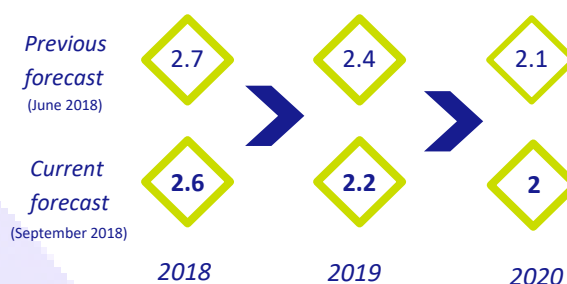


GDP growth (Bank of Spain)

The Bank of Spain forecasts a growth of 2.6% in 2018 and 2.2% in 2019 for the Spanish economy (0.1pp and 0.2pp less than the previous forecast, respectively). This deceleration is mainly explained by the fall in private consumption, the contraction in goods exports and the increase in energy prices.

Spanish growth GDP forecast, 2018-20
% annual rate



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

The Spanish economy shows signs of deceleration

- **Exports of goods**

From January to July, exports of goods reached €169,271 million, representing a growth of 3.8% year-on-year which is 4pp less in year-on-year terms (7.8%).

- **Manufacturing PMI**

In September, the Manufacturing PMI decreased from 53 points (recorded in August) to 51.4 points, accounted for by the fall in new orders and the little headway made in production.

Currently, the Spain PMI is below that of the euro area which stands at 53.2 points, its lowest level in two years.

- **Tourism**

The fall of the tourist arrivals in July (-4.9% YoY) is further compounded by that of August, with a 1.9% fewer international visitors with respect to the same period in the previous year. In contrast, tourist spending increased by 1.8% year-on-year.

Manufacturing PMI by countries, September
Points

	PMI	maximum /minimum
Netherlands	59.8	maximum en 3 months
Ireland	56.3	minimum in 2 months
Austria	55	minimum in 23 months
Germany	53.7	minimum in 25 months
Greece	53.6	minimum in 2 months
France	52.5	minimum in 3 months
Euro area	53.2	minimum in 24 months
Spain	51.4	minimum in 25 months
Italy	50	minimum in 25 months

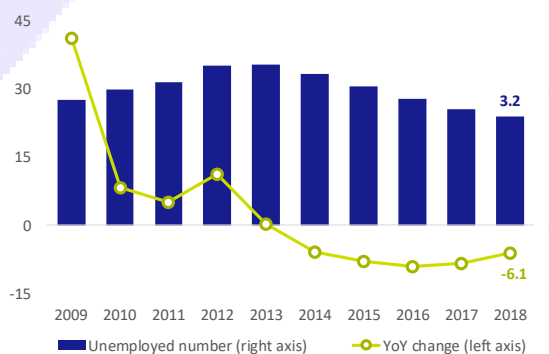
Source: Círculo de Empresarios based on Markit, 2018

Spanish labour market

In September, on the one hand, unemployment fell by 6.1% year-on-year, the smallest adjustment since 2014, reaching 3,202,509 unemployed.

On the other hand, Social Security affiliates increased by 22,899 in comparison with August (0.12%), reaching a total of 18,862,713. In the last 12 months, a total of 526,551 people (2.87% year-on-year) have joined the system.

Evolution of unemployed people, September 2009-18
%, millions of unemployed



Source: Círculo de Empresarios based on Labour Ministry of Spain, 2018

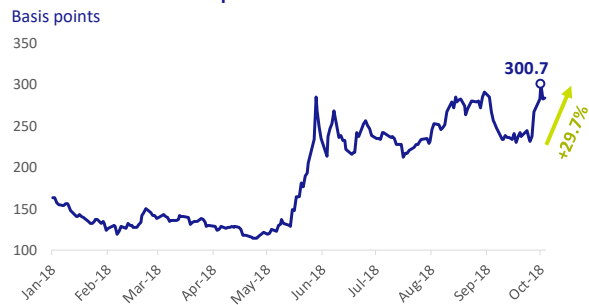
Italy

The Italian political government formed by the Northern League and the Five Star Movement have decided to abandon the fiscal consolidation path embarked by the previous government.

Specifically, they plan to target the public deficit at 2.4% of GDP for 2019 (as opposed to the 0.8% set by the previous government), this would fall to 2.1% for 2020 and 1.8% for 2021 (as opposed to reaching budget balance in these two years according to previous forecasts).

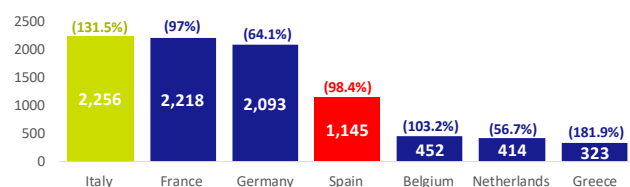
This situation of budget instability and the high level of public debt (131.5% of GDP) has led to the risk premium soaring by 29.7% to around 300 bp.

Evolution of Italian risk premium



Europe's biggest debtor

€bn and (% of GDP)



Sources: Círculo de Empresarios based on Bloomberg, 2018

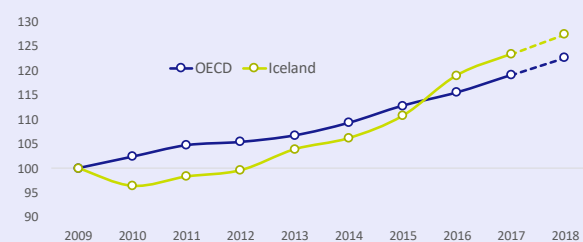
Iceland 10 years later

Iceland, after having gone bankrupt in the 2008 financial crisis, is one of the OECD countries that grows the most, at an average annual rate of 3.6% since 2011.

The main reforms have been to promote entrepreneurship, the efficiency of public spending, the quality of the institutional framework and the diversification of its production system. All this has made it possible to achieve full employment (2.9% unemployment) and reduce its public debt to 42% of GDP (53 pp less than in 2011).

GDP evolution

100=2009



Public debt

% of GDP



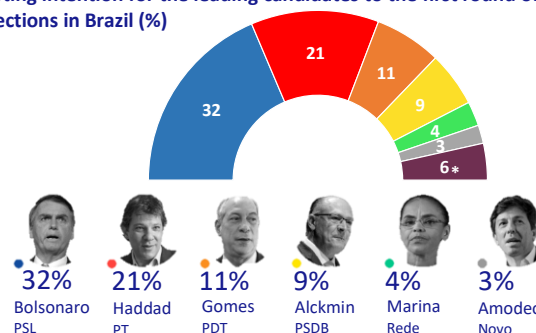
Sources: Círculo de Empresarios based on IMF, 2018

Brazil general elections

On October 7, the first round of the general elections in Brazil will be held in which the far-right candidate Jair Bolsonaro with 32.6% of valid votes and the leftist Fernando Haddad with 25.6% will both run as candidates that will go to the second round.

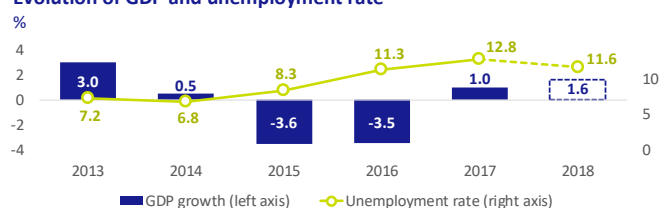
Both political leaders focus their proposals on combating corruption and boosting the growth of the largest economy in Latin America, after the recession that it faced between 2015 and 2016 with a 7.1% accumulated GDP loss. This is further exacerbated by a public deficit of 7.8% of GDP, an unemployment rate close to 13% and the depreciation of the Brazilian real by 15,1% since January.

Voting intention for the leading candidates to the first round of presidential elections in Brazil (%)



*Other candidates: A. Dias (PODE), H. Meirelles (MDB) and C. Daciolo (PATRI)

Evolution of GDP and unemployment rate



Sources: Círculo de Empresarios based on Bloomberg, BBVA Research and IMF, 2018

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