News Release

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

Service sector growth accelerates during October

Key findings:

- Firmer gain in incoming new work supports upturn in activity
- Employment growth at two-year low as confidence remains subdued
- Margins under pressure as costs rise at sharper pace

Data collected October 11-26

Spain's service sector expanded at a firmer rate during October, supported by stronger growth of incoming new business. With capacity subsequently remaining under some pressure, as indicated by a further rise in backlogs, employment growth was sustained, albeit at the slowest rate for two years. Business confidence was little changed on September's five-year low.

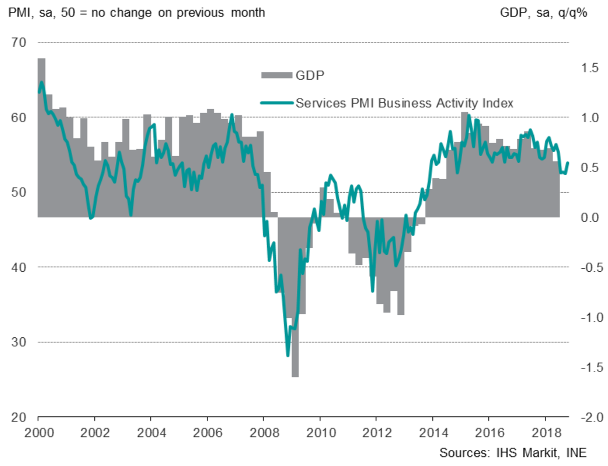
Meanwhile, cost pressures intensified, with firms reporting increases in the price of fuel and energy. However, output charges rose only slightly, pointing to a further squeeze on operating margins.

The headline seasonally adjusted Business Activity Index recorded a level of 54.0 in October. That was an improvement on the previous month's 52.5 and represented the strongest growth since June. Activity has now increased in each month throughout the past five years.

Latest data showed that growth remained centred on the Financial Intermediation and Transport & Storage categories. In contrast, the Hotels & Restaurants sector continued to weaken in October by posting a further contraction of activity.

Underpinning the latest upturn in overall business activity was a marked gain in the level of incoming new business.

IHS Markit Spain Services PMI v Official data



Companies commented that demand was a little firmer in line with stronger market conditions. The use of marketing and advertising also helped to support October's gain in new work.

Backlogs of work continued to increase in the latest survey period, with another month of mild growth reported to reflect the impact of higher new work levels. A number of service providers responded by adding to their workforce levels, the net result being another rise in service sector employment. This stretched the current period of growth to over four years.

That said, the rise in staffing levels was the lowest recorded by the survey for two years as economic uncertainty continued to weigh on business confidence. Latest data showed that sentiment was little changed on September's five-year low. A number of companies commented that political uncertainties, both at home and abroad, were weighing on the outlook.

Prices data showed that operating costs continued to increase markedly during October. Inflation was at a three-month high, underpinned by increased prices for fuel and energy, plus higher labour costs. Hotels & Restaurants and Transport & Storage companies recorded the strongest inflation.

Margins remained under pressure, however, as output charges increased only marginally. Wider market conditions were reported to be sufficiently challenging for firms to avoid where possible raising their charges.

Comment

Commenting on the PMI data, Paul Smith, Economics Director at IHS Markit said:

"Following earlier data showing the stabilisation of the manufacturing economy, there was also a welcome upturn in service sector activity during October, raising hopes that the recent slide in economic growth has been arrested.

"Overall composite output subsequently increased at the best rate since June and suggests that GDP growth is tracking at a level of around 0.5% at the start of the fourth quarter.

"Such an increase in GDP would be a decent level of growth heading into 2019, especially as downside risks to the outlook are building. Indeed, private sector business confidence slipped to its lowest level in over five years during October as the global economic environment turns increasingly chilly."

-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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has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

About PMI
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 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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