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IHS MARKIT SPAIN SERVICES PMI®

INCLUDING IHS MARKIT SPAIN COMPOSITE PMI®

Business activity rises at fastest pace in seven months

KEY FINDINGS

Sharper expansion of activity, but new order growth slows

Rate of job creation at six-month high

Business confidence improves for fourth month running

The Spanish service sector saw growth of activity quicken in January, despite a softer increase in new work at the start of the year. Companies were encouraged to take on extra staff at a faster pace, while business confidence improved. Meanwhile, input prices rose at a slightly softer pace, but output charge inflation ticked up.

The headline Business Activity Index rose to 54.7 in January from 54.0 in December. The latest reading signalled a marked monthly rise in activity that was the greatest since June last year. Services activity has now increased in each of the past 63 months, with panellists linking the latest rise to higher new orders.

The Transport & Storage sector again posted the sharpest increase in activity of the broad sectors covered by the survey, with only Hotels & Restaurants signalling a reduction.

Although new business continued to expand in January, the rate of expansion eased to a 25-month low. Respondents signalled greater client demand in general, but some signs of hesitancy among customers when committing to new projects. While total new orders rose again, there was a further reduction in new business from abroad. New export orders decreased for the sixth successive month, albeit marginally.

Outstanding business rose only fractionally at the start of 2019, with the latest accumulation the weakest in the current nine-month sequence of increasing backlogs.

Service providers increased their staffing levels at a sharp and accelerated pace amid rising demand and the securing

Services Business Activity Index
sa, >50 = growth since previous month



Source: IHS Markit

of new clients. The rate of job creation was the fastest since July last year. Rises in employment were recorded across all monitored sectors, with the fastest jobs growth at Transport & Storage companies.

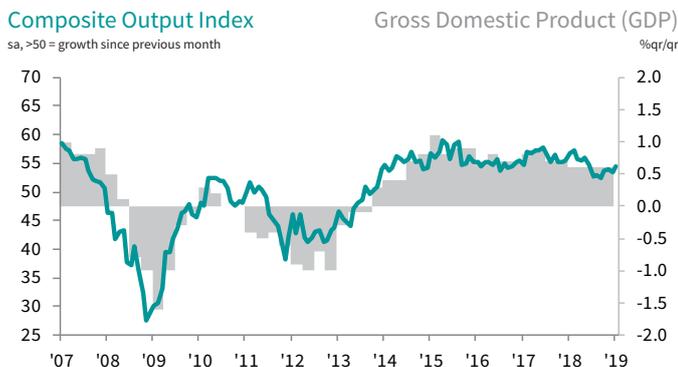
Companies took on extra staff amid improving sentiment regarding the 12-month outlook for activity. Confidence strengthened for the fourth month running from last September's five-year low, with new strategies and improving economic conditions set to help support growth.

Input costs continued to rise at a sharp pace in January, and one that was above the series average. This was despite the rate of inflation softening to a four-month low. Where input prices increased, panellists often linked this to higher staff costs.

Service providers responded to increases in input costs by raising their output prices accordingly. Charges were up for the ninth month running, and to the greatest extent since March 2018. Some panellists also indicated that improving demand enabled them to raise the prices for their products at the start of 2019.

IHS MARKIT SPAIN COMPOSITE PMI®

Output growth at seven-month high at start of 2019



Sources: IHS Markit, INE.

The Composite Output Index* signalled a pick-up in growth at the start of 2019. At 54.5, the latest reading was up from 53.4 in December and pointed to a solid monthly expansion of activity that was the fastest since June last year.

Both the manufacturing and service sectors saw output rise more quickly than in December, with services continuing to signal the sharper pace of expansion.

Business confidence also picked up across both monitored sectors in January. Overall, sentiment was the most positive since June 2018.

Higher output requirements and positive expectations encouraged companies in Spain to take on extra staff. Employment rose for the fifty-eighth month running, and at the fastest pace since last August.

Less positive was a slowdown in the rate of new order growth to the weakest since October 2013. A faster rise in manufacturing new orders was outweighed by a slowdown in growth in the service sector.

On the price front, the rate of input cost inflation softened to a 16-month low, with weaker increases seen across both monitored sectors. Output prices rose at a slightly faster pace than in December, albeit one that was still only modest.

**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, Paul Smith, Economics Director at IHS Markit said:

"Spain's private sector had a strong start to 2019, with business activity rising at the quickest pace for seven months. Encouragingly, both manufacturers and service providers noted steeper rates of expansion compared to December, which fed through to improved confidence towards the year-ahead and further job creation.

"However, the data also highlighted a weaker gain in overall new work, driven by the softest increase in sales across the service sector for 25 months. At the same time, the trend in export sales was relatively subdued to suggest that momentum may weaken unless demand conditions improve."

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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.

January 2019 data were collected 11-28 January 2019.

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. To learn more go to ihsmarkit.com/products/pmi.html.

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