

## Growth forecasts, Spain

For 2019, the Bank of Spain has raised its growth forecasts to 2.4%, up by 0.2pp than in March, given the favourable business investments and the positive contribution of the external demand, mainly due to the lower propensity to import. In addition, the Spanish economy grows on the back of a favourable competitive position via prices, the expansionary monetary policy, and the private sector asset amelioration. In contrast, growth slowdown continues in 2020 and 2021 (1.9% and 1.7% respectively), as a result of the fiscal stimulus fading to an

end, the lower consumption of Spanish households, and the impact of mounting uncertainty in the wake of trade tensions and the Brexit endgame scenarios.

### Bank of Spain Growth forecasts

	June forecasts 2019			In contrast with
	2019	2020	2021	March forecasts 2019
GDP	2.4	1.9	1.7	0.2
Private consumption	1.8	1.7	1.5	-0.2
Government consumption	1.7	1.3	1.2	-0.1
Investment	4.1	3.9	2.8	0.2
Exports of goods and services	1.6	3.2	3.6	-1.6
Imports of goods and services	1.4	3.8	3.8	-2.2
Domestic consumption*	2.9	2.3	2.1	0
Net exports*	0.1	-0.2	0	0.2

\*Contributions to growth real GDP (pp)

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

## Tourism sector

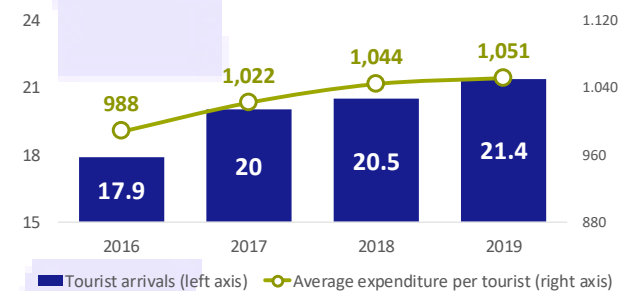
From January-April 2019, the number of international tourist arrivals in Spain increased by 4.4% year-on-year to reach 21.4 million visitors (vs 20.5 in the same period of 2018). By country, the main tourist sending countries were the United Kingdom (19.98%), Germany (13.83%), and France (12.65%).

At the same time, tourism spending increased by 5% year-on-year, up by 0.4 pp than in the same period last year, reaching €22.4 billion (1.86% of GDP). Although the rate at which average spending per tourist

was increasing has slowed down to 0.7% year-on-year (€ 1,051), which is 1.5pp lower than in the same period last year.

### Tourism sector acumulated January - April

Millions of tourist, € per tourist



Source: Círculo de Empresarios based on INE, 2019

## Household net worth

Since 2013, the net worth of Spanish households has increased by 25%, reaching €6.64 trillion in 2018 (5.5 times the Spanish GDP), observing:

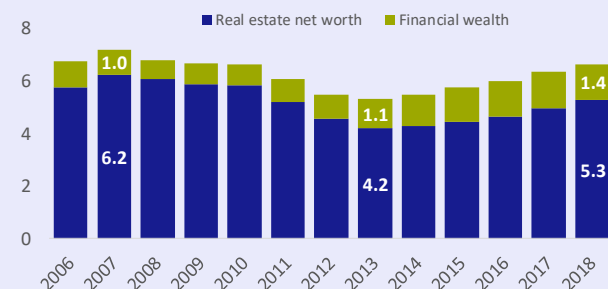
- A 25% increase in real estate net worth, reaching €5.27 billion, as house prices recover by approximately 30% since the record lows hit in 2014.
- An increase of 23.4% in the financial wealth, which accounts for € 1.37 trillion of the total.

This evolution demonstrates that the net worth of Spanish households is increasingly more diversified, as the share of financial wealth rises from 13.21% in 2007 to 20.63%

in 2018. Nonetheless, real estate is still deemed by the Spanish households as the best decision to allocate their savings and continues to take the lion's share with 79.36% of the total net worth, compared to 65% on average in the euro area.

### Household net worth

Trillion of €



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

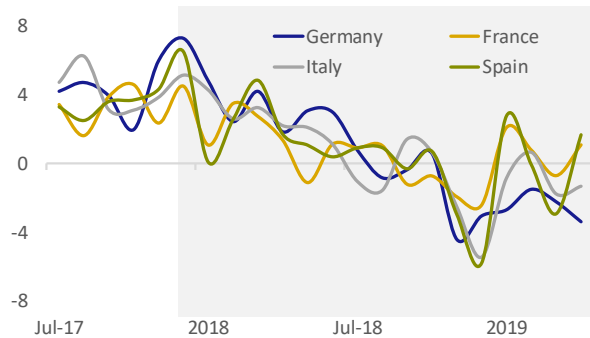
## Industry Eurozone

Since 2018, European industry displays a greater fragility in its growth rate, against the backdrop of tenacious trade tensions between the US and China, the weakness of the automobile sector<sup>1</sup>, and the lower dynamism of global demand. In April, the industrial production of the main economies of the Eurozone has had a heterogeneous evolution:

- In Germany, it fell by 3.4% year-on-year for the sixth consecutive month, in line with the evolution of its manufacturing PMI, which since January 2019 is in the contraction zone<sup>2</sup>.
- In Italy, it fell by 1.4% year-on-year in an environment marked by its political and economic fragility in which the lack of correction in its high levels of debt have led the European Commission to open an EDP<sup>3</sup> against the country once again.

- In Spain, after dropping by 3% year-on-year in March, it starts to show a positive note by increasing by 1.7%.
- France increased by 1.1% year-on-year, showing the greatest dynamism of European economies, with its average annual growth rate at 0.8% since the beginning of the year.

**Industrial production**  
YoY change (%)



<sup>1</sup> In Germany, the automobile sector accounts for 38% of the total of its industry

<sup>2</sup> If PMI value is >50 points → expansion; if <50 → contraction

<sup>3</sup> Excessive Deficit Procedure: it is a macroprudential supervision mechanism of the European Commission

Source: Círculo de Empresarios based on INE, Destatis, Insee and ISTAT, 2019

## Trade war: "rare earth"

China, faced with the recent trade measures imposed by the Trump Administration, threatens to limit or restrict exports of rare earth metals<sup>1</sup>, in a context in which they fell by 15.9% month-on-month in May, to accumulate 3,639.5 tons<sup>2</sup>.

Although currently 80% of US imports of rare earth metals are concentrated in China, the scope of this measure would be limited if the US, in the short-term, diversified the origin of its imports to other countries and, in the medium-term, promoted the development of their own deposits.

### "Rare earths" US imports by countries

% of total imports



<sup>1</sup> Rare earths comprise a group of 17 chemical elements such as Praseodymium, Cerium or Neodymium used in the manufacturing of various products: electric motors, oil and diesel refining, and products of high technological intensity such as computer chips, mobile phones and rechargeable batteries among others

<sup>2</sup> In 2018, China's rare earth metals production reached 115,000 tons (> 80% of world production)

Source: Círculo de Empresarios based on Financial Times and Bloomberg, 2019

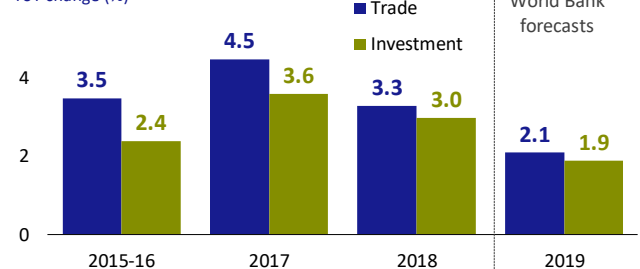
## Global growth (IMF)

The IMF has revised down its world growth forecast in 2019 to 2.6%, which is 0.3pp below the forecast in January. Some of the main causes for the deterioration of the global situation are the reduction of business confidence, the increase in financial and trade tensions, and the lower dynamism of investment in emerging markets. Specifically, in 2019, it is projected that trade and investment will moderate to

2.1% and 1.9% annually, respectively (vs. 3.3% and 3% in 2018).

### Trade and investment evolution in the world

YoY change (%)



Source: Círculo de Empresarios based on World Bank and Haver Analytics, 2019

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