

**ALFRED NOBEL UNIVERSITY
DEPARTMENT OF GLOBAL ECONOMICS**

Bachelor's Thesis

**DEVELOPMENT AND WAYS OF IMPLEMENTATION OF THE
INTERNATIONAL INVESTMENT PROJECT “BEAUTY SALON OPENING”
IN SPAIN**

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Dnipro, 2021

ALFRED NOBEL UNIVERSITY
DEPARTMENT OF GLOBAL ECONOMICS

First (bachelor) level
Specialty 292 International economic relations

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“ ____ ” _____ 20__ p.

The Bachelor's Thesis
Assignment

Of Khrystyna Yavtushynska

1. Development and ways of implementation of the international investment project “Beauty Salon Opening” in Spain.

2. Supervisor: Ph.D. Assoc. Prof. Iryna Shkura

Approved with the Order of « ____ ” _____ 20__, No. _____

3. Deadline for submission _____

4. Aim of the paper: to design the international investment project “Beauty Salon Opening” in Spain.

5. Thesis outline (list of issues to be developed):

- select the country for investment
- define why the country is attractive for investment project realization
- select the investment project theme and country-partner from where the investment is transferred;
- analysis of the real market situation in order to decide upon the form and way of investment;
- conducting the appropriate calculations based on the real numerical data analyzed.

6. Date of issue of the assignment 1.06.2021.

7. Thesis schedule

No	Stages	The deadline for submission	
		Schedule date	Actual date
1	Alignment of the topic	15.03.2021	15.02.2021
2	Chapter 1	01.04.2021	15.03.2021
3	Chapter 2	15.04.2021	12.04.2021
4	Chapter 3	15.05.2021	15.05.2021
5	The whole paper	1.06.2021	27.05.2021

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ABSTRACT

Yavtushynska Kh.S. Development and ways of implementation of the international investment project “Beauty Salon Opening” in Spain.

The aim of this paper is to develop the project of beauty salon opening in Spain and provide all the required calculations for making a decision regarding the investment of the project. Furthermore, the main tasks are to examine the Spanish economy, identify key areas for investment, and assess the risks and opportunities associated with this. Both economical and demographical situation in Spain were examined, what allowed to define its strengths (highly developed service sectors, favorable conditions for immigration, fair competition and not perverted trade), and weaknesses (high level of unemployment, demographic crisis, public debt). Furthermore, the attractiveness of Spain as an object of foreign investment was analysed, ongoing trends in this area were forecasted and the country was considered as a place for doing business. Finally, the thesis includes a justification for the chosen project, its description (competitive advantages, analysis of competitors) and the key indicators, such as NPV, PP and PI, which reflects the efficiency of the project.

Keywords: Spanish economy, investment climate, direct foreign investment, international investment activity, immigration, labor market, beauty salon.

АНОТАЦІЯ

Явтушинська Х.С. Розробка та шляхи реалізації міжнародного інвестиційного проекту «Відкриття салону краси» в Іспанії.

Метою даної роботи є вивчення економіки Іспанії, визначення ключових сфер для інвестицій, оцінка ризиків та можливості, пов'язані з цим, розробити проект відкриття салону краси в Іспанії та надати всі необхідні розрахунки для прийняття рішення щодо інвестицій у проект. Було вивчено як економічну, так і демографічну ситуацію в Іспанії, що дозволило визначити її сильні сторони (високорозвинений сектор послуг, сприятливі умови для імміграції, чесна конкуренція та не збочена торгівля), а також слабкі сторони (високий рівень безробіття, демографічна криза, державний борг). Крім того, було проаналізовано привабливість Іспанії як об'єкта іноземних інвестицій, прогнозовано поточні тенденції у цій галузі та країну розглядали як місце для ведення бізнесу. Нарешті, дипломна робота включає обґрунтування обраного проекту, його опис (конкурентні переваги, аналіз конкурентів) та ключові показники, такі як NPV, PP та PI, що відображає ефективність проекту.

Ключові слова: іспанська економіка, інвестиційний клімат, прямі іноземні інвестиції, міжнародна інвестиційна діяльність, імміграція, ринок праці, салон краси.

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INTRODUCTION

The thesis is devoted to the deep analysis of Spain as an object for foreign investments, review of all the aspects correlated with this and conclusions regarding potential possibilities, benefits, risks and threats which are likely to appear in this area. The relevance of the project lies in the fact that currently Spain is experiencing economic crisis caused by the Crown virus, so in order to overcome it, the country needs an influx of money from outside, what results beneficial for foreign investors.

Undoubtedly, economy of Spain is among the most advanced ones in European Union, and it also takes place within the most efficient economies in the world. Since the country entered the EU in 1986, it managed to turn into a dynamic and rapidly increasing economy, and a global champion of freedom and human rights. The reasons behind Spanish high level of market competitiveness, liberal economy, and trade and financial openness are arose from its membership in the EU as well. (The Analysis of the Spanish economy, 2006). After the end of economic crisis that struck Europe, Spanish economy has steadily surpassed those of European counterparts, due to the employment market, which grew at a fast pace, due to focusing on creating favorable external conditions (i.e. high prices on main goods for export), and due to improvements in legislation connected with foreign investments.

Currently, the drivers of Spanish economy are its industrial production, that includes metalworking, mining, shipbuilding and data-processing equipment; increased exports of fishery and agriculture (especially wine production, fruits and vegetables), maritime industry and finance. Regarding the last one, Spanish banks possess one of the highest capitalization of all European banks. Nowadays, the 2 main banks in Spain are BBVA (Banco Bilbao Vizcaya Argentaria) and BCHS (Banco Central Hispano Santander). On the other hand, there are 3 main issue which the Spanish economy faces currently. First of all, illegal immigration, which has an especially huge effect on the agricultural labor market of southern Spain. The second issue is unemployment, especially while being compared to other European

countries. Finally, public debt is still high indeed. Nevertheless, it should be noticed that Spain is the 13th recipient of foreign investments in the world, and this was reached through the Spanish Act 14/2013, that was created with the aim of attracting investors. A number of other factors which have contributed to this are going to be observed precisely throughout this thesis. Furthermore, Spain is a major player in many directions at international stage (ARENA). Likewise, the country possesses more than 12,500 foreign companies, around 70 of the world's top 100 companies have set up a branch in Spain, and it is aiming at becoming one of the most powerful players in the research and development sector worldwide.

The main focus of this thesis is the development of the international project. That is why all the aspects, which may influence potential business, are going to be investigated.

In order to make both information and the calculations, given in this paper, reliable, the work is going to cover both theoretical and statistical data provided. Various resources have been used to provide reliable, up-to-date, in-depth, detailed and comprehensive analysis. First, the world's leading databases, such as the World Bank, the International Monetary Fund, UNCTAD, and so on. Second, data from Spanish government and financial institutions were taken into account. In order to study the problem from different angles, the media, scientific papers and journals were also involved in gathering the necessary information.

There are many studies dedicated to the analysis of the investment climate in Spain. You can easily find annual publications devoted to this problem. They analyze in depth both the general situation in the country and the situation with the volumes and directions of foreign direct investment. As noted in the annual report of the US Department of State, "Spain is open to foreign investment and is actively seeking to attract additional investment" (Spain - United States Department of State, 2021). There are also recent assessments of the impact of the pandemic on the situation in the Spanish economy. At the same time, there is a real need to look comprehensively at the investment attractiveness of Spain for an external investor and to systematize information that can be useful for an entrepreneur who plans to invest in this country.

Throughout this thesis, the following tasks are going to be performed:

1. Analyze economic and demographic situation in Spain.
2. Examine the investment climate of Spain, forecast upcoming trends for investment climate in Spain and assess its attractiveness to foreign investors.
3. Justify relevance of the project at Spanish market currently.
4. Analyze the risks and opportunities associated with investments in Spain.
5. Carry out the necessary calculations on investment requirements, expenditures, revenue.
6. Analyze key indicators of project efficiency (NPV, PP, PI).
7. Make conclusions regarding effectiveness of the project based on the results obtained.

The object of the course work is socio-economic situation in Spain as a destination for foreign investments.

The subject of the course work is the investment project “Beauty Salon Opening” in Malaga, Spain.

The approach used for this thesis was to go from general to specific. The first part is devoted to the general analysis of the economy of Spain, the second chapter examining specifically international economics of the country, and the third part is focused exactly on the development of the investment project and calculations associated with it. The methodological basis of the thesis includes methodological materials, scientific journals and articles, the assessment of financial and economic activities, official websites with up-to-date information and data, etc. Additionally, statistical, economic, financial analysis, synthesis, sampling and other scientific methods and techniques were used.

The results of the Bachelor Thesis “Spain as an attractive place for foreign investment” were published in «Європейський вектор економічного розвитку» of the year 2021 (№1, pp. 27-43).

CHAPTER 1

ECONOMY OF SPAIN: THE CURRENT SITUATION, DEVELOPMENT TRENDS AND MAJOR PROBLEMS

1.1. General characteristics of the development of the Spanish economy over the last 15 years.

The process of globalization has been expanding its tentacles over recent years. This has affected the whole structure of the world and society, and so it resulted in major changes in each field of human life. Likewise, the world systematically faces new changes and challenges, that is why it is essential to know whether the country is capable enough of being flexible, efficient and adoptive to guarantee strengthening of its economy and to withstand with difficult periods. For this reason, before thinking over implementing business projects in another country, it is vital to analyze its to main sides: economic and social ones. In this way it is possible to outline upcoming tendencies and possible threats for the country.

As it was clarified before, the focus of this paperwork is Spain. It is a country that locates in southwestern Europe on the Iberian Peninsula, being placed on south from France and Andorra and on east from Portugal. It has coastlines on the Atlantic Ocean and the Mediterranean Sea. Perfect location of Spain, its subtropical climate and sophisticated culture made a tourism industry of the state to be one of the top of its financial sectors (being equaled to approximately 12%), and this figure seems to be especially impressive if to compare it to the amount of tourists coming to other EU countries.

Undoubtedly, Spain is considered as a gateway to the biggest markets in the world. Likewise, EU, North African, Middle Eastern and Latin markets. Such a strong external connection with other markets is definitely beneficial for the country. However, significant dependence of Spain on international economic relations leaded to incredible losses in its economy when COVID-19 was started. Since corona virus pushed the world into circumstances when countries could not operate

between each other in a hasty manner, the countries with higher dependence on international economic activities experienced the hugest strikes on their economies. Definitely, Spain was in the list of those countries. Moreover, corona virus itself affected Spain and its citizens much more than other countries. As a result, the state's economy shrank by 11%, that was the biggest drop Spain has been experienced since the time of Civil War.

1.1.1 Economic factors

In the first place, it is essential to consider economy of Spain as a whole from the perspective of the country's economic history during last 15 years. Having observed main events, problems and their solutions, we will be able to define reasons and consequences of changes in figures of various economic factors. Additionally, it would become clear what are the capabilities and weaknesses of Spanish economy, so deep analysis may be done.

Since the country joined EU, the process of economic growth was accelerated and by 2008 the state had been experiencing continuous growth. The year of 2008 was the year of world economic crisis, and it affected all the countries all over the world. However, for Spain this year became critical since it became the beginning of the period of 6-years crisis for the country.

The main reason for such a recession in economy was a property crash (or how it is commonly called "real estate bubble") that happened due to the years of financial and economical profiteering. It was lasting for a long time when the government was encouraging citizens to acquire their own property that, as a result, could not be paid. When the period of rapid growth of unpaid credits started and unemployment rate climbed sharply (in spite of governmental attempts to maintain more workplaces and to create favorable conditions for those who lost jobs), bank system collapsed. Financial sector needed to be reformatted and in order to succeed in that, financial support from the government was necessary, however, in time of crisis it was barely possible since sovereign debt and deficit in budget had already taken a place. In 2010 Spain started its way of economic recovery, however, European debt crisis destroyed this attempt. Surprisingly, it may be observed how

EU influenced Spain in a negative way. On the other hand, on June 2012, Spain had to ask Eurozone for help in the way of provision up to €100 billion of rescue loans. Additionally, financial support from a "Precautionary Conditioned Credit Line" (PCCL) package was obtained, that gave Spain a chance to re-establish its economy.

The following step was to implement new economic policies that were aimed at creating measures of tight budget saving. The accent in governmental politics was switched to finding a balance between the measures of tight economy and measures for stimulating employment, entrepreneurship, and social support (that was not actually achieved in a short-term). This led, on the one hand, to the drop of life quality, failures in pension system and to job losing, whereas, on the other hand, it resulted in improving of economic situation in Spain. Significant input was made from the side of EU when ECB (European Central Bank) implemented nontraditional policy of buyout at the Spanish secondary market of bonds. (Spain - life expectancy at birth by gender 2008-2018 | Statista, 2021)

As it was noticed above, since 2015 Spain managed to surpass other European countries thanks to working on employment market, focusing on products for export, maintaining strong international economic relations and to attracting foreign investment through improving investment climate in the country. The direction was chosen correctly since there was a continuous growth from 2015, however, the pandemic crisis of 2020 pushed Spain to the economic situation of 2000s. Taking into account the fact that COVID-19 affected Spanish economy in all directions and the final outcome can not be predicted, the consideration of this part requires a separate section with deep analysis (that will be made in part "1.4 Influence of COVID-19 on economy of Spain").

Basically, all these alterations in economy of Spain during last 15 years are reflected in the history of country's GDP during the same period. Consequently, the following graph (Fig. 1.1), that reflects GDP of Spain (in US\$ in trillions) during 2006-2020, complements the full picture of Spanish economy within last years.

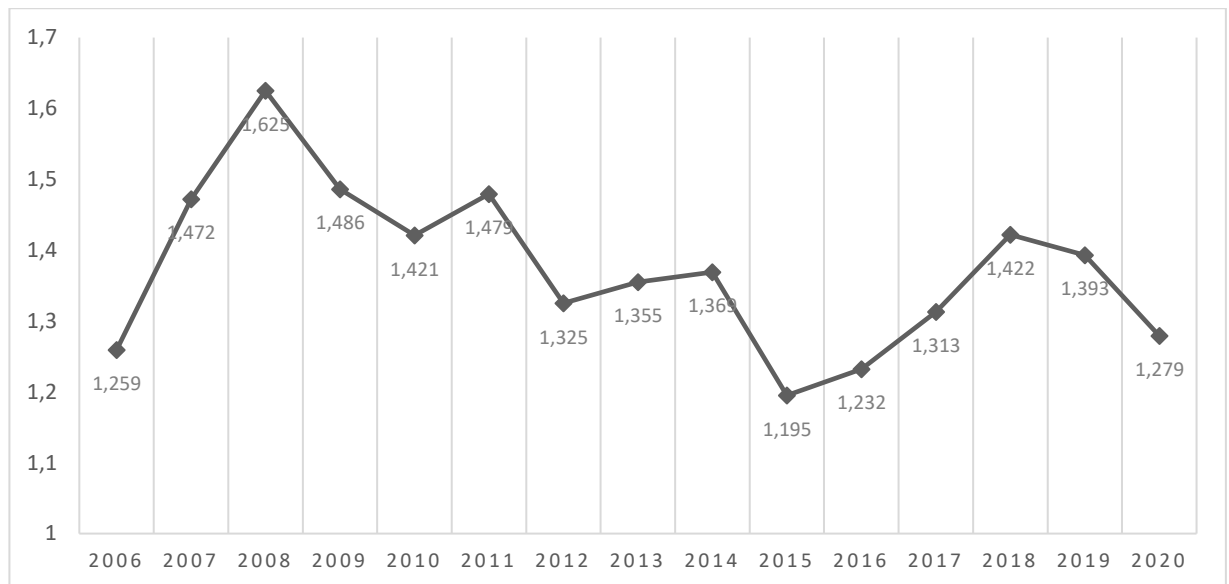


Fig. 1.1 GDP (in US\$ in trillions) during 2006-2020

Source: (GDP (current US\$) - Spain | Data, 2021)

Despite of the fact the hesitations of GDP of the country are being experienced permanently, there is no sharp drop of the figures during 1 year. In order to understand better whether Spanish economy is strong enough to deal with crisis times, it is necessary to analyze the indicators for GDP growth rate for the same period of time. This information is provided in the following graph (Fig. 1.2):

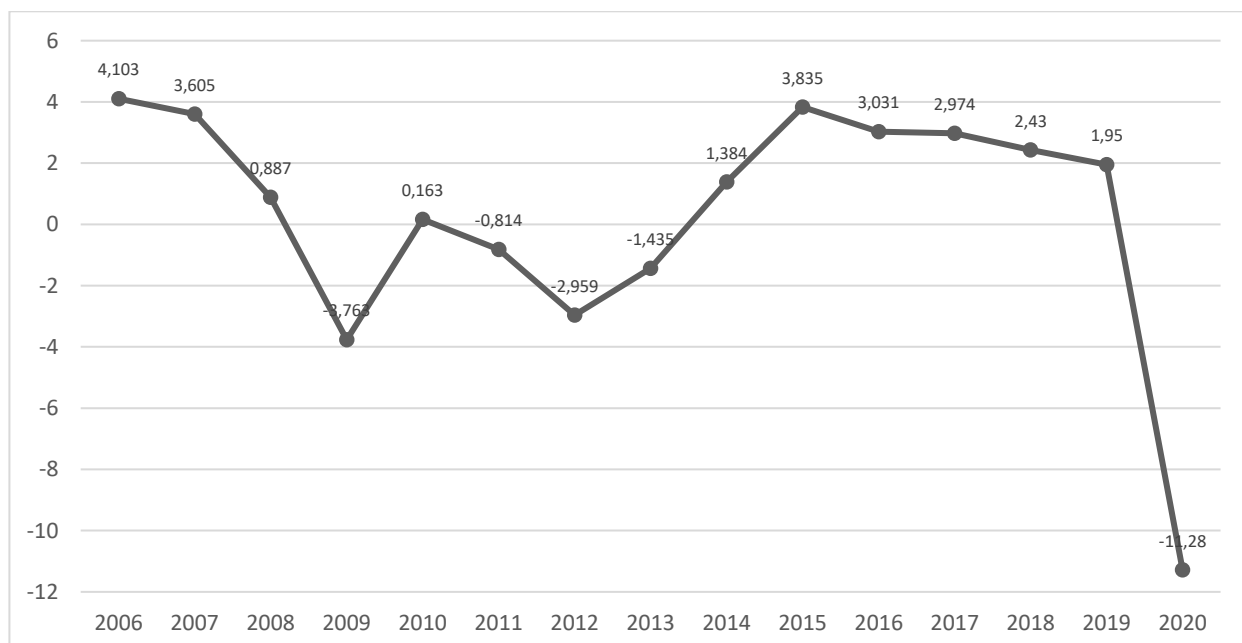


Fig. 1.2 GDP growth rate (annual %) during 2006-2020

Source: (GDP growth (annual %) - Spain | Data, 2021)

Unsurprisingly, the country experienced the worst dynamics in figures in 2008 and in 2020. Both years are characterized as the years of the world crisis, so it is much more important to pay attention of the changes in statistics during the following years. Obviously, the country succeeded in recovering its economy after 2008, however, it took too long period of time. Furthermore, the way Spain saved its economy was quite controversial from economic point of view (EU provided Spain a financial help), since loans always need to be paid back. Nevertheless, before making conclusions whether it was good or bad way of economic recovery for Spain, it is essential to observe the graph below (Fig. 1.3):

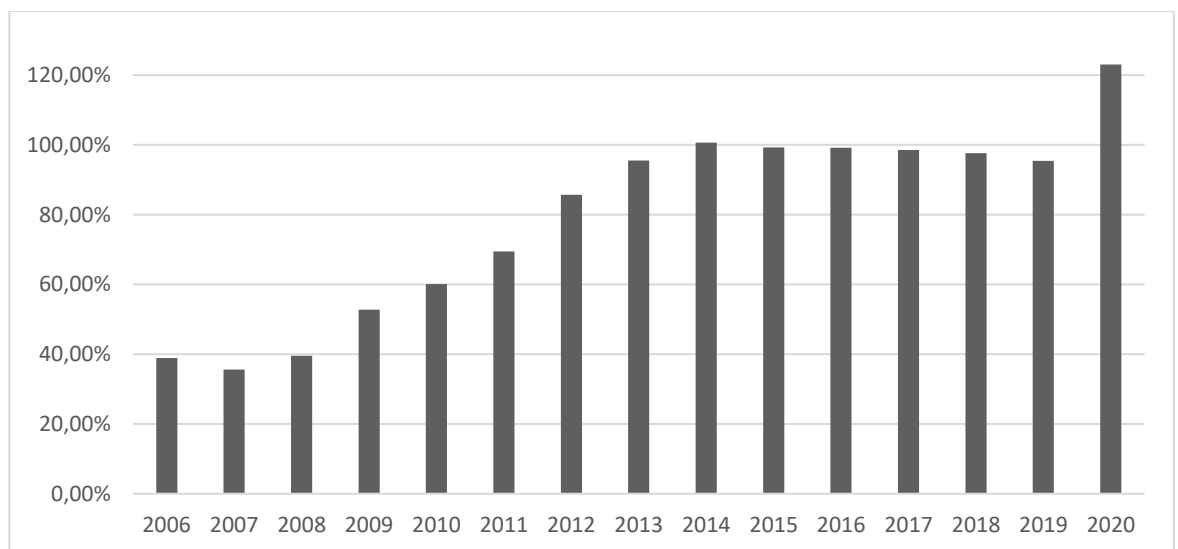


Fig. 1.3 Debt-to-GDP ratio (%) during 2006-2020

Source: (Spain - National debt to gross domestic product (GDP) 2025 | Statista, 2021),

(Spain Government Debt to GDP | 1980-2019 Data | 2020-2021 Forecast | Historical, 2021)

It has already been noticed above that public debt of Spain is one of the major concern in its economy. Hardly can it be assumed whether it was better way not to take a provision from EU but to rebuild economy with inner forces. Perhaps, it was not even possible since exactly financial sector of the country suffered the most in time of crisis started in 2008. Nevertheless, the tendency for the debt-to-GDP ratio is to increase, hence, currently the country should focus on reducing this ratio, particularly after the jump of public debt in 2020.

If to consider Spanish GDP composition by sectors, the key role is played by service sector (around 2/3 of GDP), industry sector takes about 20%, and only 2-3% represent agriculture sector. Therefore, it may be claimed that the pattern of developed country's GDP composition is followed. The driving industries are tourism (Spanish tourism industry is second largest in the world), manufacturing (especially pharmaceuticals and automobiles), agriculture (fishery, fruits and vegetables, and energy industries. GDP composition remains roughly the same for 10 years and it is not likely to be changed, what is giving a confidence in country's economic potential (Fig. 1.4):

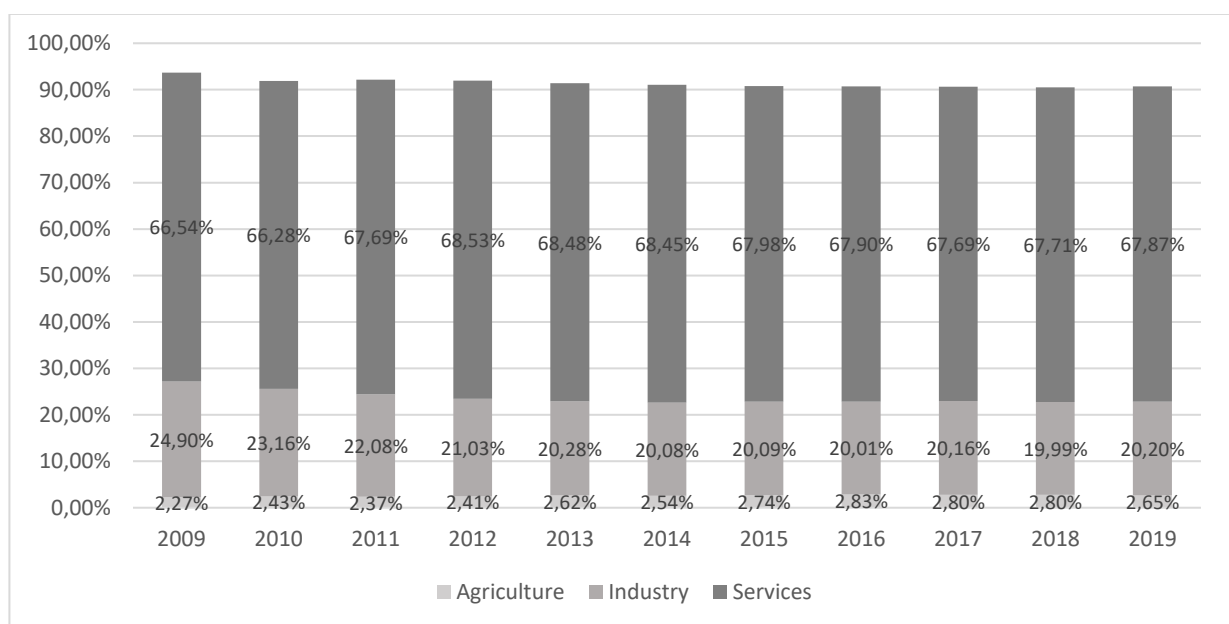


Fig. 1.4 Distribution of GDP across economic sectors (%) during 2009-2019

Source: (Spain - Distribution of gross domestic product (GDP) across economic sectors 2019 | Statista, 2021)

The subsequent important economic indicator is inflation rate (Fig. 1.5). Sharp decrease of demand for goods and services occurred after crisis of 2008, even though since 2009 prices have already started increase steadily. Simultaneously, it is vital to remember that the policy that Spanish government applied in order to get out of the crisis, was to raise demand and consumption inside the country. Additionally, it made Spanish domestic products to become more competitive on the external markets. From this perspective, inflation rate does not seem as an indicator with

negative pattern. All in all, prices, as well as other indicators, seem to be improving, albeit too slowly.

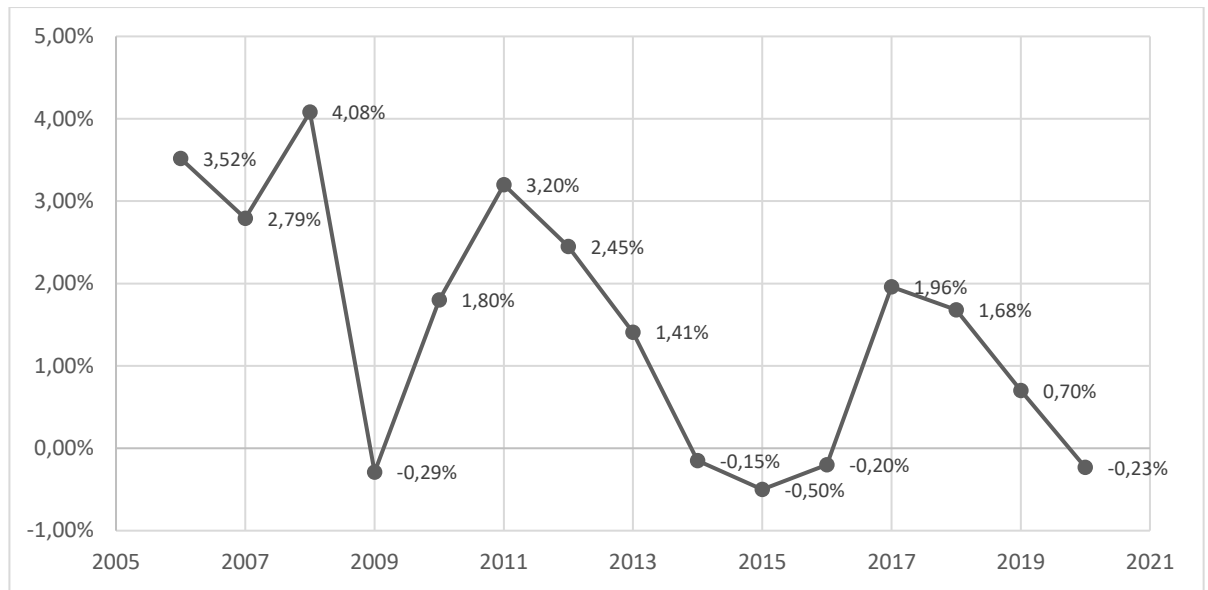


Fig. 1.5 Inflation rate (% , compared to previous year) during 2006-2020

Source: (Spain - Inflation rate 2025 | Statista, 2021)

The indicator that displays permanent positive trend is Current Account Balance. Although huge loan was taken by the country in 2012, the state managed to distribute money in such a way that balance of payment remained positive since 2012 until now. Impressively, even in the year of 2020, when all the economic indicators of Spain failed and economy plunged into recession, the balance stayed positive (it is shown in Fig. 1.6):

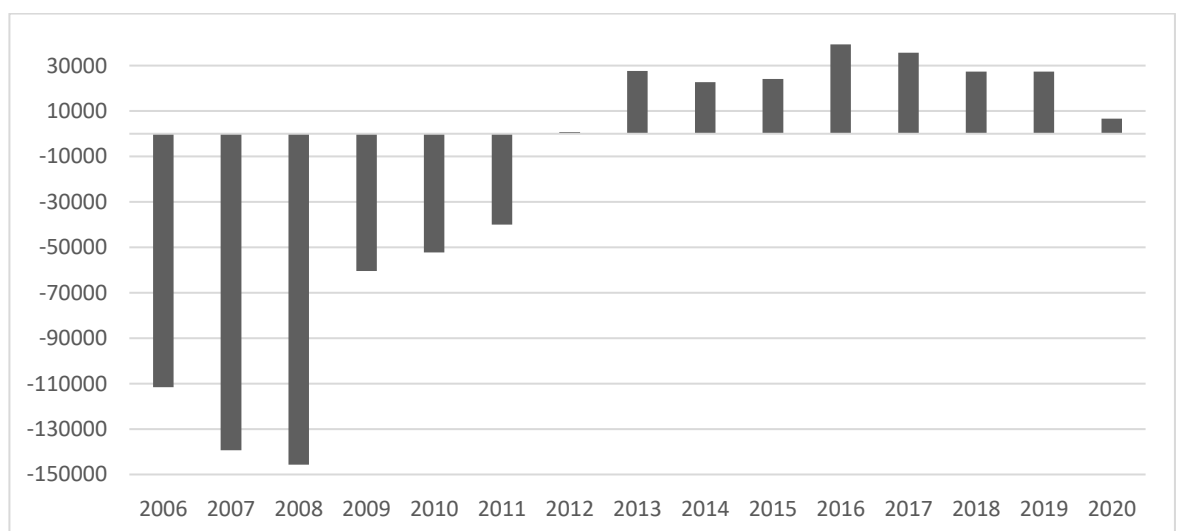


Fig. 1.6 Balance of Payment, Current Account Balance (in US\$ in millions) during 2006-2020

Source: (Beyond 20/20 WDS - Table view, 2021)

Employment has already been considered as a real challenge for Spanish economy. The country suffers from structural unemployment since 1980s. Furthermore, within main reasons there are those that economy is mainly built on tourism and building sectors, and that there is lack of industry. Spanish economy started growing since 2013, when the country focused on improving employment market and so unemployment rate started going down (Fig. 1.7):

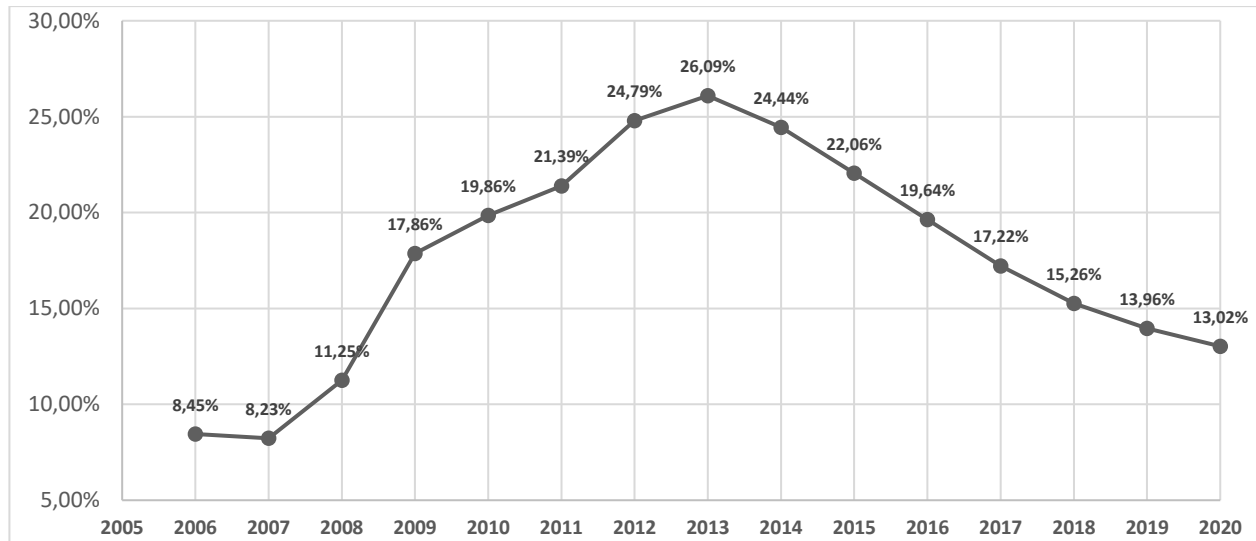


Fig. 1.7 Unemployment rate (%)

Source: (Spain - Unemployment rate 2020 | Statista, 2021)

1.1.2 Social factors

Nowadays Spain takes 16th place in the list of the countries with the best quality of life all over the world, and by HDI (Human Development Index) the country is placed as 13th worldwide. Generally, Spain ranks at the best place in Europe for life of those who want to enjoy their life as maximum, and this may be proved at least by the number of people moving to Spain for permanent residency. Despite the fact large flow of immigrants was causing problems for the country, Spain is interested in new residents, and the reason for that is going to be explained below.

First and foremost, if to consider the graph of population growth in Spain during last 15 years, it may be noticed that during the period of crisis in Spain (2008-2013) the reduction of population was experienced. Even after economy

reestablishment the figures did not come back and stayed 3 times less than before the crisis. Obviously, during coronavirus the figures dropped again and there is a probability the trend will remain for next year (Fig. 1.8):

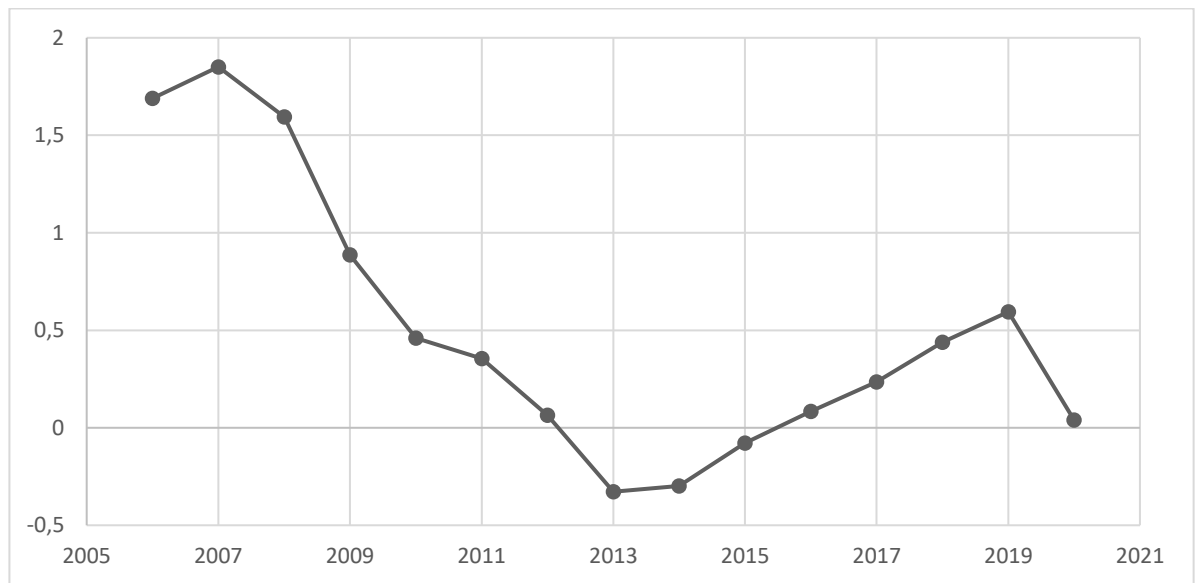


Fig. 1.8 Population growth (annual %) during 2006-2020

Source: (Population growth (annual %) - Spain | Data, 2021)

If to compare representatives of which gender there are more in Spain, it is definitely females. Although during the period from 2005 to 2010 the population of both sexes was almost equal, there are more women than men in Spain (Fig. 1.9).

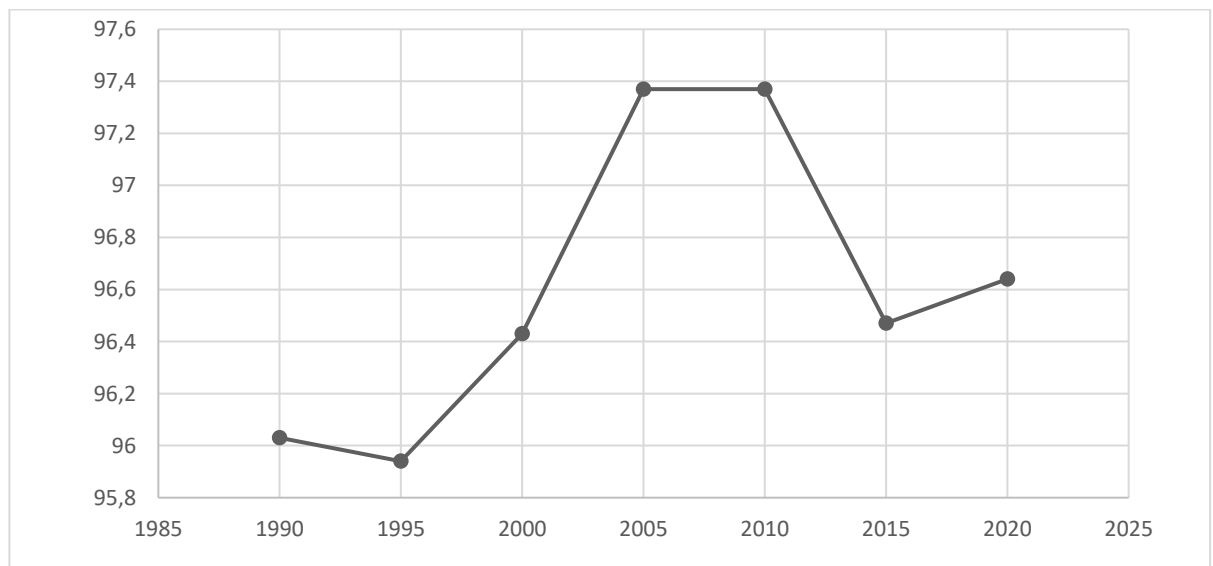


Fig. 1.9 Male to female ratio of the total population (amount of men per 100 women)

Source: (Spain Male to female ratio, 1950-2020 - knoema.com, 2021)

Additionally, the life expectancy for women is higher than for men. The conclusion may be done that there are more women than man in Spain and the tendency is supposed to be followed during long future period, although the difference between male and female population is not critical (Fig. 1.10):

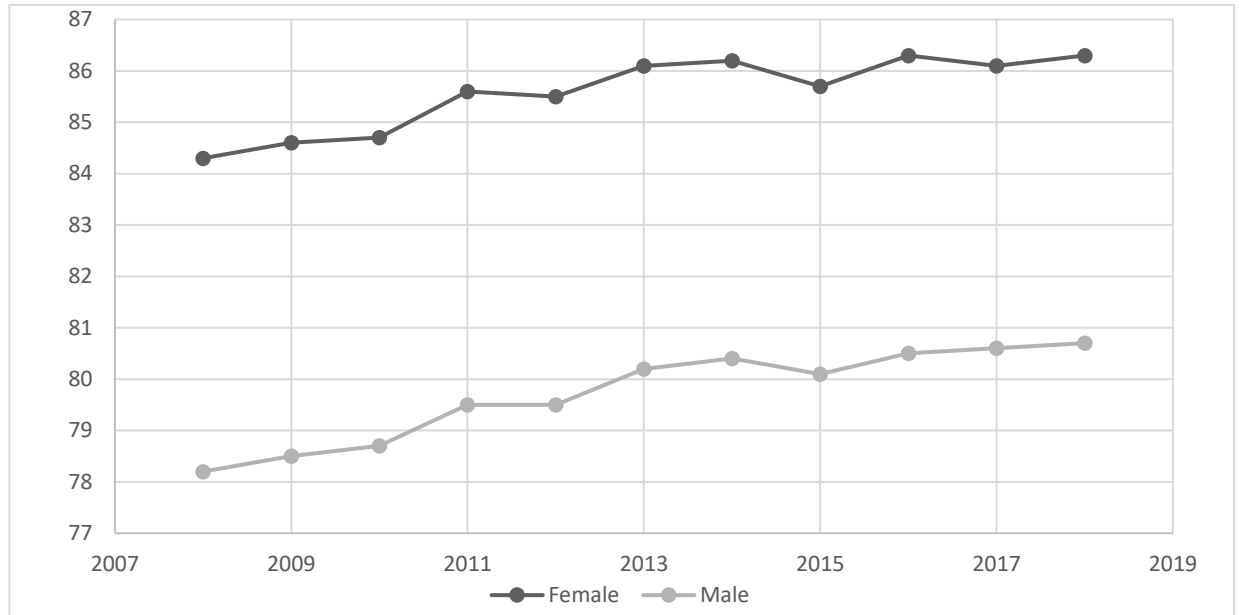


Fig. 1.10 Life expectancy for females and males during 2008-2018

Source: (Spain - life expectancy at birth by gender 2008-2018 | Statista, 2021)

There is an assumption that the matter of population growth has already become critical for Spain. After European crisis of 2008, the majority of European countries faced a problem of decreased fertility rate. Moreover, in Spain this issue was intensified by several reasons. Firstly, the recession in employment market since labor uncertainty prevented people from having desired number of children (it had an especially strong impact on women from manual social class). Secondly, tough strike on financial sector during crisis time caused unexpected expenditures of country's budget that led to the tight budget saving in all other fields so social help was cut substantially for several years (Puig-Barrachina et al., 2020). Thirdly, massive changes in women lives, such as greater access to education and huge incorporation of women into labor market, made them to be primarily focused on career, but not childbearing. (Puig-Barrachina et al., 2020)

Although fertility rate in Spain dropped in 2013, and it was remaining on the same low level (1,3 children per woman) until 2019, the population was growing up

gradually during all 7 years. Subsequently, it might be inferred that the population growth was mainly provoked by «external source of population» (immigrants) but not by citizens of Spain. Figures, reasons and consequences of immigration would be examined in the following subpoint (1.2 Immigration process in Spain and its role in Spanish labour market).

Nevertheless, in spite of all the negative consequences that corona virus brought to Spain and to all other countries, its input into fertility growth all over the world is undeniable. In Spain, figures soared by from 1,3 to 1,4 children per woman, that serves as a real win for the country (Fig. 1.11):

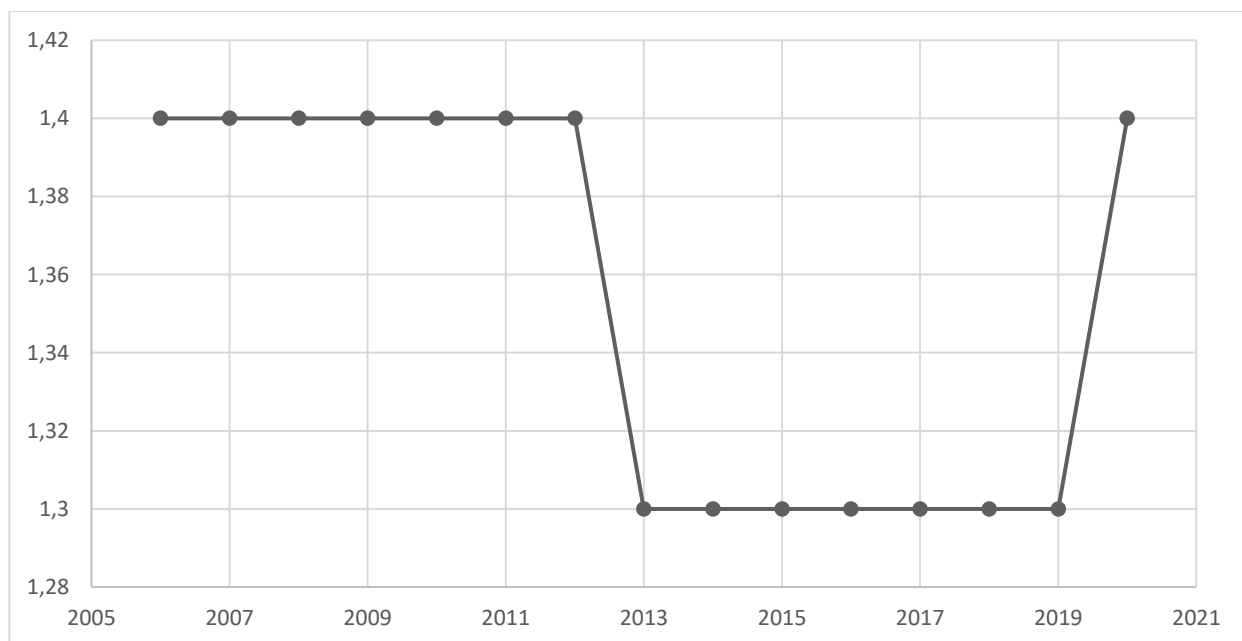


Fig. 1.11 Fertility rate (%, per 1 woman) during 2006-2020

Source: (Spain Fertility rate, 1950-2020 - knoema.com, 2021)

The main idea that needed to be conveyed is that Spanish economy is strong enough to manage crisis times and adapt to external world changes. However, the amount required for that needs to be cut, accordingly, the way of recovery should be improved. The major challenges remain the same for a long period, and they include: unemployment, population and fertility, and public debt. All the listed issues are correlated so the process of improving them becomes more complicated.

In addition to this, the COVID-19, that appeared last year, exposed the country into new crisis and the ways the country will use to deal with the results of pandemic are critically important for the economy of Spain and its future on the world stage.

1.2. Immigration process in Spain and its role in Spanish labor market.

Basically, it is well-known perception that immigration rate in Spain has always been high enough. Likewise, between 2004 and 2008 Spain obtained a cumulative inflow of 3.7 million people (International Migration Database, 2021). However, the crisis of 2008 almost stopped immigration and even provoked emigration. Obviously, citizens did not want to survive in conditions of significant economic decline and in some cases they simply could not stay in the country because there were no places for job due to the great growth of unemployment (Moreno Fuentes and Bruquetas Callejo, 2011). Nevertheless, as soon as the country managed the crisis and its economy started blooming, the trend turned back and the number of people emigration started to fall while the number of the people coming to the country started increasing (Fig. 1.12):

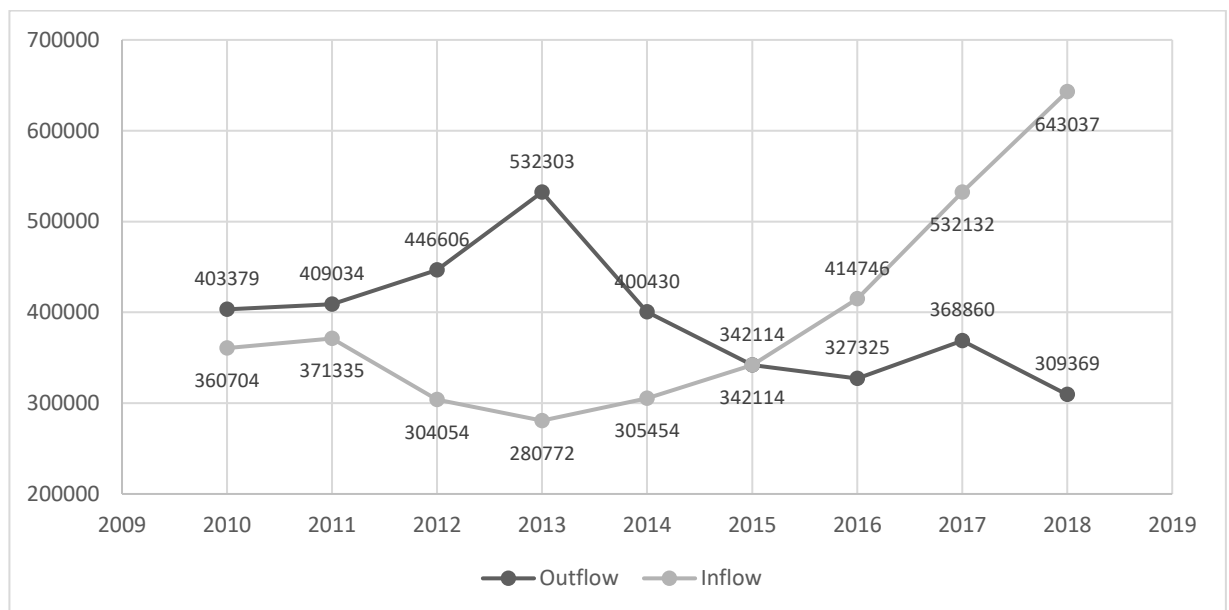


Fig. 1.12 Migration figures of Spain during 2008-2018

Source: (Spain: migration figures 2010-2018 | Statista, 2021)

Currently, the amount of immigrants in Spain accounts for approximately 15,2% of the total population. Immigration has allowed the population in Spain to rise once again and it has been making a significant contribution to its labor market (Mestres Doménech, 2020). Moreover,

according to the research conducted by Spanish Bank La Caixa, aimed at the analysis of the impact of increasing quantity of immigrants on employment market, revealed that roughly 50% of augmentation of taxes in Spain are paid by immigrants. Furthermore, the government spends only 6,8% out of whole sum of expenditures. Finally, it was claimed that immigrants did not influence neither employment of Spanish local people nor their salaries, while they only made a shift of the type of job, that was mainly done by Spanish citizens, towards not-hand kind of job (Moreno Fuentes and Bruquetas Callejo, 2011). This is explained by the fact that foreigners moved to Spain were mainly working on low skilled and lower-paid jobs that pushed locals to switch to higher-skilled and higher-paid activities.

All in all, the problem of slowdown in a population holds back Spanish economy. Economy has two ways of growing which are either to put more people and investment to work or to improve productivity (Maqueda, 2021). At the beginning of 2000s, when Spain experienced a dramatic inflow of foreigner people, this caused increasing of GDP by 3%, while increasing of GDP per capita was only by 1,5%. Thereby, immigrants weight a lot for Spain, and the amount of them is especially important. Additionally, numerous job places were done at Spanish market and around 30% of them were taken by the immigrants (Mount and Romel, 2019).

As it may be seen, the correlation between immigration in Spain and its labor market is direct enough. Currently immigration is the principle driver behind the return of rise in the workforce since 2018, a year in which it grew by 0.5% (22.8 million financially active individuals). Also, in 2019 the workforce grew by +1.3% (+290,000 people, of which 69% were foreigners). Finally, not only are immigrants entering the labor market, but also they are looking for employment: 45% of the 402,000 people who were hired in 2019 were settlers (OECD iLibrary | International Migration Outlook 2019, 2019).

The wage plays not the least role in the employment of non-nationalities. According to the INE (Instituto Nacional de Estadística), the difference between an average annual salary in Spain depending on nationality may differ up to 40% (Fig. 1.13):

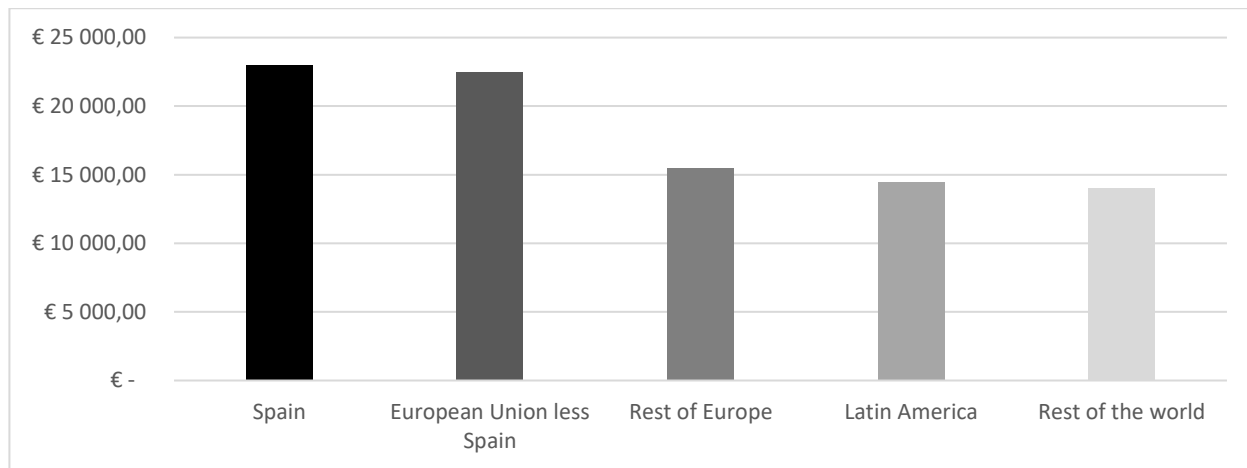


Fig. 1.13 Average annual salary in Spain by nationalities

Source: (INE. Instituto Nacional de Estadística, 2021)

This, on the one hand, means that those who are in charge are likely to be interested in saving money, and, accordingly, in hiring someone whose labor force costs less (Delgado Gómez-Flors and Alguacil, 2018). On the other hand, such an important factor as the job distribution between different nationalities is not taken into account (Sanromá, Ramos and Simón, 2010). For instance, it is believed that more skilled workforce is coming from EU, so they have bigger chances to obtain better job positions which are better paid.

Furthermore, the proportion of immigrants working in different sectors might provide an explanation for current trends in the type of employment of non-nationals at Spanish labor market (Fig. 1.14):

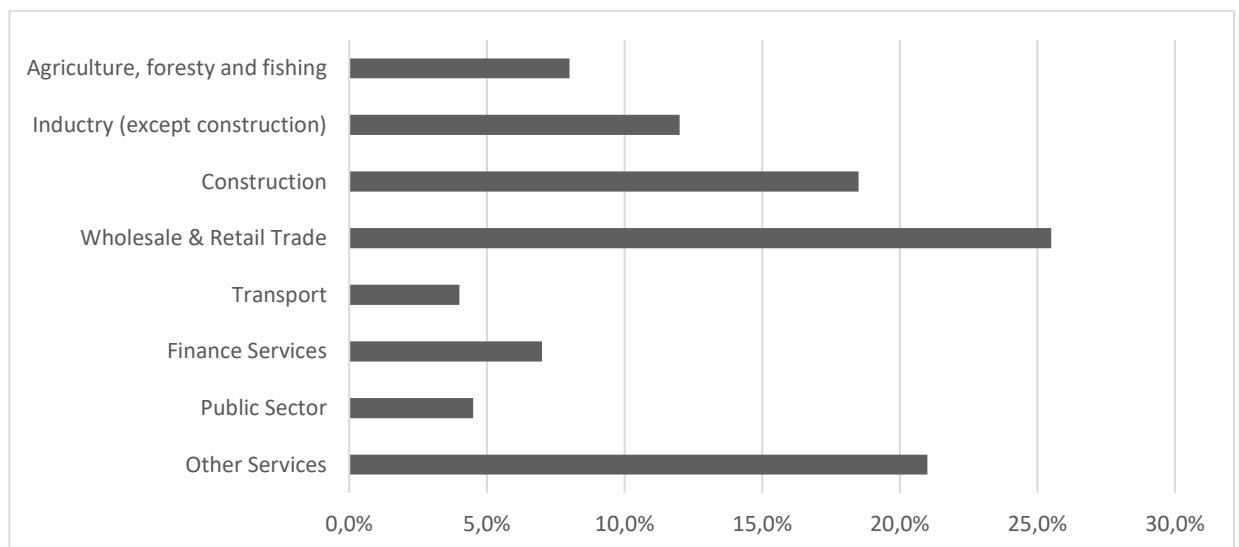


Fig. 1.14 Proportion of Immigrant Workers by Sector (%), 2019

Source: Produced by the authors based on Spanish Labor Force Survey microdata.

Except of the information, provided in the graph above, it should be noticed that tourism employs a lot of foreigners as well. Mainly, the highest amount of workers accounts for service sector, however, non-nationals need to be well-educated and high skilled indeed to compete for jobs in «more pleasant» sector with local people (Elteto, 2021). Additionally, a plenty of opportunities in career growth are opened for those who are self-employed or who is privately employed. Surprisingly, these two types of immigrants employment are the most wide-spread in Spain (Fig. 1.15):

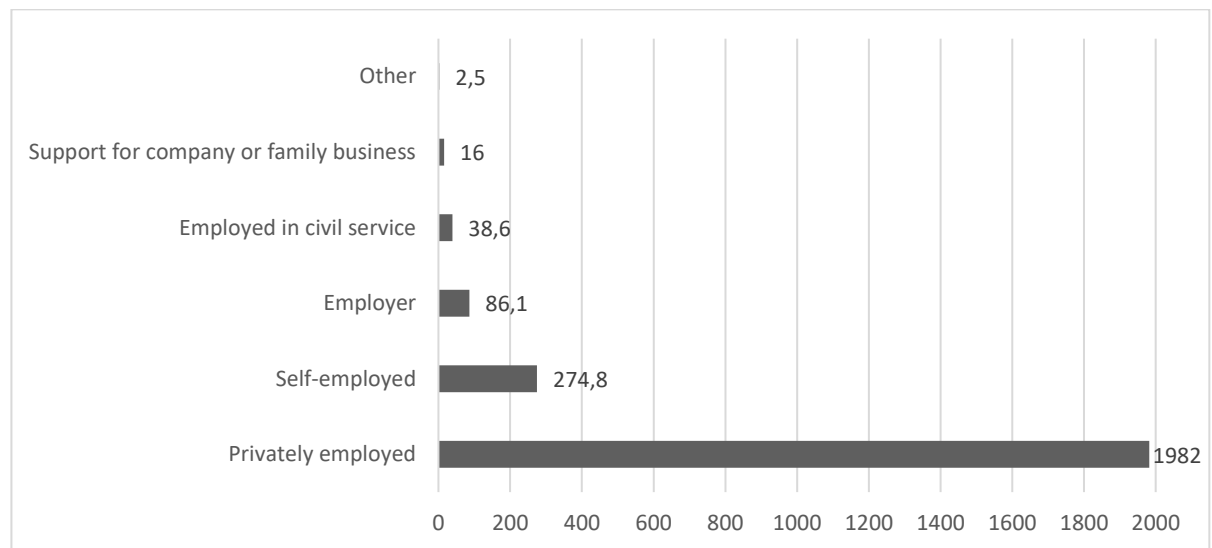


Fig. 1.15 Number of foreigners working in Spain, by type of employment (in 1,000's)

Source: (Spain: foreign working population by type 2019 | Statista, 2021)

The main conclusion needs to be done after considering the issue of immigration to Spain and its role in Spanish labor market is that the country is definitely opened for foreigners, especially those who are high-qualified and who is ready for working (Rodríguez-Planas and Nollenberger, 2021). Furthermore, a substantial part of job places is taken by immigrants that results in decreasing unemployment rate, development of Spanish economy, and bigger inflow of money to the country (thanks to higher reliability that appears due to growth of population).

1.3 Influence of COVID-19 on economy of Spain

Spain is undoubtedly placed on the leading positions when it comes to the impact of the global corona virus pandemic. Having experienced the worst impact of COVID-19 in the entire EU, the state was brought to the hugest decline in its economy in comparison with all the developed economies in 2020.

According to the latest World Economic Outlook, made by IMF (International Monetary Fund), the country is going to experience unprecedented drop of economy since the time of Spanish Civil War, and the decline figure is equaled to 12,8%.

The EU, in general, is expected to get a fall by approximately 8,3%. However, whereas some European countries are likely to have the smallest drop, other ones are on the way to the strongest crisis in the country within all the modern history. Unfortunately, Spain ranks 17th on the world list of the hugest downfalls (Table 1.1):

Table 1.1

Amount of cases and deaths in European countries

Country	Cases	Deaths
France	4071662	90455
Italy	3223142	102145
Spain	3183704	72258
Germany	2575849	73418
The Netherlands	1155732	16049
Portugal	814257	16684
Sweden	712527	13146

Source: (COVID-19 situation update for the EU/EEA, as of 15 March 2021, 2021)

There are several reasons for explaining Spanish economy collapse during pandemic. First of all, the Spanish business structure depends greatly on little and medium-size companies (47% of the Spanish labor force is in organizations with less than 20 workers). However, smaller enterprises are less sustainable to economic

hesitations. Secondly, although practically all areas currently have better capital and liquidity positions than they had in 2007, some of them may be less steady when it comes to the crisis due to the structural peculiarities (Maqueda, 2021). Finally, Spanish economy depends heavily on tourism sector (as it was claimed above in this chapter), that was incredibly influenced by the COVID-19 and the measures that were implemented in order to prevent its spread. The row of measures included closed borders, restrictions on the free movement of people and lower demand for tourism services due to uncertainty and caution (Sánchez, 2021).

The amount of tourists coming to Spain fell to the record low of just 18.96 million foreign visitors since the 1970s. This reflected a fall of 77% on indicators from 2019, when the country welcomed 83.5 million international tourists, setting a record high for the seventh year in a row. Tourist expenditure also plummeted in 2020, since travelers spent just €19.7 billion, that represents a downfall of 78,5% from the 2019, when €91.9 billions were spent. As a result, tourism sector contributed only 4% for Spanish GDP in 2020, instead of normal input of about 12,4% (COVID-19 and the Labor Market, 2021).

Nevertheless, the forecast for 2021 indicates a strong recovery in activity that might bring tourism GDP to levels similar to 2017. Moreover, revenue in tourism industry is estimated to reach €15,322 millions in 2021 (Gutiérrez, 2021). All in all, currently Spanish government is trying to find out the solutions for revitalization of travel industry in such a way so it would not be dangerous for people and it will not accelerate virus spreading. Vaccination is considered as one of the possible ways to get back to the track in tourism sector without bending people to the risk.

Another reason for travel industry to be the main focus in Spanish economy is that INE, the tourism industry employs 2.62 million people, that is equal to 12.7% of total employment at Spanish labor market. These fields include hotels, restaurants, catering and other fields, which are indirectly-related to the travel industry, and they are among the most affected by COVID-19 (Ibanez de Aldecoa Fuster, 2021).

Despite the fact it is hard to predict the future of tourism sector since pandemic is still not over, there is a forecast for the year of 2028 concerning the number of employees that will be related to the tourism sector (Fig. 1.17):

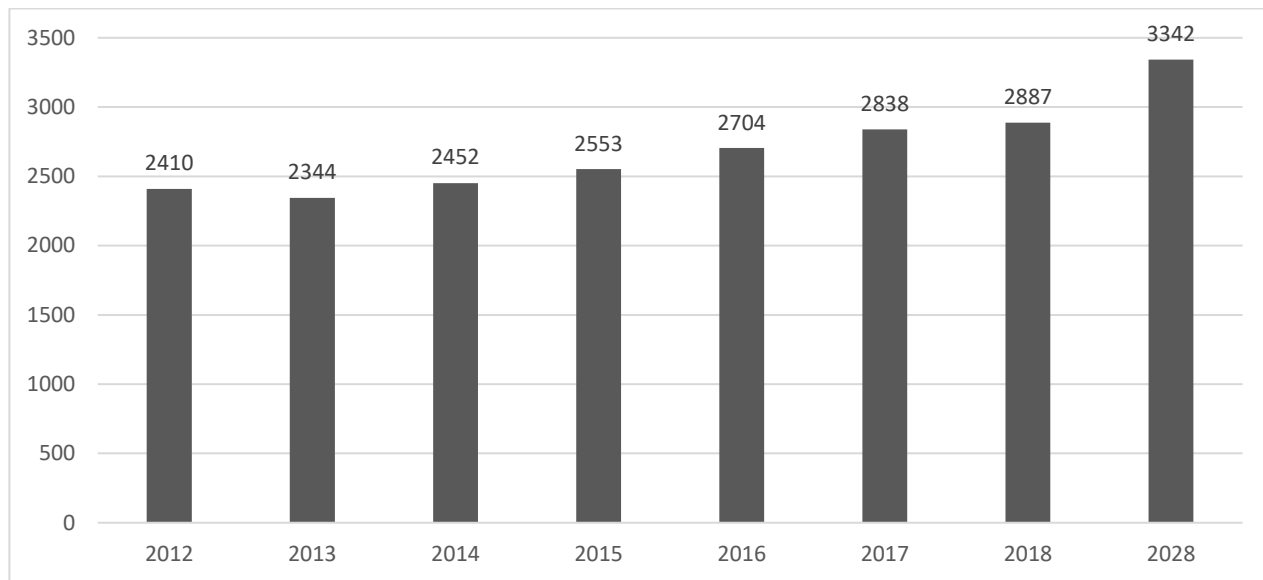


Fig. 1.16 Total contribution of travel and tourism to employment in Spain from 2012 to 2028 (in 1,000 jobs)

Source: (Travel and tourism employment total contribution Spain 2012-2028 | Statista, 2021)

The figures are pretty optimistic even though it is a forecast for the 7-years old period. Especially taking into account the fact that in some regions of Spain, such as the Balearic, Canary Islands and the Mediterranean coast, the unemployment rate exceeded 50%. This is explained by the fact that the overwhelming industry in these regions is tourism only. Still, such a positive trend does not imply that all the labor market will represent the same tendency.

The affect of the corona virus crisis in Spain's work market ravaging as over 218,953 individuals lost their job in January 2021 (2021: notable but incomplete recovery of the Spanish economy, 2021). While the unemployment rate remained at 16.13% (3,964,353 people), 738,969 are yet influenced by a non-permanent lay-off scheme (Expedientes de Regulación Temporal de Empleo, or ERTE in Spanish). Under the ERTE scheme, the Spanish government provides workers around 70% of their wages and prohibits enterprises firing workers. In case of fraud or redundancies,

organizations have to return exemptions to the government and suffer from heavy penalties.

By far the biggest concern is youth unemployment, because it equals to 40.7%, that places Spain as the worst in the EU list, followed by Greece (35.5 %) (Home - Eurostat, 2021).

Unemployment among immigrants in Spain grew to 70 200 (24.92% of the migrant population) according to the National Institute of Statistics (INE). The proportional number among Spanish nationals is substantially lower at 15 200, indicating difficulties for migrants in achieving the labor market or keeping their work places during the COVID-19 outbreak. Attempting to alleviate the troubles faced by migrants during the pandemic, the Spanish government offered work permits in the agricultural sector to 80 000 regularized non-national workers. As a result, although the agricultural sector has still seen 3 800 redundancies, this is low in comparison with other sectors (the service sector has lost 199 000 jobs; the industrial sector 55 000; the construction sector 32 300). It may be helpful to increase this permit scheme into other sectors, in order to potentially decreasing the damaging impact of COVID-19 on immigrant employment.

Another driver for raised unemployment rate is mitigation of the population. First of all, COVID-19 reduced the level of immigration, that was actually an important factor in Spain's population growth. Secondly, the virus caused the raise of mortality rate, that led to the drop of population (Fig. 1.18). Despite the fact fertility rate grew during pandemic (Fig. 1.11), the general tendency for population is negative.

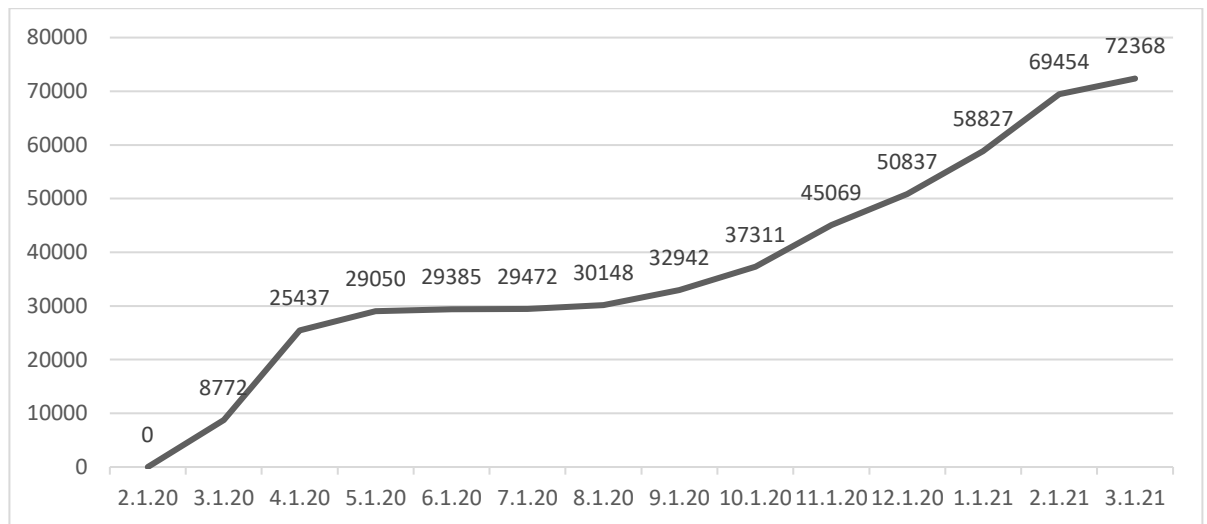


Fig. 1.17 Total Coronavirus Deaths in Spain

Source: (Spain Coronavirus: 3,195,062 Cases and 72,424 Deaths - Worldometer, 2021)

The main challenge currently is to develop a perfect strategy for recovering economy in new post-pandemic conditions. Recently, there were predicted 3 possible scenarios for Spanish economy after being affected by corona virus. The scenarios cover period from 2020 to 2023 and the main principle remain the same: the economy is going to grow in 2021 and then slowly decrease by 2023 (Fig. 1.18.):

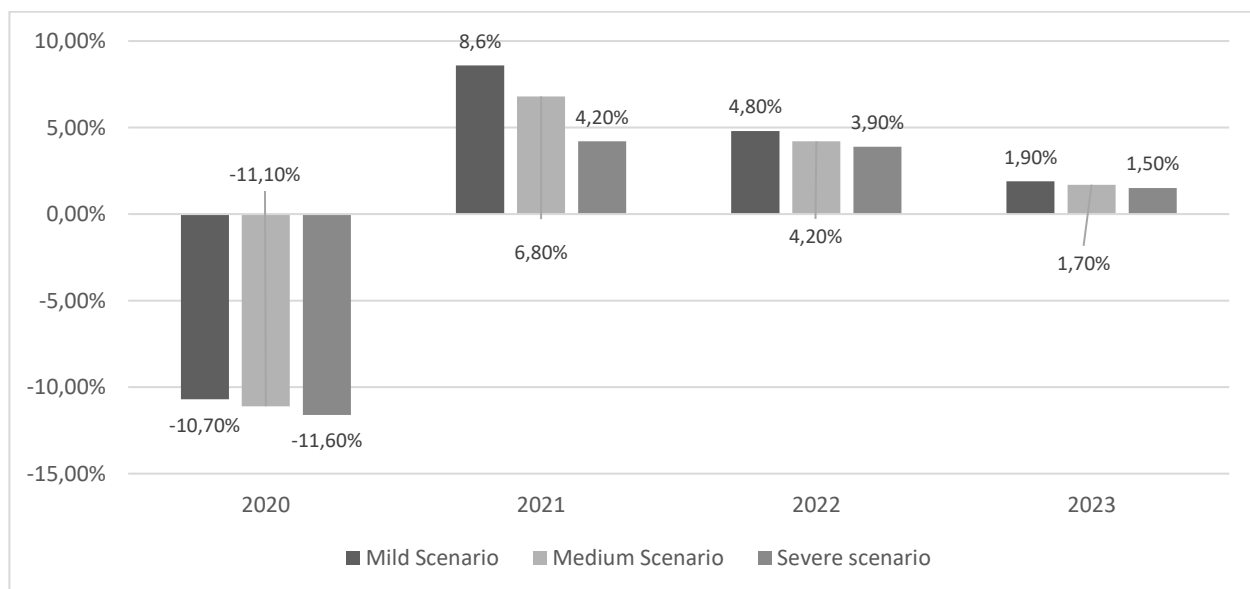


Fig. 1.18 Forecast of the impact of the coronavirus on GDP in Spain in different scenarios between 2020 and 2023 (%)

Source: (COVID-19: expected impact on Spain's GDP 2020-2023 | Statista, 2021)

Simultaneously, from the perspective of IMF, Spain is likely to grow at a faster rate than the euro zone as a whole (7.2%) while the Spanish government believes that the impact of the European recovery fund will contribute to the growth up to 9,8. Nevertheless, all the economic outlooks significantly depend on the future of pandemic and epidemiological developments, that is why there is still a great extent of uncertainty.

In case of the work labor market, the banking foundations expect an unemployment rate to jump approximately from 19,4% to 22,1% in 2021 in case the erte furlough scheme is phased out (Fernández, Martínez, Francés and Marcos, 2021).

At the same time, the ambitious recovery fund of EU that is going to allocate up to €800 billion, €140 billion of which is injected for Spain, making the country to the one of the hugest recipient of financial help. Instead, EU is expecting an implementation of appropriate policies and reforms for achieving specific goals. Some of them are labour market, pension reforms and market unity (Spain: IMF Staff Concluding Statement of the 2020 Article IV Mission, 2021).

The conclusion would be that Spain experienced a sharp drop in its economy in 2020 due to the COVID-19. It damaged all the scopes of economy so the way of recovery will be long and hard. From the other side, the country needs indeed the inflow of money, population growth and improvement in labor market. The project that I am developing now is going in accord with the goals that Spanish economy has established, so it is likely to be implemented successfully. While there are so massive changes in the world economy, it is perfect time to enter the market with well-planned project that all the parties are interested in.

CHAPTER 2.

FOREIGN ECONOMIC ACTIVITY OF SPAIN: INTERNATIONAL GOODS AND CAPITAL MOVEMENT

2.1. Export-import activity of Spain

Currently, Spain's economy is ranked 58th in the 2020 Index for economic freedom, with a ranking of 66.9 (out of 100) (Spain Economic freedom, overall index - data, chart | TheGlobalEconomy.com, 2021). Over the past nine years, the Spanish economy has been listed as moderately free, that results in increased amount of foreign investments and in boosted international trade. Nevertheless, the lack of labor rights, as well as the size and expense of government, are the key impediments to greater economic freedom in Spain.

Below 12 main economic freedom factors are going to be illustrated (Fig. 2.1):

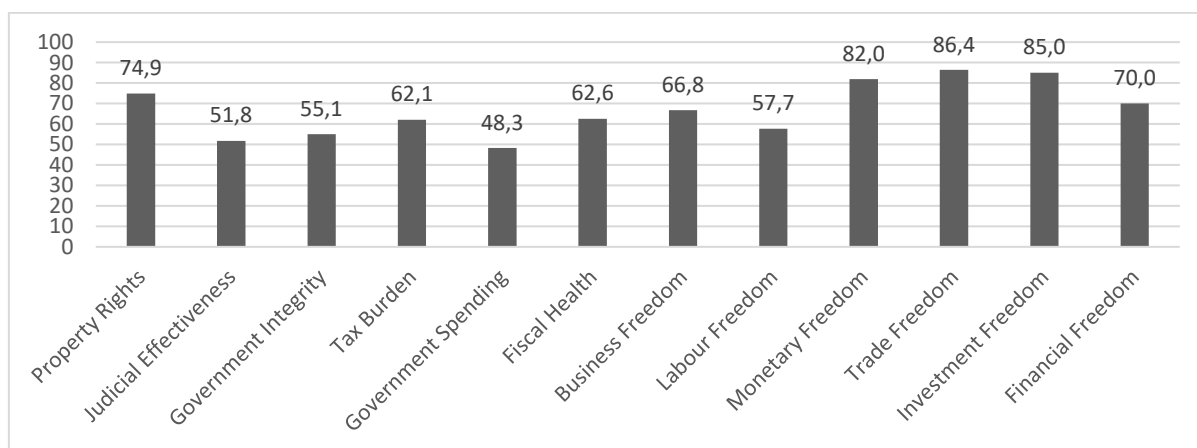


Fig. 2.1 12 Economic Freedoms (score out of 100) in Spain for 2020.

Source: (Economic Freedom Score in Spain, 2021)

While analyzing the listed factors, we may conclude that property rights are covered under Spanish law and real estate ownership by foreigners is usually unrestricted. In general, the land registry system is strict, but it works well. Speaking concerning Judicial Effectiveness, it has been remaining a problem for Spain cause the legal system seems pretty open and clear, but in fact it can be sluggish at times.

The total tax burden is 33.7 percent of GDP. For the last three years, government spending has accounted for 41.5 percent of GDP, with budget deficits

averaging 3.4 percent of GDP (Economic Freedom Score in Spain, 2021). Finally, fiscal health of the country was improved substantially within recent years, however, even currently these regulations need to be enhanced and developed.

The indicator of business freedom, that shows the efficiency of government regulation of business, was affected by COVID-19, so it is likely to be recovered in upcoming years. Labor-market reform is important for promoting hiring and job creation, as well as getting more people into the formal economy. Monetary freedom factor reflects high level of control over price stability. Obviously, the contribution of EU allows the state to be stable in this direction.

Trade freedom is going to be considered deeply below (Fig. 2.3). Investment freedom indicator is high indeed, that indicates that currently almost every industry is now open to foreign investment, and the approval process has been simplified, since the country needs to deal with the crisis due to corona virus. Financial freedom proves great development of financial sector of Spain after the crisis of 2008-2013.

Within a row of advantages of Spanish economy there is its competitiveness level. The competitiveness index evaluates a country's ability to provide high levels of stability to its citizens. Accordingly, it reflects how well a country utilizes its resources and it assesses the collection of institutions, policies, and variables that determine economic prosperity in the short and medium term.

Surprisingly, Spain had possessed low level of competitiveness until 2017. There were several reasons explaining this phenomenon. Firstly, exports hit new highs in 2016, accounting for 33% of total GDP. In addition to that, Spain experienced strong economic and job growth, as well as a rise in corporate profit (Fig. 2.2):

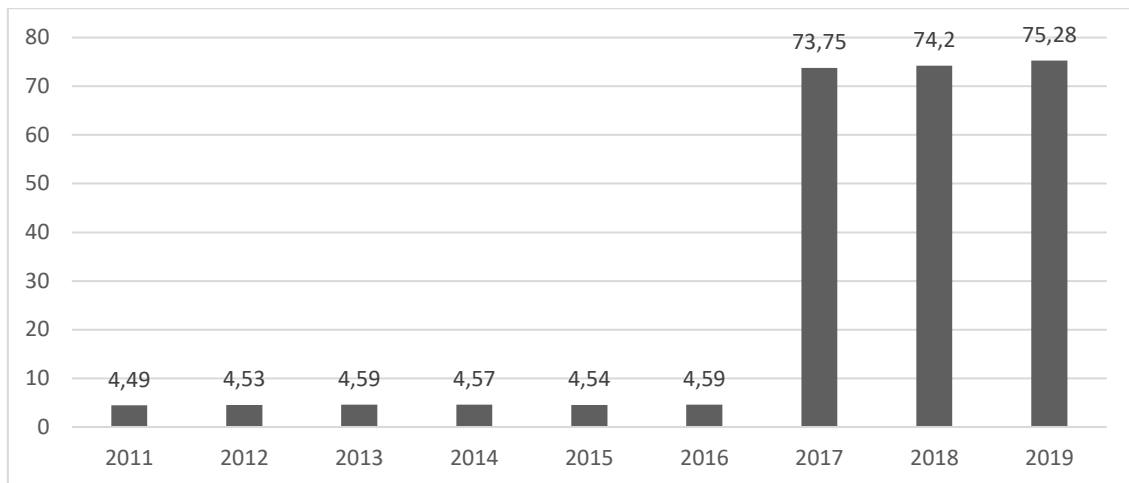


Fig. 2.2 Competitiveness Index (score out of 100 maximum) in Spain during 2011-2019

Source: (Spain Competitiveness Index | 2007-2019 Data | 2020-2021 Forecast | Historical | Chart, 2021)

The direct correlation between the competitiveness of the country and international trade in this country is that international trade pushes producers to become more competitive in order not to be wiped out by vastly superior foreign firms. Furthermore, international trade facilitates competition in the provision of goods and services, which allows people to produce cheaper, less costly goods and services. These enhancements result in improved performance and efficiency over time.

The Spanish economy's immersion in the globalization process, especially trade, economic, and financial integration into the EU, as well as membership in EMU, has significantly altered the factors affecting international trade in Spain (International Trade Study. Spain, 2021). Improved economic conditions, implemented trade policies, enhanced globalization process and other changes brought by membership in EU resulted in deeper trade openness of Spain. The combined amount of products and services exported and imported equals roughly 35,2 percent of GDP. With 637 EU-mandated nontariff steps in place, the average trade-weighted applied tariff rate (common among EU members) is 1.8 percent (EU business: taxes and tariffs, 2021).

Still, the tendency for the indicator of trade openness in Spain remained positive during recent years, that can be observed clearly from the following graph (fig. 2.3):

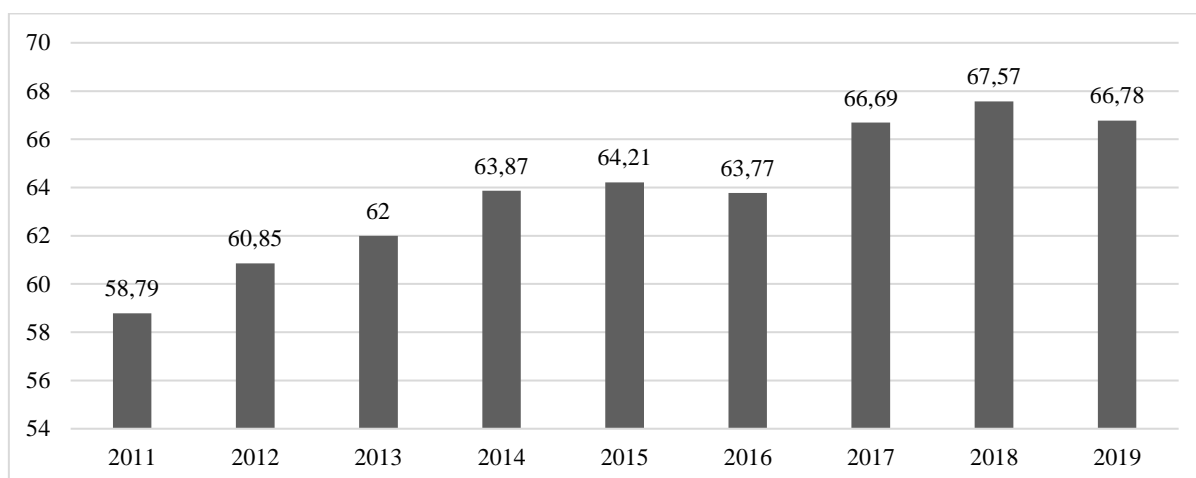


Fig. 2.3 Trade openness indicator (score out of 100) in Spain during 2011-2019

Source: (Spain Trade openness - data, chart | TheGlobalEconomy.com, 2021)

Besides, in order to analyze current tendencies with international trade, it is vital to take into account other foreign trade indicators (Table 2.1):

Table 2.1

International Indicators in Spain during 2015-2019

	2015	2016	2017	2018	2019
Foreign Trade (<i>in % of GDP</i>)	64,2	63,8	66,8	67,5	66,9
Trade Balance (<i>million USD</i>)	36,330	49,394	47,341	38,436	39,256
Imports of Goods and Services (<i>in % of GDP</i>)	30,6	29,9	31,6	32,4	32,0
Exports of Goods and Services (<i>in % of GDP</i>)	33,6	33,9	35,2	35,1	34,9

Source: (Foreign trade figures of Spain - Economic and Political Overview - Nordea Trade Portal, 2021)

It is worthy being noticed that foreign trade accounted for more than 60% of GDP during recent 5 years. Additionally, trade balance remained positive during this period of time, that indicates that amount of export exceeds the amount of import and this trend seems to stay stable for next years. Nevertheless, it is essential to pay attention on the type of import and export (Table 2.2):

Table 2.2

International Trade Values in Spain during 2015-2019

	2015	2016	2017	2018	2019
Imports of Goods (<i>million USD</i>)	309,292	309,310	351,981	390,562	371,929
Exports of Goods (<i>million USD</i>)	281,836	287,415	319,531	346,754	333,622
Imports of Services (<i>million USD</i>)	64,579	70,960	75,465	82,625	85,990
Exports of Services (<i>million USD</i>)	117,442	127,132	138,326	155,773	157,479

Source: (Foreign trade figures of Spain - Economic and Political Overview - Nordea Trade Portal, 2021)

Owing to high imports of fuel and high added-value products, the country's merchandise trade balance is structurally negative. However, since Spain is a net exporter of services, the country's overall trade balance was positive. The fact, that the state produces and exports more services while importing more goods, proves the statement that the country possesses well-developed economy and the guarantee for potential demand at international market for the products produced within the country.

Speaking specifically about exports, there was an “export miracle” in Spain since 2009. The sharp increase in the openness of the Spanish economy, the trade surplus, and the rise in both the number of stable exporters and stable export relationships are among the reasons for this (Is Spain experiencing an export miracle?*, 2021). Spanish exporters have been working hard since 2009 to diversify into new markets and sell new goods. In 2010, the external sector began to recover, and increased exports enabled Spain to lessen the effects of the 2008 financial crisis.

Essentially, the Spanish economy has used the economic downturn to redefine its international presence and capitalize on the opportunities provided by its geographic location and modern infrastructure in terms of market access. Furthermore, Spain has been able to make up for decades of ground lost to some of its traditional partners by focusing on new markets (Spain’s continuing export boom,

2021). Spanish businesses have demonstrated their adaptability and unexpected creativity in recent years, leading to the strengthening of the Spanish economy. In highly competitive sectors and with advanced infrastructure, the country now has cutting-edge multinationals. Furthermore, the activity of major Spanish multinational corporations resulted in a significant increase in the export of high-value-added services (THE CONTRIBUTION OF MULTINATIONAL COMPANIES TO SPANISH ECONOMY AND SOCIETY, 2021).

In 2020, Spain exported goods worth US\$307 billion around the world. This figure represents an increase of 8.2 percent since 2016, but a decrease of -9 percent from 2019 to 2020, that obviously was caused by corona virus (Spain (ESP) Exports, Imports, and Trade Partners, 2021).

In terms of dollar value, the following export commodity classes will account for the majority of Spanish global shipments in 2020. The percentage share of each export segment in terms of total exports from Spain is also shown.

1. Vehicles: US\$50.3 billion (16.4%)
2. Machines, engines, pumps: \$22.3 billion (7.2%)
3. Electronic equipment: \$17.6 billion (5.7%)
4. Oil and other fuels: \$14.4 billion (4.7%)
5. Pharmaceuticals: \$14 billion (4.6%) (Spain's Top 10 Exports, 2021)

Other essential industries include agriculture (fruits, nuts, vegetables etc), wine production (Spain exports 22.1 million hectolitres of wine per year, making it the largest exporter on the planet), plastics export, clothing etc.

The main destinations for Spanish exports are France (16.3% of the total amount), Germany (11.4%), Italy (7.7%), Portugal (7.5%), United Kingdom (6.6%) and the USA (4.5%) (Spain's Economy: What Else Is the #1 Citrus Exporter Trading With the World? - Commodity.com, 2021). It should be noticed that the number of goods exported to United Kingdom decreased significantly after Brexit, however, the country remains in of the leading positions according to the amount of products exported from Spain.

In 2020, Spain imported \$325 billion in goods from around the world, up 7.3 percent from 2016, but down -13.4 percent from 2019 (Spain (ESP) Exports, Imports, and Trade Partners, 2021). Germany, France, China, Italy, and the Netherlands are the most important import partners. It was claimed above that the amount of products imported exceeds the amount of products exported, and the following commodity categories account for the majority of overall imports:

1. Crude Petroleum (8.1%)
2. Cars (5.6%)
3. Medicaments (2.7%)
4. Petroleum Gas (2.3%) (Export to Spain (and what does Spain import?), 2021)

It is key to consider the customs and tariffs existed for imports in Spain. First and foremost, Spain follows the rules and regulations applied in EU. In order to import from the countries outside EU, it is obligatory to have an EORI ID, and to pay taxes and duties. Customs duties are dependent on the type of commodity imported (IMPORT CUSTOMS PROCEDURES IN SPAIN, 2021). Lastly, product's label and packaging must be done in accordance with EU's guide.

To sum up, the trend for export and import in Spain is likely to remain the same, its economy continues to grow and it is supported by all of the same, or even growing, investment foundations.

2.2. The scope and main directions of foreign direct investment in Spain

Since Spanish economy is within the most developed in EU, and accordingly, in the world, the permanent inflow of FDI is established. The overview on the main information concerning FDI in Spain is represented in the following table (Table 2.3):

Table 2.3

Foreign Direct Investments in Spain during 2017-2019

FDI (Foreign Direct Investment)	2017	2018	2019
FDI Inward Flow (million USD)	38,807	45,010	12,406
FDI Stock (million USD)	702,002	735,507	751,510
Number of Greenfield Investments*	650	759	813
Value of Greenfield Investments (million USD)	15,234	34,379	21,454

Source: (SPAIN: FOREIGN INVESTMENT, 2021)

The hugest percent of ingoing investments (about 70% of stock) accounts for such countries as the Netherlands, Luxembourg, the United Kingdom, France, Germany and Italy. Investments in Spain are mostly going to the following sectors (Fig. 2.4):

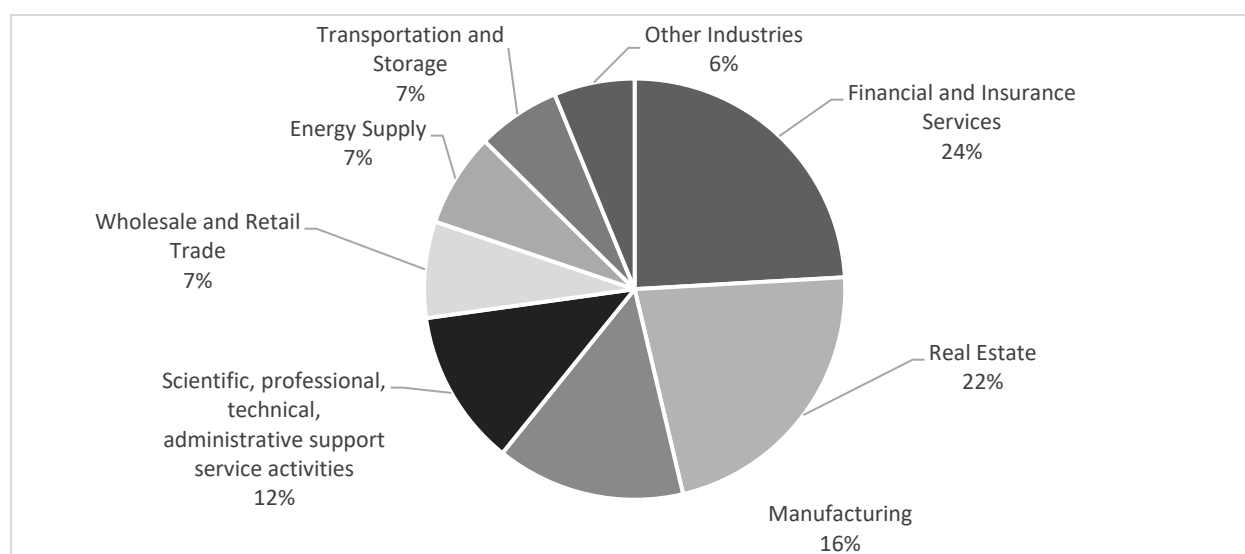


Fig. 2.4 Main Invested Sectors in Spain, 2018

Source: (SPAIN: FOREIGN INVESTMENT, 2021)

The composition of the division of incoming flow of FDI has been staying roughly the same during post-crisis period. The main sectors driving spanish economy, such as financial sector, Energu Supply, R&D sector etc, keeps leading positions of involvement of foreign investments.

After the crisis of 2008-2013, the government focused on creating favorable conditions for investors, so the Spanish Act 14/2013 was created. Except of improved legislation, increasing labor productivity and an internal devaluation resulted in restoring FDI inflows.

The principle of free establishment and non-discrimination of foreign investors has a direct impact on the attractiveness of foreign investments. Non-EU residents are eligible to engage in Spanish business under the same conditions as EU residents (the only exceptions are in particular fields such as oil, defense, robotics, etc, however, the beauty industry is not included to this list) (Doing Business in Spain 2020, 2021). Furthermore, the government contributes through different incentives for investors, such as grants, tax reductions, favorable conditions for taking credit etc. Additionally, the state works on keeping the level of competitiveness high enough, and even special national organizations, such as ICEX, were created for controlling this issue.

The main requirement from an investor (including non-resident of EU) is to report the investment to the State Secretary for Trade (time limitation is a month), in order to fulfill statistical, economic and tax purposes (1.8. Legislation on foreign investment and exchange control - Guide to Business in Spain (ICEX), 2021).

Speaking about FDI outflow in Spain, the information that is worthy noticing is that after recession time the country realized how important is to keep reserves out of the country. The main part of outgoing FDI is aimed at multinational companies (i.e. Inditex) and top receiving countries are the USA, Japan, China etc (International Trade Report - Executive Summary, 2021).

From the perspective of the amount of inflow and outflow of FDI in Spain, both have been experiencing continuous fluctuations during last 12 years (Fig. 2.5):

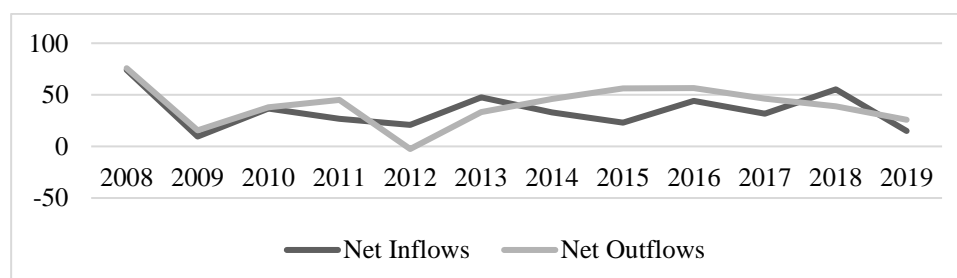


Fig. 2.5 FDI (in billion US \$) Net Inflows and Net Outflows in Spain, during 2008-2019

Source: (Foreign direct investment, net outflows (BOP, current US\$) - Spain | Data, 2021), (Spain Net FDI inflows, 1960-2020 - knoema.com, 2021)

Considering Spanish trade policy, an overwhelming factor is membership of Spain in EU since this leads to the fact that Spanish trade system is built in accordance with the EU Taxation and Customs Union (Spain - United States Department of State, 2021). Additionally, certification, labeling and packaging have to meet EU requirements. Through the EU's participation in the WTO (World Trade Organization), it was agreed on keeping tariffs at the level discussed in trade meetings. Concerning other countries, a Common External Tariff (CET) is applicable (WTO | Spain - Member information, 2021).

Spain national currency is euro (€). The stability of this currency is supported by the amount of gold reserves in the EU zone and currency's impact on a number of fields and markets. Despite the fact the currency experiences small fluctuations, it is still one of the world's safest currencies.

Finally, exchange control and capital circulation are completely non-regulated, so this field possesses total freedom in any direction.

2.3. Assessment of Spain's investment climate and the degree of its attractiveness to investors

First of all, it should be noticed that Spain is the 13th recipient of foreign investments in the world, that may lead to the conclusion that investment climate is favorable for foreign investors. In order to ensure the country possesses required conditions for obtaining investments, the deep analysis of its investment climate will be conducted in this subpoint.

The other purposes of this part are to identify important aspects for investment, and analyze the risks and opportunities associated with this area. The part covers 5 subsections which include criteria for the analysis of the degree of investment attractiveness of Spain, the current situation with Spanish investment climate and main tendencies at the Spanish investment market during recent years.

In order to analyze the investment climate of the country, it is vital to understand the level of economic development of the country and enforceability of

investments. This information is provided above in this thesis. Additionally, a labor market analysis, state role in doing business, taxes and exemptions and all other important criteria, that affect investment process in Spain, are going to be considered.

2.3.1 Labor market

An unemployment rate was considered and defined as a real challenge for the country. At the first view, as since 2013 unemployment has been decreasing (including the year of 2020, that hit economy of Spain greatly), it is supposed that labor force participation has to increase. Nevertheless, the following graph (Fig 2.6) includes information about this economic indicator and it is almost opposite to the assumption above:

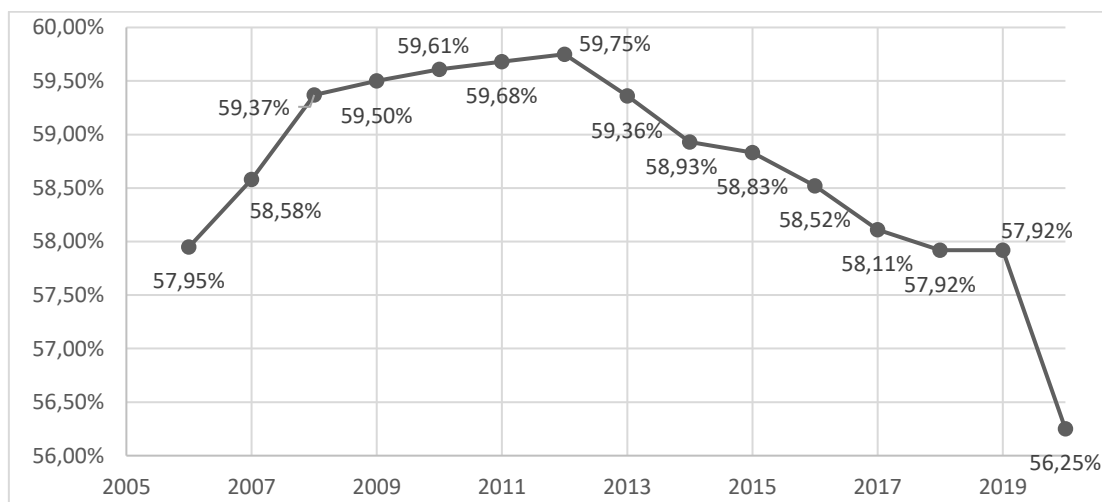


Fig. 2.6 Labor force participation rate, total (% of total population ages 15+) during 2006-2020

Source: (Labor force participation rate, total (% of total population ages 15+) (national estimate) - Spain | Data, 2021)

There is an explanation for such a phenomenon. The major part of Spanish population is elder people and fertility rate is not moving up, so the amount of old people overtakes young population. Accordingly, even if unemployment rate moves towards positive figures, the percentage of working population remains low or even decreases.

The important fact concerning Spanish labor market is that immigrants plays not the least role there. At the beginning of 2000s, when Spain experienced a

dramatic inflow of foreigner people, this caused increasing of GDP by 3%, while increasing of GDP per capita was only by 1,5%. Thereby, immigrants weight a lot for Spain, and the amount of them is especially important. Additionally, numerous job places were done at Spanish market and around 30% of them were taken by the immigrants (Mount and Romel, 2019).

Currently immigration is the principle driver behind the return of rise in the workforce since 2018, a year in which it grew by 0.5% (22.8 million financially active individuals). Also, in 2019 the workforce grew by +1.3% (+290,000 people, of which 69% were foreigners). Finally, not only are immigrants entering the labor market, but also they are looking for employment: 45% of the 402,000 people who were hired in 2019 were settlers (OECD iLibrary | International Migration Outlook 2019, 2019).

A vital point for the businesses conducted in Spain is to follow the rule of equality in the workplace. All companies have to register established salary by gender and professional classification. Enterprises with 50+ workers that posses a pay gap of 25% or more between workers of either gender are to provide a reasonable justification for that (Doing Business in Spain 2020, 2021).

While conducting an analysis of labour market, it is key to assess the average wage level in the country. Accordingly, since the project that I am currently developing is an opening of beauty salon, the approximate salaries in this field needs to be taken into account. The primary step is to open the business in Malaga, so firstly the data for average local salaries must be considered. The average earning of worker in Malaga is €2,910, with the range from the minimum of €890 to the maximum of €12,300 (an actual maximum is higher, given indicators are average as well) (Average Salary in Malaga 2021 - The Complete Guide, 2021). However, since the demand for these services within all the country is high enough, the plan is to expand the business and open branches all over Spain. Referring to the latest statistics concerning the average wage in Spain (Average Salary in Spain 2021 - The Complete Guide, 2021), the typical figure for the average salary is €2,710. (Spain National Minimum Wage - NMW 2021, 2021) Attention must be paid at a government-mandated minimum wage

since employers who underpay the workers, may be punished by the government. For 2020, the minimum salary has been set up as €950 monthly (however, the wage may be agreed in collective bargaining agreements) (Dolado, Felgueroso and Jimeno, 2021).

Specifically, in the beauty industry, the average salary for various types of workers is €1376 per month. However, depending on the type of services that a worker provides, the salary can vary in the following way (Fig. 2.7):

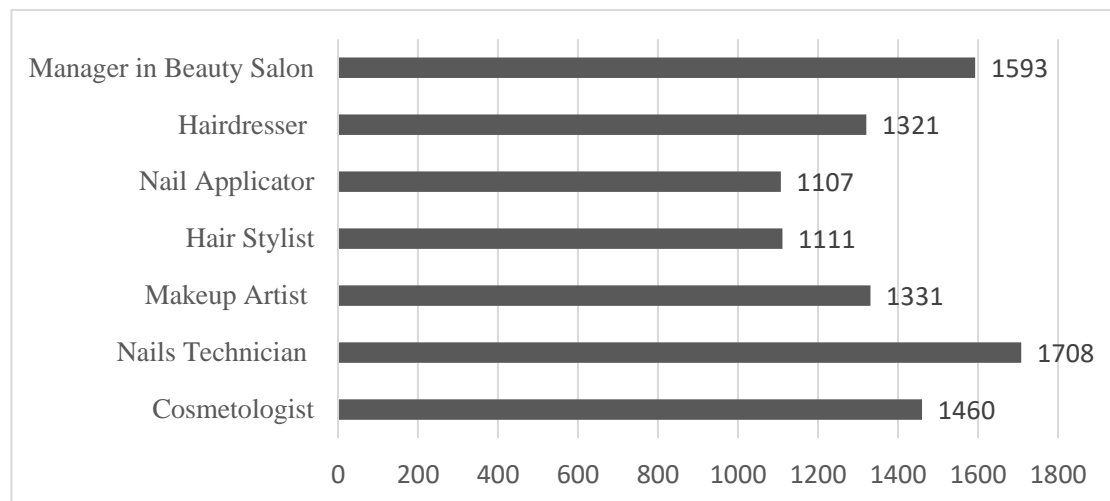


Fig. 2.7 The average monthly salary in beauty industry (in €) in Spain in 2021

Source: (Institute, 2021), (Industries, 2021)

Concerning the working hours, the maximum allowed amount is 40 hours per week. There is no law concerning the number of working hours per day, however, the most common schedule is 8 hours per day (taking into account siesta time, that normally takes about 2-2,5 hours). In case of different specific working time conditions, there must be a collective agreement that regulates it (Vivero, 2020).

Furthermore, in most cases, employees in Spain receive a salary 14 times per year. It includes the wage each month and 2 extra paychecks, equaled to the monthly salary, on July and December. The last ones are normally prorated through the social security contributions.

2.3.2. State role.

The political situation in Spain is pretty stable, with an exception of the separatist movements in Catalonia in 2012. Those events sabotaged the stability of country's unity and provoked a conflict between Catalonia and other part of Spain

(despite the fact currently the situation remains calm, the tension within Spanish citizens still exists). All in all, after the fall in 2009 (because of crisis) and in 2012 (because of internal conflict), the tendency has been positive (Fig. 2.8):

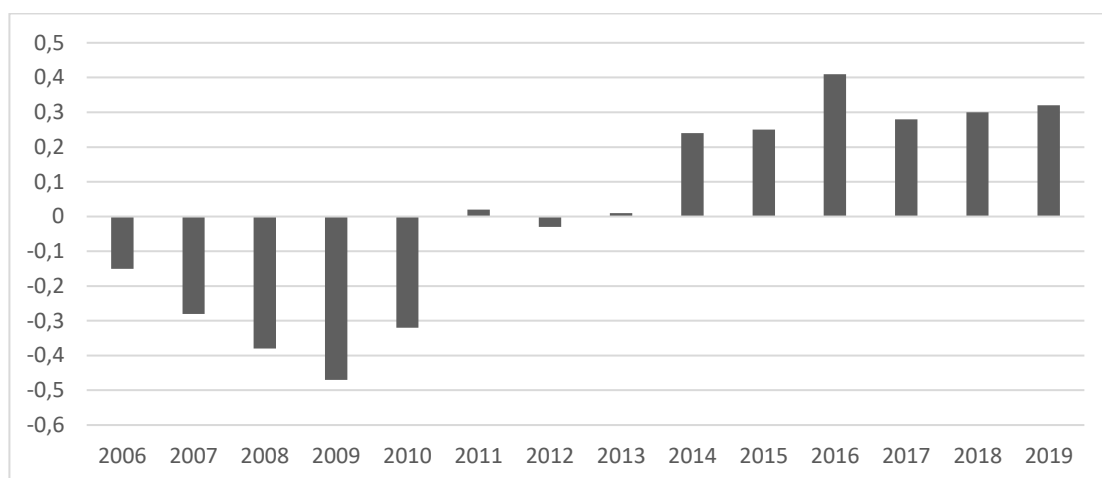


Fig. 2.8 Political Stability Index (min – (-2,5), max – 2,5) in Spain during 2006-2019

Source: (Spain Political stability - data, chart | TheGlobalEconomy.com, 2021)

After the political strife that followed the conviction of Catalan secessionist political leaders and the overall elections conducted in November 2019, the second government was framed by the Congress of Deputies in January 2020. The alliance framed with Unidas Podemos has been administering from that point forward. Moreover, the recovering budget plan proposed an increment out in the open spending following the COVID-19-related emergency (with a required tax increase by 13%), and it was accepted by 11 ideological groups, including Catalan and Basque separatists (Spain: Economic and Political Outline, 2021). Undoubtedly, the economic recession due to corona virus undermined political stability, however, the impact on investments would not be huge since the issue is under control of the government and other important aspects are favorable. Moreover, thanks to the participation of Spain in EU, state aid is a subject to control by the European Commission to guarantee government intervention into the business, fair competition and not perverted trade.

2.3.3. Taxes and exemptions.

Spanish tax system includes various types of taxes that need to be paid in different time. Likewise, some of them needs to be paid at the end of fiscal year (that runs from 1 of January to 31 of December), other ones are to be paid quarterly (January, April, July and October) and some of them needs to be paid on a monthly basis. Within the most important to be considered while launching a business in Spain are the following:

- VAT (in Spanish – IVA) is the main indirect tax operating throughout the country, with the exception of the Canary Islands, Seuts and Melilla. The current basic VAT rate in Spain is 21%. There are two levels with reduced tax (10% and 4%) but they are applied only to specific fields, that do not include beauty industry (Doing Business in Spain 2020, 2021).

- Corporate tax. In Spain, the general rate of income tax is 25%. For the first two years of operation, newly established businesses pay reduced tax of 15%. Tax returns must be filed within six months and 25 days of the accounting period's end. Payments are made in three installments: April, October, and December, with each installment usually equaling 18% of the tax liability (Spanish tax rates and allowances for 2021., 2021).

- Tax on dividends. The owner or co-owner of any Spanish company, which receives a certain amount of dividends at the end of the year, is obliged to pay tax on income to the budget of Spain. The accrual and payment of tax on dividends in Spain is carried out at the source of payment, i.e. the company itself paying dividends to its co-founders or co-owners. The total tax rate on dividends is calculated based on the taxable base: up to 6 000 € - 19%, from 6,000 to 50 000 € - 21%, from 50 000 € and above - 23% (How to file an income tax return in Spain | Expatica, 2021).

- Tax on employees. Employers are required to subtract income tax from their workers' wages. Starting at 19 percent for the first €12,450 monthly and rising to 45 percent for all earnings over €60,000 monthly, rates rise when wages

rise. Overtime compensation is taxable (Taxes in Spain: an introductory guide for expats | Expatica, 2021).

- Tax on social security. Employers must contribute to Spain's National Social Security Institute on a monthly basis and deduct donations from their workers' paychecks. Employees and employers are both responsible for paying this tax. Employers must pay a tax rate of 29.9%, (in case the gross salary is up to a limit of 4,070.10 € monthly for each worker). Employees pay between 4.8 percent and 6.4 percent of their gross income in social security taxes (such amount to be withhold by the employer) (Starting a business in Spain: a guide for entrepreneurs | Expatica, 2021).

2.3.4. Other important criteria

Intellectual property.

Spanish Intellectual Property ("IP") legislation is steady with other EU Member States' IP laws. Spain has confirmed the most important global arrangements in this field, which involves that non-Spanish nationals may get assurance of their IP rights in Spain, and that Spanish nationals may get such insurance in practically every other country on the planet (6. Intellectual property law - Guide to Business in Spain (ICEX), 2021).

In times of crisis, IP can also help the EU's resilience and economic recovery. The EU Commission has created a legal framework and intellectual property system that encourages EU businesses to invest in high-quality goods and services after COVID-19, that can accelerate the process of economic rehabilitation of EU and all its members (Intellectual property - Internal Market, Industry, Entrepreneurship and SMEs - European Commission, 2021).

To take advantage of the benefits that information created by both public and private organizations can potentially produce, it is important to protect it. In Spain, there are two forms of property rights that are protected:

- Industrial property: a set of exclusive rights that protects both creative (new technologies, processes, or designs) and commercial operation by marking products and services on the market exclusively (trademarks and trade names).

- Intellectual property refers to the set of rights that authors and other owners have over the works they create and the benefits that flow from them.

Patents, utility models, manufacturing designs, new types of plants, trademarks, brand names, trade secrets, computer programs, and copyright are only a few examples of industrial and intellectual property rights (Spanish Intellectual Property Rights, 2021).

Infrastructure development and support services.

Spain has united an outstanding and driving situation on the planet framework market and there is each motivation to trust it will go from one solidarity to another. Six of the 10 top transportation concession organizations are situated in Spain, developing or potentially overseeing around 40% of all significant transportation concessions on the planet (Spain: Leader in Infrastructure Development - New Technologies from Spain - MIT Technology Review, 2021). Spanish organizations are taking their insight and experience into an expanding number of business sectors every year.

In spite of the fact that legislatures control most air terminals on the European mainland, air terminal privatization has gradually been acquiring interest in Europe and all throughout the planet, and Spanish organizations have utilized their involvement with expressway privatization to exploit this pattern also. What's more, Spanish organizations have possessions of ports, parking areas, even medical clinics, all as a component of the general concessions portfolio (Our infrastructures, one of the best letters of introduction to the world, 2021).

Prices.

An important factor to be taken into account while developing an investment project is local prices. For opening a business, it is vital to calculate how much do the most substantial expenditures require to be spent (accordingly, to be input into the business at the first stage). Within the most considerable ones for beauty salon opening in Malaga, Spain are the following:

- Commercial rent (in Malaga, center district) - €1300-€1600 per month.

The approximate place for future business was chosen in accordance with appropriate requirements, such as square rented (65 m²); well-lit; interior that

requires the smallest input for repairing works; presence of the toilet; location in the district of the city center, on the ground floor (so people passing through would be able to pay attention on beauty salon) etc.

- Opening license - €850 (when the square is less than 300 m², the price is even less).
- Refurbishment works - €2000.
- Furniture and equipment - €2500 (rentable, 2021).
- Employees' salary – approximately €1100-€1400 each, depending on provided services (in case of full-time working day); approximately €550-€700 each (in case of half-time working day).
- Other expenditures (materials, stuff) - €500 (Garcia, 2021).
- PR and Marketing - €300 per month (the ads are planned to be made on Internet, through social networks especially, so the price is considered for this type of ads).

2.3.5. Doing Business

According to the latest ratings provided by World Bank, Spain is ranked 30 among 190 countries in the ease of doing business (this place remained the same since 2018) (Ease of Doing Business in Spain | 2008-2019 Data | 2020-2021 Forecast | Historical, 2021). Doing business indicator includes the following factors, that are scored out of 100 (Fig. 2.9):

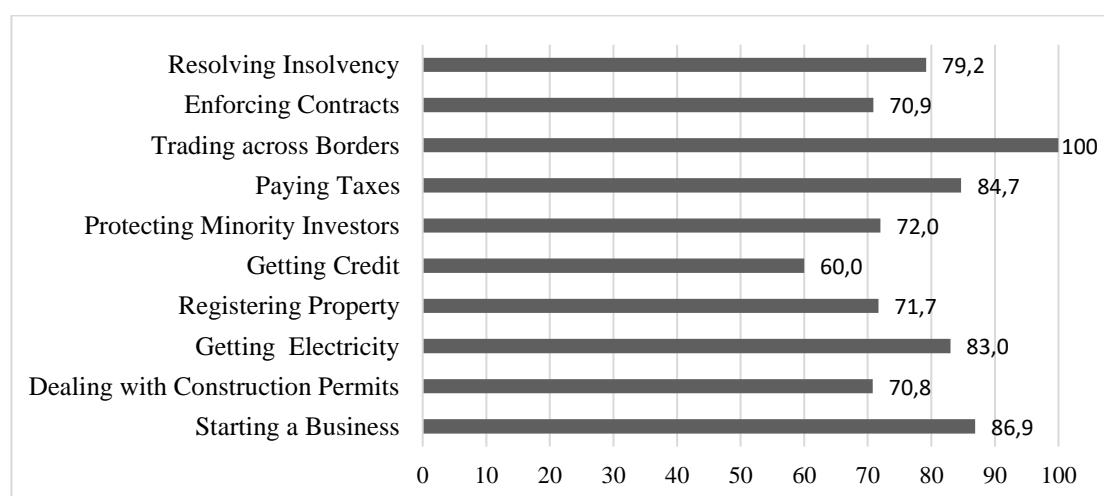


Fig. 2.9 Scores (out of 100) on Doing Business Topics

Source: (Explore Economies, 2021)

Finally, the criterion of doing business acts as a general conclusion of investment climate of the country (and of this paper as well), hence, it may be claimed that the climate is highly attractive from the perspective of foreign investors (Doing Business in Spain, 2021). Within the most affecting advantages are:

- highly-developed service sectors, such as financial and insurance services, telecommunications, D&R etc, that are continuously fueled by FDI inflows;
- strategic location and possibility to access EU market;
- implemented expansive domestic structural reforms that resulted in raised labor flexibility;
- favorable conditions for immigration (including labor force immigration);
- leading positions in terms of solvency and credibility;
- economic openness of the country and its participation in a plenty of international trade agreements;
- adopted measures for relaxing business and investment regulations;
- government non-intervention into business, fair competition and not perverted trade;
- excellent infrastructure that are spurring economic growth;
- one of the most innovative and efficient tax agency – AEAT;
- absence of other substantial socio-economic, legal and crime risks that hinder investment.

Despite the fact there are challenges on the way of doing business in Spain, such as high unemployment, current economic crisis caused by corona virus and huge public debt, most of them can be turned into advantages for developing project. Likewise, in order to get out of the economic crisis, the country needs money inflow from outside so currently the conditions for foreign investors are even more supportive. Furthermore, the government encourages employment (especially after COVID-19 recession), so simplified conditions are taking place in current employment process.

CHAPTER 3.

DEVELOPMENT OF AN INTERNATIONAL INVESTMENT PROJECT TO ESTABLISH A BEAUTY SALON IN SPAIN

3.1. Analysis of the beauty industry within Spain. Analysis of planned investment project, its competitors and competitive advantages.

Having analyzed the investment climate of Spain, we have concluded that the country has been attractive for foreign investors for a long time and the situation is likely to remain stable. Additionally, the structure of GDP of Spain reflects that the service sector accounts for its biggest part. Consequently, the business we are going to launch is a business in service sector which will function in Spain. Specifically, the project is an opening of a beauty salon in Malaga, Spain. The aim of the project is to make profit and maintain a new brand name in beauty care industry in Spain (eventually, it may be all over the EU). The services that are going to be offered are basic procedures, such as manicure, pedicure, brows correction, eyelashes extension, hairstyle, make-up etc.

The beauty industry in Spain has been developing extremely quick within last years. According to the market research, Spain doubles the European average in hairdressing and beauty centers (Spain doubles the European average in hairdressing and beauty centers | Estetica Export, 2021). The fact that currently there is a plenty of beauty salons in Spain confirms the fact that such kind of services is in high demand within Spanish citizens. The issue is that the level of quality of the services offered in Spain nowadays is low enough. Accordingly, if to open a business that is focused on high-quality cares, the demand may be even doubled. Furthermore, it is worth noticing that the business is not going to be connected with medical procedures, so the risks are reduced and the complications with document will not occur.

The secret would not be revealed if to say that beauty industry in CIS-countries (Commonwealth Independent Countries, that includes Azerbaijan,

Armenia, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Uzbekistan and Ukraine) is developed significantly better than in EU, and respectively than in Spain. By far the most adequate solution is to involve specialists in beauty care industry from CIS-countries into Spain. Recalling to the information given in the 1st Chapter of this thesis, regarding to the issue of decreasing population in Spain and its increasing immigration, we may conclude that:

1. There are already a lot of immigrants (especially from CIS-countries, like Russia and Ukraine) in Spain, since it is one of the top destinations for permanent moving for these nationalities (Immigration flow from abroad by year, country of birth and nationality (Spanish/foreign)(24294), 2021).
2. They are aware of high-quality beauty care services, so they suffer from not being able to obtain appropriate level of services.
3. Potential immigrants will have an opportunity to move legally in case of being offered to work in Spain. Moreover, the average payroll for the same job is higher than in CIS-countries.
4. Spain welcomes immigrants because of demographic problems. Especially it concerns those who have a job cause they both pay taxes and increase the statistics on Spanish labor market that leads to the better positioning of the country on the world market from the perspective of its economy.

To sum up, all the involved parties will benefit from this business.

As it was noticed above, the beauty care industry is wide-spread in Spain, especially in big cities. Obviously, Malaga is one of them, so the amount of potential competitors is pretty big. The main competitors are the following beauty salons and centers: COCCO Beauty Prim, Beauchic Beauty Salon, Bella Beauty Salon, IsHairdesign etc (Best Beauty Salons in Malaga, 2021). Having analyzed advantages and drawbacks of the main competitors, I found out that:

1. COCCO Beauty Prim is a branch of beauty centers all over Spain. It possesses a great level of recognition of its brand name, its social networks are well-developed and the list of provided services is wide indeed (coccobeautyofficial,

2021). In my opinion, this beauty salon is the strongest competitor and it may become a threat for our business. Nevertheless, the disadvantage of COCCO is that it has higher prices (because of its well-known brand name) and perception of being luxury. Regarding the last drawback, it may scare away potential customers because they might have a feeling of not being “luxury enough” (Descubre tu Centro Más Cercano | Cocco Beauty España, 2021).

2. Beauchic Beauty Salon is mainly targeted at CIS-countries immigrants that requires us to “fight” for the customer preference. However, the half of the offers is connected with medical services, so they are not likely to become a threat for our business (Salón de Belleza y Quiromasaje Orgánico., 2021). Additionally, their presence on social networks is not at appropriate level (beauchic_es, 2021).
3. Bella Beauty Salon possesses relatively low prices but its social networks are not developed (bellasalonlt, 2021).
4. IsHairdesign is located in strategically perfect place because it has a plenty of passing by people and those who stay there for temporal living. Moreover, all of them are from high classes so the average check is higher than normally. However, the salon provides only hair care services (ishairdesign, 2021).

The reason why the clients would like to use the services of our business is our competitive advantages. Firstly, because our mission is to show everyone how beautiful they are and to prove them they are worth all the best existing in this world. Our main idea is to make people start loving themselves, start appreciating themselves and accepting themselves the way they are. Definitely, as soon as such a wide and deep idea is shared and explained to the clients, they are more likely to consume offered services because of feeling attached to the business and the people who work there. Furthermore, the beauty salon that we are going to open will be kind of community. It will unite people with the same ideas, views and desires, so they will feel pleasant even just to stay in the salon because of the ambience and people who will surround them there. Additionally, communities normally unite ambitious and hard-working people, and as it is

well-known, such people are likely to earn big money and they are ready to spend such money on their own growth and pleasure. What is important is that our beauty salon will be the place where anyone can fulfill both aims, such as get acquainted with other business people and relax while doing procedures. The vital role in establishing a community will play the events that will be held systematically. This will include beauty days, mini-parties or workshops. Such a perfect combination of benefit and leisure will bring to the business (customers will need to pay for entrance or services) and enhance connections between clients and employees. Moreover, there will be a photo-zone in the salon, so the clients will be always offered to take nice pictures and videos (nowadays it is important indeed) and such a step increases customer loyalty and strengthens brand recognition. Our long-term goal is to become a well-known brand so eventually people will unconsciously trust us and choose us within all the choice. Moreover, the prices might be increased just due to the brand name.

In addition to this, a substantial competitive advantage our business is going to possess is well-developed social networks and a well-built website. Currently Internet has a giant power that allows the business to grow incredibly without big financing. The social networks play a huge role in building such a strategy of enhancing business through online presence. Likewise, even by showing the processes of launching the business will get clients interested in our salon of beauty even before its opening. Finally, all the advertisement will be done online only, both in social networks and on the Internet.

Moreover, since the huge amount of the customers is expected to be immigrants from CIS-countries and the presence of the business in social networks is kind of obligatory in those countries, potential clients pay considerable attention on how the business is presented in Instagram, Facebook etc. Besides, as for Spanish citizens, they highly value relations between people, so our client-orientated business will work for both target groups.

Taking into account all the possible changes in the market, we discovered a tendency for a demand on natural beauty. Most of the procedures we are going to

provide will help a person to look even more beautiful but still natural indeed. Since our idea and mission coincide with the upcoming market trends, there is no doubt our business will be demanded.

Undoubtedly, we have considered all the measures required with the pandemic COVID-19 so we can keep functioning and following the measurements of preventing spread of the virus. Lastly, the risks that may appear include organizational, financial and economic. Firstly, instability in demand may happen due to inability of customers to pay. Secondly, due to the crisis after corona virus, growth of inflation and inefficiency of investment strategy might occur. Nevertheless, all of them are not likely to happen since we analyzed current situation and upcoming trends, and so we developed the strategy for the business that decreases all the chances for risks to threat the business. Most of them are taken into account only due to the unpredictable pandemic situation.

3.2. Substantiation of the investment project for the creation of beauty salon in Malaga, assessment of the need for investment resources and identification of sources of their involvement

First and foremost, the project was orientated at investors from Ukraine (entrepreneurs, organizations, corporations etc) since for them it may be beneficial not only in the way of gaining profit but also in the way of providing them an opportunity to move or just organize their business in Spain (and so, potentially to EU). At the same time, any investors from other countries are welcome.

The Table 3.1. shows the calculations for investment requirements for the project. All the costs are close to that one in Malaga, Spain, since it is the city where the project will be located. Furthermore, it should be noticed that since we consider our business to be advertised through online platforms only, the cost for ads is not going to be not really big. Nevertheless, that is the advantage of this type of ads, and also that is the reason why we chose it. Moreover, it is planned to do online ads from time to time, such as barter with bloggers and influencers; target ads in social

networks and on websites with similar topics. In addition to this, we are going to have a marketing manager (table 3.3) and potential costs on ads are included into “other costs” in table 3.5.

Table 3.1

Investment Requirements

No	Name	Cost (in euros)
1	Deposit for Rent (1 month 65m2)	€ 1 400,00
2	Point-of-sale machine (for credit cards)	€ 100,00
3	Legal consultations	€ 140,00
4	Opening License	€ 850,00
5	Advertising expenses (social networks)	€ 500,00
6	Technical project of bilduing and opening	€ 1 000,00
7	Refurbishment works	€ 2 000,00
8	Chairs (soft, convenient) x4	€ 680,00
9	Table + mirror	€ 170,00
10	Hair iron	€ 30,00
11	Hair dryer	€ 30,00
12	Curling iron	€ 30,00
13	Hairdresser's Sink	€ 70,00
14	Brashes & other hairdresser's equipment	€ 50,00
15	Cosmetics for Hair	€ 150,00
16	Table (for manicure)	€ 70,00
17	Equipment for doing nails (lamp, scissors)	€ 45,00
18	One-time Nail Files	€ 10,00
19	Materials for doing nails	€ 35,00
20	Sterilizing Box x2	€ 80,00

No	Name	Cost (in euros)
24	Paints and other liquids for brows	€ 32,00
25	Materials for doing lashes (patches, liquids)	€ 90,00
26	One-time lash brushes	€ 8,00
27	Massage table	€ 110,00
28	Small mirror	€ 13,00
29	Huge mirror with lights	€ 80,00
30	Logo (made from tree or metal)	€ 25,00
31	Gloves	€ 15,00
32	Masks	€ 15,00
33	Computer	€ 400,00
34	Paper, chancellery	€ 25,00
35	Webpage	€ 70,00
36	Small table	€ 25,00
37	Interior (creating and establishing)	€ 150,00
38	Cosmetics for make up	€ 700,00
39	Wardrobe	€ 100,00
40	Set of cups, water dispensser, kettle	€ 90,00
41	WC Renovation	€ 300,00
42	Headhunter expenses	€ 90,00
43	Sofa	€ 190,00

Continuation of the table 3.1

21	Brows paints, laminating liquid etc	€ 30,00	44	Other equipment	€ 140,00
22	Cotton buds & cotton wool	€ 10,00	45	Rent (1 month 65m2	€ 1 400,00
23	Tweezer, small scissors	€ 24,00	46	Total investment requirements	€ 11 572,00

Source: developed by the author.

The following step is to value depreciation of equipment (Table 3.2):

Table 3.2

Depreciation

Depreciation	Cost (in euros)	Years of service	2021	2022	2023
Point-of-sale machine (for credit cards)	€ 100,00	4	€ 25,00	€ 25,00	€ 25,00
Chairs (soft, convenient) x4	€ 680,00	4	€ 170,00	€ 170,00	€ 170,00
Table + mirror	€ 170,00	5	€ 34,00	€ 34,00	€ 34,00
Hairdresser's Sink	€ 70,00	5	€ 14,00	€ 14,00	€ 14,00
Table (for manicure)	€ 70,00	4	€ 17,50	€ 17,50	€ 17,50
Sterilizing Box x2	€ 80,00	3	€ 26,67	€ 26,67	€ 26,67
Massage table	€ 110,00	4	€ 27,50	€ 27,50	€ 27,50
Huge mirror with lights	€ 80,00	4	€ 20,00	€ 20,00	€ 20,00
Computer	€ 400,00	4	€ 100,00	€ 100,00	€ 100,00
Sofa	€ 190,00	4	€ 47,50	€ 47,50	€ 47,50
Wardrobe	€ 100,00	5	€ 20,00	€ 20,00	€ 20,00
Total			€ 502,17	€ 502,17	€ 502,17

Source: developed by the author.

Taking into account the fact that our business is going to be launched, the amount of workers is not big since it would require additional financing. Potentially, with the growth of the business the number of employees would grow as well. The managing director needs to be responsible for SMM (social media marketing) as well since the conception of our business is going to be built on perfectly performing marketing strategy, so the person who is responsible for this needs to be aware of everything what will be happening in the business.

Table 3.3

Salary

	Job Position	Number of people	Wage, euros per month	Total, euros per month
1	Manager (administrator)	2	€ 1 400,00	€ 2 800,00
2	Hairdresser	1	€ 1 300,00	€ 1 300,00
3	Nails Technician	2	€ 1 250,00	€ 2 500,00
4	Hair Stylist	1	€ 1 200,00	€ 1 200,00
5	Makeup Artist	1	€ 1 300,00	€ 1 300,00
6	Brows & Lashes Master	1	€ 1 600,00	€ 1 600,00
8	Managing Director & SMM specialist	1	€ 1 800,00	€ 1 800,00
9	Cleaner	1	€ 1 000,00	€ 1 000,00
10	Total payroll:	10		€ 13 500,00

Source: developed by the author.

Social Security in Spain is paid monthly for each worker. Although it requires huge expenses, it includes all the types of social security payments. The figures for monthly and annually payments are the following:

Table 3.4

Social Security Payment

	2021	2022	2023
Social Security Tax (monthly)	€ 3 780,00	€ 3 969,00	€ 4 207,14
Social Security Tax (annually)	€ 45 360,00	€ 47 628,00	€ 50 485,68

Source: developed by the author.

All the operational costs (including salaries and social security payment) are described below:

Table 3.5

Operating Costs

	Name	Amount (in euros)	Data
1	Salary	€ 13 500,00	Monthly
2	Water	€ 800,00	Monthly
3	Electricity	€ 1 000,00	Monthly
4	Internet	€ 25,00	Monthly
5	Gas	€ 150,00	Monthly
6	Rent	€ 1 300,00	Monthly
7	Materials	€ 150,00	Monthly
8	Alarm System	€ 30,00	Monthly
9	Accounting Outsourcing	€ 500,00	Monthly
10	Social Security Tax	€ 3 780,00	Monthly
11	Other Costs	€ 80,00	Monthly
12	Total	€ 21 315,00	Monthly

Source: developed by the author.

The Table 3.6. indicates operating costs for the following years (2021, 2022, 2023). The expert estimation for growth of the costs is included.

Table 3.6

Operating costs for 2021, 2022, 2023

	Name	2021	2022	2023
1	Salary	€ 13 500,00	€ 14 175,00	€ 15 025,50
2	Water	€ 800,00	€ 840,00	€ 890,40
3	Electricity	€ 1 000,00	€ 1 050,00	€ 1 113,00
4	Internet	€ 25,00	€ 26,25	€ 27,83
5	Gas	€ 150,00	€ 157,50	€ 166,95
6	Rent	€ 1 300,00	€ 1 365,00	€ 1 446,90
7	Materials	€ 150,00	€ 157,50	€ 166,95
8	Alarm System	€ 30,00	€ 31,50	€ 33,39
9	Accounting Outsourcing	€ 500,00	€ 525,00	€ 556,50
10	Social Security Tax	€ 3 780,00	€ 3 969,00	€ 4 207,14
11	Other Costs	€ 80,00	€ 84,00	€ 89,04
12	Total Monthly	€ 21 315,00	€ 22 380,75	€ 23 723,60
13	Total Annually	€ 255 780,00	€ 268 569,00	€ 284 683,14
14	Total annually (2 extra salaries are included)	€ 282 780,00	€ 296 919,00	€ 314 734,14

Source: developed by the author.

The Table 3.7. and Table 3.8. shows estimated earnings. In this table we indicated the service that the business is going to provide and an approximate number of procedures that is going to be done per month.

Table 3.7

Earnings

	Services	Expected number of procedures per month	Price per 1 procedure
1	Manicure	60	10
2	Manicure + gel for nails	120	20
3	Manicure + gel + acrylic for nails	70	30
4	Pedicure	60	15
5	Pedicure + gel for nails	30	25
6	Eyelashes lamination	90	40
7	Eyelashes extention	90	50
8	Eyebrows lamination	80	25
9	Eyebrows procedure	100	17
10	Haircut	110	15
11	Hairstyle	65	20
12	Makeup	60	30
13	Hair colouring	60	50
14	Hair colouring (complicated)	45	90

Table 3.8

Earnings

	Services	Total per month	Total per year
1	Manicure	€ 600,00	€ 7 200,00
2	Manicure + gel for nails	€ 2 400,00	€ 28 800,00
3	Manicure + gel + acrylic for nails	€ 2 100,00	€ 25 200,00
4	Pedicure	€ 900,00	€ 10 800,00
5	Pedicure + gel for nails	€ 750,00	€ 9 000,00
6	Eyelashes lamination	€ 3 600,00	€ 43 200,00
7	Eyelashes extention	€ 4 500,00	€ 54 000,00
8	Eyebrows lamination	€ 2 000,00	€ 24 000,00
9	Eyebrows procedure	€ 1 700,00	€ 20 400,00
10	Haircut	€ 1 650,00	€ 19 800,00
11	Hairstyle	€ 1 300,00	€ 15 600,00
12	Makeup	€ 1 800,00	€ 21 600,00
13	Hair colouring	€ 3 000,00	€ 36 000,00
14	Hair colouring (complicated)	€ 4 050,00	€ 48 600,00

Source: developed by the author.

The Table 3.9. shows the estimated revenue of sales during the following years (2021, 2022, 2023). The expert estimation for growth of the costs is included.

Table 3.9.

Revenue of sale for 2021, 2022, 2023

	Services	2021	2022	2023
1	Manicure	€ 7 200,00	€ 7 632,00	€ 8 166,24
2	Manicure + gel for nails	€ 28 800,00	€ 30 528,00	€ 32 664,96
3	Manicure + gel + acrylic for nails	€ 25 200,00	€ 26 712,00	€ 28 581,84
4	Pedicure	€ 10 800,00	€ 11 448,00	€ 12 249,36
5	Pedicure + gel for nails	€ 9 000,00	€ 9 540,00	€ 10 207,80
6	Eyelashes lamination	€ 43 200,00	€ 45 792,00	€ 48 997,44
7	Eyelashes extention	€ 54 000,00	€ 57 240,00	€ 61 246,80
8	Eyebrows lamination	€ 24 000,00	€ 25 440,00	€ 27 220,80
9	Eyebrows procedure	€ 20 400,00	€ 21 624,00	€ 23 137,68
10	Haircut	€ 19 800,00	€ 20 988,00	€ 22 457,16
11	Hairstyle	€ 15 600,00	€ 16 536,00	€ 17 693,52
12	Makeup	€ 21 600,00	€ 22 896,00	€ 24 498,72
13	Hair colouring	€ 36 000,00	€ 38 160,00	€ 40 831,20
14	Hair colouring (complicated)	€ 48 600,00	€ 51 516,00	€ 55 122,12
	Total	€ 364 200,00	€ 386 052,00	€ 413 075,64

Source: developed by the author.

3.3. Estimated income calculation and assessment of the economic attractiveness of the investment project

The Table 3.10. reflects the calculations of Investment Effectiveness of the project.

Table 3.10.

Investment Effectiveness

Name	2021	2022	2023
Revenue	€ 364 200,00	€ 386 052,00	€ 413 075,64
VAT, 21%	€ 76 482,00	€ 81 070,92	€ 86 745,88
Revenue after tax	€ 287 718,00	€ 304 981,08	€ 326 329,76
Expenditures	€ 282 780,00	€ 296 919,00	€ 314 734,14
Profit before tax	€ 4 938,00	€ 8 062,08	€ 11 595,62
Corporate Tax	€ 740,70	€ 1 209,31	€ 2 898,90
Profit after corporate tax	€ 4 197,30	€ 6 852,77	€ 8 696,71
Net profit	€ 4 197,30	€ 6 852,77	€ 8 696,71

Source: developed by the author.

The first step after earning a profit is to pay VAT (value added tax). In Spain is equals to 21% from the revenue, therefore:

For 2021 VAT equals € 76 482,00;

For 2022 VAT equals € 81 070,92;

For 2023 VAT equals € 86 745,88.

So, the revenue after subtracting VAT tax is the following:

2021: € 287 718,00; 2022: € 304 981,08; 2023: € 326 329,76.

The following step is to count a profit for the company, that is calculated with the next formula: Profit before taxation = Revenue of the sale – Expenditures.

Therefore, the figures for profit will be:

2021: € 287 718,00- € 282 780,00 = € 4 938,00;

2022: € 304 981,08- € 296 919,00 = € 8 062,08;

2023: € 326 329,76- € 314 734,14 = € 11 595,62.

Corporate Tax in Spain is 25%. However, during first 2 years of function of the business the tax is reduced to 15%. That is why, the corporate tax that will be charged from the business will be:

2021: € 740,70; 2022: € 1 209,31; 2023: € 2 898,90.

The last step is to subtract corporate tax and calculate net profit:

2021: € 4 197,30; 2022: € 6 852,77; 2023: € 8 696,71.

The following tables provide required data and show the calculation of a discount rate and discount index.

Table 3.11

Necessary data

Inflation 2021	0,01
Inflation 2022	0,013
Inflation 2023	0,015
Risk-adjusted	10%
Discount Rate (Italy)	0,57%

Source: developed by the author.

Table 3.12

Discount Rate and Discount Index

Discount Rate 2021	0,116	Discount Index 2021	0,896
Discount Rate 2022	0,106	Discount Index 2022	0,810
Discount Rate 2023	0,106	Discount Index 2023	0,732

Source: developed by the author.

It was decided to take a deposit rate in Italian bank because it possesses the most favorable conditions for potential investors.

Discount Rate = $(1 + \text{Inflation rate}) * (1 + \text{Risk Adjusted}) * (1 + \text{Deposit rate}) - 1$

2021: DR = $1,0057 * 1,0001 * 1,1 - 1 = 0,116$; DI = $1 / (1 + 0,111) = 0,896$

2022: DR = $1,0057 * 1,00013 * 1,1 - 1 = 0,106$; DI = $1 / ((1 + 0,111) * (1 + 0,101)) = 0,810$

2023: DR = $1,0057 * 1,00015 * 1,1 - 1 = 0,106$; DI = $1 / ((1 + 0,111) * (1 + 0,101) * (1 + 0,101)) = 0,732$

Table 3.13.

Efficiency of the Project

Year	Investment	Net profit, €	Depreciation, €	Cash Inflow, €	Discount Index	Discounted Cashflows, €
0	€ 11 572,00					
2021		4 197,30	502,17	4 699,47	0,896	4 210,73
2022		6 852,77	502,17	7 354,94	0,810	5 957,50
2023		8 696,71	502,17	9 198,88	0,732	6 733,58
Total		19 746,78	1506,51	21 253,29		16 901,81

The Table 3.13 shows the efficiency of the project.

Cash Inflow = Net Profit + Depreciation

Cash Inflow 2021: € 4 197,30 + € 502,17 = € 4 699,47;

Cash Inflow 2022: € 6 852,77 + € 502,17 = € 7 354,94;

Cash Inflow 2023: € 8 696,71 + € 502,17 = € 9 198,88.

Discounted Cash flow = Cash Inflow * Discount Index

Discounted Cash flow 2021: € 4 699,47 * 0,896 = € 4 210,73;

Discounted Cash flow 2022: € 7 354,94 * 0,810 = € 5 957,50;

Discounted Cash flow 2023: € 9 198,88 * 0,732 = € 6 733,58.

Finally, some important indicators, that define whether the project is going to be effective or not, are included into the following table (Table 3.14):

Table 3.14

Project's effectiveness indicators

NPV	5329,81	Average DCF	5633,94
PI	1,46	PP	2,05

NPV (Net Present Value) = Total Discounted Cash Flows – Investments

NPV: € 16 901,81 – € 11 572,00 = 5329,81;

PI (Profitability Index) = Total Discounted Cash Flows / Investments

PI: € 16 901,81 / € 11 572,00 = 1,46 > 1, therefore, the project should be accepted since it is going to be profitable;

PP (Payback Period) = Investments / Average annual Discounted Cash flow =

€ 11 572,00 / 5633,94 = 2,05. In years, it is about 2 years and few weeks. Payback Period is pretty real.

All these figures may serve as a confirmation of the attractiveness and effectiveness of our international investment project “Beauty Salon Opening” in Spain. Additionally, it should be noticed that the investment is expected to be done in euros. First of all, this is the currency of the country where the project is going to be implemented. Secondly, this currency is one of the most stable ones in the world.

CONCLUSION

To sum up, Spain indeed possesses high level of attractiveness for foreign investors during recent years. It was revised and concluded that its investment climate is enhanced by stable development of service sector, huge amount of export which exceeds amount of imported products, ability of the country to deal with crisis times (like after the crisis of 2008-2013) etc. However, currently the state faces a number of problems, such as decreasing population, high level of unemployment, substantial public debt etc. All these issues have been enhanced due to COVID-19, so Spain is experiencing economic crisis now. Nevertheless, it makes the country to be even more opened for investments than ever before, since it extremely needs money inflow for recuperation after corona virus. Therefore, Spain has contributed significantly to make the conditions for starting investors even more favorable through providing them bonuses, reduced taxes, bank loans etc. In general, throughout this thesis it was investigated that a plenty of factors are leading Spanish investment climate to be reliable and прозрачный, and attractive for foreign investors. Within the main advantages are the following:

- highly-developed service sectors, such as financial and insurance services, telecommunications, D&R etc, that are continuously fueled by FDI inflows;
- strategic location and possibility to access EU market;
- implemented expansive domestic structural reforms that resulted in raised labor flexibility;
- favorable conditions for immigration (including labor force immigration);
- leading positions in terms of solvency and credibility;
- economic openness of the country and its participation in a plenty of international trade agreements;
- adopted measures for relaxing business and investment regulations;

- government non-intervention into business, fair competition and not perverted trade;
- high level of competitiveness and trade openness
- excellent infrastructure that are spurring economic growth;
- one of the most innovative and efficient tax agency – AEAT;
- absence of other substantial socio-economic, legal and crime risks that hinder investment.

Having read the given paper, potential investors can get acquainted with the most essential information regarding doing business in Spain and specifically regarding the developed investment project. Furthermore, all the factors which are needed to be taken into account before making a decision concerning investing into beauty salon opening in Malaga, are examined in the paper. Consequently, the investors can understand what is the present situation in Spain (both internally and externally) and what is up to happen at Spanish beauty care market; how can they benefit from investing to this project now, and which risks they make face while conducting this business in Spain. In addition to this, the peculiarities of beauty care market were considered, the target audience was defined, the rivals of the business were analyzed, the competitive advantages were developed, and the ways of the implementation of the project were demonstrated.

Finally, relying on the calculations made before, it may be claimed that the opening of beauty salon in Malaga is going to be profitable and effective business since Net Present Value of this project is significant indeed and the Profitability Index is bigger than 1, what indicates that the business is likely to be launched and conducted successfully. Moreover, the project is going to be paid off in 2 years and few weeks, that reflects the presence of demand on such kind of services and efficiency of developed strategies for conducting the business. In case of availability of more own funds of investors, the efficiency can be even greater. In my opinion, nowadays the importance of well-planned marketing strategy is a vital step for enhancing the business. Taking into account the fact our marketing strategy is already developed and our competitive advantages will make our business to be

special at Spanish market, we have all the chances to raise the profit, and so the annual profit growth may reach not 5, but about 7%. Obviously, in this case money turnover would grow, as well as costs. Nevertheless, the existence of growth opportunities for business is always a guarantee for its success.

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