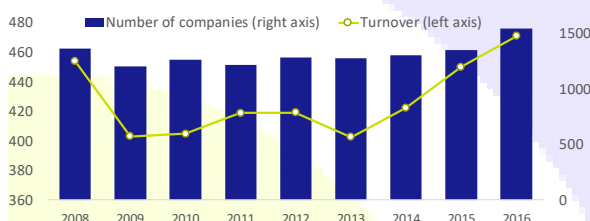


Business structure

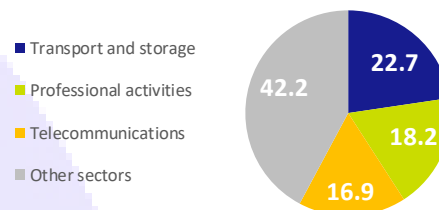
In 2016, the number of companies in the service sector reached 1,546,525, 14.3% more than in 2015. Likewise, its turnover grew by 4.6% per year to 471 billion euros (42% of GDP in 2016).

Business structure of services sector
Billion € and thousands of companies



By sectors, transport and storage stood out in turnover, which accounted for 22.7% of the total, professional activities (18.2%) and telecommunications (16.9%).

Sectoral distribution by turnover
% of total



Sources: Círculo de Empresarios based on INE, 2018

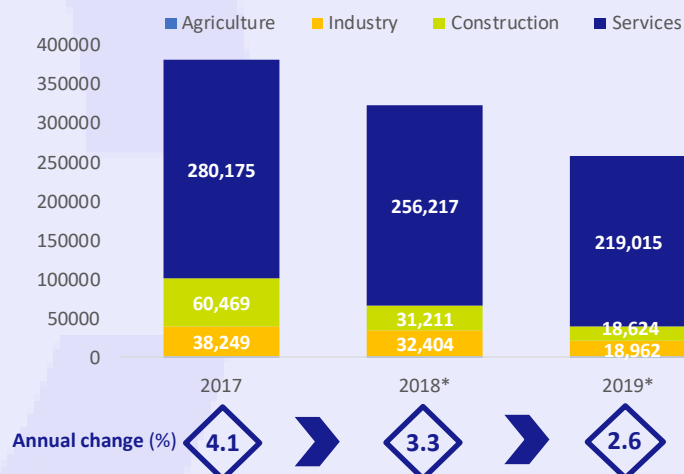
Employment at SMEs

In 2017, according to Randstad and CEPYME, SMEs¹ created 381,089 new jobs, 78.8% of the total employment created. Similarly, forecasts show that over the next two years more than half a million jobs will be generated, with 82% concentrated in the services sector.

However, estimates indicate that the pace of job creation will slow down in 2019 to 2.6% per year, 1.5 pp less than in 2017, mainly due to the abatement in demand for employment in the construction sector (-69.2% since 2017).

¹ Companies with 1 to 249 employees

SME's employment creation by sectors
Number of jobs



*Forecast

Source: Círculo de Empresarios based on CEPYME and Randstad Research, 2018

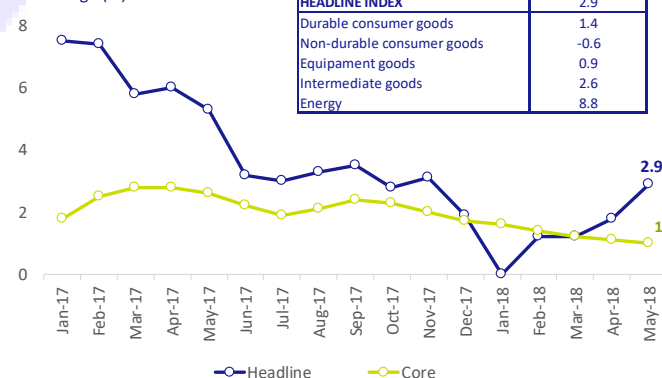
Industrial Price Index

In May, the Industrial Price Index (IPRI) recorded a year-on-year increase of 2.9%, 1.1 pp higher than in April, and excluding the effect of energy (1%), 0.1 pp less than the previous month.

By sectors, after energy (+8.8%), the largest increase was in intermediate goods (+2.6%), as opposed to non-durable consumer goods that decreased by 0.6%.

Industrial Price Index

YoY change (%)



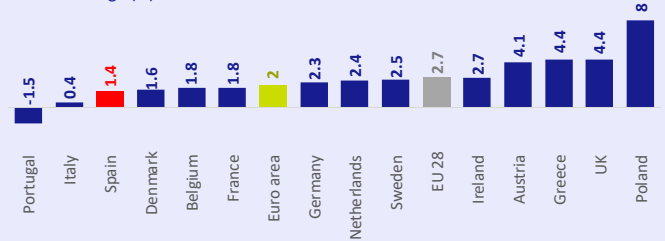
Source: Círculo de Empresarios based on INE, 2018

Labour costs

In Q1 of 2018, in year-on-year terms, the labour cost per hour worked increased in the euro area by 2% and in the EU28 by 2.7%. The least progress occurred in Spain (+1.4%) and Italy (+0.4%), while Portugal was the only country in which it dropped (-1.5%).

Labour Cost Index (LCI)

Annual change (%)



Source: Círculo de Empresarios based on Eurostat, 2018

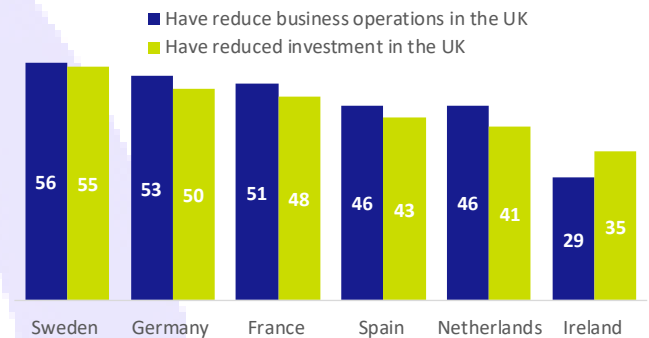
Brexit and Business

In the survey "Brexit and Business: The EU Outlook"² (Baker McKenzie), 46% of Spanish business leaders state that since Brexit they have reduced business operations with the United Kingdom, and 43% have cut back on investments. Of the six countries analysed, the lowest impact, both in trade and in investment, has occurred in Ireland.

² 800 business leaders from six EU countries were surveyed

Trade and investment implications of Brexit

% of business leaders surveyed



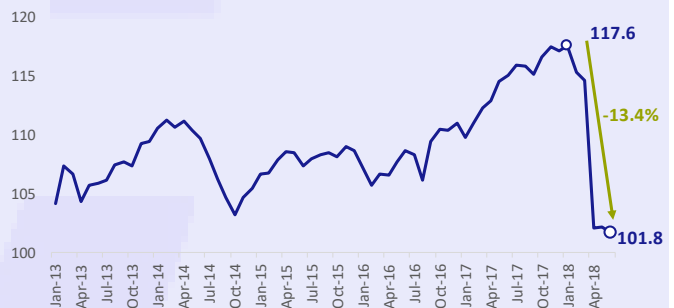
Source: Círculo de Empresarios based on Baker McKenzie, 2018

Ifo Business Climate Index

In June, the confidence index of German business owners has fallen to 101.8 points, reaching its lowest level since October 2014.

Since January 2018, it has fallen by 13.4%, mainly due to the uncertainty caused by the trade tensions between the US, China, and the EU.

Ifo Business Climate Index



Source: Círculo de Empresarios based on CESifo Group Munich, 2018

OPEC meeting

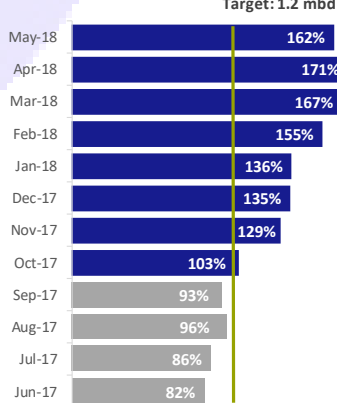
In May, the cuts in oil production reached almost 1.9 million barrels per day, exceeding by 62% the commitment reached in November 2016, due in part to the lack of supply in Venezuela, Libya, and Angola.

Therefore, in order to reach the agreed production levels, on June 22, OPEC and ten other producers agreed to increase the joint supply of crude oil from July to around 700,000 barrels per day.

Oil production target

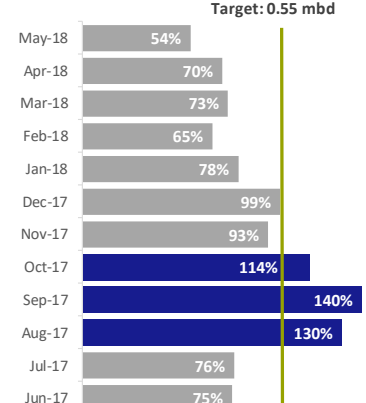
OPEC nations

Target: 1.2 mbd



Non-OPEC nations

Target: 0.55 mbd



Source: Círculo de Empresarios based on Bloomberg, 2018