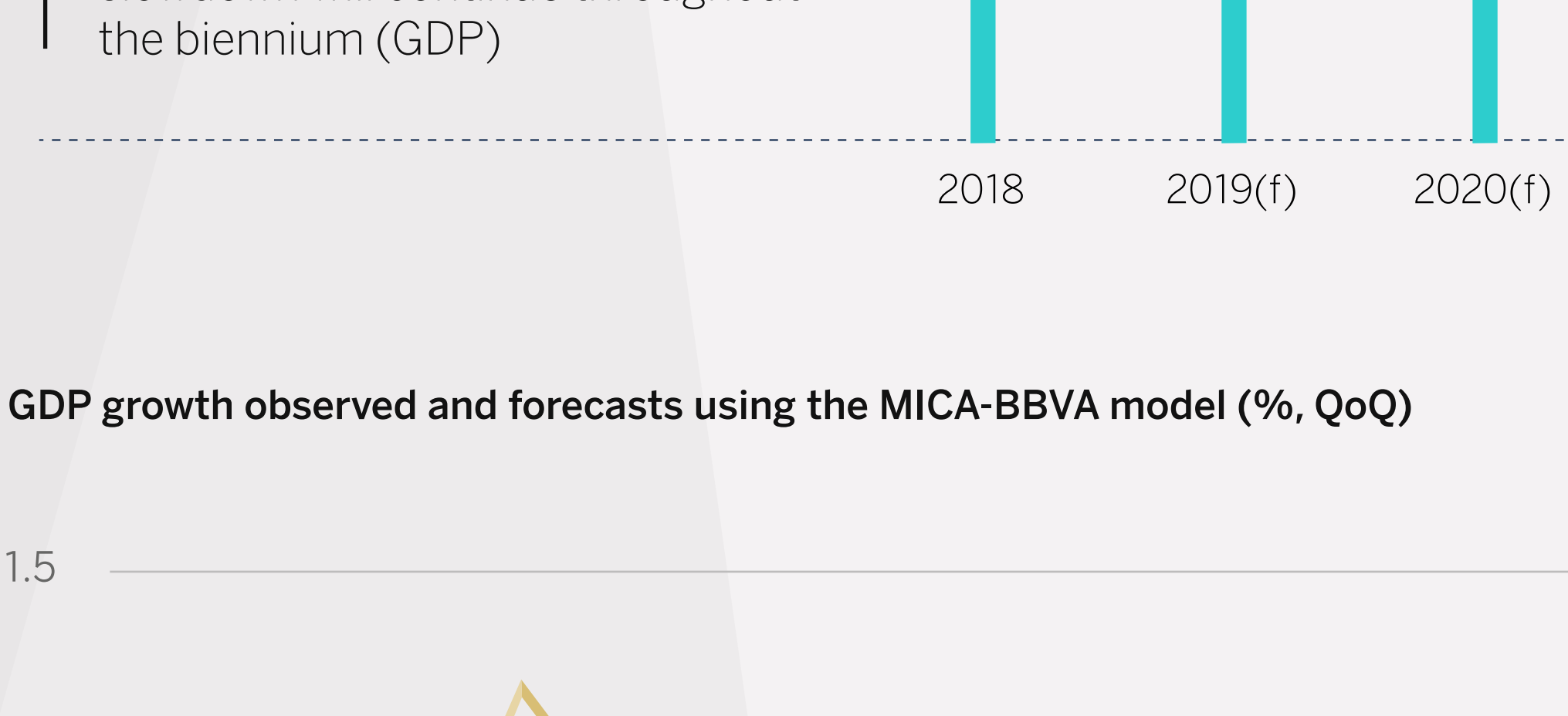
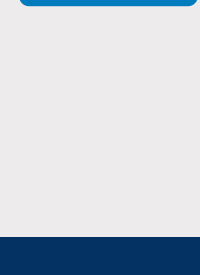
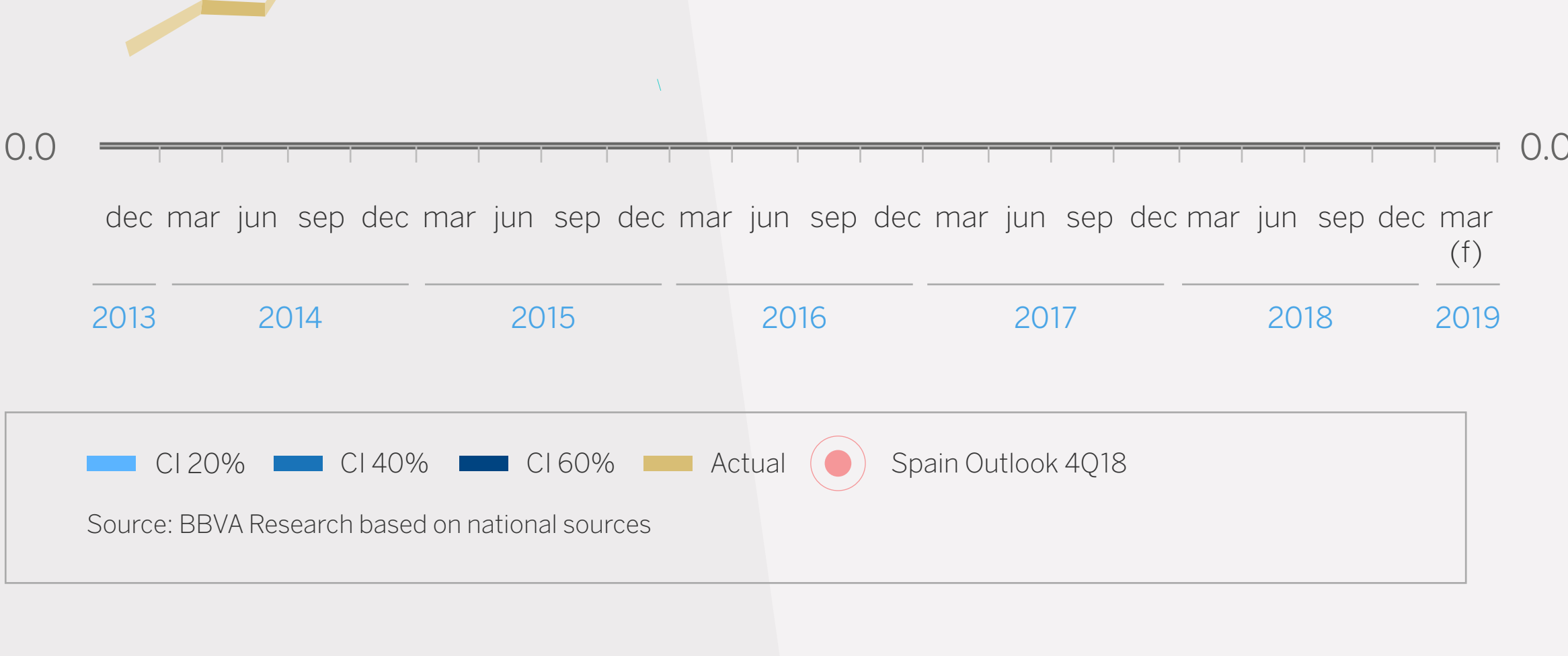


# SPAIN ECONOMIC OUTLOOK 1Q19

## MACROECONOMIC CONTEXT



GDP growth observed and forecasts using the MICA-BBVA model (% QoQ)



GDP growth surprised downwards in 2018, but remains solid and away from stagnation



Estimates indicate that GDP growth could be between 0.6% QoQ and 0.8% QoQ in 1Q19, again above the average for the rest of the EMU (0.4% QoQ)

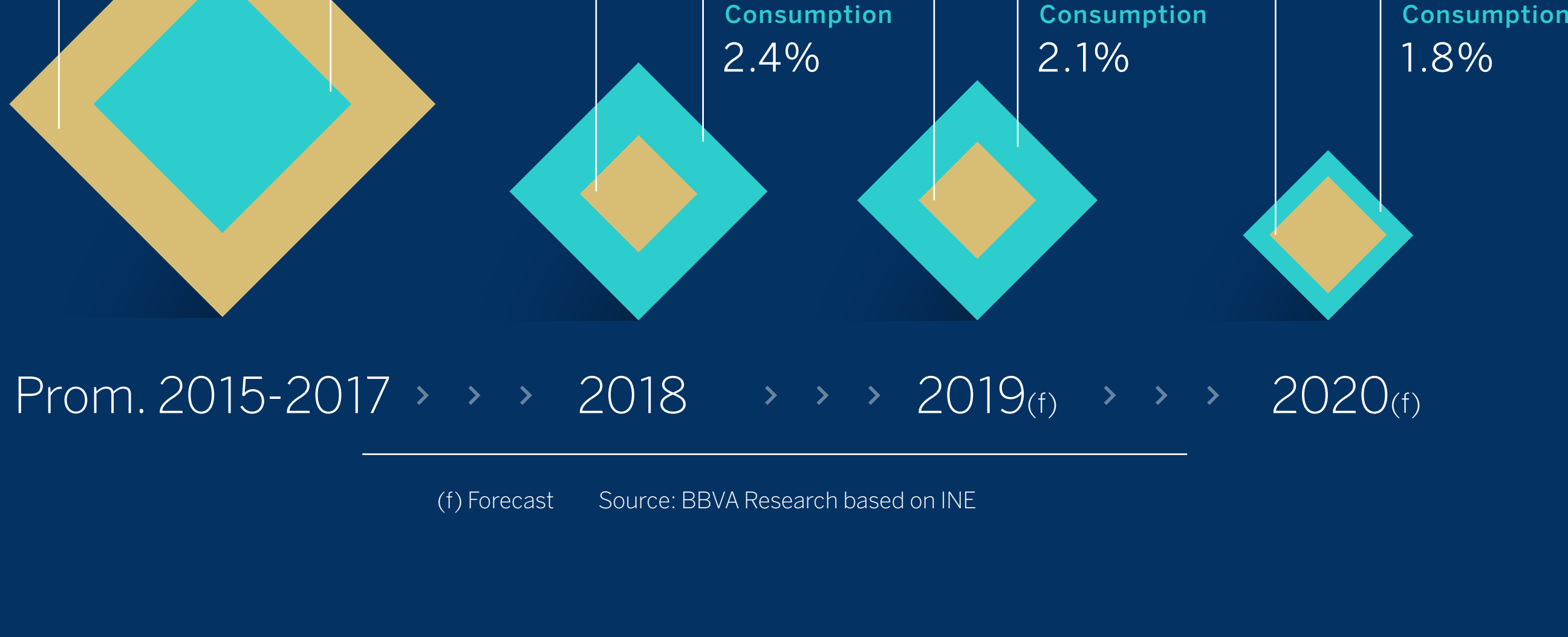
## What explains the slowdown?

Exhaustion of some tail winds

Absorption of pent-up demand of consumption goods ceased

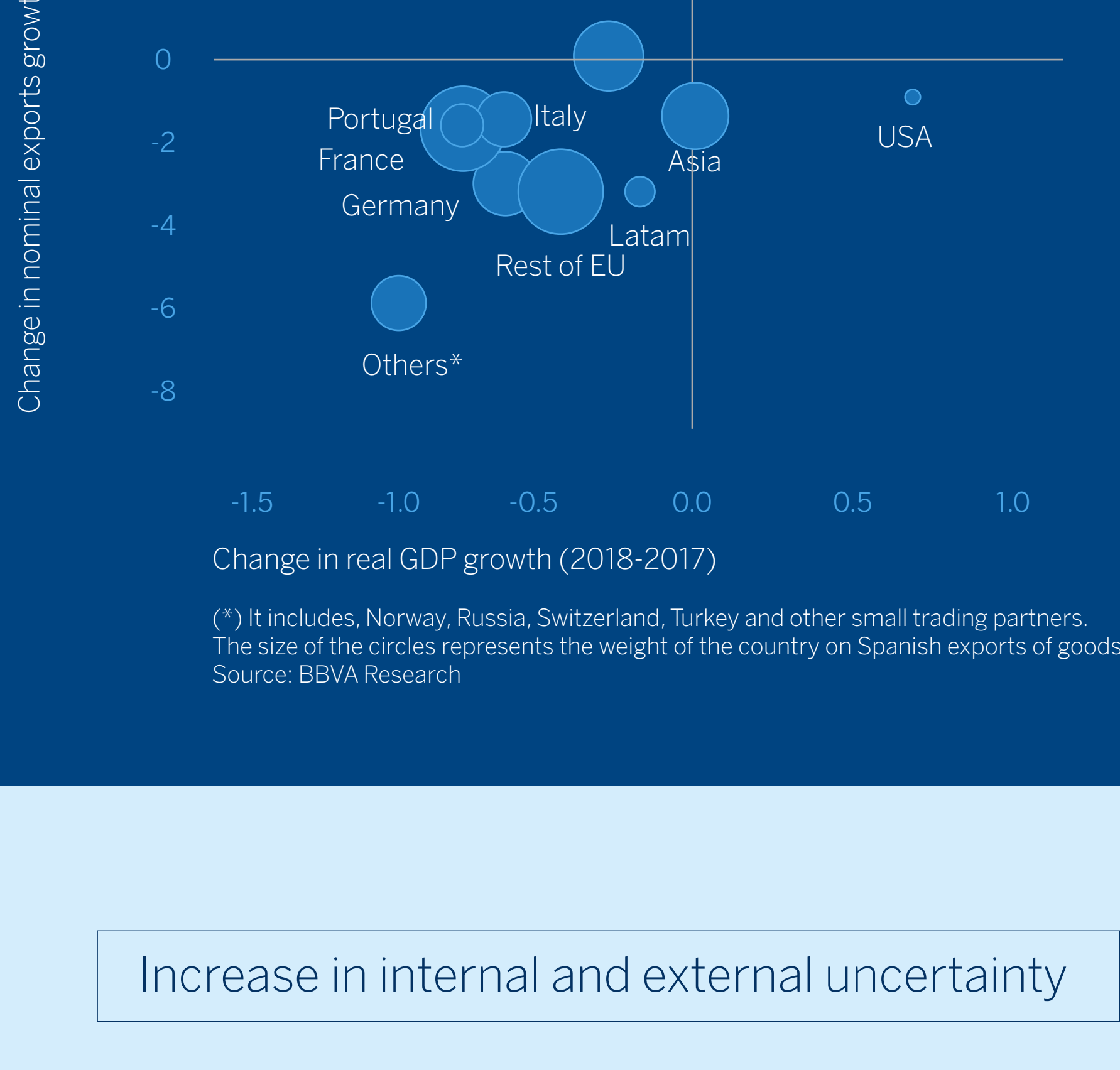
Slowdown in the consumption of non-residents due to a loss of competitiveness and an improvement in the perception of safety in competing destinations

## Spain: Evolution of resident and non-resident consumption (% YoY)



## Lower global demand

General slowdown in exports of goods in 2018 among the main export markets of the Spanish economy



## Increase in internal and external uncertainty

**A** Protectionism increases

**B** Political risk in Europe

**C** Influence of parliamentary fragmentation on economic policy decisions

## Outlook 2019-2020:

Recovery will continue, although growth moderates

GDP



**Employment growth (LFS)**

2019  
**2.1%**  
2020  
**1.8%**



**Inflation**

2019  
**1.3%**  
2020  
**1.5%**



**Unemployment rate**

2019  
**13.8%**  
2020  
**12.6%**



**Compensation per employee**

2019  
**1.9%**  
2020  
**2.2%**

**1**

Despite its slowdown, the global demand guarantees a healthy expansion of Spanish exports

**2**

Monetary policy will remain accommodative: the increase in the official interest rate is postponed to 2Q20

**3**

The lower price of oil will mean significant savings for businesses and families and will offset some headwinds

**4**

Fiscal policy will maintain a slightly expansive stance, but the economic cycle is expected to help the public deficit

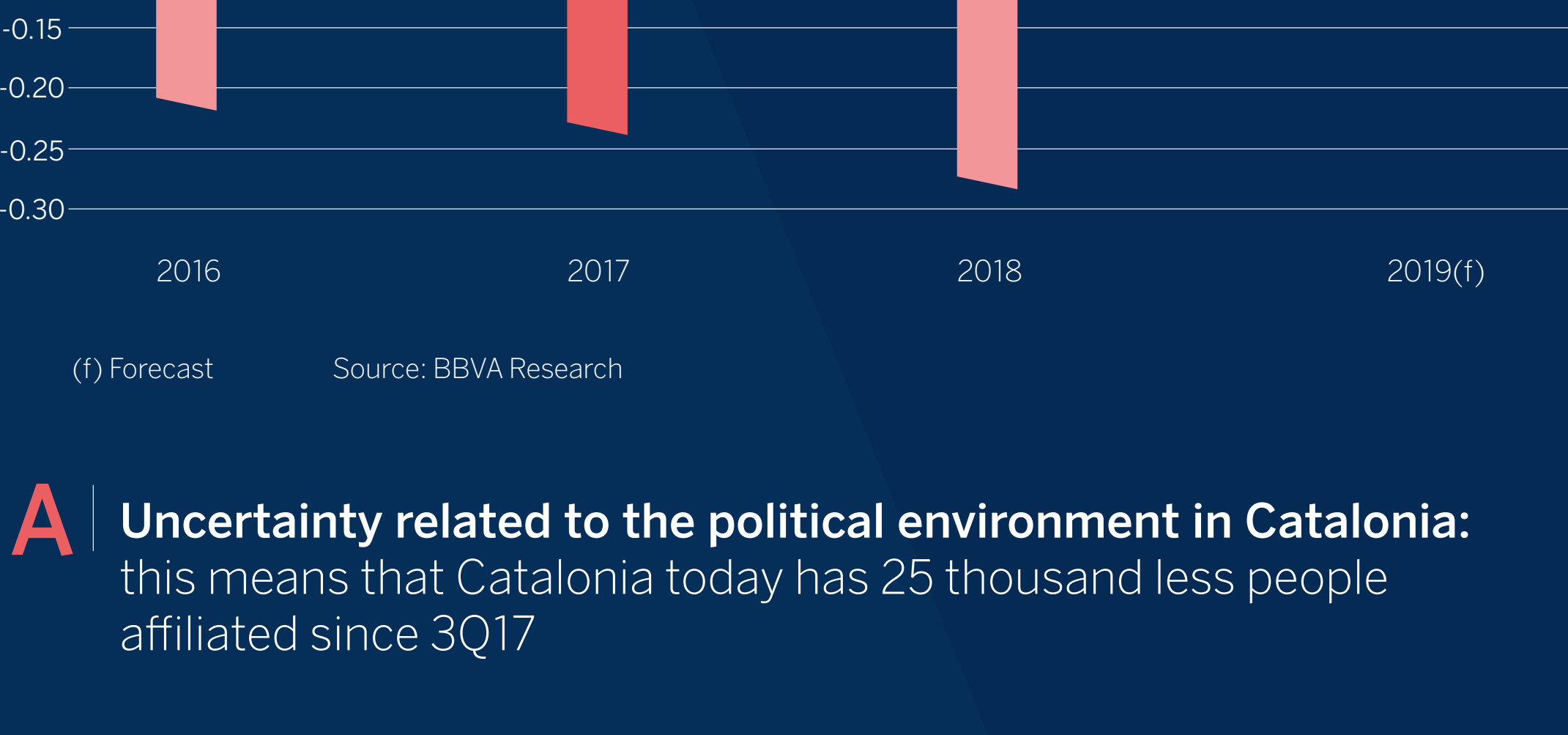
## Impact of the oil prices downward revision on GDP growth (% YoY, deviation from base scenario)



## RISKS

In addition to external risks (protectionism, political uncertainty in the EMU and Brexit), Spain has important sources of uncertainty

### Impact of uncertainty on annual GDP growth (deviation from level in pp)



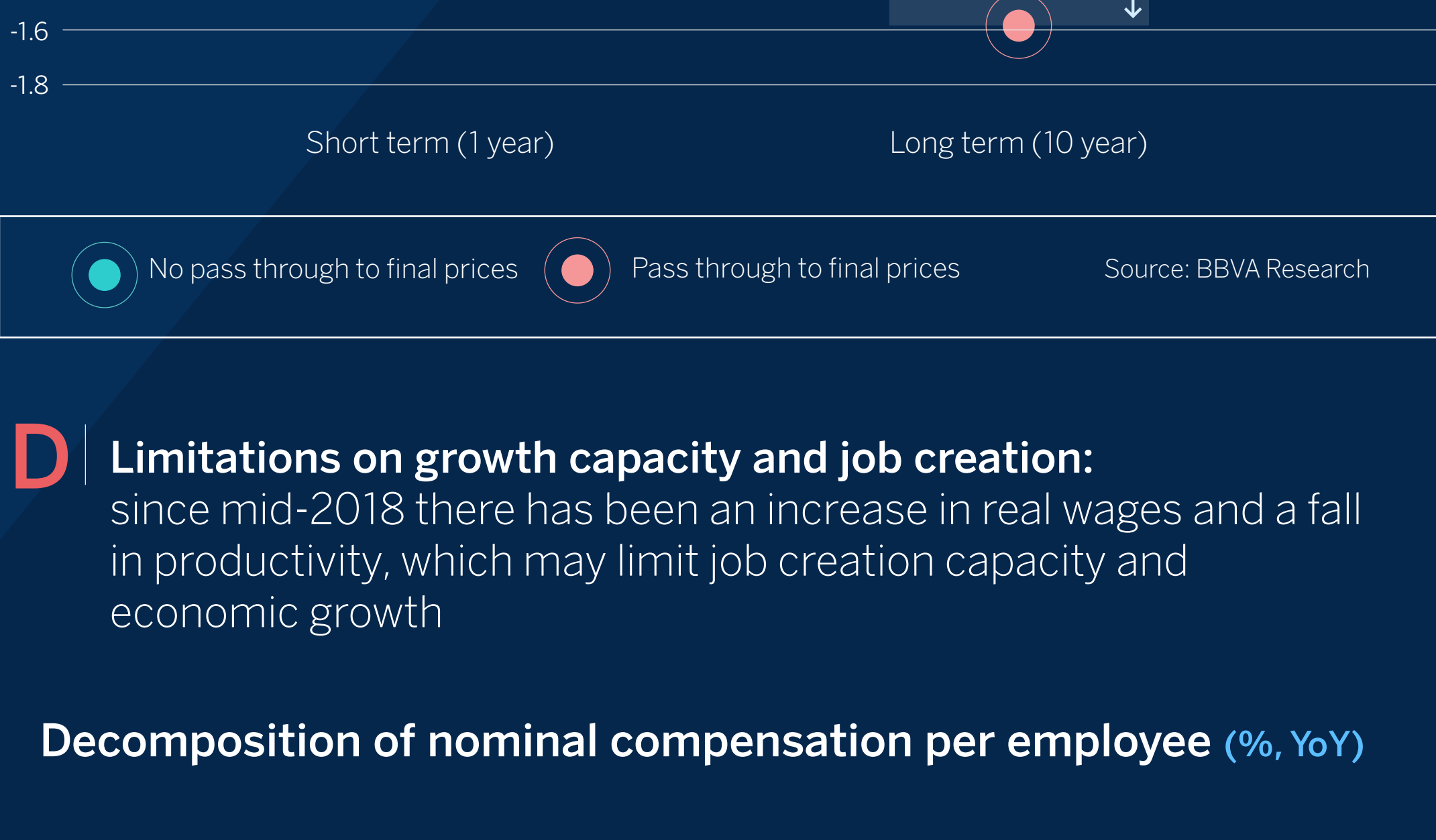
**A** **Uncertainty related to the political environment in Catalonia:** this means that Catalonia today has 25 thousand less people affiliated since 3Q17

**B** **Economic policy:** The uncertainty does not go away and it could not be ruled out that it will increase in a year of intense electoral activity and given the fragmentation of the Spanish Parliament

**C** **Fiscal policy:** there are doubts about the impact that the political cycle could have on public spending and on the approval of the 2019 budget

**D** **Announced economic measures:** some of them have introduced negative biases in certain markets

### FTE employment: impact of the increase in the SMW (% Deviation from the scenario without SMW increase)



**D** **Limitations on growth capacity and job creation:** since mid-2018 there has been an increase in real wages and a fall in productivity, which may limit job creation capacity and economic growth

### Decomposition of nominal compensation per employee (% YoY)

