

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

Rate of expansion in activity remains marked in December

Key findings:

- Growth of activity and new orders sustained
- Employment rises at fastest pace since July
- Rate of input cost inflation at 69-month high

Data collected December 5-19

The Spanish service sector remained in growth territory at the end of 2016, with further increases in both business activity and new orders recorded in December. As a result, companies increased their staffing levels to the greatest extent since July. Higher fuel costs drove an acceleration in the pace of input price inflation, while the rate at which output charges increased also quickened.

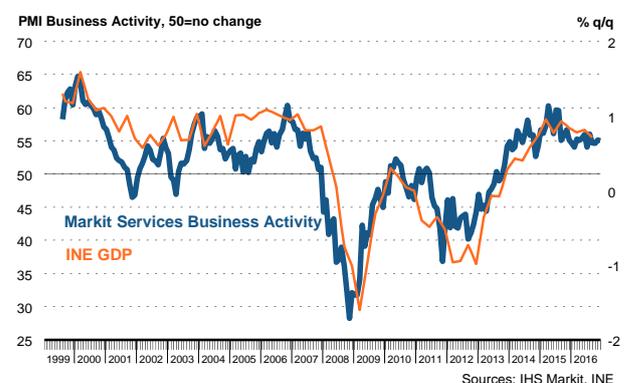
The headline seasonally adjusted Business Activity Index posted 55.0 in December, thereby signalling a further marked monthly rise in service sector activity. The reading was broadly unchanged from 55.1 in the previous month. Activity has increased continuously since November 2013, with the latest expansion attributed to increased new business amid improving client confidence and marketing activities.

Growth of business activity was registered across all six monitored sectors, led by Post & Telecommunications.

New business continued to expand during December, with some panellists reporting improving market conditions. Although remaining solid, the rate of growth eased marginally from that seen in November.

Backlogs of work were broadly stable at the end of the year, following two successive months of declining work-in-hand. Some respondents noted delays in completing outstanding business, but others indicated that orders had been worked on as soon as they were received.

Markit Spain Services PMI v Official data



Companies took on extra staff again in December, extending the current sequence of job creation to 27 months. Moreover, the pace at which employment increased quickened for the second month running and was the fastest since July.

The rate of input cost inflation in the service sector quickened to a 69-month high. According to respondents, higher fuel costs was the principal factor leading input prices to rise, while increases in energy and staff costs were also mentioned. The Hotels & Restaurants and Transport & Storage sectors registered the sharpest rises in input prices.

The passing on of higher input costs to clients contributed to an increase in output prices, while some panellists reported improving pricing power in line with signs of stronger demand. Output prices rose slightly on average, but at a faster pace than seen in November. Three of the six sectors posted higher charges, namely Hotels & Restaurants, Post & Telecommunications and Financial Intermediation.

Business sentiment remained strongly positive in December, despite easing from the previous month. Panellists predicted that improving economic

conditions, new order growth and the launch of new products would support an expansion of activity over the coming year.

Comment

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

“The Spanish service sector ended the year on a solid, yet unspectacular note according to PMI data for December. Activity continued to rise markedly, but companies will be hoping that growth of new orders can pick up in coming months to return to the rates seen earlier in 2016. IHS Markit currently

forecasts a rise in GDP of 2.1% in 2017.

“A key aspect of the latest survey was a pick-up in cost inflation, with input prices rising to the greatest extent in more than five-and-a-half years, primarily on the back of higher fuel costs. Further rises in cost burdens could test the pricing power of firms, who were only able to increase charges modestly at best in 2016.”

-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 the Spanish Association of Purchasing and Supply Management. Founded in 1981 has 1,000 members, representing more than 10,000 related professionals, which include the most important companies in the country, institutions and professionals belonging to various industrial sectors, services and the public sector.

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

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