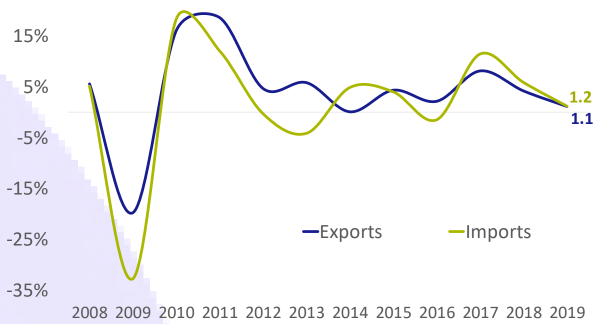
Business...
at a glance

October 2019

Balance of trade, Spain

In 2019, between January and August, the exports of goods increased by 1.1% year-on-year, which is 3.1pp less than in the same period of 2018, amounting to €192,131 million (15.9% of the GDP). Whereas for the same period, the imports of goods dampened down to 1.2% year-on-year (vs 6.1% year-on-year in 2018) and stood at €213.314 million (17.7% of GDP).
By region, exports to the EU28 increased by 1.1% year-on-year, accounting for 65.7% of the total, while those shipped to the rest of the world (mainly to North America*, Asia, and Africa) increased by 1.2%,.
By Autonomous Community, Aragon reported the highest increase in exports (16.1%), followed by Asturias (14%) and Navarra (9%). The biggest falls were reported in the Balearic Islands (−14%), Castile and Leon (−8.8%), and Galicia (−8%).

Trade balance, Spain
YoY %, January-August

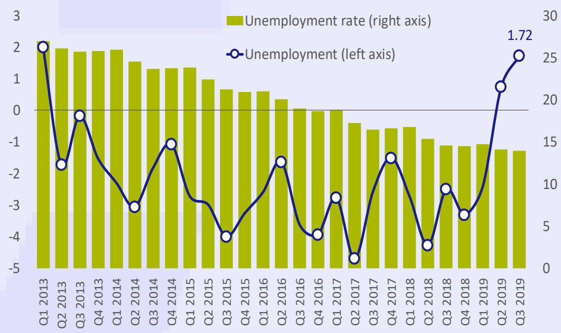


*Excluding Mexico
Source: Círculo de Empresarios based on Ministry of Industry, Trade and Tourism, 2019

Labour Force Survey (LFS)

In Q3 2019, the unemployment rate was 13.92%, which is 0.6pp less than in the same period last year and is forecasted to reach 14.1% for the whole year.
However, when the data is seasonally-adjusted, we see that after falling for six years, unemployment has increased, for the second consecutive quarter, by 1.72% quarter-on-quarter to 3,214,400 unemployed people.
Employment growth has stagnated at 0.09% quarter-on-quarter, to stand at 19,874,300 employed people, which is 0.61pp below the average of 2017 and 2018 (0.7%).

Evolution of unemployment, Spain
YoY (%) & unemployment rate (%)



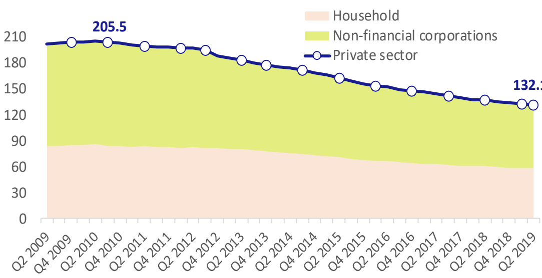
Source: Círculo de Empresarios based on INE, 2019

Private debt, Spain

In Q2 2019, the deleveraging of the private non-financial sector slowed down to a moderate pace of 0.4% year-on-year, which is 3.3pp less than the annual average since 2013 (−3.7%). Therefore, the net debt-to-GDP ratio stood at 132.1% (€1.6 trillion), which is 76.4pp below the peak reached in Q2 2010 (205.5% of GDP). Specifically:

- Household debt decreased by 0.1% year-on-year (vs −2.7% average since 2013), to stand at 58.6% of GDP (€717.777 million).
- The debt of non-financial corporations decreased by 0.6% year-on-year (vs −4% average since 2013), to stand at 73.4% of GDP (€898,986 million).

Debt of household and non-financial corporations, Spain
% of GDP



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

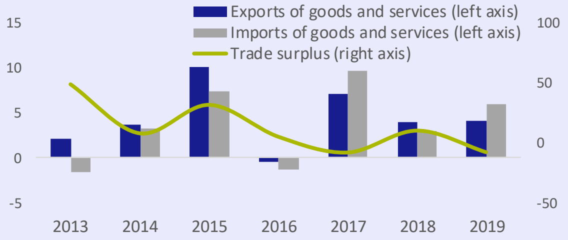
Trade, Eurozone

In 2019, from January to August, the trade surplus of goods and services in the Eurozone dropped by 8% to stand at €261,645 million (2.3% of GDP). This is mainly because the increase in imports was 1.8pp more than exports (6% and 4.2% year-on-year, respectively).

The short-term outlook for the external sector in the Eurozone is contingent on the turn of events unfolding from the US-China and US-EU28 trade tensions, and the end result of Brexit.

Trade of goods and services, Eurozone

%



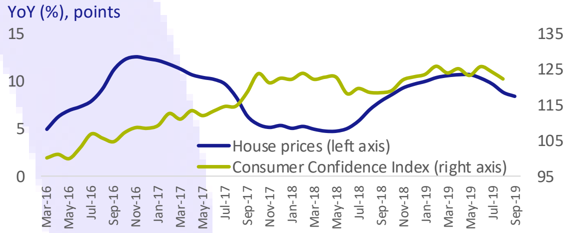
Source: Círculo de Empresarios based on ECB 2019

Housing price, China

Now for the fifth consecutive month, a slower rate of increase in the average price of new housing in the 70 main cities of China persists in September as well. Down to an 8.4% year-on-year increase compared to the record high of 12.6% reached in 2016. This evolution is explained by the lower demand for housing as a result of China's economic downturn, which has been growing at a slower pace since 1992. It is also explained by, among other factors, the progressive deleveraging of the private sector and the mounting uncertainty associated with the trade war. In this scenario, the construction sector, with short-term debt of $80 billion (0.7% of its GDP), has gradually lowered its sales prices in order to revive the housing demand.

House price and Consumer Confidence, China

YoY (%), points



Source: Círculo de Empresarios based on NBS, 2019

Corporate debt, global

Against the backdrop of a global economy in a synchronised slowdown and escalating geopolitical tensions, the limited effectiveness that the monetary policy of the main central banks (US and EU) is having gives rise to doubt that negatively conditions the expectations of economic agents. In this situation, the low or negative interest rates erode incentives for corporate investment in the medium-term, increasing the demand for assets with higher risk and lower liquidity in search of higher expected returns. In US, since April 2019 the yield spread between a CCC-rated corporate bond and those rated below a double-B continues to widen.

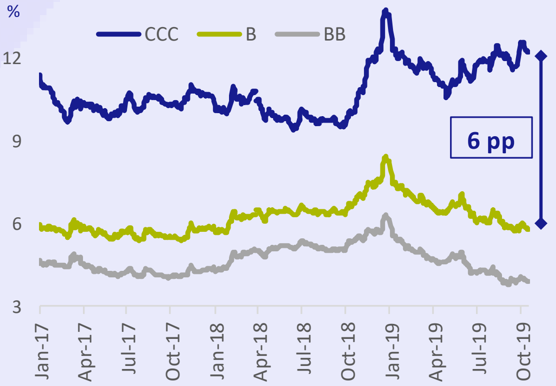
All this in an environment of high levels of non-financial corporate indebtedness in the main economies of the world:

- In China, the debt-to-GDP is at 155% ($21 billion), has increased six-fold since 2008 (97.5% of GDP).
- In the Eurozone, the debt-to-GDP ratio is at 104.8%. Although it has been reducing since 2013, it remains 12.8pp above the pre-crisis levels (96.5% of GDP).
- In the US, the debt-to-GDP ratio is at 75% ($ 15.3 billion). Since 2013, it has increased by 38.5% and is 2.4pp more than in 2008 (72.6% of GDP).

Currently, the global non-financial corporate debt amounts to 93.7% of world GDP, a situation that has led the IMF to recommend governments to implement structural reforms to stimulate growth and avoid the dangers of a new financial crisis.

Corporate bond yield, US

%



Source: Círculo de Empresarios based on Fed of St. Louis, 2019