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## IHS MARKIT SPAIN SERVICES PMI®

INCLUDING IHS MARKIT SPAIN COMPOSITE PMI®

### Service sector growth falls to seven-month low in April

#### KEY FINDINGS

Political uncertainties limit growth

Confidence down to lowest level since August 2013

Rising employment costs add to higher operating expenses

The Spanish service sector registered a noticeable slowdown in growth of activity during April amid reports that political uncertainty had led to some projects being put on hold. New business growth also softened, whilst confidence about the future slumped to its lowest level since mid-2013.

Nonetheless, companies took on additional staff at a faster rate, albeit at the price of raising average salary costs which in turn led to another noticeable increase in operating expenses.

After accounting for seasonal factors, April's headline Business Activity Index registered a level of 53.1. Although indicative of solid growth, the index was well down on March's 56.8 and the lowest reading recorded for seven months.

There were a number of reports from panellists that political uncertainties had led to the postponement of several projects in April and also weighed on optimism about the future. Although firms remain on average optimistic regarding activity levels in 12 months' time, confidence was at its lowest level in over five-and-a-half years.

Nonetheless, wider market activity was widely reported to have held up well during the latest survey period and resulted in another marked gain in new business volumes. Although growth was not as strong as March's ten-month high, it remained comfortably above the survey's long-term trend.

Growth was, however, skewed to the domestic market. Although new business volumes from abroad rose for the

Services Business Activity Index

sa, >50 = growth since previous month



Source: IHS Markit

second time in the past three months, they did so only marginally.

Meanwhile, there was evidence of rising capacity pressures during the latest survey period. Backlogs of work increased modestly, but nonetheless at the strongest pace recorded by the survey since November 2018. Companies reported that higher overall workloads continued to reflect the positive flow of incoming new business.

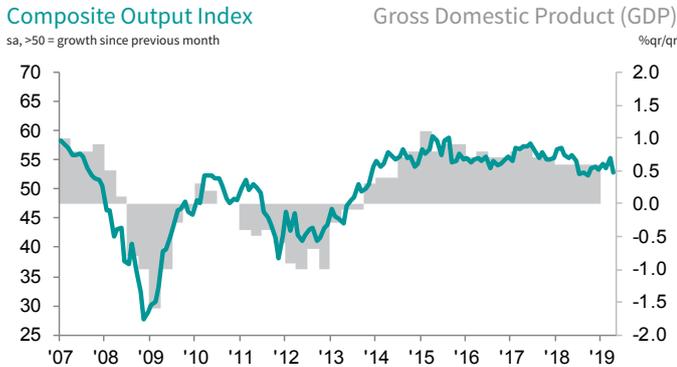
In response, firms continued to take on additional staff. April's survey showed another strong gain in employment, with growth reaching its highest level since last July. Moreover, jobs growth has now been recorded continuously for just over four-and-a-half years.

Taking on additional staff reportedly added to cost burdens during April, with average salaries said to be higher than in March. With reports also of higher fuel costs, overall operating expenses were reported to have increased again at a noticeable rate.

A number of service providers sought to protect margins by raising their own charges. However, competitive pressures meant that the degree to which charges rose was the weakest in 2019 so far.

## IHS MARKIT SPAIN COMPOSITE PMI®

## Growth of private sector softens to weakest in seven months



Sources: IHS Markit, INE.

April's Composite Output Index\* indicated a notable slowdown in growth of the Spanish private sector economy. After accounting for seasonal factors, the respective index fell to 52.9, comfortably above the 50.0 no-change mark, but nonetheless the lowest level for seven months.

Weaker growth was centred on the services economy, where activity rose at its weakest pace since last September. Although the manufacturing sector lagged services in terms of absolute growth, output amongst goods producers rose at its highest rate for three months during April.

New business volumes continued to rise in April, with growth easing since March but nonetheless holding up relatively better than activity. According to anecdotal evidence, market demand remained positive, though there were some reports of political uncertainty leading to delays in spending decisions. This was also reported by service providers as a reason for reduced confidence – April's survey data showed overall business optimism at its lowest level since last November.

On the jobs front, private sector employment continued to rise at a strong rate (the best in three months), although firmer demand for workers helped to underpin higher salaries and another marked net rise in overall costs.

\*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 service sector stuttered at the start of the second quarter, with the rate of activity expansion falling on the back of heightened political uncertainties ahead of the elections at the end of April. Moreover, confidence regarding the future also deteriorated, reaching its lowest level in over five-and-a-half years."*

*"Whilst the latest headline figures are suggestive of a slowdown of the economy, ongoing gains in new work and employment provide some hope that April's growth setback will prove to be temporary."*

## CONTACT

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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.

April 2019 data were collected 10-25 April 2019.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto: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](http://ihsmarkit.com/products/pmi.html).

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AERCE is a member of the International Federation of Purchasing and Supply Management (IFPSM).

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