

# News Release

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## S&P Global Spain Services PMI®

### Growth down as price indices hit record highs

#### Key findings

Slower rises in activity and new business

Confidence down noticeably

Input and output price inflation strengthens

Spain's service sector recorded back-to-back increases in both activity and new business during March. However, growth rates softened amid heightened uncertainty due to the war in Ukraine. A domestic transportation strike about high fuel prices added further challenges, with increased costs for energy, fuel and supplier goods reflected by survey record rises in both operating expenses and prices charged by suppliers.

The headline seasonally adjusted Business Activity Index, which is based on a single question asking firms to comment on developments in their activity since the previous month, recorded 53.4 in March, down from 56.6 in February.

Supporting the rise in activity was another gain in new work, but similarly, the rate of growth was noticeably lower than the previous month. On the one hand, service providers indicated that market demand was benefiting from a natural upturn due to the lessening impact of the pandemic. However, in contrast, a transportation strike weighed on market activity as did heightened uncertainty amongst clients due to the war in Ukraine. This turned up most noticeably in new export business, which fell for a third month in succession and at a faster rate.

Despite the slowdown in growth, firms still faced some capacity pressures. These were in part driven by ongoing challenges in the supply-chain, but the net result was a second successive monthly rise in work outstanding.

Extra staff were subsequently hired wherever possible, with firms taking on new workers on average for a twelfth month in succession. Moreover, the rate of growth was marked and the steepest seen since last November.

Outside of current workloads, firms also signalled some hope that - as pandemic challenges dissipate - activity will continue to rise over the coming 12 months. However, confidence overall dropped quite noticeably since February. This understandably reflected concerns amongst panellists

S&P Global Spain Services Business Activity Index

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 11-28 March 2022.

#### Comment

Paul Smith, Economics Directors at S&P Global, said:

*"Spain's services economy expanded again in March, although perhaps unsurprisingly given the heightened uncertainty created by the war in Ukraine, rates of growth in both activity and new business weakened. Firms reported that clients were more cautious and a little hesitant in their decision-making.*

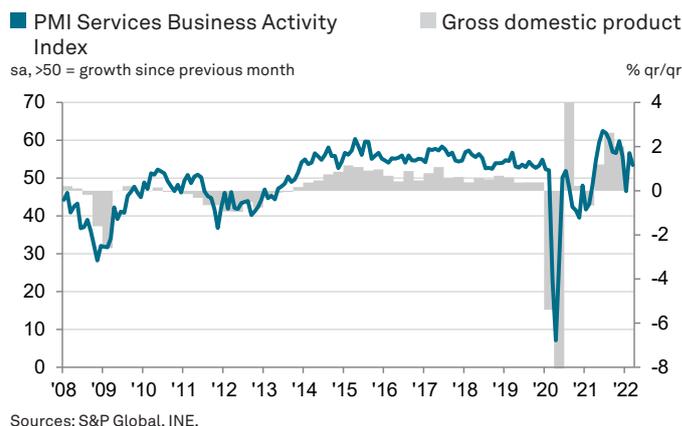
*"Moreover, amid rising energy and fuel bills, plus ongoing increases in vendor prices at a time of continued supply-chain difficulties, operating expenses are rising at an unprecedented rate. With a transport strike adding to company woes, output price inflation also hit new heights as firms had little choice but to provide some protection for their margins.*

*"Despite this relatively gloomy backdrop - which hurt general confidence - firms still faced capacity constraints, seeking to recruit additional staff wherever possible. Moreover, further hope for near-term growth was provided by several firms noting that the easing of pandemic-related challenges had boosted activity during the month."*

over the war in Ukraine, and the difficulties in forecasting how this will impact on demand and activity in the near- to medium-term.

Price trends were also a worry. Supply-side challenges and embedded inflationary pressures show little sign of dissipating, whilst energy, fuel and utility prices continue to rise. Employee expenses were also reported to be up. The net impact was not only a twenty-second consecutive monthly increase in operating costs, but the strongest ever recorded rise (the survey began in August 1999).

Firms saw little choice but to increase their own charges in response to these elevated cost pressures. Overall, output prices increased for a twelfth successive month during March. Moreover, the rate of inflation maintained its recent upward trend to also hit a survey record high.



## S&P Global Spain Composite PMI®

### Private sector growth softens during March

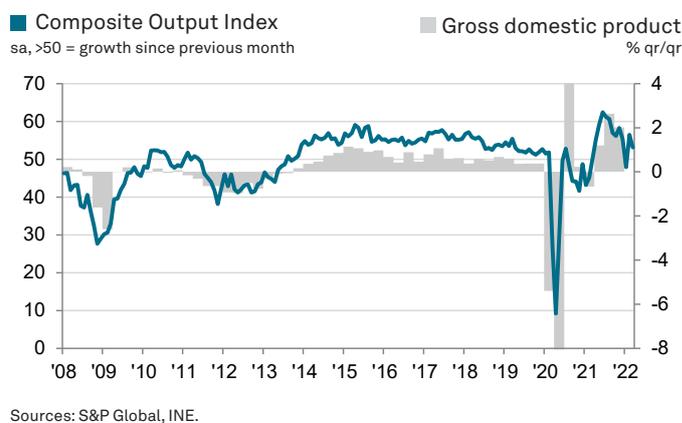
There was a slowdown in growth of both the manufacturing and service sectors during March. Supply-side constraints, price pressures and the uncertainty created by the war in Ukraine all served to constrain output gains.

That said, overall growth remained solid, led by the service sector. After accounting for seasonal factors, the Composite Output Index posted 53.1, down from 56.5 in February.

A similar trend was seen for new orders, although with supply-side constraints and the impact of war in Ukraine felt more keenly by manufacturers, a drop in sales for goods providers meant overall private sector growth was only modest.

Cost inflation remained elevated, with accelerated price increases across both sectors contributing to the highest ever recorded rise in private sector operating expenses. Similarly, output price inflation moved higher to a new record.

Finally, confidence about the future sank to its lowest in nearly a year-and-a-half, although firms retained a sufficient degree of optimism to hire additional staff and extend the current sequence of expansion to 12 months.



\*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.

■ Manufacturing PMI Output Index  
■ Services PMI Business Activity Index  
 sa, >50 = growth since previous month



Source: S&P Global.

### Spain Services PMI Input Prices Index

sa, >50 = inflation since previous month



Source: S&P Global.

### Survey methodology

The S&P Global Spain Services PMI® is compiled by S&P Global 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. Data collection began in August 1999.

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.

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

### About PMI

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

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