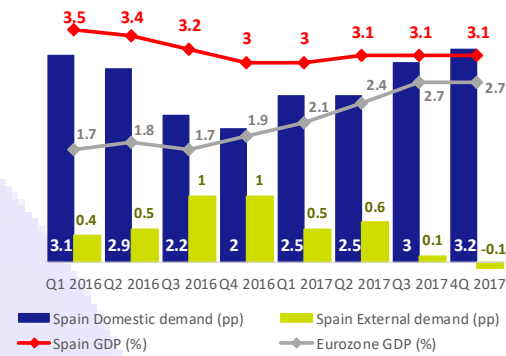


Economic Growth

In Q4 2017, the Spanish economy grew by 3.1% year-on-year, reaching a nominal GDP of €1.16 trillion, and retains a favourable gap from the Eurozone average (2.7%). The domestic demand had a contribution of 3.2 points to this growth, 0.2pp more than in Q3 2017, while the foreign sector declined to -0.1 points, breaking its upward trend after seven quarters.

By sectors, Construction and Industry are the ones that have made the most progress, 5.4% and 4.6%, respectively.

GDP and contribution of domestic and external demand
% annual change and percentage points



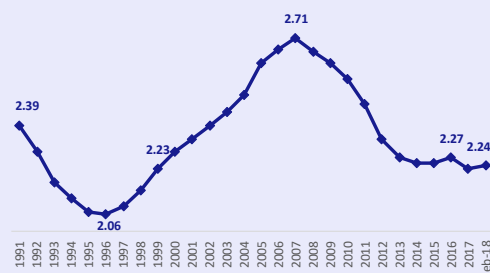
Source: Círculo de Empresarios based on INE and Eurostat, 2018

Labour market

In February, the number of Social Security affiliates increased by 81,483, to a total of 18,363,514 contributors. In the last 12 months, the average affiliation totalled 615,259 people (+3.47%), the best record in the last 11 years.

The affiliates-to-pensioners ratio stood at 2.24.

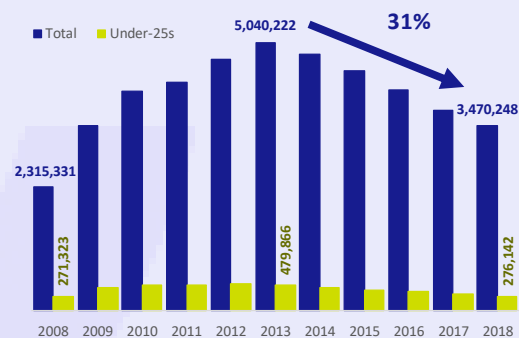
Affiliates-to-pensioners ratio



Source: Círculo de Empresarios based on M. Employment and SS, 2018

The number of unemployed people decreased by 6,280, to 3,470,248, the lowest level in the last nine years. Since the maximum peak reached in 2013, total unemployment has fallen by 31%, and in the case of under-25s, by 42%.

Unemployed

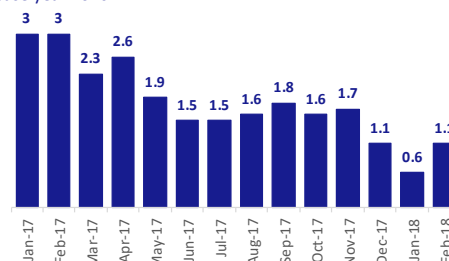


Source: Círculo de Empresarios based on M. Employment and SS, 2018

Price hike

In February, the preliminary CPI accelerated to 1.1%, 0.5pp more than in January, mainly due to the rise in electricity prices. However, in year-on-year terms, it is almost two points below last year's level (3%). In contrast, inflation in the Eurozone slipped to 1.2% (1.3% in January), its lowest level in 14 months.

CPI
%, base year 2016



Source: Círculo de Empresarios based on INE, 2018

Foreign trade - goods

In 2017, exports and imports of Spanish goods reached record highs, surpassing the progress made by the leading economies of the EU, except for the United Kingdom. Thus, exports increased by 8.9% per year, to €277,126 million, and imports by 10.5%, to €301,870 million.

The trade deficit rose by 31.9% compared with 2016, reaching €24,744 million, 2.1% of the GDP. The energy deficit, with an annual increase of 27.6%, accounts for 83.7% of the total.

Economies from agglomeration EU

Between 2000 and 2016, in the EU, the vast majority of regions in which the capital of each country is located increased its weight in the national GDP (+3.2 percentage points on average in the EU28). In Spain, the Community of Madrid increased its contribution from 17.7% to 18.9% (+1.2 pp). Only three countries did not follow this trend: Ireland, Portugal and Croatia.

This evolution is explained by the fact that most of the country's institutions and company headquarters are located in capital cities, which increases their attractiveness for investment and talent, and generates

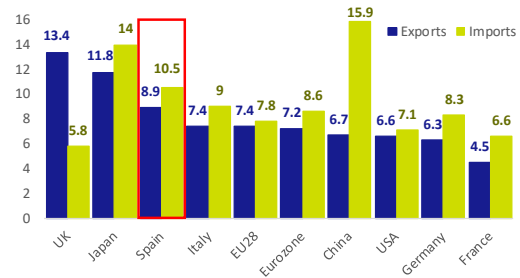
Italy

Italy is the third largest economy in the Eurozone, with a GDP of €1.7 trillion. In 2017, the Italian economy grew at a 1.5% annual rate, below the Eurozone average (2.3%).

Since 2014, the year in which it recovered positive growth rates, Italy has grown at an average of 0.87%, still not having recovered its level of GDP per capita prior to the crisis, unlike other major European economies.

Trade of goods 2017

% annual change



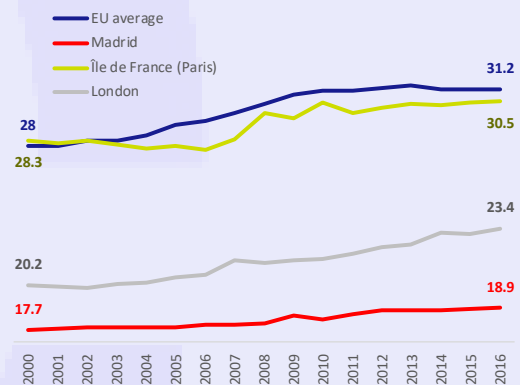
Source: Círculo de Empresarios based on Mineco, 2018

The number of exporting companies increased by 8.5%, to 161,454, of which 31.3% are regular exporters that account for 95% of the total export value.

economies from agglomeration (benefits derived from the business cluster).

Regional GDP contribution to national GDP

% national GDP

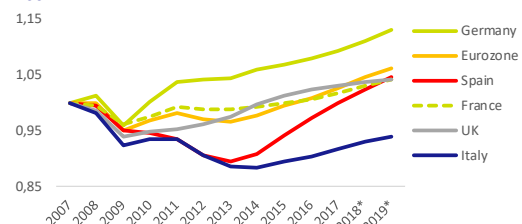


Source: Círculo de Empresarios based on Eurostat, 2018

The uncertain outcome of elections held on March 4th, without clear majorities, increases the uncertainty in the markets, conditions the future evolution of the European project and hinders the implementation of new structural reforms.

GDP per capita

2007 = 1



*Forecasts

Source: Círculo de Empresarios based on Bloomberg, 2018

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