

World Ceramic Tiles Forum – National Context

SPAIN





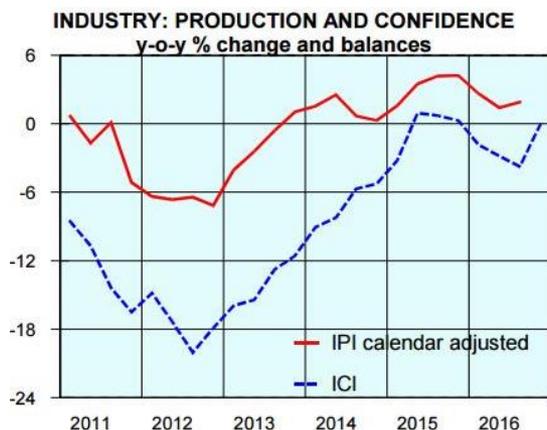
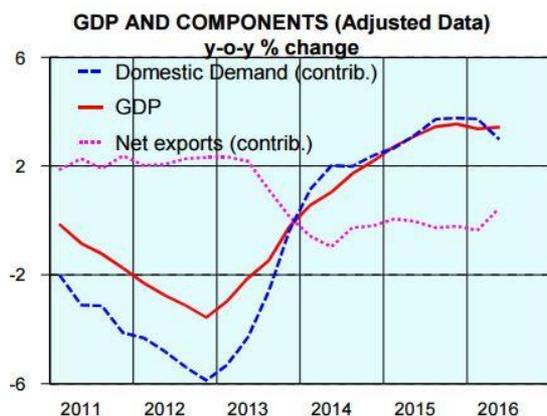
The economy continues to advance at a good pace in 2016

- The **growth** rate remained high in Q3. The forecasts for 2016 may be between 3.1% and 3.3% for many economic analysts.
- The **services sector** (excluding public administration, healthcare and education) is consolidating its role as the main engine of the recovery.
- The contribution of the **foreign sector** is gaining in importance for demand.
- The recovery in the **labour market** continues at a good rate and labour costs are still moderate.
- The adjustment in public accounts is still pending.
- After one year of political uncertainty, the **national government** is finally formed.

National Context – Spain

Official economic data

Ministry of Economy of Spain



SPAIN MACROECONOMIC SCENARIO 2016-2017

(% change vs. previous year unless otherwise indicated)

15 October 2016

| | 2015 | Forecast | |
|--|------------|------------|------------|
| | | 2016 | 2017 |
| GDP by demand component (% real change) | | | |
| Private Consumption Expenditure (a) | 2.9 | 3.3 | 2.6 |
| Government Consumption Expenditure | 2.0 | 1.0 | 0.9 |
| Gross fixed capital formation | 6.0 | 5.4 | 4.2 |
| Construction | 4.9 | 4.3 | 3.9 |
| Equipment and other products | 8.8 | 8.0 | 5.2 |
| Domestic demand (contribution to GDP growth) | 3.3 | 3.2 | 2.5 |
| Exports of goods and services | 4.9 | 5.4 | 5.7 |
| Imports of goods and services | 5.6 | 7.0 | 6.7 |
| Net foreign balance (contribution to GDP growth) | -0.1 | -0.3 | -0.2 |
| GDP | 3.2 | 2.9 | 2.3 |
| GDP at current prices: % change | 3.7 | 3.6 | 3.8 |
| PRICES (% change) | | | |
| GDP Deflator | 0.5 | 0.7 | 1.4 |
| Private Consumption Deflator | -0.2 | -0.2 | 1.3 |
| LABOUR MARKET (% change) | | | |
| Total employment (b) | 3.0 | 2.7 | 2.2 |
| Unemployment: % labour force (LFS) | 22.1 | 19.7 | 17.8 |

(a) Households and Non-profit institutions serving households.

(b) Full-time equivalent jobs.



Construction recovers pushed by buildings and dwellings' renovation

- Spain's **real estate market** continues recovering, largely based on the positive trends shown by the determinants of residential demand: growth in employment, increased supply of credit and low interest rates, strong foreign demand and, more recently, expectations of higher housing prices.
- The construction of **new housing** begins to grow in some regions. In any case it starts from very low values. In 2007 the number of finished dwellings was 641 thousands. In 2015 it was only 45 thousands. **Renovation** of buildings and dwellings is leading the construction activity.
- It is expected that the construction of **public civil works** begins to recover in 2017.

I. Trend in the construction sector/demand

Construction

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

November 4, 2016

| | 2015 | 2016(1) | 2016 I | 2016 II | 2016 III(1) | 2016 IV(1) | Previous data | Latest data | Date |
|---------------------------------------|-------|---------|--------|---------|-------------|------------|---------------|-------------|---------|
| CONSTRUCTION | | | | | | | | | |
| Composite Construction Indicator (2) | 7.7 | 2.7 | 5.5 | 1.9 | 0.9 | - | .. | .. | Q.3. 16 |
| Cement Apparent Consumption | 6.3 | -2.9 | -0.5 | -3.9 | -4.0 | - | 3.2 | -3.4 | Sep. 16 |
| Social Security covered workers | 4.7 | 2.5 | 2.6 | 2.1 | 2.7 | 3.3 | 2.8 | 3.3 | Oct. 16 |
| Floorage approvals: total | 37.9 | 20.0 | 40.4 | 5.1 | 17.5 | - | 3.9 | 46.5 | Aug. 16 |
| Floorage approvals: housing | 42.6 | 35.8 | 60.4 | 28.4 | 15.2 | - | 15.1 | 15.5 | " |
| Official bidding (at current prices) | -16.1 | -10.4 | -4.5 | -39.7 | 59.8 | - | 6.5 | 160.7 | " |
| Construction confidence indicator (3) | -25.3 | -39.5 | -31.7 | -40.4 | -44.3 | -45.4 | -46.9 | -45.4 | Oct. 16 |
| Mortgages. Number | 17.9 | 6.5 | 7.5 | 17.5 | -10.5 | - | -19.7 | 0.2 | Aug. 16 |
| " . Amount borrowed | 19.1 | 11.0 | 18.2 | 21.4 | -11.0 | - | -12.6 | -9.2 | " |
| Housing: Prices per sq meter | 1.1 | 2.2 | 2.4 | 2.0 | - | - | .. | .. | Q.2. 16 |
| Dwelling sales | 11.5 | 14.8 | 9.2 | 23.8 | 10.2 | - | 1.1 | 20.3 | Aug. 16 |
| - New | -34.5 | -2.4 | -13.0 | 10.4 | -1.8 | - | -6.5 | 3.3 | " |
| - Used | 38.4 | 19.8 | 16.9 | 27.5 | 13.1 | - | 2.9 | 24.6 | " |

(1) Available period data. (2) Adjusted for seasonal, calendar and outliers effects. (3) Balances in percentage points. (sa). (4) Adjusted for calendar.

Sources: OFICEMEN, MESS, MFOM, AENA, RENFE, IET, INE, European Commission and SGACPE.

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

Exports grow at a moderate rate of around 5%. The European Union and the US markets lead this increase.

Domestic market grows around 15%. This double digit rate is based mainly in the renovation sector.

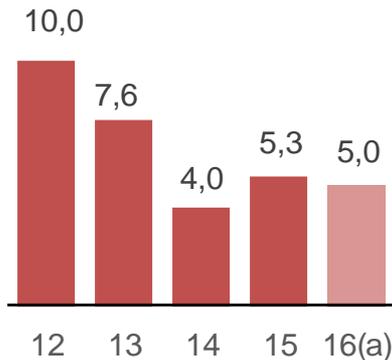
Production follows sales with a sustained growth around 10%.

Exports (value)

Y-on-Y change (%)



Annual change (%)



Exports 2015: 2,452 Million euros (+5.3%)

Industry production index

Year-on-year change (%)



Prod. 2015: 440 Mill. m2 (+3.6%)

III. Latest developments at national level in energy supply regulation and taxation



Natural Gas

The Iberian gas hub has been functioning for around one year now.

Although the prices are not yet aligned with those of other European gas hubs, it is slowly progressing as greater volumes of gas are traded and more active players participate.

Electricity and cogeneration

No new developments or legislation have come into force in 2016.

Nonetheless, efforts are continually being made in order to have more competitive prices, reduce costs and promote the development of new cogeneration plants.

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



On going standardization work

The Spanish standardization mirror committee has completed the work to develop a national standard on installation of ceramic tiles.

The proposal is currently under enquiry procedure and the standard is expected to be published early in 2017.