



SPAIN

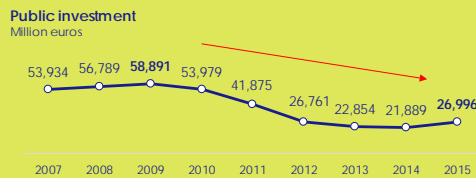
GDP growth in 2Q of 2016 (INE)

The Spanish economy grew by 0.8% with respect to the 1Q, thanks to an increase of 0.7% in household consumption and the upturn of 1.3% in investment, thus making for 12 straight quarters of growth.

On an annual basis, it grew 3.2%, as against the 3.4% of the 1Q, principally because of the smaller contribution of domestic demand (3 points, or 8 decimal points less than in the 1Q) and through greater external demand, which reached 2 decimals (-0.4 in the 1Q).

Drop in public investment (Seopan)

The process of fiscal consolidation, which made it possible to reduce the public deficit of 11% of GDP in 2009 to 5% in 2015, has brought a cut in public investment of 54% over this period.

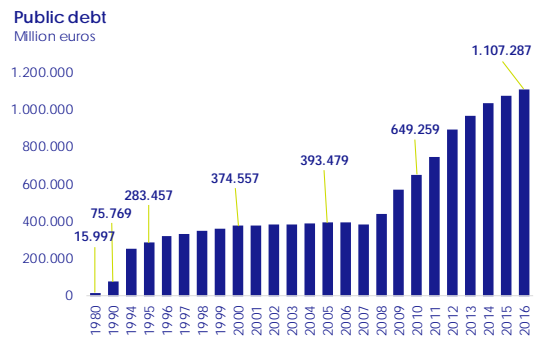


Source: SEOPAN and Eurostat, 2016

The spring predictions of the European Commission on public investment in 2016/2017 show that Spain has the lowest rates of investment of the five main European economies. It will rise to 51,400 million euros, far from that foreseen by France (151,000 million), Germany and the UK (140,000 million) and Italy (74,000 million) (source: own calculations based on Eurostat and Seopan data).

Public debt June 2016 (Bank of Spain)

The debt of the Autonomous Communities has increased 4.7% year-on-year, to 1.1 trillion euros, or 100.9% of the GDP. This percentage, the highest since 1909, places Spain among the six most indebted countries of the EU, after Greece, Italy, Portugal, Cyprus and Belgium. In per capita terms, each Spaniard owes 23,800 euros.



Source: Bank of Spain, 2016

Of the total debt, 74.4% is medium-term and long-term, 18.3% corresponds to non-commercial credits, and 7.3% is short-term.

Overseas sector in the 1Q of 2016

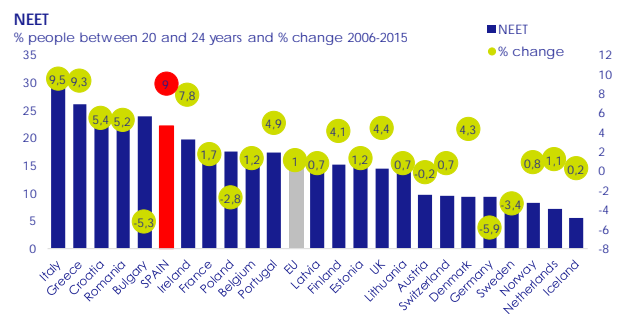
Exports increased by 2.3% year-on-year to reach 128,041 million euros, in a slowing world trade context, with stagnancy in Italy and drops in Japan (-8.7%), China (-6.9%), USA (-6.5%), UK (-5.3%) and France (-1.2%). Along with Spain, Germany was the only other large

Western country to resist, with an increase of 1.5%.

Imports dropped 0.5%, to 135 billion euros, with a trade deficit of 7.8 billion, some 31% lower than that of the 1Q of 2015.

NEET

Spain is the EU country with the sixth highest percentage of what are called here NEET, people between the ages of 20 and 24 who neither study nor work (it was in 18th place in 2006), currently at 22,2% (13,2% in 2006). Spain is in third place, surpassed only by Italy and Greece, where the number of these young people has grown the most during the financial crisis, 9% between 2006 and 2015 (Eurostat).



Source: Eurostat, 2016

CPI July and August 2016 predictions

In July, prices fell by 0.6% with respect to the same period of last year (INE). Nevertheless, in 2016 the cost of a week's shopping has continued to grow. Of the 126 factors that determine the CPI, two-thirds (82) grew, 24 of them by more than 1.5%. Basically the prices of the most common consumer goods have grown, such as fruits (14.4%), potatoes (11.6%) and cooking oil (10.5%).

These increases contrast with drops in the cost of fuel and electricity because of the collapse of

energy prices on the international markets, to which are added sharp drops in the cost of technological goods and in the service sector such as air transport (3.8%) and hotels (2.4%).

It is predicted that in August the inflation will have been down, by -0.1%. The increase with respect to July is explained by a slower drop in the prices of fuels and a rise in the prices of electricity when compared to the same month of the previous year.

EUROPE

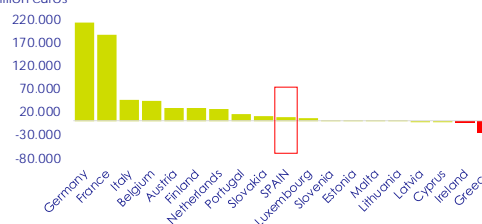
Germany: growth in the 2Q of 2016

Germany grew 3.1% year-on-year (at market prices and not seasonally adjusted), its best result since the summer of 2011, something that is explained by the increase in public spending (3.9% year-on-year).

During the crisis, Germany has been the Eurozone country that has most increased its public spending (not counting interest on debt), taking advantage of the fall in interest rates

and its healthy fiscal position. Between 2008 and 2015 it increased its budget by 19%, by 212,500 million euros to a total figure of 1.3 trillion, which is equal to an average increase of 1% of the annual GDP (Eurostat).

Public expenditure increase between 2008 and 2015
Million euros



Source: Bank of Spain, 2016

INTERNATIONAL

Japan: growth in the 2Q of 2016

The Japanese economy grew by 0.2% year-on-year (vs. 1.9% in the 1Q), as against the 0.7% that had been predicted, and by 0.05% quarter-on-quarter. This stagnation questions the effectiveness of the economic policies of prime minister Shinzo Abe, called Abenomics, since 2012.

The low growth of the 2Q can be explained by the weak performance of the overseas sector, whose negative tendency persisted in July. Uncertainty in foreign markets, along with their lower demand, and the strong revaluation of the yen, have resulted in a drop in exports, which in July contracted 14% year-on-year (the largest decline since 2009). Imports dropped even more, 24.7%, thus generating trade surplus.

For its part, private consumption, which represents almost 60% of the GDP, increased 0.2%, and public investment, one of the pillars of Abenomics, grew 2.6% in quarterly terms.

To compensate for the drop in overseas demand, the Government has announced a new package of fiscal measures of 13.5 trillion yens (119,610 million euros) with the aim of stimulating domestic demand. They will be complemented by the actions of the Bank of Japan, which has decided to maintain the negative interest rates and has broadened its program of buying assets at an annual pace of 6 trillion yens (52,461 million euros), from the previous 3.3 trillion (28,699 million euros).

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