

# Evolution of Catalan Industrial SMEs in 2017 and Prospects for 2018

January 2018

## 0 Introduction

This INFORMES PIMEC summarises the evolution of Catalan industrial SMEs in 2017 and their prospects for 2018. This is the third year of this survey of the main economic variables that define the current business panorama: sales, exports, investment and employment.

This year's survey also includes two questions about the impact of the political debate in Catalonia in 2017 on industrial SME sales and investment decisions.

## 1 Survey details and methodology

The survey presented in this document has been conducted by the company GESOP.

Details of the survey conducted:

- **Research technique:** Computer-assisted telephone interviewing (CATI).
- **Geographical area:** Catalonia.
- **Universe:** industrial enterprises with a maximum of 250 employees.
- **Number of interviews:** 400.
- **Person interviewed:** The owner, manager or chief financial officer of the enterprise.
- **Sampling type:** Random selection of enterprises to be interviewed based on a business directory, in terms of size (number of employees), activity sector and province.
- **Weighting:** The results obtained have been weighted by the gross value added (GVA) of the enterprises, following real distribution by size, sector and territory.
- **Sample error:** +/- 5% by confidence level of 95.5% and  $p=q=0.5$ .
- **Fieldwork period:** 4 December 2017 to 10 January 2018.

In relation to the weighting of results, the percentage of responses should not be understood as the number of enterprises but as the proportion of activity (in terms of GVA) assignable to SMEs. To see the results by enterprise size, you can consult Annex 1 bearing in mind that, as it concerns samples that are individually low, the margin of error increases and, logically, the partial results must be treated with caution.

The classification used both in the annex cited and in the document has been determined by distinguishing between:

- Microenterprise (under 10 employees)

- Small-sized enterprise (10 to 49 employees)
- Medium-sized enterprise (50 to 249 employees).

The activities included in the sample to carry out the fieldwork are the following:

- Energy, gas, water and recycling
- Non-energy extractive industries
- Chemical industries
- Metallurgy, machinery and electrical material
- Transport material
- Food industry
- Textile, leather and clothing industry
- Paper industry, graphic arts
- Rubber, wood and other industries

## **2 Industrial SME sales in 2017**

### **2.1 Evolution**

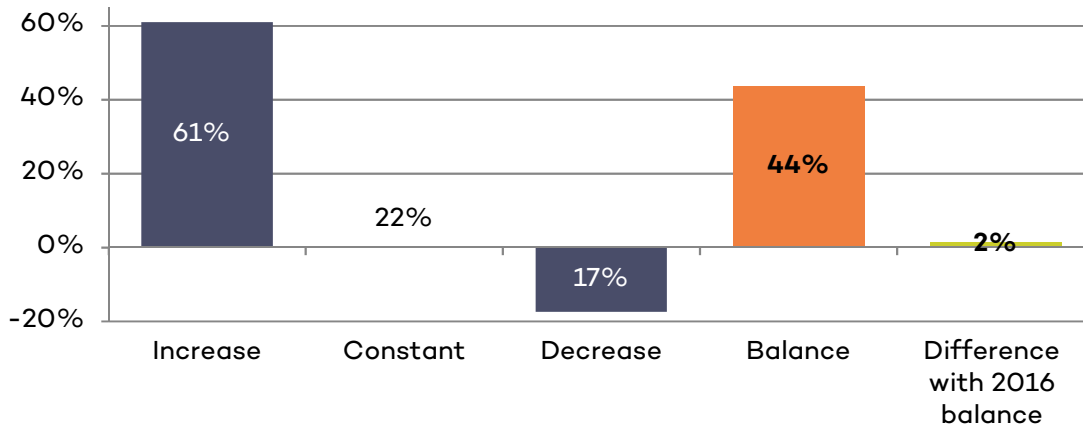
Industrial SME sales in 2017 evolved positively. The balance of variations (increase-decrease) is 44%.

The balance is even more positive than in 2016 (1.6 percentage points more), confirming the consolidation of the sector's recovery in recent years.

The sales data of our survey is in keeping with the provisional Catalan industrial GDP growth data estimated by the Catalan Government's Department of the Economy.

By size, medium-sized enterprises have evolved more favourably than small-sized enterprises, which have improved more than microenterprises.

**Graph 1. Evolution of Sales Figures in 2017 (% responses weighted by GVA)**



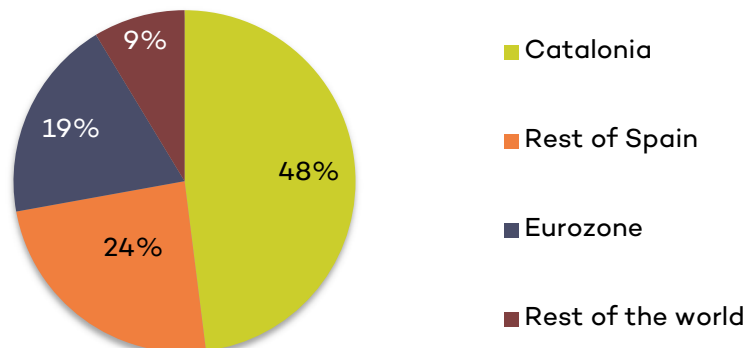
## 2.2 Geographical destination of sales

Catalan industrial SMEs target almost half their sales at the Catalan domestic market (48%). Exports are the second market (28%, with the Eurozone accounting for 19%). The rest of Spain is the third market, with 24% of total sales of the SMEs considered.

The Catalan industrial SME market has lost almost one percentage point of relative importance compared to last year's survey to the benefit of improvements among the rest of the state and, to a lesser extent, exports.

The Catalan market is the most important for small-sized enterprises (73% for microenterprises). The bigger the enterprise, the less important the Catalan market and the exports acquire more relevance (11% of microenterprises, 21% small-sized, 37% medium-sized).

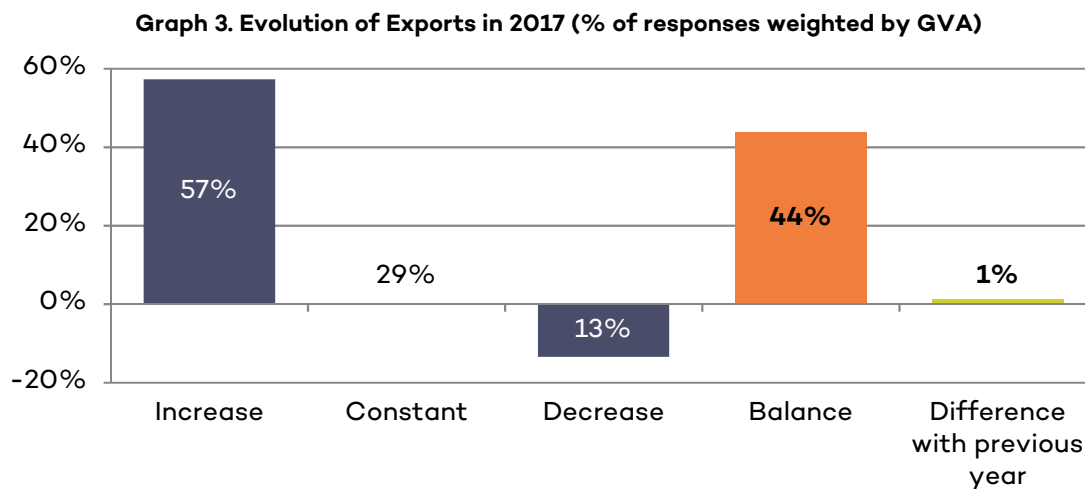
**Graph 2. Sales Distribution According to Geographical Destination in 2017 (% of responses weighted by GVA)**



## 2.3 Evolution of exports

Exports of Catalan industrial SMEs also performed well in 2017. The balance of responses weighted by GVA is positive at 44%; in other words, clearly favourable, and even better than 2015 and 2016.

In this respect, it is important to remember that the provisional macroeconomic data indicates that Catalonia will obtain good export results again in 2018, so the results of our survey are in keeping with the aggregated dynamic of the Catalan economy.



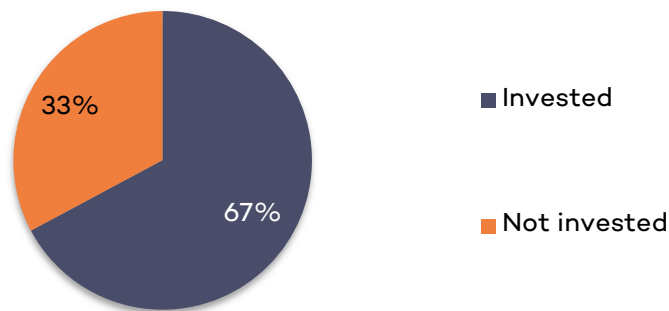
By enterprise size, small and medium-sized enterprises perform quite similarly, and microenterprises less well.

## 3 Industrial SME investments in 2017

### 3.1 Investment activity

Investment activity has been quite high among Catalan industrial SMEs, with a weighted value of 67% of cases where investments have been confirmed. This value is slightly lower than in the 2016 survey (69%), which might result from a consolidation of investment normality after the strong recovery of investment in 2014 and 2015 (following years of containment during the economic crisis). The results according to enterprise size are clearly favourable to bigger enterprises (Annex 1).

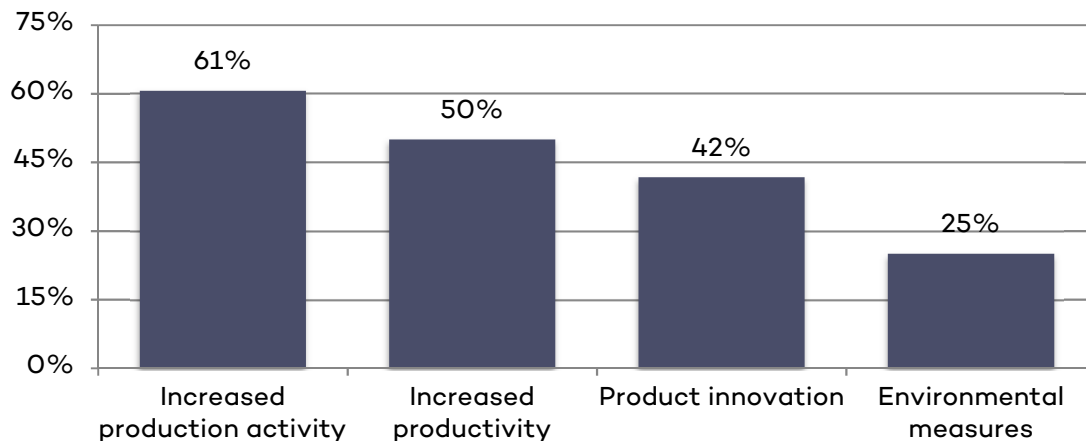
**Graph 4. Investment Activity in 2017 (% of responses weighted by GVA)**



### 3.2 Investment objective

The main objectives of investments made by Catalan industrial SMEs are to increase production capacity (61% of enterprises that have invested), productivity (50%) and product innovation (42%). Investment in environmental measures is some way behind.

**Graph 5. Investment Objective in 2017 (% of responses weighted by GVA among SMEs that have invested)**



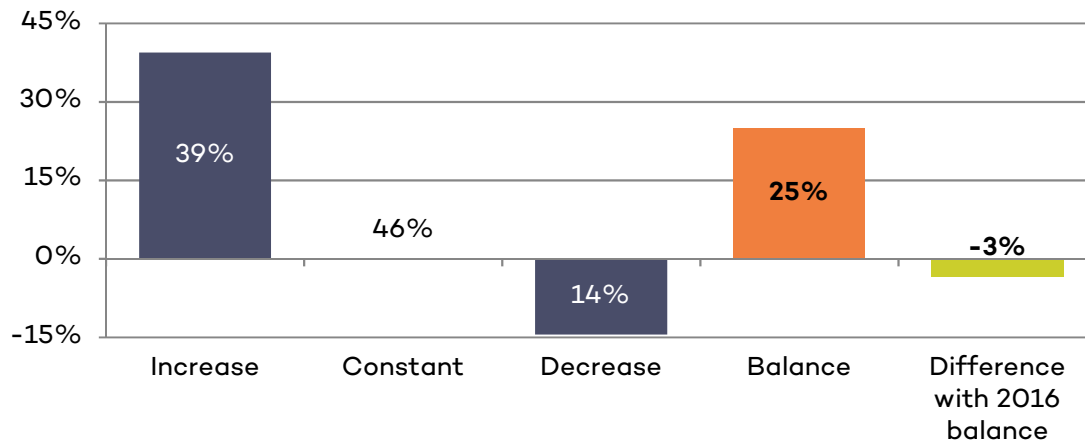
The bigger the size of the enterprise, the greater the investment in production capacity and improvement in productivity.

## 4 Employment in Catalan SMEs in 2016

In keeping with the results presented, employment in industrial SMEs rose in 2017 by 39% of cases after weighting by GVA, while it dropped by 14%. This means a positive balance of 25%, slightly below the balance recorded in the previous year.

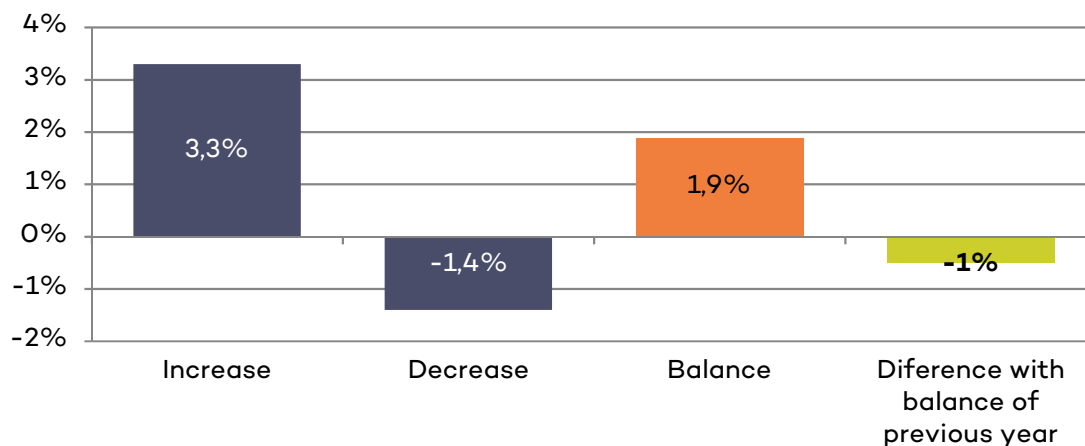
By size, small and medium-sized enterprises have performed better than microenterprises in terms of increased staff.

**Graph 6. Evolution of Staff in 2017 (% of responses weighted by GVA)**



It should be taken into account that, according to national insurance contributions and employment data for Catalonia, in 2017 there was a 3.5% increase in the number of national insurance contributors. In our survey of industrial SMEs the evolution is also positive, with a 1.9% rise in employment. Small-sized enterprises have performed best; while microenterprises have recorded lower growth.

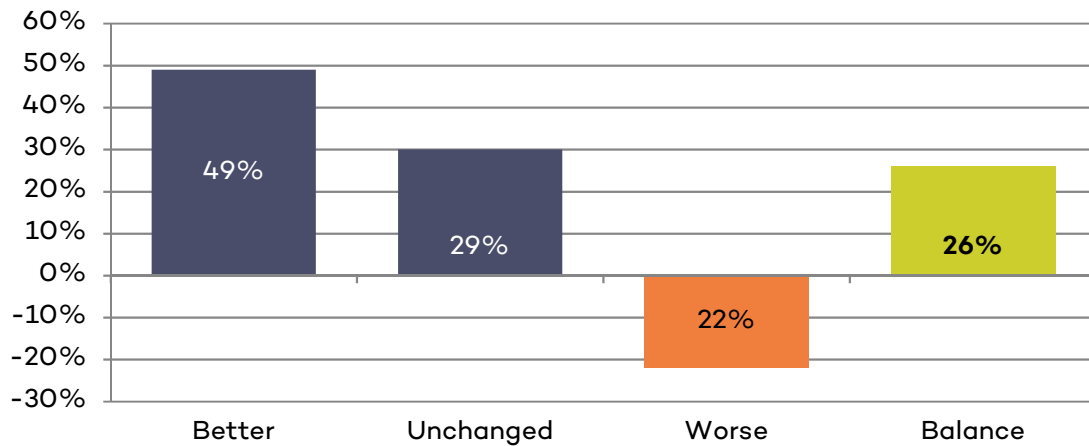
**Graph 7. Degree of Staff Variation in 2017 (% of responses weighted by GVA)**



## 5 Year results

The results of 2017 for industrial SMEs overall were better than those of 2016. Indeed, 49% of the sector recorded improvements, 29% the same and 22% lower.

**Graph 8. Results of Financial Year 2017 Compared to 2016 Results (% of responses weighted by GVA)**



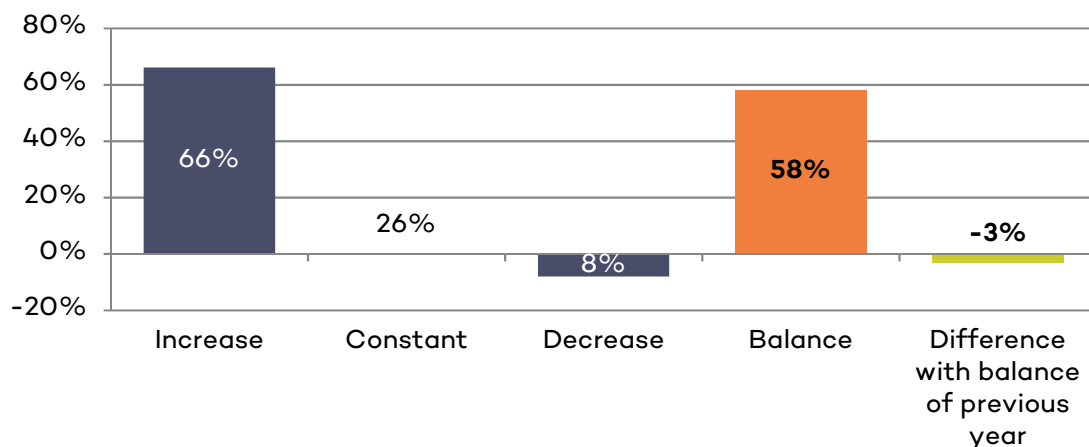
## 6 Catalan industrial SME forecasts for 2018

### 6.1 Global activity forecast

The survey also takes into account the prospects for industrial SMEs for 2018. The forecasts, as in last year's survey, continue to be quite optimistic.

Prospects concerning global activity show an increase of 66% and a decrease of only 8%, with a positive balance of responses of 58%. This balance, despite being highly favourable, means 3 percentage points below last year's results.

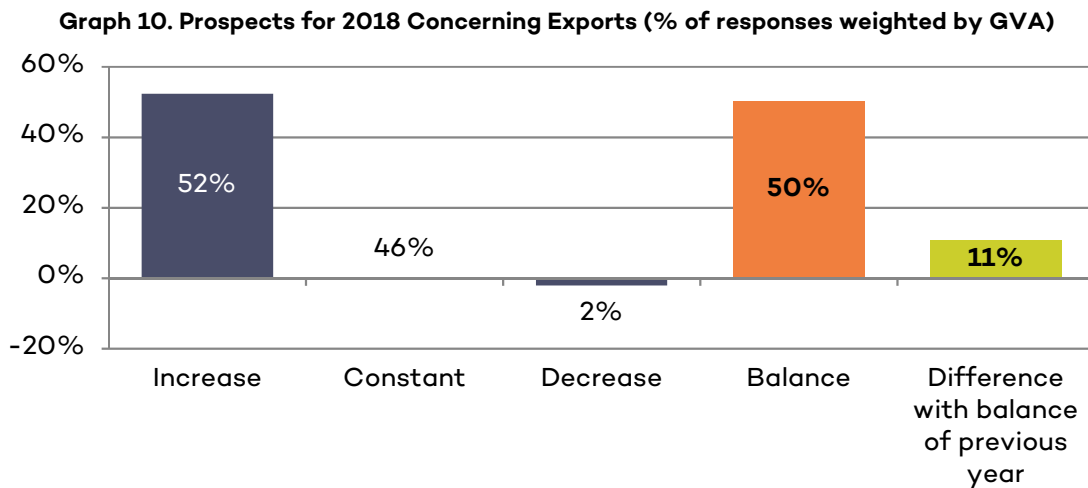
**Graph 9. Prospects for 2016 Concerning Global Activity (% of responses weighted by GVA)**



### 6.2 Exports forecast

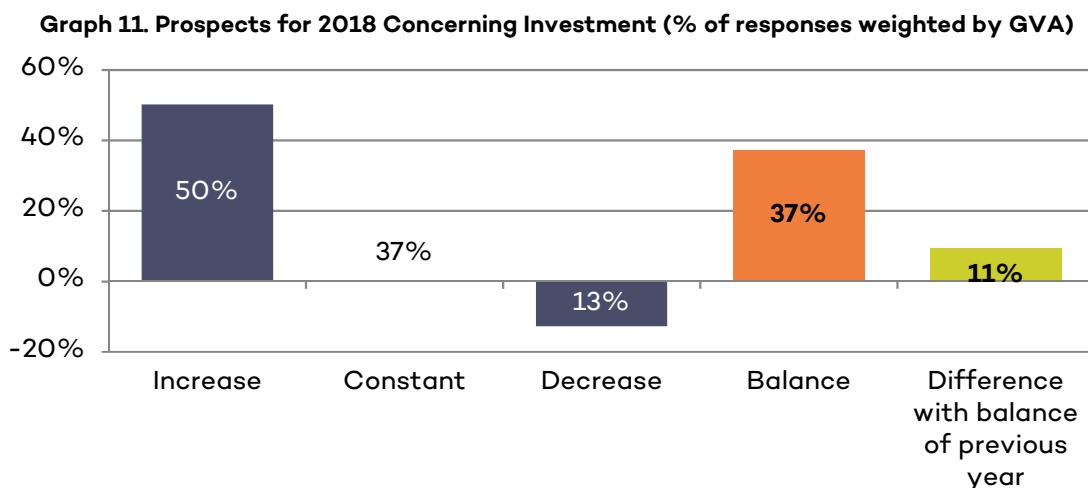


Over half of the weighted responses concerning exports forecast tend towards exports higher than in 2017. Only 2% expect a decrease in exports, so the positive balance is 50%, 11 percentage points above the previous year. Thus, the good exporting dynamics of the industry remain steady. By size, small-sized enterprises record more positive prospects.



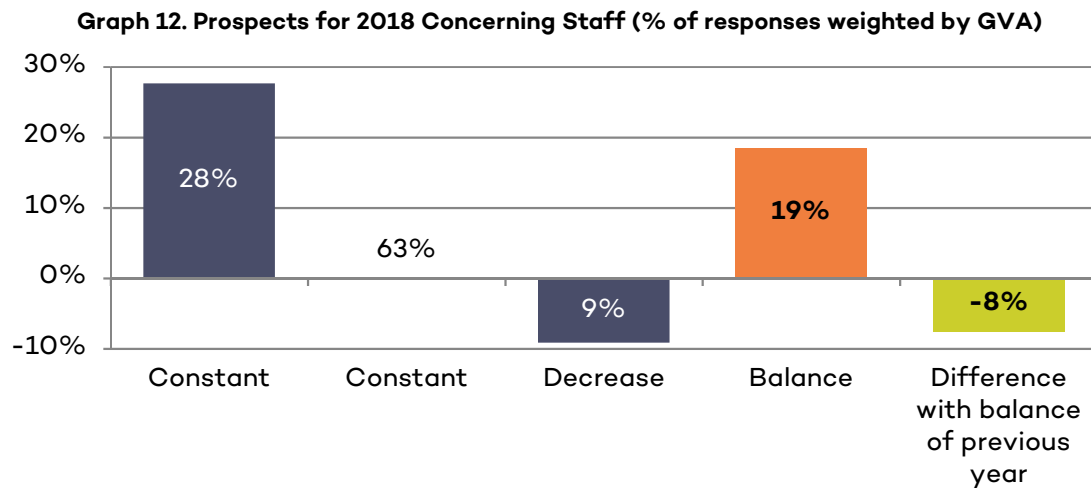
### 6.3 Investment forecast

With respect to investment, the forecast is positive, with a balance of 37% expecting an increase and also with quite a significant percentage (also 37%) of enterprises that consider that it will hold steady at a level similar to 2017. By size, medium-sized enterprises make higher forecasts.



### 6.4 Staff forecast

Finally, in the forecast for staff variations in industrial SMEs, it is notable that approximately two thirds do not expect changes in the number of people employed. And for those SMEs that forecast changes, the overall feeling is positive, with a balance of 19%, below the previous year.



## 7 Effects of the Catalan political debate on industrial SME business in 2017

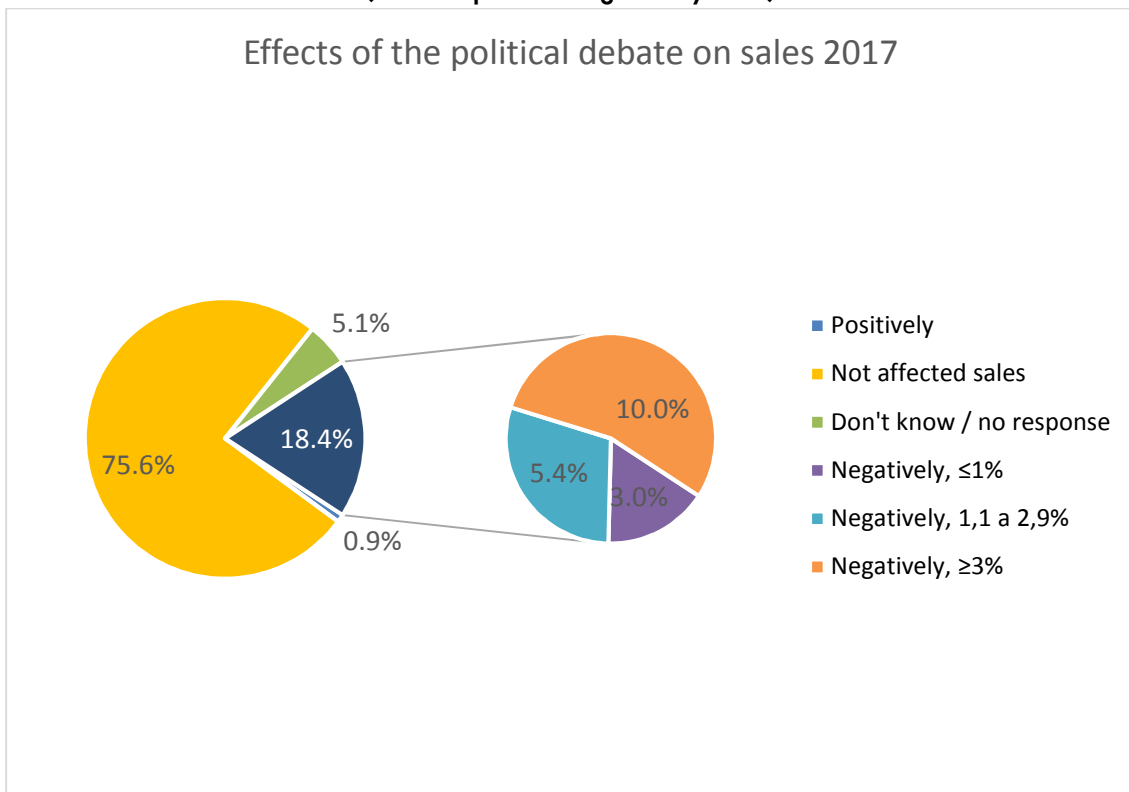
In this year's survey we included two specific questions on the so-called "process" in Catalonia. The questions refer to whether industrial SMEs have seen their sales affected in 2017 by this political issue and whether enterprises have changed their investment plans.

For 75% of the sector, sales have not been affected. It has affected 18% negatively, 1% positively and the remaining 5% did not know or did not respond.

Enterprises experiencing a reduction in their sales have been affected at different levels, as shown in the graph below. Out of the total of industrial SMEs, sales for 10% have dropped by 3% or more. For 8.4% the drop has been less than 3%. The smaller the enterprise, the greater the negative effect.

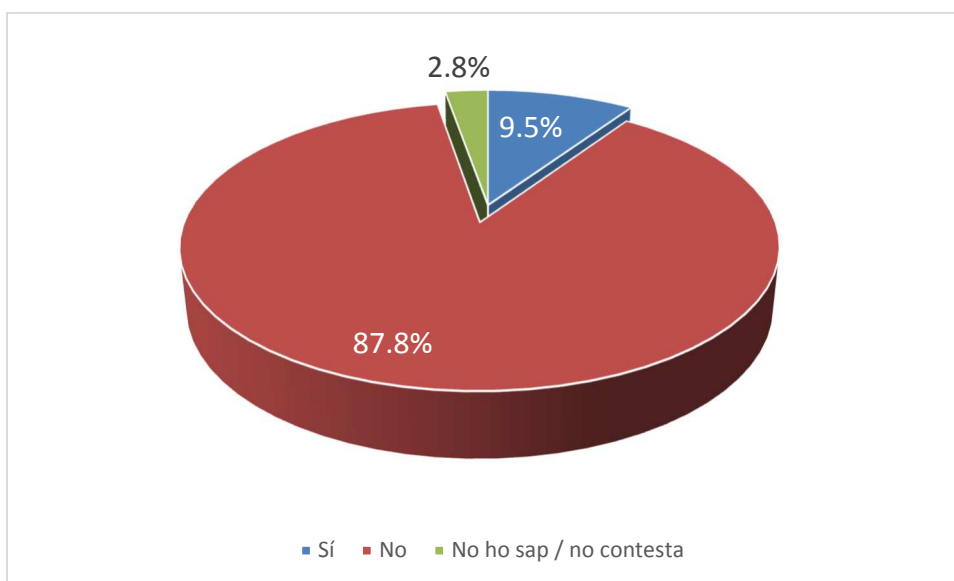
**Graph 13. Effects of the Political Debate in Catalonia on 2017 Sales**

(% of responses weighted by GVA)



In 88% of cases the political process has had no effect on investment decisions.

**Graph 14. Effects of the Political Debate on Investment Forecast (% of responses weighted by GVA)**



**Annex 1. Results of the Survey by Enterprise Size Weighted by GVA**

	<b>Survey 2016</b>	<b>Total</b>	<b>Survey 2017 Micro</b>	<b>Small</b>	<b>Medium</b>
<b>Evolution of sales figures in 2017</b>					
Sales increased	59%	61%	39%	60%	67%
Sales decreased	17%	17%	26%	14%	17%
Sales remained constant	25%	22%	33%	26%	15%
<b>Sales distribution according to geographical destination in 2017</b>					
Catalonia	49%	48%	73%	57%	34%
Rest of Spain	24%	24%	16%	21%	29%
Eurozone	19%	19%	8%	14%	26%
Rest of the world	9%	9%	3%	7%	11%
<b>Evolution of exports in 2017</b>					
Exports increased	56%	57%	47%	57%	59%
Exports decreased	14%	13%	21%	11%	15%
Exports remained constant	30%	29%	37%	34%	26%
<b>Investment activity in 2017</b>					

Invested	69%	67%	38%	60%	80%
Not invested	31%	33%	62%	40%	21%
Investment objective in 2017					
Increased production capacity	53%	61%	49%	53%	66%
Increased productivity	49%	50%	32%	42%	56%
Product innovation	n.d.	42%	39%	40%	43%
Environmental measures	30%	25%	17%	12%	33%
Evolution of staff in 2017					
Staff increased	41%	39%	15%	43%	44%
Staff decreased	12%	15%	10%	11%	18%
Staff remained constant	47%	46%	75%	47%	38%
Degree of staff variation in 2017					
Gross aggregate increase of staff	4%	3%	4%	4%	3%
Gross aggregate decrease of staff	-1%	-1%	-3%	-1%	-1%
Aggregate balance of staff variation	3%	2%	0%	3%	1%
Results of the financial year 2017 compared to 2016					
Better	n.d.	49%	43%	55%	46%
Unchanged	n.d.	29%	39%	30%	26%
Worse	n.d.	22%	19%	16%	28%

	Survey 2016	Total	Survey 2017 Micro	Small	Medium
Prospects for 2018 concerning global activity					
Global activity will increase	69%	66%	51%	70%	67%
Global activity will decrease	8%	8%	17%	5%	8%
Global activity will remain constant	24%	26%	30%	25%	25%
Prospects for 2018 concerning exports					
Exports will increase	45%	52%	30%	48%	59%
Exports will decrease	5%	2%	3%	0%	3%
Exports will remain constant	50%	46%	65%	52%	38%
Prospects for 2018 concerning investment					
Investment will increase	44%	50%	35%	54%	52%
Investment will decrease	16%	13%	10%	7%	17%
Investment will remain constant	41%	37%	54%	39%	31%
Prospects for 2018 concerning staff					
Staff will increase	31%	28%	18.2%	32.0%	27.5%
Staff will decrease	5%	9%	3.6%	3.1%	14.7%
Staff will remain constant	63%	63%	76.4%	65.6%	57.8%
Effects of the political debate in Catalonia on 2017 sales					
Positively affected	n.d.	1%	0%	2%	1%
Negatively affected	n.d.	18%	32%	20%	14%

Unaffected	n.d.	76%	65%	74%	79%
Don't know / no response	n.d.	5%	2%	5%	6%
<b>Effects of the political debate in Catalonia on investment forecast</b>					
Yes	n.d.	10%	16%	6%	10%
No	n.d.	88%	82%	93%	86%
Don't know / no response	n.d.	3%	2%	2%	4%