

News Release

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S&P Global Spain Services PMI®

Growth sustained during June, but at slower rate

Key findings

Solid gains in activity and new business

Jobs continued to be added as capacity constraints persist

Inflation remains elevated and hits confidence

Spain's services economy remained firmly inside expansion territory during June, although both activity and new business rose at slower rates. Nonetheless, capacity remained under some pressure, as evidenced by a rise in backlogs of work, and companies added to their staffing levels in response.

However, cost pressures remain a problem, with some firms indicating that purchasing power amongst clients was being eroded. This led to worries that activity growth will be blunted over the coming months.

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 above the 50.0 no-change mark for a fifth successive month. At 54.0, the implied rate of growth remained solid, but by dropping from 56.5 in May, the index indicated the slowest expansion since March.

Supporting higher activity during June was another month of increased volumes of incoming new business. There were reports from the survey panel that commercial activities, advertising, and generally firmer demand had supported growth. However, new business also rose at the weakest pace since March, with higher inflation impacting on company and household budgets. For these reasons, new export business rose only modestly.

Anecdotal evidence of supply-side delays persisted, with firms reporting that this was a factor - alongside increased new sales - for another noticeable increase in work outstanding. As they have done during recent months, staffing levels were raised in response, with the rate of growth again historically marked.

Rising employment led to an increase in average personnel costs. Alongside higher prices for energy, fuel, utilities, and supplier goods in general, overall operating costs rose again at an elevated rate. Moreover, the rate of inflation accelerated since May, and prices have now risen continuously for over

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



Source: S&P Global.
Data were collected 13-27 June 2022.

Comment

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

"The latest survey indicated a continued solid expansion of the Spanish service economy during June, as firms likely benefited from a further uplift in business emanating from the ongoing retrenchment of the pandemic."

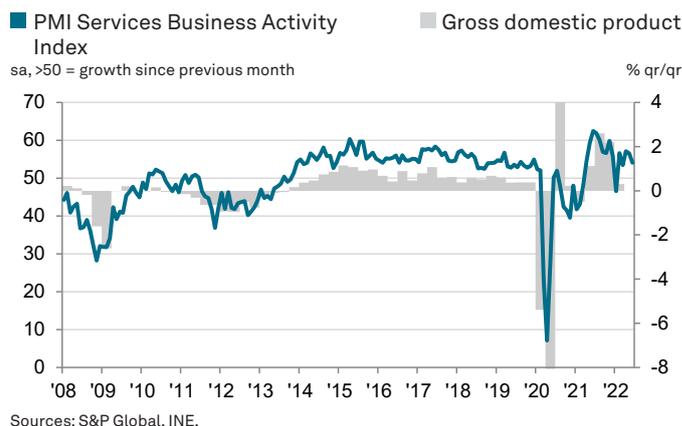
"However, growth softened since May as the negative impact of high inflation on business and household budgets begins to bite. With elevated price pressures likely to persist in the near-term at least, demand - and with that activity growth - is set to be adversely impacted in the months ahead."

"Indeed, this showed up in confidence data, which showed the lowest degree of optimism recorded by the survey since late 2020."

two years.

Companies again felt little choice but to pass on their higher costs to clients in the form of increased charges. Some firms felt that market demand was sufficiently resilient to deal with higher prices. The net result was another round of rising output charges, with inflation again sharp, despite dropping to a four-month low.

Rising prices in general remain a concern for service providers, with persistent inflation seen as a potential restraint for activity over the coming 12 months as household budgets come under noticeable strain. Although advertising and planned commercial activities are planned, and some firms see the continuation of a recovery in demand as the effects of the pandemic recedes, overall confidence sank during June to a 20-month low.



S&P Global Spain Composite PMI®

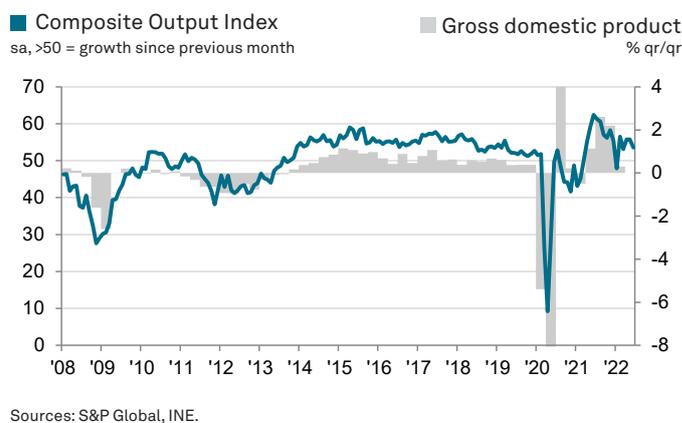
Slowdown of composite growth signalled during June

Concurrently slower growth across the manufacturing and service sectors was signalled during June, meaning that the private sector overall experienced its weakest expansion for three months. This was reflected in the headline Composite Index which dropped to 53.6, from 55.7 in May.

Slower growth reflected softening demand, especially amongst manufacturers, where a fall in new orders was recorded for the third time in the past four months. Overall composite foreign sales were down marginally amid reports that high inflation was eroding purchasing power.

On the inflation front, there was a broadly sideways movement in the overall rate of increase in operating costs. Concurrently slower inflation of average output charges across manufacturing and services meant the composite reading sank to a five-month low.

Finally, confidence about the future hit the lowest for three months during June as worries about inflation mounted. Nonetheless, firms took on additional staff again, extending the run of composite growth to 15 months.



*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



Source: S&P Global.

Spain Services PMI Input Prices Index
 sa, >50 = inflation since previous month



Source: S&P Global.

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

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