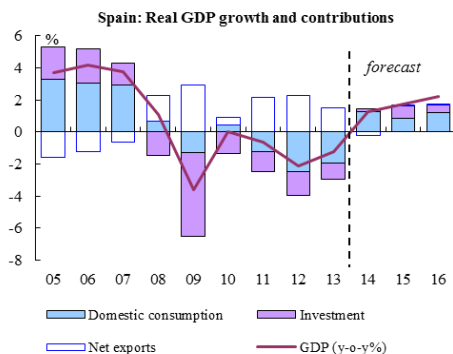


INVESTMENT IN SPAIN

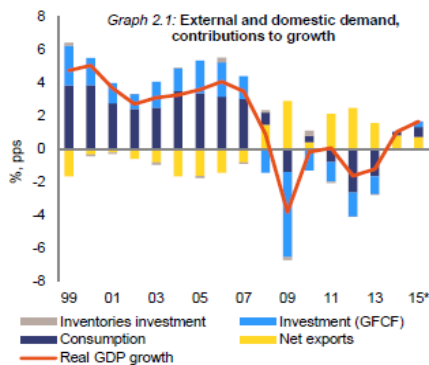
What is the situation in Spain?



Source: European Commission 2014 Autumn Forecast

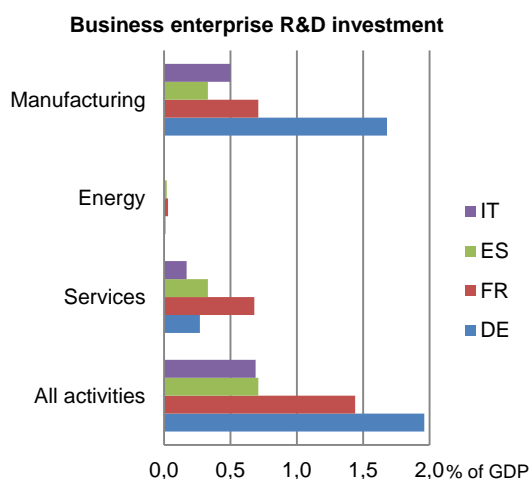
When the construction bubble burst in 2008, total investment dropped by 7.3% a year on average compared to an average fall of 2.8% and 2.4% in the euro area and the EU for the same period. In turn, public investment declined by 3 percentage points of GDP, between 2009 and 2013, compared to a euro area and EU decline of 0.6 points of GDP since 2010. However, positive growth is expected, with investment in equipment as the most dynamic area. Overall positive demand prospects, improved financing conditions and a projected rebound in exports are expected to underpin investment in equipment, despite ongoing shedding of debt by non-financial corporations. Some modest pick-up is expected in the construction sector, in particular for investment in the housing sector. In turn, other construction investment seems to have bottomed out recently and positive, though moderate, growth is foreseen from 2015.

What is the main challenge?



Reinstalling sustainable growth and getting people back into work over time requires the reallocation of resources towards the most productive sectors of the economy, in particular those with better forecasts in terms of job creation and exporting industries. Reforms in markets for labour, product and capital as well as the business environment should also be geared towards stimulating investment in those sectors.

Opportunities for investment



With a focus on investment as a driver of sustainable medium and long-term growth, there is also a need to support structural change via investments targeted at the real economy: Innovation and R&D, particularly in SMEs and including ICT; access to finance (equity, loans and guarantees); investment in skills, training, support to labour market reforms to get people back to work; investment in sustainable development, sustainable energy and resource efficiency. There are many differences between regions in addressing this.

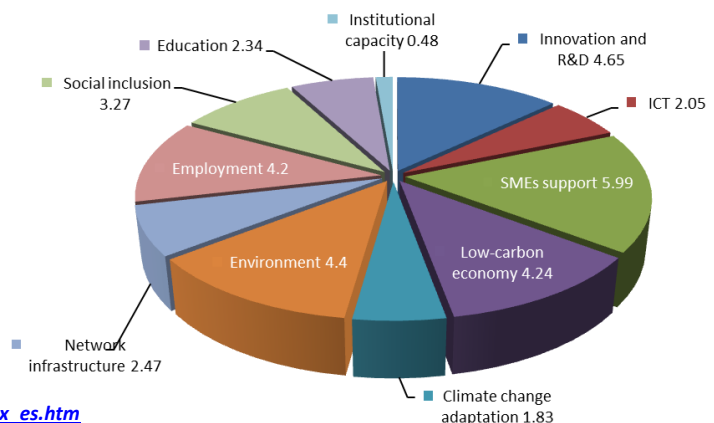
Reforms for investment

In the Country Specific Recommendations for Spain, the European Union recommended

<ul style="list-style-type: none"> Sound public finances and expenditure review to increase efficiency and quality of spending 	<ul style="list-style-type: none"> Complete saving banks reform and help firms access bank and non-bank financing
<ul style="list-style-type: none"> Reform tax system to support growth and jobs 	<ul style="list-style-type: none"> Implement the Law on Market Unity
<ul style="list-style-type: none"> Reinforce the effectiveness and targeting of active labour market policies, implement the youth guarantee, ultimately to reduce unemployment, youth and long-term unemployment 	<ul style="list-style-type: none"> Open up professional services, simplify rules for starting up and operating a business, address unjustified restrictions to the establishment of large-scale retail premises, identify sources of financing for the new national strategy for science, technology and innovation
<ul style="list-style-type: none"> Address labour market segmentation 	<ul style="list-style-type: none"> Finalise corporate insolvency reform
<ul style="list-style-type: none"> Improve labour market relevance of education 	<ul style="list-style-type: none"> Eliminate the electricity tariff deficit
<ul style="list-style-type: none"> Increase effectiveness of social spending 	<ul style="list-style-type: none"> Stimulate competition in railway and in retail
<ul style="list-style-type: none"> Reform public administration, complete measures to fight against the shadow economy and undeclared work 	<ul style="list-style-type: none"> Complete the reform of the judicial system

EU funding for investment

2014 - 2020
in billion EUR



Source: Partnership Agreement:
http://ec.europa.eu/contracts_grants/agreements/index_es.htm

Past or ongoing projects for investment

Electricity interconnections

Interconnection.
Commissioning date: 2016
(Spain, Portugal)



Transport interconnections

Connecting Europe Facility:
"Mediterranean" core network corridor
(Spain, France, Italy, Slovenia, Croatia, Hungary)

Connecting Europe Facility:
"Atlantic" core network corridor:
(Portugal, Spain, France, Germany)

