

# Navigator

Now, next and how for business

Spain



Together we thrive

# Overview

## Spain projects sunny attitude toward growth

While other Eurozone countries have struggled, the region's fourth-largest economy has replaced an export-fuelled recovery from the financial crisis with economic growth powered by domestic consumer demand<sup>1</sup>. Economic growth has slowed in recent quarters partly as a result of the deteriorating external environment and partly due to the slowdown of domestic consumption, although the external sector remains a net contributor to growth. But the country needs a strong government to continue much-needed reforms.

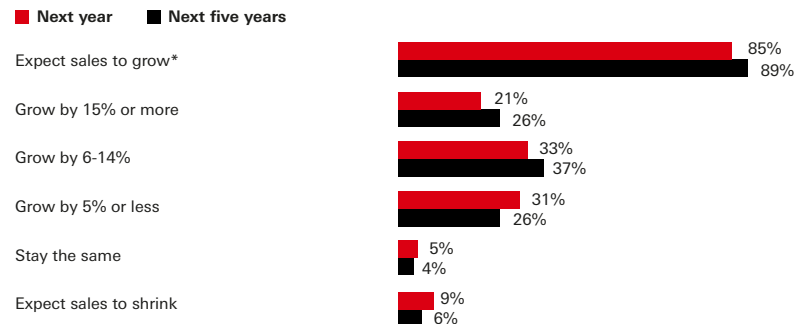
# State of play

## Business is good

Spanish firms are feeling confident about the future. The outlook for growth has strengthened further in the last year and more Spanish firms expect their sales to rise than in Europe or the rest of the world. The number of Spanish businesses that are high-growth firms – that is expecting growth of 15% or more in the next year – is 21%, close to the global average of 22%. A favourable political environment is tipped as a key driver by 40% of companies expecting growth, while new markets (45%) and transformative technologies (33%) are also boosting sales.

Fewer Spanish businesses expect to change wholly or substantially in the next five years – 44% versus the 50% global average. Compared to last year, they are more focused on increasing the use of technology in supply chains (39% this year from 29% in 2018) and moving into new markets (38% versus 25%).

### Expectations for future business growth



\*This is the sum of grow by 5% or less, 6 - 14%, 15% or more



## What you need to know

- 1 47% of Spanish firms have a more optimistic outlook in 2019 than last year.
- 2 19% of international traders are projecting growth of more than 15%.
- 3 Spanish companies are changing their supply chains to reduce costs (39%), move closer to their consumers (33%) and increase speed to market (32%).

## What your business can do



Invest in innovation. Investing in technology is a key internal driver of growth and investing in innovation is one of the top three strategies to prevent shrinking sales.



Strive for continuous improvement. Many Spanish businesses are improving productivity and introducing new products or services.



Analyse your supply chain. Lengthening the supply chain is a strategy being adopted by 21% of Spanish firms.

# Trade outlook

## Meeting customer demand

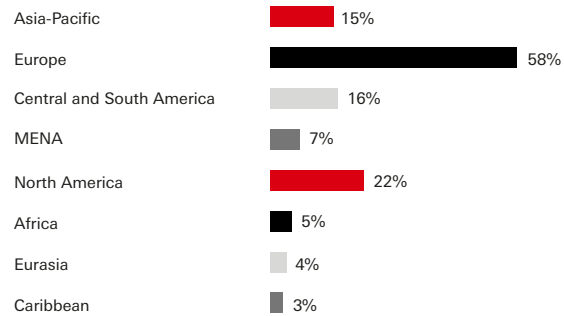
Spain's trade with its near neighbours continues to be important, but businesses also list the Americas as strong trading partners. Europe has slightly decreased in importance from last year, dropping to 77% from 81%. North America is still the second main region for Spanish firms at 20% and Central and South America is favoured by 16% of Spanish business.

Both France and Germany are among the top three trading partners in Europe, but both have dropped a lot in importance, contributing to the decline in the region as a whole. In the Americas, there is a slight shift from the US to Mexico, and Brazil has become more important than Argentina. However, Spain's future is still aligned to Europe – 58% want to expand there in the next five years and the top three markets will be France, Germany and Italy.

Spanish businesses share the same view as their global counterparts that trade is a force for good at home and abroad. Over the next five years, Spanish firms believe trade will drive innovation (83%), provide new business opportunities (80%), improve efficiency (78%) and raise incomes (77%).

### Future trading expansion markets in the next three to five years

#### By region



#### By market

1. France	24%
2. Germany	19%
3. Italy	13%
4. Portugal	12%
5. United States	12%
6. Canada	10%
7. United Kingdom	8%
8. Mexico	7%
9. Argentina	7%
10. China	7%



## What you need to know

1

77% of Spanish firms name Europe as a top three trading region, followed by North America (20%) and Central and South America (16%).

2

Both France (36%) and Germany (27%) have dropped in importance as trading partners by 7% in the last year.

3

But the top three markets are still France, Germany and Italy, all of which have proven customer demand.

## What your business can do



Keep focusing on international trade. Fewer Spanish firms have reduced or plan to reduce global business than worldwide.



Advertise your partnership potential. Foreign businesses are attracted by favourable partnership opportunities and access to new suppliers/partners.



Find the right market for your offering. Aside from political reasons, the main motivation to pull out of markets is declining demand.



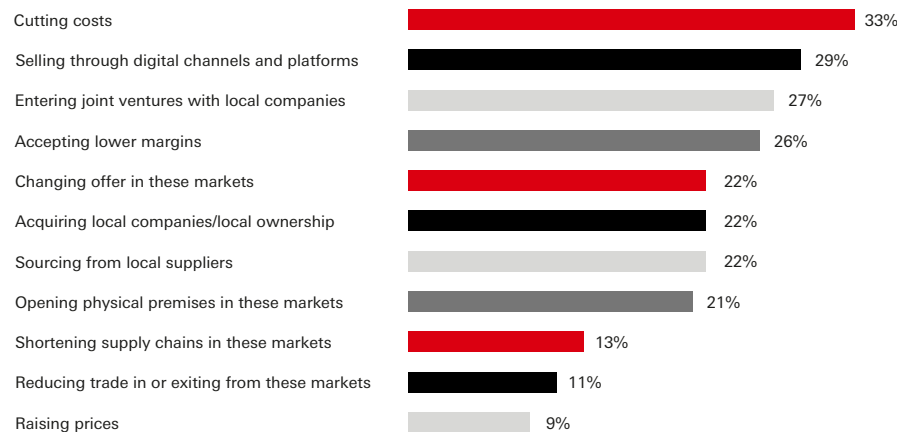
# Protectionism and geopolitics

## Spanish businesses find the silver lining

A much higher proportion of Spanish businesses feel that their key trading markets are becoming more protective this year (70%) compared with 2018 (62%). This figure is also marginally higher than the global level of 65% and a significant hike from how the rest of Europe feels (55%). However, in common with the rest of the Navigator study, more than half of Spanish firms feel that they are able to gain from protectionism and are confident they can meet protectionism challenges head on.

The impact of geopolitical risk is felt by 67% of Spanish businesses, more or less on a par with the global average of 64%. Only 11% of companies said they feel its impact very strongly, compared to a quarter of firms worldwide.

### Ways in which businesses are coping with protectionism



### What you need to know



A greater number of Spanish businesses think their key trading markets are adopting more protectionist policies than last year.



But 54% of companies that believe protectionism is rising think they stand to gain more than they lose.



Geopolitical risk is felt by a similar number of Spanish firms, but its impact is slightly stronger than worldwide (67% versus 64%).

### What your business can do



Mix defensive and offensive strategies. Spanish firms are cutting costs and accepting lower margins, but they're also seeking out joint ventures with local firms.



Mitigate for geopolitical uncertainty with a healthy balance sheet. 24% of Spanish firms report decreasing borrowing.

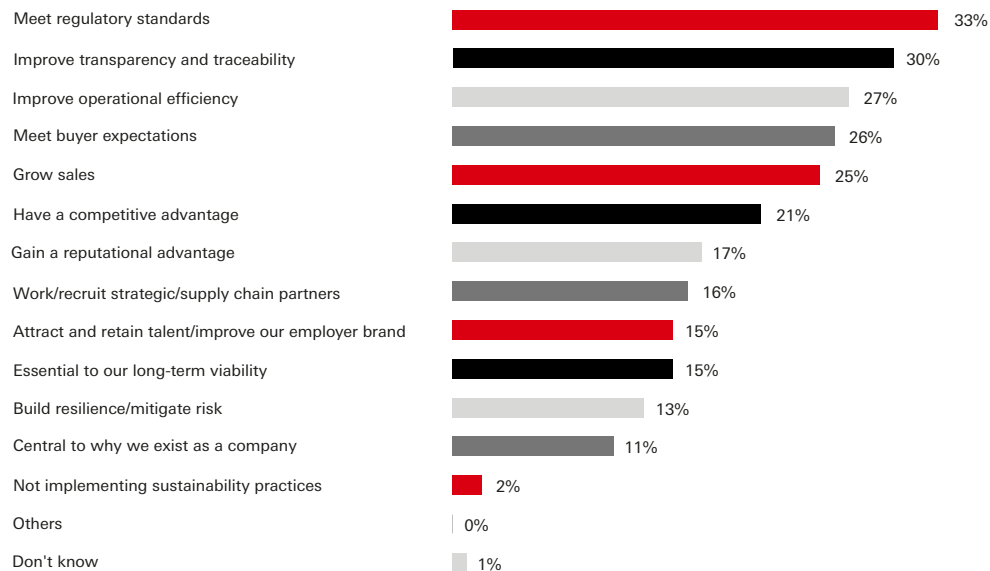
# The sustainable future

Sustainability is highly relevant for Spanish firms

Although a quarter of Spanish companies recognise that sustainability can help grow their sales and meet buyer expectations, the main motivations for pursuing sustainable practices are meeting regulatory standards and improving transparency and traceability. These drivers are stronger than globally and in other European markets.

However, environmental, social and governance (ESG) metrics are highly relevant for and being extensively measured by businesses. The most relevant are energy usage and packaging waste, product safety and quality and tax transparency. In line with these metrics, Spanish businesses expect their sustainability investments to help reduce waste generation, improve sustainable production, and improve energy efficiency and source more clean energy.

## Motivations for implementing sustainable practices



## What you need to know



Spanish firms feel pressure to become more sustainable almost evenly from customers, governments, regulators and competitors.



Compared to the global level, slightly fewer Spanish businesses think they have a role to play in delivering the UN's Sustainable Development Goals (SDGs).



However, ESG metrics are highly relevant for and being extensively measured by companies.

## What your business can do



Consider the planet. Spanish firms that do think they can help with SDGs believe that climate action and affordable clean energy are most relevant.



Use the drive for sustainability to improve workforce morale. Gender equality and labour standards are high on the Spanish agenda.



Develop a strong business plan. Firms worldwide are struggling to secure the extra finance, work and time for sustainability drives.

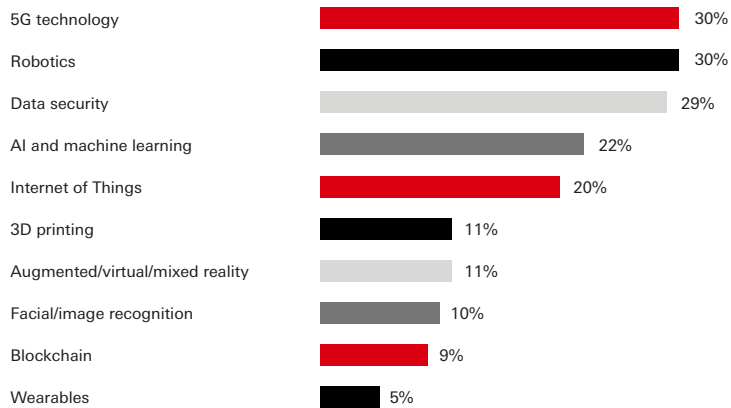
# Technology

## Spanish firms focus on 5G

Spain is one of the few markets where artificial intelligence (AI) isn't in the top three technologies that will impact business in the next five years – but it is a close fourth. 5G, robotics and data security are the most important innovations in Spain and robotics is cited by more than the global and European averages.

Technology is seen as an enabler for business improvement, particularly in the areas of customer experience, productivity and reducing cost. And there is a spread in importance across sectors – data security is indisputably top for wholesale and retailers, while robotics and AI are tied in importance for manufacturers.

### Technologies businesses think will be important over the next five years



### What you need to know



5G, robotics and data security are regarded as the top technologies by Spanish businesses.



Firms expect these tech innovations to improve customer experience and productivity and reduce costs.



AI and the Internet of Things (IoT) are the next most important technologies for future impact.

### What your business can do



Focus on 5G. Rated as a top technology for future impact, it's also seen as a technology that's well-developed in Spain.



Use tech innovation to cut costs. Cost-cutting is a top strategy to mitigate external risks and a key benefit of robotics, AI and the IoT.



Secure your business. Data security technology can improve customer experience, productivity and compliance.

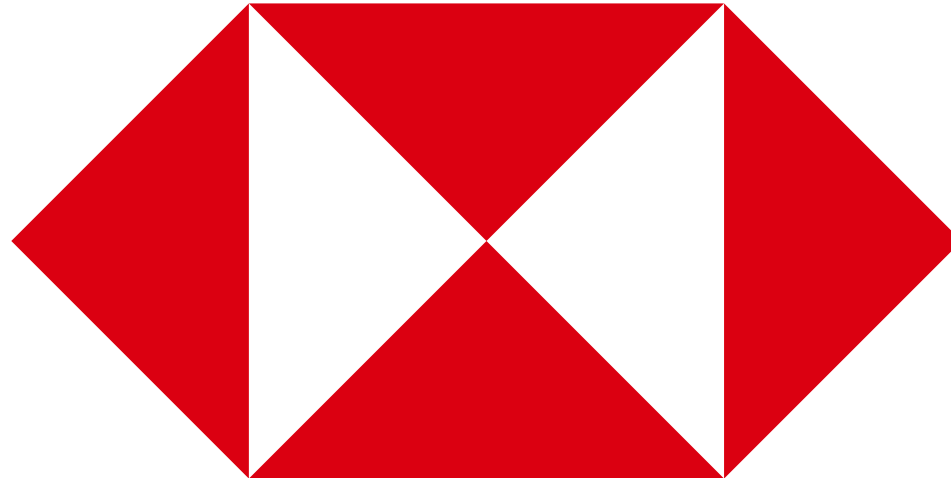
## About HSBC Navigator Spain

The HSBC Navigator survey, which is the largest of its kind, is conducted on behalf of HSBC by Kantar. The study gauges sentiment and expectations of businesses in the near to mid-term future on topics including: business outlook, international trade, geopolitics, sustainability, technology and wellbeing. It is compiled from responses by decision-makers at 9,131 businesses – from small and mid-market to large corporations – across a broad range of industry sectors in 35 markets. Sample sizes for each market were chosen to ensure the statistical accuracy of results, with 350 businesses surveyed in Spain. Global results are based on an average of the 35 markets (using weights based on each market's share of world trade). The survey was conducted between August and September 2019. Interviewees were polled on a range of questions including expectations around future growth in trade, attitudes toward trade policy developments and strategic business plans. The survey represents a timely source of information on the fast-evolving international business environment.

Data visualisations based on the following:

Page 2, 3, 5, & 6: all companies. n=350

Page 4: companies who think governments are becoming more protective. n=249



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