

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

Business activity rises at fastest pace in 20 months

Key findings:

- Sharp increases in activity and new business
- Rate of job creation at nine-month high
- Fastest rise in input costs for more than six years

Data collected April 11-25

April survey data pointed to further sharp monthly rises in activity and new business in the Spanish service sector. Higher workloads encouraged firms to expand their operating capacity, and to this end employment increased to the greatest extent in nine months. Companies generally expect these trends to be sustained, supporting further optimism around the 12-month outlook. Meanwhile, cost pressures continued to build and output prices were again raised at one of the fastest rates in the past decade.

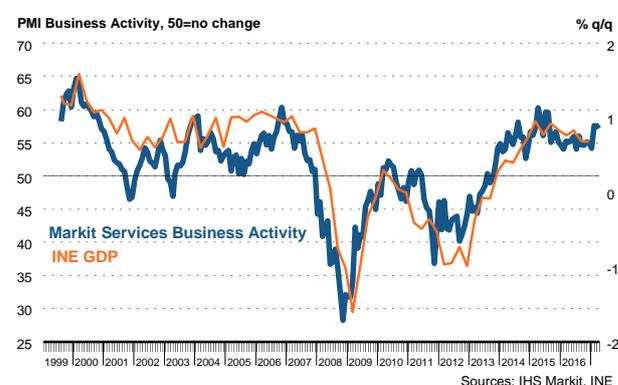
The headline seasonally adjusted Business Activity Index ticked up to 57.8 in April, thereby signalling a sharp monthly rise in activity, and one that was slightly faster than seen in March (57.4). Activity has expanded continuously since November 2013, with the latest increase supported by improving economic conditions.

All six of the broad sectors covered by the survey saw activity increase, with rises in new orders and employment also broad-based. The fastest growth of activity was recorded at Transport & Storage companies.

Although the rate of expansion in new orders eased in April, it remained sharp amid some reports of sales and marketing efforts proving successful.

Growth of new work imparted capacity pressure on service providers, leading to a third successive rise in backlogs. That said, the latest accumulation was the weakest in this sequence.

Markit Spain Services PMI v Official data



Companies responded to rising workloads by making efforts to expand their operating capacity during the month. Staffing levels were increased markedly, with the rate of job creation accelerating for the second month running to the sharpest since July last year.

Increased capacity is set to play a part in helping activity to rise further over the coming year, with improving demand and marketing efforts also predicted to support growth. Business confidence remained elevated as close to 53% of respondents predicted a rise in activity over the next 12 months.

There were further signs of building inflationary pressures in April as input costs rose at the fastest pace in just over six years. A number of respondents highlighted increased staff costs, while higher fuel prices were mentioned by firms in the Transport & Storage sector. Post & Telecommunications recorded the fastest rise in input prices of the six monitored sectors.

Although slightly weaker than seen in March, the rate of output price inflation was still among the fastest recorded over the past decade during April. According to respondents, higher charges were

largely reflective of the passing on of increased input costs to clients. As with input prices, Post & Telecommunications registered the sharpest rise in output charges.

Comment

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

“The Spanish service sector maintained growth momentum at the start of the second quarter. Last month we suggested that rising prices would test the strength of demand, and the early signs are positive in this regard. New orders rose sharply again and growth of activity quickened to a 20-month high. Mentions of pressure on capacity also

led to a stronger rate of job creation. IHS Markit has recently upped its GDP forecast for 2017 to 2.5% and these latest PMI numbers support the more optimistic outlook.

“There seems to be little respite on the price front, however, with costs up at the fastest pace in over six years and selling prices rising at one of the sharpest rates for a decade. How this impacts client demand will need to be monitored further in coming releases.”

-Ends-

For further information, please contact:

IHS Markit

Andrew Harker, Senior Economist
Telephone +44-1491-461-016
Email andrew.harker@ihsmarkit.com

Joanna Vickers, Corporate Communications
Telephone +44-207-260-2234
E-mail joanna.vickers@ihsmarkit.com

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).

AERCE

BARCELONA

Rambla Catalunya 120, 1º 1ª

08008 Barcelona - Spain

MADRID

Paseo de la Castellana 121, 7º D

28046 Madrid - Spain

Tel: +34 934 510 960

e-mail: info@aerce.org

website: www.aerce.org

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