

IHS MARKIT SPAIN SERVICES PMI®

INCLUDING IHS MARKIT SPAIN COMPOSITE PMI®

New order growth accelerates as demand continues to improve

KEY FINDINGS

Continued marked rises in output and new orders

Firms add to staffing levels

Business confidence remains elevated

August 2021 data were collected 12-25 August 2021.

The recent run of expansion in the Spanish service sector continued in August, with further sharp expansions in business activity and new orders recorded. Companies also remained confident that growth will continue over the year ahead. Rising workloads supported ongoing job creation, while cost pressures remained elevated.

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, remained well above the 50.0 no-change mark in August, posting 60.1. Although dipping from July's reading of 61.9 and further below June's 21-year high, the rate of expansion signalled by the index was again substantial. Business activity has now risen in each of the past five months.

Companies again linked higher activity to stronger customer demand as the COVID-19 pandemic situation improved. This was also a factor behind a further expansion of new business, which increased at a slightly faster pace than in July. There were also further signs of improvement in international demand as new export orders rose for the fourth month running and at the fastest pace since July 2015. That said, the expansion in new export business remained much weaker than that seen for total new orders.

Ongoing marked increases in new business continued to add pressure to capacity in the service sector, with backlogs of work accumulating for the fifth month in a row. The marked increase in August was only slightly slower than the 21-and-a-half year high posted in July.

Services Business Activity Index

sa, >50 = growth since previous month



Source: IHS Markit

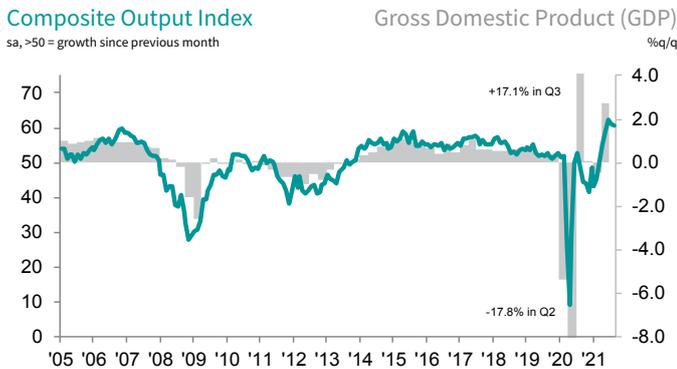
Efforts to expand capacity by increasing workforce numbers continued as companies responded to improving demand conditions. Employment has risen in each month since April. In some cases companies were able to supplement staffing levels by welcoming back employees from furlough. This was particularly the case in the Hotels & Restaurants sector.

The rate of input cost inflation remained elevated despite easing for the second month running. Higher energy costs were widely reported by companies, with rising wages and material prices also mentioned. Higher input costs and an improving demand environment led service providers to raise their charges in August. That said, the rate of inflation slowed and was only modest, with selling prices rising at a much softer pace than input costs.

The prospect of a reduction in the impact of the COVID-19 pandemic over the coming year, in large part thanks to the vaccination programme, supported confidence in the 12-month outlook for business activity. Companies remained strongly optimistic, with the level of sentiment well above the series average despite easing slightly for the second month running.

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Business activity up sharply again in August as new order growth accelerates



Sources: IHS Markit, INE.

Private sector activity in Spain continued to increase rapidly midway through the third quarter of the year. The seasonally adjusted Composite Output Index* posted 60.6, down from 61.2 in July and easing further from the near-record high seen in June, but nonetheless highlighting a substantial improvement in output.

Strong growth was seen across both the manufacturing and service sectors. The rate of expansion in manufacturing production hit a near-record pace in August, while the rate of growth in services activity remained sharp despite easing.

New order growth accelerated from that seen in July, in line with a faster pace of expansion in the service sector. Meanwhile, new export orders increased for the sixth month running, and at a marked pace.

Employment rose for the fifth successive month, although as was the case with activity the rate of expansion ticked down. Despite further increases in capacity, backlogs of work continued to be accumulated.

Rates of input cost inflation remained elevated, particularly in the manufacturing sector. In turn, firms raised their own selling prices, albeit at the slowest pace since April.

With the pandemic situation showing further signs of improvement, companies remained strongly optimistic regarding the 12-month outlook for output.

*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, Andrew Harker, Economics Director at IHS Markit said:

“The current strong growth phase in the Spanish service sector was sustained during August as the economy continues to benefit from a loosening of lockdown restrictions and successful vaccine rollout. With new orders rising at a faster pace, firms were keen to hire additional staff, including welcoming back more workers from furlough.

“There were some positive signs on international demand as new export business increased to the greatest extent for six years. The expansion was still short of that seen for total new orders, however, as international travel remains some way from normality. Companies will be hoping that international travel can open up more soon to help boost the sector as the summer season draws to a close.”

CONTACT

IHS Markit

Andrew Harker
Economics Director
T: +44-1491-461-016
andrew.harker@ihsmarkit.com

Joanna Vickers
Corporate Communications
T: +44 207 260 2234
joanna.vickers@ihsmarkit.com

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.

August 2021 data were collected 12-25 August 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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e-mail: info@aerce.org, website: www.aerce.org.