



June 2016

Así está...

The economy

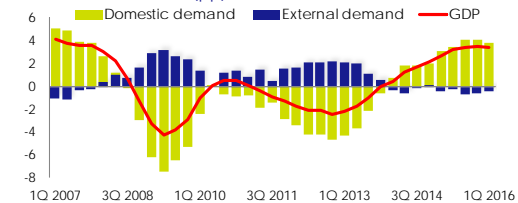
SPAIN

GDP IQ 2016 (INE)

GDP increased 0.8% quarter-on-quarter and 3.4% year-on-year (vs. 3.5% year-on-year as measured in the IQ of 2015). The contribution of domestic demand to annual growth was 3.8 points (three decimal points less than in the 4Q of 2015), which was offset by external demand of -0.4 points (as against -0.6 points in the 4Q of 2015).

According to the latest projections by the Bank of Spain, GDP will increase by 2.7% in 2016, by 2.3% in 2017 and by 2.1% in 2018.

GDP (annual change) and contribution to domestic and external demand (pp)



Source: Círculo de Empresarios, based on data from INE and BdE, 2016

Employment May 2016 (Ministry of Employment and SS)

Registered unemployment...

...dropped by 119,768 persons with regard to April, to a total of 3,891,403 persons, the first time the figure was below 4 million since August of 2010. Over the past 12 months unemployment has dropped 7.68% (323,628 persons), and by 12.4% (45,853 persons) in the case of people younger than 25.

Unemployment dropped in all the Autonomous Communities, especially in Andalusia, Catalonia and Madrid. Likewise, it declined in all sectors, especially services and construction.

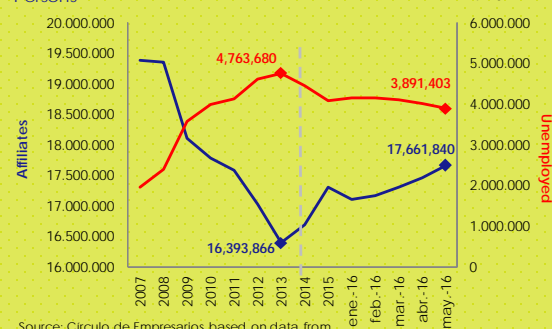
Registered contracts...

...increased 11.13% year-on-year up to 1,748,449 in May, of which 145,760 are permanent, some 17% more than a year earlier.

Social Security Affiliation...

...reached 17,661,840 working people, an increase (198,004 persons) of 1.13% over April and of 2.56% in year-on-year terms (440,529).

Evolution of affiliates to Social Security and registered unemployment



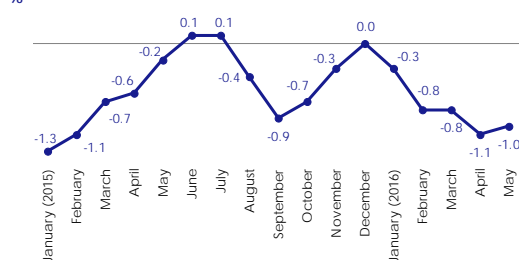
Source: Círculo de Empresarios based on data from Ministry of Employment and Social Security, June 2016

The ratio of affiliates to pensioners held at 2.28 (vs. 2.25 in December 2015).

Consumer Price Index May (INE)

Predictions are that annual inflation will be -1.0%, one decimal point more than in April, principally because of the hike in electricity prices.

Annual change of CPI %



Source: Círculo de Empresarios, based on data from INE, 2016

Financing the public debt 2015 (Bank of Spain)

In 2015, the volume of issued sovereign debt (237,424.7 million euros) was steady in comparison with 2014, chiefly in one-year treasury bills (52,235.6 million euros) and ten-year government bonds (48,443.4 million).

In 2015, non-residents of Spain held 50.9% of these bonds, up from the 47.1% of 2014.

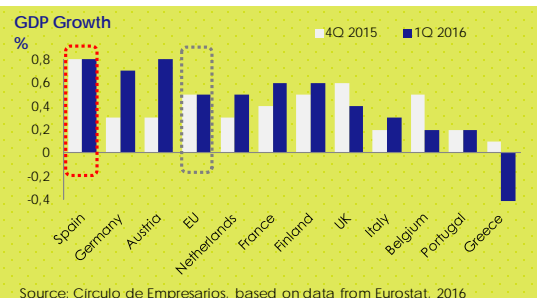
The average cost of financing in 2015 was 0.8% as against 1.46% in 2014.



EUROPEAN UNION

GDP IQ 2016 (INE)

In the 1Q of 2016, the EU registered a quarterly growth of 0.5%, while in the Eurozone it was 0.6% (vs. 0.5% and 0.4%, respectively, in the 4Q of 2015). The figures among Member States continue to vary greatly.



Unemployment, April 2016 (Eurostat)

In the Eurozone unemployment was at 10.2% (vs. 11% in April 2015), the lowest rate since August of 2011, while in the EU it was reduced to 8.7% (vs. 9.6%).

The lowest levels were in the Czech Republic (4.1%), Germany (4.2%) and Malta (4.3%), in sharp contrast with Spain (20.1%).

Consumer Price Index 2016

Projected inflation for May in the Eurozone increases a decimal point to -0.1%, principally because of higher prices in the services sector and a lower drop in energy prices.

For 2016, the ECB has raised its estimate a decimal point to 0.2% because of the upturn in petroleum prices. Predicted inflation is 1.3% in 2017 and 1.6% in 2018.

Brexit

According to the latest polls (YouGov, 06/06), 43% of Britons are in favor of leaving the EU (vs. 42% against it - 15% don't know).

Should the UK leave Europe, the British Treasury foresees three possible scenarios.

EEA¹
Trade agreement²
WTO³

| Drop of GDP 2015-2030 (%) | Loss of GDP per capita 2030 |
|---------------------------|-----------------------------|
| 3.4 → 4.3 | 2.600 €/annual |
| 4.6 → 7.8 | 4.300 €/annual |
| 5.4 → 9.5 | 5.200 €/annual |

Notes: 1. Membership in the European Economic Area;
2. Establish a trade agreement like Canada;
3. Membership in the World Trade Organization.
Source: UK Treasury, April 2016

INTERNATIONAL

Predictions 2016-2017 (OECD)

The OECD forecasts a slight recovery in growth and world trade during the second half of 2016 and in 2017.

GDP growth (%)

| | 2016 | 2017 |
|-----------|------|------|
| World | 3.0 | 3.3 |
| OECD | 1.8 | 2.1 |
| USA | 1.8 | 2.2 |
| UK | 1.7 | 2.0 |
| Euro area | 1.6 | 1.7 |
| Germany | 1.6 | 1.7 |
| France | 1.4 | 1.5 |
| Italy | 1.0 | 1.4 |
| Spain | 2.8 | 2.3 |
| Japan | 0.7 | 0.4 |
| China | 6.5 | 6.2 |

Source: OECD, 2016

The World Bank has reduced its forecast for 2016 by 5 decimal points to 2.4% (2.8% in 2017 and 3% in 2018).

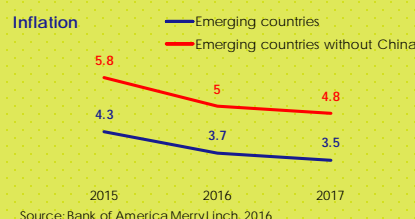
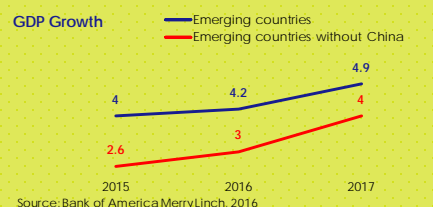
USA and Japan

Growth in GDP for 1Q 2016. In the USA it grew 0.2% quarter-on-quarter and 2.0% year-on-year (Bureau of Economic Analysis). In Japan it increased 0.4% quarter-on-quarter (0% year-on-year) because of growth in the overseas sector.

CPI April. In the USA it was at 1.1%, two decimal points more than in March. (La Caixa). In Japan it continued to be negative, while underlying inflation the (not counting food or energy) rose slightly, to 0.7% year-on-year (La Caixa).

Emerging economies

Expectations continue to improve about their development because of stable raw materials prices and an expected new rise in the Fed's interest rates.



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