
FOREIGN INVESTMENT IN CATALONIA, 2008.

The Data

**Holding Companies with Shareholdings in Foreign Firms
(ETVEs)
FDI Stock**

FDI in the World

**FDI in Spain
FDI in Catalonia**

**Comparison Between Catalonia and Spain
FDI in Catalonia by Industry
FDI in Catalonia by Country**

FDI Stock: Tangible Fixed Assets and Employment

THE DATA

Gross foreign direct investment (FDI) includes direct investments that are recorded in the Foreign Investment Register and excludes transfers between non-residents and multiple entries of a single investment as a consequence of company-group restructuring in Spain.

Law 19 of 4 July 2003 on the legal system governing capital movements and financial transactions with other countries and certain measures to prevent money laundering, as well as the regulations it develops (Royal Decree 664/1999, Ministerial Order of 28 May 2001 and Ministerial Resolution of 21 February 2002), also include within gross FDI any non-resident transactions that involve:

- Shareholdings in non-listed companies.
- The constitution of branch offices or expansion of the branch network.
- The purchase of real estate for a value of more than EURO 3,005,060.52.
- Other forms of investment (foundations, cooperatives, economic-interest groupings, etc.) when the capital invested amounts to more than EURO 3,005,060.52.

Certain differences may be observed when compared with the data published by the Bank of Spain. There are two reasons for this: first, the Ministry of the Economy data do not include reinvestment of earnings or investments made by individuals in real estate; and, second, investments are recorded on the date an operation is formalized and not in different instalments, as the capital is reimbursed.

Gross FDI is broken down by type of operation, by industry and by country.

The data by **type of operation** include the volume and number of operations, and specify whether investments are made to start up new companies, increase the share capital of existing companies or acquire companies. This information is not available by autonomous community.

Breakdowns by **industry** follow the Spanish National Classification of Economic Activities (CNAE-93).

The data by **country** are broken down by immediate country and ultimate country. **Immediate country** data correspond to the country of residence of the direct holder of the investment. **Ultimate country** data refer to the country of residence of the ultimate holder of the investment, i.e. the party at the end of the chain of influence.

Holding companies with shareholdings in foreign firms (ETVEs)

Companies set up in Spain whose main object is to hold shares in foreign companies (ETVEs) may be covered by the legal system governing shareholdings in foreign firms.

ETVEs are companies that mainly carry out transfers of shareholdings in firms outside Spain within a sole corporate group. These operations generate two entries in the Foreign Investment Register: an incoming foreign investment to Spain, and an outgoing foreign investment to the other country. However, ETVEs can carry out other kinds of operations, and other companies not governed by the ETVE legal system can also carry out ETVE-type transactions.

Consequently, reference to **gross FDI (non-ETVE) data** in this article (**Productive Investment**) does not include:

- ETVE-type transactions, whether or not they are carried out by companies included within the ETVE legal system.
- Transactions carried out by companies covered by the ETVE legal system when their business is limited exclusively to holding shares in foreign firms.

FDI Stock: Tangible Fixed Assets and Employment

In the case of Spain, the **FDI stock data (or investment position)** can also be analysed. The FDI stock in Spain is calculated based on the book value of parent companies' equity capital plus any foreign financing received from the same corporate group. FDI stock is not broken down by autonomous community, although the tangible fixed assets and employment figures resulting from this stock are broken down by autonomous community.

FDI stock data eliminate the bias generated by FDI inflows recorded in the Foreign Investment Register according to the companies' headquarters.

FDI IN THE WORLD

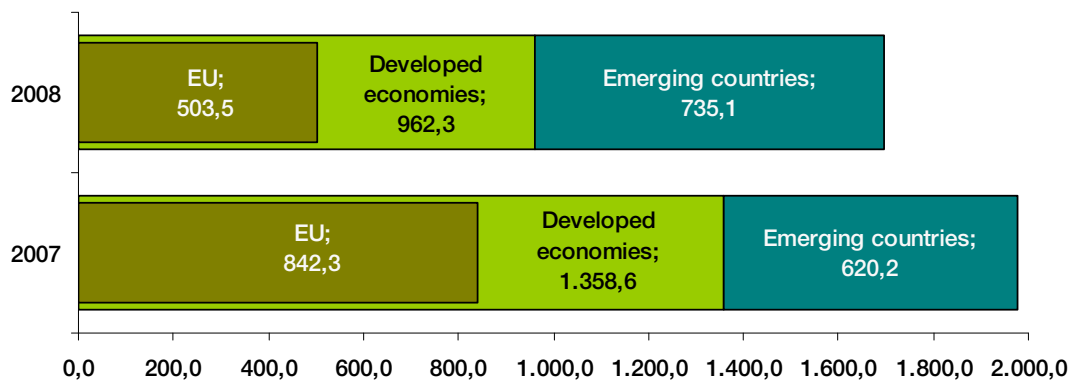
According to UNCTAD, world flows of FDI decreased 14.2% in 2008 compared with 2007 and reached \$1.7 trillion.

Decrease is more intense in **developed economies**, 29.1%, particularly in the European Union (EU), 40%, that goes back to FDI levels registered in 2005-2006. Mergers and acquisitions decrease 34.7%

However, **emerging countries** are experiencing rises of 18.5%. Mergers and acquisitions increase 12.7%

These **two different trends** create a situation where emerging countries are increasing their shares in the world flows of FDI (from 29,7% in 2006 to 36.6% in 2008) and developed economies are decreasing their shares (from 66.6% in 2006 to al 56.7% in 2008). Also, for the first time, FDI flows in emerging countries are higher than FDI flows in the EU Member states.

1) FDI IN THE WORLD, 2007-2008
(\$billion)



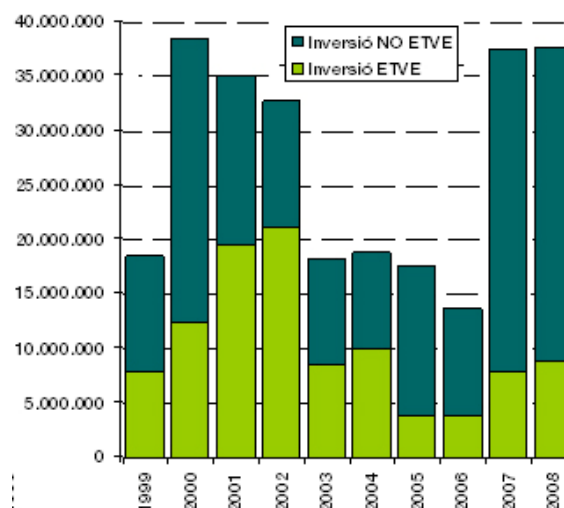
Source: World Investment Report, 2009. UNCTAD

FDI IN SPAIN

Spain shows steady FDI figures, with an increase of 0.4% with respect to 2007. Productive FDI, i.e. gross FDI, without counting ETVE transactions, decrease 2.5% whereas ETVE transactions increase 11,3% and reach 23,6% of total FDI.

2) GROSS FDI IN SPAIN (EURO million)

Year	Total Investment	% Annual Variation	ETVE Investment	% ETVE Investment/ Total	Productive Investment	% Annual Variation
2000	38,404.3	107.2	12,413.9	32.3	25,990.3	142.8
2001	35,168.5	-8.4	19,619.5	55.8	15,549.0	-40.2
2002	32,737.2	-6.9	21,135.4	64.6	11,601.8	-25.4
2003	18,296.7	-44.1	8,580.0	46.9	9,716.7	-16.2
2004	18,879.7	3.2	10,009.6	53.0	8,870.2	-8.7
2005	17,597.8	-6.8	3,910.2	22.2	13,687.5	54.3
2006	13,670.6	-22.3	3,919.4	28.7	9,751.1	-28.8
2007	37,554.3	174.7	8,016.6	21.3	29,537.8	202.9
2008	37,715.1	0.4	8,922.2	23.6	28,792.9	-2.5



Source: Spanish Ministry of Industry, Tourism and Trade.

Three investments affect the Spanish data for 2007 and 2008. The acquisition of Endesa by the Italian electric utility Enel was recorded entirely in Madrid. This was an investment of approximately €18 billion in 2007 (i.e. 50% of all FDI received by Spain that year). In 2008 there is also the operation of E.ON, €7 billion. Also in 2008, the operation of Imperial Tobacco and Altadis recorded another investment of more than €12 billion again in Madrid.

In fact, if it were not for the aforementioned acquisition, productive FDI in Spain would have been €11 billion in 2007 and €9 billion in 2008, at the 2002-2003 level.

These investments also distort FDI by territory and industry: share of industrial investment (energy and tobacco) increases and investments concentrate in Madrid, since FDI flows are assigned by company headquarters.

Other sources

The Bank of Spain estimates net FDI inflows in 2008 in 44.742 €12 million, with an decrease of 11% with respect to 2007.

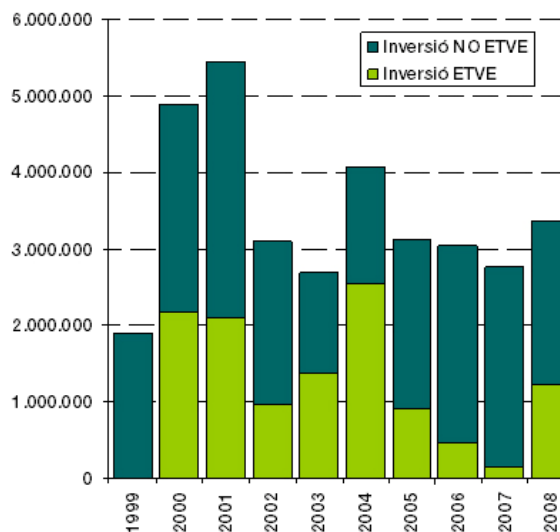
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FDI IN CATALONIA

Catalonia received €3,361 million in FDI in 2008. The increase of 22.1% with respect to the previous year's figure corresponded mainly to ETVE transactions, so the investment figure that can be deemed "productive", in the words of the Ministry, i.e. gross FDI, without counting ETVE transactions, amounted to €2,124 million and decreased 18.2%.

3) FDI IN CATALONIA
(EURO million)

Year	Total Investment	% Annual Variation	ETVE Investment	% ETVE Investment/ Total	Productive Investment	% Annual Variation
2000	4,892.9	158.5	2,158.9	44.1	2,734.0	44.7
2001	5,433.9	11.1	2,097.3	38.6	3,336.6	22.0
2002	3,097.7	-43.0	955.8	30.9	2,141.9	-35.8
2003	2,681.8	-13.4	1,376.1	51.3	1,305.7	-39.0
2004	4,070.2	51.8	2,534.3	62.3	1,535.9	17.6
2005	3,121.3	-23.3	909.9	29.2	2,211.4	44.0
2006	3,035.3	-2.8	457.8	15.1	2,577.5	16.6
2007	2,752.1	-9.3	154.3	5.6	2,597.8	0.8
2008	3,360.7	22.1	1,236.2	36.7	2,124.4	-18.2



Source: Spanish Ministry of Industry, Tourism and Trade.

Comparison Between Catalonia and Spain

In 2007 and 2008, Catalonia's share of the total Spanish FDI is abnormally lower than 10%, both for FDI and productive FDI. This is due to the investments of Imperial Tobacco, E.ON and Enel, that concentrate in Madrid, 77.7% of FDI total inflows and 82.7% of productive FDI.

Without these investments, Catalonia's share of the total Spanish FDI would have amounted between 15% and 19% (total FDI) and up to 23% (productive FDI).

4) FDI IN CATALONIA AND SPAIN

(EURO million)

Year	Total investment Catalonia	Total investment Spain	% Cat/ Esp	Productive investment Catalonia	Productive investment Catalonia	% Cat/ Esp
2000	4,892.9	38,404.3	12.7	2,734.0	25,990.3	10.5
2001	5,433.9	35,168.5	15.5	3,336.6	15,549.0	21.5
2002	3,097.7	32,737.2	9.5	2,141.9	11,601.8	18.5
2003	2,681.8	18,296.7	14.7	1,305.7	9,716.7	13.4
2004	4,070.2	18,879.7	21.6	1,535.9	8,870.2	17.3
2005	3,121.3	17,597.8	17.7	2,211.4	13,687.5	16.2
2006	3,035.3	13,670.6	22.2	2,577.5	9,751.1	26.4
2007	2,752.1	37,554.3	7.3	2,597.8	29,537.8	8.8
2008	3,360.7	37,715.1	8.9	2,124.4	28,792.9	7.4

Source: Spanish Ministry of Industry, Tourism and Trade.

FDI IN CATALONIA BY INDUSTRY

The subsectors receiving most foreign investment in Catalonia in 2008 were **chemicals, electricity and water and real estate**. These areas accounted for 50% of all FDI.

5) GROSS FDI 2008 BY INDUSTRY (EURO million)

Sector	Catalonia	Spain	Cat (%)	Esp (%)	Cat/Esp (%)
Agriculture, livestock and fishing	7.7	44.5	0.4	0.2	17.3
Electricity, gas and water	432.2	7,790.5	20.2	26.9	5.5
Mining, oil refining and fuel	0.0	110.7	0.0	0.4	0.0
Food and beverages	26.0	66.7	1.2	0.2	39.0
Tobacco	0.0	12,616.1	0.0	43.5	0.0
Textiles and clothing	16.5	19.2	0.8	0.1	86.0
Paper, publishing and graphic arts	4.8	10.0	0.2	0.0	48.0
Chemicals, rubber and plastics	226.7	387.7	10.6	1.3	58.5
Other manufactured articles	104.9	457.3	4.9	1.6	22.9
Construction	106.2	719.3	5.0	2.5	14.8
Wholesale and retail trade	183.9	713.4	8.6	2.5	25.8
Hotels and restaurants	28.2	137.8	1.3	0.5	20.4
Transport and communications	42.7	315.4	2.0	1.1	13.5
Financial int., banking and insurance	376.2	2,787.3	17.6	9.6	13.5
Real-estate activities	229.4	1,043.0	10.7	3.6	22.0
Telecom and information-technology	48.8	566.2	2.3	2.0	8.6
Health and education	59.1	132.4	2.8	0.5	44.6
Other	241.7	1,090.1	11.3	3.8	22.2

Source: Invest in Catalonia based on data from the Spanish Ministry of Industry, Tourism and Trade.

Catalan inflows to **textile, paper chemicals and food** are very significant within Spain, with percentages between 40 and 60% of Spanish FDI inflows in these sectors.

6) PRODUCTIVE INDUSTRIAL FDI 2000-2008
(EURO million)

Any	CATALONIA		SPAIN		Catalonia / Spain
	Industrial investment	% Industrial investment/ Total	Industrial investment	% Industrial investment/ Total	Industrial investment (%)
2000	887.7	32.5	2,190.8	20.5	40.5
2001	1,602.7	48.0	7,060.9	27.2	22.7
2002	565.9	26.4	3,381.0	21.7	16.7
2003	526.4	40.3	2,485.4	21.4	21.2
2004	688.1	44.8	3,037.2	31.3	22.7
2005	1,231.7	55.7	2,625.4	29.6	46.9
2006	634.7	24.6	2,125.4	15.5	29.8
2007	1,230.7	47.4	21,707.0	73.0	5.7
2008	811.0	38.2	21,456.7	72.6	3.8

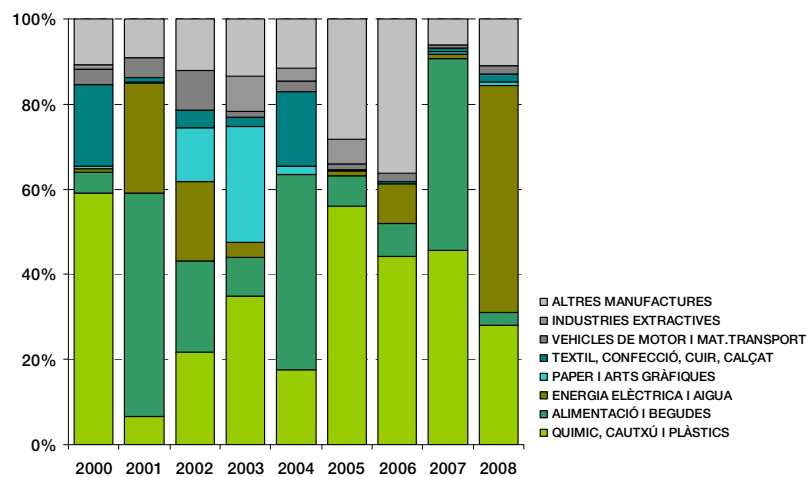
Source: Invest in Catalonia based on data from the Spanish Ministry of Industry, Tourism and Trade.

In fact, when compared with data for the whole of Spain, it can be observed that investment in manufacturing is, on the whole, higher in Catalonia than in the rest of Spain. During the 2000-2008 manufacturing accounted for 45-50% of FDI in Catalonia whereas in Spain it accounted for 20-25% until 2006 and for more than 70% in the two last years. This fact has to do, again, with the investments in energy and tobacco in Madrid, that have reduced Catalan share of industrial FDI to percentages lower than 5%.

Subsectorial data

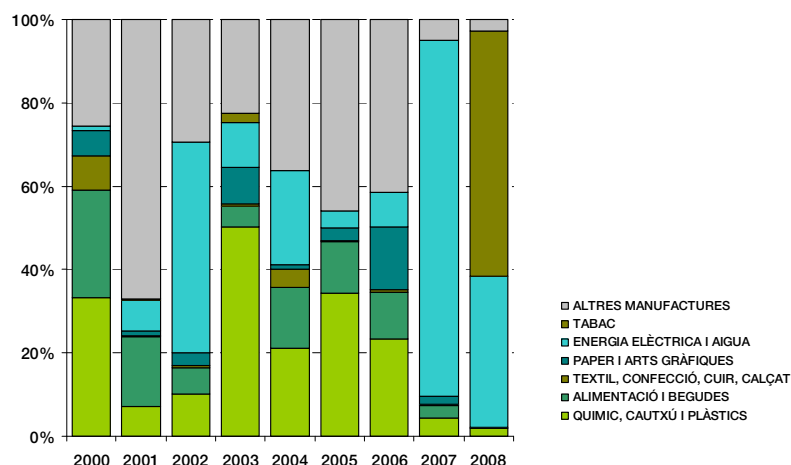
During the 2000-2008 period the chemicals industry attracted high investment. Also food and beverage, textile, paper and energy, depending on the year. Chemicals industry, capital intensive, is one of the most important sectors in Catalonia. It accounts for 16% of Catalan industrial GDP and Catalonia represents 46% of total Spanish chemical production.

7) PRODUCTIVE FDI IN CATALONIA 2000-2008. INDUSTRIAL BRANCHES (%)



In Spain, the share of chemicals industry is lower (except for 2003). Food and beverage, paper and energy are sectors that also play an important role in Spanish industrial FDI. In 2007 and 2008 tobacco and energy account for almost all Spanish industrial FDI.

8) PRODUCTIVE FDI IN SPAIN 2000-2008. INDUSTRIAL BRANCHES (%)



FDI IN CATALONIA BY COUNTRY

OECD countries account for almost all FDI in Catalonia, 94%. In 2008, 80% of all investments comes from EU Member States and 11% from the United States and Canada. North America concentrates in Catalonia 42% of their investments in Spain.

9) FDI IN CATALONIA, 2008 BY GEOGRAPHICAL AREA (EURO million)

GEOGRAPHICAL AREA	Productive investment	% productive investment	% Cat / Esp
OCDE	2,010.4	94.2	7.1
EUROPE	1,783.4	83.5	6.4
UE27	1,690.7	79.2	6.2
UE15	1,672.6	78.3	6.2
NORTH AMERICA	248.5	11.6	41.9
LATIN AMERICA	46.5	2.2	21.8
REST OF AMERICA	19.2	0.9	21.8
ASIA AND OCEANIA	37.2	1.7	15.2
AFRICA	0.2	0.0	0.1

Source: Spanish Ministry of Industry, Tourism and Trade.

By countries, the ten most important investors in Catalonia, basically European countries, account for more than 75% of total investment. The United States and Canada are included in the top ten, have a share of more than 11% of the investment and concentrate in Catalonia most of their Spanish investments: 45% and 31%, respectively, in 2008.

10) TOP TEN INVESTORS IN CATALONIA (PRODUCTIVE FDI)

2008	(EURO million)	%
FRANCE	627.5	29.4
NETHERLANDS	417.0	19.5
USA	207.5	9.7
GERMANY	167.5	7.8
UNITED KINGDOM	128.6	6.0
ITALY	127.9	6.0
LUXEMBOURG	69.4	3.2
ANDORRA	48.3	2.2
CANADA	41.0	1.9
SPAIN	36.3	1.7

2007	(EURO million)	%
ITALY	589,8	23,0
GERMANY	455,9	17,8
UNITED KINGDOM	260,4	10,1
PORTUGAL	196,8	7,7
FRANCE	196,2	7,6
USA	185,9	7,2
NETHERLANDS	156,9	6,1
SWITZERLAND	79,1	3,1
LUXEMBOURG	72,3	2,8
SPAIN	59,8	2,3

Source: Spanish Ministry of Industry, Tourism and Trade.

A number of situations in terms of FDI by country in 2008 are worthy of note (table 11):

- Some countries, such as France and the Netherlands, and to a lesser extent, Italy and the United States, account for **high percentages of FDI in Catalonia**. In these cases, Catalan FDI figures also account for high percentages of the FDI figures for the whole of Spain.
- Germany**, that concentrated in Catalonia 41% of its 2007 investment in Spain, is down in the 2008 ranking due to E.ON operation with Endesa. (the same situation of Italy in 2007 due to Enel). **United Kingdom**, that concentrated in Catalonia almost 20% of its 2007 investment in Spain, is also down in the 2008 ranking due to Imperial Tobacco operation.
- Although some other countries' figures were not outstanding as far as the overall FDI figures for Catalonia were concerned, in these cases **Catalonia also accounted for considerable shares of the FDI figures for the whole of Spain**. In 2008 this group of countries is slightly different from 2007 and includes Ireland, Argentina, Denmark, Brasil, Canada, Japan, Venezuela, China, Israel, New Zealand, Andorra, Estonia, Costa Rica, Colombia, Slovakia. Although in absolute terms these countries do not invest much in Spain, they concentrate a large proportion of what they invest in Catalonia.

- Finally, there is **India** and **Mexico**. In 2007 these two countries invested a considerable amount in Spain, but hardly invest anything in Catalonia. However, in 2008, Mexican investment in Catalonia is 21.1% of their investment in Spain and Indian investment in Catalonia is 19% of their investment in Spain.

**11) COUNTRIES THAT MOST CONCENTRATE IN CATALONIA
THEIR INVESTMENTS IN SPAIN, 2008 (EURO million)**

COUNTRY	Productive investment	% total	% Cat / Spain
SLOVAKIA	13,907	0.65	99.94
NEW ZEALAND	2,994	0.14	99.19
ESTONIA	219	0.01	95.35
COLOMBIA	4,449	0.21	80.08
ANDORRA	48,330	2.26	76.70
COSTA RICA	4,793	0.22	59.15
CHINA	618	0.03	59.05
SLOVENIA	1,325	0.06	56.14
FINLAND	4,803	0.23	55.91
ISRAEL	4,484	0.21	52.69
ARGENTINA	1,658	0.08	49.62
IRELAND	6,341	0.30	49.06
VENEZUELA	3,026	0.14	47.97
ITALY	127,889	5.99	46.58
UNITED STATES	207,508	9.72	45.27
DENMARK	28,914	1.35	37.02
RUSSIA	5,273	0.25	36.70
BRASIL	2,658	0.12	34.74
NETHERLANDS	417,052	19.54	34.00
CANADA	41,018	1.92	30.59
FRANCE	627,522	29.40	27.86
TURKEY	2,293	0.11	24.85
JAPAN	17,451	0.82	23.94
MEXICO	16,573	0.78	21.10
NORWAY	4,035	0.19	20.29
INDIA	6,615	0.31	19.01
PANAMA	5,788	0.27	18.04
AUSTRIA	5,181	0.24	17.73

Source: Spanish Ministry of Industry, Tourism and Trade.
N.B. Percentages are by ultimate country.

FDI STOCK: TANGIBLE FIXED ASSETS AND EMPLOYMENT

The data on Spain's FDI stock (or FDI position) that appear in the Foreign Investment Register are drawn from the annual reports of the companies that receive capital from non-resident investors corresponding to shares of at least 10% in the company.

Spain's FDI position at 31 December 2007 (the latest figure available) was €305.17 billion, with a 9.4% increase over 2006. Although the value of FDI stock in Spain is not broken down by autonomous community, the figures corresponding to tangible fixed assets and employment are broken down accordingly. FDI stock data eliminate the bias generated by FDI inflows recorded in the Foreign Investment Register according to the companies' headquarters.

Thus, Catalonia accounted for €26.52 billion in **tangible fixed assets**: 23.7% of the total. Madrid is the second autonomous community with a share of 23%. Between 2006 and 2007, the value of these fixed assets rose by 37.8% in Catalonia (30.8% in Spain).

12) TOTAL EMPLOYMENT AND EMPLOYMENT GENERATED BY FDI IN 2007

	Employment in Companies with Foreign Capital (jobs)	Total employment	FDI employment / Total employment (%)
Catalonia	374,980	3,510,600	9.9
Spain	1,370,780	20,356,000	6.7
Catalonia / Spain (%)	25.4	17.2	

Source: Spanish Ministry of Industry, Tourism and Trade,

Catalonia's share of new jobs is similar to that of fixed assets: with 347,980 **jobs created by foreign capital**, Catalonia accounted for 25,4% of all jobs created by foreign companies in Spain, Madrid and Catalonia jointly represented 53,7% of all jobs created by foreign companies in Spain. Within Catalonia, these 347,980 jobs represent 9,9% of all employment (3,510,600, equal to 17,2% of the total employment figure for Spain),