

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

Business activity rises at fastest pace in 22 months

Key findings:

- Growth of both activity and new business accelerates
- Rate of job creation fastest for almost a year
- Business sentiment remains elevated

Data collected June 12-27

The Spanish service sector recorded a strong end to the second quarter of the year as growth of activity accelerated to a 22-month high on the back of a substantial rise in new orders. Rising workloads led companies to take on extra staff in increasing numbers. A positive economic environment was key to the latest improvements, with panellists generally expecting this to continue in coming months.

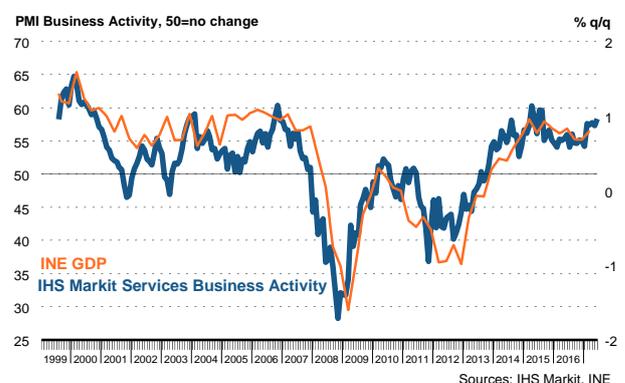
The headline seasonally adjusted Business Activity Index rose to 58.3 in June from 57.3 in May. The reading signalled a substantial monthly rise in activity, and one that was the fastest since August 2015. Anecdotal evidence suggested that client demand had improved in line with strengthening economic conditions.

Similar factors were mentioned by those panellists that saw a rise in new business during June. The rate of expansion in new orders quickened for the second month in a row and was the strongest in close to two years.

Transport & Storage posted the fastest increase in new business, and also recorded sharp growth of activity. Other strong performing sectors in terms of output and new orders were Financial Intermediation and Hotels & Restaurants.

With new orders rising at an accelerated pace, service providers reported a further increase in levels of outstanding business during June.

IHS Markit Spain Services PMI v Official data



Backlogs rose for the fifth consecutive month, with the latest accumulation the strongest since July 2015.

Companies in the Spanish service sector responded to higher workloads by increasing their staffing levels again in June. Employment rose markedly, and at the fastest pace for almost a year. More than 23% of respondents took on extra staff during the month, with some signalling that hiring reflected positive expectations around future workloads.

This optimism was also reflected in the data on business expectations, with more than 53% of panellists forecasting a rise in output over the next 12 months. Sentiment was only marginally weaker than May's 26-month high. Panellists indicated that optimism was linked to predictions of further improvements in economic conditions, as well as the launch of new products and services.

Service providers continued to face rising input prices during June, with the rate of inflation ticking up since May. According to respondents, higher staff costs was the principal factor pushing up average input prices.

Likewise, companies increased their output prices, with strengthening demand improving pricing power. Charges rose at a solid pace, and one that was faster than in May. Hotels & Restaurants registered the strongest increases in both input costs and output prices.

Comment

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

“The Spanish service sector ended the first half of 2017 with a flourish, with PMI data for June signalling the strongest increases in output and new orders for almost two years and employment growth picking up as well. Firms also took

advantage of strong demand conditions to raise their selling prices and provide a welcome boost to profit margins. Companies see little reason to doubt the sustainability of the upturn at present, reflected in our business confidence data remaining around the highest seen over the past two years.

“Combining this release with Monday’s manufacturing PMI, the data suggest output rose more quickly in the second quarter of the year than in the first, boding well for the Q2 GDP outturn.”

-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 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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