

SPAIN-USA: ECONOMIC AND FINANCIAL LINKAGES

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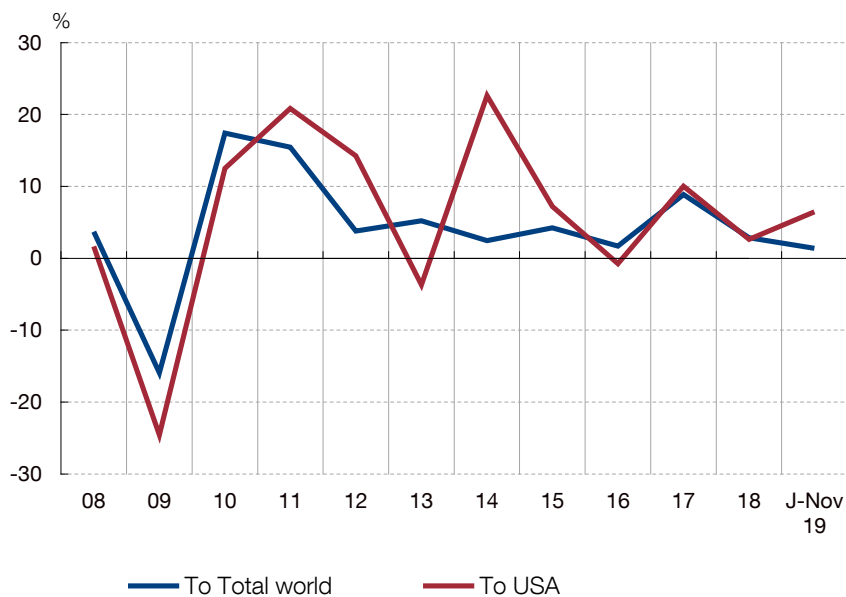
Madrid
5 February 2020



- **Spain-USA trade ties are increasing**
 - Bilateral trade flows have outpaced Spanish trade
 - Spanish trade exposure to the USA is significant (almost 2% GDP)
 - Bilateral goods trade consist mainly of intermediate goods
 - USA tourist arrivals are getting increasingly relevant for Spain
- **Spain enjoys a current account surplus against the US (the deficit in goods is offset by a surplus in services), and the IIP reveals that Spain is a net creditor to the USA**
- **Financial linkages (in terms of stocks) are also strengthening**
 - Bilateral FDI stocks are increasing (mainly in the financial sector)...
 - ... as well as portfolio investment stocks and (consolidated) cross border banking claims

- In the last years, bilateral trade flows of goods have grown above total Spanish trade

SPANISH EXPORTS OF GOODS
Nominal rates of change



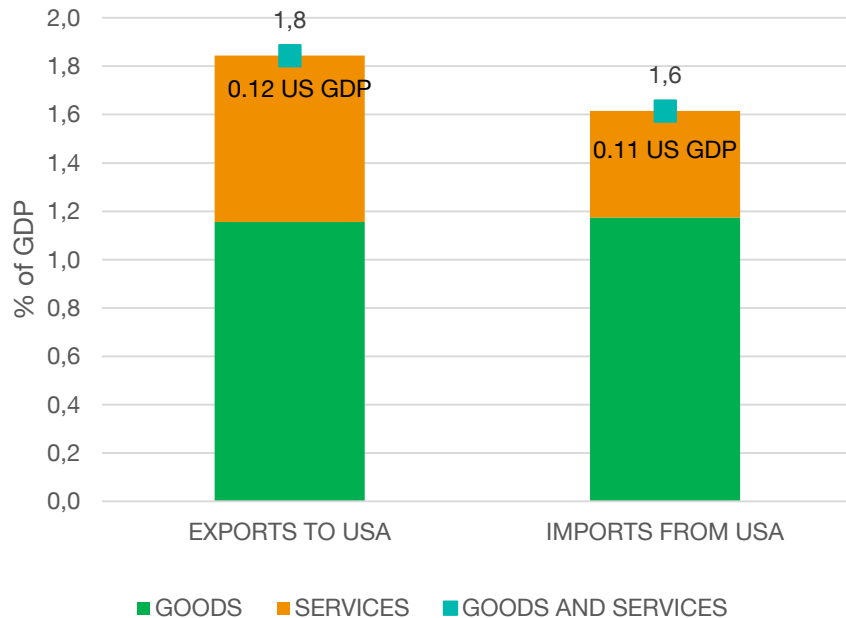
SPANISH IMPORTS OF GOODS
Nominal rates of change



SOURCE: Departamento de Aduanas.

- Spain direct trade exposure to US is significant: total goods and services exports are close to 2% GDP while for the US is much smaller: around 0.1% GDP
- The market share of exports of goods to the USA and Spain has remained quite stable

**SPAIN: FOREIGN TRADE WITH USA
(2018 % of GDP)**



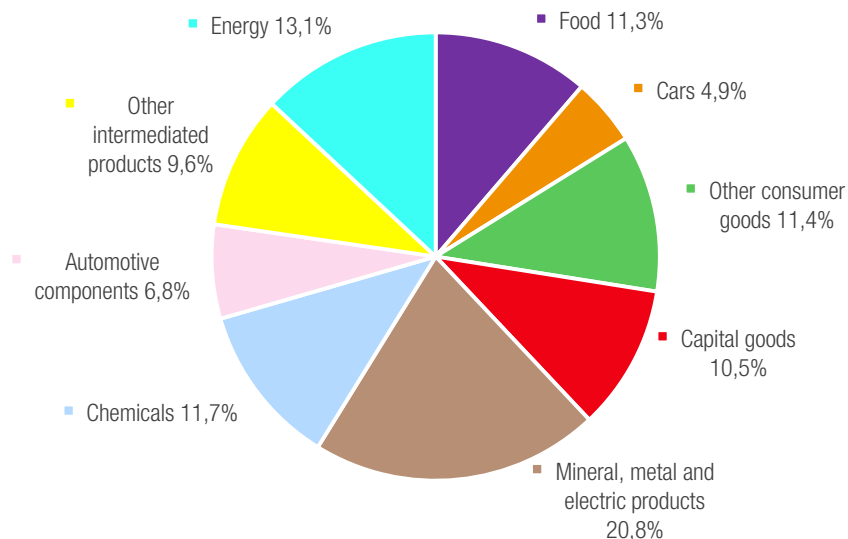
SOURCES: INE, Banco de España, BEA, IMF and US Census Bureau

	Spanish exports shares			Trade partnership ranking	Spanish exports of goods and services in % of GDP
	2001-2010	2011-2017	2018	2018	2018
Total world	1,9	1,7	1,7		34,0
France	7,4	7,4	7,3	1	4,7
Germany	2,8	2,9	2,9	2	3,8
Italy	4,5	4,8	5,0	3	2,3
Portugal	28,2	29,8	27,3	4	2,0
United Kingdom	3,2	3,2	3,2	5	3,3
USA	0,5	0,6	0,6	6	1,8

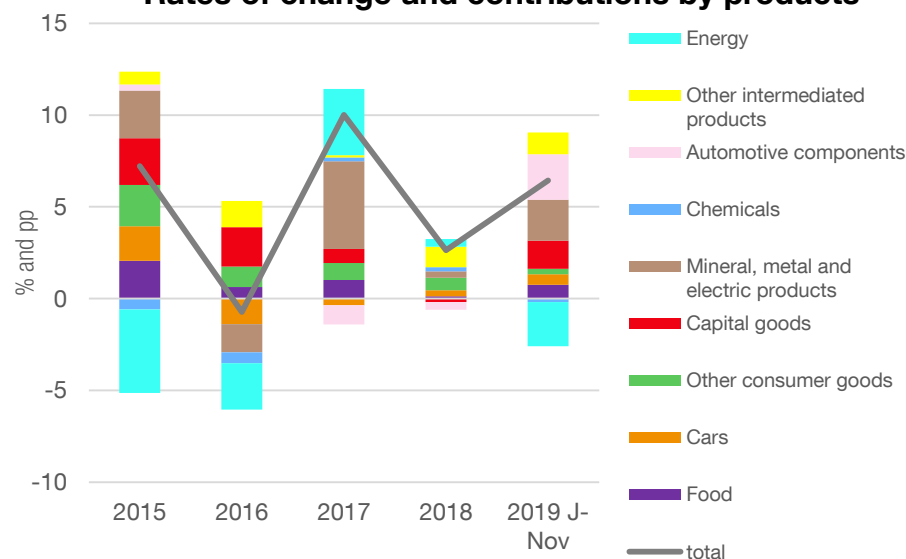
	USA exports shares			Trade partnership ranking
	2001-2010	2011-2017	2018	2018
China	4,8	7,6	7,2	1
Canada	21,9	18,8	18	2
Mexico	13,0	14,8	15,9	3
Japan	6,1	4,3	4,5	4
European Union	20,9	17,7	19,1	
Spain	0,8	0,7	0,8	26

- Spanish exports of goods to the USA consist mainly to intermediate goods (energy, chemicals and mineral products) and consumption goods (food)
- In 2019, the Spanish exports growth was positive for all categories of products (automotive components, machinery), except for energy

SPANISH EXPORTS OF GOODS TO USA 2018
STRUCTURE (%)



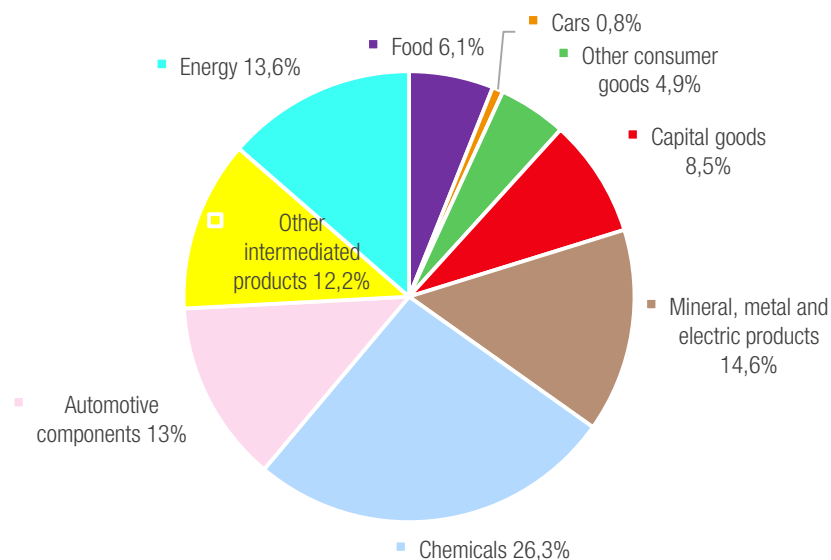
SPANISH EXPORTS TO USA
Rates of change and contributions by products



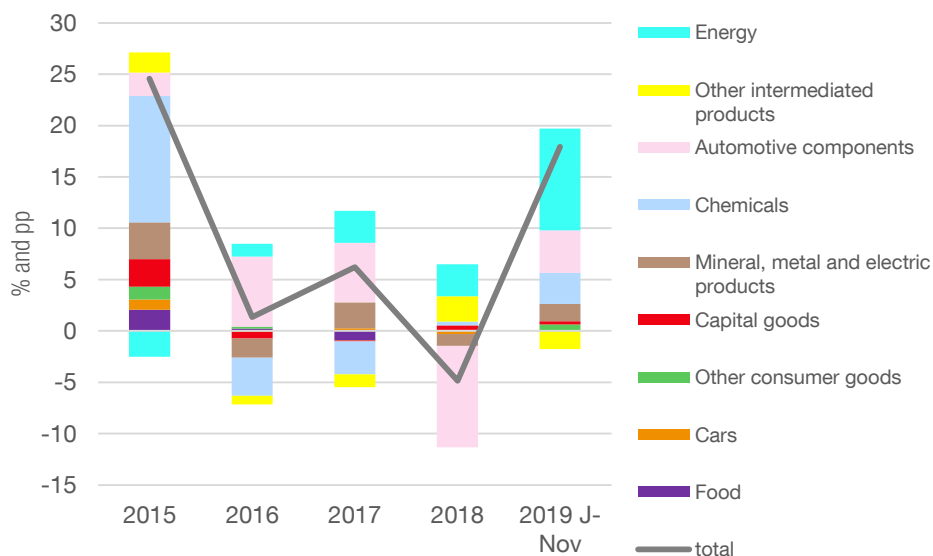
SOURCE: Departamento de Aduanas y Ministerio de Asuntos Económicos y Transformación Digital.

- Spanish imports of goods from the USA also consist mainly of intermediate goods (chemicals, followed by automotive components and energy)
- In 2019, positive growth in Spanish imports was recorded in all product categories (energy and automotive components), except for transport equipment

**SPANISH IMPORTS OF GOODS FROM USA
2018 STRUCTURE (%)**



**SPANISH IMPORTS FROM USA
Rates of change and contributions by products**

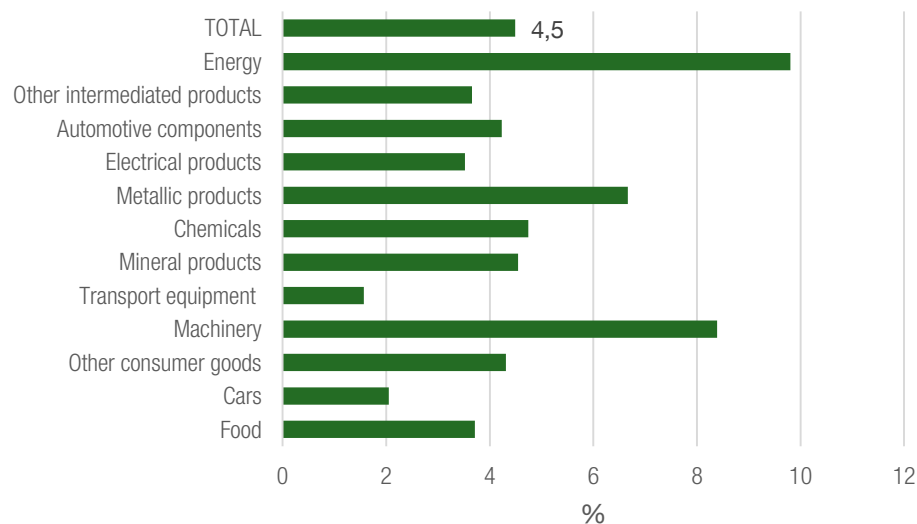


SOURCE: Departamento de Aduanas y Ministerio de Asuntos Económicos y Transformación Digital.

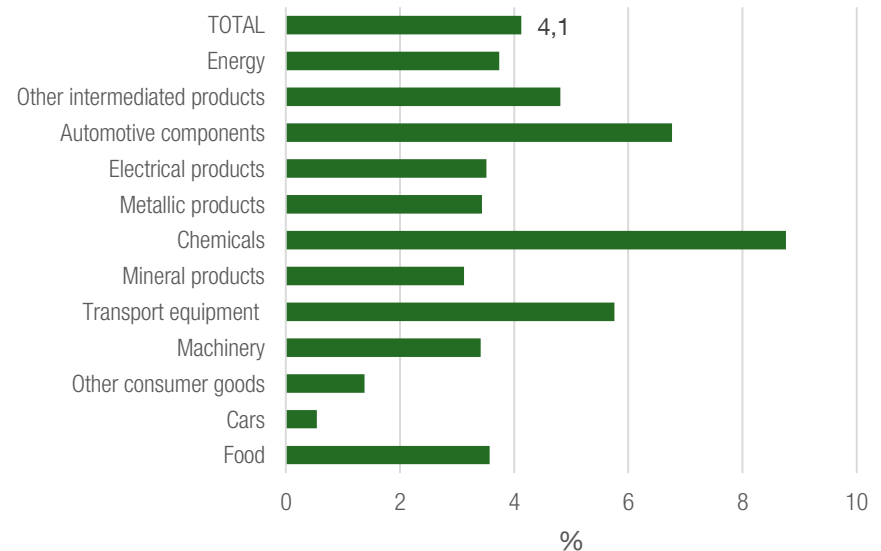
RELATIVE WEIGHT IN SPANISH TRADE OF BILATERAL FLOWS BY PRODUCT

- Exports of goods to the USA reach 4.5% of the total. The highest relative weights correspond to energy products, machinery and metal products (although in no case the weight exceeds 10% of each heading).
- Imports of goods from the USA amount to 4.1% of the total. The share of US products is higher for chemicals, automotive components and transport equipment (but below 9% of each heading).

SHARE OF EXPORTS TO USA IN SPANISH EXPORTS BY PRODUCTS (2018)



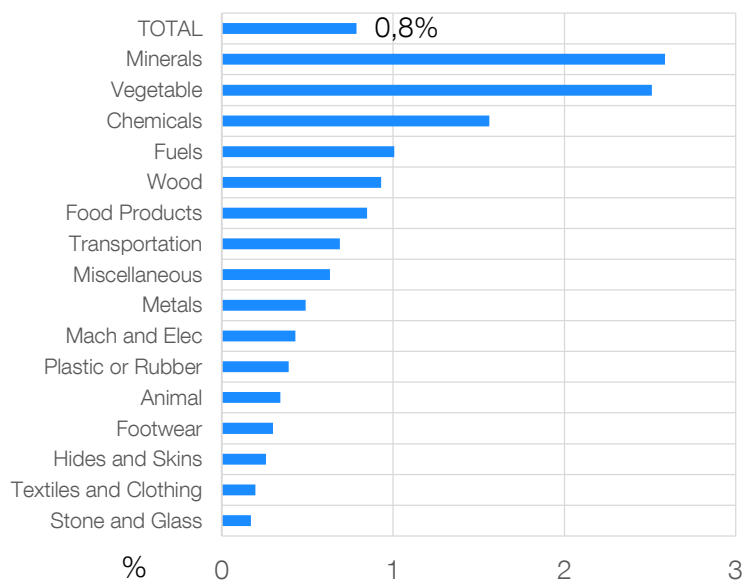
SHARE OF IMPORTS FROM USA IN SPANISH IMPORTS BY PRODUCTS (2018)



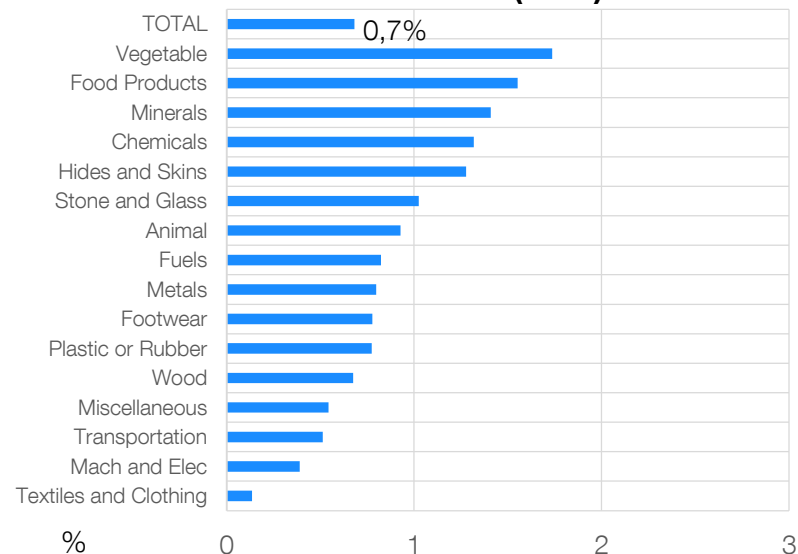
SOURCE: Departamento de Aduanas y Ministerio de Asuntos Económicos y Transformación Digital.

- Exports of goods to Spain reach 0.8% of the total. The highest relative weights correspond primary products, chemicals and fuels
- Imports of goods from Spain amount to 0.7% of the total. The share of US products is higher for primary products and chemicals.

SHARE OF EXPORTS TO SPAIN IN US EXPORTS BY PRODUCTS (2018)

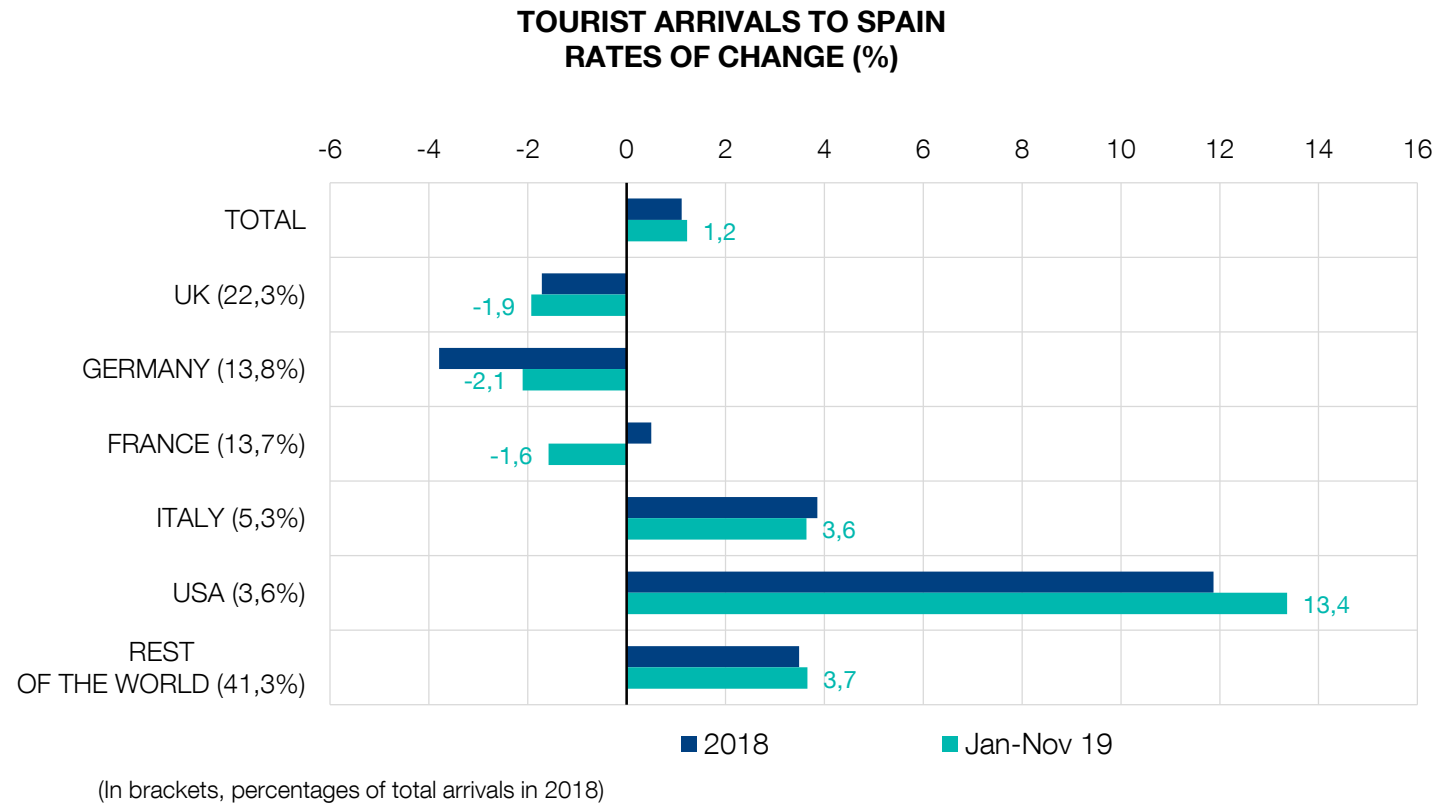


SHARE OF IMPORTS FROM SPAIN IN US IMPORTS BY PRODUCTS (2018)



SOURCE: World Bank

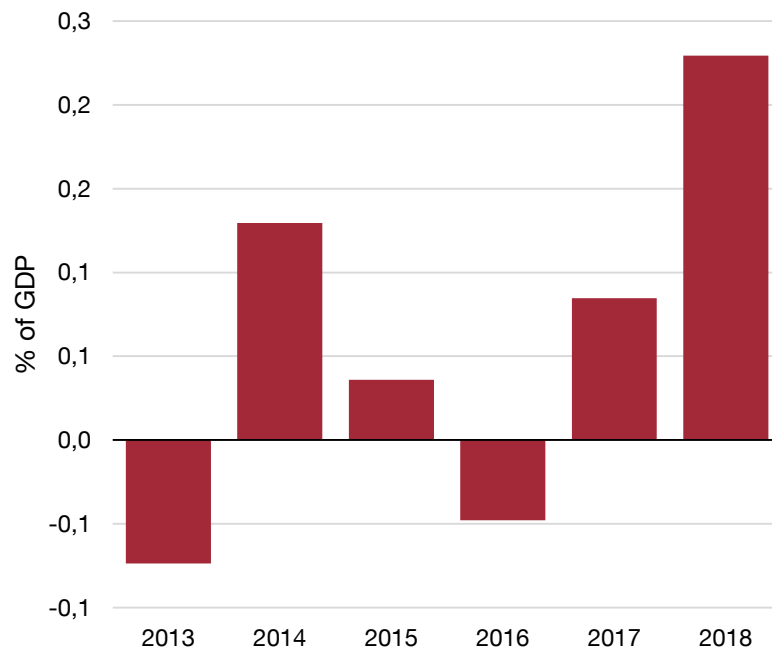
- Tourist arrivals from the USA have grown remarkably in the last years and contributed to offset the weakness in other markets (UK, Germany).



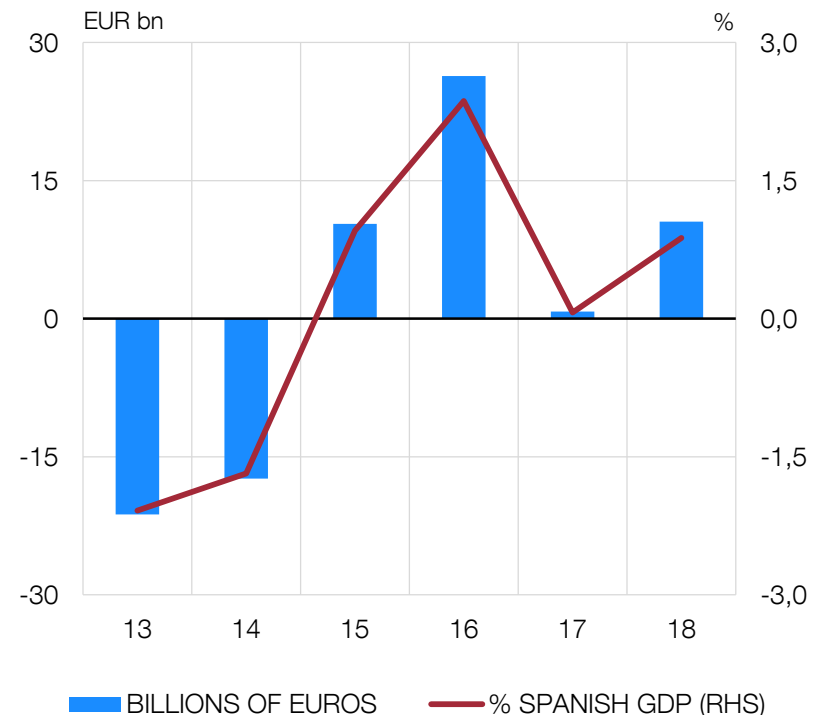
SOURCE: INE.

- Spain maintains a positive trade balance with the USA: the bilateral deficit in goods is offset by the surplus in services
- Spanish net IIP with the USA turned positive in 2015 and stood at 0.9 % of GDP in 2018

TRADE BALANCE OF GOODS AND SERVICES WITH USA (% Spain GDP)



SPANISH ECONOMY'S NET INTERNATIONAL INVESTMENT POSITION WITH THE US (a)

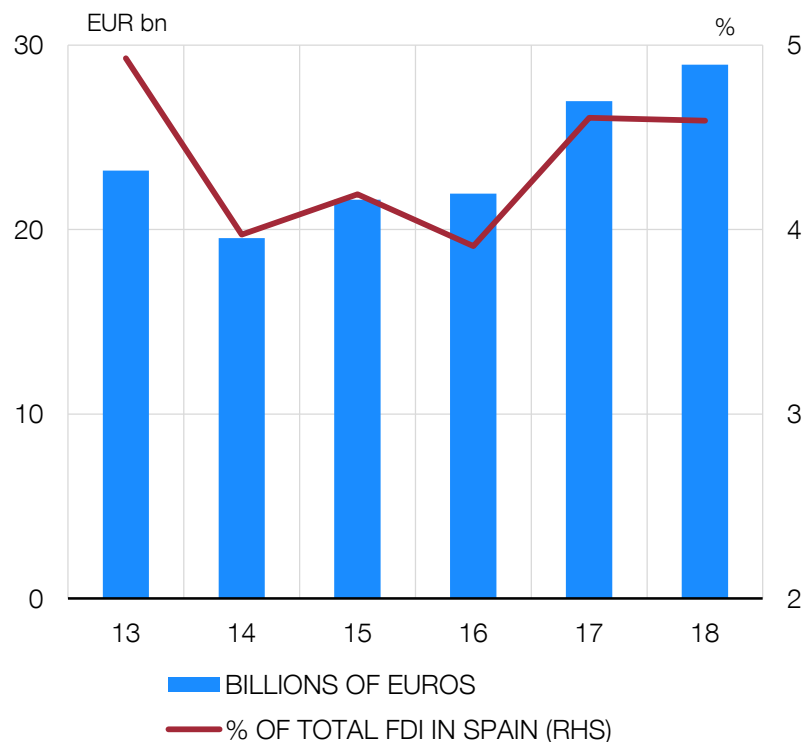


Source: Banco de España and Coordinated Portfolio Investment Survey (IMF)

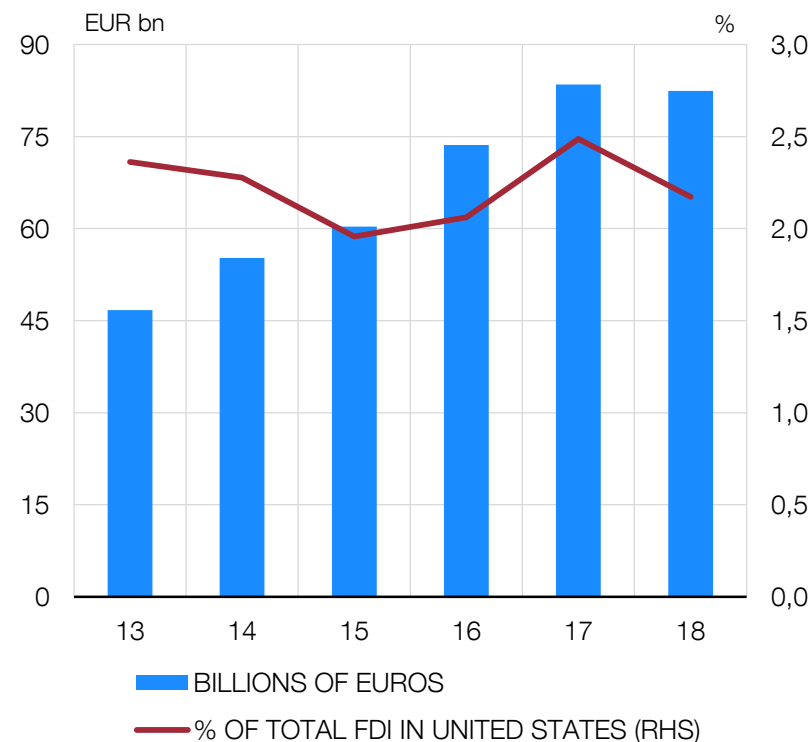
a. Spanish portfolio liabilities are derived from information on portfolio assets reported by US (securities held as reserve assets are not available)

- Bilateral FDI flows between Spain and the USA have increased during the last years
- In 2018, FDI into Spain from the US accounted for 4.6 % of the country's inward position, while FDI into the US from Spain represented 2.2 % of total FDI in the USA

FOREIGN DIRECT INVESTMENT IN SPAIN FROM UNITED STATES (a)



FOREIGN DIRECT INVESTMENT IN UNITED STATES FROM SPAIN (a)



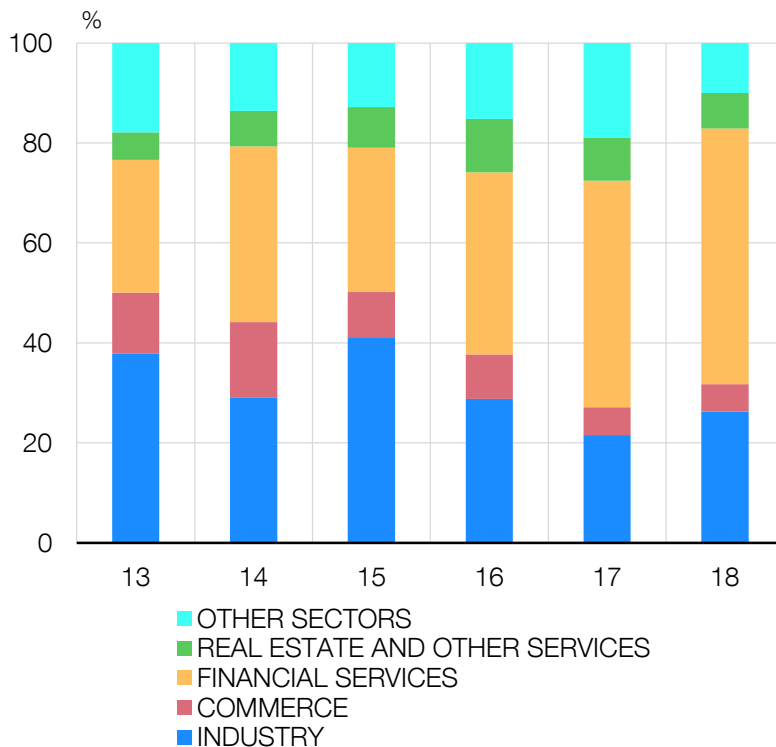
Source: Banco de España and Coordinated Direct Investment Survey (IMF)

a. Directional principle basis, organised according the direction of the direct investment for the reporting economy (taking account of control and influence)

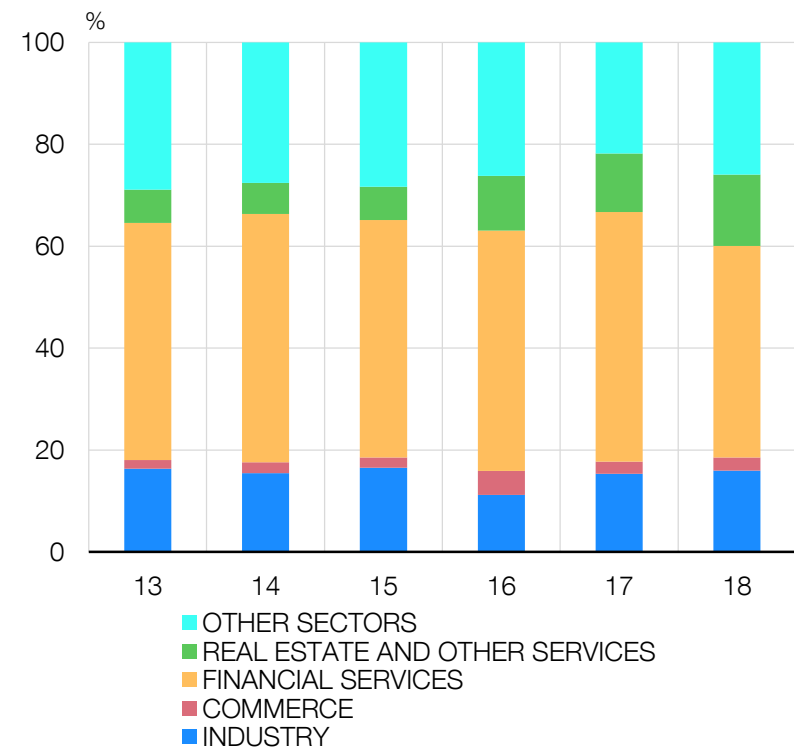
FOREIGN DIRECT INVESTMENT POSITION BY ECONOMIC ACTIVITY

- In Spain, the financial sector receives the bulk of the FDI coming from the USA, followed by the industry
- Similarly, in the USA most of the FDI coming from Spain goes to the financial sector

FOREIGN DIRECT INVESTMENT IN SPAIN FROM UNITED STATES (a)



FOREIGN DIRECT INVESTMENT IN UNITED STATES FROM SPAIN (a)

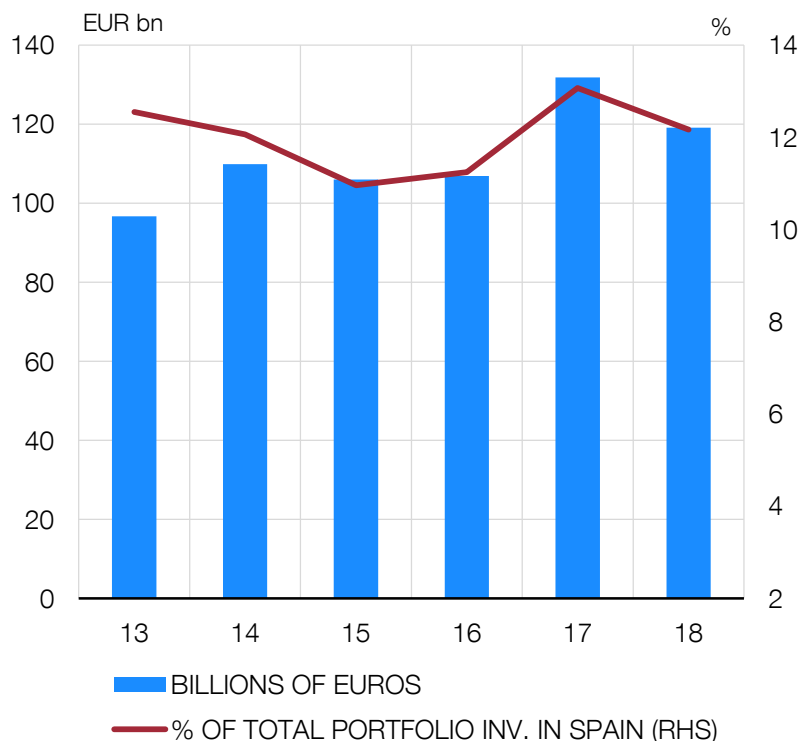


Source: Banco de España and Coordinated Direct Investment Survey (IMF)

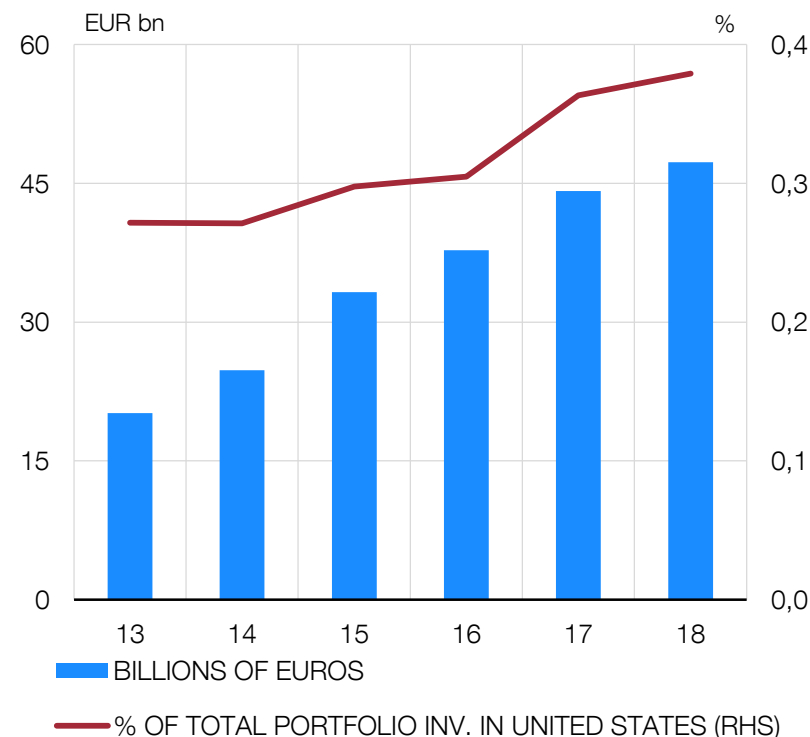
a. Directional principle basis, organised according to the direction of the direct investment for the reporting economy (taking account of control and influence)

- **Bilateral portfolio investment position has increased during the last years, but it is asymmetric**
- **In 2018, Spain received 12.2 % of its portfolio investment from the US, whereas the USA got around 0.4 % from Spain**

PORTFOLIO INVESTMENT IN SPAIN FROM UNITED STATES (a)



PORTFOLIO INVESTMENT IN UNITED STATES FROM SPAIN (a)

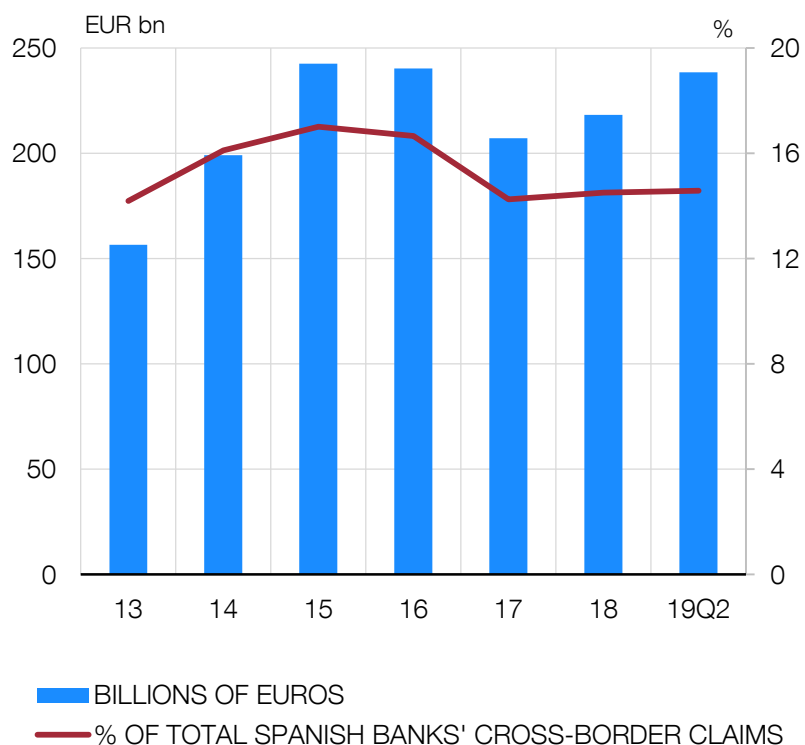


Source: Banco de España and Coordinated Portfolio Investment Survey (IMF)

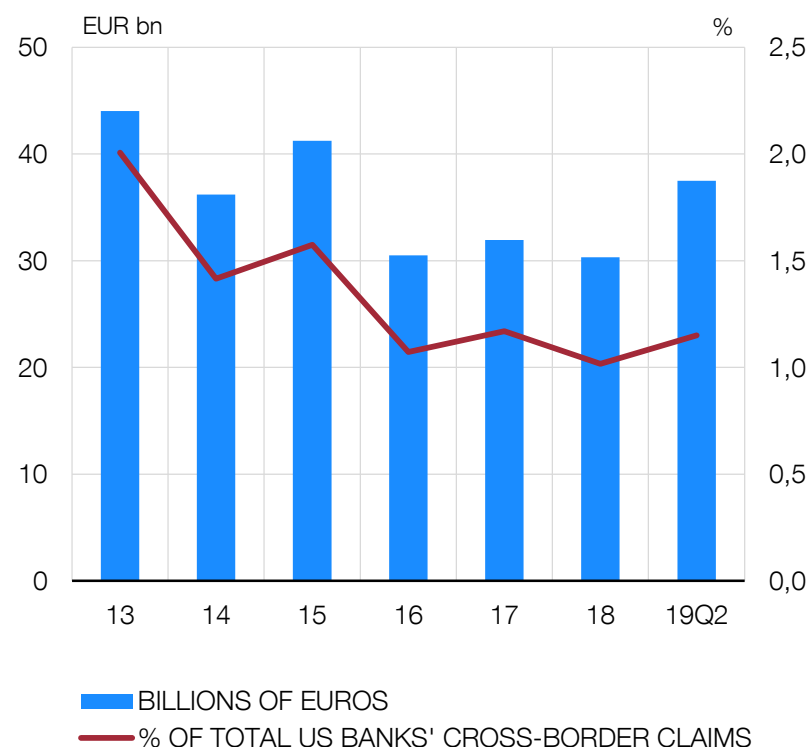
a. Data are derived from information reported by the holders of the securities (creditor information) and exclude securities held as reserve assets

- By mid-2019, Spanish banks concentrated 14.6 % of their (consolidated) cross-border claims in the US, while US banks had 1.2 % of their international claims located in Spain

CROSS-BORDER CLAIMS OF SPANISH BANKS ON UNITED STATES (a)



CROSS-BORDER CLAIMS OF US BANKS ON SPAIN (a)



Source: Consolidated banking statistics (BIS)

a. Consolidated positions (including claims of reporting banks' foreign affiliates but exclude intragroup positions) compiled by immediate counterparty.

- US administration increased in 2018 and 2019 the tariffs applied on some Spanish agri-food products. Goods affected amount to about 0.3% of total exports of Spanish goods.
- This increase would entail a decline in the sales of these products to the USA of at least 12% (Gutierrez and Martín, 2019¹). This impact is equivalent to 0.01% of Spanish GDP.
- It is worth bearing in mind that this estimate is based on an aggregate exports elasticity to tariffs and does not incorporate non-linear effects related to the magnitude of the rise in tariffs.

GOODS AFFECTED BY TARIFFS INCREASE

%	WEIGHT IN AGGREGATE SPANISH EXPORTS	WEIGHT OF SALES TO USA IN AGGREGATE SPANISH	WEIGHT IN SPANISH EXPORTS TO USA	WEIGHT OF SALES TO USA IN SPANISH EXPORTS OF EACH GOOD
OLIVES, OLIVE OIL, WINE AND CHEESE	2.5	0.3	7.4	14.0
OLIVE OIL	1.1	0.1	3.2	14.0
WINE	1.0	0.1	2.3	11.0

FUENTE: Departamento de Aduanas.

- ¹ Boletín Económico de Banco de España 4/2019 “Las medidas proteccionistas arancelarias y las exportaciones de bienes españoles”

THANK YOU FOR YOUR ATTENTION

