

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

Business activity continues to rise, albeit at reduced pace

Key findings:

- Activity increases amid ongoing new order growth
- Rate of job creation accelerates
- Sentiment dips to 13-month low amid uncertainty around Catalonia

Data collected October 11-26

The Spanish service sector remained comfortably in growth territory during October, seeing marked increases in activity and new business, as well as a faster pace of job creation. That said, the rate of expansion in business activity was the slowest since January amid reports that political uncertainty in Catalonia dampened growth. Similarly, business confidence dipped to the lowest in just over a year.

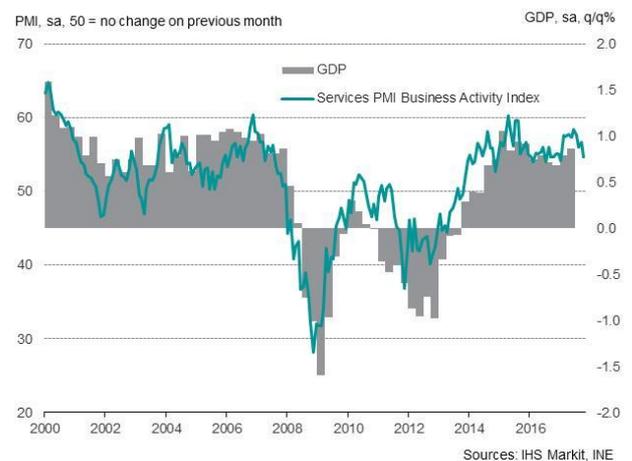
The headline seasonally adjusted Business Activity Index posted 54.6 in October, down from 56.7 in September. Output has now risen on a monthly basis throughout the past four years. The latest expansion was marked, but the slowest since January.

Central to the latest increase in output was rising client activity amid stronger market conditions. On the other hand, some panellists indicated that the political situation in Catalonia restricted growth.

The expansion in activity was widespread across the sub-sectors covered by the survey. The fastest increase was in Post & Telecommunications, followed by Transport & Storage.

New business continued to increase sharply during the month, although as was the case with activity there was a slowdown in the rate of expansion linked to delays in decision making among clients.

IHS Markit Spain Services PMI v Official data



With new orders continuing to rise, service providers signalled another monthly increase in outstanding business. Moreover, the rate of accumulation quickened for the second month running to the fastest since July 2015.

Companies responded to pressure on capacity by taking on extra staff again in October. Employment has now risen in 37 successive months, with the latest increase faster than in September. There were a number of reports of staff being taken on to work in commercial departments.

This investment in commercial teams is set to support growth of business activity over the coming year, according to respondents. Companies remained optimistic that output will increase, although sentiment dipped to a 13-month low amid concern around the situation in Catalonia.

Input prices rose sharply over the month, with the rate of inflation quickening to the fastest since April. Panellists indicated that higher staff costs was the

main factor leading input prices to increase. Hotels & Restaurants signalled the fastest rise in input costs.

The passing on of higher cost burdens to clients led to a rise in output prices, with some companies indicating that improving demand had strengthened their pricing power. That said, the rate of inflation was modest and slower than in the previous month.

Comment

Commenting on the PMI data, Andrew Harker, Associate Director at IHS Markit said:

“Overall service sector performance improved again in October as the Spanish economy maintained a solid growth trend. Particularly pleasing was a pick-

up in the rate of job creation, suggesting companies remain confident as to the sustainability of the recovery.

“That said, events in Catalonia acted to dampen growth, with the impact on service providers greater than was seen for manufacturers in the sister PMI survey last week. There were reports of clients delaying spending decisions amid uncertainty, while business sentiment dropped to the lowest in over a year.”

-Ends-

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Note to Editors:

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

IHS 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 IHS 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 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 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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