YEARBOOK 2010

INTERNATIONALIZATION OF SPANISH COMPANIES

Círculo de Empresarios


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Wharton
UNIVERSITY of PENNSYLVANIA

Paseo de la Castellana, 15, 6ª Planta, 28046 Madrid

Authors:
María Jesús Valdemoros Erro - Head of the Economics Department, Círculo de Empresarios
Mauro F. Guillén - Director of the Lauder Institute, The Wharton School
María Grandal Bouza - Economic Policy Analyst of the Economics Department, Círculo de Empresarios

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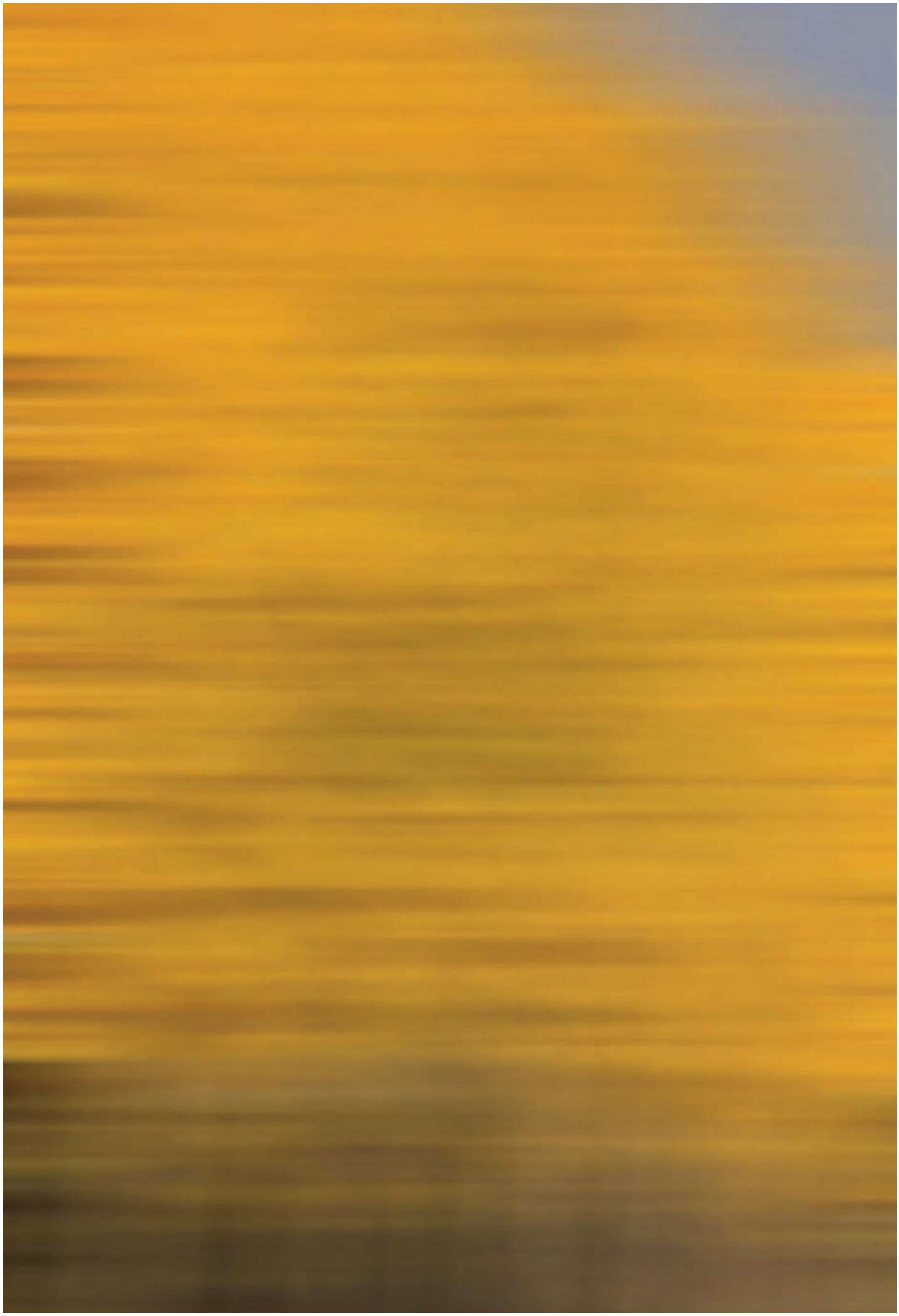


Presentation

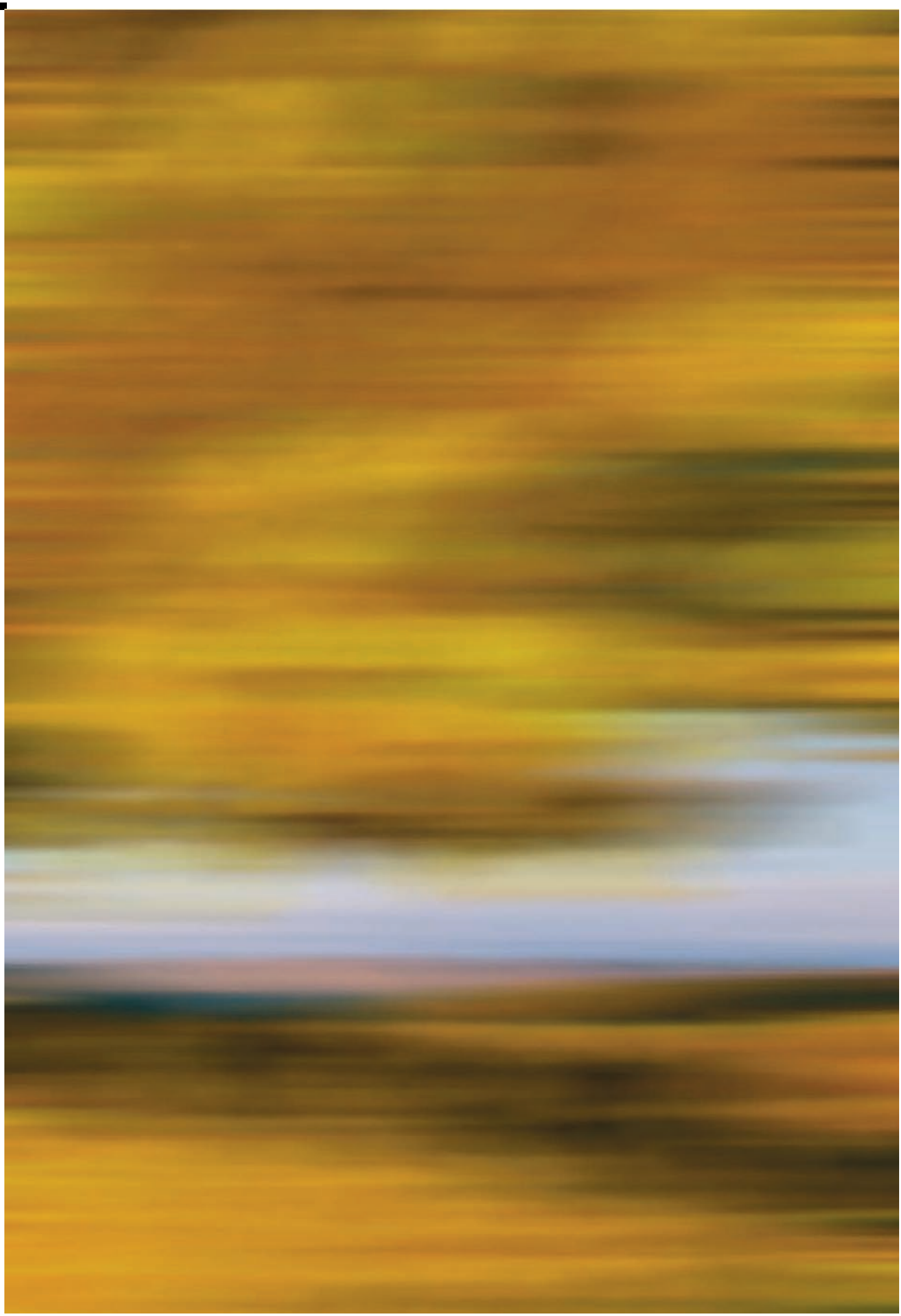
The 2010 Yearbook on the Internationalization of Spanish Companies is the publication's fourth edition. In preparing the Yearbook, *Círculo de Empresarios* has been fortunate to have the support of the prestigious Wharton School, of the University of Pennsylvania. As a result of this joint endeavor, the Yearbook has quickly cemented its position as an efficient observatory of the performance of Spanish companies abroad. From the outset, the Círculo-Wharton Yearbook established the dual objective of gauging the activity of Spanish companies abroad and, at the same time, helping those that might still harbor doubts or be considering making the decisive step of seeking to gain a foothold abroad, so essential for their development and survival.

The economic crisis which began three years ago is now easing in some countries while, in others, such as Spain, the recovery looks set to be slower and more painful. All of this has undoubtedly had a huge impact on the pace of internationalization of Spanish companies. Those which have steadfastly maintained or even increased the speed of their internationalization processes, refusing to be put off by the circumstances, can now be sure they made the right decision. In a highly globalized economy, prospecting new markets and increasing foreign exposure are the most advisable strategic moves.

The 2010 edition of our Yearbook offers clear examples of companies that have recognized just how important activity abroad is for their continued growth and development. 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.

I would like to thank the Wharton School for its cooperation once again this year. It is one of the world's most prestigious academic institutions in relation to business, and without its involvement the ongoing success of this publication would simply not be possible. I would also like to thank everyone, from Wharton and *Círculo de Empresarios*, involved in producing the Yearbook. I would like to extend very special thanks to the Chairman of Ferrovial and member of *Círculo*, Rafael del Pino Calvo Sotelo, for having contributed to this edition with his interesting reflections on infrastructure investment, including his analysis of aspects such as the real impact of this investment on the economy as a whole, innovation and the challenges of the next few decades. Many thanks to all and, of course, thanks to all the faithful readers who make this Yearbook worthwhile.

Claudio Boada
Chairman, Círculo de Empresarios



Prologue

Having overcome the worst of the crisis, in 2009 the global economy took the first steps towards recovery. Emerging economies, mainly in Asia, spearheaded, and indeed continue to lead, the process of leaving the crisis behind. This rebound is due largely to the results of economic policy actions implemented by governments in almost all countries, either individually or together. It seems that in 2010 the recovery continues to consolidate, more strongly in some countries than in others, although there are still many lingering uncertainties which cast a shadow over the success achieved so far. Specifically, financial markets remain unstable and governments have little maneuvering room to implement new measures. On the one hand, this is leading to currency depreciation wars, which could unleash a trade conflict that might hamper the recovery; on the other, excessive fiscal expansion has triggered such deterioration in national public accounts that in many cases there are fears for the solvency of countries with high debt levels.

In the trade sphere, in 2009 the slump in global demand caused trade flows to nosedive, although they are currently bouncing back. As for investment flows and merger and acquisition activity worldwide, the downward trend which began last year persists (investment flows are down 39% and M&As down 65%, compared with 2008). However, according to the UNCTAD *World Investment Report 2010*, flows should stabilize this year and grow in 2011.

In 2009, the Spanish economy endured its worst recession since 1960, as GDP shrank by 3.6% vs. 2008. Neither is the outlook very encouraging, as Spain will continue to lag behind in the recovery, posting -0.3% growth in 2010, according to the latest IMF forecasts released in October. Unemployment and spiraling public debt are some of the factors underpinning these downbeat projections.

Against this backdrop, the trend of recent decades, in which globalization has certainly boosted the internationalization of both the Spanish economy and Spanish companies, has run out of steam. The actions of many Spanish companies abroad have been thrown into the long grass pending an improvement in the international situation or better results domestically. Nevertheless, there are still many stakeholders who continue to foster internationalization in Spain, with companies that continue to invest and operate abroad. Consequently, although the gap between investment and receipts is increasingly narrow, Spain is still a net investor abroad in terms of direct investment.

The fourth edition of the ***Yearbook on the Internationalization of Spanish Companies*** discusses this and other phenomena. In this publication, once again, this year, *Círculo de Empresarios* wishes to offer the public an instrument with which to obtain a more thorough picture of the foreign activity of Spanish companies and the most significant challenges which they will face in the future. As in previous editions, the Yearbook is structured into two main blocks:

• The **first** of these, comprising four chapters, analyzes the economic context, both domestically and internationally, in which Spanish companies conduct their business, and also looks at their achievements and challenges.

The first chapter offers a brief overview of the global macroeconomic framework, as well as the main characteristics of international trade and foreign direct investment in 2009-2010.

The second chapter examines the most significant events of 2009 in terms of the external sector of the Spanish economy, in respect of both trade and finance. Furthermore, in these first two chapters there is a brief discussion of the prospects for next year in both foreign trade and foreign direct investment.

The third 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. While 2008 will be remembered as the year of the slump in corporate earnings at Spanish companies in the wake of the change in the economic and financial cycle in 2007, 2009 was the year of the recovery in share performance, albeit coupled with a decline in the other two indicators analyzed. While investment bank analysts' recommendations have admittedly worsened, we highlight (as especially significant for a publication aimed at fostering internationalization) the preference for middle-sized listed Spanish companies with an international bias and presence. The crisis also triggered a reduction in the international financial press's coverage of Spanish companies. However, while coverage in some sectors, such as property and construction, has tended to be critical, the treatment received by bank analysts was generally positive, although turmoil at savings banks and liquidity woes did slightly dampen the tone.

The block concludes with the fourth chapter, which provides a detailed analysis of some of the corporate operations by Spanish companies abroad which, according to the members of *Círculo de Empresarios*, are particularly significant. This year, in a separate chapter, the Yearbook includes a new section featuring our members' views on the most attractive geographical areas and sectors for investment abroad in the next few years.

• The **second block** includes a single chapter, chapter 5, which contains an analysis of infrastructure investment by Rafael del Pino, Chairman of Ferrovial and a member of *Círculo de Empresarios*.

This chapter deals with the real impact of infrastructure investment on the economy and its potential role in helping to overcome the crisis, in view of its capacity to generate employment and wealth, boosting economic productivity and competitiveness.

Furthermore, the section highlights the significance of cooperation between the public and private sectors as an indispensable tool to maintain and foster infrastructure investment in the current climate, in which nurturing innovation is essential to generate greater competitiveness. In this connection, the key is to apply intelligence to infrastructure to boost its efficiency, accessibility and sustainability, in both environmental and economic terms.

Belén Romana
Secretary General of Círculo de Empresarios

[redacted]

1 The World Economy in 2009-2010

In 2009, after the recession hit bottom, the **first steps towards global recovery were taken**, although almost every geographic region showed negative growth rates. The emerging economies, basically Asian, are leading the way in coming out of the crisis. In 2010, the recovery continues to strengthen, although at a different pace depending on the region: weak in many advanced economies and vigorous in the majority of emerging and developing economies. Moreover, the economies that took off strong are expected to continue leading the way, while the deterioration of financial sectors and of household balance sheets is slowing growth in those economies where there are greater imbalances.

The **economic policy actions** implemented by governments, either individually or jointly, have contributed decisively to this recovery. **Monetary policy**, through the successive injection of liquidity, the lowering of interest rates to historical minimums, and the purchase of risky assets, has succeeded in stabilizing the financial system. However, credit continues to be very scarce in some economies, which is halting their recovery. In turn, **fiscal policy** has also expanded considerably, both through the actions of automatic stabilizers, which have moderated the drop in consumption through social expenditure and unemployment protection, and through public expenditure and investment programs. This expansion has nevertheless caused a major increase in public deficits, which has caused the first alarms to sound about financing and the roll-over of those deficits, and about the dangers of future inflation.

Likewise, and even though the risks of global financial instability have moderated to the extent that recovery has gained strength, **notable uncertainties** persist. The scarcity of capital, the risk of asset deterioration, and deficient profitability remain. Despite this, the favorable growth outlooks in many emerging economies and the low interest rates in the major economies have led to a positive resumption of capital flows towards some emerging economies, which nevertheless involves the risk of causing inflationist pressures and asset bubbles.

Thus, beyond the vigor of the recovery in some regions, **the outlooks surrounding business activity continue to be uncertain, and the downside risks linked to the aforementioned fis-**

cal fragility have taken center stage. The rapid growth of public debt and the deterioration of fiscal balances could be re-transmitted to the banking systems or be re-transmitted between countries, thereby undermining the advances in financial stability and extending the crisis. Within this context, the main concern is that the maneuvering margin of economic policy has been used up or is very limited in the majority of advanced nations. It also seems that, in view of this lack of maneuvering room, a dangerous war of currency depreciation is under way, thereby seeking advantages that, in reality, can become a commercial confrontation that hurts recovery.

In view of this critical juncture, **to sustain the recovery of the world economy and the financial system, it is essential to adopt economic policy measures** that are designed, among other objectives, to reduce sovereign vulnerabilities, strengthen financial stability, and contain global imbalances through a re-balancing of global demand. In fact, in most advanced economies, fiscal and monetary policies must continue to be the main support for sustaining growth and employment. However, at the same time, many of them must adopt credible strategies of medium-term fiscal consolidation in order to contain public debt and, in the future, reduce it to more prudent levels.

Within this complicated scenario, several **main points of debate arise regarding the response by economies to the withdrawal of fiscal and monetary stimuli and regarding the sustainability and strength of the recovery**.

1.1 The global macroeconomic environment

In 2009 the international economic situation experienced continuous improvement. While the global growth rate was -0.6% resulting from the collapse of world trade and the freeze on credit, according to data from the International Monetary Fund (Table 1.1), quarterly data already showed signs of recovery in some economies starting in the second quarter of the year. The 3.2% drop for developed economies as a whole was compensated in part by the positive growth of the majority of emerging economies, basically China and India, and developing economies. **A global growth rate of 4.8% is forecasted for 2010**, also supported by the growth of emerging economies.

The behavior of the global growth rate has been very unequal throughout the year. In the first quarter, the drop in business activity intensified, and the scenarios of stock market panic that took place in the latter part of 2008 were repeated. However, starting in the second quarter, the GDP contraction rates generally slowed down, and some of the main economies – Japan, France, and Germany – reached positive quarter-on-quarter rates, leaving the recession behind. The United States recorded positive growth rates in the third and fourth quarters. This scenario was accompanied by the recovery of consumer and business confidence indexes (from historical lows) and by a continuing rise in share prices on the stock markets. Already in 2010, global growth in the first half was strengthened, with an annual rate of approximately 5.25%.

By regions among advanced economies, the United States is turning around stronger than Europe. Among emerging and developing economies, the emerging economies of Asia are leading the recovery, but growth continues to be late in many emerging economies of Europe and in some economies of the Commonwealth of Independent States (CIS).

2010-2011 Outlooks

The economic recovery seems to be losing strength in the first quarter of 2010, in both advanced and emerging economies. Even though confidence has returned to the financial markets, high volatility (especially sovereign risk), bank financing, and pending regulatory reform continue to be reasons for concern. There are other forces that are also weakening recovery, such as the weakness of real estate markets, the decrease in fiscal stimuli, and the high level of unemployment. However, it could be that this slow-down in recovery might just be a short-term phenomenon and that the economy will reactivate during 2011.

IMF forecasts on GDP growth

Table 1.1

Percent change

Source: IMF (WEO, October 2010)

	2008	2009	2010*	2011*
World Output	2.8	-0.6	4.8	4.2
Advanced economies	0.2	-3.2	2.7	2.2
United States	0.0	-2.6	2.6	2.3
European Union	0.8	-4.1	1.7	1.7
Euro Area	0.5	-4.1	1.7	1.5
Germany	1.0	-4.7	3.3	2.0
France	0.1	-2.5	1.6	1.6
Italy	-1.3	-5.0	1.0	1.0
Spain	0.9	-3.7	-0.3	0.7
Japan	-1.2	-5.2	2.8	1.5
United Kingdom	-0.1	-4.9	1.7	2.0
Canada	0.5	-2.5	3.1	2.7
Other advanced economies	1.7	-1.2	5.4	3.7
Newly Industrialized Asian Economies	1.8	-0.9	7.8	4.5
Emerging and developing economies	6.0	2.5	7.1	6.4
Sub-Saharan Africa	5.5	2.6	5.0	5.5
Central and Eastern Europe	3.0	-3.6	3.7	3.1
Commonwealth of Indepedent States	5.3	-6.5	4.3	4.6
Russia	5.2	-7.9	4.0	4.3
Excluding Russia	5.4	-3.2	5.3	5.2
Developing Asia	7.7	6.9	9.4	8.4
China	9.6	9.1	10.5	9.6
India	6.4	5.7	9.7	8.4
ASEAN 5 **	4.7	1.7	6.6	5.4
Middle East and North Africa	5.0	2.0	4.1	5.1
Latin America and the Caribbean	4.3	-1.7	5.7	4.0
Brazil	5.1	-0.2	7.5	4.1
Mexico	1.5	-6.5	5.0	3.9

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

Box 1.1 The growing protagonism of Credit Default Swaps (CDSs)

A CDS is a derivative financial product that works like insurance against the possible default or bankruptcy of a third party, whether a company, a financial institution, or a state. These operations are formally executed in a private contract whereby the buyer of the CDS pays a premium in exchange for receiving protection from the seller in the event that said default or bankruptcy occurs. Its spread varies according to how the market assesses the credit quality of the third party.

These types of derivatives arose in the 90s as insurance for large oil companies after the Exxon Valdez spill (1989). At the beginning they were practically unknown, not even reaching a transaction volume of 200 billion dollars per year. However, starting in 2003, they began to take off, reaching 45.5 trillion dollars in 2007. With the crisis, they have become even bigger protagonists. In 2008, they recorded a total of 65 trillion dollars, 1.35 times global production.

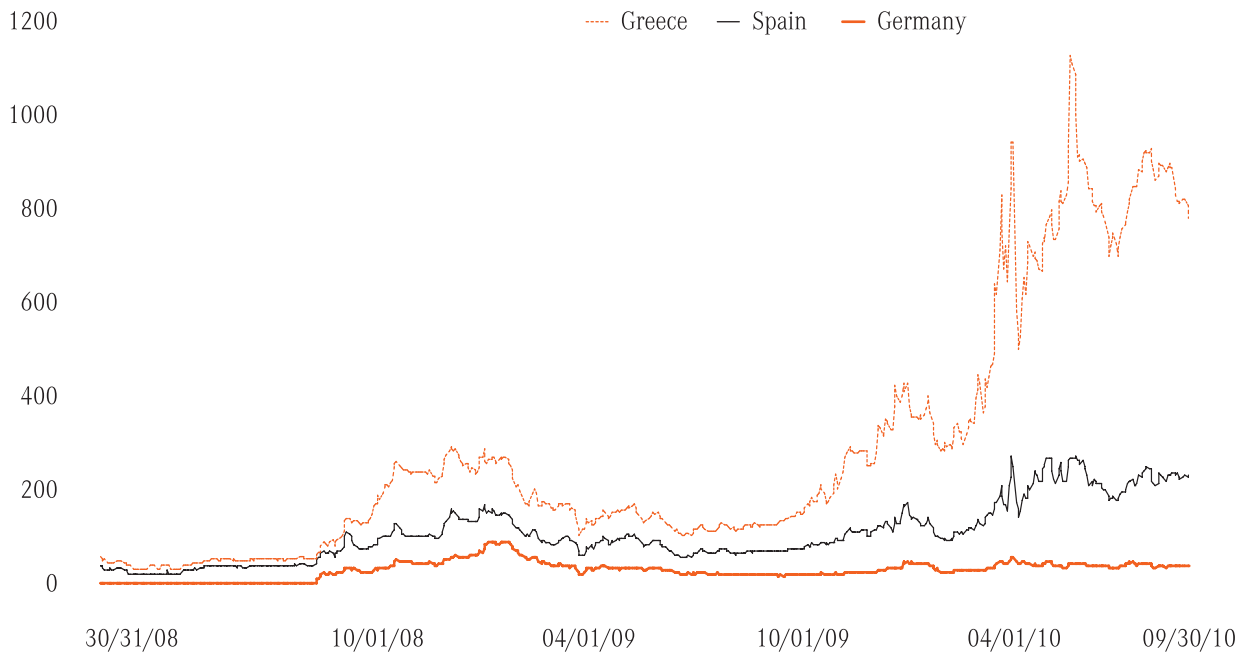
The contracting of these derivatives outside of organized markets (over the counter – OTC) and the temptation to speculate with them pose serious problems. CDSs are highly exposed to speculative phenomena. Regular buy-sell operations on the market must be distinguished from speculative movements. In general, the natural buyers of these derivatives are commercial banks, who use them as coverage for managing credit risk. The sellers are investment banks or insurance companies. In these operations, there is real exposure to default for which protection is sought. However, there are a multitude of investors, such as hedge funds, that seek to obtain greater profitability, venturing in favor of or against an increase in an entity's default risk, with no real exposure to default for which protection is needed. It is a speculative activity in which there is a gain through the normal route (payment of interest) and through the default route (collection of the CDS or default insurance). The problem arises when, due to strong speculation, the CDS contracting volume of a certain entity exceeds its debt volume. Or when the CDS insurer goes bankrupt while holding considerable outstanding positions in these products. When faced with a recession of the world economy, the probability of default increases, and the expected payment from the stock of CDSs can grow rapidly, thereby creating a major problem of systemic risk. Counterparty risk is also systemic risk. If a major player in a market fails to meet his obligations with several commercial partners, the financial system can be affected. Likewise, a large part of the increases in sovereign debt returns are a product of speculation in CDSs.

In recent months, in countries where the uncertainty of solvency is greatest, the spreads of CDSs have shot up considerably. We only have to look at the case of Greece and, to a lesser extent, that of Spain.

Many blame CDSs for the economic slowdown as a result of venturing on a deepening crisis after the onset of the subprime crisis of July 2007. Many authorities are therefore demanding that they be regulated. Thus, regulatory bodies of the international financial system are calling for measures to assure the correct operation and efficiency of this market. Some experts have even proposed prohibiting the purchase of CDSs when the reasons are speculative, although this measure would take away liquidity from the market and would increase the transaction cost, thereby also reducing transparency for financial markets. Therefore, more than prohibiting speculation about derivative products, effective regulatory mechanisms that provide transparency and stability to the financial system should be established. One alternative proposal is to create clearing and settlement systems that would eliminate direct exposure and would isolate the counterparties, thereby reducing systemic risk, given that it would prevent the bankruptcy of an important participant in the market from contaminating the rest of the financial system.

Credit Default Swaps 2008-2010

Source: Datastream International through CEMEX



In fact, according to the International Monetary Fund's latest forecasts, it expects global growth of 4.8% in 2010 and 4.2% in 2011. This prediction would mean the non-materialization of the downside risks that currently exist. The uncertainty about demand would not slow down the recovery of investment, employment, and household consumption, which would compensate, to a great extent, the reduction of the fiscal stimulus that must occur, as we have stated.

According to this institution, emerging and developing economies will record growth rates of 7.1% and 6.4% in 2010 and 2011, respectively. However, the growth outlooks for advanced economies are lower, at 2.7% for 2010 and 2.2% for 2011, with notable deceleration in some economies in the second half of 2010 and the first half of 2011.

The behavior of commodity prices

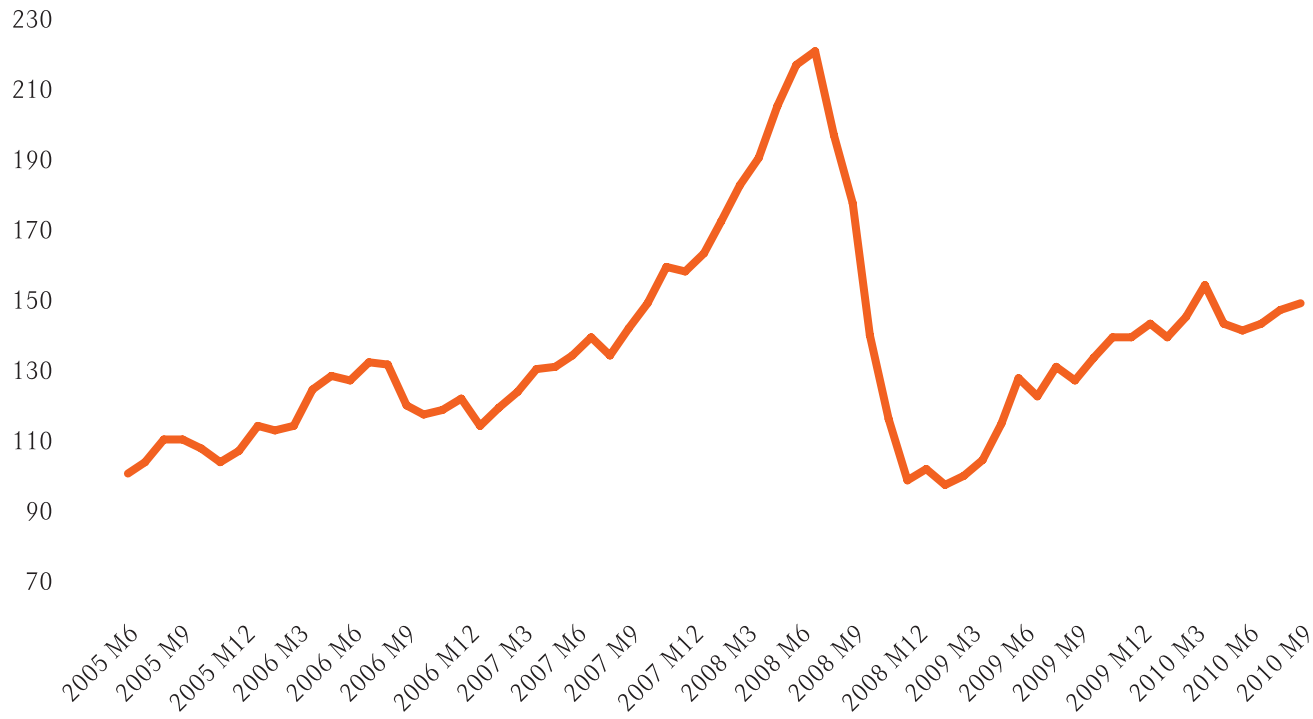
As in any analysis of the world economic situation, it is interesting to analyze the evolution of commodity prices and the economic impact by the same. While the previous edition of the Yearbook highlighted the major collapse of these prices, it now has to be underscored how, after reaching minimums in February 2009, these prices have showed a sustained recovery. Their volatility seems to be returning to normal as the world economic and financial situation improves.

Thus, at the end of 2009, the commodities index of the International Monetary Fund (IMF) exceeded the minimum level by more than 40% (above all due to the increase in the price of oil – over 70% – and of metals – around 60%). However, in real terms, it still remained 25% below the maximum level reached in July 2008 (Chart 1.1 and Table 1.2).

On the other hand, the behavior of commodity prices observed over the last year and a half is different than what was recorded in previous economic downturns and recoveries. This time, a faster and more extended turn-around is observed. Several factors explain this behavior: a global recovery that is stronger than what was expected, the new protagonism acquired by emerging and developing economies in the commodities market, an increase in the inventory surplus of some commodities with respect to the stock-utilization ratio, the depreciation of the dollar, and the low level of real interest rates (versus the high interest rates and appreciation that occurred on previous occasions).

Chart 1.1 Index of Commodity prices (2005=100)

Source: IMF



Evolution of the real price of commodities

Table 1.2

(Monthly, average 1990-99=100)

Source: International Monetary Fund

	Dec-´09	Maximum level July 2008	Minimun level Feb. 2009	2000-09 Average
Commodities price index	172.1	230.6	123.2	133.6
Non-fuel products	106.2	131.4	85.2	89.0
Foods	97.4	122.7	88.9	82.6
Beverages	120.1	110.7	99.6	77.6
Industrial inputs	114.2	143.7	79.4	97.6
Agricultural commodities	73.8	77.7	58.9	75.2
Metals	162.3	222.3	103.9	124.3
Fuels	271.9	380.9	180.7	201.1
Oil	283.5	392.6	161.5	203.3

Real volatility of the price of commodities (percentage)*

	2009	2008	2000-09	1991-99
Commodities price index	5.2	10.0	5.2	4.0
Non-fuel products	2.7	6.0	2.8	1.7
Foods	3.8	6.2	3.2	2.2
Beverages	3.0	7.0	4.6	6.0
Industrial inputs	4.1	6.4	3.7	2.2
Agricultural commodities	4.1	4.4	3.1	2.7
Metals	5.2	8.1	4.9	3.7
Fuels	7.2	12.5	7.5	5.5
Oil	8.5	13.9	8.8	9.2

* Volatility is calculated using the standard deviation of the monthly variation of the real price index of commodities (deflated by the US consumer price index)

From a financial point of view, investments in commodity-linked assets increased in 2009. At the end of that year, these assets reached the figure of 257 billion dollars, a level that is similar to the one recorded in 2008.

With respect to outlooks about the evolution of the price of commodities, in the short term price behavior will depend on the pace and strength of the global recovery. The upward pressure on price exercised by increased global demand continues as global growth accelerates. However, it is likely that the high idle capacity and the response of the supply-side to price recovery will moderate that pressure. Moreover, it is highly likely that the normalization of interest rates in monetary policy will increase the cost of holding on to inventories, which will reduce the incentive to keep them.

On the other hand, the information taken from the price of commodities futures and options indicates that investors and those who maintain cover positions foresee moderate increases in prices and still consider it unlikely that another downturn will occur.

In the medium term, it is forecasted that the price of commodities will remain high with respect to the past. As global recovery takes root, it is expected that the demand for commodities will grow again quickly, while it is likely that idle capacity and buffer stocks will decrease over time.

Regarding the evolution of the price of oil, throughout 2009 it has maintained an upward trend, going from minimums of close to $40/barrel at the beginning of the year up to maximums of $78.7/barrel in December. Despite this, the average price of oil dropped

36.7% in 2009 with respect to 2008, although since mid 2009 it has remained, to a large extent, within the 2008 margins of $70 to $80 per barrel (Chart 1.2).

The limited fluctuations in the price of oil denoted the opposite effects of the adjustment by oil demand and supply on normalization of the global economic and financial situation, respectively. At the lower limit of the range, price was maintained due to reactivation of global oil consumption as global activity recovered. At the upper limit, the upward pressure on prices was curbed by the recovery of global oil production.

The short-term panorama depends to a large extent on the interaction between the upward pressure due to increased demand and the response from the supply-side. If the estimated demand for oil increases in 2010 as forecasted, the dynamics of the price will depend on how producers make use of their idle capacity.

In the medium term, oil price behavior also depends on the possibility of maintaining sustainable equilibrium between supply and demand. Regarding the supply-side, the discovery of new oil deposits is promising. In the first quarter of 2009, deposits representing approximately 10 billion barrels were found, the highest recorded figure since the end of the nineties. However, these discoveries do not resolve all the concerns about supply. In recent years, the bottleneck was the slow development of new deposits and the retention of current ones.

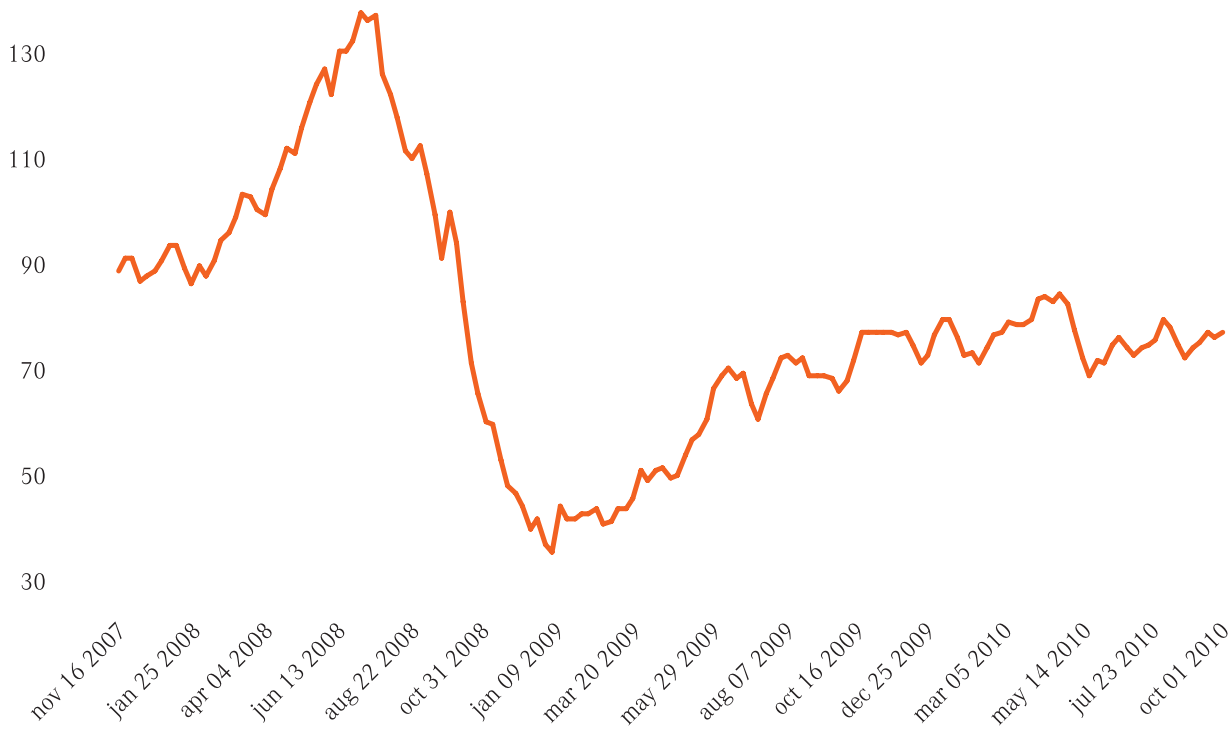
Changing fluctuations

Currency markets have also experienced relevant oscillations in exchange rates. This has happened with the euro/US dollar exchange rate. The North American currency started 2009 at values that were close to 0.72 euros per dollar. Shortly before the end of that year, it reached minimums of 0.66 euros/dollar. As from that moment, it started a climb that led to maximums of 0.83 euros per dollar in mid 2010, an appreciation that would favor the European foreign sector. At the time that this document is being written, in the first half of the month of October, the dollar is once

Chart 1.2 — Oil prices

US dollars per barrel, global average, weekly figures

Source: EIA



again experiencing depreciation that has positioned it at 1.4 dollars per euro.

On the other hand, last June Chinese authorities announced a change in their monetary policy, which could mean appreciation of the Asian giant's currency. It is a potentially very significant movement for some of the large global imbalances in the balance of payments. Throughout recent years the Chinese government has kept its currency artificially undervalued versus the currencies of its main trading partners, above all with respect to the dollar, as it can be deduced from the incredible accumulation of international reserves by its central bank. With this policy, China has continued to generate huge commercial surpluses, supporting its growth on foreign demand while financing the foreign deficit of the USA.

A yuan that is closer in value to market principles could represent a shot in the arm for developed economies needing greater demand for their goods and services. However, the very slight appreciation of the yuan since the time of the announcement (barely 2%) seems to indicate that the Chinese announcement does not respond to an unequivocal desire to rapidly introduce greater flexibility in fluctuation of the yuan.

Measures adopted against the crisis

The expansive policies implemented by governments, occasionally in coordination, have been fundamental for starting up the recovery process. The guaranties and injections of capital from governments in benefit to financial institutions also provided indispensable support for the system. The consequences of these measures have nevertheless generated a series of risks for the sustainability of this recovery, which risks have to be curbed as soon as possible.

The expansive **fiscal policy** implemented in the majority of countries provided firm support against deceleration, especially in advanced economies. But, at the same time the actions of automatic stabilizers, driven by shrinking business activity, and, to a lesser extent, discretional stimulation measures, fed the fiscal deficits of advanced economies, pushing them to around 9% of the GDP. Likewise, in many of these economies, public debt levels took off (Chart 1.3), although this increase responds mainly to the drop in output and to the decrease in tax collections due to the drop in asset prices and the drop of activity in the financial sector. Discretional fiscal stimuli and direct support for the financial sector motivated by the crisis caused less than one fifth of the debt increase. It is forecasted that debt/GDP ratios will exceed 100% of the GDP in 2014 by maintaining the current policies (35% more than before the crisis).

Monetary policy was also highly expansive and was supported by major and highly unconventional injections of liquidity.

The reference interest rates of monetary policy were reduced to historical minimums, retreating to almost zero in many economies (Chart 1.4). Among other exceptional measures, highlights include public commitments to keep interest rates at low levels for a prolonged period of time, direct purchases of long-term public bonds to push longer term earnings downward, and support for dysfunctional markets (such as asset-backed securities). Many central banks of emerging economies also created special liquidity or credit mechanisms.

Chart 1.3

Gross public debt % GDP

Source: Eurostat

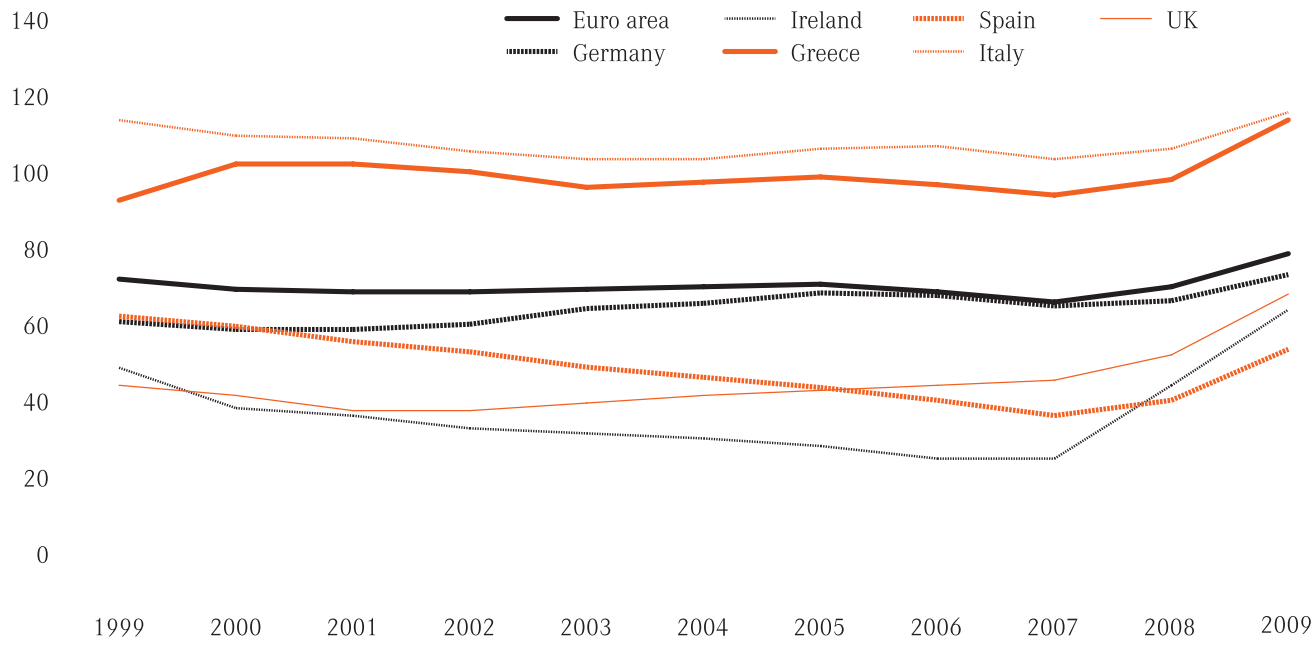
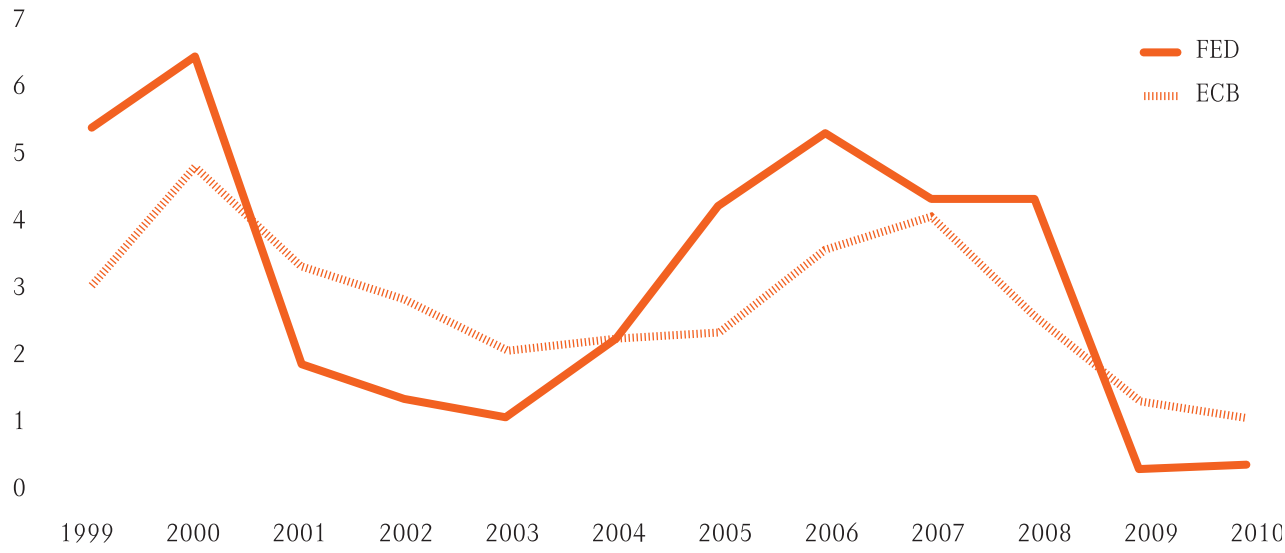


Chart 1.4

Interest rates ECB and Fed

Source: ECB and Fed



International trade 1.2

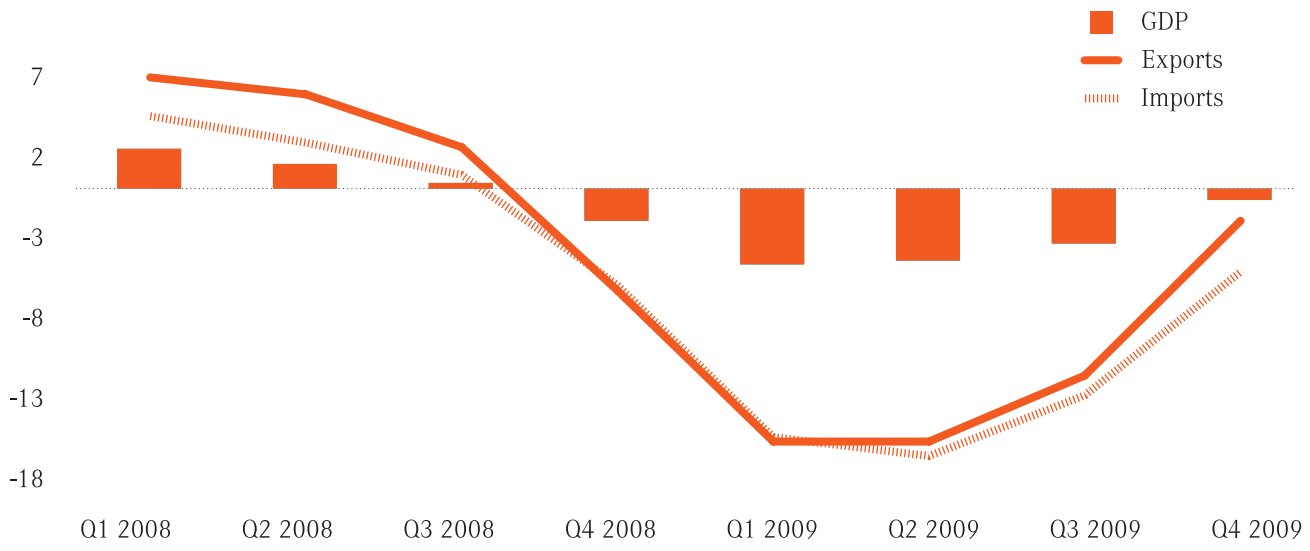
As stated by the World Trade Report of the World Trade Organization, world trade collapsed 12.2% in 2009 in real terms, an unprecedented contraction in recent history (WTO, July 2010). Since 1965, world trade had only dropped on three occasions, and none of these backward slides were of the magnitude of the latest one: world trade dropped 7% in 1975, 2% in 1982, and 0.2% in 2001. In nominal terms (current dollars), the decrease was even greater (23%), a drop partially explained by the decrease in the prices of oil and of other basic products. As a result of this tremendous contraction, in the majority of regions the economic and financial crisis has meant a more than notable reduction in the export/GDP ratio (Economic Bulletin of the Bank of Spain, March 2010).

Exports of commercial services decreased 13%, their first inter-annual drop since 1983. The larger drop by the services category corresponded to transport services (due to their close link to trade in goods), followed by travel and other commercial services.

Economists have proposed **several reasons to explain this abrupt drop**. The main cause would be the sudden contraction in global demand, on which diverse factors have acted as multipliers: the distribution of the decrease in demand by products (the demand for the most important products in international trade has dropped more, such as durable goods and capital goods); the presence of global supply chains (with the huge weight of vertical specialization chains in which the added value of the processes is low with respect to the value of exports); and, third, the fact that the drop in trade happened simultaneously in different countries and regions. The weakness of demand in the private sector was linked to the global recession. On the other hand, the scarce availability of financing for trade and the high cost thereof also contributed to the drop in trade. Finally, the imposition of some protectionist measures must be considered as a cause for this drop, although they probably would only have had a residual effect (Box 1.2).

Real GDP and trade growth in OECD countries, 2009-2010 Chart 1.5

Annual percentage change Source: OECD



Box 1.2 The threat of protectionism

Recessions and their effects are a culture medium for protectionism. When economic output decreases and unemployment increases, there is a temptation to blame international trade and to export unemployment abroad by blocking imports and subsidizing domestic industry, even though these policies might be counterproductive. In the Great Depression of the thirties, protectionist measures were applied, which exacerbated and expanded the effects of the crisis throughout the whole world. But this time, having learned the lesson, governors committed to not adopting protectionist measures. In fact, the collapse of trade does not seem to be the result of a substantial deployment of protectionism, but rather the result of a global decrease in demand. Thus, the WTO estimates that less than 1% of world trade has been affected by new protectionist measures. Likewise, an experts' study of the IMF concludes that the protection measures of domestic production distorted global trade by only 0.25%, given that the majority of countries have resisted the temptation to resort to protectionist measures. These measures did have a harsh impact on the products on which they were applied.

Despite the fact that there hasn't been an escalation in protectionism for now, there are still threats that could lead to unleashing it in the future, including high unemployment in advanced economies, the growth differences between countries, and the growing public expenditure by governments. Other reasons for concern include the following: the possibility of an increase in protectionism when imports reach pre-crisis market shares, above all in markets with high unemployment and sectors with weak recovery; the eventual expansion of multilateral or bilateral current account deficits; the removal of stimuli in the fiscal, monetary, and financial sector; more expensive prices for commodities; and the appreciation of currency as a consequence of capital inflows to some emerging markets, which can create tensions for the competitiveness of the exporters and domestic sectors that compete with imports.

Wherefore, even though trade is recovering, the durability of this improvement is not yet assured. Keeping markets open will be especially important for sustaining trade and fomenting generalized economic resuscitation. It is therefore necessary to continue controlling the restrictive measures that are implemented and, better still, reaching agreements that facilitate the conclusion of the WTO Doha Development Round. Likewise, it is essential to flee from the temptation to use currency depreciation policies ("beggar thy neighbor" policies), whose consequences are always negative for trade.

Apart from trade policies, trade can be favored by other factors, some of which are included in the indicator prepared by the World Economic Forum each year (the *Enabling Trade Index*), which gives us an idea of the conditions for international trade in a certain economy. The 2010 edition evaluates, for 125 countries, the facilities for accessing a market, the management of borders, the transport and communications infrastructures, and the trade environment for each one of the considered economies. A higher value means more favorable conditions for foreign trade. Table 1.3 includes the ranking in its latest edition, published in mid 2010.

Certain improvement in the average value of the index is observed with respect to 2009. 21 countries are above 5 in this edition, which is similar to the 2008 level (versus 17 in 2009), which could be a sign of improved market conditions, favored by the economic recovery starting in 2009.

Enabling Trade Index 2010

Table 1.3

125 countries

Source: WEF

	Total index		Subindexes (rankings)			
	Ranking	Índex*	Market access	Border administracion	Transport and communications infrastructure	Business envimmt.
Singapore	1	6,06	1	1	7	2
Hong Kong SAR	2	5,70	16	6	5	5
Denmark	3	5,41	95	3	8	3
Sweden	4	5,41	96	2	9	10
Switzerland	5	5,37	58	10	10	8
New Zealand	6	5,33	37	5	26	11
Norway	7	5,32	33	18	21	7
Canada	8	5,29	25	17	20	18
Luxembourg	9	5,28	73	20	3	4
Netherlands	10	5,26	85	4	6	17
Iceland	11	5,26	14	22	27	12
Finland	12	5,25	90	8	18	1
Germany	13	5,20	101	15	1	15
Austria	14	5,17	94	9	12	13
Australia	15	5,13	63	14	19	19
United Arab Emirates	16	5,12	81	12	22	9
United Kingdom	17	5,06	91	13	2	32
Chile	18	5,06	2	23	42	26
United States	19	5,03	62	19	11	37
France	20	5,02	97	21	4	27
Ireland	21	5,00	109	7	23	16
Bahrain	22	4,95	29	26	33	25
Estonia	23	4,90	83	11	31	23
Belgium	24	4,89	99	30	13	22
Japan	25	4,80	121	16	14	34
Israel	26	4,76	43	25	30	53
Korea, Rep.	27	4,72	111	24	15	44
Taiwan	28	4,72	106	33	16	31
Oman	29	4,71	34	47	47	14
Malaysia	30	4,71	31	44	24	51
Cyprus	31	4,70	86	29	37	20
Spain	**32**	**4,70**	**102**	**28**	**17**	**46**
Mauritius	33	4,69	8	39	58	36
Qatar	34	4,68	72	35	46	6
Slovenia	35	4,68	88	27	29	29
Portugal	36	4,65	77	36	25	30
Georgia	37	4,59	5	37	74	45
Tunisia	38	4,57	35	50	56	24
Jordan	39	4,55	51	45	52	21
Saudi Arabia	40	4,54	54	31	45	39
Lithuania	41	4,48	70	38	34	52
Czech Republic	42	4,47	105	32	36	43
Montenegro	43	4,47	24	55	55	33
Costa Rica	44	4,45	7	46	78	59
Croatia	45	4,45	28	60	38	63
Latvia	46	4,39	80	40	39	50
Slovak Republic	47	4,36	103	49	32	56
China	48	4,32	79	48	43	41
Hungary	49	4,30	108	34	41	54
Uruguay	50	4,29	36	54	73	40

Note: * Between 1 and 7

In this edition, Spain has once again lost five positions in the ranking, going from 17 to 32. Spain's economy has already lost ten positions in the ranking since 2008, being left far behind the main economies of the European Union. The deterioration occurs basically in market access conditions (a section in which it drops from rank 72 to 102). Moreover, the 2010 index shows a worsening in the environment for businesses, mainly in physical security, a section in which Spain has dropped nine positions in the ranking (from 45 to 54), due to deterioration of the cost indicator that terrorism has for businesses, eventually ranking Spain at 112 out of 125 (Table 1.4).

Table 1.4 Enabling Trade Index, 2010 (Spain)

125 countries

Source: WEF

	Rank	Score*
2010 index	32	4,7
Market access	102	3,7
Border administration	28	5,1
Efficiency of customs administration	22	5,4
Efficiency of import-export procedures	45	5,1
Transparency of border administration	32	4,8
Transport and communications infrastructure	17	5,3
Availability and quality of transport infrastructure	10	6,0
Availability and quality of transport services	14	5,1
Availability and use of ICT	26	4,9
Business environment	46	4,6
Regulatory environment	44	4,2
Physical safety	54	5,1

Note: * Between 1 and 7

Trade figures in 2009

According to WTO data, in 2009 the volume of **exports** of goods (real terms) dropped in all countries and regions. In the USA (-13.9%), in the EU27 (-14.8%), and in Japan (-24.9%), the drop was greater than the global average, while less pronounced decreases were recorded in the oil-exporting regions of the Middle East (-4.9%), Africa (-5.6%), and Central and South America (5.7%). Exports also decreased in Asia (-11.1%) and China (-10.5%), although somewhat less than the global average (Table 1.5).

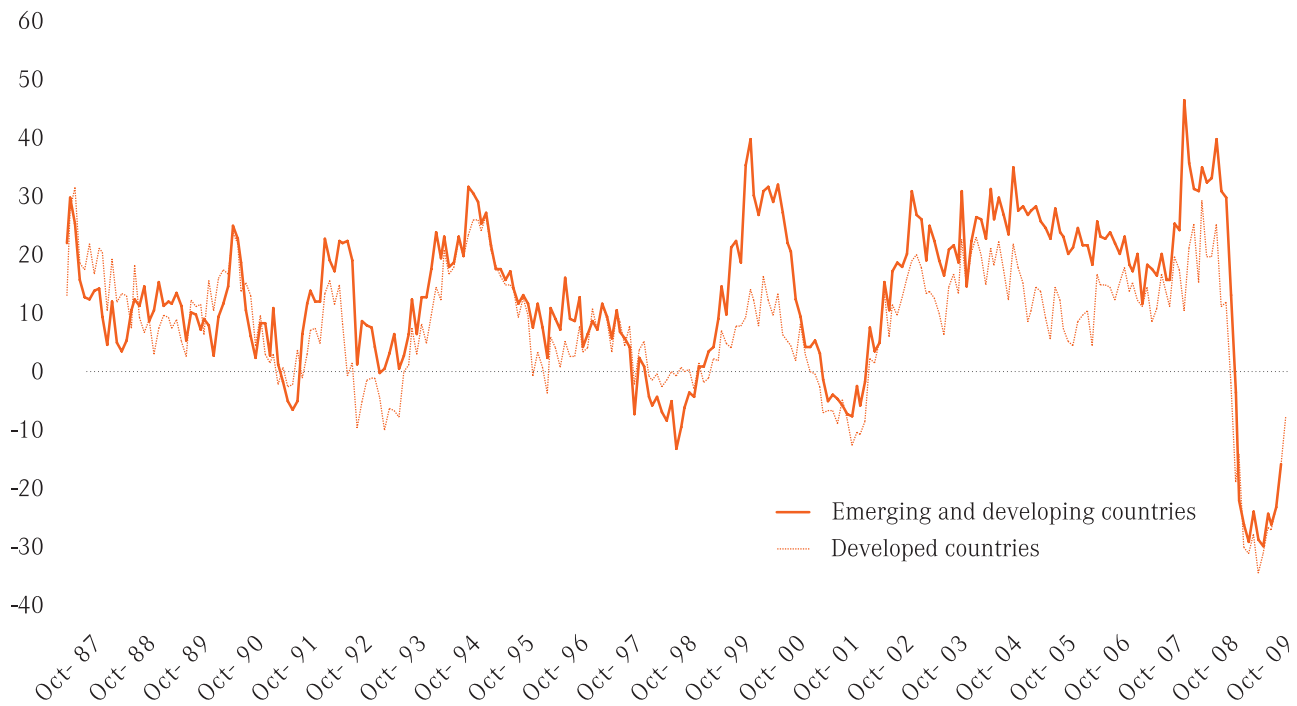
Even though the decreases in export volumes from oil-producing regions were less than the global average in 2009, the decrease in value tended to be higher. For example, the dollar value of exports from the Middle East, Africa, and the Commonwealth of Independent States decreased by 33%, 32%, and 36%, respectively, versus a global average of 23%. This is due to the abrupt decrease in oil prices between 2008 and 2009. Oil is frequently the main good exported by crude producers, wherefore it must be kept in mind that the evolution of trade in 2009 can vary substantially in different countries depending on whether it is measured by value or volume.

With respect to **imports**, the opposite occurred, with imports decreasing more in oil-exporting regions: the Commonwealth of Independent States (-20.1%) and Central and South America (-16.5%). Among the remaining countries, the decrease was greater than the global average in the United States (-16.5%) and the European Union (-14.5%), while in Japan (-12.8%) it was almost the same (Table 1.5).

Global exports by region (Year-on-year rate)

Chart 1.6

Source: IMF through Wharton Research Data Services Global Insight



GDP and goods trade by region, 2007-2009

Table 1.5

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

Source: WTO Secretariat

	GDP			Exports			Imports		
	2007	2008	2009	2007	2008	2009	2007	2008	2009
Worldwide	3.8	1.6	-2.3	6.4	2.1	-12.2	6.1	2.2	-12.9
North America	2.2	0.5	-2.7	4.8	2.1	-14.4	2.0	-2.4	-16.3
US	2.1	0.4	-2.4	6.7	5.8	-13.9	1.1	-3.7	-16.5
Central and South America[a]	6.4	5.0	-0.8	3.3	0.8	-5.7	17.6	13.3	-16.3
Europe	2.9	0.8	-4.0	4.2	0.0	-14.4	4.4	-0.6	-14.5
European Union (27)	2.8	0.7	-4.2	4.0	-0.1	-14.8	4.1	-0.8	-14.5
CIS	8.3	5.3	-7.1	7.5	2.2	-9.5	19.9	16.3	-20.2
Africa	5.8	4.7	1.6	4.8	0.7	-5.6	13.8	14.1	-5.6
Middle East	5.5	5.4	1.0	4.5	2.3	-4.9	14.6	14.6	-10.6
Asia	6.0	2.7	0.1	11.7	5.5	-11.1	8.2	4.7	-7.9
China	13.0	9.0	8.5	19.8	8.6	-10.5	13.8	3.8	2.8
Japan	2.3	-1.2	-5.0	9.4	2.3	-24.9	1.3	-1.3	-12.8
India	9.4	7.3	5.4	14.4	14.4	-6.2	18.7	17.3	-4.4
Recently-industrialized economies[b]	5.6	1.6	-0.8	9.0	4.9	-5.9	5.3	3.5	-11.4

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

On the other hand, China has now surpassed Germany as the top global exporter of goods, with around 10% of global exports, and with respect to imports, it is in second place behind the USA. The USA's share of global imports of goods was 13%, versus China's 8% (Tables 1.6 and 1.7).

Table 1.6 Main exporters of goods, 2009

Billions of dollars and by percentage

Source: WTO

	Rank	Value	Percentage as per global total	Annual percentage variation
China	1	1,202	9.6	-16
Germany	2	1,121	9.0	-22
United States	3	1,057	8.5	-18
Japan	4	581	4.7	-26
Netherlands	5	499	4.0	-22
France	6	475	3.8	-21
Italy	7	405	3.2	-25
Belgium	8	370	3.0	-22
Rep. of Korea	9	364	2.9	-14
United Kingdom	10	351	2.8	-24
Hong Kong, China	11	330	2.6	-11
- National exports		15	0.1	-9
- Re-exports		314	2.5	-11
Canada	12	316	2.5	-31
Russia	13	304	2.4	-36
Singapore	14	270	2.2	-20
- National exports		138	1.1	-21
- Re-exports		132	1.1	-19
Mexico	15	230	1.8	-21
Spain	**16**	**218**	**1.7**	**-23**
Taiwan	17	204	1.6	-20
Saudi Arabia	18	189	1.5	-40
United Arab Emirates	19	175	1.4	-27
Switzerland	20	173	1.4	-14

Main importers of goods, 2009

Table 1.7

Billions of dollars and by percentage

Source: WTO

	Rank	Value	Percentage as per global total	Annual percentage variation
United States	1	1,604	12.7	-26
China	2	1,006	8.0	-11
Germany	3	931	7.4	-21
France	4	551	4.4	-22
Japan	5	551	4.4	-28
United Kingdom	6	480	3.8	-24
Netherlands	7	446	3.5	-23
Italy	8	410	3.2	-26
Hong Kong, China	9	353	2.8	-10
- Imports - re-exports		91	0.7	-8
Belgium	10	351	2.8	-25
Canada	11	330	2.6	-21
Rep. of Korea	12	323	2.6	-26
Spain	**13**	**290**	**2.3**	**-31**
Singapore	14	246	1.9	-23
- Imports - re-exports		114	0.9	-28
India	15	244	1.9	-24
Mexico	16	242	1.9	-24
Russia	17	192	1.5	-34
Taiwan	18	175	1.4	-27
Australia	19	165	1.3	-17
Switzerland	20	156	1.2	-15

Trade outlooks for 2010

Global trade and production are currently in a recovery phase. If the global economy does not suffer new upheavals, the global trade of goods should go back to its normal rising trend at the end of 2010. In fact, according to the data published in October by the International Monetary Fund in its *World Economic Outlook*, during the first half of 2010 global industrial production grew at rates of close to 15%, and global trade rose to rates above 40%. This strong increase basically responds to the increase in inventories and, in recent months, to the increase in fixed investment.

The Secretary of the WTO estimates that global exports will increase by 9.5% in volume this year, with growth of 7.5% in developed economies and 11% in the remainder of the world. This projection presupposes that the global GDP will resume growing according to the most common estimate (2.9% at market exchange rates), and it presupposes the stability of oil prices and exchange rates.

1.3 Foreign direct investment

In 2009, according to estimates of the United Nations Conference on Trade and Development (UNCTAD), the collapse of flows of Foreign Direct Investment (FDI) continued, which dropped 37% in inter-annual terms (after the 16% contraction in 2008). Global foreign investment was cut in half between 2007 and 2009, from two trillion dollars to one. The drop furthermore extended to almost all economies, even to developing countries and economies in transition, whose FDI inflows had grown the previous year.

The following could be highlighted among the **main causes for this collapse**: the unfavorable economic juncture and the ensuing climate of uncertainty; the drop in business profits, which in turn reduces the capital available to companies for taking on new investments abroad; the reduction of merger and acquisition transactions (the main vehicle for these flows in developed countries) due to the scarcity of financing, which affects both large and small operations; and the crisis and the deterioration of market appeal, which causes companies to delay their investment plans abroad.

In view of this situation, most economies have opted to adopt **policies tending to liberalize and favor inflows of FDI**. The UNCTAD report, *Investment Policy Developments in G-20 Countries*, already stated last year that, in response to the crisis, a broad majority of G-20 countries were abstaining from implementing restrictive policy measures for FDI inflows or outflows. Moreover, within a context such as the current one – an economic crisis with decreasing investment flows – it is even more necessary to implement reforms to reinforce the foreign competitiveness of the economy, to emphasize proactive policies for capturing investments with high added value, and to improve the foreign country-image.

Throughout 2009, after the strong drop in FDI in the first quarter, FDI recovered in the second quarter and remained relatively stable in the third and fourth quarters. According to the UNCTAD report, "*Global Investment Trends Monitor*" (April 2010), the global flows of FDI showed stable behavior in the last quarter of 2009 with respect to the preceding period, thereby maintaining the recovery that started in the second quarter of that same year. Specifically, there was an increase of FDI based on the reinvestment of profits by multinational corporations, which reflects a turn in their profits, now approaching pre-crisis levels.

One of the most notable phenomena of recent years is the **diversion of FDI flows towards developing economies and economies in transition** (Chart 1.7). Thus, the market share of the most developed countries has gone from 69% in 2007 to 51% in 2009. Developing economies have taken over that drop in market share, reaching 49% in 2009.

According to UNCTAD data (Table 1.8), the FDI flows towards developed countries dropped 44.4% in 2009 with respect to 2008. The drop was strong in the USA (60%, above all due to the decrease in mergers and acquisitions), the United Kingdom (-50.1%), Spain (-79.5%), and Sweden (-67.8%). On the other hand, the loss of profits and the re-channeling of loans from subsidiaries abroad towards the parent company contributed to a 32.6% reduction of FDI in the EU, which still isn't as considerable as the drop in 2008 (-40%). In Japan, the drop (51.1%) is partially attributed to the sale of a large foreign subsidiary, Nikko Cordial Securities, to local companies. Despite the strong drop in the USA, this country continues to be the leader in terms of FDI flows received, followed by China.

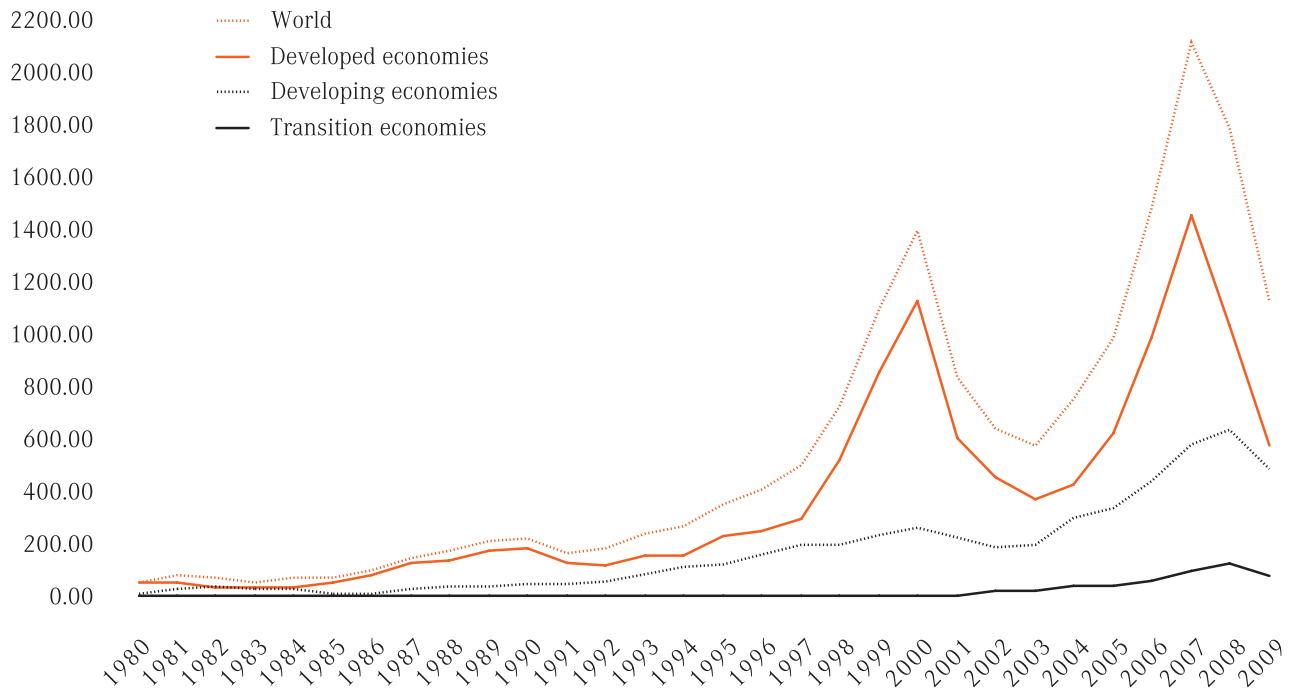
The FDI inflows to developing countries dropped by 24.1% in 2009, after six years of uninterrupted growth. The drop in business profits and in stock market prices has reduced the value of transnational mergers and acquisitions world-wide. The lower reduction of investment in these countries is related to the greater push by their markets and especially to the search for greater efficiency. In view of this objective, a considerable number of multinationals have delocalized part of their production in emerging countries.

With respect to investment by sectors, the crisis has had a negative impact on almost all sectors; those that have not been affected are those that traditionally receive low volumes of investment.

Considering the **different components of FDI**, it must be taken into account that they have all been affected by the drop, mainly investment in capital stock, which is directly related to the strategic investments

FDI inflows1980 - 2009 Chart 1.7

US $ billions Source: UNCTAD



of multinationals. The reinvestment of profits has been considerably harmed by the reduced profits of multinationals, above all at the end of 2008 and the beginning of 2009.

Regarding the **type of FDI**, greenfield projects have been less severely affected by the international crisis than merger and acquisition transactions. Thus, it has been seen over the last two years that internal growth (through greenfield projects or reinvestments) has been preferred by companies in their international FDI strategy versus external growth (mergers and acquisitions). The different pace of the drop in the two instruments is mainly due to the fact that greenfield projects require less investment in capital and that FDI in the energy sector, where these types of transactions predominate over mergers and acquisitions, experienced notable growth in 2008. Thus, mergers and acquisitions fell almost 65% (by value) in 2009 with respect to 2008 (a year in which they dropped 35%). After increasing in 2008, greenfield projects also dropped, although to a lesser extent (23%). Furthermore, in the business world, regarding both greenfield and reinvestment projects, the multinationals of developed countries continue to hoard the top positions in international investment, despite the greater protagonism of emerging economies as issuers of FDI in recent years. Between 2008 and 2009, it is noteworthy how multinationals of the USA have lost their leading role as issuers of FDI and how Inditex has become number two in the world with 63 greenfield projects in 2009.

In any event, and despite the evident impact by the crisis, major corporate transactions have taken place throughout the world, such as those included by the UNCTAD when preparing its ranking of the main mergers and acquisitions that took place globally (Box 1.3).

Table 1.8 FDI flows and cross-border mergers and acquisitions

By regions and leading economies, 2008-2009
Trillions of dollars

Source: UNCTAD (WIR 2010)

	FDI inflows			FDI outflows			M&A*		
	2008	2009	Change	2008	2009	Change	2008	2009	Change
WORLD	1,771	1,114	-37.1	1,929	1,101	-42.9	706,5	249,7	-64.7
DEVELOPED ECONOMIES	1,018	566	-44.4	1.572	821	-47.8	581,4	203,5	-65.0
Europe	551	378	-31.3	992	440	-55.7	273,3	133,9	-51.0
European Union	537	362	-32.6	916	389	-57.6	251,2	116,2	-53.7
Austria	11	7	-37.4	29	4	-87.2	1,3	1,8	35.4
Belgium	110	34	-69.3	130	-15	-111.6	2,5	12,1	385.3
Bulgaria	10	4	-54.4	1	0	-119.2	0,2	0,2	-33.5
Cyprus	4	6	44.4	4	5	31.3	-0,9	0,1	-105.7
Czech Republic	6	3	-57.8	4	1	-69.0	5,2	2,7	-48.4
Denmark	3	8	187.1	14	16	13.9	6,1	1,7	-72.9
Estonia	2	2	-2.7	1	2	38.7	0,1	0,0	-74.5
Finland	-2	3	229.2	8	3	-65.9	1,2	0,5	-55.9
France	62	60	-4.2	161	147	-8.6	4,6	0,7	-84.2
Germany	24	36	45.7	135	63	-53.4	31,9	12,8	-59.9
Greece	4	3	-25.4	2	2	-24.0	6,9	0,5	-93.1
Hungary	62	-6	-109.0	60	-7	-111.5	1,6	1,9	18.9
Ireland	-20	25	224.7	14	21	53.7	2,9	1,7	-40.8
Italy	17	31	79.3	44	44	0.2	-2,4	1,1	-146.7
Latvia	1	0	-94.3	0	0	-109.5	0,2	0,1	-44.1
Lithuania	2	0	-80.9	0	0	-35.4	0,1	0,0	-79.6
Luxembourg	9	27	193.6	17	15	-9.8	-3,6	0,4	-112.4
Malta	1	1	-4.8	0	0	-62.0		0,0	
Netherlands	-8	27	453.6	20	18	-11.4	-8,2	18,0	-320.5
Poland	15	11	-22.4	3	3	-2.4	1,0	0,8	-19.7
Portugal	5	3	-38.5	3	1	-52.8	-1,3	0,5	-139.4
Romania	14	6	-54.5	0	0	-20.4	1,0	0,3	-68.4
Slovakia	3	0	-101.5	0	0	67.4	0,1	0,0	-90.4
Slovenia	2	0	-103.5	1	1	-36.5	0,4		-100.0
Spain	73	15	-79.5	75	16	-78.2	33,7	32,2	-4.6
Sweden	34	11	-67.8	28	30	8.9	18,8	1,1	-94.2
United Kingdom	91	46	-50.1	161	18	-88.5	147,7	25,2	-83.0
United States	325	130	-60.0	330	248	-24.9	227,4	40,1	-82.4
Japan	24	12	-51.1	128	75	-41.7	9,3	-5,8	-162.4
DEVELOPING ECONOMIES	630	478	-24.1	296	229	-22.7	104,8	39,1	-62.7
Africa	72	59	-18.9	10	5	-50.1	21,2	5,1	-75.7
South Africa	9	6	-36.8	-3	2	150.5	6,7	4,2	-36.9
Latin America and Caribbean	183	117	-36.4	82	47	-42.2	15,5	-4,4	-128.2
Brazil	45	26	-42.4	20	-10	-149.3	7,6	-1,4	-118.1
Asia y Oceania	375	303	-19.1	204	177	-13.5	68,2	38,3	-43.8
East Asia	90	68	-24.3	38	23	-38.5	16,3	3,5	-78.2
Turkey	18	8	-58.1	3	2	-38.7	13,2	2,8	-78.5
South, East and South-East Asia	282	233	-17.5	166	153	-7.7	52,6	34,7	-34.0
China	108	95	-12.3	52	48	-8.0	5,4	10,9	102.8
Hong Kong, China	60	48	-18.7	51	52	3.3	8,7	3,0	-65.2
India	40	35	-14.4	18	15	-19.5	10,4	6,0	-42.0
Singapore	11	17	54.0	-8	6	170.5	14,2	9,7	-31.9
TRANSITION ECONOMIES	123	70	-42.9	61	51	-15.6	20,3	7,1	-65.0
Russia	75	39	-48.7	56	46	-17.9	13,5	5,1	-62.4

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

The main global transactions in 2008 and 2009

Box 1.3

As we have pointed out, in 2008 and 2009 there was a substantial drop in the merger and acquisition transactions that took place internationally. However, in both years transactions of considerable amounts still took place, as it can be observed in the following tables, which include the rankings prepared by the UNCTAD. Among them, we even find transactions in which Spanish firms have taken part, such as Altadis, Endesa, and Itínere Infraestructuras.

Largest transnational mergers and acquisitions of the world in 2008

Billions of US dollars

Source: UNCTAD, WIR 2010

Ranking	Amount	Objective Company/ country /sector	Buyer Company/ country
1	52.2	*Anheuser-Busch Cos Inc* (USA) Beverages	*InBev NV* *(Belgium)*
2	23.1	*Fortis Bank Nederland (Holding) NV* (Belgium) Banking	*Government of the Netherlands* *(Netherlands)*
3	17.9	*Altadis S.A.* (Spain) Tobacco company	*Imperial Tobacco Overseas Holdings Ltd* *(United Kingdom)*
4	17.6	*Reuters Group PLC* (United Kingdom) Media	*Thomson Corp* *(USA)*
5	16.3	*Imperial Chemival Industries PLC* (United Kingdom) Chemical	*Azco Nobel NC* *(Netherlands)*
6	16.0	*Intelsat Ltd* (Bermuda) Communications services	*Serafina Holdings Ltd* *(United Kingdom)*
7	15.0	*OCI Cement Group* (Egypt) Construction materials	*Lafarge SA* *(France)*
8	14.9	*Scottish & Newcastle PLC* (United Kingdom) Beverages	*Sunrise Acquisitions Ltd* *(Jersey)*
9	14.3	*Endesa Italia* (Italy) Energy	*E.ON AG* *(Germany)*
10	14.3	*Rio Tinto PLC* (Italy) Energy	*Shining Prospect Pte Ltd* *(Singapore)*

Largest transnational mergers and acquisitions of the world in 2009

Billions of US dollars

Source: UNCTAD, WIR 2010

Ranking	Amount	Objective Company/ country /sector	Buyer Company/ country
1	46.7	*Genentech Inc*	*Roche Holding AG*
		(USA) Biological products	*(Switzerland)*
2	16.9	*British Energy Group PLC*	*Lake Acquisitions Ltd*
		(United Kingdom) Energy	*(United kingdom)*
3	13.5	*Endesa SA*	*Enel SpA*
		(Spain) Energy	*(Italy)*
4	13.3	*Barclays Global Investors Ltd*	*BlackRock Inc*
		(USA) Financial advising	*(USA)*
5	12.8	*Fortis Bank SA/NV*	*BNP Paribas SA*
		(Belgium) Banking	*(France)*
6	10.4	*Essent NV*	*Rheinisch-Westfaelisches Elektrizitaetswerk*
		(Holland) Energy	*(Germany)*
7	9.6	*Volkswagen AG*	*Qatar Investment Authority*
		(Germany) Automotive	*(Qatar)*
8	7.9	*Itinere Infraestructuras SA*	*Pear Acquisition Corporation SL*
		(Spain) Infrastructures	*(Spain)*
9	7.2	*Addax Petroleum Corp*	*Mirror Lake Oil & Gas Co Ltd*
		(Switzerland) Oil and natural gas	*(Canada)*
10	6.7	*Puget Energy Inc*	*Padua Holdings LLC*
		(USA) Energy	*(USA)*

Outlooks for FDI

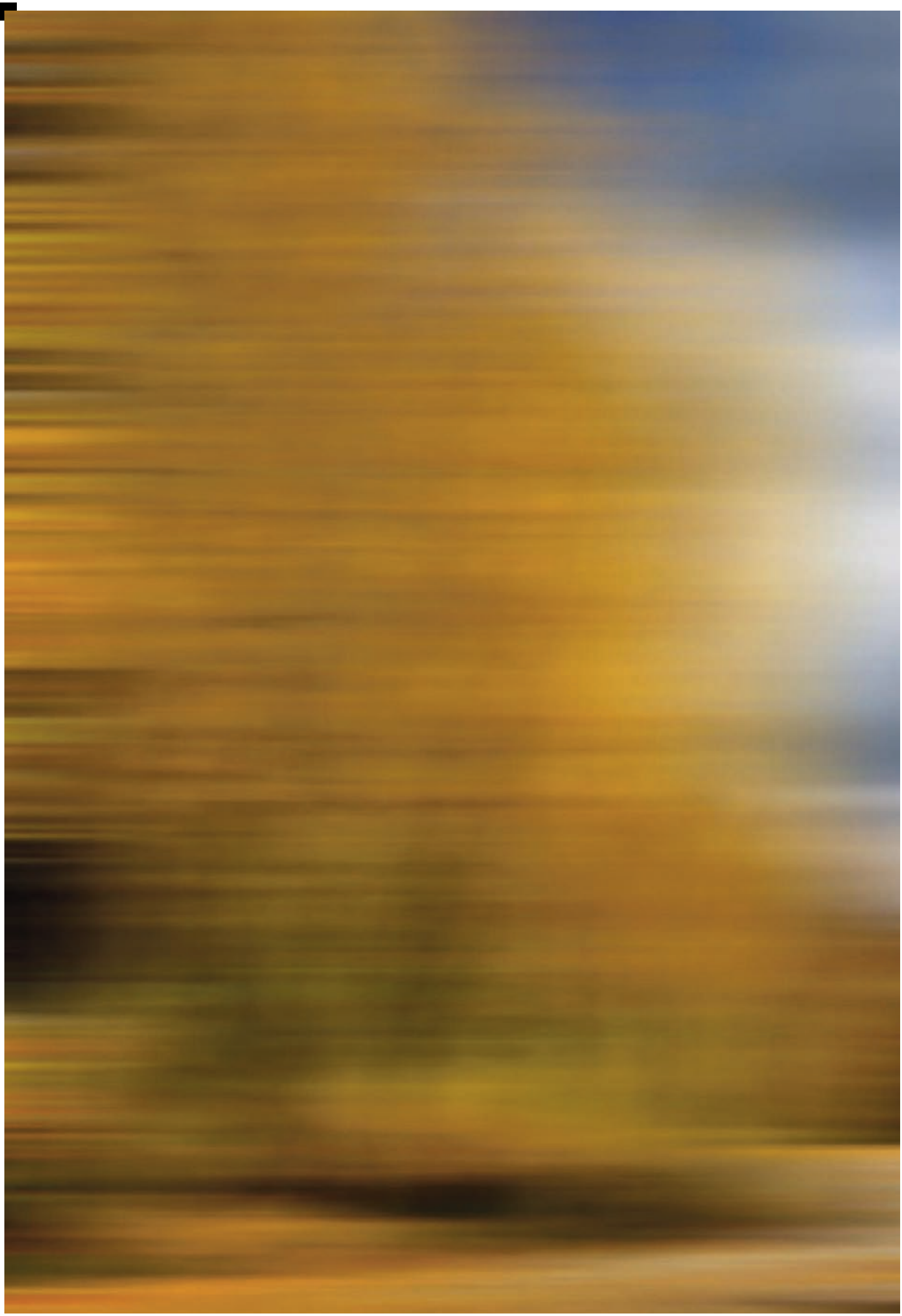
Despite the downward trend, the UNCTAD expects flows to stabilize in 2010 and expects them to grow starting in 2011, because it believes that FDI growth will follow the economic upturn with a delay of six months. In this regard, economies world-wide resumed the road to growth in mid 2009. As a result, multinationals are opting for a more aggressive strategy in their international actions, which has been reflected in the first quarter of 2010 through merger and acquisition transactions.

The UNCTAD forecasts that global FDI inflows will exceed 1.2 trillion dollars in 2010, subsequently continuing to increase to 1.3-1.5 trillion dollars in 2011 and reaching 1.6-2 trillion dollars in 2012. However, these prospects are exposed to diverse risks and uncertainties, particularly the fragility of global economic recovery.

According to data from the World Investment Prospects Survey 2009-2011, while only 10% of the surveyed executives are optimistic about the global business climate in 2010 (0% in 2009), this figure increases to 45% in 2011. Regarding investment forecasts, while the majority of executives expected investments to be less in 2009 than in 2008, more than half of firms state that they intend to invest more in 2011 than in 2010 (in 2009, 33% stated this intention).

For its part, the Economist Intelligence Unit (EIU) forecasts that the slump in FDI will be much more prolonged and that the global flows of investment in 2011 will continue to be far below those recorded in 2008.

[redacted]



2 The Spanish Economy in 2009-2010

After posting 3.5% growth on average for more than a decade (outstripping its growth potential), the Spanish economy was hit hard when the property market bubble burst and the global financial crisis was unleashed. **In 2009, Spain suffered the worst recession since 1960, and its GDP shrank by 3.6% year-on-year**, having grown by 0.9% in 2008. In recent history, the Spanish economy had only recorded negative growth twice: in 1981 and 1993, with rates of -0.2% and -1.2%, respectively. Despite the size of the setback in 2009, it was less than the overall decline in the euro area (-4.0%) and the EU-27 (-4.1%).

The slump in growth was triggered mainly by the negative contribution by **domestic demand** (6 percentage points, compared with a negative contribution of 0.5 points in 2008). **External demand**, meanwhile, posted a positive contribution of 2.4 points, 1 point more than in 2008. From the supply standpoint, all sectors performed negatively.

Against this backdrop, and although Spain began the crisis in a position of sound public finances and very low debt, more than 20 points lower than the average of major European economies, **both the public deficit and debt have increased significantly**, generating uncertainty in debt markets.

Furthermore, with regard to the Spanish economy's foreign imbalances, **the slump in demand has helped reduce the trade balance and current account deficits**.

According to statistics compiled by the World Trade Organization (WTO) and published in the *World Trade Report 2010*, **in 2009 Spain was the 16th-largest exporter and the 13th-largest importer of goods in the world** (with shares of 1.7 and 2.3%, respectively, of the global total). As for **trade in services, Spain ranked 7th in exports** (3.7%) and **10th in imports** (2.8%).

Moreover, according to figures published in the UNCTAD World Investment Report 2010 (WIR), in 2009 Spain was still a net investor abroad, but with an increasingly narrow margin between direct investment made and received, specifically 1.3 billion dollars, vs. 1.5

billion dollars in 2008 and almost 72.8 billion dollars in 2007. In 2009, **Spain tumbled 14 places in the ranking of foreign direct investment (FDI) received**, from 6th in 2008 to 20th in 2009 (with a 1.35% share in total worldwide FDI inflows). **It also lost weighting in respect of outflows** of this kind of investment. It currently ranks 17th (with a 1.48% share of the global total), whereas in 2008 it ranked 8th. **As for cumulative FDI, Spain has a relatively more stable position**. Spain still ranks 7th in terms of investment received (behind the US, France, UK, Hong Kong, Belgium and Germany), 3.78% of the global cumulative total. And it has slipped one place to 10th in terms of FDI stock abroad (behind the US, France, UK, Germany, Netherlands, Hong Kong, Switzerland, Japan and Belgium), with a 3.4% share in the global total.

In terms of Spain's GDP, cumulative FDI received in Spain implies a percentage of 45.9%. Spanish cumulative FDI has a weighting of 44.2% of GDP.

Despite the recession, some Spanish companies have decided to begin or continue their internationalization processes, of which the selected operations outlined in Chapter 4 of this Yearbook are clear examples. This performance is consistent with the Spanish economy's role on the global stage. Consequently, the relative weighting of the Spanish economy in global GDP, according to IMF data, was 2.5% in 2009 in current prices and US dollars (in purchasing power parity terms it was somewhat less: 1.95% of global GDP). In other spheres of the international economy, Spain's presence is even greater, as we have seen.

Furthermore, the **lists of leading transnational corporations featured in the WIR 2010** underpin this view. **Two Spanish banks, Banco Santander and BBVA, continue to feature** in the list of the **top 50 financial TNCs**, and indeed they have each scaled two positions in 2009, occupying 18th and 32nd place, respectively. Among the **top 100 non-financial TNCs**, there are four Spanish representatives: **Telefónica** (ranked 18th), **Iberdrola** (24th), **Ferrovial** (35th) and **Repsol** (64th) – see Table 2.1. Other well-known rankings, such as the Fortune Global 500 (see final section of this chapter) further underpin this view.

Table 2.1

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

Millions of dollars and workforce

Source: WIR 2010, UNCTAD

	Assets			Sales			Workforce		
	Abroad	Total	% of total	Abroad	Total	% of total	Abroad	Total	% of total
Telefónica S.A.	95,446	139,034	68.6	54,124	84,778	63.8	197,096	251,775	78.3
Iberdrola S.A.	73,576	119,467	61.6	19,785	36,863	53.7	17,778	32,993	53.9
Grupo Ferrovial S.A.	54,322	67,088	81.0	13,156	20,667	63.7	64,309	106,596	60.3
Repsol YPF S.A.	32,720	68,795	47.6	43,970	84,477	52.0	18,403	36,302	50.7

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

In 2009 and 2010, the slowdown in economic activity and aggregate demand in Spain triggered by the global crisis and the Spanish economy's inherent problems have continued to ease the imbalances in Spain's Balance of Payments. The Balance of Payments Report published by the Bank of Spain in 2010 shows that **the Spanish economy's need for foreign financing**, measured as the overall balance of the current and capital accounts, fell further in 2009 (down 47.2% to -53,066 billion euros, vs. -100,499 billion in 2008). As a percentage of GDP, the financing requirements of Spanish investment using foreign funds were down from 9.2% in 2008 to 5.1% in 2009 (Table 2.2). This reduction reflects the slump in investment, to 24.4% of GDP, and the record levels of gross national savings, around 20% of GDP.

Balance of payments: amounts — Table 2.2

% of GDP — Source: Bank of Spain

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CAPACITY (+) / NEED FOR (-) FINANCING	-3.1	-3.1	-2.2	-2.5	-4.2	-6.5	-8.4	-9.6	-9.2	-5.1
Current account	**-4.0**	**-3.9**	**-3.3**	**-3.5**	**-5.3**	**-7.4**	**-9.0**	**-10.0**	**-9.7**	**-5.4**
Goods	*-6.4*	*-5.7*	*-5.0*	*-5.1*	*-6.4*	*-7.5*	*-8.5*	*-8.7*	*-8.0*	*-4.3*
Services	*3.3*	*3.4*	*3.1*	*3.0*	*2.6*	*2.4*	*2.3*	*2.2*	*2.4*	*2.4*
Tourism and travel	4.1	4.0	3.5	3.5	3.2	2.9	2.8	2.6	2.6	2.5
Other services	-0.8	-0.6	-0.4	-0.5	-0.6	-0.5	-0.5	-0.4	-0.1	0.0
Income	*-1.2*	*-1.8*	*-1.7*	*-1.3*	*-1.4*	*-1.9*	*-2.1*	*-2.9*	*-3.3*	*-2.8*
of which: earnings reinvested	0.3	-0.2	-0.2	0.0	0.0	0.2	0.5	0.5	0.4	-2.8
Current transfers	*0.3*	*0.2*	*0.3*	*-0.1*	*0.0*	*-0.4*	*-0.7*	*-0.7*	*-0.9*	*-0.8*
Capital account	**0.8**	**0.8**	**1.1**	**1.0**	**1.0**	**0.9**	**0.6**	**0.4**	**0.5**	**0.4**
FINANCIAL ACCOUNT [a]	3.1	3.2	2.1	2.3	4.1	6.7	8.7	9.6	8.7	5.5
Excluding Bank of Spain	**4.1**	**0.6**	**1.6**	**2.1**	**5.8**	**6.9**	**11.3**	**8.3**	**5.9**	**4.5**
Foreign Direct Investment	*-3.2*	*-0.8*	*0.9*	*-0.3*	*-3.4*	*-1.5*	*-6.0*	*-4.8*	*-0.7*	*-0.1*
Portfolio investment	*-0.2*	*-2.8*	*0.6*	*-3.4*	*10.2*	*6.5*	*20.3*	*10.0*	*0.4*	*4.2*
Other investments	*7.2*	*4.2*	*0.7*	*6.2*	*-1.0*	*1.9*	*-3.2*	*3.5*	*7.0*	*0.9*
Financial derivatives	*0.3*	*-0.1*	*-0.7*	*-0.4*	*0.0*	*0.0*	*0.2*	*-0.4*	*-0.7*	*-0.5*
Bank of Spain [b]	**-1.0**	**2.6**	**0.5**	**0.2**	**-1.7**	**-0.2**	**-2.6**	**1.4**	**2.8**	**1.0**
ERRORS AND OMISSIONS	0.0	0.0	0.1	0.2	0.1	-0.2	-0.4	0.0	0.4	..

[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

The current account deficit diminished by 46.1% in 2009, to 5.4% of GDP, to its lowest level since 2004. This reduction came on the back of lower deficits in the trade, income and current transfers balances, which have fallen, respectively, to 4.3%, 2.8% and 0.8% of GDP. As for the capital account, the surplus was eroded by 25.7% vs. 2008 to 0.4% of GDP.

The reduction in the current account deficit can be explained mainly by the drop, 48% in nominal terms, in the **trade balance** deficit. The slump in **imports** (-26.5%), due to weak domestic demand, is behind this improvement. **Exports** also shrank, albeit to a lesser extent (-16.7%), hampered by the downturn in global trade. The annual import/export coverage rate was 75.9%, 9.2 higher than in 2008.

The downturn in Spanish exports has been less sharp than the decline at some of Spain's main trade partners. Exports were down 18.1% in the euro area, 17.7% in France, 18.4% in Germany and 20.7% in Italy. Similarly, US and Japanese exports declined by 17.9% and 25.1%, respectively, in 2009.

However, the setback in Spanish imports in 2009 (26.2%) exceeded the declines seen in euro area imports (20.2%) and in imports by Spain's main EU trade partners: Germany (17.2%), France (18.3%) and Italy (22.0%). Lastly, imports in the United States were down by 25.9% and in Japan by 27.1% with respect to the values observed in 2008 (Table 2.3).

In real terms, exports fell by 9.8% (according to figures from the Spanish Customs Authority), as their prices were down by 6.7%. Meanwhile, import prices fell by 10.6%. As a result, their real decline in 2009 was 17.4%.

By product (Table 2.4), the fall in foreign sales affected all kinds of goods. In 2009, among the main export sectors were capital goods (20.4% of the annual total) and the autos sector (17.1%), where exports nevertheless fell by 16.2% and 15.1%, respectively. As for imports, energy products (16.5% of total imports in 2009) fell by 40.2% vs. 2008. By segment, there was a marked decline in purchases of oil and oil bi-products (-42.4%) and of gas (-31.7%). Non-energy product imports (83.5% of the total) fell by 22.6% in 2009 and capital goods imports (20.7% of the annual total) declined by 31.2%.

Table 2.3 — Comparative growth in foreign trade in 2009

Year-on-year growth rates

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

	Exports	Imports
Spain	-16.7	-26.5
France	-17.7	-18.3
Germany	-18.4	-17.2
Italy	-20.7	-22.0
*Euro area**	-18.1	-20.2
US	-17.9	-25.9
Japan	-25.1	-27.1

* 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	2009 EXPORTS	2009 IMPORTS
Foods	16.0%	11.2%
Energy products	4.5%	16.5%
Commodities	2.0%	3.0%
Non-chemical semi-manufacturing	11.4%	7.0%
Non-iron metals	1.8%	1.1%
Iron and steel	3.6%	2.5%
Paper	1.7%	1.5%
Ceramic products and similar items	1.5%	0.3%
Other semi-manufacturing	2.8%	1.7%
Chemical products	14.4%	16.1%
Organic chemical products	1.7%	2.6%
Inorganic chemical products	0.4%	0.7%
Plastics	3.5%	3.2%
Medicines	4.9%	5.9%
Fertilizers	0.2%	0.2%
Tanning and dyeing products	0.9%	0.6%
Perfumes and essential oils	1.7%	1.2%
Rest of chemical products	1.1%	1.7%
Capital goods	20.4%	20.7%
Machinery for industry	5.7%	5.3%
Office and telecommunications equipment	1.7%	5.3%
Transport material	4.8%	1.8%
Other capital goods	8.3%	8.3%
Autos industry	17.1%	11.0%
Cars and motorcycles	12.1%	4.9%
Auto parts	5,1%	6.1%
Durable consumer goods	2.1%	3.2%
Consumer manufacturing	9.3%	11.0%
Textiles and clothing	5.1%	6.1%
Footwear	1.2%	0.9%
Toys	0.4%	0.8%
Other consumer manufacturing	2.6%	3.2%
Other goods	2.8%	0.4%

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	2009 EXPORTS	2009 IMPORTS
EUROPEAN UNION	69.1%	58.0%
EURO AREA	57.0%	47.4%
France	19.3%	11.7%
Germany	11.1%	13.4%
Italy	8.2%	7.2%
Portugal	9.2%	3.6%
REST OF EU	12.1%	10.6%
UK	6.3%	4.8%
REST OF EUROPE	6.4%	6.2%
Russia	0.9%	2.2%
NORTH AMERICA	4.0%	4.5%
US	3.6%	4.1%
LATIN AMERICA	4.7%	4.7%
Mexico	1.5%	1.0%
Brazil	0.8%	1.1%
Argentina	0.4%	0.7%
REST OF AMERICA	0.2%	0.4%
ASIA	7.0%	17.7%
India	0.5%	0.9%
China	1.2%	7.0%
Japan	0.8%	1.5%
AFRICA	5.8%	8.1%
Morocco	1.9%	1.2%
Algeria	1.3%	1.8%
OCEANIA	0.6%	0.3%
Australia	0.5%	0.2%
TOTAL NON-EU	30.9%	42.0%
TOTAL NON-EURO AREA	43.0%	52.6%
OECD	79.0%	68.8%
NAFTA	5.6%	5.5%
MERCOSUR	1.3%	1.9%
OPEC	3.7%	8.7%

Spain's foreign trade performance by geographical area

Table 2.6

Nominal variation

Source: Bank of Spain, Balance of Payments Report

	Total		
	2000-07	2008 [a]	2009 [a]
Exports			
Total	7.4	3.7	-15.9
OECD	7.1	1.7	-15.7
UE 27	6.7	1.9	-15.9
United Kingdom	6.3	-3.4	-24.5
Euro area (EMU 16)	6.0	1.5	-13.7
Germany	4.7	1.7	-11.7
France	6.9	1.2	-11.7
Italy	7.2	-2.0	-14.1
US	6.2	1.6	-24.6
OPEC	10.0	24.4	-9.5
CIS and other Central and Eastern European countries [b]	5.1	27.0	-37.9
NIC [c]	4.2	1.7	10.7
Rest of the world	7.3	4.9	-11.8
Imports			
Total	9.4	0.6	-26.2
OECD	7.9	-5.8	-22.8
UE 27	7.6	-6.5	-21.5
United Kingdom	3.9	-3.2	-23.9
Euro area (EMU 16)	7.6	-7.4	-22.6
Germany	9.0	-6.0	-25.1
France	4.4	-11.4	-17.4
Italy	8.4	-11.9	-30.5
US	3.4	12.5	-23.9
OPEC	14.7	32.6	-35.2
CIS and other Central and Eastern European countries [b]	15.7	21.2	-43.4
NIC [c]	8.4	-16.3	-31.8
Rest of the world [d]	15.5	9.2	-28.3

[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.

Geographically (Tables 2.5 and 2.6), in 2009 Spain saw a slump in its exports to the UK, US, CIS (Commonwealth of Independent States) and other Central and Eastern European countries. Sales to the euro area (57% of the total) fell less sharply, especially sales to Germany and France. As a result, the relative weighting of exports to the euro area increased in 2009. Another element worth highlighting in respect of exports was their diversification towards emerging countries, such as China and India, which are recovering more swiftly and solidly than the developed economies. As for imports, in nominal terms, their decline in 2009 was widespread and sharp. We highlight the declines in purchases from OPEC, CIS and other Central and Eastern European countries, due mainly to more sluggish demand and cheaper oil. The decline in imports from the euro area was more moderate, specially at year-end, as purchases from France, Holland and Portugal picked up.

As for **services**, the surplus remained stable in 2009 (2.4% of GDP). The correction in the non-tourism services deficit (to values very close to equilibrium) offset the 6.6% reduction in the surplus in tourism and travel to 2.5% of GDP.

Revenues from services in 2009 fell by 9.6% in nominal year-on-year terms. In particular, tourism revenues were down 9%, and those from other services fell by 10.1%. Payments declined by 12.5% compared to the values seen in 2008, in nominal terms. Payments for non-tourism services declined by 12.2%, while payments for tourism services fell by 13.8%.

Furthermore, the **balance of income deficit** shrank by 17%, to 2.8% of GDP (vs. 3.3% in 2008). Revenues, i.e. the return on Spanish investments abroad, increased by 24.9%. Payments, interest and dividends on foreign investment in Spain fell by 21.8%.

In Spain, performance of this balance responds to the performance of net returns on investment, since wage income is scarcely significant. The deficit in investment returns shrank mainly because of the improvement in negative external balances at monetary financial institutions (MFIs) and other resident sectors (ORSs), which exceeded the decline in the Public Administrations deficit. The surplus of income at the Bank of Spain remained practically stable.

By investment category, there was a reduction in the deficits generated by external balances in financial instruments realized in the form of other investment (-38%, essentially loans, deposits and repos) and portfolio investment (-16%), which offset the decline in the surplus in returns on direct investment (-54%). In the case of net interest payments, the reduction, which was sharper in payments than in income, reflected the lower interest rates.

The **current transfers deficit** was down 15% in 2009, to 0.8% of GDP, a tenth of a point less than in the previous year, due to both the increase in income (4.6%) and the decline in payments (-2.2%). This performance, compared with the deteriorating Public Administrations deficit, came on the back of the sizeable increase in the private sector surplus, due mainly to the advance in receipts linked to the EAGF and, to a lesser extent, the reduction in the negative balance associated with workers' remittances (-9.6%), remaining at 0.2% of GDP. The decline in remittances sent by immigrants to their countries of origin is a clear reflection of the gloomy economic situation. In Spain, the soaring unemployment rate among foreigners and the smaller immigrant inflows with respect to previous years explain the decline in payments abroad in the form of remittances. The geographical breakdown of remittances still evidences a considerable concentration in Latin American countries (Table 2.7).

Finally, in 2009, **the capital account** recorded a positive balance, albeit 26% lower than in 2008, thereby returning to the negative trend which was only interrupted by the 21% growth in 2008. This performance was the result of the increase in payments (+43%) and the decline in income (-11%). As a percentage of GDP, the surplus shrank by one tenth of a point, to 0.4%.

By sector, the surplus diminished in both Public Administrations and the private sector, although the reduction in the first case was due mainly to the negative performance in the capital account. The reduction in the Public Administrations surplus focused mainly on transfers from the EU, which retreated by 18.6%, due to the performance of agricultural funds (EAGGF and EAFRD) and the decline in ERDF funds (used, together with the Cohesion Funds, to redress interregional imbalances within the EU). The moderate increase in revenues linked to the Cohesion Funds failed to offset the performance of the rest of funds.

Geographical breakdown of remittance payments in 2008 and 2009 [a] Table 2.7

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

	2008	2009
Colombia	18.0	18.2
Ecuador	13.4	13.5
Bolivia	9.2	9.3
Romania	5.1	5.1
Morocco	4.9	4.2
Paraguay	3.9	4.2
Dominican Rep.	3.7	4.1
Peru	2.6	3.6
Brazil	4.9	3.5
Senegal	2.3	1.8
Pakistan	1.7	1.7
Philippines	1.2	1.3

[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

In 2009, financial transactions between the Spanish economy and the rest of the world were shaped by the instability of financial markets and the global and domestic economic recession. Both phenomena altered the amount and nature of the financial flows between Spain and the rest of the world. However, in 2009 international financial markets began to normalize on the back of swift and robust economic policy actions worldwide, which enabled wholesale financing markets to reopen (with the exception of securitization markets). In the first few months of 2010, financial market performance was undermined once more by the worsening of the Greek public finance crisis and fears that it might spread to other European economies, which unleashed considerable volatility in European equity markets, triggered a significant slump in the euro vs. the dollar and saw the long-term government debt spreads of a number of European countries widen against the German spread.

According to Bank of Spain Balance of Payments data (2010), the Spanish economy's financing requirements fell considerably in 2009, to 5.1% of GDP (53,086 billion euros), vs. 9.2% of GDP in 2008. This reduction was due mainly to the slump in investment and the increase in private-sector saving. Financial transactions between Spain and the rest of the world, excluding Bank of Spain operations, in 2009 generated net inflows totaling 47,149 billion euros (4.5% of GDP, 2.1pp less than in 2008). Since the nation's funding needs exceeded this amount, the Bank of Spain's net assets vs. the rest of the world diminished by 10,464 billion euros. Despite the gradual normalization of markets, in 2009 there was a notable reduction in net capital inflows and, albeit at a slower pace than in 2008, in outflows. Accordingly, investments in financial assets by non-residents fell by 41% in 2009, to 70,705 billion euros, while investments abroad by Spaniards fell by 51%, to 19,237 billion euros.

Of the captions under the financial balance heading, **Foreign Direct Investment** (FDI) is most relevant to the focus and purpose of this Yearbook. In 2009, and in terms of this kind of investment, **the Spanish economy was still a net investor** in the amount of 939 million euros, i.e. 0.1% of GDP and around 12% lower than the previous year's figure, although both Spain's direct investment abroad and foreign direct investment in Spain diminished.

Foreign Direct Investment in Spain fell by 78% in 2009, to 10.820 billion euros (1% of GDP, 3.6pp less than in 2008 and lower than the average for the 2000-2009 period).

The breakdown by instrument shows that financing between related parties accounted for most of the FDI received by the Spanish economy (around 52% of the total), followed by foreigners' investment in buildings (34%). Meanwhile, the breakdown of FDI by segment of activity was more heterogeneous (Table 2.8), with sizeable investments and divestments. Among the former, we highlight those performed in "Manufacturing industries" (42%) and in "Production and Distribution of Electric power, gas and water" (71.81%) and, among the latter, those performed in "Trade and repairs" (-67.78%).

Table 2.8 Foreign Direct Investment transactions in 2008 and 2009

Breakdown by sector of economic activity

Source: Bank of Spain

Millions of euros

	Spain´s Direct Investment abroad			Foreign Direct Investment in Spain		
	2008	2009	% /total FDI 2009	2008	2009	% /total FDI 2009
TOTAL	51,102	11,758		50,036	10,820	
Agriculture, farming, hunting, forestry and fishing	51	5	0.04	11	30	0.28
Mining industries	2,286	917	7.80	-873	724	6.69
Manufacturing industries	14,359	-261	-2.22	27,095	4,548	42.03
Production and distribution of electric power, gas and water	6,806	-174	-1.48	11,366	7,770	71.81
Construction	-696	-1,674	-14.23	449	-903	-8.34
Trade and repairs	4,202	2,415	20.54	-1,425	-7,334	-67.78
Hotel and catering	1,240	178	.151	1,239	221	2.04
Transport, storage and communications	-1,549	-1,155	-9.82	-1,232	-608	-5.62
Financial intermediation	15,295	6,877	58.49	-845	-461	-4.26
Property activities; corporate services	4,982	2,206	18.76	5,426	428	3.96
Of which CHFS	-157	-66	-0.56	347	56	0.52
Other services	968	606	5.15	1,031	272	2.51
Unclassified	3,159	1,816	15.44	7,795	6,133	56.68
Buildings	1,726	956	8.13	5,392	3,659	33.82
Other	1,433	861	7.32	2,404	2,474	22.87

In 2009, the leading direct investor in Spain (excluding Spanish holding companies or ETVEs) was the euro system, with more than 80% of the total, led by Italy and Holland. Meanwhile, residents in the UK divested heavily, in contrast to the sizeable investments of the previous year. Outside the EU, we highlight Switzerland, whose investments accounted for close to 16% of the total. Meanwhile, the US recorded sizeable divestments in Spain (Chart 2.1). In line with the traditional sources of funds, the stock of direct investment by non-residents in Spain came mainly from the euro system (EMU). The United Kingdom and United States accounted for a more modest, but by no means insignificant proportion (Table 2.9).

Foreign Direct Investment transactions in 2008 and 2009 [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				
	2008		2009			2008		2009		
	Total	CHFS	Total	% /total FDI 2009	CHFS	Total	CHFS	Total	% /total FDI 2009	CHFS
TOTAL	51,102	-157	11,758	—	-66	50,036	347	10,820	—	56
EUROPEAN UNION	20,137	-422	4,121	35.05	614	45,449	241	5,561	51.40	1,739
Monetary Union	9,341	-573	811	6.90	574	26,697	433	8,818	81.50	1,275
Germany	1,702	—	792	6.74	—	13,193	—	1,027	9.49	97
France	-252	—	-1,278	-10.87	—	4,299	—	-2,883	-26.64	—
Holland	1,232	-128	-187	-1.59	—	15,792	63	6,857	63.37	406
Italy	1,351	51	—	—	—	653	—	7,077	65.41	—
Luxembourg	-119	-320	112	0.95	534	-9,735	-216	-54	-0.50	763
Portugal	2,049	—	873	7.42	—	1,133	—	-782	-7.23	—
United Kingdom	6,395	122	2,665	22.67	—	18,069	-245	-1,345	-12.43	501
Recent EU members[b]	4,000	—	737	6.27	—	152	—	158	1.46	—
SWITZERLAND	3,686	-273	1,096	9.32	-99	185	-306	1,711	15.81	—
US	8,945	80	1,234	10.49	-1,347	-903	-513	-1,676	-15.49	-1,419
LATIN AMERICA	13,578	293	3,169	26.95	718	2,195	—	771	7.13	—
Argentina	2,758	123	200	1.70	90	—	—	101	0.93	—
Brazil	2,850	88	1,240	10.55	—	—	—	—	—	—
Chile	1,048	—	-471	-4.01	—	50	—	—	—	—
Mexico	4,018	63	3,853	32.77	62	176	—	461	4.26	—
MOROCCO	718	—	69	0.59	—	—	—	—	—	—
JAPAN	130	—	—	—	—	—	—	—	—	—
AUSTRALIA	85	—	-268	-2.28	—	112	—	—	—	—
OECD	3,781	-513	10,705	91.04	-760	44,743	-560	6,381	58.97	—

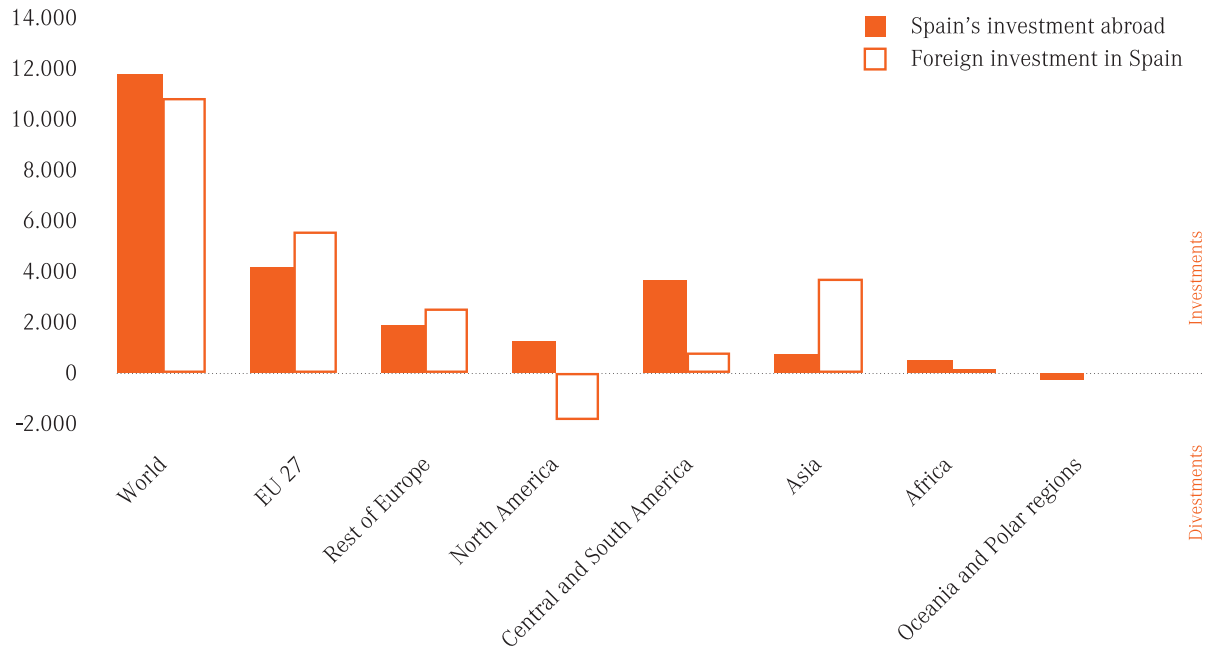
[a] (—): amount less than 50 million euros in absolute value
[b] Czech Republic, Estonia, Hungary, Latvia, Poland, Bulgaria and Romania

Charts 2.1

Direct investments, 2009

Millions of euro

Source: Bank of Spain



Direct investment transactions by Spain abroad in 2009 totaled 11,758 billion euros, a figure that implies a 77% decline vs. the previous year. In GDP terms, Spain's FDI represented 1.1% (3.6 points less than in the previous year, and well below the average for the 2000-2009 period). This, coupled with the positive impact of revaluations, enabled Spain's FDI stock to total 42.7% of GDP in 2009, almost 3.4 points more than at the end of 2008. By instruments, other capital holdings and refinancing to related parties together accounted for a whopping 72% of the total.

Most of Spain's direct investment abroad focused on the "Financial Intermediation" segment (specifically, 58%, much more than in 2008). In contrast, "Manufacturing industries", which in the last few years had been responsible for a significant part of Spain's direct foreign investment, saw moderate net divestment. Along these lines, and in keeping with the declining profits at companies and, in general, the adjustments to the construction sector, there were continued net divestments in this area abroad.

As for the geographical breakdown of Spain's FDI funds (excluding operations by Spanish holding companies or ETVEs), in contrast to the usual pattern, investment in the euro system was not significant (6.9% of the total). The proportion of FDI undertaken in new EU Member States also fell. Meanwhile, in 2009 investments in the UK and Latin America increased, each now accounting for more than 20% of all FDI undertaken. This performance barely changed the geographical breakdown of the stock of foreign FDI assets, with the EMU and Latin America the main destinations. The United Kingdom and the United States also played significant roles.

In 2009, all the institutional sectors tapped into external financing, except for ORSs. Public Administrations were the leaders in tapping external funds (69,372 billion euros, 6.6% of GDP), followed, at a considerable distance, by MFIs (4,516 billion euros, 0.4% of GDP). In contrast, unlike in the previous year, financial transactions conducted by ORSs generated net capital outflows totaling 26,738 billion euros (2.5% of GDP).

Around 128,000 foreign companies currently operate in Spain, employing more than 1.3 million people. Furthermore, investment inflows finance around 50% of Spain's trade deficit.

Spain's foreign sector: increasing indebtedness 2.3

In 2009, Spain's International Investment Position (IIP), which measures net liabilities in the Spanish economy vs. the exterior, continued to see indebtedness increase, to 983 billion euros, or 93.6% of GDP (12.6 points higher than in the previous year). This increase was due to foreign funds raised as well as the price performance of financial instruments (the so-called valuation effect), which also contributed significantly. The valuation effect reflected the impact of the equity market rally on Spain's net debt position in equities, which was greater on the liabilities side than on the assets side, while the impact of exchange rate fluctuations was small.

The net debt position of Public Administrations increased by 7.9 GDP points to 25.6%. Also significant was the increase in the net debt position of MFIs (6.4 GDP points) to 44.4%. In contrast, the debt balance of ORSs corrected by 2.2 GDP points to 27.7%, due to the reduction in debt positions in fixed income and equity portfolio investment (2 GDP points and 0.8 GDP points, respectively), which offset the decline in the balances of the rest of instruments. Finally, the monetary authority's credit position diminished (Table 2.10).

By investment category, the increase in Spain's net debt position vs. other countries was mainly a reflection of the increase in the debt balance in portfolio investment and, to a lesser extent, in other investment and foreign direct investment. Both items amply offset the reduction in debt balances in direct investment of financial derivatives. Against this backdrop, portfolio investment increased its relative weighting in respect of both total external assets and total external liabilities, to the detriment of other investment (Table 2.11).

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
2004-2006 average	9.3	9.3	0.0	-36.8	38.7	75.5	-22.7	2.3	25.0	-12.8	74.5	87.3
2007	7.5	7.8	0.3	-39.9	44.9	84.8	-15.6	3.3	18.9	-29.7	71.8	101.4
2008	4.7	7.9	3.2	-38.0	48.8	86.9	-17.8	3.7	21.5	-29.9	64.9	94.7
2009	4.2	8.1	3.9	-44.4	47.7	92.1	-25.6	2.8	28.4	-27.7	71.3	99.0

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
2004-2006 average	26.7	20.2	42.6	46.7	27.3	30.4	3.3	2.6
2007	31.6	18.4	34.8	50.3	30.0	28.3	3.5	2.9
2008	33.5	20.3	27.8	43.4	30.2	31.2	8.4	5.2
2009	35.0	20.2	30.1	46.3	28.9	30.1	6.0	3.4

[a] Excluding the Bank of Spain

2.4 Other indicators relating to the international presence of Spanish companies

A number of indicators offer relevant information regarding the weighting and notoriety of Spanish companies in the world, or the attention which these companies pay to international markets. A good example of this is the international strength of Spain's leading companies, listed on the IBEX 35. These companies record greater revenues abroad (51.7%) than in Spain (48.3%). In 2009, their foreign sales focused on Latin America (24.2% of the total), the EU (18.7%) and other OECD countries (9.9%).

Other examples are the **lists** compiled by specialist international magazines, like Forbes and Fortune. The effects of the crisis undermined the position of major Spanish companies in the list compiled yearly by **Fortune magazine**. Whereas in 2008 there were twelve Spanish companies among the top 500 in the world (by revenues), in 2009 only ten made the list. Acciona and Ferrovial were edged out by asset divestments. The weak euro also pushed Spanish companies down the ranking, except for Gas Natural, in the wake of its merger with Unión Fenosa. The Fortune Global 500 features the following Spanish companies, listed by size: Santander (ranked 37th), Telefónica (68th), Repsol (114th), BBVA (149th), Iberdrola (217th), Cepsa (324th), ACS (346th), Mapfre (357th), Gas Natural Fenosa (425th) and FCC (480th). Spain is again ranked tenth in terms of the number of companies represented (10), on a par with South Korea, and behind the USA (139), Japan (71), China (46), France (39), Germany (37), UK (29), Switzerland (15), Holland (13) and Canada (11). As in previous years, none of the top-ten Spanish companies belong to the manufacturing sector. Financial services, energy and infrastructure are the prevailing sectors.

In US magazine Forbes' **Global 2000** ranking based on sales, profit, assets and market value, 29 Spanish companies are represented in the 2010 list, the top companies being Banco Santander (ranked 6th), Telefónica (32nd), BBVA (48th) and Iberdrola (88th), all in the top 100 worldwide. In the previous year's list, there were 32 Spanish companies, so the trend is the same as 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 newsletter Public Works Financing,** Ferrovial ranks top in terms of investment volume among all transport infrastructure management companies in the world. Of the eleven largest companies in the sector, six are Spanish: Ferrovial Cintra (1), Abertis (6), OHL (8), the FCC-Caja Madrid Global Vía joint venture (9) and Sacyr (11), and another, German company Hochtief, is 29.9%-owned by ACS. Another list, compiled by the **specialist magazine Engineering News Record** (ENR), places Técnicas Reunidas at the top of the list of leading engineering companies operating in the Middle East.

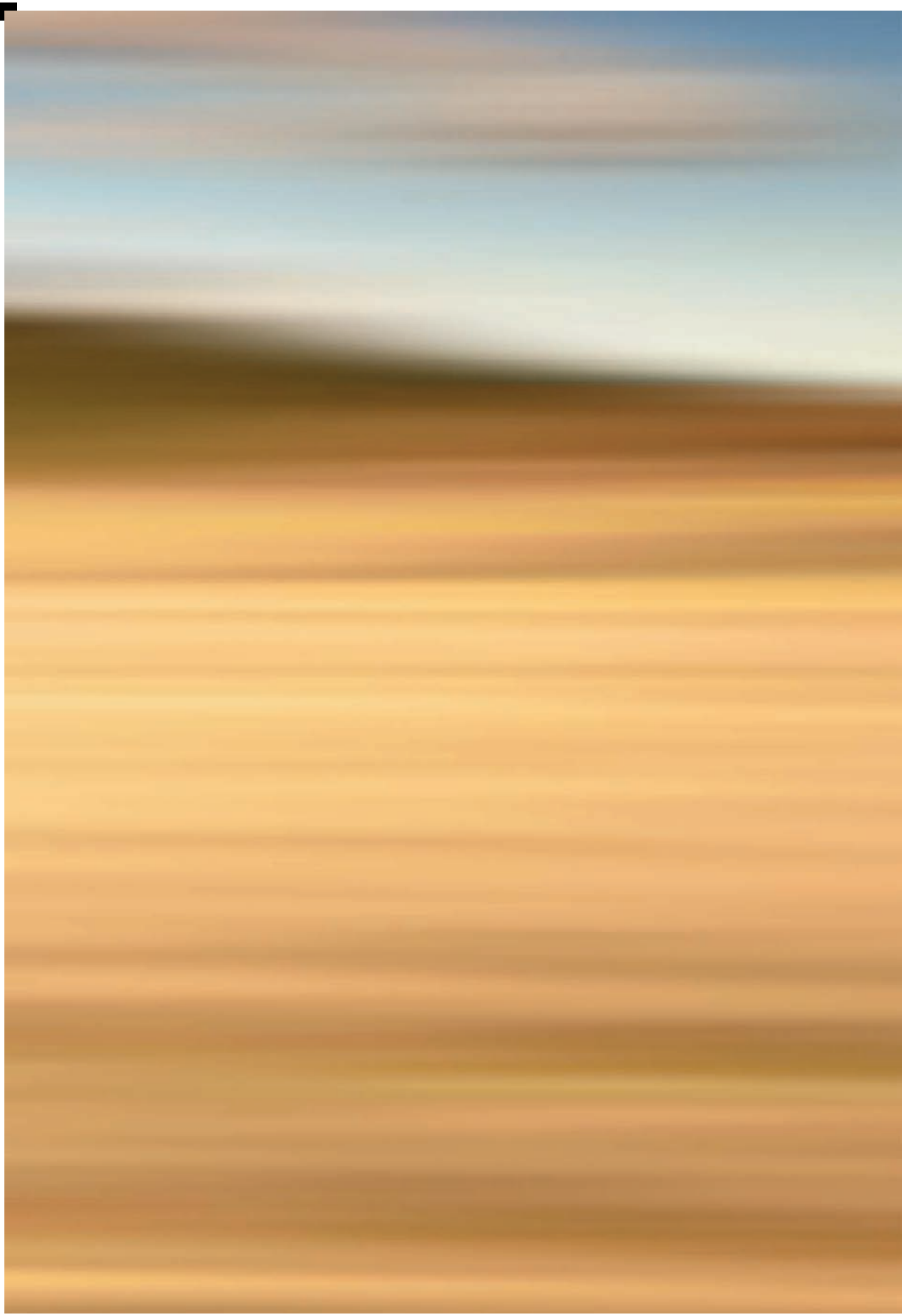
External revenues over total sales of IBEX 35 companies, 2009

Table 2.12

%

Source: Afi and ICEX, 2010

Companies	Spain	Abroad			
		Total	Of which:		
			UE	OECD	Rest of world
Abengoa S.A.	31.3	68.7	14.4	19.0	35.3
Abertis	50.2	49.8	42.6	0.4	6.7
Acerinox S.A.	11.4	88.6	29.5	32.6	26.5
ACS Activid. De Constru S.	73.7	26.3	7.8	8.3	10.2
ArcelorMittal S.A.	n.d.	n.d.	n.d.	n.d.	n.d.
Banco Español Crédito (Banesto)	98.0	2.0	0.0	2.0	0.0
Banco Popular Español	92.2	7.8	6.5	1.3	0.0
Banco Sabadell	97.5	2.5	0.8	1.1	0.6
Banco Santander S.A.	28.1	71.9	26.3	12.5	33.2
Bankinter S.A.	99.5	0.5	0.5	0.0	0.0
BBVA (Banco Bilbao)	47.2	52.8	4.6	30.1	18.1
Bolsas y Mercados Españoles S.A.	100.0	0.0	0.0	0.0	0.0
Criteria CaixaCorp S.A.	99.9	0.1	0.1	0.0	0.0
Ebro Puleva S.A.	25.0	75.0	42.1	30.5	2.4
Enagas	100.0	0.0	0.0	0.0	0.0
Endesa (Empresa Nacional)	60.0	40.0	7.3	0.0	32.7
Ferrovial S.A.	35.0	65.0	55.3	7.2	2.5
Fomento Const. y Contr. (FCC)	55.7	44.3	35.5	3.6	5.2
Gamesa Corp. Tecnológica S.A.	31.1	68.9	32.8	17.8	18.3
Gas Natural SDG S.A.	63.0	37.0	5.0	8.2	23.7
Gestevisión Telecinco	96.3	3.7	3.5	0.2	0.0
Grifols S.A.	24.7	75.3	21.8	39.0	14.5
Grupo Acciona	75.7	24.3	14.5	7.3	2.5
Iberdrola Renovables S.A.	41.9	58.1	17.5	39.9	0.7
Iberdola S.A.	41.4	58.6	32.0	21.6	4.9
Iberia	36.6	63.4	16.7	11.5	35.2
Inditex	n.d.	n.d.	n.d.	n.d.	n.d.
Indra Sistemas S.A.	64.2	35.8	17.1	4.7	14.1
Mapfre SA	54.6	45.4	4.8	15.3	25.3
Obrascon Huarte Lain	40.9	59.1	12.3	15.9	30.9
Red Eléctrica Corp. S.A.	97.7	2.3	0.0	0.0	2.3
Repsol	51.2	48.8	9.4	4.8	34.6
Sacyr Vallehermoso	78.9	21.1	15.4	0.3	5.5
Técnicas Reunidas S.A.	21.7	78.3	20.1	2.3	55.9
Telefónica	35.1	64.9	23.9	3.2	37.7
TOTAL	48.3	51.7	18.2	9.7	23.8



3 Spanish Companies from an International Perspective

In 2009, the international economic and financial crisis continued to take a severe toll on the Spanish economy. Companies reacted to the declining prospects by slowing or shrinking their investment plans and downsizing their workforces. Unlike in 2008, however, equity markets did well, performing against the tide of real economic variables such as gross domestic product growth or unemployment. The Ibex 35 gained 27% and the total shareholder return rate (including capital gains, dividends and other remuneration) was +38%, compared with -36% in 2008. The Ibex 35 offered higher shareholder returns than other indices in Europe and the US, and was only a few tenths below the global average. This healthy performance by equity markets continued during the first few months of 2010, until the Greek crisis, the rating downgrade on Spanish sovereign debt and the ongoing increase in unemployment triggered a correction in stocks, which in the first half of this year almost cancelled out the gains of 2009. Looking back, the euphoria in equity markets in 2009 and early 2010 is surprising, given the sovereign debt crisis in non-core EU countries which was unleashed in March.

This chapter documents and analyses 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. As in previous editions, we present the data for 2009, contextualizing performance over time, and compared with the averages in other countries in the euro area and the global total. 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. There are a number of considerations that should be taken into account. 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.

We will begin by analyzing shareholder returns in a European and global context, before examining the recommendations of investment banks and the presence of Spanish companies in the international financial press. Although **shareholder returns** grew notably, the pre-

sence of Spanish companies in the **international financial** press continued in the downward trend which commenced in 2008. Furthermore, **investment bank** analysts' recommendations were not as bullish as they had been in the previous year, although they did reward intermediate-sized companies with a considerable international bias.

3.1 Shareholders Returns in a European and Global Context

As in previous editions, our analysis of shareholder returns takes into account not only outright rates of return, but also their relative scale compared to similar companies in other countries competing to obtain share capital. Consequently, we will analyze shareholder returns at Spanish companies in a European and global context, so as to determine whether Spanish companies have performed well in comparative terms.

2009 will go down in history as one of the best for Spanish equity markets despite the deterioration in the real economy, in a year in which stock markets did not price in the confidence crisis unleashed among investors in sovereign debt from March 2010 (which in the first half of 2010 cancelled out the profitability generated in 2009). Meanwhile, GDP fell by 3.6% and unemployment hovered near 20% (it rose above this percentage in the first quarter of 2010).

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 (TSR) rate is an indicator used often to evaluate the return obtained by a company's owners over a year in exchange for the capital they provide. In measuring shareholder remuneration, we have calculated an annual rate expressed as a percentage, using 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.

A **standardized rate** can be calculated to compare TSR from different business sectors by subtracting the sector average and dividing by the sector's standard deviation.

The data source is Datastream International. International fund managers and stock market analysts refer to this information and examine it in detail. Although certain companies are not sorted in the most appropriate sector (for example, Abertis, Cintra and Itínere features under "transport services" and not infrastructure), this classification has consequences in decision-making processes. Accordingly, the data shown in Table A.5 have been calculated using the information directly available from Datastream International without any corrections by us, since this would entail distorting the information actually used by fund managers and stock market analysts.

While in 2008 **the top 25 listed Spanish companies by shareholder return** comprised mainly companies whose share performance had not retreated as much as the rest of companies, in 2009 a total of 22 companies offered their shareholders returns of more than 50% (see Table 3.1). It is worth recalling that in 2008 only three companies reported positive returns for their shareholders (Unión Fenosa, Funespaña and Testa Inmuebles en Renta). In drafting the list, we took into account the returns at the 120 Spanish companies included in the Datastream International database. In some cases, shareholder returns were boosted by the movements of a number of investors to tap sector restructuring (as in the case of Vueling Airlines).

While in 2008 the sector most represented in the top 25 was that of manufacturing, in 2009 the star performers were from services sectors, in particular those relating to infrastructure (OHL, Ferrovial) and the assembly of machinery, facilities and turnkey plants (Técnicas Reunidas, Duro Felguera, Abengoa, Elecnor). Nevertheless, a large number of industrial companies also posted excellent results (Almirall, Adolfo Domínguez, Sniace, Ebro Puleva, Fluidra, CAF, Amper). One major difference compared with 2007 and 2008, the first two years of the crisis, is that just 8 companies listed in the Ibex 35 appeared on the list (vs. 12 in 2007 and 10 in 2008).

Among the companies with the largest market capitalization, the five offering the best returns to their shareholders during 2009 were Técnicas Reunidas, OHL, Arcelor Mittal, Abengoa and Santander (see Tables 3.2 and A1). These are companies whose share performance was very negative in 2008. Three of them (Técnicas Reunidas, OHL and Arcelor Mittal) have been among the top five in terms of shareholder returns since 1995 (Tables 3.3 and A.2) and in 2009 all five amply compensated their shareholders for the losses incurred in the two previous years (Tables 3.4 and A.3).

Table 3.1 Top 25 Spanish companies by total shareholder return rate in 2009[a]

Source: Datastream International through Wharton Research Data Services

Company	SECTOR	RETURN RATE (%)
Vueling Airlines	*Airlines*	274.1
*Técnicas Reunidas**	*Construction*	127.8
*Obrascón Huarte Laín**	*Construction*	107.6
Jazztel	*Telecoms*	105.8
Duro Felguera	*Machinery*	102.6
*Abengoa**	*Construction*	93.2
Antena 3	*Publications and media*	87.9
*Banco Santander**	*Banking*	83.0
Laboratorios Almirall	*Pharmaceuticals*	71.3
Service Point Solutions	*Corporate services*	67.0
Renta Corporación	*Property*	65.2
Elecnor	*Electricity*	64.8
Adolfo Dominguez	*Clothing and fashionwear*	60.3
Sniace	*Special chemicals*	59.8
Ebro Puleva	*Food*	59.6
*Grupo Ferrovial**	*Construction*	57.1
PRISA	*Publications and media*	55.3
*BBVA**	*Banking*	54.9
Fluidra	*Construction material*	54.8
Aguas de Barcelona	*Water*	54.8
Construcción y Auxiliar de Ferrocarril	*Corporate services*	54.4
Prosegur	*Servicios a las empresas*	50.1
*Telecinco**	*Publications and media*	48.1
Amper	*Telecom equipment*	42.3
*Inditex**	*Clothing and fashionwear*	41.9

Notes: * Listed the IBEX 35 at 31 december 2009
[a] Calculated based on the total 120 companies listed throughout 2009

Top 10 IBEX 35 companies by total shareholder return rate

Table 3.2

Companies and rates ranked by 2009 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	Average[b] 1995 2009	Average[b] 2007 2009
Técnicas Reunidas	—	—	—	—	—	—	—	—	—	—	—	—	52.3	-57.2	**127.8**	41.0	41.0
OHL	-15.0	-9.0	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**	36.7	16.8
Arcelor Mittal	—	—	—	—	—	—	—	—	—	—	—	—	69.0	-66.9	**95.5**	32.5	32.5
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**	28.0	9.9
Banco Santander	26.1	41.4	88.0	14.2	35.8	2.0	-15.5	-28.2	48.6	1.0	25.7	30.1	8.1	-48.7	**83.0**	20.8	14.1
Grupo Ferrovial	—	—	—	—	—	-6.9	46.8	24.4	17.8	44.7	53.8	24.8	-34.1	-58.0	**65.3**	17.8	-8.9
Ebro Puleva	-11.6	83.2	18.9	18.1	-23.4	-12.0	8.6	-9.4	18.8	20.0	35.9	39.6	-33.4	-19.8	**59.6**	12.9	2.1
BBVA	40.1	65.5	114.6	36.4	7.8	13.6	-10.6	-32.4	23.9	23.6	19.0	23.8	-5.3	-45.7	**54.9**	21.9	1.3
Telecinco	—	—	—	—	—	—	—	—	—	—	43.2	6.2	-14.8	-53.1	**48.1**	5.9	-6.6
Inditex	—	—	—	—	—	—	—	5.7	-28.1	38.3	29.5	49.1	4.6	-23.3	**41.9**	14.7	7.7
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	**39.0**	10.2	3.6
IBEX 35[a]	22.4	47.1	44.5	38.6	20.1	-20.5	-6.1	-26.5	32.2	21.1	22.0	36.0	10.7	-36.5	**38.3**	16.2	4.2
CAC40[a]	2.8	27.6	33.0	34.1	54.1	1.0	-20.3	-31.9	19.9	11.4	26.6	20.9	4.2	-40.3	**27.6**	11.4	-2.9
FTSE 100[a]	26.0	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**	9.1	2.1
S&P 500[a]	37.6	23.0	33.4	28.6	21.0	-9.1	-11.9	-22.1	28.7	10.9	4.9	15.8	5.5	-37.0	**26.5**	10.4	-1.7
DAX 30[a]	7.0	28.2	47.1	17.7	39.1	-7.5	-19.8	-43.9	37.1	7.3	27.1	22.0	22.3	-40.4	**23.8**	11.1	1.9
DJIA[a]	36.4	22.4	32.3	12.2	14.0	5.1	-11.1	-15.9	29.4	15.6	9.5	15.7	8.9	-31.9	**22.7**	11.0	-0.1

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

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

Companies and rates ranked by 1995-2009 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	Average [b] 1995 2009	Average [b] 2007 2009
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	**5.0**	44.8	-0.8
Técnicas Reunidas	—	—	—	—	—	—	—	—	—	—	—	—	52.3	-57.2	**127.8**	41.0	41.0
ACS	5.7	12.9	312.6	53.0	-27.4	6.9	10.6	13.5	28.4	33.9	64.2	58.2	-2.6	-16.0	**12.0**	37.7	-2.2
OHL	-15.0	-9.0	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**	36.7	16.8
Arcelor Mittal	—	—	—	—	—	—	—	—	—	—	—	—	69.0	-66.9	**95.5**	32.5	32.5
Acciona	-26.1	52.1	152.1	182.1	-17.7	-30.9	6.4	-3.0	26.0	39.1	47.9	51.2	55.8	-58.2	**6.2**	32.2	1.3
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**	28.0	9.9
Red Eléctrica	—	—	—	—	—	71.2	7.5	-4.5	40.1	33.0	60.2	27.6	36.1	-14.9	**11.3**	26.7	10.8
Telefónica	10.0	84.4	46.8	54.0	105.9	-29.6	-11.1	-41.0	46.6	24.0	-2.1	31.1	41.7	-25.4	**29.3**	24.3	15.2
BBVA	40.1	65.5	114.6	36.4	7.8	13.6	-10.6	-32.4	23.9	23.6	19.0	23.8	-5.3	-45.7	**54.9**	21.9	1.3
IBEX 35 [a]	22.4	47.1	44.5	38.6	20.1	-20.5	-6.1	-26.5	32.2	21.1	22.0	36.0	10.7	-36.5	**38.3**	16.2	4.2
CAC40 [a]	2.8	27.6	33.0	34.1	54.1	1.0	-20.3	-31.9	19.9	11.4	26.6	20.9	4.2	-40.3	**27.6**	11.4	-2.9
DAX 30 [a]	7.0	28.2	47.1	17.7	39.1	-7.5	-19.8	-43.9	37.1	7.3	27.1	22.0	22.3	-40.4	**23.8**	11.1	1.9
DJIA [a]	36.4	22.4	32.3	12.2	14.0	5.1	-11.1	-15.9	29.4	15.6	9.5	15.7	8.9	-31.9	**22.7**	11.0	-0.1
S&P500 [a]	37.6	23.0	33.4	28.6	21.0	-9.1	-11.9	-22.1	28.7	10.9	4.9	15.8	5.5	-37.0	**26.5**	10.4	-1.7
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	**39.0**	10.2	3.6
FTSE 100 [a]	26.0	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**	9.1	2.1

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 2007-2009 average

Source: Datastream International through Wharton Research Data Services

Company	2007	2008	2009	Average [b] 1995-2009	Average [b] 2007-2009
Técnicas Reunidas	52.3	-57.2	127.8	41.0	**41.0**
Arcelor Mittal	69.0	-66.9	95.5	32.5	**32.5**
OHL	-0.9	-56.2	107.6	36.7	**16.8**
Telefónica	41.7	-25.4	29.3	24.3	**15.2**
Banco Santander	8.1	-48.7	83.0	20.8	**14.1**
Grifols	53.0	-19.6	1.7	11.7	**11.7**
Red Eléctrica	36.1	-14.9	11.3	26.7	**10.8**
Bolsas y Mercados Españoles	52.8	-58.1	37.4	10.7	**10.7**
Abengoa	-12.7	-50.8	93.2	28.0	**9.9**
Inditex	4.6	-23.3	41.9	14.7	**7.7**
IBEX 35 [a]	10.7	-36.5	38.3	16.2	**4.2**
Mercado Mundial [a]	15.1	-43.3	39.0	10.2	**3.6**
FTSE 100 [a]	7.4	-28.3	27.3	9.1	**2.1**
DAX 30 [a]	22.3	-40.4	23.8	11.1	**1.9**
DJIA [a]	8.9	-31.9	22.7	11.0	**-0.1**
S&P500 [a]	5.5	-37.0	26.5	10.4	**-1.7**
CAC40 [a]	4.2	-40.3	27.6	11.4	**-2.9**

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

Shareholder returns must be analyzed on a sector-by-sector basis, since investors seek to diversify their portfolios and often do so by investing in various sectors of activity. Table 3.5 shows the top 10 listed companies throughout 2009 by total shareholder return rate compared with companies from the same sector within the Euro area (the comprehensive list is shown in Table A.4). 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 3.5

Top 10 Spanish companies by total shareholder return rate in 2009, relative to companies in the same sector in Euro area

Source: Datastream International through Wharton Research Data Services

Company	Absolute rate		Standardized rate		Standardized rate	
	Position	%	Position	Euro area	Position	World
Vueling Airlines	1	274.1	1	2.88	1	2.34
Jazztel	4	105.8	2	2.74	9	0.50
Elecnor	12	64.8	3	2.38	15	0.20
Técnicas Reunidas	2	127.8	4	1.80	2	1.64
Aguas de Barcelona	20	54.8	5	1.78	6	0.90
Banco Santander	8	83.0	6	1.60	8	0.57
Sol Meliá	26	40.1	7	1.51	36	-0.22
Laboratorios Almirall	9	71.3	8	1.51	7	0.80
Obrascón Huarte Laín	3	107.6	9	1.37	3	1.27
Duro Felguera	5	102.6	10	1.16	4	1.10

In 2009, only 34 of the 120 listed Spanish companies monitored by Datastream obtained a shareholder return rate higher than the average of Euro area companies in their respective sectors, i.e. 28% of the total, considerably fewer than in 2008 (39%). In the years prior to the crisis, however, the proportion of Spanish companies above the average was higher. For example, in 2006 the figure was 54%. This trend means that, because of the crisis, and despite the increases in outright terms, in 2009 there has been a **decline in returns as compared with companies from the same sector in the Euro area** (see Table A.4).

In 2009, 12 listed Spanish companies obtained a rate of return 1 standard deviation higher than the average of their peers in the Euro area in the same sector, four fewer than in 2008. Three of the 12, Vueling, Jazztel and Elecnor, were more than 2 standard deviations above the average (Tables 3.5 and A.4). Also noteworthy were the returns at Técnicas Reunidas, Agbar, Banco Santander and Sol Meliá, which were at least 1.5 standard deviations above the average among their European peers. None of these companies belongs to the manufacturing sector, suggesting that the crisis has taken a particularly strong toll on industrial activities.

The standardized rate taking into account companies from the same sector not only in the Euro area but worldwide yielded quite similar results. The linear correlation between the two lists is 87%. However, there are some interesting differences. For example, Sol Meliá ranks 7th in the Euro area, but just 36th in the world in terms of return relative to companies in the same sector, and Elecnor is 3rd in the Euro area and 15th in the world (Table A.4).

Unlike in 2007 and 2008, there is no sector in which Spanish companies obtained systematically higher returns than companies in the Euro zone (Table A.5). There are, however, a number of sectors in which all companies generated negative returns: steel, alcoholic beverages, textile (but not clothing manufacturing) and paper. In most sectors, however, some companies recorded very positive results in 2009 and others clearly struggled. This pattern is especially clear in the

food sector, where Ebro Puleva posted excellent results, whereas Natra and SOS lagged well behind their European and global peers.

In short, in 2009 shareholder returns rebounded from the declining levels seen in 2008. Although this recovery continued through March 2010, since then a very sharp correction has taken place. **Furthermore, in 2009 the number of Spanish listed companies with higher-than-average shareholder returns compared with their European or global peers continued to fall from the highs of 2006.**

Investment bank analysts and Spanish companies 3.2

Another unfavorable indicator in 2009 refers to **investment banks**' recommendations. In general, these significant players in international financial markets upgraded their recommendations on shares in Spanish companies during most of 2009, but this did not offset the decline in the final months of 2008 and early 2009. 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 substantial impact 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 data source used to gauge **recommendations from stock market analysts** is I/B/E/S (Institutional Brokers Estimates System), which includes recommendations by analysts mainly from foreign investment banks, as well as one or two from Spain. The data provided reflects all these recommendations. For each year, the opening and final recommendation made by each investment bank was used. While every investment bank uses its own classification system, the standard recommendations employed in the I/B/E/S database are "strong buy", "buy", "hold", "underperform", and "sell". Average recommendations were also used using a scale of 1 ("strong buy") to 5 ("sell"), and these are also included in I/B/E/S.

It should be noted 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 activities. The outcomes of this was a reduction in the number of positive recommendations relative to negative ones. For this reason, data from after the enactment of this new regulatory framework are not strictly comparable with previous data.

As in 2007 and 2008, in 2009 there were clear patterns by sector and listed company, as the crisis had varying impacts. Unlike in previous years, in 2009 investment banks issued fewer recommendations on companies listed in the Ibex 35, which could be due to a reduction in their activity level or a need to change recommendations since in 2008 there were many changes, which in general were positive. These movements are depicted in Table 3.6 in the case of companies listed in the Ibex 35, taking into account the first and last recommendations issued during that year for each listed company.

Table 3.6

Vertical percentages

	1996		1997		1998		1999		2000		2001		2002	
	F	L	F	L	F	L	F	L	F	L	F	L	F	L
"Strong buy"	26.3	26.8	24.7	21.8	22.4	18.2	23.7	27.0	22.6	23.4	18.9	20.4	16.3	17.1
"Buy"	17.9	17.9	24.1	26.5	27.6	29.5	32.1	33.0	39.7	38.3	34.5	32.6	34.4	29.9
"Hold"	38.9	35.5	36.0	37.5	34.1	36.9	31.4	28.8	28.6	29.2	33.0	34.2	34.4	36.1
"Underperform"	7.4	9.5	9.0	8.1	10.8	9.7	9.5	8.8	7.7	7.4	12.2	11.3	11.9	13.9
"Sell"	9.5	10.3	6.1	6.1	5.1	5.7	3.3	2.4	1.4	1.7	1.5	1.5	3.0	3.0
Total IBEX 35	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Number	380	380	344	344	352	352	452	452	416	418	476	476	596	596

F First
L Last

As for companies that have received the largest number of recommendations, Telefónica continues to lead the field with 44, followed by Repsol with 41 and Iberdrola with 38. Santander, BBVA and Iberdrola Renovables all received 34 recommendations (see Table A.6). This ranking should not be surprising as the companies with the largest market capitalization tend to be those that receive the most attention from investment banks. What is surprising is the rise of Iberdrola Renovables, which in 2008 received 27 recommendations. In both years the company received favorable recommendations.

There was a notable decline in the recommendations issued by investment banks on securities listed in the Ibex 35 in late 2008 and early 2009, evidenced by fewer "strong buy" recommendations and more "sell" recommendations. In 2009, the recommendations improved substantially in the case of buy recommendations, and there was a shift from the category of "buy" to "strong buy", although there was also a shift in negative recommendations from "hold" to "underperform". This dual movement is similar to the one in 2008, but quite different to the one in 2007, when recommendations only improved. As shown in Table 3.6, "strong buy" recommendations increased from 15.8% to 21.1% of the total in 2009, while "buy" recommendations declined from 23.2% to 21.3%. At the same time, "hold" recommendations fell from 31.2% to 29.0% while "underperform" recommendations increased from 19.6% to 20.8%. Recommendations to "sell" fell from 10.1% to 7.8% in 2009, unlike in 2008, when they remained flat. **Despite this positive performance, 2009 closed with a slightly less positive overall balance of recommendations than at the end of 2008**. At 2009 year-end, "strong buy" recommendations accounted for 21.1% of the total, vs. 22.1% at the end of 2008 (Table 3.6).

Stock market analysts´ recommendations on IBEX 35 companies, 1996-2009

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

	2003		2004		2005		2006		2007		2008		2009	
	F	L	F	L	F	L	F	L	F	L	F	L	F	L
"Strong buy"	14.9	17.8	15.3	16.7	14.1	16.3	17.7	17.3	16.6	18.6	17.5	22.1	15.8	21.1
"Buy"	30.8	23.5	27.4	24.1	26.2	21.5	26.4	18.7	23.9	26.3	28.5	22.7	23.2	21.3
"Hold"	34.5	39.3	32.8	34.6	32.3	32.0	33.2	35.0	33.6	32.8	26.8	25.6	31.2	29.0
"Underperform"	13.7	14.1	17.8	19.0	18.2	23.3	15.2	20.3	19.3	17.1	20.0	22.6	19.6	20.8
"Sell"	6.0	5.3	6.7	5.6	9.2	6.9	7.5	8.7	6.7	5.3	7.1	7.1	10.1	7.8
Total IBEX 35	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Number	562	562	646	647	595	596	572	572	586	586	634	634	525	525

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

A number of factors explain the annual oscillations in analysts' recommendations. It is worth recalling that investment banks react to the macroeconomic, financial or competitive environment by substantially changing their recommendations (see Table 3.6). The 1996-1998 period saw a steady decline in recommendations on Spanish companies, which nevertheless improved from 1999 to 2001, due to the overall sound performance by the Spanish economy once it had qualified for entry into the Monetary Union. 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 have 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). As we have already mentioned, **in 2009 there was an improvement in recommendations, but it was not enough to offset the decline seen in the last few months of 2008 and early 2009.**

Like shareholder returns, it is worth putting investment bank recommendations in the context of the **sector of activity** in which the company operates. Table 3.7 shows the top-ten listed Spanish companies in terms of stock market analyst recommendations in 2009, standardized by sector in the Euro area (the full list is given in Table A.6). 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 each 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 ("ell"), 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.

Table 3.7 Top 10 Spanish companies by average recommendation from stock market analysts in 2009, 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	Absolute	Standardized Euro area	Standardized world	Absolute	Standardized Euro area	Standardized world
Paternina	1.00	-0.98	-0.89	1.00	**-2.35**	-1.79
Iberpapel	1.00	-0.87	-0.72	1.00	**-1.80**	-1.57
Unipapel	2.00	-0.73	-0.55	1.00	**-1.80**	-1.57
Cie Automotive	2.00	-0.80	-0.57	1.00	**-1.79**	-1.43
Elecnor	1.00	-0.83	-0.73	1.00	**-1.79**	-1.57
Zinkia Entertainment	1.00	-0.90	-0.91	1.00	**-1.65**	-1.69
Grupo Duro Felguera	5.00	-0.45	-0.13	1.20	**-1.43**	-1.37
Viscofán	13.00	1.05	1.21	1.23	**-1.43**	-1.31
Pescanova	5.00	-0.19	-0.11	1.40	**-1.23**	-1.11
Banco Santander	34.00	1.61	2.54	1.94	**-1.22**	-0.80

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

The companies with the best standardized average recommendation by sector in the Euro area in 2009 were Paternina, Iberpapel, Unipapel, Cie Automotive, Elecnor, Zinkia Entertainment, Grupo Duro Felguera, Viscofán, Pescanova and Banco Santander. Only Duro Felguera, Pescanova and Viscofán were also among the top 10 in 2008. **It is important to highlight that 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.**

These companies also obtained outstanding recommendations compared with other companies in their sector worldwide, although only Zinkia Entertainment obtained a slightly better score in comparison with its Euro area peers. In general, just 40% of Spanish companies obtained a better recommendation with respect to the rest of the world than in relation to the Euro area (Table A.6).

There has also been a slight decline in the number of listed Spanish companies which received a better score in 2009 than their peers in Europe and the rest of the world within the same sector. **In 2009, 39% of the 107 listed Spanish companies included in the I/B/E/S database received recommendations above the average for companies in their sector within the Euro area, the same proportion as in 2007, while in 2008 the figure was 45%. With respect to companies worldwide, also within the same sector, the figure in 2009 was 35%, lower than the 37% recorded in 2007 and the 42% in 2008** (see Table A.6). Accordingly, in 2009, stock market analysts issued less favorable recommendations on Spanish companies than in 2007 and 2008, as compared with companies in the Euro area and worldwide, in the same sector. **Whereas in 2008 the improvement in recommendations signaled an increase in share prices in 2009, the decline in recommendations in 2009 also augured persistent problems for the Spanish economy, companies and stock markets during the first half of 2010.**

Visibility of Spanish companies in the international financial press 3.3

In 2009, the pace of the decline in coverage of Spanish companies in the international financial press picked up, continuing the trend which began in 2008. The amount and quality of press coverage are hugely important variables since investors, analysts and the public worldwide use publications like the *Financial Times, Wall Street Journal, Wall Street Journal Europe* and *The Economist* to obtain information and forecasts regarding the economy and business. The financial, economic and political elites read these sources and make decisions based on information published therein. In other words, the international financial press contributes to creating an image and currents of opinion. 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

References to Spanish companies in the international financial press have been calculated using a three-pronged methodology. The first step was to create a list of the almost 200 companies which in principle stood a chance of appearing at least once in the *Financial Times, Wall Street Journal, Wall Street Journal Europe* and *The Economist* between 1995 and 2009. The second involved carrying out systematic searches in these four printed media for articles referring to any of these companies, using the Factiva (Dow Jones) database. Lastly, the findings were systematically combed through to verify their accuracy.

If the same firm was referred to more than once in a single article, this was counted as a single reference.

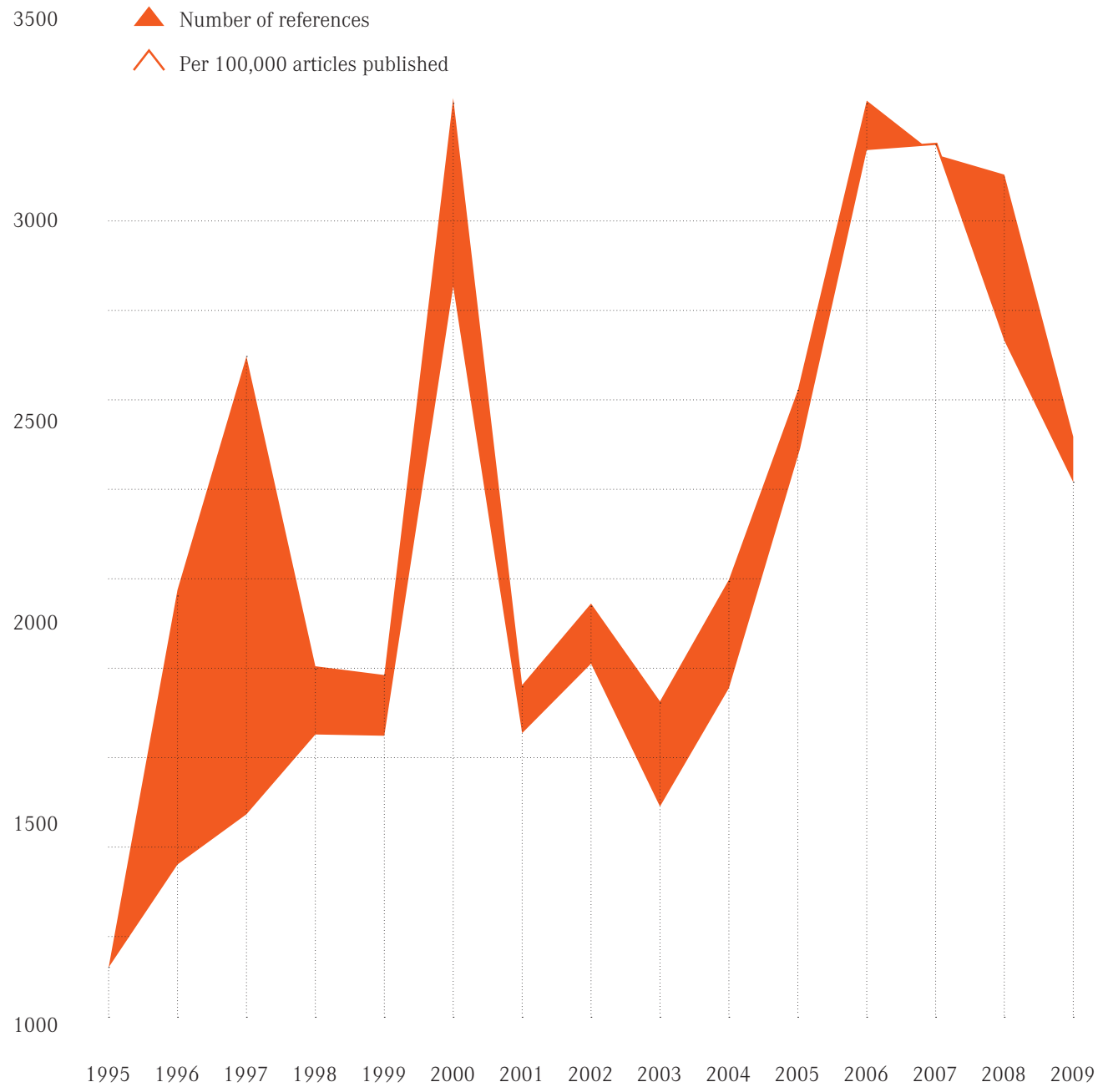
Chart 3.1 shows the number of times Spanish companies were mentioned since 1995. It shows that coverage of Spanish companies has increased from less than 1,000 references per years prior to 1995 to an average of around 2,700 since 2006. **There were three outright peaks in the last decade, in 1997, 2000 and 2006**, each linked to certain major transactions at some of the largest Spanish multinationals, a matter we shall look at in more detail below. **In 2009, both absolute coverage and coverage relative to the total number of articles published fell**, although this decline was due mainly to two sources, namely *The Financial Times* and *The Wall Street Journal*. At all events, 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 2.4% of international financial press articles, which means that in 2009 Spanish companies received coverage 20% higher than the Spanish economy's weighting in the world.

Table 3.8 shows the top 25 Spanish companies in terms of press coverage in 1995-2009. Predictably, **Telefónica, Santander, BBVA, Endesa and Repsol topped the list in terms of international media coverage in 2009. In 2009, the ranking changed: Santander, Telefónica, BBVA, Inditex and Ferrovial**. In fact, BBVA and Inditex increased their presence in international financial media. In the bank's case, this was due to its consolidation operations in the US, and in Inditex's case it was because of its ongoing international expansion and robust earnings.

Chart 3.1

Number of references to Spanish companies in articles published in the international financial press, 1995-2009

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 0,89

Top 25 Spanish companies by references in the international financial press, 1995-2009

Table 3.8

Source: Factiva

Company	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Absolute 1995 2009	Relative 1995 2009[a]
Telefónica	177	400	538	362	382	1.114	413	360	262	256	343	346	361	245	245	**5,804**	6,166
Santander [b]	136	264	414	405	378	347	191	295	186	520	349	261	532	664	616	**5,558**	1,395
BBVA [c]	142	288	273	242	201	389	207	291	227	195	399	202	139	147	206	**3,548**	891
Endesa	64	148	381	175	182	207	147	112	84	92	174	482	298	78	68	**2,692**	6,780
Repsol	106	251	185	65	160	193	124	162	99	130	172	181	117	147	111	**2,203**	1,249
Iberia	94	117	131	83	90	67	125	77	65	118	81	58	92	120	75	**1,393**	3,607
Iberdrola	23	43	45	56	33	145	110	48	83	32	58	158	148	233	106	**1,321**	3,327
Ferrovial	2	4	1	6	15	11	8	7	31	40	24	380	155	222	120	**1,026**	1,246
Gas Natural	14	45	31	19	14	54	14	37	69	34	120	237	113	59	28	**888**	503
Inditex	3	0	14	7	14	17	54	39	60	73	110	92	116	102	131	**832**	2,645
La Caixa	29	55	70	48	47	70	9	25	32	36	39	40	45	55	21	**621**	156
Unión Fenosa	7	21	35	34	23	94	46	63	36	16	56	55	28	59	24	**597**	1,504
Real Madrid	50	41	56	41	20	15	21	35	55	32	28	21	9	57	83	**564**	1,663
Banco Español de Crédito	78	48	62	34	21	8	1	53	27	55	24	30	29	36	47	**553**	139
Altadis [d]	0	0	0	0	12	39	10	24	50	30	47	40	186	39	31	**508**	2,313
Acciona	0	0	0	8	7	9	7	2	12	10	18	72	183	52	47	**427**	519
Banco Popular Español	9	30	43	30	27	41	12	45	30	31	22	10	19	44	30	**423**	106
Telefónica Moviles Español	0	0	6	1	3	101	81	57	45	45	34	21	3	1	2	**400**	425
Caja de Ahorros de Madrid	2	3	14	19	25	19	12	12	21	29	26	21	59	42	30	**334**	84
Sacyr Vallehermoso	0	0	0	0	0	0	3	4	12	6	21	52	98	93	19	**308**	374
Abertis Infraestructuras	0	0	0	0	0	0	0	0	1	17	28	144	58	44	9	**301**	7,969
Promotora de Informaciones	2	16	36	9	16	24	8	22	5	6	22	8	12	28	39	**253**	269
ACS	0	0	1	1	0	1	8	12	13	7	18	56	31	63	22	**233**	283
Metrovacesa	3	1	1	1	1	0	0	7	21	4	32	40	38	42	28	**219**	525
Fomento	3	9	8	22	8	8	16	12	12	12	9	23	34	23	9	**208**	253
Sogecable	0	18	20	4	10	25	2	27	23	10	17	3	9	14	12	**194**	206
Absolute total	1,109	2,054	2,666	1,889	1,865	3,304	1,841	2,044	1,801	2,091	2,552	3,304	3,239	3,117	2,453	35,329	—
Relative total e	1,132	1,388	1,516	1,720	1,710	2,856	1,712	1,890	1,536	1,837	2,406	3,167	3,258	2,700	2,353	2,039	—

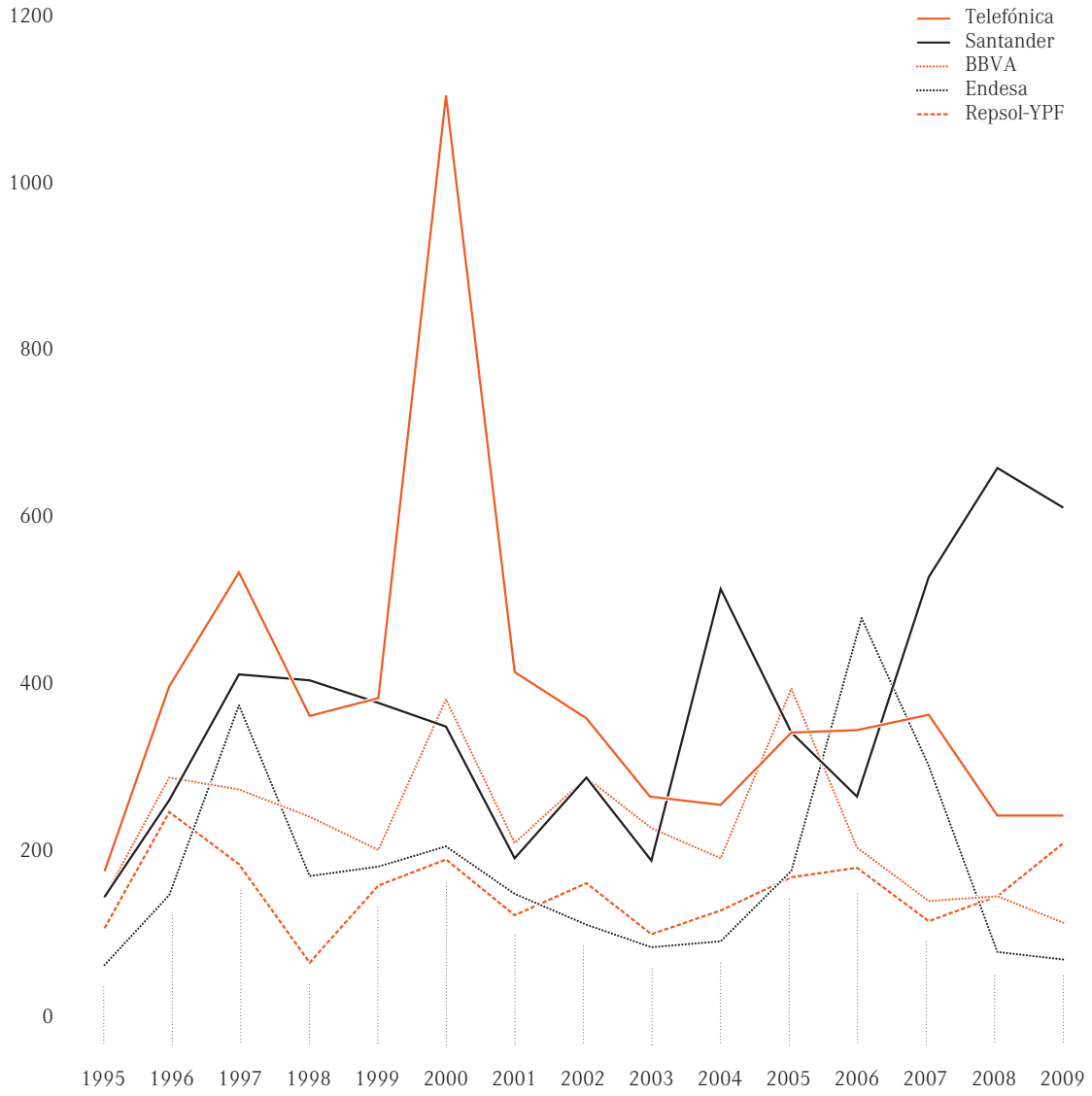
Notes: The media included in the analysis are the Financial Times, Wall Street Journal, Wall Street Journal Europe and The Economist
[a] Per 100,000 articles published on the sector in which the company operates
[b] Prior to the merger between Santander and Central Hispano in 1999 the references to the 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 in previous years, coverage in the international financial press followed clear patterns. In general, attention focuses on larger companies in strategic sectors, reflecting either international transactions or hostile and defensive M&A movements. Chart 3.2 shows the performance of international press visibility for Telefónica, Santander, BBVA, Endesa and Repsol over time. At the beginning of the recent international growth period, in 1997, Endesa, Santander and Telefónica received special coverage due to their operations in Latin America. In 2000, Telefónica and BBVA stood out, the first in the context of the global boom in telecommunications and the second because of its investments in Latin America. Lastly, in 2004 Banco Santander was the Spanish company to receive most coverage as a result of its ground-breaking acquisition of Abbey National Bank in the UK, the first major cross-border consolidation move in European banking. This deal paved the way for other companies like Telefónica, Ferrovial and Iberdrola, which subsequently acquired O2, BAA and Scottish Power, respectively.

Chart 3.2

Top 5 Spanish companies by references in the international financial press, 1995-2009

Source: Factiva



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

The information in Table 3.8, as in Chart 3.2, explains the peak in coverage in 1997 (again see Chart 3.1), which was due mainly to media attention on international operations by Telefónica, Santander and Endesa, most notably in Latin America. The peak in 2000 came in the midst of the technology bubble, and in that year Telefónica was mentioned 1,114 times. BBVA also focused attention that year, due partly to the BBV-Argentaria merger announced at the end of the previous year and partly to its expansion in Latin America.

The four publications analyzed paid uneven attention to Spanish companies in 2009 (Table 3.9). Santander attracted most attention in all four publications, which do not generally single out Spanish companies for coverage. Overall, the newspaper that devotes most attention to Spanish companies is *The Wall Street Journal Europe*, in which 15.1% of the articles published in 2009 cited at least one of them (in 2008 the figure was 7.7%), followed at a distance by *The Economist* with 2.4% and *The Financial Times* with 2.1%. *The Wall Street Journal*, published in New York, referred to Spanish companies in just 1.3% of its articles, a proportion that is below the specific weighting of the Spanish economy in the world (see Table 3.9). During the last decade, coverage of Spanish companies in the international financial press has increased very swiftly in the case of *The Financial Times* and *The Wall Street Journal*; in 2009, the slump in coverage was due mainly to *The Financial Times*, while coverage in *The Wall Street Journal Europe* actually increased (Chart 3.3).

Top 25 Spanish companies by references in the international financial press in 2009, by publication

Table 3.9

Source: Factiva

Company	Total	FT	WSJ	WSJE	The Economist
Santander	616	342	117	131	26
Telefónica	245	130	39	63	13
BBVA	206	100	50	46	10
Inditex	131	63	29	36	3
Ferrovial	120	70	13	33	4
Repsol	111	49	21	34	7
Iberdrola	106	54	19	29	4
Real Madrid	83	48	11	20	4
Iberia	75	41	12	18	4
Endesa	68	37	9	19	3
Banco Español de Crédito	47	13	13	21	0
Acciona	47	25	7	13	2
PRISA	39	19	6	13	1
Altadis	31	24	3	4	0
Banco Popular Español	30	11	10	9	0
Caja de Ahorros de Madrid	30	13	10	6	1
Gas Natural	28	6	6	14	2
Metrovacesa	28	16	5	7	0
Banco de Sabadell	24	9	7	8	0
Unión Fenosa	24	12	0	10	2
ACS	22	8	4	8	2
La Caixa	21	5	8	7	1
Telecinco	19	10	2	5	2
Sacyr Vallehermoso	19	6	3	9	1
Gamesa Corporación Tecnológica	18	7	5	6	0
Fútbol Club Barcelona	18	6	6	5	1
Total Spanish companies	2,453	1,275	456	619	103
Relative total [a]	2,353	2,084	1,316	15,075	2,391

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, 1995-2009

Source: Factiva

2009 saw a reduction in international media coverage of Spanish firms, especially in The Financial Times. A general overview of some of the articles published suggests that this was due not so much to a loss of interest but to fewer major international transactions involving Spanish companies and fewer concentration movements, as well as increased coverage of British companies and banks because of the crisis. The Spanish banking sector was not as severely affected by the crisis as those of other countries, and this has also led to fewer mentions in the press.

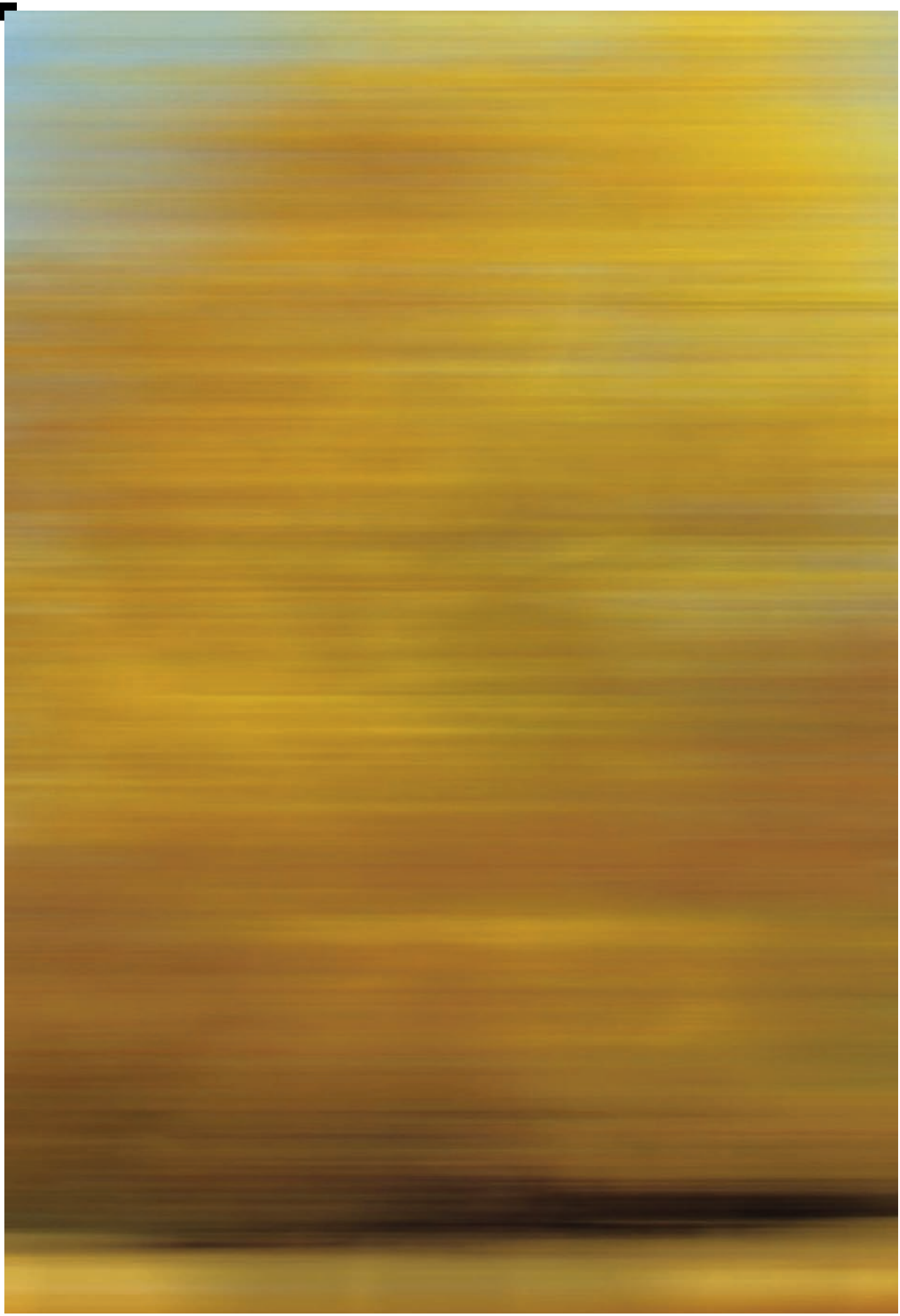
Conclusion 3.4

If 2008 will be remembered for the nosedive in earnings for Spanish companies in the wake of the change in the economic and financial cycle in 2007, 2009 signaled a recovery in stock market returns, albeit accompanied by a dip in both investment bank analysts' recommendations and coverage in the international financial press. Furthermore, unlike in 2008, there were no productive sectors that systematically improved their shareholder return with respect to the Euro area or global average, although there were certain sectors (like steel, alcoholic beverages, textile and paper) that saw widespread declines in 2009.

Looking ahead, the most significant sign from 2009 is that investment bank analysts prefer intermediate-sized listed Spanish companies characterized by their international bias and presence. The slow pace of the economic recovery in Spain offers scant growth opportunities for companies in the domestic market. As in previous crises, foreign markets, especially in emerging economies, appear to represent the best opportunity to generate greater revenue, profits and shareholder returns.

As in 2008, the crisis has also inverted the recent years' upward trends in coverage of Spanish companies in the international financial press. This need not be a negative factor. The coverage of some sectors has tended to be critical, especially in the case of construction and property. 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.

In short, 2009 was a year in which total shareholder returns recovered in outright terms with respect to the declines of 2008, but which in relative terms implied a setback with respect to companies in the Euro area and the rest of the world within each sector of activity. Investment bank analysts also issued a warning signal by ending the year with less positive recommendations than in the previous year. Overall, it is safe to say that listed Spanish companies will need to ramp up their restructuring and competitive adaptation efforts so as to improve their results in future, in both absolute and relative terms.



4 Awards for the Top Corporate Internationalization Operations in 2009

Once again, *Círculo de Empresarios* wishes to recognize the operations which, among all those completed in 2009, our members consider to be the most significant. This year, the Yearbook also includes a new section featuring our members' views on the most attractive geographical areas and sectors for investment abroad in the next few years.

2009 was a tough year for both the global and Spanish economies, as the crisis showed its real and virulent effects on the major macroeconomic variables. However, this gloomy overall environment offers interesting alternatives for companies willing to brave the undeniable risks in search of investment opportunities. Consequently, Spanish companies have again been highly active on the international stage, with notable corporate operations abroad. As in previous editions of the Yearbook, and in view of the impossibility of dealing comprehensively with all of them, we have decided to focus on a few of these corporate operations, in view of their significance based on some of the variables used as selection criteria by the members of *Círculo de Empresarios*. Specifically, the six chosen operations were selected based on some of the following merits:

- Opening up of new business opportunities.
- Opening up of new geographical markets for the company.
- Substantially increasing the company's global market share.
- Technological innovation efforts.
- Technological innovation efforts.
- Investment volume relative to the size of the company and its sector.
- Investment volume in outright terms.

The method used to select these six operations was the same as the one used in previous editions of this Yearbook. At the end of the second quarter of 2010, members of *Círculo* were asked to submit a list of those operations performed by Spanish companies abroad which they considered most significant. Their proposals, plus a list prepared by the team of *Círculo* and Wharton School, resulted in the final list in which each member was asked to pick out the three they considered most significant.

4.1 Selection of the top internationalization operations by Spanish companies in 2009

The chosen operations by our members were the six overviewed below. They are classified in strict alphabetic order by Spanish company name, and the order does not imply any value judgment regarding their relative importance.

4.1.1 Abengoa wins contract to build a cogeneration power plant in Mexico

The state-owned energy company Petróleos Mexicanos (PEMEX) awarded the consortium comprising Abener and Abengoa México (both of which belong to Abeinsa, head of the Abengoa engineering and industrial construction business group) the turnkey construction contract of a 300MW cogeneration power plant in the state of Tabasco, over a period of 36 months. Furthermore, the consortium will operate and conduct integral maintenance of the plant during a concession period lasting 20 years. GE Energy Financial Services will be the other project owner. The global investment totals 633 million US dollars, and the total revenues envisaged during the 20-year concession period amount to 2.018 billion US dollars.

Fuelled by natural gas, this project will help the Mexican government meet its commitment to halving greenhouse gas emissions by 2050. The new facility will transform demineralized / condensed water into steam, and natural gas into electrical energy, which will subsequently be supplied to the Nuevo PEMEX gas processing facility located in Tabasco. The future plant will be capable of generating 550 to 800 tons of steam per hour. Furthermore, this project will strengthen the current electricity structure of Mexico's Comisión Federal de Electricidad, through the construction of a transmission grid to send surplus power to other PEMEX plants.

4.1.2 BBVA raises its stake in Chinese bank China Citic Bank

BBVA has strengthened its strategic positioning in China by raising its shareholding in China Citic Bank (CNCB), China's seventh-largest bank in terms of assets, to 15% of the total share capital. BBVA exercised the call option on another 4.93% of the Chinese bank's capital at 6.45 Hong Kong dollars per share, resulting in an investment of approximately 1 billion euros.

Apart from underpinning its strategy in China, the new acquisition enables BBVA to make further headway in its commitment to the region and strengthens its cooperation with the Citic Group, dating from 2006. BBVA's total investment in this group is now close to 3 billion euros (15% of CNCB and 30% of Citic International Financial Holdings – CIFH, based in Hong Kong).

In 2005, BBVA rolled out a strategic expansion plan in Asia, a market which represents 53% of the global population and 26% of worldwide GDP. In the current context, BBVA's presence in Asia is even more significant. Unlike its competitors, its financial robustness enables it not only to maintain, but to actually strengthen its investments in China. Furthermore, the growth in commercial relations between Asia and Latin America affords it a considerable competitive advantage in the latter market, where BBVA enjoys a leading position.

4.1.3 Gamesa agrees deal with China Huadian New Energy Development Co. to supply wind turbines in Mongolia

Gamesa Corporación Tecnológica and China Huadian New Energy Development Co., Ltd., will team up to supply wind turbine generators with the capability of generating 300MW. The agreement spans two projects. The first is to install 200MW at four jointly-developed wind farms through 2011 in the Chinese autonomous region of Inner Mongolia, one of the world's best locations for wind power generation. The remaining 100MW will be installed at various wind power projects run by Huadian. The two companies worked together in 2007 in a project in which Gamesa supplied wind turbine generators capable of generating 76.5MW for another wind farm, also located in Inner Mongolia. In 2009, China doubled its installed wind power capacity with respect to the previous year. It has now overtaken Germany to become the country with the second-largest installed capacity, behind the United States.

At the end of 2009, Gamesa was the world's fourth largest wind turbine generator manufacturer in terms of installed capacity, in a market where competition is mounting not only because of the strength of Danish, North American and German players, but also because of the growth of Chinese and Indian manufacturers. It has built partnerships to develop wind farms in the United Kingdom, Japan, India, China and Australia, among other countries. Around 20% of its installed capacity and 60% of its new projects are located outside Spain. In China, it is still the leading foreign company in terms of installed capacity, although Danish rival Vestas and US corporation GE Wind are growing fast.

4.1.4 Iberdrola and Elecnor win contract to build combined cycle power plant in Venezuela

Iberdrola Ingeniería y Construcción (60%) and Elecnor (40%) have won a turnkey contract to build a CCPP in Venezuela, for close to 2 billion dollars. The client is PDVSA, Venezuela's state-owned oil company. With an installed capacity of 1,000 megawatts (MW), the plant will be among the biggest in Latin America. It will be named after Antonio José de Sucre, general and close ally of Simón Bolívar. This is a turnkey project with an estimated duration of three and-a-half years in which the two Spanish companies will design, build and commission the plant, which will comprise two 500MW modules, using natural gas as the base fuel.

This contract strengthens Iberdrola Ingeniería y Construcción's position as a standard-bearer in the energy sector in Latin America, where it is already implementing major projects in electricity generation, renewables, nuclear energy and distribution networks in Mexico, Brazil and Venezuela. Present in more than 30 countries, it is one of the biggest energy engineering companies in the world. 87% of its revenues come from outside Spain, and 84% of its clients are not linked to its owner company, Iberdrola SA, the world's largest wind farm and wind generation developer. Elecnor is one of the leading Spanish groups in turnkey projects and infrastructure development, with 8,400 employees and operations in more than 20 countries. Both companies have positioned themselves internationally in the last few years, and both have managed to maintain their growth and profitability despite the economic crisis.

4.1.5 The OHL group leads the winning consortium in the largest public works project in the history of the Florida Department of Transportation, in Miami

The US arm of the OHL group, Community Asphalt, has landed the contract to develop the largest public works project in the history of the Florida Department of Transportation, in Miami, other than concessions, leading a consortium with local partners. The contract is worth 560 million euros. The project consists in building the largest highway interchange system in Miami, at the intersection between the Dolphin Expressway, connecting the center of Miami with the international airport, and the Palmetto Expressway, one of the main north-south routes which runs through the entire industrial area of Miami. This is a hugely complex project in organizational and technological terms, and must be executed without hampering the intense flow of road traffic in the area.

Community Asphalt was founded in 1980 in Florida, where it has three asphalt plants. It was taken over by OHL in 2006. OHL operates in the states of Florida, Massachusetts and Texas. As well as road paving and construction, OHL also undertakes railway projects, and builds hospitals, schools, universities and military facilities. It is the second-largest construction company in Florida, a state that contributes 5% to US GDP (equivalent to 50% of Spanish GDP). The United States already accounts for 17% of OHL's international construction revenues and 25% of its international construction portfolio. In 2009, OHL recorded revenues amounting to some 1.830 billion euros from construction activities outside Spain, vs. 1.604 billion euros in Spain, implying significant geographical diversification in its core business.

4.1.6 Sacyr Vallehermoso heads the winning consortium for Panama Canal expansion project

The consortium Grupos Unidos por el Canal (GUPC), led by Sacyr Vallehermoso, along with Impregilo (Italy), Jan de Nul (Belgium) and Panamanian Constructora Urbana (Cusa), received from the Panama Canal Authority (Autoridad del Canal de Panamá – ACP) official notification that it had won the contract to build the new locks system (the third set of locks) as part of the canal's expansion. The winning bid totaled 3,221.6 million dollars, below the budget cap set by the ACP. Work began in 2009 and is scheduled to conclude in 2014, coinciding with the centenary of the Panama Canal's opening.

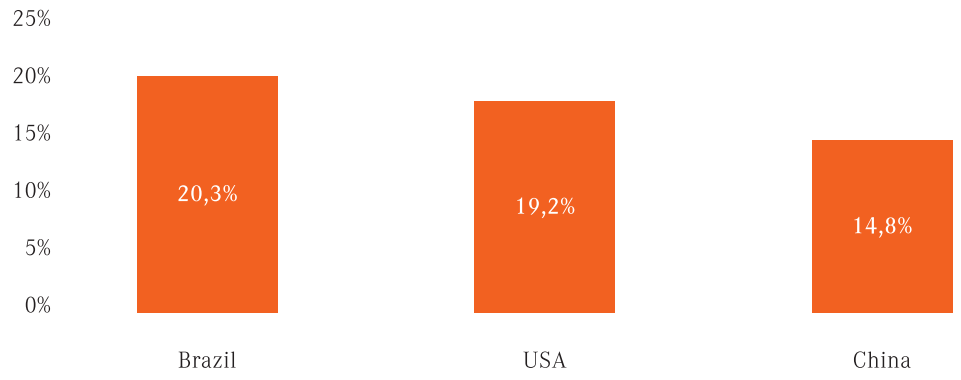
This project is one of the great civil engineering endeavors of the twenty-first century. The expansion will boost the transport capacity of the current maritime corridors linking the Atlantic with the Pacific by 40%. One new set of locks will be located on the Atlantic and the other on the Pacific. As well as allowing an increase in the commercial traffic crossing the canal, they respond to developments in the maritime transport market, characterized by the tendency to build so-called 'post-Panamax' vessels, too large and heavy to navigate the existing locks.

Economic sectors and geographical areas/countries cited by *Círculo* members as potentially attractive in the next few years 4.2

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. Brazil (with 20.3% of all votes), the United States (19.2%) and China (14.8%) are considered the most attractive countries for direct Spanish investment (Chart 4.1). Of the three countries cited, Spanish presence is significant in Brazil and is steadily advancing in the US, while it is still quite small in China. As for the sectors in which to undertake these investments, our members highlight energy (22% of votes), financial and insurance activities (10.4%) and services linked to information and communications (9.8%) (Chart 4.2). These are sectors in which Spanish companies have already proven their worth, riding high in a number of international rankings.

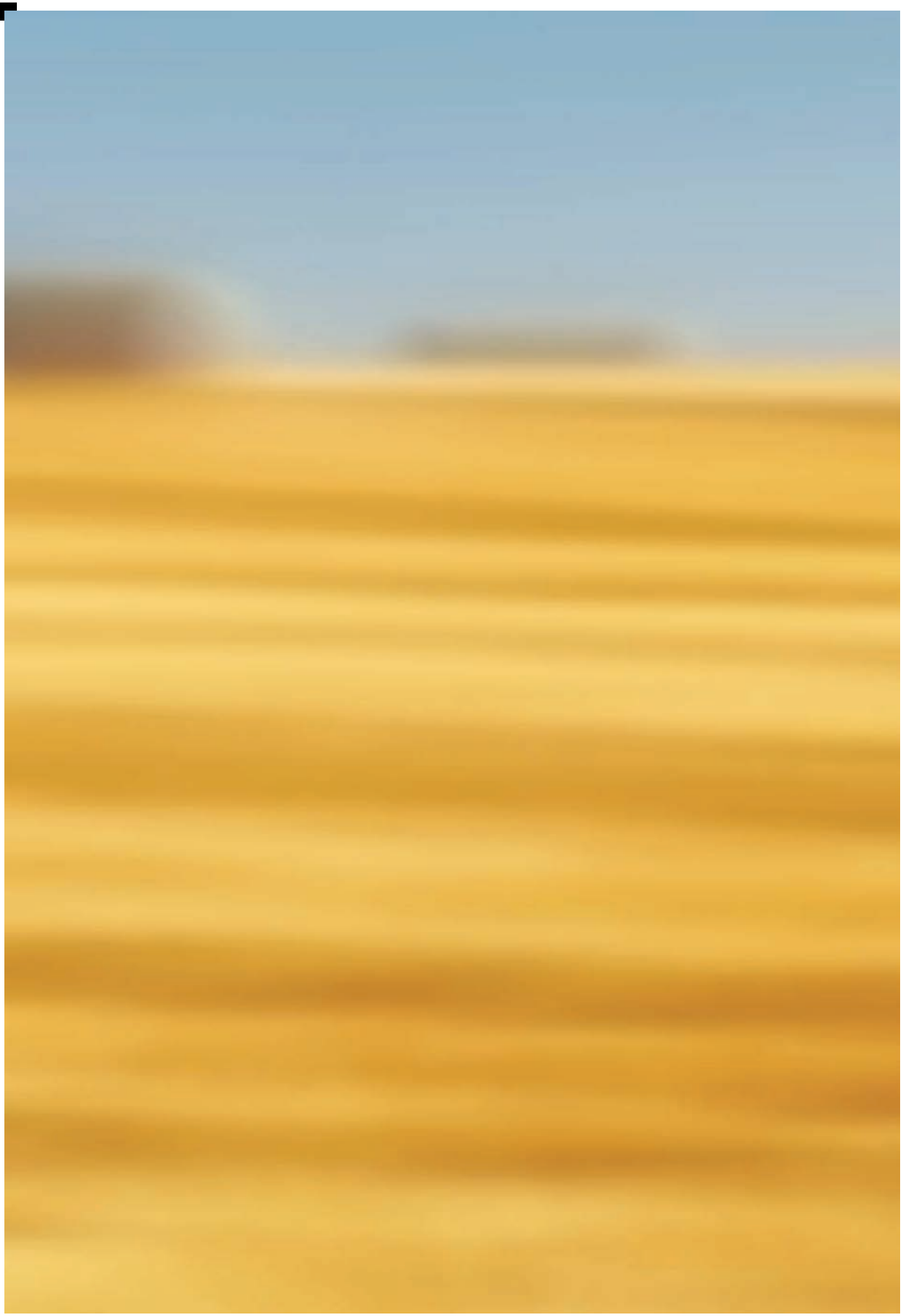
Countries cited by *Círculo de Empresarios* members as offering the best investment opportunities in the next few years Chart 4.1

Source: Own research



Economic sectors cited by *Círculo de Empresarios* members as offering the best investment opportunities in the next few years Chart 4.2

Source: Own research



5 Investment in infrastructure: nothing will ever be the same again

Rafael del Pino
Chairman of Ferrovial

A country's development is inextricably linked to that of its infrastructure. During growth periods, productive investment helps create employment and wealth, and contributes to improving competitiveness in the long term. During recessions, it works counter-cyclically, impacting on aggregate demand.

The current global crisis makes the scenario for infrastructure investment more difficult. The obstacles to accessing credit and the impossibility of returning to the days of high leveraging make it necessary to re-think financing.

Moreover, it will be advisable to examine public-private partnership schemes, which have so far only been implemented in some sectors and some countries. Innovation processes must also be activated intensively in all spheres.

5.1 The real impact of infrastructure investment on the economy

5.1.1 Short-term impact: increase in employment and production

Infrastructure is a profitable investment for a country, not only from the social standpoint, but also in economic terms. The fiscal return is calculated[1] to be 57%. In other words, for every 1 million euros invested, the Public Administration recovers 570,000 euros through the collection of VAT, personal and corporate income tax, social security contributions, and lower unemployment benefit payments. In the long term, the positive effects on the public coffers are even greater.

In Spain, around 180,000 direct or indirect jobs are created for every 1% of GDP spent on developing infrastructure. Since this activity is not import-intensive, the effects on the economy are even more positive.

Overall, the best long-term performance comes when public and private investment complement each other. Furthermore, in the last few years the importance of using infrastructure efficiently has come to the fore. The productive impact does not depend solely on the size of the investment, the design of the project and its efficient management, but also on the nature of the investment and its integration into the whole. In other words, setting up or improving a network boosts productivity considerably.

The latest research evidences that in most OECD countries, investment in transport infrastructure in the last 20 years has been profitable in cost-benefit terms. As regards the major emerging economies (Brazil, China, India and Russia) and developing countries there has been a chronic lack of transport and other infrastructure networks, also as a reflection of limited public resources. In these cases, the benefits of expenditure are sure to exceed the costs.

Compared to the profits generated by the projects, the value of infrastructure as a factor that helps enhance quality of life is even more significant. Part of the problem is that it is difficult to gauge the value of goods that do not carry a direct price tag. However, the available indicators may give us an idea of the difference in living conditions that infrastructure can generate. For example, the population of developed countries, where plumbing coverage is 98%, enjoy much better results in health and general welfare than that of developing regions, where the average coverage is only 49%. It is estimated that for developing regions the benefits of halving the proportion of people without access to drinking water by 2015 would be equivalent to nine times the expense incurred.[2] Similarly, increasing worldwide electrification rates from 74% in 2002 to 83% in 2030[3] will enable millions of people to have access to electricity for the first time, providing a huge boost to social development through education and improved public health.

As regards employment generation, as we have indicated, investment in infrastructure is a very efficient driver. In the United States, it is estimated[4] that every 1 billion dollars invested in infrastructure will generate some 18,000 direct, indirect and induced jobs. This is a considerably higher figure (22% higher) than the increase generated, for example, by a cut in household income tax, which would create 14,000 jobs for every 1 billion dollars.

5.1.2 Long-term impact: improvement in competitiveness

The impact of infrastructure on the increase in a society's economic competitiveness is evidenced by especially visible medium and long-term results:

- Reduction of social and economic costs of transport congestion (in all systems: land, air and sea). For example, according to estimates, the external cost of traffic congestion represents at least 0.5% of European Union GDP.[5]
- Reduction in the number of road accidents, which currently cause more than 40,000 deaths in the EU alone, with the resulting social and economic impact.
- Response to the fact that, in the last 20 years, the most developed countries' economies have shifted from being inventory-holding to inventory-flowing (just-in-time). Transport and distribution have become critical elements of the daily workings of developed economies, as well as an essential component of growth in emerging economies.
- Response to the new urban realities, evidenced through the diversification of the kind of development of settlements that are propagated beyond conventional cities whose operation requires network infrastructure connections.
- Response to the need for planning policies that suf-

1 *Retorno fiscal y empleo generado por la inversión en infraestructuras.* Seopan, 2009.
2 *Infrastructure to 2030. Vol. 1: Telecom, land transport, water and electricity.* OCDE, 2006.
3 *World Energy Outlook*, 2004.
4 *How Infrastructure Investments Support the U.S. Economy: Employment, Productivity and Growth.* Political Economy Research Institute, University of Massachusetts, 2009.
5 *European transport policy for 2010: time to decide.* European Commission, 2001.

ficiently anticipate the changes that arise in society. The acceleration in the trends of complex economies today requires actions in a shorter time-scale than was the case in previous decades. One of the fundamental challenges is anticipation (knowing where the growth will come), using sophisticated analysis models that enable the necessary infrastructure to be rolled out as soon as it is needed.

• Reduction of the environmental impact of economic activity due, for example, to boosting public transport through intermodality, the use of more eco-efficient technologies, better energy expenditure through synergies between the various infrastructure components (for example, electricity cogeneration using waste generated at the same facility).

Innovation, driving competitiveness 5.2

Innovation is one of the least traumatic ways to increase economic productivity and one that has a lasting impact on economies' growth and robustness. In developing infrastructure, innovation will play a pivotal role in the next few decades due to the major changes on the horizon.

5.2.1 Intelligent infrastructure in the information age

Intelligent infrastructure is infrastructure in which information and communication technologies are applied, in all possible ways, to render it more efficient.[6] Specifically, the aim is to improve its design, the information it can potentially provide and the purpose to which it can be put by users. From this standpoint, intelligence is the core of the business ecosystem of infrastructure,[7] as Chart 5.1 shows. Firstly, intelligence is applied to transform the information that is compiled from the public and the environment and then processed into knowledge that allows a real-time response to contingencies and needs and that may be gradually integrated into the capacities that distinguish an organization from its rivals. Secondly, it allows the introduction of the best methods, processes and technologies to attain leadership in efficiency. Thirdly, it taps assets to maximize profitability in a sustainable manner. Lastly, it ensures the reliability and safety of services managed for the public.

Paradoxically, the main source of the potential of intelligent infrastructure does not lie in technology. Indeed, technology existing in the 1960s could significantly have increased the efficiency of some infrastructure. Socio-economic pressures (costs, risks and environmental or safety concerns, etc.) are a bigger driver than technological advances themselves.

The deployment of intelligent infrastructure boosts the profitability of investments. For example, Canadian David Stambrook mentions that equipment and safety in roads and railways imply additional costs of 5%, but the savings in maintenance amount to 5% per annum, generating a sizeable return on the investment.

5.2.2 Interrelation of infrastructure: network management

A territory's four main infrastructure areas (water, energy, telecommunications and transport) are increasingly interrelated. This interrelation process will increase as individual networks become even more sophisticated. There are two main reasons to consider the interrelation of infrastructure, and both derive from the need to boost productivity. If we understand productivity as the relationship between the value generated and the resources used, an increase in productivity can be achieved either by reducing costs or increasing value. Accordingly, for example, good treatment of the physical waste generated in an area can generate fertilizer and electric power and also value for society in terms of the perception of environmental quality. The upcoming implementation of electric vehicles on our roads, for example, is another example of how energy, transport and telecommunications can work together as a network to render infrastructure intelligent for both users and administrators.

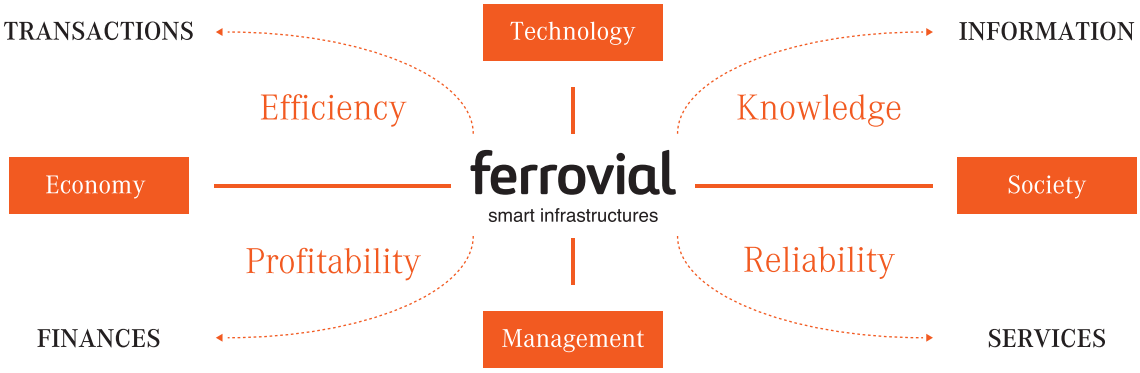
Managing infrastructure as a network helps optimize the cost of the resources involved in modern economic processes and, at the same time, boosts the value perceived by the public. To achieve this, we must stop thinking of some infrastructure as mere linear processes, with an ends-justified bias that generates all kinds of waste, often highly polluting and extremely inefficient, and start seeing them as circular processes which in the short term are more ecologically sustainable and in the long term will be more sustainable in both ecological and economic terms.

6 *Intelligent Infrastructure Future. The Scenarios - Towards 2025.* Office of Science and Technology, 2006.

7 *iStructures: La visión de Ferrovial sobre las Infraestructuras Inteligentes.* Infonomia, 2009.

Chart 5.1 Intelligent Infrastructure

Source: Infonomia



5.2.3 Smart cities: technology applied to sustainability

For some time now, a new concept linked to intelligent infrastructure applied to cities has been emerging, and will consolidate in the next few years. Smart cities are one of the most significant challenges facing us in the next few years.

The traditional driver of cities' economic growth based on bricks and mortar will make way for an economy based on intelligence and creativity.[8] Already, competitive advantages are more likely to be underpinned by the labor force's capacity to create and absorb knowledge and innovation than by the traditional drivers: natural resources, work or manufacturing skills.

In the immediate future, three factors will impact on cities' economic growth:

1. Unprecedented urban development worldwide.
2. Concentration of talent, knowledge and creativity. Indeed, it is projected[9] that by 2030, 60% of the world's population will concentrate in urban centers. And by 2050 this percentage is expected to have risen above 80%.
3. Fostering innovation at companies to create scale economies.

Most of the research on smart cities coincides in pointing to transport networks and infrastructure as a critical element for a city to go from the primary concept of urban agglomeration to being an advanced smart city. Greater development in cities is increasing demand for municipal transport and the need for traffic management. At the same time, transport is a source of pollution and noise that affects city-dwellers' quality of life. From a global standpoint, cities are the cornerstone of environmental sustainability, since they are the main source of 80% of CO_2 emissions worldwide. If we add the need for new infrastructure to the equation, this vast expenditure could make the ecological impact soar, but it is also a great opportunity to reduce it.

In the United States alone, it is calculated that a more efficient transport network in cities could reduce travelling time and congestion, resulting in an annual saving of between 240 million and 440 million tons of CO_2 and between 65 billion and 115 billion dollars. Furthermore, smart buildings, created or refurbished to consume less energy, would eliminate between 270 million and 360 million tons of CO_2, and result in an annual saving of between 40 billion and 50 billion dollars.[10]

8 *Smarter cities for smarter growth. How cities can optimize their systems for the talent-based economy.* IBM 2010.

9 *World Urbanization Prospects – The 2007 Revision.* United Nations, 2008.

10 *SMART 2020: Enabling the low carbon economy in the information age.* The Boston Consulting Group, 2008.

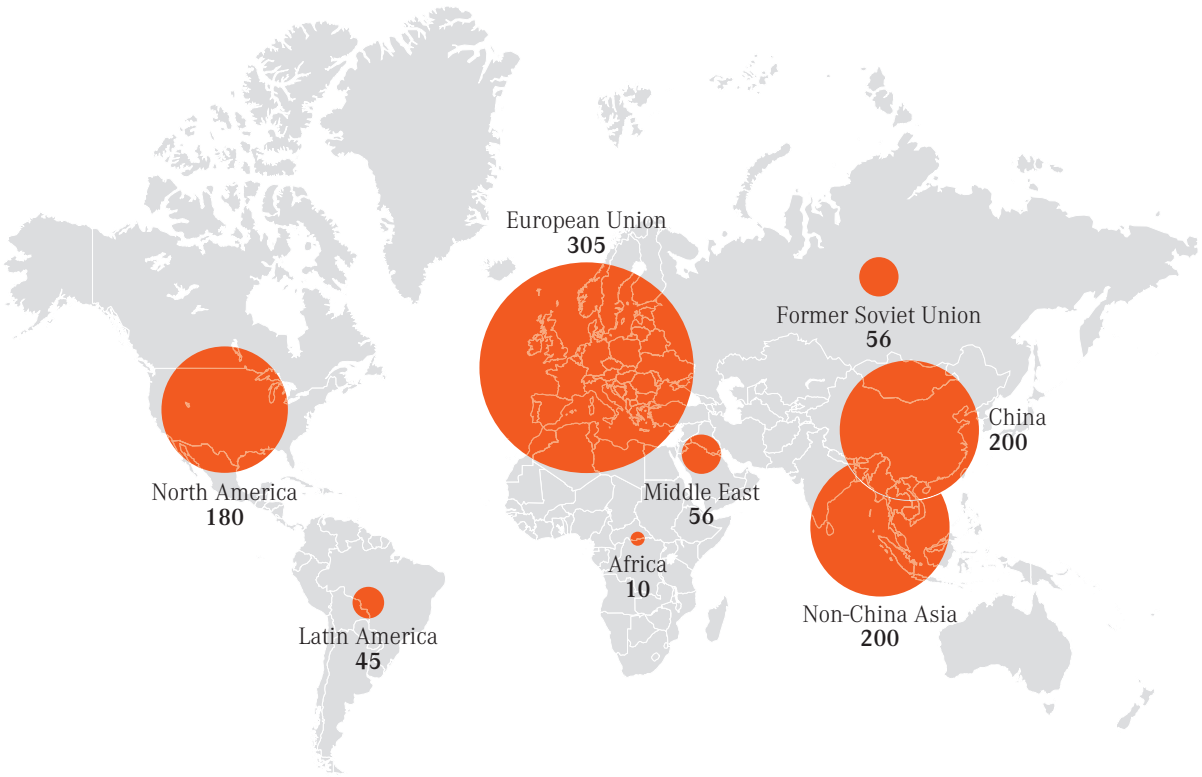
The worlwide infraestructure Gap 5.3

The need for investment in infrastructure is huge all over the world. In the last 50 years, major headway has been made in terms of infrastructure development, especially in the West. However, globalization and the challenge of reducing the infrastructure gap between the West and developing countries have made it even more urgent. In total, by 2030, the OECD estimates that at least 53 trillion dollars will have to be invested in infrastructure worldwide. The latest projections, however, suggest that this gap will not be closed, and they depict a map in which the difference between developed and developing economies could actually widen (see Chart 5.2).

The reality of the volume of investment in infrastructure for developed countries shows differences between developed countries and emerging and developing economies. While for the former the estimated needs serve solely to avoid losing competitiveness and maintain current levels of wealth, for the latter infrastructure is the foundation on which to build future development, and, in the case of emerging economies, to underpin the significant growth projected in the medium term.

Annual infrastructure investment committed for 2010-2020 (US$ Bn) Chart 5.2

Source: CG/LA Infrastructure, 2009



5.3.1 The situation in developed countries

Specifically, in North America, Canada requires an investment of 66 billion dollars in the next 10 years. In the United States, focusing on the road network alone, the shortfall amounts to 40 billion dollars per year, including the construction of new highways and maintenance of existing ones.[11] The American Society of Civil Engineers[12] estimates that the United States requires a total investment of 2.2 trillion dollars in the next five years to modernize its infrastructure. Meanwhile, in energy alone, Europe will need 1.2 trillion dollars in the next 20 years. Germany, for example, needs 90 billion dollars per year in infrastructure investment.[13]

5.3.2 Emerging and developing countries

The current economic crisis affecting most of the world could widen the gap between developed countries and developing and emerging economies. According to the World Bank, the former currently invest 3%-4% of their GDP in infrastructure, while their needs are closer to 7%-9%.

In Africa[14] the needs are estimated to total 93 billion dollars per year, of which 40% should be spent on electricity supply to sustain current demand. Another 40% is shared between water supply and road transport requirements. The Asia-Pacific region requires investment of more than 600 billion dollars per year, especially in energy, telecommunications, intercity highways, railways and water supply. In Latin America, the gap continues to widen: investment is just 2% of GDP, while around 3%-6% of GDP is needed. In emerging economies (China, Russia) the problem is not so much the absence of infrastructure as improving the quality thereof.

In developing economies as a whole, private initiative accounts for barely 20% of all investment, and according to the World Bank the trend is downward from the 100 billion dollars per year in 1997-98 to the current 50 billion dollars. To foster private participation in these countries it is necessary to solve certain significant issues which often involve their public administrations.

5.4 Investment in infrastructure and economic crisis

5.4.1 The public deficit / infrastructure investment dilemma: status report

The world is currently facing a two-pronged problem: the response by the main economies to the huge sums required for infrastructure development is to impose major constraints due to their hefty public deficits. The state of these countries' accounts jeopardizes their access to capital markets precisely at a time when stimuli are needed to consolidate the recovery and create jobs.

The depth of the economic crisis has meant that, for first time since the Second World War, the way to finance critical infrastructure is being discussed seriously. In this debate, there appears to be unanimity only in asserting that the old system of infrastructure completely subsidized by the State is no longer sustainable.
As we already mentioned, all the economies in the world, from the most advanced to the emerging economies, must continue to invest, in the coming decades, significant proportions of their resources in building and maintaining all kinds of infrastructure (especially the four main kinds: water, energy, telecommunications and transport) so as to maintain their capacity to generate wealth (productivity) and their citizens' quality of life (welfare). No competitiveness can be possible without an infrastructure network that enables these countries to activate the talent of their citizens and their organizations. Investment in some of the fundamental infrastructure between 2010-20 and 2020-30 will total between 2% and 3% of global GDP, respectively (Table 5.1).

11 *Optimizing infrastructure investments for the 21st century, MIT* – ASME Innovative Technologies Institute, 2009.
12 *The 2009 Report Card for America's Infrastructure.* ASCE, 2009.
13 *Closing the Infrastructure Gap. Deloitte,* 2006.
14 *Africa's Infrastructure: A time for transformation.* The World Bank, 2010.

Estimated investment in infrastructure through 2030, by sector (US$ Bn) Table 5.1

Source: OCDE

Type of infrastructure	2000-2010	Approximate % of world GDP	2010-2020	Approximate % of world GDP	2020-2030	Approximate % of world GDP
Road	220	0.38	245	0.32	292	0.29
Rail	49	0.09	54	0.07	58	0.06
Telecoms[1]	654	1.14	646	0.85	171	0.17
Electricity[2]	127	0.22	180	0.24	241	0.24
Water[1,3]	576	1.01	772	1.01	1,037	1.03

Notes:
[1] Estimates apply to the years 2005, 2015 and 2025
[2] Transmission and distribution only
[3] Only OECD countries, Russia, China, India and Brazil are considered here

5.4.2 The need to invest in infrastructure as a formula for overcoming the crisis

Public investment, and, specifically, investment in infrastructure, has become a major economic policy instrument, unleashing significant economic effects that contribute to the sustained growth of the economy and that at times of crisis may act as a counter-cyclical stabilization element.

In the short term, the effects produced by the construction of infrastructure are linked to aggregate demand and are the result of public sector decisions on fiscal policy, in respect of both public investment policy and its financing, through taxes or government debt. Accordingly, an increase in public spending, in this case of public investment, has an expansive effect on aggregate demand, increasing production, employment and income, as well as fiscal income from tax on the income generated.

In this connection, transport and water infrastructure play a pivotal role, due to their historic dependence on the support of public administrations and also the huge investment volume required for their development.

Transport and water infrastructure, the challenge of the next three decades 5.5

While telecommunications and energy have advanced further in terms of both investment volume and mixed public-private models, especially in developed countries, water and transport infrastructure has considerable scope for improvement in this regard.

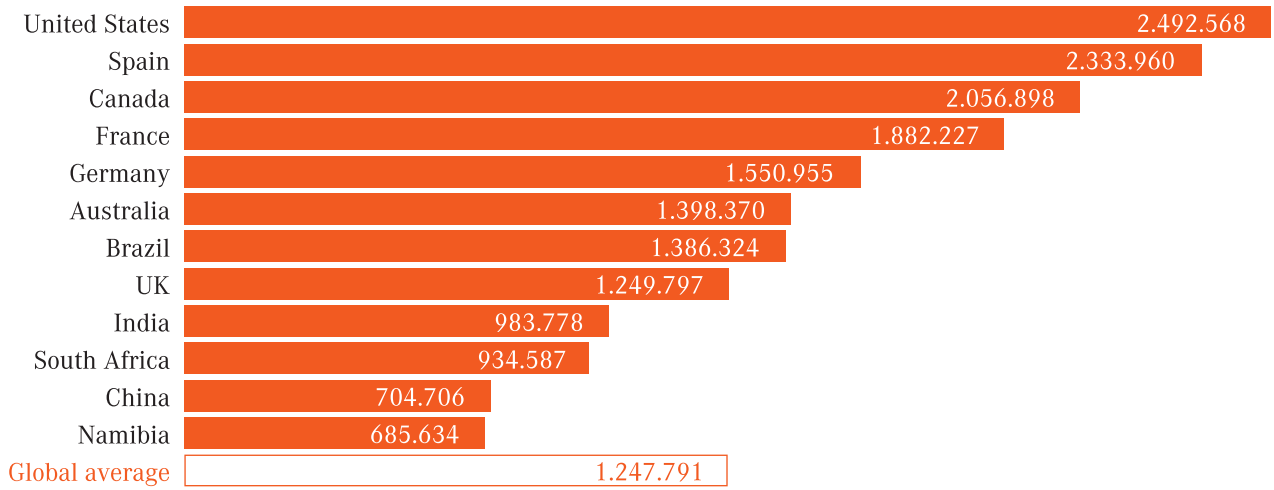
The updated reports on projected annual investment in water systems through 2025 point to significantly higher levels than those envisaged a few years ago. In OECD countries alone, 770 billion dollars per year would be required until 2015 and more than 1 trillion dollars from 2025 onwards.[15] In these countries, most of this spending will go to maintenance, repairs and replacement. In contrast, in developing countries efforts must be applied to building new infrastructure. In Africa, just 40% of the population has access to drinking water; the figure is 80% in Latin America, the Caribbean, Asia and the Pacific.

Projections indicate that during the next three decades, the infrastructure needs linked to water will exceed those of other basic infrastructure, and this should encourage governments to act now. Furthermore, there is a need to boost efficiency in the use of water infrastructure and also in its consumption, especially in a country like Spain, where the so-called "water footprint" is an element to take into account in the next few years (see Chart 5.3).

15 *Infrastructure to 2030. Vol. 1: Telecom, land transport, water and electricity.* OCDE, 2006.

Chart 5.3 Water footprint. The world's largest consumers of water (liters per capita per year)

Source: 2030 Water Resources Group, 2009



Moreover, transport infrastructure in itself generates a positive socio-economic trend. Investment in improving transport infrastructure may have a greater impact on the network by fostering and affecting intermodal demand and boosting service reliability and quality.[16]

The estimated investment in new development and in maintaining the existing network is between 220 billion and 290 billion dollars per year in 2000-2030. Approximately two-thirds of all construction of new land transport infrastructure will be invested in OECD countries, and around one-fifth will be spent by major emerging economies (China, Brazil, Russia and India).

As for railway transport, the requirements will total between 50 billion and 60 billion dollars per year between 2005 and 2030. Again, more than two-thirds will be invested in OECD countries, and around a quarter in emerging economies.

There are five key aspects when it comes to assessing the contribution of investment in transport infrastructure:

- Accessibility: it improves a region's accessibility by reducing transport time and increasing transport options, thereby helping the production, tourism and labor markets to grow.
- Employment: construction, operation and maintenance creates jobs.
- Efficiency: cost and time savings, and the increase in accessibility and reliability, enable a region's industry to increase productivity by boosting production and distribution.
- Social cohesion: when regions endure economic and social problems, these projects foment social integration by improving accessibility and mobility.
- Environment: when planning investment in transport infrastructure it is necessary to include an evaluation of the external effects on the environment.

5.5.1 Spain's high-speed railway system

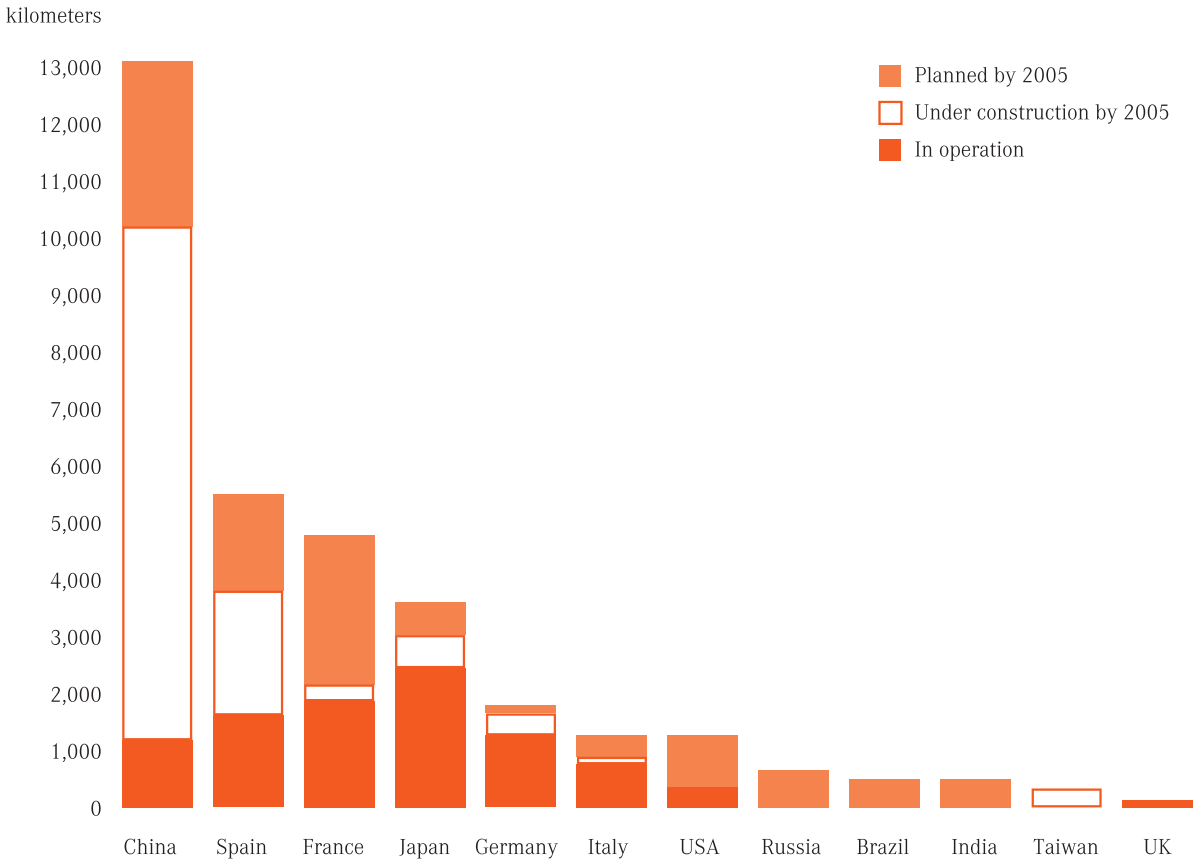
Spain is a good example of the use of infrastructure investment to activate the economy, create jobs and boost territorial cohesion. In the last 25 years, successive Spanish governments have backed the high-speed railway system, resulting in one of the largest high-speed networks not only in Europe, but in the world.

16 *Impact of Transport Infrastructure Investment on Regional Development,* OCDE 2002.

Investment to date has been sizeable. And so it should continue to be in the future, since based on the figures in the Transport Infrastructure Strategic Plan (Plan Estratégico de Infraestructuras de Transporte - PEIT) drawn up by the Development Ministry, high-speed railways will consume more than 80 billion euros between 2005 and 2020, more than 30% of total funds envisaged under the Plan. Accordingly, Spain is a leader in high-speed rail infrastructure worldwide (see Chart 5.4). If this pattern continues, it will lead to a substantial increase in the country's productivity as a result of the aforementioned factors.

International investment in high-speed railways — Chart 5.4

Source: International Union of Railways, 2009. Infrastructure 2010, Urban Land Institute



The challenge of public-private partnership 5.6

5.6.1 P3 models: status report

Financing has always been a key component of every major infrastructure project. Since the outset of the financial crisis at the end of 2008, the financial challenges have become increasingly complex. In general, based on the OECD view[17], "*P3s have the potential to allow for important efficiency gains by transferring the responsibility for long-term cost management to private organizations that are intrinsically motivated to reduce overall costs in pursuit of profits, including by way of innovation.*"

This body has set[18] certain long-term trends for developed countries based on the need to strengthen P3s, which can be summarized as follows:

17 *Transport Infrastructure Investment: Options for Efficiency.* OCDE, 2008.

18 *Infrastructure to 2030. Vol. 2: Mapping policy for electricity, water and transport.* OCDE, 2007.

• Demographic developments: aging of population, demographic growth or moderation, trends in urban planning and movement of population towards rural and coastal areas.
• Increasing constraints on public finances due to the aging of populations, security, etc.
• Environmental factors such as climate change and rising quality standards.
• Technological progress, especially in information technologies.
• Decentralization: greater local public participation.
• More intensive involvement by the private sector.
• The increasing importance of maintaining, modernizing and renewing existing infrastructure.

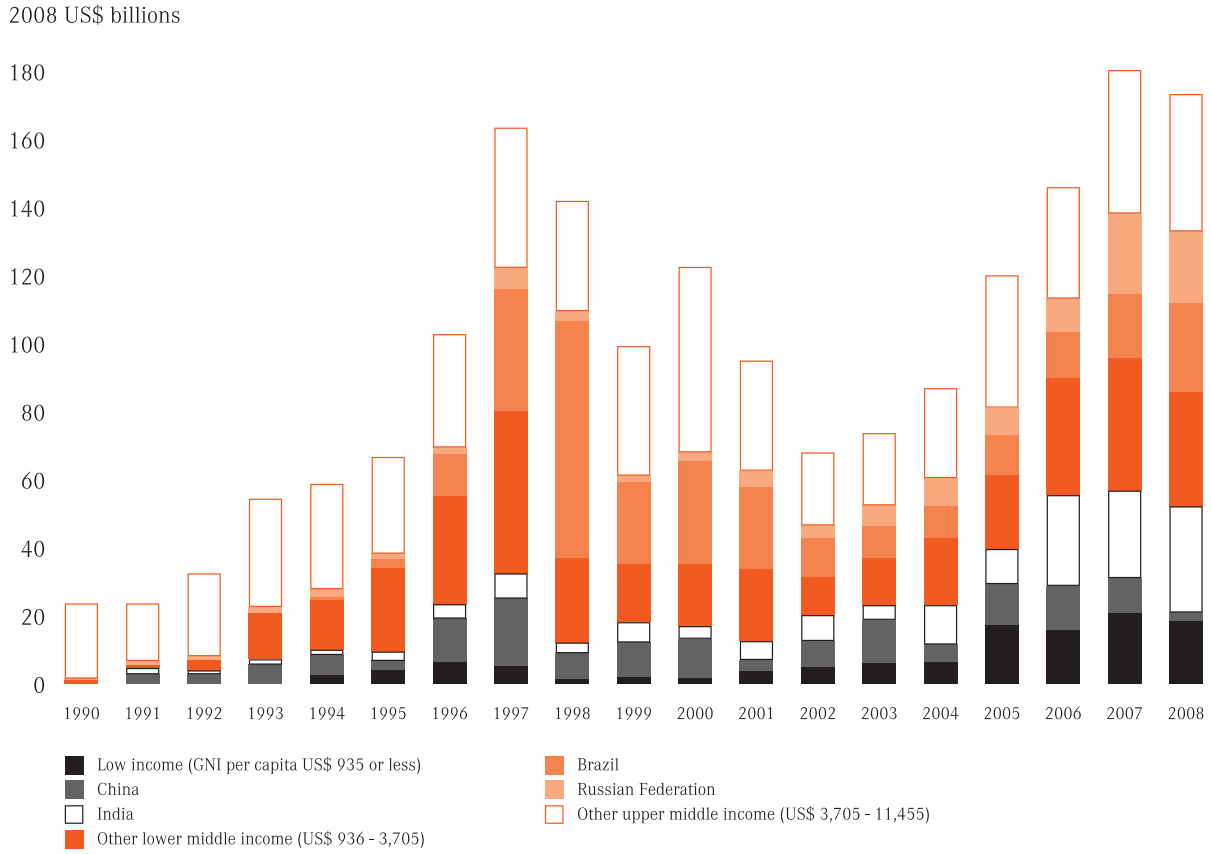
Given the current economic environment, governments are not presently in a position to tackle all these increasingly complex challenges on their own. Traditional financing sources (public budgets) will come under considerable pressure in the next few decades, due to the aging of populations, increasing demands on social spending, security, etc. And the same will be true for financing obtained through higher taxation, which generates considerable resistance among the public.

However, failing to progress adequately in tackling the infrastructure shortfall could prove costly in terms of congestion, generating unreliable supply chains, jeopardizing competitiveness and unleashing increasingly serious environmental problems. Paradoxically, this situation is compounded in precisely those regions where public-private partnership is most necessary. In developing countries, where the State often lacks the resources and structure to undertake major infrastructure projects, it is surprising to see how projects implemented under P3 formulae have barely grown in the last few years, and are currently at levels of 10 years ago, a quite unusual trend in economic development over this period (Chart 5.5). The same approach is illustrative in the case of specific water and transport projects (Chart 5.6).

Chart 5.5 Infrastructure projects with private participation

In US$ Bn, by country

Source: World Bank / PPIAF, PPI Project Database

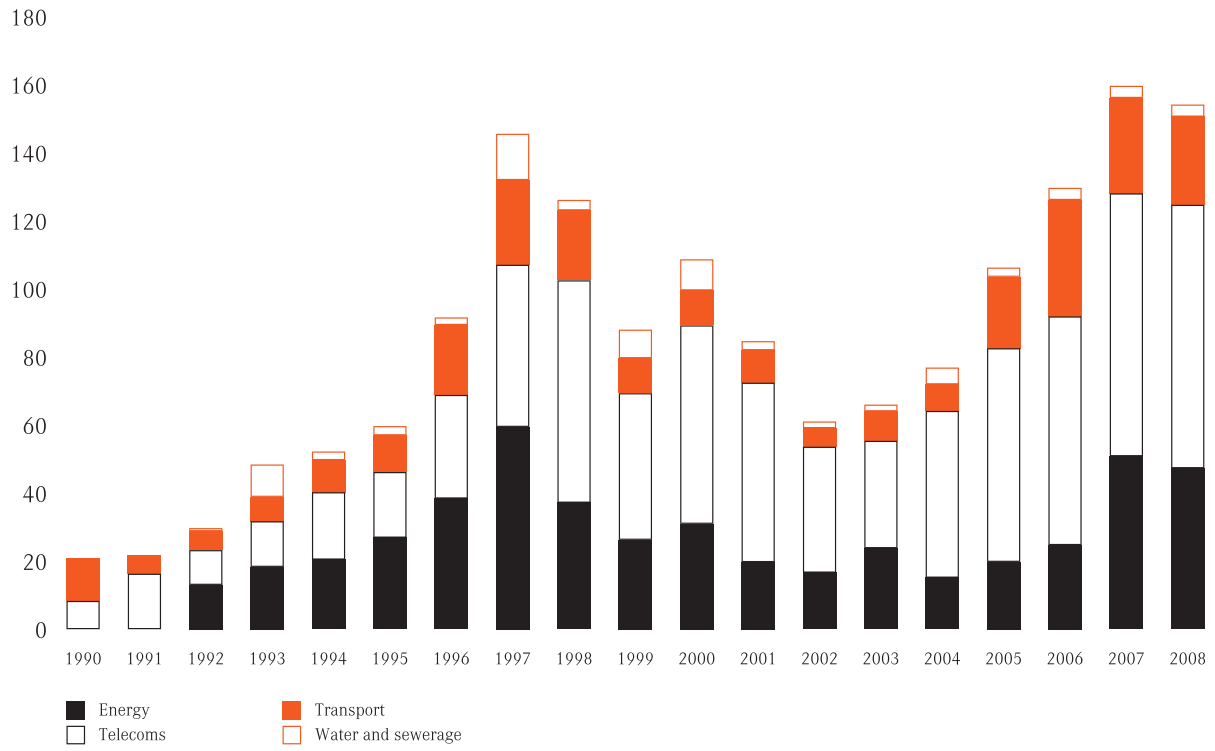


Infrastructure projects with private participation

Chart 5.6

In US$ Bn, by sector

Source: World Bank / PPIAF, PPI Project Database



5.6.2 Towards a new model of infrastructure development

The change of the model currently implemented will play a pivotal role in the way infrastructure is developed. It is necessary to tap the advantages and experience yielded by pioneering financing and development models that are now in place in some regions of the world. The method must evolve based on the following aspects, in order to overcome certain structural problems:

1. Adequately choose the kind of project to be developed: projects with adequate profitability, in the long term, of the right size and with an acceptable risk profile.

2. Maximize efficiency, enabling private investors to contribute all of their experience. For example, through the use of tolls and free tariffs or the development of detail engineering as part of the land transport infrastructure offering. Similarly, innovation must be applied, providing users with more and better suited services, and lowering the cost for developers without burdening them with financial or service risks.

3. Establish mixed financing models. Involvement of private as well as public funding, and the incorporation of public and semi-public loans and guarantees to supplement private financing sources.

Furthermore, it is necessary to implement formulae to re-educate public opinion regarding the real cost in order to avoid the distortion of relative prices, which in turn generates over-use and congestion of key infrastructure. It is imperative to establish a contracting method based on the relationship between a particular infrastructure item and its use. Governments must seek the support of the private sector, not only to obtain the necessary funding, but also to incorporate efficiency models.

The scarcity of P3 models in developing countries, which we mentioned above, reflects the existence of dysfunctionalities in the present model. The current operating model of multilateral bodies (Chart 5.7) must make way for a more efficient model based on simplifying the processes involved (Chart 5.8). In the former, different departments are involved at different stages, but there is a lack of global coordination, despite the existence of multilateral committees which participate from the outset. In this case, financing experts are only involved in the final stages, which results in difficulties when it comes to combining public finance with private finance.

In the second case, private sector experts with experience in financing are involved from the early stages of the process, enabling them to define the P3 project's feasibility right from the start. Furthermore, a "Credit Committee" is involved early in the process, facilitating a project's preliminary approval.

Chart 5.7 Current operating model of multilateral bodies

Source: Ferrovial

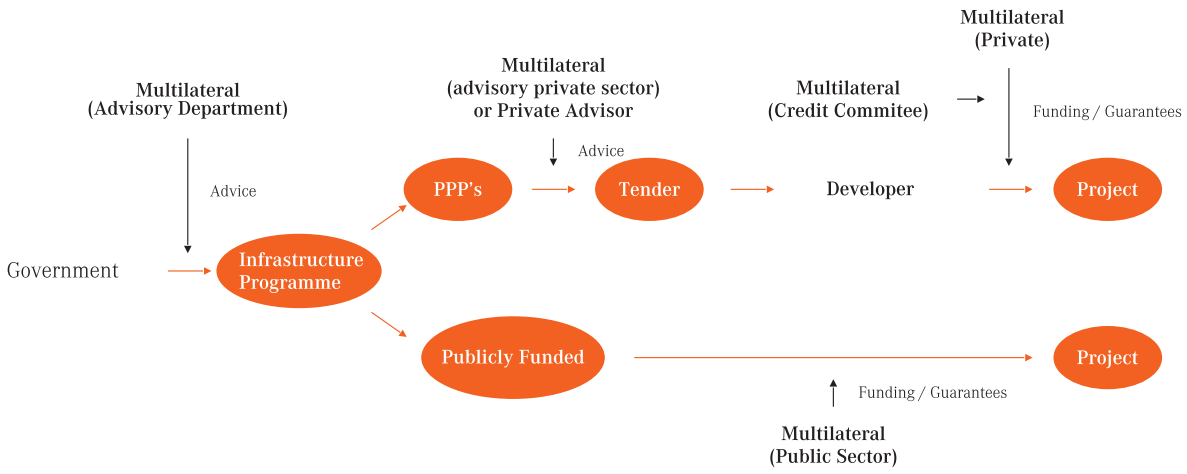
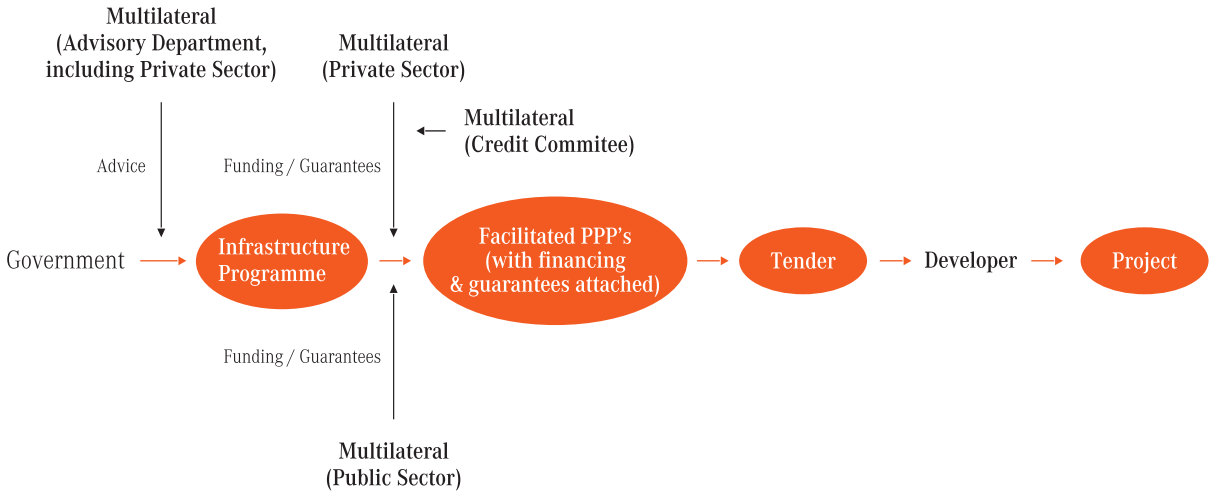


Chart 5.8 Proposed new operating model of multilateral bodies

Source: Ferrovial



5.6.3 The Texas example

Ferrovial is conducting two projects in Texas (US) which exemplify the change in the paradigm of transport infrastructure development. They are the LBJ and NTE express highways, located in the congested area of Dallas-Fort Worth.

The government developing agency, the Texas Department of Transport (TxDOT), had limited resources with which to build, so the private sector was brought on board. However, it was brought on board not only to cover the financial shortfall, but to add value by designing projects to boost service quality for users while at the same time bringing down costs.

The result is that with a public contribution of around 1 billion dollars, the State of Texas will soon have infrastructure worth almost 5 billion dollars. Consequently, Texas does not mortgage future generations of taxpayers' funds and it is private enterprise that takes on traffic, building and financing risk.

By selecting an economically viable project with a clearly-defined concession agreement, TxDOT was able to generate the interest of the private sector, thereby closing the financing gap using a combination of public funding, bond issues and project equity.

What do we need to replicate the success of Dallas in other transport infrastructure projects or indeed in other sectors of infrastructure? In the first place, the purchase processes and concession agreements must be well structured, transparent and clearly defined. This makes it easier to attract private investors' interest. Secondly, a priority must be to incorporate technical concepts and technological advances which can reduce costs and add value. Innovation is key to developing intelligent infrastructure, that can unlock value for citizens and impact positively on the image of public administrations.

Conclusion 5.7

The current situation in most economies worldwide may shape the future of public infrastructure development. However, much of the response to the economic crisis lies precisely in investing in infrastructure, in view of its capacity to generate employment and wealth and to boost an economy's productivity and competitiveness.

Nevertheless, the change in the model triggered by the crisis itself leads us to consider new ways of acting and thinking because, inevitably, nothing will ever be the same again. New formulae for organizing investment, and new models for cooperation between the public and private sectors are necessary means to maintain and nurture investment in infrastructure.

Lastly, this new way of thinking leads us to foster processes of innovation, which are fundamental to generating greater competitiveness in economies. The key will be to apply intelligence to infrastructure to render it more efficient, more accessible and more environmentally and economically sustainable.

6 Statistical Annex

Total shareholder return rates in the IBEX 35

Table A.1

Companies and indices arranged as in 2009

Source: Datastream International through Wharton Research Data Services

Company	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Average 1995 2009[b]	Average 2007 2009[b]
Técnicas Reunidas	---	---	---	---	---	---	---	---	---	---	---	---	52.3	-57.2	**127.8**	41.0	41.0
OHL	-15.0	-9.0	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**	36.7	16.8
Arcelor Mittal	---	---	---	---	---	---	---	---	---	---	---	---	69.0	-66.9	**95.5**	32.5	32.5
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**	28.0	9.9
Banco Santander	26.1	41.4	88.0	14.2	35.8	2.0	-15.5	-28.2	48.6	1.0	25.7	30.1	8.1	-48.7	**83.0**	20.8	14.1
Grupo Ferrovial	---	---	---	---	---	-6.9	46.8	24.4	17.8	44.7	53.8	24.8	-34.1	-58.0	**65.3**	17.8	-8.9
Ebro Puleva	-11.6	83.2	18.9	18.1	-23.4	-12.0	8.6	-9.4	18.8	20.0	35.9	39.6	-33.4	-19.8	**59.6**	12.9	2.1
BBVA	40.1	65.5	114.6	36.4	7.8	13.6	-10.6	-32.4	23.9	23.6	19.0	23.8	-5.3	-45.7	**54.9**	21.9	1.3
Telecinco	---	---	---	---	---	---	---	---	---	---	43.2	6.2	-14.8	-53.1	**48.1**	5.9	-6.6
Inditex	---	---	---	---	---	---	---	5.7	-28.1	38.3	29.5	49.1	4.6	-23.3	**41.9**	14.7	7.7
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	**39.0**	10.2	3.6
IBEX 35 [a]	22.4	47.1	44.5	38.6	20.1	-20.5	-6.1	-26.5	32.2	21.1	22.0	36.0	10.7	-36.5	**38.3**	16.2	4.2
Bolsas y Mercados Españoles	---	---	---	---	---	---	---	---	---	---	---	---	52.8	-58.1	**37.4**	10.7	10.7
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	-38.0	**35.8**	18.4	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**	12.2	-2.3
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**	18.3	-17.2
Acerinox	1.1	57.3	22.4	-25.2	103.6	-16.0	20.5	-4.0	9.3	30.3	4.3	92.4	-25.7	-30.7	**31.7**	18.1	-8.2
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**	11.9	1.2
Telefónica	10.0	84.4	46.8	54.0	105.9	-29.6	-11.1	-41.0	46.6	24.0	-2.1	31.1	41.7	-25.4	**29.3**	24.3	15.2
CAC40 [a]	2.8	27.6	33.0	34.1	54.1	1.0	-20.3	-31.9	19.9	11.4	26.6	20.9	4.2	-40.3	**27.6**	11.4	-2.9
FTSE 100 [a]	26.0	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**	9.1	2.1
S&P500 [a]	37.6	23.0	33.4	28.6	21.0	-9.1	-11.9	-22.1	28.7	10.9	4.9	15.8	5.5	-37.0	**26.5**	10.4	-1.7
Sacyr Vallehermoso	0.4	27.1	68.0	31.4	-41.5	-6.0	11.4	45.6	25.6	8.1	77.1	127.4	-40.1	-73.4	**25.6**	19.1	-29.3
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**	16.2	-5.6
DAX 30 [a]	7.0	28.2	47.1	17.7	39.1	-7.5	-19.8	-43.9	37.1	7.3	27.1	22.0	22.3	-40.4	**23.8**	11.1	1.9
Criteria Caixacorp	---	---	---	---	---	---	---	---	---	---	---	---	---	-43.5	**23.4**	-10.0	-10.0
DJIA [a]	36.4	22.4	32.3	12.2	14.0	5.1	-11.1	-15.9	29.4	15.6	9.5	15.7	8.9	-31.9	**22.7**	11.0	-0.1
Endesa	30.6	37.0	19.3	41.6	-13.5	-3.1	-0.4	-34.2	43.0	18.0	32.9	74.5	5.1	-18.0	**13.4**	16.4	0.1
ACS	5.7	12.9	312.6	53.0	-27.4	6.9	10.6	13.5	28.4	33.9	64.2	58.2	-2.6	-16.0	**12.0**	37.7	-2.2
Banesto	-9.2	19.6	49.3	24.7	41.3	-9.6	-3.6	-43.5	39.4	16.4	20.0	37.3	-17.9	-36.6	**11.9**	9.3	-14.2
Red Eléctrica	---	---	---	---	---	71.2	7.5	-4.5	40.1	33.0	60.2	27.6	36.1	-14.9	**11.3**	26.7	10.8
Iberdrola Renovables	---	---	---	---	---	---	---	---	---	---	---	---	---	-46.0	**9.6**	-18.2	-18.2
Iberdrola	41.5	72.6	12.2	35.7	-12.8	1.2	13.0	-5.6	21.7	24.0	27.1	47.8	28.5	-35.5	**8.4**	18.7	0.5
Acciona	-26.1	52.1	152.1	182.1	-17.7	-30.9	6.4	-3.0	26.0	39.1	47.9	51.2	55.8	-58.2	**6.2**	32.2	1.3
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	**5.0**	44.8	-0.8
Enagas	---	---	---	---	---	---	---	---	52.6	44.9	35.1	12.5	16.0	-20.0	**4.5**	20.8	0.1
Grifols	---	---	---	---	---	---	---	---	---	---	---	---	53.0	-19.6	**1.7**	11.7	11.7
Gas Natural	71.3	60.9	5.3	96.8	-27.4	-12.4	-2.5	-2.0	4.6	25.5	8.0	29.5	36.3	-50.6	**-3.4**	16.0	-5.9
Iberia	---	---	---	---	---	---	---	27.9	66.3	14.0	-9.3	21.5	9.5	-27.9	**-4.1**	12.2	-7.5
Gamesa	---	---	---	---	---	---	-39.8	1.4	70.0	23.8	21.7	68.1	54.3	-59.9	**-6.4**	14.8	-4.0
Banco Popular	47.0	17.6	71.6	2.5	0.9	20.3	2,0	8.7	25.3	6.3	9.3	36.4	-12.6	-45.6	**-9.7**	12.0	-22.6
Banco de Sabadell	---	---	---	---	---	---	---	-4.9	26.6	13.5	32.3	54.8	-10.3	-31.7	**-15.9**	8.1	-19.3

Notes: [a] Market indices calculated based on companies included each year
[b] Calculated as a geometrical average

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

Companies and indices arranged by 1995-2009 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	Average 1995 2009[b]	Average 2007 2009[b]
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	5.0	44.8	-0.8
Técnicas Reunidas	---	---	---	---	---	---	---	---	---	---	---	---	52.3	-57.2	127.8	41.0	41.0
ACS	5.7	12.9	312.6	53.0	-27.4	6.9	10.6	13.5	28.4	33.9	64.2	58.2	-2.6	-16,0	12.0	37.7	-2.2
OHL	-15.0	-9.0	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	36.7	16.8
Arcelor Mittal	---	---	---	---	---	---	---	---	---	---	---	---	69.0	-66.9	95.5	32.5	32.5
Acciona	-26.1	52.1	152.1	182.1	-17.7	-30.9	6.4	-3.0	26.0	39.1	47.9	51.2	55.8	-58.2	6.2	32.2	1.3
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	28,0	9.9
Red Eléctrica	---	---	---	---	---	71.2	7.5	-4.5	40.1	33.0	60.2	27.6	36.1	-14.9	11.3	26.7	10.8
Telefónica	10.0	84.4	46.8	54.0	105.9	-29.6	-11.1	-41.0	46.6	24.0	-2.1	31.1	41.7	-25.4	29.3	24.3	15.2
BBVA	40.1	65.5	114.6	36.4	7.8	13.6	-10.6	-32.4	23.9	23.6	19.0	23.8	-5.3	-45.7	54.9	21.9	1.3
Enagás	---	---	---	---	---	---	---	---	52.6	44.9	35.1	12.5	16.0	-20.0	4.5	20.8	0.1
Banco Santander	26.1	41.4	88.0	14.2	35.8	2,0	-15.5	-28.2	48.6	1.0	25.7	30.1	8.1	-48.7	83.0	20.8	14.1
Sacyr Vallehermoso	0.4	27.1	68.0	31.4	-41.5	-6.0	11.4	45.6	25.6	8.1	77.1	127.4	-40.1	-73.4	25.6	19.1	-29.3
Iberdrola	41.5	72.6	12.2	35.7	-12.8	1.2	13.0	-5.6	21.7	24.0	27.1	47.8	28.5	-35.5	8.4	18.7	0.5
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	-38.0	35.8	18.4	0.9
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	18.3	-17.2
Acerinox	1.1	57.3	22.4	-25.2	103.6	-16.0	20.5	-4.0	9.3	30.3	4.3	92.4	-25.7	-30.7	31.7	18.1	-8.2
Grupo Ferrovial	---	---	---	---	---	-6.9	46.8	24.4	17.8	44.7	53.8	24.8	-34.1	-58.0	65.3	17.8	-8.9
Endesa	30.6	37.0	19.3	41.6	-13.5	-3.1	-0.4	-34.2	43.0	18.0	32.9	74.5	5.1	-18.0	13.4	16.4	0.1
IBEX 35 [a]	22.4	47.1	44.5	38.6	20.1	-20.5	-6.1	-26.5	32.2	21.1	22.0	36.0	10.7	-36.5	38.3	16.2	4.2
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	16.2	-5.6
Gas Natural	71.3	60.9	5.3	96.8	-27.4	-12.4	-2.5	-2.0	4.6	25.5	8.0	29.5	36.3	-50.6	-3.4	16.0	-5.9
Gamesa	---	---	---	---	---	---	-39.8	1.4	70.0	23.8	21.7	68.1	54.3	-59.9	-6.4	14.8	-4.0
Inditex	---	---	---	---	---	---	---	5.7	-28.1	38.3	29.5	49.1	4.6	-23.3	41.9	14.7	7.7
Ebro Puleva	-11.6	83.2	18.9	18.1	-23.4	-12.0	8.6	-9.4	18.8	20.0	35.9	39.6	-33.4	-19.8	59.6	12.9	2.1
Iberia	---	---	---	---	---	---	---	27.9	66.3	14.0	-9.3	21.5	9.5	-27.9	-4.1	12.2	-7.5
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	12.2	-2.3
Banco Popular	47.0	17.6	71.6	2.5	0.9	20.3	2.0	8.7	25.3	6.3	9.3	36.4	-12.6	-45.6	-9.7	12.0	-22.6
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	11.9	1.2
Grifols	---	---	---	---	---	---	---	---	---	---	---	---	53.0	-19.6	1.7	11.7	11.7
CAC40 [a]	2.8	27.6	33.0	34.1	54.1	1.0	-20.3	-31.9	19.9	11.4	26.6	20.9	4.2	-40.3	27.6	11.4	-2.9
DAX 30 [a]	7.0	28.2	47.1	17.7	39.1	-7.5	-19.8	-43.9	37.1	7.3	27.1	22.0	22.3	-40.4	23.8	11.1	1.9
DJIA [a]	36.4	22.4	32.3	12.2	14.0	5.1	-11.1	-15.9	29.4	15.6	9.5	15.7	8.9	-31.9	22.7	11.0	-0.1
Bolsas y Mercados Españoles	---	---	---	---	---	---	---	---	---	---	---	---	52.8	-58.1	37.4	10.7	10.7
S&P500 [a]	37.6	23.0	33.4	28.6	21.0	-9.1	-11.9	-22.1	28.7	10.9	4.9	15.8	5.5	-37.0	26.5	10.4	-1.7
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	39.0	10.2	3.6
Banesto	-9.2	19.6	49.3	24.7	41.3	-9.6	-3.6	-43.5	39.4	16.4	20.0	37.3	-17.9	-36.6	11.9	9.3	-14.2
FTSE 100 [a]	26.0	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	9.1	2.1
Banco de Sabadell	---	---	---	---	---	---	---	-4.9	26.6	13.5	32.3	54.8	-10.3	-31.7	-15.9	8.1	-19.3
Telecinco	---	---	---	---	---	---	---	---	---	---	43.2	6.2	-14.8	-53.1	48.1	5.9	-6.6
Criteria Caixacorp	---	---	---	---	---	---	---	---	---	---	---	---	---	-43.5	23.4	-10.0	-10.0
Iberdrola Renovables	---	---	---	---	---	---	---	---	---	---	---	---	---	-46.0	9.6	-18.2	-18.2

Notes: [a] Market indices calculated based on companies included each year
[b] Calculated as a geometrical average

Total shareholder return rates in the IBEX 35

Table A.3

Companies and indices arranged by 2007-2009 average

Source: Datastream International through Wharton Research Data Services

Company	2007	2008	2009	Average 1995-2009 [b]	Average 2007-2009 [b]
Técnicas Reunidas	52.3	-57.2	127.8	41.0	41.0
Arcelor Mittal	69.0	-66.9	95.5	32.5	32.5
OHL	-0.9	-56.2	107.6	36.7	16.8
Telefónica	41.7	-25.4	29.3	24.3	15.2
Banco Santander	8.1	-48.7	83.0	20.8	14.1
Grifols	53.0	-19.6	1.7	11.7	11.7
Red Eléctrica	36.1	-14.9	11.3	26.7	10.8
Bolsas y Mercados Españoles	52.8	-58.1	37.4	10.7	10.7
Abengoa	-12.7	-50.8	93.2	28.0	9.9
Inditex	4.6	-23.3	41.9	14.7	7.7
IBEX 35 [a]	10.7	-36.5	38.3	16.2	4.2
Mercado Mundial [a]	15.1	-43.3	39.0	10.2	3.6
Ebro Puleva	-33.4	-19.8	59.6	12.9	2.1
FTSE 100 [a]	7.4	-28.3	27.3	9.1	2.1
DAX 30 [a]	22.3	-40.4	23.8	11.1	1.9
BBVA	-5.3	-45.7	54.9	21.9	1.3
Acciona	55.8	-58.2	6.2	32.2	1.3
Mapfre	-9.7	-16.8	30.1	11.9	1.2
Abertis	4.8	-38.0	35.8	18.4	0.9
Iberdrola	28.5	-35.5	8.4	18.7	0.5
Enagas	16.0	-20.0	4.5	20.8	0.1
Endesa	5.1	-18.0	13.4	16.4	0.1
DJIA [a]	8.9	-31.9	22.7	11.0	-0.1
Indra Sistemas	3.3	-10.7	5.0	44.8	-0.8
S&P500 [a]	5.5	-37.0	26.5	10.4	-1.7
ACS	-2.6	-16.0	12.0	37.7	-2.2
Repsol YPF	-4.9	-35.9	33.8	12.2	-2.3
CAC40 [a]	4.2	-40.3	27.6	11.4	-2.9
Gamesa	54.3	-59.9	-6.4	14.8	-4.0
Bankinter	7.3	-48.3	24.3	16.2	-5.6
Gas Natural	36.3	-50.6	-3.4	16.0	-5.9
Telecinco	-14.8	-53.1	48.1	5.9	-6.6
Iberia	9.5	-27.9	-4.1	12.2	-7.5
Acerinox	-25.7	-30.7	31.7	18.1	-8.2
Grupo Ferrovial	-34.1	-58.0	65.3	17.8	-8.9
Criteria Caixacorp	---	-43.5	23.4	-10.0	-10.0
Banesto	-17.9	-36.6	11.9	9.3	-14.2
FCC	-31.9	-52.5	32.8	18.3	-17.2
Iberdrola Renovables	---	-46.0	9.6	-18.2	-18.2
Banco de Sabadell	-10.3	-31.7	-15.9	8.1	-19.3
Banco Popular	-12.6	-45.6	-9.7	12.0	-22.6
Sacyr Vallehermoso	-40.1	-73.4	25.6	19.1	-29.3

Notes: [a] Market indices calculated based on companies included each year
[b] Calculated as a geometrical average

Table A.4

Top Spanish companies by total shareholder returns in 2009, compared to companies in the same sector within the Euro area

Company	Outright rate		Euro area (standardized rate)		World (standardized rate)	
	Rank	%	Rank	%	Rank	%
Vueling Airlines	1	274.1	1	2.88	1	2.34
Jazztel	4	105.8	2	2.74	9	0.50
Elecnor	12	64.8	3	2.38	15	0.20
Técnicas Reunidas	2	127.8	4	1.80	2	1.64
Aguas de Barcelona	20	54.8	5	1.78	6	0.90
Banco Santander	8	83.0	6	1.60	8	0.57
Sol Meliá	26	40.1	7	1.51	36	-0.22
Laboratorios Almirall	9	71.3	8	1.51	7	0.80
Obrascón Huarte Laín	3	107.6	9	1.37	3	1.27
Duro Felguera	5	102.6	10	1.16	4	1.10
Abengoa	6	93.2	11	1.06	5	1.01
Antena 3	7	87.9	12	1.00	11	0.47
Mapfre	40	30.1	13	0.90	27	-0.11
Amper	24	42.3	14	0.84	59	-0.49
BBVA	18	54.9	15	0.84	17	0.16
Ebro Puleva	15	59.6	16	0.75	14	0.21
Service Point Solutions	10	67.0	17	0.63	12	0.43
Fluidra	19	54.8	18	0.59	22	0.02
NH Hoteles	49	19.6	19	0.57	57	-0.47
PRISA	17	55.3	20	0.52	10	0.48
Telefónica	41	29.3	21	0.46	28	-0.11
Faes Farma	29	36.5	22	0.43	18	0.14
Laboratorios Farmaceuticos Rovi	34	33.9	23	0.35	19	0.09
Construcción y Auxiliar de Ferrocarril	21	54.4	24	0.31	31	-0.16
Sniace	14	59.8	25	0.31	26	-0.10
Grupo Ferrovial	16	57.1	26	0.29	13	0.35
Abertis	30	35.8	27	0.28	33	-0.20
Telecinco	23	48.1	28	0.24	23	-0.08
Prosegur	22	50.1	29	0.22	16	0.17
Corporación Financiera Alba	28	36.8	30	0.16	40	-0.26
Adolfo Dominguez	13	60.3	31	0.12	34	-0.21
Renta Corporación Real Estate	11	65.2	32	0.10	30	-0.14
Viscofán	39	31.3	33	0.08	35	-0.22
Bankinter	45	24.3	34	0.01	42	-0.28
Repsol	35	33.8	35	-0.01	32	-0.19
Bolsas y Mercados Españoles	27	37.4	36	-0.05	29	-0.14
Solaria	37	32.2	37	-0.11	20	0.06
Papeles y Cartones de Europa	31	35.5	38	-0.12	38	-0.25
Miquel y Costas	32	35.4	39	-0.13	39	-0.25
Befesa Medio Ambiente	46	23.5	40	-0.18	45	-0.33
Grupo Catalana Occidente	60	12.5	41	-0.19	24	-0.08
Clínica Baviera	59	12.7	42	-0.21	80	-0.64
Inditex	25	41.9	43	-0.22	50	-0.40
Enagas	79	4.5	44	-0.23	79	-0.63
FCC	36	32.8	45	-0.23	25	-0.10
Zeltia	56	14.9	46	-0.25	41	-0.28
Dinamia Capital Privado	51	17.8	47	-0.25	53	-0.46
Criteria Caixacorp	47	23.4	48	-0.26	52	-0.43
Vocento	53	16.6	49	-0.27	49	-0.39
Unipapel	42	28.7	50	-0.31	21	0.03
Iberia	93	-4.1	51	-0.32	71	-0.59
Endesa	57	13.4	52	-0.32	46	-0.35
Acerinox	38	31.7	53	-0.33	54	-0.46
Banco Español de Crédito	64	11.9	54	-0.33	55	-0.47
Exide Technologies	33	34.6	55	-0.34	72	-0.59
Urbas Guadahermosa	65	11.5	56	-0.36	75	-0.60
Sacyr Vallehermoso	43	25.6	57	-0.39	37	-0.23
Realia Business	74	7.1	58	-0.39	81	-0.64
Tubacex	48	21.0	59	-0.41	65	-0.55

(continued) Table A.4

Source: Datastream International through Wharton Research Data Services

Company	Outright rate		Euro area (standardized rate)		World (standardized rate)	
	Rank	%	Rank	%	Rank	%
Banco Guipuzcoano	70	8.7	60	-0.42	61	-0.51
Red Eléctrica de España	66	11.3	61	-0.44	48	-0.38
Grupo Empresarial San José	87	0.0	62	-0.46	85	-0.70
Zardoya Otis	52	17.6	63	-0.46	67	-0.57
Vertice 360 Grados	67	11.2	64	-0.46	69	-0.58
Inmobiliaria Colonial	91	-3.1	65	-0.48	90	-0.73
Caja de Ahorros del Mediterráneo	75	6.2	66	-0.48	64	-0.55
Azkoyen	54	15.6	67	-0.50	76	-0.61
Mecalux	55	15.5	68	-0.50	77	-0.62
Tubos Reunidos	73	7.8	69	-0.50	82	-0.66
Puleva Biotech	77	5.6	70	-0.52	74	-0.60
Tecnocom	97	-7.3	71	-0.53	109	-1.13
Lingotes especiales	82	1.4	72	-0.55	87	-0.71
Renta 4	80	3.3	73	-0.56	97	-0.85
Afirma Grupo Inmobiliario	106	-13.3	74	-0.57	95	-0.82
Vidrala	44	24.7	75	-0.58	43	-0.29
Iberdrola	71	8.4	76	-0.58	51	-0.41
Fergo Aisa	109	-17.1	77	-0.60	98	-0.85
Montebalito	110	-18.0	78	-0.61	99	-0.86
Banco Pastor	84	0.7	79	-0.63	78	-0.63
Iberdrola Renovables	68	9.6	80	-0.64	62	-0.52
Campofrío Alimentación	88	-0.5	81	-0.67	84	-0.69
Codere	114	-24.7	82	-0.67	83	-0.68
ACS	63	12.0	83	-0.68	58	-0.48
Prim	58	12.8	84	-0.68	89	-0.72
Natraceutical	90	-1.2	85	-0.68	86	-0.70
Gamesa Corporación Technológica	96	-6.4	86	-0.70	73	-0.60
Indra Sistemas	78	5.0	87	-0.71	88	-0.72
Indo Internacional	50	19.3	88	-0.71	66	-0.56
Cie Automotive	95	-4.1	89	-0.72	106	-1.03
Inypsa Informes y Proyectos	69	9.4	90	-0.73	63	-0.53
Testa Inmuebles en Renta	116	-50.1	91	-0.74	117	-1.30
Avanzit	107	-15.0	92	-0.74	116	-1.23
Iberpapel Gestión	62	12.4	93	-0.75	56	-0.47
Grifols	81	1.7	94	-0.76	44	-0.31
Gas Natural	92	-3.4	95	-0.77	92	-0.76
Acciona	76	6.2	96	-0.80	70	-0.58
Grupo Tavex	85	0.6	97	-0.85	68	-0.58
Cementos Portland Valderribas	89	-0.9	98	-0.87	96	-0.84
Grupo Empresarial Ence	72	8.0	99	-0.87	60	-0.51
Barón de Ley	101	-9.7	100	-0.90	107	-1.10
Banco Popular Español	100	-9.7	101	-0.92	94	-0.78
Pescanova	94	-4.1	102	-0.93	102	-0.92
Reyal Urbis	117	-57.2	103	-0.94	113	-1.20
Metrovacesa	118	-59.0	104	-0.95	114	-1.21
Funespaña	61	12.4	105	-1,00	47	-0.37
General de Alquiler de Maquinaria	102	-10.9	106	-1,00	110	-1.14
CVNE	103	-12.0	107	-1.07	111	-1.16
La Seda de Barcelona	86	0.0	108	-1.08	103	-0.92
Banco de Sabadell	108	-15.9	109	-1.09	101	-0.87
Fersa Energias Renovables	83	0.8	110	-1.09	91	-0.73
Bodegas Riojanas	104	-13.1	111	-1.10	112	-1.19
Cleop	98	-8.9	112	-1.12	100	-0.86
Corporación Dermoestética	99	-9.4	113	-1.19	105	-0.95
Banco de Valencia	111	-19.9	114	-1.19	104	-0.93
Nicolás Correa	113	-22.0	115	-1.21	118	-1.36
Ercros	105	-13.2	116	-1.39	108	-1.10
Dogi International Fabrics	112	-21.9	117	-1.43	93	-0.78
Cepsa	119	-66.7	118	-1.46	119	-1.37
Natra	115	-35.3	119	-1.48	115	-1.22
SOS	120	-80.7	120	-2.56	120	-1.90

Note: The Pearson correlation coefficient between the standardized rate in the Euro area and the standardized rate in the world is 87.1%

Table A.5

Top Spanish companies by total shareholder returns in 2009, compared to companies in the same sector within the Euro area

Company	Sector	Outright rate	Standardized rate	
			Euro Area	World
Acerinox	Steel	31.7	-0.33	-0.46
Tubacex	Steel	21.0	-0.41	-0.55
Tubos Reunidos	Steel	7.8	-0.50	-0.66
Lingotes especiales	Steel	1.4	-0.55	-0.71
Aguas de Barcelona	Water	54.8	1.78	0.90
Ebro Puleva	Food	59.6	0.75	0.21
Viscofán	Food	31.3	0.08	-0.22
Puleva Biotech	Food	5.6	-0.52	-0.60
Campofrío Alimentación	Food	-0.5	-0.67	-0.69
Natraceutical	Food	-1.2	-0.68	-0.70
Natra	Food	-35.3	-1.48	-1.22
SOS	Food	-80.7	-2.56	-1.90
Banco Santander	Banking	83.0	1.60	0.57
BBVA	Banking	54.9	0.84	0.16
Bankinter	Banking	24.3	0.01	-0.28
Banco Español de Crédito	Banking	11.9	-0.33	-0.47
Banco Guipuzcoano	Banking	8.7	-0.42	-0.51
Caja de Ahorros del Mediterráneo	Banking	6.2	-0.48	-0.55
Banco Pastor	Banking	0.7	-0.63	-0.63
Banco Popular Español	Banking	-9.7	-0.92	-0.78
Banco de Sabadell	Banking	-15.9	-1.09	-0.87
Banco de Valencia	Banking	-19.9	-1.19	-0.93
Barón de Ley	Alcoholic beverages	-9.7	-0.90	-1.10
CVNE	Alcoholic beverages	-12.0	-1.07	-1.16
Bodegas Riojanas	Alcoholic beverages	-13.1	-1.10	-1.19
Grifols	Biotechnology	1.7	-0.76	-0.31
Cie Automotive	Auto parts	-4.1	-0.72	-1.03
Adolfo Dominguez	Fashionwear and clothing	60.3	0.12	-0.21
Inditex	Fashionwear and clothing	41.9	-0.22	-0.40
Técnicas Reunidas	Construction	127.8	1.80	1.64
Obrascón Huarte Laín	Construction	107.6	1.37	1.27
Abengoa	Construction	93.2	1.06	1.01
Grupo Ferrovial	Construction	57.1	0.29	0.35
FCC	Construction	32.8	-0.23	-0.10
Sacyr Vallehermoso	Construction	25.6	-0.39	-0.23
ACS	Construction	12.0	-0.68	-0.48
Inypsa Informes y Proyectos	Construction	9.4	-0.73	-0.53
Acciona	Construction	6.2	-0.80	-0.58
Cleop	Construction	-8.9	-1.12	-0.86
Elecnor	Electricity	64.8	2.38	0.20
Endesa	Electricity	13.4	-0.32	-0.35
Red Eléctrica de España	Electricity	11.3	-0.44	-0.38
Iberdrola	Electricity	8.4	-0.58	-0.41
Iberdrola Renovables	Electricity	9.6	-0.64	-0.52
Fersa Energías Renovables	Electricity	0.8	-1.09	-0.73
Solaria	Renewable energy	32.2	-0.11	0.06
Gamesa Corporación Technológica	Renewable energy	-6.4	-0.70	-0.60
Vidrala	Packaging	24.7	-0.58	-0.29
Amper	Telecom equipment	42.3	0.84	-0.49
Tecnocom	Telecom equipment	-7.3	-0.53	-1.13
Avanzit	Telecom equipment	-15.0	-0.74	-1.23
Prim	Medical devices	12.8	-0.68	-0.72
Laboratorios Almirall	Pharmaceuticals	71.3	1.51	0.80
Faes Farma	Pharmaceuticals	36.5	0.43	0.14
Laboratorios Farmaceuticos Rovi	Pharmaceuticals	33.9	0.35	0.09
Zeltia	Pharmaceuticals	14.9	-0.25	-0.28
Enagas	Gas	4.5	-0.23	-0.63
Gas Natural	Gas	-3.4	-0.77	-0.76
Sol Meliá	Hotels	40.1	1.51	-0.22
NH Hoteles	Hotels	19.6	0.57	-0.47
Renta Corporación Real Estate	Property	65.2	0.10	-0.14
Urbas Guadahermosa	Property	11.5	-0.36	-0.60
Realia Business	Property	7.1	-0.39	-0.64
Grupo Empresarial San José	Property	0.0	-0.46	-0.70
Inmobiliaria Colonial	Property	-3.1	-0.48	-0.73

(continued)

Table A.5

Source: Datastream International through Wharton Research Data Services

Company	Sector	Outright rate	Standardized rate	
			Euro Area	World
Afirma Grupo Inmobiliario	Property	-13.3	-0.57	-0.82
Fergo Aisa	Property	-17.1	-0.60	-0.85
Montebalito	Property	-18.0	-0.61	-0.86
Testa Inmuebles en Renta	Property	-50.1	-0.74	-1.30
Reyal Urbis	Property	-57.2	-0.94	-1.20
Metrovacesa	Property	-59.0	-0.95	-1.21
Codere	Games of chance	-24.7	-0.67	-0.68
Vueling Airlines	Airlines	274.1	2.88	2.34
Iberia	Airlines	-4.1	-0.32	-0.59
Duro Felguera	Machinery	102.6	1.16	1.10
Zardoya Otis	Machinery	17.6	-0.46	-0.57
Azkoyen	Machinery	15.6	-0.50	-0.61
Mecalux	Machinery	15.5	-0.50	-0.62
General de Alquiler de Maquinaria	Machinery	-10.9	-1,00	-1.14
Nicolás Correa	Machinery	-22.0	-1.21	-1.36
Fluidra	Construction material	54.8	0.59	0.02
Cementos Portland Valderribas	Construction material	-0.9	-0.87	-0.84
Construcción y Auxiliar de Ferrocarril	Transport material	54.4	0.31	-0.16
Papeles y Cartones de Europa	Paper	35.5	-0.12	-0.25
Miquel y Costas	Paper	35.4	-0.13	-0.25
Iberpapel Gestión	Paper	12.4	-0.75	-0.47
Grupo Empresarial Ence	Paper	8.0	-0.87	-0.51
Pescanova	Fishing	-4.1	-0.93	-0.92
Repsol	Oil ang gas	33.8	-0.01	-0.19
Cepsa	Oil ang gas	-66.7	-1.46	-1.37
Unipapel	Household products	28.7	-0.31	0.03
Exide Technologies	Household products	34.6	-0.34	-0.59
Antena 3	Publications and media	87.9	1,00	0.47
PRISA	Publications and media	55.3	0.52	0.48
Telecinco	Publications and media	48.1	0.24	-0.08
Vocento	Publications and media	16.6	-0.27	-0.39
Vertice 360 Grados	Publications and media	11.2	-0.46	-0.58
Sniace	Special chemicals	59.8	0.31	-0.10
Ercros	Special chemicals	-13.2	-1.39	-1.10
Mapfre	Insurance	30.1	0.90	-0.11
Grupo Catalana Occidente	Accident insurance	12.5	-0.19	-0.08
Service Point Solutions	Corporate services	67.0	0.63	0.43
Prosegur	Corporate services	50.1	0.22	0.17
Indra Sistemas	Information services	5.0	-0.71	-0.72
Clínica Baviera	Health services	12.7	-0.21	-0.64
Corporación Dermoestética	Health services	-9.4	-1.19	-0.95
Abertis	Transport services [a]	35.8	0.28	-0.20
Funespaña	Several services	12.4	-1,00	-0.37
Corporación Financiera Alba	Financial services	36.8	0.16	-0.26
Bolsas y Mercados Españoles	Financial services	37.4	-0.05	-0.14
Dinamia Capital Privado	Financial services	17.8	-0.25	-0.46
Criteria Caixacorp	Financial services	23.4	-0.26	-0.43
Renta 4	Financial services	3.3	-0.56	-0.85
Befesa Medio Ambiente	Environmental services	23.5	-0.18	-0.33
Indo Internacional	Medical supplies	19.3	-0.71	-0.56
Jazztel	Telecommunications	105.8	2.74	0.50
Telefónica	Telecommunications	29.3	0.46	-0.11
Grupo Tavex	Textile	0.6	-0.85	-0.58
La Seda de Barcelona	Textile	0.0	-1.08	-0.92
Dogi International Fabrics	Textile	-21.9	-1.43	-0.78

Note: [a] The classification by sectors is the one used by Datastream International. In the case of these companies, it does not correspond accurately to their activity, but we have chosen not to correct it since international investors consult this database and make decisions based on the classifications contained therein

Table A.6

Top Spanish companies by average recommendation from stock market analysts in 2009, compared to companies in the same sector within the Euro area

Average recommendation 1 = best; 5 = worst

Company	Number of Recommendations			Average Recommendation		
	Outright	Standardized Euro area	Standardized World	Outright	Standardized Euro area	Standardized World
Paternina	1	-0.98	-0.89	1.00	**-2.35**	-1.79
Iberpapel	1	-0.87	-0.72	1.00	**-1.80**	-1.57
Unipapel	2	-0.73	-0.55	1.00	**-1.80**	-1.57
Cie Automotive	2	-0.80	-0.57	1.00	**-1.79**	-1.43
Elecnor	1	-0.83	-0.73	1.00	**-1.79**	-1.57
Zinkia Entertainment	1	-0.90	-0.91	1.00	**-1.65**	-1.69
Grupo Duro Felguera	5	-0.45	-0.13	1.20	**-1.43**	-1.37
Viscofán	13	1.05	1.21	1.23	**-1.43**	-1.31
Pescanova	5	-0.19	-0.11	1.40	**-1.23**	-1.11
Banco Santander	34	1.61	2.54	1.94	**-1.22**	-0.80
Campofrío	8	0.28	0.39	1.50	**-1.11**	-0.99
Vidrala	12	0.58	0.84	1.50	**-0.99**	-1.03
BBVA	34	1.61	2.54	2.15	**-0.97**	-0.55
Grupo Catalana Occidente	6	-0.76	-0.46	2.00	**-0.97**	-0.60
Laboratorios FAR	11	0.47	0.64	1.55	**-0.96**	-0.73
Técnicas Reunidas	17	1.18	1.56	1.71	**-0.92**	-0.62
OHL	15	0.89	1.27	1.73	**-0.89**	-0.60
Ebro Puleva	16	1.51	1.71	1.75	**-0.82**	-0.68
Grifols	16	1.09	1.32	1.69	**-0.79**	-0.56
Corporación Financiera Alba	11	1.26	1.56	1.73	**-0.79**	-0.75
Prosegur	16	1.10	1.46	1.69	**-0.78**	-0.80
Ercros	3	-0.75	-0.42	2.00	**-0.77**	-0.30
Acciona	26	2.47	2.87	1.85	**-0.76**	-0.46
Telvent	4	1.15	-0.45	1.50	**-0.76**	-1.06
Red Eléctrica de España	28	1.18	2.23	1.82	**-0.71**	-0.63
Ferrovial	19	1.09	1.56	1.68	**-0.67**	-0.81
Dinamia	6	0.14	0.38	1.83	**-0.66**	-0.63
Antevenio	1	-0.90	-0.91	2.00	**-0.59**	-0.49
Abengoa	18	1.16	2.02	2.11	**-0.52**	-0.30
Inditex	31	3.33	4.57	2.45	**-0.48**	0.06
Abertis	28	2.67	3.31	2.11	**-0.32**	-0.28
CAF	4	-0.72	-0.63	2.00	**-0.29**	-0.38
Telefónica	44	2.33	3.35	2.14	**-0.29**	-0.34
Amper	6	0.08	0.13	2.17	**-0.26**	-0.19
EDP Renovaveis	30	2.73	3.36	2.23	**-0.17**	-0.12
Gamesa	30	1.46	2.89	2.47	**-0.16**	0.29
Iberdrola Renovables	34	1.66	2.91	2.26	**-0.16**	-0.10
Almirall	16	1.09	1.32	2.25	**-0.14**	0.15
Tubacex	11	0.04	0.56	2.73	**-0.13**	0.54
Papeles y Cartón	9	0.31	0.65	2.56	**-0.09**	0.19
Enagas	27	1.10	2.12	2.33	**-0.07**	-0.02
Iberia	21	1.08	1.51	2.14	**-0.07**	-0.33
ENCE	12	0.76	1.16	2.67	**0.03**	0.32
Grupo Tavex	4	-0.29	-0.10	3.00	**0.04**	0.60
Sniace	9	0.19	0.38	2.44	**0.04**	0.12
Barón de Ley	10	-0.11	0.19	2.70	**0.04**	0.36
Codere	6	0.03	0.04	2.67	**0.11**	0.32
Miquel y Costas	4	-0.43	-0.20	2.75	**0.11**	0.41
Bolsas y Mercados Españoles	19	2.15	2.29	2.32	**0.12**	0.04
Acerinox	22	1.07	1.98	3.00	**0.20**	0.87
Tubos Reunidos	4	-0.62	-0.35	3.00	**0.20**	0.87
Sol Meliá	19	2.33	2.23	2.79	**0.23**	0.46
Adolfo Domínguez	4	-0.29	-0.10	3.25	**0.27**	0.84
ACS	22	1.90	2.29	2.82	**0.28**	0.62
Avanzit	2	-0.83	-0.62	3.00	**0.36**	0.75
Banco Popular Español	28	1.10	1.92	3.32	**0.39**	0.85
PRISA	18	1.10	1.62	2.94	**0.41**	0.63
Iberdrola	38	2.01	3.47	2.55	**0.47**	0.20

(continued)

Table A.6

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

Company	Number of Recommendations			Average Recommendation		
	Outright	Standardized Euro area	Standardized World	Outright	Standardized Euro area	Standardized World
Zeltia	9	-0.21	0.47	2.89	**0.52**	0.76
Fluidra	6	-0.33	0.04	3.17	**0.53**	0.95
FCC	18	1.32	1.71	3.06	**0.54**	0.88
Banesto	22	0.59	1.31	3.45	**0.54**	1.01
Antena 3	27	2.16	2.96	3.07	**0.55**	0.79
Repsol	41	2.22	3.71	2.83	**0.56**	0.59
Clínica Baviera	9	0.22	0.37	2.89	**0.61**	0.95
Vocento	13	1.10	1.37	2.77	**0.73**	0.79
Gas Natural	28	1.18	2.32	2.75	**0.76**	0.43
Vértice Trescientos	3	-0.51	-0.46	3.33	**0.81**	1.09
Indra Sistemas	24	1.00	2.17	3.13	**0.81**	1.06
Mapfre	16	1.67	1.79	2.94	**0.81**	0.74
Telecinco	28	2.27	3.11	3.39	**0.89**	1.17
Realia	13	1.19	1.21	3.54	**0.96**	1.34
Criteria Caixacorp	9	0.55	0.63	3.11	**1.00**	0.94
Cepsa	4	-0.74	-0.49	3.25	**1.09**	1.10
Sacyr Vallehermoso	17	1.85	1.89	3.71	**1.12**	1.54
Sabadell	23	0.68	1.41	4.00	**1.19**	1.66
Vueling Airlines	4	-0.76	-0.82	3.25	**1.22**	1.16
Natra	6	-0.03	0.06	3.50	**1.24**	1.44
Endesa	26	1.01	2.08	3.08	**1.24**	0.81
Azkoyen	5	-0.45	-0.13	4.00	**1.36**	1.92
Reyal Urbis	1	-0.80	-0.82	4.00	**1.41**	1.87
Tecnocom	3	-0.49	-0.39	3.67	**1.42**	1.73
Uralita	7	-0.28	0.14	3.57	**1.49**	1.37
Solaria Energía	12	-0.16	0.42	4.33	**1.51**	1.86
Dogi International Fabrics	3	-0.42	-0.27	4.67	**1.60**	2.22
NH Hoteles	19	3.04	3.45	3.63	**1.64**	1.52
Banco Pastor	17	0.17	0.79	4.41	**1.66**	2.16
FAES	5	-0.28	-0.18	3.80	**1.67**	2.10
Metrovacesa	7	0.20	0.20	4.29	**1.70**	2.20
Zardoya Otis	13	0.54	1.20	4.38	**1.74**	2.37
Service Point	4	-0.33	-0.21	4.00	**1.82**	2.14
Mecalux	7	0.59	0.43	4.00	**1.84**	1.95
La Seda de Barcelona	4	-0.29	-0.10	5.00	**1.91**	2.54
Cementos Portland	11	0.25	0.73	3.91	**1.92**	1.76
Natraceutical	4	-0.24	-0.12	3.75	**1.98**	1.95
Corporación Dermoestética	9	0.22	0.37	4.11	**2.04**	2.49
Fersa	3	-0.82	-0.60	4.00	**2.04**	2.01
Bankinter	25	3.11	3.28	4.20	**2.21**	2.18
General de Alquiler de Maquinaria	8	0.34	0.52	4.00	**2.3**	2.25
Banco Guipuzcoano	1	-1.18	-0.86	5.00	**2.35**	2.86
Banco de Valencia	2	-1.10	-0.75	5.00	**2.35**	2.86
Nicolás Correa	1	-0.95	-0.79	5.00	**2.35**	3.10
Afirma	1	-0.80	-0.82	5.00	**2.40**	3.02
Renta Corporación	5	-0.14	-0.14	5.00	**2.40**	3.02
Inmobiliaria Colonial	5	-0.19	-0.11	4.60	**2.53**	2.77
Grupo SOS	5	-0.19	-0.11	4.60	**2.53**	2.77
Puleva Biotech	1	-0.78	-0.72	5.00	**3.08**	3.61
Paternina	1	-0.98	-0.89	1.00	**-2.35**	-1.79
Iberpapel	1	-0.87	-0.72	1.00	**-1.80**	-1.57
Unipapel	2	-0.73	-0.55	1.00	**-1.80**	-1.57
Cie Automotive	2	-0.80	-0.57	1.00	**-1.79**	-1.43
Elecnor	1	-0.83	-0.73	1.00	**-1.79**	-1.57
Zinkia Entertainment	1	-0.90	-0.91	1.00	**-1.65**	-1.69

Note: The average recommendation was calculated giving the following values: "strong buy"=1, "buy"=2, "hold"=3, "underperform"=4, and "sell"=5. The Pearson correlation coefficient between the standardized rate in the Euro area and the standardized rate in the world is 98,1%

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