



CÍRCULO
DE EMPRESARIOS
ideas for growth

Economy in the shadow of geopolitics

FEBRUARY
2024

ECONOMY

Global



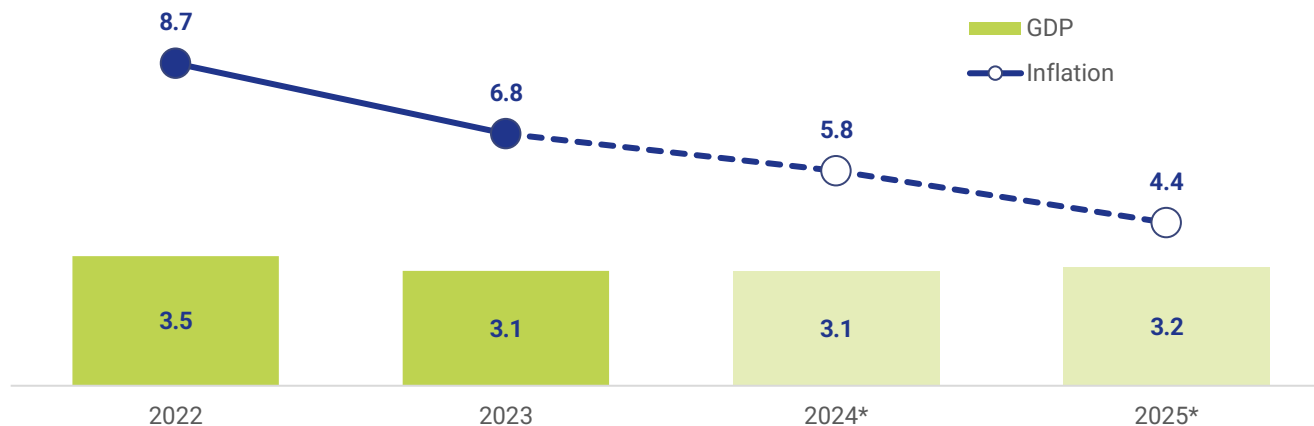
| Summary

Global economic situation

Global economic activity has maintained some dynamism in recent quarters in a regionally asymmetric manner, despite the impact of tight monetary policies, the fragmentation of trading blocs, the withdrawal of fiscal support in a high debt environment, low productivity and geopolitical uncertainties.

Against this background, the IMF forecasts moderate global GDP growth of 3.1% in 2024* and 3.2% in 2025*, lower than the average of 3.8% between 2000-19. It also expects consumer prices to continue to moderate to 5.8% in 2024*, down one percentage point year-on-year.

% y-o-y change



* Forecasts

Source: *Círculo de Empresarios* based on IMF, OECD and Oxford Economics, 2024.

Global GDP 2024*

3.1%
y-o-y

3.2% in **2025***

(OECD: 2.9% in 2024* and 3% in 2025*)

Inflation 2024*

5.8%
y-o-y

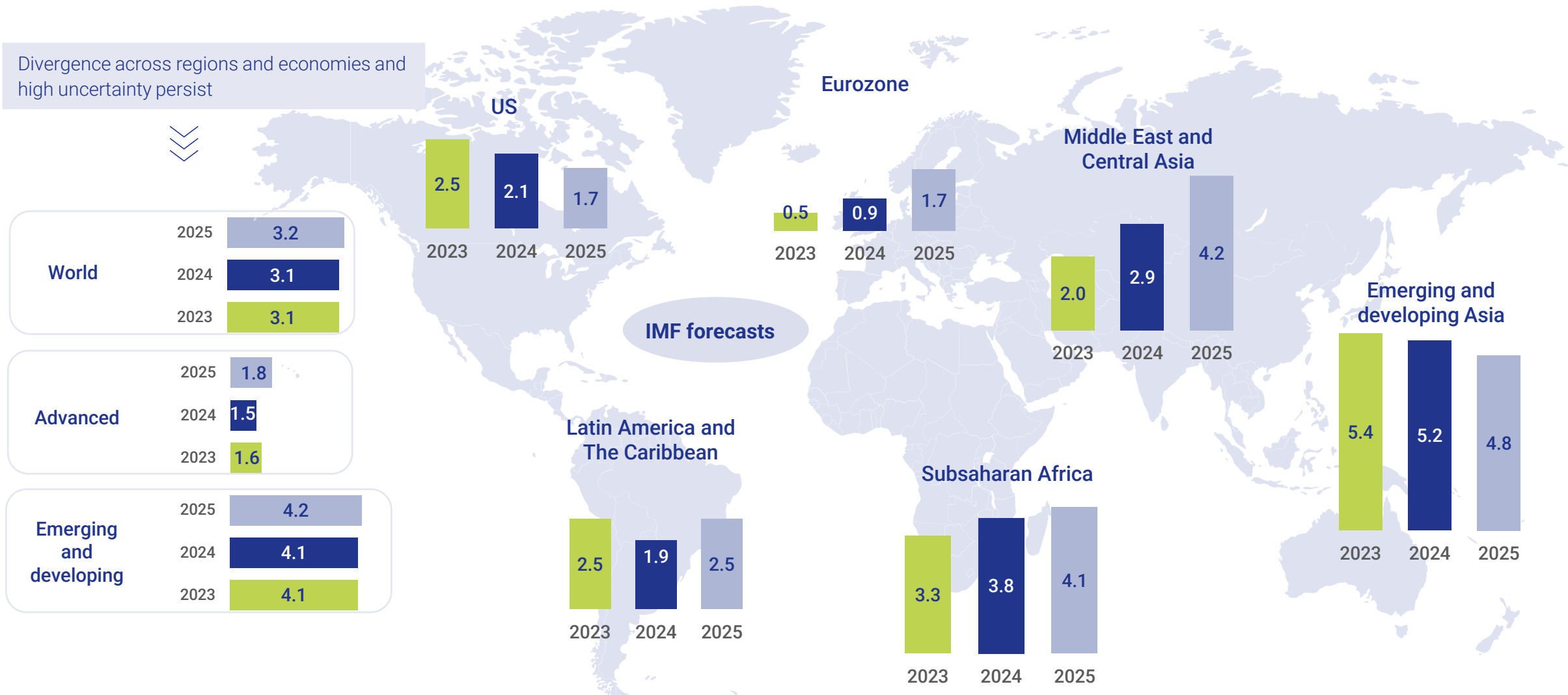
4.4% in **2025***

| Challenges for the global economy



| Global growth prospects

Divergence across regions and economies and high uncertainty persist

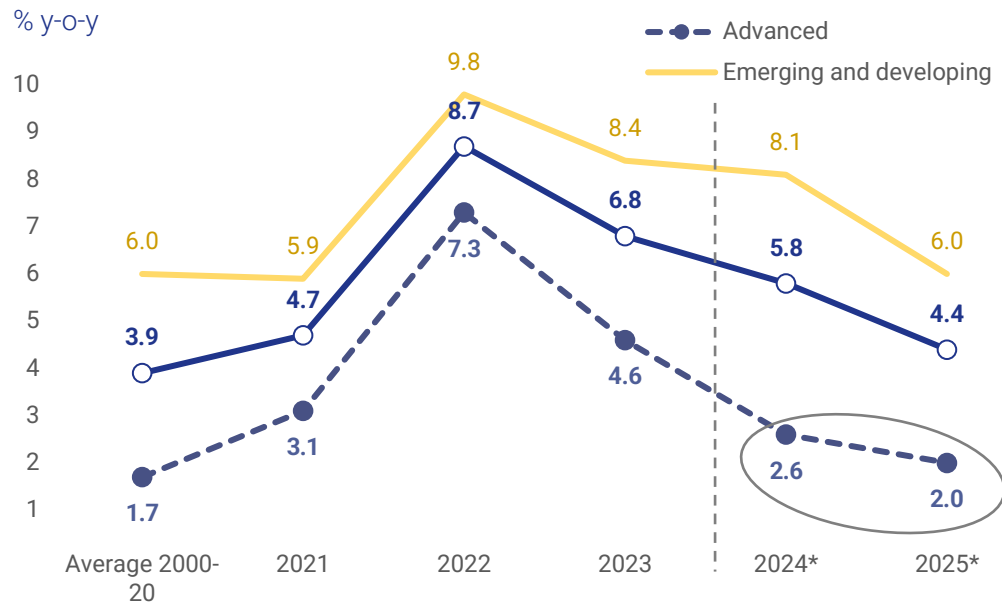


Source: *Círculo de Empresarios* based on IMF, 2024.

Falling inflation and expected interest rate cuts

In approximately 80% of the world's economies, average annual headline and core inflation is projected to fall by 2024*

Inflation in advanced economies is converging to the targets of their Central Banks

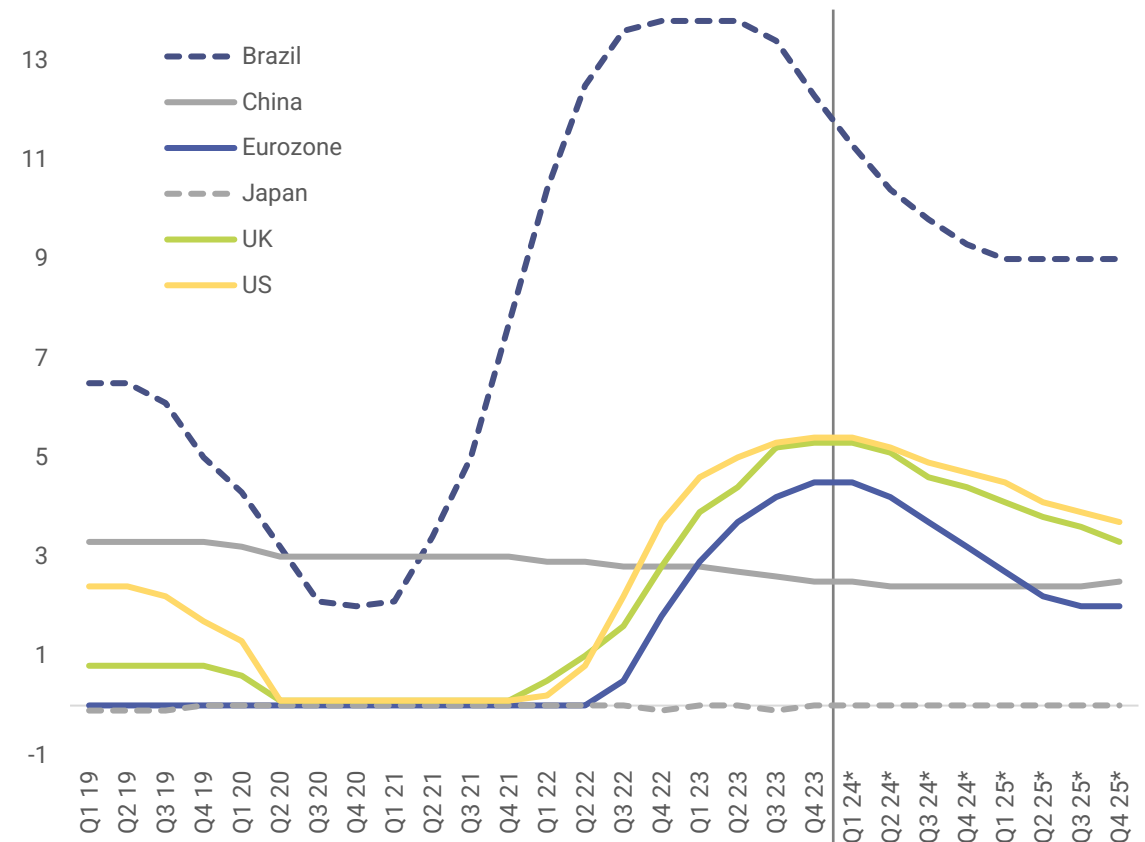


Main causes of inflation ▼ (IMF)

- ▼ underlying inflation due to still restrictive monetary policy
- Moderation in labour markets
- Impact of transmission of falls in relative energy prices (past and current)

Expectations that CBs will loosen monetary policies

Monetary policy reference interest rate, %



* Forecasts

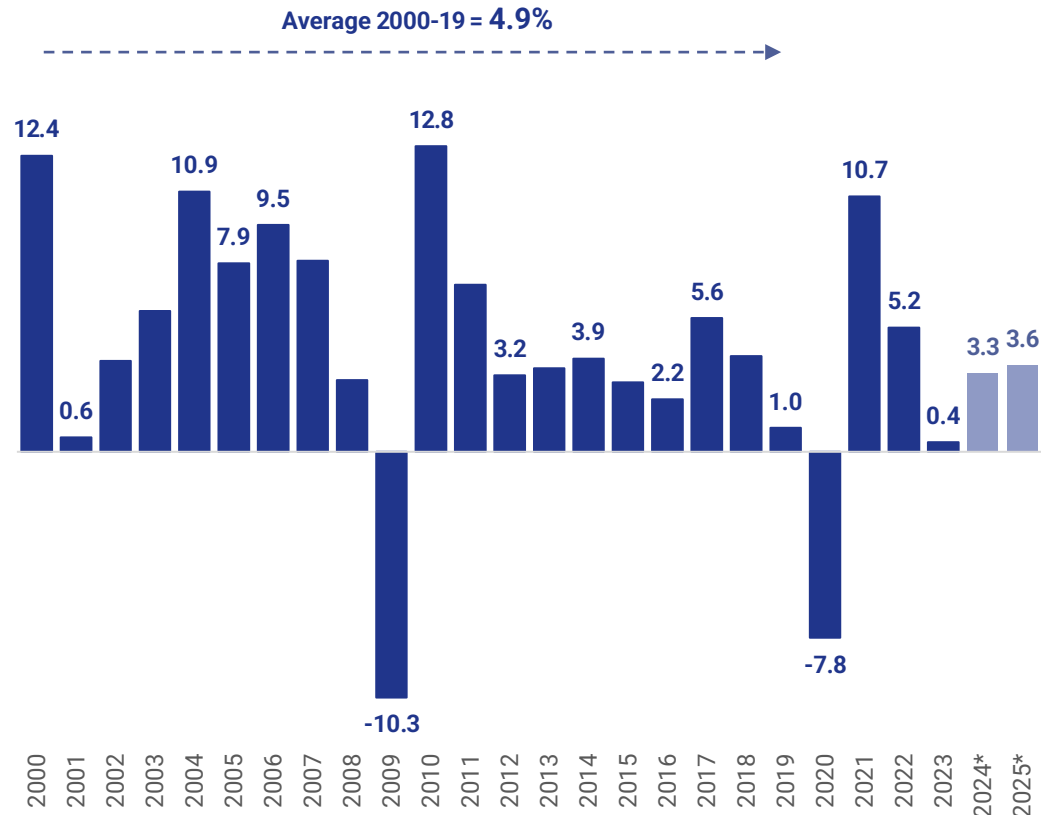
Source: *Círculo de Empresarios* based on IMF and Oxford Economics/Haver Analytics, 2024.

Favourable world trade outlook subject to turbulent environment

Geo-economic fragmentation and increasing trade shocks weigh on the level of world trade (IMF)

World trade to rebound by 2.9 pp in 2024*, while remaining below the 21st century average of 4.9%

% y-o-y change

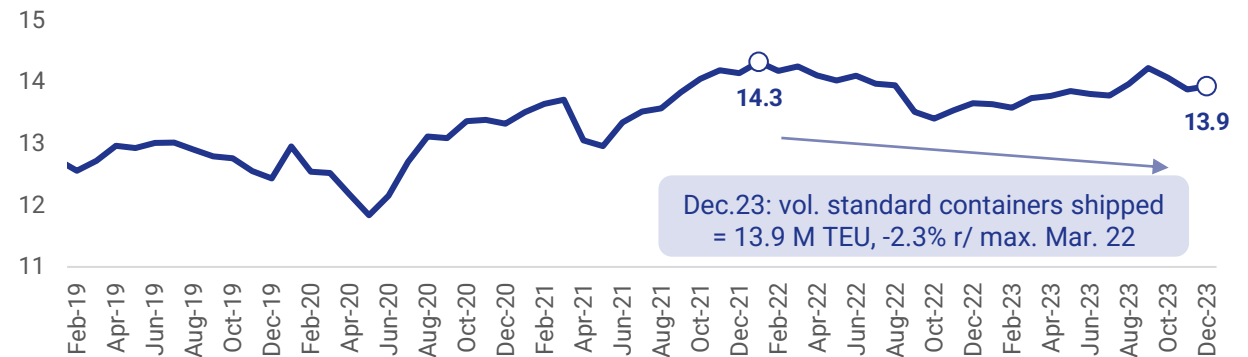


* Forecasts

Source: *Círculo de Empresarios* based on IMF and Kiel Institute, 2024.

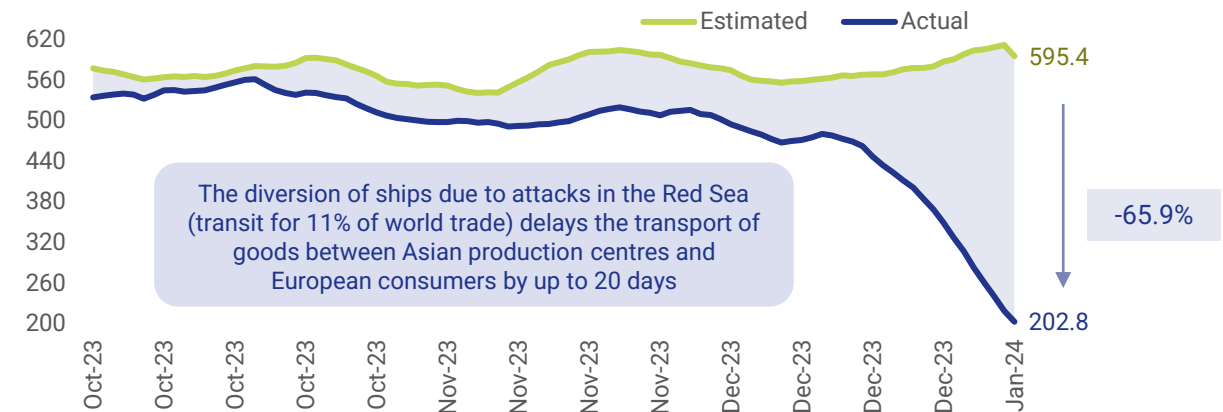
2023 marked by weak trade and lower global container traffic

Estimated world containerised cargo volume per month in million TEUs (Twenty-foot Equivalent Units)



Disruptions in the Red Sea shipping of goods that increase costs

Daily cargo capacity, Red Sea and Suez Canal; Thousands TEU (Twenty-foot Equivalent Units)



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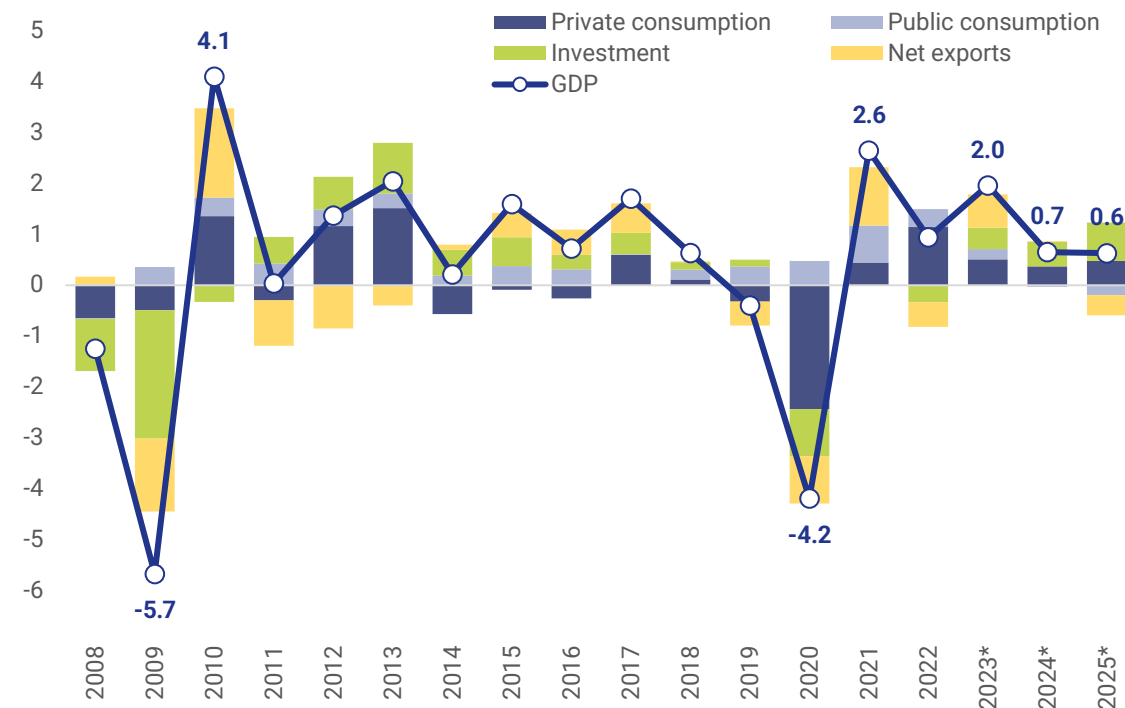
Asia



Japan: stagnating economy

GDP to decelerate from 2% in 2023* to 0.7% in 2024* on lower aggregate consumer demand and less favourable external momentum

GDP % y-o-y change and contribution of components in pp



In 2024* private consumption is projected to decelerate by 2 tenths to 0.7% y-o-y, and public consumption to fall by 0.2% (vs. +0.9% in 2023). Exports will fall from 2.1% growth in 2023 to 1.3% in 2024*

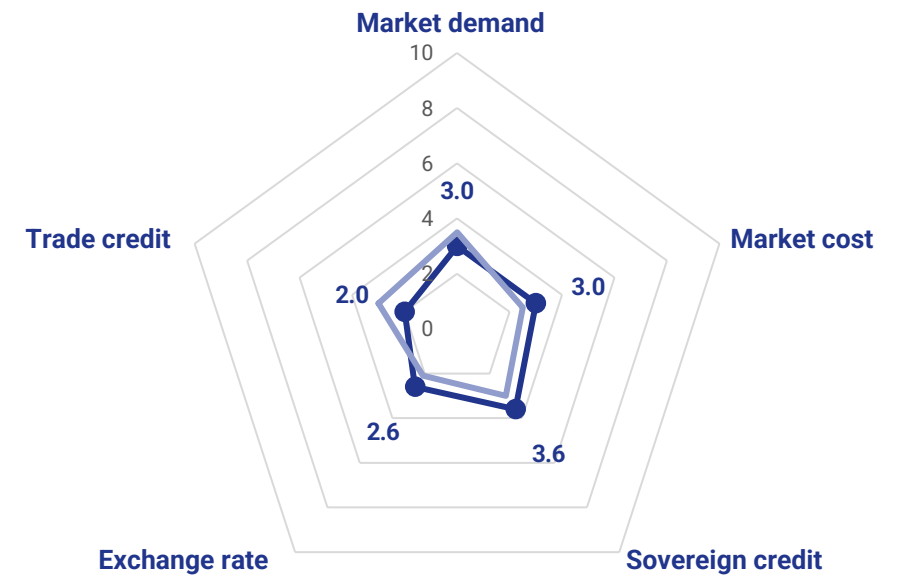
* Forecasts

Source: *Círculo de Empresarios* based on Oxford Economics/Haver Analytics, 2024.

Japan's economic risk (2.8) is in line with the average for advanced economies. It reflects the country's high level of GDP per capita and its relative political stability

Scores from 1 to 10, with 10 = higher risk

● Japan
— Advanced economies

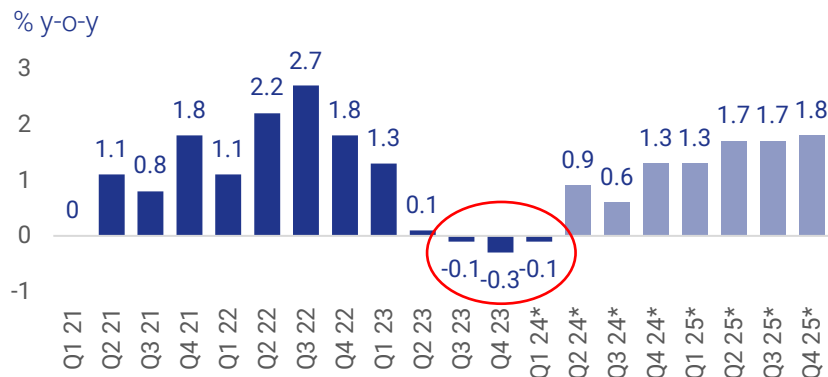


China: the slowdown continues

GDP growth is forecast by Oxford Economics to reach 4.4% in 2024* and 4.0% in 2025*

	2021 – 2022	2023*	2024*	2025*
GDP	8.5 → 3.0	5.2	4.4	4.0
Domestic demand	6.7 → 2.5	4.6	4.5	4.2
Private consumption	12.1 → 0.3	8.7	5.2	5.1
Fixed investment	3.2 → 3.2	3.4	4.2	3.3
Government consumption	1.6 → 5.7	4.6	2.5	4.2
Exports	19.1 → -0.5	2.8	1.9	4.4
Imports	7.9 → -5.0	5.7	4.3	5.4

In 2024*, inflation will return to positive rates after consecutive falls between Q3 23 and Q1 24*



The GDP deflator averaged -1.4% in the last three quarters, the most severe run of falling inflation since the Asian financial crisis of 1998

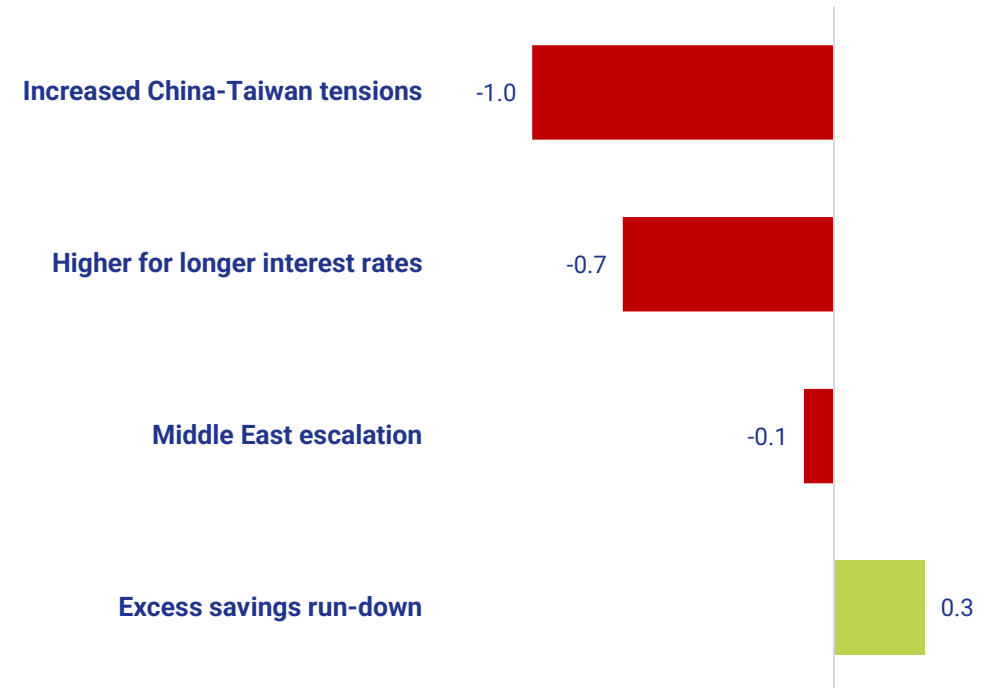
* Forecasts

Source: Círculo de Empresarios based on Oxford Economics/Haver Analytics, 2024.

Exposure to major global risks

Tensions over Taiwan are the biggest source of downside economic risk. They could subtract 1 percentage point from annual growth over the next 3 years

Average annual impact on GDP growth over the next 3 years (%)



South Korea: modest growth

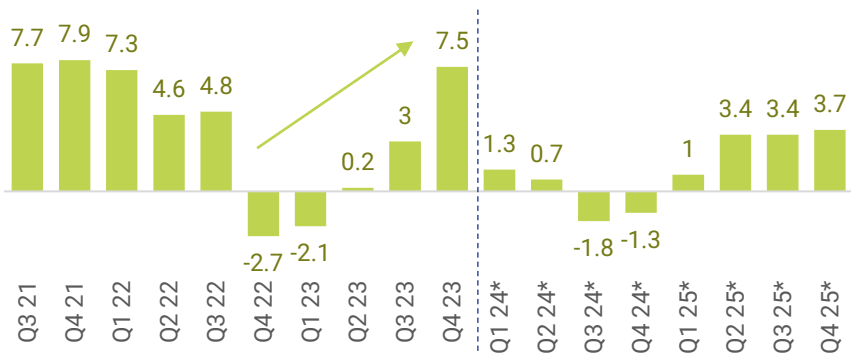
Oxford Economics forecasts 2024* growth below its estimate of potential growth (2%)

% y-o-y change

	2021 – 2022	2023*	2024*	2025*
GDP	4.3 → 2.6	1.4	1.4	2.4
Private consumption	3.6 → 4.1	1.8	1.4	1.9
Investment	3.2 → -0.5	1.2	0.8	4.5
Public consumption	5.5 → 4.0	1.2	0.7	2.2
Exports	11.1 → 3.4	2.7	1.8	2.9
Imports	10.1 → 3.5	3.0	1.0	4.3

Export growth in 2023 driven by a rebound in semiconductor exports (15.6% of total), which is not expected to last into 2024*

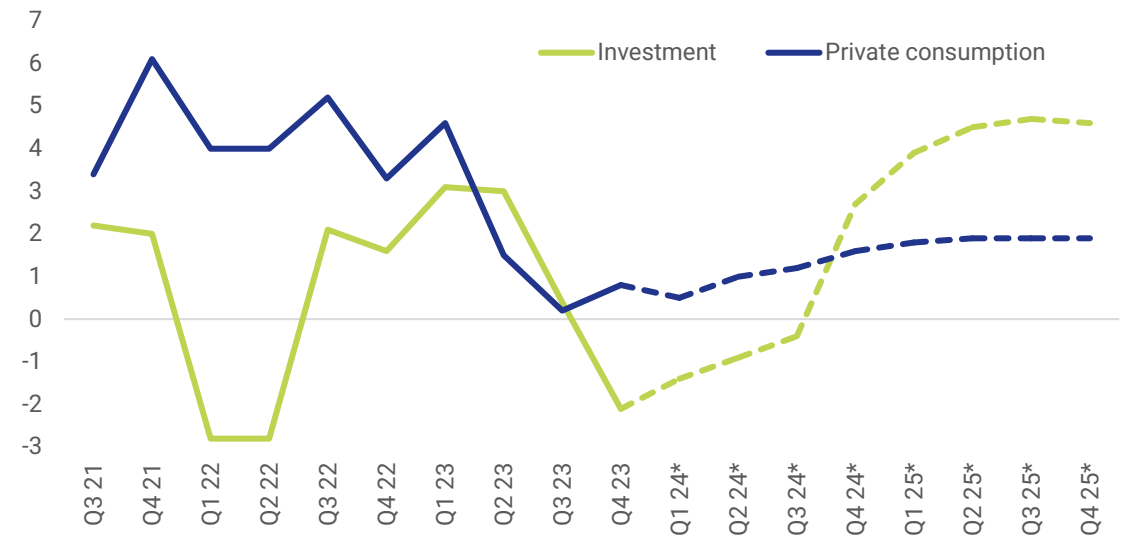
year-on-year % of export volume



Slower progress in key export markets and prolonged monetary tightening in advanced economies may limit the export rebound

Moderate growth in private consumption and investment in 2024*

% y-o-y change



Private consumption slowdown in 2024*

- ▼ consumer confidence
- moderation in the labour market: ▲ unemployment rate at 2-year high of 3.3%
- phasing out post-pandemic impulses
- high interest rates
- ▼ house prices
- ▲ household debt (> 100% of GDP)

The return on investment is mainly conditioned by 2 factors

- Sustainable upturn in the global semiconductor cycle to guide electronics manufacturers' investment plan
- Widespread recovery in manufacturing beyond semiconductors

* Forecasts

Source: *Círculo de Empresarios* based on Oxford Economics/Haver Analytics, 2024.

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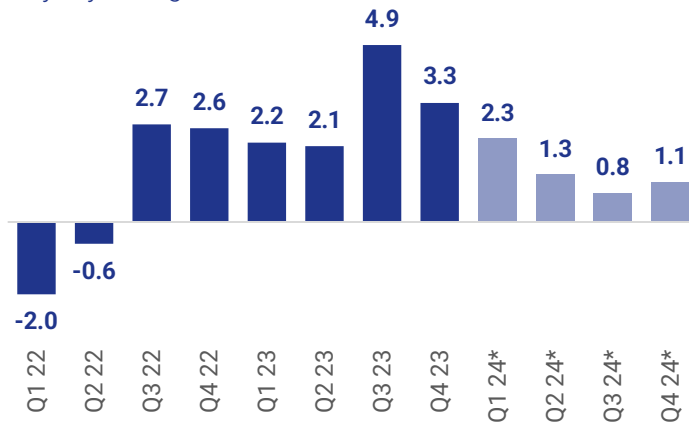
America



US: improved expectations

The likelihood of recession in the coming months is reduced and GDP growth is forecast at 2.3% in 2024*

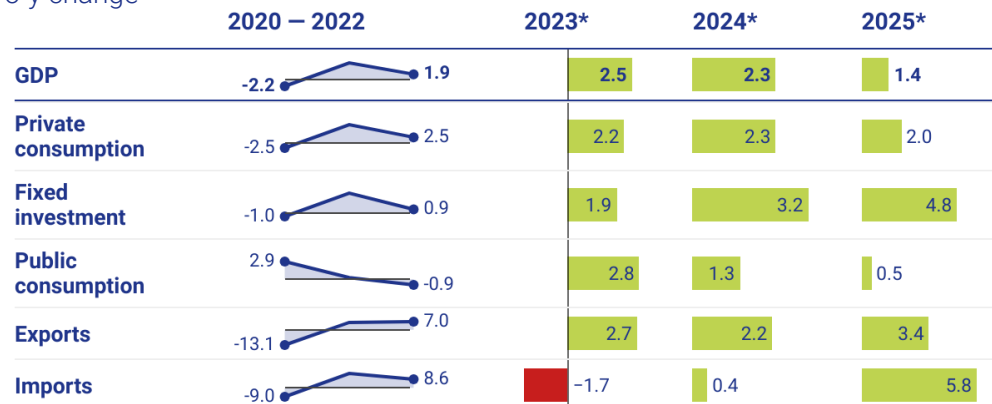
% y-o-y change



Headwinds

- Impact of delayed transmission of monetary policy tightening
- Less accommodative credit conditions
- Tight fiscal policy
- Moderating labour markets
- Increased policy uncertainty

% y-o-y change

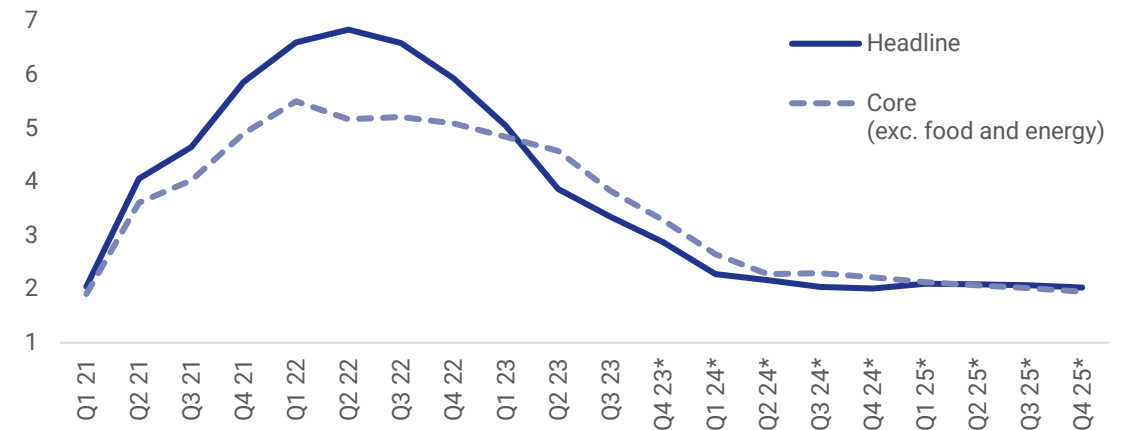


* Forecasts

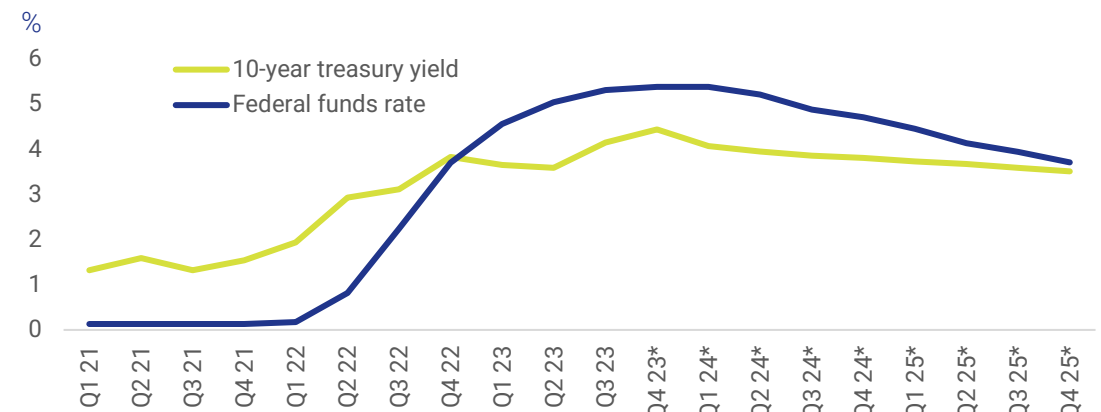
Source: *Círculo de Empresarios* based on Oxford Economics, 2024.

Inflation will reach the Fed's 2% target by the end of 2025*, moderating faster than expected

% y-o-y change



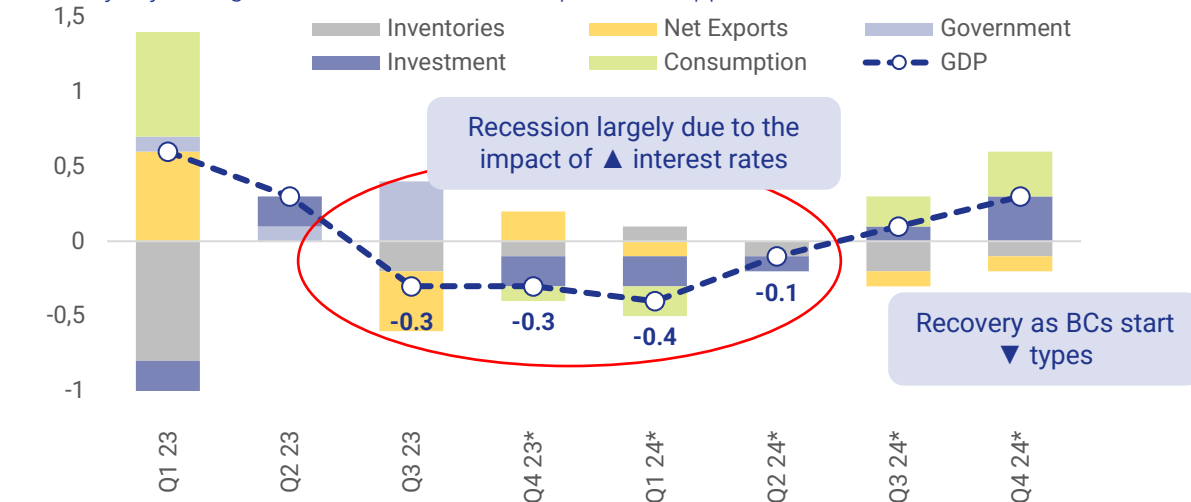
The Fed is expected to start cutting interest rates



Canada: transition from recession to growth

A slow recovery from the second half of 2024* will leave behind the decline of four consecutive quarters

GDP % y-o-y change and contribution of components in pp



% y-o-y change

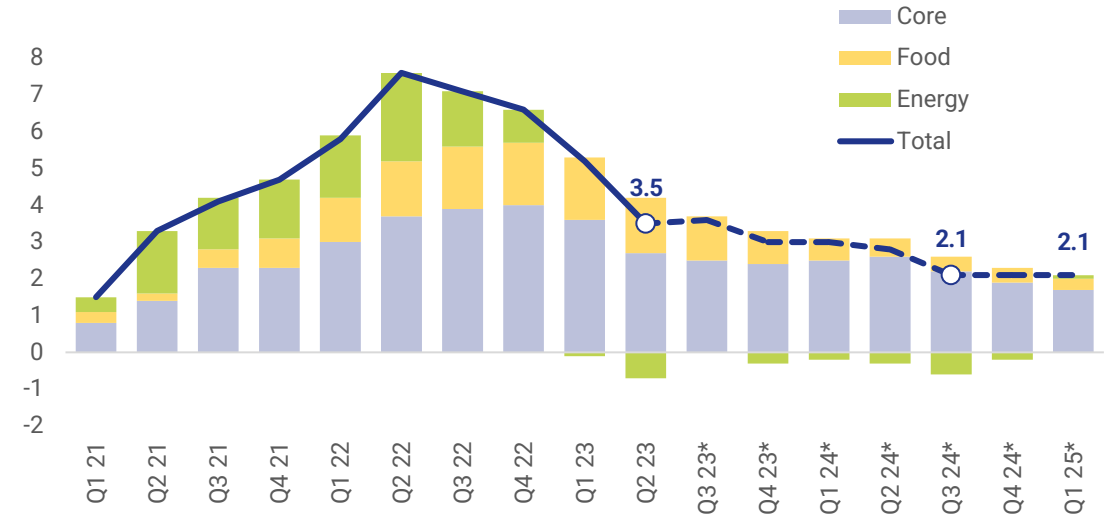
	2021 – 2022		2023*	2024*	2025*
GDP	5.3	3.8	1.0	-0.6	2.2
Private consumption	5.1	5.1	2.0	-0.2	2.9
Fixed investment	9.3	-2.4	-2.4	0.2	5.1
Government consumption	5.4	3.2	1.6	0.9	0.8
Exports	2.7	3.2	4.5	-0.1	2.6
Imports	8.1	7.6	0.8	0.4	3.3

* Forecasts

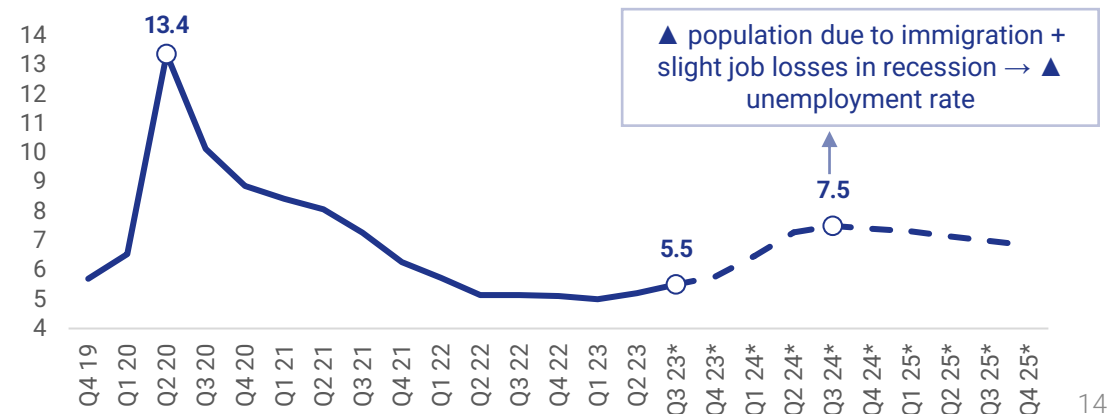
Source: *Círculo de Empresarios* based on Oxford Economics/Haver Analytics, 2024.

Inflation will return to the target level by the end of 2024*

% y-o-y change and contribution of components in pp



% labour force

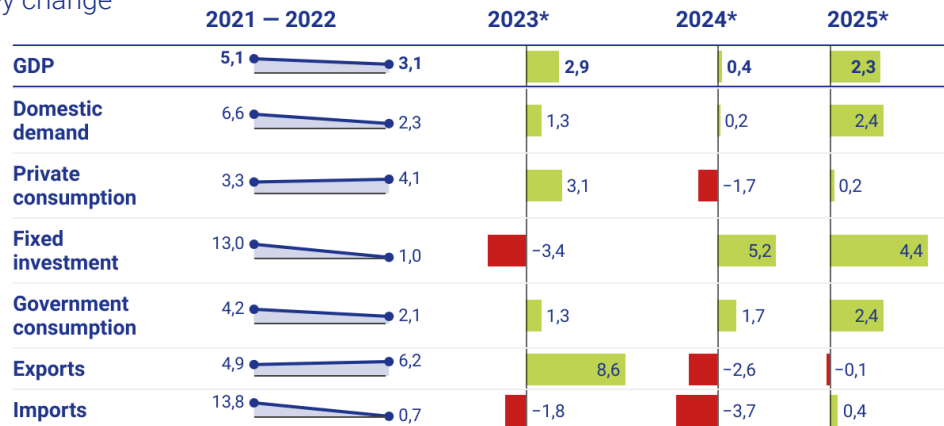


Brazil: growth is weakening

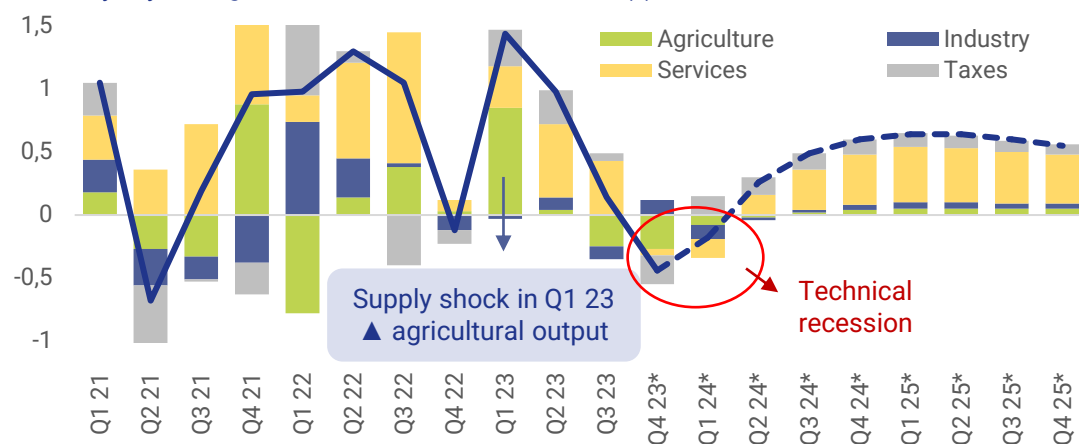
Negative monetary and fiscal policy impulses, weakening commodity prices, private investment constraints and declining agricultural production

Deceleration of growth to 0.4% y-o-y in 2024*

% y-o-y change



GDP % y-o-y change and contribution of sectors in pp

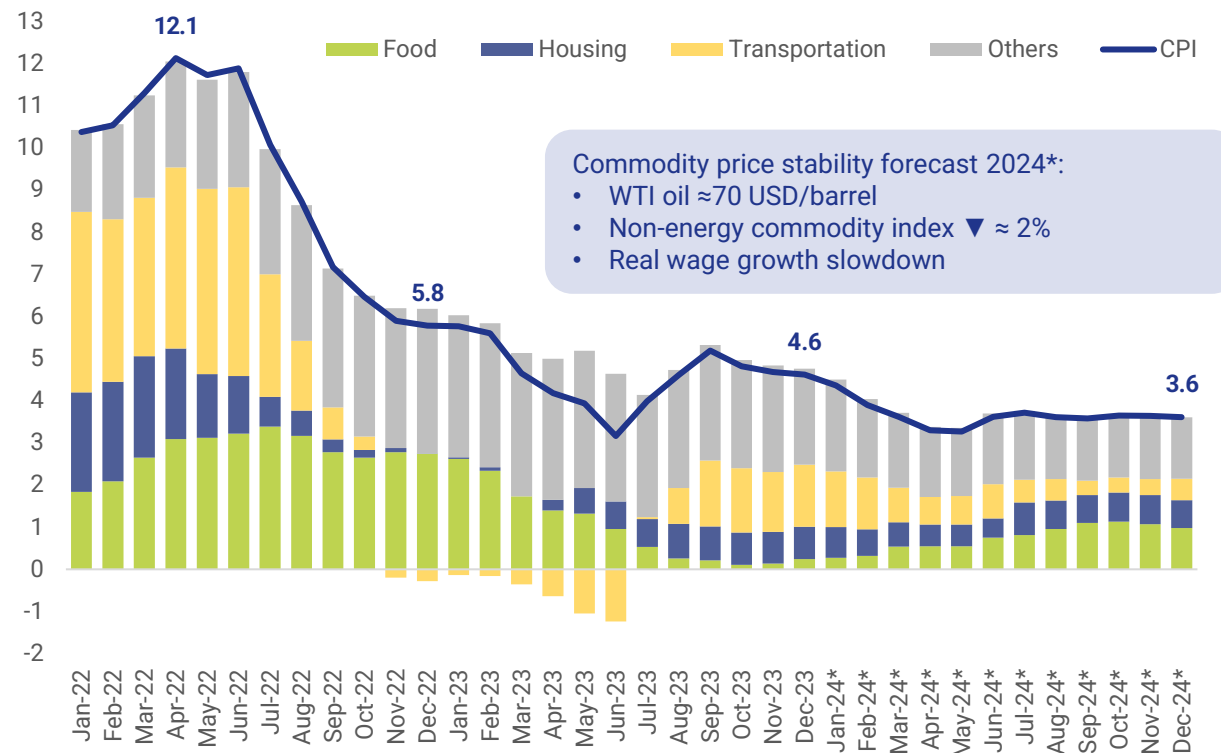


* Forecasts

Source: Círculo de Empresarios based on Oxford Economics/Haver Analytics, 2024.

Food prices supported downward inflation trend in 2023

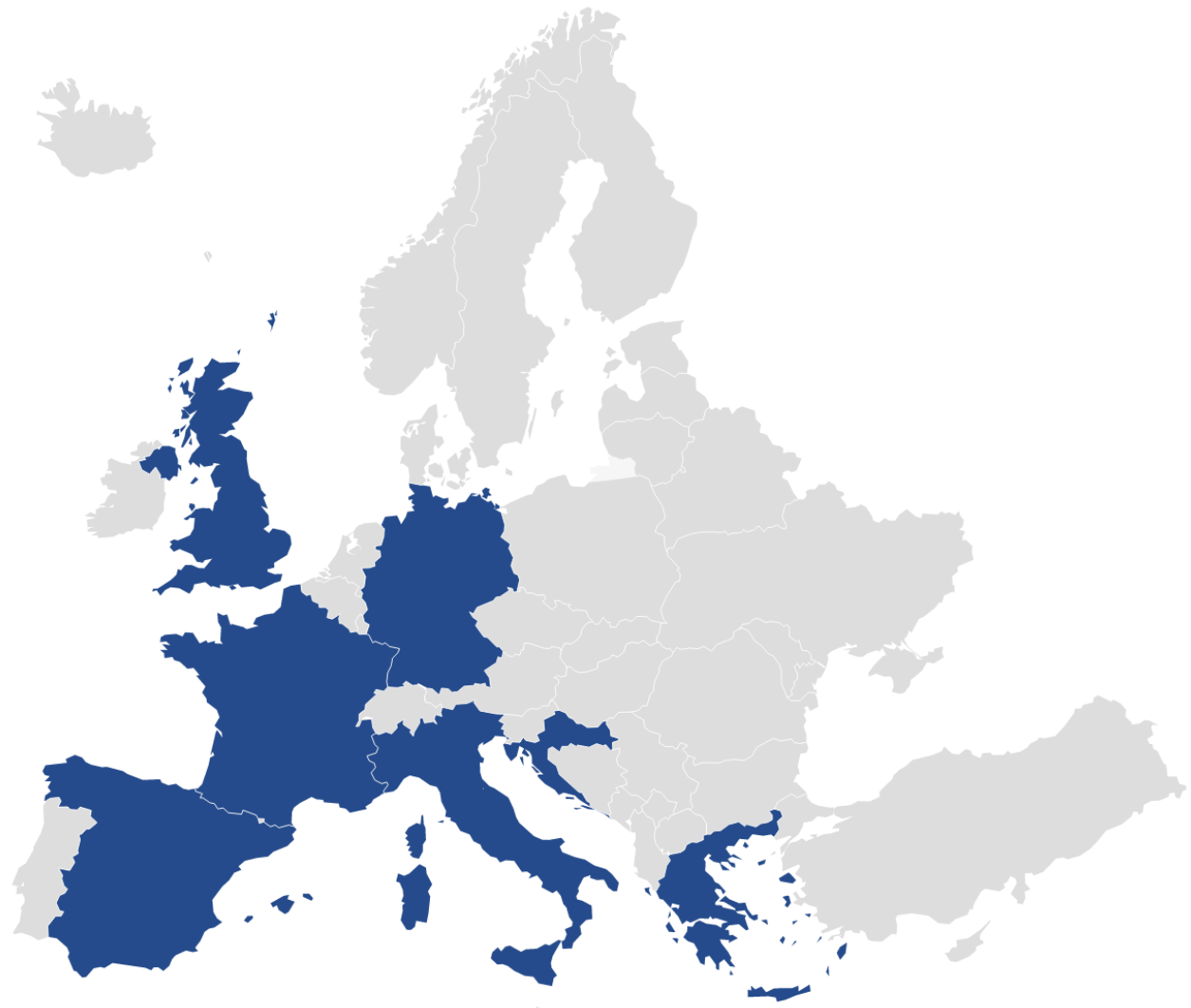
% y-o-y change and contribution of components in pp



The reduction in inflation will allow the Central Bank of Brazil to reduce the official interest rate, which is expected to close 2024* at 9%

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Europe



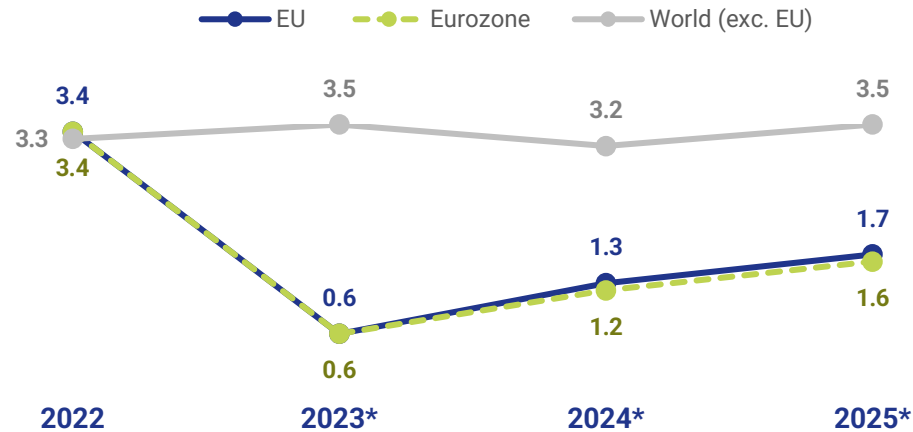
| Weakness in economic activity, mainly in manufacturing

Manufacturing PMIs remain in contractionary territory but have improved in recent months



Moderate growth forecast for the EU

EU GDP stagnates and registers rates well below the world average
% y-o-y change



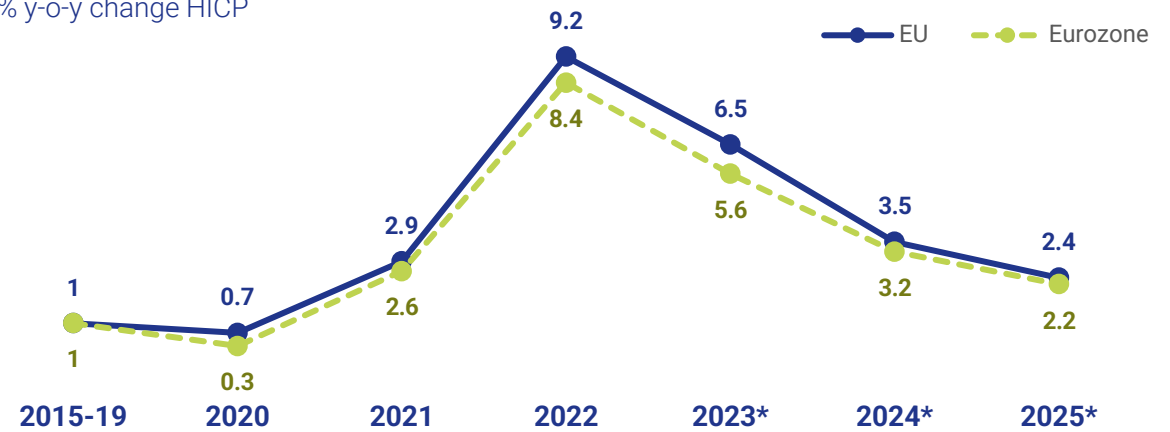
Growth of major economies ...

% y-o-y change

	2022	2023*	2024* – 2025*
Spain	5.8	2.4	1.7 → 2.0
France	2.5	1.0	1.2 → 1.4
Italy	3.7	0.7	0.9 → 1.2
Germany	1.8	-0.3	0.8 → 1.2

Inflation will moderate from 9.2% in 2022 to an expected 2.4% in 2025*
mainly due to falling energy prices

% y-o-y change HICP



Inflation in major economies ...

% y-o-y change

	2022	2023*	2024* – 2025*
Spain	5.8	2.4	1.7 → 2.0
France	2.5	1.0	1.2 → 1.4
Italy	3.7	0.7	0.9 → 1.2
Germany	1.8	-0.3	0.8 → 1.2

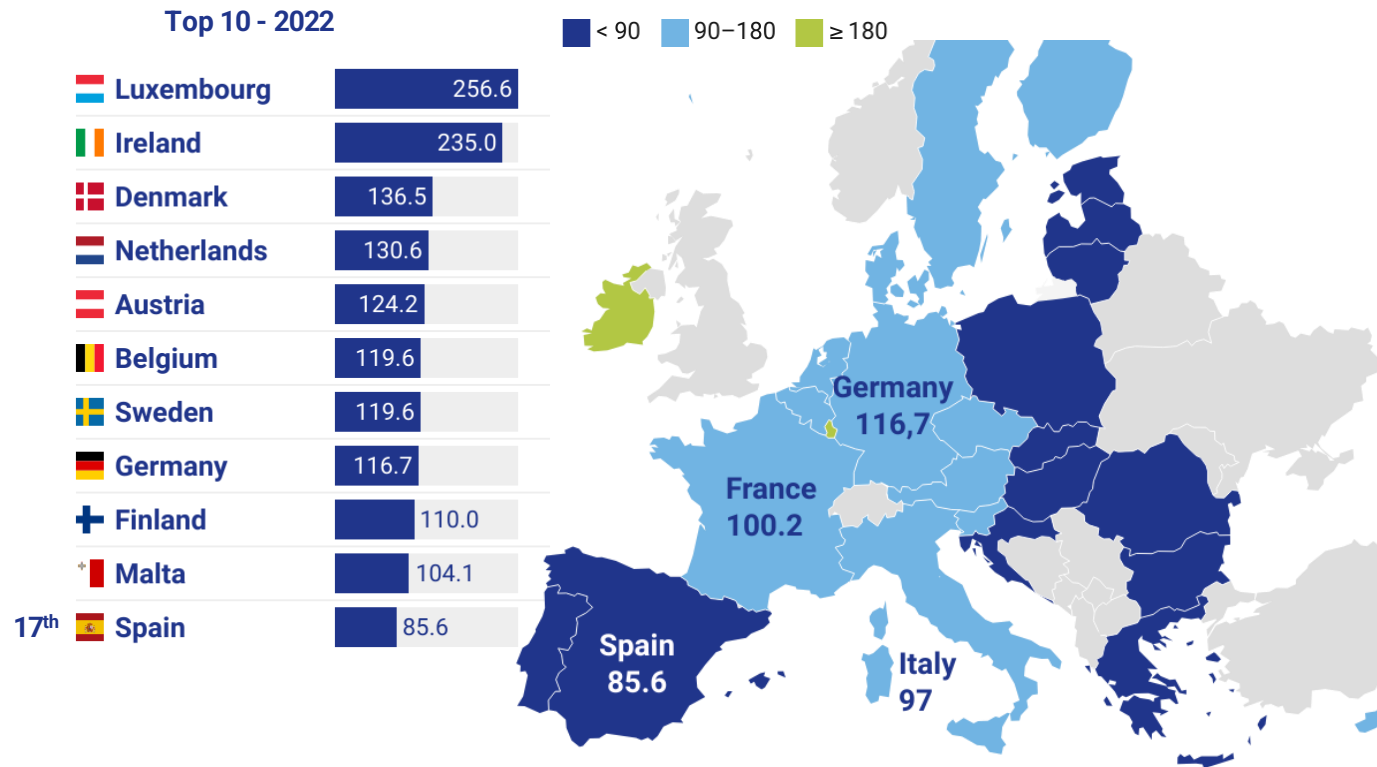
* Forecasts

Source: *Círculo de Empresarios* based on European Commission, 2024.

| Development of per capita income in the EU27

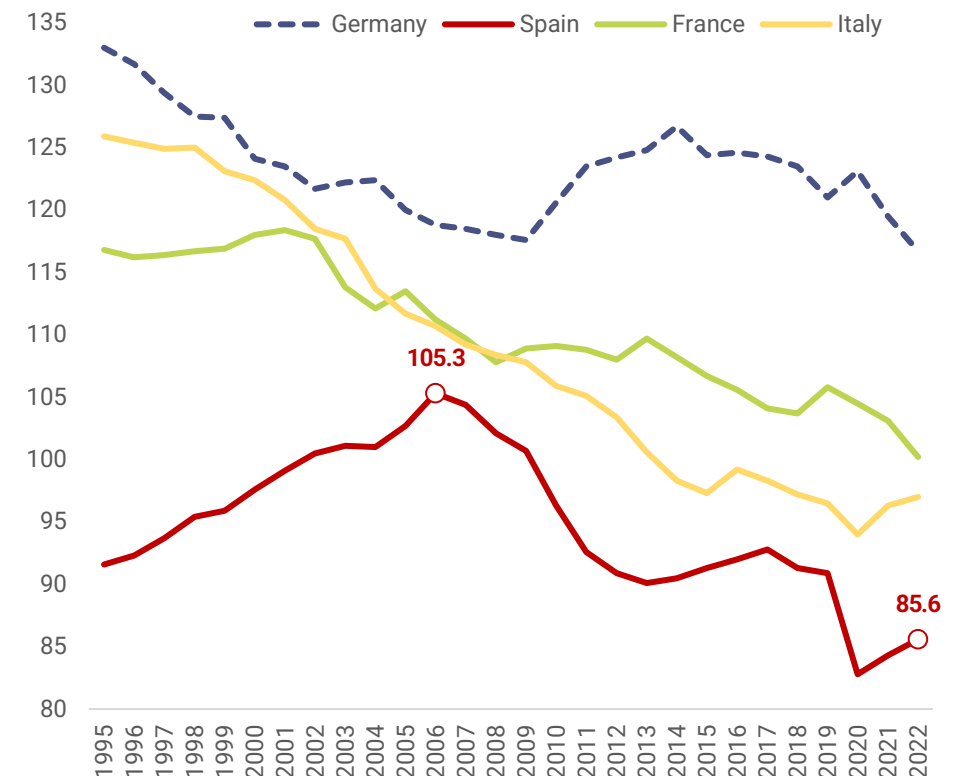
Luxembourg is the EU27 country with the highest income per capita (> 2.6 times the average), while Bulgaria has just over 60%

% of total EU27 income per capita total (based on purchasing power standards in millions, current prices)



Since the peak reached in 2006 and until 2022, Spain has lost 19.7 points of income per capita compared to the EU

% of total EU27 income per capita total (based on purchasing power standards in millions, current prices)

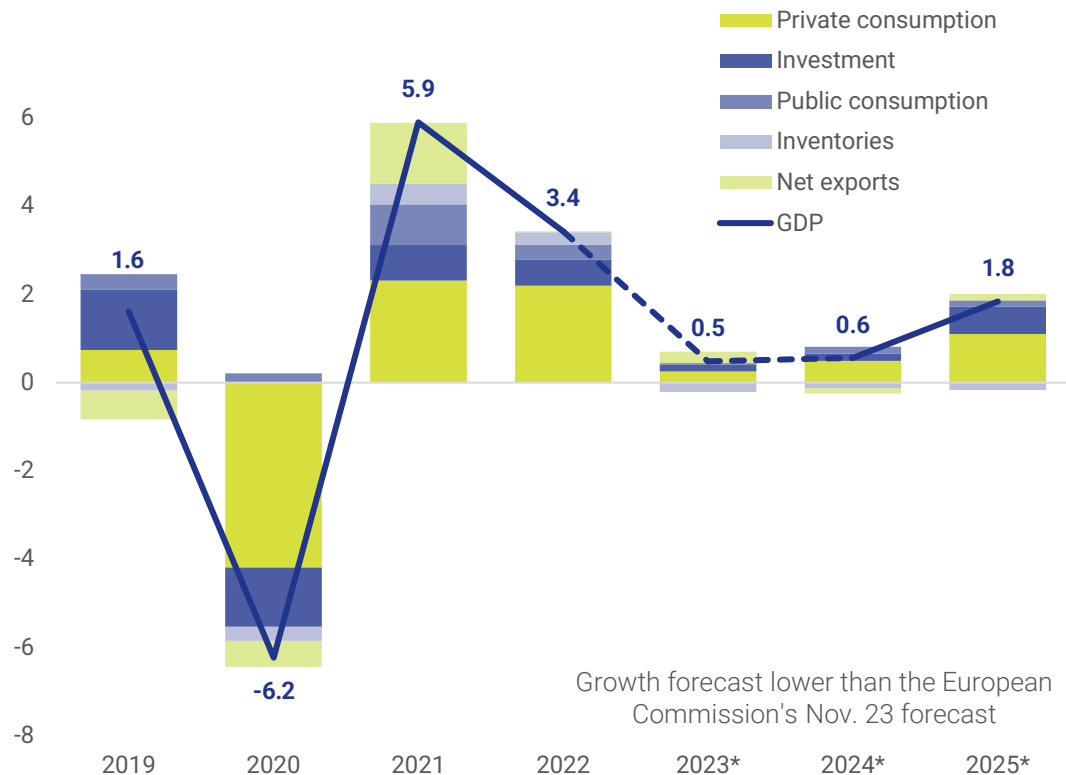


|Eurozone: weak growth, below potential

Economic activity weak and without clear growth drivers. Stagnation in the last months of 2023 due to the impact of tight monetary policy, the effect of inflation on consumers' real incomes, weak external demand and recession in industry

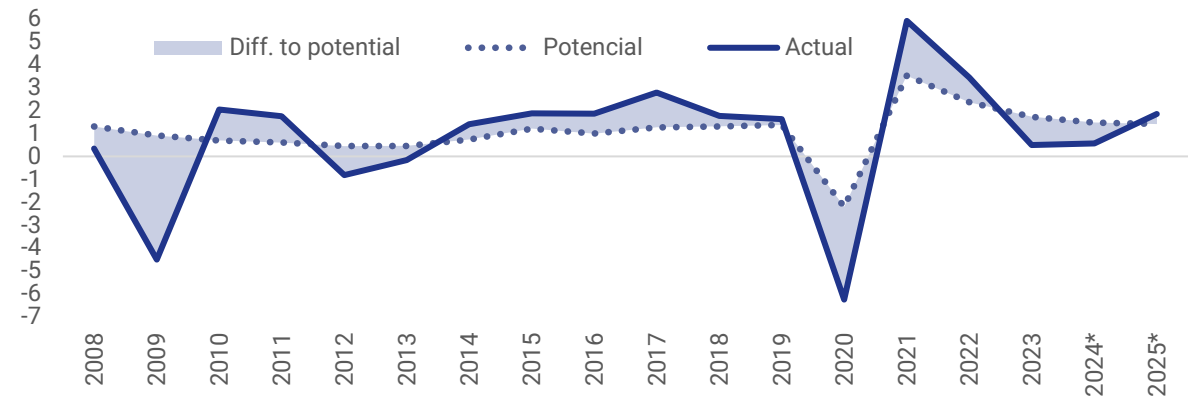
GDP grows by only 0.5% y-o-y in 2023* after brief recession in the 2nd semester mainly due to falling activity in Germany

GDP % y-o-y change and contribution of components in pp



Growth below potential in 2024*

% y-o-y change



Some risks

Political risks such as... illiberal regimes in Eastern Europe, immigration-related tensions in some countries, ...

Trade concerns amid subdued global trade developments

Eventual loss of price competitiveness of Eurozone companies due to ...

- ▲ inflation
- ▲ energy costs
- structural and geopolitical changes

"Japanisation of the Eurozone": disappearing factors putting upward pressure on inflation and ECB forced to ▼ interest rates and keep them low to boost the economy

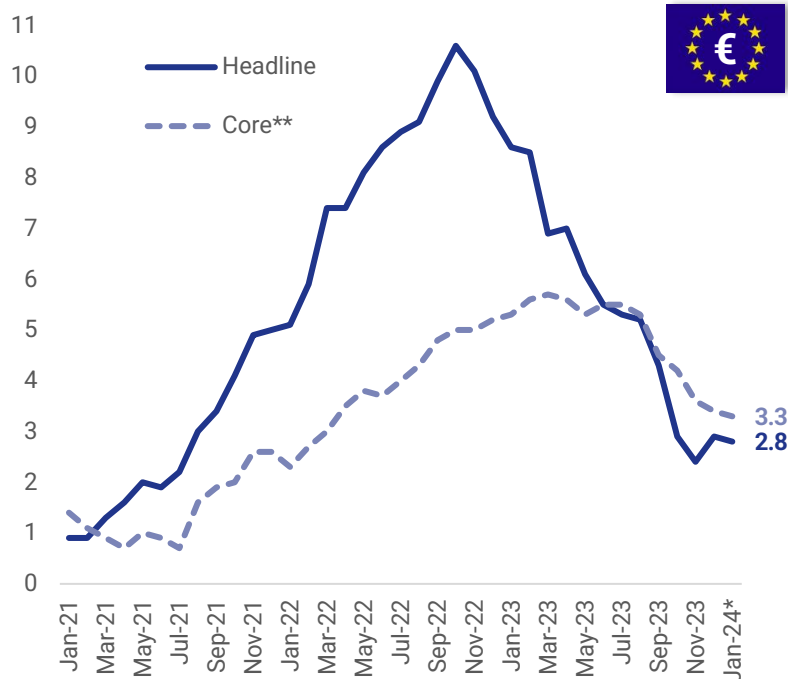
* Forecasts

Source: *Círculo de Empresarios* based on Oxford Economics, 2024.

Better-than-expected inflation performance

In Dec.23, inflation rebounded by 5 tenths to 2.9%, but is expected to fall to 2.8% in Jan.24

% y-o-y change HICP



Oxford Economics forecasts inflation below 2% by mid-2024*, encouraging ECB to lower rates

* Eurostat estimate

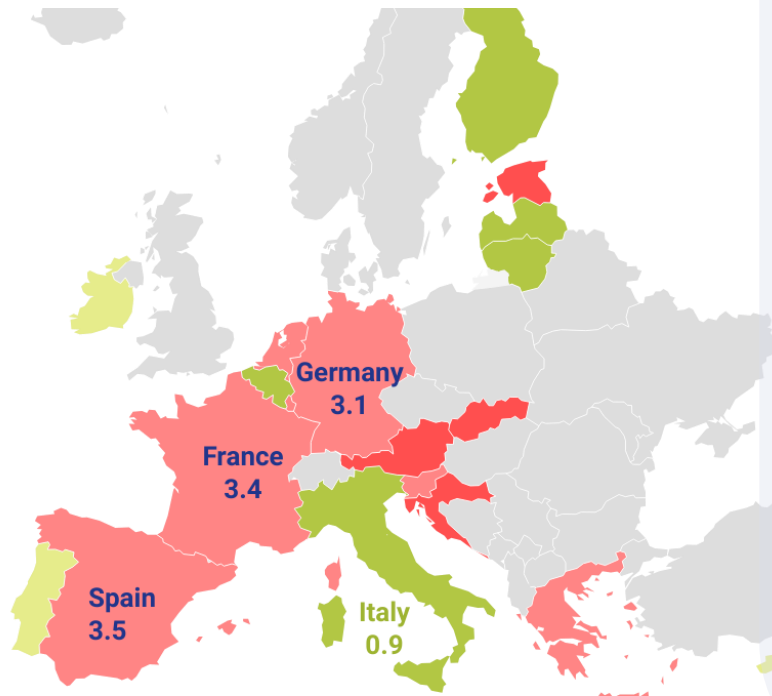
** Exc. energy, food, alcohol and tobacco (ECB definition)

Source: *Círculo de Empresarios* based on Eurostat, 2024.

Overall HICP major Eurozone economies

Estimate Jan.24; % y-o-y change

< 2 2-3 3-4 ≥ 4



By type of goods

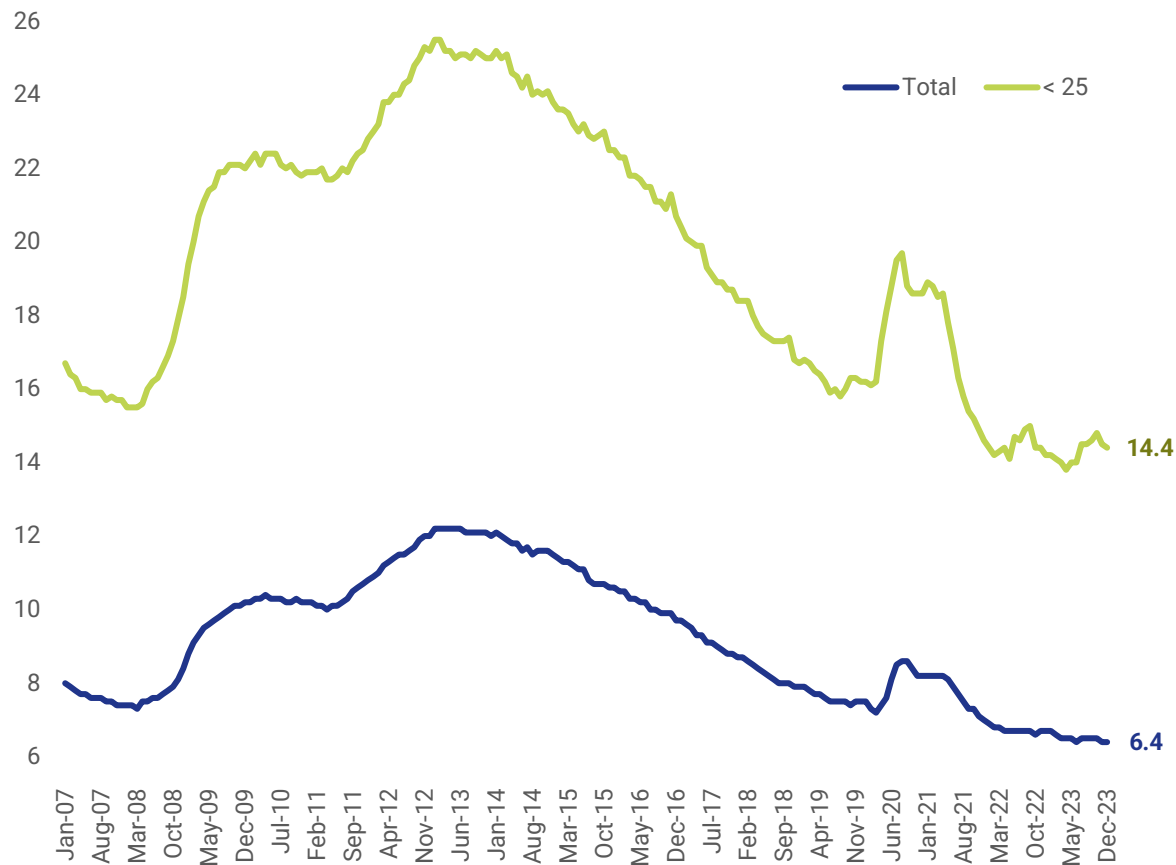
% y-o-y change

	Jan-23	Aug.23 – Dec. 23	Jan-24
HICP	8.6	5.2 → 2.9	2.8
Energy	18.9	-3.3 → -6.7	-6.3
Food, alcohol and tob.	14.1	9.7 → 6.1	5.7
Core	5.3	5.3 → 3.4	3.3
Industrial prod.	6.7	4.7 → 2.5	2.0
Services	4.4	5.5 → 4.0	4.0

Eurozone: unemployment stabilised at lows

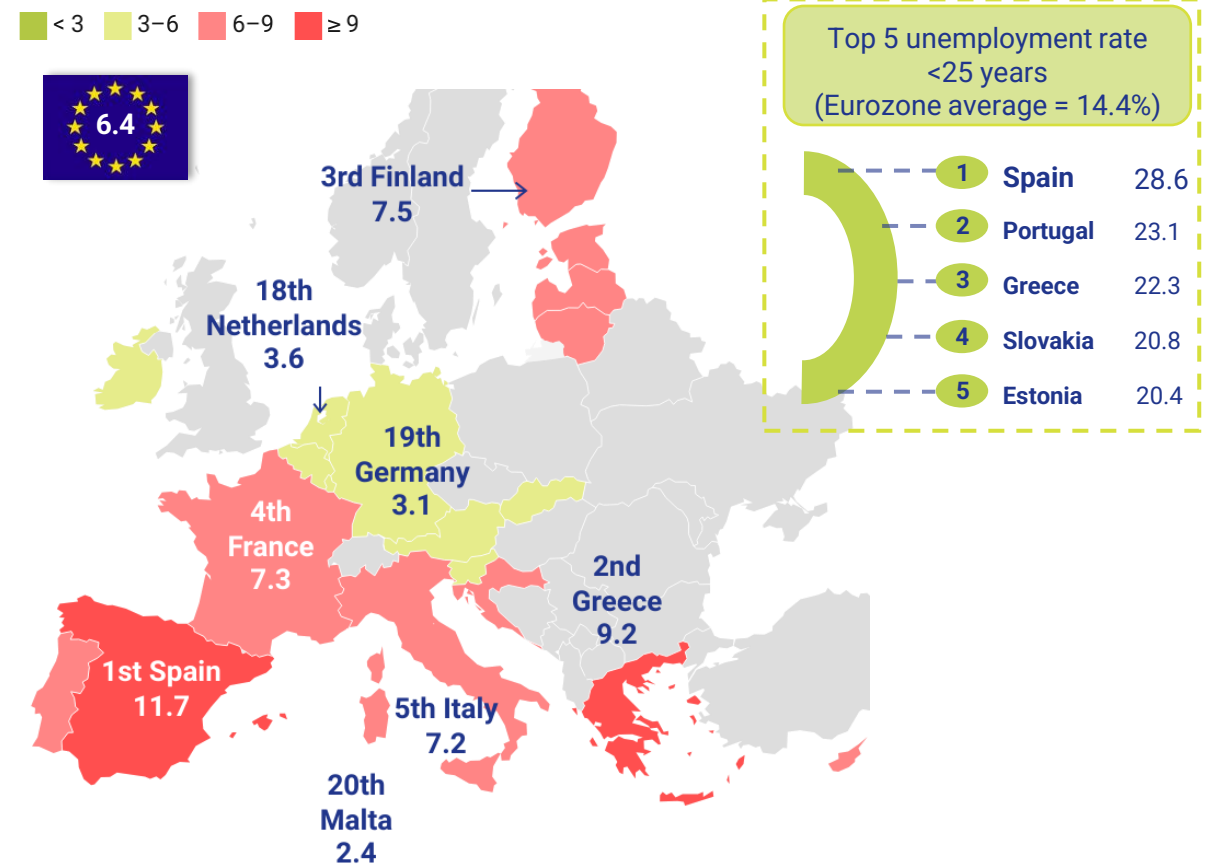
The overall unemployment rate in the Eurozone stood at 6.4% in Dec.23, with 10.9 million unemployed

Unemployment rate as % of working population in your age group



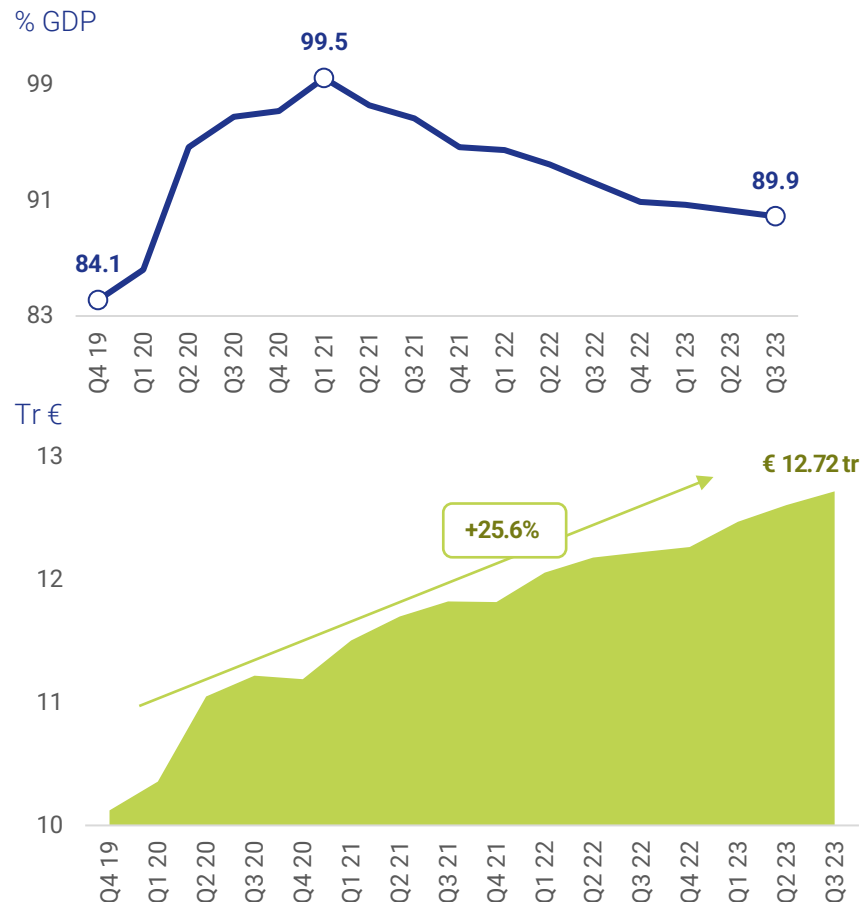
In Dec. 23, Spain continues to lead in overall unemployment (11.7%) and unemployment among the under 25s (28.6%)

Unemployment rate % labour force ranked in order of highest to lowest



Public debt at very high levels

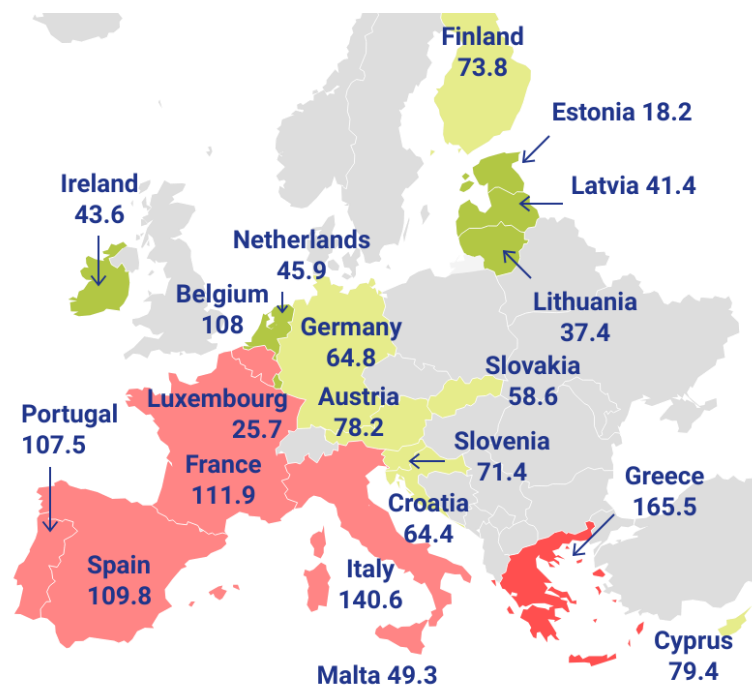
The debt-to-GDP ratio is reduced by a higher increase in GDP than in debt in absolute terms



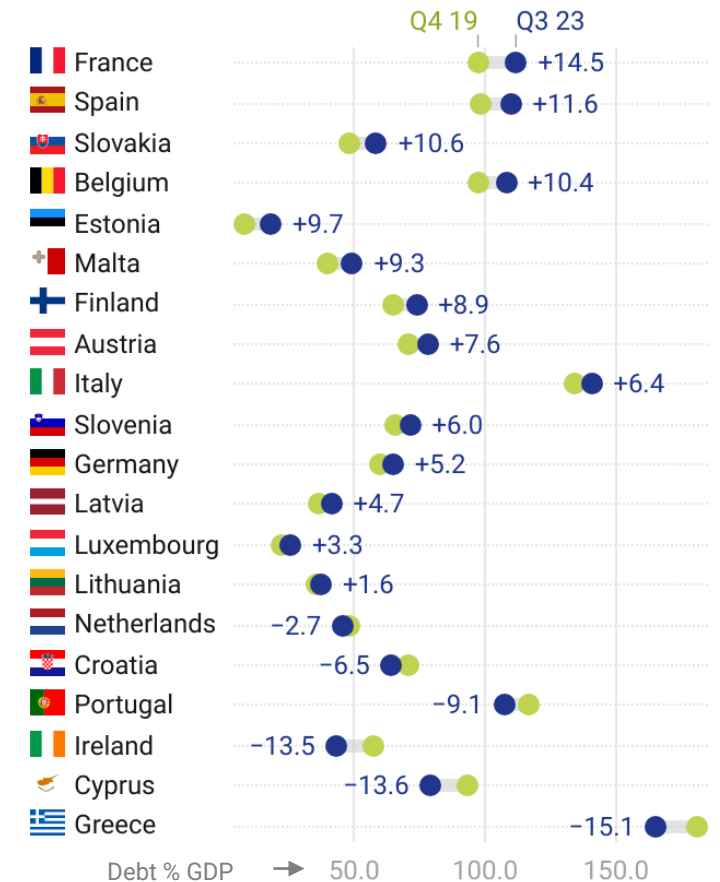
By countries Q3 23

% GDP

< 50 50-100 100-150 ≥ 150



Debt % GDP difference in pp r/ 4Q 19 (pre-pandemic)



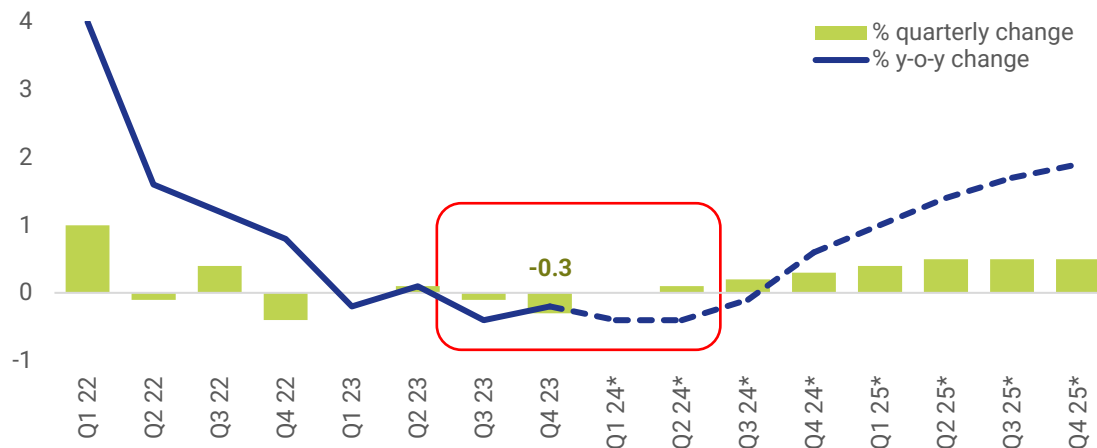
Germany: difficulties in gaining momentum after contraction

Gradual recovery of the economy as tensions on prices, interest rates or exports ease

% y-o-y change

	2021 – 2022	2023*	2024*	2025*
GDP	3.1 → 1.9	-0.2	-0.1	1.5
Private consumption	1.5 → 3.9	-0.9	1.3	3.2
Investment	-0.3 → 0.2	0.7	0.8	4.2
Government consumption	3.1 → 1.6	-2.2	-0.1	0.2
Exports	9.5 → 3.5	-1.5	0.6	2.8
Imports	8.8 → 6.8	-2.6	1.1	4.2

GDP, % change



* Forecasts

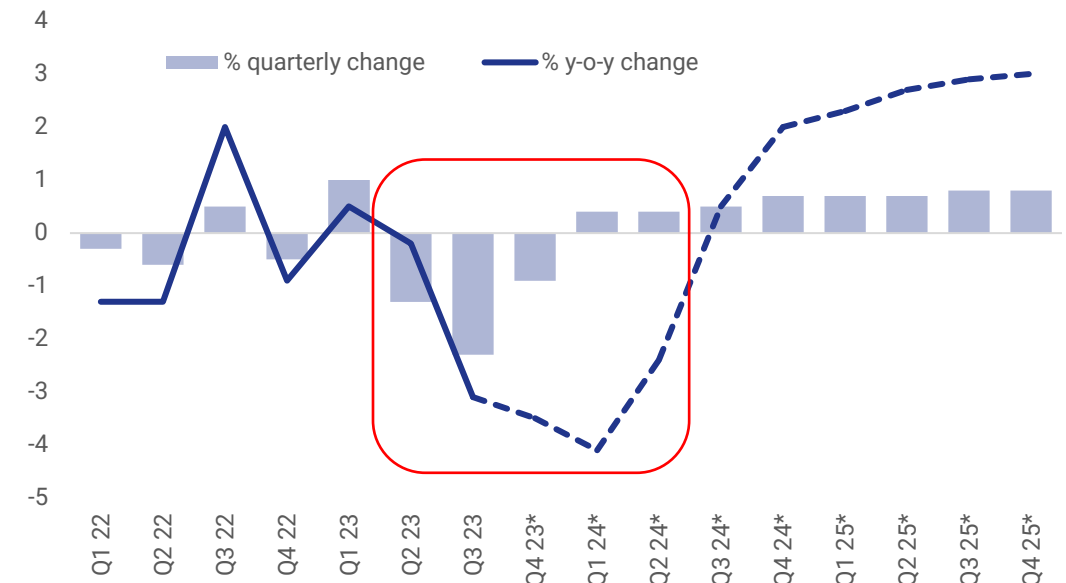
Source: *Círculo de Empresarios* based on Oxford Economics/Haver Analytics, 2024.

Weakness in 2023 due to ...

- ▼ real income per ▲ inflation → ▼ private consumption
- Normalisation of public spending after the pandemic
- The ▲ interest rate affected investment in construction
- ▼ exports due to weak global demand and structural challenges to industry's competitiveness

Bleak industrial prospects in 2024*

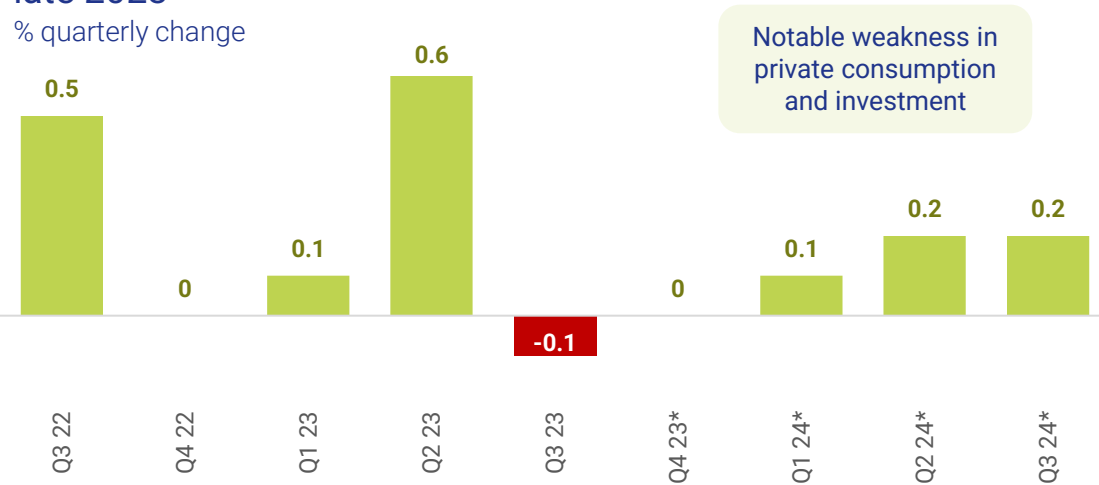
Industrial Production Index, % change



France: remains stagnant

GDP to grow by a modest 0.6% in 2024* after dodging recession in late 2023

% quarterly change



% y-o-y change

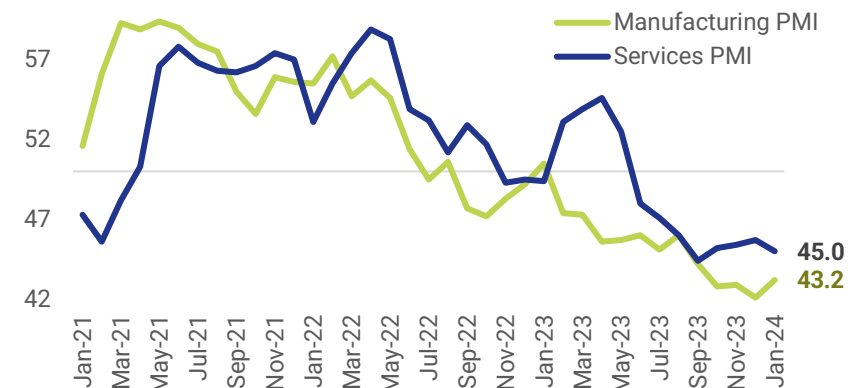
	2021 – 2022	2023*	2024*	2025*
GDP	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></d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* Forecasts

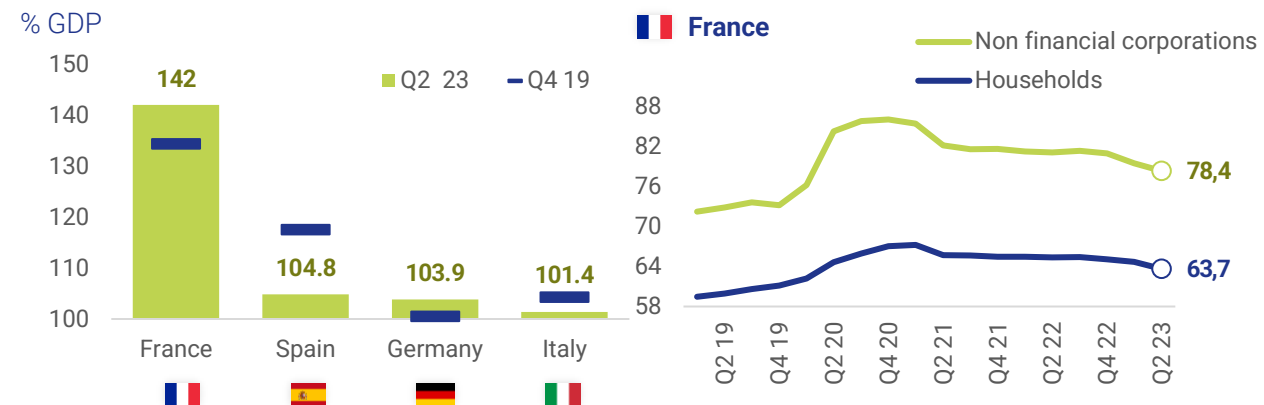
Source: *Círculo de Empresarios* based on Oxford Economics/Haver Analytics, INSEE, Markit, 2024.

Deteriorating outlook in the face of negative activity and confidence indicators

<50: activity contraction; >50: activity expansion



Non-financial sector debt levels are the highest in the Eurozone

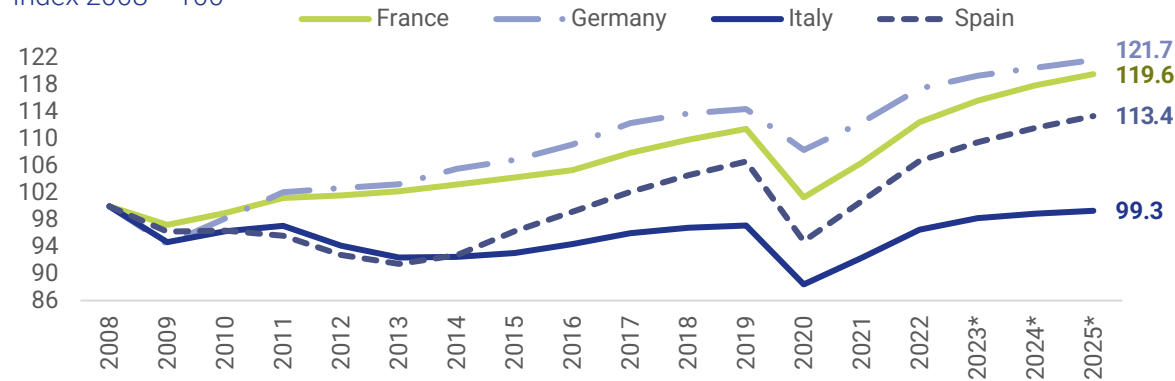


Italy: slow gradual recovery

In 2024*, growth will be supported mainly by improved real disposable income, strengthening external conditions and spending related to Next Generation EU (NGEU) funds

Italian GDP has not recovered to its 2008 pre-crisis level

Index 2008 = 100



Modest expected growth in 2024* of 0.6% year-on-year, despite investment dynamism

% y-o-y change

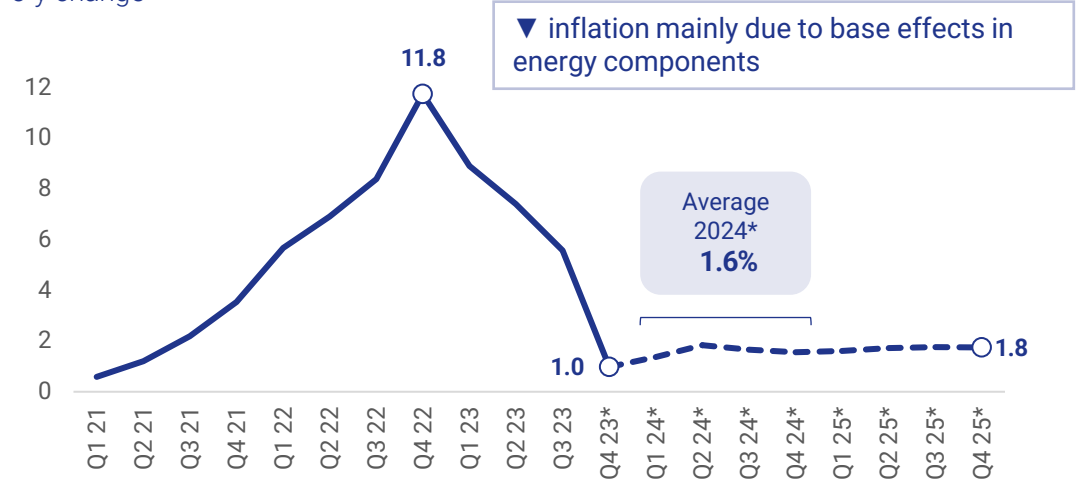
	2021 – 2022	2023*	2024*	2025*
GDP	8.3 → 3.9	0.7	0.6	1.2
Private consumption	5.3 → 5.0	1.5	0.3	0.6
Investment	20.7 → 10.1	1.4	1.4	1.3
Government consumption	1.5 → 0.7	-0.4	-0.3	0.0
Exports	14.0 → 10.7	0.1	3.0	3.8
Imports	15.2 → 13.1	0.0	3.1	3.2

* Forecasts

Source: Círculo de Empresarios based on Oxford Economics/Haver Analytics, 2024.

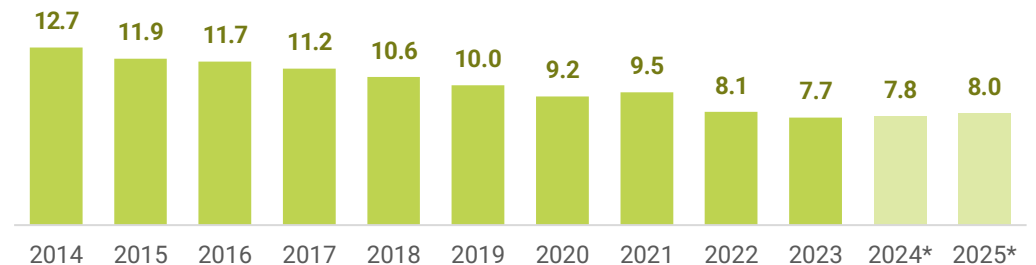
Oxford Economics expects inflation below 2% in 2024*

% y-o-y change



Unemployment rate is lowest in more than a decade

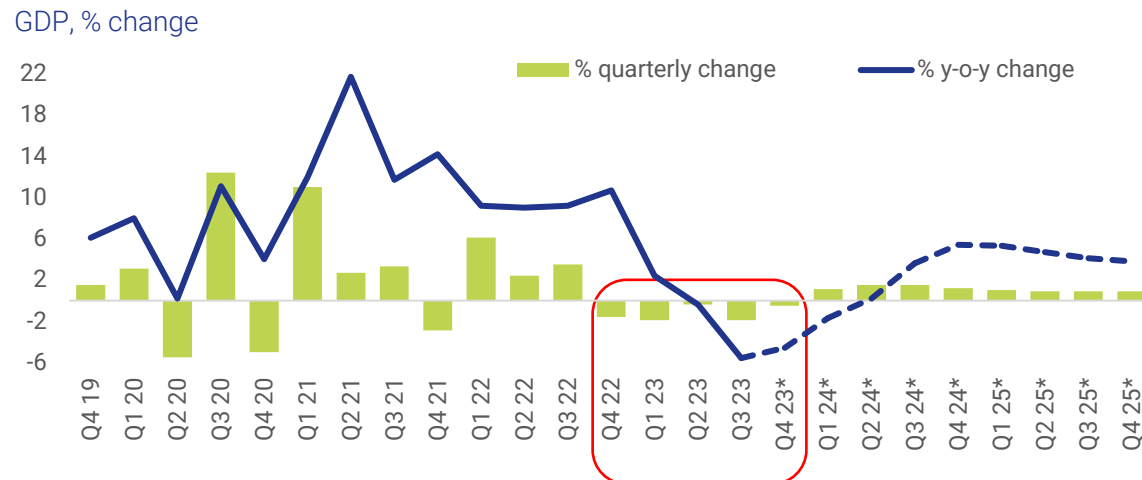
% labour force



Ireland: economic recovery after a disappointing 2023

GDP will grow above the European average, after the fall in 2023 due to investment and the external sector

% y-o-y change	2021 – 2022	2023*	2024*	2025*
GDP	14.8 → 9.5	-2.1	1.8	4.5
Private consumption	8.3 → 9.6	3.3	2.0	1.9
Investment	-39.8 → 5.4	-11.0	1.6	2.6
Government consumption	6.2 → 3.5	0.4	2.8	1.6
Exports	14.9 → 14.2	-4.3	1.4	5.1
Imports	-7.2 → 16.2	-2.8	1.6	2.9



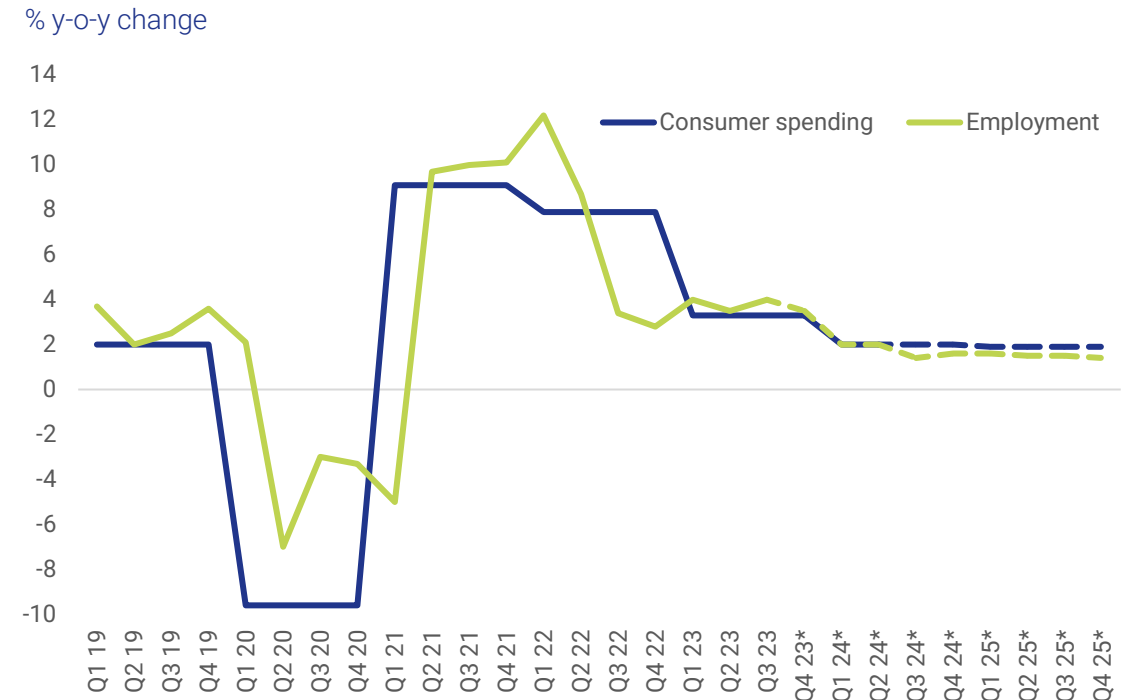
* Forecasts

Source: *Círculo de Empresarios* based on Oxford Economics/Haver Analytics, 2024.

It should be noted, however, that the evolution of GDP does not represent the underlying dynamics of the national economy because of the enormous influence of multinationals

Household consumption and employment developments better indicators for analysing the performance of domestic demand

Growth of around 2% in 2024* and slightly lower in 2025*



Portugal: positive growth expectations

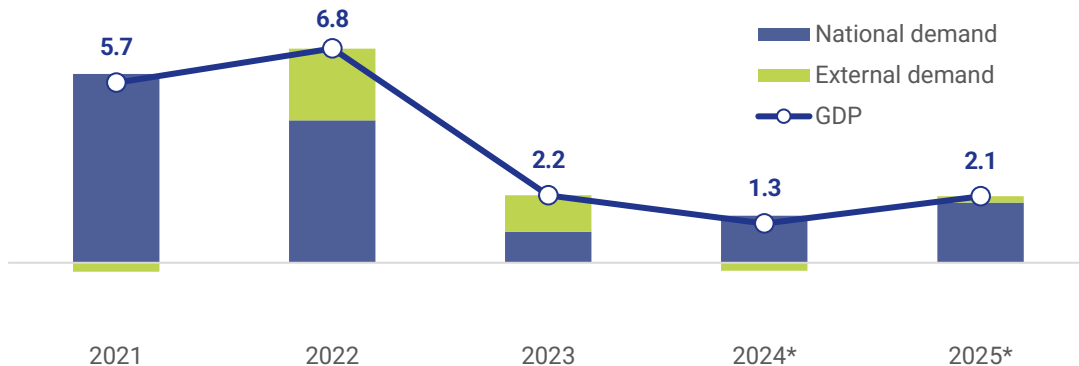
In 2024*, real disposable incomes and the implementation of the EU's Resilience and Recovery Mechanism are projected to improve to boost growth. But downside risks dominate, in line with the gloomy global outlook, the potential slowdown in the tourism sector and political instability

GDP to decelerate to 1.2% year-on-year in 2024*

% y-o-y change

	2021 – 2022	2023*	2024*	2025*
GDP	5.7 → 6.8	2.2	1.2	2.1
Private consumption	4.7 → 5.6	1.2	0.9	1.7
Investment	8.1 → 3.0	2.0	2.8	4.0
Government consumption	4.5 → 1.4	1.1	1.7	1.2
Exports	12.3 → 17.4	3.9	0.1	2.2
Imports	12.2 → 11.1	1.3	0.7	1.7

GDP % y-o-y change and contribution of components in pp

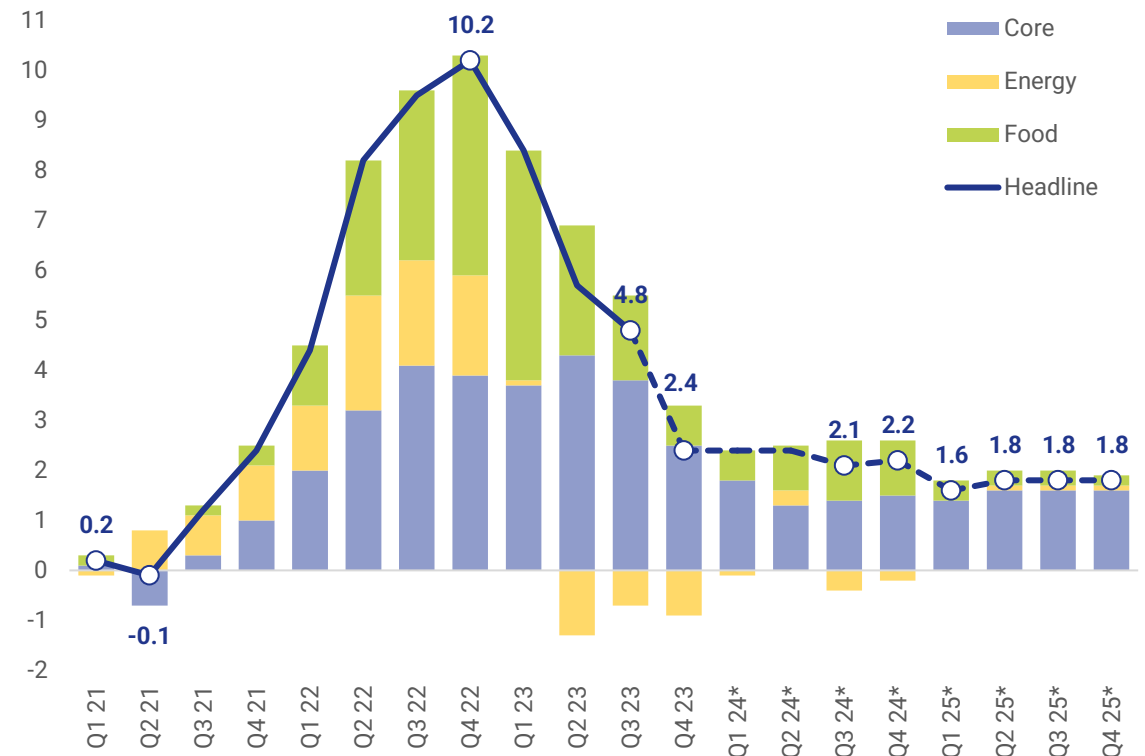


* Forecasts

Source: *Círculo de Empresarios* based on Oxford Economics/Haver Analytics, 2024.

Inflation in the vicinity of 2% by the end of 2024* in view of falling energy prices and a significant base effect on food prices

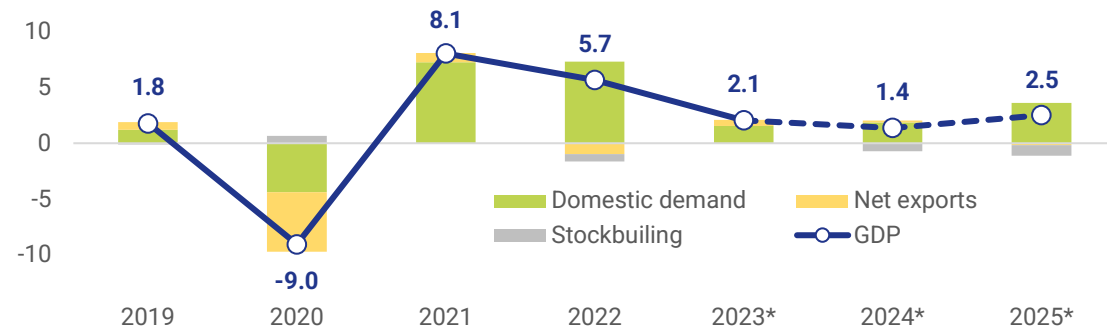
% y-o-y change and contribution of components in pp



Greece: better performance than their European peers since 2022

Lower growth expected in 2024* due to worsening global demand and tightening monetary and fiscal policies

GDP % y-o-y change and contribution of components in pp



% y-o-y change

	2020 – 2022	2023*	2024*	2025*
GDP	-9.0 → 5.7	2.1	1.4	2.5
Private consumption	-7.4 → 7.6	0.9	0.9	2.0
Investment	2.0 → 11.6	5.2	7.1	13.0
Government consumption	2.8 → 2.3	1.1	0.9	1.2
Exports	-21.5 → 6.2	2.4	3.1	4.0
Imports	-7.4 → 7.7	0.8	2.3	3.9

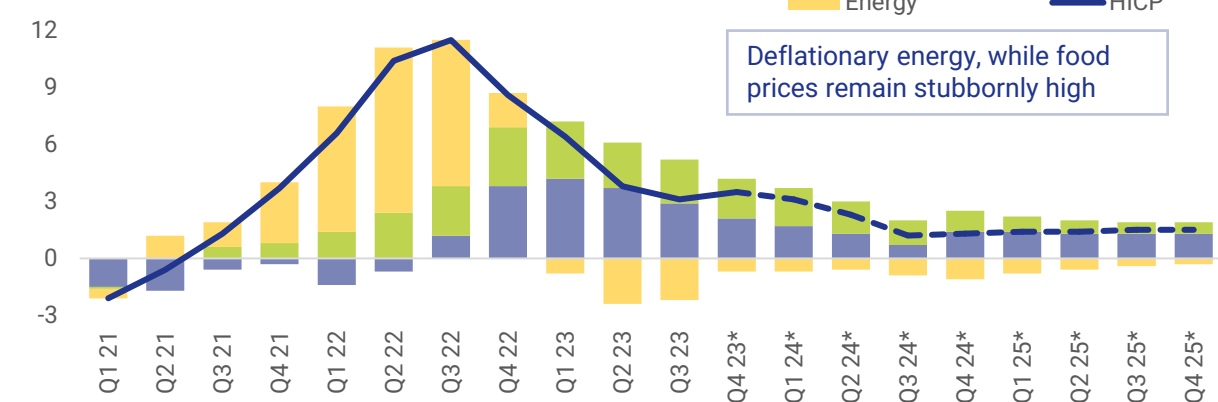
Strong ▲ NGEU-related public investments → will support growth

* Forecasts

Source: Círculo de Empresarios based on Oxford Economics/Haver Analytics, 2024.

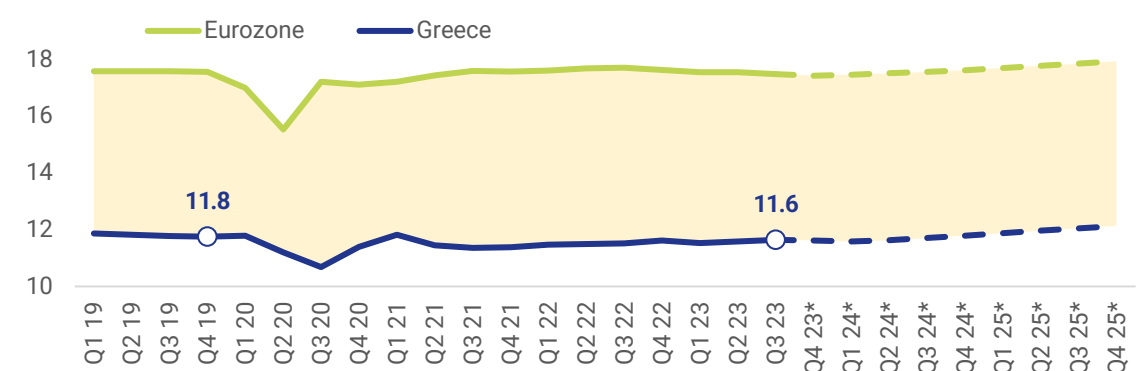
2023 closes with an average inflation of 3.5% in 2023, compared to 9.6% in 2022. It is forecast at 2.3% in 2024*

% y-o-y change and contribution of components in pp



Structural problems prevail, including low labour productivity, which has not recovered to pre-pandemic levels

Thousand €, prices 2015



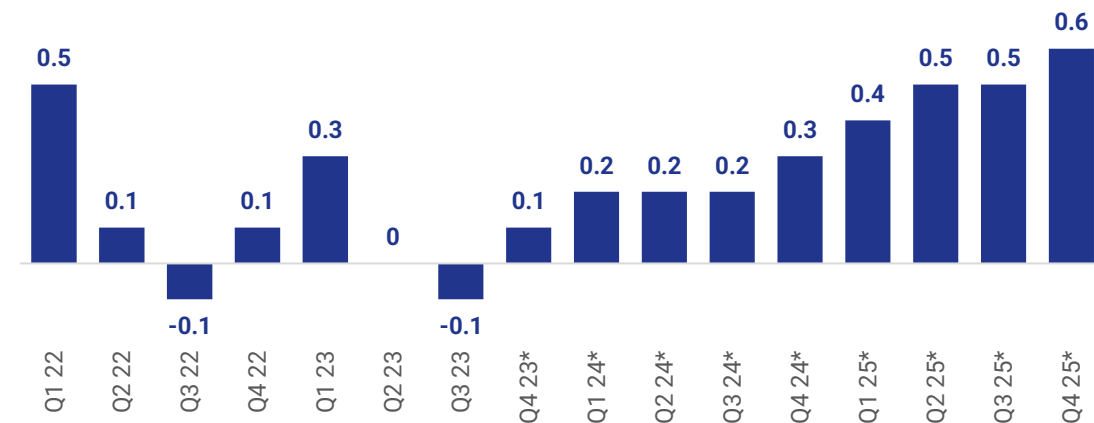
UK: growth increases moderately

Moderate GDP recovery

% y-o-y change

	2021 – 2022	2023*	2024*	2025*
GDP	8.7	0.3	0.6	1.6
Private consumption	7.5	0.6	0.9	1.8
Investment	7.4	2.3	-3.2	0.5
Government consumption	14.9	0.6	4.3	2.1
Exports	4.9	-0.3	0.1	2.8
Imports	6.1	-1.3	2.0	3.3

GDP % quarterly change

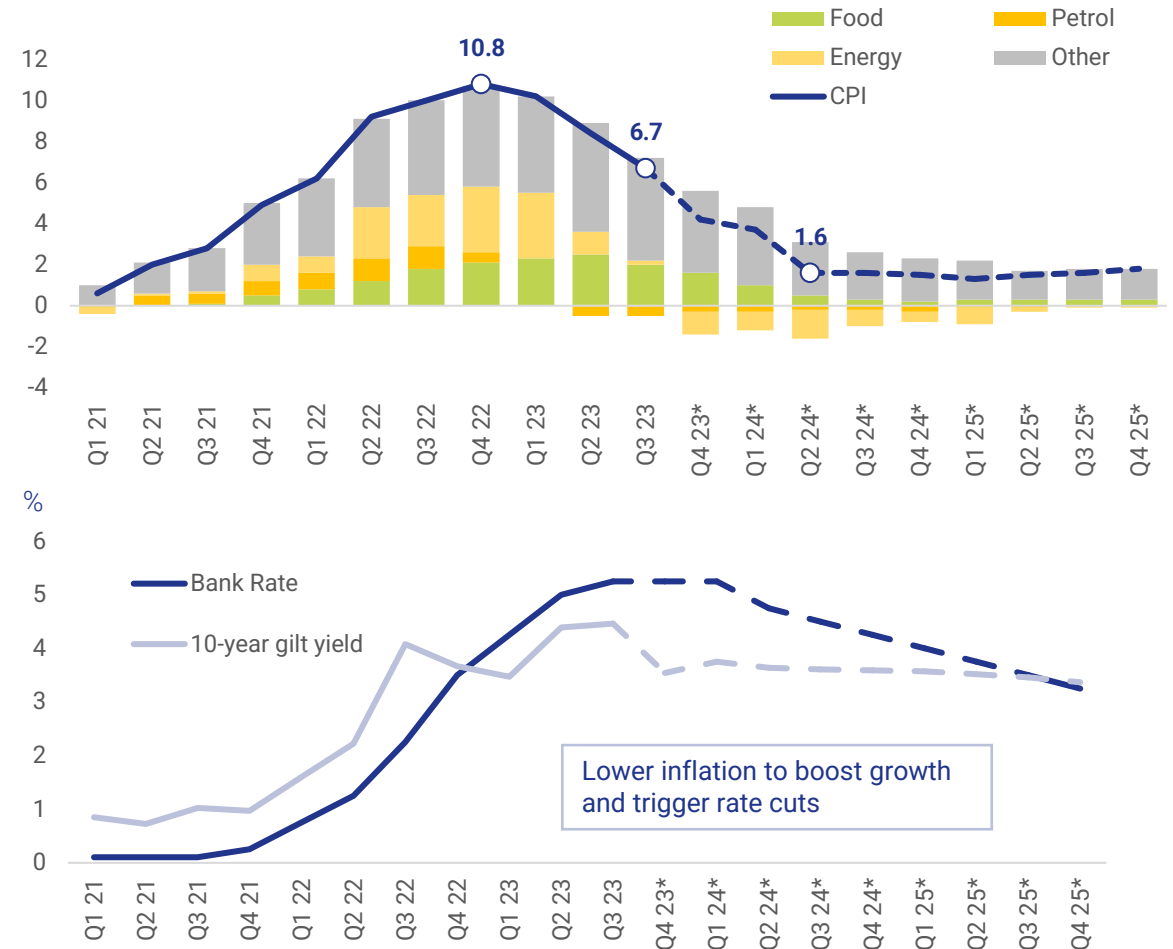


* Forecasts

Source: *Círculo de Empresarios* based on Oxford Economics/Haver Analytics, 2024.

Lower oil and gas prices will bring inflation down

% y-o-y change and contribution of components in pp



ECONOMY

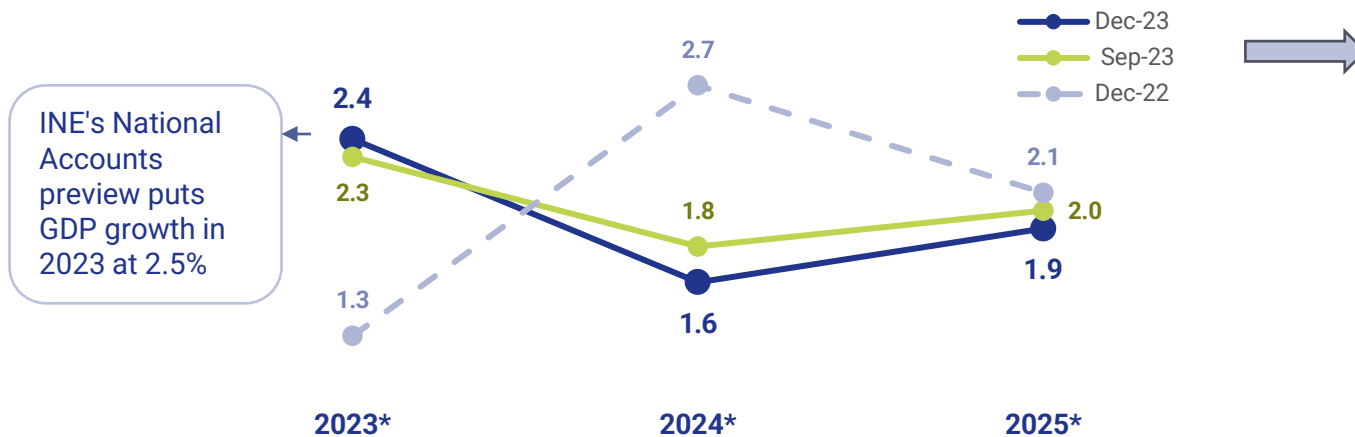
Spain



Growth forecasts

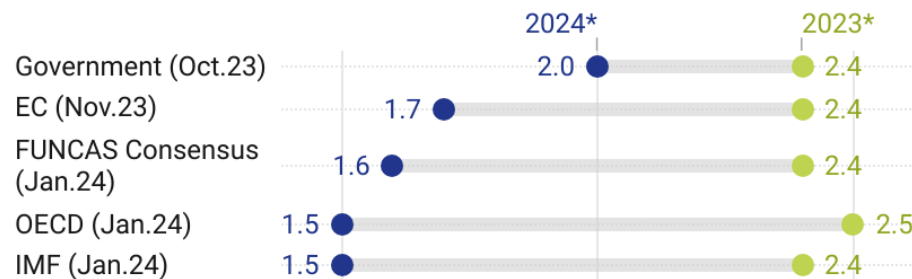
Bank of Spain expects growth to slow to 1.6% in 2024*

GDP growth forecasts Bank of Spain, Dec. 23; % y-o-y change



Forecasts from other national and international bodies

% y-o-y change



By 2025*, forecasts range from 1.9% by the BdE to 2.1% by the IMF and 2% by the OECD and the European Commission

% y-o-y change unless otherwise specified; forecasts Dec. 23

	2022	2023*	2024* – 2025*
GDP	5.8	2.4	1.6 → 1.9
Private consumption	4.7	2.2	2.3 → 1.7
Public consumption	-0.2	2.2	0.8 → 1.5
Gross fixed capital formation	2.4	1.8	2.7 → 2.7
Exports of goods and services	15.2	1.0	0.3 → 3
Imports of goods and services	7.0	-0.4	1.3 → 3

National demand (contribución to growth)	2.9	1.8	2 → 1.8
Net external demand (contribución to growth)	2.9	0.6	-0.4 → 0.1

Nominal GDP	10.2	8.2	4.2 → 4.2
GDP deflator	4.1	5.6	2.6 → 2.3

* Forecasts

Source: *Círculo de Empresarios* based on Bank of Spain, European Commission, IMF, OECD, M. Economy, Trade and Business and FUNCAS, 2024.

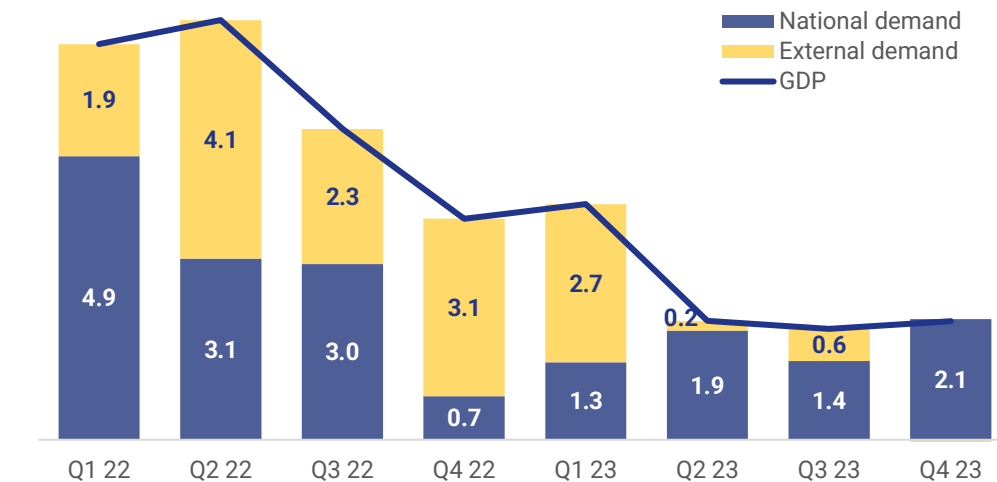
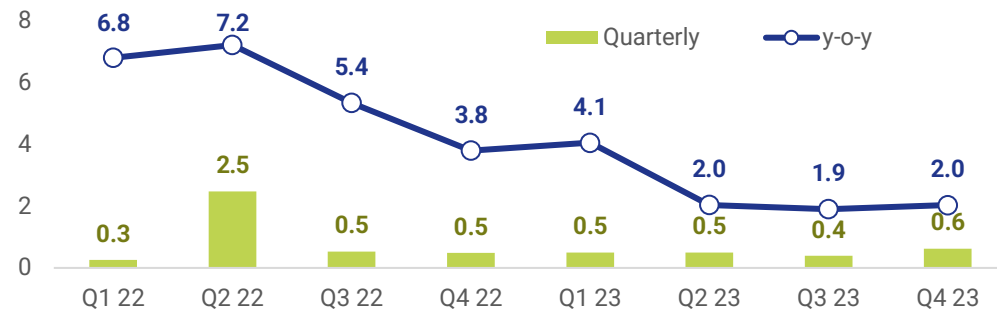
I Risks to growth in a context of uncertainty

- ✕ **Geopolitical instability** - Developments in military conflicts in Ukraine and the Middle East and tensions in the Red Sea, and their impact on global supply chains and commodity prices
- ✕ **Economic weakness** of major **trading partners**
- ✕ Persistently **high government deficits and debt levels**, and the impact of fiscal consolidation measures needed to comply with the new European fiscal rules
- ✕ **Lack of transparency and delays** in the implementation of **European NGEU funds**
- ✕ **Impact on capital markets** of **election results** (European Commission, UK, US...)
- ✕ Uncertainty about the **final impact of monetary policy tightening** and its **implications for investment and consumption** decisions
- ✕ Doubts about the **withdrawal or extension of government inflation mitigation measures** in 2022/23
- ✕ **Risk of a further pick-up in inflation**. Deterioration of competitiveness due to ▲ prices and possible 2nd round effects via wages or corporate margins
- ✕ **Unit labour costs above the Eurozone average** since the start of the pandemic. Negative impact on firms' price competitiveness
- ✕ **The uncertainty about economic policy** is holding back firms' **investment and hiring decisions** - ▲ costs and rigidities for firms in the face of new regulatory initiatives such as ▲ minimum wage and social security contributions and possible measures to reform severance pay and reduce working hours to 37.5 hours a week
- ✕ Growing mismatch between the labour supply and the needs of a market that is increasingly changing and demanding new profiles linked to the ecological and digital transformations
- ✕ Impact of the **lack of legal certainty**

2023 ends with GDP growth of 2.5% year on year

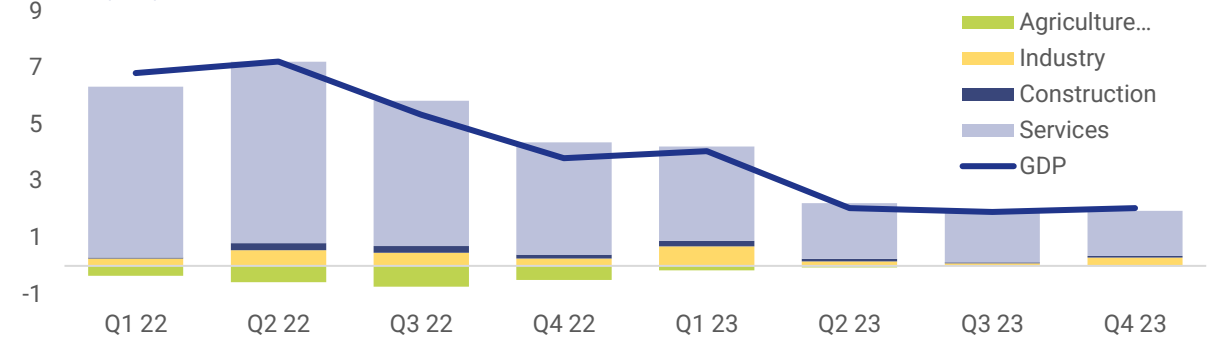
In Q4 23 GDP grew by 0.6% quarter-on-quarter and 2% year-on-year, supported by domestic demand, in particular public consumption

% change



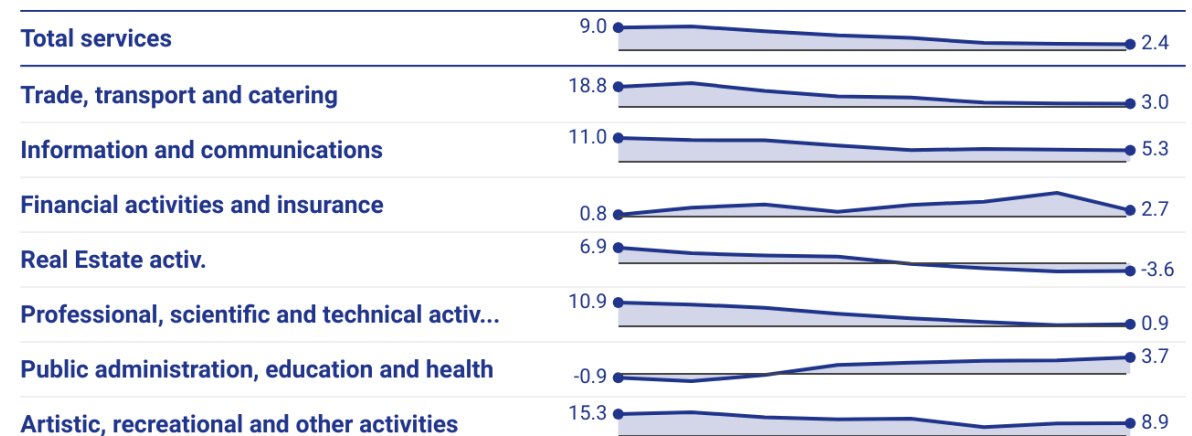
On the supply side, services contributed to almost 80% of the growth in Q4 23

GDP % y-o-y change and contribution of components in pp



% y-o-y change

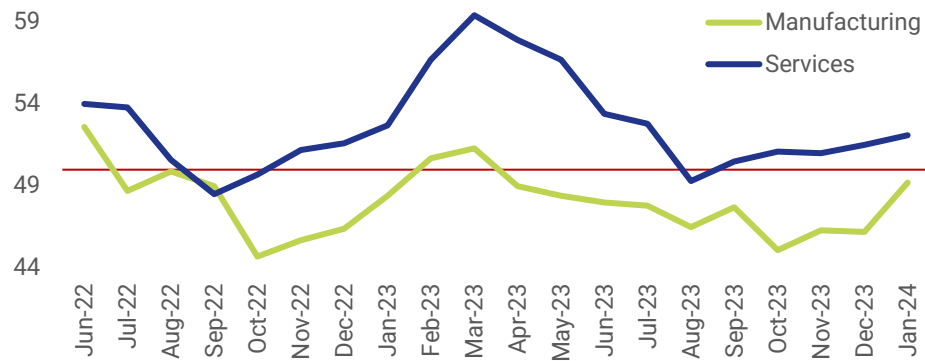
Q1 22- Q4 23



Stagnant economic activity

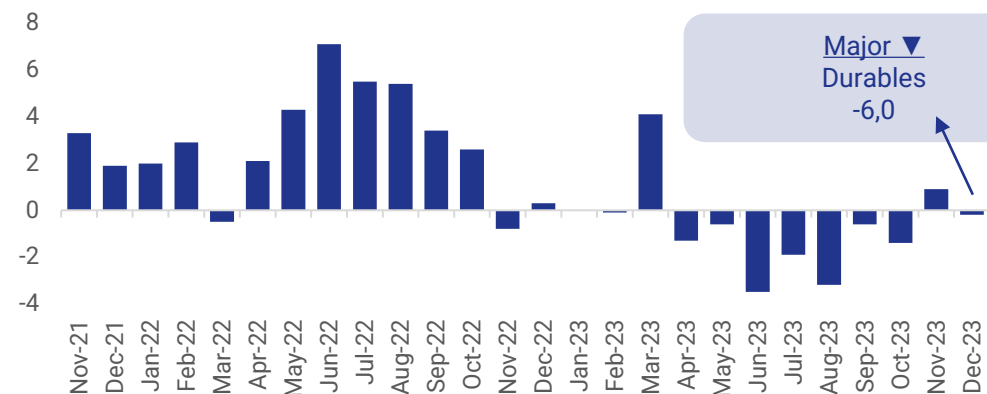
Jan. 24 manufacturing PMI stays below 50 but reverses downward trend

<50: activity contraction; >50: activity expansion



Industrial production remains weak

% y-o-y change IPI



Stabilisation in turnover in industry and services

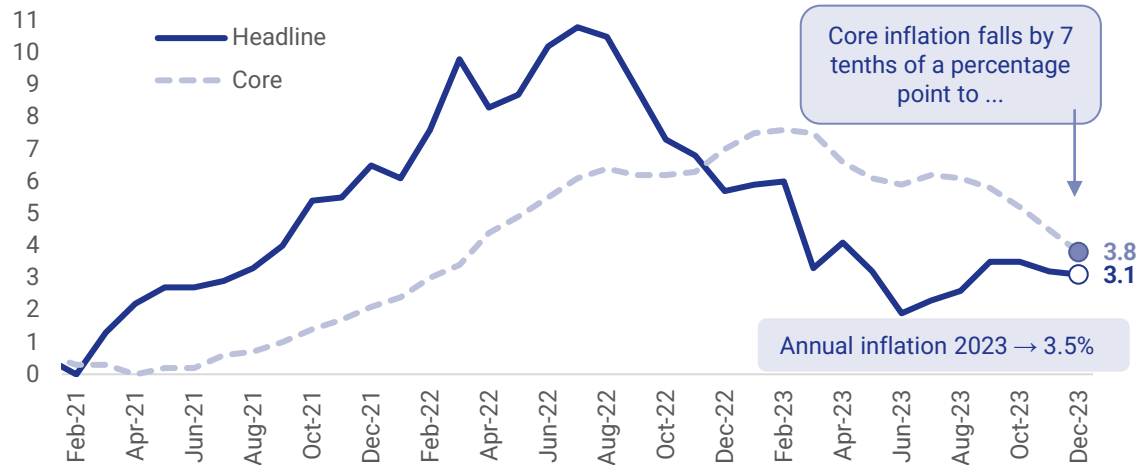
% y-o-y change



Falling inflation

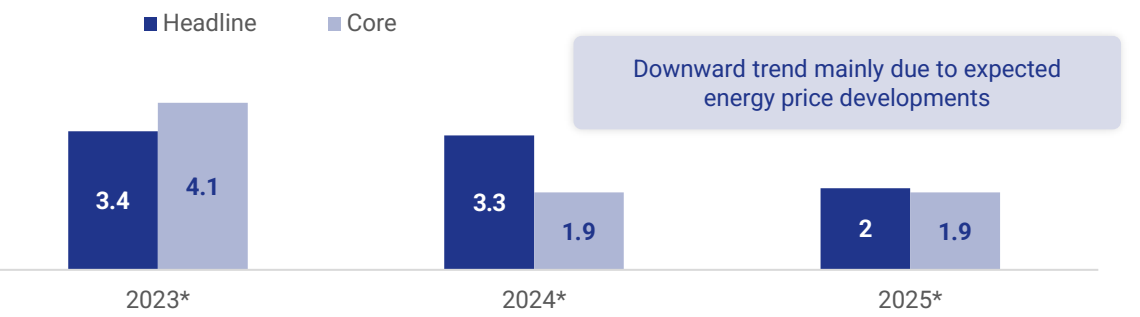
Downward trend in inflation

% y-o-y change



Harmonised CPI projections (Bank of Spain)

% y-o-y change

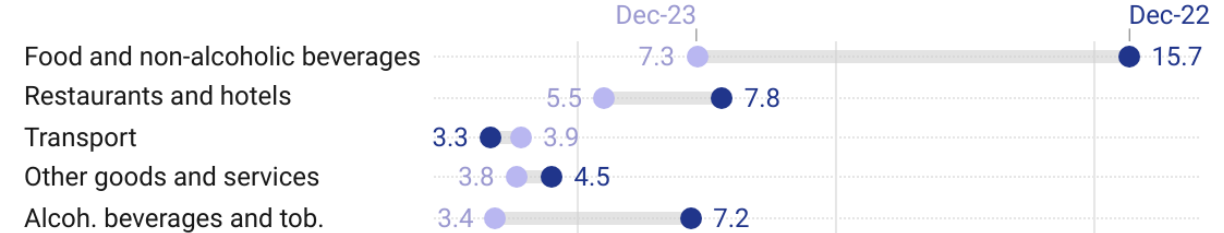


* Forecasts

Source: *Círculo de Empresarios* based on INE and Bank of Spain, 2024.

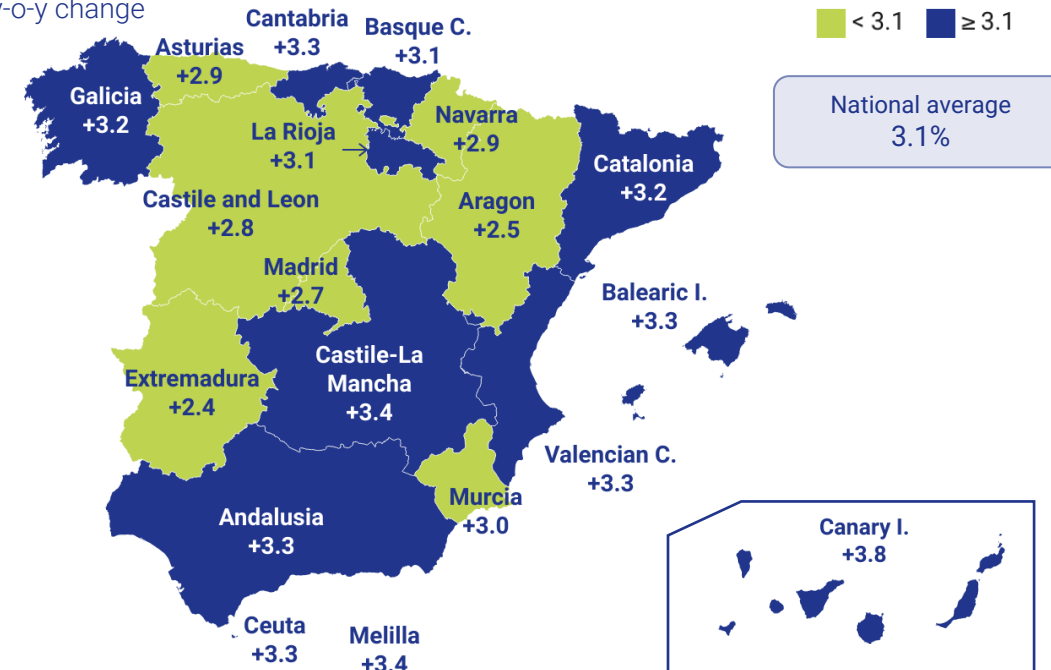
Food prices down, but still high

CPI Dec 23; Top 5 largest increases by type of goods; % y-o-y change



By regions, Dec. 23

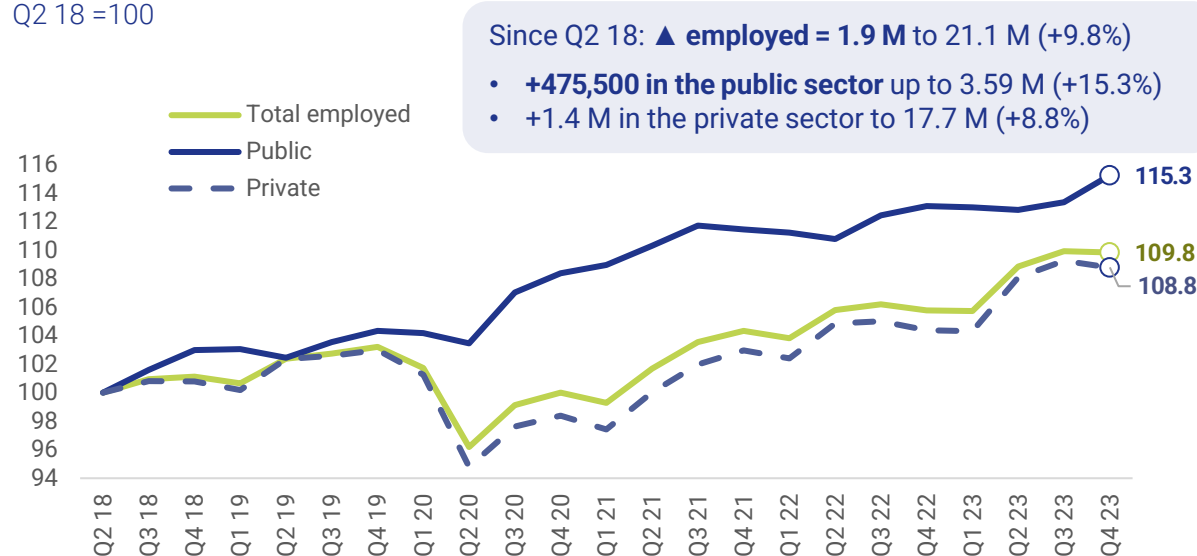
% y-o-y change



More public employment and loss of productivity

Since Q2 18, public employment increased by 15.3%, 6.5 pp more than the increase in the private sector

Q2 18 = 100



Q4 23

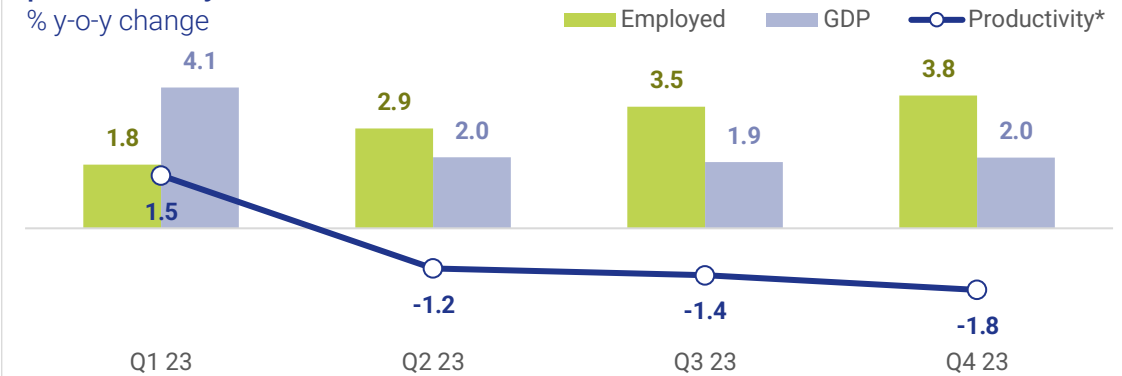
- ▲ **Non salaried** = +3.9% y-o-y
- ▲ **Salaried** = +3.8% y-o-y
- Temporary → +5.4%
- Permanent → +5.6%
- Permanent-discontinuous → +9.6%

Q4 23

- ▲ **employed by sectors** (% y-o-y change)
- Agriculture and livestock → +2.3%
- Industry → +1.0%
- Construction → +8.3%
- Services → +4.0%

Employment growth higher than GDP growth leads to productivity losses

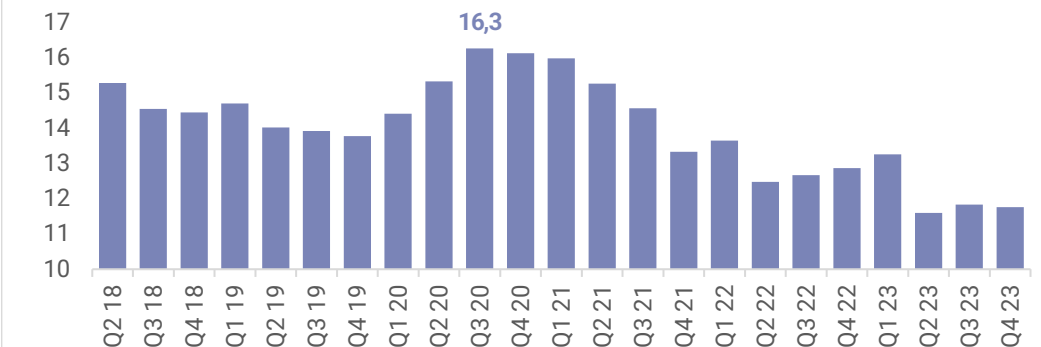
% y-o-y change



* Productivity per full-time equivalent job

The unemployment rate stood at 11.8% in Q4 23, but does not include inactive permanent discontinuous workers

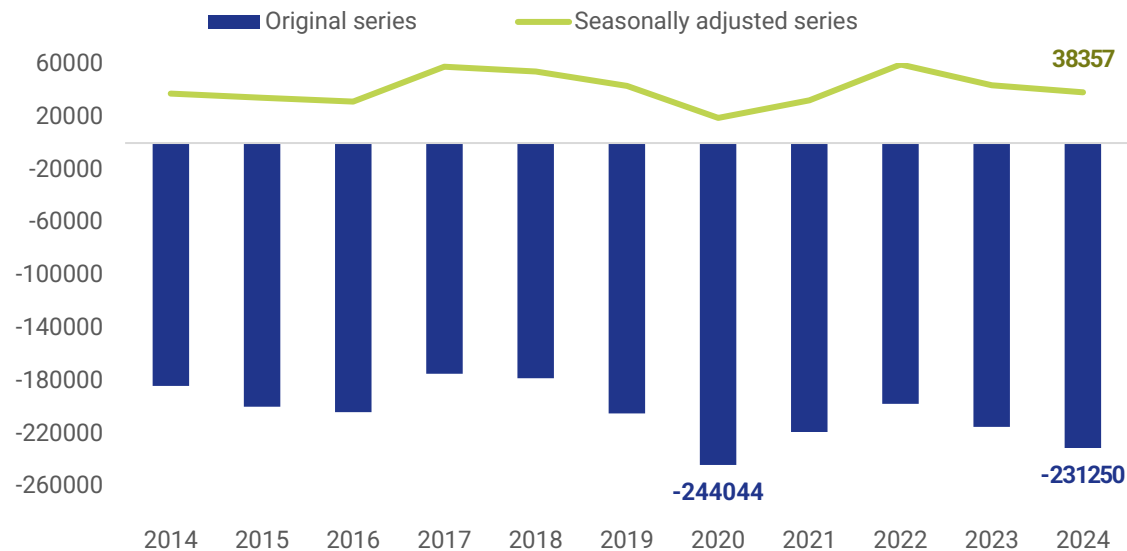
% labour force



| Loss of dynamism in job creation

In Jan. 24, average Soc. Sec. enrolment lost 231,250 persons r/Dec. 23 in the original series (+38,357 in the seasonally adjusted series)

Absolute monthly change in average Social Security enrolment in January



Total average number of
members Jan.24

20,604,761

Original series

20,881,293

Seasonally adjusted series

Absolute year-on-year change

+523,537

average affiliates

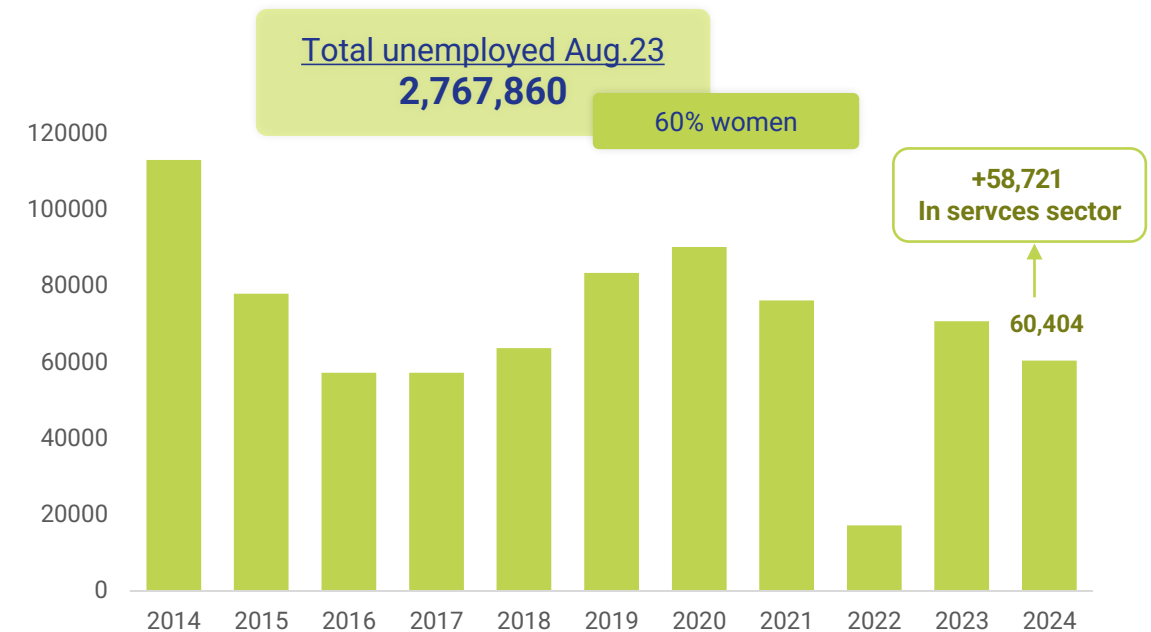
r/Jan.23

+544,524

Seasonally adjusted series

In Jan. 24, the no. of registered unemployed increased by 60,404 persons compared to Dec. 23 despite not including inactive permanent unemployed*

Absolute monthly change in number of unemployed January. Original series



* In SEPE statistics, in the category "job seekers not unemployed with an employment relationship", permanent discontinuous workers are included together with workers with ERE, subsidised temporary agricultural workers, Social Security affiliates in the general regime or self-employed, and benefit recipients assigned to social collaboration work. **In Jan. 24 there were 778,346 people, 490,573 more than in Mar. 22**, the date on which the new regulation of discontinuous permanent contracts came into force

Persistent imbalances in public accounts

The consolidated public deficit* of Central Govt, Autonomous Regions and Social Security, in National Accounts terms, up to November is reduced from 2.14% in 2022 to 1.89% in 2023

Up to Nov.23; million € and %

For **2023** as a whole, the **Bank of Spain** forecasts a deficit for total general government of 3.8% (inc. Local Corporations)

	2022	2023	% y-o-y change	% GDP
Central Adm.	-27183	-27671	1.8	-1.89
AACC	-7813	-4668	-40.3	-0.32
Soc. Sec.	6129	4708	-23.2	0.32
Total	-28867	-27631	-4.3	-1.89

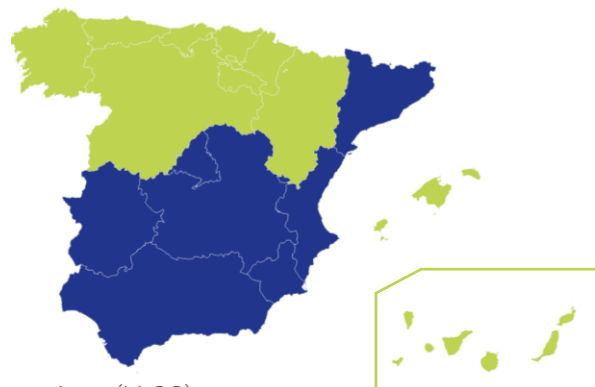
Regions balance



Regions with superavit



Regions with deficit

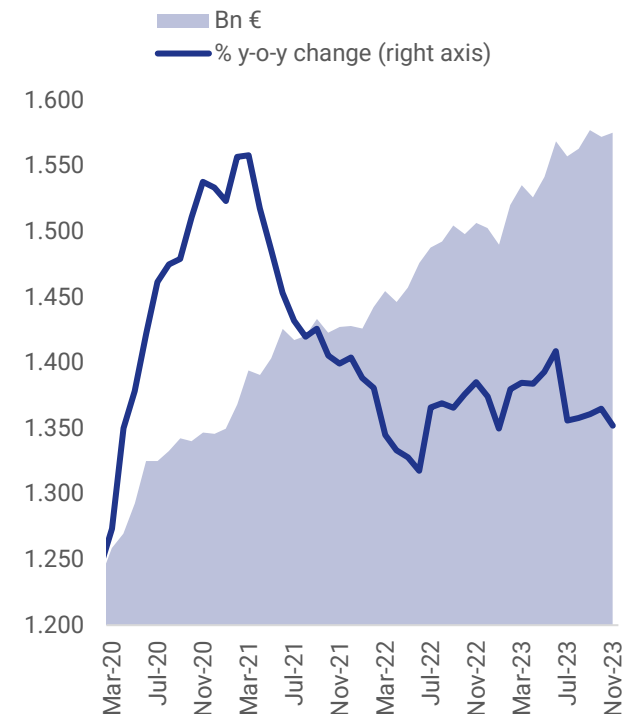


*Does not include the balance of Local Corporations (LLCC)

Source: *Círculo de Empresarios* based on IGAE and Bank of Spain, 2024.

Continued increase in public debt. Social Security debt doubled since January 2020 (from €50 bn to €116.2 bn)

Debt PPAA Nov. 23 → € 1,575 bn (+4.6% y-o-y)



By level of Administration

	bn €	% y-o-y change
PPAA	1575.5	4.6
State	1414.1	6.2
AAOO	40.8	-12.3
AACC	324.5	2.4
LLCC	22.9	-0.3
Soc. Sec.	116.2	9.4

**AAOO: Autonomous Organisations; LLCC: Local Corporations

Slowdown in foreign trade

In Jan-Nov. 23 the trade deficit decreased by 41.6% vs. Jan-Nov. 22

Jan.-Nov. 23

Exports

€ 354,7407 M

-0.7% y-o-y

Balance

€ -37,158.3 M

Imports

€ 391,899.0 M

-6.8% y-o-y

Energy

€ -30,746.2 M

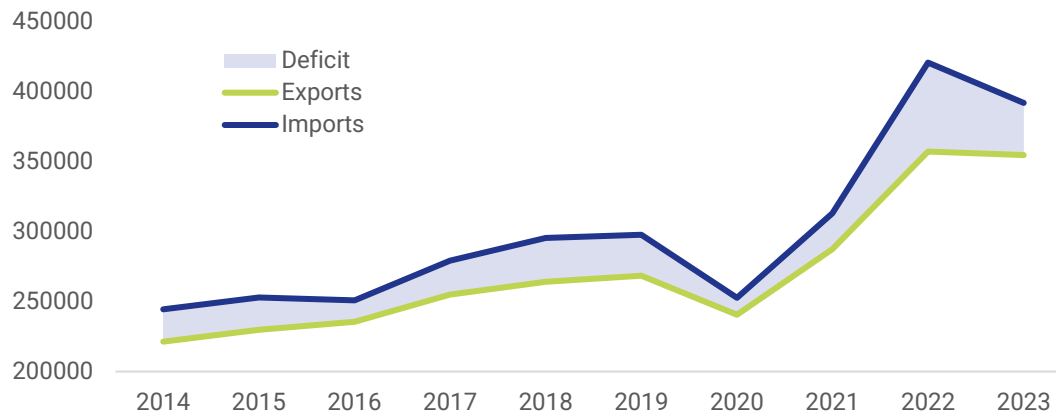
-36.2%
y-o-y

Non Energy

€ -6,412.0 M

-58.3%
y-o-y

Million €; Jan.-Nov. of each year

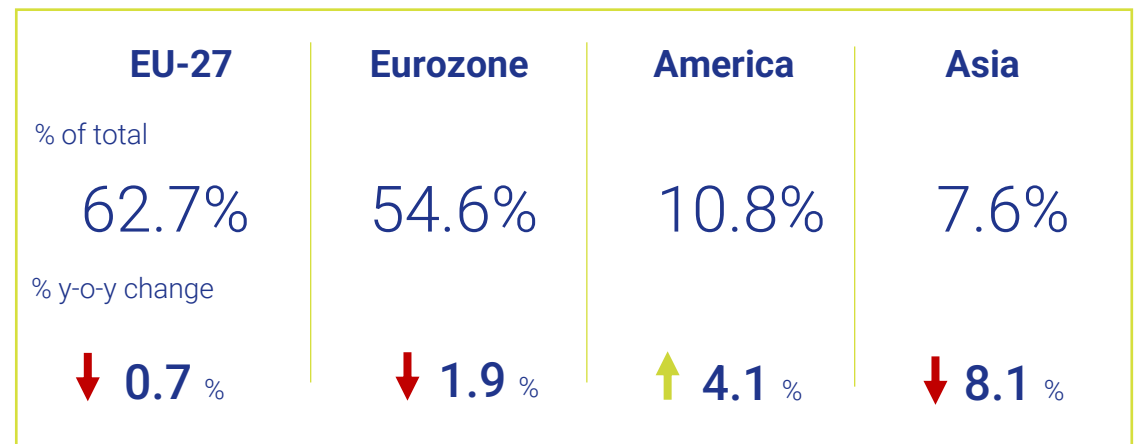


Top 3 exports by sector

Weight in % of total and % y-o-y change



Exports by destination



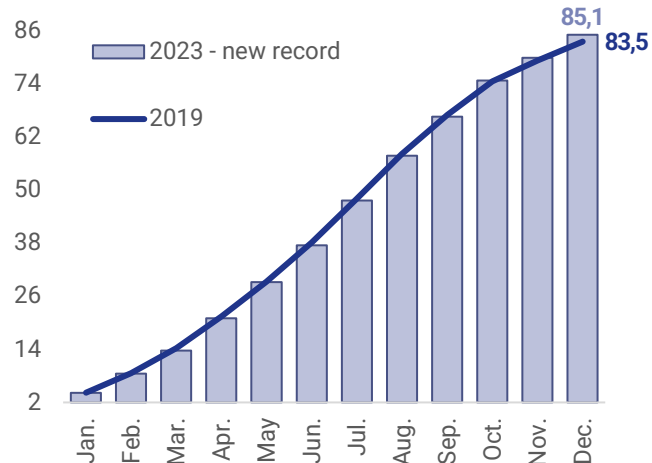
Tourism exceeds pre-pandemic levels

International tourist arrivals

Dec. 23 **5,207,339** +26.2% y-o-y

Jan. - Dec. 23 **85,056,528** tourists +18.7% y-o-y
+1.9% r / Jan.-Dec. 19

Millions of cumulative tourists



By country of origin of tourists
% of cumulative total Dec. 23

Top 10 - 2023	% of total
UK	20,4
France	13,9
Germany	12,7
Nordic Countries	5,7
Italy	5,7
Netherlands	4,8
US	4,6
Portugal	3,3
Belgium	3,2
Ireland	2,9

By means of access, 81.7% of international tourists enter Spain via airports. 15.8% by road, 2.1% by ports and the remaining 0.4% by rail

2/3 of international tourists stay in hotels

Catalonia is the Autonomous Community that receives the most tourists, **21.2% of the total**, followed by the **Balearic Islands** (16.9%) and the **Canary Islands** (16.4%)

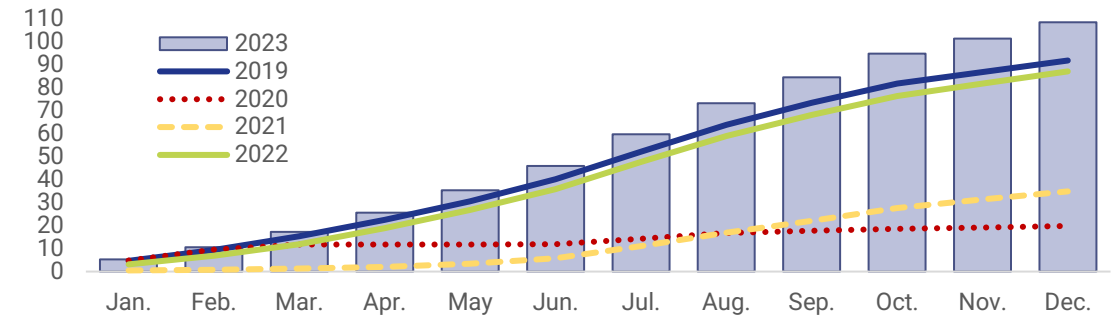
Source: Círculo de Empresarios based on INE, 2024.

Tourism expenditure

Dec. 23 **€ 7,093.2 M** +35.4% y-o-y

Jan. - Dec. 23 **€ 108,662.5 M** +24.7% y-o-y
+18,2% r / Jan.-Dec. 19

Bn €



1,278 € per tourist +5.1% y-o-y

175 € per tourist and day +8.0% y-o-y

Distribution by item of expenditure
% of total cumulative expenditure
Dec. 23



Activities	% of total expenditure	Million €
International transport	20.8	22,650
Accommodation	20.3	22,052
Handling	17.3	18,818
Other	15.9	17,312
	8.9	9,715

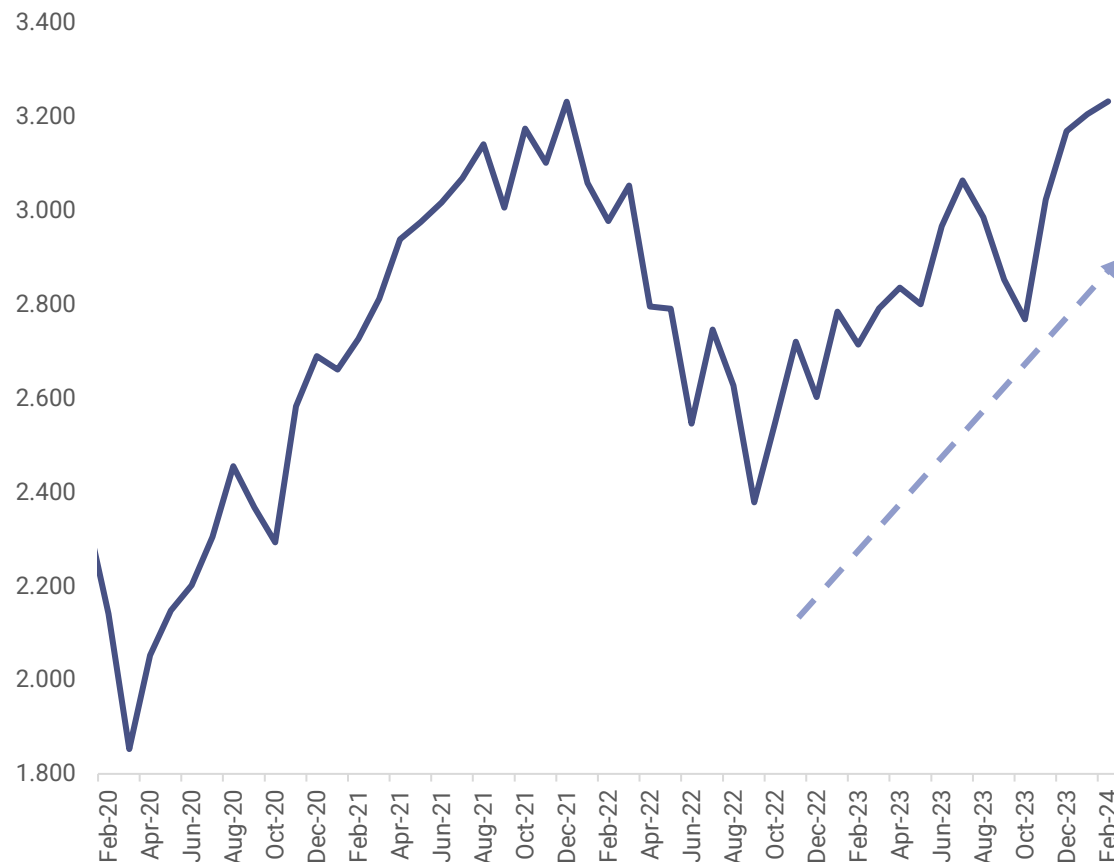


MARKETS

| Stock markets: volatility persists

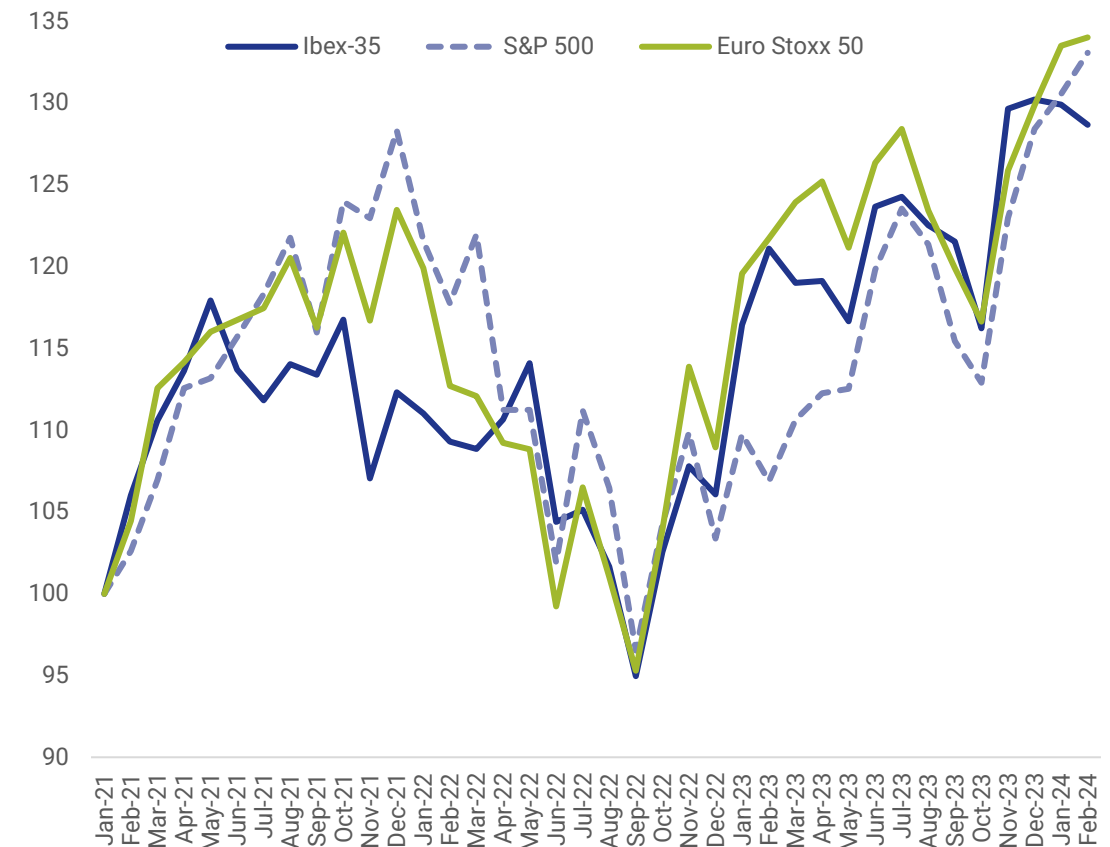
Recovery of the World Stock Index (MSCI World)

Price US\$



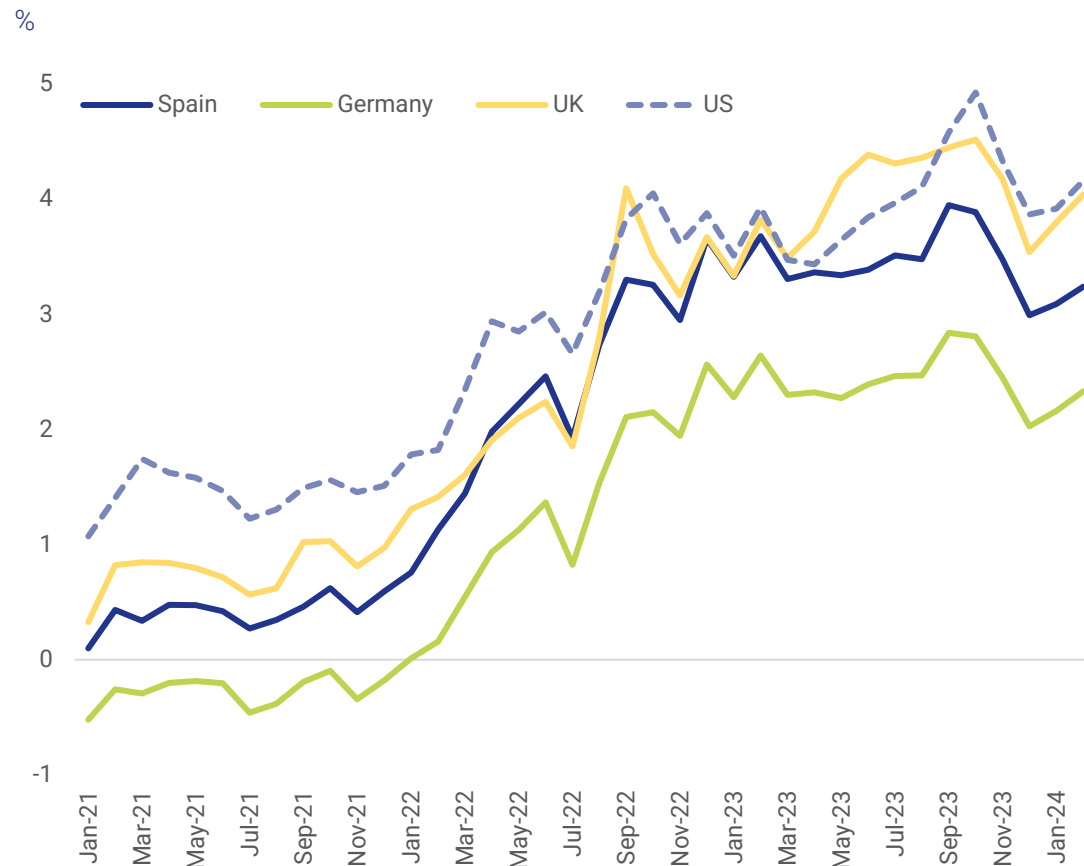
Stock market gains in advanced economy markets

January 2021 = 100



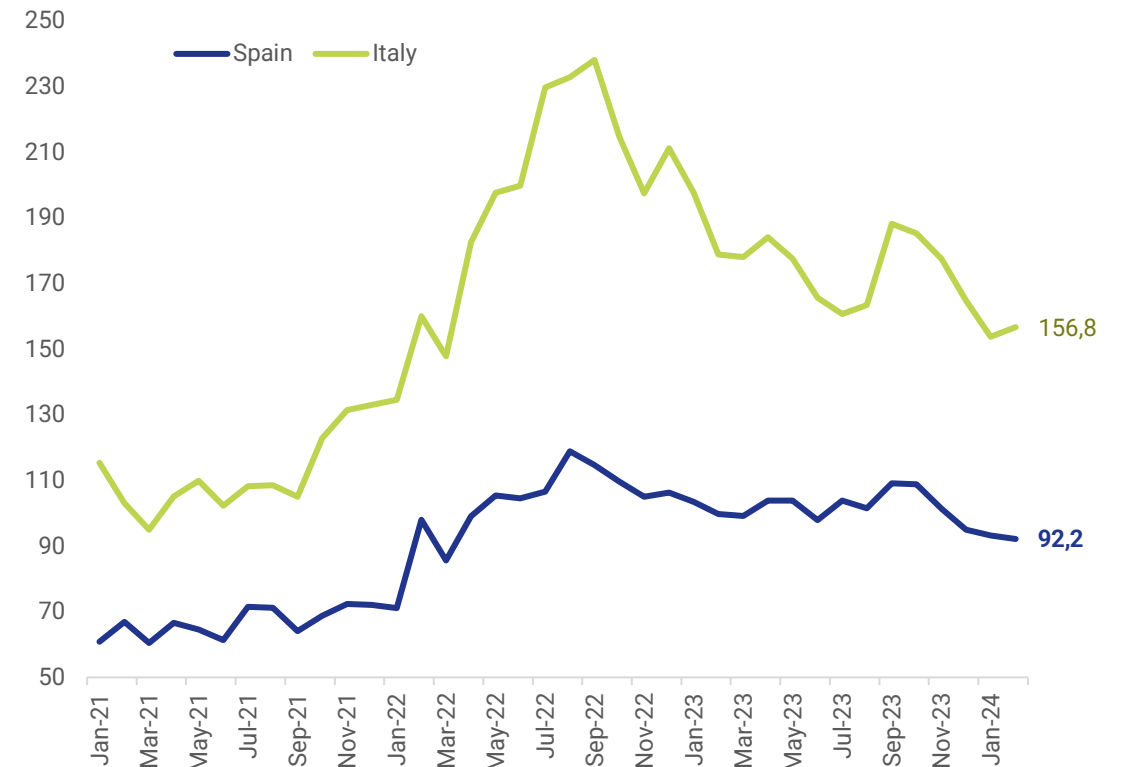
| Fixed income: yield increases

Widespread increases in 10-year bond yields, resulting in a rising cost of capital



Spain's risk premium is stable at around 90 points, 64.6 points below the Italian risk premium

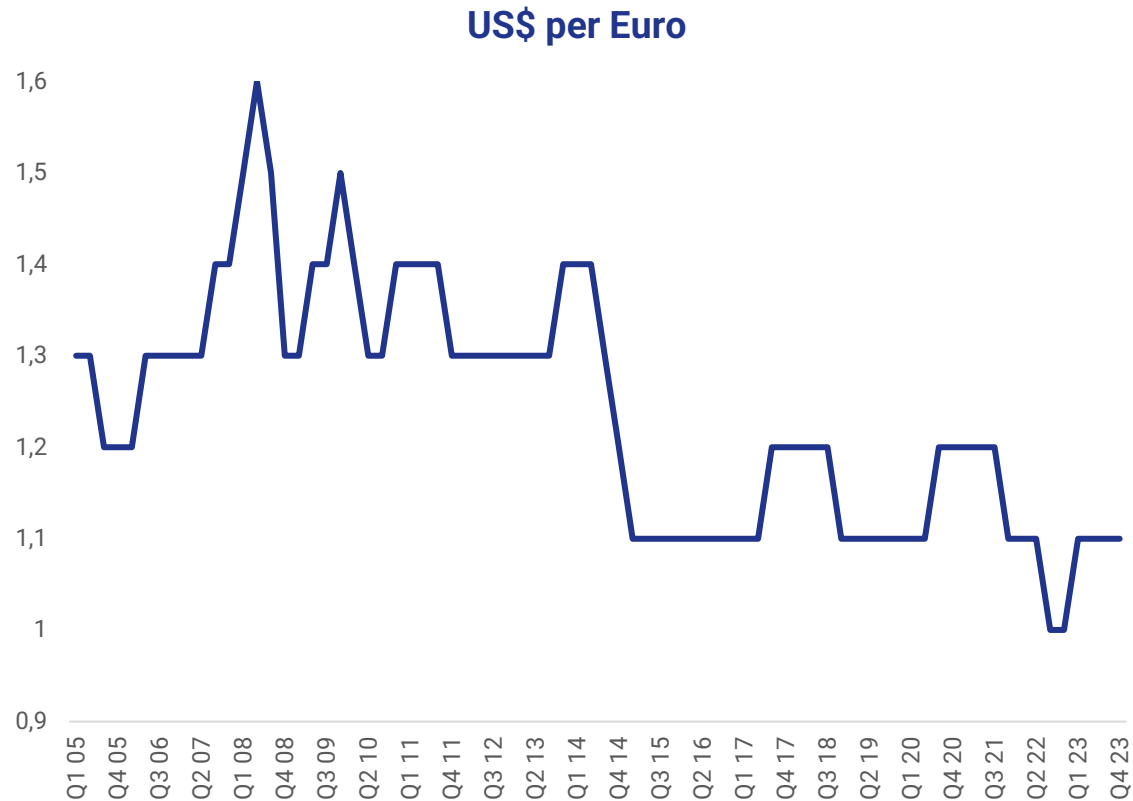
Basic points



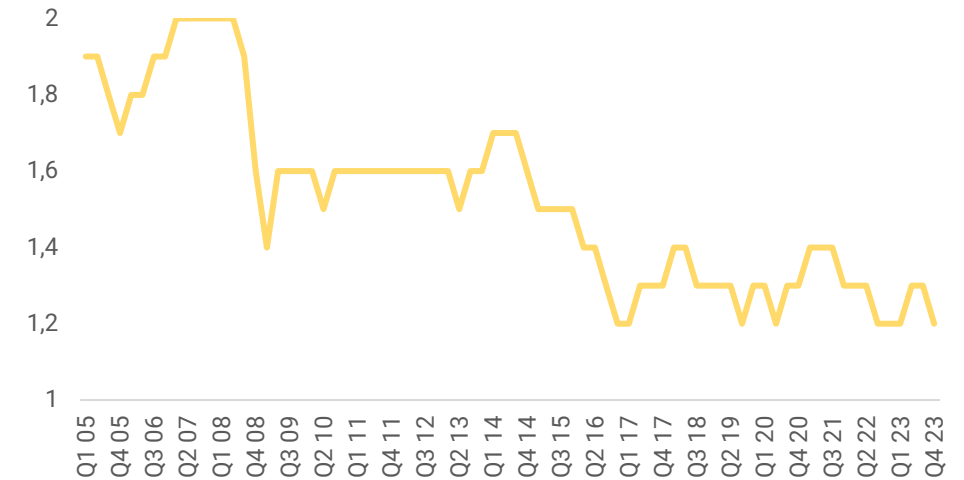
| Exchange rates - €/ \$ parity

Euro remains weak against the dollar

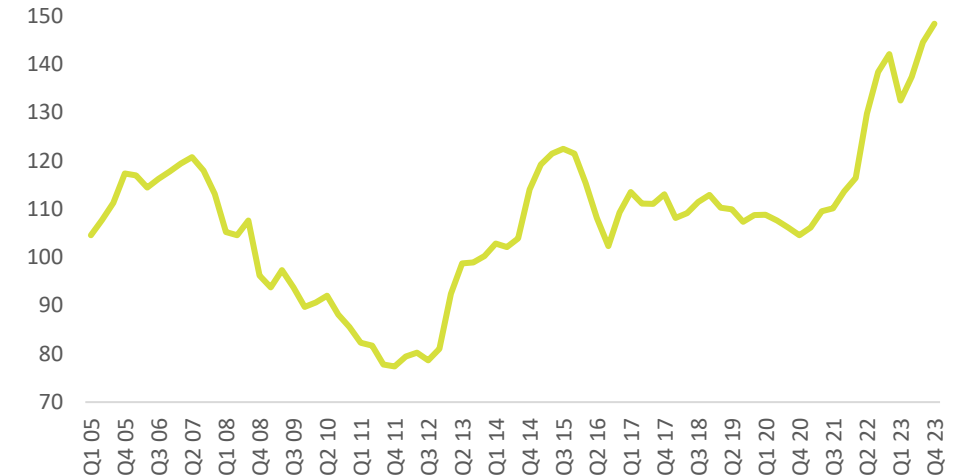
Quarterly exchange rate €/ \$



US\$ per Pound



Yen per US\$



Thank you

