Spain - Recovery, transformation and resilience

Having bounced back strongly after more than a year of pandemic-induced crisis, Spain’s economy is gaining momentum. Real GDP growth is set to hit 4.6% this year and employment soared, exceeding pre-pandemic levels by October. Fitch Ratings reported that Spain’s economic recovery will only accelerate in 2022: GDP growth is forecast to reach 6.2%, underscoring that the EU recovery fund package, a robust, value-added economy, and rising investment in new green and digital initiatives, investors are already taking note.

Spain has benefited from the steady hand of Prime Minister Pedro Sánchez, with GDP growth averaging nearly 3% between 2014 and 2019, in sharp contrast to many of the other regions in Europe. Spain’s highly internationalized construction and service companies supported the powerhouse tourism sector in expanding service growth, according to the United Nations Conference on Trade and Development. Spain’s service exports surged by 29% between 2015 and 2019 to hit $15.7 billion. The pandemic has shone a light on areas where Spain holds a significant competitive advantage in driving future digitalization and innovation.

The economy was a star performer in western Europe. GDP growth averaged more than 80m tourist visits per year, Spain’s retail sector is one of the most enticing in the world.

Many, including IBM, Pfizer, Oracle, Agilent Technologies, and Costco manage their southern European and North African operations from their Foreign Direct Investment in the country actually rose in 2020, hitting $9 billion in 2020, up 9% on 2019 despite the deep recession, and the company expects to top $2 billion in 2021. Bon Preu hired an additional 1000 people in 2020, up 9% on 2019 despite the deep recession, and the company expects to top $2 billion in 2021.

Bon Preu’s business model stands out as the ideal location for major multinationals. The company is committed to a local commercial policy and promotes quality local produce. Its product range continues to evolve constantly, incorporating items to enhance the daily life of customers and meet their evolving needs. Following its strategy of being a provider of essential services, Bon Preu has expanded its businesses beyond the Bonpreu and Ocado brands, into new segments including fuel through the EsclatOil electricity marketer BonpreuEsclat Energia. The company’s commitment to people is reflected in its approach from art to retail, and as the market changes, we will be there to adapt.

Bon Preu’s success is founded on being rooted in its history, culture, and location. Joan Font, Chairman - Bon Preu

T he rising economic tide is lifting Spain’s dynamic retail sector, with sales soaring in the second quarter of 2021. The industry is one of the country’s strongest and liveliest: it saw four consecutive years of all-time highs of investment in 2015-18. In 2015, the last full year before the pandemic, 27 new retailers launched in Spain, and even before COVID-19, e-commerce was growing at nearly 30% a year. The food and grocery market alone is expected to be worth nearly $16 billion by the end of 2023, says the food information provider Marketline. Indeed, with a market of nearly 49m people, plus more than 80m tourists per year, the rising economic tide is lifting Spain’s dynamic retail sector, with sales soaring in the second quarter of 2021.

Spain’s economy has a lot to offer for businesses. We foresee excellent growth in the coming years, and as the market changes, we will continue to seek partners who can help us innovate and develop in new areas. Bon Preu’s focus on innovation exemplifies its home region. Catalonia’s openness to business and excellent education has made it a locus for investment in innovation, talent, and technology. It is a global leader in cultivating entrepreneurship, grounded in its history, culture, and location. As the market changes, we will be there to adapt. Bon Preu’s success is founded on being rooted in its history, culture, and location. Joan Font, Chairman - Bon Preu

A splendid combination of economic potential, culture and quality of life, Spain is a growing market, and a beloved one for consumers. The description could apply to countless other countries, but for Damm SA, it perfectly encapsulates how the Spanish consumer perceives it. The beer behemoth, the Spanish export champion and the biggest Spanish-owned brewery outside of Spain, has again reaffirmed the business’s values. Last year was an opportunity to show to the 15,000 people that work in the group that they were part of a family, says Demetrio Carasco Arce, chairman of both Damm and DISA, an energy company which has a 25% stake in the brewer. “This is a company with over 100 years of history and a future that is written by its employees and which is driven by the company’s need to respond to the呼唤 of the 21st century. The team’s reaction during the recent crisis was superb: we found very good leaders among our people and we showed tremendous energy to cope with the different challenges we faced.”

For the last six years, the company has been a strong emphasist on “decency quotient” as well as the “emotional quotient” of its employees, the company’s culture is more than a mere day-to-day prize in business. It is an approach that has benefited the company in gaining the loyalty of its suppliers and its employees and suppliers. The company generated more than $1.9bn in turnover in 2020, up 9% on 2019 despite the deep recession, and the company expects to top $2 billion in 2021.

A leading Spanish company, Damm is a success in a range of European markets continues, and the company is seeking partners for distribution to develop new markets. DISA, with 30mm of renewable energy capacity in Spain, has recently made acquirements in Portugal and Uruguay, and is eyeing opportunities for clean energy investment in regions including South America and Africa. Demetrio Carasco Arce, chairman of both Damm and DISA.

“Spain is a country that all 9000 employees have. Our company’s success is founded on being rooted in its history, culture, and location. Joan Font, Chairman - Bon Preu

Bon Preu - Catalan Retail Champion Luts Proximity First

Forecasting “robust growth rates... accompanied by falling unemployment”, ratings agency Fitch gave a strong vote of confidence to the Spanish economy in October 2021, noting falling debt and a shrinking deficit had forecasted, this year growth of 6.3% will continue, growing to 5.4% in 2022, with the EU’s Next Generation funds boosting medium-term growth potential thereafter and accelerating the pace of public debt reduction. The report came four months after the agency affirmed Spain’s A-investment grade rating, with stable outlook, citing the country’s “high value-added economy, strong governance indicators, and ease of doing business and human development rankings”. Fitch has noted that Spain entered the COVID-19 pandemic in much stronger macroeconomic shape than it faced the 2008-09 global financial crisis, thanks to impressive economic growth and economic rebalancing. We do not only want to be able to regain the GDP levels, we also want to transform our economy, by making it more digital and greener, and also more inclusive and fair.” Even before the pandemic hit, Spain’s economy was a star performer in western Europe. GDP growth averaged nearly 3% between 2014 and 2019, in sharp contrast to many of the other regions in Europe. Spain’s highly internationalized construction and service companies supported the powerhouse tourism sector in expanding service growth, according to the United Nations Conference on Trade and Development. Spain’s service exports surged by 29% between 2015 and 2019 to hit $15.7 billion. The pandemic has shone a light on areas where Spain holds a significant competitive advantage in driving future digitalization and innovation.
**CIE Automotive**

**Flexibility and adaptability prove key to success for Spanish auto giant**

After a difficult 2020, CIE is forecast to see strong economic growth over the coming years, aided by the Next Generation EU European recovery funds, which the government predicts will create 800,000 jobs over the next three years alone. CIE’s prime minister, Pedro Sánchez, has described the plans as the “most ambitious” economic transformation program in the country’s modern history.

Herrera says. “CIE is an industrial company, success by doing things well, with an expansion strategy that combines both organic growth and acquisitions.”

“We consider ourselves consolidators in the automotive industry, present in almost all the countries in the automotive sector. We are in the second level, and here you need different abilities, especially efficiency,” says Herrera.

For over 25 years, CIE, a supplier of components, systems, and sub-assemblies for the global automotive market, has been at the forefront of the Spanish automotive industry, supplying the majority of the world’s original equipment manufacturers (OEM) and Tier 1 automotive brands. The company now has over 25,000 employees across 119 production sites around the world, with an expansion strategy that combines both organic growth and acquisitions.

“CIE creates opportunities, as many competitors are forced to leave the market,” he adds. “Those of us with a healthy balance sheet, and who continue to make a profit, find ourselves in a market with fewer players and more opportunities.”

The company retains a long-term vision, and over the last few years has been focusing on expanding in Asia, while continuing to rely on its decentralized management approach, led by local teams. “We started in India where today we have a very important presence,” says Herrera. “We also continue to work with China; the last important acquisition we made was the purchase of China’s auto parts manufacturer, which gives us technology and a very important presence in the country. And we continue to look towards Southeast Asia and South Korea.”

While some still talk of globalisation as a challenge, it’s a new world, CIE has been focused on internationalising its business for 25 years. “We have always been global and we have always wanted to be among the first in every country,” says Herrera. “One key for us is that every time we go to a new country, we go with a local partner who shows us how things work, and then we bring the technological know-how and our culture, ambitions and financial mindset.”

For CIE, people and culture are the most important attributes. “It requires a lot of flexibility and adaptability, having a presence in so many countries requires well-trained teams, with clear ideas and the ability to perform tasks as fast as needed.”

Herrera acknowledges the challenges of operating in the automotive industry, but sees the rewards for doing it right. “In the automotive industry, making money is very difficult. CIE has always known how to adapt with economic and growth ambitions, which is what has allowed us to be a benchmark in the sector,” he says.

The company is now looking to play a significant role in the electric vehicle revolution currently underway.

Regarding his home country, Herrera believes Spain is full of rare-appreciated as an economic force. “Spain has done a very important job over the last 20 years, we have world benchmark companies, some of the best players in the global market,” he says. “In Spain we have concentrated on technological knowledge and on a culture of continuous searching for efficiency and competitiveness - this is a merit both to the companies and also to the workers who understood and followed that culture.”

It is expected by the company to reach pre-pandemic levels by 2022. Today the group employs more than 2000 people, with projects in 13 countries including Japan, Mexico, Colombia, France, Spain, and China.

As the world emerges from the worst of the coronavirus pandemic, the different kinds of government spending surges, Mr. Carpintero is looking to use the group’s expertise in international multilateral financing; we are a global company with multilateral financing.

Within the next two to three years we foresee many new concessions where we could bid competitively and successfully, most notably in Latin America and the US.”

**Marqués de Riscal Winery**

**Award-winning Spanish winery using organic wines**

Marqués de Riscal has invested heavily in building its brand in recent decades. “It’s very costly for a medium-size company to make a brand and protect it,” says Sainz. “We did it through organic wine, we have our winery in Elciego, which has our winery and hotel and has been a very powerful tool to us to position the brand worldwide.”

The winery is also focused on making all its vineyards ecological. “It is already the organic label for its white wine vineyards, and about 50% of its vineyards in the Rioja region,” says Sainz. “We’re in the process of getting it all of them,” says Sainz. “Our new facilities in Rueda, which we will start building next year, will be fully designed according to our organic philosophy.”

Sainz says the challenge for the Spanish wine industry as a whole, apart from the Rioja region where values are already higher, is to raise the level. “Spain still produces a lot of bulk wine which is exported worldwide. If this would be bottled and labeled, it would add a lot of value for all.”

**Grupo Ortiz**

**Sustainable infrastructure for global growth**

Spain’s construction sector benefits from a strong brand including diversified companies that have made their mark on the global construction industry, and the ongoing global financial crisis presents major opportunities to forward-thinking firms. Spain’s strong green and sustainable infrastructure projects will offer private investors significant returns. With over $1.4 trillion of annual global opportunity between 2021 and 2040, meaning green builders will be in extremely high demand. Grupo Ortiz is ready for its next growth phase. Founded in 1961, Grupo Ortiz has grown from humble roots to become a leading specialist in concessions, photovoltaic renewable energy, and an expert in sustainable infrastructure. It has flourished over the years from a customer-oriented, flexible and able to adapt to projects’ current and future needs, and by believing in their work, according to Juan Antonio Carpintero López, group chairman: “During the crisis of 2007-2008 we realized we needed to change the way we do things, and so we internationalized. We developed the economic, legal and financial capabilities to become a good fit for international concessions, and changed enormously from 2008 onwards. That’s when we started doing concessions in energy, infrastructure and healthcare. The merit of Ortiz is our readiness to participate in the new ways of investing in different countries around the world.”

The group has spent the past 15 years expanding its horizons, boosting its project portfolio to more than 60 billion along the way, with the bulk of its revenues now derived from international projects. Annual turnover hit €450 million in 2020 despite the challenges brought on by the pandemic, and currently $1 billion in 2021.

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Grupo Número 1 - Bold strategy and vision

“Economic activity will pick up strongly” in Spain in the wake of the covid-19 pandemic, the Organisation for Economic Cooperation and Development (OECD) forecast in mid-2021, with growth reaching 5.9% in 2021 and 6.3% in 2022. The organisation expects a significant acceleration of investment, which will continue to “grow robustly”, and the continuation of supportive fiscal policy, which has helped companies, workers, and regions affected by the pandemic and related lockdowns. The government’s national recovery plan is worth $80bn, or almost 6% of pre-covid GDP, over the coming three years. Next Generation EU funds will supplement national spending, and provide a platform for long-term growth. The OECD noted that consumers will respond to the positive macroeconomic news, with precautionary saving falling and private consumption rising.

As early as March 2021, these effects were already being seen, as a report by global consultancy McKinsey noted, recording “steady overall optimism” and “signs of a spend recovery”. The official retail trade index produced by the National Institute of Statistics leapt by 18% in March, 38.4% in April, and 18.9% in May, before settling to a steadier pattern in the third quarter. McKinsey also reported an increase in spending on discretionary categories, a trend which is accelerating, and that 40% of consumers were planning to “splurge or treat themselves”, with a spike in spending on categories such as apparel expected.

Grupo Número 1 is riding this wave of growth as one of Spain’s leading retail businesses. Founded more than 40 years ago as a modest fashion shop in the Canary Islands, the company now has activities in retail, real estate, and a range of other services. Throughout its history, Grupo Número 1 has consistently delivered the best consumer experience for its customers, rapidly adapting to changes in the market, and always seeking new solutions in this dynamic sector.

“After opening our first shop, we rapidly became recognised as the family store of the Canary Islands,” says Número 1 founder and president Amid Achi Fadul. “Wherever there was a church, or a pharmacy, or a savings bank, there was a Número 1 shop too. We became part of the Canarian urban landscape, and this is our greatest milestone. We have always bought good brands and quality merchandise, and we sell at a good price; the motto is to earn little and sell a lot.”

The company now operates nearly 20 shopping centres across the Canary Islands, with a gross leasable area of more than 250,000 sq m and more than 900 commercial premises. It is also the largest multi-franchisee in Spain, managing 17 commercial brands and more than 150 shops as franchises and private-label businesses. Grupo Número 1’s versatility and resilience has been demonstrated through the pandemic, in which it has boosted its online sales and developed home delivery services to serve its large customer base. It has also invested in expanding its real estate portfolio, with the support of banks, which have focused on lending to leading entrepreneurs with solid and trustworthy businesses during the recession.

“We decided to look ahead into the future, and to do that you need to adapt and be positive,” says Fadul. “There is something positive in everything - you have to discover it and capitalise on it; that’s our vision. It’s important to make bold decisions, to know when to invest, and make swift decisions. Thanks to this, we still managed to carry on and maintain ourselves throughout the covid-19 pandemic.”

Expansion in Africa is a key part of this strategy. Grupo Número 1 is already present in nine markets in West Africa and is preparing to enter nine more, using the same model that has proved so successful in Spain: buying quality brands and selling them at affordable prices. Buying end-of-season summer stock in Europe has helped the company deliver lower prices to its African customers, and it had acquired 20m units in Europe by mid-November 2021 alone. Grupo Número 1 is also starting to develop its construction and real estate business in Africa, along the lines of its Canarian operations.

These developments capitalise on the Canary Islands’ key competitive advantages as a bridge between Europe and Africa. He asserts that European and American investors should see the islands as an ideal place to offer services including education and healthcare to affluent Africans, who can travel easily to the Canaries and find them warm, welcoming and safe.

“By 2050 there will be more than 2bn Africans, and some countries have GDP growth of 8-10%. We have to look towards the continent, and the Canaries are a window, the exchange platform that unites Africa and Europe.”