



Generalitat de Catalunya

The Catalan Economy: Crisis, Recovery and Policy Challenges

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Overview of the Catalan economy

CATALONIA

Population (2015) 7.5 million

15,9 % of the Spanish population,
similar to Switzerland

GDP (2015) €214.9 billion

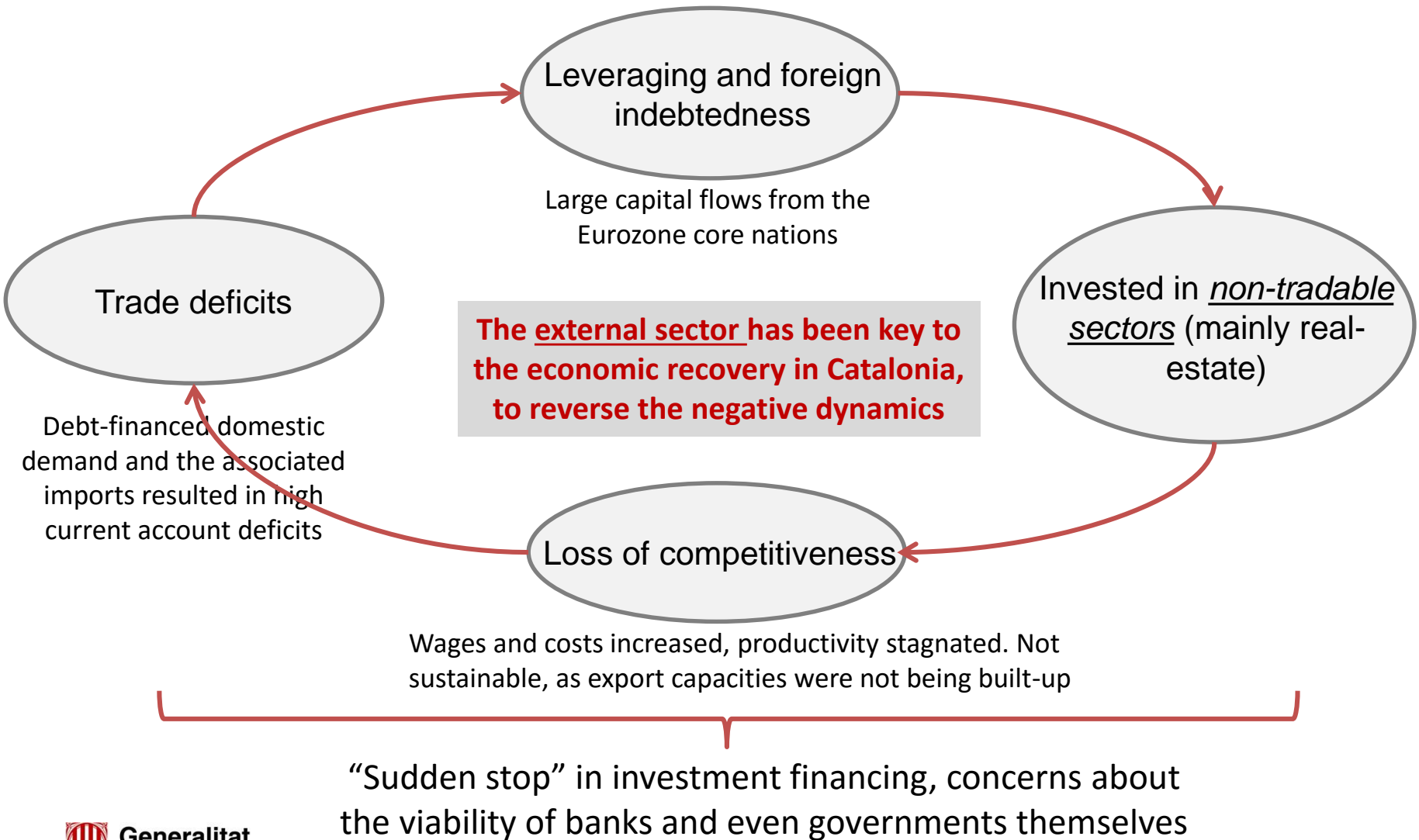
18.9 % of the Spanish GDP, similar
to Finland

**GDP per capita PPP
(EU-28=100) (2014)** Catalonia: 113.2
Spain: 91.1

Source: Idescat , INE and Eurostat.

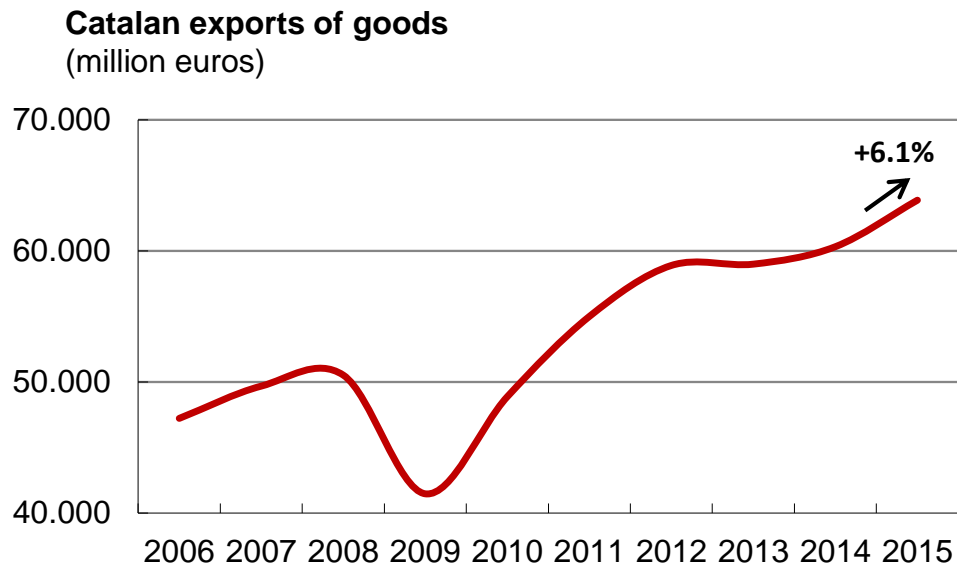
Intense social and economic linkages between Poland
and Catalonia.

Imbalances that led to the crisis and which are being corrected



The external sector

Robust export performance: exports of goods in 2015 exceeded 54 % of 2009 value



Source: Idescat and Ministry of Economy of Commerce.

- Exports of goods increased **6.1%** yoy in 2015 (4.3% in Spain) while imports grew by **5.9%**.
- Current value of exports and imports exceeded **54% and 37%** 2009 value, respectively.
- During the first half of 2016, exports grew 2.0% yoy.

- Share of goods exports over the Spanish total in 2015: **25.5%** (46.0% of chemicals and 31.2% of textiles)
- **Exports of Catalan goods to Poland in 2015:** 1,160.5 million euros, with a yearly increase of 9.6% and accounting for 24.2% of Spanish exports to Poland. Main exporting industries are car manufacturing (11.4%), plastic products (10.4%), machinery (9.5%) and processed meat industries (7.7%).

A very open economy with trade surplus

Foreign sector of the Catalan economy (2015)

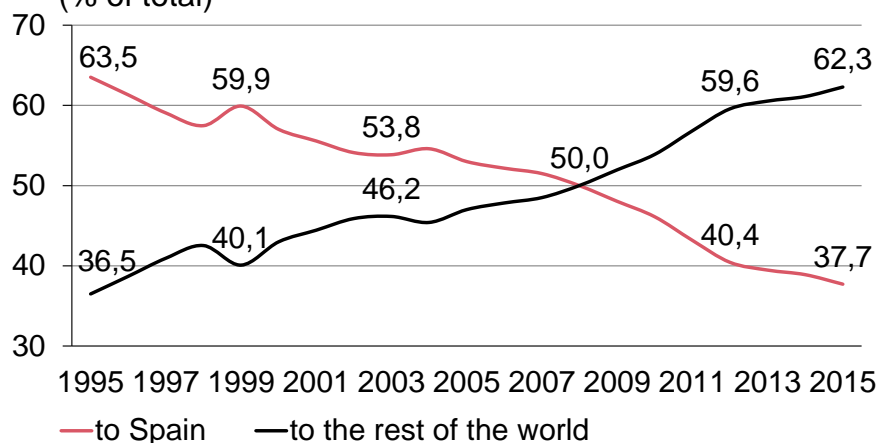
(% of GDP)

Trade with the EU and the rest of the world	
Exports of goods and services	38.4
Imports of goods and services	32.8
Trade balance	5.6
Trade with the rest of Spain	
Trade balance	6.0
Foreign trade balance	11.5

Source: Idescat.

Exports by destination

(% of total)



Source: C-Intereg.

Trade surplus in goods and services (2015): 11.5 % of GDP.

- International trade surplus: 5.6% of GDP.
- Trade surplus with Spain: 6.0% of GDP.

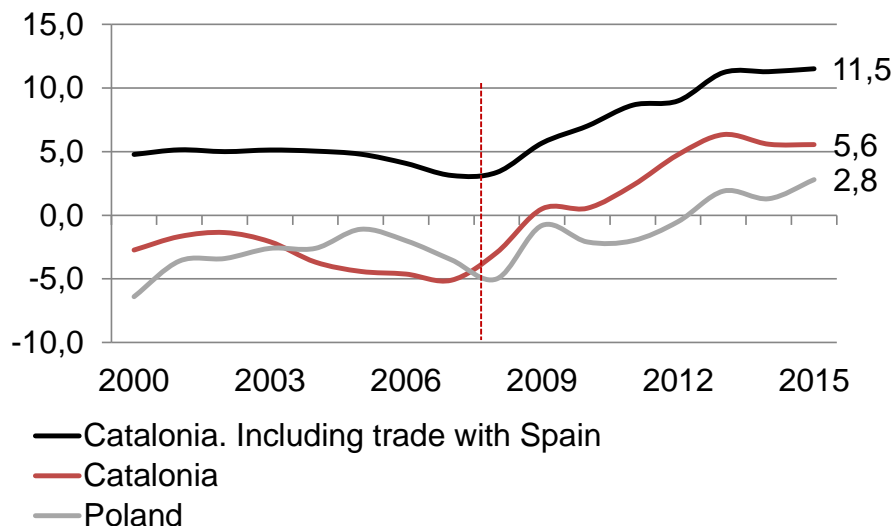
Strong funding position in international markets.

Exports of goods (2015):

- 62.3% foreign exports
- 37.7% exports to the rest of Spain

Catalonia has the 3rd largest trade surplus in the EU

Trade balance (% of GDP)



Trade balance in selected European economies

Trade balance in selected European economies (% of GDP)	
Luxembourg	36,2
Ireland	31,8
Catalonia	11,5
Netherlands	10,8
Germany	7,6
EU28	3,3
Poland	2,8
Spain	2,5
France	-1,4
United Kingdom	-2,1

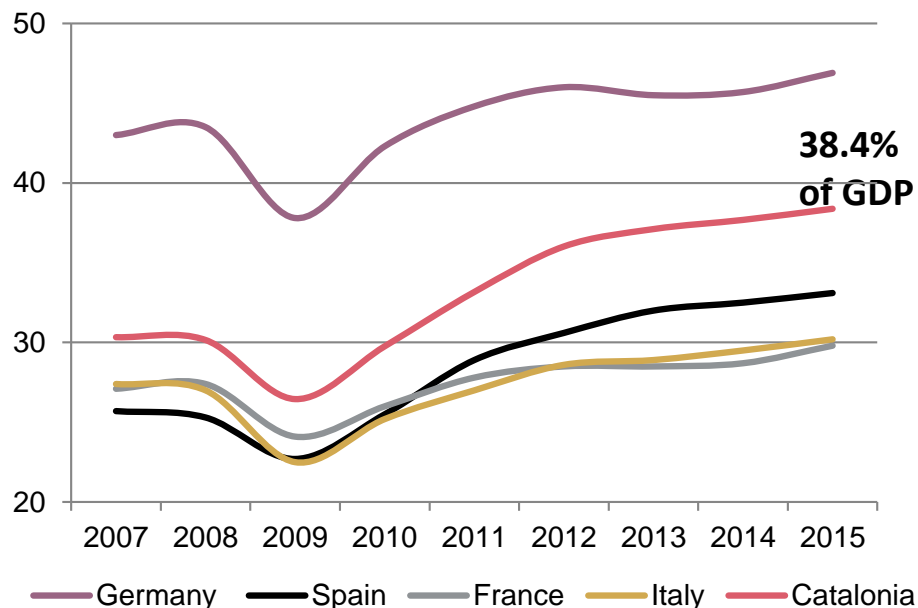
Source: Idescat and Eurostat.

Source: Idescat and Eurostat.

- Catalonia has the third largest trade balance in the EU, after Luxemburg and Ireland.
- An expanding foreign sector after the crisis is common to Catalonia and Poland.

The external sector (exports of goods and services) accounts for an important share of GDP

Exports of goods and services
(% of GDP)



Source: Eurostat and Idescat.

- The share of Catalan exports of goods and services in GDP was **38.4% in 2015**, higher than in France, Spain or Italy.
- Catalan exports grew 8 pp of GDP between 2007 and 2015.
- Within the same period, Germany grew 3.9 pp, Spain 7.4 pp, France 2.7 pp and Italy 2.8 pp.

Poland shows a high share of exports of goods and services as share of GDP: 49.4% in 2015

Importantly, high-tech exports recorded the strongest growth

Exports of industrial products by technology level

(% change)

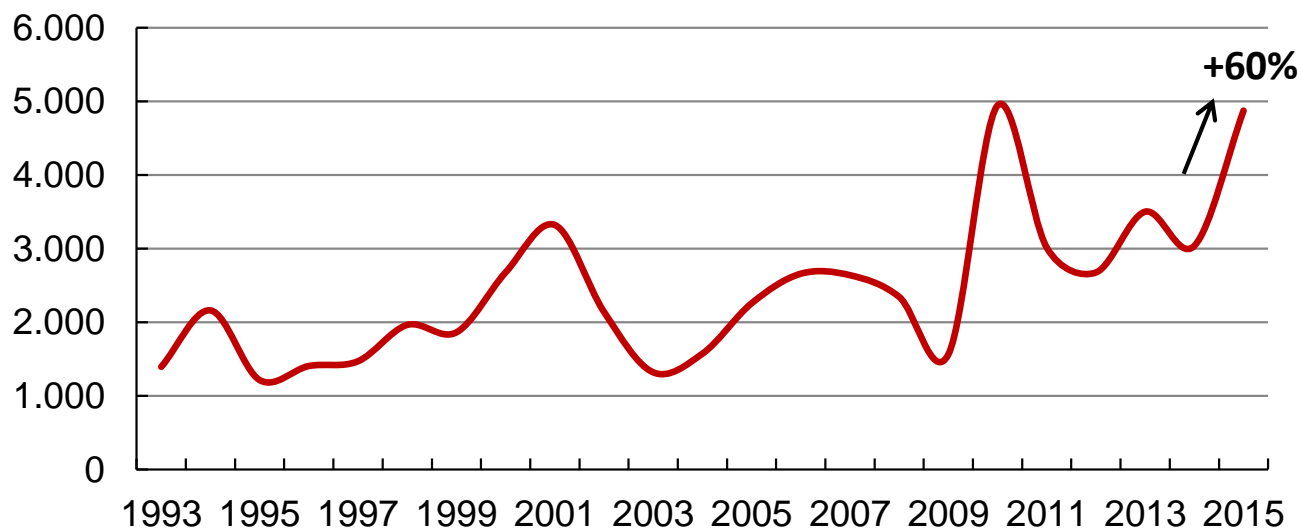
Technology level	2014	2015
High	6.2	10.5
Middle-high	1.5	6.2
Middle-low	0.2	2.7
Low	4.5	6.7
Total de productes industrials	2.6	6.2

Source: Idescat.

- In both 2014 and 2015, high-tech exports led the growth of industrial exports, reaching a yoy growth rate of 10.5% in 2015.
- Exports of high and middle-high technology have increased 19,4% yearly in 2016Q2.**

High capacity to attract foreign investment

Foreign direct investment in Catalonia
(million euros)



Note: companies holding foreign securities are not included.
Source: Ministry of Economy.

The current trends in (FDI) confirm the trust of foreign companies to invest in Catalonia.

The capacity to attract FDI inflows in recent years is even higher than in the years prior to the crisis.

□ FDI increased in Catalonia by 60% in 2015 (18% in Spain).

Another crucial element of the external sector: leadership in FDI rankings

- “FDI Markets” from Financial Times has placed Catalonia as an European FDI pole of attraction:
 - **4th European region by FDI volume in 2015**, behind London, Scotland and Moscow.
 - **Best region to invest in 2016 and 2017 in Southern Europe.**

Top European regions receiving foreign investment in 2015

	Region	Number of projects	Investment volume (million euros)	Jobs created
1	South East (UK)	422	10,790.2	20,215
2	Scotland	119	10,426.4	9,497
3	Moscow CFD	72	5,351.2	15,217
4	Catalonia	116	5,223.7	7,465
5	Turkey	153	5,219.5	13,851
6	Ireland	177	4,756.6	12,361
7	Poland	189	4,663.9	34,915
8	West-Nederland	112	3,626.7	6,165
9	Serbia	37	3,482.7	13,097
10	Romania	112	3,165.0	34,454

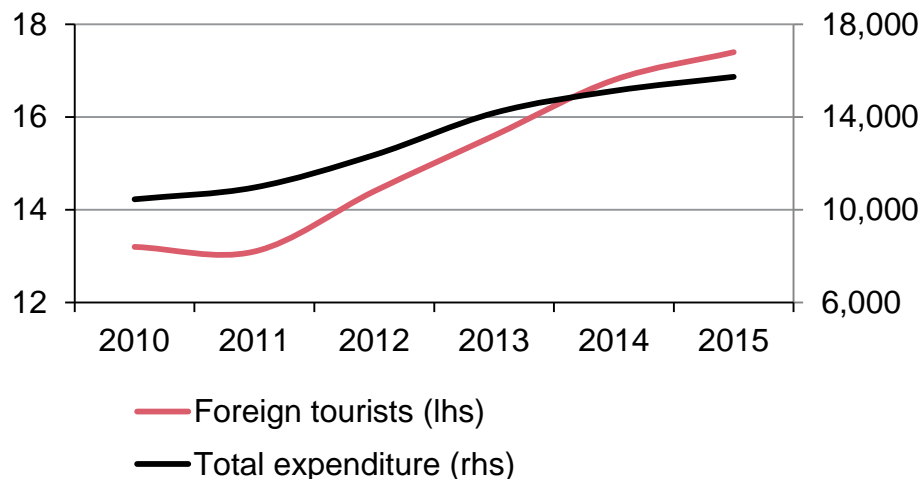
Note: London is included in South East region.

Source: FDI Markets. Data for 2015. Sorted by Investment Volume.

Tourism is also re-launching the economy

Foreign tourism evolution

(millions of tourists and millions €)



□ Catalonia received **17.4 millions of foreign tourists in 2015**, an annual growth of 3.7%. From January to May 2016, the yoy cumulative increase has been **4.1%**.

□ **Total foreign tourist expenditure was 15,813 M€** in Catalonia during 2015, 3.9% higher than in 2014. Until May 2016, the yoy cumulative growth has been 2.5%.

Touristic demand in Catalonia (2015)

	Tourists		Touristic expenditures	
	Millions of trips	% change	Millions of euros	% change
Foreign tourism*	17.4	3.9	15,736	4.1

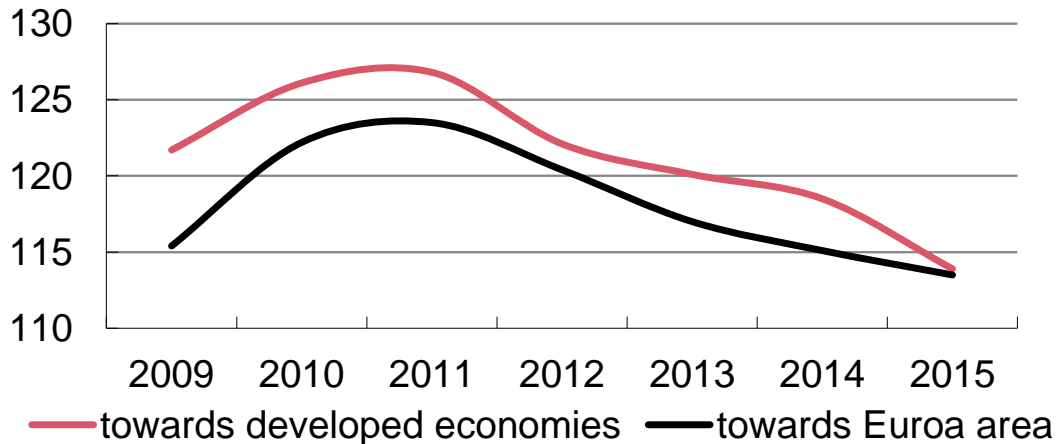
* Tourists visitin Catalonia as 1st destination on Spain; not including visits to Catalonia as secondary destination.

Source: INE.

What explains the improvement in cost competitiveness?

Competitiveness index by unit labor cost and exchange rate

(data for the Spanish economy; 1999=100)*



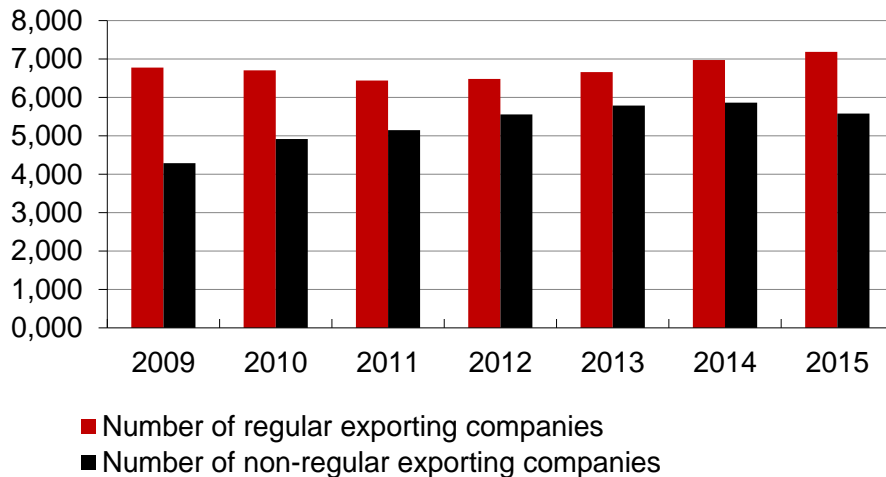
*An increase implies lower competitiveness.
Source: Bank of Spain.

- **Competitiveness index** (measured in terms of unit labor costs and exchange rate) showed a gradual improvement since 2010. One of the reasons that explain the success of exports is the gain in cost competitiveness in recent years. That is, a loss of purchasing power by an internal devaluation in the form of lower wages.

- Despite this favorable scenario, it is **crucial to continue increasing the world market share** of Catalan exports and its competitiveness (not based on wages but on other aspects such as innovation, energy, transport and finance costs).

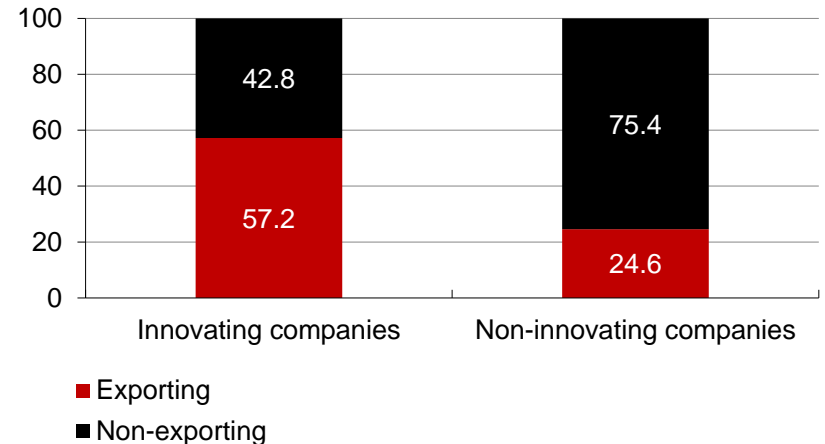
Crucial to continue increasing the number of companies that export regularly

Number of exporting companies (regularly and not regularly)*



*Exporting companies with less than 50,000 euros are not included.
Source: ICEX.

Exporting profiles of the innovating companies and non-innovating companies (%)



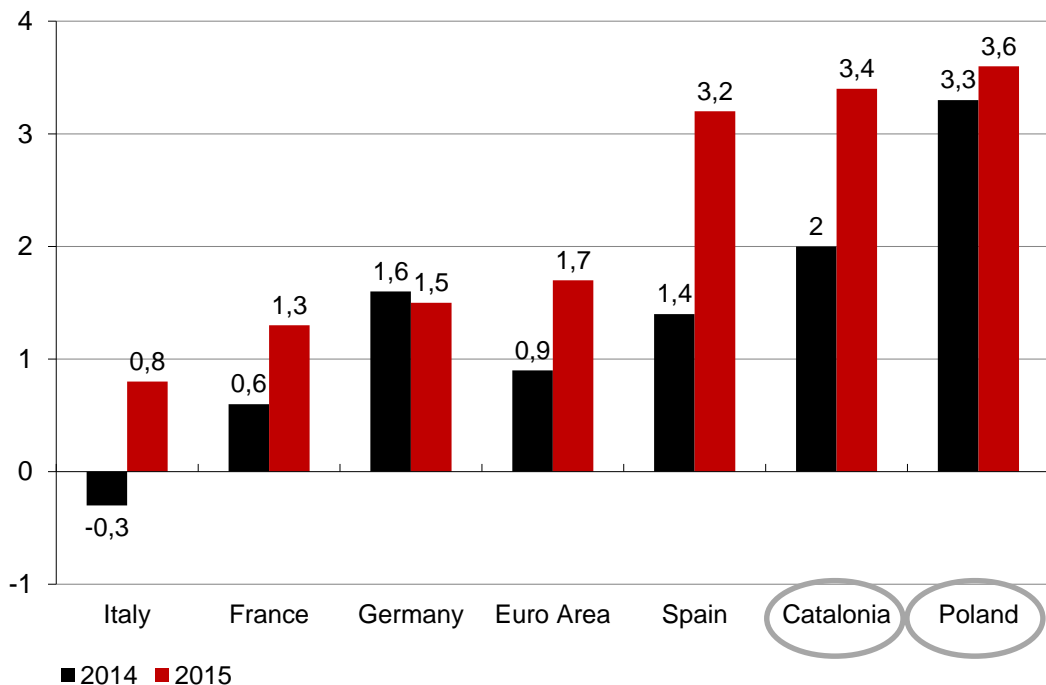
Source: Innovation Barometer of Catalonia 2015. Generalitat de Catalunya.

- In the period 2009-2015 the number of exporting companies in Catalonia increased by **15.4%**. Nowadays there are 47,409 exporting companies, of which 7,185 export regularly (>50,000 euros).
- Clear linkage between internationalization, innovation and productivity: 57% of innovative companies export (90% in the industrial sector), in contrast to 25% of non-innovative ones.

The Gross Domestic Product

Robust growth in 2015

Evolution of real GDP (% annual growth)



Source: FMI i Eurostat.

□ Poland is the 7th economy in the EU in terms of economic growth in 2015. Catalonia is the 9th.

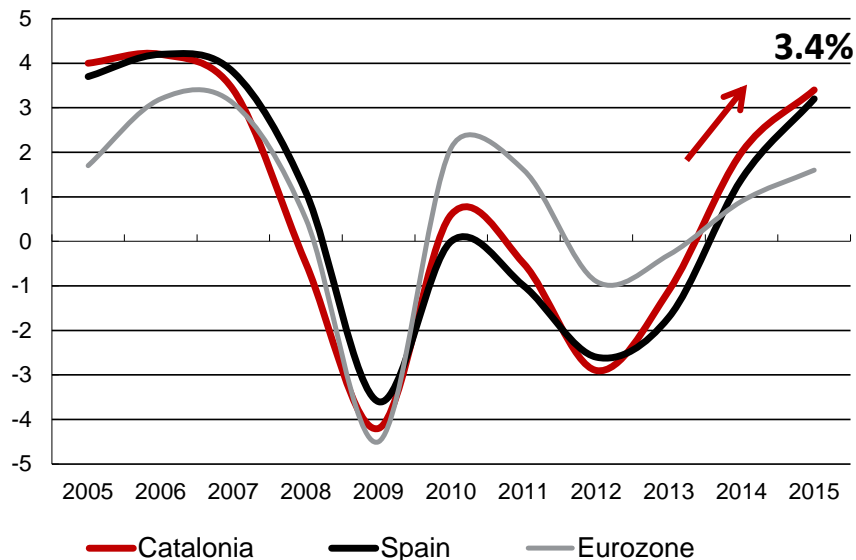
Evolution of GDP and government deficit or surplus

	% annual change in real GDP	Deficit (-) or surplus (+) (% of GDP)	
	2015	2014	2015
Belgium	1.4	-3.1	-2.6
Germany	1.5	0.3	0.7
Ireland	7.8	-3.8	-2.3
Greece	-0.2	-3.6	-7.2
Estonia	1.1	0.8	0.4
Spain	3.2	-5.9	-5.1
France	1.3	-4.0	-3.5
Luxemburg	4.8	1.7	1.2
Italy	0.8	-3.0	-2.6
Netherlands	1.9	-2.4	-1.8
Austria	0.9	-2.7	-1.2
Portugal	1.5	-7.2	-4.4
Finland	0.4	-3.2	-2.7
EA19	1.7	-2.6	-2.1
Poland	3,6	-3,3	-2,6

Source: Eurostat.

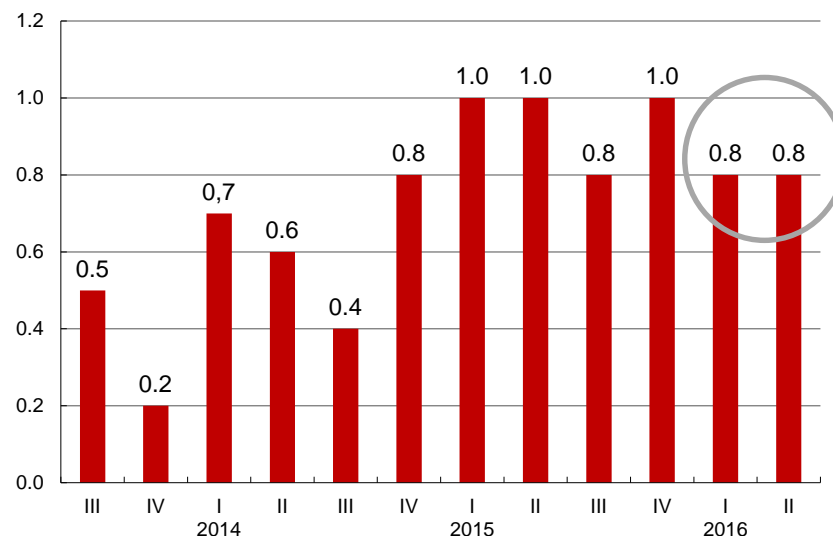
Which remains solid in 2016

GDP evolution (% annual change)



Source: Idescat, INE and Eurostat.

GDP evolution (% quarterly change)



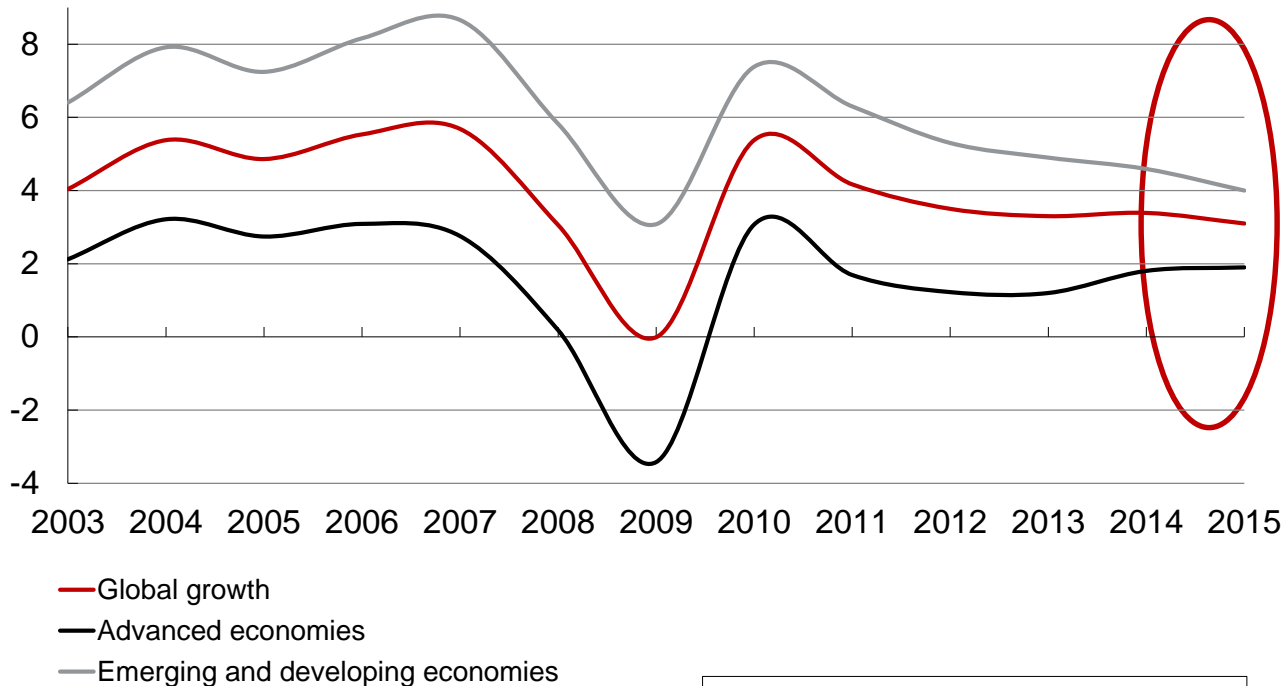
Source: Idescat.

- Strong recovery** from the second half of 2013 onwards. Recovery was reinforced in 2014 (+2%) and 2015 (+3.4%).
- Growth remained solid during 2016.** Quarterly GDP growth of 0.8% in Q1 and Q2, and yoy GDP growth of 3.4% in Q2.

A global environment with numerous uncertainties

In 2015 the world economy reduced its growth to a rate of 3.1%, the slowest since 2009.

Evolution of real GDP (% annual growth)



Source: IMF and Eurostat.

Slowdown also in global trade and investment

Global growth: 3.1%

Advanced economies: 1.9%

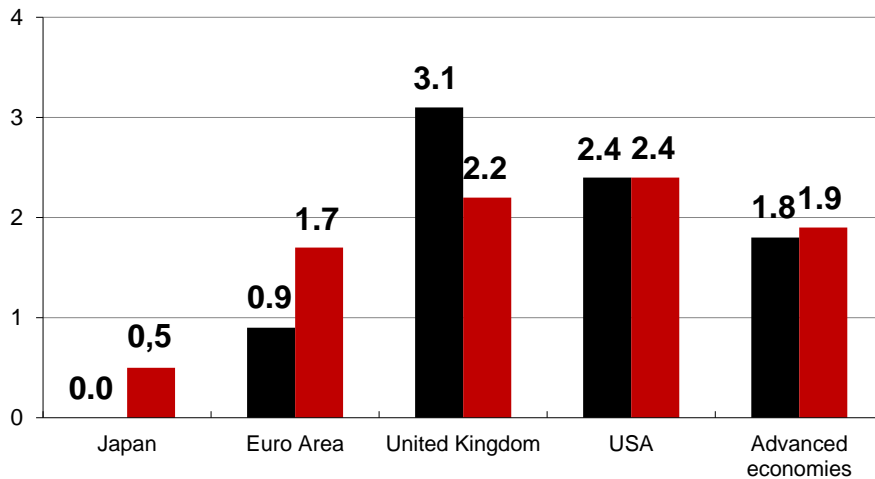
Emerging and developing economies: 4.0%

Uncertainty factors

- Worsening expectations in emerging economies, particularly in China.
- Collapse of commodity prices, notably oil.
- Global financial markets volatility.
- Normalization of the US monetary policy.
- Geopolitical tensions amplify the economic challenges.

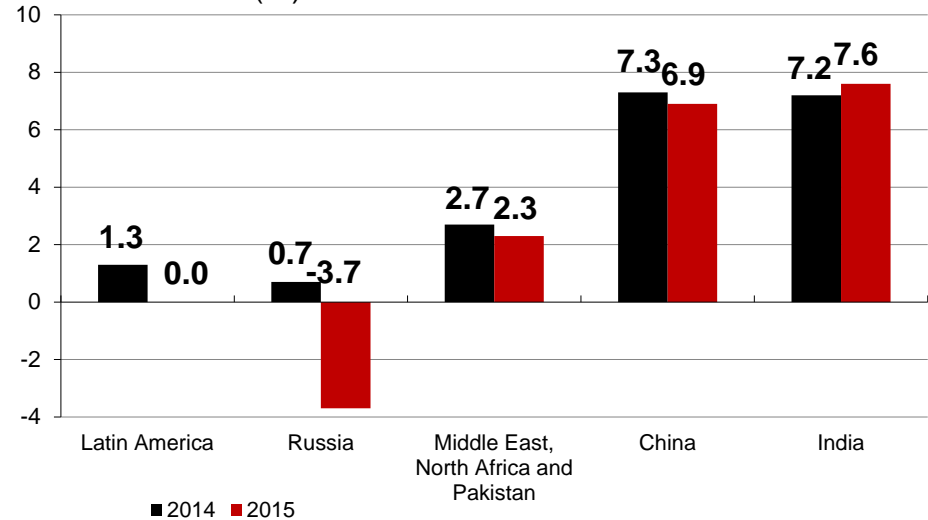
Sluggish growth in advanced economies and slowdown in emerging countries

Evolution of real GDP in advanced economies (%)



■ 2014 ■ 2015
Source: IMF and Eurostat.

Evolution of real GDP in emerging and developing economies (%)



■ 2014 ■ 2015

- Slight improvement **advanced economies' growth** in 2015, mostly due to higher growth in the **euro area**. **USA** maintained a solid growth of 2.4% while the **UK** reduced it (from 3.1% to 2.2%). Disappointing growth in **Japan** (0.5%).
- Slowdown of emerging economies: **China's** growth rate was 6.9% (the lowest figure in the last 25 years). It causes contagion, specially on its main commercial partners.
- **Latin-American** growth stalled due to the recession in **Brazil** and the low commodity prices. **Russia's** GDP shrank by -3.7%.

More balanced economic pattern: recovery of domestic demand and exports growth

Evolution of GDP in Catalonia (Base 2010)

(% annual change)

	2013	2014	2015
GDP	-1.1	2.0	3.4
Domestic demand	-4.0	1.7	4.0
Household consumer expenditure	-3.6	1.4	3.6
Public administration consumer expenditure ¹	-5.0	0	3.3
Gross capital formation ²	-4.2	4.0	5.7
Equipment goods and others	0.3	7.2	6.4
Construction	-7.8	-3.2	3.1
External trade balance ^{3, 4}	2.5	0.5	-0.1

¹Includes the expenditure consumption by non-profit making institutions at the service of

²Includes the stock variation

³Includes the foreign trade balance and the trade balance with the rest of Spain

⁴Contribution to the GDP growth.

Source: Idescat.

- Economic recovery runs in parallel with **domestic demand** recovery, which pushed GDP in 2015. Several factors boosted this growth.
- Highlight: The most dynamic component of GDP was investment in **equipment goods (+6.4%)**. It reflected an improvement of expectations and it constitutes a positive link with labour productivity.
- Investment in **construction** showed growth for the first time in eight years (3.1%).
- **Excellent evolution of goods and services foreign exports** (4.8%). Foreign imports also grew intensively (7.3%), which is less positive.

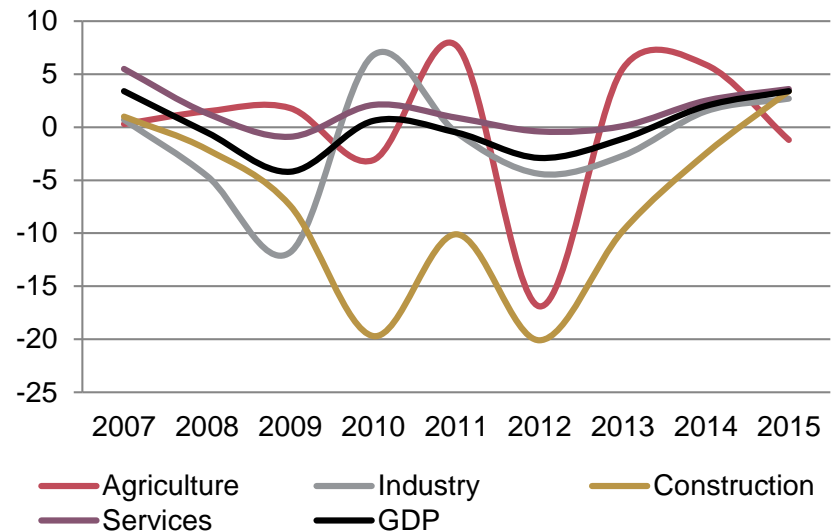
Broad-based economic growth

GDP growth by sectors
(% annual change)

	2014	2015	2016Q2
Agriculture	5.9	-1.2	1.4
Industry	1.5	2.7	3.5
Manufacturing industry	2.1	2.5	-
Construction	-2.5	3.4	3.7
Services	2.5	3.6	3.7
GDP	2.0	3.4	3.5

Source: Idescat.

GDP (% annual change)



Source: Idescat.

- **The recovery is broad-based in all main sectors:** in the second quarter of 2016, the **services sector** showed a 3.7% growth. **Industrial sector** has grown by 3,5% and the **construction sector** by 3,7%. This is in line with a key characteristic of the Catalan economy: its **diversification**.

Favourable economic growth outlook for Catalonia despite the uncertainty in the global economy

Economic growth forecasts
(% of annual growth in real GDP)

	Projections April 16			July 16	
	2015	2016	2017	2016	2017
World economy	3.1	3.2	3.5	3.1	3.4
Advances economies	1.8	1.9	2.0	1.8	1.8
USA	2.4	2.4	2.5	2.2	2.5
Japan	0.5	0.5	-0.1	0.3	0.1
United Kingdom	2.2	1.9	2.2	1.7	1.3
Euro Area	1.7	1.5	1.6	1.6	1.4
Germany	1.5	1.5	1.6	1.6	1.2
France	1.3	1.1	1.3	1.5	1.2
Italy	0.8	1.0	1.1	0.9	1.0
Spain	3.2	2.6	2.3	2.6	2.1
Catalonia	3.4	-	-	2.9	2.7
Emerging and developing economies	4.0	4.1	4.6	4.1	4.6
China	6.9	6.5	6.2	6.6	6.2
India	7.6	7.5	7.5	7.4	7.4
Russia	-3.7	-1.8	0.8	-1.2	1.0
Latin America	0.0	-0.5	1.5	-0.4	1.6
Sub-Saharan Africa	3.3	3.0	4.0	1.6	3.3
Middle East, North Africa and Pakistan	2.3	3.1	3.5	3.4	3.3

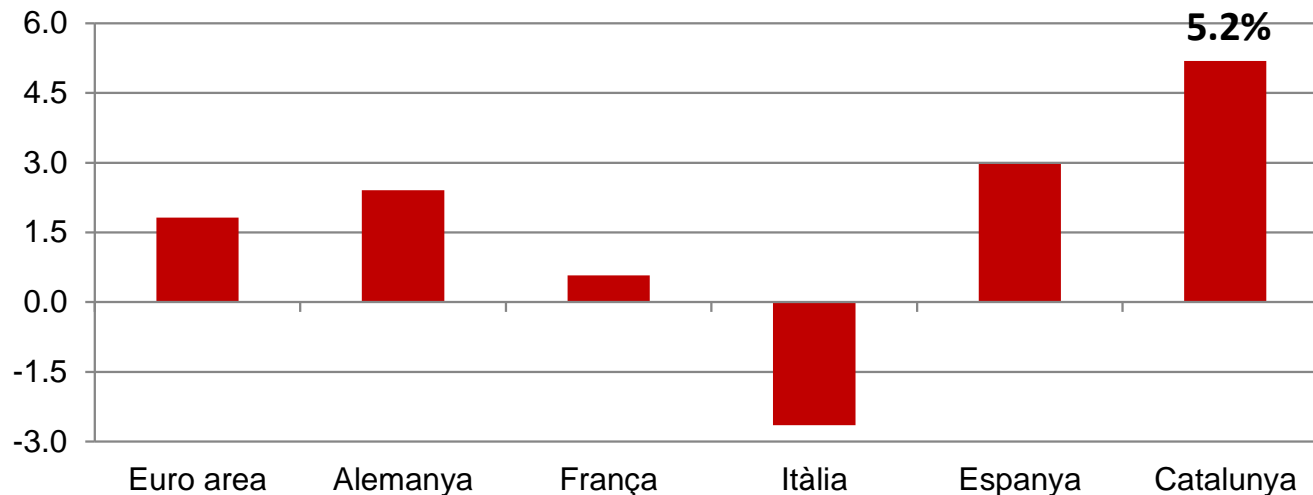
Source: IMF (July 2016) and Department of Vice-presidency and of the Economy and Finance (May 2016).

- At the beginning of June the IMF estimated that economic forecasts would be revised upwards. Brexit reversed these estimates turning them into a downward risk of 1bp for the world economy's growth.
- In its July revision the IMF **reduced 2017 growth expectations for the euro area (-2bp) and the UK (-9bp).**
- It maintained the **Spanish growth** forecast for 2016 but reduced it by 2bp for 2017.
- Forecasts for emerging economies were maintained with a slight improvement in **China, Russia and Latin-America.** Worsened forecasts for **Africa,** due to the recession in Nigeria.

The Industry

The industry, a basic pillar of the Catalan economy

Industrial production
(2012-2015 % change)



Source: Idescat and Eurostat.

- Despite the severe setback of the crisis, **industrial production has performed better in Catalonia than in the euro area in the last years**. Growth between 2012 and 2015 has been 5.2%, 3.4 pp above the euro area and 2.8 pp above Germany. The polish industry has experienced an outstanding behaviour in this period, with an increase of 10.9%
- Employment in **high and medium-high technology industry** represented the 6.7% of total industrial employment, a share larger than in France (4.4%), Italy (6.1%) and Spain (4%).

Good business health in Catalonia: *re-industrialisation and hub for technological start-ups*

- ❑ Catalonia has attracted **71% of all international venture capital** invested in Spain (277 million euros) in 2015.
- ❑ More intensive growth of new **businesses** in 2016Q1 in **Catalonia (19.3%)** than in **Spain (12.3%)**. The share of new companies created in Catalonia as a percentage of the total in Spain was 19.8% in 2015, a p.p. higher than its GDP (18.9%) and its population (15.9%).
- ❑ **Foreign direct investment in Catalonia** in 2015 increased by 60% (in comparison with 17.8% in Spain).
- ❑ **Elevated business density in Catalonia** (85 companies per 1,000 people versus 73 in Spain).
- ❑ **Higher entrepreneurial activity rate** (6.4) than in our neighbouring countries: Spain (5.7), Germany (4.7), France (5.3) and Italy (4.9).

Crucial to be well-positioned for the Industry 4.0

Construction

Real estate construction recovers positive growth but civil works remains to a minimum

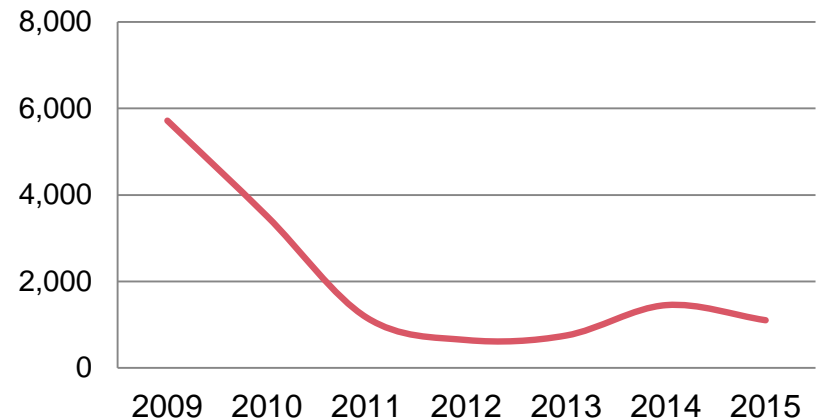
Housing market indicators

	Housings transactions (new and used)	New housing price index	Housing starts ¹
2007	111,482	100.0	84,842
2009	45,686	90.8	11,554
2012	43,015	68.3	3,938
2014	47,865	64.2	3,635
2015	54,571	68.3	5,423

¹ Dwellings under construction (works certificates).

Source: Ministry of Public Works.

Evolution of official tenders in construction (millions €)



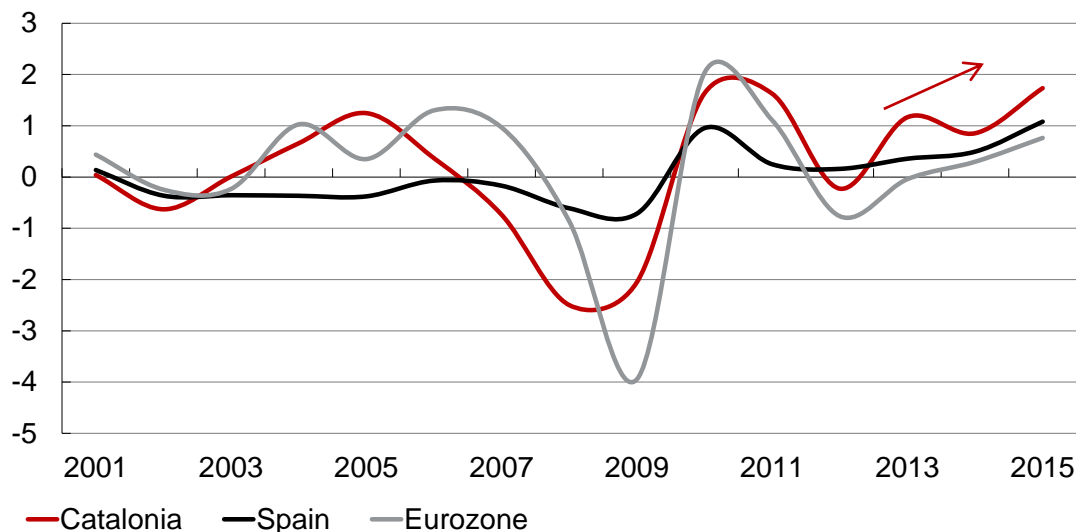
Source: Ministry of Public Works.

- The change of trend was experienced only in the real estate sector, public investment** remains in minimum levels.
- Public tenders for civil work** during 2015 represented only 14% of the 2006 maximum and 19% of the value in 2009.

Total Factor Productivity (TFP) and potential output

TFP boosts GDP growth in recent years

Total Factor Productivity in Catalonia, Spain and the euro area
Contribution to GDP growth (percentage points)



Source: Idescat, Department of Vice-presidency and of the Economy and Finance, and European Commission.

TFP and contributions of labour and capital to GDP growth

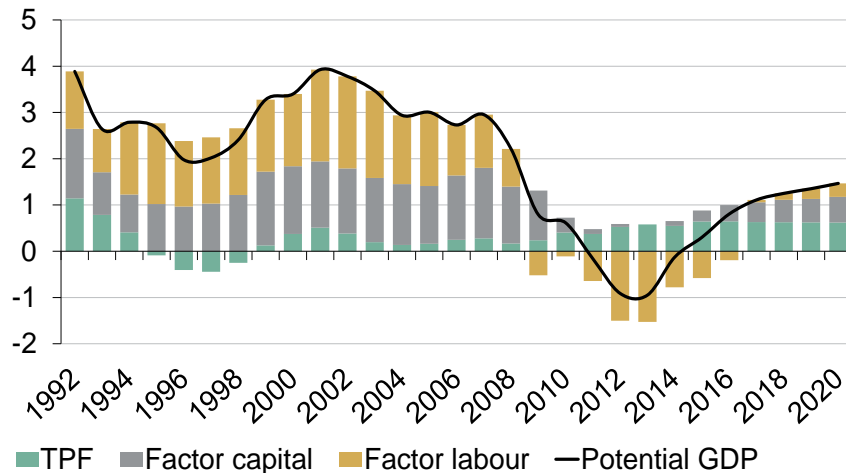
	2015
PIB	3.4
Contribution to GDP growth	
of TFP	1.7
of labour	1.3
of capital	0.3

Source: Idescat and Department of Vice-presidency and of the Economy and Finance.

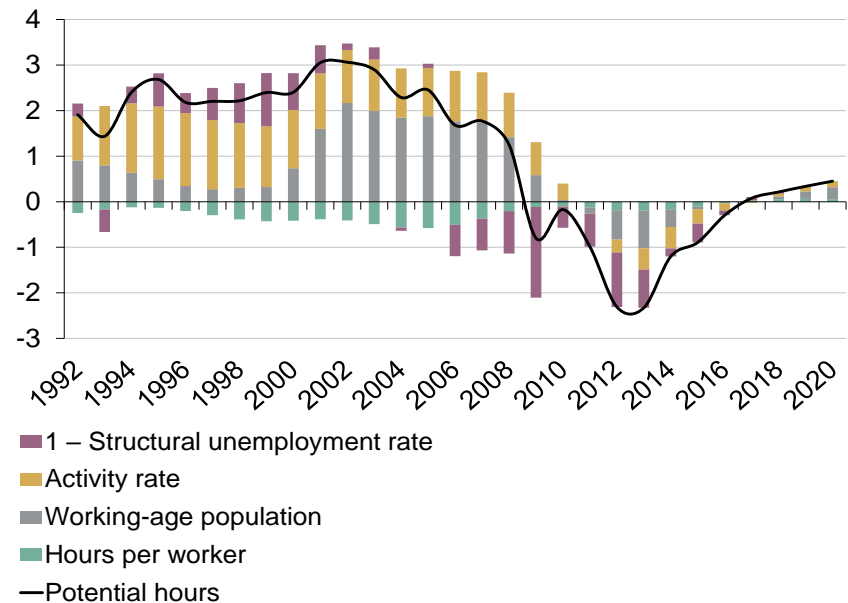
- ❑ **TFP**: measures the **economy's efficiency** in combining all productive factors. TFP boosted GDP growth since 2010, adding 1.7 p.p., almost the same as the other two factors combined.
- ❑ **Catalonia's TFP** in the last years shows a **contribution to growth higher than what is observed in the euro area and in Spain**. We advance towards a productive model where TFP is the main growth factor. The process of creation and destruction of enterprises is crucial.

Estimation of the Catalan economy potential output: growth capacity takes positive values

Potential GDP growth and contribution of its key factors (percentage points, except potential GDP as % annual change)



Potential growth of labour factor and contribution of its key factors (percentage points, except potential hours as % annual change)

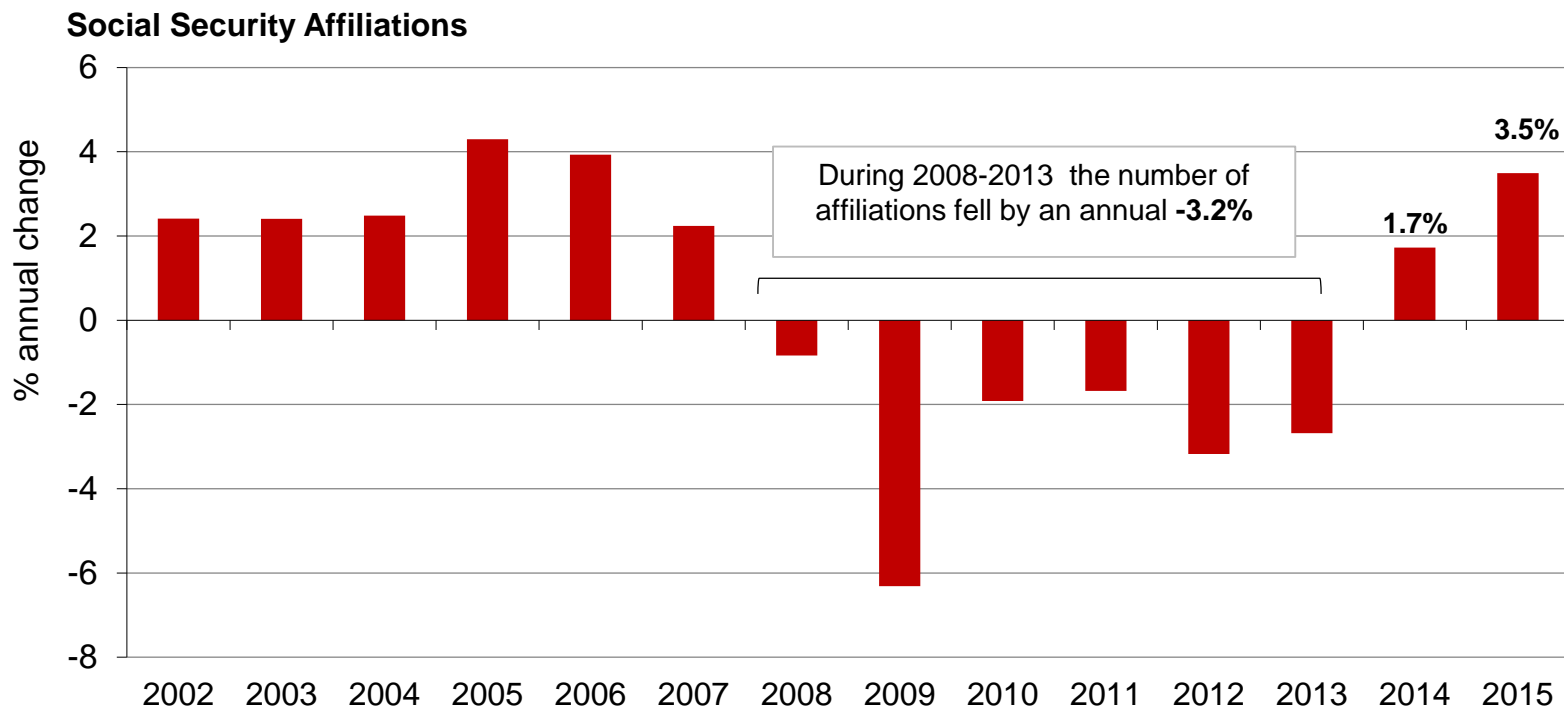


Source (both graphs): Department of Vice-presidency and of the Economy and Finance.

- ❑ **Potential GDP** growth recovered since 2013. TFP was the main driver of growth, in contrast to the pre-crisis pattern (based on labour and capital accumulation)
- ❑ Labour factor: after years of positive contribution it has turned negative. It's gradually improving despite the high rate of **structural unemployment**. This is key to boost potential growth in the medium term.

Labour Market

Positive labour market developments in 2015

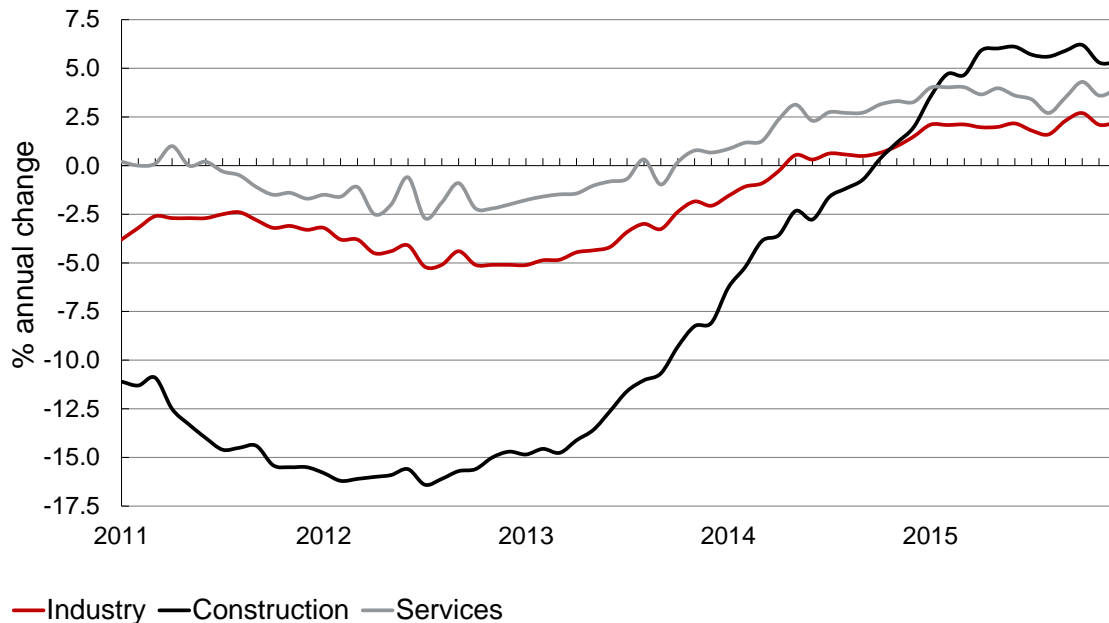


Source: Idescat, INE and Ministry of Employment and Social Security.

- Net employment is increasing since the end of 2013. **Social security affiliation grew by 3.5% in 2015, the highest rate since 2006** (in Spain, by 3.2%).
- In 2016 **the growth trend remains robust**: in June, affiliation grew by an annual 3.6% (in Spain, by 2.9%) and the Active Population Survey 2016Q2 increased by 3.5% (2.4% in Spain).

Employment grew in all main economic sectors

Evolution of Social Security affiliations by activity sector



Annual change in Affiliations by sector (%)		
	2014	2015
Agriculture	-0.7	0.7
Industry	0.2	2.1
Construction	-2.0	5.4
Services	2.4	3.7
Total Affiliations to Social Security	1.7	3.5

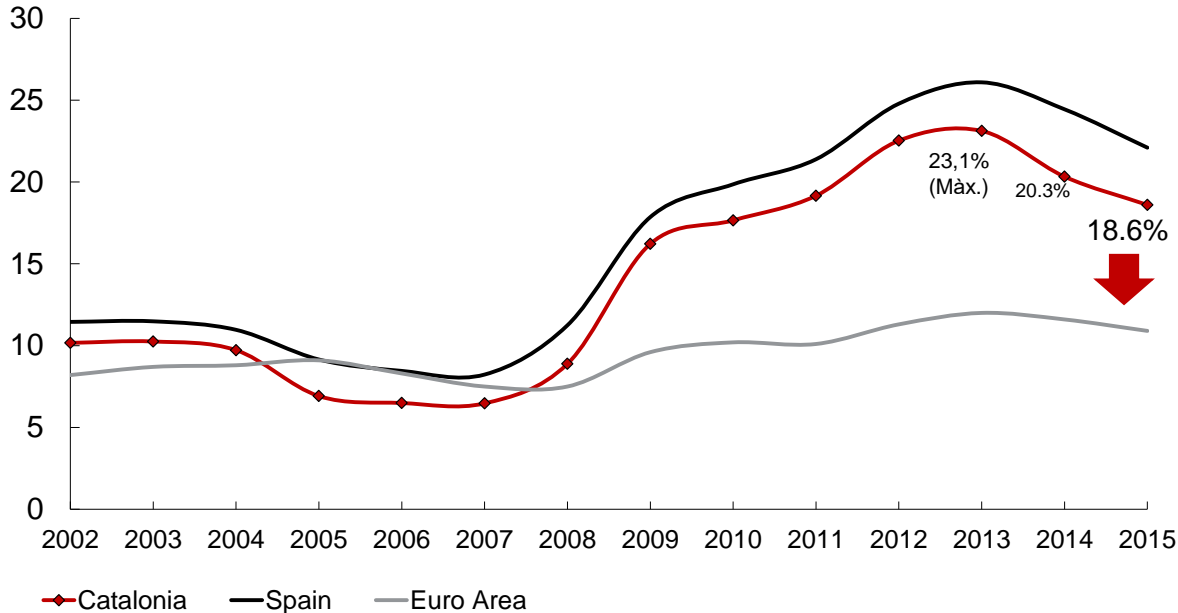
Source: Ministry of Employment and Social Security.

Source: Ministry of Employment and Social Security.

- Improvement in all main economic sectors. Services were in 2015 the fastest growing sector in terms of new affiliations (84.400). The construction industry has started its recovery after the collapse caused by the crisis.

The unemployment rate is at its lowest level since 2010

Unemployment rate (% unemployed/active population)



Source: Idescat, INE and Eurostat.

Unemployment rates by sex and educational attainment

	2015
Unemployment rate (%)	18.6
Males	17.8
Females	19.4
Educational attainment	
Less than lower secondary education	26.9
Upper secondary education	19.3
Tertiary education	10.4

Source: INE.

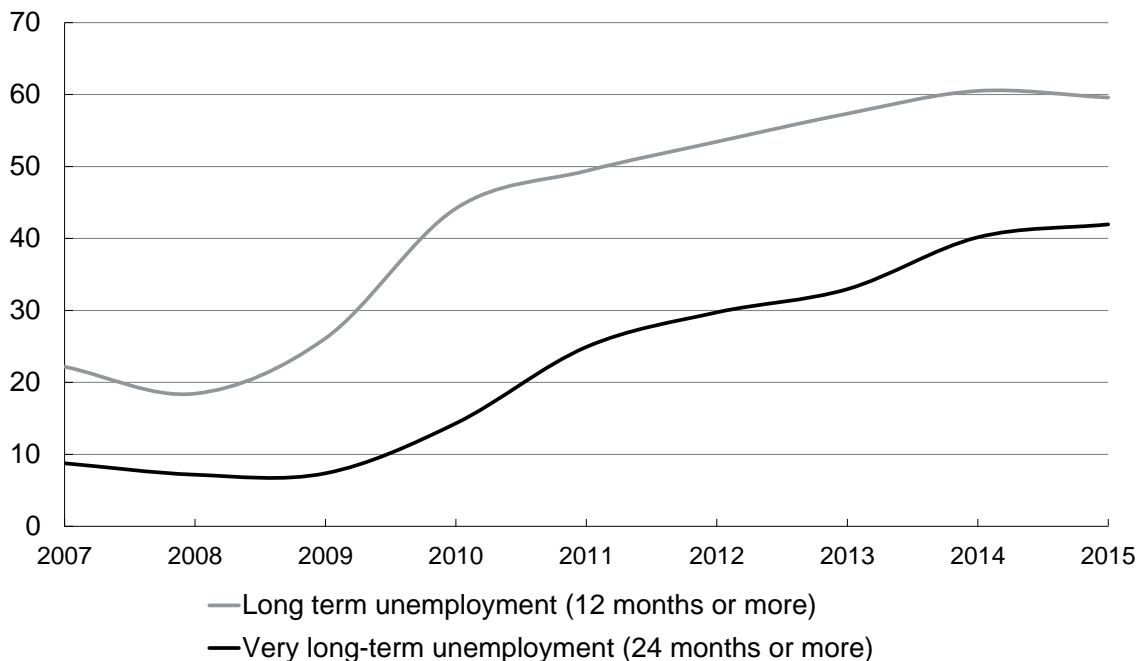
- The notable creation of new jobs enabled a reduction in the rate of unemployment to **18.6%**, the lowest level since 2010.
- In 2016Q2 unemployment has been further reduced to **15.9%** (the lowest since 2009).
- Despite this improvement, the unemployment rate is unacceptably high, much more than the euro area average (10.9%).

Reduction of the male unemployment rate was specially relevant in 2015.

The unemployment rate of higher educated people is much lower than that of the average.

Long-term unemployment remains very high

Long-term unemployment (% of total unemployment)



Source: Idescat and INE.

- The long term unemployment rate (2015) is **59.6%** and we observe only a minor decrease. This refers to the population who search a job for more than a year.
- Short-term unemployed were the most benefited from the employment creation.

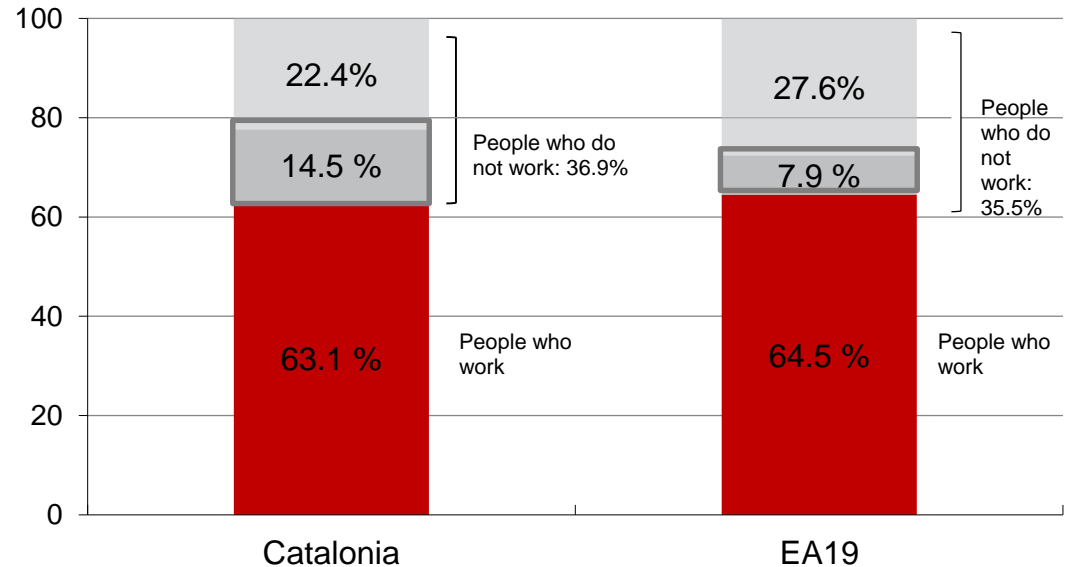
- It is crucial to adopt measures to allow long-term unemployed to re-enter the labour market. The currently high rate of **temporary occupation** is another key challenge (19.6% in Catalonia, 25.1% in Spain).

Employment rate in Catalonia is similar to EMU level

- The employment rate improved in 2015 to 63.1%, very similar to the average EMU level (64.5%). Why do we have a higher unemployment? Contrary to the idea that the economy creates less employment, the higher unemployment is caused because there is a higher proportion of people willing to work.
- The inactivity rate in Catalonia is lower than that of the EMU. Among the unemployed, a higher percentage of people is looking for a job rather than remaining inactive.

Simulation: if Catalonia had the same share of “inactive” population than in the euro area (those who choose not to work), the **unemployment rate would be much lower, of 12.8%** (instead of 18.7%), similar to the average euro area (11%).

Percentage distribution of people in the working age (15-64 years old). 2015.



■ % of inactive people ■ % of unemployed ■ % of employed people (employment rate)

Source: Compilation based on data from Idescat and Eurostat.

Public sector

Catalan government non-financial revenue

Administrative public sector's non-financial income. (in million EUR)

	Settlement	2015/2014 change	
	2015	MEUR	%
Partially devolved taxes	15,218.4	685.9	4.7
Totally devolved taxes	2,907.1	366.0	14.4
Own taxes	185.9	-560.1	-75.1
Fees, sales and other revenue	597.8	5.5	0.9
Current transfers ⁽¹⁾	991.9	0.9	0.1
Property revenue	97.2	16.8	20.9
Real investments disposal	3.9	-328.2	-98.8
Capital transfers	228.8	-42.0	-15.5
Total non-financial revenue	20,231.0	144.9	0.7

(1) It does not include those which are part of the partially devolved taxes

Source: General Intervention of the Catalan Government

- Non-financial revenue amounted to 20,231M€, 0.7% higher than in 2014.
- Liquidated claims stood at **91.6%** of the budget estimates (mostly due to the central government non-compliance with the 3rd additional provision of the Catalan Statute, and to the cancellation of the tax on bank deposits).
- In the last three years revenues have stagnated, while the economy keeps improving.

Catalan government non-financial expenditures

Administrative public sector's accrued non-financial expenses. (in million EUR)

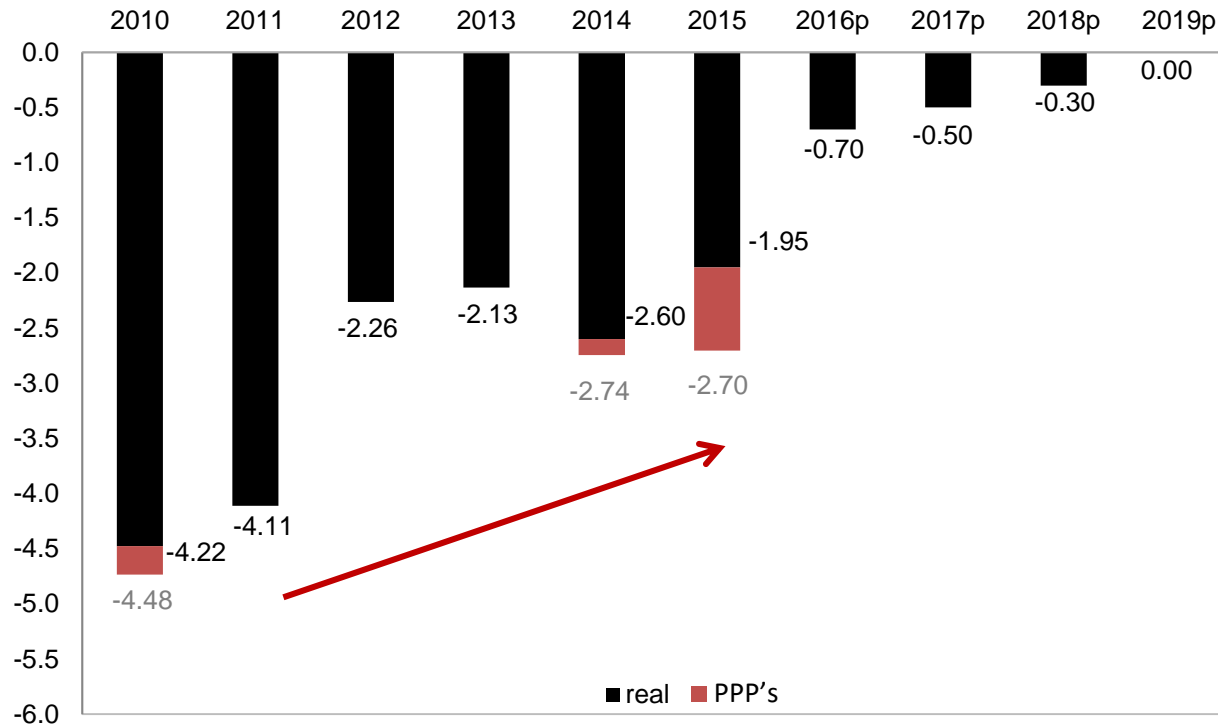
	2015	2015/2014 change	
		MEUR	%
Employee compensation	6,992.5	598.1	9.4
Current expenditure of goods and services	7,052.3	-402.7	-5.4
Interests and financial fees	713.3	-1,204.6	-62.8
Current transfers	7,962.3	987.1	14.2
Real investments	443.9	-23.0	-4.9
Capital transfers	623.0	-29.5	-4.5
Total non-financial expenditure	23,787.3	-74.6	-0.3

Source: General Intervention of the Catalan Government.

- Non-financial accrued expenditure fell by 0.3%.

Fiscal consolidation

Evolution of public deficit (% GDP)

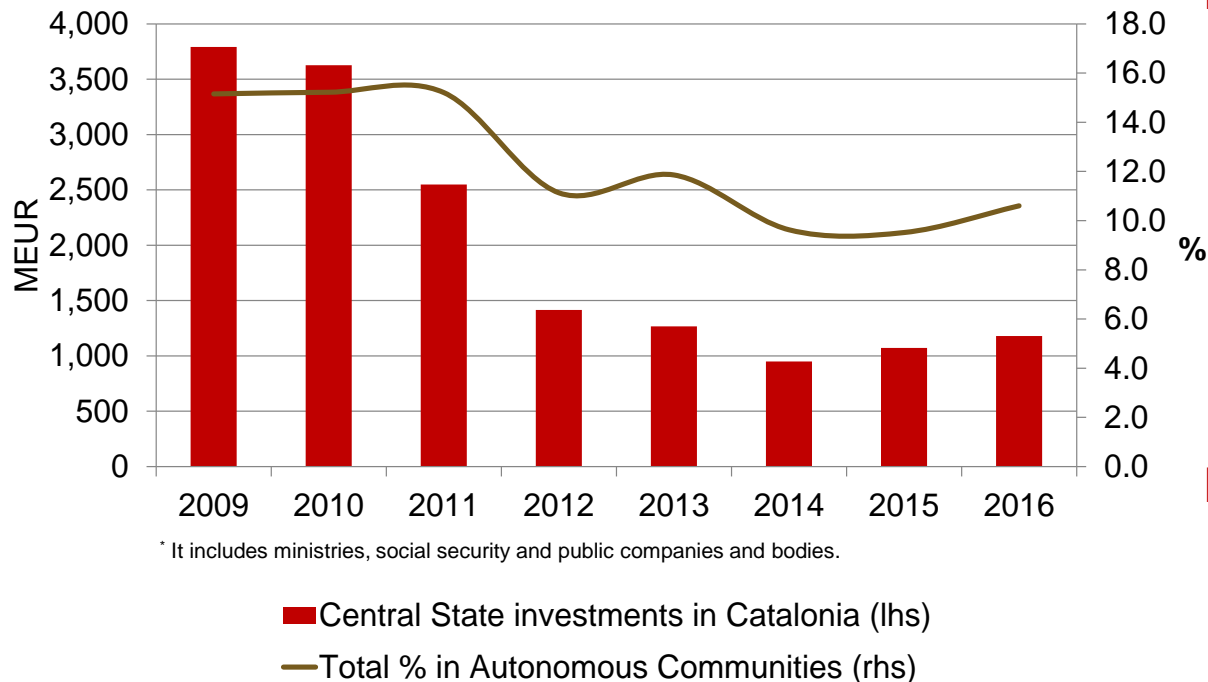


Source: Own compilation based on data from the General Intervention of the Catalan Government.

- **Budget deficit in 2015** stood at **2.7%** of GDP for Excessive Deficit Procedure purposes, but if financial expenses from investments in public-private partnerships (PPP's) were excluded, it **would have resulted in a deficit of 1.95%**.
- Despite the **funding system limitations**, which impacted negatively on the Catalan government's income, the deficit was reduced.

Development of central state's investment in Catalonia

Investment development from the General State Budget*



Source: General Intervention of the Catalan Government.

- The weight of the budgeted investment in Catalonia, as share of the total public investment in Spain **fell** from a maximum of **15.2%** (2009) to **9.5%** (2015).
- The investment planned for 2016 represents **10.6% of the total**.

- The central state investment in Catalonia is far below the Catalan weight of the Spanish GDP (18.9%) and population (16.1%). The effective implementation of investments represented only 69.5 % of those budgeted.

Poverty, social exclusion and regional progress index

Risk of poverty

People at risk of poverty. Main variables.
Catalunya. 2014-2015

	2014		2015	
	Population (thousand persons)	Rate	Population (thousand persons)	Rate
Gender				
Males	730.4	20.2	686.4	18.9
Females	808.0	21.6	713.6	19.0
Household composition				
<i>Without dependent children*</i>	507.6	14.3	450.4	12.5
Single person	171.7	23.4	144.8	19.7
Two adults	255.0	14.7	197.5	11.4
Other type of households	80.9	7.5	108.0	9.6
<i>With dependent children</i>	1,030.8	27.0	949.6	25.1
Single person with one or more dependent children	101.9	42.8	95.0	34.1
Two adults with one or more dependent children	699.5	25.6	627.6	23.4
Other type of households	229.4	27.0	227.1	27.4
Total	1,538.3	20.9	1,400.0	19.0

Source: Idescat.

* Dependent children are all persons aged less than 16, plus those economically inactive persons aged 16-24 living with at least one of their parents.

- The share of Catalan population at risk of poverty is **19%**, -1.9 p.p. in comparison to 2014.
- The rate **stands below the Spanish average (22.1%)** but **above the EU27 average (17.2%)**.
- The risk of poverty has fallen in all age groups, but **children under 16** are at higher risk (**28%**). **Single-parent families** also show an elevated risk (**34%**).

People at risk of poverty or social exclusion (AROPE)

- **At risk of poverty or social exclusion**, abbreviated as **AROPE**, refers to the share of population either at risk of poverty, severely deprived or living in a household with a very low work intensity.

AROPE rate and its components.

Catalonia, Spain and European Union. 2015

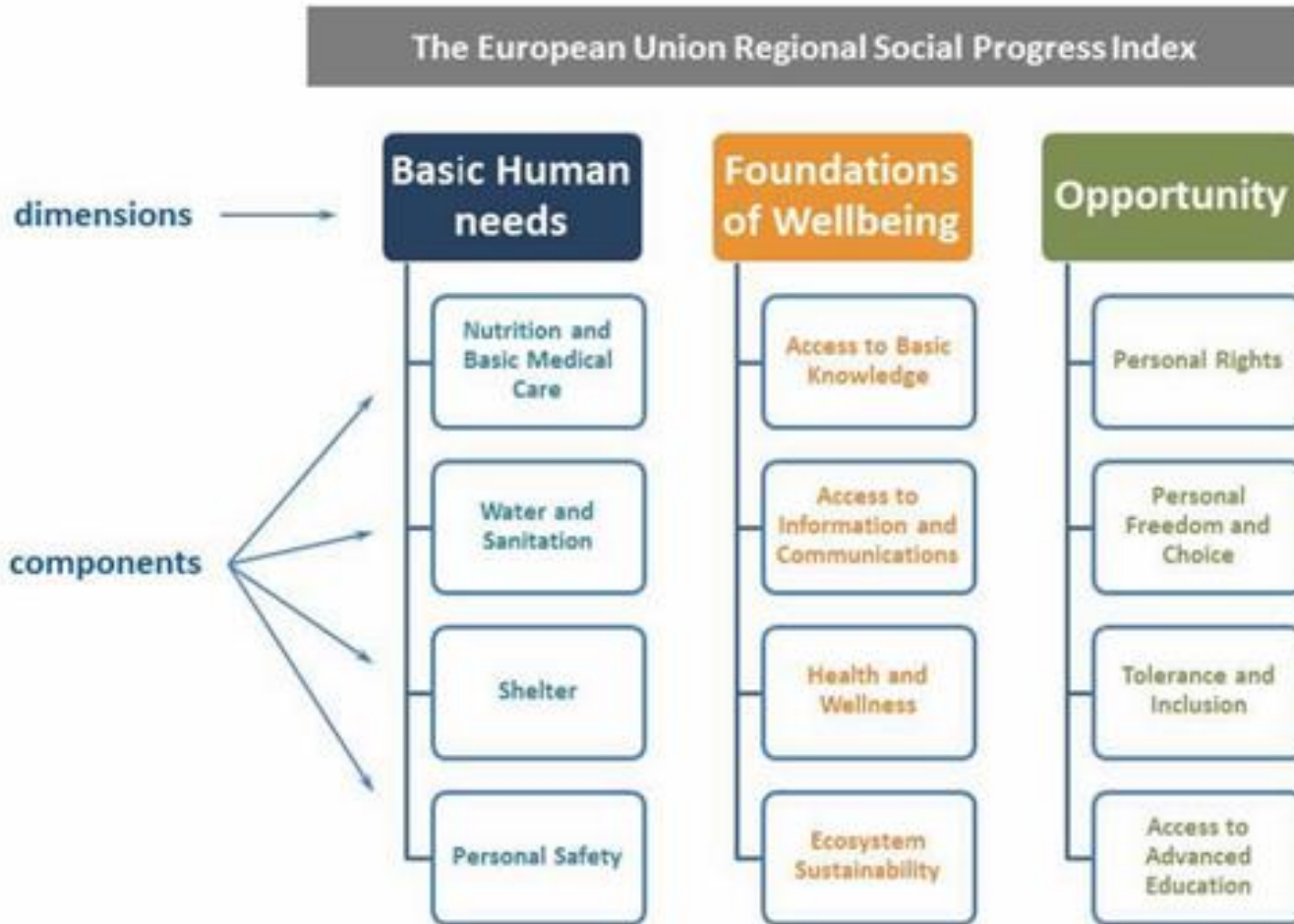
	Catalonia	Spain	EU 27
At-risk-of-poverty-and-social-exclusion rate (AROPE)	23.5	28.6	24.4*
At-risk-of-poverty rate	19.0	22.1	17.2*
Severe material deprivation rate	6.7	6.4	9.0
People-living-in-households-with-very-low-work-intensity rate (from 0 to 59 years)	8.8	15.4	11.1*

Source: Idescat and Eurostat.

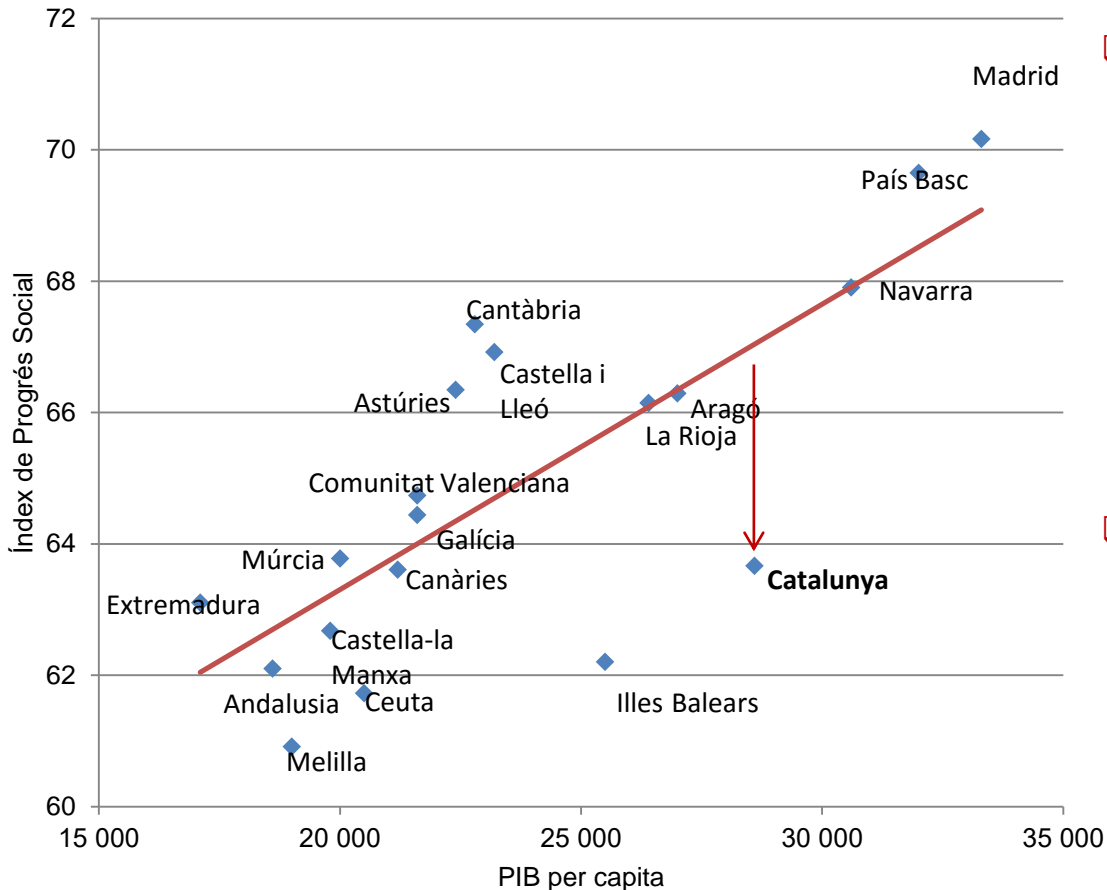
* Year 2014

- Although Catalan at-risk-of-poverty rate stands above the European average (19% vs 17.2%), **its AROPE rate was below that of the EU (23.5% vs 24.4%)**.
- This better outcome is due to a **lesser severe material deprivation rate** and also a **lesser rate of people living in households with very low work intensity**.

EU Regional Social Progress Index



Results of the Social Progress Index (SPI) for Catalonia



◆ Índex de Progrés Social — Liniowy (Índex de Progrés Social)

□ Catalonia is one of the European regions that **lose more positions** from their position in **per capita GDP and SPI**. Thus, although it ranks 58th in terms of GDP per capita at PPP in 2011, the social progress index places Catalonia in position 165, considerably below what it would correspond considering GDP.

□ “Differences in the **level of income** derived from the Spanish financing system, are crucial to explain the differences in per capita spending between the regions in essential public services” (Airef, IVIE, Chamber of Commerce).

Conclusions

Conclusions and challenges ahead

- 1. Catalonia grows at stronger rate than its neighbouring countries** (3.4% in 2015), more than twice the rate of the euro area. **Forecasts for 2016** are also positive: expected growth around 3% (2.7% in 2017).
- 2. The recovery has a broad base**, in both sectorial and GDP component terms. Also with regards to a **balance between internal demand and the external sector**. Diversification is a fundamental feature of the Catalan economy.
- 3. The external sector is key.** Catalan economy enjoys an **important trade surplus** (net exports are 11.5% of GDP). Between 2009 and 2015 the value of goods' exports increased by 54% in current terms.
4. Despite the severe setback of the crisis, **the industry is growing above the European average. The increase of investment in capital goods** is especially remarkable, since it reflects an improvement in economic expectations.
- 5. Unlike in the pre-crisis period, the boost of productivity as the main determinant of growth** represents an important step towards a different economic model.

Challenges for the future

1. **The international environment is fragile and presents multiple uncertainties.** Catalonia, as a very opened economy, must be alert to this downsize risk.
2. **It is important to broaden the export base of our economy.** *Internationalization, productivity and innovation* interrelate in the entrepreneurial world creating a virtuous circle.
3. We observe **strong dynamics in the industry** and in the creation of international **technological start-ups**. This represent a unique **opportunity to be well-positioned in the next digital revolution** (industry 4.0). Challenges in relation to education, research and economic promotion.
4. **Creation of more and better occupation is critical.** The unemployment rate is rapidly declining but the recovery benefits less those with more difficult employability and long-term unemployed.
5. Catalonia is committed to **fiscal consolidation**. However, there is no margin to reduce expenditure or to achieve higher income. The income of the **Catalan government does not reflect the performance of the economy**. This severely constrains the capacity to improve social welfare and the potential growth of the economy.



Generalitat de Catalunya

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