A positive year draws to a close and the outlook for 2019 looks encouraging

2018: expectations have been met. As the year draws to its close, we already have all the ingredients needed to make an assessment of how things have gone. What is certainly the case is that the year we are bidding farewell to has been broadly positive, with growth showing remarkable dynamism. Looking back to the end of 2017, we anticipated that global growth in 2018 would be 3.8% and, in the end, it seems that the global economy will grow by 3.7%. In the advanced economies, growth in 2018 could be even slightly higher than we anticipated a year ago. These encouraging figures for the advanced bloc are largely the result of US growth, which has been higher than expected thanks to the notable fiscal boost carried out by the Trump Administration. Looking ahead to 2019, it will be difficult to sustain such a high growth rate in the US, since the fiscal stimulus will gradually wane. The emerging economies, on the other hand, have suffered some setbacks: their growth for 2018 is likely to be around 4.7%, instead of the 4.9% we were forecasting a year ago. The heightened uncertainty caused by the trade tensions between the US and China, as well as the macrofinancial vulnerabilities that some emerging markets (especially Argentina and Turkey) have shown in a context of monetary policy normalisation in the US, have taken their toll, although growth rates remain very strong. The financial markets, meanwhile, have felt the effects of this more demanding environment and have experienced greater volatility. At certain times, this has also been accompanied by significant corrections (especially in the European and emerging stock markets, if we look at the year as a whole).

2019: a positive outlook, but with downside risks. The outlook for the global economy in 2019 remains positive, with an expected growth of 3.6%. That said, the downside risks are significant enough to keep us vigilant. On the macrofinancial side, the central banks face the challenge of ensuring that monetary normalisation does not adversely affect the macrofinancial conditions. In the geopolitical sphere, meanwhile, protectionist risks will remain prominent despite the expectation of a certain cooling after the G-20 summit in early December. As for the euro area, let us not forget that two usual suspects, namely Brexit and Italy, will continue to give us much to talk about.

The euro area confirms a pattern of more moderate growth. In 2018, 10 years after the start of the Great Recession, the euro area has managed to close its output gap and bring the unemployment rate back down to levels similar to 2006. At the same time, there has been a slowdown in growth, largely due to exports, which have felt the effects of the slowdown in global trade. On the other hand, domestic demand remains strong, supported by the labour market and accommodative financial conditions. It therefore looks set to be the main driver of growth in 2019, and despite the net purchases of assets being brought to an end, the ECB will continue to favour accommodative financial conditions. Not in vain, we still expect to see the first hike in the reference rate by the end of next year.

Spain continues to grow at a healthy rate. A slight slowdown in the Spanish economy following three exceptional years was inevitable, considering the vanishing of the strong tailwinds, such as the low price of oil and the depreciation of the euro. In fact, in our forecasts a year ago we already anticipated that the Spanish economy would register a gentle slowdown over the course of 2018 and that it would transition towards more sustainable levels of growth. Nevertheless, the economy remains buoyant, as demonstrated by the encouraging Q3 GDP figure, which rose by 0.6% quarter-on-quarter driven by the strength of domestic demand, especially private consumption. In contrast, exports continue to follow a weaker trend than expected, a phenomenon that we can observe in several other developed countries. The outlook remains positive and, on the upside, the strong recovery in the labour market continues: in the last 12 months, 562,544 new jobs have been created. On the downside, we continue to have a high level of public and external debt, making the Spanish economy vulnerable to potential shifts in global investor sentiment.

Portugal: tempered growth, but the outlook remains favourable. In Q3 produced growth was slightly lower than in the previous quarter (0.3% quarter-on-quarter, versus 0.6% in Q2). This was due to a soft patchin private consumption and a less dynamic external sector. Despite the Portuguese economy being affected by the slowdown of the euro area, we expect it to regain strength in Q4 and to continue to grow at levels close to 2% in 2019. After all, we have every reason to remain optimistic: sentiment indicators continue to be encouraging, the labour market is in good health (year-on-year growth of 2.1% in job creation in Q3 and stabilisation in the unemployment rate at around 6.7%) and investment continues to perform well.