In February, the Banco de España conducted the second round of its Business Activity Survey (EBAE) to obtain first-hand information about firms’ activity in the current quarter and about the immediate outlook. Similarly to the first wave launched in November last year, the survey compiles qualitative information about turnover, employment and prices. Furthermore, given the current setting, additional questions were included on the impact of the pandemic and the strategies that businesses intend to adopt in the coming months in response. The survey questionnaire was sent, on 18 February, to a sample comprising 13,000 firms, 44.5% of which typically respond to Central Balance Sheet Data Office (CBSO) surveys. This box compiles the responses to the questionnaire received up to 3 March. Overall, the firms’ response has been very satisfactory, with 4,855 responses received in total (a response rate of 37.2%).

Chart 1 summarises the view the firms have provided in the first two rounds of the EBAE about their future turnover and employment, both in the quarter when the survey was conducted and the following quarter. Their opinions are summed up in the chart in an index which translates their qualitative responses into a numerical indicator. Based on this methodology, non-financial corporations in Spain reported that turnover is performing negatively in 2021 Q1, which reflects the effects of the resurgence of the pandemic after the Christmas period and of the restrictions approved by the authorities to contain it. Specifically, 45.4% of the firms surveyed envisage that their turnover will fall in the quarter and only 13.3% expect it to improve. Compared with the November survey, these responses show a deterioration in respect of both the assessment of 2020 Q4 made at that time and of the outlook expected for 2021 Q1.

When the firms are asked about the factors shaping their activity, the results are very similar to those of Q4: high uncertainty about how the pandemic and economic policy will unfold and falling demand are the two factors reported as having the greatest negative impact on turnover.

Turning to the short-term outlook, the firms surveyed anticipate an improvement for Q2 – the quantitative indicator in the chart shows a slightly positive value – stemming from the fact that, for the first time since end-2020, the firms expecting their turnover to improve (32.6%) outnumber those expecting a further deterioration (23.2%). By sector, the most adverse perception of developments in this quarter is concentrated in the services that have been hardest hit by the restrictions, such as hospitality and leisure and entertainment (see Chart 2). Looking ahead to Q2, the improvement in expectations is quite widespread by sector and, highly significantly, includes sectors which have performed less favourably in recent times.

In terms of employment, the firms surveyed described a similar picture, with Q1 being rather more negative than they had anticipated at the end of last year and an improvement expected for Q2. In symmetry with the previous round, when firms indicated that turnover was performing less well than employment, in the latest survey expectations for improvements in employment are lower than expectations for improvements in turnover. This is indicative of the fact that, as is to be expected, fluctuations in firms’ sales are not generally fully reflected in employment demand.

Firm size continues to be one of the key factors that explain the latest developments in both turnover and employment, with smaller firms reporting a worse perceived performance in Q1, as well as less favourable expectations for Q2 (see Chart 3).

Regarding prices (see Chart 4), firms report having faced higher input costs, probably related to higher commodity prices. This increase in prices exceeded that observed at end-2020, and expectations at that time for early 2021, and is quite widespread across the different branches of activity. Nevertheless, firms in the industrial, retail and transportation sectors report the highest increase in the price of their inputs in Q1. Prices are expected to increase somewhat more moderately in Q2. As in the last quarter, input costs appear to be squeezing firms’ margins, as the firms surveyed report that the price of their products or services has fallen slightly in the quarter. But this decline is somewhat less than in the previous quarter, and they

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1 The response rate is a significant increase on the response rate of the first wave which was 30.9%.
2 The findings presented in this box were calculated using weights which replicate the employment distribution in the Statistics of Firms Registered with Social Security by strata according to sector (15) and size (4). The results of the first and second wave are compared using weighted data and, consequently, some values provided now may not coincide with the information published in December.
3 The firms’ qualitative responses and the assigned values are mapped as follows: steep decrease = -2, slight decrease = -1, stable = 0, slight increase = 1, steep increase = 2.
Box 6
BANCO DE ESPAÑA BUSINESS ACTIVITY SURVEY (EBAE) (cont’d)

Chart 1
QUARTERLY CHANGE IN TURNOVER AND EMPLOYMENT
Index calculated as steep decrease = -2, slight decrease = -1, stable = 0, slight increase = 1, steep increase = 2.

Chart 2
QUARTERLY CHANGE IN TURNOVER AND OUTLOOK BY SECTOR
Index calculated as steep decrease = -2, slight decrease = -1, stable = 0, slight increase = 1, steep increase = 2.

Chart 3
QUARTERLY CHANGE IN TURNOVER AND EMPLOYMENT BY FIRM SIZE
Index calculated as steep decrease = -2, slight decrease = -1, stable = 0, slight increase = 1, steep increase = 2.

Chart 4
QUARTERLY CHANGE IN PRICES
Index calculated as steep decrease = -2, slight decrease = -1, stable = 0, slight increase = 1, steep increase = 2.

Chart 5
MEASURES EXPECTED FOR 2021 H1 BY FIRM SIZE

Chart 6
FIRMS REPORTING THAT THEY INTEND TO SUBMIT PROJECTS FOR NGEU FUNDING, BY SECTOR

SOURCE: EBAE.
expect prices to hold steady in Q2. By sectors, product prices in the activities most affected by the crisis, namely hospitality and leisure and entertainment, continue to fall.

Lastly, firms were asked how likely they were to take certain measures in H1 to adapt to the consequences of COVID-19. Chart 5 shows the proportion of firms reporting that they will certainly or very likely implement each of the measures. It also depicts the breakdown of this percentage by firm size. As the chart shows, investment in new technologies and the adoption of teleworking are the two measures that the highest proportion of Spanish firms report they intend to take in the near future in response to the changes deriving from the crisis. In both cases there are significant differences by firm size, with smaller firms being less willing to adopt these measures. This could reflect their lower responsiveness to the crisis.

Similarly, although in this case there is less difference by firm size, smaller firms expect it will be more difficult for them to reinstate furloughed workers and open up new markets. By contrast, in relative terms, they expect to resort more than medium-sized and large firms to reductions in existing investment plans, applications for new ICO-backed credit lines, shorter working hours or wage cuts for their employees and, ultimately, suspension of activity. To conclude, 19.7% of the firms surveyed report that they intend to submit projects for Next Generation EU (NGEU) funding; this percentage is only slightly higher for large firms (22.2% for those with more than 250 employees). In this case, the differences by business sector are more pronounced, with firms in the industrial, hospitality, and information and communication services sectors being the most resolved to opt for these projects (see Chart 6).