a decline of 6,400 for men. Nevertheless, this traditionally positive quarter for employment has not offset the falls of previous quarters, and the YoY variation remains negative (down 3.3%).

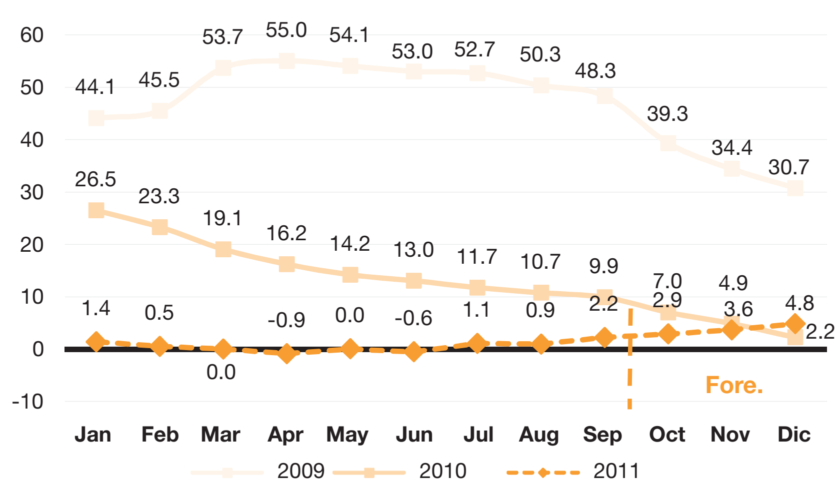
Quarterly forecast for enrolment in the City of Madrid (year-on-year rate)



Forecast: 2Q and 3Q 2011
Source: Statistics Dept., Madrid city Council Social Security Treasury and Afi

Compared to the second quarter of last year, the city lost almost 32,000 jobs (a 2.2% fall on a YoY basis). By types of employment, the decline in employment is particularly worrying among non-wage-earners, with a YoY fall of 11%, while for wage earners it was 1.4%. By economic sector, job losses were more severe in industry, with a fall of 8.3%, compared with 3.8% in construction and 1.7% in services). With respect to Social Security enrolment figures for the city of Madrid, August, traditionally a poor month for employment, saw a new low, with a YoY decline of 1.3% in the June to August period. The

Monthly forecast of registered unemployment in the City of Madrid (year-on-year rate in %)



Forecast: October-December 2011
Source: Statistics Dept., Madrid city Council. State Employment Service and Afi

enrolment forecasts for the second half of the year point to continued declines, indicating the difficulty of a recovery in employment in the city of Madrid, although the decline is noticeably more moderate in comparison with preceding years.

A positive note is struck by the 25,200 fall in unemployment in the last twelve months, as measured by the EPA. This decline was concentrated in the male population (down 16,500). Nevertheless, according to the State Employment Service, the city's registered unemployment increased by 1.0% between June and September with respect to the same period of 2010, with unemployment in the city rising to 225,000 people in September (7,000 more than in June).

The rebound of unemployment in September, stronger than expected, cut short the expectations for a moderate descent of the YoY rise in unemployment in the final months of the year. Hence, the YoY rate of increase in unemployment is expected to rise gradually, reaching 4.8% in December, almost four points more than in August.

2. Business attraction pole

TRENDS IN ENTREPRENEURIAL ACTIVITY IN MADRID

Introduction

The City of Madrid's economic future is closely linked to the dynamism of its entrepreneurs

Entrepreneurs are a key element in the City of Madrid's development and economic growth, due as much to their decisive contribution to the renewal of the City's businesses and to employment creation, as to their role in innovation and the exploration of new competitive advantages. Because of this, and especially in a situation of crisis like the present, the stimulus provided by entrepreneurial activity takes on a prominent role in revitalising the City of Madrid's economy.

Entrepreneurship is defined as a sustained effort, in which there is a succession of phases, from the appearance of the initial idea to the maturing of the project and its development into a business

This article aims to provide an in-depth analysis of entrepreneurial activity in the City of Madrid. To that end, it begins by situating entrepreneurial activity in the context of the City's business dynamism. The analysis deepens by looking at Madrid's positioning in the entrepreneurial activity index produced for the Global Entrepreneurship Monitor (GEM) project, at both national and international level. In the first section, it also evaluates the results of the City of Madrid's entrepreneurial activity in terms of company start-ups. The second section focuses on the Madrid's dynamism in the different economic sectors, in order to evaluate its willingness to take on new business projects. The third section analyses the characteristics of the City's entrepreneurs, from the economic and socio-demographic viewpoints. Finally, the fourth section identifies the different actors promoting entrepreneurial activity in the City, with special emphasis on the City Council's policies and instruments in support of entrepreneurial activity.

Trends in Madrid's entrepreneurial activity in the European and national contexts

Madrid's entrepreneurial capacity has contributed decisively to the City growing into the country's main business centre

The revival or growth of business in Madrid depends on the emergence and development of entrepreneurial initiatives. In this regard, the City's entrepreneurial capacity has contributed decisively to its emergence as the country's main business centre, accounting for 12% of total Social Security contributors and 83% of those in the Madrid region (according to data for the second quarter of 2011). This prominence has been reinforced in recent years. Two consecutive economic phases can be distinguished: in the first expansive phase, from 2004 to 2007, the increase in the number of contributors was slightly lower than the Spanish average (8.0%, as opposed to 10.5%); but in the second recessionary phase, from 2007 to 2010, the City's businesses have shown a greater resilience, with a noticeably less adverse trend than that of the country as a whole (a 2.5% decline, compared to 10.2%). Hence, the net result of the 2004-2010 period was positive for the City, with an increase of 5.6%, while Spain suffered a decline of 2.3%.

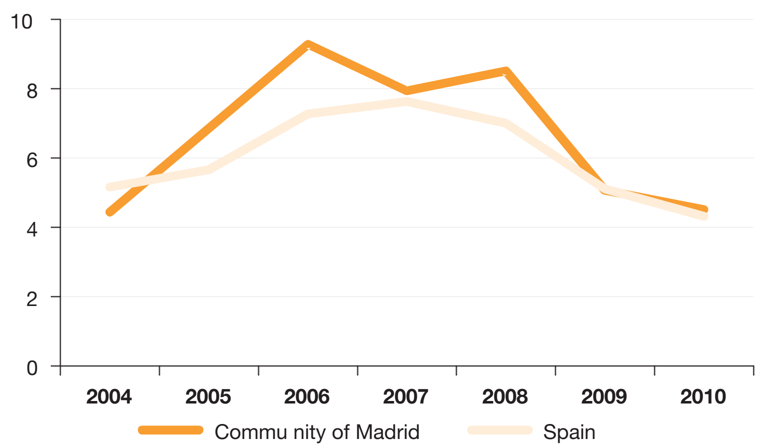
With respect to the dynamism of entrepreneurs themselves, the GEM Report provides a standardised and internationally proven methodology. The Total Early-Stage Entrepreneurial Activity (TEA) index for the City of Madrid is 4.6, meaning that 4.6% of the adult population has developed some business creation activity during the year 2010, whether incipient or new, equivalent to approximately 100,000 individuals.

The City of Madrid is the first national capital to develop the GEM project

If we compare the trend of the index with the national average, it can be seen that the Community of Madrid shows greater dynamism, with peaks in 2006 and 2008 (9.3 and 8.5, respectively). With the economic crisis, the fall was also more marked, losing 3.5 points in only a year (between 2008 and 2009), compared with 1.9 points for the Spanish average. Nevertheless, Madrid achieved second position in the 2010 GEM, behind only Castile and Leon, i.e. it surpasses other regions of great entrepreneurial importance (0.5 more than Catalonia and Andalusia, 0.7 above the Valencian region and as much as two points more than the Basque Country).

The Madrid region has been a leader in entrepreneurial activity in the country as a whole in recent years

Evolution of entrepreneurial activity (TEA) in the Madrid region vs. national average (% population aged 18-64)



Source: Global Entrepreneurship Monitor

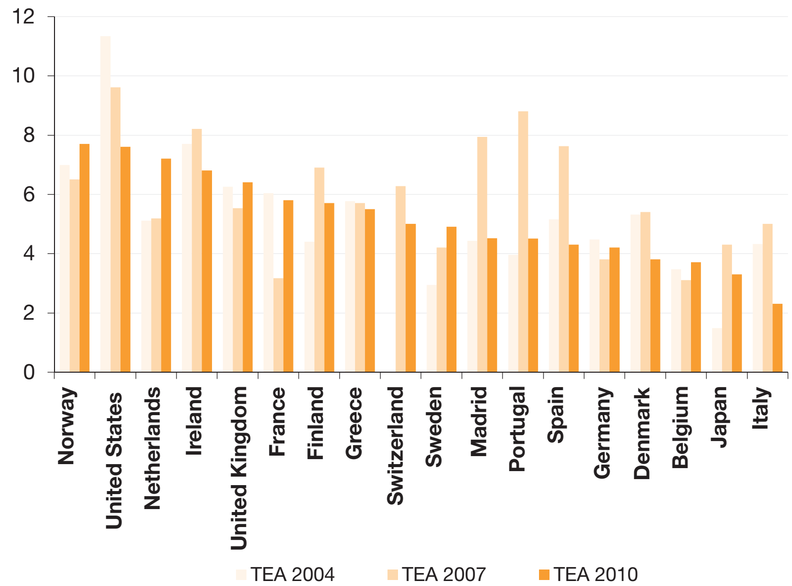
With regard to international comparisons, in the 2004-2007 period Madrid's TEA index increased by 79%, compared with 13.7% for the average of the main developed economies included. By contrast, between 2007 and 2010, Madrid's index fell by 43%, thirty points more than the average of the countries represented (down 13.1%), only exceeded by Italy, Portugal and Spain. Nevertheless, Madrid is among the economies that have increased their TEA scores in the 2004-2010 period overall and, despite the recent setback, it approaches the intermediate values of Switzerland, Sweden and Slovenia and exceeds highly developed countries such as Germany and Denmark.

At international level, during the years of economic growth, Madrid's entrepreneurial activity was noticeably higher than the average for developed countries, but equally the decline has been sharper in the years of recession

With regard to the trend and volume of entrepreneurial activity, the number of companies constituted is a valuable indicator of business creation in the City. The fall in the growth rate of company creation between 2007 and 2010 has been more moderate in the City than the Spanish average (37%, compared with 44.2%). In 2010, 10,606 new

Despite the economic crisis, entrepreneurial activity remains intense, as shown by the fact that each day approximately 30 new businesses are started in the City of Madrid

Entrepreneurial activity (TEA) (% population aged 18-64 of innovative countries in the GEM report)



Source: Global Entrepreneurship Monitor

companies were created in the City of Madrid, representing yearly growth of 6.6% (653 companies more than in 2009), and 5.5 points more than Spain as a whole (1.1%). This trend has permitted Madrid to consolidate its position in the creation of companies in Spain, increasing its share from 11.2% in 2005 to 13.3% in 2010. On the other hand, the gross entry rate (ratio of new businesses to total population) confirms the high density of entrepreneurial activity in Madrid. Moreover, if the net balance between 'births and deaths' of businesses is compared, expressed as the business turnover index, a noticeable increase can be seen in recent years, particularly from 2006. The turnover index in Madrid has almost quadrupled between 2006 and 2010, from 0.07 to 0.27).

The rate of turnover of businesses in the City of Madrid has tripled between 2006 and 2010

Economic sectors with greatest entrepreneurial potential in Madrid

The trend in self-employment reflects the rapid rise to dominance of the tertiary sector experienced by the economy of Madrid as a whole

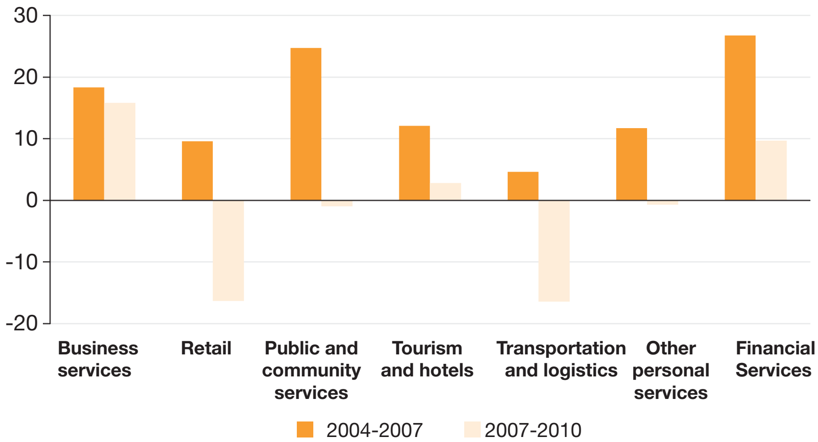
The renewal of the business fabric helps to strengthen the competitiveness of Madrid's economic activities and, consequently, the long-term development of the City. To identify the economic sectors most favourable to entrepreneurial activity and, hence, those with highest growth, the trends in Social Security enrolment of the self-employed have been analysed.

By sectors, in the first phase under consideration, 2004-2010, although construction recorded a stronger relative increase than services (32.3%, as opposed to 14.6%), it was the latter sector accounted for the bulk of the numerical increase in enrolments (80%, compared with 18.4% from construction). On the other hand, during the second phase (2007-2010), the decline in the services sector was noticeably milder (3.7%) than in the industry or construction (11.5% and 12.4% respectively).

In terms of sub-sectors, during the first phase of 2004-2007, all experienced positive growth, but especially financial services, public and community services and business services (26.7%, 24.7% and 18.3% respectively). In the second phase, only three sub-sectors experienced positive growth, most notably business services (15.8%), followed by financial services (9.7%) and the less conspicuous case of tourism and hotels (2.8%). With regard to the opposite trend, the largest falls occurred in transportation/logistics and retailing, with falls of 16.5% and 16.3% respectively.

Of the nine activities most favoured by the newly self-employed, seven belong to the services sector

Self-employment in services sub-sectors in the City of Madrid (in %)



Source: Statistics Dept., Madrid City Council EPA (INE)

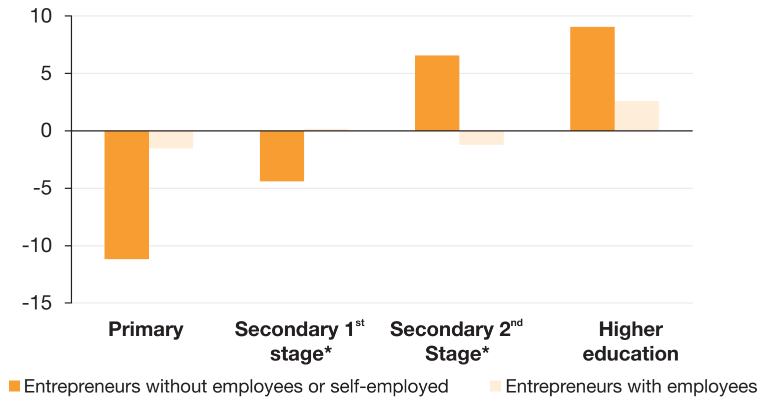
Profile of the Madrid entrepreneur

To analyse the profile of the typical entrepreneur, first the socio-demographic characteristics of the entrepreneur are analysed, using data provided the labour force survey (EPA). The majority of the entrepreneurs in the City of Madrid are male (65% in the second quarter of 2011). The predominance of men is more accentuated in the category of entrepreneurs with employees, at 73.4%, compared with 61% in the case of the self-employed. Nevertheless, in the City of Madrid between the second quarter of 2005 and 2010, the increase in the number of businesswomen was noticeably higher than that of the males (3,117 and 494, respectively), causing a decline in the ratio of men of 106 points (down from 382 in the second quarter of 2005). With regard to age, a majority of entrepreneurs, 66.3% of the City's total, are between 35 and 54, with only 11.5% between 16 and 34, and 22% are 55 and over. Within these categories, the youngest, between 16 and 34 years, are more strongly represented among the self-employed than among those with employees (15.5%, as opposed to 3.2%). As for education, more than half the City's entrepreneurs have completed higher education (52.1%), and the proportion with upper secondary studies or equivalent training exceeds those with only primary or lower secondary studies (25.4%, compared with 22.5%). The increase in qualifications in recent years has been phenomenal. Between the second quarter of 2005 and the same period of 2011, the proportion of entrepreneurs with higher education has increased by eight percentage points, and in comparison the percentage of those with only primary studies has fallen 8.5 points.

Despite the strong predominance of men, recent years have seen a greater relative growth in the number of businesswomen

In general, entrepreneurs in the City of Madrid typically have higher or medium-high educational qualifications, a result of the intense focus on education of recent years

Educational level of entrepreneurs in the City of Madrid (Change in percentage points 2Q11/2Q05)



***Including equivalent training.**
Source: EPA, Madrid Regional Government (Statistical Institute)

The 2010 GEM report provides valuable information about the City of Madrid's entrepreneurial community, notable for the predominance of males and of intermediate age groups (from 25 to 44 years), as well as a relatively high proportion of foreigners

The City of Madrid's participation in the 2010 GEM provides first-hand knowledge of the socio-economic characteristics of its entrepreneurs. With regard to the age structure, 3 out of 4 entrepreneurs are in the 25-34 and 35-44 groups (37.4% and 36.7% respectively). The higher proportion of foreigners among Madrid's entrepreneurs also stands out: they are responsible for 10.3% of the City's initiatives (compared with 6.2% in Spain as a whole). Educational level is a determining factor when starting a business. The proportion of entrepreneurs with higher education is almost triple that of those with only elementary studies.

The majority of those who become entrepreneurial in Madrid are seeking a business opportunity

With respect to the motivations that drive inhabitants of Madrid to become entrepreneurs, 75.9% are seeking a business opportunity, while the need for or lack of other employment alternatives motivated only 23% (2.4 points below the Spanish average). Another of the characteristics noted is the higher proportion of the 18-64 year-old population that considers itself competitive (33.1%, five points more than the Spanish average), synonymous with a greater potential for embarking on a new business and to creating a new company. Breaking down the two categories that make up the TEA index, the City's entrepreneurial activity is slightly more dependent on 'nascent' initiatives with less than three months of activity than on 'new' ones with between 3 and 42 months (2.4% and 2.2% of 18-64 year-olds respectively), which may point to a recovery in entrepreneurial activity.

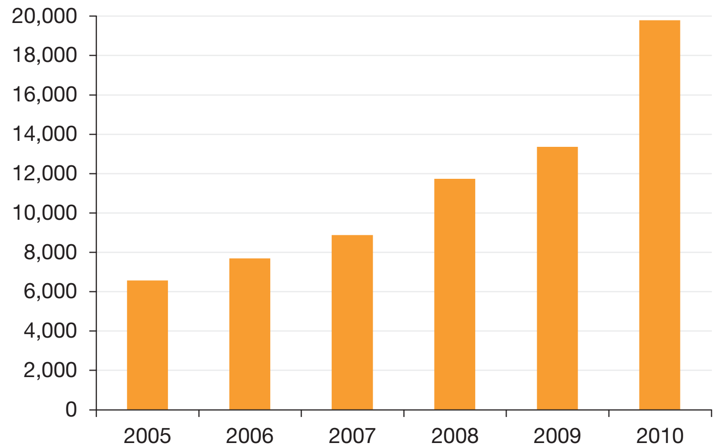
Support for entrepreneurs in the City of Madrid

The creation of a business is a demanding activity, and on many occasions the possibility of being able to count on external support helps the entrepreneur to make the right decisions and, ultimately, favours the success of the project. In this sense, the contribution of the different actors operating in the City of Madrid, from the public authorities and financial institutions to the business associations which participate in the process of planning, creating and launching a business, is necessary in order to make the most of the resources available and to complete and implement the entrepreneurial support policies.

The support for entrepreneurial activity has been consolidated as one of the pillars of the City Council's policies. In this regard, the Madrid Emprende Agency is responsible for business promotion, support for SMEs and the self-employed, and infrastructure for entrepreneurial activity business incubators , as well as promoting innovation and the internationalisation of businesses in Madrid. With regard to support for entrepreneurs in particular, the Madrid Emprende Agency promotes and publicises entrepreneurial culture, and offers a range of services and activities covering all aspects and phases relating to the launch of a business, from awareness, training and information for the entrepreneur, through advice and paperwork for entrepreneurial initiatives, to premises, supervision of business projects and the search for funding. The Agency's efforts have become increasingly significant in recent years, reaching almost 20,000 actions in support of the City's businessmen and entrepreneurs in 2010, a 48.4% increase over the previous year.

The 'Madrid Emprende' Economic Development Agency provides an integrated range of services in support of entrepreneurial activity, ranging from the basic objective of promoting a culture supportive of entrepreneurs to the creation of technical services and specialised premises for the incubation of business creation projects

Number of actions provided by the entrepreneur support services of Madrid Emprende



Source: Madrid Emprende. Department of Economy and Employment, Madrid City Council

3. Territorial balance

INTRA-URBAN IMBALANCES AND REBALANCING IN MADRID: 2011 DIAGNOSIS[1]

The so-called intra-urban imbalances are symptoms of malfunctions, maladjustments, injustices, dislocation, segregation, etc. that are considered undesirable. The diagnosis of these, though complex, permits an interpretation and appraisal of the situation and tendencies of the city, allowing stakeholders, agents and populations with interests in it to take positions and agitate for action. For this reason, such knowledge is "strategic" in nature. The present article proposes to follow the example of earlier studies, by providing a succinct study of the internal imbalances and rebalancing in the city of Madrid with this perspective in mind.

The periodic evaluation of spatial imbalances constitutes a useful contribution to cities' strategic knowledge

The conclusions reached here are based on a series of principles, widely accepted in our time and which have been discussed elsewhere[2], such as socio-spatial cohesion and integration, territorial efficiency and competitiveness, environmental sustainability, quality of life and welfare, socio-spatial equity and environmental justice. The intention of such appraisals is that they should serve to stir opinion and critical debate on an urban environment inhabited by more than three million people.

A series of aspects of Madrid, highly prominent from the viewpoint of the territorial imbalances and rebalancing, is reviewed, though they do not pretend to be exhaustive. To this end, some twenty indicators have been selected and calculated for the 21 municipal districts, whose relation or incidence on the principles or values mentioned above is shown in the adjoining table, and which have been subjected to a statistical, graphic, and cartographic processing. In the following sections, the most significant finds for each urban aspect will be synthesized through their corresponding indicators.

The population and its imbalances

With regard to demographics, groups with more potential for destabilisation as well as many moderate groups cause maladjustments, although the former demand attention to alleviate more serious malfunctions

Demographic trends affect the social fabric, the organization of urban life, and the potential for economic activity; moreover, it interacts with diverse structural elements of the territory, possibly causing more or less unbalanced states. The three indicators analysed refer to the composition by age and nationality that, for different reasons, can cause significant spatial concentrations in terms of cohesion, quality of life and /equity. With regard to the **proportion of young residents, from 0 to 19 years of age**, the differences between districts are small (coefficient of variation = 0.17), although they have increased somewhat over time. The

[1] Antonio Moreno Jiménez, Julio Vinuesa Angulo y Rosa Cañada Torrecilla. Universidad Autónoma de Madrid. We wish to highlight the valuable contribution of Pedro Martínez Suarez in the processing of data.
[2] See Moreno Jiménez, A. and Vinuesa Angulo, J. (2009): "Intra-metropolitan imbalances and rebalancing: principles of evaluation and methodology of analysis", *Ciudad y Territorio - Estudios Territoriales*, LXI, 160, p. 233-262.

Incidence of the indicators on the principles / criteria of appraisal of the intra-urban imbalances

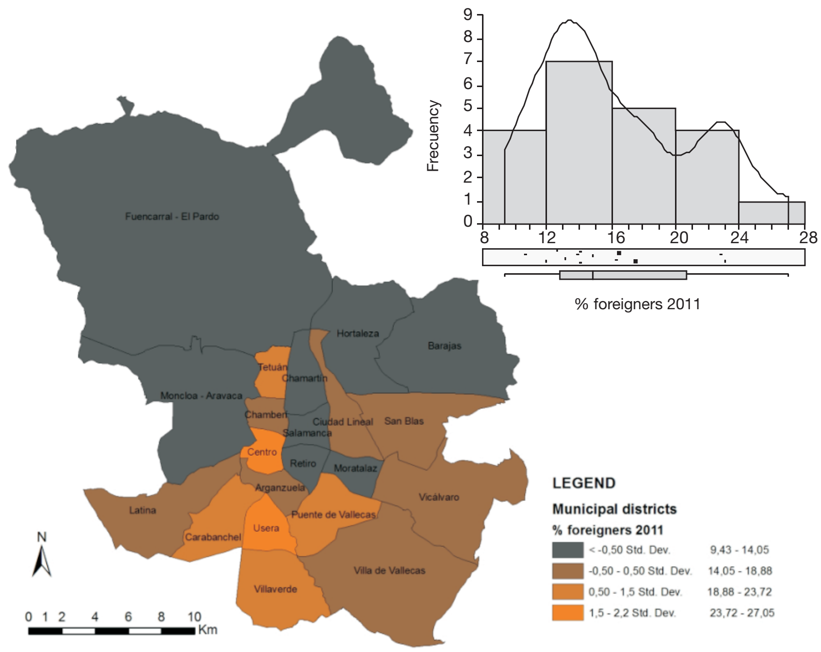
Dimension	Indicator	CI	EC	S	CV-B	ESE	JA
Population	Percentage of young persons aged 0-19 years	3	4	3	1	1	1
	Percentage of foreigners	4	3	3	1	2	1
	Percentage of population aged 80 or over	3	4	3	1	2	1
Socio-economic status	Gross disposable per capita income (€)	3	1	3	4	4	2
	Percentage of social security enrolments with university qualifications (General Social Security Régime)	3	4	3	4	2	1
	Percentage of population aged 30-59 with higher education	2	4	2	4	2	1
	Percentage of people with RMI with respect to total population	4	1	3	3	4	1
Economic activity	Percentage of population aged 16-64 in unemployment	2	4	3	4	2	1
	Percentage of unemployed youths (16-29 years) registered as job-seekers for over 12 months	2	4	3	4	2	1
	Percentage of social security enrolments in business services (General Social Security Régime)	2	4	3	2	1	1
Housing and building	Average price (€/sq. m.) of second-hand housing	3	4	3	4	3	1
	Average value per sq. m. of housing (in property register)	1	3	4	3	2	1
	Intensity of potential use of the housing stock (sq. m./hab.)	3	3	3	4	4	1
	Percentage of buildings with problems of upkeep	2	3	4	4	2	1
Transport and accessibility	Percentage of population close to EMT bus stops	3	4	4	3	3	1
	Percentage of population close to Metro stations	3	4	4	3	3	1
Environment	Annual average of atmospheric NO_2 (µg/m^3)	1	3	4	4	1	4
	Annual average of atmospheric O_3 (µg/m^3)	1	3	4	4	1	4
	Average of atmospheric PM_{10} (µg/m^3)	1	3	4	4	1	4
	Annual average of atmospheric SO_2 (µg/m^3)	1	3	4	4	1	4

Key to the columns: CI = Cohesion-integration, EC = Spatial-competitiveness efficiency, S = Sustainability, CV-B = Quality of life and welfare, ESE = Socio-spatial equity and JA = Environmental Justice
Level recorded: 1 = low 2 = medium-low, 3 = medium high, 4 = high
Source: Prepared by authors.

Spatial imbalances have to do with principles such as socio-spatial cohesion and integration, territorial efficiency and competitiveness, environmental sustainability, quality of life and welfare, socio-spatial equity and environmental justice

"youngest" Madrid is located in the arc formed by the city's southern and eastern peripheral districts. The results suggest the need for actions to avoid the centrifugal displacement of youths who have left the parental home. Analysis of the **older population (80 and over)** (5.83% in the capital) shows that the four central districts which amply exceed the average, compared with three southern and eastern peripheral districts, reflect a medium-low territorial divergence (coefficient of variation = 0.29). The numbers of old people in certain zones imply the need to intensify the response to specific health and welfare needs, and also suggests a certain lethargy in social life and a progressive deterioration of the housing stock. The **proportion of foreign population** has declined slightly in 2011 (to 16.93%), with respect to a few years earlier. Its territorial distribution is somewhat uneven (coefficient of variation = 0.30). The districts that are home to relatively more non-Spanish residents are Centre, Usera, Villaverde, Carabanchel and Tetuán (see map). Although no single explanatory factor is apparent, a medium level of spatial coincidence with lower socio-economic status can be verified (r between -0.49 and -0.63). This new demographic phenomenon has transformed the social fabric, it impacts on the economic structure and it may become the main factor of imbalances in Madrid in terms of social cohesion, economic efficiency and welfare.

Proportion of foreigners. Madrid 2011



Source: Prepared by the authors based on the Municipal Register of Inhabitants revised January 1, 2011. Board of Statistics Madrid City Council

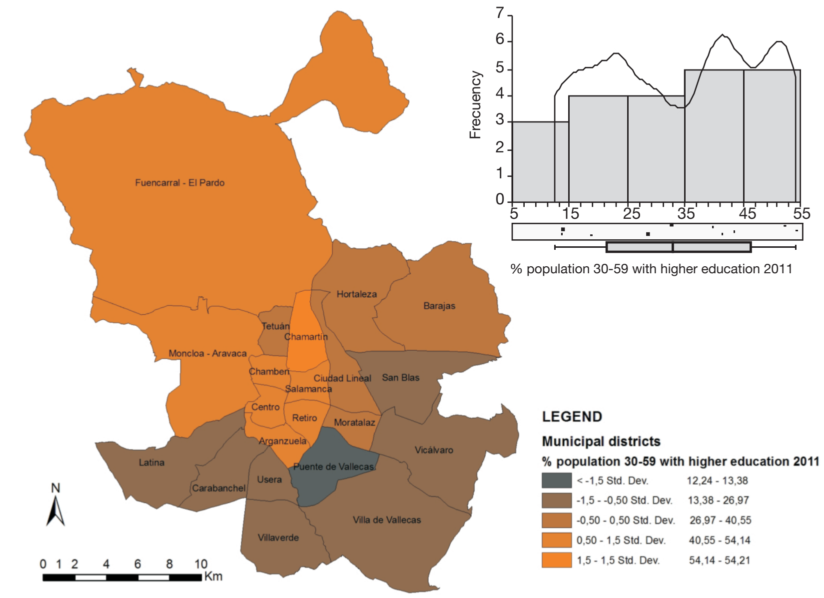
Intra-urban inequalities in socio-economic status

Socio-economic status, the result of a long historical inertia, continues to show contrasts of certain significance in some of the most sensitive indicators, which proactive public policies (e.g. in town planning or social work) alone can only aspire to correct gradually through affirmative action, as happens with the RMI

Four representative indicators of socio-economic status and of human capital, which often cause clear intra-urban differences and problems, have been analysed. In **per capita income** (for Madrid = €22,555 in 2008), the inequalities between districts turn out not to be excessive: coefficient of variation = 0.13, smaller than in 2000 (0.26), pointing to a reduction in economic-spatial differences. The **percentage of the population aged 30-59 with university studies or similar** (with an outstanding figure in Madrid = 32.6%) generates inequalities of average magnitude (coefficient of variation = 0.41). The map shows the dichotomy between the centre and the north-western periphery on the one hand, and the peripheral east/south/south-west arc on the other. This causes imbalances in competitiveness, quality of life and social cohesion. A variant of the previous indicator, **the highly qualified employed population** (percentage of enrolments in the social security general régime with a university qualification (groups 1 and 2), shows some quite similar characteristics and differences between districts.

Public sector activity in support of the most disadvantaged, represented by the **Minimum Integration Income** benefit (RMI), with 25.23 recipients per 10,000 inhabitants in 2010, has increased over time and discriminates much more in favour of the districts with low per capita income (correlation -0,8). This can only be valued positively in terms of cohesion, sustainability, quality of life-welfare and socio-spatial equity.

Adult population with higher education (%). Madrid 2011



Source: Prepared by the authors based on the Municipal Register of Inhabitants revised January 1, 2011. Board of Statistics Madrid City Council

Economic activity indicators

Three indicators seek to reflect significant spatial inequalities in basic aspects of the urban economy. From these, interpretations are possible with regard to economic efficiency, competitiveness and sustainability. The **estimated unemployment rate among the 16-64 year-old population** in Madrid (12.4%), lower than the national average, reflects a situation of relative homogeneity (coefficient of variation = 0.26), though the situation is worse in the southern half of the municipality. There are strong negative correlations between this indicator and those discussed above for high socio-economic status (< -0,94). **Chronic youth unemployment** (the proportion of youths of 16 to 29 years of age, officially unemployed for more than 12 months) reflects the structural nature of a problem that impacts on sustainability and is related to education. Its territorial distribution is quite balanced (coefficient of variation = 0.15), but the north-south dichotomy is repeated among the districts of Madrid. The notable percentage of **employment** (social security enrolment) **in the**

In economic activity, the contrasts are relatively modest: the effect on different groups of young people's difficulty in accessing the labour market is very egalitarian, while in other aspects, such as total unemployment or the most advanced activities (business services) the differences reach a slightly higher, but modest, level

business services sub-sector, 17.9%, reflects the advanced nature of the economy. The internal differences are medium level (coefficient of variation = 0.37), the districts with low presence of these workers being clearly identified: the east/south-east/south-west peripheral arc.

Housing and building: melting pots of urban processes

Housing and building, as assets basic for the population and also for the urban economy, exhibit undeniable, although not painful, inequalities, in the average values for value for money, size by district and degree of deterioration

Housing sees the convergence of social, economic and political dynamics of capital significance, which are lastingly reflected in the city's outlines. The four polysemous indicators chosen imply, among other things, meanings in terms of cohesion, competitiveness, sustainability, quality of life and welfare. The **prices** per square metre **of second-hand housing**, after a gentle decline in recent years, do not reflect very sharp divergences between districts (coefficient of variation = 0.27). The highest prices, over €4,500€/sq. m., correspond to the four central districts (Retiro, Salamanca, Chamartín and Chamberí), while the lowest prices, less than 2,500€/sq. m., are concentrated in the southern half. The distribution of the **average housing values (according to the property register)** is in broad agreement with the previous indicator, though the variability between districts is noticeably higher (coefficient of variation = 0.40). The highest values (over €200,000) correspond to central districts and Moncloa-Aravaca. The correlations of this indicator with those of high status analysed above is high and positive: r> 0.9, in line with the history of findings on the subject. The total surface of dwellings, in relation to the registered population, provides an indicator of **potential intensity of use of the housing stock** that, although requiring careful interpretation, reveals a mild spatial maladjustment (coefficient of variation = 0.21). The high values, over 44 sq. m./hab., are observed in the central and western districts (due to larger dwellings, a higher proportion of single person homes and a greater presence of empty dwellings). The lowest values (<31 sq. m./hab.) correspond to southern districts. The deterioration of the buildings, judging by the percentage that had an **unfavourable report in the Technical Inspection of Buildings** in the 2000-10 period, affected 34.4% the municipality as a whole, and the inequalities between districts were of medium levels (coefficient of variation = 0.33). With regard to spatial distribution, a concentric component (centre *vs*. periphery) can be observed, together with a north-south component. This seems to reflect the combined effect of the age and of the varying quality of construction.

Access to public transport

With regard to spatial accessibility to public transport networks, the levels are high and with notable or excellent homogeneity between districts

Strong interaction and spatial mobility is a defining characteristic of urban life and an expression of its dynamism, meaning that facilitating them in an efficient, secure, sustainable and equitable way has become an irrefutable goal. Spatial accessibility contributes decisively to this and some well-known indicators have been adopted to evaluate it. The bus permits a high "capillarity" in the urban fabric. In Madrid, the proportion of the **population close to the bus network** (< 300 m) of the Municipal Transport Company is very high, at 97.7%, with the differences between districts being quite small (coefficient of variation = 0.02) and similar to previous years.

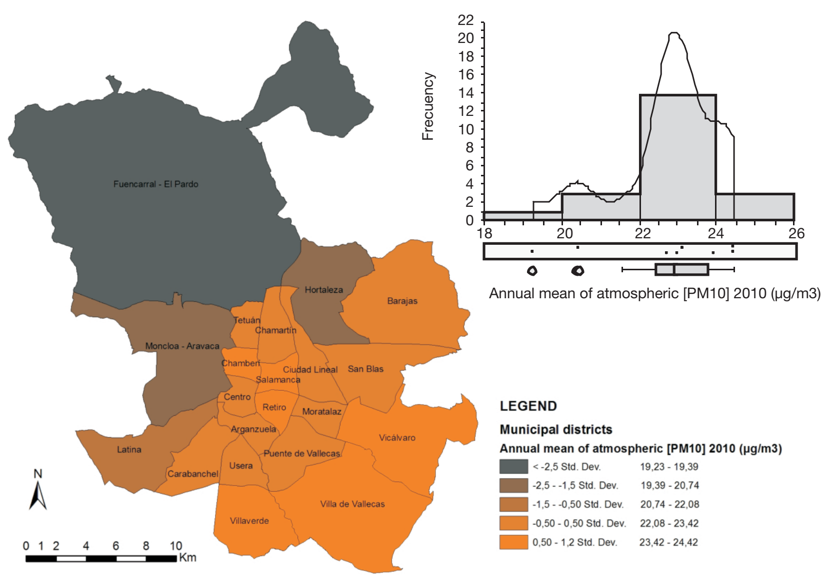
Excellent access to buses is observed in many districts, even in some peripheral ones. The population with good **access to the Metro network** is similarly large (80.06%) and the differences between districts are low (the coefficient of variation is 0.19). The spatial plan takes an imperfect concentric form: the central districts have better and more homogeneous access, while in peripheral areas it is lower in general and also more uneven. If the **Metro network and that of local trains** are considered together, the population covered rises to 84.63%, improving greatly in the periphery, with the coefficient of variation falling to 0.13. These figures give a more precise idea of the spatial accessibility provided by these two complementary networks.

Air quality

As for air quality, the indicators show, in general, quite minor intra-urban divergences and improvements with respect to previous years

Exposure to a contaminated atmosphere is an urban risk factor due to its effects on the morbidity and mortality of living beings. Given its incidence on several of the principles mentioned above, four recognized indicators have been examined. Atmospheric nitrogen dioxide, originating in traffic emissions, has experienced an improvement in the whole network, falling from 63 $\mu g/m^3$ in 2005 to 42 $\mu g/m^3$ in 2010. Although the differences between districts are small (coefficients of variation = 0.05), the highest levels of NO2 are found in a north-south belt covering the centre and suburbs and extending to the southern periphery. The spatial analysis of ozone shows higher levels in the districts of the northern and western zones of Madrid and lower levels in those of the southern zone. The imbalance between some districts turns out to be very slight (coefficient of variation of 0.03). The positive correlation (between 0.54 and 0.61) with high status indicators (income and university studies) suggest that the socially disadvantaged population of the southern peripheral arch is not penalized. The averages of **PM_{10} particles in the air** of the stations in 2010 are well below the limit established by EU and Spanish

Average concentration of PM_{10} in the atmosphere. Madrid 2010.



Source: Prepared by the authors based on 2010 data from Madrid City Council's air quality monitoring network.

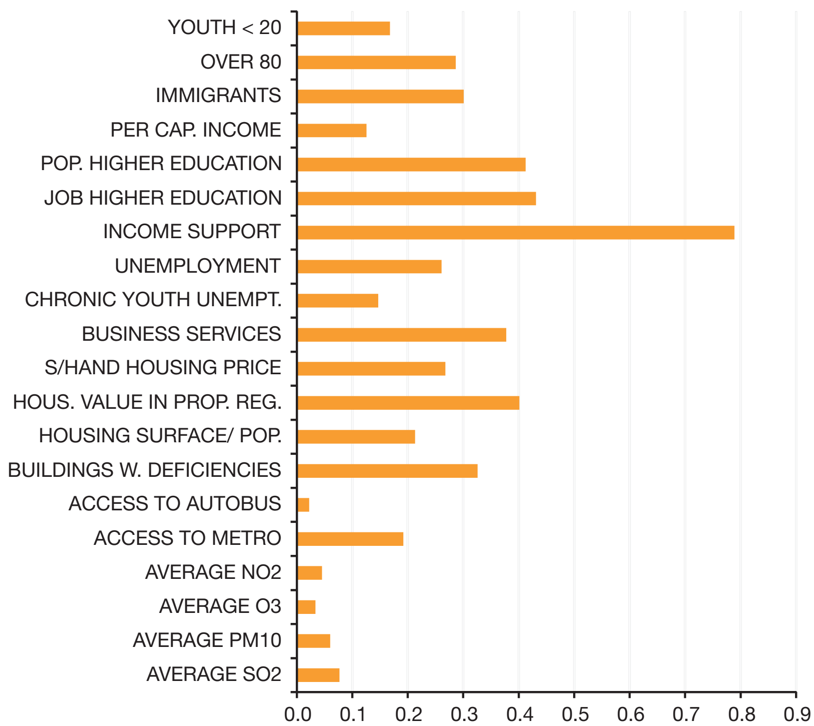
regulations, and they confirm the downward trend detected in previous studies. The inequalities between districts are small (coefficient of variation = 0.06), with two areas having higher concentrations of particles: the centre and the south and south east (see map). This would be related to the high density of traffic in the first case, with the additional factors, in the second, of a scarcity of vegetation and soil prone to generate dust in suspension.

With regard to sulphur dioxide, the air quality in Madrid is good and has experienced an improvement with respect to 2005: the average concentration has declined from 12 to 8 $\mu g/m^3$. The differences between districts are very small (coefficient of variation = 0.08) and their spatial distribution presents a more or less concentric form, diminishing toward the outside.

Results and conclusions

To summarise, the analysis carried out by districts reveals that nine indicators show intra-urban variations classed as low (coefficient of variation <0,2) and seven others are in the 0.2 to 0.4 range, classified as medium-low or medium. Of the remaining four, three are situated very slightly above 0.4 (medium level) and only one is notably higher than the others, though this should not to be interpreted negatively. The bar chart presents a visual comparison of the coefficients.

Coefficients of variation of indicators of imbalances. Madrid 2010-11



Source: Prepared by authors.

Overall, as would be expected, there are positive and negative aspects to Madrid's situation in 2010-11 with regard to its internal spatial structure. In general, the most significant imbalances detected are not dramatic; it would be more correct to describe them as medium level. This is reflected, for example, in the aspect of human capital and socio-economic status. In other aspects, such as public transport or the environment, the disparities between average values are low or negligible.

With regard to changes over time, and to the extent that comparisons are possible, it can be said that the situation has improved or remains good with regard to access to public transport and air quality. In other aspects, the indicators point to different trends; for example, the disparities relating to qualified human capital, unemployment or poverty alleviation have increased slightly.

Notwithstanding the limitations of these results, they can be expected to lead to more soundly based decisions by social and public agents committed to the good of the city.