

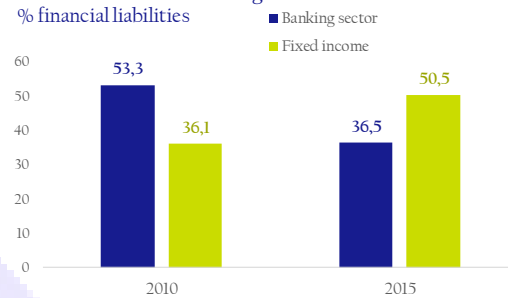
Financing sources

Between 2010 and 2015, the non-financial companies on the IBEX 35 **reduced their debts** with credit institutions by 39.8%, from 138 billion euros to 83 billion euros.

In terms of balance sheet structure, **bank financing** (% financial liabilities) for these companies went from 53 to 36.5%.

Likewise, fixed income financing (corporate debt) increased by 23% to 115 billion euros.

IBEX 35 sources of financing
% financial liabilities



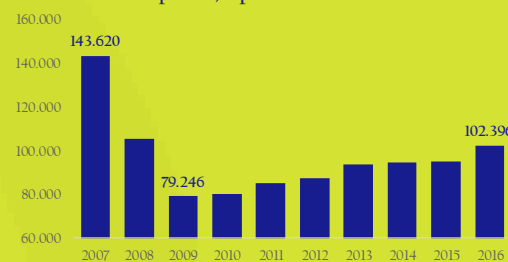
Source: Círculo de Empresarios based on BME, 2016

Entrepreneurial Dynamism

In 2016, the annual pace of business creation was **30% more** than 2009.

Nevertheless, the levels of the past year are still **1.4 times** lower than the figures reached in the pre-crisis period.

Creation of companies, Spain



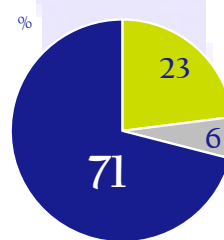
Source: Círculo de Empresarios based on Registro Mercantil, 2017

Corporate dynamism

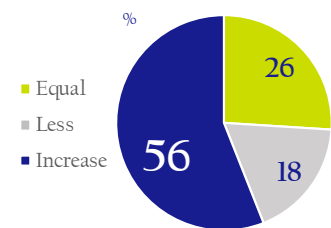
According to Deloitte, the most notable perspectives for 2017 are:

- 71% of the companies plan to increase their billing.
- 32% estimate that number of their permanent contracts will rise.
- 63% expect that the Spanish economy will improve.

2017 turnover forecast



2nd semester turnover forecast



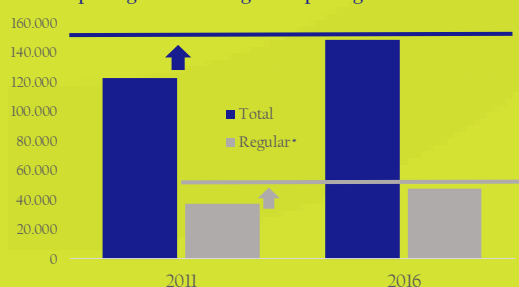
Source: Círculo de Empresarios based on Deloitte, 2017

Spain's external sector

In 2016, exports of goods increased 1.7% to a record 254.53 billion euros (23% of GDP), for the second lowest trade deficit since 1997 (-18.754 billion).

Moreover, the number of **exporting firms** was 148,794 (123,128 in 2011).

Total exporting firms and regular exporting firms



*Regular: 4 consecutive years exporting

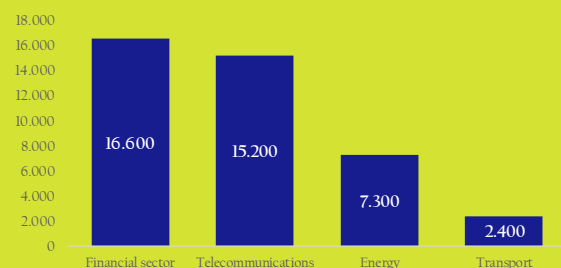
Source: Círculo de Empresarios based on Iceax, 2017

Investment in UK

Spanish investment in the UK is principally in the financial sector.

In 2015, stock FDI in this sector reached 16.6 billion euros (1.54% of GDP) followed by telecommunications (1.4%) and energy (0.7%).

Stock FDI from Spain to UK
Million €

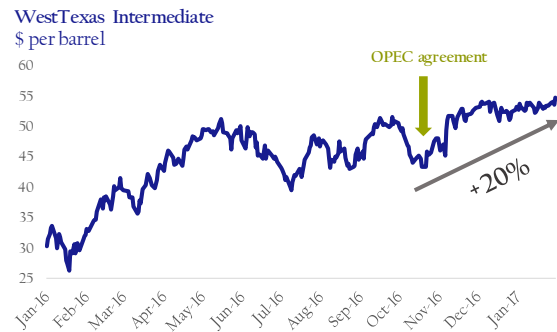


Source: Círculo de Empresarios based on Funcas, ONS, AFI y DataInVex, 2016

Oil sector

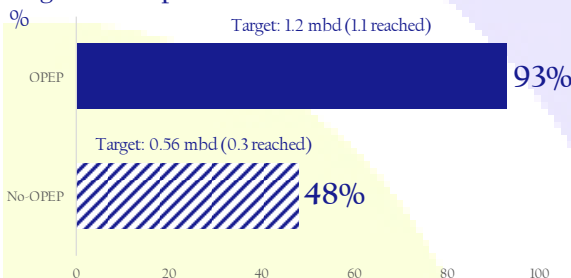
The degree of compliance with the OPEC agreement (1/3 of global production) of cutting the oil production by 1.2 million barrels a day, was 93%.

The supply reduction, along with expectations for greater demand, increased the price of the barrel by 10 dollars between the end of November 2016 and February 2017 (+20%).



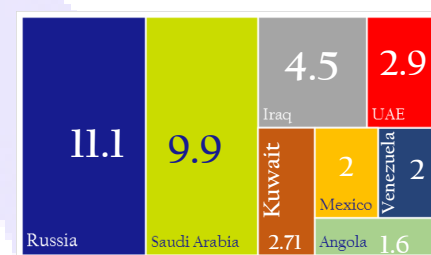
Source: Circulo de Empresarios based on Bloomberg, 2017

Degree of compliance



Source: Circulo de Empresarios based on Bloomberg, IEA, 2017

Top countries by oil production



Source: Circulo de Empresarios based on Bloomberg, OPEP, IEA, 2016

Global Risks

Economic uncertainty has grown because of doubts about the new Administration in the US, the coming elections in several countries in the EU, negotiations about Brexit, a hardening of monetary policy by the Fed, and an economic slowdown in China.

Global Economic policy uncertainty Index 1997-100



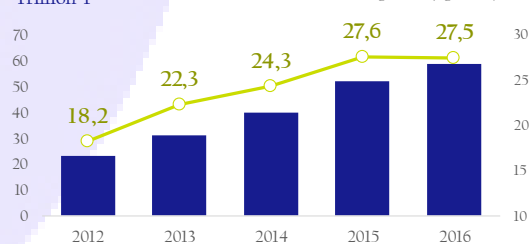
Source: Circulo de Empresarios based on Economic Policy Uncertainty, 2017

“Shadow banking”

Since 2012, shadow banking (financial operations beyond the reach of regulators) has doubled in size in China and now accounts for 82% of its GDP (150% in the USA).

In the past three years it has increased by 30% as against 10% in the rest of the world.

Shadow Banking in China



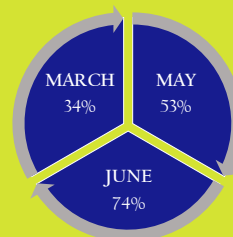
Source: Circulo de Empresarios based on CaixabankResearch, PBOC, 2017

United States

Persistent inflation (+2.5% year-on-year in January), anticipation of a more expansive fiscal policy, and a more conservative stance by the Fed have increased expectations that there will be higher interest rates in 2017.

The Fed estimates 3 hikes and expects to end the year at an interval between 1.25% and 1.75%.

Investor rate hike expectations



Source: Circulo de Empresarios based on Bloomberg, 27 February, 2017

‘Así está...The company’, a publication of the Circulo de Empresarios produced by its Department of the Economy, contains information and opinion from reliable sources. However the Circulo 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 Circulo 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.