

**EMBARGOED UNTIL: 00:01 (UTC) March 15<sup>th</sup> 2021**

# IHS Markit Spain Business Outlook

## Strong uplift in confidence as firms eye end to pandemic

### Key findings:

- Activity set to rise sharply as restrictions expected to ease in line with vaccine rollout
- Job numbers and investment to rise
- Profitability expectations turn positive

Data collected February 11-23

Sentiment amongst Spanish private sector companies jumped noticeably during February on the back of hopes that the negative impacts on economic activity of the coronavirus disease 2019 (COVID-19) pandemic would soon come to an end.

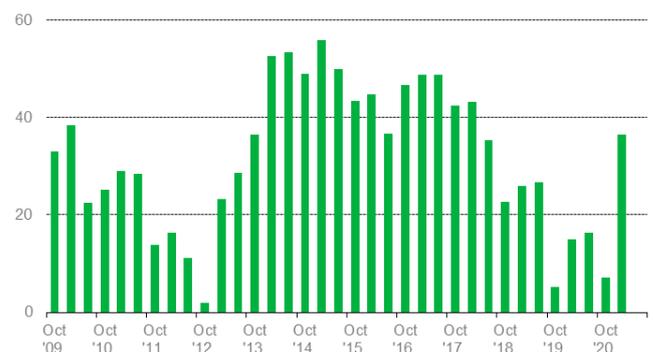
Rising from just +7% in October, the headline IHS Markit Business Outlook net balance posted +36% in February, its best reading since early 2018.

Both manufacturers (+27%) and service providers (+39%) registered notable uplifts in optimism, with panellists across both sectors buoyed by the recent positive news on vaccines and hopes that this will provide the basis for a broad reopening of the economy in the coming months.

Panellists are widely forecasting a strong uplift in demand and activity once restrictions are lifted, with consumers expected to draw down on any excess savings accrued during the pandemic.

Nonetheless, there remains much uncertainty about the future, especially around the evolution of the pandemic. Many firms are worried that if another wave of COVID-19 infections occurs, or current restrictions extend longer-than-expected, then business survival will become an increasing problem. Cashflow worries persist especially, whilst there are worries that a rise in unemployment and/or customer caution will stymie any recovery. The possibility of ongoing restrictions on tourism numbers also remains a noticeable concern.

### Spain business activity expectations



### Employment & Investment Plans

Assuming a positive uplift in economic activity and demand over the coming months, firms expect to take on additional staff with a net balance of +9% indicating forecasts for a rise in employment. That was a noticeable improvement on October's near eight-year low of -12% and was the first positive reading since mid-2019.

Nonetheless, highlighting a relatively cautious stance amongst companies, the net balance remained well below those recorded between 2014 and 2018.

Similar trends were seen for investment activity, with capital expenditure plans forecast to rise tentatively in the coming 12 months. The net balance of +5% was up from -7% in October and the highest for a year. Service providers (+6%) were slightly more optimistic than their manufacturing counterparts (+2%).

### Inflation Expectations

Amid concerns of the growing threat to profitability from generally higher goods and services prices, expectations with regards to cost inflation picked up during February. A net balance of +12% of firms signalled forecasts of a rise in non-staff costs, whilst a

net balance of +20% of companies anticipates a rise in staffing related expenses.

Firms will however seek to protect margins by increasing their own charges. A net balance of +6% of companies anticipates raising output prices, which is the highest reading since June 2019. Several respondents hoped to take advantage of a stronger demand environment, whilst also noting market competition may weaken dependent on the survivability of businesses from the pandemic. Manufacturers (+17%) were much more bullish about output charge inflation than service providers (+3%).

## Corporate Earnings

With output prices forecast to rise, and the economy predicted to recover strongly once vaccine rollout is achieved and restrictions on activity are significantly reduced, Spanish private sector companies are anticipating a strong recovery in profitability over the coming year.

A net balance of +15% of firms expects to experience an uplift in profitability, the best forecast for nearly three years. The improvement is set to be driven by service providers (+18%) who are much more optimistic than manufacturers (+5%).

### Comment:

Commenting on the Spain Business Outlook survey, **Paul Smith**, Economics Director at IHS Markit, said:

*“Spanish companies showed in February a much greater degree of confidence with regards to the future, with activity, profitability and employment prospects all brightening since last year.*

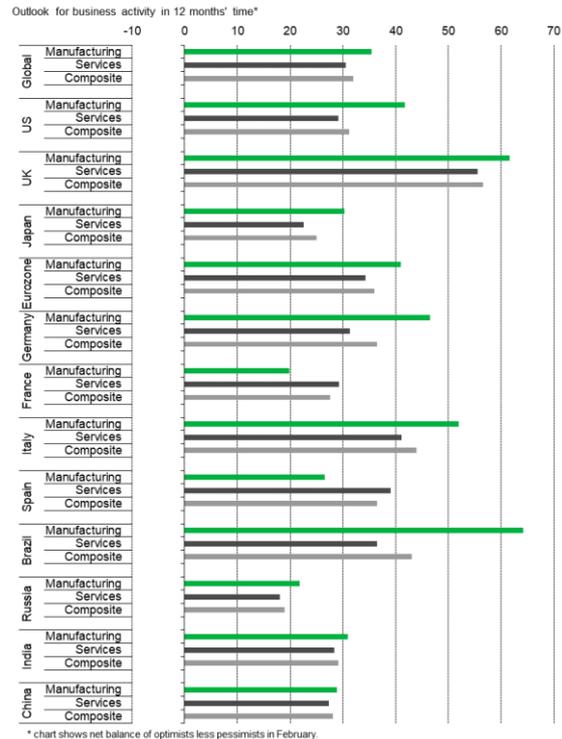
*“Underpinning the optimism are genuine hopes that the worst of the pandemic – and the associated economic restrictions – is coming to an end, with firms widely expecting a strong economic bounce-back.*

*“That said, there remains inevitable uncertainty on how the next few months will evolve, especially around foreign tourism, an important contributor to the Spanish economy. As such, firms retain a degree of caution with regards to investment and jobs commitments.*

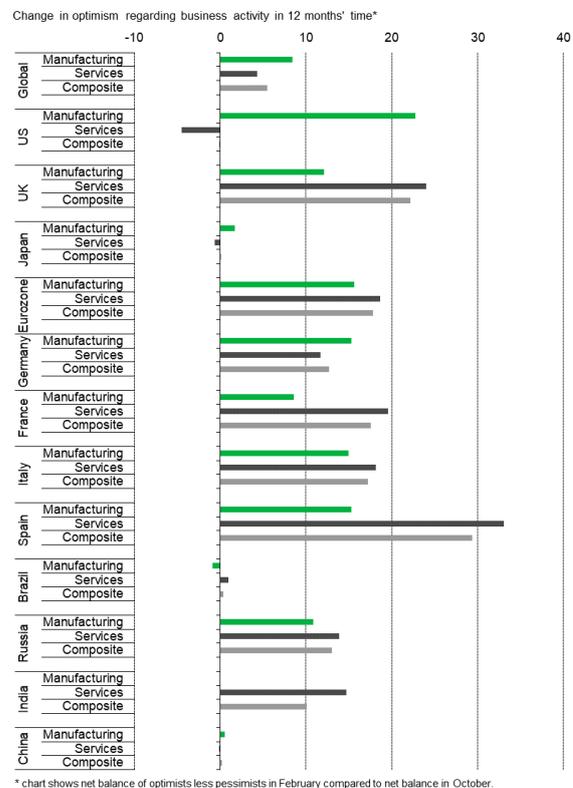
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Full data available on request from  
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## Business optimism in February



## How business activity expectations have changed since October



**For further information, please contact:****IHS Markit**

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**Notes to Editors:**

The Global Business Outlook Survey for worldwide manufacturing and services is produced by IHS Markit and is based on a survey of around 12,000 manufacturers and service providers that are asked to give their thoughts on future business conditions. The reports are produced on a tri-annual basis, with data collected in February, June and October. The latest survey was conducted between February 2 and 25.

Interest in the use of economic surveys for predicting turning points in economic cycles is ever increasing and the Business Outlook survey uses an identical methodology across all nations covered. It gives a unique perspective on future business conditions from Global manufacturers and service providers.

The methodology of the Business Outlook survey is identical in all countries that IHS Markit operates. This methodology seeks to ensure harmonization of data and is designed to allow direct comparisons of business expectations across different countries. This provides a significant advantage for economic surveillance around the globe and for monitoring the evolution of the manufacturing and services economies by governments and the wider business community.

Data collection is undertaken via the completion of questionnaires three times a year at four-month intervals. A combination of phone, fax, website and email are used, with respondents allowed to select which mechanism they prefer to use.

The Business Outlook survey uses net balances to indicate the degree of future optimism or pessimism for each of the survey variables. These net balances vary between -100 and 100, with a value of 0 signalling a neutral outlook for the coming 12 months. Values above 0 indicate optimism amongst companies regarding the outlook for the coming 12 months while values below 0 indicate pessimism. The net balance figure is calculated by deducting the percentage number of survey respondents expecting a deterioration/decrease in a variable over the next twelve months from the percentage number of survey respondents expecting an improvement/increase.

Questionnaires are sent to a representative panel of around 12,000 manufacturing and services companies spread across the global economy in the countries mentioned above. Companies are carefully selected to ensure that the survey panel accurately reflects the true structure of each economy in terms of sectoral contribution to GDP, regional distribution and company size. This panel forms the basis for the survey. The current report is based on responses from around 7,000 firms.

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