



SPAIN

National Accounting 4Q 2015 (INE)

During the fourth quarter of 2015 the Spanish economy grew 0.8%, and 3.5% year-on-year. For 2015 as a whole, the nominal annual progress was 3.8% and the real advance was 3.2%. The GDP in current prices reached 1,081,190 million euros. The contribution of the domestic demand to annual growth was

Predicted CPI February (INE)

Prices fell 0.8% in February, the greatest rate since September 2015, principally because of the drop in the cost of fuel, food and non-alcoholic beverages.

Labor market (Ministry of Employment and Social Security)

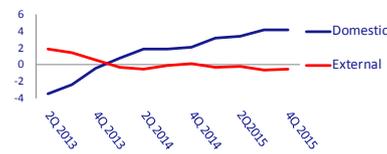
In February, registered unemployment increased by 2,231 persons, to 4,152,986. During the last 12 months, it dropped by 359,157 persons. The average enrolment in Social Security increased by 63,355 persons with respect to the previous month, and by 495,490 year-on-year (+2,97%).

Capital outflow in 2015 (Bank of Spain)

In 2015, political uncertainty provoked a capital outflow from Spain of 70,200 million euros, the worst since 2012 (170,000 million), and in sharp contrast to the 5,600 million euros invested in 2014.

steady at 4.1 points and overseas demand dropped by 0.6 points.

Contribución of demand to growth



Source: INE, 2016

In the Eurozone, year-on-year inflation dropped -0.2% (vs. 0.3% in January). The cost of energy declined 8% year-on-year (vs. -5.4%), while that of services rose 1% (vs. 1.2%), and that of food, tobacco and alcohol 0.7% (vs. 1%).

1,377,480 new contracts were signed, some 12.27% more than in February of 2015. 139,364 of these new contracts were permanent, 19,083 more than a year before (+15.87%). Moreover, full-time permanent employment has increased by 16.86% year-on-year.

In December, net outflows of financial resources –excluding movements by the Bank of Spain– reached 19,000 million euros, principally because of disinvestments by non-residents in Spain.

EUROPEAN UNION

Brexit

If the United Kingdom were to leave the European Union, it would once again control its immigration (half of it from the EU) and maintain a certain sovereignty (it would still be a member of NATO and the IMF).

Predicted vote in the referendum of June 23
Average of the 6 last surveys: February 13 - February 23



Source: NatGen Social Research

According to the Bertelsmann Foundation, the effects of Brexit would include:

- The UK would no longer have to contribute some 350 million pounds each week to the EU budget, but this would be offset by higher tariffs on its imports (< 10% from the EU) and exports (45% of them are to Europe), by losing access to the single market. This would cause a drop in GDP per capita of between 0.6% and 3% until 2030. The loss of investment and innovation could push the drop in GDP as far as 14%.
- A weakening of the EU. The per capita GDP would decline in Ireland (-2.66%), Germany (-0.33%), Holland (-0.35%), France (-0.27%) and Spain (-0.32%).

Employment in the UK – 4Q 2015

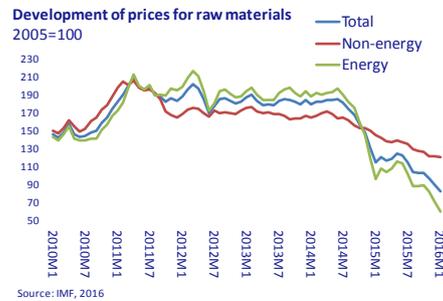
The employment rate in Britain was 74.1% (31.42 million workers, some 521,000 more than in the previous year), the highest since records have been kept. The unemployment

rate held steady at 5.1% (1.69 million people, or 172,000 fewer than the year before), the lowest level before the crisis (Office for National Statistics).

INTERNATIONAL

G20 Summit

In the final declaration of the G20 Summit in Shanghai, the most important developed and emerging countries named the greatest risks for destabilizing the world economy. They included volatility in the flow of capital, cheaper raw materials, the Brexit, geopolitical tensions and the refugee crisis.



World trade

In 2015 international trade in goods (in dollars) fell by 13.8% with regard to 2014, the first contraction since 2009 (Dutch Office of Central Planning for Economic Analysis), caused by a drop in demand from emerging markets.

In this context, Spain has gained a market share in trade with both its world and European trading partners. Specifically, Spanish exports to the EU (65% of Spain's total) grew 5.4%, surpassing the growth in imports from the EU.

USA: advance in the Markit PMI

In February, the Composite PMI in the United States dropped from 53.2 Index Points to 50.1, reflecting a slowdown in its private sector. The decline was general: the services

PMI dropped from 53.2 points to 49.8 points (the lowest level in 28 months), and in manufacturing from 52.4 to 51 (the lowest level since October 2012).

China

During China's process of industrial restructuring, which seeks to reduce production capacity, some 1.8 million jobs will be lost: 1.3 million in the coal industry and 500.000 in steelmaking.

The Chinese government has decided to establish a fund of 15,300 million dollars to help these newly unemployed workers.

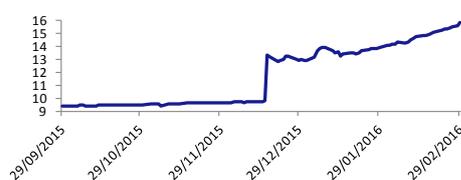
Argentina

Since December of 2015, the new Macri government has kept the devaluation of the Argentine peso below 30%, has promoted exports, and has also eliminated subsidies that made it difficult to achieve a balanced budget.

Nevertheless, inflation, which has been over 20% for the past nine years, was at 30% in January, thus threatening to limit economic activity.

In order to avoid inflationary pressures the government will control money issue, reduce fiscal deficit and set a limit to salaries increase, which has been rejected by trade unions

Peso depreciation vs. dollar



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