

News Release

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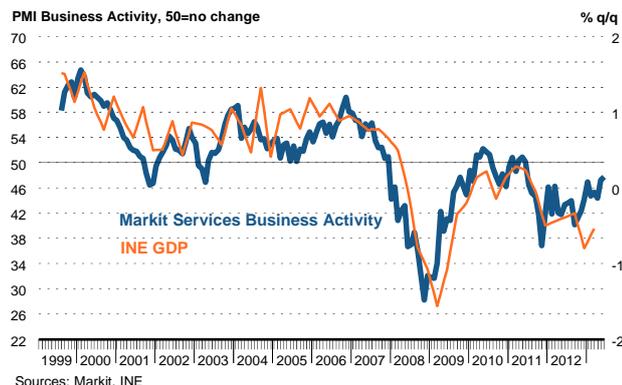
Markit Spain Services PMI[®]

Slowest decline in activity for two years

Key points:

- Slower reductions in activity and new business
- Cost inflation remains marginal
- Optimism strongest since July 2011

Historical overview:



Summary:

The Spanish service sector moved closer to stabilisation in June as rates of decline in activity, new business and work-in-hand all slowed. There was also a marked improvement in optimism during the month. That said, employment continued to fall at a marked pace. Meanwhile, the rate of input cost inflation was only marginal and companies lowered their output prices again.

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 – rose for the second month running to 47.8 in June, from 47.3 in the previous month. This indicated a modest reduction in activity that was the slowest in the current sequence of decline, which now extends to two years.

Those respondents that saw a reduction in activity

mainly linked this to the ongoing economic crisis in Spain. Financial Intermediation posted an increase in activity, while the remaining sectors all posted decreases, led by Hotels & Restaurants.

New business also declined at a weaker pace during June. The slight reduction was the slowest in 22 months. Respondents noted that client demand continued to deteriorate in the face of worsening economic conditions.

Alongside slower reductions in activity and new business, backlogs of work were depleted at a weaker pace. The latest fall in outstanding business was solid, but the slowest in two years.

Spanish service providers continued to lower their staffing levels in line with falling sales. The rate of job cuts remained solid, and was broadly in line with that seen in May. Employment decreased most quickly at Transport & Storage companies, with only Financial Intermediation recording an increase.

The rate of input cost inflation remained marginal in June, and slowed slightly from the previous month. A number of respondents indicated that suppliers had had to lower their charges in response to weak demand. Costs fell at firms in the Post & Telecommunications, Renting & Business Activities and Transport & Storage sectors.

Companies continued to lower their output prices as competition for new work remained strong. Although the rate of decline remained marked, it eased for the second successive month.

Business sentiment picked up to the strongest in close to two years in June as companies reported signs that the economic crisis is easing. That said, optimism was still weaker than the series average, and Hotels & Restaurants predicted a drop in activity over the next 12 months. Financial Intermediation was the most optimistic sector.

Comment:

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

“The latest PMI data for the Spanish service sector reinforce the impression that the severity of the current recession is easing. Combined with a similar trend in the manufacturing PMI data, we would expect to see a slower rate of contraction in Q2 GDP than the 0.5% decline seen in Q1. While this is promising, we are likely to still be some way from seeing an end to recession and return to sustainable growth.”

-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.

About Markit

Markit is a leading, global financial information services company with over 2,800 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial marketplace. For more information please see www.markit.com

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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