

Macro Trends

Affecting Spanish and Swiss Securities Markets

Q3 2023

The world economy will close the whole 2023 having shown evidence of resilience despite high interest rates and still high inflation. Prospects for 2024 point to a contained slowdown. Key interest rates already or near the top.

Highlights

- Activity in several major economies was stronger than expected during the first 3 quarters. The IMF slightly increased world GDP growth projections for 2023 to 3.0%, +0.2 p.p. (July '23). The growth forecasts for 2024 stand globally at 3% (IMF) with mixed scenarios for individual countries and areas depending on the position in the economic cycle.
- Although both headline and core inflation show globally a tendency towards moderation in the medium and long term, recent data is still worrying. In the Eurozone, CPI is already below 5%, the lowest in two years.
- The ECB made in September its 10th consecutive interest rate hike to 4.5% and signaled that this is likely to be the last one. The Federal Reserve decided also in September to hold its benchmark rate steady at 5% and gave projections that includes one more increase in 2023 to 5.75% and a message of "higher for longer" meaning slower pace of rates' cuts for '24 and '25.
- The Spanish economy continues to show dynamism along Q3 2023 and estimates for the whole year are well revised up. According to the European Commission, the GDP will grow 2.2% in 2023 (+0.3 pp on previous estimates). Weaker economic activity in trading partners that will impact the tourism sector and exports, and softer labor market dynamics are expected to reduce the 2024 GDP growth to 1.9%.
- The outlook for Switzerland growth in 2023 remains at 0.8%, mainly driven by consumer spending and the services sector. Challenges for the months ahead rest in overcoming the slowdown in both industrial sector and foreign trade.
- As inflation in main economies in Latin America has been decreasing, central banks have already started to ease monetary policy, which will probably stop or reverse the currencies appreciation trend observed since the beginning of 2023.
- BME Growth, the market for growing Small and Mid Caps, leads the listings on the Spanish equity markets, with 7 new listings until August 2023. Aiming to boost the access to the stock markets, BME launched BME Scale, an even more accessible market designed for small and medium size companies with proven business model and an accelerated growth, which is expected to become operative since this October.
- Over 68,000 new structured products have been listed in the Swiss Stock Exchange in 2023 until August, 24.6% more than in the same period of 2022, suggesting that investors are seeking for different types of investments and strategies.

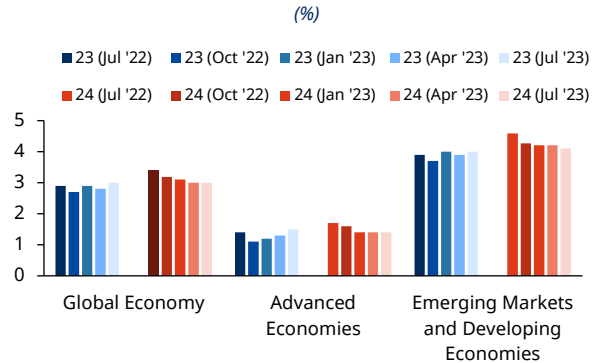
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GLOBAL ECONOMY

The IMF's latest WEO points to inflation reduction as a factor in the improved World GDP growth projections for 2023 to +3.0% (up from +2.8% in Apr.). Forecast for 2024 stand unchanged also at 3% growth. According to the OECD (Sep'23) the global economy has been stronger than expected in 2023, but the growth outlook gets worse for 2024 due to inflation and high interest rates.

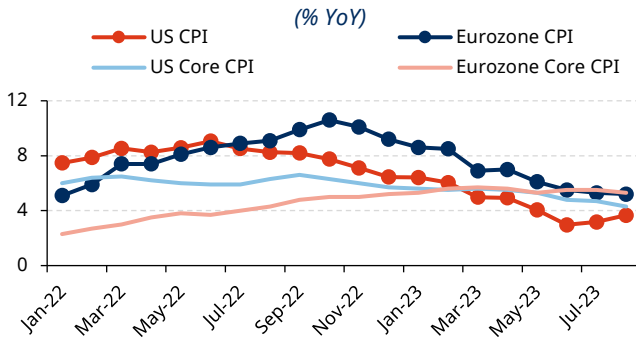
El último informe del FMI (Jul'23) apunta a la bajada de la inflación como un factor en la mejora de las proyecciones de crecimiento del PIB mundial para 2023 al +3,0% (frente al +2,8% de abril). Mantiene sin cambios su pronóstico para 2024: ambos ahora en el 3% de crecimiento. Según la OECD, la economía mundial se está comportando mejor de lo esperado en 2023, pero las perspectivas de crecimiento para 2024 empeoran debido a la inflación y los altos tipos de interés.

GDP annual growth estimates '23 & '24



Sources: IMF WEO Apr., July, Oct. '22 & Jan., Apr., Jul '23

CPI & CPI Core - US and Eurozone



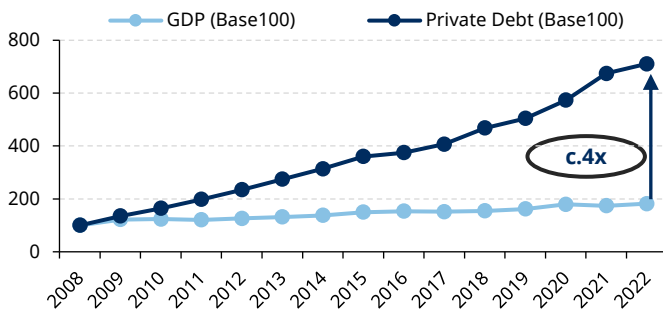
Source: Reuters (September 2023)

US' expected GDP growth improves for '23 (2.2%) and '24 (1.3%) according to OECD (Sep'23). Increase in real GDP in Q2 '23 (2.1% YoY), reflected a smaller decrease in private inventory investment, an acceleration in non-residential fixed investment, a downturn in exports and imports, and decelerations in consumer spending and federal government spending.

Mejoran las previsiones de crecimiento del PIB de EE.UU. para '23 (2,2%) y '24 (1,3%) de acuerdo con la OCDE (sep'23). El aumento del PIB real en el 2T '23 (2,1% anual) reflejó una mejora de los inventarios, una aceleración de la inversión no residencial, una desaceleración de exportaciones e importaciones y también del gasto tanto de los consumidores como del gobierno federal.

China's growth has been fueled by private debt

(Base100 = 2008)

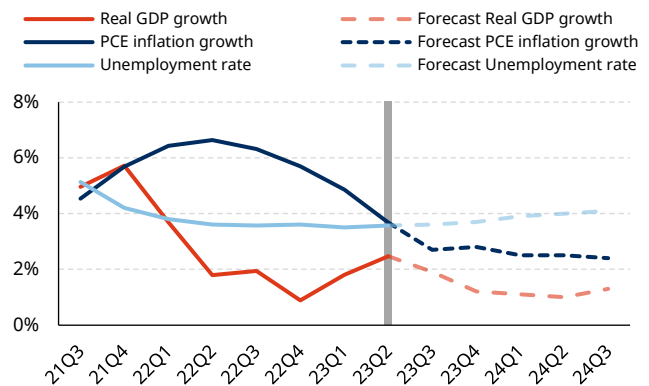


Sources: Worldbank

Annual headline inflation in the US and Eurozone moderated again in August to 3.6% and 5.2%, respectively. Core inflation is also moderating, but at a slower pace. US Federal Reserve pauses rate hikes in September '23 meeting, but subsequent small increases are still expected.

La inflación en los EE.UU. y la zona euro se desaceleró en mayo hasta el 3,6% y 5,2%, respectivamente. La inflación subyacente también se reduce, pero a un ritmo más lento. La Reserva Federal (Fed) norteamericana ha pausado su ciclo de subidas en la reunión de septiembre '23, pero todavía se esperan leves subidas adicionales.

US - Economic growth, inflation and unemployment



Source: Federal Reserve Bank of Saint Louis and of Philadelphia (August 2023)

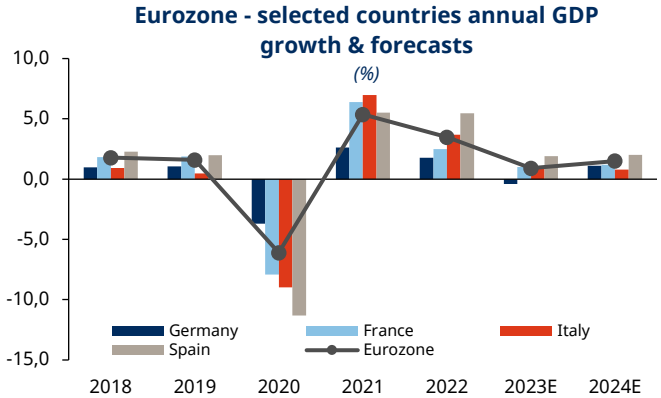
China's corporate and household debt has risen sharply in recent years. In 2022, private debt amounted to 185% of the GDP. In April '23 the momentum from a strong start to the year faded. But concerns have intensified in August following defaults by Country Garden, once the country's largest real estate developer.

La deuda de las empresas y los hogares de China ha aumentado marcadamente en los últimos años. En 2022, la deuda privada ascendió al 185% del PIB. En abril de 2023, el impulso de un buen comienzo de año se desvaneció. Pero las preocupaciones se han intensificado en agosto tras los impagos de Country Garden, que alguna vez fue el mayor promotor del país.

EUROPEAN ECONOMY

The EU and Eurozone GDP growth projections for 2023 were revised down 0.2 p.p. to 0.8% (European Commission Sep.'23). Forecast for 2024 was also cut to 1.4% (EU) and 1.3% (Eurozone) amid longer term effects of restricted monetary policies and lower but still high inflation.

Las proyecciones de crecimiento del PIB de la Unión Europea y la Eurozona para 2023 han sido revisadas a la baja en 0,2 p.p. hasta el 0,8% (Comisión Europea sept.'23). Para 2024 también se han recortado las previsiones de crecimiento al 1,4% (UE) y 1,3% (Eurozona) por el efecto de los altos tipos de interés y una inflación todavía elevada.

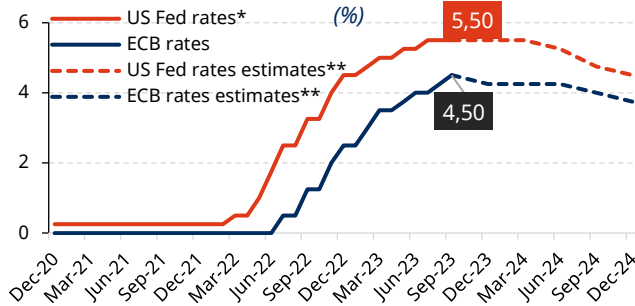


Source: European Commission

The ECB raised interest rates again (10th consecutive) in Sept. '23 by 25bps, to 4.5% and signaled that this hike is likely to be last. Meanwhile, Federal Reserve held interest rates steady at 5.5% (22-years record high), while also indicating it still expects one more hike before the end of the year and slower pace of rate cuts for '24 and '25.

El BCE volvió a subir los tipos de interés (10^º consecutivo) en sept'23 en 25 puntos básicos, hasta el 4,5%, y señaló que es probable que esta subida sea la última. La Reserva Federal mantuvo los tipos estables (5,5%) en su nivel más alto en 22 años, al tiempo que indicó que todavía espera una subida más antes de fin de año y un escenario de tipos altos durante más tiempo.

ECB and US Fed refinancing rates and forecasts

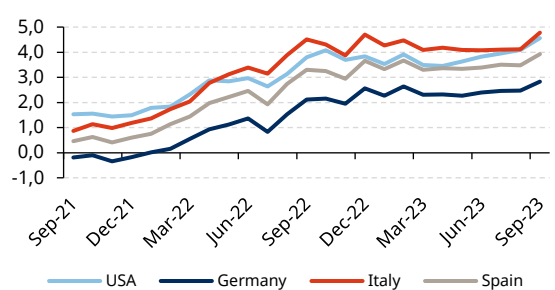


Source: Reuters. *Upper range value. **Reuters median forecast

In Sept. '23, 10-year Government Bond yields rise again as US and Eurozone central banks announce or hike interest rates and push away cuts. US 10-year Treasury Bond yield rose above 4.50%, their highest level in 16 years; while in Europe, 10-year German Bund yield rose to 2.8%, its highest level since 2011.

Los tipos de interés de los bonos públicos a 10 años de las principales áreas económicas repuntaron de nuevo en septiembre ante los anuncios o subidas de tipos de los bancos centrales. El rendimiento de los bonos del Tesoro estadounidense a 10 años superó el 4,5%, su nivel más alto en 16 años; En Europa, el rendimiento del Bund alemán a 10 años llegó al 2,8%, su nivel más alto desde 2011.

10-year Treasury Bond Yield - US and Eurozone



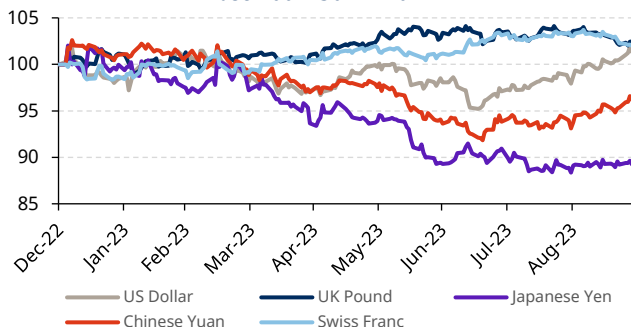
Source: Reuters

The dollar had its biggest quarterly gain in a year in Q3 '23 compared to the Euro to reach \$1,05 per Euro. The strength of the US economy, supported by employment and consumption, and a monetary policy of higher rates for longer period boost the dollar. The Euro languished to a 9-month low, while the Yen has plunged c.20% in 2023 until September

El dólar tuvo su mayor ganancia trimestral en un año frente al euro en el tercer trimestre de 2023. La fortaleza de la economía norteamericana y una política monetaria de tipos altos durante más tiempo impulsan al dólar. El euro se debilitó hasta alcanzar mínimos del año y el yen acumula una caída del 20% durante los primeros nueve meses de 2023.

Evolution of currencies against EUR

Base 100 = 30/12/2022



Source: Reuters

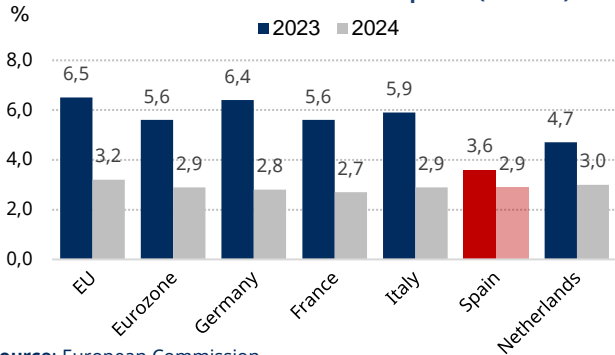
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SPANISH ECONOMY

The European Commission in its Sept. '23 forecast expects the Spanish economy to grow 2.2% in 2023 (+0.3 p.p. compared to Apr. '23 forecast). Conversely, 2024 forecast has been lowered to 1.9% (0.1 p.p. less) due to weaker economic activity in trading partners that affects tourism sector and exports, tighter financing conditions on aggregate demand, and softer labor market dynamics.

La Comisión Europea en su previsión de septiembre 23 espera que la economía española crezca un 2,2% en 2023 (+0,3 p.p. respecto a la previsión de abril 23). Por el contrario, la previsión para 2024 se ha reducido al 1,9% (0,1 p.p. menos) debido al debilitamiento de la actividad en los principales países socios que afectará al sector turístico y a las exportaciones, peores condiciones de financiación y un mercado laboral menos brillante.

Spain and selected European economies headline inflation forecasts Sept. '23 ('23 - '24)

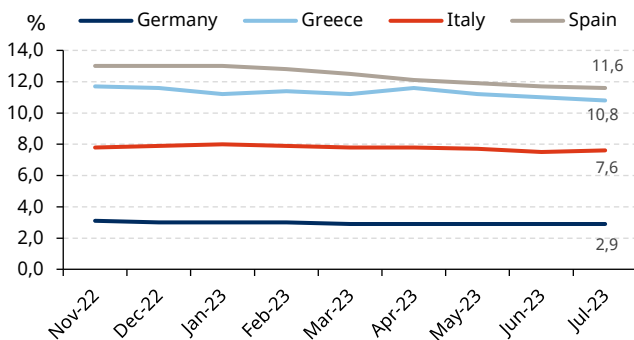


Source: European Commission

Risk premium of Spanish 10-year benchmark bonds maintains stability during September slightly above 1% (100 basis points), despite rising yields and volatility affecting the Italian 10-year bonds due to Italy's expected lower growth and higher fiscal deficit figures.

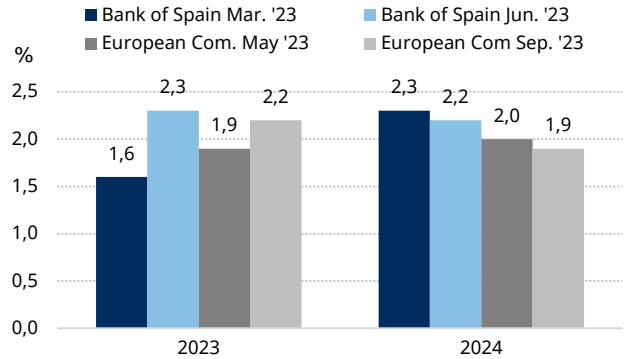
La prima de riesgo de la deuda española a 10 años mantiene la estabilidad ligeramente por encima del 1% (100 puntos básicos) durante el mes de septiembre a pesar del alza de las rentabilidades y la mayor volatilidad en los bonos italianos a 10 años como consecuencia de las expectativas de menor crecimiento y mayor déficit fiscal en Italia.

Unemployment rate



Source: Eurostat

Spain - Annual GDP growth forecasts ('23 - '24)

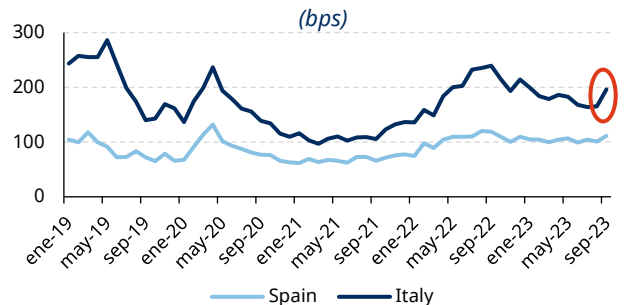


Source: European Commission & Bank of Spain

According to Sept. forecasts by the European Commission, the Spanish headline inflation is forecasted to moderate to 3.6% in 2023. A further slowdown to 2.9% in expected for 2024 despite the phase out of the government measures implemented to mitigate the impact of high energy prices.

De acuerdo con las previsiones de septiembre de la Comisión Europea, la inflación en España se moderará hasta el 3,6% en el conjunto del año 2023. Se espera una nueva desaceleración hasta el 2,9% para 2024, a pesar del efecto que pueda tener la eliminación gradual de las medidas gubernamentales implementadas para mitigar el impacto de los altos precios de la energía.

Risk premium (Spanish and Italy 10-year bonds vs German 10-Year Bund)



Source: Reuters

In Aug '23, the unemployment rate in the eurozone fell by 0.1 p.p. from the previous month to 6.4%, the lowest figure ever registered. Germany had one of the lowest rates within the EU at 3% which remained stable for the past 3 months. The unemployment rate in Spain, now at 11.6%, softens inflationary tensions on the wage side.

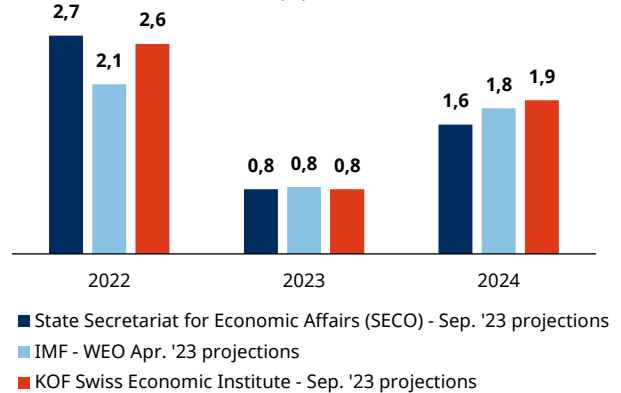
Al cierre de agosto 2023, la tasa de desempleo en la eurozona cayó 0,1 p.p. respecto al mes anterior hasta el 6,4%, la cifra más baja jamás registrada. Alemania presenta una de las tasas más bajas dentro de la UE con un 3% que se mantuvo estable durante los últimos 3 meses. La tasa española, ahora en el 11,6%, amortigua tensiones inflacionistas por el lado de los salarios.

SWISS ECONOMY

In its September report, SECO maintained its outlook for Switzerland's GDP at 0.8% in 2023, in line with IMF and KOF's projections. Growth estimates to 2024 have been revised downwards, with SEC estimating a growth of 1.6% (1.8% in June) and KOF a 1.9% (2.1% in June). Consumer spending and the services sector remained strong, but both industrial sector and foreign trade are weakening. These trends should continue in the months ahead according to the aforementioned institutions.

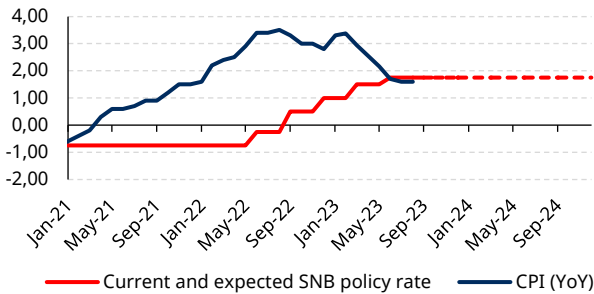
En su informe de septiembre, SECO mantuvo sus estimaciones de crecimiento para el PIB de Suiza en 0,8% en 2023, en línea con las proyecciones del FMI y KOF. Para 2024 las estimaciones se han revisado a la baja, con la SECO estimando un crecimiento del 1,6% (1,8% en junio) y KOF un crecimiento del 1,9% (2,1% en junio). El gasto de los consumidores y el sector de servicios se mantuvieron sólidos, pero el sector industrial y las exportaciones se están debilitando. De acuerdo con estos organismos las tendencias deberían continuar en los próximos meses.

Swiss GDP growth forecasts ('23-'24)
(%)



Sources: SECO, KOF & IMF

SNB policy rate vs. CPI
(%)

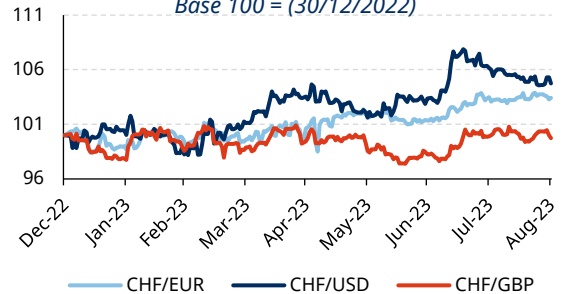


Sources: Reuters & SNB

Considering both FED and ECB's tightening policies and amid concerns that a weaker Swiss Franc may exacerbate imported inflation, the SNB has been selling foreign reserves to boost the value of the Swiss franc. KOF expectation is that SNB will keep these movements and the nominal effective exchange rate will appreciate until the end of the year.

Dadas las políticas restrictivas de la Reserva Federal y del BCE y con la preocupación de que un franco más débil pueda exacerbar la inflación importada, el SNB ha estado vendiendo reservas extranjeras para impulsar el valor del franco suizo. La expectativa del Instituto KOF es que el SNB mantenga estos movimientos y que el tipo de cambio efectivo nominal se aprecie hasta fin de año.

Evolution of currencies against CFH
Base 100 = (30/12/2022)

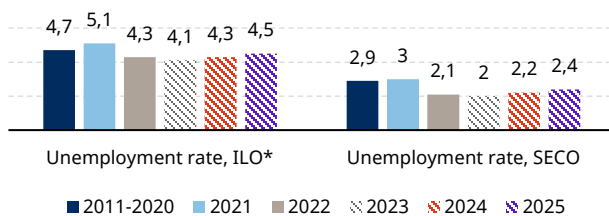


Source: SIX ID

After achieving strong growth of 2% this year, employment should increase by 1% in 2024 and 2025. The unemployment rate as defined by the SECO is expected to rise slightly from 2% this year to 2.2% next year, which suggests that the labor market environment will remain buoyant.

Después de lograr un fuerte crecimiento del 2% este año, se espera que el empleo aumente un 1% en 2024 y 2025. La proyección de SECO para la tasa de desempleo al cierre de 2023 es del 2% y crecerá levemente al 2,2% para el próximo año, lo que sugiere un mercado laboral que seguirá fuerte.

Unemployment rate
(% change against previous year)



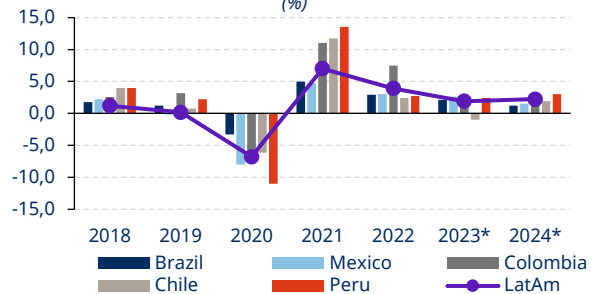
Source: SECO. *International Labor Organization. Dashed bars refer to projections

LATIN AMERICA ECONOMY

The IMF revised upwards the growth projections for Latin America & the Caribbean in 2023 to 1.9% (+0.3 p.p. from April report), reflecting stronger-than-expected growth in Brazil, and in Mexico. Challenges for the region lay on reducing high debt levels and enhancing long-term growth potential amid a deceleration of key trade partners such as the US and China.

El FMI revisó al alza (0,3 p.p.) las proyecciones de crecimiento de Latinoamérica y el Caribe hasta el 1,9% en 2023, reflejando un desempeño mejor de lo esperado de las economías de Brasil y de México. Los desafíos para la región siguen siendo la reducción de los elevados niveles de deuda y la mejora del potencial de crecimiento a lo largo plazo en un entorno de desaceleración de socios comerciales importantes como Estados Unidos y China

Latin America & Main countries in the region
Annual real GDP Growth (%)

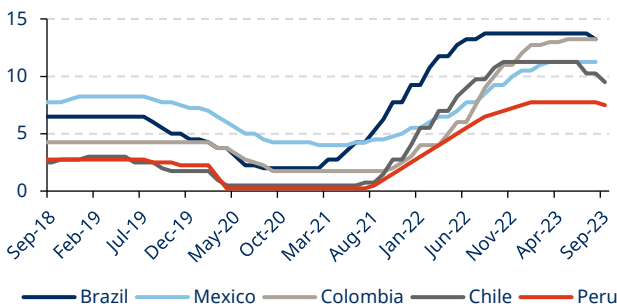


Source: IMF WEO July 2023

After early action to bring down inflation by raising interest rates, lower inflation in main economies have led central banks in Brazil, Chile and Peru to start easing monetary policy. Inflation is expected to continue to decline gradually in the coming quarters and approach the target ranges by end-2024, which may leave room for more rate cuts.

Tras actuar anticipadamente para reducir la inflación aumentando los tipos de interés, los bancos centrales de Brasil, Chile y Perú ya han empezado a flexibilizar su política monetaria. La expectativa es que la inflación siga bajando gradualmente en los próximos trimestres y converja a su meta a finales de 2024, lo que puede abrir el camino a más recortes de los tipos de interés de intervención.

LatAm selected countries interest rates (% target rate)

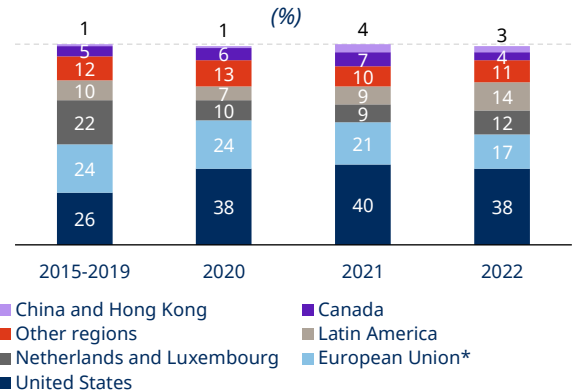


Source: Reuters

The European Union pursues to strengthen the relationship with Latin America & the Caribbean countries to seize opportunities for green transition, digital transformation and social development. The initiative consists in nine investment projects in the region that account for 45,000 million euros, through of a total of 130 initiatives to develop until 2027. Spain is positioning itself as a gateway between the two continents and it is expected to take part of at least 80 out of the 130 initiatives.

La Unión Europea busca fortalecer la relación con los países de América Latina y el Caribe para aprovechar las oportunidades en los sectores de transición verde, transformación digital y desarrollo humano. La iniciativa consiste en nueve proyectos de inversión europeos en la región que suman 45.000 millones de euros, a través de un total de 130 iniciativas a desarrollar hasta 2027. España se posiciona como nexo de unión y puerta de entrada entre ambos continentes y espera participar en al menos 80 de las 130 iniciativas.

IED inflows by origin (%)



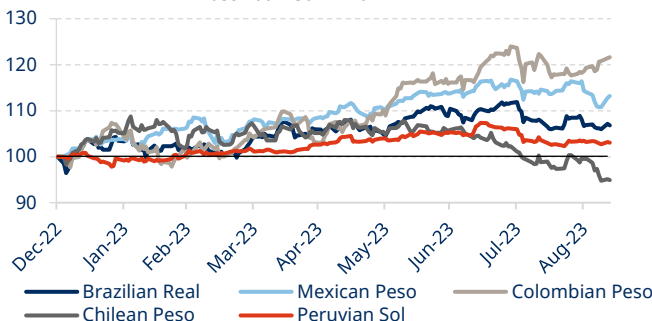
Source: CEPAL. *Excluding the Netherlands and Luxembourg

Most Latin America main economies' currencies have kept the appreciation trend towards US dollar since the beginning of the year. Better than expected growth prospects and high interest rates have boosted currencies' demand in many countries. Nevertheless, the depreciation trend already observed in Chilean peso due to rate cuts, is expected to affect more LatAm currencies as soon as other Central Banks follow up.

La mayoría de las principales monedas de LatAm han mantenido la tendencia de apreciación frente el dólar estadounidense desde el principio de 2023. Las perspectivas de crecimiento mejores de lo esperado, y los altos tipos de interés han incrementado la demanda de las monedas. Sin embargo, la tendencia de depreciación que se observa en el peso chileno tras la bajada de tipos se espera que sea seguida por otras monedas en cuanto otros bancos centrales empiecen a flexibilizar su política monetaria.

Evolution of currencies against US Dollar

Base 100 = 30/12/2022



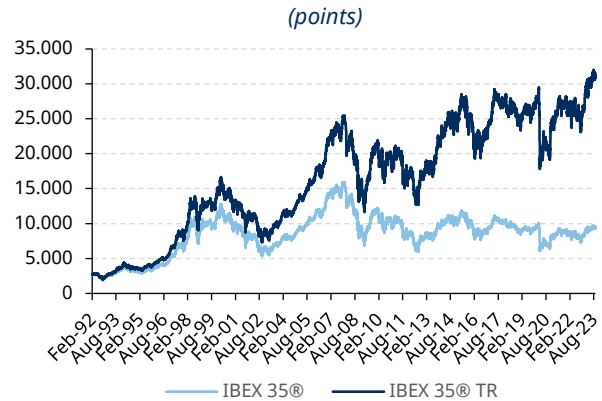
Source: Reuters

SPANISH SECURITIES MARKET

After reaching in July '23 the highest closing level since the start of the Covid-19 pandemic, the IBEX 35 closed August at 9,506 points, an increase of 15.5% in 2023. The IBEX 35 Total Return which registered a succession of highs in March, April and June 2023, closed August at 31,407 points, a growth of 19.3% for the year revealing the relevance in terms of yield of dividend's payments in the Spanish Stock Market.

Tras llegar en julio de 2023 al nivel de cierre más alto desde el inicio de la pandemia de Covid-19, el IBEX 35 cerró agosto a los 9.506 puntos, acumulando un alza de 15,5% en 2023. El IBEX 35 con Dividendos, que registró una sucesión de máximos marzo, abril y junio de 2023, cerró agosto a los 31.407 puntos, un crecimiento de 19,3% en el año, que revela el elevado peso de la rentabilidad por dividendos en el mercado bursátil español.

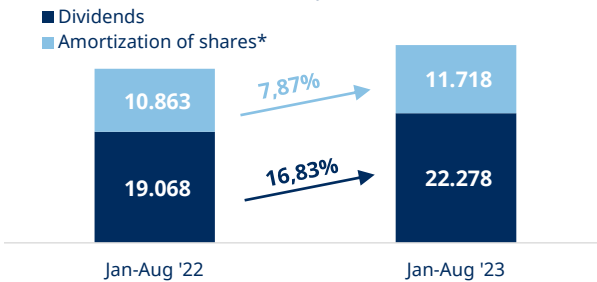
IBEX 35 & IBEX 35 TR



Source: Reuters

Shareholder retribution in Spanish equity market

(in million of euros)



Source: BME. *Measured by market prices

BME Growth, the market for BME SMEs, leads the listings on the Spanish stock market, with 7 new listings until August 2023, reaching a capitalization of €19.36 billion. More companies have started procedures to join the segment and are expected to arrive before the end of the year.

BME Growth, el mercado para las PYMEs de BME, lidera las salidas a la bolsa española, con 7 nuevas incorporaciones hasta agosto de 2023, alcanzando 139 compañías y €19.359 millones de capitalización. Más empresas han iniciado los trámites para cotizar en el mercado antes del cierre del año.

Spanish listed companies paid €22.3 billion between Jan. and Aug '23, a 16.8% increase when compared to the same period of 2022. Considering the upcoming payments until the end of the year, the number will exceed substantially the €25.9 million paid in 2022. The shares buyback, a growing way of shareholder retribution, grew by 7.9% in the same period, led the banking, metal and energy sectors.

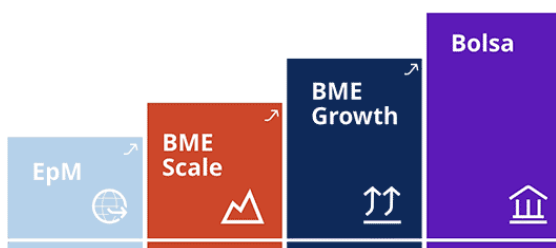
Las cotizadas españolas pagaron €22.2870 millones entre enero y agosto de 2023, un 16,8% más que en el mismo período de 2022. Con los pagos previstos hasta el final del año, la cifra debe superar los €25.900 millones pagados el año anterior. La amortización de acciones, una fórmula creciente de retribución al accionista, creció un 7,9% en el mismo período, destacando los sectores de banca, metal y energía.

BME Growth Market



Source: BME. *Until August, 31.

BME Corporate Finance Stages



Start up > Scale up > Growth > Bolsa
Sources: SIX and BME

BME Scale, the new market lunched and operated by BME and designed for small and medium size companies with proven business model in an accelerated growth phase, is expected to be operative in October '23. Listed companies will be able to access different sources of funding through the stock markets and also be part of the Pre-Market Environment program.

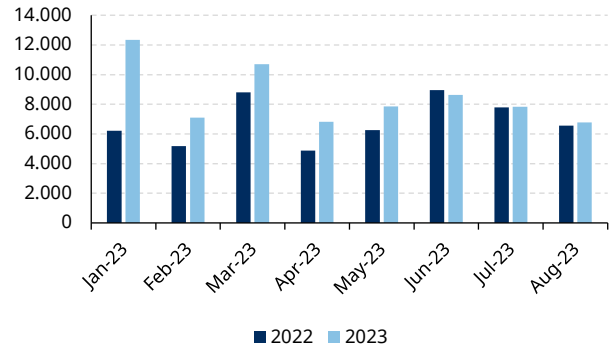
BME Scale, el nuevo mercado de valores operado por BME y diseñado para pequeñas y medianas empresas de alto crecimiento y modelo de negocio probado, se espera que esté operativo en octubre. Las compañías admitidas tendrán acceso así a nuevas fuentes de financiación y formarán parte del Entorno Pre Mercado.

SWISS SECURITIES MARKETS

Over 68,000 new structured products were listed in the Swiss Stock Exchange in 2023 until August, 24.6% more than in the same period of 2022. Structured products are an attractive addition to traditional financial investments due to their flexibility, meeting specific investor needs or preferences as well as exposure (leveraged or not) to investment strategies and different assets.

Más de 68.000 nuevos productos estructurados han sido admitidos a cotización desde el inicio del año hasta agosto en la Bolsa Suiza, un 24,6% más que en el mismo período de 2022. Los productos estructurados son una alternativa atractiva a las inversiones más tradicionales gracias a su flexibilidad. Dan respuesta a distintas necesidades y preferencias de los inversores además de ofrecen exposición a diferentes activos y estrategias, con apalancamiento o sin él.

Number of newly structured products listed

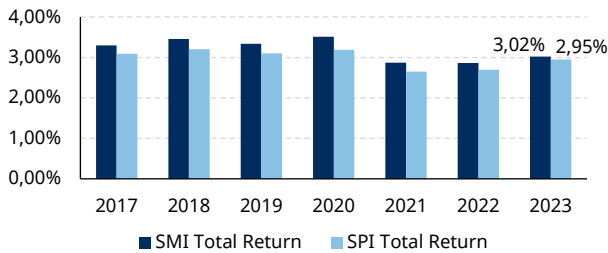


Source: SIX

Swiss companies are known for their solid dividends, especially in pharmaceuticals, financial services and manufacturing sectors. Both SMI and SPI Total Return indexes have been recovering their levels of dividend yield since 2020, with SMI TR reaching 3% for the first time in 3 years.

Las empresas suizas también destacan por sus sólidos dividendos, especialmente en los sectores farmacéutico, de servicios financieros y manufacturero. Tanto el índice SMI como el SPI Total Return han ido progresivamente aumentando sus niveles de rentabilidad por dividendo desde 2020, alcanzando el SMI TR el 3% por primera vez en 3 años.

Dividend Yield of main indexes



Source: SIX iD

SIX has issued a market consultation for potential changes to the methodology of the Swiss Market Index (SMI), Swiss Market Index Mid (SMIM) and Swiss Leader Index (SLI). The consultation is open from Sep. 7th to Nov. 7th, 2023 to all market participants. Additionally, some extraordinary adjustments for the SLI, SMIM, SPI and SXI Special Industry were made to accommodate the recent spin-off of Sandoz Group from Novartis.

SIX ha emitido una consulta de mercado sobre posibles cambios en la metodología del Swiss Market Index (SMI), el Swiss Market Index Mid (SMIM) y el Swiss Leader Index (SLI). La consulta está abierta del 7 de septiembre al 7 de noviembre de 2023 a todos los participantes del mercado. Adicionalmente se han llevado a cabo algunos ajustes extraordinarios en los indicadores SMIM, SPI y SXI para recoger la escisión del Grupo Sandoz de Novartis.

Potential changes

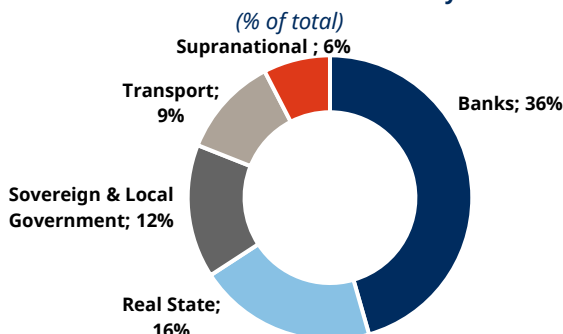
- The SMI would increase from 20 to 30 stocks.
- The free float market cap. over 12 months would be the sole selection for the SMI, SMIM and SLI.
- The current used 12-month order book turnover would be no longer applied for the 3 indexes.
- Indices dependent on the SMI composition would also be impacted.

Source: SIX

The appetite for green bonds has grown in recent years. At end September 2023, over 100 green bonds are listed or admitted to trading on SIX Swiss Exchange, an 80% increase from end 2021 figures. The bonds listed represent an aggregate nominal amount of CHF 28 bn, with banking sector leading the number of issuances. Use of capital are mainly green or climate-related purposes.

La demanda de bonos verdes crece en los últimos años. Al cierre de septiembre 2023, más de 100 emisiones de bonos verdes están admitidos a negociación en SIX Bolsa suiza, un aumento del 80 % con respecto a las cifras de 2021. Los bonos representan un importe nominal agregado de CHF 28.000 millones, con el sector bancario liderando el número de emisiones. El uso de los ingresos es principalmente para fines verdes o relacionados con el clima.

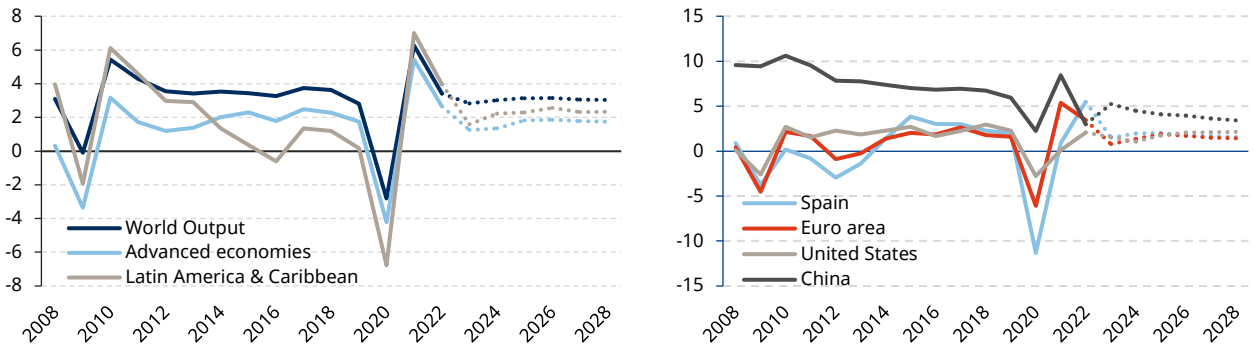
Number of Green Bond Issuances by Sector



Source: SIX

In its July Report, the IMF increased World GDP growth projections for '23 by 0.2 p.p., to 3.0%, with no change for 2024 (+3.0%), pointing the reduction of inflation as a factor in the improved outlook for 2023. The 2023 figure coincides with OECD expectation for global growth, although the latter projects a slightly lower growth for 2024 (+2.7%).

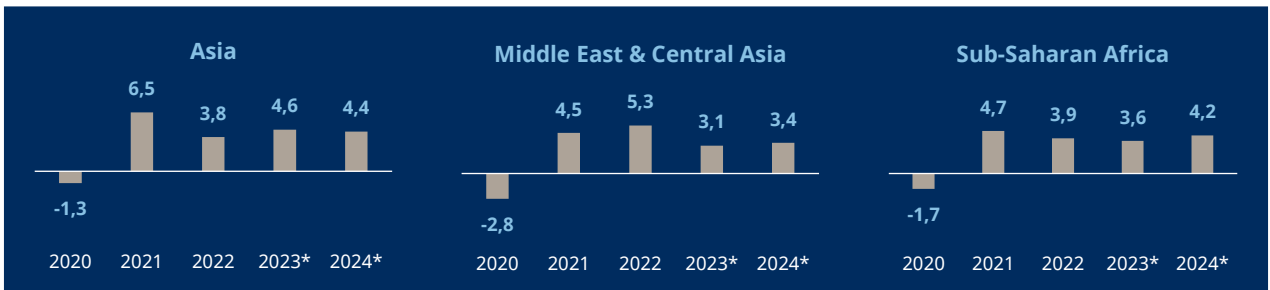
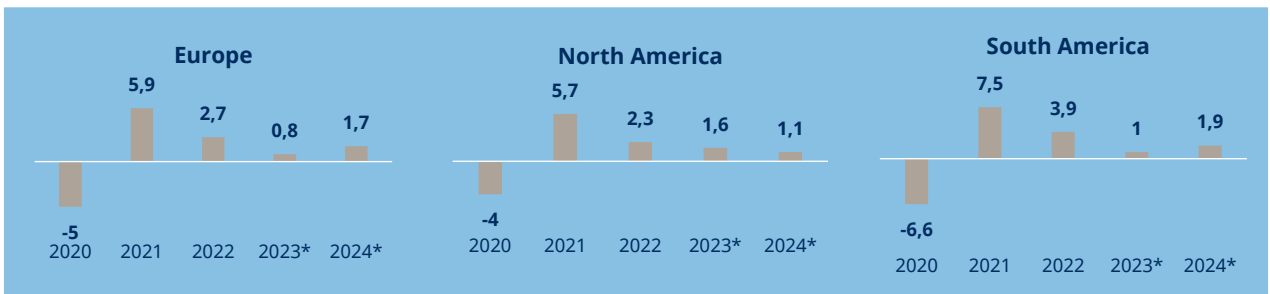
Real Gross Domestic Product (GDP) growth, annual rates (%)



Main indicators - Real GDP growth YoY%

*Estimates from IMF WEO April 2023. '23 and '24 forecasts updated with IMF WEO July 2023

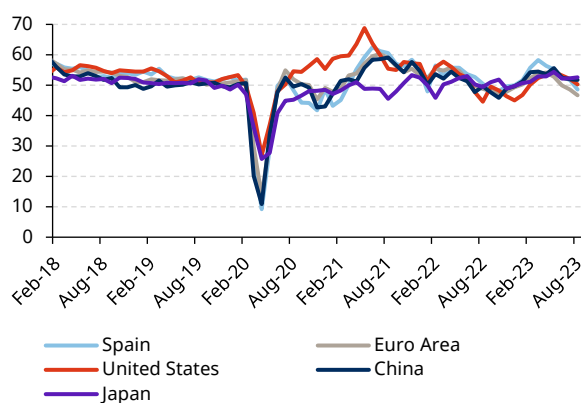
	2020	2021	2022	2023*	2024*	2025*	2026*	2027*	2028*
World Output	-2,8	6,3	3,5	3,0	3,0	3,2	3,2	3,1	3,0
Advanced economies	-4,2	5,4	2,7	1,5	1,4	1,8	1,9	1,8	1,8
United States	-2,8	5,9	2,1	1,8	1,0	1,8	2,1	2,1	2,1
Euro Area	-6,1	5,4	3,5	0,9	1,5	1,9	1,7	1,5	1,4
Germany	-3,7	2,6	1,8	-0,3	1,3	2,0	1,8	1,2	1,1
France	-7,9	6,4	2,5	0,8	1,3	1,9	1,8	1,6	1,5
Italy	-9,0	7,0	3,7	1,1	0,9	1,2	1,1	1,0	0,9
Spain	-11,3	5,5	5,5	2,5	2,0	2,0	1,7	1,7	1,6
Japan	-4,3	2,2	1,1	1,4	1,0	0,6	0,5	0,4	0,4
United Kingdom	-11,0	7,6	4,1	0,4	1,0	2,2	2,0	1,8	1,5
Switzerland	-2,5	4,2	2,1	0,8	1,8	1,2	1,8	1,2	1,8
Canada									
Emerging Economies	-5,1	5,0	3,4	1,7	1,4	2,2	1,9	1,7	1,7
China	-1,8	6,9	4,0	4,0	4,1	4,0	4,0	3,9	3,9
India	2,2	8,5	3,0	5,2	4,5	4,1	4,0	3,6	3,4
Russia	-5,8	9,1	7,2	6,1	6,3	6,2	6,1	6,0	6,0
Latin America & Caribbean	-2,7	5,6	-2,1	1,5	1,3	1,0	0,8	0,8	0,7
Brazil	-6,8	7,0	4,0	1,9	2,2	2,3	2,6	2,3	2,3
Mexico	-3,3	5,0	2,9	2,1	1,2	1,9	2,0	2,0	2,0



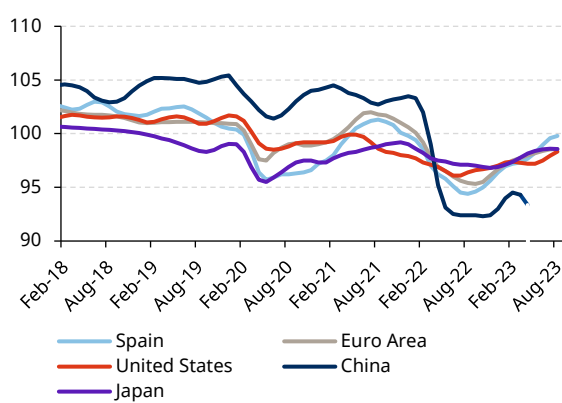
Source: IMF – WEO April 2023 and WEO July 2023

High interest rates are weighing on business confidence, but consumer confidence has improved over the year as inflation recedes. PMI data is mixed across the regions, showing contraction in most of the developed world and expansion across emerging markets.

Purchasing Managers' Index (PMI) Composite



Consumer Confidence Index - OECD



Main indicators - Data for the year and quarter is the average of monthly figures

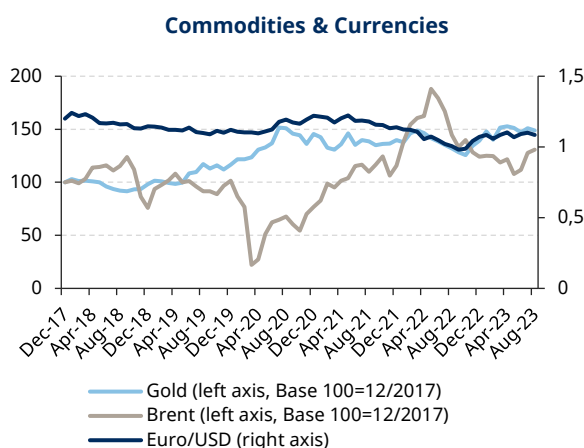
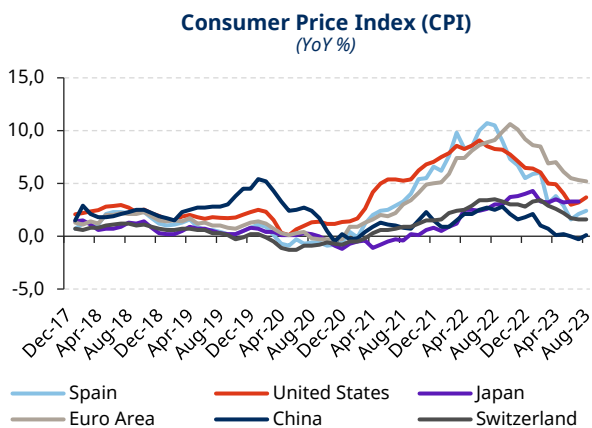
	2020	2021	2022	1Q '23	2Q '23	07/23	08/23
Purchase Manager Index Composite (PMI) - Levels above 50 show expansion and below 50, contraction							
Advanced economies							
United States	48,76	59,66	50,67	49,73	53,63	52,00	50,20
Euro Area							
Germany	46,39	55,28	50,41	51,07	52,90	48,50	44,60
France	43,49	53,76	52,74	51,17	50,27	46,60	46,00
Italy	41,75	54,71	50,27	52,87	52,33	48,90	48,20
Spain	41,51	55,33	51,80	55,17	54,70	51,70	48,60
Japan	42,42	49,38	50,28	51,57	53,10	52,20	52,60
United Kingdom	46,43	55,83	53,02	51,27	53,90	50,80	48,60
Switzerland (manuf.)	48,78	65,88	58,87	48,40	44,47	38,50	39,90
Canada	50,17	61,40	57,84	56,63	53,50	48,60	53,50
Emerging Economies							
China	41,75	54,71	50,27	53,30	53,90	51,90	51,70
India	44,28	54,16	56,37	58,30	60,87	61,90	60,90
Russia	45,98	51,93	48,31	53,20	55,10	53,30	55,90
Brazil	46,15	51,15	54,13	50,10	51,87	49,60	50,60
Mexico (manuf.)	42,69	47,62	49,58	50,30	50,83	53,20	51,20

Consumer Confidence Index

Advanced economies							
United States	99,44	98,99	96,77	97,33	97,28	97,95	98,32
Euro Area							
Germany	99,74	100,59	97,75	98,23	98,95	98,89	98,71
France	98,73	100,43	97,32	96,88	97,76	98,44	98,53
Italy	99,57	102,11	98,28	99,64	99,77	99,66	99,63
Spain	97,13	100,00	96,05	97,15	98,28	99,58	99,80
Japan	97,02	98,48	97,37	97,41	98,35	98,59	98,56
United Kingdom	98,23	101,08	94,08	94,33	97,00	97,55	97,72
Switzerland	98,23	100,49	96,78	96,30	96,82	96,97	97,07
Canada (Reuters)	45,01	51,88	49,99	47,86	50,07	49,55	46,90
Emerging Economies							
China	102,93	103,53	95,00	94,26	93,34	-	-
India (Reuters)	64,83	55,30	75,57	85,53	88,00	88,10	88,10
Russia	97,53	98,07	96,93	98,62	99,47	-	-
Brazil	98,52	98,32	99,08	99,85	100,41	101,26	101,68
Mexico	97,99	102,14	102,09	103,28	103,68	104,47	-

Sources: IHS Markit, OECD, IVEY, Reuters, as of August 2023

Headline inflation has eased, but core inflation remains persistent given cost pressures and fight to keep margins in some sectors. Inflation is expected to moderate over the next quarters, but to remain above central banks targets.



Main indicators

2020 2021 2022 1Q '23 2Q '23 07/23 08/23

Inflation (CPI) (IMF, YoY at end of period) and Reuters (2023). Harmonized CPI for Euro Area countries

	2020	2021	2022	1Q '23	2Q '23	07/23	08/23
Advanced economies							
United States	1,57	7,40	6,63	4,98	2,97	3,18	3,67
Euro Area							
Germany	-0,56	5,85	9,80	7,80	6,80	6,50	6,40
France	-0,26	3,33	6,96	6,70	5,30	5,10	5,70
Italy	-0,29	4,16	12,34	8,10	6,70	6,30	5,50
Spain	-0,57	6,57	5,48	3,10	1,60	2,10	2,40
Japan	-0,90	0,52	3,88	3,20	3,30	3,30	3,20
United Kingdom	0,59	5,39	10,53	10,10	7,90	6,80	6,70
Switzerland	-0,79	1,56	2,87	2,90	1,70	1,60	1,60
Canada	0,78	4,73	6,64	4,50	2,90	3,30	3,90
Emerging Economies							
China	0,16	1,39	1,81	0,70	0,00	-0,30	0,10
India	4,87	6,34	6,25	5,65	4,85	7,43	6,81
Russia	4,91	8,39	12,36	3,53	3,18	4,24	5,09
Brazil	4,52	10,06	5,79	4,36	3,00	3,53	4,06
Mexico	3,15	7,36	7,82	6,88	5,08	4,81	4,66

Commodities - year, quarter or month-end data (Reuters)

CRB Index	178,29	247,02	301,33	293,90	291,36	315,23	316,38
Bloomberg Commodity Index	166,63	211,80	245,89	232,71	226,74	240,93	239,08
Energy & Transportation							
Brent Oil	51,22	77,24	82,82	79,19	74,51	85,22	87,29
West Texas Oil	48,28	75,21	80,23	75,67	70,64	81,80	83,63
Natural Gas	2,54	3,73	4,48	2,22	2,80	2,63	2,77
Baltic Dry Index (Transp.)	1366	2217	1515	1389	1091	1127	1086
Metals							
Gold	1897,77	1822,39	1815,64	1976,50	1916,00	1968,40	1942,45
Silver	26,38	23,27	23,75	24,16	22,76	24,81	24,44
Cooper	3,52	4,46	3,81	4,10	3,76	4,01	3,81

Currencies (units per EUR) - year, quarter or month-end data (Reuters)

USD (United States)	1,222	1,138	1,070	1,085	1,091	1,100	1,084
GBP (United Kingdom)	0,895	0,840	0,887	0,879	0,858	0,857	0,857
CHF (Switzerland)	1,082	1,036	0,987	0,993	0,976	0,956	0,959
JPY (Japan)	126,326	130,954	140,818	144,596	157,688	156,650	158,011
CNY (China)	8,002	7,248	7,419	7,466	7,925	7,880	7,912
BRL (Brazil)	6,355	6,334	5,635	5,509	5,263	5,245	5,374
MXN (Mexico)	24,380	23,273	20,798	19,617	18,711	18,415	18,268

Sources: IMF, Reuters and OECD, as of August 2023

The rates for new issues reached 3.3% in 2023, but the Spanish Treasury is managing to keep the average cost of outstanding debt around 2%. Fiscal deficit and debt to GDP are also expected to reduce by the end of the year. Since the beginning of the year, Spanish risk premium has been stable, closing at 100.6 bps in August '23.

Main public debt figures

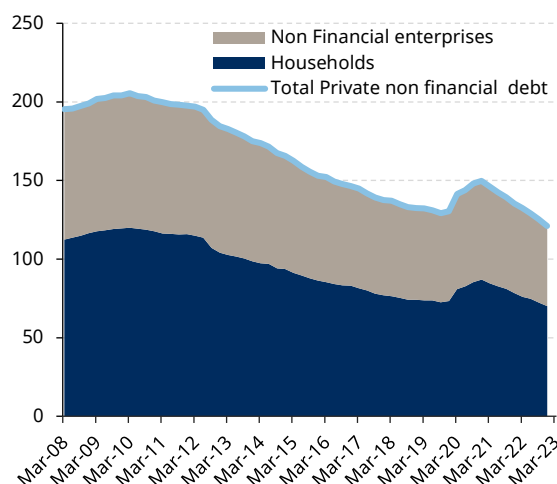
(Bank of Spain & Treasury)

Debt to GDP 2022 113.0%	Debt to GDP 1Q23 112.8%
Surplus/Deficit 2022 (% of GDP) -4.8%	Surplus/Deficit 2023 (% of GDP) -3.7%*
Avg. Cost of Debt 2022 1.73%	Avg. Cost of Debt Aug. '23 2.02%
Cost of debt issued 2022 1.345%**	Cost of debt issued 2023 3.328%**
Avg. Maturity Debt 2022 7.86 years	Avg. Maturity Debt Aug. '23 7.89 years
Ratings Public Debt (long term)	Net financing treasury (2023 until Aug.)
Fitch: A- / estable	Short Term - €5.27bn
Moody's: Baa1 / estable	Med.&Long T. €60.82bn
S&P: A / estable	Total €53.77bn

*End of year estimates. ** New issues

Deleverage process of private sectors (2008-2023)

Debt in % of GDP



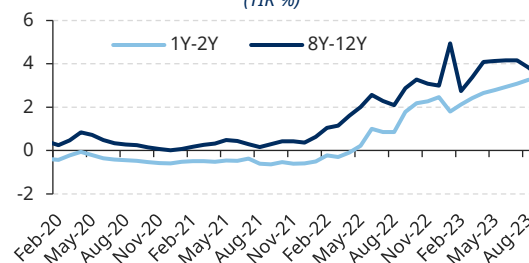
Public Debt Issuances

Cumulated Volumes (M€)	Amortizations	Auctions	Net financing
2022	162,507	232,570	70,063
January 2023	31,603	19,441	-12,162
February 2023	40,330	57,462	17,132
March 2023	48,019	78,166	30,147
April 2023	77,361	97,872	20,511
May 2023	84,484	117,537	33,053
June 2023	92,196	149,044	56,848
July 2023	121,283	169,047	47,764
August 2023	129,146	182,920	53,774
Total 2023 estimates*	186,323	-	

*End of year estimates

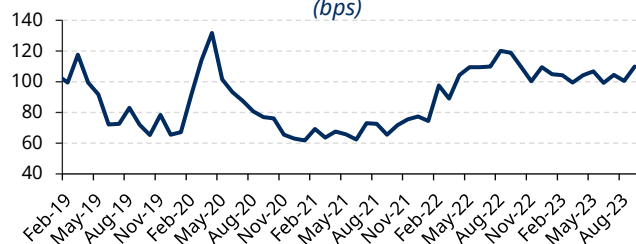
BME Public Debt Market Indices

(TIR %)



Spanish risk premium to German Bunds (10yr)

(bps)



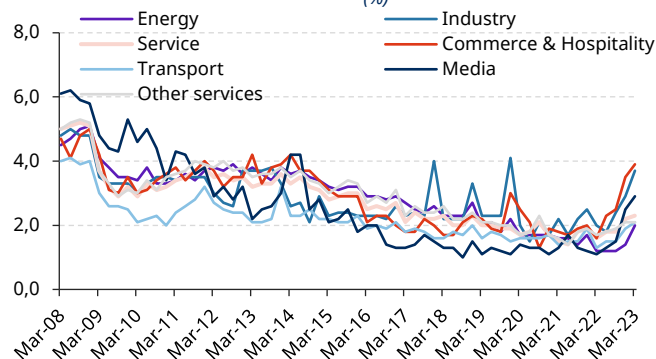
Auctions returns - August/2023

	3M	6M	9M	12M
Treasury bills. IRR (%)	3.452	3.654	3.724	3.670
	3Y	5Y	10Y	30Y
Bonds & Obligations. IRR (%)	3.303	3.027	3.663	4.187

Cost of debt evolution

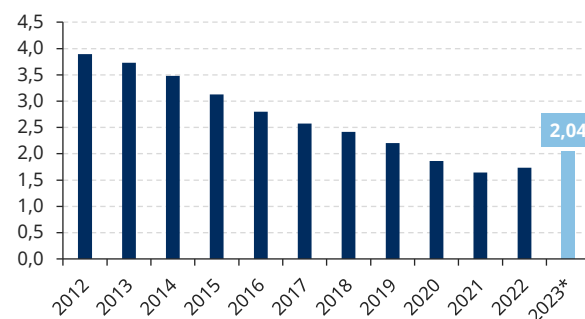
Cost of outstanding debt by private sectors

(%)



Average cost of outstanding public debt

(%)



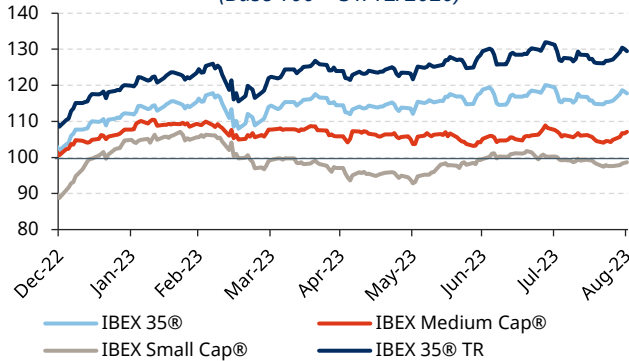
*As of August, 2023

Sources: BME, Bank of Spain, Public Treasury and Reuters

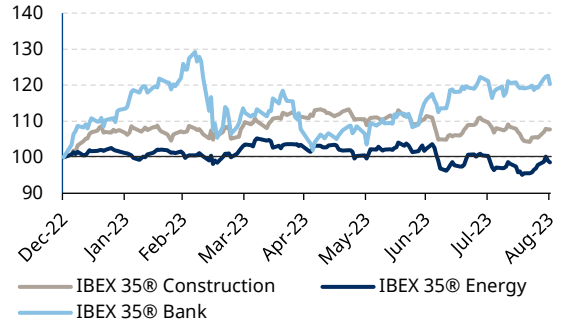
In 2023 until August, IBEX 35 index rises 15,5% and IBEX Total Return a 19,3%, above main European indexes. At end of August, Ibox-35 valuation ratios keep the attractiveness observed since the beginning of the year, with PER at 9,4x and Dividend Yield at 4%.

SPANISH EQUITY MARKET

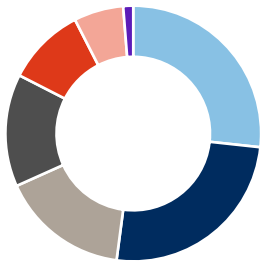
IBEX Family Indexes
(Base 100 = 31/12/2020)



IBEX 35® Sector Indexes
(Base 100 = 30/12/2022)



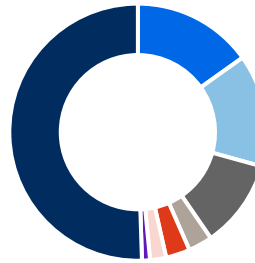
IBEX 35® Sector Breakdown
(% of market cap)*



- Financial Services (26,71%)
- Oil & Energy (25,38%)
- Tech and Telecom. (16,02%)
- Consumer Goods (14,23%)
- Basic Materials, Industry & Building (9,95%)
- Consumer Services (6,27%)
- Real State (1,26%)

*June '23 figures

BME Growth Sector Composition (ex REITs)
(% of market cap)*



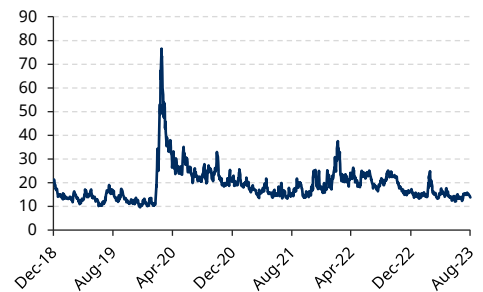
- Renewable Energy (15%)
- Electronics & Software (14%)
- Other services (11%)
- Engineering & Others (3%)
- Telecommunications & Others (3%)
- Pharma & Biotech products (2%)
- Media & Advertising (1%)
- Others (50%)

*August '23 figures

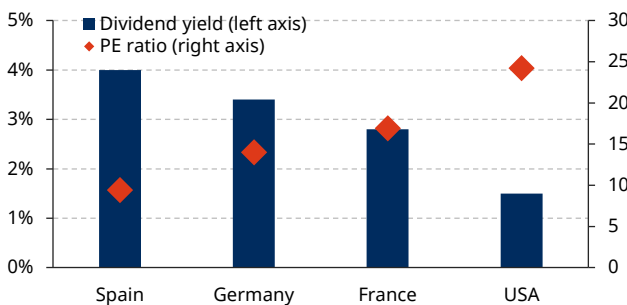
Spanish equity market	2020	2021	2022	1Q '23	2Q '23	Aug. '23
Turnover (M€)	429.359	378.144	362.122	89.626	75.923	19.273
N° Trades (M)	56,65	45,07	38,90	8,79	6,09	1,94
Capital increases (M€)	15.791	21.003	6.315	1149	864	0,70
Dividends distributed (M€)	18.523	19.069	25.276	2.652	11.778	566,25
IBEX 35® Dividend Yield (%) ¹	4,17	2,80	4,00	3,70	3,80	4,00
VIBEX Volatility Index (%) ²	25,48	17,45	21,68	15,86	14,65	14,89
BME Growth, N° companies	119	127	135	132	136	139

¹Morgan Stanley Capital International. End date of the period
²Average of the period (year or quarter)

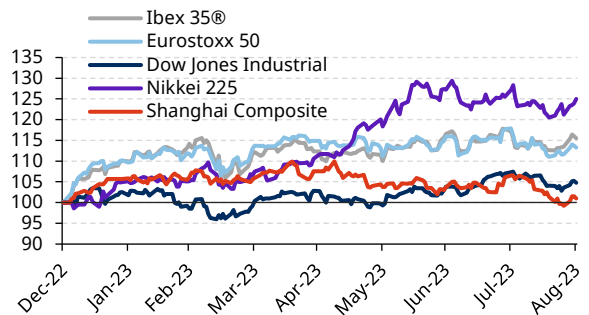
VIBEX (BME Volatility Index)



Dividend Yield & PE ratio, end August 2023
Source: Morgan Stanley Capital International



International Stock indexes
(Base 100 = 30/12/2022)

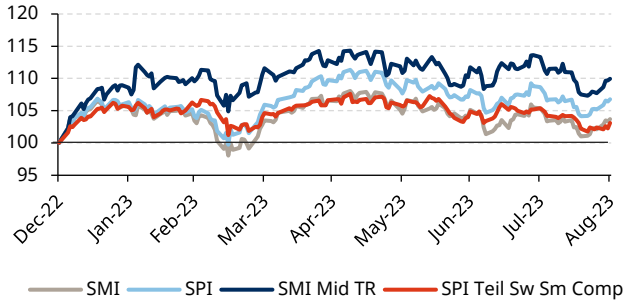


Sources: BME, FESE, Morgan Stanley Capital International, Reuters and SIX iD

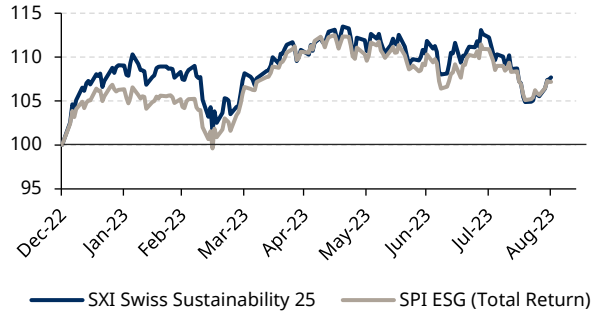
Main Swiss index SMI closed August at 11,126 points, a 3.7% increase since the beginning of the year, in line with major stock indices such as US' Dow Jones. ESG price and total return indices outperform. Volatility remains very low (13.5% in August), well below historical averages, while dividend yield reaches 3%.

SWISS EQUITY MARKET

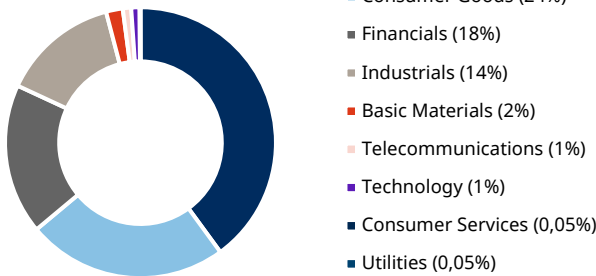
SMI and SPI Indexes
Base 100 = 30/12/2022



SIX ESG Indexes
Base 100 = 30/12/2022

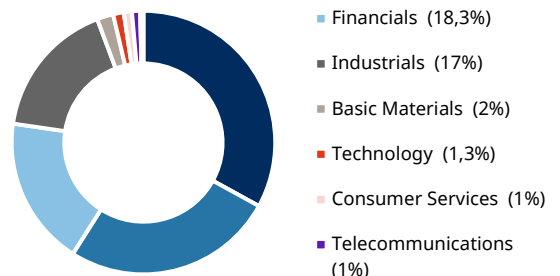


SMI Sector Breakdown
(% of market cap.)



August '23 figures

SPI Sector Breakdown
(% of market cap.)



August '23 figures

Swiss equity market	2020	2021	2022	1Q '23	2Q '23	Aug. '23
Turnover (BnCHF) ¹	1.456	1.050	947	241	198	56
N° Trades (M) ¹	96,50	59,90	58,26	13,23	10,13	3,05
IPOs (n°)	2	5	14	2	3	0
SMI Dividend Yield (%) ²	2,84	2,50	3,00	3,00	3,00	3,00
VSMI Volatility Index (%) ³	23,59	15,50	19,74	15,40	13,35	13,56
ETF Turnover (BnCHF)	112,00	79,55	96,36	15,47	13,29	5,66
Struct. Prod. & Warrants (BnCHF)	22,60	20,14	12,13	2,57	1,293*	0

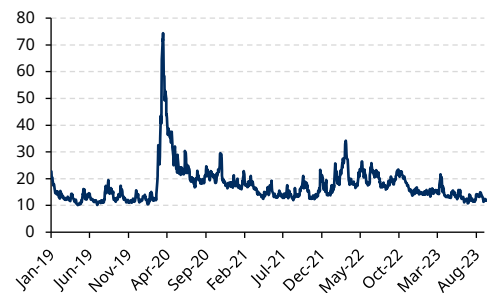
¹Equities include Funds + ETPs

²Source: Morgan Stanley Capital International. End date of the period.

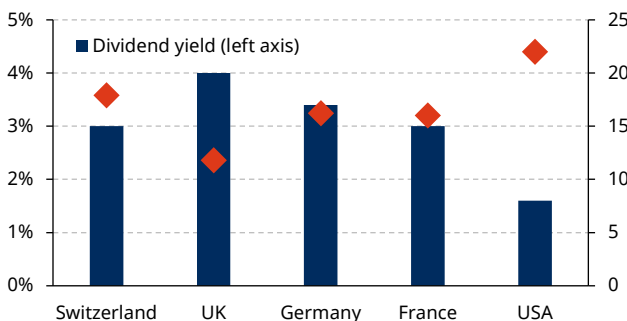
³Average of the period (year, quarter or month)

* April and May

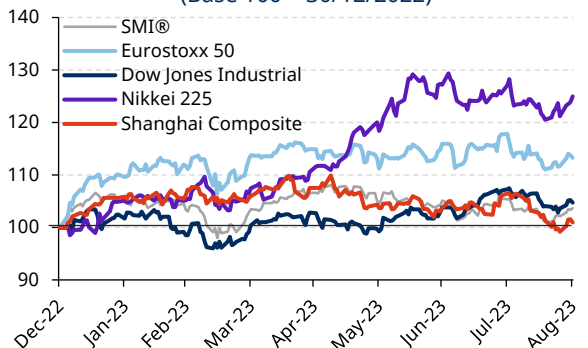
VSMI (Volatility Index on the SMI)



Dividend Yield & PE ratio, end August 2023



International Stock indexes
(Base 100 = 30/12/2022)



Sources: Morgan Stanley Capital International, Reuters, SIX and SIX iD