

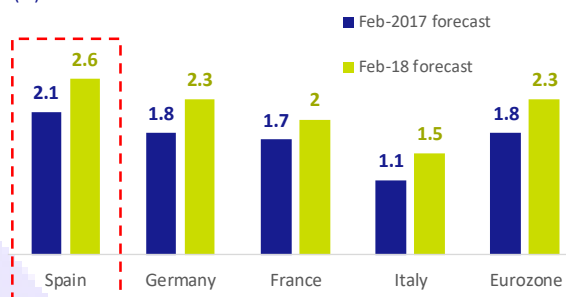
Así está... the Economy

Economic growth

The European Commission (EC) has raised the growth forecast for Spain in 2018 to 2.6%, 0.5 points higher than the projection in the same period last year.

The EC indicates that the main risks facing the Eurozone over the span of this year are: high indebtedness, the risks associated with *Brexit* and the exposure to record-high valuations of financial assets.

2018 growth forecasts
(%)

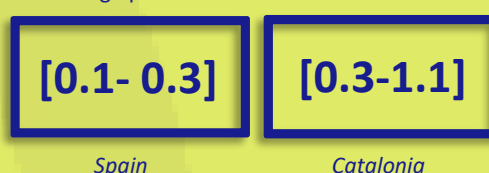


Source: Círculo de Empresarios based on the European Commission, 2018

Impact Catalonia 2018

BBVA Research estimates that the negative impact of political uncertainty in Catalonia could shrink the regional economy by 1.1 percentage points and up to 0.3 pp of the nation as a whole.

Catalonia economic policy uncertainty on GDP
Percentage points



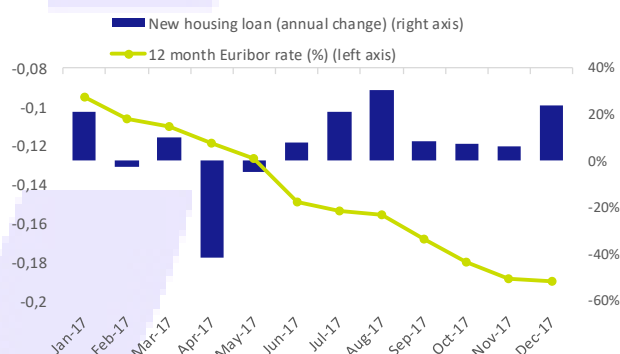
Source: Círculo de Empresarios based on BBVA Research, 2018

Housing loan Spain

In 2017, the new housing-loan recorded its fourth consecutive year of growth, with an increase of 3.6% compared to last year. Similarly, the dynamism during the last semester of 2017 (+15% year-on-year) is worth nothing.

This scenario is explained by the consolidation of economic growth, the creation of employment and the environment of low-interest rates (December 12 month Euribor rate: -0.19%).

New housing-loan in Spain



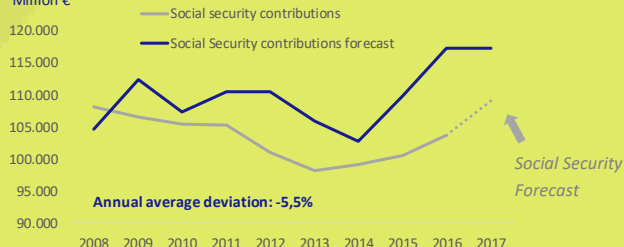
Source: Círculo de Empresarios based on Bank of Spain, 2018

Social Security

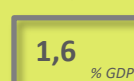
Between 2009-17, the increase in the average retirement pension (+27%) and the weak income growth from social security contributions (+0.1%)* condition the financial sustainability of Social Security.

The Ministry of Employment and Social Security has announced that the deficit of the pension system in 2017 accounted for 1.6% of GDP (€18.8 billion).

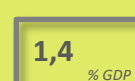
Social Security contributions
Million €



Pension System deficit



Social Security deficit (Includes FOGASA y SEPE)



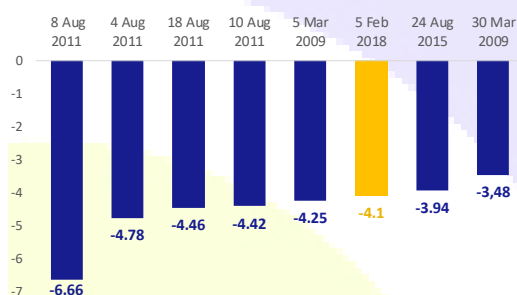
*It contains projections for 2017 based on the Ministry of Employment

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Source: Círculo de Empresarios based on the Social Security, 2018

Financial Markets

Higher inflation expectations, high stock market valuations and the likelihood of more rate hikes in 2018 led to the biggest fall in the US stock markets in the last six years, with a volatility level of over 35% (19% historical average).

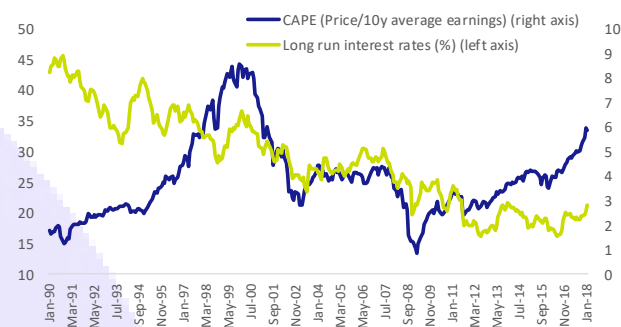
S&P 500 largest intraday drops since financial crisis
March 2009- actual



Source: Círculo de Empresarios based on FT, 2018

The US stock market is trading at a cyclically adjusted P/E ratio (CAPE)* of 33.4 times compared to 25.5 times throughout the period analyzed. This scenario contrasts with the current situation of long-term interest rates expected by the Fed (2.8%).

CAPE ratio and long term interest rates (US)



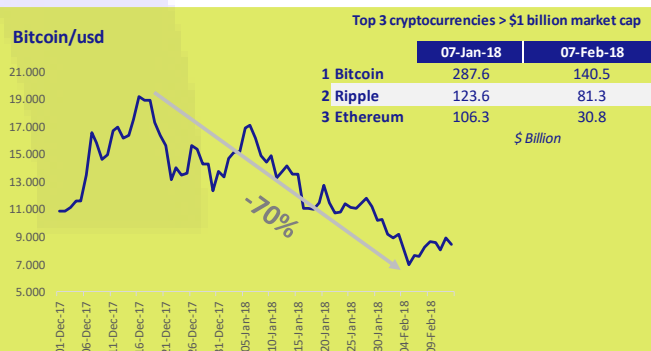
*CAPE (Cyclically Adjusted Price to Earnings): market price of the company over its last 10 average earnings

Source: Círculo de Empresarios based on Arcano Economic Research, Yale, 2018

Cryptocurrencies

Currently, 25 cryptocurrencies exceed a capitalisation of more than \$1 billion, while at the beginning of January 2017 there were 42.

Also, the price of Bitcoin has plummeted by 70%, from its peak reached in December (\$20,000) to its February lows (\$6.048).



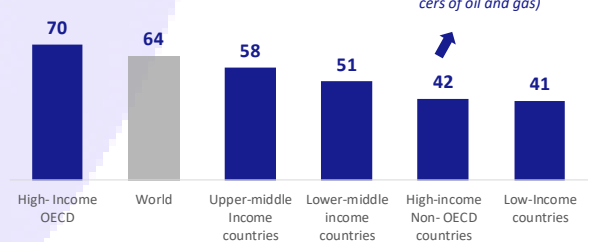
Source: Círculo de Empresarios based on Coinmarketcap, 2018

Human capital

According to the World Bank, 64% of global wealth comes from human capital (70% in the OECD countries).

The adaptation of new skills and requirements of the workforce is key to the development of countries in an increasingly digital and globalised world.

Human capital wealth by region, 2014
%



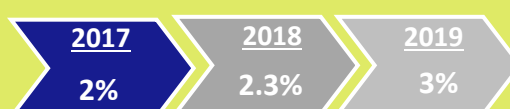
Source: Círculo de Empresarios based on World Bank, 2018

Mexico

The macroeconomic stability of Mexico over the last 15 years may be adversely affected by the recent rise in inflation* (+6.7% in November) and the uncertainty regarding the renegotiation of NAFTA with the US. Nevertheless, the IMF has revised its growth forecasts upwards for 2018 due to a

greater dynamism of the US demand.

Mexico economic growth forecasts



Source: Círculo de Empresarios based on IMF, 2018

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