



Barometer of business climate in Spain

From the foreign
investor's perspective

Results 2015

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Presentation



1. Presentation

1. PRESENTATION

This is the 8th edition of the “Barometer of the business climate in Spain from the foreign investor's perspective”, which has now become a flagship publication in Spain.

The 2015 edition contains the assessment by 500 foreign companies' of the business climate in Spain and its importance during this year. This is also the first time it includes their forecasts for the coming three years, thus providing an overview in the medium term of the strengths that need to be maintained and the main areas of action where further efforts must be focused.

The global valuation evidenced in the 2015 Barometer continues the improvement already begun in last year's report, thus indicating the consolidation of an upward trend as a result of the economic recovery and the emergence from the crisis.

The investing companies confirm the materialisation of the positive forecasts they made last year, and another particularly significant finding this year is once again the improvement in foreign investors' forecasts in all the aspects analysed: investment, workforce, turnover and exports. This more favourable outlook affects not only 2015, but is set to continue its upward trend in 2016 and 2017.

According to the Investment Register of the Ministry for Economy and Competitiveness, in 2014 direct foreign investment in industry and service technology grew 9.8% to over 17.6 billion euros. In the same year, according to data from the UNCTAD, Spain was the 9th country in the world in terms of received foreign investment stock, up two places since last year.

The Barometer has been jointly compiled by ICEX-Invest in Spain, Foreign Multinationals for the Spain brand and the INTERNATIONAL CENTER FOR COMPETITIVENESS (ICC) of the IESE Business School.

The Executive Management of Invest in Spain ICEX has the role of promoting and attracting 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 investors and as a point of contact for state, regional and local institutions engaged in promoting and attracting investment. Likewise, ICEX performs activities to position Spain as a global platform for international investment and business. Other areas of action for ICEX are the improvement of the business climate in Spain through ongoing talks with other ministerial departments and the business associations and companies located in Spain with both Spanish and foreign capital.

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 to the heads of these government institutions the aspects that are most highly valued by multinationals when making their decisions, in order to ensure Spain's place as a destination with guarantees where they can conduct their operations.

The IESE (Institute of Further 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 Antoni Subirá 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

Executive Summary



2. Executive Summary

2. EXECUTIVE SUMMARY

Spain's rating has improved compared with 2014

As occurred last year, the results of this edition of the Barometer on the business climate in Spain reveal an improvement compared with the results of previous years, with an average score of 2.9 out of 5 and an increase in companies' forecasts for turnover, investment and employment.

The highest-rated areas are still Infrastructure, Human Capital and Quality of Life

The areas that foreign investors rate most highly in Spain are still Infrastructure, Human Capital and Quality of Life, followed by Market Size. The lowest-rated areas were similar to last year –namely Tax and Innovation–, although it is true that these are not the most significant areas for foreign companies in Spain.

Investors clearly highlight that action is required in the area of Human Capital in spite of its positive overall rating. Other important aspects continue to be foreign language skills, learning ability and the acceptance of responsibilities and targets, which are key issues in the opinion of the businesses surveyed.

With regard to Market Size, the investors highlight as crucial the consolidation of the economic recovery and the subsequent increase in the size of the local market. The Labour Market is still also an area in which they demand clear measures to adapt the labour law to the needs of businesses and other aspects, although this year has once again seen a notable improvement in the functioning of this market.

This edition of the Barometer once again gives a clear indication of growing concerns about electricity costs.

Forecasts for investment, turnover, creation of employment and total exports for 2015 to 2018 are very positive and have all improved in comparison with 2014

Foreign investors' overall assessment of their prospects for 2015 to 2018 is very positive and represents a substantial improvement over the last edition.

The investment outlook is very positive, with 94% of the companies surveyed intending to increase or maintain their level of investment in Spain in 2015.

Likewise, the percentage of businesses that expect to increase or maintain their workforce has increased from 87% to 91% in comparison with the last edition.

The outlook for turnover shows the greatest improvement; while in 2012, 55% of companies expected to increase their turnover, this percentage has now risen to 64% for 2015, an upward trend that is set to continue from 2016 to 2018.

Finally, although the prospects for total exports also show an upward trend, it is more moderate than for the other variables.

Context



3. Context

3. CONTEXT

Since the presentation of the previous edition of the "Barometer of the business climate in Spain from the foreign investor's perspective" in 2014, the economic, social and business context to which this study refers –and which has an evident impact on its results– has changed considerably. Spain is currently undergoing the fastest growth of all the major countries in the European Union and has seen seven consecutive quarters' growth. All the international institutions and economic opinion leaders predict growth of over 3% in 2015, and recent media reports point to a figure of between 3.3% and 3.5%.

This growth is supported by vigorous export figures –which are at an all-time high–, and by the progressive increase in internal demand. In fact the private components of domestic spending –basically consumption and business investment– have played a key role in the growth of the Spanish economy in recent quarters, and have made a decisive contribution to improving investors' expectations. Specifically, the expansive behaviour of household spending on consumption in the most recent period has continued to be sustained on the upward trend in financial factors and employment. All the forecasts suggest that by the end of 2015 Spain will have created over half a million jobs.

This year's edition of the Barometer has also looked closely at the raft of regulatory modifications that were implemented last year in Spain, and at the spread of the impact of some of the reforms enacted previously, but which have not yet been in place long enough to gauge their efficacy. A country's business climate and regulatory environment are paramount in the establishment and development of cross-border investment.

According to data supplied by the Foreign Investment Register produced by the Ministry of Economy and Competitiveness, productive foreign investment received by Spain in 2014 grew by 8.45% compared to the previous year, exceeding 18 billion euros, and reinforcing the pattern of growth begun in 2013. The rise in foreign investment was greater in net terms –up to 18.8%– as a result of the increased inflow of foreign capital and the drop in disinvestment, which intensified compared to 2013 (13.6% lower than the disinvestment recorded in 2013). In fact Spain this year is the ninth (eighth if China and Hong Kong are considered a single unit for statistical purposes) largest receiver of foreign investment stock, with an investment of over 720 billion USD (Source: UNCTAD). This figure highlights the importance of foreign investment in Spain and the usefulness of initiatives such as this Barometer.

According to expert estimates, foreign companies account for almost 40% of total exports from Spain to the rest of the world, with particular emphasis on exports in the automotive, chemical, pharmaceutical, capital goods and machinery sectors, which involve greater added value and technology with the "made in Spain" label. According to the data from the INE, foreign companies located in Spain generate a very significant proportion of employment, as it constitutes almost 14% of the working population in the private sector.

General Results



4. General Results

4. GENERAL RESULTS

4.1. General assessment

Figure 1 shows the level of importance and the score given by foreign investors to each of the ten areas covered by the 2015 business climate Barometer.

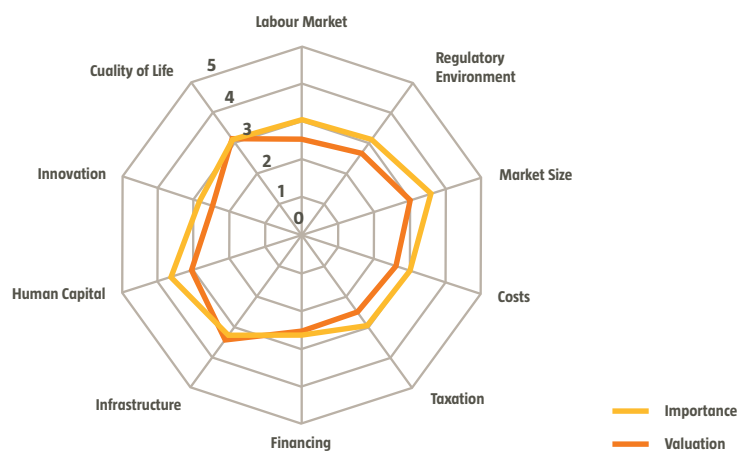
As occurred the previous year, the areas of greatest importance to foreign investors were Market Size and Human Capital, followed by Regulatory Environment and Infrastructure.

Investors gave the highest scores to Infrastructure, Human Capital and Quality of Life, followed by Market Size.

Amongst the lowest-rated aspects were those involving Financing, Tax and Innovation, although –as we have mentioned– these are not the most important areas for investors.

The areas showing the greatest difference between their actual score and their importance to foreign investors are Human Capital and Market Size –the two most important to investors– closely followed by Labour Market and Regulatory Environment. In contrast, Quality of Life and Infrastructure both scored the same or higher than their degree of importance, and as with the category of Financing, investors' overall expectations were met.

Figure 1
Importance and scores
by areas 2015



4. General Results

4.2. Main strengths and weaknesses

Spain's main strengths in the opinion of foreign investors are shown in figure 2.

Heading the list are airports –this year in first place–, the high-speed train and roads, all aspects relating to Infrastructure. Likewise, investors cite the availability of unskilled labour and the quality of its business schools as another of Spain's advantages. Finally, security is another aspect highly rated by investors.

Conversely, figure 3 shows the weaknesses noted by investors.

As occurred last year, electricity costs once again appear as the main weakness –in a very significant way–, along with other costs such as petrol. Financial aspects are no longer listed among the main weaknesses, which –apart from the costs mentioned above– are concentrated on labour and tax aspects such as Social Security payments, the ease of processing visas, and VAT; and on others such as the bureaucratic burden on company operations, and total public expenditure on R+D+i.

Figure 2

Main strengths

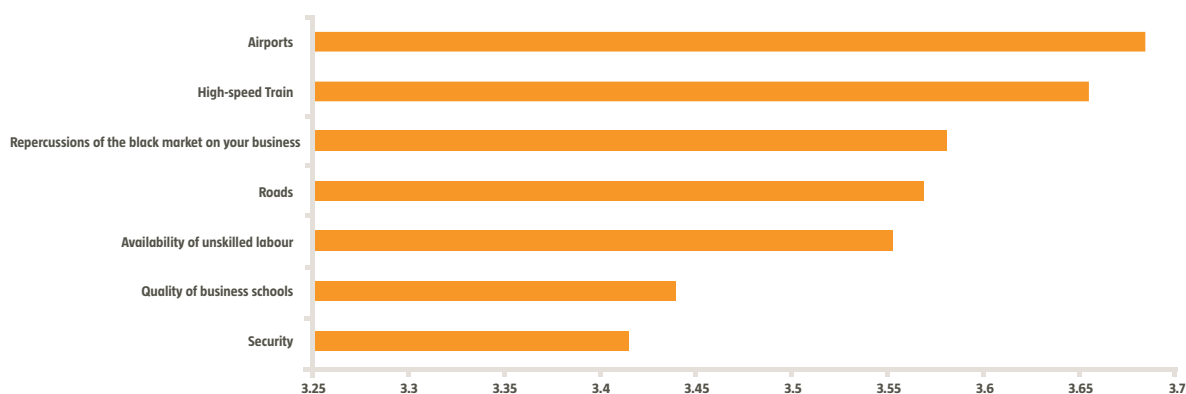
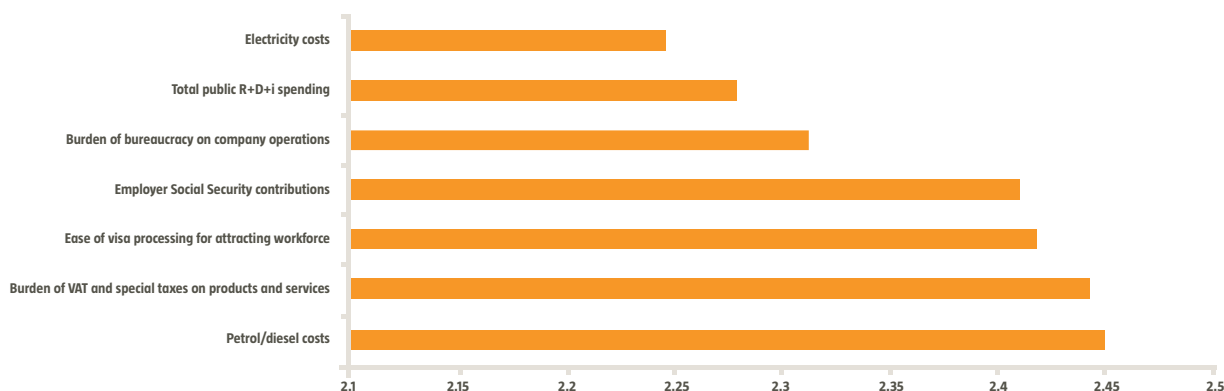


Figure 3

Main weaknesses



4. General Results

4.3. Comparison 2015-2014

Figure 4 shows improvements in all the areas considered, once again reinforcing the positive trend in the investors' scores and forecasts that began last year.

The main improvements can be seen in the areas of Financing and Regulatory Environment. Substantial improvements can be seen in all aspects of Financing, particularly in terms of the availability and cost of financing in high-street banks. The improvement in the Regulatory Environment is particularly due to the higher rating given to the speed and efficacy of the commercial courts, and the greater protection of intellectual property rights.

Other areas showing somewhat more significant improvements include Costs and Market Size, this last category owing to the increase in the size of the local Spanish market as a natural consequence of the economic upturn.

Figure 4

Comparison of ratings 2014-2015



4. General Results

4.4 Main areas for improvement

The priority areas of action have been selected based on the size of the gap between the importance attributed to them by investors and their weighted score. It should be noted that the four first places are identical to last year, and therefore continue to constitute clear areas for action. In general terms, aspects relating to Human Capital continue to arouse the greatest concern, followed by electricity costs, the continued improvement of the domestic market, and the flexibility of opening hours.

1. Language skills

As was the case in previous years, investors cite language skills as one of the most important problems. They consider the ability to speak a foreign language to be the most significant aspect in the entire survey, and although this area has improved notably this year, it still scores far below its importance in the opinion of investors, and therefore continues to be the number one sphere of action.

2. Learning capacity

Learning capacity is the second most important aspect for the investors surveyed –only below language skills–, and in spite of its positive score, it again highlights the need for renewed efforts to tackle issues relating to Human Capital.

3. Acceptance of responsibilities and objectives

This is the third most important aspect of the survey for investors, and although its score is not low –and has in fact substantially improved compared to 2014–, it is not high enough to come up to their expectations, meaning it must still be regarded as a priority sphere of action.

4. Size of the local Spanish market

Although its score continues to improve –this year more significantly than last– investors consider this aspect to be paramount, and it is in fact the second reason they give for having decided to locate in Spain. Therefore in spite of this improvement, continued attention must be given to recovering and consolidating growth in the domestic market.

5. Flexibility of working hours

Although this aspect received a positive score, investors regard it as one of the most important issues relating to the Labour Market, along with the adaptation of the legislation to their needs, and it reveals significant room for improvement.

6. Electricity costs

The cost of electricity is the aspect rated worst by foreign investors in the whole questionnaire, although it has improved since last year. The relative importance of this aspect for investors means –as occurred last year– that it must be regarded as a priority area for improvement.

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 of foreign companies in Spain for next year are clearly positive and a substantial improvement on previous years. **94% of the companies in the survey intend to maintain or increase their investment in Spain in 2015**, in comparison with 87% the previous year.

These prospects continue to improve in 2016 to 2018, when 95% of the companies questioned plan to increase or maintain their investment in Spain.

Figure 5

Investment forecast 2014-2018

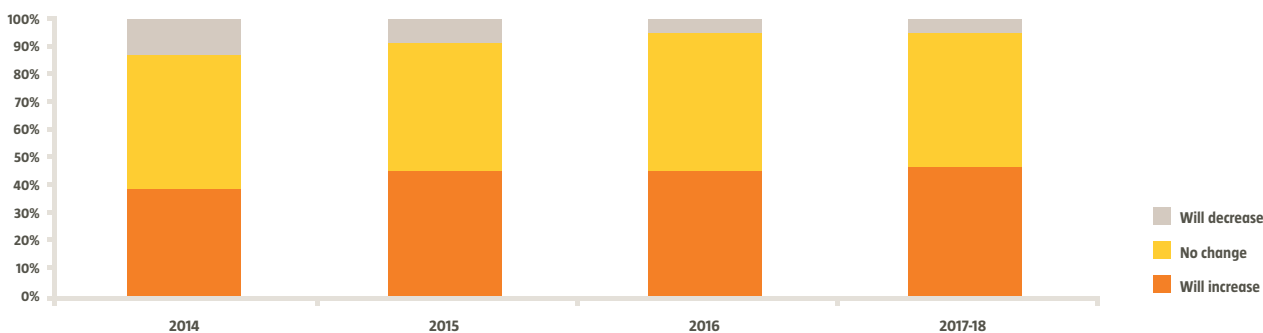


5.2. Employment prospects

The outlook for employment has also visibly improved, with the percentage of companies that intend to **maintain or increase their workforce** in Spain rising from 87% in 2014 to 91% in 2015, as can be seen in figure 6. In 2017, only 5% of the companies questioned plan to reduce their workforce.

Figure 6

Workforce forecast 2014-2018



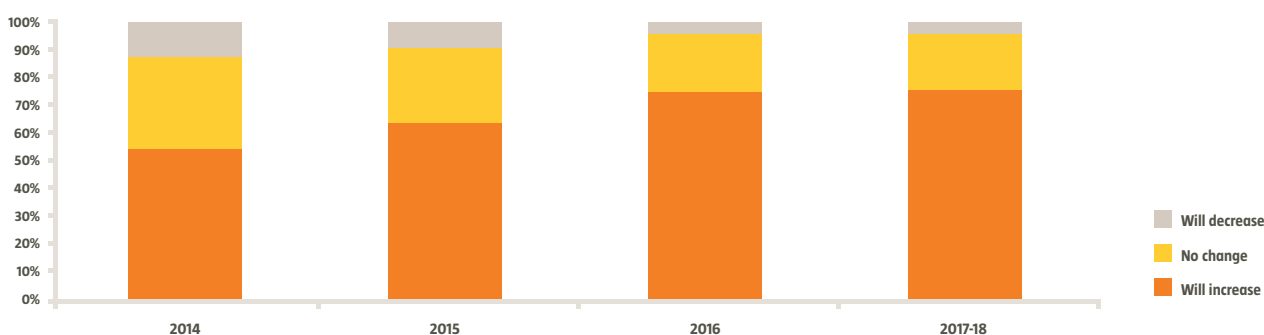
5. Prospects of foreign companies in Spain

5.3. Turnover forecast

The forecast for turnover in Spain for 2015 has also significantly improved and is very positive, with **64% of respondents expecting to increase their turnover** as opposed to 55% in 2014. Only 9% of the companies surveyed expect to reduce their turnover in 2015, and this figure drops to 4% for 2017-18.

Figure 7

Turnover forecast 2014-2018

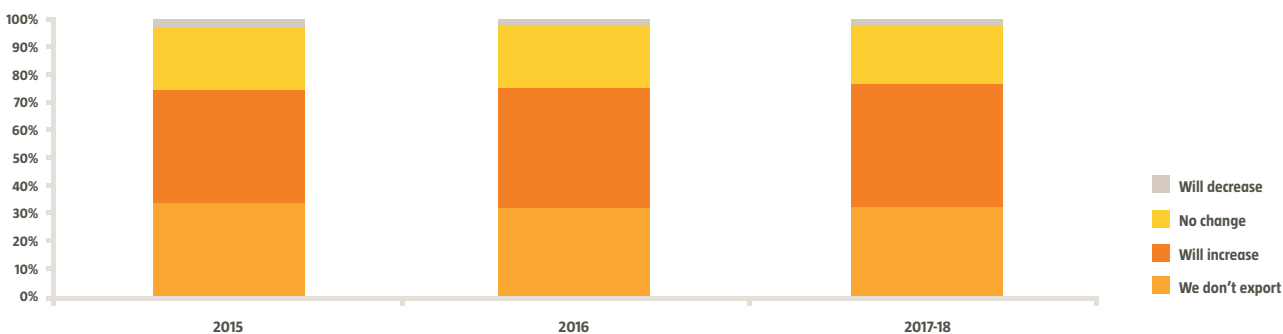


5.4. Export prospects

Finally the outlook for total exports continues to be positive. **Almost 70% of foreign companies export to third markets from Spain; 41% of the companies also forecast an increase in net exports in the period; and 22% will maintain the same export trend as in previous years.** Only 3% of companies plan to reduce their exports in 2015, falling to 2% in the following years, as shown in figure 8.

Figure 8

Export forecast 2015-2018



Results by areas



6. Results by areas

6. RESULTS BY AREAS

6.1. Labour Market

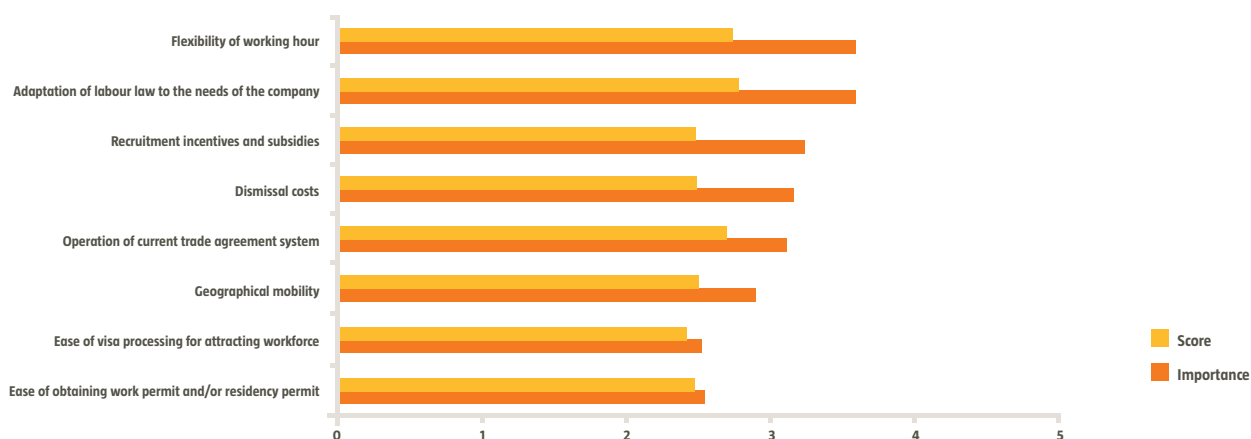
The Labour Market area continues to show room for improvement in the opinion of foreign investors, but this gap has been reduced in recent years, and it is worth noting the higher scores for all aspects in this category compared to 2014.

The flexibility of working hours is the aspect requiring the greatest improvement, and this is one of the priority spheres of action in the study overall. As seen in figure 9, the adaptation of the labour legislation to the needs of companies, the costs of dismissal, and incentives and subsidies for recruitment show a certain imbalance, although it should be noted that the score for this last aspect has evolved very favourably compared to 2014.

Despite the low scores assigned to ease of obtaining work permits, residency permits and visas, this does not seem to be an important issue for investors.

Figure 9

Labour Market



6. Results by areas

6.2. Taxation

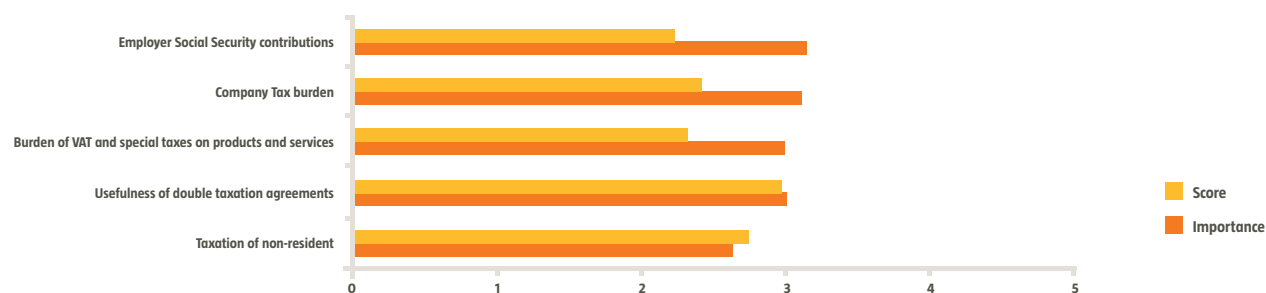
In the Tax area, foreign investors are of the view that action must be taken on company tax, workers' social security payments and value added tax (VAT), with these last two aspects among the worst rated in the whole survey.

In general, in the area of taxation, a slight improvement can be seen in the rating with regard to the 2014 edition, particularly driven by the improvement in the usefulness of the double taxation agreements and company tax, despite its poor overall rating.

According to the survey, double taxation treaties and the tax treatment of non-residents do not seem to be an issue for foreign investors in Spain, although the score for this last aspect is lower than for 2014.

Figure 10

Taxation



6. Results by areas

6.3. Regulatory Environment

There is still room for improvement in the Regulatory Environment, although the scores are higher than in 2014 for all aspects.

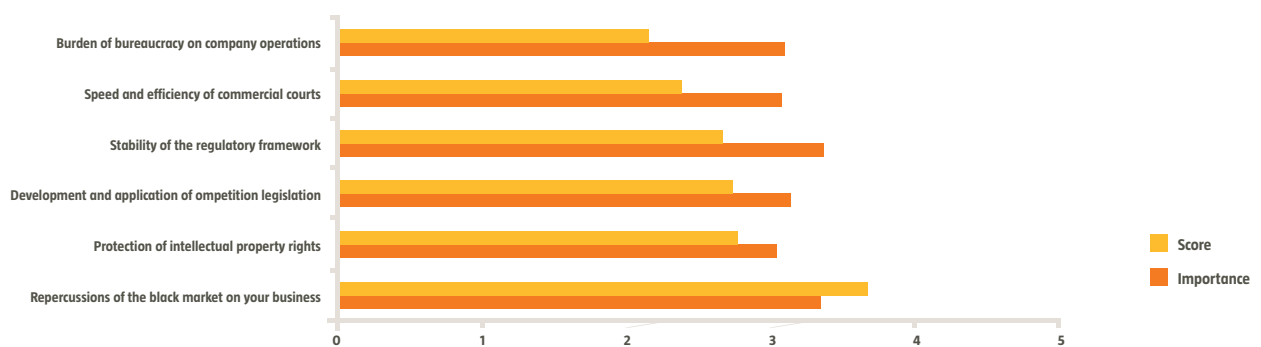
The bureaucratic burden on companies' operations continues to be the most critical aspect, followed by the speed and efficacy of the commercial courts, although foreign investors in Spain perceive this as having improved significantly.

There is also room for improvement in the stability of the regulatory framework, cited by the respondents as the most important aspect in this area, and which still requires further work in spite of the significant increase in its score this year.

The protection of intellectual property rights –which saw a significant drop in its score in 2014– has however improved this year.

Figure 11

Regulatory Environment



6. Results by areas

6.4. Infrastructure

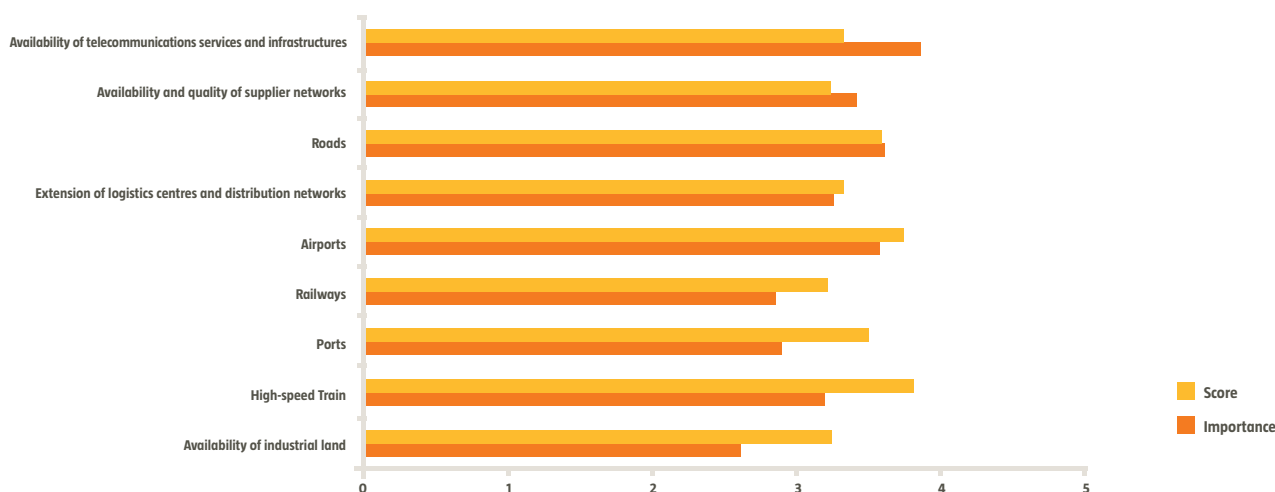
Infrastructure, as in previous editions, is the area that receives the highest score in the whole Barometer, surpassing the expectations of foreign investors in Spain.

Airports, the high-speed train and roads have already been flagged as being among the strengths highlighted in the study as a whole, but other aspects such as ports and the availability and quality of the distribution networks were also rated very positively.

There is still room for improvement in the availability of telecommunications infrastructure and services which, although they have a positive rating, is the priority aspect for investors in the area of infrastructure.

Figure 12

Infrastructure



6.5. Costs

The area of Costs continues to advance, but there is still room for improvement in general terms, along with a number of imbalances.

As indicated earlier, the main concern is the cost of electricity. This is the most important weakness in the study in general terms, in spite of having improved significantly compared to 2014. This is followed by the cost of telephone and Internet services, and the cost of adapting to the different autonomous and local regulations, an issue that investors regard as being particularly onerous.

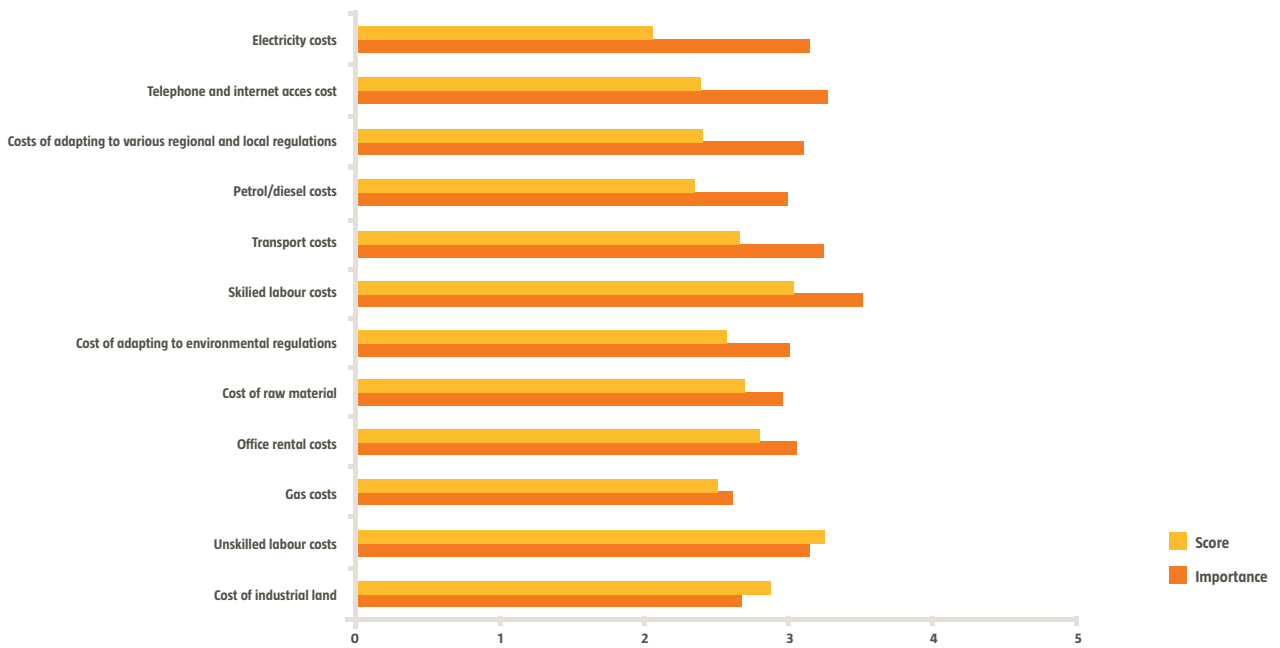
Labour costs receive positive scores for both the skilled and unskilled workforce, although it should be noted that skilled labour is the most important for foreign investors in Spain. This aspect still reveals room for improvement, and deserves special attention as it is one of the reasons highlighted by foreign companies when locating their activities in Spain.

Investors' expectations are exceeded in aspects such as the costs of unskilled labour and the cost of industrial land.

6. Results by areas

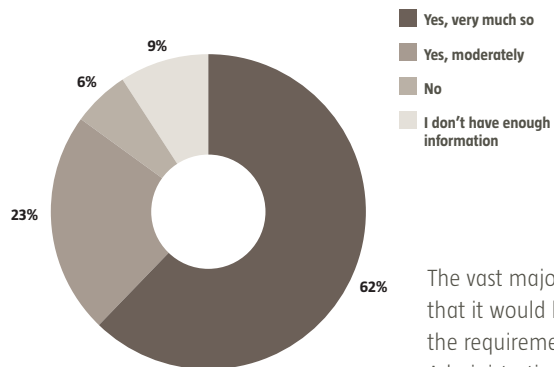
Figure 13

Costs



Additional consultation

Do you think that the standardisation and unification of the standards and requirements imposed on companies by government bodies at state, regional and local level would be beneficial for your company in Spain?



The vast majority of foreign companies consider that it would be hugely beneficial to standardise the requirements of the different tiers of Public Administration.

6. Results by areas

6.6. Financing

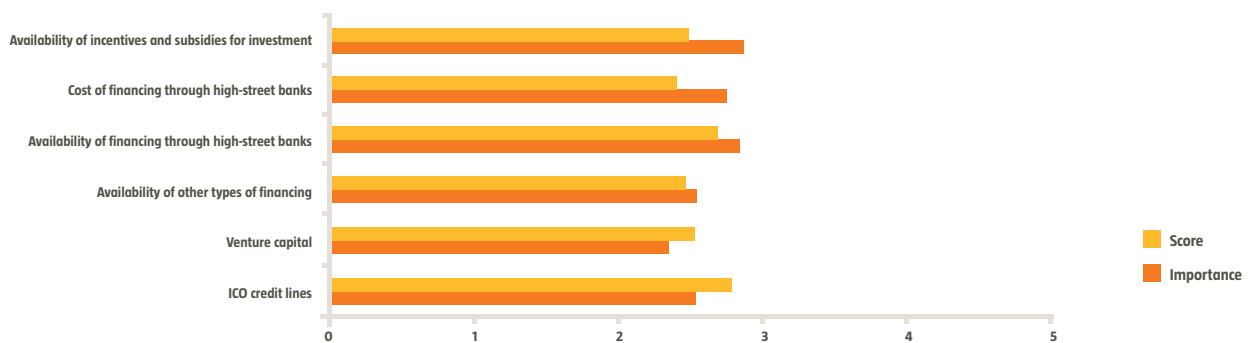
Financing, although it continues to be poorly rated in general terms, made the greatest improvement of all the ten areas considered. This result is particularly driven by the marked rise in the score for the availability and cost of financing from high-street banks. In spite of this, there is still some room for improvement in these two aspects, and in matters concerning the availability of incentives and subsidies for investment.

In any case it should be noted that despite its low scores, the issue of Financing is not among the priorities for the foreign companies surveyed.

The availability of ICO (Official Credit Institute) credit lines and venture capital do not appear to be seen as a problem by foreign investors.

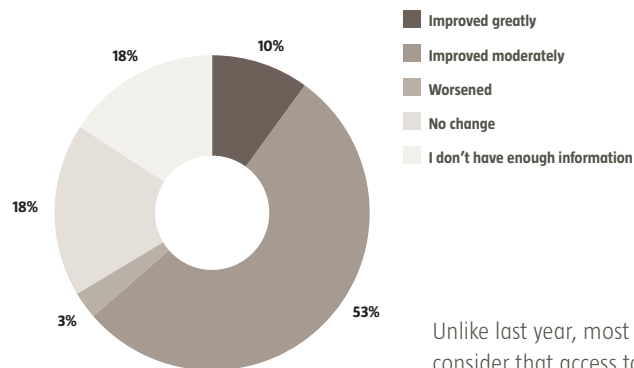
Figure 14

Financing



Additional consultation

How do you rate progress in access to credit over the past 12 months?



Unlike last year, most of the companies surveyed consider that access to credit has improved in the last 12 months, albeit moderately.

6. Results by areas

6.7. Human Capital

Together with market size, the area of Human Capital is the top priority for investors. Four of the aspects in this category are among the five most important for investors in the whole survey.

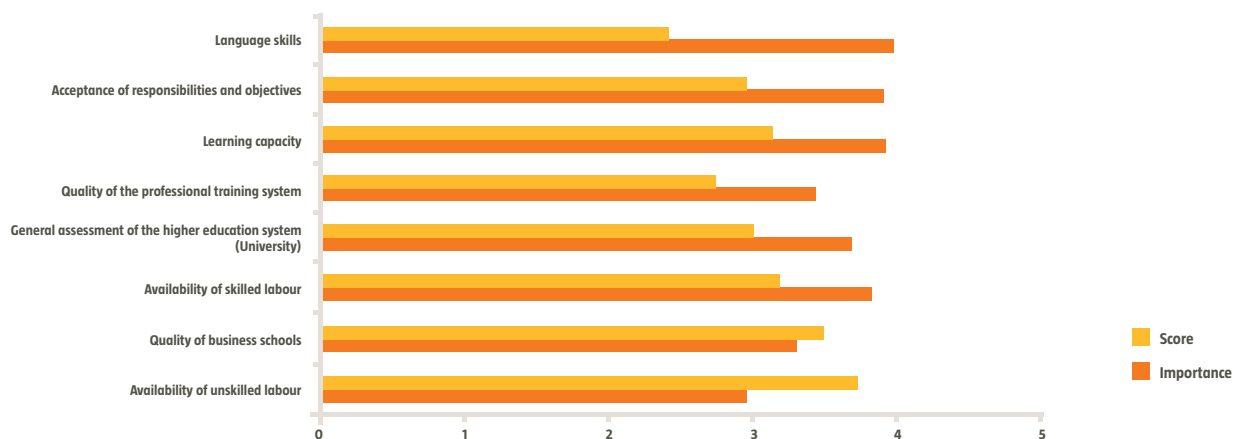
Although the score in general terms is good, and is up slightly compared to 2014, there is still room for improvement in several basic aspects which should be made priority spheres of action. These include language skills, the acceptance of responsibilities and objectives, learning ability and the quality of the professional training system.

More work is also required on the availability of skilled labour –which is much more important to investors than unskilled labour– and is one of the few aspects to score more poorly this year than in 2014. The quality of the business schools and the availability of unskilled labour are two areas in which the investors' expectations are fully met.

As has been indicated in recent editions of the Barometer, aspects relating to human capital are of fundamental importance in ensuring Spain's medium- and long-term competitiveness. It is therefore necessary to continue making efforts in this area.

Figure 15

Human Capital



6. Results by areas

6.8. Innovation

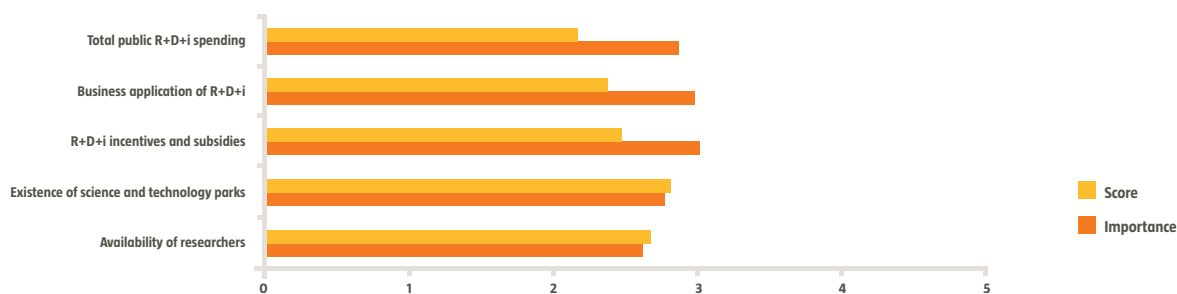
The area of Innovation has the lowest overall score, although slightly higher than the previous year.

The most important aspects with regard to innovation continue to be total public expenditure on R+D+i and its application to business. These two variables receive the lowest ratings in the survey in general terms, as indicated earlier. There is also room for improvement in the area of incentives and subsidies for R+D+i.

The existence of science and technology parks satisfies the needs of foreign companies, as does the availability of researchers.

Figure 16

Innovation



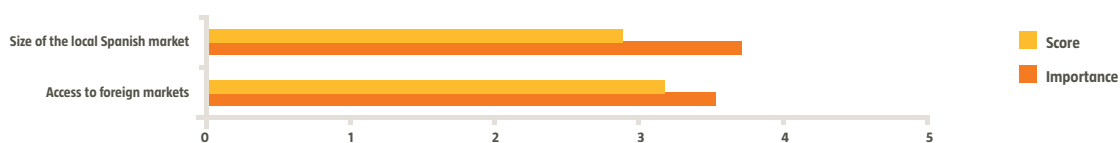
6.9. Market Size

This area –along with Human Capital– is the top priority for foreign investors, and the second reason the foreign companies in the survey cite for choosing to locate in Spain.

As occurred in the 2014 edition, there are notable improvements in regard to the size of the local Spanish market, a natural result of the economic recovery. In spite of this, there is still evident room for improvement in this area, as can be seen from figure 17. Access to foreign markets is also essential for foreign investors, but it scores somewhat higher than the size of the domestic market.

Figure 17

Market Size



6. Results by areas

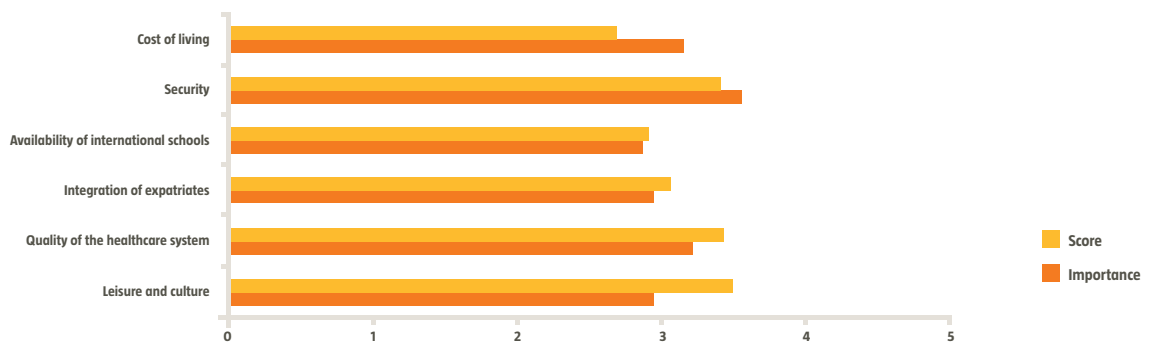
6.10. Quality of Life

Foreign investors give a positive rating to Quality of Life in Spain, as in all the previous editions of the Barometer. This is the area –together with Infrastructures– that best satisfies the expectations of foreign investors.

Cost of living continues to be the main area for improvement, although it is again higher this year. The score for almost all the other aspects analysed exceeds the importance attributed by the companies. This is particularly so in the case of leisure and culture and the quality of the healthcare system, two of the areas that were most highly rated by the investors in the survey in general terms.

Figure 18

Quality of Life



Analysis by country



7. Analysis by country

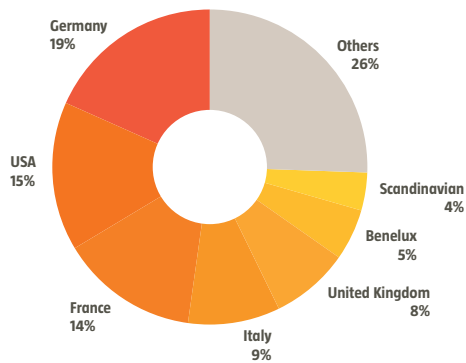
7. ANALYSIS BY COUNTRY

This edition sets out to analyse whether there are significant differences in investors' responses to particular questions according to their country of origin. Although in general terms the responses are very similar regardless of the provenance of the companies, some of the more interesting variations are highlighted below.

The countries with the greatest representation in the survey are Germany, United States, France, Italy and the United Kingdom, followed by Benelux and Scandinavian companies. This coincides with the countries with the greatest investment weight in Spain.

Figure 19

Analysis by country



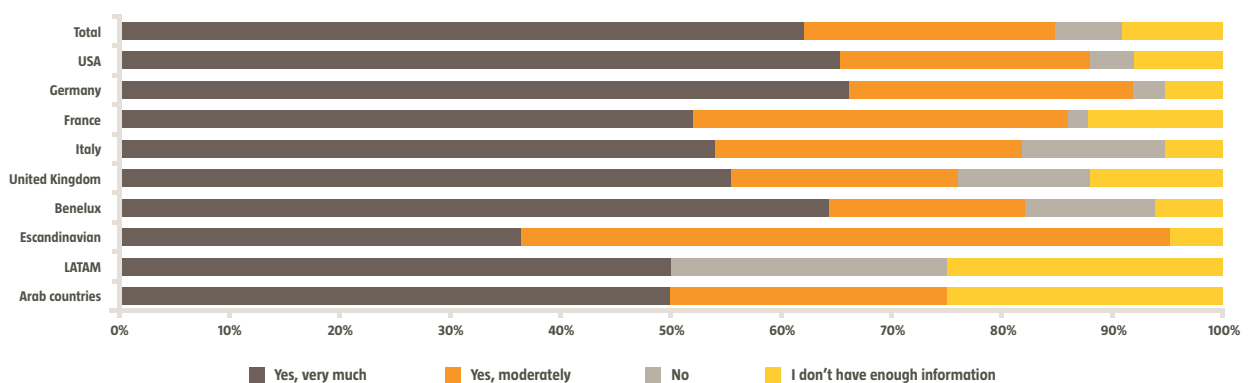
7.1. Standardisation of regulations and requirements at the national, regional and local level

In the study as a whole, 85% of the companies surveyed consider that the standardisation of the requirements of the different tiers of public administration would be beneficial for their companies.

To the question of whether the standardisation of regulations would be beneficial for their companies' operations, the majority of countries answered that it would, although companies from Scandinavian countries were more moderate than the rest. Companies from the United Kingdom, Italy and France also had a slightly lower than average opinion of the positive nature of this measure. However, investors from the United States and Germany are particularly receptive to the need for standardisation.

Figure 20

Standardisation of regulations and requirements at the national, regional and local level



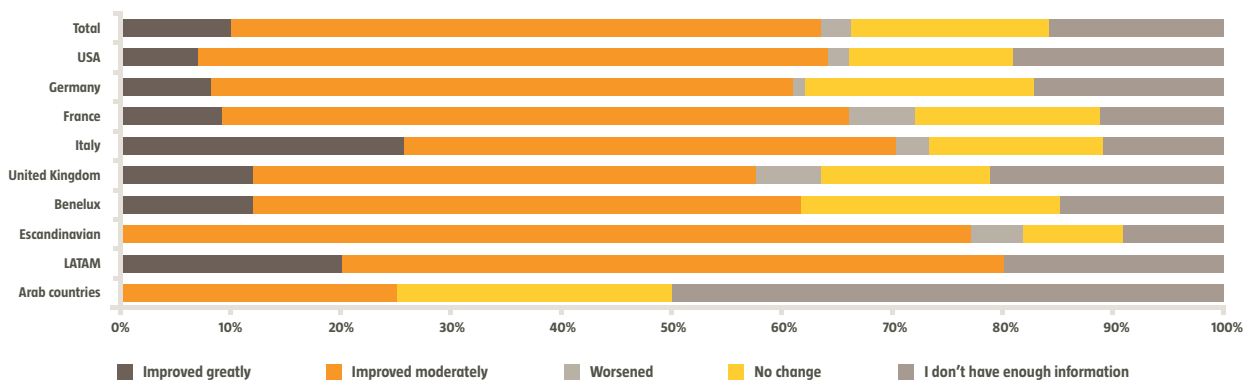
7. Analysis by country

7.2. Evolution of credit

In the study as a whole, 63% of the companies consider that the evolution of credit has improved in 2015. Most countries believe it has improved moderately, although in the case of companies from Italy, a greater proportion consider that it has improved substantially. Scandinavian companies have a clearly more positive view than the average, which is more moderate.

Figure 21

Evolution of credit

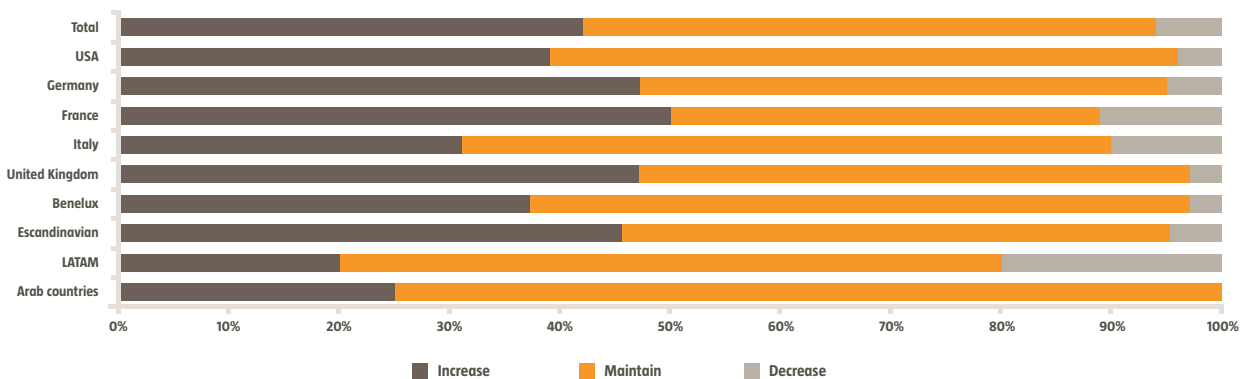


7.3. Investment prospects

In the study as a whole 94% of the companies surveyed plan to increase or maintain their investment in Spain in 2015. The figure for Italian companies is below the average, whereas the plans of companies with German, British or French capital are slightly above the average of the companies surveyed.

Figure 22

Investment prospects



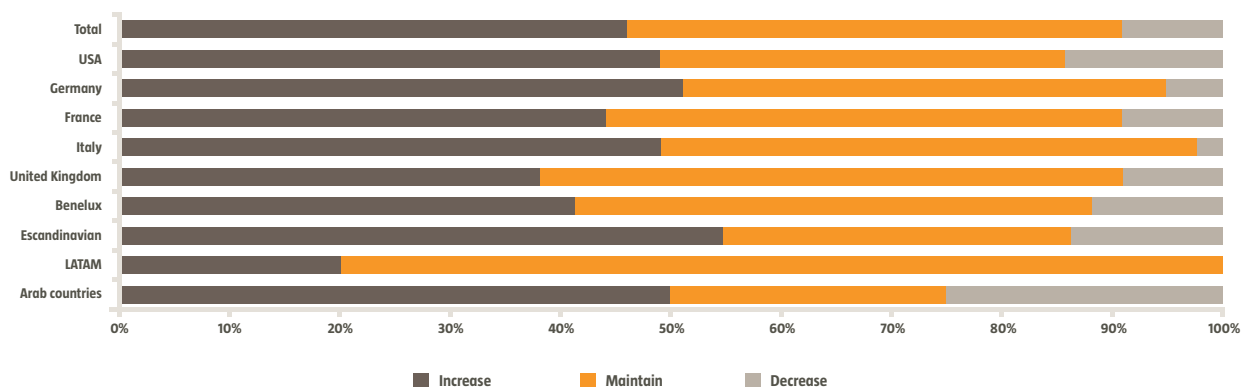
7. Analysis by country

7.4. Workforce prospects

With regard to the number of employees planned in Spain for 2015, 91% of companies intend to increase or maintain their workforce. Germany and Italy are the countries with the greatest percentage of companies planning to increase or maintain their workforce in 2015, although companies with French capital top the list of those that intend to make the greatest increases in their workforce in Spain in this period.

Figure 23

Workforce prospects

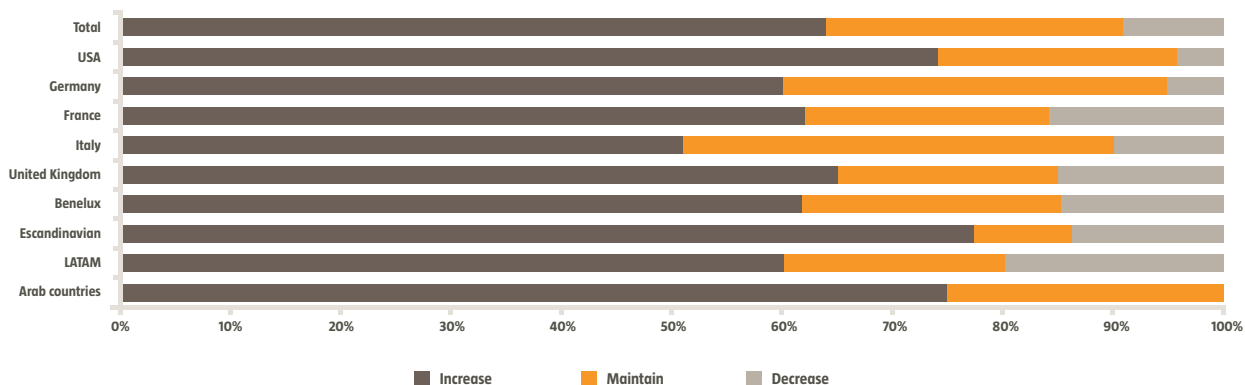


7.5. Turnover prospects

With regard to turnover in 2015, 64% expect to increase their turnover. Only 9% of the companies surveyed expect to reduce their turnover. Companies from the United States and Germany have the most positive outlook for 2015, whereas Italian companies indicate the lowest prospects for growth.

Figure 24

Turnover prospects



7. Analysis by country

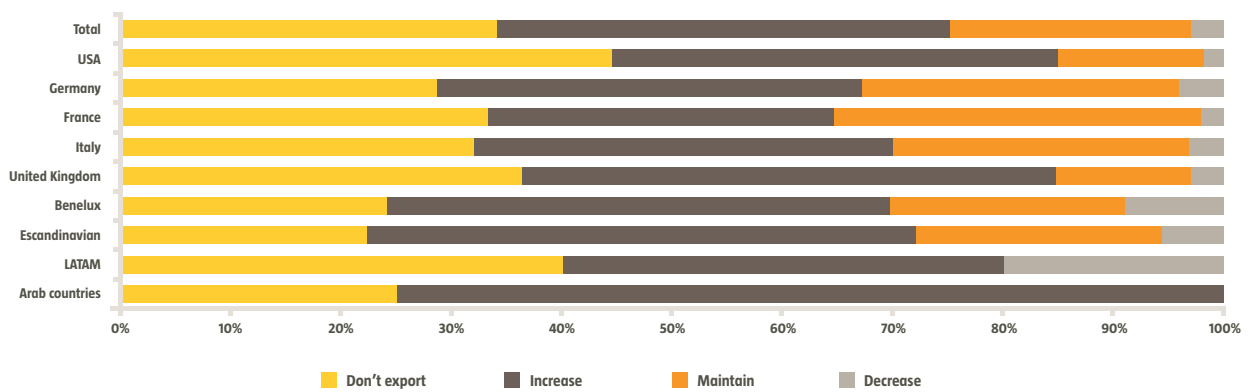
7.6. Export prospects

The last category in the section on prospects refers to exports. Almost 70% of foreign companies export to third markets from Spain. 41% of companies expect to increase their exports in the period and 22% will maintain their exporting trend with regard to previous years. Only 3% of companies expect to decrease their exports in 2015. Of these, companies with Scandinavian capital have the greatest export profile.

The highest percentage of companies intending to increase their exports come from Scandinavia, United Kingdom and Benelux countries, and Benelux has the greatest percentage of companies with plans to reduce them, although in any case by less than 10%.

Figure 25

Export prospects



7. Analysis by country

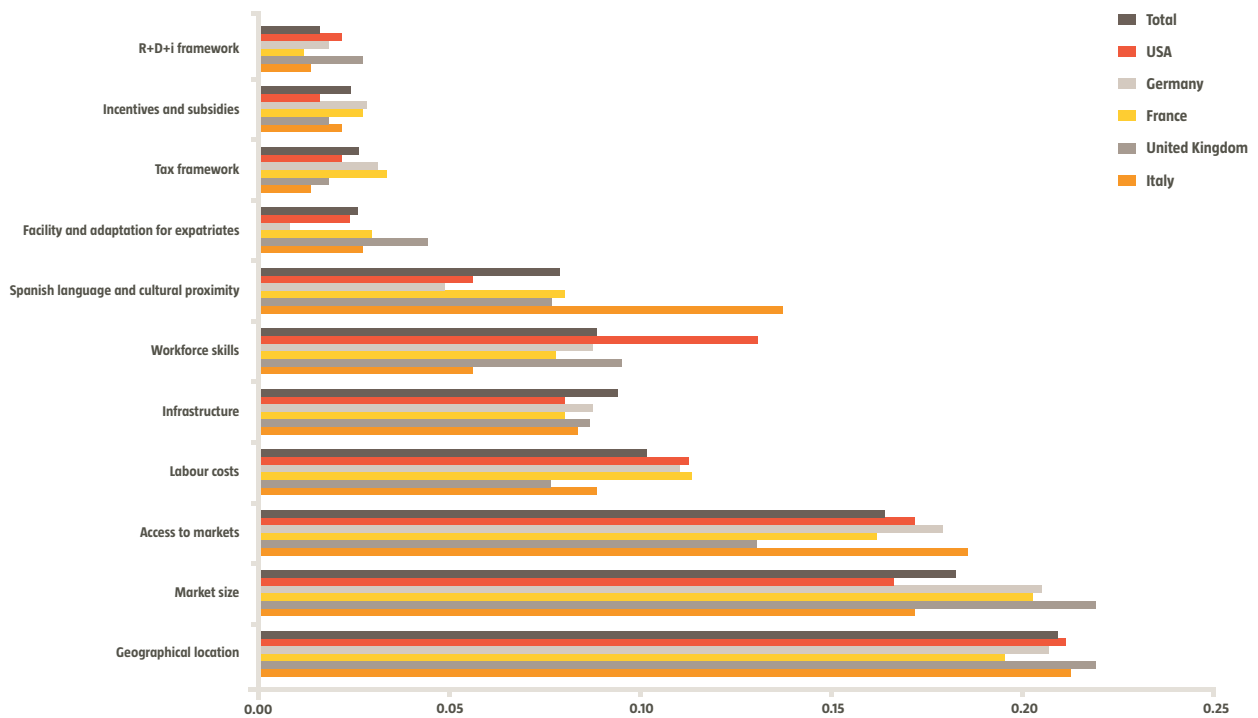
7.7. Reasons for locating in Spain and areas for improvement

Although geographic location, market size and access to other countries are the main reasons for locating in Spain cited by all the groups represented, there are some significant differences. Companies from the United States, for example, gave less weight than average to market size, and more to the skills of the workforce. Companies from Italy rate the skills of the workforce less highly than average, but place greater than average emphasis on cultural similarities and the Spanish language as the main reasons for choosing to locate in Spain. Finally companies from the United Kingdom focus more on the domestic market than on access to other markets, and more on skills than on costs.

Main reasons underlying your company's decision to locate in Spain.

Figure 26

Reasons for locating in Spain and areas for improvement



7. Analysis by country

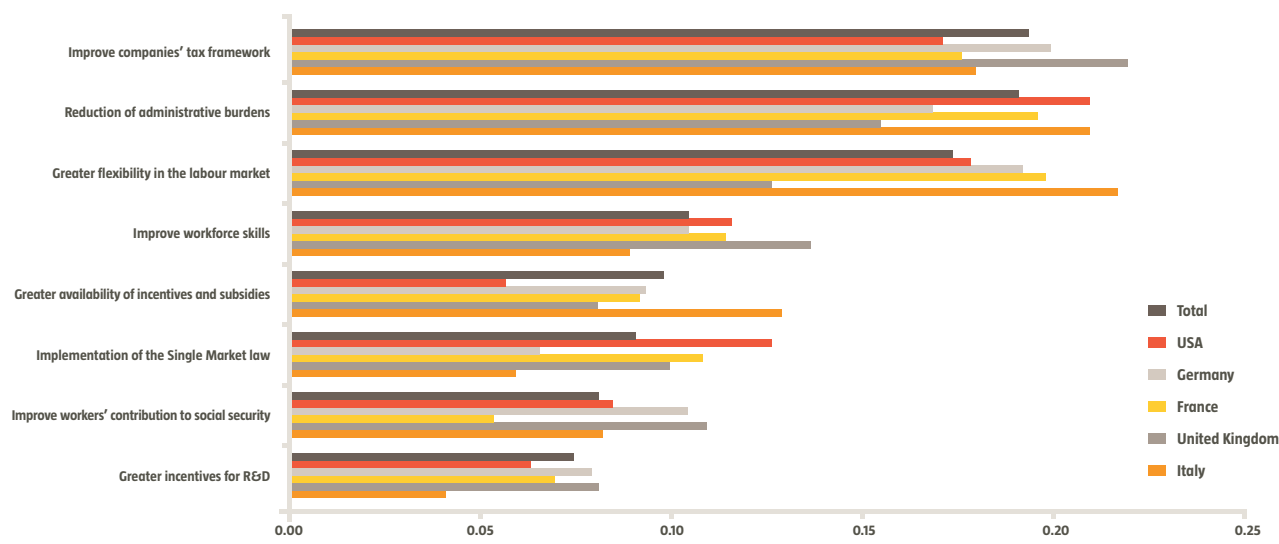
7.8. Measures that made the greatest contribution to increasing your company's investment in Spain

Although practically all the groups of countries coincide in signalling that the three priority measures required are an improvement in the fiscal framework, a reduction in administrative burdens and greater flexibility in the labour market, there are some notable differences. For example, companies from the United Kingdom see the improvement in the tax framework and in workforce skills as more important than average, and place comparatively less emphasis on the flexibility of the labour market and on administrative burdens. Companies from Italy consider the availability of incentives and subsidies and the flexibility of the labour market to be more important than do the rest of the companies. For their part, companies with US capital place greater emphasis than others on the implementation of the Single Market law and less on the availability of incentives and subsidies.

Companies from Germany and France are very close to the average in their responses.

Figure 27

Measures that made the greatest contribution to increasing your company's investment in Spain



Methodology



Methodology

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

This edition follows the structure and—in general terms—the questions from past editions in previous years, although some have been eliminated or modified. In addition, a sensitivity analysis has been added to some questions depending on the country of origin of the investing company.

As in other years, the methodology used in the survey required over 500 foreign companies operating in Spain to fill in a questionnaire.

In order to ensure continuity, the following areas have been included in the questionnaire since 2007 and are divided into four main groups: 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 the each heading, so as to be able to weight the results to reflect the true interests of businesses.

For each question, foreign investors are asked to assign 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 assign to Spain under this heading. The questions that show the greatest gap or difference between the importance and the weighted rating assigned by investors are flagged as requiring priority action, as this difference highlights a failure to meet the expectations of foreign investors in Spain.

Appendix

APPENDIX 1: PROFILE OF SURVEYED COMPANIES

The profile of the companies taking part in a study was fairly heterogeneous, with a representation of 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 28.

A wide diversity of sectors is represented in the survey, as can be seen in figure 29. The chemical sector is the most heavily represented, closely followed by electronics, information technology and telecommunications.

Figure 28

Number of company employees

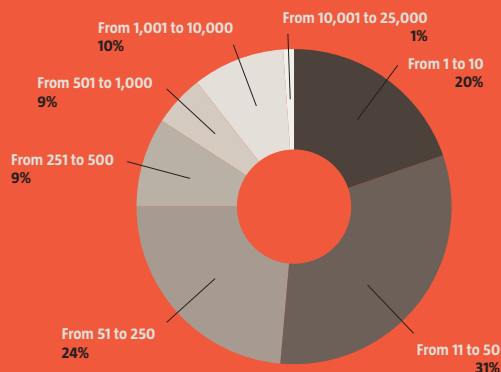
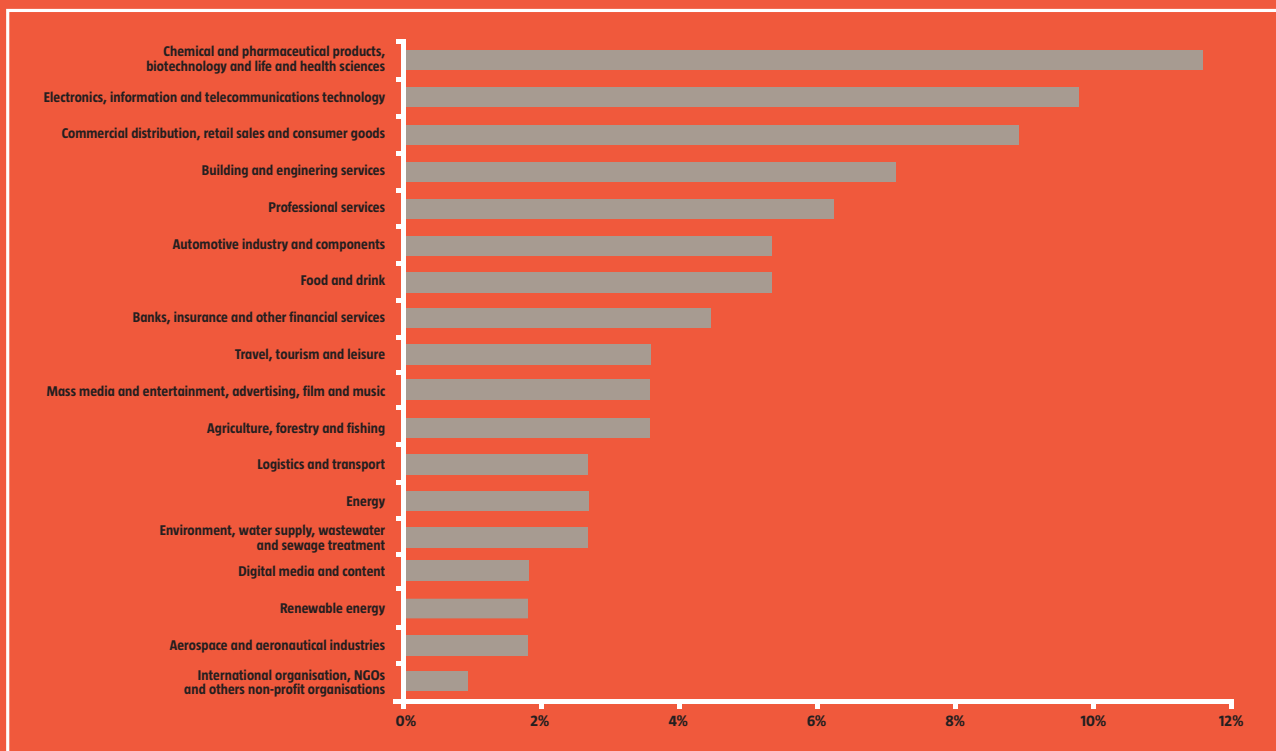


Figure 29

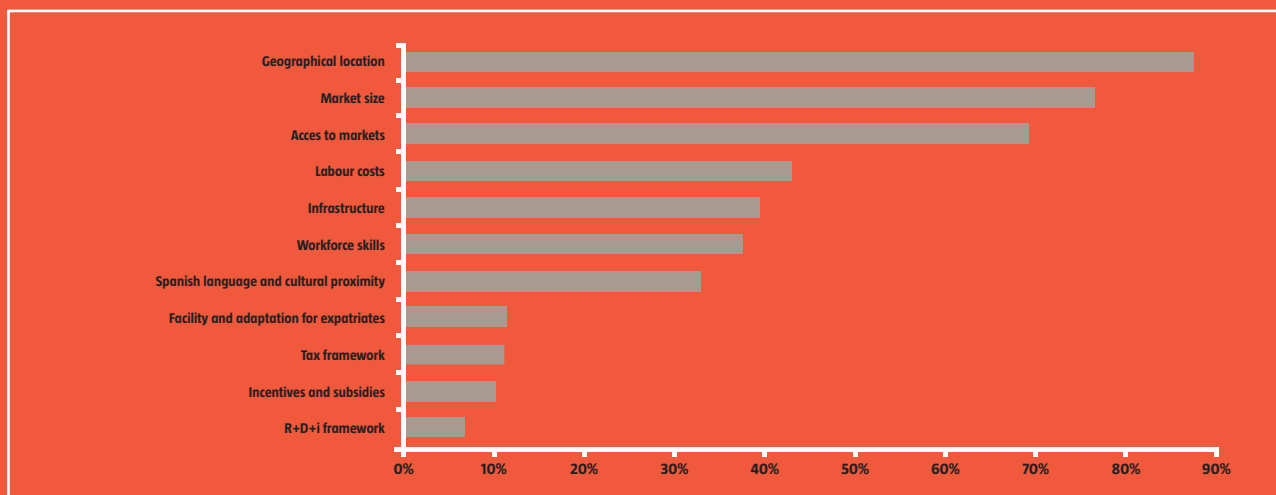
Business sectors



The vast majority of companies cited geographical location, and the size and access to markets as their reasons for locating in Spain. Apart from infrastructure, other important factors were labour-related and concerned both the cost and skills of the workforce.

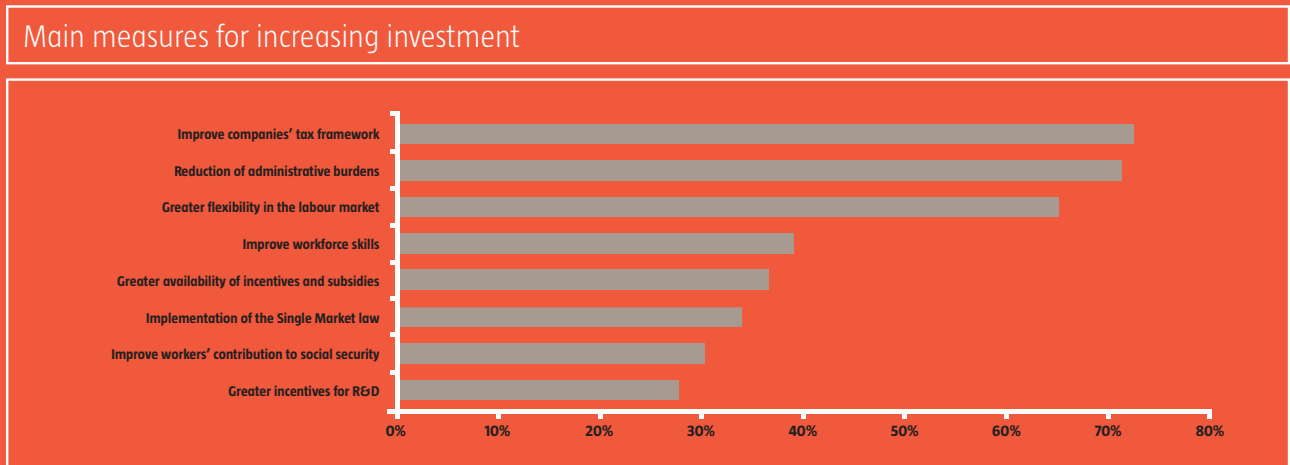
Figure 30

Reasons for setting up in Spain



The main measures cited by the respondents as contributing to increasing their companies' investment in Spain are overridingly the improvement in the tax framework, the reduction of administrative burdens and the greater flexibility of the labour market.

Figure 31



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