

# News Release

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## S&P Global Spain Services PMI<sup>®</sup>

### Start of 2023 brings stronger growth in Spanish service sector activity

#### Key findings

Sharper increases in activity and new business

Business sentiment improves to eight-month high...

...but selling price inflation remains among sharpest on record

The Spanish service sector began 2023 with sustained and accelerated expansions in activity and new business amid reports of an improving picture for demand. Firms were subsequently more optimistic about their future and hopeful that the market would continue along its current trajectory, though ongoing concerns about current pricing pressures reportedly continued to weigh on overall sentiment. Such concerns were seemingly warranted as rates of inflation remained historically sharp and, in the case of output prices, among the strongest on record.

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, posted at 52.7 in January, up from 51.6 in December. The latest reading was indicative of a third successive monthly expansion in Spanish service sector activity that was the strongest since last July.

Anecdotal evidence suggested that the latest rise in activity levels was a reflection of an improved sales performance at the start of the year. The volume of new business received by Spanish service providers increased solidly in January and for the third month in a row. Reportedly, companies have made gains from new projects and client wins in the wake of a slight strengthening in underlying demand conditions. Meanwhile, similar improvements were made in terms of overseas demand. New export orders increased for the first time in seven months.

With inflows of new business increasing at a solid pace, Spanish service providers found their capacities squeezed in January, as indicated by a fresh increase in backlogged work. To keep on top of current workloads and in preparation for anticipated company growth, firms added to their payrolls for a fourth month in a row, albeit only marginally.

Looking to the year ahead, Spanish service sector firms remained generally optimistic about activity levels over

S&P Global Spain Services Business Activity Index

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 12-26 January 2023.

#### Comment

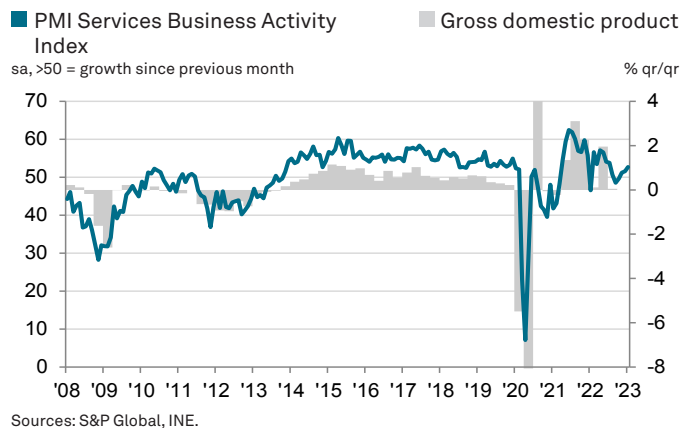
Laura Denman, Economist at S&P Global Market Intelligence, said:

*“Spain’s service sector started out 2023 on a relatively positive note, according to latest PMI data. Expansions in activity and new business were sustained in January and, in fact, sharpened to six- and seven-month highs, respectively. Reportedly, the main driver in each of these upturns was an improvement in the overall demand environment which is certainly a positive sign for the future. Firms were hopeful that conditions would continue to improve over the coming year and subsequently added to their workforce numbers for the fourth month in a row.*”

*“That said, despite strengthening to an eight-month high, the overall degree of confidence remained below its historical average. Survey respondents largely mentioned that concerns surrounding current inflationary pressures weighed on the outlook. It seemed as so such anxieties were perhaps justified as selling price inflation accelerated in January. However, the pace of input price inflation did slow to a 15-month low so we can hope that output prices will eventually follow suit.”*

the coming year. According to survey respondents, positive sentiment was largely driven by hopes for a stronger demand environment and improved market conditions. Optimism was at an eight-month high, but the overall degree of confidence remained below its historical average amid ongoing concerns about client hesitancy and inflationary pressures.

There were mixed trends on the pricing front in January. While rates of both input cost and output price inflation remained historically sharp at the start of the year, the former displayed further signs of easing. In fact, the pace at which average cost burdens rose in the Spanish service sector was the slowest in 15 months. Conversely, prices charged across the sector increased in January and at a rate that was among the fastest on record. According to anecdotal evidence, higher staff expenses, energy prices and supplier charges drove the latest round of input cost inflation. Subsequently, firms often opted to transfer part of the increasing cost burdens onto their clients in the form of higher selling prices.



## S&P Global Spain Composite PMI®

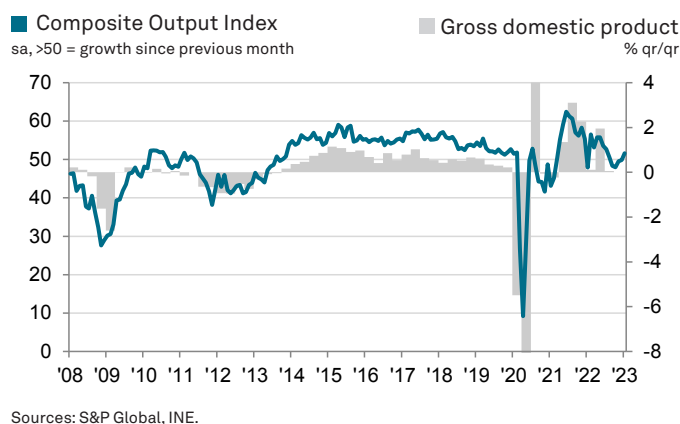
### Renewed expansion in Spain’s private sector economy

From 49.9 in December, the Spain Composite PMI Output Index - which measures combined output in the manufacturing and services sectors – rose to 51.6 in January to signal a renewed expansion in output in the Spanish private sector. The upturn was the first in five months and the sharpest since last July. Growth was underpinned by a stronger increase in service sector activity. Manufacturing output continued to fall, but at the softest pace in four months.

Concurrently, following a five-month sequence of decline, new business at the composite level rose at the start of the year. Similar to the trend in activity, the fresh increase was driven by a third successive expansion in the service sector while order book volumes at Spanish manufacturing firms remained firmly in contraction territory.

In both sectors firms became more positive about their future, albeit with confidence still lower than the respective long run averages.

On the pricing front, input cost inflation softened to a 20-month low, but output prices increased at a faster pace.



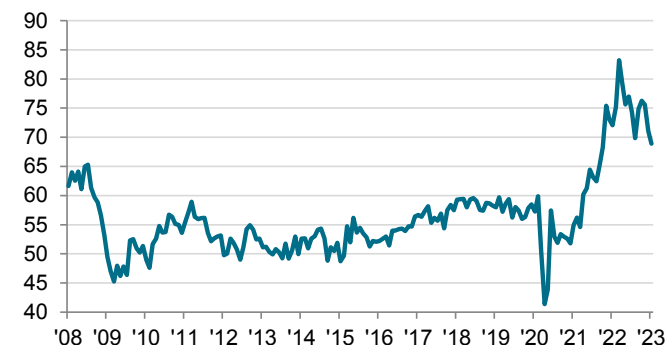
\*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.

■ 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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