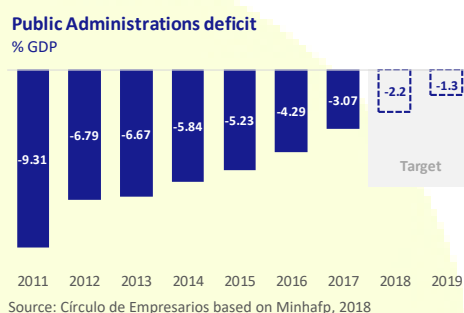
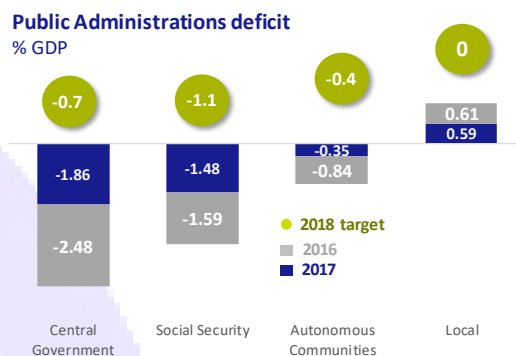


## Spain's Public Accounts

The public administrations ran a deficit of 3.07% of GDP at the 2017 year-end, 25.5% less than in 2016 (4.29%), in an environment in which the non-operating income and expenses of the Spanish economy rose by 4.6% and 1.1% respectively. Despite having met the 3.1% target that was agreed with Brussels, Spain remains the only country in the Eurozone under the Excessive Deficit Procedure (EDP).



The central government adjusted its revenue and expenditure gap at €6.1 billion (-22% annual).

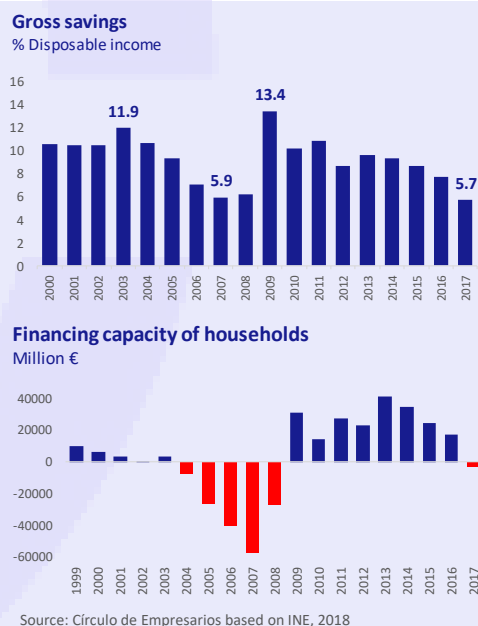


On the other hand, the **primary deficit** (key to the sustainability of public accounts) was reduced by 1.15 pp between 2016-17 to stand at -0.55% of GDP, with an adjustment of 8.7 points since 2009.

## Household Finances

In 2017, families in Spain recorded a **need for financing** of €3 billion (-0.26% of GDP) compared to the financing capacity of €17.5 billion (1.6% of GDP) reached in 2016, it being the first time since 2008 to return to this scenario.

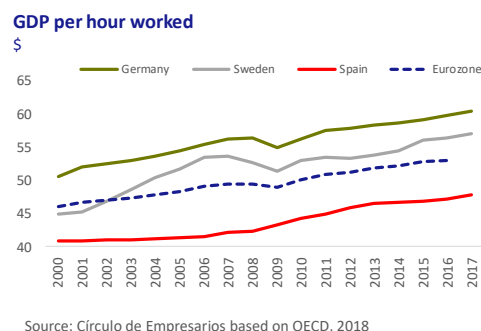
This deterioration of the household's financial situation is due to the fall in savings (5.7% of disposable income in 2017 vs. 13.4% in 2009) owing to an increased propensity in consumption and investment in real estate. Specifically, the new housing loan has increased to an annual average of 18.6% since 2014.



## Productivity

In March, the number of Social Security affiliates increased by 138,573 people to a total of 18.5 million contributors.

This positive evolution of employment growth contrasts with a labour productivity (GDP per hour worked) that is 10% below the eurozone average.



## ASIA

### China

In March, its manufacturing PMI developed by Markit fell to 51 points (51.6 in February), the slowest progress in the last four months due to lower than expected demand.

On the other hand, the OECD estimates that in 2018 China will grow 6.7% annually (6.9% in 2017) in an environment of increasing protectionism on account of the US tariff policy.

### Japan

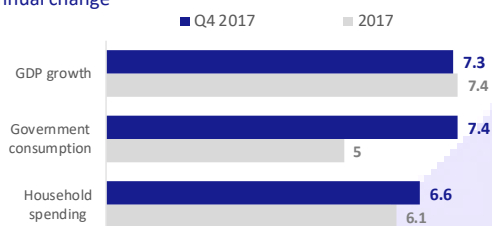
Despite the 5% revaluation of the yen during Q1 2018, the Tankan business confidence index remains at high levels (24 points), anticipating a positive evolution of GDP in the coming months, and in line with forecasts of the OECD of an increase of 1.5% growth in 2018.

### Turkey

In 2017, Turkey grew by 7.4% (more than China and India) predominantly due to the contribution of domestic demand (10.4 pp). However, its widening current account deficit (explained by the increase in consumption and the rise in oil prices) is a risk given its high dependence on the flow of capital from abroad.

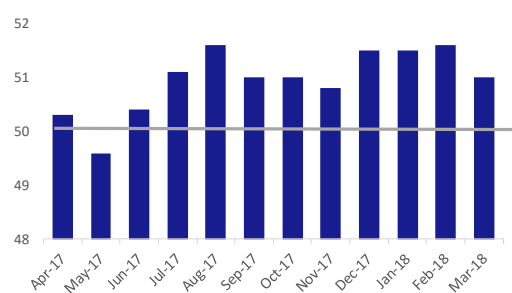
#### Turkey's main macroeconomic indicators

Annual change



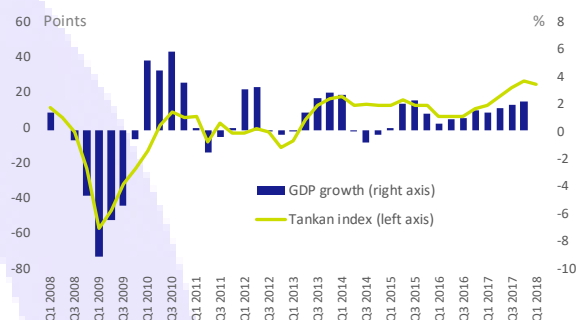
Source: Círculo de Empresarios based on Bloomberg, 2018

#### China manufacturing PMI



Source: Círculo de Empresarios based on Markit, 2018

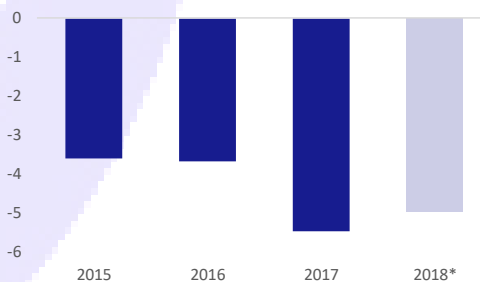
#### Tankan index and GDP growth



Source: Círculo de Empresarios based on BoJ, 2018

Moody's, Fitch and S&P have recently lowered their credit rating due to its high external vulnerability (geopolitical conflicts, external deficit, reduced reserves...) and the erosion of institutional confidence.

#### Turkey's current account deficit % GDP



\* Forecast

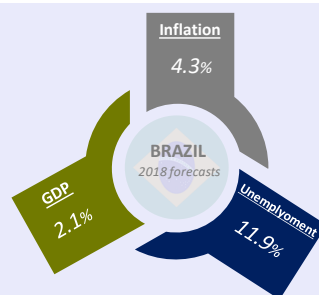
Source: Círculo de Empresarios based on Bankia Research, 2018

## Brazil

After a fall in GDP of over 7% in real terms during 2015 and 2016, Brazil has managed to recover its path to moderate growth (2017: 1% and 2018: 2.1%\*) with an inflation level below the central bank's target\*\*

\*Forecast

\*\* Inflation in 2017 was 2.9% vs target range [3-6%]



Source: Círculo de Empresarios based on BBVA Research, 2018