# Economy...
at a glance

Economic growth

According to BBVA Research forecasts, Spain's annual growth will be 2.9% in 2018 (0.4 pp more than the previous estimate). This development is mainly based on a 2.6% annual increase in private consumption, explained in part by the good performance of employment and the increase in real disposable income (2% per year).

In contrast, the OECD and the European Commission warn that the Spanish economy shows signs of weakening with downward prospects, a trend that is reflected in the OECD Composite Leading Indicators (CLI), which registered its fifth consecutive decline since January 2018.

BBVA Research growth forecast
%

Previous forecast 2.5 → 2.3

Actual forecast 2.9 → 2.5

2018   2019
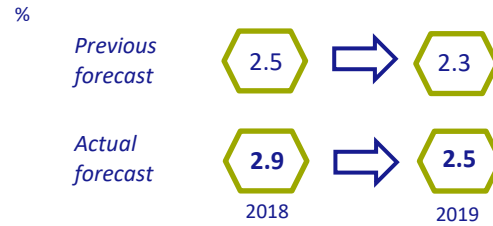
Composite Leading Indicators (CLI)
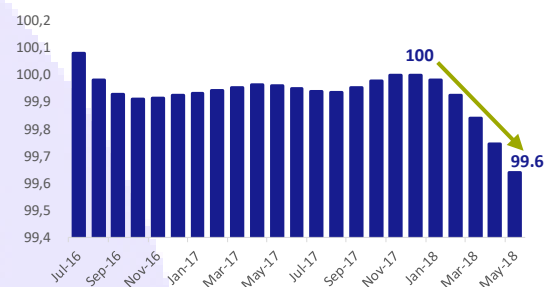
Sources: Círculo de Empresarios based on BBVA Research y OECD, 2018

Labour market

In June, the number of unemployed registered in the Social Security dropped by 89,968 people compared to May, reaching a total of 3,162,162 unemployed. Since its peak in February 2013, the number of unemployed has fallen by 38.3%.
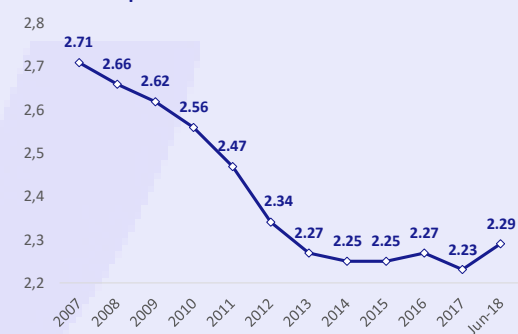
Unemployment
Thousands people
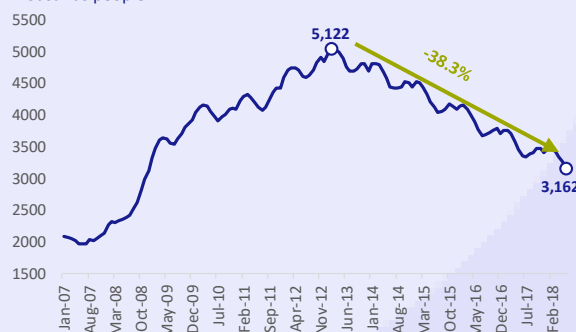
The average number of affiliates returned to levels in 2008 after a rising by 0.5% to a total of 19,006,990 employed, 2.63 million more than five years ago.

Thus, the **ratio of affiliates–pensioners** is recovered and exceeds the levels in **2016**, standing at **2.29**.
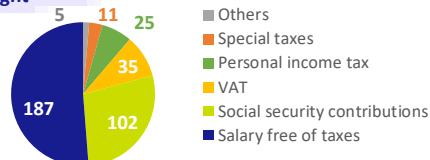
Affiliates-to pensioners ratio

Sources: Círculo de Empresarios based on Ministry of Labor & Employment, 2018

Tax burden

According to the Think Tank Civismo, in 2018 Spaniards will have worked, on average, a total of 177 days to comply with their tax obligations

Tax weight
Days

- Others
- Special taxes
- Personal income tax
- VAT
- Social security contributions
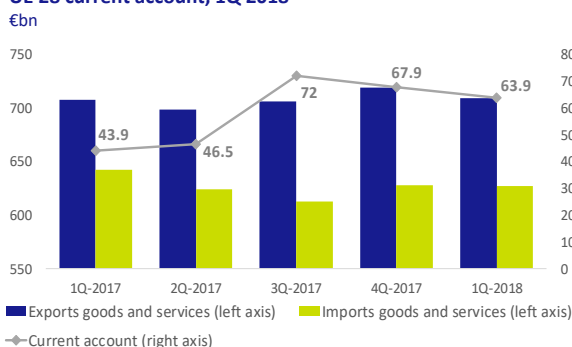- Salary free of taxes

Source: Círculo de Empresarios based on Think Tank Civismo, 2018

Likewise, almost 80% of taxpayers pay more taxes during the 35 years period (or more) that they contribute until reaching retirement, annually paying between €3,515 to €7,775 more than what they receive in public services. After retiring, they receive on average an annual amount of €17,768 for pensions, health and dependency.
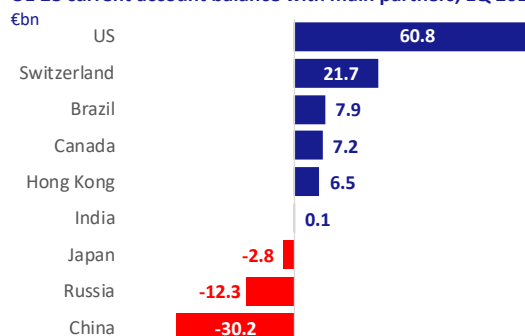
International trade

In Q1 of 2018, the current account balance of the EU-28 reported a surplus of €63.9 billion (1.6% of its GDP), after making a progress of 45.6% in year-on-year terms.

UE 28 current account, 1Q 2018
€bn

Exports goods and services (left axis)
Imports goods and services (left axis)
Current account (right axis)

By country, the EU-28 trade surplus with the US and Switzerland stand out, while the trade deficit is mainly concentrated in China and Russia.

UE 28 current account balance with main partners, 1Q 2018
€bn

US	60.8
Switzerland	21.7
Brazil	7.9
Canada	7.2
Hong Kong	6.5
India	0.1
Japan	-2.8
Russia	-12.3
China	-30.2

Sources: Círculo de Empresarios based on Eurostat, 2018

US protectionism

In 2017, the US reported a trade deficit of its balance of goods with the rest of the world stood at €796 billion (4.1% of GDP), of which 47% correspond to China, being the trade partner with which the deficit has increased the most (+10.5% annual average since 2000), followed by the EU and Mexico.
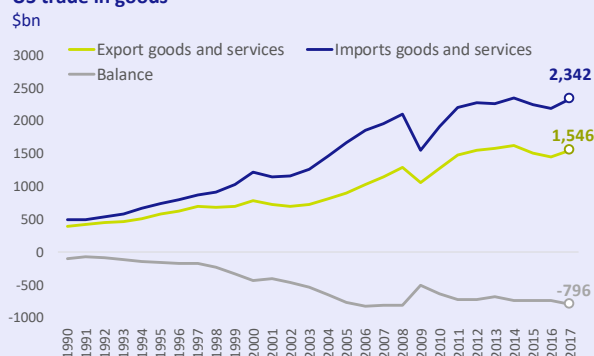
Since March 2018, Trump has initiated a protectionist trade policy that until now specifies tariffs to be imposed on:

● Imports of steel (25% tariff) and aluminium (10%) and imports of Chinese industrial technology worth €36 billion over €50 billion announced (25%).
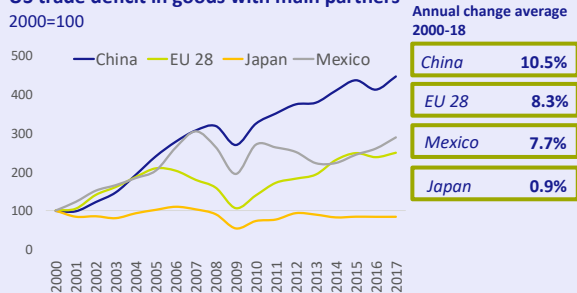
And the threat of new tariff measures:

● Imports of European cars (25%).

● Tariff 10% to more than 6,000 additional Chinese products worth €200 billion.

US trade in goods
$bn

Export goods and services   Imports goods and services
Balance

2,342
1,546
-796

US trade deficit in goods with main partners
2000=100

China   EU 28   Japan   Mexico

Annual change average 2000-18	
China	**10.5%**
EU 28	**8.3%**
Mexico	**7.7%**
Japan	**0.9%**

Sources: Círculo de Empresarios based on Census Bureau, 2018

Mexico

After winning the presidential elections, with 53% of votes in his favour, López Obrador has announced the increase in social spending and public investment by means of:

● A public works programme that employs 2.3 million young people.

● Subsidies for 300,000 university students.

● Increase in pensions.

To finance this expansive policy, the new president in his government program includes strengthening the fight against corruption and reducing the expenses of civil servants, especially those of higher rank.

It is estimated that both measures will result in cost savings of $55 billion per year (4.53% of GDP).