A REVIEW OF THE MACROECONOMIC INDICATORS

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LATIN AMERICA, THE UNITED STATES AND SPAIN IN THE GLOBAL ECONOMY FORUM
New York City
24 September 2019
A LOWER GROWTH SCENARIO FOR THE GLOBAL ECONOMY

Sources: JP Morgan and IMF
TRADE MODERATION AND RISING TRADE UNCERTAINTY AS A DRIVER OF SLAGGISH GLOBAL GROWTH

Sources: CPB and Hites Ahir, Nicholas Bloom and Davide Furceri (2018)
DETERIORATION IN THE SHORT-TERM ECONOMIC OUTLOOK IS GREATER IN THE EURO AREA AND LATIN AMERICA

Sources: IMF

IMF GROWTH PROJECTIONS

2019

2020

USA | EURO AREA | LATIN AMERICA | CHINA

APRIL - 2018

USA | EURO AREA | LATIN AMERICA | CHINA

JULY - 2019

Sources: IMF
STRESS IN TURKEY AND ARGENTINA DID NOT SPREAD TO OTHER EMERGING MARKETS

EMBI SOVEREIGN SPREADS

CURRENT ACCOUNT SURPLUS (+) OR DEFICIT (-)

EXTERNAL DEBT

Sources: Thomson Reuters and IMF
LONG-TERM INTEREST RATES REACHED HISTORIC LOWS

10-YEAR INTEREST RATES
Sovereign bonds

FINANCIAL MARKET VOLATILITY
5-day moving average

Source: Thomson Reuters
(a) Average 3-month volatility $/€, $/£ and ¥/$
LONG-TERM INFLATION EXPECTATIONS TRENDED DOWNWARD

Source: Thomson Reuters
THE EURO AREA EXPOSURE TO INTERNATIONAL TRADE MODERATION IS LARGE BECAUSE OF ITS OPENNESS

TRADE OPENNESS (2017) (Exports and Imports)

EURO AREA Ex. Intra euro area trade
CHINA
JAPAN
USA

% GDP

Sources: WTO and Eurostat.

EURO AREA EXPORT AND LONG-TERM SPENDING

Year-on-year growth

2016 2017 2018 2019

EQUIPMENT INVESTMENT
EXPORT OF GOODS (EXTRA EURO AREA)
DURABLE CONSUMPTION
EURO AREA EXPORTS PERFORMED WORSE THAN WORLD TRADE BECAUSE OF ITS GEOGRAPHICAL SPECIALIZATION

Sources: CPB and Eurostat
(a) Excluding Middle East
THE SERVICE SECTOR AND THE LABOR MARKET REMAIN RESISTANT IN THE EURO AREA

OUTPUT PMIs BY SECTOR

LABOUR MARKET AND CONSUMPTION
Annual growth

Sources: Markit and Eurostat
ECONOMIC SLOWDOWN IS WIDESPREAD ACROSS COUNTRIES, BUT STRONGER IN GERMANY AND ITALY

Sources: Eurostat and INE
RECENT FORECAST ENVISAGES A MORE MODERATE OUTLOOK FOR GDP AND INFLATION IN THE EURO AREA

(a) MPE refers to Macroeconomic Projection Exercise conducted by the ECB staff. BMPE refers Eurosystem Broad Macroeconomic Projection Exercise conducted by the Eurosystem. Source: ECB and Eurostat.
THE POTENTIAL IMPACT OF THE TRADE CONFLICT OR A HARD BREXIT ON GLOBAL AND EURO AREA ECONOMY IS LARGE

TRADE CONFLICT ESCALATION: GDP IMPACT IN Q4 2021

EU: GDP IMPACT OF NO-DEAL BREXIT

Source: Banco de España

Source: IMF WEO, April 2019
The ECB Governing Council introduced new measures including (1) reinforcing forward guidance on policy rates, (2) further cuts in interest rates into negative territory (with mitigating measures for banks) and (3) better conditions for TLTRO-III and new asset purchases under APP.
DETERIORATING ECONOMIC OUTLOOK AND DOWNSIDE RISKS CALL FOR A MORE ACTIVE ROLE OF FISCAL POLICY IN COUNTRIES WITH FISCAL SPACE

Source: European Commission.
Percentages of potential GDP
The expansionary phase of the Spanish economy is expected to continue, albeit at a lower rate than in previous years.

<table>
<thead>
<tr>
<th>Annual growth rate (%)</th>
<th>September 2019 projections</th>
<th>Changes from June 2019 projections (pp)</th>
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<tbody>
<tr>
<td><strong>Real GDP</strong></td>
<td>2.4</td>
<td>2.0</td>
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<tr>
<td><strong>Employment (f.t.e.)</strong></td>
<td>2.5</td>
<td>1.8</td>
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<tr>
<td><strong>Headline inflation</strong></td>
<td>1.7</td>
<td>0.8</td>
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<tr>
<td><strong>Core inflation</strong></td>
<td>1.0</td>
<td>1.1</td>
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Projections cut-off date: 17 September 2019
THE RISE IN OUTPUT WILL CONTINUE TO BE DRIVEN BY DOMESTIC DEMAND

GDP GROWTH (%) AND CONTRIBUTIONS (pp)

- PRIVATE CONSUMPTION
- GOVERNMENT CONSUMPTION
- GROSS CAPITAL FORMATION
- NET EXTERNAL DEMAND
- GROSS DOMESTIC PRODUCT

Projections

GDP Growth (%) and Contributions (pp)
DOWNSIDE RISKS TO THE CENTRAL SCENARIO

Activity:

• External:
  • an intensification of trade tensions and other geopolitical risks, with implications for global trade and activity,
  • the possibility of a no-deal Brexit,
  • a weaker recovery than projected in external markets, in particular the euro area.

• Domestic:
  • the persistence of uncertainty regarding the future course of economic policies.
THANKS FOR YOUR ATTENTION