

News Release

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S&P Global Spain Services PMI®

Strongest service sector activity growth since November 2021

Key findings

Sharpest expansions in activity and new business in 16 months

Employment growth sustained

Rates of inflation still historically strong

The upturn in the Spanish service sector strengthened further at the end of the first quarter of the year. Amid reports of a resilient domestic demand environment, growth rates for activity and new business quickened to 16-month highs and workforce numbers continued to increase.

That said, pricing pressures remained sticky during March. Rates of input cost and output charge inflation were historically sharp, with output prices in particular continuing to rise at among the strongest rates on record. Notably, concerns about current inflationary pressures were evident in firms' outlook for the future which remained positive, but below its long-run average.

The headline S&P Global Spain Services PMI Business Activity Index, which is based on a single question asking firms to comment on developments in their activity since the previous month, moved further above the neutral 50.0 threshold during March to signal a sustained improvement in the health of the Spanish service sector. Posting at 59.4, up from 56.7 in February, the latest reading marked a steep expansion in the service sector which was the fifth in as many months and the most pronounced since November 2021.

Reportedly, growth in business activity was spurred by strong demand conditions and, as such, its sharp rise coincided with a similar-sized expansion in new business during March. In fact, the level of incoming new business received by Spanish service providers increased for a fifth successive month with the latest upturn the strongest in 16 months.

The improvement in overall demand was, again, supported by a sustained increase in inflows of new business from abroad. New export orders have now risen for three months in a row with the latest increase being the fourth-quickest since this question was added to the survey in September 2014. Demand conditions in some of the country's key export markets have reportedly improved, particularly in Latin America.

S&P Global Spain Services Business Activity Index
sa, >50 = growth since previous month



Source: S&P Global.
Data were collected 10-28 March 2023.

Comment

Laura Denman, Economist at S&P Global Market Intelligence, said:

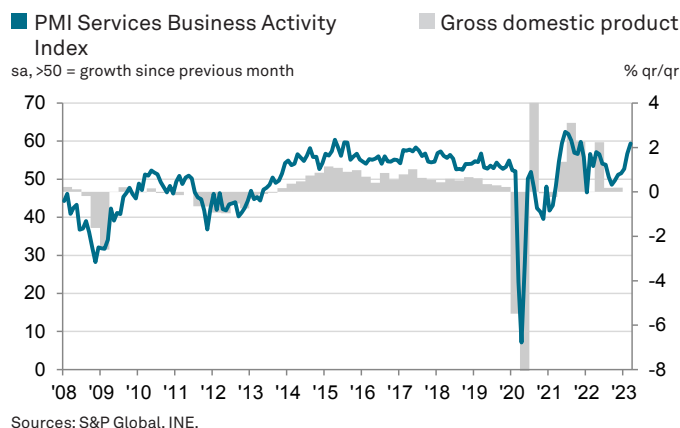
“With demand conditions continuing to improve, growth across the Spanish service sector gained momentum, according to the latest PMI survey data. In fact, upturns in both activity and new business strengthened further in March to reach 16-month highs. The sector’s current trajectory also translated into a positive outlook for the year-ahead. Companies remained upbeat in their growth projections amid hopes that a pick-up in the tourism industry would help to sustain the current improving demand conditions. That said, the overall degree of confidence fell below the series average in March and to its lowest level in three months, with nagging concerns about the current inflationary environment and the potential for further interest rate hikes reportedly acting as dampeners to confidence. Such concerns were seemingly justified as rates of inflation remained historically sharp and displayed limited signs of easing in the most recent survey period. It will certainly be interesting to monitor how the sector copes with sustained price rises and whether we may start to see a drop off in demand should firms continue to raise their output charges.”

Against a backdrop of higher activity and increasing orders, Spanish service sector firms continued to add to their payroll numbers in March. Overall, employment levels have risen in each of the past six months with the latest round of job creation the strongest since last June.

Still, workforce expansion failed to prevent a build-up of incomplete business. March saw the level of outstanding work across the Spanish service sector accumulate further, taking the current sequence of increase to three consecutive months. Moreover, the rate of growth was historically elevated.

In terms of pricing, inflationary pressures remained elevated. Despite easing slightly from the preceding month, rates of both input price and output charge inflation remained marked and stronger than any seen prior to the pandemic. The main drivers of inflation were named as high energy prices, wage pressures and hikes in supplier charges.

Finally, while an overall sense of optimism was still maintained, the degree of confidence fell to the lowest level in three months, down from February's ten-month high. Positive sentiment mostly stemmed from general hopes for a sustained uplift in demand while nagging concerns about the aforementioned inflationary pressures acted as a dampener to confidence in the year ahead outlook for output.



S&P Global Spain Composite PMI®

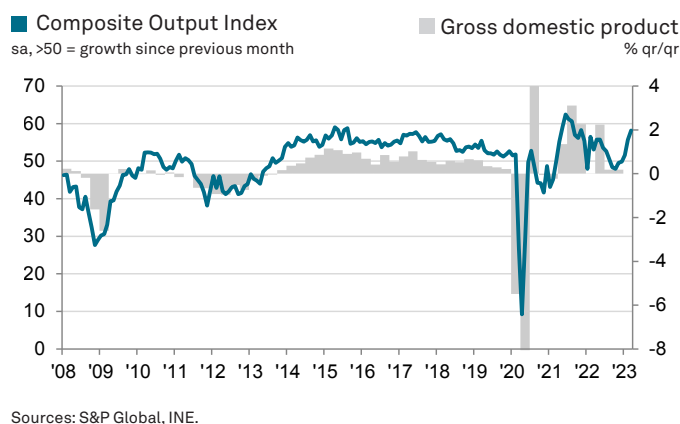
Spanish private sector expands markedly in March

The S&P Global Spain Composite PMI Output Index* rose from 55.7 in February to 58.2 in March, thereby signalling a third successive expansion in the Spanish private sector that was the strongest since November 2021. The upturn reflected a notable improvement across both sectors, although growth in the service sector continued to outpace that seen at their manufacturing counterparts.

In line with trends seen for output, inflows of total new business across the economy increased at the sharpest rate since November 2021. March saw a renewed uplift in order book volumes held across the manufacturing sector while service providers registered sustained and marked growth.

Against a backdrop of rising demand, Spanish private sector firms added to their workforces for the fifth month in a row while backlogs of work accumulated at the fastest pace in ten months.

Cost pressures across the private sector remained elevated during March. However, the rate of input cost inflation eased to a 22-month low, largely a reflection of the fresh drop in purchase prices in the manufacturing sector.



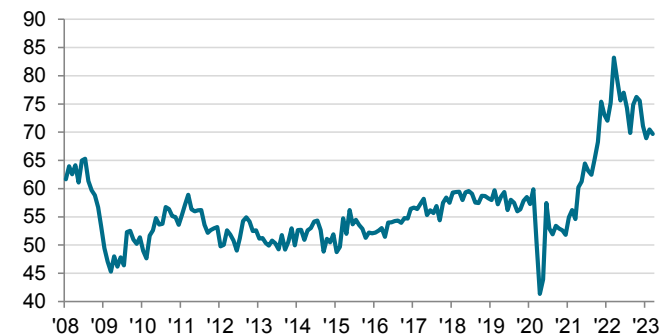
*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.

■ 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.

About PMI

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