



Spanish Chamber
of Commerce in
the United Kingdom

EST. 1886

V B A R O M E T E R

on the Climate and Outlook for
Spanish Investment in the UK

DECEMBER 2023



Spanish Chamber
of Commerce in
the United Kingdom

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MESSAGE FROM THE PRESIDENT OF THE SPANISH CHAMBER OF COMMERCE IN THE UK

The past year has been a wicked reminder that peace and economic stability cannot be taken for granted. Since 24 February 2022, a war has been raging in the middle of Europe. There are substantial consequences for the global economy and future developments remain uncertain. As we know, the past year was characterised by rising energy prices, inflation, and fears of far-reaching economic turmoil. In spite of these calamities, British-Spanish relations provide us with hope and joy.

Launched in February 2019, the Barometer of Spanish Investments in the UK has rapidly become the only event in British-Spanish relations that discusses performance, investments, data, issues, and opportunities for Spanish companies in the UK. **It is truly bilateral in nature. It is great to see the Spanish and British Trade Ministers, the Spanish Economic and Trade Office, British and Spanish diplomats, peers and MPs, and private companies all together.** This strategy responds to what our Patrons, Members and other stakeholders tell us they need most: to engage more actively with British institutions. As usual, we enjoy teaming up with the Department for Business and Trade and the Secretaría de Estado de Comercio.

We have always defended the opportunities that the British market offers to Spanish companies. We never believed the gloom that many predicted. Of course, new issues arose and readjustments were necessary. **The Barometer shows again that Spanish companies are here to stay, and that beyond the macroeconomic uncertainties, many Spanish companies have long term plans in the UK.** This year the Barometer shows positive data about the figures of Spanish investments in the UK, still the first destination of Spanish FDI on a cumulative basis.

As the Barometer eloquently demonstrates, British and Spanish trade relations remain very strong. **The Barometer is unique in that it combines precise data with investment sentiment.** It has become an invaluable document that assists public institutions, companies, investors, universities, media, research and consultancy firms, think tanks, and more.

As a Chamber of Commerce, the year 2023 is a case in point that we are moving in the right direction despite the fact that we cannot control or predict macroeconomic and geopolitical events. **It is reassuring to see that we continue growing in Patrons and Members** and actively providing business opportunities to our Members. **We work hard so our Members reap the benefits of British-Spanish trade relations.**

I remain proud of the Spanish companies' ability to adapt to new environments and situations.

I am also proud of what many Members of the Chamber have achieved, collectively and individually. The new figures presented by the Barometer are testament of the efforts made recently by Spanish companies in the British market. These efforts have clearly paid off.

We are confident that this Barometer creates shared value for our Members and all stakeholders involved in British-Spanish relations.

We could not do this without the loyalty of all the companies that have participated as sponsors of the Barometer. Most of these companies have been involved in this initiative since 2019. Their commitment is admirable and must be commended by all of us. **It is an expression of their institutional responsibility.**

I encourage everyone to have a good read through these pages. With so much information and thought-provoking data, I am certain you will find this document extremely helpful.

Eduardo Barrachina
President of the Spanish Chamber of Commerce in the United Kingdom



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Note: the findings, assessments, forecasts and opinions presented in this report do not necessarily reflect the standpoint of the companies that sponsor it, the Official Spanish Chamber of Commerce in the United Kingdom or their Members.

EXECUTIVE SUMMARY

- **Inflation clearly remained the main concern throughout 2023.** The central banks, battling to contain inflation, continued to tighten their monetary policies as the various economies and job markets remained resilient. The economy is expected to continue to expand in 2024, although by less than in 2023, while inflation should ease further, albeit remaining above the central banks' target.
- **The UK has cemented its position as the top destination for Spanish overseas investment over the long run.** In 2021, the last year for which investment stock figures are available, the stock of Spanish foreign direct investment (FDI) in the United Kingdom registered growth for the first time since 2017, to €73.85 billion (growth of 22% from 2020).
- **In 2021, the UK remained in second place in the ranking of countries that are home to the stock of Spanish FDI but closed the gap with the US.** 14.8% of the stock of Spanish FDI is accounted for by the UK, which closed the gap with the US, which remains the number-one destination (accounting for 15.1% of the total). Moreover, of the €44.37 billion year-on-year increase in the stock of Spanish FDI in 2021, €13.19 billion went to the UK, which is 30% of the total.
- **Spanish FDI in the UK contributed to the generation of 128,000 jobs in 2021,** equivalent to around 0.4% of total nationwide employment. That is less than the estimate for 2020 as a result of a different destination sector mix.
- **The stock of Spanish FDI in the UK as of 2021 remained high across its traditional sectors, except for telecommunications, where it contracted by 18.9% year-on-year.** Financial services was once again the sector holding the highest volume of Spanish investment (€22.87 billion).
- **Since 1993, the UK has attracted €165.6 billion of Spanish FDI flows.** Spanish investment in the UK has been increasing since 2018, particularly in 2020 and 2021 (€3 billion and €4.15 billion, respectively). In 2022, that growth slowed to €512 million year-on-year, but remained above the long-run average of €309 million. The let-up in flows continued in the first two quarters of 2023. Specifically, 2Q23 flows were equivalent to 10% of 2Q22 flows (€48 million compared to €458 million a year ago).
- **Out of the most popular destinations for Spanish FDI, the UK cornered the highest volume of investment flows between 2019 and June 2023.** The UK remained the biggest recipient of Spanish investment flows in 2022 by a wide margin, garnering close to €9 billion, compared to the €4.3 billion invested in the US and the €6.5 billion that went to Luxembourg.

• **Spanish investment in the UK is concentrated in the services sector, within which it is highly diversified.** Despite the draw of certain industrial sectors, the telecommunications and financial sectors are the main recipients of Spanish FDI in the UK, although the manufacture of other non-metallic mineral products registered strong growth in 2022. However, investment outside of services stagnated somewhat during the first half of 2023, when virtually all Spanish FDI flows to the UK went to the financial, telecommunications and energy sectors. In fact, the energy sector was the only sector to attract more investment than in 2022.

• **Spain's investment appetite for the UK market waned in 2018 and 2019, when Brexit-related uncertainty was at its height.** Following those contractions, investment went on to recover until 2022. However, the general downturn in Spanish investment abroad during the first half of 2023 was also felt in the UK.

• **The Spanish firms established in the UK reported a better assessment of the British business climate than in 2022.** Nearly two-thirds of the firms surveyed rated the climate as acceptable or better. Moreover, the number of firms perceiving a deterioration in the business climate over the past year decreased by 16 percentage points (pp).

• **The top-rated attribute of the business climate in the UK in the Spanish firms' eyes was once again the existence of a favourable ecosystem for digital transformation.** However, supplier costs emerged as the worst-rated attribute this year for the firms surveyed.

• **Around half of the Spanish firms in the UK said that inflation was the phenomenon that had the biggest impact on their business models during the past year.** In addition, more than one in four companies (27%) said they were affected by staff shortages. However, nearly 70% of the Spanish firms acknowledged they had not changed their investment schedules in the UK as a result of the widespread increase in interest rates designed to curb and reverse the surge in inflation last year.

• **The firms' outlook for their business activity in the UK is brighter** than reported in previous surveys. Specifically, over half of the **Spanish firms consulted expect their UK revenue, investments, and headcounts to increase in 2024.** Asked about where they plan to channel their investments, around one-fifth of the respondents said they would invest primarily in new digital technology and new marketing initiatives, as well as spending more on staff hiring in the UK. Geographically, the investments planned for 2024 will go primarily to greater London and the rest of England.

• **The large majority (91%) of Spanish companies expects the UK to remain a strategic market.** A mere 1% of the firms surveyed said they were considering the possibility of leaving the British market in the next five years.



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PART I

SPANISH INVESTMENT IN THE UK

1. MACROECONOMIC CONTEXT IN THE UK AND SPAIN: MONETARY POLICY TIGHTENING AND THE BATTLE AGAINST INFLATION

Inflation clearly remained the main concern throughout 2023. The central banks continued to tighten their monetary policies in an attempt to contain inflation in the face of continued economic and labour market resilience. The economy is expected to continue to expand in 2024, although by less than in 2023, while inflation should ease further, albeit remaining above the central banks' target.

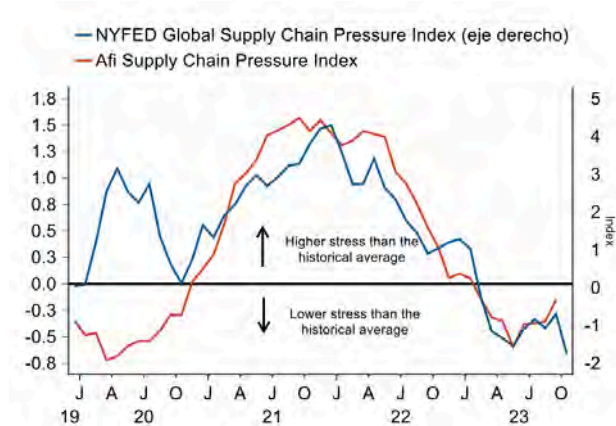
The international context remains uncertain, marked by a succession of mini-crises, such as the pension crisis in the UK and the regional bank crisis in the US. The ongoing battle to curb inflation continued to dictate the macroeconomic environment throughout 2023. The armed conflict between Russia and Ukraine, which hit the markets hard in 2022, has dragged on, with no signs of a resolution in the short term. The frontline in eastern Ukraine has not budged for many months, stringing out the conflict. War-sensitive international energy (oil and gas) prices have come down from their peaks of mid-2022. Brent oil prices peaked at \$110/barrel back then, with natural gas prices peaking at \$230/MWh. Stockpiling during the first half of 2022 allowed the eurozone, highly dependent on Russian gas, to pre-empt energy scarcity during the winter. At present, the prices of both commodities are below 2022 levels, helping to ease inflationary pressures.

As a result, the developed economies embarked on a disinflation process in 2023, which consisted of lower energy prices, as well as a significant easing in supply chain friction (which had been a source of inflation, particularly via industrial goods). The central banks continued to tighten their monetary policies in an effort to contain inflation in the face of continued economic and labour market resilience. In the US, the Federal Reserve raised its benchmark rate to over 5%, a level not seen since 2007, while in Europe the ECB increased its deposit facility rate to 4%. Despite the higher cost of money, the economy proved more resilient than expected throughout the first half.

Indeed, it did not begin to show tangible signs of slowing until the third quarter, more so in Europe, where the impact of monetary policy decisions on the real economy has been more evident. Firstly, the economic slowdown was felt in the manufacturing industry, from where it later spread to the services sector. Elsewhere, the prices of energy commodities, particularly oil, have been tightening once again because of: (i) oil production cuts announced by the Organization of the Oil Exporting Countries (OPEC); (ii) the ban on Russian oil exports to meet domestic demand; and (iii) the onset and escalation of the conflict in the Middle East. Against this backdrop, the economy is expected to continue to expand in 2024, although by less than in 2023, and inflation should ease further, albeit remaining above the central banks' target. Neither Spain nor the UK is immune from these events, although the unique characteristics of each economy have yielded a series of differences in the key macroeconomic indicators that are worth highlighting.

TREND IN SUPPLY CHAIN FRICTION

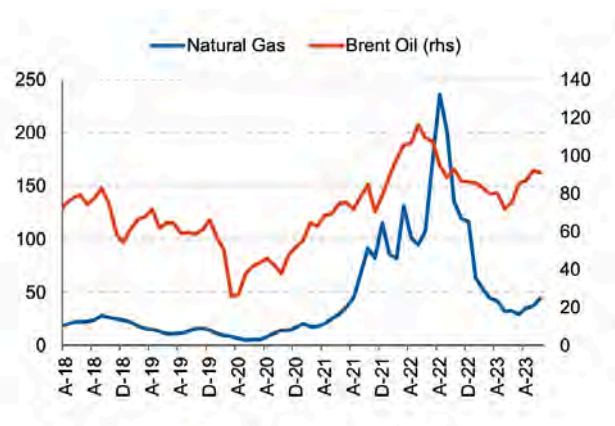
(deviations with respect to the historical mean)



Source: Afi, Macrobond

INTERNATIONAL ENERGY PRICES

(USD/barrel and USD/MWh)



Source: Afi, Macrobond

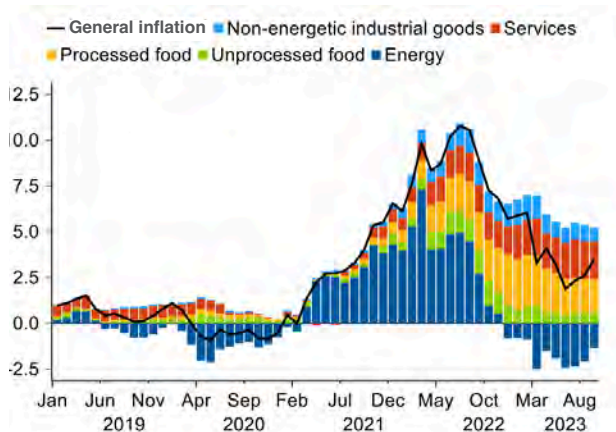
Inflation was clearly the main concern once again in 2023. Although inflationary pressures continued to smoulder in both the UK and Spain, they eased more intensely in the latter.

In the UK, inflation reached 11% year-on-year in the last quarter of 2022. Since then, British inflation has come down, reaching 6.7% year-on-year by September. Energy prices, for both electricity and fuel, have been the main source of the drop in inflation in 2023: having accounted for nearly half of inflation in 2022, those products have been deflationary (in respect of fuels) in recent months. The inflation baton has since been passed on to the goods, services, and food components.

In Spain, inflation has declined more rapidly. Specifically, year-on-year rates of growth in the consumer price index (CPI) went from over 10% in mid-2022 to around 3% in recent months. The effect of the ceiling in gas prices, coupled with optimal inventory levels for the whole year, was key. The fiscal measures put in place at the start of this year (fuel subsidy for professionals, VAT cuts on some food products, among others) have also played a role, albeit a much smaller one than the above set of measures. As in the UK, inflation has stayed high in the industrial goods, services, and food components (essentially, processed foods), suggesting that when: (i) the deflation via energy on account of the significant base effect; and (ii) the fiscal measures disappear (the latter in January 2024), inflation will settle at slightly over 3%.

HEADLINE INFLATION IN SPAIN AND DRIVERS

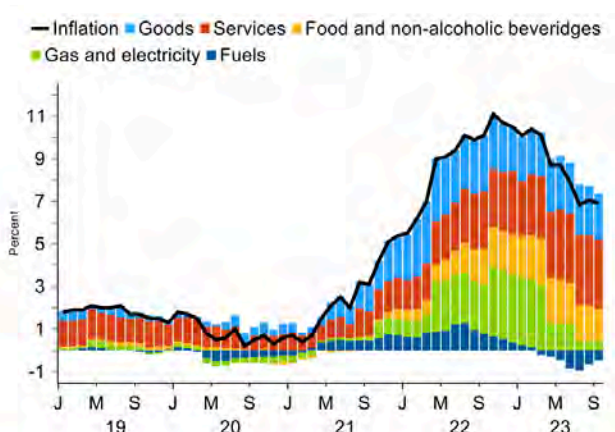
(% YoY)



Source: Afi, Macrobond

HEADLINE INFLATION IN THE UK AND DRIVERS

(% YoY)



Source: Afi, Macrobond

The trend in core inflation (the prices of goods and services excluding unprocessed items, which are more volatile) and the possibility of second-round effects are more worrying. In both countries, inflation has translated into higher growth in wages than observed before the pandemic, especially in the UK. Since early 2022, wage growth in the UK has been hovering at 8% year-on-year, a level that is worrying the Bank of England, as it is hindering its task of bringing inflation back within its target of 2%. In Spain, the pay increases negotiated collectively have climbed to 3%, almost 4% in the case of large corporations, levels that are considerably below those observed in the UK and in line with the “income agreement” hammered out between employers and unions last May.

TREND IN WAGES AND CORE INFLATION IN SPAIN (% YoY)



Source: Afi, Macrobond

TREND IN WAGES AND CORE INFLATION IN THE UK (% YoY)

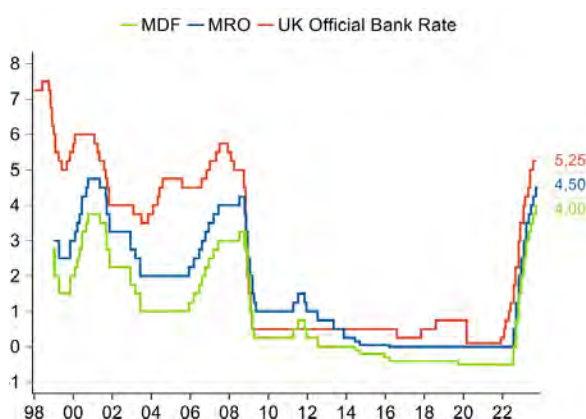


Source: Afi, Macrobond

Faced by considerable upward pressure on wages and stubbornly high core inflation, the central banks in both countries (the ECB in the case of Spain) have been forced to continue to tighten their monetary policies. Since the beginning of the year, the Bank of England has increased its official rate by 175 basis points to 5.25%. Since mid-2022, the cumulative increase stands at over 500 basis points, making this one of the most intense and fastest-tightening cycles in its history. The only periods when monetary tightening in the UK was more pronounced were 1977-79 and 1984-85.

Meanwhile, the ECB has increased its benchmark rate by 200 basis points so far this year, leaving the repo rate at 4.50% and the deposit facility rate at 4%. Since mid-2022, the cumulative increase stands at over 400 basis points, marking the sharpest cycle of rate tightening in the ECB's (admittedly short) history.

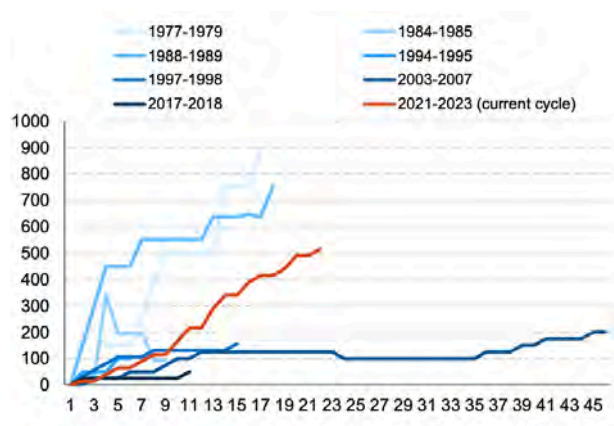
OFFICIAL INTEREST RATES IN THE EUROZONE AND UK (%)



Source: Afi, Macrobond

RATE TIGHTENING CYCLES IN THE UK

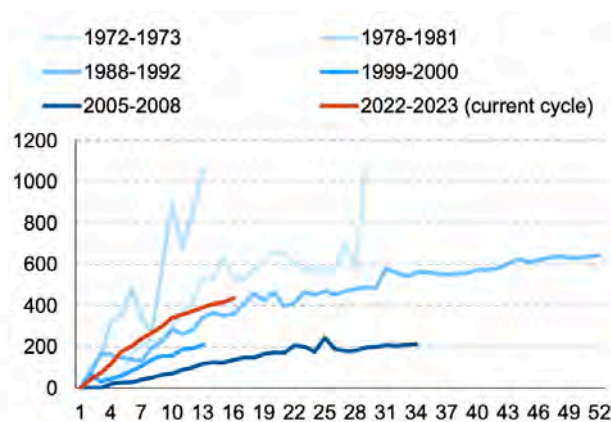
(basis points)



Source: Afi, Macrobond

RATE TIGHTENING CYCLES IN SPAIN⁽¹⁾

(basis points)



Source: Afi, Macrobond

Despite the monetary tightening undertaken by both central banks, the British and Spanish economies have proven more resilient than expected.

In the UK, the Q2 2023 growth figure of 0.2% topped the Bank of England's estimate of 0.1% and the market consensus forecast of 0%, despite slowing slightly from 1Q23 (when the British economy grew at a quarterly rate of 0.3%). In year-on-year terms, however, the British economy accelerated from growth of 0.5% in 1Q23 to 0.6% in 2Q23. Among the factors fuelling growth during the first half of the year, the contribution by overseas demand stands out. Private consumption also made a positive, but less significant, contribution. The downturn in private investment is evident, having detracted notably from growth for four consecutive quarters. In absolute terms, before the statistical revisions of September, the UK was one of the few countries not to have reached its pre-pandemic GDP level. However, the revised Office for National Statistics' (ONS) GDP figures have since confirmed that the British economy reached that milestone during the last quarter of 2021. In fact, British GDP is currently nearly 2% above pre-pandemic levels.

In Spain, growth has been sustained and vigorous throughout 2023. GDP registered quarterly growth of 0.6% and 0.5% in 1Q23 and 2Q23, respectively, for year-on-year growth of over 2%. As in the UK, foreign demand played a key role in the growth recorded in the first quarter of the year. However, that momentum waned in the second quarter, as the international economic backdrop deteriorated, with Spain's main trading partners (Germany and the rest of the Eurozone countries) slowing palpably. The good news came from domestic demand, which has remained strong throughout the first half of the year. Although Spain took nearly a year longer than the UK to return to its pre-pandemic GDP, the gap between the two countries has closed in 2023, thanks to the relatively faster growth in Spain.

(1) Germany's benchmark rates were used as reference prior to 1999.

(% YoY | drivers)



(% YoY | drivers)



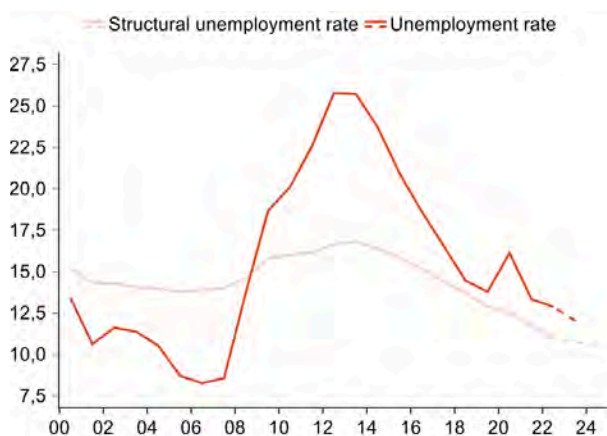
(rebased 4Q19 = 100)



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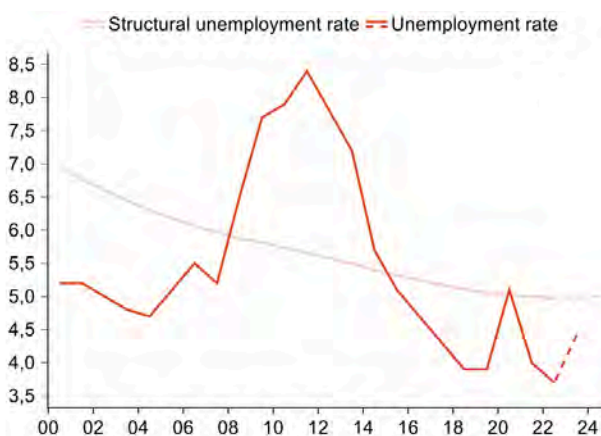
Meanwhile, the Spanish labour market has continued to perform well, with unemployment dipping below the 12% mark and the number of people in employment exceeding 21 million. Although the economic slowdown has translated into more normal job creation figures lately, (+0.75% in 3Q23 vs +1.3% in 2Q23), we are not anticipating a significant increase in unemployment going forward. The Spanish economy's NAWRU (estimated at around 10%) is below the current unemployment rate, suggesting that, in Spain, there is still some margin for improvement in this macroeconomic indicator.

UNEMPLOYMENT RATE IN SPAIN (%)



Source: Afi, Macrobond, AMECO

UNEMPLOYMENT RATE IN THE UK (%)

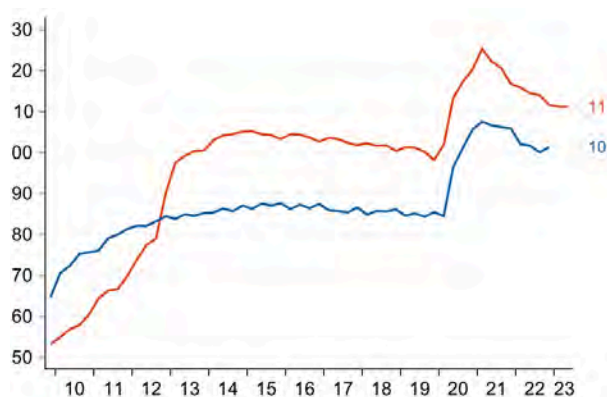


Source: Afi, Macrobond, AMECO

Other aspects to watch closely in the short and medium term, following the sharp increase in the cost of money, are public debt and the deficit. Both countries present high public debt levels, of over 100% of GDP, exposing them to a significant increase in interest expense. The UK 10-year sovereign bond, or Gilt, is currently trading at 4.7%, and the Spanish 10-year equivalent is also trading above 4%. The increase in sovereign debt interest rates will drive an increase in public spending on debt service (despite the efforts made by both Treasuries in recent years to extend the average life of their debt portfolios), making it harder for both economies to reduce their public deficits and attain the holy grail of a balanced budget.

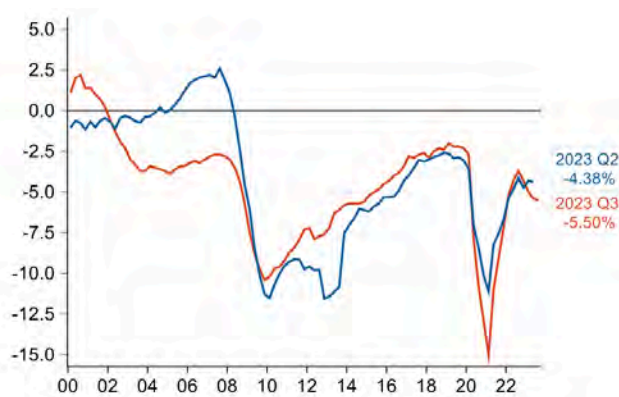
Both economies are running sizeable public deficits, of over 4% of GDP. The economic slowdown, which will curb the growth in public revenue (via taxes), coupled with the increased cost of public debt (higher interest expense), does not bode well for either country's public finances in the coming years.

PUBLIC DEBT (% of GDP)



Source: Afi, Macrobond

PUBLIC DEFICIT (% of GDP)

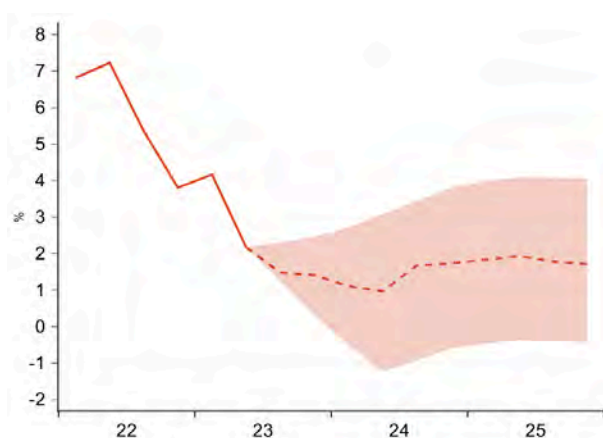


Source: Afi, Macrobond

In short, the snapshot for 2024 is one of slowing growth and easing inflation. The markets and central banks expect interest rates to stay higher for longer in order to control inflation, accepting the possible economic collateral. The outlook, therefore, predicts a more pronounced slowdown in the coming quarters. The Spanish economy is expected to grow by less than 2% in 2024 and 2025, and the probability of even lower growth is high. The hope for growth above that threshold lies with accelerating execution of the Next Generation EU (NGEU) funds. Approval of the addendum by Brussels moves the bulk of the economic impact of the funds to 2024, so this scenario cannot be ruled out. In the UK, the Bank of England expects the economy to stagnate at levels of around 0% during the next two years. A downturn in internal demand, as the effects of monetary tightening and loss of purchasing power multiply, coupled with waning momentum in foreign trade, is the reason for the more pronounced slowdown anticipated in the UK. Despite this climate of heightened uncertainty, however, the British economy is expected to avoid recession, demonstrating the resilience of British households and businesses to strong inflationary pressures and tightening financial conditions.

AFI'S FORECASTS FOR GDP GROWTH IN SPAIN

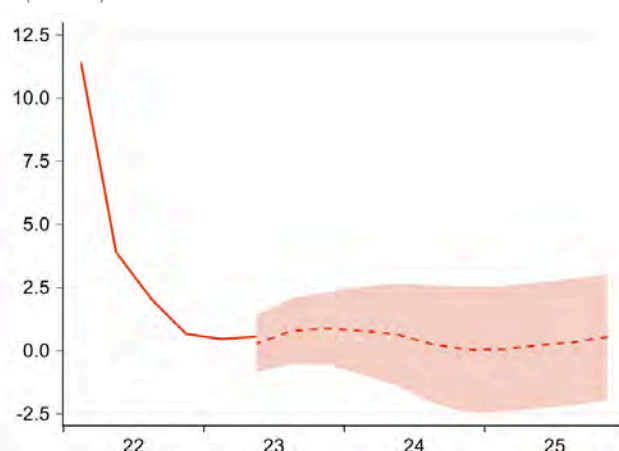
(% YoY)



Source: Afi, Macrobond

BANK OF ENGLAND'S FORECASTS FOR GDP GROWTH IN THE UK

(% YoY)

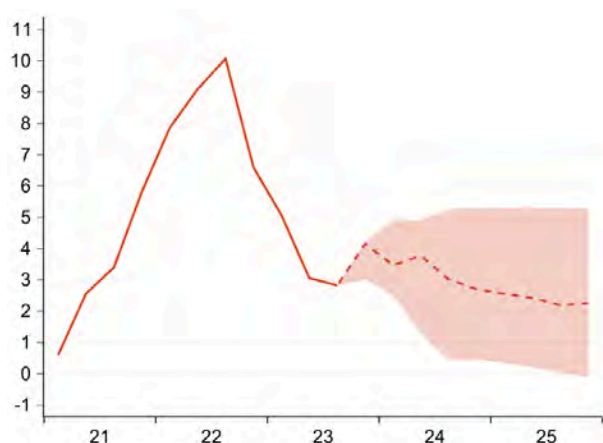


Source: Afi, Macrobond, Bank of England

Turning to prices, inflation in both Spain and the UK is expected to remain above 2% (the level targeted by their central banks) during the next two years, justifying the ECB's and Bank of England's decision to keep monetary policy contractionary. With energy prices moving higher again and internal wages rising at a faster pace, inflation is forecast at annual rates of 3.8% and 7.8% in 2023 in Spain and the UK, respectively. In 2024, both rates are expected to continue to come down, albeit remaining above 3% in both instances (3.2% in Spain and 3.8% in the UK).

AFI'S FORECASTS FOR INFLATION IN SPAIN

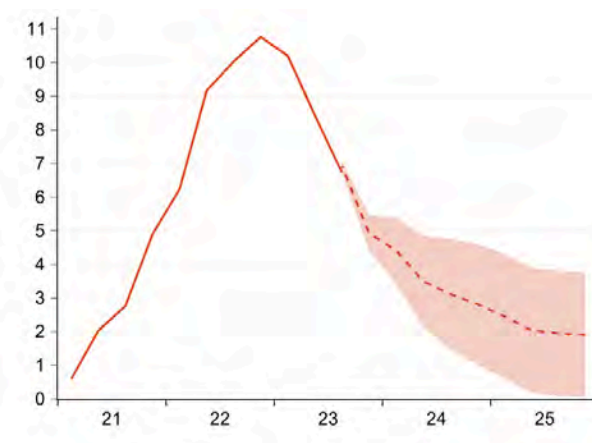
(%)



Source: Afi, Macrobond

AFI'S FORECASTS FOR INFLATION IN THE UK

(%)



Source: Afi, Macrobond, Bank of England

2. STOCK OF SPANISH FDI BY RECIPIENT COUNTRY

In 2021, the last year for which FDI stock statistics are available, the UK reaffirmed its position as the most significant recipient of Spanish investment over time. Indeed, the stock of Spanish FDI in the UK increased for the first time since 2017 to €73.85 billion. As a result, the UK closed the gap with the US, which accounted for 14.8% and 15.1% of all Spanish investment overseas as of 2021, respectively. From the UK's perspective, Spain remains one of its main sources of inbound FDI.

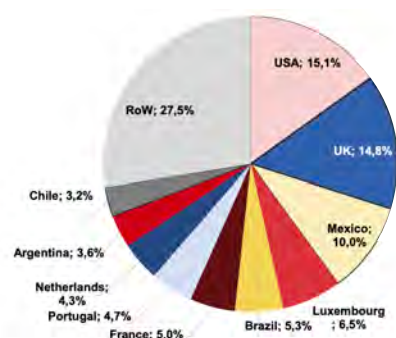
2021 was marked by a recovery in FDI flows globally, spearheaded by the developed economies, revisiting pre-pandemic levels. The improved dynamism in investment flows was evident in the stock of Spanish investment overseas, which increased from €454.75 billion in 2020 to €499.12 billion in 2021, with 30% of that flow going to the UK (€13.19 billion). As a result, the stock of Spanish FDI in the UK increased by 22% that year and, although the **UK continued to place second in the ranking of recipients of Spanish investment as of 2021, it increased its share from 13.3% in 2020 to 14.8%.**

As already noted, **Spanish investment in the UK increased by a substantial 22% in 2021, from €66.67 billion in 2020 to €73.85 billion.** The increase in that stock was widespread across the various sectors, although *Wholesale of electronic and telecommunication equipment and parts* recorded an extraordinary increase of €12.09 billion on account of the merger between subsidiaries of Telefónica of Spain and Liberty in the UK. In contrast, the US, home to the highest volume of Spanish FDI, saw its stock of Spanish investment contract in 2021, from €80.61 billion to €75.37 billion, largely due a decrease of €5.23 billion in investment in *Extraction of crude petroleum* that year.

Expressed as a percentage of the total, the UK recovered its share of total Spanish outbound FDI for the first time since 2017, from 13.3% of the total in 2020 to 14.8% in 2021. On the other hand, the US saw its market share shrink, from 17.7% of all Spanish FDI in 2020 to 15.1% in 2021, putting it back at around 2012 levels. Unlike the account provided in the last Barometer (using stock data as of 2020), when Luxembourg was the only one of the main recipients to report an increase in its stock of Spanish FDI in 2021, this year's panorama is more encouraging, with the UK, Mexico, Luxembourg, France, Portugal, and Argentina all reporting double-digit year-on-year growth in Spanish FDI in 2021. Luxembourg extended the trend observed in 2020, increasing its share of the total stock of Spanish FDI from 4.8% to 6.5%, which is double the 2019 share (3.2%).

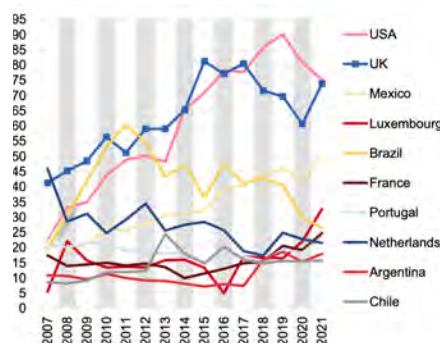
According to data provided by Spain's Secretary of State for Commerce, the stock of Spanish FDI in the UK experienced sustained and uninterrupted growth between 2007 and 2015. That trend reversed course in 2016, however, with the UK ceding first place to the US in 2018; in 2020, the stock of Spanish investment in the UK contracted by €9 billion. Against that backdrop, the €13.19 billion increase in the stock of Spanish FDI in the UK in 2021, comparable with the increase registered in 2015, marks an inflection point in the previous downturn, closing the gap with the US and consolidating the UK's position as *the most important destination for Spanish overseas investments over the last 13 years.*

STOCK OF SPANISH FDI AS OF 2020, BY COUNTRY (percentage breakdown)



Source: Afi, Secretary of State for Commerce

LONG-TERM TREND IN THE STOCK OF SPANISH FDI by country (€ billion)

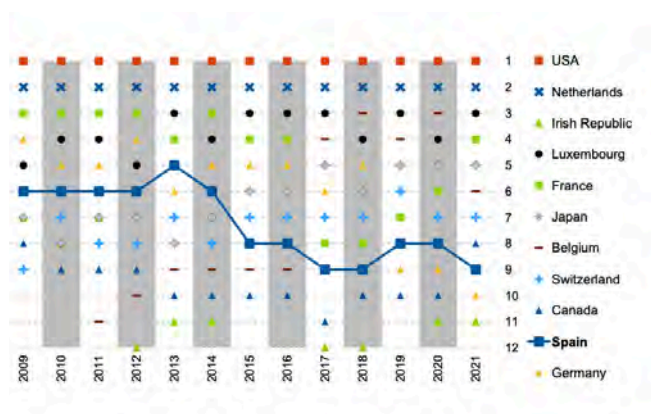


Source: Afi, Secretary of State for Commerce

From the UK's perspective (i.e. based on the data published by the UK's Office for National Statistics, or ONS), Spain has ranked among the top ten international investors since 2009, falling slightly in the rankings between 2014 and 2015, and it has steadily held eighth or ninth position since. The US and the Netherlands remain the UK's number one and two foreign investors, accounting for 33.7% and 10.9% of the UK's total stock of inbound FDI as of the end of 2021, respectively. Note that the UK Offshore Islands account for 10.2% of the stock of FDI in the UK.

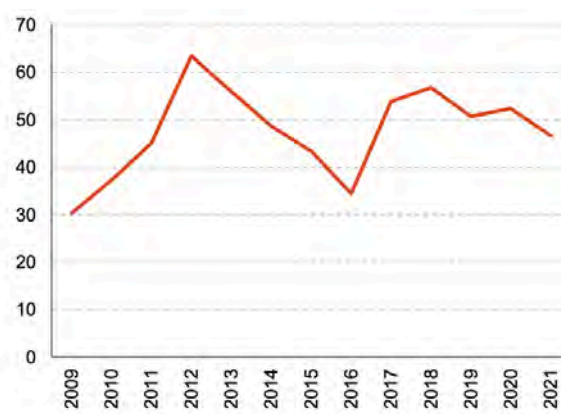
Volume-wise, according to ONS statistics, the stock of Spanish investment in the UK decreased from €52.34 billion to €46.64 billion between 2020 and 2021 to account for 2.1% of all foreign investment in Britain. Despite the slight reduction recorded by the ONS in 2021, the stock of Spanish investment in the UK remains well above the minimums observed in 2015 and 2016, when it shrank to €30.5 billion.

RANKING OF THE STOCK OF FDI IN THE UK BY COUNTRY AND YEAR



Source: Afi, Office for National Statistics

LONG-TERM TREND IN THE STOCK OF SPANISH FDI IN THE UK (€ billion)



Source: Afi, Office for National Statistics

(2) The metric used to calculate the stock of FDI by country published by the ONS is not the ultimate investing country criterion, so that the data published by Spain's Secretary of State for Commerce and the UK's ONS can differ significantly.

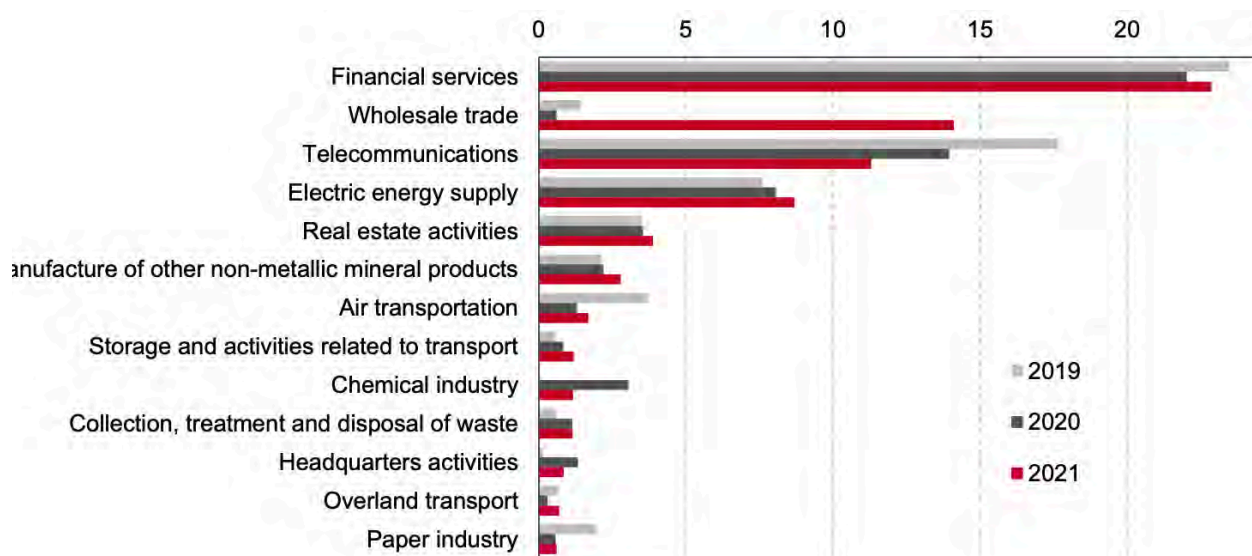
3. STOCK OF SPANISH FDI IN THE UK BY SECTOR

In 2021, the stock of Spanish FDI in the UK increased in the majority of the most important sectors. The exception was Telecommunications, where that stock decreased by 18.9% year-on-year. The growth in the investment stock was concentrated in Wholesale of electronic and telecommunication equipment and parts, due to the merger between Spain's Telefónica with Liberty's subsidiaries in the UK.

In 2021, *Financial services* was once again the sector that drew the highest volume of Spanish investment, prompting a small increase of 3.8% in its stock relative to 2020. Among the top-ranked sectors, the increase in the stock of Spanish investment in the British *Wholesale trade* stands out, jumping from €606 million to €14.11 billion between 2020 and 2021. More specifically, the stock of Spanish FDI is concentrated in the *Wholesale of electronic and telecommunication equipment and parts*, which on its own accounts for €12.09 billion. That phenomenon is attributable to the merger between subsidiaries of Spain's Telefónica and Britain's Liberty, announced in mid-2021. The third biggest recipient of Spanish investment, *Telecommunications*, sustained the biggest contraction in investment volume, from €13.95 billion to €11.31 billion between 2020 and 2021, a drop of 18.9%. The divestment was concentrated in *Wired telecommunications*.

STOCK OF SPANISH FDI IN THE UK BY SECTOR: 2019, 2020 AND 2021

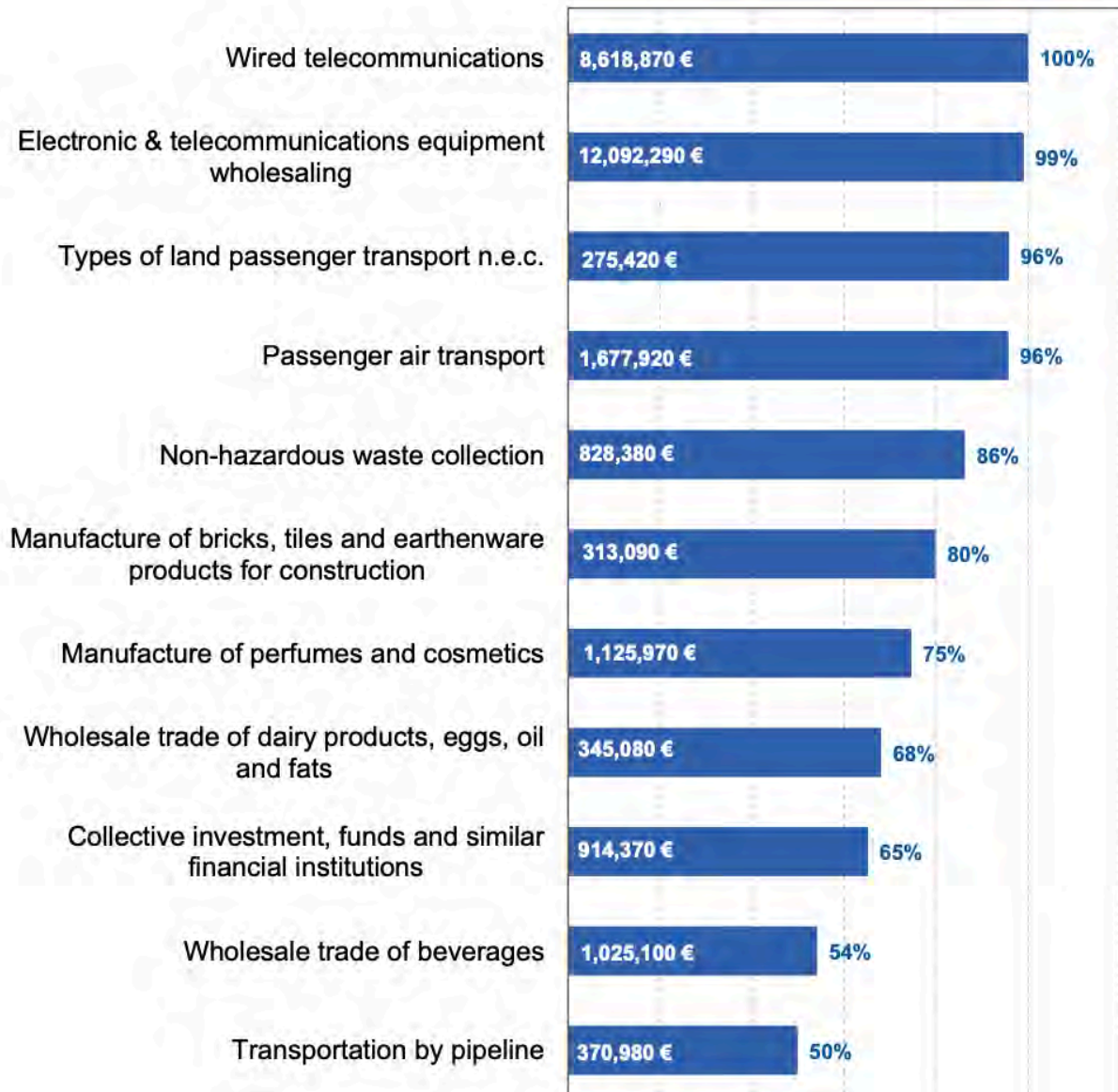
(excluding investments channelled through ETVEs | € billion)



Source: Afi, Secretary of State for Commerce

In analysing the relevance of the UK as a destination for Spanish investment, we see that the UK plays a prominent role in several sectors. Firstly, it should be pointed out that, in the *Wired telecommunications* sector, all Spanish FDI is concentrated in the UK. Likewise, Spanish investment in the UK represents over 95% of its total FDI worldwide in the following subsectors: *Wholesale of electronic and telecommunication equipment and parts*, *Land transport and Passenger air transport*. Between them, these four subsectors accounted for 31% of the total stock of Spanish FDI in the UK in 2021. Other important subsectors, accounting for more than three-quarters of global Spanish FDI in those sectors, are *Waste treatment and disposal*, *Manufacture of bricks and tiles* and *Manufacture of perfumes and toilet preparations*.

SPANISH FDI IN THE UK BY KEY SECTOR: PERCENTAGE OF TOTAL SPANISH FDI IN THE VARIOUS SECTORS AND ABSOLUTE INVESTMENTS AS OF YEAR-END 2021



Source: Afi, Secretary of State for Commerce

Financial services, the British sector with the highest stock of Spanish FDI as of 2021 (€22.87 billion), also increased its share of global Spanish FDI in that sector in 2021, from 16% in 2020 to 18%. Additionally, the *Electricity supply* sector was home to 12% of the total stock of Spanish FDI in the UK (€8.69 billion) and accounted for 20% of worldwide Spanish FDI in the sector.

4. CUMULATIVE FLOWS TO 1H23

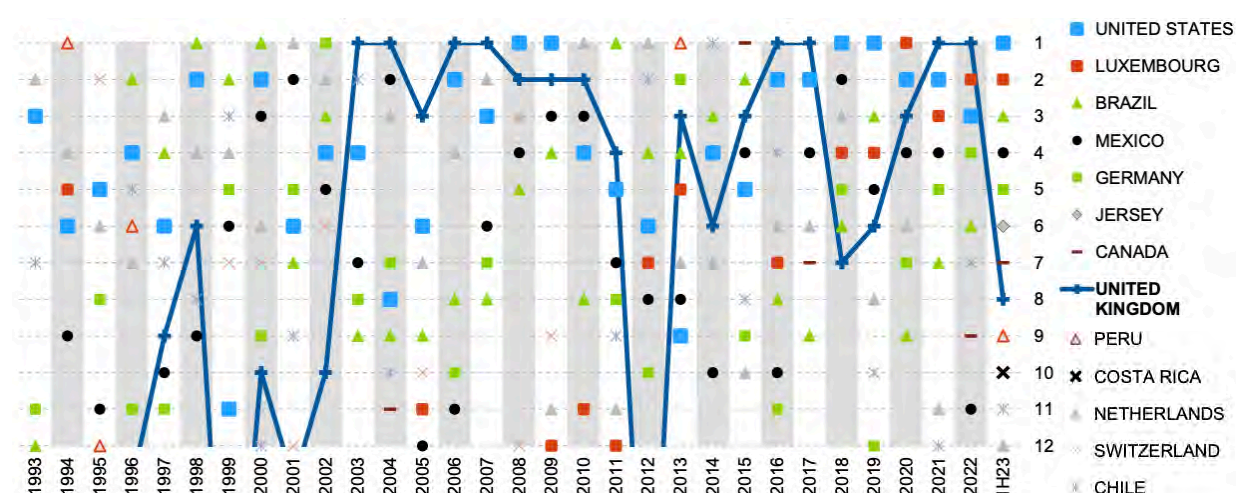
Since the start of the historical series in 1993, the UK has attracted €165.6 billion of Spanish FDI flows. The upward trajectory in the flow of Spanish investments in the UK that began in 2018 continued until 2022. Flows of Spanish FDI to the UK increased sharply in both 2020 and 2021 (by €3 billion and €4.15 billion, respectively). That growth slowed down to €512 million in 2022, a figure that was nevertheless above the historical average (€309 million). That slowdown in flows carried over to the first half of 2023. Flows to the UK in 2Q23 were a mere 10% of those recorded in 2Q22, falling from €485 million in 2Q22 to €48 million in 2Q23.

On a cumulative basis, over the course of the period for which the data is available, (from 1993 to the end of the first half of 2023), the UK has received over €165.6 billion of Spanish FDI (gross investment by immediate investing country and excluding transactions channelled through foreign security holding companies, or ETVEs (for their acronym in Spanish), which is 18.1% of all Spanish outward investment during that timeframe (up from a cumulative 17.9% a year ago). During the period elapsing since the Brexit referendum (2Q16), investment flows into the UK have summed nearly €42 billion, which is over 19% of all Spanish FDI flows worldwide during that timeframe.

Since last year's edition of the Barometer (2022), prepared on the basis of the data available as of the end of the first half of 2022, flows of Spanish investment abroad appear to have been negatively affected by: (i) the current climate of uncertainty; (ii) heightened geopolitical tensions; (iii) the higher cost of money; and (iv) dimmer growth prospects, particularly the latter two factors. In the UK, the stock of Spanish FDI increased by close to €512 million in 2022, which is a much smaller increase than was recorded in 2021 (€4.15 billion). The second-quarter 2023 figures point to additional deterioration. Specifically, the UK received €48 million in Spanish investment, compared to €458 million in the same period of 2022. In other words, the flows to the UK in 2Q23 were just one tenth of those recorded a year earlier.

RANKING OF SPANISH FDI FLOWS BY COUNTRY AND YEAR

(excludes investments channelled through ETVEs)



Source: Afi, Secretary of State for Commerce

Nevertheless, the UK continues to rank consistently in the list of the top 10 destinations for Spanish investment (gross flows). It has ranked first on nine occasions in the last 20 years (most recently in 2021 and 2022) and second on another three.

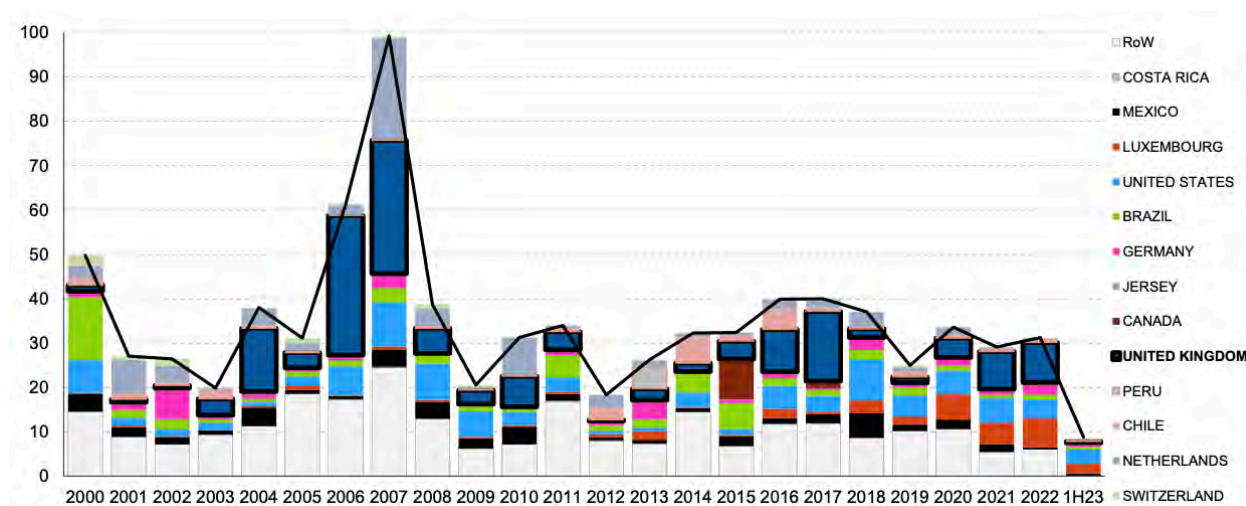
Flows of Spanish investment into the UK have been increasing since 2014, with the exception of 2018 and 2019 (when those flows amounted to €1.9 billion and €1.2 billion, respectively). The trend has been positive since 2020. In 2021, flows amounted to €8.4 billion and in 2022, nearly €9 billion (double those of 2020). Following an excellent performance in 2022, the outlook for 2023 is not as good. Spanish FDI flows amounted to €241 million in the first half of 2023, which is equivalent to 28% of the level registered in the first half of 2022. The UK was not the only destination to see its flows drop, as global FDI flows were likewise 25% below the year-earlier figure (1Q22).

As already noted, tighter monetary policy, reduced growth prospects and increasing geopolitical risks are the chief factors exerting downward pressure on FDI flows this year. Spain's relative resilience, however, could curb the downturn in FDI flows overseas relative to those invested by other OECD economies.

The UK remained the biggest recipient of Spanish investment flows in 2022 by a wide margin, garnering close to €9 billion, compared to the €4.3 billion invested in the US and the €6.5 billion that went to Luxembourg. In fact, the UK attracted the highest volume of Spanish investment flows of any country between 2019 and June 2023 (€23.3 billion, followed by the US, at €23 billion).

GROSS SPANISH FDI FLOWS BY COUNTRY TO 2Q23

(€ billion | UIC | excluding ETVEs)



Source: Afi, Secretary of State for Commerce

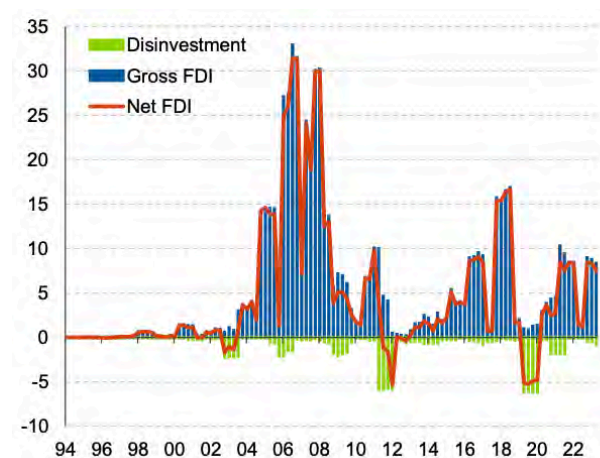
The nature of Spanish investments in the UK remains **eminently productive**, as evidenced by the fact that the vast majority are not channelled through ETVEs.

Although the figures from the first half of 2023 reveal a slight uptick in divestment flows, the latter remain very small and the average since the pandemic stands at €757 million, which is below the pre-pandemic average (Spanish divestment flows averaged €1.2 billion per annum between 2014 and 2020). The small scale of divesting activity translates into positive net investment flows and a high stock of Spanish FDI in the UK that has been increasing over time. Nevertheless, the current economic and financial climate could spark growth in divestment activity. Indeed, that was the case in the first half of 2023. Specifically, Spanish disinvestments increased from €456 million in 1Q23 to €873 million in 2Q23. That figure is above the level recorded in 2022 (€163 million) and above the average since the pandemic (€757 million).

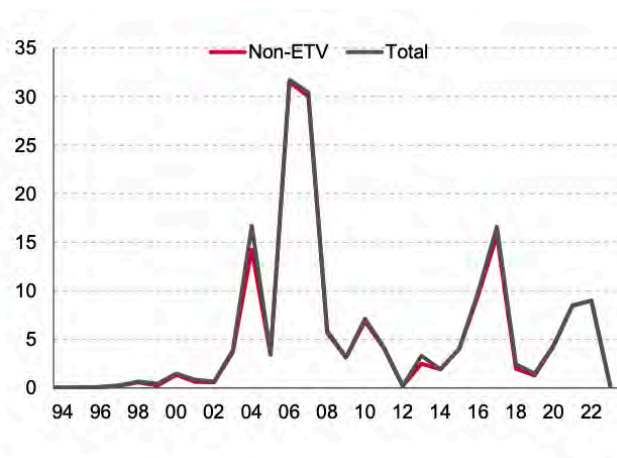
(3) Not channelled through a foreign security holding company, ETVEs for their acronym in Spanish, entities that benefit from a special tax regime that exonerates them from paying tax on the dividends or capital gains obtained from holding shares of shareholdings in foreign companies.

SPANISH FDI FLOWS TO THE UK TO 2Q23

(€ billion | UIC | excluding ETVEs)



Source: Afi, Secretary of State for Commerce

SPANISH FDI FLOWS TO THE UK TO 2Q23 BY**TYPE OF ENTITY** (€ billion)

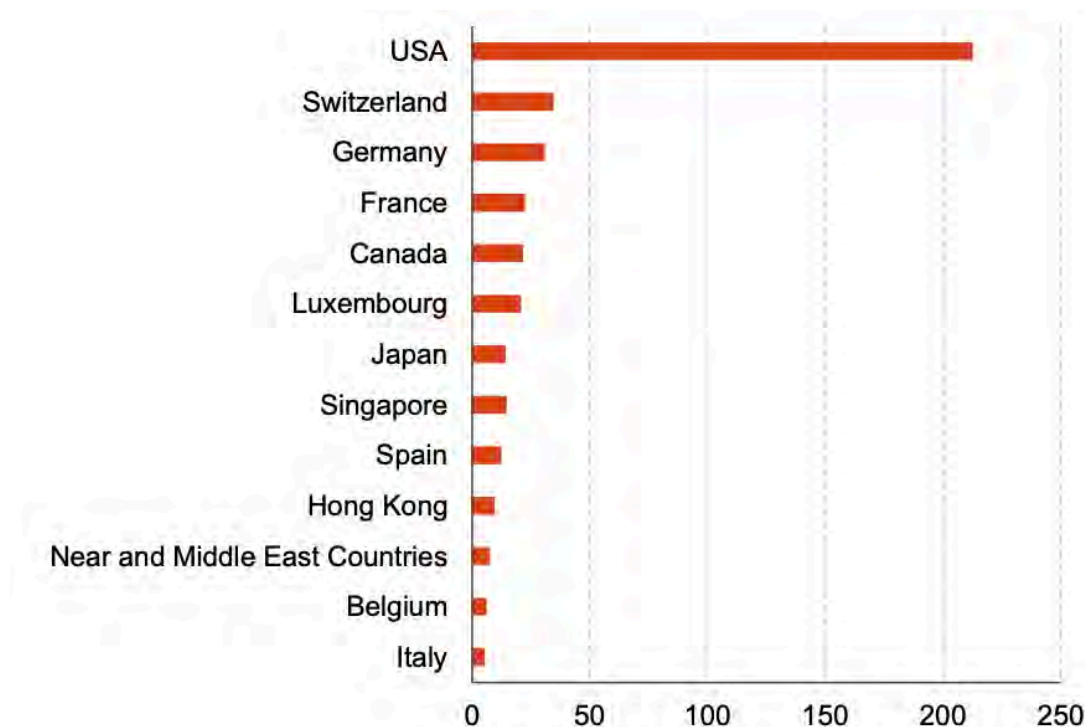
Source: Afi, Secretary of State for Commerce

For the UK, on the other hand, Spain has been one of the most important sources of cumulative net flows between 2012 and 2021, according to ONS data, ranking among the UK's top 10 foreign investors. During the period analysed (2012-2021), Spain contributed nearly €12.6 billion, which is far behind the UK's biggest investor, the US, which during the same timeframe invested a net €213 billion (nearly 10 times more than Spain).

As for the investors either side of Spain in the ranking, Spain is very close to both, having invested €2.2 billion less than Singapore and €2.8 billion more than Hong Kong (net).

CUMULATIVE NET FDI FLOWS TO THE UK BY COUNTRY OF ORIGIN BETWEEN 2012 AND 2021

(€ billion)



Source: Afi, Office for National Statistics

5. SPANISH FDI FLOWS BY SECTOR

Spanish investment in the UK is concentrated in the services sector, within which it is highly diversified. Telecommunications and Financial services have cornered the biggest volumes of Spanish investments, with the Manufacture of other non-metallic mineral products rising the ranks sharply in 2022. However, in the first half of 2023, the Energy sector was the only sector to receive more flows than in the same period of 2022. Even though the majority of 1H23 investment went to the energy, financial services and telecommunications sectors, flows to the latter two sectors declined year-on-year.

Spanish investment in the UK has long been associated with the *Financial services* sector, historically one of the main recipients, having garnered €28.2 billion between 1993 and the first half of 2023. That makes Spain one of the biggest foreign investors in the British financial sector.

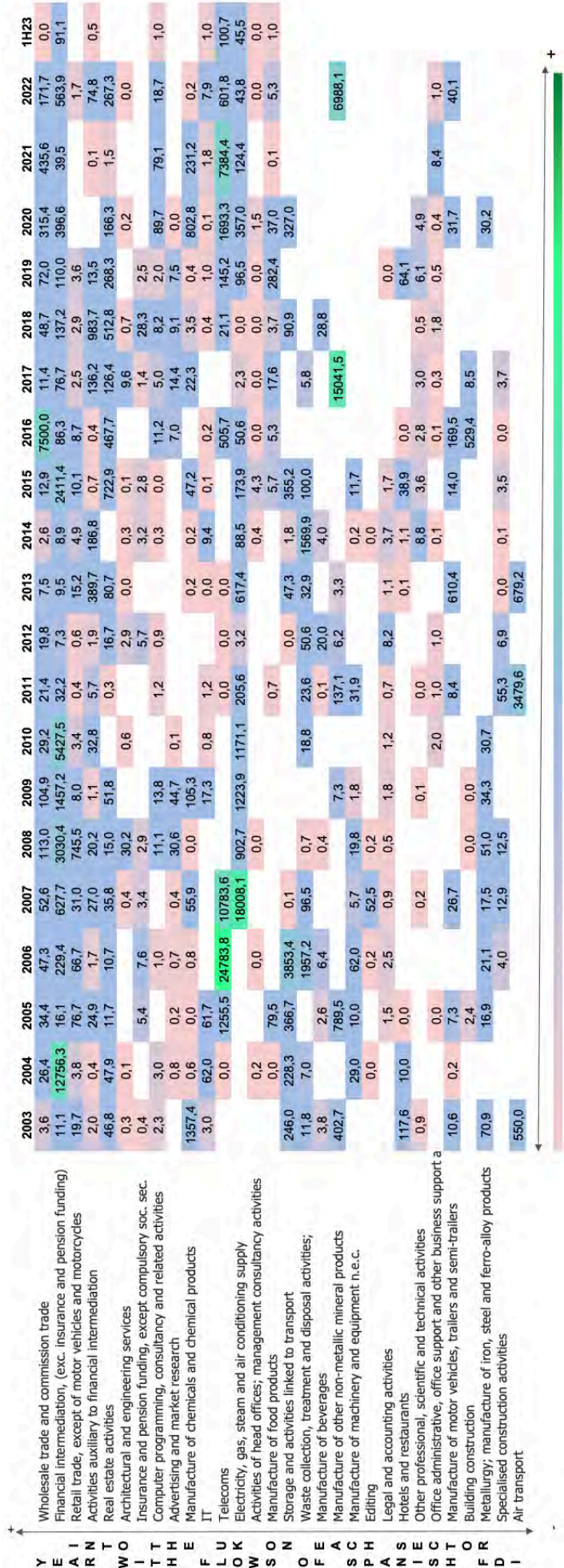
However, since the beginning of the series, it is the *Telecommunications* sector that has drawn the highest volume of Spanish investment: €47.3 billion since 1993. The investment pattern differs between the two sectors, however. Whereas the flow of FDI into the financial sector has been fairly consistent over time (punctuated by above-average volumes in 2004 and 2008-2010), the stock of investment in telecommunications stems from large, one-off transactions rather than a steady flow of investments. Specifically, the transactions completed between 2006-2007 and in 2021 represent 91% of all flows received since 1993.

This distinction can be extrapolated to identify two groups within the sectors that have received significant sums of Spanish investments. On the one hand, those that have received investments continually over time and those that have received significant investment volumes at specific moments in time, on the other. The first category of sectors - those that have received a sustained flow of investment from Spain over the years - includes: (i) the *Wholesale and retail trade* (with €10.7 billion of cumulative investment since 2007), (ii) *Real estate activities* (€2.93 billion), and (iii) *Electricity and gas supply* (€23.11 billion, mainly electricity trading). In the second category, in addition to (i) *Telecommunications*, it is worth highlighting (ii) the *Manufacture of other non-metallic mineral products*. In cumulative terms, the *Manufacture of other non-metallic mineral products* has been the third-biggest recipient of Spanish investment since 1993, at €25 billion. However, 88% of its flows are attributable to transactions completed in 2017 and 2022.

As for the most recent patterns, the figures for the first half of 2023 indicate a widespread loss of momentum across all sectors compared to the flows received in 2022. The British *Telecommunications* sector, for example, received the biggest flow of Spanish investment in the first half of 2023 but less than it attracted during the same period of 2022. The only sector to have improved on its 1H22 figures this year is *Energy supply*, which attracted 4% more investment in 1H23 than in all of 2022.

GROSS FLOWS OF SPANISH FDI TO THE UK BY SECTOR IN THE LAST TWENTY YEARS (2003-1H23)

(€ million | immediate country criterion | excluding ETVs | the vertical ordering corresponds to the number of years receiving investment flows | the colour scale reflects the volume of annual FDI flows)



Source: Afi, Secretary of State for Commerce

6. SPANISH FDI FLOWS SINCE THE BREXIT REFERENDUM (JUNE 2016)

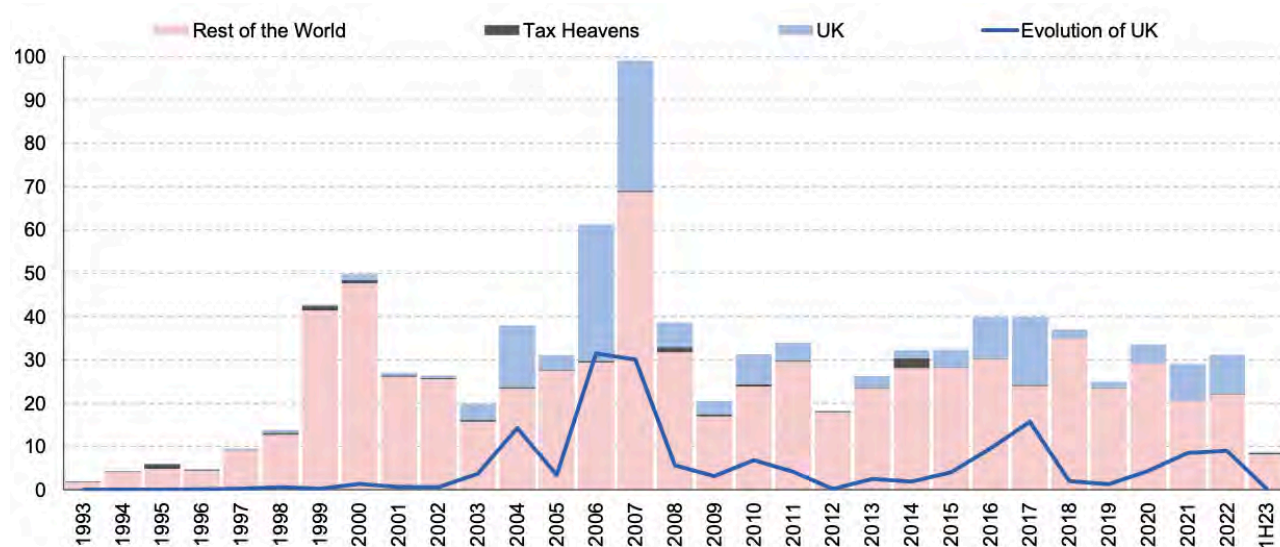
Having dropped sharply in 2019, Spanish FDI flows to the UK have been recovering. However, the widespread drop in overall Spanish FDI in the first half of 2023 has eroded net investment in the UK market.

In the wake of the Brexit referendum, Spanish investment was resilient for the first few years. However, in 2018 and 2019, FDI flows to the UK dropped to close to 2012 levels. Despite the health crisis, however, 2020 and 2021 were good years and that trend carried over to 2022, when flows hit levels not seen since 2017. Although Spanish FDI was strong across all markets in 2022, the UK fared particularly well as recipient.

In 2023, however, the first-half figures **paint a worse picture for investment across all countries** (apart from the US, which is proving resilient, given the likelihood of a soft landing in which inflation eases without harming the growth cycle significantly). Specifically, gross investment flows in the UK fell to €48 million in 2Q23.

GROSS FLOWS OF SPANISH FDI TO THE UK AND ROW

(excluding ETVEs | quarterly | € billion)



Source: Afi, Secretary of State for Commerce

¹ Tax havens as per Spanish legislation⁽⁴⁾: Anguilla, Antigua and Barbuda, Bahrain, Bermudas, Brunei, Dominica, Fiji, Gibraltar, Granada, Guernsey, Isle of Man, Cayman Islands, Cook Islands, Maldives, Northern Mariana Islands, Solomon Islands, Turks and Caicos Islands, British and US Virgin Islands, Jersey, Jordan, Lebanon, Liberia, Liechtenstein, Macao, Mauritius, Monaco, Montserrat, Nauru, Saint Vincent & the Grenadines, Saint Lucia, Seychelles and Vanuatu.

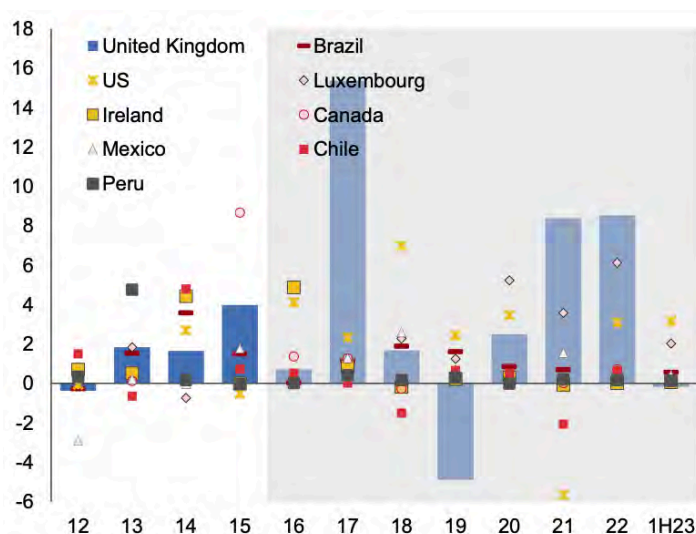
(4) Countries itemised in Royal Decree 1080/1991, of 5 July 1991.

Analysing the trend in the years elapsing since the referendum (from mid-2016 to 2Q23), following the dips of 2018, 2019 and 2020 associated initially with the uncertainty around the negotiations concerning Britain's exit from the European Union and later around the health crisis, 2021 and 2022 were very good years in terms of incoming net investments from Spain. In fact, 2021 was particularly strong, as noted in the last edition of the Barometer, and 2022 was even better. Net flows of Spanish FDI into the UK increased by 2% year-on-year in 2022 to €8.53 billion, reflecting strong Spanish investment appetite, despite the considerable impact of the armed conflict between Russia and Ukraine, global supply chain friction, and heightened uncertainty against the backdrop of high inflation and monetary tightening.

However, the most recent data available for the first half of 2023 reveals a net outflow in investments of €179 million (shaped by the spike in disinvestments), in sharp contrast with the net inflow recorded due the first half of 2022 (€858 million). This adverse trend is expected to continue over the coming months on account of the challenging geopolitical, economic and financial climate.

MAIN RECIPIENTS OF NET SPANISH FDI FLOWS SINCE 2012

(ETVEs excluded, € billion)



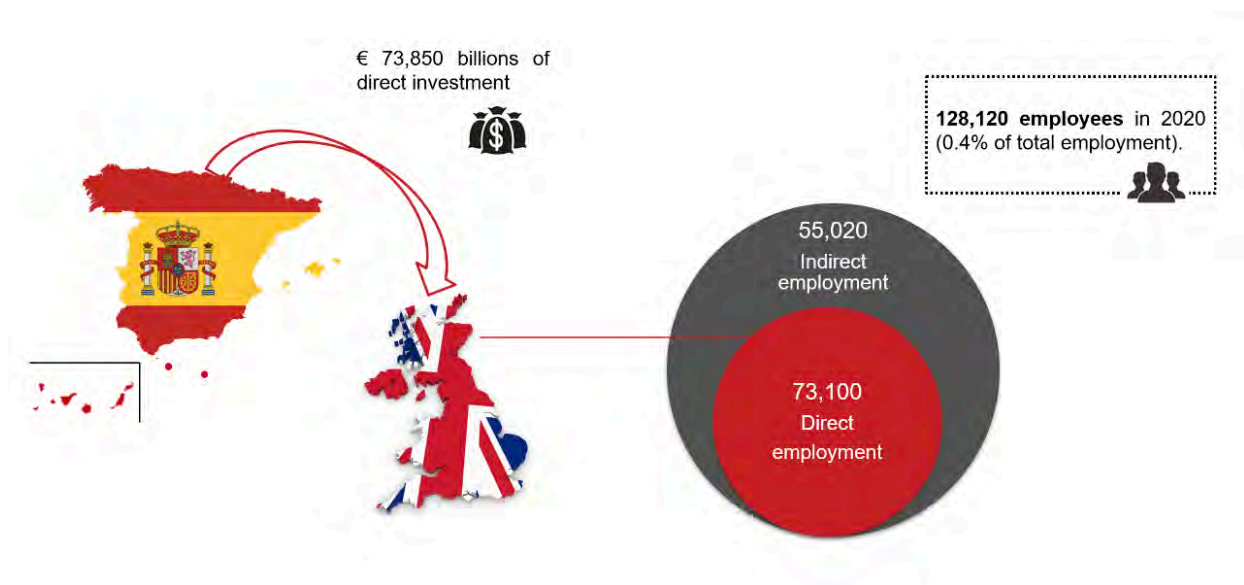
Source: Afi, Secretary of State for Commerce

7. EFFECTS OF SPANISH FDI ON JOBS IN THE UK

Spanish FDI in the UK contributed to the creation of +128,000 jobs in 2021, which is equivalent to 0.4% of total nationwide employment.

Spanish FDI in the UK contributed to the generation of an estimated 128,000 + jobs in 2021, which is equivalent to 0.4% of total UK employment. The contribution of Spanish FDI to British employment in 2021 is lower than that estimated in 2020 (170,170 jobs), despite the growth in the stock of investment. The drop in the stock of employment is attributable to a composition effect related with the nature of the sectors of activity (in terms of productivity) associated with the change in the stock of investment. In other words, the employment created by the flows of investment into the British economy was not sufficient to offset the loss of employment associated with the outflows of Spanish investment from more productive activities. Out of all the jobs generated by Spanish investment in 2021, 73,100 are considered direct jobs, with the remaining 55,020 positions considered indirect jobs created via knock-on effects on other supplier activities⁽⁵⁾.

EMPLOYMENT GENERATED BY SPANISH FDI IN THE UK, 2021



(5) Indirect employment was estimated using Leontief type I multiplier effects for the various productive sectors of the economy (2019 Input-Output Tables).

PART II

OUTLOOK FOR INVESTMENT IN THE UK

8. HOW SPANISH COMPANIES WITH AN INVESTMENT PRESENCE IN THE UK VIEW THE BRITISH BUSINESS CLIMATE

The opinions of the Spanish companies and organisations established in the UK interviewed for this fifth edition of the Barometer (refer to the methodological annex for further details), are provided in this and the following sections.

This section analyses how the Spanish companies surveyed perceive the business climate in the UK through their assessments of a number of factors that shape conditions for investing and conducting business in the British market.

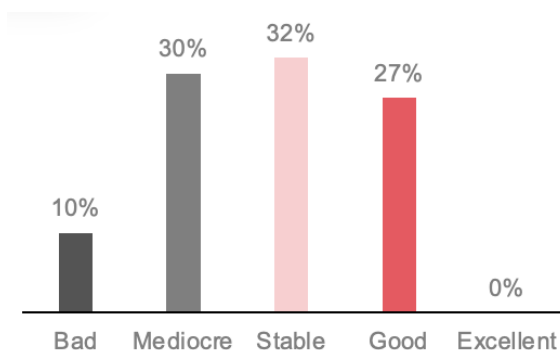
OVERALL ASSESSMENT AND RECENT TRENDS

The Spanish firms established in the UK reported a stronger overall assessment of the business climate in Britain as in 2022, with nearly 60% of the firms surveyed rating the climate as acceptable or better. In addition, the perception that the business climate in the UK had deteriorated in the last 12 months decreased by 16pp in comparison with the last Barometer.

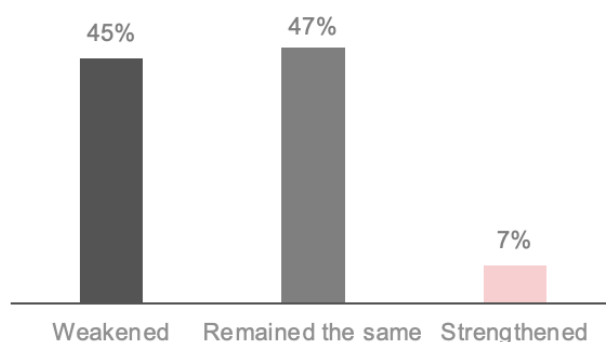
The Spanish firms interviewed for this year's edition of the Barometer gave an overall score of 2.77 (on a scale from 1 to 5) to the business climate in the UK in 2023. That is up 0.7pp from the 2022 score, while a higher percentage of businesses (60%) described the climate as acceptable or better (a score of at least 3). Despite none of the organisations surveyed having rated the British business climate as excellent, the number of firms rating it as good or acceptable increased by 3pp, which was accompanied by a decrease in the percentage categorising it as mediocre (-2pp) or bad (-3pp). Elsewhere, the percentage of businesses that reported a perceived improvement in the business climate over the last 12 months was stable compared to the 2022 survey, at around 7%.

However, for the first time since initiating this annual publication, the companies reporting a deterioration in the business climate (45%) during the past year (whose percentage decreased by 16pp compared to the 2022 edition) were in the minority, despite the widespread increase in interest rates, persistence of inflationary pressures and collateral effects of Russia's invasion of Ukraine, among other factors.

OVERALL ASSESSMENT OF THE BRITISH BUSINESS CLIMATE (% of responses)



PERCEIVED CHANGE IN THE BUSINESS CLIMATE IN THE UK IN THE LAST 12 MONTHS (% of responses)



Source: Afi, "2023 Survey of Spanish outward investment into the UK"

ASSESSMENT OF THE MAIN ASPECTS OF THE BUSINESS CLIMATE

The top-rated attribute of the British business climate is once again the existence of a favourable ecosystem for digitalisation (with a score of 3.6 out of 5). On the other hand, supplier costs have emerged as the worst-rated attribute (2.7 out of 5) by the Spanish firms established in the UK.

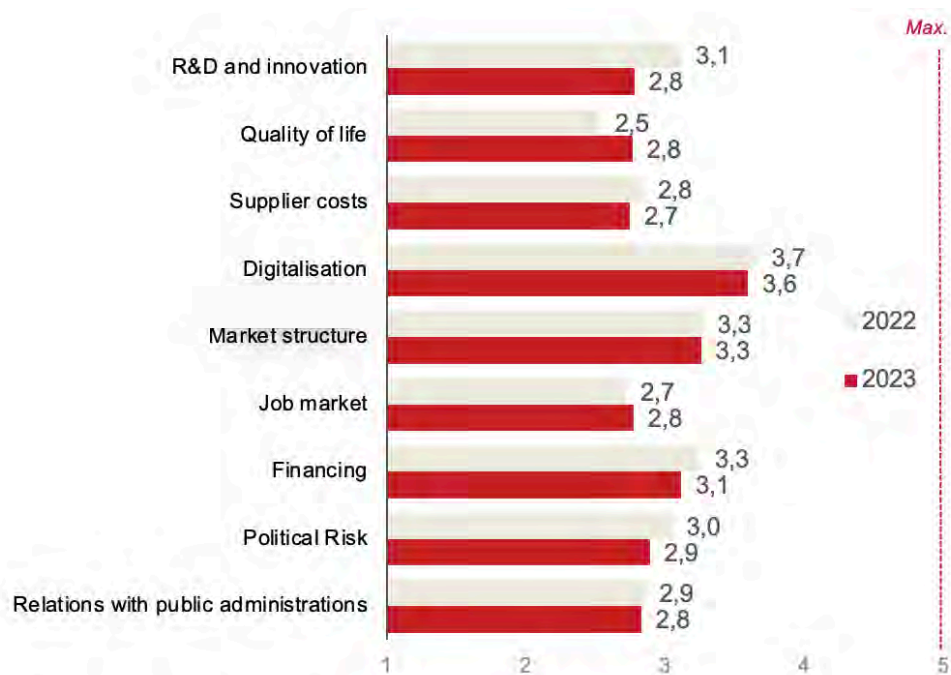
The level of digitalisation, which encompasses digitalisation at both the firm and economy levels, was the best-rated attribute of the British business climate by the Spanish companies participating in this year's edition of the Barometer survey for the fifth year in a row. This attribute earned a score of 3.6 out of 5, ranking ahead of the other eight categories analysed, despite a small 0.1pp decrease in score from 2022.

At the opposite end of the scale is supplier costs, which fell to last place with an overall score of 2.7 points, down 0.1pp from 2022. It is possible that lingering inflationary pressures are behind that worse perception.

The attribute that registered the biggest improvement from 2022 is quality of life in the UK, whose overall score increased by 0.3pp to 2.8. As a result, it is no longer the worst-ranked feature of doing business in Britain.

ASSESSMENT OF THE BUSINESS CLIMATE IN THE UK BY ASPECT

(scores based on % of responses, where 1 is bad and 5 is excellent)

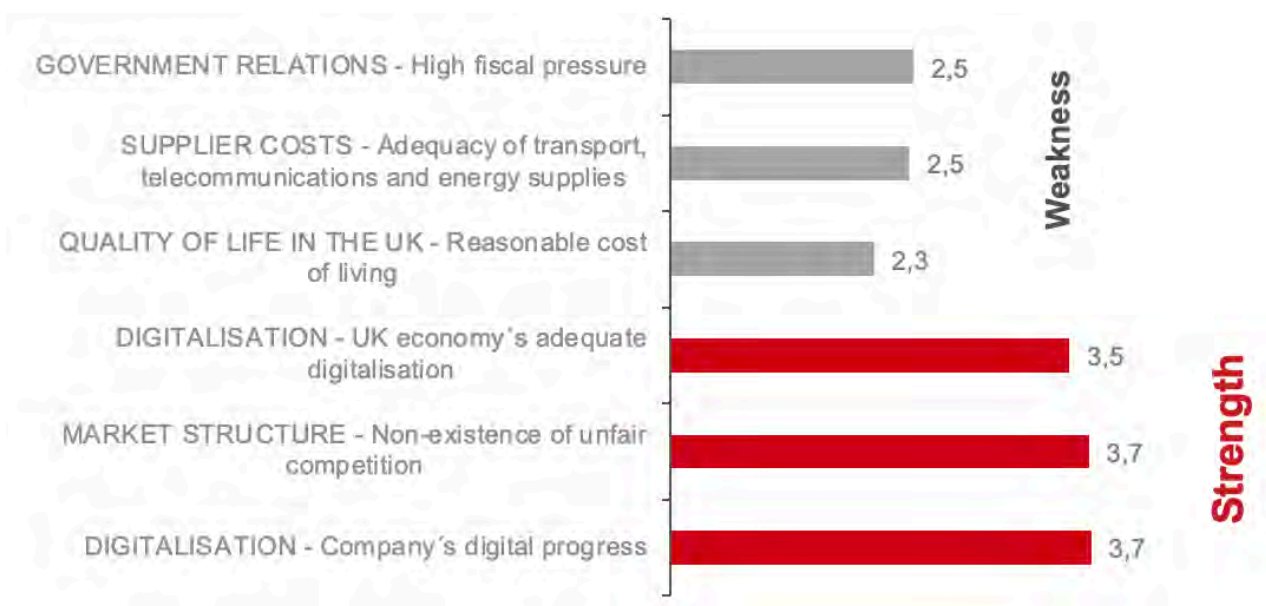


Source: Afi, "2022 and 2023 Surveys of Spanish outward investment into the UK"

Britain's top perceived business climate strengths were, for the third year in a row, the existence of *an ecosystem conducive to digital transformation and a market structure not conducive to unfair competitive practices* (lack of a shadow economy). The three weakest aspects reported were: *the cost of living, the availability, quality and cost of inputs*, and the extent of *fiscal pressure*, which undermined the firms' overall assessment of *government relations*.

KEY STRENGTHS AND WEAKNESSES OF THE BRITISH BUSINESS CLIMATE

(scores based on % of responses)



Source: Afi, "2023 Survey of Spanish outward investment into the UK"

Next, we analysed each of the nine attributes appraised in order to provide additional detailed insight into how the Spanish firms rated the business climate in the UK.

GOVERNMENT RELATIONS

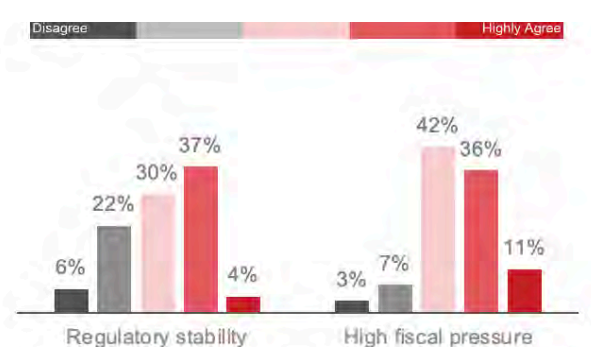
Government relations remain one of the worst rated aspects of the British business climate, shaped mainly by the perception that *fiscal pressure* is high.

Forty-seven per cent of the Spanish firms polled reported perceiving a *high degree of fiscal pressure* in the British market, with 11% of the companies saying they *agreed strongly* with that statement, causing this aspect of *government relations* to obtain a score of 2.55 out of 5 (2.6 in 2022).

The other aspect assessed within this attribute, *regulatory stability*, obtained a score of 3.1 (down 0.1pp from 2022), due to a 5pp decrease in the percentage of firms agreeing that regulatory stability was high.

ASSESSMENT OF GOVERNMENT RELATIONS

(% of responses)



Source: Afi, "2023 Survey of Spanish outward investment into the UK"

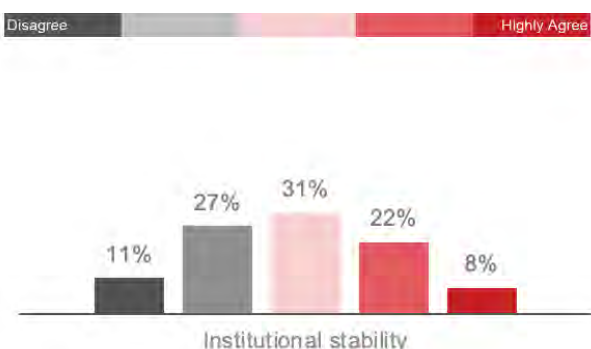
POLITICAL RISK

The Spanish firms' general perception of institutional stability in the UK deteriorated compared to 2022. The recent changes in the British government could be behind that perception.

Thirty per cent of the Spanish firms surveyed rated *institutional stability* positively, with a year-on-year drop of 7pp. As a result, the overall assessment of this attribute fell by 0.1pp for the second year in a row, resulting in a score of 2.9 points.

ASSESSMENT OF POLITICAL RISK

(% of responses)



Source: Afi, "2023 Survey of Spanish outward investment into the UK"

MARKET STRUCTURE

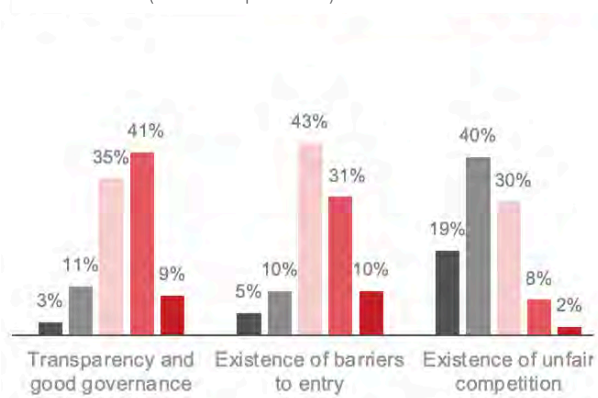
There was no change in how Spanish firms assess the existence of barriers to entry in the British market in 2023. Moreover, their assessment of their *relations with the public institutions* stabilised and the idea that the British market is free of unfair competition became established.

Exactly half of the Spanish firms surveyed believe that their relations with the public institutions in the UK are framed by *transparency and good governance*, with this aspect obtaining a score of 3.4 points (-0.1pp from last year).

The perceived *openness of the British market* remained unchanged from 2022. Forty-one per cent of the firms polled believe that barriers to entry are significant, thus, this aspect obtained a score of 2.7 out of 5, unchanged from last year.

In parallel, 59% of the companies surveyed said they did not perceive a climate of *unfair competition* related with the shadow economy. Overall, this aspect obtained a score of 3.7 points, which is slightly above the average of the last three years.

ASSESSMENT OF THE MARKET STRUCTURE IN THE UK (% of responses)



Source: Afi, "2023 Survey of Spanish outward investment into the UK"

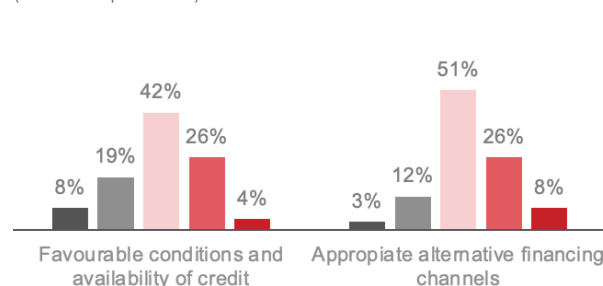
FINANCING

The Spanish businesses' perception of financing terms and conditions, including the *availability of credit and the existence of alternative channels*, deteriorated in 2023, damaged by the widespread increase in interest rates.

Thirty per cent of the firms surveyed said they considered the availability of credit to be *adequate*, marking a 6pp decline in the level of satisfaction compared to 2022. This aspect obtained a score of 3 out of 5 points.

Thirty-four per cent of the firms described the alternative financing channels in existence (business angels, private equity firms, direct lending, etc.) as *adequate*. As a result, the overall financing attribute received a score of 3.2 points, similar to the readings obtained during the last two years.

ASSESSMENT OF FINANCING CONDITIONS (% of responses)



Source: Afi, "2023 Survey of Spanish outward investment into the UK"

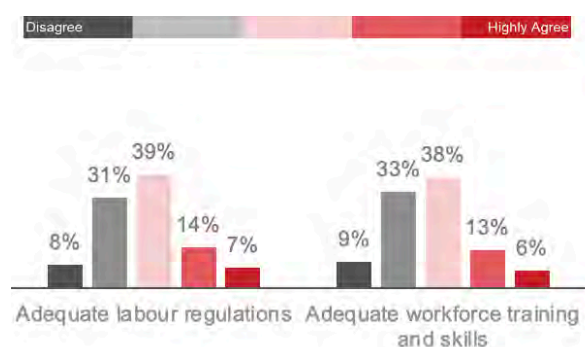
LABOUR MARKET

The Spanish firms' perception of the British labour market has polarised in the past year. Nevertheless, each of the aspects analysed to obtain the overall score in this category garnered higher assessments.

The Spanish firms' assessment of the *adequacy of labour relations* in the British market improved (+0.1 points) compared to the 2022 Barometer to 2.8 points out of 5, breaking the negative trend of the past three years.

In parallel, the surveyed companies reported certain shortcomings around the availability of human capital in terms of their *training and skills levels*. In fact, 42% of the reporting firms flagged that concern (+3pp from 2022). However, the growth in the number of responses stating the contrary (+6pp) left the overall score obtained by this attribute at 2.7 points, in line with the 2022 Barometer result.

ASSESSMENT OF THE BRITISH LABOUR MARKET (% of responses)



Source: Afi, "2023 Survey of Spanish outward investment into the UK"

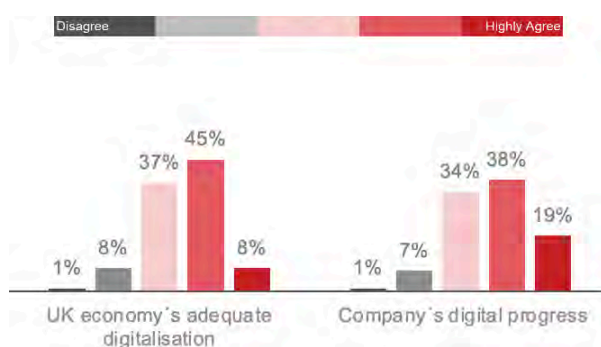
DIGITALISATION

Digitalisation in Britain at the firm and economy levels ranked, for the fifth year running, as the best-rated aspect of the British business climate among the Spanish companies doing business in the UK.

Fifty-three per cent of respondents described the *level of digitalisation of the British economy as adequate*, in line with the figures from the last two years, yielding a score of 3.5 out of 5.

As for *firm digitalisation*, this aspect continues to be strongly perceived by the respondents: as many as 57% of all the companies surveyed described firm-level digitalisation as *adequate*. As a result, the average score given to this attribute was a stable 3.7 out of 5.

ASSESSMENT OF DIGITALISATION IN THE UK (% of responses)



Source: Afi, "2023 Survey of Spanish outward investment into the UK"

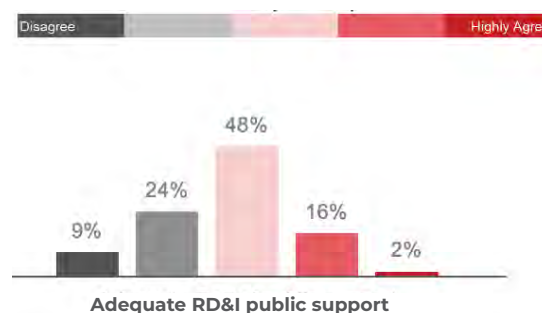
RD&I

The Spanish firms' assessment of the level of public support for firm-level R&D activities in the UK deteriorated from 2022.

Just 18% of the Spanish companies doing business in the UK described the framework of *public support for corporate investment in R&D activities as adequately incentivising*. Note that the percentage of firms that reported a positive appraisal of this aspect decreased by 12pp since 2022, driving the average score obtained by this attribute to 2.8 points out of 5.

R&D is a vital pillar of corporations' competitive positioning, even more so in the current context of decisive public and social commitment to digital transformation to modernise the productive fabric.

ASSESSMENT OF PUBLIC SUPPORT FOR RD&I IN THE UK (% of responses)



Source: Afi, "2023 Survey of Spanish outward investment into the UK"

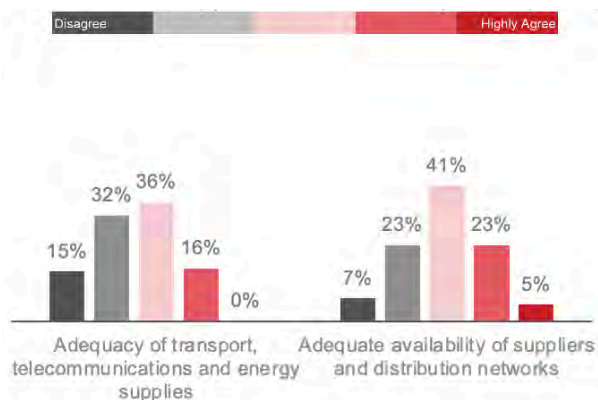
SUPPLIER COSTS

The Spanish firms' perception of the adequacy of available transport, telecommunications, energy services, and of supplier and distribution networks was unchanged in 2023. It is likely that the fallout from the energy crisis (widespread increase in interest rates in response to inflation dynamics) is behind the slight drop in the score in this category.

Just 16% of the Spanish companies surveyed said they found the *availability, quality, and cost of transport, telecommunications, and energy services to be adequate*, with 47% reporting the opposite. This resulted in a score of 2.5 out of 5 (-0.1 points since 2022), rendering it the third worse-rated aspect in 2023.

In parallel, the percentage of firms describing the capacity of Britain's *supplier and distribution networks as insufficient* increased by 2pp from 2022 to 30% of the total, albeit still well below levels from previous years (37% in 2021). As a result, this aspect's score came to 2.9 points (-0.1 points versus 2022).

ASSESSMENT OF SUPPLIER COSTS IN THE UK (% of responses)



Source: Afi, "2023 Survey of Spanish outward investment into the UK"

QUALITY OF LIFE IN THE UK

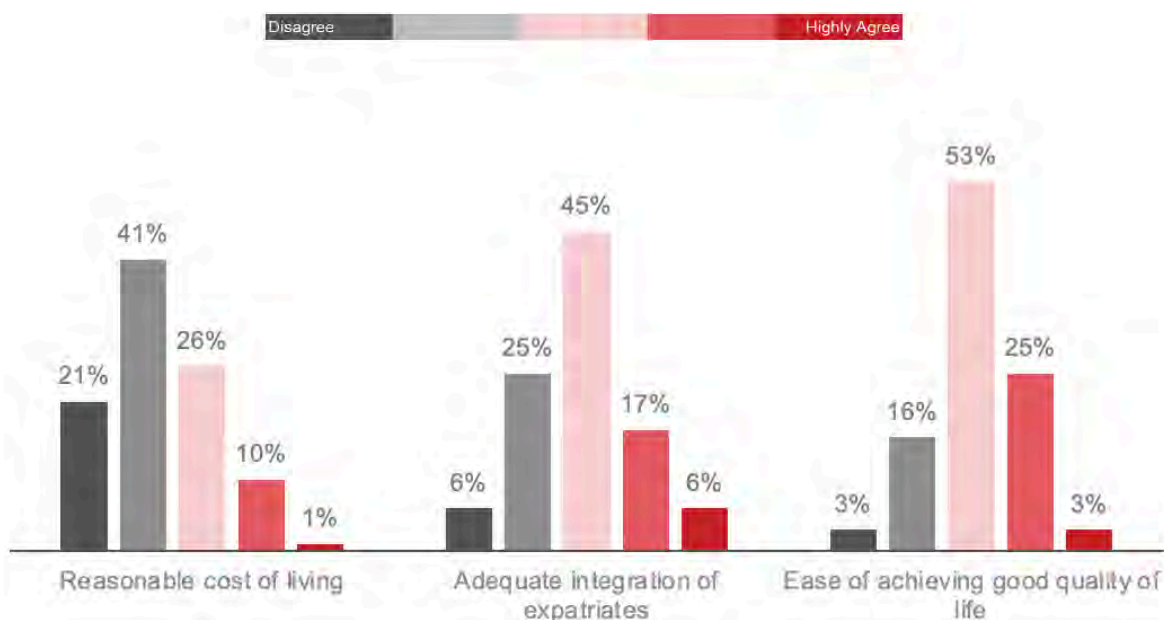
The quality-of-life indicators were once again among the most affected in the post-Brexit era. For the second year in a row, the Spanish firms doing business in the UK reported a considerable deterioration in two of the aspects assessed: *the cost of living*, very exposed to the current bout of inflation, and the *adequate integration of expatriates*.

The cost of living was once again the worst-rated aspect of the British business climate in the eyes of the Spanish business community there. Sixty-two per cent of the firms surveyed said they do not view the cost of living in the region as *reasonable*, a percentage that has been rising since 2021 (when it was 47%), which was the first year of the energy crisis. This ended up opening the door to the prevailing bout of high inflation. As a result, the *cost of living* aspect repeated its score of 2.3 out of 5.

The surveyed firms' assessment of the *adequacy of expatriate integration* also deteriorated considerably: a scant 23% reported a positive assessment compared to 28% in 2022, a year-on-year decrease of 5pp and thus extending the negative trend unfolding since 2021. As a result, this aspect obtained a score of 3 points out of 5.

In contrast, the firms' assessment of the *ease of achieving high living standards* in the UK was brighter: as many as 28% of the companies see it as feasible, compared to 19% who believe the opposite. The overall score obtained by this attribute was therefore 3 points out of 5⁽⁶⁾.

ASSESSMENT OF QUALITY OF LIFE IN THE UK (% of responses)



Source: Afi, "2023 Survey of Spanish outward investment into the UK"

(6) The responses in this section are not comparable with those recorded in the 2022 Barometer as the respondents were asked last year about quality of living in the UK compared to the situation before Brexit, whereas in 2023, they were simply asked to rate the quality of living in the UK at present.

9. PERCEPTION OF THE FACTORS IMPACTING THE SPANISH COMPANIES' BUSINESS ACTIVITIES IN THE BRITISH MARKET

IMPACT OF THE ECONOMY

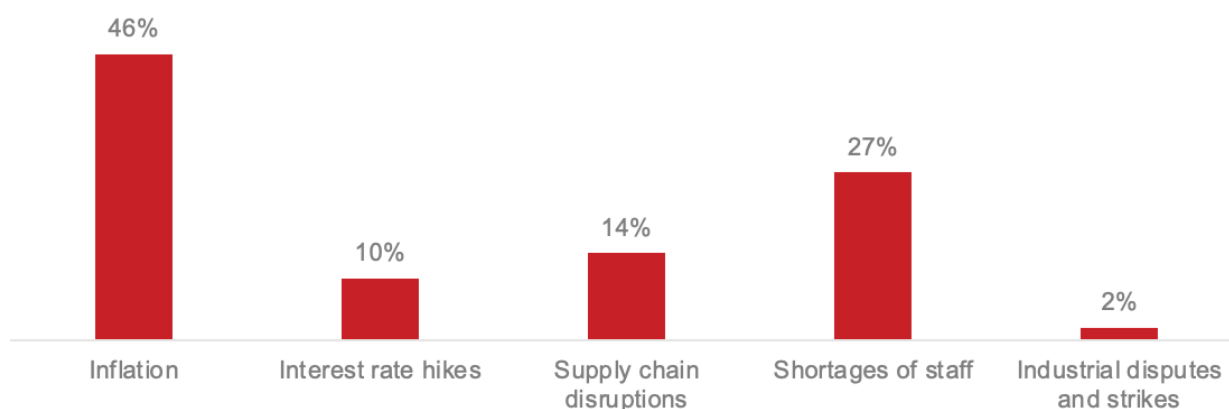
The majority of the Spanish firms (68%) said they had not changed their *investment planning policy* as a result of the prevailing economic climate in the UK (marked by higher interest rates and staff shortages, among other factors). However, nearly half of the companies surveyed (46%) flagged *inflation* as the factor with the most significant impact on their business activities.

The Spanish companies investing in the UK in the past year have suffered the consequences of a very specific macroeconomic climate, marked by persistent inflationary pressures that have prompted the central banks to roll out contractionary monetary policies (interest rate increases, primarily) in an attempt to curb the rise in prices. In addition, developments such as the energy crisis, Russia's invasion of Ukraine and, even today, Brexit, are still having adverse effects on supply chains, while affecting the availability of staff in the UK.

Against this backdrop, 46% of the Spanish firms in the UK cited *inflation* as the phenomenon with the most negative impact on their businesses during the past year, followed by staff shortages (27% of respondents). Lastly, around one-tenth of the firms surveyed mentioned *supply chain interruption* (10%) among the key risks they had encountered.

DEVELOPMENT/EVENT WITH BIGGEST IMPACT ON BUSINESS IN LAST YEAR

(% of responses)

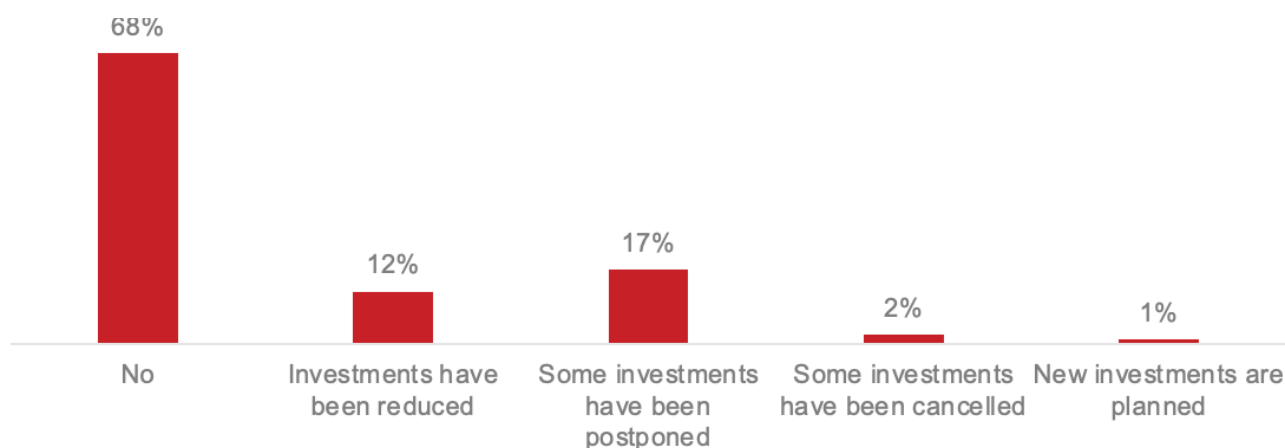


Source: Afi, "2023 Survey of Spanish outward investment into the UK"

The current macroeconomic climate (marked by an intense rise in interest rates over the past year, significantly increasing the cost of money for individuals and businesses alike) has not caused major changes in investment planning policy at most of the Spanish companies (68% of the total) doing business in the UK. However, 17% of respondents said they had decided to postpone some of the investments they had planned, with another 12% acknowledging being forced to pare back their investments in the UK.

CHANGES IN INVESTMENT PLANNING IN THE UK ON ACCOUNT OF HIGHER INTEREST RATES

(% of respondents)

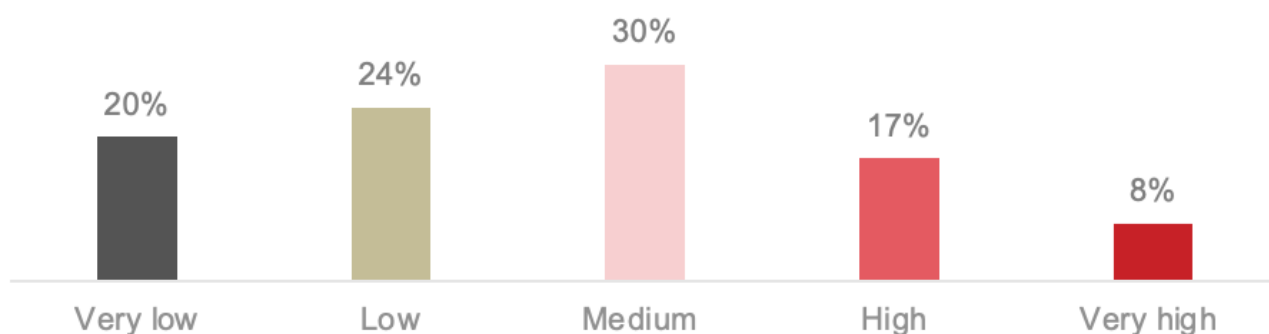


Source: Afi, "2023 Survey of Spanish outward investment into the UK"

When asked about the recent *strikes and labour disputes* in the UK, which have particularly affected the manufacturing and transport sectors, 55% of the Spanish firms surveyed reported a sizeable impact on their business activities.

IMPACT OF STRIKES AND LABOUR DISPUTES ON BUSINESS ACTIVITIES IN THE UK

(% of respondents)



Source: Afi, "2023 Survey of Spanish outward investment into the UK"

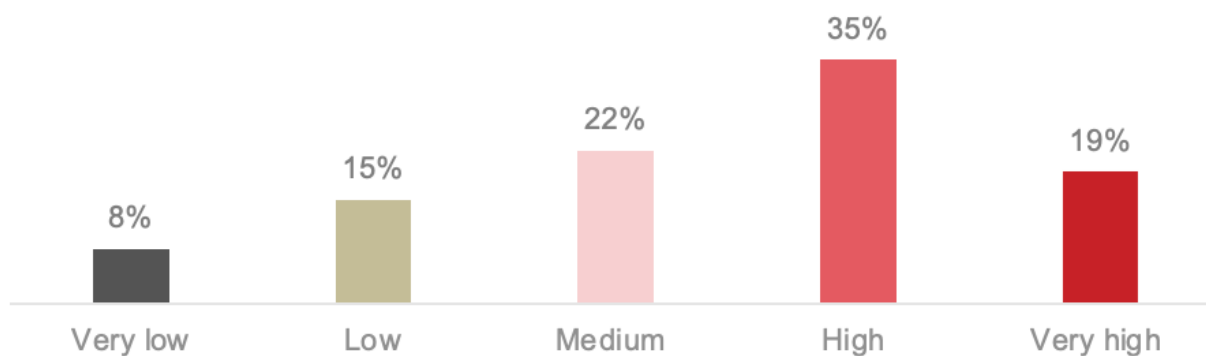
IMPACT OF BREXIT

Fifty-four per cent of the companies surveyed continued to report that Brexit was having a *negative* impact on their business models.

Three years later, the ramifications of Britain's exit from the European Union continue to have, in the eyes of the Spanish firms doing business in the UK, a *negative* impact on their business models. This is according to 54% of the respondents. In contrast, just 23% of the firms reported a reduced impact as of today.

IMPACT OF BREXIT ON THE FIRMS' BUSINESS MODELS

(% of respondents)



Source: Afi, "2023 Survey of Spanish outward investment into the UK"

In this context, the perception of Spanish companies regarding the impact that Brexit generates on their business model remains in line with what was expressed during the last two Barometers. In 2022, 40% of companies considered that Brexit was the main event that generated the greatest impact on their business model, while in 2021, 58% of the companies indicated that the effects of Brexit were generating an impact on their investment policy.

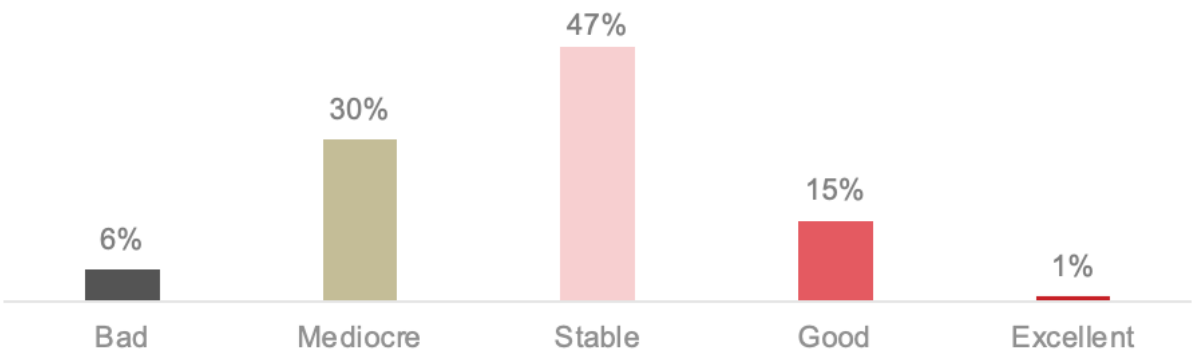
GOVERNMENT SUPPORT

The firms' assessments of the support provided by the British government to the business population scored 2.7 points out of 5, down slightly (-0.1pp) from the 2022 Barometer.

Thirty-six per cent of the Spanish firms in the UK categorised the *government support* provided to the business population as *unacceptable*. In contrast, 16% of the companies rated that support positively (as *good* or *excellent*), marking a 3pp drop in this percentage from 2022. As a result, the companies surveyed gave a score of 2.7 out of 5 to the support lent by the British government, down 0.1pp from the 2022 Barometer.

ASSESSMENT OF THE BUSINESS SUPPORT PROVIDED BY THE BRITISH GOVERNMENT

(% of respondents, where 1 is worst and 5 is best)



Source: Afi, "2023 Survey of Spanish outward investment into the UK"

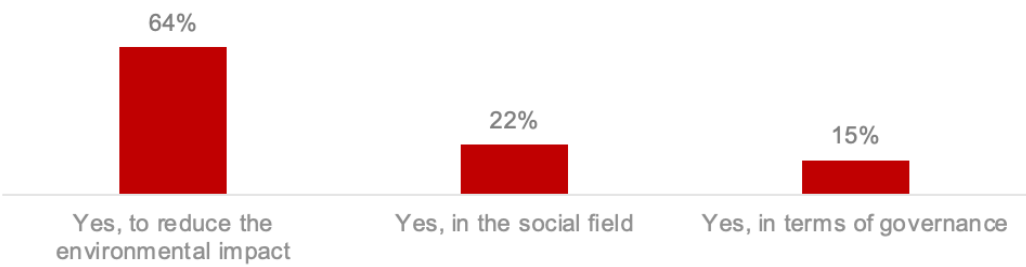
SUSTAINABILITY

The Spanish companies established in the UK are committed to *sustainability*. Indeed, 64% of the firms surveyed reported paying special attention to developing measures designed to mitigate their impact on the environment.

All of the Spanish firms doing business in the UK said they were in the process of implementing a range of measures designed to promote *sustainable practices* within their business models. Framed by a firm commitment to upholding environmental, social and governance (ESG) criteria, 64% of the firms surveyed reported a particular regard for the implementation of policies designed to reduce the *environmental impact* associated with the business activities they carry out. Elsewhere, 22% of the respondents said they were pursuing a range of initiatives along the social dimension, with another 15% doing so within the *governance* dimension.

IMPLEMENTATION OF MEASURES DESIGNED TO MAKE THE FIRMS' BUSINESS MODELS MORE SUSTAINABLE

(% of respondents)



Note: This question reflects the main type of measure implemented by each firm.
Source: Afi, "2023 Survey of Spanish outward investment into the UK"

10. OUTLOOK FOR ACTIVITY IN THE UK IN 2023 AND 2024

In this last section we analyse the Spanish firms' outlook for business in the UK in terms of revenue, employment, and investment plans for 2023 and 2024. We also provide details of the nature of the investments planned.

BUSINESS EXPECTATIONS

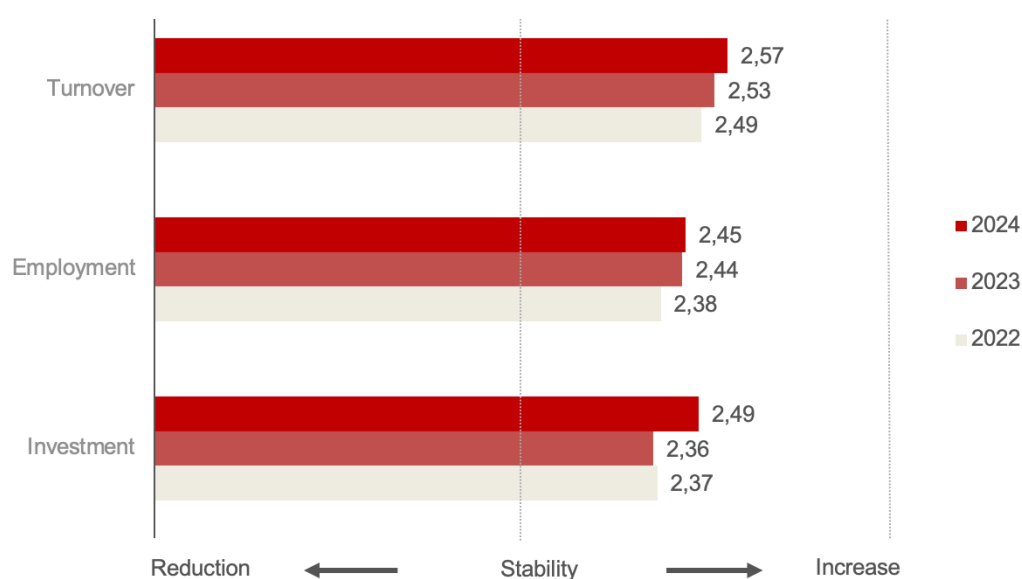
A majority of the firms surveyed expect their revenue to increase (64% of respondents) and to increase their investments in the British market in 2024 (53%). Likewise, half of the respondents expect to increase their headcounts in the UK next year.

The Spanish companies surveyed rate the outlook for their business performance in the UK in 2024 as *favourable*. Specifically, 64% expect their revenue to increase next year and 50% expect to increase their headcounts in the UK.

However, the area staging the biggest improvement from the 2022 Barometer relates to the firms' investment plans for the British market. As many as 53% of the Spanish firms doing business in the UK intend to undertake new investment projects in 2024, up 10pp from last year, with just 4% of all the firms surveyed reporting plans to pare back their investments in the UK.

SPANISH COMPANIES' OUTLOOK FOR GROWTH IN ACTIVITY

(scores based on % of responses, where 1 means reduced activity and 3 means increased activity)



Source: Afi, "2021, 2022 and 2023 Surveys of Spanish outward investment into the UK"

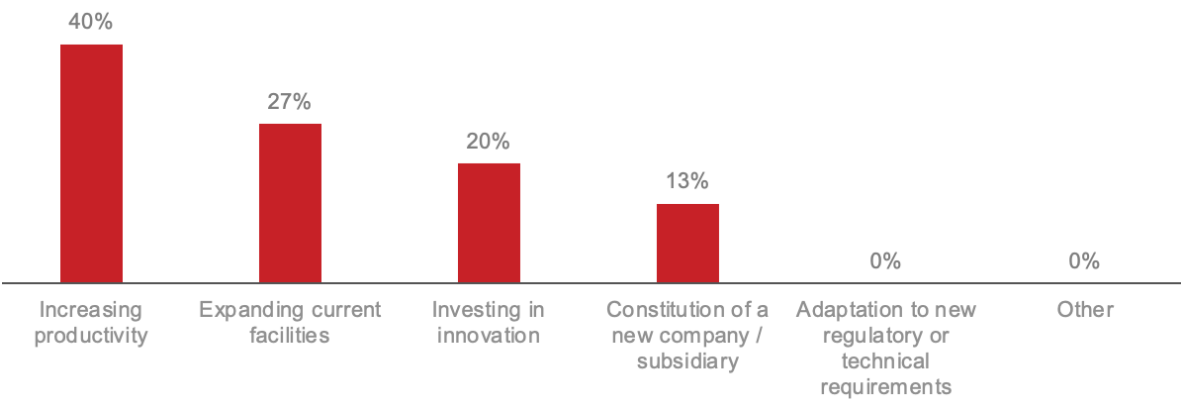
EXPECTED BUSINESS INVESTMENTS

The main goal when it comes to new investments planned by the Spanish firms in the UK remains to unlock *productivity gains*. Moreover, the firms polled intend to focus their new investments on *digital transformation* and the *development of new marketing initiatives*, as well as making *new hires*. The preferred destination (38% of the total) for carrying out these new investment projects is the City of London and its metropolitan area.

The main goal of the Spanish firms that plan to step up their investments in the UK in 2024 continues to be the unlocking of gains in their *productivity*, a priority for 40% of the companies surveyed this year and up 13pp from the 2022 Barometer. More than one-fifth of the Spanish firms plan to earmark the bulk of their new investments in 2024 to both expanding their existing capacity/facilities (27%) and investing in innovation (20%).

PRIORITY GOALS OF THE NEW INVESTMENTS IN THE UK PLANNED BY THE SPANISH FIRMS FOR 2023-2024

(% of firms surveyed that plans to increase their investments during this period)



Note: “other” includes initiatives related with hiring, marketing activities and expansion of business lines, among others.
Source: Afi, “2023 Survey of Spanish outward investment into the UK”

As for the specific activities which the firms plan to channel these new investments into, many reported their intention to add new digital technologies (19.5%) and carry out new marketing initiatives and campaigns (18.6%). Roughly, a further one-fifth of the companies surveyed (18.6%) indicated plans to increase their headcounts via new hires as a result of their new investment projects.

ACTIVITIES INTO WHICH THE SPANISH FIRMS PLAN TO CHANNEL THE NEW INVESTMENTS PLANNED FOR THE UK IN 2023-2024

(% of firms surveyed that plan to increase their investments during this period)



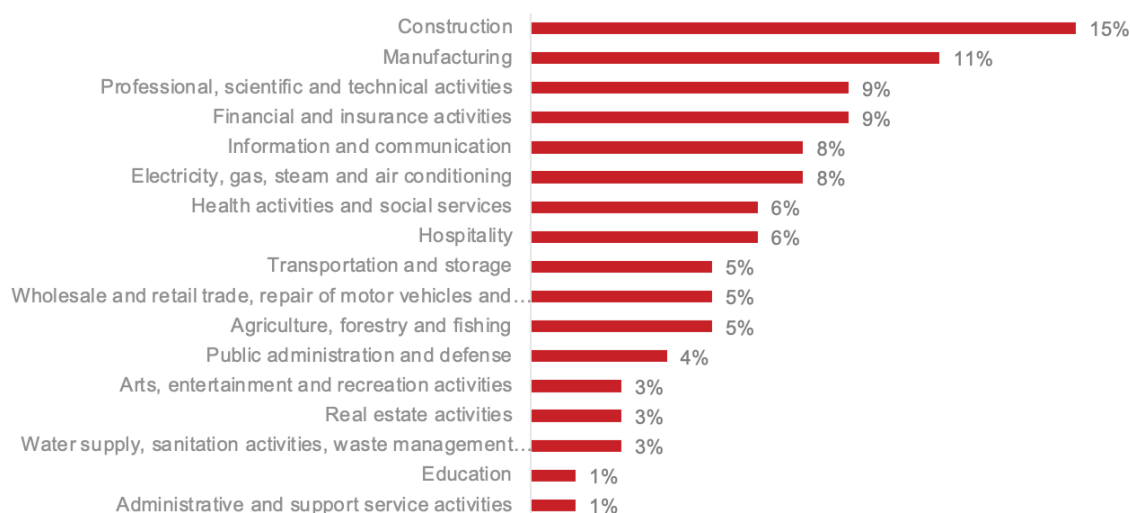
Note: a given company may be planning to invest in more than one area.

Source: Afi, "2023 Survey of Spanish outward investment into the UK"

From a sectoral perspective, the main economic activities to benefit from the investments planned for 2024 by the Spanish companies established in the UK will be *construction* (15% of the total), the *manufacturing industry* (11%) and *professional, scientific & technical activities* and *financial & insurance activities* (9% apiece).

SECTORS IN WHICH THE SPANISH FIRMS IN THE UK PLAN INVEST IN 2023-2024

(% of companies polled that plan to increase their investments during that timeframe)

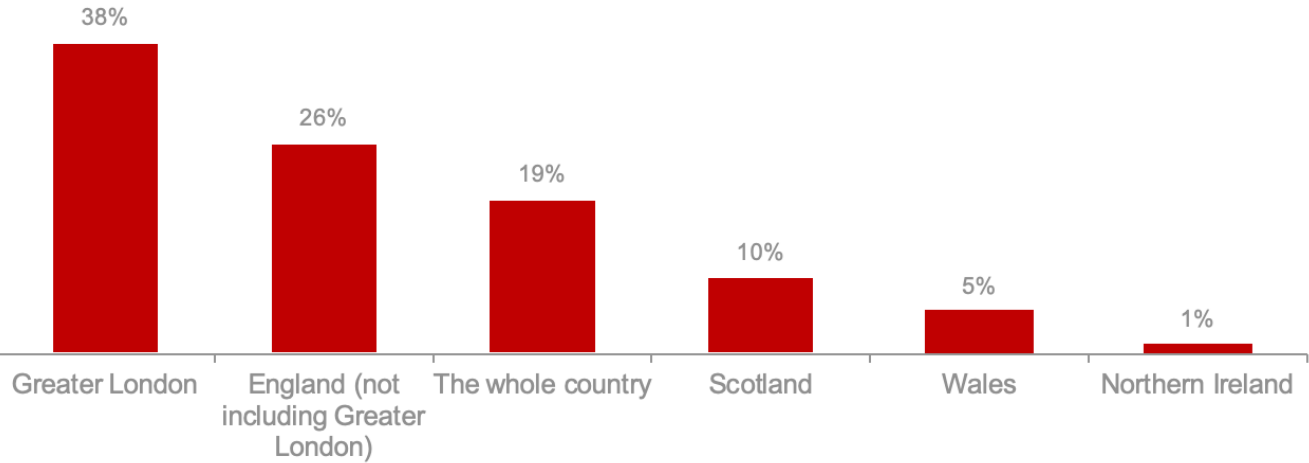


Note: a given company may be planning to invest in more than one sector. Sectors classified using the single-digit 2009 CNAE classification.

Source: Afi, "2023 Survey of Spanish outward investment into the UK"

Regionally, *London and its metropolitan area* is once again the preferred destination (38% of the total) for the investments planned by the Spanish companies doing business in the UK for 2024, followed by the rest of England (26%) and then the country as a whole (19%).

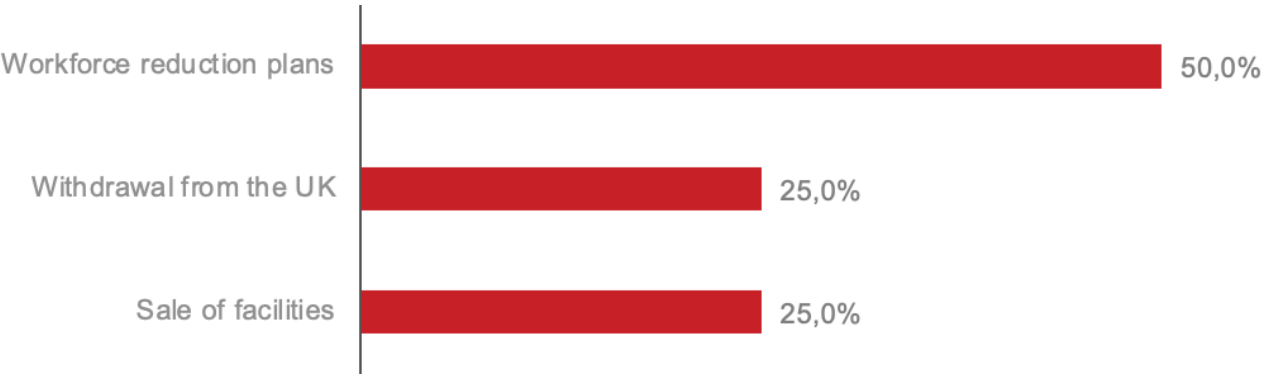
REGIONAL BREAKDOWN OF THE SPANISH INVESTMENTS PLANNED FOR THE UK IN 2023-2024
(% of responses noting plans to increase investments during that timeframe)



Notes: (i) a given company may be planning to invest in more than one region; (ii) the investment plans that encompass all regions are accounted for as 'nationwide'.
Source: Afi, "2023 Survey of Spanish outward investment into the UK"

As for the Spanish companies that plan to reduce their investments in the UK in 2024 - a small minority of those surveyed (4% of the total) - half of them plan to *reduce their headcounts*, a similar figure to that observed in the 2022 Barometer, whereas the rest of the companies are considering *exiting the British market* and *selling infrastructure* in similar percentages (25% of the total, respectively), when asked how they plan to undertake their disinvestments in the UK.

REGIONAL BREAKDOWN OF THE SPANISH DISINVESTMENTS PLANNED FOR THE UK IN 2023-2024
(% of responses noting plans to disinvest during that timeframe)



Source: Afi, "2023 Survey of Spanish outward investment into the UK"

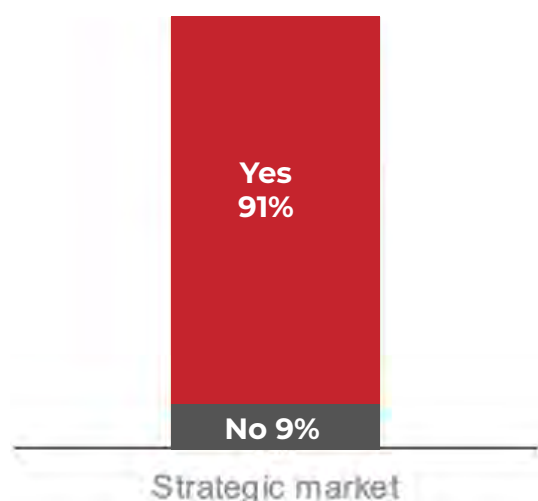
RELATIVE IMPORTANCE OF THE BRITISH MARKET

The large majority of Spanish companies (91%) expect the British market to remain strategic.

Despite the prevailing macroeconomic challenges, 91% of the firms surveyed reaffirmed the strategic importance of the British market, a figure that is in line with the levels reported in recent years (93% in 2022 and 91% in 2021).

ONGOING STRATEGIC IMPORTANCE OF THE BRITISH MARKET FOR THE RESPONDENTS IN THE CURRENT ECONOMIC CLIMATE

(% of respondents)



Source: Afi, "2023 Survey of Spanish outward investment into the UK"

11. COMPARATIVE ANALYSIS FOR THE LAST FIVE YEARS

To mark the publication of this fifth edition of the 'Barometer on the climate and outlook for Spanish investment in the UK', we are looking back at the trend in the stock of Spanish investment in the UK over the past five years and how the Spanish firms' perception of the business climate in Britain has changed.

TREND IN SPANISH INVESTMENT IN THE UK (2019-2023)

Spanish investment in the UK has proven solid and resilient, revisiting pre-pandemic levels by 2021 and recovering its relative importance in the stock of Spain's overall Foreign Direct Investment (FDI). The financial services, telecommunications, energy supply, real estate services, and air travel sectors account for 73% of all Spanish FDI in the UK.

In terms of investment flows, the UK is the country to have received the highest cumulative volume of Spanish FDI since this Barometer was published for the first time.

The trend in the stock of Spanish FDI in the UK over the last five years highlights the long-standing importance of the UK as a destination for Spanish investment overseas. There was a significant increase in that stock in 2021, the last year for which stock statistics are available.

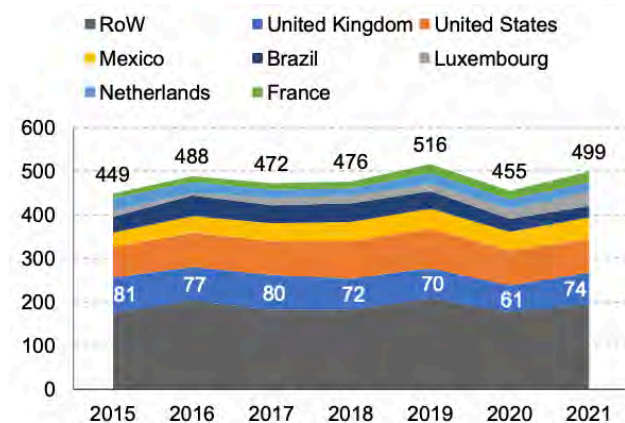
The Barometers published since 2019, which cover the period between 2016 and 2021 in terms of stock data, were compiled against the backdrop of a complex and challenging macroeconomic environment, marked by Britain's exit from the EU and the negotiation of the ensuing trade agreement between the two markets, followed by a global health pandemic and Russia's invasion of Ukraine. However, Spain's investment ties with the UK have proven solid and resilient, with Spanish FDI revisiting pre-pandemic levels by 2021 and recovering its share of Spain's total stock Foreign Direct Investment.

The first Barometer, published in February 2019, provided an account of the stock of Spanish FDI in the UK, using data up until 2016. This was a year marked by the Brexit referendum, in which Spanish FDI fell from its record high in 2015 (€81.23 billion) to €77.1 billion. The improved prospects for economic growth in the UK in 2017 fostered a recovery in that stock, up to €80.45 billion, lifting the UK's share of the total stock of Spanish FDI from 15.8% in 2016 to 17% in 2017. In 2018, an economic slowdown resulted in a dip in the stock of Spanish FDI in the UK to around €70 billion, where it stayed until 2019.

In 2020, the global health crisis had an adverse impact on FDI flows worldwide and Spanish investment in the UK was no exception. In that climate, Spain's investments in the UK contracted from €69.69 billion in 2019 to €60.66 billion in 2020. However, in 2021, the last year that the data is available for, the stock of Spanish investments in the UK quickly recovered to €73.85 billion, back above 2018 levels, exhibiting the robust nature of Spain's investment ties with the UK. In relative terms, the recovery of Spanish investment in the UK closed the gap with the US that began in 2018 regarding these countries' share of total Spanish FDI, thus re-establishing its long-standing importance as an investment destination for Spain.

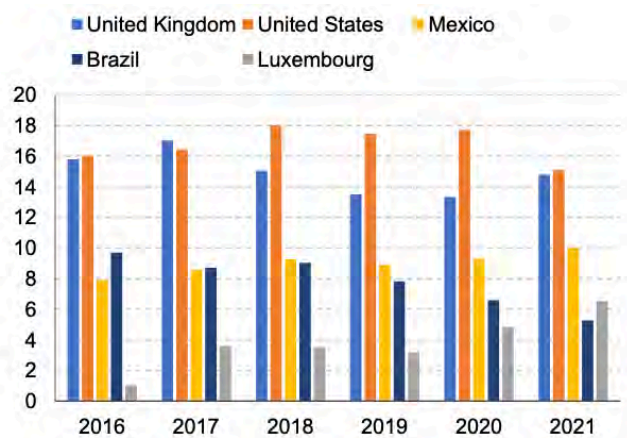
STOCK OF SPANISH FDI BY RECIPIENT COUNTRY

(€ billion)



Source: Afi, Secretary of State for Commerce

PERCENTAGE OF THE STOCK OF SPANISH FDI BY RECIPIENT COUNTRY (%)



Note: This cohort of five countries represents around 50% of the total stock of Spanish FDI in each year.

Source: Afi, Secretary of State for Commerce

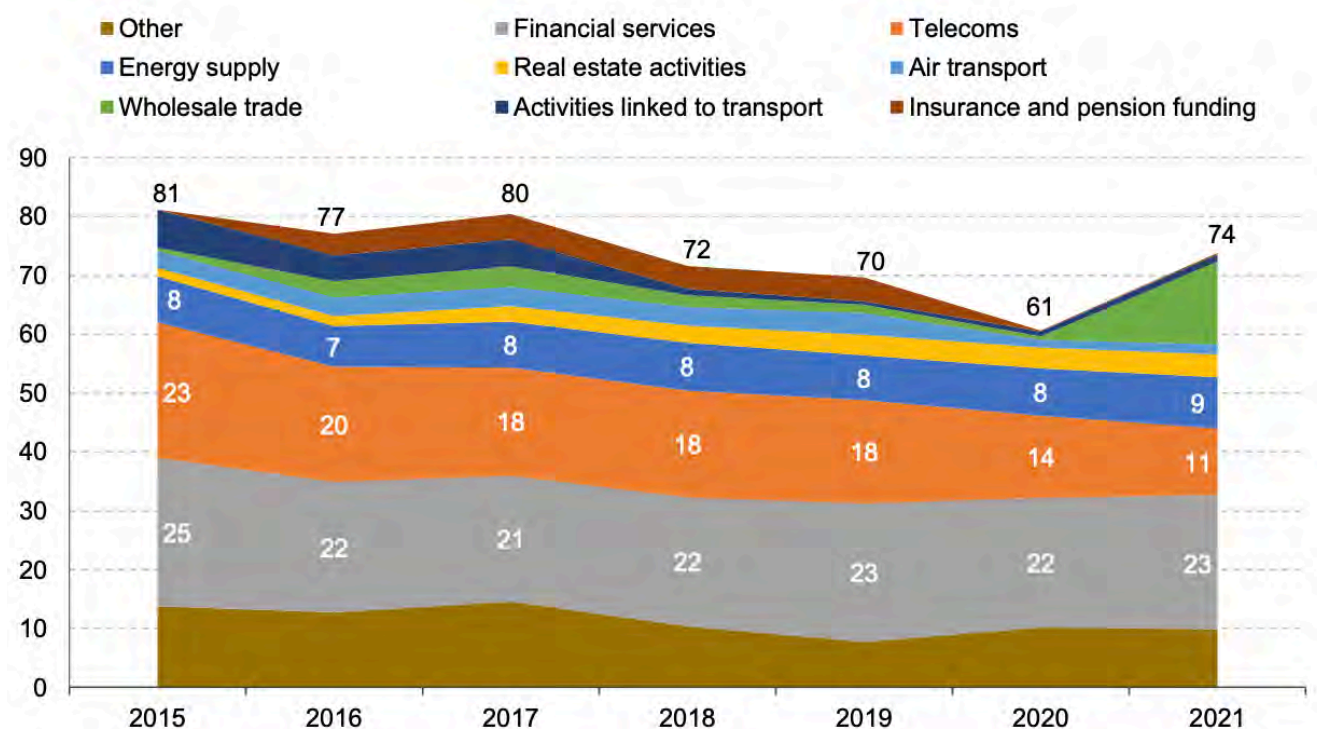
Since the first edition of the Barometer in 2019, five sectors have systematically featured among the top 10 sectors of activity in the UK to receive the highest volumes of Spanish investment. Specifically, those five repeat sectors are: (i) financial services, (ii) telecommunications, (iii) electricity, gas, steam and air-conditioning supply, (iv) real estate activities, and (v) passenger air transport. Between them, these five sectors accounted for 73% of all Spanish FDI in the UK between 2016 and 2021.

Historically, financial services has been the most important sector. In 2021, the stock of Spanish investment in the financial services sector stood at €22.87 billion, marking growth of €840 million from 2020, although its share of the total stock of FDI fell from 36% in 2020 to 31% in 2021. The telecommunications sector also saw its share of the total stock fall from 23% in 2020 to 15% in 2021, as it decreased from €13.95 billion to €11.31 billion. Other sectors have meanwhile been gaining share in the total stock of Spanish FDI in the UK. This is certainly the case with the energy supply and real estate activities sectors, whose shares increased from 9% in 2016 to 12% in 2021 in the case of the former, and from 2% to 5% over the same timeframe in the case of the latter.

Another sector that has seen its share of Spanish FDI in the UK increase dramatically in the last five years is the wholesale trade, whose stock of investment increased from €4.4 billion in 2016 to €14.1 billion in 2021. This fact is mainly attributable to the merger between subsidiaries of Spain's Telefónica and Britain's Liberty, which was announced in mid-2021. Among the sectors to have lost share in total Spanish FDI in the UK in the last five years, support activities for transportation and insurance and pension funds stand out, having seen their relative weights decrease from 5.7% in 2016 to 1.6% in 2021 in the former, and from 4.8% to 0.4% over the same period in the latter.

STOCK OF SPANISH FDI IN THE UK BY RECIPIENT SECTOR

(€ billion)

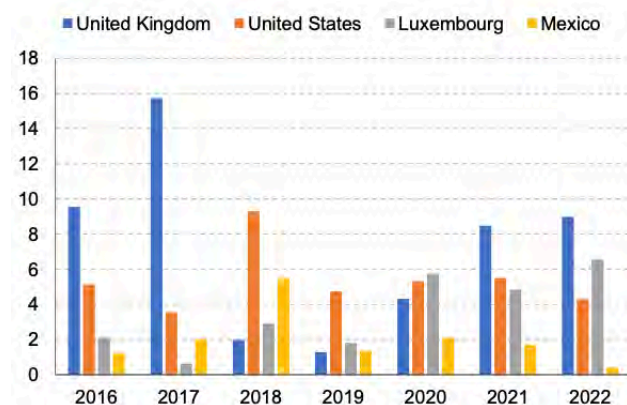


Source: Afi, Secretary of State for Commerce

In terms of investment flows, the UK is the country to have received the highest cumulative volume of Spanish FDI since this Barometer was published for the first time. Both 2016 and 2017 were marked by significant flows of Spanish investment into the UK of €9.54 billion and €15.72 billion respectively. These figures were significantly higher than the flows received by Spain's second-largest recipient over time, the US, whose annual FDI flows from Spain during those years were under €6 billion. Following a contraction in annual FDI flows from Spain in 2018 and 2019, investment activity began to recover quickly in 2020 and the UK emerged as the main recipient of Spanish investment flows in 2021 and 2022, garnering volumes of around €8 billion.

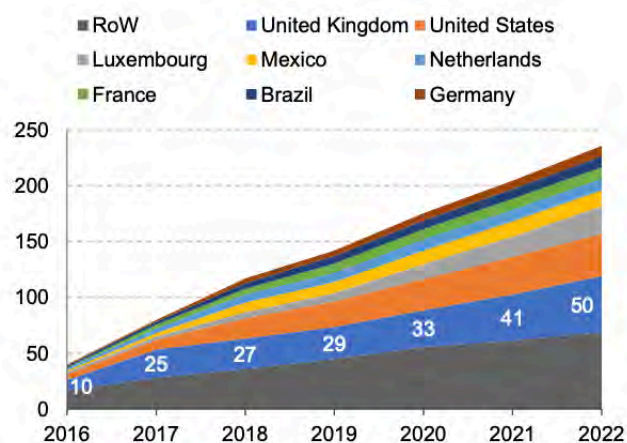
In total, between 2016 and 2022, the UK received €50.3 billion of Spanish investment, accounting for 21% of all Spanish FDI flows during that period. This is significantly larger than the amount received by the other major recipients of Spanish investment overseas: the US, at €37.83 billion (16% of the total) and Luxembourg, at €24.62 billion (10%).

ANNUAL FLOWS OF SPANISH FDI BY DESTINATION (€ billion)



Note: On average, these four countries represent around 30% of total outbound Spanish FDI between 2016 and 2022
Source: Afi, Office for National Statistics

CUMULATIVE FLOWS OF SPANISH FDI BY DESTINATION BETWEEN 2016 AND 2022 (€ billion)



Source: Afi, Office for National Statistics

HOW THE SPANISH COMPANIES DOING BUSINESS IN THE UK VIEW THE BUSINESS CLIMATE AND HOW THEIR PERCEPTIONS HAVE CHANGED IN THE LAST FIVE YEARS

The Spanish business population's assessment of the business climate in the UK has been relatively stable over the last five years. The Spanish businesses' positive appraisal of the British business climate is aligned with the outlook for their performance and investments in the UK.

The vast majority of the Spanish firms continue to see the UK as a strategic market, which they expect to remain committed to for the next five years.

In general terms, the Spanish business population's assessment of the business climate in the UK has been relatively stable over the last five years, despite the numerous challenges that have plagued the country during that period. After Brexit, the Covid-19 pandemic came along, followed by the war in Ukraine and the ensuing energy crisis, and more recently, rampant inflation, forcing a sharp change of tack in monetary policy, all of which has affected the business climate in the UK.

The assessment of the business climate, provided by the Spanish companies conducting business in the UK (consulted for the purpose of this Barometer), reveals a poorer assessment of supply costs. This trend could be related to the uncertainty that surrounded Britain's exit from the UK and the subsequent negotiation of the Trade and Cooperation Agreement between the EU and UK, as well as the changes it ushered in. The Spanish companies' perception of labour market conditions in the UK has also worsened since Britain left the EU.

On the other hand, the degree of digitalisation (at the firm and economy levels) and market structure remain the best-performing attributes of the business climate. In the case of the market structure, it is worth underlining that, in addition to a healthy competitive landscape and low barriers to entry, the firms perceive a favourable framework (transparency and governance) of relations between the business community and the international institutions.

SPANISH COMPANIES' ASSESSMENT OF THE BRITISH BUSINESS CLIMATE (2019-2023)

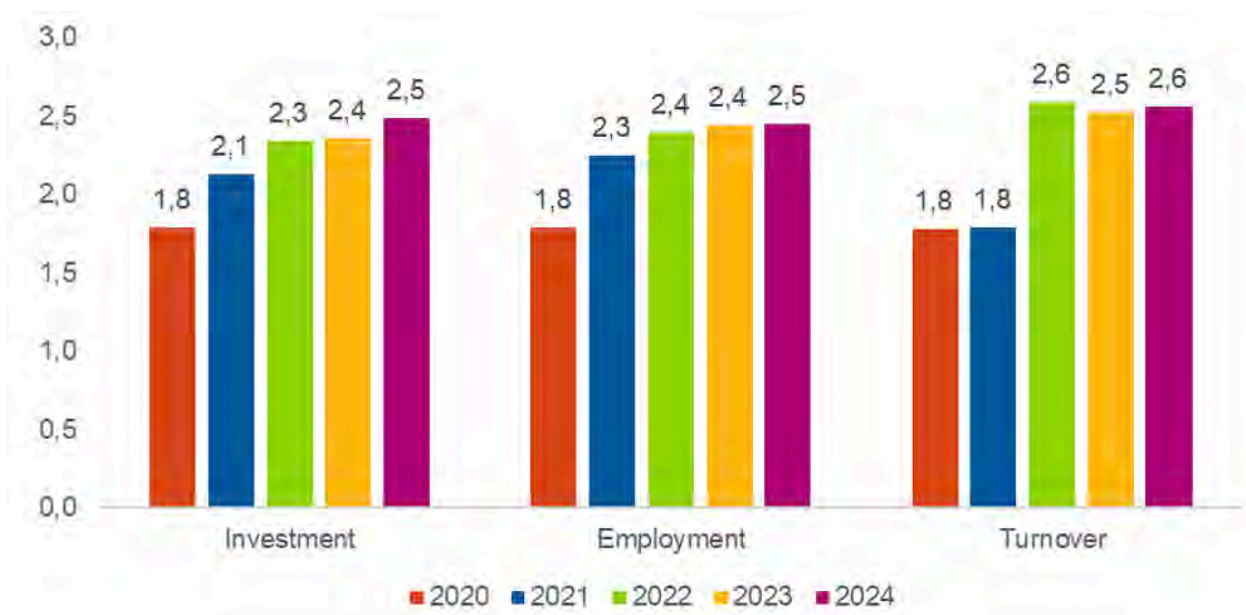
	2019	2020	2021	2022	2023
Relations with public administrations	2,9	2,8	2,8	2,9	2,8
Political Risk	2,5	2,9	3,1	3,0	2,9
Financing	3,2	3,3	3,3	3,3	3,1
Job market	3,2	3,3	2,9	2,7	2,8
Market structure	3,4	3,2	3,3	3,3	3,3
Digitalisation	3,6	3,6	3,6	3,7	3,6
Supplier costs	3,0	3,2	2,9	2,8	2,7
Quality of life	2,9	3,1	3,0	2,5	2,8
R&D and innovation	2,7	2,9	2,9	3,1	2,8

Note: Scores between 1 and 5, 5 being the top score.

Source: Barometer on climate and outlook for Spanish investment in the UK, 2019-2023

In general, the Spanish businesses' positive appraisal of the British business climate is aligned with their growth expectations in the UK. After several tough years marked by Brexit and then the pandemic, the Spanish firms' expectations for growth in investment, employment, and revenue in the British market have improved considerably, as shown in the following chart.

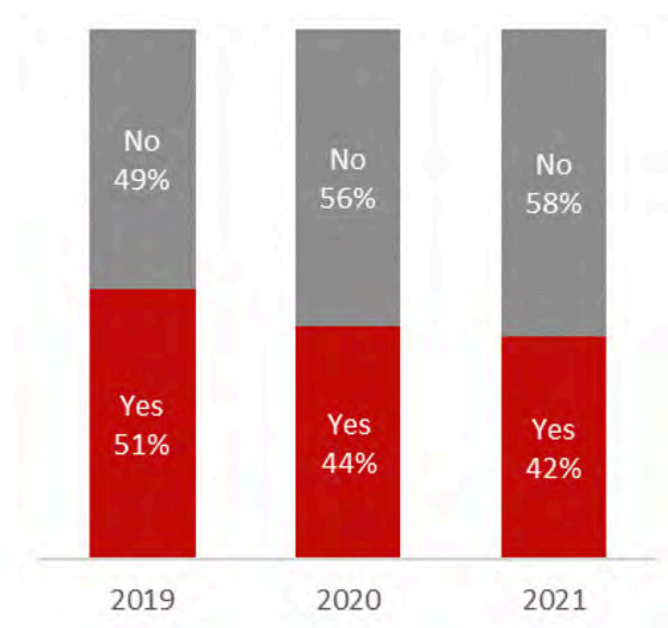
TREND IN THE SPANISH FIRMS' EXPECTATIONS FOR GROWTH IN THE UK (2019-2023)



Source: Barometer on climate and outlook for Spanish investment in the UK, (2019-2023)

The Spanish firms have become more optimistic over the aforementioned period (with an increase of 0.7 points in their outlook for investment, employment, and turnover in the year ahead between 2019 and 2023), emphasising their decisive commitment to the British market during the last five years, despite the uncertainty derived from the succession of events that have shaped developments in society, the economy and geopolitics.

SPANISH FIRMS' PERCEPTION OF THE IMPACT OF BREXIT (2019-2021)



Source: Barometer on climate and outlook for Spanish investment in the UK, 2019-2023

The new regulatory framework in force under the Trade and Cooperation Agreement between the UK and EU implies a new challenge in terms of bilateral economic and trade relations in general and more specifically, with respect to the interests of the Spanish companies doing business in the UK and the bureaucracy involved.

Since it was first published in 2019, the Barometer on the Climate and Outlook for Spanish investment in the UK has paid special attention to tracking how the Spanish companies perceive and assess how Brexit may have impacted their investment policies and business models.

In general, that feedback on the impact of Brexit revealed substantial concern from the onset of Britain's departure from the European Union, which has eased gradually over the years as the uncertainty around how it would be implemented dissipated. Whereas, in 2019, half (51%) of the Spanish firms surveyed reported having modified their investment plans in the UK due to Brexit, this decreased by over 10 percentage points over the following three years.

Having said that, the Spanish firms continue to report that Brexit has had a considerable impact on their business models. More specifically, in 2022, 40% of the firms surveyed said that Brexit was the event with the biggest impact on their businesses in the previous year and, in 2023, 54% of them described that impact as high or very high.

Nevertheless, despite the multitude of events that have not only shaped the political, economic, and social outlook in the UK over the past five years but also had an effect on the businesses of the Spanish companies operating in the British market, the vast majority of the firms continue to see the UK as a strategic market, which they expect to remain committed to for the next five years.

APPENDIX: METHODOLOGY AND CHARACTERISTICS OF THE COMPANY SAMPLE

The 2023 edition of the Barometer captures the insight and perceptions of more than 100 Spanish participating firms established in the UK, from a wide range of sectors.

As in prior years, the Spanish companies established in the UK market participated in an online questionnaire. That questionnaire featured a combination of questions related with the companies' profiles, their assessments of the business climate in Britain, and their expectations for their activity levels and investments in the UK market.

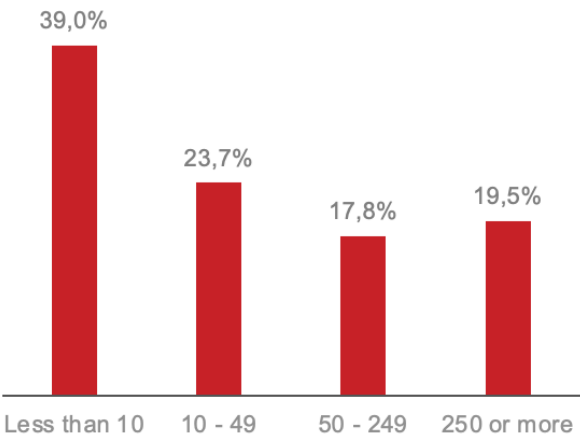
For this fifth edition of the Barometer, we continued to assess the impact of specific macroeconomic factors (inflation, interest rates, etc.) on the Spanish businesses operating in the British market and their investment expectations, as well as asking them about the consequences of Brexit and how they perceive the level of government support for the business population.

The survey took place between 15 August and 7 October 2023, with a total participation of 118 Spanish companies with a business presence in the UK.

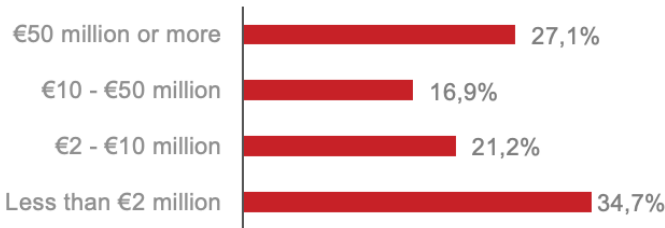
The respondents, of all sizes, come from a wide range of sectors, as illustrated in the following charts.

BREAKDOWN BY COMPANY SIZE (% of all firms surveyed)

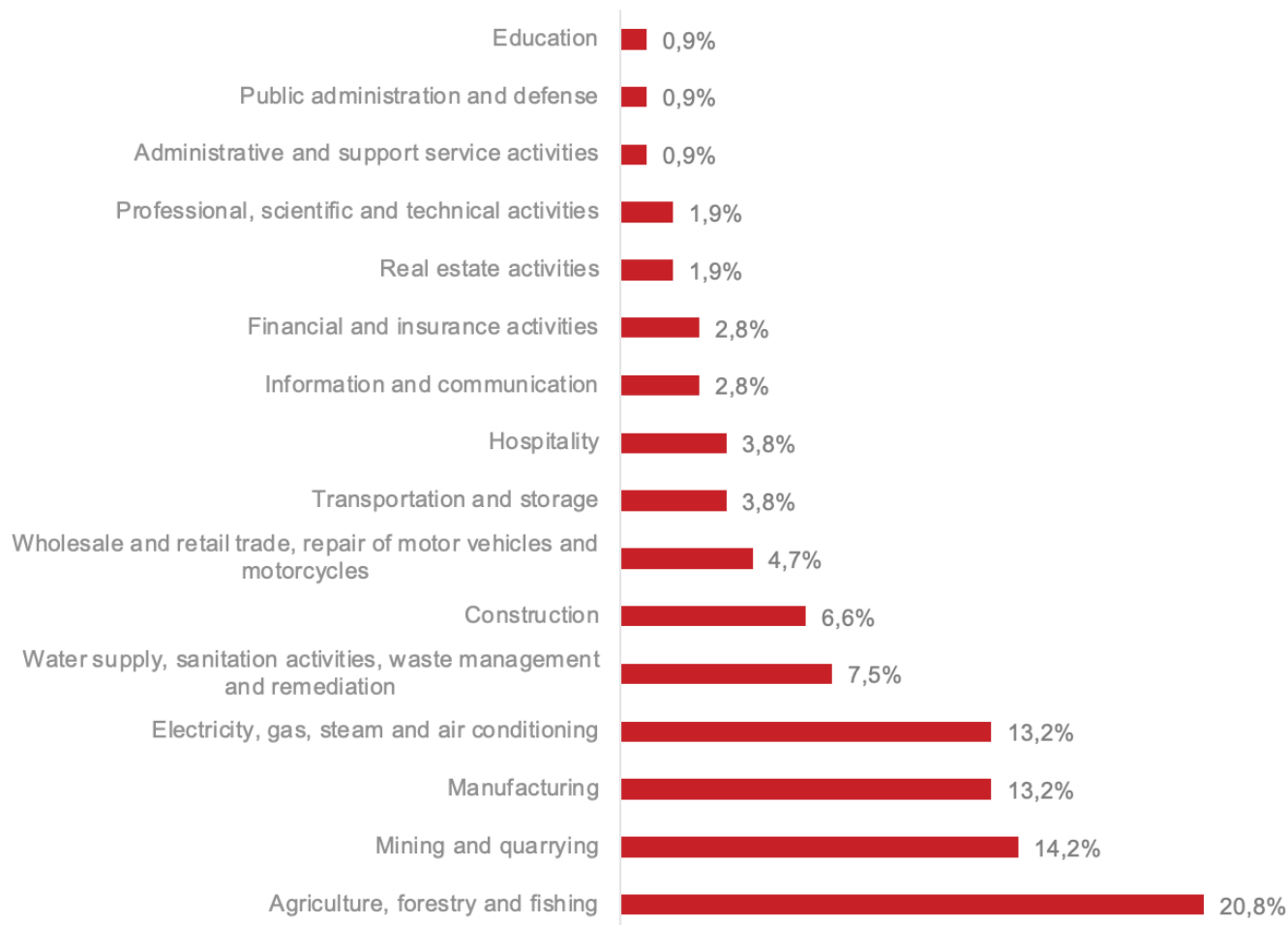
NUMBER OF EMPLOYEES



ANNUAL TURNOVER



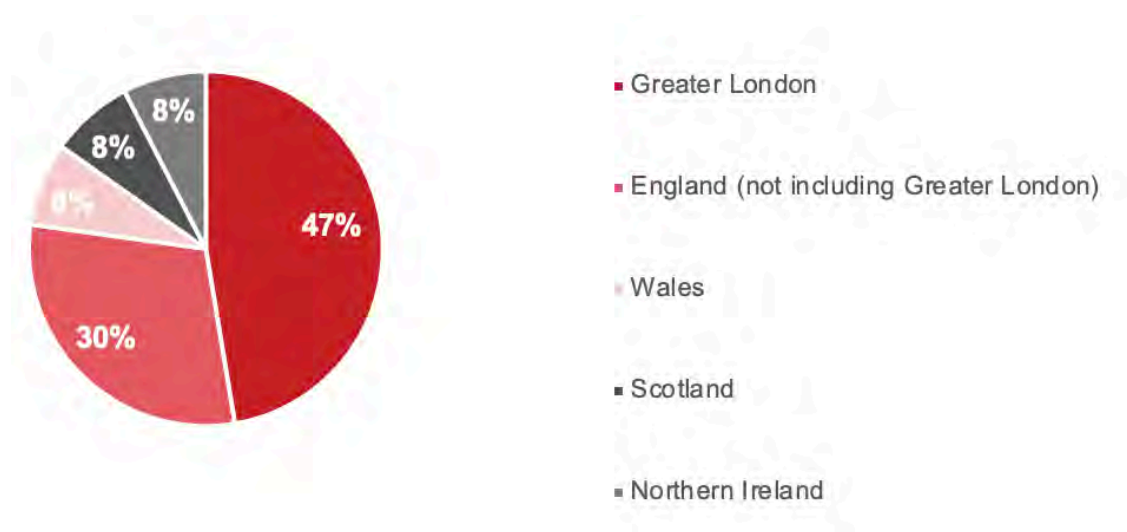
Source: Afi, "2023 Survey of Spanish outward investment into the UK"

SECTOR BREAKDOWN (% of all firms surveyed)

Source: Afi, "2023 Survey of Spanish outward investment into the UK"

REGIONAL BREAKDOWN OF THE PRESENCE OF SPANISH FDI IN THE UK

(% of all firms surveyed)



Source: Afi, "2023 Survey of Spanish outward investment into the UK"

ABOUT THE SPANISH CHAMBER OF COMMERCE IN THE UK

In 1886, a group of Spanish and British merchants, industrialists and professionals founded the Chamber with the main objective of promoting the economic and commercial relationships between both countries.

Today, our **main goal** is to facilitate the **development and promotion of trade and investment** between Spain and the United Kingdom, playing a fundamental role in the commercial and economic relations between the two countries.

Our mission:

- To provide an optimal platform for **facilitating business opportunities** within the British-Spanish business community.
- To provide support and advice to our Members, offering **tailor-made solutions** for the particular requirements of each company that we work with.



SERVICES OF THE CHAMBER

EVENTS:

The Chamber organises more than 50 events each year to which we welcome senior representatives from an expansive variety of Spanish, British and other international companies, as well as government representatives and other influential figures from both countries. Each event provides a **profitable networking opportunity** for representatives from companies of all industries and sizes.



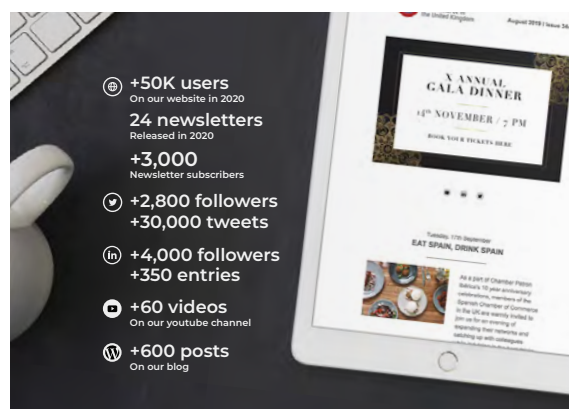
BILATERAL TRADE:

From making new commercial contacts to introducing your company to new markets: both member and non-member companies can benefit from the variety of services that we offer, with the aim of **improving bilateral trade relations** between Spain and the UK.

COMMUNICATIONS:

The Spanish Chamber of Commerce in the UK offers a variety of tools to help you reach your target audience.

If you are an organisation **looking to increase your brand or product visibility**, we can provide the perfect advertising package for your products and services.



WHAT CAN THE CHAMBER DO FOR YOUR COMPANY?

EXPAND YOUR NETWORK:

Participate in our networking events, which provide an optimal opportunity for companies to meet new business partners.

INCREASE YOUR VISIBILITY:

Benefit from the Chamber's communication channels (social media, webpage, newsletter).

CONNECT AND INTERACT:

With our wide member network.

EXPLORE NEW OPPORTUNITIES:

Benefit from one of our frequent sponsorship opportunities.

DEVELOP YOUR BRAND:

Organise a seminar in collaboration with the Chamber.

BENEFIT FROM OUR WIDER INSTITUTIONAL NETWORK:

Which we have acquired through promoting bilateral commercial relationships between the two countries for over 130 years.

EXPAND YOUR BUSINESS:

Reach the British market with the help of the Chamber's services.

YOUR PARTNER AFTER BREXIT

Over the course of recent years our institution has continuously supported a stable UK exit from the EU. Our aim is to continue to strengthen our links with both the British and Spanish governments, in order to support all Spanish companies with interests in the UK.

The Chamber doubled its efforts to support its Members during and after the transition period by providing first-hand information from HM's government. Senior representatives from different departments such as the DBT and FCDO have regularly participated in our events, sharing their insight with our Members and answering any questions that they may have.



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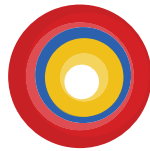
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