

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

Business activity rises solidly at start of 2017

Key findings:

- Activity increases solidly, albeit at reduced pace
- Faster expansion in new business
- Cost inflation quickens to sharpest since March 2011

Data collected January 12-26

The Spanish service sector remained in growth territory at the start of 2017 amid a sharper expansion of new business. Business activity and employment rose solidly again while expectations regarding the 12-month outlook were the highest since last April. Companies recorded a steeper increase in input costs, but the rate of inflation of output prices remained marginal.

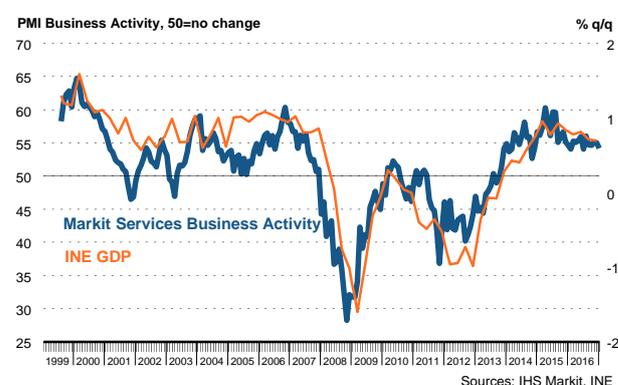
The headline seasonally adjusted Business Activity Index posted at 54.2 in January, down from 55.0 in the previous month but still signalling a solid monthly increase in activity. Services output has now risen in each of the past 39 months, but the latest expansion was the slowest since July last year.

All six monitored sectors saw activity increase, with the sharpest rise at Transport & Storage companies. The sector also recorded the fastest increase in new business.

Signs of improving client demand supported growth of new business and subsequently activity during the month. New orders rose markedly, with the rate of expansion quickening to the fastest in four months.

Despite the accelerated growth of new business, companies were able to manage workloads in January and worked through outstanding business. Backlogs decreased for the third time in the past four months, after having been broadly stable at the end of 2016.

Markit Spain Services PMI v Official data



Companies continued to increase their staffing levels in January amid higher client demand. This extended the current sequence of rising employment to 28 months. That said, the rate of job creation eased to a three-month low. Employment rose across each of the six sectors covered by the survey, led by Financial Intermediation.

Increases in fuel and labour costs contributed to a further monthly rise in input prices at the start of the year. Moreover, the rate of cost inflation quickened for the second month running and was the fastest since March 2011. Input prices rose most quickly in the Transport & Storage and Hotels & Restaurants sectors.

These sectors also posted the sharpest increases in output prices, as companies passed higher cost burdens on to clients. Overall, charges were up only marginally on the previous month, as was the case in both November and December last year.

Confidence among service providers improved to a nine-month high in January, with more than half of all respondents expecting activity to increase over the coming year. Optimism was supported by predictions of improving market conditions and new

order growth, while the launch of new products was also expected to support a rise in activity. Firms in the Transport & Storage sector posted the strongest confidence.

Comment

Commenting on the PMI data, Andrew Harker, Senior Economist at IHS Markit said:

“The Spanish service sector began 2017 on a positive footing, according to latest PMI data, with the rate of new order growth picking up to a four-month high. This helped lead to a further solid increase in activity during the month. On a less

positive note, cost pressures continued to build but companies were still only able to raise their output prices marginally, suggesting that pricing power remains limited.

“Another more pleasing aspect of the latest survey was a pick-up in confidence regarding the year-ahead outlook, with optimism rising to a nine-month high. IHS Markit is currently forecasting a rise of 2.3% in GDP for 2017.”

-Ends-

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Note to Editors:

The Spain Services *PMI*® (*Purchasing Managers' Index*®) is produced by Markit. 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@ihsmarkit.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.

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Purchasing Managers' Index® (*PMI*®) surveys are now available for over 30 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/product/pmi.

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

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