

**SPANISH FOREIGN DIRECT INVESTMENT
INFLOWS AND OUTFLOWS**

2004

TABLE OF CONTENTS

PART 1: SPANISH FOREIGN DIRECT INVESTMENT INFLOWS AND OUTFLOWS IN 2004	5
BRIEF SUMMARY	7
I WORLD FOREIGN DIRECT INVESTMENT FLOWS IN 2004	9
1. THE INTERNATIONAL ECONOMY	9
2. WORLD FDI FLOWS	10
3. SHORT AND MEDIUM TERM PROSPECTS	14
II SPANISH FDI FLOWS IN 2004	15
1. FOREIGN INVESTMENTS IN SPAIN	15
1.1. General trends	15
1.1.1. Total Investments	15
1.1.2. Other registered transactions	17
1.2. Breakdown by number and value of investments, type of investment and disinvestment, country, industry and Spanish region	19
1.2.1. Number and value of investments	19
1.2.2. Type of investment and disinvestment	19
1.2.3. Immediate and ultimate investing countries	21
1.2.4. Industries of the direct investment enterprise	26
1.2.5. Spanish Autonomous regions of the direct investment enterprise	28
2. SPANISH INVESTMENTS ABROAD	31
2.1. General trends	31
2.1.1. Total investments	31
2.1.2. Other registered transactions	33
2.2. Comparison between foreign investments in Spain and Spanish investments abroad	34
2.3. Breakdown by number and value of investments, type of investment and disinvestment, country, industry and Spanish region	34
2.3.1. Number and value of investments	34
2.3.2. Type of investment and disinvestment	35
2.3.3. Immediate host countries	37
2.3.4. Industries of the direct investment enterprise and of the direct investor	40
2.3.5. Autonomous region of the direct investor	43

PART 2: DEFINITIONS AND METHODOLOGY.....	47
1. CONCEPTS.....	47
1.1. Direct Investments.....	47
1.2. Gross and Net Investments.....	47
1.3. Special Purpose Entities (Entidades de Tenencia de Valores Extranjeros).....	47
1.4. Countries and Industries.....	48
2. DIFFERENCES BETWEEN DATA PUBLISHED BY THE FOREIGN INVESTMENTS REGISTRY AND THE BANK OF SPAIN (BALANCE OF PAYMENTS).....	48
3. PRELIMINARITY OF DATA.....	49
PART 3: INFORMATION ON THE INTERNET.....	53

TABLES

Table 1: Real GDP growth rates in 2004 and prospects for 2005.....	9
Table 2. World FDI flows in 2004.....	10
Table 3. World FDI net inflows in 2004.....	13
Table 4. Foreign direct investments in Spain 1993-2004.....	15
Table 5. Foreign direct investments in Spain. Total investments.....	17
Table 6. Foreign direct investments in Spain. Other registered transactions.....	18
Table 7. Foreign investments in Spain (gross non-SPE). Number and volume of transactions.....	19
Table 8. Foreign direct investments in Spain (gross non SPE). Type of investments.....	20
Table 9. Foreign disinvestments (non SPE). Type of disinvestments.....	21
Table 10. Foreign direct investments in Spain (gross non SPE). Immediate investing countries.....	22
Table 11. Foreign direct investments in Spain (gross non SPE).Ultimate investing countries.....	23
Table 12. Foreign direct investments in Spain (gross non SPE). Top 15 immediate investing countries.....	24
Table 13. Foreign direct investments in Spain (gross non SPE). Top 15 ultimate investing countries.....	24
Table 14. Foreign direct investments in Spain in financial SPEs. Immediate investing countries.....	25
Table 15. Foreign direct investments in Spain (gross) in SPEs. Ultimate investing countries.....	25
Table 16. Foreign direct investments in Spain (non SPE). Industries of the direct investment enterprise.....	26
Table 17. Foreign direct investments in Spain (gross non SPE). Top 15 industries of the investment enterprise... ..	27
Table 18. Foreign direct investments in Spain in SPEs. Industries of the direct investor.....	28
Table 19. Foreign direct investments in Spain (gross non SPE). Autonomous regions of the investment enterprise.....	29
Table 20. Spanish direct investments abroad 1993-2004.....	31
Table 21. Spanish direct investments abroad. Total investments.....	32
Table 22. Spanish direct investments abroad. Other registered transactions.....	33
Table 23: Comparison between Spanish FDI inflows and outflows 1993-2004.....	34
Table 24. Spanish investments abroad (gross non SPE) in 2004. Number and volume of investments.....	35
Table 25. Spanish direct investments abroad (gross non SPE). Type of investments.....	36
Table 26. Spanish direct disinvestments abroad (non SPE). Type of disinvestments.....	37
Table 27. Spanish direct investments abroad (non SPE). Immediate host countries.....	38
Table 28. Spanish direct investments abroad (gross non SPE). Top 15 Immediate host countries.....	39
Table 29. Spanish direct investments abroad by SPEs. Immediate host countries.....	40
Table 30. Spanish direct investments abroad (non SPE). Industries of the direct investment enterprise.....	41
Table 31. Spanish direct investments abroad (gross non SPE). Top 15 industries of the direct investment enterprise.....	42
Table 32. Spanish direct investments abroad by SPEs. Industries of the direct investment enterprise.....	42
Table 33. Spanish direct investments abroad. Industries of the direct investor.....	43
Table 34. Spanish direct investments abroad (gross non SPE). Autonomous region of the direct investor.....	44

**PART 1: SPANISH FOREIGN DIRECT
INVESTMENT INFLOWS AND
OUTFLOWS IN 2004**

SUMMARY

Foreign direct investments in Spain and Spanish direct investments abroad experienced an uneven behaviour in 2004. While foreign investments in Spain remained broadly at the same level as in 2003 in gross terms, and recorded a significant loss in net terms, Spanish investments abroad saw a spectacular rise, in gross as well as net terms, motivated by some major cross-border mergers and acquisitions.

Foreign direct investments in Spain followed a trend similar to that of direct investment inflows into the euro zone, which registered an overall slump. UNCTAD prospects for world FDI inflows envisage a recovery in the short term, provided existing risks in the global economy do not result in a visible worsening of growth prospects in the economies of the developed countries.

I WORLD FOREIGN DIRECT INVESTMENT FLOWS IN 2004

1. THE INTERNATIONAL ECONOMY

According to a recent outlook paper published by the World Bank¹, the world economy grew at an estimated rate of 4% during 2004. Nevertheless there were very different growth trends among countries. Emerging economies grew at a higher global rate than during the previous two decades, although the main factor underlying that behaviour was the magnitude of the continuing growth rate experienced by China. The OECD area also saw an acceleration of economic activity. The recovery in the United States and, to a lesser extent in Japan, accounted for a large part of that acceleration. The particularly low growth rate in the EU area was largely due to the disappointing level of activity in Germany. Table 1 shows growth rates in the main OECD countries in 2004 and forecasts for 2005.

Table 1: Real GDP growth rates in 2004 and forecasts for 2005

Countries	2004	2005
		per cent
Euro zone	1,9	2,3
Germany	1,2	1,9
France	2,1	2,1
United Kingdom	2,7	2,7
Spain	2,6	2,9
United States	3,8	3,3
Japan	2,6	2,4
TOTAL OECD	3,1	3,1

Sources: World Bank and OECD.

The prospects for world economy growth in 2005 are not bright, as the overall economic growth is expected to stand at 3,2%. These prospects reflect the likely peaking of the investment cycle in the United States, substantial increases in oil and other commodity prices that have cut into incomes, higher interest rates as central banks continue shifting monetary policy from a loose to a more neutral stance, tightening fiscal policies as countries seek to regain control over deficits, and efforts in China to bring growth down to a more sustainable pace.

¹ "Prospects for the Global Economy", 16 November 2004.

2. WORLD FDI FLOWS IN 2004

As has been the norm in the past issues of this publication, before describing the recent behaviour of Spanish foreign direct investment (FDI) flows an attempt will be made to show the trends followed by FDI flows in the rest of the world, with special emphasis on the developed countries, which are the main recipients as well as source for FDI flows. This description will serve as an analytical frame for the study of Spanish FDI flows, given the full integration of Spain in the global economy.

The main sources consulted for the description of the international FDI inflows and outflows are UNCTAD data and analysis, as well as data from central banks. In some cases, other agencies responsible for compiling FDI data were consulted. It should come as no surprise that figures from different sources differ somewhat for the same country and period. It is nevertheless reassuring to note that all sources reflect the same trends for a given country and period of time.

Data from Central Banks and Statistical Agencies

FDI data for 2003 and 2004 are shown in Table 2, where figures are plotted for the euro zone and the United States, with a breakdown for major individual countries, including Spain.

Table 2: FDI inflows and outflows for some major developed countries and regions in 2004
Millions of euros

COUNTRIES	Net investment inflows			Net investment outflows		
	2003	2004		2003	2004	
	Amount	Amount	% change	Amount	Amount	% change
Euro zone	126 900	67 000	-47,20	130 300	103 500	-20,57
Germany	11 400	-35 152	-408,35	2 268	-5 519	-343,34
Spain	13 585	7 187	-47,11	24 766	42 430	71,32
France	41 600	21 300	-48,80	50 800	46 500	-8,46
United Kingdom**	18 566	32 141	73,12	58 949	57 127	-3,09
>United States	35 319	93 013	163,35	153 882	200 074	30,02
TOTAL	180 785	192 154	6,29	343 131	360 701	5,12

Sources: European Central Bank (euro zone), Deutsche Bundesbank (Germany), Banque Centrale de France (France), National Statistics (United Kingdom), Bureau of Economic Analysis (United States) and Registro de Inversiones (Spain).

*Average anual exchange rates have been used for conversion into euros.

**United Kingdom data for 2004 refer only to the first three quarters, as figures for the fourth quarter were not available when this report was being drafted.

Net FDI inflows slightly increased in 2004 by an overall 6.29% in the countries included in Table 2, in contrast with the picture observed during the first two quarters of the year, which witnessed a moderately weak behaviour. The trends underlying the overall increase show a mixed picture. While Germany saw a dramatic slump in FDI figures, which stood at a negative value of 35,152 million euros, United States experienced a very significant rise of 163%, accounting for 48% of total investment in the countries included in Table 2. FDI investment inflows in the euro zone declined by 47%. Other countries that registered losses alongside Germany within the euro area were France (-48%) and Spain (-47.11%). The United Kingdom registered an increase in FDI inflows by 73.12%. As for China, not included in Table 2 for methodological reasons, data from the Chinese Ministry of Commerce on realizations of authorised FDI projects show an increase of FDI inflows by 24%.

These trends reflect various factors, that stem from macro developments in the different countries and regions as well as changes in comparative advantages in the production factor markets. Countries with a relatively higher domestic growth (China, United States and United Kingdom) were blessed with larger FDI inflows. A major exception to this rule was Spain that grew at a rate similar to that of United Kingdom but registered a decline in net FDI figures (see Table 1). Nonetheless, as will be seen further along these lines, this latter behaviour arose from some disinvestments by a few multinational companies consisting in profit reaping sales of affiliates to Spanish investors with the ultimate goal of improving balance sheets at their national headquarters. As for the continuing rise in FDI inflows into China, investors were motivated by domestic market growth led by the increase in incomes as well as by significantly lower wages than in the developed countries², prompting large investments in labour-intensive industries.

FDI outflows rose by a moderate 5.12%. Table 2 shows a correlation between inflow and outflow increases among different countries. Correspondingly FDI outflows from the United States rose by 30.02%, whereas outflows from the euro zone and Germany plunged by 20.57% and 343.34% respectively. This pattern of events was not followed by United Kingdom, where outflows remained at nearly the same level as in 2003, nor Spain, which posted exceptionnally high outflows that stood at 42.430 million euros, with a 71.32% rise. This bright figure reflected the continuing boost in corporate profits over the last few years.

² Average hourly wages in China stand at 1 €, as compared with a EU average of 22 €.

Data published by UNCTAD

In a recent press release UNCTAD³ offered a description of world FDI main features in 2004, announcing an estimated rise in global foreign direct investment inflows by some 6%, to \$612 billion (see Table 3). Inflows followed an uneven pattern in developed and developing countries. Developed countries experienced a slump for the fourth year in a row, with FDI inflows declining by 15.53% to \$321 billion, from the 2001 peak at \$571 billion. That decline was offset by rebounding flows to developing countries and Central and Eastern Europe, where inflows rose by some 47.4%, bringing the total to \$255 billion. This figure accounted for 42% of world FDI inflows.

On the national front, the US topped China (\$121 billion), becoming again the world's largest recipient. Flows into the UK recovered, while those into some EU countries, like Germany, Belgium, Luxembourg and Spain, traditionally large recipients of FDI flows, marked a significant drop. Central and Eastern European countries attracted significant inflows, that rose by 33.33% to \$36 billion, after the slump recorded in 2003. Russia also shared in the recovery, with FDI inflows rising by 42.86%, bringing total investments in the country to an all-time record \$10 billion.

FDI inflows to Africa accounted for only 3% of global FDI inflows. From this low base, they mounted for the second consecutive year, to \$20 billion. Inflows to Asia and the Pacific reached \$166 billion, rising by 55%. All the subregions in this area saw rising inflows, although it is worthy to mention China, that still accounts for the lion's share, with FDI inflows rising by 14.8%, bringing the total figure to \$62 billion. Countries like Hong-Kong, Singapore, Republic of Korea and India equally recorded significant increases in FDI inflows. FDI flows to Latin America and the Caribbean rose in 2004 for the first time in five years, up 37%⁴ to \$69 billion, reflecting improvements in the economic situation and policy environment. A good part of these investments (49%) were accounted for by Mexico and Brazil. It is worth mentioning Chile, where inflows doubled.

³ UNCTAD, Press release, 11 November 2005

⁴ According to a recent report by ECLAC (United Nations), FDI inflows into the region rose by 44%.

Table 3: Net world FDI inflows in 2004

Country/Region	Billion USD				
	2001	2002 ^a	2003 ^a	2004 ^b	% change 2003/2004
World	818	681	580	612	5,52
Developed countries	571	490	380	321	-15,53
European Union	357	374	308	165	-46,43
Belgium		15	29	7	-75,86
France	50	49	47	35	-25,53
Germany	21	36	13	-49	-476,92
Ireland	10	24	27	26	-3,70
Italy	15	15	16	15	-6,25
Luxembourg		117	92	52	-43,48
Portugal	6	2	1	6	500,00
Spain	28	36	26	6	-76,92
United Kingdom	53	28	21	55	161,90
Australia	4	14	8	5	-37,50
Canada	27	21	7	12	71,43
Japan	6	9	6	7	16,67
United States	159	63	30	121	303,33
Developing countries	220	159	173	255	47,40
Africa	20	12	15	20	33,33
Latinamerica and the Caribbean	88	53	51	69	35,29
Brazil	22	17	10	16	60,00
Chile	4	2	3	6	100,00
Mexico	27	15	11	18	63,64
Asia and the Pacific	112	94	107	166	55,14
China	47	53	54	62	14,81
Hong-Kong, China	24	10	14	33	135,71
India	3	3	4	6	50,00
Korea, Republic of	4	3	4	9	125,00
Singapore	15	6	11	21	90,91
Central and Eastern Europe	26	31	27	36	33,33
Czech Republic	6	8	3	5	66,67
Poland	6	4	4	5	25,00
Russian Federation	2	3	7	10	42,86

Source: UNCTAD and UNCTAD's own estimates.

^aRevised data.

^bPreliminary estimates.

3. *SHORT AND MEDIUM TERM PROSPECTS*

According to UNCTAD, prospects for global foreign direct investment are favourable in both the short term (2004-2005) and the medium term (2006-2007). Nevertheless, the extent and the speed of the FDI recovery will vary by region and industry. Although the picture depicted is clearly optimistic, UNCTAD predicts that competition for FDI is expected to become fierce in the years to come.

These promising prospects are warranted by the acceleration of global GDP growth, the relatively low levels of interest rates in major capital exporting economies and the increase in domestic investment and industrial output. Other positive underlying determinants of these bright prospects are improvements in profits posted by transnational companies and rising stock valuations. Lastly, all groups surveyed by UNCTAD agreed that investment confidence is returning and global FDI flows are likely to increase during the period 2004-2007.

UNCTAD admits that these generally positive future trends may be counterbalanced by a number of risk factors, including oil price volatility, the rise of new protectionism impeding trade and outward FDI, regional conflicts, increased threats from terrorism, and existing structural impediments to economic growth in some major developed and developing countries. Nevertheless, UNCTAD concludes that on the whole the positive factors will outweigh the negative ones, although the recovery in FDI flows will be modest when compared to the 1999-2000 FDI boom. World investment flows in 2004 certainly seem to confirm the trend towards FDI recovery anticipated by UNCTAD. However the data presented in Table 3 are preliminary estimates that remain to be confirmed over time.

As for the analysis of FDI from a European standpoint, prospects for recovery in the euro zone could be somewhat dimmed if the appreciation of the euro against the US dollar further curtails direct investments from dollar-denominated countries in the euro zone, by way of rendering European assets more expensive relative to assets in other geographical locations.

To conclude with this introductory section, if FDI recovery in 2004 is eventually confirmed through data updating and the above-mentioned risks do not act as serious impediments to economic growth, in the short and medium term Spain could come to share in the global recovery of FDI inflows and continue to contribute heavily to FDI outflows.

II SPANISH FDI FLOWS IN 2004

1. FOREIGN INVESTMENTS IN SPAIN

1.1. General trends

1.1.1. Total investments

Gross foreign direct investments in Spain in 2004 totalled 17,812 million euros (see Tables 4 and 5), increasing slightly by 0,25% as compared to 2003. If investments in Special Purpose Entities (see Section 1.4 in Part 2) or SPEs are not taken into account (non-SPE investments), then total investments stood at 11,129 million euros, rising by 12.24%. This increase should be greeted as good news given recent downward trends. Most of the investments took place in non publicly quoted companies (98.42%).

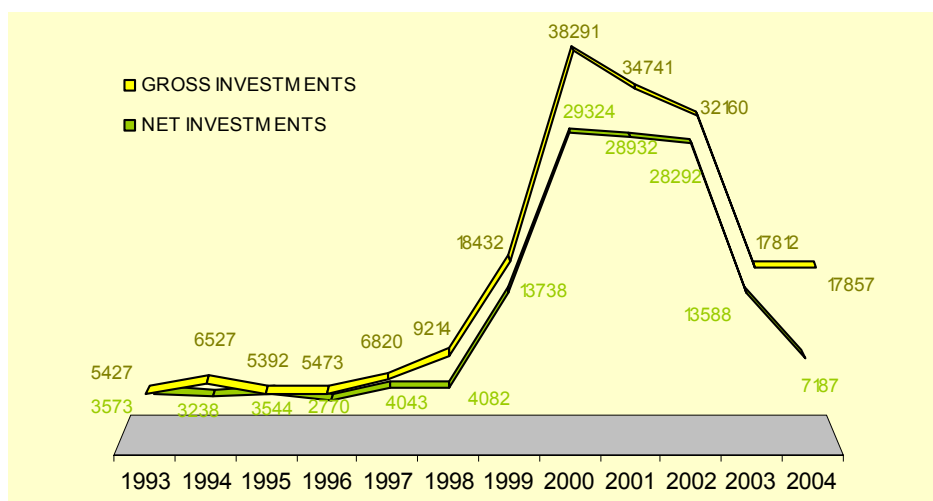
Table 4. Gross and Net foreign investments in Spain 1993-2004

Millions of euros

YEAR	GROSS INVESTMENTS		NET INVESTMENTS	
	AMOUNT	% change	AMOUNT	% change
1993	5427		3573	
1994	6527	20,27	3238	-9,38
1995	5392	-17,40	3544	9,45
1996	5473	1,50	2770	-21,84
1997	6820	24,61	4043	45,95
1998	9214	35,11	4082	0,97
1999	18432	100,05	13738	236,55
2000	38291	107,74	29324	113,46
2001	34741	-9,27	28932	-1,34
2002	32160	-7,43	28292	-2,21
2003	17812	-44,61	13588	-51,97
2004	17857	0,25	7187	-47,11

Source: Foreign Investments Registry

Fuente: Registro de Inversiones Exteriores



Gross foreign investments in SPEs fell by 14.79%, at 6,729 million euros, bringing total gross investments to a more moderate pace of increase.

In short, total gross foreign direct investments in Spain in 2004 remained at practically the same level as in 2003, with opposing trends in the two underlying components of this variable: on the one hand a visible rise in non-SPE investments; on the other a decline in SPE investments. An estimated 88.39% of the former were carried out by investors that had previously invested in Spain. As for investments in SPEs, figures have experienced a continuing decline from their 2001 peak, reflecting the fact that most transnational companies that envisaged establishing an SPE in Spain in response to the highly favourable fiscal legislation approved in 2000 have already done so.

Net foreign investments in Spain totalled 7,187 million euros, declining by 47.11%. Non-SPE net investments stood at 582 million euros, falling sharply by 89.79%. Net SPE investments were valued at 6,605 million euros, declining by some 16.27% with respect to 2003.

Table 5. Foreign investments in Spain. Total investments

Millions of euros

	2002		2003			2004			
	Gross	Net	Gross	% change	Net	Gross		Net	
						Amount	% change	Amount	% change
TOTAL INVESTMENTS⁽¹⁾	32160	28292	17812	-44,61	13588	17857	0,25	7187	-47,11
NON-SPE INVESTMENTS	11428	7562	9915	-13,24	5700	11129	12,24	582	-89,79
- Non publicly quoted companies	11355	7707	9903	-12,78	7585	10953	10,60	3639	-52,02
- Publicly quoted companies	74	-146	12	-83,63	-1885	175	1354,17	-3057	-62,18
SPE INVESTMENTS⁽²⁾	20732	20730	7897	-61,91	7888	6729	-14,79	6605	-16,27

(1) Transactions between non residents and group restructuring operations are not included.

(2) No distinction is made between publicly and non publicly quoted SPEs as they are typically non publicly quoted.

Source: Foreign Investments Registry

The significant gap between gross and net non-SPE investments reflected a sharp increase in non-SPE disinvestments. Table 8 shows a 150.20% increase in non-SPE disinvestments as compared to 2003. Most disinvestments (77.81%) consisted in acquisitions of minority or majority equity participations by residents -who happened to be the highest bidders- to their non-resident owners. Publicly quoted companies accounted for 31% of these disinvestments. Some of these transactions owed to the need for strengthening balance sheets by foreign multinationals, for various reasons. Disinvestments consisting in full or partial liquidation of companies held by foreigners accounted for 22,19% of total disinvestments. A good part of them (18.71% of total disinvestments) consisted in capital reductions. Most of them were accounted for by one significant capital reduction disinvestment for loss compensation by a well known European multinational company.

1.1.2. Other registered transactions

Table 6 shows investments consisting in minority or majority acquisitions of Spanish companies between two non-residents belonging to different corporate groups, as well as transactions obeying merely to corporate restructuring purposes, between two parties (whether two non-residents or a resident and a non-resident) belonging to the same corporate group.

Table 6. Foreign investments in Spain. Other registered transactions

Millions of euros

	2002			2003			2004		
	Gross	Disinvestments	Net	Gross	Disinvestments	Net	Gross	Disinvestments	Net
ACQUISITIONS BETWEEN NON RESIDENTS BELONGING TO DIFFERENT CORPORATE GROUPS ⁽³⁾	1416	1412	4	1849	1842	7	955	957	-2
GROUP RESTRUCTURINGS	92671	95398	-2726	22146	25370	-3224	13580	15939	-2358
-Transactions between non residents	70254	70259	-6	14326	14703	-377	8484	8521	-36
-Transactions between residents and non residents	22418	25138	-2721	7820	10667	-2847	5096	7418	-2322

(3) Acquisitions between non residents belonging to the same corporate group are included in "Group Restructurings".

Source: Foreign Investments Registry

Transactions between non residents are not included in Table 5 figures, given that they do not represent new foreign investments in Spain. Instead they reflect transactions involving companies where a foreign investment had already been registered in previous periods. Their inclusion in Table 5 would lead to double, or indeed multiple, counting of transactions. It is interesting nonetheless to have an idea of their magnitude, as an indicator of the degree of integration of Spanish companies in the global investment market. Data show that acquisitions of Spanish companies between non-residents fell by 48.35% in 2004. This decline compares with the rise in acquisitions of foreign-owned companies by Spanish investors, reflecting rising incomes and financial capacity on the resident side, prompted by lower interest rates, a continuing rise in corporate profits and sustained economic growth in recent years.

Restructuring transactions owe to fiscal and corporate management optimization strategies by foreign corporations. Table 6 shows that these transactions are not significant in net terms because all but a few involve both an investment and a disinvestment⁵.

⁵ Example of restructuring between two non residents: a foreign group decides that its Spanish affiliate will be owned by a Dutch affiliate instead of an affiliate located in Luxembourg. This transaction involves an investment (acquisition by the Dutch affiliate) and a disinvestment (sell-off by the Luxembourg affiliate).

1.2. Breakdown by number and value of investments, type of transaction, country, industry and Spanish region

1.2.1. Number and value of investments

Table 7 shows the total number of non-SPE gross foreign investments carried out in 2004 for each range of investment values. The resulting distribution is highly unbalanced, with the three highest-value investments accounting for 29.31% of total investment value and the smaller-value 9.536 investments accounting for 13.54% of total investment value.

Table 7. Foreign investments in Spain (gross non-SPE). Number and volume of transactions

Range (million €)	Number of investments	Value of investments	
		Value (million €)	% of total
0 – 5	9 536	1 508	13,54
5 – 50	185	2 620	23,53
50 – 500	31	3 745	33,64
500 and above	3	3 263	29,31
TOTAL	9 755	11 129	100,00

Source: Foreign Investments Registry

1.2.2. Type of investment and disinvestment

Table 8 shows that a vast majority (83.74%) of gross non-SPE investments consisted in greenfield investments. This category includes new incorporations and extensions of capacity with a view to increasing production. Mergers and acquisitions accounted for 16.26% of total investments. This result is deemed positive given that in the short and medium term greenfield investments give rise to a positive contribution to GDP and employment. Acquisitions do not involve new productive investments in the short term as invested funds line the pockets of the selling party and not those of the Spanish company that is the object of the acquisition⁶.

⁶ In the medium and long term acquisitions may indeed have a positive impact on macro variables insofar as the invested company is granted increased access to technology, financial resources and managerial skills by the foreign investor.

Table 8. Foreign direct investments in Spain (gross non SPE). Type of investment

Millones de euros

	2002		2003			2004		
	Amount	%	Amount	%	% change	Amount	%	% change
Greenfields	8858	77,51	6304	63,58	-28,83	9319	83,74	47,82
New incorporations	1045	9,14	605	6,10	-42,10	1121	10,07	85,27
Extensions of capacity	7813	68,37	5699	57,48	-27,05	8198	73,67	43,85
Mergers & Acquisitions	2570	22,49	3611	36,42	40,49	1809	16,26	-49,89
TOTAL	11428	100,00	9915	100,00	-13,24	11129	100,00	12,24

Source: Foreign Investments Registry

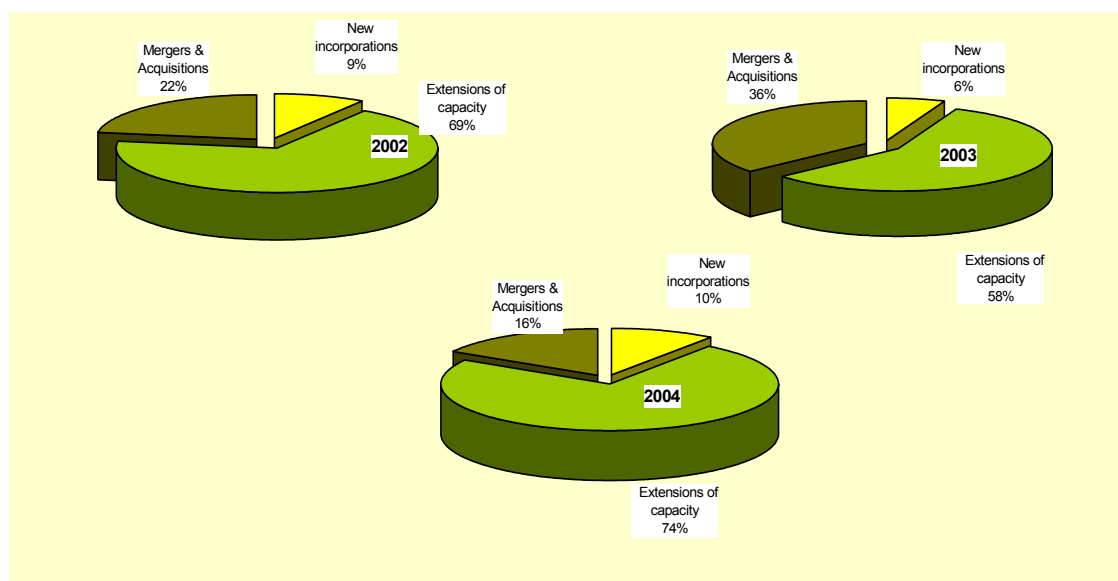


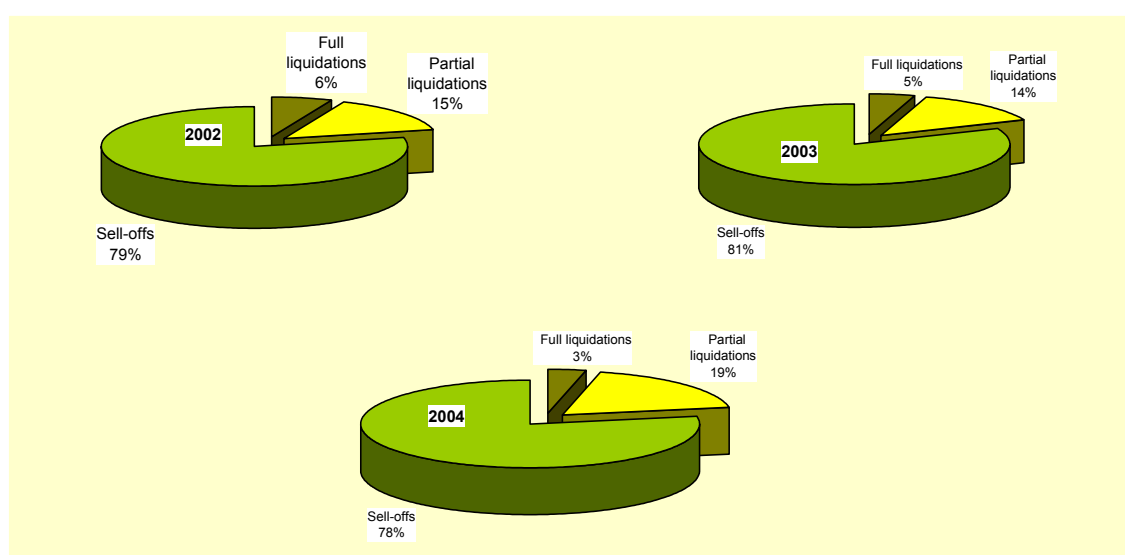
Table 9 shows the breakdown by type of transaction for disinvestments. A good 77.81% of them were accounted for by sell-offs, whether total or partial. The rest of disinvestments were accounted for by liquidations (22.19%), whether total (3.48%) or partial (18.71%), in this latter case basically due to capital reductions. These in turn were carried out for loss compensation in the case of troubled companies as well as for money returning to shareholders in the case of overinvested companies. Sell-offs have already been commented on along previous paragraphs.

Table 9. Foreign disinvestments (non SPE). Type of disinvestment

	2002		2003			2004		
	Amount	%	Amount	%	% change	Amount	%	% change
Liquidations	823	21,29	779	18,49	-5,32	2340	22,19	200,29
Full liquidations	248	6,42	198	4,70	-20,22	367	3,48	85,16
Partial liquidations	575	14,87	581	13,79	1,11	1974	18,71	239,52
Sell-offs	3043	78,71	3436	81,51	12,89	8206	77,81	138,84
TOTAL	3867	100,00	4215	100,00	9,02	10547	100,00	150,20

Millones de euros

Source: Foreign Investments Registry



1.2.3. Immediate and ultimate investing countries

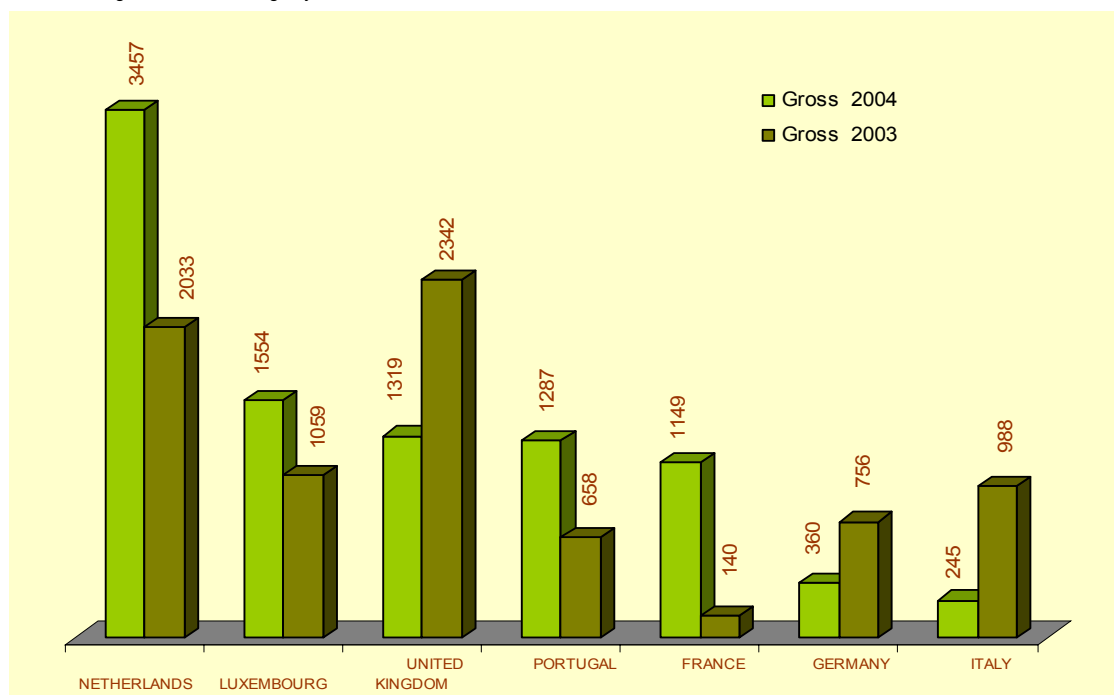
Tables 10 and 11 show the breakdown of gross non SPE investments by immediate and ultimate investing countries respectively. Data presented in Table 10 show that a vast majority of investments were of OECD origin (93.73%). Within the OECD, the European Union accounted for 85.93% of investments. As regards individual countries, most investments were accounted for by six countries: Netherlands (31.06%), Luxembourg (13.97%), United Kingdom (11.85%), France (11.57%), Portugal (10.32%) and United States (5.71%). Changes in country distribution with respect to a previous year typically owe to individual investments of great magnitude that noticeably influence twelve month-period figures.

Table 10. Foreign Investments in Spain (gross non-SPE). Immediate investing countries

Millions of euros

COUNTRY	2002		2003				2004			
	Gross	Net	Gross			Net	Gross			Net
			Amount	%	% change		Amount	%	% change	
OECD	11045	7285	9503	95,84	-13,97	5412	10431	93,73	9,77	1487
EUROPEAN UNION	10371	7161	8640	87,14	-16,69	4905	9563	85,93	10,69	1819
European Union (15)	10366	7158	8625	86,99	-16,80	4891	9552	85,83	10,75	1808
GERMANY	2391	2227	756	7,63	-68,37	593	360	3,24	-52,39	-600
FRANCE	1671	1258	658	6,64	-60,61	539	1287	11,57	95,59	-101
UNITED KINGDOM	1131	588	2342	23,62	107,17	2096	1319	11,85	-43,68	1127
ITALY	290	277	988	9,96	240,06	908	245	2,20	-75,24	74
LUXEMBOURG	1869	1729	1059	10,68	-43,36	840	1554	13,97	46,82	-1082
NETHERLANDS	1731	15	2033	20,50	17,41	-617	3457	31,06	70,06	1786
PORTUGAL	499	399	140	1,42	-71,84	97	1149	10,32	717,51	1034
NON EU EUROPEAN	328	38	182	1,83	-44,60	19	129	1,16	-28,84	-23
SWITZERLAND	320	33	172	1,73	-46,37	11	120	1,08	-29,94	-32
OECD NON EUROPEAN	346	87	681	6,87	96,70	488	738	6,63	8,44	-309
UNITED STATES	228	-9	611	6,16	167,56	477	636	5,71	4,17	122
TAX HAVENS	171	94	210	2,12	22,41	177	182	1,63	-13,53	-1355
LATIN AMERICA	176	153	141	1,42	-20,07	51	442	3,97	213,84	413
COSTA RICA	20	20	19	0,19	-8,25	11	129	1,16	585,01	128
URUGUAY	50	50	13	0,13	-74,43	10	220	1,98	1621,40	220
REST	35	30	62	0,62	75,12	59	75	0,67	21,20	36
TOTAL	11428	7562	9915	100,00	-13,24	5700	11129	100,00	12,24	582

Source: Foreign Investments Registry



Breakdown of foreign investment figures by ultimate investing country, or country of ultimate beneficial owner (see Table 12), is more meaningful than by immediate investing country, as it reflects, where possible, the country where decision-making headquarters are located. The OECD area was the main region of ultimate origin of foreign investments in Spain, accounting for 76.21% of investments. Within this area, the European Union accounted for 55.90% of total investments. The main individual ultimate investing countries were United Kingdom (18.90%), Mexico (17.73%), United States (17.04%), France (11.17%), Portugal (9.48%) and the Netherlands (7.67%).

Table 11. Foreign Investments in Spain (gross non-SPE). Ultimate investing countries

Millions of euros

COUNTRY	2002	2003			2004		
	Gross	Gross			Gross		
		Amount	%	% change	Amount	%	% change
OECD	10266	9055	91,33	-11,80	8482	76,21	-6,33
EUROPEAN UNION	8344	7288	73,51	-12,66	6221	55,90	-14,64
European Union (15)	8340	7274	73,36	-12,78	6215	55,84	-14,57
BELGIUM	185	106	1,06	-42,96	108	0,97	2,67
GERMANY	2307	755	7,61	-67,28	364	3,27	-51,81
FRANCE	1598	704	7,10	-55,93	1243	11,17	76,52
UNITED KINGDOM	1607	2413	24,33	50,18	2013	18,09	-16,58
ITALY	552	1287	12,98	133,08	259	2,33	-79,88
NETHERLANDS	823	729	7,35	-11,43	854	7,67	17,21
PORTUGAL	482	139	1,40	-71,15	1054	9,48	658,88
SWEDEN	153	433	4,36	182,50	100	0,90	-76,84
NON EU EUROPEAN	590	219	2,21	-62,81	157	1,41	-28,45
SWITZERLAND	543	191	1,93	-64,77	149	1,34	-22,07
NON EUROPEAN OECD	1332	1547	15,61	16,17	2104	18,90	35,95
CANADA	68	57	0,57	-16,13	145	1,30	154,16
UNITED STATES	732	1471	14,84	101,08	1896	17,04	28,88
TAX HAVENS	173	199	2,01	15,45	181	1,63	-9,10
LATIN AMERICA	364	306	3,08	-15,99	2019	18,14	560,59
MEXICO	212	191	1,92	-9,91	1758	17,73	821,51
SPAIN	572	267	2,69	-53,31	365	3,68	36,60
REST	54	88	0,89	64,34	83	0,74	-6,06
TOTAL	11428	9915	100,00	-13,24	11129	100,00	12,24

Source: Foreign Investments Registry

Tables 12 and 13 show the top 15 immediate and ultimate investing countries. Data on these tables allow to conclude that countries like United Kingdom, United States, Mexico and Spain made a relatively more intensive use of “transit” countries, like the Netherlands, Luxembourg, Costa Rica and Gibraltar when investing in Spain than Portugal, France, Italy, Switzerland, Canada and Belgium, which hardly altered their rankings in both Tables.

Table 12. Foreign Investments in Spain (gross non-SPE). Top 15 immediate investing countries
Millions of euros

COUNTRY	2003			2004		
	Amount	% of gross total	Ranking position	Amount	% of gross total	Ranking position
NETHERLANDS	2033	20,50	2	3457	31,06	1
LUXEMBOURG	1059	10,68	3	1554	13,97	2
UNITED KINGDOM	2342	23,62	1	1319	11,85	3
FRANCE	658	6,64	6	1287	11,57	4
PORTUGAL	140	1,42	11	1149	10,32	5
UNITED STATES	611	6,16	7	636	5,71	6
GERMANY	756	7,63	5	360	3,24	7
ITALY	988	9,96	4	245	2,20	8
URUGUAY	13	0,13	15	220	1,98	9
COSTA RICA	19	0,19	14	129	1,16	10
SWITZERLAND	172	1,73	9	120	1,08	11
SWEDEN	419	4,22	8	65	0,58	12
CANADA	53	0,54	12	53	0,48	13
GIBRALTAR	27	0,28	13	46	0,42	14
BELGIUM	159	1,61	10	36	0,32	15

Source: Foreign Investments Registry

Table 13. Foreign Investments in Spain (gross non-SPE). Top 15 ultimate investing countries
Millions of euros

COUNTRY	2003			2004		
	Amount	% of gross total	Ranking position	Amount	% of gross total	Ranking position
UNITED KINGDOM	2413	24,33	1	2013	18,09	1
UNITED STATES	1471	14,84	2	1896	17,04	2
MEXICO	191	1,92	11	1758	15,79	3
FRANCE	704	7,10	6	1243	11,17	4
PORTUGAL	139	1,40	12	1054	9,48	5
NETHERLANDS	729	7,35	5	854	7,67	6
SPAIN	267	2,69	9	365	3,28	7
GERMANY	755	7,61	4	364	3,27	8
ITALY	1287	12,98	3	259	2,33	9
SWITZERLAND	191	1,93	10	149	1,34	10
CANADA	57	0,57	14	145	1,30	11
URUGUAY	13	0,13	15	123	1,10	12
BELGIUM	106	1,06	13	108	0,97	13
SWEDEN	433	4,36	8	100	0,90	14
LUXEMBOURG	636	6,42	7	81	0,73	15

Source: Foreign Investments Registry

As for gross investments in SPEs incorporated in Spain, data show that the main immediate investing countries in 2004 (see Table 14) were Switzerland (27.7%), United States (19.77%), Canada (16.86%) and Sweden (12.6%). The main ultimate investing country (see Table 15) was United States (46.37% of total

investments), well ahead of the rest. Other major ultimate investing countries were Canada (16.87%), Switzerland (5.74%) and Brazil (5.22%).

Table 14. Foreign Investments in SPEs (gross). Immediate investing countries

Millions of euros

COUNTRY	2002		2003				2004			
	Gross	Net	Gross			Net	Gross			Net
			Amount	%	% change		Amount	%	% change	
OECD	18341	18341	7364	93,25	-59,85	7363	6149	91,38	-16,51	6057
EUROPEAN UNION	2273	2273	932	11,81	-58,98	932	1748	25,98	87,50	1664
European Union (15)	2273	2273	932	11,81	-58,98	932	1747	25,97	87,39	1663
FRANCE			0	0,00		0	255	3,79		255
ITALY	72	72	1	0,01	-98,49	1	250	3,71	22959,56	247
LUXEMBOURG	11	11	76	0,96	578,07	76	119	1,77	57,22	115
NETHERLANDS	1546	1546	529	6,70	-65,77	529	255	3,79	-51,78	218
PORTUGAL	587	587	312	3,94	-46,92	312	20	0,30	-93,58	-20
SWEDEN			0	0,00		0	848	12,60		848
NON EU EUROPEAN	0	0	10	0,13	3373,56	10	1864	27,70	18087,61	1864
SWITZERLAND	0	0	10	0,13	3373,56	10	1864	27,70	18087,61	1864
NON EUROPEAN OECD	16068	16068	6421	81,31	-60,03	6420	2537	37,70	-60,50	2529
CANADA	657	657	1400	17,73	112,93	1400	1134	16,86	-18,98	1132
UNITED STATES	15410	15410	5021	63,59	-67,41	5020	1330	19,77	-73,51	1330
LATIN AMERICA	2374	2372	519	6,58	-78,12	512	571	8,48	9,90	539
MEXICO	97	94	352	4,46	264,65	352	67	1,00	-80,99	41
ARGENTINA	133	133	4	0,04	-97,36	4	30	0,45	762,08	30
BRAZIL	120	120	1	0,01	-99,41	1	351	5,22	49829,50	351
URUGUAY	335	335	131	1,66	-60,95	130	122	1,82	-6,63	122
REST	17	17	13	0,17	-19,96	13	9	0,14	-29,39	10
TOTAL	20732	20730	7897	100,00	-61,91	7888	6729	100,00	-14,79	6605

Source: Foreign Investments Registry

Table 15. Foreign Investments in Spain in SPEs (gross). Ultimate investing countries

Millions of euros

COUNTRY	2002		2003			2004		
	Gross		Gross			Gross		
			Amount	%	% change	Amount	%	% change
OECD	17437		7300	92,44	-58,14	6202	92,17	-15,04
EUROPEAN UNION	718		111	1,40	-84,61	1488	22,11	1245,36
European Union (15)	718		111	1,40	-84,61	1488	22,11	1245,16
GERMANY		45	6	0,07	-86,93	202	3,00	3329,98
FRANCE			0	0,00		275	4,08	183058,33
SWEDEN			0	0,00		848	12,60	
NON EU EUROPEAN	0		10	0,13	3375,25	386	5,74	3667,24
SWITZERLAND	0		10	0,13	3373,56	386	5,74	3669,08
NON EUROPEAN OECD	16718		7179	90,91	-57,06	4328	64,31	-39,72
CANADA	397		847	10,72	113,09	1135	16,87	34,05
UNITED STATES	16321		6332	80,18	-61,20	3120	46,37	-50,72
LATIN AMERICA	2370		525	6,64	-77,86	513	7,62	-2,21
BRAZIL		120	2	0,02	-98,50	351	5,22	19367,97
SPAIN	463		55	0,70	-88,12		0,00	-100,00
REST	463		18	0,22	-96,21	14	0,21	114,62
TOTAL	20732		7897	100,00	-61,91	6729	100,00	-14,79

Source: Foreign Investments Registry

1.2.4. Industries of the direct investment enterprise

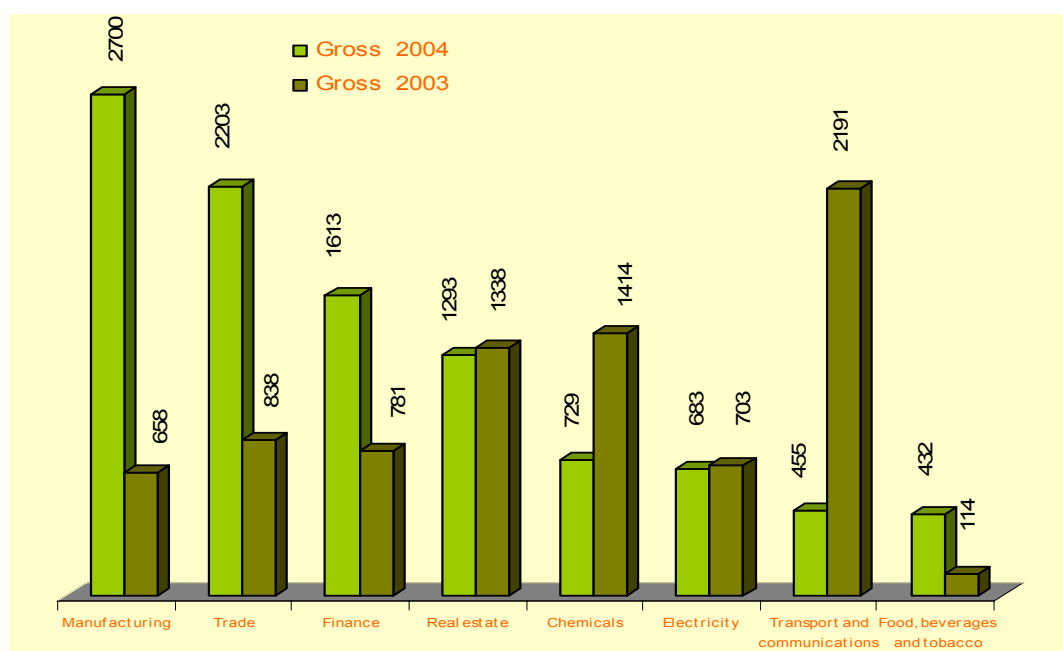
Tables 16 and 17 show respectively the main groups of industries, as well as subsectors, that attracted foreign investments in Spain, according to the National Classification of Economic Activities. The subsectors that most attracted foreign investments were Cement (18.93% of total investments), Retail (11.72%), Finance (14.49%), Real Estate (7.67%), Chemicals (6.55%) and Gas and Electricity (6.14%).

Table 16. Foreign Investments in Spain (non SPE). Industries of the direct investment enterprise

Millions of euros

HOST INDUSTRY	2002		2003				2.004			
	Gross	Net	Gross			Net	Gross			Net
			Amount	%	% change		Amount	%	% change	
ELECTRICITY, GAS AND WATER	1713	1700	703	7,09	-58,94	703	683	6,14	-2,87	637
FOOD, BEVERAGES AND TOBACCO	201	67	114	1,15	-43,43	64	432	3,88	279,68	-247
TEXTILES, CLOTHING AND LEATHER	38	31	15	0,15	-59,72	14	213	1,91	1294,23	171
PAPER, PUBLISHING AND PRINTING	198	164	404	4,07	104,18	260	140	1,25	-65,44	49
CHEMICALS, RUBBER AND PLASTIC PRODUCTS	263	63	1414	14,27	438,35	1297	729	6,55	-48,46	559
CHEMICALS	167	-5	1152	11,62	591,56	1073	675	6,07	-41,36	512
OTHER MANUFACTURING	1136	799	658	6,63	-42,08	471	2700	24,26	310,57	2439
CEMENT	320	320	151	1,52	-52,91	59	2106	18,93	1298,83	2058
METALS	53	-13	18			16	251			236
CONSTRUCTION	268	254	72	0,72	-73,20	-31	140	1,26	94,90	-742
TRADE	903	794	838	8,46	-7,11	-689	2203	19,80	162,76	427
TRADE IN MOTOR VEHICLES	97	95	34	0,35	-64,59	29	119	1,07	244,98	-148
TRADE IN PETROLEUM AND MINING	0	-1	3	0,03	1304,73	3	154	1,38	4675,68	152
TRADE IN PHARMACEUTICALS	4	-2	64	0,64	1330,21	61	125	1,12	95,99	120
TRADE IN SOLID FUELS	47	30	144	1,45	205,15	144	110	0,99	-23,76	104
FOOD RETAIL	272	272	82	0,82	-70,04	-1193	1305	11,72	1500,00	-3
HOTELS AND RESTAURANTS	161	94	337	3,40	109,38	33	131	1,17	-61,27	33
TRANSPORT AND COMMUNICATIONS	2721	988	2191	22,10	-19,49	2046	455	4,09	-79,24	-1700
TELECOMMUNICATIONS	1683	211	2106	21,24	25,18	2016	199	1,79	-90,54	-380
FINANCIAL INTERMEDIARIES, BANKING AND INSURANCE	1499	1001	781	7,88	-47,89	516	1613	14,49	106,59	-991
BANKING AND OTHER FINANCIAL INTERMEDIARIES	751	523	211	2,13	-71,83	86	235	2,11	11,28	-1942
INSURANCE AND PRIVATE PENSION PLANS	663	419	523	5,27	-21,10	406	1286	11,55	145,85	870
REAL ESTATE AND BUSINESS SERVICES	1661	1009	1338	13,50	-19,40	323	1293	11,62	-3,38	-161
REAL ESTATE SERVICES	1165	642	837	8,44	-28,13	-7	854	7,67	2,02	485
INFORMATION TECHNOLOGY SERVICES	131	110	107	1,08	-18,32	49	117	1,05	9,94	-701
OTHER BUSINESS SERVICES	296	192	310	3,13	4,98	208	260	2,34	-16,14	-1
REST	668	597	1049	10,58	57,04	694	397	3,57	-62,13	108
TOTAL	11428	7562	9915	100,00	-13,24	5700	11129	100,00	12,24	582

Source: Foreign Investments Registry



Foreign investments in SPEs incorporated in Spain were carried out in 2004 by international companies with activities (see Table 18) mostly in the Chemical sector (37.82% of total SPE investments), Motor vehicles (16.93%), Business Services (12.64%) and Petroleum (5.07%).

Table 17. Foreign Investments in Spain (gross non SPE). Top 15 Industries of the direct investment enterprise

HOST INDUSTRY	Millions of euros					
	2003			2004		
	Amount	% of Gross total	Ranking position	Amount	% of Gross total	Ranking position
CEMENT	151	1,52	5	2106	18,93	1
FOOD RETAIL	82	0,82	7	1305	11,72	2
NON LIFE INSURANCE	68	0,68	9	886	7,96	3
ELECTRICITY	48	0,48	10	624	5,61	4
REAL ESTATE SERVICES	582	5,87	3	596	5,35	5
LIFE INSURANCE	455	4,59	4	400	3,59	6
RAW PLASTIC MATERIALS	824	8,31	2	301	2,70	7
ALUMINUM	0	0,00	15	220	1,98	8
TELECOMMUNICATIONS	2106	21,24	1	193	1,74	9
TEXTILES	0	0,00	13	183	1,64	10
MEAT FOODS	0	0,00	14	180	1,62	11
TRADE IN FUEL AND MINERALS	3	0,03	11	154	1,38	12
SYNTHETIC AND MAN-MADE FIBRES	71	0,72	8	136	1,22	13
TRADE IN REAL ESTATE	109	1,10	6	135	1,22	14
NON PERISHABLE FOODS	1	0,01	12	133	1,19	15

Source: Foreign Investments Registry

Table 18. Foreign Investments in Spain in SPEs. Industries of the direct investor

Millions of euros

HOST INDUSTRY	2002		2003				2004			
	Gross	Net	Gross			Net	Gross			Net
			Amount	%	% change		Amount	%	% change	
ELECTRICITY, GAS AND WATER	80	80	93	1,18	17,18	93	129	1,92	38,14	129
MINING, QUARRING AND PETROLEUM	595	595	1	0,02	-99,77	1	341	5,07	25138,93	336
FOOD, BEVERAGES AND TOBACCO	181	181	639	8,09	252,92	639	155	2,31	-75,72	127
CHEMICALS, RUBBER AND PLASTICS	10899	10899	163	2,06	-98,50	163	2548	37,87	1463,24	2547
CHEMICALS	10899	10899	163	2,06	-98,50	163	2545	37,82	1461,08	2543
OTHER MANUFACTURING	3534	3534	6189	78,37	75,11	6183	1443	21,45	-76,68	1443
MOTOR VEHICLES AND PARTS	2434	2434	5244	66,40	115,42	5244	1139	16,93	-78,28	1139
TRADE	497	497	393	4,97	-21,02	391	907	13,48	130,97	907
REAL ESTATE AND OTHER SERVICES	940	937	82	1,03	-91,32	81	957	14,22	1073,43	957
OTHER BUSINESS SERVICES	58	56	63	0,80	9,85	63	850	12,64	1239,40	850
REST	4006	4006	337	4,26	-91,59	337	248	3,68	-26,42	159
TOTAL	20732	20730	7897	100,00	-61,91	7888	6729	100,00	-14,79	6605

Source: Foreign Investments Registry

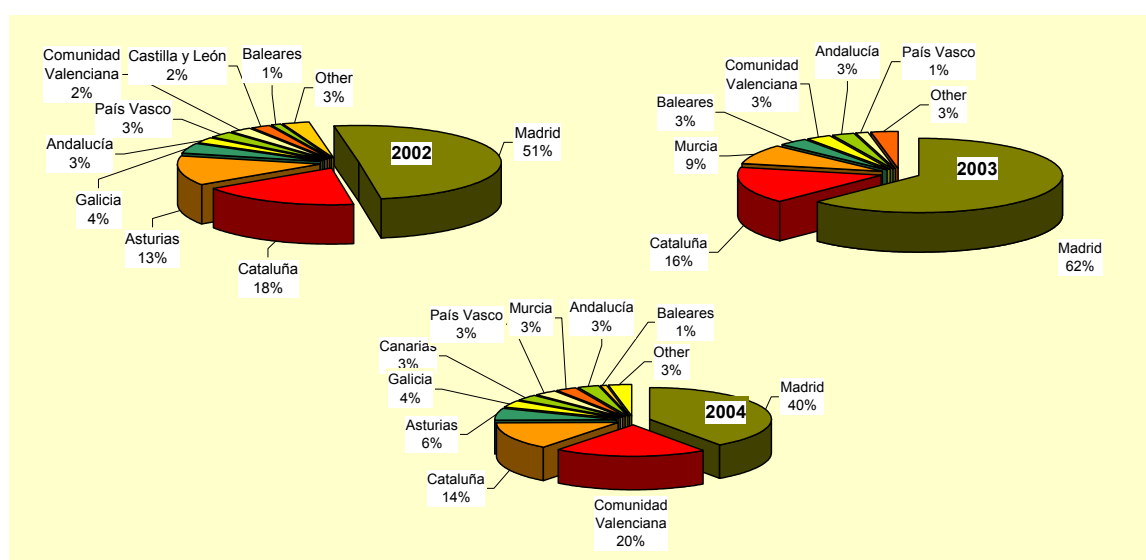
1.2.5. Spanish Autonomous regions of the direct investment enterprise

Table 19 shows the breakdown of foreign investments in Spain by host Autonomous regions. Madrid accounted for the bulk of investments (40.21% of total), followed by Comunidad Valenciana (20.48%) and Cataluña (13.96%). Other significant regions to attract foreign investments were Asturias (6.29%), Galicia (3.51%), Canarias (3.03%), País Vasco (3.01%), Murcia (2.91%) and Andalucía (2.66%). This distribution does not correspond necessarily with real investments and employment location, given the potential bias of the data presented towards the Autonomous regions that host corporate headquarters.

Table 19. Foreign Investments in Spain (gross non SPE).Autonomous regions of the direct investment enterprise

AUTONOMOUS REGION	2002		2003			2004		
	Amount	%	Amount	%	% change	Amount	%	% change
ANDALUCIA	314	2,74	251	2,53	-19,92	296	2,66	17,69
ARAGON	45	0,39	52	0,53	17,17	43	0,39	-17,01
ASTURIAS	1493	13,07	50	0,50	-96,68	700	6,29	1311,28
BALEARES	134	1,18	333	3,36	147,80	103	0,93	-69,03
CANARIAS	86	0,75	44	0,45	-48,04	337	3,03	659,05
CANTABRIA	15	0,13	1	0,01	-95,28	25	0,22	3310,34
CASTILLA Y LEON	266	2,33	10	0,10	-96,25	3	0,02	-74,67
CASTILLA-LA MANCHA	40	0,35	32	0,33	-18,27	28	0,25	-12,66
CATALUÑA	2067	18,09	1574	15,87	-23,86	1554	13,96	-1,26
COMUNIDAD VALENCIANA	281	2,46	260	2,62	-7,54	2279	20,48	777,72
EXTREMADURA	8	0,07	36	0,36	344,44	4	0,03	-89,55
GALICIA	485	4,24	34	0,35	-92,90	391	3,51	1035,09
MADRID	5750	50,31	6188	62,41	7,63	4475	40,21	-27,69
MURCIA	3	0,02	869	8,77	33459,38	323	2,91	-62,80
NAVARRA	33	0,29	10	0,10	-68,76	15	0,14	47,96
PAIS VASCO	299	2,61	134	1,35	-55,30	335	3,01	150,84
LA RIOJA	78	0,69	28	0,28	-64,64	1	0,01	-97,11
CEUTA Y MELILLA	8	0,07	6	0,06	-19,67	17	0,15	172,61
NON-DISTRIBUTED	24	0,21	2	0,02	-90,76	200	1,80	8803,75
TOTAL	11428	100,00	9915	100,00	-13,24	11129	100,00	12,24

Source: Foreign Investments Registry



2. SPANISH INVESTMENTS ABROAD

2.1. General trends

2.1.1 Total investments

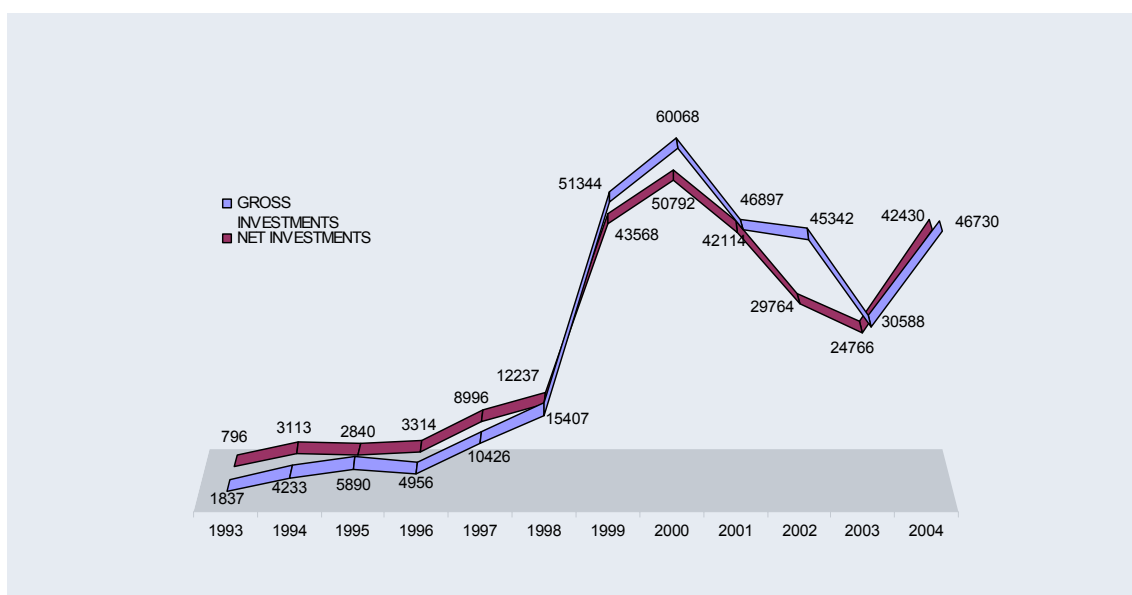
Gross investments abroad totalled 46.730 million euros, rising by 52.77% (see Table 21). This increase owed for the most part to investments by non-SPE investors, that stood at 35,406 million euros with a 93.01% increase from the 2003 level of 18,344 million euros. Publicly quoted companies accounted for some 18.4% of the invested firms. Gross investments abroad by SPEs incorporated in Spain declined by 7.5% during 2004.

Table 20. Spanish investments abroad 1993-2004.

Million of euros

YEAR	GROSS INVESTMENTS		NET INVESTMENTS	
	AMOUNT	% change	AMOUNT	% change
1993	1837		796	
1994	4233	130,43	3113	291,08
1995	5890	39,14	2840	-8,77
1996	4956	-15,86	3314	16,69
1997	10426	110,37	8996	171,45
1998	15407	47,77	12237	36,03
1999	51344	233,25	43568	256,03
2000	60068	16,99	50792	16,58
2001	46897	-21,93	42114	-17,09
2002	45342	-3,32	29764	-29,33
2003	30588	-32,54	24766	-16,79
2004	46730	52,77	42430	71,32

Source: Foreign Investments Registry



Underlying the dramatic increase in gross investments abroad was an acquisitions spree of foreign firms of a very significant magnitude in the banking, real estate and telecommunications sectors. These transactions were prompted by improvements in stock market valuations, lower interest rates and a continuing rise in corporate profits.

Table 21. Spanish investments abroad. Total investments

Millions of euros

	2002		2003			2004			
	Gross	Net	Gross	% change	Net	Gross		Net	
						Amount	% change	Amount	% change
TOTAL INVESTMENTS⁽⁴⁾	45343	29764	30588	-32,54	24766	46730	52,77	42431	71,33
NON-SPE INVESTMENTS	25202	13626	18344	-27,21	14310	35406	93,01	31679	121,38
-Non publicly quoted companies	23707	14271	15921	-32,84	13362	28889	81,45	25519	90,98
-Publicly quoted companies	1495	-645	2424	62,14	948	6517	168,85	6160	549,79
SPE INVESTMENTS	20141	16138	12244	-39,21	10456	11324	-7,51	10752	2,83
-Non publicly quoted companies	18725	14722	12244	-34,61	10456	11317	-7,57	10785	3,15
-Publicly quoted companies	1416	1416	0		0	7		-33	

(4) Acquisitions between residents and Group restructurings are not included.

Source: Foreign Investments Registry

Net investments stood at 42,430 million euros in 2004, rising by 71.33% with respect to 2003. Net investments by non-SPEs accounted likewise for the bulk of transactions, recording a 121.37% increase and accounting for 75.77%

of total net investments abroad. Net investments rose therefore by a larger fraction than gross investments, reflecting a fall of disinvestments by 26.14%. SPE investments abroad rose by a moderate 2.83% in 2004.

2.1.2 Other registered transactions

Data for acquisitions (minority or majority) of foreign companies between two Spanish residents belonging to different corporate groups⁸, and transactions obeying to corporate restructuring purposes between two parties (whether two residents (see Footnote 8) or a resident and a non-resident) belonging to the same corporate group, are shown in Table 22. Acquisitions between Spanish residents experienced a major rise (127.2%), a fact fully consistent with the increase in investment activity abroad by Spanish companies.

Table 22. Spanish investments abroad. Other registered transactions

Millions of euros

	2002			2003			2004		
	Gross	Disinvestments	Net	Gross	Disinvestments	Net	Gross	Disinvestments	Net
ACQUISITIONS BETWEEN RESIDENTS BELONGING TO DIFFERENT CORPORATE GROUPS	705	705	0	386	384	2	877	877	0
GROUP RESTRUCTURINGS	32777	32954	-177	8647	8548	99	22808	22671	137
-Transactions between residents	26253	26421	-168	3423	3334	89	16906	16769	137
-Transactions between residents and non residents	6524	6533	-9	5224	5214	10	5902	5902	0

Source: Foreign Investments Registry

Group restructurings equally experienced a significant rise in 2004. These transactions are typically due to the companies' wish to optimize overall fiscal and financial corporate management.

⁸ Balances between investments and disinvestments in this category equal zero as each transaction involves an recorded investment (accounting for the buyer) and a disinvestment (accounting for the seller).

2.2 Comparison between Spanish FDI inflows and outflows 1993-2004

Table 13 presents data for net foreign direct investments in Spain and net Spanish investments abroad for a twelve year-period ending in 2004. The difference between corresponding yearly figures in both series gives rise to a debit or a credit position for each period. As the table shows, until 1995 Spain recorded a debtor position given that net foreign direct investments in Spain were larger than net Spanish direct investments abroad. As from 1996 the position reversed, with the positive difference between Spanish investments abroad and foreign investments in Spain peaking dramatically in 2004.

Table 23: Net Spanish FDI balances* 1993-2004

Millions of euros

Period	Net Spanish Investments abroad A	Net Foreign investments in Spain B	Difference C = A - B	Net Balance Position
1993	796	3 573	-2 777	Debit
1994	3 113	3 238	-125	Debit
1995	2 840	3 544	-704	Debit
1996	3 314	2 770	544	Credit
1997	8 996	4 042	4 954	Credit
1998	12 237	4 082	8 155	Credit
1999	43 568	13 738	29 831	Credit
2000	50 792	29 322	21 470	Credit
2001	42 114	28 881	13 232	Credit
2002	29 764	28 290	1 474	Credit
2003	24 766	13 585	11 180	Credit
2004	42 430	6 335	36 096	Credit

Source: Foreign Investments Registry

*Includes SPEs.

2.3 Breakdown by number and value of investments, type of transaction, country, industry and Spanish region

2.3.1. Number and value of investments

Data for total number of non-SPE gross Spanish investments carried out in 2004 for each range of investment values are presented in Table 24. The first remark to be made is that the number of foreign investments in Spain, especially the smaller value ones, was well above that of Spanish investments abroad (9755 against 1467 respectively). Nonetheless the total value of Spanish investments abroad exceeded comfortably that of foreign investments in Spain. As for the distribution between number and value of Spanish investments abroad, in 2004 it

proved to be yet more unbalanced than in the case of foreign investments in Spain, with the eleven largest-value transactions accounting for 74.73% of total investment value and the 1,258 smaller-value transactions accounting for 2.15% of total investment value.

Table 24. Spanish investments abroad (gross non SPE) in 2004. Number and volume of investments

Range (million €)	Number of investments	Value of investments	
		Value (mill. €)	% of total
0 – 5	1 258	761	2,15
5 – 50	161	2 533	7,15
50 – 500	37	5 655	15,97
500 and above	11	26 457	74,73
TOTAL	1 467	35 406	100,00

Source: Foreign Investments Registry

2.3.2 Type of investment and disinvestment

Table 25 shows that a vast majority of gross non-SPE investments consisted in acquisitions (88.10% of total) and to a lesser extent in greenfield investments (11.9%). Acquisitions significantly increased by 135.58%, as has already been mentioned, while greenfield investments fell by 17.42%.

Table 25. Spanish investments abroad (gross non-SPE). Type of investment

Millions of euros

	2002		2003			2004		
	Amount	%	Amount	%	% change	Amount	%	% change
Greenfields	12938	51,18	5104	27,82	-60,55	4215	11,90	-17,42
New incorporations	1169	4,62	401	2,19	-65,70	390	1,10	-2,74
Extensions of capacity	11769	46,56	4703	25,64	-60,04	3825	10,80	-18,67
Mergers & Acquisitions	12340	48,82	13240	72,18	7,29	31191	88,10	135,58
TOTAL	25278	100,00	18344	100,00	-53,26	35406	100,00	118,16

Source: Foreign Investments Registry

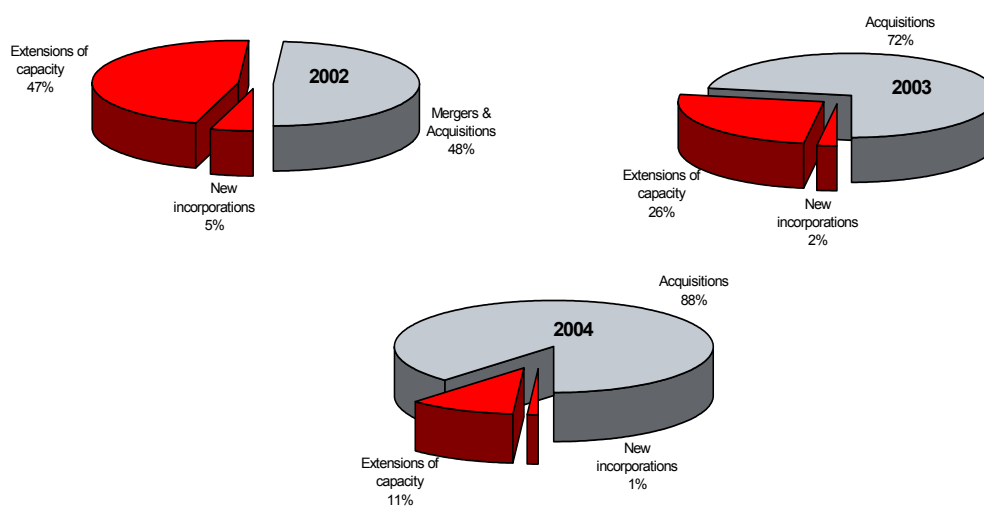
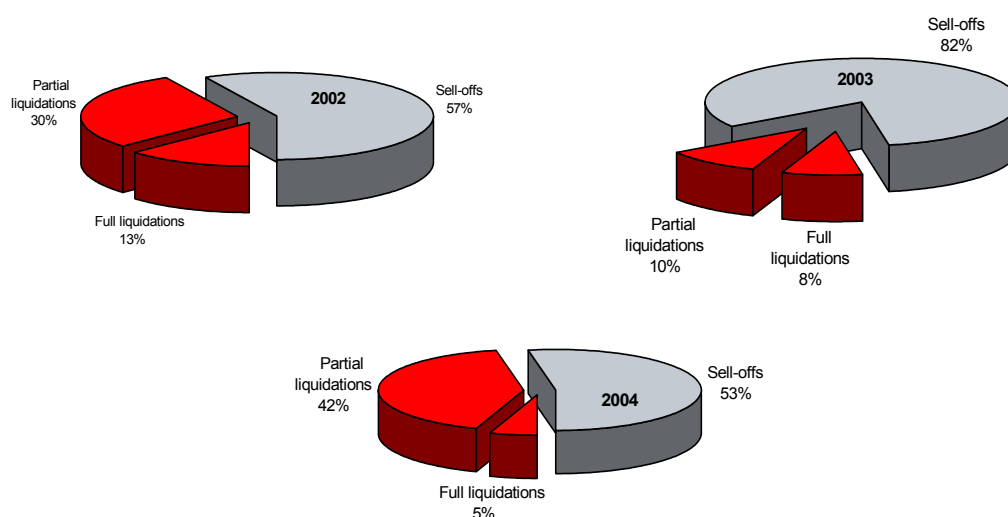


Table 26 shows data for type of Spanish disinvestments abroad. In 2004, the balance between liquidations, whether total or partial, and sell-offs was fairly even. Liquidations accounted for 46.99% of disinvestments, with partial liquidations (capital reductions) clearly dominating totals. Sell-offs, whether total or partial, to non residents accounted for 53.01% of total disinvestments, albeit their absolute figure declined by 52.12% as compared to 2003.

Table 26. Spanish disinvestments abroad (non SPE). Type of disinvestment

	Millions of euros							
	2002		2003			2004		
	Amount	%	Amount	%	% change	Amount	%	% change
Liquidations	6636	42,60	1062	18,24	-84,00	2020	46,99	90,21
Full liquidations	2027	13,01	493	8,47	-75,68	228	5,30	-53,75
Partial liquidations	4609	29,59	569	9,77	-87,65	1792	41,68	214,94
Sell-offs	8942	57,40	4760	81,76	-46,77	2279	53,01	-52,12
Total	15578	100,00	5822	100,00	-62,63	4299	100,00	-26,16

Source: Foreign Investments Registry



2.3.3 Immediate host countries

In 2004, OECD countries attracted most of non-SPE Spanish direct investments abroad, accounting for 83.53% of total investments (see Table 27). The European Union accounted for 78.66% of total investment. Latin America continued to lure Spanish direct investments in 2004, as warrant absolute investment figures in that region. However in relative terms, the weight of the region fell somewhat, to 14.4% from 25.25% in 2003. The leading individual countries of location for Spanish investments were United Kingdom (45.96% of total investment), France (12.13%), Netherlands (10.61%), Mexico (10.42%) and Italy (4.14%).

Table 27. Spanish investments abroad (non SPE). Immediate host countries

Millions of euros

COUNTRY	2.002		2.003				2.004			
	Gross	Net	Gross			Net	Gross			Net
			Amount	%	% change		Amount	%	% change	
OECD	18024	11252	11650	63,51	-35,36	10329	29575	83,53	153,86	26571
EUROPEAN UNION	13373	7278	9880	53,86	-26,12	9173	27850	78,66	181,88	25435
EUROPEAN UNION (15)	13311	7242	9218	50,25	-30,75	8615	27659	78,12	200,05	25245
UNITED KINGDOM	543	-1724	3294	17,96	506,63	3281	16274	45,96	394,05	16268
FRANCE	518	453	669	3,65	29,15	633	4296	12,13	542,15	3953
NETHERLANDS	3195	2358	410	2,24	-87,17	347	3756	10,61	816,10	3087
ITALY	140	128	909	4,96	549,29	812	1465	4,14	61,17	1298
PORTUGAL	1317	688	1582	8,62	20,12	1433	1141	3,22	-27,88	481
GERMANY	6777	5834	748	4,08	-88,96	727	338	0,95	-54,81	309
NEW EU COUNTRIES (10)	62	36	662	3,61	967,74	558	191	0,54	-71,15	190
POLAND	28	28	71	0,39	153,57	71	92	0,26	29,58	91
HUNGARY	28	2	541	2,95	1832,14	437	57	0,16	-89,46	57
EUROPEAN NON EU	1549	990	35	0,19	-97,74	-420	515	1,45	1371,43	470
NORWAY	6	6	4	0,02	-33,33	4	489	1,38	12125,00	489
NON EUROPEAN OECD	3102	2984	1735	9,46	-44,07	1576	1210	3,42	-30,26	666
UNITED STATES	1637	1518	1610	8,78	-1,65	1457	597	1,69	-62,92	582
CANADA	199	199	60	0,33	-69,85	58	528	1,49	780,00	199
OTHER EUROPEAN	65	65	6	0,03	-90,77	4	208	0,59	3366,67	199
RUSSIA	62	62	2	0,01	-96,77	2	202	0,57	10000,00	193
TAX HAVENS	266	19	352	1,92	32,33	235	361	1,02	2,56	-28
AFRICA	661	604	1653	9,01		1638	87	0,25	-94,74	79
SOUTH AFRICA	357	357	7	0,04	-98,04	7	28	0,08	300,00	28
NAMIBIA	0	0	6	0,03	n.c.	5	19	0,05	216,67	19
MOROCCO	175	132	1397	7,62	698,29	1388	13	0,04	-99,07	6
LATIN AMERICA	6067	1569	4631	25,25	-23,67	2088	5099	14,40	10,11	4787
MEXICO	1424	1330	879	4,79	-38,27	-702	3691	10,42	319,91	3551
CHILE	431	218	1897	10,34	340,14	1844	656	1,85	-65,42	676
BRAZIL	2230	-1698	747	4,07	-66,50	19	523	1,48	-29,99	543
ASIA	118	116	52	0,28	-55,93	18	76	0,21	46,15	72
CHINA	22	22	27	0,15	22,73	27	63	0,18	133,33	63
THAILAND	1	1	1	0,01	0,00	1	6	0,02	500,00	6
RESTO	1	1	0	0,00		-3	1	0,00		0
TOTAL	25202	13626	18344	100,00	-27,21	14309	35407	100,00	93,02	31680

Source: Foreign Investments Registry

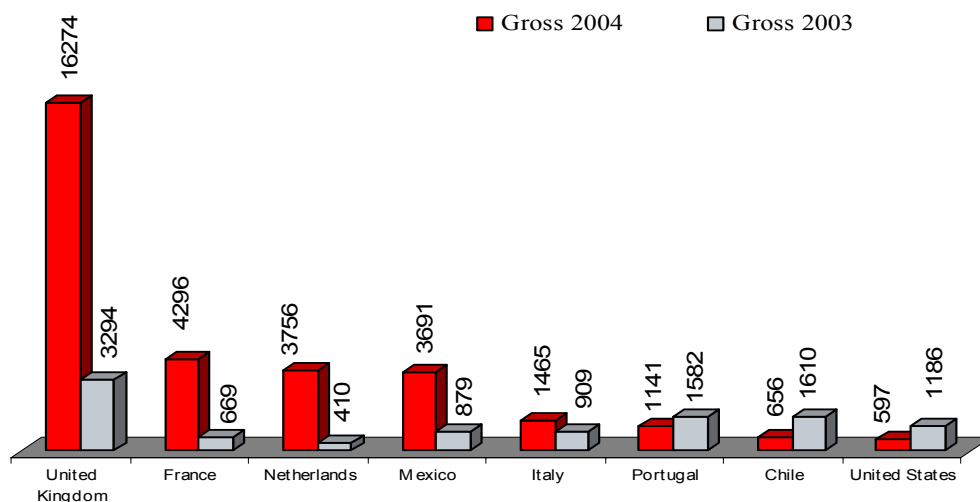


Table 28. Spanish investments abroad (gross non SPE). Top 15 immediate host countries

Millions of euros

COUNTRY	2003		2004	
	Amount	Ranking position	Amount	Ranking position
UNITED KINGDOM	3294	1	16274	1
FRANCE	669	11	4296	2
NETHERLANDS	410	14	3756	3
MEXICO	879	7	3691	4
ITALY	909	6	1465	5
PORTUGAL	1582	4	1141	6
CHILE	1897	2	686	7
UNITED STATES	1610	3	597	8
CANADA	60	25	528	9
BRAZIL	747	9	523	10
NORWAY	4	50	489	11
GERMANY	748	8	338	12
CAYMAN ISLANDS	326	18	325	13
RUSSIA	2	62	202	14
BELGIUM	163	22	95	15

Source: Foreign Investments Registry

High investment figures for United Kingdom owe to an exceptionally important acquisition in the financial sector. Likewise, France, the Netherlands and Mexico were preferred locations for major acquisitions in the real estate, telecommunications and financial sectors.

It is to be noted that in the case of Spanish investments abroad data on host countries refer to the first or immediate country of destination and not to the ultimate investing country. Hence some countries included in Tables 27 and 28 may not reflect the ultimate geographical location that actually hosts those outflows.

Table 29. Spanish investments abroad by SPEs. Immediate host countries

Millones de euros

COUNTRY	2.002		2.003				2.004			
	Gross	Net	Gross			Net	Gross			Net
			Amount	%	% change		Amount	%	% change	
OECD	15588	11771	9370	76,53	-39,89	8209	8298	73,28	-11,44	7984
EUROPEAN UNION (EU)	13801	9990	9102	74,34	-34,05	8037	6815	60,18	-25,13	6550
EUROPEAN UNION (15)	13781	9970	8594	70,19	-37,64	7534	5148	45,46	-40,10	4923
NETHERLANDS	1581	1117	1145	9,35	-27,58	1025	942	8,32	-17,73	869
GERMANY	70	69	4747	38,77	6681,43	4747	752	6,64	-84,16	732
FRANCE	396	328	311	2,54	-21,46	175	633	5,59	103,54	633
BELGIUM	52	-146	463	3,78	790,38	-243	574	5,07	23,97	574
ITALY	707	697	592	4,84	-16,27	579	504	4,45	-14,86	472
NEW EU COUNTRIES (10)	20	20	508	4,15		503	1667	14,72	228,15	1627
HUNGARY	3	3	498	4,07		498	1652	14,59	231,73	1612
NON EU EUROPEAN	359	353	118	0,96	-67,13	93	1156	10,21	879,66	1118
SWITZERLAND	266	261	118	0,96	-55,64	93	1135	10,02	861,86	1106
NON EUROPEAN OECD	1428	1428	150	1,23	-89,50	79	327	2,89	118,00	316
UNITED STATES	36	36	150	1,23	316,67	83	326	2,88	117,33	315
OTHER EUROPEAN	20	1	0	0,00	-100,00	-20	8	0,07		8
TAX HAVENS	0	-3	79	0,65		78	38	0,34	-51,90	38
AFRICA	4	4	0	0,00	-100,00	0	0	0,00		0
LATIN AMERICA	4527	4364	2795	22,83	-38,26	2198	2831	25,00	1,29	2580
MEXICO	223	99	288	2,35	29,15	287	1690	14,92	486,81	1649
ARGENTINA	4057	4057	1121	9,16	-72,37	534	1027	9,07	-8,39	817
REST	1	1	0	0,00	-100,00	-11	149	1,32		142
TOTAL	20140	16138	12244	100,00	-39,21	10454	11324	100,00	-7,51	10752

Source: Foreign Investments Registry

As is shown in Table 29, the main countries of location for investments by SPEs in 2004 were Mexico (14.92% of total), Hungary (14.59%), Switzerland (10.02%), Argentina (9.07%), the Netherlands (8.32%), Germany (6.64%), France (5.59%), Belgium (5.07%) and Italy (4.45%).

2.3.4 Industries of the direct investment enterprise and of the direct investor

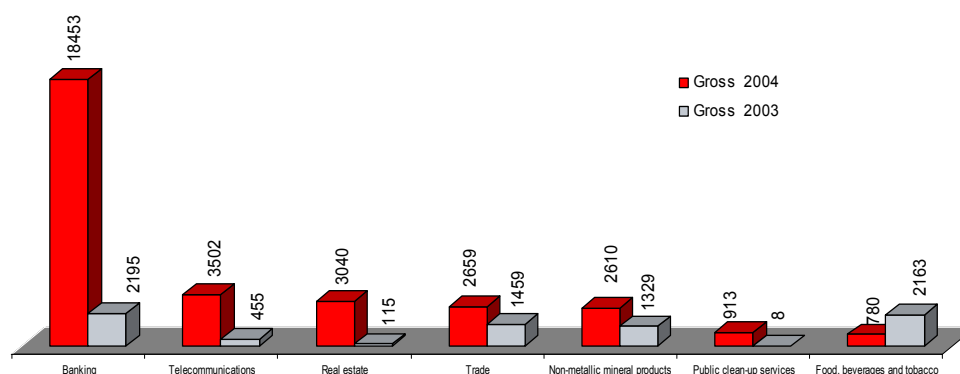
Tables 30 and 31 present data on non-SPE investments abroad by industry in the direct investment enterprise. The top industry for Spanish FDI investments in 2004 was the Banking sector, which attracted 18,453 million euros. Two major acquisitions accounted for most of that amount. Other industries to attract Spanish FDI outflows were Telecommunications (9.89% of total), Real estate (8.59%), Trade (7.51%) and Cement (7.37%).

Table 30. Spanish investments abroad (non SPE). Industries in the direct investment enterprise

Millions of euros

HOST INDUSTRY	2002		2003				2004			
	Gross	Net	Gross			Net	Gross			Net
			Amount	%	% change		Amount	%	% change	
AGRICULTURE, FORESTRY AND FISHING	73	11	36	0,20	-50,68	29	39	0,11	8,33	30
ELECTRICITY, GAS AND WATER	653	591	2425	13,22	271,36	2226	750	2,12	-69,07	706
GAS	89	89	65	0,35	-26,97	64	403	1,14	520,00	401
ELECTRICITY	535	474	2341	12,76	337,57	2194	346	0,98	-85,22	313
MINING, QUARRING AND PETROLEUM	2083	1579	1166	6,36	-44,02	1146	2	0,01	-99,83	2
FOOD, BEVERAGES AND TOBACCO	743	686	2163	11,79	191,12	2109	780	2,20	-63,94	749
TEXTILES AND CLOTHING	44	42	695	3,79	1479,55	695	9	0,03	-98,71	8
PAPER, PRINTING AND PUBLISHING	493	455	128	0,70	-74,04	113	72	0,20	-43,75	71
CHEMICALS, RUBBER AND PLASTICS	420	387	2763	15,06	557,86	2610	156	0,44	-94,35	97
RUBBER AND PLASTICS	120	103	75	0,41	-37,50	68	104	0,29	38,67	48
CHEMICALS	300	284	2688	14,65	796,00	2542	52	0,15	-98,07	49
OTHER MANUFACTURING	3364	3082	2331	12,71	-30,71	1790	3570	10,08	53,15	2820
NON-METALLIC MINERAL PRODUCTS	2521	2339	1329	7,24	-47,28	1205	2610	7,37	96,39	2167
MOTOR VEHICLES	192	142	279	1,52	45,31	267	280	0,79	0,36	252
CONSTRUCTION	1057	337	229	1,25	-78,33	225	79	0,22	-65,50	37
TRADE	1600	1024	1459	7,95	-8,81	1371	2659	7,51	82,25	2414
HOTELS AND RESTAURANTS	330	328	228	1,24	-30,91	216	39	0,11	-82,89	-16
TRANSPORT AND COMMUNICATIONS	8674	7682	1364	7,44	-84,27	1338	4100	11,58	200,59	2522
TELECOMMUNICATIONS	8042	7100	455	2,48	-94,34	438	3502	9,89	669,67	2762
BANKING AND INSURANCE	4393	-2403	2518	13,73	-42,68	-297	18613	52,57	639,20	17925
BANKING AND RELATED ACTIVITIES	4234	-2472	2195	11,97	-48,16	-500	18453	52,12	740,68	17996
REAL ESTATE AND OTHER SERVICES	1038	-353	673	3,67	-35,16	580	3385	9,56	402,97	3193
REAL ESTATE	157	-1127	115	0,63	-26,75	111	3040	8,59	2543,48	2980
INFORMATION TECHNOLOGY SERVICES	307	287	290	1,58	-5,54	285	285	0,80	-1,72	277
OTHER SERVICES	237	178	166	0,90	-29,96	159	1153	3,26	594,58	1121
PUBLIC CLEAN-UP SERVICES	190	181	8	0,04	-95,79	7	913	2,58	11312,50	913
TOTAL	25202	13626	18344	100,00	-27,21	14310	35406	100,00	93,01	31679

Source: Foreign Investments Registry



SPE investments abroad in 2004 were attracted by five main industries: Manufacturing (27.87%), Chemicals (26.32%), Finance (15.91%), Real Estate (8.59%) and Food and beverages(9.79%).

Table 31. Spanish investments abroad (non SPE). Top 15 industries of the direct investment enterprise
Millions of euros

HOST INDUSTRY	2003		2004	
	Amount	Ranking position	Amount	Ranking position
BANKING AND RELATED SERVICES	2195	3	18453	1
TELECOMMUNICATIONS	455	11	3502	2
REAL ESTATE	115	17	3040	3
TRADE	1459	5	2659	4
NON-METALLIC MINERAL PRODUCTS	1329	7	2610	5
HEALTH SERVICES	8	22	913	6
FOOD, BEVERAGES AND TOBACCO	2163	4	780	7
GAS	65	19	403	8
ELECTRICITY	2341	2	346	9
METAL AND METAL PRODUCTS	543	10	344	10
INFORMATION TECHNOLOGY SERVICES	290	12	285	11
MOTOR VEHICLES AND PARTS	279	13	280	12
PUBLIC CLEAN-UP SERVICES	38	20	110	13
RUBBER AND PLASTICS	75	18	104	14
CONSTRUCTION	229	14	79	15

Source: Foreign Investments Registry

Table 32. Spanish investments abroad by SPEs. Industries in the direct investment enterprise
Millions of euros

HOST INDUSTRY	2002		2003				2004			
	Gross	Net	Gross			Net	Gross			Net
			Amount	%	% change		Amount	%	% change	
AGRICULTURE, FORESTRY AND FISHING	191	191	138	1,13	-27,75	137	75	0,66	-45,65	-134
ELECTRICITY, GAS AND WATER	62	62	152	1,24	145,16	152	164	1,45	7,89	157
MINING, QUARRING AND PETROLEUM	1564	1564		0,00	-100,00	-5	516	4,56		516
FOOD AND BEVERAGES	200	-152	381	3,11	90,50	133	1109	9,79	191,08	1037
TEXTILES AND CLOTHING	73	73	100	0,82	36,99	99	31	0,27	-69,00	31
PAPER, PRINTING AND PUBLISHING	2177	2177	384	3,14	-82,36	348	20	0,18	-94,79	16
CHEMICALS, RUBBER AND PLASTICS	10270	10270	1015	8,29	-90,12	1015	2981	26,32	193,69	2890
OTHER MANUFACTURING	2711	2691	8621	70,41	218,00	7301	3156	27,87	-63,39	3084
CONSTRUCTION							100	0,88		100
TRADE	1333	1226	836	6,83	-37,28	830	108	0,95	-87,08	93
HOTELS AND RESTAURANTS	469	469		0,00	-100,00		7	0,06		
TRANSPORT AND COMMUNICATIONS	145	-54	105	0,86	-27,59	-15	86	0,76	-18,10	86
BANKING AND INSURANCE	712	573	136	1,11	-80,90	115	1802	15,91	1225,00	1749
REAL ESTATE AND OTHER SERVICES	202	-2983	363	2,96	79,70	342	1161	10,25	219,83	1136
OTHER	32	32	13	0,11	-59,38	3	8	0,07	-38,46	-7
TOTAL	20141	16139	12244	100,00	-39,21	10455	11324	100,00	-7,51	10754

Source: Foreign Investments Registry

Distribution by industry of the direct investor was in 2004 roughly similar to that of direct investment enterprise, as show data presented in Table 33, the reason being that Spanish companies followed the same pattern of industrial specialization when investing in Spain and abroad. It is worth noting that figures for sectoral distributions by percentage of total in Tables 30 and 33 are not identical because that Table 33, unlike Table 30, includes SPE investments as an additional category of direct investor industry.

Table 33. Spanish investments abroad. Industries of the direct investor

Millions of euros

HOME INDUSTRY	2002		2003				2004			
	Gross	Net	Gross			Net	Gross			Net
			Amount	%	% change		Amount	%	% change	
PHYSICAL PERSONS	71	61	27	0,09	-61,97	-2	30	0,06	11,11	-6
AGRICULTURE, FORESTRY AND FISHING	63	2	16	0,05	-74,60	11	34	0,07	112,50	25
ELECTRICITY, GAS AND WATER	618	615	745	2,44	20,55	604	146	0,31	-80,40	138
MINING, QUARRING AND PETROLEUM	49	29	993	3,25	1926,53	993	2	0,00	-99,80	-1
FOOD, BEVERAGES AND TOBACCO	206	85	1476	4,83	616,50	1468	386	0,83	-73,85	380
TEXTILES AND CLOTHING	185	173	126	0,41	-31,89	126	118	0,25	-6,35	118
PAPER, PRINTING AND PUBLISHING	491	454	140	0,46	-71,49	125	6	0,01	-95,71	5
CHEMICALS, RUBBER AND PLASTICS	803	779	947	3,10	17,93	792	702	1,50	-25,87	641
CHEMICALS	652	646	850	2,78	30,37	704	619	1,32	-27,18	614
OTHER MANUFACTURING	4492	3768	1808	5,91	-59,75	1227	2883	6,17	59,46	2425
NON-METALLIC MINERAL PRODUCTS	1390	1227	985	3,22	-29,14	841	2434	5,21	147,11	2293
MOTOR VEHICLES	362	340	156	0,51	-56,91	150	254	0,54	62,82	246
CONSTRUCTION	1094	372	231	0,76	-78,88	227	60	0,13	-74,03	31
TRADE	930	885	983	3,21	5,70	944	1983	4,24	101,73	1729
HOTELS AND RESTAURANTS	295	293	143	0,47	-51,53	127	15	0,03	-89,51	-34
TRANSPORT AND COMMUNICATIONS	6128	5441	1055	3,45	-82,78	1033	673	1,44	-36,21	-337
TELECOMMUNICATIONS	5839	5203	394	1,29	-93,25	378	76	0,16	-80,71	-95
BANKING AND INSURANCE	3211	-2317	1815	5,93	-43,48	-637	17291	37,00	852,67	16851
BANKING	3170	-2312	1711	5,59	-46,03	-678	17150	36,70	902,34	16724
REAL ESTATE AND OTHER SERVICES	1040	858	596	1,95	-42,69	513	3074	6,58	415,77	2923
REAL ESTATE	166	138	85	0,28	-48,80	80	2885	6,17	3294,12	2835
HOLDING COMPANIES	25624	18269	19199	62,77	-25,07	16931	19254	41,20	0,29	17491
HOLDINGS OWNED BY RESIDENTS	5483	2131	6955	22,74	26,85	6476	7930	16,97	14,02	6740
SPEs	20141	16138	12244	40,03	-39,21	10456	11324	24,23	-7,51	10752
OTHER	40	-3	288	0,94	620,00	284	73	0,16	-74,65	52
TOTAL	45340	29764	30588	100,00	-32,54	24766	46730	99,94	52,77	42437

Source: Foreign Investments Registry

2.3.5 Autonomous region of the direct investor

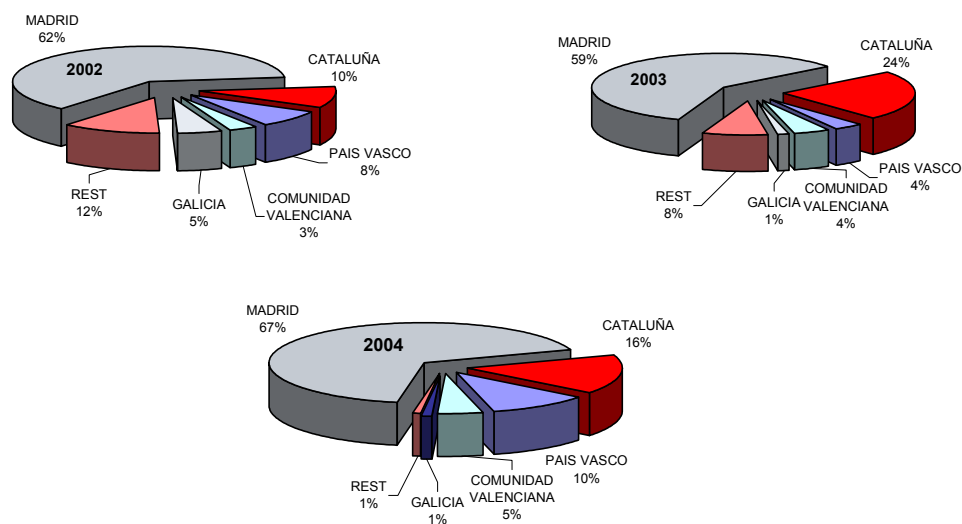
The Spanish Autonomous regions of the direct investors during 2004 are listed in Table 34. Non-SPE investors were mainly located in Madrid (66.96%), Cataluña (15.85%), País Vasco (10.39%), Comunidad Valenciana (4.79%) and Galicia (1.29%). The rest of regions were of a much lesser importance.

Table 34. Spanish investments abroad (non SPE). Autonomous region of the direct investor

Millions of euros

AUTONOMOUS REGION	2002		2003			2004		
	Amount	%	Amount	%	% change	Amount	%	% change
ANDALUCIA	144	0,57	67	0,37	-53	23	0,06	-65,67
ARAGON	284	1,13	49	0,27	-83	2	0,01	-95,92
ASTURIAS	2098	8,32	61	0,33	-97	1	0,00	-98,36
BALEARES	157	0,62	587	3,20	274	5	0,01	-99,15
CANARIAS	31	0,12	9	0,05	-71	11	0,03	22,22
CANTABRIA	18	0,07	10	0,05	-44	125	0,35	1150,00
CASTILLA Y LEON	74	0,29	66	0,36	-11	35	0,10	-46,97
CASTILLA-LA MANCHA	11	0,04	14	0,08	27	4	0,01	-71,43
CATALUÑA	2509	9,96	4327	23,59	72	5611	15,85	29,67
COMUNIDAD VALENCIANA	872	3,46	825	4,50	-5	1696	4,79	105,58
EXTREMADURA	7	0,03	2	0,01	-71		0,00	-100,00
GALICIA	1333	5,29	211	1,15	-84	458	1,29	117,06
MADRID	15586	61,84	10795	58,85	-31	23708	66,96	119,62
MURCIA	2	0,01	595	3,24	29650	18	0,05	-96,97
NAVARRA	114	0,45	27	0,15	-76	24	0,07	-11,11
PAIS VASCO	1962	7,79	684	3,73	-65	3679	10,39	437,87
LA RIOJA		0,00	15	0,08		6	0,02	-60,00
CEUTA Y MELILLA		0,00		0,00			0,00	
TOTAL	25202	100,00	18344	100,00	-27	35406	100,00	93,01

Source: Foreign Investments Registry



PART 2: DEFINITIONS AND METHODOLOGY

DEFINITIONS AND METHODOLOGY

1 – CONCEPTS

1.1 Direct investments

This report includes data on FDI transactions, registered by the Foreign Investments Registry (FIR) of the Spanish Ministry of Industry, Tourism and Commerce, according to current legal definitions¹ that conform, albeit with exceptions, to agreed methodology within the International Monetary Fund (Balance of Payments Manual – 5th Edition) and OECD (Benchmark Definition of Foreign Direct Investment – third Edition). This methodology typically considers an investment to be direct when it allows the investor a visible degree of influence on the management of the direct investment enterprise.

Data on FDI compiled by the FIR basically include investments in branches and in share participations in non publicly quoted companies and in publicly quoted companies if capital participation equals or exceeds 10%.

1.2 Gross and net investments

Gross investments include all investments reported to the FIR, according to current legislation. Net investments are the result of subtracting reported disinvestments to gross investments.

1.3 Entidades de Tenencia de Valores Extranjeros - ETVEs (Special Purpose Entities - SPEs)

ETVEs are companies legally incorporated in Spain companies whose only purpose or activity is to hold foreign equity. They are regulated by a specific legislation². Investments consisting in new incorporations or extensions of capacity in ETVEs (liability) by way of foreign equity contributions (assets) involve

¹ “Real Decreto 664/1999, de 23 de abril sobre inversiones exteriores” (BOE 4 mayo 1999); “Orden de 28 de mayo de 2001, por la que se establecen los procedimientos aplicables para las declaraciones de inversiones exteriores y su liquidación, así como los procedimientos para la presentación de memorias anuales y de expedientes de autorización” (BOE 5 junio 2001); “Resolución de 21 de febrero de 2002 de la Dirección General de Comercio e Inversiones, por la que se aprueban los modelos impresos de declaración de inversiones exteriores cuando el obligado a declarar es el inversor o la empresa con participación extranjera y que sustituye a la Resolución de 30 de mayo de 2001, de esta Dirección General” (BOE 15 marzo 2002).

² “Ley 6/2000 de 13 de diciembre por la que se aprueban medidas fiscales urgentes de estímulo al ahorro familiar y a la pequeña y mediana empresa (BOE 14 diciembre 2000) que modificó la Ley 43/95 de 27 de diciembre, del Impuesto sobre Sociedades” (BOE 28 diciembre 1995).

simultaneous reporting to the FIR of a foreign investment in Spain (liability increase) and a Spanish investment abroad (asset increase). ETVEs may qualify as Special Purpose Entities of a purely financial kind, as defined by current international methodology. They allow international companies fiscal advantages whereby income received by ETVEs from their foreign affiliates is not taxable in Spain, if certain conditions are met. The fact that the value added by ETVEs to the Spanish economy is close to zero, coupled with the fact that SPE investments typically involve huge investment values, explains why the FIR has sought from the outset to present data for ETVE (SPE) investments separately from non-SPE investments wherever possible.

Investments abroad by ETVEs controlled by Spanish residents are included in non-SPE data.

1.4 Countries and industries

Only countries or industries where, or from which, investments of a noticeable amount are carried out are expressly cited in the corresponding Tables. Countries or industries with investments of relatively low value are not expressly cited in the corresponding Tables, but data for them are included in higher ranking groupings.

Pure holding companies have been appointed to the same industries as their held companies.

2. DIFFERENCES BETWEEN DATA PUBLISHED BY THE FOREIGN INVESTMENTS REGISTRY AND THE BANK OF SPAIN (BALANCE OF PAYMENTS)

The main differences between FDI data published by the FIR and Bank of Spain (Balance of Payments) are listed below:

A) Conceptual differences

1. Loans:
The Balance of Payments includes intercompany loans in FDI data, but the FIR has not included them since 1999.
2. Real estate:
Balance of Payments FDI data include investments in real estate, whereas the FIR does not include this category in its FDI data.
3. Investments in publicly quoted companies when capital participation equals or exceeds 10%:
The FIR includes these investments in FDI data, while the Balance of Payments does not.

4. Investments for restructuring purposes:
FDI data published by the Balance of Payments include these investments, while FIR data do not.
- B) Differences accruing from different recording dates

The Balance of Payments records most investments on a real time cash basis, while the FIR records total amounts accrued on a one lump-sum basis.
- C) Differences in data actually published
 1. Net and gross figures
The FIR publishes gross as well as net FDI figures, while the Balance of Payments only publishes net figures.
 2. Other differences
The FIR publishes more detailed information on FDI than the Balance of Payments on various FDI features like breakdown by country (immediate and ultimate), industry (home or host), type of investment, number and value of investments, and Autonomous region (home or host).

3. PRELIMINARITY OF DATA

All data presented in this report are preliminary. Thus they may endure changes as a result of the process of revision and inclusion of new data that is permanently being carried out.

PART 3: INFORMATION ON THE INTERNET

INFORMATION ON THE INTERNET

This investment report and previous ones, as well as more detailed breakdowns and crossed data from 1993 through 2004 may be accessed through the web address www.mcx.es.

Click “Estadísticas” (for specific data) or “Publicaciones” (for reports).

If “Estadísticas” is the choice, click “Estadísticas de Inversiones Exteriores”. Then a choice is offered between “Flujos de Inversión Extranjera en España” or “Flujos de Inversión Española en el Extranjero”. If any figure is clicked, a menu options pops up offering a one-dimension breakdown by country, industry or Autonomous region. After clicking the selected option, two-dimension tables with crossed data by country-industry, country-region or industry-region may be accessed through the options menu on the upper part of the page. All internet data are expressed in millions of euros, except for crossed data, that are expressed in thousands of euros.

If “Publicaciones” is the choice, click the selected report.