2012 EDITION

THE TELECOMMUNICATIONS, INFORMATION TECHNOLOGY AND CONTENT INDUSTRY IN SPAIN

Annual Report 2011

Executive Summary

GOBIERNO DE ESPAÑA
MINISTERIO DE INDUSTRIA, ENERGÍA Y TURISMO
ontsi observatorio nacional de las telecomunicaciones y de la SI

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ICT AND CONTENT INDUSTRY AS A WHOLE

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1 The ICT and Content Industry as a whole

In 2011 the readjustment that began in 2009 continued in the ICT and Content Industry[1]. The effects of the economic and financial crisis continued to be felt in the sector. This led to a fall in turnover and employment, a trend that continues to be seen in the first seven months of 2012.

In 2010 the number of active companies in the ICT and Content industry stood at 29,979, with a year-on-year fall of 1.7%

The number of companies in the industry has also undergone a downward adjustment.

The best performance was seen in investment, which has grown in the last year as a result of the boost from computer activity companies and telecommunications operators.

Exports of ICT goods and services also posted a downward performance, as was the case for imports, which witnessed a decrease in volumes compared to 2010.

The trend in 2012[2] up to July continues to be negative with the industry's turnover contracting by 4.2% and employment down 2.1%.

1.1 Number of companies

The number of active companies in 2010 stood at 29,979, down 1.7% on the previous year's figures. 69% of the companies are encompassed within the ICT industry and the remaining 31% are in the Content industry. The ICT Services sub-sector has the highest number of companies with over 20,000 or, in other words, 66% of the entire industry. Noteworthy here is the high number of Computer Activity companies, which exceeds 13,000.

The companies in the ICT and Content industry account for 2.4% of all the companies in the Services Sector[3].

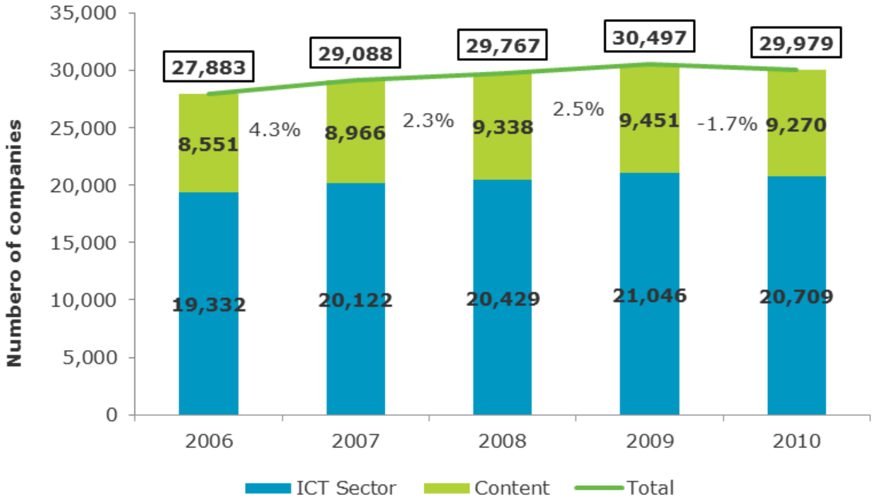
The sector grew by more than 5 thousand companies from 2006 to 2010, with an average growth rate of 5.1% during this time. Since the beginning of the crisis, from 2008 to 2010, this rate has dropped considerably, to the point where it is almost non-existent (0.4%).

[1]For the purposes of this study, the ICT industry includes companies in the Information Technology, Telecommunications and Content sector.
[2] According to the Services Sector Activity Indicators data published by the Spanish National Statistics Institute (INE)
[3] According to the Services Survey conducted by the INE in 2010, the total number of companies in the service sector is 1,269,762

Figure 1. Companies in the ICT and Content industry (Number of companies)

COMPANIES

Madrid and Catalonia are where **55%** of the companies in the ICT and Content industry are based.



Analysing the distribution of the companies in the ICT and Content industry by Autonomous Region, we see that Madrid and Catalonia are the Regions with the highest percentage of companies. Combined they account for 55% of the total number of companies in the industry as a whole. Madrid has 33% and Catalonia 23% of the total number of companies in the industry.

Andalusia (with 9%) and the Valencia Region (with 8%) have 17% of the companies. The remaining 28% is split between Galicia (5%), the Basque Country (4%), Castile and León and the Canary Islands (each with 3%), Aragon, Castile-la Mancha, Murcia and the Balearic Islands (each with 2%) and Cantabria, Navarre, Extremadura and Asturias (each with 1%).

Figure 2. Distribution of the companies in the ICT and Content industry by Autonomous Region. 2010 (%/total)

1.2 Turnover

TURNOVER

In 2011, turnover in the ICT and Content industry topped

€100 billion.

Turnover topped €100,828 million in 2011, a 2.5% decrease compared to 2010.

The companies in the ICT sector account for 83.9% of the total and ICT Services represent the biggest volume of sales with 79.9% of the industry's total turnover.

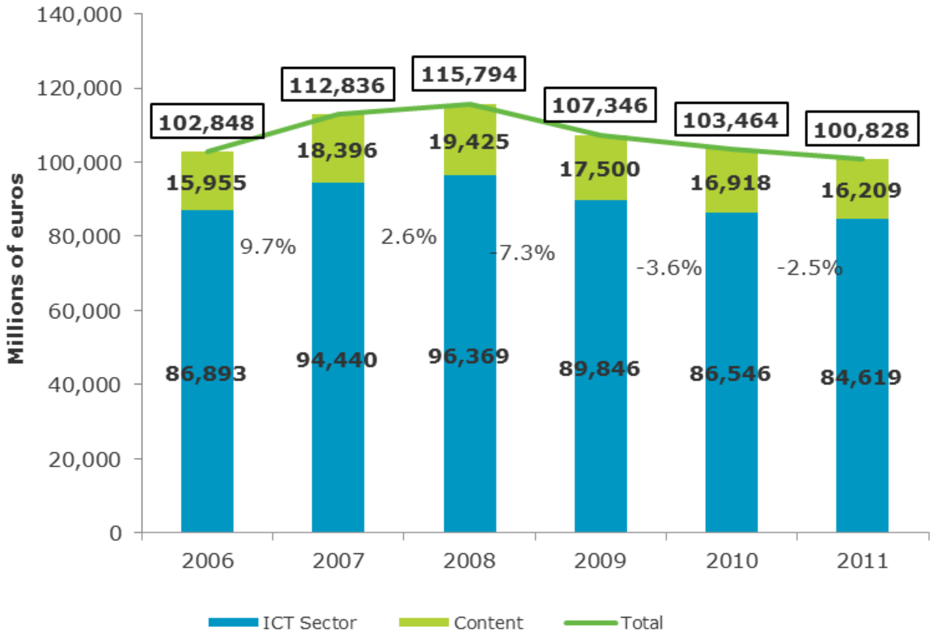
The trend up to the month of July, 2012[4] continues to be negative with a 4.2% drop in turnover.

There has been virtually zero growth in the industry as a whole since 2006, with an average growth rate of -0.4% between 2006 and 2011. The economic crisis has had a considerable impact on the industry and since the onset of the crisis there has been a sharp fall in turnover, with an average variation rate of -4.5% between 2008 and 2011. Turnover in 2011 was below the levels recorded in 2006.

The ICT revenues/GDP ratio for 2011 was 9.5[5]%.

[4] According to the Services Sector Activity Indicators data published by the Spanish Statistics Institute (INE)
[5] GDP obtained from the Spanish National Statistics Institute (INE), national accounting section.

Figure 3. ICT and Content industry turnover (Millions of euros)



1.3 Employment

EMPLOYMENT

The ICT and Content industry employs

444,680

WORKERS

In 2011, ICT and Content companies employed more than 444,680 people, 1.6% less than in 2010. More than three quarters of these people (79.9%) are employed in the ICT sector and the rest (20.1%) are employed in Content companies.

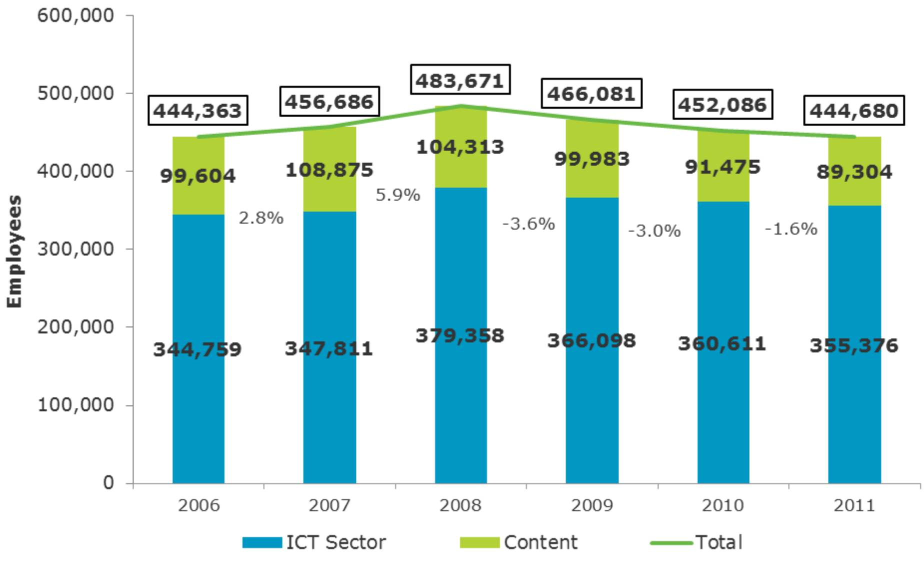
Most noteworthy are the Computer Activity companies which, with 237,802 employees, employ more than half (53.5%) of the total industry workforce.

The downward trend in employment appears to be continuing in 2012[6] as the number of people employed in the sector has fallen 2.2% up to July this year.

In the period from 2006 to 2011, employment grew with an average variation rate of 0.6%, with 2008 being the year in which the industry posted maximum employment numbers with over 483,000 employees. From that time onwards there has been a sharp fall off in employment with an average variation rate of -2.2% up to 2011. The employment figures in 2011 were below those recorded in 2007.

[6] According to the Services Sector Activity Indicators data published by the Spanish Statistics Institute (INE)

Figure 4. People employed in the ICT and Content industry (Number of employees)



1.4 Investment

Investment

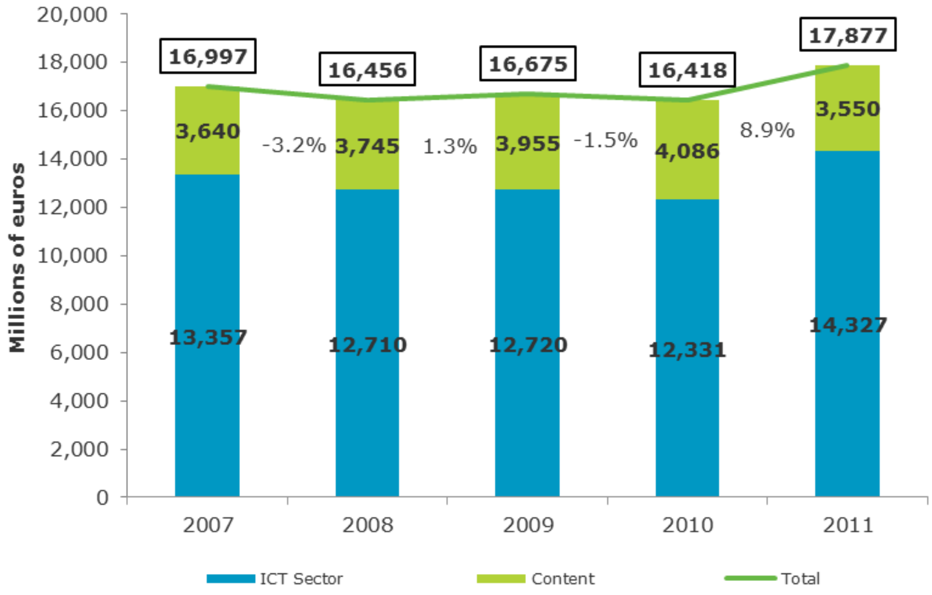
ICT and Content companies invested more than
€17,800
millions of euros.

ICT and Content companies invested more than €17,877 million during 2011. This was 8.9% more than in the previous year.

The largest investments were made by Computer Activity companies and Telecommunications Operators with €7,221 and €5,399 million respectively. These figures account for over 70% of all investment in the ICT and Content industry.

2011 saw the highest level of investment since 2007. During the period from 2007 to 2011 average growth was 1.3%. The economic crisis has not prevented good investment performance, which has been boosted by the action of Telecommunications operators and Computer Activity companies. The average variation rate between 2008 and 2011 was 2.8%.

Figure 5. Investment in the ICT and Content industry (Millions of euros)

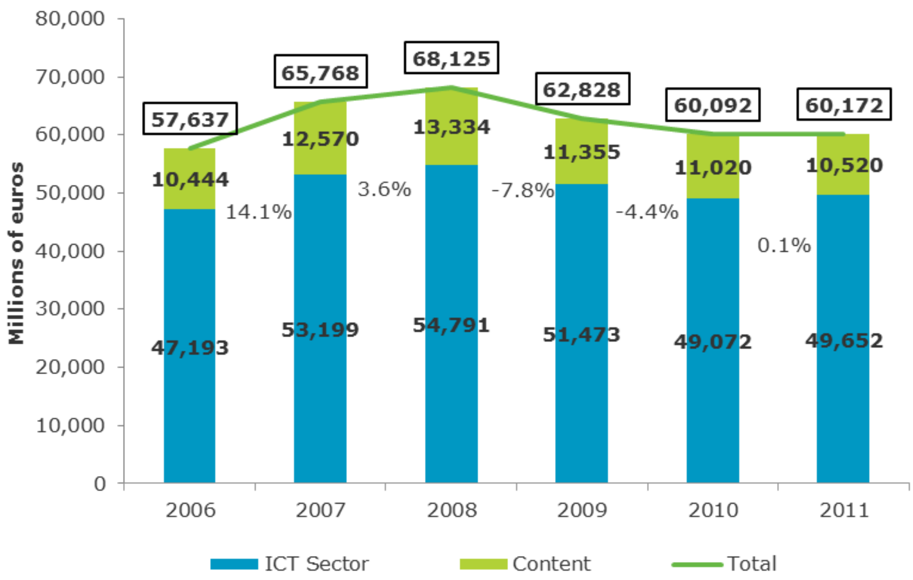


1.5 Gross Value Added at market prices

The estimated gross value added at market prices exceeded €60 billion in 2011, which represents 5.7% of Spain's GDP.

GVAmp exceeded €60 billion in 2011 and represents 5.7% of Spanish GDP.

Figure 6. Gross value added at market prices (GVAmp) (Millions of euros)



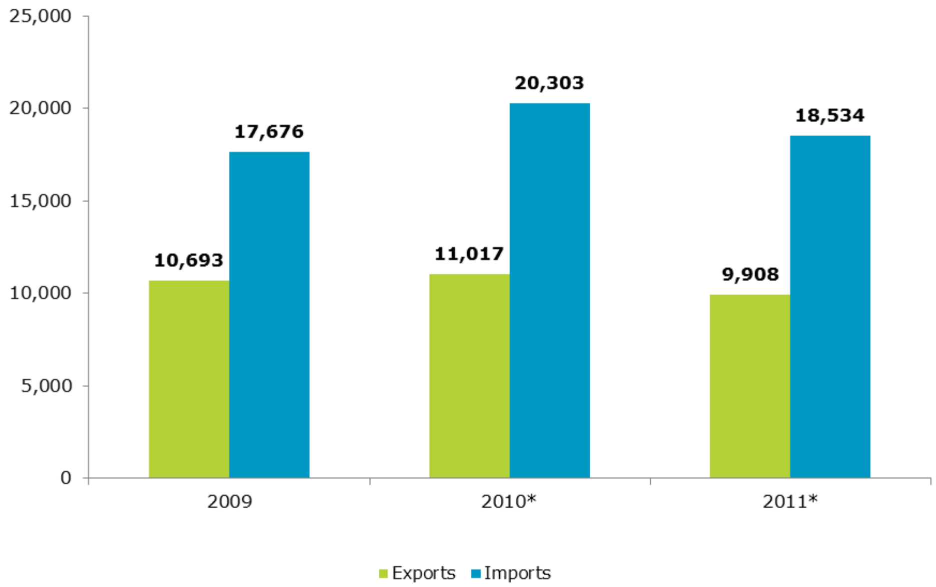
1.6 Foreign Trade

The ICT sector posted a negative trade balance in 2011. It amounted to €8,626 million, with the percentage of exports compared to imports recorded at 53.5%. Exports stood at €9,908 million. Imports reached €18,534 million.

Table 1. Foreign trade in ICT sector products (Millions of euros)

	2009	2010*	2011*
Exports	10,693	11,017	9,908
Imports	17,676	20,303	18,534
Balance	-6,983	-9,286	-8,626
Coverage	60.49%	54.26%	53.46%

Figure 7. Foreign trade in ICT sector products (Millions of euros)



* Provisional data
Source: Datacomex

2

ICT SECTOR

2 The ICT Sector

The ICT sector comprises two large areas of activity: Manufacturing and Services. The ICT manufacturing industry is geared towards processing and communicating information by assembling electronic components and circuits, including computer assembly, designing telecommunications equipment and electronic consumer goods and manufacturing magnetic and optical media.

In 2011, the ICT sector continued the decline started in 2009

ICT Commerce, Computer Activities and Telecommunications are encompassed within ICT services. Commerce is comprised of: wholesale distribution channels of computers, peripheral equipment and computer programmes, as well as electronic and telecommunications equipment and components. Computer Activities include providing publishing services, programming, consultancy, hosting, data processing and maintenance and repair. Telecommunications is comprised of the operators and the rest of the activities aimed at providing specialised services and applications (known as others).

In 2011, the ICT sector continued the decline started in 2009. Sales fell compared to 2010 although to a lesser extent than the previous two-year period, thanks in large part to moderate growth in Computer Activities. The rest of the activities experienced falls in turnover, which is most marked in the case of ICT Manufacturing and Telecommunications Operators.

The number of companies stands at around 20,700.

Employment continues the downward trend first noticed in 2009. It is pulled down by the sharp adjustment in employment carried out by Telecommunications operators and the impact of a lack of economic activity.

The trend up to July 2012[7] shows a positive performance in Computer Activity turnover, with 3% growth. On the other hand, Telecommunications, Manufacturing and ICT Commerce posted sharp drops of 7.3, 16.5 and 15.3% respectively.

Employment showed a similar performance in the first seven months of 2012: 1.6% growth in the Computer Activity companies and contraction in Telecommunications companies (-5.3%).

COMPANIES

The number of companies in the ICT Sector stands at

20,700

2.1 Number of companies

The number of active companies in the ICT Sector in 2010 was 20,709, 1.6% less than the previous year's figure. The majority, 96%, are ICT Services companies, while only 4% are Manufacturing companies.

Computer Activity companies stand out among the Services companies with 65% of all the ICT Sector companies.

The sector grew by more than 1,377 companies from 2006 to 2010, with an average growth rate of 1.7% during this time. Since the beginning of

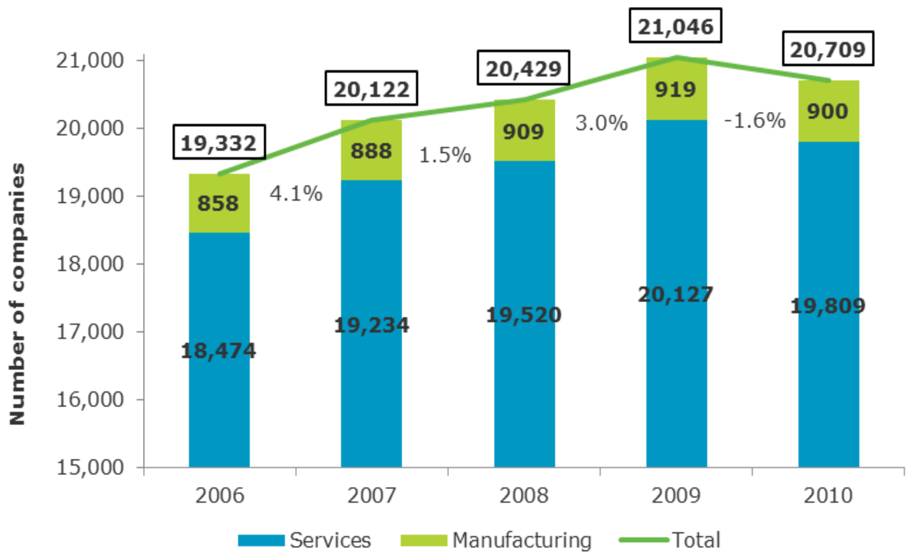
[7] According to the Services Sector Activity Indicators data published by the Spanish Statistics Institute (INE)

the crisis, from 2008 to 2010, this rate has fallen considerably to the point where it is almost non-existent (0.7%).

Table 2. Companies in the ICT sector (Number of companies)

	2006	2007	2008	2009	2010
Total	**19,332**	**20,122**	**20,429**	**21,046**	**20,709**
Manufacturing	858	888	909	919	900
Services	18,474	19,234	19,520	20,127	19,809
Trade	2,690	2,813	2,869	3,032	2,968
Information processing activities	12,434	12,985	13,151	13,558	13,447
Telecommunications	3,350	3,436	3,500	3,537	3,394
Operators	1,918	1,945	1,991	2,052	2,011
Others	1,432	1,491	1,509	1,485	1,383

Figure 8. Companies in the ICT sector (Number of companies)



Broken down by Autonomous Region, Madrid and Catalonia are home to more than half the number of companies in the ICT sector. Specifically, these two Autonomous Regions account for 55% of the total number of companies. Madrid has 33% of the total and Catalonia has 22%.

18% of the total number of companies in the ICT sector is shared between Andalusia (with 9%) and Valencia (with 9%). The remaining 27% is split between Galicia and the Basque Country (with 4%), the Canary Islands and Castile and León (each with 3%), Aragon, Castile-la Mancha, the Balearic Islands and Murcia (each with 2%) and Cantabria, Navarre, Extremadura and Asturias (each with 1%).

Figure 9. Distribution of ICT sector companies by Autonomous Region. 2010 (%/total)

TURNOVER

In 2011 turnover in the ICT Sector exceeded

€84 **billion.**

2.2 Turnover

Turnover reached €84,618 million in 2011, a 2.2% decrease compared to 2010. Services companies accounted for 95.3% of all turnover in the ICT sector.

In terms of the Services sub-sector, the Telecommunications companies are most prominent with 43.9%, followed by the Computer Activity companies with 32.8% of the total income of ICT Sector companies.

The sector experienced a slight downturn with an average growth rate of -0.5% between 2006 and 2011. The economic crisis has had an impact on the sector and since the onset of the crisis there has been a sharp fall in turnover, with an average variation rate of -4.2% between 2008 and 2011. The turnover figure for 2011 is below 2006 levels, with a drop of over €2,200 million.

Table 3. ICT sector sales (Millions of euros)

	2006	2007	2008	2009	2010	2011
Total	**86,893**	**94,440**	**96,369**	**89,846**	**86,546**	**84,618**
Manufacturing	6,953	6,994	6,753	5,441	4,220	4,013
Services	79,941	87,446	89,616	84,405	82,326	80,605
Trade	17,038	18,392	18,419	15,913	15,950	15,723
Information processing activities	21,781	26,457	28,124	27,227	27,247	27,731
Telecommunications	41,121	42,598	43,073	41,266	39,128	37,151
Operators	36,774	38,095	38,619	36,709	35,379	33,826
Others	4,347	4,502	4,454	4,557	3,749	3,325

Figure 10. ICT sector turnover (Millions of euros)

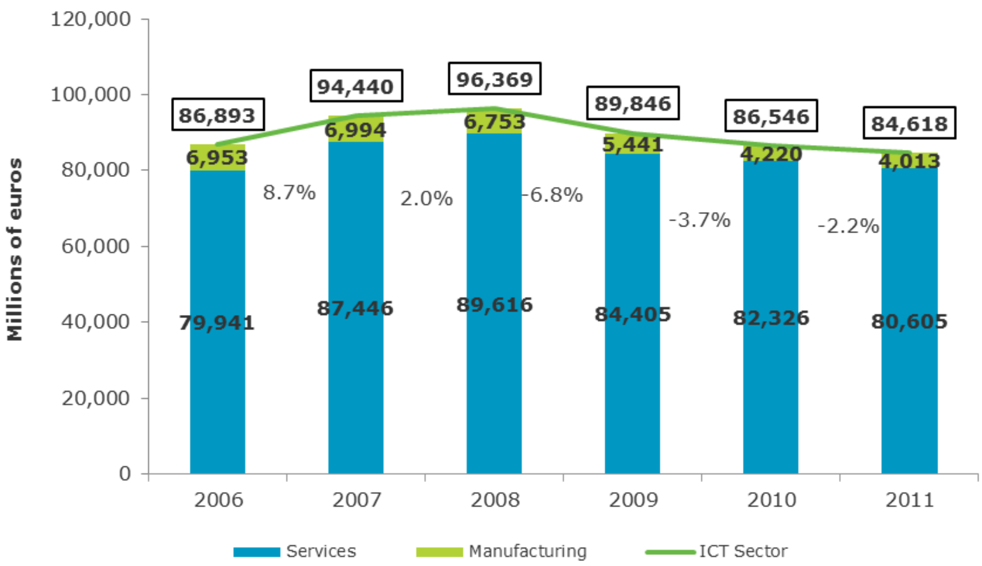
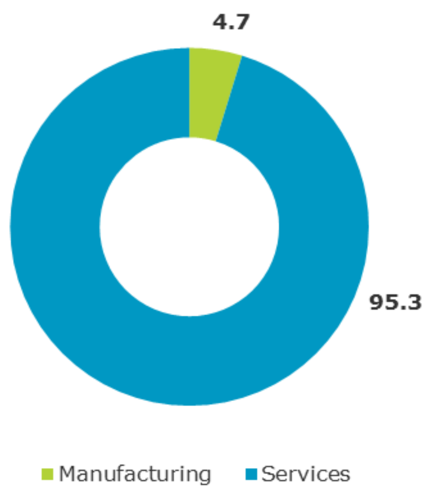


Figure 11. ICT sector turnover. 2011 (%/ total)



2.3 Employment

EMPLOYMENT

The ICT Sector has
355,376
WORKERS

The ICT sector employed 355,376 people, 1.5% less than in 2010. Almost all the employment, 95.2%, is concentrated in the Services sub-sector.

Within Services, Computer Activities companies employ the largest percentage of people with 66.9% of the ICT Sector's total employment. Next in order of importance is Telecommunications with over 67,000 employees, which stands at 19% of the ICT Sector total.

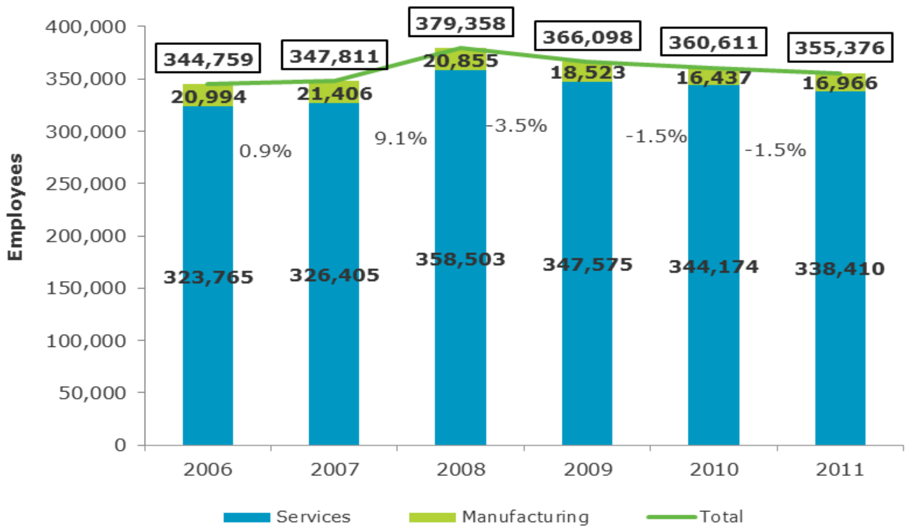
Employment grew with an average variation rate of 0.6% between 2006 and 2011. The year when the sector reached its highest employment numbers was 2008. From that time onwards there has been a sharp fall off in employment with an average variation rate of -2.2% up to 2011.

Table 4. Workforce in the ICT sector (Number of employees)

	2006	2007	2008	2009	2010	2011
Total	**344,759**	**347,811**	**379,358**	**366,098**	**360,611**	**355,376**
Manufacturing	20,994	21,406	20,855	18,523	16,437	16,966
Services	323,765	326,405	358,503	347,575	344,174	338,410
Trade	31,570	35,726	37,550	35,388	33,292	32,849
Information processing activities	203,930	214,323	249,564	241,538	241,375	237,802
Telecommunications	88,265	76,356	71,389	70,648	69,507	67,759
Operators	65,687	60,184	59,745	57,684	55,586	52,637
Others	22,578	16,172	11,644	12,964	13,921	15,122

66.9% of employees in the ICT sector work in Computer Activities

Figure 12. People employed in the ICT sector (Number of employees)



INVESTMENT

INVESTMENT in the ICT Sector grew by

16.2% to reach

€14,327

million.

2.4 Investment

Investment in the ICT Sector in 2011 grew by 16.2% to reach €14,327 million. The ICT Services sub-sector made the most investment with 96.5% of the total amount.

Within Services, Computer Activities have the highest percentage with 50.4% of total investment in the ICT sector, followed by investment from telecommunications companies with 39.9%.

2011 saw the highest level of investment since 2007. During the period between 2007 and 2011 average growth was 1.8%. The economic crisis has not prevented good investment performance, which has been boosted by the action of Services companies. The average variation rate between 2008 and 2011 was 4.1%.

Table 5. ICT sector investment (Millions of euros)

	2007	2008	2009	2010	2011
Total	**13,357**	**12,710**	**12,720**	**12,331**	**14,327**
Manufacturing	430	466	574	524	494
Services	12,927	12,244	12,146	11,807	13,833
Trade	740	811	791	757	895
Information processing activities	6,855	6,703	7,133	6,767	7,221
Telecommunications	5,331	4,730	4,222	4,283	5,717
Operators	5,331	4,730	3,951	4,028	5,399
Others	0	0	271	255	318

Figure13. ICT sector investment (Millions of euros)

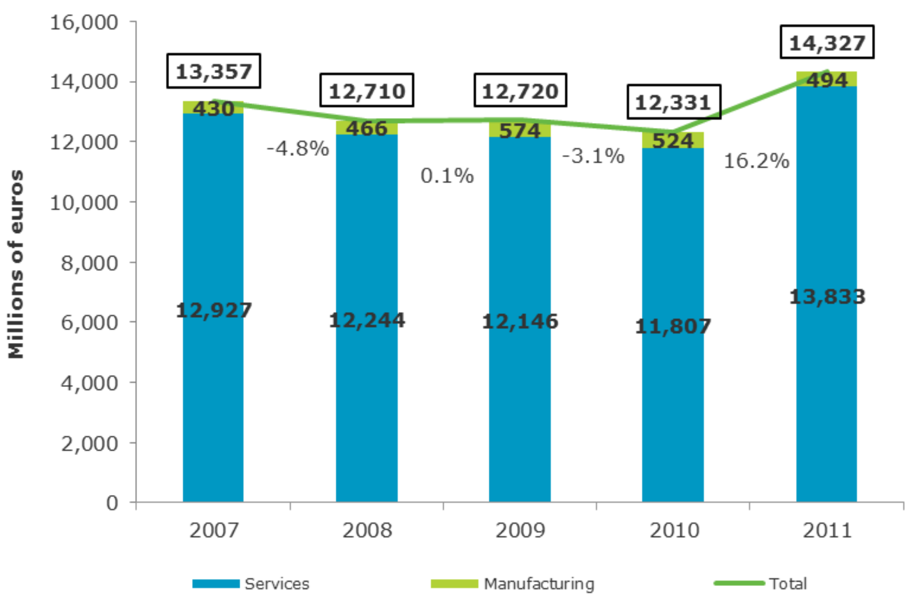
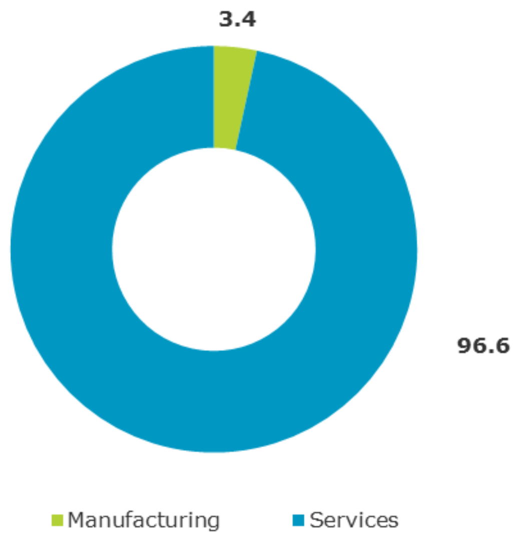


Figure 14.ICT sector investment. 2011 (%/ total)



3

CONTENT SECTOR

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3 The Content Sector

The Content sector is comprised of seven sub-sectors. These consist of companies dedicated to publishing books in either print or digital format, and to sound and music recording. It includes production, post-production, distribution, screening of films, advertisements, television programmes and original sound or music recordings, in addition to buying and selling distribution rights and copyright. It also includes all the activities associated with radio and television programming and broadcasting[8] in addition to video games and online advertising

In 2011, the sector continued the negative trend started in 2009 with the beginning of the economic crisis. Turnover has been dragged down by the sharp decline in the sector's pillars: publishing and audiovisual services. All activities have suffered a drop with the exception of cinema activities which remain at the same levels as 2010, and online advertising, which has witnessed above-average growth for another year running.

The number of companies has stabilised at around nine thousand.

Employment continues to fall but at a slower pace than in previous years as a result of better employment performance in audiovisual services companies which maintain the same employment levels as 2010.

Investment follows the prevailing trend and has contracted due to a lack of economic activity.

The trend up to July 2012 continues to be negative[9].

Publishing companies' sales are up 7.8% and cinema activities and audiovisual services have suffered a sharp 5.3% drop. On the other hand, information services companies have grown 0.5%.

With regard to employment, there has been an adjustment across all activities, with the most notable in cinema activities which combined account for an 8.7% reduction and publishing with a 6% fall.

The main economic parameters of the companies working within the sphere of Content activities are described below. These activities are completed with the turnover of the companies that provide digital advertising services and video games.

3.1 Number of companies

In 2010, the Content sector had almost 8,000 companies, 2.3% less than in the previous year, which account for 0.6% of the companies in the service sector. This data was obtained from the directory of companies created by ONTSI (Spanish Observatory for Telecommunications and the Information Society) based on registration information in the Mercantile Register and the observatory's own directories. There is no number available for Advertising and Video games.

[8] Radio and television programming and broadcasting activities correspond to audiovisual services, data on which is provided by the Comisión del Mercado de las Telecomunicaciones (CMT).
[9] According to the Services Sector Activity Indicators data published by the Spanish National Statistics Institute (INE)

Broken down by type of activity, the segment with the biggest capacity for generating companies was book and newspaper publishing and other publishing activities, with 3,832 companies, which account for 41.3% of the total, and 3,137 companies in the sector dedicated to cinema, video and television programme activities, which account for 34% of the Content sector's total.

Table 6. Companies in the Content sector (Number of companies)

	2009	2010
Book and newspaper publishing and other publishing activities	3,819	3,832
Cinema, video and television programme activities	3,192	3,137
Sound recording and music publishing activities	576	504
Other information services	409	388
Radio and television programming and broadcasting activities	1,455	1,409
Video games	NA	NA
Online advertising	NA	NA
Total	**9,451**	**9,270**

COMPANIES

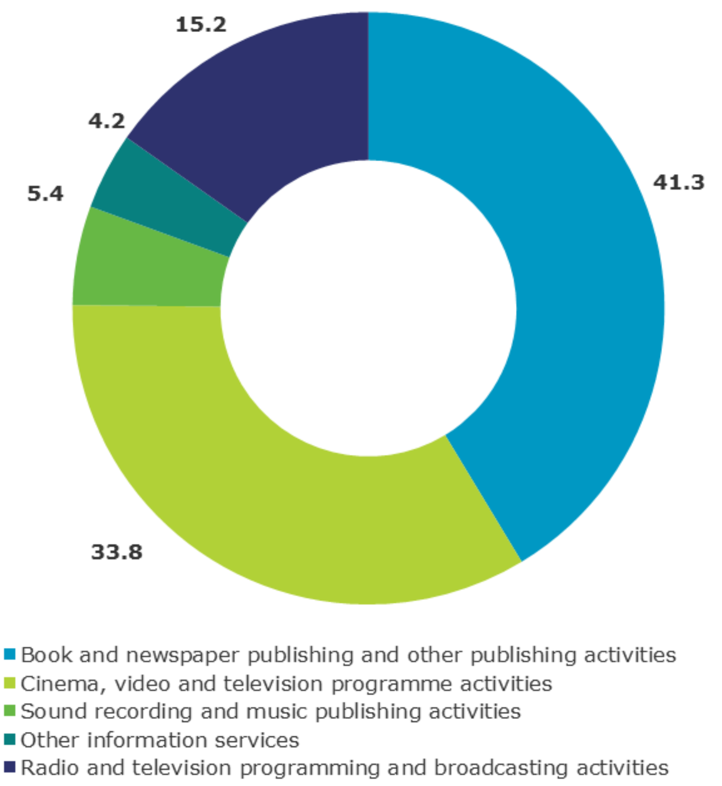
The number of companies in the Content Sector has stabilised at around

9,200

Madrid has

34% of the companies in the Content Sector.

Figure 15. Companies in the Content sector. 2010 (%/ total)



As we observed in the ICT sector, more than half of the total number of companies are located in the Autonomous Regions of Madrid and Catalonia. Specifically, these two Autonomous Regions account for 57% of the total number of companies. Madrid has 34% and Catalonia has 23%.

17% of the total number of companies in the Content sector is split between Andalusia (with 10%) and Valencia (with 7%). The remaining 26% is split between Galicia (with 5%), the Basque Country (with 4%), Castile and León and the Canary Islands (each with 3%), Aragon, Castile-la Mancha, Murcia and the Balearic Islands (each with 2%) and Cantabria, Navarre, Extremadura and Asturias (each with 1%).

Figure 16. Distribution of the companies in the Content sector by Autonomous Region. 2010 (%/total)

TURNOVER

Turnover in the Content sector stood at

€16,209

million.

3.2 Turnover

Turnover reached €16,209 million in 2011, a 4.2% decrease compared to 2010.

Since 2006, the average growth rate in the sector from 2006 to 2011 stood at 8.8%. The economic crisis has left the sector's turnover figures slightly above the levels posted in 2006.

During the period from 2006 to 2011, the Content sector saw its turnover grow by 53% from 2006 to reach €17 million in 2009. From 2009 onwards these activities were hit by the economic crisis and turnover fell by 3.3% to stand at €16,209 million in 2011.

Most notable among the activities are book and newspaper publishing and other publishing activities, which account for 42% of the sector's turnover and contribute €6,788 million, followed by radio and television

TURNOVER BY ACTIVITY

The book and newspaper publishing and other publishing activities segment contributes

42% of the

Content sector's total turnover.

programming and broadcasting activities which accounts for 25.4% of the total with €4,125 million, and cinema, video and television programme activities with 20.3% of turnover and €3,296 million.

Sound recording and music publishing activities with 2.1% contribute €340 million in turnover.

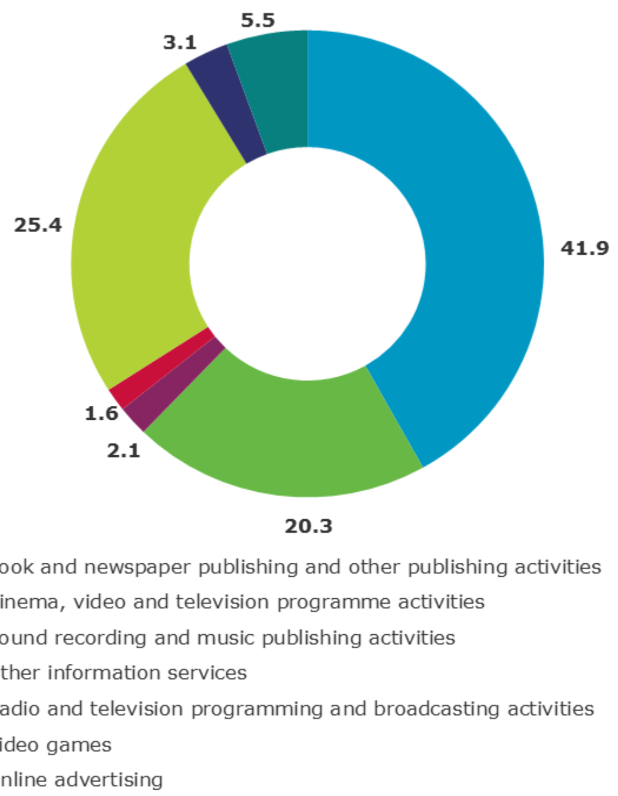
Other information services with 1.6% account for €263 million.

To these activities we must add the turnover from games distribution with €499 million and €899 million from digital advertising. Video game publishing is not included in the Content Sector as it belongs in the Computer Activities sub-group.

Table 7. Content sector turnover (Millions of euros)

	2009	2010	2011
Book and newspaper publishing and other publishing activities	7,528	7,175	6,788
Cinema, video and television programme activities	3,513	3,284	3,296
Sound recording and music publishing activities	402	370	340
Other information services	250	293	263
Radio and television programming and broadcasting activities	4,520	4,421	4,125
Video games	633	575	499
Online advertising	654	799	899
Total	**17,500**	**16,918**	**16,209**

Figure 17. Content sector turnover. 2011 (%/ total)



3.3 Employment

EMPLOYMENT

The Content Sector employs more than

89,000

WORKERS

Employment in the Content sector in 2011 experienced a fall of 2.4% on 2010 figures to stand at 89,304 people employed in the sector.

There was a sharp drop in employment during the period from 2006 to 2011, which recorded an average variation rate of -2.2% over these years. These job cuts were exacerbated by the economic crisis and the reduction in employment has become more marked since 2008, with an average variation rate of -5% up to 2011.

The companies that provide most employment are those in book and newspaper publishing and other publishing activities which have created 43 out of every 100 jobs in the sector. This is followed by cinema, video and television programme activities which provide 24.8% of employment and radio and television programming and broadcasting[10] which account for 24.8%.

Only 2 out of every 100 jobs have been created by sound recording and music publishing, highlighting the difficulties this activity has experienced in maintaining jobs.

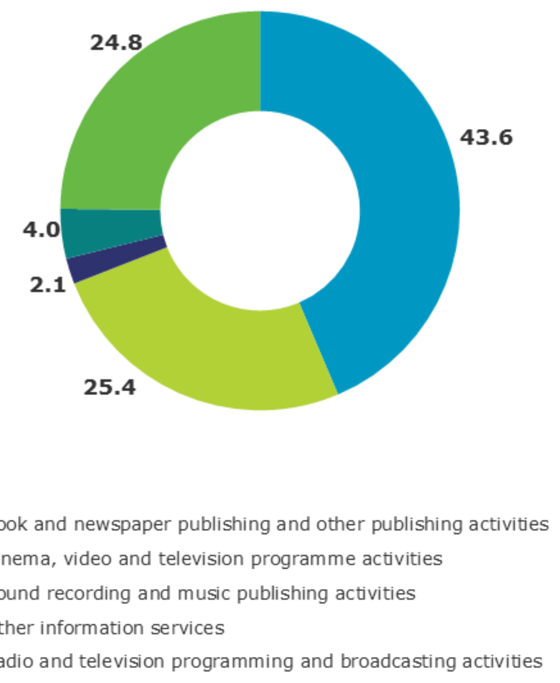
[10]Source: Author, based on data from the Comisión Nacional del Mercado de las Telecomunicaciones

Table 8.People employed in the Content sector (Number of employees)

	2009	2010	2011
Book and newspaper publishing and other publishing activities	45,722	40,049	38,943
Cinema, video and television programme activities	27,155	23,706	22,726
Sound recording and music publishing activities	1,670	2,024	1,858
Other information services	3,003	3,442	3,590
Radio and television programming and broadcasting activities	22,433	22,253	22,187
Video games	NA	NA	NA
Online advertising	NA	NA	NA
Total	**99,983**	**91,475**	**89,304**

The companies that provide most employment are in book and newspaper publishing and other publishing activities

Figure 18. People employed in the Content sector. 2011



3.4 Investment

Investment in the Content sector in 2011 totalled €3,550 million, 12.4% less than the previous year.

Unlike what was observed in the ICT sector, investment in the Content sector fell in 2011. The variation rate during the period from 2007 to 2011 was 2.8%. The economic crisis has exacerbated the downward trend and, between 2008 and 2011 the average variation rate was 2.4%.

More than three quarters of the investment in the content sector was made by companies in book and newspaper publishing and other publishing activities, and companies in cinema, video and television programme activities with 43% and 39% respectively

Table 9. Investment in the Content sector (Millions of euros)

	2009	2010	2011
Book and newspaper publishing and other publishing activities	1,519	1,956	1,515
Cinema, video and television programme activities	1,896	1,532	1,383
Sound recording and music publishing activities	149	111	92
Other information services	65	42	41
Radio and television programming and broadcasting activities	326	446	520
Video games	NA	NA	NA
Online advertising	NA	NA	NA
Total	**3,955**	**4,086**	**3,550**

INVESTMENT

INVESTMENT in the Content sector reached

€3,550

million.

Figure 19. Investment in the Content sector. 2011 (% / total)