The causes of this scenario

GDP growth in 1H19 was lower than previously expected, according to the review of the INE’s Quarterly National Accounts. The composition of growth has weakened, with a further slowdown in domestic demand due, above all, to the reduction in private consumption.

Growth in the EMU will be lower than was expected three months ago: 1.1% in 2019 and 0.8% in 2020.

Spain: impact of the downward revision of EMU growth

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>1.1%</td>
</tr>
<tr>
<td>2019</td>
<td>1.1%</td>
</tr>
<tr>
<td>2018</td>
<td>2.4%</td>
</tr>
</tbody>
</table>

What is supporting the Spanish economy?

- There is a turning point in fiscal policy, following a change in the government.
- There is a positive impact on monetary policy.
- There is a low probability of recession in the near future.

What challenges persist at the domestic level?

- There is a growing uncertainty due to a more volatile external environment.
- There is a turning point in fiscal policy: meeting fiscal goals will require a deficit adjustment.
- There will be a change in the cyclically adjusted balance is required to achieve the government’s deficit target.*

Brexit will raise prices in commercial transactions and reduce investment flows.

Structural changes in the automobile sector are explained by variations both in terms of demographics and preferences.

The real estate market is amassing negative surprises.

To reestablish compliance with the EMU’s and the OECD’s economic recommendations.

To work toward inclusive recovery throughout Spain.

* The Government’s deficit target is 2.0%.