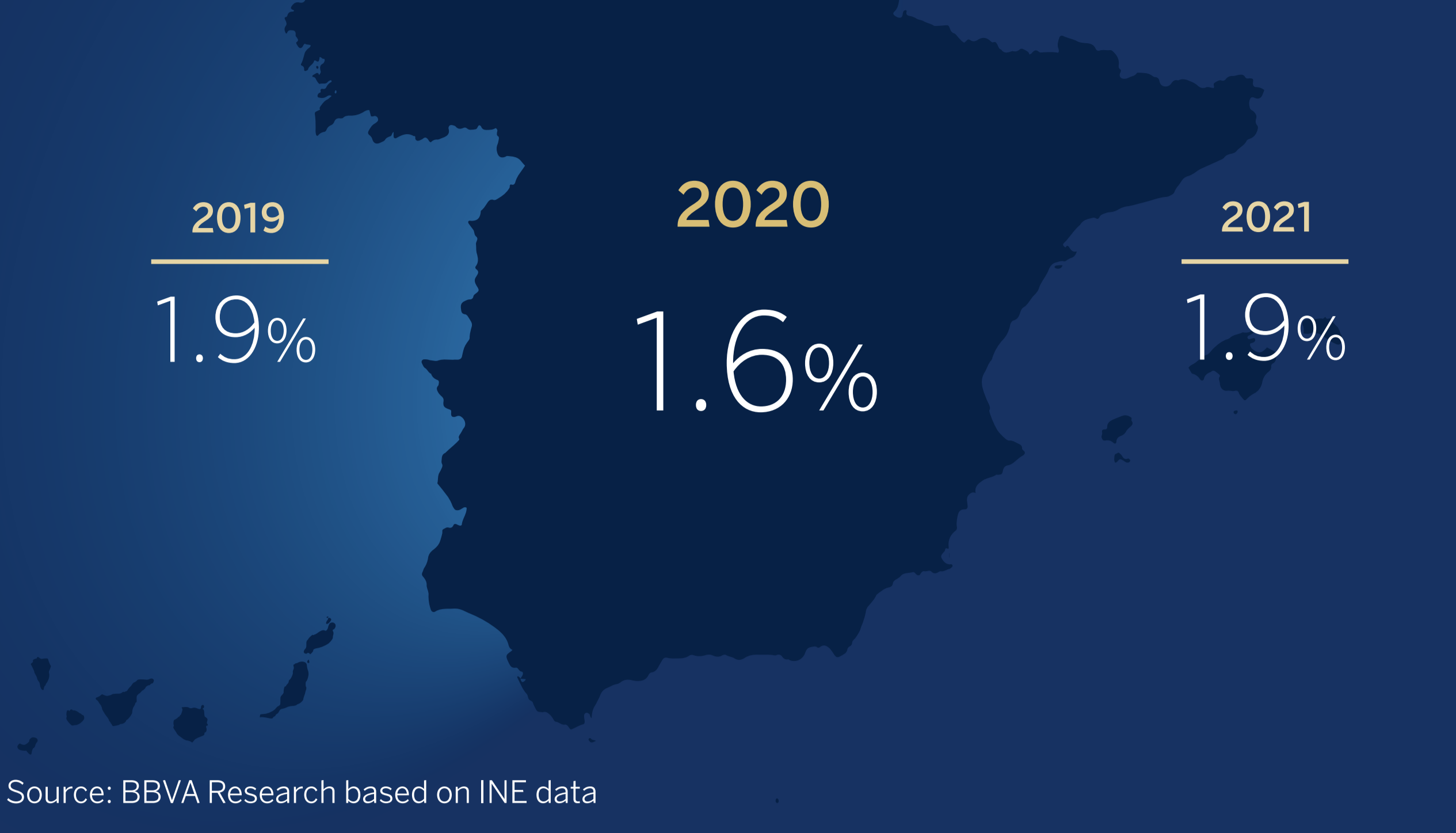


SPAIN ECONOMIC OUTLOOK 1Q20

The slowdown in Spanish economic growth **could bottom out** in 2020



Source: BBVA Research based on INE data

There are signs of **stabilization** of the activity



GDP growth is kept around 0.4% quarterly



There is a limit to uncertainty's impact on demand: **domestic consumption** is recovering

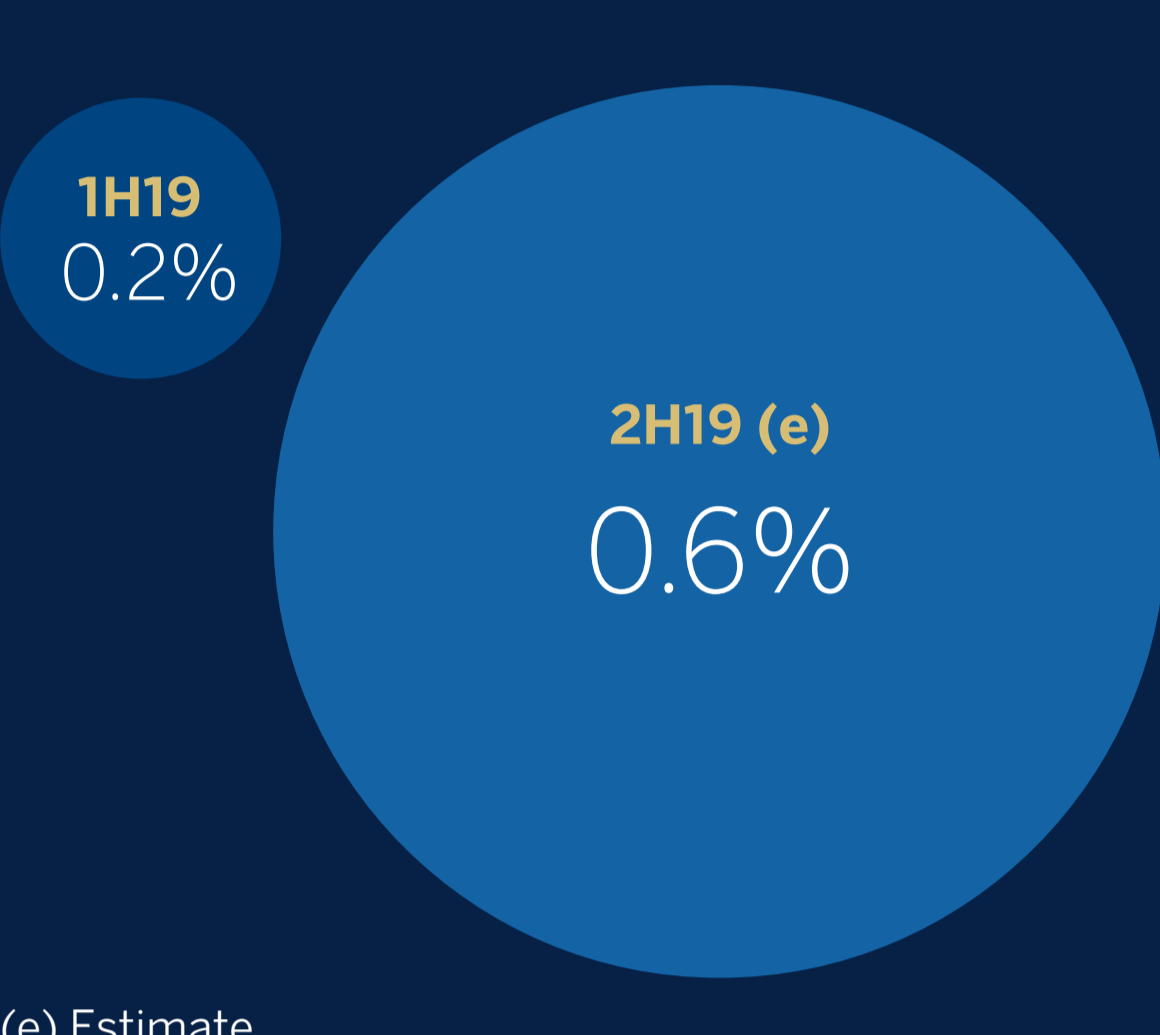


The **export sector** has reached a turning point



There have been five consecutive years of procyclical and expansionary **fiscal policy**

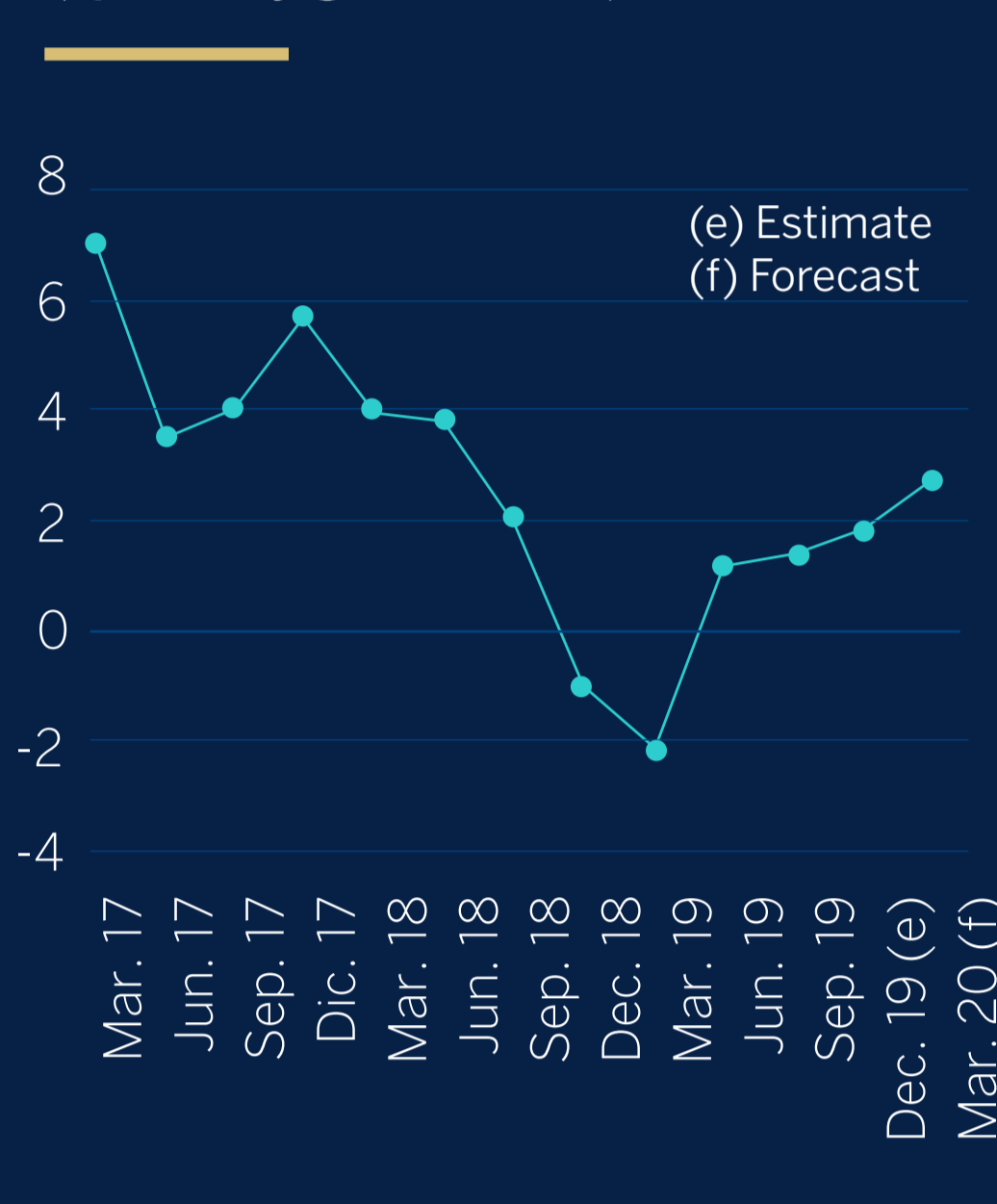
Evolution of **private consumption** (Quarterly growth in %, average for each period)



(e) Estimate

Source: BBVA Research based on INE data

Exports of goods (Quarterly growth in %)



Source: BBVA Research based on INE data

Factors sustaining short-term growth



In an environment of deceleration, our country has managed to maintain its position as a **powerhouse of the eurozone** and not a hindrance



The **reforms** implemented have had a positive impact on investment



Monetary policy will continue to boost activity



Families and businesses are now better prepared to face an environment of uncertainty

Credits/Assets of the typical Spanish firm (Average per period and 2018 year-end, %)



Source: BBVA Research based on SABI data

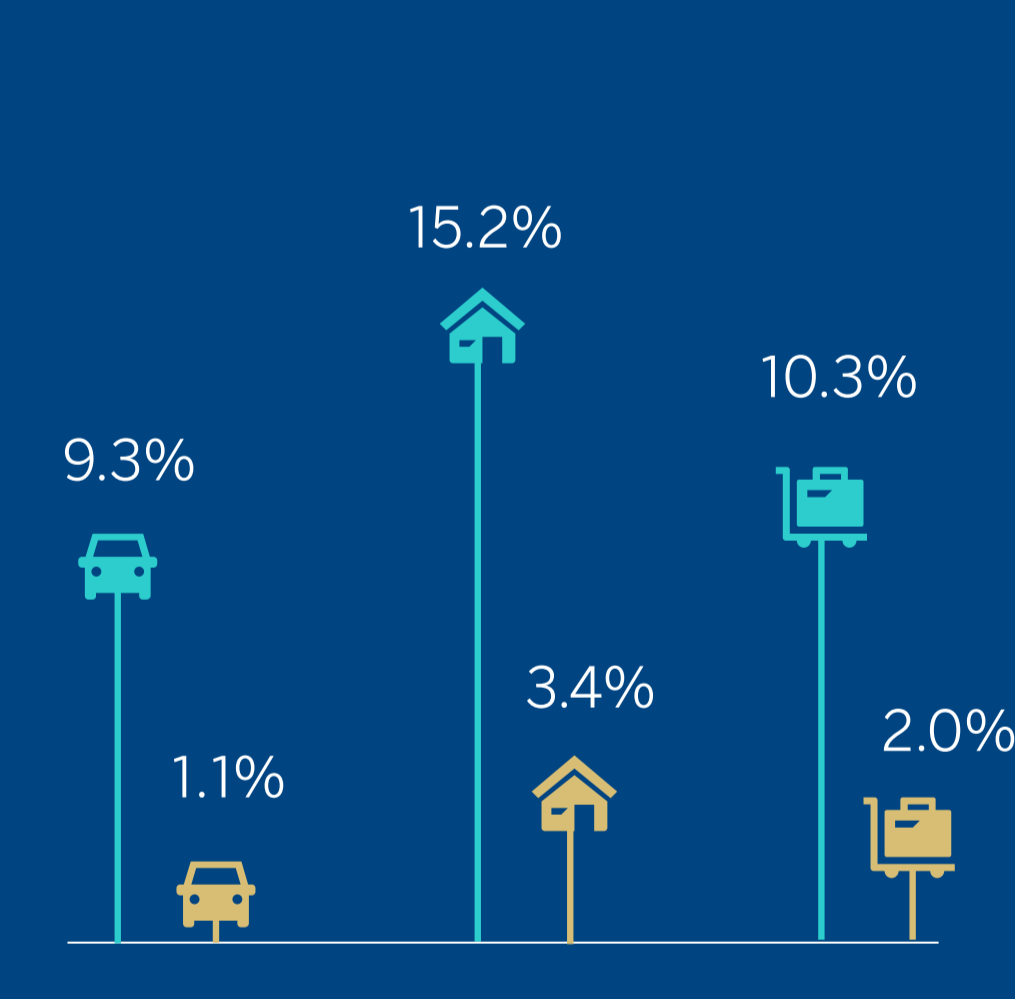
The Spanish economy is at a crossroads. Its future will depend on the **resolution of the sources of uncertainty** and the policies to be implemented

The regulatory changes and the increase in the minimum wage continue to affect some sectors

Reducing the imbalance in **public finances** should remain a priority objective

Evolution of demand in selected sectors (Average year-on-year growth)

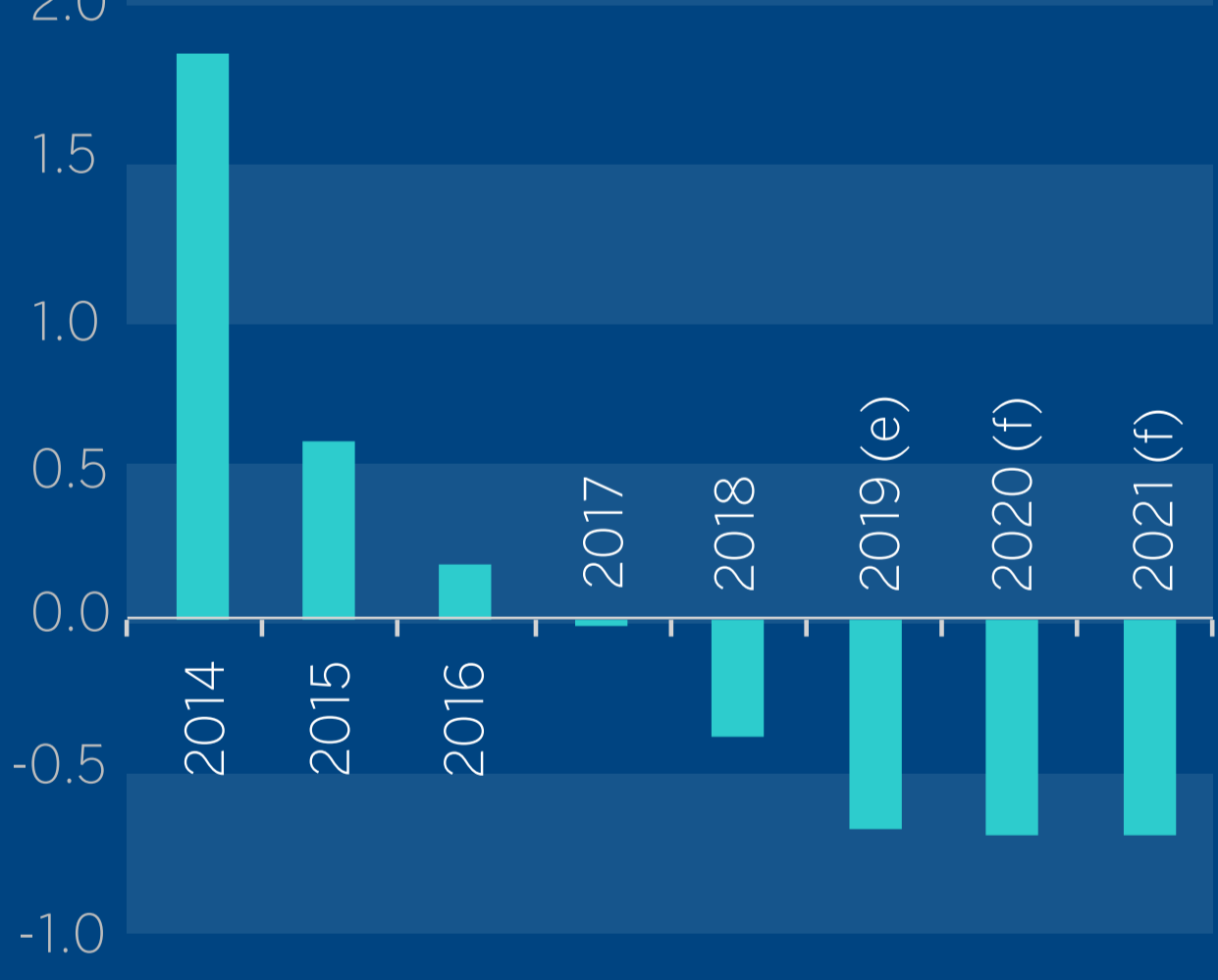
■ 2016-2017 (e) Estimate
■ 2018-2019 (e)



Source: BBVA Research based on ANFAC, MFOM and INE data

Cyclically adjusted primary balance (% del GDP)

(e) Estimate (f) Forecast



Source: BBVA Research based on Ministry of the Treasury and INE data

As such, it is vital to push for **reforms** that efficiently tackle the major challenges currently facing our economy

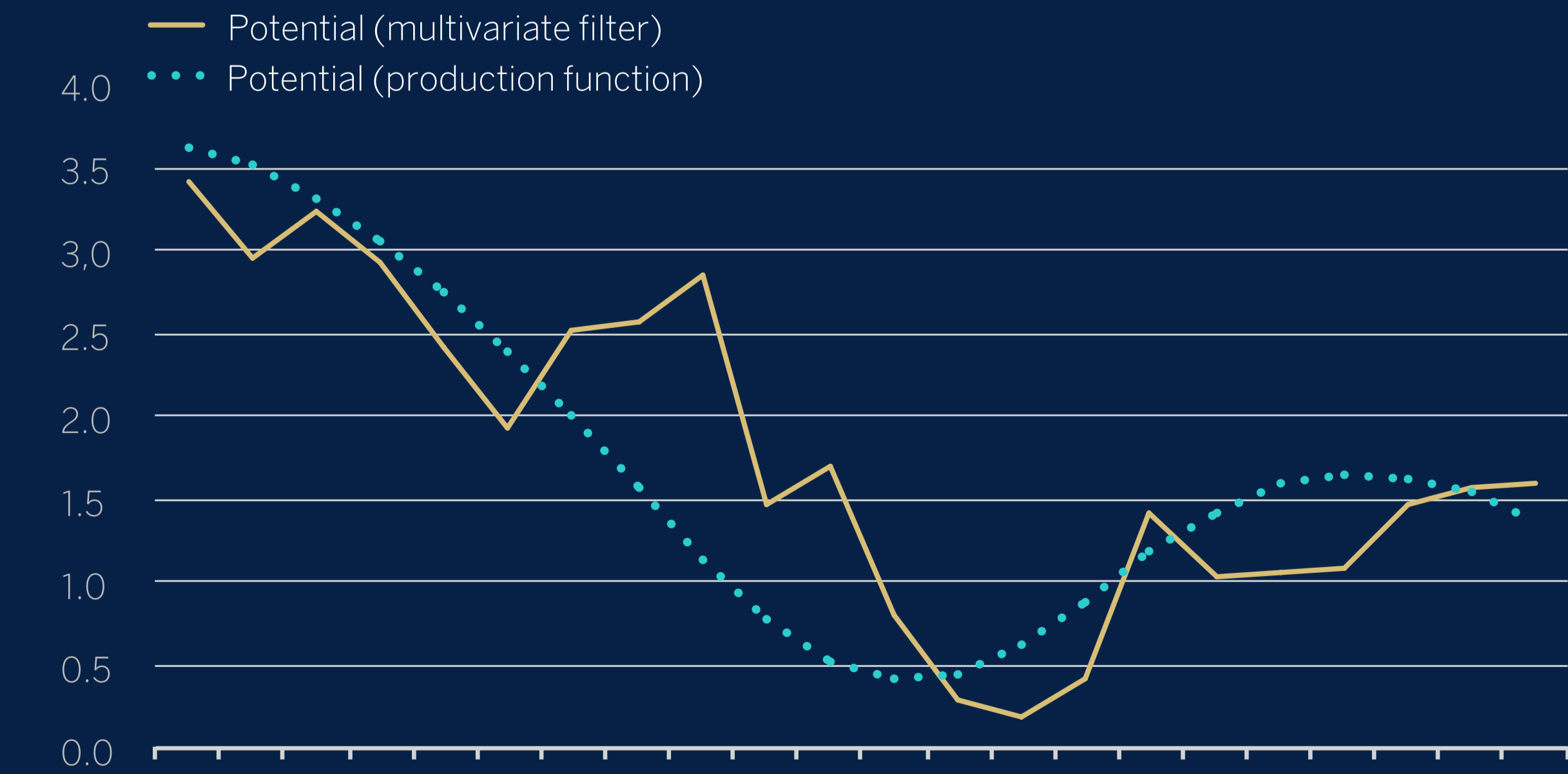


Increasing **potential GDP** growth



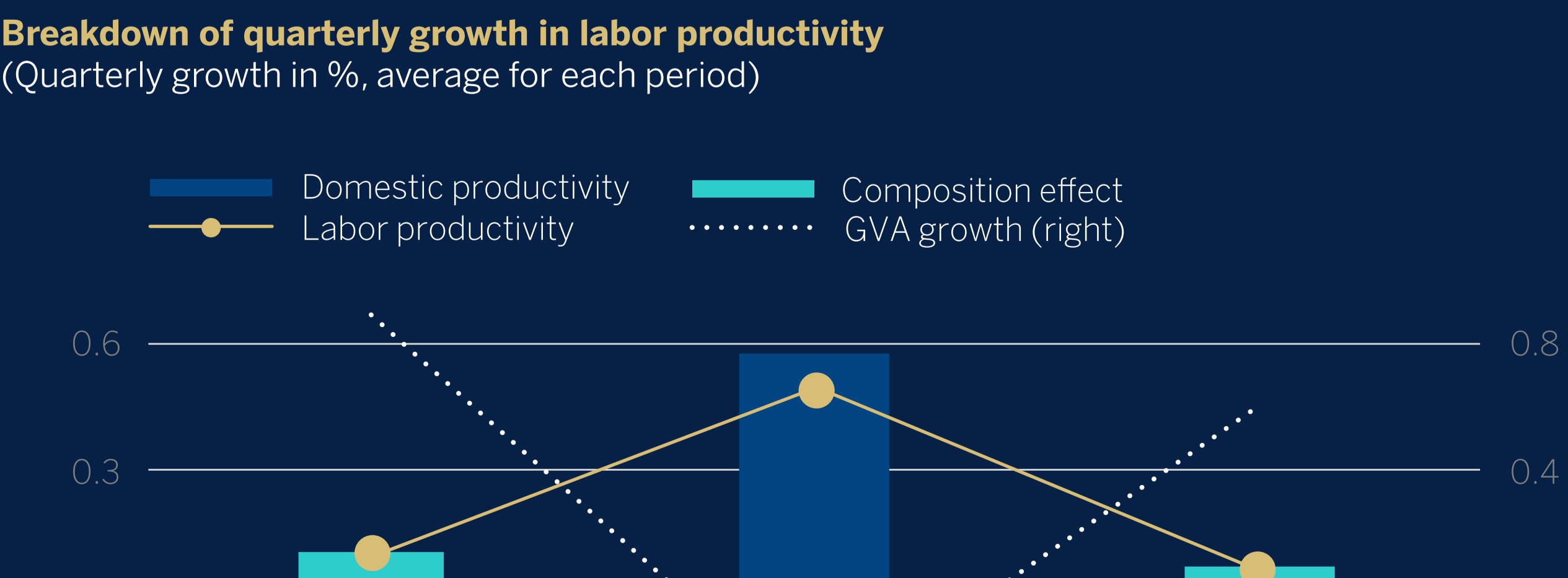
Boosting **productivity** and reducing **unemployment rate**

Estimates of potential GDP (Year-on-year growth as %)



Source: BBVA Research

Breakdown of quarterly growth in labor productivity (Quarterly growth in %, average for each period)



Source: BBVA Research based on INE data