

News Release

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
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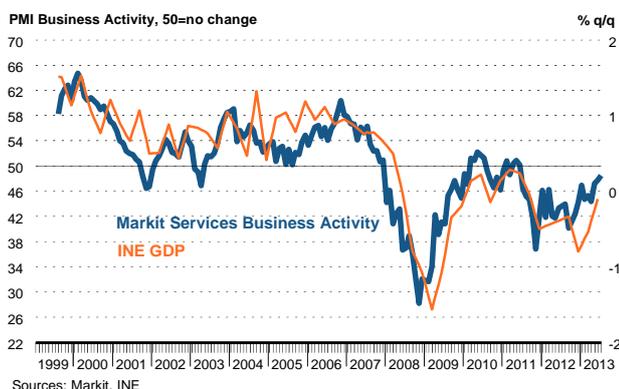
Markit Spain Services PMI[®]

Decline in activity slows for third month running

Key points:

- Weakest fall in activity for more than two years
- Marginal reduction in new orders
- Input costs decrease for first time in three months

Historical overview:



Summary:

The Spanish service sector remained in decline during July, but moved closer to stabilisation. Activity and new business each fell at reduced rates, while companies reduced their staffing levels to a lesser extent. Input costs decreased for the first time in three months and this, allied with strong competitive pressures and attempts to secure new business, led to a further sharp drop in output prices.

The headline seasonally adjusted Business Activity Index – which is based on a single question asking respondents to report on the actual change in business activity at their companies compared to one month ago – moved closer to stabilisation in July, posting 48.5 from 47.8 in June. This was the third successive month in which the rate of decline in activity has slowed, and the latest reduction was

the weakest in the current 25-month sequence of contraction.

The economic crisis continued to weigh on the sector, according to panellists. Activity decreased across all six monitored sectors, with the sharpest decline recorded at Hotels & Restaurants.

New business also fell in July, extending the current period of decline to 25 months. That said, the rate of contraction eased to the slowest in this sequence, and was only marginal. Any improvements were reportedly largely reflective of higher new orders from international markets, while strong competition and the loss of clients were mentioned by companies that saw a reduction.

With new orders continuing to fall, firms were able to work through outstanding business during the month. Backlogs of work decreased at a solid pace, albeit one that was the slowest in 25 months.

The rate of job cuts also slowed in July, and was the weakest in almost two years. However, service providers again reported having made adjustments to staffing levels in line with falling demand. Job creation was recorded at Post & Telecommunications and Financial Intermediation companies, but job shedding was seen elsewhere.

Input prices decreased for the first time in three months amid lower staff costs. That said, the pace of reduction was only slight as some companies reported higher fuel prices.

The fall in input costs helped enable companies to offer discounts to their clients again in July. The rate of decline in output prices quickened over the month. Panellists also reported that attempts to stimulate demand and strong competition had been behind the latest drop in charges.

Business sentiment was broadly unchanged over the month, and remained positive amid signs of

tentative improvements in economic conditions. The launch of new projects was also cited as likely to support growth of activity over the coming year.

Comment:

Commenting on the Spanish Services PMI[®] survey data, Andrew Harker, senior economist at Markit and author of the report said:

“The Spanish service sector came close to a change of momentum in July, with the rate of contraction in activity easing further during the month. Should this current trend be built upon, we could be in line to see a return to growth of GDP by the end of the year. This remains far from assured, however, with service providers continuing to highlight the effects of the economic crisis in their responses to the latest survey.”

-Ends-

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Notes to Editors:

The Spain Services *PMI[®]* (*Purchasing Managers' Index[®]*) is produced by Markit Economics. The report features original survey data collected from a representative panel of over 300 companies based in the Spanish service sector.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact economics@markit.com.

The *Purchasing Managers' Index[®]* (*PMI[®]*) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries (including the European Central Bank) use the data to help make interest rate decisions. PMI surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

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About PMIs

Purchasing Managers' Index[®] (*PMI[®]*) surveys are now available for 32 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. To learn more go to www.markit.com/economics.

About AERCE

The Spanish Association of Purchasing Managers and Supply. Established in 1981, it encompasses approximately 1600 members, distributed across ten sections. AERCE represents Spain in the International Federation of Purchasing and Supply Management (I.F.P.S.M).

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