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Activity & growth

Spanish exports on the rise: but is all that glitters gold?

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Spanish exports have essentially driven growth in the country's economic recovery. In Q1 2017 nominal GDP returned to its pre-crisis level while goods exports were 36% above this level. However, not everything we export is produced entirely in Spain. In other words, is all that glitters really gold?

The integration of global value chains means that a significant proportion of goods exported have not been produced domestically but include products that were previously imported. By way of example, let us assume that three processes need to be carried out to create an end product: obtaining raw materials, processing these materials and then manufacture. Let us assume that each of these production stages is carried out in three different countries, A, B and C. A fourth country, D, imports the end product. Country A obtains the raw materials and sells them to B for 10 euros. B processes these and sells them to C for 30 euros. Finally, C manufactures the end product and sells it to D for 80 euros. In the case of country C, gross exports total 80 euros but the value added provided by C domestically is only 50 euros (80 from the sale minus 30 for the imports from B). Given this situation, the relevant variable is the share of domestic value added in exports. In this instance, the percentage for country C would be 62.5%.

The most recent OECD data from 2011 show that the domestic value added for Spanish exports was 74.9% of the total. This percentage is very similar to the pre-crisis figure (75.3% in 2005), indicating that the strong growth in exports over the past few years has been accompanied by similar growth in their domestic value added. Specifically, between 2005 and 2011 exports of goods in current dollars grew by 7.7% year-on-year on average, a very similar rate to that of domestic value added, namely 7.6% year-on-year on average.

How good are these figures in relation to other countries? Compared with the larger euro area economies, the share of domestic value added in Spain is higher than in Portugal (69.4%), very similar to Italy (74.8% in 2011) and slightly below that of France and Germany (76.5% and 75.7%, respectively). In all these countries, between 2005 and 2011 growth in the value added of exports in current dollars was less than the growth in total exports. This means there was a downward trend in the share of domestic value added throughout this period, especially in Italy and Germany.

At a more global level, the share of domestic value added in Spain is below that of large commodity exporters such as Saudi Arabia and Brazil, whose percentage is very high (95.3% and 89.7%, respectively, in 2011). The large emerging economies, China and India, posted high growth in their value added between 2005 and 2011 (close to 18% year-on-year on average). Nevertheless in China, an exporter of manufactured goods and a large consumer of raw materials, the share of domestic value added in its exports (69.7%) is below that of India (77.5%). For their part, the US and Japan, large economies that are more commercially closed than Spain,[1] have a higher share of value added (both 86.2% in 2011) but this is falling.

In short, the exceptional performance by Spain’s exports has been accompanied by similar growth in the domestic value added of these exports. Compared internationally, Spain has performed well among the large European countries in terms of growth in its domestic added value. On this occasion, the gold is glittering wonderfully.

1. The degree of openness refers to the share of exports and imports as a percentage of GDP.

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