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## IHS MARKIT SPAIN SERVICES PMI®

INCLUDING IHS MARKIT SPAIN COMPOSITE PMI®

### Service sector expands at fastest rate since August 2015

#### KEY FINDINGS

Easing of COVID-19 restrictions bolsters sales and activity

Employment rises in response to higher workloads

Cost pressures intensify

May 2021 data were collected 12-25 May 2021.

Spain's service sector extended its recent recovery into May, expanding at its strongest rate since August 2015 as a lifting of COVID-19 restrictions led to a more widespread reopening of business units and a noticeable uplift in demand. Employment numbers were bolstered in response, although less positive was another strengthening of cost pressures, which intensified to the greatest degree since the summer of 2008.

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, maintained its recent upward trend in May, rising to 59.4 from 54.6 in April. That signalled a back-to-back increase in activity levels and the single strongest monthly growth recorded by the survey since August 2015.

Underpinning the rise in activity was a strong rise in new business volumes (the best since the start of 2018). Panellists widely reported that the lifting of COVID-19 restrictions had led to not only further business unit re-openings, but also a noticeable rise in demand and sales, especially from domestic sources. Although there were some signs of strengthening foreign demand and a first rise in overall new export business for the first time in over two years, the rate of growth was modest and much lower than for total new work.

With sales rising noticeably, capacity was tested somewhat. Backlogs of work outstanding rose for the second month in succession, and at the sharpest pace since July 2015. In response, companies added to their payroll numbers, and

Services Business Activity Index

sa, >50 = growth since previous month



Source: IHS Markit

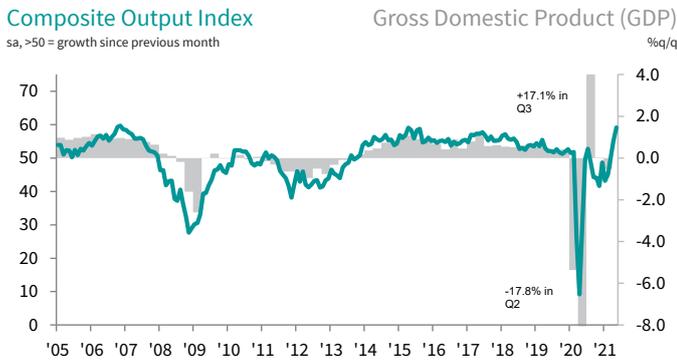
May data indicated a second successive monthly increase in overall service sector employment. The rate of growth was also the sharpest recorded by the survey for over two years.

Confidence in the outlook also encouraged companies to take on additional staff. Once again over 60% of surveyed firms anticipate a rise in activity from present levels in 12 months' time, and overall confidence was only slightly lower than in April when sentiment was at its most positive in over 17 years. Expectations continue to be supported by positive projections for sales and demand as COVID-19 restrictions are lifted in line with hoped for success with vaccination programmes.

Finally, cost pressures continued to build for service providers during April. Fuel, personnel, and utility costs were all reported to be up, whilst firms noted that inflationary pressures in manufacturing supply chains were being passed on to them. Although companies were able to raise their own charges in response to the strongest degree for over two years, inflation was relatively modest as pricing power amongst service providers remained limited.

## IHS MARKIT SPAIN COMPOSITE PMI®

## Broad-based strengthening of growth during May



Growth of the Spanish private sector improved in May to its highest since November 2006 with stronger gains in both manufacturing and service sector output signalled. The Composite Output Index\* posted 59.2, up from 55.2 and the third successive month that the index has posted above the 50.0 no-change mark.

Services led the way in terms of growth, expanding at the fastest rate since August 2015 as the economy began to reopen in line with a loosening of COVID-19 restrictions. Manufacturing production meanwhile rose to the strongest extent since April 2007.

Levels of new orders placed with private sector companies increased to the strongest degree since July 2015, again supported by sharply rising levels in both the manufacturing and service sectors. Backlogs of work increased as a result and encouraged firms to take on additional staff: the net rise in private sector jobs was the sharpest recorded for over two years.

Extreme cost pressures in the manufacturing sector, allied with rising operating expenses in services, meant that overall input prices rose at the strongest rate since July 2008. Although manufacturers were able to pass on a noticeable chunk of their higher costs to clients in the form of increased charges, pricing power amongst service providers was much more muted.

Finally, confidence about the future was a little lower than April's survey record, but remained historically high, nonetheless. As COVID-19 restrictions continue to be lifted in line with vaccine rollouts, panellists widely anticipate growth to be sustained over the coming year.

\*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:

*“Spain’s services economy benefited from an easing of COVID-19 restrictions during May, expanding at its fastest rate since the summer of 2015 on the back of improving demand and sales.*

*“The data highlight how the sector is primed for rapid growth in the coming months, with clients and consumers clearly keen to get back to some form of normality following the considerable challenges related to the pandemic over the past year or so.*

*“Of course, growth will remain dependent on the successful rollout of vaccination programmes and for Spain in particular a return to normality in foreign travel and tourism ahead of the crucial summer trading period is important.*

*“Less positive is that pipeline price pressures seen in the industrial sectors are being felt by service providers but for now, with demand and sales still in recovery mode and ground to be made up, pricing power and pass through to end clients remains muted.”*

## 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.

May 2021 data were collected 12-25 May 2021

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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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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