

THE EFFECT OF THE CHANGE IN THE COMPOSITION OF SPANISH EXPORTS ON OVERALL IMPORTS

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Spanish goods imports have slowed appreciably over the past two years. In particular, on National Accounts figures, the annual growth rate of goods imports has fallen from 4.1% on average in the 2016-27 period to 1% taking the average of the past two years.

The key determinant of the behaviour of goods imports is final demand. Imports usually react more than proportionately to changes in this latter variable. This was particularly the case in the two years spanning 2016-2017, when final demand grew by 3.3%, but not so in 2018-2019, when the related growth rate was 2.2%.

There are various potential factors behind this lower elasticity of imports to final demand. Firstly, it might be due to an across-the-board reduction in the import content of the various components of final demand (i.e. national demand and exports). In turn, it might be attributable to various causes including, for one, an improvement in the Spanish economy's competitiveness vis-à-vis the rest of the world, which would be conducive to the substitution of national production for imported inputs; and, for another, some reversal in the development of global value chains, which appears to have been witnessed internationally since the outbreak of the global financial crisis.¹ Secondly, the greater flatness of Spanish goods imports in the past two years, compared with final demand, might be on account of a composition effect, whereunder those final demand components with a greater (lesser) import content would have posted lower (higher) growth rates.

The OECD Trade in Value Added (TiVA) database provides the foreign value added incorporated into each of the final demand items. The latest available data are for 2015, meaning that it is not possible to assess with this information the role that the first of the aforementioned factors (i.e. a hypothetical proportional reduction in the import content of the various components of final demand) might have played in the slowdown in imports in 2018-2019. It is possible, however, using the import content figures for 2015 from this database, to assess the extent to which the second factor (i.e. composition effect) may have had a bearing on the loss of momentum of imports, a matter which is analysed hereafter.

Chart 1 shows that the foreign value added incorporated into Spanish final demand totalled 23% in 2015; however,

this ratio differed substantially across the main demand captions. Thus, while foreign value added incorporated into gross fixed capital formation was 32%, the figure in the case of final consumption was 19%. As regards exports, their import content (23%) in the goods and services aggregate is in line with that for the whole of final demand. But not only is there marked dispersion regarding the import content among the different final demand components, but also within each component. In particular, Chart 2 shows that, under exports, those relating to the automobile sector (C29), for example, have a much greater import content than those evidenced by food exports (C10-C12).

On the basis of this heterogeneity, an initial assessment can be made of the effect that the changes in the sectoral composition of Spanish exports in the past two years may have had on the behaviour of imports. In this respect, Chart 3 shows that, over the past two years, the exports that have most grown have in fact been those least requiring imported inputs. This same conclusion can be seen in Chart 4, which shows the real growth of Spanish goods exports observed in recent years (blue line) and that which would result from weighting each of the export components by their import content (red line). The fact that the blue line is above the red line in the most recent phase (especially in 2018) suggests, once again, that exports of those products less intensive in imported inputs grew more in this period. This would have resulted in a lesser sensitivity of imports to the aggregate growth of exports.

The results set out in this box should be viewed with caution. While they may be used to rationalise the slowdown in imports observed in the past two years, they are not enough for robust conclusions to be drawn about the future behaviour of imports. In particular, the greater or lesser buoyancy of exports of a specific product in recent years may have been influenced by fluctuations in global demand, which may be reversed in the future. It would also be worth assessing whether the evidence in this box at the disaggregated level for exports is common to the other components of final demand, i.e. consumption (private and government) and the different headings of gross capital formation.

¹ See, for example, ECB (2019), "The effects of tariff hikes in a world of global value chains", Economic Bulletin 8/2019, ECB, Box 1.

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Chart 1
FINAL DEMAND IMPORT CONTENT. 2015 (TIVA)



Chart 2
IMPORT CONTENT OF GOODS EXPORTS BY BRANCH IN 2016 (a)

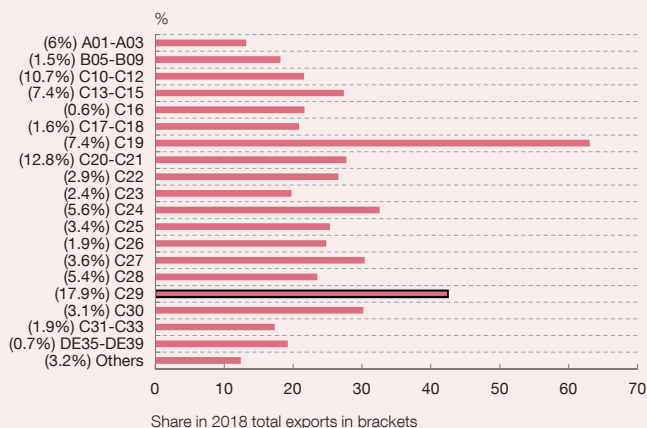


Chart 3
EXPORTS BY SECTOR AND IMPORT CONTENT

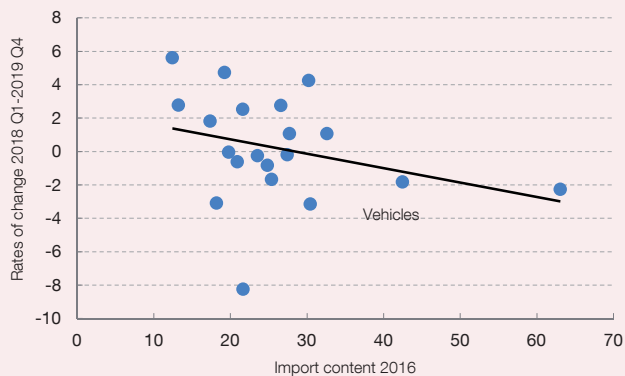
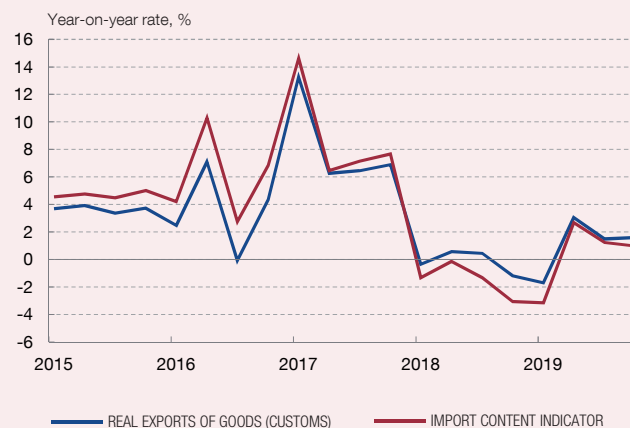


Chart 4
IMPORT CONTENT INDICATOR OF REAL EXPORTS OF GOODS



SOURCES: OECD, Customs Department and Ministerio de Asuntos Económicos y Transformación Digital.

a A01-03: agriculture; B05-B09: mining; C10-12: food products; C13-15: textiles; C16: wood; C17-C18: paper; C19: refined petroleum products; C20- C21: pharmaceutical products; C22: plastics; C23: non-metallic mineral products; C24: basic metals; C25: metal products; C26: electronic products; C27: electrical equipment; C28: other machinery; C29: automobile sector; C30: other transport equipment; C31-C33: other manufacturing; DE35-DE39: electricity; Other.