

NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Spain Services PMI®

Service sector growth falls to 18-month low in May

Key findings:

Heightened uncertainty limits growth in demand and activity

Confidence in outlook also weakens

Jobs growth sustained, albeit to softer degree

Data were collected 12-27 May 2025.

Spain's service sector continued to expand during May, but at a much slower rate as ongoing uncertainty weighed on demand growth, particularly from international clients. Latest data showed the weakest rises in activity and new work for 18 months, whilst confidence in the outlook fell to its lowest level since November 2023. Firms nonetheless took on extra staff, enabling them to make modest inroads into their work outstanding.

On the price front, input cost inflation remained elevated as wage expenses and supplier charges continued to increase. Output charges were raised in response, albeit at the slowest rate in six months.

The headline index from the survey, the **HCOB Spain Services PMI® Business Activity Index**, recorded 51.3 in May compared to April's 53.4. That was above the critical 50.0 no-change mark for a twenty-first successive month, but indicative of only modest growth that was the slowest recorded by the survey since November 2023.

A similar trend was observed for new work, which increased only modestly and to the weakest degree for 18 months. Although commercial activities helped to support sales, panellists reported a heightened degree of uncertainty amongst clients which limited growth. International demand was especially weak, as signalled by a drop in new export business for the first time since last November. Concerns over the impact on trade of tariffs was noted as a factor weighing on market demand and activity.

Confidence in the outlook was impacted by the increasingly challenging economic environment. Falling for a second month running, sentiment regarding future activity was at its lowest level since November 2023, according to the latest survey data.

That said, most firms still expect activity to be higher than present levels amid hopes of a more stable business environment in twelve months' time. This helped to support ongoing recruitment amongst service providers, with employment increasing again in May. Growth was solid, despite easing to its lowest level in over a year. Additional capacity meant companies were able to comfortably keep on top of their work outstanding. Backlogs of work were lowered modestly in May and for the first time since December 2023.

Meanwhile, input prices were reported to have risen again during May. The rate of inflation maintained its recent downward trend, falling for a third month running to its lowest level since last November. However, prices overall continue to rise at an above average pace, with higher wage costs and suppliers reported to have increased their charges (in some instances due to tariffs).

Panellists also reported a slower increase in their own prices, with the rate of inflation dropping to a six-month low. Competitive pressures served to limit efforts by service providers to raise charges and offset increased operating expenses.

Comment

Commenting on the PMI data, Jonas Feldhusen, Junior Economist at Hamburg Commercial Bank, said:

“Cooling conditions in Spain’s private sector economy. The headline HCOB Composite PMI Index for Spain remains just above the growth threshold, supported by weak activity in the service sector, resulting in the softest performance since late 2023. Within the service sector, demand conditions appear constrained—particularly in terms of new business. Reports frequently link this development to uncertainty stemming from tariffs, especially among internationally engaged clients. New business from abroad even declined in May.

“The subdued new order situation is also reflected in outstanding business, which fell for the first time in nearly a year-and-a-half. Nevertheless, companies continue to seek improvements in staffing levels, although the pace of new hires has slowed. However, as the Spanish economy remains relatively robust - especially compared to other major Eurozone countries - concerns over headcount reductions should remain limited, even amid ongoing global economic uncertainty. Economic risks remain tilted to the downside, as reflected in future business expectations, which have dropped below average, suggesting that customers may act more cautiously in the current environment.

“Service price inflation remained elevated in May. Panellists frequently attributed the rise in input costs to a dual pressure: increasing wages and suppliers raising their prices - often in response to tariff-related effects. Sale prices indicate that companies are still able to pass on higher costs to clients, although output price inflation has continued to ease slightly over the past three months.”

-Ends-

HCOB Spain Services PMI Business Activity Index

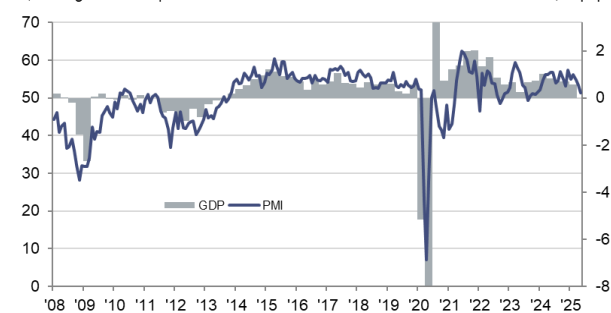
sa, >50 = growth since previous month



Sources: HCOB, S&P Global PMI.

Services PMI Business Activity Index

sa, >50 = growth since previous month



Sources: HCOB, S&P Global PMI, INE via S&P Global Market Intelligence.

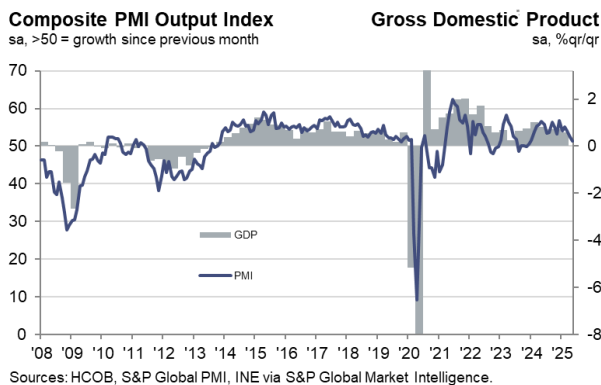
HCOB Spain Composite PMI[®]

Weakest private sector growth since late 2023

Growth of Spain’s private sector economy continued to soften during May, easing to its lowest level since December 2023. This was highlighted by the HCOB Spain Composite PMI[®] which recorded 51.4 in May, down from 52.5 in April. Both manufacturers and service providers signalled modest rises in output, although for goods producers, growth in production was significant given April’s decline.

Amid ongoing uncertainty related to tariffs, which led to generally hesitant decision making and slower market activity, overall growth in new work was marginal and the weakest since December 2023. Firms nonetheless took on additional staff and were able to reduce backlogs of work marginally.

Finally, price indices showed slower increases in both input costs and output charges during May. Rates of inflation nonetheless were above their historical averages.



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Note to Editors

The HCOB 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@spglobal.com.

Hamburg Commercial Bank AG

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The bank's specialists are as experienced as they are pragmatic. They act in a reliable manner and at eye level with their customers. They provide in-depth advice in order to jointly find efficient solutions that are a perfect fit – for complex projects in particular. Tailor-made financing, a high level of structuring and syndication expertise and many years of experience are just as much a hallmark of the bank as are our profound market and sector expertise.

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AERCE is a member of the International Federation of Purchasing and Supply Management (IFPSM).

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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. www.spglobal.com/marketintelligence/en/mi/products/pmi.html.

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