

Convegno AIAF, 27 gennaio 2015

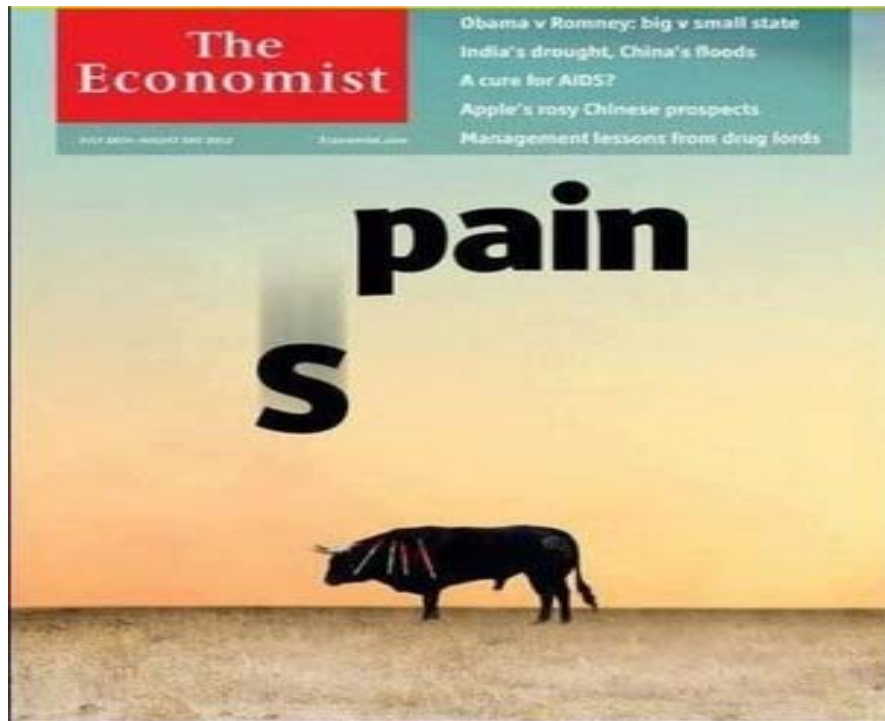
L'Italia fuori dalla crisi nel 2015?

L'azione di governo, il contesto internazionale, la sfida delle imprese

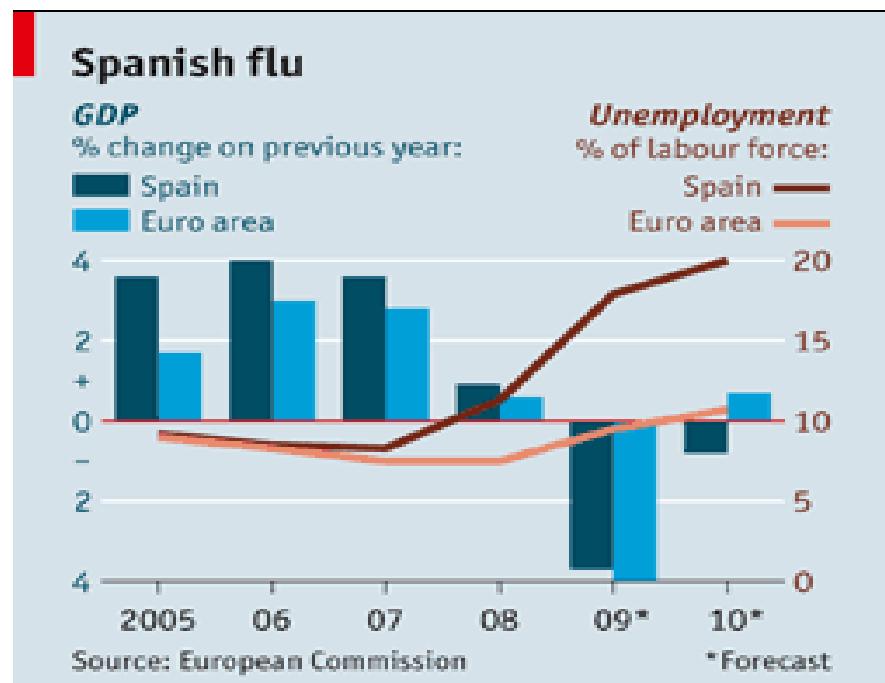
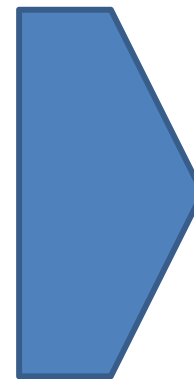
PERCHE' LA SPAGNA E' RIPARTITA?

Jesús López Zaballos, Phd

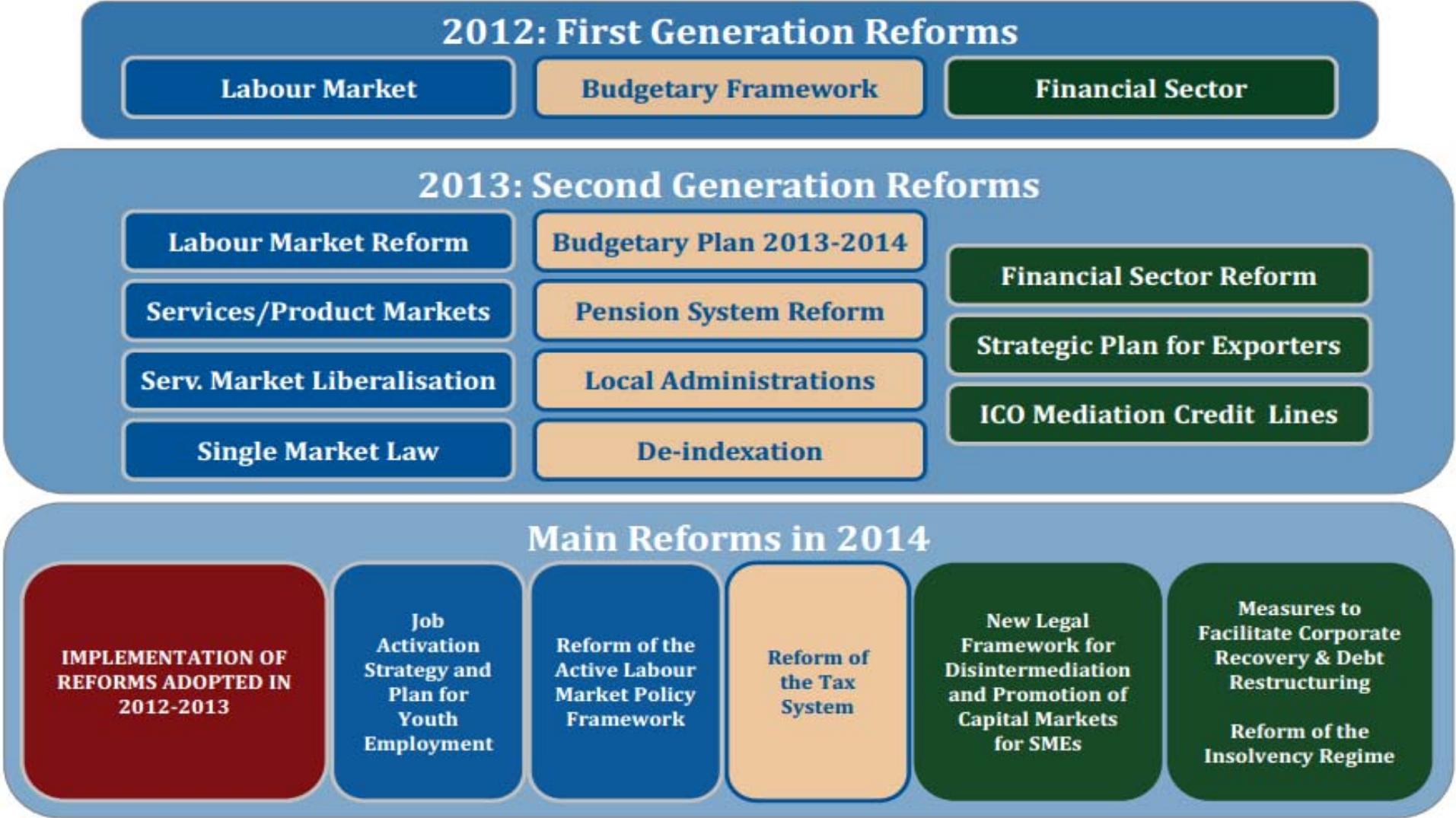
EFFAS Chairman



With growth of 2% this year 2015 Spain will become the new 'locomotive' in Europe.



The reform process continues...



- Economic Structural Reforms
- Public Sector Reforms
- Financial Sector Reforms

Source: Tesoro Público

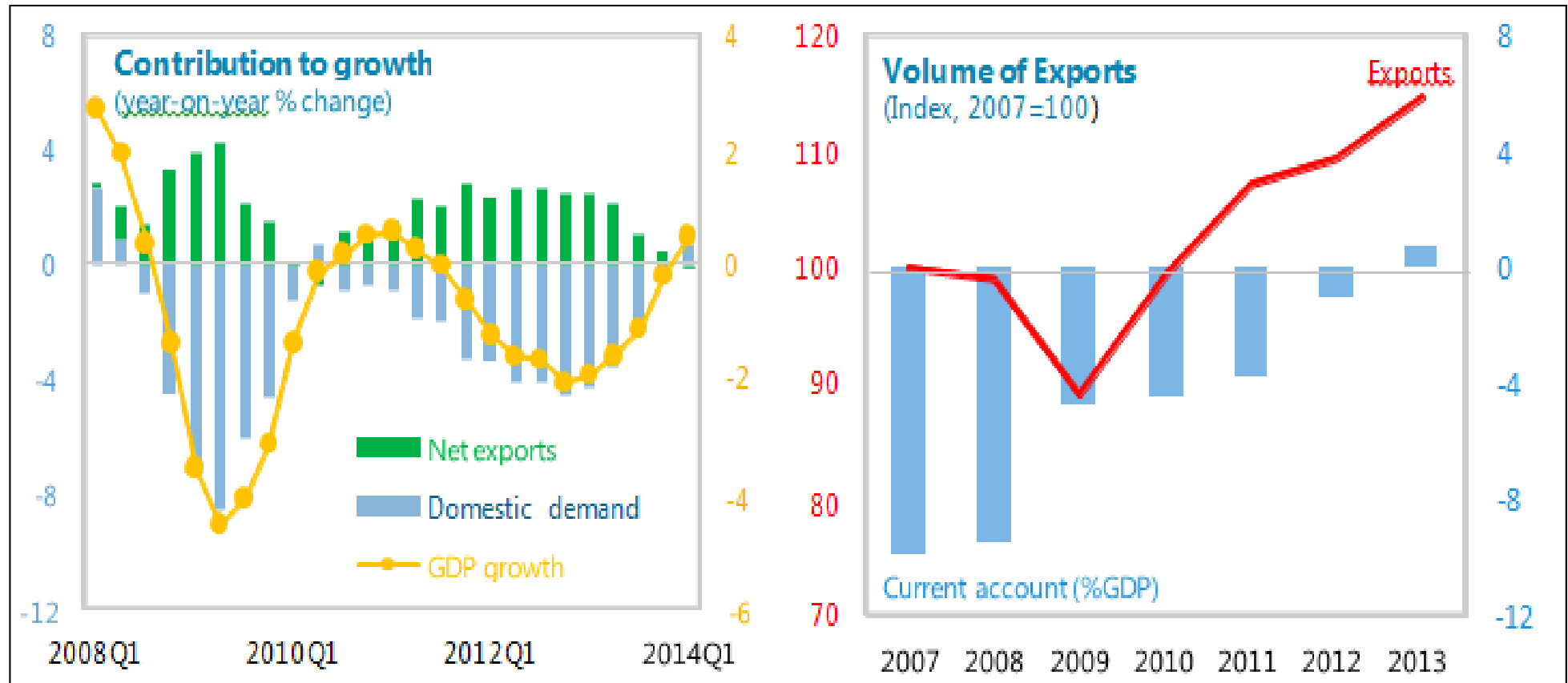


... however there are still some risks...

- ❑ ***Unemployment needs to be tackled***
- ❑ ***The living standard has dropped significantly***
- ❑ ***Spain is heavily indebted towards the rest of the world***

... that the spanish economy must solve in the coming years.

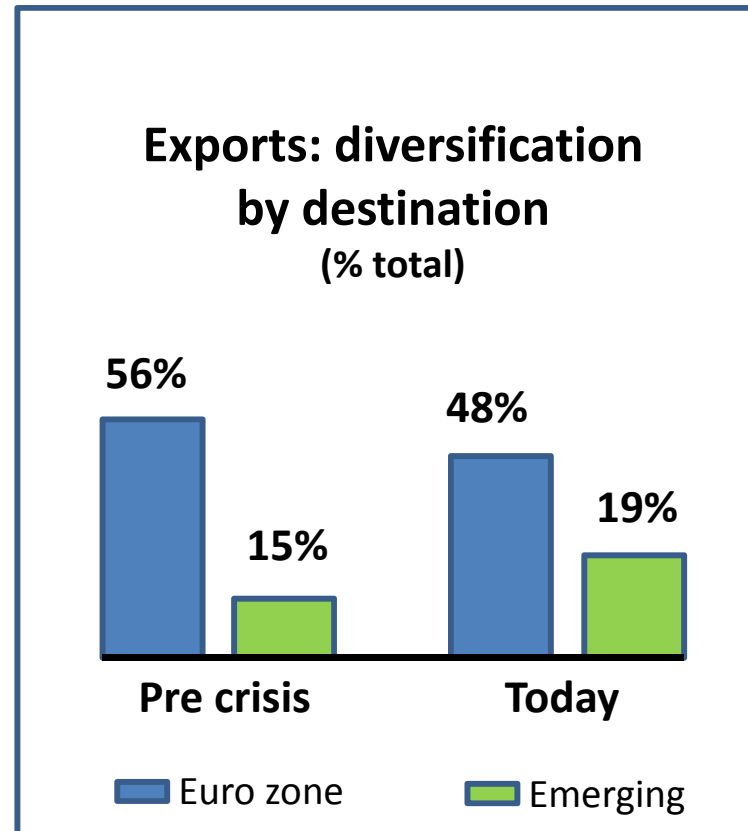
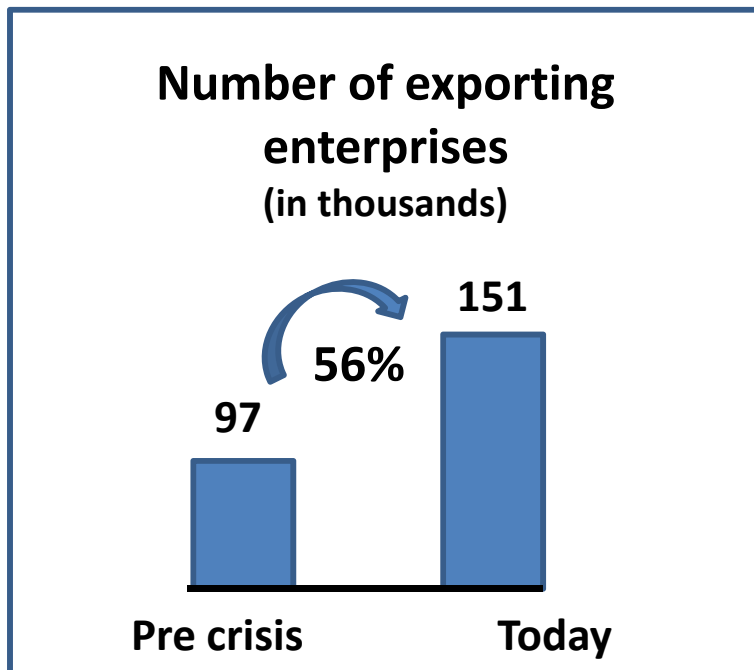
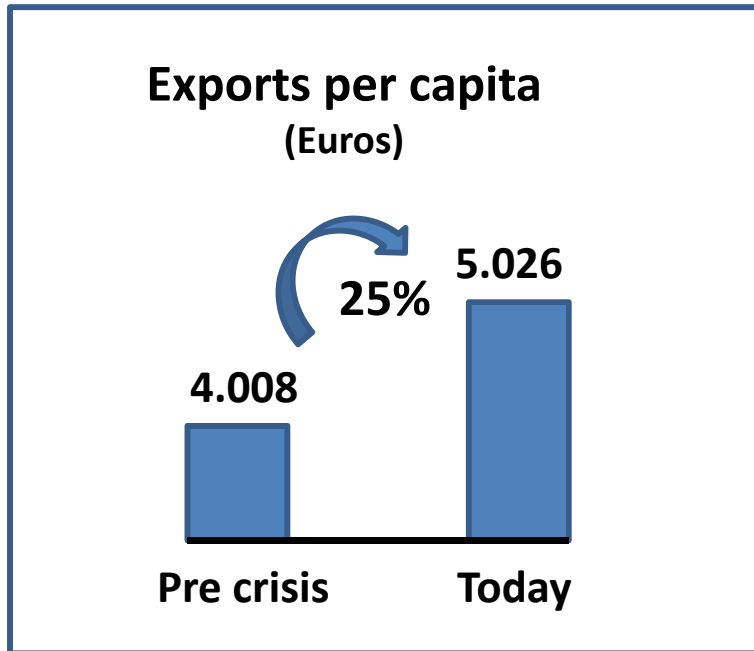
After a double dip recession, the recovery is gaining momentum, thanks to strong exports...



Source: IMF

...exporters are gaining market share and the current account is in surplus for the first time since 1986.

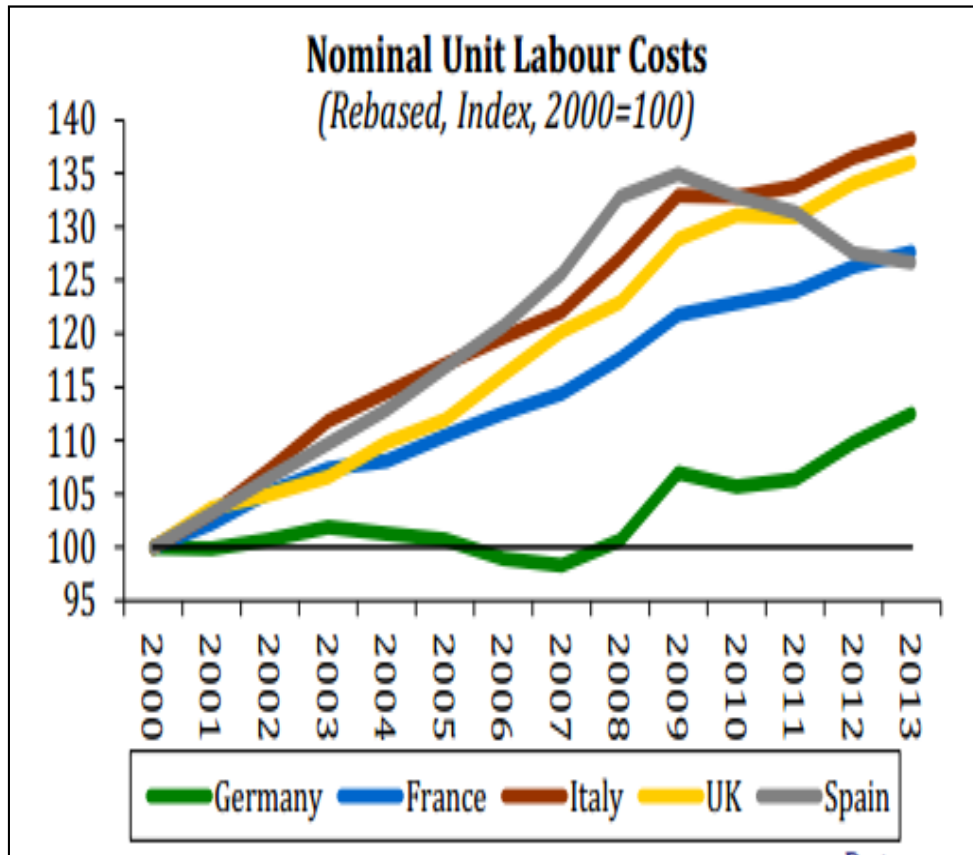
the new model is reflected in the diversification by product and destination...



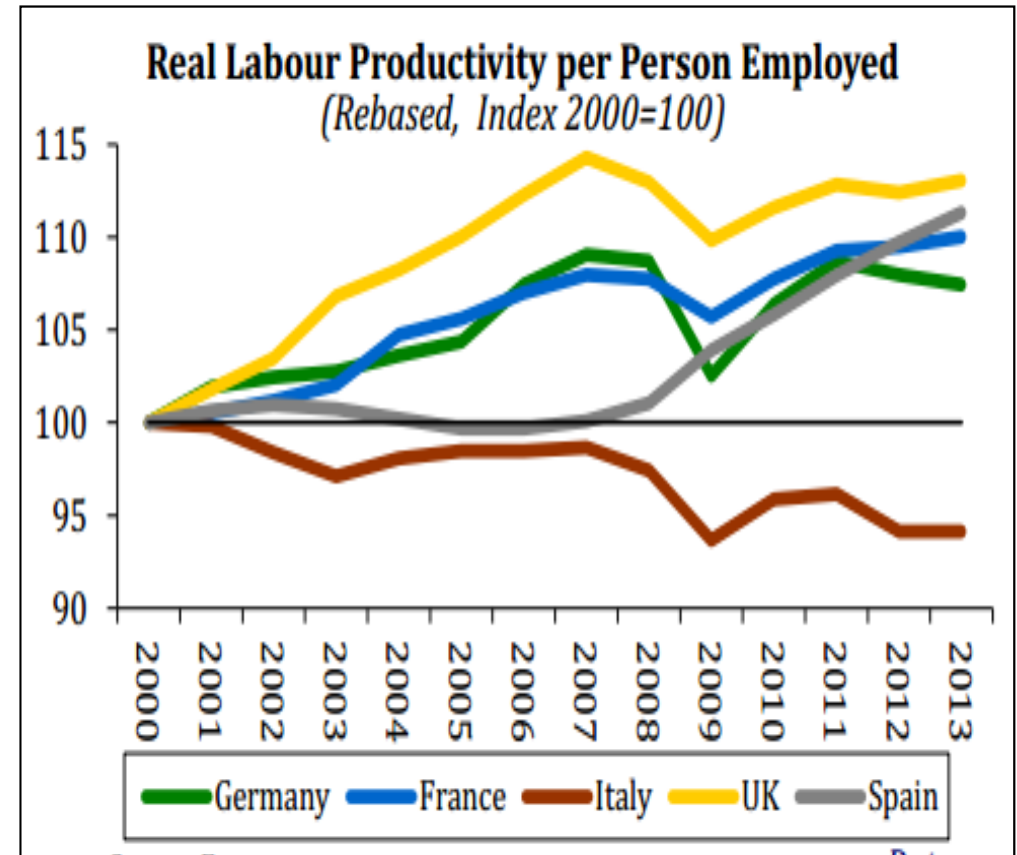
Source: CEC

... showing a greater propensity to export of Spanish companies.

Wage moderation, rebalancing and competitiveness...



Source: Euroestart

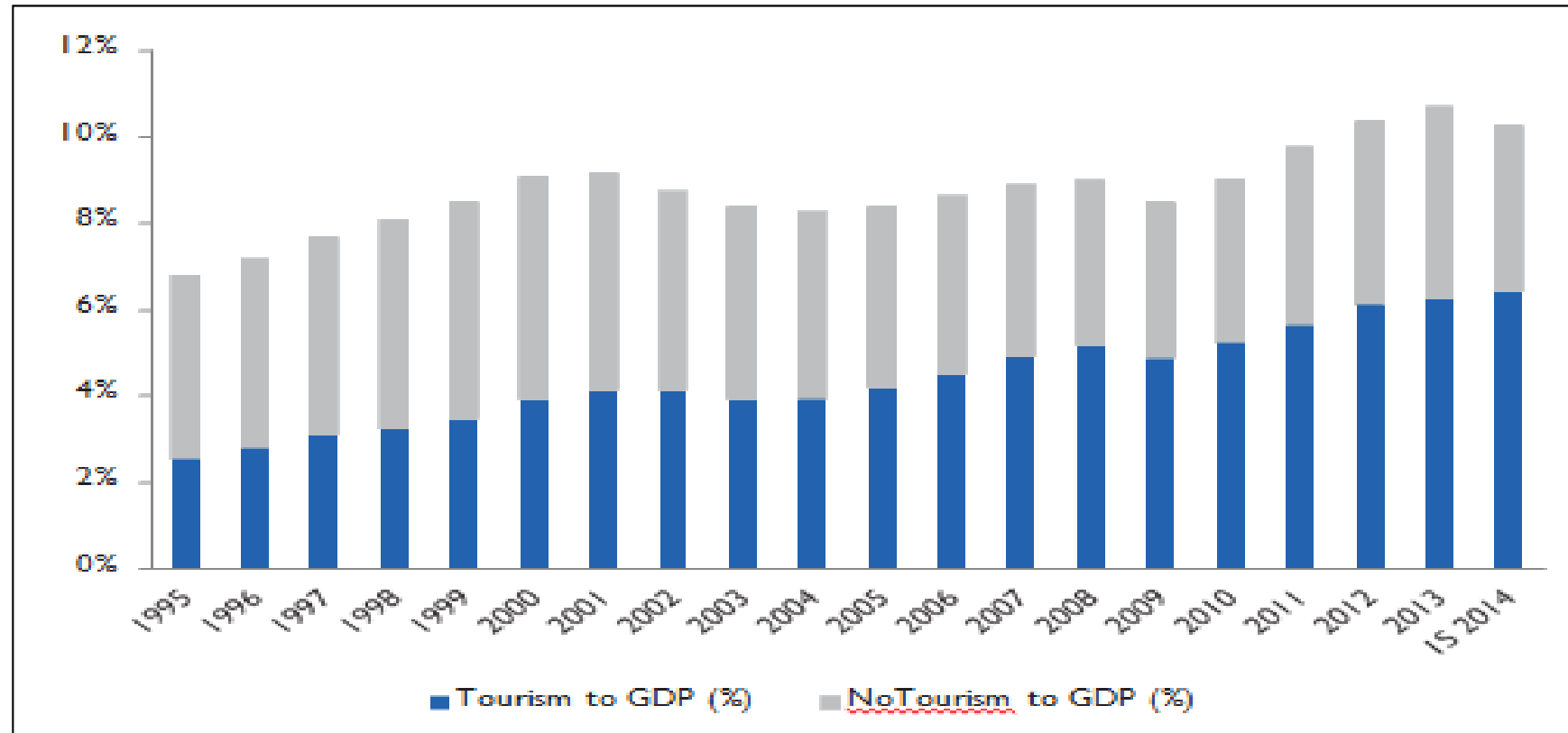


Source: Euroestart

...will maintain a competitive export sector.

Tourism growth is structural...

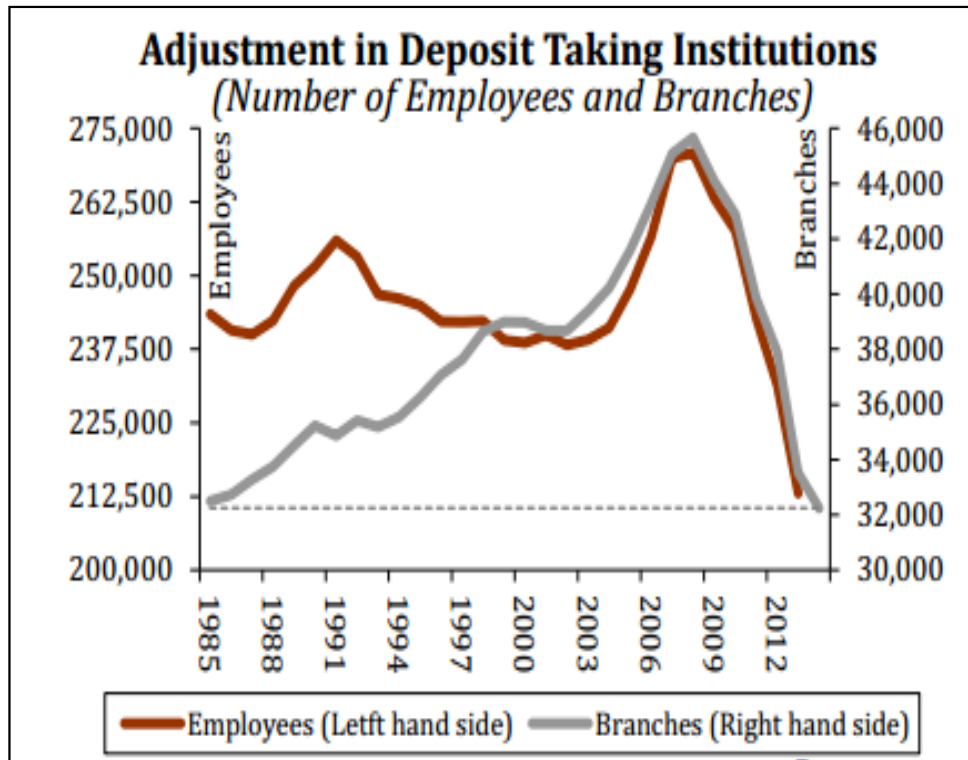
Tourism and no Tourims to GDP (%)



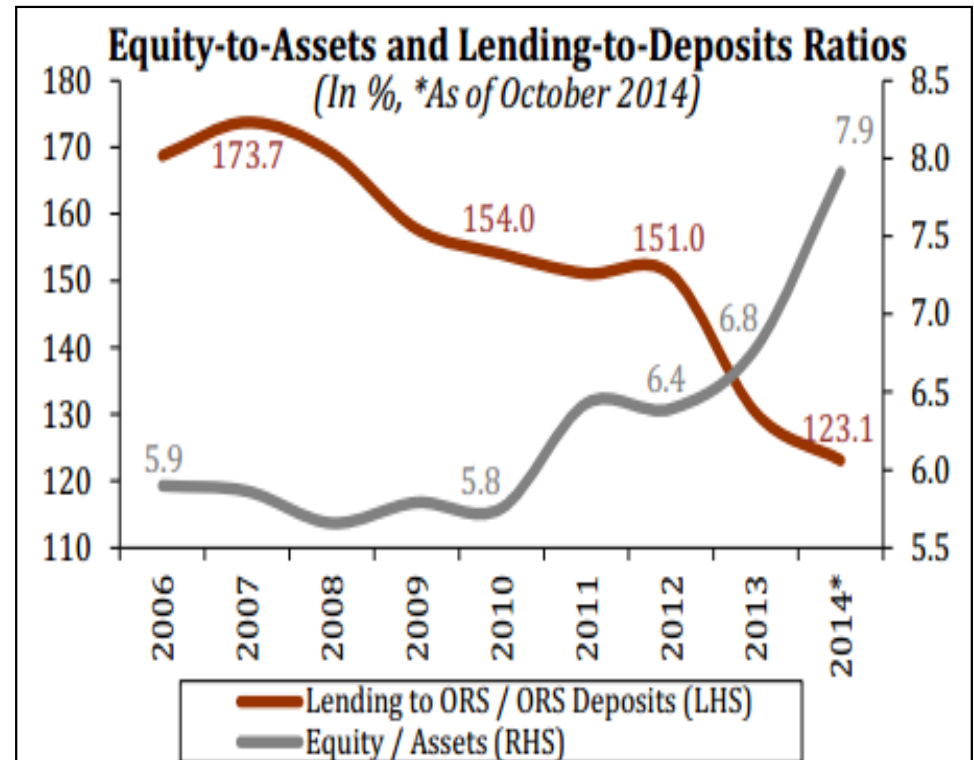
Source: Bank of Spain

... 65 million tourist in 2014, 6% more than in 2013.

The winding-down of the financial sector has removed the excess capacity built up during the housing boom...



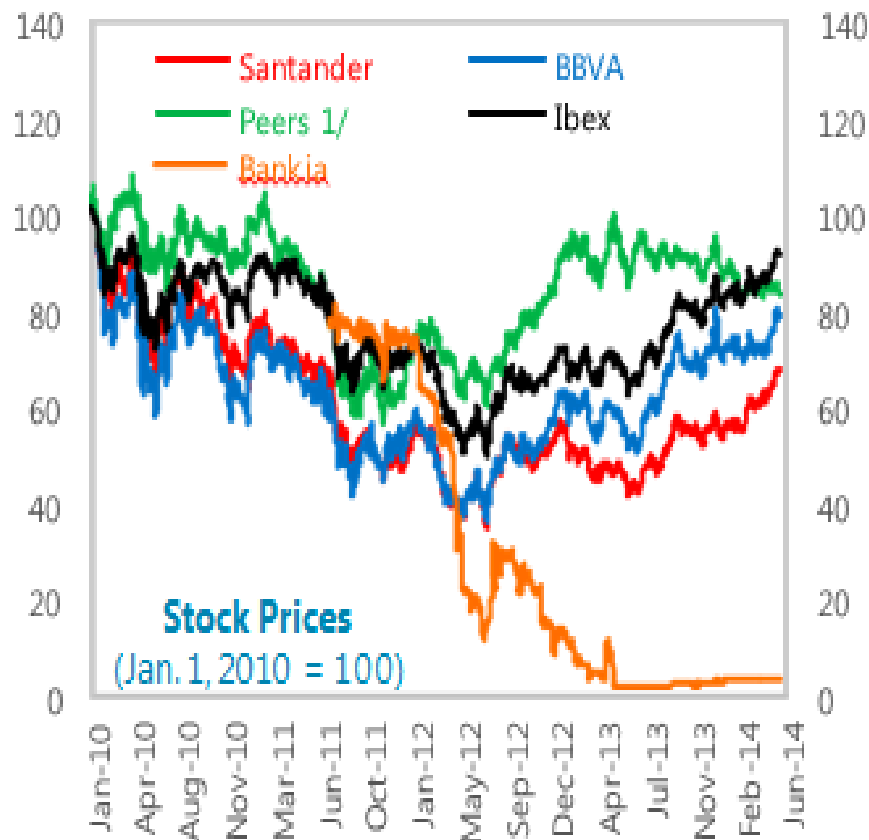
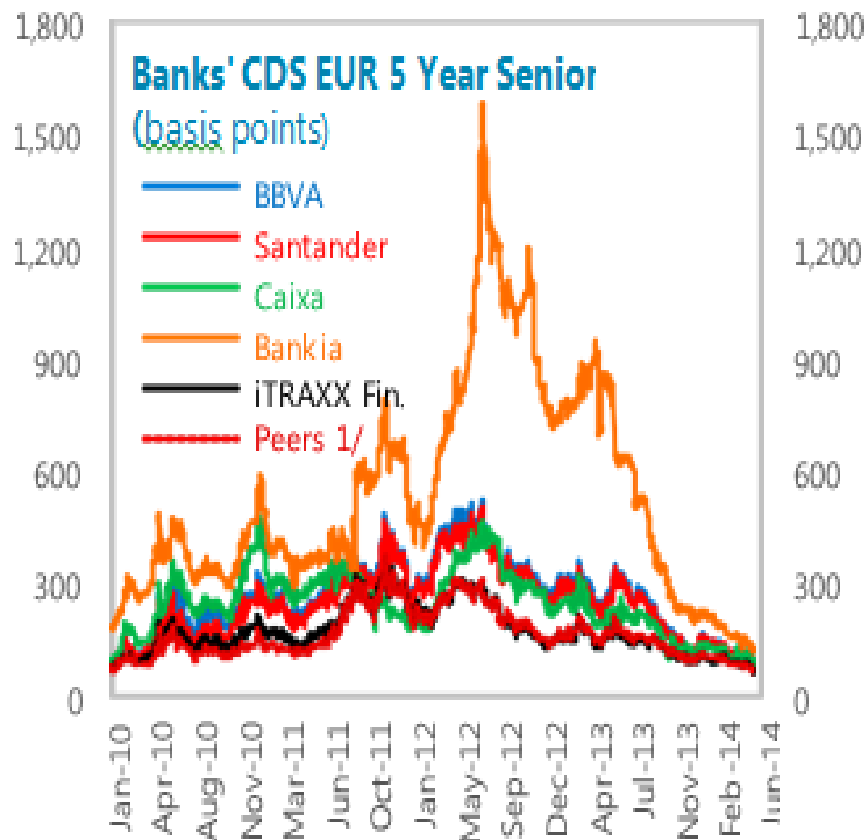
Source: Bank of Spain



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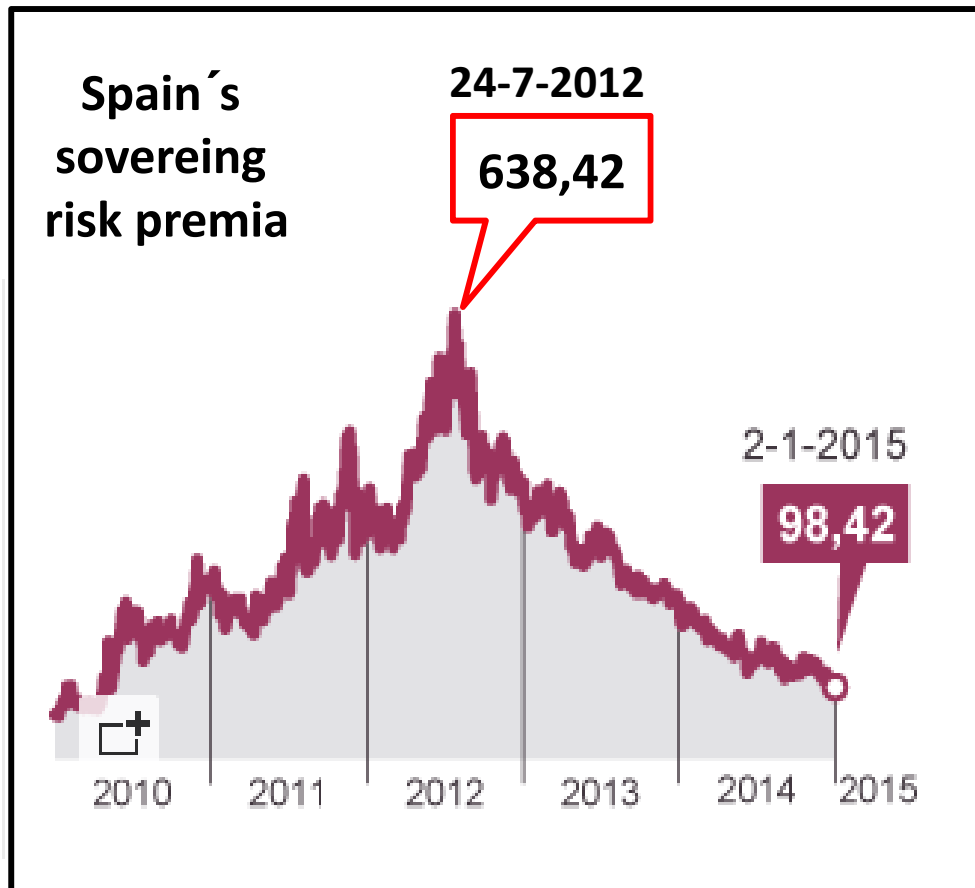
... capitalisation of the financial sector has increased from 5.8 in 2010 to 7.9 up to October 2014, closing the funding gap.

Bank risk has fallen and equity prices rose sharply in 2014...

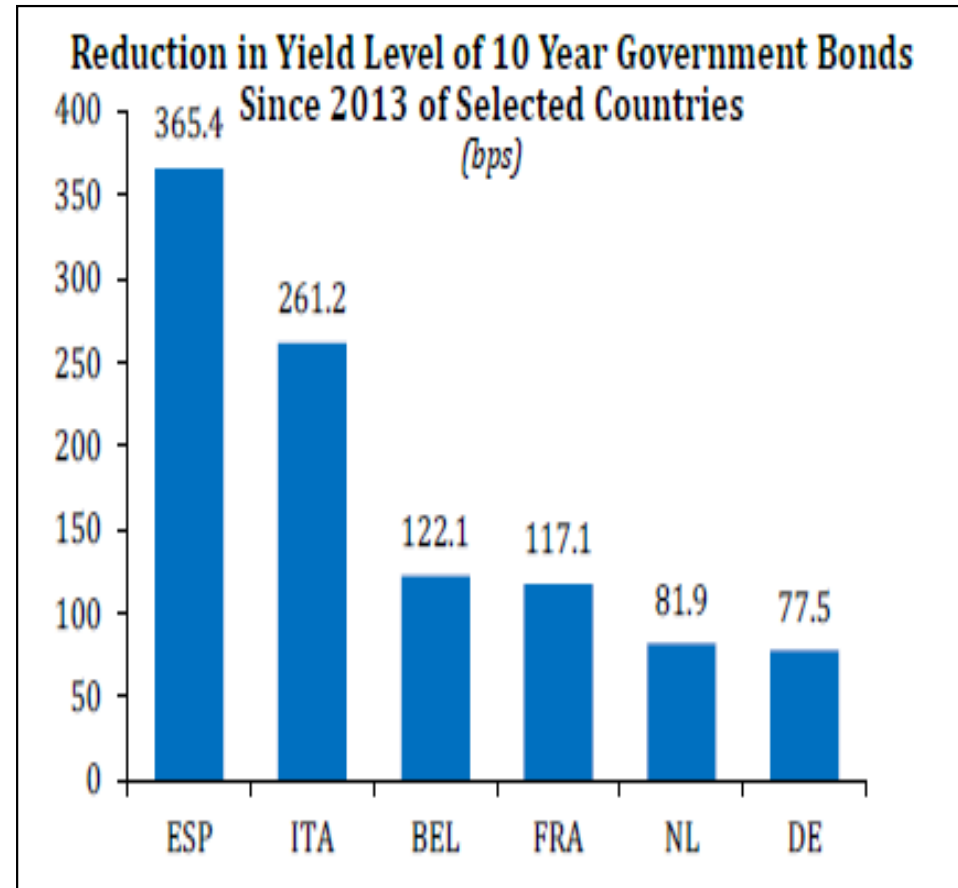


... reflecting mostly positive macro news.

Spain's sovereign risk premia continues its decline since the OMT announcements in mid-2012...



Source: El pais 2/1/2015

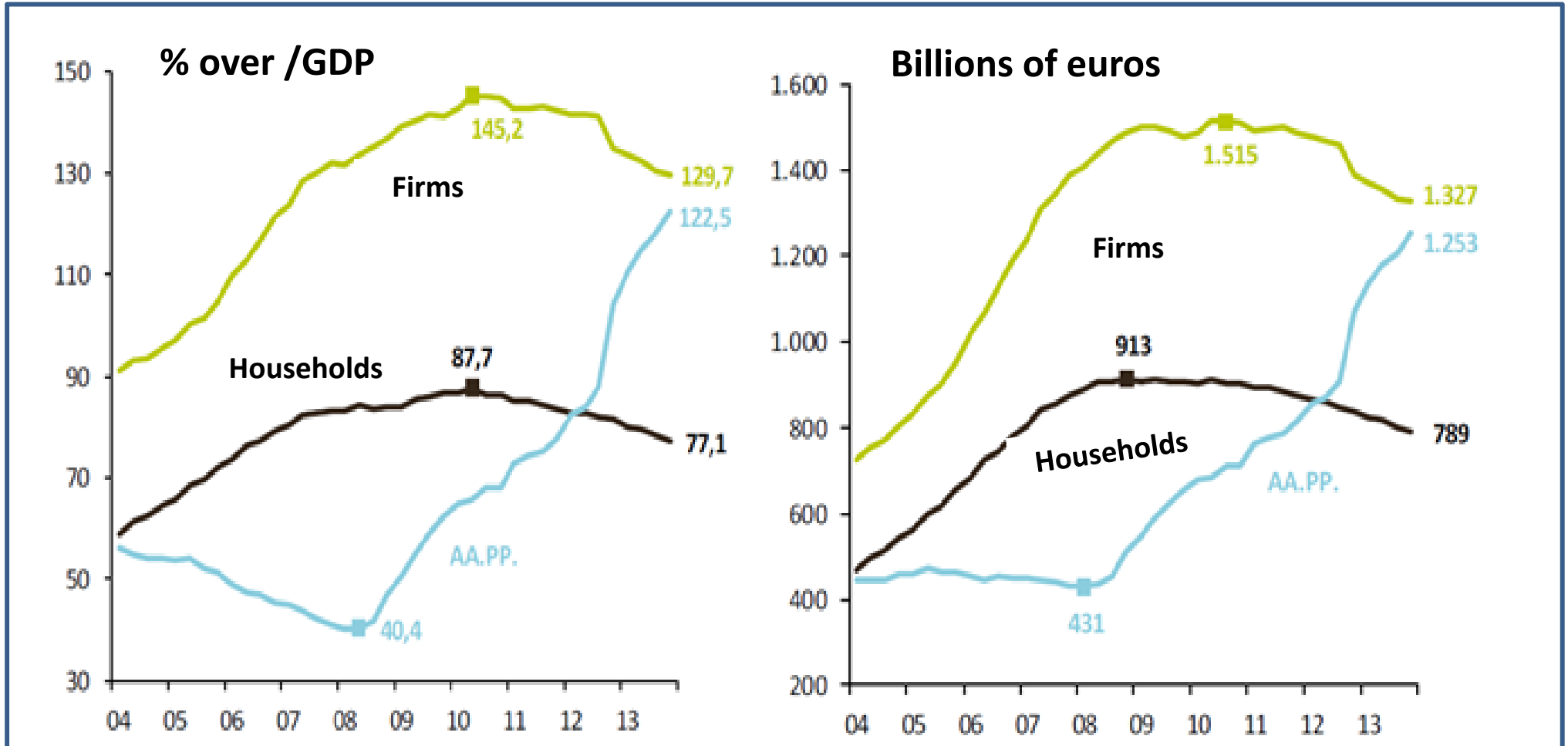


Source: Tesoro Público.

...benefit the private and public funding.

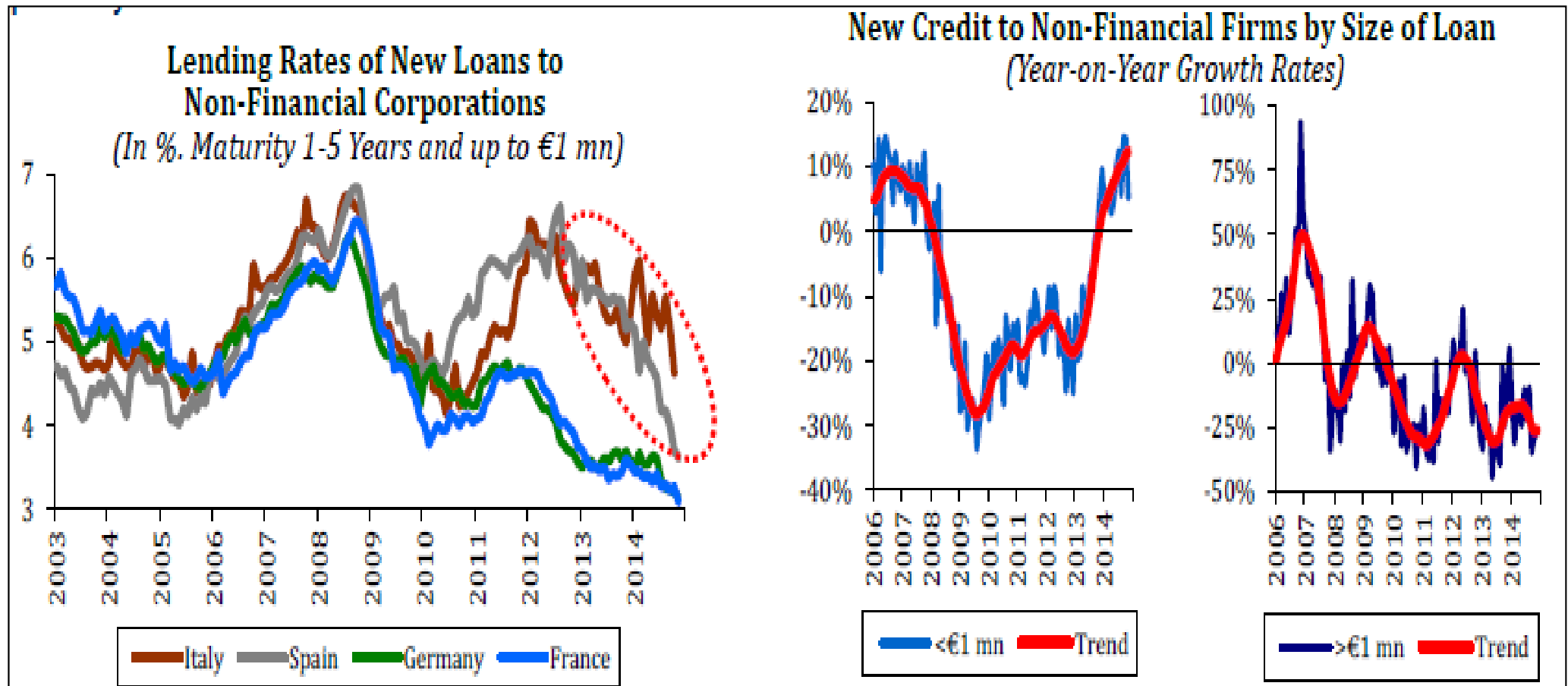
The Spanish deleveraging still pending...

Spanish public and private debt (excluding financial institutions)



Source: Bank of Spain, INE and FEF..

Spain will see a smooth continuous process increasing the flow of bank financing...



Source: European Central Bank..

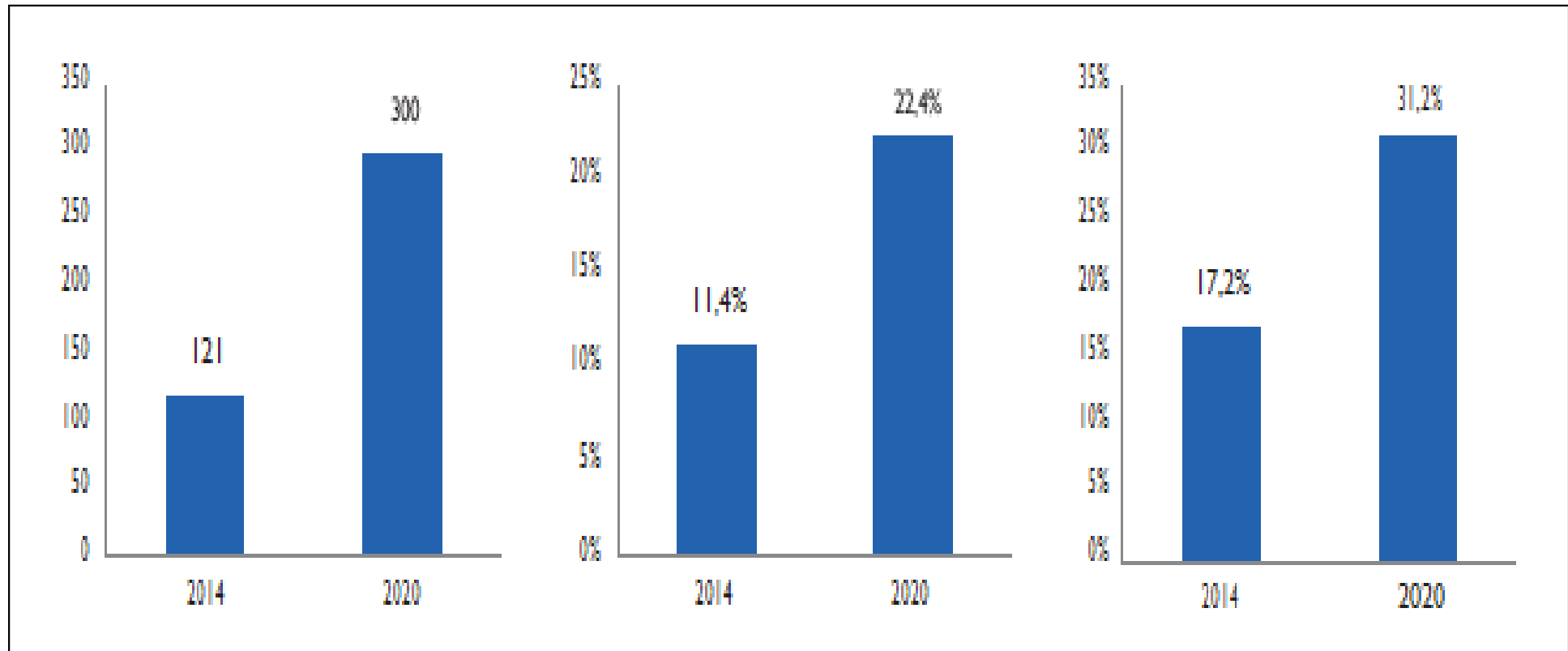
...however credit provision will be more sophisticated.

The non-bank financing in Spain will gained weight in the coming years...

**Non-bank financing stock
(thousands of mm.)**

**Non-bank financing
Volume (as GDP %)**

**Non-bank financing
market share**

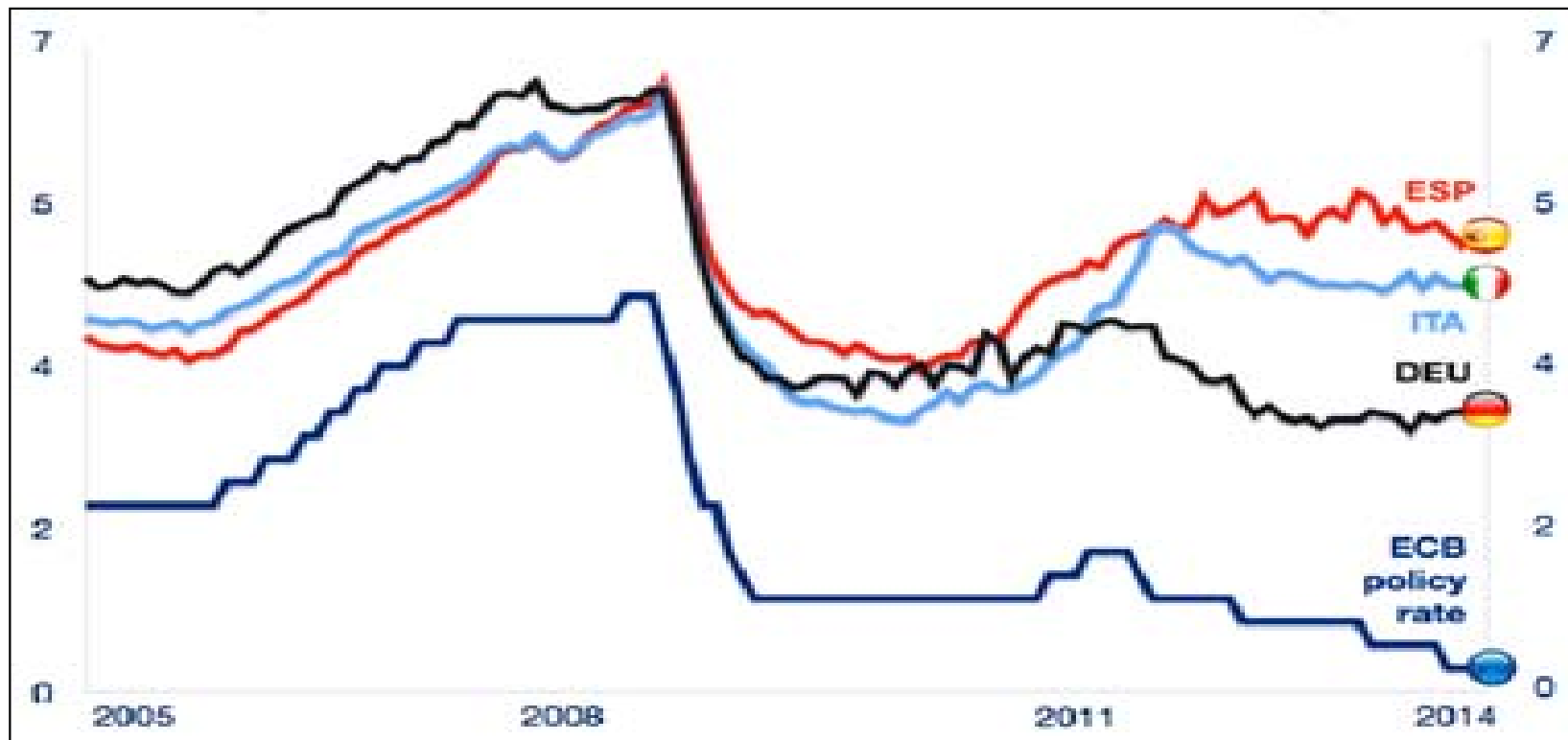


Source: Arcano.

...although bank lending remains determinant.

SME's lending rates are high and credit recovery is still a challenge...

Short-term interest rate on small loans to NFCs, %)



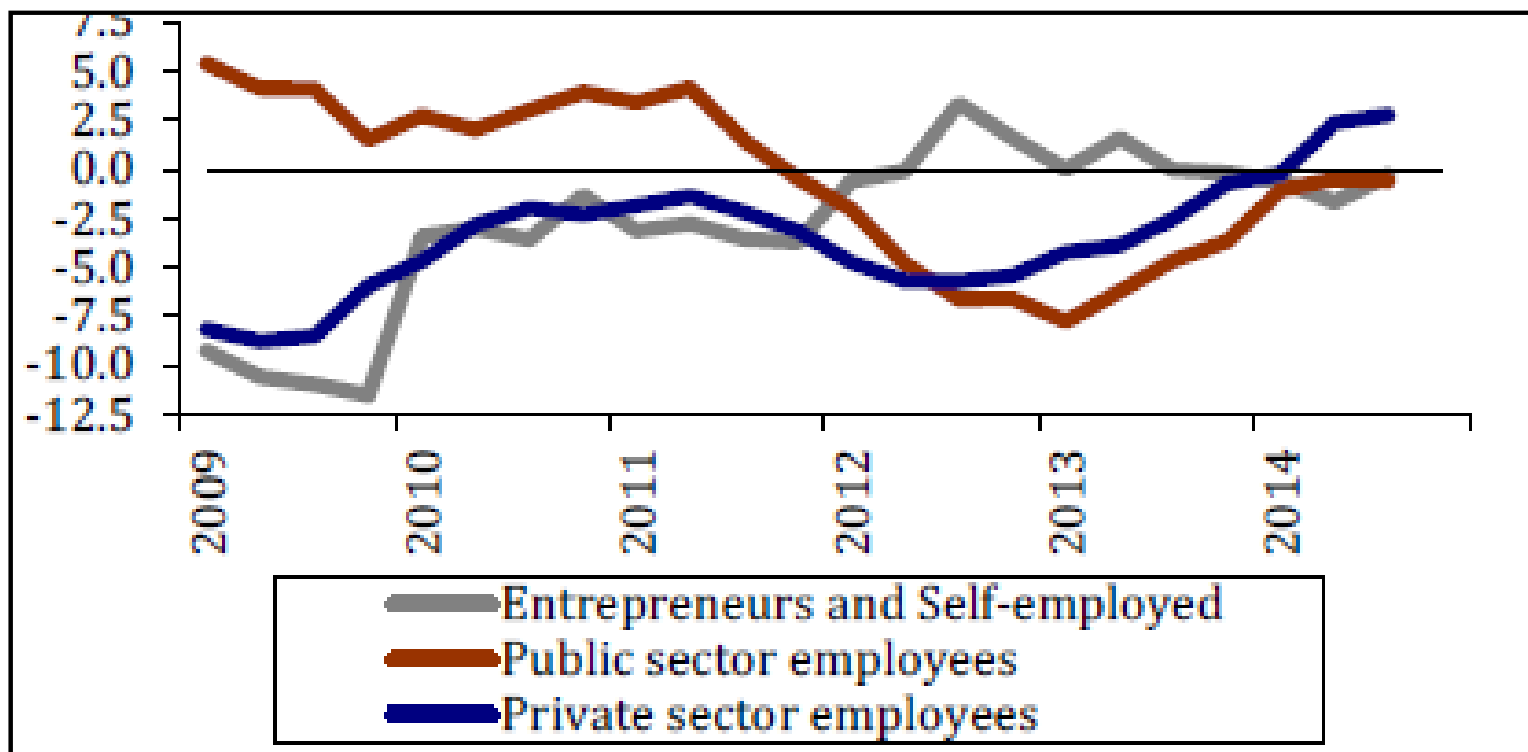
Source: Banks of Spain, France, Italy, Germany and ECB

...however measures have been taken to facilitate SME's access to finance, including non-banking financial alternatives

Since 2011 the number of employees in the public sector has diminished substantially, reaching 2007 levels..

Evolution of Employment

(Year-on-year growth rates. Not seasonally adjusted)

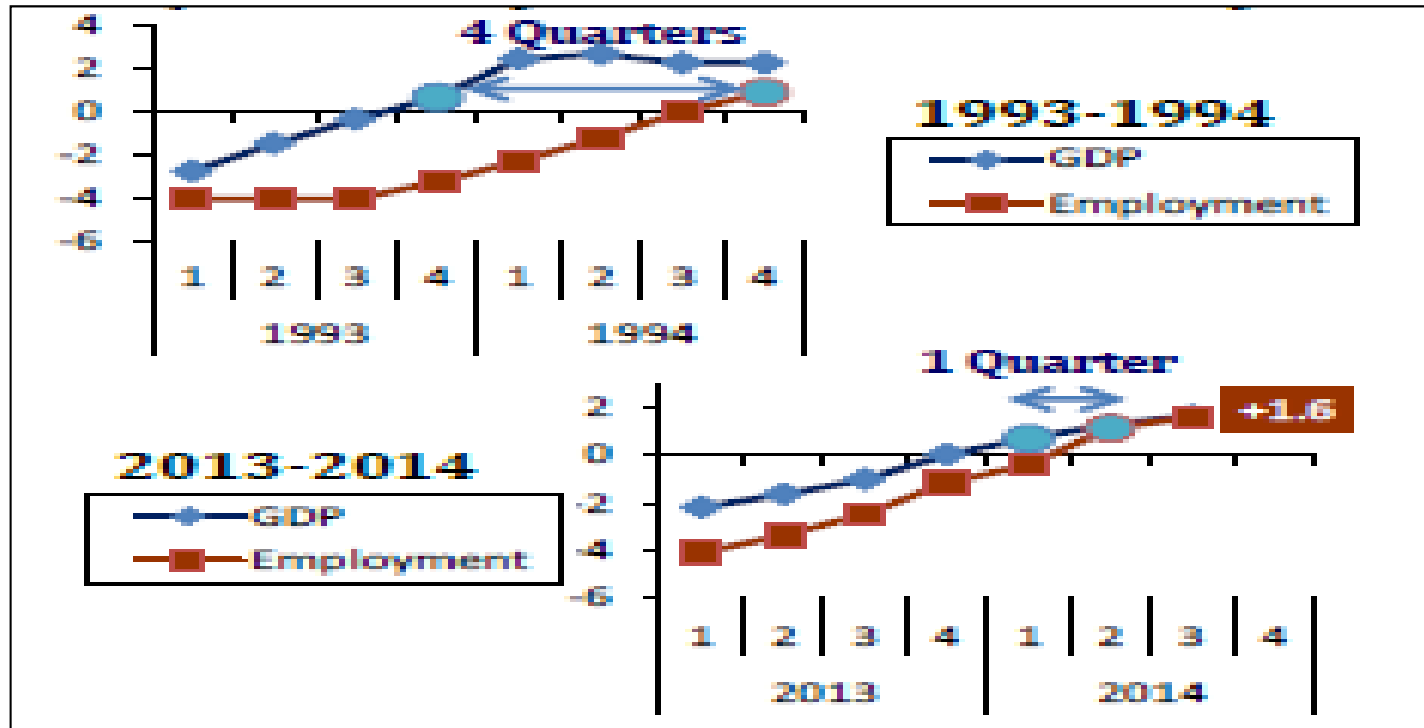


Source: INE

...meanwhile, private sector employees are increasing since end-2013, for the first time since early 2008.

New Regulatory framework has affected the minimum GDP growth required..

Employment vs. GDP Growth (Year-on-year Growth Rates)

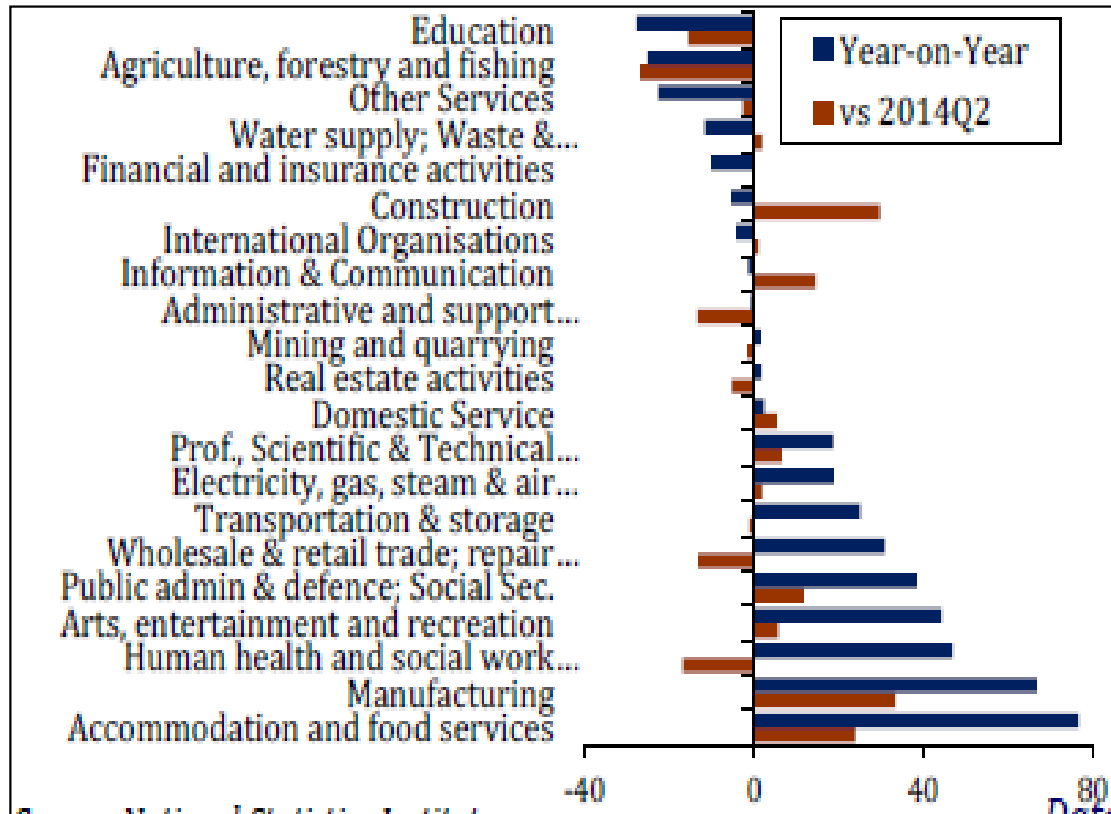


Source: INE

...while maintaining productivity growth.

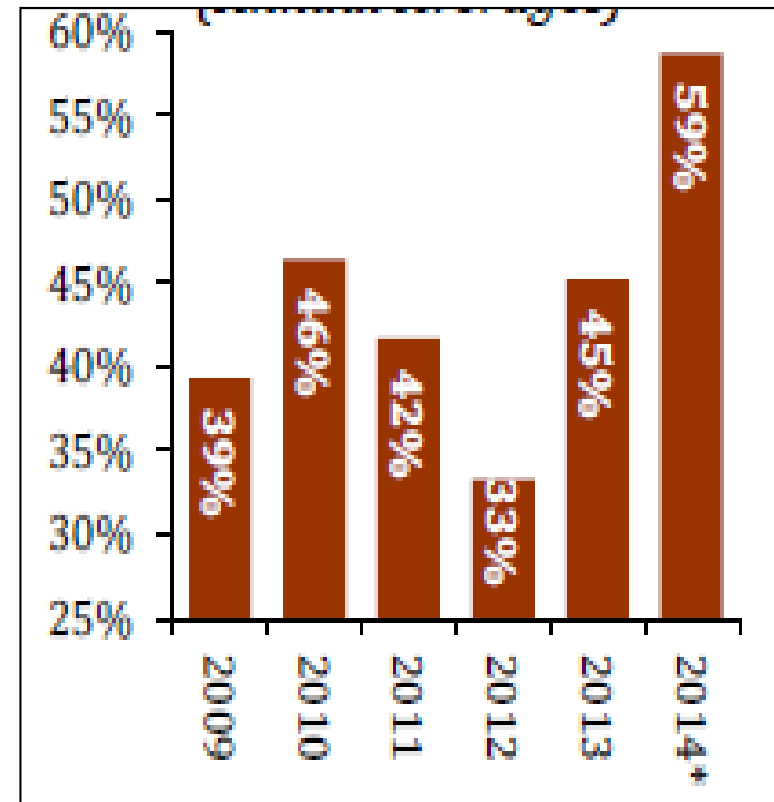
Private sector employment has increased by 2% in the third quarter 0.4 pp above year-on-year GDP growth.

Employment by Branch
(1,000s of Persons. Seasonally Adjusted)



Source: INE

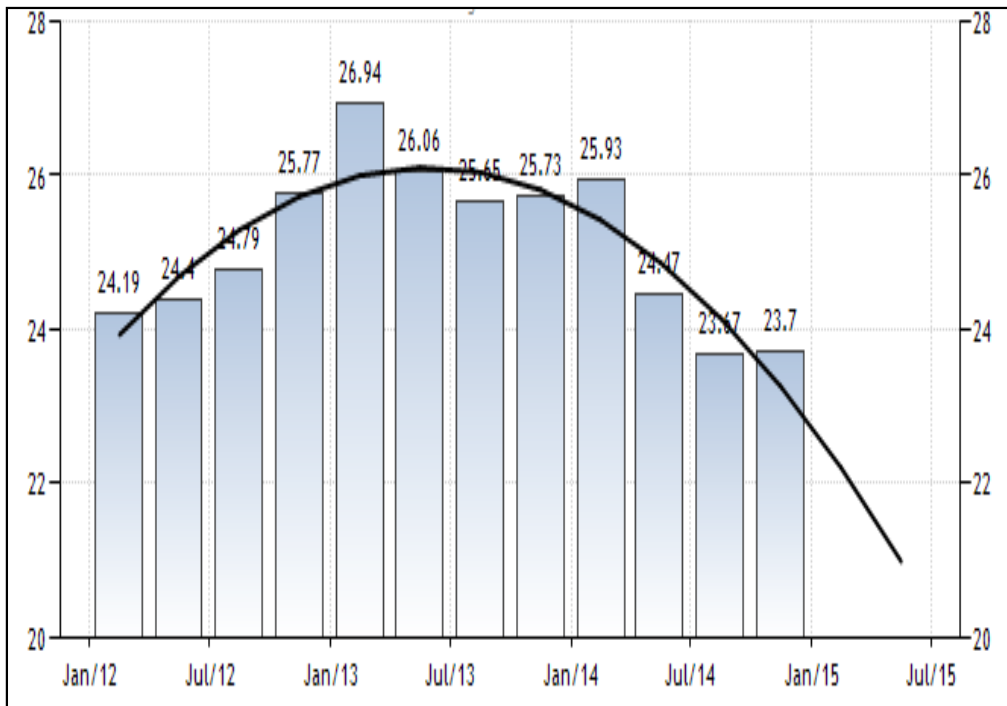
% of Sectors with Quarterly Employment Growth
(Annual Averages)



Source: INE

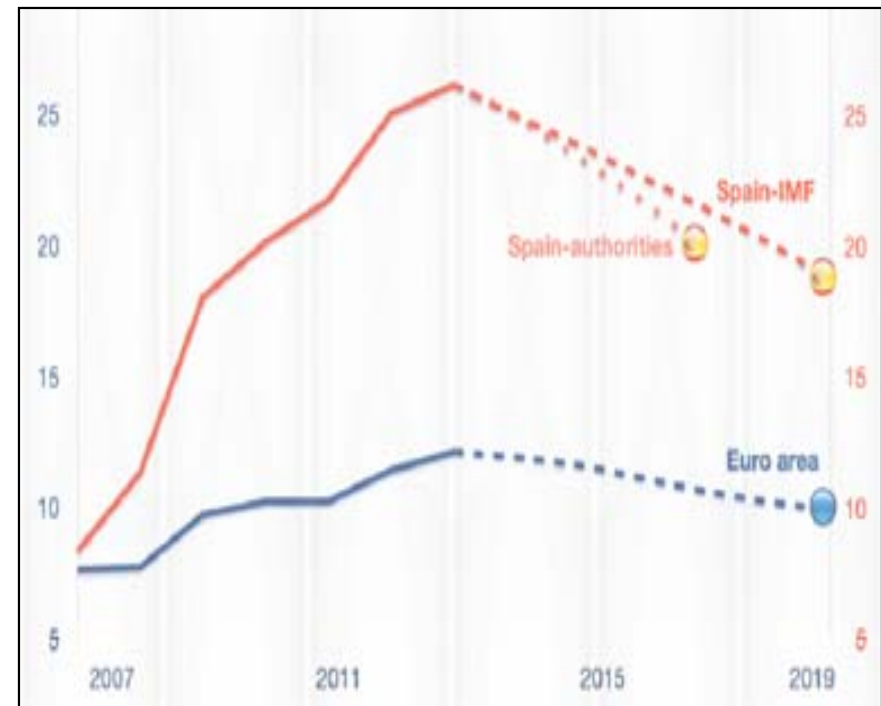
Unemployment will continue high...

Unemployment rate in Sapin Jan 12 – jul 15



Source: INE

Unemployment rate % projections Spain vs Euro Zone



Source: Eurostat, Spanish authorities, and IMF staff projections

... but future trends of employment can only increase.

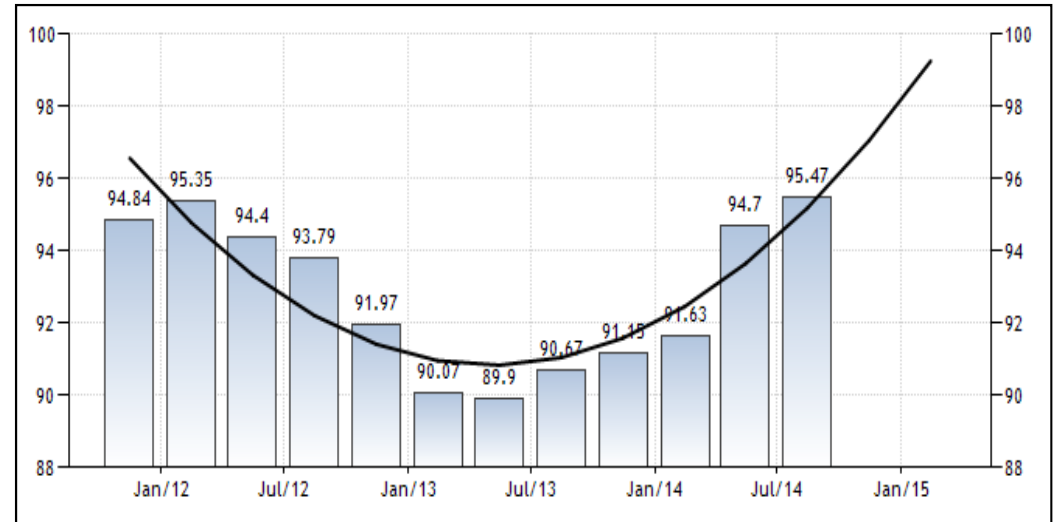
Consumer confidence slightly improved at the end of 2013....

Spain Consumer Confidence

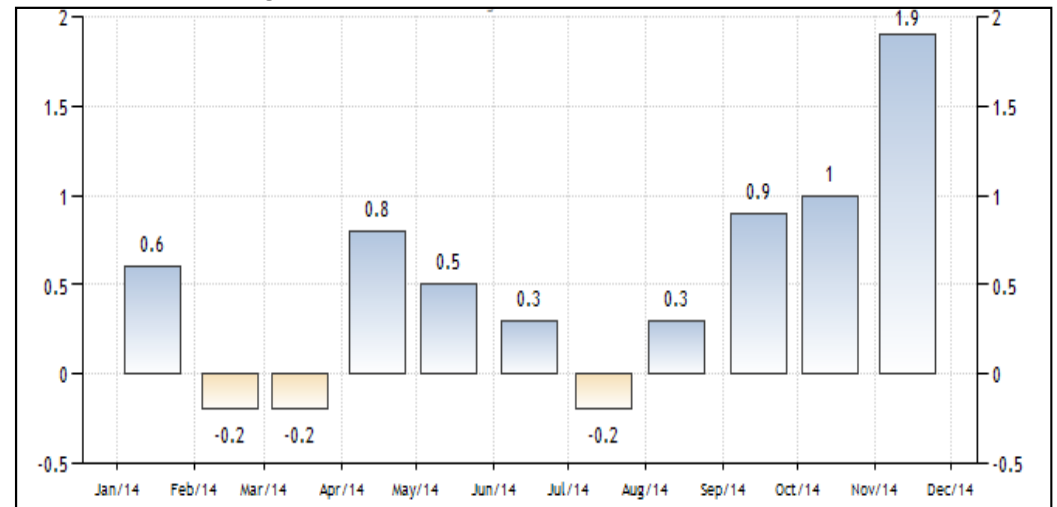


Source: INE

Spain Consumer Spending



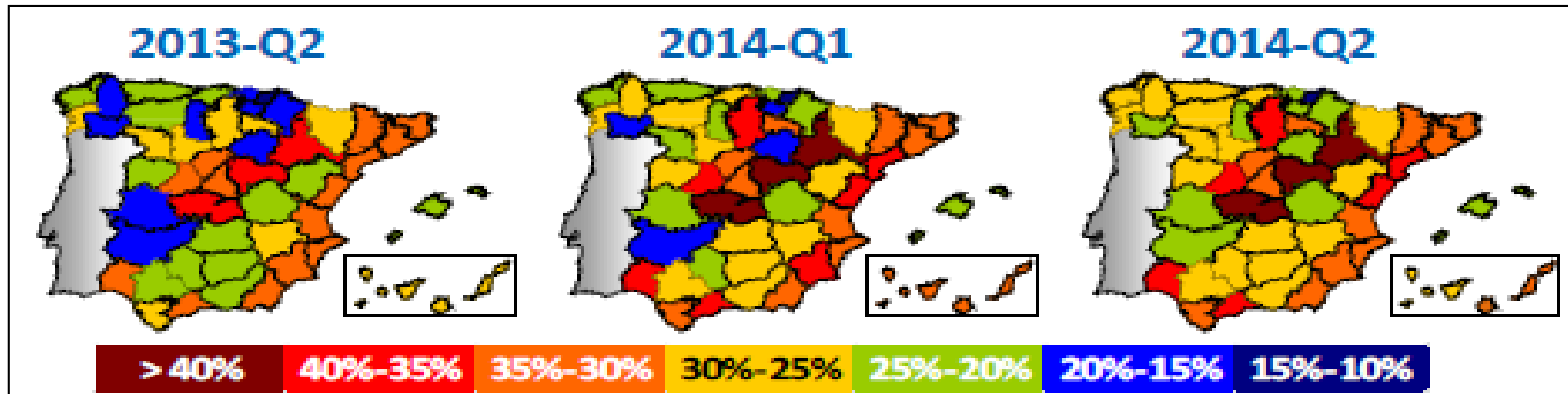
Spain Retail Sales YOY



... and this trend continued in 2014, reaching pre-crisis levels.

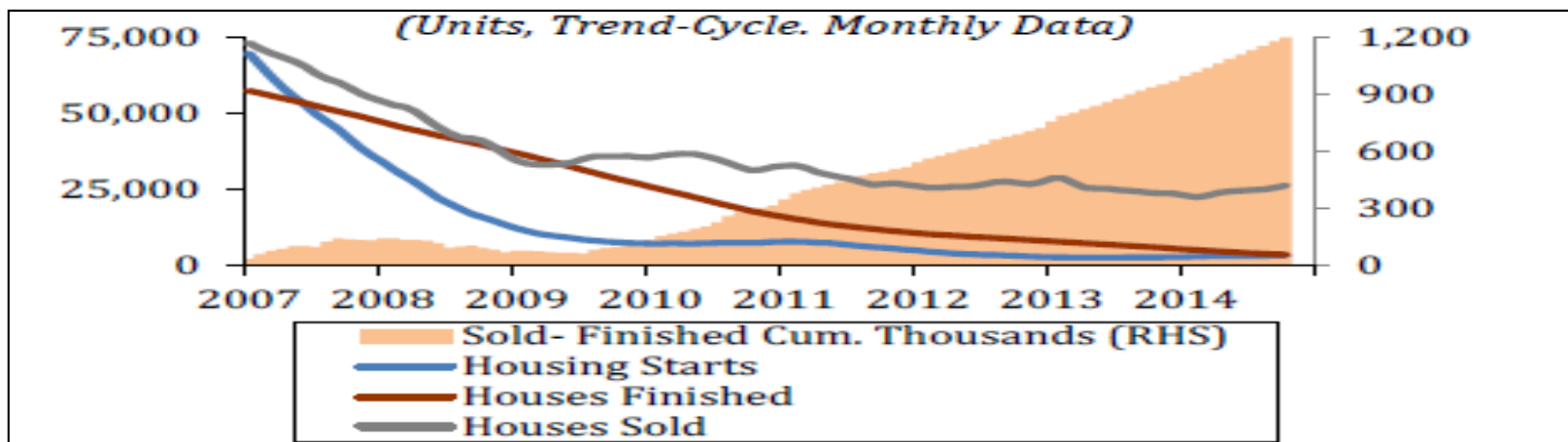
The construction sector will recover and prices will increase sooner than expected.

Nominal Housing Price Adjustment Since the Peak in Each Province (In percent)



Source: INE

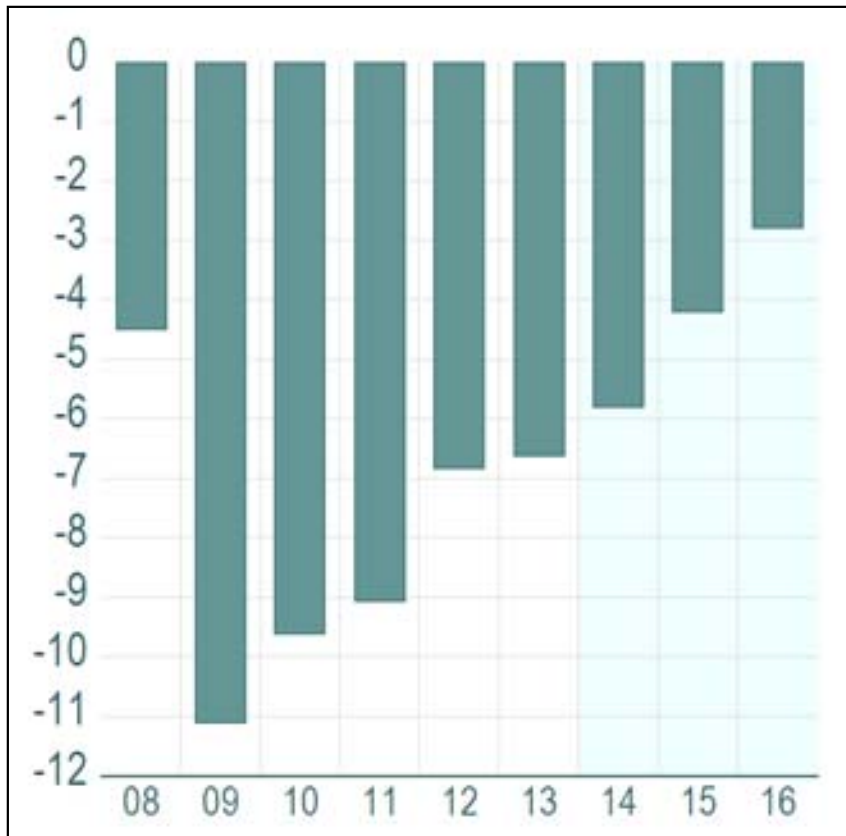
Monthly Houses Started, Finish and Sold



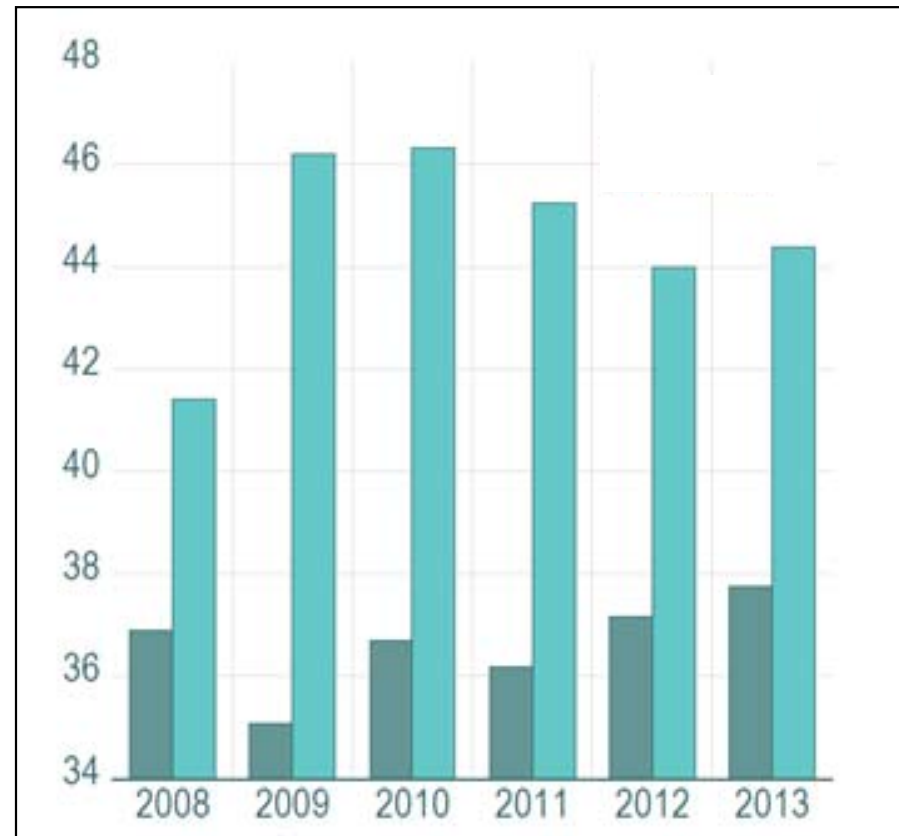
Source: INE

Despite the fiscal effort made, we still have a structural deficit of around 5% of GDP...

Financing needs and objectives 2014-16



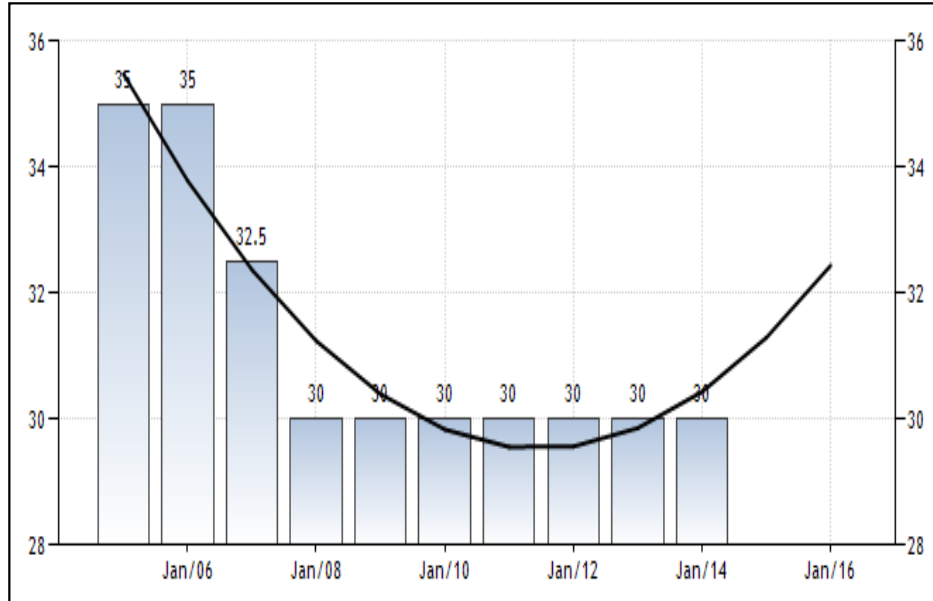
Income and expenses (no financials)



... fiscal policy needs to be further adapted in Spain.

Tax system with high nominal rates but lower effective rates, both for individuals and corporates.

Spain Corporate Tax Rate



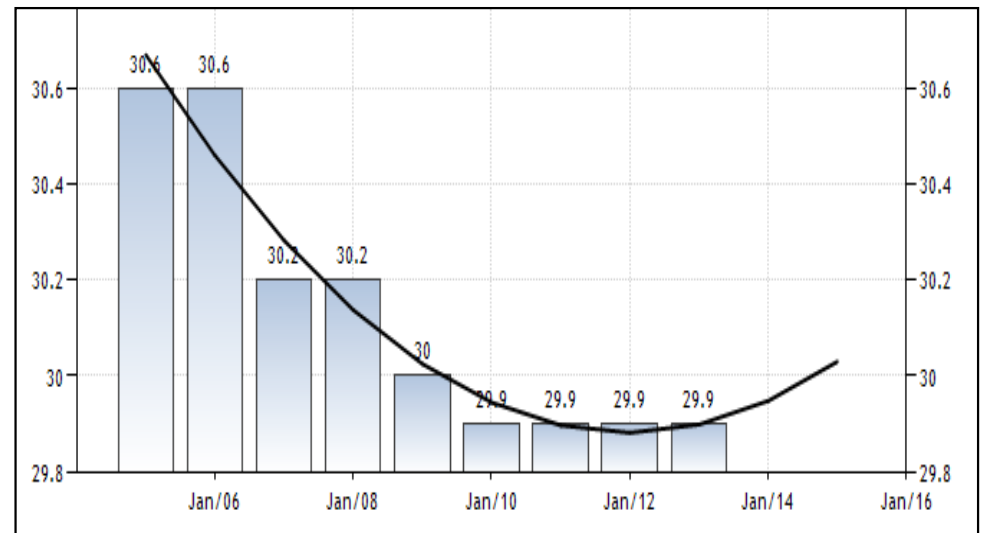
Spain Personal Income Tax Rate



Spain Sales Tax Rate (VAT)



Spain Social Security Rate for companies

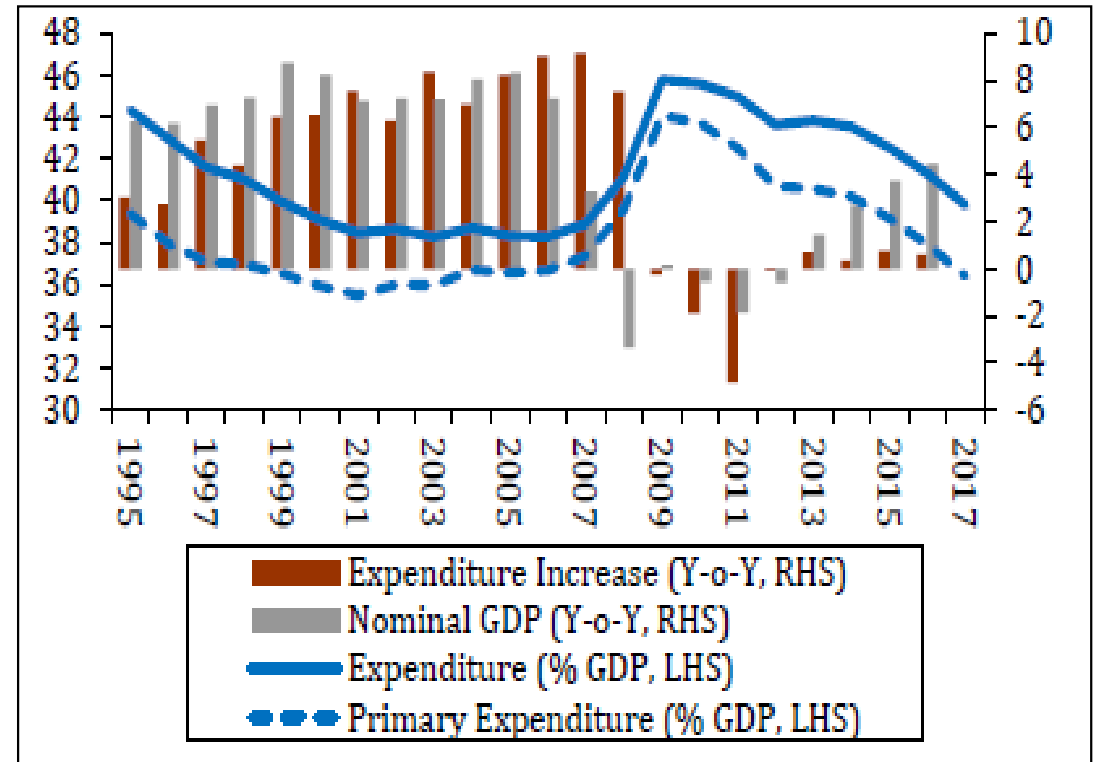


Between 2015-16 will need to carry a net fiscal effort of 2,7% of the GDP...

**Net Lending(+)/Borrowing(-)
of the General Government. Excl.
Financial Sector One-Offs**

(% of GDP)	2013	Forecast			
		2014	2015	2016	2017
Central Government	-4.2	-3.5	-2.9	-2.2	-1.1
Autonomous Regions	-1.5	-1.0	-0.7	-0.3	0.0
Local Governments	0.5	0.0	0.0	0.0	0.0
Social Security Administrations	-1.1	-1.0	-0.6	-0.3	0.0
General Government	-6.33	-5.5	-4.2	-2.8	-1.1
Primary Balance	-3.1	-2.2	-0.8	0.6	2.3
Nominal Adjustment	0.3	0.8	1.4	1.3	1.7
Financial Sector one-offs	0.5	0.1	-	-	-

Expenditure Trajectory
(% of GDP and YOY Growth Rates in %)



...the good news is that we will stabilize our public accounts in 2017.

We must be aware of the importance of the changes
that have been made...

❑ PENDING REFORMS

- REFORM AND MODERNIZATION OF PUBLIC ADMINISTRATION
- ENERGY REFORM THAT HAS RUN HALFWAY
- ADDITIONAL ADJUSTMENTS IN LABOR LEGISLATION
- POLICIES THAT PROMOTE ECONOMIC TRANSFORMATION
- IMPROVE THE IMAGE OF THE SPANISH INSTITUTIONS

...however, we must continue to deepen
the planned reforms.

□ Final Remarks

Growth returned in Spain in the second half of 2013 supported by strong reforms that will continue...

- *Exports are performing well.*
- *Financial conditions have improved sharply*
- *The labor market is turning around*
- *Domestic demand is rebounding*
- *Fiscal consolidation continues*

...allowing the Spanish economy grow sustainably above 2.5% GDP in the coming years.

**THANK YOU
FOR YOUR
ATTENTION**