



# Quarterly Report on the Spanish Economic Situation Q1 2015

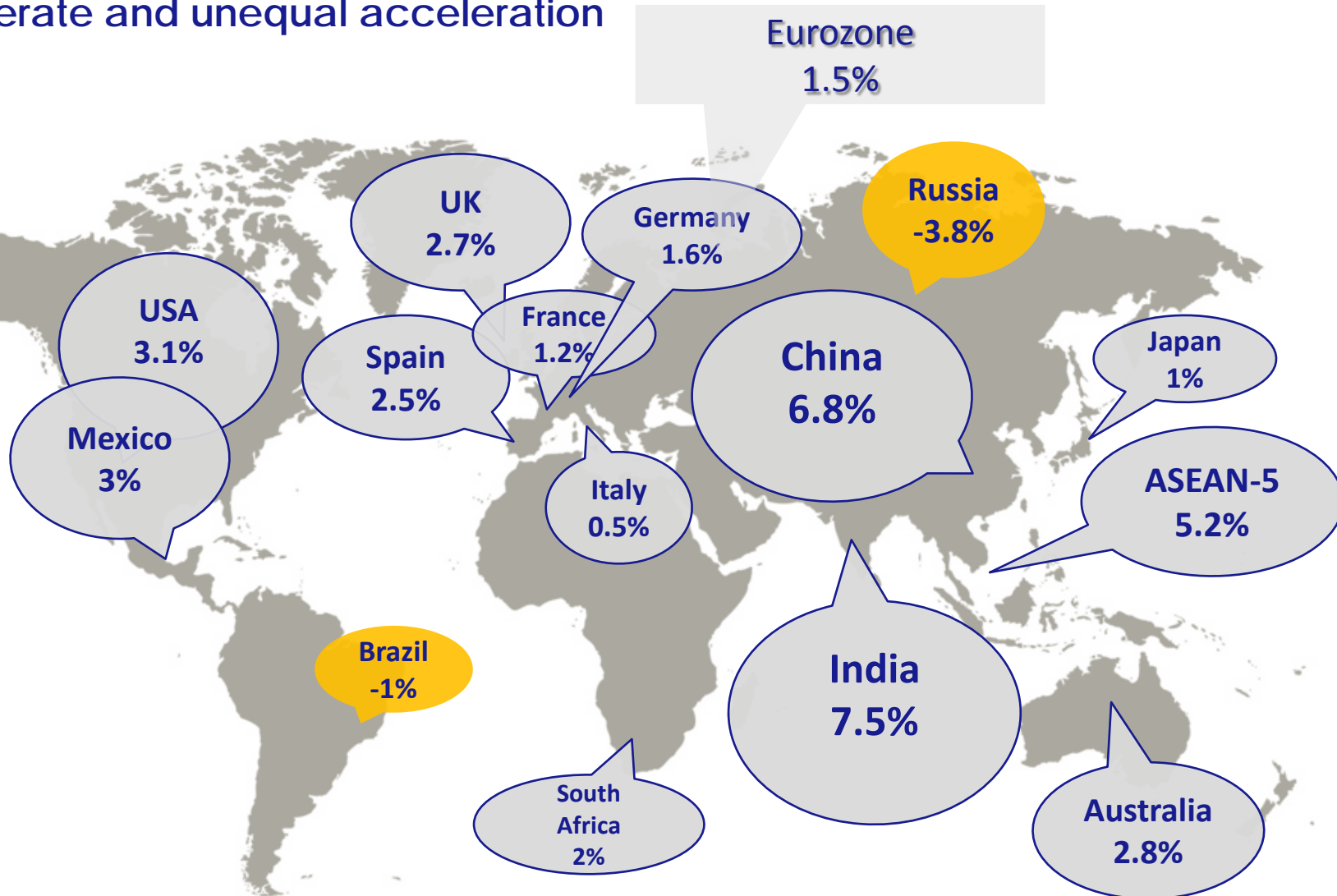
Círculo de Empresarios  
Madrid, April 2015



# GLOBAL SETTING

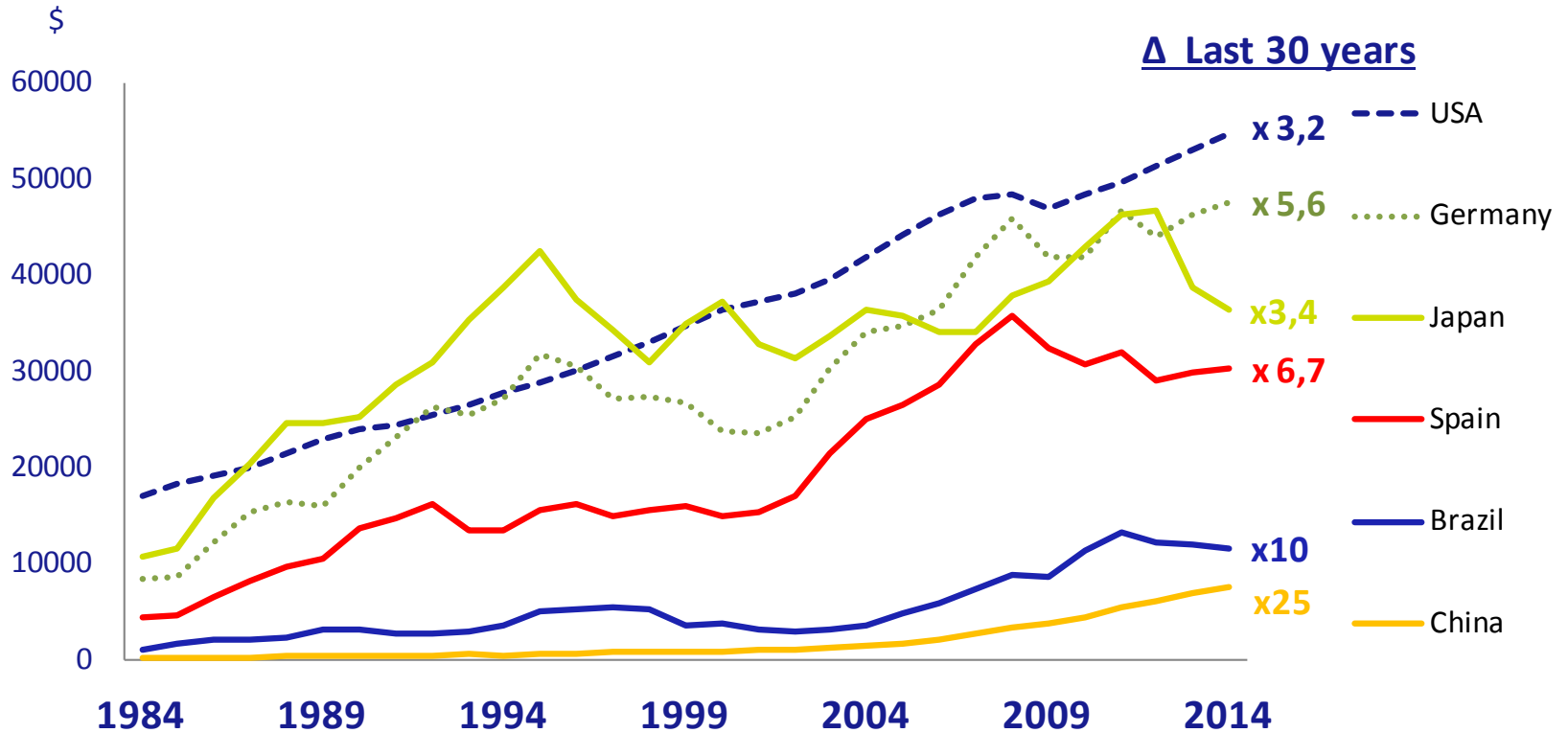
# Predictions 2015

Moderate and unequal acceleration



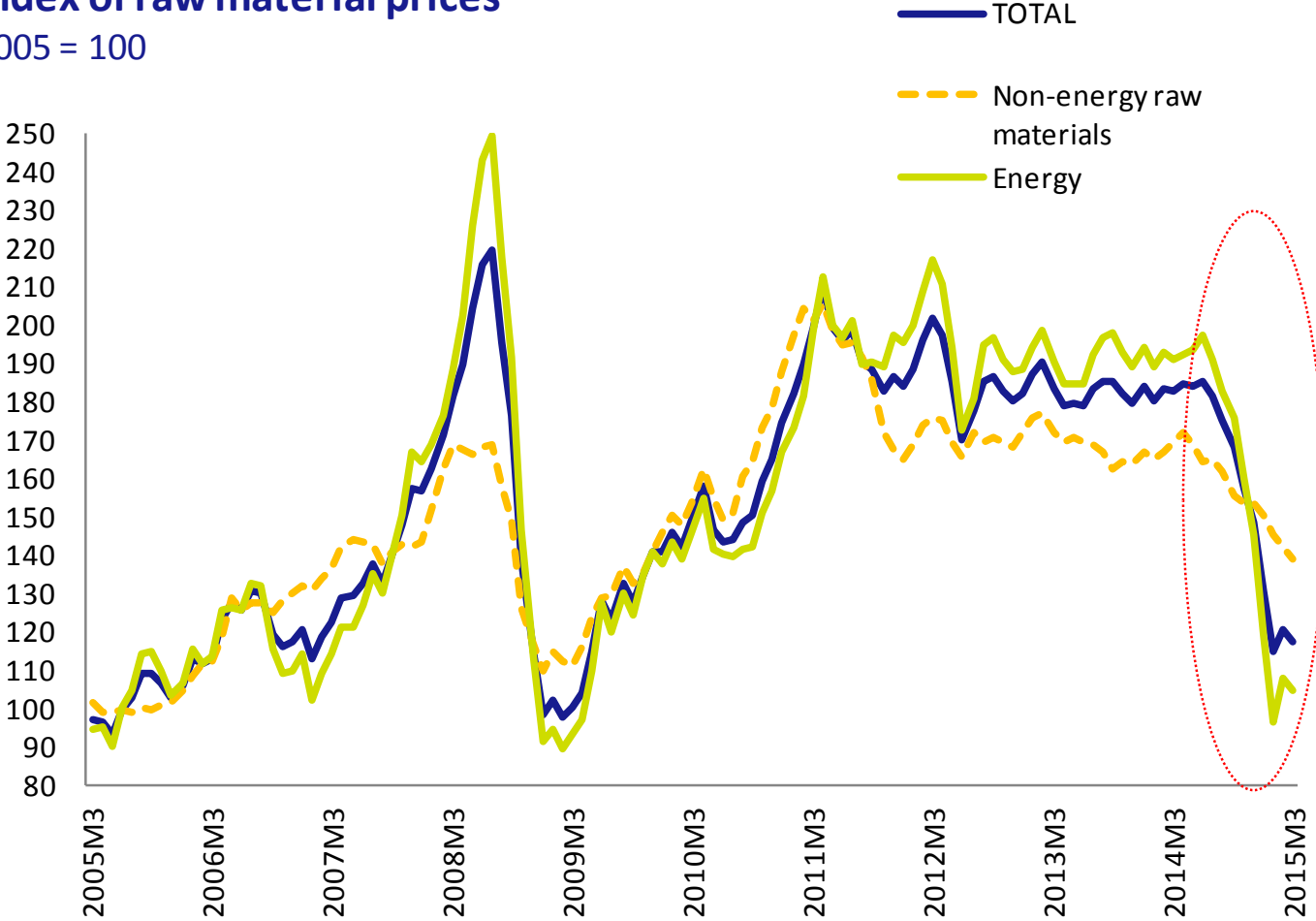
<sup>a</sup>ASEAN-5: Philippines, Indonesia, Malaysia, Thailand and Vietnam  
Source: World Economic Outlook, IMF - April 2015

# Evolution of per capita income



# Prices of raw materials

**Index of raw material prices**  
2005 = 100



Source: IMF, April 2015

# Price of gold

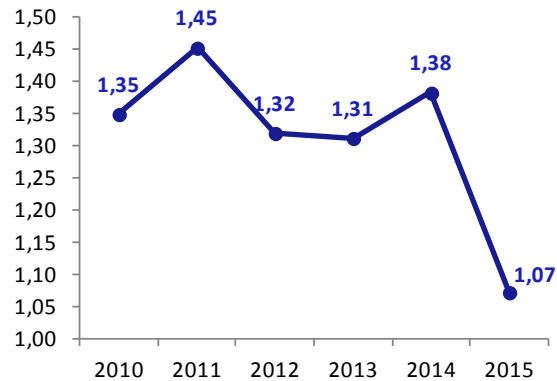


Source: Bloomberg, April 2015

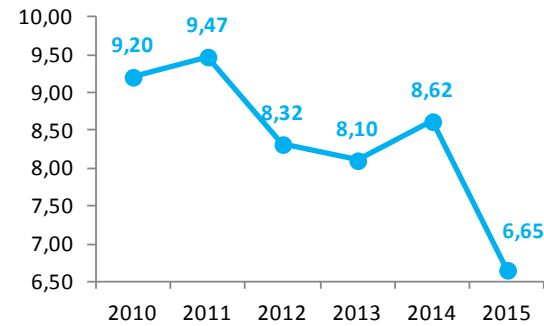
# Depreciation of the euro

Depreciation of the euro, with the lowest exchange rate since the spring of 2003. Greater competitiveness of European exports outside the eurozone and more expensive imports.

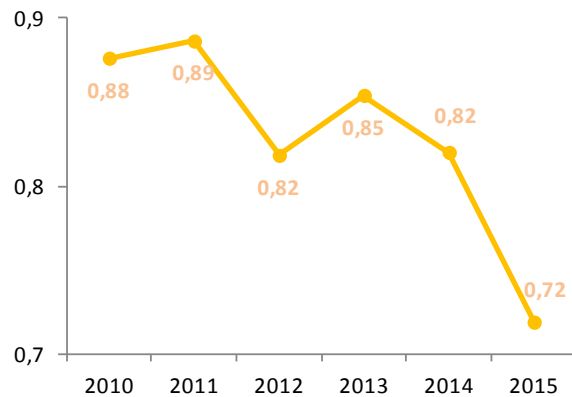
US dollars per euro



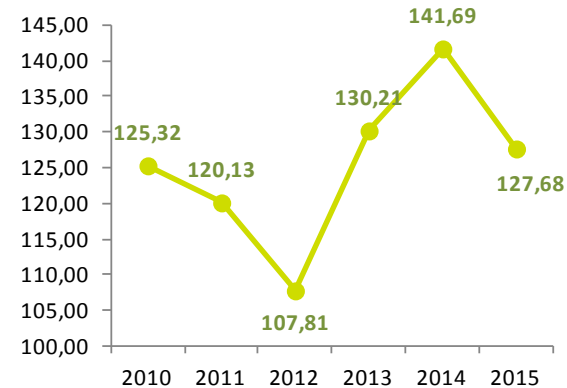
Yuan per euro



Pounds sterling per euro



Japanese yen per euro



# Stock market indices

## Evolution of stock markets

%

	2000	2002	2004	2006	2007	2008	2009	2010	2011	2012	2013	2014
Dax 30 (Frankfurt)	-7.5	-43.9	7.3	22.0	22.3	-40.4	23.9	16.1	-14.7	29.1	25.5	2.7
<b>Ibex 35 (Madrid)</b>	<b>-21.7</b>	<b>-28.1</b>	<b>17.4</b>	<b>32.2</b>	<b>7.3</b>	<b>-39.4</b>	<b>29.8</b>	<b>-17.4</b>	<b>-13.1</b>	<b>-4.7</b>	<b>21.4</b>	<b>3.7</b>
CAC 40 (Paris)	-0.5	-33.7	7.6	17.5	1.3	-42.7	22.3	-6,0	-17.0	15.2	18,0	-0.5
Eurostoxx 50 (Euro)	-2.7	-36.6	6.9	15.1	6.8	-44.3	22.2	-6.8	-17.1	13.8	17.9	1.2
FTSE 100 (London)	-10.2	-24.6	7.7	10.7	3.8	-32.0	27.6	9.0	-5.6	5.8	14.4	-2.7
S&P (USA)	-10.2	-23.3	9.3	13.6	3.5	-39.3	23.5	13.1	-0.3	11.8	31.5	11.4
Dow Jones (USA)	-6.2	-16.8	3.7	16.3	6.4	-34.7	18.8	11,0	5.5	7.3	26.5	7.5
Nikkei 225 (Japan)	-27.2	-18.6	7.1	6.9	-11.1	-42.1	19.0	-3.0	-17.3	22.9	56.7	7.1

Source: Inverco, 2015





## GLOBAL

Destabilization in some countries due to the drop in petroleum prices

## EUROPE

- Weak recovery
- Variety of reforms to overcome the crisis
- Greece
- Russia - Ukraine

## EMERGING

Response to possible changes in the Fed's policies and to rising interest rates

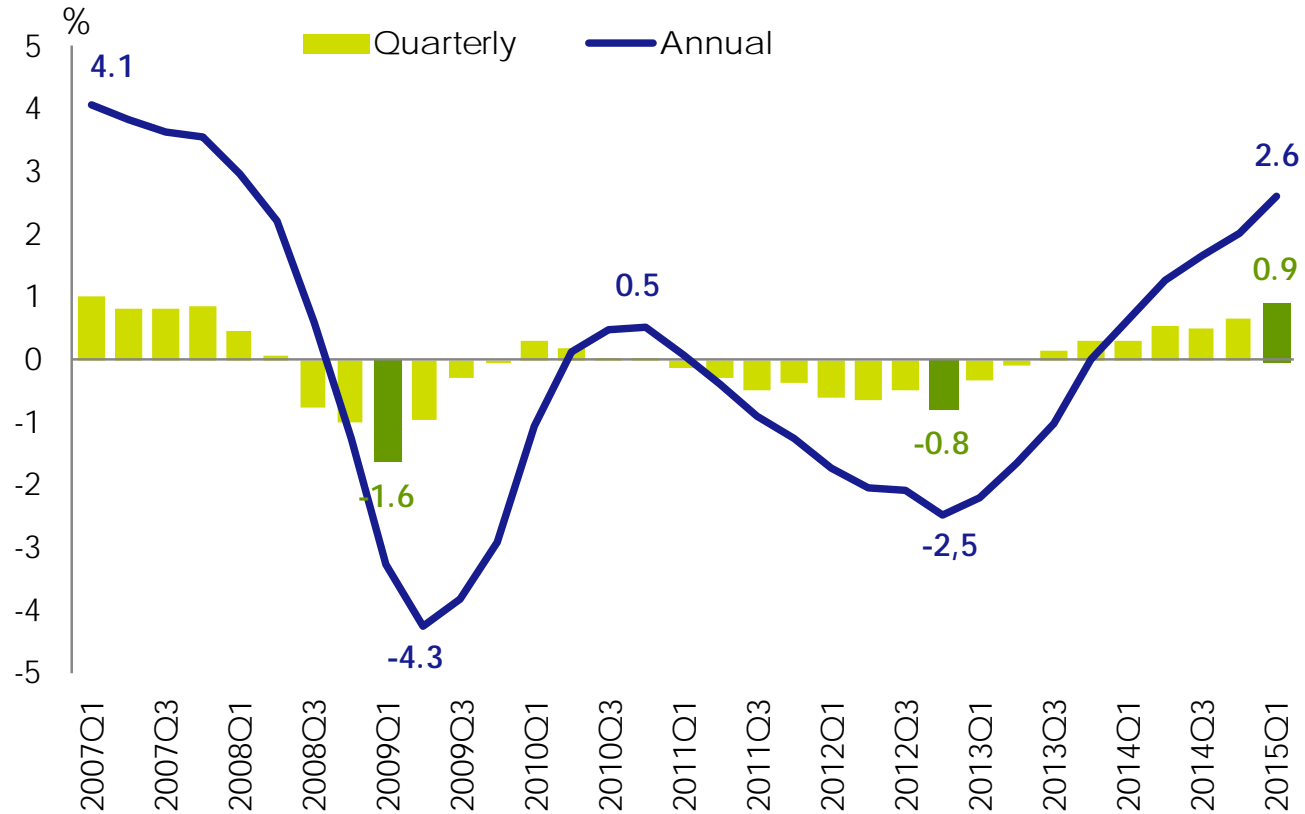
## CHINA

Brusque adjustment

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. The magnifying glass has a black handle and a silver frame.

**SPAIN**

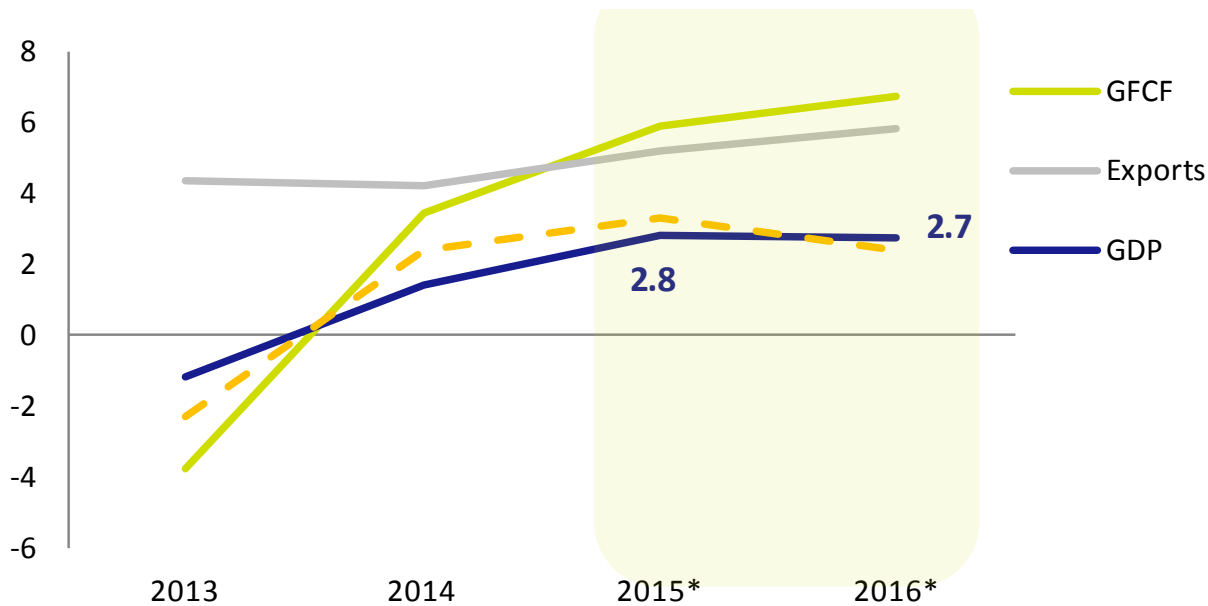
# Development of GDP



Source: National Statistical Institute (INE), April 2015

# Improved outlook for growth

The Bank of Spain predicts a rise in GDP of 2.8% in 2015 and of 2.7% in 2016, supported by an increase in investment (5.9 and 6.7%, respectively). In addition, the Bank foresees a growth in private consumption of 3.3% in 2015.



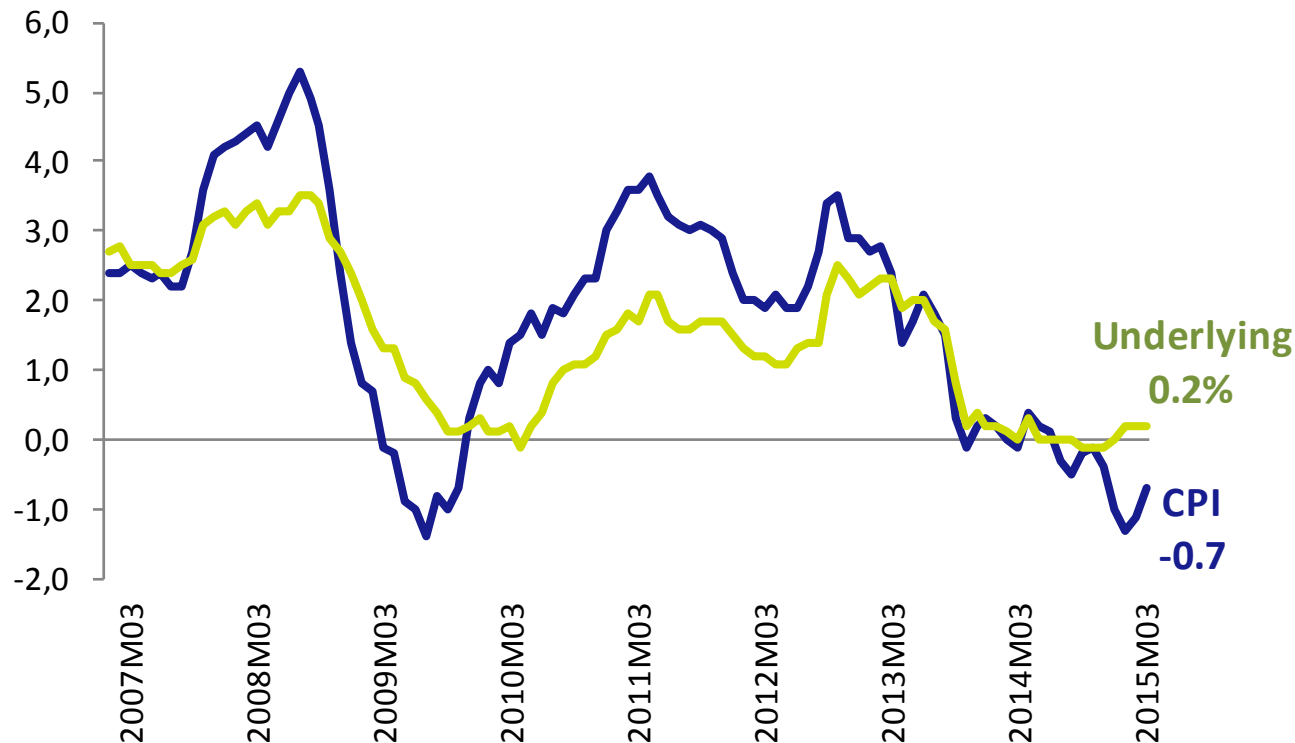
\* Forecasts

Source: Bank of Spain, March 2015

These predictions are in line with those of FUNCAS, of 2.6% (2015) and 2.6% (2016), and surpass those of the European Commission (2.3% in 2015 and 2.5% in 2016), the IMF (2.5% in 2015 and 2% in 2016), and the OECD (1.7% and 1.9%).

# Prices: CPI and underlying CPI

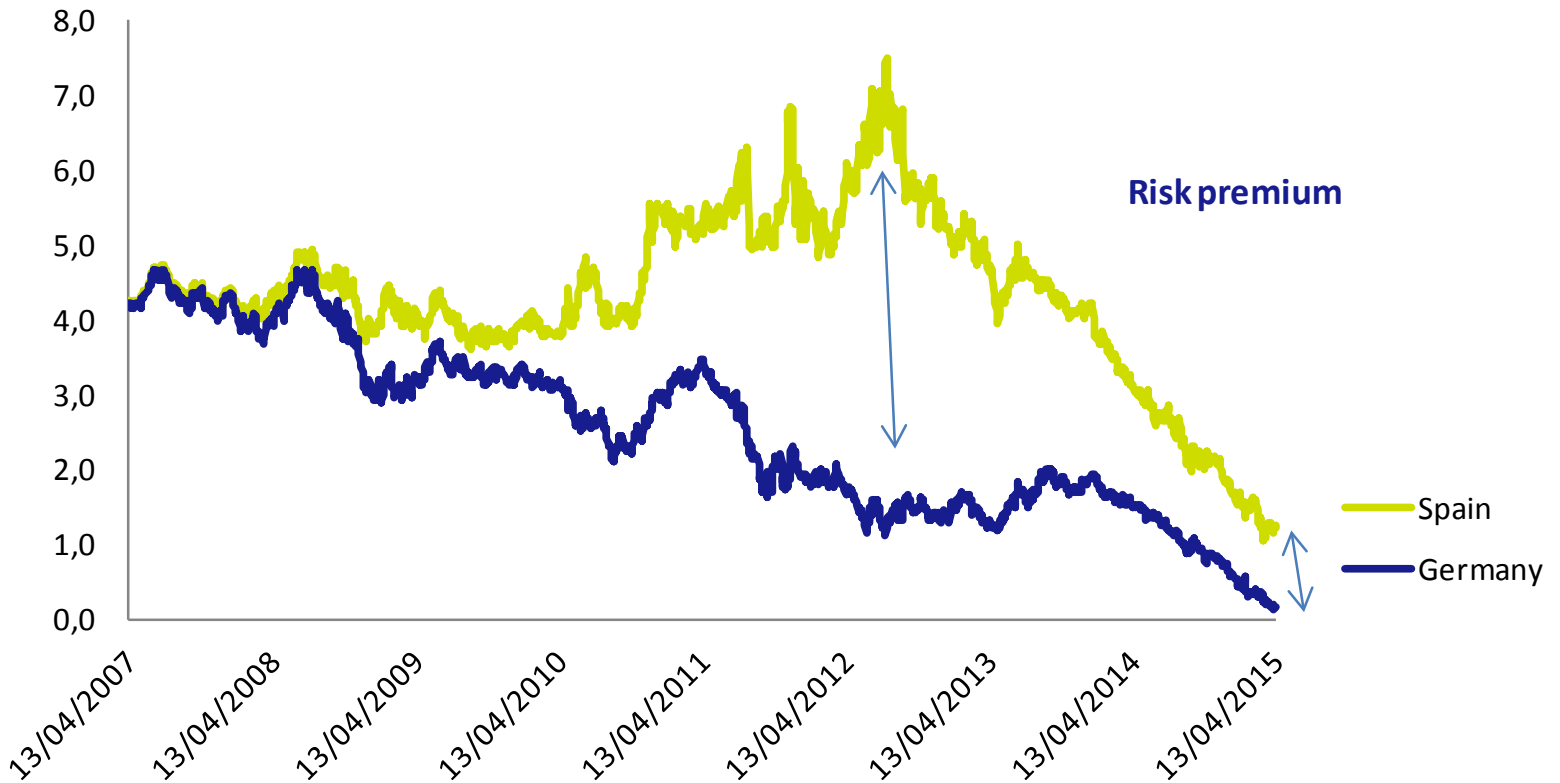
## Annual development of general CPI and underlying CPI



Source: INE, April 2015

The annual general Consumer Price Index rose from -1.07% to -0.66%. For its part, the underlying CPI (not counting energy and fresh foods) went from 0.15% to 0.20%.

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

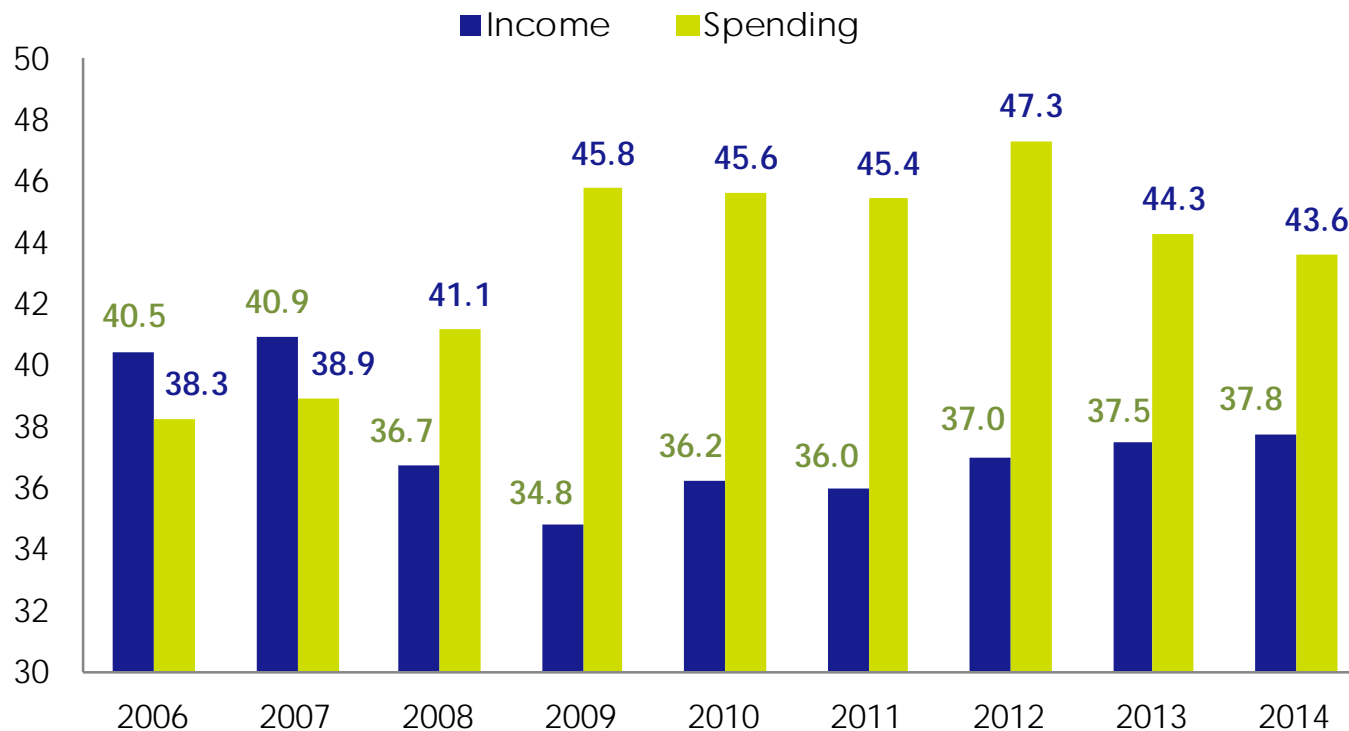


Source: Bank of Spain, April 2015

The risk premium is around 100 basis points.

# Situation of public accounts (I)

## Structure of income and public spending as a % of GDP

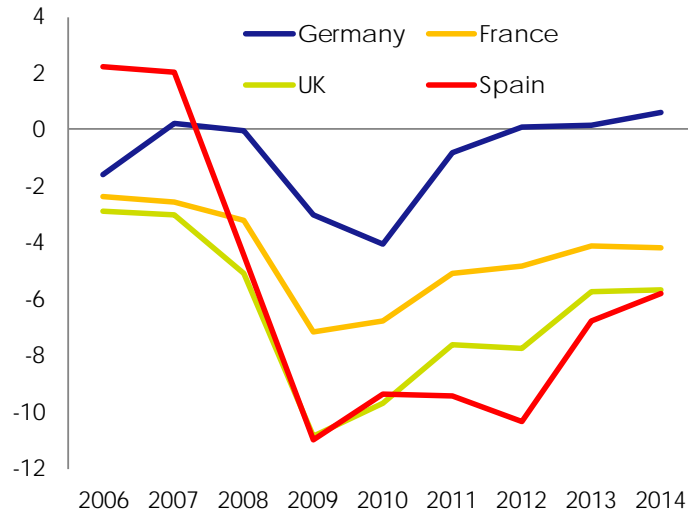


- Reform Public Administrations
- Necessary fiscal reform.
- New measures against fraud and the black economy.

Source: IMF, April 2015

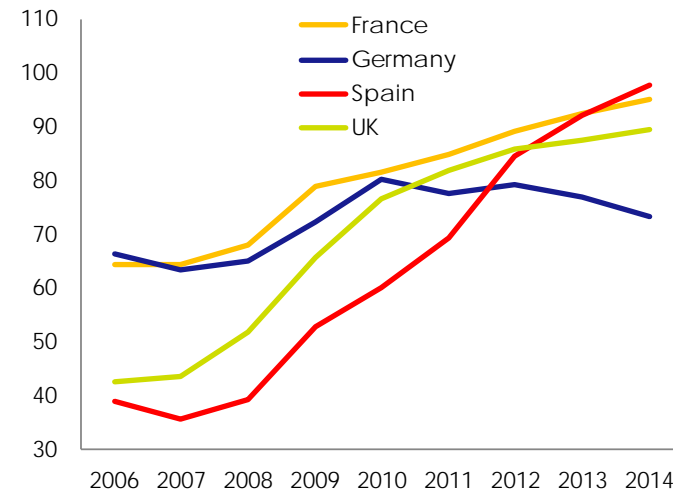
# Situation of public accounts (II)

Public deficit, 2006-2014  
% GDP



Source: IMF, April 2015

Public debt, 2006-2014  
% GDP



Source: IMF, April 2015

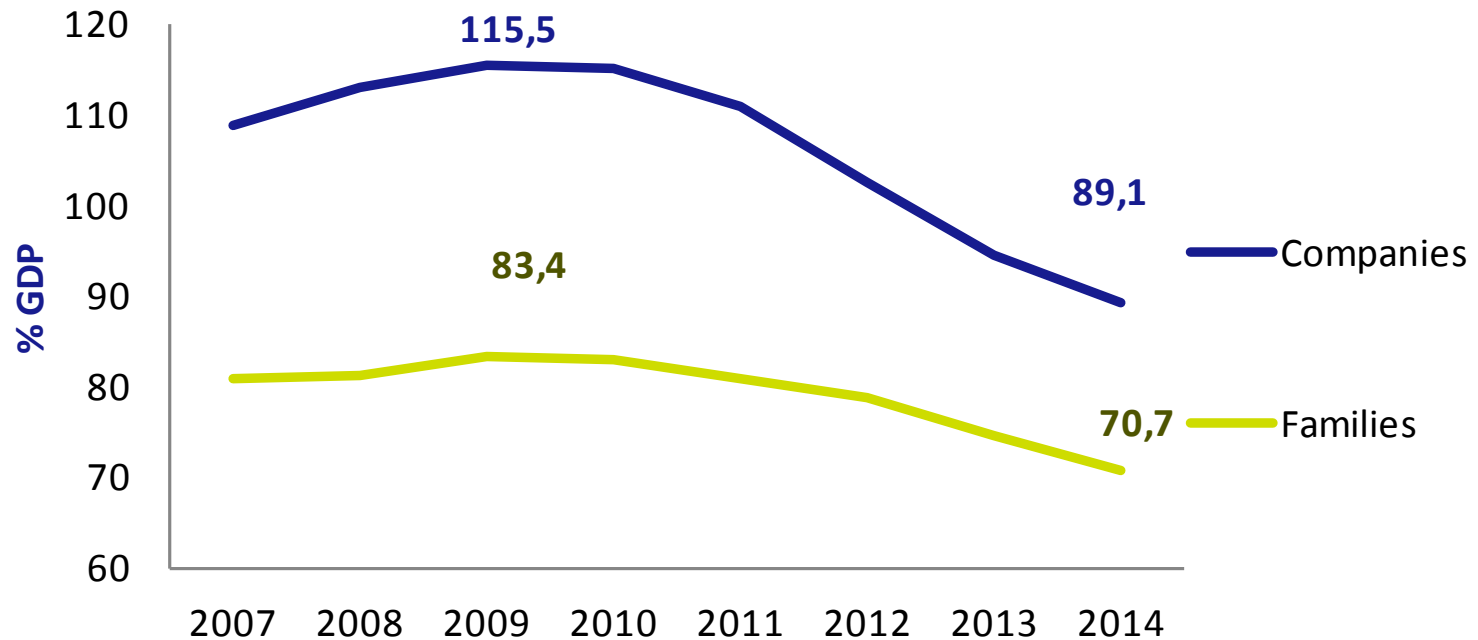
- From a surplus of 2% in 2006 to a deficit of 11% in 2009.
- 5.8% in 2014, according to Eurostat, second highest in the Eurozone after Cyprus.
- The State deficit until March rose to 9,854 million euros, some 3% more than in the same period of 2014.
- The public debt rose from 36.3% in 2007 to 97.7% in 2014.



# Deleveraging of the private sector

The private sector reduced its debt by 477,000 million euros since the end of 2008.

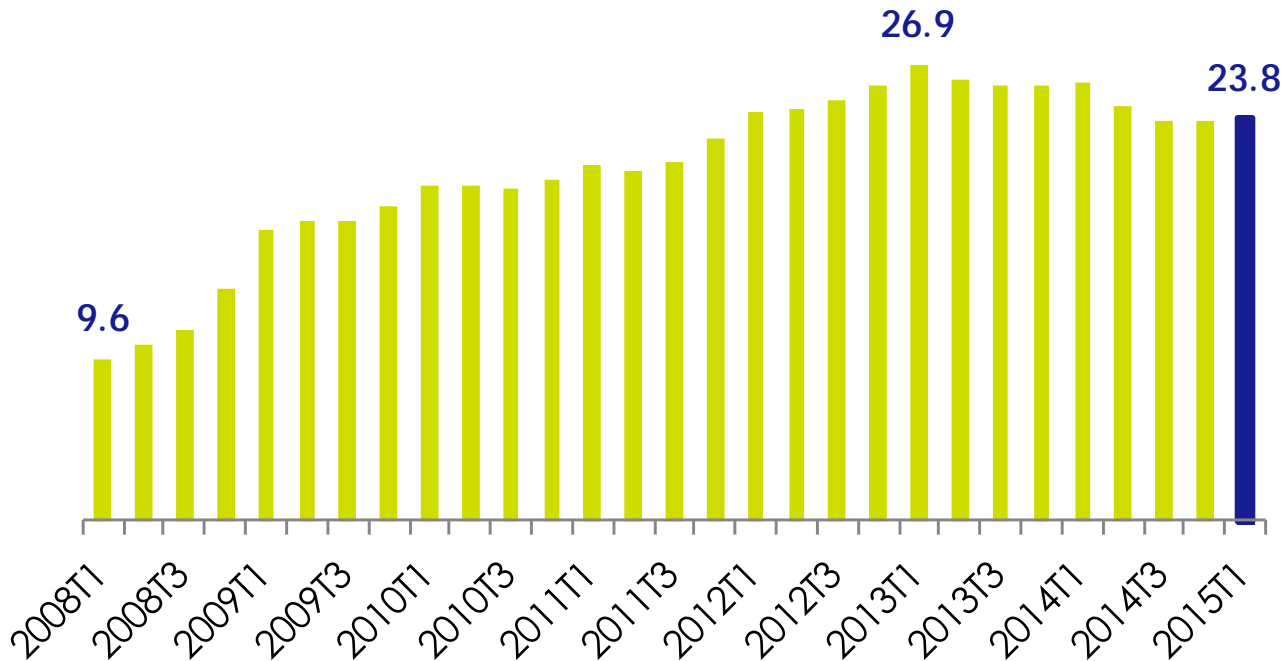
## Financing of non-financial companies and families



Source: Inhouse based on data from the Bank of Spain, 2015

## Unemployment rate

% of total labor force

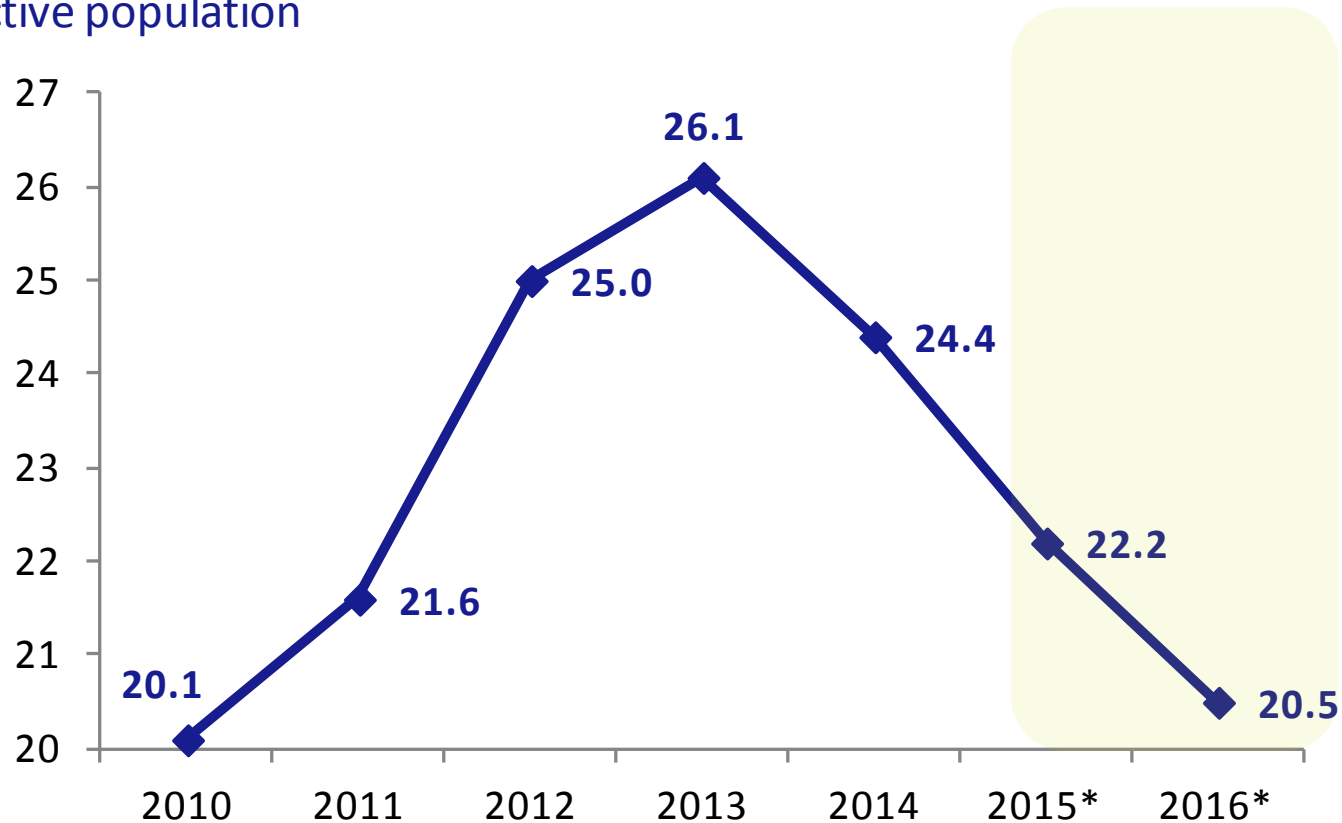


Source: EAPS 1Q2015 (INE)

Unemployment dropped in the first quarter of 2015 by 13,100 persons, the largest drop in a first quarter since 2005.

## Forecasts for the unemployment rate

% of active population



\* Forecasts

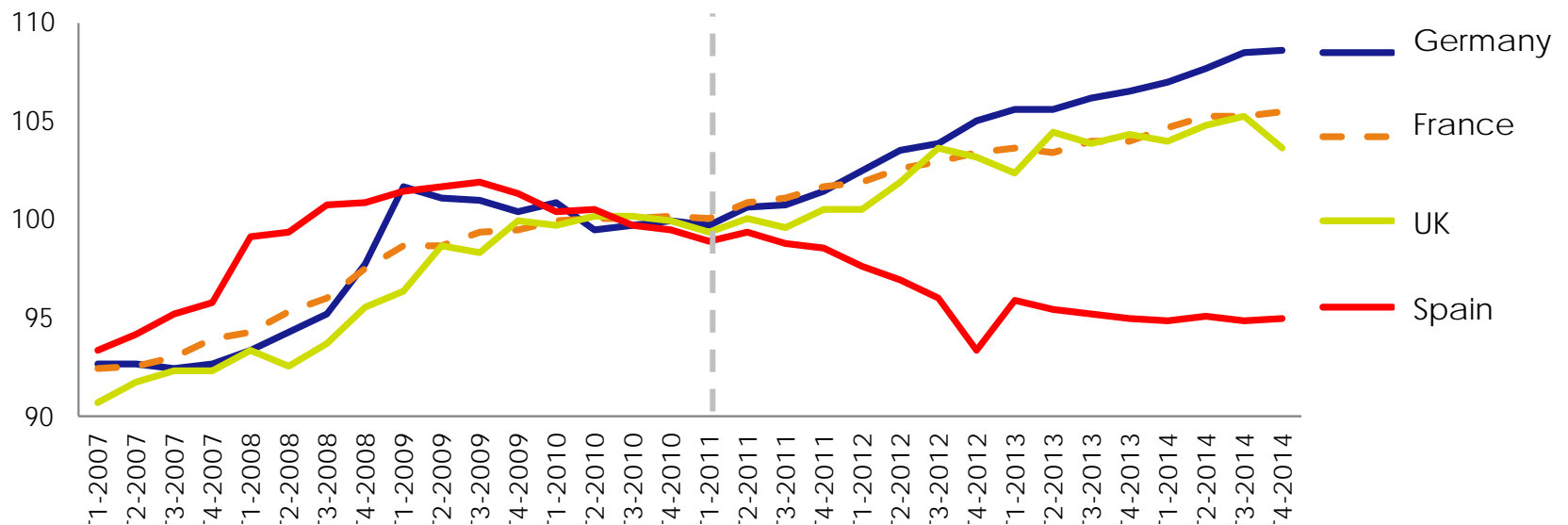
Source: Bank of Spain, March 2015

# Productivity

Starting in 2011, Spain will increase its productivity by reducing labor costs.

## Development of labor costs, 2007-2014

2010=100



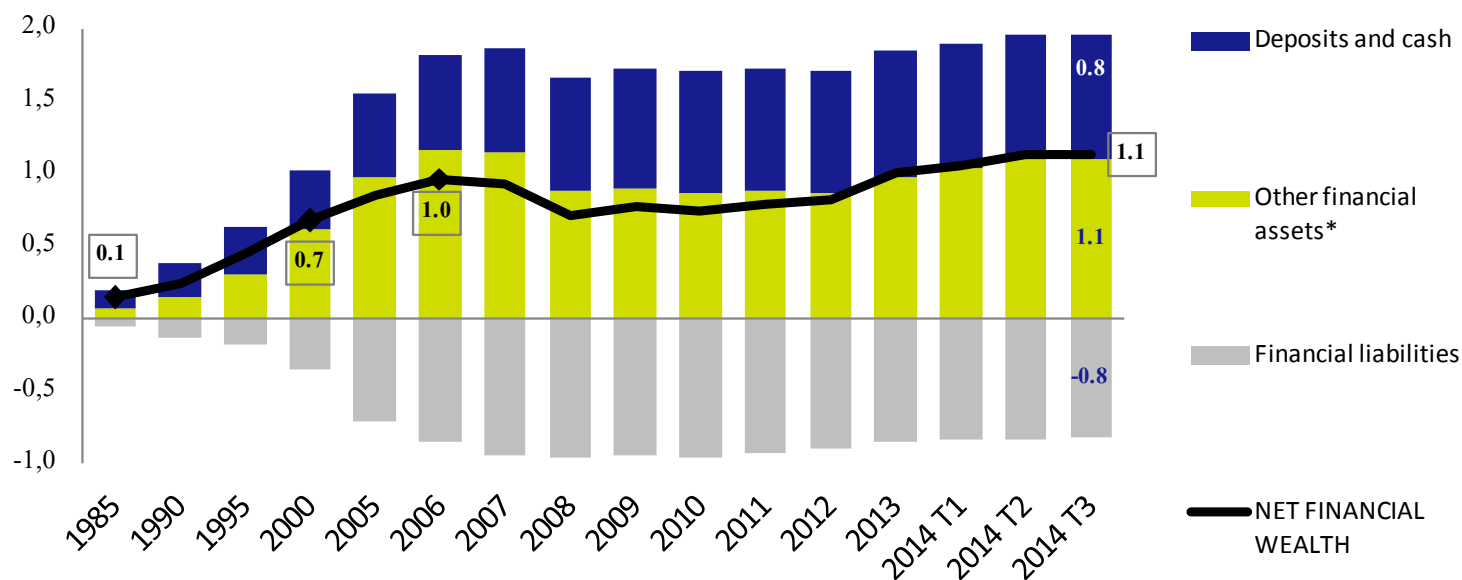
Source: OECD, 2015

# Situation of household wealth (I)

Family net financial wealth (financial assets less debt) remains at 1.1 billion euros.

## Net financial wealth of families

Billion of euros



\*Other financial assets: pension funds, insurance, fixed income...

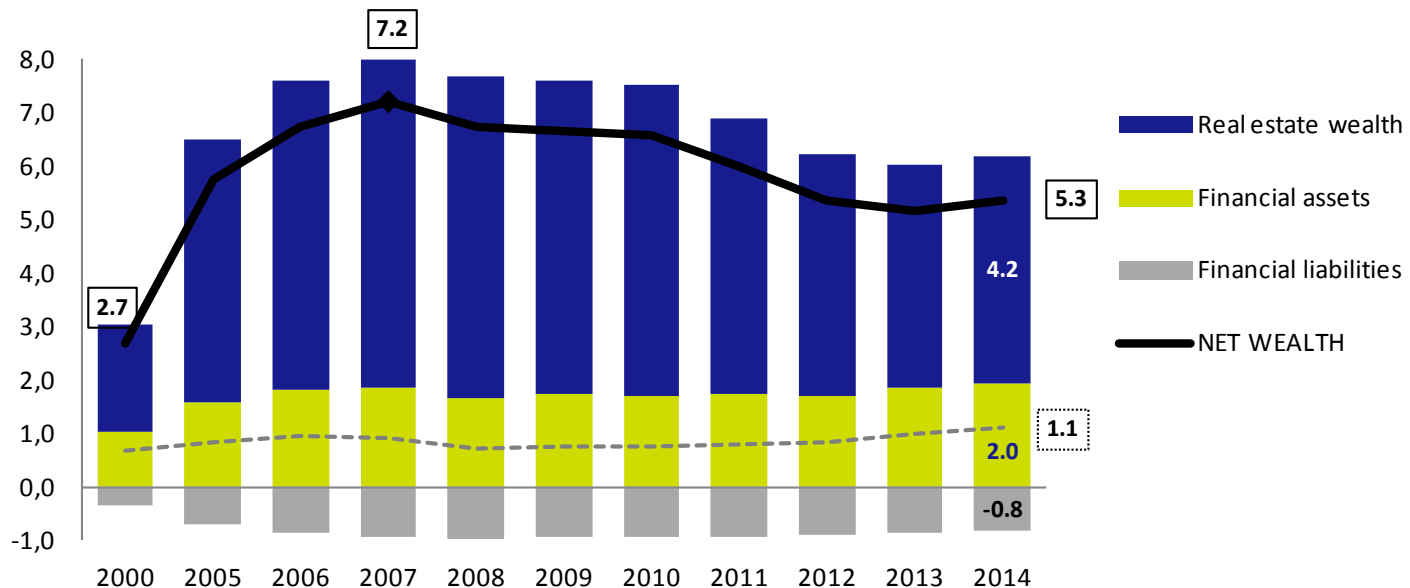
Source: Inverco and inhouse, 2015

# Situation of household wealth (II)

The net wealth of families (financial wealth plus real estate wealth without debt) doubled between 1999-2013, from 2.7 to 5.3 billion euros.

## Net wealth of families

Billions of euros



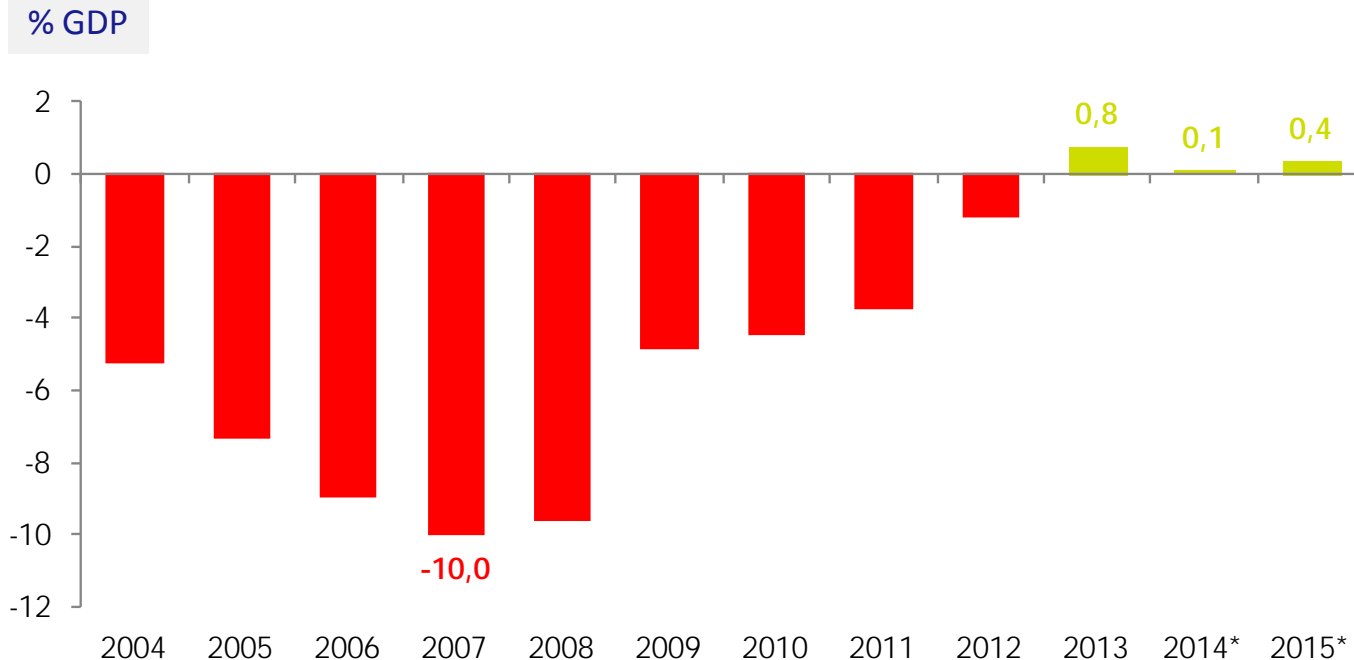
Source: Bank of Spain, Inverco and inhouse, 2015

# Internationalization (I)

Historic change in the current account balance in 5 years.

After 26 years, the Spanish economy ended 2013 and 2014 with a surplus in its current account.

## Evolution of Spanish current account, 2000-2015

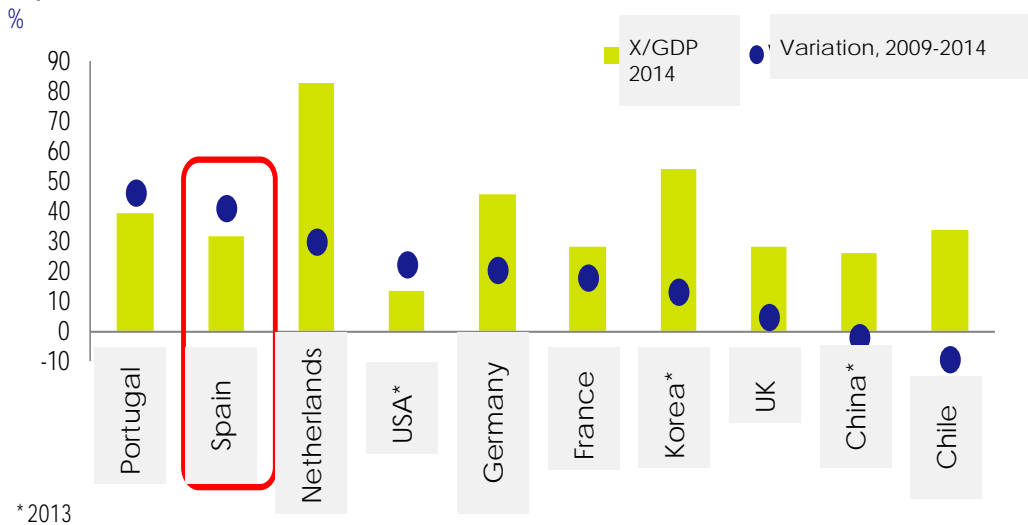


Estimated\*  
Source: IMF, 2015

# Internationalization (II)

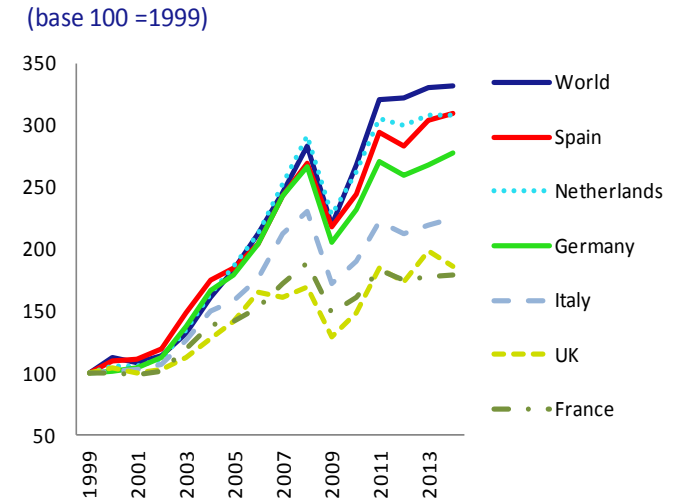
Advance in the contribution of exports to the GDP:  
from 22.7 % in 2009 to 32% in 2014

Exports as part of GDP



Source: OECD, 2015

Exports. Main European exporters vs. Spain  
(base 100 = 1999)



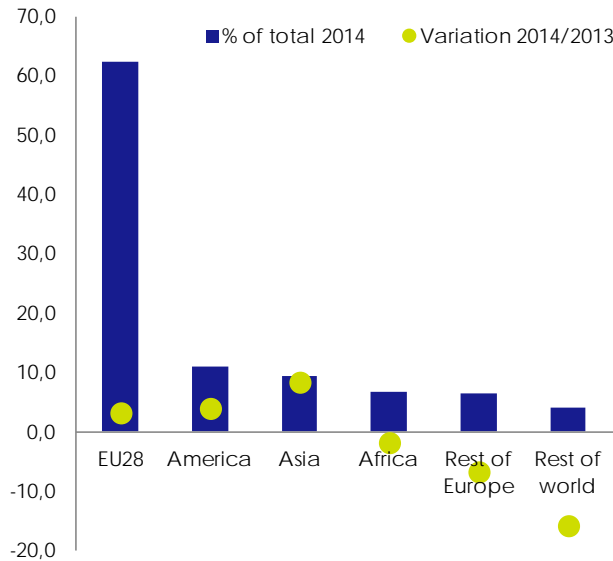
Source: WTO (2015) and in-house



# Internationalization (III)

Diversification –both geographically and by product– is the key to relaunching the Spanish exports.

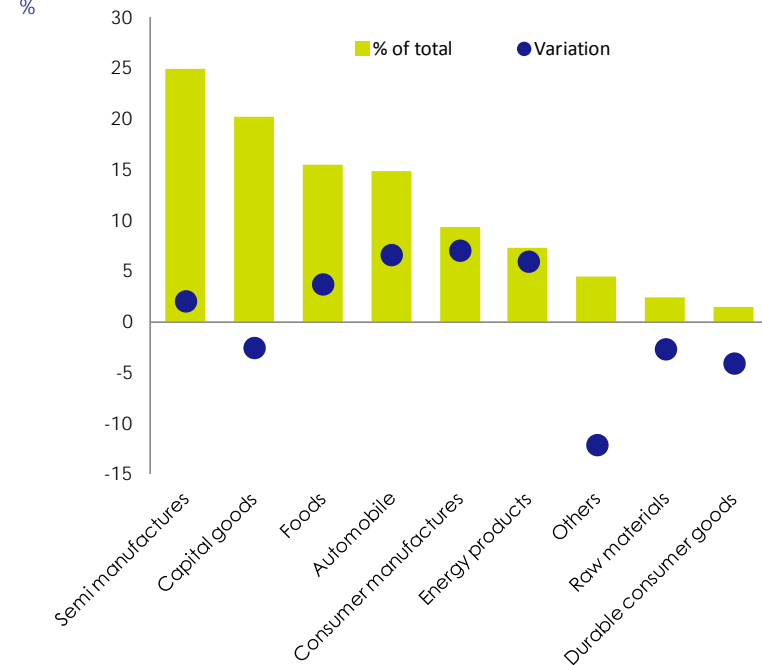
Geographical diversification  
%



Source: Datacomex (2015)

New markets and important growth of exports to Asia and the Americas.

Diversification by products  
%



Source: Datacomex (2015)

Diversified and added value exports

# Internationalization (IV)

## Leadership in tourism– 2014 was a record year



### Top 10 sources of tourists 2014

- 1 France
- 2 USA
- 3 Spain
- 4 China
- 5 Italy
- 6 Turkey
- 7 Germany
- 8 United Kingdom
- 9 Russia
- 10 Mexico



### Top 10 incomes through tourism 2014

- 1 USA
- 2 Spain
- 3 China
- 4 France
- 5 Macao (China)
- 6 Italy
- 7 United Kingdom
- 8 Germany
- 9 Thailand
- 10 Hong Kong

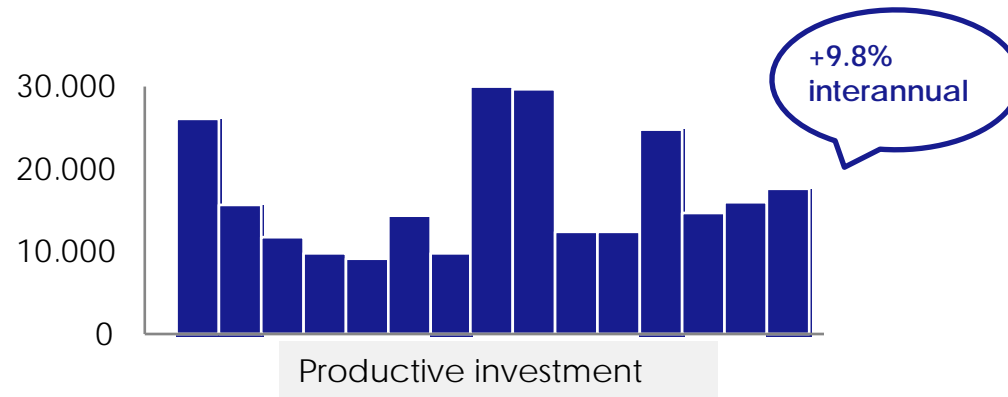
Source: WTO, 2015

In the first quarter of 2015 there were 10.6 million arrivals of non-residents, an increase of 5.3% over the same period of 2014, with more Asian and British citizens. In the first quarter of 2015 their spending increased by 7% with regard to the same period of 2014.

# Spanish and foreign investment

## Spanish investment overseas, 2000-2014

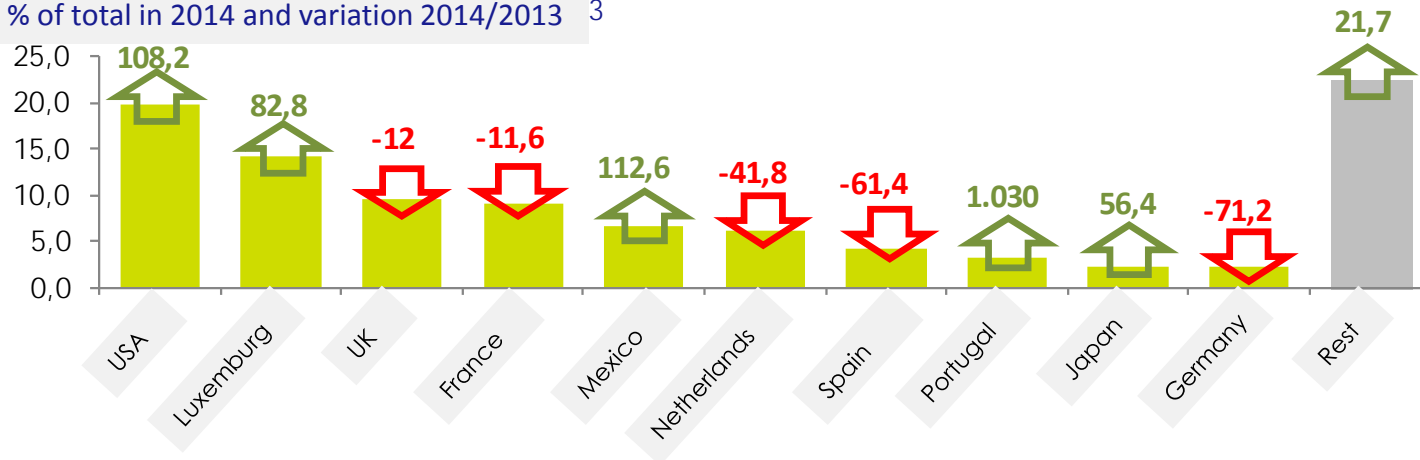
Millions of euros



Source: Ministry of the Economy, Registry of Overseas Investment (2015)

## Foreign investors in Spain

% of total in 2014 and variation 2014/2013



Source: : Ministry of the Economy, Registry of Overseas Investment (2015)

# Spain's position in international rankings



Ease of doing business ranking 2015



Source: Doing Business Report, World Bank (2015)



The Global Competitiveness Index 2014-2015



Source: The Global Competitiveness Report 2014-2015, WEF (2014)



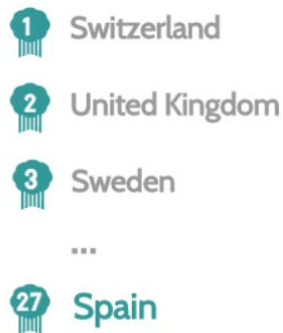
Global talent index



Source: Heidrick & Struggles, Economist Intelligence Unit, 2015



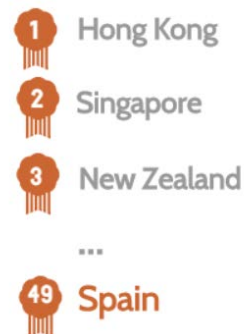
Global Innovation index



Source: Johnson Cornell University, INSEAD, WIPO



2015 Index of Economic Freedom



Source: Heritage Foundation, 2015



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