

Growth Q1 2019 Spain

In Q1 2019, GDP grew by 0.7% quarter-on-quarter, its biggest progress since the end of 2017, standing at 2.4% year-on-year, 1.2 pp above the Eurozone average.

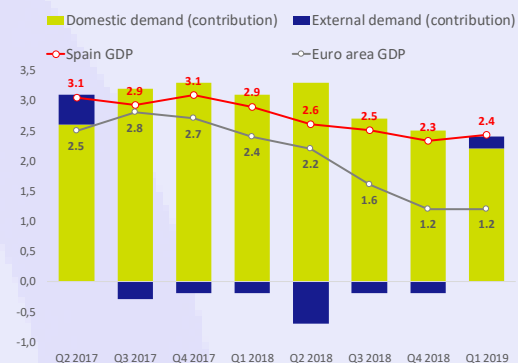
The contribution of domestic demand to year-on-year growth reduced by 0.3 pp to stand at 2.2 pp, the lowest since Q4 2016. By components:

- Household consumption recorded its lowest progress since 2013 (1.4%), despite the creation of employment and the increase in remuneration per employee.
- Public administration consumption moderated to 2% compared with 2.2% in Q4 2018.
- Productive investment recorded an increase of 4.7%, which is 0.3 pp more than in Q4 2018.

After six consecutive quarters of negative contribution, external demand recovers its positive contribution to year-on-year GDP growth (0.2 pp) which is explained by a higher contraction in imports (1.2%) than that in exports (0,5%).

GDP

YoY change (%), domestic demand and external demand contribution (pp)



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

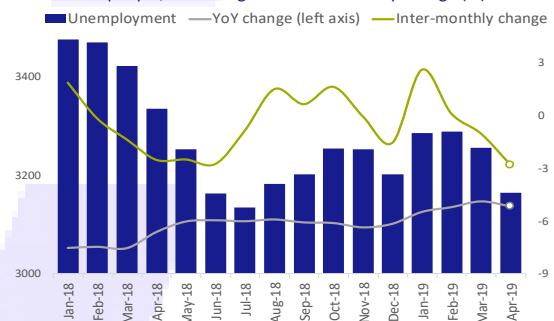
Labour market Spain

In April, registered unemployment in the Social Security fell by 91,518 unemployed people (-2.81% inter-monthly) and 172,302 year-on-year (-5.17%) to stand at 3,163,566 unemployed.

On the other hand, the number of affiliates increased by 186,785 people compared with March (0.98%) and 551,901 in year-on-year terms (2.95%). Thus, the total affiliation amounted to 19,230,362, recovering levels of July 2008.

Unemployment

Millions of people, YoY change and Inter-monthly change (%)



Source: *Círculo de Empresarios* based on Ministry of Labour, Migrations & Social Security, 2019

Public accounts Spain

Until February, the joint deficit of the Central Administration, the Autonomous Communities and Social Security grew by 14.8% year-on-year to €11.9 billion (0.95% of GDP), due to a 19.1% year-on-year increase in the State deficit.

Additionally, in Q1 2019, the State deficit increased by 57.5% year-on-year to €6.75 billion (0.54% of GDP). This evolution is explained by a sizeable increase in public spending (6%), mainly in pensions and

salaries of public employees, 4.9 pp higher than the increase in revenues (1.1%).

In this context, the European Commission has warned that the public deficit will reach 2.3% of GDP, which is 0.3 pp over the Government's projection.

General Government balance. Accumulated January -February 2019

Billions of € and %

	Millions €		YoY change %	GDP % 2019
	2018	2019		
Central Administration	-11.1	-12.5	12.5	-1.00
Government	-10.1	-12	19.1	-0.96
Central Administration Agencies	-1	-0.4	-53.3	-0.04
Autonomous Communities	-0.6	-0.1	-72.4	-0.01
Social Security	1.3	0.7	-44.2	0.06
Public Administrations (without financial support)	-10.3	-11.9	14.8	-0.95

*GDP 2019 = 1.255.160 millions of €

Source: *Círculo de Empresarios* based on Ministry of Finance, 2019

Euro area economic situation

GDP growth

In Q1 2019, the GDP of the Eurozone rose by 0.4% quarter-on-quarter, 0.2 pp higher than its growth in Q4 2018¹. This evolution contrasts with that of the Eurozone Economic Sentiment Indicator (ESI) that falls for the tenth consecutive month to reach 104 points, its record low level in 32 months.

Among the main economies of the Euro area:

- After the technical recession, Italy recorded a quarter-on-quarter growth of 0.2%, mainly on the back of the foreign sector, while domestic demand fell since the beginning of the year.
- In Germany² the lower dynamism in the foreign sector and the industrial production forecast a quarter-on-quarter growth of around 0.2%.
- France expands 0.3% quarter-on-quarter, with year-on-year growth of 1.1%.
- Spain leads the growth with an increase of 0.7% quarter-on-quarter, recovering levels of Q1 of 2017.

¹ Preliminary

² Official Q1 figures (pending publication)

HICP flash estimate

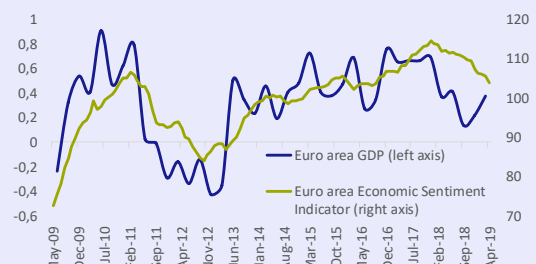
In April, the Harmonised Index of Consumer Prices (HICP) flash estimate of the Eurozone stood at 1.7% year-on-year, 0.3 pp higher than in March, mainly due to the increase in the prices of energy and services (1.9% year-on-year vs 1.1% in March). As for Spain, the HICP reached 1.6%, reducing the difference with the Eurozone to 0.1 pp, as opposed to 0.4 pp (maximum difference) at the beginning of the year.

Public investment UK

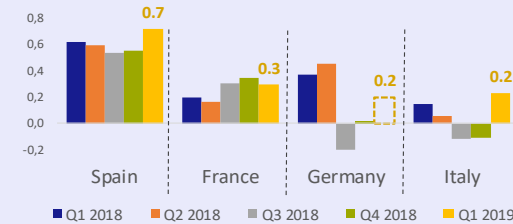
Between 2013 and 2017, the British public investment in infrastructures increased by an annual average of 6.1%, accounting for 2.3% of total public expenditure, higher than that of France (1.5%), Germany (1, 2%), and Italy (0.9%).

The increase in public investment of the United Kingdom is mainly concentrated in

GDP Evolution and Euro area Economic Sentiment Indicator
YoY change (%), points

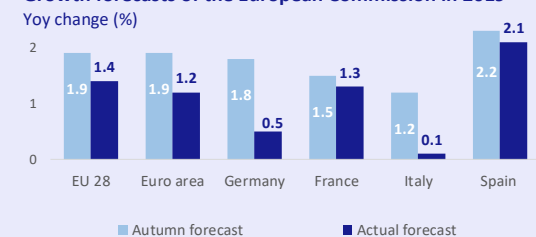


GDP evolution in the main economies of the Euro area
YoY change (%)



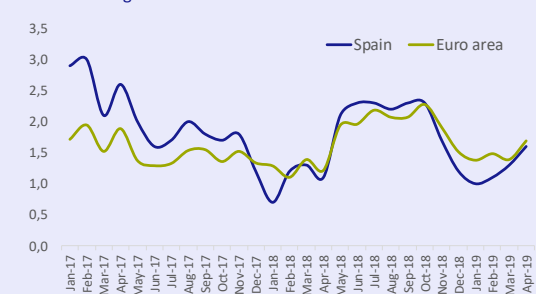
In this context, the European Commission's 2019 growth forecasts are as follows:

Growth forecasts of the European Commission in 2019



Source: *Círculo de Empresarios* based on Eurostat, European Commission and Thomson Reuters, 2019

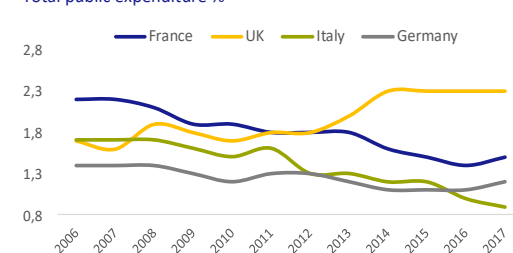
HICP Evolution
% YoY change



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

large railway and telecommunications infrastructures.

Evolution of public investment in infrastructures
Total public expenditure %



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

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