

News Release

Embargoed until 2301 UTC 16 July 2023

S&P Global Spain Business Outlook

Business confidence broadly stable, while inflationary pressures set to ease

Key findings

Optimism in the outlook for activity little changed since February

Softer increases in prices expected

Further job creation forecast

The S&P Global Spain Business Outlook survey indicated that company optimism remained broadly stable at the midway point of the year, with forecasts for output, employment and investment little changed from the position in the previous outlook survey in February. One area which did see a notable change was inflation, with non-staff costs, staff expenses and selling prices all set to rise at softer rates.

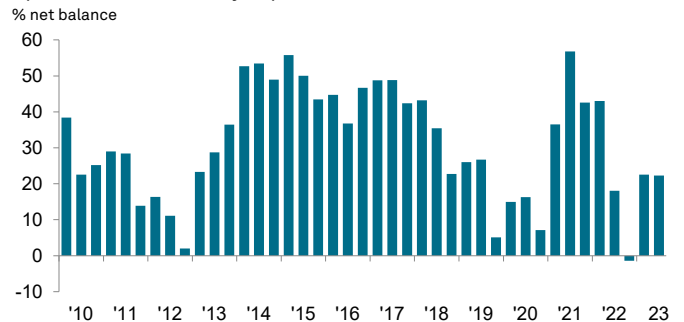
The net balance of firms that anticipate business activity growth over the coming 12 months was at +22% in June, broadly in line with February's reading of +23%. As such, optimism among companies in Spain was the second-highest since early-2022.

Spanish firms were more confident than the eurozone average (net balance: +19%), but less optimistic than seen globally (+28%).

Opportunities for growth over the coming year reflected the potential for inflows of new export orders and entry into new markets. Some firms also indicated that they hope for political stability following the upcoming elections. The potential for a period of political instability was seen as a threat to the positive outlook, however, as was wider economic uncertainty and market weakness both domestically and at the global level. Inflationary pressures and product shortages were also areas of concern.

Worries about market weakness were particularly prevalent among manufacturers. This was reflected in a downward revision to the outlook for manufacturing production as the net balance dropped to +11% in June from +16% in February. The overall stability in the outlook was thus maintained by the service sector,

Spain Business Activity expectations



Source: S&P Global PMI.
Data were collected 12-27 June 2023.

Comment

Commenting on the Spain Business Outlook survey data, Andrew Harker, Economics Director at S&P Global Market Intelligence, said:

"Confidence among companies in Spain held up better than across other parts of the eurozone as service providers remained buoyant regarding the year-ahead outlook. Softer inflationary pressures are one of the factors behind the positive outlook, with predictions of price rises well below levels seen at the start of the year."

"Firms expressed a hope for a stable political environment following the upcoming election, but the strength or otherwise of global demand is likely to play a key role in determining whether optimism is sustained through the second half of 2023."

where confidence regarding activity actually ticked up fractionally from the start of the year (net balance: +25% from +24%).

Inflation and profits

The price indices from the latest outlook survey signalled a general expectation of softer inflationary pressures over the coming year. The net balance for non-staff costs dropped sharply to +24% from +40% and was the lowest for two years. Moreover, expectations of rises in non-staff costs in Spain were the lowest of all of the eurozone economies for which combined manufacturing and services data are available.

Staff costs are also set to soften. At +40%, the respective net balance was the lowest since the June 2021 outlook survey.

Softer cost pressures are set to be reflected in a weaker increase in output prices over the coming year. The net balance dropped to +16%, the weakest since February 2021. The softening of expectations with regards to charges was more pronounced in manufacturing, where the net balance actually dipped into negative territory (-1%) for the first time since late-2020. Meanwhile, the net balance for services was at +20%.

The profits net balance was unchanged at +7% in June as slightly stronger sentiment in manufacturing was cancelled out by marginally weaker optimism at service providers.

Employment and investment

Hiring intentions in Spain remained muted midway through the year, but the employment net balance of +10% was little changed from that seen in February (+11%). Although just in positive territory, confidence was still the second-highest since just prior to the outbreak of the war in Ukraine.

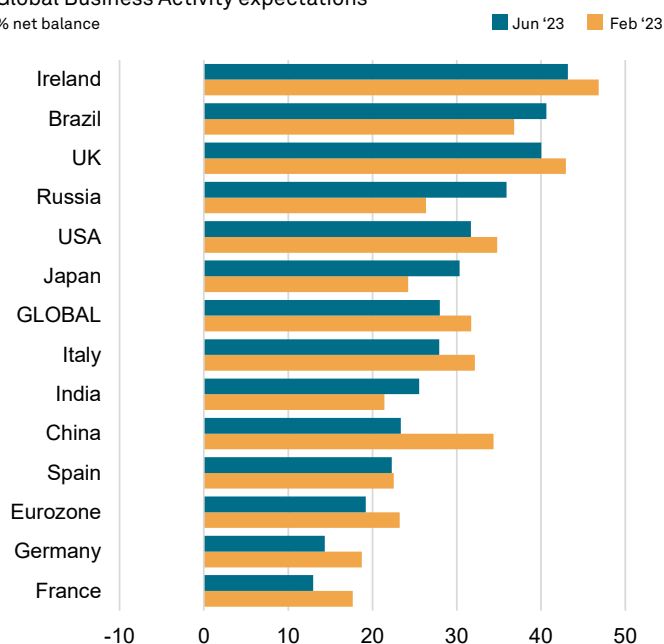
Sentiment around employment in Spain was slightly below the eurozone and global averages (both +12%). Service providers were more optimistic with regards to job creation than manufacturers.

Expectations for increases in capital expenditure (capex) and R&D spending were less optimistic in June than was the case in February.

At +9%, the capex net balance was down from +13%, but slightly higher than the eurozone average (+7%). R&D spending plans in Spain were in line with the picture across the euro area as a whole (+4%).

In both cases, investment spending is set to grow more quickly in the service sector than at manufacturers.

Global Business Activity expectations
% net balance



Source: S&P Global PMI.

Global Business Activity expectations
Change in % net balance, Jun '23 vs. Feb '23



Source: S&P Global PMI.

Full data available on request from economics@ihsmarkit.com.

Survey methodology

The Global Business Outlook Survey for worldwide manufacturing and services is produced by S&P Global and is based on a survey of around 12,000 manufacturers and service providers that are asked to give their thoughts on future business conditions. The reports are produced on a tri-annual basis, with data collected in February, June and October.

Interest in the use of economic surveys for predicting turning points in economic cycles is ever increasing and the Business Outlook survey uses an identical methodology across all nations covered. It gives a unique perspective on future business conditions from Global manufacturers and service providers.

The methodology of the Business Outlook survey is identical in all countries that S&P Global operates. This methodology seeks to ensure harmonization of data and is designed to allow direct comparisons of business expectations across different countries. This provides a significant advantage for economic surveillance around the globe and for monitoring the evolution of the manufacturing and services economies by governments and the wider business community.

Data collection is undertaken via the completion of questionnaires three times a year at four-month intervals. A combination of phone, website and email are used, with respondents allowed to select which mechanism they prefer to use.

The Business Outlook survey uses net balances to indicate the degree of future optimism or pessimism for each of the survey variables. These net balances vary between -100 and 100, with a value of 0 signalling a neutral outlook for the coming 12 months. Values above 0 indicate optimism amongst companies regarding the outlook for the coming 12 months while values below 0 indicate pessimism. The net balance figure is calculated by deducting the percentage number of survey respondents expecting a deterioration/decrease in a variable over the next twelve months from the percentage number of survey respondents expecting an improvement/increase.

Questionnaires are sent to a representative panel of around 12,000 manufacturing and services companies spread across the global economy*. Companies are carefully selected to ensure that the survey panel accurately reflects the true structure of each economy in terms of sectoral contribution to GDP, regional distribution and company size. This panel forms the basis for the survey. The current report is based on responses from around 8,000 firms.

** The countries with manufacturing and service sector surveys are Brazil, China, France, Germany, India, Italy, Japan, Russia, Spain, the Republic of Ireland, the UK and the USA. Manufacturing data are collected for the Netherlands, Austria, Greece, Poland and the Czech Republic.*

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