

News Release

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S&P Global Spain Services PMI®

Rebound of growth signalled in April

Key findings

Activity and new business both rise at stronger rates

Jobs growth sustained as capacity comes under pressure

Price pressures remain elevated

Spain's service sector enjoyed a strong month in April, with both activity and new business rising at faster rates. Confidence sprang back from March's low, whilst firms continued to add staff at their units to help deal with capacity constraints.

However, cost pressures remained elevated as high energy and utility bills weighed on a range of firms across the services economy. This led to another historically sharp rise in output charges.

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, jumped from 53.4 in March to 57.1 during April. That was the best reading since last November.

A third successive month of growth reflected a similar trend in new work. April's survey showed a marked rise in new business amid reports that looser COVID-19 restrictions had helped to drive an upturn in general market activity and demand. However, growth was primarily centred on the domestic market: the war in Ukraine and higher energy costs were reported to have weighed on foreign sales, which fell slightly and for the fourth month in a row.

Despite activity rising at a noticeably faster rate than sales, capacity challenges persisted. Backlogs of work rose for a third month in a row, and at the fastest rate since last July. Companies reported that delays in product deliveries and higher volumes of new work had led to the latest rise in work outstanding.

Additional staff were hired in response. April's survey showed that staffing levels rose for a thirteenth month in succession and, although the rate of growth softened since March, to a solid degree.

As new staff were taken on, firms signalled an increase in their underlying labour expenses. With energy and utility

S&P Global Spain Services Business Activity Index

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 11-26 April 2022.

Comment

Paul Smith, Economics Directors at S&P Global, said:

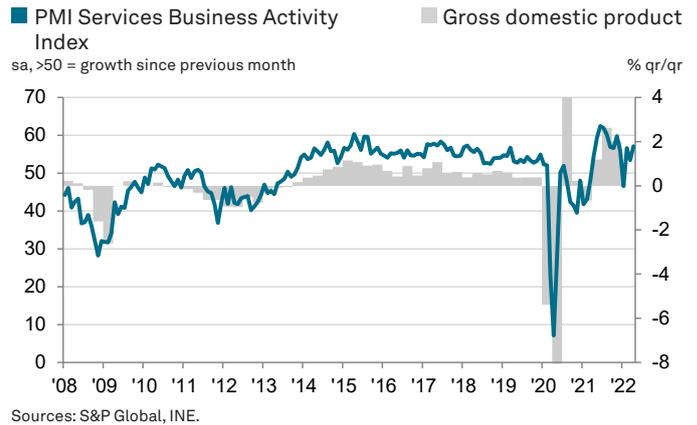
"April proved to be a generally positive month for Spanish service sector companies, with growth in activity and new business picking up. Panellists widely commented that reduced COVID-19 restrictions were playing a key role in supporting higher market demand, albeit predominately from domestic clients: foreign sales and tourism activity appears to be lagging somewhat, perhaps understandably given the uncertainty caused by the war in Ukraine and the impact on household budgets from rising energy and utility bills.

"And such pressures show little sign of dissipating: both cost and charge inflation in the Spanish service sector remained extremely elevated during April (in each case, rates of increase were the second-greatest in the survey history). The longer these high inflation rates continue the more concern there is that growth will eventually be hit at a delicate point in the sector's recovery from the devastating impacts of COVID-19."

prices also reported to be sharply up again, plus expensive freight and supplier charges indicated, overall operating expenses rose at the second-fastest rate in the survey history (surpassed only by March's reading).

Firms indicated little choice but to respond and increase their own charges. In a similar vein to input costs, inflation was rapid and the second-greatest recorded in nearly 23 years of data collection.

Price developments remain a worry for many firms and, combined with the war in Ukraine, the near-term outlook remains unusually uncertain. Nonetheless, the strong uptick in activity driven by easing COVID-19 restrictions buoyed several panellists. With these positive trends expected to continue over the coming months, sentiment about the future rebounded noticeably since March to an above average level.



S&P Global Spain Composite PMI®

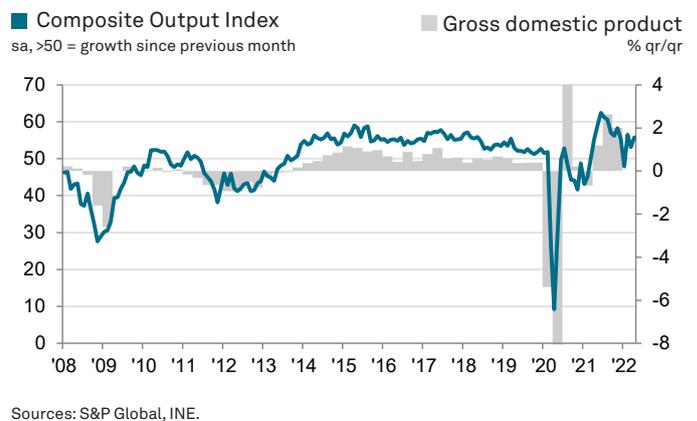
Divergent trends in growth recorded in April

Overall private sector growth improved during April and extended the current sequence of expansion to three months. After accounting for seasonal factors, the Composite Output Index posted 55.7, up from 53.1 in March.

However, this upturn masked divergent trends at the broad industry level: whilst services output rose sharply, manufacturing production rose marginally and to the weakest degree in 15 months of growth.

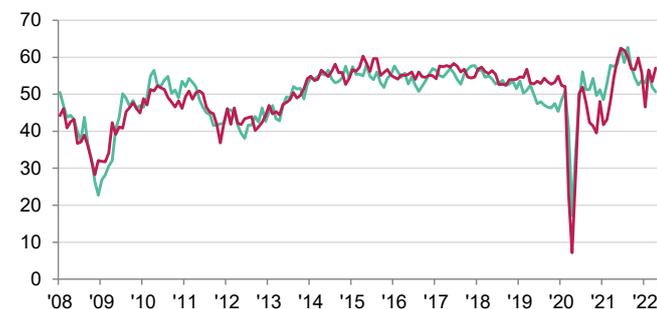
Softer manufacturing output growth was reported to reflect a slight drop in new orders as market instabilities due to the war in Ukraine and general supply-side constraints continued to impact negatively on the sector. In contrast, service providers registered a marked rise in new business as easing COVID restrictions supported market activity.

Meanwhile, price pressures - both for inputs and outputs - remained high across the private sector economy, but employment growth was sustained and confidence about the future rebounded.



*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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