



## SPANISH EXTERNAL SECTOR AND COMPETITIVENESS: FACTS AND FIGURES

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### 1. EXPORT-IMPORT PERFORMANCE

#### Exports and imports of goods (Customs data)

- **In 2014**, exports of goods rose by 2.5% year-on-year and reached the unprecedented amount of 240,034.9 million euro. Conversely, imports increased by 5.7% to 264,506.7 million, fostered by the domestic demand recovery.
- **In real terms**, exports increased by 3.5%, as export prices fell by 1.0% (according to unit value index), and imports rose by 8.3%, as import prices fell by 2.4%.
- **The export/import coverage ratio** reached 90.7%, 2.9 percentage points lower than in 2013 (93.6%, provisional data), and almost 24 percentage points (p.p.) higher than in 2008 (66.8%).
- **Exports to the European Union** accounted for 63.4% of total exports in 2014 and 49.7% of exports went to the euro area, and they registered a 3.9% increase year-on-year in both cases. Exports to the rest of the world accounted for 36.6% of total exports, increasing by 0.2% year-on-year
- In 2013, the good performance of exports and the weak demand of imports resulted in a **positive contribution of the external sector (goods and services) to GDP** of 1.4 p.p. In 2014, according to the Government's Macroeconomic Scenario 2014-2015 (26/09/14), the contribution of the external demand is expected to turn slightly negative (-0.1 p.p.), due to the progressive recovery of domestic consumption and investment. In 2015, it is expected it will be positive again (0.2 p.p.).

#### Sectorial composition

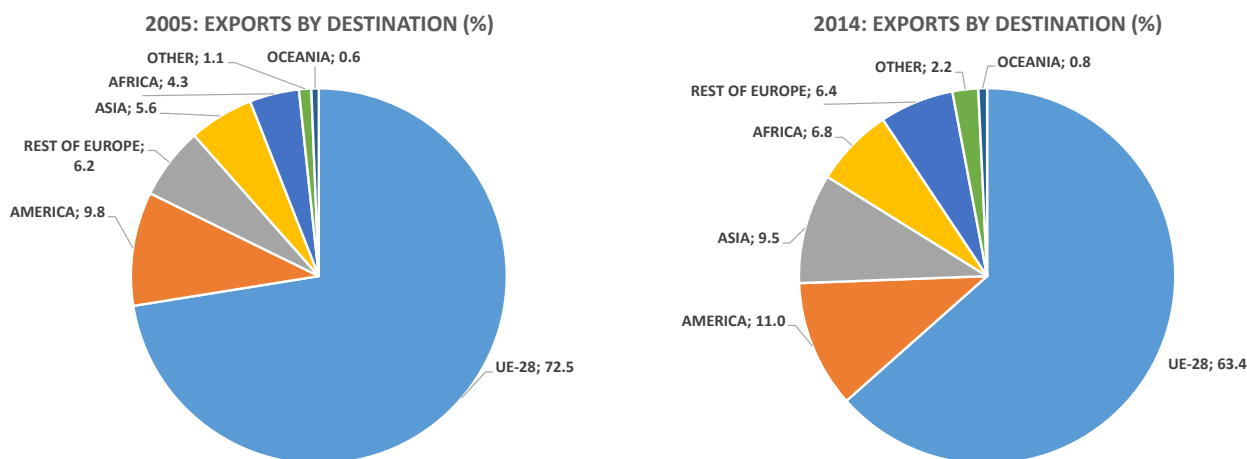
- The **major exporting sectors** were capital goods (20.1% of total exports, although they fell by 0.5% year-on-year), food, beverages and tobacco (15.5% of total exports, they grew by 4.4%), vehicles (14.8% of total exports, they rose by 6.2%) and chemical products (14.2% of total exports, they expanded by 2.9%).
- In terms of their contribution to the total increase, the **main drivers by sector of Spain's exports growth** in 2014 were vehicles (contribution of 0.9 percentage points to the 2.5% total increase in exports), consumption goods (0.7 points), food, beverages and tobacco (0.7 points), energy (0.5 points) and chemical products (0.4 points).



- It is worth noting that the Spanish pattern of exports is increasingly specialized in **medium and high-technology** goods. They increased by 2.8% year-on-year in 2014 to reach a 53.3% share of total exports in manufactures in 2014, more than in 2013 (53.0%).
- Regarding **imports**, the main sector in 2014 was by far **energy products** (20.9% of total, although, falling by 3.1% year-on-year), due to Spain's traditional external energy dependence. **Capital goods** accounted for 17.8% of total imports, growing in 2014 by 9.5% year-on-year, due to the recovery of domestic investment, while **chemical products** represented 15.0% of total (3.9% increase) and **food, beverages and tobacco** 10.7% of total (3.0% increase in 2014)
- Although we still have a lower degree of diversification than our main European trade partners (Germany, France or Italy), Spain has changed its export mix to a higher degree of sectorial diversification from 2008 to 2014

### Geographic analysis

- In 2014, our **exports to non-EU** countries grew for the fifth year in a row (0.2% year-on-year in 2014) despite the economic weakening in Latin America and some African countries. Exports to North America increased by 22.0% year-on-year in 2014 (U.S. by 22.6% and Canada by 18.6%), to Asia by 9.0%, (remarkably Taiwan 109.4%, South Korea 83.6%, Japan 18.4%, China 3.5%). Exports to Africa decreased by 1.0% (particularly to South Africa by 12.1%, Nigeria -11.7% and Algeria by -4.1%) and those to Latin America declined by 6.7% (especially to Venezuela by -40.9%, to Brazil by -13.3% and to Chile -11.1%). As a result, exports to non-EU countries have **increased their share** in Spanish exports from 27.5% of the total in 2005 to 36.6% in 2014.



Source: Secretariat of State for Trade with Customs data

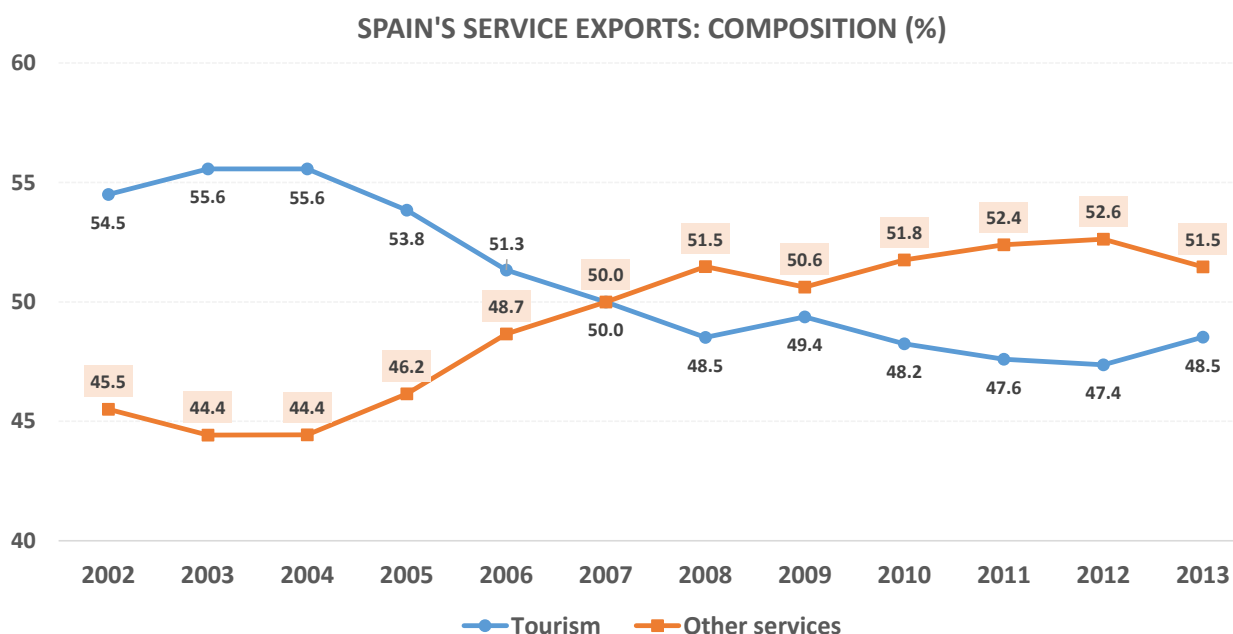
- In 2014, **exports to the European Union accounted for 63.4%** of total exports, up from 62.6% in 2013. This weight rise was due to the increasing weight of the euro area to 49.7% (49.0% in 2013) as well as the rest of the European Union to 13.7% (13.6% in 2013). Exports to the European Union and the euro area grew by 3.9%



year-on-year in both cases. Exports to the rest of the world accounted for 36.6% of total exports (37.4% in the same period of 2013), increasing by 0.2% year-on-year.

### Sectorial and geographic analysis of exports of services (Balance of Payments, 5<sup>th</sup> MBP)

- In 2013, **service exports increased by 1.6% year-on-year, the fourth annual increase in a row**. This rise in 2013 is due to the 4.1% increase in tourism services, since other services decreased by 0.6%.
- Despite the reduction in the participation in other services in 2013, in the long run, other services show a clear upward trend in its participation of total services from 2004.

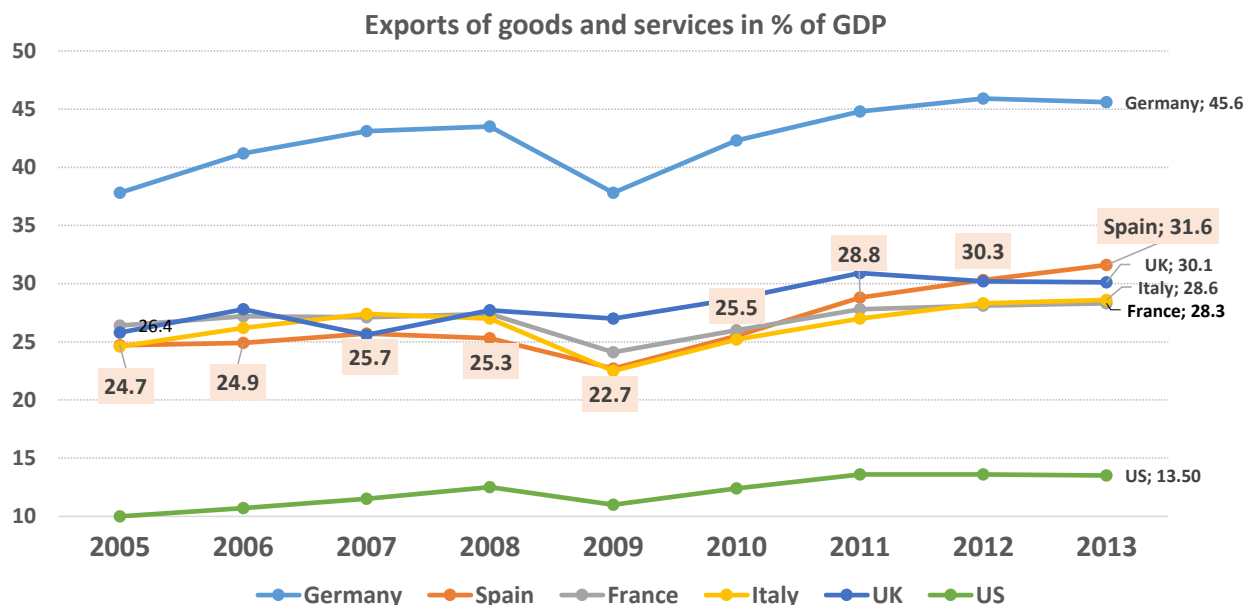


Source: Bank of Spain. 6<sup>th</sup> Manual BP

- In 2013 (5<sup>th</sup> Manual BP), 69.3% of Spanish exports of services went to the European Union, out of which 43.3% of total exports to the euro area, 21.3% to the United Kingdom, and 8.8% to the rest of Europe. Other destinations for our exports of services were North and Central America (10.3% of total), South America (4.4% of total) and Asia (4.1% of total).

### Exports of goods and services/GDP

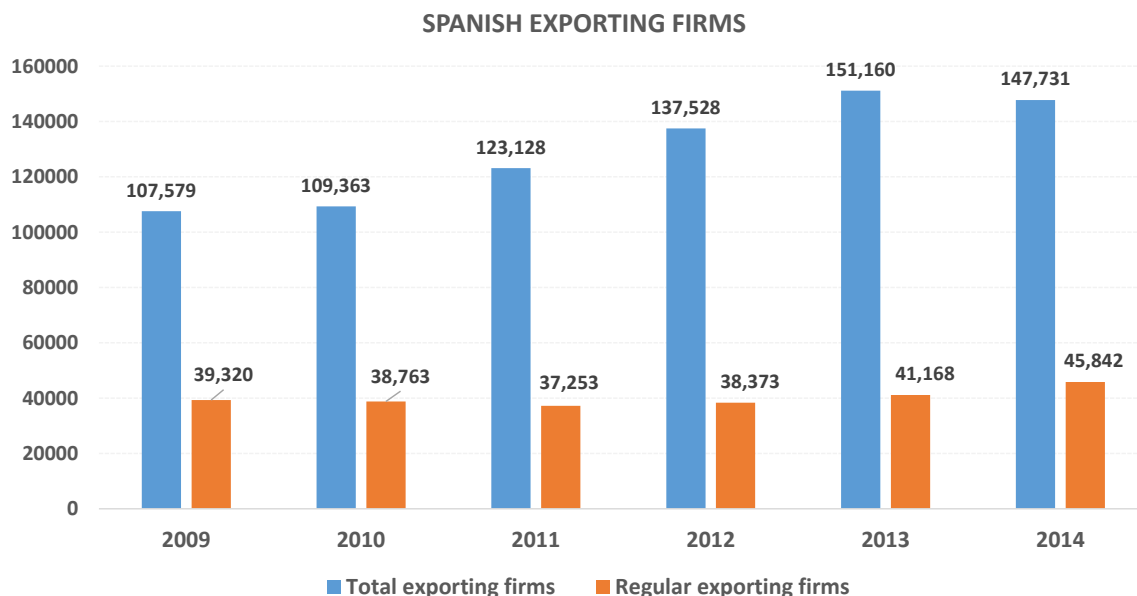
- In the last five years, Spanish exports of goods and services have dramatically risen their importance in GDP. According to Eurostat, Spanish exports of goods and services reached 31.6% of GDP in 2013, 8.9 p.p. higher than in 2009, and greater than in the United Kingdom, Italy or France



Source: Eurostat (Spain with ESA 2010)

## 2. EXPORT-ORIENTED COMPANIES FEATURES

- Another factor explaining the good performance of the Spanish external sector is the **increase in the export base**. In 2014, 147,731 Spanish firms sold products abroad, with a slight decline in 2014 (-2.2% year-on-year in 2014, 9.9% in 2013, 11.7% in 2012), but 37.3% more than in 2009. More important, the number of firms that **exports regularly rose by 11.4%** in 2014 and reached 45,842, the third year of increase in a row (7.3% in 2013 and 3.0% in 2012).



Source: ICEX



- The average size of export-oriented companies' operations has risen notably. In 2013, there were 589 companies exporting more than 50 million euros, whereas in 2010 there were only 479.

Annual amount of exports	EXPORTING FIRMS BY ANNUAL AMOUNT OF EXPORTS									
	2010		2011		2012		2013		2014	
	Num. Firms	Amount '000 €	Num. Firms	Amount '000 €	Num. Firms	Amount '000 €	Num. Firms	Amount '000 €	Num. Firms	Amount '000 €
<5,000 €	46,618	67,673	58,612	69,790	67,837	77,825	78,650	87,134	77,786	80,948
% of total	42.6	0.0	47.6	0.0	49.3	0.0	52.0	0.0	52.7	0.0
5.000€ - 25.000€	20,801	245,007	21,587	251,967	24,415	282,752	25,959	300,518	23,408	272,988
% of total	19.0	0.1	17.5	0.1	17.8	0.1	17.2	0.1	15.8	0.1
25.000€ - 50.000€	6,763	240,410	6,803	242,966	7,522	267,555	7,594	268,339	7,298	259,347
% of total	6.2	0.1	5.5	0.1	5.5	0.1	5.0	0.1	4.9	0.1
50.000€ - 500.000€	17,826	3,451,979	17,880	3,470,592	19,057	3,703,677	19,660	3,776,570	19,615	3,764,936
% of total	16.3	1.8	14.5	1.6	14	1.6	13.0	1.6	13.3	1.6
500.000€ - 5 Mill.€	12,983	21,632,188	13,589	22,794,600	13,868	23,186,998	14,317	23,801,181	14,524	24,354,981
% of total	11.9	11.6	11.0	10.6	10.1	10.3	9.5	10.1	9.8	10.1
5 Mill.€ - 50 Mill.€	3,893	55,158,367	4,116	59,222,277	4,258	60,947,379	4,407	63,398,463	4,511	64,366,484
% of total	3.6	29.5	3.3	27.5	3.1	27.0	2.9	26.9	3.1	26.8
50 Mill.€ - 250 Mill.€	402	39,971,817	452	45,095,696	476	47,483,970	473	47,559,046	488	48,691,133
% of total	0.4	21.4	0.4	21.0	0.3	21.0	0.3	20.2	0.3	20.3
>250 Mill.€	77	66,012,631	89	84,082,483	95	90,164,439	100	96,622,819	101	98,244,055
% of total	0.1	35.3	0.1	39.1	0.1	39.9	0.1	41.0	0.1	40.9
<b>TOTAL</b>	<b>109,363</b>	<b>186,780,071</b>	<b>123,128</b>	<b>215,230,371</b>	<b>137,528</b>	<b>226,114,594</b>	<b>151,160</b>	<b>235,814,069</b>	<b>147,731</b>	<b>240,034,872</b>

Source: ICEX

### 3. COMPETITIVENESS

#### Price-based competitiveness indices

- In 2014, according to Eurostat, the average inflation rate in Spain was -0.2%, whereas it was 0.6% in the EU-28 and 0.4% in the euro area (18 countries). Therefore the gap between Spain's inflation rate and the EU's was reduced for the third year in a row.
- Spain's inflation rate in 2014 (-0.2%) was also lower than in the EU largest economies: Germany (0.8%), United Kingdom (1.5%), France (0.6%) and Italy (0.2%).
- According to the Quarterly Report on Competitiveness Trend Indices of the Ministry of Economy and Competitiveness, the latest data showed an increase in competitiveness in the fourth quarter of 2014 compared to the same quarter of the previous year vis-à-vis the EU-28 (-1.2%) and the euro area (-0.9%) thanks to the downward trend of consumer prices in Spain compared to these countries. In 2014 as a whole, Spain also gained competitiveness against the two zones (-0.9% and -0.7% respectively), thanks to a lower inflation compared to the average of the countries in both regions. Vis-à-vis the OECD countries and the emerging economies (BRICS), Spain has also increased its competitiveness in the fourth quarter of 2014 (-3.1% and -5.2% y-o-y respectively) due to the combination of lower inflation and the depreciation of the euro. However, in the year 2014 as a whole, Spain gained competitiveness vis-à-vis the OECD countries (-0.2% y-o-y), but lost



it vis-à-vis BRICS countries (0.6) due to the stronger appreciation of the euro year-on-year in the first half of 2014, which could not be entirely compensated by gains obtained through lower inflation.

### Exchange rate competitiveness

- The depreciation of the euro against the main currencies in the last four months of 2014 year-on-year has undoubtedly had a positive impact in the Spanish exports, since it has helped to make our exports cheaper. On the imports side, the fall in energy prices has more than outweighed the appreciation of the US Dollar against the euro, thus reducing our expenditure in energy imports, which accounted for 20.9% of the total in 2014 and explains most of the external trade deficit.
- Additionally, the falling Unit Labour Costs in Spain are helping to gain competitiveness and to lower export prices. Unit Labour Costs went down by 1.6% in 2013, as a result of wage moderation (0.7 increase in 2013) and especially of increases in productivity (+2.3% in 2013). According to Eurostat, in the first three quarters of 2014, Spanish Unit Labour Costs have declined by 1.2%, by 0.1% and by 0.4%, while they have rose by 0.7%, by 1.0% and by 1.1% in the euro area. Eurostat
- The rising productivity is explained not only by labour shedding, but also because of gains in Total Factor Productivity. In this sense, the European Commission (source AMECO) shows that TFP increased in Spain in 2014 (+0.77%), a higher expansion than that of the EU-28 (0.40% in 2014), Germany (0.66 %), France (-0.21%) or Italy (-0.40%)

### Market share – based competitiveness indicators

- According to the latest data of the WTO, **Spain increased its quota** in international trade of goods in 2013, **to 1.68%** (1.60 in 2012), **reaching position 18** in the general ranking, up from position 20 in the previous year.

Quota in international trade of goods				
Country	2011	2012	2013	Rank 2013
<b>China</b>	10.36	11.13	11.74	1
<b>US</b>	8.09	8.40	8.39	2
<b>Germany</b>	8.04	7.63	7.72	3
<b>Japan</b>	4.49	4.34	3.80	4
<b>France</b>	3.25	3.09	3.08	6
<b>UK</b>	2.76	2.57	2.88	8
<b>Italy</b>	2.85	2.72	2.75	11
<b>Spain</b>	<b>1.67</b>	<b>1.60</b>	<b>1.68</b>	<b>18</b>

Source: WTO



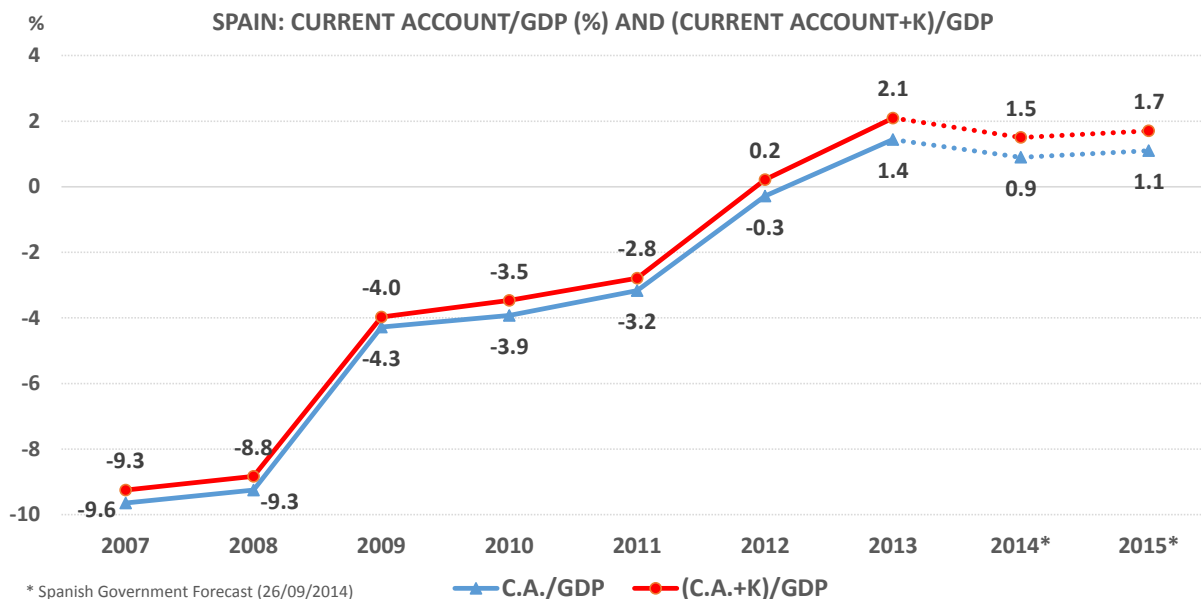
- Regarding the trade of services, in 2013 Spain has kept **its 3.1%** share in the world trade of services, but has **gone down one position in the ranking, becoming 9<sup>th</sup>**.

Quota in international trade of services				
	2011	2012	2013	Rank 2013
<b>US</b>	13.92	14.33	14.25	1
<b>UK</b>	6.82	6.56	6.30	2
<b>Germany</b>	6.25	6.04	6.16	3
<b>France</b>	5.46	4.90	5.09	4
<b>China</b>	4.09	4.33	4.41	5
<b>India</b>	3.22	3.31	3.25	6
<b>Spain</b>	<b>3.31</b>	<b>3.11</b>	<b>3.13</b>	<b>9</b>

Source: WTO

#### 4. TRADE BALANCE/CURRENT ACCOUNT

- The good performance of the Spanish trade balance is the main factor that explains the correction of the current account deficit, from -9.6% of GDP in 2007 to -0.3% in 2012 (6<sup>th</sup> MBP, ESA 2010). In 2013, **current account balance attained a surplus of 1.4% of GDP**, the first surplus since 1987.
- The services balance has also played a positive role in the last few years, going from a surplus of 2.7% of GDP in 2007 to a surplus of 4.6% of GDP in 2013.
- The aggregate balance of the capital account and the current account in 2013 shows Spain's **net lending capability vis-à-vis the rest of the world of 21,965 million euros, 2.1% of GDP** (6<sup>th</sup> MBP, ESA 2010), in sharp contrast with the borrowing needs of 100,021 million euros, 9.3% of GDP (6<sup>th</sup> MBP, ESA 2010) recorded in 2007.
- In the **year to November 2014**, the current account balance has recorded a 3,646 million euro deficit (12,281 million euro surplus in January-November 2013). This figure is mainly due to the reduction of goods and services surplus and, to a lesser extent, the increase of the primary and secondary income balance deficit. However, in the first eleven months of 2014, Spain still registered a net lending capacity of 399 million euro, compared to a 17,491 million euro lending capacity in the same period of 2013.
- According to Spanish Government forecasts (26/09/14), Spain is expected to attain a current account surplus of 0.9% of GDP in 2014 (1.1% 2015), and to achieve a net lending capacity vis-à-vis the rest of the world of 1.5% of GDP in 2014 (1.7% in 2015).



Source: Secretary of State for Trade with data of Bank of Spain and National Statistics Institute (INE).  
Forecasts: Macroeconomic scenario 2014-2015, September 26th 2014. ESA-2010

## APPENDIX: MAIN FORECASTS FOR SPAIN

% annual change (unless otherwise indicated)	Exports of goods and services			Imports of goods and services			Current account bal. (% GDP)			Net lending vis-à- vis ROW (% GDP)			External sector cont. GDP (*)			Domestic demand cont. GDP (*)			GDP		
	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016
Spanish Gov. <sup>1</sup>	3.6	5.2	-	4.4	5.0	-	0.9	1.1	-	1.5	1.7	-	-0.1	0.2	-	1.4	1.8	-	1.3	2.0	-
IMF <sup>2</sup>	4.1	5.5	-	4.2	4.5	-	0.1	0.4	-	0.9	1.1	-	0.1	0.5	-	1.3	1.2	-	1.4**	2.0**	1.8**
EC <sup>3</sup>	4.5	5.4	6.0	7.7	6.9	6.7	-0.1	0.6	0.5	0.3	1.0	0.9	-0.8	-0.3	0.0	2.0	2.6	2.6	1.4	2.3	2.5
OECD <sup>4</sup>	3.5	4.9	5.4	4.5	4.9	5.5	0.7	0.8	0.9	-	-	-	-0.2	0.1	0.2	1.6	1.6	1.9	1.3	1.7	1.9
Bank of Spain <sup>5</sup>	4.3	4.6	-	7.5	5.6	-	-	-	-	0.5	1.1	-	-0.8	-0.2	-	2.1	2.2	-	1.4	2.0	-

(\*) Contribution to GDP growth in percentage points.

[1. Macroeconomic scenario 2014-2015, September 26th 2014](#)

[2. IMF. World Economic Outlook, October 2014. \\*\\*WEO Update, January 2015](#)

[3. European Com. European Economic Forecast, Winter 2015. February 2015](#)

[4. OECD Economic Outlook 96, November 2014](#)

[5. Boletín Económico, December 2014](#)