

News Release

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S&P Global Spain Services PMI[®]

Marginal activity growth recorded in August, but sales falter

Key findings

Business activity up only slightly

Difficult economic environment leads to drop in new business

Inflation trends downward but confidence remains subdued

Spain's service sector continued to expand during August, but only just as firms reported a drop in new business for the first time since the start of the year. Jobs growth also nearly stalled, whilst confidence about the future remained historically muted despite improving since July.

Prices data showed continued levels of elevated inflation for operating costs, but amid increasingly challenging economic conditions, both prices paid for inputs and charges rose at slower rates.

The headline seasonally adjusted Business Activity Index, which is based on a single question asking firms to comment on developments in their activity since the previous month, remained just about in positive territory during August, posting above the 50.0 no-change mark for a seventh successive month. However, with the index registering 50.6, down from 53.8 in July, it signalled the lowest growth recorded by the survey since a contraction was last recorded at the start of the year.

Weighing on activity growth was a modest drop in new business, the first contraction since January. Firms commented on an increasingly challenging market environment, characterised by high inflation and economic uncertainty. Both sales at home and abroad were implied to be lower: new export business fell for a second successive month, and at a sharper rate than seen for overall new work.

Elevated cost inflation has been a notable feature of the survey during recent months, and once again in August firms reported a considerable increase in their operating expenses. Fuel, energy and wages remained the principal sources of higher prices, which overall increased in August for a twenty-seventh successive month. That said, the rate of inflation maintained its recent downward trend, dropping to its weakest since last October. This helped explain a similarly sized fall in output price inflation which, in August, declined to its lowest level of the year so far.

S&P Global Spain Services Business Activity Index
sa, >50 = growth since previous month



Source: S&P Global.
Data were collected 12-25 August 2022.

Comment

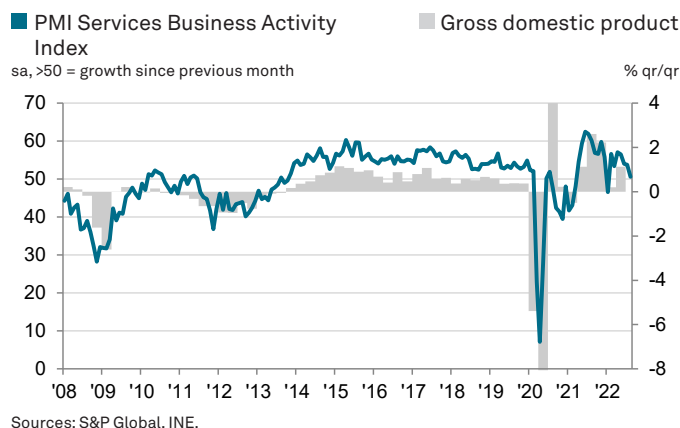
Paul Smith, Economics Directors at S&P Global Market Intelligence, said:

"Spain's economy headed towards stagnation during August as the service sector followed manufacturing by posting only marginal growth. High inflation and general market instability again dominated company reports on their current situation, and fears that these will continue to negatively impact on clients in the months ahead adds to concerns that the economy is heading into a challenging winter and possible recession. Indeed, new business volumes have already turned negative, and hiring growth is subsequently being held back."

"Perhaps one glimmer of hope is that price trends are showing relative improvement as the softening demand environment reduces some inflationary pressures. However, despite easing again, inflation rates for operating expenses and output charges remain elevated and still well above historical norms."

Service providers nonetheless remain concerned about rising prices, particularly the negative impacts on purchasing power and economic stability in general and, subsequently, inflation worries was the primary factor weighing on confidence in August. However, there was an improvement in sentiment compared to July, with some firms hopeful of a more favourable business climate in 12 months' time.

The uptick in confidence may explain continued net hiring amongst firms during August, although overall growth in staffing levels was the lowest recorded in the current 17-month sequence of employment expansion. Falling new business weighed on hiring activity, according to firms. Firms were able to comfortably keep on top of workloads, with business outstanding falling for the first time in seven months.



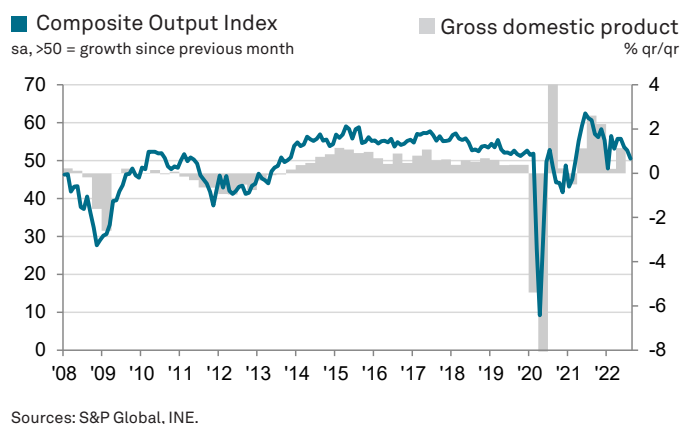
S&P Global Spain Composite PMI®

Weakest growth of private sector activity in seven months

Spain's private sector economy headed towards stagnation during August, with both the manufacturing and services sectors registering only marginal growth over the month. The headline Composite Output Index dropped to 50.5 in August, down from 52.7 in July and its lowest reading since January.

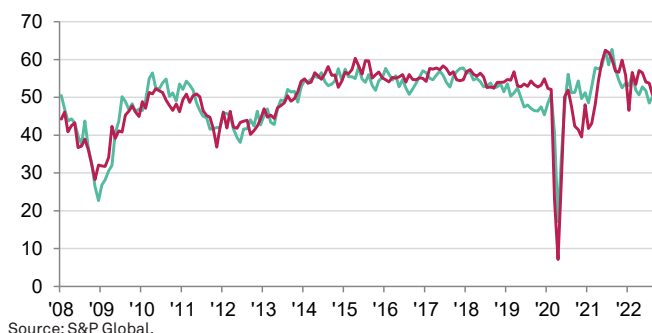
Growth was undermined by a modest drop in incoming new business. Concurrent drops in new work were seen across both sectors, the first time that this has occurred since the start of 2021. Backlogs of work were subsequently reduced for a second month in succession, albeit only modestly. Jobs growth was maintained, albeit only slightly and to the weakest degree in the current 17-month run of expansion.

Cost inflation remained high in August, though eased back across the manufacturing and service sectors, pulling the composite rate down to its lowest level since September 2021. A similar trend was observed for output charges.



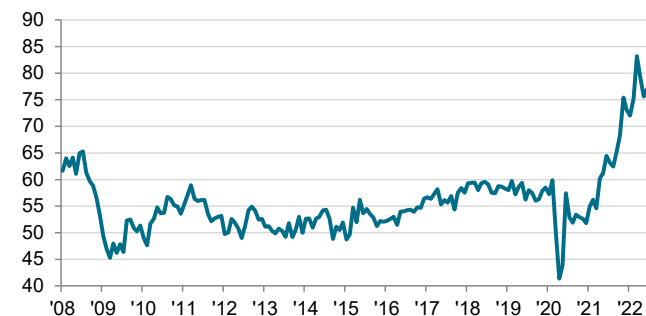
*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.

■ Manufacturing PMI Output Index
■ Services PMI Business Activity Index
 sa, >50 = growth since previous month



Spain Services PMI Input Prices Index

sa, >50 = inflation since previous month



Survey methodology

The S&P Global Spain Services PMI™ is compiled by S&P Global from responses to questionnaires sent to a panel of around 350 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in August 1999.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Services Business Activity Index. This is a diffusion index calculated from a question that asks for changes in the volume of business activity compared with one month previously. The Services Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the 'Services PMI' but is not comparable with the headline manufacturing PMI figure.

The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI' but is not comparable with the headline manufacturing PMI figure.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

About PMI

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