

Basque industry showed signs of recovery in 2014

A high sectoral concentration and external openness of Basque industry

The Basque industrial sector showed the first signs of recovery in 2014, according to the Panorama of Basque Industry prepared by Eustat, but with some delay compared to the leading economies of the region, such as Spain, EU-28, France and Germany. Furthermore, the recovery of Basque industry has occurred within a general economic context of recovery in the Basque economy, although not at the same rate as the other activity sectors.

Basque industry in 2014 grew at a positive real rate (1%), but slightly slower than the overall economy (1.2%). If this growth difference is taken into account alongside deflationary trends in industrial prices, then industry has lost relative weight within the Basque economy in recent years, though it is still higher than the weight of Spain in the European Union 28, but lower than Germany.

On 1 January 2014, the industrial sector of the Basque Country had 11,813 companies, which comprised 7.4% of all companies established in the Autonomous Region. Over the last year the number of industrial companies dropped by 3.6%, whilst the number of companies in the economy as a whole fell by 1.3%.

The reduction in industrial added value brought about adjustments in employed personnel, which registered a 4.3% fall in 2013. This sustained decline has meant that since 2008, industry has lost more than 54 thousand jobs. However, the importance that industrial employment has always had in the Basque Country has been maintained. Indeed, industry in 2013 contributed 20.8% to the total of employed personnel in the Basque Country; well above, say, the Spanish average of 12.5% or the EU-28 average of 15.6%, even though this weight has fallen by three points since 2008. Three industrial activity branches accounted for more than half of the personnel employed in industry in the Basque Country: Metallurgy & Metal Products, at 33.7%, Machinery & Equipment, at 10.4%, and Plastic & Rubber, at 9.5%.

In analysing competitiveness, the unit labour cost is a basic variable that allows the impact of the cost of labour per product unit to be analysed: that is, to measure the joint effect of the cost of labour and productivity variables. A comparative analysis with other economies reveals that although the Basque manufacturing industry started off more competitive than the Spanish economy and the European Union average in 2008, with lower unit labour costs in 2010, 2011 and 2012 (the last years available at European level), these costs are now higher, therefore constituting a loss in relative competitiveness.

One of the most striking characteristics of Basque industry is its high degree of sectoral concentration, which has changed little in recent years, despite the profound crisis; hence, in 2013 the sectors of Metallurgy & Metal Products, Electricity, Machinery & Equipment and Transport Material made up for 60.3% of industrial added value, a value similar to that of 2008, following small fluctuations in the period between those years.

The clear outward orientation of Basque industrial companies, another notable characteristic, is evidenced by the high propensity towards exports (the proportion of

industrial exports over industrial GDP), of 152% in 2013. Moreover, the trade balance of industrial goods (the difference between the value of exports and imports) in the financial year 2014 led to a surplus of 5 billion 70 million euros, a surplus increase of 442 million with respect to 2013. The clear outward orientation of industrial companies in the Basque Country

Another relevant variable in the analysis of Basque industry is investment. Net investment (gross investment minus divestment) made by the Basque manufacturing industry in 2013 grew by 7.8% with respect to 2012. The degree of sectoral concentration of net industrial investment was very high, given that the two activity branches with the most investment (Metallurgy & Metal Products and Transport Material) represented more than 50% of total investment in the sector.

Innovation and the use of information and communication technologies, as undisputed driving forces for improving competitiveness, were also analysed. Expenditure on innovation activities in 2013 for industry overall represented 40.1% of total expenditure in the Basque Country. The three sectors that spent the most on technological innovation in the Basque Country, distributed their expenditure differently. Whilst Transport Material concentrated expenditure on machinery, 53.4%, Metallurgy & Metal Products and Electronic & Computer Products spent more on internal R&D, 38.3% and 67.2% respectively.

Basque industry has a high level of implementation of Information and Communication Technologies. 89.4% of industrial establishments had a computer, 86.9% had e-mail, 86.8% had internet, 59.6% had a website and 92.2% had a mobile phone. 26.4% of industrial establishments of 10 or more employees carried out purchase or sales online in 2013 compared to 29.4% in 2012.

A regional analysis of industry reveals, notably, that of the 187,460 people employed in industry in the Basque Country in 2013, more than a third (38.4%) were concentrated in the regions of Gran Bilbao, Llanada Alavesa and Donostia-San Sebastián.

Methodological note:

The structure of this Panorama of Industry consists of 10 chapters. The first three are devoted to situating industry in the local and international macroeconomic context; industrial production is analysed and an overview is given of the competitiveness indicators that are essential to the classical study of economic sectors. The following chapters analyse the orientation of the Basque industrial market from a foreign trade perspective, looking at the trends and characteristics of employed personnel, as well as analysing investment. Certain key aspects in current economic development are also studied: the progression of innovation in the industrial sector and the implementation of "Information and Communication Technologies" (ICT) in industrial companies in the Basque Country. It ends with a look at entrepreneurial dynamism and analyses industry from a closer geographical perspective, the regional level.

For further information:

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