

2023

FOREIGN INVESTMENT IN CASTILLA-LA MANCHA

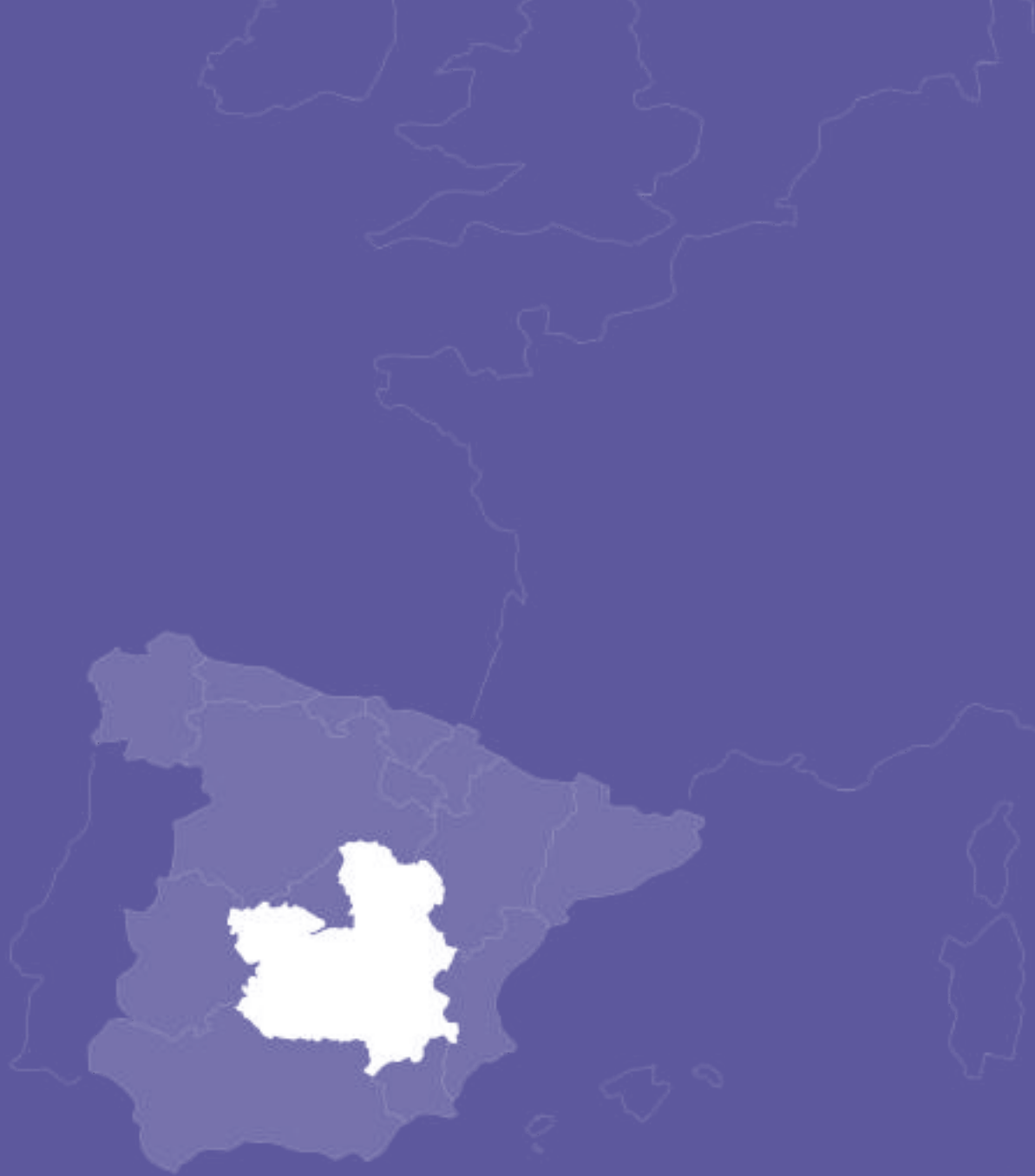
First semester of 2023
| September 2023



Castilla-La Mancha



IPEX



Foreign Investment in Castilla-La Mancha

First semester of 2023 | September 2023

Report prepared by **Sifdi**

2023

Foreign Investment in Castilla-La Mancha

First semester of 2023 – September 2023

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Executive Summary

Global and national context

International investment flows remain weak in the face of economic and financial instability and the ongoing war in Europe. Indeed, the main multilateral organizations and think tanks expect investors to be more cautious in their decisions regarding FDI, at least in the first half of 2023. Nonetheless, an improvement in global economic and geopolitical conditions could lift FDI flows from the second part of the year.

Global investment flows fell 12% in 2022, to \$1.3 trillion, according to UNCTAD data. This decline follows a 64% rebound in the previous year, after a collapse in 2020, when figures fell below \$1 trillion. The slowdown was due to the war in Ukraine, high energy and food prices, and debt pressures. The M&A market and international project financing were particularly affected by rising interest rates and uncertainty in capital markets.

Greenfield projects, however, resisted better, thanks to the momentum in the first part of the year and the volume invested in a small number of megaprojects in the renewable energy and semiconductor sectors. Spain, one more year, seems to have remained on the sidelines of this negative global trend. Thus, according to data recently published by the Foreign Investment Registry, in 2022, gross foreign investment in Spain reached 34,425 million euros, 14.6% more than 2021, a year in which flows remained stable despite the pandemic.

FDI in Castilla- La Mancha in 2022

According to the Investment Registry, in 2022, Castilla-La Mancha attracted 567 million euros of investment,

with almost no disinvestments in the year. This figure, the highest historical flow in the region, is three times higher than the previous year (+203%), and 244% higher than the average of the last decade.

Castilla-La Mancha thus ranked as the seventh region that attracted the most investment in 2022, a year marked by strong increases in investments received in a large part of the Spanish regions.

As has happened in the last decade, acquisitions played a relevant role in the 2022 figures: they accounted for 54% of the flows received in Castilla-La Mancha, ahead of expansions (investments from already established foreign companies), 39%, and of the new investments (*greenfield or brownfield*), the remaining 7%.

In 2022, almost all of the investments in Castilla-La Mancha came from OECD countries, 78% of them from European countries, and 22% from North America. Investments from Latin America, Asia and Africa were marginal last year.

In 2021 three countries invested more than 20 million euros in Castilla-La Mancha (the Netherlands, Israel and France). In 2022 there were notable investments from Germany (212 million euros, with important operations in wholesale trade of spare parts and vehicle accessories), the United States (124 million euros, mostly in Aluminum production and Electricity supply), and Italy (100 million euros, entirely in Electricity supply). Another 3 countries (France, the Netherlands, and the United Kingdom) exceeded the level of 10 million euros of investment last year.

Preview of the first quarter of 2023

The first half of 2023 saw weak investment flows in Spain, with a total of €11,996 million invested, below the average for the last five years (€15,101 million).

It should always be remembered, however, that quarterly figures must be taken with extreme caution, since they amplify the effect of large acquisition operations that are recorded at a given moment. To a large extent, this seems to be the case, since 47% of total investment registered in the first three months of the year corresponds to acquisition operations, and a similar figure (40%) to the expansions carried out by resident companies with foreign capital, which in some cases is a step prior to a later acquisition.

In this sense, the statistics of the main regions receiving flows in the first three months of the year are highly marked by specific one-off acquisition operations in sectors such as Crude extraction (Madrid, 3,400 million), Healthcare (Region of Valencia, 1,700 million), Telecommunications (Madrid, 1.665 million), Fertilizers (Murcia, 354 million) and Electricity (Basque Country, 278 million).

In this context, Castilla-La Mancha recorded 89 million euros in investment in the first half of 2023, 25% above the average for the last five years. This figure places the region ninth among Spanish regions in the first half of the year.

In terms of type of operation, other expansions accounted for 57% of the investment figures in Castilla-La Mancha during the semester, while acquisitions

accounted for 41%.

The following investments in Castilla-La Mancha stood out in the first six months of the year: Norway (34 million euros in wind energy production, recorded in the second quarter), Italy (31 million euros in electricity supply, recorded in the first quarter), and France (21 million euros in electricity supply, also recorded in the first quarter).

Stock of employment

According to data recently published by the Registry, the evolution of employment derived from foreign investment in Castilla-La Mancha has been very notable since 2015 (+96%). After five years of continuous growth in the 2015-2020 period, at the end of 2021 there were 61,098 jobs linked to FDI in the region, consolidating the strong increase registered the previous year. The stock of employment linked to foreign investment represented 7.2% of the employed population in Castilla-La Mancha in 2021.

Six countries (France, the United States, Germany, Switzerland, the Netherlands and the United Kingdom) account for 67% of employment in foreign capital companies in Castilla-La Mancha. In 2022, the rise in employment linked to investments from the Czech Republic in retail trade was particularly noteworthy. The Services sector concentrates 63% of employment, ahead of Industry (32%, compared to 26% nationwide), Construction (3.5%) and Primary Sector (1.9%).

Investment Position and fixed tangible assets

The foreign investment position in Castilla-La Mancha stood at 1,331 million euros at the end of 2021. Stock levels, highly marked by the headquarters effect, have remained relatively stable in the region, above 1,000 million since 2010. Last year, it represented 3.1% of regional GDP, a figure that does not reflect the real importance of FDI in the local economy. This is due to the fact that Castilla-La Mancha suffers the greatest headquarters effect of all the Spanish regions -measured in terms of fixed tangible assets in relation to the investment stock-.

Fixed tangible assets associated with foreign investment registered a strong increase of 24%, reaching 6,698 million euros (15.8% of regional GDP)

On the other hand, tangible fixed assets associated with foreign investment, which are not affected by the headquarters effect, saw a strong increase in 2021, the last year for which data is available. The value of tangible fixed assets in Castilla-La Mancha reached 6,698 million euros, an increase of 24%. These figures, which more than double those recorded in 2019 (+151%), place Castilla-La Mancha as the sixth region in Spain in terms of this variable in absolute terms, and third in relation to its regional GDP (15.8%).

Greenfield projects

According to the fDi Markets database of the Financial Times, which includes the cross-border projects of new productive investment announced according to their intended destination, in 2022 new records were set in Castilla-La Mancha in terms of the number of projects

announced in the region (30), investment (\$3,378 million) and employment announced. These data are 45%, 226% and 71%, higher, respectively, than the figures of the previous year.

These figures have increased notably since 2015, with a very significant rise as from 2018. In the last five years, 20 projects have been announced in Castilla-La Mancha each year, with an annual investment close to \$1,400 million and the generation of more than 3,500 jobs each year.

According to Moody's, Castilla-La Mancha attracted 24 new projects in the first eight months of 2023, with an investment of \$1,778 million and the creation of 1,811 jobs.

Foreign capital affiliates

According to data offered by alternative sources such as SABI (D&B), at the end of 2022, Castilla-La Mancha had 267 foreign capital companies based in the region (companies controlled by a foreign Global Ultimate Owner, or with direct foreign shareholders controlling 10% of the company or more).

Castilla-La Mancha received 89 million euros in foreign investment in the first half of 2023, and 24 new greenfield projects were announced in the region during the first eight months of the year.

Key Messages

- Castilla-La Mancha recorded an investment of **89 million euros in the first half of 2023**, 25% higher than the average for the first half of the year in the last five years. This figure places the region in **ninth place among Spanish regions** in a year with little investment.
- During the first six months of the year, noteworthy investments were made by **Norway** (34 million in wind energy production), **Italy** (30.6 million), and **France** (20.7 million), all in the field of electrical power supply. This comes after a strong year of investment activity in 2022, primarily from **Germany**, the **United States**, and **Italy**.
- **Expansions** (comprising 57% of the total) dominated the flows in the first half of the year, while **acquisitions** accounted for 41%.
- Investment in Castilla-La Mancha in the last decade concentrated in the **Industrial sector** (64.1% of flows), **Services** (27.7%), the **Primary Sector** (4.5 %), and **Construction** (3.6%). In the first half of 2023, the Industry attracted most investment flows, thanks to the aforementioned investments in Electricity supply.
- According to Moody's, **24 new projects have been announced in Castilla-La Mancha** in the first 8 month of the year. In 2022, maximums were set in Castilla-La Mancha in terms of greenfield investment projects. fDi Markets reported 30 new investment projects, 45% more than the previous year, with an associated investment of \$3,378 million, also the highest in the series, and the generation of 5,637 local jobs.
- **The investment position or investment stock**, which is very influenced by the well-known 'headquarters effect', amounted to 1,331 million euros, 3.1% of regional GDP (2021). **The tangible fixed assets associated with foreign investment, on the other hand, registered a strong increase of 24%, reaching 6.698 million euros**, 15.8% of the regional GDP. Castilla-La Mancha is the sixth region in Spain in terms of this variable in absolute terms, and **third in relation to its GDP**.
- **The stock of employment linked to foreign investments in Castilla-La Mancha reached 61,098 jobs** in 2021, 7.2% of the employed population in the region.

Summary table of the main statistics on Foreign Investment in Castilla-La Mancha

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
A. Gross Productive Investment Flows, Millions of Euros Investment Registry											
CLM	52	25	130	53	108	184	255	78	60	187	567
<i>Evolution</i>	-88.8%	-52.4%	429.1%	-59.0%	102.2%	70.9%	38.4%	-69.4%	-23.2%	212.5%	202.6%
B. Stock of employment Investment Registry											
CLM	30,127	27,660	31,946	31,185	38,248	44,494	46,960	52,842	61,472	61,098	
<i>Evolution</i>	-1.7%	-8.2%	15.5%	-2.4%	22.6%	16.3%	5.5%	12.5%	16.3%	-0.6%	
C. Stock of productive investment, Millions of Euros Investment Registry											
CLM	1,099	1,281	1,476	1,387	1,344	1,423	1,158	1,243	1,388	1,331	
<i>Evolution</i>	-10.6%	16.6%	15.2%	-6.0%	-3.1%	5.8%	-18.6%	7.3%	11.6%	-4.1%	
D. Fixed tangible assets, Millions of Euros Investment Registry											
CLM	3,357	3,013	3,215	3,367	4,432	4,651	5,203	6,352	5,398	6,698	
<i>Evolution</i>	2.1%	-10.2%	6.7%	4.7%	31.6%	4.9%	11.9%	22.1%	-15.0%	24.1%	
E. Cross-border greenfield investment projects fDi Markets - Financial Times											
CLM	4	10	7	4	5	9	14	21	14	21	30
<i>Evolution</i>	-50.0%	150.0%	-30.0%	-42.9%	25.0%	80.0%	55.6%	50.0%	-33.3%	50.0%	42.9%
F. Cross-border greenfield investment, Millions of USD fDi Markets - Financial Times											
CLM	132	285	280	55	168	421	758	984	815	1,036	3,378
<i>Evolution</i>	-38.5%	115.3%	-1.7%	-80.5%	207.5%	151.3%	80.0%	29.8%	-17.2%	27.1%	226.3%

FOREIGN INVESTMENT IN CASTILLA-LA MANCHA

Gross productive FDI inflows

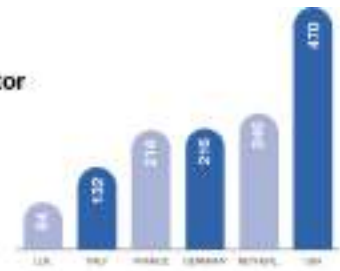
567

MILLIONS OF € IN 2022



Major investor countries

Millions of € 2012-2021



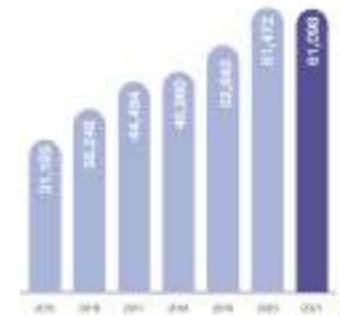
FDI employment in Castilla-La Mancha

61,098

WORKERS IN FDI-RELATED JOBS IN 2021



Evolution 2015-2021



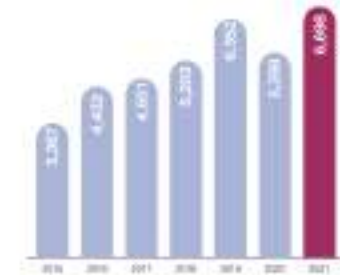
FDI Fixed tangible assets in Castilla-La Mancha

6,698

MILLIONS OF € IN 2021



Evolution Millions of € 2015-2021



FDI cross-border greenfield projects

NUMBER OF FDI CROSS-BORDER GREENFIELD PROJECTS RECEIVED IN CASTILLA-LA MANCHA 2000-2022



Source: ICI Markets, March 2023



1.

FDI IN THE WORLD

Global investment flows decreased by 12% in 2022, amounting to \$1.3 trillion, according to UNCTAD data.

The investor outlook for 2023 appears cautious due to the anticipated weak economic growth.

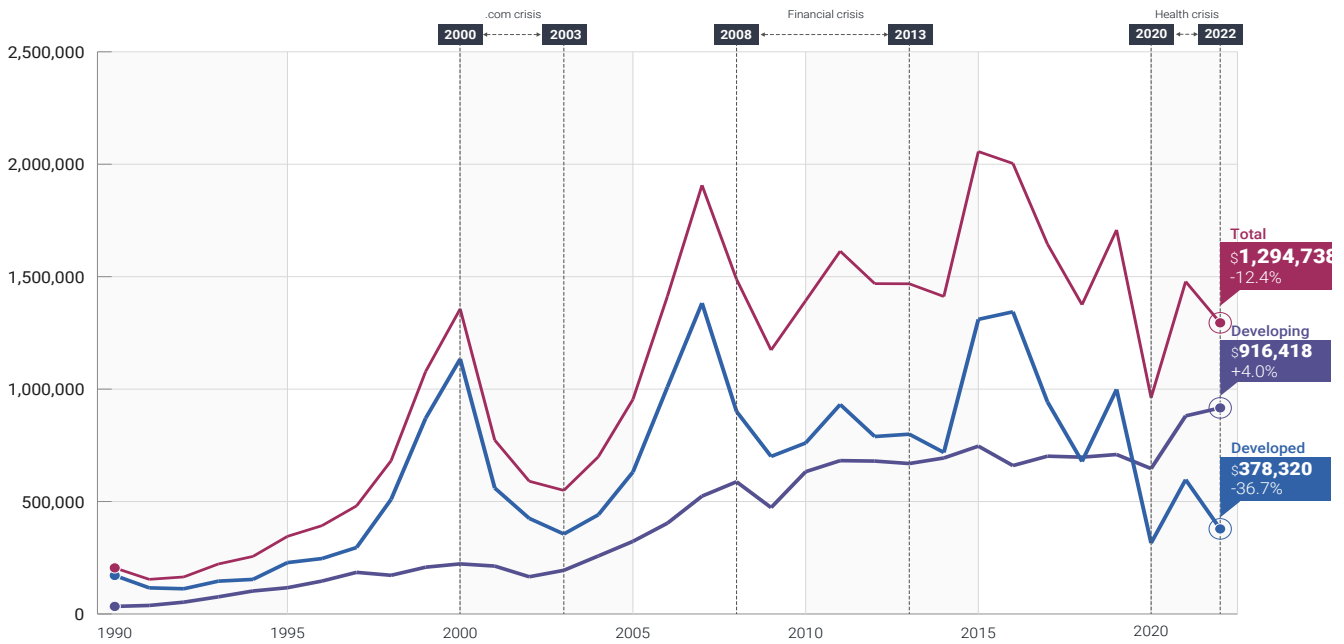


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Figure 1. Evolution of net FDI flows received by level of development
Millions of \$



Source: UNCTAD, July 2023

Key Messages

- Global investment flows decreased by 12% in 2022, reaching \$1.3 trillion, according to UNCTAD data. This decline follows a 64% rebound in the previous year and comes after a sharp drop in 2020 when flows fell below one trillion dollars.
- The slowdown was attributed to the conflict in Ukraine, high energy and food prices, and debt pressures. **The M&A market and international project financing were particularly affected by the rise in interest rates** and the uncertainty in the capital markets.
- The decline in FDI flows in 2022 was driven by a reduction of the financial **transactions of multinational enterprises (MNEs) in developed economies**, where FDI decreased by 37% to \$378 billion.
- On the other hand, in relation to **greenfield investments**, fDi Markets announced 17,441 cross-border global projects in 2022, 14% more than the previous year, with an associated investment of 1,183,400 million dollars (+62% YoY) and the creation of 2,403,247 jobs (+29% YoY).
- The **volume of projects** in 2022 was still 13% below the highs set in 2018, although the size of the projects, both in terms of announced investment and employment, was notably higher than in 2021 and the averages of the last decade.
- In 2022, **several industries heavily involved in global value chains (GVCs)**, such as electronics, machinery, and automotive, were notably active in greenfield projects. These industries had faced significant challenges during the pandemic. **The energy sector maintained consistent levels of investment**, while there was a **slowdown in the digital economy** sectors. Interestingly, **three out of the five largest announced projects were related to semiconductors**.
- In 2022, the **United States** remained the top destination for foreign direct investment (FDI) globally, even though there was a 27% decrease compared to the surge seen in 2021. FDI into the **European Union (EU)** saw negative figures primarily because of substantial disinvestment activities in Luxembourg. However, if we exclude Luxembourg as a transit country from the calculations, FDI flows within the EU actually increased by 29% compared to the 2021 figures, surpassing \$197 billion.
- The weak economic growth expected in **2023** may lead to more cautious behavior among investors and to consolidation strategies instead of expansion in many companies. In addition, and although global inflation is estimated to decrease from 8.8% in 2022 to 6.6% in 2023, the persisting high levels are expected to continue to impact FDI figures for at least the **first part of 2023, making it more difficult to attract foreign investment**.

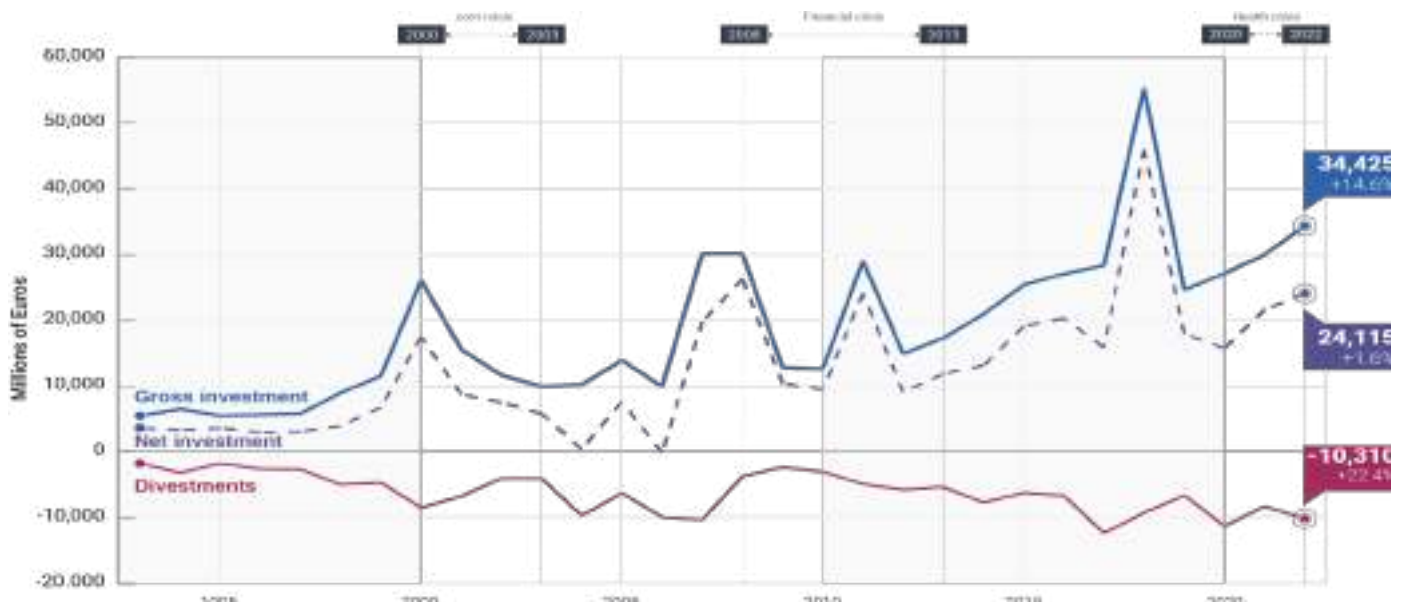
2.

FDI IN SPAIN

Foreign investment in Spain reached 34,425 million euros in 2022, the second highest figure in the entire historical series, and 15% more than in 2021.

In the first semester of 2023, Spain attracted a total of 11,996 million euros, below the half-yearly average of the last five years.

Figure 2. Evolution of gross and net productive FDI in Spain
Millions of €, Non-ETVE



Source: Investment Registry, September 2023

Key Messages

- During the first half of 2023, there was a noticeable weakness in investment inflows into Spain, with a total of **11,996 million euros received**, falling below the average of the past five years, which stood at 15,101 million euros. **Of particular note is the significantly lower flow recorded in the second quarter**, which amounted to 2,075 million euros, representing a 77% decrease compared to the average for the same period over the past five years.
- **Acquisitions** (47%) and **other expansions** (40%) **took center stage in the first half of 2023**, with significant operations in Crude Oil Extraction, Healthcare, and Telecommunications sectors, originating from the United States, Australia, France, and Switzerland.
- In 2022, Spain received **€34,425 million in gross productive investment**, marking a 14.6% increase from 2021.
- **Net productive investments** amounted to **€24,115 million**, representing an 11.6% rise, despite a surge in divestments during the year. In 2022, over 87% of foreign investments were directed towards non-publicly traded companies.
- Although **acquisitions** remained at the high levels of previous years (€12.446 billion, 36% of the total), they took a back seat in 2022 compared to **expansions** (investments by established foreign companies, €16.927 billion, 49%), which doubled their levels from the previous year. New investments (**greenfield or brownfield**) accounted for 15% of the investment, below the average of the last five years.
- Spain receives **flows of productive FDI mainly from other OECD countries** (87% in the last decade, 94% in 2022). Of these, **European countries** stand out as the main investors (59% in the last decade, a figure that was repeated last year).
- Four countries, the **United States** (€9.5 billion), the **United Kingdom** (€6.1 billion), **Germany** (€4.8 billion) and **France** (€3.4 billion), invested over €2 billion in 2022. Another two countries, **Australia and the Netherlands**, invested more than 1 billion.
- Investment flows in Spain are mainly directed to the **Services sector** (59% of the flows in the last decade), followed by **Industry** (28%), **Construction** (10%) and the **Primary Sector** (2%).
- At the beginning of 2023, although the Services sector still holds the lead with a 49% share of total investment, driven significantly by investments in the Telecommunications and Healthcare industries), the Primary Sector gains prominence (29%), thanks to the substantial investment recorded in Crude Oil Extraction. The Industry sector represents 18% of the investment, while Construction falls to 3%.

Table 1. Regional distribution of FDI in Spain

Millions of euros and Jobs

Region	FDI Inflows			Stock		Fixed Tang. Assets		Employment	
	2022	YoY	S1-2023*	2021	YoY	2021	YoY	2021	YoY
Community of Madrid	17,412	-20.8%	7,579	363,063	4.3%	34,395	18.3%	569,948	8.9%
Basque Country	5,517	258.1%	311	20,239	0.6%	5,231	4.8%	73,111	-2.4%
Catalonia	3,925	26.9%	825	72,728	7.9%	30,886	9.6%	360,484	1.6%
Region of Valencia	2,046	135.4%	2,268	8,831	12.0%	9,902	7.5%	123,931	1.5%
Andalusia	1,245	28.2%	156	10,057	-12.8%	23,651	20.2%	159,675	-2.6%
Navarre	791	569.8%	4	2,781	26.9%	2,813	-2.2%	37,948	-4.2%
Castilla-La Mancha	567	202.6%	89	1,331	-4.1%	6,698	24.1%	61,098	-0.6%
Region of Murcia	546	464.9%	372	2,779	62.4%	2,605	-5.0%	31,406	22.3%
Aragon	484	140.7%	119	4,468	-8.3%	6,522	2.1%	62,223	-2.8%
Castilla and Leon	474	247.7%	34	5,252	6.5%	7,827	3.4%	76,137	-4.7%
Balearic Islands	463	87.2%	104	10,798	4.4%	4,766	5.4%	24,829	0.0%
Asturias	300	559.3%	34	16,086	22.3%	3,787	-13.2%	34,831	-1.1%
Canary Islands	270	209.2%	38	2,865	-0.9%	4,374	4.2%	38,177	4.4%
Galicia	179	-19.6%	58	6,079	-34.1%	5,424	-5.4%	67,864	-1.7%
La Rioja	178	144.9%	1	909	1.8%	656	-3.7%	12,632	15.1%
Cantabria	10	-60.3%	0	781	-47.9%	1,125	13.4%	18,570	13.8%
Extremadura	9	-47.1%	4	615	-7.9%	2,264	33.8%	10,858	0.0%
Ceuta and Melilla	0	-38.0%	0	214	97.0%	332	12.2%	1,769	16.0%
Unassigned	8	-92.7%	3						
TOTAL	34,425	14.6%	11,996	529,877	4.1%	153,256	10.6%	1,765,491	2.9%

Source: Investment Registry, September 2023

Table 2. Normalized gross FDI flows by region

2022

Region	Gross FDI Inflows (Millions €)	FDI/Population (€)	FDI/GDP (%)	FDI/ Total FDI (%)	Population/Total (%)	GDP/Total (%)
Basque Country	5,516.6	2,563.0	7.69%	16.0%	4.6%	5.9%
Community of Madrid	17,411.8	2,593.9	7.42%	50.6%	14.3%	19.4%
Navarre	790.9	1,213.6	3.88%	2.3%	1.4%	1.7%
La Rioja	178.1	570.0	2.07%	0.5%	0.7%	0.7%
Region of Valencia	2,045.9	404.4	1.82%	5.9%	10.8%	9.3%
Catalonia	3,924.9	517.0	1.71%	11.4%	16.1%	19.0%
Region of Murcia	545.9	358.8	1.70%	1.6%	3.2%	2.7%
Balearic Islands	463.4	378.9	1.53%	1.3%	2.6%	2.5%
Castilla-La Mancha	567.1	279.6	1.34%	1.6%	4.3%	3.5%
Asturias	299.6	301.4	1.28%	0.9%	2.1%	1.9%
Aragon	484.2	376.1	1.28%	1.4%	2.7%	3.1%
Castilla and Leon	474.4	204.3	0.82%	1.4%	4.9%	4.8%
Andalusia	1,244.6	147.0	0.77%	3.6%	18.0%	13.3%
Canary Islands	270.4	120.3	0.63%	0.8%	4.8%	3.5%
Galicia	179.2	67.2	0.28%	0.5%	5.7%	5.2%
Cantabria	9.8	17.0	0.07%	0.03%	1.2%	1.1%
Extremadura	9.4	9.0	0.05%	0.03%	2.2%	1.7%
Ceuta and Melilla	0.4	2.3	0.01%	0.00%	0.3%	0.3%
TOTAL	34,424.9	732.2	2.85%			

Source: Investment Registry and INE, September 2023 (*GDP for 2021)

3.

FDI FLOWS IN CASTILLA-LA MANCHA

Castilla-La Mancha received 89 million euros of foreign productive investment in the first semester of 2023, a figure which is 25% higher than the average for the last five years.

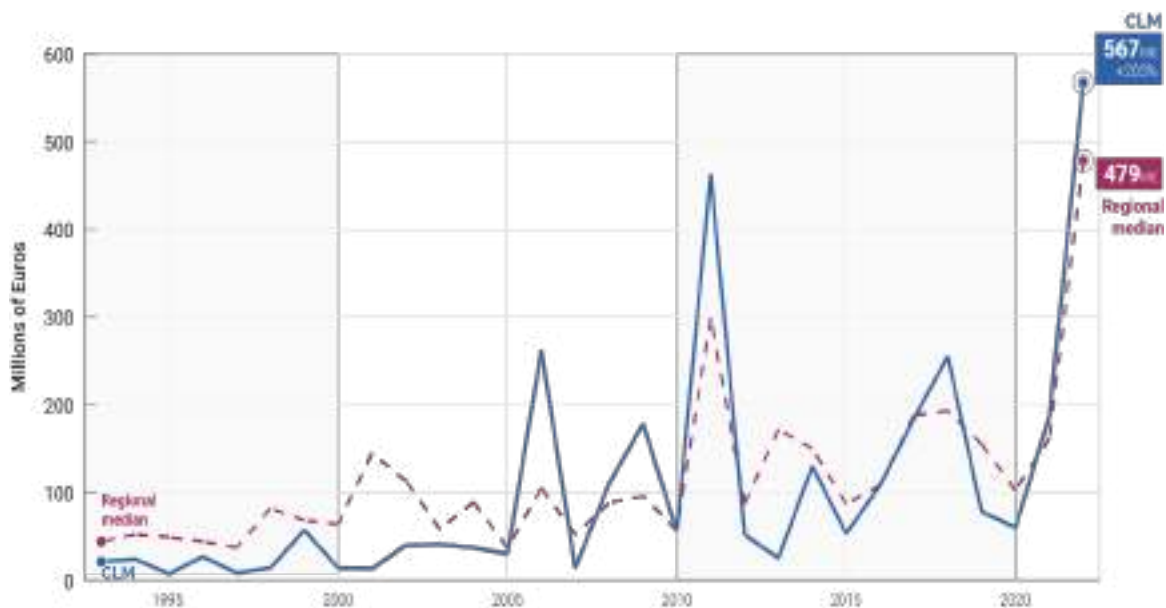


Castilla - La Mancha



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Figure 3. Evolution of gross productive FDI in Castilla-La Mancha
Millions of €, Non-ETVE



Source: Investment Registry, September 2023

Key Messages

- In the first half of 2023, investments worth 89 million euros were recorded in the Castilla-La Mancha region, in line with the semi-annual averages of the last five years.
- Regarding the type of transactions, the volume of **other expansions** accounted for 57% of the figures in Castilla-La Mancha, while **acquisitions** represented 41%. Greenfield investments recorded by the Registry amounted to 13% of the total.
- With these figures, Castilla-La Mancha ranks as the **ninth region attracting the most investment in the first half of 2023**. In these six months, the Investment Registry's numbers, which currently include only a few transactions, are heavily influenced by a handful of large operations responsible for 60% of the flows. The usual variations in quarterly data, particularly in the early months of the year, suggest that it's important to consider the data from a broader perspective.
- Investment figures in Spain are strongly marked by **Madrid's 'capital status'**, which affects the figures both from the purely methodological point of view (referred to as the 'headquarters effect') and from the point of view of the real attractiveness of a location when deciding where to invest. **Castilla-La Mancha is therefore usually underrepresented in the figures offered by the different official sources.**
- In 2022, Castilla-La Mancha **received an unprecedented level of gross productive investment totaling 567 million euros**. This figure represented a remarkable 202% increase compared to the previous year. As a result, Castilla-La Mancha became the **seventh region in Spain** to attract the highest amount of investment. This occurred during a year when many regions in Spain experienced significant increases in the investments they received.
- As has happened in the last decade, **acquisition operations accounted for the lion's share of the investments in Castilla-La Mancha in 2022**: they represented 54% of the flows received in the region, ahead of **expansions** (investments by already established foreign companies), 39%, and **new investments** (*greenfield or brownfield*), the remaining 7%. There were two operations in the year above 100 million, and we are **waiting to see the impact in the region of the large announcements of future investments** made during the year reported by other sources.
- In the last decade, Castilla-La Mancha received **€81 of gross foreign investment per capita per year**. In 2022, this figure rose to €276 on average per inhabitant.

4.

EMPLOYMENT STOCK

In the last few years, the evolution of employment derived from the stock of foreign investment in Castilla-La Mancha has been very remarkable.

Following five years of consistent growth between 2015 and 2020, the year 2021 saw employment levels nearly double compared to those in 2015. Approximately 30,000 jobs have been added since that year.



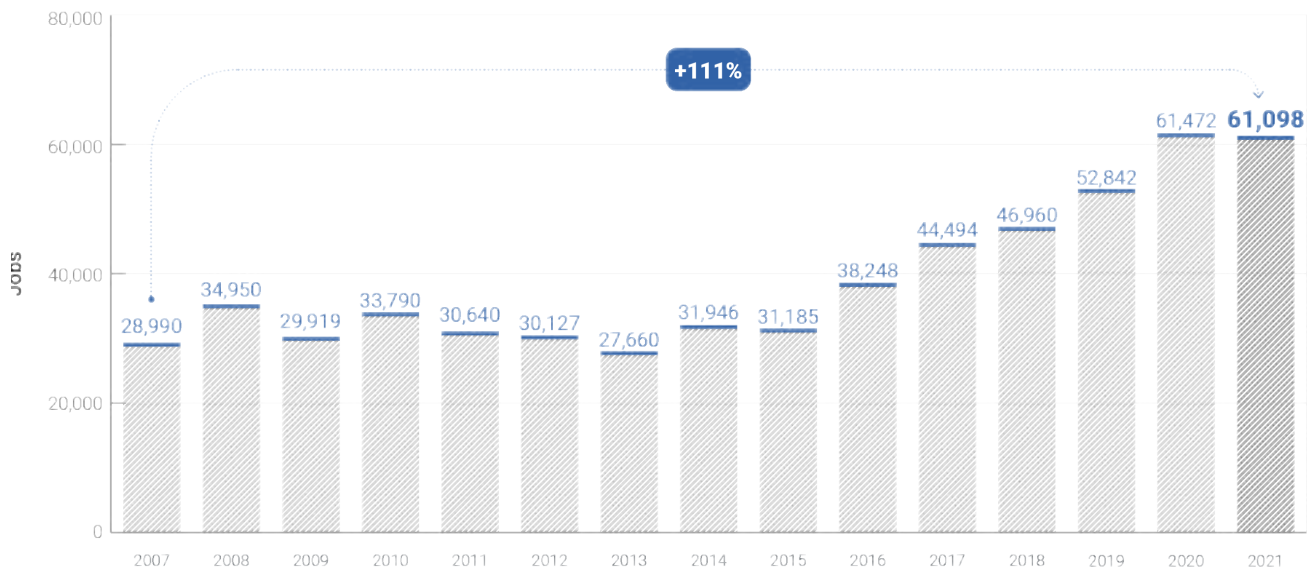
Castilla - La Mancha



GOBIERNO REGIONAL
DE CASTILLA-LA MANCHA

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Figure 4. Evolution of the Stock of employment derived from foreign investment in Castilla-La Mancha



Source: Investment Registry, June 2023

Key Messages

- In 2021, the last year for which the Registry provides data on the stock of investments, there were **61,098 workers in FDI related jobs**, a figure similar to that of 2020 (-0.6%).
- After five years of continuous growth between 2015 and 2020, in 2021 the strong increase in the stock of employment derived from foreign investment registered in the year of the pandemic was consolidated, with **figures that are more than double those registered in 2007 (+111%)**, the first year for which of information on this indicator. Since that year, 32,108 jobs linked to FDI have been added in the region, practically 30,000 since 2015.
- The stock of employment linked to foreign investments in Castilla-La Mancha represented **7.2% of the employed population in the region in 2021**.
- The **six main investing countries** account for **67% of employment** in foreign companies in the region. Investments from **France** provide 11,809 jobs (19.3% of FDI-linked employment in the region), the **United States**, 10,977 (18%), **Germany** 7,263 (12%), **Switzerland** 4,122 (6.7%), the **Netherlands** 3,673 (6%), and the **United Kingdom** 3,087 (5.1%).
- The list of the top 10 countries whose investments generate the most employment is completed by **Czech Republic** (2,736 jobs), **Denmark** (2,418), **Austria** (2,264) and **Spain** (investments in Castilla-La Mancha by subsidiaries of Spanish companies abroad, 2,253 jobs).
- In 2021, the largest increases in employment linked to FDI (in absolute values) were registered in companies from the **Czech Republic** (+2,736 jobs, concentrated in *Retail Trade in non-specialized establishments*), **Switzerland** (+914, with a strong increase in *Activities of temporary employment agencies*), the **United Kingdom** (+872, with a notable increase in *Catering services*) and **Denmark** (+756, in *Other industrial cleaning activities and Engine manufacturing*). On the other hand, the largest decreases in employment occurred in companies from **France** (-3,067 jobs, with a sharp decrease in the *Paper industry and Other professional services sectors*), the **United States** (-1,486 jobs, although a large part of this drop is due to a change of ownership of *Temporary work agencies* to Switzerland) and the **Netherlands** (-1,154 jobs, also concentrated in *Temporary work activities*).
- The **Services sector** accounts for 63% of the 61,098 FDI related jobs in the region, ahead of **Industry** (32%), **Construction** (3.5%) and **Primary Sector** (1.9%).
- Five subsectors account for **84% of employment**. The most prominent is *Manufacturing*, with 18,470 jobs (32.4% of the total), followed by *Wholesale and retail trade* (11,476 jobs, 19.8%), *Administrative activities* (9,930 jobs, 16.3%), *Transport and storage* (7,363 jobs, 12.1%) and *Information and communications* (3,858 jobs, 6.3%).

5.

INVESTMENT STOCK AND FIXED TANGIBLE ASSETS

The foreign investment position in Castilla-La Mancha, very marked by the headquarters effect, amounted to 1,331 million euros at the end of 2021, 3.1% of regional GDP.

Fixed tangible assets associated with foreign investment stood at 6,698 million (+24% year-on-year), 15.8% of regional GDP.

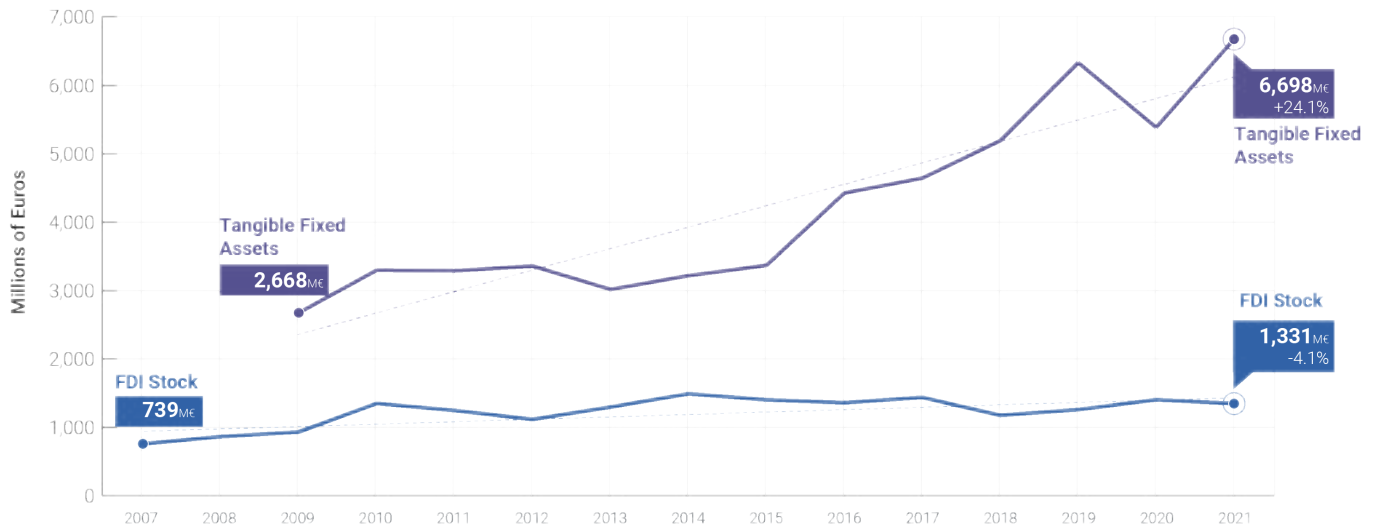


Castilla-La Mancha



IPEX

Figure 5. Evolution of the investment stock-position and fixed tangible assets in Castilla-La Mancha
Millions of €, Non-ETVE



Source: Investment Registry, September 2023

Key Messages

- The stock of FDI is an indicator of investors' **long term confidence in the local economy** and its companies. It represents the value of the assets that foreign investors hold in companies in Castilla-La Mancha (direct investment), and financing between related companies.
- In 2021¹, the foreign investment position in Castilla-La Mancha, according to the Investment Registry, was **1.3 billion euros**, taking into account only productive investments (Non-ETVE). This figure represented 0.3% of the national total.
- Stock levels, which are strongly marked by the 'headquarters effect'², have remained relatively stable in CLM, above **1 billion in the last decade**. In the last year they dropped -4.1%, compared to the strong increase registered in 2020 (+12%).
- The stock of productive FDI represented **3.1% of regional GDP** in the year, or 649 euros per capita.
- **Fixed tangible** assets provides a clearer picture as to where the investment is effectively made, by valuing the set of physical assets – land, buildings, assembly lines, machinery, transport equipment, furniture, etc. – of a more durable nature that a company dedicates to the development of its activity.
- Fixed assets are not free of bias though: they accounted for only **29% of the total investment stock** in Spain, they tend to be more represented in regions with more weight in the industrial sector compared to regions more oriented to the service sector, and, by definition, do not take into account financial and intangible fixed assets.
- Thus, **the fixed tangible assets associated with foreign investment in Castilla-La Mancha reached 6,698 million euros in 2021**, following a significant increase of 24% compared to the previous year, well above the national growth rate for this variable (11%).
- Based on these figures, which represent an increase of more than double compared to the numbers recorded in 2009 (+151%), Castilla-La Mancha is positioned as the **sixth region in Spain** when considering this variable in absolute terms. Additionally, it ranks **third in relation to its GDP** (15.8% of regional GDP).

¹ Stock data is obtained from the annual reports submitted by companies. These companies have nine months to submit their reports after closing their annual accounting (many do so in June). This, coupled with the time required for data processing and normalization, results in a delay of 18 months from the end of the fiscal year until publication.

² See methodological note in the annex: through the Basic headquarters effect the impact of the methodology for allocating investments to the regions where the headquarters of the companies are located can be measured. Castilla-La Mancha was in 2021 the region most penalized by this effect, which means that the official figures of the indicators affected by this effect (flows, stock) are under-represented in the region.

6.

GREENFIELD **PROJECTS**

In the first eight months of 2023, 24 new projects have been announced in Castilla-La Mancha, with a total investment of \$1,778 million.



Castilla-La Mancha



IPEX

Figure 8. Evolution of Greenfield projects announced in Castilla-La Mancha



Source: fDi Markets, June 2023

Key Messages

- According to Orbis Crossborder Investment (Moody's), during the first eight months of 2023, there were **24 new projects announced** in Castilla-La Mancha, with an investment of \$1,778 million and the creation of 1,811 jobs.
- 2021 saw a strong recovery in greenfield investments in Castilla-La Mancha. In 2022, 30 greenfield projects were announced in the region according to fDi Markets, with an associated investment of \$3,378 million and the generation of **5,637 jobs**. This marked the maximum of the series in terms of the number of projects, +43%, investment +226%, and generated employment +71% (compared to the previous maximums).
- Castilla-La Mancha thus ranks as the **fifth Spanish region in Spain where the most greenfield projects and investment were announced in 2022, and the fourth in employment** linked to these investments, thanks in large part to important project announcements in ICT infrastructures (Meta, \$ 1,090 million) and in renewable energies (Envision Energy, \$ 977 million), the full impact of which will be known in the coming years.
- Since 2003 (the first year for which fDi Markets offers data), **Castilla-La Mancha has received 212 cross-border greenfield projects (11 per year)**, with an accumulated investment of \$11,454 million and the generation of more than 32,400 local jobs. It is the ninth region that has received the most projects in Spain since then, and the sixth in terms of employment.
- The number of projects has **increased notably since 2015** and especially since 2018. In the last five years, 20 projects have been announced in Castilla-La Mancha each year, with an annual investment close to \$1,400 million and the generation of more than 3,500 jobs.
- The province of **Toledo** has concentrated 46% of the projects received in the entire historical record (98), 43% of the investment (\$4,946 million) and 47% of the employment generated (15,218); followed by **Guadalajara** (63 projects, 8,740 jobs), **Ciudad Real** (20 projects, 5,149 jobs), **Albacete** (16 projects, 1,748 jobs) and **Cuenca** (6 projects, 1,094 jobs).
- **France** has been the main investor country in Castilla-La Mancha in terms of number of projects (45), while the **United States** led in terms of investment (\$3,886 million, 34% of the total) and employment (10,347, 32%). The **United Kingdom, Germany and Italy** also stand out among the main investors, throughout the historical series and since 2015.
- Five sectors concentrate 68% of the projects received by Castilla-La Mancha in the entire historical series: the **Transport and storage sector** (23%), **Retail trade** (14%), Environmental Technologies (14%, with a strong rise in the last two years), **Agribusiness** (9.4%) and **ICT and Electronics** (6.1%).

Table 3. Number of projects, investment volume and jobs announced by destination in Castilla-La Mancha

Province	Projects				Capex				Employment			
	Total (Num.)	(%)	2015-2022 (Num.)	(%)	Total (M\$)	(%)	2015-2022 (M\$)	(%)	Total (Jobs)	(%)	2015-2022 (Jobs)	(%)
Toledo	98	46.2%	50	42.4%	4,946	43.2%	3,455	45.4%	15,218	46.9%	10,334	51.5%
Guadalajara	63	29.7%	41	34.7%	2,682	23.4%	1,768	23.2%	8,740	27.0%	6,571	32.8%
Ciudad Real	20	9.4%	12	10.2%	2,270	19.8%	1,342	17.6%	5,149	15.9%	1,279	6.4%
Albacete	16	7.5%	4	3.4%	298	2.6%	98	1.3%	1,748	5.4%	476	2.4%
Cuenca	6	2.8%	6	5.1%	595	5.2%	595	7.8%	1,094	3.4%	1,094	5.5%
Not specified	9	4.2%	5	4.2%	663	5.8%	356	4.7%	473	1.5%	301	1.5%
Total	212		118		11,454		7,614		32,422		20,055	

Source: own elaboration, based on fDi Markets, June 2023

Table 4. Number of projects, investment volume and jobs announced in Castilla-La Mancha by country of origin

Country	Projects				Capex				Employment			
	Total (Num.)	(%)	2015-2022 (Num.)	(%)	Total (M\$)	(%)	2015-2022 (M\$)	(%)	Total (Jobs)	(%)	2015-2022 (Jobs)	(%)
France	45	21.2%	20	16.9%	1,267	11.1%	646	8.5%	4,854	15.0%	2,510	12.5%
United States	42	19.8%	28	23.7%	3,886	33.9%	2,646	34.7%	10,347	31.9%	6,372	31.8%
United Kingdom	23	10.8%	13	11.0%	1,124	9.8%	432	5.7%	3,401	10.5%	1,875	9.3%
Germany	20	9.4%	10	8.5%	595	5.2%	344	4.5%	2,081	6.4%	1,238	6.2%
Italy	10	4.7%	5	4.2%	418	3.7%	302	4.0%	553	1.7%	358	1.8%
Switzerland	9	4.2%	5	4.2%	216	1.9%	159	2.1%	549	1.7%	297	1.5%
Portugal	9	4.2%	5	4.2%	463	4.0%	249	3.3%	1,936	6.0%	874	4.4%
Netherlands	7	3.3%	6	5.1%	252	2.2%	176	2.3%	1,063	3.3%	613	3.1%
Singapore	6	2.8%	6	5.1%	341	3.0%	341	4.5%	2,303	7.1%	2,303	11.5%
Denmark	6	2.8%	3	2.5%	161	1.4%	97	1.3%	935	2.9%	352	1.8%
Japan	5	2.4%	1	0.8%	184	1.6%	71	0.9%	474	1.5%	131	0.7%
Luxembourg	4	1.9%	3	2.5%	182	1.6%	171	2.2%	663	2.0%	636	3.2%
Sweden	4	1.9%	2	1.7%	437	3.8%	306	4.0%	1,296	4.0%	1,150	5.7%
China	3	1.4%	3	2.5%	1,099	9.6%	1,099	14.4%	730	2.3%	730	3.6%
Belgium	3	1.4%	0	0.0%	97	0.8%	0	0.0%	141	0.4%	0	0.0%
Mexico	2	0.9%	1	0.8%	73	0.6%	18	0.2%	130	0.4%	60	0.3%
Canada	2	0.9%	1	0.8%	84	0.7%	82	1.1%	128	0.4%	86	0.4%
Brazil	2	0.9%	0	0.0%	17	0.2%	0	0.0%	64	0.2%	0	0.0%
Argentina	1	0.5%	1	0.8%	17	0.1%	17	0.2%	40	0.1%	40	0.2%
Norway	1	0.5%	1	0.8%	11	0.1%	11	0.1%	26	0.1%	26	0.1%
Finland	1	0.5%	1	0.8%	18	0.2%	18	0.2%	91	0.3%	91	0.5%
Taiwan	1	0.5%	1	0.8%	39	0.3%	39	0.5%	84	0.3%	84	0.4%
Russia	1	0.5%	1	0.8%	25	0.2%	25	0.3%	88	0.3%	88	0.4%
Israel	1	0.5%	1	0.8%	368	3.2%	368	4.8%	141	0.4%	141	0.7%
Colombia	1	0.5%	0	0.0%	20	0.2%	0	0.0%	75	0.2%	0	0.0%
Turkey	1	0.5%	0	0.0%	26	0.2%	0	0.0%	78	0.2%	0	0.0%
Australia	1	0.5%	0	0.0%	14	0.1%	0	0.0%	83	0.3%	0	0.0%
Total	212		118		11,454		7,614		32,422		20,055	

Source: own elaboration, based on fDi Markets, June 2023

7.

ORIGIN OF INVESTMENTS

Castilla-La Mancha mainly receives flows of other OECD countries.

Norway, Italy and France were the leading investor countries in the first semester of 2023.

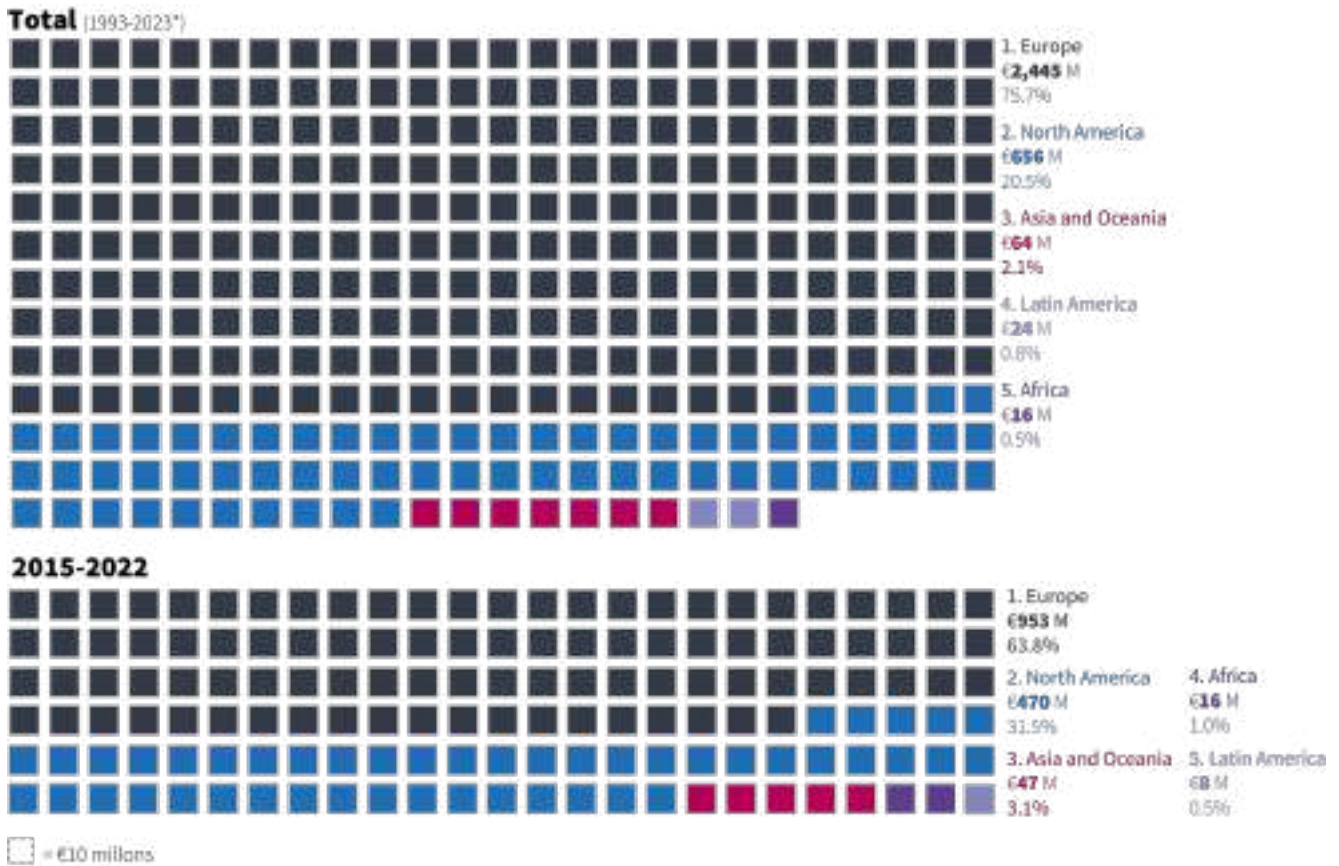


Castilla - La Mancha



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Figure 9. Foreign investment flows in Castilla-La Mancha by region of origin
Millions of €, Non-ETVE

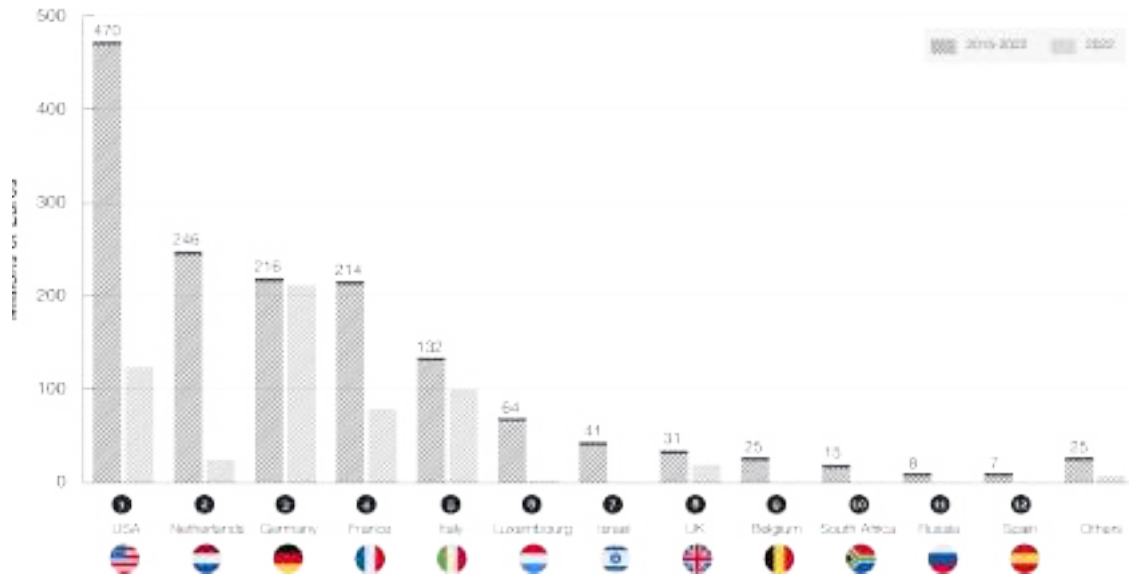


Source: Investment Registry, September 2023. *Data up to June 2023

Key Messages

- With regard to the origin of these investments, where the country of origin is the **ultimate investing country** (the country in which the chain of ownership of the company is exhausted), and taking into account only productive investment, Castilla-La Mancha mainly receives flows of other OECD countries (98% in the entire historical record, since 1993, and 97% in the last decade).
- Within the OECD, **European countries continue to be the main source of investments**, with 67% of investments in the last decade, although they have lost part of their share (they came to represent 88% of total investments in the last decade).
- Almost all European investment comes from **EU-14** countries.
- **North American** investments accounted for 28% of the flows received by Castilla-La Mancha in the last decade, and have gained more protagonism since 2015 (31.5%).
- Investments from **Asia and Oceania, Latin America and Africa** continue to be marginal in Castilla-La Mancha, according to official data from the Registry. Asian investments have begun to make their mark in recent years, with 3.1% of flows since 2015.
- In the first half of 2023, investments from **European countries** played a significant role, accounting for 98% of the total, thanks to investments from Norway, Italy, and France.

Figure 10. Foreign investment flows in Castilla-La Mancha by country of origin
Ultimate country, Millions of €, No-ETVE

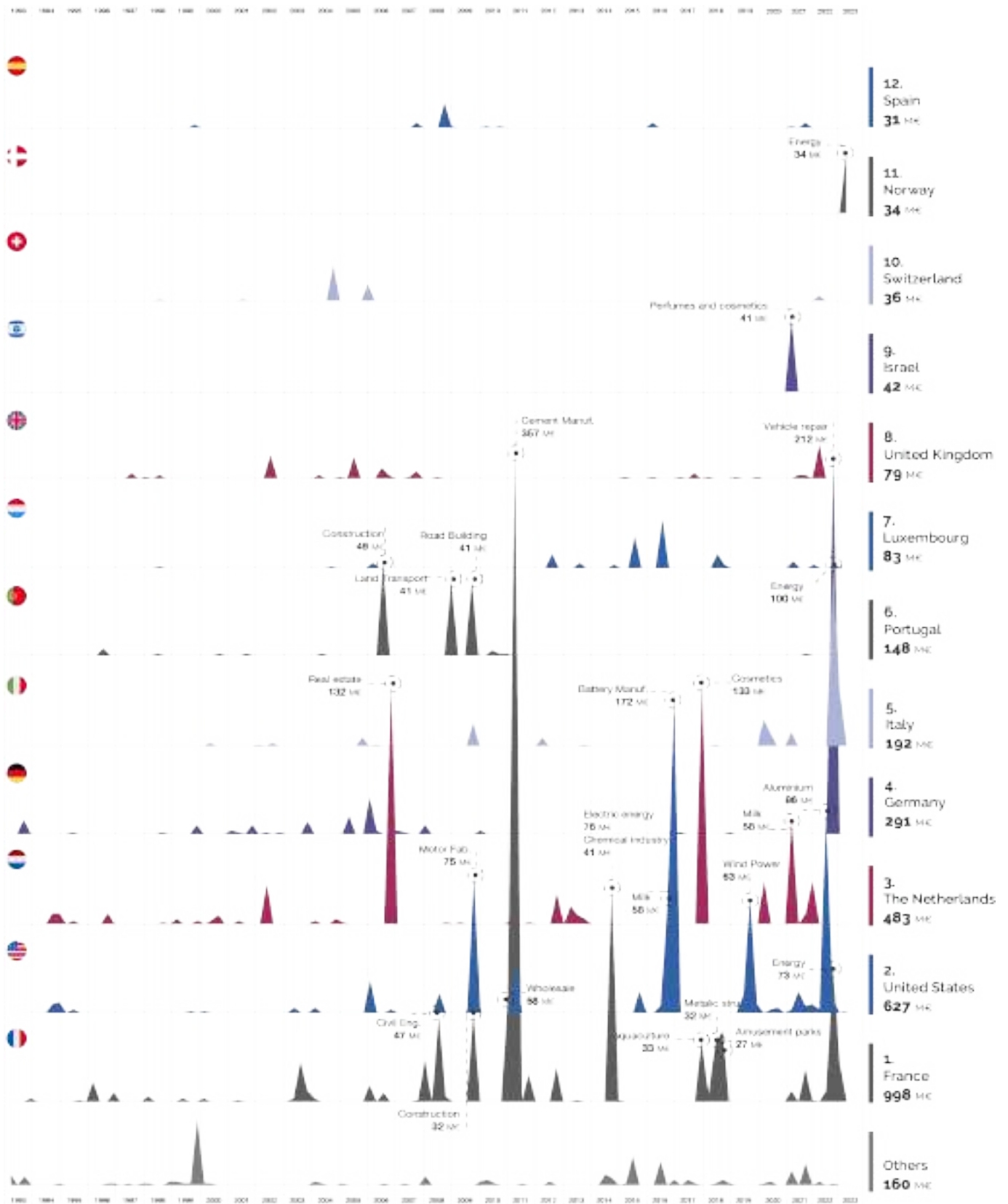


Source: Investment Registry, September 2023

Key Messages

- In the **first half of 2023**, investments from **Norway** (34 million euros in Wind Energy Production in the second quarter), **Italy** (31 million euros), and **France** (21 million euros) stood out. These last two investments were recorded in the first quarter in the Energy Supply sector.
- **Three countries invested over 100 million** in Castilla-La Mancha in 2022.
- **Germany** was by far the main investing country, with its largest investment in the region to date: 212 million euros, strongly concentrated in the *Vehicle Sales and Repair* sector in the fourth quarter, thanks to Knorr-Bremse's purchase of a majority stake in Cojali.
- **The United States** was the second investor, with 124 million (second highest figure to date), with large investments in *Aluminum production* (86 million) and *Electricity supply* (22.5 million, in *Wind power* and *Other types of energy production*).
- **Italy**, with 100 million, was third, with notable investments in *Electricity production* in the fourth quarter.
- Three other countries invested over 10 million in 2022: **France**, the **Netherlands** (24 million) and the **United Kingdom** (19 million).
- If a broader time frame is analyzed, we can see how the **United States** has been the main investor in Castilla-La Mancha in the last decade (28.5% of flows), thanks to the strong investments in 2017 -€170 M in *Manufacture of electric batteries and accumulators*- and in the last year.
- After losing its first position as the main investor country in the previous decade, **France** was the second investor country between 2012 and 2022 (20.2% of flows), with notable investments in 2014 -76M€ in *Electricity Production* and 41M€ in the *Chemical Industry*-and 2018, with sizeable investments in *Freshwater aquaculture*, *Manufacture of metal structures* and *Amusement parks*.
- The **Netherlands** was the third investor country in the period (15.5% of the total) thanks mainly to investments in 2018 in *Wholesale trade of perfumery and cosmetic products* and investments undertaken in 2021 in *Construction of non-residential buildings*.
- **Germany** (9%) and **Italy** (5%) were the fourth and fifth investor countries. Ten countries concentrated 89% of the investment received by Castilla-La Mancha in the last decade.
- **European countries tend to invest directly**, while the United States channels its investment through France (43%), the Netherlands (30%) and the United Kingdom (11%).

Figure 11. Foreign investment flows in Castilla-La Mancha by country of origin
Millions of €, Non-ETVE



Source: Investment Registry, September 2023

Table 5. Main investor countries in Castilla-La Mancha

Millions of € and jobs, Non-ETVE

Country	FDI Inflows Total		FDI Inflows 2013-2022		FDI Inflows 2022		Employment 2021	
	(M€)	(%)	(M€)	(%)	(M€)	(%)	(Jobs)	(%)
France	998	31.1%	333	20.2%	79	14.0%	11,809	19.3%
United States	627	19.6%	470	28.5%	124	21.8%	10,977	18.0%
The Netherlands	483	15.1%	265	16.1%	24	4.2%	3,673	6.0%
Germany	291	9.1%	216	13.1%	212	37.4%	7,263	11.9%
Italy	192	6.0%	133	8.1%	100	17.7%	1,951	3.2%
Portugal	148	4.6%	1	0.1%	1	0.1%	1,242	2.0%
Luxembourg	83	2.6%	67	4.1%	2	0.4%	118	0.2%
United Kingdom	79	2.5%	31	1.9%	19	3.3%	3,087	5.1%
Israel	42	1.3%	41	2.5%	0	0.0%	980	1.6%
Switzerland	36	1.1%	4	0.2%	3	0.6%	4,122	6.7%
Norway	34	1.1%	0	0.0%	0	0.0%	193	0.3%
Spain	31	1.0%	7	0.4%	0	0.0%	2,253	3.7%
Canada	29	0.9%	1	0.0%	0	0.0%	522	0.9%
Belgium	27	0.8%	25	1.5%	0	0.0%	243	0.4%
Denmark	20	0.6%	1	0.1%	0	0.0%	2,418	4.0%
South Africa	15	0.5%	15	0.9%	0	0.0%	17	0.0%
Russia	8	0.2%	8	0.5%	0	0.0%	900	1.5%
Uzbekistan	6	0.2%	6	0.4%	0	0.0%	0	0.0%
China	5	0.2%	4	0.2%	0	0.0%	299	0.5%
Brazil	5	0.1%	0	0.0%	0	0.0%	14	0.0%
Taiwan	4	0.1%	0	0.0%	0	0.0%	4	0.0%
Andorra	4	0.1%	3	0.2%	0	0.0%	18	0.0%
Uruguay	3	0.1%	1	0.0%	0	0.0%	0	0.0%
Colombia	3	0.1%	3	0.2%	0	0.0%	3	0.0%
Ireland	3	0.1%	0	0.0%	0	0.0%	125	0.2%
Others	27	0.8%	13	0.8%	3	0.5%	8,866	14.5%
Total	3,205		1,647		567		61,098	

Source: Investment Registry, September 2023. Data up to June 2023

Note: Investments from Spain are circular investments, that is, investments in Castilla-La Mancha by subsidiaries undertaken by Spanish companies abroad.

8.

SECTOR ANALYSIS

The Industrial Sector accounted for 64% of foreign investment in the last decade in Castilla-La Mancha. The Services Sector attracted 28% of flows, the Primary Sector 4.5% and Construction 3.6%.

In the first six months of 2023, the Energy Supply sector accounted for almost all the investment.



Castilla-La Mancha



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Figure 12. Sectoral distribution of gross FDI in Castilla-La Mancha
Millions of €, Non-ETVE

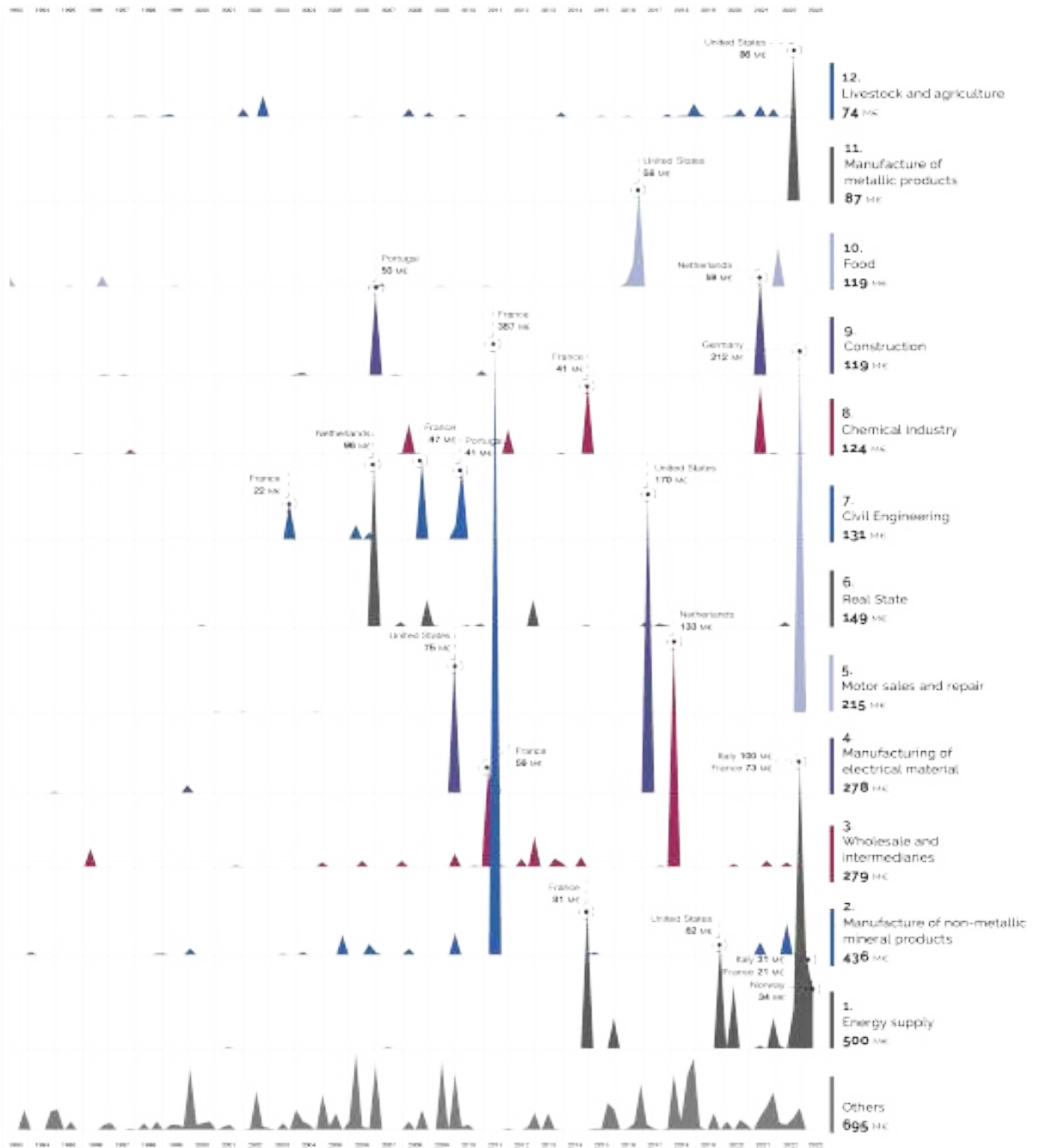


Source: Investment Registry, September 2023

Key Messages

- Unlike the main FDI destinations in Western European countries, **Industry has been the sector that has monopolized the bulk of the productive FDI received by Castilla-La Mancha**, with 58% of the flows received throughout the historical record, and 64% in the last decade (2013-2022).
 - Investments in **Industry** in the last decade have been mainly concentrated in *Electricity Supply, Manufacture of Material and Electrical Equipment, Food Industry and Metallurgy*.
 - The **Services Sector** has received 28% of CLM's flows in the whole historical series, and 28% in the last decade. These figures are very conditioned by the aforementioned 'headquarters effect' and the region's proximity to Madrid.
 - Since 2013, the largest investments in the **Services sector** were undertaken in 2022 in *Vehicle Sales and Repair* and in *Wholesale and Intermediate Trade*, followed at a distance by *Recreational activities, Real Estate activities and Retail trade*.
- The **Construction** sector, after a strong start to the century, represented just 3.6% of flows in the last decade. Almost all of the investment in this sector was concentrated in *Building Construction*.
- Investment in the **Primary sector** represented 4.5% of the total, similar to the average since the beginning of the historical series in 1993. The investments in *Aquaculture* in 2018 and in *Agriculture and Livestock* in 2021 are especially noteworthy.
- After a year marked by substantial investments in *Vehicle Sales and Repair* (37.5% of the total), *Electric Power Supply* (33.7%), and *Metallurgy* (15.1%) in 2022, the situation has shifted in the **first six months** of 2023. During this period, the Energy Supply sector has taken the spotlight, attracting the majority of the investment in the region.

Figure 13. Sectoral distribution of gross investment flows in Castilla-La Mancha
Millions of €, Non-ETVE



Source: Investment Registry, September 2023

Table 6 Sectoral distribution of investment and employment flows in Castilla-La Mancha
Millions of € and jobs, Non-ETVE

CNAE	Sector	FDI Flows 1993-2002		FDI Flows 2003-2012		FDI Flows 2013-2022		Employment 2021	
		(M€)	(%)	(M€)	(%)	(M€)	(%)	(Jobs)	(%)
	Primary sector	24	10.7%	79	6.1%	75	4.5%	1,183	1.9%
	Construction	3	1.2%	225	17.5%	60	3.6%	2,138	3.5%
	Industry	99	43.8%	632	49.3%	1,056	64.1%	19,435	31.8%
	Services	100	44.3%	347	27.0%	457	27.7%	38,342	62.8%
01 to 03	Agriculture, livestock and fisheries	24	10.5%	24	1.9%	73	4.4%	278	0.5%
05 to 09	Extractive industries	0	0.2%	55	4.3%	2	0.1%	905	1.5%
10 to 33	Manufacturing industry	98	43.4%	630	49.1%	644	39.1%	18,470	30.2%
35	Electric energy	1	0.4%	2	0.2%	409	24.8%	84	0.1%
36 to 39	Water and waste management	0	0.0%	0	0.0%	3	0.2%	881	1.4%
41 to 43	Construction	3	1.2%	225	17.5%	60	3.6%	2,138	3.5%
45 to 47	Wholesale and retail trade.	21	9.5%	106	8.3%	383	23.3%	11,476	18.8%
49 to 53	Transport and storage	0	0.2%	48	3.7%	0	0.0%	7,363	12.1%
55 to 56	Hospitality	0	0.2%	0	0.0%	1	0.0%	1,432	2.3%
58 to 63	Information and communications	33	14.7%	0	0.0%	7	0.4%	3,858	6.3%
64 to 66	Financial activities	6	2.6%	2	0.2%	0	0.0%	653	1.1%
68	Real estate activities	2	0.8%	136	10.6%	10	0.6%	65	0.1%
69 to 75	Professional, scientific and technical activities	35	15.4%	3	0.2%	3	0.2%	990	1.6%
77 to 82	Administrative activities	2	0.7%	35	2.7%	2	0.1%	9,930	16.3%
84	Public administration and defence	0	0.0%	0	0.0%	0	0.0%	25	0.0%
85	Education	0	0.0%	0	0.0%	0	0.0%	18	0.0%
86 to 88	Health activities	0	0.0%	0	0.0%	0	0.0%	1,727	2.8%
90 to 93	Artistic activities	0	0.0%	14	1.1%	50	3.0%	424	0.7%
94 to 96	Other services	0	0.0%	2	0.1%	0	0.0%	382	0.6%
	Total	226		1,283		1,647		61,098	

Source: Investment Registry, June 2023

9.

IPEX-INVEST IN CLM



Castilla-La Mancha



GOBIERNO REGIONAL
DE CASTILLA-LA MANCHA

IPEX

IPEX-INVEST IN CLM

IPEX- Invest in Castilla La Mancha is a regional government initiative whose objective is the internationalization of Castilla-La Mancha and its promotion as a competitive economy open to the world.

In addition to supporting local companies in international markets, IPEX- Invest in Castilla-La Mancha supports

foreign companies that wish to establish or expand their business projects in the region, guaranteeing the confidentiality of the projects and offering free personalized and professional support to investment initiatives

INVESTOR SERVICES

PLANNING YOUR INVESTMENT



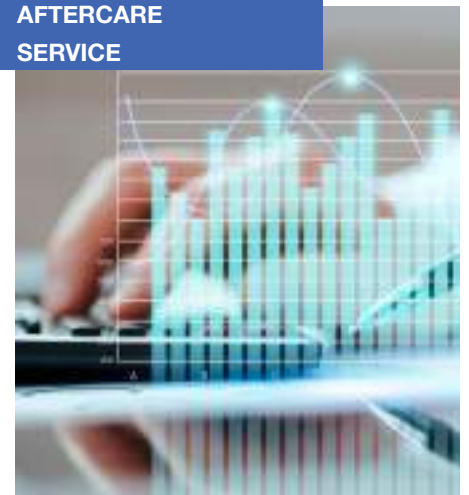
- We offer precise, objective, general and sectoral information on Castilla-La Mancha.
- We guide you through strategic aspects of your investment and help you identify business opportunities.
- We offer advice on useful aspects of living and working in Castilla La Mancha, such as visas, housing, schooling, etc.

IMPLEMENTATION



- We look for available sites and locations such as industrial warehouses, offices and laboratories.
- We offer a mediation service between the company and the different local administrations, public organizations and private entities of Castilla-La Mancha.
- We help to identify local suppliers and potential partners.
- We monitor European, national, regional and local grants and incentives that may be suitable for each investment project.

AFTERCARE SERVICE



- We support the investor in the detection of growth opportunities.
- We organize events to promote the creation of contacts between companies in the region.
- We prepare an annual barometer on the business climate in the region.

WHY CASTILLA-LA MANCHA?



10 reasons to invest in Castilla-La Mancha

WHY CASTILLA-LA MANCHA?

- 1 Strategic location**
A bridge between the European Union & Northern Africa
- 2 World-class infrastructures & excellent communication networks**
- 3 Available industrial land**
- 4 An ecosystem that fosters R&D and innovation**
- 5 A supportive Government committed to attracting investments**
- 6 Talent**
A highly educated workforce
- 7 Great incentive packages**
Up to 50% of the investment
- 8 Industrial ecosystem**
- 9 Green energy**
- 10 Quality of life**

10.

ANNEXES AND METHODOLOGICAL NOTE



Castilla - La Mancha



IPEX

11.1. Methodological note

A. Definitions

- **FDI:** According to the UNCTAD, FDI includes operations through which a direct investor acquires or increases his participation in a company resident in another country, with a long-term interest and an intention to exert an effective influence on its management. In practice, the investor is considered to have the capacity to influence the management of a company when it owns at least 10% of the capital or voting rights.
- **Components of FDI:** although there are certain discrepancies between sources, in the broadest sense, FDI has three components, according to UNCTAD: equity (purchase of the shares of a company in a country other than the investor), reinvestment of profits (profits not distributed as dividends by affiliates, or profits not sent to the direct investor), and intra-company loans (short or long-term loans between direct investors and affiliated companies).
- **Gross investment:** the Investment Registry considers gross foreign investment operations by non-residents that involve participation in unlisted Spanish companies, participation greater than 10% in listed Spanish companies, establishment or expansion of the endowment of branches of foreign companies, as well as other forms of investment in entities or contracts registered in Spain (foundations, cooperatives, economic interest groups) in which the capital invested exceeds 3 million euros.
- **Net investment:** the result of subtracting divestments from the gross investment, due to transfers between residents and non-residents, partial liquidations (capital reductions) or total liquidations (dissolutions or bankruptcies).
- **Divestment:** any reduction, be it partial or a total liquidation of an investment position in Spain whose holder is a non-resident, as well as the partial or total sale of it to a resident.
- **Investment position:** the foreign investment position in Spain (Investment Register) is the value of the shares of non-resident investors in companies domiciled in Spain, valued on the basis of the book value of the equity of the direct investment company. It includes financing between related companies.
- **Tangible fixed assets:** tangible fixed assets refers to the set of property assets (land, buildings, assembly lines, machinery, transport equipment, furniture, etc.) of a more durable or permanent nature that a company dedicates to the development of its activity.
- **Greenfield investment:** greenfield investments are a type of FDI in which the non-resident investor builds from scratch the facilities (factory, logistics, offices, etc.) for the launch of their project, business or subsidiary, as opposed to the Brownfield investments, in which existing assets are used to initiate the activity.
- **ETVEs:** Foreign Securities Holding Entities are companies established in Spain whose main purpose is the holding of shares in companies located abroad (Holdings). ETVEs are instrumental companies whose existence is due to tax optimization strategies within the same business group (based on the fact that dividends to non-residents are not subject to withholding tax), and in many cases their investments lack direct economic effects in Spain. The investment operations carried out by this type of company generally consist of the transfer within the same business group of shares in companies based in Spain.
- **Basic headquarters effect:** it consists of the impact of the allocation of investments to the region in which the company has its headquarters instead of its productive activity. In most of the cases that affect Castilla-La Mancha, investments are assigned to Madrid. If the notification of the investment by the company to the Investment Registry (RIE) does not indicate in which location/plant the investment is carried out -reinvestment or change of ownership on many occasions-, it is assigned to the region of the company's registered office. Apart from this, Madrid's capital status affects Castilla-La Mancha in a particular way due to its proximity to this city (most investments are headquartered there), generating the greatest underrepresentation of the impact of FDI among all Spanish regions. The headquarters effect is the ratio resulting from comparing the weight of each region over the total tangible fixed assets and the weight of each region over the investment stock.

B. Investment Registry

- **Origin of the investment:** the presentation data refers to the country of the ultimate beneficiary, that is, the country in which the chain of ownership of the investment is exhausted
- **Temporal effect:** the data collected by the Investment Registry are those declared by the investors themselves. The maximum term for filing the declaration is usually one month from the date of formalization of the investment. The investments collected are assigned to the corresponding period according to the date they were made, but there may be delays in the presentations, which means that in the quarterly updates the data corresponding to previous periods can be modified. It is normal for more notifications to accumulate than corresponding to the end of the year, which partly explains the growth that is usually observed in the second semesters.
- **Large operations:** The foreign investment series, especially the quarterly ones, are very erratic; a few large-scale operations can generate large fluctuations between different periods. This effect is magnified outside the main receptor regions, where relatively smaller operations can distort entire series.
- **Regional effect:** Foreign investment in Spain is assigned to the Autonomous Community where the activities generated by the investment are expected to be carried out. Investments of a general scope are assigned to the section "All the national territory" (identified as "Unassigned", one of the 'regions' receiving the most investment some years). A problem can arise if the company does not indicate where the activity generated by the investment will be carried out, in which case the investments are assigned to the domicile declared by the investors (its parent company in the country), or, in the case of acquisitions, to the region of the registered office of the acquired company. Given the strong concentration of these offices in the Communities of Madrid and Catalonia, this has a strong impact on the regional distribution of the data (the so called headquarters effect).
- **ETVEs and NoETVEs:** Although in some cases ETVEs data have been included in the graphs, for most of the analysis in this report, only productive investments (Non-ETVE) have been taken into account.
- **Employment:** It is important to bear in mind that decreases in employment linked to foreign investment may be caused by divestments or because the percentage of investment control over it falls below 10% and is no longer considered foreign productive investment. The change of ownership of assets between foreign investors from different countries does not change the global count of jobs, but it does affect their distribution by country.
- **Investment amount:** The Registry records the amount that is contributed to own funds, or other registered operations, which by regulation (RD 664/1999) are considered direct investment. The intra-group credits and debts that the company may have are currently not recorded. With the new RD that, among other things, adapts the definition of investment subject to declaration to the OECD and IMF standards, intra-group financing will become part of the investment that must be declared and registered in the figures.

C. INE - FILINT

- **Scope:** The main objective of the Statistics of subsidiaries of foreign companies in Spain (FILINT) is to provide information on subsidiaries of foreign companies resident in Spain, both in the industrial and services sectors,
- **Subsidiary:** A subsidiary is understood to be a company resident in Spain that is controlled by a foreign company.
- **Sectors:** The population under study by FILINT is made up of companies resident in Spain that are subsidiaries of foreign companies and whose main activity is included in sections B to E (industrial) and G to J and L to N (services of non-financial market) of the CNAE-09 classification system.
- **Periodicity:** The Statistics on Subsidiaries of Foreign Companies in Spain is an annual statistic. The last update was made on September 27, 2022, with data corresponding to the year 2020. The INE offers these data since 2008 and specific series in some sectors since 2005.
- **2020 Update:** In the statistics on Foreign Companies Subsidiaries published by the INE on September 30, 2020, with information referring to the year 2018, the methodology has been modified; the statistical unit "Company" has been implemented, in accordance with the Regulations of the European Union (696/93), which describes it as the 'smallest combination of legal units that produces goods or services and that enjoys a certain autonomy of decision, mainly when using the resources available to it'.

This represents a change, since until last year (reference 2017) included, the INE, like most of the statistical offices of the European Union, had been identifying, for operational purposes, the statistical unit Company with the Legal Unit (in the Spanish case, by means of the Tax Identification Number - NIF). Thus, each Legal Unit formed a Company for statistical purposes.

This methodological change has the following effects on the statistical results for 2018:

- Effect of grouping and reclassification, due to the combination of the Legal Units that are part of the Company and their reassignment to the main activity and size of said Company. This effect occurs, to a greater or lesser extent, in all variables.
- Consolidation effect, due to the cancellation of intra-company flows. This second effect only occurs in certain economic variables (for example, turnover, value of production or purchases of goods and services). Employment variables and other economic variables considered additive are not affected by this effect.

As a consequence of these effects, the variable 'Number of subsidiaries' suffers a reduction of -32.2%. Indeed, if the Legal Unit were taken as an approximation to the company concept, 14,361 legal units affiliated with foreign companies would be counted in 2018 in the sectors under study. Under the new approach, by grouping several legal units to form each statistical company, the number of subsidiaries is reduced to 9,741 subsidiaries of foreign companies.

For the remaining variables, the effect is not very relevant, although certain economic variables are affected by the consolidation of economic data

- **Discontinuity of the regional analysis:** the methodological change led to the discontinuity of the regional analysis carried out by the INE. Thus, the latest data available on the behavior of subsidiaries in the Autonomous Communities are those relating to 2018.

D. fDi Markets

- **Scope:** fDi Markets is one of the world references for business investment projects. It monitors all new investment projects and existing investment expansion without information on investors' equity participation, suggesting that the data may include investments that would not qualify as FDI in a "strict" sense. The data are offered at the national, regional (non-standard divisions) and local levels, although in Spain in particular, they do not seem to have too much data beyond Madrid or Catalonia. The data is collected in real time, including projects, amount invested and jobs created. fDi Markets records the total amount committed by the company at the time it announces or starts the project, without updating the status of the investment in successive years.
- **Sources:** fDi Markets sources its data from the Financial Times news agencies (about 9,000 sources), project data received from more than 1,000 industrial organizations and investment agencies, data purchased from market research agencies, and publishers. The data are contrasted between different sources, and fDi Markets state that in 90% of the cases data are validated with the source companies, although the percentage of direct contact is probably closer to 70%. Its main source is Factiva (Dow Jones).

E. SABI

- **Description:** SABI INFORMA, owned by Bureau van Dijk (Moody's Analytics Company), is a database of companies with wide coverage. It is currently the largest company database in Spain, offering standardized information on more than 2.9 million national companies and more than 900 Portuguese companies, including information on economic agents, companies and active freelancers with ratings, companies balance sheets, administrators and functional positions, as well as corporate links.
- **Sources:** SABI is compiled from public and private sources of information, such as the Official Gazette of the Mercantile Registry, Official Account Depositories, the BOE (Official State Gazette), Provincial and Regional Official Gazettes, national and regional press, ad hoc Investigations and diverse publications.
- **Definition of foreign company:** active company that has presented accounts in any of the last 4 years (2018-2021) or that has been recently created (post 2020), and that either has a foreign parent company (Global Ultimate Owner) or has at least one direct shareholder with a 10% stake or higher.

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