

## 2021 SME COUNTRY FACT SHEET

# SPAIN

### Brief introduction

- The COVID-19 pandemic and ensuing economic policy decisions made 2020 a particularly tough year for small and medium-sized enterprises (SMEs) in Spain, which experienced a sharp decline in value added and employment. In 2021, SMEs in Spain are expected to partially recover. SME value added is forecast to grow by 5.4%, whereas SME employment is expected to drop further, by 1.6%. Both are expected to remain below their 2019 levels.
- This downturn was particularly pronounced in some of the largest sectors, e.g. the *wholesale and retail trade* sector, with SME value added dropping by 15.2%, and the *accommodation and food services* sector, with SME value added dropping by 49.6%.
- Spanish SMEs employed an average of 3.2 people and their productivity, measured as the ratio of value added to employment, was EUR 31 100. Both totals lagged behind the respective EU averages of 3.7 and EUR 40 000.

### SME DEVELOPMENT 2019-2020



SMEs in the 'non-financial business sector'. Estimates produced by DIW Econ.

	ENTERPRISES		PERSONS EMPLOYED		VALUE ADDED	
	NUMBER	SHARE	NUMBER	SHARE	€ BILLION	SHARE
<b>SMEs</b> (0 -249 persons employed)	2 587 121	99.9%	8 404 413	68.4%	261.4	56.3%
<b>LARGE ENTERPRISES</b> (250+ persons employed)	3 425	0.1%	3 882 136	31.6%	203.0	43.7%

The data for 2020 are estimates produced by DIW Econ, based on 2008-2018 figures from national and Eurostat databases.

## SME-RELATED STRENGTHS AND CHALLENGES

### KEY STRENGTHS

- Spain continues to perform relatively well on the 'Second chance' principle. During 2020, the Spanish Government adopted a new bankruptcy law encouraging out-of-court settlements to be arranged with creditors and strengthens the legal system for bankruptcy.
- Despite room for improvement in the entrepreneurial ecosystem, Spain has one of the highest shares of high-growth enterprises in the EU at 15%. A major measure aimed at providing an appropriate legal framework for developing start-ups was announced in 2019, but it still needs to be implemented.
- Spanish SMEs have good access to basic infrastructure and connectivity. According to the National Observatory for ICT and Information Society, Spain has made every effort to become a leader in optical fibre deployment, and now there are more SMEs and large companies accessing the internet via coaxial and optical fibre networks than those accessing it via DSL connections in all sectors of activity.

### KEY CHALLENGES

- According to the Spanish Ministry of Economic Affairs and Digital Transformation, the many regulations that are linked to business size which favour SMEs may actually discourage them from scaling-up, and growing beyond certain size thresholds – usually beyond 50 employees.
- Spanish investment in R&I has drastically reduced since the financial crisis of 2008, and remains low compared to the best performing countries in the EU. According to Government sources, Spain's R&I investment ratio per GDP was 1.2% in 2017, while the EU average stood at 2.1%.
- Spain is one of the weakest performers in single market indicators. The Law on Market Unity is an important tool for overcoming market fragmentation and improving competition. However, it is yet to be fully implemented.

### OTHER KEY SME-RELATED BRIEF INSIGHTS



#### IMPACT OF COVID-19 CRISIS ON SMEs

The Spanish Government adopted several 'urgent' policy measures (e.g. tax deferrals, suspension of the obligation to declare insolvency, and liquidity measures) to mitigate the economic impact of COVID-19 on SMEs in 2020. Digital tools, such as a portal to inform SMEs about available programmes, have also been launched.



#### GREEN TRANSITION OF SMEs

Spanish SMEs are leaders in the EU in implementing sustainability measures, despite difficulties in accessing public financial support. Despite Spain adopting various ambitious measures to support the green transition (e.g., the '2030 National Energy and Climate Plan' or 'Circular Spain 2030'), SMEs (particularly, micro-firms) are demanding a slower transition, as rapid changes could negatively affect them due to their lack of resources.



#### SOCIAL ASPECTS OF SUSTAINABILITY

According to the Bank of Spain, the Spanish labour market still largely relies on temporary and short duration contracts. The 2019-2021 Back to Work (ReincorporaT) Plan provides more resources to public employment services so they can better help the long-term unemployed.



#### DIGITALISATION OF SMEs

According to the National Observatory for ICT and Information Society, only 20.4% of Spanish SMEs (other than micro-firms) and large companies, and 5.8% of micro-firms, use e-commerce platforms to sell online.



#### ACCESS TO FINANCE

According to the European Commission's 'Survey on the access to finance of enterprises' bank-related financial products remain the most relevant source of financing for Spanish firms, especially SMEs. However, Spanish SMEs have significantly increased their use of alternative funding sources over the past 3 years. These alternative funding sources are increasingly complementing traditional financial sources in Spain.