Spain

Spain is recovering from a deep recession that widened the income gap with the OECD average. Spain was strongly hit by the global crisis: its GDP per capita declined in 2008-13 and the employment rate contracted by 11 percentage points. Since then the Spanish economy has enjoyed a robust recovery. Spain's GDP per capita is now above its pre-crisis level and the gap with the OECD average is narrowing. Almost two thirds of the employment losses have been recovered, but the employment rate remains among the lowest in the OECD.

Spain's economy is recovering from a deep crisis

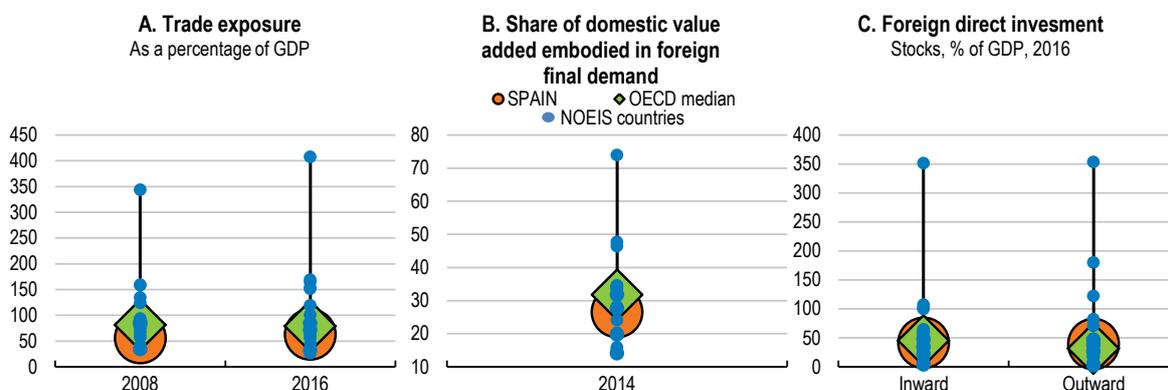| SPAIN	Pre-crisis 2003-08	Post-crisis 2011-16
Levels		
GDP per capita**	32668 (33712)*	31282 (35776)*
GDP per hour worked**	41.6 (41.6)*	46.4 (45.6)*
Employment rate, %	64.4 (66.4)*	57.8 (66.8)*
Average annual growth rate		
GDP per capita	1.4 (2.8)*	0.8 (1.4)*
GDP per hour worked	0.6 (2.0)*	1.0 (1.1)*
Employment	3.2 (1.6)*	-0.1 (1.0)*
Median household disposable income***		-1.3 (1.4)*

Note: * Unweighted OECD average in brackets.
** USD, constant 2010 PPPs and constant prices.
*** Data refer to 2011-15 and are deflated by the consumer price index.
Source: OECD, National Accounts, Productivity, Labour Force Statistics and Income Distribution Databases.
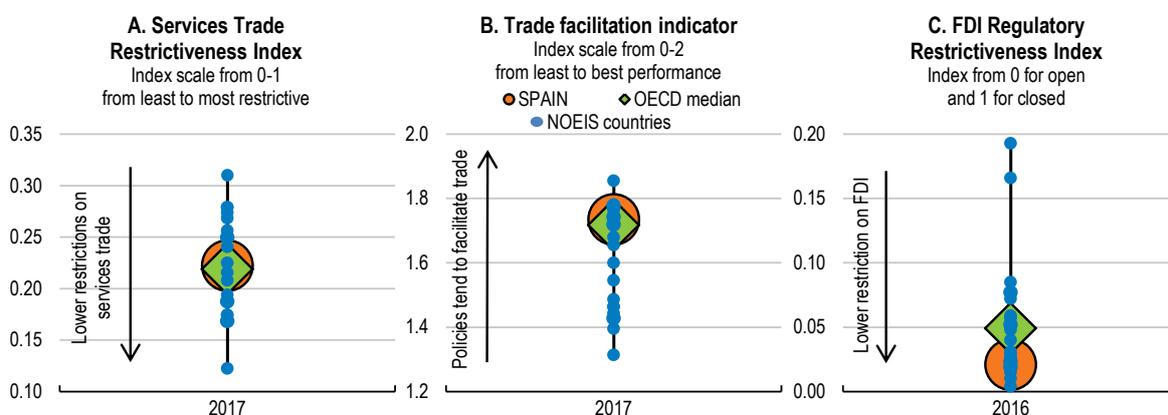
Spain is a relatively open economy. Over one-quarter of economic activity (GDP) in Spain depends on foreign markets – a value similar to other large European economies. Spain applies EU common customs tariffs – considered low on average - to goods imports from outside the EU. At the same time, trade-related procedures measured by the OECD trade facilitation index are somewhat less burdensome than for the OECD median, with restrictions primarily in the area of advance rulings, appeal procedures, fees and charges, border agency co-operation as well as governance and impartiality. Trade in services is important compared to other countries, representing 26% of Spain's gross exports, but 64% in value added terms which is similar to the share of services in GDP and employment. Restrictions to trade in services are around the OECD median and Spain has a lower STRI score than average in 21 out of 22 sectors. This reflects a liberal regime on the movement of people and only minor restrictions in courier services, commercial banking and distribution services. Air transport is the sector where restrictions are the highest, reflecting notably foreign equity restrictions associated with the common EU regulation on air services. Regulatory barriers to FDI are among the lowest in OECD and NOEIS and both inward and outward FDIs as a share of GDP are close to the OECD median.

Spain is a relatively large open economy

A. Trade exposure
As a percentage of GDP

B. Share of domestic value added embodied in foreign final demand

● SPAIN ◆ OECD median
● NOEIS countries

C. Foreign direct invesment
Stocks, % of GDP, 2016

Source: Panel A: OECD, Economic Outlook Database and World Bank, World Integrated Trade Solution; Panel B: OECD, TIVA Nowcast estimates Database; Panel C: OECD, Foreign Direct Investment Database and UNCTAD.
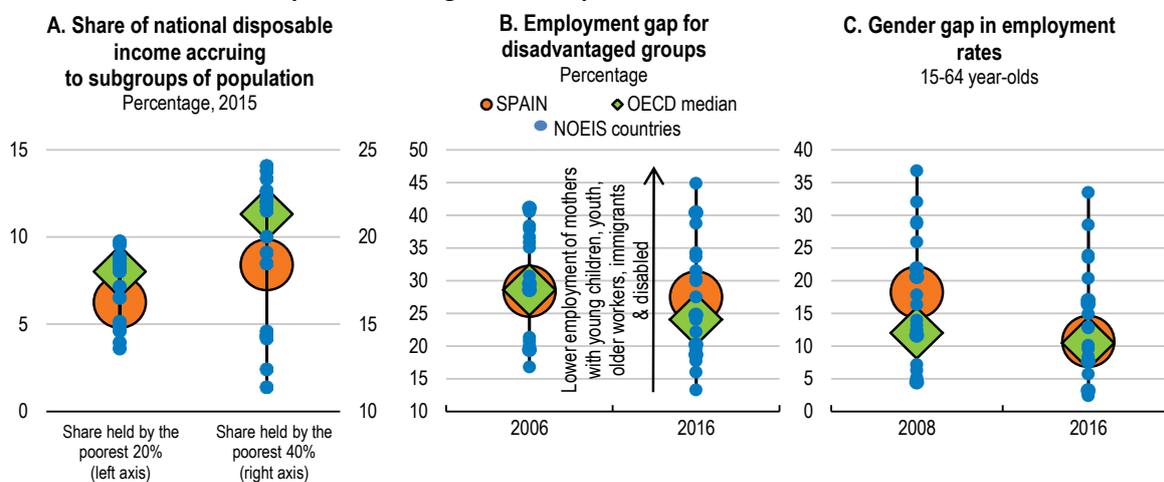
There are still obstacles to trade but little to FDI

A. Services Trade Restrictiveness Index
Index scale from 0-1
from least to most restrictive

Lower restrictions on services trade

B. Trade facilitation indicator
Index scale from 0-2
from least to best performance

● SPAIN ◆ OECD median
● NOEIS countries

Policies tend to facilitate trade

C. FDI Regulatory Restrictiveness Index
Index from 0 for open
and 1 for closed

Lower restriction on FDI

Source: Panel A: OECD, Services Trade Restrictiveness Index Database; Panel B: OECD, OECD, Trade Facilitation Indicators Database; Panel C: OECD, FDI Regulatory Restrictiveness index database.
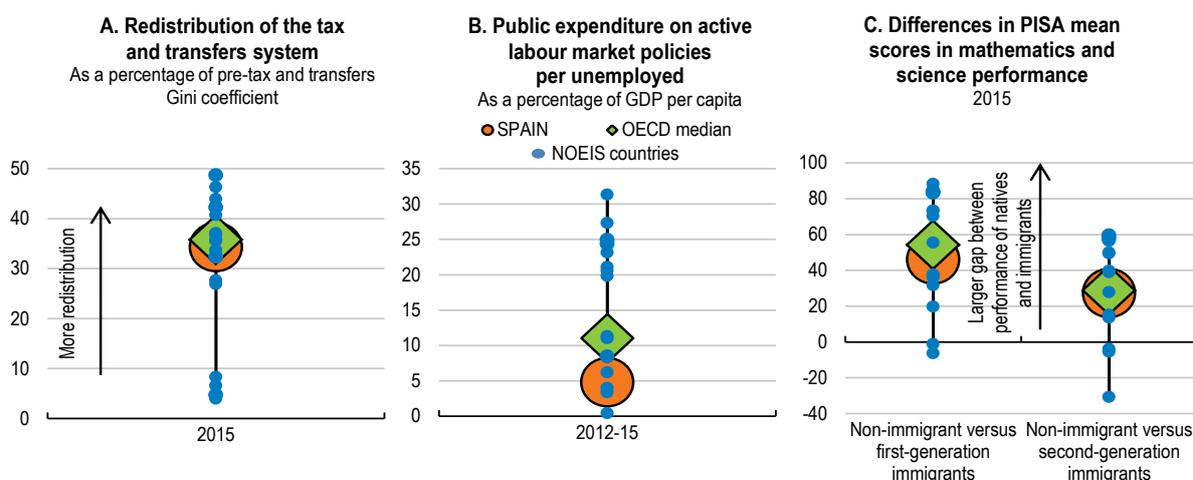
Income inequality has started to narrow after widening sharply during the crisis. The rise in inequality during the crisis was driven by the increase in unemployment and, to a lesser extent, higher disparity in earnings. The overall impact on the dispersion of household disposable income has been partly mitigated by a significant rise in redistribution through taxes and transfers. The recovery in employment since 2014 has started to narrow income inequality. Still, the share of income going to the lowest income groups is lower than in most OECD countries. Moreover, the employment gap of potentially disadvantaged groups, such as mothers with children, youth, older workers, non-natives, and persons with partial disabilities, is now higher than average. The gap is especially high for the youth. On the other hand, it is lower than the OECD average for mothers with young children. More generally, the gender gap has declined during the past decade, but to a significant extent due to the decline in male employment following the crisis. Public expenditure on active labour market policies has risen, but given the still high unemployment rate, spending per unemployed is on the low side among OECD countries. The education system is more inclusive than in most OECD countries with the performance gap in PISA education outcomes between natives and immigrants below the OECD average and a lower influence of the influence of socio-economic status on results.

Inequalities are significant, in part as an aftermath of the crisis

A. Share of national disposable income accruing to subgroups of population
Percentage, 2015

B. Employment gap for disadvantaged groups
Percentage

C. Gender gap in employment rates
15-64 year-olds

Source: Panel A: OECD, OECD, Income Distribution Database and World Bank, World Development Indicators Database; Panel B: OECD (2018), OECD Jobs Strategy Analytical Volume, forthcoming; Panel C: OECD, Labour Force Statistics Database and ILO, Key Indicators of the Labour Market.

The tax and transfer system is redistributive

A. Redistribution of the tax and transfers system
As a percentage of pre-tax and transfers Gini coefficient

B. Public expenditure on active labour market policies per unemployed
As a percentage of GDP per capita

C. Differences in PISA mean scores in mathematics and science performance
2015

Source: Panel A: OECD, OECD, Income Distribution Database; Panel B: OECD, OECD, Public expenditure and participants stocks on Labour Market Programmes on Labour Market Programmes and Economic Outlook Databases; Panel C: OECD, PISA 2015 Results (Volume I): Excellence and Equity in Education, Annex B1.7 Results (tables): Immigrant background, student performance and students' attitudes towards science.

METADATA ANNEX

Economic openness

- **Trade exposure** is defined as exports and imports over GDP.
- **The share of domestic value added embodied in foreign final demand** is defined as domestic value added, from industry, meeting foreign final demand, as a percentage of industry value added. It can be considered as a measure of an industry's reliance on foreign final demand. Here, the denominator is value added adjusted to be consistent with final demand (both domestic and foreign).
- **Foreign Direct Investment stocks** are defined as the total level of direct investment at a given point in time, usually the end of a quarter or of a year. The outward FDI stock is the value of the resident investors' equity in and net loans to enterprises in foreign economies. The inward FDI stock is the value of foreign investors' equity in and net loans to enterprises resident in the reporting economy. For the Netherlands, FDI stock data exclude positions to and from resident Special Purpose Entities (SPEs); SPEs are entities whose role is to facilitate the internal financing of the MNE but that have little or no physical presence in an economy. Excluding such entities from the FDI statistics provides a better measure of the FDI of the country that is having a real impact on its economy.

Trade and FDI

- **The Services Trade Restrictiveness Index (STRI)** identifies which policy measures restrict trade. It provides policy makers information and measurement tools to improve domestic policy environment, negotiate international agreements and open up international trade in services. It can also help governments identify best practice and then focus their domestic reform efforts on priority sectors and measures. The index presented is a geometric average of all sectors and takes value from 0 to 1, where 0 is completely open and 1 is completely closed.
  Data are missing for Argentina and Peru.
- **Trade facilitation indicators (TFIs)** identify areas for action and enable the potential impact of reforms to be assessed and help governments to improve their border procedures, reduce trade costs, boost trade flows and reap greater benefits from international trade. The index takes values from 0-2 (least to best performance). The index presented is a simple average over 11 dimensions of the TFI.
  Data are missing for Iceland.
- **The FDI regulatory Restrictiveness Index** is gauging the restrictiveness of a country's foreign direct investment rules by looking at four main types of restrictions: foreign equity restrictions, discriminatory screening or approval mechanisms, restrictions on key foreign personnel and operational restrictions. Implementation issues are not addressed and factors such as the degree of transparency or discretion in granting approvals are not taken into account. The index takes values between 0 for open and 1 for closed.

Inequality

- **The share of national disposable income held by the poorest 20% and 40%** is defined as the share of income that accrues to subgroups of population indicated by deciles or quintiles.
  For the poorest 20%, data refer to 2014 for Argentina, Germany, Hungary, Luxembourg; 2012 for Japan.
- **The employment gap for disadvantaged groups** is expressed as a percentage of the benchmark group (prime-age male workers). Disadvantaged groups include mothers with young children, youth (15-19 years old) excluding those in full-time education or training, older workers (55-64 years old), non-natives and people with disabilities.
  Data are missing for Colombia and Costa Rica in 2006 and for Peru in 2006 and 2016.
- **The gender gap in employment rates** is defined as the difference between employment to population ratios of men and women aged 15-64.
  Data refer to 2010 and 2014 for Argentina.

Redistribution, activation and inequality of opportunities

- **The redistribution of the tax and transfers system** is measured as the difference between pre-tax and transfer and post-tax and transfers Gini coefficients, relative to the pre-tax and transfer Gini coefficient. The Gini coefficient measures the extent to which the distribution of income (or, in some cases, consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution. The coefficient takes the value of 0 in the case of perfect equality and 100 for perfect inequality.
  Data refer to 2014 for Germany, Hungary, Luxembourg and Peru; 2012 for Japan. Data are missing for Argentina and Colombia.
- **Public expenditure on active labour market policies per unemployed** are measured by all social expenditure (other than education) which is aimed at the improvement of the beneficiaries' prospect of finding gainful employment or to otherwise increase their earnings capacity. It includes spending on public employment services and administration, labour market training, special programmes for youth when in transition from school to work, labour market programmes to provide or promote employment for unemployed and other persons (excluding young and disabled persons) and special programmes for the disabled. Data are expressed as a percentage of GDP per capita. Original data can be accessed under: http://stats.oecd.org/Index.aspx?DataSetCode=LMPEXP. *Data are missing for Argentina, Colombia, Costa Rica and Peru. For Canada, data include federal expenditures on programmes implemented by the provinces and territories, but do not generally include the provinces' and territories' additional or complementary funding of these programmes.*
- **Differences in PISA mean scores (average of mathematics and science) between natives and first and second generations of immigrants**. PISA assesses the extent to which 15-year-old students, near the end of their compulsory education, have acquired key knowledge and skills that are essential for full participation in modern societies
  Data are missing for Japan, Poland and Peru. For Argentina, data refer to the region of the capital city of Buenos Aires.

- **The variance of educational achievement** is measured as the total variance in PISA scores in reading, mathematics and science, compared to the OECD (OECD=100). The Programme for International Student Assessment (PISA) assesses the extent to which 15-year-old students, near the end of their compulsory education, have acquired key knowledge and skills that are essential for full participation in modern societies. The variance components in mathematics, sciences and reading were estimated for all students in participating countries with data on socio-economic background and study programmes. The variance in student performance is calculated as the square of the standard deviation of PISA scores in reading, mathematics and science for the sample of students used in the analysis.
  For France, average of PISA scores in mathematics and reading only in 2015. For Argentina, data refer to the region of the capital city of Buenos Aires.