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## IHS MARKIT SPAIN SERVICES PMI®

INCLUDING IHS MARKIT SPAIN COMPOSITE PMI®

### Service sector continues to contract in February

#### KEY FINDINGS

Activity and new business down sharply

Job losses continue, but optimism improves

Input price inflation strengthens

February 2021 data were collected 11-23 February 2021.

February saw the Spanish service sector continue to struggle in the face of restrictions on activity related to the global coronavirus disease 2019 (COVID-19) pandemic. Both business activity and new orders both continued to decline markedly, whilst job losses were again recorded as workloads remained well down. Cost inflation accelerated again, reaching its highest level since last June.

However, amid growing hopes that vaccination programmes will provide the basis for an end to the pandemic and subsequently a strong uplift in economic activity, optimism about the future surged to its highest for over two-and-a-half years.

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, improved slightly in February, but remained well below the crucial 50.0 no-change mark that separates growth from contraction. Posting 43.1, compared to 41.7 in January, the index again implied a considerable decline in activity.

Panellists reported that restrictions on activity continued to have a noticeable and detrimental impact on demand and sales during February, especially for those industries most dependent on social contact. Overall new business declined sharply, extending the current run of successive contraction to eight months. Foreign sales were also negatively impacted by ongoing restrictions, with new export business declining sharply and for the twenty-second month in succession.

Unsurprisingly given the poor trend in new orders, overall

Services Business Activity Index

sa, >50 = growth since previous month



Source: IHS Markit

workloads – as implied by backlogs of work held at Spanish service providers – continued to fall. Latest data showed that outstanding business deteriorated to the greatest degree since last November. Faced with dwindling workloads, firms cut their staffing levels for a twelfth successive month. Although the weakest contraction in the current sequence, the rate of decline was again marked.

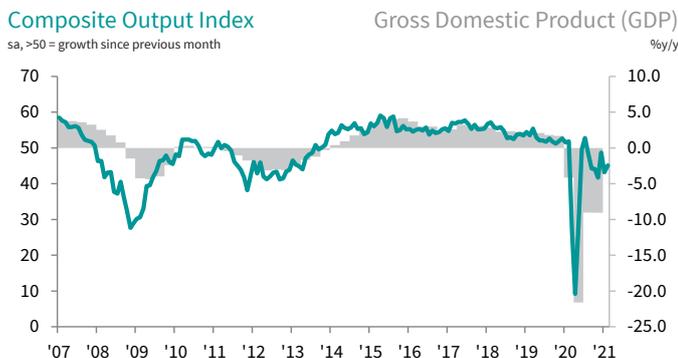
On the price front, average input costs rose markedly, rising for a ninth successive month in February. The rate of inflation was the strongest seen since last June amid reports of increased prices for a wide range of goods and supplier services. Fuel and transportation costs were especially reported to have risen.

Despite higher operating costs, the competitive and weak demand environment meant that firms continued to cut their own charges. Latest data indicated that average output charges fell to the greatest degree since October 2020.

Although the current and near-term situation remained extremely challenging for Spanish service providers, there was a noticeable shift in optimism towards the situation in 12 months' time. Over 50% of the survey panel expect to experience a rise in activity from present levels this time next year, with many anticipating that the worst of the pandemic will have passed thanks in large part to the rollout of a vaccination programme. With restrictions on activity hopefully then lifted, there should be a strong improvement in demand, sales, and business revenues.

IHS MARKIT SPAIN COMPOSITE PMI®

Services drives further decline in private sector output



Sources: IHS Markit, INE.

A two-speed economy emerged during February as manufacturing output returned to growth, but services activity continued to decline on the back of ongoing COVID-19 restrictions. The latest Composite Output Index\* recorded 45.1 in February, up from 43.2 in the previous month but nonetheless again signalling a sharp rate of decline in private sector activity.

Supporting the rise in manufacturing output was an increase in new orders, although with services new work continuing to contract, overall private sector new business fell for a seventh successive month.

Job losses were meanwhile recorded for a twelfth successive month, although with the decline in manufacturing marginal, the overall rate of contraction was the weakest in the current sequence.

Meanwhile, with manufacturers registering their strongest rise in input costs for nearly four years, private sector operating costs were seen to be rising at a marked and accelerated rate in February. However, charges continued to fall, though mainly driven by services as manufacturing experienced a noticeable uplift.

Finally, hopes of the successful rollout of a vaccine programme and a subsequent easing of COVID-19 restrictions meant that optimism about the future rose to its highest level since May 2018.

\*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:

*“February’s survey indicated another challenging month for Spanish service providers as social-contact industries continued to struggle in the face of ongoing restrictions related to dealing with COVID-19.*

*“Activity and new business both fell markedly, and with the near-term likely to remain difficult, jobs continued to be cut. Adding to service providers’ woes was a further acceleration in input price inflation to its highest level since last June.*

*“Nonetheless, optimism is growing that the environment will be much more positive and conducive to higher activity in a year’s time, with firms anticipating a strong uplift in sales and revenues, albeit this is conditioned on the successful rollout of COVID-19 vaccines.”*

## 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.

February 2021 data were collected 11-23 February 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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