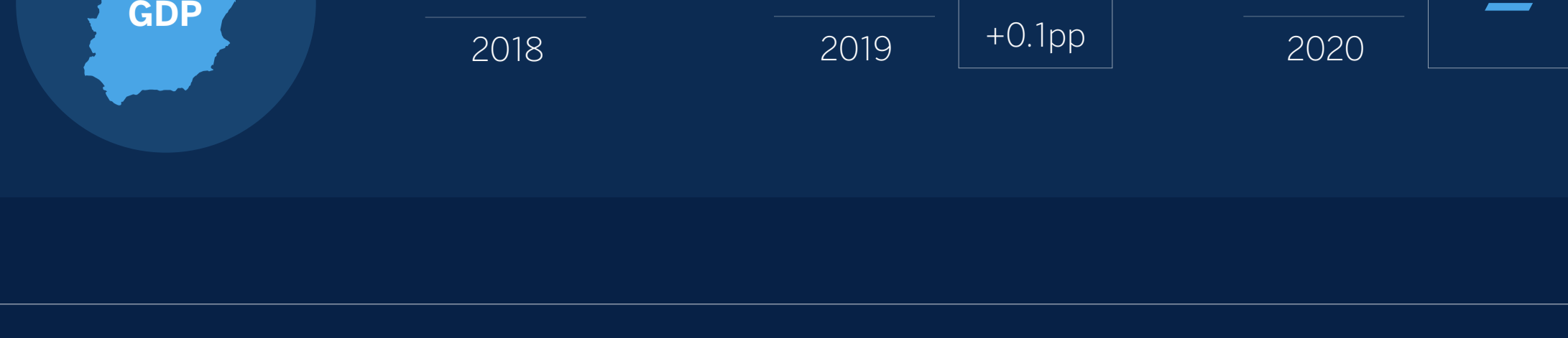


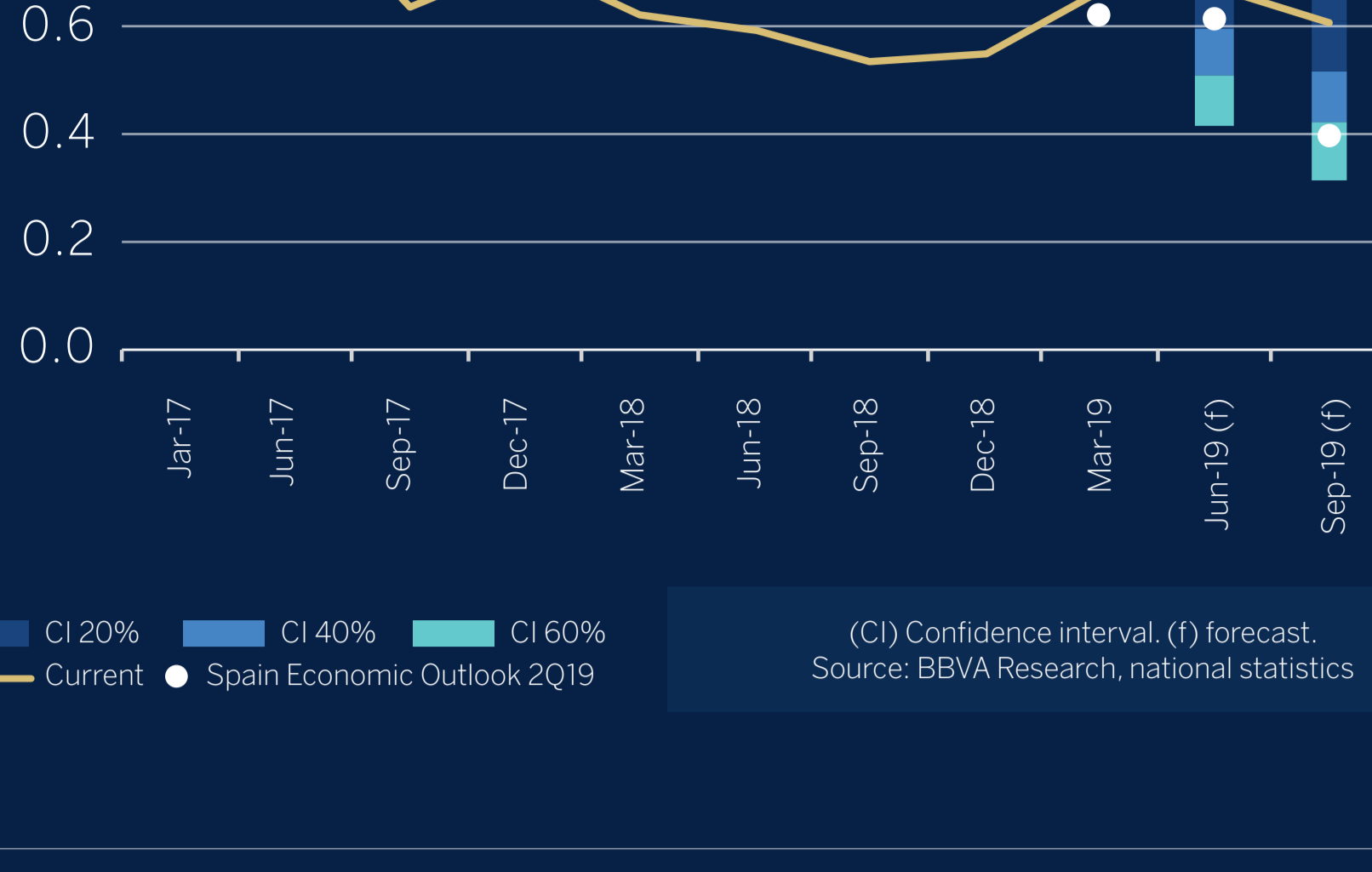
Spain Economic Outlook 3Q19

GDP growth is slightly revised upwards in 2019 and remains unchanged for 2020



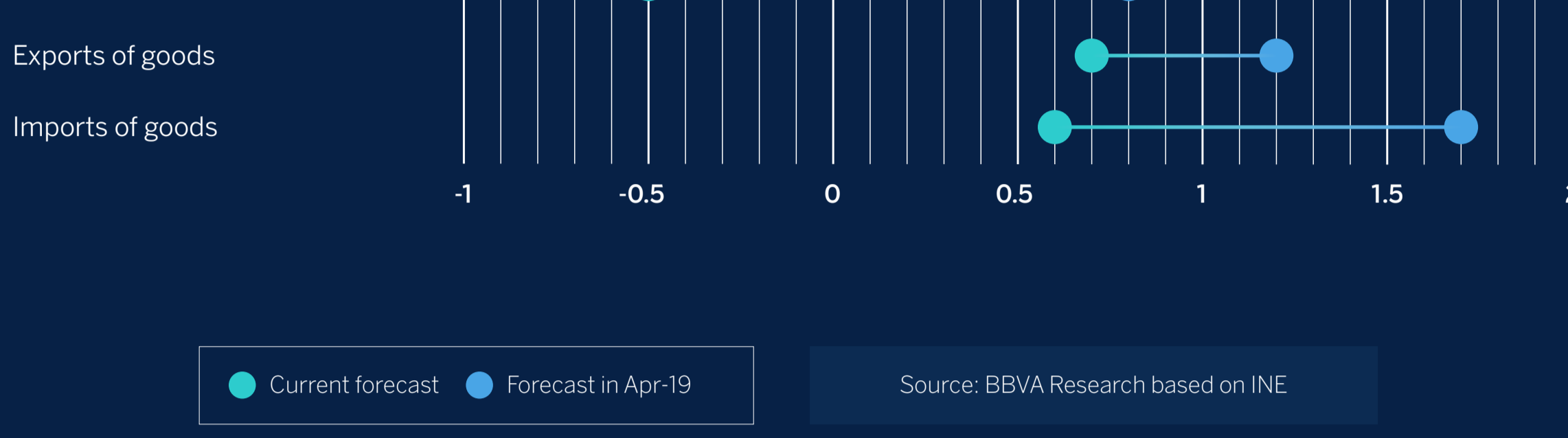
The performance of the Spanish economy in the first half of the year has been better than expected...

SPAIN: GDP growth (forecast by mica-BBVA. % QoQ)



... with an atypical growth pattern: lower internal and external demand, with a decline in imports

Spain: developments in GDP components (% QoQ average 1Q19-2Q19)



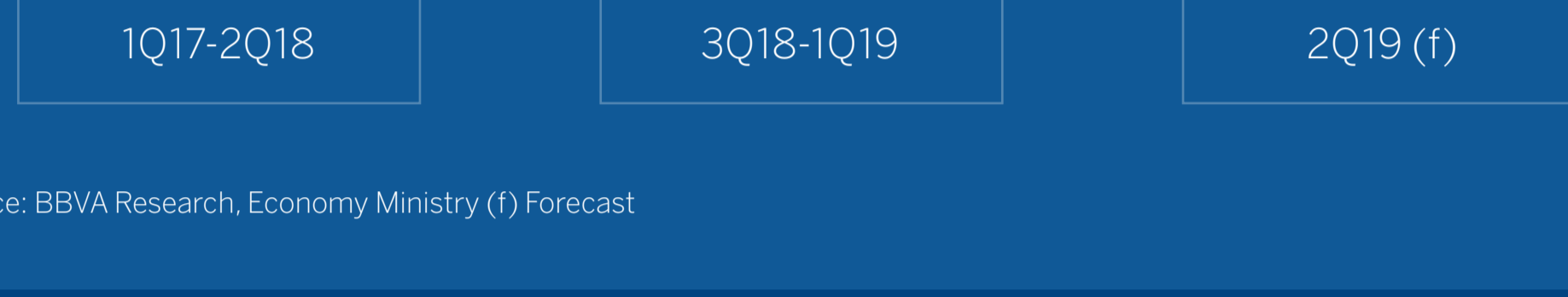
2019-2020 outlook: The recovery will continue, although the slowdown has consolidated



1

European demand seems to show a turning point

Exports of goods to EU (SWDA, period average, % QoQ)



Source: BBVA Research, Economy Ministry (f) Forecast

2

Monetary policy keeps on acting as a growth driver

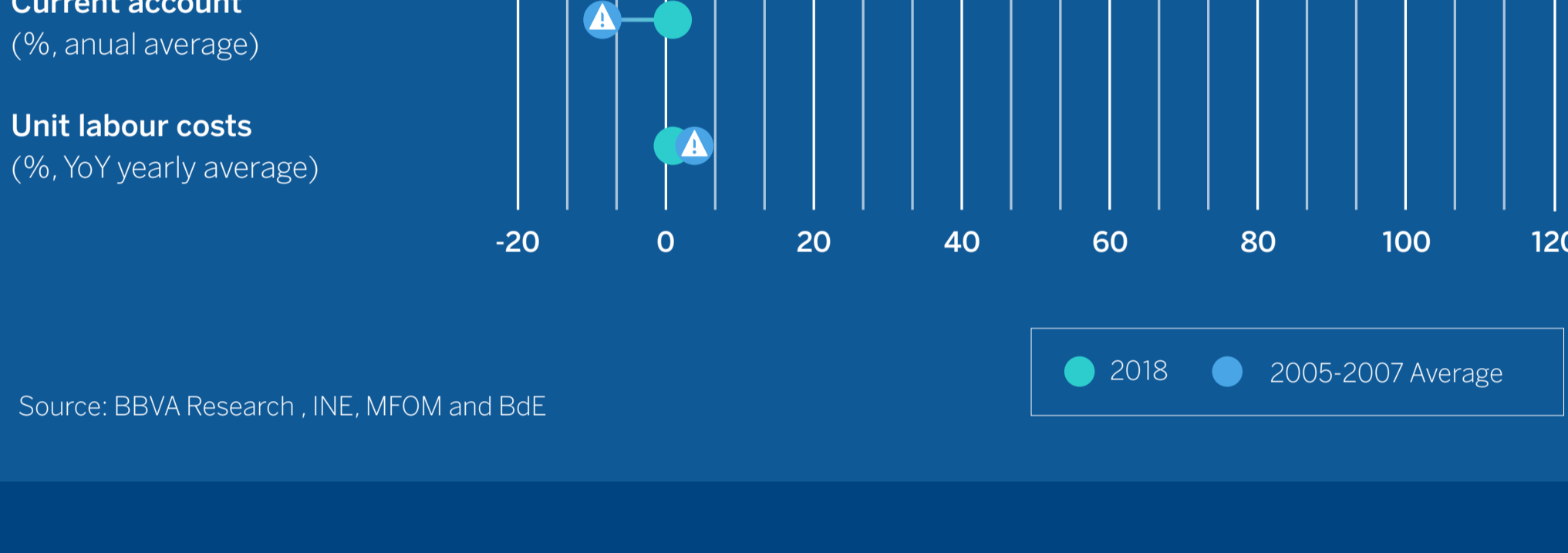
Long term interest rate



Source: BBVA Research (f) Forecast

3

No signs of significant imbalances



Source: BBVA Research, INE, MFOM and BdE



1

The stimuli that have boosted household expenditure growth are diminishing

Spain: household savings rate (% GDI)



Source: BBVA Research, INE

2

Uncertainty regarding the global outlook: the automobile sector seems to be facing a structural change

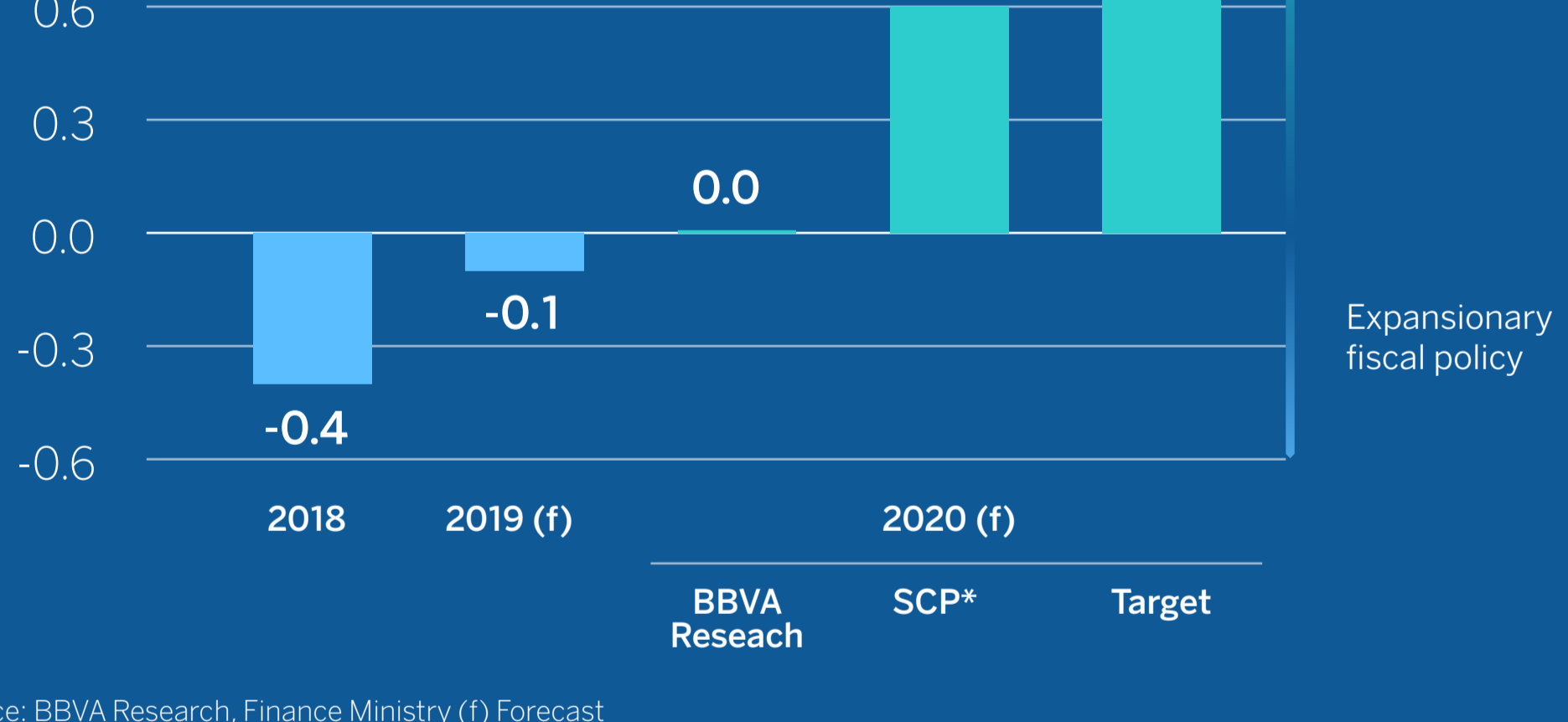


3

Uncertainty regarding domestic policy

Exhaustion of the fiscal impulse

Spain: Change in structural primary balance (% GDP)



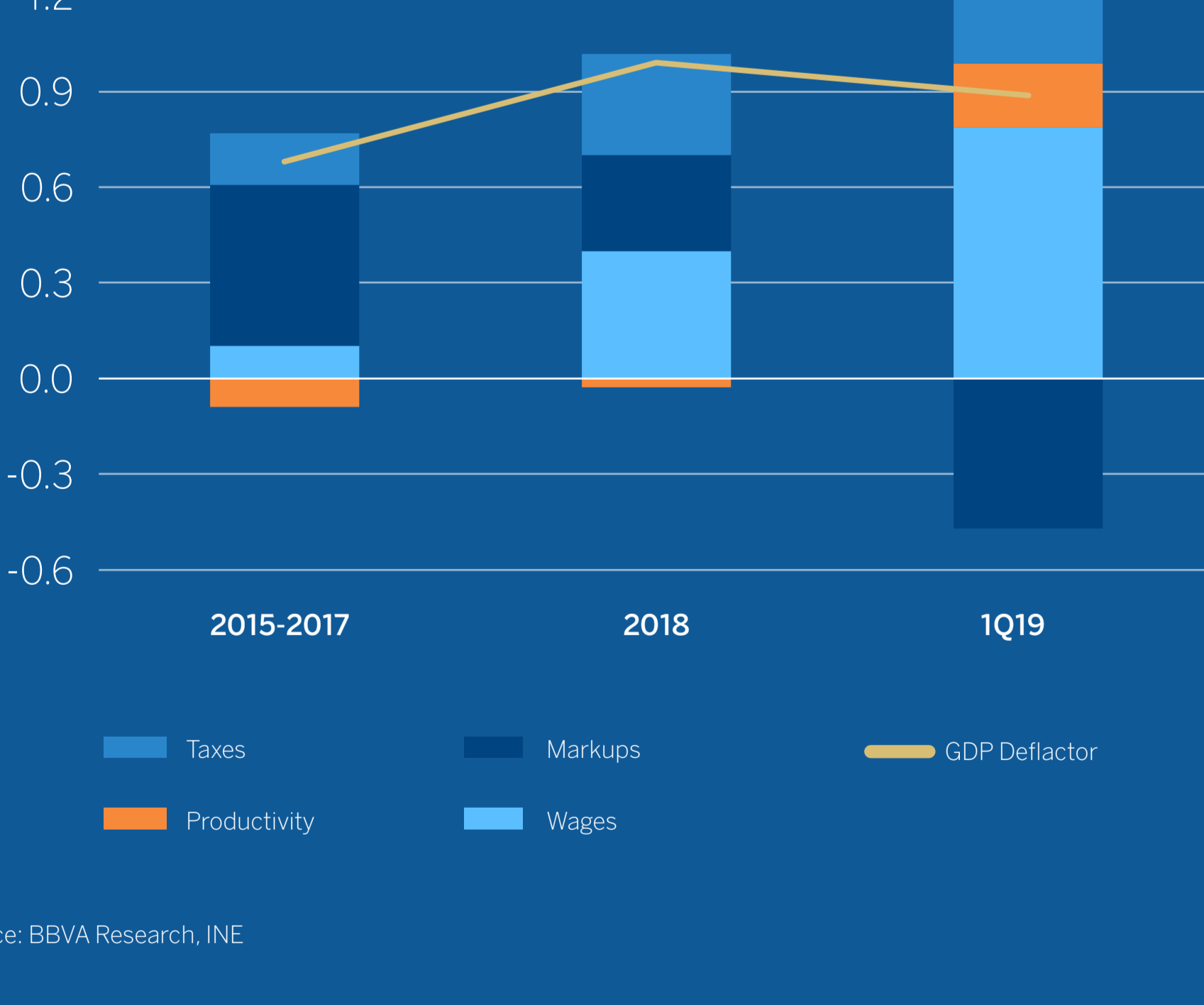
Source: BBVA Research, Finance Ministry (f) Forecast

* SCP: Stability and Convergence Programme

Uncertainty affects real estate market

Margins absorb part of the increase in the minimum wage

Spain: contributions to growth of GDP deflator (pp)



Source: BBVA Research, INE

Risks

Many risks remain and the probability of occurrence of some is rising



Trade tensions



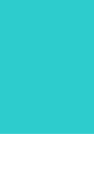
Low growth environment



Depletion of monetary policy



Capacity restrictions in some sectors



Uncertainty regarding economic policy

Spanish Economy

The Spanish economy faces important challenges in the future



Increasing worker productivity



Moving towards more digital governments



Counter population aging

Reforms need to be implemented to generate greater and more inclusive growth