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INTERNATIONALIZATION OF SPANISH COMPANIES

YEARBOOK 2011

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Círculo de Empresarios

Wharton
UNIVERSITY of PENNSYLVANIA

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Presentation

This is the fifth edition of the Yearbook on the Internationalization of Spanish Companies, published by Círculo de Empresarios in partnership with the University of Pennsylvania's prestigious Wharton School. From the outset, the Círculo-Wharton Yearbook entailed the dual objective of gauging the activity of Spanish companies abroad and, at the same time, helping those that have not yet made the decision to internationalize to make this decisive step, so essential for their development and survival. This joint project over the last five years has resulted in the consolidation of an excellent observatory of the performance of our companies abroad.

For most of the five years since the Yearbook was launched, the international economy, and most notably Spain's, have been ravaged by one of the greatest crises in history. As we mentioned in our previous edition, some of the most advanced countries, unlike Spain, were starting to post encouraging signs of recovery, but these are now being called into question, and global uncertainty is back with a vengeance. Despite the gloomy context, companies that have made the decision to venture abroad or to further their internationalization policies have reaped the benefits of market diversification, even though the global crisis is still very much alive.

As we have said in previous editions of this Yearbook, in a highly globalized economy, the quest for new markets and an increase in foreign exposure are the most advisable strategic moves. This 2011 edition discusses clear examples of companies that have successfully applied these principles. In this connection, I would like to congratulate the managers of all the Spanish companies that have looked abroad with a spirit of optimism and confidence. And, in particular, I would like to highlight the efforts of those companies which have been distinguished, through a survey of Círculo members, with recognition for the most significant international operations, as featured in this Yearbook.

Once again, I would like to thank the Wharton School for its collaboration, which is pivotal to the ongoing success of this publication. I would also like to thank everyone from Wharton and Círculo de Empresarios involved in producing the Yearbook. And a very special thanks to Fernando Salazar, Executive Deputy-Chairman of Spain's Foreign Trade Institute (ICEX), for contributing to this edition his interesting reflections on the role of this body in the growth of Spain's foreign sector over the last few years, and for outlining the way it plans to tackle future challenges. Many thanks to all, and thanks to the faithful readers whose interest makes our efforts worthwhile.

Claudio Boada
Chairman, Círculo de Empresarios

Prologue

In 2010, the global economy grew by 5.1%. The first signs of this reactivation were already noticeable at the end of 2009. However, since mid-2011, this recovery has been faltering, against a backdrop of widespread uncertainty and lack of confidence, especially in developed countries.

The economic policy measures implemented by governments, either unilaterally or in a coordinated fashion, made a decisive contribution to the reactivation, although it is in the fiscal policy sphere that some of the biggest threats to global growth have emerged. For example, there is mounting danger that the lack of confidence concerning the sovereign debt situation in the non-core Euro area might end up spreading to other markets and economies, and the US still lacks fully credible medium- and long-term fiscal consolidation and reform plans. Moreover, there are other threats to the global economy. Political and social instability in certain regions, droughts and famines, banking woes in the developed world, higher inflation and sluggish economic activity in the US, have all undermined global growth, even sparking fears of a new recession.

In light of this complex situation, structural reforms are even more urgent in industrialized countries, in order to underpin the recovery and lay the groundwork for sustained growth. In emerging and developing countries, greater macroeconomic discipline must be introduced, avoiding accumulation and the compounding of imbalances.

In the specific case of the Spanish economy, GDP shrank by a moderate 0.1% in 2010, after the sizeable 3.7% decline in 2009. However, the fragility of the recovery has been confirmed throughout 2011. We are waiting to see whether the measures implemented will ensure fiscal consolidation, as well as for the end of financial sector restructuring. Furthermore, in Spain's case there is also an evident need for structural reform to claw back stable growth.

The fifth edition of the **Yearbook on the Internationalization of Spanish Companies** covers this and other phenomena. With this publication, for another year Círculo de Empresarios is striving to offer the public an instrument with which to learn more about the foreign activity of Spanish companies and the most significant challenges they are facing going forward. As in previous editions, the Yearbook is structured into two **main blocks**:

- The **first** block, which comprises four chapters, examines the economic context in which Spanish companies are operating both in Spain and abroad, as well as their achievements and challenges.

Chapter one offers a brief overview of the global macroeconomic framework, and an analysis of the main data on international trade and foreign direct investment in the period 2010-2011.

The second chapter reviews the most salient events of 2010 in terms of the performance of the Spanish economy's foreign sector, on both the trade and financial fronts.

As in previous editions, the third chapter analyzes the performance of Spanish companies from the international standpoint in terms of total shareholder returns, equity market analysts' recommendations and companies' coverage in the international financial press. In this sphere, 2010 was not a positive year for Spanish companies, although it is worth highlighting that the most internationalized companies were the best performers. In that year, shareholder returns fell sharply, as compared with the recovery in equity markets in 2009, in both outright terms and compared with other companies in the Euro area and the global economy as a whole. The only ray of hope comes from the leading investment banks' equity market analysts' recommendations, which, despite the fall in shareholder returns, improved slightly in 2010, albeit without recovering the pre-crisis levels. Coverage of Spanish companies in the international financial press also increased with respect to 2009, but did not bounce back to 2006 levels.

The block ends with chapter four, in which Círculo de Empresarios recognizes the work of those Spanish companies which, through their internationalization, contribute to the global projection of our economy. Apart from rewarding, as in previous occasions, those oversees business operations conducted by Spanish companies, which, according to members of Círculo de Empresarios, are especially significant, in this edition we recognize those companies with an outstanding track record of internationalization during the last few years, and there is a special mention for the internationalization efforts of medium-sized businesses. Lastly, this chapter also outlines members' opinions on the most appealing geographical areas and economic sectors for foreign investment in the next few years.

• The **second** block comprises a single chapter (chapter five), which bears the signature of Fernando Salazar, the Executive Vice-President of Spain's Foreign Trade Institute (the ICEX), focusing on the ICEX's role in the Spanish foreign sector's growth.

The ICEX has accompanied exporters and investors in the process of change and in the opening of the Spanish economy in the last thirty years. The chapter outlines the essential characteristics of the transformation of the Spanish foreign sector and highlights the main action lines of the ICEX in this process. Lastly, it describes how the ICEX is tackling the challenges it faces, through its transformation into a public business body, in an increasingly globalized context with mounting constraints on budgets.

Belén Romana
Secretary General of Círculo de Empresarios

1 The World Economy in 2010-2011

Throughout 2010, the global economy was able to advance in a recovery first signalled at the end of 2009. Consequently, while global GDP fell by half a point in 2009, the following year closed with 5% worldwide growth, driven by gains in the main production ratios worldwide, from emerging and developing economies to the more industrialized world. Meanwhile, boosted by this GDP growth, to which it also contributed, international trade also posted record growth, with a notable 14.5% increase in the real value of global goods exports. Meanwhile, the reactivation in Foreign Direct Investment was much more modest, with global inputs of this kind of financial flow growing by just under 5%.

However, this recovery in the global economy has been showing worrying symptoms of weakening in the second half of 2011, within a framework of general uncertainty and a pervading lack of confidence, especially in developed countries. Once again, the economies with the most severe financial imbalances, in both the private and public sectors, are expected to recover more slowly and falteringly.

Economic policy measures implemented by governments and monetary authorities either unilaterally or in a coordinated fashion during the last year and-a-half have, once again, proven to be a fundamental support for maintaining economic activity. In this connection, monetary policy continues to play a pivotal role. In view of the imbalances and uncertainties which still beset the international financial system, the world's leading central banks have been delaying the adoption of strategies to exit their expansive monetary policies. Indeed, for various reasons, such as the faltering economic recovery and the decline in sovereign bond prices, the US Federal Reserve and the central banks of Japan and Europe have rolled out unmistakably expansive measures. However, tight lending is still shaping the situation for some economies, dampening the keenly-awaited recovery.

Fiscal policy has been highly diverse. In contrast to the clearly expansive nature of the measures adopted in the US or Japan is the huge budget consolidation effort undertaken by the euro area, where the financial and economic crisis has mutated into a sovereign debt crisis which threatens not only the limping economic improvement, but also the viability of the European Monetary Union itself in its current institutional terms.

It is in this sphere of fiscal policy where some of the main risks for global growth emerge. On the one hand, there is a growing danger that the lack of confidence in the current sovereign debt situation in non-core euro area countries might end up spreading to other markets and economies. On the other hand, the United States still lacks fully credible fiscal consolidation and reform plans in the medium/long term, which led some agencies to downgrade the North American giant's credit rating in the summer of 2011, with the resulting negative impact on financial markets that are already highly sensitive to any sign of trouble. On top of this is the fact that the fiscal response to the aftermath of the earthquake and tsunami in Japan has seriously jeopardized the country's medium-term budget stability.

In addition to the downside risks linked to the precarious state of public accounts in much of the world, other threats loom for the global economy. Political and social unrest in some regions, drought and famine, problems in the banking sector in the developed world, higher inflation and more lacklustre economic activity in the US, are all factors that have slowed global growth, even renewing fears of another recession.

Faced with this complex situation, to bolster the global economic recovery and lay the foundations for sustained growth, free of the imbalances which have proved so damaging, structural reforms must be undertaken which facilitate the implementation of credible strategies to re-direct fiscal and monetary policies towards a more normalized scenario in industrial countries. In emerging and developing countries, larger doses of macroeconomic discipline must be administered, preventing the accumulation and deterioration of imbalances, as well as the appearance of bubbles which might originate a sequence of uncontrolled expansion followed by recession.

1.1 The global economic environment

2010 brought confirmation of the positive trends observed in the final months of 2009, raising the pace of annual GDP growth to 5.1% according to IMF data (Table 1.1). Unlike in 2009, the recovery reached all the major areas of the global economy, although the emerging countries further evidenced their particular resistance to the ravages of the crisis, with growth above 7%, implying a contribution to global growth of around 80%. As regards the developed economies, growth was softer (3% year-on-year) and unequal, with Germany, Japan and the US outpacing the United Kingdom and the euro area.

As has been the case since the crisis began four years ago, in 2010 there were ups and downs in the global economic and financial performance. The year began with an encouraging first quarter, on the back of 5% year-on-year growth. This positive episode was driven mainly by the emerging countries whose pace of progress, around 9%, amply exceeded the 2.1% growth of developed economies, hampered by persistent turmoil in the form of unemployment, excessive indebtedness and lack of confidence regarding the health of their financial systems; these economies also suffered growing tension in their sovereign debt markets.

In May, the Greek bailout unleashed these tensions in the form of intense financial instability, with global equity markets slumping, volatility rising and the situation in the banking situation declining further. Combined with the evident symptoms of weakness in the US economy, this dampened the drive which the global economy had shown in early 2010. However, the international context again experienced a change in trend after the summer, due largely to fiscal and monetary stimulus programmes implemented in the US economy. Consequently, the global economy closed 2010 with positive prospects, although it was growing at a slower pace than it had displayed early in the year. In this connection, it is worth highlighting that the de-

IMF forecasts on GDP growth

Table 1.1

Percent change

Source: IMF (WEO, September 2011)

	2009	2010	2011*	2012*
WORLD OUTPUT	-0.7	5.1	4.0	4.0
Advanced economies	-3.7	3.1	1.6	1.9
United States	-3.5	3.0	1.5	1.8
European Union	-4.2	1.8	1.7	1.4
Euro Area	-4.3	1.8	1.6	1.1
Germany	-5.1	3.6	2.7	1.3
France	-2.6	1.4	1.7	1.4
Italy	-5.2	1.3	0.6	0.3
Spain	-3.7	-0.1	0.8	1.1
Japan	-6.3	4,0	-0.5	2.3
United Kingdom	-4.9	1.4	1.1	1.6
Canada	-2.8	3.2	2.1	1.9
Other advanced economies	-1.1	5.8	3.6	3.7
Newly Industrialized Asian Economies	-0.7	8.4	4.7	4.5
Emerging and developing economies	2.8	7.3	6.4	6.1
Sub-Saharan Africa	2.8	5.4	5.2	5.8
Central and Eastern Europe	-3.6	4.5	4.3	2.7
Commonwealth of Indepedent States	-6.4	4.6	4.6	4.4
Russia	-7.8	4.0	4.3	4.1
Excluding Russia	-3.0	6.0	5.3	5.1
Developing Asia	7.2	9.5	8.2	8.0
China	9.2	10.3	9.5	9.0
India	6.8	10.1	7.8	7.5
ASEAN 5 **	1.7	6.9	5.3	5.6
Middle East and North Africa	2.6	4.4	4.0	3.6
Latin America and the Caribbean	-1,7	6.1	4.5	4.0
Brasil	-0.6	7.5	3.8	3.6
Mexico	-6.2	5.4	3.8	3.6

Notes: * Forecasts
** ASEAN 5: Philippines, Indonesia, Malaysia, Thailand y Vietnam

celeration was sharper in the case of developing countries, while emerging economies continued to grow above 7% year-on-year, consolidating a process which began at the turn of the century and was strengthened by the crisis: the growing weighting of emerging countries in the global economy. [1]

Outlook for 2011-2012

2011 began in a very similar fashion to the close of 2010. Global growth in the first quarter of the year was 4.3%, despite some negative events, such as the tremendous impact which the earthquake and tsunami had not only on the Japanese economy, but on the economy worldwide, due to the problems for industry triggered by the supply chain difficulties. Fortunately, the unexpectedly good results in economies such as Germany and France offset the negative impact of the natural disaster in Japan.

The data available at the time of writing this section (November 2011) suggest that the global growth has recovered slightly in the third quarter of the year. According to OECD data, between July and September of this year the countries belonging to this organization posted 0.6% quarter-on-quarter GDP growth, compared with 0.3% growth in the second quarter. This points to something of a reversal in the trend of the previous four quarters in which there was a continued deceleration of growth in developed countries. The OECD suggests that G-20 countries will grow by 3,9% in 2011 and 3,8% in 2012.

Eurostat data point in the same direction. Growth in the third quarter of 2011 was 0.2% quarter-on-quarter in the EU-27 and in the euro area, remaining constant compared with the second quarter. However, in year-on-year terms, growth in both areas fell from 1.6% to 1.4%. Furthermore, Japan and the US saw growth slow sharply: while in the third quarter of 2010 both economies grew, respectively, by 4.8% and 3.5%, in the same period of 2011 the figures were -0.2% and 1.6%.

In general, pessimism is growing regarding the future performance of the global economy amid the numerous signs of weakness which are readily observable. The envisaged growth figures for 2012 (Table 1.1) look increasingly difficult to obtain and there is a growing likelihood that the risks unearthed may unleash another recession. Accordingly, the IMF has trimmed last September its growth forecast to 4% in 2011 and in 2012. Hence the calls from a range of institutions (IMF, OECD, ECB) to implement structural measures to revitalize growth and overcome the hazards of a potentially more enduring crisis.

Commodity price performance

Any analysis of the global economic situation must include a look at commodity price performance, in view of its enormous economic impact in a number of areas, from global inflation to access to food in developing nations. Commodity prices have continued to rise since 2010, returning in 2011 to values very close to the highs of 2008 (Chart 1.1).

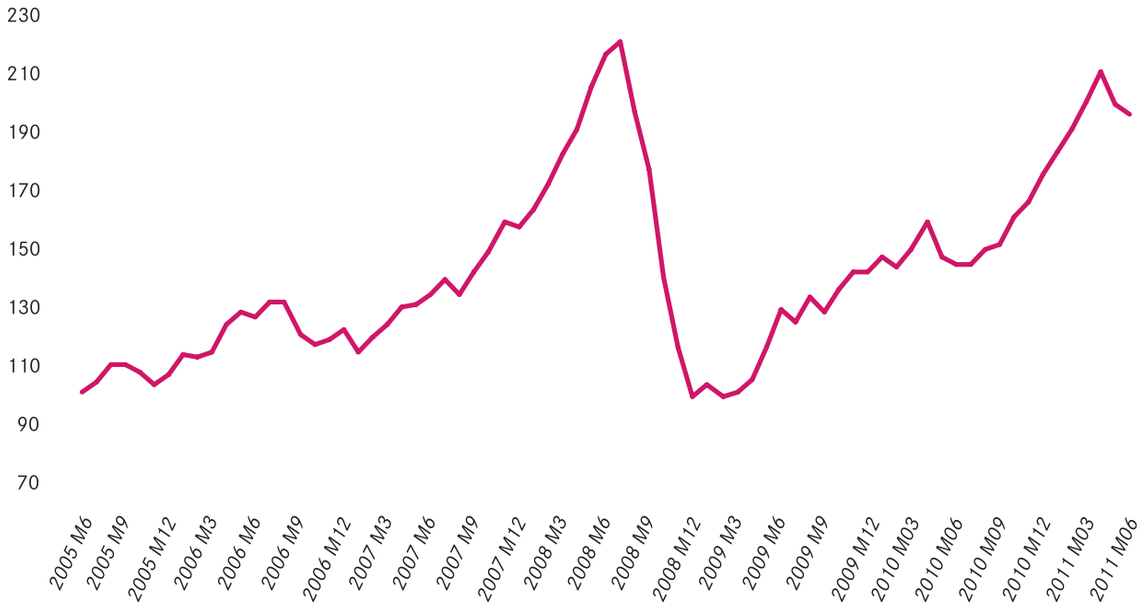
1 For further details of this process, see, for example, Box 3.1 of the 2010 Bank of Spain Annual Report.

Index of Commodity prices

Chart 1.1

(2005=100)

Source: IMF



Both structural and temporary economic factors explain this performance. The structural factors include more stable and rapid growth in emerging and developing countries, where demand is boosting the consumption of these commodities, while at the same time changing the composition of this expenditure. Among the temporary economic factors, it is worth highlighting the political and social unrest in oil-producing regions, and the poor harvests. Furthermore, some investors, fleeing risk and downward spirals in other markets, have diverted their funds to commodities. Gold, for example, has appreciated significantly due to being a safe haven for investors.

Some of the biggest problems stem from the rising food prices (Table 1.2). Although good harvests in Sub-Saharan Africa could alleviate this situation, the fact is that political instability in the north and east of this continent have led to massive buying by importing countries, worried about securing their supply. The result has been an unexpected surge in demand, which has pushed prices up and hampers citizens of the poorest countries.

With regard to oil, throughout 2010 and in early 2011, its price continued the steady and prolonged rise which began in early 2009 (Chart 1.2). Faced with higher demand linked to growth in emerging and developing countries, supply has been very slow to react, most notably because of the OPEC's attitude.

Table 1.2 Global price index. Food and Beverage

Source: International Monetary Fund

	Food and Beverage	Food	Beverage		Food and Beverage	Food	Beverage		Food and Beverage	Food	Beverage
2009 M 1	129.37	127.89	143.01	2010 M 1	142.18	138.74	173.97	2011 M 1	185.37	183.16	205.72
2009 M 2	126.47	124.61	143.59	2010 M 2	140.99	138.12	167.48	2011 M 2	192.44	189.34	221.05
2009 M 3	126.99	125.85	137.57	2010 M 3	141.69	139.24	164.30	2011 M 3	188.02	184.34	221.99
2009 M 4	132.79	131.88	141.23	2010 M 4	145.66	143.07	169.63	2011 M 4	193.40	190.88	216.63
2009 M 5	142.26	141.87	145.87	2010 M 5	143.23	140.65	167.00	2011 M 5	189.73	187.01	214.91
2009 M 6	143.65	143.18	148.02	2010 M 6	140.15	136.49	173.92	2011 M 6	184.27	181.62	208.74
2009 M 7	138.59	137.11	152.22	2010 M 7	147.32	143.88	179.12	2011 M 7	183.20	180.30	209.96
2009 M 8	137.58	135.40	157.65	2010 M 8	154.27	151.36	181.08	2011 M 8	184.46	181.74	209.56
2009 M 9	134.62	131.21	166.09	2010 M 9	158.45	156.14	179.75	2011 M 9	178.12	175.30	204.16
2009 M 10	136.10	132.35	170.70	2010 M 10	164.89	163.18	180.71	2011 M 10	167.87	165.48	189.95
2009 M 11	140.37	137.12	170.43	2010 M 11	166.94	164.96	185.24				
2009 M 12	143.15	139.52	176.70	2010 M 12	178.01	176.43	192.58				

In principle, the restrictions which producers outside the OPEC may face, as well as the problems caused by the Libya crisis, should be offset by the surplus capacity of OPEC countries. In any event, the uncertainties besetting the global economy also affect the oil market. Consequently, in August 2011 OPEC revised down its forecast for global demand in the two-year period 2011-2012. According to the latest global forecasts oil consumption in 2011 should total 88 million barrel dollars per day, compared with 87 million last year, but 150,000 barrels per day lower than the July forecasts. As regards 2012, the projected increase in demand is 1.3 million barrels per day, almost 200,000 barrels per day less than the previous projection released in July.

Economic policy to tackle the crisis

Governments' stabilization policies, which took the form of expansive programmes, not always sufficiently coordinated internationally, have mitigated the effects of the crisis and modestly ignited the flame of recovery. In some developed countries, the launch of reforms in the financial sector also dissipated some of the tensions which are still sending jitters through the markets.

As regards fiscal policy, its expansiveness boosted aggregate demand amidst the deceleration, especially in the group of advanced economies. In addition to the action of automatic stabilizers, which increase spen-

Oil prices

Chart 1.2

US dollars per barrel, global average, weekly figures

Source: EIA

ding and reduce revenues due to the direct effect of economic contraction, there were discretionary expansive measures, which took advanced economies' fiscal deficits to unviable levels, with the ratios of public debt over GDP surging. Although in 2010 fiscal adjustment plans were already implemented in quite a few nations, the negative economic context continued to fuel the decline in the fiscal position (Chart 1.3).

Accordingly, as a result of the sluggish growth prospects, the previous absence of budget discipline, errors in managing the financial crisis and a combination of all of the above, European sovereign debt markets experienced severe instability in 2010, and this continued into 2011. Unquestionably, the bailouts of Greece (May 2010, with new measures in 2011), Ireland (November 2010) and Portugal (May 2011) took a huge toll on confidence and stability in the euro area, even jeopardizing the continuity of the Monetary Union itself. In fact, the problems still persist at the tail-end of the summer of 2011, with Greece in the eye of the storm due to the major doubts regarding its delicate economic and financial predicament, but also with the pressure exerted by high risk premiums on the financial sustainability of government debt in other countries, most notably Spain and Italy.

Given how severe the situation is, the European Central Bank was recently obliged to step in with extraordinary measures, purchasing sizeable volumes of Italian and Spanish debt in secondary markets. These operations, in a similar way to the Federal Reserve's quantitative easing programme in the US, implied new injections of liquidity. Meanwhile, benchmark interest rates at both banks (Chart 1.4), as well as many others, have remained at record low levels.

Chart 1.3 Gross public debt % GDP

Source: Eurostat

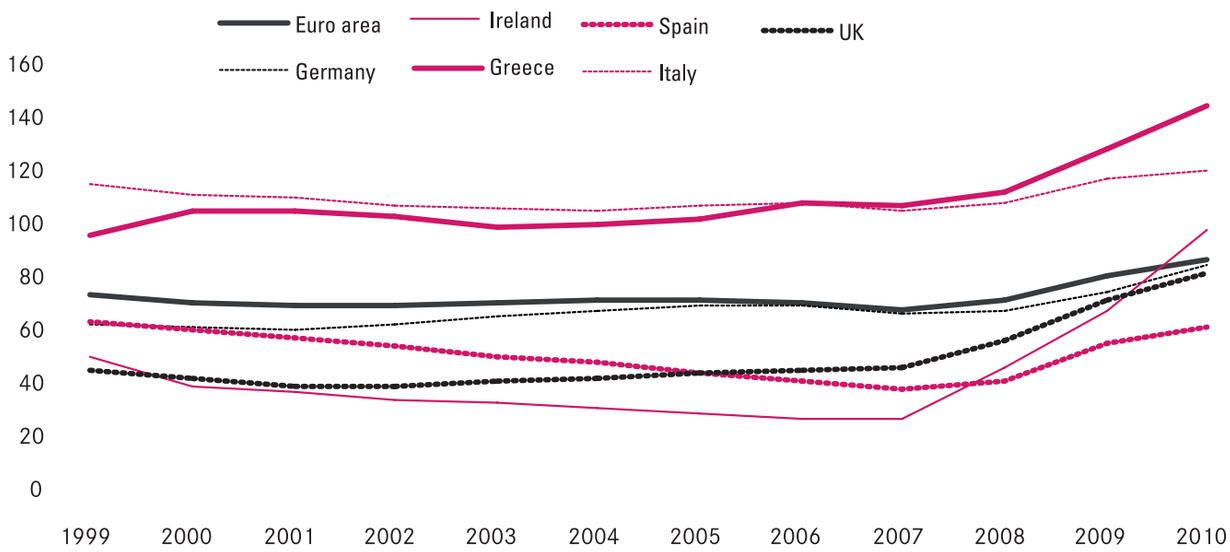
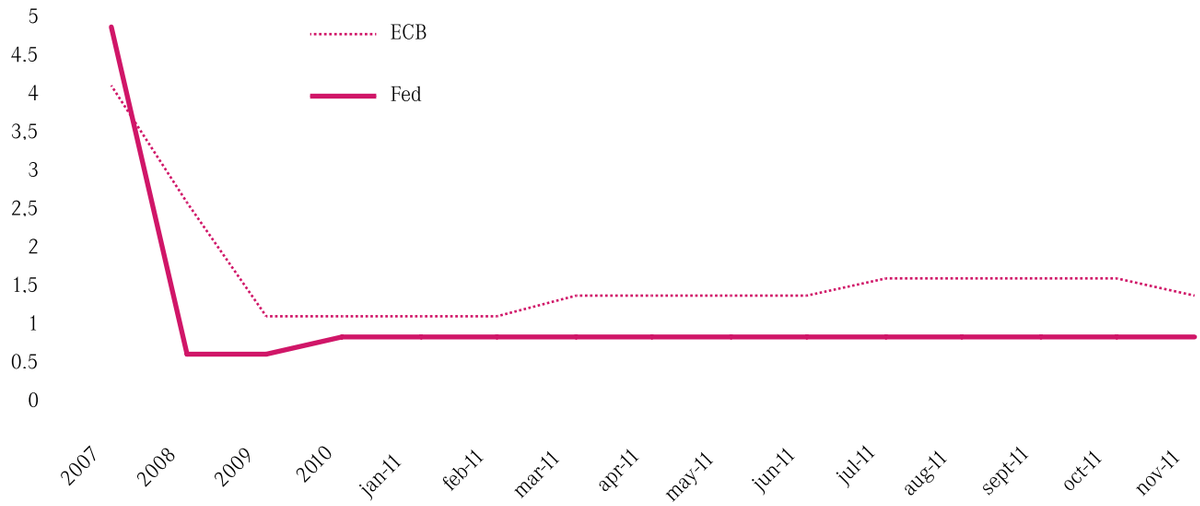


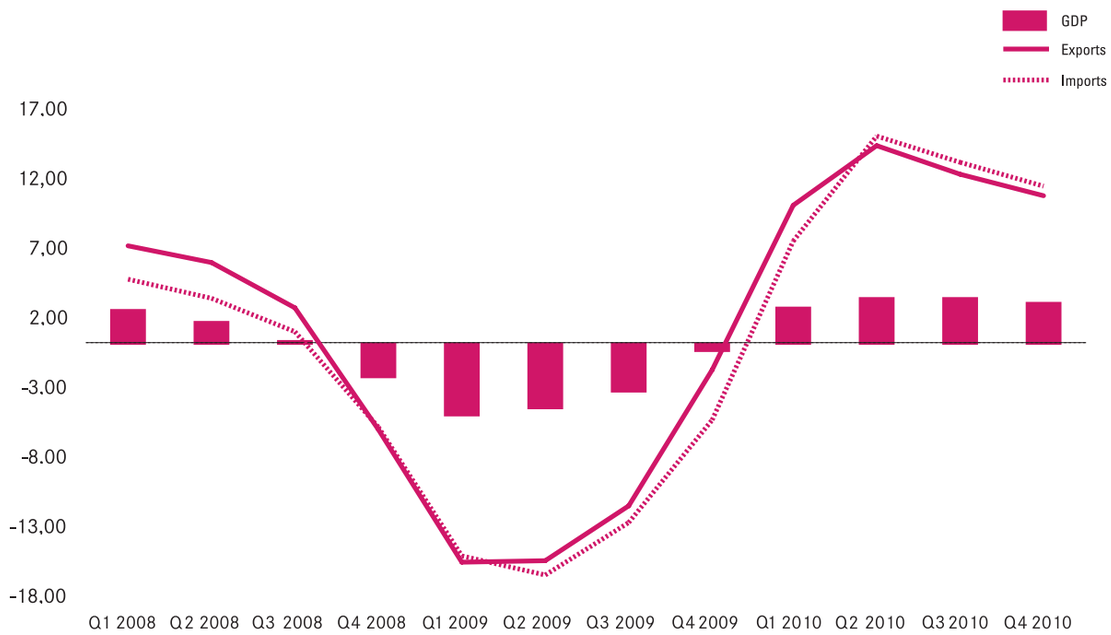
Chart 1.4 Interest rates ECB and Fed

Source: ECB and Fed



Real GDP and trade growth in OECD countries, 2008-2010 Chart 1.5

Annual percentage change Source: OECD



International trade 1.2

Following the historic slump in global trade in 2009, growth in global exports reached record proportions not seen since reliable records began. In real terms, goods exports increased by 13% in the developed world and by 17% in the case of emerging and developing countries. Commercial services exports, for which there are only nominal figures, grew by just 8%, which is not surprising, since their decline (12%) in 2009 was also smaller than that of goods exports (which fell 22% in nominal terms).

According to numerous experts and the World Trade Organization, some of the factors explaining these positive figures are the same ones that contributed to the decline in 2009: namely the proliferation of global supply chains and the composition of exports by type of goods.

The international fragmentation of the value chain means that a single good is exported and imported several times during its production process, so that the trade statistics also record them several times, whereas this is not the case with production data (to solve this statistical problem, it would be necessary to have figures on the added value of the goods traded in each international transaction. Box 1.1 examines this issue).

Furthermore, the goods most affected by the recession and most buoyed by the recovery (durable consumer goods, industrial machinery, etc.) have a greater weighting in global trade than in global GDP. These two factors explain the slump in 2009 and the powerful recovery in 2010 of the exports/GDP ratio. A recovery which, despite its scale, has not restored this indicator to the path of growth of the previous two decades.

The economic and financial difficulties affecting many countries are always a breeding ground for protectionist tendencies, against which warnings continue to come from all the multilateral bodies. For now, in 2010 and 2011, protectionist temptations appear to be under control, and this has certainly helped the recovery in trade flows. But it is impossible to rule out that the latest deterioration in the problems endured by many economies might end up nudging governments into building further barriers to free international trade.

Box 1.1 The international fragmentation of the value chain

The massive slump and spectacular recovery in trade in the last two years have confirmed the existence of a phenomenon already evident before the international economic crisis: global trade is becoming increasingly sensitive to fluctuating economic performance. Consequently, during boom periods production growth outpaces GDP, and in recessions, it falls more sharply.

This greater variability in world trade is caused by the internationalization of production systems. The fragmentation of the value chain, with each link or production stage located in a different geographical area, is a reality which is spreading throughout the world and in every production sector. This is relevant to trade since the scope and international dissemination of global supply chains mean that goods often cross borders several times, at various stages of their production processes. Consequently, measurements of trade flows tend to overestimate their true scale, since the same product is accounted for more than once in the import and export figures.

This is more than a simple and relatively unimportant question of methodology. It is important to bear in mind that the available figures shape the debate and the resulting implementation of policies. In the absence of reliable data on the true nature and scale of international trade, there is a risk of misdiagnosis and mistakes in attempts to correct the existing imbalances.

The problem with trade and balance of payments statistics is even worse than outlined above. In short, these statistics were designed for a world that no longer exists. In the middle of the twentieth century, official manufacturing imports figures, for example, did not need much explaining. They simply recorded the value of goods acquired abroad, produced there by companies resident in those same countries, and supplied with services by other companies of their same nationality. These were the only transactions possible. Today, import figures record this kind of operation, but also many other much more complex transactions. For example, they record as imports into the US the final value of products developed and designed in the US, but assembled in China and later brought in for their sale in the US market. Unlike conventional transactions, in this case much of the added value is generated, not in the exporting country, but in the importing country. Evidently, these imports do not have identical effects on the well-being of the US as imports of 100%-Chinese goods. Neither would it be prudent to think they both respond in the same way to the appreciation in the yuan which is so often advocated as a mechanism of correcting the gigantic trade gap between the two nations. However, despite all these differences, both kinds of transaction are recorded in identical fashion on the Chinese and US balances of payments.

It would be very good to have periodic official data on these finer details of global trade. This would give us a more informed idea of the reality, eliminating the danger of offering simplistic proposals for such complex issues as global balance of payments imbalances. To quantify the effects of global production/distribution networks and to provide more significant comparisons with regard to timelines and between countries, trade data in value added terms are needed, in other words, in terms that are comparable with production. For now, such information is not available. However, some proposals have already been put forward. The WTO has launched the "Made in the World" initiative to boost the exchange of projects, experiences and practical approaches in measuring and analyzing trade in added value terms.

Trade figures in 2010

Based on the figures released by the WTO, it is safe to say that in 2010 goods exports (measured in real terms) recovered spectacularly in all countries and regions. However, the uneven recovery in economic growth terms was replicated in the terrain of trade. Consequently, exports growth in developed countries was 12.9%, less than the global figure of 14.5%. Meanwhile, developing economies and the Commonwealth of Independent States (CIS) saw their goods exports rise by 16.7%. In fact, this performance was still more uneven. Asia (15%) and North America (23.1%) were the only regions in the world in which exports exceeded the global average, while Europe (10.8%), Africa (6.4%), the rest of America (6.2%), the Commonwealth of Independent States (10.1%) and the Middle East (9.5%) fell clearly short of the average.

GDP and goods trade by region, 2008-2010

Table 1.3

Year-on-year change (%) at constant prices

Source: WTO Secretariat

	GDP			Exports			Imports		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
Worldwide	1.4	-2.4	3.6	2.2	-12.0	14.5	2.2	-12.8	13.5
North America	0.1	-2.8	3.0	2.1	-14.8	15.0	-2.4	-16.7	15.7
US	0.0	-2.6	2.8	5.8	-14.0	15.4	-3.7	-16.4	14.8
Central and South America [a]	5.1	-0.2	5.8	0.8	-7.9	6.2	13.2	-16.3	22.7
Europe	0.5	-4,0	1.9	0.2	-14.1	10.8	-0.6	-14.2	9.4
European Union (27)	0.5	-4.2	1.8	0.0	-14.5	11.4	-0.9	-14.2	9.2
CIS	5.5	-7.1	4.3	2.0	-5.2	10.1	16.4	-25.6	20.6
Africa	4.8	2.1	4.7	1.2	-4.2	6.5	14.6	-5.0	7.0
Middle East	5.3	0.8	3.8	3.5	-4.3	9.5	14.2	-7.8	7.5
Asia	2.8	-0.2	6.3	5.5	-11.2	23.1	4.7	-7.5	17.6
China	9.6	9.1	10.3	8.5	-10.5	28.4	3.8	2.9	22.1
Japan	-1.2	-6.3	3.9	2.2	-24.8	27.5	-1.0	-12.2	10.0
India	6.4	5.7	9.7	14.4	-6.8	19.9	17.3	-1.0	11.2
Recently-industrializad economies [b]	1.9	-0.8	7.7	4.9	-5.7	21.3	3.5	-11.4	18.0

Notes: [a] Including Caribbean
[b] Hong Kong, Korea Rep., Singapore y Chinese Taipei

There was a notable phenomenon in regions that export natural resources, like Africa, South America and the Middle East. Although their real exports growth was clearly slower than that of other areas, in nominal terms (face value in dollars) the increase was actually much higher due to the revaluation of these products in global markets, boosted by booming demand. This performance was in contrast with that of manufacturing goods' prices, which barely increased. This is why exports in real and nominal terms posted a very similar performance for manufacturing goods exporters, while producers of commodities recorded very different performances. For example, real exports from Africa increased by 6%, while their face value soared by 28%.

As for real imports, there were differences between developed countries and the rest. In developed countries, imports grew by 10.7%, less than in 2009, when the figure was 12.9%. For the rest of countries, imports growth gained pace from 16.7% to 17.9%. High commodity prices triggered sizeable currency inflows for commodity-exporting countries, which in turn boosted these countries' imports. This was the case in South and Central America, whose goods imports rose by almost 23% in real terms.

The 2010 data show that China confirmed its position as the world's leading goods exporter (Table 1.4), increasing its edge over the United States and Germany, over which it has a 2% advantage in terms of total contribution to global exports, to account for just over 10% of that total.

China also increased its contribution to total global imports (Table 1.5), with more than a 9% share. In this case, it has consolidated its position as number two, behind the United States, although China is gaining ground in the list of leading goods importers.

Trade outlook for 2011

The trade outlook for the end of 2011 suggest a return of growth in global trade volume to around 7.5% per annum. In the longer term, in its September 2011 forecasts, the IMF projected that in 2012 these rates would fall to 5.8%.

However, these projections are filled with uncertainty and threatened by a number of risks, ranging from the final impact from the natural and nuclear disasters in Japan to inflationary tensions in commodity markets and political and social unrest in geographical areas in which oil-exporting countries are located. Naturally, trade could also be undermined by any other event or phenomenon which might slow the economic recovery, such as a deterioration of the euro area sovereign debt crisis.

Main exporters of goods, 2010

Table 1.4

Billions of dollars and by percentage

Source: WTO

	Rank	Value	Percentage as per global total	Annual percentage variation
China	1	1,578	10.4	31
United States	2	1,278	8.4	21
Germany	3	1,269	8.3	13
Japan	4	770	5.1	33
Netherlands	5	572	3.8	15
France	6	521	3.4	7
Rep. of Korea	7	466	3,,	28
Italy	8	448	2.9	10
Belgium	9	411	2.7	11
United Kingdom	10	405	2.7	15
Hong Kong, China	11	401	2.6	22
- National exports		18	0.1	7
- Re-exports		383	2.5	23
Russia	12	400	2.6	32
Canada	13	387	2.5	22
Singapore	14	352	2.3	30
- National exports		183	1.2	32
- Re-exports		169	1.1	28
Mexico	15	298	2.0	30
Chinese Taipei	16	275	1.8	35
Saudi Arabia	17	254	1.7	32
Spain	**18**	**245**	**1.6**	**8**
United Arab Emirates	19	235	1.5	27
India	20	216	1.4	31

Table 1.5 **Main importers of goods, 2010**

Billions of dollars and by percentage

Source: WTO

	Rank	Value	Percentage as per global total	Annual percentage variation
United States	1	1,968	12.8	23
China	2	1,395	9.1	39
Germany	3	1,067	6.9	15
Japan	4	693	4.5	25
France	5	606	3.9	8
United Kingdom	6	558	3.6	15
Netherlands	7	517	3.4	17
Italy	8	484	3.1	17
Hong Kong, China	9	442	2.9	25
- Imports - re-exports		116	0.8	31
Rep. of Korea	10	425	2.8	32
Canada	11	402	2.6	22
Belgium	12	390	2.5	11
India	13	323	2.1	25
Spain	**14**	**312**	**2.0**	**6**
Singapore	15	311	2.0	26
- Imports - re-exports		142	0.9	24
Mexico	16	311	2.0	29
Chinese Taipei	17	251	1.6	44
Russia	18	248	1.6	30
Australia	19	202	1.3	22
Brazil	20	191	1.2	43

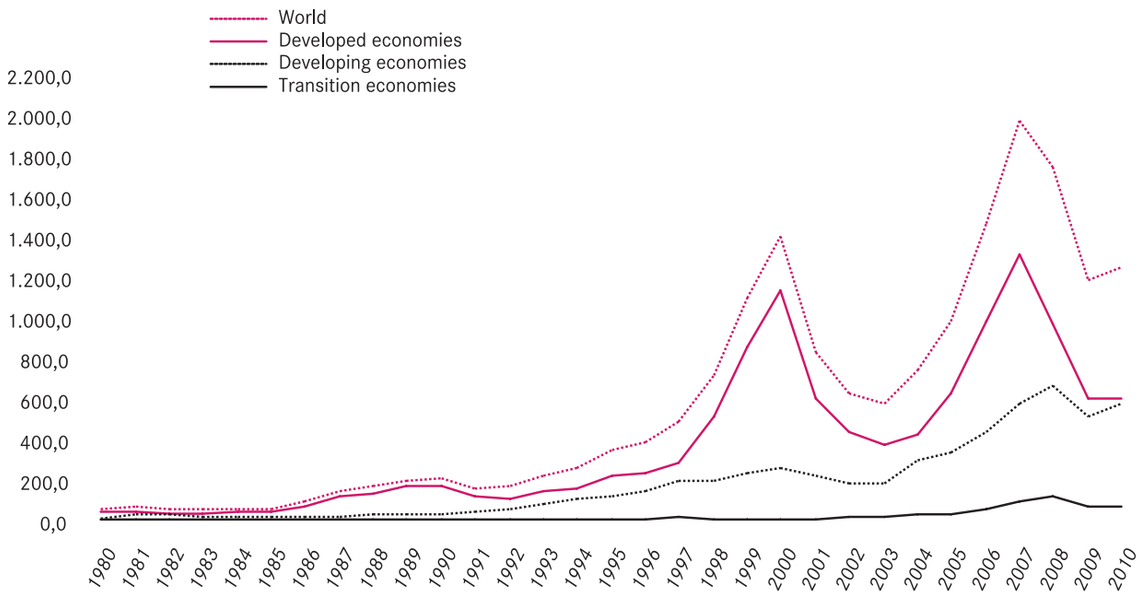
Foreign Direct Investment 1.3

According to the United Nations Conference on Trade and Development (UNCTAD), the leading statistical source in this connection, in 2010 there was a slight recovery in global flows of Foreign Direct Investment (FDI), after two years of massive declines (this kind of financial flows almost halved between 2007 and 2009, from nearly two trillion dollars to little over one trillion). Specifically, in 2010 there was a 5% rise in FDI inflows, leaving the value of this indicator still 37% below the record high of 2007 and 15% below the average of the two years before the global financial and economic crisis erupted.

It is worth emphasizing that, in line with the trend of the last few years, in 2010 there was a further increase in the relative weighting of the developing countries in global FDI, in terms of their role both as receivers and as investors. Indeed, for the first time the developed countries saw their contribution to FDI inflows shrink to less than 50% of the worldwide total (specifically to 48.4%). Furthermore, among the 20 leading receivers of these inflows there were only 10 developed economies. These figures show that, as a result of the growing weighting in production and consumption of developing countries in the global economy, more multinational companies are investing in these countries, either for reasons of production efficiency (comparative advantages, scale economies, etc.), or in search of dynamic markets with greater potential.

FDI inflows1980 - 2010 Chart 1.6

US $ billions Source: UNCTAD



From the standpoint of investor countries, developing nations have also gained ground, and their investments in the rest of the world now account for close to 30% of global outflows. This percentage is also underpinned by the fact that six of these economies were among the top 20 worldwide investors in 2010.

With regard to the sector-by-sector composition of FDI, after almost complete stability in global volume of direct investment, in 2010 there were considerable differences from one industry to the next. Specifically, the manufacturing sector took on a central role, with an increase in both investment volume in the sector and its contribution to the total, which was very close to 50%. In contrast, both services and the primary sector saw their outright and relative weighting diminish. These adjustments in the last year have kept the sector-by-sector breakdown of global FDI at different levels to those recorded prior to the crisis. While the primary sector has recovered, manufacturing industries and, in particular, services are still far from picking up.

There are also substantial differences in FDI performance in line with entry modalities. Investment flows and activity linked to mergers and acquisitions grew by 36% in 2010, although their total value barely reached one-third of the 2007 record (this trend appears to have continued in the first half of 2011). The restructuring of industry, boosted this kind of FDI by creating new acquisition opportunities. Meanwhile, greenfield investment declined in 2010, although, as has occurred throughout the crisis, its total value amply surpassed that of mergers and acquisitions. In this connection, it is worth indicating that developing countries tend to receive mainly greenfield projects. In fact, close to 70% of global greenfield investment is channelled to these nations, compared with only 25% of mergers and acquisitions. It is equally interesting to note that the investors in these countries are starting to play a pivotal role in mergers and acquisitions, a sphere traditionally dominated by more developed nations.

In any event, although we are far from the situation in the years prior to the crisis, in 2010 there were major corporate moves worldwide, as shown by the UNCTAD table of leading mergers and acquisitions performed globally (Table 1.7).

Prospects for Foreign Direct Investment

UNTCAD's projections suggest that FDI flows will continue to recover throughout 2011, to annual levels of between 1.4 and 1.6 trillion dollars, in other words, very close to the levels reached in the period prior to the crisis. The projections are also bullish with regard to 2012-13, with flows expected to total 1.7 trillion dollars in 2012, and 1.9 trillion dollars in 2014 (in line with the 2007 record).

A number of factors explain these projections. Specifically, UNCTAD highlights the abundant availability of cash at many multinationals, together with the current processes of corporate and industrial restructuring, and the gradual withdrawal by governments from their financial and non-financial investments in companies, acquired as a support measure during the crisis, which opens new investment opportunities for companies worldwide. UNCTAD sees a promising outlook for a number of emerging economies, like China, Brazil, India and Russia.

However, this projected recovery in FDI is threatened by the numerous uncertainties looming over the global economy, and, consequently, its corporate and financial sphere. The possibility of a generalized sovereign debt crisis, the financial imbalances of various developed countries and the overheating in the main emerging markets could put an end to the recovery in FDI. In this regard, the equity market losses suffered by many companies as a result of the financial volatility may become a serious obstacle for their expansion plans. As a result, UNCTAD's projections factor in a bearish scenario in which global FDI languishes during the next 2 or 3 years at current levels.

FDI flows and cross-border mergers and acquisitions

Table 1.6

By regions and leading economies, 2009-2010
Trillions of dollars

Source: UNCTAD (WIR 2011)

	FDI inflows			FDI outflows			M&A*		
	2009	2010	Change	2009	2010	Change	2009	2010	Change
WORLD	1,185	1,243	4.9	1,170	1,323	13.1	249.7	338.8	35.7
DEVELOPED ECONOMIES	603	602	-0.1	851	935	9.9	203.5	251.7	23.7
Europe	388	313	-19.3	434	476	9.6	133.9	123.4	-7.9
European Union	347	305	-12.1	370	407	10.1	116.2	113.5	-2.3
Austria	7	7	-5.9	7	11	47.1	1.8	0.4	-76.0
Belgium	24	62	161.6	-22	38	274.2	12.1	9.4	-22.2
Bulgaria	3	2	-37.6	0	0	300.0	0.2	0.0	-84.1
Cyprus	6	5	-14.7	5	4	-16.5	0.1	0.7	1,215
Czech Republic	3	7	133.8	1	2	79.3	2.7	-0.5	-117.1
Denmark	3	-2	-162.4	7	3	-53.6	1.7	1.4	-12.3
Estonia	2	2	-15.0	2	0	-91.4	0.0	0.0	-89.3
Finland	-4	4	107.5	4	8	118.9	0.5	0.3	-36.2
France	34	40	17.3	103	84	-18.3	0.7	3.8	422.8
Germany	38	46	22.6	78	105	34.1	12.8	10.9	-14.8
Greece	2	2	-10.5	2	1	-38.2	0.5	-1.2	- 348.4
Hungary	2	2	15.9	3	2	-42.7	1.9	0.2	-88.5
Ireland	26	26	1.4	27	18	-33.1	1.7	2.1	24.2
Italy	20	9	-52.7	21	21	-1.3	1.1	6.8	509.7
Latvia	0	0	271.3	0	0	125.8	0.1	0.1	-33.9
Lithuania	0	1	265.7	0	0	-41.0	0.0	0.5	2,210
Luxembourg	30	20	-32.6	19	18	-2.3	0.4	2.1	369.1
Malta	1	1	37.0	0	0	-35.1	0.0	0.3	2,323
Netherlands	35	-16	-146.8	27	32	18.5	18.0	4.0	-77.8
Poland	14	10	-29.3	5	5	-9.9	0.8	1.0	34.3
Portugal	3	1	-46.3	1	-9	-1154.9	0.5	2.2	338.1
Romania	5	4	-25.6	0	0	324.4	0.3	0.1	-52.9
Slovakia	0	1	1,152	0	0	-24.1	0.0		
Slovenia	-1	1	243.3	0	0	-9.6		0.3	
Spain	9	25	168.7	10	22	121.8	32.2	8.7	-73.1
Sweden	10	5	-48.4	26	30	17.9	1.1	1.4	31.1
United Kingdom	71	46	-35.5	44	11	-75.2	25.2	58.3	131.7
United States	153	228	49.3	283	329	16.3	40.1	80.3	100.2
Japan	12	-1	-110.5	75	56	-24.7	-5.8	6.7	215.7
DEVELOPING ECONOMIES	511	574	12.3	271	328	21.0	39.1	82.8	111.9
Africa	60	55	-8.5	6	7	17.9	5.1	7.6	48.0
South Africa	5	2	-71.1	1	0	-60.9	4.2	3.9	-6.5
Latin America and Caribbean	141	159	12.9	46	76	67.5	-4.4	29.5	776.5
Brasil	26	48	86.7	-10	12	214.2	-1.4	8.9	748.2
Asia y Oceania	309	359	16.1	220	245	11.4	38.3	45.7	19.4
East Asia	66	58	-11.8	26	13	-50.6	3.5	4.6	30.3
Turkey	8	9	7.8	2	2	14.6	2.8	2.1	-27.9
South, East and South-East Asia	242	300	24.1	193	232	19.9	34.7	32.1	7.7
China	95	106	11.3	57	68	20.3	10.9	6.0	-45.3
Hong Kong, China	52	69	31.5	64	76	18.9	3.0	12.0	297.1
India	36	25	-30.9	16	15	-8.2	6.0	5.5	-8.5
Singapore	15	39	152.9	18	20	6.9	9.7	4.6	-52.8
TRANSITION ECONOMIES	72	68	-4.8	49	61	24.1	7.1	4.3	-39.4
Russia	37	41	12.9	44	52	18.4	5.1	2.9	-42.8

Note: * The value of Mergers and Acquisitions corresponds to the value of sales, considering the seller`s country

Table 1.7 Largest cross-border mergers and acquisitions of the world in 2010

Billions of US dollars

Source: UNCTAD, WIR 2011

RANKING	AMOUNT	OBJECTIVE	BUYER
		Company/country/sector	Company/country
1	18.8	Cadbury PLC (UK) Candy and other confectionery products	Kraft Foods Inc (United States)
2	10.7	Zain Africa BV (Nigeria) Radiotelephone communications	Bharti Airtel Ltd (India)
3	9.7	Brasilcel NV (Brazil) Radiotelephone communications	Telefónica SA (Spain)
4	9.0	EDF Energy PLC (UK) Electric services	Investor Group (Hong Kong, China)
5	9.0	Lihir Gold Ltd (Papua New Guinea) Gold	Newcrest Mining Ltd (Australia)
6	8.5	T-Mobile (UK) Ltd (UK) Radiotelephone communications	Orange PLC (United Kingdom)
7	7.6	E.ON US LLC (US) Natural gas distribution	PPL Corp (United States)
8	7.6	Solvay Pharmaceuticals SA (Belgium) Pharmaceutical preparations	Abbott Laboratories (United States)
9	7.3	Fomento Económico Mexicano SAB de CV (Mexico) Malt beverages	Investor Group (Netherlands)
10	7.1	Repsol YPF Brasil SA (Brazil) Crude petroleum and natural gas	China Petrochemical Corporation (Sinopec Group) (China)

2 The Spanish Economy in 2010-2011

Following the considerable 3.7% slump in 2009, Spanish GDP retreated by a very modest 0.1% in 2010. Despite the negative reading, in the second half of last year the Spanish economy commenced a slight recovery, to close the year with 0.6% year-on-year growth in the final quarter. Nevertheless, this recovery was very weak and faltering, due to both the persistence of Spain's deep-rooted macroeconomic imbalances, and the climate of financial uncertainty unleashed by the sovereign debt crisis in the European Union.

The contraction in domestic demand, which was substantial in 2009, continued into 2010, with a slightly more moderate decline of 1.1 %. In contrast to this adjustment in domestic demand, the notable positive contribution to growth from net external demand deserves mention. Specifically, external demand accounted for one percentage point of GDP growth, on the back of real goods and services exports, which rose by more than 10%. The change in the trend in goods and services imports was moderate, rising by 5.4% in real terms, as was logical in view of the sluggish demand.

The fragility of the recovery was steadily confirmed trough 2011. In the first three quarters, GDP increased by 0.4% in January-March and by 0.2% in April-June, and 0% in July-September quarter-on-quarter, and by 0.9%, 0.7% and 0.8%, respectively, year-on-year. In this context, the positive contribution by external demand and the contraction in internal demand continued to impact on growth. Consequently, the situation remains complex as the measures implemented gradually secure the necessary fiscal consolidation, and pending the completion of financial system restructuring. Furthermore, it is evident that profound structural reforms must be undertaken to resume stable growth once the existing imbalances have been corrected.

In this connection, it is worth highlighting that the Spanish economy's external imbalances continued to adjust in 2010. Accordingly, the contraction in domestic demand and the buoyancy of exports helped reduce the non-energy and current account trade deficits. The latter was 4.5% of GDP, compared with 5.2% in 2009.

According to statistics compiled by the World Trade Organization (WTO) and published in the World Trade Report 2011, in 2010 Spain was the 18th-largest exporter and 14th-largest

importer of goods in the world (with shares of 1.6 and 2% of the global total, respectively). With regard to trade in services, Spain held continued to be the 7th-largest global exporter (3.3%) and it fell to 14th place in imports (2.4%).

Moreover, according to figures published in the UNCTAD World Investment Report 2011 (WIR), in 2010 Spain ceased to be a net foreign investor as in previous years, and became a net receiver thanks to a very notable increase in both capital outflows and, in particular, inflows. In 2010, Spain climbed from 30th (in 2009) to 15th in the world ranking of foreign direct investment (FDI) received. It also regained weighting in outflows of this kind of investment, to rank 14th in the world, compared with 23rd in 2009.

As for cumulative FDI, logically, Spain maintains a relatively more stable position. Spain still ranks 7th in terms of investment received (behind the US, France, UK, Hong Kong, Belgium and Germany), 3.2% of the global cumulative total. And it remains 10th in terms of FDI stock abroad (behind the US, France, UK, Germany, Netherlands, Hong Kong, Switzerland, Japan and Belgium), with a 3.2% share in the global total.

Setting aside the doubts regarding the future of the global economy and of Spain's economy in particular, some Spanish companies have decided to start or continue their internationalization processes, a clear exponent of which are the award-winning operations and companies mentioned in chapter 4 of this Yearbook. This is fully consistent with the role played by the Spanish economy on the international stage, since its activity in the various areas of the global economy surpasses even its contribution to global GDP, which in 2010 fell below 1.9% in purchasing power parity terms.

The rankings of the country's top multinationals published in the 2011 WIR underpin this idea. The list of the top 50 transnational financial institutions continues to feature the two leading Spanish banks, Banco Santander and BBVA. Banco Santander scaled five positions in 2010 to 13th, while BBVA retreated to 38th. Among the top 100 non-financial multinationals four are Spanish, occupying the following positions in terms of assets abroad: Telefónica (ranked 11th), Iberdrola (22nd), Ferrovial (56th) and Repsol (81st) – see Table 2.1. Other well-known league tables confirm this impression. There are 9 Spanish companies in the Fortune Global 500 index of leading worldwide companies. There are 27 Spanish companies in the Forbes 2000 index, which refers to the top 2000 global companies.

Table 2.1

Spanish non-financial transnational corporations among the global leaders in terms of international exposure, 2010

Millions of dollars and workforce

Source: WIR 2011, UNCTAD

	Assets			Sales			Workforce		
	Abroad	Total	% of total	Abroad	Total	% of total	Abroad	Total	% of total
Telefónica S.A.	140,882	173,403	81.2	54,409	80,446	67.6	232,114	269,047	86.3
Iberdrola S.A.	87,397	125,202	69.8	20,930	40,306	51.9	17,384	28,519	61.0
Grupo Ferrovial S.A.	45,659	57,839	78.9	11,131	16,118	69.1	63,335	101,404	62.5
Repsol YPF S.A.	35,592	90,367	39.4	37,831	71,077	53.2	17,377	43,298	40.1

Spain's foreign sector: analysis of the Balance of Payments (current account and capital account balance) 2.1

Stagnation in economic activity and sluggish demand in Spain, resulting from domestic macroeconomic problems, allowed the imbalances of Spain's Balance of Payments to continue their course of adjustment in 2010. The 2010 Balance of Payments Report published by the Bank of Spain in 2011 shows that the Spanish economy's need for foreign funding, measured as the overall balance of the current and capital accounts, fell further in 2010, albeit more slowly than in 2009, to 3.9% of GDP (practically one point lower). This lower recourse to external funding can be explained broadly by the decline in investment to 23% of GDP (vs. 24.5% in 2009), since gross national saving barely changed, at 19.1% of GDP.

The current account deficit shrank further to 4.5%, vs. 5.2% of GDP in 2009, recording a new low in the series since 2004. This dip was the result of the lower ba-

Balance of payments: amounts — Table 2.2

% of GDP — Source: Bank of Spain

	2004	2005	2006	2007	2008	2009	2010
CAPACITY (+) / NEED FOR (-) FINANCING	-4.2	-6.5	-8.4	-9.6	-9.2	-4.8	-3.9
Current account	-5.3	-7.4	-9.0	-10.0	-9.7	-5.2	-4.5
Goods	-6.4	-7.5	-8.5	-8.7	-8.0	-4.0	-4.4
Services	2.6	2.4	2.3	2.2	2.4	2.4	2.6
Tourism and travel	3.2	2.9	2.8	2.6	2.6	2.5	2.5
Other services	-0.6	-0.5	-0.5	-0.4	-0.1	-0.1	0.1
Income	-1.4	-1.9	-2.1	-2.9	-3.3	-2.8	-2.0
of which: earnings reinvested	0.0	0.2	0.5	0-5	0.4	-2.8	-2.0
Current transfers	0.0	-0.4	-0.7	-0.7	-0.9	-0.8	-0.7
Capital account	1.0	0.9	0.6	0.4	0.5	0.4	0.6
FINANCIAL ACCOUNT (a)	4.1	6.7	8.7	9.6	8.7	5.2	4.1
Excluding Bank of Spain	5.8	6.9	11.3	8.3	5.9	4.2	2.6
Foreign Direct Investment	-3.4	-1.5	-6.0	-4.8	-0.7	-0.1	-0.1
Portfolio investment	10.2	6.5	20.3	10.0	0.4	4.3	2.9
Other investments	-1.0	1.9	-3.2	3.5	7.0	0.5	-0.9
Financial derivatives	0.0	0.0	0.2	-0.4	-0.7	-0.6	0.7
Bank of Spain (b)	-1.7	-0.2	-2.6	1.4	2.8	1.0	1.5
ERRORS AND OMISSIONS	0.1	-0.2	-0.4	0.0	0.4	-0.4	-0.2

[a] Variation in liabilities less variation in assets
[b] A negative (positive) sign implies an increase (decrease) in the Bank of Spain´s net assets vis-á-vis abroad

lance of income and balance of current transfers deficits, which fell, respectively, to 2% and 0.7% of GDP, offsetting the deterioration in the trade balance and adding to the improvement in the services surplus. As for the capital account, the surplus increased by 51% in 2010, to 6.461 billion euros, due partly to transfers from the European Union.

The trade deficit widened slightly in 2010 to 4.4% of GDP. This was due to the sizeable deterioration in the energy component, whose deficit rose by 29% (vs. the 20% reduction in the non-energy deficit). This occurred against a backdrop of notable dynamism in both import and export flows (Table 2.3). The annual import/export coverage rate was 80%, 4 higher than in 2009.

Goods exports recorded notable 13.6% year-on-year growth in real terms, making them the main driver of the modest economic reactivation. According to Customs figures, these exports grew to 14.5% in 2010, which, pending definitive data, could represent a slight advance in the Spain's global market share of exports.

The increase in goods imports was less sharp than that of exports, growing by 6.2% in real terms in 2010. Export growth in sectors with high import content partly explains the growth in imports, also boosted by a slight recovery in consumption.

Spain's trade pattern did not change notably in 2010 (Table 2.4). Both capital goods and intermediate goods played a pivotal role in the recovery of exports, precisely those products that were especially hampered by the collapse of world trade in 2009. In contrast, consumer goods exports continued to be burdened by the weakness of this demand component, and fell by 2%, despite the sound performance by foreign sales of automobiles and food.

As regards intermediate goods exports, sales of energy goods abroad rose by 19%, compared with a 26% increase in non-energy products, including goods exports for the chemical, iron and steel industries, and for transport manufacturing.

Meanwhile, capital goods imports grew by 6% in real terms, following the slump in 2009. Machinery purchases were particularly dynamic (except in the construction sector, which is embroiled in a deep and lasting crisis). The sluggishness of Spanish consumer spending was evidenced by the 10% decline in consumer goods imports in 2010, a category in which food product imports did grow.

Intermediate non-energy goods imports rose by 22%, bolstered by the purchase of goods used in the chemical and iron and steel industries and in transport manufacturing, sectors that are highly intensive in the use of imported inputs. Energy goods imports grew by only 5%, in line with the context of stagnation in activity.

Table 2.3 **Comparative growth in foreign trade in 2010**

Year-on-year growth rates

Source: Industry, Tourism and Trade Ministry and Bank of Spain

	Exports	Imports
Spain	17.4	14.2
France	13.3	13.2
Germany	18.5	20.0
Italy	15.7	22.6
*Euro area**	16.8	18.1
US	20.9	22.7
Japan	32.1	24.9

* Incl. non-euro-area sales and sales between euro area countries

Foreign trade in goods, specialization by product

Table 2.4

% of total

Source: Own research based on data from Spain's Industry, Trade and Tourism Ministry

Product	2010 EXPORTS	2010 IMPORTS
Foods	15.0%	10.4%
Energy products	5.1%	18.5%
Commodities	2.4%	3.8%
Non-chemical semi-manufacturing	12.1%	7.4%
Non-iron metals	2.2%	1.3%
Iron and steel	4.1%	2.9%
Paper	1.7%	1.4%
Ceramic products and similar items	1.3%	0.2%
Other semi-manufacturing	2.7%	1.5%
Chemical products	15.3%	15.1%
Organic chemical products	1.9%	2.8%
Inorganic chemical products	0.4%	0.7%
Plastics	4.0%	3.1%
Medicines	4.8%	4.8%
Fertilizers	0.4%	0.2%
Tanning and dyeing products	0.9%	0.5%
Perfumes and essential oils	1.7%	1.1%
Rest of chemical products	1.3%	1.7%
Capital goods	20.1%	20.0%
Machinery for industry	5.2%	4.9%
Office and telecommunications equipment	1.7%	5.4%
Transport material	4.9%	2.4%
Other capital goods	8.3%	7.3%
Autos industry	16.1%	10.2%
Cars and motorcycles	10.9%	4.1%
Auto parts	5.2%	6.1%
Durable consumer goods	1.9%	3.4%
Consumer manufacturing	8.6%	10.8%
Textiles and clothing	4.7%	5.9%
Footwear	1.1%	0.9%
Toys	0.4%	0.8%
Other consumer manufacturing	2.4%	3.2%
Other goods	3.3%	0.5%

Table 2.5 Foreign trade in goods, specialization by geographical area

% of total

Source: Own research based on data from Spain's Industry, Trade and Tourism Ministry

Regions/Countries	2010 EXPORTS	2010 IMPORTS
EUROPEAN UNION	67.7%	54.6%
EURO AREA	55.6%	43.9%
France	18.3%	10.7%
Germany	10.5%	11.7%
Italy	8.8%	7.0%
Portugal	8.9%	3.6%
REST OF EU	12.1%	10.7%
UK	6.2%	4.5%
REST OF EUROPE	6.9%	6.2%
RUSSIA	1.1%	2.6%
NORTH AMERICA	4.0%	4.3%
US	3.5%	3.9%
LATIN AMERICA	5.4%	5.2%
Mexico	1.5%	1.2%
Brazil	1.2%	1.2%
Argentina	0.4%	0.7%
REST OF AMERICA	0.1%	0.8%
ASIA	7.5%	19.4%
India	0.6%	1.1%
China	1.4%	7.9%
Japan	0.8%	1.5%
AFRICA	5.6%	9.1%
Morocco	1.9%	1.2%
Algeria	1.1%	1.9%
OCEANIA	0.7%	0.4%
Australia	0.6%	0.3%
TOTAL NON-EU	32.3%	45.4%
TOTAL NON-EURO AREA	44.4%	56.1%
OECD	79.1%	66.0%
NAFTA	5.5%	5.6%
MERCOSUR	1.7%	2.1%
OPEC	3.5%	10.2%

Spain's foreign trade performance by geographical area

Table 2.6

Nominal variation

Source: Bank of Spain, Balance of Payments Report

	Total		
	2000-08	2009 [a]	2010 [a]
Exports			
Total	6.8	-15.9	17.4
OECD	6.2	-15.7	16.2
EU 27	5.7	-15.9	15.4
United Kingdom	4.8	-24.5	15.1
Euro area (EMU 16)	5.7	-13.7	15.0
Germany	4.2	-11.7	10.7
France	6.0	-11.7	12.4
Italy	5.4	-14.1	25.8
US	5.7	-24.6	12.5
OPEC	11.6	-9.5	11.0
CIS and other Central and Eastern European countries [b]	7.1	-37.9	26.6
NIC [c]	4.2	10.7	25.2
Rest of the world	7.3	-11.8	25.8
Imports			
Total	8.2	-26.2	14.2
OECD	6.1	-22.8	7.7
EU 27	5.9	-21.5	6.9
United Kingdom	2.5	-23.9	10.7
Euro area (EMU 16)	5.5	-22.6	4.6
Germany	6.8	-25.1	-6.6
France	2.6	-17.4	2.0
Italy	5.9	-30.5	12.1
US	4.4	-23.9	10.1
OPEC	16.4	-35.2	34.9
CIS and other Central and Eastern European countries [b]	14.6	-43.4	23.1
NIC [c]	5.4	-31.8	6.9
Rest of the world [d]	15.2	-28.3	27.2

[a] Provisional data, Customs.
[b] Includes Russia, Ukraine, Belorus, Moldova, Georgia, Armenia, Azerbaijan Kazakhstan,Turkmenistan, Uzbekistan, Tajikistan, Kyrgystan Romanía, Bulgaria, Albania, Croatia, Bosnia-Herzegovina, Serbia and Montenegro.
[c] Includes South Korea, Taiwan, Hong Kong and Singapore.
[d] Does not include items without geographical allocation.

Exports grew for most geographical destinations. It is worth highlighting that exports outside the EU were particularly dynamic, especially sales to China, Latin America, NICs and Central and Eastern European countries (see Table 2.6). In contrast, sales to euro area countries crept up very slowly. This reduced the relative weighting of exports to the euro area over total Spanish exports in 2010 (Table 2.5). This was due largely to the lacklustre export performance of two of Spain's main partners: France and Germany. In contrast, exports to Italy grew by no less than 25.6%. These events are unquestionably due to the current economic context, but they show that Spain's export sector must now take the path of diversification, having hitherto focused on mature markets with less scope for growth than that of emerging countries. This is one of the many facets of competitiveness which Spain must improve in the near future.

On the imports side, growth was underpinned by imports from the same geographical areas that drove Spain's exports, since those originating within the European Monetary Union were more sluggish. Accordingly, along with imports from OPEC countries, which grew largely because of higher oil prices, acquisitions of goods made in China, Latin America and Central and Eastern Europe were highly significant. Our main suppliers in the euro area, in terms of growth in Spanish imports, were Portugal and Italy, while there were further declines in purchases from Germany, which is the region's main driver. Consequently, the euro area's relative weighting as a supplier of goods to Spain fell to below 44% in 2010.

With regard to the balance of services, 2010 was a year of modest growth in the Spanish surplus: specifically two-tenths of a point, to 2.6 % of GDP. This result was due to the improvement in non-tourist services, which, for the first time since 1993 (the first year for which reliable figures are available) closed with a surplus, albeit very small (0.1% of GDP). The surplus in Tourism and Travel also improved, although almost unnoticeably, gaining 0.05% to 2.5% of GDP.

In this balance, services revenues and payments grew year-on-year, but at a much slower pace than foreign trade in goods (6.2% and 4.8% nominal growth, respectively). Finally, it is worth emphasizing that tourism revenues gained in weighting over GDP to account for 3.7%. This is good news for the Spanish economy, since it bucks the trend of continuing decline seen since the turn of the century.

Furthermore, the balance of income deficit shrank by 27% in 2010 to 2% of GDP. This deficit essentially reflects the performance of net returns on investment, since wage income remained scarcely significant. The deficit in returns on investment shrank mainly because of the reduction in negative balances at monetary financial institutions (MFIs) and other resident sectors (ORSs), which was sufficient to offset and exceed the decline in the government administration deficit and the fall in the income surplus at the Bank of Spain. Furthermore, all investment categories contributed towards this correction in the income deficit, especially the net payments generated by financial instruments materialized as other investment, which diminished by 36%, and the surplus in direct investment revenues, which rocketed by 100%. In contrast, the correction in the deficit in returns on portfolio investment was lower, at just 4%. The sound performance by returns on investment was recorded thanks to the more-than-notable rise in dividend revenues on direct investment, which reached record levels.

The current transfers deficit narrowed by 12% in 2010, to 0.7% of GDP, due to both the moderate increase in revenues (1.6%) and the 2.6% reduction in payments. The improvement was a result of the drop in the public sector transfers deficit. Meanwhile, the private sector surplus inched downwards. Furthermore, the deficit associated with immigrants' remittances continued to correct, although it closed the year at around 0.2% of GDP, as in 2009. The lower net inflow of immigrants, in a depressed labour market, explains this fall. As usual, remittance payments (Table 2.7) focused mainly on Latin American countries, and there was a substantial increase in the relative weighting of remittances to China.

In 2010, the capital surplus rose by no less than 51%. This implied a 0.2% improvement in this surplus as a percentage of GDP, to 0.6%. This improvement was driven mainly by the performance of the balance of government administration transfers, in which transfers from the European Union rose by 36%.

Geographical breakdown of remittance payments in 2009 and 2010 [a] Table 2.7

Main destination countries; percentages of total Source: Bank of Spain

	2009	2010		2009	2010
Colombia	18.2	17.9	*Dominican Rep.*	4.1	4.0
Ecuador	13.5	12.8	*Peru*	3.6	3.6
Bolivia	9.3	8.5	*Brazil*	3.5	3.5
Romania	5.1	5.3	*China*	0.7	3.5
Paraguay	4.2	4.5	*Pakistan*	1.7	1.7
Morocco	4.2	4.1	*Senegal*	1.8	1.5

[a] The geographical breakdown is obtained based on information reported to the Bank of Spain by currency exchange establishments

Spain's foreign sector: changes in capital flows 2.2

2010 was a very complex year for international financial markets, where volatility increased as a result of the sovereign debt crisis in various euro area countries. Specifically, at the epicentre were Greece, embroiled in a fiscal crisis which resulted in financial bailout, and Ireland, whose public finances were hampered by the collapse of its banking sector. In 2011, this crisis hit Portugal first and further extraordinary measures were also required to prevent Greece from entering bankruptcy.

Recently, Spain and Italy have not managed to remain immune to these difficulties. Specifically, in Spain's case, problems are due to its notable fiscal deterioration, in a context of uncertainty regarding the possibility of economic recovery, on top of the doubts concerning the health of part of the country's financial system. All of this has led to tougher funding conditions for Spain, with a worrying rise in risk premiums (the yield spread vs. German bonds) and some difficulties in obtaining funds abroad.

According to the Bank of Spain's annual balance of payments report, Spanish agents' need for funding compared with the rest of the world continued to fall in 2010, to 3.9% of GDP. Since the national savings rate remained at almost exactly the same level as in 2009, the main factor in this correction was the decline in investment. Although the pace of adjustment in the foreign deficit slowed in the first part of 2011, because of the higher energy and income deficits, the correction is expected to continue at a more moderate rate.

Financial transactions between Spain and the rest of the world in 2008, excluding Bank of Spain operations, generated net inflows totalling 27.719 billion euros (2.6% of GDP, vs. 4.2% in 2009). This was not enough to meet Spain's funding requirements, which totalled 41.430 billion euros. Accordingly, the Bank of Spain's net assets vs. the rest of the world diminished by 15.696 billion euros.

In 2010, non-residents divested 11.761 billion euros in Spanish financial assets, compared with net investment of 65.231 billion euros in 2009. The change in divestments among residents was sharper, totalling 39.480 billion euros, compared with investments of 21.054 billion euros in 2009.

Of the captions under the financial balance heading, Foreign Direct Investment (FDI) is most significant to the focus and purpose of this Yearbook, which is geared towards business internationalization processes. According to the Bank of Spain, in 2010, the Spanish economy was still a net investor in FDI terms, in the amount of 892 million euros, vs. almost 939 million euros in 2009. This implies 0.1% of GDP, a 5% reduction compared with the previous year. However, it is important to point out that, according to UNCTAD data, Spain was a net receiver of FDI in the amount of 3 billion dollars. In any event, the net investment balance under this item of the country's balance of payments does clearly seem to be evaporating.

Throughout 2010, and both data sources agree on this, there was a substantial increase in both Spain's direct foreign investment and foreign direct investment in Spain.

Table 2.8 Foreign Direct Investment transactions in 2009 and 2010

Breakdown by sector of economic activity

Source: Bank of Spain

Millions of euros

	Spain´s Direct Investment abroad			Foreign Direct Investment in Spain		
	2009	2010	% s/total FDI 2010	2009	2010	% s/total FDI 2010
TOTAL	7,009	16,813	—	6,576	15,921	—
Agriculture, farming, hunting, forestry and fishing	325	—	—	347	-89	-0.56
Mining industries	895	633	3.76	510	-290	-1.82
Manufacturing industries	-2,321	1,557	9.26	3,990	4,745	29.8
Production and distribution of electric power, gas and water	-4,996	-3,200	-19.03	1,991	3,997	25.11
Construction	1.361	-446	-2.65	-274	-252	-1.58
Trade and repairs	2,489	1,068	6.35	-8,103	-4,745	-29.8
Hotel and catering	245	141	0.84	330	—	—
Transport, storage and communications	-753	10,916	64.93	1,066	2,120	13.32
Financial intermediation	6,854	1,368	8.14	-431	1,378	8.66
Property activities; corporate services	1,472	2,883	17.15	967	4,689	29.45
Of which CHFS	-965	703	4.18	-782	2,294	14.41
Other services	606	258	1.53	555	186	1.17
Unclassified	830	1,640	9.75	5,628	4,155	26.1
Buildings	956	738	4.39	3,651	3,757	23.6
Other	-126	902	5.36	1,978	398	2.5

According to the central bank, direct investment inflows from abroad soared by a massive 142% in 2010, to 15.921 billion euros (1.5% of GDP, vs. 0.6% in 2009 and still below the average for the 2000-2010 period). By activity sectors (Table 2.8), we highlight the growth in FDI in Production and Distribution of Electricity, Gas and Water. As in previous years, FDI also achieved notable figures in the manufacturing sector. The breakdown by instrument shows shares and other direct interests accounted for most of the FDI received by the Spanish economy (70% of the total), followed by investment in buildings (24%), which recovered slightly after the previous years' slump.

Foreign Direct Investment transactions in 2009 and 2010 [a]

Table 2.9

Breakdown by geographical area

Source: Bank of Spain

Millions of euros

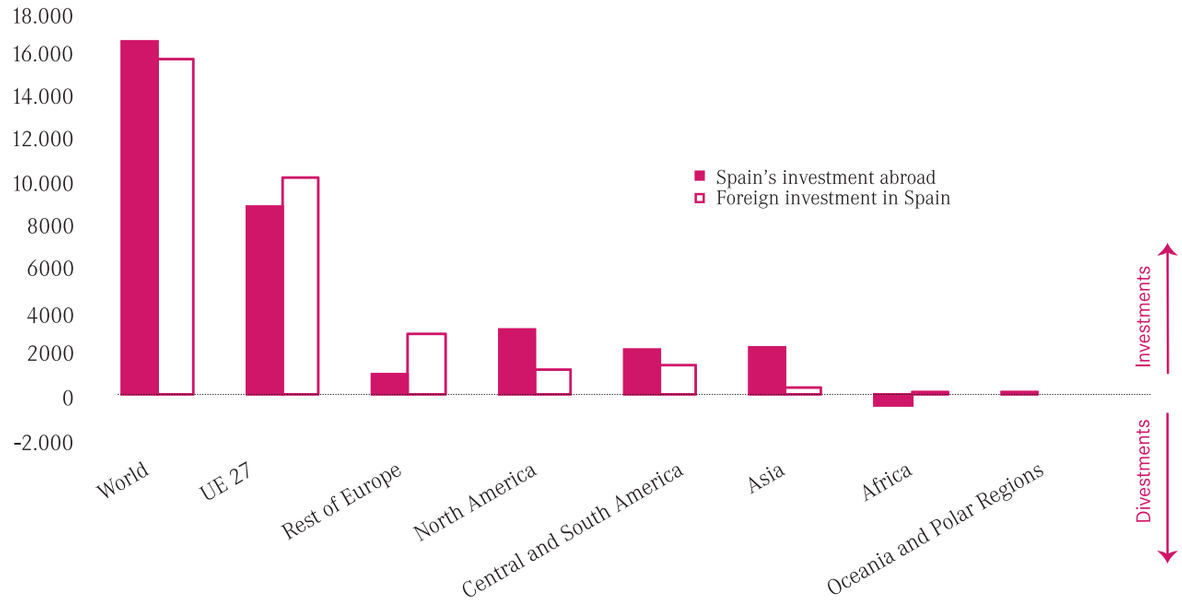
	Spain´s Direct Investment abroad					Foreign Direct Investment in Spain				
	2009		2010			2009		2010		
	Total	CHFS	Total	% s/total FDI 2010	CHFS	Total	CHFS	Total	% s/total FDI 2010	CHFS
TOTAL	7,009	-965	16,813	—	703	6,576	-782	15,921	—	2,294
EUROPEAN UNION	-1,322	139	8,896	6843.08	214	3,462	1,207	10,300	641.74	1,733
Monetary Union	-5,111	—	2,871	2208.46	130	7,008	797	8,691	541.50	1,605
Germany	1,403	—	969	745.38	—	-3,701	—	3,074	191.53	1,319
France	-1,682	118	471	362.31	—	-2,207	—	-6,959	-433.58	—
Holland	-918	-488	-5,011	-3854.62	—	6,920	-53	5,916	368.60	—
Italy	-5,515	—	436	335.38	—	-2,527	—	-7,722	-481.12	—
Luxembourg	-251	436	737	566.92	—	11,166	773	9,877	615.39	232
Portugal	911	—	-58	-44.62	—	-508	—	-416	-25.92	—
United Kingdom	2,896	98	5,762	4432.31	—	-1,798	445	1,409	87.79	—
Recent EU members (b)	1,069	—	239	183.85	95	153	—	208	12.96	53
Switzerland	187	-487	424	326.15	—	627	-418	1,654	103.05	64
United States	1,013	-1,227	2,354	1810.77	83	-2,481	-1,392	1,368	85.23	161
LATIN AMERICA	5,286	530	2,002	1540.00	455	186	-63	1,711	106.60	293
Argentina	1,043	195	-166	-127.69	—	-395	—	54	3.36	—
Brazil	1,389	269	-775	-596.15	227	—	—	699	43.55	297
Chile	-192	.	-216	-166.15	—	—	—	—	—	—
Mexico	4,484	-133	1,940	1492.31	119	459	—	757	47.17	—
Morocco	-104	—	-644	-495.38	—	—	—	—	—	—
Japan	-156	—	—	—	—	—	—	—	—	—
Australia	-243	—	106	81.54	—	—	—	-50	-3.12	—
OECD	4,598	-1,695	14,380	11061.54	409	2,566	-638	14,392	896.70	2,027

[a] (—): amount less than 50 million euros in absolute value
[b] Czech Republic, Estonia, Hungary, Latvia, Poland, Bulgaria and Romania

Charts 2.1 Direct investments, 2010

Millions of euro

Source: Bank of Spain



As regards the origin of the FDI received in 2009 by the Spanish economy (Table 2.9), the European Union accounted for 63% of total inflows, most notably the euro area countries, with 52% of the total, especially Holland, which accounted for 44%. Among non-EU countries, Switzerland played an important role, as its investment accounted for 12% of the total. Latin America and the United States (10% and 9% of the total, respectively) followed closely behind. This is all in line with the traditional sources of inflows into Spain, mainly from our partners from the European Monetary Union.

Spain's foreign direct investment operations implied outflows totalling 16.813 billion euros, more than doubling the 2009 figure. As a percentage of GDP, these outflows increased to 1.6% (vs. 0.7% in 2009, also well below the 2000-2010 average). If we add to this the revaluations of the existing investments, Spain's FDI stock accounted for 46.2% of GDP in 2010, compared with 42.6% in 2009.

As regards investment instruments, Spain's FDI was mainly in the form of shares and other direct capital interests, which served to offset the effect of net divestments generated by financing between related companies. As regards the sector-by-sector destination of these outflows, more than 60% of Spain's foreign direct investment focused on Transport, Storage and Communications, with a substantial reduction in Financial Intermediation. Divestment in the Construction sector continued, further evidencing this activity's sharp decline.

By geographical destination, excluding Companies Holding Foreign Securities (CHFS), the United Kingdom was the main receiver of Spain's FDI, with more than one-third (36%) of the total. The euro area as a whole received only 17% of the total, a smaller-than-usual share, but a clear change compared with the cumulative divestment in 2009. Among the non-EU destinations, America attracted the most flows, with 14% going to the United States and 10% to Latin America. This performance barely altered the geographical breakdown of Spain's stock of FDI assets abroad, with the euro system and Latin America still the main destinations.

Spain's foreign sector: reduced debt position 2.3

In 2010, Spain's net debt position vs. other countries, as evidenced by the country's International Investment Position (IIP) shrank by 4%. Accordingly, Spain closed 2010 with a net debt position of 926 billion euros, i.e. 87.1% of GDP, down 4 points.

This improvement in one of the country's main imbalances was noticeable in almost all institutional sectors (Table 2.10). This was due mainly to a decline in the net debt position in Other Resident Sectors (of 4.5 GDP percentage points, to 20.8%), thanks to the 2.4- and 3.3-point improvements in the equity investment portfolio and direct investment balances, respectively. The debt position of monetary financial institutions (MFIs) vs. other countries also shrank by one percentage point to 43.5%. The net debt position of government administration inched up by 0.1% GDP points to 25.6%.

It is worth highlighting that the improvement came despite the deficit in the Rest of the World account. This can be explained by financial instrument prices and exchange rates, whose performance strongly impacted the value of foreign assets and liabilities. This effect, called the valuation effect, was above all the result of the divergent performance by international and Spanish equity markets (with the former clearly gaining ground), as a result of which residents in Spain saw the value of their assets rise while that of their liabilities fell. This valuation effect is attributable to the reduction in the net debt position in portfolio investment, as well as the increase in the credit position in foreign direct investment.

International investment position — Table 2.10

Breakdown by sector, % of GDP — Source: Bank of Spain

	Monetary authority			Financial institutions			Public administrations			Other resident sectors		
	Net	Assets	Liabilities	Net	Assets	Liabilities	Net	Assets	Liabilities	Net	Assets	Liabilities
2005-2007 average	9.0	9.2	0.1	-40.4	43.7	84.2	-20.1	3.0	23.0	-21.0	77.5	98.5
2008	4.7	7.9	3.2	-37.9	49.0	86.9	-17.8	3.7	21.5	-28.3	64.3	92.6
2009	4.2	8.1	3.9	-44.5	47.6	92.0	-25.5	2.8	28.3	-25.3	70.6	95.9
2010	2.9	7.7	4.8	-43.5	44.3	87.7	-25.6	2.7	28.3	-20.8	73.5	94.3

Table 2.11 International investment position

Breakdown by instruments [a], % of total

Source: Bank of Spain

	FDI		Portfolio investment		Other investment		Financial derivatives	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
2005-2007 average	28.8	19.0	39.4	49.1	28.4	29.1	3.4	2.8
2008	33.3	19.3	27.8	43.8	30.4	31.6	8.5	5.2
2009	35.1	19.1	29.8	46.8	29.1	30.6	6.1	3.4
2010	38.3	20.2	25.0	43.4	29.2	32.2	7.4	4.1

[a] Excluding the Bank of Spain

2.4 Other indicators relating to the international presence of Spanish companies

Aside from what is reflected by the macroeconomic ratios and balance of payments data, Spanish companies' international activity is evidenced by a variety of other areas of internationalization and their corresponding indicators. A good example of this is the international strength of Spain's leading companies, listed on the IBEX 35. This select group of companies recorded more revenues abroad (55.45%) than in Spain (44.55%), after a 4-point increase in foreign markets' contribution to their revenues (Table 2.12).

Another example are the lists compiled by specialist international magazines, like Forbes and Fortune. There are 9 Spanish companies in the Fortune Global 500 index. There are 27 Spanish companies in the Forbes 2000 index, which refers to the top 2000 global companies.

The effects of the crisis continued to undermine the position of major Spanish companies in the list compiled yearly by Fortune magazine. Whereas in 2009 there were ten Spanish companies among the top 500 in the world (by revenues), in 2010 only nine made the list. FCC fell out of the index. The Fortune Global 500 features the following Spanish companies, listed by size: Santander (ranked 51st, down 14 places), Telefónica (78th, down 10), Repsol (94th, up 10), BBVA (196th, down 47), Iberdrola (213th, up 4), Cepsa (369th, down 45), Mapfre (395th, down 38), Gas Natural Fenosa (373th, up 52) and ACS (451st, down 105). Spain is again ranked twelfth in terms of the number of companies represented, behind the USA (133), Japan (68), China (61), France (35), Germany (34), UK (30), Switzerland (15), South Korea (14), Holland (12), Canada (11) and Italy (10). As in previous years, none of the leading Spanish companies belonged to the manufacturing sector. Financial services, energy and infrastructure were the prevailing sectors.

27 Spanish companies are listed in the 2011 edition of US magazine Forbes' Global 2000 index based on sales, profit, assets and market value, the top companies being Banco Santander (ranked 13th), Telefónica (31st), and BBVA (66th), all in the top 100 worldwide (Repsol YPF is ranked 101). In the previous year's list, there were 29 Spanish companies, confirming the negative trend in the Fortune Global 500.

Spanish companies also feature in top positions in sector and regional rankings. For example, in the list compiled by US magazine Hotels, which features the top 300 hotel chains in the world, there are eighteen Spanish companies, with Sol Meliá ranked 17th. In Millward Brown's BrandZ list of the most valuable global brands, there are three Spanish companies in the 100 best valued brands in the world: Movistar (Telefónica), ranked 21st, Santander (77th), and Zara, a member of the Inditex group (86th).

External revenues over total sales of IBEX 35 companies, 2010

Table 2.12

%

Source: Own research based on CNMV data

Companies	Spain	Abroad			
		Total	Of which		
			EU	OECD	Rest of world
Abengoa SA	25.70	74.30	15.49	23.36	35.46
Abertis SE.A	48.26	51.74	43.19	0.36	8.19
Acciona SA	69.19	30.81	15.76	12.14	2.91
Acerinox SA	9.49	90.51	30.78	40.06	19.68
ACS Activid. De Constru S.	68.19	31.81	7.74	13.91	10.15
ArcelorMittal SA	n.d.	n.d.	n.d.	n.d.	n.d.
Banco Popular Español	92.19	7.81	6.40	1.41	0.00
Banco Sabadell	94.97	5.03	1.91	2.52	0.60
Banco Santander SA	21.16	78.84	25.25	16.95	36.64
Bankinter SA	99.44	0.56	0.56	0.00	0.00
Banco Español Crédito (Banesto)	98.39	1.61	0.05	1.56	0.00
BBVA (Banco Bilbao)	42.14	57.86	3.52	35.10	19.25
Bolsas y Mercados Españoles SA	100.00	0.00	0.00	0.00	0.00
Criteria CaixaCorp SA	99.96	0.04	0.04	0.00	0.00
Ebro Foods SA	6.40	93.60	51.16	37.87	4.57
Enagas	100.00	0.00	0.00	0.00	0.00
Endesa (Empresa Nacional)	63.25	36.75	5.04	0.00	31.71
Ferrovial SA	30.94	69.06	53.52	11.57	3.97
Fomento Const y Contr (FCC)	54.09	45.91	36.71	4.02	5.18
Gamesa Corp. Tecnológica SA	11.32	88.68	32.98	26.44	29.26
Gas Natural SDG SA	59.97	40.03	5.11	7.62	27.30
Grifols SA	23.01	76.99	20.62	41.32	15.06
Iberdrola Renovables SA	44.78	55.22	15.06	39.56	0.60
Iberdola SA	48.07	51.93	27.93	18.70	5.29
Iberia	33.65	66.35	14.85	13.26	38.24
Inditex	29.42	70.58	38.31	12.70	19.57
Indra Sistemas SA	61.25	38.75	15.41	7.23	16.11
Mapfre SA	50.98	49.02	4.82	12.68	31.53
Obrascon Huarte Lain	30.47	69.53	10.70	27.21	31.62
Red Electrica Corp. SA	97.21	2.79	0.00	0.00	2.79
Repsol	46.77	53.23	10.25	5.45	37.53
Sacyr Y Vallehermoso	68.85	31.15	17.76	4.21	9.19
Técnicas Reunidas SA	16.22	83.78	19.24	5.37	59.18
Telecinco	98.01	1.99	1.78	0.17	0.04
Telefónica	31.09	68.91	25.14	7.15	36.63
TOTAL	**44.55**	**55.45**	**18.32**	**11.75**	**25.38**

3 Spanish Companies from an International Perspective

2010 was not a good year for Spanish companies. Although the big names have managed to stay partially protected from the lethargy of the domestic market thanks to their sizeable investments in emerging economies, and many mid-caps have redoubled their efforts to export, the share performance of listed companies has deteriorated considerably. Almost all sectors have been affected, and performance relative to other companies in the euro area or the global economy as a whole also dipped. This performance is in sharp contrast to the rally of 2009, which lasted until March 2010. Consequently, total returns in the Ibex-35 fell by 12.9% in 2010, compared with a 38.3% increase in 2009. The Spanish selective index closed the year with average returns well below the average of European and US bourses, and also below the global market index, which climbed 15.0% in 2010. Unquestionably, the Spanish equity market is being hampered by an unemployment rate among the highest in the world and ongoing market pressure from sovereign debt concerns.

As in previous years, this chapter documents and analyzes from an international perspective the performance of Spanish companies in terms of their shareholder returns, their recommendations by equity market analysts and their presence in the international financial press. The analysis focuses not only on outright data, but also on the comparison with other markets and companies in the euro area and the global economy as a whole. The comparative outlook is highly significant in times of both boom and crisis. In particular, markets, analysts and the international financial press gauge the performance of companies, and directly examine their capacity to obtain resources, grow and compete in the global market. When it comes to interpreting the results of our analysis, it is important to bear in mind a number of factors. Firstly, **international investors** are normally more inclined to finance growth of Spanish companies the heftier their financial yield, the better their equity market analysts' recommendations and the greater their presence in the international financial press relative to other European or worldwide companies. Secondly, a positive perception or image of Spanish companies in Europe and the world multiplies their **business opportunities**. Lastly, **present or potential buyers** of the products and services offered by Spanish companies may be influenced by an improvement in their image or the way they are perceived.

The analysis will begin with an assessment of shareholder returns in a European and global context, followed by an examination of the recommendations of investment banks and the presence of Spanish companies in the international financial press. In 2010, **shareholder returns** slumped, in both absolute and relative terms, pretty much across the board.

The only ray of hope came from **investment banks' recommendations,** which improved slightly in 2010 both outright and relative to other companies in the same sector in the euro area and in the global economy as a whole, although without regaining the ground lost since the crisis began. Furthermore, coverage of Spanish companies in the **international financial press** increased slightly with respect to 2009, although it also fell short of 2006 levels.

3.1 Shareholders Returns in a European and Global Context

The core function of equity markets is to mediate between capital investors and listed companies. Shareholders are remunerated through capital gains, dividends and other flows which may affect the value of their investment. As in previous editions, our analysis of shareholder returns takes into account not only outright rates of return, but also their relative size compared to similar companies in other countries competing to obtain share capital. Accordingly, we will analyze the shareholder returns of Spanish companies in the European and global contexts, so as to determine whether their comparative performance has been favourable, always assuming that they are competing with other companies in the same sector to obtain share capital.

While 2009 was one of the best in the history of the Spanish stock market in terms of shareholder returns – due largely to the massive slump the previous year – 2010 was another slump year. Before presenting the figures in detail, it is worth noting that the comparative analysis of shareholder returns at Spanish companies was based on a very thorough indicator known as **the total shareholder return rate**, which factors in not only listed companies' share prices but also other cash flows which might arise during the year between the company and its shareholders (see Box 3.1).

Box 3.1 Total Shareholder Return Rate

The Total Shareholder Return Rate (TSRR) is an indicator used widely to gauge the return received by owners of companies throughout the year in exchange for contributing share capital. To measure shareholder remuneration we have calculated an annual rate expressed as a percentage based on the following formula:

$$TRTA = \frac{\Delta V + D + R + \Delta\, AutoC - AC - CBC}{V_{t-1}} \times 100$$

where:
ΔV is the increase in the total market value of company stock between the beginning and end of each year,
D are dividend payments,
R are payments as a result of reductions in the face value of shares,
$\Delta AutoC$ are increases in treasury stock,
AC are revenues from rights issues,
CBC are revenues from the exercise of convertible bonds, and
V_{t-1} is the total market value of company stock at the end of the previous year.

To compare TSRR in the various sectors of activity, it is possible to calculate a **standardized rate** by deducting the sector average and dividing by the standard deviation within the sector.

The source of the data used is Datastream International. International fund managers and stock market analysts consult this information and examine it in detail. Although some of the companies are not classified exactly in the sector which corresponds to them (for example, Abertis appears under "transport services" and not "infrastructure"), said sector classification has consequences when it comes to making decisions. Accordingly, the data presented in Table A5 was calculated based on the information directly available in Datastream International with no corrections made by us, since to do so would have distorted the information used by fund managers and stock market analysts.

In 2010, the **ranking of listed Spanish companies with the highest shareholder returns** included only 23 companies with returns of more than 10%, of a total of 122, compared with 67 companies in 2009 (see Table 3.1). **The companies with the largest return rates were Viscofan, Miguel y Costas, Cie Automotive and Iberpapel, offering their shareholders returns of more than 40%**. It is worth recalling that in 2008 only 3 companies reported positive returns for their shareholders (Unión Fenosa, Funespaña and Testa Inmuebles en Renta). Only 7 of the 25 companies with the largest return rates belong to the Ibex-35, compared with 8 in 2009, continuing the decline which began in 2007.

While in 2008 the most numerous group among the top 25 were the manufacturing companies, and in 2009 the top performers tended to be from the services sector, especially those relating to infrastructure and the assembly of machinery, facilities and turnkey plants, **in 2010 the strongest performers were manufacturing companies, business services companies, infrastructure firms and financial services providers (excluding banks)**.

Among the companies with the biggest market capitalization (those included on the Ibex-35), those offering the best shareholder returns during 2009 were Iberia, Amadeus (although it was only listed from the end of April), Inditex, Criteria, OHL and Técnicas Reunidas (see Tables 3.2 and A1). Except for Iberia, these are companies that had already generated very high rates of return in 2009. Four of them (Iberia, Inditex, OHL and Técnicas Reunidas) are among the five companies offering the best shareholder returns since 1995 (Tables 3.3 and A2). **Inditex and Técnicas Reunidas, unquestionably two of Spain's top companies, also managed to post rates of return in excess of 10% between 2007 and 2010, in other words, during four years of economic and financial crisis**. Other companies responding well to the crisis are Iberia, Telefónica and Red Eléctrica. In the Ibex-35 overall, only 7 companies have managed to offer positive shareholder returns during the crisis (Tables 3.4 and A3).

While the general rankings offer interesting results, from an analytic standpoint it is worth looking at the shareholder returns on a sector-by-sector basis. This is because investors are inclined to diversify their portfolios and they frequently do so through various sectors. Table 3.5 shows the top 10 listed companies throughout 2010 by total shareholder return rate compared with companies from the same sector within the euro area (the comprehensive list is shown in Table A4). The figures are also compared with companies operating in the same sector elsewhere in the world. In both cases, a standardized rate of return is used (see Box 3.1).

Table 3.1 Top 25 Spanish companies by total shareholder return rate in 2010[a]

Source: Datastream International through Wharton Research Data Services

COMPANY	SECTOR	RANKED	%
Viscofán	*Food*	1	63.6
Miquel y Costas	*Paper*	2	54.5
Cie Automotive	*Auto parts*	3	42.8
Iberpapel Gestión	*Paper*	4	42.6
Barón de Ley	*Alcoholic beverages*	5	39.3
Jazztel	*Telecommunications*	6	33.7
Codere	*Gaming*	7	33.7
Amadeus IT Holding * [b]	*Financial administration*	8	31.8
Inditex *	*Fashion*	9	31.5
Criteria Caixacorp *	*Financial services*	10	27.9
Prosegur	*Business services*	11	25.5
Duro Felguera	*Machinery*	12	23.3
OHL *	*Construction*	13	22.1
Técnicas Reunidas *	*Construction*	14	21.9
Vidrala	*Packaging*	15	21.9
CAM	*Banking*	16	21
Funespaña	*Miscellaneous services*	17	20.1
Sol Meliá	*Hotels*	18	18.6
Repsol *	*Oil and gas*	19	13.6
Ebro Foods *	*Food*	20	13.2
Campofrío Alimentación	*Food*	21	12.5
Pescanova	*Fishing*	22	11
CVNE	*Alcoholic beverages*	23	10.4
Corporación Financiera Alba	*Financial services*	24	7.8
Cleop	*Construction*	25	6.6

Notes: * Belonged to the IBEX 35 at 31 December 2010
[a] A total of 122 companies listed throughout 2010 were considered
[b] Amadeus IT Holding began trading on 29 April 2010. Accordingly, the return rate refers to an 8-month period

Top 10 IBEX 35 companies by total shareholder return rate

Table 3.2

Companies and rates ranked by 2010 figures

Source: Datastream International through Wharton Research Data Services

Company	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	1995 2010 [b] Average	2007 2010 [b] Average
Iberia	—	—	—	—	—	—	—	27.9	66.3	14	-9.3	21.5	9.5	-28	-4.1	68.2	14.6	6.2
Amadeus IT Holding [c]	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	31.8	—	—
Inditex	—	—	—	—	—	—	—	5.7	-28	38.3	29.5	49.1	4.6	-23	41.9	31.5	13.1	10.6
Criteria Caixacorp	—	—	—	—	—	—	—	—	—	—	—	—	—	-44	23.4	27.9	-3.7	-3.7
OHL	-15	-9	238	95.2	-40	-27	33.6	-25	49.8	6.6	117	76.1	-0.9	-56	108	22.1	18.4	2.4
Técnicas Reunidas	—	—	—	—	—	—	—	—	—	—	—	—	52.3	-57	128	21.9	16	16
Repsol YPF	13.5	29.1	33.5	18.8	48.1	-22	-1.6	-22	25.1	26.7	32.8	7.2	-4.9	-36	33.8	13.6	9.6	-1.9
Ebro Puleva	-12	83.2	18.9	18.1	-23	-12	8.6	-9.4	18.8	20	35.9	39.6	-33	-20	59.6	13.2	8.9	-0.9
ACS	5.7	12.9	313	53	-27	6.9	10.6	13.5	28.4	33.9	64.2	58.2	-2.6	-16	12	6.1	24.1	-0.7
Enagas	—	—	—	—	—	—	—	—	52.6	44.9	35.1	12.5	16	-20	4.5	1.3	16.1	-0.5
DAX 30 [a]	7	28.2	47.1	17.7	39.1	-7.5	-20	-44	37.1	7.3	27.1	22	22.3	-40	23.8	16.1	7.7	1.2
S&P500 [a]	37.6	23	33.4	28.6	21	-9.1	-12	-22	28.7	10.9	4.9	15.8	5.5	-37	26.5	15.1	8.5	-0.8
Mercado Mundial [a]	16.8	13.1	13.4	21.7	32.5	-15	-16	-17	37.8	17.9	13.6	23.8	15.1	-43	39	15	8	1.1
DJIA [a]	36.4	22.4	32.3	12.2	14	5.1	-11	-16	29.4	15.6	9.5	15.7	8.9	-32	22.7	14.1	9.6	0.9
FTSE 100 [a]	26	16.9	28.7	17.5	20.6	-8.2	-14	-22	17.9	11.2	20.8	14.4	7.4	-28	27.3	12.6	7.7	2.5
CAC40 [a]	2.8	27.6	33	34.1	54.1	1	-20	-32	19.9	11.4	26.6	20.9	4.2	-40	27.6	0.6	7.6	-5.5
IBEX 35 [a]	22.4	47.1	44.5	38.6	20.1	-21	-6.1	-27	32.2	21.1	22	36	10.7	-37	38.3	-13	11	-4.1

Notes:
[a] Market indices were calculated based on companies listed in them each year
[b] Calculated as a geometrical average
[c] Amadeus IT Holding began trading on 29 April 2010. Accordingly, the return rate refers to an 8-month period

Table 3.3 Top 10 IBEX 35 companies by total shareholder return rate

Companies and rates ranked by 1995-2010 average

Source: Datastream International through Wharton Research Data Services

Company	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	1995 2010 [b] Average	2007 2010 Average
ACS	5.7	13	313	53	-27	6.9	11	14	28	34	64	58	-2.6	-16	12	6.1	24	-0.7
Red Eléctrica	—	—	—	—	—	71	7.5	-4.5	40	33	60	28	36	-15	11	-5.8	21	4.9
Abengoa	—	—	64	68	-1.2	63	-18	-18	5.4	30	70	126	-13	-51	93	-18	19	-9.2
Indra Sistemas	-55	14	446	122	45	4.9	-4.8	-31	58	27	34	15	3.3	-11	5	-19	19	-5.9
OHL	-15	-9	238	95	-40	-27	34	-25	50	6.6	117	76	-0.9	-56	108	22	18	2.4
Enagas	—	—	—	—	—	—	—	—	53	45	35	13	16	-20	4.5	1,3	16	-0.5
Técnicas Reunidas	—	—	—	—	—	—	—	—	—	—	—	—	52	-57	128	22	16	16
Telefónica	10	84	47	54	106	-30	-11	-41	47	24	-2.1	31	42	-25	29	-7.7	16	6
Iberia	—	—	—	—	—	—	—	28	66	14	-9.3	22	9.5	-28	-4.1	68	15	6.2
Iberdrola	42	73	12	36	-13	1.2	13	-5.6	22	24	27	48	29	-36	8.4	-7.7	14	-4.6
IBEX 35 [a]	22	47	45	39	20	-21	-6.1	-27	32	21	22	36	11	-37	38	-13	11	-4.1
DJIA [a]	36	22	32	12	14	5.1	-11	-16	29	16	9.5	16	8.9	-32	23	14	9.6	0.9
S&P500 [a]	38	23	33	29	21	-9.1	-12	-22	29	11	4.9	16	5.5	-37	27	15	8.5	-0.8
Mercado Mundial [a]	17	13	13	22	33	-15	-16	-17	38	18	14	24	15	-43	39	15	8	1.1
FTSE 100 [a]	26	17	29	18	21	-8.2	-14	-22	18	11	21	14	7.4	-28	27	13	7.7	2.5
DAX 30 [a]	7	28	47	18	39	-7.5	-20	-44	37	7.3	27	22	22	-40	24	16	7.7	1.2
CAC40 [a]	2.8	28	33	34	54	1	-20	-32	20	11	27	21	4.2	-40	28	0.6	7.6	-5.5

Notes:
[a] Market indices were calculated based on companies listed in them each year
[b] Calculated as a geometrical average

Top 10 IBEX 35 companies by total shareholder return rate

Table 3.4

Companies and rates ranked by 2007-2010 average

Source: Datastream International through Wharton Research Data Services

Company	2007	2008	2009	2010	1995-2010 Average [b]	2007-2010 Average [b]
Técnicas Reunidas	52.3	-57.2	127.8	21.9	16	16
Inditex	4.6	-23.3	41.9	31.5	13.1	10.6
Iberia	9.5	-27.9	-4.1	68.2	14.6	6.2
Telefónica	41.7	-25,4	29,3	-7,7	15,7	6
Red Eléctrica	36.1	-14.9	11.3	-5.8	21	4.9
OHL	-0.9	-56.2	107.6	22.1	18.4	2.4
Grifols	53	-19.6	1.7	-15.4	1.5	1.5
Enagas	16	-20	4,5	1,3	16,1	-0.5
Arcelor Mittal	69	-66.9	95.5	-10.3	-0.5	-0.5
ACS	-2.6	-16	12	6.1	24.1	-0.7
FTSE 100 [a]	7.4	-28.3	27.3	12.6	7.7	2.5
DAX 30 [a]	22.3	-40.4	23.8	16.1	7.7	1.2
Mercado Mundial [a]	15.1	-43.3	39	15	8	1.1
DJIA [a]	8.9	-31.9	22.7	14.1	9.6	0.9
S&P500 [a]	5.5	-37	26.5	15.1	8.5	-0.8
IBEX 35 [a]	10.7	-36.5	38.3	-12.9	11	-4.1
CAC40 [a]	4.2	-40.3	27.6	0.6	7.6	-5.5

Notes: [a] Market indices were calculated based on companies listed in them each year
[b] Calculated as a geometrical average

In 2010, only 17 listed Spanish companies tracked by Datastream obtained a higher shareholder return rate than the average of euro area companies within their respective sectors, in other words, 14% of the total, a much smaller proportion than the 28% in 2009 and the 39% in 2008. In the years prior to the crisis, the proportion of Spanish companies above the average was even higher. For example, in 2006 the figure was 54%. This trend means that, because of the crisis, there has been **a very sharp decline in the returns of listed Spanish companies as compared with companies from the same sector in the euro area** (see Table A4).

Table 3.5

Top 10 Spanish companies by total shareholder return rate in 2010, relative to companies in the same sector in Euro area

Source: Datastream International through Wharton Research Data Services

	Outright rate		Standardized rate		Standardized rate	
Company	Position	%	Position	euro area	Position	World
Viscofán	1	63.6	1	1.61	9	0.26
Codere	7	33.7	2	1.5	10	0.07
CAM	16	21	3	1.29	11	0.07
Befesa Medio Ambiente	28	3.6	4	1.27	32	-0.43
Jazztel	6	33.7	5	1.07	2	0.81
Amadeus IT Holding	8	31.8	6	0.99	1	1.66
OHL	13	22.1	7	0.94	6	0.29
Técnicas Reunidas	14	21.9	8	0.93	7	0.28
Criteria Caixacorp	10	27.9	9	0.92	8	0.26
Miquel y Costas	2	54.5	10	0.8	4	0.66

In 2010, only 5 listed Spanish companies obtained a return rate one standard deviation higher than the average of their euro area peers in the same sector (Viscofan, Codere, CAM, Befesa Medio Ambiente and Jazztel), 7 fewer than in 2009 and 11 fewer than in 2008. None of them achieved returns two standard deviations higher, while in 2009 three did (Tables 3.5 and A4). In the sector-specific tables, there are very few manufacturing companies, which indicates that the crisis has hit these companies harder than their peers in the euro area.

If shareholder return rates are compared with those of other companies from the same sector in the global economy as a whole instead of in the euro area, similar results are obtained. The linear correlation between the two rankings is 80%, slightly lower than the 87% in 2009. However, there are important differences. For example, Befesa Medio Ambiente ranks 4th in the euro area, but only 32nd in the world in terms of return relative to companies in the same sector, and Hullera Vasco Leonesa is 12th in the euro area and 71st in the world. Funespaña ranks just 55th in the euro area, but 15th in the world, and Natra is 68th and 28th, respectively (Table A4).

In 2010, there were only two sectors in which a significant number of listed companies achieved higher return rates than their euro area peers. In construction and infrastructure, there were four companies out of a total of ten (OHL, Técnicas Reunidas, Cleop and ACS) and in paper there were two out of a total of four (Iberpapel, and Papeles y Cartones). In the rest of sectors, most or all of the companies obtained lower return rates than their European counterparts. With respect to companies in the same sector in the context of the global economy, Spanish companies offered even lower returns (Table A5).

In short, in 2010 there was a widespread deterioration in shareholder returns, cancelling out much of the increase in 2009. **Furthermore, in 2010 the number of listed Spanish companies with shareholder returns higher than the average of their counterparts in the euro area or the world continued to fall from the peak in 2006.**

Investment bank analysts and Spanish companies 3.2

The recommendations issued in 2010 by **investment banks** on listed Spanish companies were a considerable improvement on 2009, but not enough to conclude that the trend has changed. Since this is an indicator that looks to the future – analysts' recommendations seek to anticipate market performance – the prospects of returns in the Spanish equity market do not appear to have improved significantly. This section looks at recommendations to buy or sell shares in listed companies issued by equity market analysts. These recommendations can and do have a significant effect on the company's future prospects, since they create a climate of opinion about whether or not it is advisable to include – or keep including – a particular listed company in mutual fund portfolios (see Box 3.2).

Stock market analysts' recommendations Box 3.2

The source of the data used to evaluate **stock market analysts' recommendations** is I/B/E/S (Institutional Brokers Estimates System), which includes the recommendations of investment bank analysts (especially from abroad, although also some from Spain). The data presented here reflects the total of those recommendations. For each year, the first and last recommendations from each investment bank were taken into account. Although each investment bank uses its own classification system, the uniform categories used in the I/B/E/S database are "strong buy," "buy," "hold," "underperform," and "sell." Furthermore, the average recommendation was calculated using a scale from 1 ("strong buy") to 5 ("sell"), which also features in I/B/E/S.

It is important to note that from April 2003 a new regulatory framework in the United States aimed at preventing conflicts of interest and financial scandals obliged stock market analysts to provide more information regarding their recommendations and other aspects of their activity. The effect has been to reduce the number of positive recommendations with respect to negative ones. Accordingly, the data after the new regulatory framework entered into force are not strictly comparable to the figures prior to that date.

As has been usual since the crisis began in 2007, analysts' recommendations follow discernable patterns by sector and listed company, since the crisis has had different effects. During 2010, there was an increase in the number of recommendations issued on Ibex-35 companies (to 568) with respect to 2009, which is usually interpreted as being positive. Table 3.6 shows the figures for the 1997-2010 period, considering the first and last recommendation issued each year for each listed company.

As in previous years, companies with the largest market capitalization are those that receive the largest number of recommendations. Telefónica heads the list with 45, followed by BBVA and Banco Santander, with 36 each, Repsol with 34, Iberdrola Renovables and Inditex with 32, and Iberdrola with 31 (see Table A6).

In the period elapsed between the last recommendations issued by investment banks on Ibex-35 securities in 2009 and the first issued in 2010 there was a notable improvement, especially in the number of "buys" (from 21.3% to 28.5% of the total) and "holds" (from 29.0% to 33.3%), although the number of "strong buys" did fall (from 21.1% to 18.7%). The increase in positive recommendations was accompanied by a fall in recommendations to sell (see Table 3.6). However, between the first and last recommendations of 2010, the improvements in recommendations were much more modest: from 28.5% to 29.9% in the case of "buys" and from 33.3% to 34.0% in the case of "holds", but with a fall in the number of "strong buys" from 18.7% to 17.6%. "Underperforms" and sells fell slightly (Table 3.6). Accordingly, **2010 ended with a slightly better balance of recommendations on Ibex-35 securities than at the end of 2009, although the improvement focused on "buys" rather than on the more positive "strong buys"**.

Table 3.6

Vertical percentages

	1997		1998		1999		2000		2001		2002		2003	
Recommendation	F	L	F	L	F	L	F	L	F	L	F	L	F	L
"Strong buy"	24.7	21.8	22.4	18.2	23.7	27.0	22.6	23.4	18.9	20.4	16.3	17.1	14.9	17.8
"Buy"	24.1	26.5	27.6	29.5	32.1	33.0	39.7	38.3	34.5	32.6	34.4	29.9	30.8	23.5
"Hold"	36.0	37.5	34.1	36.9	31.4	28.8	28.6	29.2	33.0	34.2	34.4	36.1	34.5	39.3
"Underperform"	9.0	8.1	10.8	9.7	9.5	8.8	7.7	7.4	12.2	11.3	11.9	13.9	13.7	14.1
"Sell"	6.1	6.1	5.1	5.7	3.3	2.4	1.4	1.7	1.5	1.5	3.0	3.0	6.0	5.3
Total IBEX 35	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Number	344	344	352	352	452	452	416	418	476	476	596	596	562	562

F First
L Last

The information contained in Table 3.6 shows that there are many changes in analysts' recommendations over the course of a year. This is because investment banks react to both the macroeconomic, financial and competitive situation and the trends specific to each sector and company, making their recommendations vary substantially. After some ups and downs between 1997 and 2001, 2002 saw a deterioration in recommendations due to the crisis in Argentina and its repercussions elsewhere in Latin America, a region in which more than half of Ibex-35 companies held major investments. From 2003 onwards, recommendations improved slightly, but did not reach the levels of the late-1990s, perhaps due to regulatory changes in the activities of stock market analysts in the wake of financial scandals in the US (see Box 3.2).

Investment bank analysts' recommendation tends to be interpreted in line with the sector of activity. Table 3.7 shows the top-ten listed Spanish companies in terms of stock market analyst recommendations in 2010, standardized by sector in the euro area (the full list is given in Table A6). The interpretation of these data is the same as in Table 3.5, in other words, a potential investor will want to compare the recommendations obtained by Spanish companies with those obtained by companies in the same sector in the same monetary region. Table 3.7 also shows the standardized recommendations using figures from companies in the sector worldwide. Since the I/B/E/S database gives a score of 1 to the best recommendation ("strong buy") and of 5 to the worst ("sell"), the companies with the best recommendations are those with the lowest standardized score and, of course, negative, since it will always be lower than the average.

The ten companies with the best average standardized recommendation by sector in the euro area were Lets Gowex, Zinkia Entertainment, C.A.F., Tubos Reunidos, Grupo Empresarial San José, Elecnor, Cie Automotive, Telvent, Medcom Tech and Natra. Only two of them made the list in 2009: Zinkia and Cie Automotive. Se-

Stock market analysts´ recommendations on IBEX 35 companies, 1997-2010

Source: I/B/E/S (Institutional Brokers Estimates System) through Wharton Research Data Services

	2004		2005		2006		2007		2008		2009		2010	
Recommendation	F	L	F	L	F	L	F	L	F	L	F	L	F	L
"Strong buy"	15.3	16.7	14.1	16.3	17.7	17.3	16.6	18.6	17.5	22.1	15.8	21.1	18.7	17.6
"Buy"	27.4	24.1	26.2	21.5	26.4	18.7	23.9	26.3	28.5	22.7	23.2	21.3	28.5	29.9
"Hold"	32.8	34.6	32.3	32.0	33.2	35.0	33.6	32.8	26.8	25.6	31.2	29.0	33.3	34.0
"Underperform"	17.8	19.0	18.2	23.3	15.2	20.3	19.3	17.1	20.0	22.6	19.6	20.8	12.5	11.8
"Sell"	6.7	5.6	9.2	6.9	7.5	8.7	6.7	5.3	7.1	7.1	10.1	7.8	7.0	6.7
Total IBEX 35	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Number	646	647	595	596	572	572	586	586	634	634	525	525	568	568

Note: Data prior to April 2003 are not comparable to data subsequent to that date because of the regulatory change in the United States aimed at preventing conflicts of interest between investment banks and financial intermediaries. The figures were calculated based on companies listed in the IBEX 35 in each year

veral of these companies have a strong international bias and presence, most notably in emerging economies, an aspect which investment banks appear to welcome, especially against a backdrop of crisis. However, it is worth taking into account that, except for C.A.F., Telvent and Natra, the outright number of recommendations is less than 5. Table A6 shows that the most extreme values in the average recommendation – whether at the beginning of the classification or at the end – tend to be associated with smaller companies with a relatively small number of recommendations.

It is important to note that the comparison with companies in the same sector in the euro area or in the rest of the world does not affect results, since the correlation between the last two columns of Table A6 is 98.7%. Most listed companies, 74 to be exact, obtained better recommendations in comparison with their euro area peers in than with their peers in the world overall (most notably Alba, Dinamia, Iberia, Service Point and Vueling). There are only 35 listed companies who in 2010 obtained a better score in comparison with their peers in the world than in the euro area (most notably, Telvent, Repsol, Quabit Inmobilia, Renta Corporación, Dogi and La Seda).

There has been a slight increase in the number of listed companies whose score from stock market analysts is above the euro area average, from 39% in 2009 (42 of 107 companies) to 43% in 2010 (47 of 109 companies), although it remains below the 2008 figure, which was 45%. **Only 39% of listed Spanish companies obtained a better score than the average of companies in their sector worldwide**, above the 35% of 2009 but below the 42% of 2008. So 2010 signals something of a recovery in average recommendations adjusted by sector with respect to 2009, but without reaching the levels of 2008.

Table 3.7

Top 10 Spanish companies by average recommendation from stock market analysts in 2010, compared to companies in the same sector within the Euro area

Average recommendation 1=best; 5=worst

Source: I/B/E/S (Institutional Brokers Estimates System) through Wharton Research Data Services

	Number of recommendations			Average recommendation		
Company	Outright	Estandardized Euroarea	Estandardized World	Outright	Estandardized Euroarea	Estandardized World
Lets Gowex	1	-0.92	-0.96	1	-1.91	-1.88
Zinkia Entertainment	1	-0.86	-0.89	1	-1.65	-1.63
C.A.F.	7	-0,35	-0.31	1.57	-1.6	-1.13
Tubos Reunidos	4	-0.66	-0.49	1.25	-1.56	-1.23
Grupo Empresarial San José	2	-0.83	-0.67	1	-1.54	-1.35
Elecnor	1	-0.87	-0.85	1	-1.45	-1.47
Cie Automotive	2	-0.73	-0.65	1	-1.4	-1.34
Telvent	10	1.18	0.06	1.8	-1.38	-0.63
Medcom Tech	1	-0.7	-0.76	1	-1.36	-1.38
Natra	6	-0.16	-0.01	1.33	-1.29	-1.15

Note: The average recommendation was calculated giving the following values: "strong buy" = 1, "buy" = 2, "hold" = 3, "underperform" = 4, and "sell" = 5

Visibility of Spanish companies in the international financial press 3.3

In 2010 there was an increase in the coverage of Spanish companies in the international financial press with respect to 2009, although pre-crisis coverage levels were not regained. Historically, Spanish companies were not widely featured in publications like The Financial Times, The Wall Street Journal, The Wall Street Journal Europe and The Economist. Due to their internationalization process, the interest among global financial circles has increased sharply in the last 15 years. The quantity and quality of media coverage are pivotal variables since investors, analysts, directors and politicians from all over the world use the international financial press to obtain information and projections regarding the performance of the economy and the companies. The financial, economic and political decision-makers read these sources and make decisions based on information published therein. Companies can be helped or hampered by the image and currents of opinion formed about them in the international financial press. Box 3.3 describes the methodology used to gauge the presence of Spanish companies in the four leading printed media.

Methodology for compiling references to Spanish companies in the international financial press

Box 3.3

Mentions of Spanish companies in the international financial press were calculated based on a three-step methodology. Firstly, a list was compiled of the almost 200 companies which in principle might appear at least once in the Financial Times, Wall Street Journal, Wall Street Journal Europe and The Economist between 1995 and 2010. Secondly, systematic searches were performed in those four publications for articles mentioning any of the companies, using the Factiva database (Dow Jones). Lastly, data was systematically trawled to verify their accuracy.

If a company was mentioned more than once in the same article, it was counted as a single mention.

Chart 3.1shows the number of times Spanish companies were mentioned since 1995. It shows that coverage of Spanish companies has increased from less than 1,000 references per years prior to 1995 to an average of around 2,800 since 2006. There were three outright peaks in the last decade, in 1997, 2000 and 2006, each linked to certain major transactions at some of the largest Spanish multinationals. In 2010, both absolute coverage and the relative number of articles published increased compared with the previous year. 2010 ranks fifth in terms of outright mentions, with more than 2,800 articles.

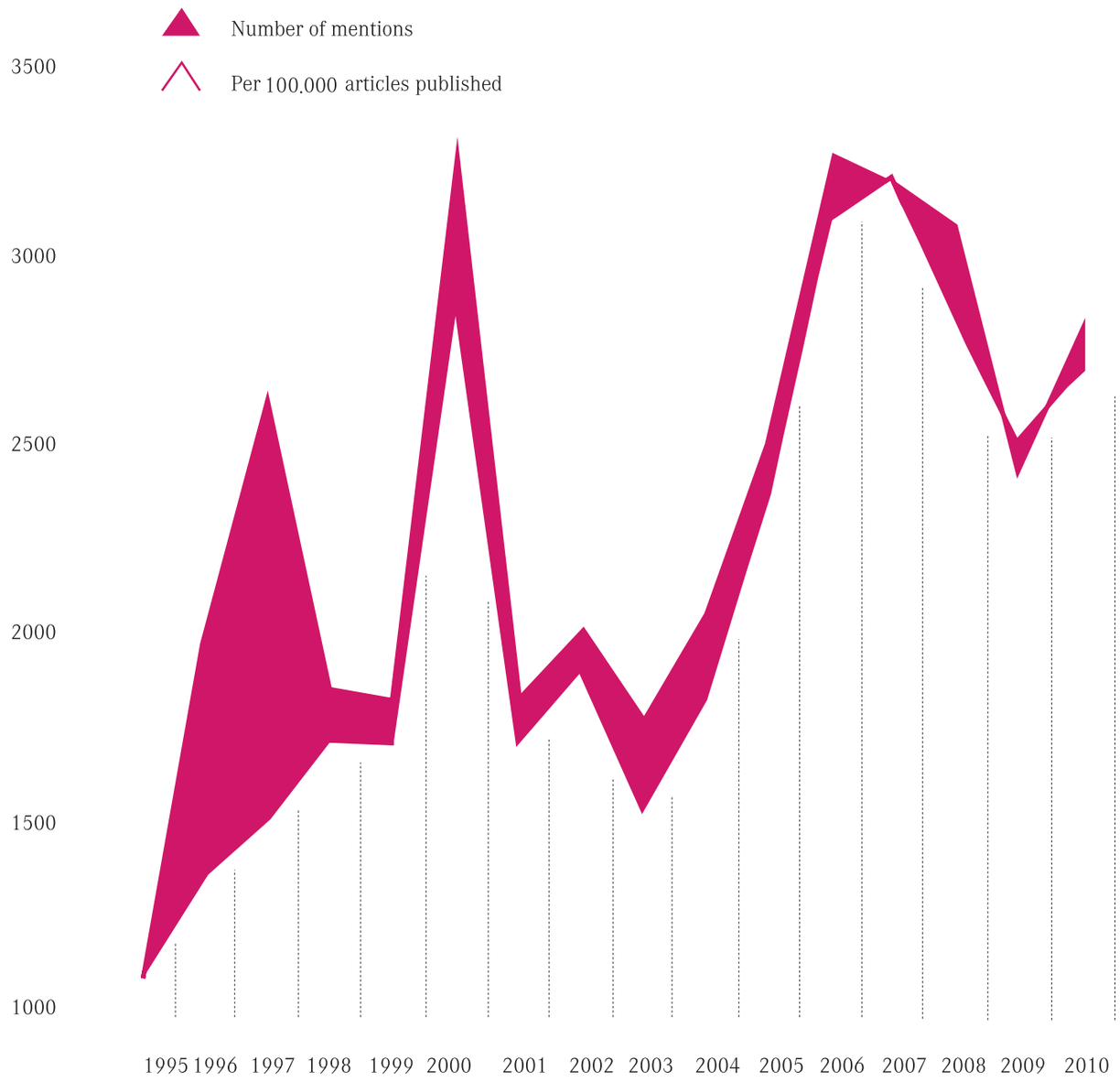
2010 ranks fourth in terms of the number of times Spanish companies are mentioned in relation to the total number of articles published in these media. It is important to highlight that Spanish companies still attract more attention than might be expected in view of the economy's size in a global context. To put these figures into perspective, Spain's GDP accounts for just under 2% of the global economy, but Spanish companies are mentioned in almost 2.8% of international financial press articles, which means that in 2010 Spanish companies received coverage 40% higher than the Spanish economy's weighting in the world.

It should come as no surprise that the most cited companies are the biggest ones. Table 3.8 shows the list of the 25 Spanish companies most frequently mentioned between 1995 and 2010. In 2010, Banco Santander overtook Telefónica and was cited in 854 articles, the largest number of mentions of any Spanish company throughout the period. After these two companies, at some distance, are BBVA, Endesa and Repsol. In 2010, as well as Santander, the most frequently cited companies, in decreasing order, were BBVA, Telefónica, Repsol, Iberdrola and Inditex. It is worth noting that while Telefónica was not the most frequently mentioned, it did received more media attention than in 2009 due to the controversy regarding Brazilian operator Vivo.

Chart 3.1

Number of references to Spanish companies in articles published in the international financial press, 1995-2010

Source: Factiva



Note: The media included in the analysis are the Financial Times, Wall Street Journal, Wall Street Journal Europe and The Economist. The correlation between the two series of data is 0,90

Top 25 Spanish companies by references in the international financial press, 1995-2010

Table 3.8

Source: Factiva

Company	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Outright 1995 2010	Relative 1995 2010 [a]
Santander [b]	136	264	414	405	378	347	191	295	186	520	349	261	532	664	616	854	6412	1610
Telefónica	177	400	538	362	382	1114	413	360	262	256	343	346	361	245	245	275	6079	6458
BBVA [c]	142	288	273	242	201	389	207	291	227	195	399	202	139	147	206	386	3934	988
Endesa	64	148	381	175	182	207	147	112	84	92	174	482	298	78	68	34	2726	6865
Repsol	106	251	185	65	160	193	124	162	99	130	172	181	117	147	111	105	2308	1308
Iberia	94	117	131	83	90	67	125	77	65	118	81	58	92	120	75	90	1483	3840
Iberdrola	23	43	45	56	33	145	110	48	83	32	58	158	148	233	106	104	1425	3589
Ferrovial	2	4	1	6	15	11	8	7	31	40	24	380	155	222	120	76	1102	1339
Inditex	3	0	14	7	14	17	54	39	60	73	110	92	116	102	131	103	935	2973
Gas Natural	14	45	31	19	14	54	14	37	69	34	120	237	113	59	28	26	914	518
La Caixa	29	55	70	48	47	70	9	25	32	36	39	40	45	55	21	58	679	170
Banco Español de Crédito	78	48	62	34	21	8	1	53	27	55	24	30	29	36	47	58	611	153
Real Madrid	50	41	56	41	20	15	21	35	55	32	28	21	9	57	83	37	601	1772
Unión Fenosa	7	21	35	34	23	94	46	63	36	16	56	55	28	59	24	6	603	1519
Altadis [d]	0	0	0	0	12	39	10	24	50	30	47	40	186	39	31	7	515	2345
Banco Popular Español	9	30	43	30	27	41	12	45	30	31	22	10	19	44	30	73	496	125
Acciona	0	0	0	8	7	9	7	2	12	10	18	72	183	52	47	24	451	548
Telefónica Móviles Español	0	0	6	1	3	101	81	57	45	45	34	21	3	1	2	0	400	425
Caja de Ahorros de Madrid	2	3	14	19	25	19	12	12	21	29	26	21	59	42	30	38	372	93
Sacyr Vallehermoso	0	0	0	0	0	0	3	4	12	6	21	52	98	93	19	23	331	402
Abertis Infraestructuras	0	0	0	0	0	0	0	0	1	17	28	144	58	44	9	28	329	8711
ACS	0	0	1	1	0	1	8	12	13	7	18	56	31	63	22	72	305	370
Prisa	2	16	36	9	16	24	8	22	5	6	22	8	12	28	39	35	288	306
Bankinter	9	12	13	8	15	24	8	7	12	4	8	13	19	14	16	41	223	56
FCC	3	9	8	22	8	8	16	12	12	12	9	23	34	23	9	18	226	275
Outright total	1109	2054	2666	1889	1865	3304	1841	2044	1801	2091	2552	3304	3239	3117	2453	2843	38172	–
Relative total [e]	1132	1388	1516	1720	1710	2856	1712	1890	1536	1837	2406	3167	3258	2700	2353	2761	2127	–

Notes: The media included in the analysis are the Financial Times, Wall Street Journal, Wall Street Journal Europe and The Economist

[a] Per 100,000 articles published on the sector in which the company operates

[b] Prior to the merger between Santander and Central Hispano in 1999 the references to the two companies have been included

[c] Including references to Argentaria, BBV and BBVAA

[d] Including only references to Altadis, not including references to Tabacalera

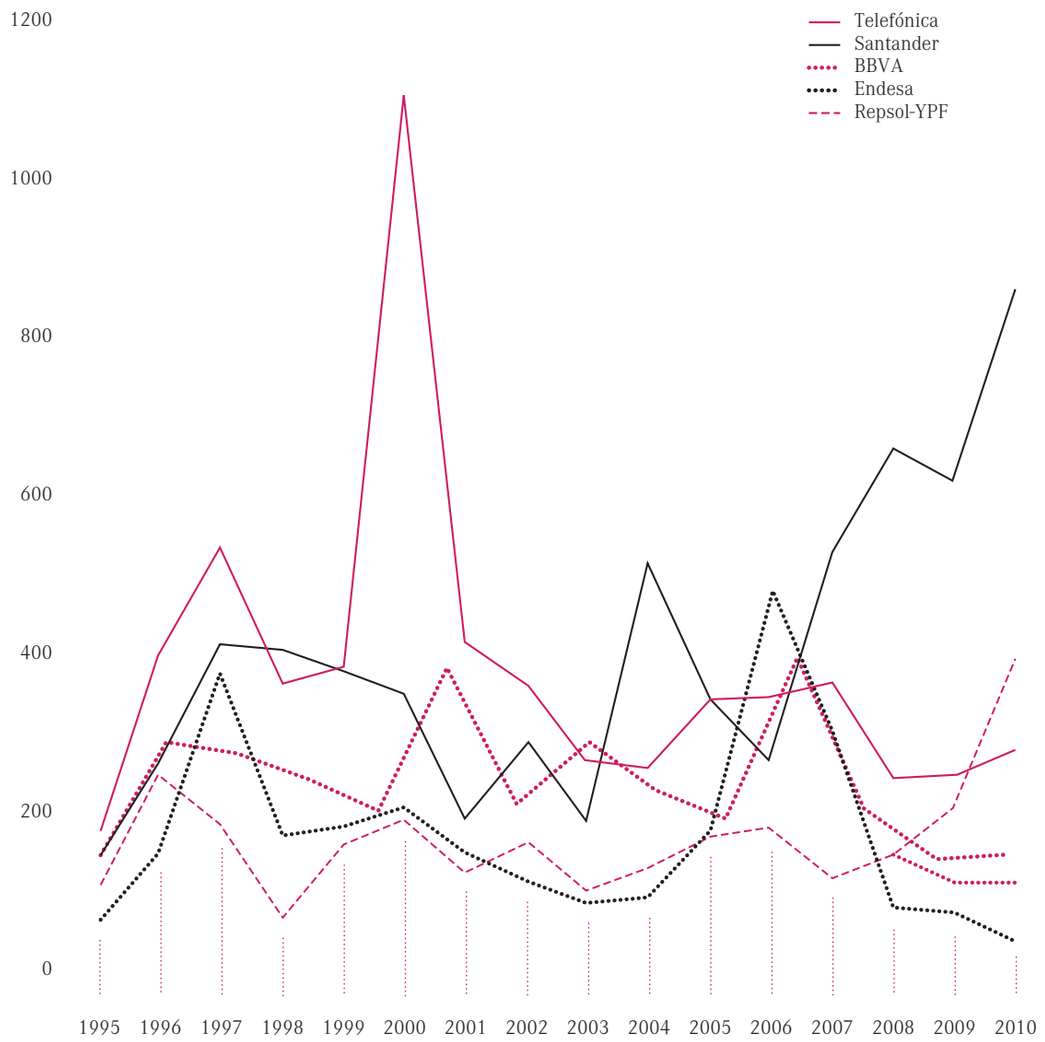
[e] Per 100,000 articles published in the four media analyzed

As usual, coverage of companies in international financial media depends on their size and international projection. The most strategic sectors of the economy – such as banking or energy – also attract more attention. Lastly, the international financial press tends to reflect offensive and defensive merger and acquisition movements. While in 2009 The Wall Street Journal Europe cited Spanish companies in 15.1% of articles published, in 2010 the percentage was just 4.1, followed by The Financial Times with 3.4%, The Economist with 1.7% and The Wall Street Journal with 1.5%, a figure which is below the proportionate weighting of the Spanish economy in the world (see Table 3.9). It is worth noting that the decline in coverage in 2009 had been due to The Financial Times, while in 2010 this newspaper and the WSJ increased their coverage, while the other two decreased theirs (Chart 3.3).

Chart 3.2

Top 5 Spanish companies by references in the international financial press, 1995-2010

Source: Factiva



Note: The media included in the analysis are Financial Times, Wall Street Journal, Wall Street Journal Europe and The Economist

Accordingly, with respect to the previous year 2010 saw a slight increase in international coverage of Spanish companies, especially in the case of *The Financial Times*. Interest in Spanish companies remains focused on their international transactions, while in 2010 the problem of sovereign debt also boosted coverage of banks since they play a major role in debt financing. In general, coverage cannot be expected to regain the record levels of previous years unless Spanish companies undertake major investment operations abroad. In any event, the international financial press devotes more attention to Spanish companies than warranted by the scale of the Spanish economy.

Top 25 Spanish companies by references in the international financial press in 2010, by publication

Table 3.9

Source: Factiva

Company	Total	FT	WSJ	WSJE	Economist
Santander	854	510	162	163	19
BBVA	386	207	86	83	10
Telefónica	275	155	40	69	11
Repsol	105	65	19	17	4
Iberdrola	104	63	16	22	3
Inditex	103	60	29	10	4
Iberia	90	51	13	25	1
Ferrovial	76	54	10	11	1
Banco Popular Español	73	47	14	12	0
ACS	72	33	11	26	2
Banco Español de Crédito	58	31	12	15	0
La Caixa	58	32	10	13	3
Banco de Sabadell	42	26	8	8	0
Bankinter	41	35	4	1	1
Caja de Ahorros de Madrid	38	16	9	11	2
Real Madrid	37	24	6	4	3
Promotora de Informaciones	35	18	5	10	2
Endesa	34	23	3	7	1
Gamesa	28	22	1	5	0
Abertis Infraestructuras	28	22	2	4	0
Gas Natural	26	9	7	8	2
Acciona	24	18	2	3	1
Sacyr Vallehermoso	23	17	4	1	1
Abengoa	21	13	5	3	0
Fomento de Construcc.	18	11	5	2	0
Total Spanish companies	2843	1686	523	561	73
Total for every 100,000 articles[a]	2761	3374	1496	4106	1667

Note: [a] Per 100,000 articles published in the media analyzed

Chart 3.3

Number of references to Spanish companies in articles published in the international financial press, by publication, 1995-2010

Source: Factiva

Conclusion 3.4

2010 was a year of negative result from the standpoint of shareholder returns. The most worrying aspect is that, unlike the worst year of the crisis, 2008, the sluggish economic-financial performance of listed Spanish companies took place in both outright terms and relative to other companies in the euro area and the global economy as a whole. Except for a few companies in the manufacturing, business services, infrastructure and financial services (excluding banks) sectors, the bulk of Spanish companies have been hampered by the adverse effects of the lacklustre domestic market, soaring unemployment and the sovereign debt crisis. In general, the most internationalized companies, such as Inditex and Técnicas Reunidas, managed to escape disaster. Consequently, 2010 signaled a sharp deterioration following the strong recovery in stock markets in 2009.

As in the previous year, the only glimmer of hope came from the recommendations of the leading investment banks' stock market analysts. These recommendations improved slightly in 2010, despite the decline in shareholder returns. This apparent inconsistency can be explained by the fact that analysts look to the future and react to the relatively sluggish prices of Spanish equities by recommending that investors buy. However, it is worth recalling that the improvement was due mainly to an increase in the number of “buy” recommendations, not “strong buys”. Another somewhat positive aspect is that in 2010 the percentage of listed companies whose recommendations were better than their European and global peers increased, albeit marginally.

Also in 2010 there was an increase in the coverage of Spanish companies by the international financial press, although it did not bounce back to pre-crisis levels. As in 2009, the coverage of some sectors has tended to be critical, especially in the case of construction and real estate. However, the Spanish banking sector has generally received positive treatment in the international financial press, although the savings banks and liquidity woes have dampened this view somewhat.

To conclude, 2010 will go down in the History of Spain's economy, businesses and stock markets as one of the toughest. It was a devastating year for shareholder returns. The most worrying thing is that the deterioration was generalized in relation to other stock markets in both Europe and the rest of the world. One can only hope that investment bank analysts were right in recommending investors to buy Spanish equities. It is also worth noting in conclusion that the few examples of companies that have managed to emerge unscathed from this difficult year are precisely those with a solid international presence in terms of investment or exports.

4 Awards and special mentions for the Internationalization of Spanish Companies

As in previous editions of this Yearbook, this year *Círculo de Empresarios* wishes to publicly recognize the work of those Spanish companies which, through their internationalization, contribute to the global projection of our economy. For the first time, this year we have classified these awards into three different categories.

Firstly, and for the first time, we have decided to recognize those major companies which, in the opinion of *Círculo de Empresarios*' members, have accumulated a **significant track record of internationalization** over the last few years, making them deserving of this recognition. The three award-winners in this category, in alphabetical order, were Acerinox, Grifols and Indra.

Secondly, *Círculo de Empresarios* has again rewarded those large Spanish companies that have completed **major internationalization operations in the year, in this case in 2010**. As usual, these operations were chosen by members through a vote and based on the following criteria: new business opportunities opened; new geographical destinations tapped for the company, significant increase in the company's global market share, technological innovation, impact on the host country and volume of investment (in outright terms and in relation to the size of the company and that of its sector). The companies whose foreign operations have been chosen are Abengoa and Iberia.

Lastly, *Círculo de Empresarios* has also decided to recognize a new category, internationalization by many of the **medium-sized Spanish companies**. The idea here is to highlight the pivotal importance of small and medium-sized companies for the Spanish economy, while at the same time promoting their venturing abroad as a strategy to gain in competitiveness. The ad hoc committee set up to choose the companies most deserving of awards in this category decided to reward three companies for their operations abroad: Europac, Pescanova and Viscofan.

4.1 Awards to Major Companies for their Track Record in Internationalization

4.1.1 ACERINOX, S.A.

ACERINOX, S.A. is the leading global stainless steel manufacturer in production capacity terms (with 3.5 million tons of steel production). It has three factories for the integral production of flat products, and in long products it also enjoys a leading position internationally, especially in terms of its production structure.

In 2010, it invoiced 4.5 billion euros (consolidated balance sheet), of which 90.5% (4.073 billion euros) came from the international market. Furthermore, in the same year its workforce averaged 7,424. The Acerinox group operates in five continents, with sales in more than 80 countries. This international expansion has been possible due to a series of operations over the last few years, consolidating its position as the largest global stainless steel manufacturer.

In 2001, Acerinox negotiated the acquisition of a 64% stake in Columbus, owner of an integrated flat stainless steel products plant in Middelburg (South Africa). In January 2002, the agreement was implemented, and South African companies HIGHVELD STEEL and SAMANCOR LIMITED subscribed to the 8.8% capital increase of Acerinox, S.A. Acerinox now owns 64% of COLUMBUS STAINLESS PTY. LIMITED, making it the world's third-largest manufacturer of stainless steel.

In the same year, the North American Stainless (NAS) stainless steel production plant, 100%-owned by Acerinox, was launched in Carrollton, Kentucky (United States). This facility has an installed stainless steel capacity of 800,000 tons, and was an addition to the plants which the company already owned in Campo de Gibraltar (Spain) and in Middelburg (South Africa). In 2003, a new international commercial network storage facility was opened in Rottweil (Germany), where Acerinox already owned a services center and a warehouse.

In 2005, Acerinox increased its shareholding in Columbus to 76% for 47.5 million euros. One year later, a services center was opened in the city of Guelph (Toronto, Canada), the group's eighteenth worldwide and its fourth in North America.

In 2008, ACERINOX, S.A. and NISSHIN STEEL decided to build a new stainless steel plant in Malaysia, specifically in JOHOR BAHRU. For this purpose, a new company, BAHRU STAINLESS, was incorporated, in which Acerinox holds a controlling stake (67%). In March next year, the foundation stone of the future facility was laid; its final investment will total 1.5 billion dollars. At the end of 2010, activity began with the first coil.

Throughout the last few years, investment has already been ploughed into expanding the capacity of the plants located in South Africa and the United States. Recently, the first ship left Campo de Gibraltar with a cargo of stainless steel for processing.

4.1.2 GRIFOLS, S.A.

In 1940, doctor José Antonio Grifols and his two sons founded the Grifols laboratories in Barcelona. Currently, Grifols, S.A. is a group of companies operating in the healthcare sector as a supplier to healthcare professionals and patients in more than 90 countries worldwide. They research, develop, manufacture and market plasma derivatives, products for intravenous treatments, enteral feeding, diagnostics and medical supplies.

In 2010, it invoiced 990 million euros (consolidated balance sheet), of which 77% (762 million euros) came from the international market. Furthermore, its average workforce in 2010 totaled 5,968.

In the 1990s the company commenced its international expansion, having been awarded two licenses from the US Food and Drug Administration in 1995. Today, Grifols owns a US subsidiary of the same name through which it operates in that country. It has also conducted a succession of acquisitions of plasma collection centers bringing the total to 80. In Europe, it has subsidiaries in 9 countries in addition to Spain. The company also operates in Latin America through commercial subsidiaries in Argentina, Brazil, Chile and Mexico; and in South East Asia with subsidiaries in Thailand, Malaysia and Singapore. It also conducts its commercial activity in Japan and Australia.

There follows a brief overview of some of the operations it has conducted in the last few years. In 2002, Probitas Pharma, parent of the Grifols group, opened its new US headquarters in Boston, Massachusetts. A year later, the same company acquired assets from Alpha Therapeutic Corporation, the US arm of Japanese company Mitsubishi Pharma Corporation. In 2008, Grifols was awarded a license to market Flebogamma® DIF, its cutting-edge intravenous immunoglobulin (IVIG), in Australia. In 2009, it took control of an Australian-Swiss group for 25 million euros. The following year, Grifols built a plant at Düdingen (Switzerland) to manufacture rapid blood-grouping cards and broadened the existing production lines of these cards at another Swiss plant. Furthermore, in 2010 two new production lines were installed in Melbourne (Australia) for rapid blood-grouping reagent cards. In June last year, Grifols signed a final agreement to acquire US company Talecris Biotherapeutics, also specializing in the production of plasma derivatives, for a total of 2.8 billion euros.

4.1.3 INDRA

INDRA is a global company harnessing technology, innovation and talent, a leader in high value-added solutions and services for the transport and traffic, energy and industry, Public Administrations and health, financial services, security and defense, and telecommunications and media sectors.

In 2010, it invoiced 2.557 billion euros (consolidated balance sheet), of which almost 40% (1.001 billion euros) came from the international market. Furthermore, it had an average workforce of 27,325.

In the last 5 years, Indra has recorded very substantial international growth. In 2006-2010, Indra posted 19.50% compound annual sales growth (CAGR) in the international market. This positioned Indra among the 4 leading IT companies with a global presence in Latin America and one of the leaders in Europe.

Furthermore, between 2009 and 2010, despite the tough macroeconomic backdrop, Indra's international market grew by 13%, and between 2010 and 2011 it grew by 10%, to become the company's growth driver.

In just 5 years, Indra's international workforce has grown ten-fold, from 1,000 professionals working in 9 countries to almost 10,000 in offices in 40 countries. Indra has become a company able to compete

anywhere in the world and a global player with clients in more than 100 countries and recording more than 1 billion euros in international sales.

There follows an overview of some of the company's milestones. In 2006, it completed the acquisition of Azertia and Soluziona, an operation that underpinned its international presence, especially in the Latin American market. This acquisition effectively doubled the company's total workforce. In 2007, it acquired Australian hi-tech company Interscan. One year later, Indra celebrated its 15th anniversary and became the leading European company in its sector in terms of R+D+i; and the number of offices and professionals abroad grew by close to 10%. In 2009, Indra acquired Peruvian IT leader COM, S.A., consolidating its position in Latin America (which accounts for 10% of total sales). At that time, the average international workforce grew by 22% to around 7,000. Last year's international sales accounted for 40% of the total, growing 10%. Latin America was the main driver, posting 41% growth.

4.2 Awards for the Top Corporate Internationalization Operations by Major Spanish Companies in 2010

4.2.1 ABENGOA, S.A.

Abengoa is an international company implementing innovative technological solutions for sustainable development in the energy and environment sectors, generating electricity based on solar energy, producing bio-fuels, desalinating sea water and recycling industrial waste.

The company invoiced 5.566 billion euros in 2010, of which 74.30% (4.136 billion euros) came from the international market. Furthermore, it had an average workforce of 26,118.

The operation for which it has been chosen is the approval of a federal guarantee of 1.450 billion dollars awarded to Abengoa Solar and announced by US president Barack Obama in July 2010. Abengoa Solar had already reached an agreement more than a year previously with Arizona Public Service (APS), the largest electric utility in Arizona, to undertake this project. This guarantee implies backing for the construction and launch of Solana, a 250-megawatt solar thermal plant in Arizona (United States). With the capacity to store up to six hours of solar thermal energy, Solana will be able to produce electricity during cloudy periods and after sunset, meeting the considerable summer demand in the region. The plant will be located 100 kilometers from Phoenix, near Gila Bend, Arizona, and will supply electricity to 70,000 households and prevent the emission of 475,000 tons of CO_2 per year.

This guarantee is part of the American Recovery and Reinvestment Act and will allow building of the plant to commence. Coupled with its operation, this will generate sizeable financial and environmental benefits for the State of Arizona, and it will also help the US meet its energy independence targets.

4.2.2 IBERIA LÍNEAS AÉREAS DE ESPAÑA, S.A..

Iberia, founded in 1927, is one of the oldest airlines in the world. It is Europe's fourth airline in terms of passenger numbers and the leader in passenger traffic between Europe and Latin America, having the largest offering in terms of destinations and frequency. Its main hub is Barajas Airport in Madrid. Its business focuses mainly on three areas: passenger and cargo transport, aircraft maintenance and airport handling services. Iberia is also a founding member of the global oneworld airline alliance, offering customers a total of around 700 destinations.

In 2010, it invoiced 4.582 billion euros (consolidated balance sheet), of which almost 67% (3.041 billion euros) came from the international market. Furthermore, it had an average workforce of 20,103.

In April 2010, Iberia and British Airways signed a merger agreement, thereby creating one of the largest airline groups in the world. The resulting holding company is International Consolidated Airlines Group, more commonly known as International Airlines Group (IAG). However, both Iberia and British Airways have kept their respective brands and they continue to operate independently. The merger, which will generate 400 million euros in synergies from the fifth year, resulted in a group with a fleet of 408 aircraft, a network of 200 destinations and invoicing of close to 15 billion euros per year.

Spanish shareholders control 45% of the holding company, while British shareholders hold 55%. The airline's chairman is Antonio Vázquez, while Willie Walsh (BA's chief executive) has taken over as CEO.

The merger was instrumented as follows: firstly, what was previously Iberia S.A. transferred all its assets (personnel, aircraft, buildings, flight rights) to a new company, Iberia Operadora, which later became Iberia Holding. Meanwhile, what was previously British Airways became British Airways Operadora, to which all the assets were transferred, and it assigned its shares to a new company created in Spain, BA Holdco. BA Holdco and Iberia Holding merged to create IAG in January 2011.

Following the merger, Iberia is now the third-largest air transport group in Spain and the sixth-largest in the world in terms of invoicing. The new airline is listed on the London and Madrid stock exchanges. IAG's corporate headquarters are located in Madrid and its financial and operating headquarters are located in London.

4.3 Special Mention for Medium-Sized Companies for their Track Record in Internationalization

4.3.1 EUROPAC

Europac is a leader in the packaging sector, focusing on paper, corrugated cardboard and packaging, the sale of energy derived from its industrial activity, as well as the collection and marketing of recovered paper. The core principles of its activity include self-supply of energy, care and respect for the environment and the development of innovative products.

The group's history dates back to 1890, when the firm Nieto de Manuel Lorenzo began manufacturing cardboard packaging in Valladolid. Almost eighty years later it acquired Papelera del Cinca S.A. and Cartonajes Catalanes S.A., two companies located in Alcolea de Cinca (Huesca) which merged in 1990 to create Papeles y Cartones de Cataluña S.A. Previously, in 1973, it had acquired Sociedad Anónima Española de Celulosas, Fibras y Derivados, S.A., which was later to be called Papelera de Castilla. Europac was founded in 1995 as Papeles y Cartones de Europa, S.A., as a result of the merger of the aforementioned Papelera de Castilla, S.A. and Papeles y Cartones de Cataluña, S.A. The company is now chaired by José Miguel Isidro Rincón.

A year after its incorporation, Trasloga S.L. was launched to manufacture corrugated cardboard sheets at the Dueñas facility in Palencia, Spain. In 1998, Europac was listed on the Madrid stock exchange, strengthening its financial structure and underpinning its vertical integration with the acquisition of shareholdings in companies that consume paper and corrugated cardboard sheets.

In 2000, the company began to grow, through a number of acquisitions at home and abroad. The year began with the acquisition of a 32.5% stake in Portuguese group Gescartão, 100% of Portuguese cardboard factory F.P. Do Ave, and 100% of Spanish packaging manufacturing companies Trasloga, Torrespack 2000 and Embalatges Sentelles. In 2001, it acquired 40% of Portuguese company Marimbal, focusing on the transformation of corrugated cardboard. A year later, the acquisition of 100% of Cartova, S.A., located in Paterna (Valencia) and focusing on the manufacture and marketing of cardboard and cardboard packaging. Between 2005 and 2007, the Gescartão acquisition was completed to secure 100% control of the company and it also acquired a 51% stake in Manuel Rodrigues de Almeida & Filhos (MRA), a company operating in the paper recovery sector in Portugal. The latter operation culminated in 2009, when it obtained 100% control of MRA. It also signed an agreement with a French company to acquire 100% of its subsidiaries Mondi Packaging Atlantique (MPA) and Mondi Packaging Savoir (MPS) focusing on the production of cardboard sheets and boxes. A year previously it had acquired Portuguese firm NorGompapel, thereby boosting its paper recovery capacity to 100,000 tons per year. It also acquired two companies from French group Otor (OPR and OCR).
In the last few years, Europac has acquired a paper recovery plant in Valladolid as part of its Recicla project, in a bid to supply 50% of its used paper requirements. During 2011, Cartonnerie Val de Seine (ECVdS) joined the Europac group.

Europac currently has 30 industrial facilities and 1,955 employees in Spain, France and Portugal. This international development in more than 27 countries makes it less dependent on the broader economic context, with foreign sales accounting for 71% of the total. Accordingly, in 2010, despite the

global economic turmoil, the group recorded consolidated revenues of 616 million euros, up 42% with respect to the previous year.

Since the outset, its strategy has been based on the vertical integration of its activities covering all levels of the production process: from forestry recovery to the production of cardboard boxes, from energy production to the manufacture of recycled paper and cardboard sheets. This enables it to offer a broad range of paper, cardboard and packaging products. Paper is made mainly in Portugal (Kraft paper), France (a production line in Rouen), Dueñas (two production facilities) and Alcolea de Cinca, Huesca (a production line specializing in the manufacture of extremely resistant paper for corrugation). Europac has two plants in Spain for manufacturing corrugated cardboard, one in Dueñas and the other in Alcolea de Cinca. It has various plants in different locations in Portugal and France. Lastly, it has been able to operate in the corrugated cardboard box sector through a number of plants in Spain, Portugal and France where it produces a wide range of packaging in line with its clients' requirements in respect of printing, quality control, R+D+i, service and flexibility.

4.3.2 PESCANOVA

Pescanova was launched in 1960 based on an idea by Galician José Fernández López, who was inspired by a system used in Argentina to export meat. His idea was to apply the system to the fishing business by introducing innovations in fishing vessels to allow the capture, cleaning, slicing, deep-freezing and packaging to take place on the vessels themselves, in order to maintain the products' nutritional properties. Consequently, the first move was to build a series of six at-sea freezing vessels which gave rise to a whole new system of fishing.

Since then, Pescanova has grown and consolidated its position as Spain's leading fishing company and one of the world's top ten, by creating a network enabling it to market all of its products under the Pescanova brand.

The Pescanova group comprises three business areas: Fishco, aquaculture and Aliholding. Fishco encompasses the companies focusing on the extraction of certain fishery products using a fleet of factory vessels. Aquaculture comprises the activities, techniques and knowledge of cultivation and farming of aquatic species of plants and animals, and has been Pescanova's flagship project to offer a fresh and quality product all-year-round. Lastly, Aliholding includes all Pescanova's food, processing and marketing sectors. Pescanova's aim is to gain a firm foothold in the production and marketing of products such as vegetables, pizzas or pre-cooked foods.

Since 1980, the founder's son, Manuel Fernández de Sousa-Faro, has chaired the company. Under his management, the company was listed on the stock market in 1985 and became a conglomerate. It currently distributes its products mainly in Europe, the United States and Japan, although it operates in 21 countries. It also has a fleet of 120 vessels and an average workforce in 2010 of 9,331. Consolidated invoicing in 2010 totaled 1.564 billion euros, of which almost 50% came from sales in foreign markets. The parent company invoiced 571 million euros.

The company's internationalization came through cooperation agreements to adequately exploit international marine resources, by setting up subsidiaries in various countries all over the world and

by acquiring other groups. For example, it has been operating in Chile since 1983, where Pescanova saw the chance to tap into the region's high-quality fishing products in order to meet the needs of its clients worldwide. Its presence in America includes Nicaragua, Argentina, Brazil, Peru and Ecuador, among others. Furthermore, Pescanova increased its exposure to this continent by acquiring US company Ladex LLC, which specializes in farmed shrimp.

It also has subsidiaries in Europe (France, Greece, Italy, Poland and Portugal). In 2006, it acquired French company Seabel, which owns the firm Krustanord, enabling it to consolidate its position in the French shrimp market. Similarly, in 2009, it expanded its presence in Portugal, specifically in Mira, by opening Acuinova, the world's largest farmed turbot plant.

It also operates in the other continents: in Africa with Novagroup, NovaNam and Pescamar; in Australia with Antarctic Polar and Austral Fisheries; and in Asia with Abad Exim and Pescanova Japan.

4.3.1 VISCOFAN

Viscofan is a Navarran company which was launched in 1975 as the brainchild of founder Jaime Echevarría and which has grown on the back of the support of eight Basque investors. Under the stewardship of chairman José Domingo de Ampuera y Osma, it is now the world leader in the production, manufacture and marketing of artificial casings and wraps for the meat industry; it obtained this leadership through solid organic growth coupled with a series of strategic acquisitions both in Spain and abroad.

It was not until 1979 when Viscofan began its operations by marketing the first cellulose casings in Cáseda (its production plant in Navarre). Nine years later, it was listed on the stock market in order to secure the necessary financing to expand in terms of production, overseas markets and results. In 1988, it acquired the IAN group (Industrias Alimentarias de Navarra) thereby gaining a foothold in the canned vegetables segment, with leading brands in the production and canning of asparagus, tomatoes and ready-to-eat dishes.

Viscofan's clear commitment to international expansion has been evident from the 1990s to the present day. It began in 1990 with the acquisition of German group Naturin GMBH, manufacturer of casings for meat products. That same year it built an asparagus plant in Peru: IAN Peru. A year later, Viscofan do Brasil was incorporated, launching a plant for the shaping of cellulose casings in 1993. Its expansion continued with the opening of commercial premises in Russia and Asia and it soon entered the US market. In 1995, Viscofan acquired Gamex, in the Czech Republic, where it launched a finishing plant for Naturin products. It ended the decade by acquiring another plant in Alabama (United States), a casings factory in Brazil and offices in Costa Rica.

In the first decade of the 21st century, the trend continued. In 2000, Viscofan CZ was incorporated in the Czech Republic and one year later the group opened commercial premises in Thailand. From 2002 to 2005, it launched Viscofan Poland, Viscofan Mexico commenced its activities and it acquired Serbian firm Koteksprodukt AD (specializing in high-caliber collagen products), and Swedish company Tripasin. In 2006, Viscofan acquired TEEPAK's North American business. More recently, in 2009, Viscofan Technology (Suzhou) Ltd. was launched in China for the final production phase of artificial casings and, in 2010, the first converting plant was opened in China for the final phase of the manufacture of artificial wraps.

Viscofan offers a wide range of products in five broad categories: cellulose, collagen, fibrous and plastic casings and vegetable foods. Cellulose casings are manufactured using natural cellulose, used mainly to produce industrially cooked sausages (frankfurters, Vienna sausages, etc.). Collagen ca-

sings are manufactured using collagen from cow hides duly processed and shaped into casings. Furthermore, Viscofan also produces an edible collagen film wrap used to encase various meat products such as ham. Fibrous casings are cellulose casings used mainly for large sausages and slicing meats such as mortadella and other hams. Plastic casings use various plastic polymers as raw materials and are characterized by their barrier properties, peeling and other characteristics, etc. They are used in products such as pâtés and gelatins. Finally, via the IAN group, it also operates in the canned vegetables market, where it produces and cans asparagus, legumes, peppers, fried tomato and olives, as well as marketing ready-to-eat dishes.

The group is currently in the midst of its 2009-2011 Be One strategic plan, based on the group's five strategic pillars: consolidation, globalization, service, efficiency and R+D+i. This plan aims to develop new strategic initiatives designed to tap more efficiently into scale economies and boost its competitive advantage in terms of both technology and geographical diversification. In other words, the idea is to align the organization towards further integration, to offer its clients even more added value, to continue growing by tapping into the increasing demand in almost all countries in the world, to add new businesses and, finally, to strengthen the presence of centers of excellence that are distinguished by their management, service, innovation and quality.

This commitment to technological innovation, modernization and internationalization has enabled Viscofan to grow into the world's only manufacturer with the know-how to produce all four technologies existing in the market of artificial casings, affording it a substantial competitive advantage. This advantage has led it to sell its products in more than 120 countries worldwide and to grow to own eight production centers (Spain, Germany, Brazil, United States, Mexico, Czech Republic, Serbia and China).

In figures, in 2010 it invoiced more than 633 million euros, 8.6% more than in the previous year; it reaches more than 2,000 clients and it has an average workforce of 3,900 in 13 countries. Volume growth in the artificial casings market in 2010 is expected to be between 6% and 7%, compared with growth of 3% and 5% in previous years, making it necessary for the industry to boost its capacity in order to respond adequately to new demand.

Viscofan is listed on the Madrid general stock exchange (Índice General de la Bolsa de Madrid - IGBM), in the consumer goods segment and foods subsector. Specifically, it has belonged to the Ibex Medium Cap index since July 2008 and is listed on the Madrid, Barcelona and Bilbao stock markets. In 2010, its shares gained 59.7% to 1,321.7 million euros, compared with a 17.4% decline in the Ibex 35.

4.4 Economic sectors and geographical areas/countries cited by Círculo de Empresarios members as potentially attractive in the next few years

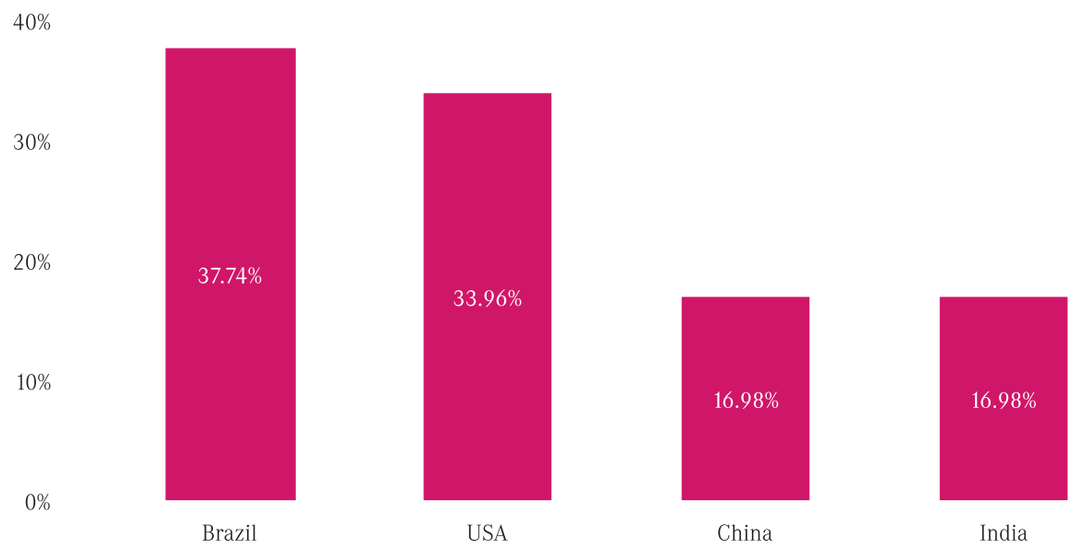
As in previous editions, this edition of the Yearbook also includes a section on the **economic sectors and geographical areas or countries** which, according to members of Círculo, present the best foreign investment opportunities for Spanish companies in the next few years. Once again, Brazil (with the support of almost 38% of all voting members) came out tops. It was closely followed by the United States (around 34%) and, slightly further behind, by China and India (17% each) (Chart 4.1).

As regards the sectors in which to undertake these investments, the outright winners were infrastructure and public works (with 37% of support from voting members), energy (32%), healthcare and social services (21%), information and communications services (11%) and business services – consulting and outsourcing (Chart 4.2).

Chart 4.1 Geographic areas more voted by Círculo de Empresarios' members

Values corresponding to percentage of the total number of members' votes

Source: Own research

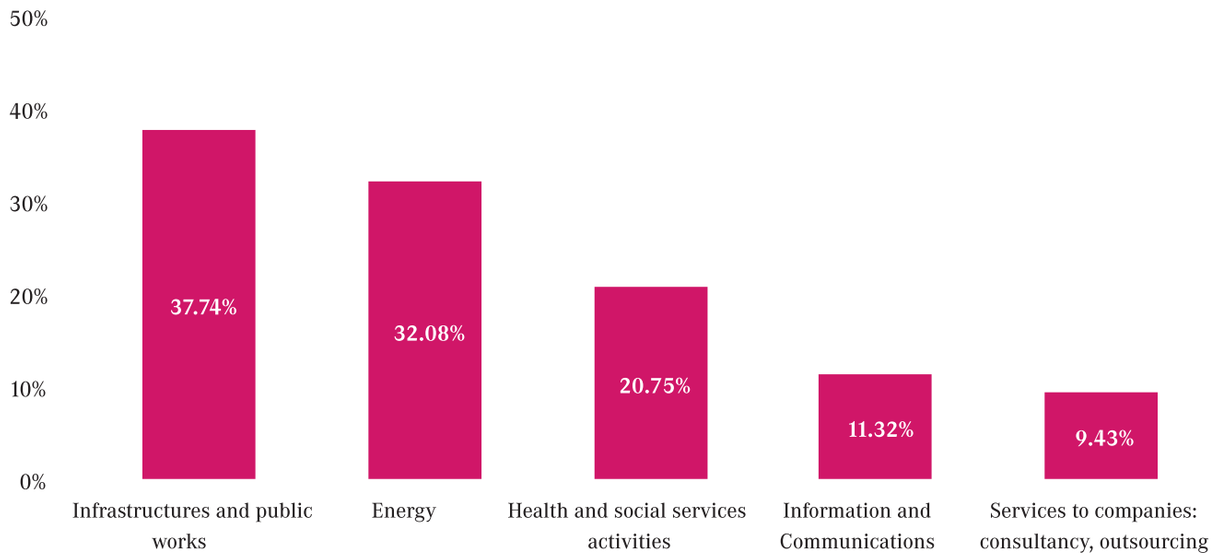


Sectors more voted by Círculo de Empresarios' members

Chart 4.2

Values corresponding to percentage of the total number of members' votes

Source: Own research



5 The role of the ICEX in the expansion of Spain`s foreign sector

In 1982, Spain launched the National Institute for the Promotion of Exports (Instituto Nacional de Fomento a la Exportación - INFE), the predecessor of today's Spanish Foreign Trade Institute (Instituto Español de Comercio Exterior - ICEX), to boost internationalization in the Spanish economy. Since then, the foreign sector has been completely transformed and expanded, and Spain is now a major player in international trade and direct investments. At the same time, the ICEX's resources, programs and instruments have changed and adapted to the demands of companies, which have become increasingly more integrated in international markets. The ICEX has accompanied exporting and investing companies throughout the process of change and of opening up the country's economy in the last thirty years.

The purpose of this article is to examine the role of the ICEX since its creation, which coincided with the period of Spain's entry into the European Union. The work first overviews the core characteristics of the transformation of Spain's foreign sector and then describes how the ICEX has accompanied businesses in this process, outlining its basic lines of action. Finally, the article explains how the ICEX is tackling the future challenges, through its transformation into a public business body, in an environment that is increasingly global, and at the same time against a backdrop of budget restrictions.

5.1 The transformation of Spain's foreign sector

The Spanish economy has undergone a sea change over the last 80 years, and today it is fully integrated in the international context, with significant participation in global trade and an increasing number of multinationals operating in various markets. These changes began with the Stabilization Plan and entry into the General Agreement on Tariffs and Trade (GATT), which signaled the official end of the period of autarchy, and they continued with the signing of the Preferential Agreement with the EEC in 1970, and later Spain's membership in 1986, and culminated with the country's successful entry into the Euro system in 2002.

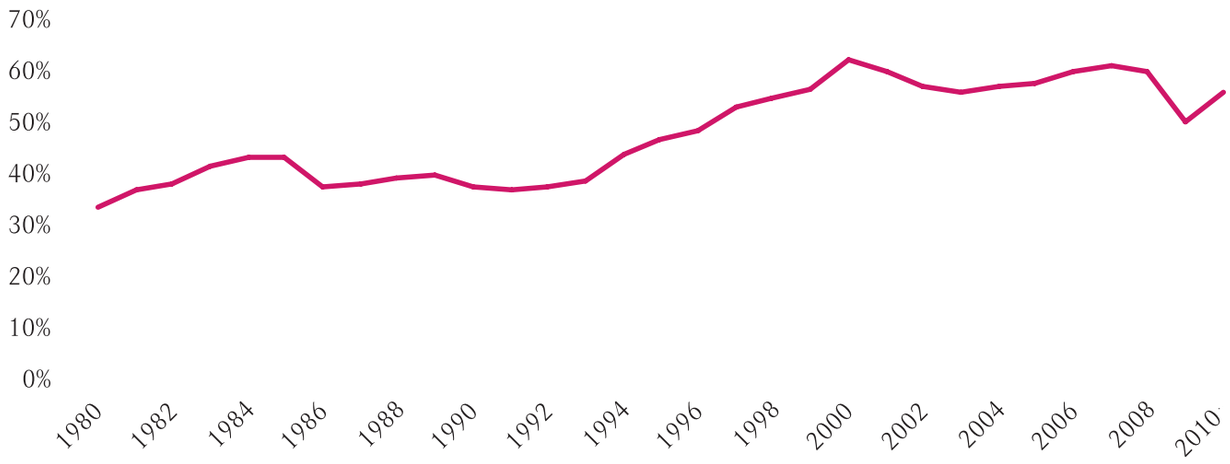
As a result of the aforementioned process, the Spanish economy is today a major player in the worldwide trade of goods and services and in global direct investment flows. Indeed, as evidenced by one of the traditional indicators, namely trade openness (overall weighting of goods and services exports and imports in GDP), Spain is currently one of the most internationalized in the world. As Chart 5.1 shows, the rate of openness has doubled since 1980.

In internationally comparative terms, Spain's trade openness is very similar to that of other EU countries and higher than other leaders in world trade such as the United States and Japan (Chart 5.2).

Chart 5.1 Trade openness of the Spanish economy. Goods and services

% GDP

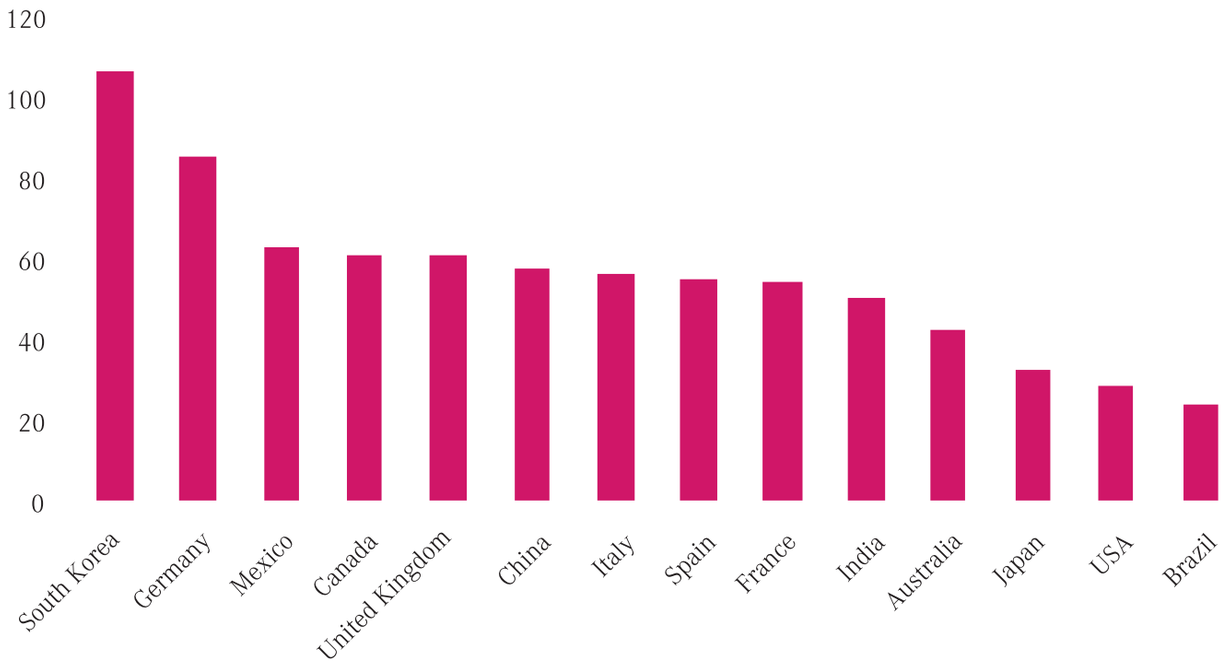
Source: INE, Bank of Spain and Customs



Comparison of trade openness in 2010

Chart 5.2

Source: WTO and IMF, April 2011

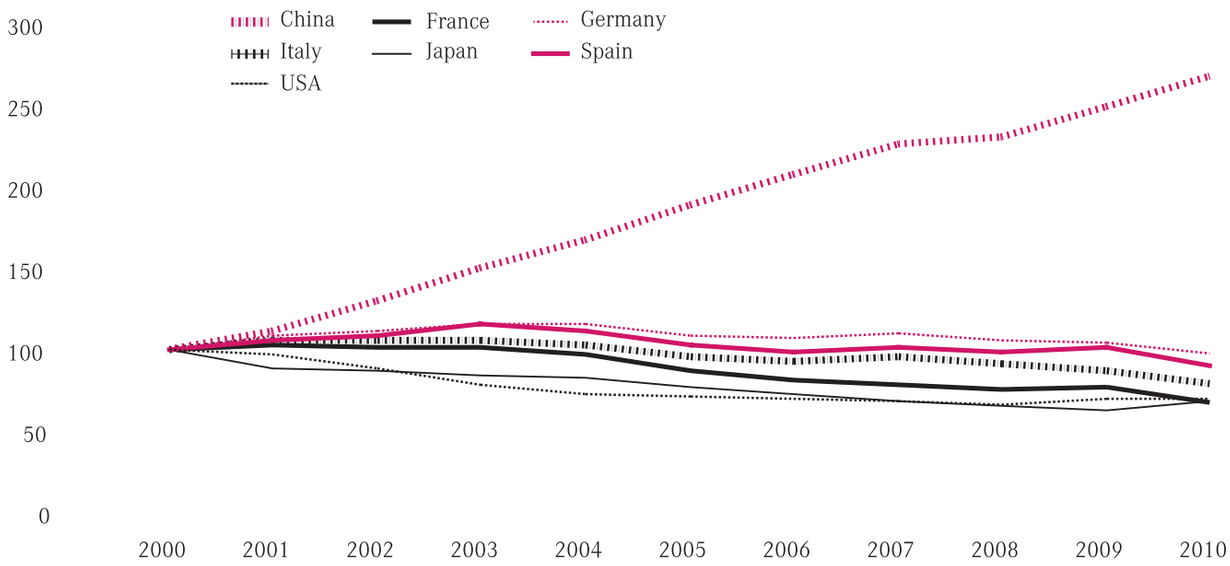


This openness has been accompanied by an improvement in Spain's competitiveness, understood as Spanish companies' capacity to maintain and expand their foreign markets, and is partly reflected by the increase in the country's market share of world trade during a significant part of this period, as well as a smaller loss than some neighboring countries following China's emergence on the world stage as a powerful exporter (Chart 5.3).

Chart 5.3 Comparison of Spain's share of global goods exports

(Base year 2000=100)

Source: Own research based on WTO data



Considering that Spanish exports' competitiveness-to-price ratio has been undermined by the inflation gap with other OECD countries, it is clear that Spanish products have taken a huge leap forward in terms of quality, brand, design, post-sale service and, in general, all those attributes linked to differentiation.

A clear exponent of the qualitative progress in Spanish exports is the profound transformation in the country's export pattern: over time, products with greater added value and an increasingly sizeable technological component have gained weighting in Spain's pattern of trade. Similarly, it is worth highlighting the growing significance of intra-industrial trade, bringing Spain into line with the most advanced countries in the world.

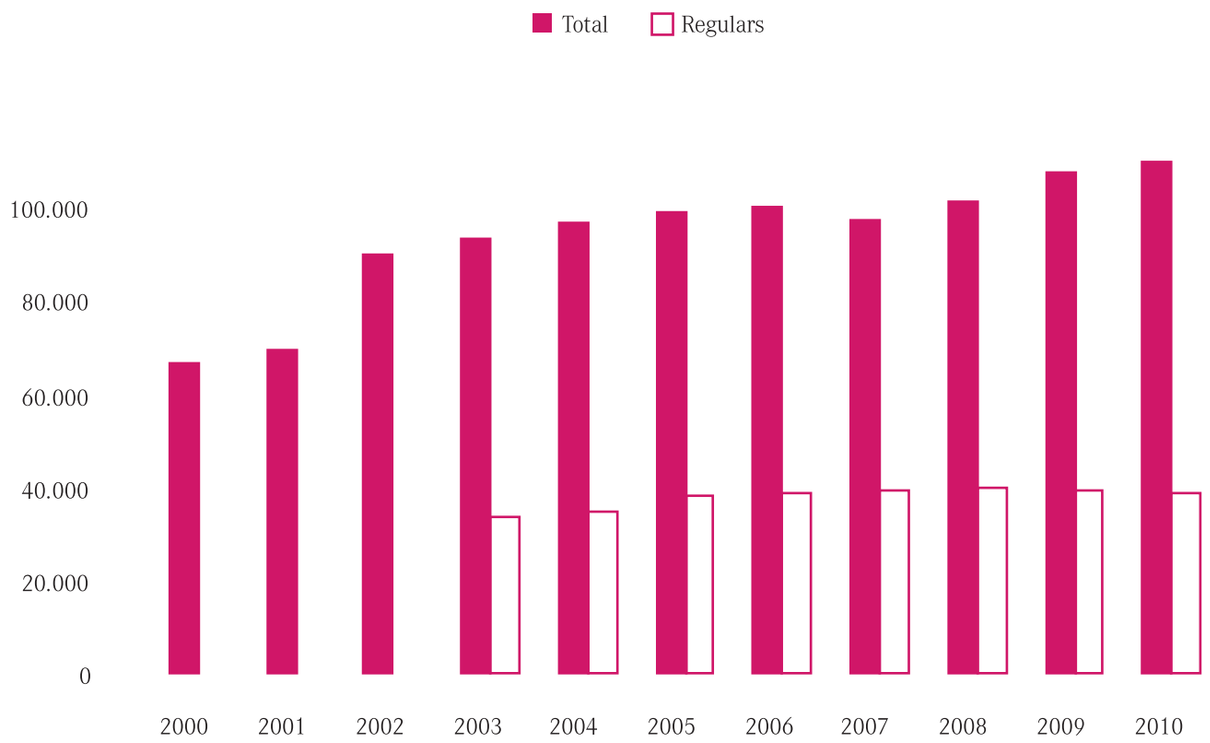
Thus, competitiveness and openness have been mutually strengthening: the more open the economy, the more exposed companies are to competition, obliging them to be more efficient and innovative, and to produce better products and services; and this improvement in products and services has in turn boosted Spain's capacity to operate in international markets.

The growth in openness of the Spanish economy was accompanied by a significant increase in the number of exporting companies. While it is difficult to obtain accurate data for the first few years of the period, it is worth highlighting that in the last 11 years the total number of exporters has increased by around 43,000, implying a 65% rise. If we take into account only the regular exporters (companies which exported consecutively for the four years prior to the period under consideration), the figures reveal an increase of 5,500 (Chart 5.4).

Number of exporters: total and regular — Chart 5.4

In thousands

Source: the ICEX, based on Customs data

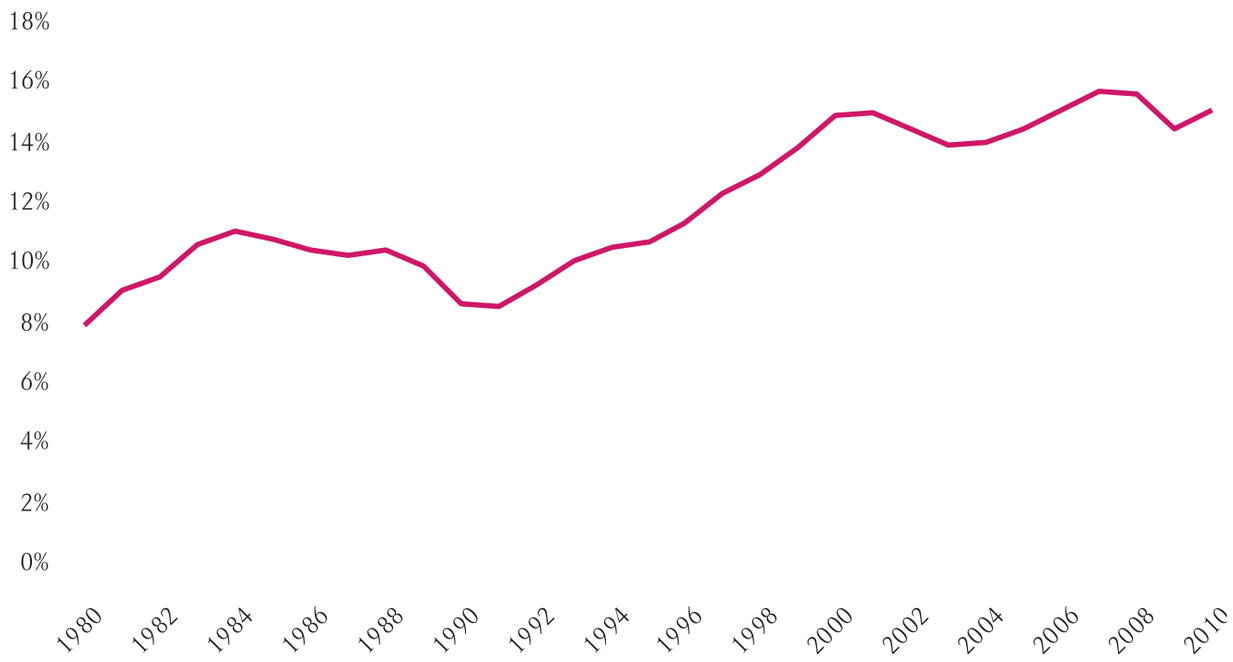


Another factor to take into account in the transformation process of the Spanish foreign sector, in line with the tertiarization of the country's economy, is the increasing weighting of services trade in the goods and services balance, where "other services" have been added to the traditional presence of tourism revenues. Indeed, since 2006 revenues from "other services" have actually exceeded tourism revenues. Furthermore, it is worth highlighting the increasing weighting of services trade in GDP, which has doubled since 1980 (Chart 5.5).

Chart 5.5 Trade openness of the Spanish economy. Services

% GDP

Source: INE, Bank of Spain and Customs



Internationalization has increased in scope and depth. A growing number of companies export goods or services, and are successfully completing the first phases of internationalization and effectively gaining a foothold in other markets, by setting up manufacturing centers or creating their own commercial networks. This is evidenced by the appearance of the first multinational Spanish companies and the significant increase in direct investment outflows, so that Spain has gone from being a net receiver to being a net issuer of foreign investment (Chart 5.6 and 5.7).

Investment flows between Spain and the rest of the world

Chart 5.6

Billions of euro

Source: Data Invex. Ministry for Industry, Trade and Tourism

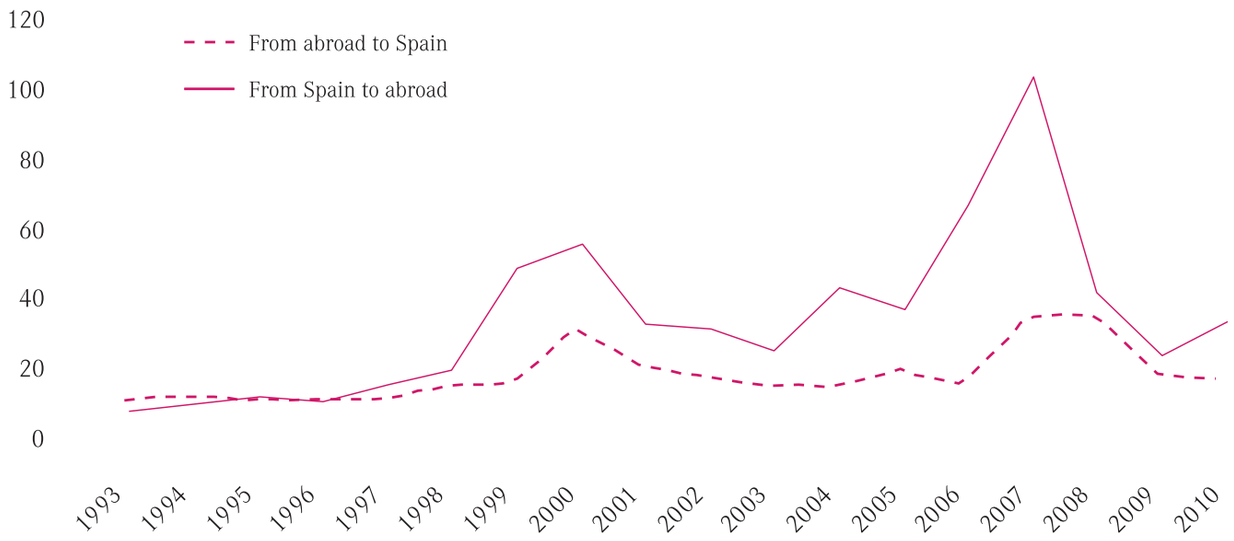
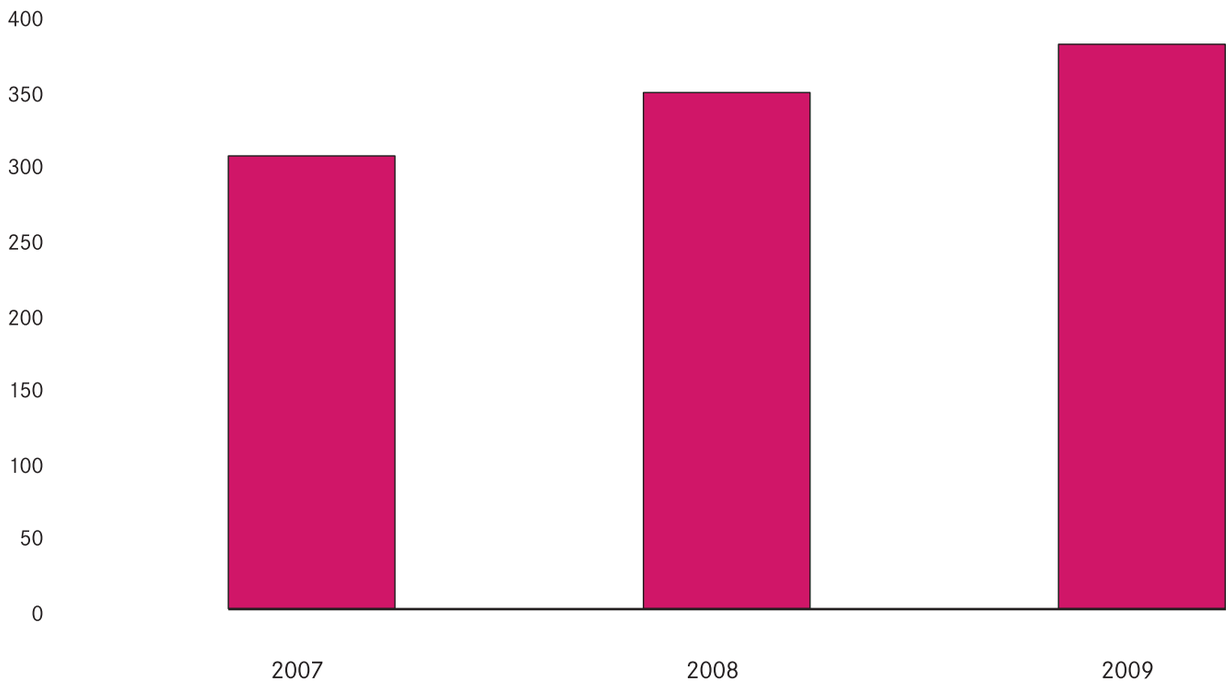


Chart 5.7

Spain's investment position abroad

Total operations in billions of Euro

Source: Data Invex. Ministry for Industry, Trade and Tourism



For companies, foreign investment implies diversifying risks and the possibility of tapping into scale economies when it comes to undertaking, for example, R+D+i, highly dependent on the size of the company and the availability of technical and financial resources to which small companies, in general, have little access. For the Spanish economy as a whole, foreign investment implies greater insertion in the global cycle.

Although a considerable portion of this investment responds broadly to the major operations conducted by the country's largest business groups, and it is focused on sectors like banking, electric power, telecommunications and infrastructure concessions, it is important to recall that Spain has a significant number of companies that might be classified as multinationals (many of them with workforces not exceeding 1,000), operating in a broad range of industrial sectors.

In some cases, the foreign expansion of these "small" multinationals has been "horizontal"; in other words, they have entered new markets by exploiting their competitive advantages in terms of cost, technology or know-how. In other cases, it has been "vertical", stemming from the need to secure a reliable source of supplies, distribution channels for their products manufactured in Spain or lower production costs.

However, this beneficial process of opening up the Spanish economy has led to an increasing weighting of imports in internal demand, resulting in a structural problem for the Spanish economy in the form of a chronic trade deficit which, despite being partly offset by the tourism surplus, has in various periods hampered growth and/or implied greater dependence on external financing.

In the past, currency devaluations were a handy tool used relatively frequently to redress the balance, but since Spain joined the European Monetary Union this tool is no longer available. Accordingly, it is and will continue to be necessary to devise active policies to impact on the factors that are requisite to cut the deficit.

From the imports standpoint, two factors currently explain why their value outweighs that of exports. Firstly, a structural factor of Spain's economy, namely energy dependence, which, coupled with the higher oil prices in recent years, has pushed the energy bill higher and therefore boosted the weighting of the energy deficit in the overall trade deficit. Secondly, the boom in imports from China since it joined the WTO: up fourfold from 4.713 billion euros in 2000 to 18.867 billion euros 2010. Indeed, the trade deficit can currently be explained almost entirely by the energy deficit and the trade deficit with China, as Spain actually has a trade surplus with the EU.

In addition to these two factors which explain the trade deficit from the imports standpoint, there are a series of other factors which, although in the process of correcting, still limit the growth potential of Spanish exports, such as the still-weak regular export base of Spain's economy, the high concentration of exports in the EU, the moderate weighting of high-tech products in the trade pattern and Spain's weak image.

During its more than 25-year history, the ICEX has implemented parallel measures to accompany companies in transforming Spain's foreign sector and reducing the aforementioned structural weaknesses, without which growth in exports would be even greater.

5.2 The role of the ICEX in the expansion of Spain's foreing sector

5.2.1 Background

The significant expansion of Spain's foreign sector was boosted by the firm commitment of the country's Trade Administration to support companies that were or looked set to become the main players in this transformation.

As a result of the decision to boost the internationalization process of the Spanish economy, in 1982, the National Institute for the Promotion of Exports (Instituto Nacional de Fomento de la Exportación - INFE) was launched. This body was the immediate predecessor of the Spanish Institute for Foreign Trade (Instituto Español de Comercio Exterior - the ICEX), which was launched as such five years later, and which will soon celebrate its thirtieth anniversary.

When the INFE was created, exporting was still almost a marginal activity for many companies, so it was launched with the aim of actively boosting Spanish companies' foreign activity, creating a system to promote foreign trade similar to those existing in neighboring countries.

However, Spain's entry into the European Union, as well as the increasing internationalization of the global economy, engendered a new scenario for Spain's Trade Administration and for the INFE in particular, since, in the new context, Spanish firms had to compete in a much more demanding environment without part of the support with which the State had hitherto furnished them. To offer companies additional solutions and instruments, the ICEX was launched in 1987, expanding the promotional support for exports to include the areas of training, information and consultancy services to companies. This broadening of the sphere of action of the trade body materialized in the organic structure of the ICEX.

5.2.2 The ICEX into the present

The ICEX's history lies within the framework of a process in which the internationalization of Spanish companies is no longer an option but a necessity, since in the current climate their future will increasingly depend on their ability to compete.

Against this backdrop, the ICEX has evolved, aiming its resources, instruments and programs to provide quality and value-added services. This role as service provider is based on the principle of complementarity with private activity, so that most of the services are co-financed by those receiving them, with companies and the ICEX being involved in joint projects.

In addition to the general and lasting objective of fostering the internationalization of Spanish companies, the ICEX has always focused on a series of action lines whose strategic importance has increased or decreased with the times.

The programs and instruments through which these actions have been implemented have also varied, with new instruments adapting to new needs, or existing ones being revised and reoriented.

These action lines, described below, are aimed at building on the progress achieved in the foreign sector, acting on the main factors that undermine export growth potential and correcting market deficiencies in internationalization.

Increase in the export base

One of the ICEX's main commitments has been and is to help more companies to begin and/or consolidate their exports. Although there has been clear progress, the number of companies which regularly export is still relatively small, at around 38,000.

Consequently, instruments have been designed to facilitate the internationalization of small and medium-sized companies with little or no experience, including the Export Initiation Plan (Plan de Iniciación a la Exportación - PIPE). After an agreement was reached between the ICEX and the Department of Chambers of Commerce (Consejo Superior de Cámaras de Comercio), with the collaboration of Spain's seventeen autonomous regions and eighty-five Chambers of Commerce, in July 1997 the PIPE 2000 program was launched. This was the first nationwide program aimed specifically at SMEs seeking to develop commercially through exports.

While the program's initial objective was to help 2,000 SMEs become exporters by the end of 2000, the program's success led to its extension to cover the period 2000-2006, and later 2007-2013, the current phase. Since its launch, more than 7,000 companies have benefited from the program. These companies have seen their exports grow at above the Spanish average, and many of them (more than three-quarters of the total) have become regular exporters.

In practice, the program offers firms integrated and continuous accompaniment for two years in all decision-making phases, tailoring the following elements to their requirements:

- Advice from an expert with significant experience in SMEs and foreign trade.

- A working methodology adapted specifically to its products and/or services.

- Financial backing to implement the strategy designed for them.

- A series of additional services ranging from promotional activities to funding, financial services, translation services, etc.

Accordingly, participation in the program helps foster a change in culture at businesses, as well as greater involvement in exports in all areas and departments.

Furthermore, in 2005 the ICEX launched its APEX program (Aprendiendo a Exportar – Learning to Export), aimed at creating a "culture of internationalization", raising awareness among non-exporting SMEs of the importance of internationalization. The program includes training sessions and a second follow-up phase in which companies are offered those programs and instruments for promotion abroad, among all those available, which best suit their profile and needs.

Geographical diversification of Spanish exports

Spanish exports have traditionally presented a high degree of concentration in certain markets within the European Union, and this remains the case. While these markets were undoubtedly an opportunity when Spain first joined the EU, today there are a number of other countries posting high economic growth and offering potential opportunities. Consequently, and also since its outset, orienting companies towards markets with opportunities has always been a linchpin of the ICEX's strategy.

Generally speaking, it is worth mentioning that the ICEX's strategy with regard to this goal of geographical diversification in exports has been to relocate resources from those markets that were consolidated as mature markets into high-potential emerging markets which are more difficult for companies to access.

The Integral Market Development Plan (Plan Integral de Desarrollo de Mercados - PIDM), launched in 2005 by the Office of the Secretary of State for Tourism and Trade, is part of this strategy. The PIDM identifies and classifies markets with potential using a method based on the analysis of three qualitative indicators (the country's appeal, competitive strength and investment position), as well as other quantitative indicators such as volume of trade with Spain and economic growth forecasts. Application of these criteria to a total of 93 markets with significant trade volume with Spain resulted in the identification of a group of 11 countries – China, Mexico, Morocco, Algeria, Russia, Brazil, United States, India, Japan, South Korea and Turkey – which are subject to preferential actions by Spain's Trade Administration. In 2008, a new plan was devised for countries belonging to the Gulf Cooperation Council (Saudi Arabia, Bahrain, United Arab Emirates, Kuwait, Oman and Qatar), and the plan for China was adjusted in line with its current weighting in the global economy.

An Action Plan is defined for each market in order to foster the presence of new Spanish companies and consolidate that of those already operating there, to coordinate the actions of the Trade Administration with those implemented by other private bodies such as the Employers' Confederation (CEOE) and to establish a stable framework of cooperation with the authorities of each country.

The success of these programs is evidenced by the performance of exports: in the period from 2005 to 2010, exports to the EU grew at an average annual rate of 2.3%, and exports to PDIM countries grew at an average annual rate of 6.4%.

Sector diversification in exports and a shift in the pattern of exports towards more dynamic sectors with a larger technological and/or differentiation component

Despite the progress in the last 30 years, sectors with a high technological component and, therefore, with greater differentiation capacity, are under-represented in the pattern of Spanish exports. In contrast, goods with an average technological component are relatively over-represented, and this is an area where competition is increasingly fierce and where firms are more sensitive to losses in competitiveness triggered by higher relative costs or currency appreciations.

Within the sector diversification policy, it is worth highlighting the Technology Internationalization Plan, the ICEX program implemented in the last few years to foster development of the services sector, which has traditionally had a limited weighting in the Institute's activity. Indeed, services promotion activities have been confined mainly to those services linked to industrial products (such as consultancy and engineering) and cultural industries (audiovisual, music, publishing, Spanish as a financial resource). To mitigate this imbalance, the ICEX has phased in new sector-wide plans for the promotion abroad of "non-traditional" services (such as IT services, architecture, transport and logistics, mobile services, advertising, insurance, etc.).

Support to companies in the most advanced phases of the internationalization process (commercial or manufacturing launch in other countries)

As we mentioned in the first part of this article, as the process to open up the Spanish economy has been consolidated, in parallel, companies have progressed in their internationalization, switching from being regular exporters to internationalized companies, by launching commercial or manufacturing operations in other countries.

Aware of the importance of this process, the ICEX has launched a number of programs and instruments suitable for each phase of the process, ranging from preliminary information prior to investment decision-making (application of start-up costs), to the evaluation of investment opportunities and/or contact with possible partners that have been previously identified (PROSPINVER program), the establishment of a commercial subsidiary (Start-Up Abroad Plan - Plan de Implantación en el Exterior), and to manufacturing investment (the so-called PAPI program).

Furthermore, the ICEX organizes investment forums and business conferences in order to facilitate contact between interested Spanish companies and entrepreneurs in the countries where these meetings are held, in order to help pinpoint business opportunities, boost knowledge of the target market and provide initial contacts with potential partners with a view to future investment or cooperation.

Consolidation of the country's image

Since there is a clear link between a country's image and the positioning of its goods and services in international markets (especially where the purchasing decision is for the end consumer), improving people's perception of the Made in Spain image has been and continues to be present in all activities implemented by the ICEX and is implicitly included in all the promotional actions designed by the Institute, the aim always being to convey a modern, innovative and advanced image of what Spain has to offer. Furthermore, the ICEX has always understood that specific actions were (and continue to be) necessary to explicitly develop this concept of country image in parallel to the promotional activities.

As a result, in 2003 the Spanish Brands Plan (Plan de Marcas Españolas) was launched to support investments by Spanish companies in promoting their brands, based on the conviction that a correct positioning of the leading Spanish brands in terms of quality, modernity and innovation have a knock-on effect on the rest of the country's offering.

Similarly, the ICEX is involved in the Forum for Renowned Spanish Brands (Foro de marcas Renombradas Españolas), which brings together public and private initiatives in this sphere, and which has the following goals, among others:

- To study, propose and disseminate measures to improve the image of companies abroad by introducing their brands internationally.

- To act as a meeting point for the dissemination of successful brand introductions in order to stimulate other companies into taking the same path.

Thirdly, the ICEX cooperates with other institutions in the Spain Brand Project (Proyecto Marca España), spearheaded by the Association of Communication Executives (Asociación de Directivos de Comunicación).

Considering information as a fundamental tool in the internationalization process

Increasingly, the possession of accurate, updated and easily accessible information has become a major factor in decision-making in all spheres of business activity and in internationalization in particular, where the relative distance and lack of knowledge of international markets pose additional difficulties when it comes to gaining a foothold there. Moreover, information activities can be readily outsourced and they reduce companies' cost of entry into foreign markets.

The ICEX has been aware of this since its launch, incorporating information into its organic structure with the same scope as promotional activity.

The ICEX's activity in this field has been at the cutting edge in terms of both information and communications systems. The set of portals for Spanish companies:

www.icex.es
www.spainbusiness.com
www.spaintechnology.com
www.fashionfromspain.com
www.winesfromspain.com
www.interiorsfromspain.com
www.foodsfromspain.com

In addition to the portals, the ICEX provides advisory services through CAUCE (Unified Advisory Service in Foreign Trade - Servicio de Asesoramiento Unificado en Comercio Exterior), which acts as a one-stop shop for services to Spanish exporters; Personalized Services and the Connect to the Market (Conecta con el Mercado) program, which consists in helping companies to contact with specialists in Spain's foreign network; and that of Business Opportunities, offering daily information on business opportunities in the export of products and services, investments, international tenders and products with multilateral funding.

Another sphere in which the ICEX has had a pivotal presence since its launch is that of publications. It is Spain's leading foreign trade publisher, and it produces manuals on foreign trade, business guides, yearbooks and journals such as El Exportador (previously Expansión Comercial) and Spain Gourmetour. The media used has progressed from paper copy to CD-ROMs and finally to electronic publications.

Furthermore, foreign trade databases, in particular ESTACOM, have been a traditional product throughout the ICEX's history, although they have evolved apace with technological advances in respect of how the information is obtained, downloaded and processed. Furthermore, traditional products with foreign trade data originating in Spain or with Spain as their destination have been supplemented with similar products containing foreign trade data from countries in the European Union and the world.

Boosting investment in human capital

The shortage of personnel trained in foreign trade is a difficult obstacle to overcome for companies considering beginning a process of internationalization. Aware of this reality, in 1975, even prior to the launch of the INFE, a scholarships program for young graduates was launched involving practical experience in Economic and Commercial Offices. This grant program has been revised over time, and the Institute's interns now receive theoretical and practical training during a total period of two and-a-half years, including a master's course prior to the internship, training at the network of branch offices and a third phase of training at companies, public institutions and international bodies.

Within the sphere of corporate training, the ICEX has been offering a comprehensive range of foreign trade courses (online, via CECO, etc.) and other training activities, responding to the demand of the exporting business sector, dealing with specific aspects of the internationalization process (Internationalization Seminars) and offering information on those foreign markets earmarked by the Trade Administration as a priority (market analysis meetings and seminars).

Collaboration and consensus with other institutions

Since its launch, the principle of cooperation with other institutions, both public and private, has been one of the cornerstones of the ICEX's strategy.

In the public sphere, this cooperation and coordination has been both desirable and necessary, due to the country's configuration in autonomous regions, which has permitted the emergence of regional bodies to promote internationalization.

In the private sphere, the need for cooperation stems from the existence of institutions, mainly business institutions, which share with the ICEX the task of supporting companies' internationalization (CEOE, chambers of commerce, exporters' associations, etc.). As we have mentioned, institutional collaboration has always been present, often de facto, but with no formal framework of cooperation.

In order to solve this problem, in 2006 the Council for Inter-Territorial Cooperation was launched, representing the Trade Administration, the CEOE and the chambers of commerce (via the Department of Chambers of Commerce).

5.2.3 The ICEX of the future

Consolidation of a new international model shaped by greater market integration and the increasingly significant role of emerging economies requires adapting institutions and companies from a dual standpoint: on the one hand, it is advisable to tap into the opportunities that derive from these countries' growing weighting as importers of goods and services; on the other hand, it is necessary to understand that Spain's products and services will not be able to compete in the global market in the future unless the so-called “new competitiveness factors” are enhanced, including brand, design, innovation, service, etc.

Furthermore, the downside phase of the economic cycle in which Spain is currently immersed also requires that the economic agents take full advantage of the possibilities of the global market, so that, in the medium term, foreign demand is consolidated as a structural characteristic of the country's economy.

Boosting internationalization is a pillar of Spain's economic recovery, but it will require a major effort in terms of meeting an increasing demand for specialized services to support companies within a framework of budgetary restrictions which will prevent more public resources from being allocated to this activity.

Within this context, the ICEX has set itself the goal of improving the network of institutional support for exports, optimizing the efficacy and efficiency of the instruments, in order to be able to do “more with less”.

These structural reasons in themselves justify a transformation of the ICEX into an entity with a modern and efficient structure, operating with criteria in line with those of businesses, in order to respond to this challenge. For this purpose, approval has been granted to transform the ICEX's legal status from “administrative public entity” to “business public entity offering quality services, duly evaluated, in a swift and flexible manner, with greater capacity to finance itself and raise funds in accordance with its services”.

Specifically, under this more business-oriented and less administrative format, the ICEX proposes the following:

- Firstly, to continue evolving from being a traditional subsidizing body to one that affords companies added value.

- Secondly, to combine the sector-based approach which remains fully valid in many cases, with a focus on integrated service to companies, and to enhance the offering of customized services, becoming more aligned with the companies themselves. After all, the companies are the ICEX's real clients.

- Thirdly, to evolve from an internal administrative culture to a more business-oriented culture.

- Fourthly, to launch financial support operations to companies, allowing loans to be granted, and thereby remedying one of the greatest present deficiencies: the shortage of private funding.

- In the short and medium term, the idea is to translate this reform into other results that make Spain's export sector the driver of its economic recovery.

The major goal of the reform of the ICEX is to transform Spain into a structurally exporting economy.

6 Statistical Annex

Total shareholder return rates in the IBEX 35

Table A.1

Companies and indices ordered in accordance with 2010

Source: Datastream International via Wharton Research Data Services

Company	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	1995-2010 Average [b]	2007-2010 Average [b]
Iberia	—	—	—	—	—	—	—	27.9	66.3	14	-9.3	21.5	9.5	-27.9	-4.1	68.2	14.6	6.2
Amadeus IT Holding [c]	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	31.8	–	–
Inditex	—	—	—	—	—	—	—	5.7	-28.1	38.3	29.5	49.1	4.6	-23.3	41.9	31.5	13.1	10.6
Criteria Caixacorp	—	—	—	—	—	—	—	—	—	—	—	—	—	-43.5	23.4	27.9	-3.7	-3.7
OHL	-15	-9	237.6	95.2	-40.2	-26.6	33.6	-25.3	49.8	6.6	116.9	76.1	-0.9	-56.2	107.6	22.1	18.4	2.4
Técnicas Reunidas	—	—	—	—	—	—	—	—	—	—	—	—	52.3	-57.2	127.8	21.9	16	16
DAX 30 [a]	7	28.2	47.1	17.7	39.1	-7.5	-19.8	-43.9	37.1	7.3	27.1	22	22.3	-40.4	23.8	16.1	7.7	1.2
S&P500 [a]	37.6	23	33.4	28.6	21	-9.1	-11.9	-22.1	28.7	10.9	4.9	15.8	5.5	-37	26.5	15.1	8.5	-0.8
Mercado Mundial [a]	16.8	13.1	13.4	21.7	32.5	-15.3	-16.2	-16.8	37.8	17.9	13.6	23.8	15.1	-43.3	39	15	8	1.1
DJIA [a]	36.4	22,4	32,3	12.2	14	5.1	-11.1	-15.9	29.4	15.6	9.5	15.7	8.9	-31.9	22.7	14.1	9.6	0.9
Repsol YPF	13.5	29.1	33.5	18.8	48.1	-21.5	-1.6	-22.2	25.1	26.7	32.8	7.2	-4.9	-35.9	33.8	13.6	9.6	-1.9
Ebro Puleva	-11,6	83.2	18.9	18.1	-23.4	-12	8.6	-9.4	18.8	20	35.9	39.6	-33.4	-19.8	59.6	13.2	8.9	-0.9
FTSE 100 [a]	26	16.9	28.7	17.5	20.6	-8.2	-14.1	-22.2	17.9	11.2	20.8	14.4	7.4	-28.3	27.3	12.6	7.7	2.5
ACS	5.7	12.9	312.6	53	-27.4	6.9	10.6	13.5	28.4	33.9	64.2	58.2	-2.6	-16	12	6.1	24.1	-0.7
Enagas	—	—	—	—	—	—	—	—	52.6	44.9	35.1	12.5	16	-20	4.5	1.3	16.1	-0.5
CAC40 [a]	2.8	27.6	33	34.1	54.1	1	-20.3	-31.9	19.9	11.4	26.6	20.9	4.2	-40.3	27.6	0.6	7.6	-5.5
Grupo Ferrovial	—	—	—	—	—	-6.9	46.8	24.4	17.8	44.7	53.8	24.8	-34.1	-58	65.3	-4.1	8.4	-18.6
Red Eléctrica	—	—	—	—	—	71.2	7.5	-4.5	40.1	33	60.2	27.6	36.1	-14.9	11.3	-5.8	21	4.9
Abertis	49.9	41.3	23.1	24.1	-28.3	7.9	30.6	4.9	20.4	46.3	41.2	12.5	4.8	-38	35.8	-6.8	13.8	-4.8
Acerinox	1.1	57.3	22.4	-25.2	103.6	-16	20.5	-4	9.3	30.3	4.3	92.4	-25.7	-30.7	31.7	-6.9	10.9	-10.8
Telefónica	10	84.4	46.8	54	105.9	-29.6	-11.1	-41	46.6	24	-2.1	31.1	41.7	-25.4	29.3	-7.7	15.7	6
Iberdrola	41,5	72.6	12.2	35.7	-12.8	1.2	13	-5.6	21.7	24	27.1	47.8	28.5	-35.5	8.4	-7.7	14.1	-4.6
Telecinco	—	—	—	—	—	—	—	—	—	—	43.2	6.2	-14.8	-53.1	48.1	-9.2	-3.3	-14.4
Arcelor Mittal	—	—	—	—	—	—	—	—	—	—	—	—	69	-66.9	95.5	-10.3	-0.5	-0.5
IBEX 35 [a]	22.4	47.1	44.5	38.6	20.1	-20.5	-6.1	-26.5	32.2	21.1	22	36	10.7	-36.5	38.3	-12.9	11	-4.1
Bolsas y Mercados Españoles	—	—	—	—	—	—	—	—	—	—	—	—	52.8	-58.1	37.4	-14	-6.8	-6.8
Grifols	—	—	—	—	—	—	—	—	—	—	—	—	53	-19,6	1,7	-15.4	1,5	1.5
Endesa	30.6	37	19.3	41.6	-13.5	-3.1	-0.4	-34.2	43	18	32.9	74.5	5.1	-18	13.4	-16	11	-4.8
Abengoa	—	—	63.8	68.4	-1.2	63.4	-17.7	-17.6	5.4	29.9	70.2	125.7	-12.7	-50.8	93.2	-18	18.5	-9.2
Indra Sistemas	-54,7	14.4	445.6	121.5	44.9	4.9	-4.8	-31.4	58.4	26.7	33.7	15.3	3.3	-10.7	5	-19.1	18.5	-5.9
Iberdrola Renovables	—	—	—	—	—	—	—	—	—	—	—	—	—	-46	9.6	-19.4	-21.9	-21.9
Gas Natural	71.3	60.9	5.3	96.8	-27.4	-12.4	-2.5	-2	4.6	25.5	8	29.5	36.3	-50.6	-3.4	-20	7.8	-15
Banco de Sabadell	—	—	—	—	—	—	—	-4.9	26.6	13.5	32.3	54.8	-10.3	-31.7	-15.9	-20.6	1.5	-20
Banco Popular	47	17.6	71.6	2.5	0.9	20.3	2	8.7	25.3	6.3	9.3	36.4	-12.6	-45.6	-9.7	-22.3	6.4	-24
Mapfre	29.5	18.8	3.9	-3.3	-27.7	27.5	-1.7	21.1	47.9	3.7	31.3	23.2	-9.7	-16.8	30.1	-24.7	7.3	-7.4
Banco Santander	26.1	41.4	88	14.2	35.8	2	-15.5	-28.2	48.6	1	25.7	30.1	8.1	-48.7	83	-27.7	11.6	-7.4
FCC	-27.2	31.4	93.3	82.7	-39.3	6.6	17.2	-6.3	39.5	27.7	37.8	63.2	-31.9	-52.5	32.8	-29.8	6.9	-25.9
BBVA	40.1	65.5	114.6	36.4	7.8	13.6	-10.6	-32.4	23.9	23.6	19	23.8	-5.3	-45.7	54.9	-36.6	1.,5	-15.7
Bankinter	11.6	75.9	31.5	22.7	59.6	-25.4	-7.9	-26.3	41.8	23.6	24.2	27.8	7.3	-48.3	24.3	-40	7	-19.8
Sacyr Vallehermoso	0.4	27.1	68	31.4	-41.5	-6	11.4	45.6	25.6	8.1	77.1	127.4	-40.1	-73.4	25.6	-40.3	3.1	-41.2
Acciona	-26.1	52.1	152.1	182.1	-17.7	-30.9	6.4	-3	26	39.1	47.9	51.2	55.8	-58.2	6.2	-40.3	13.5	-19.8
Gamesa	—	—	—	—	—	—	-39.8	1.4	70	23.8	21.7	68.1	54.3	-59.9	-6.4	-50.8	-2.9	-26.9

Notes:
[a] The market indices were calculated considering the companies included each year
[b] Calculated as a geometrical average
[c] Amadeus IT Holding began tading on 29 April 2010. The return rate therefore refers to an 8-month period

Table A.2 Total shareholder return rates in the IBEX 35

Companies and indices ordered in accordance with the 1995-2010 average

Source: Datastream International via Wharton Research Data Services

Company	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	1995-2010 Average [b]	2007-2010 Average [b]
Amadeus IT Holding [c]	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	31.8	–	–
ACS	5.7	12.9	312.6	53	-27.4	6.9	10.6	13.5	28.4	33.9	64.2	58.2	-2.6	-16	12	6.1	24.1	-0.7
Red Eléctrica	—	—	—	—	—	71.2	7.5	-4.5	40.1	33	60.2	27.6	36.1	-14.9	11.3	-5.8	21	4.9
Abengoa	—	—	63.8	68.4	-1.2	63.4	-17.7	-17.6	5.4	29.9	70.2	125.7	-12.7	-50.8	93.2	-18	18.5	-9.2
Indra Sistemas	-54.7	14.4	445.6	121.5	44.9	4.9	-4.8	-31.4	58.4	26.7	33.7	15.3	3.3	-10.7	5	-19.1	18.5	-5.9
OHL	-15	-9	237.6	95.2	-40.2	-26.6	33.6	-25.3	49.8	6.6	116.9	76.1	-0.9	-56.2	107.6	22.1	18.4	2.4
Enagas	—	—	—	—	—	—	—	—	52.6	44.9	35.1	12.5	16	-20	4.5	1.3	16.1	-0.5
Técnicas Reunidas	—	—	—	—	—	—	—	—	—	—	—	—	52.3	-57.2	127.8	21.9	16	16
Telefónica	10	84.4	46.8	54	105.9	-29.6	-11.1	-41	46.6	24	-2.1	31.1	41.7	-25.4	29.3	-7.7	15.7	6
Iberia	—	—	—	—	—	—	—	27,9	66,3	14	-9,3	21,5	9,5	-27,9	-4,1	68,2	14,6	6,2
Iberdrola	41.5	72.6	12.2	35.7	-12.8	1.2	13	-5.6	21.7	24	27.1	47.8	28.5	-35.5	8.4	-7.7	14.1	-4.6
Abertis	49.9	41.3	23.1	24.1	-28.3	7.9	30.6	4.9	20.4	46.3	41.2	12.5	4.8	-38	35.8	-6.8	13.8	-4.8
Acciona	-26.1	52.1	152.1	182.1	-17.7	-30.9	6.4	-3	26	39.1	47.9	51.2	55.8	-58.2	6.2	-40.3	13.5	-19.8
Inditex	—	—	—	—	—	—	—	5.7	-28.1	38.3	29,5	49.1	4.6	-23.3	4.,9	31.5	13.1	10.6
Banco Santander	26.1	41.4	88	14.2	35.8	2	-15.5	-28.2	48.6	1	25.7	30.1	8.1	-48.7	83	-27.7	11.6	-7.4
BBVA	40.1	65.5	114.6	36.4	7.8	13.6	-10.6	-32.4	23.9	23.6	19	23.8	-5.3	-45.7	54.9	-36.6	11.5	-15.7
IBEX 35 [a]	22.4	47.1	44.5	38.6	20.1	-20.5	-6.1	-2.,5	32.2	21.1	22	36	10.7	-36.5	38.3	-12.9	11	-4.1
Endesa	30.6	37	19.3	41.6	-13.5	-3.1	-0.4	-34.2	43	18	32.9	74.5	5.1	-18	13.4	-16	11	-4.8
Acerinox	1.1	57.3	22.4	-25.2	103.6	-16	20.5	-4	9.3	30.3	4.3	92.4	-25.7	-30.7	31.7	-6.9	10.9	-10.8
DJIA [a]	36.4	22.4	32.3	12.2	14	5.1	-11.1	-15.9	29.4	15.6	9.5	15.7	8.9	-31.9	22.7	14.1	9.6	0.9
Repsol YPF	13.5	29.1	33.5	18.8	48.1	-21.5	-1.6	-22.2	25.1	26.7	32.8	7.2	-4.9	-35.9	33.8	13.6	9.6	-1.9
Ebro Puleva	-11.6	83.2	18.9	18.1	-23.4	-12	8.6	-9.4	18.8	20	35.9	39.6	-33.4	-19.8	59.6	13.2	8.9	-0.9
S&P500 [a]	37.6	23	33.4	28.6	21	-9.1	-11.9	-22.1	28.7	10.9	4.9	15.8	5.5	-37	26.5	15.1	8.5	-0.8
Grupo Ferrovial	—	—	—	—	—	-6.9	46.8	24.4	17.8	44.7	53.8	24.8	-34.1	-58	65.3	-4.1	8.4	-18.6
Mercado Mundial [a]	16.8	13.1	13.4	21.7	32.5	-15.3	-16.2	-16.8	37.8	17.9	13.6	23.8	15.1	-43.3	39	15	8	1.1
Gas Natural	71.3	60.9	5.3	96.8	-27.4	-12.4	-2.5	-2	4.6	25.5	8	29.5	36.3	-50.6	-3.4	-20	7.8	-15
FTSE 100 [a]	26	16.9	28.7	17.5	20.6	-8.2	-14.1	-22.2	17.9	11.2	20.8	14.4	7.4	-28.3	27.3	12.6	7.7	2.5
DAX 30 [a]	7	28.2	47.1	17.7	39.1	-7.5	-19.8	-43.9	37.1	7.3	27.1	22	22.3	-40.4	23.8	16.1	7.7	1.2
CAC40 [a]	2.8	27.6	33	34.1	54.1	1	-20.3	-31.9	19.9	11.4	26.6	20.9	4.2	-40.3	27.6	0.6	7.6	-5.5
Mapfre	29.5	18.8	3.9	-3.3	-27.7	27.5	-1.7	21.1	47.9	3.7	31.3	23.2	-9.7	-16.8	30.1	-24.7	7.3	-7.4
Bankinter	11.6	75.9	31.5	22.7	59.6	-25.4	-7.9	-26.3	41.8	23.6	24.2	27.8	7.3	-48.3	24.3	-40	7	-19.8
FCC	-27.2	31.4	93.3	82.7	-39.3	6.6	17.2	-6.3	39.5	27.7	37.8	63.2	-31.9	-52.5	32.8	-29.8	6,9	-25.9
Banco Popular	47	17.6	71.6	2.5	0.9	20.3	2	8.7	25.3	6.3	9.3	36.4	-12.6	-45.6	-9.7	-22.3	6.4	-24
Sacyr Vallehermoso	0.4	27.1	68	31.4	-41.5	-6	11.4	45.6	25.6	8.1	77.1	127.4	-40.1	-73.4	25.6	-40.3	3.1	-41.2
Banco de Sabadell	—	—	—	—	—	—	—	-4.9	26.6	13.5	32.3	54.8	-10.3	-31.7	-15.9	-20.6	1.5	-20
Grifols	—	—	—	—	—	—	—	—	—	—	—	—	53	-19.6	1.7	-15.4	1.5	1.5
Arcelor Mittal	—	—	—	—	—	—	—	—	—	—	—	—	69	-66.9	95.5	-10,3	-0.5	-0.5
Gamesa	—	—	—	—	—	—	-39.8	1.4	70	23.8	21.7	68.1	54.3	-59.9	-6.4	-50.8	-2.9	-26.9
Telecinco	—	—	—	—	—	—	—	—	—	—	43.2	6.2	-14.8	-53.1	48.1	-9,2	-3.3	-14.4
Criteria Caixacorp	—	—	—	—	—	—	—	—	—	—	—	—	—	-43.5	23.4	27.9	-3.7	-3.7
Bolsas y Mercados Españoles	—	—	—	—	—	—	—	—	—	—	—	—	52.8	-58.1	37.4	-14	-6.8	-6.8
Iberdrola Renovables	—	—	—	—	—	—	—	—	—	—	—	—	—	-46	9.6	-19.4	-21.9	-21.9

Notes:
[a] The market indices were calculated considering the companies included each year
[b] Calculated as a geometrical average
[c] Amadeus IT Holding began trading on 29 April 2010. The return rate therefore refers to an 8-month period

Total shareholder return rate in the IBEX 35

Table A.3

Companies and indices ordered in accordance with the 2007-2010 average

Source: Datastream International via Wharton Research Data Services

Company	2007	2008	2009	2010	1995-2010 [b] Average	2007-2010 [b] Average
Amadeus IT Holding [c]	–	–	–	31.8	–	–
Técnicas Reunidas	52.3	-57.2	127.8	21.9	16.0	16.0
Inditex	4.6	-23.3	41.9	31.5	13.1	10.6
Iberia	9.5	-27.9	-4.1	68.2	14.6	6.2
Telefónica	41.7	-25.4	29.3	-7.7	15.7	6.0
Red Eléctrica	36.1	-14.9	11.3	-5.8	21.0	4.9
FTSE 100 [a]	7.4	-28.3	27.3	12.6	7.7	2.5
OHL	-0.9	-56.2	107.6	22.1	18.4	2.4
Grifols	53.0	-19.6	1.7	-15.4	1.5	1.5
DAX 30 [a]	22.3	-40.4	23.8	16.1	7.7	1.2
Mercado Mundial [a]	15.1	-43.3	39.0	15.0	8.0	1.1
DJIA [a]	8.9	-31.9	22.7	14.1	9.6	0.9
Enagas	16.0	-20.0	4.5	1.3	16.1	-0.5
Arcelor Mittal	69.0	-66.9	95.5	-10.3	-0.5	-0.5
ACS	-2.6	-16.0	12.0	6.1	24.1	-0.7
S&P500 [a]	5.5	-37.0	26.5	15.1	8.5	-0.8
Ebro Puleva	-33.4	-19.8	59.6	13.2	8.9	-0.9
Repsol YPF	-4.9	-35.9	33.8	13.6	9.6	-1.9
Criteria Caixacorp		-43.5	23.4	27.9	-3.7	-3.7
IBEX 35 [a]	10.7	-36.5	38.3	-12.9	11.0	-4.1
Iberdrola	28.5	-35.5	8.4	-7.7	14.1	-4.6
Abertis	4.8	-38.0	35.8	-6.8	13.8	-4.8
Endesa	5.1	-18.0	13.4	-16.0	11.0	-4.8
CAC40 [a]	4.2	-40.3	27.6	0.6	7.6	-5.5
Indra Sistemas	3.3	-10.7	5.0	-19.1	18.5	-5.9
Bolsas y Mercados Españoles	52.8	-58.1	37.4	-14.0	-6.8	-6.8
Mapfre	-9.7	-16.8	30.1	-24.7	7.3	-7.4
Banco Santander	8.1	-48.7	83.0	-27.7	11.6	-7.4
Abengoa	-12.7	-50.8	93.2	-18.0	18.5	-9.2
Acerinox	-25.7	-30.7	31.7	-6.9	10.9	-10.8
Telecinco	-14.8	-53.1	48.1	-9.2	-3.3	-14.4
Gas Natural	36.3	-50.6	-3.4	-20.0	7.8	-15.0
BBVA	-5.3	-45.7	54.9	-36.6	11.5	-15.7
Grupo Ferrovial	-34.1	-58.0	65.3	-4.1	8.4	-18.6
Bankinter	7.3	-48.3	24.3	-40.0	7.0	-19.8
Acciona	55.8	-58.2	6.2	-40.3	13.5	-19.8
Banco de Sabadell	-10.3	-31.7	-15.9	-20.6	1.5	-20.0
Iberdrola Renovables		-46.0	9.6	-19.4	-21.9	-21.9
Banco Popular	-12.6	-45.6	-9.7	-22.3	6.4	-24.0
FCC	-31.9	-52.5	32.8	-29.8	6.9	-25.9
Gamesa	54.3	-59.9	-6.4	-50.8	-2.9	-26.9
Sacyr Vallehermoso	-40.1	-73.4	25.6	-40.3	3.1	-41.2

Notes:
[a] Market indices calculated based on companies included each year
[b] Calculated as a geometrical average
[c] Amadeus IT Holding began trading on 29 April 2010. The return rate therefore refers to an 8-month period

Table A.4 Ranking of Spanish companies with the largest total shareholder return rate in 2010, relative to companies in the same sector in the euro area

	Absolute rate		Standardized rate		Standardized rate	
Company	Position	%	Position	euro area	Position	World
Viscofán	1	63.6	1	1.61	9	0.26
Codere	7	33.7	2	1.50	10	0.07
CAM	16	21.0	3	1.29	11	0.07
Befesa Medio Ambiente	28	3.6	4	1.27	32	-0.43
Jazztel	6	33.7	5	1.07	2	0.81
Amadeus IT Holding [a]	8	31.8	6	0.99	1	1.66
OHL	13	22.1	7	0.94	6	0.29
Técnicas Reunidas	14	21.9	8	0.93	7	0.28
Criteria Caixacorp	10	27.9	9	0.92	8	0.26
Miquel y Costas	2	54.5	10	0.80	4	0.66
Sol Meliá	18	18.6	11	0.74	14	0.03
Hullera Vasco Leonesa	67	-17.6	12	0.71	71	-0.84
Barón de Ley	5	39.3	13	0.62	3	0.70
Repsol	19	13.6	14	0.50	17	-0.10
Iberpapel Gestión	4	42.6	15	0.44	5	0.40
Cleop	25	6.6	16	0.35	20	-0.15
ACS	27	6.1	17	0.33	22	-0.16
Prosegur	11	25.5	18	-0.02	12	0.07
Grupo Ferrovial	37	-4.1	19	-0.06	33	-0.45
Realia Business	41	-6.0	20	-0.06	31	-0.40
Ebro Foods	20	13.2	21	-0.08	19	-0.14
Campofrío Alimentación	21	12.5	22	-0.11	21	-0.15
Cía. General de Inversiones Sicav	32	0.3	23	-0.13	30	-0.39
Vidrala	15	21.9	24	-0.14	18	-0.14
Corporación Financiera Alba	24	7.8	25	-0.19	25	-0.24
Red Eléctrica de España	40	-5.8	26	-0.21	45	-0.55
Nyesa Valores	55	-11.1	27	-0.21	40	-0.50
Inditex	9	31.5	28	-0.23	16	-0.02
Iberdrola Renovables	70	-19.4	29	-0.24	46	-0.56
Lingotes especiales	38	-5.0	30	-0.25	43	-0.53
Cie Automotive	3	42.8	31	-0.27	13	0.06
NH Hoteles	50	-8.7	32	-0.29	52	-0.64
Acerinox	44	-6.9	33	-0.30	47	-0.59
Grifols	62	-15.4	34	-0.32	51	-0.62
Iberdrola	47	-7.7	35	-0.35	48	-0.60
Banco de Sabadell	72	-20.6	36	-0.35	62	-0.79
Banco Pastor	75	-21.4	37	-0.38	64	-0.81
Tubacex	52	-9.8	38	-0.39	55	-0.68
Antena 3	45	-7.2	39	-0.40	50	-0.61
Unipapel	42	-6.0	40	-0.41	75	-0.86
Banco Popular Español	80	-22.3	41	-0.41	68	-0.83
Solaria	102	-42.0	42	-0.41	37	-0.49
Renta 4	39	-5.1	43	-0.43	27	-0.32
Telecinco	51	-9.2	44	-0.44	53	-0.65
Duro Felguera	12	23.3	45	-0.48	26	-0.31
Banco Español de Crédito	81	-24.2	46	-0.49	76	-0.87
Telefónica	46	-7.7	47	-0.49	44	-0.54
Faes Farma	61	-15.3	48	-0.52	54	-0.66
Tubos Reunidos	60	-14.5	49	-0.52	66	-0.83
Clínica Baviera	49	-8.1	50	-0.52	77	-0.89
Vocento	56	-11.2	51	-0.53	59	-0.72
Enagas	31	1.3	52	-0.58	49	-0.60
Elecnor	54	-11.0	53	-0.59	56	-0.70
Abengoa	68	-18.0	54	-0.59	73	-0.84
Funespaña	17	20.1	55	-0.59	15	-0.02
Dinamia Capital Privado	48	-7.9	56	-0.60	34	-0.45
Gamesa	108	-50.8	57	-0.61	58	-0.70
Banco Santander	84	-27.7	58	-0.63	79	-0.94
Abertis	43	-6.8	59	-0.68	61	-0.78
Inmolevante	85	-28.0	60	-0.70	74	-0.85
Laboratorios Almirall	79	-22.1	61	-0.72	65	-0.82

(continued) Table A.4

Datastream International via Wharton Research Data Services.

	Absolute rate		Standardized rate		Standardized rate	
Company	Position	%	Position	euro area	Position	World
Española del Zinc	29	3.4	62	-0.75	67	-0.83
Papeles y Cartones de Europa	30	3.2	63	-0.75	35	-0.46
Bolsas y Mercados Españoles	59	-14.0	64	-0.79	36	-0.47
Grupo Catalana Occidente	65	-16.0	65	-0.80	101	-1.32
Grupo Empresarial San José	90	-32.6	66	-0.84	80	-0.94
Grupo Empresarial Ence	33	0.3	67	-0.84	42	-0.52
Natra	53	-10.0	68	-0.86	28	-0.33
CVNE	23	10.4	69	-0.87	38	-0.49
Tecnocom	73	-20.9	70	-0.90	72	-0.84
Zeltia	86	-28.2	71	-0.91	83	-0.96
Indra Sistemas	69	-19.1	72	-0.92	87	-1.06
Urbar Ingenieros	34	0.0	73	-0.92	69	-0.83
Prim	77	-21.8	74	-0.93	98	-1.25
Cepsa	57	-12.9	75	-0.94	60	-0.77
Banco de Valencia	95	-35.9	76	-0.95	90	-1.11
Endesa	64	-16.0	77	-0.95	70	-0.84
Pescanova	22	11.0	78	-0.96	57	-0.70
Sniace	58	-13.4	79	-0.97	78	-0.90
BBVA	97	-36.6	80	-0.98	91	-1.13
Gas Natural	71	-20.0	81	-1.00	97	-1.21
Dogi International Fabrics	34	0.0	82	-1.01	23	-0.18
Vueling Airlines	74	-21.2	83	-1.03	85	-1.02
FCC	87	-29.8	84	-1.04	93	-1.18
Mapfre	82	-24.7	85	-1.09	89	-1.08
SOS	66	-16.9	86	-1.09	29	-0.38
Bankinter	99	-40.0	87	-1.11	95	-1.20
Fluidra	91	-33.2	88	-1.15	63	-0.81
Grupo Ezentis	98	-37.6	89	-1.16	88	-1.06
Laboratorios Farmacéuticos Rovi	96	-36.5	90	-1.16	92	-1.15
Inypsa Informes y Proyectos	92	-33.3	91	-1.17	99	-1.28
CAF	26	6.4	92	-1.17	84	-1.00
Zardoya Otis	63	-15.5	93	-1.22	94	-1.18
Fersa Energias Renovables	104	-45.3	94	-1.23	82	-0.95
Vertice 360 Grados	105	-46.3	95	-1.24	100	-1.28
Amper	107	-48.6	96	-1.33	96	-1.21
Grupo Tavex	76	-21.6	97	-1.35	24	-0.21
Testa Inmuebles en Renta	88	-31.8	98	-1.42	116	-1.79
Azkoyen	83	-25.9	99	-1.42	102	-1.41
Sacyr Vallehermoso	100	-40.3	100	-1.44	107	-1.47
Acciona	101	-40.3	101	-1.44	108	-1.47
Cementos Portland Valderribas	103	-44.6	102	-1.46	81	-0.95
Reyal Urbis	111	-56.4	103	-1.53	104	-1.43
Bodegas Riojanas	36	-2.9	104	-1.55	86	-1.03
Renta Corporación Real Estate	113	-57.9	105	-1.57	105	-1.46
Montebalito	114	-58.3	106	-1.59	106	-1.47
Natraceutical	89	-32.0	107	-1.60	39	-0.50
Nicolás Correa	94	-35.7	108	-1.61	113	-1.63
Ercros	106	-48.6	109	-1.64	112	-1.61
Adolfo Dominguez	78	-22.0	110	-1.64	103	-1.42
Biosearch	93	-34.0	111	-1.67	41	-0.52
Urbas Guadahermosa	116	-61.3	112	-1.67	109	-1.53
Prisa	112	-56.6	113	-1.71	118	-2.00
Metrovacesa	117	-63.2	114	-1.73	110	-1.57
Inmobiliaria Colonial	118	-64.5	115	-1.77	111	-1.59
Indo Internacional	109	-52.6	116	-1.80	120	-2.35
Service Point Solutions	110	-52.8	117	-1.84	114	-1.73
Quabit Inmobiliaria	120	-72.9	118	-2.01	115	-1.76
La Seda de Barcelona	121	-74.2	119	-2.13	119	-2.13
Corporación Dermoestética	115	-59.5	120	-2.26	121	-2.44
Fergo Aisa	122	-83.9	121	-2.33	117	-1.99
General de Alquiler de Maquinaria	119	-66.2	122	-3.01	122	-2.61

Notes: The Pearson correlation coefficient between the Standardized rate in the euro area and the Standardized rate in the world is 80.0%.
[a] Amadeus IT Holding began trading on 29 April 2010. Accordingly, the return rate refers to an 8 month period

Table A.5

Ranking by sector of the Spanish companies with the largest total shareholder returns in 2010,relative to the companies in their sector in the euro area

Company	Sector	Standardized rate		Standardized rate	
		Position	euro area	Position	World
Lingotes especiales	Steel	30	-0.25	43	-0.53
Acerinox	Steel	33	-0.30	47	-0.59
Tubacex	Steel	38	-0.39	55	-0.68
Tubos Reunidos	Steel	49	-0.52	66	-0.83
Amadeus IT Holding [b]	Financial administration	6	0.99	1	1.66
Viscofán	Food	1	1.61	9	0.26
Ebro Foods	Food	21	-0.08	19	-0.14
Campofrío Alimentación	Food	22	-0.11	21	-0.15
Natra	Food	68	-0.86	28	-0.33
SOS	Food	86	-1.09	29	-0.38
Natraceutical	Food	107	-1.60	39	-0.50
Biosearch	Food	111	-1.67	41	-0.52
CAM	Banking	3	1.29	11	0.07
Banco de Sabadell	Banking	36	-0.35	62	-0.79
Banco Pastor	Banking	37	-0.38	64	-0.81
Banco Popular Español	Banking	41	-0.41	68	-0.83
Banco Español de Crédito	Banking	46	-0.49	76	-0.87
Banco Santander	Banking	58	-0.63	79	-0.94
Banco de Valencia	Banking	76	-0.95	90	-1.11
BBVA	Banking	80	-0.98	91	-1.13
Bankinter	Banking	87	-1.11	95	-1.20
Barón de Ley	Alcoholic beverages	13	0.62	3	0.70
CVNE	Alcoholic beverages	69	-0.87	38	-0.49
Bodegas Riojanas	Alcoholic beverages	104	-1.55	86	-1.03
Grifols	Bio-technology	34	-0.32	51	-0.62
Hullera Vasco Leonesa	Coal	12	0.71	71	-0.84
Cía. General de Inversiones Sicav	Investment holdings	23	-0.13	30	-0.39
Cie Automotive	Auto parts	31	-0.27	13	0.06
Inditex	Fashion	28	-0.23	16	-0.02
Adolfo Dominguez	Fashion	110	-1.64	103	-1.42
OHL	Construction	7	0.94	6	0.29
Técnicas Reunidas	Construction	8	0.93	7	0.28
Cleop	Construction	16	0.35	20	-0.15
ACS	Construction	17	0.33	22	-0.16
Grupo Ferrovial	Construction	19	-0.06	33	-0.45
Abengoa	Construction	54	-0.59	73	-0.84
FCC	Construction	84	-1.04	93	-1.18
Inypsa Informes y Proyectos	Construction	91	-1.17	99	-1.28
Sacyr Vallehermoso	Construction	100	-1.44	107	-1.47
Acciona	Construction	101	-1.44	108	-1.47
Red Eléctrica de España	Electricity	26	-0.21	45	-0.55
Iberdrola Renovables	Electricity	29	-0.24	46	-0.56
Iberdrola	Electricity	35	-0.35	48	-0.60
Elecnor	Electricity	53	-0.59	56	-0.70
Endesa	Electricity	77	-0.95	70	-0.84
Fersa Energías Renovables	Electricity	94	-1.23	82	-0.95
Solaria	Renewable energy	42	-0.41	37	-0.49
Gamesa	Renewable energy	57	-0.61	58	-0.70
Vidrala	Packaging	24	-0.14	18	-0.14
Tecnocom	Telecommunications equipment	70	-0.90	72	-0.84
Grupo Ezentis	Telecommunications equipment	89	-1.16	88	-1.06
Amper	Telecommunications equipment	96	-1.33	96	-1.21
Prim	Medical equipment	74	-0.93	98	-1.25
Faes Farma	Pharmaceuticals	48	-0.52	54	-0.66
Laboratorios Almirall	Pharmaceuticals	61	-0.72	65	-0.82
Zeltia	Pharmaceuticals	71	-0.91	83	-0.96
Laboratorios Farmacéuticos Rovi	Pharmaceuticals	90	-1.16	92	-1.15
Enagas	Gas	52	-0.58	49	-0.60
Gas Natural	Gas	81	-1.00	97	-1.21
Sol Meliá	Hotels	11	0.74	14	0.03
NH Hoteles	Hotels	32	-0.29	52	-0.64

(continued)

Table A.5

Source: Datastream International via Wharton Research Data Services

Company	Sector	Standardized rate		Standardized rate	
		Position	euro area	Position	World
Realia Business	Real estate	20	-0.06	31	-0.40
Nyesa Valores	Real estate	27	-0.21	40	-0.50
Inmolevante	Real estate	60	-0.70	74	-0.85
Grupo Empresarial San José	Real estate	66	-0.84	80	-0.94
Testa Inmuebles en Renta	Real estate	98	-1.42	116	-1.79
Reyal Urbis	Real estate	103	-1.53	104	-1.43
Renta Corporación Real Estate	Real estate	105	-1.57	105	-1.46
Montebalito	Real estate	106	-1.59	106	-1.47
Urbas Guadahermosa	Real estate	112	-1.67	109	-1.53
Metrovacesa	Real estate	114	-1.73	110	-1.57
Inmobiliaria Colonial	Real estate	115	-1.77	111	-1.59
Quabit Inmobiliaria	Real estate	118	-2.01	115	-1.76
Fergo Aisa	Real estate	121	-2.33	117	-1.99
Codere	Gaming	2	1.50	10	0.07
Vueling Airlines	Airlines	83	-1.03	85	-1.02
Duro Felguera	Machinery	45	-0.48	26	-0.31
Urbar Ingenieros	Machinery	73	-0.92	69	-0.83
Zardoya Otis	Machinery	93	-1.22	94	-1.18
Azkoyen	Machinery	99	-1.42	102	-1.41
Nicolás Correa	Machinery	108	-1.61	113	-1.63
Fluidra	Building materials	88	-1.15	63	-0.81
Cementos Portland Valderribas	Building materials	102	-1.46	81	-0.95
CAF	Transport material	92	-1.17	84	-1.00
General de Alquiler de Maquinaria	Transport material	122	-3.01	122	-2.61
Española del Zinc	Non-ferrous metals	62	-0.75	67	-0.83
Miquel y Costas	Paper	10	0.80	4	0.66
Iberpapel Gestión	Paper	15	0.44	5	0.40
Papeles y Cartones de Europa	Paper	63	-0.75	35	-0.46
Grupo Empresarial Ence	Paper	67	-0.84	42	-0.52
Pescanova	Fishing	78	-0.96	57	-0.70
Repsol	Oil and gas	14	0.50	17	-0.10
Cepsa	Oil and gas	75	-0.94	60	-0.77
Unipapel	Household products	40	-0.41	75	-0.86
Antena 3	Publications and media	39	-0.40	50	-0.61
Telecinco	Publications and media	44	-0.44	53	-0.65
Vocento	Publications and media	51	-0.53	59	-0.72
Vertice 360 Grados	Publications and media	95	-1.24	100	-1.28
Prisa	Publications and media	113	-1.71	118	-2.00
Sniace	Special chemicals	79	-0.97	78	-0.90
Ercros	Special chemicals	109	-1.64	112	-1.61
La Seda de Barcelona	Special chemicals	119	-2.13	119	-2.13
Mapfre	Insurance	85	-1.09	89	-1.08
Grupo Catalana Occidente	Accident insurance	65	-0.80	101	-1.32
Prosegur	Business services	18	-0.02	12	0.07
Service Point Solutions	Business services	117	-1.84	114	-1.73
Indra Sistemas	Information services	72	-0.92	87	-1.06
Clínica Baviera	Health services	50	-0.52	77	-0.89
Corporación Dermoestética	Health services	120	-2.26	121	-2.44
Abertis	Transport services	59	-0.68	61	-0.78
Funespaña	Miscellaneous services	55	-0.59	15	-0.02
Criteria Caixacorp	Financial services	9	0.92	8	0.26
Corporación Financiera Alba	Financial services	25	-0.19	25	-0.24
Renta 4	Financial services	43	-0.43	27	-0.32
Dinamia Capital Privado	Financial services	56	-0.60	34	-0.45
Bolsas y Mercados Españoles	Financial services	64	-0.79	36	-0.47
Befesa Medio Ambiente	Environmental services	4	1.27	32	-0.43
Indo Internacional	Medical supplies	116	-1.80	120	-2.35
Jazztel	Telecommunications	5	1.07	2	0.81
Telefónica	Telecommunications	47	-0.49	44	-0.54
Dogi International Fabrics	Textile	82	-1.01	23	-0.18

Note: [a] The classification by sectors is used by Datastream International. These companies do not correspond exactly to the sectors, but we have preferred to maintain the classification as international investors consult this database and make decisions in line with the classifications contained therein

[b] Amadeus IT Holding began trading on 29 April 2010. Accordingly, the return rate refers to an 8-month period

Table A.6 Ranking of Spanish companies with best average recommendation from stock market analysts in 2010, relative to companies in the sector in the euro area

Average recommendation score of 1 is best, and 5 is worst

Company	Number of recommendations			Average recommendation		
	Outright	Standardized euro area	Standardized World	Outright	Standardized euro area	Standardized World
Lets Gowex	1	-0.92	-0.96	1.00	-1.91	-1.88
Zinkia Entertainment	1	-0.86	-0.89	1.00	-1.65	-1.63
C.A.F.	7	-0.35	-0.31	1.57	-1.60	-1.13
Tubos Reunidos	4	-0.66	-0.49	1.25	-1.56	-1.23
Grupo Empresarial San José	2	-0.83	-0.67	1.00	-1.54	-1.35
Elecnor	1	-0.87	-0.85	1.00	-1.45	-1.47
Cie Automotive	2	-0.73	-0.65	1.00	-1.40	-1.34
Telvent	10	1.18	0.06	1.80	-1.38	-0.63
Medcom Tech	1	-0.70	-0.76	1.00	-1.36	-1.38
Natra	6	-0.16	-0.01	1.33	-1.29	-1.15
Imaginarium	1	-0.68	-0.73	1.00	-1.22	-1.33
OHL	15	1.31	1.13	1.60	-0.78	-0.66
Iberdrola Renovables	32	2.46	2.70	1.72	-0.74	-0.62
Unipapel	4	-0.31	-0.33	1.50	-0.71	-0.82
Grupo Ferrovial	19	1.96	1.69	1.68	-0.68	-0.56
Vueling Airlines	6	-0.70	-0.60	1.67	-0.67	-0.89
Pescanova	5	-0.29	-0.17	1.80	-0.67	-0.57
Vidrala	10	0.36	0.37	1.60	-0.65	-0.76
Amadeus IT Holding	18	2.82	2.61	1.67	-0.58	-0.55
Ebro Foods	15	1.04	1.35	1.87	-0.57	-0.49
Grupo Catalana Occidente	7	-0.61	-0.49	2.00	-0.56	-0.44
Repsol	34	2.68	2.93	1.85	-0.56	-0.44
Tubacex	10	0.01	0.23	1.90	-0.55	-0.39
Abengoa	18	1.41	1.84	1.89	-0.47	-0.35
Técnicas Reunidas	19	1.96	1.69	1.89	-0.41	-0.32
Banco Santander	36	2.18	2.56	2.36	-0.41	-0.21
Red Eléctrica de España	25	1.71	1.89	1.96	-0.40	-0.29
Viscofan	13	0.77	1.05	2.00	-0.40	-0.33
Acciona	24	2.79	2.38	1.92	-0.38	-0.29
Iberpapel	4	-0.31	-0.33	1.75	-0.36	-0.47
Papeles y Cartones de Europa	9	0.55	0.51	1.78	-0.32	-0.42
Grifols	16	1.00	1.14	1.94	-0.30	-0.25
Codere	8	0.19	0.26	2.00	-0.29	-0.24
Antevenio	1	-0.86	-0.89	2.00	-0.29	-0.32
Corporación Financiera Alba	11	1.28	1.26	1.91	-0.27	-0.51
Campofrío	9	0.24	0.44	2.11	-0.25	-0.19
BBVA	36	2.18	2.56	2.50	-0.24	-0.03
Telefónica	45	2.91	3.41	2.24	-0.23	-0.25
Ence	13	1.24	1.18	1.85	-0.22	-0.32
Dinamia Capital Privado	4	-0.17	-0.22	2.00	-0.16	-0.40
Abertis Infraestructuras	24	2.24	2.35	2.04	-0.14	-0.21
Sacyr Vallehermoso	16	1.73	1.57	2.31	-0.10	0.06
Antena 3	25	2.07	2.43	2.16	-0.07	-0.12
Laboratorios Farmacéuticos Rovi	11	0.44	0.50	2.18	-0.03	0.03
Banesto	18	0.54	0.76	2.67	-0.03	0.18
Enagas	26	1.81	2.00	2.23	-0.03	0.08
Laboratorios Almirall	15	0.89	1.01	2.20	-0.01	0.06
Iberia	24	1.23	1.65	2.04	0.00	-0.22
Sol Meliá	15	1.22	1.40	2.33	0.08	0.18
Grupo Tavex	4	-0.22	-0.16	2.50	0.11	0.39
Iberdrola	31	2.64	2.65	2.61	0.24	0.17
Barón de Ley	10	-0.33	0.03	2.60	0.30	0.37
Fluidra	8	0.02	0.25	2.50	0.30	0.46
Telecinco	27	2.31	2.70	2.44	0.31	0.25

(continued) Table A.6

Source: I/B/E/S (Institutional Brokers Estimates System) via Wharton Research Data Services

Company	Number of recommendations			Average recommendation		
	Outright	Standardized euro area	Standardized World	Outright	Standardized euro area	Standardized World
Cepsa	4	-0.56	-0.55	2.5	0.35	0.45
Inditex	32	4.03	4.66	2.75	0.35	0.67
Zeltia	9	0.04	0.32	2.67	0.39	0.75
Gas Natural	24	1.85	1.83	2.79	0.47	0.4
Acerinox	23	1.46	1.79	2.61	0.55	0.52
Endesa	25	1.97	1.95	2.88	0.58	0.51
Fersa Energias Renovables	3	-0.67	-0.66	2.67	0.59	0.69
Grupo Duro Felguera	4	-0.54	-0.38	2.75	0.61	0.79
Banco Popular Español	30	1.64	1.96	3.2	0.63	0.83
Repsol	2	-0.5	-0.87	3	0.66	1.38
Miguel y Costas	4	-0.31	-0.33	2.5	0.68	0.59
FCC	17	1.63	1.41	2.76	0.68	0.69
NH Hoteles	15	2.12	2.1	2.73	0.72	0.54
Clínica Baviera	7	-0.02	0	2.86	0.74	0.85
Gamesa Corporación Technológica	28	1.83	2.63	2.93	0.75	1.1
Mapfre	20	2.45	2.29	2.7	0.78	0.64
Vértice 360 Grados	2	-0.69	-0.72	3	0.83	1.03
Ercros	3	-0.59	-0.49	3	0.85	1.19
Bolsas y Mercados Españoles	18	2.12	1.96	2.78	0.88	0.74
Adolfo Domínguez	5	-0.07	0.02	3.4	0.97	1.39
Vocento	12	1.22	1.05	2.83	0.99	1
Amper	6	0.13	0.05	3	1.01	1.01
Indra Sistemas	21	1.17	1.78	3.14	1.02	1.39
Faes	7	-0.02	0	3.14	1.06	1.18
Criteria Caixacorp	11	0.94	0.84	3	1.15	1.02
AB Biotics	1	-0.74	-0.79	3	1.15	1.27
ACS	16	1.47	1.27	3.13	1.15	1.12
Corporación Dermoestética	8	0.1	0.12	3.25	1.18	1.32
Prisa	15	0.85	1.05	3.13	1.25	1.15
Realia Business	9	0.52	0.43	3.78	1.45	1.9
Prosegur	15	1.03	1.08	3.6	1.65	1.74
Metrovacesa	6	0	-0.06	4	1.68	2.18
Reyal Urbis	1	-0.86	-0.88	4	1.68	2.18
Cementos Portland Valderribas	10	0.32	0.49	3.9	1.69	1.7
Uralita	5	-0.42	-0.24	4	1.8	1.81
Banco Pastor	14	0.18	0.36	4.21	1.88	2.07
Banco Sabadell	24	1.09	1.36	4.25	1.93	2.12
Natraceutical	5	-0.12	-0.04	3,8	2.11	2.25
Zardoya Otis	11	0.43	0.73	4	2.18	2.45
Bankinter	24	3.13	2.93	3.88	2.22	2.13
General de Alquiler de Maquinaria	7	0.36	0.24	3.86	2.23	2.32
La Seda de Barcelona	4	-0.22	-0.16	4.75	2.25	2.88
Tecnocom	2	-0.68	-0.69	3.5	2.26	2.07
Azkoyen	6	-0.26	-0.06	4.17	2.4	2.68
Dogi International Fabrics	1	-0.68	-0.67	5	2.49	3.16
Solaria Energía	8	-0.3	-0.15	4.38	2.52	2.58
Quabit Inmobiliaria	1	-0.86	-0.88	5	2.73	3.43
Renta Corporación	4	-0.34	-0.39	5	2.73	3.43
Inmobiliaria Colonial	5	-0.29	-0.17	4.4	2.8	2.62
SOS Corporación Alimentaria	7	-0.03	0.14	4.43	2.84	2.66
Banco de Valencia	2	-0.91	-0.84	5	2.86	3.04
Service Point Solutions	4	-0.32	-0.36	4	3	2.78
Biosearch	1	-0.7	-0.76	5	3.16	3.41
Nicolás Correa	1	-0.96	-0.86	5	3.44	3.79
Grupo Ezentis	1	-0.68	-0.73	5	3.61	3.77

Note: The average recommenation was calculated rating the securities: “strong buy”=1, “buy”=2, “hold”=3, “underperform”=4, and “sell”=5. The Pearson correlation coefficient between the Standardized average recommendation in the euro area and the Standardized average recommendation in the world is 98.7%.

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