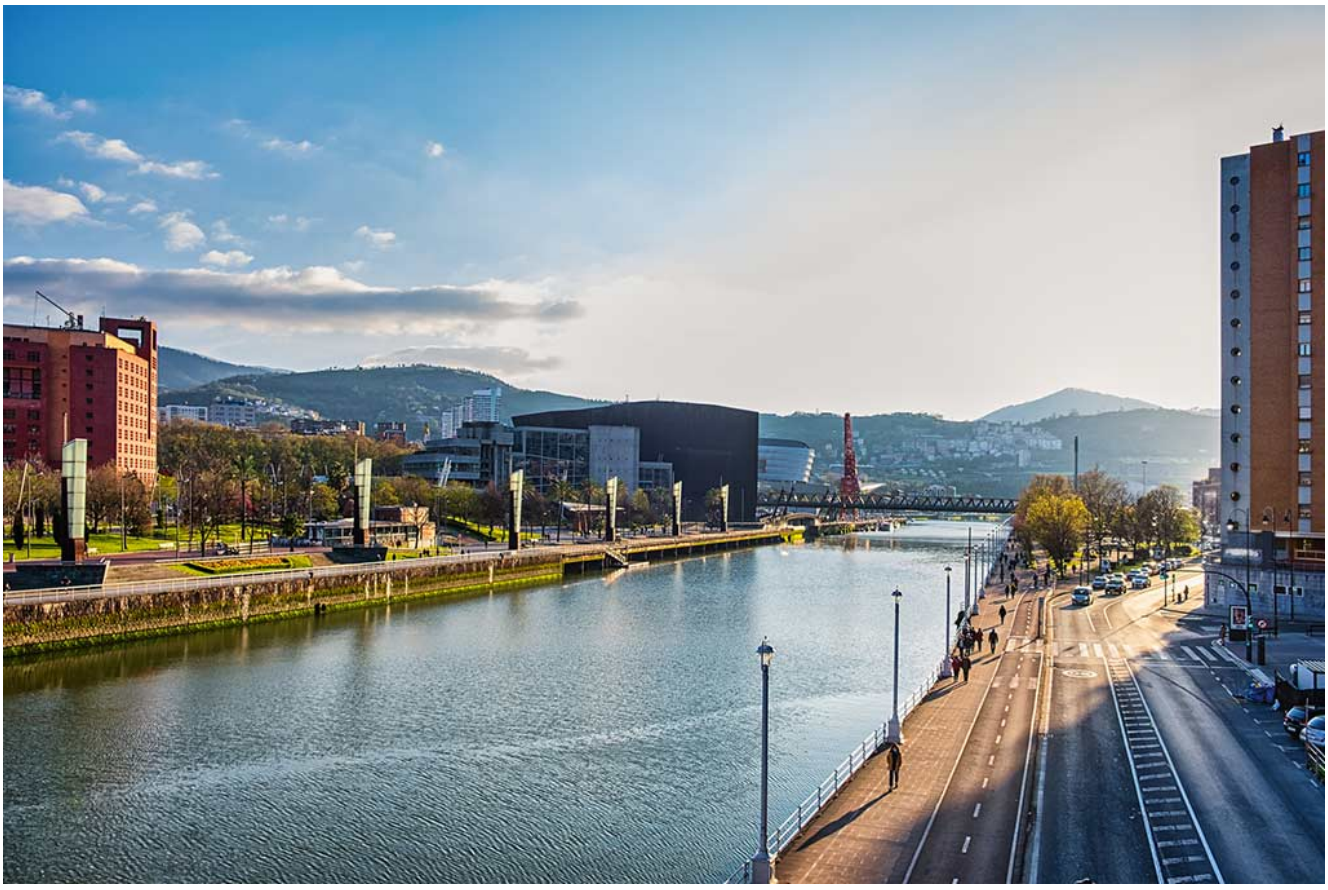
Foreign companies in Spain undeterred by high interest rates, polarization and geopolitical turbulence

Roughly 90% of foreign companies have no intention of reducing their investments or workforce in Spain in 2024.



March 6, 2024

- **88% of foreign companies estimate that their investments in Spain will**

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continue or increase in 2024.

- **90% of investing firms in the country expect to increase or maintain their staff this year.**
- **Spain's infrastructure is once again the top selling point for investors, followed by market size and talent.**

Foreign companies in Spain are forecasting positive results for investment, revenue, employment and export volume in 2024, according to the 16th Barometer of the Business Climate in Spain, conducted by ICEX-Invest in Spain, Multinationals for Brand Spain and the International Center for Competitiveness at IESE.

This year looks set to see a 2-percentage point improvement in investment, a 10-point improvement in revenue volume, a 3-point improvement in employment and a 5-point improvement in exports compared with 2023.

The percentage of companies expecting to maintain or increase their revenue this year will grow to 86%, a 10-percentage point improvement on the previous year (76%), with 37% of those opting to increase investments, despite a complex international business environment.

Meanwhile, the export potential of foreign companies remains strong, with almost 70% of the firms surveyed exporting to third markets from Spain. In terms of volume, forecasts are also encouraging: 45% of companies exporting from Spain expect an increase in foreign sales this year. In 2023, 12% of foreign companies experienced a decline in their annual exports, but for 2024, this percentage is expected to be only 7%.

For employment, hiring estimates remain slightly above those of 2023, with 90% of the country's investing firms intending to increase or maintain their staff in 2024. This represents a 3-point improvement from the same estimates in 2023.

Infrastructure and talent are the top-rated areas for foreign investors in Spain

Foreign investors give an average rating of 2.9 out of 5 to their activity in Spain, in an evaluation of 10 areas of interest. As in previous editions, infrastructure is one of the top areas. Similarly, market size and talent are two other highly valued areas, due to the availability of qualified labor and their learning capability.

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The impact of the Ukraine war on business

For the second consecutive year, the barometer includes two questions about the impact of the war in Ukraine on business. In 2023, 46% of companies experienced a significant impact (compared with 50% in 2022), while only 10% consider that the conflict has had low impact on their activity (compared with 7% in 2022).

The impact of the war on energy costs is cited by 86% of companies. In addition, 46% of companies consider that the war has caused significant supply shortages (compared with 56% the previous year) and 29% of executives surveyed say it has caused problems in logistics distribution (compared with 46% in 2022).

Strategies for sustainable foreign investment

Finally, the report analyzes the sustainability strategies of foreign companies in Spain. According to the barometer, 27% believe that Spanish companies are falling behind with sustainability goals, a similar number to 2022. Sustainability success is relative, however: 17% believe that companies in Spain are still in a more sustainable position than companies in their home countries.

Spain offers foreign companies several societal benefits that can help in the development of ESG strategies. First, there is a high level of education and awareness around sustainability among consumers, employees and society in general. Further, it is relatively easy to find responsible suppliers and customers.

About the research

The 16th edition of the Barometer of the Business Climate in Spain analyzes 700 foreign capital companies on the business climate in Spain. The study is conducted with the participation of ICEX-Invest in Spain, Multinationals for Brand Spain and the International Center for Competitiveness (ICC) at IESE, directed by Pascual Berrone, co-author of the barometer alongside researcher Maria Luisa Blazquez.

READ ALSO: Revenue outlook for foreign companies in Spain for 2023

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