



# Barometer of the business climate in Spain

From the foreign  
investor's perspective

Results 2019



International  
Center for  
Competitiveness



INVESTIN  
SPAIN

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# Presentation



# 1. Presentation

## 1. PRESENTATION

The “Barometer of the Business Climate in Spain from the Foreign Investor’s Perspective” is now in its 12<sup>th</sup> edition, and has become a reference in Spain.

The 2019 edition features an assessment by over 580 foreign companies of the importance of the business climate in Spain in 2019, and also gives their forecasts for the next two years. It identifies, in the medium term, the strengths that must be maintained and the main spheres of action that require more work.

The global assessment in the 2019 Barometer remains stable since last year’s edition.

The investing companies have consolidated their good performance in 2018 and continue to maintain favorable perspectives in all the aspects analyzed (investment, workforce, invoicing and exports) for 2019 and 2020.

According to the Investment Registry of the Ministry of Industry, Commerce and Tourism, last year in 2018 Spain received over 55 billion euros in foreign direct investment, the highest figure recorded by the country since records began.

The Barometer has been compiled jointly by ICEX-Invest in Spain, the association Multinacionales por Marca España (Multinationals for the Spain brand), and the International Center for Competitiveness (ICC) at the IESE.

The mission of the Executive Management of ICEX Invest in Spain is to promote and attract foreign investment in Spain, and reinvestment by foreign companies that are already established in the country. It also acts as a reference for foreign investors and a meeting point for institutions working to promote and attract investment in the national, regional and local sphere. ICEX designs and runs activities to position Spain as a global platform for international business and investment. Another of ICEX’s areas of action is the enhancement of the business climate in Spain through an ongoing dialog with other ministerial departments and with companies and business associations established in Spain, with both Spanish capital and from third countries.

Multinationals for the Spain Brand is an association of multinational companies from a variety of industries with operations in Spain that wish to demonstrate their commitment to Spanish society and the Spain brand. Among other tasks, it promotes collaboration with Spain’s government agencies to drive the Spain brand, defend the country’s common interest, and convey to government authorities the aspects that are most highly valued by these multinationals in their decision-making and that position Spain as a destination that guarantees the development of their operations.

The IESE (Institute for Advanced Business Studies) is an institution dedicated to higher business education. The goal of ICC, one of its research centers, is to promote research and rigorous learning in the field of competitiveness and its implications across different areas. Headed by Professor Pascual Berrone and set up in partnership with the Institute for Strategy and Competitiveness under Professor Michael Porter at Harvard University, the ICC places particular emphasis on the European Union and on its role in creating a favorable business climate.

# Executive Summary



## 2. Executive Summary

### 2. EXECUTIVE SUMMARY

#### Spain's rating remains stable with regard to 2018

The results of this year's Barometer of the Business Climate in Spain, with an average rating of 3 out of 5, remain stable in regard to the ratings of the last edition, and the outlook for the companies continues to be positive.

#### The highest rated areas are Infrastructures, Market Size, Quality of Life and Human Capital

The most important area for investors in the present edition, as in previous years, was Human Capital followed by Market Size. Other significant areas are Infrastructures, the Labor Market and Quality of Life.

The areas awarded the best ratings by investors are those related with Infrastructures –a definite strength in Spain– followed by Market Size, Quality of Life and Human Capital. It is encouraging that these are once again this year among the most important areas for investors.

The worst-rated aspects continue to be the ones regarding Finance, Costs and Taxation.

The investors point to the need for measures in regard to the Labor Market (particularly in terms of the flexibility of working hours), Costs (such as electricity and other energy costs) and the Regulatory Environment (namely the reduction in the bureaucratic burden). Human Capital aspects are also considered essential and are highly rated as a whole, although there is room for improvement in several areas such as language skills and the acceptance of responsibilities and targets. The scores for the areas of Quality of Life and Infrastructures are very similar and generally meet investors' expectations.

#### The forecasts for investment, invoicing, generation of employment and the volume of exports for 2019 and 2020 are positive

Foreign investors' general assessments of their forecasts for 2019 and 2020 are positive.

Foreign companies in Spain foresee a highly favorable outlook for investment in the coming year. 91% of the companies surveyed plan to increase or maintain their investments in Spain in 2019.

Employment prospects are also fairly positive and have improved, with the percentage of companies that are planning to increase or maintain their workforce in Spain rising to 90% in 2019, up from 88% in 2018.

The invoicing prospects in Spain for 2019 are also positive, with 85% of the companies surveyed expecting to increase or maintain their turnover, compared to 79% in 2018.

Finally, in terms of the volume of exports, 74% of the foreign companies surveyed export to third markets from Europe. Only 6% of companies plan to reduce their exports in 2019.

# Context



## 3. Context

### 3. CONTEXT

The 12<sup>th</sup> edition of the Barometer of the Business Climate in Spain from the Foreign Investor's Perspective has been prepared based on the responses provided by the representatives of foreign companies established in Spain to a questionnaire whose results are designed to offer a structured and accurate view of foreign companies' opinion of the economic, regulatory and social environment in which they carry out their operations in Spain.

The time context in which this exercise takes place is not a neutral element and has an impact on the results. This time framework is a key factor that must be taken into account to obtain a correct analysis of this document. The prevailing political and institutional backdrop against which this Barometer takes place inevitably and implicitly underlies the results of the Barometer, and enriches it and contributes to its understanding.

The questionnaires that form the basis of this Barometer were completed in May, June and July 2019. This period in Spain was characterized by a cooling of the territorial tension in Catalonia and a certain climate of political uncertainty due to the fact that the general elections of April 2019 did not ultimately materialize in the formation of a new government. Throughout the whole process of compiling the responses to the answers, Spain had an acting government. However, with such a short time period for the respondents to be able to digest and assess this fact, it is very difficult to determine the possible impact of this uncertainty at the institutional level on the answers to the questionnaires, and even more so considering that the results of the Barometer were consistent with the results of last year's edition. The respondents appear not to have significantly modified, either positively or negatively, their current perception of their future in Spain for this motive, which additionally suggests that the investors participating in this Barometer have a positive view of the stability of Spain's democratic institutions, regardless of the ongoing difficulties between the political parties in consolidating stable government majorities.

From a global perspective, the world economy in 2018 and the first quarter of 2019 is undergoing a moment of considerable uncertainty as a result of international trade and geopolitical tensions that are in turn having a negative effect on the industrial sector. Among these global uncertainties Brexit –the outcome of which is still unclear– should not be overlooked.

This uncertainty has significantly affected foreign direct investment on a global scale. According to the UNCTAD's 2019 World Investment Report, worldwide foreign direct investment flows fell by 19% in 2018, from 1.47 billion USD in 2017 to 1.2 billion last year.

At the same time, the Spanish economy has continued to follow a positive trend throughout 2018 and the first quarter of 2019, although its economic activity is beginning to show the first signs of a slowdown. The Spanish economy grew at a rate of 2.4% in 2018, significantly higher than the average for the Eurozone and the major economies in Spain's general environment.

This growth pattern is also more sustainable and harmonious than in other previous periods of economic expansion. In first place, Spain is managing to maintain a high rate of growth in a context of moderate inflation. Second, the components of this economic growth are very balanced. This healthy activity continues to be compatible with a current account surplus in the balance of payments. Spain posted a current account surplus in 2018 for the sixth consecutive year. In fact, Spain's exports are growing significantly. Spanish goods exports in the period between January and July 2019 were up 2% compared to the same period the previous year, to 172,695 billion euros, an all-time high for the accumulated figure in this period.

The encouraging results of this Barometer and the continued and evident strength of the Spanish economy in 2018 and so far in 2019 are echoed by the data for foreign direct investment received by Spain, as shown by the Foreign Investments Registry at the Ministry of Industry, Commerce and Tourism. According to the figures recorded by this source, last year in 2018 Spain received more than 55 billion euros in foreign direct investment, the highest figure for Spain since records began. Additionally, foreign investment in Spain is rising in all categories. Greenfield investment, that is to say, foreign investment in new installations or in expanding the productive capacity of existing installations, has seen considerable growth in recent years. According to FDI Markets, in the last five years Spain has been the third largest recipient of greenfield projects in the whole of the European Union, behind only Germany and the United Kingdom. This is excellent news. Greenfield projects –insofar as they increase the country's capital stock, generate additional economic activity and create new employment– have an important direct impact on GDP.

### 3. Context

However, Spain's attraction for foreign investors can also be seen in the volume of international investment moved by the private equity and venture capital industry. According to Ascri, 2018 was once again a record year in Spain with an investment volume of over six billion euros, 80% of which came from international funds.

This excellent performance of FDI in Spain has recently been corroborated by figures supplied by UNTACD: according to their most recent data, in 2018 Spain was the eighth highest receiver of foreign investment worldwide. There are over 14,000 foreign companies established in Spain which give employment to over 1,400,000 people.

The foreign direct investment received by Spain not only contributes to financing the economy, but also brings diversification, knowledge and increased technological development to the national business fabric, particularly in sectors with greater added value. The latest figures available from the INE's Statistics on Subsidiaries of Foreign Companies confirm the crucial role of foreign investment in the most technology-intensive sectors and with the highest added value. The business volume generated by subsidiaries of foreign companies in the industrial, commercial and other non-financial market services sectors represents 30% of their total, and up to 41.3% in the industrial sector. In certain areas of activity these percentages are far greater: as much as 85.5% in transport material (including vehicle manufacture), 58.5% in electrical, and electronic and optical material and equipment manufacturing, 52.8% in the chemical and pharmaceutical industry, 44.6% in rubber and plastics, and 33.5% in computer programming and information services. Foreign investment also has a substantial impact on exports, significantly increasing the export base in Spain, especially in sectors such as the automobile and chemical industries. According to the INE, 43.7% of Spanish exports originate in subsidiaries of foreign companies.

These figures highlight the importance of foreign investment in Spain. The Barometer is a means of gauging foreign investors' opinion of the Spanish business climate, and is intended as a practical and useful tool for the government in its regulatory role, and also for companies and investors in the complex process of making decisions about direct investment.

# General results



## 4. General results

### 4. GENERAL RESULTS

#### 4.1. General assessment

Figure 1 shows the score and importance attributed by foreign investors to each of the ten areas considered in the 2019 Barometer of the Business Climate.

The most important area for investors in the present edition, as in previous years, was Human Capital, followed by Market Size, Infrastructures and the Labor Market. The area they consider least important is once again Finance.

The most positively rated areas were those related to Infrastructures, followed by Market Size, Quality of Life and Human Capital.

The most poorly rated aspects are the areas of Finance, Taxation and Costs, although these are not the most important for investors.

The areas with the greatest imbalance between the score they receive and their importance for foreign investors are the Labor Market and Costs, closely followed by the Regulatory Environment. The scores for the areas of Quality of Life and Infrastructures are the same or very similar in importance and generally meet investors' expectations.



## 4. General results

### 4.2. Main strengths and weaknesses

Figure 2 shows Spain's main strengths in the opinion of foreign investors.

As in previous editions, other aspects relating to infrastructures are highlighted as being particularly important. Investors award a very high rating to the quality of the airports, roads, telecommunications structures and services, and the high-speed train. The availability of skilled labor, in this case university graduates, is also very positively rated. Finally, as in previous years, aspects relating to Quality of Life are considered among Spain's strengths, along with safety and leisure and culture.

In contrast, the weaknesses signaled by investors are shown in Figure 3.

As in previous years, the cost of electricity is quite clearly ranked as the main weakness, together with other energy-related costs. Tax and regulatory aspects also score poorly, as does the availability of public subsidies, Social Security contributions and bureaucracy and the efficiency of the court system.

Figure 2

#### Main strengths

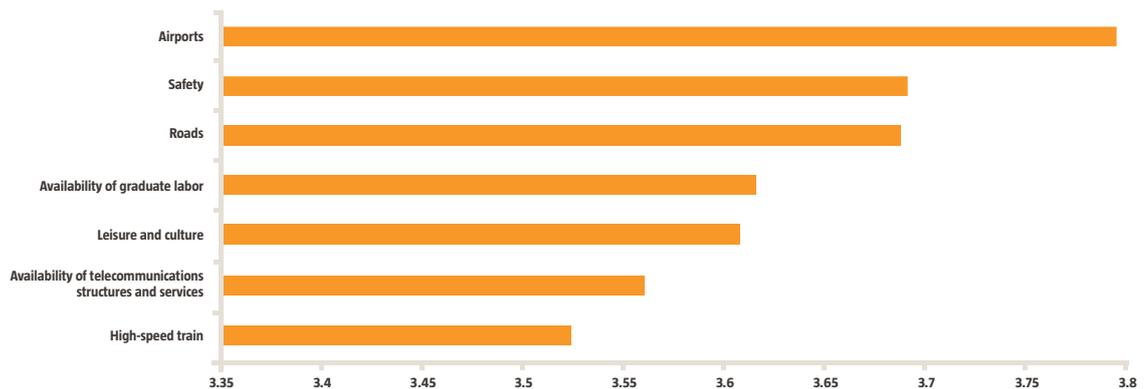
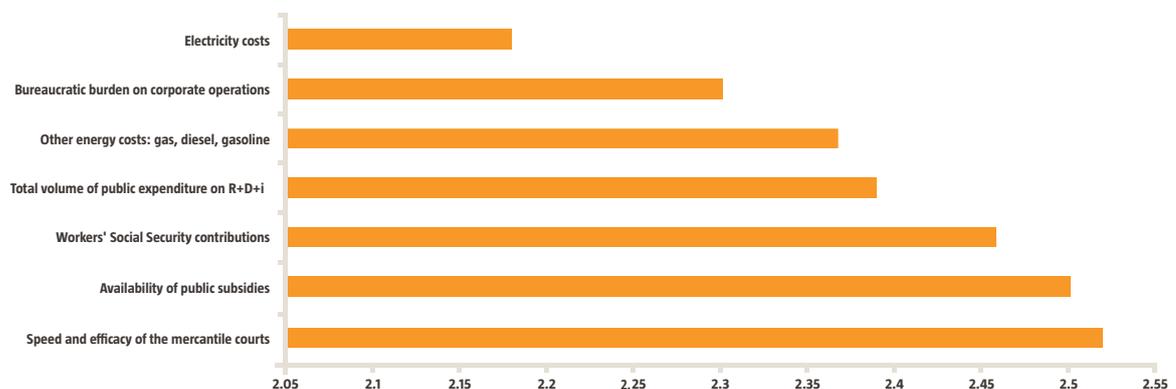


Figure 3

#### Main weaknesses



## 4. General results

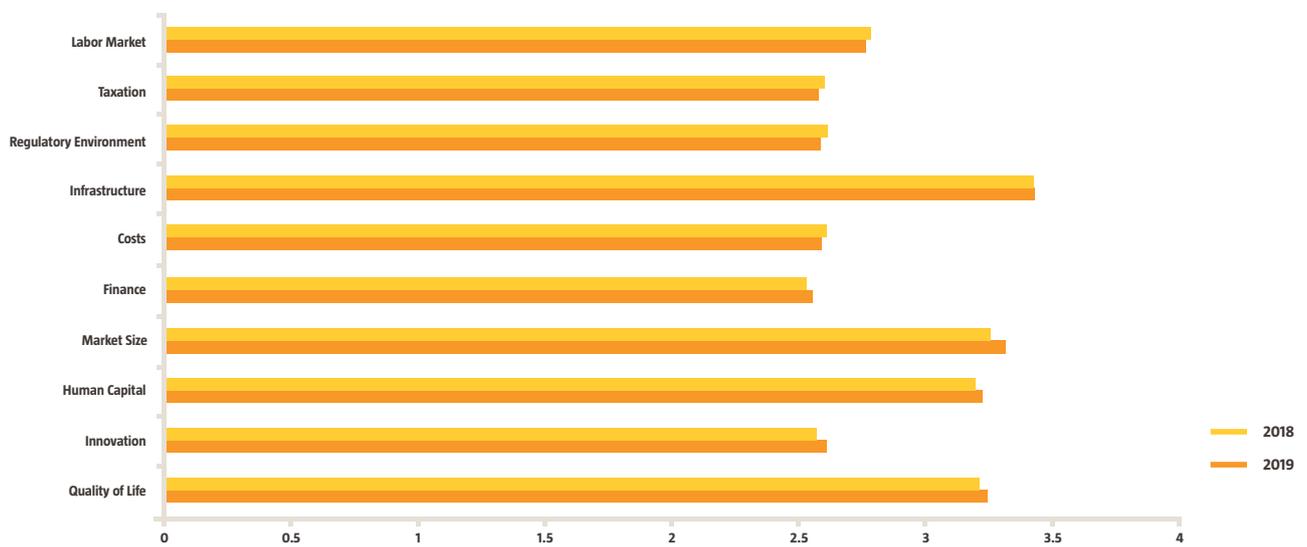
### 4.3. Comparison 2018-2019

In general terms the assessment for 2019 remains stable or with only minor variations in all the areas considered.

As can be seen in Figure 4, there are slight improvements in the areas of Finance, Innovation and Quality of Life, with modest increases in the scores for practically all the aspects contemplated. The rest of the areas remain constant or show only minor variations, except in the case of the Labor Market, which has fallen more significantly, particularly due to the lack of flexibility of working hours.

Figure 4

Comparison of ratings 2018-2019



## 4. General results

### 4.4. Main spheres of action

The priority areas of action that have been selected are the ones that reveal the greatest difference between their importance for investors and their weighted rating. It is worth noting that five of the spheres of action this year are the same as in the last two editions (language skills, electricity costs, acceptance of responsibilities and targets, and other energy costs). This edition highlights increasing concern about the flexibility of working hours.

#### 1. Language skills

As in previous years, language skills appear as one of the main drawbacks in the opinion of investors. Language skills is considered by investors as the third most important aspect in the whole survey, and although it had been improving since 2014, this year it has seen a slight dip, and its score falls significantly short of its importance to investors. It thus continues to be a priority area of action.

#### 2. Electricity costs

Electricity costs are once again the most poorly rated aspect in the whole survey, down again, albeit slightly, since the previous year. The relative importance of this issue to investors implies that as last year, it must be considered as a priority area for improvement. Once again it is vital to note the importance of this aspect to ensure competitiveness, particularly in regard to the industrial sector.

#### 3. Acceptance of responsibilities and targets

Acceptance of responsibilities and targets is, along with learning capacity, the most important aspect for investors, up significantly since last year. This is rated positively, and has also improved, albeit slightly, since 2018. Once again the importance for foreign investors of aspects related to Human Capital is evident, and their key role in competitiveness in the medium and long term.

#### 4. Bureaucratic burden on corporate operations

Bureaucracy is the second worst rated aspect in the survey, and has also declined the most significantly in this edition. This is an important aspect for companies so it must be included among the main spheres of action. This concurs with other studies on international competitiveness such as the Global Competitiveness Report from the World Economic Forum, which in recent editions has singled out the importance of bureaucratic barriers as one of the main obstacles to doing business in Spain.

#### 5. Flexibility in working hours

Flexibility in working hours is the only sphere of action that is not repeated since last year. It has seen the sharpest drop in its score, and yet its importance for companies has risen slightly, pointing to the need to include it as a priority area for action in this edition.

#### 6. Other energy costs: gas, diesel, gasoline

Finally, gas, diesel and gasoline costs appear once again among the spheres for action. This is the third most poorly rated aspect of the whole survey, behind only electricity and the bureaucratic burden. Although it has shown a gradual improvement in its score, there is still substantial room for improvement.

# Outlook of foreign companies in Spain



## 5. Outlook for foreign companies in Spain

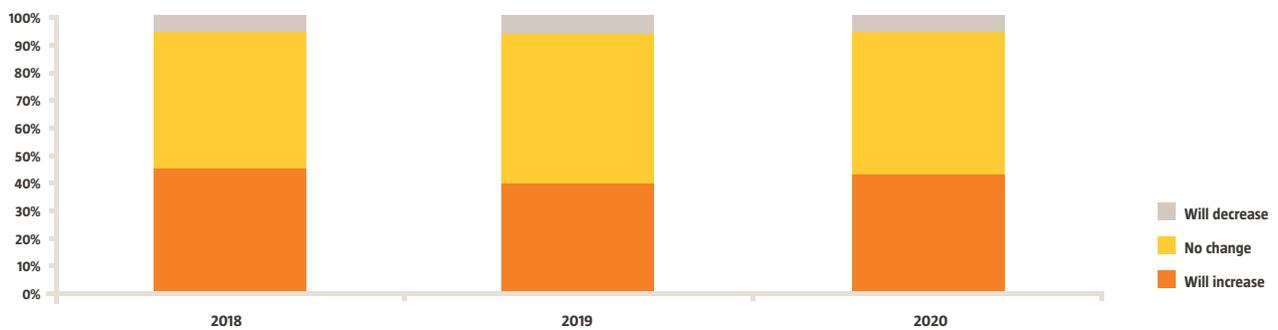
### 5. OUTLOOK FOR FOREIGN COMPANIES IN SPAIN

#### 5.1. Investment outlook

The investment outlook for foreign companies in Spain for 2019 is positive, although slightly lower than for 2018. 91% of the companies surveyed plan to increase or maintain their investments in Spain in 2019 compared to 93% in 2018.

Figure 5

#### Investment outlook 2018-2020



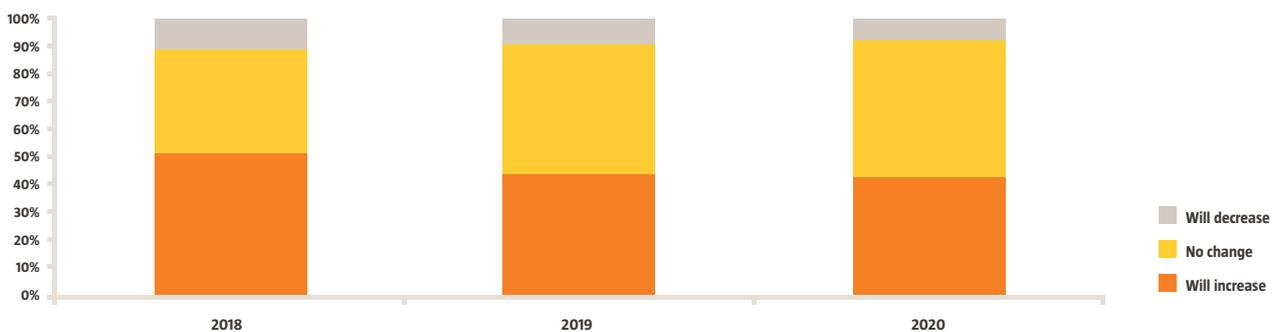
#### 5.2. Employment outlook

Employment prospects are also positive, with the percentage of companies intending to increase or maintain their workforce in Spain rising to 90% in 2019, up from 88% in 2018, although with a slightly lower percentage of companies planning to increase their staff.

Additionally, as shown in Figure 6, only 9% of the companies surveyed plan to reduce their workforce in 2020.

Figure 6

#### Staffing outlook 2018-2020



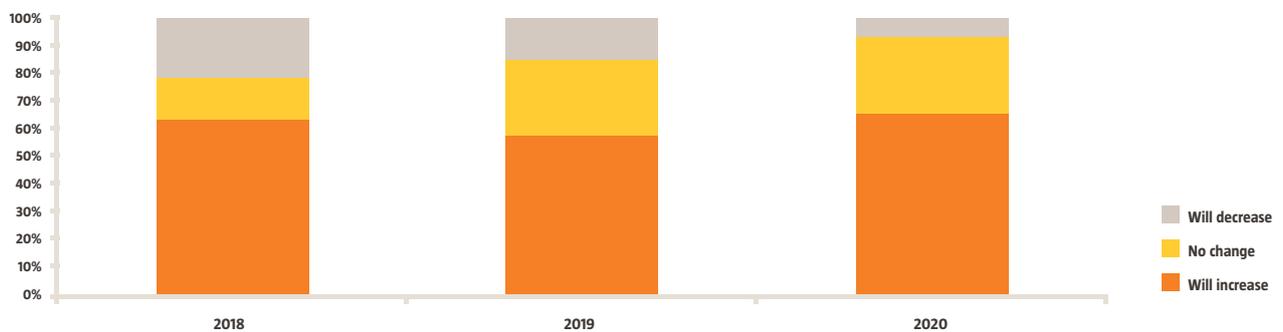
## 5. Outlook for foreign companies in Spain

### 5.3. Invoicing outlook

The most significant growth in Spain in 2019 and 2020 can be seen in invoicing forecasts. 85% of the companies surveyed expect to increase or maintain their invoicing in 2019, as opposed to 79% in 2018. Additionally, although a slightly lower percentage of companies anticipate a higher turnover in 2019, this changes in 2020, when 65% expect a rise and only 7% a fall.

Figure 7

#### Invoicing outlook 2018-2020

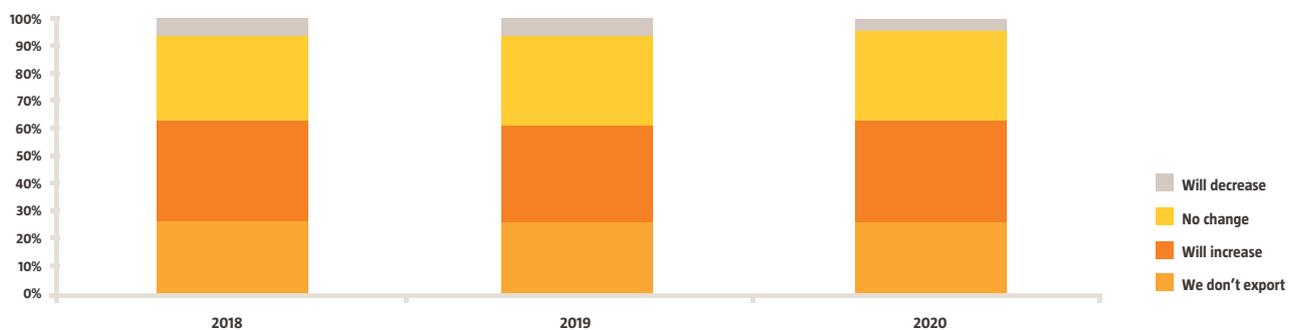


### 5.4. Export outlook

Finally, the outlook for exports continues to be positive. 74% of the foreign companies surveyed export to third markets from Spain. Only 6% of companies expect to reduce their exports in 2019, and this figure falls to 4% in the following year, as seen in Figure 8.

Figure 8

#### Export outlook 2018-2020



# Results by areas



## 6. Results by area

### 6. RESULTS BY AREA

#### 6.1. Labor Market

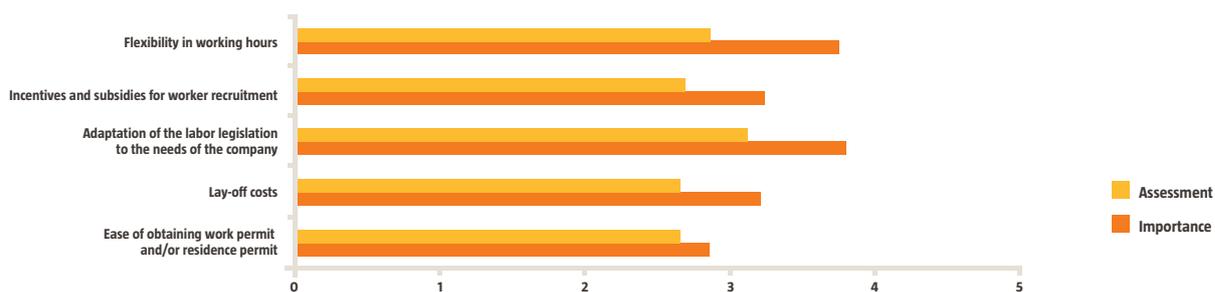
The Labor Market area is rated more poorly than last year, and presents the greatest room for improvement in the opinion of foreign investors.

The main problems highlighted in this edition involve the flexibility of working hours, which suffered the greatest decline in its score in the survey, and has already been pinpointed as one of the priority areas for action. Clear imbalances can also be seen in the incentives and subsidies for hiring employees, which, as in previous years, continues to be the lowest scoring aspect in this area. The failure of the labor legislation to adapt to companies' needs is another area with room for improvement, and also scores worse than last year.

Finally, the ease of obtaining work and residence permits does not appear to be a problem for investors, although this latter aspect is considered the least important.

Figure 9

#### Labor Market



## 6. Results by area

### 6.2. Taxation

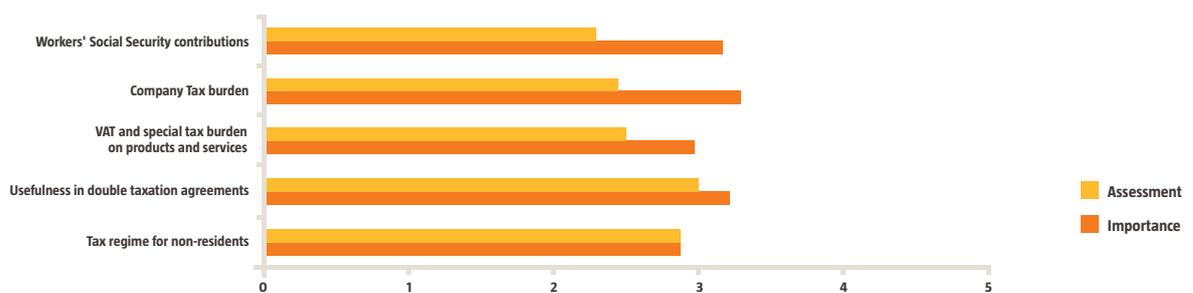
Taxation scored poorest in general terms, although it remains the same as last year.

As in previous years, the main difficulties continue to be employees' Social Security contributions, which is the most poorly rated aspect in the area –down significantly since the previous edition– and one of the most important in terms of taxation. The burden of company tax and VAT continue to show significant room for improvement.

Dual taxation agreements and taxation for non-residents do not appear to be seen as a problem by foreign investors in Spain, and their rating is maintained.

Figure 10

### Taxation



## 6. Results by area

### 6.3. Regulatory Environment

The Regulatory Environment is one of the areas with the greatest room for improvement in general terms in this edition, with imbalances in several aspects.

The bureaucratic burden on corporate operations continues to be the most critical aspect, with the second-worst score of the entire survey and down since last year. It has already been noted as one of the main and recurring priority areas for action.

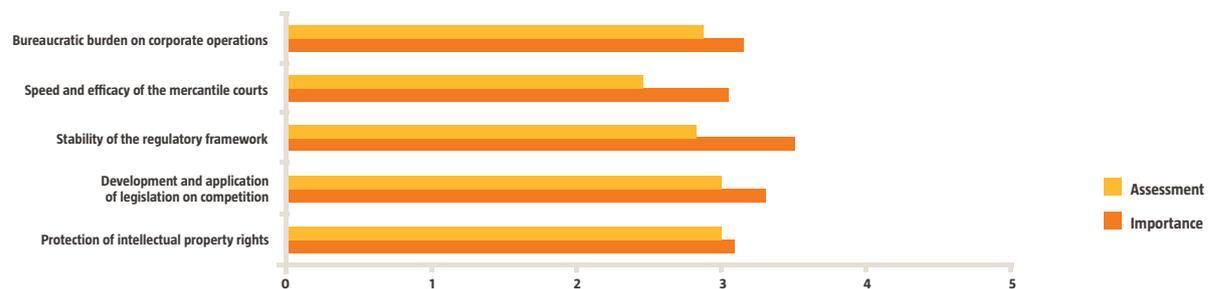
There is also substantial room for improvement in regard to the speed and efficacy of the mercantile courts, although the score for this aspect has risen significantly.

The stability of the regulatory framework is the most important issue for investors in this area, and a key aspect for attracting and retaining foreign investment. It continues to show room for improvement in 2019, and is still falling.

Protection of intellectual property rights does not appear to pose any problems, although its rating has declined in the opinion of the investors.

Figure 11

### Regulatory environment



## 6. Results by area

### 6.4. Infrastructures

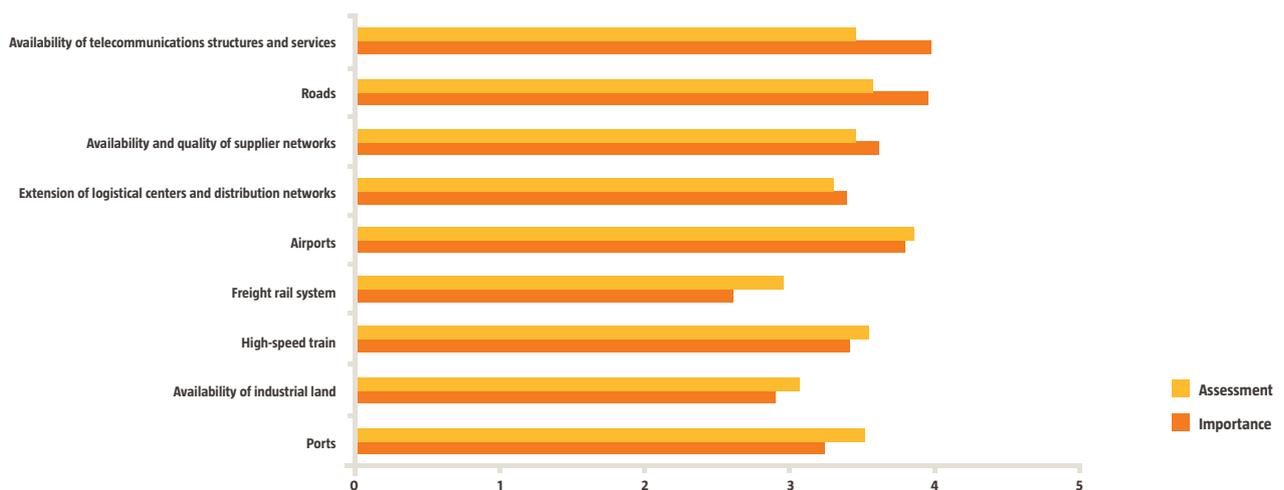
As in previous editions, the Infrastructure category obtains the highest rating of the whole Barometer, fully meeting the expectations of foreign investors in Spain.

Several of the aspects covered here, such as airports, roads, availability of telecommunications services and structures and the high-speed train, have already been indicated as some of the strengths at the general level of the study, the same as last year. The availability of telecommunications services and roads, however, reveals some room for improvement and these are the aspects investors consider most important in terms of infrastructures. The rating of the high-speed train is also lower, although it continues to fully meet investors' expectations.

Rail freight or the availability of industrial land, although not rated very highly, are the least important aspects for investors in this section and do not appear to pose any difficulties.

Figure 12

### Infrastructures



## 6. Results by area

### 6.5. Costs

Together with the Labor Market, the area of Costs shows the greatest margin for improvement, and the score for most of the aspects considered here has declined, albeit moderately. This is not the case of other energy costs, telephone and Internet costs and transport costs, which show a slight improvement.

As indicated earlier, the main concern is the cost of electricity, which is cited as the most important weakness at the general level of the study and one of the priority spheres of action. This is followed by other energy costs such as gas, diesel and gasoline, which are the third most poorly rated aspect in the whole survey, although they have improved since last year.

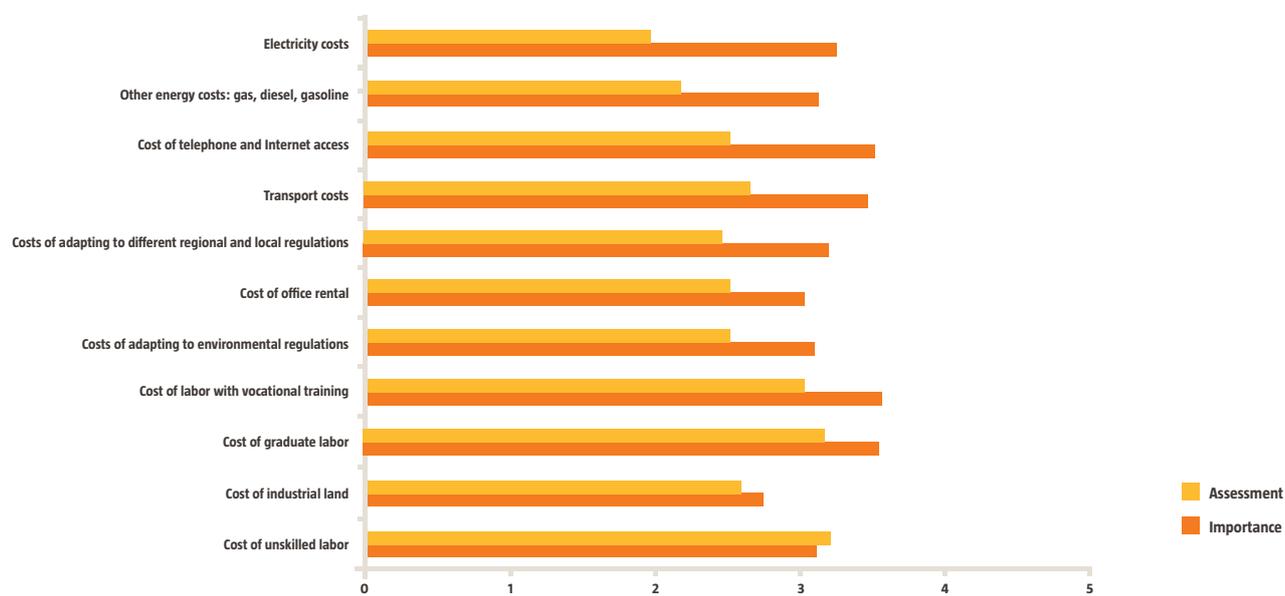
There is also significant room for improvement in telephone and Internet costs, transport costs and costs for adapting to the various regulations.

Investors continue to give a positive rating to the costs of both skilled and unskilled labor in Spain, and this is one of the reasons they cite for becoming established here.

It is important to mention that skilled labor is clearly more relevant for foreign investors in Spain, and that there is room for improvement in this regard. The workforce with vocational training has been separated from the university educated workforce. As can be seen in Figure 13, the investors consider there to be more room for improvement in the cost of professionally skilled labor, although the rating for the cost of university-educated workforce has declined more significantly.

Figure 13

### Costs



## 6. Results by area

### 6.6. Finance

Finance is once again the most poorly rated area by the investors, although it has improved slightly. It should be noted that this is also the least important block for the companies surveyed.

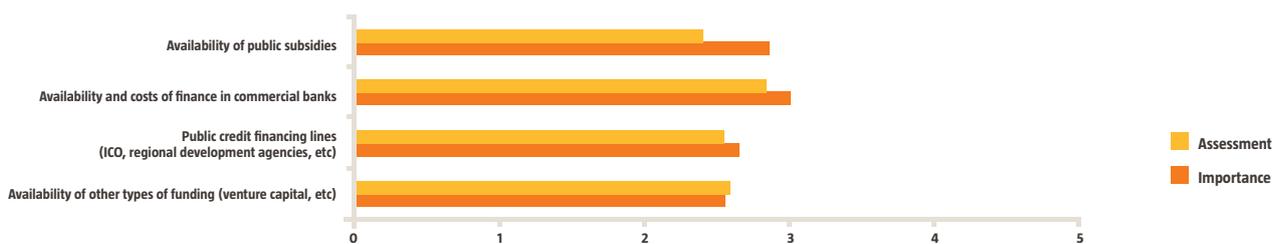
The main area for improvement continues to be the availability of public subsidies, although –unlike last year– the score is significantly higher.

The availability and cost of financing in commercial banks continues the clear consolidation begun in previous years, and also declines slightly in importance compared to 2018.

Public credit financing lines and the availability of other types of funding such as venture capital, although they also score poorly, do not appear to be seen as a problem by foreign investors.

Figure 14

### Finance



## 6. Results by area

### 6.7. Human Capital

The area of Human Capital is once again the most important for investors, and its score has remained positive and stable since 2018, although there are still clear imbalances.

As in previous editions, the three most important aspects in the whole survey in the opinion of investors fall into this category (learning capacity, language skills and acceptance of responsibilities and targets). All show a significant margin for improvement, as seen in Figure 15, with language skills and the acceptance of responsibilities and goals highlighted as two of the priority areas for action for this year.

The quality of both the vocational training and the higher education system both score higher than last year, although only slightly. The investors rate the university education system more highly than the vocational training system.

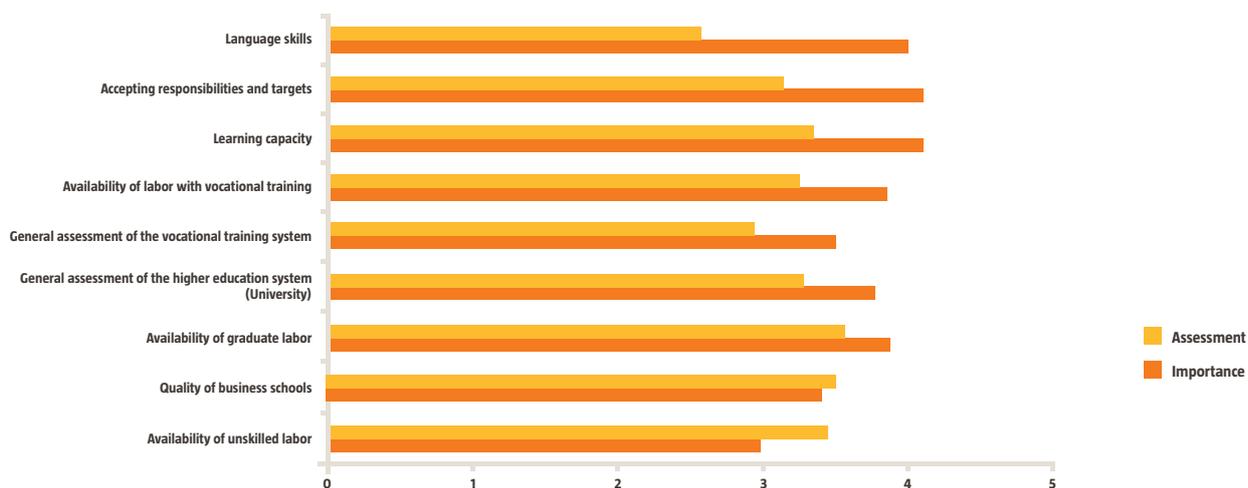
Again, it is interesting to note investors' different opinion of the availability of skilled and unskilled labor. Skilled labor is much more important to them, so efforts must be made to meet their expectations in this regard. The main gap is in the availability of professionally skilled labor, although the score for the availability of university-educated labor is lower.

The quality of the business schools and the availability of unskilled labor are two areas in which the investors' expectations are largely fulfilled. Business schools have seen a significant improvement in their rating.

As highlighted in the previous editions of the Barometer, aspects of Human Capital are essential for ensuring the country's competitiveness in the medium and long term, and it is therefore necessary to continue working in this area.

Figure 15

### Human Capital



## 6. Results by area

### 6.8. Innovation

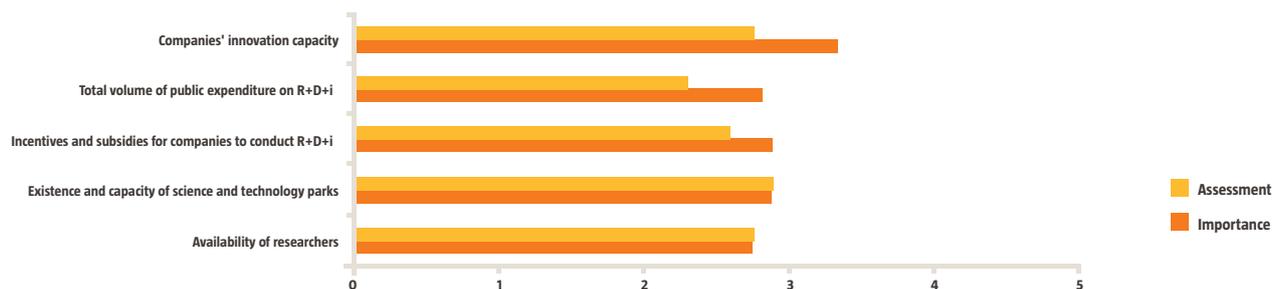
The area of Innovation is among the most poorly rated in general terms and offers a significant margin for action, although it is one of the areas that has improved most in this edition.

Companies' capacity for innovation, the total volume of public expenditure in R&D&I, and the incentives and subsidies for companies to engage in R&D&I continue to be the most relevant aspects and with the greatest room for improvement in regard to innovation, although the two last are more highly rated than in 2018. In any case, the volume of public expenditure in R&D&I is among the most poorly rated aspect in the whole survey, and a factor that is given great importance in international indexes for comparative analysis, such as the European Union's Innovation Scoreboard.

The presence of science and technology parks is the most highly rated aspect by investors in terms of innovation, and together with the availability of researchers, meets the needs of foreign companies. The rating of both these aspects has improved.

Figure 16

### Innovation



## 6. Results by area

### 6.9. Market Size

This is the second most important area for foreign investors, behind only Human Capital. It is very highly rated and is one of the main reasons that foreign companies in the survey choose to become established in Spain.

Both the access to foreign markets and the size of the local market were highly rated this year, remaining unchanged since the previous edition.

However, as can be seen in Figure 17, there is still room for improvement, particularly in the growth of the local Spanish market.

These two aspects are very important for investors and are repeatedly singled out as the main attractions for investing in Spain, so they deserve particular attention.

Figure 17

### Market Size



## 6. Results by area

### 6.10. Quality of Life

As in all the previous editions of the Barometer, the Quality of Life area is very positively rated, and has even improved slightly. It can be said to satisfy the expectations of foreign investors.

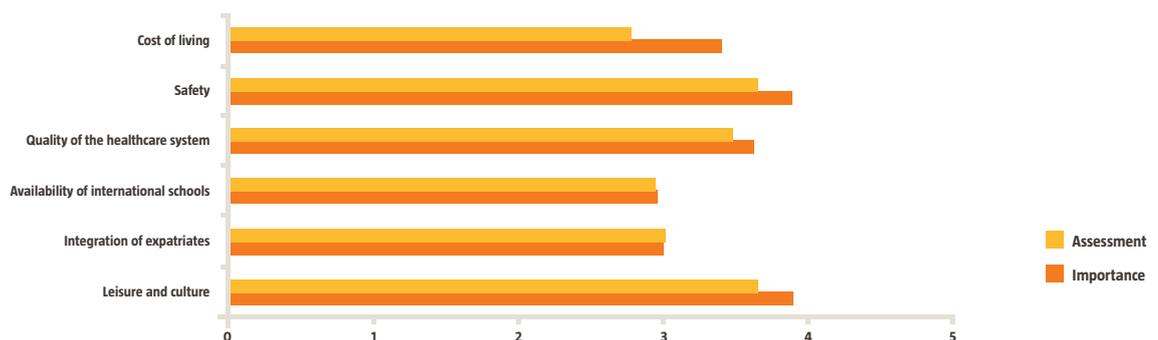
Cost of living is once again the main area for improvement as can be seen in Figure 18. Some progress can also be seen in safety, although this aspect, along with leisure and culture, is the most highly rated in the Quality of Life category, and one of the strengths of the study at the general level. However, it is also one of the most important aspects in the survey for the investors and thus deserves particular attention.

The quality of the healthcare system also scores very highly, along with the availability of international schools and the integration of expatriates, albeit with lower ratings, which appear to meet investors' expectations.

Leisure and culture is the second best rated aspect in the survey in general, showing a significant improvement since 2018, and once again appearing as among Spain's most notable strengths in the opinion of foreign investors.

Figure 18

### Quality of Life





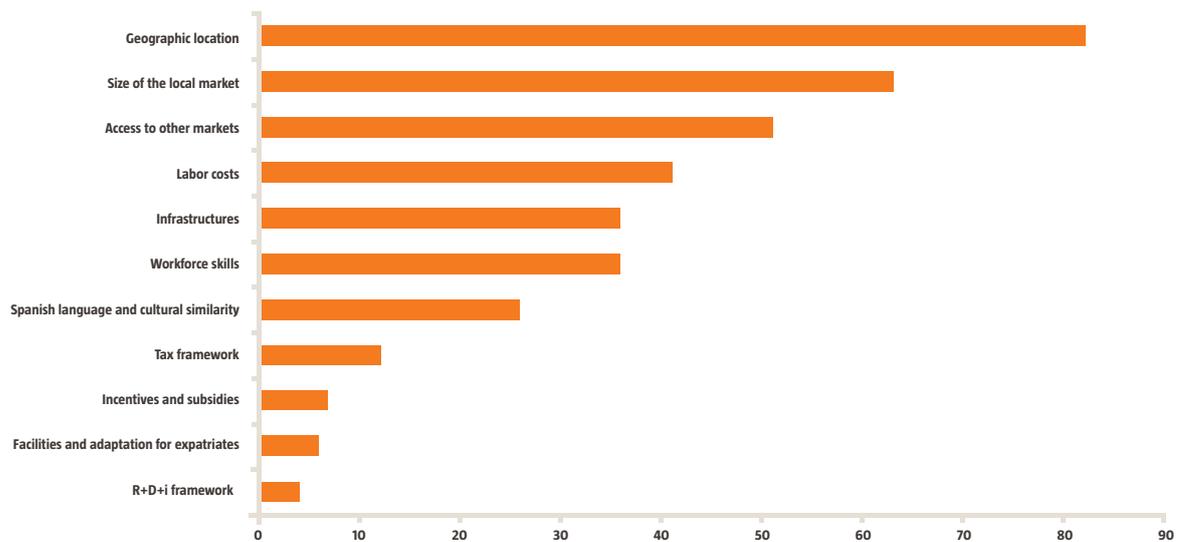
# Motives for setting up in Spain and measures required to increase investment

## 7. Motives for setting up in Spain and measures required to increase investment

When asked their motives for choosing to set up in Spain, the great majority of companies cited its geographic location and the size of and access to the markets. In addition to infrastructures, other important factors mentioned included labor, both in regard to its cost and the skills available.

Figure 19

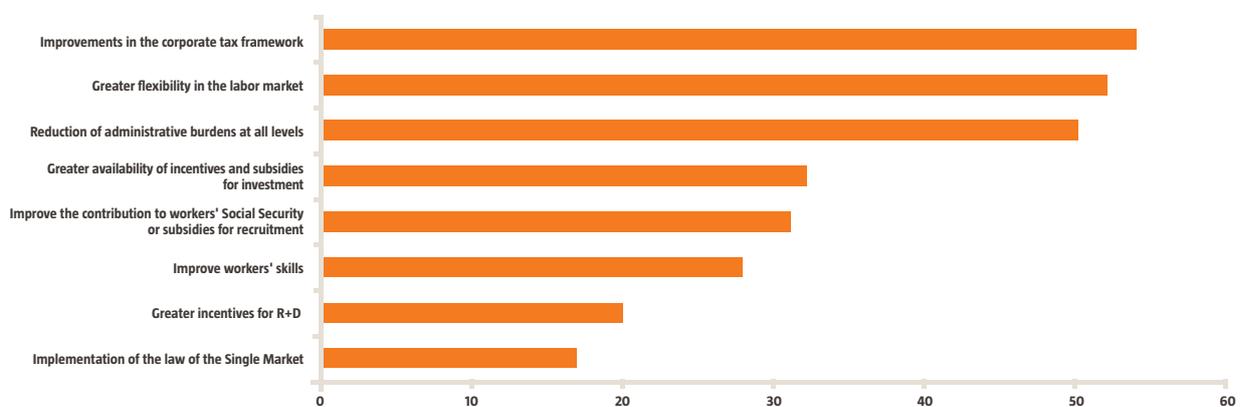
### Motives for setting up in Spain (percentage of companies indicating each motive)



When asked to cite the main measures driving the increase in their companies' investment in Spain, the respondents highlight above all the improvement in the tax framework, the greater flexibility of the labor market and the easing of administrative procedures, as in the previous year.

Figure 20

### Main measures for increasing investment (percentage of companies indicating each measure)



# Analysis by country

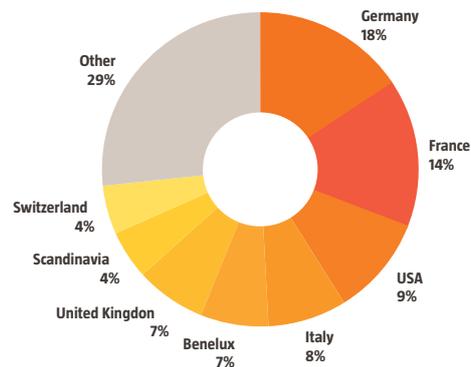


## 8. Analysis by country

### 8. ANALYSIS BY COUNTRY

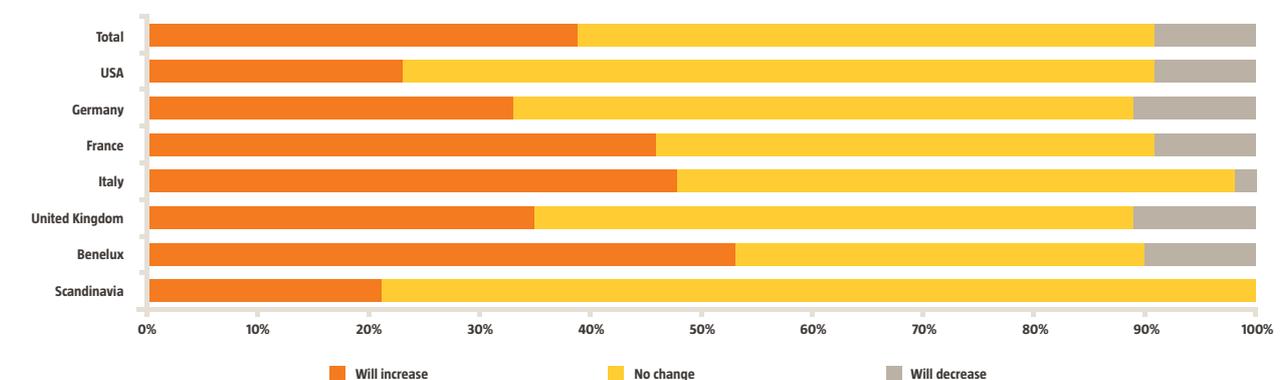
As in the previous year, this edition analyzes whether there are any significant differences in the investors' responses to certain questions depending on their country of origin. Although in general terms the responses are very similar regardless of the company's country of origin, there are some subtle differences that are highlighted below.

Most of the companies surveyed are from Germany, France, United States, and Italy, followed by Benelux, the United Kingdom, Scandinavian countries and Switzerland.



### 8.1. Investment outlook

In the study as a whole, 91% of the companies surveyed intend to increase or maintain their investments in Spain in 2019. Companies from Italy and Benelux plan to make slightly higher investments than the average increase for the companies surveyed. Companies from the United Kingdom and Germany have somewhat less favorable data, with fewer companies intending to increase investments. In regard to the previous edition, countries with German or British capital have slightly less positive forecasts, with more companies intending to reduce their investments, unlike companies with Italian capital, whose investment forecasts are generally more favorable.



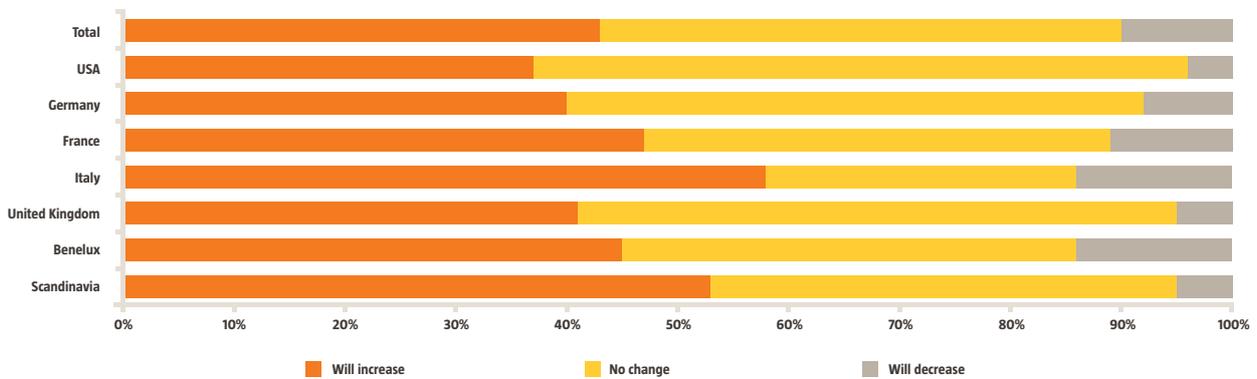
## 8. Analysis by country

### 8.2. Staffing outlook

With regard to the predicted number of employees in Spain in 2019, the percentage of companies expecting to increase or maintain their workforce has risen to 90%. The workforce forecasts for Scandinavian countries are significantly higher than average, as are those of American and British companies, while the forecasts for Benelux countries are slightly below average.

Figure 23

#### Staffing outlook by country

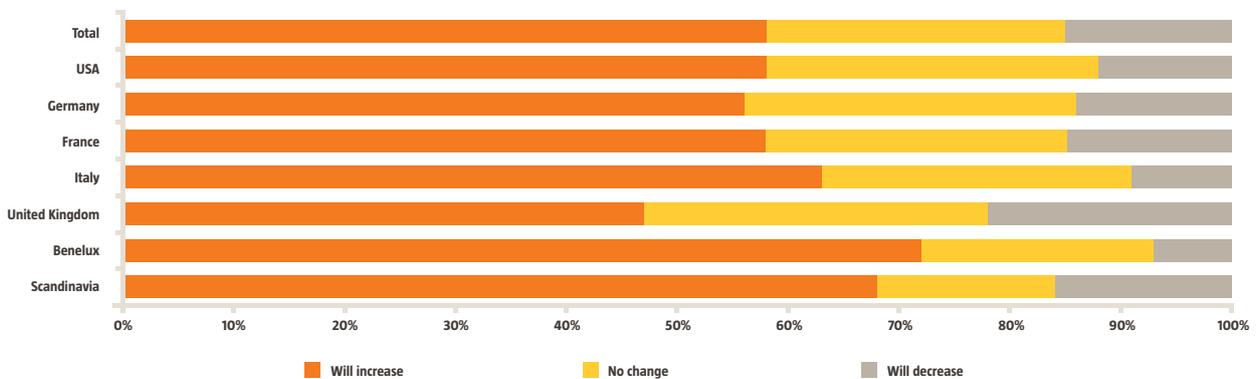


### 8.3. Invoicing outlook

90% of respondents expect to increase or maintain their invoicing in 2019. Companies from Italy and Benelux have more favorable outlooks for 2019. Companies from the United Kingdom have the least positive forecast in terms of invoicing.

Figure 24

#### Invoicing outlook by country



## 8. Analysis by country

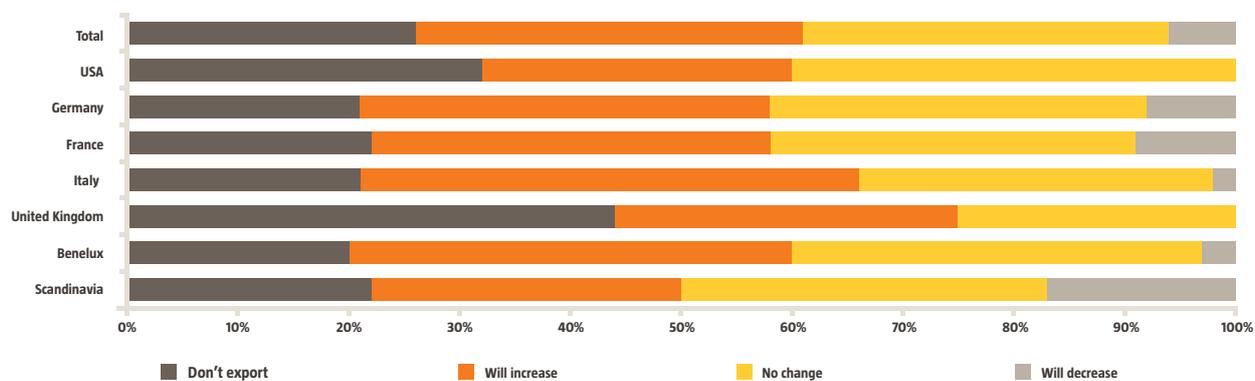
### 8.4. Export outlook

The final category in the outlook section is exports. 74% of the foreign companies surveyed export to third markets from Spain, the same percentage as last year. In this case, companies from Germany, Benelux, Italy and France have the highest export profile.

35% of companies plan to increase their exports in this period, while 32% will continue the same export trend as in previous years. Only 6% of companies plan to reduce their exports in 2019. Companies from Italy and Benelux have the highest percentage of respondents planning to increase their exports, while the outlook for companies with Scandinavian capital is lower than average.

Figure 25

#### Export outlook by country



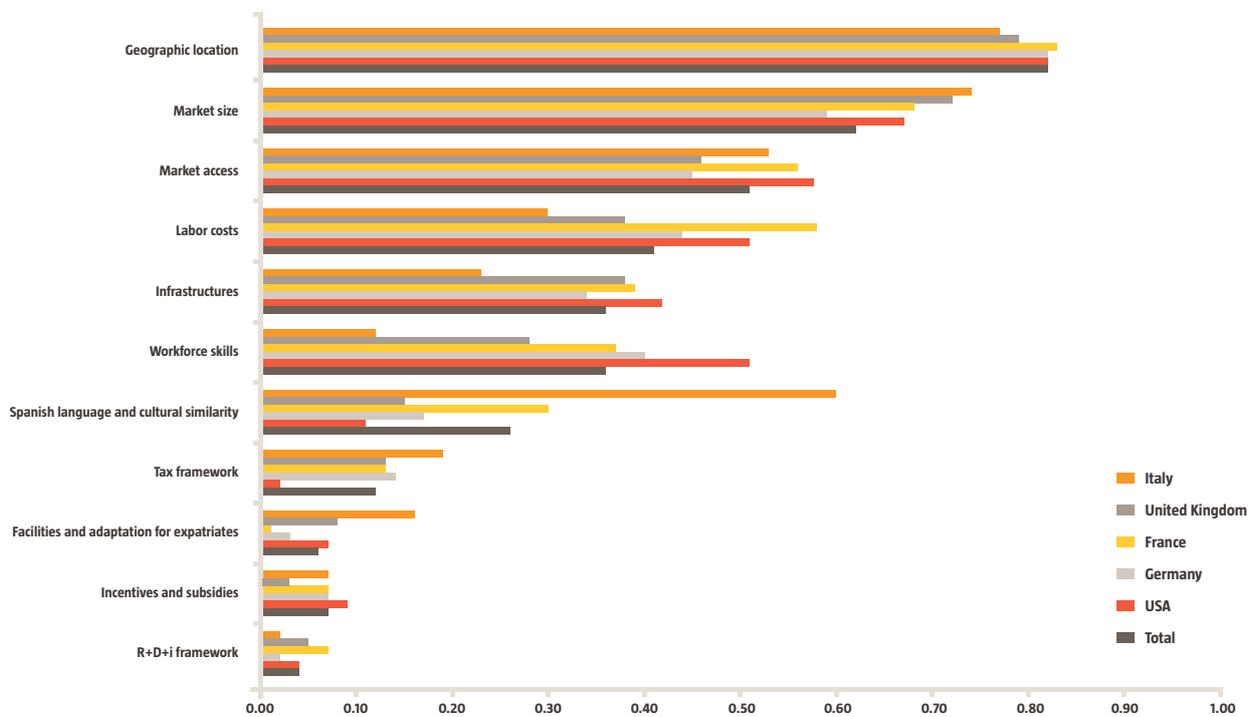
## 8. Analysis by country

### 8.5. Motives for setting up in Spain

Although all the groups represented cite geographic location, market size and access to other countries as the main reasons for becoming established in Spain, there are some significant differences. Companies from the United States, for example, give above average importance to the availability and costs of skilled labor. Companies from Italy and the United Kingdom give a higher than average rating to the size of the local market, and in the case of Italy particularly, cultural similarities and the Spanish language are cited as the main reasons for setting up in Spain. Companies with French capital give greater priority to labor costs.

Figure 26

#### Motives for setting up in Spain by country



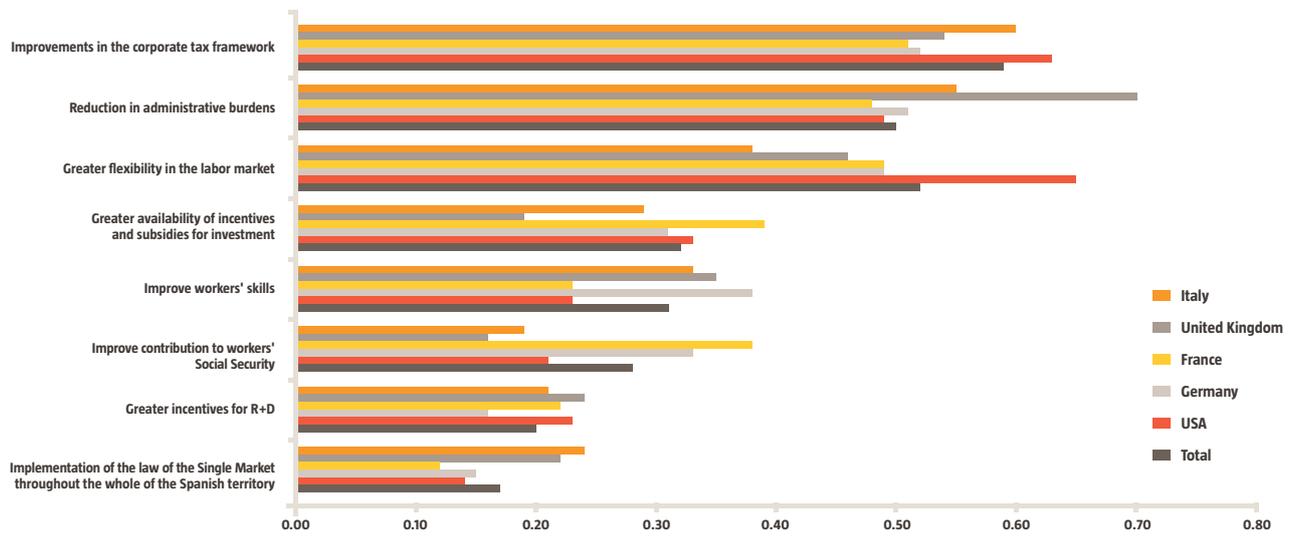
## 8. Analysis by country

### 8.6. Measures that would contribute most to increasing their company's investment in Spain

Although practically all the country groups concur in pointing to improvements in the tax framework, a reduction in the administrative burden and the greater flexibility of the labor market as the three priority measures required, there are some interesting differences. For example, American companies give a higher than average rating to improvements in the taxation framework and particularly to the flexibility of the labor market. British companies give significantly above average importance to the reduction in the administrative burden, and a lesser priority to incentives and subsidies for investment. Italy also highlights the importance of improving the taxation framework. Finally, companies with French capital give above average importance to improving workers' skills and the availability of incentives.

Figure 27

#### Measures that would most contribute to increasing investment in Spain by country



# Methodology



# Methodology

The Barometer has been compiled jointly by ICEX, Multinacionales por marca España, and the International Center for Competitiveness (ICC) at the IESE.

The same structure and questions have been maintained in this edition as in previous years.

As in previous editions, the methodology followed is the completion of a questionnaire by qualified managers of the foreign companies currently operating in Spain. This year, over 580 responses were obtained.

To ensure the continuity of this study, since 2007 the following areas in the questionnaire have been classified into four major groups: General Panorama in Spain, Costs, Infrastructures and Resources and Quality of Life. Spain's average score is calculated from the average of the scores obtained in each of these four groups.

## **1) GENERAL PANORAMA IN SPAIN**

**Labor Market**

**Regulatory Environment**

**Market Size**

## **2) COSTS**

**Costs**

**Taxation**

**Finance**

## **3) INFRASTRUCTURES AND RESOURCES**

**Infrastructures**

**Human Capital**

**Innovation**

## **4) QUALITY OF LIFE**

The questionnaires explore both the companies' score for Spain in each aspect and the importance they give to each factor, so the results can be weighted according to companies' real interests.

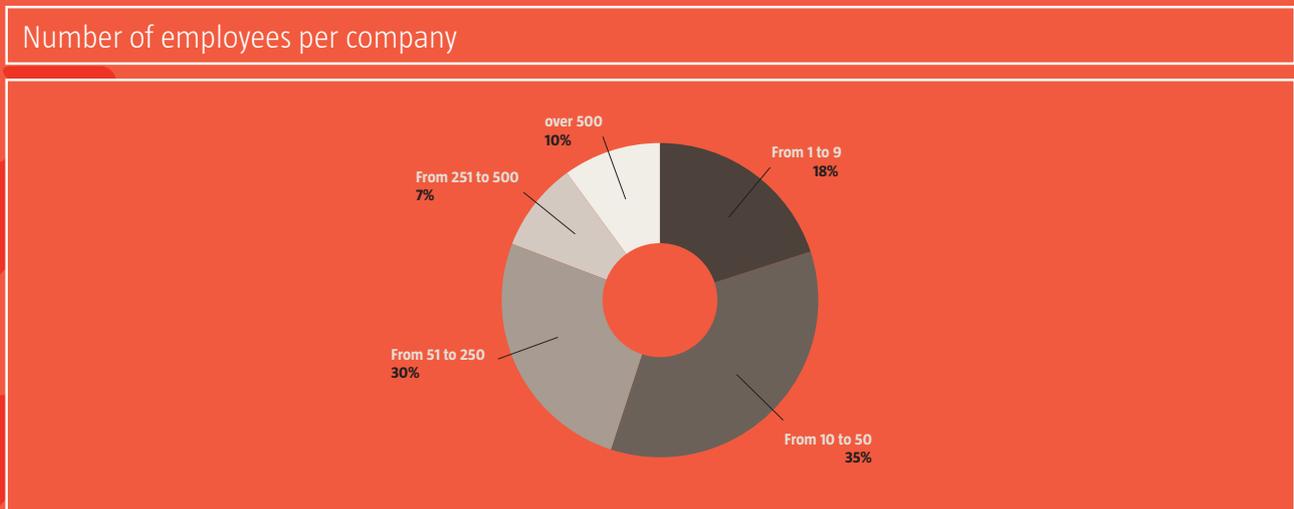
In each question the respondents are asked to assign a score of 1 to 5 to the importance this aspect has for their company, and a second score using the same scale for how they would rate Spain's performance in this aspect. Any questions that reveal a significant gap between the importance and the weighted rating given by the respondents have been highlighted as priority spheres of action, as they are understood to fall short of the expectations of foreign investors in Spain.

# Appendix

## APPENDIX 1: PROFILE OF THE COMPANIES SURVEYED

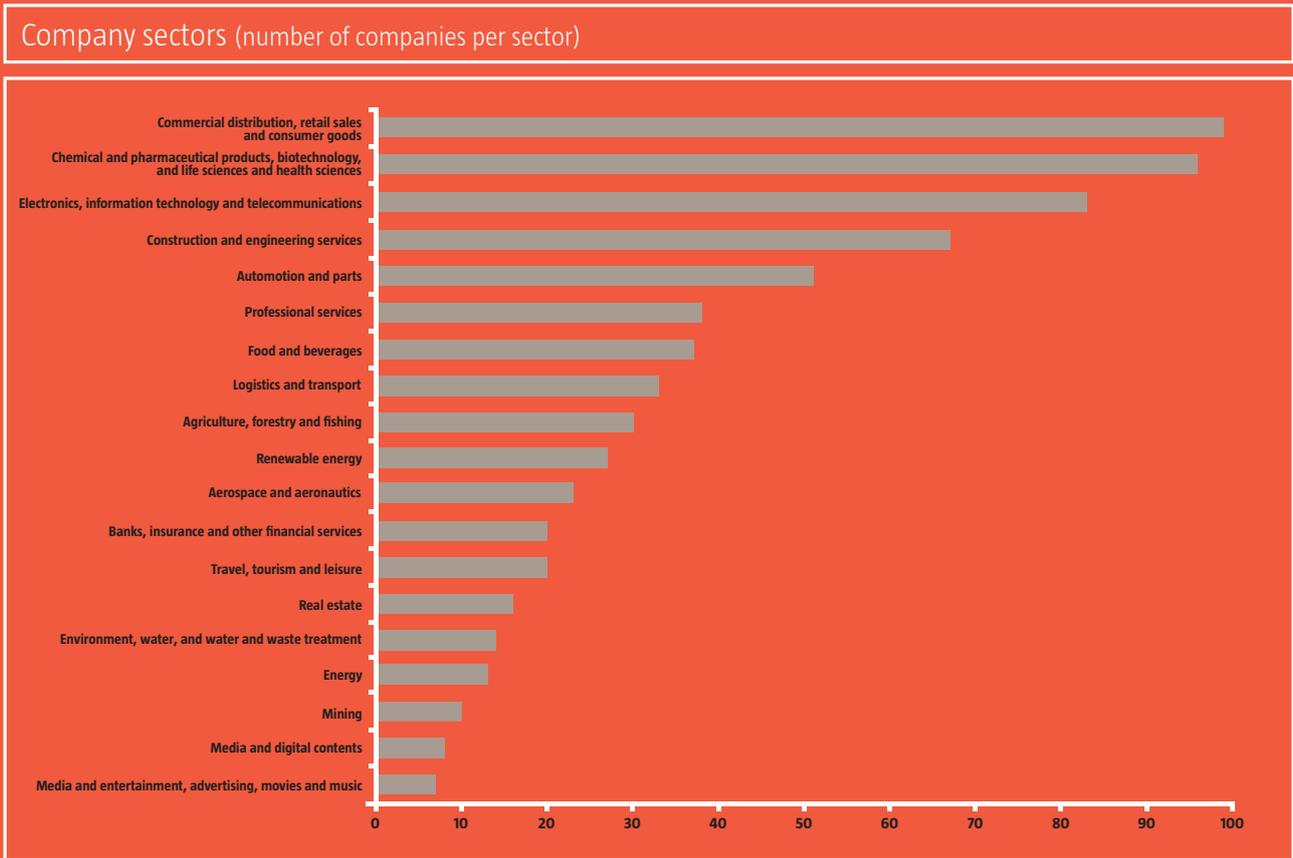
The companies taking part in the study have a fairly heterogeneous profile, and companies of all sizes are represented; however, there is a significant component of companies with up to 250 employees, as can be seen in Figure 28.

Figure 28



The sectors represented in the sample are very diverse, as shown in Figure 29. The sector with the greatest representation is commercial distribution, followed by chemical products and electronics, and IT and telecommunications.

Figure 29



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