



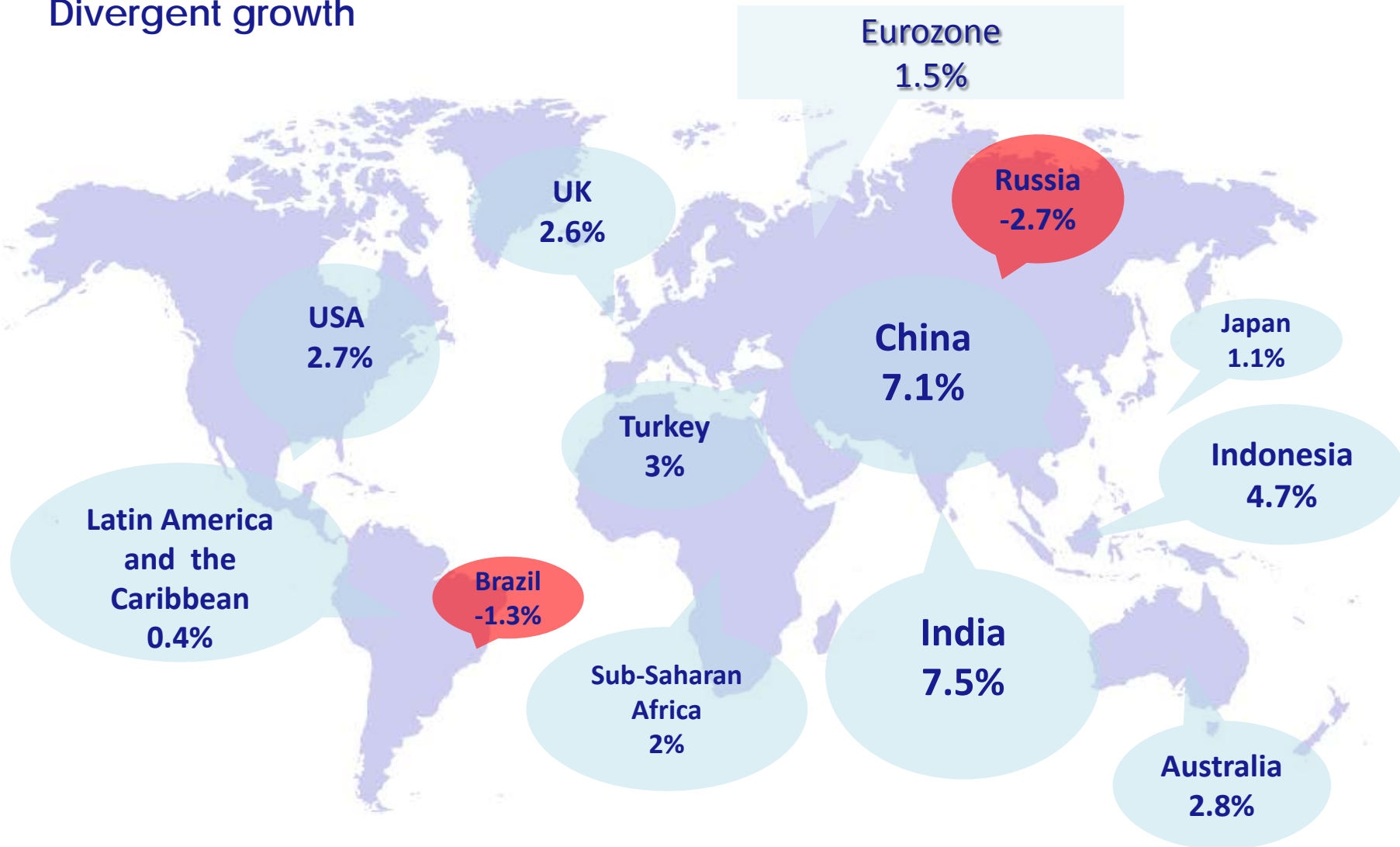
# Quarterly Report on the Spanish Economy Q2 2015

Círculo de Empresarios  
Madrid, July 2015



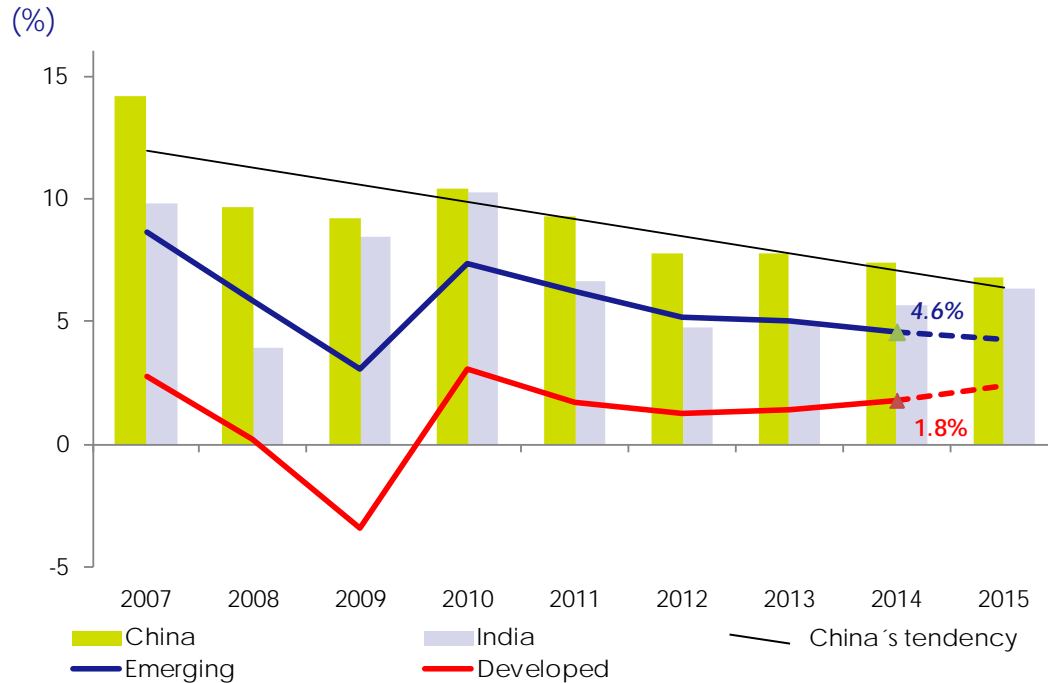
# GDP predictions 2015

## Divergent growth



# Emerging countries: Moderated growth

GDP growth and forecasts



**CHINA** continues desaccelerating although its more flexible financial policy

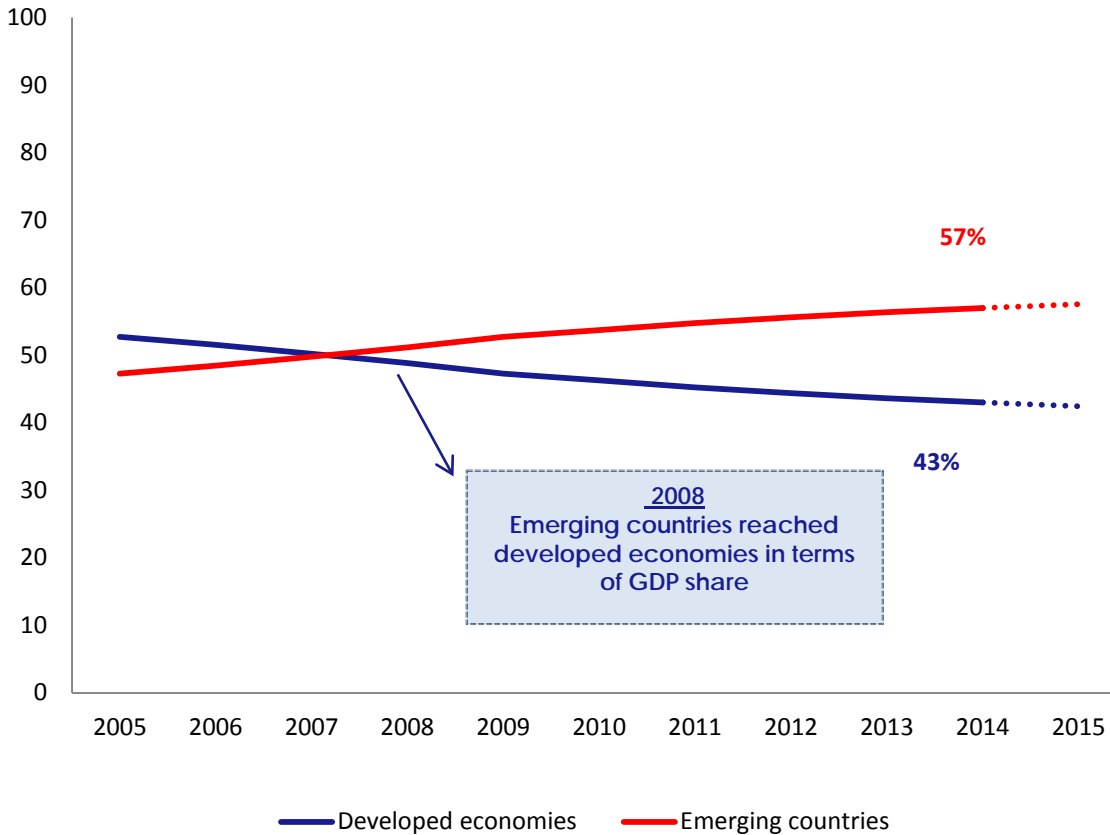
Real GDP growth rates stabilized in **emerging** countries except **India**

Increased economic dynamism in **developed** countries

# Economies weight in global GDP

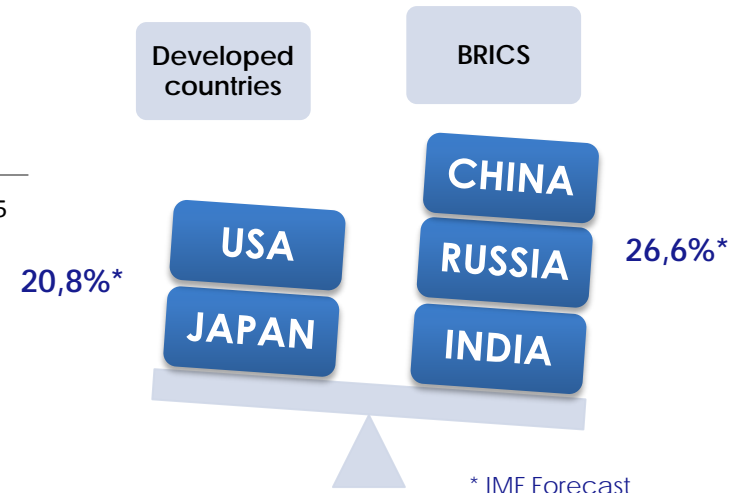
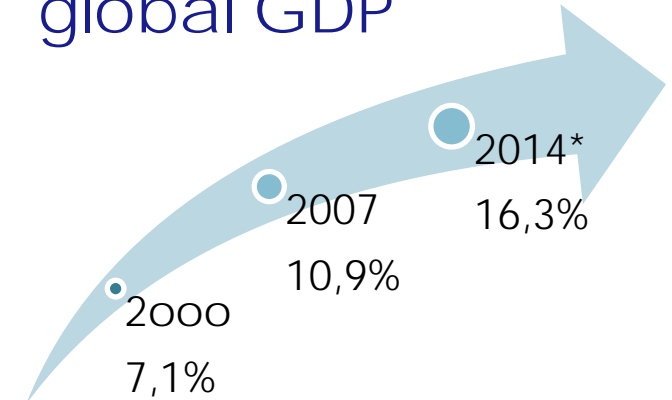
## GDP share

(% of total world GDP PPP)



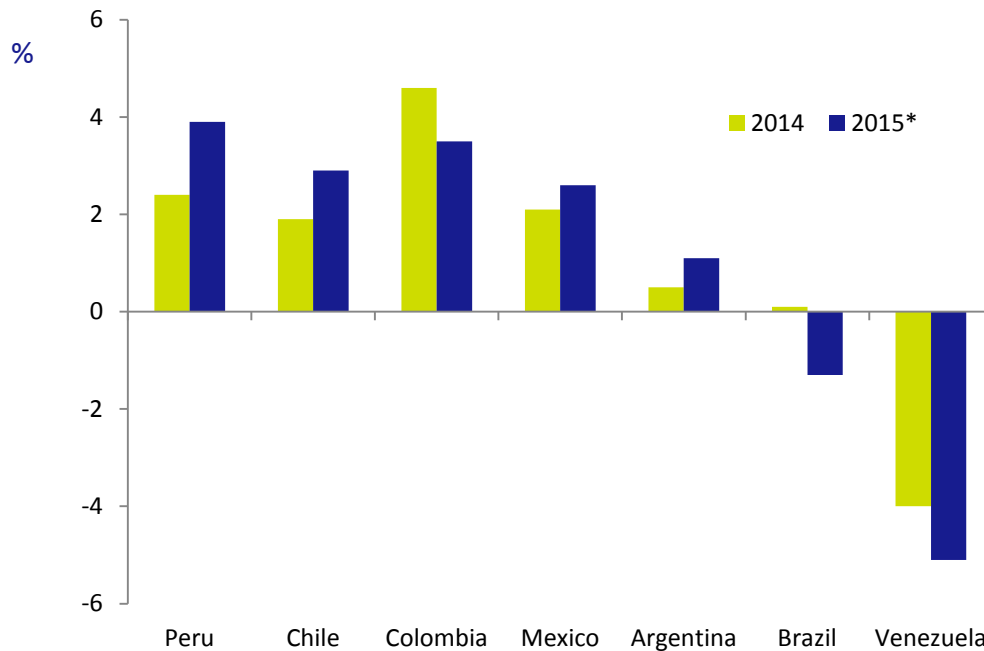
Source: World Economic Outlook, IMF- 2015

## China's weight in global GDP



# Divergence across Latin America economies

## Real GDP growth and forecasts



## POTENTIAL CHALLENGES

- ✓ Public Administration reforms
- ✓ Enhance institutional credibility

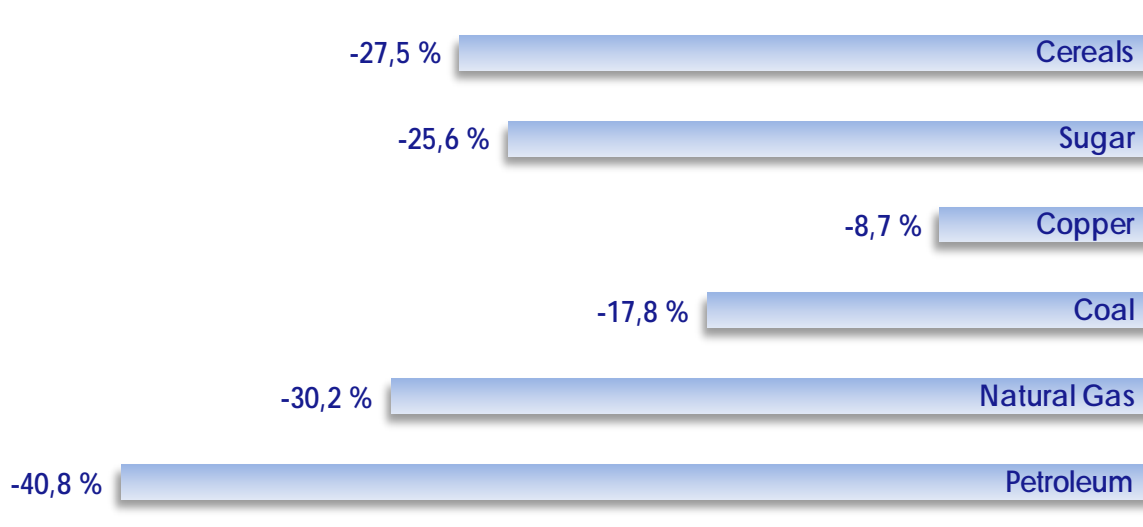
## POTENTIAL OBSTACLES

- ✓ USA monetary policy
- ✓ Rising public expenditure
- ✓ Inflation

•Forecasts  
Source: Global Economic Prospects, The World Bank -June 2015

# Commodity prices

## Changes in commodity prices YoY %, May-2015



Lower commodity prices

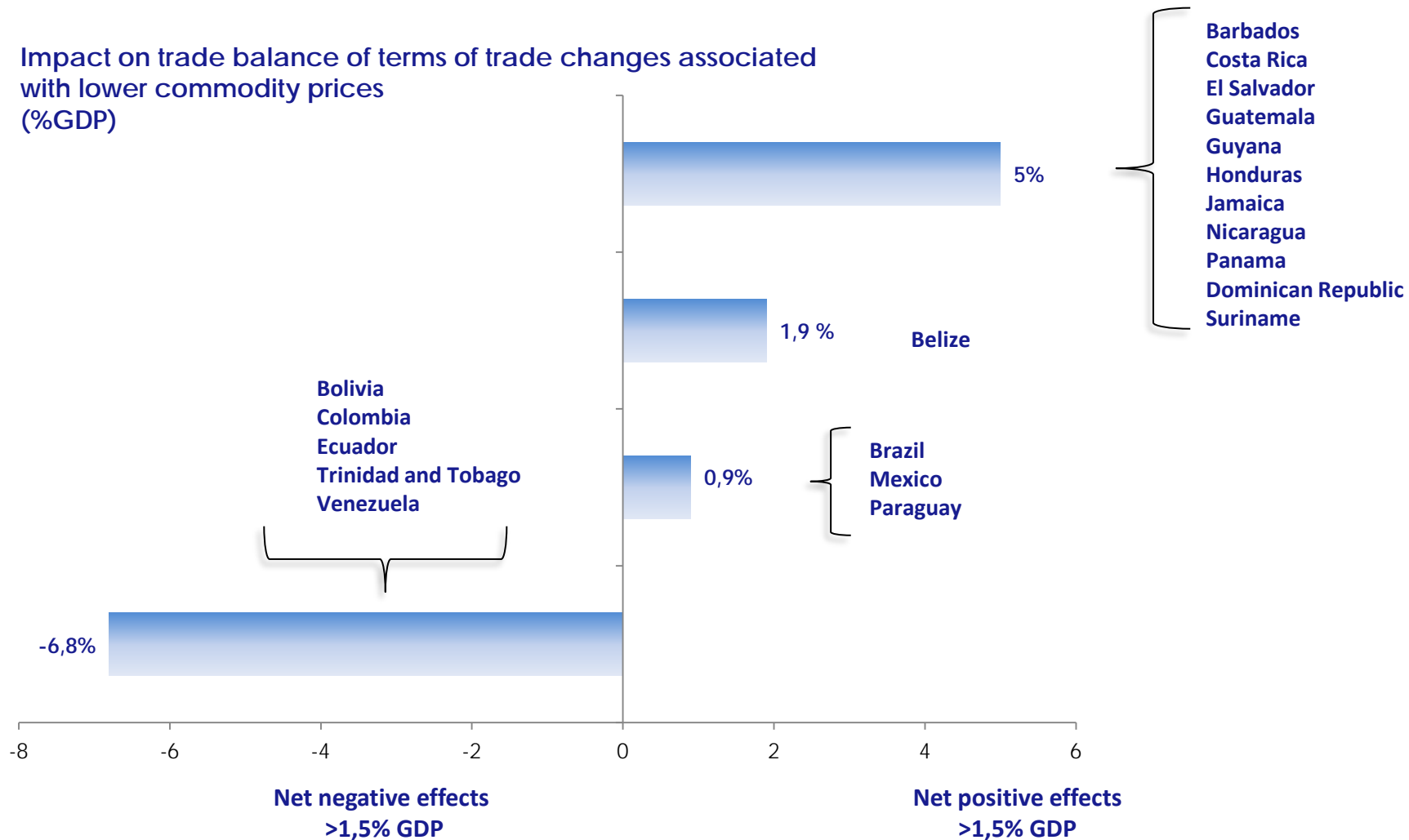
Negative impact on commodity exporting developing countries

May\* : 62,5\$

Source: IMF, may- 2015  
\* Average Petroleum Spot Price (APSP)

# Latin America and Caribbean: commodity prices

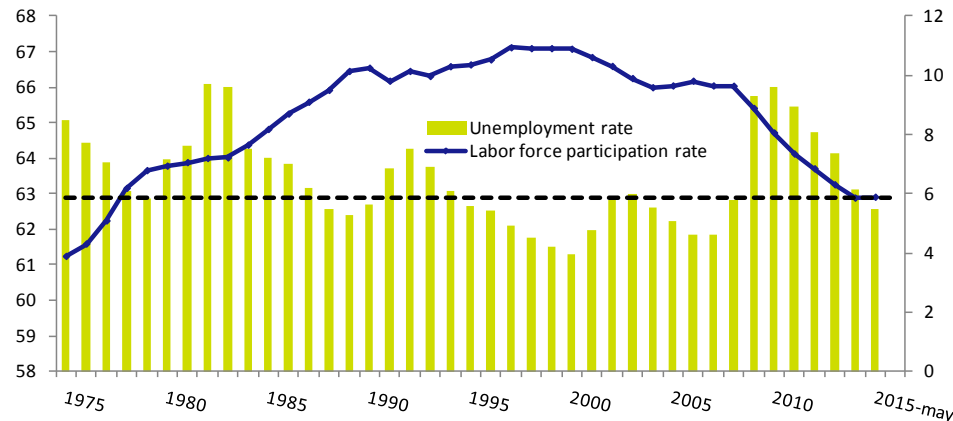
Impact on trade balance of terms of trade changes associated  
with lower commodity prices  
(%GDP)





# USA: Labor market and growth

## Labor force and unemployment rate (%)

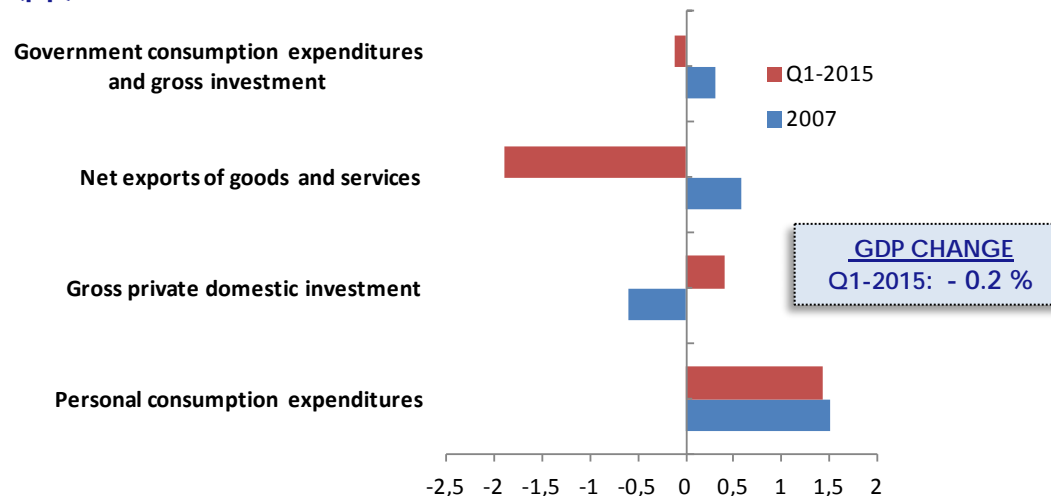


Source: Inhouse based on Bureau of Labor Statistics, 2015

Labor force participation rate at lowest level since 1978

Unemployment rate at pre-crisis level

## Contribution to percent change in GDP growth (pp)



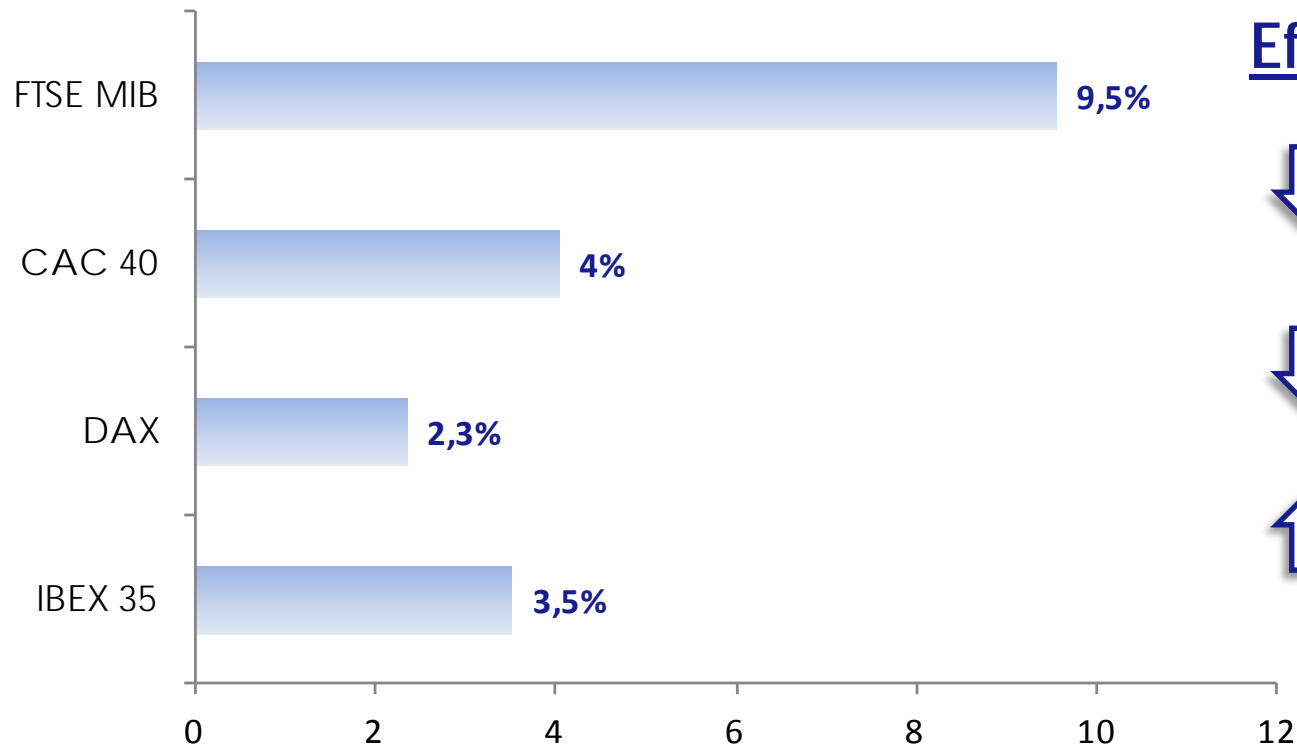
Source: Bureau of Economic Analysis, 2015

Dollar appreciation shrinks external demand

# Europe: Effects of the ECB's quantitative easing

Changes in stock markets from January to June

%



## Effects of QE (ECB)

(Quantitative Easing)



Borrowing costs



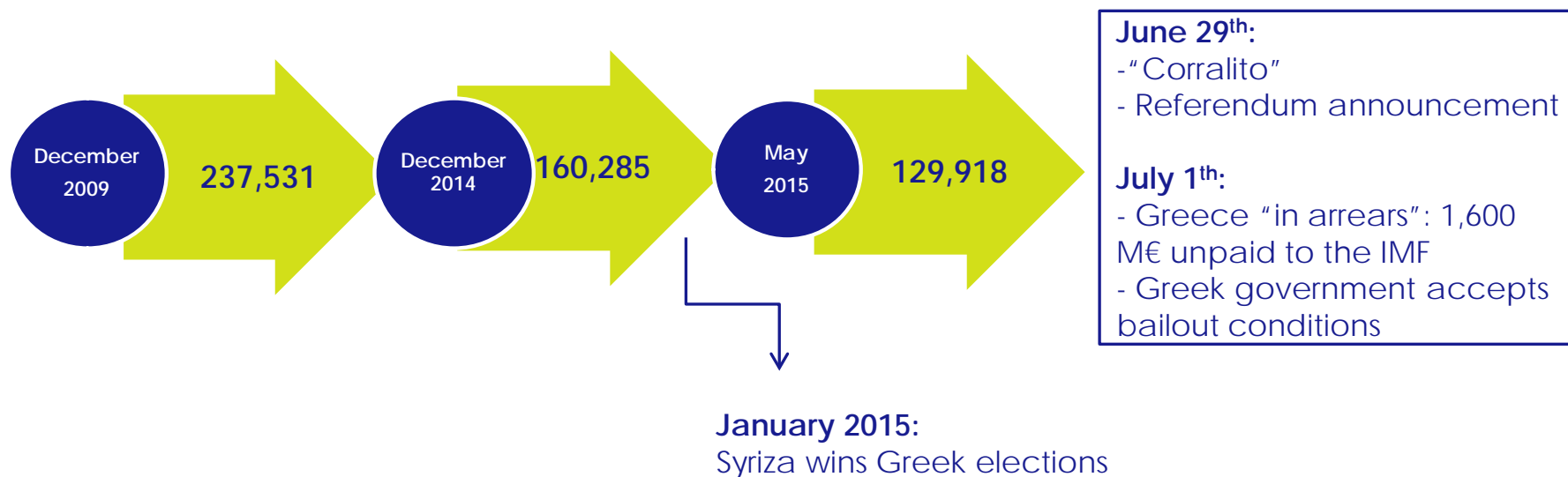
-7% Eur/usd (Jan-jun)



Market capitalization

Source: World Federation of Exchanges, 2015

## Evolution of private sector deposits stock in Greece (€, millions)

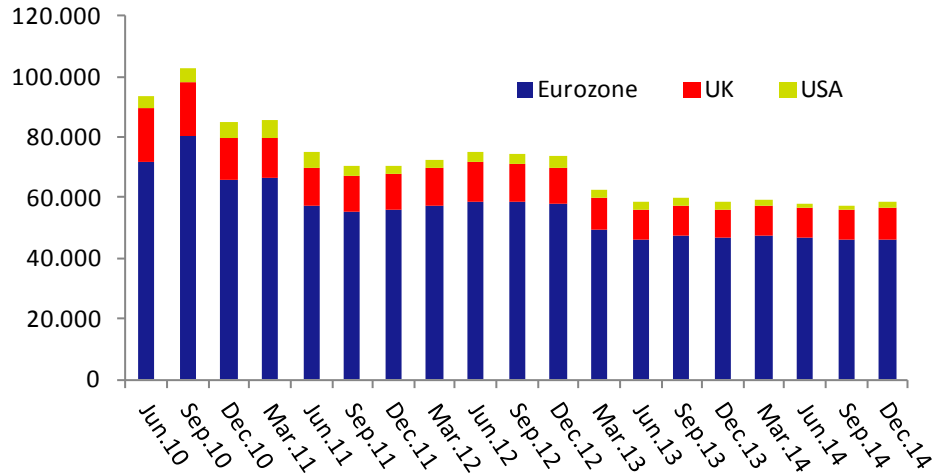


Source: Bank of Greece, 2015

Private sector deposits fell by 108 billions since december 2009 (60% of 2014 GDP)

# Europe: Greece

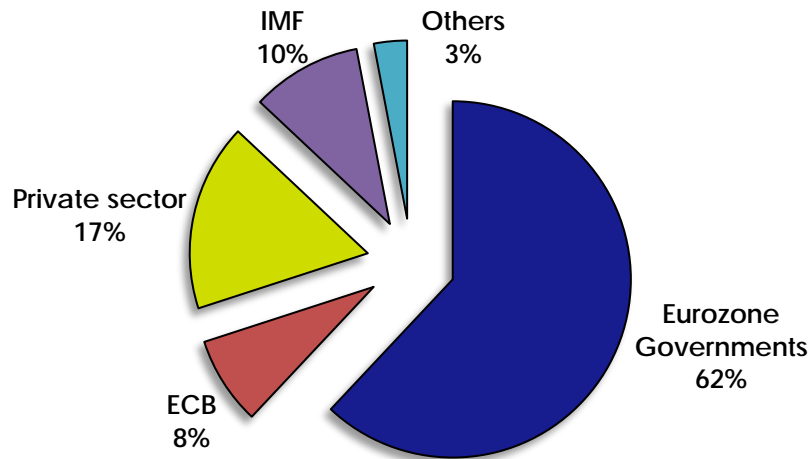
## Bank exposure to Greece (\$, millions)



Source: BIS, 2015

Bank exposure to Greek sovereign debt have declined sharply

## Greece main creditors %

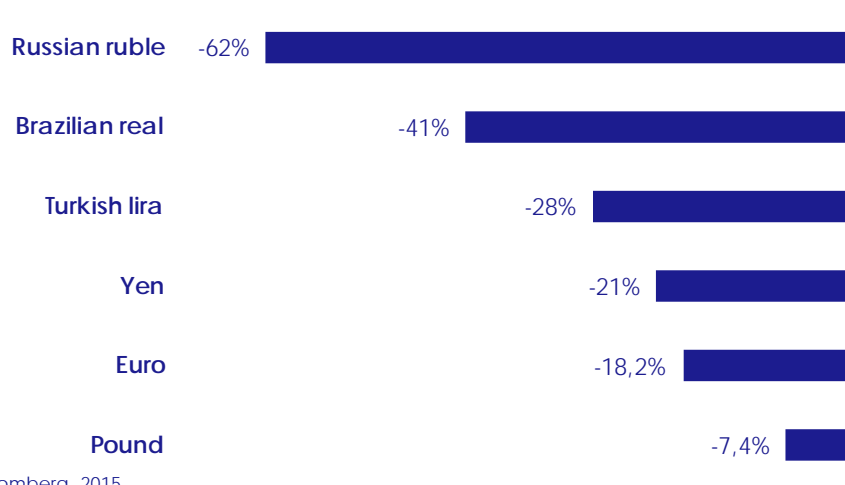


Source: Bloomberg, 2015

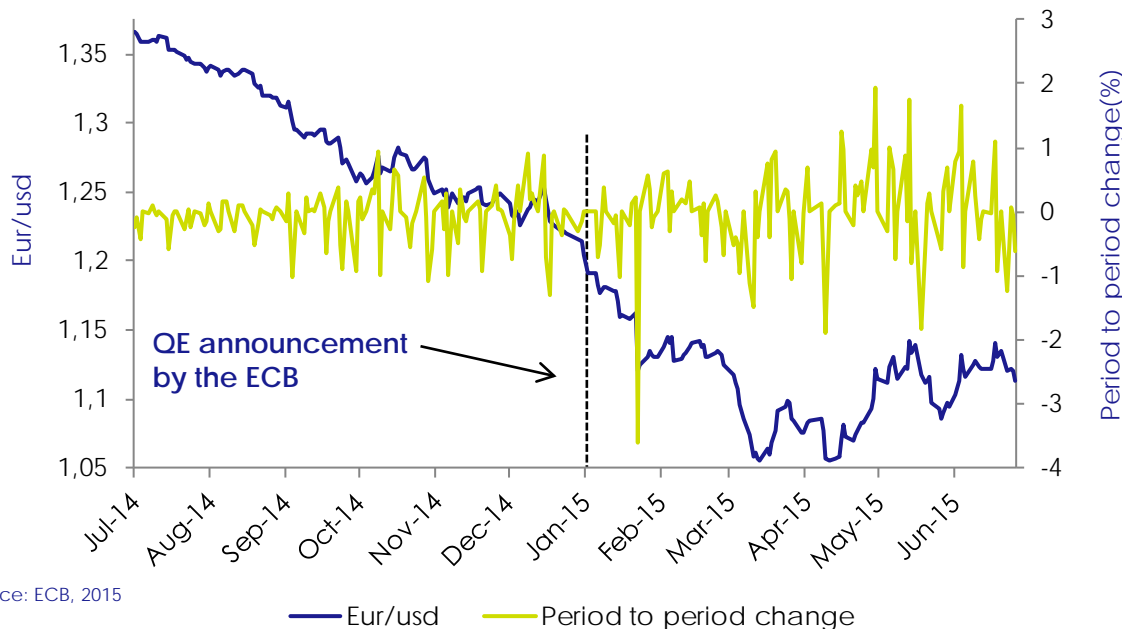
Eurozone governments are the largest creditors of Greek debt

# Significant exchange rate movements

## Currencies depreciations against U.S. dollar Jun14- Jun15



Source: Bloomberg, 2015



Source: ECB, 2015

The euro continue **depreciating** against the U.S dollar

**Volatility** is raising in exchange rates since QE (ECB) started



## GLOBAL

- Divergent growth
- Middle East
- Humanitarian crisis

## EUROPE

- Greece
- Russia - Ukraine
- Inequality

## LATIN AMERICA

- Effects of Fed's policies
- Fall in raw materials price and demand

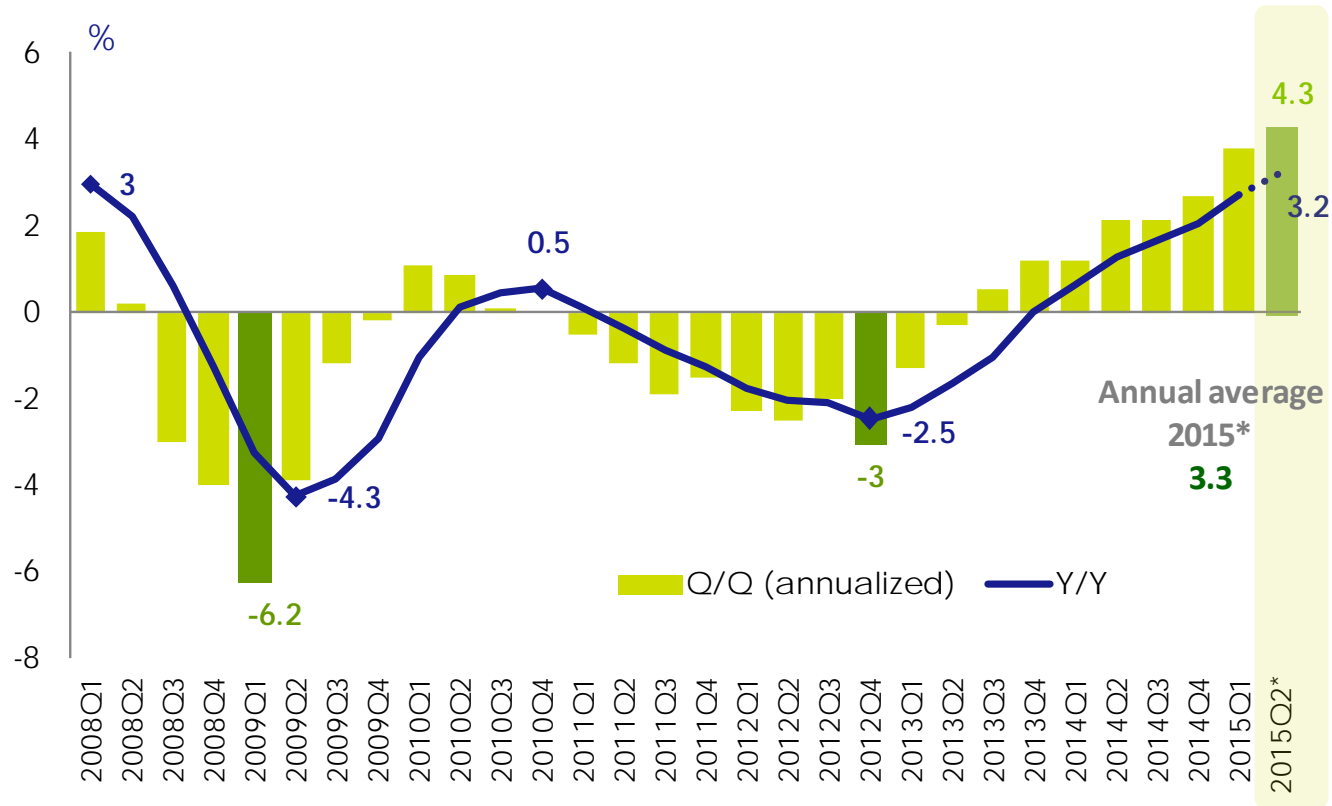
## ASIA

Brusque adjustment in China

A stylized illustration of a globe with a magnifying glass. The magnifying glass is positioned over the Iberian Peninsula, and the word "SPAIN" is written in large, bold, blue capital letters across the lens. The globe uses shades of blue and white to represent land and water.

**SPAIN**

# Predictions revised upwards



\* FUNCAS forecasts

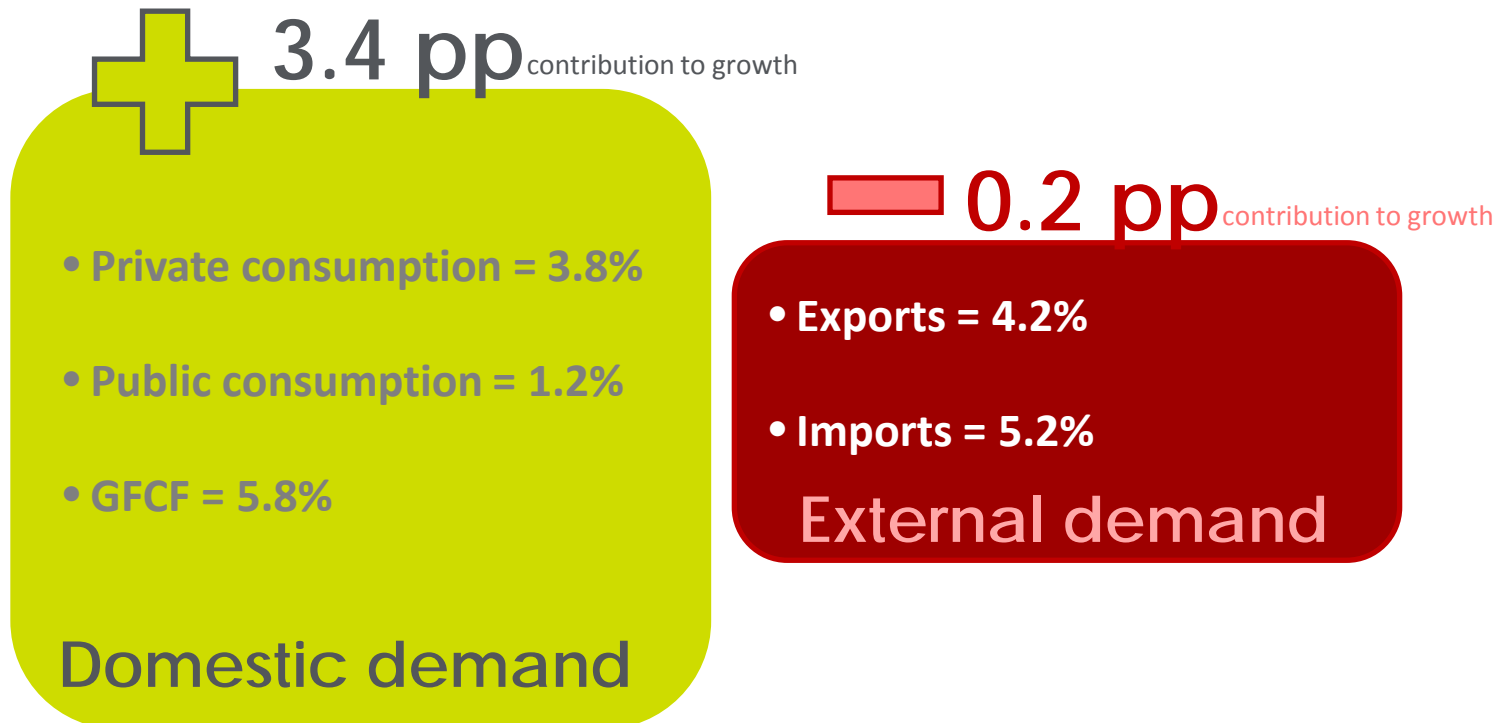
Source: INE (April 2015) and FUNCAS (June 2015)



# Growth

## Predictions Q2 2015

- Private consumption supports most of growth



Source: FUNCAS (June 2015)

# Tail winds and Obstacles to growth

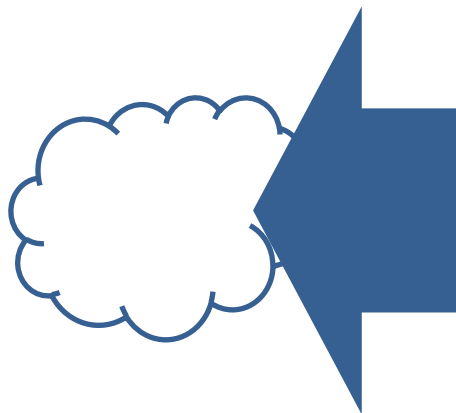


## EXTERNAL demand

- Monetary policy (ECB): depreciation of the euro
- Eurozone growth has been revised upwards
- Fall in the price of oil and commodities

## DOMESTIC demand

- Fiscal policy: fall in tax rates
- Reduced energy bills
- Recovery in the labour market

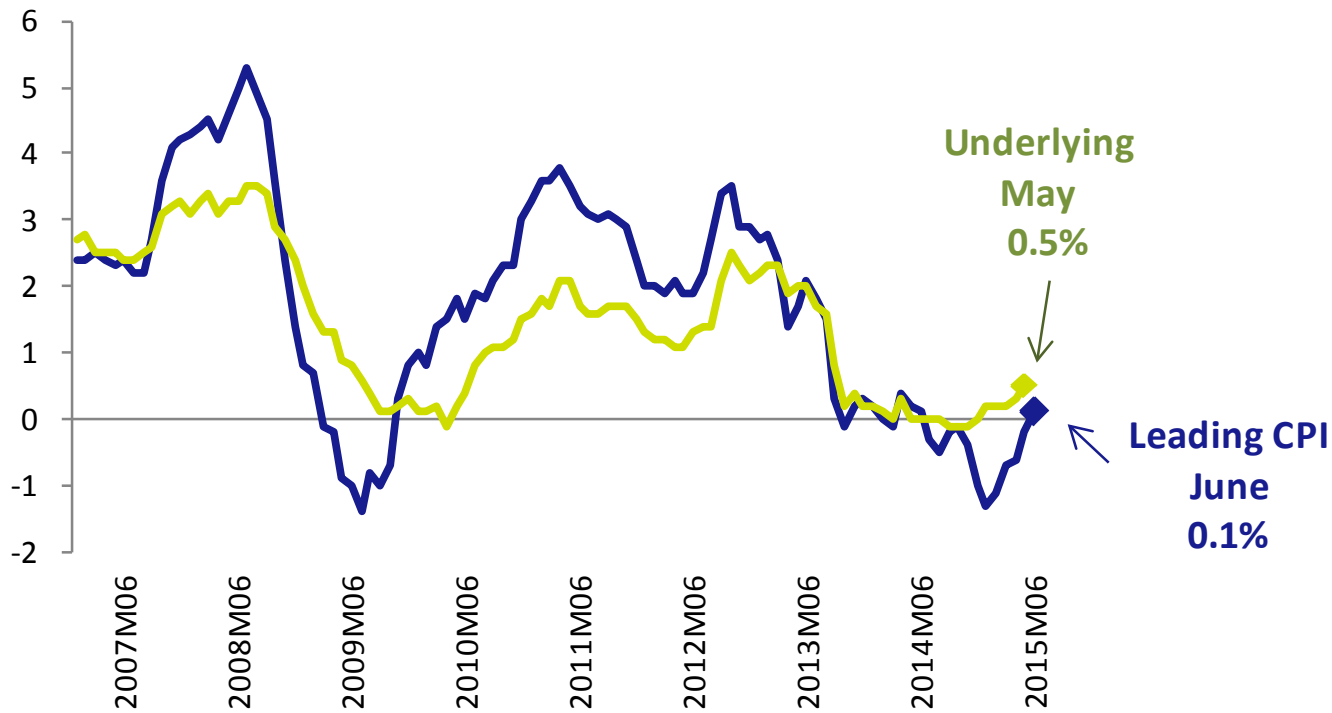


Political uncertainty

Disruptions in structural reforms

# Prices: CPI and underlying CPI

## Annual development of general CPI and underlying CPI



Source: INE, June 2015

The annual general Consumer Price Index returns to positive values

## Return on 10-year bonds in Spain and Germany



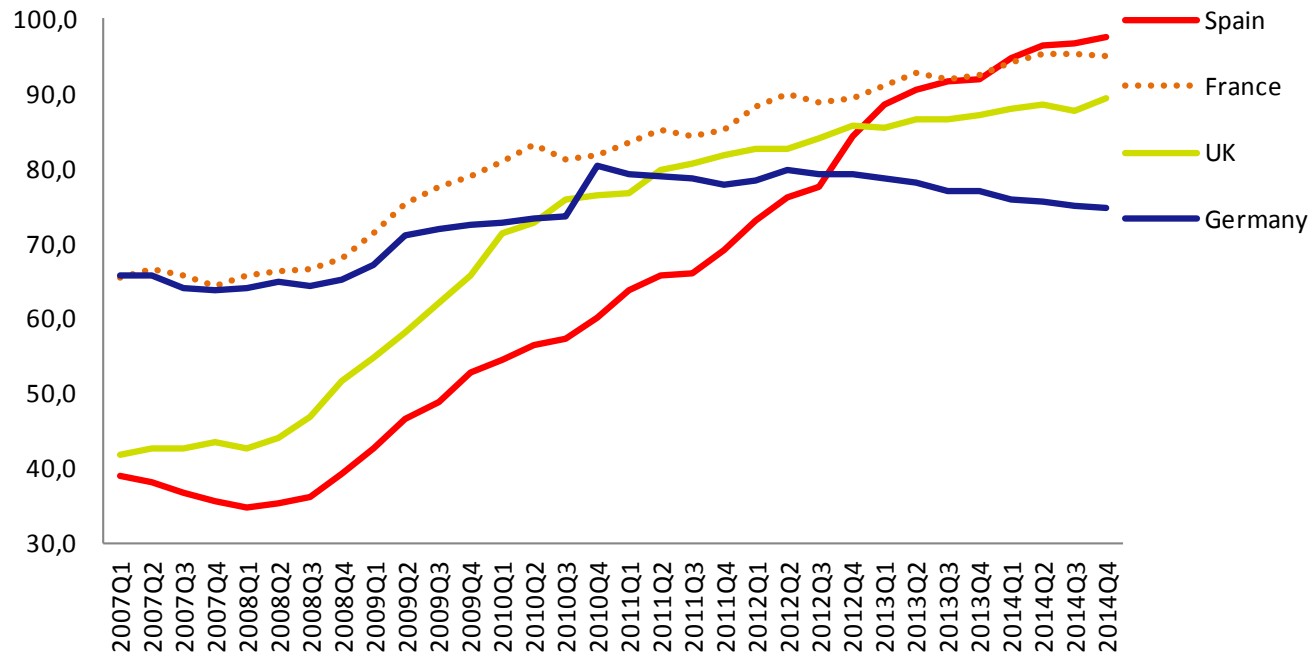
Source: Bank of Spain, June 2015

The risk premium is around 150 basis points

# Situation of public accounts (I)

The Spanish public debt has doubled since the beginning of the crisis

## Consolidated gross public debt Q1 2007 - Q4 2014



Source: Eurostat, June 2015

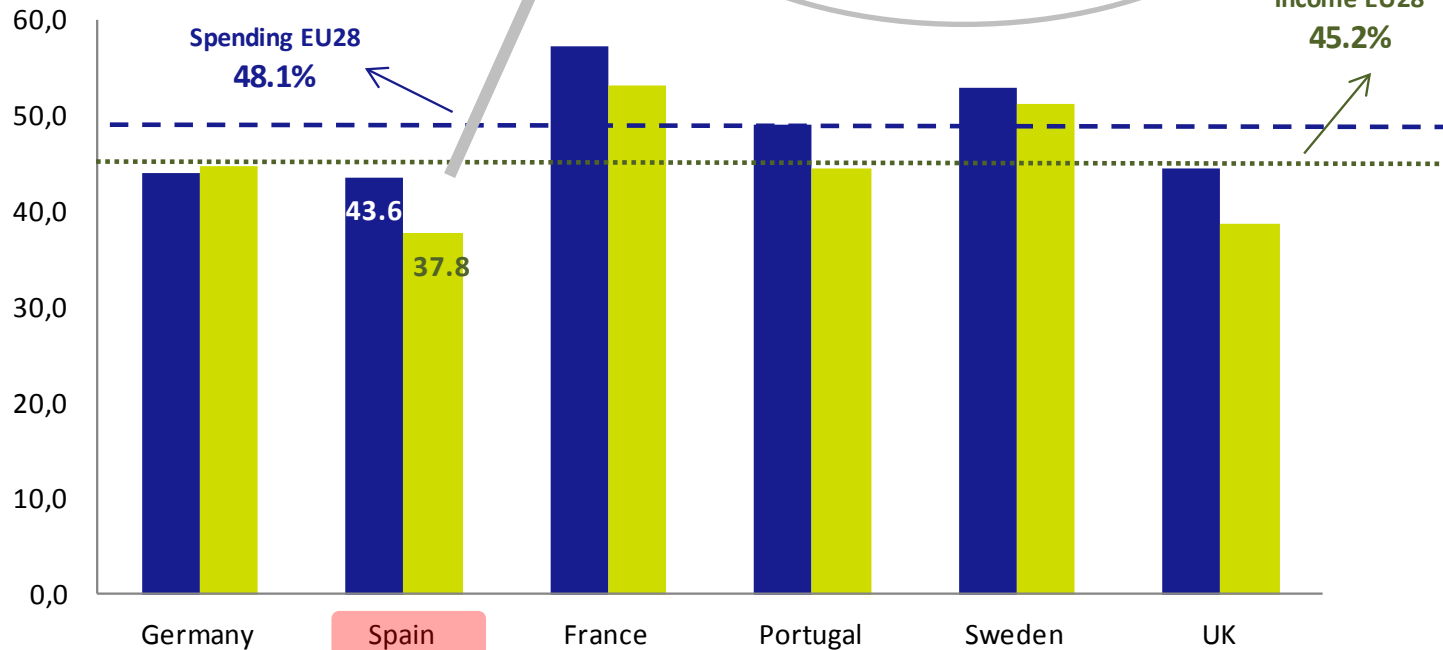
Total PPAA debt in Spain has slightly reduced to 96.7% of GDP in April

# Situation of public accounts (II)

## Income and public spending % GDP

2014

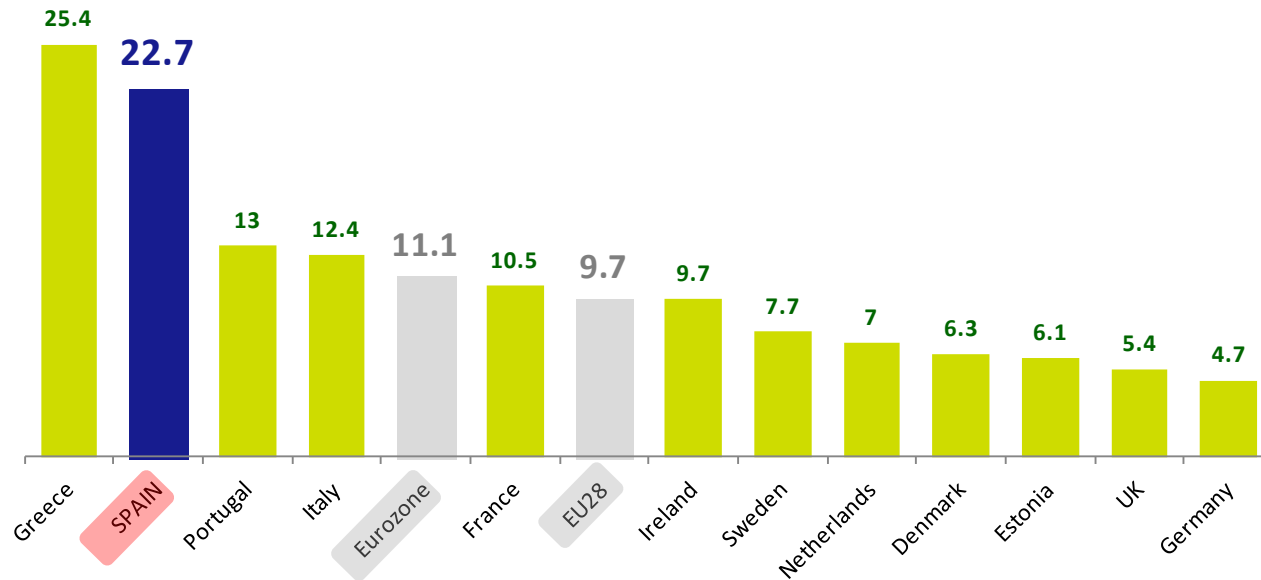
■ Spending ■ Income



Source: Eurostat, June 2015

## Unemployment rate, April 2015

%



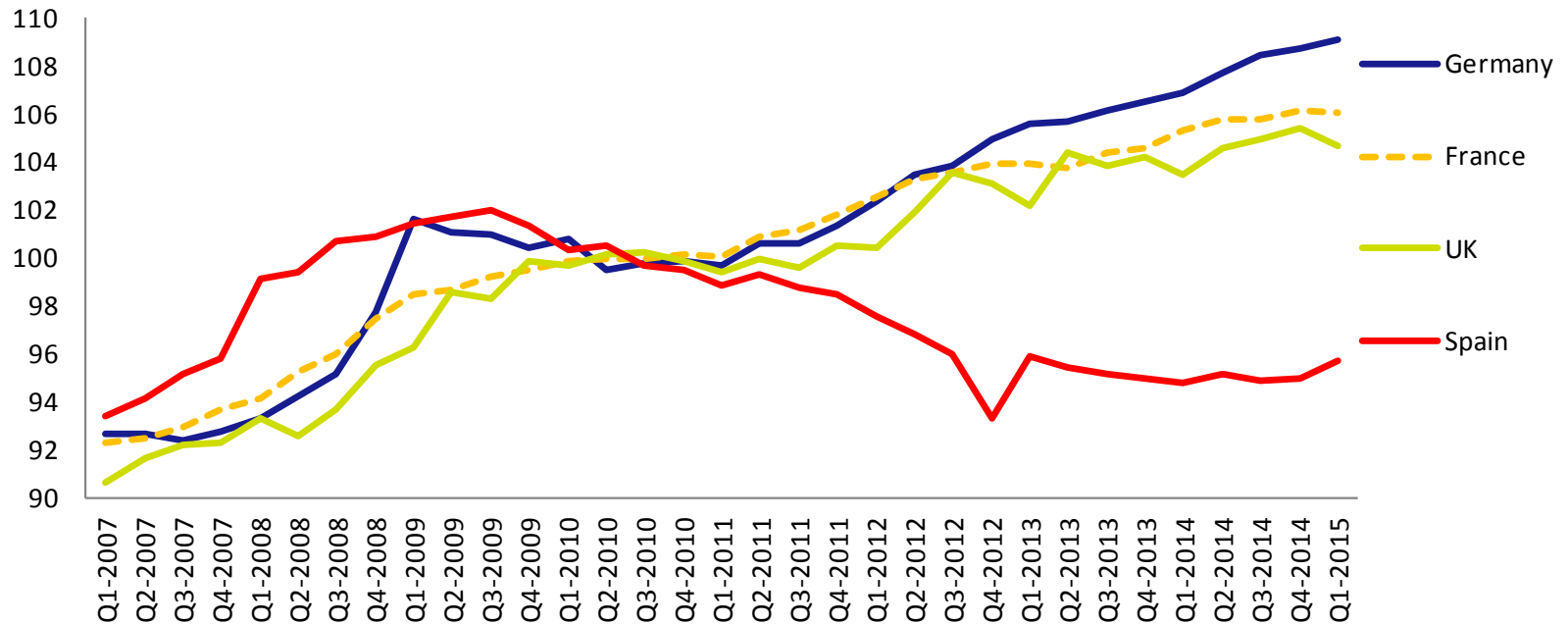
Source: Eurostat, June 2015

**Job creation** improves in Spain, although the **unemployment rate** doubles the European average

# Productivity

## Development of unit labour costs, Q1 2007 - Q1 2015

2010 = 100



Source: OECD, June 2015

Slight increase in unit labour costs since Q4 2014



# Internationalization (I)

January - April 2015

**Imports** ▲ 3.4% year on year variation (89,668.1 M€)

**Exports** ▲ 4.9% year on year variation (81,891.1 M€)

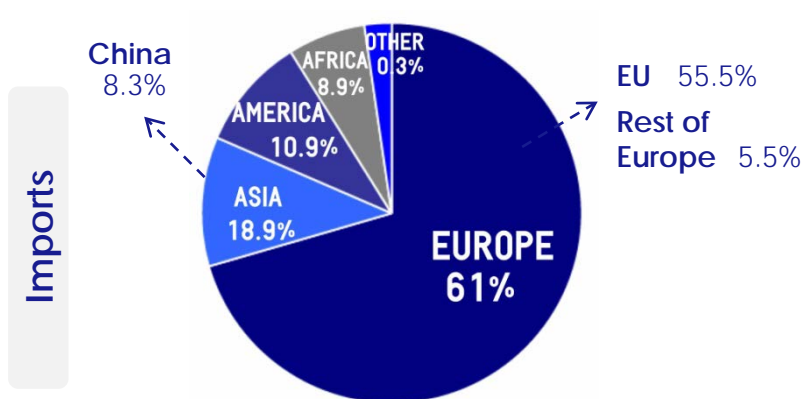
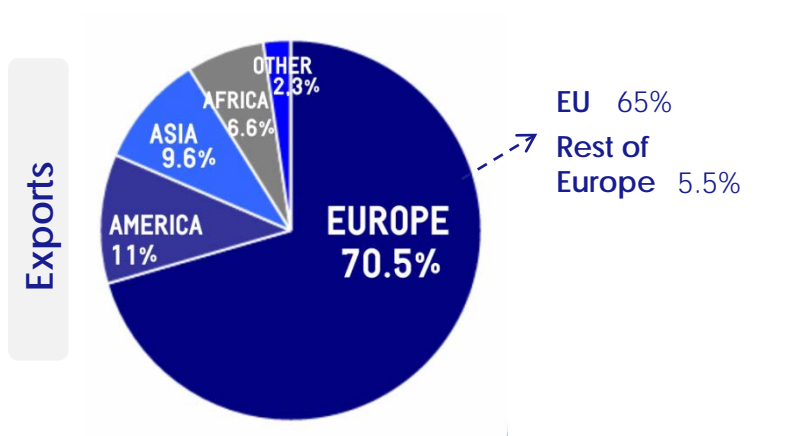
**Trade balance** DEFICIT (7,777.1 M€) ▼ 10.1% y/y  
Due to ▼ 34.8% in energy deficit

## SECTORS: TOP 3

Exports	% total	Imports	% total
Capital assets	19.6	Capital assets	19.4
Automobile	16.9	Chemistry	16.1
Food, beverage and tobacco	16.6	Energy	14.5

Source: Ministry of the Economy, June 2015

## Geographic distribution



Source: Ministry of the Economy, June 2015

## Foreign Direct Investment in Spain

2014

 **-45%** **FDI inflows (22,904 M\$)**  
y/y change

TOTAL

Global ranking



1 China	5 Singapore	9 India
2 Hong Kong	6 Brazil	10 Netherlands
3 USA	7 Canada	11 Chile
4 UK	8 Australia	12 SPAIN

Source: World Investment Report 2015, World Bank 2015

 **-12%** **Jobs created (9.750)**  
y/y change

TOTAL

European ranking



1 UK	4 France
2 Russia	5 Germany
3 Poland	6 Romania
	7 SPAIN

Source: European Attractiveness Survey 2015, EY 2015

### Main foreign investors in Spain



USA



Germany



France



Japan



UK

Source: European Attractiveness Survey 2015, EY 2015

# Internationalization (III)

## Leadership in tourism

Between **January and May**: 5.1% more tourists than in 2014 (**22.5 millions**).

**First place in the ranking** of the *Travel & Tourism Competitiveness Report 2015*, World Economic Forum (141 economies).

### Top 10 Travel & Tourism Competitiveness Index

- 1 Spain
- 2 France
- 3 Germany
- 4 USA
- 5 UK
- 6 Switzerland
- 7 Australia
- 8 Italy
- 9 Japan
- 10 Canada



# Spain's position in international rankings



## Global talent index

- 1 Switzerland
- 2 Singapore
- 3 Luxemburg
- ...
- 30 SPAIN

Source: Insead, 2015



## Human Capital index

- 1 Finland
- 2 Norway
- 3 Switzerland
- ...
- 41 SPAIN

Source: Human Capital Report 2015 (WEF)



## The Networked Readiness Index

- 1 Singapore
- 2 Finland
- 3 Sweden
- ...
- 34 SPAIN

Source: Information Technology Report 2015 (WEF)



## Global Entrepreneurship Index

- 1 USA
- 2 Canada
- 3 Australia
- ...
- 32 SPAIN

Source: Global Entrepreneurship and Development Institute, 2015



## Logistics Performance Index Infrastructure

- 1 Germany
- 2 Singapore
- 3 Netherlands
- ...
- 20 SPAIN

Source: World Bank, 2015



[www.circulodeempresarios.org](http://www.circulodeempresarios.org)