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William Chislett

Summary

Spain to take 17,000 refugees.
Pro-independence camp set to win Catalan election, Madrid moves against tax plan.
Population fast greying and forecast to shrink.
IMF warns of risks to economic recovery.
Ibex companies generate larger share of revenues abroad.

Foreign Policy

Spain to take 17,000 refugees
Spain looks set to receive 17,000 refugees, but as migrants continued to pour into Europe fleeing countries at war it could end up taking more.

As we went to press, Spain had agreed to take over the course of two years 14,931 of the 120,000 Syrian, Eritrean and Iraqi refugees who arrived in Hungary, Greece and Italy, in addition to the 2,479 it said it would accept before the current massive crisis (see Figure 1). The initial quota of 14,931 could be lowered to 14,588, according to reports.

Figure 1. Distribution of 160,000 refugees in Europe, main recipient countries

	Proposed distribution of 120,000	Quota of 40,000 (April 2015)
Germany	31,443	8,763
France	24,031	6,752
Spain	**14,931**	**4,288**
Poland	9,287	2,659
Netherlands	7,214	2,047
Rumania	4,646	1,705
Belgium	4,564	1,364

Source: European Commission.

The European Commission had originally proposed that Spain take 4,288 out of the 40,000 refugees that Europe would accept, drawn from those already in the EU and those being resettled from outside the bloc, but Madrid only agreed to take 2,479.

While the government dragged its feet over how many refugees to take, some cities signed up to the scheme of Ada Colau, the mayoress of Barcelona, who launched a register of families willing to open their homes to refugees or provide help for them. The Madrid town hall, controlled like Barcelona since the May municipal elections by a leftist coalition, displayed a large banner reading 'Welcome Refugees'.

The plight of the refugees has resonated particularly strongly in Spain because of what happened in the country's recent past –tens of thousands of Spaniards fled into France at the end of the country's civil war in 1939–. Photos of this exodus were widely shown on social media.

Soraya Sáenz de Santamaría, the Deputy Prime Minister, said Spain's 'capacity to receive [refugees] is very much exhausted'.

The country has received more than 5 million immigrants in less than 20 years, more than any other European nation, but most of them were not refugees fleeing war. According to a report by the Spanish Commission for Refugee Aid, published last June, 180,580 people sought asylum in Spain over the last 30 years, whereas 202,645 filed an application in Germany in 2014 alone.

Another factor constraining the government is that the jobless rate among immigrants is more than 30% (23% for the country as a whole).

Spain received 5,615 asylum requests in 2014 and accepted 44% of them (see Figure 2). Germany received by far the largest number in absolute terms, but on the basis of applicants per 100,000 citizens (a better measure) it was less accommodating (676) and Spain's figure was negligible (see Figure 3). In the first half of this year, Spain received 3,800 asylum applications (2,174 in the same period of 2014), according to Frontex, and only accepted 20% of them.

Figure 2. Asylum requests in 2014

	Total	Accepted	% accepted
Germany	202,815	47,555	48.8
Sweden	81,325	33,035	82.6
France	64,310	20,640	30.1
Italy	64,625	20,625	58.6
UK	31,945	14,070	54.0
Netherlands	24,535	13,250	70.4
Spain	**5,615**	**1,600**	**44.2**

Source: International Organisation for Migration.

Figure 3. Asylum seeker applicants per 100,000 citizens in EU countries, 2014

	Applicants per 100,000 citizens
Sweden	2,359
Hungary	1,310
Austria	1,224
Switzerland	1,198
Norway	920
Serbia and Kosovo	915
Germany	676
Denmark	626
France	386
Spain	**45**

Source: United Nations High Commissioner for Refugees, World Bank.

Germany expects to receive as many as 800,000 refugees this year, prompting Berlin to demand that other countries share more of the burden.

King Felipe VI told a seminar organised in Washington by the Woodrow Wilson Center and the Elcano Royal Institute, as part of his first official visit to the US as monarch, that the crisis 'must be addressed from many perspectives but always inspired by a greater sense of humanity and the protection of Human Rights'.[1]

Domestic Scene

Pro-independence camp set to win Catalan election, while Madrid moves against tax plan

Parties in favour of a breakaway state in Catalonia are set to win the region's parliamentary election on 27 September, designed as a proxy vote on independence for Spain's wealthiest territory (see Figure 4).

[1] See the full speech at http://www.realinstitutoelcano.org/wps/portal/web/rielcano_en/contenido?WCM_GLOBAL_CONTEXT=/elcano/elcano_in/zonas_in/felipe-vi-keynote-address-transatlantic-conversation-washington-2015#.VfwXVfSUeyN.

Figure 4. Importance of Catalonia in Spain

Population	7.5 mn (16% of the total)
GDP	19%, making it Spain's economic powerhouse.
Manufacturing	Around one quarter of the total output
Exports	Close to 25% of the total
Tourism	16.7 mn in 2014 out of a total of 65 million

Source: Government of Catalonia.

The central government began to use its weapons against the independence movement by getting the Constitutional Court to suspend Barcelona's plan to create its own Tax Agency. Article 161.2 of the Spanish Constitution allows Madrid to challenge any resolution taken by Spain's regional governments or parliaments and provides for the immediate suspension of the challenged law should the Constitutional Court accept to study the matter, which it did.

The ruling Popular Party (PP) also sent a message to Catalonia by presenting in parliament an 'urgent' bill –which would be fast-tracked– that would give the Constitutional Court powers to fine or suspend elected officials and civil servants who fail to comply with its rulings.

According to an opinion poll by Metroscopia, *Junts pel sí* ('Together for yes'), the coalition which includes the Democratic Convergence Party (CDC) of Artur Mas, the Prime Minister of Catalonia, and the more radical Republican Left of Catalonia (ERC), would win 66-67 of the 135 seats and with the support of the 10-11 seats of the Popular Unity Candidates (CUP) would have an absolute majority with around 50% of the vote (see Figure 5).

Figure 5. Voting intention for the Catalan election (number of seats)

	Number of seats
Junts per Si	66-67
CUP	10-11
Ciutadans	19
Catalan Socialist Party	14
Catalunya Si que es Pot	14
Popular Party	10
Unió	0-2

Source: Metroscopia.

Mas regards such an outcome as sufficient to move ahead unilaterally and illegally with the creation of an independent Catalan state within 18 months.

In another Metroscopia poll, 42% were in favour of giving Catalonia more powers. This 'third way' was defended by Mas before he embarked on the independence route and is now supported by the Catalan Socialist Party and Unió, the former partner of Mas in the CiU coalition, which broke away.

Spanish Prime Minister Mariano Rajoy continues not to make the slightest concession to the Catalan independence camp, and has ruled out any changes to the Spanish constitution during the remainder of his tenure.

A poll in July showed that 73% of respondents in the rest of Spain thought Catalan secession would be bad for the country, so there is very little room for negotiation.

There is no international yardstick for the degree of support required for the outcome of a referendum to be put into action, but a qualified majority (two-thirds of voters), as opposed to Mas's simple majority of parliamentary seats, is widely regarded as the democratic norm.

The independence movement has gathered momentum since last November's mock referendum on creating a separate state. Only 2.3 million people out of 6.3 million who were eligible voted (a turnout of 37%), of which 1.8 million were in favour of independence (29% of the total possible votes).

Far from deterring Mas, an impassioned plea by Felipe González, a former Socialist Prime Minister, for Catalonia not to secede from Spain, dire warnings of the economic consequences from Spanish business leaders and the uncertainty created among international investors –who are holding off on long-term decisions until the election results– reinforced his determination to push ahead. González said independence 'could be the start of a real "dead end" for Catalonia'.

Spanish banks, including Caixabank and Banco Sabadell, the two largest lenders based in Catalonia, said they would have to reconsider their presence if a Catalan state was formed.

'The exclusion of Catalonia from the euro zone, following the unilateral rupture of the constitutional framework, would mean that all banks with a presence in Catalonia would face serious problems of legal uncertainty', said the joint statement issued by the country's two main banking associations.

David Cameron, the British Prime Minister, Angela Merkel, the German Chancellor, and Barack Obama, the US President, also spoke against Catalan independence. Cameron said it would mean Catalonia would no longer form part of the EU and would be forced to the back of the line of countries awaiting admission. Merkel called on Catalonia to respect European agreements on territorial sovereignty, while Obama told King Felipe VI on his first official visit to Washington as monarch that Washington backed a 'strong and unified Spain'. Mas said these remarks were part of a campaign of intimidation.

According to Jean-Claude Piris, a former Director General of the EU's legal service, 'those who hold that the European Union would accept an allegedly independent Catalonia into its fold are demonstrating their ignorance of both applicable legislation and of the political realities in the EU's member states'.

He also knocked down the Catalans' 'right to decide' argument. 'A sub-state entity's so-called right to decide, to use the expression favoured by Catalan secessionists, is not recognised by international law. The right of nations to decide their own destinies is associated with criteria and situations that in no way relate to modern Spain'.

European governments would not defend Catalonia's position as it 'would be tantamount to risking opening the door to a contagion effect and creating political trouble at the domestic level'.

The risk premium on Spain's 10-year government bonds over the German equivalent has risen from 114 bp in July to around 140 bp, despite Spain's economic recovery. Although forecast to grow at 3.3% this year, five times faster than Italy and with better macroeconomic fundamentals, investors are demanding better returns to own Spanish sovereign debt than Italian government securities. Almost two-thirds of the 22 analysts surveyed by Bloomberg apply or plan to affix a relative risk premium to Spanish bonds compared to Italian securities, the natural alternative for investors exposed to European peripheral economies.

The Catalan issue, however, is not the only factor weighing on the international bond markets. China's crisis is also having an impact and Spain's upcoming general election by the end of the year, with two new parties, could produce a deadlocked parliament.

Mas insists that an independent Catalonia is not only economically viable but would be richer. According to a study by his supporters, the price tag of independence would be €39.5 billion including taking over new powers as a result of creating state structures and servicing debts. But revenues would be higher, as Catalonia would no longer transfer taxes to the Spanish state. The net result in Catalonia's favour after taking all factors into account would be €11.6 billion (almost 6% of GDP).

In a separate development, the Civil Guard probed the CDC over illegal 3% commissions paid by companies in return for contracts. Pasqual Maragall made this accusation 10 years ago in the Catalan parliament when he was the region's Socialist Prime Minister, but only now is the investigation by the Anti-Corruption Attorney's Office seeing the light of day.

Population fast greying and forecast to shrink

More than 40% of Spain's population will be over the age of 60 in 2050, up from 24.4% now; the highest share among the five largest EU economies, according to the latest forecasts by the United Nations Population Division (see Figure 6).

Figure 6. Percentage distribution of population by selected age groups (%), 2015 and 2050 (1)

	0-14		**15-59**		**60+**		**80+**	
	2015	**2050**	**2015**	**2050**	**2015**	**2050**	**2015**	**2050**
France	18.5	16.8	56.3	51.4	25.2	31.8	6.1	11.1
Germany	12.9	12.4	59.5	48.3	27.6	39.3	5.7	14.4
Italy	13.7	13.0	57.7	46.3	28.6	40.7	6.8	15.6
Spain	**14.9**	**12.7**	60.7	**45.9**	**24.4**	**41.4**	**5.9**	**14.0**
UK	17.8	16.6	59.2	52.7	23.0	30.7	4.7	9.7

(1) Projections for 2050.
Source: United Nations Population Division, 2015 revision.

Spain has the world's seventh-longest life expectancy at birth (82.3 years) and the second-highest in Europe after Italy (see Figure 7). Another reason for the rapidly rising share of the elderly in the total population is the low fertility rate of 1.32, well below the replacement rate of 2.1 (see Figure 8).

Figure 7. Countries with the highest life expectancy at birth (years), 2010-15

	Years
1. China, Hong Kong	83.7
2. Japan	83.3
3. Italy	82.8
4. Switzerland	82.7
5. Singapore	82.6
6. Iceland	82.3
7. Spain	**82.3**
8. Australia	82.1
9. Israel	82.1
10. Sweden	81.9

Source: United Nations Population Division, the 2015 Revision.

Figure 8. Fertility rates in the EU (average number of children per woman)

	1975-80	1990-95	2005-10	2010-15
France	1.86	1.71	1.97	2.00
Germany	1.51	1.30	1.36	1.39
Italy	1.89	1.27	1.42	1.43
Spain	**2.55**	**1.28**	**1.39**	**1.32**
UK	1.73	1.78	1.88	1.92

Source: United Nations Population Division, the 2015 Revision.

Despite the influx of immigrants, Spain's population is forecast to be 200,000 lower in 2030 than in 2015 at 45.9 million and 1.3 million lower in 2050 at 44.8 million (see Figure 9).

Figure 9. Population of main EU countries, 1950-2050 (million) (1)

	1950	2015	2030	2050
France	41.8	64.3	68.0	71.1
Germany	69.7	80.6	79.2	74.5
Italy	46.6	59.8	59.1	56.5
Spain	28.0	46.1	45.9	44.8
UK	50.6	64.7	70.1	75.4

(1) Projections for 2030 and 2050.
Source: United Nations Population Division, the 2015 Revision.

Such forecasts are hazardous as they depend on three factors: life expectancy, fertility and immigration. The latest population projection for 2050 is a whopping 16.8 million higher than the forecast made in 1996. The first factor is –in theory– the easiest to forecast, since the trajectory is fairly well established. Fertility is harder, but the pattern is unlikely to change that much. The rate could settle in the 1.5/1.6 range in the medium term. With each generation, however, there are less children, so that 1.5 children per female is on an ever-smaller base of females. The key factor is immigration, since it can make big shifts in population size, as happened in Spain between 2002 and 2007. Immigration depends on the state of the labour market, and the rate of job creation depends on the rate of economic growth.

Spain continued to lose population in 2015 to emigration, but it was impossible to say with any degree of certainty what would happen 10 years forward, let alone 35 years.

New Madrid parliament to investigate 'corruption and misuse' of public funds
The three opposition parties in the new Madrid parliament, headed by the PP but no longer with an absolute majority, are to investigate the 'corruption and misuse' of public funds during the PP's 12 years in power.

Among the projects under scrutiny is the so-called City of Justice comprising 12 buildings on the outskirts of Madrid near Barajas airport due for completion by 2014, only one which was completed, the Madrid Forensic Anatomical Institute, and that is lying idle and has had to be cleared of rabbits.

The judicial complex, which would have been the biggest of its kind in the world, involved several internationally famous architects such as Zaha Hadid, Richard Rogers and Norman Foster.

The former PP government in Madrid, headed by Esperanza Aguirre, is accused of wasting €105 million –the difference between the €130 million public outlay and the current net worth of the complex, which was officially wound down in July 2014, seven years after she laid the foundation stone–. At that time, she said the City would be built ‘at no cost to the taxpayer’.

Aguirre admitted last month that the project could be labelled ‘megalomaniacal’, but at the time of its commission the depth of Spain’s crisis could not have been predicted.

According to documents obtained by *El País*, more than €27 million was spent on paying construction companies for work that was never carried out, a further €6.4 million went to compensate suppliers, while €11.4 million was paid in rescinded contracts, along with interest payments and other costs. Of the total amount, just €17.3 million actually went towards building something.

The documents also showed that some of the people on the project’s payroll were relatives and friends of prominent PP politicians.

The City of Justice is far from being the only wasted project. During Spain’s boom period, several ghost airports were built (Castellón and Ciudad Real), a prison with 1,008 cells with a capacity for 2,000 prisoners never used (near Málaga), an old people’s home in Orense, now used for PP events, and L’Àgora, a multifunctional covered space in Valencia (part of the City of Arts and Sciences), uncompleted as of 2009 and whose architect warned last month that the roof was in danger of collapsing.

Castellón airport received its first regular commercial flight in four and a half years this month when Ryanair opened its route from London Stansted and Bristol. The European Commission opened an investigation into the airport shortly before the first flights began operating. Brussels wants to know whether the €24.5 million that the Valencian government agreed to pay Canadian group SNC-Lavalin during nine years for managing the airport complies with EU legislation, or whether it could constitute illegal public subsidies.

High proportion of Spain's billionaire wealth comes from political connections
Spain's billionaires owe 30% of their wealth to political connections, the highest level in Europe after Italy, according to a novel study by two academics at US universities, which has been accepted by the *Journal of Comparative Economics* (see Figure 10).

Figure 10. How much wealth comes from political connections (%)

	%
Colombia	84
India	66
Italy	41
Spain	**30**
Germany	6
France	4
U	1
UK	0

Source: Sutirtha Bagchi and Jan Svejnar.

Sutirtha Bagchi of Villanova University and Jan Svejnar of Columbia University found that when billionaires get their wealth because of political connections that wealth inequality tends to drag on the broader economy. But when they obtain it through the market (ie, through business not related to the government) it does not.

Wealth figures (a person's assets minus their debt as opposed to the much narrower definition of their income) are often hard to find so the researchers decided to use a well-known source: the *Forbes* magazine annual list of billionaires. They added together the wealth of all these billionaires in a given country, and then divided the total by a country's GDP, population or physical capital stock to normalise billionaire wealth for the country's size.

The researchers also used conservative criteria for classifying the billionaires as politically connected. Only when it was clear that their wealth was a product of government connections –as opposed to benefiting from a pro-business government– were they included in this group.[2]

[2] See the article by Ana Swanson for a fuller explanation at http://www.washingtonpost.com/news/wonkblog/wp/2015/08/20/why-some-billionaires-are-bad-for-growth-and-others-arent/.

The Economy

IMF warns of risks to economic recovery…

The International Monetary Fund (IMF) lauded the government's reforms, but warned that 'deep structural problems limit Spain's growth potential going forward and vulnerabilities remain'.

The IMF forecasts GDP growth of 3.1% this year, broadly in line with the government's projection of 3.3% and the fastest pace among the big euro zone economies, but lower growth as of 2016 (2.5% compared with 2.9%, see Figure 11). The Fund has been very slow to recognise the pace of recovery, which led to repeated upgradings over the past year.

Figure 11. Main economic indicators, 2014-17 (% change unless otherwise indicated) (1)

	2014	2015	2016	2017
Gross domestic product	1.4	3.1	2.5	2.2
Private consumption	2.4	4.4	2.6	2.5
Public consumption	0.1	0.3	-0.7	-0.3
Total domestic demand	2.3	3.5	2.1	2.0
Net exports (contribution to GDP growth)	-0.8	-0.4	0.5	0.3
Exports of goods and services	4.2	6.5	5.8	5.6
Imports of goods and services	7.6	8.3	4.7	5.3
Household savings rate (% of GDP)	9.7	9.5	9.8	10.1
Private sector debt (% of GDP)	236.0	229.0	225.0	220.0
Unemployment rate (%)	24.5	22.0	20.1	18.8
Current account balance (% of GDP)	0.8	0.9	1.0	1.1
Net int. investment position (% of GDP)	-9.3	-9.0	-8.6	-8.2
General government balance (% of GDP)	-5.7	-4.4	-3.0	-2.5
General government debt (% of GDP)	98.0	98.0	99.0	98.0

(1) Projections for 2015-2017.
Source: IMF, August 2015.

In its annual assessment of the Spanish economy, the IMF said the 'high structural unemployment and pervasive labour market duality, and the lack of economies of scale of Spain's many small firms hold back medium-term growth.' The jobless rate remains stuck at more than 20%, public and private debt levels remain high (98% and 229%, respectively) and the country has a large negative net international investment position (90% of GDP), which makes the country vulnerable to external shocks.

At the root of Spain's structural weakness is the largely unchanged pattern of growth, which still relies heavily on tourism and the construction sector. The tourism sector is set to have another record year with around 68 million visitors (65 million in 2014) and the construction sector is reviving, though the level of activity is very far from that during the boom years.

A key risk, the IMF says, is a 'reversal of reforms already carried out, which would create uncertainty and could hamper the recovery, especially if the external environment were to deteriorate sharply'.

The Socialists, ahead of the general election due by the end of the year, say they would scrap the government's 2012 labour market reforms if they won power, although the reforms are creating new jobs, albeit relying heavily on precarious temporary and part-time contracts.

… 2016 budget eases austerity ahead of election…

The government approved its budget for 2016, which gives some 3 million civil servants their first wage increase (1%) in five years and restored their bonus payments, a 0.25% rise for pensioners, more social expenditure and tax cuts. The PP's absolute majority in parliament guaranteed the budget's approval.

'It is time to give back to society, after all the sacrifices in all these years', said Prime Minister Mariano Rajoy. 'That effort has allowed us to keep our welfare state in place.' After years of austerity imposed by the country's worst recession in decades and with the economy now growing strongly, the PP is confident it can loosen the purse strings and meet its commitment with Brussels to reduce the budget deficit to 4.2% of GDP this year from 5.7% in 2014.

GDP growth in the second quarter of 1% was the fastest pace since 2007 before the onset of recession, driven by tourism spending, consumer expenditure by higher earners and exports which were 4.9% higher in the first half than in the same period of 2014 at a record €125.1 billion.

The government is also committed to achieving a primary budget surplus, excluding the costs of servicing a debt of close to 100% of GDP. Rajoy said he expected to post a primary surplus of 0.1% of GDP, the first in eight years.

Tax receipts are forecast to be 4% higher than budgeted for this year at €193.5 billion, while non-financial spending is projected to be 3% lower at €157.2 billion.

The Finance Minister, Cristóbal Montoro, said spending on unemployment benefits and social security would fall by more than a quarter to €16.6 billion. The decline underscores the greatly improved job creation, but also the fact that more than 1.2 million of the current 5.1 million jobless have been without work for more than four years and are no longer entitled to benefits.

Montoro said there would be a further cut in income tax if the PP won the election.

Opposition politicians predictably rounded on Rajoy for a budget designed to enhance the PP's chances of being re-elected. Opinion polls put the party slightly ahead of the Socialists but losing its absolute majority. In all likelihood the next government will be a coalition.

… Public debt falls for first time since 2008…

Spain's public debt inched down to 97.7% of GDP in the second quarter, the first fall since the first middle of 2008, thanks to the increase in economic output as the debt in absolute terms continued to rise.

The debt of regional governments stood at 23.2% of GDP, and varied considerably between 13.1% for Madrid and 39.6 for Valencia (see Figure 12).

Figure 12. Public debt of regional governments, June 2015 (% of GDP)

	% of GDP		% of GDP
Andalusia	20.7	Catalonia	32.8
Aragón	19.6	Extremadura	19.3
Asturias	17.4	Galicia	18.3
Balearic Islands	30.2	La Rioja	17.4
Basque Country	15.1	Madrid	13.1
Canary Islands	15.3	Murcia	27.0
Cantabria	20.5	Navarre	19.7
Castilla y León	18.9	Valencia	39.6
Castilla La Mancha	34.1	Total	23.2

Source: Bank of Spain.

… Recession deeper than calculated

The economy shrank 8.6% between 2008 and 2013 and not 7.3% as originally calculated, according to new figures from the National Statistics Institute (INE). As a result, recovering the pre-crisis GDP level will not occur until 2017.

Spain suffered a double dip recession. The second recession (2010-13) was deeper than first thought.

VAT fraud and evasion deprived the government of more than €12 billion
VAT fraud and evasion are hampering the government's efforts to reduce the budget deficit, which, despite some success, was still 5.7% of GDP in 2014. Public spending in GDP terms is below the EU average, but revenue is much lower, and is the main cause of the continued high deficit.

The government's VAT gap in 2013 was estimated at €12,094 million (€11,610 million in 2012) due to fraud, evasion, tax avoidance bankruptcies and financial insolvencies as well as miscalculations, according to the latest report prepared for the European Commission by the Centre for Social and Economic Research (CASE) in Warsaw and published this month.

The gap represented 16.5% of the total VAT liability of €73,444 million higher than Germany's 11.2% but well below Italy's 33.6% (see Figure 13).

Figure 13. VAT gap estimates (€ million)

	VAT gap	% of total VAT liability
France	14,096	8.9
Germany	24,873	11.2
Italy	47,516	33.6
Spain	**12,094**	**16.5**
United Kingdom	15,431	9.8

Source: Eurostat (revenues) and calculations of CASE.

Corporate Scene

FCC wins €2.4 billion contract for Egyptian water treatment plant…
A consortium led by FCC's subsidiary Aqualia won the contract worth €2.4 billion for the design, construction and operation of the Abu Rawash treatment plant in El Cairo.

The plant will treat 1.6 million cubic metres of water daily and provide service to 5.5 million people, making it one of the world's largest treatment plants and the biggest such contract for FCC.

This is the second big project that Aqualia has won in Egypt, after being awarded in 2010 the design, construction and operation of the wastewater treatment plant in New Cairo for 20 years.

… Ferrovial to build new London sewer system…
Ferrovial, the infrastructure and services operator, was part of a consortium that won a €1.05 billion contract to build part of a new London sewer system. The consortium made up of Ferrovial Agroman and Laing O'Rourke would build the central 12.7km section of the Thames Tideway Tunnel. Amey, the British unit of Ferrovial Servicios, won a separate contract to integrate the information and communications systems for the operation, maintenance and control of the project.

In Australia, Ferrovial and Spain's Acciona are part of a consortium that will build the Toowoomba Second Range Crossing in Queensland at a cost of €1.1 billion.

… Sacyr wins third motorway concession in Colombia…
Sacyr obtained its third motorway concession in Colombia when the consortium in which it has a 60% stake was awarded the contract to build and operate for 25 years a motorway connecting the south east of the country to the border with Ecuador.

… BBVA completes purchase of 15% of Turkey's Garanti bank…
BBVA, Spain's second-largest bank, raised its stake in Garanti, Turkey's biggest bank by market capitalisation, to almost 40% after completing the acquisition of a further 15% for €5.48 billion.

Garanti posted a net attributable profit of €362 million in the first half of 2015, 15% more year-on-year.

… and sale of stake in China's CITIC…
The bank exited CITIC International Financial Holdings by completing the sale of its 29.68% stake to CITIC Bank Corp.

The sale will have an estimated impact of about €7 million on the consolidated attributable profit of BBVA and a positive impact of 10 basis points on the bank's Common Equity Tier 1 fully loaded capital ratio.

The move bolsters BBVA's financial strength as European regulators toughen post-crisis capital requirements.

… Bankinter buys Barclays' Portugal retail bank
Bankinter, Spain's seventh-largest bank by market capitalisation, acquired the retail-banking business of Barclays in Portugal for around €100 million.

The sale of 84 branches is part of the UK bank's global retrenchment as it disposes of less profitable units. Last year it sold its Spanish retail-banking division to Caixabank.

A unit jointly owned by Bankinter and Spanish insurer Mapfre is also buying Barclays' life insurance and pension unit for around €75 million.

Inditex boosts first half profits by 26% to €1.16 billion…
Fashion retailer Inditex posted a first half profit of €1.16 billion, 26% more than in the same period of 2014.

Sales rose 17% to €9.42 billion and 94 new outlets were opened for a total of 6,777 stores in 35 countries.

… Ibex companies generate larger share of revenues abroad
The companies that comprise the Ibex-35, the benchmark index of the Spanish stock exchange, generated 63.6% of their revenues abroad in the first half of this year, up from just over 60% in the same period of 2014 (see Figure 14).

Their total revenues were 4.6% higher at €219.2 billion, €139.4 billion of which came from abroad. Five companies obtained more than 90% of their revenues from international activity, 10 more than 80% and 15 more than 60%.

The increasing share of revenues earned abroad by Ibex companies (around 40% 10 years ago) underscores the ongoing internationalisation of corporate Spain.

Figure 14. International revenues of Ibex-35 companies, first half 2015 (€ million and % of total revenues) (1)

Company	Sector	Total revenues (€ mn)	International (% of total)
Abengoa	Engineering	3,390	86.4
Abertis	Motorways	2,047	71.4
Acciona	Construction	3,304	51.9
Acerinox	Stainless steel	2,315	90.3
ACS	Construction & services	17,860	81.6
Aena	Operator of airports	1,567	5.9
Amadeus	Travel technology	1,977	95.7
Banco Popular	Banking	1,836	8.6
Banco Sabadell	Banking	2,128	7.1
Santander	Banking	29,182	87.3
Bankia	Banking	1,911	4.1
Bankinter	Banking	657	0.0
BBVA	Banking	10,666	70.8
CaixaBank	Banking	4,573	0.1
Día	Supermarket chain	4,342	43.8
Enagás	Gas	580	0.4

Company	Sector	Total revenues (€ mn)	International (% of total)
Endesa	Electricity	9,783	8.9
FCC	Construction	3,162	47.4
Ferrovial	Construction	4,736	71.3
Gamesa	Engineering	1,651	92.9
Gas Natural Fenosa	Gas	13,685	55.8
Grifols	Pharmaceutical	1,901	94.2
IAG	Airline	9,624	85.0
Inditex	Fashion retailer	9,421	82.4
Iberdrola	Electricity	16,126	54.3
Indra	Electronics	1,409	56.4
Mapfre	Insurance	9,226	68.6
Mediaset	Media	474	2.0
OHL	Construction	1,976	79.5
Red Eléctrica	Electricity grid	973	2.0
Repsol	Oil	20,119	47.5
Sacyr	Construction	1,338	51.3
Técnicas Reunidas	Engineering	1,884	97.3
Telefónica	Telecoms	23,419	74.0
Total		219,237	63.6

Source: National Securities Market Commission (CNMV).