

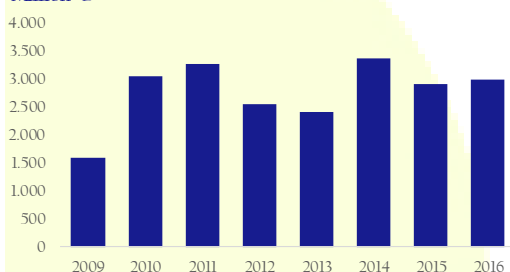
## Risk Capital in Spain

### 2016 balance

After six months of political uncertainty, investment activity was more vigorous in the second half of 2016, something explained in part by seven large operations that accounted for 47% of the year's total investments.

According to the initial estimates by Ascri, risk capital in Spain finished 2016 with total investments of **2.992 billion euros**, principally from international operators, which accounted for 66 of every 100 euros invested.

Spain's Capital risk investment  
Million €



Source: Círculo de Empresarios based on Ascri, 2017

Some 95% of the investments were to finance small and medium-sized companies, either to establish them or expand their operations.

Notable are the buyouts (1.975 billion euros), venture capital (seed, startup and late-stage) with 385 million euros, and capital expansion (377 million euros).

By size, 88% of the operations were for less than 5 million euros. Specifically, there was strong investment in the middle market, with 1.132 billion euros, its second-best performance since 2009.

Likewise, by number of investments, the leaders were the sectors of technology (263), industrial services (49) and health (43), although the greatest volume was in operations by Hotelbeds, Tinsa and Grupo Garnica.

## Alternative Stock Market (MAB)

In 2016, financing obtained through the MAB reached 290.5 million euros (877 million since its creation in 2009), and during that period there were some 120 operations (incorporations + capital injections).

At present this stock market has 49 companies in the expansion segment and 29 real estate investment firm.

MAB capital raising  
Million €

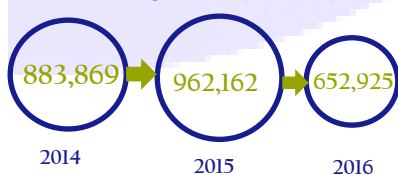


Source: Círculo de Empresarios a based on MAB, 2017

## Spanish Stock Market

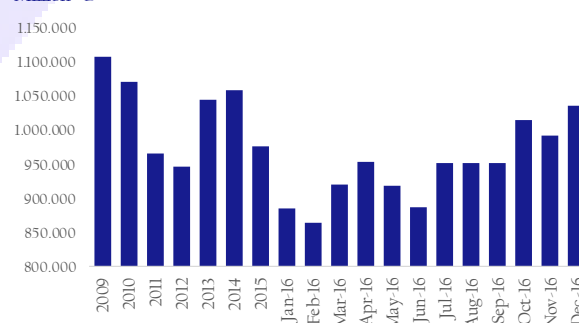
In spite of the world drop in variable-yield security investments in 2016 (capital increases and IPOs), the capitalization of the Spanish Stock Market is steady at around 1.035 trillion euros, with an annual volume of 652.925 billion euros€.

Stock market negotiation (million €)



Source Círculo de Empresarios based on BME, 2017

Spanish market capitalization  
Million €

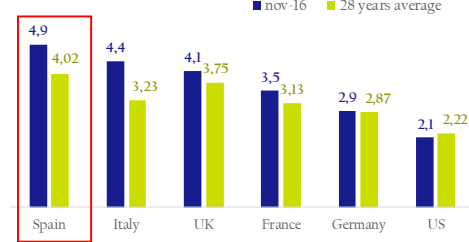


Source: Círculo de Empresarios based on BME, 2017

## Dividend yield

For the tenth year running, the Spanish Stock Market lead the profitability ranking of the principal international stock markets. At the end of November 2016, the figure was 4.9% (0.7 percentage points above the monthly high of the past 28 years).

Dividend yield %



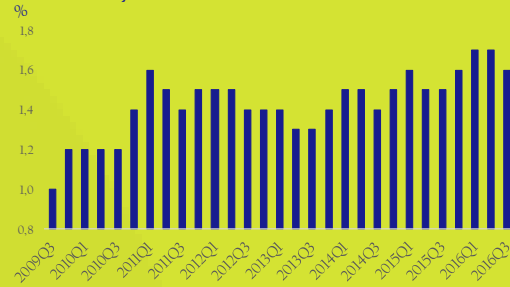
Source: Circulo de Empresarios based on BME, 2017

## Labor market mismatch

In the 3Q of 2016, the vacancy rate (jobs not occupied) in the EU-28 was at an historically high level of 1.6%, in spite of having 20.1 million people out of work (8.6%).

This situation demonstrates the clear disparity between the educational offer and the demands of the labor market.

EU28 vacancy rate %



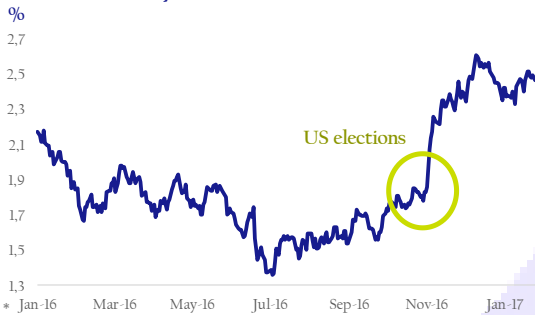
Source: Circulo de Empresarios based on Eurostat, 2017

## Financial Markets

### US fixed income

Since the victory of Trump, the government bond market, in particular the long-term one, has accelerated its decline by 70 bp, placing the profitability of the 10-year bond at around 2.5%. Likewise, a more hawkish message from the Fed could push sovereign yields upwards.

10Y- US treasury %

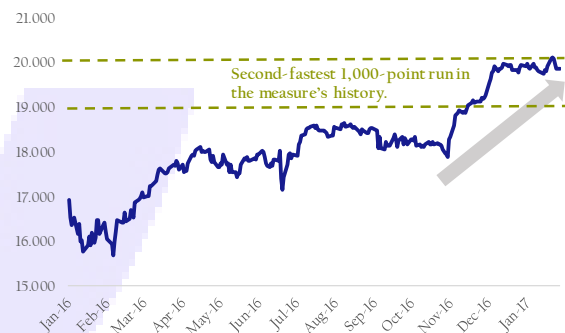


Source: Circulo de Empresarios based on Bloomberg, 2017

### Equities

For the first time since its creation in 1896, the Dow Jones industrial average reached a record high of 20,000 points, last January 25. This is explained in part by the good company results and a possible expansive fiscal policy by the new administration

#### Dow Jones Industrial



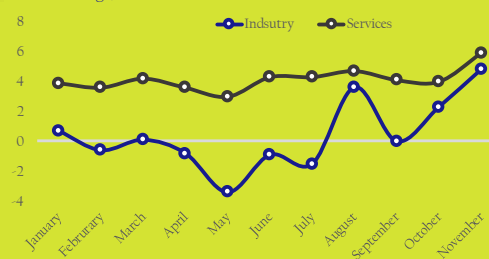
Source: Circulo de Empresarios based on Investing, 2017

## Economic activity in Spain

In the 4Q of 2016, the year-on-year quarterly change in the GDP was 3% (3.2% for the whole year).

Also notable was the increase in business for industry, with a year-on-year advance in November of 4.8%, and of 5.9% in the service sector..

Business and service sector turnover Jan-Nov 2016 Annual change, %



Source: Circulo de Empresarios based on INE, 2017

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