

# Spanish Economy, Business & Investment Opportunities

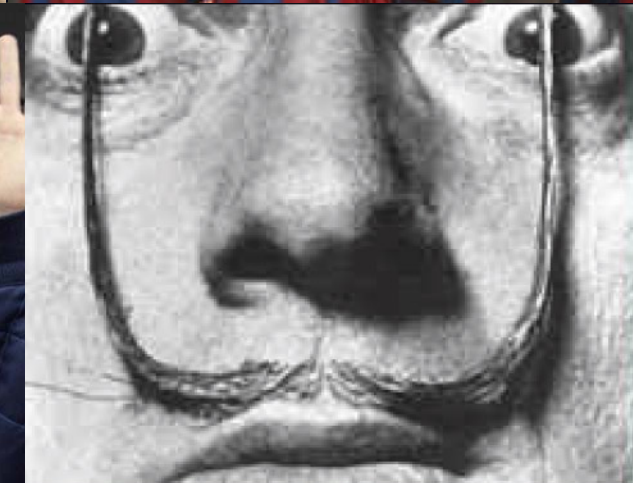


**Begoña Cristeto**  
Chief Executive Officer

LUXEMBOURG, APRIL 18TH, 2007









**Did you know that Spain is...**

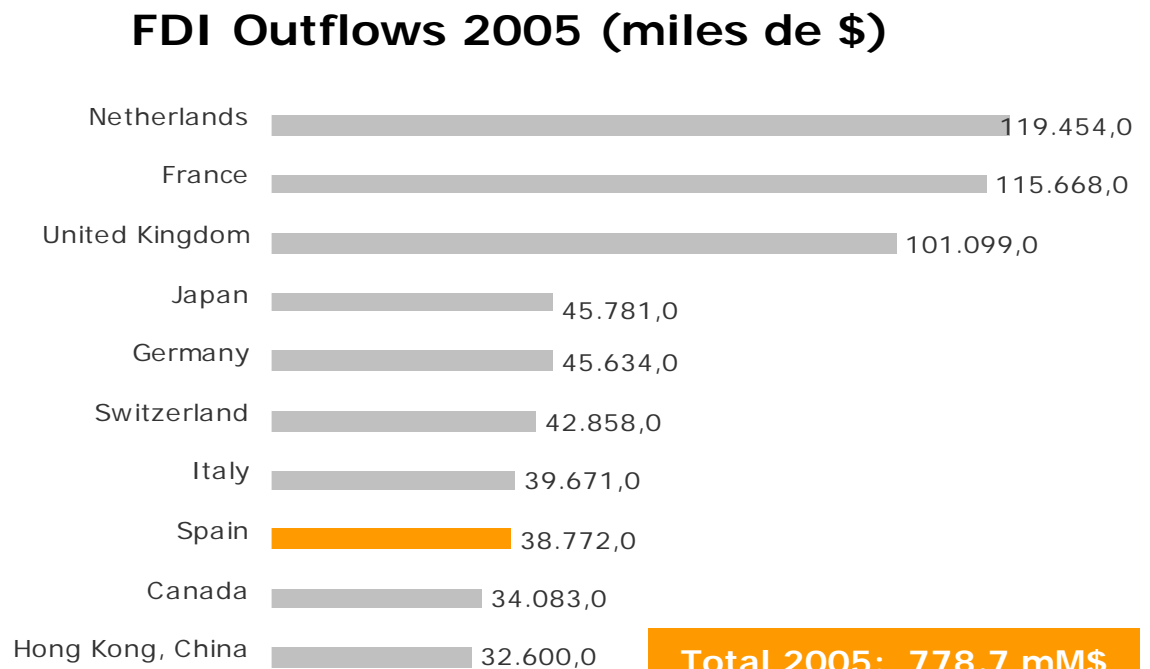
# The world's 8<sup>th</sup> largest economy

Country	GDP 2005 (mill \$)
1. USA	12,455,068
2. Japan	4,505,912
3. Germany	2,781,900
4. China	2,228,862
5. United Kingdom	2,192,553
6. France	2,110,185
7. Italy	1,723,044
<b>8. Spain</b>	<b>1,123,691</b>
9. Canada	1,115,192
10. Brazil	794,098



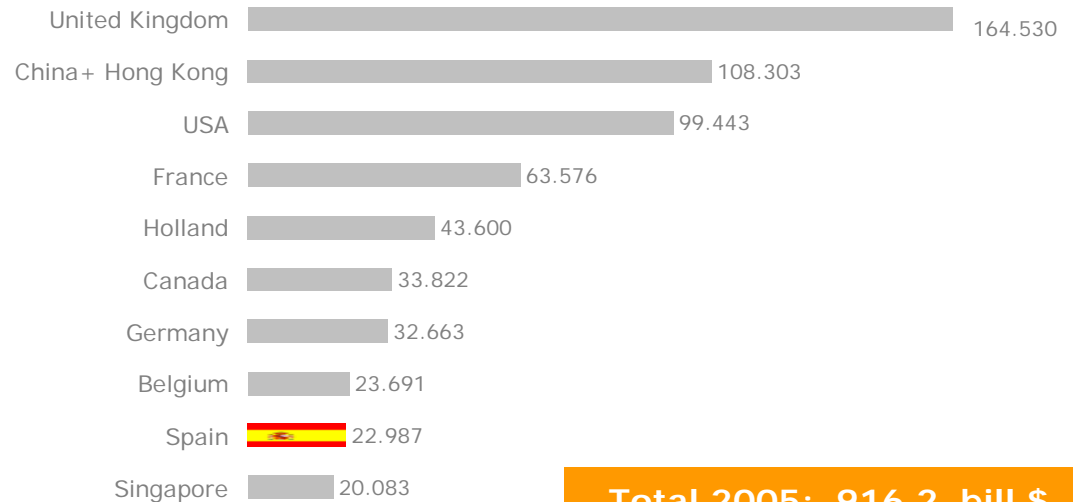
Source: World Bank 2006

# The 8<sup>th</sup> largest investor in the world and 2<sup>nd</sup> largest in Latin America



# The 9<sup>th</sup> largest FDI recipient worldwide (6<sup>th</sup> in the EU)

## FDI Inflows 2005 (bill. \$)



**Total 2005: 916.2 bill \$**



# The world's 2<sup>nd</sup> tourist destination

## INTERNATIONAL TOURIST ARRIVALS

Country	2005 (Mill. people)	05/04 (%)
1. France	76.0	1.2
<b>2. Spain</b>	<b>55.6</b>	<b>6.0</b>
3. USA	49.4	7.2
4. China	46.8	12.1
5. Italy	36.5	-1.5
6. United Kingdom	30.0	8.0
7. Mexico	21.9	6.3
8. Germany	21.5	6.8
9. Turkey	20.3	20.5
10. Austria	20.0	3.0

## GENERATED REVENUE (INTERNATIONAL TOURISM)

Country	2005 (bill \$)	05/04 (%)
1. USA	81.7	9.6
<b>2. Spain</b>	<b>47.9</b>	<b>5.8</b>
3. France	42.3	3.5
4. Italy	35.4	-0.7
5. United Kingdom	30.7	8.7
6. China	29.3	13.8
7. Germany	29.2	5.6
8. Turkey	18.2	14.2
9. Austria	15.5	0.9
10. Australia	15.0	9.6

# The 10<sup>th</sup> best place to live

FINANCIAL TIMES  
Monday February 19 2007

## Spain tops destination list for EU migrants

■ Poll finds country is most positive about immigration

By George Parker in Brussels

Spain's transformation from an impoverished southern European backwater into one of Europe's most vibrant economies is confirmed by an opinion poll today that shows it is the most popular destination for Europeans thinking of working abroad.

The FT/Harris poll portrays Spain as a country at ease with itself: its citizens are relaxed about immigration and are the

most from eight new EU members in 2004, a policy business leaders claim boosted the economy and filled skills shortages.

But negative media coverage of the issue has helped create a climate where two-thirds of UK citizens say there are "too many foreigners" in the country, the highest ratio of any major European nation.

Perhaps the most striking finding is the extent to which Spain has escaped as an insecurity con-

	Quality of life		GDP per person		Difference in ranks
	Score	Rank	\$ (at PPP)	Rank	
Ireland	8.333	1	36,790	4	3
Switzerland	8.068	2	33,580	7	5
Norway	8.051	3	39,590	3	0
Luxembourg	8.015	4	54,690	1	-3
Sweden	7.937	5	30,590	19	14
Australia	7.925	6	31,010	14	8
Iceland	7.911	7	33,560	8	1
Italy	7.810	8	27,960	23	15
Denmark	7.796	9	32,490	10	1
<b>Spain</b>	<b>7.727</b>	<b>10</b>	<b>25,370</b>	<b>24</b>	<b>14</b>
Singapore	7.719	11	52,530	9	-2
Finland	7.618	12	29,650	20	8
United States	7.615	13	41,529	2	-11
Canada	7.599	14	34,150	5	-9
New Zealand	7.436	15	25,110	25	10
Netherlands	7.433	16	30,920	15	-1
Japan	7.392	17	30,750	16	-1
Hong Kong	7.347	18	31,660	11	-7
Portugal	7.307	19	19,530	31	12
Austria	7.268	20	31,420	12	-8
Taiwan	7.259	21	28,070	22	1
Greece	7.163	22	22,340	27	5
Cyprus	7.097	23	20,500	30	7
Belgium	7.095	24	30,660	17	-7
France	7.084	25	30,640	18	-7
Germany	7.048	26	28,250	21	-5
Slovenia	6.986	27	21,892	28	1
Malta	6.934	28	18,710	32	4
United Kingdom	6.917	29	31,150	13	-16
Korea, South	6.877	30	23,360	26	-4

Source: EIU "Worldwide Quality-of-life Index 2005" –  
(Score on a scale from 1 to 10)

# Spain's Role in Europe

- 1986: Spain became a full member of the European Economic Community.
- 1999: Founding Member of European Monetary Union (Single currency: Euro)
- This implies monetary and fiscal discipline:
  - Stable economic environment with low inflation, fiscal discipline, low interest rates.
  - Public surplus. This result in 2006 was 1.8% of GDP.
  - Highest credit ratings by most prestigious agencies (Standard & Poors, Fitch & Moody's)

*Spain has quite a few differences.....*

**AAA**bcdefg  
hijklmñop  
qrstuvwxyz.

# Top reasons to invest in Spain

- Dynamic, stable & attractive economy

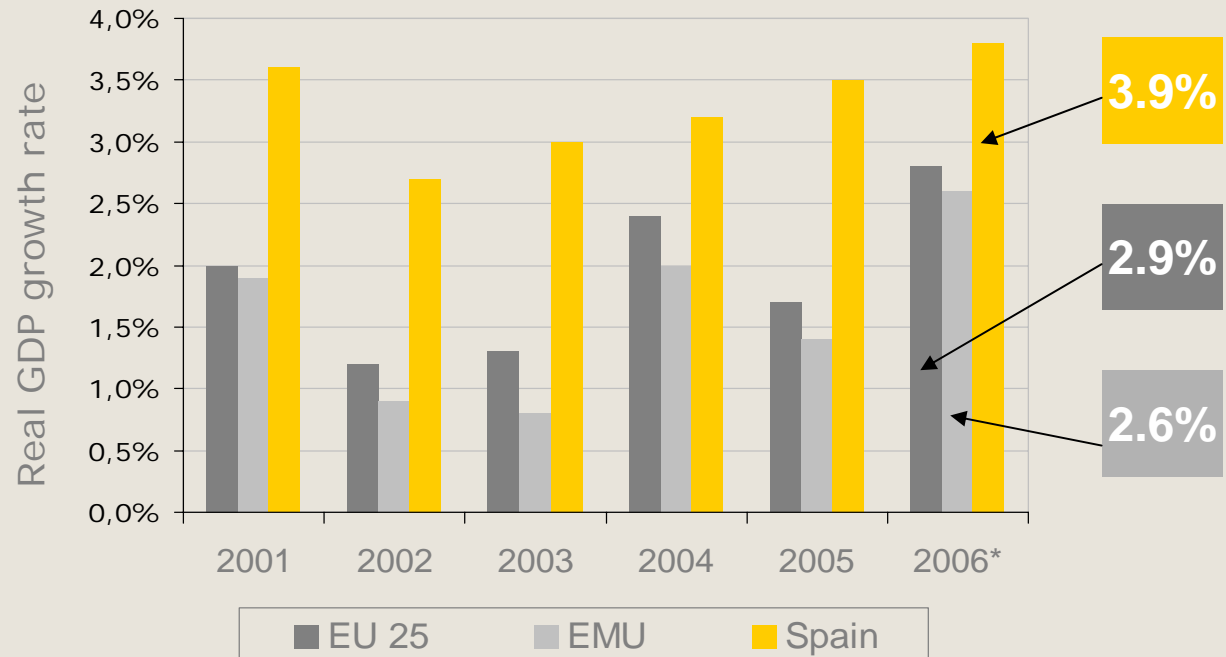
- GDP
- Employment
- Globalization

- International business hub

- Economic criteria

- Quality of life

## Sustained growth above EU average



# Top reasons to invest in Spain

## ■ Dynamic, stable & attractive economy

- GDP
- Employment
- Globalization

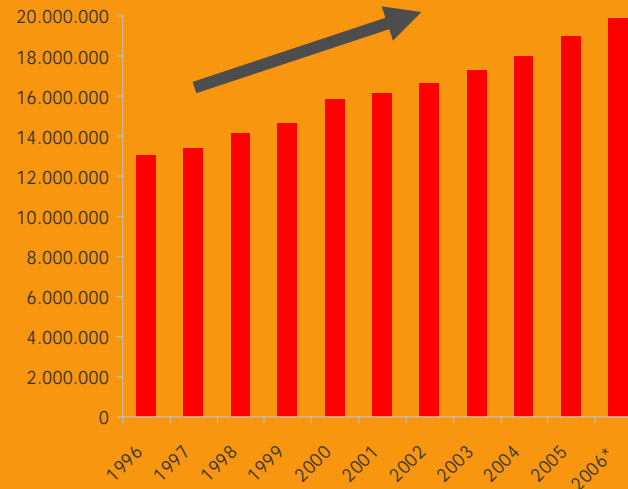
## ■ International business hub

## ■ Economic criteria

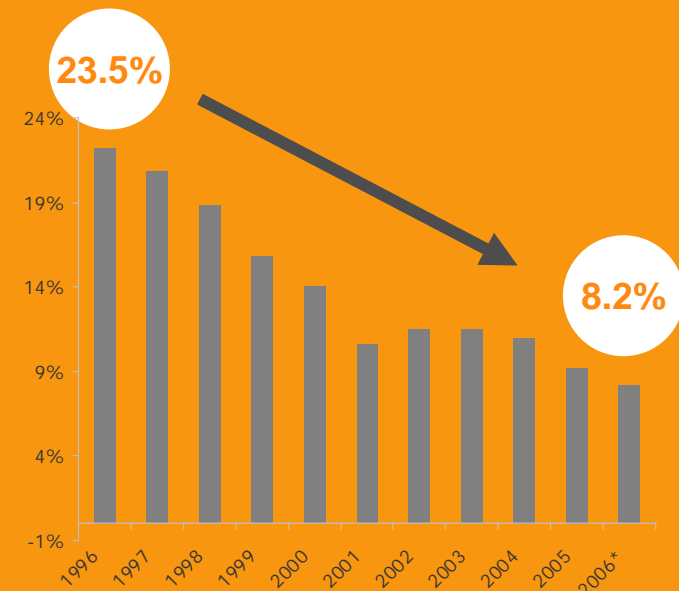
## ■ Quality of life

Employment creation in Spain = 60% of all jobs created in Europe in 2005.

Unemployment rate 8.2% in 2006 (23.5% in 1995)



Employment in Spain



Unemployment rate

\* 3Q 2006

# Top reasons to invest in Spain

- **Dynamic, stable & attractive economy**

- GDP
- Employment
- Globalization

- International business hub

- Economic criteria

- Quality of life

## Path towards openness & globalization since the recovery of our democracy:

- From isolation to liberalization and openness
- From being a nation of emigrants to receiver of immigrants
- From being a destination for cooperation funds to a major contributor to international aid projects
- From recipient of international investments to net capital exporter

# Top reasons to invest in Spain

- Dynamic, stable & attractive economy
  - GDP
  - Employment
  - Globalization
- International business hub
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- Quality of life

## Privileged Geo-Strategic position





# Top reasons to invest in Spain

- Dynamic, stable & attractive economy
  - GDP
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## Spain: Perfect *hub* to do business in Latin America

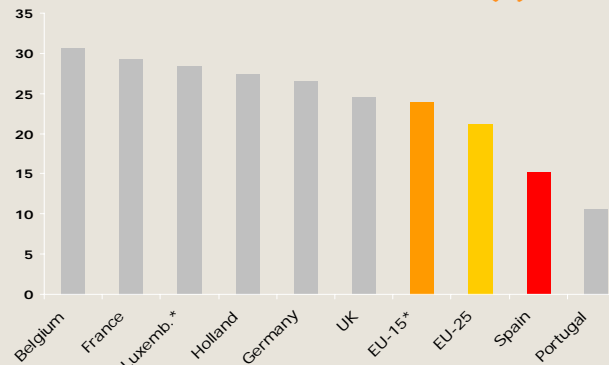


1. Unique historical, cultural and linguistic links.
2. Excellent institutional relations and economic and business ties: investment bet in strategic privatized sectors in Latin America (banking, utilities, communications and transport, building industry, airport management, etc.)
3. **Communications:** Spain is an important crossing point for the lines joining America and Europe.
4. **Some multinational companies,** have already settled in Spain their headquarters for Latin America.
5. **Spain** has become the European Head of Latin-American multinational companies.

# Top reasons to invest in Spain

- Dynamic, stable & attractive economy
- International Business Hub
- Economic criteria
- Quality of Life

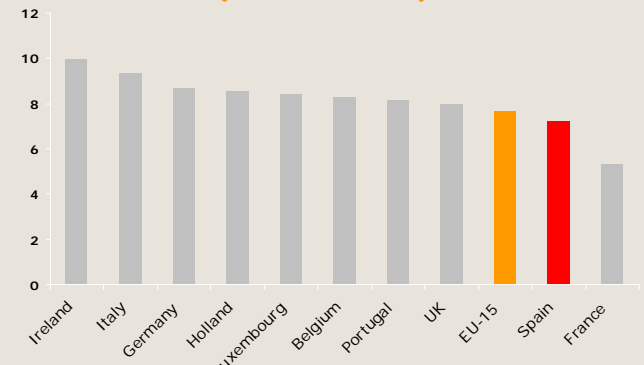
**LABOR COST/HOUR IN INDUSTRY&SERVICES 2006 (€)**



\* Data 2005

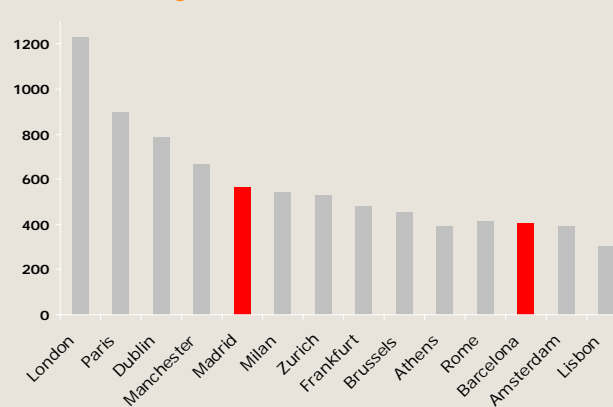
Source: Eurostat 2006

**ELECTRICITY PRICES FOR INDUSTRIAL USE 2006 (€ cents/Kwh)**



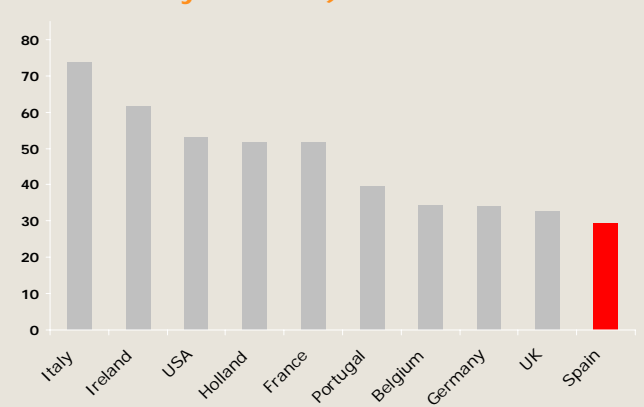
Source: Eurostat 2006

**OFFICE UTILIZATION COST 2006 (€/year and m2)**



Source: CB Richard Ellis. 2006

**BROADBAND COSTS (\$ monthly flat rate)**

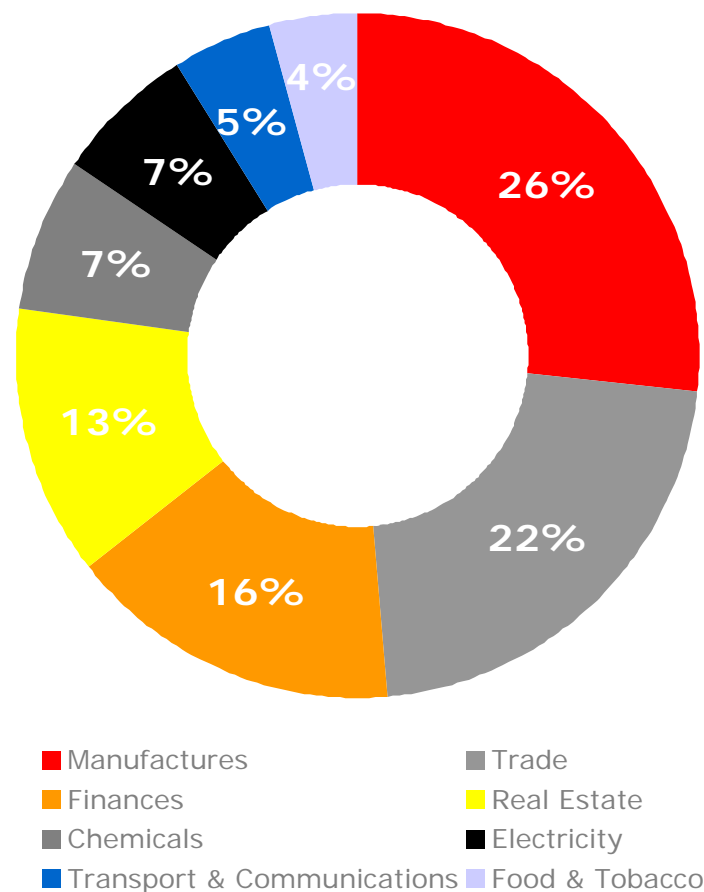


Source: Int'l Telecom Union 2003

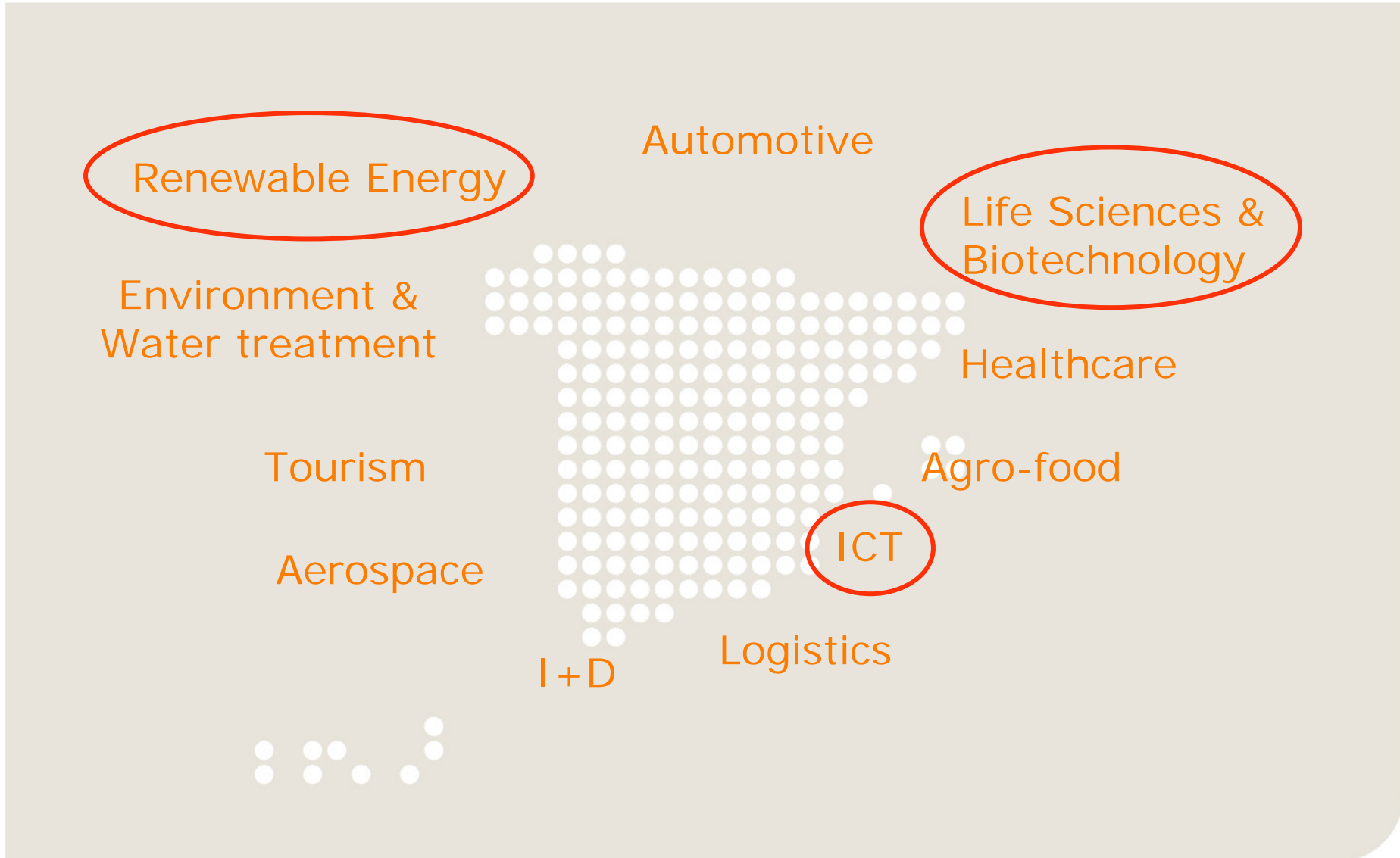
# Spain: a major destination for FDI

- Inward FDI stock in Spain is the 8th largest in the world (5th largest in Europe) Source: UNCTAD, WIR 2005
- There are more than 11,100 foreign companies currently located in Spain in all industries. 48 of them are Fortune 100 companies 2006.
- These companies employ over 1,200,000 people, 7% of the total in Spain.
- FDI stock reaches 33% of Spanish GDP.
- At the end of 2004, accumulated FDI stock in Spain amounted €187.4 billion in all industries Source: Foreign Investment Registry – Ministry of Industry, Tourism & Trade

FDI in Spain by major sectors 2004



# Sectors of Opportunity



# Why ICT?



- Because Spain has one of Europe's most liberalized ICT markets. Full telecom. market liberalization in 1998:

- ❖ Increased the number of players (operators)
- ❖ Improved the quality of services

- Telecoms Infrastructure Facts 2005:

Source: CMT- Telecom Market Commission (Annual Report 2005) [www.cmt.es](http://www.cmt.es)

- ❖ 36 landline service operators
- ❖ 15 mobile service operators
- ❖ 183 Internet Service Providers
- ❖ 37 local cable operators
- ❖ More than 1,680,000 km of transmission network
- ❖ 99.8% of Spain's telecom. network is digital
- ❖ 17,95 million landlines in operation in Spain
- ❖ 96.8% mobile telephone penetration
- ❖ 87% broadband penetration in business

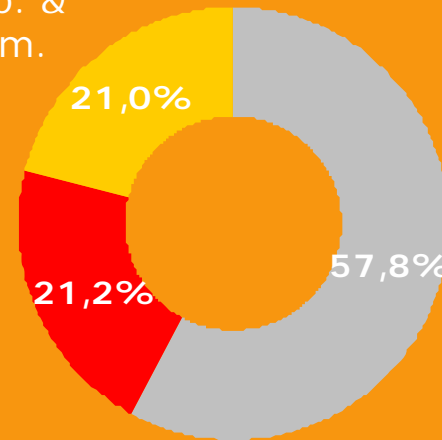
# Why ICT?



- Because ICT represents a market of more than 87 billion euros\* ...:

Source: AETIC – Spain's ICT & Electronics Association. [www.aetic.es](http://www.aetic.es)

Electronic comp. & equip., Telecom. Industry



Telecom. Service operators

Information Technology

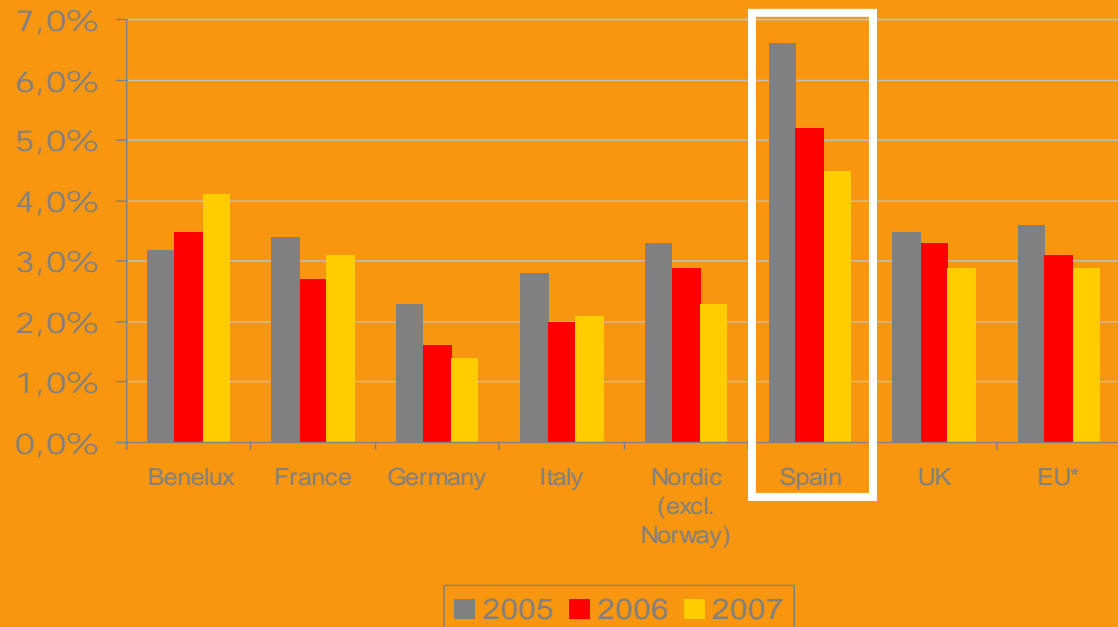
\* ITC sector includes: electronic components & equipments, telecom. Services, audiovisual services, IT services, e-commerce electronic contents & Internet

- ...and a 5.5% of Spain's GDP

# Why ICT?

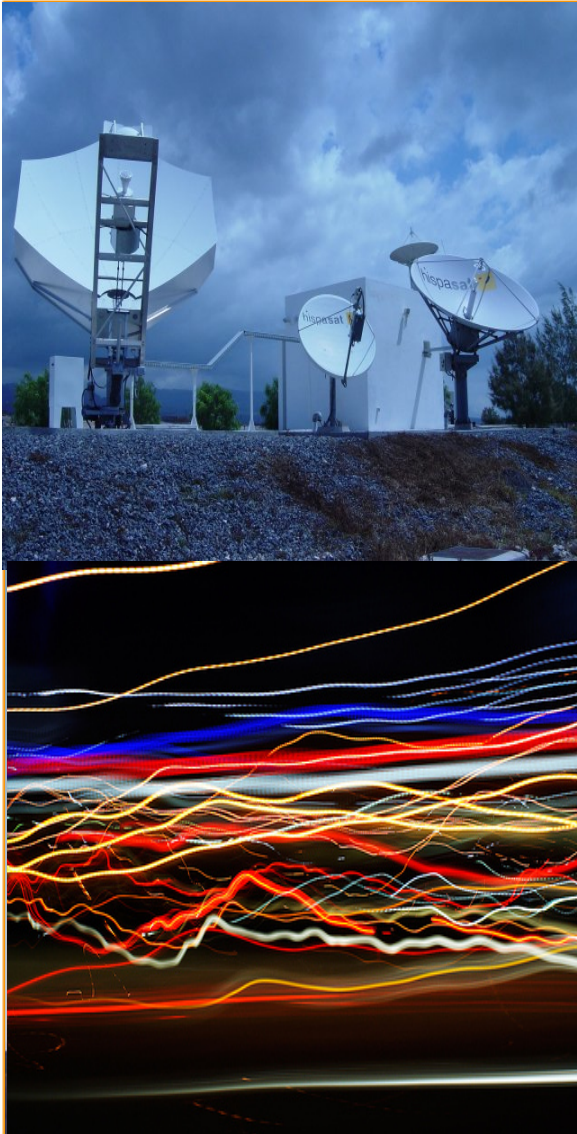
- Because Spain's ICT's market growth rate is well above EU average:

EU\* ICT market growth by main countries 2006-2007 (in %)



Source: EITO –European IT Observatory. Update 2006 in Cooperation with IDC.  
Market Value 2006: 644 billion €  
\*excl. Cyprus & Malta

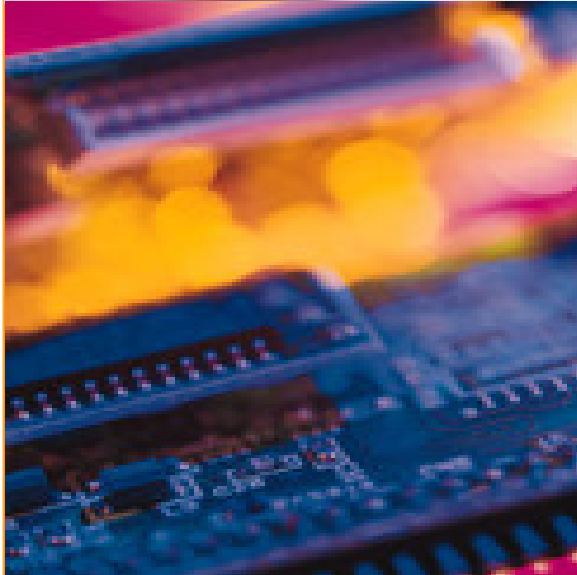
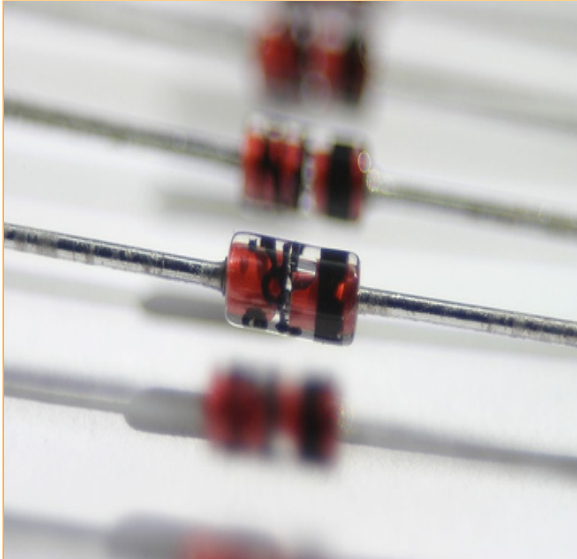
# Why ICT?



- Because Spain is a leader in advanced technologies:
  - ❖ 3 out of 5 flights in the world use **Spanish software for landing**.
  - ❖ 13 of the 15 major North American oil and gas companies have **Spanish management, control and information systems installed**
- Because ITC´s investment in R&D accounts for 40% of the total amount invested by the private sector in Spain
- Because Spanish companies are present & recognized in major international markets: Telefónica, Indra, Panda Software, Telvent, HISPASAT, ITP, CIRSA, AEQ, RYMSA, Ampo, ONA, Azertia.....

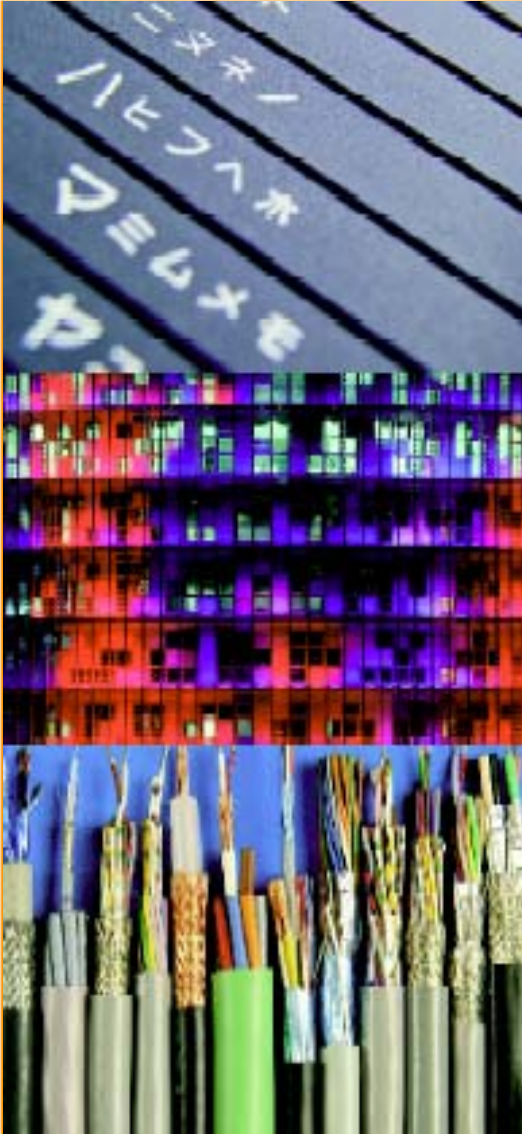


# Why ICT?



- Taking this into account, leading ICT multinationals are already located in Spain taking advantage of Spain's benefits:
  - ❖ **R&D Centers:** BT, Lucent, Motorola, Vodafone, Microsoft, HP, Capgemini with HP
  - ❖ **Regional HQ:** IBM, Software AG, BT, Alcatel
  - ❖ **Others:** Acer, Bull, Canon, Cisco, Dell, Ericsson, Fujitsu, Hewlett Packard, Honeywell, Ingram Micro, Nokia, Oracle, Siemens, Unisys

# Why ICT?



- Because Spain offers specific opportunities in
  - ✓ Terrestrial Digital Television
  - ✓ Ancillary Mobile Phone Services
  - ✓ VoIP services
  - ✓ Electronic ID Support Services
  - ✓ Domotics
  - ✓ NearShore Platforms

# Why renewable energies?

- Because Spain is the most attractive country in the world for investment projects in renewable energies (Source: Ernst & Young's Renewable Energies Attractiveness Indexes 2006).

Ranking**		Country	All Renewables Index	Wind Index	Solar Index	Biomass & Other Index	Renewables Infrastructure Index***
1	(1)	Spain	69	69	69	61	79
2	(2)	USA*	68	68	75	60	70
3	(4)	Germany	63	63	69	55	54
4	(3)	UK	61	62	44	57	61
5	(5)	India	58	60	55	45	64
6	(9)	Italy	57	58	57	49	60
7	(6)	France	56	57	56	52	56
7	(6)	Portugal	56	57	55	49	63
9	(9)	Netherlands	55	57	49	42	57
9	(11)	China	55	58	42	28	57
9	(12)	Canada	55	58	41	37	63

(RPS\*) This indicates US states with a Renewable Portfolio Standards and favourable wind regimes

\*\* Ranking in the Autumn 2005 Index in brackets

\*\*\* Combines with each set of Technology Factors to generate the individual Technology Indices

# Why renewable energies?

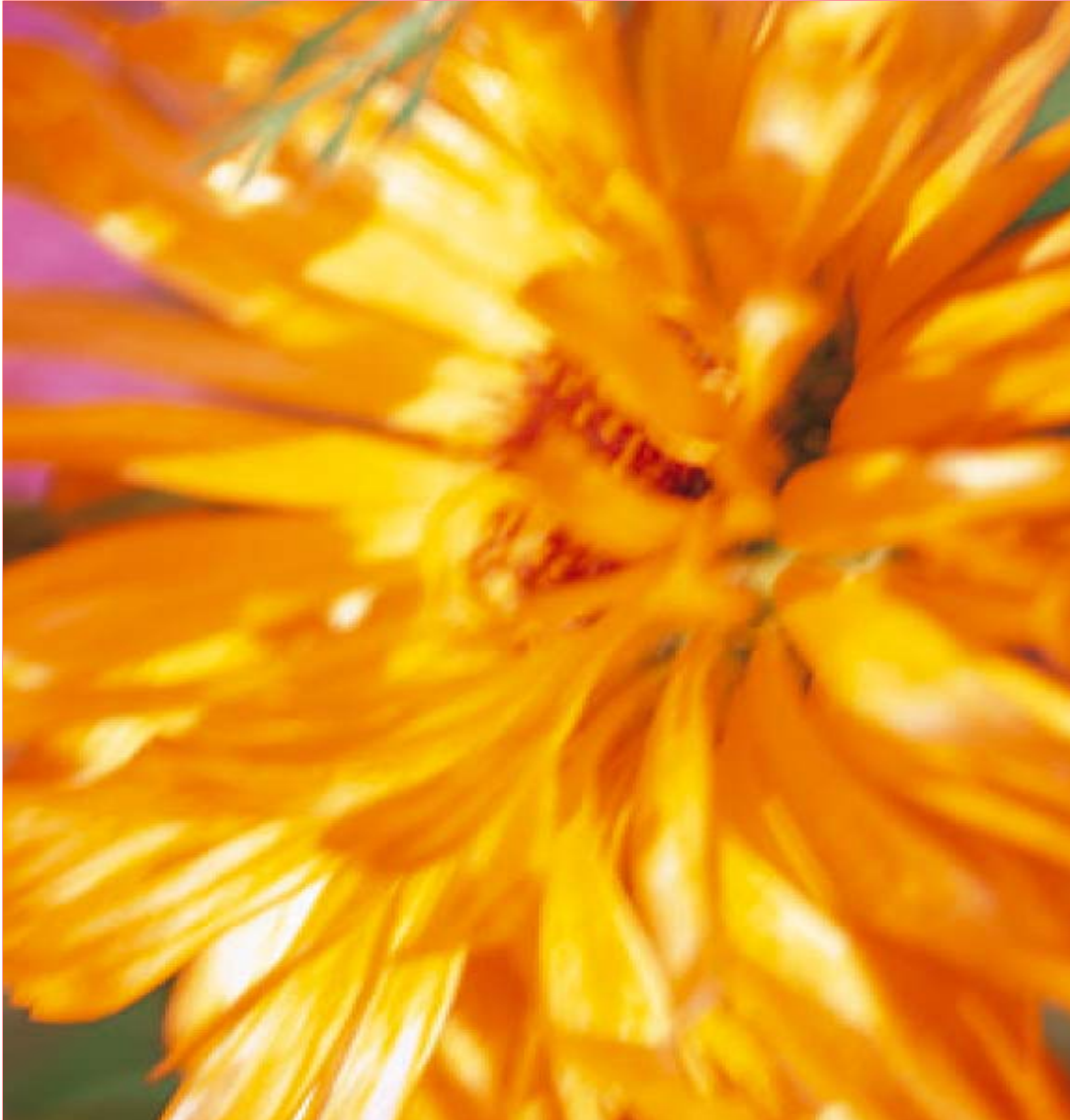
.....Spain is a world leader  
in wind power and solar  
energy



# Why renewable energies?



# Why renewable energies?

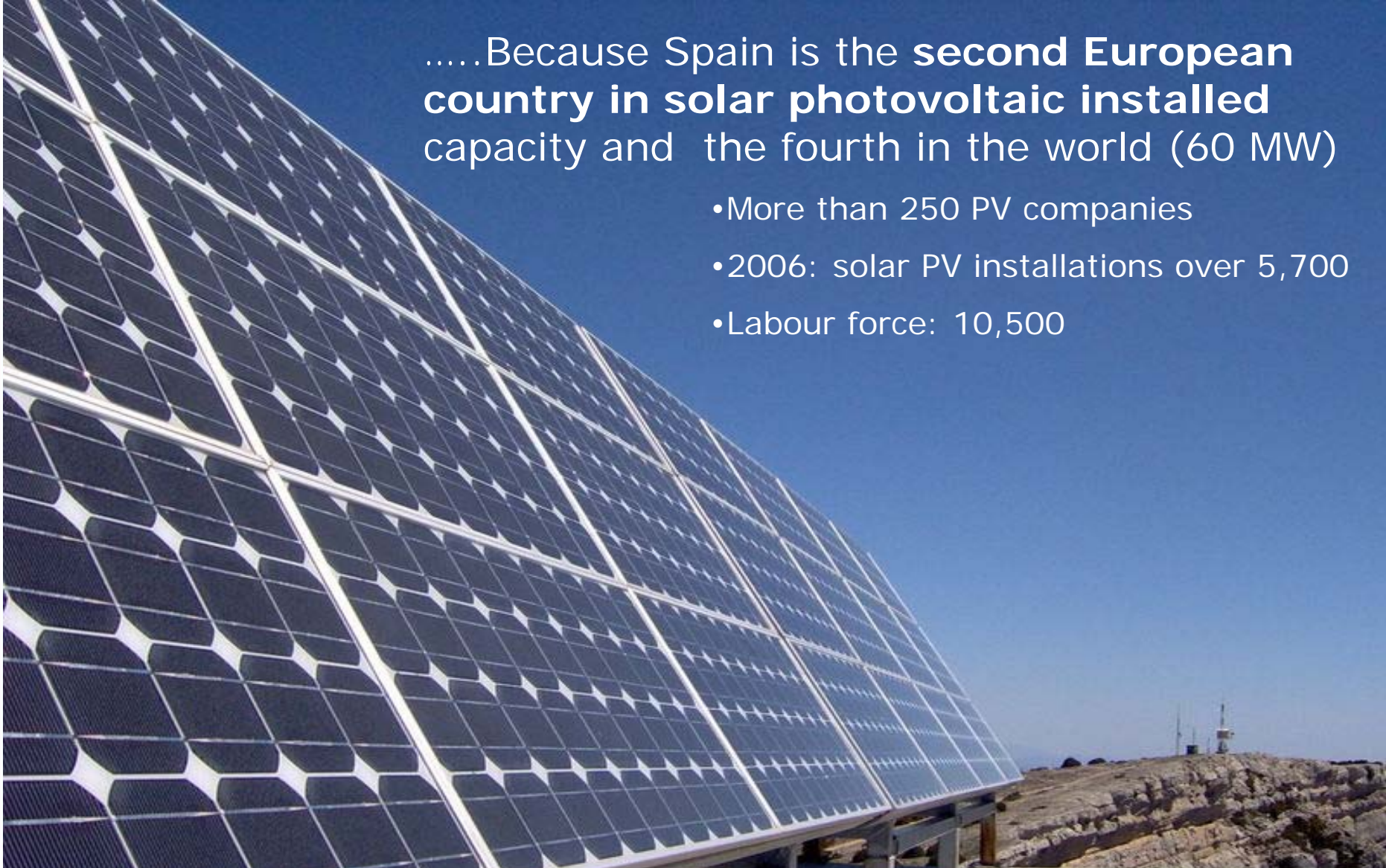


- Because the Spanish government has encouraged the sector both by setting ambitious goals and by developing policies to support its achievement:
  - By 2010, Renewable Energy Sources should account for: 12.1% of total energy consumption and 30.3% of electricity production
  - The government is highly committed with the production of **biofuels**, such as biodiesel and bioethanol.

# Why renewable energies?

....Because Spain is the **second European country in solar photovoltaic installed capacity** and the fourth in the world (60 MW)

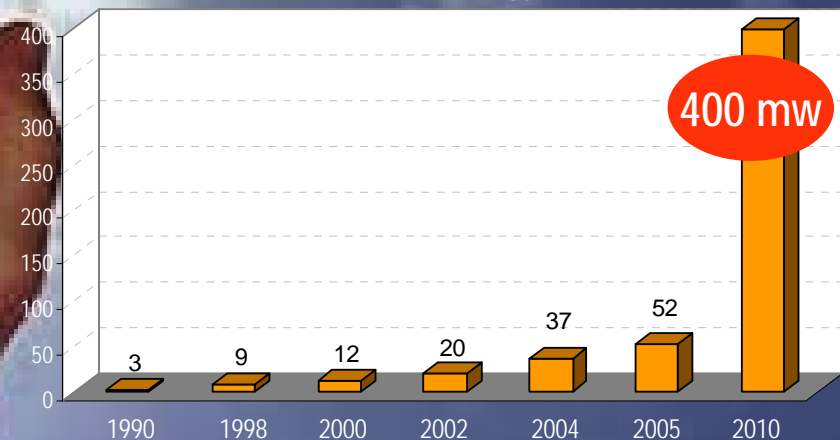
- More than 250 PV companies
- 2006: solar PV installations over 5,700
- Labour force: 10,500



# Why renewable energies?

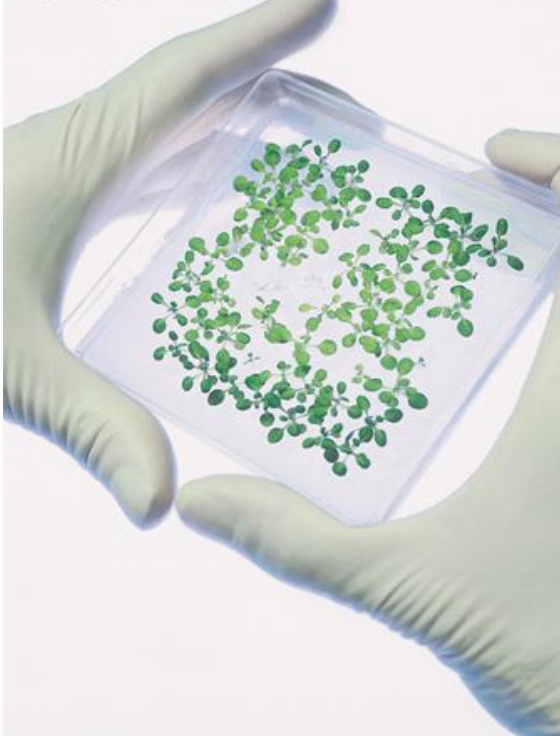
Because the Spanish photovoltaic market **growth of 95%** with respect to 2004, much higher than the European market growth of 18.2%

**INSTALLED Photovoltaic POWER AND TARGET: 400MW in 2010**  
( Spanish Renewable Energy Plan 2005-2010)





# Why Biotechnology?



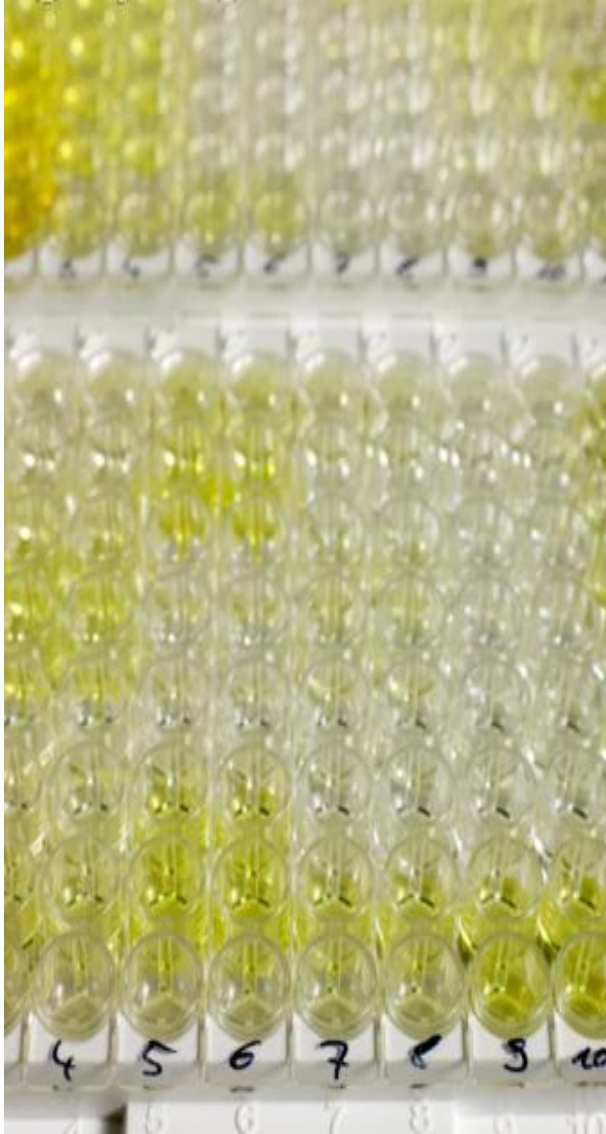
- Because Biotechnology is booming in Spain.

.....Spain is the fourth largest country within the European Union in biotechnology scientific production.

..... the biotech industry in Spain has experienced an astonishing 350% growth in the last 4 years.



# Why Biotechnology?



..... because Spain offers business opportunities in:

- ❖ Generic Medicines
- ❖ Diagnostic molecular kits: DNA arrays and proteins
- ❖ Use of transgenic plants as biofactories
- ❖ Ecological agriculture
- ❖ Development of active ingredients from marine organisms for their industrial application
- ❖ Pharmacogenetics
- ❖ Genetic biomarkers

# Why Spain?





Now Don Quixote,  
these really are  
giants!

# YOUR BUSINESS FACILITATOR



- **INTERES** Invest in Spain is the leading government organization that supports foreign enterprises seeking to set up or expand their business in Spain.
- To ensure the success of your business venture nationwide, **INTERES** works in close partnership with Spain's 17 regional development agencies.
- We provide comprehensive, efficient and confidential consultation at no cost during all stages of the investment process, from planning and evaluation, to start-up and post-investment services.
- We ensure professional guidance for successful business launches in Spain by assigning a dedicated project manager to each project .

We take your  
business further

[www.investinspain.org](http://www.investinspain.org)

**Thank you very much**

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