Economy...
at a glance

February 2019

Debt of Public Administrations

In 2018, the total closing balance at year end of the debt of the public administrations as a whole was €1.17 trillion, recording an increase of 2.3% YoY (€26.5bn). Thus, public debt reached 97% of GDP, one-tenth more than the objective established in the General State Budget PGE 2018.

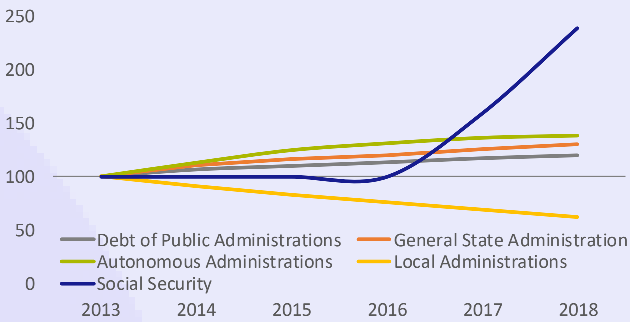
By levels of Administration, the debt-to-GDP ratio is distributed as follows:

- General State Administration → 85.6%.
- Autonomous Administrations → 24.2%.
- Local Administrations → 2.2%.
- Social Security → 3.4%.

Note: not including the debt line item held by the Public Administrations

The Social Security saw the largest annual rise in public debt, with an increase of 50.3%, followed by the General State (+3.7%) and subsequently the Autonomous Communities (+1.5%), while the Local Administrations reduced their debt level by 10.5%.

Government debt, Spain
2013=100



Source: *Círculo de Empresarios* based on Bank of Spain, 2019

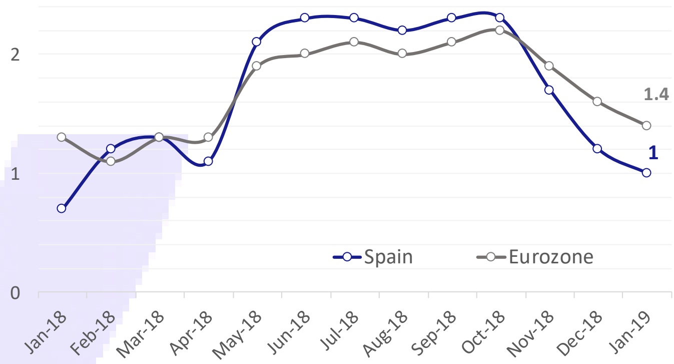
The future sustainability of the pension system remains a concern as the AIReF warns that linking pensions to inflation (the CPI), in the absence of pension reforms, would skyrocket Spain's public debt-to-GDP ratio to 132.2% in 2048.

Inflation (INE)

In January, the flash estimate for the harmonised CPI (HICP) for Spain stood at 1%, 0.2pp less than that recorded in December, mainly due to the negative contribution by the groups of food and non-alcoholic beverages, transport, and leisure & culture.

Inflation in Spain, since November 2018, is once again below the levels of the Eurozone, recovering its competitiveness via prices.

HICP evolution
YoY change (%)



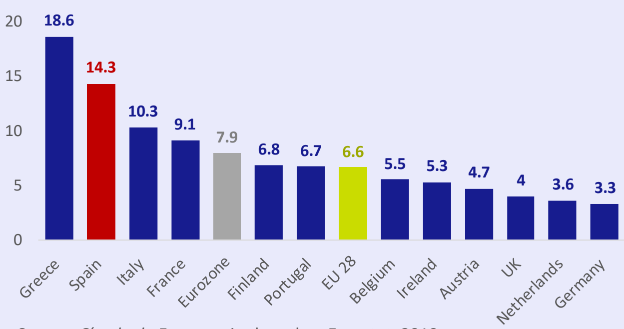
Source: *Círculo de Empresarios* based on INE, 2019

Eurozone unemployment

The unemployment rate in the Eurozone stood at 7.9% at the 2018 year-end closing, 0.7 pp less in year-on-year terms, a record low since 2008.

Greece and Spain continue to be the countries with the highest levels of unemployment, whereas in Germany and the Netherlands it is below 4%.

Unemployment of main economies of Eurozone, December 2018
%



Source: *Círculo de Empresarios* based on Eurostat, 2019

Signs of a slowdown in Europe

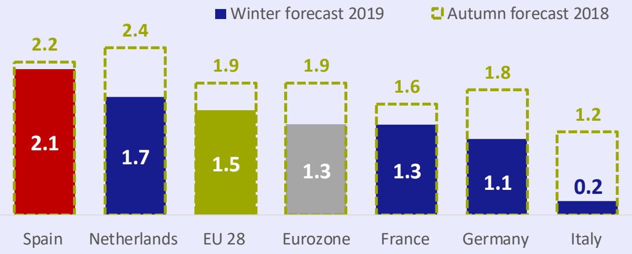
Winter forecasts (EC)

The European Commission (EC) has revised down its growth forecasts, mainly due to the impact on the main European economies of the slowdown in the global economy, the uncertainty associated with world trade and Brexit, and a higher than expected slowdown in China .

In 2019, it forecasts an annual growth of 1.3% in the Eurozone and 1.5% in the EU, 0.6pp and 0.4pp lower than its forecast in autumn 2018, respectively.

Specifically, Italy (−1pp), the Netherlands (−0.7pp) and Germany (−0.7pp) are the countries that register the greatest downward revision in their growth forecasts.

GDP forecasts for 2019, European Commission
Annual change (%)



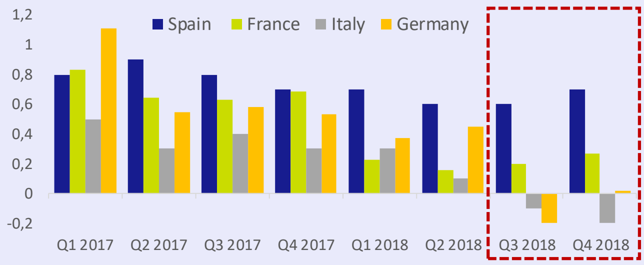
Source: *Círculo de Empresarios* based on European Commission, 2019

GDP growth

The uncertainties arising at the global level are joined by the political instability of Italy and a lower contribution of the automobile sector to GDP in Germany, which has weakened the growth of both economies since the second half of 2018.

Italy has entered a technical recession after accumulating two consecutive quarters of negative growth (−0.1% in Q3 and −0.2% in Q4), while Germany shows signs of stagnation with a 1.5% GDP growth (equivalent to its potential growth) at the close of 2018.

GDP growth
QoQ change (%)



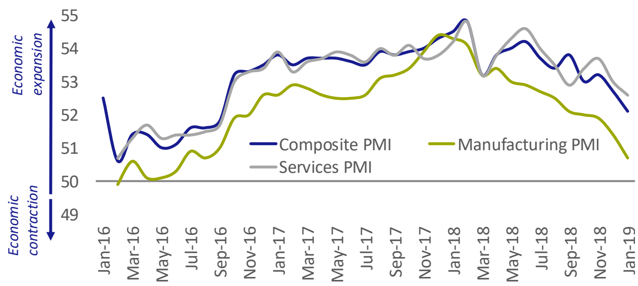
Source: *Círculo de Empresarios* based on Eurostat, 2019

Economic sentiment

In January, the global composite PMI fell to 52.1 points although still in the expansion zone[1]. However, it recorded its lowest level since September 2016 due to the deterioration of both the manufacturing and services PMI.

This evolution foresees expectations of greater moderation in world growth in Q1 2019.

Global PMI
Points



Source: *Círculo de Empresarios* based on Markit & Thomson Reuters, 2019

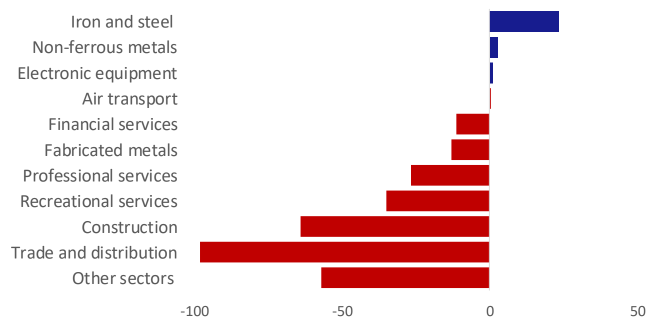
[1] A PMI above 50

US-China trade war

The negotiations in Beijing between the US and Chinese officials aimed at avoiding further new tariffs being imposed between the two countries as of March 1.

According to Reuters, if protectionism escalations persist, it would destroy around 274,000 jobs in the US (0.2% of the total labour force), predominantly in sectors of commercial distribution and construction.

U.S. jobs impact of metal tariffs
Number of jobs



Source: *Círculo de Empresarios* based on Markit & Thomson Reuters, 2019