

News Release

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S&P Global Spain Services PMI[®]

Modest growth in activity signalled in November as sales improve

Key findings

Returns to higher activity and new orders recorded

Slight rise in employment again

Outlook remains unusually uncertain

Spain's service sector recorded a welcome return to growth during November, with both activity and new business expanding since October amid reports of firmer market demand. Employment growth was also registered for a second month running, whilst confidence in the future improved. Price pressures, however, continued to rise sharply, as prices paid for electricity, gas and a suite of other inputs remained elevated.

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, returned to a level back above the 50.0 no-change mark during November. Posting 51.2, the index was up from October's 49.7 and recorded its highest reading since July to snap a two-month sequence of contraction.

Modest growth was linked to a similar-sized increase in new business. Firms signalled an improvement in market demand, in some cases seen as a welcome surprise in the context of ongoing macroeconomic uncertainty and elevated inflation (which did serve to restrict overall growth in both activity and new business). The increase in new business occurred despite a fall in new export orders, which were down for a fifth successive month albeit to the slowest degree in this sequence.

The upticks in new business and activity encouraged several firms to take on additional staff and, overall, modest employment growth was recorded for a second successive month in November. This provided the additional benefit of boosting capacity and meant that firms could easily keep on top of their workloads: backlogs of work declined for a fourth successive month and at a solid and accelerated rate.

Higher workforce numbers were a factor increasing operating expenses during November, and firms noted that a rise in typical wages being paid was a factor adding to overall cost burdens. Prices for other key inputs such as fuel, electricity

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



Source: S&P Global.
Data were collected 11-25 November 2022.

Comment

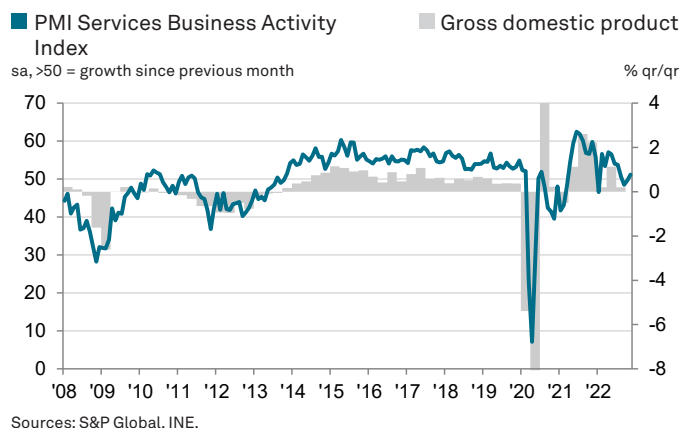
Paul Smith, Economics Directors at S&P Global Market Intelligence, said:

“Given the context of cost-of-living challenges, high inflation, rising interest rates and widespread economic uncertainty, it was somewhat surprising to see a return to growth of business activity during November and a welcome improvement in sales for the first time in four months.

“Whether these upward trends can be sustained remains to be seen, with operating costs again rising sharply and continuing to place pressure on budgets both for companies and their clients. Subsequently, the outlook remains unusually unclear, and this was reflected by respondents signalling considerable uncertainty on where activity will end up in 12 months’ time.”

and gas were also again reported to be raising costs. Overall, input price inflation remained elevated, and little changed on October's four-month high. Where possible, companies sought to pass higher costs on to clients via a rise in output charges. Latest data showed that prices charged increased to the sharpest degree since June, and for the twentieth month in a row.

Ongoing high inflation continues to muddy the outlook, and many firms remain unsure on how activity and market demand will evolve over the coming 12 months. On the one hand firms see the possibility of a strengthening of sales if inflation comes down and the uncertainty that has characterised recent client decision-making dissipates. That said, several companies are concerned that these factors will continue to hamper growth and weigh on activity. Overall, despite improving since October to a five-month high, confidence amongst service sector companies remained historically subdued.



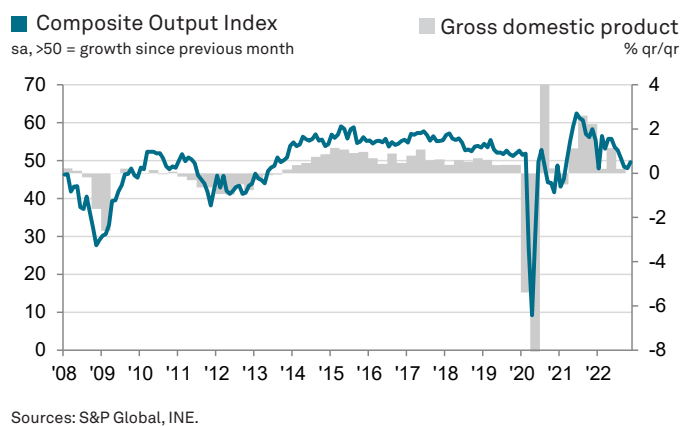
S&P Global Spain Composite PMI®

Manufacturing leads slight contraction of private sector

Private sector activity in Spain declined during November for a third month in succession, but only just as a sharp fall in manufacturing output was nearly offset by a return to growth in the dominant services industry. After accounting for seasonal factors, the Composite Output Index* recorded 49.6, up from 48.0 in the previous month and its best reading since August.

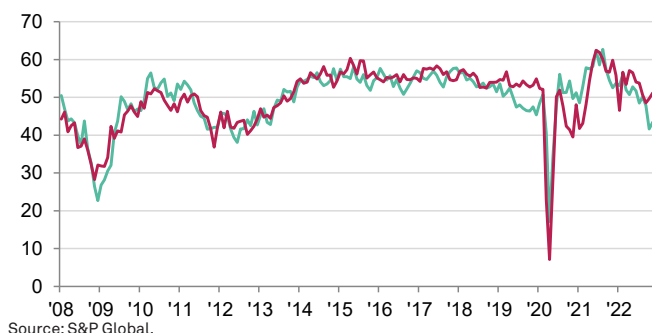
Similar trends to activity were seen for new business, where a marginal rise in new work in services contrasted noticeably with another steep drop in manufacturing new orders. Private sector employment was little changed overall, whilst firms across both the manufacturing and service economies were comfortably able to clear existing workloads at their units.

On the price front, input price inflation fell noticeably in manufacturing but remained elevated in services. Both sectors experienced strong rates of charge inflation. Confidence about the future meanwhile remained historically subdued but did improve in November to reach a five-month high.



*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.

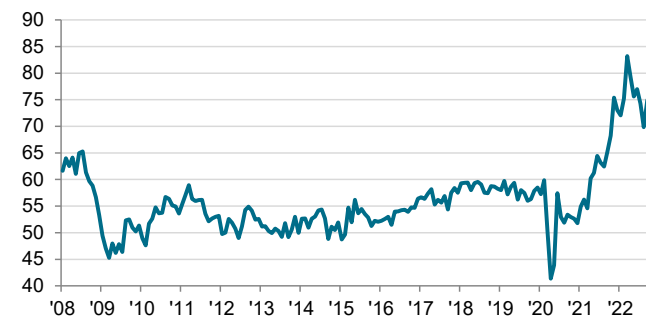
■ Manufacturing PMI Output Index
■ Services PMI Business Activity Index
 sa, >50 = growth since previous month



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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