

The logo for BBVA Research, featuring the word "BBVA" in a bold, white, sans-serif font, followed by the word "Research" in a smaller, lighter weight of the same font. A small teal square is positioned to the right of the word "Research".

**BBVA** Research

# Catalonia Economic Outlook

1<sup>st</sup> half of 2019

The BBVA logo, consisting of the letters "BBVA" in a bold, white, sans-serif font, set against a teal square background.

Creating Opportunities

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Closing date: **30 May 2019**

# 1. Editorial

**The GDP of Catalonia increased by 2.3% in 2018, nine percentage points under the growth rate of 2017.**

This result is in line with previous forecasts made by BBVA Research<sup>1</sup>, and shows a more marked slowdown than that observed in the Spanish economy as a whole (from 3.0% to 2.6%). After this adjustment, the Catalan economy is expected to continue growing at a similar rate over this two-year period. **Specifically, the GDP of Catalonia could grow by 2.2% in 2019 and by 2.0% in 2020. This will enable 126 thousand new jobs to be created, thus reducing the unemployment rate to below 10% by the end of the period.**

In 2018, the sharp downturn of the Catalan economy was due to a number of factors. Firstly, **a decline in the drivers** that had supported growth in previous years, gradually absorbed by a stagnant demand. This is mainly evident in the behaviour of private consumption. In second place, **the fall in tourist demand** (less economic growth in source markets, recovery of competitors, etc.) along with problems with supply (saturation, loss of price competitiveness) has led to a more moderate growth in tourism in all the tourist areas of Spain, those in Catalonia being no exception. Lastly, the slowdown in external demand also caused a **stagnation in the export of goods**. Moreover **the high level of uncertainty of the economic policy** and the events that have taken place in Catalonia in the last year and a half has particularly affected the arrival of tourists (especially from the rest of Spain), investment and employment<sup>2</sup>.

**As a result of these factors, the slowdown in two sectors of activity explains both the downturn of the Catalan economy and the fact that it has been more marked** than that of Spain as a whole: **industry**, which has reduced its contribution to growth by seven p.p. and **business, transport and hospitality**, which has done the same by three p.p. On the other hand, the rest of areas of activity, including the public sector and social services, have maintained their contribution levels. In terms of territory, this means that the city of Barcelona has been less affected by the downturn, whereas the rest of the metropolitan area and the rest of Catalonia have suffered the bulk of the slowdown in employment.

**During the first half of 2019 the GDP of Catalonia could be growing at an average rate of 0.6% SWDA per quarter<sup>3</sup>, which means a slight recovery compared to the second half of 2018.** But doubts continue to exist, as shown by the results of the Economic Activity Survey of Catalonia, which for the second quarter running has shown slightly negative response rates both with regard to the economic activity in the first quarter of 2019 and that expected in the second quarter.

**Looking forward, GDP growth will continue at a similar rate in the forecast horizon. In the first place, a number of factors will help maintain activity.** On the one hand, the performance of global activity is showing signs of stabilisation. The lower growth rates of the Eurozone and the USA have led to changes in their monetary policy, which ensure more liquidity and low rates for longer periods. This will help support internal demand and, in particular, the recovery of the real estate sector, as well as regional productive investment. In addition, the fiscal stimulus linked to the rise in public salaries and pensions and the minimum wage increase have helped increase household disposable income and support short-term consumption, along with the rise in employment. This has helped consumption and tourism to behave better than expected at the start of the year. In addition, the Generalitat of Catalonia has kept up the spending rate it began in the second semester of 2018.

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1: In the previous issue of the Catalonia Economic Outlook, pertaining to the second half of 2018, BBVA Research forecast that the GDP of Catalonia could grow by 2.5%, available here: <https://www.bbva.com/en/publicaciones/catalonia-economic-outlook-second-half-2018/>

In the regional watch for the first quarter of 2019 (published in February), this estimate was reduced by one percentage point, to 2.4%. This document can be downloaded from: <https://www.bbva.com/en/publicaciones/spain-regional-watch-first-quarter-2019/>

2: See, on this matter, Catalonia Outlook, 1st half of 2018, available here: <https://www.bbva.com/en/publicaciones/catalonia-outlook-first-quarter-2018/>, or Echevarría, V., The effect of uncertainty in Catalonia: a synthetic control analysis <https://www.bbva.com/en/publicaciones/spain-the-effect-of-uncertainty-in-catalonia-a-synthetic-control-analysis/>

3: SWDA: Seasonally and working day adjusted.

**Secondly, a slightly more devalued euro**, along with a recovery of oil barrel prices to an average of around 60 dollars during the second half of the year, should help boost **exports outside of the Eurozone**, more relevant in the non-tourist goods and services in this region, as well as household consumption.

**Thirdly, despite the level of uncertainty surrounding economic policy in Spain remaining high, uncertainty related exclusively to internal issues of Catalonia has shown a significant adjustment compared to one and a half years ago.** If this situation continues, it will also help boost growth.

**In any event, the global situation has deteriorated and become more uncertain.** The escalation of trade tensions and the announcement of higher customs tariffs between the US and China constitute the most evident risk. This will affect Europe in terms of global value chains. Although a gentle downturn of global growth is expected, now the risks regarding the performance of the US and Chinese economies are higher. On the other hand, the uncertainty regarding the UK's exit from the European Union continues. The direct impact of this could be moderate for Catalonia, but the possibility of a larger trade conflict, particularly if it involves a deterioration of the financial context, would translate into a scenario of lower growth of trade and the world economy in general and European in particular. In this case, Catalonia would face a greater challenge than that of other autonomous regions, particularly if the trade war should spread to the automotive sector or those with a high technological content.

**At a domestic level, there are doubts regarding the economic policy and the effects of some of the measures already in place, which have also affected the confidence of the agents and their consumption and investment decisions.** The political fragmentation raises doubts as to the evolution of public spending and fulfilment of the deficit targets at a national level. Having to continue the fiscal consolidation process during a less favourable phase of the cycle will render the Spanish and Catalan economies more vulnerable. Additionally, the minimum wage increase will have negative effects on growth and long-term job creation, insofar as it does not come hand in hand with measures to improve productivity. In the case of Catalonia, labour costs are starting to show a nominal recovery, particularly in the service sector. In addition, there is expected to be a slowdown in the growth of tourism, which plays a key part in job creation in this region and in Spain as a whole. Moreover, the continuity of the deindustrialisation process means that supporting a reindustrialisation effort is not a certain route to ensure prosperity and, therefore, supporting growth will require broader strategies that include digitalisation and human capital.

**In any event, the challenges in the medium term for the Catalan economy are demanding:** by 2020, employment will still be 3.2 p.p. below the level of 2008 and the unemployment rate will be 3.7 p.p. above. Furthermore, the demographic evolution, the difficulties in filling certain vacancies and the high level of temporary jobs mean that recovery may be uneven and non-inclusive. Therefore, the situation calls for the implementation of measures designed to reduce the vulnerability of the economy in the face of the current challenges.

## 2. Outlook for Catalonia's economy

The GDP of Catalonia grew by 2.3% in 2018<sup>4</sup>, which means the region has accumulated growth for five years running. This figure is similar to the previous estimates of BBVA Research<sup>5</sup> and means that the Catalan economy is experiencing less dynamism, after the 3.2% growth in GDP of 2017, of 3.5% in 2016 and of 4.2% in 2015. As a result of this downturn of nine percentage points, growth of the Catalan GDP shows a negative differential compared to the increase in Spain as a whole (2.6%), for the first time in this growth phase. Moreover, the correction in 2018 was more marked than in the rest of Spain, which only fell by 4 p.p. With this 2.3%, the Catalan economy has resumed its average growth rate since 1981.

The latest data available confirm that the marked slowdown of the Catalan economy during the middle part of 2018 (with growth in activity close to 0.4% QoQ) could have been exceeded, albeit not temporarily. Thus, **the MICA-BBVA model estimates a growth rate of the Catalan GDP of around 0.6% QoQ in the first two quarters of 2019** (see Figure 2.1), exceeding the rate achieved in 2018.

In any event, **the results of the series of BBVA Economic Activity Survey pertaining to the first quarter of 2019 show that, for the second time running, both the view of the quarter in progress and the outlook for the next are slightly negative**, which had not happened since the first two quarters of 2013.

This view is relatively consistent with that of BBVA Research, which suggests that recovery could be temporary: in the second half of the year, a new slowdown is expected and, as a consequence thereof, the increase in the activity in Catalonia will remain at a similar level to that of the year before. Therefore, **the GDP of Catalonia is expected to increase by 2.2% in 2019. By 2020, the expected increase in the GDP is of 2.0%, although the positive difference compared to that of Spain as a whole could once again be achieved.**

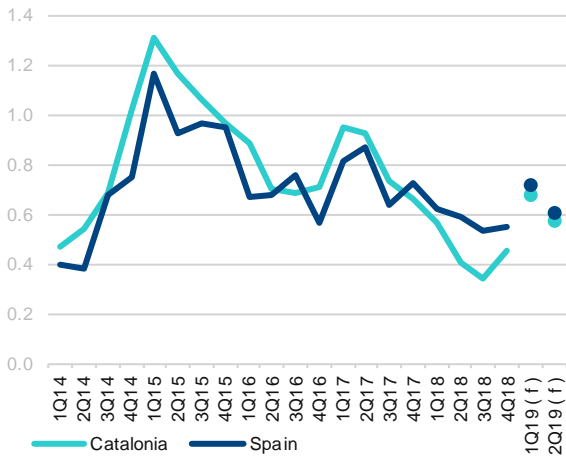
**During this two-year period, the Catalan economy will create 126 thousand new jobs and manage to reduce the unemployment rate to 9.8% by the end of 2020. In addition, the GDP per capita will exceed the level reached before the crisis by 9.5%.** In any event, the recovery will still have matters to be addressed: by the end of the two-year period, the unemployment rate will still be 3.7 p.p. above the minimum rate achieved before the crisis and the number of employed, 3.2% under (116 thousand employed less than in the first quarter of 2007).

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4: On 29 April the INE published the results of the first estimate of the Regional Accounting for Spain. An analysis of these results, and of the differences compared to BBVA forecasts, can be found in: <https://www.bbva.com/en/publicaciones/spain-regional-gdp-growth-in-2018/>

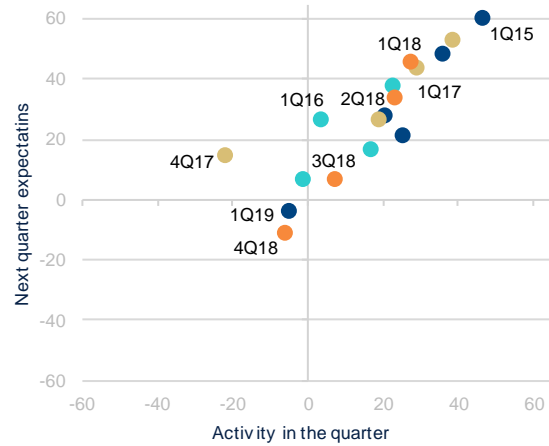
5: In the previous issue of the Catalonia Economic Watch pertaining to the second half of 2018, BBVA Research forecast that the GDP of Catalonia could grow by 2.5%, available here: <https://www.bbva.com/en/publicaciones/catalonia-economic-outlook-second-half-2018/>  
In the regional economic watch of the 1st quarter of 2019 (published in February), this estimate fell by one percentage point, to 2.4%. This document can be downloaded from: <https://www.bbva.com/en/publicaciones/spain-regional-watch-first-quarter-2019/>

Figure 2.1 Growth of GDP according to the MICA-BBVA model (QoQ, SWDA, %)



(e) Estimated.  
Source: BBVA Research

Figure 2.2 Catalonia: activity and outlook  
According to the BBVA Economic Activity Survey  
(%, Balance of extreme responses)

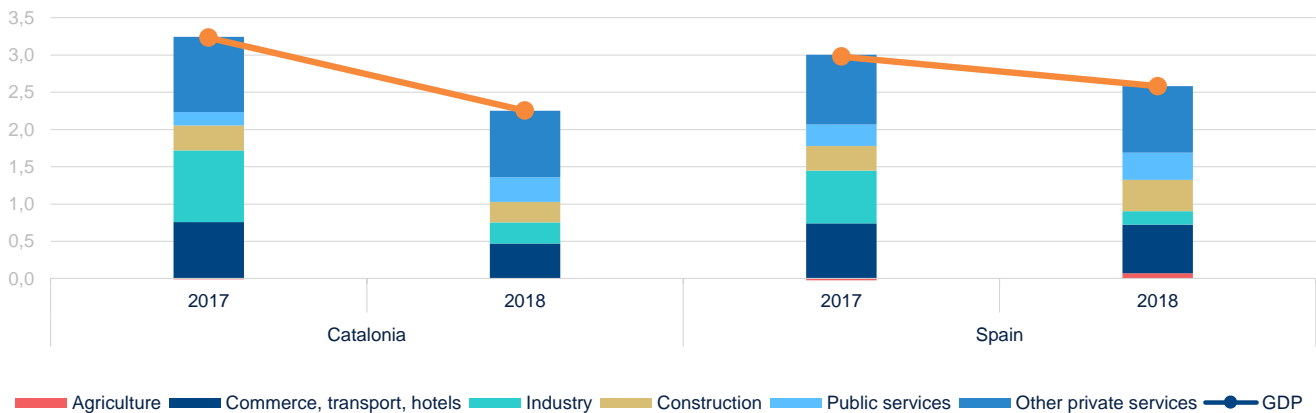


Source: BBVA

## The slowdown in industry and commerce explain the reduced growth of the Catalan economy

The first estimate of the INR on the growth of regional GDP in 2018 shows that **the activity in Catalonia will increase by 2.3%**, ten p.p. below the growth rate of 2017 and three under the national rate. **The main contributions towards the growth of the GDP have been the professional activities (0.6 p.p.) and those of the commerce, transport and hospitality sectors (0.5 p.p.).** On their part, the contribution of industry, construction and public administration reached 0.3 p.p. in each of the sectors. Compared to 2017, the decline of the industrial sector (7 p.p. less than that of 2017<sup>6</sup>) and in commerce (dropping from 0.8 p.p. to 0.5 p.p.) help explain both the downturn of the Catalan economy and the fact that the regional GDP has fallen more than that of the country as a whole (see Figure 2.3).

Figure 2.3 Catalonia and Spain: GDP growth in the years 2017 and 2018 and sectoral contributions (YoY, % and pp)



Source: BBVA Research based on data from the INE, Regional Accounting in Spain

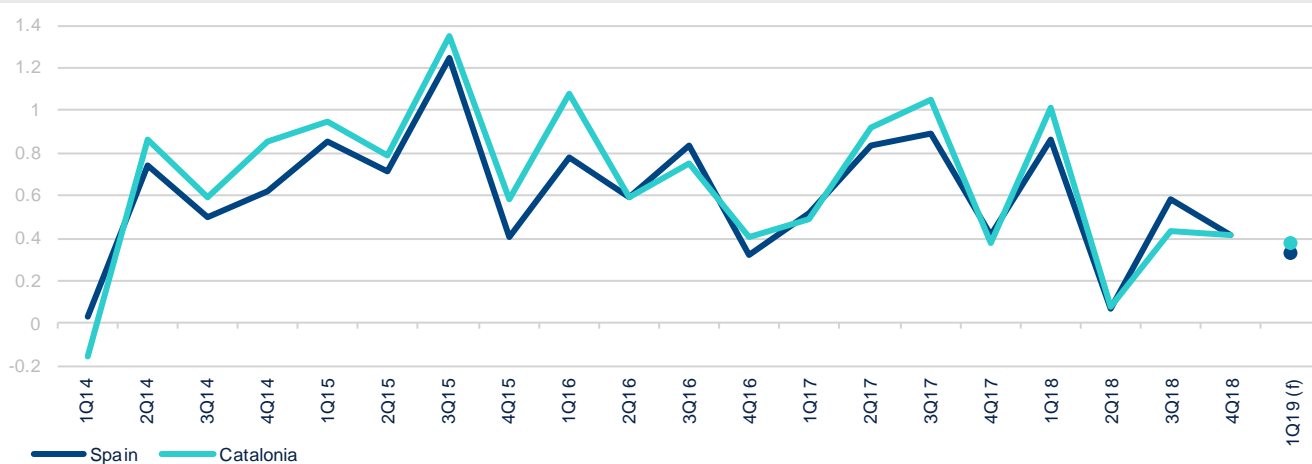
6: In Catalonia, industry went from growing by 4.99% in 2017 to doing so at a rate of 1.4% in 2019. Commerce, on its part, fell from 3.4% in 2017 to 2.0% in 2018.

## Private consumption fell in 2018, but has remained stable at the start of 2019

Consumer spending by Catalan households has increased by 2.4% in 2018, one p.p. under the rate of Spain as a whole, showing a slight decrease with respect to 2017 (2.7%). As had been predicted in the previous issue of this journal, the stagnation of consumption in the second quarter of 2018 came to an end in the second half of the year, further boosted by the increase in disposable income linked to the increase in public wages and pensions. The BBVA Research Composite Consumption Indicator–ISCR-BBVA<sup>7</sup>- which brings the main available partial expenditure indicators, shows a quarterly average growth of 0.4% SWDA in the last two quarters of 2018, but also during the first quarter of 2019. By partial indicators, the highest volatility appears in the latter part of the year, with an increase in the retail sales index, offset by the reduction in vehicle registrations due to regulatory changes on WLTP emissions<sup>8</sup>.

However, in the future, a slowdown in consumer growth is expected, as a result of the gradual dying down of tailwinds. Therefore, once the effect of stagnant demand, the drop in interest rates, the fall in oil prices and the more recent increases in disposable income have been overcome, household consumption is expected to increase once again in line with their disposable income levels.

Figure 2.4 Regionalised Composite Consumption Indicator, ISCR-BBVA (% QoQ, SWDA)

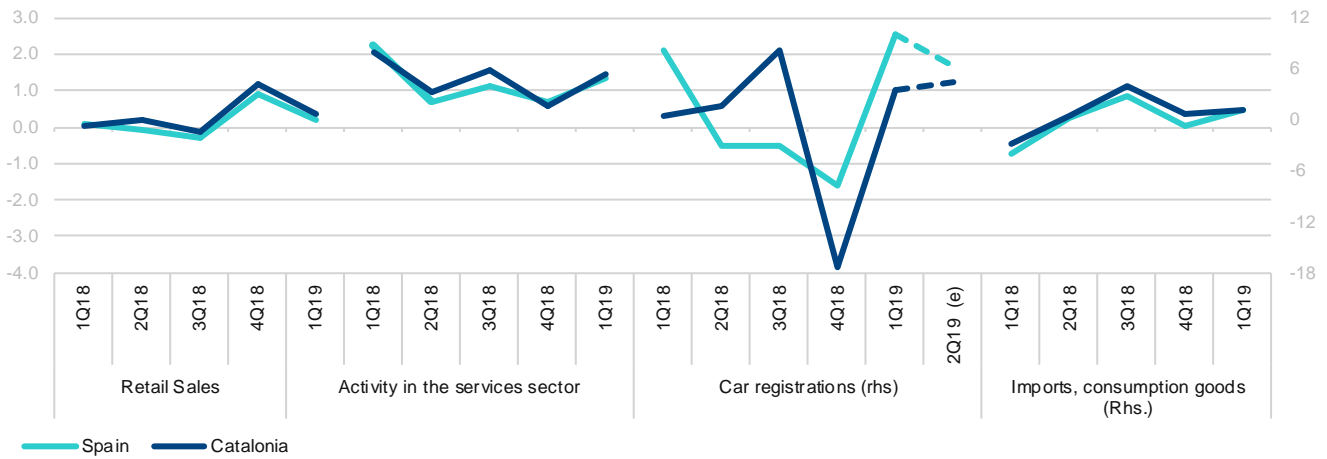


Source: BBVA Research using data from the INE, DGT, Social Security and Datacomex

7: The Composite Consumption Indicator, which is prepared by BBVA Research, is based on the main partial cost indicators available at regional level: retail sales, vehicle registrations, activity index in the services sector, imports of consumer goods, fuel and domestic consumption in Spain. The methodology used for the construction of the indicator is based on the analysis of the main components. For more information, see R.1 Does the performance of domestic demand affect the growth of exports? In Spain Economic Outlook, 4th quarter 2015, BBVA Research.

8: More detail on the effects of this change can be found in the Consumer Outlook, 1st half of 2018, available here: <https://www.bbvarresearch.com/en/publicaciones/consumption-outlook-first-half-2018/>

Figure 2.5 Main indicators of private consumption (% QoQ, SWDA)



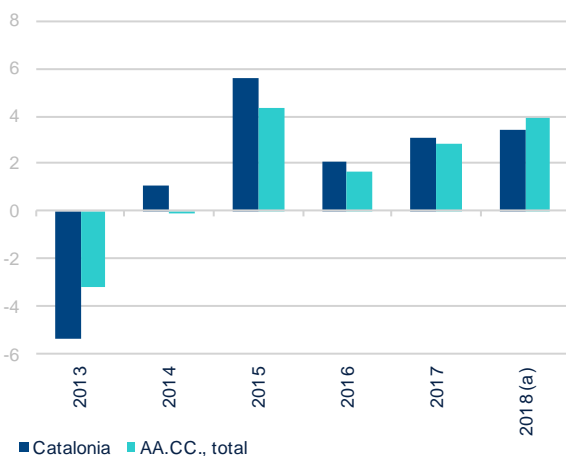
(e) Estimate with the latest information available at the time of writing.  
Source: BBVA Research based on INE, DGT and Datacomex data

## The autonomous region outlay is growing at a slightly slower rate, due to the reduced expansion of investment

The data pertaining to the close of 2018 have confirmed the moderately expansive tone of the fiscal policy of the Generalitat of Catalonia, despite the exceptional circumstances and the budgetary extension. Thus, the end consumer spending of the autonomous administration increased by 2.4% YoY, slightly below that of all the autonomous regions as a whole (+3.9% YoY). This momentum is not matched by investment: despite an increase in the second half of the year, it has remained stable throughout the year (+0.3%), unlike what has happened in the country as a whole (+5.4% YoY) (see Figures 2.5 and 2.6).

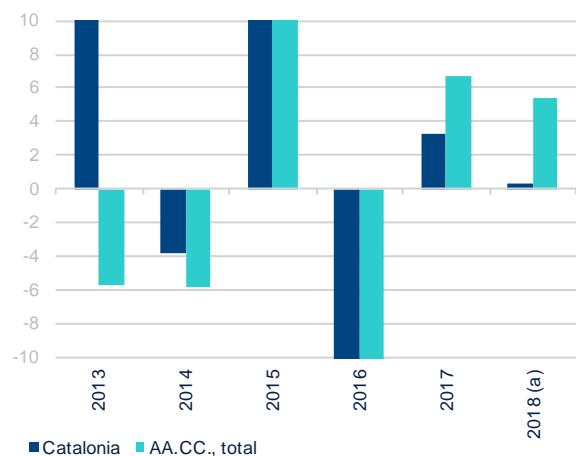
The first available data on the 2019 budget execution show that until February the Generalitat has kept up the higher rate of expenditure observed in the second half of 2018.

Figure 2.6 Generalitat of Catalonia and Autonomous Regions as a whole: Nominal end consumer spending\* (% YoY)



\* Approximation to nominal final consumption expenditure, excluding fixed capital consumption.  
Source: BBVA Research with data from the Treasury Ministry

Figure 2.7 Generalitat of Catalonia and the Autonomous Regions as a whole: gross fixed capital formation (% YoY)



Source: BBVA Research with data from the Treasury Ministry



## Public works tenders have increased their growth in the first quarter of 2019

**Public works tenders increased in 2018 in Catalonia, but at a slower rate than in the previous year.** There was a 10.2% increase in public works tenders in Catalonia compared to 2017, whereas it was 31.1% at a national level. Consequently, Catalonia has accumulated two years running of a growth in public works that is lower than that observed for the country as a whole. Moreover, the investment volume in terms of GDP (1.0%) is lower than that observed for all of the autonomous regions. This fact has been replicated without interruption since 2004.

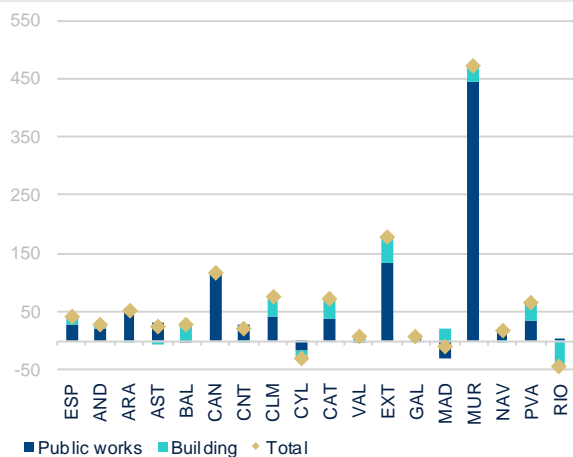
In 2018, both civil works and building works have grown at similar rates. The improvement in the former is worthy of note, following the downturn experienced in 2017 (-9.7%). Therefore, the bidding value of civil works has grown by 9.3% in Catalonia (+36.8% in Spain). On the other hand, construction has grown by 11.3%, compared to a national average of 20.8%. In this case, this means a slowdown compared to the increase of 50.0% of the previous year. The breakdown by type of works reveals that the most salient items in construction in 2018 have been those involving administrative and healthcare buildings, accounting for close to 15% of tenders in Catalonia. Works involving educational buildings and transport terminals were also important. As for civil works, urban development works account for close to 25% of total tenders, although the expenditure on construction and maintenance of roads and railways are also worth mentioning.

**Public Works grew in all provinces, except for Lleida.** Tarragona was the province where the increase in public works was most evident in 2018 (30.8%). In Girona it rose by 11.2% and in Barcelona, concentrating 79.7% of tenders in Catalonia, it increased by 9.0%. In Lleida, on the other hand, the downturn amounted to 16.7%, following the increase of 6.4% in 2017.

By financing institutions, both the State and the territorial organisations have increased their bidding in 2018. The State increased by 17.1%, whereas the increase in Territorial Entities amounted to 8.9%. Thus, the weight of the State in terms of tenders reached 16.6%, 1 p.p. more than 2017, but below the average achieved in the period 2004-2017 (26.7%).

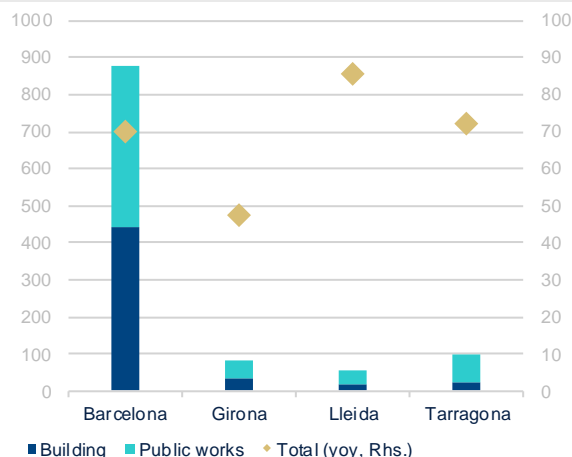
The start of 2019 once again appears to be positive, and the data suggest that a new growth in public works in Catalonia is under way. During the first four months of the year in progress, the increase in the tendered amount has been of 71.5% YoY (41.7% in Spain), which makes Catalonia one of the eight autonomous regions with above-average growth in public investment (see Figure 2.9). By type of work, the increase is greater in building (74.8%) than in civil works (68.8%). In addition, this increase is generalised throughout the provinces: 86% YoY in Lleida, 72.3% in Tarragona, 70% in Barcelona and 47.7% in Girona (see Figure 2.10). The entity responsible for this increase in the first four months of 2019 is the State, with a six-fold increase in tender value, whereas that of the territorial entities has dropped by 27.1%.

Figure 2.8 Public works by type of works: contribution to year-on-year growth, January-August 2019 (Percentage points)



Source: BBVA Research based on Ministry of Public Works data

Figure 2.9 Catalonia: tender budget for provinces (€ millions and % YoY)



Source: BBVA Research based on SEOPAN data

## In the first quarter of 2019 the productive investment has increased once again

After having grown by 4.6% YoY in 2017<sup>9</sup>, in 2018 capital goods imports increased by 2.8% YoY in nominal terms, 0.9 p.p. over the national average (see Figure 2.10). This has been due to a more favourable performance of foreign capital goods purchases in Catalonia than in the rest of the country as of the second quarter of 2018. The data for the first quarter of 2019 (with information until February) suggest that a new increase could take place in the first quarter of 2019.

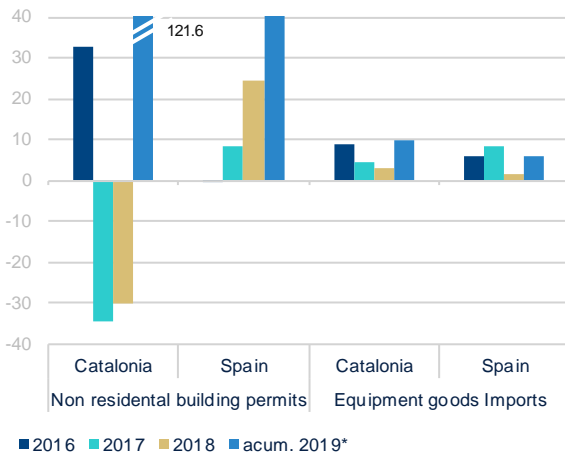
**Permits for construction of non-residential buildings were on the rise at the start of 2019, after the downturn of 2018.** The Ministry of Public Works suggests that the surface area approved for construction of non-residential buildings<sup>10</sup> fell by 30.2% compared to the national figure in 2017, in contrast with the increase observed for the country as a whole (+24.5%). This decrease was preceded by a drop of 35.0% in non-residential land approved in 2017. Classified by type of building, the negative performance in 2018 is basically due to the drop in land approved for buildings for commercial and office use. However, the first three months of 2019 show what could become a normalisation of non-residential construction, as the land approved for this type of construction has increased by 66.3% YoY. This increase is due to the recovery of the commercial and office sectors, which are precisely the sectors that had caused the decline at the start of 2018. **This recovery has meant that the m<sup>2</sup> of surface area authorised for non-residential construction have surpassed the considerable decrease of the previous year, having returned to the level of the third quarter of 2017.**

**From a more qualitative perspective, the results of the BBVA Economic Activity Survey of Catalonia show that the optimism of the first half of 2018 is gradually losing momentum, except in the case of new construction, where the balance of responses remains clearly positive.** This proves that the confidence in the business sector is still not clear (see Figure 2.11 and Table 1). In any event, unlike what happened at the end of 2017, the correction of confidence is now more generalised (also observed in Spain and in other European indicators).

9: The series of data on foreign trade were revised when the final data for 2017 were published.

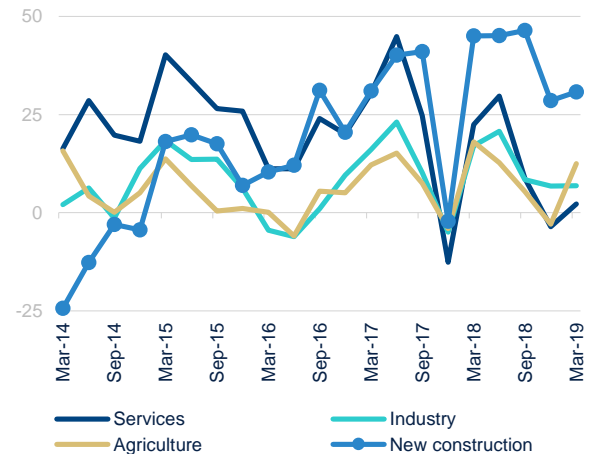
10: Buildings destined for commercial and storage services, agricultural and livestock activities, industrial, offices, tourism and recreation and transport services, among others.

Figure 2.10 Non-residential construction permits (m<sup>2</sup>) and imports of capital goods (% YoY)



Source: BBVA Research based on Ministry of Public Works and Datacomex data

Figure 2.11 Catalonia: evolution of the investment by sector according to the BBVA Survey of Economic Activity (Balance of responses, %)



Source: BBVA

## Slowdown in housing sales in 2018

The sale of homes in Catalonia has increased for the fifth year running, but has slowed down in comparison to performance in 2017. The data from the Ministry of Public Works show that practically 89,400 homes were sold last year, 4.4% more than the previous year (Spain, +9.3%). This is a significant slowdown compared to 14.0% YoY of the previous year. The quarterly figures show relative stability in the first half, with more dynamism in the second half (see Figure 2.12).

The composition of demand shows certain variations in 2018, with an increase in the proportion of operations completed by residents in the same province and a reduction in that by residents abroad. Thus, the residents in the same province (a figure that is close to the performance of demand for primary residence homes) have increased purchases by 6.3% and have carried out 73.5% of the operations (1.3 p.p. more than the previous year). Growth is less than that observed for the whole of Spain (+10.8% and 70% of operations). On the other hand, second home purchase operations carried out by buyers resident in a province other than that of the location of the home, have grown by 11.9%. By contrast, purchases by foreigners have fallen by 4.3% in 2018, compared to the 3.0% increase in Spain as a whole. As a result thereof, foreigners have reduced their weight in the market by 1.3 p.p. to 14.4% of total buyers.

The analysis by province shows differences in performance: **in Barcelona and Girona housing sales have reduced considerably, whereas the decrease in Tarragona is moderate and in Lleida they have grown, to +16.5%** (see Table 2.1). Among towns with populations over 25,000, sales have increased by 4.6%. The most important increases have taken place in Sant Feliu de Llobregat and in Montcada i Reixac, having exceeded 30%, whereas those in Tortosa, Barberà del Vallès and Granollers have exceeded 25% YoY. The main reductions have taken place in Barcelona and in Gavà, both with decreases in excess of 10%. Sales also dropped in Girona, albeit by 2%. By contrast, they increased in Lleida by 15.4% and in Tarragona by 10.8%.

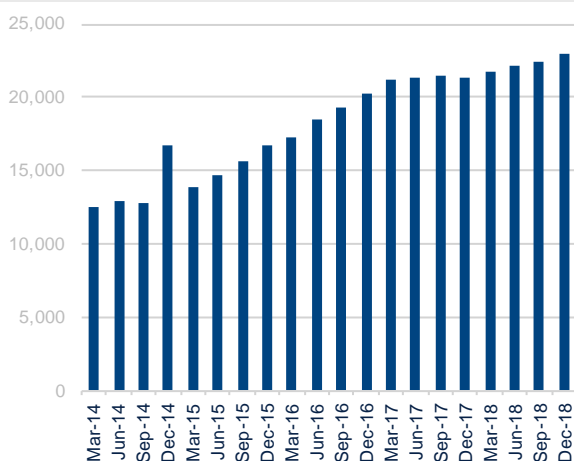
**Housing prices in Catalonia increased by more than the rest of Spain in 2018.** The valuations recorded by the Ministry of Public Works show that the housing prices increased by 5.3% in Catalonia, slightly above €2,000/m<sup>2</sup> by the end of the year (+3.4% in Spain). By province, the increase continued to be headed by Barcelona, whereas it remains stable in Girona, and in Lleida and Tarragona the increase was below the Spanish average (see Table 2.1). At a municipal level, the largest increases (above 15% YoY) were observed in L'Hospitalet de Llobregat,

Cornellà de Llobregat and Sant Joan Despí, whereas the smallest (below 2%) were recorded in Igualada, Manresa and Blanes. Among the capital cities, Barcelona stands out with a housing revaluation of 11.2%. In Tarragona, the increase was of 7.2, in Girona of 5.4% and in Lleida, of 4.9%.

**The year began with a new increase in housing prices in Catalonia: 5.9%, 0.6 p.p. more than the year-on-year average for 2018.** Barcelona was once again at the lead, with 7.4% YoY. In Tarragona and Girona the increases were of 1.4% and 1.0%, respectively, whereas in Lleida housing prices fell by 1.0% YoY. At a municipal level, the prices once again increased in the big cities in the first quarter of 2019, notably in Mataró, Tortosa, Terrassa and Badalona, with increases above 17% YoY. On the other end of the scale, the smallest increases took place in Cabriels, Tarragona and El Vendrell, of between 2% and 3% YoY.

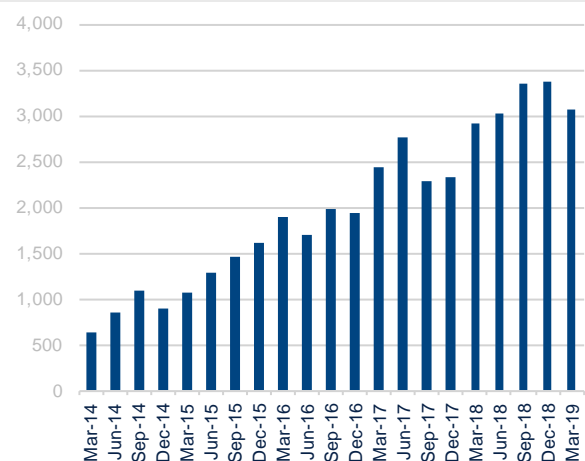
**The permits for new homes signed in Catalonia in 2018 increased more than that for Spain as a whole, but below the level of 2017.** Therefore, close to 13,000 permits to build new homes were granted (+28.0% YoY, compared to 24.7% in Spain). On a quarterly basis, a positive trend has been observed throughout the year, with greater increases in the first and third quarters (see Figure 2.13). By province, the growth in Lleida was the highest, but the performance was positive in all provinces (see Table 2.1). However, in the first quarter the performance was less positive, with a correction of 9.0 QoQ SWDA in permits.

Figure 2.12 Catalonia: housing sales (SWDA)



Source: BBVA Research based on Ministry of Public Works data

Figure 2.13 Catalonia: permits for construction of new housing (SWDA)



Source: BBVA Research based on Ministry of Public Works data

Table 2.1 Catalonia: real estate market variables by province

|                  | Housing sales |             |               |            | Housing price |            | New dwellings Building permits |             |               |             |
|------------------|---------------|-------------|---------------|------------|---------------|------------|--------------------------------|-------------|---------------|-------------|
|                  | 2017          |             | 2018          |            | 2017          |            | 2017                           |             | 2018          |             |
|                  | Dwellings     | yoy %       | Dwellings     | yoy %      | yoy %         | yoy %      | Dwellings                      | yoy %       | Dwellings     | yoy %       |
| Barcelona        | 59.046        | 14,0        | 60.602        | 2,6        | 6,4           | 6,6        | 8.683                          | 48,6        | 10.544        | 21,4        |
| Girona           | 11.313        | 15,5        | 11.602        | 2,6        | 2,4           | -0,1       | 685                            | -17,6       | 813           | 18,7        |
| Lleida           | 3.962         | 9,0         | 4.616         | 16,5       | 0,5           | 1,7        | 2.017                          | -17,4       | 681           | 175,7       |
| Tarragona        | 11.246        | 13,5        | 12.537        | 11,5       | 1,2           | 1,2        | 476                            | -7,6        | 879           | 84,7        |
| <b>Catalonia</b> | <b>85.567</b> | <b>13,9</b> | <b>89.357</b> | <b>4,4</b> | <b>5,3</b>    | <b>5,3</b> | <b>10.091</b>                  | <b>34,7</b> | <b>12.917</b> | <b>28,0</b> |
| Spain            | 532.261       | 16,3        | 581.793       | 9,3        | 2,4           | 3,4        | 80.786                         | 26,2        | 100.733       | 24,7        |

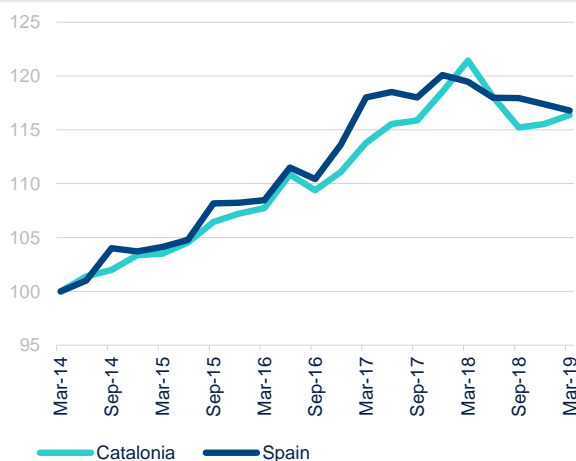
Source: BBVA Research based on Ministry of Public Works data

## The recovery of imports and the slowdown in exports cause an increase in the trade deficit this year

Following the dynamism shown in 2017, Catalan goods exports stagnated during 2018 (-0.5% in the year vs -0.3 in Spain as a whole). The good start to the year did not continue and the reductions of the second and third quarters (-2.8% QoQ SWDA on average) were not corrected with the slight improvement at the end of the year (+0.2%). In the first quarter of 2019, goods exports appeared to begin to recover, having grown in real terms by 0.9% QoQ.

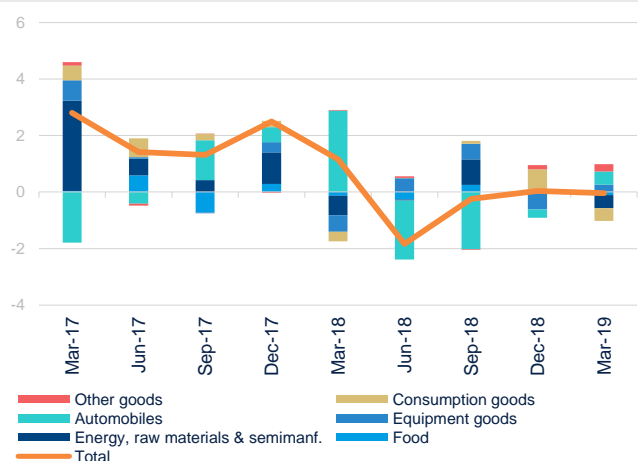
**In nominal terms, goods exports increased by 2.8% in 2018 (+3.2% in Spain as a whole).** Despite the poor performance mid-year (see Figure 2.15) due to regulatory changes in Europe and *dieselgate*, **the automotive sector (+10.0% YoY and 1 p.p. contribution) explains have the growth in sales abroad**, supported by a start of the year in which new model production lines were put in operation. Of the remainder, 1.3 p.p. is contributed by the semi-manufacturing sector with an increase in sales of 4.0%, whereas the contributions from all other sectors are minimal. **In the first quarter of 2019, the contribution by the automotive was positive once again (+0.9 p.p. in the quarter, SWDA)** but insufficient to resume favourable export levels, as both consumer semi-manufactured goods had a negative performance.

Figure 2.14 Catalonia and Spain: exports of real goods (1Q14=100, SWDA)



Source: BBVA Research based on Datacomex data

Figure 2.15 Catalonia: sectorial exports and contributions (% QoQ, SWDA, p.p.)



Source: BBVA Research based on Datacomex data

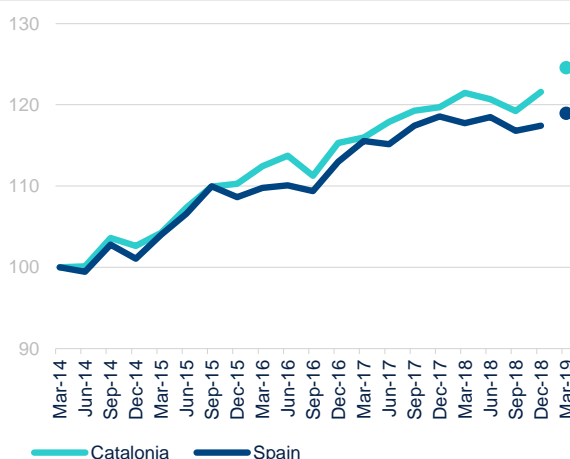
**By geographical area, in 2018 the Eurozone market, which accounts for 52% of Catalan sales of goods abroad, increased by 2.7%.** All main European export destinations had increases that were similar or lower than the total of exterior sales in Catalonia. Thus, sales to France (leading destination with a share of 16%) increased by 2.6% YoY, whereas those sent to Germany increased by 1.7%, to Italy by 1.4% and those to the UK, by 2.0%. Portugal, however, showed greater dynamism: exports to this country grew by 5.2%. Outside of Europe, the main increases of goods have been those dispatched from Catalonia to Africa (+7.9%), Latin America (+6.95) and Russia (+1.95). These three geographic regions, which in aggregate terms receive 13% of Catalan exports, contribute 1 p.p. to the growth of this item of demand. On the other hand, sales to Asia and North America have fallen in both cases by over 3% (with reductions in sales to China and the US).

**In the first quarter of 2019, the performance of Catalan exports by destination continues to show clear signs of recovery.** Thus, the decline in sales (-0.2% YoY) is almost generalised by destination, and only three destinations can be said to have had a positive performance: Eastern Europe and Russia, Italy and the UK, a destination which, with an increase of 15.9% in sales, contributes an increase of 0.9 p.p. in the quarter.

On the other hand, **goods imports to Catalonia, measured in constant terms, increased in 2018 by 2.4%,** 1.3 p.p. above that of Spain as a whole, and 1.9 p.p. more than in 2017 (see Figure 2.16). In nominal terms, the increase was of 6.6%, and was due to the dynamism in purchases of energy (+25%) and semi-manufactured goods and automobiles (close to 10% increase each). In the first quarter of 2019, imports were adjusted in nominal terms with reductions in the value of purchases of energy, raw materials and consumer goods.

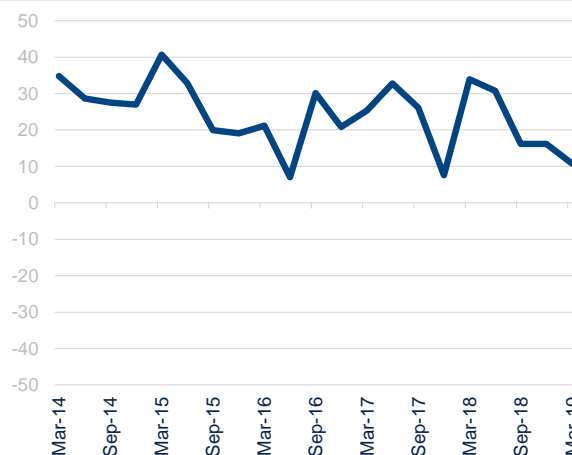
Consequently, the evolution of goods flows overseas has led to an **increase in the deficit of the Catalan balance of trade with other countries of Euros 18,554 million, 24% more than in 2017. This trade balance is equal to 8 percentage points of the Catalan GDP, 1.3 p.p. more than the year before and the highest since 2010.** On the other hand, the results of the BBVA Survey of Economic Activity point to the deterioration in the net balance of responses relating to the evolution of exports in the third quarter, although it remains positive. This result is consistent, therefore, with the weakness of the export data collected by customs (see Figure 2.17).

Figure 2.16 Catalonia and Spain: imports of goods in real terms (1Q14 = 100, SWDA)



Source: BBVA Research based on Datacomex data

Figure 2.17 Catalonia: evolution of the investment according to the BBVA Survey of Economic Activity (Balances of responses %)



Source: BBVA

## Spending by foreign tourists continues to increase, but arrivals from travellers to hotels and overnight stays are falling

**A new record of visitor arrivals at hotels in Catalonia has been beaten in 2018: 20 million overnight stays, 1.4% more than in the previous year.** This amount of visitors shows an increase in the number of foreign tourists, whereas those from Spain have fallen by 1.4%. **The drop in the number of visitors resident in Spain is also reflected in the number of overnight stays, which have fallen by 0.9% overall** (to 56.7 million). In this case, the increase in the stays by foreign tourists (+0.7%)<sup>11</sup> has not been enough to offset the fall in the number of stays by visitors from the rest of Spain (-4.7%). From among these, those from Catalonia have reduced their number of

11: Among the residents in Spain, the main changes have been the reduction of overnight stays by Catalan residents (-2.0 and -0.3 p.p. of contribution to the change in total overnight hotel stays) and that of those from Madrid (-8.6% and -0.3 p.p.). Among foreign visitors, the most positive are from visitors from the USA (+ 1.0% and 0.4 p.p. of contribution) and from France (+1.5% and +0.2 p.p.), whereas the mostly negative are those from the United Kingdom (-5.3% and -0.6 p.p. contribution) and Germany (-5.6% and -0.3 p.p. contribution).

overnight stays by 2.0%, whereas those from the rest of Spain have done so by 7.8% (see Figure 2.18). Thus, Catalonia was the autonomous region with the highest reduction in overnight stays by residents in Spain after La Rioja).

In line with the poor performance of foreign tourist arrivals at hotels, **the arrival of tourists at the border has stagnated** in 2018 (+0.1%, after having increased by 5.4% in 2017). However, the average spend by tourist has increased by 8.7% to €1,058, which has meant that, overall, the total spend by foreign tourists in Catalonia has increased by 7%, in excess of €20,500 million.

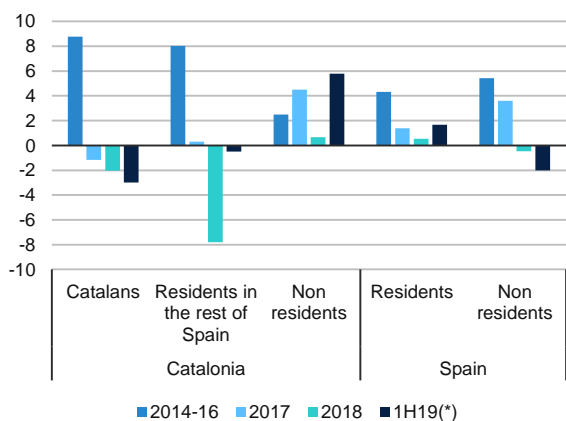
**The increase in the amount spent by tourists, however, has not been sufficient to maintain the margins of the hotel sector**, which during last year has reduced rates in an attempt to correct the change of pace of visitor arrivals. Specifically, hotel prices in Catalonia have fallen by on average by 1.8% in 2018 <sup>12</sup> (+0.1% in Spain), having become the region with the largest adjustment; and among the touristic regions, only Canaries (-0.2%), has also reported a decline in volume). Catalonia is therefore the region where hotel prices have fallen the most, and the only among the beach touristic regions. And this, after the 2.3% increase (half the increase in Spain as a whole) of hotel room prices in 2017 that took place as a result of the end of year correction. **In any event, the sector is starting to show signs of recovery**. In the fourth quarter of 2018, the average daily rate had already recovered the pre-shock levels of the third quarter of 2017, and in the first quarter of 2019 the performance of the sector is once again showing signs of a faster recovery than in the rest of Spain.

By touristic areas, **the city of Barcelona**, which absorbs between 35% and 40% of the tourism arriving in Catalonia, **has shown a recovery in the number of tourists in the second half of 2018**. Consequently, overnight stays in hotels have grown by 2.7%, despite the decrease in stays by residents in Spain of 5.7%. By contrast, the performance in coastal destinations has been heterogeneous. On the one hand, in the Costa Brava (20% of the total) the number of tourist arrivals at hotels has increased (+5.4% YoY), both due to arrivals of visitors from Spain and abroad. But in the rest of coastal areas, the downturn has been general, both in terms of visitors from abroad and those from Catalonia or the rest of Spain. This situation has continued during the first months of 2019, with Barcelona acting as the driver ahead of all other territories.

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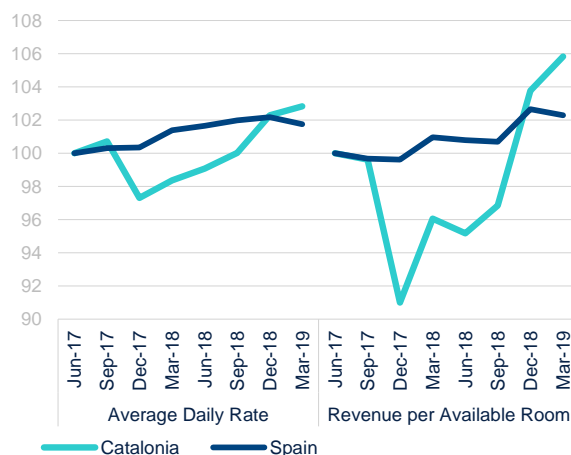
12: Estimate of real hotel prices, deflated by CPI of the MEU.

Figure 2.18 Hotel overnight stays in Catalonia: contributions by origin (QoQ, SWDA, %) (1Q13=100, SWDA)



Source: BBVA Research based on INE and Idescat data

Figure 2.19 Daily average rate and average income per room available in hotels in Catalonia and Spain (2Q17=100)



Source: BBVA Research based on INE data

## Public sector contracting supports the dynamism of the labour part in the first half of 2019

Social Security registration levels have increased by 2.9% in 2018, one percentage point under the level of the same period the year before. For the year as a whole, the main contributors to the increase in the registration have been the public services, healthcare and education (0.9 p.p.) and professional activities (0.6 p.p.). Whereas the contribution from the public services to the growth of employment was similar to that of the year before, in all other important sectors the contribution compared to 2017 has fallen by 2 p.p.<sup>13</sup>. During the first half of 2019 (with data for 2Q19 being completed with forecasts for May and June), the trends are similar: the registration could grow at a quarterly average rate of 0.6% QoQ (one percentage point below that of the first and second halves of 2018 and the key contribution continues to be that by non-market services (2 p.p.), but without signs of a slowdown yet in all other (see Table 2.2).

The Labour Force Survey (EPA) confirms this pattern of minimal slowdown in the labour market: in 2018 employment in Catalonia grew by 2.7% (two percentage points below that of a year before), mainly in industry and agriculture (with increases of above 6%). In terms of salaried employees, the most significant rise has been among those working in the public sector (+9.0%, vs. 3.2% for all salaried employees). This trend has also continued during the first quarter of the year.

13: Between 2017 and 2018, the contribution to the growth of total Social Security registration fell by two percentage points in the sectors of Commerce, transport and repairs, hospitality and professional activities. In addition, communications, finance and real estate services also fell by one percentage point.



Table 2.2 Contributions to the growth of Social Security registrations (QoQ, %, SWDA)

|                           | Catalonia  |            |            |            |            |            | Spain      |            |            |            |            |            |
|---------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
|                           | 2017       | 2018       | 1H18       | 2H18       | 1Q19       | 2Q19       | 2017       | 2018       | 1H18       | 2H18       | 1Q19       | 2Q19       |
| Agriculture               | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.1        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        |
| Energy and mining         | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        |
| Manufacturing             | 0.4        | 0.4        | 0.1        | 0.1        | 0.0        | 0.0        | 0.4        | 0.3        | 0.1        | 0.0        | 0.0        | 0.0        |
| Construction              | 0.3        | 0.3        | 0.1        | 0.1        | 0.1        | 0.1        | 0.4        | 0.4        | 0.0        | 0.1        | 0.1        | 0.1        |
| Commer., transport and Re | 0.7        | 0.5        | 0.1        | 0.1        | 0.1        | 0.0        | 0.6        | 0.4        | 0.1        | 0.2        | 0.1        | 0.0        |
| Hostelry                  | 0.4        | 0.1        | 0.0        | 0.0        | 0.1        | 0.0        | 0.4        | 0.3        | 0.0        | 0.1        | 0.1        | 0.0        |
| Comunic., Finances & RE   | 0.2        | 0.3        | 0.1        | 0.1        | 0.1        | 0.1        | 0.2        | 0.2        | 0.1        | 0.1        | 0.1        | 0.1        |
| Professional Activ.       | 0.8        | 0.6        | 0.1        | 0.1        | 0.1        | 0.1        | 0.6        | 0.5        | 0.2        | 0.1        | 0.1        | 0.1        |
| Public Services           | 0.9        | 0.9        | 0.2        | 0.2        | 0.2        | 0.2        | 0.8        | 0.8        | 0.2        | 0.2        | 0.2        | 0.2        |
| Social Services           | 0.1        | 0.1        | 0.0        | 0.0        | 0.0        | 0.0        | 0.1        | 0.2        | 0.0        | 0.0        | 0.0        | 0.0        |
| Other                     | -0.1       | -0.1       | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | -0.1       | 0.0        | 0.0        | 0.0        | 0.0        |
| <b>Total</b>              | <b>3.9</b> | <b>3.0</b> | <b>0.7</b> | <b>0.6</b> | <b>0.6</b> | <b>0.5</b> | <b>3.6</b> | <b>3.1</b> | <b>0.6</b> | <b>0.8</b> | <b>0.6</b> | <b>0.5</b> |

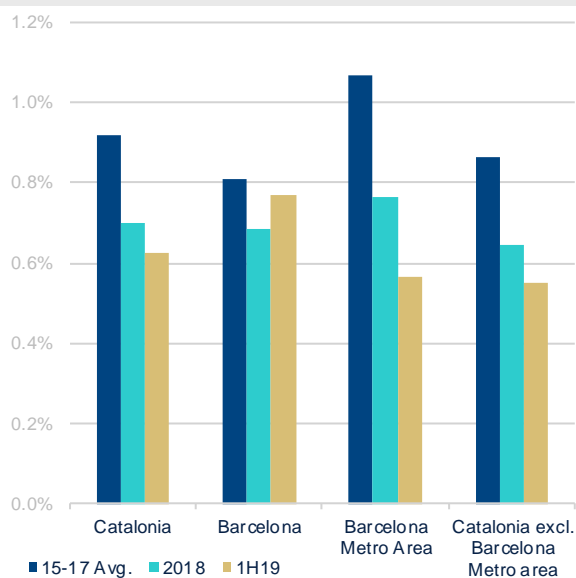
Source: BBVA Research based on Social Security data

The analysis of the SS registration by area shows that the slowdown in employment is heterogeneous in terms of territory (see Figure 2.20). Therefore, and in line with the downturn in the industrial sector, the increase in employment was slower in towns in the metropolitan area and in the rest of Catalonia than in the capital. During the first quarter of 2019, moreover, Barcelona reported a faster increase in Social Security registrations, whereas this continues to slow down in the rest of the Metropolitan Area of Barcelona and the rest of Catalonia.

The performance of the labour market helps explain the **fall in the unemployment rate to 11.6% in the first quarter of 2019, half a point under that achieved the year before**. This ratio, despite being the lowest since 2009, contrasts with that reached in 2007, when the unemployment rate was below 7%. However, the fact that between the first quarter of 2018 and the first of 2019 the number of employable people in Catalonia has increased by 2%, reaching 3.8 million people, must be taken into account.

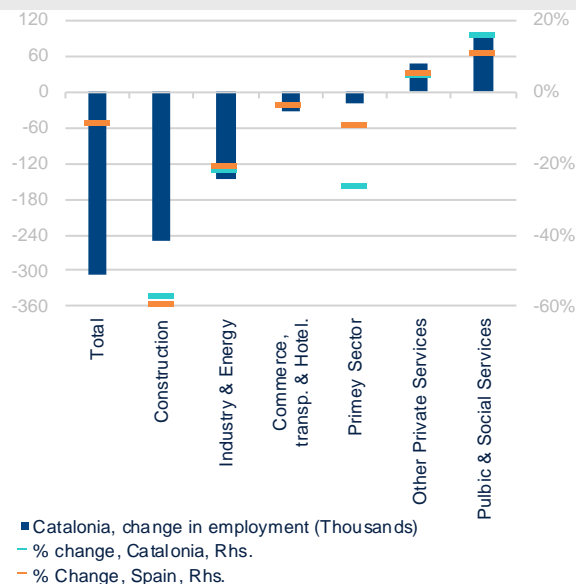
Ten years after the start of the crisis, and five years since the start of the recovery, employment in Catalonia has still not recovered the levels reached during the previous growth period. The Regional Accounting figures published by the INE show that in 2018 the number of employed people in Catalonia was of 3,566 thousand, equal to 1.8%. In 2017 (the last year containing a sectorial breakdown in Regional Accounting), this figure was of 3,502 thousand. This is in sharp contrast with the 3.8 million people employed in 2007. The breakdown by sector shows that the different of 307 employed people between 2017 and 2007 (-8.1%) are mainly concentrated in construction (where 250 thousand jobs have been lost, almost 57% of the total). The level of job loss in the industrial sector is also significant (-21.8%, that is, 147 thousand people less). On the other hand, only the public sector and social services show an increase in the period: at the end of 2017 about 93 thousand people more than before the crisis were working in this sector, an increase of 16.4% (the increase for Spain as a whole in this activity sector was of 11.5%) (see Figure 2.21).

Figure 2.20 SS Registration by Large Urban Areas (1Q14=100, SWDA)



(\*) Note: the data for June 19 are those of the second quarter, which include forecasts for May and June.  
 Source: BBVA Research based on INE, Social Security and the Ministry of Public Works data

Figure 2.21 Catalonia: employment variations between 2007 and 2017 (Thousands and %)



Source: BBVA Research based on INE data

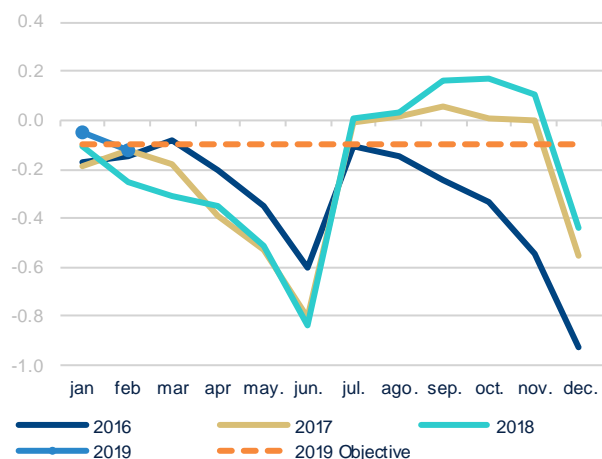
## The Generalitat has met the stability target

In 2018 the Generalitat of Catalonia reduced its deficit by one percentage point, to -0.4% of the regional GDP, having met the budgetary stability target (see Figure 2.22). This was possible, to a large extent, due to restrictions on autonomous spending, particularly in investment. In addition, income grew more than expenses, supported by the increase of payments on account from the autonomous region financing system.

## Amid a new context of budgetary extension, the stability target of 2019 appears to be achievable.

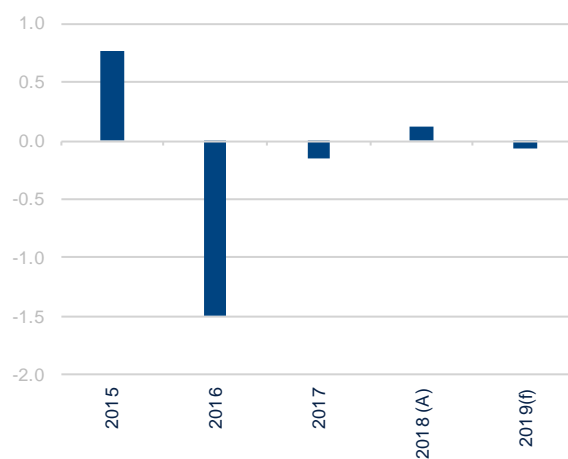
Once again, the budgetary extension will be affecting Catalan fiscal policy in 2019. Thus, the first available data on budgetary execution show a stagnation of autonomic expenditure, whereas income continues to grow, mainly driven by the collection of certain taxes managed regionally (and particularly, property transfer tax and stamp duty). Thus, for the rest of the year the income is expected to continue to increase, although the Generalitat could use the margin provided by having met its fiscal obligations in 2018 to give a new boost to autonomous region spending. **If the income increases as expected, the Generalitat should have no problem in closing 2019 having met the target of 0.1% of the regional GDP established as a stability target**, as all that is required to achieve this is the correction by less than 1 p.p. of the GDP of the primary spending (see Figure 2.23).

Figure 2.22 Generalitat of Catalonia: capacity/need for financing (Accumulated up to the month t of each year, % of regional GDP)



Source: BBVA Research based on MINHAFP data

Figure 2.23 Generalitat of Catalonia: change in primary spending (pp of GDP)



(a) Advance. (p) Forecast.  
Note: in 2019, necessary change to achieve the stability target.  
Source: BBVA Research based on MINHAFP data

## The growth of GDP in Catalonia could reach 2.2% in 2019, remaining around 2.0% in 2020

GDP in Catalonia is expected to increase this year by 2.2%, continuing to do so at a rate of 2.0% in 2020. If this scenario actually comes about, the growth rate of the Catalan economy will be above that for Spain as a whole by 2020. Moreover, 126 thousand new jobs could be created in these two years and the unemployment rate will fall by 1.9 p.p., to 9.8% by the end of 2020. During this period, the Catalan population could grow by 1.2% (half a point over the growth rate of the population of Spain as a whole). This fact, along with a growth in activity that will be on a par with that of Spain as a whole will mean that, in terms of convergence, Catalonia might once again deteriorate in comparison with the rest of Spain (see Figure 2.24).

Looking forward, several factors continue to affect the behaviour of the Catalan economy. Abroad, an improvement in global demand is expected, but somewhat less dynamic than what was forecast a few months ago. This, along with an expansive monetary policy, will help support the growth of goods exports abroad. In fact, the lower expected growth in the Eurozone and a slower-than-expected standardisation of the monetary policy (partly due to the doubts as to the strength of the recovery in Europe) will result in the Euro being slightly more devalued than forecast. The regions that export the most to territories outside of the Eurozone will benefit the most from global demand and the advantage of price competitiveness. This provides Catalonia with a slight advantage, given its better exposure abroad, specifically in Markets outside of the Monetary Union (see Figure 2.24).

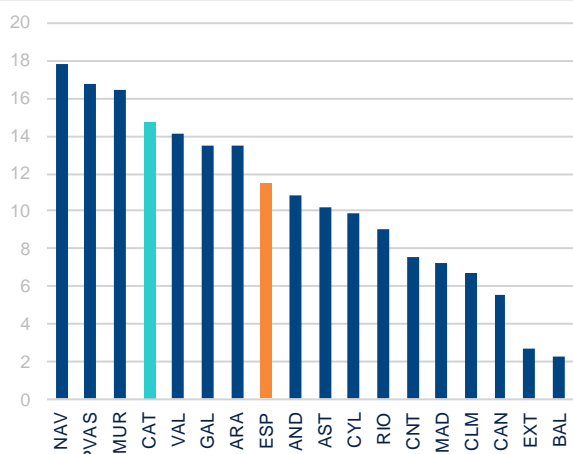
In addition, oil prices are expected to drop<sup>14</sup>, which helps offset the effect of some headwinds and the extinction of some of the tailwinds. Oil prices are expected to fall over the coming months, reaching around 60 dollars per barrel in this two-year period, 15% under what was forecast three months ago. This translates into significant savings for Catalan businesses and households, given the production mix of businesses and household consumption. The impact on regional GDP thereof is estimated to be between three and four p.p., close to what is also expected for Spain as a whole (see Figure 2.25).

14: From the time of publication of the previous Catalonia Economic Outlook.

With regard to tourism, the reduced dynamism of internal demand, both from Catalonia and the rest of Spain and of Spain as a whole is added to a series of factors of a more structural nature, such as the recovery of competitive Markets, the loss of competitiveness due to the price increases in recent years, or the saturation in locations with the largest tourist appeal).

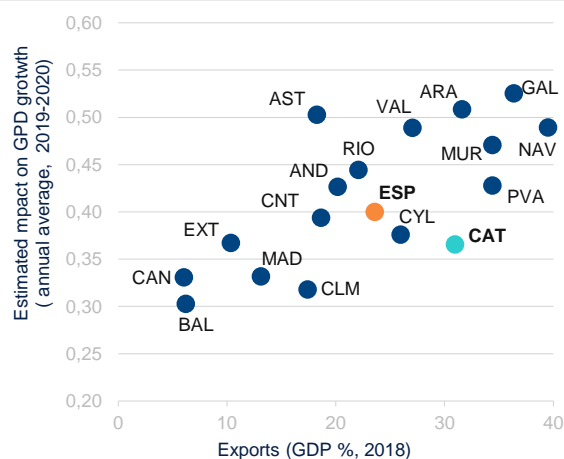
At an internal level, the increase in demand will continue to support growth, but over the two-year period, this factor may be less influential than in previous years. This is due, among other factors, to the end of the stagnated demand during the crisis and the loss of traction of tailwinds that had driven activity, which have tended to reduce household consumption. In the short term this will be offset by the fiscal stimulus of the increase of public salaries and pensions, which in Catalonia will have meant an additional 0.5 p.p. in disposable income for households.

Figure 2.24 Exports outside of the Eurozone (% of regional GDP, 2018)



Source: BBVA Research with data from INE and Datacomex

Figure 2.25 Impact of the reduction in oil prices on the GDP (p.p.)



Source: BBVA Research with data from INE and Datacomex

## Uncertainty remains high

At an internal level, one of the most concerning factors in the last year and a half has been the uncertainty regarding economic policy. The loss of confidence has had its effects, among other areas, in the investment in capital goods<sup>15</sup>, or in hotel prices, and all this has an effect on employment. BBVA Research has estimated<sup>16</sup> that in an environment without uncertainty the Catalan economy could have created 30 thousand jobs more than those it has managed to create in this period (see Figure 2.26). The indicators show that currently the uncertainty regarding the economic policy in Catalonia, along with other idiosyncratic factors is now less than one and a half years ago, and this means that there is no difference in the rate of evolution between Catalonia and the composite region, but the current levels are lower than what would have been achieved in a context with no uncertainty. Furthermore, as a result, among other factors, of the widespread electoral situation, the uncertainty on the economic policy has remained high in Spain (see Figure 2.27).<sup>17</sup>

15: See Catalonia Economic Watch , 2nd half of 2018, available here:

16: for more detail on the methodology see Echevarría, V. in <https://www.bbva.com/en/publicaciones/spain-the-effect-of-uncertainty-in-catalonia-a-synthetic-control-analysis/>

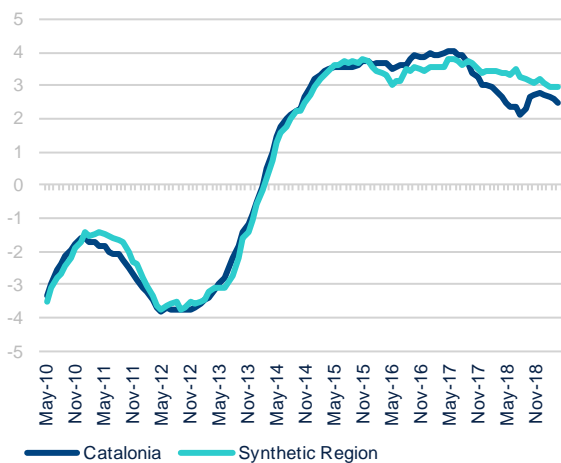
17: See BBVA Research, Spain Economic Watch 2nd quarter of 2019, available here:

In any event, there are still some internal doubts on the economic policy uncertainty, on the impact of certain measures that have been recently approved or regarding the budget, extended in the case of the State, but also, and for the second year running, in the Generalitat of Catalonia.

On the other hand, the State Government has approved an unprecedented Minimum Wage (SMI). This may be boosting income and expense in the short term, but according to estimates by BBVA Research it could have an adverse effect on activity and employment. For the whole of Spain, a drop in employment between 0.9% and 1.6% is estimated, depending on the extent to which businesses are able to absorb the wage increases or transfer this onto prices. Either way, the increase in income due to the Minimum Wage will have an uneven effect by autonomous region, depending on the percentage of salaried employees affected, which in Catalonia is lower than in the rest of the country.

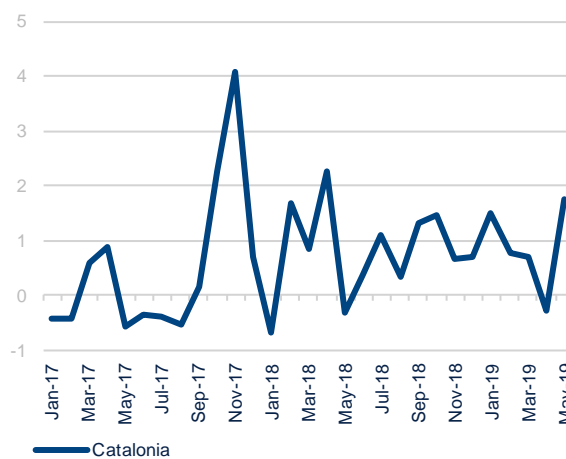
At an external level, the unexpected increase in trade tensions could have a negative effect on Catalan exports. To date, the impact on the financial markets has been momentarily moderate, but the incipient growth observed in the main economic areas could be affected. In this regard, the weight of steel and aluminium exports (two of the products already affected by China sanctions) in the GDP is relatively minor, but automobile exports accounts for almost 1 p.p. of the Catalan GDP. Therefore, the measures that could potentially be applied by the US to Europe could pose a risk, which would be higher if the technology transfer restrictions affect products with a high technological content. As a whole, its greater reliance on exports means that the Catalan economy is more exposed than other Autonomous Regions to changes in external demand. In addition, this could lead to secondary effects via the financial channel and agent confidence.

Figure 2.26 Social Security Registration in the private sector (% YoY)



Source: BBVA Research based on Social Security and INE data

Figure 2.27 Catalonia: Economic policy uncertainty indicator (Standardised data, monthly averages)



Source: BBVA Research based on GDELT

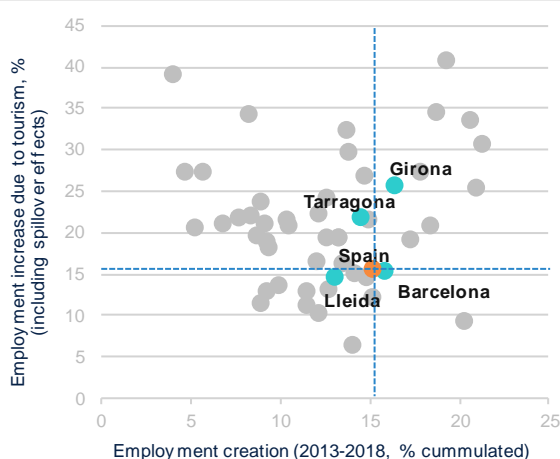
In second place, the less growth forecast for the Eurozone, including the recession situation in Italy, and the increase in uncertainty regarding Brexit will reduce growth in demand for Catalan goods and services in these markets. Recent events have meant an extension of the uncertainty period as to whether the UK will leave the EU with a deal or without it; and in this regard, the exposure of Catalonia to the British market, both in terms of goods and tourism, is similar to that of the whole of Spain.

From a trend perspective, the Catalan economy continues to face the same challenges: the need to improve human capital, reduce inequality, increase flexibility or participation in the job market, among others mentioned on other occasions<sup>18</sup>. But beyond such aspects, it is worth mentioning two that pose important challenges for the Catalan economy, related to the lower traction capacity of tourism and industry.

Firstly, after the strong growth of tourism in recent years, the capacity of this sector to continue to generate employment at similar rate to that of previous years is coming to an end. The stabilisation of employment in the hospitality sector will change the job creation map and impair convergence between regions, and although some provinces might partially offset this impact via the positive performance of other sectors such as residential construction, this may not prove to be sufficient<sup>19</sup> (see Figure 2.28).

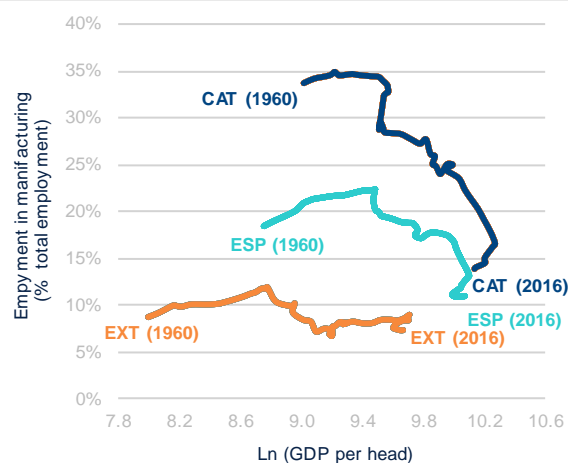
Secondly, the progress of the deindustrialisation process under way in the Catalan and Spanish economies means that the weight of manufacturing sector in the economy is becoming increasingly smaller. In Catalonia, the manufacturing sector had managed to account for 35% of the GVA of the economy and employment but currently its weight has fallen to below 15% (see Figure 2.29). Therefore, the reindustrialisation route seems not to be the right option to achieve prosperity and the way forward needs to include a broader development strategy based on digitalisation and investment in human capital<sup>20</sup>.

Figure 2.28 Job creation and percentage related to the tourism sector 2013-2018



Source: BBVA Research based on Social Security

Figure 2.29 Employment in manufacturing over total employment and GDP per capita between 1960 and 2017 (% and logarithms)



Source: BBVA Research based on INE

## The creation of 126,000 new jobs is envisaged

If the scenario presented in this publication is fulfilled, about 126,000 new jobs will be created in Catalonia. This will allow the unemployment rate to drop below 10% by the end of 2020, which is still not enough to achieve the pre-crisis lows (see Figure 2.32). As unemployment approaches its frictional level, or gets close to pre-crisis lows, upward wage pressures may appear. But recent data suggests that this could already be happening, with an unemployment rate still above 10%.

18: See, for example, Catalonia Economic Outlook, second half of 2018, available here: <https://www.bbva.com/en/publicaciones/catalonia-economic-outlook-second-half-2018/>

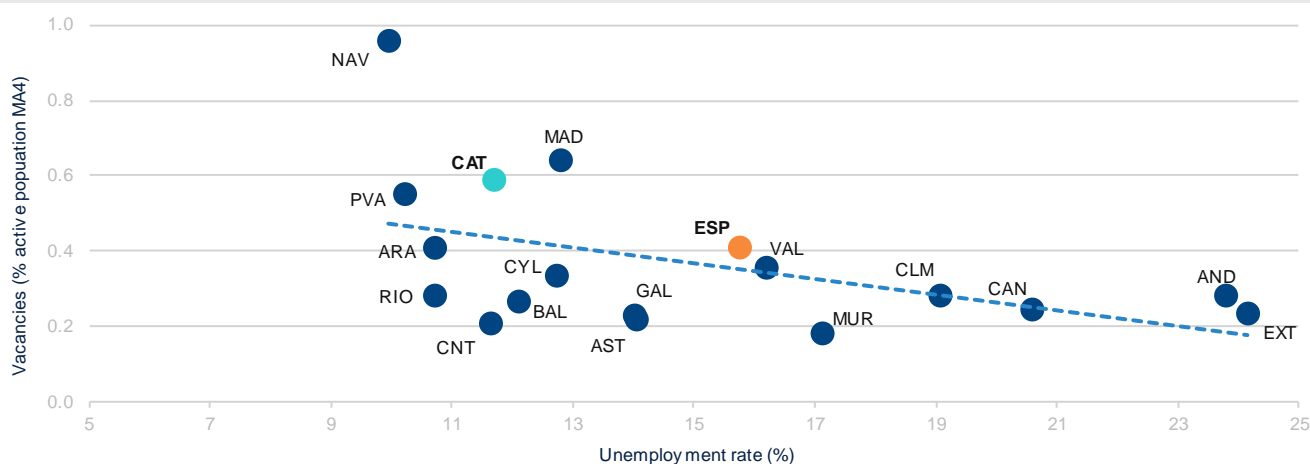
19: For more detail, see Echevarria, Víctor El empleo ante la desaceleración del turismo: un análisis provincial [Employment in the face of the slowdown in tourism: a provincial analysis], available here: <https://www.bbva.com/en/publicaciones/espana-el-empleo-ante-la-desaceleracion-del-turismo-un-analisis-provincial/>

20: For more detail, see Barandiaran, J. Cardoso, M. and Díez, L. Premature deindustrialization in Spain, available here: <https://www.bbva.com/en/publicaciones/premature-deindustrialization-in-spain/>

**In Catalonia, the number of job vacancies over active population is higher than the national average,** although lower than that in Madrid and particularly in Navarre (see Figure 2.30). This means that there are human capital restrictions in Catalonia, in certain sectors needing workers with special skills, such as industry or advanced services or ICT. In this regard, the data from the Quarterly Labour Cost Survey (ETCL) show that in the recovery period, the total labour cost in Catalonia was lower than that of Spain, with a well differentiated sectorial evolution between industry and services (See Figure 2.31). Since the start of 2015 to mid-2017, the labour cost in industry has shown a certain containment, but is now beginning to grow again. On the other hand, services have adjusted their labour costs more strictly during the first years of the recovery period, but are also increasing their growth in the last few quarters, thus halving the growth differential during this period. In part, this could indicate difficulties in finding the required profiles in certain areas of activity. If a good share of the unemployed people do not have the training required by companies that create employment, this could lead to increases in remuneration in these jobs, which would increase the inequality between those who have a job and those who do not.

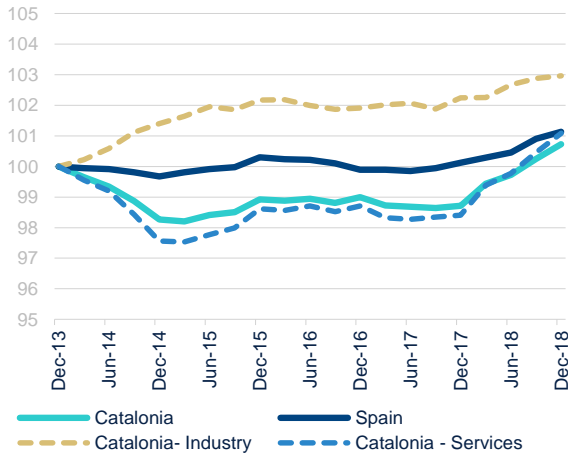
**Additionally, Catalonia should continue to promote training and employability among the long term unemployed.** The proportion of unemployed that continue in this situation for two years or more is falling, and doing so at a faster rate than in the whole of Spain during this recovery period, although it still remains very high. The annual cumulative data show that in the first quarter of 2019 more than 116,000 people were in this situation, 26.1% of the unemployed in Catalonia, 5.3 p.p. less than the level for the whole of Spain (see Figure 2.32). But in both cases, this rate is three-fold that of the long term unemployed during the pre-crisis period. Human capital improvement is, therefore, required to bring about more inclusive growth and equal opportunities.

Figure 2.30 Unemployment and job vacancies (3Q18, %, MM4)



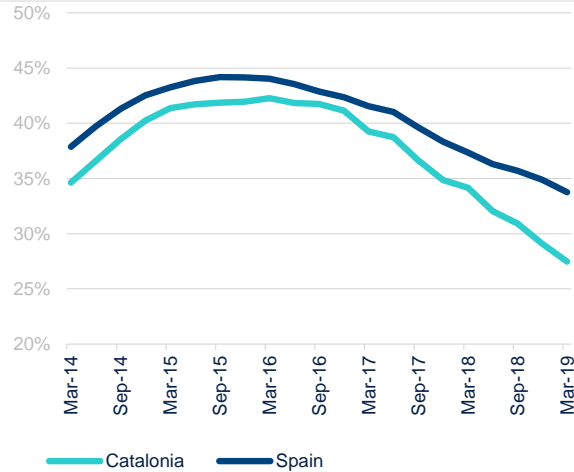
Source: BBVA Research based on INE data

Figure 2.31 Catalonia and Spain: Total labour cost, according to the Quarterly Labour Cost Survey (4Q13=100, YoY)



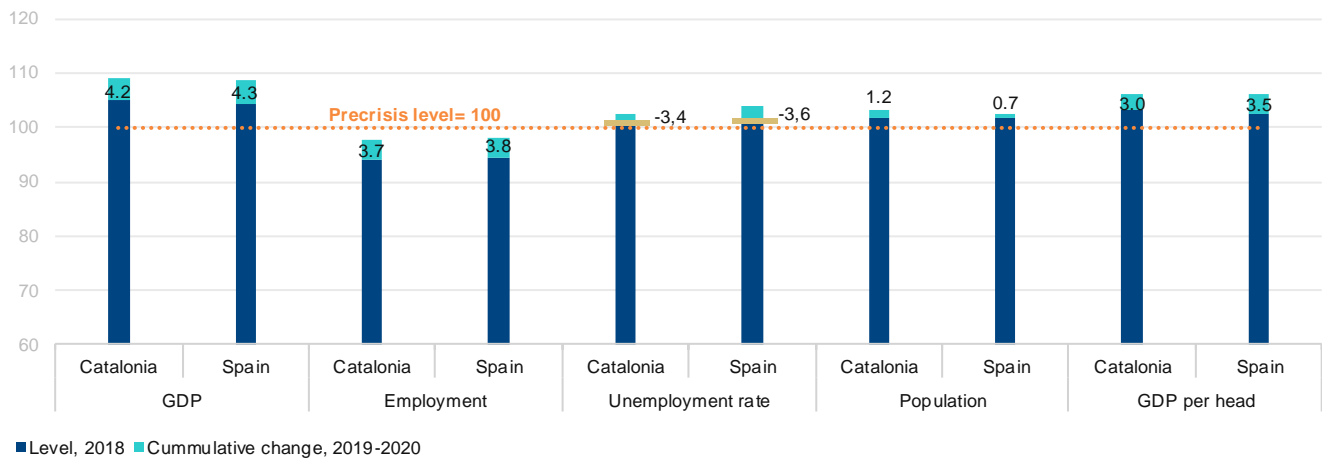
Source: BBVA Research based on INE data (ETCL)

Figure 2.32 Catalonia and Spain: long term unemployed\* as a percentage of the total (% cumulative over 12 months)



\* Unemployed for two years or more.  
Source: BBVA Research based on INE data

Figure 2.32 GDP, employment, unemployment rate, population and GDP per capita. Level in 2018 and change during the period 2019-2020 (Pre-crisis level, 2008 = 100)



Source: BBVA Research based on INE data



Table 1 Growth of GDP per Autonomous Region

|                     | 2015       | 2016       | 2017       | 2018       | 2019       | 2020       |
|---------------------|------------|------------|------------|------------|------------|------------|
| Andalucía           | 3.4        | 2.9        | 2.7        | 2.4        | 2.3        | 1.7        |
| Aragón              | 1.5        | 3.2        | 3.4        | 2.5        | 2.3        | 1.8        |
| Asturias            | 2.5        | 1.6        | 3.8        | 2.3        | 1.7        | 1.6        |
| Baleares            | 3.5        | 4.4        | 2.4        | 2.2        | 2.0        | 1.6        |
| Canarias            | 3.0        | 3.4        | 2.7        | 2.4        | 2.3        | 1.8        |
| Cantabria           | 2.4        | 2.6        | 3.4        | 3.4        | 2.3        | 1.7        |
| Castilla y León     | 2.5        | 3.1        | 1.7        | 2.5        | 2.2        | 2.0        |
| Castilla- La Mancha | 3.8        | 4.2        | 2.4        | 2.8        | 2.5        | 2.1        |
| <b>Cataluña</b>     | <b>4.2</b> | <b>3.5</b> | <b>3.2</b> | <b>2.3</b> | <b>2.2</b> | <b>2.0</b> |
| Extremadura         | 3.0        | 1.7        | 2.1        | 2.0        | 2.0        | 1.7        |
| Galicia             | 4.3        | 3.1        | 3.1        | 2.7        | 2.2        | 2.0        |
| Madrid              | 3.9        | 3.2        | 3.3        | 3.7        | 2.8        | 2.3        |
| Murcia              | 6.6        | 4.3        | 3.1        | 1.5        | 1.9        | 1.6        |
| Navarra             | 2.8        | 3.0        | 2.8        | 3.0        | 2.6        | 2.1        |
| País Vasco          | 3.5        | 3.0        | 3.1        | 2.2        | 2.2        | 2.0        |
| La Rioja            | 3.2        | 2.6        | 1.5        | 1.6        | 2.0        | 1.7        |
| C. Valenciana       | 3.5        | 2.8        | 3.1        | 2.1        | 2.0        | 1.9        |
| <b>España</b>       | <b>3.6</b> | <b>3.2</b> | <b>3.0</b> | <b>2.6</b> | <b>2.2</b> | <b>1.9</b> |

Source: BBVA Research and INE

Table 2 Growth of employment from EAPS by Autonomous Region.

|                     | 2015       | 2016       | 2017       | 2018       | 2019       | 2020       |
|---------------------|------------|------------|------------|------------|------------|------------|
| Andalucía           | 5.1        | 2.4        | 4.1        | 2.8        | 2.9        | 1.9        |
| Aragón              | 4.2        | 2.3        | 2.2        | 1.4        | 1.7        | 1.0        |
| Asturias            | -0.1       | 2.7        | 2.4        | -0.9       | 0.2        | 0.5        |
| Baleares            | 5.6        | 4.2        | 1.2        | 4.1        | 3.7        | 2.6        |
| Canarias            | 6.7        | 3.2        | 3.4        | 6.6        | 1.9        | 2.5        |
| Cantabria           | 1.0        | 3.0        | 0.9        | 1.6        | 0.7        | 0.9        |
| Castilla y León     | 2.0        | 2.8        | 0.8        | 1.0        | 0.7        | 1.2        |
| Castilla- La Mancha | 2.3        | 3.2        | 4.0        | 2.9        | 3.2        | 1.5        |
| <b>Cataluña</b>     | <b>1.5</b> | <b>3.5</b> | <b>2.9</b> | <b>2.7</b> | <b>2.0</b> | <b>1.7</b> |
| Extremadura         | 0.8        | 1.9        | 0.5        | 3.7        | 3.5        | 1.8        |
| Galicia             | 1.9        | 2.3        | 1.2        | 2.4        | 1.5        | 0.9        |
| Madrid              | 3.6        | 0.9        | 2.5        | 2.9        | 2.1        | 1.7        |
| Murcia              | -0.1       | 6.1        | 3.4        | 1.9        | 2.3        | 0.9        |
| Navarra             | 0.7        | 1.2        | 4.2        | 1.2        | 1.7        | 1.1        |
| País Vasco          | 1.4        | 2.8        | 0.3        | 2.2        | 1.4        | 1.5        |
| La Rioja            | 1.7        | 1.7        | 1.4        | 2.7        | 1.3        | 1.4        |
| C. Valenciana       | 4.0        | 3.1        | 3.0        | 2.7        | 2.0        | 2.1        |
| <b>España</b>       | <b>3.0</b> | <b>2.7</b> | <b>2.6</b> | <b>2.7</b> | <b>2.1</b> | <b>1.7</b> |

Source: BBVA Research and INE

## Analysis of the economic outlook for Catalonia with the BBVA Economic Activity Survey. First quarter of 2019<sup>21</sup>

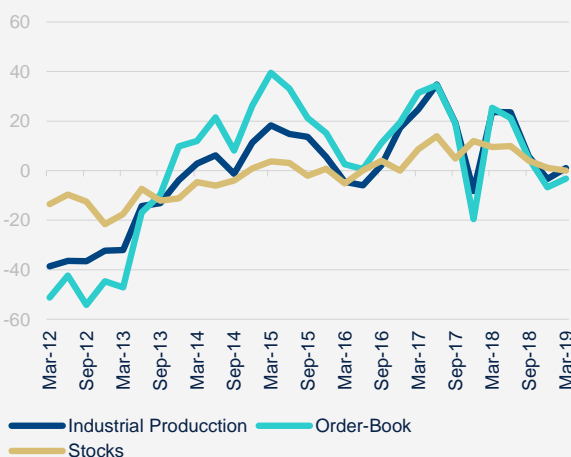
The results of the BBVA Economic Activity Report (EAE-BBVA) pertaining to the first quarter of 2019 are consistent with a Catalan economy that has slowed down and that still faces a high level of uncertainty. Therefore, the data obtained from this survey, carried out at the end of March, are lower than those obtained both last quarter and one year ago.

Although the perception of stability seems to prevail, the view on the performance of the economy during this quarter has led to a negative net balance of -5 p.p.<sup>22</sup> in the question on the current evolution of activity in Catalonia (see Figure R.1.), similar to that observed last quarter and clearly lower than that of a year ago, when the balance was of +28 p.p. Similarly, the expectations for 2Q19 are of a negative net balance (-4 p.p.). This balance, although clearly lower than that of a year ago (+46) is better than that observed in the round of the Survey of the previous quarter (-11 p.p.).

Therefore, these results are consistent with the BBVA Research growth forecast, which, although it might not undergo any further decline, will remain at lower levels than in previous quarters.

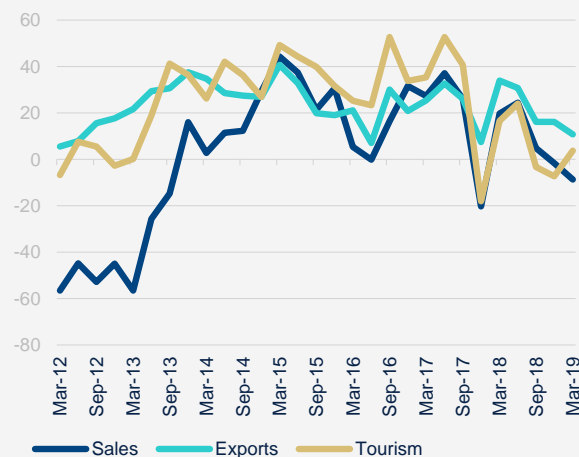
Sectorial changes are minimal with regard to the previous quarter in all sectors (see Table R.1). Thus, construction remains as the sector with the most positive outlook, although the prospects for industry and services continue to be of relative slowdown. The most negative signs are in demand, with a reduction both in order backlog and goods exports, but also in general sales and tourism (see Figure R.1.1.), which are being transferred towards industry (see Figure R.2.2.).

Figure R.1 Catalonia: evolution of the economic activity in the quarter and expectations for the next quarter. (Balance of extreme responses, %)



Source: BBVA

Figure R.2 BBVA Survey of Economic Activity in Catalonia. Selected variables (Balances of responses, %)



Source: BBVA

21: The BBVA Survey has been conducted quarterly since the 3rd quarter of 1991 among the employees in the BBVA branch network in Catalonia. For more details on the Survey, see: Spain Economic Watch Table 1, BBVA Economic Activity Survey. An early tracking tool for the economic pulse. [Spain Economic Watch, 2nd quarter 2014, available here; https://www.bbva.com/en/publications/spain-economic-watch-2nd-quarter-2014](https://www.bbva.com/en/publications/spain-economic-watch-2nd-quarter-2014)

22: The net balance of extreme responses is the difference between the percentage of responses of users who consider that the activity is increasing minus those who consider it to be in decline. The data compiled in the BBVA Survey of Economic Activity are gross figures, and so may incorporate a certain seasonal component.

Table R.1 BBVA Survey of Economic Activity in Catalonia. General results (%)

|                                     | 1st Quarter 2019 |           |           |           | 4th Quarter 2018 |           |           |            | 1st Quarter 2018 |           |          |           |
|-------------------------------------|------------------|-----------|-----------|-----------|------------------|-----------|-----------|------------|------------------|-----------|----------|-----------|
|                                     | Rising           | Stable    | Falling   | Balance*  | Rising           | Stable    | Falling   | Balance*   | Rising           | Stable    | Falling  | Balance*  |
| <b>Economic Activity</b>            | <b>13</b>        | <b>68</b> | <b>18</b> | <b>-5</b> | <b>13</b>        | <b>69</b> | <b>18</b> | <b>-6</b>  | <b>37</b>        | <b>54</b> | <b>9</b> | <b>28</b> |
| <b>Outlook for the next quarter</b> | <b>11</b>        | <b>73</b> | <b>16</b> | <b>-4</b> | <b>9</b>         | <b>71</b> | <b>20</b> | <b>-11</b> | <b>48</b>        | <b>50</b> | <b>2</b> | <b>46</b> |
| Industrial production               | 12               | 77        | 11        | 1         | 9                | 79        | 12        | -3         | 30               | 63        | 7        | 24        |
| Order backlog                       | 12               | 72        | 16        | -3        | 10               | 73        | 17        | -7         | 34               | 58        | 8        | 25        |
| Level of stocks                     | 10               | 81        | 10        | 0         | 11               | 80        | 9         | 1          | 14               | 81        | 5        | 10        |
| Investment in the primary sector    | 19               | 74        | 7         | 13        | 14               | 70        | 17        | -3         | 24               | 70        | 6        | 18        |
| Industrial investment               | 15               | 78        | 8         | 7         | 16               | 75        | 9         | 7          | 23               | 71        | 6        | 17        |
| Investment in services              | 16               | 70        | 14        | 2         | 15               | 66        | 19        | -4         | 33               | 56        | 11       | 22        |
| New construction                    | 40               | 50        | 10        | 31        | 36               | 56        | 8         | 29         | 50               | 45        | 5        | 45        |
| Industrial employment               | 15               | 80        | 5         | 10        | 13               | 80        | 7         | 6          | 29               | 69        | 2        | 27        |
| Employment in services              | 14               | 72        | 13        | 1         | 17               | 67        | 16        | 2          | 31               | 64        | 5        | 25        |
| Employment in construction          | 28               | 67        | 6         | 22        | 29               | 63        | 8         | 21         | 40               | 55        | 5        | 35        |
| Prices                              | 27               | 67        | 6         | 20        | 33               | 64        | 3         | 30         | 40               | 55        | 5        | 35        |
| Sales                               | 10               | 71        | 19        | -9        | 16               | 67        | 17        | -2         | 29               | 63        | 9        | 20        |
| Tourism                             | 13               | 78        | 9         | 4         | 13               | 66        | 21        | -7         | 27               | 63        | 10       | 17        |
| Exports                             | 15               | 82        | 4         | 11        | 21               | 74        | 5         | 16         | 36               | 63        | 2        | 34        |

\* Balance of extreme responses.  
Source: BBVA

### 3. Tables

Table 4.1 Main indicators of the economic situation in Catalonia (%)

|                                  | 2018      |       | Average growth since the beginning of the year (YoY) |       | Last data (MoM, %, SWDA) |       |            |
|----------------------------------|-----------|-------|--|-------|--------------------------|-------|------------|
|                                  | Catalonia | Spain | Catalonia  | Spain | Catalonia                | Spain | Last month |
| Retail Sales                     | -0.2      | 0.8   | 0.5  | 1.2   | -0.1                     | 0.1   | Mar-19     |
| Car Registrations                | 4.1       | 6.0   | -3.0   | -3.5  | -0.9                     | 5.1   | Apr-19     |
| IASS                             | 5.3       | 6.1   | 3.9  | 5.1   | -0.6                     | -0.2  | Mar-19     |
| Resident Travellers (1)          | -1.4      | 1.3   | -0.3   | 2.4   | 0.2                      | -2.8  | Apr-19     |
| Overnight Stays by Residents (1) | -4.7      | 0.5   | 1.0  | 2.0   | -2.6                     | -5.5  | Apr-19     |
| IPI                              | 0.8       | 0.7   | 0.2  | 0.7   | 0.4                      | 0.1   | Mar-19     |
| Housing building permits         | 28.0      | 24.7  | 34.9   | 23.2  | -0.9                     | -5.5  | Feb-19     |
| Housing transactions             | 4.2       | 10.2  | 5.5  | 2.4   | 1.6                      | 2.5   | Feb-19     |
| Real Exports (2)                 | 0.2       | 0.2   | -3.6   | -1.7  | -2.9                     | -1.0  | Mar-19     |
| Real Imports (2)                 | 2.4       | 0.9   | 3.4  | 1.4   | -1.3                     | -2.0  | Mar-19     |
| Non-Resident Travellers (3)      | 3.0       | 1.5   | 7.3  | 4.6   | 0.8                      | -0.3  | Apr-19     |
| Non-Resident Overnight Stays (3) | 0.7       | -0.5  | 7.6  | 1.6   | -1.4                     | -0.1  | Apr-19     |
| SS Registration                  | 2.9       | 3.1   | 2.8  | 2.9   | 0.2                      | 0.2   | Apr-19     |
| Registered Unemployment          | -6.0      | -6.5  | -4.8   | -5.2  | -0.3                     | -0.4  | Apr-19     |

(1) Residents in Spain. (2) Exports of goods. (3) Non-Residents in Spain.

Source: BBVA Research based on INE, the Ministry of Public Works, the Ministry of Economy and the Ministry of Industry data

Table 4.2 Macroeconomic forecasts: Gross Domestic Product (Annual average, %)

|                    | 2016 | 2017 | 2018 | 2019 | 2020 |
|--------------------|------|------|------|------|------|
| USA                | 1,6  | 2,2  | 2,9  | 2,5  | 2,0  |
| Eurozone           | 1,9  | 2,5  | 1,8  | 1,0  | 1,3  |
| Germany            | 2,2  | 2,5  | 1,5  | 0,8  | 1,4  |
| France             | 1,1  | 2,3  | 1,6  | 1,2  | 1,5  |
| Italy              | 1,2  | 1,7  | 0,8  | -0,2 | 0,5  |
| Spain              | 3,2  | 3,0  | 2,6  | 2,2  | 1,9  |
| United Kingdom     | 1,8  | 1,8  | 1,4  | 1,3  | 1,6  |
| Latin America *    | -0,2 | 1,8  | 1,5  | 1,7  | 2,3  |
| Mexico             | 2,7  | 2,3  | 2,0  | 1,4  | 2,2  |
| Brazil             | -3,3 | 1,1  | 1,1  | 1,8  | 1,8  |
| EAGLEs **          | 5,2  | 5,4  | 5,2  | 4,9  | 5,0  |
| Turkey             | 3,2  | 7,4  | 2,6  | 1,0  | 2,5  |
| Asia Pacific       | 5,6  | 5,6  | 5,6  | 5,3  | 5,2  |
| Japan              | 0,6  | 1,9  | 0,8  | 0,7  | 0,5  |
| China              | 6,7  | 6,8  | 6,6  | 6,0  | 5,8  |
| Asia (excl. China) | 4,6  | 4,6  | 4,7  | 4,6  | 4,6  |
| <b>World</b>       | 3,3  | 3,7  | 3,6  | 3,4  | 3,4  |

\* Argentina, Brazil, Chile, Colombia, Mexico, Peru and Venezuela.

\*\* Saudi Arabia, Bangladesh, Brazil, China, Philippines, India, Indonesia, Iraq, Mexico, Nigeria, Pakistan, Russia, Thailand and Turkey.

Forecast closing date: 5 April 2019.

Source: BBVA Research and IMF

Table 4.3 Macroeconomic forecasts: 10 Y public debt interest rates (Annual average, %)

|         | 2016 | 2017 | 2018 | 2019 | 2020 |
|---------|------|------|------|------|------|
| USA     | 1.84 | 2.33 | 2.91 | 2.78 | 3.00 |
| Germany | 0.13 | 0.37 | 0.46 | 0.15 | 0.58 |

Forecast closing date: 5 April 2019.

Source: BBVA Research and IMF

Table 4.5 Macroeconomic forecasts: Exchange rates (Annual average)

|         | 2016   | 2017   | 2018   | 2019   | 2020   |
|---------|--------|--------|--------|--------|--------|
| EUR-USD | 0.90   | 0.89   | 0.85   | 0.88   | 0.84   |
| USD-EUR | 1.11   | 1.13   | 1.18   | 1.14   | 1.19   |
| USD-GBP | 1.35   | 1.29   | 1.33   | 1.37   | 1.46   |
| JPY-USD | 108.82 | 112.20 | 110.47 | 111.49 | 110.67 |
| CNY-USD | 6.64   | 6.76   | 6.61   | 6.72   | 6.71   |

Forecast closing date: 5 April 2019.

Source: BBVA Research and IMF

Table 4.5 Macroeconomic Forecasts: Monetary Policy interest rates (End of period, %)

|          | 2016 | 2017 | 2018 | 2019 | 2020 |
|----------|------|------|------|------|------|
| USA      | 0.75 | 1.50 | 2.50 | 2.75 | 2.75 |
| Eurozone | 0.00 | 0.00 | 0.00 | 0.00 | 0.25 |
| China    | 4.35 | 4.35 | 4.35 | 3.85 | 3.85 |

(p) Forecast.

Forecast closing date: 5 April 2019.

Source: BBVA Research and IMF

Table 4.6 Spain: macroeconomic forecasts (annual variation rates in %, except as otherwise indicated)

|  | 2016   | 2017   | 2018   | 2019   | 2020   |
|--|--------|--------|--------|--------|--------|
| <b>Activity</b>                            |        |        |        |        |        |
| Real GDP                                   | 3.2    | 3.0    | 2.6    | 2.2    | 1.9    |
| Private consumption                        | 2.9    | 2.5    | 2.3    | 2.0    | 1.7    |
| Public consumption                         | 1.0    | 1.9    | 2.1    | 2.2    | 1.6    |
| Fixed Capital Formation                    | 2.9    | 4.8    | 5.3    | 4.1    | 3.9    |
| B. Equipment and Machinery                 | 5.2    | 6.0    | 5.4    | 3.0    | 3.7    |
| Construction                               | 1.1    | 4.6    | 6.2    | 4.8    | 3.7    |
| Housing                                    | 7.0    | 9.0    | 6.9    | 4.6    | 4.3    |
| Internal demand (contribution to growth)   | 2.4    | 2.9    | 2.9    | 2.4    | 2.1    |
| Exports                                    | 5.2    | 5.2    | 2.3    | 2.8    | 3.8    |
| Imports                                    | 2.9    | 5.6    | 3.5    | 3.8    | 4.5    |
| External demand (contribution to growth)   | 0.8    | 0.1    | -0.3   | -0.3   | -0.2   |
| Nominal GDP                                | 3.5    | 4.2    | 3.6    | 3.8    | 3.5    |
| (Thousands of millions of euros)           | 1118.7 | 1166.3 | 1208.2 | 1254.8 | 1299.1 |
| <b>Labour market</b>                       |        |        |        |        |        |
| Employment, EAPS                           | 2.7    | 2.6    | 2.7    | 2.0    | 1.7    |
| Unemployment rate (% active population)    | 19.6   | 17.2   | 15.3   | 13.9   | 12.8   |
| Employment QNA (equivalent to full time)   | 3.1    | 2.8    | 2.5    | 2.0    | 1.6    |
| Apparent productivity of the labour factor | 0.1    | 0.1    | 0.1    | 0.2    | 0.3    |
| <b>Prices and costs</b>                    |        |        |        |        |        |
| CPI (Annual average)                       | -0.2   | 2.0    | 1.7    | 1.1    | 1.4    |
| CPI (end of period)                        | 1.6    | 1.1    | 1.7    | 1.2    | 1.5    |
| GDP deflator                               | 0.3    | 1.3    | 1.0    | 1.6    | 1.6    |
| Compensation per employee                  | -0.5   | 0.3    | 0.8    | 2.1    | 2.3    |
| Unitary labour cost                        | -0.6   | 0.2    | 0.8    | 1.9    | 2.0    |
| <b>Foreign sector</b>                      |        |        |        |        |        |
| Current Account Balance (% of GDP)         | 2.3    | 1.8    | 1.0    | 0.9    | 0.8    |
| <b>Public sector (*)</b>                   |        |        |        |        |        |
| Debt (% GDP)                               | 99.0   | 98.1   | 97.2   | 95.9   | 94.5   |
| Balance Public Admin. (% GDP) (*)          | -4.3   | -3.0   | -2.6   | -2.2   | -1.9   |
| <b>Households</b>                          |        |        |        |        |        |
| Nominal income available                   | 1.8    | 1.6    | 3.7    | 4.7    | 5.2    |
| Savings rate (% nominal income)            | 8.0    | 5.7    | 5.4    | 6.6    | 8.0    |

Annual variation rate in %, except if there is a pertinent indexation.

Forecast closing date: 5 April 2019.

(\*) Excluding aid to Spanish financial institutions.

Source: BBVA Research

## 4. Glossary

### Acronyms

- Public Administration: Public Administrations
- AONC: Agreement for employment and collective bargaining
- ASR: Other Resident Sectors
- BBVA: Banco Bilbao Vizcaya Argentaria
- BBVA – GAIN: BBVA's global activity index
- ECB: European Central Bank
- CC.AA: Autonomous Regions
- CEOE: Spanish Confederation of Business Organisations
- CEPiME: Spanish Confederation of Small and Medium Enterprises
- CG: Governing Council
- CNTR: Quarterly National Accounting
- CRE: Regional Accounting of Spain
- SWDA: Seasonally and Working Day Adjusted
- DCFN: National Final Consumption Expenditure
- EAE – BBVA: BBVA Survey of Economic Activity
- EAGLEs: Emerging and Growth-Leading Economies
- EAPS: Economically Active Population Survey
- Euribor: Euro Interbank Offered Rate
- Fed: Federal Reserve System
- GAU: Large Urban Area
- CPI: Consumer Price Index
- LATAM: Aggregate of Latin America that includes Argentina, Brazil, Chile, Colombia, Mexico, Peru and Venezuela
- INE: National Institute of Statistics
- MITRAMISS: Ministry of Labour, Migration and Social Security
- MICA-BBVA: BBVA's Coincident Activity Indicator Model
- MINHAFP: Ministry of the Treasury
- O.t.c: Full-Time Equivalent Employment
- GDP: Gross Domestic Product
- SMEs: Small and medium-sized enterprises
- APR: Annual percentage rate
- EU: European Union
- EMU: Economic and Monetary Union

### Abbreviations

- YoY: year-on-year change
- CI: Confidence Interval
- mM: billions
- bps: basis points
- pm: Market price
- pp: percentage points
- QoQ: quarterly variation

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