

## Bloomberg Capital Markets Forum

Museo Nacional Centro de Arte Reina Sofía.

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Buenos días a todos, good morning ladies and gentlemen.

It is a great pleasure for me to take part in this Bloomberg Capital Markets Forum. I'd like to thank Bloomberg and the team for putting together this very important event.

As you are well aware, Spain is growing above the EU average and also above other large European economies. Actually, growth gained momentum in the second half of 2018, the fourth quarter was the best of the year.

Likewise, the differential with the euro zone widened; Spain grew twice as fast as the euro zone *in the fourth quarter of last year*.

The Government's forecast for 2019 of 2.2% GDP growth is therefore actually prudent, it is on the lower bound of the different forecast of national and international analysts which foresee growth between 2.1% and 2,4, 2.5% even.

Five years of economic growth have allowed to progress in the correction of some of Spain's historical imbalances:

- We registered a current account surplus and recent competitiveness indexes point toward a maintained positive trend for our companies.
- The private sector has made significant progress in its deleveraging process and the labor market has had a very positive evolution. Employment levels are approaching levels prior to the crisis but this time without a housing bubble. Last year we had 3% year on year employment growth and unemployment has been going down by 6% also year on year and we hope that the rhythm, although it will be a bit slower this year will continue in

order to allow us to reduce our structurally high unemployment rate.

This positive economic stance should not lead to complacency. Significant economic imbalances remain that need to be tackled:

Unemployment levels I just mentioned are unbearably high. There is a very high rate of temporary contracts and precariousness is one of the problems we have inherited from the crisis.

Furthermore we need to increase productivity and potential GDP in order to be able to grow sustainably for as long as possible.

Public debt remains too high, and finally it is absolutely key to make progress in addressing growing inequalities.

- Since the end of 2017, GDP is higher than before the crisis but the disposable income of households is still almost 6% lower than in 2008.
- Growth has not corrected inequality in any of its most relevant shapes: wage gaps, income gaps, consumption gaps, wealth gaps, territorial distribution and, of course, the gender gap.

Public debt reduction is a key priority for this Government, thanks to a very tight Budget execution and debt management that we have been able to conduct since we took office last June we were able to issue

- 5.7 billion euro less than initially forecasted, and we were able to proceed with an early redemption of 8 billion of our loan from the European Stability Mechanism. This has allowed us to save significant amounts in terms of interest rates payments.

We have also witnessed a return of foreign investors that were absent from our public debt auctions for years and our financing cost are at historical minima, even though we have increased the issuance of long term bonds.

Actually today we are conducting a syndicated issuance and I was just informed that the demand is five times our supply, we are just trying to place 5 billion of euros today and we were at 25 billion this morning when we opened the action.

The four major agencies have upgraded our rating last year. During 2019, the Spanish Treasury will continue to restructure the debt profile in advance of a possible rise in interest rates, by reducing net issuances, if we have, as we expect good performance of the revenue side and mainly targeting medium and long term bonds.

Therefore, we expect the debt to GDP ratio to continue to fall, we were at 98, 1% in 2017, we went down to 97% in 2018 and, despite the fact that our draft budget proposal was not approved by congress, we expect to be able to reduce it to 96% in the course 2019. Actually the non-approval of our budget proposals which, as you know, was envisaging a very ambitious deficit reduction and a primary surplus for the first time in many years, structural adjustment basically on the revenue side. Well I see this as a missed opportunity for our adjustment efforts on the public side, but nevertheless we will continue to do our utmost to pursue the path of deficit and debt reduction throughout 2019.

Since we came to power, to government, last june we have focus our economic policy on three main drivers which I think are absolutely key if we want if we want to maintain this very positive economic trend for as long as possible.

First Fiscal sustainability, I already explain our objectives and actions until now. Enhance social cohesion, put an emphasis on social measures to reduce inequality as it is one of the major imbalances we have inherited from the crisis. And thirdly structural reforms, throughout a comprehensive reform agenda, we call Agenda for Change, which we have been following from day one. This is our road map to try to ensure that the Spanish economy is fit to face the challenges of the future, which are more and more challenges of the present. I'm talking about aging, I'm talking about climate change, and I'm talking about the digital revolution.

I just came from the MWC in Barcelona, I've been witnessing the incredible progress we are making from the technological side, because beyond daily challenges I am persuaded that political leaders need to raise their head look to the horizon and try to set the bases for a more sustainable and inclusive growth.

Spain has important strengths and assets on which to build and to drive this transformation process.

- physical, legal and institutional security; this should not be underestimated.
- infrastructures network (physical and digital), second to none in Europe;
- competitive businesses with an important presence abroad,
- international leaders in sectors that can drive this process (health, construction and energy, sustainable tourism, car manufacturing, sustainable mobility or agrifood).

Building on these strengths since we took office last June, we have followed a coherent strategy along six priority areas:

Investing in training and human capital. It includes specific measures to ensure that by 2025 90% of our country's young people will have at least a secondary education and that at least 50% of children aged between 0 and 3 years will be offered pre-schooling education.

Driving the ecological transition in order to achieve the objectives of the 2030 Agenda for sustainable development.

Enhancing scientific and technological progress in order to foster new technologies, encourage entrepreneurship and support the technological transformation of our economy.

Moving towards an efficient and fair labour market.

Reducing inequality and protecting the Welfare State, with measures to combat child poverty and social exclusion, close the gender gap, and tackle the process

of depopulation suffered by a large part of our territory, especially rural communities.

Finally, progressing towards a more efficient Administration at the service of citizens.

In short, the Agenda for Change provides a comprehensive package of 60 measures that pave the way for a more productive economy, and an increase of our growth potential. It is about putting all our available resources to work in order to grow in an inclusive manner and prepare our economy for future challenges.

Before closing, I would also like to mention briefly our priorities in the area of financial services. The Ministry of Economy and Business has focused on actions to recover trust in the system severely damaged since the crisis to protect consumers and promote legal certainty, innovation and digitalisation.

In order to restore total confidence in the financial system and to contribute to a positive business climate, the Government has made a very significant effort to proceed immediately with the transposition of a series of European Regulations that accumulated significant delays.

When I took office, I found 14 directives which had not been transposed. Significant fines were pending on Spain. It also created legal uncertainty for the economic players.

Nine months later, it is positive to see that we have been able to transpose completely seven of the fourteen directives, fully transposed are: UCITS, market abuse, CRD IV, MiFID II, money laundering and terrorist financing, a Non-Financial Information.

Allow me to say a couple of words in Spanish:

- Uno de los hitos legislativos más importantes de estos meses ha sido la aprobación definitiva por el Parlamento, la semana pasada, de la Ley de Crédito Inmobiliario. Con ello, se ha culminado el procedimiento legislativo muy intenso de estos meses para transponer la directiva comunitaria y evitar la multa que pendía de nuestro país. Pero además, y sobre todo, para reforzar la protección de los ciudadanos que acceden a una vivienda en propiedad gracias a un crédito bancario, algo que como todos ustedes saben es extremadamente importante en España, y además para garantizar la seguridad jurídica de todos operadores económicos, también los operadores financieros, reforzando la protección del sistema.
- En estos meses, también hemos procedido a reactivar el proyecto de creación de una autoridad macroprudencial contando con la excelente colaboración, que quiero hoy agradecer muy sinceramente, del Banco de España, de la Comisión Nacional del Mercado de Valores. Espero que en el curso incluso de esta semana podamos incluso adoptar las medidas que quedan para que podamos finalizar el procedimiento de creación de la autoridad macroprudencial en España, un elemento muy importante, como saben, para tratar de prevenir futuras crisis mediante un sistema de control de riesgos más eficaz.
- Además, el Consejo de Ministros de la semana pasada, el pasado viernes, ha dado el visto bueno al anteproyecto de ley para la Transformación Digital del Sistema Financiero para crear un entorno jurídico adecuado para crear un famoso sandbox, una especie de simulador, un espacio de pruebas controlado para poder encauzar el proceso necesario de modernización y transformación tecnológica del sector financiero. Estos proyectos

son importantes y trataremos de avanzar lo más posible antes del final de la legislatura y más allá, por supuesto.

Finally, allow me to close with a reflexion on European issues. We as Government, Spain as a country is a very pro- European country. That is why we have taken a very active part in all the debates that takes place at the EU level making also constructive contributions to the most relevant international fora such as the G20 or Davos.

In particular, we are contributing very actively, with concrete proposals, to the debate on deepening the Economic and Monetary Union. This is very important since our common currency needs to be strengthened and fully equipped with the appropriate tools to withstand any future possible crisis.

As you know, we are very committed to the creation of a real stabilization mechanism for the euro zone, which in our view, should be linked to unemployment insurance. After many years of creating safety nets and backstop for banks I think that the moment has come to create also backstops for the people.

The European project is a project for the people and the upcoming European elections are going to be a very important test of our ability to continue building a project based on common values, shared values by the majority of the European population.

We also need to complete the Banking Union with the implementation of a European deposit guarantee Scheme and we need to move towards a full Capital Market Union. I know the Governor of the Bank of Spain is going to talk about this because a more integrated capitals markets are absolutely crucial to provide the necessary financing for all businesses, not only to large ones but also small ones.

We are living challenging time; many things are changing.

I just have a question in an interview about Brexit and I said that the situation is extremely fluent. It is difficult to bet or to think or to forecast what the most likely outcome of a number of developments is going to be. Important developments will take place in the near future, in the coming weeks, in the coming months.

Brexit, of course, is the first of them. The Spanish elections, the European elections just to name a few that are very relevant in our country.

Uncertainty and intense change is generating anxiety and insecurity in part of our societies.

Many citizens feel that growth is only benefitting a few. They fell left behind.

I think that it is our duty to provide reassurance. To be responsible, to drive policies that build a more sustainable and inclusive future. And I want to emphasize this point in this forum because we are all part of this process. We all need to take our responsibility and play our part in ensuring this better future for our children.

And I am quite optimistic. I think that we in Spain and here in Europe we have important assets to build this better future. A future that citizens will support with positive and an open approach when they are asked to decide in the coming months.

In any case, from the Spanish Government we will continue to do our best to work in this direction until the very last day of the current mandate ...and, I hope, also beyond.

On this positive note, I wish you a very pleasant and a very interesting session and discussion today and thank you very much for your attention.