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IHS Markit Spain Services PMI®

Including IHS Markit Spain Composite PMI®

Worries over Omicron variant push growth lower in December

Key findings

Activity and new business expand at lower rates

Price pressures persist

Confidence drops to 11-month low

Data were collected 6-20 December 2021.

The Spanish service sector continued its recent run of expansion during December, with both activity and new business rising markedly again. However, compared to November, rates of growth were noticeably lower as the emergence of the Omicron variant of COVID-19 weighed on public confidence and demand. Optimism amongst service providers about the future subsequently also slipped, dropping to its lowest since the start of the year.

December's 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 above the 50.0 no-change mark for the ninth successive month. Posting 55.8, the index indicated a marked rise in activity but, by falling from 59.8 in November, indicated a noticeably slower rate of growth.

Commercial activities and higher demand were reported to have underpinned both growth of service sector output and new orders during December. Levels of incoming new business increased for a ninth successive month, but in line with the trend for activity, growth also softened to its lowest since April. There were reports from panellists of a heightened caution amongst the public due to the Omicron variant of COVID-19. Those in hospitality services noted a cancellation of bookings.

With sales growth softening, firms were broadly able to keep on top of their existing workloads during December. Levels of work outstanding were little changed, according to the latest data. The addition of new staff also helped firms to clear

Spain Services PMI Business Activity Index
sa, >50 = growth since previous month



Source: IHS Markit.

existing business. Employment growth was registered for a ninth successive month and was solid, though eased to its weakest since September.

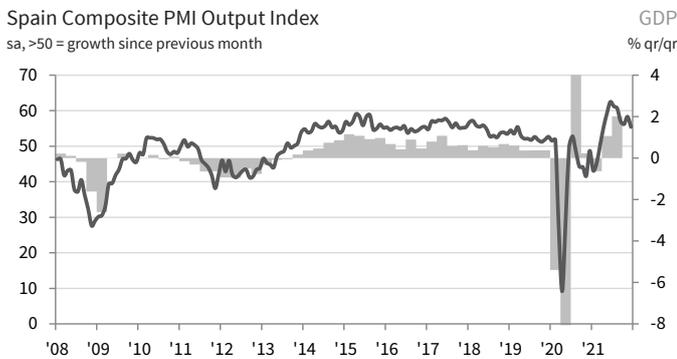
Increased demand for staff led to some upward pressure on wage levels at the end of the year. This was cited as one of numerous factors to have driven another substantial rise in operating costs. Although the rate of inflation was down on November's record, it was nonetheless the second highest in the survey history. Electricity, energy, fuel, transport services and supplier goods in general were all reported to be up in price.

Inevitably, many firms continued to pass on their higher operating costs to clients in the form of increased charges. These also continued to rise at a historically elevated rate, albeit at one down on November's survey record.

Finally, sentiment remained inside positive territory at the end of the year. Service providers indicated expectations that growth will be sustained in line with higher sales and new product releases. However, confidence slipped to an 11-month low on the back of worries about the voracity of the Omicron variant of COVID and the persistence of supply-side constraints.

IHS Markit Spain Composite PMI®

Services leads downturn in growth at end of 2021



Sources: IHS Markit, INE.

Spain’s private sector economy expanded at its slowest rate in the past eight months during December. This was largely on the back of weaker service sector growth as manufacturing output rose at a slightly stronger pace.

After accounting for seasonal factors, the Composite Output Index declined to 55.4, from 58.3 in the previous month. It was the lowest reading recorded since April.

Both sectors experienced slower growth in incoming new business, with aggregate data also showing the weakest increase since April. Capacity pressures remained evident, although the latest rise in backlogs of work was modest. Firms took on staff at a reduced pace.

Cost pressures remained elevated across the private sector economy, although rates of inflation were lower. This fed through to output charges which also rose sharply, but at a weaker pace.

Comment

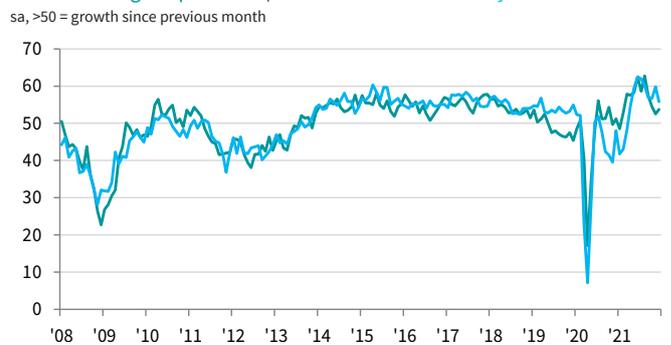
Paul Smith, Economics Director at IHS Markit, which compiles the survey:

“The Spanish service economy maintained its recent run of growth into year end, though the latest data and reports from panellists suggested that dark clouds were forming for the sector heading into the new year.

“Whilst growth remained marked, it was noticeably slower than in recent months. This was linked to the recent emergence of the Omicron variant of COVID-19. Panellists indicated growing worries amongst the public, with many adopting a generally more cautious attitude that was reflected in growing numbers of booking cancellations.

“These were naturally seen most often amongst providers of hospitality services, which given the importance of the holiday period to these firms in terms of sales and revenues means that new developments in the virus could not have come at a worst time.”

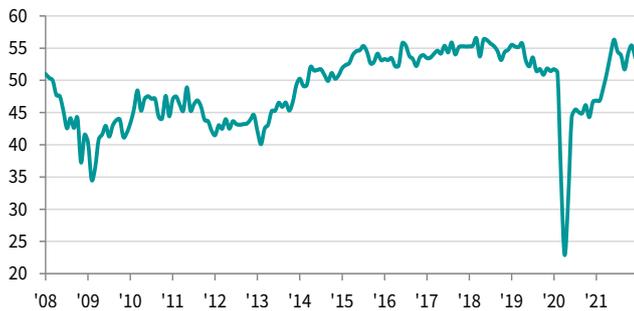
Manufacturing Output Index / Services Business Activity Index



Source: IHS Markit.

Spain Services PMI Employment Index

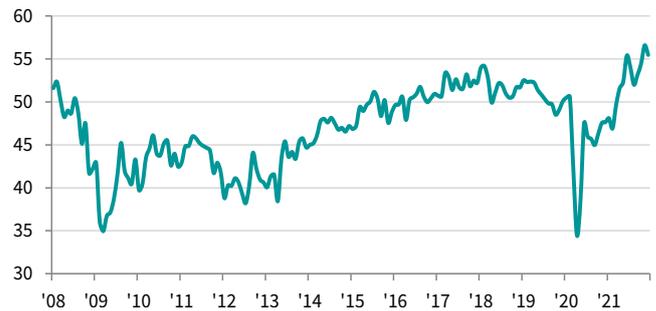
sa, >50 = growth since previous month



Source: IHS Markit.

Spain Services PMI Prices Charged Index

sa, >50 = inflation since previous month



Source: IHS Markit.

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Survey 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.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

Survey dates and history

Data were collected 6-20 December 2021.

Survey data were first collected August 1999.

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

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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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