

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

New order growth eases to 20-month low in August

Key findings:

- Weaker rise in new orders as growth of activity remains relatively muted
- Further sharp increase in employment, but at weaker pace
- Optimism at five-year low

Data collected August 13-28

The Spanish service sector continued to record solid growth during August, but rates of expansion were generally much weaker than earlier in 2018. Business activity increased at a pace little-changed from July's recent low, while new orders rose at the slowest pace since the end of 2016. The rate of job creation also softened, while signs of demand easing led business sentiment to drop to a five-year low.

Meanwhile, higher fuel costs fed through to a marked increase in input prices. The rate of output price inflation was modest, however, amid efforts to stimulate demand.

The headline seasonally adjusted Business Activity Index posted 52.7 in August, broadly unchanged from July's 56-month low of 52.6. The latest reading signalled a solid monthly rise in activity, albeit one that was notably slower than the peak seen in the first quarter of the year. Where activity rose, panellists reported improving economic conditions.

Mixed trends were seen across the broad sectors covered by the survey. Growth was recorded in the Transport & Storage, Financial Intermediation and Renting & Business Activities categories, but declines were registered elsewhere.

The rate of expansion in new business eased for the fifth successive month in August and was the slowest since December 2016. Financial

IHS Markit Spain Services PMI v Official data



Intermediation and Transport & Storage registered the fastest rises in new orders.

Despite weaker growth of new business, backlogs of work increased at a faster pace. Panellists attributed higher outstanding business to a recent weakening in the pace of expansion in output. Work-in-hand increased for the fourth month running.

Although the rate of job creation also slowed in August, it remained elevated and was one of the strongest in the past 11 years. Employment has now increased in each of the past 47 months.

Worries about recent signs of demand easing led to a fourth successive drop in confidence among Spanish service providers. On balance, companies remained optimistic that activity will increase over the coming year, but sentiment fell to the lowest in five years. Those firms expecting continued growth of activity mentioned improving market conditions, the launch of new products and greater commercial activity.

Efforts to stimulate demand led some companies to lower output prices in August. That said, other service providers raised charges in response to higher costs. Output prices increased at a slight pace overall.

Input costs continued to rise sharply, albeit at the weakest pace in 2018 so far. Higher fuel prices were widely mentioned, and Transport & Storage firms posted the fastest rise in input costs.

Comment

Commenting on the PMI data, Andrew Harker, Associate Director at IHS Markit said:

“The Spanish service sector looks to be settling in to a weaker growth phase during the third quarter of

the year, with activity rising at a similar pace in August to that seen in July. The trend in new business is something of a concern, with growth now having slowed in five successive months. These signs of demand weakness have hit confidence among service providers.

“On a more positive note, the sector remains comfortably inside expansionary territory, and the labour market is showing resilience as companies continued to hire extra staff at a rapid rate.”

-Ends-

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Note to Editors:

The Spain Services *PMI*[®] (*Purchasing Managers' Index*[®]) is produced by IHS Markit. The report features original survey data collected from a representative panel of around 350 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.

IHS 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 IHS Markit. 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. To learn more go to <https://ihsmarkit.com/products/pmi.html>.

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