

## SPAIN

### Q2 2017 GDP (INE)

In Q2 2017, the Spanish economy recorded a growth rate of 0.9% quarter-on-quarter. Year-on-year growth was recorded at 3.1%, with a contribution from domestic demand of 2.4 points and an external contribution of 0.7 points.

#### GDP. Demand Annual change %

	2016				2017	
	Q1	Q2	Q3	Q4	Q1	Q2
<b>GDP at market prices</b>	<b>3.4</b>	<b>3.4</b>	<b>3.2</b>	<b>3.0</b>	<b>3.0</b>	<b>3.1</b>
Final consumption	3.1	2.7	2.4	2.2	2.0	2.2
GFCF	4.3	3.4	2.6	2.2	3.9	3.4
<b>National demand*</b>	<b>3.5</b>	<b>2.9</b>	<b>2.5</b>	<b>2.2</b>	<b>2.3</b>	<b>2.4</b>
Exports goods and ss	3.8	6.5	2.9	4.4	7.3	4.5
Imports goods and ss	4.5	5.4	1.0	2.3	5.7	2.8
<b>External demand*</b>	<b>-0.1</b>	<b>0.5</b>	<b>0.7</b>	<b>0.8</b>	<b>0.7</b>	<b>0.7</b>

\* Contribution to GDP growth  
Source: INE, 2017

On the supply side, Gross Value Added (GVA) in the primary sector grew by 4.1%, in the manufacturing sector by 2.6%, in the construction sector by 4.8% and in the services sector by 2.8%.

#### GDP. Supply Annual change %

	2016				2017	
	Q1	Q2	Q3	Q4	Q1	Q2
<b>GDP at market prices</b>	<b>3.4</b>	<b>3.4</b>	<b>3.2</b>	<b>3.0</b>	<b>3.0</b>	<b>3.1</b>
Primary sector	5.0	2.7	3.1	2.9	4.4	4.1
Industry	2.7	2.8	1.7	2.2	2.8	2.6
Construction	2.1	2.0	2.9	3.0	4.4	4.8
Services	3.4	3.6	3.4	3.1	2.8	2.8

Source: INE, 2017

### External balance 1<sup>st</sup> half 2017 (M. Economy)

In the first half of 2017, trade deficit hit €11.088.4 bn, 40.7% more than in the same period of 2016, mainly due to higher energy costs. The non-energy surplus grew to €262.2m (€99.4m in January-June 2016), offset by an increase in the energy deficit of 42.3%, to €1.350.6bn.

Exports of goods amounted to €140,875.5m, a record figure in one semester and 10% more

year-on-year. Imports grew by 11.8%, to €151,963.9m.

In imports, the biggest increase was recorded in energy products, which rose to €20.615.3bn, up 51.7% year-on-year. In addition, there was a 10% increase in capital goods (21.4% of the total), 7.8% in food, beverages and tobacco and 4.1% in consumer goods. The smallest growth, 2%, was seen in cars.

### Fiscal balance large municipalities (AIREF)

AIREF estimates, in its report on the expected compliance with budget stability aims, that in 2017 the 16 largest municipalities (those with more than 250,000 inhabitants) will cut their aggregate surplus by almost 40%, while Local Corporations will consolidate or even increase the 2016 surplus.

#### Fiscal balance councils > 250,000 inhabitants Capacity (+) / need (-) in millions €

	2017 forecast	2016	Change 2017/16 %		2017 forecast	2016	Change 2017/16 %
Sevilla	86	59	45,1	Gijón	6	16	-62,2
Málaga	93	69	34,6	Vigo	7	19	-64,3
Hospitalet de Llobregat	29	37	-22,8	Valladolid	8	28	-71,5
Palmas de Gran Canaria	39	54	-27,8	Barcelona	26	113	-77,1
Valencia	75	126	-40,9	Córdoba	15	73	-79,6
Alicante	30	53	-43,9	Bilbao	-29	11	-360,2
Madrid	622	1.115	-44,3	Murcia	5	-147	---
Palma de Mallorca	22	48	-54,1	<b>TOTAL</b>	<b>1.075</b>	<b>1.784</b>	<b>-0,397</b>
Zaragoza	43	110	-60,7				

Source: Ministry of Finance and PPA, 2017

### Pensions August 2017 (M. Labour and SS)

In August, expenditure on contributory pensions grew by 3% year-on-year to €8.790.6bn. The number of contributory pensions increased by 1.11%, to €9,532,495, of which €5,838,229 are retirement pensions.

The average retirement pension amounts to €1,065.50 per month, 1.97% more than in August 2016. The average pension in the system

(retirement, permanent disability, widows, orphans and in those benefiting relatives) is €922.17 per month (+ 1.86%).

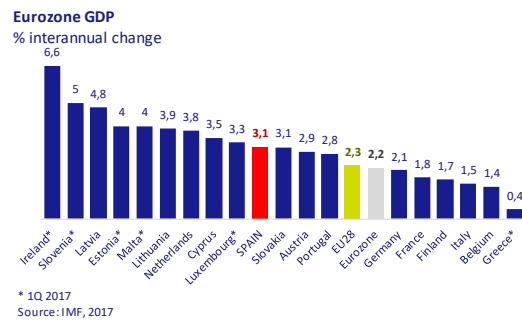
Concerning revenues, contributions to Social Security System will be higher than 10bn for the first time in a month, mainly due to the job creation.

## EUROPE

### Eurozone GDP and EU Q2 2017 (Eurostat)

In Q2 2017, both the Eurozone and the EU28 grew by 0.6% quarter-on-quarter (vs. 0.5% in Q1 2017). Year-on-year, growth was recorded at 2.2% and 2.3% respectively (vs. 1.9% and 2.1% in Q1).

Spain's growth is above average, at 3.1%, with Ireland leading growth in the Eurozone, at 6.6%.



### Exchange rate

Since January 2017 the euro has revalued by 15.4% to \$1.2065 (the maximum since January 2015), influenced by monetary policy on both sides of the Atlantic, uncertainty over the Trump Administration's economic agenda and deteriorating relations with North Korea.

With regard to the pound sterling, the exchange rate stands at £0.9299 to €1. Since Brexit (June 23rd, 2016), revaluation has been at 14.2%, due to the uncertainty of the negotiations with the EU and the unknown factors regarding the future development of the British economy.

### Germany, GDP Q2 2017 (Destatis)

In Q2 2017, German GDP grew by 0.6% quarter-on-quarter, supported by growth in household consumption (0.8% vs. 0.4% in Q1) and government spending (0.6% vs. 0.2%).

Investment in machinery and equipment increased by 1.2% (2.1% in Q1) and construction investment slowed to 0.9% (vs. 3.4%).

In external demand, exports grew by 0.7% (1.6% in Q1) and imports by 1.7% (0.4% in Q1). In addition, business confidence in August remained high, albeit with a slight decline compared to July (115.9 vs. 116.0), explained by a lower assessment of the current situation of the economy (124.6 vs. 125.4) (Ifo Survey).

## INTERNATIONAL

### World merchandise trade (Eurostat)

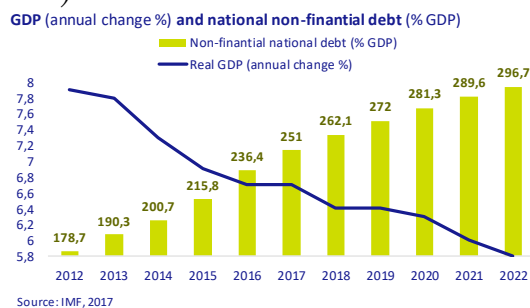
In 2016, the EU, the US and China accounted for 46% of world merchandise exports and 45% of imports. China leads exports, with 17% of the total, followed by the EU (16%) and the US (14%). The US is the world's largest importer with a share of 18%, ahead of the EU (15%) and China (12%).



### China (FMI)

The IMF predicts that the Chinese economy will grow by 6.7% in 2017 (6% in 2016) and an annual average of 6.4% between 2017 and 2021. To achieve sustainable growth, the IMF recommends encouraging consumption. Currently, the high propensity to save in households places national savings at 46% of GDP, 26 points higher than the world average. Growth recovery will take place at the expense of a continuous increase in debt, with an expected total domestic debt of the non-financial

sector (households, companies and the public sector) of 297% of GDP in 2022 (236% in 2016).



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