The engine of growth of the Spanish Economy: Foreign Trade

The Secretary of State for Trade, Jaime García-Legaz, has affirmed that foreign trade is the "engine of growth" of the Spanish economy.

"Exports are the engine of economic growth and Spain is number one in the European Union in 2013", said García-Legaz emphatically during the Forum Five Days, and also added that the government is launching a "shock plan" to help solve the problems of small businesses. He also revealed that "the recovery of competitiveness, the increasing number of firms exporting represent an export strategic shift towards more dynamic markets" and are the keys for a great time of success in the external sector.

Thus, García-Legaz added that Spain will meet the growth forecasts provided by the European previsions. "To grow sales figures up to 4.6% for any business activity would be a good result. I am confident that we will be able to grow and be a positive factor in the economic growth of Spain in 2013, "he said while reiterating that exports now account for 33% of GDP, the" highest figure in history. "In fact he said that "Spain is the only country that has lost export market share worldwide and represents a factor related to the strength of the external sector. More and more companies opt for open-market policy outside. This trend increased by 11% last year and now there is a 3% of firms exporting on a regular basis."

García-Legaz reiterated that the "turbulences" that Europe is suffering do not affect the Spanish economy, which has a "strong resilience". "Having the strongest banks in Europe allows us to face this turbulence in a more comfortable situation."

García-Legaz said the "opportunities" that the Spanish market will enjoy thanks to the new agreements with countries like the U.S., Canada and Japan. "The EU agreement with the United States will be historic if it bears fruit, it will be a unique opportunity for Spain. A full opening of U.S. markets must not be missed, because it does represent a very important market, "he stressed.

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The Secretary of State for Trade, Jaime García-Legaz, stressed that foreign trade is the "engine of growth" of the Spanish economy and he has added that the government is launching a "shock plan" to help solve the problems of small businesses that suffering the effects of the current economic recession.

"Spain is the only country that has lost export market share in the worldwide sphere and it describes the strength of the external sector. More and more companies opt for an open market outside; this market increased last year increased by 11% and now around 3% of firms do export on a regular basis, "he said. He reiterated that the
"turbulence" that is Europe suffering, due to the current recession seen Cyprus will not affect the Spanish economy, as it has a "strong resilience". "Having the strongest banks in Europe puts us in a situation that allows us to face the turbulence in a comfortable situation" reassuring.

However, this good moment of trade contrasts with a low domestic consumption. "As long as the economy does not touch bottom, domestic consumption will not improve. We are required to carry out measures to help solve the problems of small businesses in Spain, and we are about to submit an emergency plan to help this sector, in which funding is essential, and where bureaucratic obstacles will be removed and help will be provide for the creation of web sites", he said, including this into the steps to be taken.

Furthermore, the Secretary of State Jaime García-Legaz acknowledged that "we must be cautious" once the data related to unemployment in March have been made public, and which reported a drop in the number of jobless people down to 4,979 people to finally reach 5.03 million of unemployed, and it because the "Spanish economy is going through tough times."

OPPORTUNITIES IN NEW MARKETS.

The Secretary of State for Trade revealed that Spanish companies in 2012 are "at the head of ranking countries " that are benefiting from World Bank programs and development banks.

"We have overtaken the United States and Italy; we have won 61 World Bank contracts, worth $ 735 million. Also some $ 125 million have been obtained from the Inter-American Development Bank (IDB), as well as $ 517 million from the ADB", he explained with regard to the Spanish presence in multilateral markets, where many contracts are handled".

García-Legaz noted the "opportunities" that the Spanish market will benefit from the new agreements with countries like the U.S., Canada and Japan. "The EU agreement with the United States will be historic if it finally bears fruit, it will be a unique opportunity for Spain. A complete to the U.S. market must not to be missed, because it is a very important market," he stressed.

Thus, he advocated for both "choosing well and focusing on the resources" that markets may offer, as he is aware that the main problem of Spanish companies has to do with "financing", so instruments such as internationalization bonds have launched, together with three ICO three lines totalizing 4,000 million euros, or fund initiatives that can improve the internationalization of Spanish companies.

Finally, Garcia-Legaz added that the significance of the foreign investment in the automobile industry in Spain. "It is a sector that is providing a good example of how to do things. A good task is being done a for attracting investment that may respond to two
factors: confidence in Spain as an economy in recovery and in the process of growing; and the attractive perspective of a labor reform in favor of employers. That leads to the closure of factories in Belgium and to their moving to Spain for lower wages, "he said.

Barcelona, capital of Catalonia

Catalonia is the first region in importance in terms of the contribution to Spanish GDP, and the second, with regard to the population.

According to data provided by the Statistical Institute of Catalonia (IDESCAT), in 2008 the Catalan economy produced 204,128 million euros, which is a similar figure to that of the GDP of Finland, it represents 18.6% of the Spain and around 1.6% of the European Union: Catalonia is one of the main drivers of the Spanish economy.

In the European context, Catalonia accredits a level of economic, social and cultural regions comparable to most advanced European countries like France, Germany, Italy, Belgium and the UK. The GDP per capita, which is equivalent to 28,095 euros, is similar to Germany. With a GDP growth of between 3% and 3.9%, Catalonia's growth remains higher than the European average.

With exports of over 50,000 billion, Catalonia is the principal exporter in Spain, especially with regard to high-tech products.

Barcelona holds a diversified economic structure. One of its most important economic characteristics has to do with the high relative importance of a specialized and competitive industrial base, which is focused on export and which exceeds the average figures seen in other European metropolitan areas. Other service sectors, such as tourism, have also a long tradition in the city.

According to the Bank of Spain, the Spanish economy has plummeted because of the lack of consumption. In its latest economic bulletin, the Bank of Spain is foreseeing a stabilization in the rate of employment decline, although he stresses that this fall is still very high.

In this context, the Bank of Spain considers that Spanish families will still be spending very little on spending on goods and services, although the fall in private consumption could be attenuated by the increase of car sales resulting from government incentives for the purchase efficient vehicles (PIVE plan).

The latest information on business investment on capital assets also leaded the entity to estimate that this component will remain in a weak position towards the beginning of the next year. Also, all the information on construction investment continues to be pointing to a lengthening of a deep adjustment of the sector in the first quarter of the year. Although the economy is faced with a shrinking domestic demand, it is outstanding to see the positive track that is being kept with regard to the foreign sector, and it once December figures has reported very good import figures.
However, the institute notes that indicators related to tourism show some weakness, which has been noticed after an acute fall in the arrival of tourists in January. As to the supply side, some recent indicators point to a continuing weakness in industrial activity, while the service sector shows some signs of recovery.

The five worst predictions of Brussels for the Spanish economy.

GDP forecasts pronounced by the European Commission with regard to Spain have worsened (it will fall by 1.4% in 2013 and will only grow 0.8% in 2014). However, the report shows an uncertain future for the Spanish economy and conceals several alarming figures.

1 - Unemployment rate in 2014 was record, and perspectives see no job improvement, despite the low wage policies implemented by the Partido Popular in Spain. According to Brussels, the unemployment rate would reach 26.9% this year to get a new record. Figure would drop to 26.6% in 2014, although no jobs will be created. Specifically, employment is expected to fall by 3.1% this year and to stay within a zero growth the following year.

2 - Private consumption will be weaker this year

It is precisely the ailing situation of the Spanish labor market in 2013 what will cause a debilitating pulse of consumption of Spanish families. In fact, Brussels expects that private spending will fall by 2.7% this year, when compared with a fall of 1.9% in 2012.

In addition, the perspectives for public spending also worsen in 2013. Specifically, it will contract by 5.4%, in comparison to the -4.1% seen last year. The Spanish economy will have to resort to the foreign sector in order to make for these low figures concerning domestic consumption. The Commission expects that exports may improve both in 2013 (4.2%) and 2014 (5.7%).

3 - The euro zone will remain in recession

Another problem for Spain is the fact that the euro-zone is in a contractionary moment in 2013. This is certainly bad news because the euro-zone is its main trading partner. Brussels has announced a worse prognosis as the single currency was expected to have a slight growth of 0.1%, although it is now expected to contract by 0.3%. Thus, the euro-zone will remain immersed in the recession.

3 - The 2014 deficit will worsen in 2013

At present, and with the measures that the Spanish Government wants to implement, Brussels expects the 2014 deficit to be higher than in 2013. The reason is simple: in 2014 a number of tax measures adopted temporarily the PP administration aimed at
reducing the deficit will no longer be levied. And it includes a rise in income tax fee or the HeritageTax.

These figures seem to urge Mariano Rajoy's Government to maintain these measures beyond the scheduled date, or launch new tax measure to redirect the fiscal adjustment.

5 - Public debt will exceed 100% of GDP in 2014

The debt outlook is not encouraging. The debt /GDP ratio will exceed 100% of GDP in 2014, while it be 95.8% at the end of this year. The biggest drag of this growing debt is the interest to be paid by Spain. For example, the interest to be paid this current year will amount to more than 38,589 million euros (10,000 million more than a year ago) and this item of expenditure will continue to grow while the volume of debt increases day after day.

Tags: CME Import-Export Trade Agent, Carlos Mirasierras, ICEX, Cámara de Comercio, USCBP, Foreign Trade