BBVA | Research

Spain Economic Outlook

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Index

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1. Editorial

GDP forecast for 2017 has been revised upwards to 3.0% while the projection for 2018 remains unchanged at 2.7%. Should this scenario come true, it is expected that the Spanish economy will be capable of creating around one million jobs over these two years, which would see the unemployment rate fall to around 15% by the end of 2018. Confirmation of this upward bias, originally anticipated last February, can be explained by good job creation and export sector behaviour. The foregoing, alongside expectations that the favourable environment for the Spanish economy is set to continue, leads to the expectation that the economic recovery period will forge ahead at a good pace over the forthcoming months.

Growth during the first quarter of 2017 attests a tenth of an upturn, to 0.8% QoQ. This acceleration has come about in spite of it being confirmed that: (i) the contribution of family consumption has fallen, which shows the exhaustion of the pent-up demand accumulated during the pre-crisis period and the lower impact of some of the tail winds that had driven family expenditure recovery; and (ii) the control of public expenditure continues to be the pillar sustaining the reduction in the imbalance of national and regional accounts. Nonetheless, investment in machinery and equipment seems to have stirred from the lethargy observed in the second half of 2016, which is most likely being driven by the extraordinary behaviour of the export market, both in terms of goods as well as services. Regarding the latter, the improvement is across the board in terms of destinations, as the recovery can be seen in the flow toward emerging economies, while sales to developed markets have also remained solid. It should also be pointed out that this state of affairs has arisen despite the uncertainty surrounding Brexit. The burgeoning acceleration in real estate activity is the last of the factors that serves to explain the upturn in activity in the first part of the year.

Few important changes can be seen on the horizon for the Spanish economy. Recovery of international trade flow can be confirmed, as can the acceleration of global activity, exemplified by the moderate upward revision of the growth estimates for developed economies. Moreover, no change is expected in the factors that have increased the attraction of Spain as a tourist destination, particularly those related to the lack of security in some competitor countries. Furthermore, even though the price of oil seems to have consolidated at levels that represent an increase of 27% with respect to last year's average, it continues to be some 40% lower than in 2014. This is a particularly important factor for an oil importing economy like that of Spain. Lastly, US Federal Reserve actions, and particularly those of the ECB, are in line with what was to be expected, which means that the low interest rate policy in developed countries and a relatively depreciated euro with respect to the dollar will remain unchanged in the near future. All of these factors should boost growth in exports and reduce the uncertainty of both families and companies.

Domestically speaking, fulfilment of the new deficit target in 2016 and the National Budget Bill both serve to confirm that fiscal policy stance will be neutral in 2017. The drop in the imbalance of public finances in 2016 was owing to the fall in the relative importance of GDP expenditure, in spite of revenue being lower than expected. The latter is also noteworthy when it comes to analysing the 2017 budget, which reveals few novelties with respect to pronouncements made at the end of last year. It should be emphasised that the estimates used by the Government in drawing up the budget are prudent, given the upward bias in activity and inflation over the last few months. Should the scenario come about more in keeping with that presented in this publication, the higher nominal GDP growth would leave room to offset the relatively optimistic scenarios that are being used with respect to the sensitivity of revenue to economic recovery. Accordingly, in a scenario where strict control of expenditure will continue to be the order of the day, it is expected that public administrations as a whole will meet the deficit target at the end of the year.

No second round effects in price formation are noticed. The rise in oil prices saw headline inflation reach 3% in 1Q17. Nevertheless, core inflation (which excludes energy and non-processed food) remains stable at about 1%, which suggests that the rise in headline inflation is provisional and that the average for the year will be in or around 2%. This behaviour is noteworthy, as it confirms that the cost of losing competitiveness that the Spanish economy has experienced is being distributed amongst families and companies in a coherent manner with the maintenance of job creation and with the continuing growth in consumption, investment and exports. Later on down the road, it will be important to keep an eye on the development of margins and wages to check that this situation continues. In principle, the trend in export sales and other activity indicators does not suggest that the lack of competitiveness and the excessive rise in margins is jeopardising recovery. Moreover, the 1% rise announced for public wages is a good sign, given that it prioritises job creation. Likewise, the announcement of the intention to reduce temporary jobs in this sector is welcome and represents an opportunity both to review and correct the reasons behind their excessive use, as well as to bring about changes to promote efficiency in the civil service.

The ongoing upward revision of GDP growth forecasts in the last few years points to an underestimation by analysts and international institutions of both structural as well as cyclical factors. Specifically, they seem to have underestimated the effort made by families and companies to deleverage, as well as the refocusing of production capacity towards external demand and the impact of reforms on the competitiveness of the Spanish economy. As far as the latter is concerned, even though productivity growth of the labour factor continues to be low, during the recovery phase it has been in line with that which can be observed in the rest of the EMU. Indeed, it has even returned positive values in sectors where job creation has been intense. This contrasts with what was seen during the expansion period prior to the crisis, in which a constant and significant gap was noted. Whatever the case, the need to continue reducing the remaining imbalances in the Spanish economy (unemployment rate, public deficit, etc.) requires considering new reforms to aid in raising productivity growth while maintaining employment growth and consolidating deleveraging with respect to the rest of the world.

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2. Global environment: global growth consolidates but there are still risks

Gradual acceleration and more restrained extreme scenarios

During the second half of 2016, the global **GDP growth rate stood** at 0.9% QoQ, and the most recent data point to similar rates for the beginning of 2017, which compares positively with the 0.8% recorded on average since 2011. The overall improvement in confidence indicators, along with the advance of global trade are behind this acceleration in activity. **The performance of the advanced economies continues to be particularly positive** thanks to the consolidation of the USA recovery and Europe growing at rates that are above their potential. **On the contrary, Latin American** will emerge this year from the recession, although with a moderate growth.

The global economy continues to accelerate

Improved global behaviour is accompanied by some **clarification regarding the course of the economic policy in USA**, where expectations of a rapid reflation have been limited, or at least the timing of measures to support changes in that direction has been limited. Therefore, the government appears to be considering moderate proposals on a possible renegotiation of the NAFTA, while it continues to face obstacles in pursuing policies to restrict immigration. Nevertheless, the difficulty of pushing forward with the reform of the health care system has also revealed problems with getting other measures approved, such as those linked with tax cuts or the infrastructure expenditure plan, which eliminates the likelihood of a strong fiscal impulse in the short run.

Financial markets have remained calm over the last months, recording low volatility in spite of the high uncertainty. Financial tensions have relaxed, especially in the emerging economies, which were more negatively affected at the end of last year due to the uncertainty after the US elections. **Europe is an exception to this trend**, as the uncertainty about the elections in France has widened the debt spread in France and the periphery.

Moving towards monetary policy normalisation

The combination of a cyclical upturn, the reversal of inflation from negative rates and, above all, the moderation or disappearance of deflationary risks have provided the basis for the central banks to leave ultra-expansionary policies behind. **The Fed, which leads this process has brought forward its third rate increase** to March. The rise in rates has not caused any adverse effects on the financial markets, fundamentally because it is broadly in line with the progress made by the economy, which is nearing full employment, and also because the Fed is maintaining its gradual exit message. In addition, the Federal Reserve is discussing how to approach the third phase of the exit strategy, i.e. the reduction of the balance sheet (once the -QE- bonds purchase programme is completed, and as interest rate increases are consolidated). But it is something that will probably not happen until next year and will be put in place passively.

The ECB is also more optimistic about growth, but still not very confident about inflation reaching its medium term target. Thus, the announced QE recalibration is been taking place since April, reducing monthly purchases of public and private debt, from 80 billion to 60 billion euros. This reduction in purchases and some changes in the ECB`s communication are a first step in the exit strategy. In this regard, the monetary authority is expected to change its forward guidance to prepare the market for the timing and order that will follow. According to our scenario, we expect the ECB to continue reducing the bond purchases during the first part of 2018 and to not extend them beyond the summer, to start the upward cycle of rates at the end of the same year.

In short, we are facing a normalisation process for monetary policies, which, until now, were very accommodative. Therefore, an increase in financing cost can be expected at global level on the projected horizon. Communication policy will be key into this process, to prevent mistakes like the famous “taper tantrum” (overreaction in 2013 of the bonds market to the withdrawal of stimulus) in the USA. The tightening of financing conditions not only depends on the intervention rates set by the central banks but also on the long term interest rates. In this case, there are factors that continue to pin down the long end of the curve, such as elevated uncertainty, the lack of safe-haven assets and certain regulatory features.

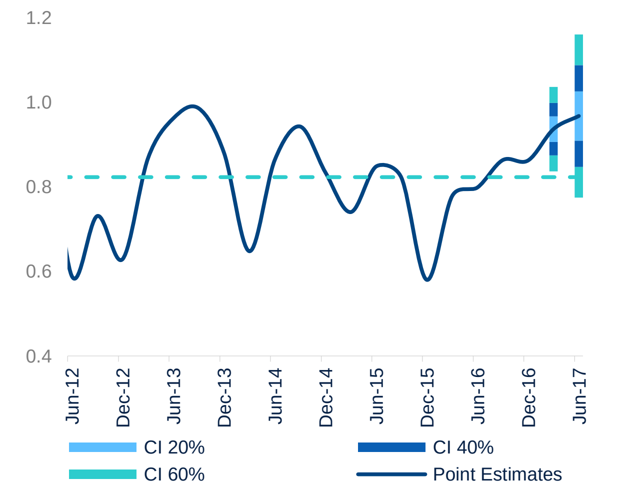
Slightly upward revision of growth but still with risks of a downturn

Overall, growth forecasts for 2017-18 are only marginally revised. The positive start of the year move them up for the Eurozone and especially China, while for the Latin American countries are rather more negative this year (with the notable exception of Mexico). As a result, expected global growth is **3.3% for 2017 and 3.4% for 2018,** which, in both cases, is 0.1pp higher than our previous forecasts.

Risks associated with increased protectionism remain

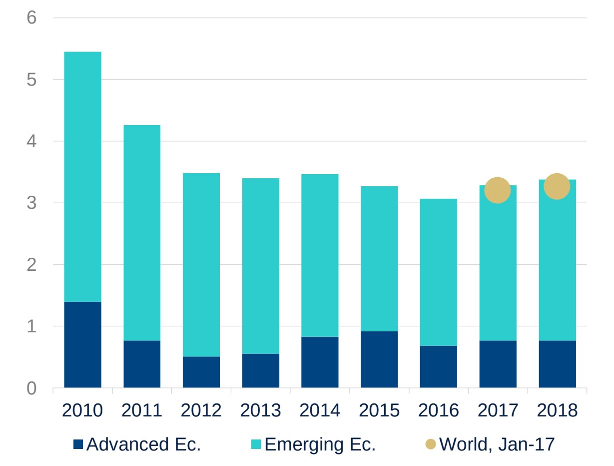
In spite of the above, the risk events that are perceived, if produced, would mostly reduce growth. In particular, beyond the uncertainty that is still associated with the **measures about to be approved in the USA,** doubts centred around the election results in **France and Italy,** due to the highly negative impact they could have on the Eurozone stability in the (unlikely) event of overcoming strongly anti-European options. Additionally, there is also the **risk associated with the Chinese economy,** where the recent strength of investment may slow down the imbalance reduction process. Other significant elements that remain uncertain and which will be important to consider in the coming months include the evolution of the negotiations on Brexit, the multiple open geopolitical events and the risks associated with the normalisation of monetary policy, especially in the USA.

Figure 2.1 Global GDP growth Forecasts based on BBVA-GAIN (%, QoQ)



Source: Haver and BBVA Research

Figure 2.2 Global growth by region (%, year-on-year)



Source: BBVA Research

United States: growth just above 2% in 2017-2018

The investment underpins the upturn in activity in the USA

The probability that the new administration could implement the promised fiscal reforms and that they would have a positive impact on the projected horizon has decreased and, at any event, its impact on growth should be limited in an economy that is continuing to grow above their potential. GDP **growth continues to be 2.3% for 2017 and 2.4% for 2018, supported by acceleration in investment,** which will benefit from the improvement in expectations, stable oil prices and the recovery of the housing market. This should compensate the expected moderation in consumption due to higher inflation and a more gradual improvement in the labour market. In this context, **the Fed is expected to continue with the gradual normalisation of monetary policy**, although we are now expecting two additional rises this year (up to 1.50%) and two more in 2018, up to 2%.

China: upward growth revision due to improved recent data, as a result of its economic policy support

After relatively stable economic growth throughout last year (around 6.7% for the year), **the signs of certain acceleration in 4Q16 appear to be confirmed at the beginning of 2017.** The available indicators point to a growth close to 7% in annual terms, caused by investment, which continues to benefit from the support of an accommodating monetary policy and fiscal stimulus. Despite the upward revision of GDP growth forecasts in 2017-2018 of around 0.5%, **we continue to expect a deceleration in growth on the projected horizon**, from 6.7% in 2016 **to 6.3% this year and 5.8% in 2018.** Despite of the significant increase in industrial prices due to an increase in commodity prices and shrinking supply, **inflation remains moderate** (2.3% expected in 2017 and 3% in 2018). However, apart from the improved expectations, based on a more growth-oriented economic policy, **the risks will increase in the medium**

term as the growth pattern adjustment process has halted and could accentuate the financial fragilities derived from a recovery based on the increase of the indebtedness of the economic agents.

Europe: a little more growth, with no significant risk of inflation

Risks in Europe are mostly political

GDP growth may have gained traction at the beginning of this year (around 0.5% QoQ) supported by improved global demand and confidence. However, the above-mentioned risks make difficult to think about greater forward acceleration in an economy that has already been growing above its potential since 2015. However, **we have slightly revised growth to a 0.1% rise in 2017 and 2018, to 1.7% in both years,** reflecting the more positive data, which, as in the case of the USA or China, are based more on foreign trade and investment than on private consumption. BBVA Research scenario also estimates a moderation in inflation from the first half of the year, as the sharp increase seen since the end of 2016 was mainly due to the base effect of energy prices and the increase in unprocessed food prices. On the other hand, core inflation remains stable and at low levels while, wage growth is highly contained. Therefore, we have slightly revised the inflation forecast upwards to 1.8% in 2017, but we are keeping a price change of 1.6% for 2018, while **we still expect core inflation to be at around 1.5% by the end of 2018.**

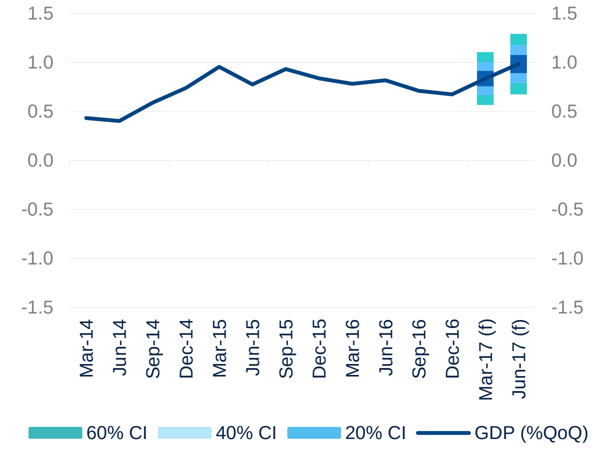
3. Growth outlook for the Spanish economy

Recovery continues as 2017 gets under way

The information available at the close of this report suggests that **the Spanish economy grew 0.8% QoQ in the first quarter of 2017 (forecast using the MICA-BBVA model).** If this forecast is confirmed, the increase in activity between January and March will have been slightly higher than that recorded for 4Q16 (0.7% QoQ), in line with expectations at the beginning of the quarter.

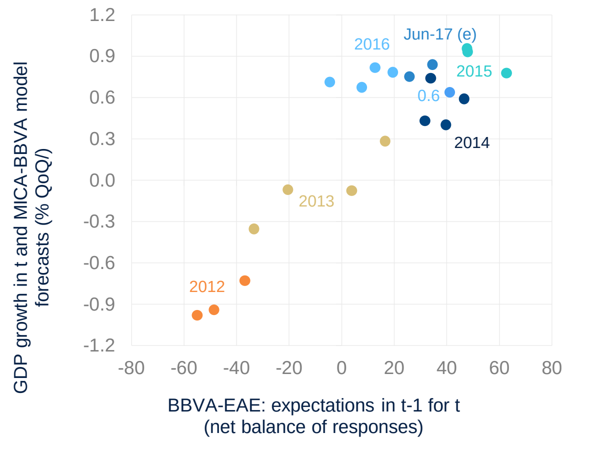
Looking at the second quarter, BBVA Research's real-time forecasts indicate that the recovery will continue at a similar rate or even at a faster pace than the estimate for 1Q17 (MICA-BBVA model forecast between 0.8% and 1.0% QoQ). This rate of growth would be in line with the results of the BBVA Economic Activity Survey (BBVA-EAE)[1], which evidence an improvement in growth expectations after less optimism registered in 2016 (see Figure 3.2).

Figure 3.1 Spain: observed GDP growth and forecasts of the MICA-BBVA Model (% QoQ)



(e): estimated.
Source: BBVA Research, based on INE figures

Figure 3.2 Spain: economic growth and expectations of participants in the BBVA-EAE in the previous quarter



(e): estimated.
Source: BBVA Research, based on INE figures

1: For details on the BBVA Economic Activity Survey (EAE-BBVA), see Box 1 of the Spain Economic Outlook journal for the second quarter of 2014, available at: http://goo.gl/epUinr

Domestic demand advances, backed by investment

Despite the good performance of financial wealth and credit to households, the balance of partial spending indicators[2], income and confidence suggest a slight moderation in private consumption growth. **Household spending may have increased 0.5% QoQ (2.7% YoY) in 1Q17,** 0.1% less than in 4Q16 (see Figure 3.3).

Regarding public demand, partial indicators point to a slight improvement at the start of the year, after marginally decreasing at the end of 2016. Specifically, available data on budget execution suggests that **actual final consumption of all Public administrations may have increased 0.2% QoQ (0% YoY)**, 0.2% QoQ less than in 4Q16.

On the side of investment in machinery and equipment, after a virtual stagnation over the second half of 2016, partial indicators[3] point to **demand increasing 1.4% QoQ (3.3% YoY) in the first quarter**. However, this figure is slightly lower than that recorded in the recovery (2.2% QoQ on average between 1Q13 and 2Q16).

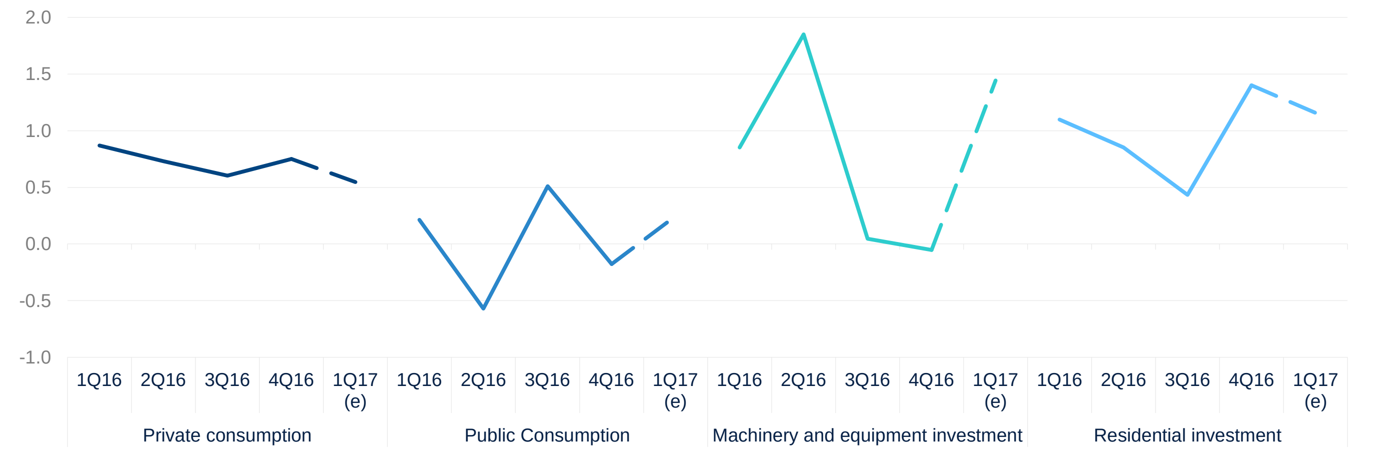
Meanwhile, the information available[4] indicates that **residential investment would have grown 1.2% QoQ (3.9% YoY) in 1Q17,** suggesting that the pace of recovery has begun to consolidate at higher levels than those observed up to the 3Q16. With regard to **investment in non-residential construction**, BBVA Research estimates that it will have **reached 0.3% QoQ (1.4% YoY)**, continuing the sluggishness noted in the second half of 2016.

Domestic demand continues to drive growth

In summary, partial indicators suggest that in 1Q17 **domestic demand would have contributed 0.6pp to quarterly GDP growth**, with moderate growth in consumption (public and private) and an upturn in key investment items.

2: New private car registrations have recovered after falling for two quarters, although the consumption of services and domestic sales for large companies slowed down, as did retail sales.
3: All indicators except those for the industrial vehicles sales point to positive performance in 1Q17
4: It is worth highlighting the increase in employment in the construction sector, which continues to grow.

Figure 3.3 Spain: growth observed and forecasts of the major components of domestic demand (% QoQ)



(e): estimated.
Source: BBVA Research, based on INE figures

Exports start the year at a good pace

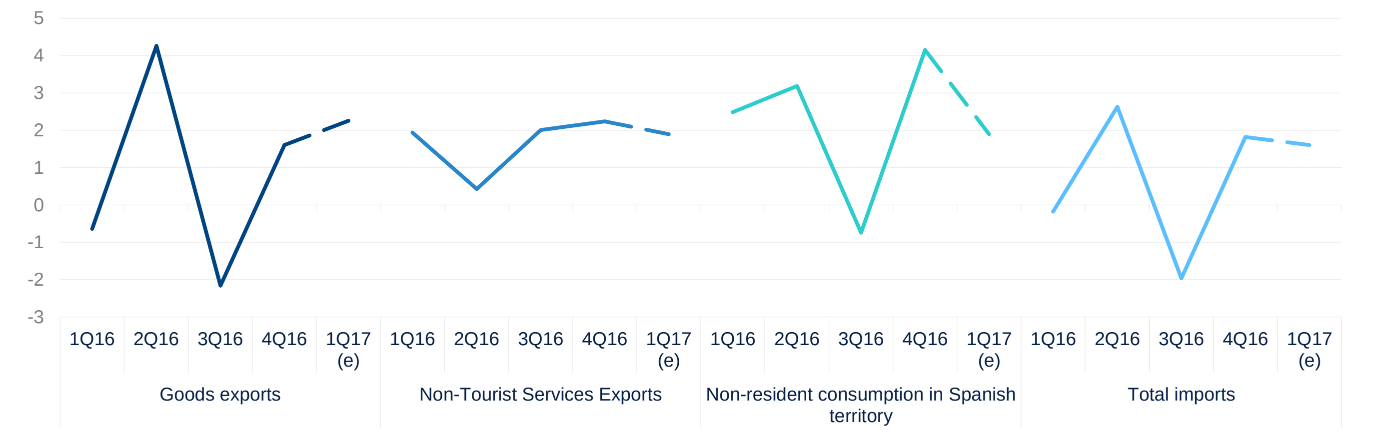
Services continue to boost exports

During the first quarter of 2017, external demand continued to grow. The available indicators[5] suggest that **foreign sales of goods may have increased 2.3% QoQ (6% YoY) in 1Q17** (see Figure 3.4)**, while services exports** rose by **1.9% QoQ (7.5% YoY)**, 16 consecutive quarters of growth. Incoming tourism also continued to increase, albeit at a slower rate than at the end of last year[6]. Consequently, it is estimated that non-resident consumption in Spain will have increased 1.9% QoQ (8.7% YoY) in 1Q17. Similarly, non-tourism services exports will have risen 1.9% QoQ (6.7% YoY). **Total exports apparently increased 2.1% QoQ (6.5% YoY) in the first quarter of 2017**, a similar figure to that recorded in 4Q16 (2.0% QoQ).

In line with final demand behaviour, the information available at the time of writing suggests that **growth in imports during 1Q17 would have stood at 1.6% QoQ (4.1% YoY).** This behaviour, along with the expected of total exports, would indicate that **net external demand contributed 0.1pp to Spain's GDP growth in 1Q17 and 0.5pp for the whole year (-0.1 pp in 2015)**.

5: Both exports by large companies and the export order book grew in 1Q17, while information available on the balance of trade points to a sharp increase in exports of goods.
6: The arrival of non-resident tourists and overnight stays increased by an average of 0.3% and 0.9% MoM SCA at the start of the year. Meanwhile, balance of payments revenues from tourism fell 2.7% MoM SWDA in January.

Figure 3.4 Spain: growth observed and forecasts of the main components of external demand (% QoQ)



(e): estimated.
Source: BBVA Research, based on INE figures

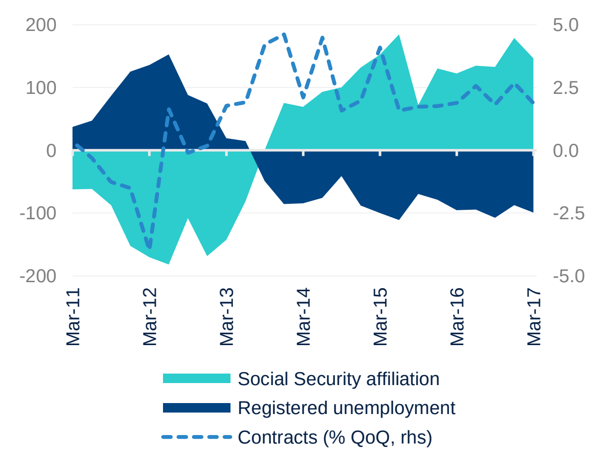
More jobs and less unemployment at the beginning of 2017

Labour market recovery continued in the first quarter (see Figure 3.5). Allowing for variations caused by seasonal factors, average Social Security affiliation increased by 0.8% QoQ, 0.2pp less than in the last quarter of last year. Recruitment dynamism moderated (down 0.8pp to 1.9% QoQ), despite an upswing in permanent contracts (up 1.1pp to 2.9% QoQ SWDA). In contrast, the fall in registered unemployment accelerated 0.4pp to -2.7% QoQ SWDA, due above all to the positive performance of the construction sector and the collective without previous employment.

The recruitment rate continues to be healthy

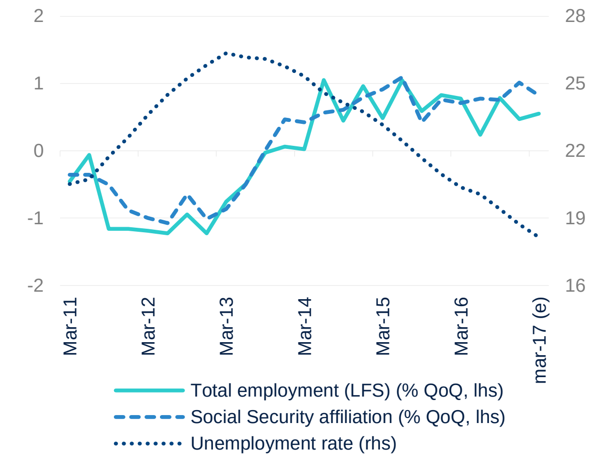
Given the evolution of the records, **it is estimated that the Labour Force Survey (LFS) for the first quarter of 2017 will show an increase of the employment**. BBVA Research's estimates suggest that employment may have increased between six and seven tenths between January and March in seasonally adjusted terms compared to 0.4% QoQ SWDA in 4Q16. Given that the size of the labour force is expected to decline slightly, the unemployment rate will fall by six tenths to 18.2% SWDA (see Figure 3.6).

Figure 3.5 Spain: labour market levels (SWDA figures. Quarterly variation in thousands of people, except where indicated otherwise)



Source: BBVA Research, based on Ministry of Employment and Social Security figures

Figure 3.6 Spain: labour market indicators (SWDA)



(e): estimated.
Source: BBVA Research, based on Ministry of Employment and Social Security and INE figures

Headline inflation is showing signs of slowing down, while core inflation remains at moderate levels

Over recent months, consumer goods prices have continued to increase overall. Having peaked between January and February (3.0% YoY), the headline inflation stood at 2.3% YoY in March. **The main reason for this downturn is the relaxation of pressure on energy prices** which, in turn, are the result of three factors: the base effect generated by the fall recorded at the beginning of 2016, the moderation of fuel prices and the downward correction in energy prices, linked to the less unfavourable climate conditions. **Meanwhile, core inflation remained moderate**, with BBVA Research estimates pointing to a slight, transitory reduction in March (from 0.1% to 0.9% YoY) due in part to the Holy week calendar.

Energy tariffs the cause of changes to the rate of inflation in the short term

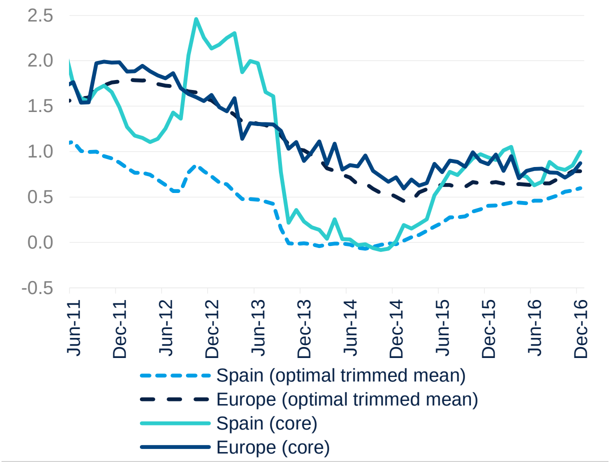
In any event, **the foregoing limits future price competitiveness gains for the Spanish economy, given the context of inflation in Europe**. BBVA Research estimates that while the headline inflation differential with respect to euro zone is slightly unfavourable (0.4pp), in terms of core inflation remains virtually unchanged (see Figure 3.7).

Wage demands may have increased in the first three months of 2017, albeit moderately. The average wage increase agreed in collective bargaining agreements stood at 1.2% YoY in January and February for the revised multi-year agreements and 1.3% for agreements signed during the current year, involving just 29,700 workers[7]. As can be seen in Figure 3.8, increases in wages up to February were similar to those recorded at the close of 2016, but less

7: The number of workers covered by collective agreements surpassed 3.5 million to February, including those affected by agreements signed before 2017 (3,542,000). This figure is similar to that recorded up to February 2016.

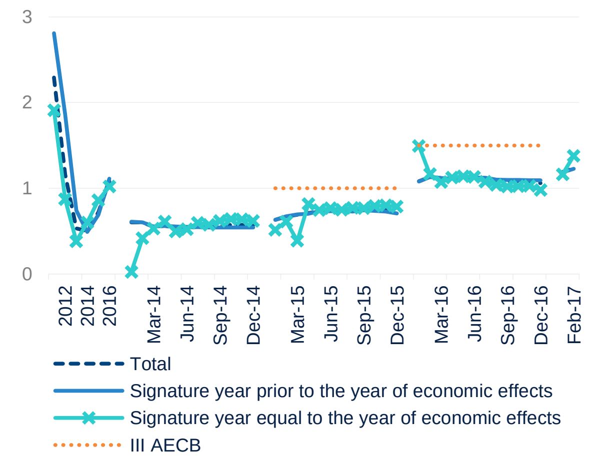
than the 1.5% set as a maximum limit in the 3rd Agreement for Employment and Collective Bargaining (AENC from its Spanish initials) for the previous year[8].

Figure 3.7 Spain: inflation differentials with respect to the eurozone (% YoY)



Source: BBVA Research, based on INE and Eurostat figures

Figure 3.8 Spain: average wage increase agreed in collective agreements (%)



Annual data include agreements registered after December each year and incorporate the review using the wage guarantee clause.
(*) Data for 2015 and 2016 are provisional. The figures from 2013 onwards are not strictly comparable with those of previous years.
Source: BBVA Research, based on Ministry of Employment and Social Security figures

2016 deficit targets met

The close of 2016 confirmed the expansive stance of fiscal policy last year which, at least in part, was compensated by the increased taxes approved in the second half of the year. The improved labour market and lower financing costs, along with the tightening of cuts to public investment in the third and fourth quarters of 2016, have favoured the fall in public expenditure of 1.5% of GDP. As a result, 2016 closed with a deficit of 4.3% of GDP (excluding the bail-outs of financial institutions), which represents a reduction of 0.7pp of GDP compared to 2015, meeting the target of achieving stability for the first time since the beginning of the recession.

8: The 3rd Agreement for Employment and Collective Bargaining, signed in early June 2015 by CEOE, CEPYME, CCOO and UGT, sets limits on wage increases agreed in collective agreements. In 2015 they were not allowed to exceed 1%, and in 2016 the figure is 1.5%. The increase in 2017, which should be agreed on in the next few weeks, will depend on the development of GDP growth in 2016 and the government's macroeconomic forecasts.

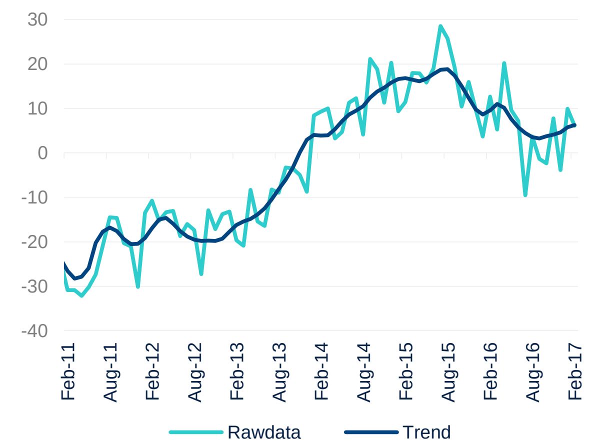
The new credit to companies moderates its fall at the beginning of the year

Private sector credit stock continued to fall in early 2017 (- 4.3% YoY in January) at a somewhat faster pace than in late 2016. However, **new transactions halted the downward trend** in the first two months of the year (-2.0% YoY in January and February compared to -13.9% in 2016), mainly due to the improved evolution of company credit transactions for sums greater than 1 million euros (-14.4% YoY in January and February compared to -32.8% in 2016). This deceleration in the decline of financing transactions from large companies is, at least in part, due to an improvement in the factors which, in early 2016, had a discouraging effect: less economic policy uncertainty at a domestic and international levels and the need to look for financing from other sources (own savings and debt issues) becoming less likely. **As far as retail sectors are concerned (households and SMEs), it is also noticed a recovery in credit growth in the first two months of 2017** (7.9% YoY compared to 3.8% in 2016).

New transactions halt the downward trend

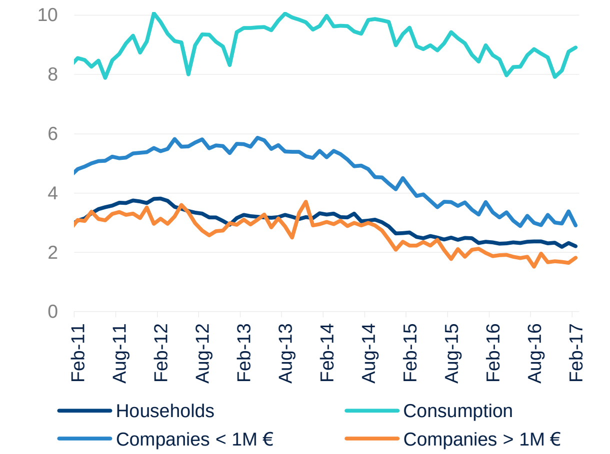
The price of new credit has remained at minimum levels, favoured by the reduction in EURIBOR, improved liquidity conditions for banks, lower sovereign risk and lower credit risk faced by banks. However, in some portfolios there is evidence that a minimum threshold has been reached in a context of tightening interest rate margins and changes to the structure of terms. Conversely, mortgage rates (on average 2.3% APR in January and February, 9 bps lower than a year ago but 6 bps up on December 2016) shows a clear downward resistance given the growing importance of fixed rate mortgages. According to this indicator, which includes commissions, Spanish mortgage loans continue to be cheaper than those of many other European countries such as France and Ireland.

Figure 3.9 Spain: new retail sector credit transactions (% YoY)



Source: BBVA Research, based on Bank of Spain figures

Figure 3.10 Spain: interest rates on new lending (% APR)



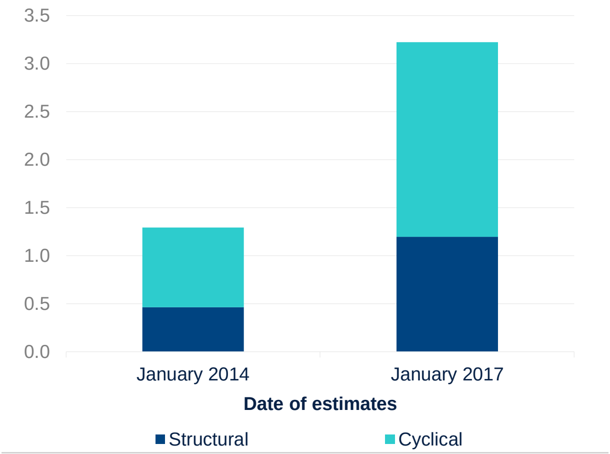
Source: BBVA Research, based on Bank of Spain figures

2017-2018 scenario: upward bias takes shape

The fundamentals of the Spanish economy back the continuing recovery over the current biennium. In fact, the information known at the time of writing this report confirms the upward bias in February. Therefore, the GDP growth for 2017 is expected to reach 3.0% (0.3pp more than in February), while the forecast for 2018 remains at 2.7%. All in all, expectations of a slowdown persist compared to the 3.2% growth recorded over the past two years (see Table 3.1).

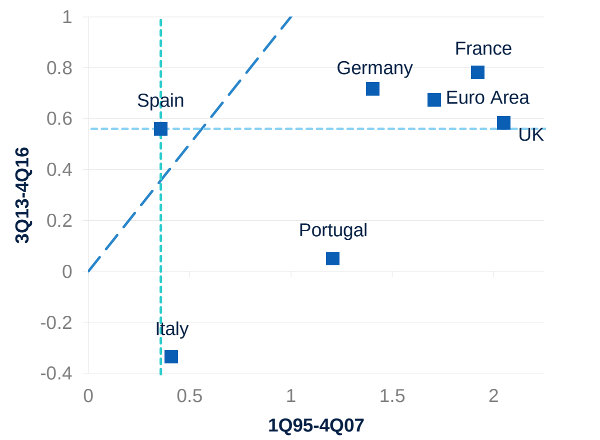
Thus, the fundamentals of the Spanish economy remain surprising positively. The ongoing upward revision of GDP growth forecasts in the last few years points to an underestimation by analysts and international institutions of both structural and cyclical factors. Specifically, they seem to have underestimated the effort made by households and companies to deleverage, as well as the reorientation of production capacity towards external demand or the impact of reforms on the competitiveness of the Spanish economy. As far as the latter is concerned, even though productivity growth of the labour factor continues to be low, during the recovery phase it has been in line with the one observed in the rest of the EMU (see Figure 3.12). Indeed, it has even returned positive values in sectors where job creation has been intense. This contrasts with what was seen during the expansion period prior to the crisis, in which a constant and significant gap was noted. In any case, the need to continue reducing the remaining imbalances in the Spanish economy (unemployment rate, public deficit, etc.) requires considering new reforms to aid in raising productivity growth while maintaining employment growth and consolidating deleveraging with respect to the rest of the world.

Figure 3.11 Spain: 2015 GDP growth decomposition by estimation date (%)



(e): estimated.
Source: BBVA Research, based on INE figures

Figure 3.12 Labour productivity (GVA per hour worked, % QoQ annualized average)



(e): estimated.
Source: BBVA Research, based on INE figures

Global growth will continue to drive exports

Growth will continue to rely on both internal and external factors. Global growth (3.3% in 2017 and 3.4% in 2018) will continue to stimulate demand for Spanish exports, despite the existence of elements of uncertainty such as Brexit and the US future foreign trade policy. The export drive, along with the still-low oil prices (57,8 dollars per barrel on average for the 2017-18), monetary policy, domestic fundamentals and the progress made in correcting imbalances will all stimulate internal demand (mainly investment). Nevertheless, the effect of some of these tailwinds will diminish over this two-year period, justifying the slowdown projected in our scenario.

The expansion of final demand components will continue to lead an increase in imports, which in any case will not prevent the biennium from ending with a positive contribution to growth from net external demand.

Table 3.1 Spain: macroeconomic forecasts

(% YoY unless otherwise indicated)	4Q16	1Q17	2015	2016	2017 (p)	2018 (p)
National Final Consumption Expenditure	2.2	2.0	2.6	2.6	2.1	2.3
Private Consumption	3.0	2.7	2.9	3.2	2.5	2.4
Public Consumption	0.0	0.0	2.0	0.8	1.0	2.0
Gross Fixed Capital Formation	2.2	2.9	6.0	3.1	3.3	4.5
Equipment and Machinery	2.7	3.3	8.9	5.0	3.6	4.4
Construction	1.9	2.6	4.9	1.9	2.8	4.2
Housing	3.8	3.9	3.1	3.7	4.3	5.8
Other Buildings and Constructions	0.2	1.4	6.4	0.4	1.4	2.8
Domestic demand (*)	2.2	2.2	3.3	2.8	2.3	2.6
Exports	4.4	6.5	4.9	4.4	5.8	5.0
Imports	2.3	4.1	5.6	3.3	4.2	5.2
External balance (*)	0.8	0.9	-0.1	0.4	0.7	0.1
Real GDP at market prices	3.0	3.0	3.2	3.2	3.0	2.7
Nominal GDP at market prices	3.7	4.8	3.7	3.6	5.1	5.3
Total employment (LFS)	2.3	2.4	3.0	2.7	2.6	2.6
Unemployment rate (% Labour Force)	2.2	2.0	2.6	2.6	2.1	2.3
Full-time equivalent employment (FTE)	3.0	2.7	2.9	3.2	2.5	2.4

(*) Contributions to growth.
(e): estimated; (p): projected.
Source: BBVA Research, based on INE and Bank of Spain figures

A turning point in the ECB's monetary policy?

The European Central Bank (ECB) has shown signs of its willingness to moderate its monetary policy stance at its coming meetings. Even though it clear the **need of maintaining a lax monetary policy** to underpin the progress made so far, at the March meeting **a certain moderation of the ECB's stance was noted**, which is likely to intensify over the coming months[9]. In particular, the Governing Council, backed by improved economic conditions in the eurozone and the upturn in inflation, has sent signals that might have opened the debate on the exit strategy and sequencing in the withdrawal of monetary stimulus. Until now, the ECB has clearly communicated that rates hikes would be implemented once the asset purchase programme has concluded, in line with the process followed by the Fed. Moving forward, we expect to see the monetary authority to begin reducing its monthly pace of purchases (tapering) at the beginning of next year, in a process that could be delayed until mid-2018. At the end of that year, we will see the first rise in the benchmark interest rate. Adequate communication and an orderly and gradual exit strategy from extraordinary measures will be the key to ensuring a normalisation process that does not jeopardize economic recovery.

Bank financing flows will return to the path of growth

Looking forward, it is expected that the total amount of new credit will begin to recover. On the demand side, the consolidation of activity expectations, both domestic and international, anticipates a positive trend for business investment and household expenditure. This, along with the deleveraging observed over recent years, low interest rates, improved credit portfolios and the high liquidity, points to a continuation of a growth environment with regard the new financing operations.

The neutral fiscal policy will be compatible with an increase in public demand

After two years characterised by a clearly expansive stance, **fiscal policy will become practically neutral in 2017 and 2018** (see Page 22). Higher revenues, both the result of a recovery in business activity and the tax rate increases approved in December, will ensure an increase in public consumption (up to 1.5% on average in real terms over the current biennium. In other hand, investment in other construction will present a growth rate above 2%, driven by private non-residential investment and despite stabilization prospects of public works.

9: The Governing Council, bolstered by the improved economic conditions in the eurozone, deleted the following phrase from its latest statement: "[…] If warranted, to achieve its objective the Governing Council will act by using all the instruments available within its mandate […]", emphasising the lesser need for additional measures. The president of the ECB also admitted that the reference to further interest rate cuts ("[…] We continue to expect them to remain at present or lower levels for an extended period of time […]") might be removed, something which might happen at coming meetings, as a first step toward a future normalisation.

The recovery in domestic demand continues, but moderates

Household consumer spending will slow down in 2017 and 2018; given the reduced impetus from its fundamentals and the disappearance of certain transitory factors which drove expenditure in 2016 (for example, tax reductions and the lower energy prices). The uptick in inflation will restrain growth of disposable income and property wealth in real terms, despite the recovery in employment and housing prices. On the other hand, the contribution of net financial wealth to the increase in household spending is expected to be higher than it did in 2016, since new consumer finance transactions continue to grow, supported by still-limited official interest rates. Consequently, private consumption is expected to increase by 2.5% this year, 0.5pp less than in 2016, and by 2.4% next year.

Despite the stagnation observed during the second half of 2016, growth of investment in machinery and equipment is expected to remain at high levels during 2017-2018. Nevertheless, we expect that the pace of growth will be lower than that observed since the beginning of the recovery, given the lower pent-up demand for machinery and equipment and the expected deceleration of the rest of domestic spending. Similarly, the gradual normalisation of oil prices and monetary policy will marginally increase self-financing (through savings) and of new investments projects in the coming years. On the other hand, the expected evolution of the demand for exports will continue to support just as intensely the expansion of installed capacity. To sum up therefore, after three years of growth at an average annual rate of 7.6%, we expect investment in machinery and equipment to increase by 3.6% and 4.4% in 2017 and 2018 respectively.

Residential investment will continue its recovery

In the biennium, the evolution of determining factors for demand justifies the **continuity of residential investment recovery**. In this sense, both the job creation expectations and the advance, albeit less dynamic, in household gross income will remain stable. All of this should be seen within a context in which financial conditions continue to be relatively favourable, even though that borrowing costs are expected to rise in the medium and long term. In addition the deleveraging process that Spanish household have experienced will favour the granting of new mortgages, due to the improvement in solvency. Finally, the reduction in the inventory of new unsold housing and the positive expectations regarding the revaluation of real estate assets in certain areas will bolster activity in the sector. On balance, a better close than expected in 2016 and the good perspectives justify an upward revision of residential investment this current year. Specifically, in this segment we estimated a **growth of 4.3% in 2017** (1.1pp more than three months ago) **and 5.8% in 2018**[10].

10: For further details see the March 2017 edition of Spain Real Estate Outlook, available at https://goo.gl/U3Y5fH

Exports will continue growing

The global environment has undergone few changes relative to the scenario presented by BBVA Research in February. In this context, both the expectations of low oil prices and those associated with the real euro exchange rate remained virtually unchanged. Nonetheless, the marginal revision in the expected growth in some of the world's main economies, together with the prospect recovery in certain emerging markets (mainly in Latin America), lead us to foresee strong demand for Spanish exports. Even so, the uncertainty inherent to the Brexit and the path that the US foreign policy might take still remains.

Destinations beyond EU will once again bolster exports

In this context, forecasts for total exports for the two-year period 2017-2018 have only been slightly revised. Total exports will increase at an average annual rate of 5.4%, exports of goods will grow at 5.1%, and consumption by non-residents will increase by around 5.7%. These growth forecasts suggest that **the dynamism of Spanish exports will continue to differentiate the country apart from the rest of Europe**. Given the good economic outlook for emerging countries, **non-EU markets will once again support growth for Spanish exports**.

The expected evolution in final demand will lead to a **high increase in imports during the current biennium (average for the two years: 4.7%)** which in any case will not compensate that of exports. **Thus**, **the contribution of net external demand to growth will therefore rebound in 2017 and will be marginally positive in 2018 (0.7 pp and 0.1 pp respectively).** This, together with persistently low oil prices, will help keep **current account balances positive (average: 1.8% of GDP)**.

Around 1 million jobs will be created during the biennium

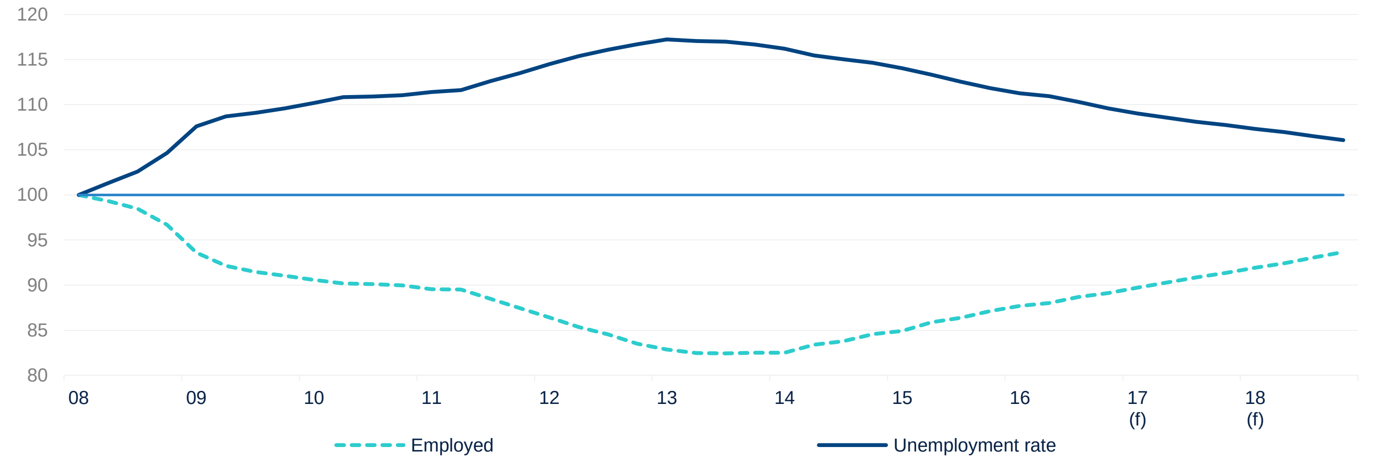
By the end of 2018, the labour market will still not have returned to its pre-crisis levels

Overall job creation for the 2017-2018 period will continue to be strong, despite the expected moderate slowdown. Employment is expected to increase on average by 2.6% this year, 0.1pp less than in 2016. Given the expected flatness of the labour force[11], growth in employment will translate into a decrease of 2.2 pp in the unemployment rate to 17.3%. Employment will continue to increase at a similar rate in 2018, by 2.6%, while the unemployment rate will fall to 15.6%.

However, the labour market expected dynamism will not be enough to recover pre-crisis levels during the current biennium. As Figure 3.13 shows, in the fourth quarter of 2018 employment will be about 6% lower than at the beginning of 2008, while the unemployment rate will be six points higher. In addition, the expected development of activity and full-time equivalent employment – which will increase by around 2.3% on average in the 2017-2018 biennium – suggests a minimal rebound in the growth of apparent productivity of labour to 0.6% in 2018.

11: In line with that published in 1Q17's Spain Economic Outlook, we expect the rate of decline in the labour force to slow to 0.2% in 2017. In 2018 the labour force is expected to grow by 0.4% in spite the fall in the number of people in working age. The increase in the labour force projected for the last part of the forecast period corresponds to an uptick in propensity to participate in the labour market. In any case, the forecast growth will be reduced if compared with the historical average (1.4%).

Figure 3.13 Spain: level of employment and unemployment rate (1Q08 = 100, figures SWDA)



(p): projected.
Source: BBVA Research, based on INE figures

Headline inflation will stabilise in positive territory moderating gains from competitiveness

Although energy prices took headline inflation to the 3% level in 1Q17, we expect to see a gradual slowdown during the year. The factors that put upward pressure on prices at the start of the year (adverse climate conditions and base effects on energy prices) were temporary. **The current financial year will close with average annual inflation at around 2.1%**, as was forecast in the previous edition of this publication. Meanwhile, domestic fundamentals and the stimulus of the expansive monetary policy, sustain the outlook for core inflation (an annual average of 1.2% for 2017) which, at the moment, shows no signs of second-round effects due to the increase of both, commodity prices or the legal minimum wage[12]. In 2018, underlying prices gradually gained ground (an annual average of 1.6%) which, together with the absorption of the base effect on energy inflation, will set CPI variation at 1.9%.

Core inflation will remain stable and moderate over the biennium

If these forecasts prove correct, the headline inflation differential with respect to the eurozone, in favour of Spain for the past three years (-0.5% on average), will become unfavourable in the current biennium (0.3pp on average). In terms of the underlying component, the differential will remain closed.

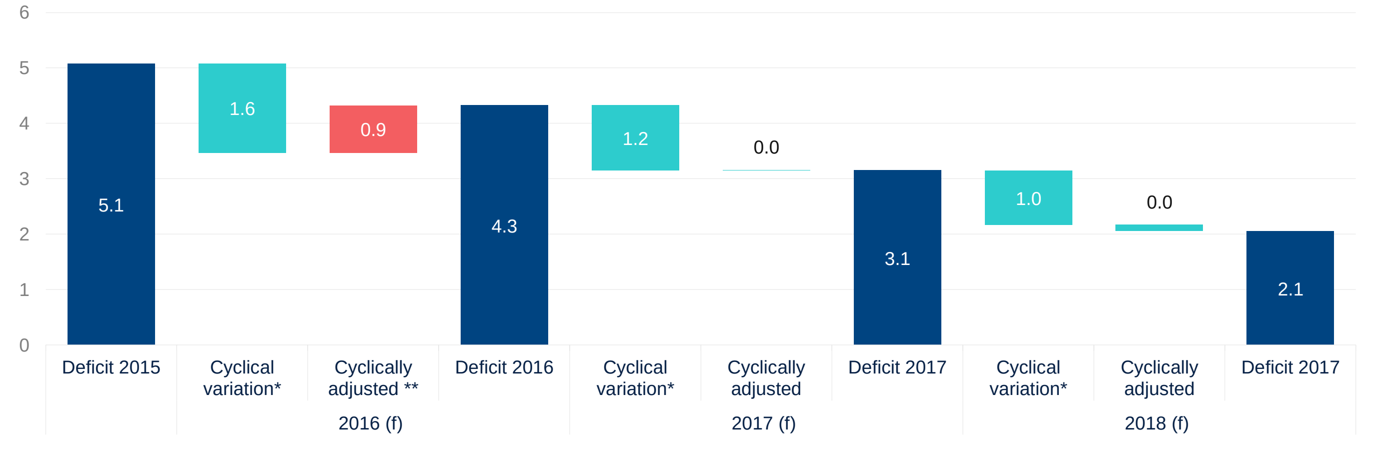
12: The direct repercussions of the legal minimum wage increase on economic activity and prices is limited, even if companies transmit the increased labour costs in end prices in full. However, the consequences may be significant in the medium term if there are second-round effects resulting from this minimum wage rise. For further details, see the economic observatory report "Repercussions of the legal minimum wage increase in Spain", available at https://goo.gl/6cwhCV

Stability targets are reachable in the current context of economic recovery

Throughout the biennium, the economic cycle will continue to help in the recovery of taxable income which will have a positive effect on public administrations revenues, which is set to increase by around 1pp of GDP to stand at 38.8% of GDP. Similarly, both the effect of automatic stabilisers – unemployment benefits, mainly – and a lower interest burden due to the decrease in interest rates in previous years will contribute to reducing public expenditure by 1.3pp of GDP to around 41% of GDP.

In this context, **the Central Government Budget Bill for 2017, passed on 31 March, has little news** with respect to the fiscal policy that was known at the end of last year[13], allowing us to foresee that acquired commitments will be respected. Thus, **given the policies announced so far, the BBVA Research estimates that deficit will be reduced to around 3.1% of GDP in 2017 and 2.1% of GDP in 2018;** in line with the stability objectives required by the European Commission (see Figure 3.14).

Figure 3.14 Public administration: breakdown of fiscal adjustment, excluding bail-outs of financial institutions (% of GDP)



(e) estimated; (p): projected.
(*) Includes changes to interest charges
(**) 2016: 0.6% structural deterioration + 1% expansive policies – 0.7% fiscal adjustment measures
Source: BBVA Research, based on Ministry of Finance and Public Administration and INE figures

Spain will therefore exit the excessive deficit procedure in 2018. However, there are still significant imbalances which need to be tackled in the medium term. Among these, the high level of public debt (99.4% of GDP in 2016) is one of the main risks to the sustainability of public finances. Nevertheless, in the short term, relatively strong GDP growth and the persistence of low interest rates will favour a smooth reduction of the debt to GDP ratio. In the medium term, the ongoing nature of a structural and reduced primary balance (estimated to remain around balance) will cause that Spanish public administration debt persist at high levels, representing a factor of vulnerability in the market fluctuations.

The high level of debt continues to be a risk to public finances

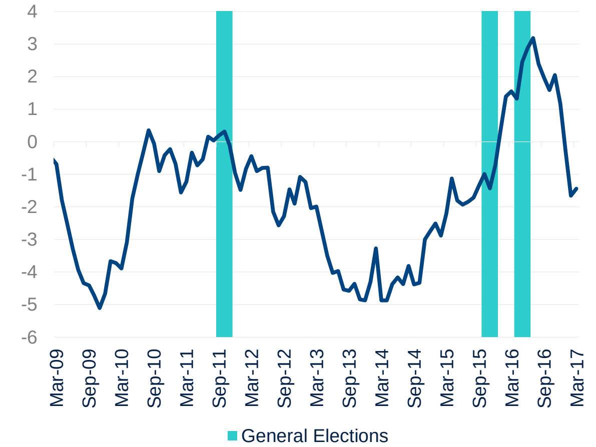
13: In December, among other measures, new limits were introduced to the deductibility of certain elements of the corporate tax base were approved, the application of inheritance tax was extended throughout 2017 and the tax rates for certain special levies (see Royal Decree-Law 3/2016 of 2 December – BOE-A-2016-11475)

The scenario is not exempt from risks

Although the forecasts for 2017 have been corrected marginally upwards given the expected good performance of the external sector and investment, external and internal risks persist. On the external front, uncertainty remains about the possible protectionist measures that could curtail the incipient recovery in world trade. In this regard, we still do not know what shape the US foreign trade policy will take or how the negotiations on the UK leaving the EU will progress and what the end result will be, following the recent triggering of Article 50 of the Treaty of Lisbon. Meanwhile, upcoming elections in some of the main eurozone economies (France in April and May and Germany in September) represent additional unknown factors in the foreign panorama. Another risk to take into account is the timing and the intensity of the ECB's withdrawal of the monetary stimulus programme. For a leveraged economy like Spain, increases in financing costs could restrict the resources available for consumption and investment.

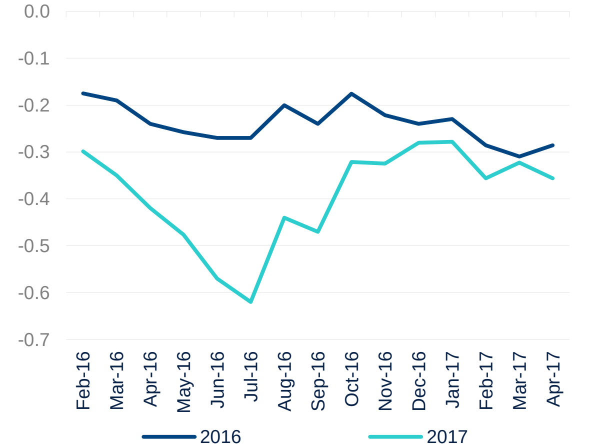
On the domestic front, economic policy uncertainty has diminished. However, according to BBVA Research estimates, it could continue to shave around 0.2pp off growth[14] in 2017 (see Figures 3.15 and 3.16). Moving forward, the key will be the capacity to generate consensus regarding the measures needed to improve the functioning that goods and services markets operate, speeding up growth and job creation. Although at the moment no second-round effects have been noted in inflation resulting from the increase in the cost of commodity prices or to the legal minimum wage, they cannot be ruled out to occur in the future. If these materialize, they may have a negative effect on the competitiveness of companies and the purchase power of households, slowing down the growth of demand and job creation. Furthermore, the growth in productivity per hour worked continues to be low, which if maintained in the medium term, it would act as a drag on continuing recovery.

Figure 3.15 Spain: Economic Policy Uncertainty (SM12 of the idiosyncratic component in standard deviations)



The shading corresponds to a period of three months surrounding the general elections
Source: BBVA Research, based on the EPU index produced by Baker et al. (2015)

Figure 3.16 Spain: estimated impact of economic policy uncertainty in GDP by forecast date (pp)



Source: BBVA Research

14: For details about estimating the effects of economic policy uncertainty on the Spanish economy, see Box 1 of the Spain Economic Outlook journal for the first quarter of 2016, available at: https://www.bbvaresearch.com/wp-content/uploads/2016/03/Spain_Economic_Outlook_1Q16.pdf

4. Tables

Table 4.1 Macroeconomic forecasts: Gross domestic product

(Annual average %)	2014	2015	2016	2017 (f)	2018 (f)
US	2.4	2.6	1.6	2.3	2.4
Eurozone	1.2	1.9	1.7	1.7	1.7
Germany	1.6	1.5	1.8	1.7	1.6
France	0.7	1.2	1.1	1.4	1.5
Italy	0.2	0.6	1.0	1.0	1.2
Spain	1.4	3.2	3.2	3.0	2.7
United Kingdom	3.1	2.2	1.8	1.7	1.3
Latin America*	0.8	-0.3	-1.5	1.1	1.8
Mexico	2.3	2.6	2.1	1.6	2.0
Brazil	0.5	-3.8	-3.6	0.9	1.8
Eagles**	5.4	4.7	4.8	4.9	5.0
Turkey	5.2	6.1	2.9	3.0	4.5
Asia and Pacific	5.6	5.6	5.5	5.2	5.1
Japan	0.2	1.2	1.0	0.8	0.9
China	7.3	6.9	6.7	6.3	5.8
Asia (ex. China)	4.2	4.5	4.5	4.2	4.5
World	3.5	3.3	3.1	3.3	3.4

(f): forecast
* Argentina, Brazil, Chile, Colombia, Mexico, Peru, and Venezuela.
** Saudi Arabia, Bangladesh, Brazil, China, the Philippines, India, Indonesia, Iraq, Mexico, Nigeria, Pakistan, Russia, Thailand and Turkey.
Forecast closing date: 12 April 2017
Source: BBVA Research and the IMF

Table 4.2 Macroeconomic Forecasts: 10-year government bond yield

(Annual average %)	2014	2015	2016	2017 (f)	2018 (f)
US	2.53	2.13	1.84	2.60	2.84
Germany	1.22	0.52	0.13	0.58	1.21

(f): forecast.
Forecast closing date: 12 April 2017
Source: BBVA Research and the IMF

Table 4.3 Macroeconomic forecasts: Exchange rates

(Annual average %)	2014	2015	2016	2017 (f)	2018 (f)
USD-EUR	0.75	0.90	0.90	0.93	0.88
EUR-USD	1.33	1.11	1.11	1.07	1.13
GBP-USD	1.65	1.53	1.35	1.23	1.28
USD-JPY	105.82	121.07	108.82	118.00	126.00
USD-CNY	6.14	6.23	6.64	7.01	7.50

(f): forecast
Forecast closing date: 12 April 2017
Source: BBVA Research and the IMF

Table 4.4 Macroeconomic: Official interest rates

(End of period, %)	2014	2015	2016	2017 (f)	2018 (f)
US	0.25	0.50	0.75	1.50	2.00
Eurozone	0.05	0.05	0.00	0.00	0.25
China	5.60	4.35	4.35	4.35	4.10

(f): forecast
Forecast closing date: 12 April 2017
Source: BBVA Research and the IMF

Table 4.5 EMU: macroeconomic forecasts (YoY change, %, unless otherwise indicated)

(End of period, %)	2014	2015	2016	2017 (f)	2018 (f)
GDP at constant prices	**1.2**	**1.9**	**1.7**	**1.7**	**1.7**
Private consumption	0.8	1.8	1.9	1.4	1.4
Public consumption	0.6	1.3	1.8	1.2	1.0
Gross fixed capital formation	1.5	3.0	2.5	2.5	3.0
Inventories (*)	0.3	-0.2	-0.1	0.1	0.0
Domestic demand (*)	**1.2**	**1.7**	**1.9**	**1.6**	**1.5**
Exports (goods and services)	4.4	6.3	2.7	3.9	3.5
Imports (goods and services)	4.9	6.3	3.4	4.0	3.6
External demand (*)	**0.0**	**0.2**	**-0.2**	**0.1**	**0.1**
Prices					
CPI	0.4	0.0	0.2	1.8	1.6
CPI core	0.9	0.8	0.8	1.1	1.5
Labour market					
Employment	0.6	1.0	1.3	1.1	1.0
Unemployment rate (% of labour force)	11.6	10.9	10.0	9.5	9.1
Public sector					
Deficit balance (% GDP)	-2.6	-2.1	-1.9	-1.7	-1.4
Debt (% GDP)	92.0	90.4	89.6	88.4	86.4
External sector					
Current account balance (% GDP)	2.5	3.2	3.3	3.0	2.9

(f): forecast
Forecast closing date: 12 April 2017
Source: official organisations and BBVA Research

Table 4.6 Spain: macroeconomic forecasts (Annual rates of change in %, unless otherwise indicated)

(Annual average %)	2014	2015	2016	2017 (f)	2018 (f)
Activity					
Real GDP	1.4	3.2	3.2	3.0	2.7
Private consumption	1.6	2.8	3.2	2.5	2.4
Public consumption	-0.3	2.0	0.8	1.0	2.0
Gross Capital Formation	3.8	6.0	3.1	3.3	4.5
Equipment and Machinery	8.3	8.9	5.0	3.6	4.4
Construction	1.2	4.9	1.9	2.8	4.2
Housing	6.2	3.1	3.7	4.3	5.8
Domestic Demand (contribution to growth)	1.9	3.3	2.8	2.3	2.6
Exports	4.2	4.9	4.4	5.8	5.0
Imports	6.5	5.6	3.3	4.2	5.2
External Demand (contribution to growth)	-0.5	-0.1	0.4	0.7	0.1
Nominal GDP	1.1	3.7	3.6	5.1	5.3
(Billions of euros)	1037.0	1075.6	1113.9	1170.7	1232.4
Labour market					
Employment, LFS (Labour Force Survey)	1.2	3.0	2.7	2.6	2.6
Unemployment rate (% of labour force)	24.4	22.1	19.6	17.3	15.6
Employment (full-time equivalent) QNA (Quarterly National Accounts)	1.1	3.0	2.9	2.4	2.2
Apparent productivity of labour factor	0.3	0.3	0.4	0.6	0.6
Prices and costs					
CPI (annual average)	-0.2	-0.5	-0.2	2.1	1.9
CPI (end of period)	-1.0	0.0	1.6	1.4	1.9
GDP deflator	-0.3	0.5	0.3	2.1	2.5
Remuneration per employee	0.0	0.4	0.0	0.7	1.8
Unit labour cost	-0.3	0.2	-0.4	0.1	1.2
External sector					
Balance of payments on current account (% of GDP)	1.1	1.4	1.9	1.8	1.5
Public sector (*)					
Debt (% of GDP)	100.4	99.8	99.3	97.8	95.0
Balance Public Admin. (% GDP)	-5.9	-5.1	-4.3	-3.1	-2.1
Households					
Nominal disposable income	0.9	1.9	2.8	3.6	4.6
Savings rate (% nominal income)	9.1	8.4	8.4	7.5	7.9

Annual change in %, unless indicated expressly
(f): forecast
Forecast closing date: 12 April 2017
(*): Excluding aid to Spanish banks
Source: BBVA Research

5. Glossary

Acronyms

- AENC: Bipartite Inter-Confederal Agreement on Employment and Collective Bargaining
- APP: Asset Purchase Programme
- APR: Annual Percentage Rate
- BBVA: Banco Bilbao Vizcaya Argentaria
- BBVA – EAE: BBVA Economic Activity Survey
- BBVA – GAIN: BBVA Global activity index
- CDS: Credit Default Swaps
- CEOE: Spanish Confederation of Employers' Organizations
- CEPYME: Spanish Confederation of Small and Medium sized Enterprises
- CC. OO: Trade Union Confederation of Workers' Commissions
- CPI: Consumer Price Index
- EAGLES: Emerging and Growth-Leading Economies
- ECB: European Central Bank
- EMU: European Economic and Monetary Union
- EPU: Economic Policy Uncertainty Index
- EU: European Union
- EURIBOR: Euro interbank Offered Rate
- FCE: Final Consumption Expenditure
- FED: Federal Reserve System
- FTE: Full time equivalent
- GC: Governing Council
- GDP: Gross Domestic Product
- IC37: Group of Industrial Countries comprising the 28 EU members plus the US, Canada, Japan, Switzerland, Norway, Australia, New Zealand, Mexico and Turkey
- INE: National Institute of Statistics
- LATAM: Latin America aggregated including Argentina, Brazil, Chile, Colombia, Mexico, Peru and Venezuela
- LFS: Labour Force Survey
- ME and SS: Ministry of labour and social security
- MICA-BBVA: Factor Model of Economic and Financial Indicators for Short-term GDP Forecasting
- MINHAP: Ministry of Finance and Public Administration
- NAFTA: North American Free Trade Agreement
- OPEC: Organization of the Petroleum Exporting Countries
- PA: Public Administration
- QE: Quantitative easing
- ULCs: Unit labour costs
- US: United States
- UK: United Kingdom
- SMEs: Small and medium-sized enterprises
- SWDA: Seasonally and working day adjusted
- UGT: General Workers Union

Abbreviations

- bps: Basic points
- CI: Confidence interval
- MoM: Month on month change
- pp: Percentage points
- QoQ: Quarterly on quarter change
- YoY: Year on year change

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