

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

Service sector maintains growth momentum in May

Key findings:

- Business activity rises at faster pace
- Rate of job creation among sharpest in 11 years
- Output prices increase amid higher input costs

Data collected May 11-25

Growth of Spanish services activity quickened in May on the back of a further sharp increase in new business. The rise in activity was supported by ongoing job creation, with the latest increase in employment among the strongest in the past 11 years.

The rate of input cost inflation accelerated over the month, with a number of firms mentioning higher fuel prices. The passing on of higher cost burdens to customers resulted in an increase in output prices, after they were left broadly unchanged in April.

The headline seasonally adjusted Business Activity Index rose to a three-month high of 56.4 in May, from 55.6 in April. This signalled a sharp monthly increase in activity across the sector, extending the current sequence of growth to 55 months.

Rises in activity were recorded across each of the broad sectors covered, with the sharpest increase at Transport & Storage companies. In fact, Transport & Storage also recorded the fastest expansions in new business and employment. Consequently, companies in the sector also led the way in terms of business sentiment.

Strengthening client demand was reportedly central to the latest rise in activity, and this was highlighted by a further increase in new business. The rate of expansion was marked, despite easing to the slowest in 2018 so far.

IHS Markit Spain Services PMI v Official data



Rising new orders resulted in an accumulation of backlogs of work in May. The increase was the fifteenth in the past 16 months, following a slight fall in April.

The rate of job creation picked up and was only just weaker than the 11-year high seen in March. Higher activity was the main reason given by panellists for increasing employment, but there were some mentions of additional technical staff being hired.

Services companies recorded a further sharp increase in input prices during May, with the rate of inflation quickening from April. Increased fuel prices were widely mentioned, while some panellists reported higher staff costs. Renting & Business Activities signalled the fastest rise in input costs, closely followed by Financial Intermediation.

The passing on of higher input costs to customers resulted in a rise in output prices, following little change in the previous month. That said, the rate of

inflation was only slight. As was the case with input costs, Renting & Business Activities posted the sharpest increase in charges.

Expected improvements in economic conditions and new projects supported confidence among service providers that activity will increase over the coming year. Business confidence remained strong, but was the lowest in the year-to-date.

Comment

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

“The Spanish service sector has shown itself able to hold on to impressive growth rates for activity

and new orders during the second quarter of 2018 so far. This continues to benefit those looking for work in Spain, with job creation running at around an 11-year high.

“Political instability is back on the agenda in Spain, but this has become something of a fixture in recent years and the economy has shown itself to be resilient enough to cope with uncertainty in the past.”

-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.

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