

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

Weakest rise in new orders since end of 2016

Key findings:

- New order growth at 21-month low in September
- Slower rises in activity and employment
- Business sentiment lowest in over five years

Data collected September 12-25

The Spanish service sector saw growth moderate during September. Although both activity and new business continued to increase solidly, rates of expansion ticked down from those seen in August. This led companies to reduce the rate at which they took on extra staff. Meanwhile, business confidence was the lowest in over five years.

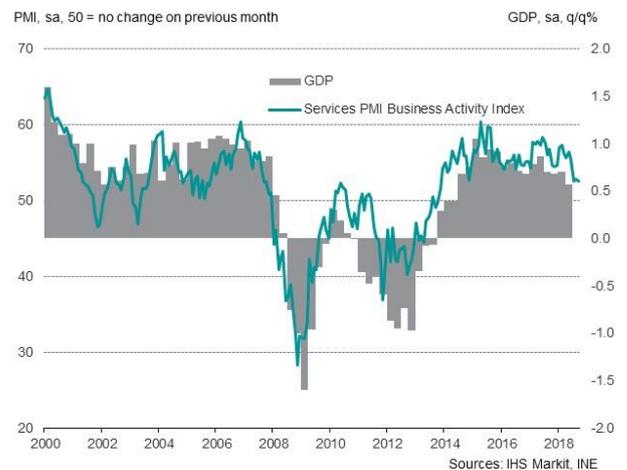
Service providers increased output prices only marginally at the end of the third quarter as some firms offered discounts to support sales. This was despite a further sharp increase in input costs.

The headline seasonally adjusted Business Activity Index posted 52.5 in September, down fractionally from 52.7 in August but with growth broadly in line with those seen in the previous two months. That said, the average reading for the third quarter of 2018 was the lowest since Q4 2013.

Transport & Storage registered the fastest rise in activity, and was also the best-performing sector in terms of growth in new business and employment. Conversely, Hotels & Restaurants companies saw activity and new business decrease.

Those companies that recorded an increase in activity linked this to higher new orders. New business continued to rise at a solid pace in September, but the rate of expansion eased to a 21-month low.

IHS Markit Spain Services PMI v Official data



Backlogs of work rose for the fifth successive month, albeit at a slight pace that was the weakest since May. Where outstanding business increased, this was linked to higher new orders.

Rising workloads led service providers to take on extra staff again, and at a marked pace. That said, the rate of job creation eased for the fourth successive month and was the slowest since April. Alongside Transport & Storage, the Financial Intermediation and Renting & Business Activities sectors posted increases in staffing levels.

Input prices continued to rise sharply during September, despite the rate of inflation easing to a one-year low. Respondents noted higher costs for fuel, energy and staff.

A number of service providers were able to improve profitability by raising their output prices at the end of the third quarter. On the other hand, some panellists reported having offered discounts to customers as part of efforts to generate sales. As a result, output prices rose only marginally, and at the

weakest pace in the current five-month sequence of inflation.

Business confidence dropped for the fifth month running and was at a 61-month low. Positive sales forecasts and work on new projects are set to boost activity over the coming year. On the other hand, competition from other tourist destinations was reportedly behind the drop in sentiment.

Comment

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

“September brought the third quarter of 2018 to an end with further signs of growth having moderated in the Spanish service sector. New orders rose at

the weakest pace since the end of 2016. Business expectations have also been revised down in recent months as demand has softened and competition from other tourist destinations has intensified.

“With growth also moderating in the manufacturing sector, the PMI data suggest quarterly GDP growth of around 0.5% in Q3.”

-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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