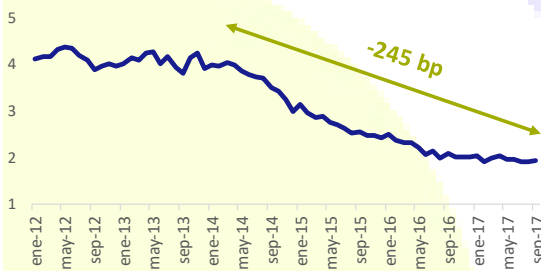


Financial conditions

The fall in the interest rates on new bank loans since mid-2014, a higher demand from companies and households, the reorganization of the balance sheets in the banking sector and a lower perception of risk have been the key drivers in the recovery of new financing operations in businesses.

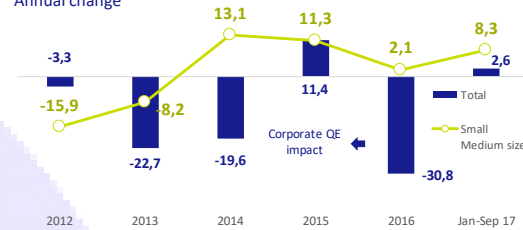
Lending interest rates on loans to non-financial corporations (%)



Source: Círculo de Empresarios based on Bank of Spain, 2017

From January to September 2017 the new credit volume to businesses in Spain increased by 2.6% year-on-year (and by 2.5% in the Eurozone).

New credit loans Annual change



*1 million loan
Source: Círculo de Empresarios based on Bank of Spain, 2017

For its part, the NPL's rate of the Spanish banking sector continues to develop positively.

Spain's banks non performing loans (%)



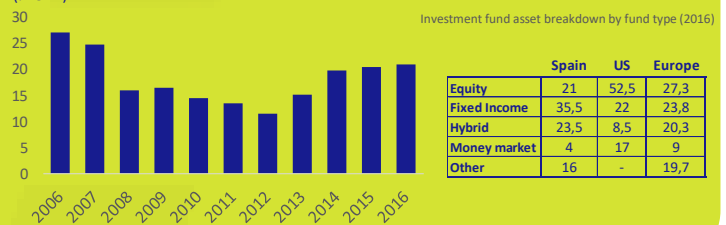
Source: Círculo de Empresarios based on Bank of Spain, 2017

Collective investment

In 2016, the assets under management in mutual funds in Spain reached 239,9 billion € (21% of national GDP), representing 13% of the total financial assets of households.

Likewise, the total number of investors stood at 8.3 million.

Assets managed by Spanish investment funds (% GDP)



Source: Círculo de Empresarios based on CNMV, 2017

Investment fund asset breakdown by fund type (2016)

	Spain	US	Europe
Equity	21	52,5	27,3
Fixed Income	35,5	22	23,8
Hybrid	23,5	8,5	20,3
Money market	4	1,7	9
Other	16	-	19,7

Catalonia

As for the second of October, more than 2,682 companies have moved their headquarters from Catalonia to the rest of Spain due to political instability. Moreover, according to the Tax Agency 1,000 companies have also moved their tax residence.

Number of companies which have moved their headquarters and tax residence (2 Oct-17 Nov)

Headquarters

2,621

Tax residence

1,000

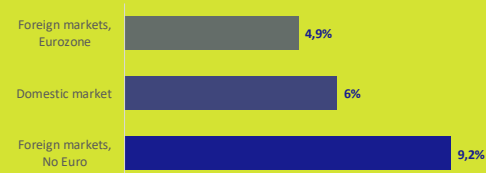
Source: Círculo de Empresarios based on Registro Mercantil and Tax Agency, 2017

Industrial activity

The General Services Sector Turnover Index registered a year-on-year change of 10.8% (3 points higher than in August).

Additionally, October's manufacturing PMI reached its highest level since May 2015 (55.8)

Industrial turnover by market Annual change



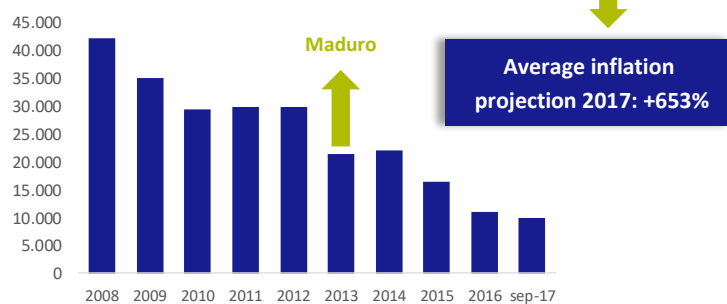
Source: Círculo de Empresarios based on INE and Markit, 2017

Crisis in Venezuela

After a \$200m default on bond coupons, S&P downgraded the credit rating of Venezuelan debt in foreign currency to selective default (SD).

The evolution of oil production (at the lowest level since 1989) and the Central Bank's foreign exchange reserves (at the lowest level in 15 years) are conditioning factors for the economic stability in Venezuela.

Venezuela foreign exchange reserves
Million \$



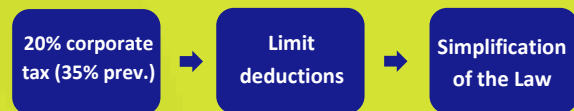
Source: Círculo de Empresarios based on BCV, 2017

US tax reform

The US Congress has approved the proposed tax reform which includes a reduction of Corporation Tax from the current 35% to 20%, and a simplification of the income tax thresholds, going from 7 to 4 (12%, 25%, 35 %, 39.6%). In the event that

it is approved by the Senate (with a minimum Republican majority) it is estimated that it will cost \$1.4 trillion over 10 years

Business tax reform



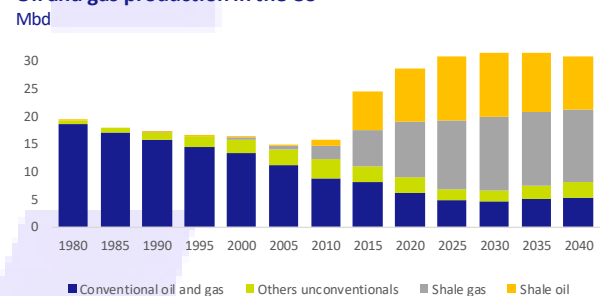
Source: Círculo de Empresarios based on Joint Committee on Taxation, 2017

US Oil

The revolution brought about by new oil extraction techniques will allow the US to be a net exporter of oil by the end of the next decade.

The International Energy Agency estimates that between 2010 and 2025 the production of shale oil in the US will increase by 8 million barrels per day (mbd), thus consolidating itself, in historical terms, as the country with the greatest prolonged growth in oil production.

Oil and gas production in the US



Source: Círculo de Empresarios based on AIE, 2017

Emerging markets

Until 2019, India will inject 2.1 trillion rupees (\$32 billion) or 1.2% of its annual GDP, in its public banking system, which accounts for 70% of the banking system.

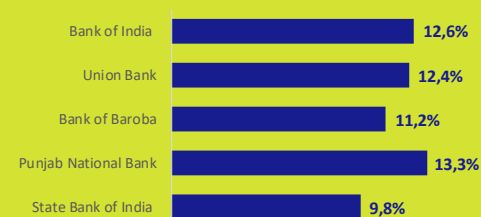
This measure will serve to increase the capital ratio in the provision of credit in the sector. This decision has led Moody's to upgrade its credit rating from stable Baa3 to positive Baa2.

Moody's upgraded India's government bond rating



% Non performing loans

July – September 2017



Source: Círculo de Empresarios based on Quartz, 2017

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