

One of the factors contributing to the strong adjustment in the current account balance of the Spanish economy since 2008 has been the increasingly positive contribution of net non-tourism services (also referred to here as “Other services”).¹ This box aims to offer a detailed analysis of the factors underlying the structural change taking place in trends in imports and exports of these services.

For this purpose, the disaggregated data available from the balance of payments published by the Banco de España allows the sectors and geographical destinations making the biggest contributions to the strength of these flows to be identified.² The non-tourism services heading of the balance of payments mainly draws upon the Survey on International Trade in Services (*Encuesta de Comercio Internacional de Servicios – ECIS – in Spanish*), published quarterly by the National Statistics Institute and based on a representative sample of 7,975 units (companies and other entities) registered as being resident in Spain. The survey records transactions between Spanish-resident units and those resident elsewhere in the world at market prices at the time the service was provided or received.³

Despite the drop in sales of financial and construction services to the rest of the world caused by the recession, exports of non-tourism services grew strongly, in line with trends in goods and tourism, with the pace of growth even accelerating in recent years. According to Banco de España data, nominal exports of Other services grew by an average of 3.3% a year between 2008 and 2016, compared with 3.5% for goods and 2.9% for tourism, thus exceeding the latter’s share since 2008 and representing 16% of total trade in 2016. Meanwhile, imports of most items under the heading of Other services have stagnated since 2008. As a result of these trends in the two types of flows, the persistent deficits observed during the expansionary phase gave way to sustained surpluses during the crisis, which widened further as the recovery began to take hold in 2014 (see Chart 1).

This performance of the trade in non-tourism services is set in a context characterised by technological advances facilitating the international trade in services, and a long-term process in which advanced economies are becoming increasingly services based. Therefore, between 2008 and 2016, the share of non-tourism services in world trade rose by almost 3 pp to 18%. Other developed countries that underwent positive growth of the external balance of

non-tourism services between 2008 and 2016 include the United Kingdom and the United States. However, in France, Italy and Germany the balance remained relatively constant, even deteriorating in some cases (see Chart 1). Broadly, relative to other countries, the positive trend in Spain’s exports has been concentrated in other business services whereas, from the international viewpoint, the stagnation of imports has mainly been due to slower imports of financial services and other business services (see Chart 3).

At the more detailed level, Spain’s exports of transport services and other business services accounted for approximately 60% of income in 2016. Nevertheless, the relative importance of these two headings followed divergent paths over the period 2008-2016: the share of transport services dropped by 6 pp to around 24% of the total, while the share of other business services rose by slightly more than 8 pp to account for close to 36% of income. For their part, although exports of telecommunications, computer and information services grew, their share declined by 2 pp to 18%. Services relating to insurance and pensions and charges for the use of intellectual property also grew strongly, although they continue to represent a small share. By contrast, the share of construction and financial services exports dropped by almost 6 pp to around 8% (see Chart 4).

Other business services have played a fundamental role in the progress of exports in recent years, explaining almost two thirds of the rise in income from non-tourism services since 2008. This is mainly due to income growth among engineering and consulting firms (which grew by an average of 8.2% and 17.6%, respectively, from 2008-2016) to account for 27% and 8%, respectively, of other business services, although the strong performance of advertising and market research services, which grew by 5.1% a year to 11% of the total, also contributed (see Chart 5).⁴ It should be noted that these other business services grew against the background of a decline in domestic demand, particularly in the case of civil engineering, forcing Spanish companies to increase their sales in external markets.

As regards the destination of Spain’s exports, it is worth noting that the increase in exports of non-tourism services was accompanied by a degree of geographical diversification, with a strong increase in the presence of Spanish companies in the countries of Asia and Latin America, supported by government-backed comprehensive market development plans, which have allowed companies better access to strategic markets.⁵ Chart 6 shows the contribution of the main regions to cumulative export

¹ See Chapter 3, *Annual Report 2016*, Banco de España.

² The non-tourism services heading includes the following: transport, construction, insurance and pension services, financial services, charges for the use of intellectual property, telecommunications, computer and information services, other business services, personal, cultural and recreational services, and government goods and services. For more details see *The Balance of Payments and the International Investment Position: Methodological Note*, January 2018, Banco de España.

³ There was a discontinuity in the structure of the Other services heading in 2013 as a result of changes in the ECIS, which made it necessary to estimate disaggregation by component based on additional information from transactions with the rest of the world provided to the Banco de España by financial institutions. More detailed information on the ECIS can be found at: <https://goo.gl/zuGktx>.

⁴ This greater disaggregation of other business services is based on own estimates made using information from the records of transactions with the rest of the world and from the Survey on International Trade in Services.

⁵ Comprehensive market development plans are managed by ICEX and aim to support companies’ entry into difficult-to-access markets. The countries for which plans existed in 2015 were Algeria, Australia, Brazil, China, the Gulf Cooperation Council, the United States, the Philippines, India, Indonesia, Japan, Morocco, Mexico, Russia, Singapore, South Africa and Turkey.

Chart 1
OTHER SERVICES BALANCE. BALANCE

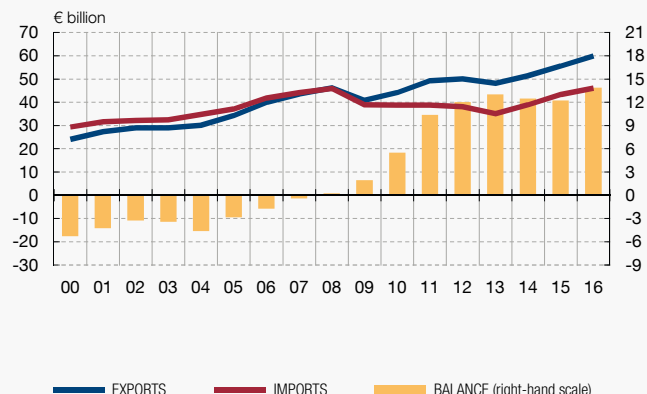


Chart 2
OTHER SERVICES BALANCE. INTERNATIONAL COMPARISON

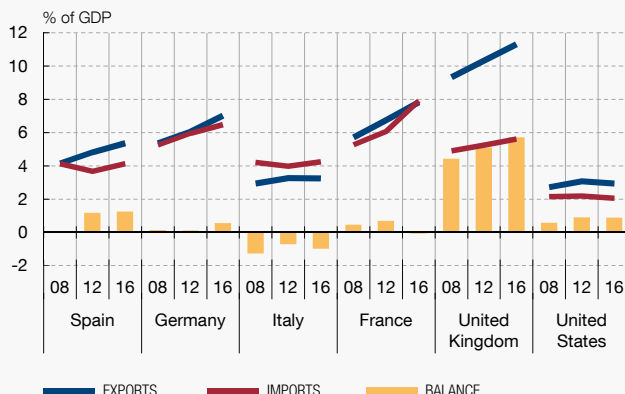


Chart 3
TRADE IN OTHER SERVICES BY SECTOR 2008-2016. INTERNATIONAL COMPARISON

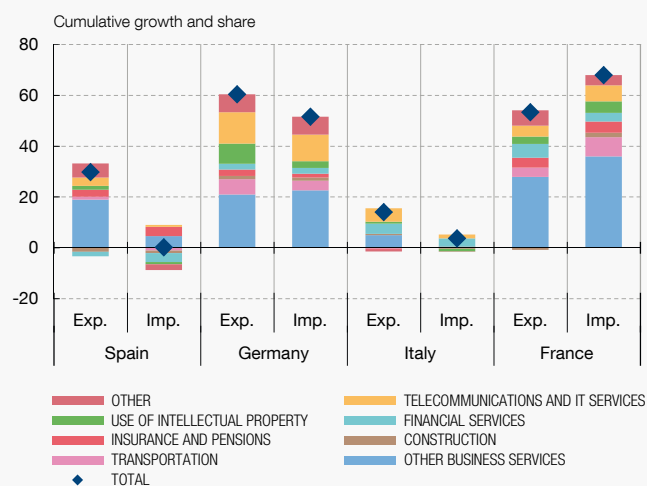


Chart 4
EXPORTS OF OTHER SERVICES. BY SERVICE TYPE

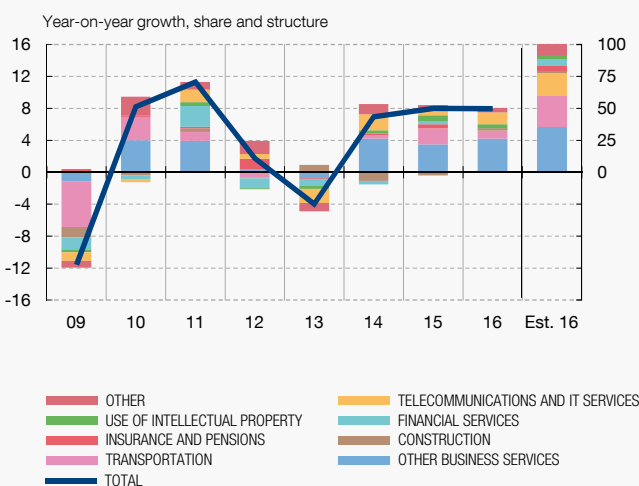


Chart 5
EXPORTS OF OTHER BUSINESS SERVICES. BY SERVICE TYPE

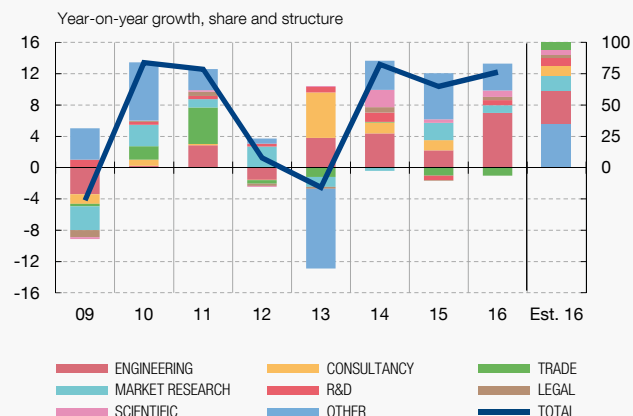
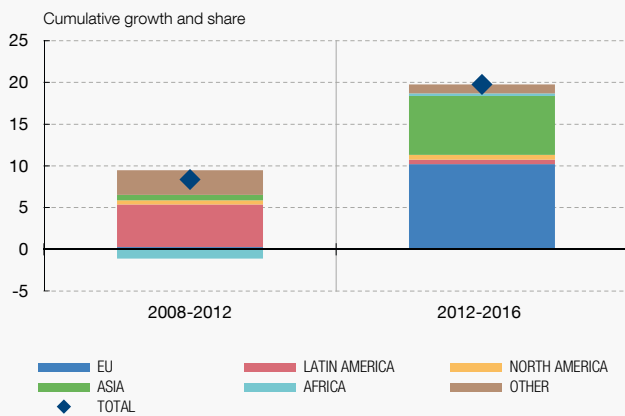


Chart 6
EXPORTS OF OTHER SERVICES. BY REGION



SOURCES: Banco de España, Eurostat and WTO.

growth in 2008-2012 and 2012-2016, with Latin America in first place, followed by Asia in second. Thus, although the European Union represented the main destination for Spain's exports of non-tourism services in 2016 (approximately 52% of the total), its relative importance dropped by 4 pp between 2008 and 2016.

Bearing in mind the kind of service exported to each market, the boom in other business services is mainly explained by rising income from Asia and Europe, associated in Asia's case with engineering firms, and in Europe's case, with consultancy, and advertising and market research firms. Nevertheless, despite this positive trend in exports of engineering services to Asian countries in 2008-2016, the available information suggests that growth was weaker in 2017, which led to a slight slowdown in the expansion of non-tourism services exports as a whole last year. However, the growth trend under other headings and to other geographical destinations appears to have been sustained, with an increase in the share of exports to Europe, which, in conjunction with slower

growth in imports, resulted in a slight increase in net exports of non-tourism services over the course of 2017.

To conclude, Spain's trade in non-tourism services underwent considerable expansion in 2008-2016, driven by a diverse mix of internal and external factors. On the international level, the role of technological progress and trade deregulation stand out, together with the shift to a more service-based economy. Moreover, this process was more pronounced in the case of the Spanish economy as a result of competitiveness gains and the process of companies looking for new markets in response to the recession and supported by the comprehensive market development plans. It seems likely that global factors will continue to encourage the expansion of trade in other services over the coming years, and that internal factors will have a permanent impact on the levels of these trade flows, provided that the recent drive towards greater internationalisation of the Spanish productive system proves lasting.
