

World Ceramic Tiles Forum – National Context

SPAIN



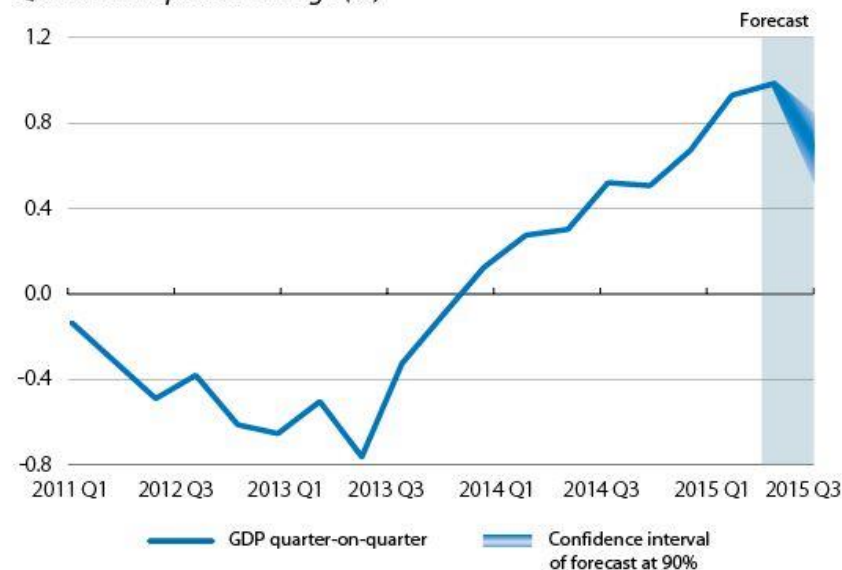
National Context – Spain

The recovery continues although the rate of growth is falling

- The labour market continues to recover but is losing some of its steam
- The savings capacity of households is gradually recovering
- The external balance is benefitting from lower crude prices
- The recovery in the real estate market steps up
- Energy is pushing consumer prices into negative territory, but trend inflation remains positive

CaixaBank Research leading GDP indicator

Quarter-on-quarter change (%)



Source: CaixaBank Research.

National Context – Spain

Spain: macroeconomic forecasts (YoY change, %, unless otherwise indicated)

Activity	2012	2013	2014	2015(f)	2016(f)
Real GDP	-2.1	-1.2	1.4	3.2	2.7
Private consumption	-2.9	-2.3	2.4	3.3	2.5
Public consumption	-3.7	-2.9	0.1	1.3	0.6
Gross fixed capital formation	-8.3	-3.7	4.2	4.2	5.7
Machinery and equipment	-9.1	5.3	12.2	6.5	6.3
Construction	-9.3	-9.2	-1.5	4.8	4.8
Housing	-9.0	-7.6	-1.8	2.6	7.1
Domestic demand (contribution to growth)	-4.3	-2.7	2.2	3.0	2.7
Exports	1.2	4.3	4.2	4.7	7.1
Imports	-6.3	-0.5	7.6	4.5	7.5
Labour market					
Employment (LFS)	-4.3	-2.8	1.2	3.2	3.0
Unemployment rate (% active pop.)	24.8	26.1	24.4	22.2	20.5
Prices and costs					
CPI (annual average)	2.4	1.4	-0.2	-0.2	1.3
CPI (en-of-period)	2.9	0.3	-0.5	0.6	1.5
Households					
Nominal disposable income	-3.0	-0.3	1.4	2.8	3.1
Saving rate (% nominal income)	11.9	9.7	10.7	9.9	9.8

(*): Excluding aid to financial sector

Forecast closing date: 31 July 2015.

Source: Official bodies and BBVA Research

I. Trend in the construction sector/demand

After decreasing since 2009, **construction** seems to have hit bottom in 2014. All indicators point to a recovery in construction, especially in the reform and rehabilitation of buildings. However, the trend is still weak.

HOUSING. BUILT FOR SALE AND NEW SALES
thousands



HOUSING STARTS AND ACCRUED
thousands



ORDER BOOKS & CONSTRUCTION CONFIDENCE
balances in pp



Source: Spanish Ministry of Economy

I. Trend in the construction sector/demand

Table 4a. HOUSING INDICATORS

Spanish Ministry of Economy

(Year-on-year percentage change except as indicated)

October 30, 2015

	2014	2015(1)	2015 I	2015 II	2015 III	2015	Previous data	Latest data	Date
<u>LEADING INDICATORS</u>									
Housing starts (thousands)	35.8	-	-	-	-	-	1.9	3.1	Dec. 14
Floorage approvals: housing	2.2	28.3	23.6	37.3	21.8	-	13.9	40.9	Aug. 15
Official bidding. Residential	31.6	27.4	-30.0	245.9	-38.2	-	-33.2	-59.5	"
Housing order books (balances in pp)	-53	-32	-35	-30	-30	-33	-40	-33	Oct. 15
<u>COINCIDENT INDICATORS</u>									
Housing investment	-1.8	2.8	2.4	3.3	-	-	..	..	Q.2. 15
Construction GVA (QNA)(2010=100)(2)	-1.2	5.8	5.7	5.8	-	-	..	..	"
Composite Housing Indicator (2)	3.3	5.2	4.5	6.0	5.1	-	..	..	Q.3. 15
CIPI(3). Building	19.8	-2.1	-2.2	-1.5	-3.1	-	-1.3	-4.8	Aug. 15
Cement apparent consumption (2)	0.6	5.5	9.5	7.4	-0.2	-	2.2	3.2	Sep. 15
IPI Clay building materials	-2.1	1.2	-6.2	3.2	10.0	-	5.8	16.9	Aug. 15
Construction employment. LFS	-3.5	9.9	12.6	11.6	5.9	-	..	..	Q.3. 15
Construction unemployment. LFS	-24.8	-20.9	-27.5	-20.3	-12.5	-	..	..	"
<u>HOUSING MARKET ACTIVITY</u>									
Housing. Built for sale (thousands)	27.4	17.9	6.0	8.3	3.6	-	2.4	1.1	Aug. 15
Housing sales (thousands)	318.8	239.8	90.4	87.3	62.1	-	32.7	29.4	"

1) Available period data. (2) Calendar and seasonal adjusted series. (3) Construction Industry Production Index. (4) To households. Annual equivalent rate. (5) Without deductions.

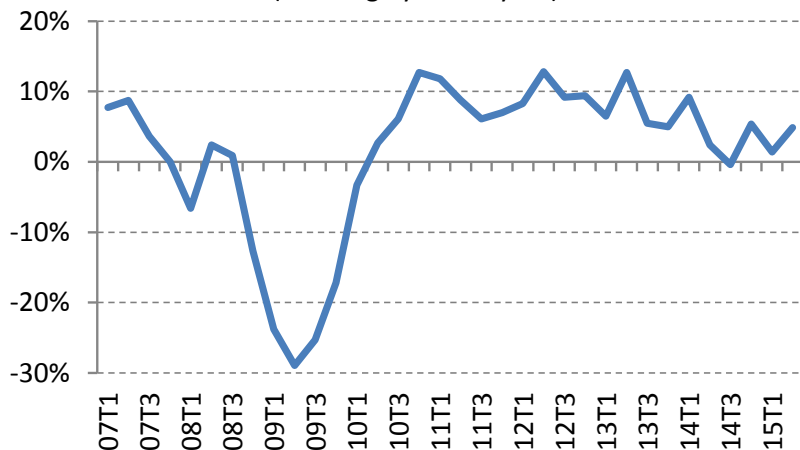
Sources: MECC, INE, MFOM, OFICEMEN, MIET, EUROSTAT and BE.

II. Trend in production, consumption and trade in ceramic tiles

Exports and production of the Spanish ceramic tile industry are moderately growing since 2010. **Domestic market** is expected to recover gradually in 2015, but the consumption will remain low (nowadays Spanish consumption per capita is 2.4 sq.m. In 2005-07 it was about 7.0).

Spanish exports (value)

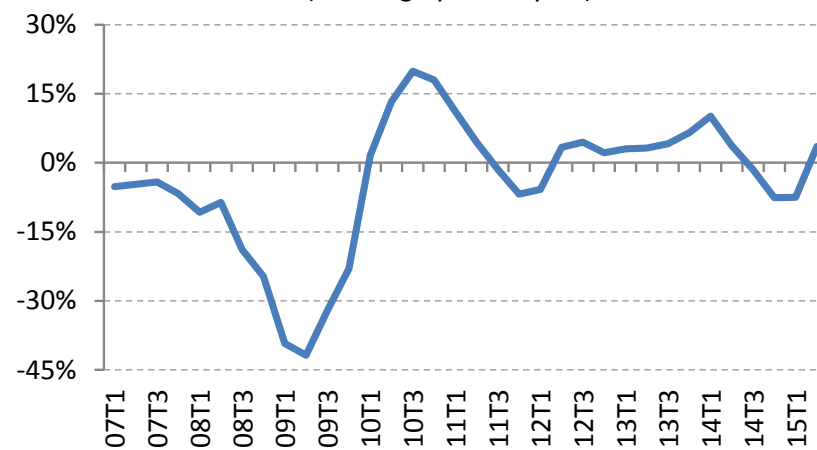
(% change year on year)



Exports 2014: 2,328 Million euros (+3.9%)

Industry production index

(% change year on year)



Production 2014: 425 Million sq.m. (+1.2%)

III. Latest developments at national level in energy supply regulation



Natural Gas

One of the latest measures adopted by the Spanish Government on the undergoing restructuring of the natural gas market has been the modification of the Hydrocarbon's Law, to allow the creation of an **organized gas market** or gas *hub*.

Once the legislative mechanisms have been developed and the hub becomes a reality, it will progressively foster competition in the Iberian Peninsula, improve transparency and provide valuable information for all gas consumers.

III. Latest developments at national level in energy supply regulation



Electricity and cogeneration

On October 2015, a regulation came into force establishing the **rules for self-consumed electricity**, that is, the electricity produced by cogeneration plants and renewable sources which is consumed on-site while the rest is contributed to the electricity network.

The new legislation promotes and facilitates the development of small scale cogeneration plants. On the other hand, for industrial consumers it establishes a transport cost or fee on the self consumed electricity which was not applicable now (cogeneration installations are exempted from this fee until end of 2019).

IV. Any development in standardisation at national level affecting ceramic tiles

No new standards published in 2015

The Spanish standardization mirror committee is developing a standard on installation of ceramic tiles. The work will probably be completed by early 2016.