

# Spain Economic Outlook

1Q18



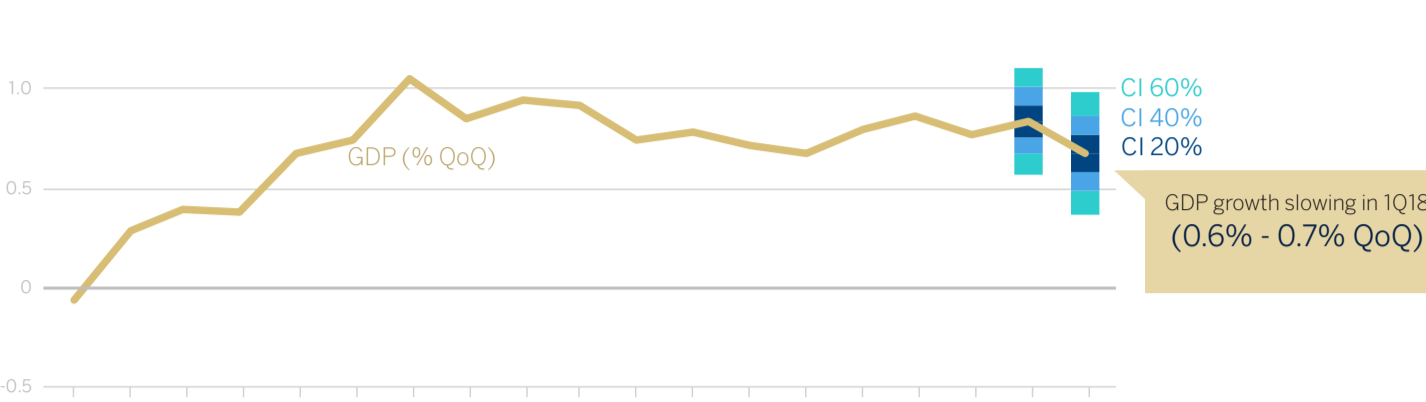
## Macroeconomic context

The closure of 2017 was positive

- The Spanish economy may have increased 0.8% QoQ in 4Q17
- Public consumption and private consumption rose at a sustained pace
- Residential investment gained momentum
- Exports of goods recovered
- Exports of services may have showed signs of weakness

## As 2018 gets underway, economic activity is losing its momentum

Spain: Observed GDP growth and forecasts using the MICA-BBVA model (% QoQ)



## this is partly due to the fact that economic policy uncertainty remains high

Economic Policy Uncertainty (EPU) (Standard deviations, monthly average)



...Its impact on the real economy may be seen in the coming months

Impact on GDP growth (%)

Spain	2018 y 2019 from -0.1 y -0.3	Catalonia	2018 y 2019 from -0.3 y -1
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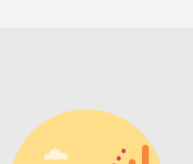
## This has had repercussion on a number of variables:



### Financial data for Spain

The Spanish stock market is performing less strongly than the European market

Financial indicators (index Sept. 17 = 100, monthly averages)



### Economic activity in Catalonia:

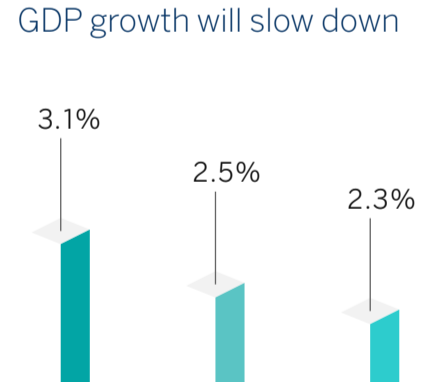
Economic activity in 4Q was lower than expected in September

Forecasts and observed data (% QoQ SWD)

Forecast <b>+1.4</b>	Forecast <b>-2.3</b>
<b>TOTAL TRAVELLERS</b>	<b>REGISTERED UNEMPLOYMENT</b>
observed <b>-2.1</b>	observed <b>-0.4</b>
Forecast <b>+2</b>	Forecast <b>+1</b>
<b>PASSENGER CAR REGISTRATIONS</b>	<b>SOCIAL SECURITY AFFILIATION</b>
observed <b>-0.4</b>	observed <b>+0.7</b>

### Forecasts

GDP growth will slow down



### Main figures (annual averages):

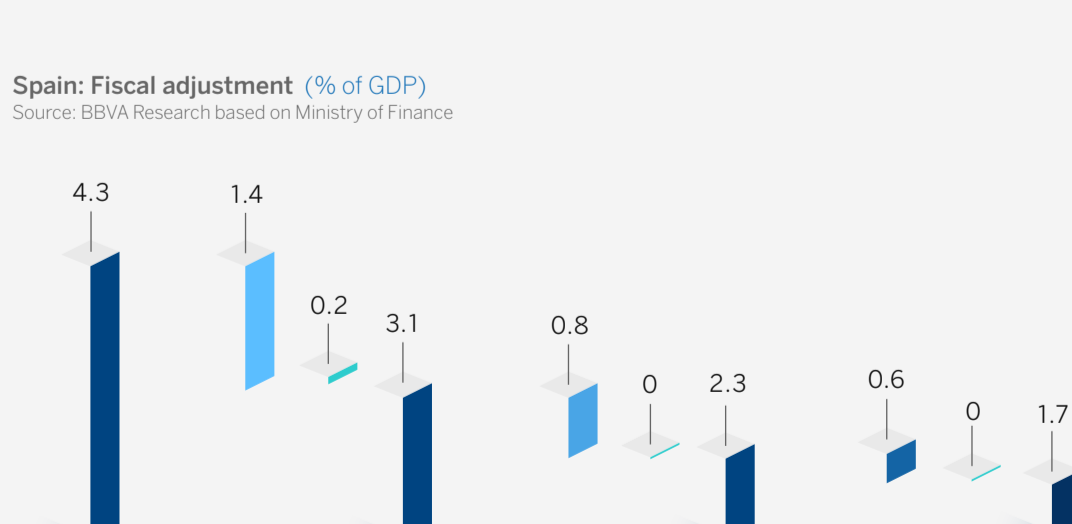
	2018	2019
Inflation	1.6%	1.7%
Growth in employment (active population survey)	2.5%	2.0%
Jobs created (equivalent to full time positions)	402.000	315.000
Unemployment rate	15.3%	14.0%

A forecast that will be bolstered by a favourable external environment:

- An upward revision of **growth in Europe** (2.2% in 2018 y 1.8% en 2019)
- Oil prices** remaining low (with respect to 2014)
- Supported by **monetary policy**: low interest rates in the long term

## Fiscal policy will be practically neutral

Spain: Fiscal adjustment (% of GDP)



### Risks

#### Labour market

- Increase of the minimum wage should not significantly affect the creation of employment
- If a significant part of the unemployment rate reflects capacity constraints, the recovery could lead to a further increase in inequality between those who have a job and those who do not.

#### Fiscal deficit

- The autonomous elections of 2019 and the possible relaxation of the spending rule increase the uncertainty
- Doubts persist about the approval or extension of the General State Budgets