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Spain Excludes Bailout Amid ‘Speculative Attacks’ (Update1)
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(Updates with credit-default swaps in sixth paragraph.)

By Emma Ross-Thomas

Nov. 24 (Bloomberg) -- Spanish Finance Minister Elena Salgado said there’s “absolutely” no risk the country will need an international bailout as its borrowing costs compared with Germany’s surged to a euro-era record.

Asked in an interview on Punto Radio in Madrid if Spain risked having to seek a rescue like Ireland or Greece, Salgado said “absolutely not.” The euro faces “speculative attacks” which Spain is in the “best conditions to resist,” she said.

Spain’s 10-year bond yield surged 20 basis points to 5.12 percent, pushing the spread over German bunds to the widest since the euro was created in 1999, as Ireland’s bailout prompted speculation that Portugal and Spain may also need help.

Irish yields jumped 28 basis points to 8.93 percent after the nation’s credit rating was cut two levels by Standard & Poor’s, and Portuguese yields rose 26 basis points to 7.32 percent.

Ireland this week became the first nation to seek to tap the euro region’s 750 billion-euro ($1 trillion) rescue fund that was set up in May after Greece’s near-default. Ireland asked for help after the cost of saving its financial industry swelled the budget deficit to an estimated 32 percent of gross domestic product, 10 times the European Union’s limit.

“Our financial sector has always had the Bank of Spain’s supervision and regulation, which is what has probably been missing in Ireland,” Salgado said today. “We have a solid financial sector, and we should remember that it’s the financial sector that’s provoking the difficult situation in Ireland.”

No New Measures

The cost of insuring Spanish debt against default increased 9 basis points today to a record of 310, according to CMA in London. The Ibex-35 share index in Madrid fell 0.4 percent to 9,652 points, after a loss of 3.1 percent yesterday.

Spain’s government said yesterday it would stick to its austerity measures, the deepest in at least three decades, and not take new steps to stem contagion. The budget cuts and overhauls to pension and labor rules strengthen the country against market turmoil, Salgado said, adding that the crisis would have been “more devastating” without the euro.

Spain’s central government budget deficit narrowed by almost half in the first 10 months of the year, the Finance Ministry said yesterday, and Deputy Finance Minister Carlos Ocana said the regional administrations’ finances were also “on track.” The government has pledged to cut the overall deficit to 6 percent of GDP next year from 11.1 percent in 2009 and has slashed public wages to do so.

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