



Barometer of business climate in Spain

From the foreign
investor's perspective

Results 2016

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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 ninth edition, and has now become a reference publication in Spain.

The 2016 edition features an **assessment by 700 foreign companies** of the importance of the business climate in Spain in 2016, and also provides their forecasts for the next two years. It identifies –in the medium term– both the strengths that must be maintained and the main spheres of action where greater efforts should be concentrated.

The overall assessment of **the 2016 Barometer about Business Climate in Spain has improved** compared to the previous year, confirming the upward trend that began in 2014 and continued in 2015 thanks to the economic recovery and Spain's emergence from the crisis.

The investing companies corroborate the fulfillment of their positive predictions of the previous year, and **foreign investors' forecasts have once again improved** significantly in all the aspects analyzed: investment, workforce, sales and exports. These improved forecasts are maintained in general terms for 2016 and 2017.

According to the Register of Investments at the Ministry of Economy and Competitiveness, foreign direct investment in industrial and service technology grew 11% in 2015 to over 23,419 billion euros. Also in 2015, according to data from the UNCTAD, Spain was 12th in the ranking of countries in the world receiving investment inflows in terms of stock.

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 function of the **Executive Management of Invest in Spain at ICEX** is to promote and attract foreign investment to Spain. Its mission is to promote, attract and foster foreign investment in Spain, and reinvestment by already established foreign companies. It also serves as a reference for foreign investors and a meeting point for institutions that work to promote and attract investment in the national, regional and local sphere. ICEX also designs and runs activities to position Spain as a global platform for international business and investment. ICEX's other areas of action include enhancing the business climate in Spain through an ongoing dialog with other ministerial departments, and with companies and business associations established in Spain, both with Spanish capital and from third countries.

Multinacionales por Marca España (Multinationals for the Spain brand) is an association comprising various sectors operating in Spain that wish to manifest their commitment to Spanish society and the Spain brand. Among other functions, it promotes collaboration with Spanish government bodies to showcase the Spain brand and champion the country's common interests, and to convey to the heads of government bodies the aspects most highly-rated by multinationals in their decision-making, and which position Spain as a destination that offers them guarantees for engaging in their activities.

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

Executive Summary



2. Executive Summary

2. EXECUTIVE SUMMARY

The assessment shows a better appreciation of improving with regard to 2015

The results of this edition of the Barometer of the Business Climate in Spain, as last year, reveal an improvement compared to the results of previous years, with an average rating of 2.9 out of 5 and an increase in the companies' forecast in the areas of sales, investment and employment.

Top of the ratings are the areas of Infrastructures, Market Size and Quality of Life

For foreign investors, the most highly rated areas in Spain are Infrastructures, Market Size and Quality of Life, followed by Human Capital. Its Infrastructures are clearly one of Spain's principal strengths, in addition to certain aspects of Quality of Life. The rating for Market Size has improved due to the consolidation of the economic recovery, the rise in internal demand and the access to third markets from Spain. They are also the some of the most important areas for investors.

The most poorly rated areas were Funding, Costs and Innovation, and there was also a decline in the general rating of Costs and Funding, although it is worth noting that these are not the most important areas for foreign companies in Spain.

The investors clearly signal the need for actions in terms of Human Capital, although this category is positively rated in general terms. Spain also needs to continue working to improve its language skills, learning capacity and in accepting responsibilities and targets, all critical areas in the opinion of the companies surveyed.

The Labor Market continues to be a category which demands clear measures, although once again this year there is a significant improvement in the functioning of the labor market.

This year's edition of the Barometer once again highlights the growing concern with the burden of bureaucracy and electricity costs.

The forecasts for investment, sales, employment generation and export volume for 2016 and 2017 are clearly positive and have improved since 2015

The general assessment of foreign investors in terms of their forecasts for 2016 and 2017 is very positive and represents an improvement over the previous edition.

The investment forecasts are very positive, as 95% of the companies surveyed intend to raise or maintain their levels of investment in Spain in 2016.

The percentage of companies planning to increase or maintain their workforce has also risen and is estimated at 91% in 2016 and 95% in 2017.

A slight decrease can be observed in the percentage of companies expecting to increase their sales in 2016 compared to 2015 (62% vs. 67%), but this trend improves in 2017, when 69% of the companies surveyed forecast a rise in sales and only 4% predict a fall.

Finally, growth forecasts for export volumes are also up, as the percentage of companies that expect to maintain or increase their exports is 96% in 2016 and 98% in 2017.

Background



3. Background

3. BACKGROUND

The ninth edition of this Barometer of the Business Climate in Spain from the Foreign Investor's Perspective is based on the responses to the survey of investors' conducted in May and June 2016 on the most important aspects of the business climate in Spain and the future outlook for their businesses in the country. Naturally, the economic, social and business background framed in this study has a certain impact on its results.

Spain is currently the fastest-growing major country in the European Union. The Spanish economy grew by 3.2% in 2015 compared to an increase of 1.4% in 2014. This growth has been fueled primarily by its dynamic export figures, which rose by 4.3% year-on-year in 2015 to a figure of 250.241 billion euros, the highest value since the start of the historic series.

Spain's good track record in terms of exports has gone hand in hand with a progressive strengthening of internal demand. In fact, the private components of internal expenditure –basically corporate consumption and investment– have shown a very positive trend in recent quarters, contributing decisively to the growth of the economy and improvements in investors' expectations. Specifically, the rising rate of spending in household consumption in the most recent period has continued to be sustained by the favorable trend in financial and employment factors. The Spanish economy has enjoyed unusually intensive growth in job creation. During 2015, employment figures increased by over half a million people.

The Spanish economy continued to grow throughout the first half of 2016, exceeding the expectations of the international economic institutions and opinion leaders. In the first and second quarters of the year, Spain enjoyed growth of 0.8%, and was also at the forefront of the major economies in the European Union. These figures acquire even greater importance in view of the fact that they are taking place in an unusual political climate characterized by the longevity of the interim government, which has persisted for over ten months owing to the difficulties encountered by the leading political forces in forming a new executive. However, this political scenario has had a minimal impact on the Barometer. This may be partially explained by the slight improvement in investors' sales forecasts for 2017 compared to those provided for 2016.

Brexit is another factor that may have a significant impact on the global economy, but which does not appear to have substantially affected the results of this study. The referendum on whether the United Kingdom would remain in the European Union was held on 23 June 2016. Only the responses submitted after that date would have considered the definitive result of the vote.

The positive performance of the Spanish economy and the favorable results of this Barometer are in line with the data on foreign direct investment in Spain published in the Foreign Investment Register at the Ministry of Economy and Competitiveness. According to this source, foreign productive investment received by Spain in 2015 grew by 17.8% over the previous year, exceeding 23 billion euros, thus reinforcing the pattern of growth begun in 2013. In fact Spain this year is the 12th largest receiver of direct investment inflows worldwide in terms of stock, with an investment of over 533 billion USD (Source: UNCTAD). This figure highlights the importance of foreign investment in Spain and the usefulness of initiatives such as this Barometer. In the first quarter of 2016 foreign investment has grown compared with the same period of the previous year.

Some sources estimate that foreign companies represent almost 40% of Spain's total exports to the rest of the world. In this category, the automotive, chemical and pharmaceutical industries and the capital goods and machinery sectors account for the highest added value and “made in Spain” technology. Foreign companies established in Spain also generate a very significant number of jobs, as they employ almost 14% of the working population in the private sector.

General Results



4. General Results

4. GENERAL RESULTS

4.1. General assessment

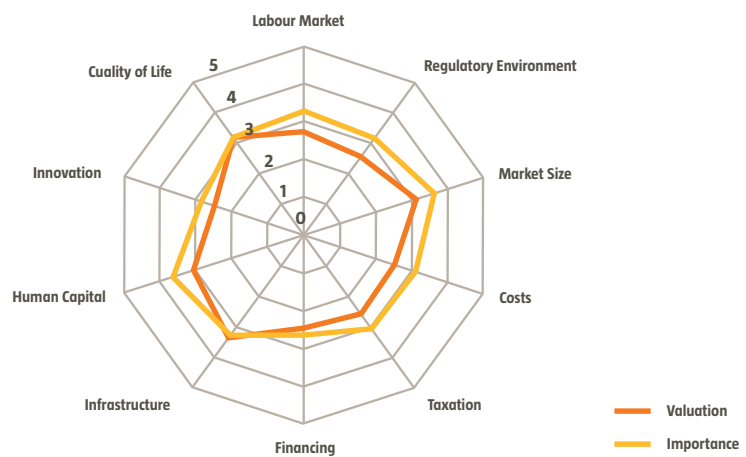
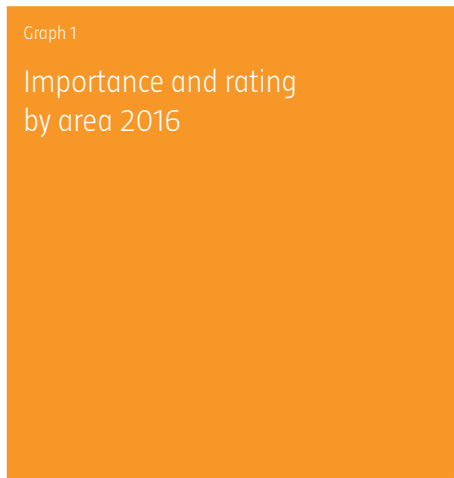
Graph 1 shows the assessment and importance given by foreign investors to each of the 10 areas considered in the Barometer of the Business Climate 2016.

The most important area for investors in the present edition was Human Capital, and it has also increased in importance for the companies surveyed. Other significant areas in terms of importance, as in previous years, were Market Size, the Labor Market and Infrastructures.

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

The most poorly rated aspects continue to be in the categories of Funding, Costs and Innovation, although as mentioned earlier, these are not the most important for investors.

The areas presenting the widest gap between their score and their importance for foreign investors are Regulatory Environment, Human Capital and Costs, closely followed by Labor Market and Market Size. The scores for the areas of Quality of Life and Infrastructures are equal to or higher than their importance, and generally meet investors' expectations.



4. General Results

4.2. Main strengths and weaknesses

Graph 2 shows Spain's main strengths according to foreign investors.

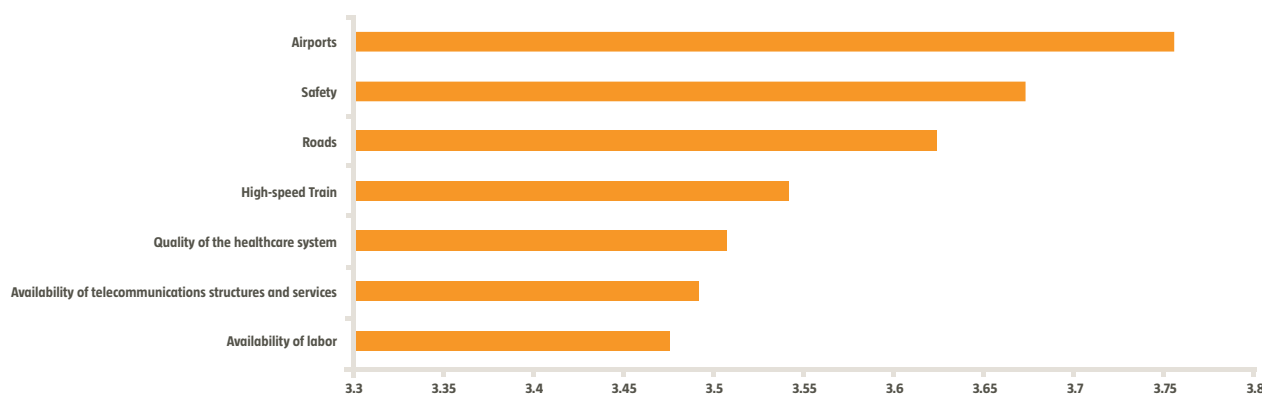
As last year, aspects relating to Infrastructures are particularly significant. Investors give a very positive rating to the quality of the airports, roads and high-speed train. Other perceived strengths in Spain in terms of Quality of Life are safety and the healthcare system. Finally, the availability of unskilled labor and the telecommunications structures in Spain are also considered as advantages by investors. It should be emphasized the improvement of certain strengths like Market Size and Availability of Skilled Labor force.

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

As in previous editions, electricity costs are seen as the main weakness –and to a very significant degree–, along with other energy costs. Certain financial aspects are also cited among the main weaknesses, in addition to employment and tax issues, and other aspects such as the bureaucratic burden on company operations.

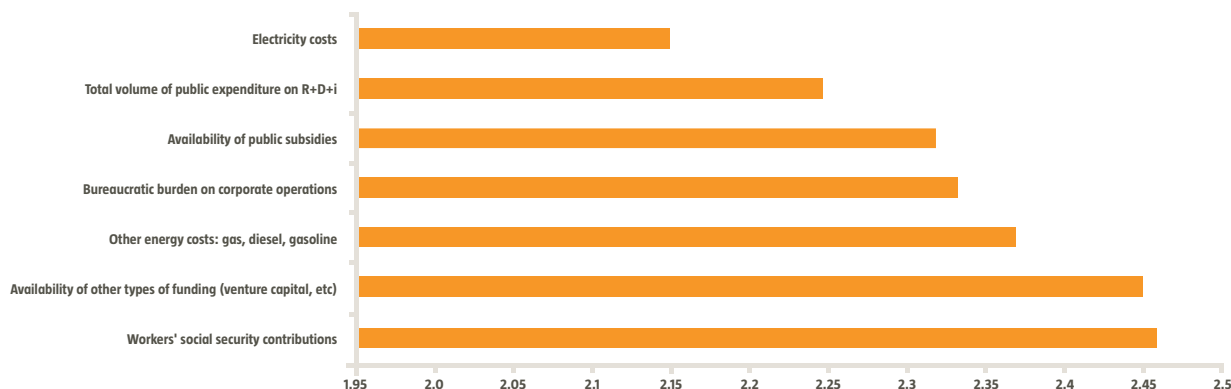
Graph 2

Main strengths



Graph 3

Main weaknesses



4. General Results

4.3. Comparison 2015-2016

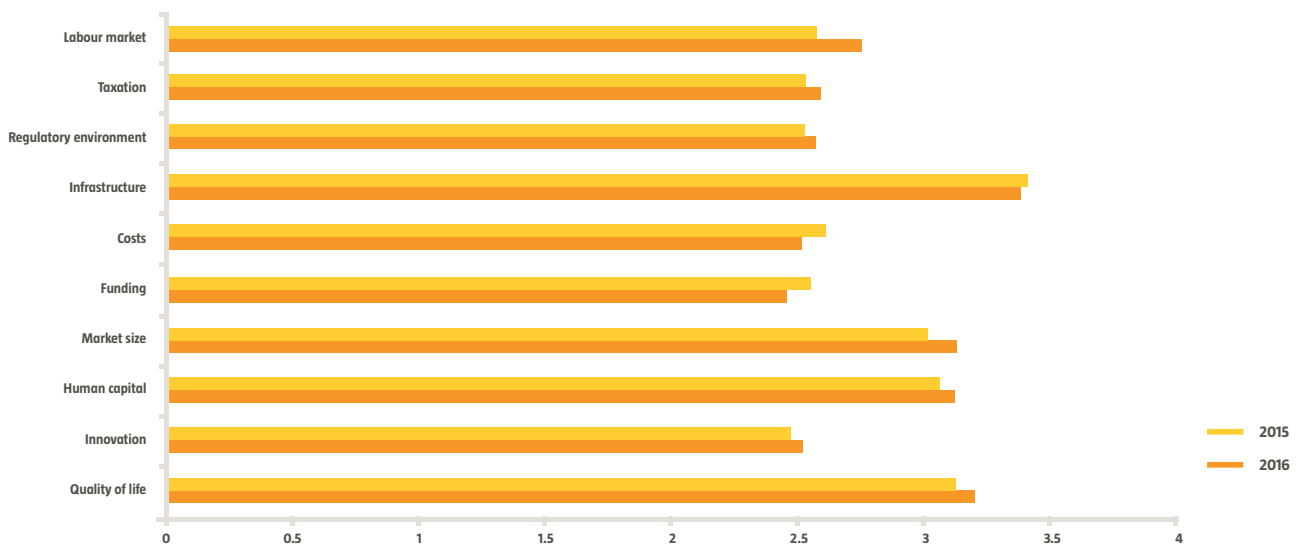
The general assessment for 2016 is maintained compared to 2015, although there is some variation in the areas analyzed. As can be seen in Graph 4, there are improvements in most of the areas considered except in the category of Costs and Funding, which shows a slight deterioration in practically all aspects.

The main improvements can be seen in the areas concerning the Labor Market, mainly due to a better perception of the adaptation of the labor regulations to companies' needs and to more flexible working hours. A positive trend can also be observed in Market Size due to the increased size of the local Spanish market, a natural result of the economic improvements of recent years.

The area of Taxation was deemed positive, slightly higher than last year in all the aspects considered. The assessments for Regulatory Environment, Human Capital, Innovation and Quality of Life have also improved, with a particular rise in the Quality of Life category with regard to aspects of safety, leisure and culture.

Graph 4

Assessment comparison 2015-2016



4. General Results

4.4 Main areas for improvement

The priority areas of action selected are those which reveal the greatest difference between their importance for investors and their weighted rating. It should be noted that four of the spheres of action resulting this year are the same as last year (language skills, accepting responsibility and targets, electricity costs and learning capacity), and signals that aspects involving Human Capital continue to be relevant. This year another priority area of action is the bureaucratic burden on company operations, and telephone and Internet costs.

1. Language skills

As in previous years, language skills appear as one of the main needs for improvement in the opinion of investors. Language skills is the most important aspect of the whole survey for investors, and although it has improved since 2014, it is still rated far below its importance to investors, and therefore continues to be the key priority area of action.

2 Accepting responsibilities and targets

Accepting responsibilities and targets is the third most important aspect for the investors surveyed, and in spite of its positive score and its notable improvement since 2015, this aspect once again highlights the need to devote more attention to issues of Human Capital.

3. Electricity costs

The cost of electricity cost is once again the most poorly rated aspect in the whole survey, and is down 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.

4. Bureaucratic burden on corporate operations

Bureaucracy is the third less valuable aspect in the survey, and remains unchanged since the 2015 edition. However its importance for companies has increased since last year, and it must therefore be included among the priority areas of action. This corroborates other studies on international competitiveness such as the Global Competitiveness Report by the World Economic Forum, whose latest editions have signaled bureaucracy as one of the barriers to doing business in Spain.

5. Cost of telephone and Internet access

This aspect is poorly rated and has a less assessment since the previous year, as have all the other aspects relating to costs. The importance of this issue for foreign investors –although not one of the highest– is certainly considerable, and this year it is thus another of the priority areas for action.

6. Learning capacity

Although the learning capacity in Spain is highly rated by foreign investors and also reveals a considerable improvement since last year, this is the second most important aspect for respondents, and thus falls short of expectations and must be signaled as a priority area of action.

Outlook of foreign companies in Spain



5. Outlook of foreign companies in Spain

5. OUTLOOK OF FOREIGN COMPANIES IN SPAIN

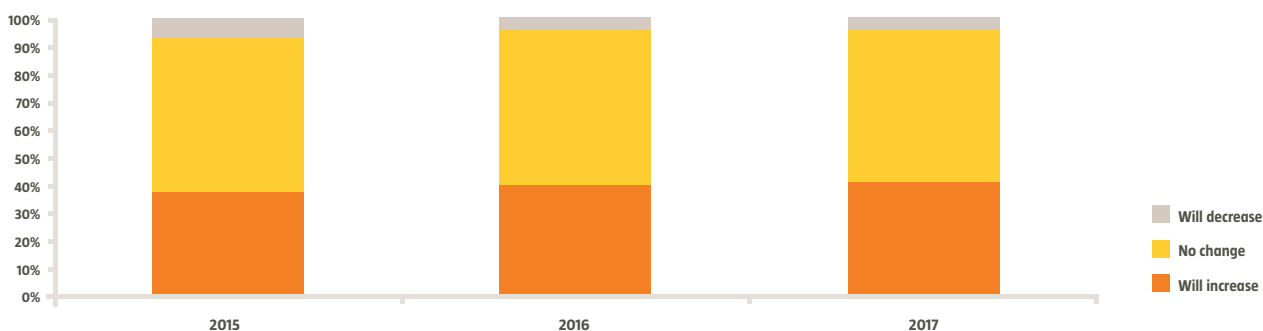
5.1. Investment outlook

The outlook for investment by foreign companies in Spain for the coming year is clearly positive and has improved compared to previous years. **95% of the companies surveyed plan to increase or maintain their investments in Spain in 2016**, compared to 93% the previous year.

These forecasts are also maintained for 2017.

Graph 5

Investment outlook 2015-2017



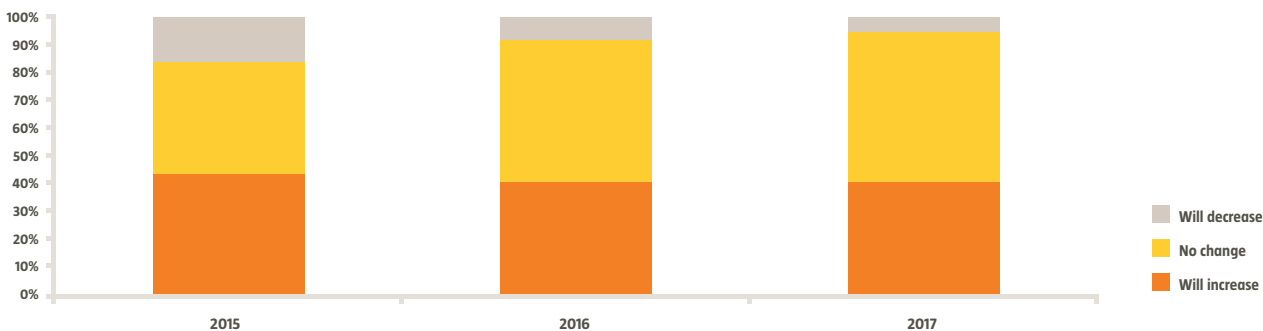
5.2. Employment outlook

The **outlook for employment has also improved**, and the percentage of companies that **plan to increase or maintain their workforce** in Spain has risen to 91% in 2016, compared to 84% in 2015, although there is a slight decrease in the percentage of companies planning to reduce their staff.

Additionally, as shown in Graph 6, only 5% of the companies surveyed plan to reduce their workforce in 2017.

Graph 6

Workforce outlook 2015-2017



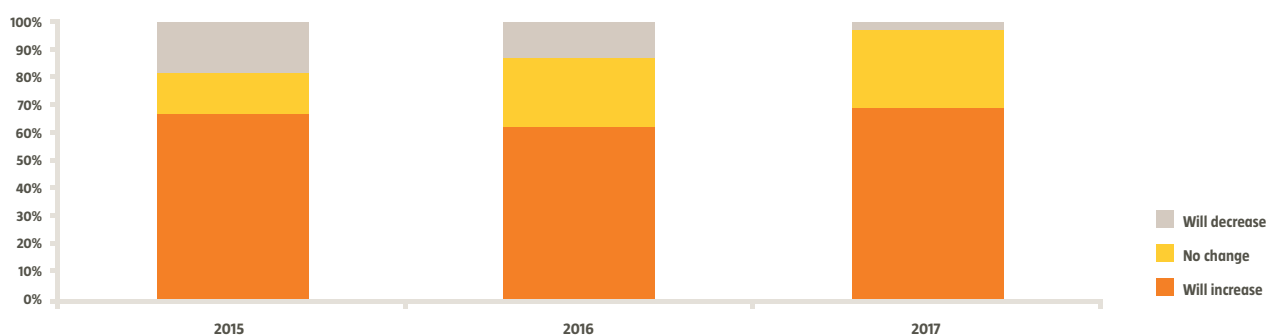
5. Outlook of foreign companies in Spain

5.3. Sales outlook

The outlook for sales in Spain in 2016 is also very positive. 87% of the companies surveyed expect to increase or maintain their sales, compared to 82% in 2015. While it is true that the percentage of companies expecting to increase their sales has fallen to 62% for 2016, this figure is predicted to rise to 69% in 2017.

Graph 7

Sales outlook 2015-2017

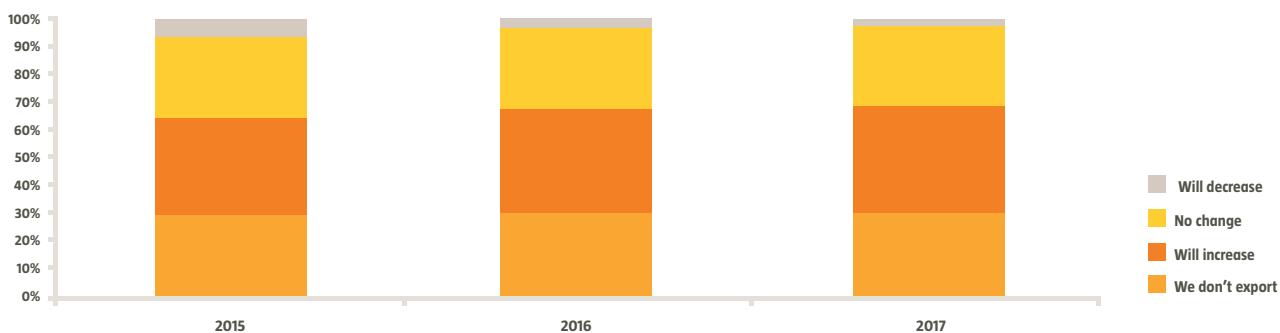


5.4. Export outlook

Finally, the outlook for exports continues to be positive. Almost 70% of foreign companies export to third markets from Spain. 37% of the companies also predict an increase in their exports in 2016, and 29% will maintain their export volume at the same level as in previous years. Only 4% of companies expect to reduce their exports in 2016, and this figure falls to 2% in the following year, as shown in Graph 8. To some extent could be due to the boom in domestic demand.

Graph 8

Export outlook 2015-2017



Results by areas



6. Results by areas

6. RESULTS BY AREAS

6.1. Labor Market

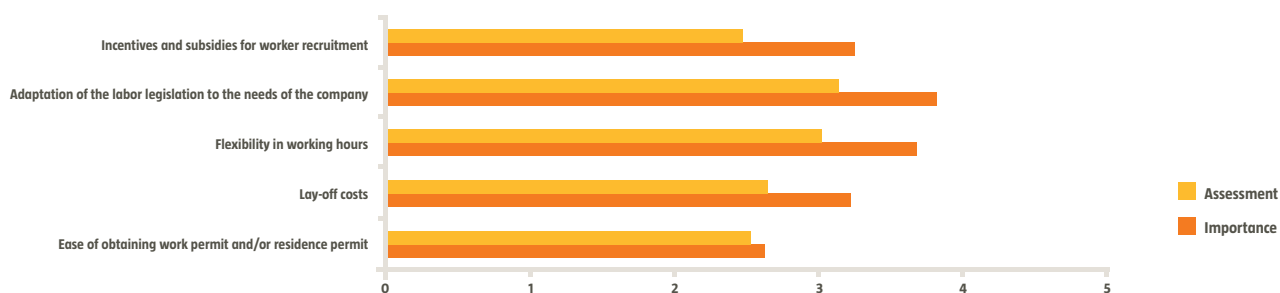
The Labor Market category continues to reveal a clear margin for improvement in the opinion of foreign investors, although its assessment is higher than last year in all the aspects considered.

Incentives and subsidies for worker recruitment reveal the greatest gap, and are the most poorly rated in this area. The adaptation of the labor legislation to companies' needs and flexible working hours are two important aspects for investors, and also clearly reveal room for improvement, although it should be noted that both these categories score considerably better this year than in 2015. In fact, the adaptation of the labor legislation to companies' needs is the aspect that has seen the greatest improvement in its score in the whole survey.

The ease of obtaining work permits, residence permits and visas is an aspect that –despite its low score– is not seen as a significant problem by investors.

Graph 9

Labor Market



6. Results by areas

6.2. Taxation

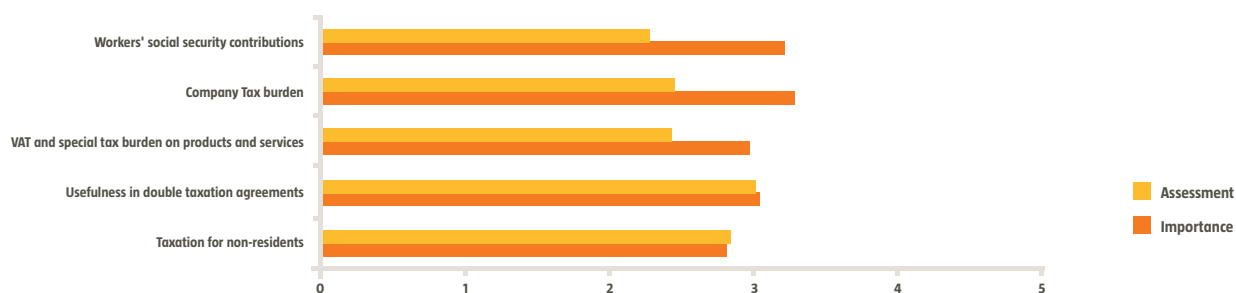
In the Taxation area, foreign investors consider there is predominantly a need for actions on workers' Social Security contributions and on Company Tax. Both aspects have increased in importance in the opinion of the respondents.

It is worth noting however that the assessment of both these two aspects and the rest of those in the Taxation area have improved compared to 2015, albeit in all cases moderately.

The survey indicates that double taxation agreements and taxation for non-residents do not appear to be seen as a problem by foreign investors in Spain.

Graph 10

Taxation



6. Results by areas

6.3. Regulatory Environment

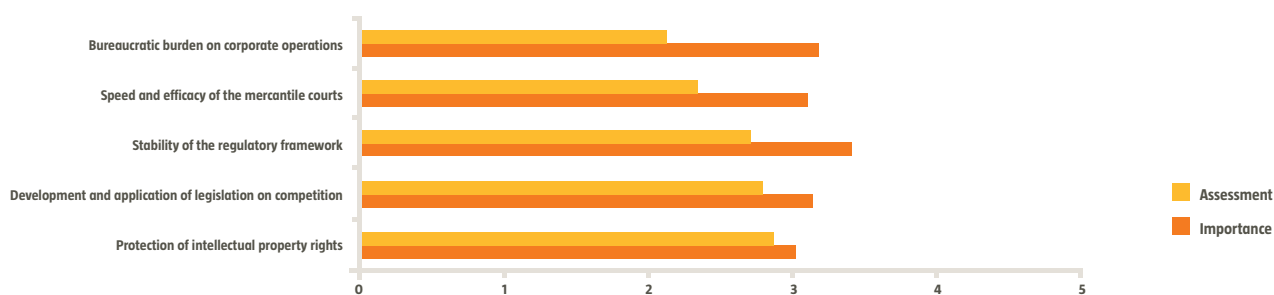
The Regulatory Environment is the area which reveals the most room for improvement in general terms, as although its assessment improves and it is slightly higher than last year, its importance to investors is also higher.

The bureaucratic burden on companies' operations is once again the most critical aspect, and receives the third poorest score in the whole survey. There is also an important gap between the speed and efficacy of the mercantile courts and the stability of the regulatory framework, which according to the respondents is the most important aspect in this area.

The protection of intellectual property rights, down sharply in 2014, this year continues the improvement in its assessment begun in 2015.

Graph 11

Regulatory Environment



6. Results by areas

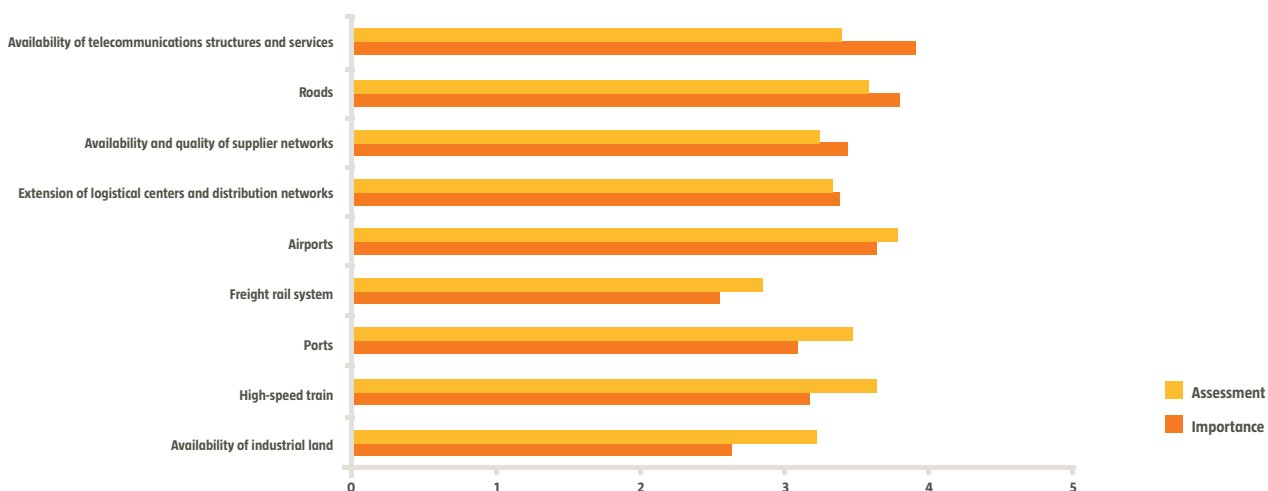
6.4. Infrastructure

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

Airports, the high-speed train and roads have already been mentioned as some of the strengths in general terms in the study, and other aspects such as ports and the availability of telecommunications structures and services also receive very high scores. However, this last aspect shows the greatest room for improvement and is also considered by investors to be the most important aspect in the category of infrastructures, although it should be noted that its score has improved since 2015.

Graph 12

Infrastructures



6. Results by areas

6.5. Costs

Costs is one of the few areas that scores lower than in 2015 in general terms, and it must be noted that all the aspects considered have declined, although to differing degrees.

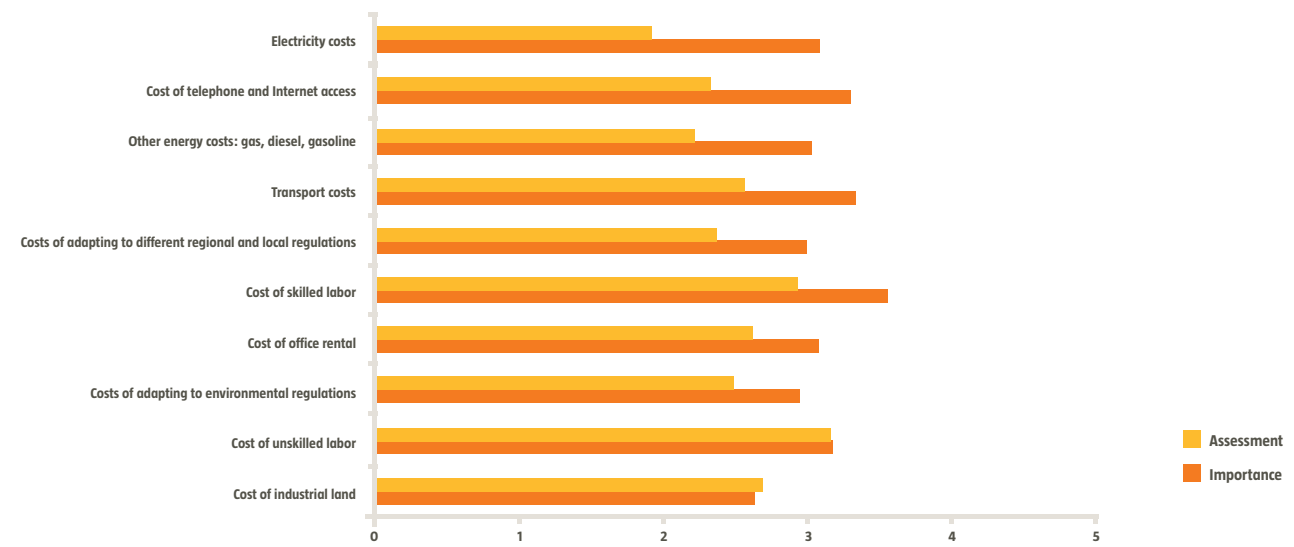
The main concern, as indicated earlier, is the cost of electricity, which is cited as the main weakness at the general level of the study and one of the priority spheres of action. This is followed by telephone and Internet costs, and the cost of adapting to the different regional and local regulations, which is seen by investors as particularly onerous.

Labor costs scored positively in the categories of both skilled and unskilled labor, although it is interesting to note that skilled labor is clearly more important to foreign investors in Spain which has a high positive assessment. There is room for improvement in this aspect, and it warrants particular attention as this is one motive cited by foreign companies when choosing to start up their activities in Spain.

Investors' expectations are positively satisfied or exceeded in aspects such as the cost of unskilled labor and the cost of industrial land.

Graph 13

Costs



6. Results by areas

6.6. Funding

Funding is the rated area with lowest results, in general terms, and also scores less than last year, although only moderately so.

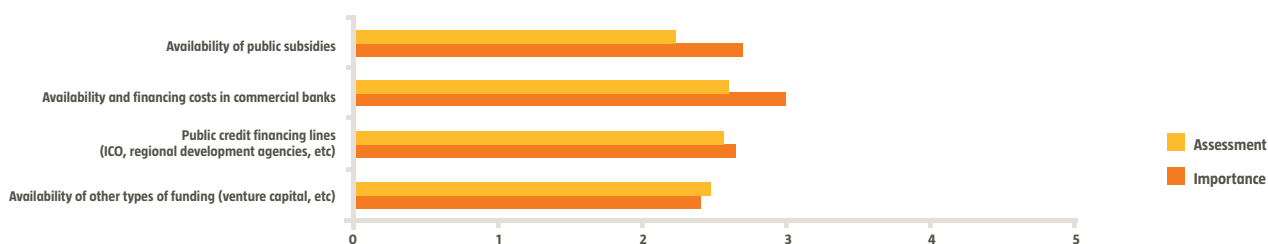
The main area for improvement is the availability of public subsidies, which scores poorly, and significantly lower than in 2015.

However, the availability and cost of funding in the commercial banks continues consolidating the improvement begun in previous years. In any case, it should be noted that in spite of the low scores, funding issues are not among the priorities for the foreign companies surveyed, and is considered the least important area in the report.

The availability of other types of funding such as venture capital do not appear to represent a problem for foreign investors.

Graph 14

Funding



6. Results by areas

6.7. Human Capital

Human Capital is the most important area for investors, enhances, and it has also gained in importance since 2015. The four most important aspects of the whole survey in the opinion of investors fall into this category (language skills, learning capacity, accepting responsibilities and targets, and availability of skilled labor). It is worth noting that in all four areas the score has improved since 2015, with significant increases in the categories of accepting responsibilities and targets and learning capacity.

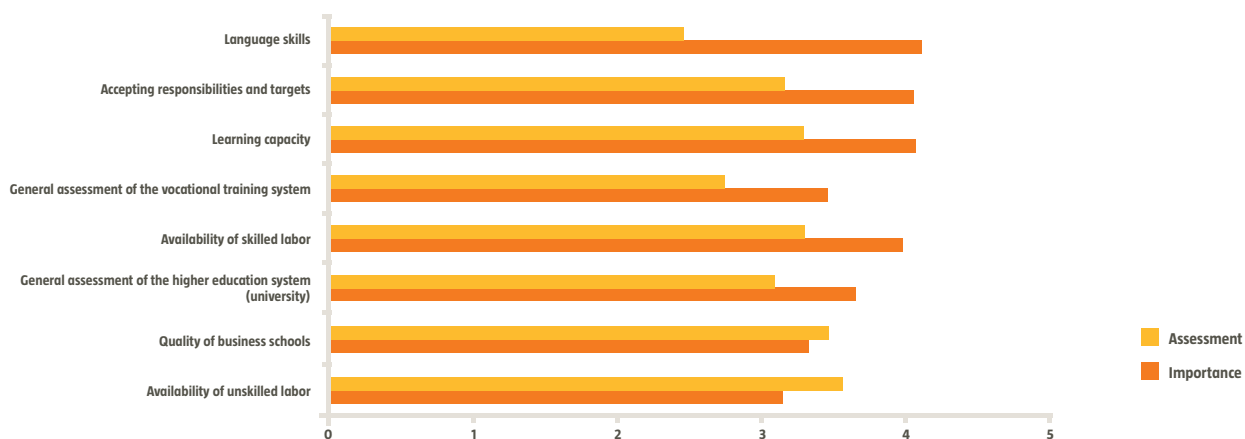
Although the assessment in general terms is good, and slightly higher than in 2015, there is still room for improvement in various key aspects that constitute priority spheres of action, such as language skills, accepting responsibilities and targets, learning capacity and the quality of the vocational training system.

It is also necessary to continue working on the availability of skilled labor, seen by investors as being much more important than unskilled labor, which also clearly shows room for improvement. The quality of the business schools and the availability of unskilled labor are two areas in which investors' expectations are fully satisfied.

As highlighted in the latest editions of the Barometer, Human Capital aspects 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.

Graph 15

Human Capital



6. Results by areas

6.8. Innovation

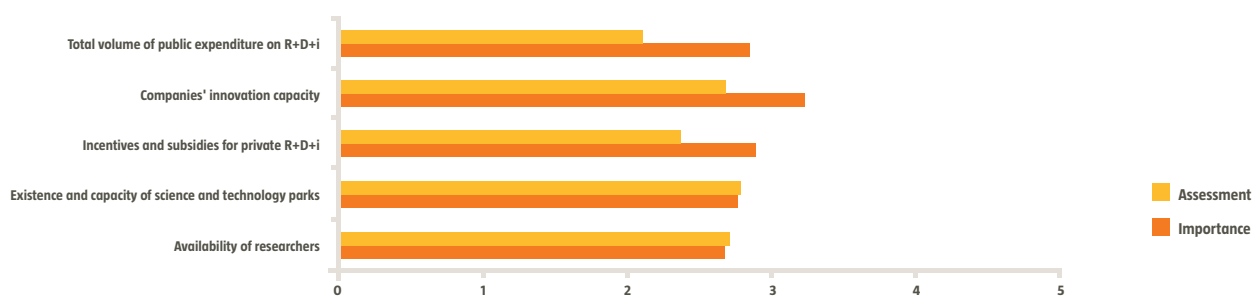
The area of Innovation presents the lowest rating in general terms, although it is very slightly higher than last year.

The most important aspects and those with the greatest margin for improvement in the area of innovation continue to be the total volume of public expenditure on R+D+i and companies' capacity for innovation, in addition to incentives and subsidies for private R+D+i. It should be noted that public expenditure on R+D+i has the second lowest assessment in the whole survey in the opinion of foreign investors.

The presence of science and technology parks and the availability of researchers meets the companies' needs.

Graph 16

Innovation



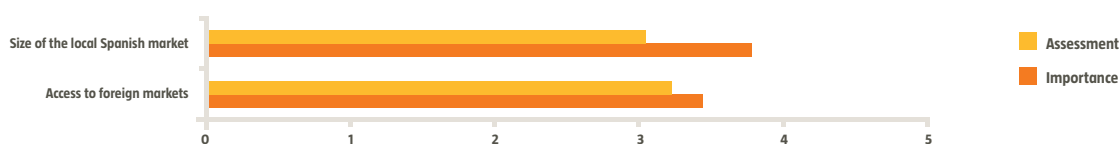
6.9. Market Size

This is the second most important area for foreign investors –behind only Human Capital–, and one of the main reasons the foreign companies in the survey decided to set up in Spain.

As occurred in the 2015 edition, the two variables in this section saw an improvement, which is more significant in regard to the size of the local Spanish market, a logical result of the economic recovery. However, there is clearly room for improvement on this issue, as seen in Graph 17. Access to foreign markets is also very important for foreign investors, but slightly less so, and it is rated slightly higher than the size of the domestic market, so the gap is reduced.

Graph 17

Market Size



6. Results by areas

6.10. Quality of Life

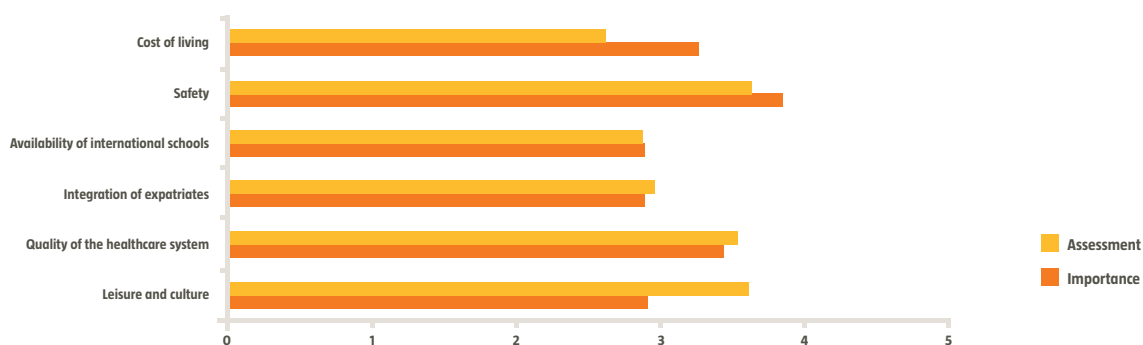
Foreign investors' assessment of the Quality of Life in Spain is positive, in common with all the previous editions of the Barometer, and this is the second area after Infrastructures that most closely satisfies their expectations.

The cost of living is still the priority area for improvement, although its assessment continues to rise. In almost all the other aspects analyzed it scores higher than the importance attributed by the companies surveyed, particularly in terms of leisure and culture and the quality of the healthcare system, two of the most highly rated issues by investors at the general level of the survey.

Safety scores very highly –significantly higher than in 2015–, and this present edition highlights this aspect as one of Spain's most notable strengths in the opinion of foreign investors.

Graph 18

Quality of Life



Analysis by country



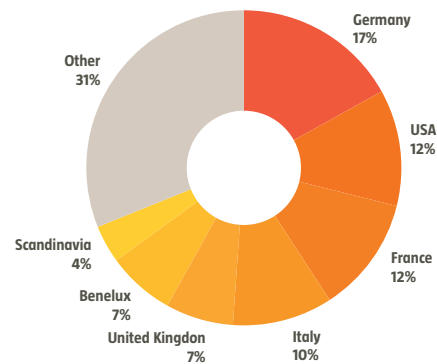
7. Analysis by country

7. ANALYSIS BY COUNTRY

As in 2015, the present edition sets out to analyze whether there are any significant differences in the responses of the investors 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.

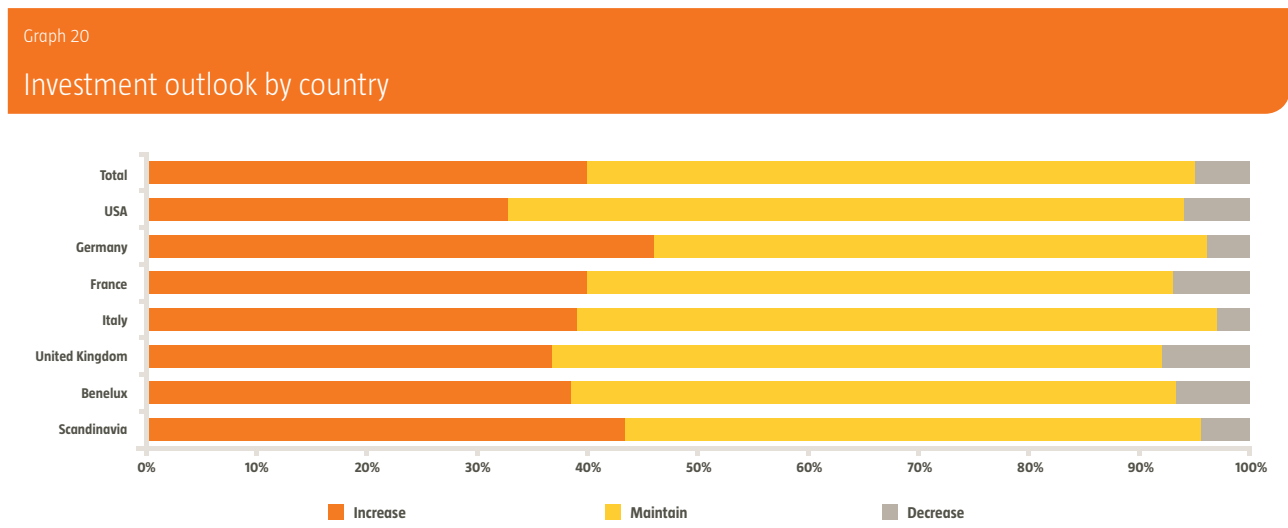
The most numerous companies in the survey are from Germany, United States, France and Italy, followed by the United Kingdom, Benelux and Scandinavian countries, corresponding to the countries with the greatest investment weight in Spain.

Although the data for companies from Latin America are relatively insignificant in statistical terms and are therefore not shown in the graphs, it should be noted that the tendency is to maintain their investments and sales figures, while their outlook for employment and exports is higher than companies from other nationalities.



7.1. Investment outlook

In the study as a whole, 95% of the companies surveyed intend to increase or maintain their investments in Spain in 2016. The figures for the companies from France, United Kingdom and Benelux are slightly below the average, whereas those with German, Italian and Scandinavian capital have slightly higher plans than the average for the companies surveyed.



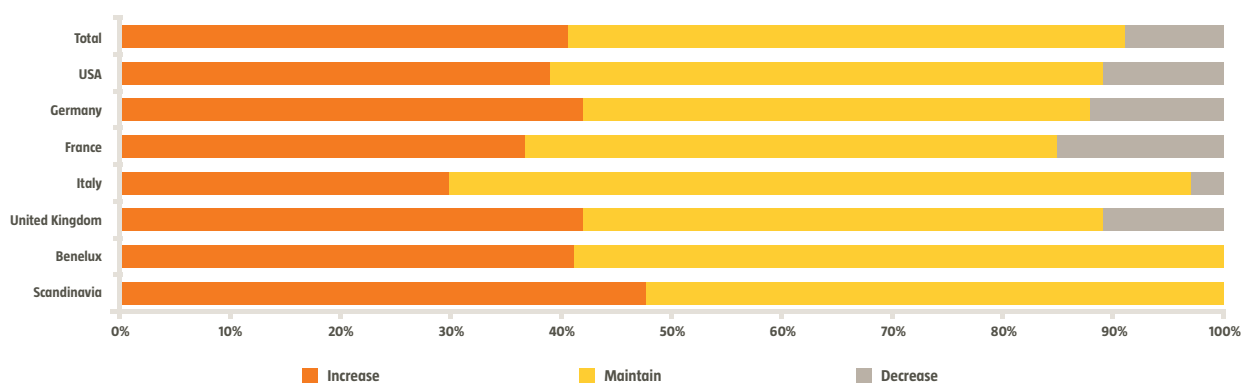
7. Analysis by country

7.2. Workforce outlook

With regard to the predicted number of employees in Spain in 2016, the percentage of companies that expect to increase or maintain their workforce has risen to 91%. France has the highest percentage of companies planning to reduce their workforce in 2016, while Italy has the lowest, along with companies from Benelux and Scandinavian countries.

Graph 21

Workforce outlook by country

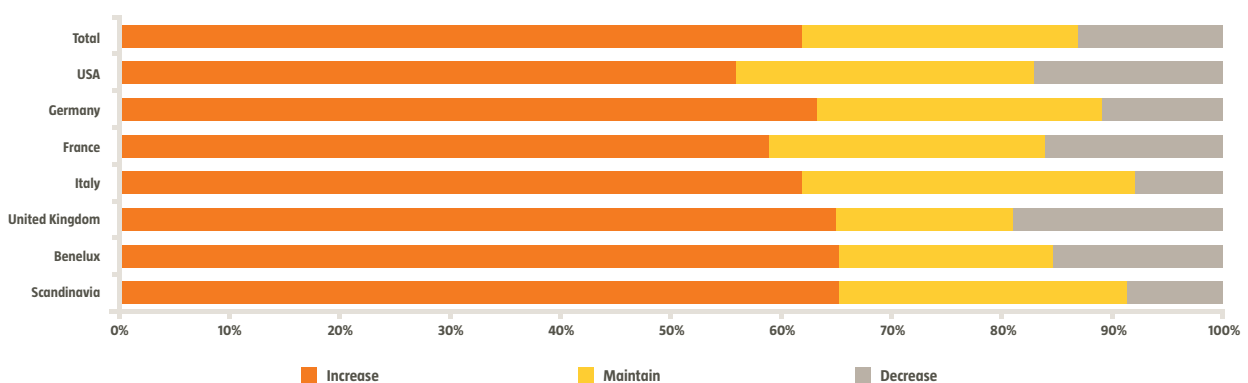


7.3. Sales outlook

62% of respondents expect to increase their sales in 2016. Only 13% of the companies surveyed predict a reduction in sales. Companies from Italy and Scandinavia have the most favorable outlook for 2016, followed by Germany.

Graph 22

Sales outlook by country



7. Analysis by country

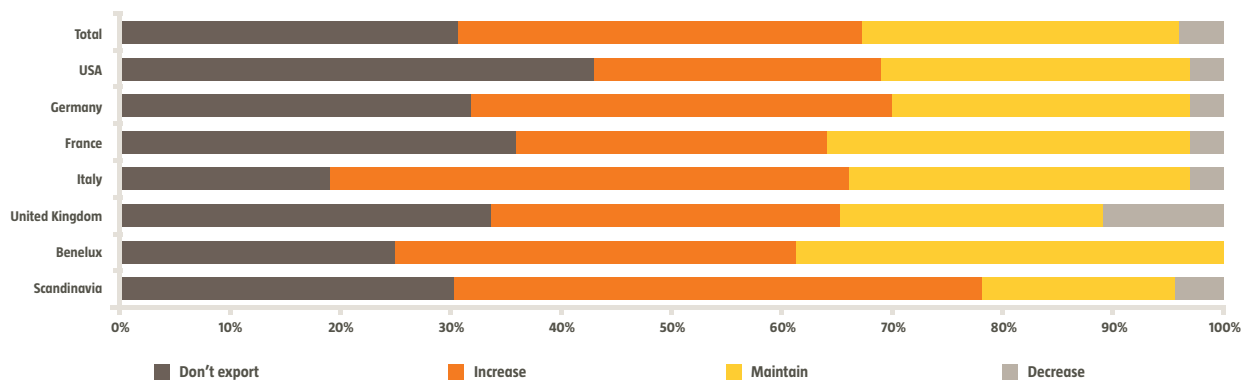
7.4. Export outlook

The final category in the outlook section is exports. Almost 70% of foreign companies export to third markets from Spain. In this case, Italian and Benelux countries have the highest export profile.

37% of companies plan to increase their exports in the period and 29% will follow the same export trend as in previous years. Only 4% of companies expect to reduce their exports in 2016. Scandinavian and Italian companies have the highest percentage of respondents planning to increase their exports.

Graph 23

Export outlook by country



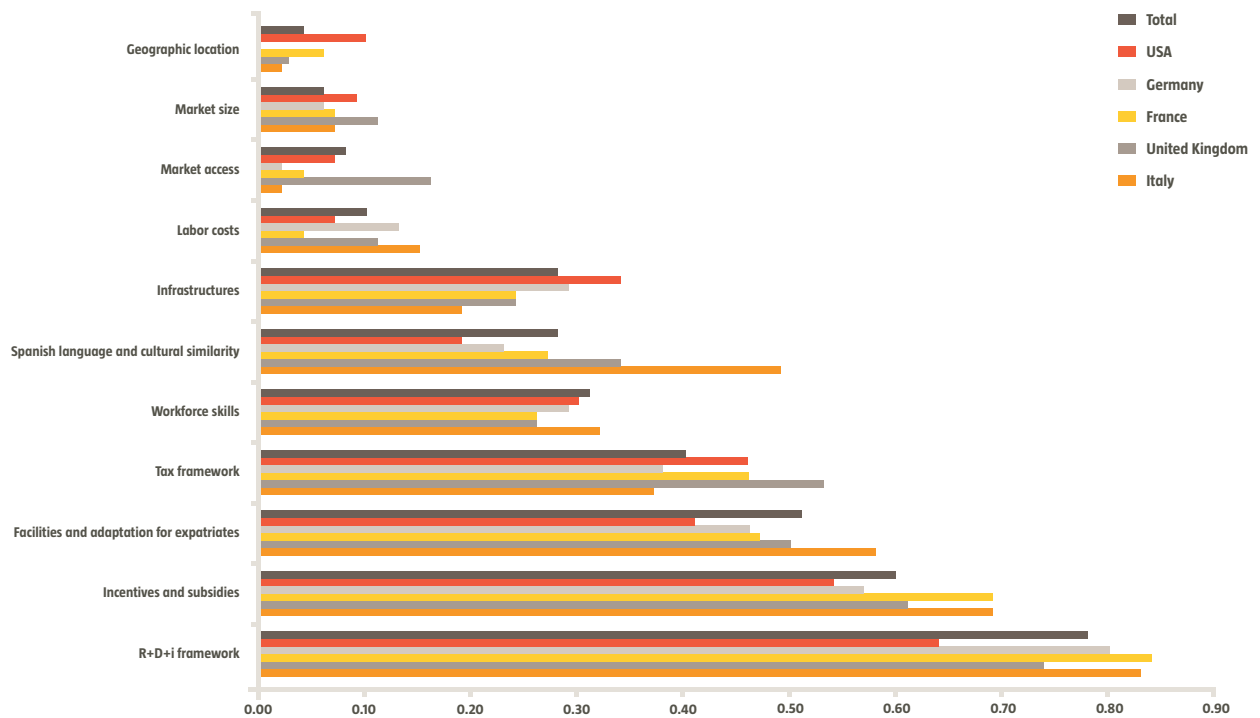
7. Analysis by country

7.5. Motives for locating in Spain

Although all the groups represented cite Geographic Location, Market Size and Access to other countries as the main reasons for locating in Spain, there are some significant differences. Companies from the United States, for example, give more weight than the average to Workforce Skills and Labor Costs. Companies from Italy give a higher score than average to cultural similarities and the Spanish language as one of the main reasons for locating in our country. Finally, companies from the United Kingdom focus more on Labor Costs and the size and access to markets.

Graph 24

Motives for locating in Spain by country



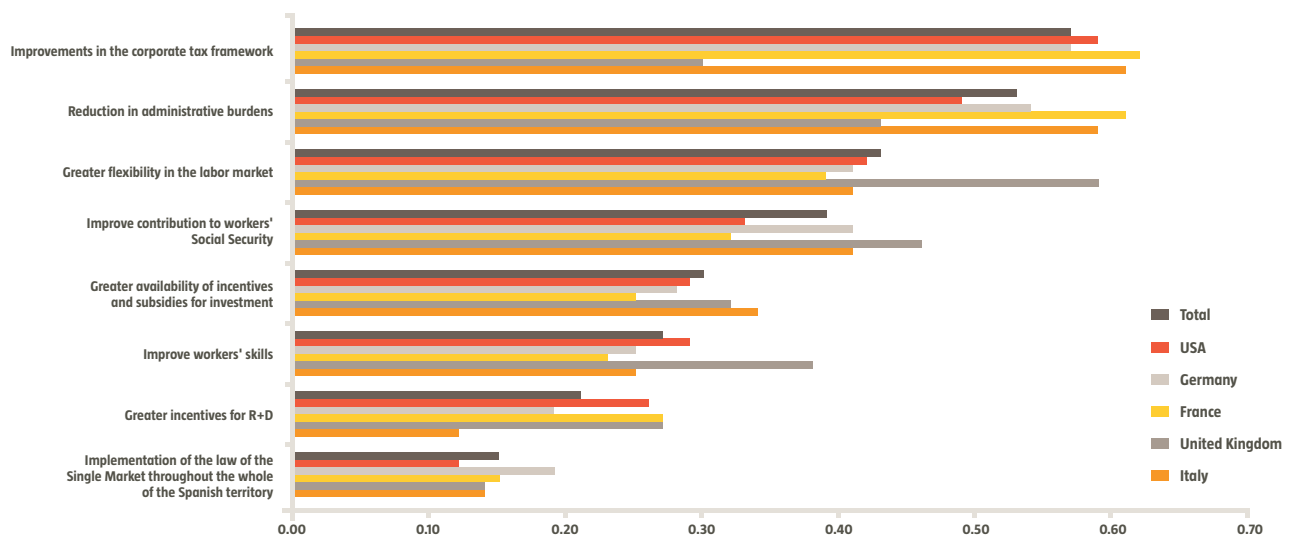
7. Analysis by country

7.6. Measures that most contribute to increasing a company's investment in Spain

Although practically all the groups of countries coincide in indicating improvements in the tax framework and the reduction of the administrative burden as the two priority measures required, there are some interesting differences. For example, for companies from the United Kingdom the flexibility of the workforce and the improvement in workers' skills are more important than the average, and they place less comparative emphasis on the tax framework and on bureaucracy. However, these last two aspects are more important for French companies than for the average. The response of companies with US and German capital are very close to the average.

Graph 25

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.

This edition maintains the same structure as in previous years, and most of the questions of the past editions, although some have been eliminated or modified. However, a sensitivity analysis has been introduced in some questions depending on the country of origin of the investing company.

As in previous editions, the methodology followed is the completion of a questionnaire by foreign companies currently operating in Spain. Inside this Issue the number of participant executives has reached 700 foreign companies. Therefore the representativeness of the sample has got better.

To achieve continuity in this study, since 2007 the following areas included 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

Funding

3) INFRASTRUCTURES AND RESOURCES

Infrastructures

Human Capital

Innovation

4) QUALITY OF LIFE

The questionnaires explore both the companies' assessment of Spain in each aspect and the importance they give to each factor in order to weight the results according to companies' genuine interests.

In each question, the foreign investors are asked to give a score of between 1 and 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. All the questions which 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 foreign investors' expectations in Spain.

Appendix

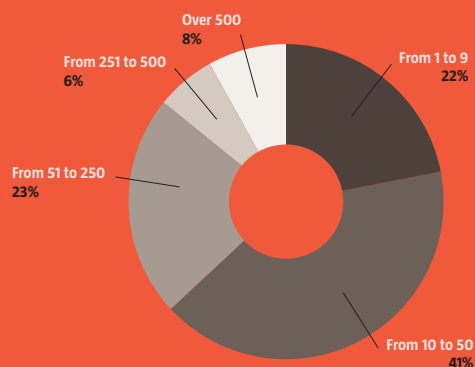
APPENDIX 1: PROFILE OF THE COMPANIES SURVEYED

The profile of the companies taking part in the study is fairly heterogeneous and includes a representation of companies of all sizes, although there is particular participation of companies with up to 250 employees, as can be seen in Graph 26.

The sectors represented in the sample are very diverse as shown in Graph 27. The sector with the greatest representation is commercial distribution, followed by the chemical and electronics sectors, and the IT and telecommunications sectors.

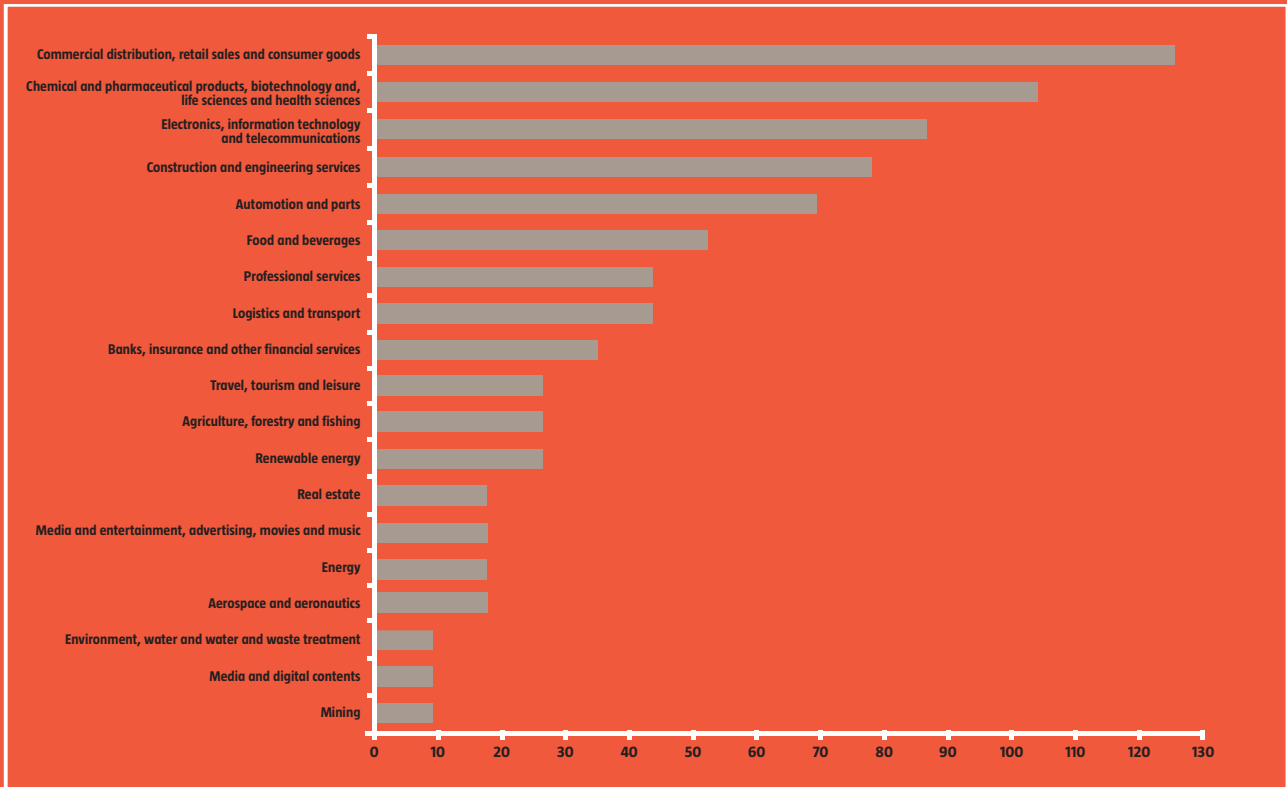
Graph 26

Number of employees per company



Graph 27

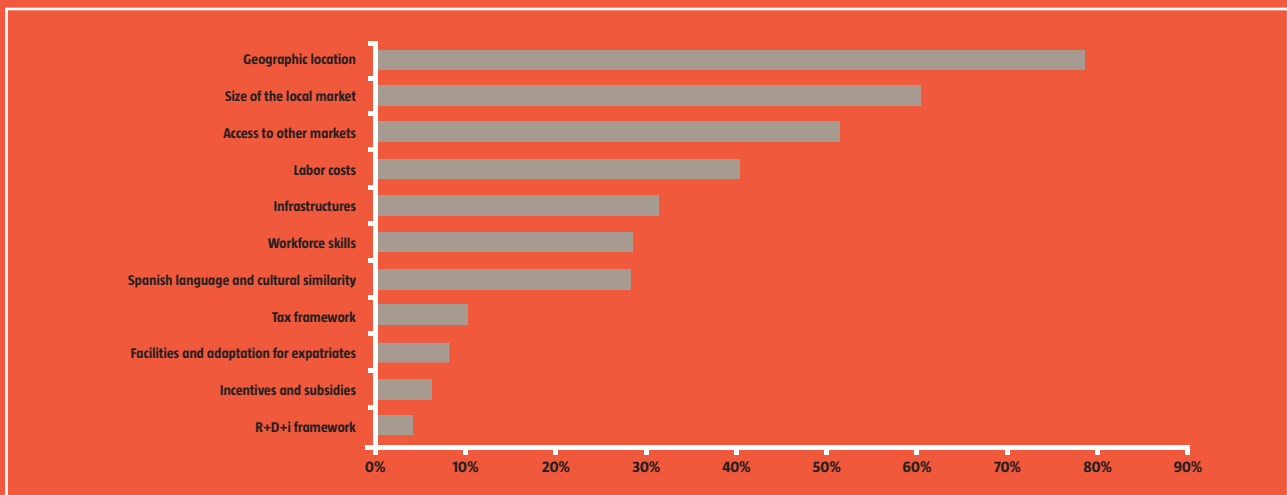
Company sectors (number of companies per sector)



When asked their motives for choosing to locate 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 were the workforce in terms of both the cost of labor and the skills available.

Graph 28

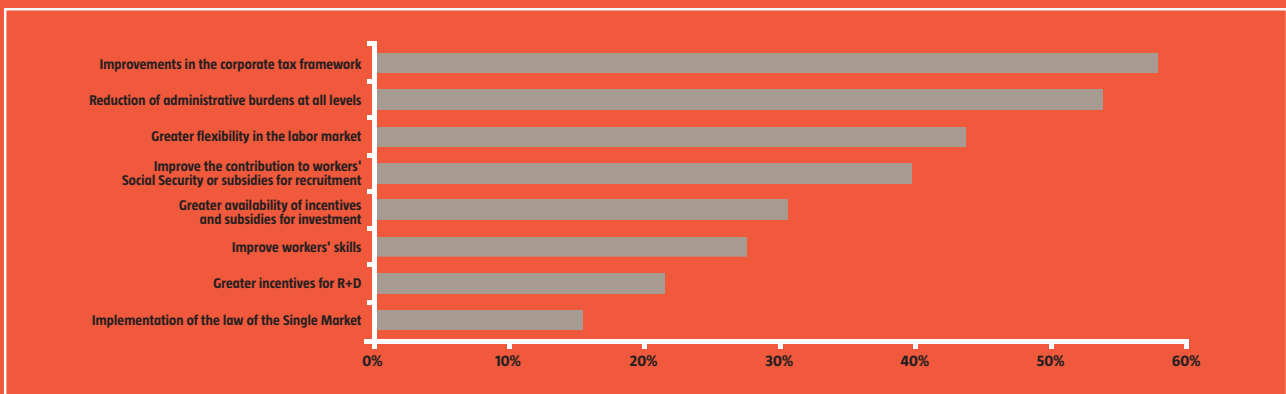
Motives for locating in Spain (percentage of companies indicating each motive)



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

Graph 29

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



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