

The geographical diversification of Spanish exporters: some yes, others no

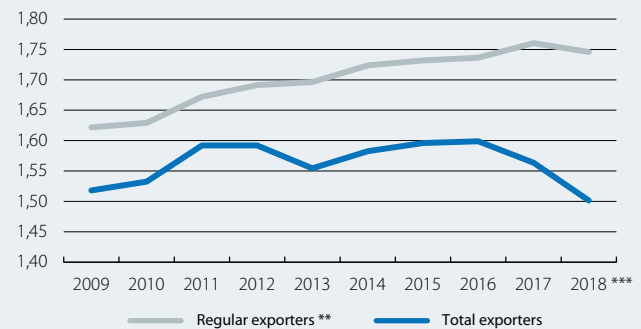
A large part of the slowdown in the Spanish economy in 2018 can be attributed to the loss of momentum in exports, together with the continuing strength of imports. So, we wonder whether this export slowdown is temporary or not. In previous articles, we have seen two trends that give us reason to think positively, as well as another less optimistic trend: on the one hand, in absolute terms, both the number of companies that are starting to export and the number of those exporters that become established (so-called regular exporters, which have been exporting for four years in a row) are steadily increasing. On the other hand, however, the relative proportion of new exporters that become regular exporters has recently fallen.¹ In this article, we analyse how strong these exporters are, using another measure: the geographical diversity of the destinations to which they export. This is a reflection of each exporter's competitive advantage (greater competitiveness should allow a company to export to more markets), as well as its capacity for survival (greater diversification helps to contain the impact of poor performance in specific economies). So, we must ask ourselves, what is the geographical diversity of our exporters?²

Just as in ancient times there was talk of the seven seas, today we can distinguish seven distinct geographical regions in the world: the five continents, but disaggregating Asia into the Middle East and the rest (mostly the Far East), and America into North America and Latin America. We began by focusing our analysis at this broad regional level, before delving into the detail by country, since the economic cycles of these seven regions are less synchronised than those of the countries within a particular region. Therefore, a measure of diversification between regions probably provides a better reflection of exporters' degree of protection against idiosyncratic phenomena occurring in each destination. As we can see in the chart, a first positive result is that the geographical diversification of regular exporters shows an upward trend: each regular exporter exported to almost 1.8 regions in 2017, higher than the 1.6 of 2009. Secondly, regular exporters have a greater geographical diversification than the average for all exporters (which stood at 1.6 in 2017). In addition, this gap between regular and non-regular exporters has grown in recent years, suggesting that the regular exporters are in an increasingly strong position. New exporters, meanwhile, naturally begin by exporting to a small number of

1. See the Focus «New momentum in the export sector» in the MR11/2018.
2. To calculate the geographical diversification, for each destination we add up the number of Spanish exporters and divide this by the total number of exporting companies in Spain.

Spain: geographical diversification of export companies

Number of regions per company *



Notes: * The seven regions are: Europe, North America, Latin America, the Middle East, East Asia (Asia excluding the Middle East), Africa, and Oceania and the Polar Regions. ** A company is considered a regular exporter if it has been exporting for four years in a row. *** The data for 2018 are partial (January to June).

Source: CaixaBank Research, based on data from the Department of Customs.

destinations. However, unlike the regular exporters, the geographical diversity of non-regular exporters has declined in recent years.

We also performed the same analysis at the country level, considering the main destinations of each company.³ Among the results of this exercise, of particular note is the fact that the diversity of companies that export to Europe increases, both among regular and non-regular exporters (on average, each exporter exported to 4.8 European countries in 2017, higher than the 4.2 of 2009), whereas diversity decreases outside Europe. In the case of Africa and East Asia, the decline in diversity is due to the increasing importance of Morocco and China-Hong Kong, destinations which in 2017 represented 45% and 42% of the total exports to their respective regions. This is not the case in Latin America, the destination of many of the new export companies. Here, the relative importance of the largest importer (Mexico, representing 30% of the total) shows a decline, and the diversity of destinations is very low (out of a total of five main countries in the region, each exporter exports to between 1.1 and 1.5 countries on average, in the case of regular exporters).

In short, in recent years we have observed a certain polarisation among Spanish exporters. On the one hand, there is an element of strength, sustained by a growing number of regular exporters and an increasing geographical diversity in terms of destinations. On the other hand, among all other exporters we find many new ones that are poorly diversified, which could limit their chances of survival in the export market.

3. Given the diversity in the size and sophistication of the countries within any given region, the results of this analysis need to be taken with caution.