



Spanish Chamber
of Commerce in
the United Kingdom
EST. 1886

VI BAROMETER

ON THE CLIMATE AND OUTLOOK
FOR SPANISH INVESTMENT IN THE UK

DECEMBER 2024



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

Six years ago, back in 2018 (what a different place the world was!) the **Spanish Chamber of Commerce in the UK took the swift and decisive action to refocus its strategy**, while at the same time strengthening our relationship with companies and public institutions.

I am proud of the progress we have made. We put the Chamber in a stronger position in terms of British-Spanish relations as we continued to serve our Patrons and Members. The most eloquent example is this Barometer.

The last few years have not been easy, and the environment unfortunately remains very challenging. The wars in Europe and the Middle East are beyond comprehension on a human level. Both conflicts also still have the potential to escalate further. That would first and foremost deepen the humanitarian crisis, but also likely lead to another wave of market and economic turmoil. Interest rates fell this year, which in turn has helped to increase economic activity. In the midst of these challenges, we remain focused on what we are here to do – which is to serve our Patrons and Members – and help them with any difficulties they face.

However, beyond the calamities of our world today, the Barometer is a cause for joy. To put it simply, Spanish companies remain keen on investing in the British market. **The UK is the second destination for Spanish Foreign Direct Investment (FDI)**. It is true that a new political chapter has opened with the change of government in the UK. New Ministers means new policies. We will of course be looking closely at the practical impact that the new Budget has on our Patrons and Members.

In spite of the constant political and economic changes, I remain confident that there are opportunities ahead for us and our Members that can help us to sustain our good performance going into the next years. Ours is a long established relationship with the UK.

In 2023, Spanish investment in the UK remained stable, underscoring the strength of the relationship between our two countries. We now have an opportunity to ensure that it becomes a part of a longer-term trend of ongoing good performance and secure the foundations for future success.

We encourage you to review our list of sponsors, whose contributions have been instrumental to our success this year. Their commitment highlights the strong foundation of British-Spanish relations and is a reflection of their dedication to sustaining our deep bilateral ties. I also want to thank the more than 100 companies that participated in our survey. Their insights are invaluable in guiding our initiatives and strengthening our community.

To achieve our goals, we welcome new partnerships with public and private sector stakeholders to assist us in driving growth and collaboration between Spain and the UK. That's why we already work closely with **the Spanish Embassy in the UK, the Economic and Commercial Office, the Secretaría de Estado de Comercio** and of course, the **British Embassy in Spain** and the Department for Business and Trade, as well as our 50 Patrons and around 250 Members. Likewise, we are also very proud of our working relationship with **Cámara de España**.

Beyond the Barometer, through travels to Spanish cities this year, the Chamber's team have been able to witness the interest that the British market generates for many local Spanish Chambers of Commerce, exporters and SMEs.

Our culture depends on our relationships and connections and we are happy this Barometer represents exactly that. We hope you find the report both insightful and valuable as a tool to deepen your understanding of British-Spanish economic relations.

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

ABOUT THE BAROMETER ON THE CLIMATE AND OUTLOOK FOR SPANISH INVESTMENT IN THE UK

The **Barometer on the Climate and Outlook for Spanish Investment in the UK** is an annual report led and published by the **Spanish Chamber of Commerce in the UK since 2019**. The report is divided into two sections: the first offers **an analysis of the latest available data on the value of Spanish investment in the UK**, while the second presents **insights into Spanish investors' perceptions of the British market's attractiveness**, drawn from a survey of over 100 companies.

The collection of this information allows each Barometer to serve as **an official source of data** for anyone involved in the British-Spanish business community or interested in joining it. Having reached the 6th edition of the Barometer this year, the report has consolidated itself as **a valuable tool for analysing the journey of the Spanish investment in the UK** in the context of continued global economic turbulence.

Additionally, **the event at which the Barometer is presented** has also become a must-attend occasion: it gathers British and Spanish representatives from diverse areas such as government, diplomacy, and private companies at the end of each year. Held at the **Spanish Embassy in London**, this event also hosts high-level panellists from key Spanish investors in the UK.

Reflecting on the previous editions of this publication, one of the main conclusions of the first Barometer, published in **2019**, was that interest from Spanish investors in the UK market had not declined significantly since the 2016 EU referendum.

The **2020** and **2021** editions highlighted the impact of Brexit and COVID-19 on Spanish investment in the UK. The fourth edition confirmed that the British market remained a key destination for Spanish investment in **2022**. Despite challenges such as inflation, the **2023** report indicated that most companies planned to increase their investments and activities in the UK, and that Spanish investment reached an absolute record level of more than €81 billion.

As the Chamber presents the 2024 edition in the following pages, the Barometer on the Climate and Outlook for Spanish Investment in the UK is the most up-to-date **key reference publication for investors and businesses**. By providing comprehensive insights and analyses, this publication will serve as a resource for understanding the **evolving landscape of investment opportunities**, helping stakeholders make informed decisions when operating in the dynamic UK market.

CONTENTS

Executive summary P. 8

PART I

SPANISH INVESTMENT IN THE UK

1. Macroeconomic environment in the UK and Spain: P. 11
Favourable for investment, with both economies resilient
2. Stock of Spanish FDI in the UK P. 17
3. Stock of Spanish FDI in the UK by sector P. 19
4. Flows of Spanish FDI into the UK P. 21
5. Flows of Spanish FDI to the UK by sector P. 24
6. Effects of Spanish FDI on employment in the UK P. 26

PART II

OUTLOOK FOR INVESTMENT IN THE UK

7. How Spanish firms invested in the UK view the British business climate P. 27
8. Perception of the factors impacting the Spanish firms' business P. 36
activities in the British market
9. Outlook for activity in the UK in 2024 and 2025 P. 42

Appendix: Methodology and characteristics of the firm sample P. 47

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

- The backdrop to this edition of the Barometer is economic buoyancy in Spain, which spearheaded growth in the eurozone in 2023 (annual growth of 2.7%) and continues to perform ahead of expectations in 2024. The UK, on the other hand, registered growth of 0.1% in 2023, but has since rebounded, posting growth of 0.7% and 0.5% in the first and second quarters of 2024, respectively. The central banks have embarked on monetary easing, as inflation appears to be under control. The labour market continues to normalise in 2024, whereas demand is showing some signs of weakness and investment has yet to fully recover.
- According to the data published by the Spanish Department for Trade, the stock of Spanish foreign direct investment (FDI) in the UK contracted by 2.3% in 2022. The stock of Spanish FDI in the UK ended 2022 at €79.49 billion, making it the number-two destination for Spanish investment abroad, with a share of 14.5% of worldwide Spanish FDI as of that year-end.
- At the end of 2022, Financial services accounted for 26.4% of the overall stock of Spanish FDI in the UK, followed by the Wholesale trade and Air transport sectors, with shares of 15.1% and 14.1%, respectively. In terms of the importance of certain sectors of the UK market for Spanish investment, it is worth noting that the British Air transport sector accounted for virtually all Spanish FDI as of 2022 (€11.17 billion). Since there are records (2007), the Financial services and Telecommunications sectors have accumulated 57% of the total stock of Spanish FDI in the UK.
- Having contracted in 2023, Spanish FDI flows to the UK recovered in the first half of 2024, increasing by almost 30%. Since the beginning of the historical series in 1993, the UK has received €169.2 billion of gross Spanish FDI flows, which is 18% of Spanish FDI flows worldwide, making it Spain's top investment market. Despite the slowdown in FDI flows since 2019, disposals have been minimal, and gross flows of Spanish FDI into the UK have recovered during the last four years.
- Four sectors account for more than 70% of total Spanish FDI flows since 1993, namely Telecommunications (29.3% of the total), followed by Financial services (16.5%), Manufacture of non-metallic mineral products (14.7%) and Energy supply (13.8%). In recent years, Spanish investment in the UK has been characterised by large ad-hoc flows into specific sectors, coupled with smaller, irregular flows to the rest of the economy.
- Spanish FDI in the UK contributed to the generation and maintenance of around 133,000 jobs in 2022, which is equivalent to 0.4% of total nationwide employment. Spanish FDI made a bigger contribution to employment in the UK in 2022 than in 2021 (128,000 jobs). Of all the jobs generated by Spanish investment, 75,910 are considered direct jobs, with the remaining 55,020 positions considered indirect jobs, i.e., created via knock-on effects of Spanish investment in the UK on other supplier activities.

• **The Spanish firms surveyed gave the business climate in the UK a higher overall score for the second year in a row.** Three out of every four firms described the climate as at least acceptable (a score of 3 or higher on a scale from 1 to 5).

• **The best-rated attributes of the business climate in the Spanish firms' eyes were once again the existence of a favourable ecosystem for digitalisation processes. This year that attribute was joined by the commitment to sustainability,** which also sets the UK business ecosystem and community apart. In contrast, quality of living was the worst-rated attribute according to the firms surveyed for the 2024 Barometer.

• **Around half of the Spanish firms in the UK said that inflation was the factor that had the biggest impact on their businesses during the previous year.** However, around four out of 10 firms (37%) said they had been affected more by staff shortages, which is 10 percentage points more than the year before.

• **Business expectations for the UK economy in 2025 have not shifted significantly** from those expressed in earlier editions of the Barometer. Specifically, **over half of the firms surveyed said they expect their revenue, investments and headcounts in the UK to increase next year.** The main rationale for the new investments planned by the Spanish firms doing business in the UK is to boost productivity levels (particularly by adding new digital technologies, making new hires and training and upskilling existing professionals) but also to expand their existing facilities. The main destination for the new investments planned is once again London and its metropolitan area.

• **An improvement in relations between the UK and EU, and attention to certain dysfunctions in the British labour market are two of the main economic policy areas where the Spanish firms surveyed hope the new British government will introduce changes.** These are areas, moreover, that could generate opportunities for the business population by improving the climate for performing their activities in the UK market.

• **The vast majority (93%) of Spanish firms invested and operating in the UK expect the country to remain a strategic market for their businesses.**



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YOUR PARTNER IN THE UK



PART I SPANISH INVESTMENT IN THE UK

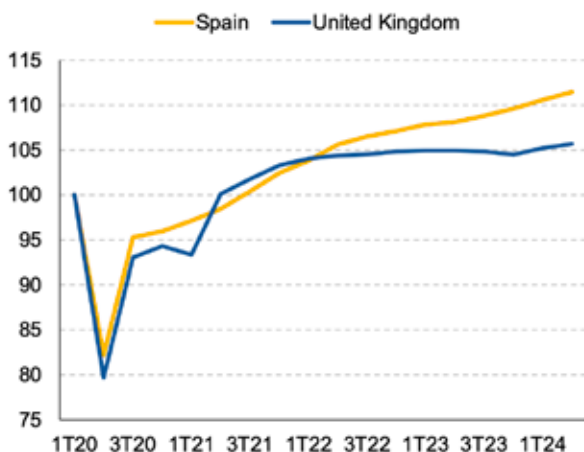
1. MACROECONOMIC ENVIRONMENT IN THE UK AND SPAIN: FAVOURABLE FOR INVESTMENT, WITH BOTH ECONOMIES RESILIENT

The Spanish economy grew by 2.7% in 2023 and this year continues to beat expectations. In the second quarter of the year it grew at an annual rate of 3.1%, having registered growth of 0.8% that quarter. That means that Spain is currently the fastest-growing of the eurozone's major economies. The UK, on the other hand, registered annual growth of 0.1% in 2023, but has since rebounded, posting growth of 0.7% and 0.5% in the first and second quarters of 2024, respectively. The central banks have embarked on monetary easing, as inflation appears to be under control, while demand is showing some signs of weakness. Looking forward, GDP growth is expected to remain positive, albeit slowing. Inflation is expected to converge gradually towards the central banks' targets.

Among the major eurozone economies, Spain was the fastest growing in 2Q24, when its GDP expanded at a quarterly pace of 0.8% (above the consensus forecast of 0.5% and Afi's forecast of 0.6%). As a result, the year-on-year rate of growth reached 3.1% in 2Q24. Domestic demand once again drove growth, especially private consumption, which contributed 1.3 percentage points to GDP growth, with public consumption providing 0.8 percentage points. On the downside, the rate of growth in gross fixed capital formation was disappointingly low, increasing at a quarterly pace of 0.4%, with this metric barely revisiting pre-pandemic levels. This underperformance is primarily attributable to scant growth in investment in capital goods.

REAL GDP IN THE UK AND SPAIN

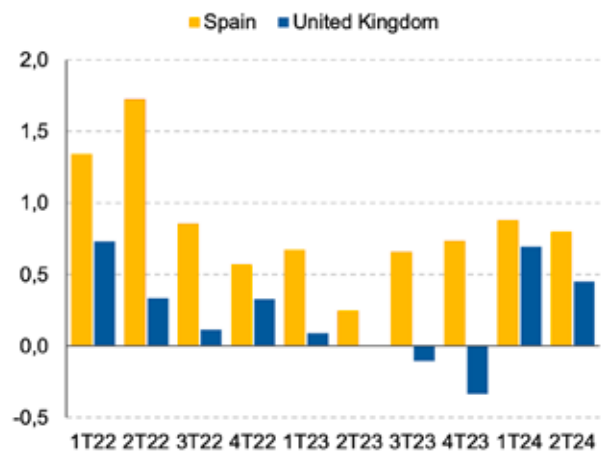
(rebased to 100 = 1Q20)



Source: Afi, Macrobond

REAL GDP GROWTH IN THE UK AND SPAIN

(quarterly %)



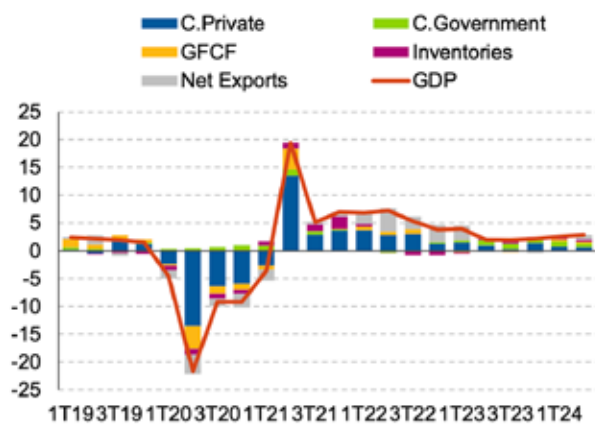
Source: Afi, Macrobond

Foreign demand has been making a less significant contribution to GDP growth in recent years. It did nevertheless make a positive contribution in the first half of 2024 (0.3 and 0.7 percentage points in 1Q24 and 2Q24, respectively), having detracted from growth towards the end of 2023 (-0.6 percentage points in 4Q23). Overall, the Spanish economy registered annualised real GDP growth of 2.8% in the first half of 2024, with domestic demand contributing 2.3 percentage points and foreign demand, the remaining 0.5 percentage points.

In the UK, GDP growth rebounded during the first half of 2024, having dipped to an annual rate of 0.1% in 2023. In the last quarter, the British economy grew at a quarterly rate of 0.5% and an annual rate of 0.7%. That growth was fuelled by domestic demand, mainly public consumption, which contributed 0.4 percentage points. Private consumption has, however, been stagnant since mid-2022, when it revisited pre-pandemic levels. Although real household income has recovered, consumption remains weak, suggesting that the spate of monetary tightening cycle drove considerable growth in household savings. Investment, like private consumption, is registering meagre growth, contributing just 0.1 percentage points to GDP growth in 2Q24. Foreign demand has been less dynamic than in Spain, detracting from growth in much of 2023 and so far in 2024. Overall, we expect growth to continue to recover gradually, fuelled by internal demand against the backdrop of monetary easing. We are forecasting annual GDP growth in the UK of 1.1% in 2024 and 1.3% in 2025.

GDP GROWTH IN SPAIN

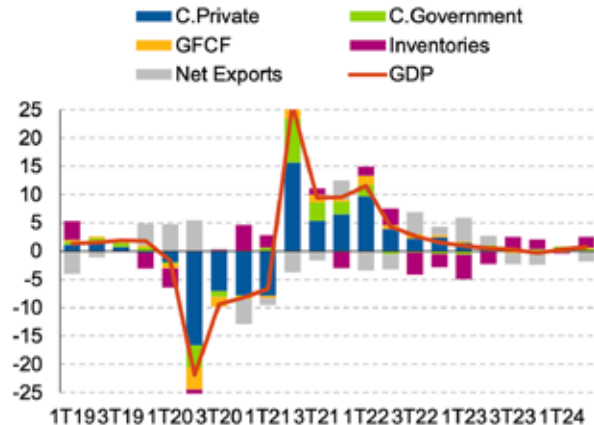
(% YoY, components)



Source: Afi, Macrobond

GDP GROWTH IN THE UK

(% YoY, components)



Source: Afi, Macrobond

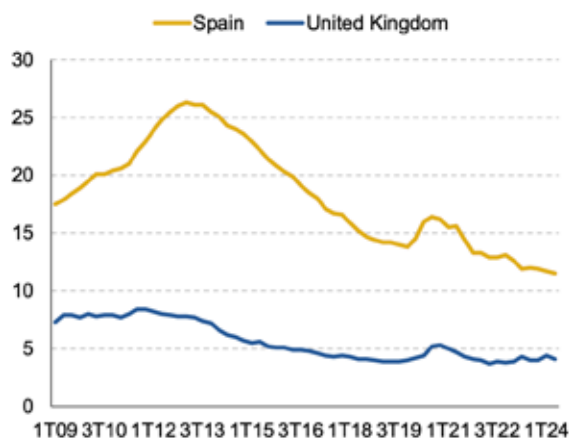
The labour market has continued to moderate in 2024 in both Spain and the UK. The Spanish economy created over 400,000 jobs in 2Q24 to put the number of people in work at 21.7 million, with the unemployment rate falling to 11.3%. This tells us that although the Spanish labour market remains strong, momentum is easing, as job creation decreased year-on-year (600,000 jobs in 2Q23). In the UK, the labour market is also cooling a little but remains tight in historic terms. Through to August 2024, employment was running 0.4% higher year-on-year (+122,000 more jobs than in August 2023), to leave 30.3 million people in work. The British unemployment rate has stabilised at a historically low level of around 4% since early 2022.

As for labour costs, inflationary pressures have meant that wages have been rising more intensely in both Spain and the UK than in the recent past. So far in 2024, the let-up in inflation has translated into reduced pressure on pay. In Spain, it is estimated that the pay increases negotiated under collective bargaining agreements are running at around 3%, slightly above the rate of inflation. In the UK, wage gains have lost ground but are also slightly above inflation, so translating into real growth in household purchasing power. Looking forward it is likely that the downtrend in inflation will be accompanied by lower wage growth, in line with labour market cooling.

Although inflation remains above most of the central banks' targets, it has eased quite sharply and, in general, faster than initially expected. Specifically, year-on-year rates of growth in the consumer price index (CPI) have plummeted from over 10% mid-2022 to close 2.0% in the last few months of 2024. Price dynamics have been similar in both economies, with the food and energy components making significant contributions to the disinflation trend. This has translated into less pressure on the prices of goods, but in services, inflation is proving more stubborn. This is why core inflation has been decelerating more slowly and is currently above headline inflation in both economies. In Spain, headline inflation dipped to 1.5% in September, its lowest rate since early 2021, while inflation in the UK held steady at 2.2%.

UNEMPLOYMENT RATE IN SPAIN AND THE UK

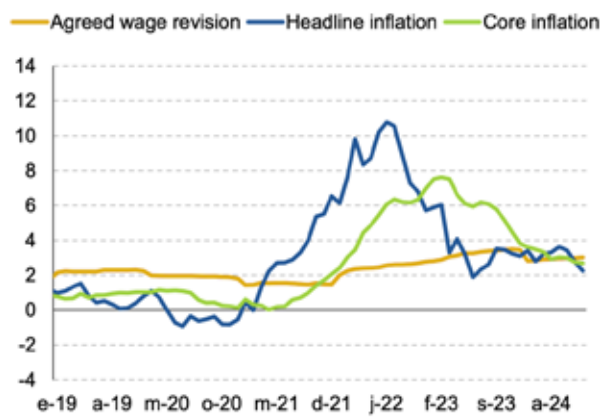
(% of labour force)



Source: Afi, Eurostat, ONS.

WAGE INCREASES AND INFLATION IN SPAIN

(YoY %)



Source: Afi, INE.

WAGE INCREASES AND INFLATION IN THE UK

(YoY %)

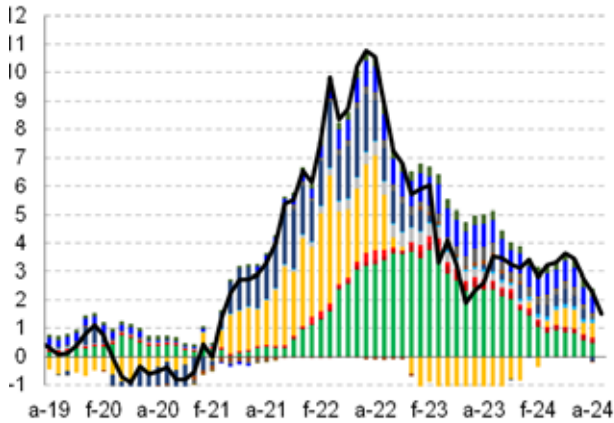


Source: Afi, Eurostat, ONS.

This year, the central banks embarked on monetary easing as inflation gradually closes in on their targets (c.2%) and against the backdrop of still-resilient economic growth and job creation. In the US, the Fed started its cycle of rate cuts with a 50bp reduction in September to put its benchmark rate at 5.0%, whereas in Europe, the European Central Bank has lowered its deposit facility rate to 3.5% (following two 25bp cuts since June). In the UK, the Bank of England also embarked on rate reduction with a 25bp cut in August.

INFLATION IN SPAIN BY COMPONENT

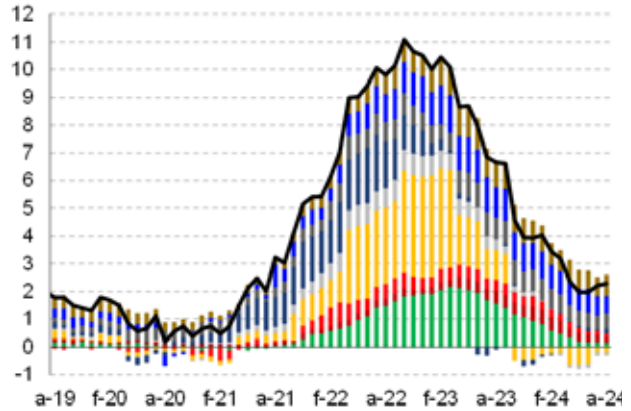
(YoY %)



Source: Afi, Macrobond

INFLATION IN THE UK BY COMPONENT

(YoY %)

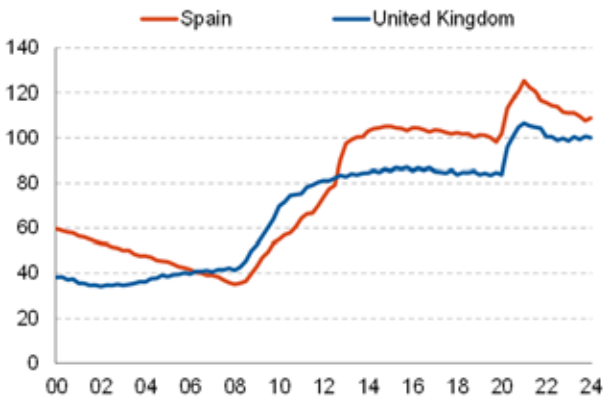


Source: Afi, Macrobond

During the last 12 years, Spain has had higher public debt than the UK. In fact, Spain has the fourth-highest public debt ratio among the 27 EU member states (108.9% in 1Q24), behind only Greece (160% in 1Q24), Italy (137.7% in 1Q24) and France (110.8% in 1Q24). Nevertheless, Spain has deleveraged by 16 percentage points since the peak recorded in early 2021. Elsewhere, the UK presented a public debt-to-GDP ratio of 100% in 1Q24, a level where it has been steady since early 2021. As a result, the gap between Spain's and the UK's public debt ratios has narrowed since early 2021.

GROSS CONSOLIDATED DEBT OF SPAIN AND THE UK

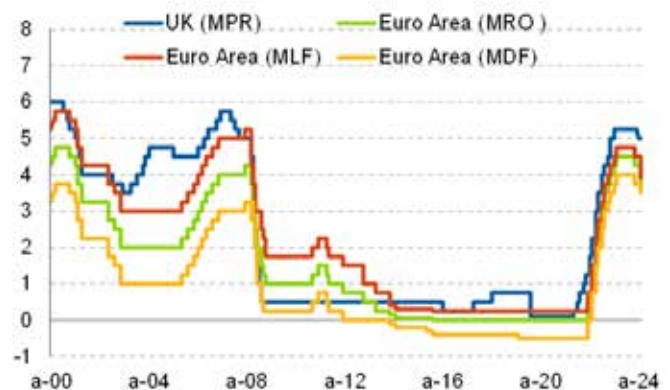
(% of GDP)



Source: Afi, Eurostat

OFFICIAL MONETARY POLICY RATES

(%)

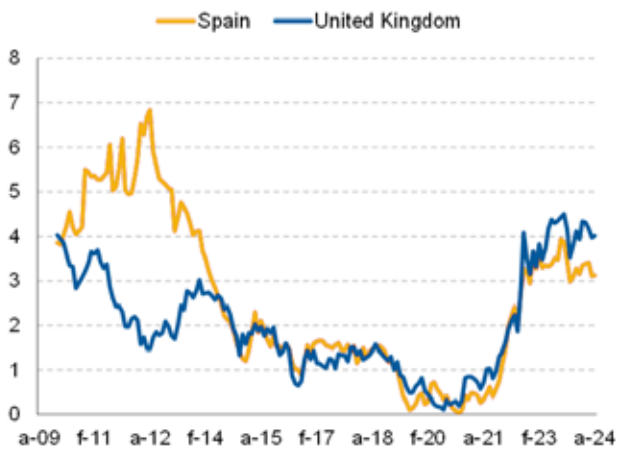


Source: Afi, Bloomberg

Ten-year sovereign bond yields have been stable: at around 3% in Spain and close to 4% in the UK. Both economies' sovereign spreads (and the gap between the two) have been more volatile, particularly in the British economy, where they went from 100bp at the start of 2023 to 170bp in September (spread between the 10Y British and German sovereign bond rates). The interest rate increase in the UK has had the effect of increasing its sovereign spread; the rate on British 10-year sovereign bonds is currently almost 100bp above the Spanish yield. The Spanish 10-year bond, meanwhile, is currently trading at around 83bp over the German equivalent.

10Y GOVERNMENT BOND YIELDS

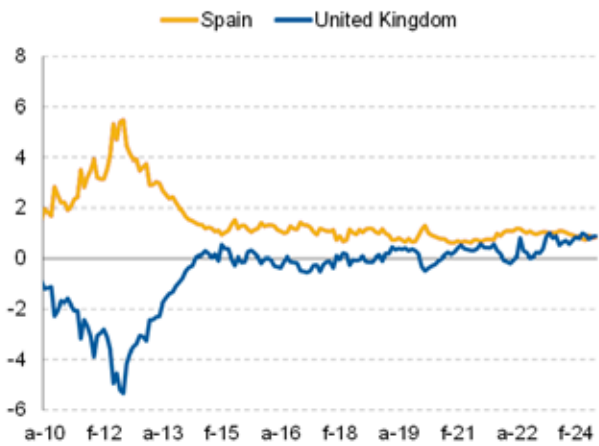
(%)



Source: Afi, Macrobond

10Y BOND SPREADS OVER THE GERMAN EQUIVALENT

(percentage points)



Source: Afi, Macrobond

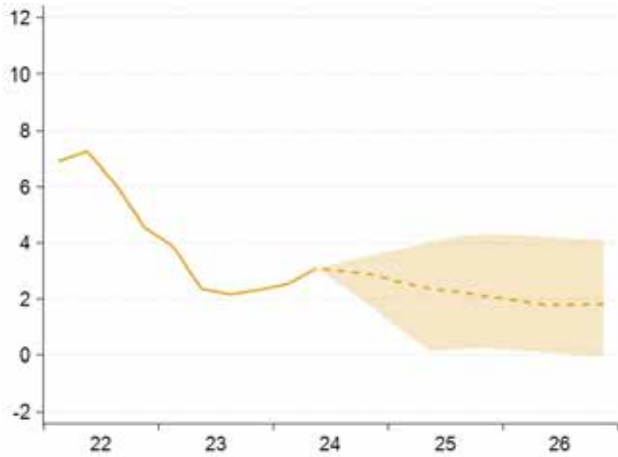
Disinflation has continued throughout 2024, fuelled by lower energy and food prices, as well as a let-up in supply chain friction (which had been putting pressure on prices, particularly via goods). Although inflation in services is proving more stubborn, it is likely that reduced pressure on wages and other costs should eventually pass through to the end prices paid by consumers.

Against this backdrop, the world's main central banks have embarked on monetary easing, with the European Central Bank cutting its benchmark rate by 25 basis points twice already (June and September) and the Federal Reserve making a surprising 50bp cut following its meeting in September, while the Bank of England has made a 25bp rate cut. The central banks argue that the balance of risks has shifted towards one of an economic slowdown while inflation appears to be on track to returning to targeted levels.

As for the economic outlook, lastly, we are expecting the Spanish economy to remain dynamic, underpinned by domestic demand, particularly household consumption, which is expected to remain strong throughout our projection horizon. We are also expecting an ongoing recovery in the investment cycle, led by higher investment in capital goods. We think foreign trade will make a positive contribution to growth in 2024, followed by a smaller contribution in 2025, as global trade loses steam. As a result, we are forecasting economic growth of 2.9% in Spain in 2024 and of 2.2% in 2025, so that it should continue to spearhead growth in the eurozone. The Bank of England also expects the British economy to continue to rebound for the rest of this year and the remainder of the projection horizon. The anticipated recovery reflects the dissipation of the negative effects of the outgoing contractionary monetary policy and the incipient spate of monetary easing. Household expenditure is expected to register steady growth throughout the projection horizon, with the savings rate coming down in parallel. Investment in the UK is also expected to continue to recover. As a result, GDP is expected to grow by 1.25% in 2024 and 1.0% in 2025.

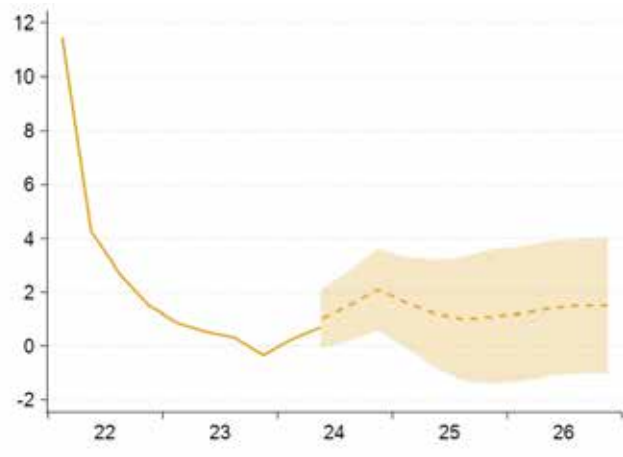
As for our forecasts for inflation, we think inflation will converge towards targeted levels faster in Spain than in the UK. The most recent figures released by Spain's statistics office, the INE, out inflation below 2.0%, thanks to the slowdown in price growth in energy and food. Reduced international pressure on energy commodities and lower inflation in goods (thanks to the resolution of friction in the global supply chains) should leave average annual headline inflation of 2.8% in 2024. The services component is expected to continue to exert pressure throughout the early part of 2025, but reduced wage pressure should also bring core inflation down to 2.0% next year. For its part, the Bank of England maintains that its restrictive monetary policy has helped curb inflation, which has fallen to close to 2% in recent months. In the near term, inflation in the UK is expected to rebound as a result of a higher contribution by energy prices, while the less volatile components are expected to prove more persistent, in line with domestic inflationary pressures. The Bank of England is also expecting second-round effects via domestic prices and wages (which continue to rise sharply) to take somewhat longer to dissipate, so that inflation is forecast to remain above the monetary authority's target of 2% at the end of this year. Specifically, annual inflation is currently forecast at around 2.8% in 2024, easing to 2.3% on average in 2025.

AFI'S FORECASTS FOR GDP GROWTH IN SPAIN
(YoY %)



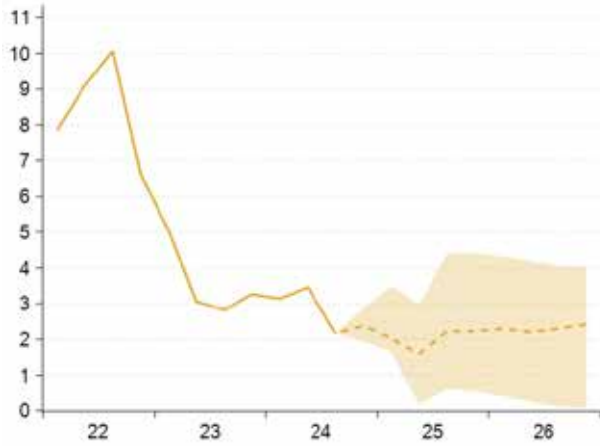
Source: Afi, Macrobond

BANK OF ENGLAND'S FORECASTS FOR GDP GROWTH IN THE UK
(YoY %)



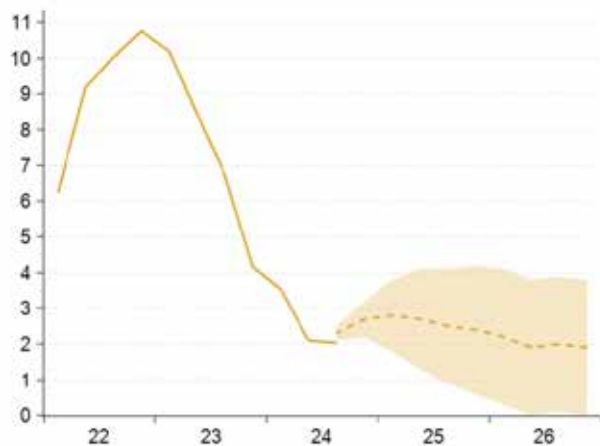
Source: Afi, Macrobond, Bank of England

AFI'S FORECASTS FOR INFLATION IN SPAIN
(%)



Source: Afi, Macrobond

BANK OF ENGLAND'S FORECASTS FOR INFLATION IN THE UK (%)



Source: Afi, Macrobond, Bank of England

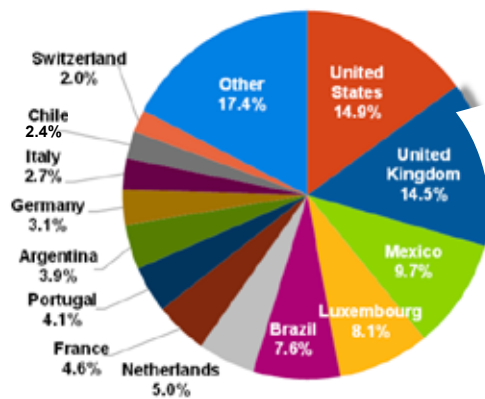
2. STOCK OF SPANISH FDI IN THE UK

Historically, the UK has been the prime recipient of Spanish foreign direct investment (FDI). According to the data published by the Spanish Department for Trade, the stock of Spanish FDI in the UK fell by 2.3% year-on-year in 2022 to €79.49 billion¹. That makes the UK the second-largest recipient of Spanish FDI as of 2022, holding 14.5% of all Spanish investment abroad.

In 2022, the stock of Spanish FDI increased by 8.7% from the year before (having increased by 10.6% in 2021) to €548.28 billion (excluding transactions channelled through foreign security holding companies, hereinafter “ETVEs”² as per their acronym in Spanish). The UK ranks as the second most important recipient of Spanish investment, with a stock of €79.49 billion as of year-end 2022, which is 14.5% of all Spanish direct investment abroad (using the Spanish criteria³). The slight contraction in 2022 (of 2.3% from 2021) in the stock of Spanish FDI in the UK followed a sharp increase in 2021, of 32.8% from 2020, more than making up for the drop against the backdrop of the global pandemic (contraction of 12.3% in 2020).

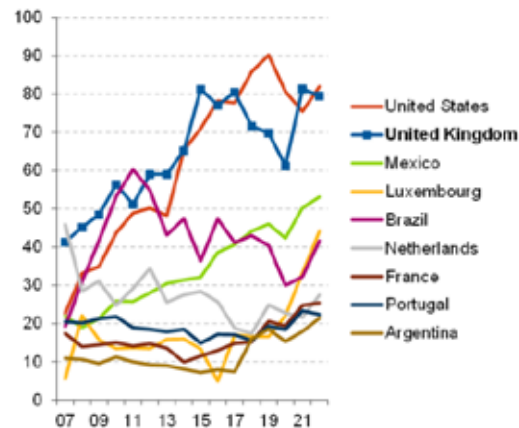
Historically, the UK has been the prime recipient of Spanish FDI. Over the past 15 years, the UK has oscillated between first and second position on the ranking of countries with the largest stock of Spanish FDI and is the country to have held first place more times since the Spanish Department for Trade has been keeping records (in 2007). In 2018, that stock began to trend lower, decreasing by 24% between 2017 and 2020. However, Spanish investment in the UK has recovered significantly since 2021, marking new records and even overtaking the US.

STOCK OF SPANISH FDI AS OF 2022 BY DESTINATION COUNTRY (% of the total)



Source: Afi, Spanish Department for Trade

LONG-TERM TREND IN THE STOCK OF SPANISH FDI BY DESTINATION COUNTRY (€ billion)



Source: Afi, Spanish Department for Trade

As a percentage of total Spanish FDI, in 2022, the UK was home to 14.5%, a percentage that is in line with the average for the last 15 years (14.8%). The US held the largest stock of Spanish investment in 2022, holding 14.9% of the total, which is just 0.4pp more than the UK's share. Looking further back, the UK was the most important destination for Spanish FDI between 2015 and 2017, accounting for an average of 17% of total Spanish investment overseas those years. The noteworthy recovery in investment in the wake of the health crisis increased the UK's share from 13.4% in 2020 to 16.1% in 2021, a year in which the UK was the most important market for Spanish FDI (ahead of the US, which commanded a share of 15%).

According to the data published by the Office for National Statistics in the UK, Spain was the eleventh most important direct investor in the UK in 2022 (the latest year in which the ONS published these statistics), accounting for 1.2% of all FDI in the UK based on a stock of €26.21 billion, down 41% from 2021⁴. Spain achieved its highest ranking in this respect in 2012, when it was the fifth largest source of FDI for the UK, responsible for 5.4% of the country's total stock of FDI that year. Since 2015, Spain has oscillated between ninth and eleventh position, with an average share of 2.9% of total FDI in the UK.

¹The stock of Spanish FDI in the UK was revised upwards for 2020 and 2021 in the most recent publication by the Spanish Department for Trade. According to the data published in 2023, the stock of Spanish FDI in the UK was €60.66 billion in 2020 and €73.85 billion in 2021. The revised data released in 2024 put the stock of FDI at €61.22 billion and €81.32 billion in 2020 and 2021, respectively, so increasing the initially published figures by 10%.

²ETVEs are corporations set up in Spain whose “main” object is to hold shares in companies located abroad. They are special-purpose vehicles incorporated within corporate groups for tax optimisation strategy purposes and in many instances their investments do not have direct economic effects.

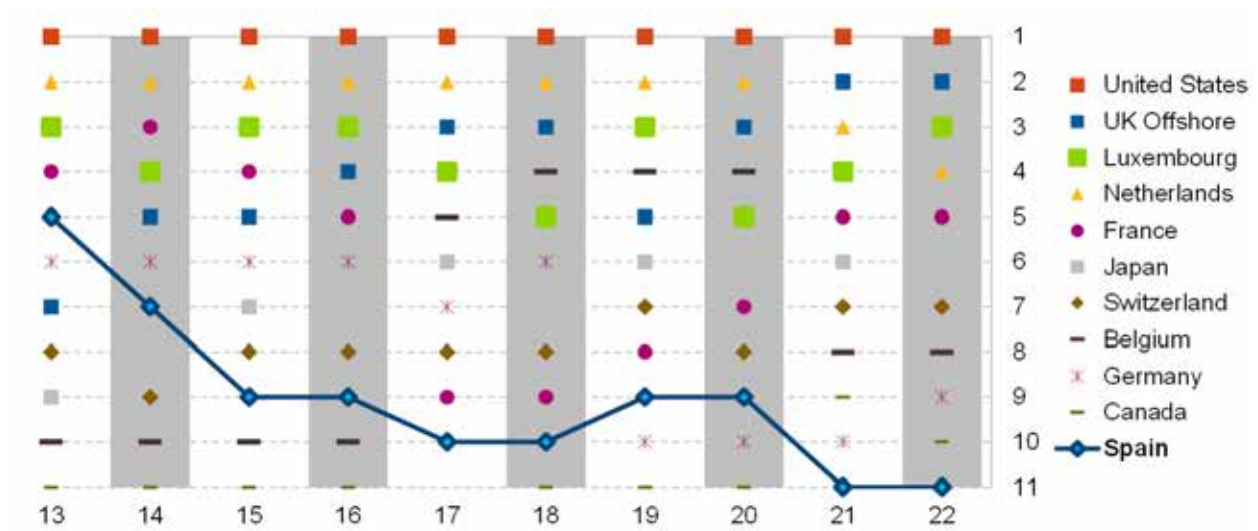
³Ultimate investing country: country of residence of the ultimate owner of the investment, i.e., where the ownership chain ends.

⁴The data published by the Office for National Statistics are stated in pound sterling and have been translated to euros using the average annual exchange rate published by the European Central Bank in Eurostat.

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.

SOURCE OF TOTAL STOCK OF FDI IN THE UK BY COUNTRY (Ranking)



Source: Afi, Bank of England

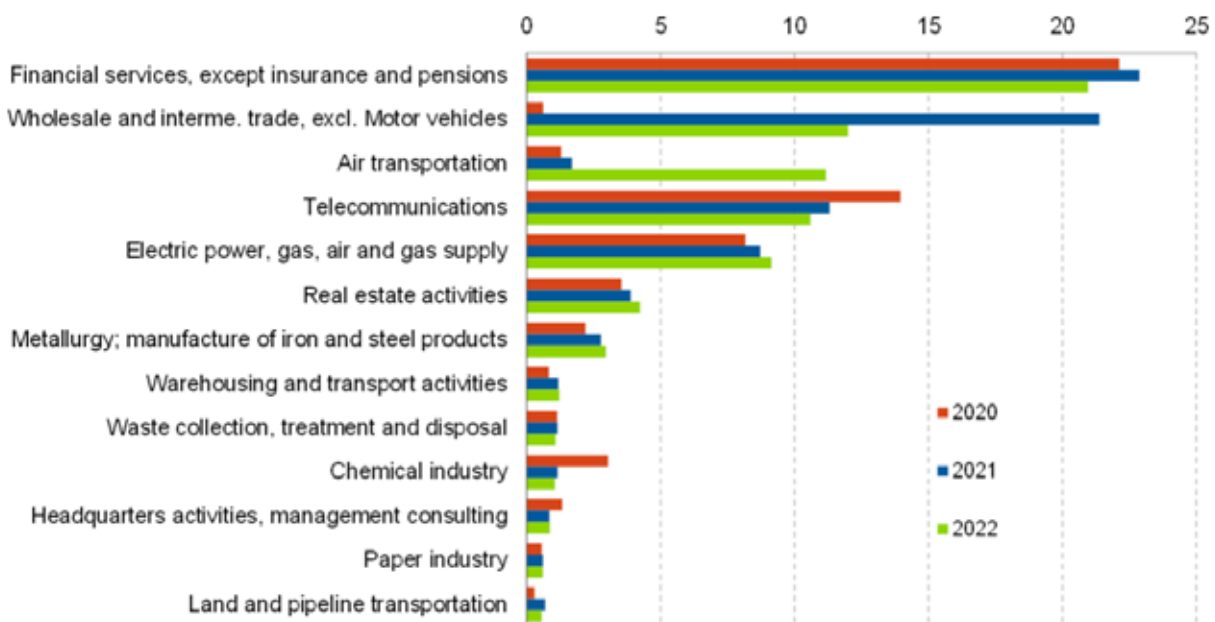
3. STOCK OF SPANISH FDI IN THE UK BY SECTOR

Spanish investment has historically been concentrated in the *Financial services* and *Telecommunications* sectors, which between them account for 57% of the total stock of Spanish FDI in the UK since there are records (2007). At the end of 2022, *Financial services* accounted for 26.4% of the total stock of Spanish FDI in the UK, followed by the *Wholesale trade* and *Air transport* sectors, with shares of 15.1% and 14.1%, respectively. In terms of the importance of certain sectors in the UK market as a destination for Spanish investment, it is worth noting that the British *Air transport* sector accounted for virtually all Spanish FDI in this sector as of 2022. As for the sectors that have attracted the highest absolute volumes of Spanish investment, the *Financial services* and *Telecommunications* sectors accounted for 13.2% and 28% of total Spanish direct investment abroad in 2022, respectively.

Historically, Spanish FDI in the UK has been concentrated in the *Financial services* and *Telecommunications* sectors, which have received 30.2% and 26.4% of all Spanish FDI, respectively, since the Spanish Department for Trade has been keeping records (2007). Although the stock of Spanish FDI in the *Financial services* sector decreased by 8.4% in 2022 to €20.96 billion, it was still the sector with the most Spanish investment in the UK. In second place, the stock of investment in *Wholesale services* contracted by 44% in 2022 but was nevertheless 20 times the 2020 figure. Specifically, Spanish investment in this sector increased from €615 million in 2020 to €21.37 billion in 2021 and was concentrated in *Wholesale of electronic and telecommunication equipment and parts* (€12.22 billion) and *Wholesale of pharmaceutical goods* (€7.11 billion). In both cases, the investments originated from large, one-off transactions that were outliers with respect to the sector's long-run average stock numbers (€992 million). It is also worth highlighting the increase in the stock of Spanish FDI in the *Air transport* sector, which increased six-fold between 2021 and 2022, from €1.69 billion to €11.17 billion, with that growth coming specifically in the *Passenger air transport* subsector.

STOCK OF SPANISH FDI IN THE UK BY SECTOR, 2020, 2021 AND 2022

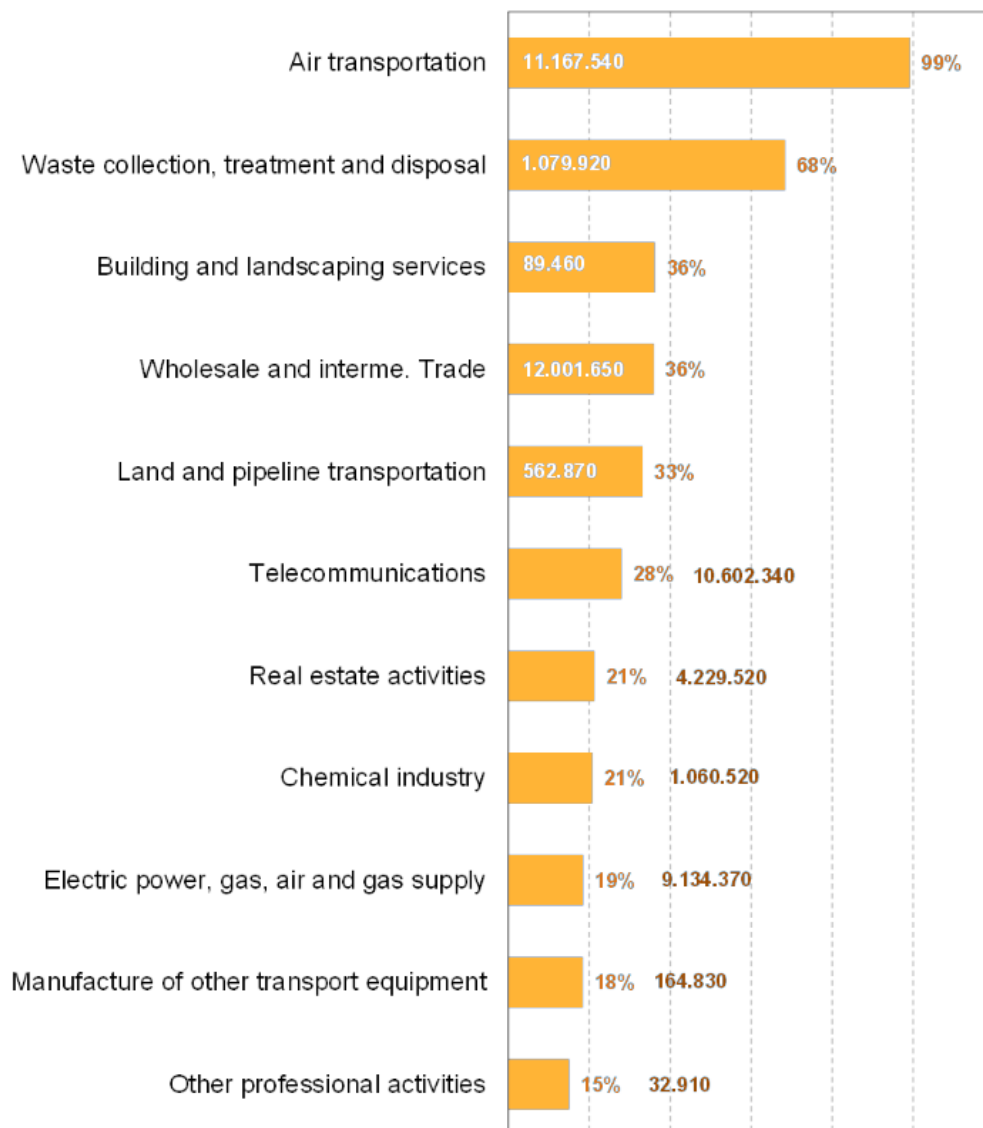
(excluding investments channelled through ETVEs | € billion)



Source: Afi, Spanish Department for Trade

In analysing the relevance of the UK as a destination for Spanish investment, the *Air transport* sector jumps out, accounting for 99% of all Spanish FDI in this sector as of 2022 (concentrated in *Passenger air transport*). Other sectors of the British economy that are home to very significant shares of all Spanish investment overseas are: *Waste collection, treatment and disposal activities* (68% of the total stock of Spanish FDI in this sector); *Manufacture of chemicals* (21%); *Telecommunications* (28%) and *Wholesale trade* (36%). The relevance of the last two sectors evidences the importance of the UK as a destination for Spanish FDI as they are the third and fourth most important sectors, respectively, for Spanish investment abroad, accounting between them for 13% of total Spanish FDI as of 2022. As for the sector that is home to the highest volume of Spanish FDI, *Financial services*, the UK is the third most important destination market for Spain, accounting for 13.2% of the total stock of Spanish FDI in this sector, behind the US (13.5% of the total stock) and Mexico (15.4%).

SPANISH FDI IN THE UK BY KEY SECTOR: PERCENTAGE OF TOTAL SPANISH FDI IN THE VARIOUS SECTORS AND ABSOLUTE INVESTMENTS AS OF YEAR-END 2022 (% | € k)



Source: Afi, Spanish Department for Trade

4. FLOWS OF SPANISH FDI INTO THE UK

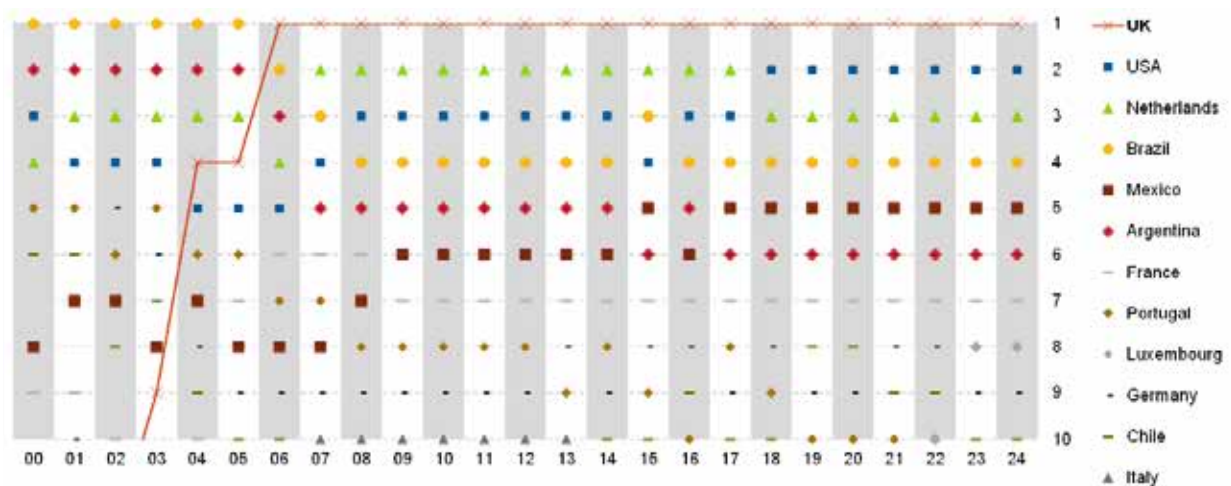
Since the beginning of the historical series in 1993, the UK has received €169.2 billion of gross Spanish FDI flows, which is 18% of Spanish FDI flows worldwide, making it the top destination for Spanish investment. Spanish investment flows have averaged €29.3 billion per annum in the last 30 years and peaked in 2007 (at €98.25 billion). Flows of Spanish FDI into the UK have averaged €5.3 billion per annum, peaking at €31.3 billion in 2006. Having contracted in 2023, total FDI flows rebounded in the first half of 2024, increasing almost 30% year-on-year, with flows to the UK during that period notably jumping 12 times from the 1H23 volume. According to the data published by the Office for National Statistics, Spain ranks tenth in terms of cumulative net flows of FDI into the UK between 2013 and 2022, at €11.15 billion.

In cumulative terms, during the period for which the Spanish Department for Trade has been tracking these figures (from 1993 until the second quarter of 2024), the UK has received over €169.2 billion of Spanish FDI (gross investment using the ultimate investing country criterion, excluding ETVEs). Since 2006, the UK has been the main recipient for Spanish FDI. During the 2000s, the investment flows received by the UK from Spain increased considerably: the annual average amounted to €10 billion between 2000 and 2008, which is twice the historical average (€5.3 billion). Flows peaked in 2006 and 2007 (at €31 billion and €30 billion, respectively), concentrated in the *Telecommunications* and *Utilities* sectors. However, the Great Financial Crisis had a significant and lasting impact on Spanish FDI flows to the UK, which fell to a low of €200 million in 2012. In the following years, Spanish FDI flows recovered, averaging €5.40 billion per annum between 2013 and 2023.

According to the Spanish Department for Trade, between 1993 and 2024, the UK has attracted a cumulative 18.3% of total outward FDI from Spain. As a result, the UK has defended its position as the economy that has received the highest volume of flows of Spanish FDI historically since 2006.

RANKING OF CUMULATIVE SPANISH FDI FLOWS BY YEAR AND RECIPIENT COUNTRY

(excludes investments channelled through ETVEs)

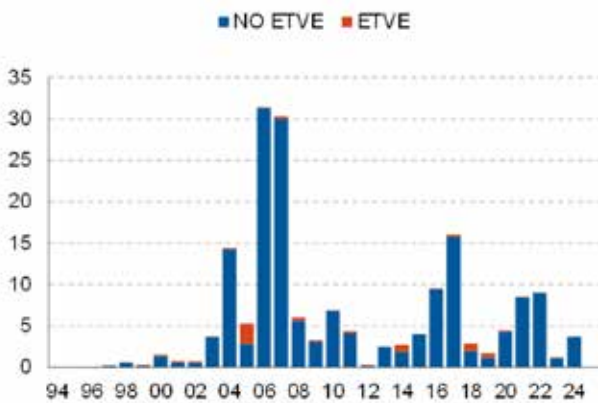


Source: Afi, Spanish Department for Trade

In terms of annual rather than cumulative flows, although the UK's ranking has been more volatile, it has placed steadily among the main recipients of Spanish FDI. The sharp growth in flows at the start of the 2000s placed the UK among the top three recipients of Spanish FDI flows (ranking first four times between 2003 and 2010 and ranking second for three years in a row). Although the contraction in Spanish FDI flows was widespread following the eurozone sovereign debt crisis, the UK slipped down the rankings during that period, placing just twentieth in 2012. However, the growth in flows recorded since 2013 has allowed the UK to recover its long-standing prominence. During the first half of 2024, the UK was the top recipient of Spanish FDI.

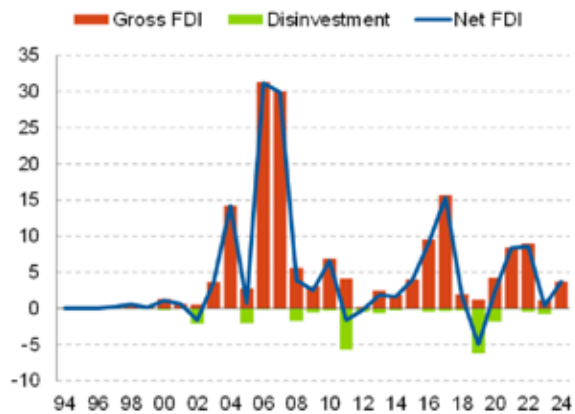
The nature of Spanish investment in the UK is eminently productive, as evidenced by the fact that the vast majority is not channelled through ETVEs, i.e., investments whose main purpose is to hold interests in firms based abroad rather than to benefit from a special tax regime associated with investments in foreign entities. On a cumulative basis, since 1993, only 4% of Spanish FDI flows have been channelled through ETVEs.

FLOWS OF SPANISH FDI TO THE UK: ETVE VS. NON-ETVE
(€ billion)



Source: Afi, Spanish Department for Trade

FLOWS OF SPANISH FDI TO THE UK: ETVE VS. NON-ETVE
(€ billion)



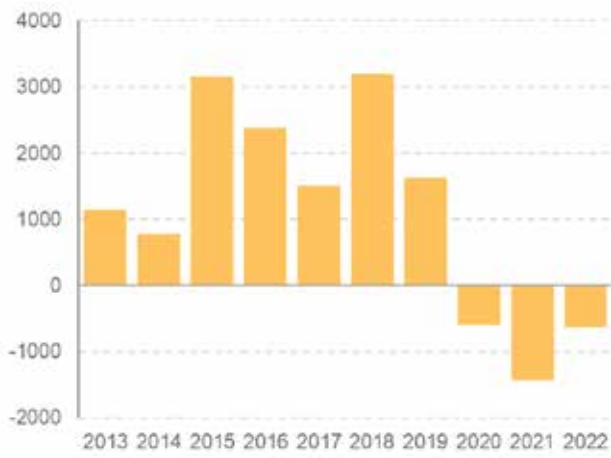
Source: Afi, Spanish Department for Trade

Until now our analysis has focused on gross flows of Spanish FDI to the UK. However, the Spanish Department for Trade statistics enable a comparison with the net flows in order to identify the volume of disposals⁵. Historically, disposal flows have been concentrated in specific years (nearly 70% of the total is concentrated in 2002, 2005, 2008, 2011 and 2019), remaining relatively low throughout the period analysed (€270 million on average, excluding the above-mentioned years). Divestment flows resulted in negative net investment flows in 2002, 2011 and 2019, but not during the global health crisis. Despite the slowdown in flows of Spanish FDI to the UK since 2019, disposals have been minimal, and gross flows have been recovering for the last four years. Uncertainty and heightened financial tensions had a negative impact on investment flows in 2023. However, the figures for the first half of 2024 point to a substantial recovery.

The Office for National Statistics provides data for the annual direct foreign investment flows to the UK by investor country, disaggregated by investment type, for 2013 - 2022. In Spain, the main flow of investment to the UK has taken the form of share purchases, which have been steady at close to €1 billion since 2019⁶. Reinvestment of profits and debt instrument flows (intercompany loans) have been negative since 2020 but despite that Spain ranks tenth among the countries sending the highest volume of cumulative net flows of FDI to the UK between 2013 and 2022 (€11.15 billion), behind Japan (€19.21 billion). The top issuer markets are the US and Germany, with cumulative flows of €251.31 billion and €40.67 billion, respectively.

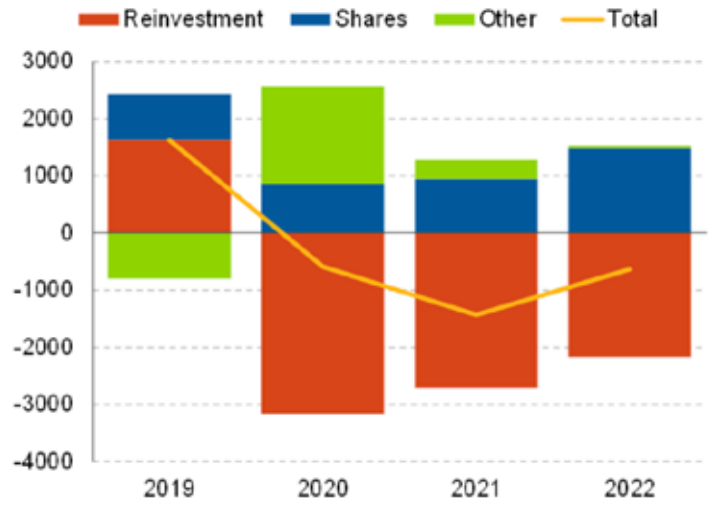
⁵ Net foreign direct investment is the result of subtracting disposals, whether due to sales between residents and non-residents, partial liquidations (capital reduction) or full liquidations (dissolutions and bankruptcies), from gross direct foreign investment.

NET FLOWS OF SPANISH FDI TO THE UK BY YEAR
(€ billion)



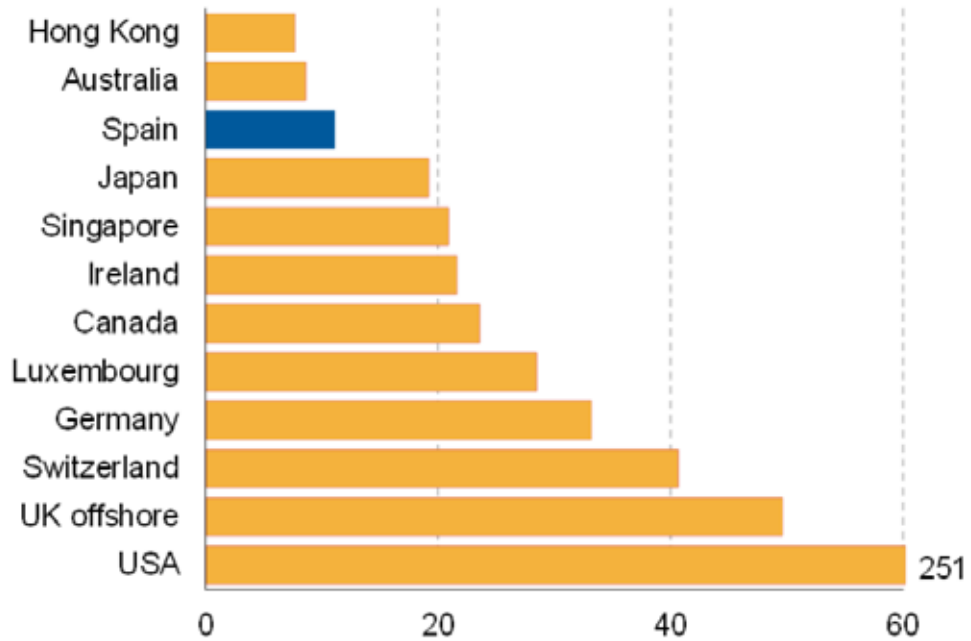
Source: Afi, Office for National Statistics

NET FLOWS OF SPANISH FDI TO THE UK BY TYPE OF INVESTMENT (2019-2022)
(€ billion)



Source: Afi, Office for National Statistics

NET CUMULATIVE FLOWS OF FDI TO THE UK BY INVESTOR COUNTRY (2013-2022)
(€ billion)



Source: Afi, Office for National Statistics

⁶ The data published by the Office for National Statistics are stated in pound sterling and have been translated to euros using the average annual exchange rate published by the European Central Bank in Eurostat.

5. FLOWS OF SPANISH FDI TO THE UK BY SECTOR

In recent years, Spanish investment in the UK has been characterised by sizeable but sporadic flows into specific sectors, coupled with smaller, irregular flows to the rest of the economy. Four sectors account for more than 70% of total Spanish FDI flows since 1993, namely *Telecommunications* (29.3% of the total), followed by *Financial services* (16.5%), *Manufacture of non-metallic mineral products* (e.g. ceramics and glass) (14.7%) and *Energy supply* (13.8%). The recovery in FDI flows observed since the sovereign debt crisis has not been characterised by an increase in the number of sectors Spain is invested in. Between 2000 and 2012 an average of 24 sectors (out of a total of 88 defined by the Spanish Department for Trade) received the flows. That number was unchanged between 2013 and 2023, but during the last four years (2021–24), the number of sectors benefitting from Spanish FDI has fallen to 17.

For the period for which the Spanish Department for Trade has records (1993 until the first half of 2024), Spanish FDI flows to the UK total €169.2 billion, with the annual flow peaking in 2006 at €31.3 billion (which is nearly one-fifth of the cumulative total). By sector, those flows have been concentrated in *Telecommunications* (€24.78 billion) and *Warehousing and storage* (€3.85 billion). Flows amounted to €30 billion in 2007 and were concentrated in *Telecommunications* (€10.78 billion) and *Energy supply* (€18 billion). Since 1993, over 70% of Spanish FDI flows (€125.9 billion) have been concentrated in four sectors of the British economy: *Telecommunications* (29.3%); *Financial services* (16.5%); *Manufacture of non-metallic mineral products* (14.7%); and *Energy supply* (13.8%).

As for the continuity of those flows, few sectors have received flows of Spanish investment consistently over the last 30 years. The three main recipients of Spanish investment garnered 45% of their flows in the space of just two years within the sample analysed (*Telecommunications* in 2006 and 2007; *Financial services* in 2004 and 2010; and *Manufacture of non-metallic mineral products* in 2017 and 2022). The *Wholesale trade*, on the other hand, stands out for receiving a meaningful volume of flows every year during the period analysed although it collected 75% of the total in just one year (2016). As already outlined in the last section, during the years following the Great Financial Crisis and during the eurozone debt crisis, outward flows of Spanish FDI to the UK contracted sharply, hitting a low of €200 million in 2012. This drop of 95% in investment flows⁷ also had an impact on the composition of the sectors receiving Spanish FDI. Whereas during the years prior to the crisis, nearly 30 sectors received positive investment flows, that figure fell to just over 20 sectors after 2009.

In the first half of 2024, just 12 sectors received investment from Spain, notably including the long-standing regular recipients (*Telecommunications*, *Financial services* and *Wholesale trade*). The *Telecommunications* sector collected nearly €2.9 billion (77% of all flows in 1H24), which is considerably more than the €182 million collected in all of 2023. Indeed, 2024 is proving a very good year for the *Telecommunications* sector as the flows received in the first half alone make it the third-highest year for flows since records began, with only 2006 and 2021 generating higher volumes. Elsewhere, the *Manufacture of chemicals* sector received €600 million of Spanish investment in the first half of 2024, also the third-highest figure in history (having collected higher volumes only in 2003 and 2020), garnering 16% of total flows so far in 2024.

In short, Spanish FDI flows to the UK increased sharply in the first half of 2024: by 12 times year-on-year, with the first-half volumes already three times the 2023 figure, at €3.7 billion.

⁷ Annual flows of Spanish FDI to the UK averaged €10.02 billion between 2000 and 2008, falling to €3.3 billion between 2009 and 2013. That figure increases to €4.86 billion per annum considering the period between 2009 and 2024.

GROSS FLOWS OF SPANISH FDI TO THE UK BY YEAR AND SECTOR (2003-1H2024)

(€ k | UIC | excluding ETVEs | the colour scale reflects the volume of annual FDI flows by sector)

	2008	2007	2006	2005	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Telecomunicaciones	24.763.800	10.782.581					0	0	0		505.720		21.123	145.104	1942.625	7.384.424	601.840	162.265	2.889.274
Servicios financieros, excepto seguros y fondos de inversión	179.943	615.269	3.011.230	1.449.438	5.417.578	22.051	2.881	8.846	4.812	2.408.305	74.866	75.565	133.105	10.139	391.907	35.984	557.417	173.473	20.570
Fabricación de otros productos minerales no metálicos			7.267			137.051	6.239	3.203				16.041.820					6.888.037		
Extracción de energía eléctrica, gas, vapor y aire acondicionado	18.008.065	592.760	1.223.867	1.223.867	1.171.066	209.597	3.196	617.440	88.549	173.942	50.597	2.341	1	36.543	367.025	184.366	43.770	365.011	10.000
Comercio al por mayor e intermediación comercial	47.340	52.529	112.984	194.877	33.227	21.353	18.813	7.480	2.848	12.889	7.493.959	11.302	48.741	71.875	315.431	454.558	171.175	153.833	77.842
Activos inmobiliarios y actividades anexas al transporte	3.853.443	139					1	47.237	1.778	355.392			90.908		327.000			3.276	
Transporte aéreo						3.478.639		878.174											88.094
Recogida, tratamiento y eliminación de residuos	1.957.202	94.565	659		18.774	23.562	50.657	32.842	1.569.332	100.000		8.844							
Actividades inmobiliarias	499	55.874	0	105.288				165	158	47.227		22.343	3.452	305	802.844	211.154	228	3.514	610.005
Industria Química	10.723	35.152	15.008	51.176		271	16.731	89.564		72.873	467.716	119.022	512.783	296.303	115.272	1.000	266.894	47.453	15.010
Actividades auxiliares a los servicios financieros	21.071	16.443	880	32.758	5.683	1.827	369.595	185.770	164		132	156.183	283.729	13.489		96	74.753	547	
Comercio al por menor, excepto de vehículos de motor	66.954	31.017	748.454	7.394	3.442	399	610	15.155	4.009	10.132	8.972	2.600	2.842	3.511					0
Fabricación de vehículos de motor, remolques	26.659					8.380	610.354			13.960	169.485				31.701			40.863	
Asistencia en establecimientos retailistas							29						8	1.508	788			192.328	
Transporte terrestre y por tubería	385			33.872					360	100.458									
Confección de prendas de vestir			525.859																50.708
Extracción de metales, minerales			13								518.709	8.495							
Construcción de edificios						791				5.685	5.301	17.624	3.274	282.387	36.973	142	657	24.972	
Industria del papel					128.099	104.000	37.372	123								9.293			
Industria de la alimentación	24.242		138.587																

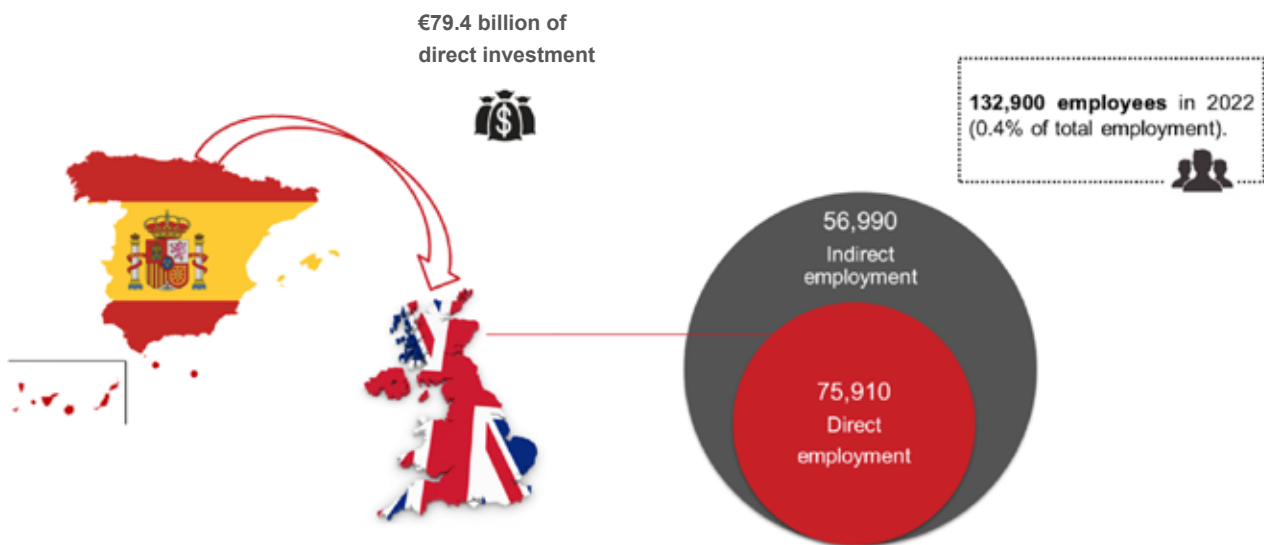
Source: Afi, Spanish Department for Trade.

6. EFFECTS OF SPANISH FDI ON EMPLOYMENT IN THE UK

Spanish FDI in the UK contributed to the generation and maintenance of around 133,000 jobs in 2022, which is equivalent to 0.4% of total nationwide employment.

It is estimated that Spanish FDI contributed to the generation and maintenance of 132,900 jobs in the UK in 2022, which is equivalent to 0.4% of the country's total employment, or more than the population of Exeter (130,000 inhabitants), for example. The contribution of Spanish FDI to British employment increased by comparison with 2021 (128,600 jobs)⁸, despite the decrease in the stock of investment (-2.25% from 2021). Unlike the pattern observed in 2021, the growth in the stock of employment in 2022 was helped by the composition effect of the sector mix (in terms of productivity) as a result of the movements in the stock of investment. In other words, the employment generated by the flow of investment into the UK from Spain offset the loss of employment associated with the Spanish investment outflows. Of all the jobs generated by Spanish investment, 75,910 are considered direct jobs, with the remaining 56,990 positions considered indirect jobs, i.e., created via knock-on effects of Spanish investment in the UK on other supplier activities⁹.

EMPLOYMENT GENERATED BY SPANISH FDI IN THE UK, 2022



Source: Afi, ONS, Spanish Department for Trade.

⁸ Following the upward revision by the Spanish Department for Trade of the stock of employment (direct) associated with Spanish investment in the UK, it is estimated that the impact on employment generated by Spanish FDI in the UK in 2021, provided in the fifth edition of the Barometer, was 128,600 jobs (direct + indirect), as opposed to the initially estimated figure of 128,100.

⁹ 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

7. HOW SPANISH FIRMS INVESTED IN THE UK VIEW THE BRITISH BUSINESS CLIMATE

This and the following sections portray how the Spanish firms doing business in the UK, which participated in the survey accompanying this sixth edition of the Barometer, perceive the business climate in Britain (for more information, refer to the *Methodological annex*).

This section analyses how the Spanish firms surveyed perceive the business climate in the UK based on their assessments of a series of aspects and characteristics that shape the conditions for investing and doing business in Britain.

OVERALL ASSESSMENT AND RECENT TRENDS

The overall score gleaned from the surveyed firms' assessment of the *business climate* in the UK increased for the second year in a row, with 76% of the total rating the climate as, at least, *acceptable*. The perceived trend in the overall business climate over the last 12 months also improved: the number of firms reporting a deterioration in the climate decreased by 22pp by comparison with the figure recorded for the 2023 Barometer.

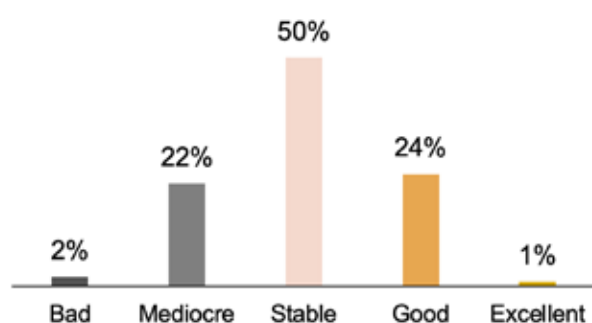
The Spanish firms surveyed that operate and have productive investments in the UK gave the business climate in Britain an overall score of 3.0 points (on a scale from 1 to 5) in the 2024 edition of the Barometer. That is 0.2pp above the score provided in 2023, thanks to a 16pp increase in the percentage of firms (76%) who describe the business climate as, at least, *acceptable* (i.e., a score of 3 or higher). Moreover, in this sixth edition of the Barometer, 1% of all the organisations surveyed rated the current business climate in the UK as *excellent*, while the percentage of firms that defined it as *mediocre* (-8pp) or *bad* (-8pp) diminished.

In parallel, for the second consecutive year since the publication of this annual report began, the percentage of Spanish firms surveyed that reported perceiving a *deterioration* in the business climate in the UK over the previous 12 months decreased by 22pp, down to 23% of the total. As a result, for the first time, a majority of firms (64% of the total) said that the British business climate had been stable during the past year. That shift in perception came about despite the evident difficulties shaping the current economic environment (incomplete disinflation dynamics and still only incipient reduction in interest rates) and on the socio-political front (elections in the UK, geopolitical tensions in the Middle East and Russian aggression in Ukraine).

In fact, the percentage of firms reporting they had actually perceived an *improvement* in the business climate in the UK during the previous 12 months increased a notable 5pp by comparison with the 2023 edition, to 12% of the total.

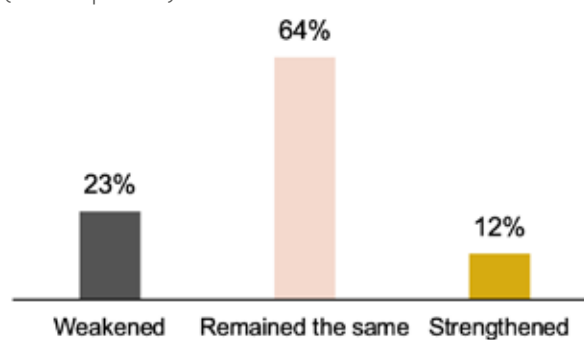
OVERALL ASSESSMENT OF THE BRITISH BUSINESS CLIMATE

(% of responses)



PERCEIVED CHANGE IN THE BUSINESS CLIMATE IN THE UK IN THE LAST 12 MONTHS

(% of responses)



Source: Afi, "2024 Survey of Spanish outward investment into the UK".

ASSESSMENT OF THE MAIN ASPECTS OF THE BUSINESS CLIMATE

The existence of a favourable *ecosystem for the development of digital processes* in the UK emerged once again as the best-rated attribute of the British business climate (3.7 points on a scale from 1 to 5). In contrast, *quality of life* was the aspect of doing business in Britain that obtained the lowest score (2.7 points) from the Spanish firms operating in the country.

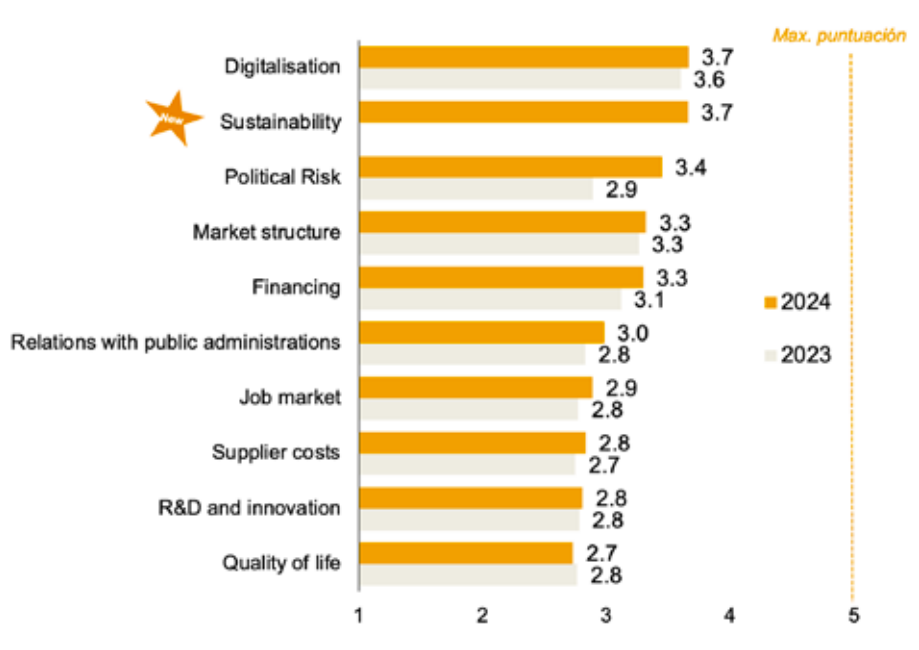
For the sixth year running, the level of *digitalisation*, both at the economy and firm levels, was the best-rated attribute of the business climate in the eyes of the Spanish firms invested and doing business in the UK. Specifically, this attribute obtained an overall score of 3.7 points (on a scale from 1 to 5), up 0.1 points from last year’s edition of the Barometer, further consolidating its lead over the other attributes assessed.

In contrast, the *quality of life* attribute, which encompasses categories such as the *cost of living* and *ease of achieving a good quality of life*, was the worst-rated attribute (2.7 points) of the British business climate. It decreased by 0.1pp from the score it garnered in 2023 (a year in which it improved by a considerable 0.3pp, thanks to which *quality of life* was not the worst-rated attribute in that year’s edition). This relatively negative perception may be attributable to the growth in prices, as the disinflation process in the UK is not yet complete: the year-on-year rate of inflation averaged 2.6% in the first nine months of 2024, which is above the overall eurozone average of 2.4% over the same timeframe.

The aspect sustaining the most noteworthy improvement between 2023 and 2024 was perceived political risk (institutional stability) in the UK, whose score increased by 0.5 points to 3.4 points, making it the second-highest rated attribute in this year’s edition of the Barometer. It is possible that this shift in perception is attributable to the formation of a new Labour government following the elections held in July 2024, as the outgoing government was marked by a roster of successive prime ministers and internal issues within the Conservative Party.

At any rate, it is worth noting that within this attribute, seven of the 10 areas analysed sustained an improvement with respect to the 2023 Barometer, with another two areas repeating last year’s score.

ASSESSMENT OF THE BUSINESS CLIMATE IN THE UK BY ASPECT (scores based on % of responses, where 1 is bad and 5 is excellent)

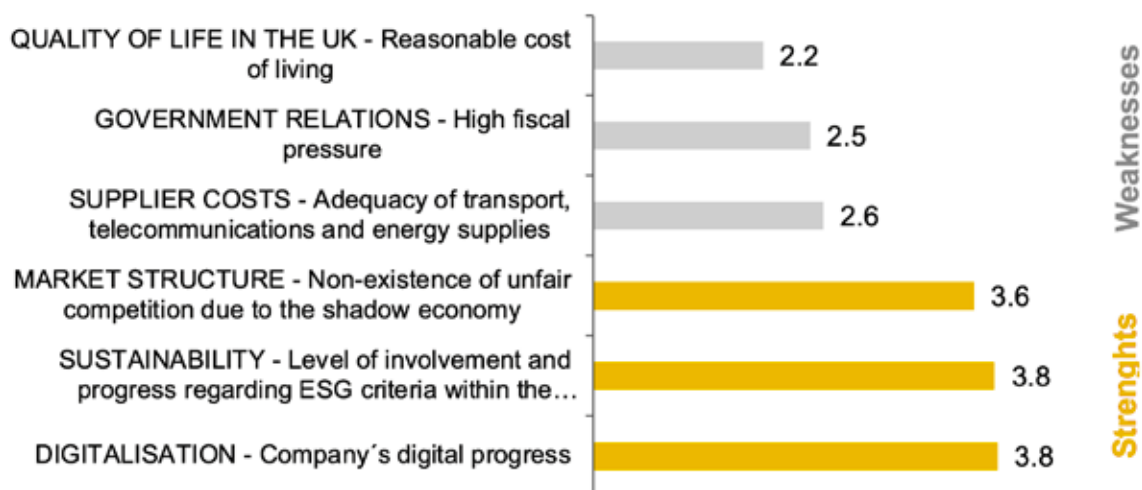


Source: Afi, “2023 and 2024 Surveys of Spanish outward investment into the UK”.

As anticipated above, for the fourth consecutive year, Britain's top perceived business climate strengths were: the existence of an ecosystem conducive to digital transformation, a market structure not conducive to unfair competitive practices (lack of a shadow economy), and the perceived commitment at the business level to developing and implementing sustainability-driven practices. On the other hand, the Spanish firms surveyed flagged three main weaknesses of the British business climate: the cost of living, fiscal pressure (which undermines the overall score in the government relations attribute) and the availability, quality and cost of inputs.

KEY STRENGTHS AND WEAKNESSES OF THE BRITISH BUSINESS CLIMATE

(scores based on % of responses)



Source: Afi, "2024 Survey of Spanish outward investment into the UK".

To delve deeper into the assessments provided by the Spanish firms invested and operating in the UK regarding the business climate in the country, we now analyse each of the underlying 10 attributes in detail:

- Government relations
- Political risk
- Market structure
- Financing
- Labour market
- Sustainability
- Digitalisation
- R+D+i (Research, development and innovation)
- Supplier costs
- Quality of life in the UK

GOVERNMENT RELATIONS

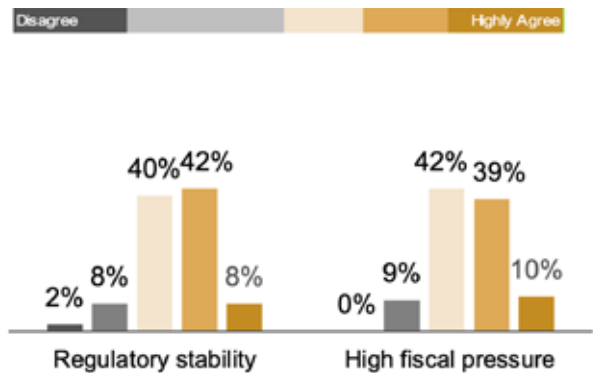
The Spanish firms surveyed gave *government relations* an overall score of 3 (scale of 1 to 5), which is 0.2pp higher than the score obtained in last year’s Barometer. However, the low score obtained by *fiscal pressure* continues to undermine the overall score in this category.

Roughly half (49%) of the Spanish firms surveyed reported perceiving a *high degree of fiscal pressure* in Britain, with 10% of the total saying they *agree strongly* with that assertion. This area of the government relations attribute therefore obtained a score of just 2.5 points out of 5, down 0.5pp from the 2023 Barometer.

On the other hand, the score obtained by *regulatory stability* improved by 0.4pp to 3.5 (scale of 1 to 5), thanks to the fact that the percentage of firms reporting an insufficient level of regulatory stability decreased by 14pp.

ASSESSMENT OF GOVERNMENT RELATIONS

(% of responses)



Source: Afi, “2024 Survey of Spanish outward investment into the UK”.

POLITICAL RISK

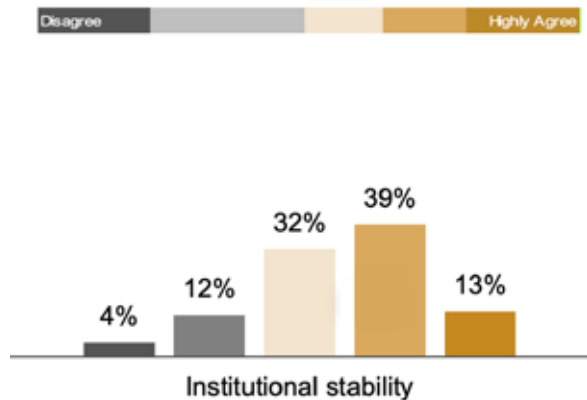
In this year’s edition of the Barometer, the Spanish firms reported a considerable improvement in how they perceive *institutional stability* in the UK, possibly due, in part, to the change of government in the wake of the general elections last July.

More than eight out of every 10 Spanish firms doing business in the UK rated the country’s current *institutional stability* as *acceptable* or better. More specifically, around one out of four firms rated this area as *adequate*, while another 13% described it as *excellent*.

As a result, the overall score obtained by this attribute increased to 3.4 points, making it the third best-rated area on the entire ranking, shaped by an improvement of 0.5 points from last year’s Barometer, which additionally made it the category to sustain the biggest improvement in 2024.

ASSESSMENT OF POLITICAL RISK

(% of responses)



Source: Afi, “2024 Survey of Spanish outward investment into the UK”.

MARKET STRUCTURE

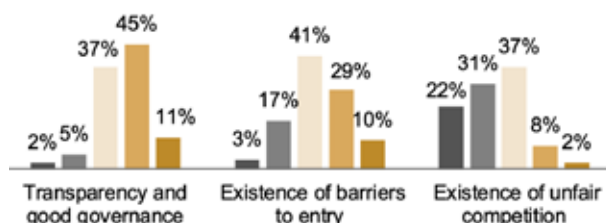
The Spanish firms' assessment of the existence of *barriers to entry* in the British market was stable year-on-year. On the plus side, their perception of their *relations with the public authorities* improved.

Over half (56%) of the Spanish firms surveyed said they *agree* or *strongly agree* with the idea that their dealings with the public authorities in the UK are characterised by *transparency* and *good governance*. Just 7% of the firms polled said they did not share this assessment, compared to 14% last year. As a result, this category obtained a score of 3.6 points (+0.2 points from 2023).

Elsewhere, the Spanish firms' perception of the degree of *openness of the British market* was stable with respect to 2023. Specifically, 39% of the firms surveyed said they do perceive *barriers to entry*, yielding a score in this area of 2.7 out of 5.

Similarly, more than half (51%) of the firms surveyed said they did not perceive a climate of *unfair competition* related with the shadow economy. As a result, this category obtained an overall score of 3.6 points (-0.1 points from 2023).

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



Source: Afi, "2024 Survey of Spanish outward investment into the UK".

FINANCING

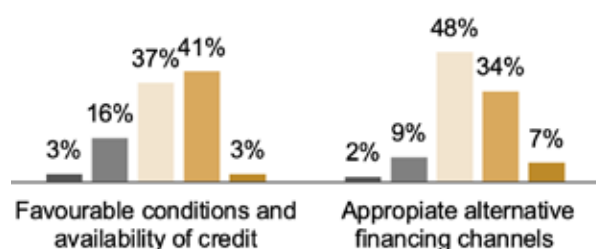
The Spanish firms doing business in Spain reported an improvement in *financing terms and conditions* with respect to last year's Barometer. The improvement was concentrated particularly in the perceived *availability of credit*, an area highly conditioned by the rate tightening that characterised 2023.

Over one out of every three (44%) of the firms surveyed rated *financing conditions* in the UK (existence of favourable conditions and availability of credit) as *adequate* or *excellent*, with the percentage of firms in agreement increasing by 14pp from the 2023 Barometer. This category therefore obtained a score of 3.2 points out of 5.

Similarly, around half (48%) of the firms surveyed described the existence of *alternative financing channels* (business angels, private equity, direct lending, etc.) in the UK as *acceptable*, with 41% defining it as *adequate* or *excellent*.

As a result, this category obtained an overall score of 3.3 points, in line with the result obtained during the last three years.

ASSESSMENT OF FINANCING CONDITIONS (% of responses)



Source: Afi, "2024 Survey of Spanish outward investment into the UK".

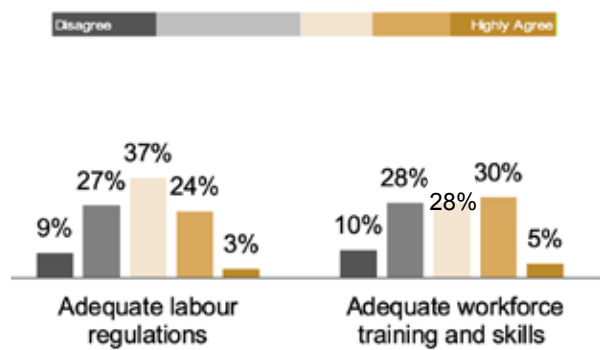
LABOUR MARKET

The Spanish firms' view of the *labour market* in the UK continues to reflect the pattern of polarisation expressed in last year's Barometer, although each area's scores improved from 2023.

The Spanish firms' assessment of the adequacy of the *labour market* in the UK improved by 0.1 points from 2023, raising this category's score to 2.9 points (on a scale of 1 to 5), confirming the shift away from the negative trend observed in earlier editions.

In tandem, the firms surveyed continue to observe shortcomings around the *level of training and skills* of the staff they are looking for. However, this year, more than one-third (35%) of all of the firms surveyed said they *agree* or *strongly agree* with the statement that the labour force available in the UK meets the needs of their businesses, compared to just 18% last year. Thanks to this, the overall score in this category improved to 2.9 points (+0.2 points).

ASSESSMENT OF THE BRITISH LABOUR MARKET (% of responses)



Source: Afi, "2024 Survey of Spanish outward investment into the UK".

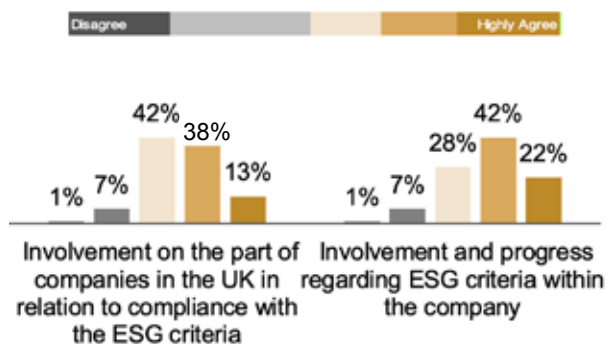
SUSTAINABILITY

The Spanish firms surveyed perceive a strong level of commitment and engagement around the implementation of sustainability-driven practices on the part of the productive ecosystem and business community in the UK.

More than six out of every 10 (64%) of the firms surveyed believe that the level of engagement around complying with and implementing environmental, social and governance (ESG) practices is *adequate* (42%) or *excellent* (22%), with just 8% of the total perceiving their progress in this respect as *inadequate* (7%) or *bad* (1%). As a result, this area obtained a score of 3.8 points (scale of 1 to 5), making it the second-highest scoring category in the entire Barometer.

Similarly, the Spanish firms doing business in Britain are also very happy with the efforts being made by the British productive ecosystem as a whole around *sustainability*. In fact, 13% of the firms surveyed described the level of involvement of the British business representatives as excellent, with another 38% describing it as adequate. As a result, this indicator obtained a score of 3.6 out of 5.

ASSESSMENT OF PROGRESS ON SUSTAINABILITY MATTERS (% of responses)



Source: Afi, "2024 Survey of Spanish outward investment into the UK".

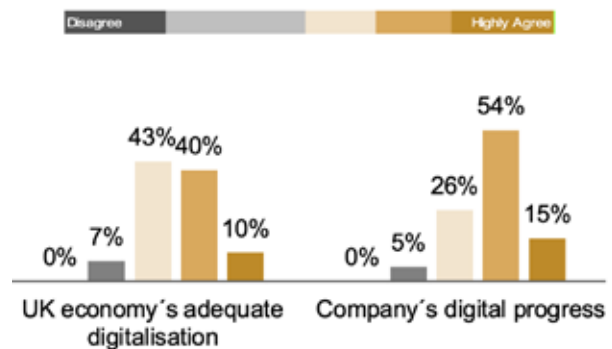
DIGITALISATION

For the sixth year in a row, the level of digitalisation, at both the firm and economy levels, emerged as the highest-rated attribute of the business climate in the UK in the eyes of the Spanish firms invested there.

Half of the firms surveyed described the level of digitalisation of the British economy as *adequate* or *better*. And not a single firm described the level of digitalisation of the British economy as *bad*. As a result, this area obtained a score of 3.5 points (on a scale of 1 to 5), in line with the assessment provided in the last three editions of the Barometer.

As for the degree of firm-level digitalisation, the feedback from the Spanish firms remains very positive: 54% describe it as *adequate*, with another 15% rating it as *excellent*. The average score in this category accordingly increased to 3.8 out of 5 (+0.1 points from the 2023 Barometer).

ASSESSMENT OF DIGITALISATION IN THE UK (% of responses)



Source: Afi, "2024 Survey of Spanish outward investment into the UK".

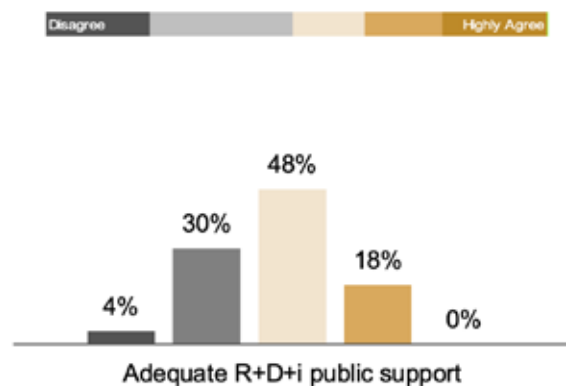
R+D+i

Spanish firms' perception of the level of public support for firm-level R+D+i activities was stable in 2024, with some room for improvement.

Fewer than one out of five (18%) of the Spanish firms surveyed described the level of public support for undertaking and investing in new R+D+i projects as *adequate*. However, the percentage of firms categorising the level of public support as *bad* decreased by 5pp from 2023. As a result, this category's score averaged 2.8 points (on a scale of 1 to 5).

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

ASSESSMENT OF PUBLIC SUPPORT FOR R+D+i IN THE UK (% of responses)



Source: Afi, "2024 Survey of Spanish outward investment into the UK".

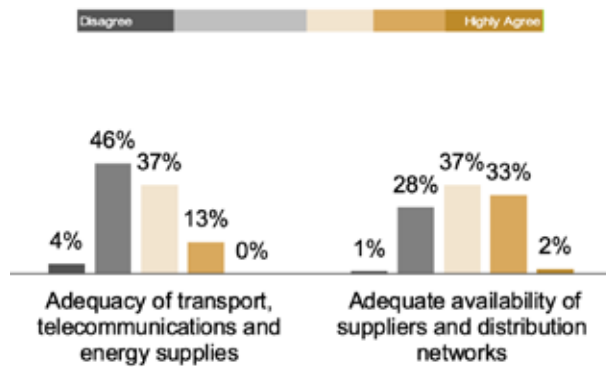
SUPPLIER COSTS

The percentage of Spanish firms surveyed that described the adequacy of the British transport, telecommunications and energy services as adequate improved slightly, with the availability of supplier and distribution networks categorised as *sufficient*.

Just 13% of the Spanish firms surveyed said they found the *availability, quality and cost of transport, telecommunications and energy services* to be *adequate* for the needs of their businesses, with 50% reporting the opposite. However, the percentage of firms reporting that they *strongly disagree* with the adequacy of those services decreased by 11pp to just 4% of the total. As a result, this area obtained a low overall score of 2.6 out of 5 (+0.1pp from 2023).

In parallel, the percentage of firms that consider the *availability of supplier and distribution networks* to be insufficient decreased by 1pp from last year to less than one-third of the total (29%). And the percentage of firms categorising the current availability of these networks as *acceptable* increased by 10pp to 33% of the total. As a result, this category obtained an overall score of 3.1 points (+0.2 points from 2023).

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



Source: Afi, "2024 Survey of Spanish outward investment into the UK".

QUALITY OF LIFE IN THE UK

The business climate categories analysed within the *quality of life* attribute were once again among the lowest-rated in this year's edition of the Barometer. For the third year in a row, the respondent firms gave lower scores to the (high) cost of living in the UK, a category still very exposed to the current climate of inflation rates in excess of the central banks' targets.

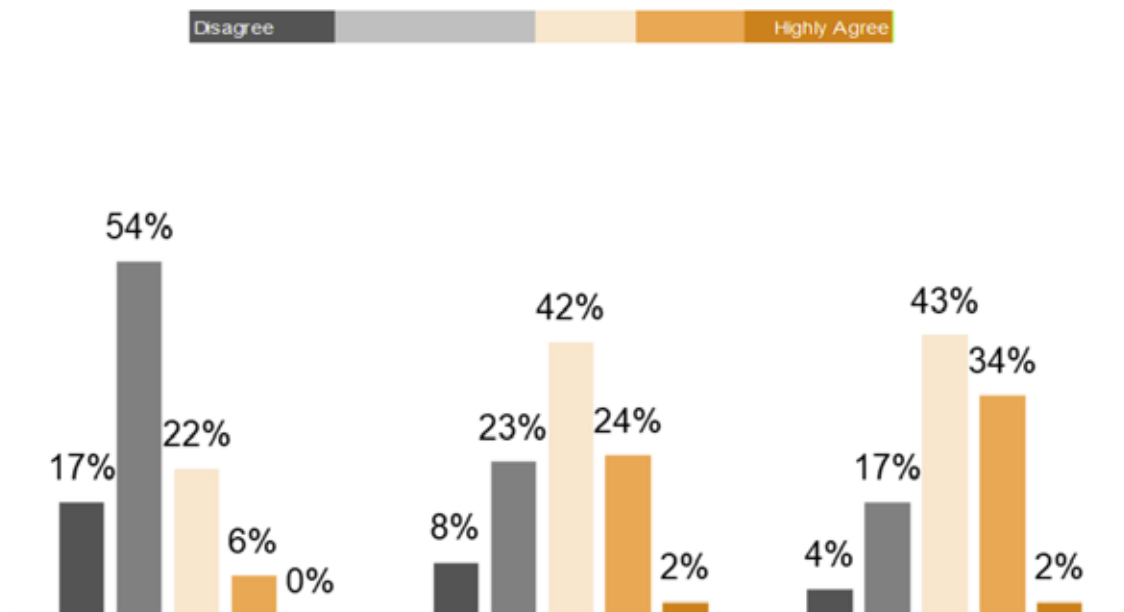
Quality of life was once again the worst-rated aspect of the business climate in Britain according to the Spanish firms with productive investments and operations in the country.

More specifically, over seven out of every 10 (71%) of the respondents do not see the cost of *living* in the market as *reasonable*: this percentage has been on the rise from the 47% recorded in 2021 (onset of the energy crisis), 60% in 2022 (escalation of inflationary pressures and attendant shift towards contractionary monetary policy) and 62% in 2023 (start of disinflationary dynamics in the wake of the rate increases). As a result, the *cost of living* aspect obtained a low score of 2.2 out of 5 (+0.1 points from 2023).

On the other hand, the firms' assessment of the *adequacy of expatriate integration* was stable by comparison with 2023. Just 26% of all respondents had a *positive* opinion in this respect, which is 3pp above last year's percentage (so breaking with the negative dynamic observed since 2021). However, the percentage of firms that would rate the *level of integration as excellent* decreased by 4pp from 2023, contrasting with the 2pp increase at the other end of the spectrum (*bad integration of expatriates*). As a result, this category repeated its score of 2.9 points (on a scale of 1 to 5).

Lastly, the Spanish firms' appraisal of the *ease of achieving a good quality of life* became somewhat more polarised by comparison with last year. Whereas in 2023, 28% of the firms surveyed viewed it as *feasible*, versus 19% who said the opposite, this year the percentages in both categories increased, to 36% and 21% of the total, respectively. As a result, the score obtained by this category was 3.1 points out of 5.

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



Source: Afi, "2024 Survey of Spanish outward investment into the UK"

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

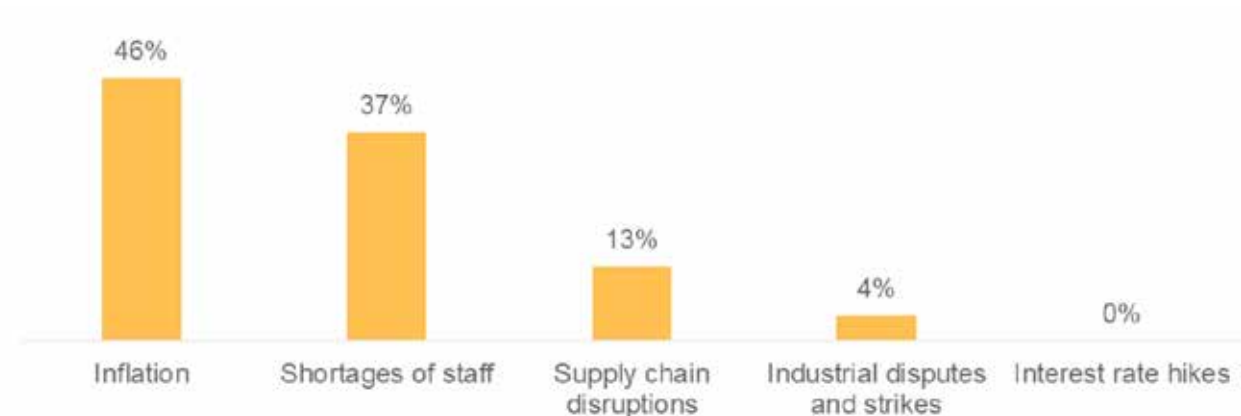
IMPACT OF THE ECONOMY

Inflation (46%) and staff shortages (36%) emerged as the factors having the biggest impact on the businesses of the Spanish firms operating in the UK over the past year. In parallel, half of the firms surveyed signalled the recent strikes and labour disputes as having a *significant* impact on their ability to conduct their businesses normally.

The Spanish firms invested and operating in Britain once again suffered the consequences of the unusual prevailing macroeconomic climate, which continues to be shaped by the final lashes of inflation (inflation averaged 2.6% between January and September) and the start of monetary easing by the central banks (the Bank of England cut its benchmark rate by 0.25bp to 5.0% in August 2024), now that the rampant inflation has been brought under control. In tandem, other geopolitical developments such as the escalation of tensions in the Middle East and Russia's aggression on Ukraine, and also Brexit, continue to have an adverse impact on global supply chains and the staff shortages being experienced in the British job market, affected in turn by restrictions on immigration flows.

DEVELOPMENT/EVENT WITH BIGGEST IMPACT ON BUSINESS IN LAST YEAR

(% of responses)



Source: Afi, "2024 Survey of Spanish outward investment into the UK"

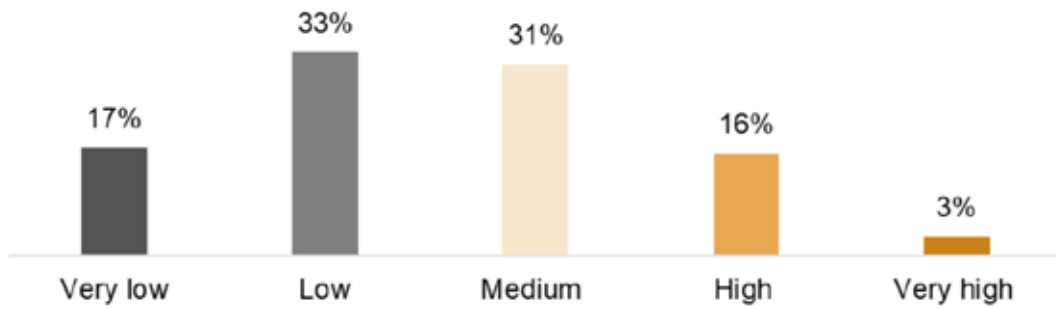
Against this backdrop, 46% of the Spanish firms in the UK cited *inflation* as the phenomenon with the biggest negative impact on their businesses during the past year. However, not a single firm signalled interest rate increases as the biggest impact on their business in the last 12 months. This attitude is consistent with that portrayed in the 2023 Barometer, when seven out of every 10 firms said that their investment plans had not been affected by the increase in rates from 3.25% to 5.25% in 2023, where they remained throughout the first half of 2024.

In parallel, the second most common factor identified by the respondents as having the biggest impact on their businesses during the last year (37% of the total) was *staff shortages*, marking an increase of over 10pp compared to the 2023 Barometer.

Another roughly one-tenth of the firms surveyed (13%) flagged *supply chain friction* as the biggest risk factor for their business activities over the previous year.

Note in this respect that half of the respondents described these risk factors as having *not inconsequential effects* on their businesses.

IMPACT OF STRIKES AND LABOUR DISPUTES ON BUSINESS ACTIVITIES IN THE UK
 (% of respondents)



Source: Afi, "2024 Survey of Spanish outward investment into the UK"

That being said, the overall perception portrayed by the Spanish firms with respect to the impact of these adverse factors was *less negative* (score of 2.5 points on a scale of 1 to 5) than in the 2023 Barometer (2.7 points), a shift that is consistent with the intensity of the labour disputes taking place in the UK between January 2022 and July 2024.

EXPECTATIONS FOR THE NEW DIRECTION OF BRITISH ECONOMIC POLICY

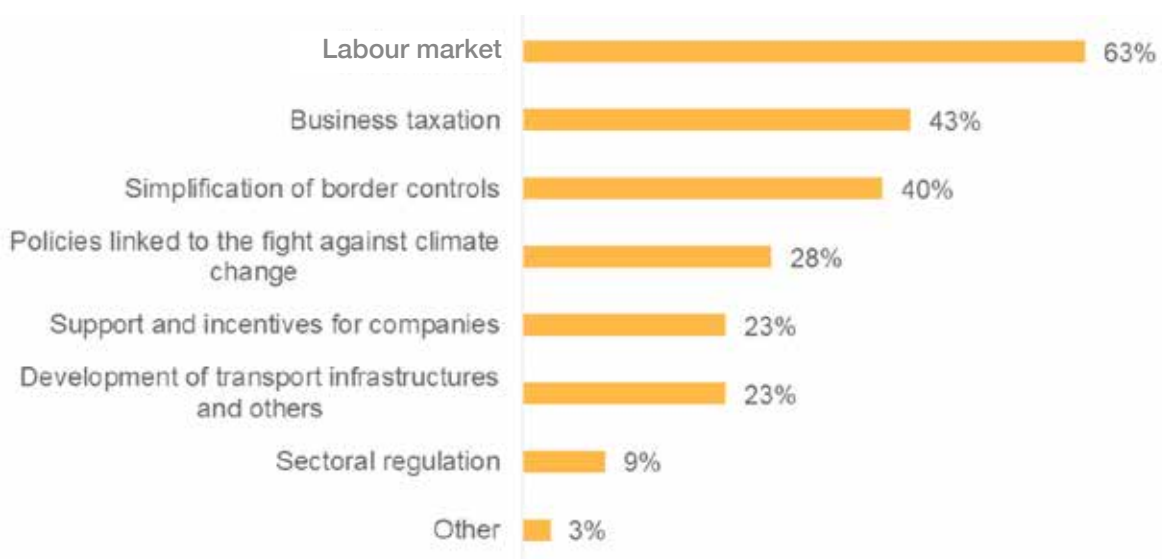
An improvement in relations between the UK and EU, and attention to certain dysfunctions in the British labour market emerged as two of the main economic policy areas where the Spanish firms surveyed hope the new British government will introduce changes. These are areas, moreover, that could generate opportunities for the business population by improving the business climate they encounter in the UK.

In the wake of the general elections held in the UK last July, the Labour Party's victory enabled it to form a new government, putting an end to 14 years of Conservative Party rule. The economic policy thrusts pursued by the new government are likely to have an impact on the fate of the business activities undertaken by the Spanish firms operating in Britain. The survey for this year's edition of the Barometer created the opportunity to ask the Spanish firms about their expectations regarding the decisions and measures Keir Starmer's government could introduce and the opportunities they could present.

The Spanish firms participating in the 2024 Barometer provided feedback about the main areas of *economic policy* related with the world of business that could be affected by the direction taken by the new government. Their responses revealed wide consensus among the Spanish business ecosystem that formation of the new government could mark a turning point for relations between the UK and EU. Nearly seven out of 10 of the firms surveyed believe this is true (67% of the total).

In addition, 63% of all of the firms surveyed flagged the British *labour market* as another area where they expect to see far-reaching changes in an effort to tackle its current dysfunctions. Elsewhere, on the tax and customs fronts, *corporate taxation* and the *simplification of border controls* were areas identified by at least 40% of the firms surveyed as propitious to undergoing significant changes under the new government. Recall that the tax burden is one of the worst-rated features of the British business climate, scoring 2.5 points on a scale of 1 to 5.

AREAS OF ECONOMIC POLICY MOST LIKELY TO UNDERGO CHANGES UNDER THE NEW BRITISH GOVERNMENT (% of respondents)



Source: Afi, "2024 Survey of Spanish outward investment into the UK"

Note: A given firm may select more than one economic policy area.

In order to delve deeper into the expectations of the Spanish firms doing business in the UK, for the 2024 edition of the Barometer, they were asked their opinion on the areas in which the new government might generate more opportunities for them.

In line with the aspects outlined above, the respondents hope and desire that the incoming government will foster new opportunities for the Spanish firms operating in the UK, particularly in the following areas: (i) (improved) relations with the EU; (ii) the British labour market; and (iii) support for the business ecosystem. Next, we look at these three potential opportunities in greater detail.

RELATIONS BETWEEN THE UK AND EU

The Spanish firms doing business in the UK trust that the government headed up by Prime Minister Keir Starmer will kick start a new era of “dialogue and closer relations between the UK and EU” that will allow them to “work in the same direction” in order to “introduce significant flexibility around the movement of goods (particularly simplification of non-tariff barriers on product imports), services and capital (human and financial) between the UK and its main trading partners”.

As widely covered by the British news media (BBC or Reuters, for example), Starmer’s government has expressed its desire to restore relations with the European Union, tightening links in several areas, including on the economic, security and defence and trade fronts, albeit without “reverting the Brexit process”.

In early October 2024, the British Prime Minister met with the leaders of the European Commission, European Parliament and European Council, so initiating the new British government’s dialogue with the European authorities. After this meeting, all of the parties involved agreed to “continue to work closely to address wider global challenges, including economic headwinds, geopolitical competition, irregular migration, climate change and energy prices” (UK Government, 2024).

As for the host of strategic challenges Starmer’s government plans to tackle in cooperation with the European Union, such as the *twin transition* (green and digital), there has already been significant legislative progress with the passage of the Great British Energy Bill and the Crown Estate Bill, and the creation of the Regulatory Innovation Office, whose mission is to boost the development of new technology in key sectors such as the health, biotechnology and automotive industries. In the area of security and foreign relations, Prime Minister Starmer has highlighted the need to reinforce cooperative ties between the two regions in the context of geopolitical instability by hammering out a broad pact. To that end the various leaders agreed to hold a bilateral summit between the UK and EU in early 2025.

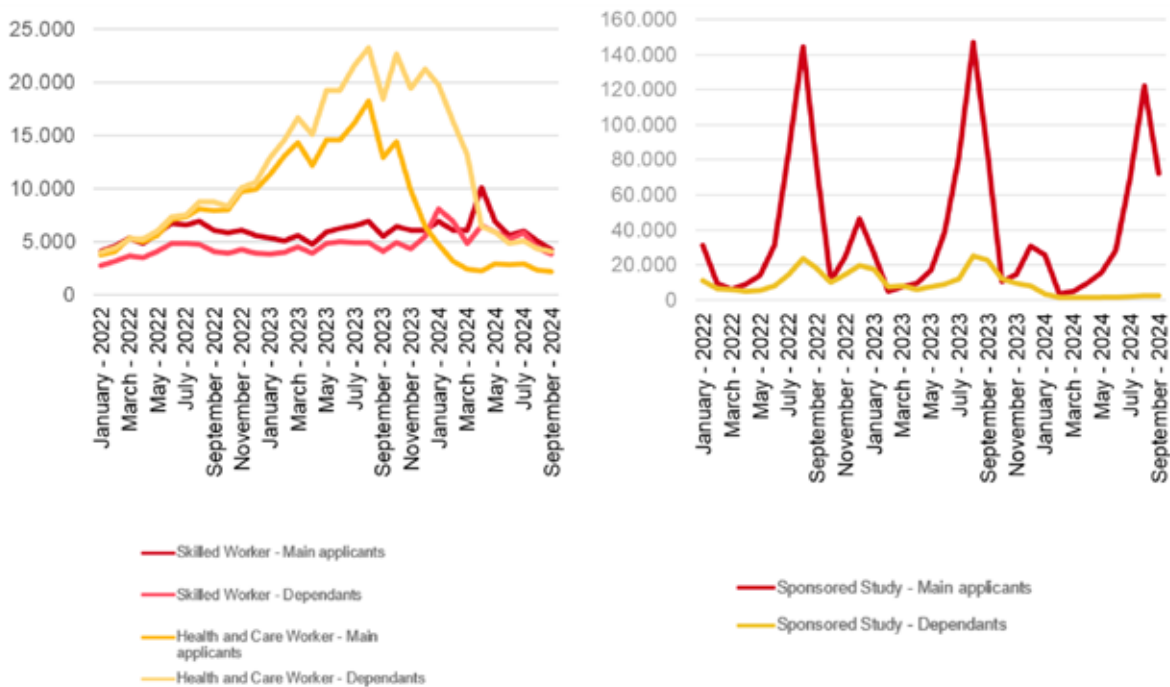
The representatives from both sides also reiterated their commitment to applying the bilateral Trade and Cooperation Agreement (TCA). Recall that in the 2022 Barometer, 88% of the firms surveyed reported experiencing certain difficulties or friction following effectiveness of the TCA. And today the firms continue to struggle with the complexity of customs processes and border controls when trading with the UK. Against this backdrop, a better climate of bilateral dialogue and joint search for ways to mitigate the complexity of the controls in accessing the British market would be a boost for the businesses of the Spanish firms operating in this market.

BRITISH LABOUR MARKET

With respect to the British job market, the Spanish firms invested and operating in the UK stressed the importance to them that the new government will commit to “facilitating the hiring of workers from third countries, particularly Europe, by making it simpler to obtain visas”, as well as “providing incentives to firms to facilitate investment in employee training and upskilling”.

This opinion is consistent with the findings gleaned year after year in the *Barometers*, in which around 40% of the Spanish firms surveyed agree that the human capital available in the British market does *not adequately meet their training and skill requirements*. Moreover, during the first half of 2024, measures were introduced in the UK that actually steepen the requirements¹⁰ for obtaining visas for workers and students, making it even harder for the firms to attract (foreign) talent.

MONTHLY TREND IN APPLICATIONS FOR WORK VISAS (left-hand axis)
AND STUDENT VISAS (right-hand axis) **IN THE UK** (January 2022 – September 2024)



Source: Afi, based on ONS data

However, all signs so far suggest that the new government plans to implement a new immigration plan that will reduce the UK’s dependence on foreign skilled workers with the aim of fostering the use and upskilling of young British talent. The new government has already announced that businesses violating work visa rules will face a ban on hiring employees from abroad.

Elsewhere, *strikes and labour disputes*, which have hit the manufacturing industry, health services and transport sector particularly hard in the UK, emerged as the factor having the biggest negative impact on their business in the past year for 4% of all of the firms surveyed, an increase of 2pp by comparison with the 2023 Barometer. Indeed, half of the Spanish firms surveyed noted that these disruptions are having consequences on their everyday business activities.

¹⁰ Since 11 March 2024, foreign health and care workers can no longer add dependants (i.e., partners and children) to their visas. Moreover, since 4 April 2024, the standard minimum salary for a “skilled worker” has increased from £26,200 to £38,700. Lastly, since 11 April 2024, the minimum income requirement for granting a visa for a spouse or partner has increased from £18,600 to £29,000 (Government of the United Kingdom, 2024).

GOVERNMENT SUPPORT FOR THE BUSINESS ECOSYSTEM

The Spanish firms that participated in the Barometer survey this year said they expect the new British government to commit to formulating “new incentives for the business ecosystem with the aim of sparking new investments, new R&D initiatives and new skilled worker hires (talent already in the UK)”, while also expressing widespread hopes that it will reduce the tax burden on businesses. As we will see further on when analysing the Spanish firms’ investment plans for the UK over the coming year, these firms are clearly committed to lifting their productivity (and competitive positioning along with it) and expanding their facilities on the ground.

Note with respect to the tax burden that, during its election campaign, the Labour Party promised not to increase the corporate tax rate (currently 25%) and to define a roadmap for changes to the corporate tax regime in the UK. However, the inherited £22 billion tax black hole has forced the government to implement a £40 billion tax increase in the 30 October 2024 budget: of which up to £25 billion (Reuters, 2024) is estimated to come from a 1.2pp increase (to 15%) in National Insurance contributions paid by employers (HM Treasury, 2024).

Therefore, the possibility of a tax reform in the short to medium term to reduce the tax burden on companies seems even more complex, particularly considering that the public sector will continue need to undertake major investments in infrastructure (transport, energy and telecommunications), housing and productive capital to ensure the competitiveness of the British economy and the quality of its public services.

09. OUTLOOK FOR ACTIVITY IN THE UK IN 2024 AND 2025

This section analyses the outlook of the Spanish firms operating in the UK for 2024 and 2025 in terms of revenue, employment and investment plans. We also provide details of the motives for the investments planned and the sectors and regions they are planned for.

BUSINESS EXPECTATIONS

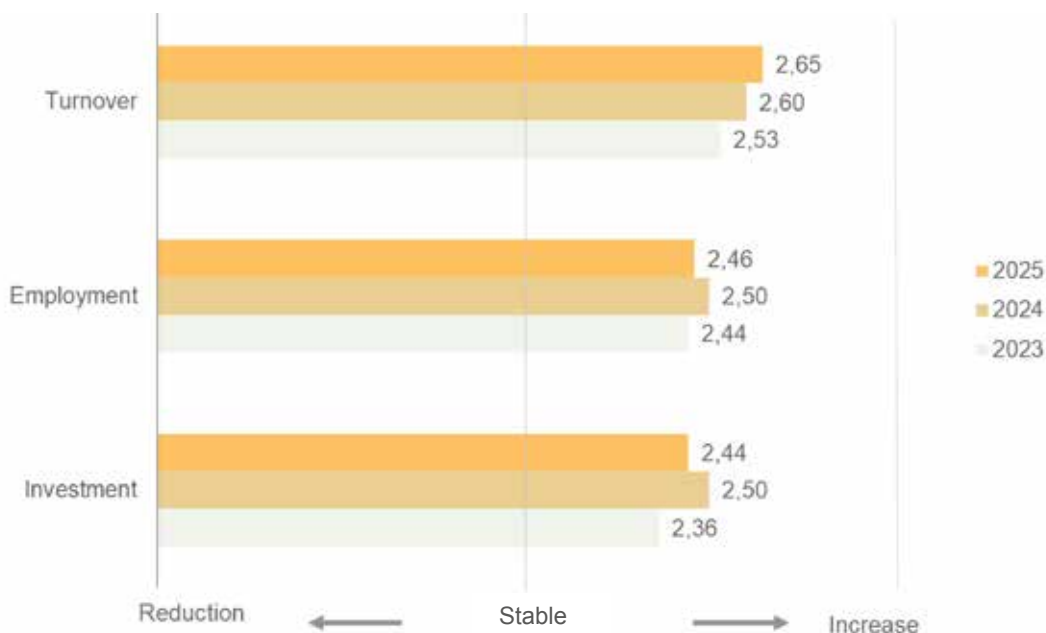
Seven out of every 10 firms surveyed (70% of the total) expect the revenue they generate in the British market to increase in 2025. Roughly half of them expect to increase their headcounts and to undertake new investments in the UK next year.

The universe of Spanish firms invested and operating in the British market is *upbeat* about the prospects for their business activities and earnings in the UK in 2025. Specifically, 70% of the firms surveyed expect their revenue in the UK to increase next year, with 49% planning to make new hires.

As for the percentage of firms planning to undertake new investments in Britain, the 2024 Barometer reveals a small contraction compared to last year's edition (-5pp). Just under half of the respondents (48%) plan to make new investments next year. However, the share of firms planning to scale back their investments in the UK was stable at 4%, in yet further proof of the importance of the British market to the Spanish firms.

SPANISH FIRMS' OUTLOOK FOR GROWTH IN ACTIVITY

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



Source: Afi, "2022, 2023 and 2024 Surveys of Spanish outward investment into the UK"

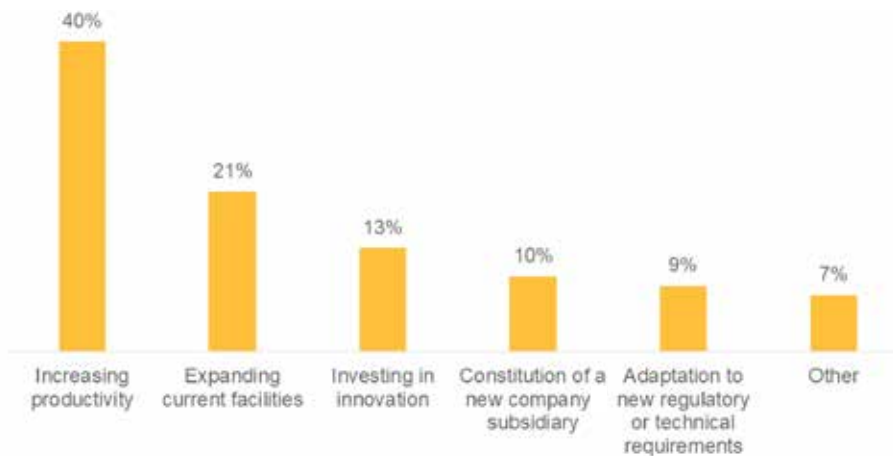
PLANNED BUSINESS INVESTMENTS

The main rationale for the new investments planned by the Spanish businesses in the UK is once again to *increase productivity*. To do so, the respondents said they would *implement new digital technology* at their firms, while embarking on *new hiring processes* and *training and upskilling* efforts for existing employees in parallel. Geographically, the *city of London and its Metropolitan area* is the top destination (38% of total) for the new investments planned for the UK.

Among the Spanish firms that are planning new investments in the UK in 2025, the search for *productivity gains* was cited as the main rationale for the investments by 40% of all respondents. A second priority, for over one-fifth of the respondents (21%) is to *expand their current facilities*, while just over another tenth of the total (13%) said they were looking to invest in processes related with *R+D+i* initiatives in 2025. Lastly, it is worth highlighting the growth observed in *adaptation for new technical or regulatory requirements* (to 9% of the total) as the main reason for the investments planned by the firms surveyed for the 2024 Barometer.

PRIORITY GOALS OF THE NEW INVESTMENTS IN THE UK PLANNED BY THE SPANISH FIRMS FOR 2025

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



Source: Afi, "2024 Survey of Spanish outward investment into the UK".

Note: "Other" includes initiatives related with hiring, marketing activities and expansion of business lines, among others.

In terms of how they plan to achieve/implement the priority investment goals articulated above, and related to the Spanish firms' expressed desire to *increase their productivity levels*, over half of the firms surveyed (51%) said they aspire to *implement new digital technology at their firms*, with another 41% and 33% of the total, respectively, planning to pursue *new hiring processes* and *training and upskilling* efforts for existing employees.

Lastly, *new product development* (40% of the total) and *activities related with R+D+i* (21%) emerged as two key investment strategies for achieving their goal of investing in innovative activities.

ACTIVITIES INTO WHICH THE SPANISH FIRMS PLAN TO CHANNEL THE NEW INVESTMENTS PLANNED FOR THE UK IN 2025

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



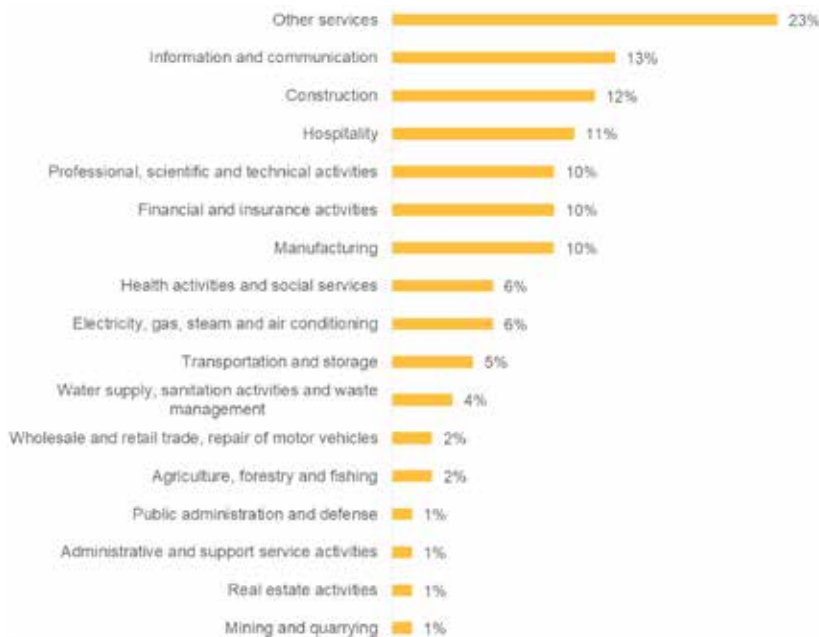
Source: Afi, "2024 Survey of Spanish outward investment into the UK"

Note: A given firm may be planning to invest in more than one area.

Sector-wise, the new investments planned by the Spanish firms doing business in the UK will be channelled mainly into *information and communication services* (13% of the total), *construction* (12%), *hospitality* (11%), *professional, scientific and technical activities* (10%) and *financial and insurance activities* (10%).

SECTORS IN WHICH THE SPANISH FIRMS IN THE UK PLAN TO INVEST IN 2024-2025

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



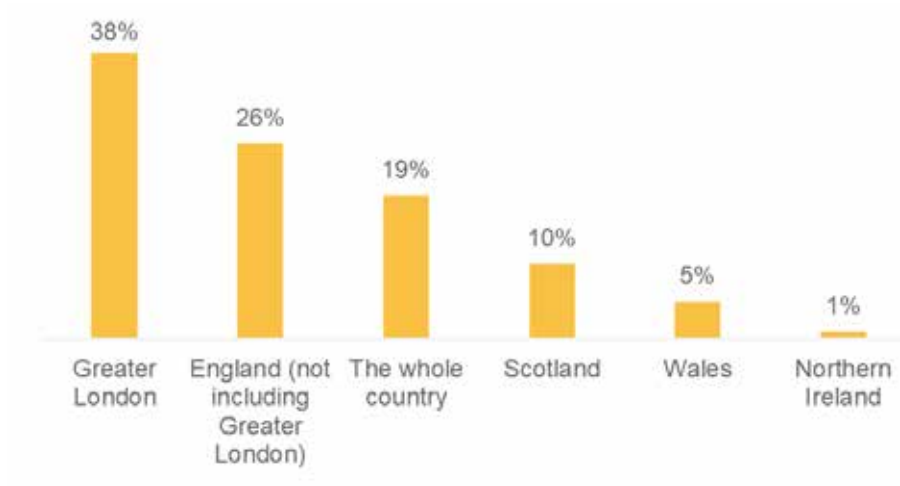
Source: Afi, "2024 Survey of Spanish outward investment into the UK"

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

Regionally, London and its metropolitan area is once again the preferred destination (38% of the total) for the new investments planned by the Spanish firms doing business in the UK for 2025, 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 2025

(% of responses noting plans to increase investments during that timeframe)



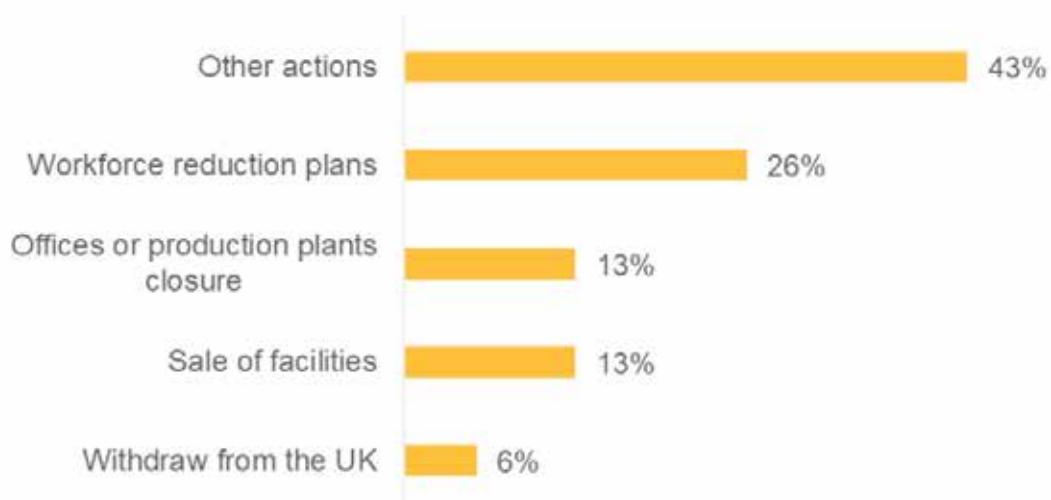
Source: Afi, "2024 Survey of Spanish outward investment into the UK"

Notes: (i) A given firm may be planning to invest in more than one region; (ii) the investment plans that encompass all regions are accounted for as 'nationwide'.

Turning lastly to the firms' expectations for scaling back their investments on British soil, only a small minority plan to reduce their investments in the UK in 2025 (4% of the total). When asked about the main channels they would use to *hypothetically divest* from the British market, only a minority said they would opt for a full exit from the market (6% of total) or the sale of infrastructure or closure of offices and/or productive facilities (13%, respectively).

HYPOTHETICAL CHANNELS FOR REDUCING INVESTMENTS IN THE UK

(% of responses noting plans to disinvest during that timeframe)



Source: Afi, "2024 Survey of Spanish outward investment into the UK"

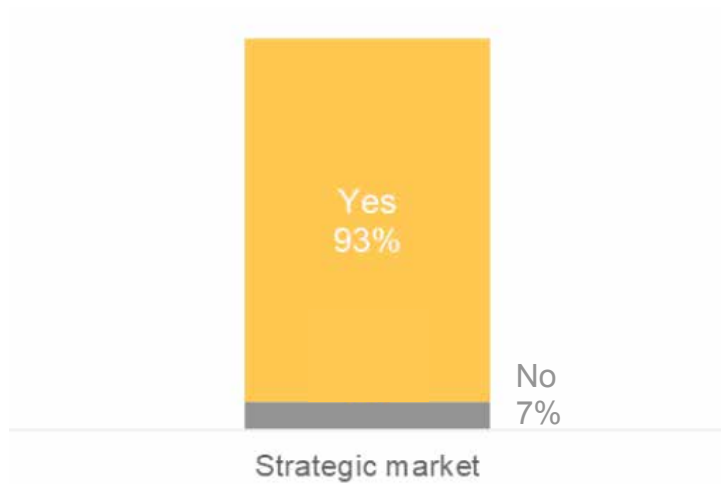
RELATIVE IMPORTANCE OF THE BRITISH MARKET

More than nine out every 10 Spanish firms (93%) described the UK as a strategic market for them.

Despite the recent macroeconomic and political difficulties in the UK, 93% of the Spanish firms invested and operating in that market reiterated its strategic importance for their businesses, which is up 2pp from the percentage categorising the market as strategic last year (91% in 2023).

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

(% of respondents)

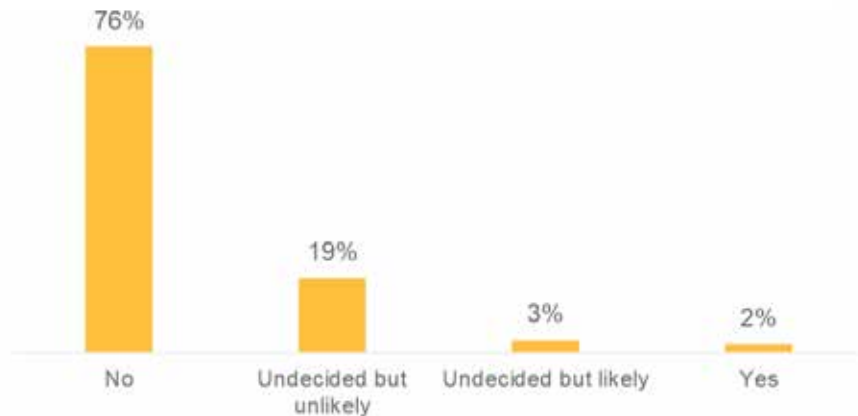


Source: Afi, "2024 Survey of Spanish outward investment into the UK"

In line with the above, as many as 95% of the Spanish firms reported that they were not contemplating exiting the British market during the next five years, with just 2% of the firms surveyed answering that they did plan to cease business operations in the UK over that timeframe.

FIRMS THAT PLAN TO EXIT THE BRITISH MARKET WITHIN THE NEXT 5 YEARS

(% of respondents)



Source: Afi, "2024 Survey of Spanish outward investment into the UK"

APPENDIX: METHODOLOGY AND CHARACTERISTICS OF THE COMPANY SAMPLE

This sixth edition of the annual *Barometer on the climate and outlook for Spanish investment in the UK* captures the vision and perceptions of more than 100 Spanish companies doing business in the UK that participated in the survey for 2024.

As in prior editions, the Spanish firms invested and operating in the UK were surveyed by means of an online questionnaire. The questionnaire features a series of questions related with the firms' own profiles, their assessments of the current business climate in UK and their expectations for their business growth and investments in that market.

This sixth edition of the Barometer once again posed questions designed to enable specific analysis of the impact of several macroeconomic factors (inflation, interest rates, etc.) on their businesses and related with their investment plans for the British market and added a new qualitative question in order to gather feedback from the Spanish firms about the opportunities the new British government might create for the business ecosystem.

A total of 118 Spanish firms doing business in the UK participated in the survey, which was carried out between 27 August and 17 September 2024.

The pool of firms surveyed is very diverse in terms of sector providence and firms size, as is illustrated in the following charts.

BREAKDOWN BY FIRM SIZE

(% of all firms surveyed)

NUMBER OF EMPLOYEES



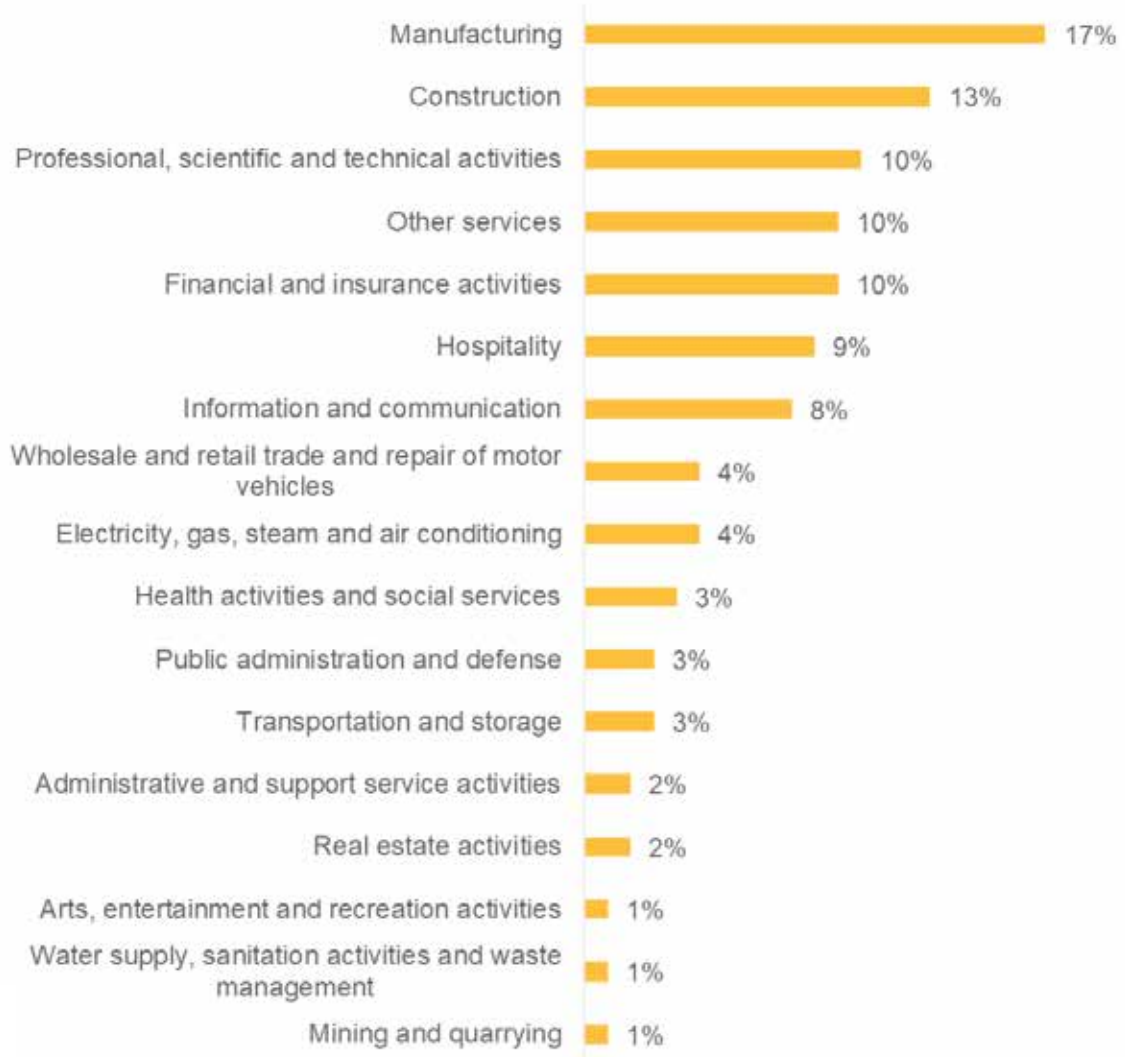
ANNUAL REVENUE



Source: Afi, "2024 Survey of Spanish outward investment into the UK"

SECTOR BREAKDOWN

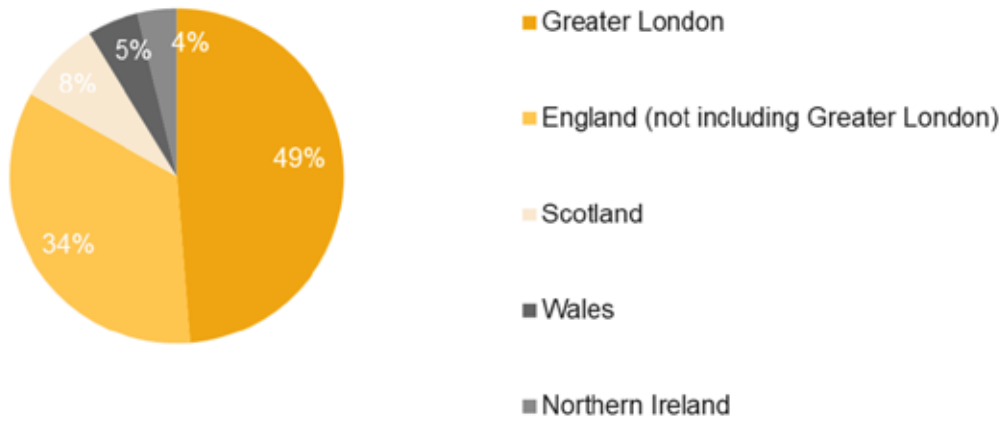
(% of all firms surveyed)



Source: Afi, "2024 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, "2024 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 create a **platform of business opportunities** within the British-Spanish business community.
- To provide **support and advice to our Members**, offering tailor-made solutions for the requirements of each company that we work with.
- To serve as a **strategic partner** to any company interested in doing business in Spain or the United Kingdom.

HOW TO JOIN OUR NETWORK

As a Member of the Chamber, you will join **the Spanish Business community in the United Kingdom**. This will give you access to a wide variety of services, including the Chamber's vast **network** of contacts and **information** regarding business opportunities in the UK and Spain.

We offer three categories of **membership** which are suited to different companies' requirements: Corporate, Benefactor and Patron. Association with the Chamber provides a series of general benefits for all Members, while there are exclusive advantages for each of the superior membership categories.

Explore all the benefits of **each tier of membership** here



PROMOTE YOUR COMPANY IN OUR 2024 ANNUAL REPORT

The **Spanish Chamber of Commerce** is already busy working on its 2024 Annual Report. Each year, our Team carefully curates this publication, which serves not only as a **summary of the Chamber's activities** but also as an **overview of the economic relations between Spain and the UK**.

The Chamber distributes **physical copies** of the Annual Report at events, meetings, and in our office in central London. Our network—including members, official representatives, and other companies interested in both countries—also receives a **digital copy**, shared through our communication channels.

For companies interested in promoting their business in our Annual Report, the Chamber offers various advertising packages that allow you to:

- Reach **an audience engaged with the Spanish-British** business community by promoting your company in the Annual Report of the Official Spanish Chamber of Commerce in the UK.
- Showcase your company in our Annual Report, with **physical copies distributed at over 50 events throughout the year**.
- Feature an advertisement for your company in a publication **shared through our online channels**, including our LinkedIn profile with 9k followers and our newsletter with 4k subscribers.

ADVERTISING RATES - EXCLUSIVELY FOR MEMBERS

LOCATION	PRICES*
1 PAGE (EVEN PAGE NUMBER)	£ 995
½ PAGE (EVEN PAGE NUMBER)	£ 525
1 PAGE (ODD PAGE NUMBER)	£ 1,250
½ PAGE (ODD PAGE NUMBER)	£ 620
1 PAGE (INSIDE FRONT COVER)	£ 1,750
1 PAGE (INSIDE BACK COVER)	£ 1,750
HIGHLIGHT YOUR COMPANY ON OUR MEMBERS' DIRECTORY	£ 95

20% discount for Small and Medium Enterprises (SMEs) that are Members if ordered by 31st December 2024

*Prices shown are before tax

Non-Members can contact spanishchamber@spanishchamber.co.uk for a quote.

SPANISH CHAMBER OF COMMERCE IN THE UNITED KINGDOM

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SERVICES OF THE CHAMBER

EVENTS:

The Chamber organises **more than 50 events** each year which serve as the **meeting point of the Spanish-British business community**. At our events, we welcome **senior representatives** from Spanish, British and other international companies, as well as **government officials** and other influential figures from both countries. Our wide variety of events, from **major corporate events to technical sessions**, provide a profitable networking opportunity for companies of all industries and sizes.



BILATERAL TRADE:

Our **Foreign Trade Department** advises both Member and non-Member companies looking to enter either the Spanish or British markets. Our Team of experts can connect your **business** with the right local **partners, clients, and suppliers** to ensure a smooth entry into a new market. The Chamber works with businesses from **both countries** looking to expand into Spain or the UK.

COMMUNICATIONS:

The Spanish Chamber of Commerce in the UK provides a range of tools to help your company **connect with a targeted audience**. Our Members benefit from our **communication channels**, which engage a wide audience interested in both countries and business. This enhances your **visibility** and adds significant **value** to the news you share with us. For non-Members, we offer tailored **advertising packages** designed to promote your products and services effectively.



WHAT CAN THE CHAMBER DO FOR YOUR COMPANY?

EXPAND YOUR NETWORK:

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

INCREASE YOUR VISIBILITY:

Benefit from the Chamber's communication channels or explore the frequent sponsorship opportunities of our events.

EXPLORE NEW OPPORTUNITIES:

Organise a seminar or an event 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:

Enter either the Spanish or British markets with the advice of the Chamber's experts.

YOUR STRATEGIC PARTNER FOR DOING BUSINESS IN A NEW MARKET

The Spanish Chamber of Commerce is an **expert on trade and business relations between Spain and the UK**, offering advice to companies looking to expand into the other country.

Our broad **network of industry contacts and partnerships** enables us to connect businesses with the right local partners, clients, and suppliers. Moreover, our strong **relationships with institutional representatives and key stakeholders** in both the public and private sectors allow us to open doors and create valuable opportunities for companies.

Whether you are looking for market intelligence, strategic introductions, or practical support, we have extensive knowledge of both markets, and we are equipped to guide you at every step of the way. At the Spanish Chamber, we are not just facilitators; we are your gateway to a **successful and sustainable presence in a new market**.



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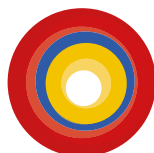
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