

# **INNOVATION AND TALENT. THE ROADMAP FOR PRODUCTIVITY AND PROGRESS**

*Posted on 18/06/2025 by Naider*

EUSTAT's projections predict very slow growth in the total population and a population pyramid with progressively less weight for people between 16 and 65 years old, who would lose around three percentage points of the total population by 2036. **With this population structure, it seems difficult for the Basque economy to continue growing and developing as it has** in the past. Between 1995 and 2023, the Basque GDP grew at an average annual rate of 2.2% in real terms.

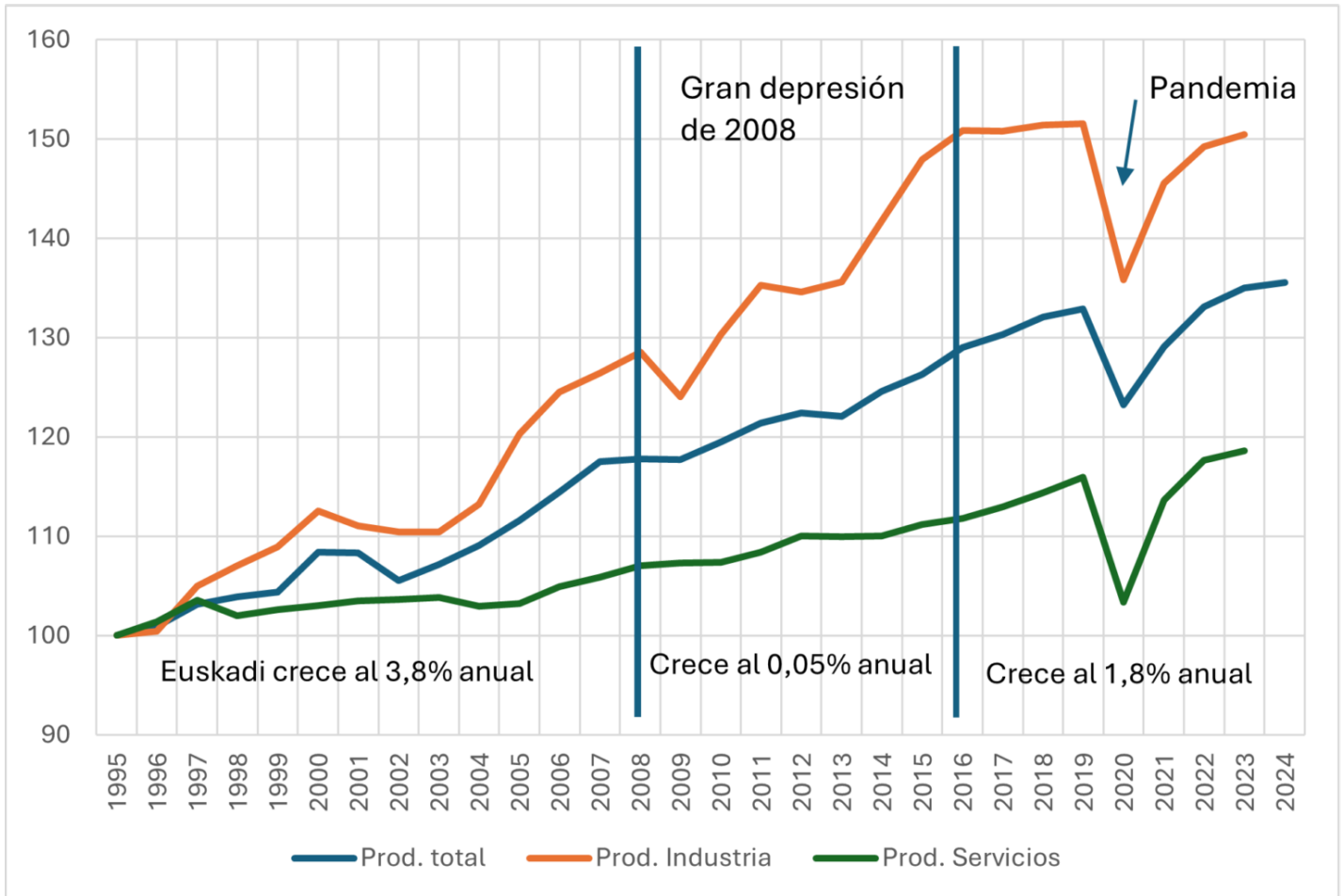
Estimates made by Naider reveal that **maintaining the growth path will only be possible with average annual real productivity growth (GDP per employed person) for the Basque economy above 1.2%.**

Regarding this, we'll give you some good news and some bad news. First, the good news: **this growth is feasible** because Euskadi knows what it means to improve its economic performance at this rate; the productivity of the Basque economy grew at that rate from 1995 until just before the Great Depression in 2008. This was possible due to the remarkable capacity of the industrial sector, which at that time represented 27.5% of the economy and whose productivity grew almost 30% more than that of the services sector.

The bad news, however, is that **it will be very difficult** to achieve this; between 2008 and 2024, productivity has grown by only 0.9% annually on average, and between 2023 and 2024, it has not even reached 0.5%. This evolution is **the result of the great uncertainty** experienced in recent years: without a clear recovery from the major financial crisis, the pandemic arrived, then the war in Ukraine, and with it, double-digit inflation, a major energy crisis, and significant disruptions to the main global supply chains that have notably slowed down the economy. In this context, furthermore, **the industrial sector, the main engine of the Basque economy, is the one that has been most affected** and is currently in the most complicated situation: the industrial production index of the Basque economy shows a year-on-year drop of 1.3% in April of this year.

This situation is a consequence of China's stellar role, progressively and forcefully penetrating both the European internal market and global markets with technologically very advanced and highly competitive products in the main value chains in which Basque industry operates: automotive and energy, primarily, but also many others such as electronics, machinery, or capital goods. An additional and no less relevant factor is the disruption generated by the tariff policy promoted by the new American administration, which upsets not only trade with that country but also the entire global exchange.

## Gráfico. Evolución de la productividad real global y por sectores en la economía vasca. 1995-2024, Índices 1995 = 100



Total Productivity: Real GDP per average annual employed population (PRA)  
 Industry and Services Productivity: Real Gross Value Added (GVA) per job. Annual Accounts.  
 Source: Eustat

In short, **Euskadi** is at an important crossroads marked by the urgent need to increase its productivity, and clearly, **the only levers** that can mobilize it are two that are closely intertwined: **investment and the talent of people to make it valuable.**

Firstly, **investment in technology, and particularly in R&D&i**, to quickly and optimally **incorporate disruptive advances** occurring in the field of artificial intelligence and technology into companies. These advancements converge into **a new, more intelligent, automated, and emissions-free manufacturing industry** that causes climate change. Investment in R&D&i, however, is not only about improving and adapting existing products; it must also serve to **open the door to new products and services that diversify the Basque economy**, open it to new emerging and fast-growing global markets, and progressively integrate it into the knowledge society, which is where the Basque Country must advance if it wants to remain an industrial country.

And indeed, the **knowledge of people and their talent** are the elements that form **the main lever** for improving productivity. People **capable of understanding social and cultural changes and successfully applying new technologies. Innovative people** to manage the great challenges faced by companies, institutions, and society as a whole.

As is evident, the Basque population pyramid does not offer much margin, and therefore, the Basque Country is forcefully obliged to **manage its resources with audacity and determination**

**to retain and attract the talent** it needs to advance and develop.

What resources? Firstly, its **formal and informal training system** and the **Basque Science and Technology Network**, which must advance in their level of excellence to attract the best, connect them with the business system, and provide them with the capacities and attitudes that Basque society needs.

Secondly, a **dynamic and innovative business fabric** that combines competitive economic conditions in its job offers with a reputation, organizational culture, and values capable of providing increasing value and attractiveness for people with differential talent.

Finally, but no less important, the **articulation of living environments with high quality standards** that are not limited to the physical aspect and infrastructure, but extend to aspects such as the environment, own culture and identity, the provision of public services, the quality of public and private institutions, and the care of all people.

In conclusion, **progress demands greater productivity, and this requires more and better innovation and talent**—a binomial in which Euskadi's future is at stake.

