

ICT: Fourth strongest sector in Spanish economy

November 10, 2009

The importance of IT relative to a country's GDP is one of the indicators of economic development. ICT has been a driver of growth for Spain.

Spain's innovation efforts have continued to move in a positive direction. While in 2001 they accounted for just 0.5 percent of the country's GDP, in 2006 that figure grew to 1.6 percent. This constitutes a significant increase, though not enough to get of the cellar in Western Europe.

The situation is somewhat similar for the research-and-development investment coming from the ICT sector, which represents 17 percent of Spain's total R&D investment. The figure is still well below those of Finland (64.3 percent) and South Korea (55.1 percent), but nevertheless makes the ICT sector a key motor of innovation in Spanish R&D, surpassed only by the percentage that business services allocate to R&D. Within ICT, the top investor is the IT services segment, followed by telecommunications.

This is one of the conclusions of the 2009 Spanish edition of the BIT report, compiled by IESE professors [Sandra Sieber](#), [Josep Valor](#) and research assistant Vivianne Cruzado. The study is part of the Business and Information Technologies (BIT) project, led by the UCLA Anderson School of Management and conducted in more than 20 countries in cooperation with top business schools around the world. The aim of this global project is to create a set of indicators that are capable of describing the changes that businesses and industrial sectors have experienced over the past few years as a result of introducing new technologies, and to make projections about coming trends.

The report highlights some contradictory aspects existing in the business structure and the real employment situation in the Spanish sector. For instance, the number of businesses has grown during the period covered by the study, reaching over 50,000 in 2008, which means that 5 percent of Europe's ICT businesses are Spanish. However, they involve sole proprietorships that are able to operate in the services field and in lower value-added activities, and lack the volume necessary for competing in the international market.

Similarly, there has been a considerable change in the ICT workforce brought on by the expansion of IT services, to the detriment of other segments. In 2006, the sector employed 2 percent of the country's workforce, a figure that is still below the E.U.-27 average of 3 percent. Within the ICT sector, 56 percent of the professionals work in services, with the rest divided among telecommunications, manufacturing and the wholesaling of IT machinery and equipment. Both the telecommunications and manufacturing segments have reduced employment, employing more professionals in 2001 than in 2006.

As for the makeup of the domestic and foreign markets, the study shows that Spain essentially imports IT goods and services, and thus, the trade balance of its IT market maintains its deficit. This phenomenon has been exacerbated by increasing competition from countries with lower costs and better technological performance.

The contribution of ICT

The section on the ICT sector's relative importance in the economy shows the rising percentage of ICT operations in the Spanish economy. In fact, between 2000 and 2006, ICT leapfrogged traditional sectors such as agriculture and energy, drawing closer to the leaders, which include transport and financial intermediation. Furthermore, it has been more dynamic than the other sectors, especially thanks to the vitality of IT services and telecommunications, surpassed only by construction, real estate and business services.

With regard to the sector's impact on the Spanish economy, the authors point out the connection between ICT spending and the growth rate of the economy. The highest-growth countries over the past three years have been those that invested the most in goods and products from the ICT sector in terms of percentage of GDP. However, the investments made in Spain on ICT products and services remain below the European average, which sits between 4 percent and 5 percent. Noteworthy here is the role that the finance and business services sector played as a driver of spending, followed by public administration institutions and industry.

For the most part, Spanish ICT investment is geared toward telecommunications products and services. This uneven distribution in which telecommunications takes precedence over IT reveals a difference with respect to the leading countries. Specifically, Spain's IT spending ranks at the bottom of the list when compared with the E.U.-27, the U.S. and Japan.

The existence of thriving IT services and telecommunications is in sharp contrast with a deindustrialization process that translates into manufacturing being decreased and oriented toward lower-level operations. This, coupled with still-unsatisfactory innovation, as well as an excessive percentage of freelance professionals and microenterprises, just adds to the traditional deficit in the trade balance of Spain's ICT industry. The study concludes that Spain ought to invest more in innovation and ICT goods and services, in order to improve its productivity and growth.

www.iese.edu/insight