



## SPAIN

### What's happening in this economy

Spain is the fourth largest economy in the Euro-zone, the fifth largest economy in the EU and the world's 13th largest economy by GDP. 82.8 million tourists visited Spain in 2018 making it the second most visited country in the world after France.

The Spanish government is committed to continued positive economic growth, a key pillar of which is ensuring Spain remains an attractive investment destination and a fair and open trading environment. Foreign direct investment in Spain in 2018 increased 52 per cent over 2017 to a total of EUR43.4 billion (this large increase was largely attributed to an increase in investment in the logistics—storage and other transport related activities—construction and electricity supply sectors). Spain was the ninth largest host for FDI inflows in the world in 2018 (up from 17th in 2017).

In 2018 the main sectors for investment were manufacturing, financial and insurance services, and energy supply. Notable investment also featured in the sectors of wholesale and retail trade, information and communications, real estate activities, professional, scientific and technical activities, and construction.

Spain has a diverse industrial base, providing both domestic and international markets with innovative products and services across the manufacturing, agribusiness, infrastructure and renewable energy sectors. Barcelona hosts two of Europe's major trade fairs (Smart City World Expo and the Mobile World Congress).

Spain is a world leader in the construction sector, and its companies participate in some of the world's largest projects. It is also a global reference in the renewable energy sector (in 2018 renewable energy represented around 40 per cent of the generation mix in Spain). Spanish companies are leaders in transmission and operation of the electricity grid, liquefied natural gas terminals and turnkey refinery construction.

Spain has a highly developed advanced manufacturing industry, especially in the areas of ship building, aerospace, rail, machine tooling and automotive components.

Spanish expertise, language and cultural skills in Latin America can make Spain a good partner for cooperation and for developing opportunities in this geographical area.

#### Key facts and figures

- Population: 47 million (2018)
- GDP growth: 2.6% (2018)
- GDP per capita: AUD 30,697
- Political system: parliamentary democracy and constitutional monarchy
- In 2018 Australian merchandise exports to Spain included coal, other ores and concentrates, fruit and nuts, and electronic integrated circuits
- Australian imports from Spain included goods vehicles, passenger motor vehicles, medicaments (including veterinary), and fixed vegetable oils and fats
- In 2018 Australian investment in Spain was AUD 7.1 billion. Spain's investment in Australia was AUD 1.1 billion (mainly in the infrastructure, water and energy sectors)



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## Trade, investment, and commercial opportunities and activities

- Spain's economic recovery continues to attract interest from Australian companies:
  - Australia's commercial presence in Spain covers a wide range of sectors and sizes, and
  - it has significant investments in financial services and energy, mining, education, petroleum and gas storage and distribution and car parking infrastructure.
- Australian companies operating in the market include:
  - Macquarie, with approximately EUR4.5 billion worth of assets in Spain at present, remains one of the most significant Australian investors through interests in advisory and capital-raising services, energy infrastructure and car parking
  - Australian superannuation funds manager IFM Investors, which has made large investments in Spain including the 2018 purchase of OHL Concessions (worth EUR2.2 billion) and investment in infrastructure assets including a 49 per cent stake in water management company FCC Aqualia (EUR1.02 billion)
  - Highfield Resources, which has recently had environmental approval for a sizeable potash mining project in northern Spain
  - RMIT, which uses Spain as its European base to identify institutional and industry partners and European funding and collaboration opportunities, and
  - companies such as Amcor (packaging), Moodle (education services), Polyglot (business services) and Soprano Design (ICT). These have all had positive experiences in their sectors.
- Australian manufacturers have also had success in Spain:
  - after winning a 2017 contract, Western Australian shipbuilding company Austal Ltd is currently building high-speed trimaran ferries to operate in Spain's Canary Islands .
- Defence is an important sector of the Spanish economy:
  - the Spanish state owned shipbuilder, NAVANTIA, has had considerable success in Australia, providing ships to the Royal Australian Navy. Supply chain opportunities exist for Australian companies in Navantia's ongoing maintenance and support contracts, and
  - Airbus and Indra have also met with considerable success in Australia. Numerous small to medium sized Spanish defence focused companies are looking for partners in the Australian market.
- The Spanish Government Investment Agency (ICEX) has identified investment opportunities for business in the following sectors:
  - aerospace
  - chemical
  - automobile
  - healthcare biotechnology and pharmaceutical
  - environment and natural resources



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- agrifood
- telecommunications, and
- finance and business.
- With 17 manufacturing plants in Spanish territory and 1,000 companies manufacturing spare parts and equipment in the industry supply chain, Spain is the second largest manufacturer of automobiles in Europe and the eighth largest in the world:
  - it is focused on developing alternative propulsion methods and autonomous mobility.
- Growing commercial links have been underpinned by recent high-level visits to Spain. This includes the:
  - 2018 visit to Spain of the Governor General and a European Australian Business Council delegation
  - 2019 visit of the Treasurer of Victoria, and
  - expected visit by the premier of Tasmania in late 2019 to explore bilateral commercial opportunities.

## Trade policy and negotiations

As an EU member state, Spain is involved in negotiations for the Australia–European Union Free Trade Agreement. While trade negotiations are conducted by the European Commission, member states have an opportunity for input. The commission works closely with member states on major issues and at key negotiation points. The final agreement must be approved by the Council of the EU (member state ministers) and the European Parliament.

Spain maintains a keen interest in the outcome of Brexit negotiations due to close trade and investment links between Spain and the UK. In 2018 the UK was Spain’s third most important trading partner for goods and services. Exports of goods to the UK in the first half of 2019 were 6.8 per cent of total goods exports, an increase of 1.5 per cent over the same period in 2018.

The United Kingdom continues to be the first market for Spanish tourism services with more than 18.5 million British visitors to Spain in 2018, in addition to the significant number of their citizens living in the other’s country (between 800,000 and one million British citizens are estimated to live for at least part of the year in Spain).

Spain supports trade liberalisation and the benefits it provides for job creation, increased growth and economic modernisation. Exports, which accounted for 34 per cent of Spanish GDP in 2018, contributed significantly to Spain’s economic recovery following the global financial crisis.

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