

News Release

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S&P Global Spain Services PMI[®]

Further modest growth signalled again in December as sales rise slightly

Key findings

Activity and new business both up since November

Jobs growth sustained

Cost inflation eases, but remains elevated heading into 2023

Spain's service sector ended 2022 in a relatively positive fashion, registering second successive monthly rises in both activity and new business amid reports of a marginally better demand environment. Jobs growth also persisted, whilst cost inflation softened noticeably since November. That said, worries continued over the elevated nature of prices, and this served to undermine confidence somewhat: optimism about the future was a little lower than in November and remained historically subdued.

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, recorded 51.6 in December, up from 51.2 in November. It was the second survey in a row in which a rise in activity has been recorded, and although only modest, it was also the strongest growth seen since July.

Higher activity was linked by service providers to an increase in new business volumes, which also rose for a second month running and to the best extent since July. Companies reported that sales had increased due to a slight pick-up in demand, although underlying market activity generally remains underwhelming. Overall growth was therefore only marginal, whilst firms also reported a decline in new export business for a sixth successive month.

Nonetheless, service providers were willing to take on additional staff for a third month running. The rate of growth was solid, and the strongest seen since July. Companies reported hiring new staff to keep on top of overall workloads, and this goal was largely achieved: backlogs of work held by service providers declined during December for a fifth successive month.

Input price inflation continued to slow in December, easing to its lowest level since August. However, prices overall are still increasing at a historically elevated and substantial pace. Firms continued to signal that suppliers were raising

S&P Global Spain Services Business Activity Index

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 5-20 December 2022.

Comment

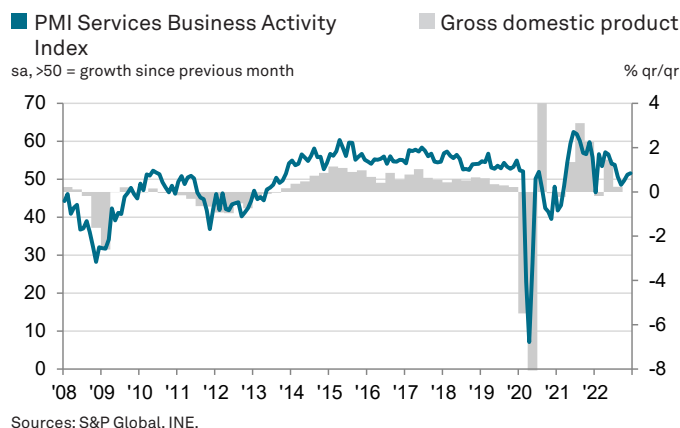
Paul Smith, Economics Directors at S&P Global Market Intelligence, said:

"The Spanish service sector more than held its ground at the end of year, registering back-to-back rises in activity and new business. Although modest, when viewed through the prism of widespread cost pressures and ongoing economic uncertainty, the latest data point to reasonable sector performance, even more so when we add in another month of employment gains.

"However, ongoing high inflation and reports of suppliers seeking to repair margins add to worries that price pressures will remain elevated and weigh on activity and consumption for some time to come. Indeed, this remains the overwhelming worry for many firms at the start of 2023, and as a result, confidence in the outlook remained historically subdued."

their charges, whilst employment expenses remained a key source of higher overall operating expenses. Some firms noted a degree of inflation inertia within the marketplace, with suppliers looking to protect or repair their margins following a period of above average price increases. Faced with another round of sharp cost inflation, service providers passed on a notable chunk of their higher expenses to clients in the form of increased charges. Overall, prices charged by service providers increased sharply, but to the lowest degree since September.

Inflation remains a key concern for companies when assessing the outlook for activity for 2023. Although sentiment remained in positive territory, overall confidence was down since November and historically subdued. High prices are expected to weigh on consumption in the coming months, although several firms are hoping that the release of new services and the planned start-up of new projects will provide some support for growth.



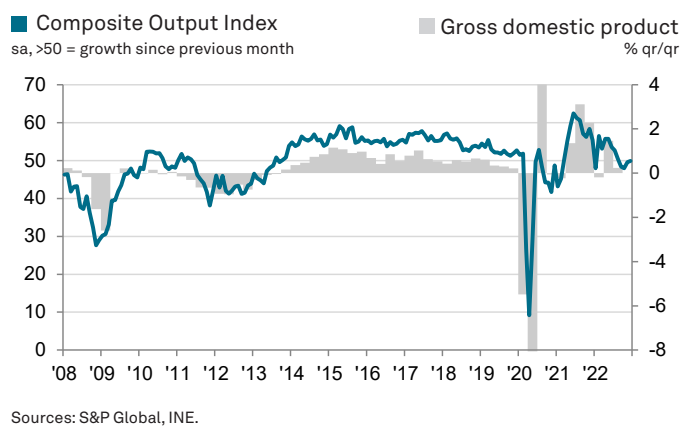
S&P Global Spain Composite PMI®

Service sector growth fails to offset ongoing manufacturing contraction

Modest growth of service sector activity in December was outweighed by an ongoing contraction of manufacturing output, which once again fell at a historically elevated rate. After accounting for seasonal factors, the Composite Output Index* posted 49.9, up slightly from 49.6 in the previous month but below the crucial 50.0 no-change mark for a fourth month running.

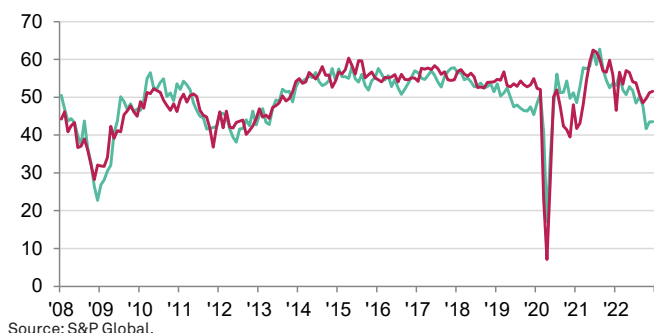
Similar trends were seen for new business: manufacturing new orders declined for an eighth successive month compared to slight growth in services. However, both sectors registered falls in work outstanding as capacity levels remained sufficient to deal with overall backlogs. Services underpinned a modest rise in overall private sector employment.

On the price front, both sectors saw input price inflation fall, though services registered the much sharper rise overall. Similar and slower rates of output price inflation were recorded across both sectors.

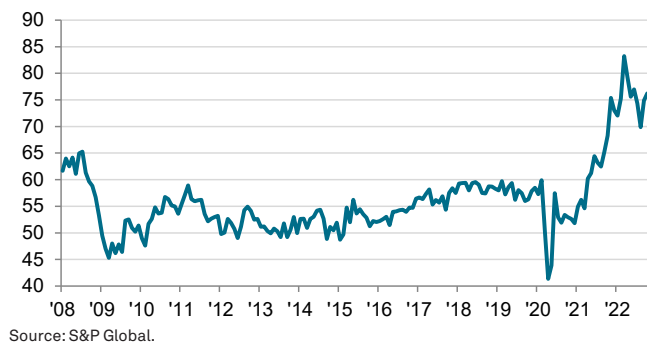


*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.

■ 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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