

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

Fastest rise in activity for six months

Key findings:

- Sharper increases in both activity and new business
- Cost inflation fastest since September 2008
- Sentiment up to seven-month high

Data collected January 12-26

Growth in the Spanish service sector picked up pace at the start of 2018, with sharper increases in activity and new business recorded. The rate of job creation remained elevated, while business confidence reached a seven-month high. On the price front, inflation of both input costs and output charges hit multi-year highs.

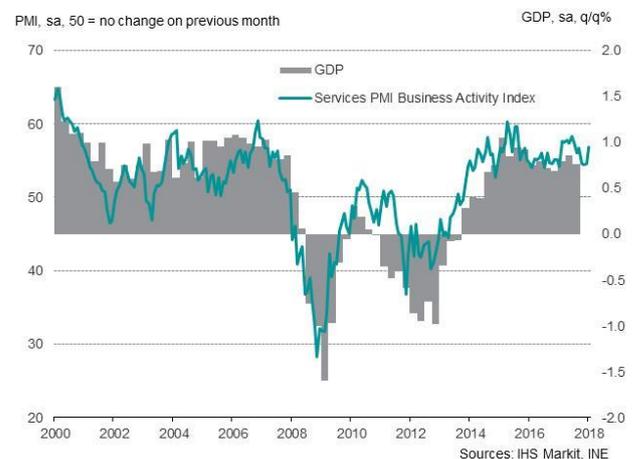
The headline seasonally adjusted Business Activity Index rose to 56.9 in January from 54.6 in December. The steep rise in activity was the fastest since July 2017. Activity has increased continuously since November 2013.

According to respondents, improving economic conditions were central to the strengthening of business conditions in January, with a positive economic environment cited as a factor behind rises in activity and new orders.

Financial Intermediation was the best-performing sector, seeing the strongest increases in output and employment and a sharp rise in new business.

In line with the trend in business activity, new order growth accelerated in January. The latest rise was the fastest in four months, extending the current sequence of expansion to four-and-a-half years. Some panellists reported improving tourism numbers.

IHS Markit Spain Services PMI v Official data



Increases in new business resulted in another rise in backlogs of work, the twelfth in as many months. The latest accumulation was solid and the most marked since last October.

Service providers maintained a strong pace of hiring at the start of the year, with the rate of job creation little-changed from those seen throughout the final quarter of 2017. Alongside improvements in economic conditions, business expansion plans were also mentioned as being behind increases in employment.

Inflationary pressures intensified during January, with both input costs and output prices rising at sharper rates. The increase in input costs was the most marked since September 2008. Panellists generally mentioned higher staff costs as being behind rising input prices, while increasing supplier charges and fuel costs were also reported.

The latest rise in output prices was solid and the sharpest since March 2007. Strong demand helped

pricing power, enabling companies to pass on higher input costs to their customers. Post & Telecommunications and Transport & Storage noted the sharpest rises in charges.

Business confidence improved for the second month running in January, recovering further from last November's 14-month low. Optimism was the highest since June 2017. Improving economic conditions was the main factor supporting confidence that output will increase over the next 12 months, with around 53% of respondents forecasting growth.

Comment

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

"The Spanish service sector gathered growth

momentum at the start of 2018 and looks well placed to record another strong performance in the first quarter of the year. Companies were able to take advantage of further improvements in the economic environment to secure greater volumes of new business.

"One other noteworthy aspect of the latest set of PMI results was a pick-up in inflationary pressures. Companies were able to increase their selling prices at the fastest pace in almost 11 years as client demand strengthened."

-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 around 350 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 <https://ihsmarkit.com/products/pmi.html>.

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

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