



SPAIN

Accounting Q2 2015 - INE

In the Q2, GDP increased 1% quarterly and 3.1% year-on-year, essentially because of internal demand (3.3).

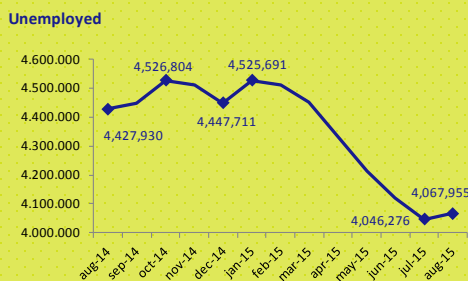
- Spending on household consumption increased 3.5% year-on-year, similar to the Q1, because of increased employment (2.9%, or 477,000 new jobs) and greater family disposable income (because of a drop in the price of petroleum and interest rates, among other factors).
- Spending by the Public Administrations grew 1%, some 8 decimal points more than in the Q1, in part because of the approaching elections.

- The creation of fixed capital grew 6.1%, principally because of the demand for capital goods assets, which grew 9.2%. For its part, the investment in housing and other building improved investment in construction assets by a decimal point, to 5.1%.

The growth in exports (6%) is still surpassed by that of imports (7.2%), with the result that the contribution of the external balance to GDP growth is negative (-2 decimal points). In spite of this, the current account balance is still positive, having been compensated for by the prices of oil and other imported raw materials.

Employment, August 2015

Registered unemployment grew in August – by 21,679 persons– to 4,067,955 persons, although in seasonally adjusted terms it dropped by 5,286. In comparison with August 2014, it dropped by 359,975 persons.



Source: Ministerio de Empleo y Seguridad Social 2015

In July, unemployment dropped in agriculture (5,964 fewer unemployed; -2.98%) and among people with no previous work (-5,678; -1.59%), and increased in construction (+4,643 out of work; 1.02%), industry (+5,802; 1.49%) and services (+22,876; 0.87%).

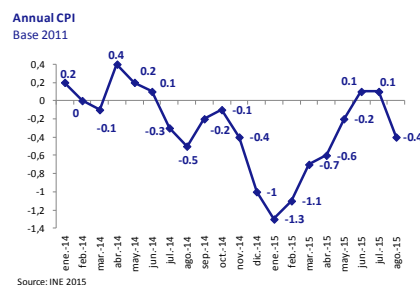
By Autonomous Communities, unemployment was reduced in six of them, notably in Galicia (by 2,639 persons), the Canary Islands (-1,257) and Asturias (-1,057), but went up in 11 other regions, led by Valencia (7,614) and Catalonia (4,521).

The Social Security system lost 134,289 affiliates in August (-0.78% month-on-month), with an average affiliation of 17,180,899 persons. In annual terms, Social Security has 531,378 more persons, some 3.19% more, than in August of 2014, and is now at its best figure since 2006.

By regions, there was a notable monthly increase in Asturias (0.59%), Galicia (0.56%) and the Canaries (0.33%), and a regression in Murcia (-2.87%), Valencia (-1.59%) and Catalonia (-1.36%).

Estimated CPI, INE

In August, after two consecutive months of increases, the flash estimate of the annual CPI retreated 0.4% (vs. +0.1% in July), due to cheaper energy (fuel and electricity), in spite of the rise in service prices (especially from greater summer demand).



Source: INE 2015

EUROPEAN UNION

Growth and monetary policy

The ECB has revised downwards its predictions on European growth and inflation because of the possible negative effects of the slowdown in the emerging economies. In June the ECB forecast European growth of 1.5% for 2015, of 1.9% for 2016, and of 2% for 2017, figures that it has lowered to: 1.4%, 1.7% and 1.8%, respectively. Likewise, the forecast for inflation has dropped from 0.3% to 0.1% in 2015, from 1.5% to 1.1% in 2016, and from 1.8% to 1.7% in 2017.

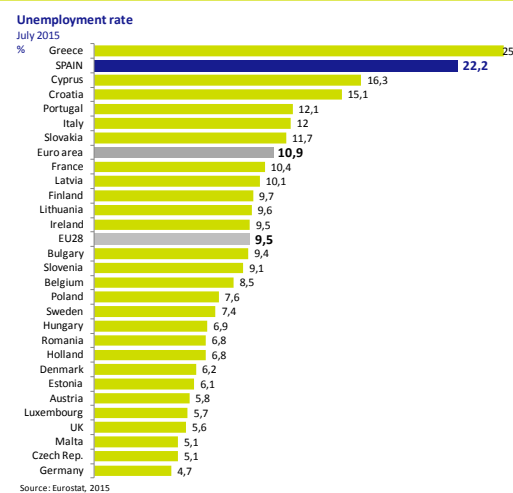
Unemployment

Unemployment in the Eurozone dropped from 11.1% in June to 10.9% in July to 17.5 million people), thus reaching the lowest percentage since February of 2012. In the EU-28 it was 9.5% (23 million unemployed), the lowest level since June of 2011.

By countries, the lowest rates of unemployment were in Germany (4.7%), the Czech Republic (5.1%) and Malta (5.1%). The highest rates were in Greece (25%) and Spain (22.2%).

With regard to people under 25 years of age, unemployment dropped 4 decimal points in the Eurozone, to 21.9%, and 2 decimal points in the EU, to 20.4%.

In this context, the Bank has decided to maintain interest rates at the historic minimum of 0.05%, and does not rule out increasing stimulus if it becomes necessary. It foresees, even beyond September of 2016, that it will continue to dedicate 60,000 million euros per month to buying public and private debt (quantitative easing), increasing from 25% to 33% the limit on debt issuance that it can acquire.



Tax fraud in the EU

The EU-26 (without Croatia and Cyprus) failed to take in 168,000 million euros in VAT in 2013 (some 15.2% of the total it could have collected) due to evasion, tax fraud, bankruptcies and financial insolvencies, and errors in calculation.

The EU countries that lost the highest percentage were Rumania (41.1%), Lithuania (37.7%), Slovakia (34.9%), Greece (34%) and

Italy (33.6%). By contrast, the most effective countries in collecting revenues were Finland (losing only 4.1%), Holland (4.2%), Sweden (4.3%), Luxemburg (5.1%) and Slovenia (5.9%).

For its part, Spain failed to collect 12,094 million euros, or 16.5% of the total of the 73,444 million euros that it could have collected.

INTERNATIONAL

China

China announced a decline in GDP in 2014, from an expected 7.4% to 7.3%, the lowest level of growth of the last 25 years. Regarding predictions for 2015 and 2016, they are 6.9% and 6.7% respectively (*The Economist*).

Thus a slowdown in the Chinese economy is predicted, essentially because of:

- A drop in imports in August of 14.3% with respect to the same month of the previous year, principally because of cheaper raw materials, especially petroleum.
- The drop in industrial production. The PMI Industrial index dropped from 47.8 in July to 47.3 in August.
- Lower energy consumption.
- The excessive debt, which is predicted to reach 300% of GDP in 2015 (it was 284% in 2014).

'Así está...The economy', a publication of the Círculo de Empresarios produced by its Department of the Economy, contains information and opinion from reliable sources. However the Círculo de Empresarios does not guarantee its accuracy and does not take responsibility for any errors or omissions. This document is merely informative. As a result, the Círculo de Empresarios is not responsible for any uses that may be made of the publication. The opinions and estimates of the Department can be modified without any warning.