



## Spain's Investment and Trade Flows with South Africa and the Western Cape

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## 1. Introduction

Spain is a country situated in South-Western Europe, adjoining the Mediterranean Sea, North Atlantic Ocean, Bay of Biscay, and Pyrenees Mountains. It shares borders with both France and Portugal on its North-East and West sides, respectively. It is a high-income country with a real gross domestic product (GDP)<sup>1</sup> of US\$ 1,241.28 billion in 2021. Based on the nominal GDP of 2021, Spain is the 6<sup>th</sup> largest economy in Europe and 14<sup>th</sup> in the world (Statistics Times, 2022). The country's 47.3 million inhabitants had a GDP per capita of US\$30,115.7 in 2021, according to the World Bank (2022). GDP per capita growth was 5.2% in 2021, which was in line with the 5.5% recorded by the European Union (EU).

The Spanish economy grew by 5.1% in 2021, following a decline of 10.8% in 2020. The country's GDP growth weakened to 0.2% in the first quarter of 2022 from 2.2% in the previous quarter. This was partly due to the negative impact of inflationary pressure on household spending. According to the European Commission (2022), Spain's inflation is forecasted at 6.3% in 2022, which is more than double the rate for 2021.



## 2. Foreign Direct Investment

This section analyses Spain's foreign direct investment (FDI) flows with Africa, South Africa and the Western Cape between January 2012 and May 2022.

### 2.1 Investor signals

The table below shows investor signals identified for Spanish companies into Africa over the past 24 months (June 2020 to June 2022). One out of the four signals (Glovo App) has been converted to FDI projects.

Table 1: Spanish Companies with investor signals into Africa, June 2020 - June 2022

No.	Signal date	Investing company	Industry sector	Signals
1	Jun 2022	Odilo	Software & IT services	New Funding/Resources for Expansion
2	Dec 2021	fonYou	Software & IT services	New Funding/Resources for Expansion
3	Sep 2021	Glovo App	Food & Beverages Software & IT services	New Investment Strategy
4	May 2021	Estrella Galicia	Food & Beverages	New Investment Strategy

Source: FDI Intelligence (2022)

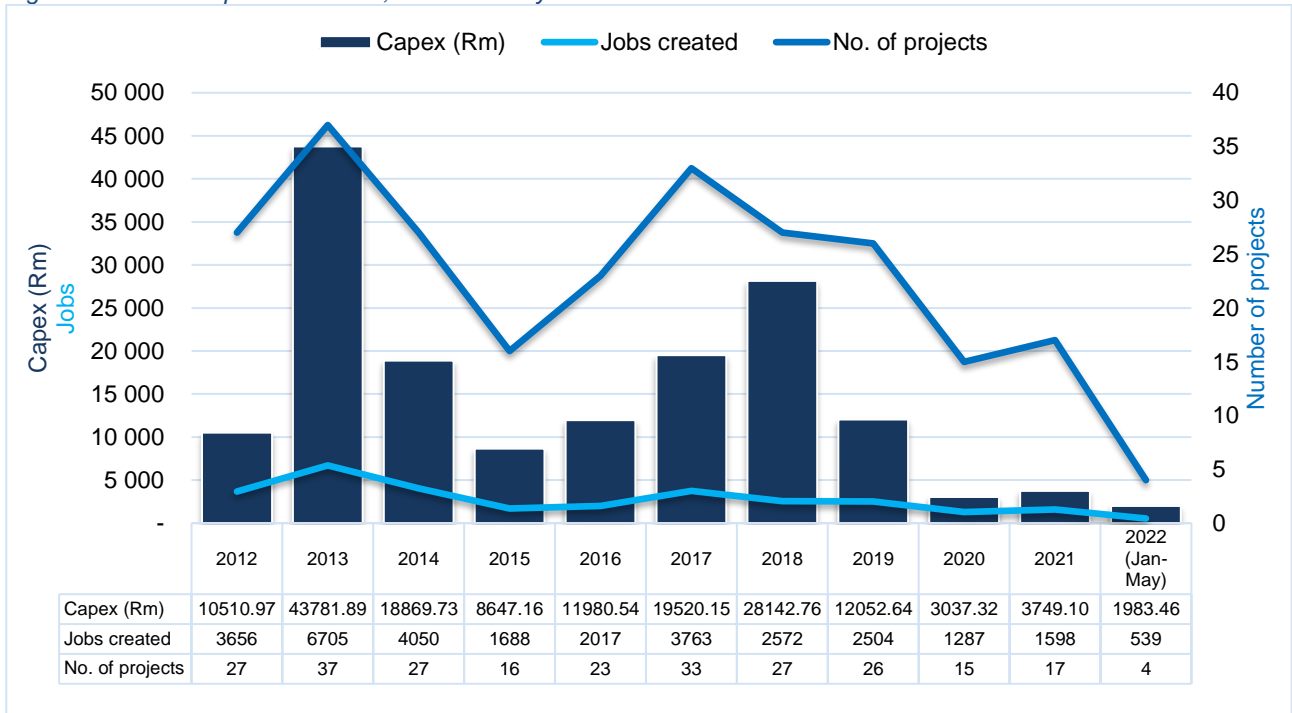
### 2.2 FDI from Spain into Africa

On the 29<sup>th</sup> of March 2021, Spain launched 'Africa Focus 2023', with the aim of expanding its economic engagement on the continent. The European country intends to extend its presence in Africa beyond North Africa, which has been its primary focus in recent years. This sub-section examines FDI trends by companies from Spain investing in Africa between January 2012 and May 2022.

During the review period, Africa recorded a total number of 252 FDI projects from 171 Spanish companies, which generated a total capital expenditure of R162.28 billion and created more than 30000 jobs. The continent's highest number of FDI projects from Spain were realised in 2013 as Figure 1 illustrates. This was also the year in which the highest number of FDI-related jobs and the largest capex were recorded.

<sup>1</sup> 2015 constant prices

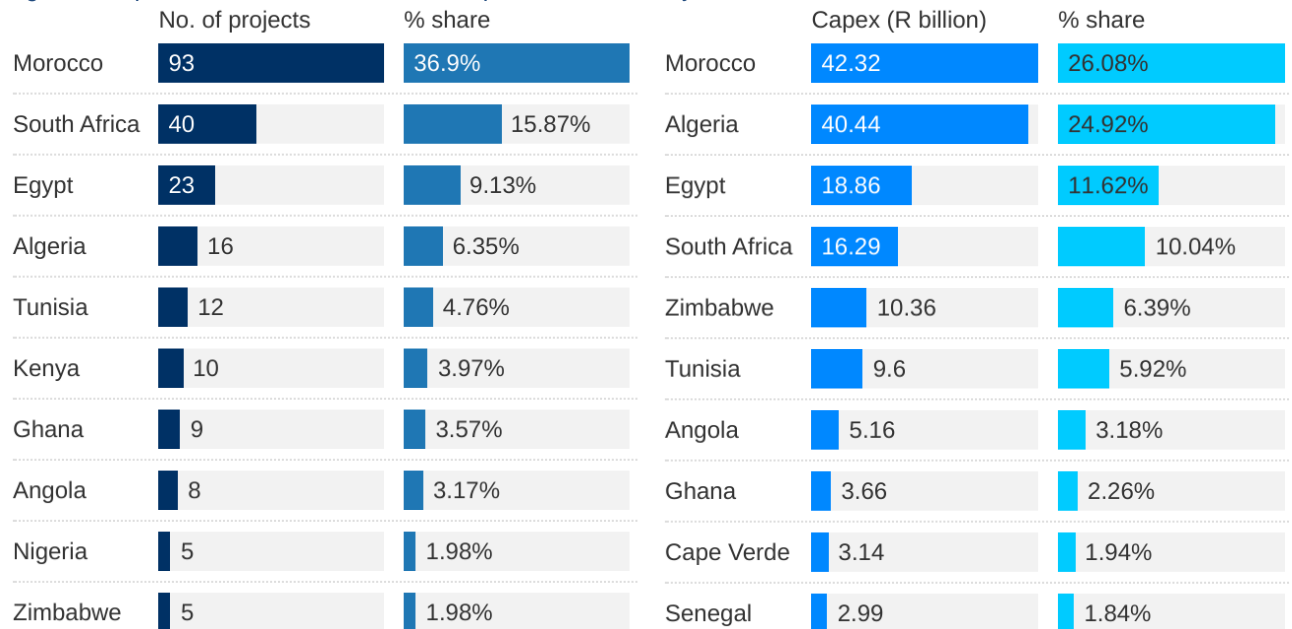
Figure 1: FDI from Spain into Africa, Jan 2012-May 2022



Source: FDI Intelligence (2022)

Between January 2012 and May 2022, outward FDI from Spain to Africa was the largest in Morocco (26.08%), followed by Algeria (24.92%) and Egypt (11.62%). With about 10% of capex, South Africa was ranked in 4<sup>th</sup> position. The top three African countries that received the highest number of FDI projects from Spain were the Morocco (36.90%), South Africa (15.87%) and Egypt (9.13%).

Figure 2: Top 10 Africa countries: FDI from Spain, Jan 2012-May 2022

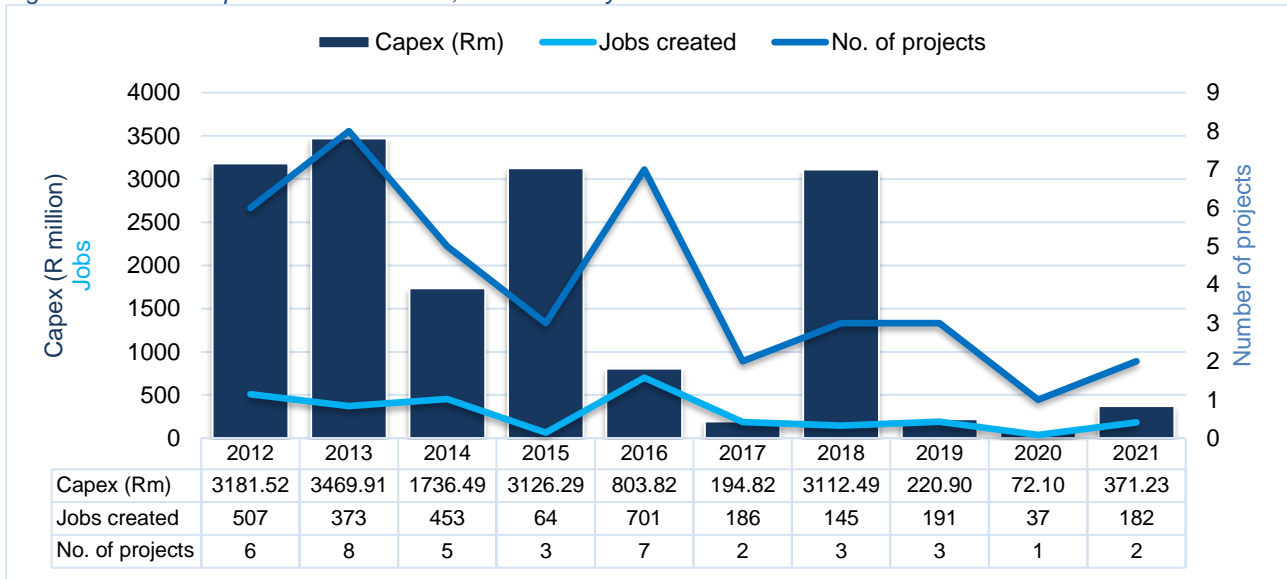


Source: FDI Intelligence (2022)

### 2.3 FDI from Spain to South Africa

Capital outflows from Spain to South Africa totalled R16.29 billion during the period under reviewed. These investments created 2839 jobs. The largest number of projects was announced in 2013, with eight projects that year representing a share of 20% of FDI from Spain to South Africa between January 2012 and May 2022. Moreover, the largest capex and the highest number of jobs were recorded in 2013 and 2016 respectively.

Figure 3: FDI from Spain into South Africa, Jan 2012-May 2022



Source: FDI Intelligence (2022)

Gauteng and the Western Cape accounted for half of the FDI projects from Spain. Out of the 40 FDI projects undertaken in South Africa by Spanish companies, 13 (representing 32.5%) were destined for Gauteng, while the Western Cape had a share of 17.5%.

Table 2: FDI from Spain into South Africa: by province, Jan 2012-May 2022

Destination State	No. of projects	% share of projects	Capex (Rm)	% share of capex
Gauteng	13	32.50%	873	5.36%
Western Cape	7	17.50%	4,014	24.65%
Northern Cape	3	7.50%	8,396	51.54%
KwaZulu-Natal	2	5.00%	474	2.91%
Eastern Cape	1	2.50%	68	0.41%
Not Specified	14	35.00%	2,465	15.13%
<b>Total</b>	<b>40</b>	<b>100.00%</b>	<b>16,288</b>	<b>100.00%</b>

Source: FDI Intelligence (2022)

Out of a total of 16 sectors, the top six accounted for two-thirds of projects. Electronic components (15%) and textiles (15%) were the leading industries in terms of the number of outward FDI project, followed by metal and renewable energy (with four projects each). Approximately 70% of capex that originated from Spain to South Africa, during the period under review, were made in the renewable energy industry, whereas metals and textiles accounted for 12.37% and 3.19% respectively.

Figure 4: FDI from Spain into South Africa: by sector, Jan 2012-May 2022

	No. of projects	% share of projects	Capex (Rm)	% share of capex
Electronic components	6	15	380.43	2.34
Textiles	6	15	520.03	3.19
Metals	4	10	2014.14	12.37
Renewable energy	4	10	11347	69.66
Consumer products	3	7.5	133.46	0.82
Industrial equipment	3	7.5	414.18	2.54
Ceramics & glass	2	5	154.93	0.95
Communications	2	5	144.2	0.89
Minerals	2	5	56.76	0.35
Software & IT services	2	5	289.93	1.78
Business services	1	2.5	150.33	0.92
Chemicals	1	2.5	50.62	0.31
Consumer electronics	1	2.5	167.21	1.03
Financial services	1	2.5	145.73	0.89
Leisure & entertainment	1	2.5	29.15	0.18
Plastics	1	2.5	291.46	1.79

Source: FDI Intelligence (2022)

Table 3 contains the top 10 companies from Spain with investment in South Africa between January 2015 and May 2022. A total of 31 companies from Spain invested in South Africa during the period under review. The top 10 companies accounted for 47.5% of FDI projects. With four FDI projects, Zara tops the list of the 10 leading Spanish companies that invested in South Africa from January 2012 to May 2022. The top three companies, in terms of capex, were Acciona, Abengoa and Grupo Acek. None of the top 10 companies had announced projects within the past twelve months.

Table 3: Top 10 companies: number of projects and capex, Jan 2012-May 2022

By project					By capex			
Rank	Company name	No of projects	Global projects	% of global projects	Rank	Investing company	Capex (Rm)	% share of capex
1	Zara	4	318	1.2	1	Acciona	5902.83	36.24%
2	Porcelanosa	2	58	3.4	2	Abengoa	2951.42	18.12%
3	Grupo Acek (Gestamp Group)	2	34	5.8	3	Grupo Acek (Gestamp Group)	2948.35	18.10%
4	Acciona	2	38	5.2	4	Made	1127.49	6.92%
5	Mango	2	321	0.6	5	Zara	385.03	2.36%
6	Cosentino	2	89	2.2	6	Hine	326.74	2.01%
7	GPTech	2	4	50	7	Gestamp Wind Steel	294.53	1.81%
8	Octilus	1	8	12.5	8	Molecor	291.46	1.79%
9	La Liga Nacional de Fútbol Profesional	1	10	10	9	GPTech	276.12	1.70%
10	Made	1	2	50	10	Adglow	168.74	1.04%

Source: FDI Intelligence (2022)

## 2.4 FDI from South Africa to Spain

There was a total of 10 FDI projects by companies of South African origin in the Spanish market between January 2012 and May 2022. These projects were accompanied by a total capital expenditure of R4.13 billion and generated 639 jobs. Gauteng accounted for 80% of these projects, while the remaining 20% were recorded in Kwa-Zulu-Natal. Furthermore, 60% of the FDI projects originated from South Africa to Spain, during the period under consideration, were in the transportation and warehousing industry. Barloworld Logistics is the leading company, accounting for 40% of FDI projects.

Table 4: South African companies investing in Spain, Jan 2012-May 2022

#	Project date	Investing company	Source country	Source state	Destination country	Sector	Jobs created	Capital investment
1	Jun 2013	Barloworld Finanzauto	South Africa	Gauteng	Spain	Industrial equipment	31	75
2	Jun 2013	Barloworld Finanzauto	South Africa	Gauteng	Spain	Industrial equipment	19	29
3	Oct 2013	Barloworld Logistics	South Africa	Gauteng	Spain	Transportation & Warehousing	103	776
4	Jun 2014	Barloworld Logistics	South Africa	Gauteng	Spain	Transportation & Warehousing	103	776
5	Jun 2014	Barloworld Logistics	South Africa	Gauteng	Spain	Transportation & Warehousing	103	776
6	Jun 2014	Barloworld Logistics	South Africa	Gauteng	Spain	Transportation & Warehousing	12	72
7	Nov 2014	Impro Technologies	South Africa	KwaZulu-Natal	Spain	Communications	12	32
8	Dec 2016	Palletways	South Africa	Gauteng	Spain	Transportation & Warehousing	103	776
9	Jun 2017	Palletways	South Africa	Gauteng	Spain	Transportation & Warehousing	103	776
10	Dec 2021	Derivco	South Africa	KwaZulu-Natal	Spain	Software & IT services	50	38
							<b>639</b>	<b>4,128</b>

Source: FDI Intelligence (2022)

## 2.5 FDI from Spain to the Western Cape

Between January 2012 and May 2022, the Western Cape received the second highest number of FDI projects and the second largest amount of capex from Spain compared to other provinces in South Africa. However, there was no outward FDI from the province to Spain during this period. As shown in Table 5, A total of seven FDI projects were undertaken by Spanish companies into the Western Cape, generating a capital inflow of R4.01 billion and creating 699 jobs in the process. The largest capex was recorded in September 2015 in the renewable energy industry, whereas the highest number of jobs were created in May 2012 in the metals industry. Moreover, Acciona; Grupo Acek; and Gestamp Wind Steel were the top three Spanish companies with the largest capex in the Western Cape.

Table 5: Companies from Spain investing in the Western Cape

#	Project date	Investing company	Source country	Destination state	Sector	Jobs created	Capital investment (Rm)
1	May 2012	Gestamp Wind Steel	Spain	Western Cape	Metals	250	294.53
2	May 2013	PROINSO	Spain	Western Cape	Electronic components	12	26.08
3	Jan 2014	Grupo Acek (Gestamp Group)	Spain	Western Cape	Metals	200	456.83
4	Apr 2014	LleidaNetworks Serveis Telematics	Spain	Western Cape	Communications	37	72.10
5	Sep 2015	Acciona	Spain	Western Cape	Renewable energy	21	2951.42
6	Oct 2016	Adglow	Spain	Western Cape	Software & IT services	64	168.74
7	Oct 2021	Neolith	Spain	Western Cape	Consumer products	115	44.49
						<b>699</b>	<b>4014.17</b>

Source: FDI Intelligence (2022)

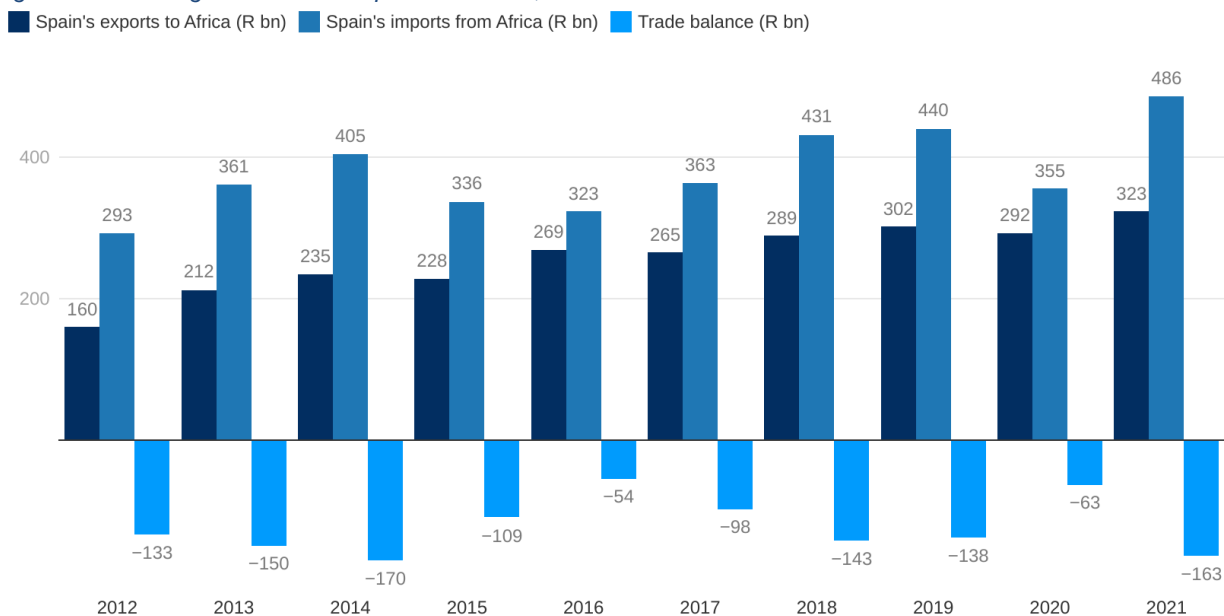
### 3. Trade

This section analyses Spain's trade with Africa, South Africa and the Western Cape.

#### 3.1 Spain's trade with Africa

Spain's export of goods to Africa accounted for approximately 6% of its total exports in 2021, while about 8% of its total goods imports came from the continent. Figure 5 shows Spain's trade in goods with Africa between 2012 and 2021. As evident in Figure 5, Spain consistently maintained a trade (goods only) deficit with Africa between 2012 and 2021. Spain's trade with Africa increased in 2021, following a decline of 3.16% and 19.19% in exports and imports respectively in 2020. The country's goods exports to Africa increased by 10.62% in 2021. Likewise, its goods imports from the continent increased by 36.84% in 2021.

Figure 5: Trade in goods between Spain and Africa, 2012-2021

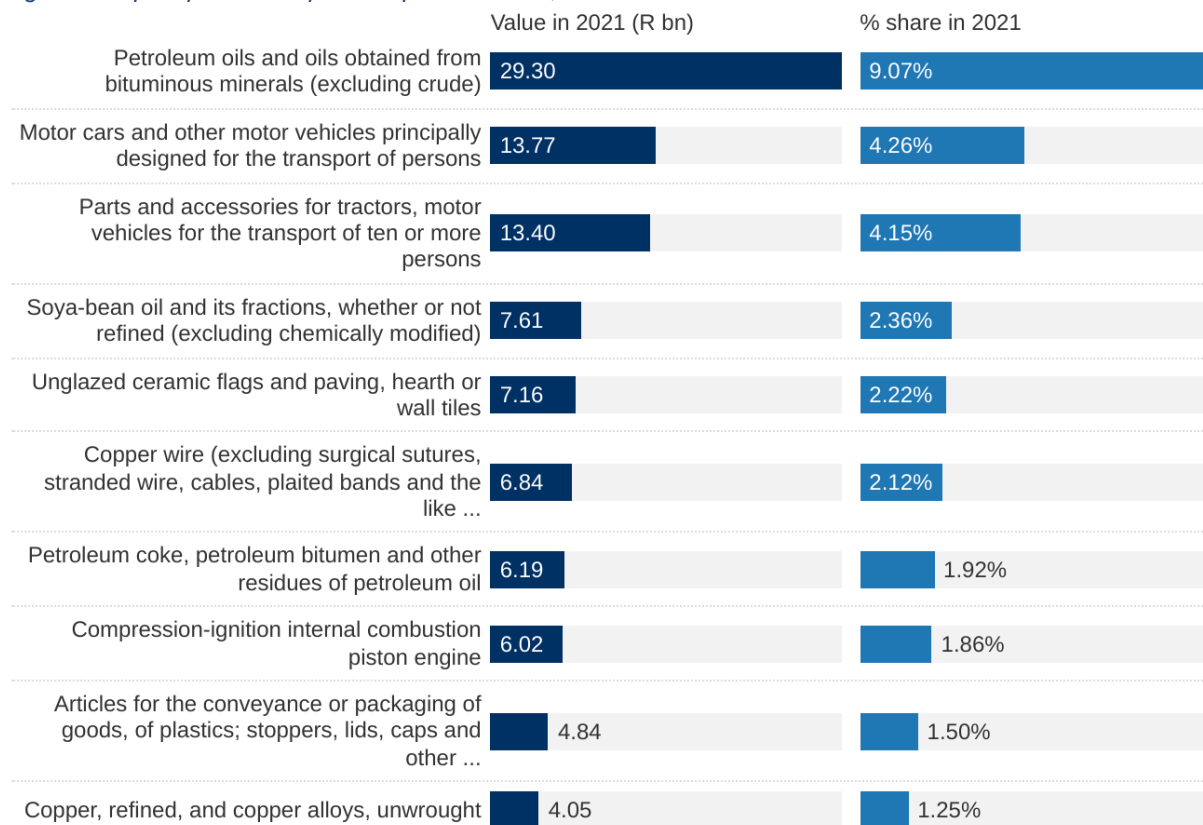


Source: Trade Map (2022)



As shown in Figure 6, non-crude petroleum oils, were Spain's top exported product to Africa in 2021, accounting for 9.07% of its total exports to the continent. Motor cars principally designed for the transport of persons (4.26%) and parts and accessories for tractors and motor vehicles for the transport of 10 or more persons (4.15%) were, respectively, the second and third largest categories of the country's goods exports to Africa.

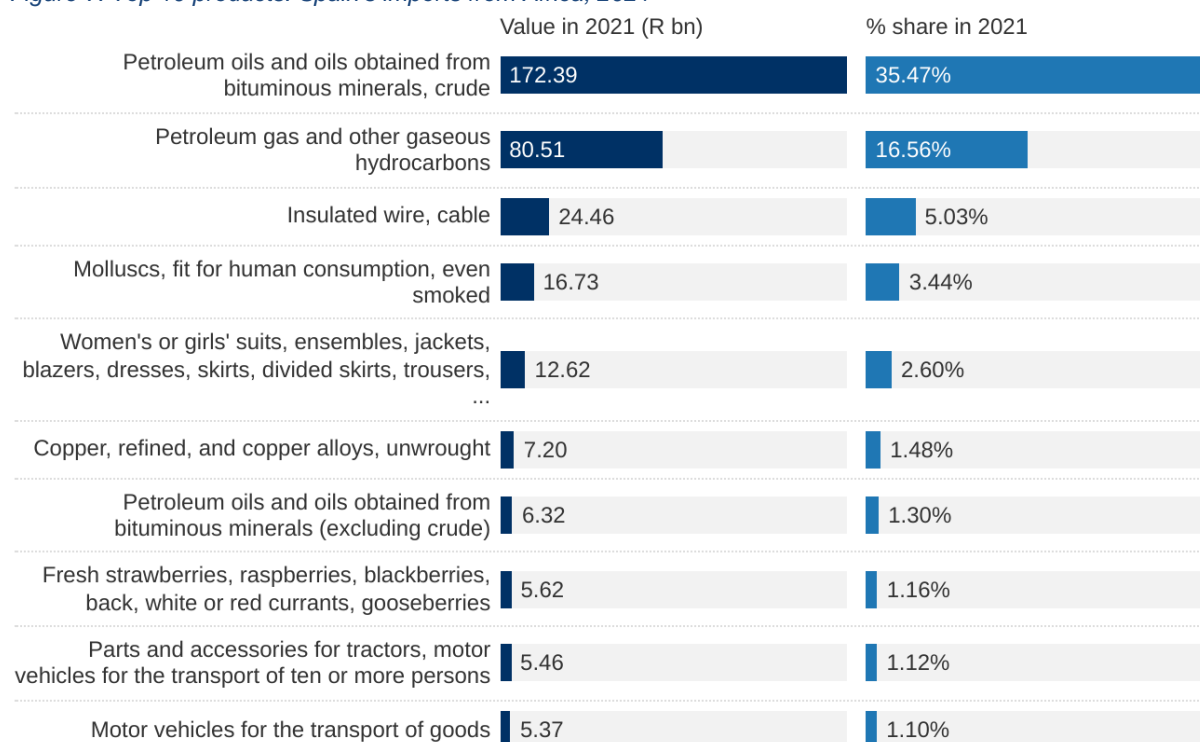
Figure 6: Top 10 products: Spain's exports to Africa, 2021



Source: Trade Map (2022)

Crude petroleum oils (35.47%); petroleum gases and other gaseous hydrocarbons (16.56%); and insulated wire (5.03%) were the top three products exported by Spain to Africa in 2021 as shown in Figure 7 below. The top three products accounted for more than half of the country's goods exports to Africa.

Figure 7: Top 10 products: Spain's imports from Africa, 2021



Source: Trade Map (2022)

In 2021, Spain's major trading partners, from the African continent, for its goods exports were Morocco, Algeria and Egypt as can be seen in Table 6. The top three African countries that purchased goods originating from Spain were from the northern part of the continent, with Morocco accounting for more than half. Furthermore, Morocco was the top African supplier of goods imported into Spain in 2021, accounting for 26.22% of Spain's goods imports from the continent. Nigeria (20.32%) and Algeria (17.12%) completed the list of the top three African countries exporting goods to Spain in this particular year. South Africa was ranked 4<sup>th</sup> and 6<sup>th</sup>, respectively, in terms of Spain's exports to and imports from Africa.

Table 6: Top 10 African countries importing from and exporting to Spain, 2021

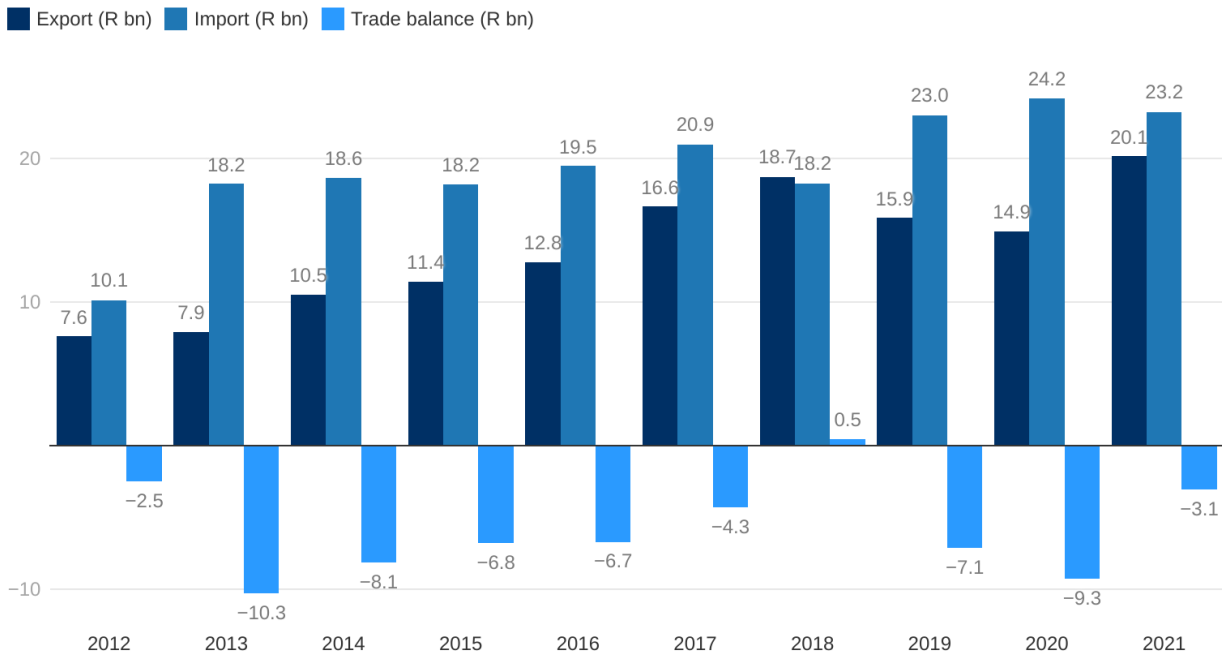
Spain's exports to Africa				Spain's imports from Africa			
Rank	Importers	Exported value in 2021	% share in 2021	Rank	Exporters	Imported value in 2021	% share in 2021
1	Morocco	165.83	51.34%	1	Morocco	127.44	26.22%
2	Algeria	32.96	10.20%	2	Nigeria	98.78	20.32%
3	Egypt	27.81	8.61%	3	Algeria	83.23	17.12%
4	South Africa	22.75	7.04%	4	Libya, State of	50.58	10.41%
5	Tunisia	13.65	4.23%	5	Egypt	20.79	4.28%
6	Nigeria	7.36	2.28%	6	South Africa	20.01	4.12%
7	Senegal	5.81	1.80%	7	Equatorial Guinea	11.86	2.44%
8	Libya, State of	5.41	1.68%	8	Angola	10.91	2.25%
9	Côte d'Ivoire	5.08	1.57%	9	Tunisia	10.28	2.12%
10	Ghana	4.30	1.33%	10	Côte d'Ivoire	6.43	1.32%

Source: Trade Map (2022)

### 3.2 South Africa's trade with Spain

Figure 8 shows South Africa's trade in goods with Spain between 2012 and 2021. South Africa, generally, imports more from Spain than it exports to the European country, except in 2018. In 2021, South Africa exported R20.14 billion worth of goods to Spain, whereas R23.21 billion worth of goods moved in the opposite direction. South Africa's exports to Spain increased by 35.06% in 2021, while its imports from the European country declined by 3.97% in the same year. This resulted in about 66.79% decline in South Africa's trade deficit with Spain.

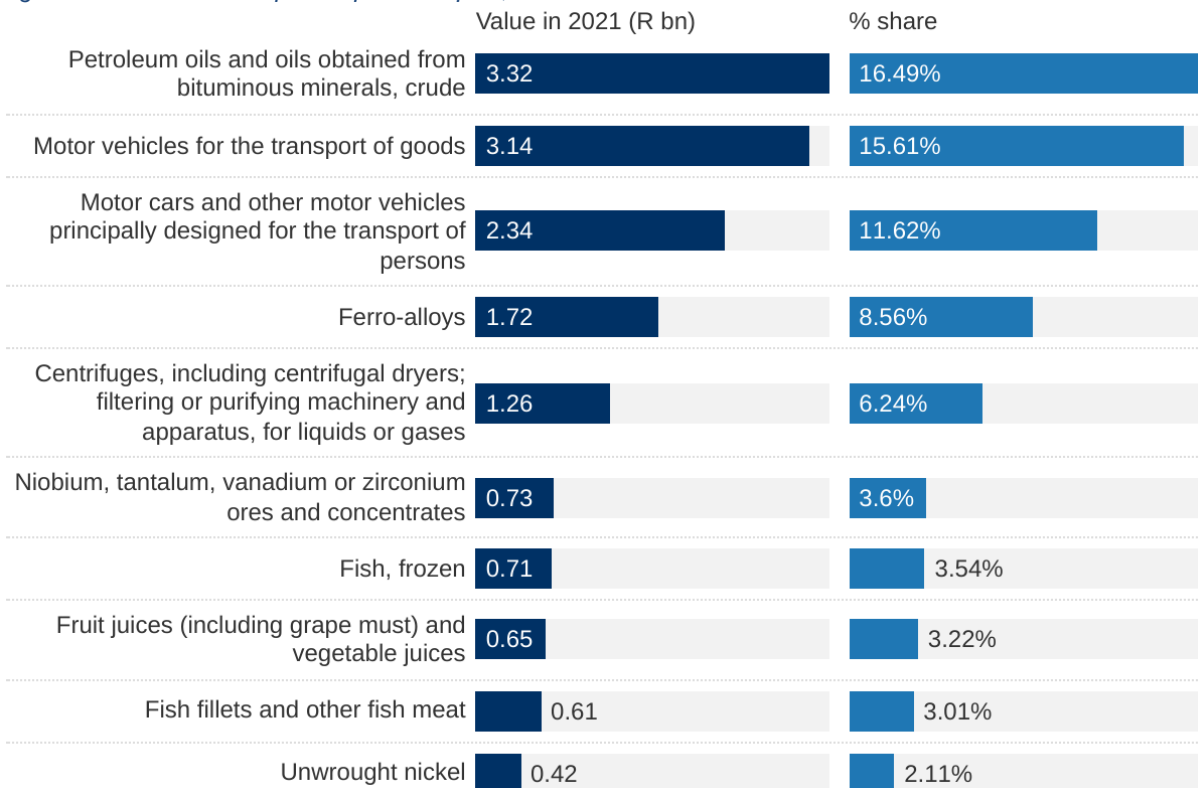
Figure 8: Trade between South Africa and Spain, 2012-2021



Source: Quantec (2022)

Crude petroleum oils, which was South Africa's largest exported product to Spain in 2021, accounted for 16.49% of the country's total exports to the European nation. Motor vehicles for the transport of goods (15.61%) and motor cars and other motor vehicles principally designed for the transport of persons (11.62%) completed the list of the top three South African products which were exported to Spain in the past year.

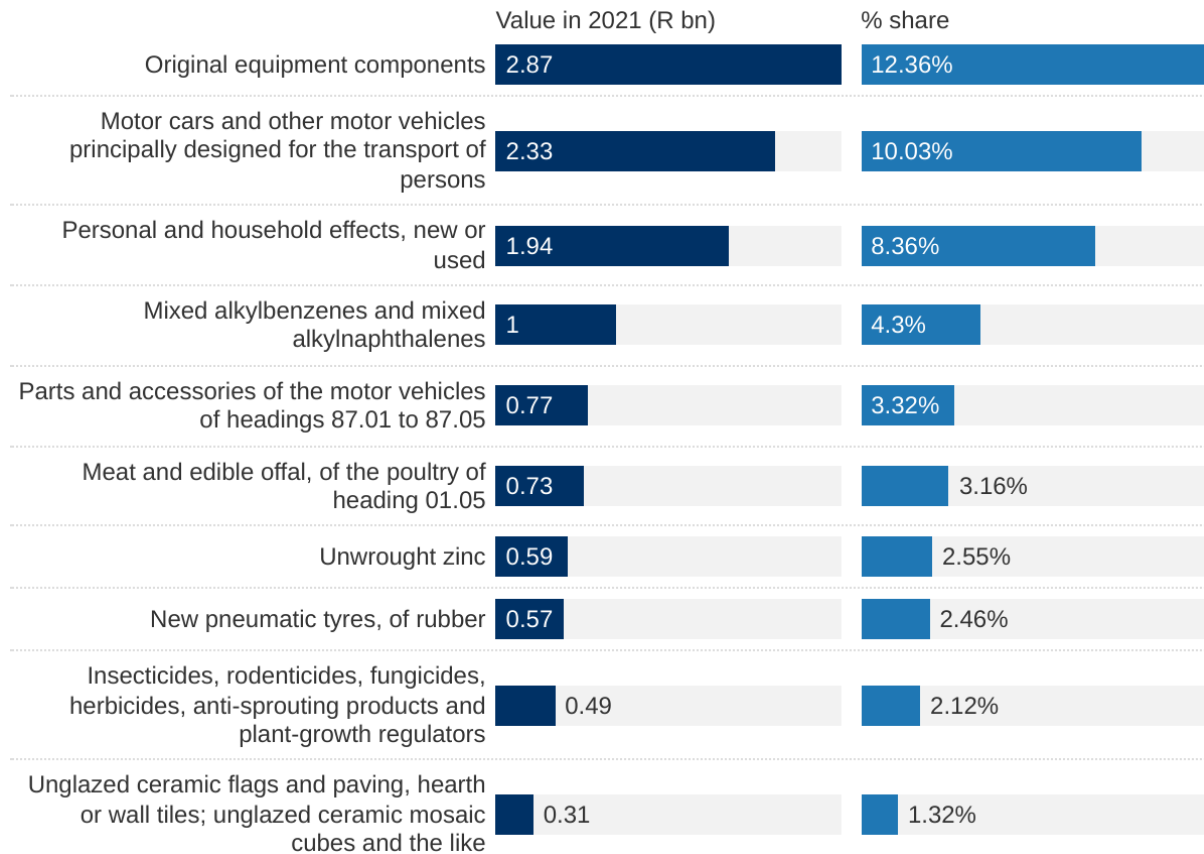
Figure 9: South Africa's top 10 exports to Spain, 2021



Source: Quantec (2022)

As shown in Figure 10, the top three Spanish products that were imported to South Africa in 2021 were original equipment components (12.36%); motor cars and other vehicles principally designed for the transport of persons (10.03%); and personal and household effects (8.36%).

Figure 10: South Africa's top 10 imports from Spain, 2021

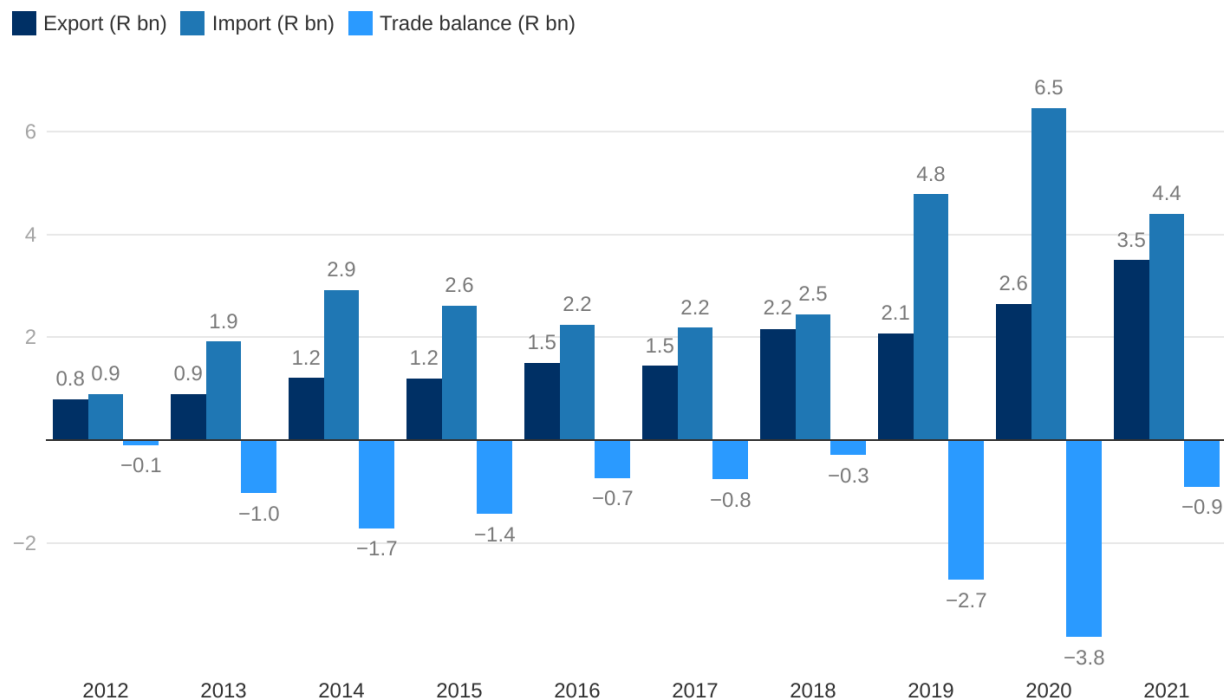


Source: Quantec (2022)

### 3.3 Trade flows between the Western Cape and Spain

Figure 11 highlights the Western Cape's trade in goods with Spain for the period, 2012-2020. The province's exports to Spain, which has been rising since 2017, increase by 32.32% in 2021. On the other hand, the Western Cape's imports from Spain decreased from R6.46 billion in 2020 to R4.40 billion in 2021, representing a growth rate of -31.9%.

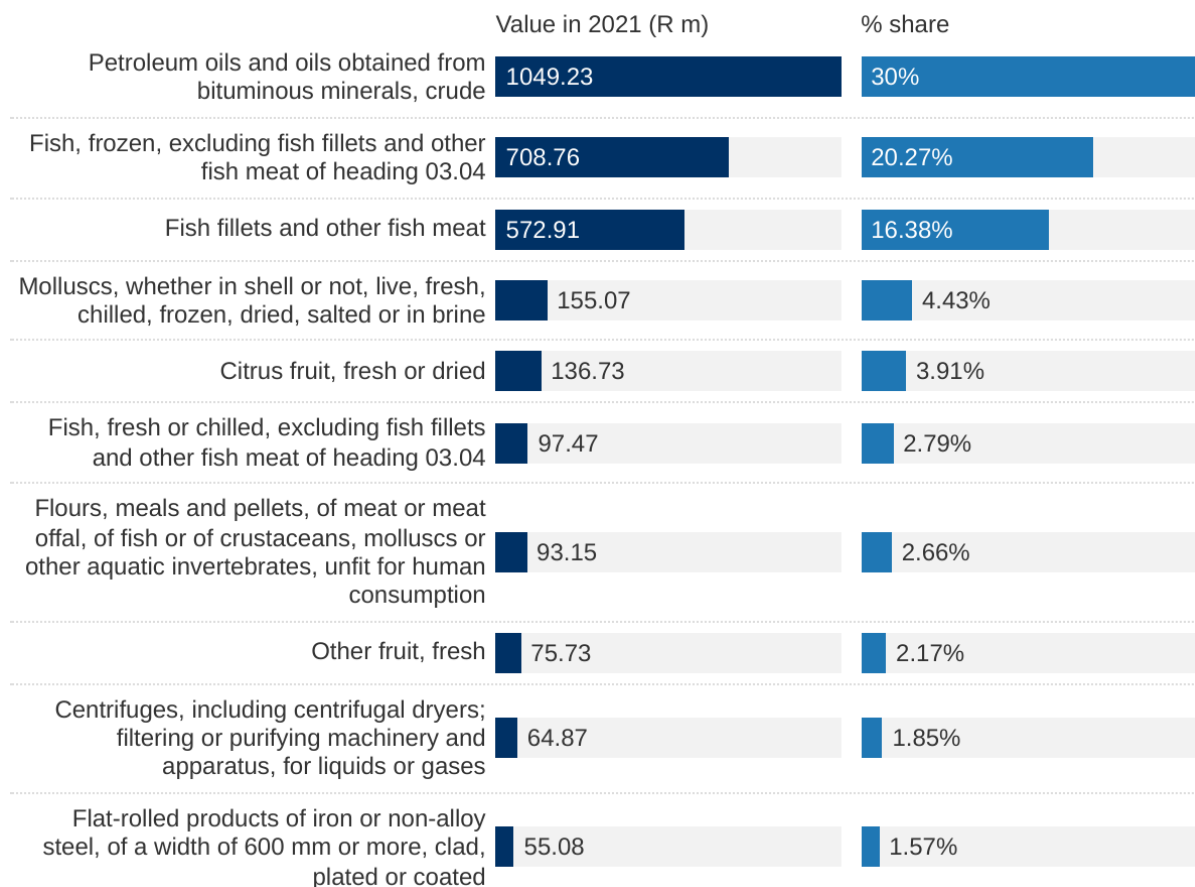
Figure 11: Trade between the Western Cape and Spain, 2012-2021



Source: Quantec (2022)

The Western Cape exported R3.50 billion worth of goods to Spain in 2021, 30% of which were crude petroleum oils as shown in Figure 12. Frozen fish (20.27%) and fish fillet and other fish meat (16.38%), respectively, constituted the second and third largest exported products from the province to Spain in 2021.

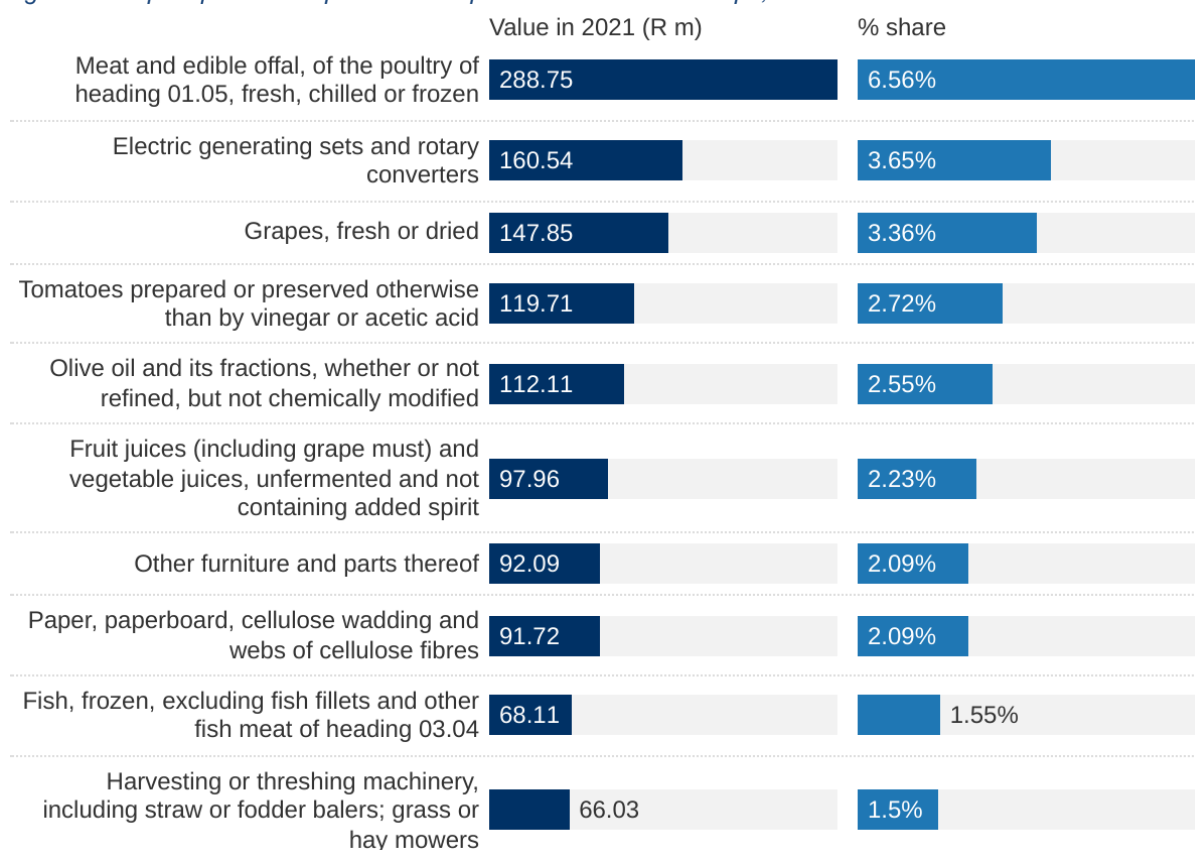
Figure 12: Top 10 products exported from the Western Cape to Spain, 2021



Source: Quantec (2022)

About 6.56% of products imported from Spain to the Western Cape in 2021 were meat and edible offal, which was the province's top import from Spain. The second and third most imported product from Spain by the Western Cape were electric generating sets and rotary converters (3.65%) and fresh or dried grapes (3.36%) as shown in Figure 13.

Figure 13: Top 10 products imported from Spain into the Western Cape, 2021



Source: Quantec (2022)

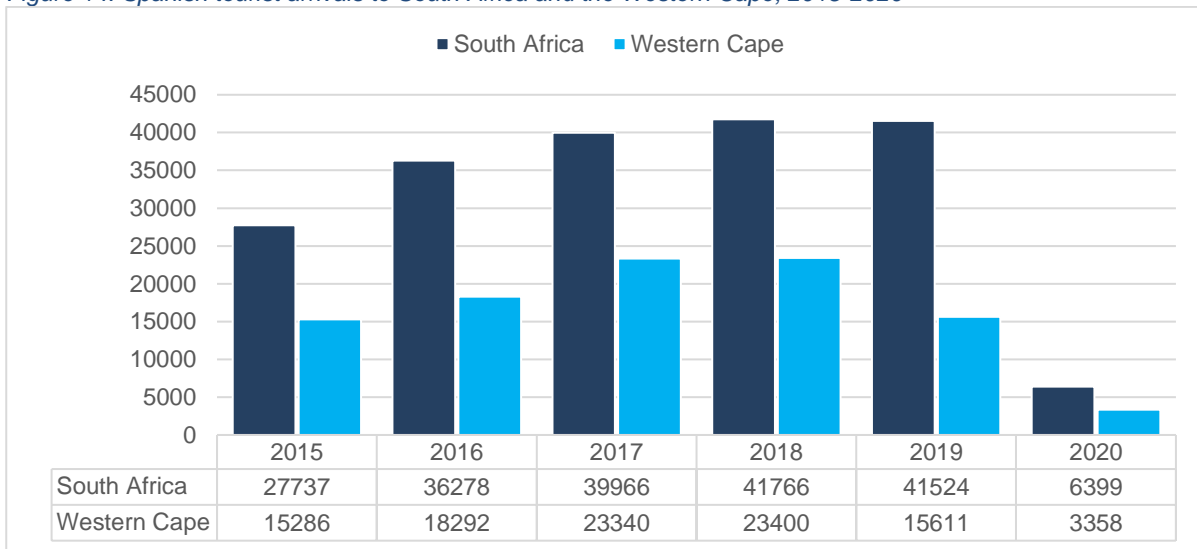
## 4. Tourism

Spanish visitors travelling to South Africa predominantly visit for the purpose of holiday, business, and visiting friends and relatives. They are most impressed with South Africa's scenery, wildlife, and the friendliness of people. They typically visit the Western Cape, Gauteng, and Mpumalanga, and their average length of stay in the country was 15.5 nights in 2020. Spaniards who visited South Africa in 2020 are typically between the ages of 25 and 44 years, with 33% in the 25 – 34 years category, and 29% in the 35 – 44 years category. In addition, 61.9% of Spanish travellers to South Africa were first time visitors to the country and 38.1% were repeat visitors.

### 4.1 Spanish tourist arrivals to South Africa and the Western Cape

Figure 14 below depicts total tourist arrivals from Spain into South Africa, as well as the Western Cape, between 2015 to 2020. Due to the impact of the pandemic on international travel in 2020, a -84.6% and -78.5% decline in Spanish tourist arrivals were experienced in South Africa and the Western Cape, respectively.

Figure 14: Spanish tourist arrivals to South Africa and the Western Cape, 2015-2020

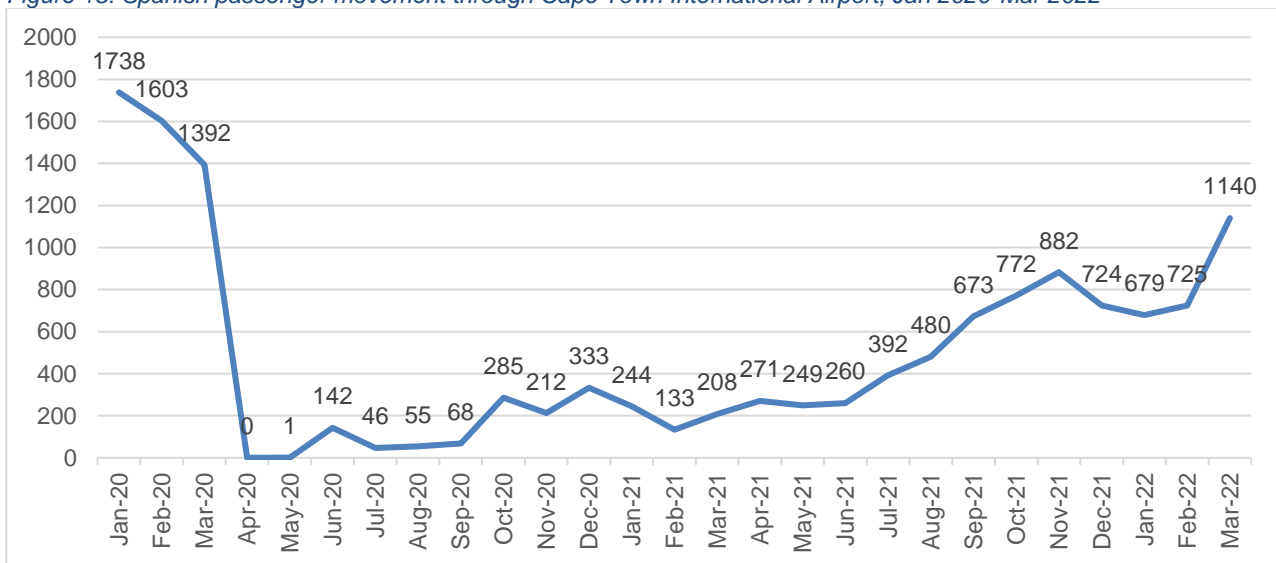


Source: South African Tourism, 2022

#### 4.2 Spanish passenger movement through Cape Town International Airport

According to the latest OAG Traffic Analyzer data, passengers who originated from Spain and travelled through Cape Town International Airport plummeted in April 2020, after the nationwide lockdown commenced on 26 March 2020. Passenger movement was almost non-existent between April and September 2020. Passenger movement rose with the re-opening of air travel in October 2020 and has been climbing steadily with a peak in March 2022, at a 52% recovery rate when compared to the same month in 2019.

Figure 15: Spanish passenger movement through Cape Town International Airport, Jan 2020-Mar 2022



Source: OAG Traffic Analyzer, 2022

## 5. Conclusion

Africa's geographical proximity, coupled with the magnitude of opportunities the continent has to offer, makes it a strategic priority for Spain, as identified in the country's Third Africa Plan. With this plan, Spain sees South Africa as an important market in Africa, regarding it as an 'anchor' country together with Nigeria and Ethiopia. Being one of Spain's priority markets outside the EU has helped to improve South Africa's trade relations with Spain. In 2021, South Africa's exports to Spain amounted to R20.14 billion while its imports from Spain were valued at R23.21 billion. Spain is one of the main source markets for inward FDI into South Africa. About R16.29 billion has been invested in South Africa by Spanish companies over the past decade.

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