



Barometer of the Business Climate in Spain

From the Foreign
Investor's Perspective

Results 2022



International
Center for
Competitiveness





Contents

1. Presentation	3
2. Executive Summary	5
3. Context	7
4. General results	10
4.1. General rating	11
4.2. Main strengths and weaknesses	12
4.3. 2021-2022 Comparison	13
4.4. Main areas for action	14
5. Prospects of foreign companies in Spain	15
5.1. Investment prospects	16
5.2. Employment prospects	16
5.3. Turnover prospects	17
5.4. Export prospects	17
5.5. Impact of the war in Ukraine on the company's revenue	18
5.6. Aspects most affected by the consequences of the war in Ukraine	18
5.7. Importance for companies in accessing Recovery Funds	19
6. Results by area	20
6.1. Labour Market	21
6.2. Taxation	22
6.3. Regulatory Environment	23
6.4. Infrastructure	24
6.5. Costs	25
6.6. Financing	26
6.7. Human Capital	27
6.8. Innovation	28
6.9. Market Size	29
6.10. Quality of Life	30
7. Reasons for setting up in Spain and measures needed to increase investment	31
8. Sustainability goals	33
8.1. Companies with a Sustainability Strategy	34
8.2. Priority Sustainability Goals	35
8.3. Measurement and monitoring mechanisms	36
8.4. Conditions in Spain for the development of Sustainability Strategies	36
9. Analysis by country	38
9.1. Investment prospects	39
9.2. Workforce prospects	40
9.3. Turnover prospects	40
9.4. Export prospects	41
9.5. Reasons for locating in Spain	42
Methodology	43
Appendix 1: profile of surveyed companies	45
Appendix 2: sectoral analysis	47

Presentation



1. Presentation

1. Presentation

This is the 15th edition of the “**Spanish Business Climate Barometer survey of Foreign Investors**”, which has now become a flagship publication in Spain.

The 2022 edition contains an assessment of the business climate in Spain during the 2022 financial year, as seen by more than 720 foreign companies. Following generally established criteria, a foreign-owned business is considered one where its foreign capital accounts for more than 10% of its total capital.

Its forecasts for 2023 are also included. This provides an overview in the medium term of the strengths that need to be maintained and the main areas for action where further efforts must be focused.

In the previous edition, a specific chapter on sustainability was included, which analyses the sustainability strategies of foreign companies in Spain, the main Sustainability Goals and the degree to which conditions in our country favour the achievement of these objectives. This chapter has been maintained in this edition and a background section has been included, analysing the impact of the war in Ukraine on different business aspects.

Investing firms reported very positive performances in 2021, although the closing figures for 2022 and the forecast for 2023, despite remaining positive, have been affected by the uncertainty of the political and economic situation internationally.

Looking to 2023, in general, investment and export trend estimates for these companies have been maintained for the most part, although there has been a slight drop in the number of companies that believe that turnover and employment will grow.

The Barometer has been jointly compiled by ICEX-Invest in Spain, Foreign Multinationals for the Spain brand and the *International Center for Competitiveness* (ICC) at the IESE Business School.

The role of the Executive Management at Invest in Spain-ICEX is to promote and attract foreign investment. Its mission is to promote, attract and maintain foreign investment in Spain, as well as reinvestment from established foreign companies, serving as a reference point for foreign companies and a point of contact for state, regional and local institutions engaged in promoting and attracting investment.

ICEX also performs activities to position Spain as a global platform for international investment and business. Another area for action for ICEX is improvement of the business climate in Spain through ongoing talks with other ministerial departments and business associations and companies, located in Spain, both Spanish and foreign owned.

Foreign Multinationals for the Spain brand is an association comprising multinational companies from various sectors operating in Spain who wish to demonstrate their commitment to Spanish society and the Spain brand. Among other functions, the association fosters collaboration with the Spanish public authorities to promote the Spain brand and champion the common interests of the country. It also serves as a conduit for relaying aspects to the heads of these government institutions that are most highly valued by multinationals when making their decisions, in order to ensure Spain's place as a trusted destination where they can conduct their operations.

The IESE (Institute of Advanced Business Studies) is an institution dedicated to teaching advanced business studies. The ICC is one of its research centres, its mission being to promote strict learning and research in the field of competitiveness and its implications in different areas. Headed by Professor Pascual Berrone and established in collaboration with the *Institute for Strategy and Competitiveness* under Professor Michael Porter at Harvard University, the ICC places particular emphasis on the European Union and its role in creating a favourable business climate.

Executive Summary



2. Executive Summary

2. EXECUTIVE SUMMARY

Spain's rating has dropped slightly compared to 2021

The results of this edition of the Spanish Business Climate Barometer – with an average rating of 2.9 out of 5 – are one tenth lower than in the previous edition, reflecting the complicated current backdrop and the impact of the war in Ukraine.

The areas most highly rated by foreign companies are Infrastructure, Market Size and Human Capital

As in previous years, the most important area for managers this year was Human Capital, followed by Market Size. Other important areas are the Labour Market and Infrastructure.

The managers consulted gave the highest scores to Infrastructure, followed by Market Size and Human Capital. It is positive that the highest-rated areas are once again this year the most important areas for managers.

Amongst the lowest-rated areas in this edition, it is worth mentioning Costs, followed by Taxation and the Regulatory Environment. The areas with the greatest imbalances between the ratings they receive and the importance they have for foreign companies are Labour Market, Costs and Taxation.

Foreign companies in Spain believe that action should be taken in certain aspects related to Costs (such as electricity and energy as a whole, which are a couple of the main concerns in this edition) or the Labour Market (such as adapting labour legislation to the needs of companies). Human Capital aspects are also considered essential and positively rated as a whole, although there is room for improvement in several areas, such as language skills, or the acceptance of responsibilities and objectives. The area of Infrastructure on the other hand was rated in line with the degree of importance attached to it, with companies' expectations generally being met.

Forecasts for investment, turnover, creation of employment and total exports for 2022 and 2023 are very positive, although they reflect the uncertainty of the political and economic backdrop

Investment prospects for 2022 by foreign companies in Spain are positive, although somewhat down on 2021. Thus, 84% of the companies surveyed increased or maintained their investments in 2022, compared to 88% in 2021. For 2023, 84% of companies plan to increase or maintain their investments.

Employment prospects have improved compared with 2021. In 2022, 91% of companies increased or maintained their workforce, with just 9% seeing a decrease in size, compared to 12% in 2021. For 2023, 91% of foreign companies plan to increase or maintain the size of their workforce.

Turnover prospects in Spain reflect the complicated economic backdrop at present, as well as future uncertainty. In 2022, 83% of companies increased or maintained their turnover in Spain, compared to 82% in 2021. In 2023, 80% of foreign companies expect to increase or maintain their turnover, although the percentage that expect to record an increase has dropped from 59% in 2022 to 49% in 2023.

Finally, in regard to total exports, 70% of the foreign companies in the survey export from Spain to third markets. The outlook is positive, although slightly down on 2021. In 2021, just 8% of companies saw a downturn in their exports; and this is expected to increase to 10% in both 2022 and 2023.

Context



3. Context

3. Context

As is the case each year, the 2022 edition of the Spanish Business Climate Barometer survey of Foreign Investors has been prepared on the basis of responses provided by 720 foreign company managers established in Spain. These correspond to a survey designed in such a way that its results offer a structured image of the importance and opinion of respondents in relation to different aspects of the business climate in which they undertake their business activities in our country.

This is the fifteenth edition of the Barometer, meaning that there is now enough background to affirm that the political, economic and social context at the time the responses to questionnaires are filled in has a decisive impact on the results.

However, in recent years, certain exogenous factors have seen the context assume a much more significant role than would normally be the case. Brexit and the Covid-19 pandemic had a decisive effect on the previous editions of the Barometer. This year we have seen how another exogenous factor—the Russian aggression in relation to the territorial integrity of Ukraine—has become a decisive contextual factor in relation to the results of the Barometer.

The biggest attack on a European state since the Second World War has generated a context of maximum uncertainty in the global economy which has had a severe impact on inflation, resulting in a normalisation of monetary policy on both sides of the Atlantic and aggravating the disruption to global supply chains that are still shaken by the pandemic and have not recovered to precoronavirus levels. All these circumstances have dragged down the robust growth seen by the Spanish economy in 2021.

However, it is not all bad news. The geographical distance to the epicentre of the conflict and its reduced exposure to the impact on energy and commerce are just a couple of the reasons that have seen Spain continue to grow at a considerable pace. The forecasts of international bodies anticipate growth in the Spanish economy of around 4.5% for 2022. For 2023, the outlook is for the Spanish economy to continue growing and, although growth will be more moderate, it will remain above average for the Eurozone and its main partners.

Foreign trade has been one of the main catalysts of this economic growth. Spanish exports of goods between January and September 2022 grew by 24.7% year-on-year, amounting to 286.7 billion euros and setting a new record in the process. Exports also grew in terms of volume by 4.8%.

This is the context depicted in the responses of representatives of foreign companies established in Spain and that must be taken into consideration when interpreting the results of the Barometer for this year.

But the context has not only crept into the responses to the questionnaires, it has also influenced the very methodology of this report. The 2022 edition of the Barometer includes two context questions about the consequences of the outbreak of war in Ukraine, first of all in relation to company profits, and secondly asking respondents about the aspects of company management most affected by the consequences of the war.

These aspects take the place of questions about Covid-19 in the previous editions of the questionnaire and that have been removed from the 2022 edition as a result of the health situation having mostly returned to normal.

However, the analysis of foreign companies' Sustainability Goals in Spain has been maintained in the report following its inclusion for the first time in 2021.

The decision to keep these questions about sustainability in the Barometer this year reflects the belief that the commitment to sustainable development, as defined in the UN's 2030 Agenda, whose pillars are economic growth, social progress and environmental balance, is not a backward step but rather a priority for both the public sector and for an increasing number of private companies.

3. Context

But this is not the only argument for including a chapter on sustainability in this edition of the Barometer. The launch of the Recovery, Transformation and Resilience Plan by the Spanish Government, which aims to promote a structural transformation process in the Spanish economy in the medium term, and leading to more sustainable and resilient development in the long term from an economic and financial, social, regional and environmental point of view, also justifies the decision of this Barometer to once again include this section that considerably enriches its content.

Foreign-owned companies established in Spain can be involved on equal terms with Spanish-owned companies in the business opportunities arising from this Plan.

Foreign-owned companies established in Spain receive the same legal treatment as Spanish companies, regardless of their origin or size. In fact, according to the OECD's FDI Regulatory Restrictiveness Index, Spain is the ninth most open to foreign investment among developed countries from a regulatory point of view.

This is one of the factors that explains the extraordinary performance seen in terms of direct foreign investment received by Spain over the past decade. Despite the difficult economic times being experienced by some multinationals as a result of the conflict on Ukrainian soil, this growth trend has remained unchanged in 2022. During the first six months of 2022, foreign investment in Spain amounted to 15.66 billion euros, which not only represents a growth of 87.7% compared to the same period in 2021, but also an increase of 4.6% compared to the average over the past five years.

FDI statistics are not only quantitatively strong, they are also qualitatively strong, as can be seen in the figures related to greenfield projects, which are the most interesting type of FDI project from an economic perspective as they involve the construction of new facilities and recruitment of new employees.

According to FDI Markets, the greenfield project database managed by the Financial Times Group, Spain received 636 foreign greenfield projects in 2022, ranking fifth worldwide in terms of the most greenfield projects received, ahead of world powers like Germany, China, France and Japan.

Spain has also recorded very promising figures when it comes to more advanced and productive foreign investment. In fact, in 2022, Spain ranked third in terms of greenfield projects received in the Renewable Energy industry, third in terms of ICT sector and Internet infrastructure projects received and fourth in terms of the receipt of projects involving research and development.

These figures demonstrate the attention that must be paid to foreign investment in Spain. The Barometer aims to gauge the pulse of foreign investment as regards its perception of the Spanish business climate by using a practical approach; aiming to serve as a tool that may be useful to both the Government in its regulatory functions and for companies and investors in the complex decision-making process that direct investment entails.

General results



4. General results

4. GENERAL RESULTS

4.1. General rating

Figure 1 shows the level of importance and the score given by foreign companies to each of the ten areas covered by the 2022 Business Climate Barometer.

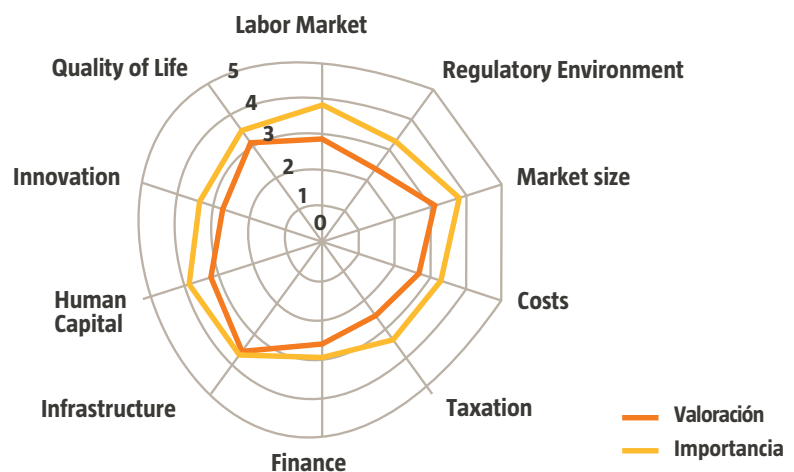
Foreign companies continue to place the greatest weight on Human Capital, followed by Market Size, the Labour Market and Infrastructure. The least important in the opinion of managers is once again Financing.

The managers consulted gave the highest scores to Infrastructure, followed by Market Size and Human Capital.

Amongst the lowest-rated areas in this edition, Costs are worth a special mention, followed by Taxation and the Regulatory Environment.

The areas with the greatest imbalances between the rating they receive and the importance they have for foreign companies are the Labour Market, Costs and Taxation. The area of Infrastructure, on the other hand, was rated in line with or similar to the degree of importance assigned to it, with companies' expectations generally being met.

Figure 1
Importance and scores
by area in 2022



4. General results

4.2. Main strengths and weaknesses

Spain's main strengths in the opinion of foreign companies are shown in Figure 2.

As in previous editions, aspects related to Infra-structure stand out. The managers consulted rated the quality of airports, roads, telecommunications services and structures, ports and the high-speed train very highly. Certain aspects of Human Capital are also worth noting, such as the availability of a skilled workforce, in this case with university qualifications, and their learning capacity, considered very important variables by the managers consulted.

Conversely, Figure 3 shows the weaknesses noted by the managers consulted.

The cost of electricity and other energy, such as gas, diesel or petrol, are the areas receiving the lowest scores, although the cost of transport is also included amongst the least favourable aspects. Other weaknesses relate to aspects of the Regulatory Environment, such as the speed and efficiency of the commercial courts and bureaucracy. Finally, mention must be made of tax aspects related to work, such as Social Security contributions for workers and the volume of public expenditure on R&D&I.

Figure 2

Main strengths

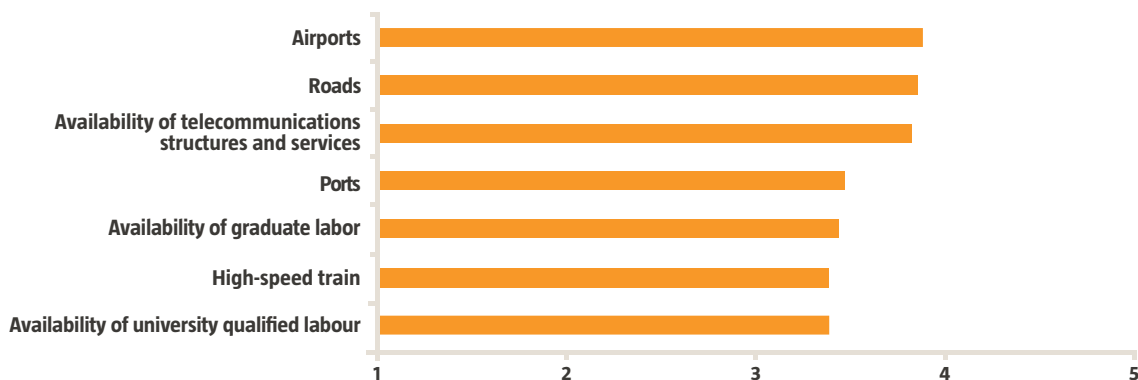
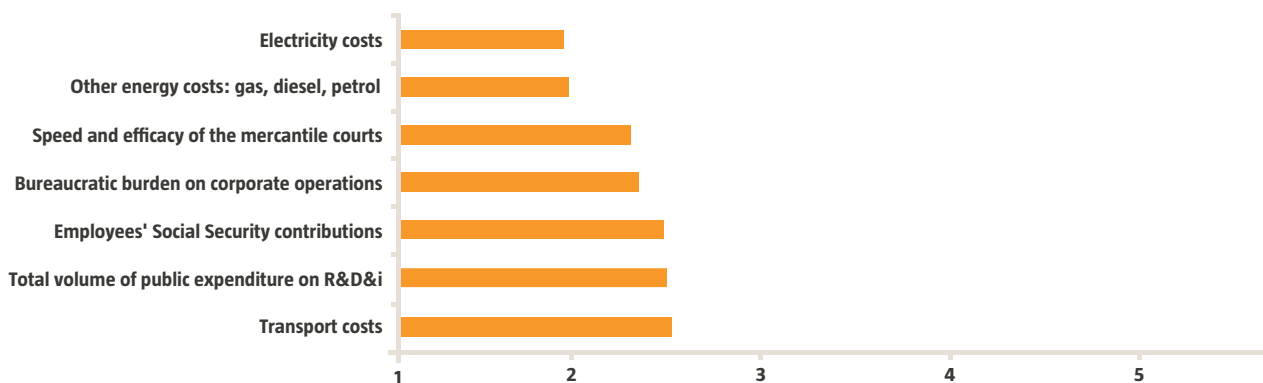


Figure 3

Main weaknesses



4. General results

4.3. 2021-2022 Comparison

The 2022 score is slightly down on the previous year although it remains higher than in 2020.

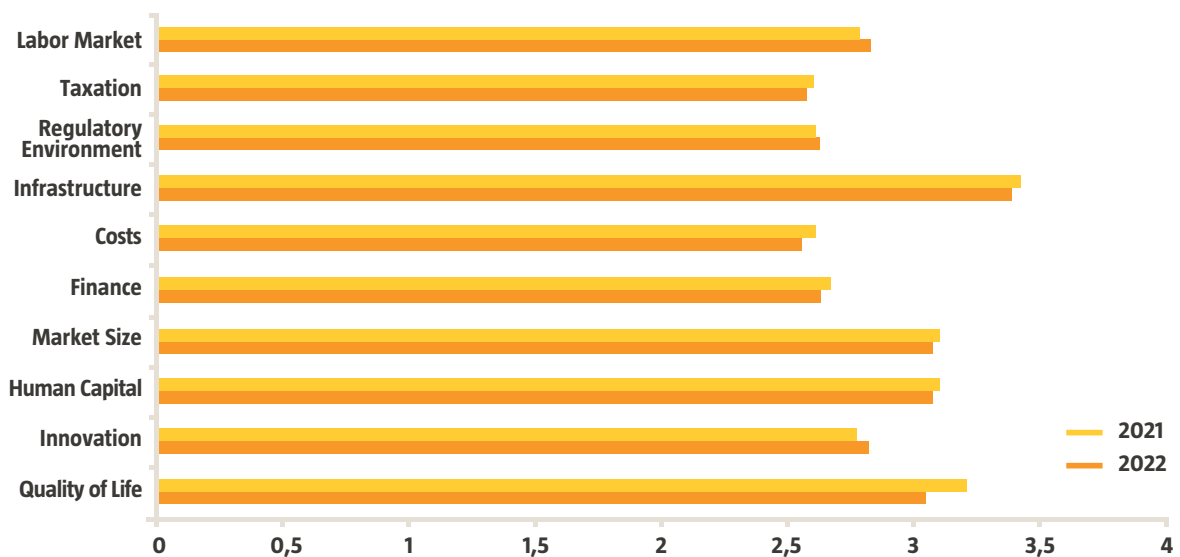
The main drop was in Quality of Life, which, despite remaining very good in general terms, decreased in all areas, with a special mention given to the cost of living.

Costs also dropped significantly in the ranking, mainly dragged down by the cost of energy, as well as Financing.

The Labour Market improved in 2021 thanks to the continuous positive evolution in relation to the flexibility of working hours. There was also a slight improvement in the score given to Innovation.

Figure 4

Comparison of scores 2021-2022



4. General results

4.4. Main areas for action

The priority areas of action have been selected based on the size of the gap between the importance attributed to them by the managers consulted and their weighted score. It should be noted that five of the resulting action areas this year are the same as in the last edition (language proficiency, electricity costs, acceptance of responsibilities and targets, matching labour legislation to companies' needs and Social Security contributions for workers). Another aspect that is causing significant concern—the cost of energy—has been added in this edition.

1. Language skills

Language skills remain one of the main problems in the opinion of the managers consulted. Although this factor has continued to improve in recent years, it is the third-most important aspect of the entire survey in the opinion of the managers consulted and continues to show significant room for improvement. Human Capital aspects are the most important for the managers consulted and fundamental for the medium and long-term competitiveness of the country.

2. Electricity costs

The cost of electricity is once again the worst scoring factor of the entire survey, reflecting the concern shared by the managers consulted in relation to this topic. Its score has dropped once again, although not by quite as much as in the previous edition. Emphasis must be placed once again on the impact of this aspect in relation to the competitiveness of companies, particularly in the industrial sector.

3. Acceptance of responsibilities and objectives

The acceptance of responsibilities and objectives is the second-most important aspect for the managers consulted, second only to learning capacity. Although the score given is positive, there is a significant gap between the importance and the score given, meaning it should be considered one of the main areas for action.

4. Adaptation of labour law to the needs of the company

This aspect was the aspect that improved the most in the last edition, probably thanks to the action taken during the pandemic to maintain employment as part of the furlough scheme. This time around, the score remains the same, ranking as the fifth-most important aspect in the survey, meaning it should continue to be considered a priority area of attention.

5. Other energy costs: gas, diesel, petrol

The rating of energy costs, such as gas, diesel and petrol clearly reflects the situation generated by the war in Ukraine and the upturn in energy prices in recent months. This variable suffered one of the biggest decreases in the entire study, with almost three tenths chopped off its score since last year, and it appears to be one of the main general weaknesses in the study.

6. Employer Social Security contributions

This is the fifth-worst scoring aspect in the survey and once again appears amongst the main general weaknesses and the main areas for action. The managers consulted have attached increasing importance to this issue in recent years and do not consider that their expectations are being met.

Prospects of foreign companies in Spain



5. Prospects of foreign companies in Spain

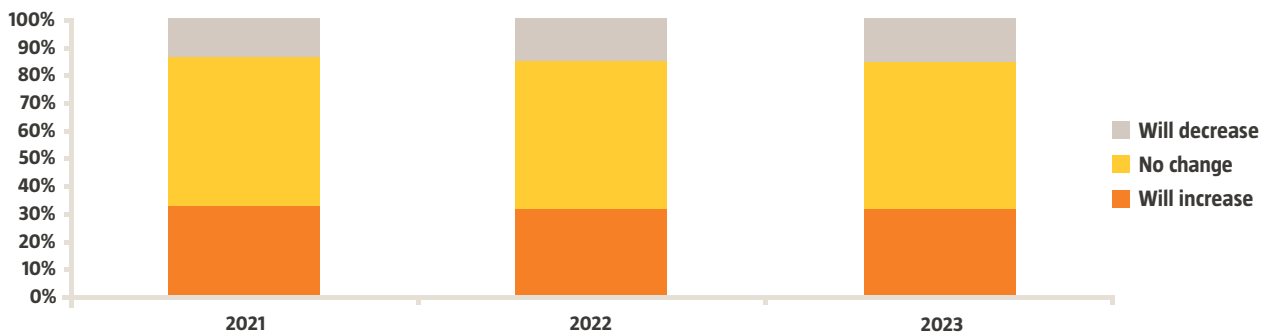
5. PROSPECTS OF FOREIGN COMPANIES IN SPAIN

5.1. Investment prospects

The investment prospects for 2022 as seen by foreign companies in Spain are positive, although they are slightly down on 2021. Thus, 84% of the companies surveyed increased or maintained their investments in 2022, compared to 88% in 2021. For 2023, 84% of companies plan to increase or maintain their investments.

Figure 5

Investment forecast 2021-2023

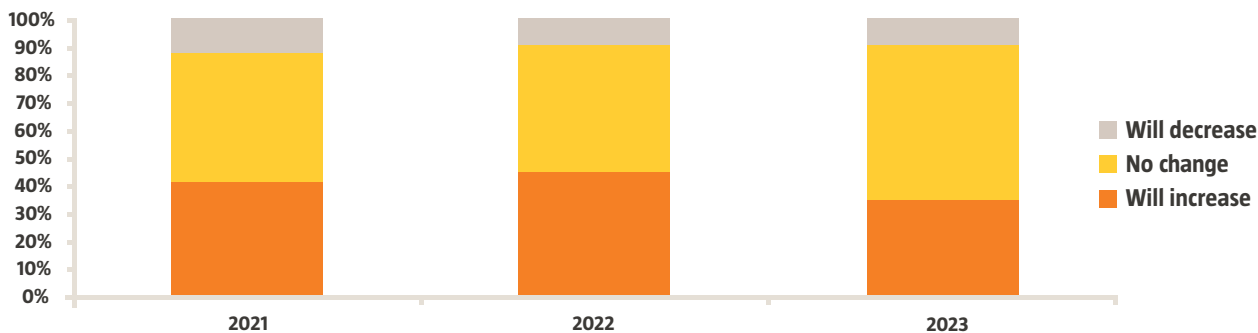


5.2. Employment prospects

Employment prospects have improved compared to 2021. In 2022, 91% of companies increased or maintained their workforce, whereas only 9% reduced theirs, compared to 2021 when 12% of companies said they had reduced their workforce. For 2023, the outlook remains positive, although the percentage of companies who expect to increase their workforce has dropped from 47% in 2022 to 36% in 2023.

Figure 6

Workforce forecast 2021-2023



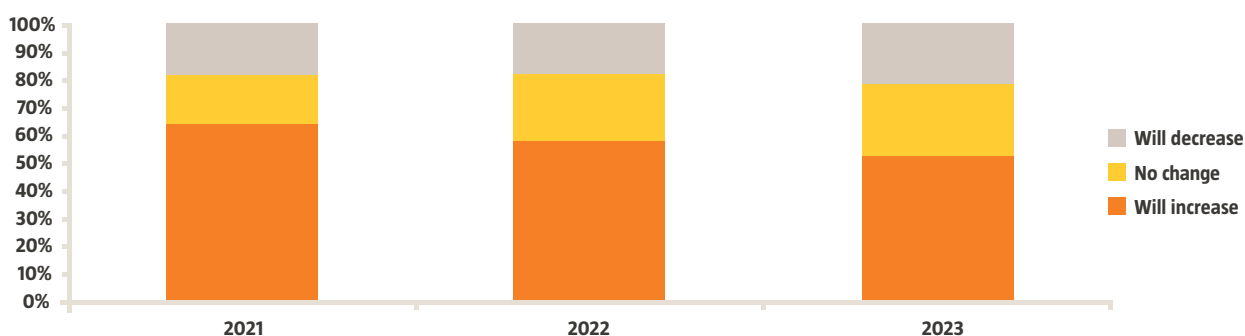
5. Prospects of foreign companies in Spain

5.3. Turnover prospects

Turnover prospects in Spain reflect the complicated economic backdrop at present, as well as future uncertainty. In 2022, 83% of companies increased or maintained their turnover in Spain, compared to 82% in 2021. In 2023, 20% of companies expect to see a decrease in their turnover and the percentage that expect to record an increase has dropped from 59% in 2022 to 49% in 2023.

Figure 7

Turnover forecast 2021-2023

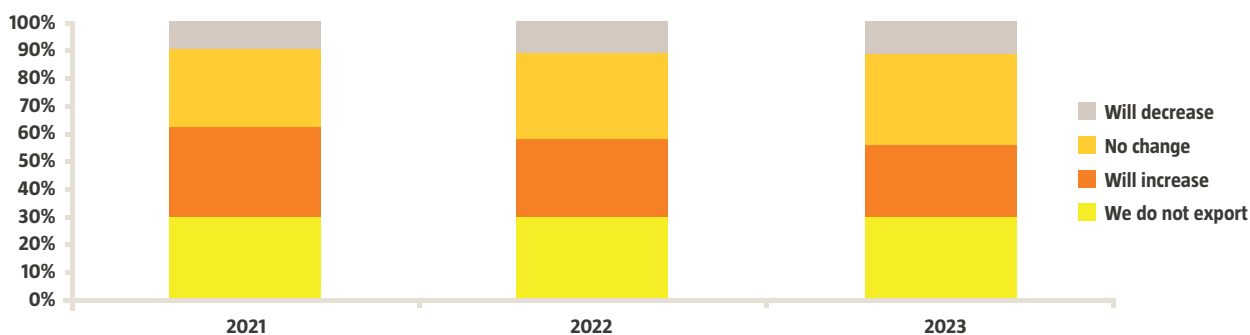


5.4. Export prospects

Finally, in regard to total exports, 70% of the foreign companies in the survey export from Spain to third markets. The outlook is positive, although slightly down on 2021. In 2021, just 8% of companies saw a downturn in their exports; this is expected to increase to 10% in both 2022 and 2023.

Figure 8

Export forecast 2021-2023



5. Prospects of foreign companies in Spain

5.5. Impact of the war in Ukraine on the company's revenue

This edition included two questions about the impact of the Russian invasion of Ukraine on the revenue being generated by companies. As can be seen in Figure 9, the impact has been high or very high for 50% of companies. Only 7% of companies consider that the conflict has had a low impact on their activity.

Figure 9

Impact of the war in Ukraine on the company's revenue

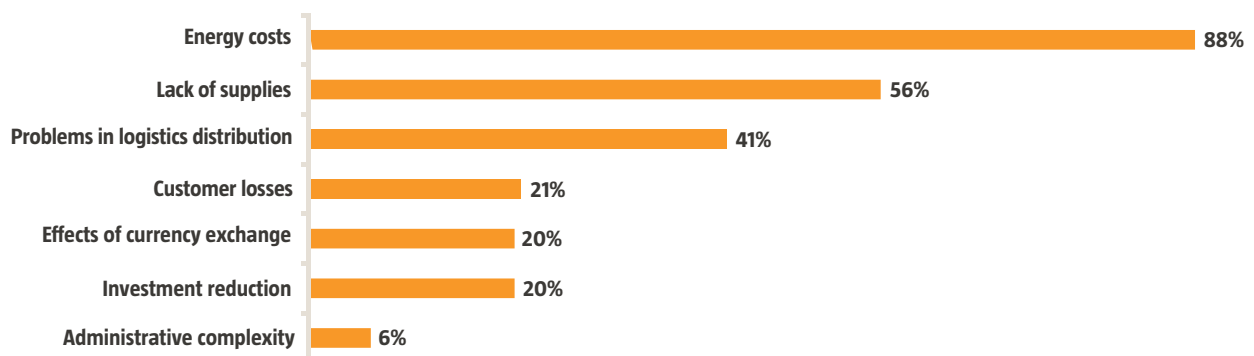


5.6. Aspects most affected by the consequences of the war in Ukraine

As regards the aspects of business management that have suffered most as a result of the war, it is clearly worth mentioning the impact on the cost of energy, as indicated by 88% of companies. In total, 56% of companies also indicated that the war has had an important impact on supply shortages and has generated logistical distribution problems, according to 41% of the managers consulted.

Figure 10

Aspects most affected by the war in Ukraine



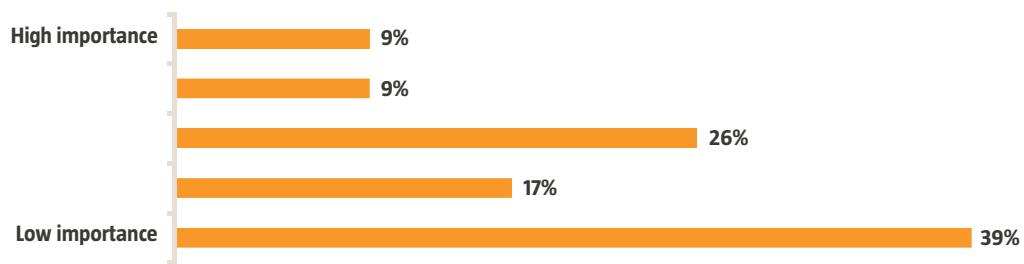
5. Prospects of foreign companies in Spain

5.7. Importance for companies in accessing Recovery Funds

As in 2021, companies were also consulted in this edition on the importance of accessing Recovery Funds for their recuperation. Figure 11 shows that access to funds is of low or very low importance for 56% of foreign companies, and high or very high for 18% of them.

Figure 11

Importance of access to Recovery Funds



Results by area



6. Results by area

6. RESULTS BY AREA

6.1. Labour Market

There is significant room for improvement in the Labour Market according to managers of foreign companies, although the ratings in this area have improved year-on-year in most aspects considered here.

Recruitment incentives and subsidies are once again the main problem. Although their ratings have improved since 2021, the importance of this aspect continues to increase for companies, meaning that the gap remains important.

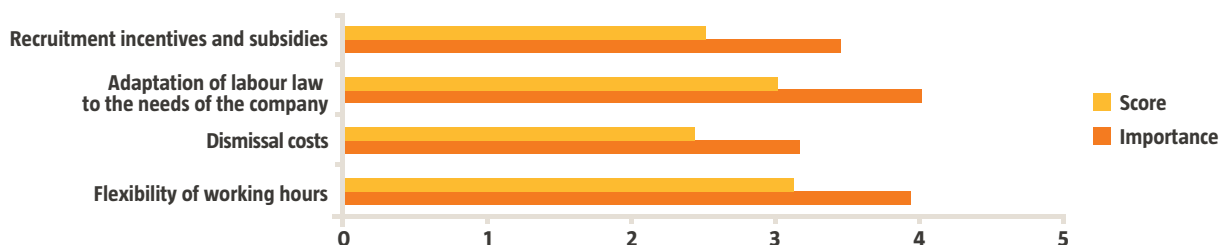
The adaptation of labour law to the needs of the company also shows major room for improvement and is most important to the managers consulted in relation to the Labour Market. Last year there was a considerable improvement in the rating given by the managers consulted to this area thanks to the furlough schemes rolled out; however, this year, the rating has remained constant and this area is the fifth most important aspect considered and has already been mentioned therefore as one the main areas for action.

Dismissal costs are one of the worst scoring aspects in this section, although they are also less important.

Finally, the flexibility of working hours has once again performed very well, probably on account of the high amount of people opting to work remotely, and although the importance attached to this factor by the managers consulted has increased, requirements in relation to the room for improvement are more limited.

Figure 12

Labour Market



6. Results by area

6.2. Taxation

Taxation is, generally speaking, the second- worst scoring section in the entire report for 2022, second only to Costs.

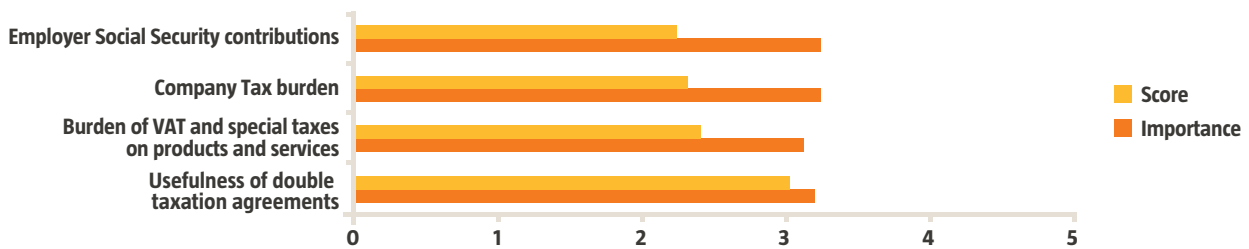
Employer Social Security contributions remain the main stumbling block and one of the main areas for action in general, as indicated above. This area obtained the fifth- lowest score in the survey and is slightly down year-on-year.

There remains significant room for improvement in terms of Corporation Tax charges. VAT charges and special levies on products and services are less problematic in the opinion of the managers consulted, although the ratings in these areas have dropped since 2021.

In terms of double taxation agreements, there do not seem to be any problems for foreign companies in Spain and this is the only aspect related to taxation that has seen its rating improve.

Figure 13

Taxation



6. Results by area

6.3. Regulatory Environment

The Regulatory Environment is one of the lowest-scoring areas generally speaking, although it has remained relatively unchanged since 2021.

The most critical aspect, as was the case in previous years, is the bureaucratic burden on company operations, which has already been mentioned in the general area for action for a number of years. It has the third-worst rating in the entire survey and is down on the 2021 rating.

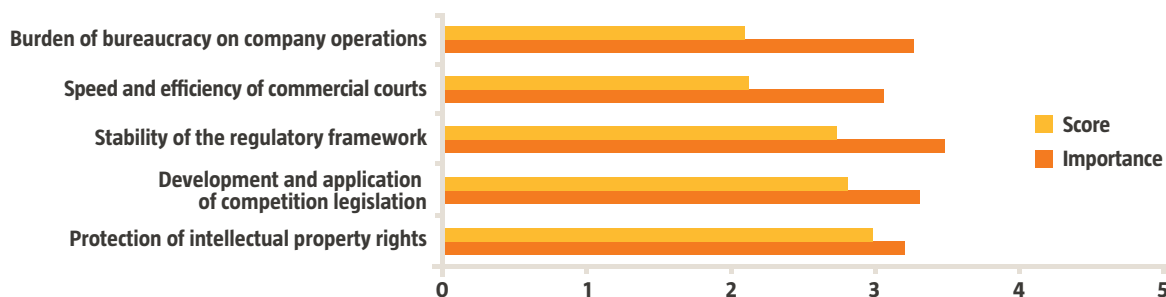
There is also a significant imbalance in terms of the speed and efficiency of the commercial courts, the fourth-worst rated aspect of the entire survey, although it has improved compared to 2021.

The stability of the regulatory framework is the most important issue for directors consulted in this area and a key issue in attracting and retaining foreign investment. Although its rating has improved slightly, there is still ample room for improvement.

The development and application of competition legislation and the protection of intellectual property rights do not seem to pose problems and, in the case of intellectual property rights, its rating has improved.

Figure 14

Regulatory environment



6. Results by area

6.4. Infrastructure

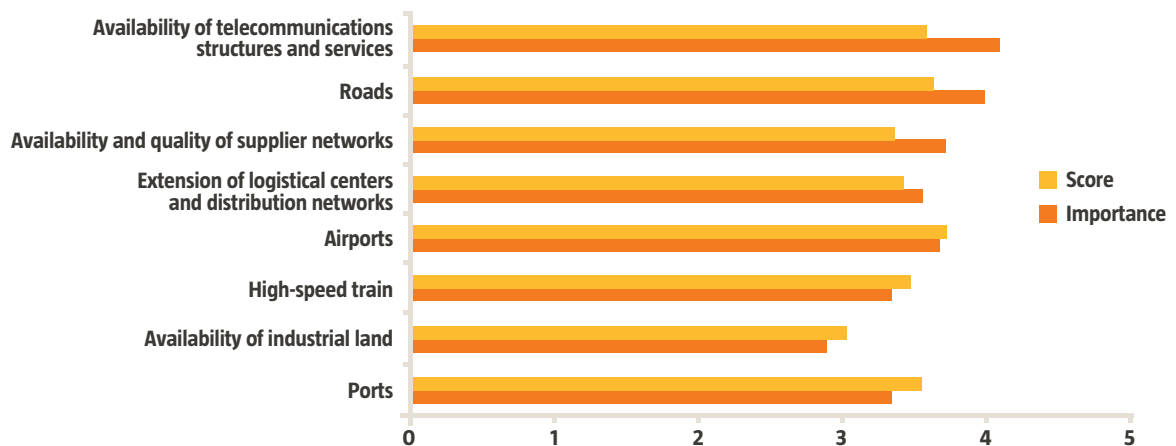
As in previous editions, Infrastructure is the area with the highest rating in the Barometer, perfectly meeting the expectations of foreign companies in our country and also one of the most important in general terms. However, it must be noted that the ratings of a number of factors have decreased slightly.

Several aspects covered here, such as airports, roads, availability of telecommunications, services and structures, ports and high-speed trains, have already been identified as some of the overall strengths of the study, as in previous editions. The availability of telecommunications services is the most important aspect of the whole survey in the opinion of foreign companies and is rated very positively, although slightly down on last year, and with there still being some room for improvement. There is also room for improvement in relation to roads and the availability and quality of supplier networks, the ratings for both of which have dropped slightly.

As for the other variables included in this section, ratings are generally very positive and the expectations of the managers consulted are perfectly met.

Figure 15

Infrastructure



6. Results by area

6.5. Costs

Costs is the worst-rated area in the survey, with all variables analysed down on 2021.

The cost of electricity is once again the main concern, with the lowest rating in the entire survey, once again high-lighted as a priority area of action.

The costs of other energy sources are the second-worst rated aspect in the survey, with the biggest drop in rating compared to last year's survey, down by almost three tenths and reflecting the difficult situation caused by the war in Ukraine, as well as other factors.

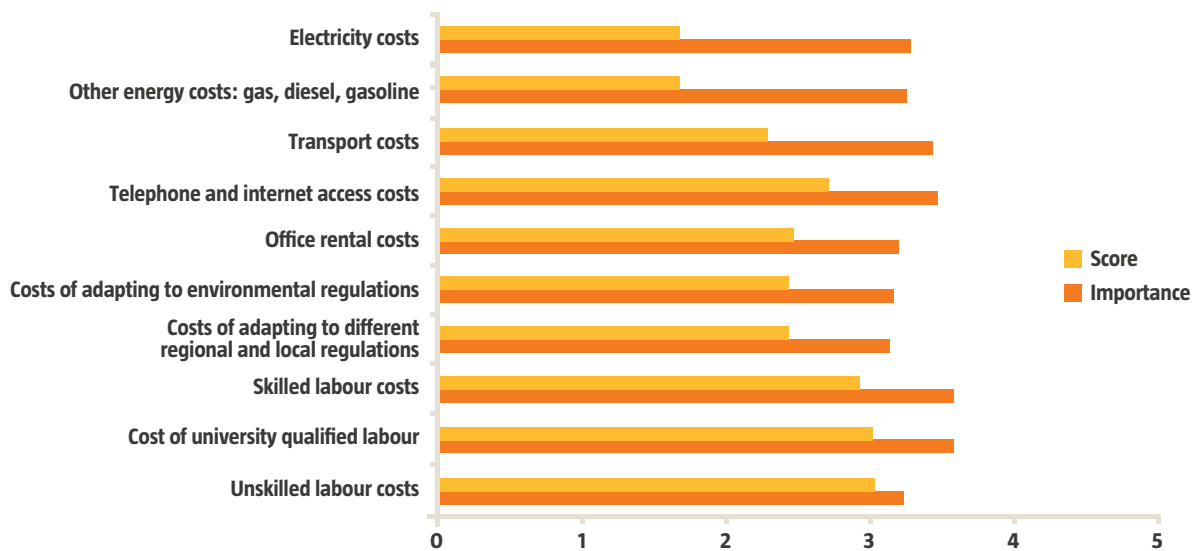
The transport costs rating is down by more than two tenths and shows significant room for improvement, with the same to be said for telephone and internet access costs and the cost of leasing office space.

The ratings for skilled and unskilled labour costs in Spain was more positive and is one of the reasons that the companies surveyed continue to set up in our country. However, the rating is down on previous years, particularly in relation to workers with university qualifications.

As usual, skilled labour is more important for foreign companies in Spain than unskilled labour, which is indicative of the type of investment made by foreign companies with high added value.

Figure 16

Costs



6. Results by area

6.6. Financing

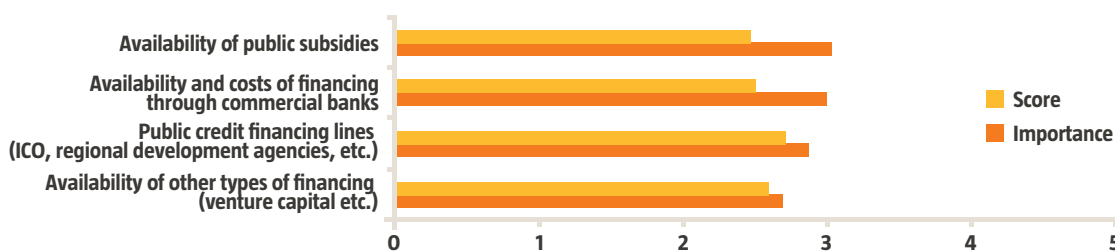
Financing is one of the worst-rated areas in the report generally speaking, although it remains less important than other factors, as was the case in previous editions.

The main room for improvement still lies in the availability of public subsidies, despite this being the only aspect in relation to Financing that has not seen a decrease in its rating. The rating of the availability and costs of financing through commercial banks has dropped significantly, with a slight increase in the room for improvement compared to the previous year.

Public lending facilities, such as ICO, and the availability of other types of financing, such as venture capital, are considered less important to foreign companies despite the fall seen in its rating compared to 2021, and do not appear to pose any problems.

Figure 17

Financing



6. Results by area

6.7. Human Capital

As was the case in previous editions, Human Capital is the most important area for the managers consulted and one of the most-highly rated, although there are still clear imbalances.

Language skills and the acceptance of responsibilities and objectives remain priority areas of action. In terms of language skills, this factor has continued to improve in recent years, although it is the third- most important aspect of the entire survey in the opinion of the managers consulted and continues to show significant room for improvement.

Learning capacity is the most important aspect in the entire survey for the managers consulted. Although its rating has improved, work is still needed in this area.

The quality of the professional training system is important to the managers consulted and there has been a clear increase in its rating, as well as its importance. There is still room for improvement, as there is in the general assessment of the higher education system.

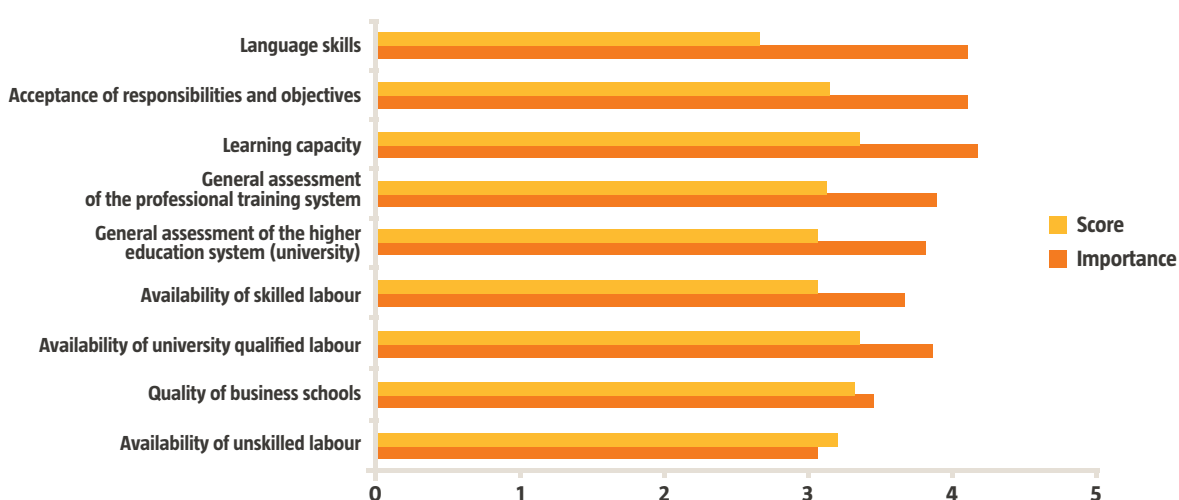
As in previous editions, the managers consulted attach vastly differing importance to the availability of skilled and unskilled labour, with the former being much more significant to them, meaning work is still needed to meet their expectations in this respect. The rating of the availability of university-qualified labour has dropped significantly in this edition.

The quality of business schools and the availability of unskilled labour are two areas where the expectations of managers consulted are best fulfilled, although the former has decreased.

It is essential to focus on Human Capital aspects, as they are not only the most important for the managers consulted, but also essential to ensure the country's competitiveness in the medium and long-term.

Figure 18

Human capital



6. Results by area

6.8. Innovation

Innovation is one of the few areas where the rating has generally improved, albeit slightly.

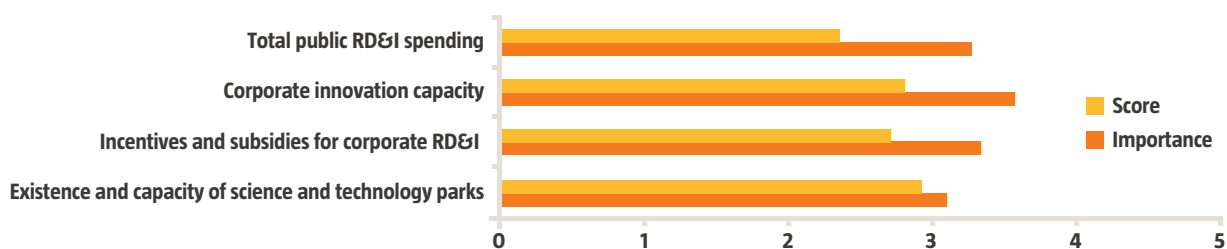
The main imbalance is in the total volume of public expenditure in RD&I, already indicated as one of the main general weaknesses in the report on account of its low rating, and despite having developed positively in 2021 according to the managers consulted.

There is also room for improvement in the innovation capacity of companies and in incentives and support for companies to undertake RD&I, despite the rating for incentives having also increased in this edition.

The existence of science and technology parks is the most highly-rated aspect by company managers in terms of innovation, in line with the needs of foreign companies

Figure 19

Innovation



6. Results by area

6.9. Market Size

Market Size is the second-most important area for foreign companies in Spain, after Human Capital, and one of the main reasons why the foreign companies surveyed set up in our country.

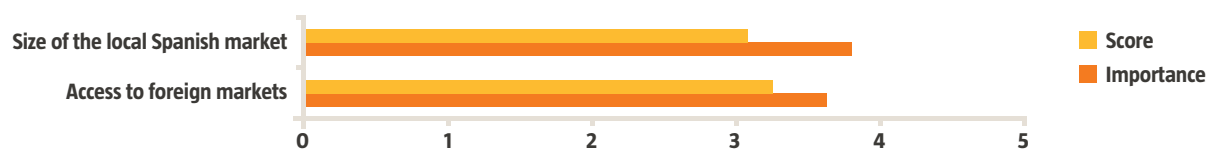
Once again, the ratings for access to foreign markets and the size of the local market were strong, although slightly down on 2021.

The room for improvement is somewhat higher in terms of the size of the local Spanish market, although the importance of access to foreign markets increased for the managers consulted in this edition.

These two aspects are very important and are repeatedly pointed out as the main attractions for investing in our country, which is why it is necessary to pay special attention to them.

Figure 20

Market Size



6. Results by area

6.10. Quality of Life

Quality of Life scored very highly, as it did in previous editions. However, there is a very significant drop in practically all variables analysed here compared to 2021.

Cost of living suffered the biggest drop in rating across the survey as a whole, seeing more than three tenths shaved off its rating as a logical consequence of the crisis caused by the war in Ukraine, in addition to other reasons. The importance of this factor has increased for the managers consulted and the room for improvement is slightly more significant than in previous editions.

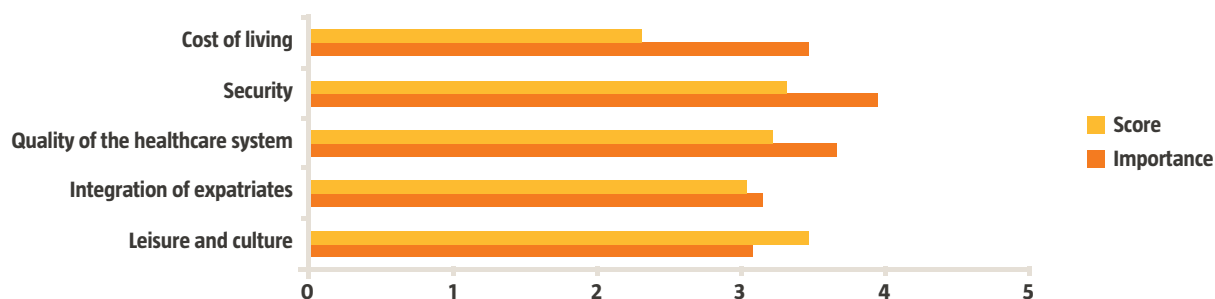
Security is the most important aspect in relation to quality of life for the managers consulted and the rating for this factor is very positive, although down slightly on the previous year. The quality of the healthcare system, which experienced one of the biggest increases in its rating last year, following the response to the Covid-19 pandemic, has fallen back by more than three tenths in this edition.

Leisure and culture are amongst the most important aspects rated in the survey, although both have dropped significantly in this edition. Here, however, they have comfortably surpassed the expectations of the managers consulted.

The integration of expatriates does not seem to pose a problem in the opinion of foreign companies in Spain.

Figure 21

Quality of Life



Reasons for setting up in Spain and measures needed to increase investment

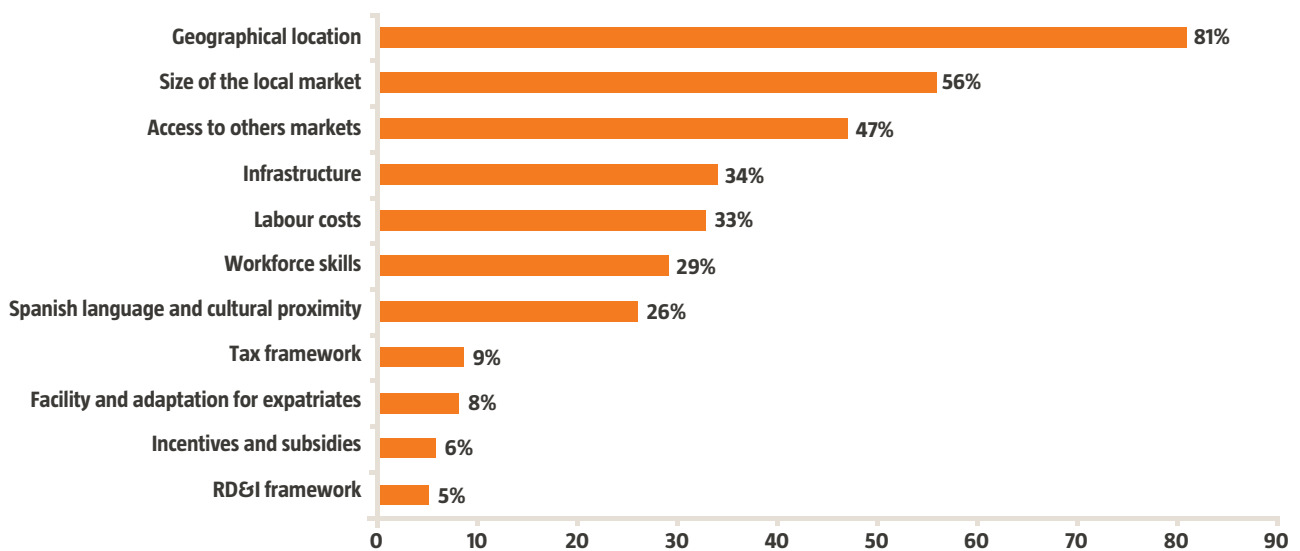


7. Reasons for setting up in Spain and measures needed to increase investment

As in previous editions, a large majority of companies indicated that the main reasons for setting up in Spain were due to geographical location, as well as the size of the local market and access to other markets. Apart from infrastructure, other important factors were labour-related aspects and concerned both the cost and skills of the workforce. However, it should be noted that employment costs in this edition are mentioned as a reason for setting up in Spain by a lower number of companies than in the last edition, reflecting the concern for the general increase in costs.

Figure 22

Reasons for setting up in Spain (percentage of companies indicating each reason)



Sustainability goals



8. Sustainability goals

8. SUSTAINABILITY GOALS

As was the case in the last edition, the report includes an analysis of the Sustainability Goals of foreign companies in Spain. The managers consulted were asked whether they have a sustainability strategy, what Sustainability Goals they pursue and whether they have mechanisms for measuring and monitoring compliance. The aim was also to analyse Spain's relative position in terms of Sustainability Goals, as well as the degree to which different factors in Spain favour the fulfilment of these objectives.

8.1. Companies with a Sustainability Strategy

Firstly, foreign companies in Spain were asked whether they have a Sustainability Strategy. As Figure 23 shows, 62% of companies do not have a Sustainability Strategy, compared to 38% that do, these numbers obviously being very similar to those seen in last year's edition.

Figure 23

Companies with a Sustainability Strategy



8. Sustainability goals

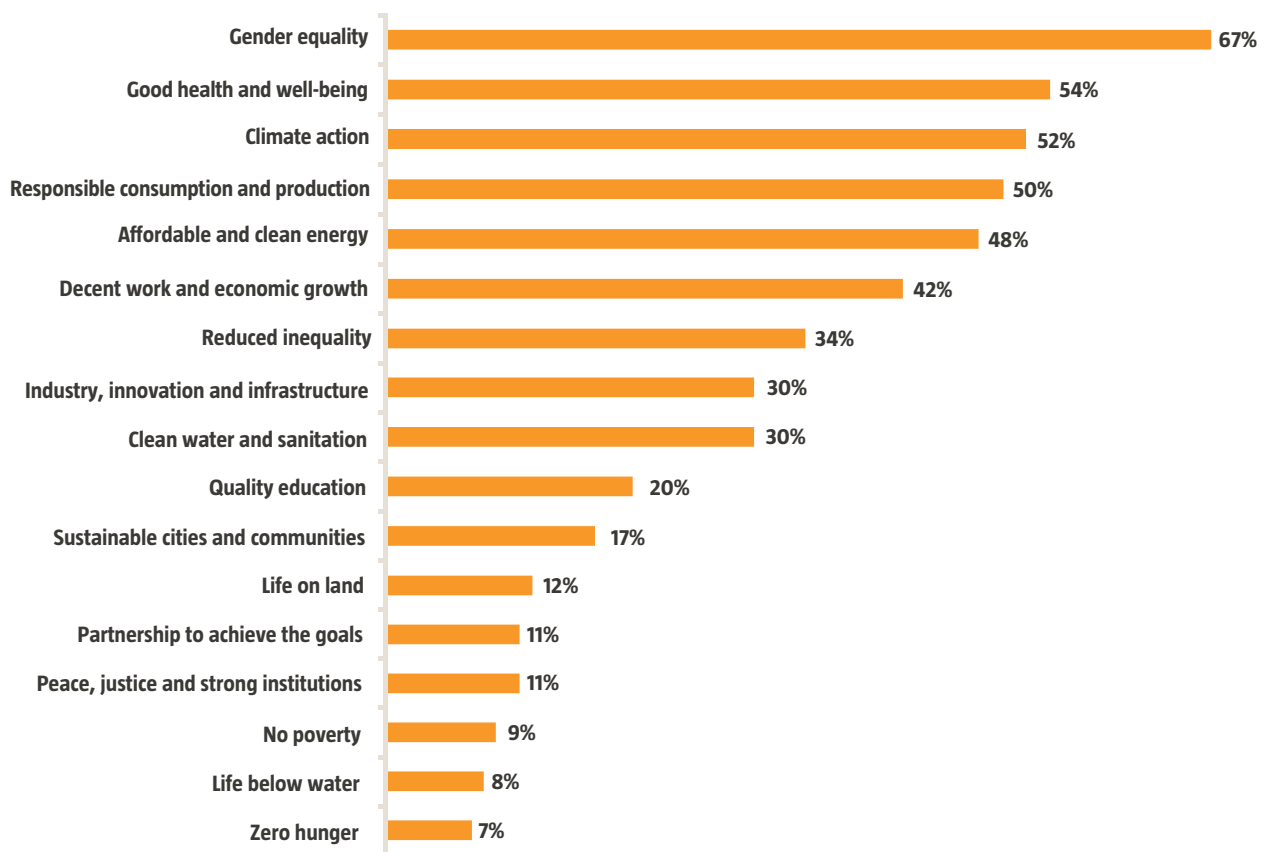
8.2. Priority Sustainability Goals

Amongst the 17 Sustainability Goals set, foreign companies operating in Spain have clearly emphasised gender equality, as was the case last year, with a clear increase in the number of mentions by companies when compared to last year (67% of companies with a Sustainability Strategy mentioned this factor as a priority objective in 2022 compared to 59% in 2021). Health and Well-being were rated as the second-most important objective, mentioned by 54% of companies, notably up in terms of importance when compared to the previous edition. These are followed by Climate Action (52%) or Responsible Consumption and Production (50%).

Other goals, such as Zero Hunger, an End to Poverty, Peace, Justice and Strong Institutions or Life Below Water, are pursued by a very small percentage of foreign companies in Spain.

Figure 24

Main Sustainability Goals



8. Sustainability goals

8.3. Measurement and monitoring mechanisms

Among foreign companies that have Sustainability Strategies, 76% say that they use measurement and monitoring mechanisms that allow them to control compliance with the defined objectives, up on the results of last year's survey and demonstrating the increased importance attached by companies to Sustainability Strategies. However, 24% of companies do not use any monitoring and control mechanism.

Figure 25

Companies with measurement and monitoring mechanisms

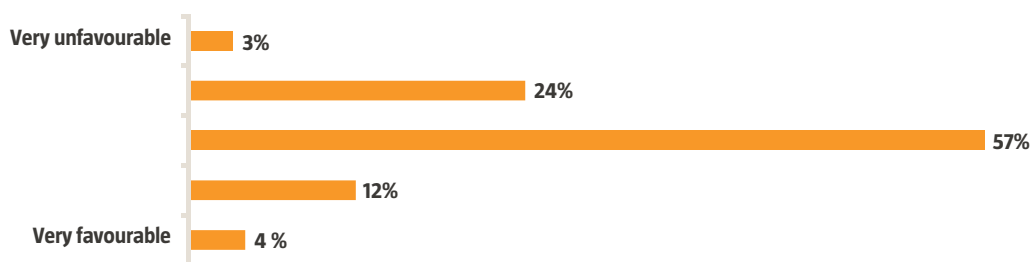


8.4. Conditions in Spain for the development of Sustainability Strategies

Among foreign companies in Spain with a Sustainability Strategy, 27% believe that companies in Spain are in an unfavourable or very unfavourable position compared to their countries of origin in terms of the Sustainability Goals, up on last year, when 31% of companies consulted indicated that companies in Spain were in an unfavourable position compared to their countries of origin. Some 16% believe that companies in Spain are in a more favourable position than those in their home country with regard to the Sustainability Goals.

Figure 26

Situation of companies in Spain with respect to the country of origin in terms of the Sustainability Goals

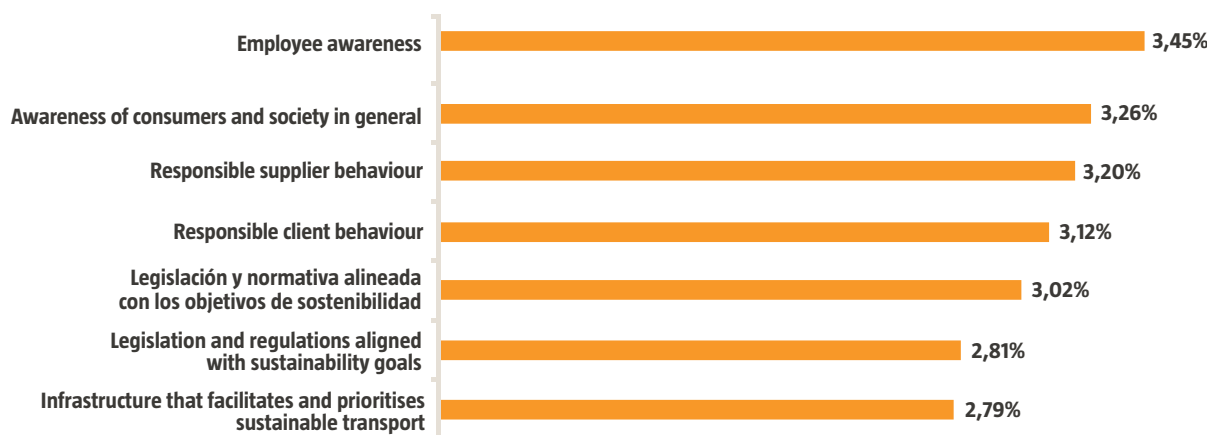


Among the factors that most favour the development of Sustainability Strategies for companies in Spain, managers highlighted the awareness of consumers and society, and especially of the workers themselves. The responsible behaviour of suppliers and customers are also factors that contribute to the successful development of these strategies, as shown in Figure 27.

However, these managers gave lower ratings to the contribution of legislation and regulations, the use of tax mechanisms aligned with sustainability goals and, finally, sustainable transport infrastructure, which is the factor that contributes least in Spain to the development of these strategies in the opinion of the managers consulted.

Gráfico 27

Factors favouring the development of the Sustainability Strategy in Spain



Analysis by country

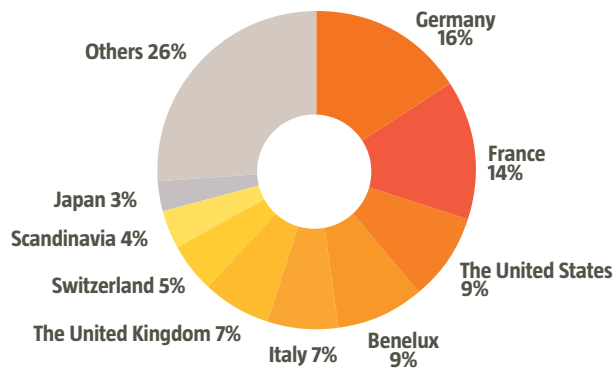


9. Analysis by country

9. ANALYSIS BY COUNTRY

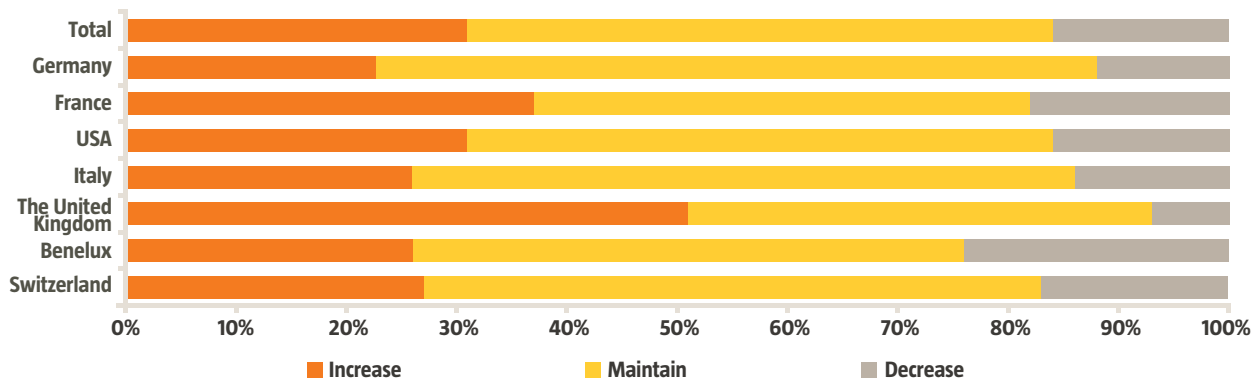
As with previous editions, this edition sets out to analyse whether there are significant differences in the responses of the managers consulted to particular questions according to their country of origin. The responses are very similar regardless of the provenance of the companies, some of the more interesting variations being highlighted below.

The countries most represented in the survey are Germany, France, the United States and Benelux, followed by companies from Italy, the United Kingdom and Switzerland.



9.1. Investment prospects

In the study as a whole, 84% of the companies surveyed plan to increase or maintain their investment in Spain in 2022, slightly down on the figure reported last year. The main participating countries mostly show very similar developments, albeit with some differences. Companies whose head office is located in the United Kingdom had more positive plans, with the outlook of those from Benelux being somewhat worse.



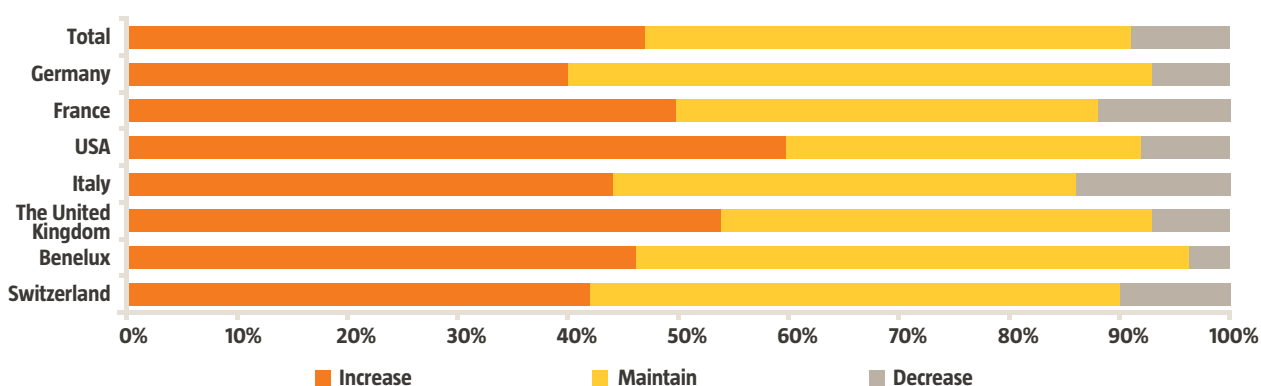
9. Analysis by country

9.2. Workforce prospects

With regard to the number of employees planned in Spain for 2022, 91% of companies intend to increase or maintain their workforce. The prospects of companies are very similar regardless of their country of origin, although the prospects are somewhat more positive in the case of companies from the United Kingdom and somewhat less positive in the case of those from Italy.

Figure 30

Workforce prospects by country

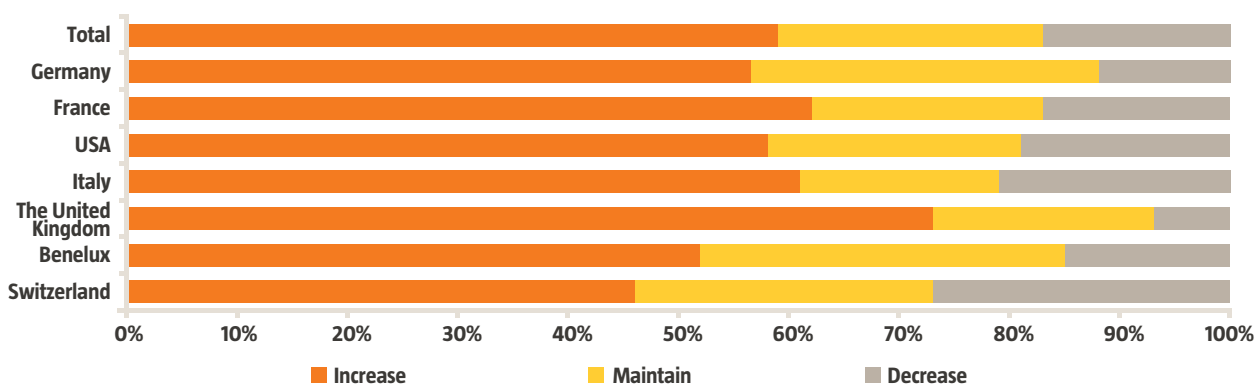


9.3. Turnover prospects

In terms of turnover in 2022, this is the figure most affected by the outbreak of war in Ukraine. 59% of companies expect their turnover to increase in 2022, compared to 17% who expect their turnover to decrease. The prospects of companies from Benelux and Switzerland are somewhat less positive, while those from the United Kingdom and Germany expect above-average results.

Figure 31

Turnover prospects by country



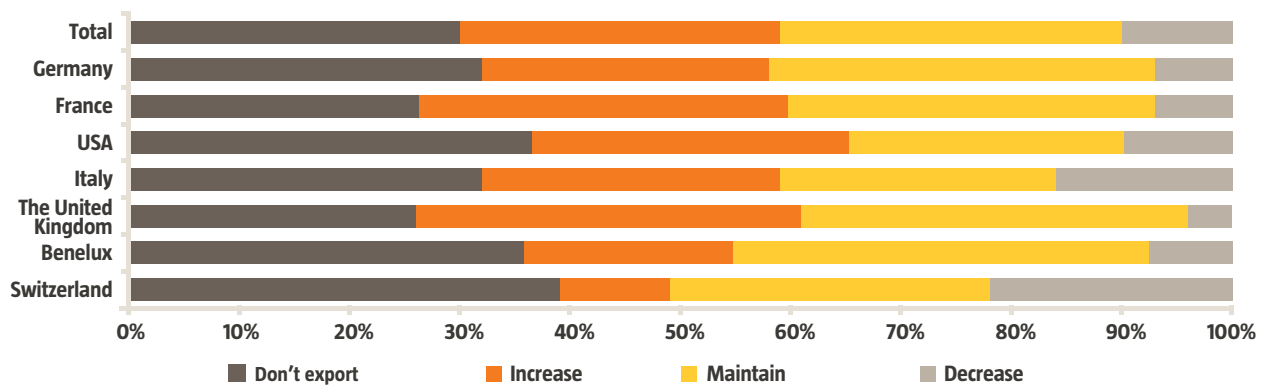
9. Analysis by country

9.4. Export prospects

The final category in the section on prospects refers to exports. Some 70% of foreign companies export to third countries from Spain. In this case, companies from France and the United Kingdom have the highest export profile, and Swiss-owned companies have a lower export profile. Some 29% of companies expect to increase their exports in 2022 and 31% will maintain their export trend with regard to previous years. French and UK-owned companies have the best export prospects.

Figure 32

Export prospects by country



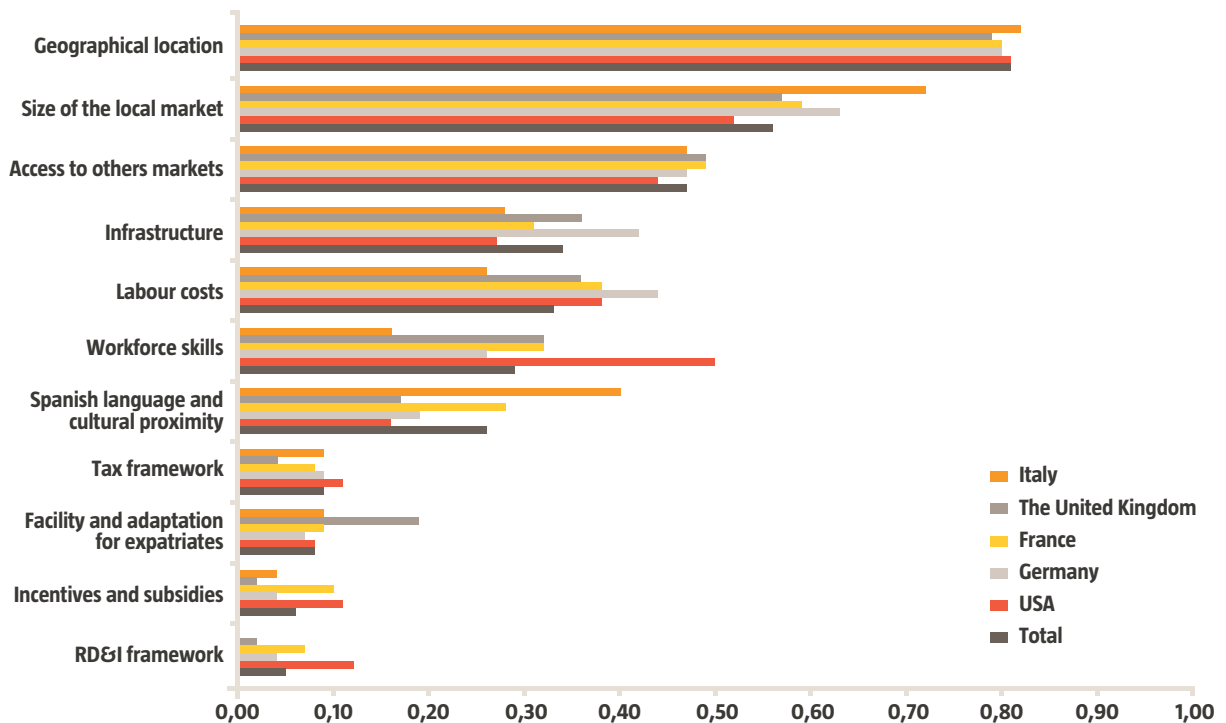
9. Analysis by country

9.5. Reasons for locating in Spain

Although geographic location, market size and access to other countries are the main reasons for locating in Spain cited by all the countries represented, there are some significant differences. Companies from the United States, for example, place a greater emphasis than average on workforce qualifications and labour costs. Companies from Italy value market size, cultural proximity and the Spanish language more highly than the average. German-owned companies put more weight on labour costs and infrastructure.

Figure 33

Reasons for locating in Spain by country



Methodology



Methodology

The Barometer was jointly compiled by ICEX, Foreign Multinationals for the Spain brand and the International Center for Competitiveness (ICC) at the IESE Business School.

This edition has maintained the structure and content of previous years, although a new section analysing the impact of the war in Ukraine on companies has been introduced. To compensate for the length of the survey, some questions from previous editions have been eliminated, in particular some of those aimed at assessing the impact of the COVID-19 crisis, which are considered to be of a short-term nature and less relevant than in the previous edition.

As in other years, the methodology employed in the survey required qualified managers of foreign companies operating in Spain to fill in a questionnaire. Following the criteria established by the IMF and employed by different international bodies like the World Bank and the OECD, a company is considered to be a foreign company when more than 10% of its total capital comes from abroad.

This year, more than 720 responses were received.

To achieve continuity in this study, since 2007, the following areas included in the questionnaire are grouped into four main groups: the General Panorama in Spain, Costs, Infrastructure and Resources and Quality of Life. The average rating for Spain is obtained from the average rating in each of these four groups.

1. GENERAL PANORAMA IN SPAIN

Labour Market

Regulatory Environment

Market Size

2. COSTS

Costs

Taxation

Financing

3. INFRASTRUCTURE AND RESOURCES

Infrastructure

Human capital

Innovation

4. QUALITY OF LIFE

The questionnaire seeks both the rating that companies give Spain under each heading and the importance they attach to each heading, so as to be able to weight the results and reflect the true interests of businesses.

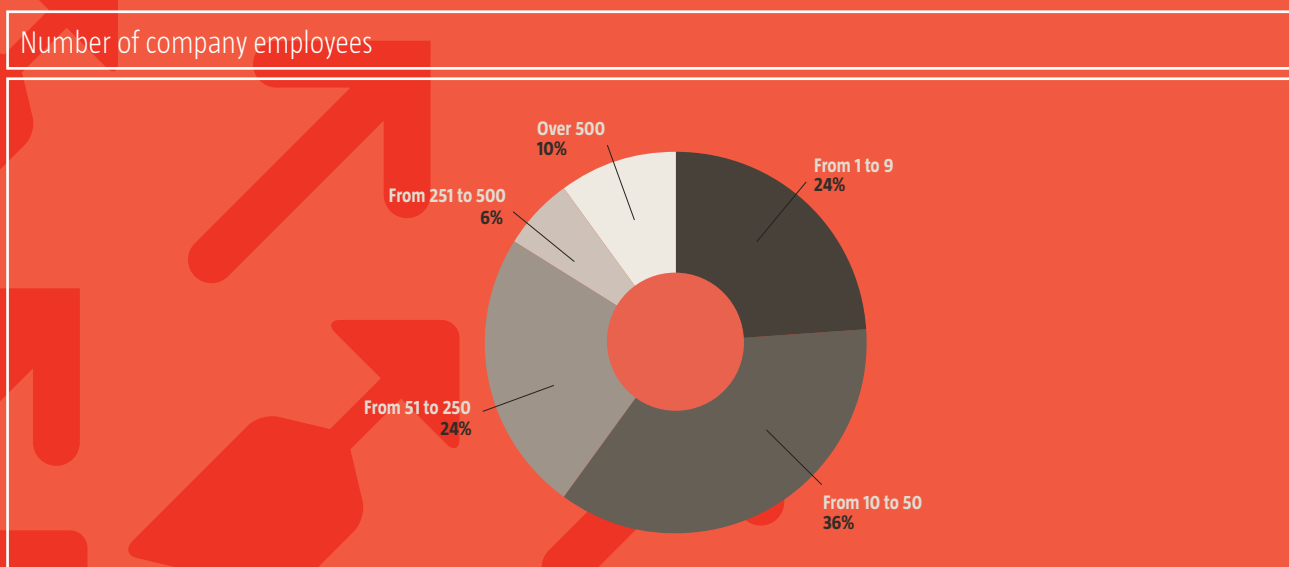
For each question, managers of foreign companies are asked to give a score from 1 to 5 for the importance that this heading has for their company, and a second score using the same scale for the rating they have given to Spain. The questions that show the greatest gap or difference between the importance and the weighted rating¹ given by the managers consulted are flagged as requiring priority action, as this difference highlights that not all the interests of foreign companies in Spain are being satisfied.

1. The weighted rating corresponds to 80% of the score obtained in the Rating and 20% of the score obtained in Importance. It is weighted in order to take into account those aspects with lower ratings but which are also important for foreign companies

Appendix 1: profile of surveyed companies

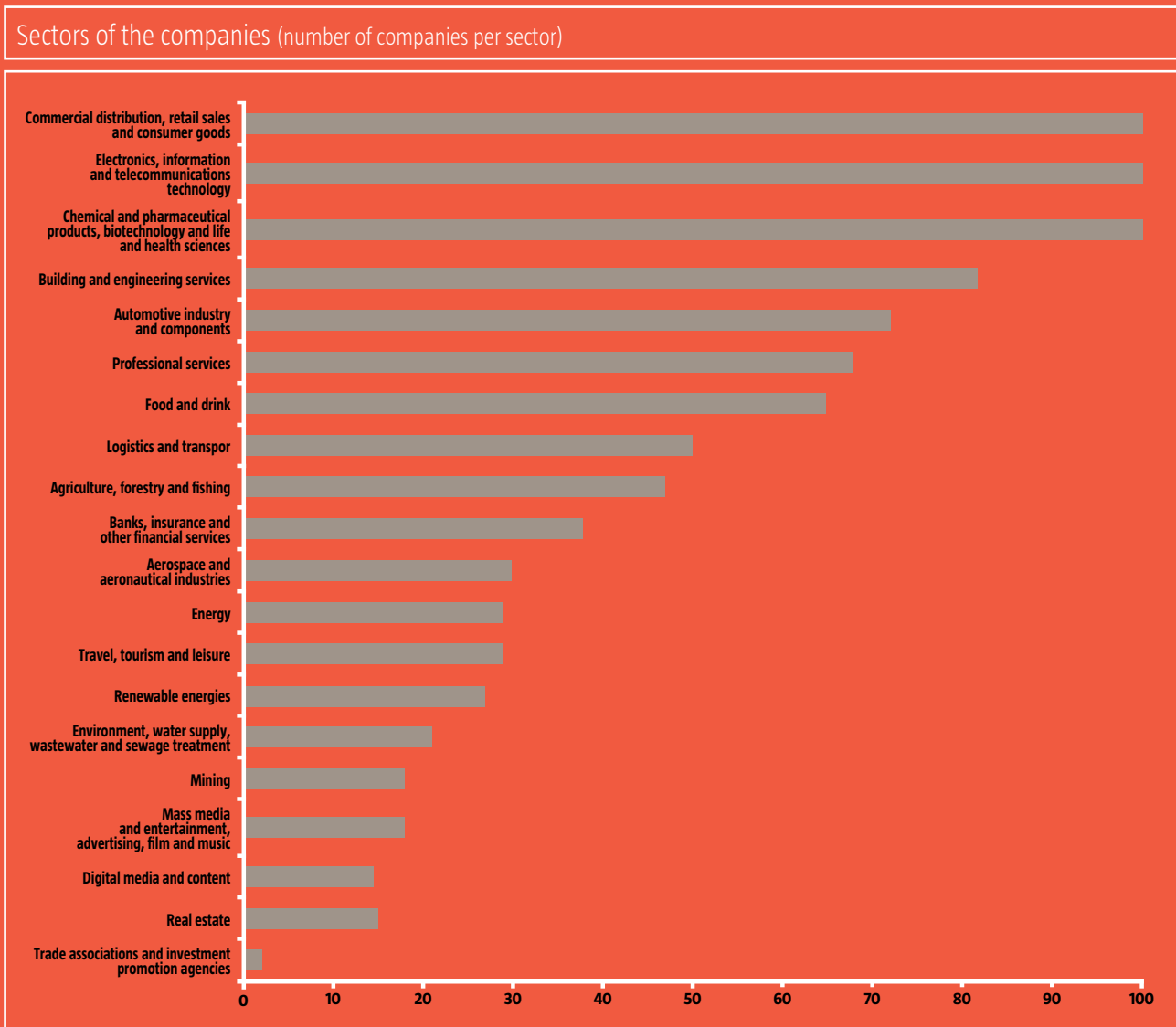
The profile of the companies taking part in the study was fairly uniform, with representatives from companies of all sizes, although it is particularly worth noting the participation of companies with up to 250 employees, as can be seen in Figure 34.

Figure 34



The sectors represented in the sample are very diverse, as shown in Figure 35. The most-represented sector is commercial distribution, followed by electronics, information and telecommunications technology and chemical, pharmaceutical and biotechnology products.

Figure 35



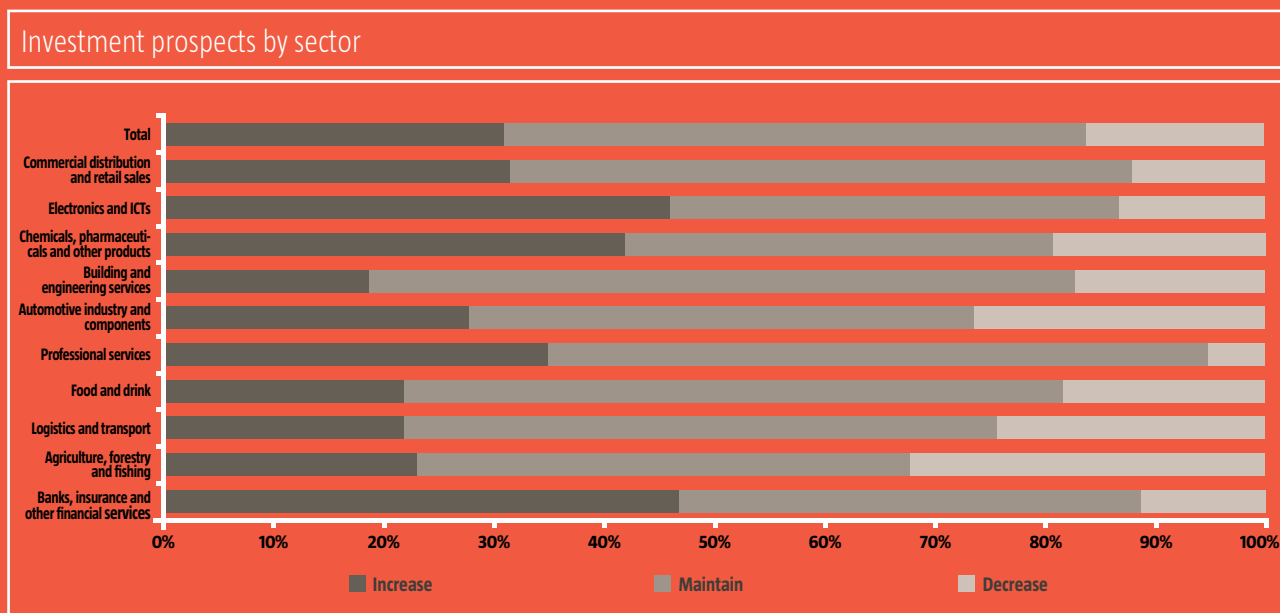
Appendix 2: sectoral analysis

As in previous editions, a comparative study of investors' perspectives has been carried out for the ten most represented sectors in the survey, in order to analyse whether there are significant differences between different sectors. The forecasts for the end of 2022 were therefore compared by sector in terms of investment, workforce, turnover and exports.

1. Investment prospects by sector

En el conjunto del estudio un 84% de las empresas encuestadas tienen previsto aumentar o mantener sus inversiones en España en 2022, un porcentaje como se ha señalado anteriormente algo inferior al del año pasado. Los principales sectores representados muestran algunas diferencias dignas de mención. Los sectores de Construcción, Automoción, Agricultura y Logística presentan resultados por debajo de la media. Sin embargo, las empresas de los sectores de Electrónica, Servicios profesionales o Banca mantienen mejores previsiones que la media en cuanto a la inversión de 2022.

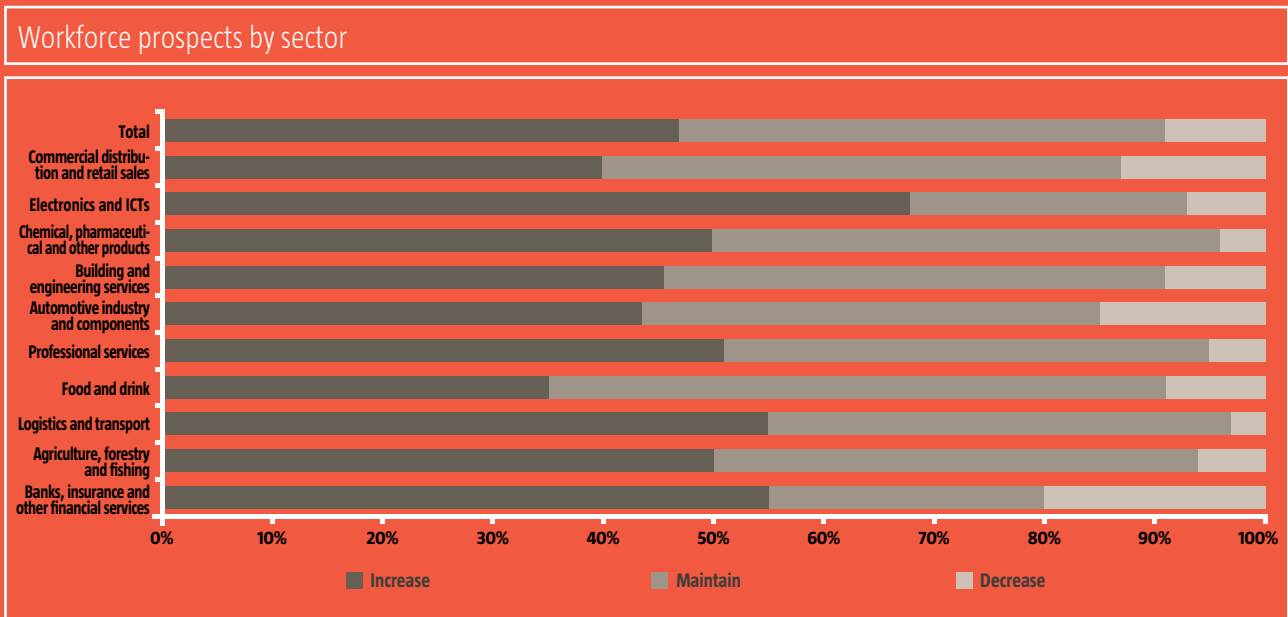
Figure 36



2. Workforce prospects by sector

Overall, 91% of the companies surveyed in the study plan to increase or maintain their workforce in Spain in 2022. The forecasts are slightly lower for companies in the Commercial distribution and retailing and Automotive and components sectors. However, companies in the Electronics and Information and Communication Technologies, Logistics and Chemical and Pharmaceutical Product sectors show more favourable results.

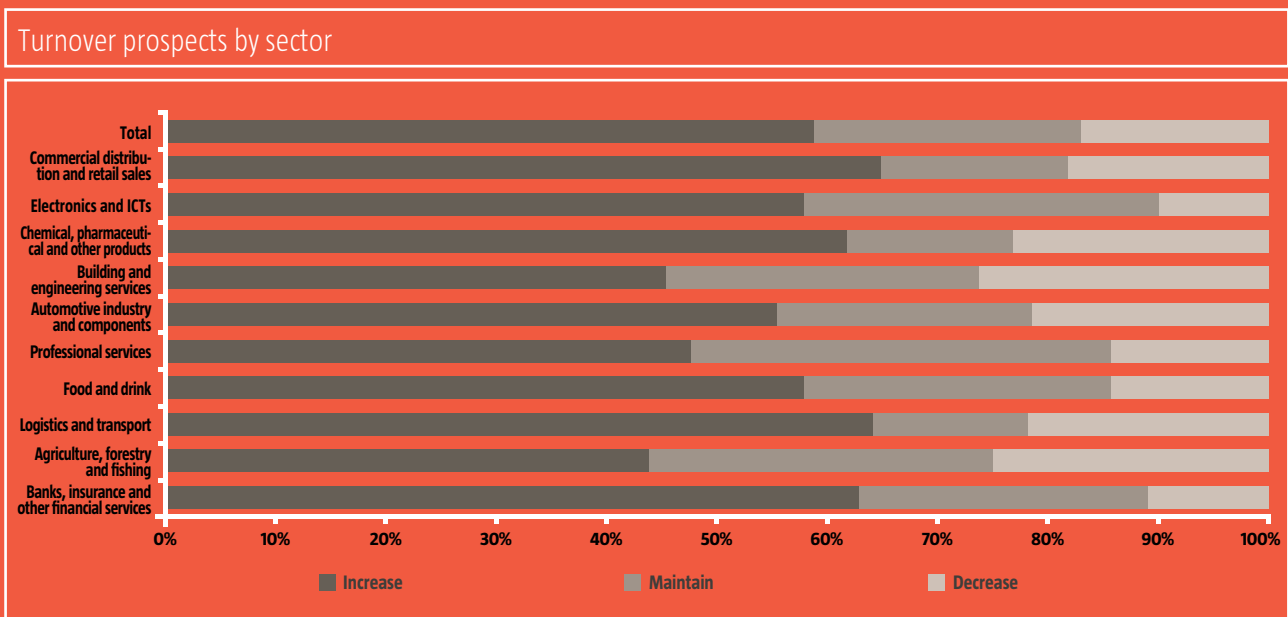
Figure 37



3. Turnover prospects by sector

Overall, 83% of participating firms expect to end 2022 by either increasing or maintaining their turnover. This percentage is slightly down in the Construction and Engineering and the Agriculture, Forestry and Fishing sectors. However, in other sectors like Banking or Electronics and ICT, the prospects are somewhat more positive, as reflected in Figure 38.

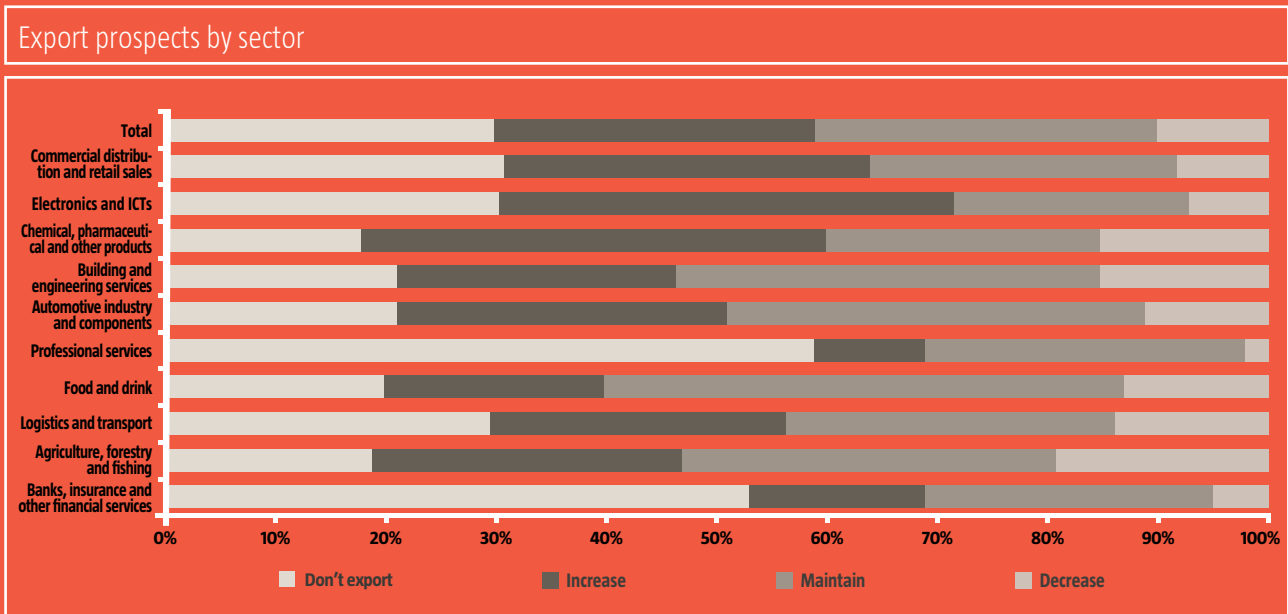
Figure 38



4. Export prospects by sector

Overall, 70% of the companies surveyed in the study exported to other countries from Spain. As Figure 39 shows, companies in the Chemicals and Pharmaceuticals sectors have a higher export profile than average, with the same applying to Agriculture or Food and Beverages. However, companies in the Professional Services and Banking and Insurance sectors have a significantly lower export profile than the average. In terms of export forecasts for 2022, the Construction sector presents more negative results, compared to the better export prospects of sectors such as Electronics and ICT.

Figure 39



Paseo de la Castellana, 278
28046 Madrid
T: (+34) 91 503 58 00
investinspain@investinspain.org
www.investinspain.org



ICEX

**INVESTIN
SPAIN**

NIPO: 11423002X