

EMBARGOED UNTIL: 00:01 (UTC) July 15th 2019

IHS Markit Spain Business Outlook

Business confidence little changed during June

Key findings:

- Manufacturers record notable slump in sentiment, but service providers experience small uplift
- Trade and political uncertainties continue to dominate outlook
- Jobs and price forecasts move broadly sideways

Data collected June 12-25

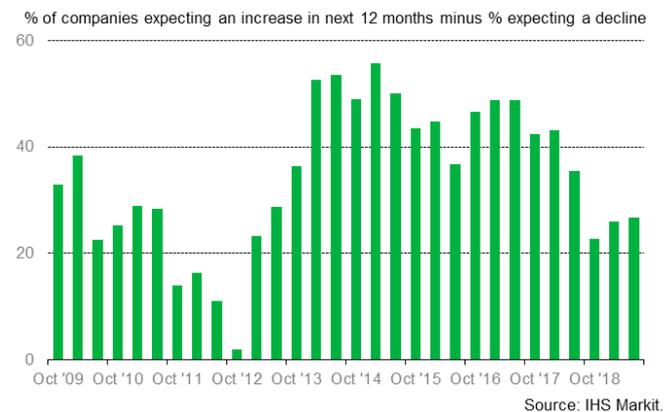
Business confidence amongst Spanish private sector companies has held broadly steady in mid-2019, though this masked noticeably divergent trends amongst manufacturers and service providers.

The net balance of companies forecasting an increase in activity from present levels in 12 months' time edges up to +27% in June, compared to +26% in February and a one-year high.

However, manufacturers register a noticeable slump in confidence, as signalled by the respective net balance dropping noticeably to +19%, from +27% in February. That is the lowest level recorded by the survey since late-2012 and reflects growing concerns with regards to the commercial impacts of the US-China trade war and worries over a wider global economic slowdown. Political instability related to Brexit and wider geopolitical uncertainties are also cited as reasons to be downbeat.

In contrast, service providers register an improvement in confidence to a three-survey high. The net balance of +29% compared to +26% in February amid hopes that previous investments would pay off in the coming year and that opportunities to operate in new markets and develop company services would persist. However, service providers remain concerned over growing competition from emerging markets, especially in areas such as tourism, and the ongoing global trend towards digitisation.

Spain business activity expectations



Employment & Investment Plans

In a similar vein to business activity, employment plans are little changed at the composite level in June but diverge noticeably by sector.

The overall net balance for employment is +12%, compared to +11% in February. However, for manufacturers, the net balance is just +5%, the lowest reading since the start of 2013 and a noticeable downshift in plans compared to the positive projections recorded in 2017 and the first half of 2018. For service providers, the respective net balance of +14% is a one-year high.

Capital investment intentions are also more positive amongst service providers, though both sectors have recorded weaker readings than earlier in the year. At +9%, the net balance for manufacturers is also the lowest registered since June 2013.

Inflation Expectations

On the cost front, operating expenses are projected to rise again during the next year. Although higher fuel and energy bills remain a concern for many companies, the forecasted rise in non-staff costs is much lower than it was a year ago (net balance: +19%).

Meanwhile, the respective overall staff costs balance is down slightly at +33%, compared to +35% in the previous survey. Service providers (+37%) register much greater expectations than manufacturers (+21%).

Firms are also at their least confident in the past four years with regards to their own prices. Worried about the impact of rising competition from online rivals, plus companies based in emerging markets, a net balance of just +8% of firms forecast a rise in charges from present levels over the coming year.

Corporate Earnings

In line with a relatively subdued outlook for activity, business confidence with regards to profitability is slightly lower – and remains noticeably lower than in 2017 and much of 2018. Indeed, at +11%, the respective net balance is amongst the lowest readings recorded by the survey since late-2013.

Manufacturers record a noticeable reduction in profit expectations (net balance: +13%, compared to +19% in February), whilst service providers have seen little change (net balance: +11%, from +12%).

Comment:

Commenting on the Spain Business Outlook survey data, **Paul Smith**, Economics Director at IHS Markit, said:

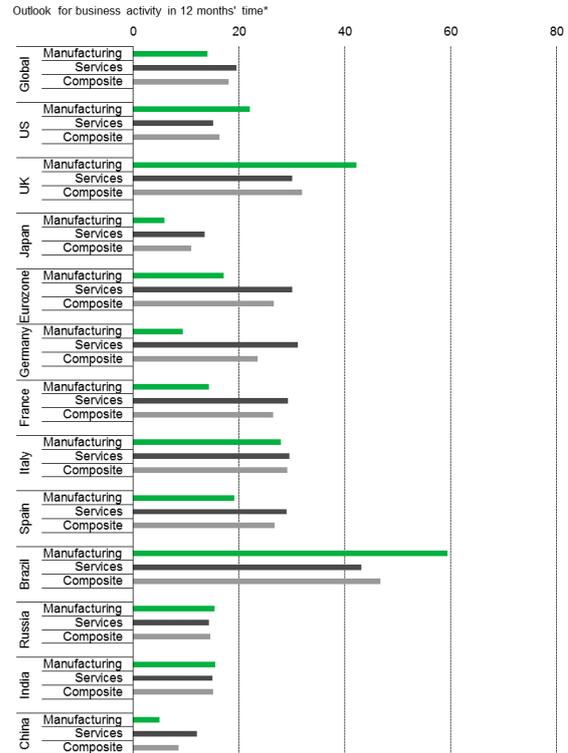
“Business confidence amongst Spanish firms may be little changed in June, but this covered up a notable divergence at the sector level. Whilst service providers signalled some improvement in their optimism, manufacturers were at their least confident in over six-and-a-half years, with sentiment weighed down by ongoing worries over the commercial effects of the US-China trade war and ongoing political uncertainties.”

“If these issues persist, and the manufacturing downturn continues, the chances of spill-over into services will inevitably rise – and raise the prospect of a marked slowdown of the Spanish economy in the second half of 2019 and into 2020.”

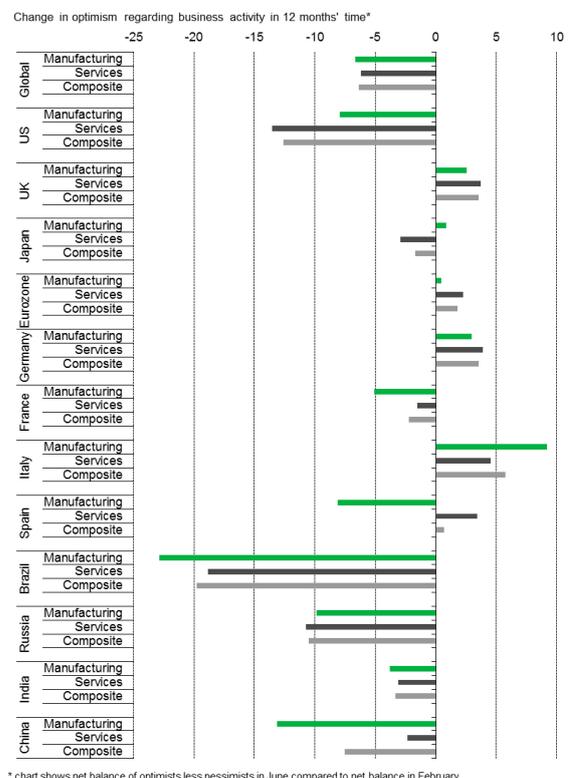
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Full data available on request from economics@ihsmarkit.com

Business optimism in June



How business activity expectations have changed since February



For further information, please contact:**IHS Markit**

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Notes to Editors:

The Global Business Outlook Survey for worldwide manufacturing and services is produced by IHS Markit and is based on a survey of around 12,000 manufacturers and service providers that are asked to give their thoughts on future business conditions. The reports are produced on a tri-annual basis, with data collected in February, June and October. The latest survey was conducted between June 12 and 25.

Interest in the use of economic surveys for predicting turning points in economic cycles is ever increasing and the Business Outlook survey uses an identical methodology across all nations covered. It gives a unique perspective on future business conditions from Global manufacturers and service providers.

The methodology of the Business Outlook survey is identical in all countries that IHS Markit operates. This methodology seeks to ensure harmonization of data, and is designed to allow direct comparisons of business expectations across different countries. This provides a significant advantage for economic surveillance around the globe and for monitoring the evolution of the manufacturing and services economies by governments and the wider business community.

Data collection is undertaken via the completion of questionnaires three times a year at four-month intervals. A combination of phone, fax, website and email are used, with respondents allowed to select which mechanism they prefer to use.

The Business Outlook survey uses net balances to indicate the degree of future optimism or pessimism for each of the survey variables. These net balances vary between -100 and 100, with a value of 0 signalling a neutral outlook for the coming 12 months. Values above 0 indicate optimism amongst companies regarding the outlook for the coming 12 months while values below 0 indicate pessimism. The net balance figure is calculated by deducting the percentage number of survey respondents expecting a deterioration/decrease in a variable over the next twelve months from the percentage number of survey respondents expecting an improvement/increase.

Questionnaires are sent to a representative panel of around 12,000 manufacturing and services companies spread across the global economy in the countries mentioned above. Companies are carefully selected to ensure that the survey panel accurately reflects the true structure of each economy in terms of sectoral contribution to GDP, regional distribution and company size. This panel forms the basis for the survey. The current report is based on responses from around 7,000 firms.

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