

## IHS MARKIT SPAIN SERVICES PMI®

INCLUDING IHS MARKIT SPAIN COMPOSITE PMI®

### Growth remains elevated in July

#### KEY FINDINGS

Further substantial gains in activity and new orders

Backlogs of work rise at accelerated pace

Price indices signal strong inflationary pressures

July 2021 data were collected 12-27 July 2021.

Spain's service sector economy continued to expand at a strong rate during July, although growth weakened a little on June's multi-year high. Similarly, new business and employment also rose, but at slower rates, whilst confidence about the future eased to a four-month low amid some concern over the recent rise in COVID-19 infection numbers.

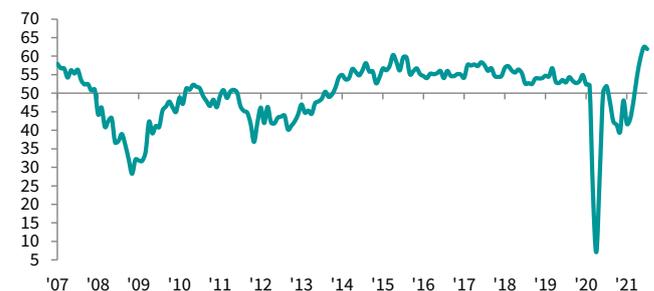
After accounting for seasonal factors, the headline Business Activity Index, which is based on a single question asking firms to comment on developments in their activity since the previous month, recorded 61.9 in July, compared to 62.5. Although slightly down on June's reading – which was the best in over 21 years – growth remains extremely elevated and comfortably above the survey average.

Panellists again linked higher activity to strong gains in new business. Market demand was reportedly underpinned by the increasingly positive health situation, with the reopening of facilities also helping to support sales efforts. Overall growth of new business was a little down on June's 21-year record, but remained sharp nonetheless. New export sales also continued to rise at a solid pace, although there were some reports that increased infection numbers due to the emergence of the delta variant of COVID-19 had weighed on foreign demand with the cancellation of some orders reported.

These factors led to some worries over future activity, especially amongst those operating in the hospitality sector, with confidence easing to a four-month low. Nonetheless, sentiment remains historically strong amid hopes that the

Services Business Activity Index

sa, >50 = growth since previous month



Source: IHS Markit

retrenchment of the pandemic and the success of vaccination programmes will help to support growth of activity over the next 12 months.

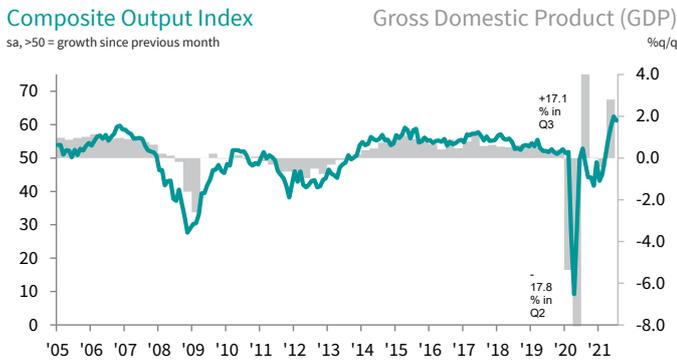
Meanwhile, capacity pressures were a challenge for service providers during July. Backlogs of work rose for a fourth successive month, with the rate of growth accelerating to the fastest since February 2000. Firms reported that increased sales had been key in driving work outstanding, which also encouraged them to take on additional staff. Employment overall rose for a fourth month in a row, with not only higher sales, but the reopening of facilities and the return from furlough of staff also underpinning hiring activity.

Finally, once again a wide range of goods were reported to have risen in price, with fuel, energy and transportation all up in cost according to panellists. There were reports from the survey panel that suppliers were generally increasing their prices as well. Although easing since June's recent high, the rate of inflation was again considerable.

In response, and taking advantage of firmer demand conditions, Spanish service providers raised their own charges. Again, the rate of inflation was softer than June's multi-year record, but marked nonetheless.

## IHS MARKIT SPAIN COMPOSITE PMI®

## Slower growth signalled, but activity continues to rise sharply



Sources: IHS Markit, INE.

Private sector activity growth remained strong during July, though eased a little on June when the rate of expansion was the highest since February 2000. After accounting for seasonal factors, the Composite Output Index\* recorded 61.2, down from 62.4 in June, and above the crucial 50.0 no-change mark for the fifth successive month.

Although both sectors recorded slower growth, rates of expansion were again strong with services leading the way for the third month running.

Similar trends in new orders were indicated, with composite growth down on June's recent record but historically very strong nonetheless. Pressure on capacity subsequently mounted, with overall work outstanding increasing to the highest degree in 19 years of data availability.

Jobs were subsequently added at a marked rate, although growth rates were below those seen during June. Confidence about the future remained elevated, though eased to a four-month low.

Finally, input and output price inflation remained elevated, but down on respective June records.

\*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Spain Composite Output Index is a weighted average of the Spain Manufacturing Output Index and the Spain Services Business Activity Index.

## COMMENT

Commenting on the PMI data, Paul Smith, Economics Director at IHS Markit said:

*“Spain’s services economy experienced a slight drop in growth during July, but the latest number should be placed in the context of an extremely strong June and continued to signal a considerable pace of expansion as the economy opens up, sales strengthen further and market demand continues to improve.*

*“That said, there were some hints of the ongoing challenges faced by the sector, with recent rises in infection numbers reportedly leading to some cancellation of orders and heightened caution, especially amongst foreign clients when booking hospitality.*

*“Subsequently, confidence was down during the month, as firms indicated worries that any further rise in infection numbers could weigh on the recovery going forward.”*

## CONTACT

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#### Methodology

The IHS Markit Spain Services PMI® is compiled by IHS Markit from responses to questionnaires sent to a panel of around 350 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Services Business Activity Index. This is a diffusion index calculated from a question that asks for changes in the volume of business activity compared with one month previously. The Services Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the 'Services PMI' but is not comparable with the headline manufacturing PMI figure.

The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI' but is not comparable with the headline manufacturing PMI figure.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

July 2021 data were collected 12-27 July 2021

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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#### About PMI

Purchasing Managers' Index® (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

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AERCE is a member of the International Federation of Purchasing and Supply Management (IFPSM).

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