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IHS MARKIT SPAIN SERVICES PMI®

INCLUDING IHS MARKIT SPAIN COMPOSITE PMI®

Growth hits highest level since March 2000

KEY FINDINGS

Activity and new business rise substantially

Jobs growth strengthens to three-year high

Firms seek to pass on higher costs to clients

June 2021 data were collected 11-25 June 2021.

The recovery of the Spanish service sector picked up noticeable momentum during June, with growth rates for activity, new business and employment all strengthening. Confidence about the future was also the joint-highest since February 2004 as firms grew increasingly optimistic about economic activity as the adverse impacts of the COVID-19 pandemic recede.

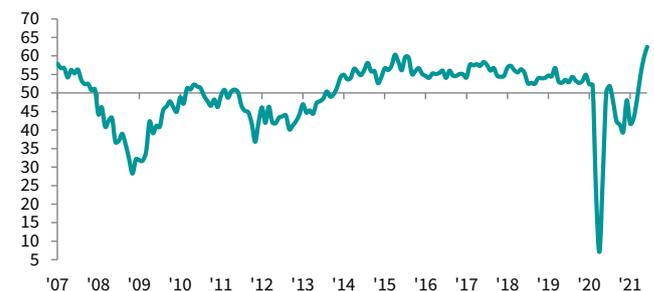
The strengthening performance of the sector was encapsulated by the headline Business Activity Index, which is based on a single question asking firms to comment on developments in their activity since the previous month. The index posted above the 50.0 no-change mark for a third successive month in June and, by reaching 62.5, up from 59.4, indicated the strongest growth of the sector since March 2000.

Underlying the fastest increase in activity for over 21 years was the continued easing of COVID-19 restrictions and the reopening of facilities previously shuttered due to the pandemic. Hospitality and transport services in particular benefited, and panellists generally reported a considerable uplift in demand. Similar to activity, growth in new work was the sharpest seen by the survey since June 2000, although demand sources were primarily domestic based. Although new export business continued to rise, the net gain was underwhelming relative to that seen for overall new work. Restrictions related to travel and tourism continued to limit foreign sales.

The sharp rise in overall new work tested service sector

Services Business Activity Index

sa, >50 = growth since previous month



Source: IHS Markit

capacity to a noticeable degree in June as indicated by a considerable uplift in backlogs of work. Rising for a third successive month, levels of work outstanding increased to the sharpest degree since July 2007 and this in part explained why firms sought to take on extra staff. The latest survey showed that employment rose for a third month in a row and to the sharpest degree in over three years.

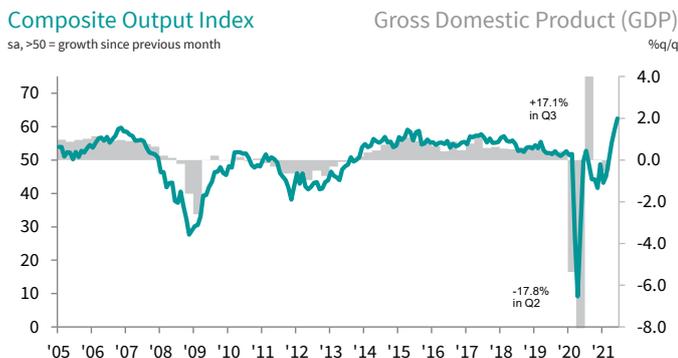
Expectations of rising activity also helped to support hiring. Confidence about the future rose to a level that matched April's 17-year high, with firms widely expecting the recent positive trend in growth to be sustained in the coming months. Indeed, over 60% of survey respondents indicated positive projections, buoyed by the rollout of vaccinations and the expected continued easing of COVID-19 restrictions.

Finally, a wide range of goods and services were reported to have risen in price during June. These included increased costs related to fuel, transportation, and utilities, plus a general rise in employee-related expenses. This served to underpin the sharpest increase in overall input costs since July 2008.

Responding to higher operating costs, and benefiting from firmer market demand, service providers raised their average output charges to the strongest degree since February 2000.

IHS MARKIT SPAIN COMPOSITE PMI®

Private sector growth highest since early 2000



Sources: IHS Markit, INE.

Private sector activity continued to increase during June, rising for a fourth successive month and to the strongest degree seen since February 2000. This was highlighted by the Composite Output Index* which recorded 62.4, up from 59.2 in May. Growth rates were similarly sharp across both the manufacturing and service sectors.

Underpinning the positive and accelerated rise in activity was another month of sharp gains in new business volumes. Services led the way, and overall new business growth increased at the sharpest rate in over 21 years. Capacity came under pressure as a result, with a series record increase in private sector backlogs recorded.

Jobs were subsequently created across the manufacturing and service economies, with the net increase the best since the start of 2007. Confidence about the future helped to support hiring activity: private sector optimism hit its highest ever level in June.

Meanwhile, a record rate of input price inflation was seen, with both sectors experiencing rapid rises in their costs. This helped to explain a record increase in output charges.

*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 service sector lifted off in June, as restrictions on economic activity continued to be eased and market activity subsequently jumped. Benefiting from noticeably higher sales, Spanish service providers enjoyed their best aggregate increase in activity since early 2000.

“Of note, sectors related to hospitality are enjoying a resurgence in activity, although perhaps of some worry will be the relative weakness in tourism, with restrictions and challenges on travel from key markets such as the UK weighing on growth.

“If these issues can be resolved then Spain will be on course for an even stronger growth profile in the coming months. Firms are certainly optimistic, with sentiment improving to a level that matched April’s multi-year high and, reflective of the strengthening economic environment, companies ramped up their prices to the strongest degree since early 2000.”

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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.

June 2021 data were collected 11-25 June 2021

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

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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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