Key messages

Prospects of a slowdown in global economic activity are strengthening in an increasingly uncertain environment. Global economic growth will decline from 3.7% in 2018 to 3.2% in 2019 and 3.1% in 2020.

Spain's GDP is forecast to grow 1.9% in 2019 and 1.6% in 2020, below our forecast 3 months ago, as a result of the revisions to historical data, the negative trend shown by some components of demand and the deterioration in the international environment. High uncertainty has a negative impact on spending.

The Spanish economy is now better prepared to face an environment of lower global growth. There are no major imbalances, the financial situation of the private sector is much stronger and the ECB ensures low financing costs.

It is important to reinforce these trends and enhance the resilience of the economy with a comprehensive reform plan of an inclusive nature that increases growth capacity.
Global Economic Outlook 4Q19
Global growth continues to lose momentum

Recent information confirms that uncertainty and protectionism are having a negative impact on growth.

The slowdown in activity has been larger than expected, particularly in China and Europe.

Exports and the manufacturing sector continue to perform particularly poorly...

...and there are already indications that this weakness is starting to spillover to the services sector.

Source: BBVA Research
Uncertainty remains high

**High uncertainty due to:**
- Trade and technological tensions
- Brexit
- Political and geopolitical instability

**The impact on confidence is compoundng the effects of the structural slowdown in China and the cyclical moderation in the US.**

---

*Note: reports of economic uncertainty tone index, seven-day moving average.

100 = June 27, 2016, corresponding to the maximum value recorded by the index for the available period (January 2016 to October 2019).

Source: BBVA Research, based on GDELT data
New protectionist measures are increasing trade tensions

**TRADE WAR INDEX: GOOGLE SEARCHES FOR THE TERM "TRADE WAR"**

(INDEX FROM 0 TO 100)

Steel and aluminum tariffs
Tariffs on USD 3 billion of US imports.

Tariffs on USD 50 billion of Chinese imports
Tariffs on USD 50 billion of US imports.

10% tariffs on USD 200 billion of Chinese imports.
10% tariffs on USD 60 billion of US imports.

25% tariffs on USD 200 billion of Chinese imports.
25% tariffs on USD 60 billion of US imports.

15% tariffs on USD 112 billion of Chinese imports*
Extra tariffs (5-10%) on additional USD 29 billion of US imports.**

(*) And until December 2019, extra tariffs of 5% on USD 250 billion and 15% on additional USD 288 billion of imports from China.

(**) And until December 2019, extra tariffs (5%-10%) on additional USD 46 billion of US imports.

100 is the maximum value recorded by the index for the available period (January 2016 to October 2019).

Source: BBVA Research, based on Google Trends
Flows toward safe assets continue in financial markets.

SOVEREIGN DEBT YIELDS (%)

Source: BBVA Research, based on Bloomberg figures
Countercyclical policies will help to control financial tensions, but will not prevent the global slowdown

COUNTERCYCLICAL POLICIES

Monetary policy:
- Will continue to lead the countercyclical effort…
- …despite its reduced effectiveness in the current context.
- Further adjustments in the coming months.

Fiscal policy:
- Should play a bigger role…
- …but the political environment and high levels of debt restrict its use.
- Measures in China and to a lesser extent in Europe.

Multilateralism:
- International policy coordination has become less likely.

GLOBAL UNCERTAINTY

Tensions between the US and and China will persist:
- Although a partial trade agreement between the two countries is likely…
- …it is unlikely that tariffs will return to the levels seen a few months ago
- …structural and technological issues will continue to generate instability.

*Brexit*, as well as political and geopolitical tensions in certain regions, will continue to fuel uncertainty.
Central banks will maintain the expansionary stance of monetary policy over an extended period

**FEDERAL RESERVE AND ECB: INTEREST RATES (*)**  
(%, END OF PERIOD)

- **Fed:** a reduction of 50 basis points (bp) in rates in recent months, and an additional cut of at least 25 bp in October.
- **ECB:** an aggressive monetary package
  - 10 bp cut in deposit rates
  - Tiered deposit rate system
  - Quantitative expansion
  - Liquidity auctions with more advantageous conditions
- **In Europe, an additional reduction of 10 bp in deposit rates is likely.**
- **China and other emerging countries:** more aggressive interest rate cuts.

(*) Deposit interest rates for the ECB. Forecasts as of October 2019. Source: BBVA Research based on the Fed and ECB.
Global economic growth will experience a more intense slowdown.

Source: BBVA Research
This more intense slowdown is due in part to the persistence of protectionist tensions

EFFECT OF PROTECTIONISM ON GDP (ACCUMULATED EFFECT ON GROWTH, PP)

- Revisions to growth are related to the estimated impact of protectionism.
- Particularly in China, the impact has been mitigated by counter-cyclical measures.
- The deterioration may be even greater in the Eurozone due to fewer exports to the United Kingdom (Brexit) and the problems faced in the automotive sector.
- Risks: if negotiations break down between the US and China, or if escalating tariffs between the US and Europe go further, there would be an additional negative effect on the global economy.

Measures taken from August 2019 (to be implemented, if there is no agreement, and in place up to December 2019): US: Extra tariffs of 5% on USD 250 billion and 15% on USD 300 billion of Chinese imports. China: Extra tariffs (5%-10%) on USD 75 billion of US imports.
Source: BBVA Research
US: Global slowdown and internal uncertainty help to explain the lower growth

GDP GROWTH (%)

- Growth will approach its potential rate more quickly.
- Inflation will remain close to the 2% target.
- The likelihood of a recession has increased and investment is losing its momentum.
- Trump's impeachment process increases uncertainty and reduces the likelihood of fiscal measures.

(f) Forecasts.
Source: BBVA Research based on BEA figures
China: Trade tensions are exacerbating the structural slowdown

There are growing signs of widespread moderation in the economy.

Fiscal and monetary stimulus measures will prevent a more pronounced slowdown, but could increase financial vulnerabilities.

The exchange rate will remain at a more depreciated level to cushion the effects of greater protectionism.

GDP GROWTH (%)

- 2016: 6.7%
- 2017: 6.8%
- 2018: 6.6%
- 2019 (f): 6.0%
- 2020 (f): 5.6%

(f) Forecasts. Source: BBVA Research from the Bank of China figures.
Eurozone: Risks are increasing and activity slowing down

- **Brexit** and problems in the automotive sector, in addition to trade tensions, have affected activity...

- ...and have contributed to a greater fall in exports to the rest of Europe and the United Kingdom than elsewhere.

- Greater divergence between countries in the region due to differences in exposure to the external sector.

- Inflation will remain very low (1.2% in 2019; 1.1% in 2020).

- The risk of recession continues to rise.

**GDP GROWTH (%)**

- 2016: 1.9%
- 2017: 2.5%
- 2018: 1.8%
- 2019 (f): 1.1%
- 2020 (f): 1.2%

(f) Forecasts. Source: BBVA Research based on Eurostat figures.
Oil: Upward pressure after the attack in Saudi Arabia, although in the medium term, prices will continue to fall

**PRICE OF OIL**
(DOLLARS PER BARREL, ANNUAL AVERAGE)

- Current
- Previous

2016: 44
2017: 54
2018: 71
2019 (f): 64
2020 (f): 57

(f) Forecasts.
Source: BBVA Research, based on Bloomberg figures

- Short-term forecasts are revised slightly upwards and there is a risk that escalating tensions in producing countries will lead to increases in the price of crude oil.

- In any case, the medium-term outlook for moderation remains, given the relative robustness of supply in an environment of lower demand.
Global risks are increasing, mainly due to tensions between China and the US

- Recession: highest
- Protectionism: high
- Protectionism: high
- Disorderly deleveraging: highest
- Geopolitical tensions

The risk of geopolitical instability in the Middle East has also increased. Financial vulnerabilities may increase the severity of risks.
Spain
Economic Outlook
4Q19
Economic developments point to lower GDP growth compared to predictions published three months ago

2018: 2.4%  
2019: 1.9%  
2020: 1.6%

Source: BBVA Research, based on INE (Spanish National Statistics Institute) figures
According to the INE, GDP growth during 1Q19 would have been 0.5% QoQ, compared to the 0.7% previously advanced.

In addition, it has been confirmed that growth in 2Q19 would have fallen to 0.4% QoQ, below BBVA Research's three-month forecast (0.6%).

Growth remained sluggish during 3Q19 and is expected to be between 0.3% and 0.5% QoQ.
Reasons for the downward revision to forecasts

2. Changes in the composition of growth

- The slowdown is greater in domestic demand, due to sluggish private consumption, especially of durable goods.

- Investment growth is also less vigorous than expected and positive 1Q19 data has reverted in recent months.

- The developments in exports have been positive, although heterogeneous across components.

**SPAIN: PRIVATE CONSUMPTION**

(\% QOQ)

![Graph showing quarterly national accounts](chart.png)

Source: BBVA Research, based on INE (Spanish National Statistics Institute) figures
Reasons for the downward revision to forecasts
3. Growth in EMU revised downward

SPAIN: IMPACT OF THE DOWNWARD REVISION OF GROWTH IN EMU
(DEVIATION FROM THE BASELINE SCENARIO IN PP)

GDP in the EMU is stagnating, mainly affected by the adjustment of trade flows.

- GDP in the EMU is stagnating, mainly affected by the adjustment of trade flows.
- However, domestic demand remains stable, preventing a recession in the EMU for the time being.
- BBVA Research's estimates indicate that economic activity in Spain is moderating at the same relative rate as that of EMU.
- The impact on Spanish exports is significant.

Source: BBVA Research based on INE and Eurostat figures
Going forward uncertainty is rising
Related to economic policy

SPAIN: BREAKDOWN OF THE ECONOMIC POLICY UNCERTAINTY INDEX
(INDEX, 100 = AVERAGE 1997–2019)

- Uncertainty about economic policy increases again, influenced mainly by a volatile external environment.
- Tariff tensions and the increased likelihood of a no-deal *brexit* have had a large impact on world trade over a much more prolonged period than expected.
Going forward uncertainty is rising
Related to Brexit

Brexit will drive trade transactions, reduce bilateral investment flows, hinder the provision of cross-border financial services and limit the free movement of people.

Lower growth in the UK
Greater uncertainty in capital markets
Depreciation of the pound against the euro
Going forward uncertainty is rising
Related to trade tensions

Exports of goods have behaved extraordinarily during much of the recovery.

Since 2018, there has been a slowdown that cannot be explained, either by loss of competitiveness or by a dramatic fall in demand from the main trading partners.

Uncertainty around trade tensions, problems in the automobile sector and Brexit, are some of the factors that may be weakening export growth.

Source: BBVA Research from CNT (INE), Datacomex and HAVER
Going forward uncertainty is rising
Related to economic policy

WORDS ASSOCIATED WITH DOMESTIC UNCERTAINTY
(SIZE INDICATES THE PROBABILITY THAT A WORD WILL APPEAR IN NEWS ASSOCIATED WITH UNCERTAINTY)

- Domestic uncertainty (associated with domestic political and economic developments) has increased in recent months.

- Various regulatory changes associated with the housing market or the automobile sector, along with uncertainty related to the political environment, have had a negative impact on confidence.

Going forward uncertainty is rising
Related to changes in consumer patterns

Fluctuations in the demand for vehicles are mainly explained by cyclical reasons: purchasing power, uncertainty, financing and incentives…

…but also by structural causes: changes in preferences and demographic.

For example, the likelihood of young people buying a car has fallen since 2007 and not only because of transitory factors.

The likelihood of buying a car is higher in less populated municipalities ► existence of close substitutes plays a role.

--- 95% CI.
For more information see "Situación Consumo 1S19": https://bit.ly/30Vb5WU
Source: BBVA Research based on INE, EPF (National Institute of Statistics)
Going forward uncertainty is rising
Related to regulatory changes in the housing market

SPAIN: VARIABLES IN THE REAL ESTATE SECTOR
(LEVEL DEVIATION FROM TREND*, IN PP)

<table>
<thead>
<tr>
<th></th>
<th>1Q18</th>
<th>2Q18</th>
<th>3Q18</th>
<th>4Q18</th>
<th>1Q19</th>
<th>2Q19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home sales</td>
<td>-0.7</td>
<td>0.6</td>
<td>0.5</td>
<td>-8.5</td>
<td>-7.3</td>
<td>-17.3</td>
</tr>
<tr>
<td>Mortgages</td>
<td>-0.7</td>
<td>-2.9</td>
<td>4.9</td>
<td>-4.4</td>
<td>-6.0</td>
<td>-13.0</td>
</tr>
<tr>
<td>Property transactions</td>
<td>-3.5</td>
<td>-0.1</td>
<td>-0.3</td>
<td>-9.4</td>
<td>-6.0</td>
<td>-12.9</td>
</tr>
<tr>
<td>Housing investment</td>
<td>2.1</td>
<td>0.4</td>
<td>-0.6</td>
<td>-2.7</td>
<td>-3.9</td>
<td>-4.8</td>
</tr>
<tr>
<td>Visas</td>
<td>-0.7</td>
<td>2.1</td>
<td>4.2</td>
<td>-1.1</td>
<td>-0.6</td>
<td>-2.9</td>
</tr>
<tr>
<td>Affiliates in construction</td>
<td>0.1</td>
<td>0.3</td>
<td>0.6</td>
<td>0.7</td>
<td>1.0</td>
<td>0.3</td>
</tr>
<tr>
<td>Employed in construction</td>
<td>-0.5</td>
<td>1.1</td>
<td>1.4</td>
<td>4.7</td>
<td>4.7</td>
<td>0.6</td>
</tr>
<tr>
<td>House price</td>
<td>-0.1</td>
<td>0.4</td>
<td>0.3</td>
<td>1.1</td>
<td>1.8</td>
<td>1.1</td>
</tr>
</tbody>
</table>

* Note: Linear trend Jan 16–Sep 18.
Source: BBVA Research, based on national sources

- Investment is slowing as is consistent with an environment of growing uncertainty affecting businesses.
- In recent months, several variables linked to the real estate sector have shown a more negative than expected trend.
- The variables most linked to residential demand are showing a greater correction, although part of this could be short-lived once legal changes are assimilated.
Going forward uncertainty is rising
Related to fiscal policy

SPAIN: CHANGE IN THE CYCLICALLY-ADJUSTED BALANCE REQUIRED TO MEET THE GOVERNMENT DEFICIT TARGET*

(PP)

Fiscal policy would have been expansionary during the first half of the year.

Meeting fiscal targets warrants an adjustment of more than half a percentage point during the second semester.

The public deficit forecast for 2019 is 2.3% of GDP. In an no-policy-change scenario, the imbalance would continue to decline to 1.9% of GDP.

* The government deficit target is 2.0%.
Source: BBVA Research based on Ministry of the Treasury (Hacienda) data
**What are the supporting factors of the Spanish economy?**
Unlike the 2005–2007 period, there are now no signs of imbalances

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2005–2007</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Housing affordability</strong></td>
<td>43.1%</td>
<td>32.3%</td>
</tr>
<tr>
<td>(% household income)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current account balance</strong></td>
<td>-8.6%</td>
<td>1.8%</td>
</tr>
<tr>
<td>(%, annual average)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>New credit transactions</strong></td>
<td>114.6%</td>
<td>36.9%</td>
</tr>
<tr>
<td>(% GDP)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Housing prices</strong></td>
<td>10.1%</td>
<td>3.4%</td>
</tr>
<tr>
<td>(%, YoY annual average)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Unit labor costs</strong></td>
<td>3.7%</td>
<td>0.8%</td>
</tr>
<tr>
<td>(%, YoY annual average)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Private sector debt</strong></td>
<td>173.5%</td>
<td>132.5%</td>
</tr>
<tr>
<td>(% GDP)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: BBVA Research, based on national sources
What are the supporting factors of the Spanish economy?

Growth in the real estate market continues

- The real estate market has recovered in the previous five years and shows no signs of aggregate imbalances.

- Housing prices are around their equilibrium level, and, in real terms, are about 30% below the maximum reached in the last decade.

- In any case, the geographic heterogeneity of the Spanish residential market is very high.

**SPAIN: HOUSE PRICES**
(CURRENT PRICE INDEX)

Source: BBVA Research, based on BIS figures
What are the supporting factors of the Spanish economy?
Positive impact of monetary policy

- A decline in interest rates will be a positive factor for economic growth, although the effect is diminishing.
- The low interest rates applicable to public debt allow for a more expansionary fiscal policy.

**SPAIN: INTEREST RATES AND RISK PREMIUM** (%)

- **10-year EMU* rate**
- **Risk premium**
- **10-year Spain rate**

* This refers to the 10-year German rate.
Source: BBVA Research, based on Bloomberg figures
The economy requires reforms that support growth
The consensus regarding the measures to be implemented has decreased

Between 2012 and 2015 there was considerable progress in the compliance with the economic recommendations of the European Commission and the OECD.

Since 2016, that momentum has diminished.

This momentum needs to recover in order to protect the Spanish economy when faced with less favorable environments.

* A higher index means that there has been a greater degree of compliance with the recommendations. In the opinion of the European Commission, a high degree of compliance means that all, many or some measures needed to comply with the recommendations have been implemented. In the opinion of the OECD, the indicator reflects that specific legislative reforms have been implemented to comply with the recommendations.

Source: BBVA Research, based on the European Parliament, Committee of Economic Governance and OECD
The economy requires reforms that support growth
Challenges of working toward an inclusive recovery

**SPAIN: EVOLUTION OF SOCIAL SECURITY REGISTRATIONS IN URBAN AND NON-URBAN AREAS**

(1T08=100)

- The drop in employment during the crisis was more intense in non-urban areas, and the recovery is less dynamic.
- Almost a quarter of Spain's registrations—24.3%—are located in municipalities outside of a large urban area.
- There are 14 Spanish provinces in which at least half of the jobs created are located in municipalities outside of a large urban area.

---

Note: The Ministry of Development defines large urban areas as areas comprising at least 753 municipalities, that is, the 9.3% of Spain where 68.9% of the population live. See [https://bit.ly/2Vuk2VA](https://bit.ly/2Vuk2VA)

Source: BBVA Research, based on Social Security and the Ministry of Development
Forecasts
Forecasts
Recovery will continue, although the slowdown will be consolidated

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019 (f)</th>
<th>2020 (f)</th>
</tr>
</thead>
<tbody>
<tr>
<td>National final consumption expenditure</td>
<td>1.9</td>
<td>1.1</td>
<td>1.4</td>
</tr>
<tr>
<td>Private consumption</td>
<td>1.8</td>
<td>0.8</td>
<td>1.3</td>
</tr>
<tr>
<td>Public consumption</td>
<td>1.9</td>
<td>2.0</td>
<td>1.7</td>
</tr>
<tr>
<td>Gross fixed capital formation</td>
<td>5.3</td>
<td>2.3</td>
<td>3.0</td>
</tr>
<tr>
<td>Equipment and machinery</td>
<td>5.7</td>
<td>1.6</td>
<td>2.6</td>
</tr>
<tr>
<td>Construction</td>
<td>6.6</td>
<td>2.9</td>
<td>2.6</td>
</tr>
<tr>
<td>Housing</td>
<td>7.7</td>
<td>3.5</td>
<td>3.9</td>
</tr>
<tr>
<td>Other buildings and structures</td>
<td>5.3</td>
<td>2.2</td>
<td>1.1</td>
</tr>
<tr>
<td>Domestic demand (*)</td>
<td>2.6</td>
<td>1.3</td>
<td>1.7</td>
</tr>
<tr>
<td>Exports</td>
<td>2.2</td>
<td>2.0</td>
<td>2.9</td>
</tr>
<tr>
<td>Goods exports</td>
<td>2.1</td>
<td>1.1</td>
<td>3.3</td>
</tr>
<tr>
<td>Service exports</td>
<td>2.3</td>
<td>4.0</td>
<td>2.0</td>
</tr>
<tr>
<td>Non-tourism services</td>
<td>2.8</td>
<td>5.2</td>
<td>2.8</td>
</tr>
<tr>
<td>Final consumption of non-residents in the economic territory</td>
<td>1.7</td>
<td>2.4</td>
<td>0.7</td>
</tr>
<tr>
<td>Imports</td>
<td>3.3</td>
<td>0.2</td>
<td>3.4</td>
</tr>
<tr>
<td>External demand (*)</td>
<td>-0.3</td>
<td>0.6</td>
<td>-0.1</td>
</tr>
<tr>
<td>Real GDP at market prices</td>
<td>2.4</td>
<td>1.9</td>
<td>1.6</td>
</tr>
</tbody>
</table>

(*) Contribution to GDP growth. (f) Forecast.
Source: BBVA Research, based on INE and BdE data
Forecasts

Recovery will continue, although the slowdown will be consolidated

<table>
<thead>
<tr>
<th>% YoY</th>
<th>2018</th>
<th>2019 (f)</th>
<th>2020 (f)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment (full-time equivalent) based on quarterly national accounts</td>
<td>2.5</td>
<td>2.2</td>
<td>1.4</td>
</tr>
<tr>
<td>Employment, based on Labor Force Survey</td>
<td>2.7</td>
<td>2.2</td>
<td>1.4</td>
</tr>
<tr>
<td>Unemployment rate (% of labor force)</td>
<td>15.3</td>
<td>14.1</td>
<td>13.3</td>
</tr>
<tr>
<td>CPI (annual average)</td>
<td>1.7</td>
<td>0.7</td>
<td>1.1</td>
</tr>
<tr>
<td>GDP deflator</td>
<td>1.1</td>
<td>1.2</td>
<td>0.9</td>
</tr>
<tr>
<td>Public Deficit (% GDP)</td>
<td>-2.5</td>
<td>-2.3</td>
<td>-1.9</td>
</tr>
<tr>
<td>Current account (% GDP)</td>
<td>1.8</td>
<td>1.6</td>
<td>1.4</td>
</tr>
</tbody>
</table>

Annual change in %, unless expressly indicated.
(f) Forecast.
Source: BBVA Research, based on INE and BdE data
Spain
Economic Outlook
4Q19
Appendix
Recovery will continue, although the slowdown will be consolidated
The short-term impact of the minimum wage increase will be limited

registrations in groups with the largest amount of members on the minimum wage continues to slow down compared to 2017 and 2018 figures.

- In the remaining groups, the increase in registrations was 0.4pp less than the 2017–2018 average.
- Its impact on employment remains limited (between 10,000 and 50,000 registrations) and in line with our January estimates for 2019 (between 0.1pp and 0.4pp).

VARIATION IN SOCIAL SECURITY REGISTRATIONS BETWEEN JANUARY AND SEPTEMBER (2019 VS 2017–2018 AVERAGE, %)

- Wage earners for whom the coverage of the minimum wage is higher
- Other employees

* People under the age of 30.
Trade; hospitality; real estate activities; professional, administrative and artistic activities; and other services. Canary Islands, Extremadura, Andalusia and Murcia.
Source: BBVA Research, based on MITRAMISS (Spanish Ministry of Labor, Migrations and Social Security) data.
Risks: uncertainty regarding economic policy

SOCIAL SECURITY REGISTRATIONS IN THE PRIVATE SECTOR (% YOY)

The slowdown in employment was more intense in Catalonia at the end of 2017 and the start of 2018.

To establish a counterfactual situation, we used a synthetic control methodology designed by Abadie and Gardeazábal (2004).

Since November 2017, employment growth has been on average 0.5 pp lower than in the counterfactual situation. This means that today Catalonia has 30,000 fewer registrations than the equivalent synthetic region (about 1% of employment).

Source: BBVA Research, based on Social Security data
There are still numerous risks

**Brexit**

- Trade is one of Brexit’s main transmission channels...
  - Spanish exports to the United Kingdom account for 3.2% of GDP (EMU: 4%); imports, 2.0% (EMU: 2.8%).
  - Exposure to the British market is comparatively high in exports of tourism services (1 in 5 travelers), as well as in exports of telecommunications, financial, transport and business services.
  - 7% of goods exports are destined for the UK. Transport materials and agri-food sectors are those most affected...

- …but not the only ones
  - Financial channel: Spain’s assets in the UK account for 13% of total (17% of GDP), while liabilities (UK investments in Spain) account for 10% of the total (20% of GDP).
  - Real estate channel: British people are responsible for 16% of the housing transactions completed by foreigners.
  - Immigration channel: Almost 300,000 British nationals live in Spain. 40% are 65 or older.

The impact will depend on the type of exit and the future relationship between the UK and the EU.