



# Barometer of the business climate in Spain

From the foreign  
investor's perspective

Results 2018

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# Presentation



# 1. Presentation

## 1. PRESENTATION

This edition of the “Barometer of the Business Climate in Spain from the Foreign Investor’s Perspective” is the 11<sup>th</sup> to be published, and has now become a reference in Spain.

The 2018 edition features an assessment by over 520 foreign companies of the importance of the business climate in Spain in 2018, and also gives 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 requiring greater efforts.

The overall assessment of the new 2018 Barometer saw a further improvement over the previous year, confirming the upward trend that began in 2014 and reflecting the economic recovery and Spain’s emergence from the crisis.

The investing companies consolidate their good performance in 2017 and maintain very favorable perspectives in all the aspects analyzed: investment, staffing, invoicing and exports, for 2018 and 2019.

According to the Investment Registry at the Ministry of Industry, Trade and Tourism, the total foreign direct investment received by Spain in 2017 was up 1% to over 365 billion euros. This upward trend continues in 2018. In the first quarter of the year, Spain received almost 8.5 billion euros in foreign investment, over double the amount recorded in the same period the previous year.

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 ICEX-Invest in Spain is the promotion and attraction of foreign investment. Its mission is to promote, attract and foster foreign investment in Spain, along with reinvestment by foreign companies already established in the country. 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 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 is an association of multinational companies from a variety of industries with operations in Spain that wish to demonstrate their commitment to Spanish society and the Spain brand. Among other tasks, it promotes collaboration with Spain’s government agencies to drive the Spain brand, defend the country’s common interest, and convey to government managers the aspects most highly valued by these multinationals in their decision-making and which position Spain as a destination with guarantees for the development of their operations.

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

# Executive Summary



## 2. Executive Summary

### 2. EXECUTIVE SUMMARY

#### **Spain's assessment has improved since 2017**

The results of this edition of the Barometer of the Business Climate in Spain, as last year, show an improvement compared to the results of previous years, with an average rating of 3 out of 5 and an increase in the companies' forecasts in most of the categories considered.

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

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

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

The aspects that continue to be least highly rated include those relating to Finance, Innovation and Taxation, although the lowest rated area in the previous edition was Taxation while in 2018 it is Finance.

The investors signal that measures are necessary in regard to Costs (such as the costs of electricity, telephone and Internet, and other supplies) and the Regulatory Environment (including a reduction in the burden of bureaucracy). The Human Capital aspects are also considered essential and are highly rated as a whole, although there is room for improvement in several areas such as language skills and accepting responsibilities and targets. The scores for the areas of Quality of Life and Infrastructures are very similar and generally meet investors' expectations.

#### **The forecasts for investment, sales, generation of employment and the volume of exports for 2018 and 2019 are clearly positive and have improved since 2017**

The general assessment of foreign investors with regard to the forecasts for 2018 and 2019 is very positive.

Foreign companies in Spain foresee a highly favorable outlook for investment in the coming year. 93% of the companies surveyed expect to increase or maintain their investments in Spain in 2018.

Employment prospects are also fairly positive and have improved, with the percentage of companies planning to increase or maintain their workforce in Spain rising to 91% in 2018, up from the 89% who say they did so in 2017.

The sales prospects in Spain for 2018 are also excellent, with 91% of the companies surveyed expecting to increase or maintain their turnover, compared to 85% in 2017.

Finally, in terms of the volume of exports, 74% of the foreign companies surveyed export to third markets from Europe. Only 4% of companies plan to reduce their exports in 2018.

# Context



## 3. Context

### 3. CONTEXT

The eleventh edition of this Barometer of the Business Climate in Spain from the Foreign Investor's Perspective is based on the responses from a survey of investors conducted in May, June and July 2018, which, like every year, examines the most important aspects of the business climate in Spain. This year the political-institutional context covered by the Barometer, and which in one way or another has an inevitable effect on its results, was rocked during the process of collecting the answers to the questionnaire by the sudden change in the Spanish government last June. However, and as the respondents had so little time to digest and assess this fact, it is very difficult to measure the impact that the change in government may have had on the answers to the questionnaire. This is even more true in view of the fact that the results of the Barometer are consistent with those of last year's edition, continuing the upward trend that was clearly observed in the answers to the 2017 Barometer. It is fair to say that this change in the political-institutional context has not had a decisive impact, at least for the time being, on the economic, social and business context covered by this study. The respondents appear to have perceived this political change as natural and have not significantly modified their perception –either positively or negatively– of their future in Spain. This also suggests that the investors participating in this Barometer have a positive view of the stability of Spain's Democratic institutions.

From a global perspective, the world economy in 2017 and the first half of 2018 has followed a path of robust growth, slightly hampered by the threat of certain risk factors at the international level. Many of these remain in a state of latency and have not as yet exerted their full potential effect, such as the progress of the United Kingdom's toward leaving the European Union, and the resurgence of protectionist tendencies in some of the world's leading economic powers. These factors of uncertainty have not significantly affected production worldwide, which has maintained its healthy growth in recent months, although their impact can already be seen on other indicators. According to the UNCTAD's World Investment Report 2018, the world flows of foreign direct investment fell by 23% in 2017 from 1.87 billion USD in 2016 to 1.43 billion in 2017.

Meanwhile the Spanish economy has continued evolving very positively during 2017 and the first half of 2018 despite these international economic uncertainties and the internal tensions produced by the situation in Catalonia. The Spanish economy grew by 3% in 2017, making Spain the fastest-growing country among the major developed countries, and substantially above the average for the EU. All the international institutions and economic opinion leaders also forecast that in 2018 Spain will once again see a high rate of growth similar to 2017. In fact, the consensus of analysts, institutions and economic opinion leaders points to an economic growth of between 2.5% and 3% in 2018.

This growth pattern is also more sustainable and harmonious than in other previous periods of economic expansion. In first place, Spain's high rate of growth is occurring against a backdrop of moderate inflation, in spite of the fact that inflation rates are already starting to show signs of the rise in oil prices. Second, the components of the growth of the Spanish economy are very balanced. The vigor of the activity continues to be sustained on the strength of internal demand, and private consumption continues moving steadily forward, favored by the sustained growth of the economy. This healthy internal demand is also compatible with a current account surplus in the balance of payments. Spain posted a current account surplus in 2017 for the fifth consecutive year. In fact, Spain's exports are making unprecedented progress. Spanish exports of goods in the period between January and July 2018 were up 2.9% compared to the same period the previous year to 144.92 billion euros, an all-time high in the series for the accumulated figure in this period.

The encouraging results offered by this Barometer and the evident strength of the Spanish economy in 2017 and so far in 2018 are echoed by the data for direct investment received by Spain, as shown by the Foreign Investments Registry at the Ministry of Industry, Trade and Tourism. According to the figures from this source, the total foreign direct investment received by Spain in 2017 was up 1% to over 365 billion euros. Spain continues to be one of the most attractive destinations in the world for international investments. In fact, according to data from the UNCTAD, Spain is the 13<sup>th</sup> largest global receiver of foreign investment stock. There are over 14,000 foreign companies established in Spain which give employment to over 1,300,000 people.

### 3. Context

The foreign direct investment received by Spain not only contributes to financing our economy, but also to bringing diversification, knowledge and increased technological development to the national business fabric, particularly in sectors with greater added value. The latest figures available from the INE's Statistics on Subsidiaries of Foreign Companies confirmed the key role of foreign investment in the most technology-intensive sectors and with the highest added value. The business volume generated by subsidiaries of foreign companies in the sectors of industry, commerce and other non-financial market services represents 29.1% of the total for these sectors, and up to 40.4% in the industrial sector. In certain areas of activity these percentages are far greater: up to 85.5% in transport material (including vehicle manufacture), 53.6% in the chemical and pharmaceutical industry, 52.4% in electrical, and electronic and optical material and equipment manufacturing, 45.1% in rubber and plastic matter, and 32.1% in computer programming and information services. Foreign investment also has a substantial impact on exports, significantly increasing the export base in Spain, especially in sectors such as the automobile and chemical industries. According to the INE, 43% of Spanish exports originate in subsidiaries of foreign companies.

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

# General results



## 4. General results

### 4. GENERAL RESULTS

#### 4.1. General assessment

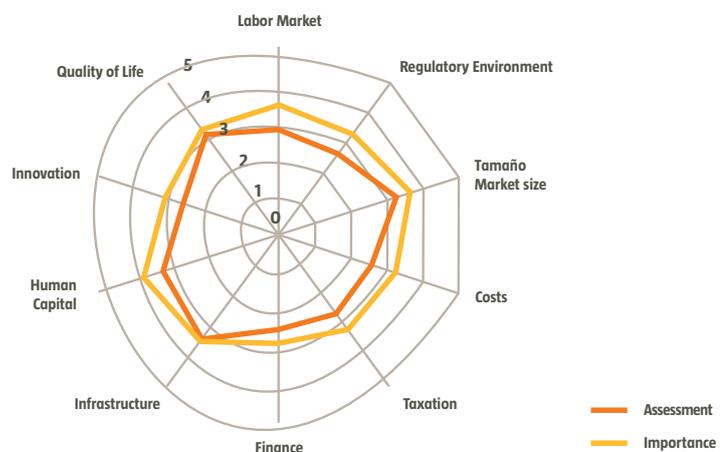
Figure 1 shows the assessment and importance given by foreign investors to each of the ten areas contemplated in the 2018 Barometer of the Business Climate.

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

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

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

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



## 4. General results

### 4.2. Main strengths and weaknesses

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

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

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

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

Figure 2

#### Main strengths

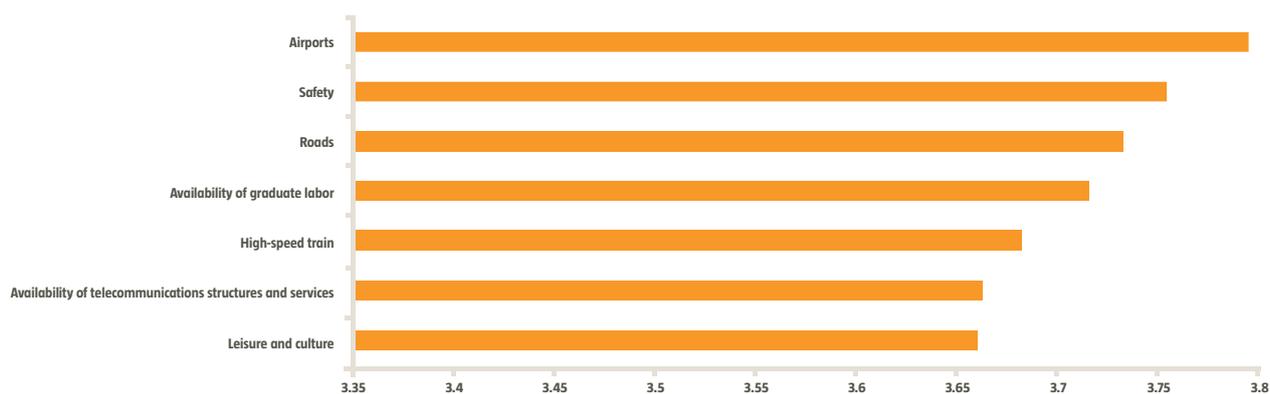
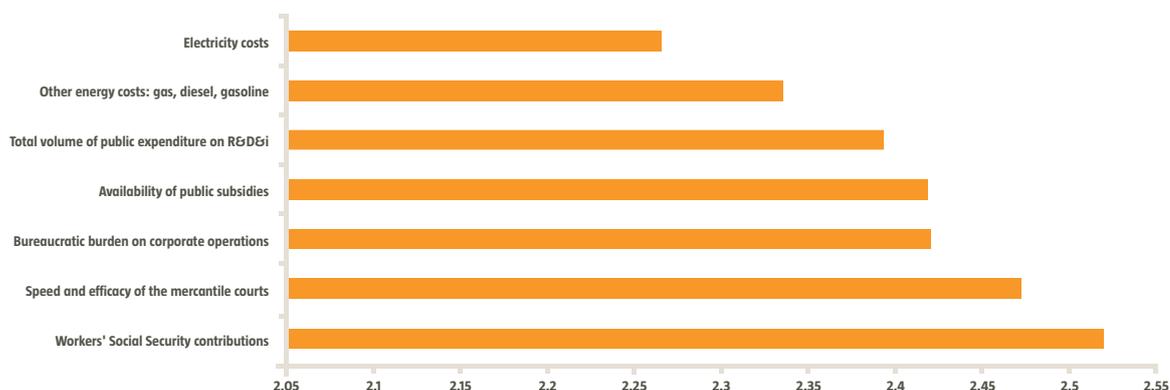


Figure 3

#### Main weaknesses



## 4. General results

### 4.3. Comparison 2017-2018

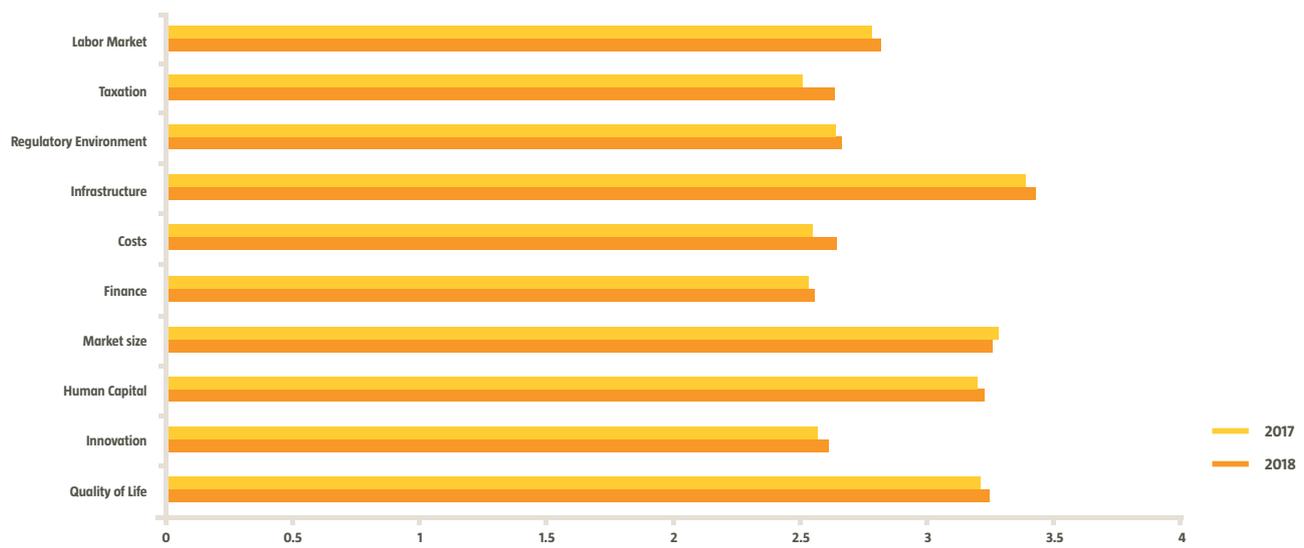
The general assessment for 2018 is slightly higher than in 2017 in all the areas covered except for Market Size.

As seen in Figure 4, the greatest improvement since last year are in Taxation and Costs. The score for taxation given by companies for all the variables covered in the report has improved. The main improvements in the area of costs refer to the cost of labor, both graduate, with vocational training and unskilled labor.

All the other areas also receive slightly higher scores than last year, although of a lower magnitude.

Figure 4

### Comparison of ratings 2017-2018



## 4. General results

### 4.4. Main areas of action

The priority areas of action selected are the ones that reveal the greatest difference between their importance for investors and their weighted rating. It is worth noting that four of the spheres of action this year are the same as in the last two editions (language skills, electricity, bureaucratic burden, and Internet access).

#### 1. Language skills

As in previous years, language skills appear as one of the main drawbacks in the opinion of investors. Language skills is the second most important aspect in the whole survey for investors, and although it has improved since 2014 –albeit very slightly this year–, it still falls significantly short of its importance to investors, and thus continues to be a priority area of action.

#### 2. Electricity costs

The cost of electricity is once again the aspect most poorly rated by foreign investors in the whole survey, and although the score has improved very slightly since last year, its vital importance for investors means that like last year, it should be considered a key area for improvement. It is essential to note the importance of this aspect for competitiveness, particularly in regard to the industrial sector.

#### 3. Bureaucratic burden on corporate operations

Bureaucracy is the third most poorly rated aspect in the survey, and its importance for companies has increased since last year, so it must be included in the priority areas of action. This concurs with other studies on international competitiveness like the Global Competitiveness Report published by the World Economic Forum, which in recent editions has singled out the importance of bureaucratic barriers as one of the main obstacles to doing business.

#### 4. Accepting responsibilities and targets

Accepting responsibilities and targets is one of the most important aspects for investors, and it receives a positive assessment, even slightly higher than in 2017. Issues to do with human capital deserve special attention, as they are the most important for investors and essential for Spain's medium and long-term competitiveness.

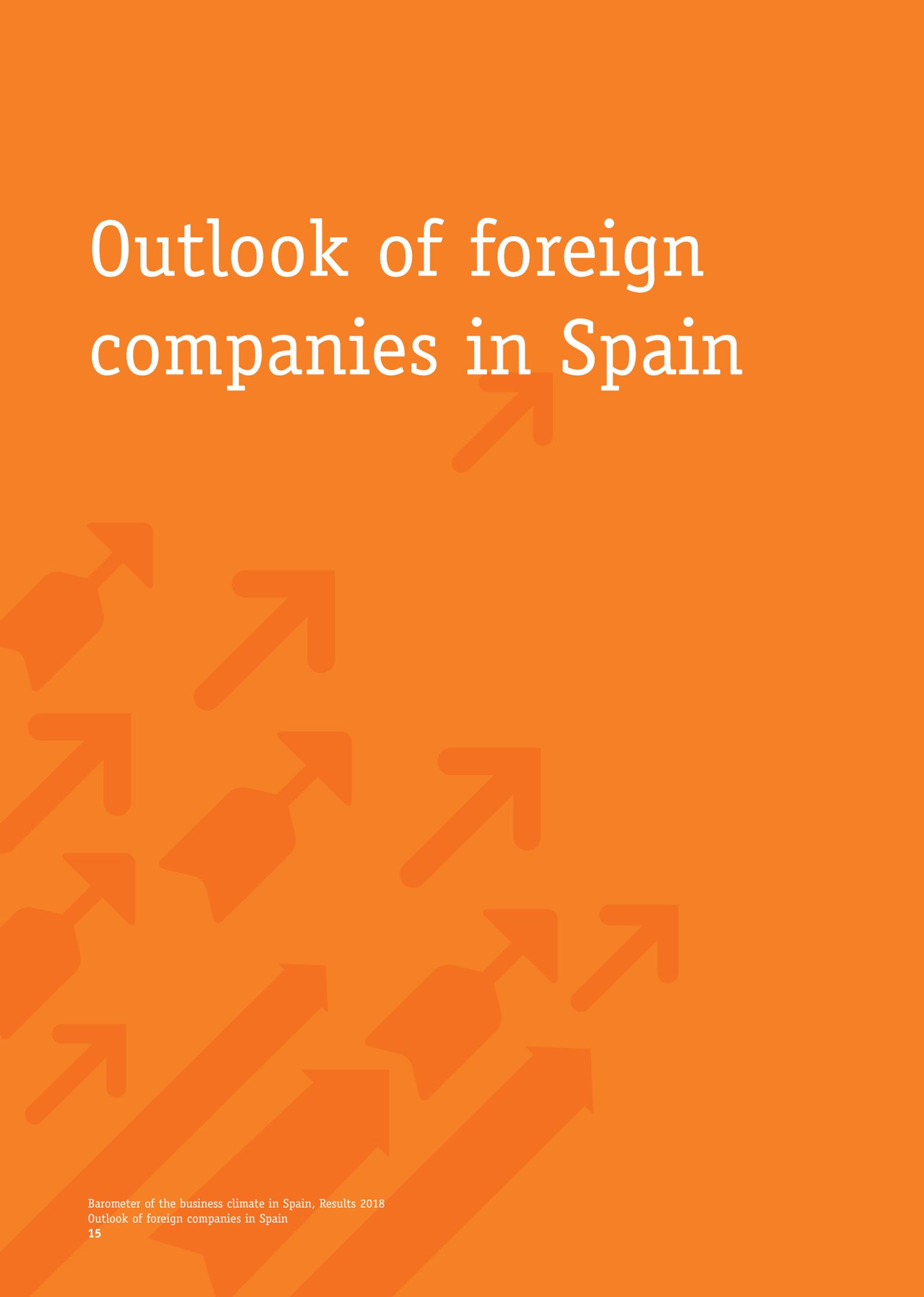
#### 5. Cost of telephone and Internet access

This is another aspect of costs which, in spite of the improvement since the previous edition, obtained a low score. The importance of this issue for foreign investors –although not one of the highest– is certainly considerable, and is higher in 2018, making it once again this year another priority area for action.

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

Finally, the costs of gas, diesel and gasoline are this year included among the spheres of action, and are the second worst rated aspect in the whole survey, only exceeded by electricity. Although its importance for investors is not as high as in the rest of the spheres of action, its low score means it deserves a special mention.

# Outlook of foreign companies in Spain



## 5. Outlook of foreign companies in Spain

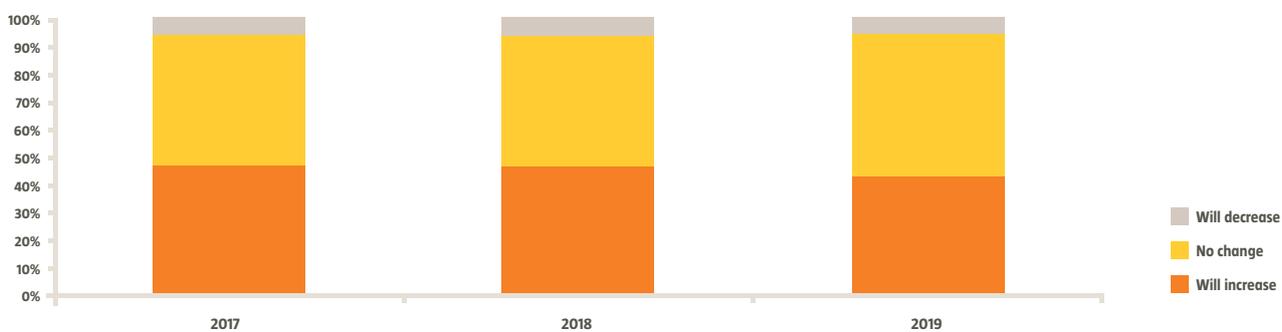
### 5. OUTLOOK OF FOREIGN COMPANIES IN SPAIN

#### 5.1. Investment outlook

The investment outlook of foreign companies in Spain for 2018 is clearly positive. 93% of the companies surveyed plan to increase or maintain their investments in Spain in 2018. While 94% said they did so in 2017, the companies expect to recover this figure in 2019.

Figure 5

#### Investment outlook 2017-2019



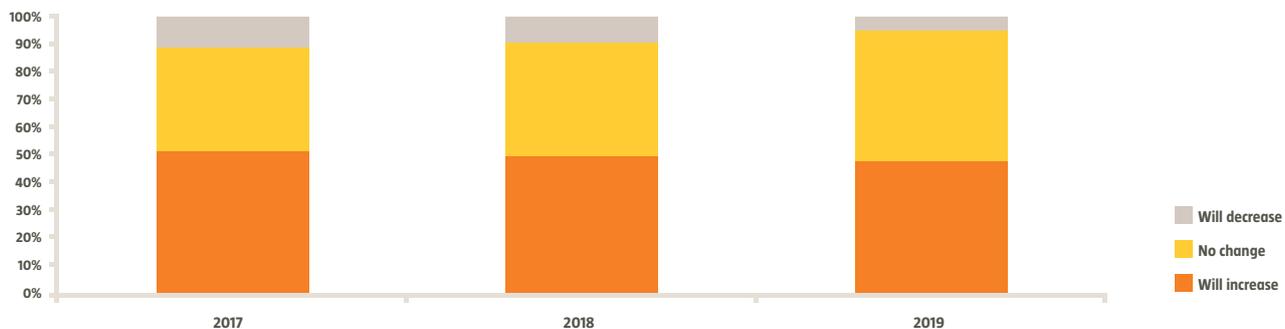
#### 5.2. Employment outlook

Employment prospects improve, with the percentage of companies planning to increase or maintain their workforce in Spain rising to 91% in 2018, up from the 89% that said they did so in 2017, although a slightly lower percentage of companies plan to increase it.

Additionally, as shown in Figure 6, only 5% of the companies surveyed plan to reduce their workforce in 2019.

Figure 6

#### Staffing outlook 2017-2019



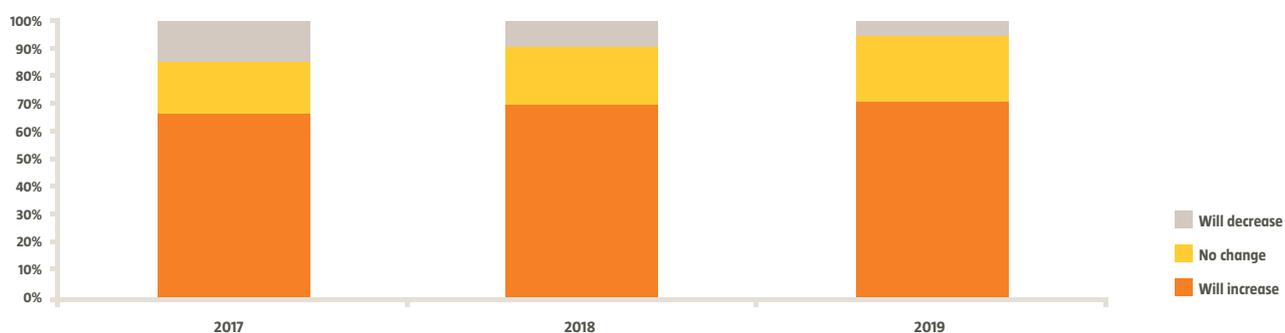
## 5. Outlook of foreign companies in Spain

### 5.3. Sales outlook

The outlook for sales in Spain for 2018 is also very positive, with 91% of the companies surveyed expecting to increase or maintain their sales, compared to 85% who say they did so in 2017. The percentage of companies planning to increase their sales particularly in 2019, is up, at 71% of the companies surveyed.

Figure 7

#### Sales outlook 2017-2019

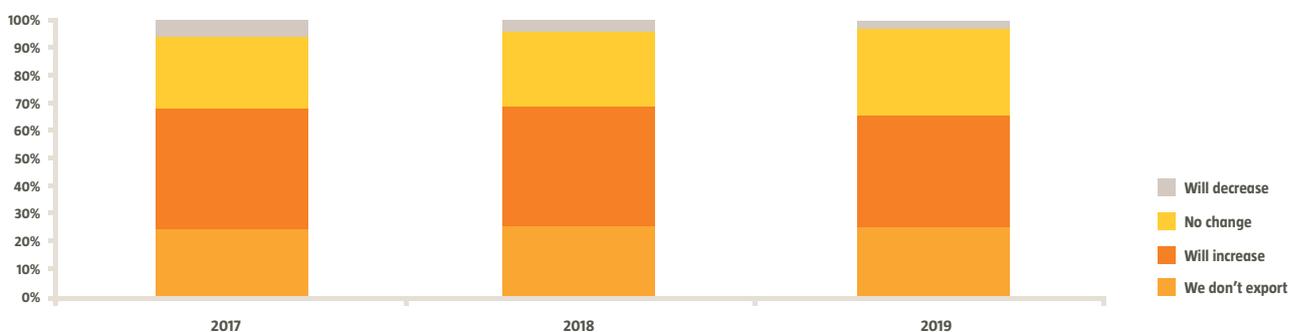


### 5.4. Export outlook

Finally, the outlook for exports continues to be very positive. 74% of foreign companies surveyed export to third markets from Spain. 43% of the companies also expect to increase their exports in 2018 (representing 58% of exporting companies) and only 4% of companies plan to reduce their exports in 2018, a figure which falls to 3% the following year, as shown in Figure 8.

Figure 8

#### Export outlook 2017-2019



# Results by areas



## 6. Results by areas

### 6. RESULTS BY AREAS

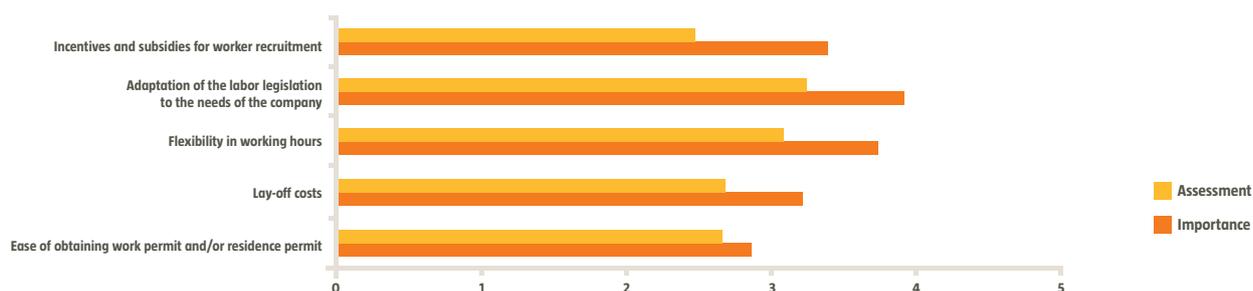
#### 6.1. Labor market

The Labor Market area is rated slightly higher than last year, although there is still room for improvement in the opinion of foreign investors. The greatest gap is seen in incentives and subsidies for hiring employees, and as in previous years, this continues to be the lowest scoring aspect in this area. The adaptation of the labor legislation to companies' needs and the flexibility of working hours also show a clear improvement, and their score –particularly in regard to the flexibility of work schedules– has increased since 2017. Investors' opinion of layoff costs is also up, although there is still room for improvement.

Finally, the ease of obtaining work and residence permits does not appear to present any problems for investors, although this is the only aspect in this category that scores lower than last year.

Figure 9

#### Labor Market



## 6. Results by areas

### 6.2. Taxation

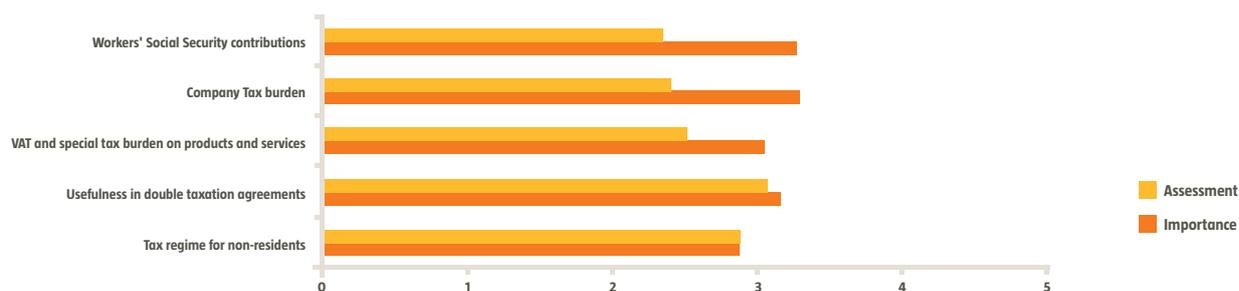
Taxation is the section showing the most significant increase in its rating over last year, although there is also clearly room for improvement. All the variables covered in this section have improved –albeit moderately–, thus reversing the trend in 2017.

As in previous years, the main difficulties are workers' Social Security contributions and Company Tax. Social Security contributions, although more highly rated in 2018, can clearly be seen to be one of the main weaknesses this year. There is also room for improvement in the burden of VAT and special taxes on products and services, although investors' perception of this variable is clearly more positive this year.

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, and were also rated significantly higher.

Figure 10

### Taxation



## 6. Results by areas

### 6.3. Regulatory environment

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

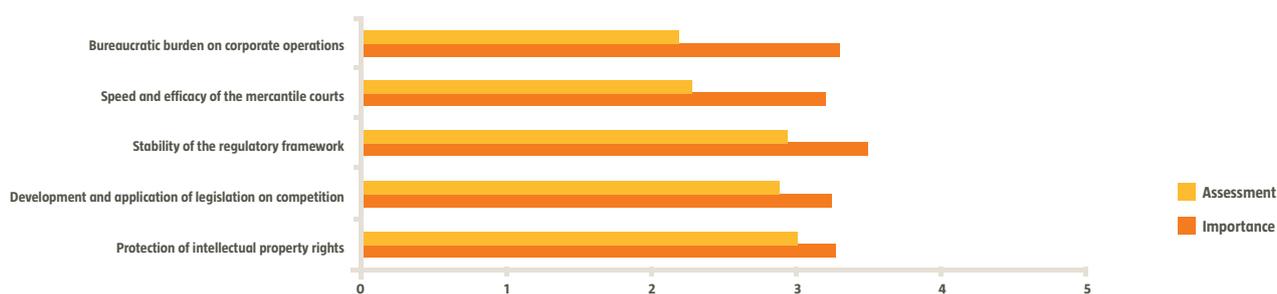
The stability of the regulatory framework is the most important issue for investors, and a key area for attracting and retaining foreign investment. Although there is still room for improvement, the trend in 2018 is positive, although much lower than in the previous year.

The bureaucratic burden on corporate operations is once again the most critical aspect, with the third worst score of the entire survey. It has already been mentioned as one of the main –and recurring– priority areas of action. An important gap can also be seen in regard to the speed and efficacy of the mercantile courts, as in previous years and this aspect is also more poorly rated in 2018, albeit only slightly.

Protection of intellectual property rights does not appear to pose any problems and also has a higher rating in the investors' opinion.

Figure 11

#### Regulatory environment



## 6. Results by areas

### 6.4. Infrastructures

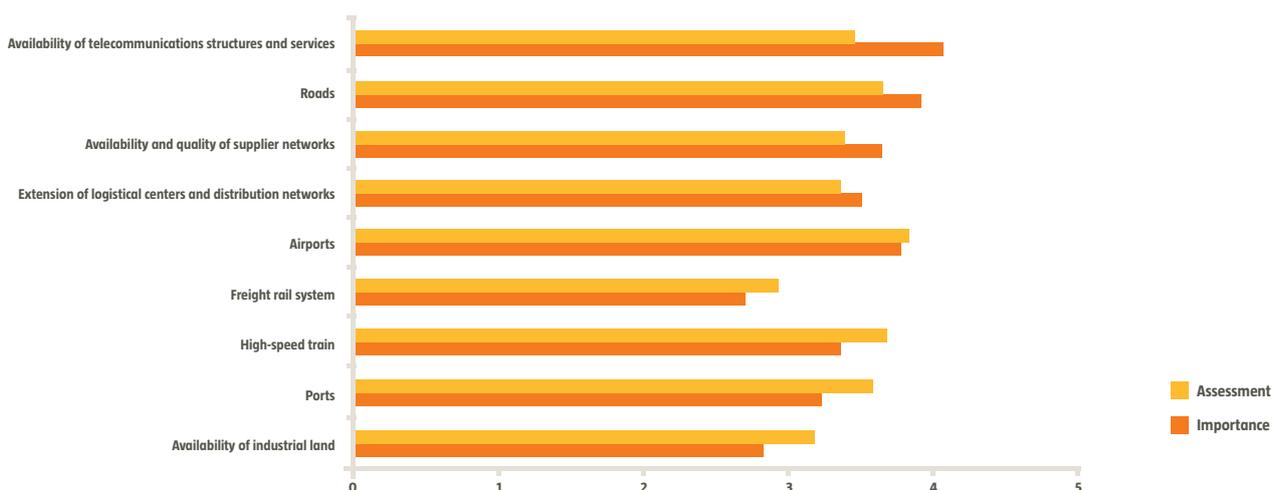
As in previous editions, the Infrastructure category obtains the highest rating in the whole Barometer, fully complying with the expectations of foreign investors in Spain. The rating for all the variables contemplated in the area of Infrastructures has also improved, albeit slightly.

Several of the aspects covered here, such as airports, roads and high-speed train, have already been indicated as some of the strengths at the general level of the study, the same as last year. On this occasion the availability of telecommunications services and structures also receives a very positive score and is among the general strengths in the study. However, as can be seen in Figure 12, there is still a margin for action and this is also the most important aspect for investors in terms of Infrastructures.

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

Figure 12

### Infrastructures



## 6. Results by areas

### 6.5. Costs

After Regulatory Environment, the area of Costs shows the greatest room for improvement, although its score is up since the previous year in general terms.

As indicated earlier, the main concern is the cost of electricity, which is cited as the most important weakness at the general level of the study and one of the priority spheres of action. It is followed by other energy costs such as gas, diesel and gasoline, which are the second most poorly rated aspect in the whole survey and are also more poorly rated than last year.

There is significant room for improvement in the area of telephone and Internet costs, although in this case their rating has increased in the last two years.

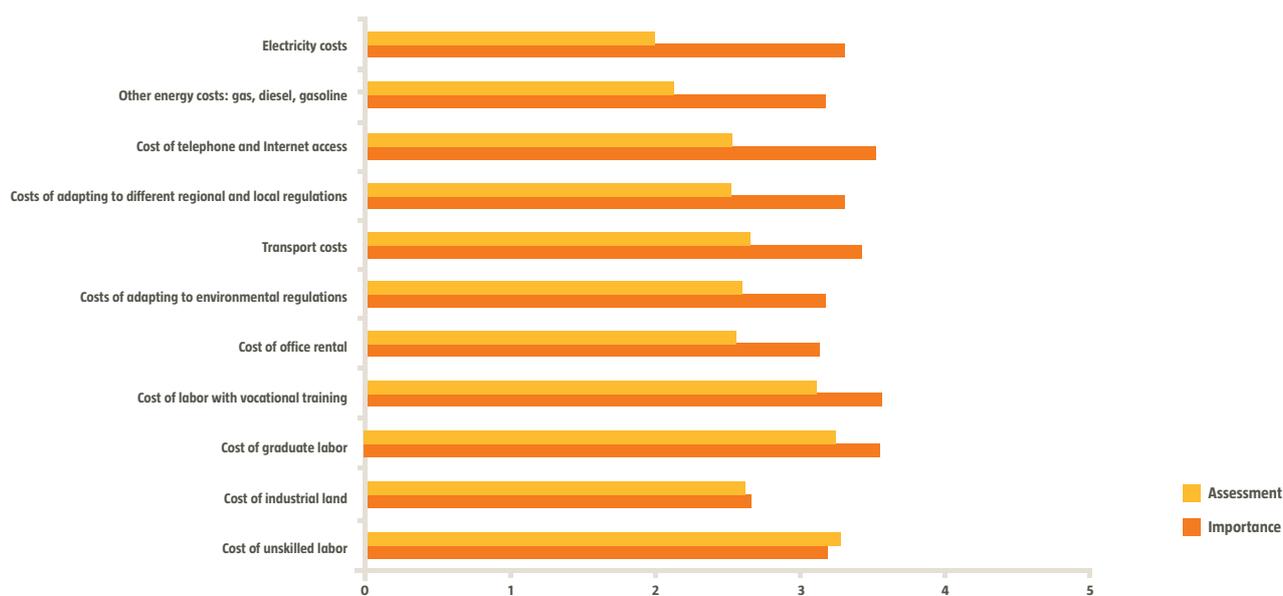
There are also imbalances in the cost of transport and the cost of adapting to different regulations, the last of which has increased in importance in the last two years for the foreign companies in the survey.

Investors continue to give a positive assessment to both skilled and unskilled labor costs in Spain, and this is one of the reasons they cite for becoming established here. It is important to mention that skilled labor is clearly more relevant for foreign investors in Spain, and that there is room for improvement in this regard. This edition separates labor with vocational training and graduate labor. As can be seen in Figure 13, the investors consider there to be more room for improvement in the cost of labor with vocational training.

Investors' expectations are satisfied in issues such as the cost of unskilled labor and the cost of industrial land.

Figure 13

### Costs



## 6. Results by areas

### 6.6. Finance

Finance is the most poorly rated area by investors. The main area for improvement continues to be the availability of public subsidies, whose rating –unlike last year– has also fallen slightly.

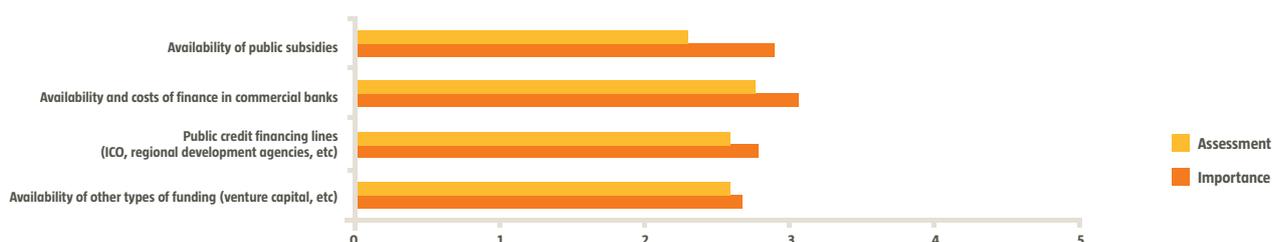
In any case, it should be noted that in spite of the low scores, financial issues are not among the top priorities of the foreign companies surveyed, and are still considered the least important area in the report.

The availability and cost of financing in commercial banks continues its clear consolidation begun in previous years, and also declines slightly in importance compared to 2017.

Public credit financing lines and the availability of other types of finance such as venture capital, although also rated negatively, do not appear to be seen as a problem for foreign investors.

Figure 14

### Finance



## 6. Results by areas

### 6.7. Human Capital

The area of Human Capital is the most important for investors, and its rating by investors remains positive and stable since 2017, although there are still clear imbalances.

As in previous editions, three of the four most important aspects in the whole survey in the opinion of investors fall into this category (learning capacity, language skills and accepting responsibilities and targets). All of them have a significant margin for action, as shown in Figure 15, particularly in regard to language skills, which was also the priority area of action in 2018.

The assessment for both the quality of the professional training system and the general assessment of the higher education system remains unchanged, unlike last year when they both improved. The investors rate the university education system more highly than the vocational training system.

This edition distinguishes the availability of labor with vocational training and graduate labor. As occurs with costs, the investors rated the availability of university educated labor more highly, with a clearly greater margin for action in the aspect of workers with vocational training.

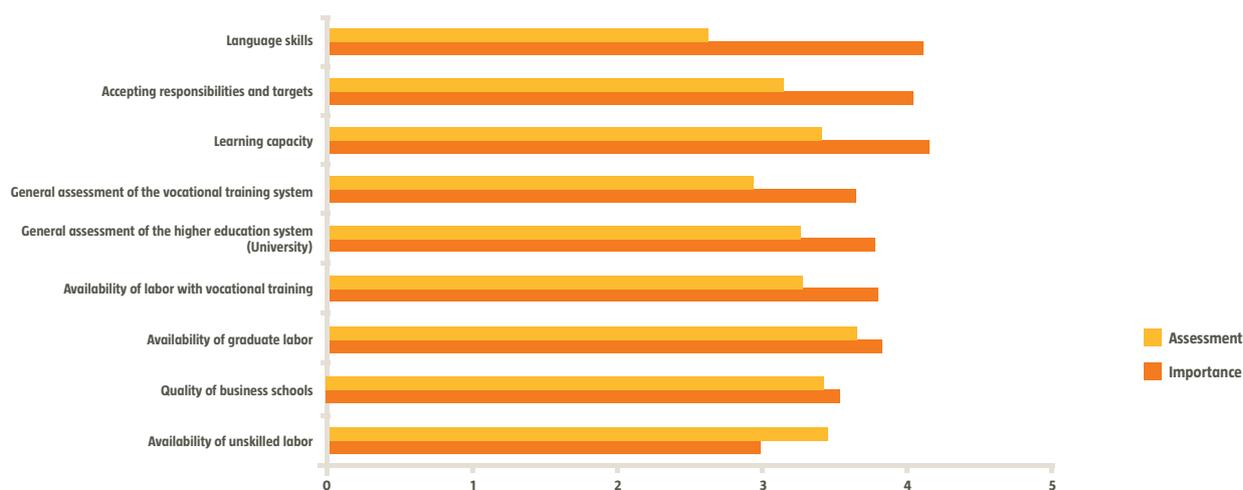
Again, it is interesting to note investors' different opinion of the availability of skilled and unskilled labor. Skilled labor is much more important to them, so efforts must be made to meet their expectations in this regard.

The quality of the business schools and the availability of unskilled labor are two areas in which the investors' expectations are most closely fulfilled, although both are rated lower than last year.

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

Figure 15

### Human Capital



## 6. Results by areas

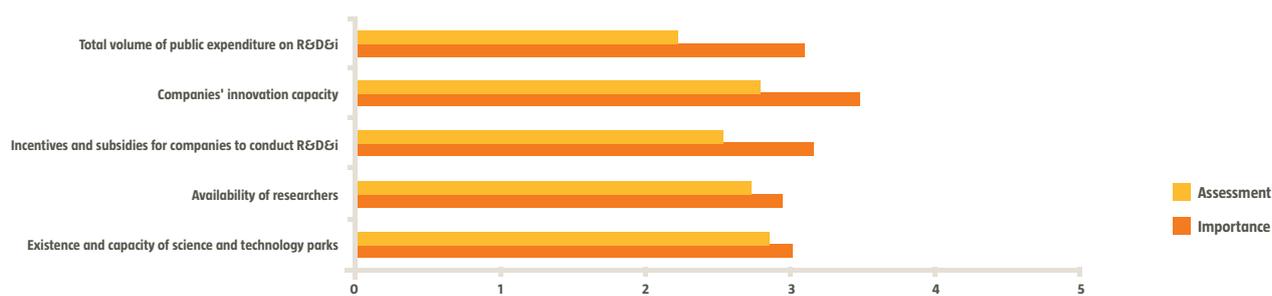
### 6.8. Innovation

The area of innovation is the second most poorly rated in general terms and offers a significant margin for action, although it is one of the least important for investors.

The total volume of public expenditure in R&D&I and companies' capacity for innovation, along with the incentives and subsidies for companies to carry out R&D&I, continued to be the most relevant aspects and with the greatest room for improvement in regard to innovation, although all three are more highly rated than in 2017. In any case, the volume of public expenditure in R&D&I is among the most poorly rated aspect in the whole survey, and a factor which is given great importance in the international indexes for comparative analysis such as the European Union's Innovation Scoreboard. The presence of science and technology parks and the availability of researchers meets the companies' needs.

Figure 16

### Innovation



## 6. Results by areas

### 6.9. Market Size

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

Unlike last year, access to foreign markets has a slightly lower rating and the size of the local market remains stable. In any case, although the ratings are positive, as can be seen in Figure 17, there is still room for improvement, particularly in the growth of the local market in Spain.

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

Figure 17

### Market Size



## 6. Results by areas

### 6.10. Quality of Life

As in all the previous editions of the Barometer, the area of Quality of Life is very positively rated, and can be said to satisfy the expectations of foreign investors, although there are still some aspects that can be improved.

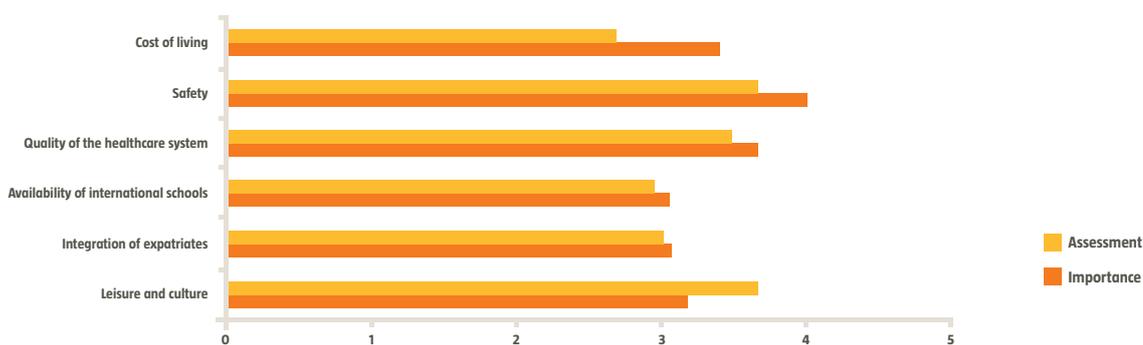
Cost of living is once again the main area for improvement as shown in Figure 18. Some progress can also be seen in safety, although this aspect, along with leisure and culture, is the most highly rated in the Quality of Life category, and one of the strengths of the study at the general level. However,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

The quality of the healthcare system is also positively rated, and the availability of international schools and the integration of expatriates appears to meet investors' expectations.

Leisure and culture continue to be among the most highly valued aspects in the survey in general, and they again appear in this edition as some of Spain's most notable strengths in the opinion of foreign investors.

Figure 18

### Quality of Life



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

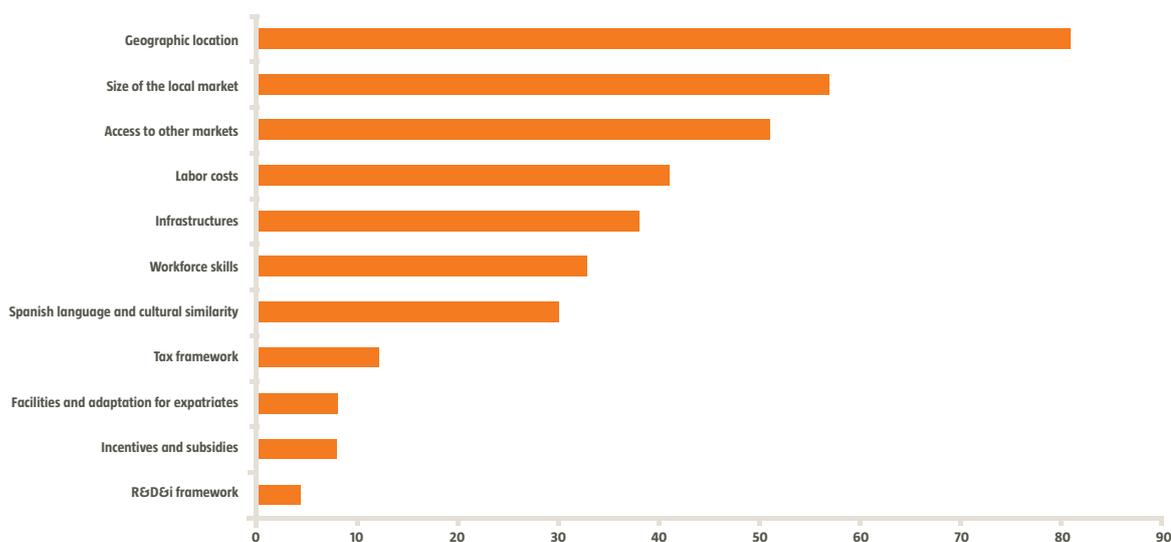


## 7. Motives for setting up in Spain and measures required to increase investment

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

Figure 19

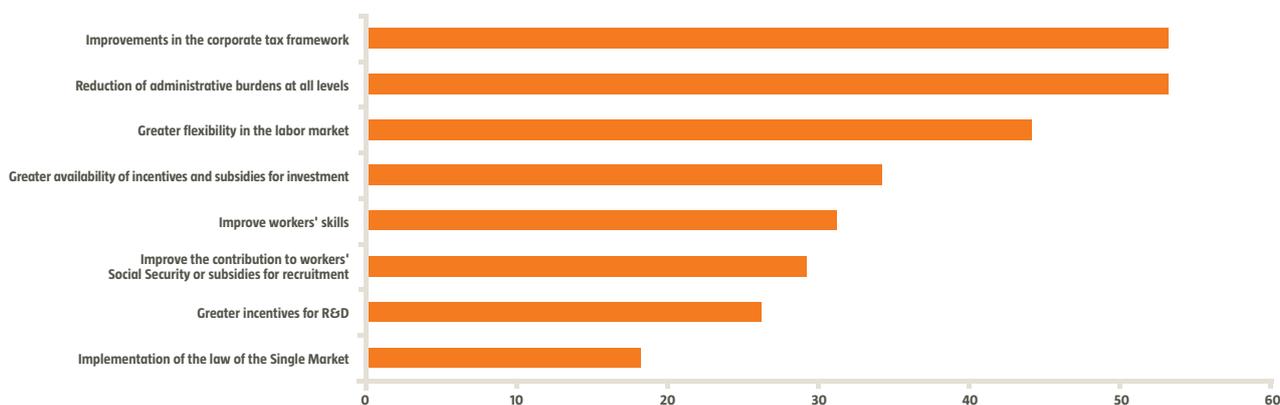
Motives for setting up in Spain (percentage of companies indicating each motive)



When asked to cite the main measures 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 labor market, as in the previous year.

Figure 20

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



# Analysis by country



## 8. Analysis by country

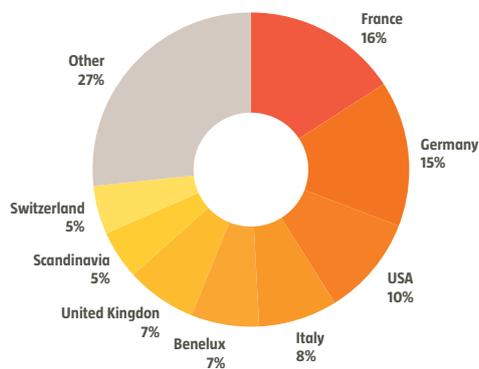
### 8. ANALYSIS BY COUNTRY

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

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

Figure 21

#### Countries represented

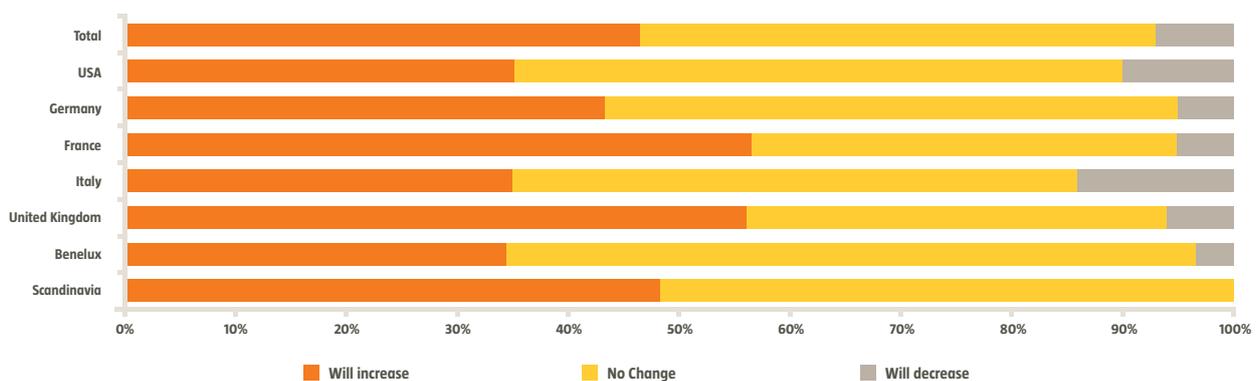


### 8.1. Investment outlook

In the study as a whole, 93% of the companies surveyed intend to increase or maintain their investments in Spain in 2018. The plans of companies headquartered in the United States and Italy are slightly lower than the average for the companies surveyed. The data for companies from France and the United Kingdom are even more favorable, with fewer companies planning to reduce their investments, and particularly high percentages of companies –nearly 60%– intending to increase their investment. Compared to the previous edition, countries with Italian capital have somewhat less positive forecasts, unlike companies with capital from the United Kingdom, whose investment outlook is generally improved.

Figure 22

#### Investment outlook by country



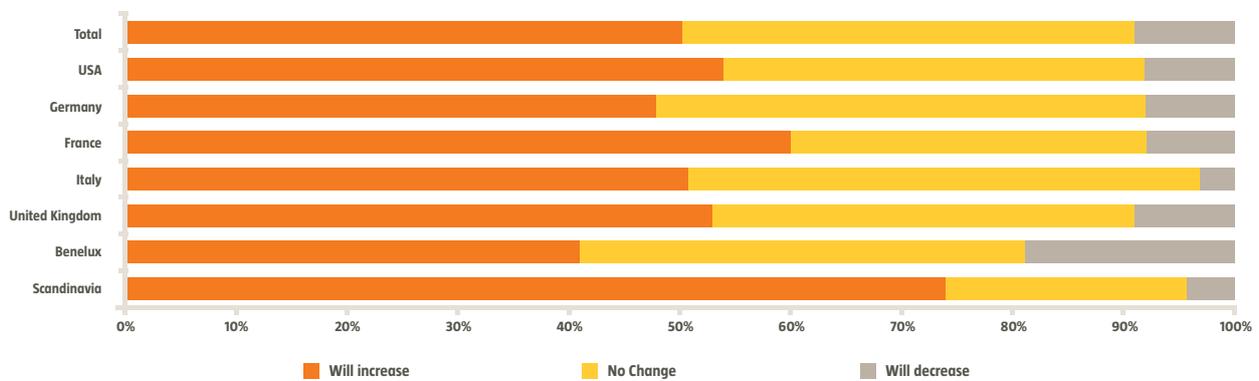
## 8. Analysis by country

### 8.2. Staffing outlook

With regard to the predicted number of employees in Spain in 2018, the percentage of companies expecting to increase or maintain their workforce has risen to 91%. The forecasts for Scandinavian countries are clearly above average in terms of staffing, in common with France. The staffing forecasts for the Benelux countries are slightly below average.

Figure 23

#### Staffing outlook by country

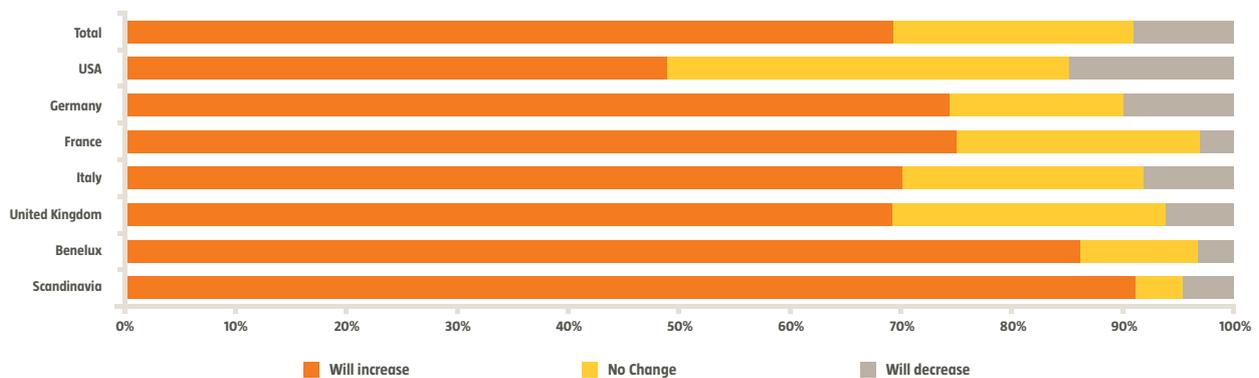


### 8.3. Sales outlook

70% of respondents expect to increase their sales in 2018. Only 9% of the companies surveyed predict a reduction in sales. Companies from Scandinavia, Benelux and France have the lowest forecasts for 2018. Companies from the United States have the least positive forecasts in terms of sales, and are also less favorable than last year.

Figure 24

#### Sales outlook by country



## 8. Analysis by country

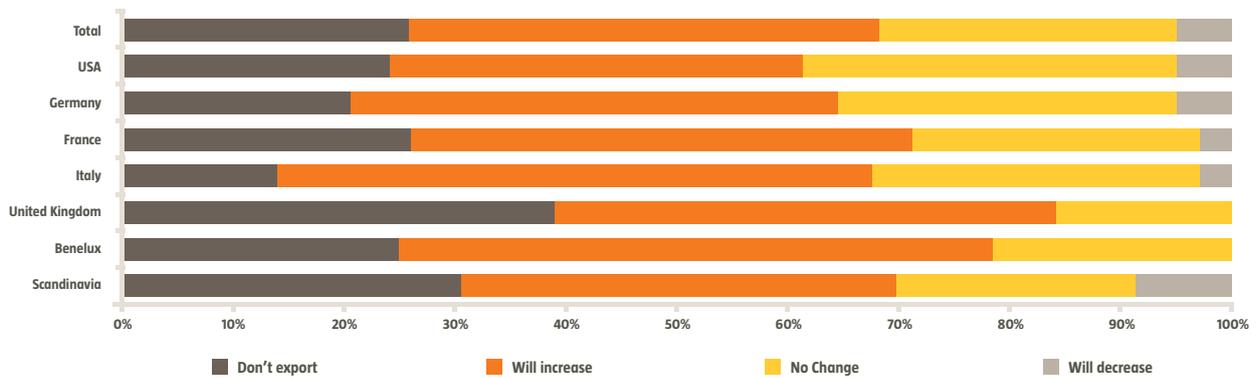
### 8.4. Export outlook

The final category in the outlook section is exports. 74% of the foreign companies surveyed export to third markets from Spain, a higher percentage than last year. Companies from Italy and Germany have the highest export profile.

43% of companies plan to increase their exports in this period and 27% will follow the same export trend as in previous years. Only 4% of companies expect to reduce their exports in 2018. The highest percentage of companies planning to increase their exports are from Italy and Benelux.

Figure 25

#### Export outlook by country



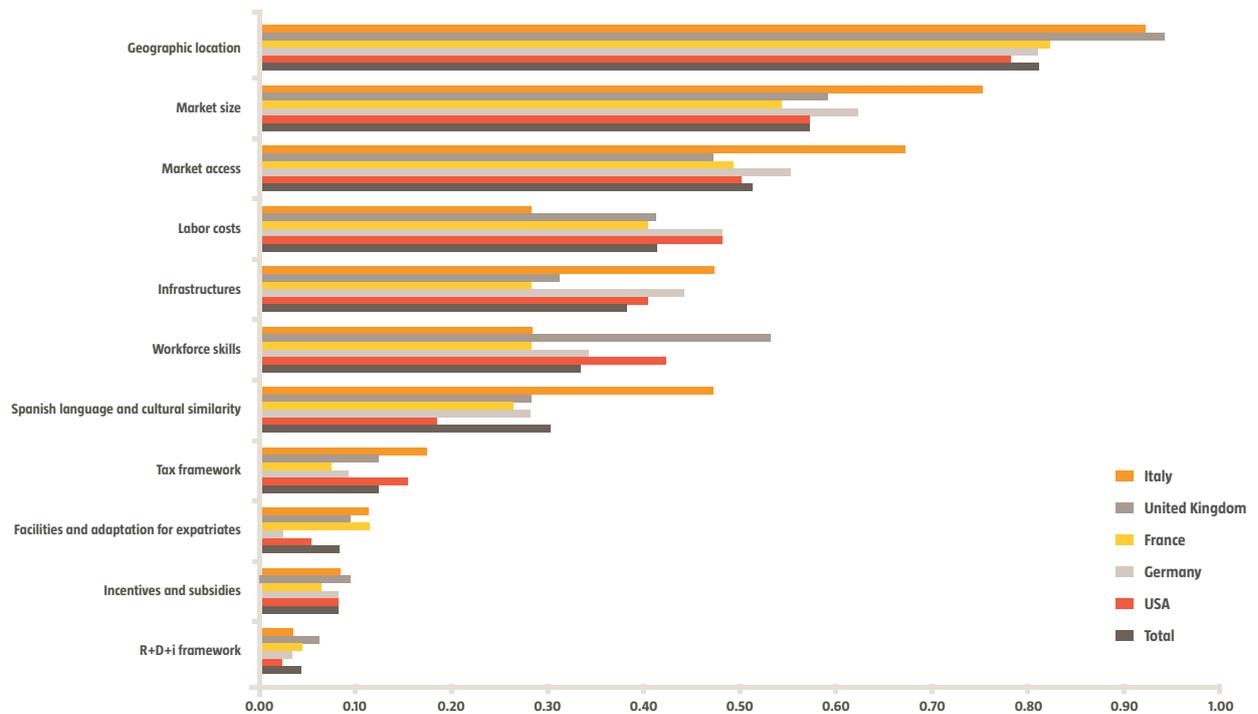
## 8. Analysis by country

### 8.5. Motives for setting up in Spain

Although all the groups represented cite geographic location, market size and access to other countries as the main reasons for setting up in Spain, there are some significant differences. Companies from the United States, for example, give more weight than average to the availability and costs of skilled labor. Companies from Italy give a higher than average score to the size of the local market, access to other markets, cultural similarities and the Spanish language as the main reasons for setting up in Spain. Companies with French capital give less importance to the tax framework and infrastructures. Finally, companies from the United Kingdom give above average importance to the level of skills of the workforce.

Figure 26

Motives for setting up in Spain by country



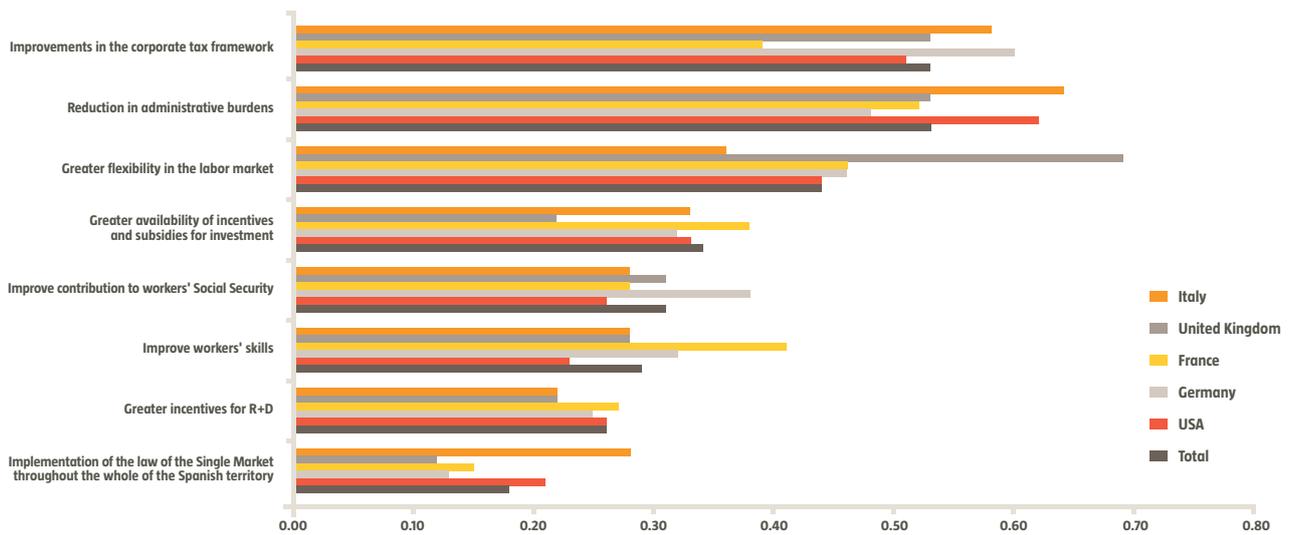
## 8. Analysis by country

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

Although practically all the groups of countries coincide in pointing to improvements in the tax framework, reduction of the administrative burden and the greater flexibility of the labor market as the three priority measures required, there are some interesting differences. For example, the reduction of administrative burden is given above average importance by the American companies surveyed. British companies give above average importance to the need for flexibility in the labor market, and a lesser priority to incentives and subsidies than to investment. Italy also highlights the importance of reducing administrative burdens and improving the tax framework. This is also important for Germany, along with the need to improve workers' skills. Finally, companies with French capital give above average importance to improving the workers' Social Security contributions or the availability of incentives.

Figure 27

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



# Methodology



# Methodology

The Barometer has been compiled jointly by ICEX-Invest in Spain, the association Multinacionales por Marca España (Multinationals for the Spain brand), 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.

As in previous editions, the methodology is a questionnaire completed by foreign companies currently operating in Spain. This year, over 520 responses were obtained.

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

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

**Labor Market**

**Regulatory Environment**

**Market Size**

## **2) COSTS**

**Costs**

**Taxation**

**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.

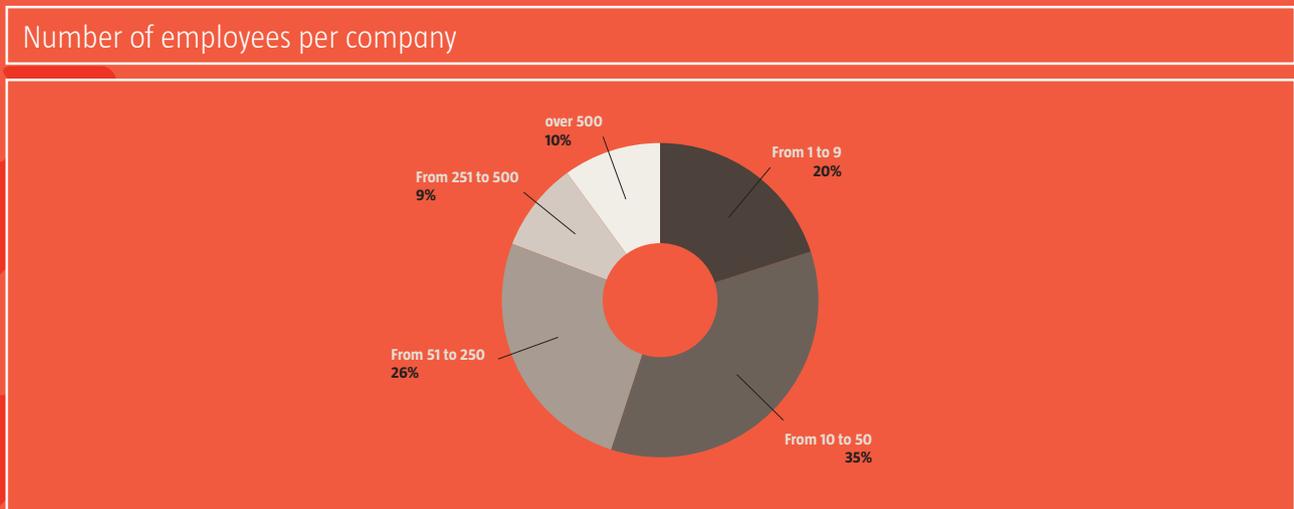
In each question, the foreign investors are asked to give a score of between 1 and 5 to the importance this aspect has for their company, and a second score using the same scale for how they would rate Spain's performance in this aspect. Any questions that reveal a significant gap between the importance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

# Appendix

## APPENDIX 1: PROFILE OF THE COMPANIES SURVEYED

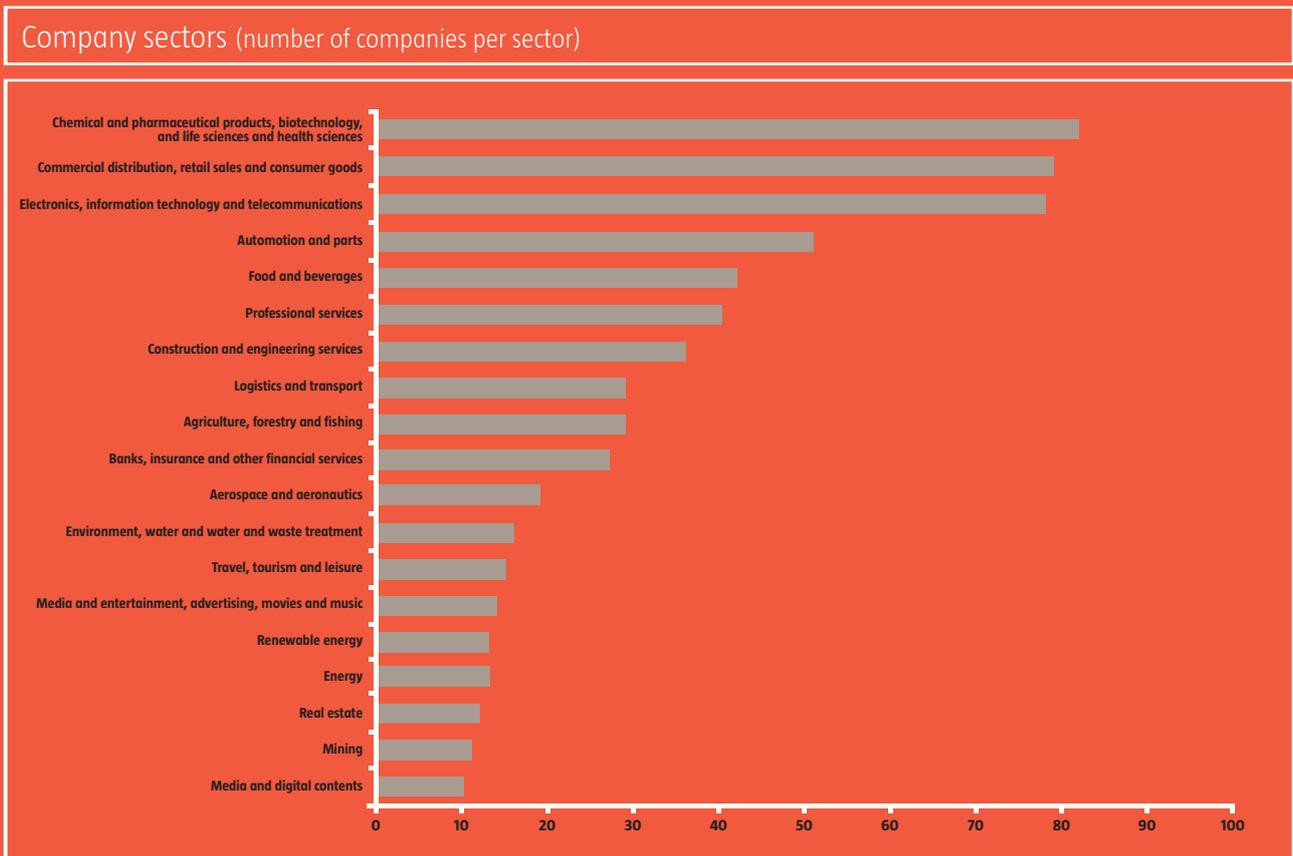
The profile of the companies taking part in the study is fairly heterogeneous and includes a representation of companies of all sizes, although there is a significant component of companies with up to 250 employees, as can be seen in Figure 28.

Figure 28



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

Figure 29



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