

NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Spain Services PMI[®]

Service sector growth improves in June despite drop in new business

Key findings:

Modest rise in activity recorded

Weaker market demand leads to reduction in new work

Output price inflation at highest level in a year

Data were collected 12-25 June 2025.

Spain's service sector expanded again during June, with activity rising for a twenty-second month in a row. However, growth was modest as a drop in new work was recorded for the first time in over a year-and-a-half. Market demand was reported to have softened, both at home and abroad, amid signs of a slower economy. Confidence in the outlook remained positive nonetheless and helped to underpin another month of higher employment.

Meanwhile, cost inflation was again historically high amid a general rise in supplier prices, plus an increase in labour related expenses. Firms passed on these higher costs to clients by raising their own charges at the fastest pace in a year.

The headline index from the survey, the **HCOB Spain Services PMI[®] Business Activity Index**, registered 51.9 in June, an improvement on May's 51.3. Remaining above the critical 50.0 no-change mark, the index pointed to a twenty-second consecutive month of expansion, although the latest growth was modest and well down on levels seen earlier in the year.

Some panellists attributed the latest upturn in activity to working on new and existing contracts. Others reported enacting improvements to their service quality. However, growth was limited due to a marginal decline in new work for the first time since November 2023. Underlying demand was reported in several cases to have weakened when compared to earlier in the year amid a broader economic slowdown.

International demand was a noticeable drag on new business volumes in June. Latest data showed that new export work – which includes tourism related services provided within Spain – declined for a second month running in June.

Firms are hopeful overall for some improvement in the international, and indeed domestic, business environment over the next 12 months. With planned new product launches also reported, confidence with regards future activity was higher than in May. That said, sentiment remained below trend amid some ambiguity in the outlook given ongoing geopolitical uncertainty.

Service providers still added to their employment numbers over the month, in some cases responding to higher new business volumes and efforts to keep on top of workloads. Employment growth was solid, though the softest recorded since late 2023. Backlogs of work meanwhile declined for a second month running as firms had sufficient capacity to keep on top of workloads.

Finally, latest prices data showed that operating expenses continued to rise sharply. Inflation was again underpinned by a combination of higher supplier charges and increased labour related expenses. There were several reports that transportation related costs had also risen since May. In response, service providers increased their own charges as part of efforts to protect margins. The rate of inflation accelerated, reaching its highest level for a year.

Comment

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

"Spain's private sector economy expanded at a slightly faster pace in June, supported by marginal gains in both manufacturing and services, according to the latest HCOB PMI headline figures. However, activity growth remains well below the elevated readings observed at the beginning of the year."

"Political uncertainty has emerged as a potential headwind, which could translate into heightened uncertainty in the months ahead - particularly if a major government crisis unfolds. This introduces downside risks to the economic outlook. Despite political tensions, service sector firms reported a slight improvement in their future business outlook. This may reflect a belief that the current political developments will not significantly disrupt underlying economic fundamentals or consumer demand."

"At the same time, underlying demand conditions in the service sector appear to be weakening. For the first time in a year-and-a-half, order books declined for overall new business. Still, the cautiously optimistic outlook encouraged firms to continue expanding their workforce, albeit at a slower pace through the second quarter. The decline in outstanding business also suggests that labour market conditions in the service sector may loosen further."

"Operating costs remain elevated, with wage pressures persisting across the services sector. Some firms also reported higher transportation costs, though this is likely a temporary effect, assuming the ceasefire in the Middle East holds. In response, prices charged by service providers rose again in June—with inflation accelerating to the fastest pace recorded so far this year."

-Ends-

HCOB Spain Services PMI Business Activity Index

sa, >50 = growth since previous month

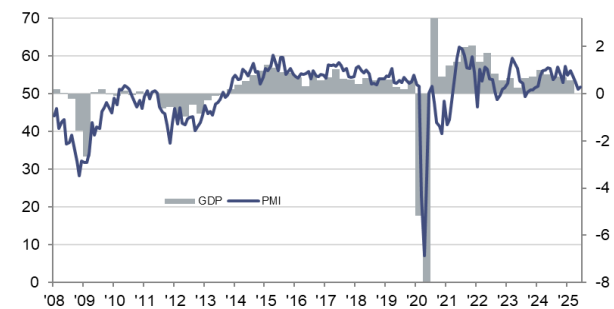


Sources: HCOB, S&P Global PMI.

Services PMI Business Activity Index **Gross Domestic Product**

sa, >50 = growth since previous month

sa, %qtr/qtr



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

HCOB Spain Composite PMI[®]

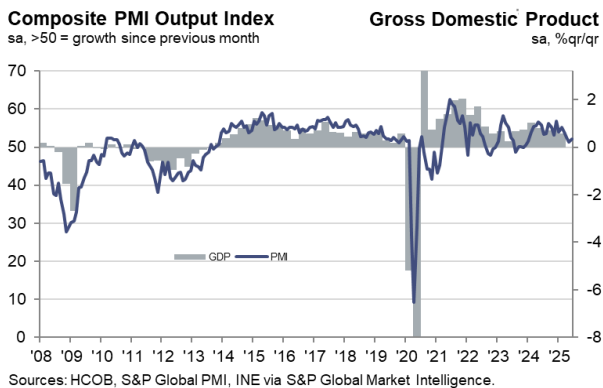
Private sector growth solid in June despite fall in new work

June's survey data indicated a further rise in private sector output, as highlighted by the **HCOB Spain Composite PMI[®] Output Index** which remained above the critical 50.0 no-change mark in June. A rise in the index to 52.1, from 51.4 in May, signalled an acceleration in the rate of growth, although it remained notably below levels seen earlier in the year.

The improvement in output growth occurred despite a drop in new business volumes for the first time since November 2023 amid signs of an economic slowdown that predominately impacted the service sector.

Firms nonetheless took on additional staff, with employment growth sustained, albeit to the lowest extent for over a year-and-a-half. Confidence in the outlook picked up to a three-month high.

Latest data meanwhile showed the continuation of strong input price inflation. Output charges were raised to the greatest degree for three months.



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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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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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