

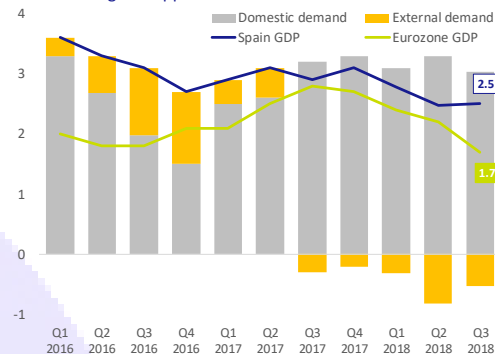
GDP growth

In Q3 2018, the year-on-year growth of Spain's GDP remained stable at 2.5% (0.6% compared with Q2 2018), with a 3pp contribution to growth by domestic demand, and for the fifth consecutive quarter, a negative contribution by the external sector (-0.5pp).

The Spanish economy grows with a difference of eight-tenths (0.8) above the Eurozone, which has recorded a more moderated slowdown in its growth as it expanded 1.7% in Q3 2018 (2.2% Q3 2017).

GDP Spain and Eurozone. Domestic and external demand contribution

% annual change and pp



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

Labour market

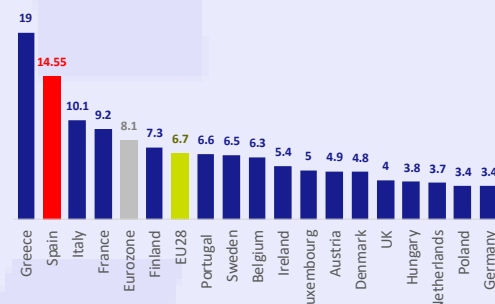
In October, registered unemployment in the Social Security fell by 6.12% year-on-year which translated to 212,323 fewer unemployed amounting to a total of 3,254,703 unemployed, a 9-year record low. Affiliations increased by 3.05% to a total of 18,993,073 (+562,544 year-on-year).

The Q3 2018 Labour Force Survey (LFS) reveals that in the last 12 months the unemployment rate dropped by 1.8 points to 14.55% (3.33 million unemployed), the lowest recorded since Q4 2008, remaining 6.45pp above the Eurozone average (8.1%). Moreover, employment creation slowed down by three-tenths (0.3) to 2.5% year-on-

year, with 478,800 more employed, up to 19.53 million, the highest figure since 2008. Thus, from record lows in 2014, employed persons have increased by 2.58 million but still 1.23 million below the pre-crisis record highs.

Unemployment rate Eurozone

% labour force



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

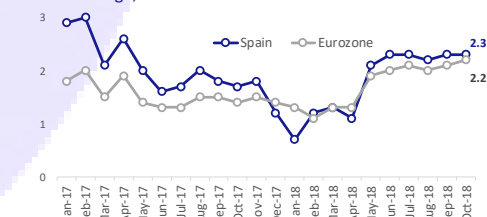
Inflation

In October, the CPI forecast in Spain rose by 2.3% year-on-year, mainly due to soaring gas prices.

As a result, since May, inflation in Spain has remained above the Eurozone (2.2% in October).

HCPI, Spain and Eurozone

% annual change, base 2015



Source: Círculo de Empresarios based on INE, 2018

Tourism

Until Q3 2018, 66.2 million tourists visited Spain, spending 2.5% more than in the same period last year (€71.7bn).

The three main countries of origin, the United Kingdom, France, and Germany account for 50.45% of tourist arrivals and 42.3% of total expenditure.

Top 3 countries of origin (Q1-Q3 2018)

Millions and % annual change

| | | Tourists | % annual change | Expenditure | % annual change |
|---|----------------|----------|-----------------|-------------|-----------------|
| 1 | United Kingdom | 14.9 | -3 | 14,619 | 2 |
| 2 | France | 9.4 | 0.6 | 6,194 | 5.5 |
| 3 | Germany | 9.1 | -5.4 | 9,544 | -3 |

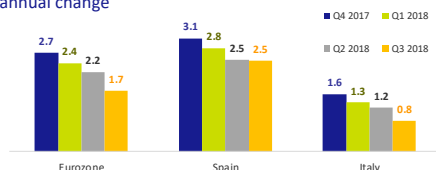
Source: Círculo de Empresarios based on INE, 2018

Italian economy

The Italian economy stagnated in Q3 2018 (0% quarterly) and advanced 0.8% year-on-year.

GDP

% annual change



Source: Círculo de Empresarios based on Eurostat, 2018

In this context, the government, in its budget plan submitted to the European Commission, has increased its forecast deficit by 1.6pp for 2019 to stand at 2.4% of GDP. Together with the growth forecasts (1.2% for 2018 and 1% for 2019) this makes it difficult to reduce high public debt (130% of GDP).

Brazil public accounts

Brazil recorded a deficit of 7.8% of GDP in 2017 and a debt of 84%, figures above the average for emerging countries, compared with 2013 levels (3% and 60.2% of GDP, respectively).

This situation is predominantly explained by the increase in public spending (80% structural and 40% Social Security). In turn, according to IMF estimates, spending on pensions will grow from 13% of GDP in 2017 to 18% in 2030 and 26% in 2050, not owing to an adverse demographic situation, but

Public deficit targets

% GDP



Source: Círculo de Empresarios based on CaixaBank, 2018

The budgetary uncertainty has set its risk premium around 300 basis points, almost double that of at the beginning of 2018 (157.5 bp).

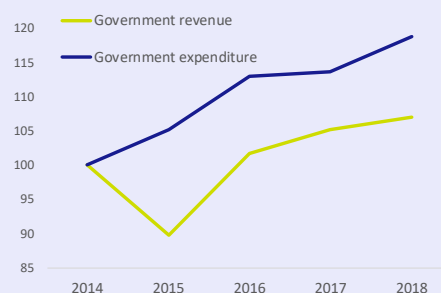
Rating agencies have also reacted to the risks posed by this new budgetary path:

- S&P: maintains Italy's sovereign credit rating at BBB, lowering the outlook to negative from stable.
- Moody's: downgrades Italy's Baa2 rating to Baa3, one step away from junk bond status, keeping a stable outlook.

mainly due to the generosity of the system in that there is no minimum retirement age and has high replacement rates.

Brazil government revenues and expenditures

Base 100 = 2014



Source: Círculo de Empresarios based on IMF, 2018

Australian economy

Australia has recorded 27 years of consecutive growth. Since 1991, it has been accumulating a GDP increase almost 3 times higher than Germany and an average income 4 times higher than the US.

Currently, its public debt amounts to 41% of GDP, less than half that of the United Kingdom, and total public expenditure represents 36.9% of GDP.

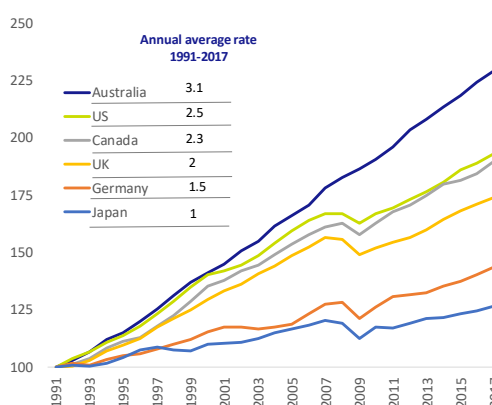
Moreover, public spending on pensions (4.3% of GDP) is half of the OECD average (8.2%), mainly bolstered by the design of the system with mandatory private capitalisation and its migration policy. 29% of the total Australian population (24.7

*Latest available data

million) comes from other countries, mostly Asian, a figure that doubles that of the US.

Real GDP 1991-2017

Base 100 = 1991



Source: Círculo de Empresarios based on FMI, 2018