

World Ceramic Tiles Forum – National Context

SPAIN



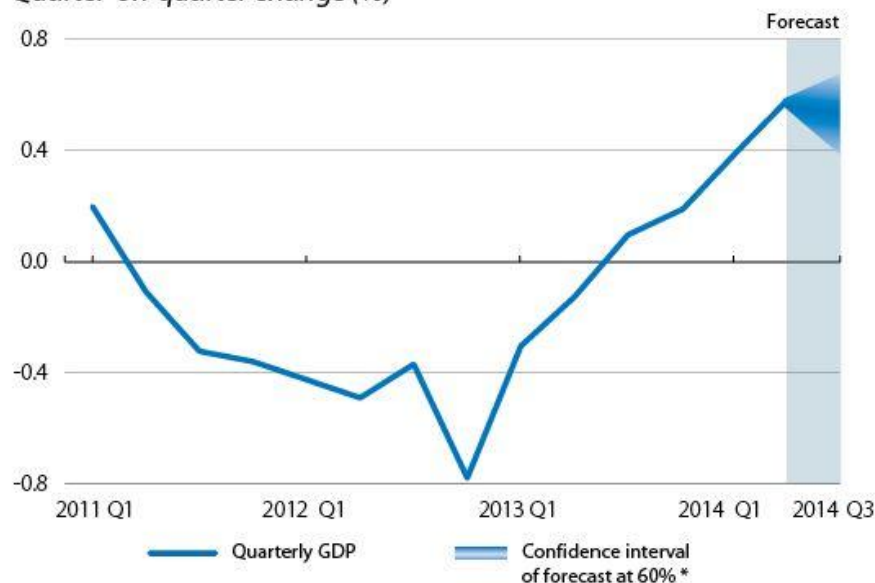
National Context – Spain

The Spanish economy is **now growing**, but at a **slower rate**.

Exports are showing signs of improvement, but August was the worst month in five years. Foreign tourism is growing at a record-breaking rate. Labour market's rate of improvement is also moderating.

Leading indicator of GDP: "la Caixa" Research

Quarter-on-quarter change (%)



Note: * The likelihood that GDP in 2014 Q3 will be within this range is 60%.

Source: "la Caixa" Research.

Government's macroeconomic table

Annual change, unless otherwise specified (%)

	2014	2015
GDP	1.3	2
Domestic demand *	1.4	1.8
Foreign demand *	-0.1	0.2
Employment	0.7	1.4
Unemployment rate **	24.7	22.9
Current balance (% of GDP)	0.9	1.1
Fiscal balance (% of GDP)	-5.5	-4.2

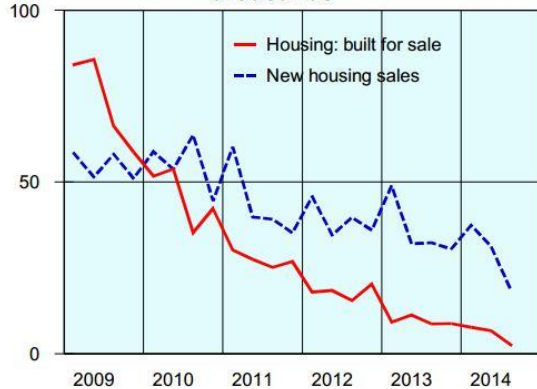
Notes: * Contribution to growth. ** Percentage of the labour force.

Source: "la Caixa" Research, based on data from the Ministry of Finance.

I. Trend in the construction sector/demand

After decreasing since 2009, **construction** seems to have hit bottom in 2014. Recovery of residential building (ongoing projects that were waiting for better conditions but not because of a real increase in demand). There are still a huge amount of unsold dwellings.

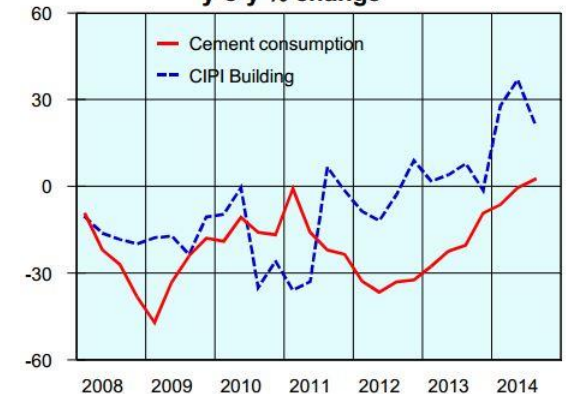
HOUSING. BUILT FOR SALE AND NEW SALES
thousands



HOUSING STARTS AND ACCRUED
thousands



CEMENT CONSUMPTION AND CIPI BUILDING
y-o-y % change



CIPI: Construction industry production index

Source: Spanish Ministry of Economy

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

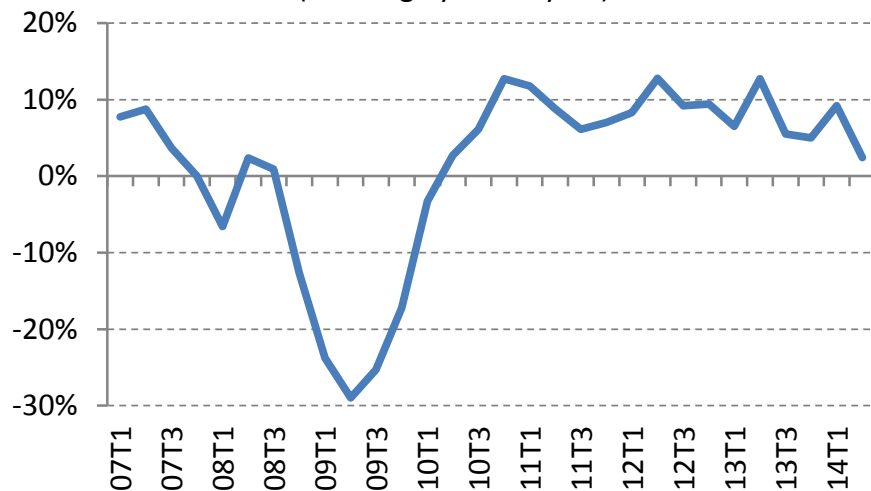


Exports and production of the Spanish ceramic tile industry are moderately growing since 2010, but an **stagnation period** is expected.

The weakness of the EU economy and geopolitical problems in other crucial markets (Russia, Middle East, Maghreb) are a threat to the activity in the next months.

Spanish exports (value)

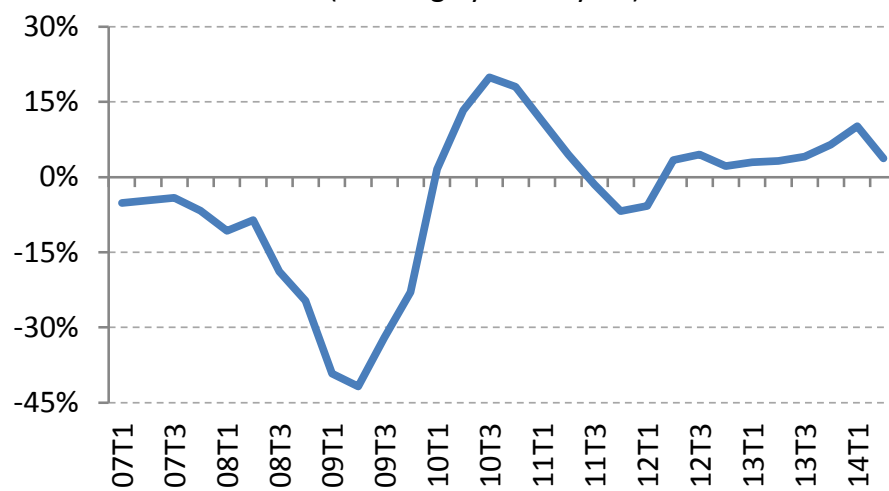
(% change year on year)



Exports 2013: 2,240 Million euros (+7.6%)

Industry production index

(% change year on year)



Production 2013: 420 Million sq.m. (+4.2%)

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



Natural Gas

New legislation to **reform the natural gas market** in order to prevent an increase in the system deficit. This deficit – mainly caused by a fall in demand as well as by retribution to new installations/infrastructure – is relatively minor compared with that of the electricity market, but the government wants to avoid it becoming a bigger problem.

The creation of a **natural gas hub in Spain** is under development; hence, this will increase the efficiency of the natural gas sector in the Iberian Peninsula, foster competition and improve transparency.

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



Electricity

Reduction of 85% on the tax applied to electricity consumption for intensive energy consuming sectors (includes ceramic tile industry).

Cogeneration

New retribution scheme approved July 2014

Significant impact on the retribution for cogenerating installations.

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

No new standards published in 2014

The Spanish standardization mirror committee is going to start working on the development of a national standard for installation of ceramic tiles.