

News Release

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S&P Global Spain Services PMI[®]

Spanish service sector remains in contraction territory in October

Key findings

Further falls in activity and new orders

Price pressures intensify

Confidence in the future again subdued on uncertain outlook

Business activity remained inside negative territory for a second successive month in October as underlying demand conditions were again subdued. Confidence about the future also remained relatively low, although firms did add to their staffing levels marginally following September's contraction. Price pressures were again elevated, with both input prices and output charges increasing sharply and at accelerated rates since the previous month.

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, again posted below the crucial 50.0 no-change mark in October. Registering 49.7, up from 48.5 in the previous month, the index signalled a marginal contraction of business activity for a second month in succession.

The drop in activity was closely linked to lower levels of incoming new business. Firms reported that sales were down for a third month in succession, albeit only modestly. Anecdotal evidence pointed to a high degree of uncertainty in product markets amid worries over recession and elevated inflation. This was reported to have led to delayed decision making amongst businesses and households, both at home and abroad. Foreign sales fell for a fourth month in succession, with the rate of contraction accelerating since September.

Despite underwhelming sales trends, Spanish service sector companies added to their workforce numbers following a first contraction for a year-and-a-half during September. Although growth was linked in part to some confidence of a near-term increase in activity the overall rise in employment was marginal. Firms were also able to comfortably keep on top of their existing workloads, as evidenced by a drop in work outstanding for a third month in succession.

Inflationary pressures remained elevated in October, with operating costs rising again at a historically elevated pace. In

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



Source: S&P Global.
Data were collected 11-26 October 2022.

Comment

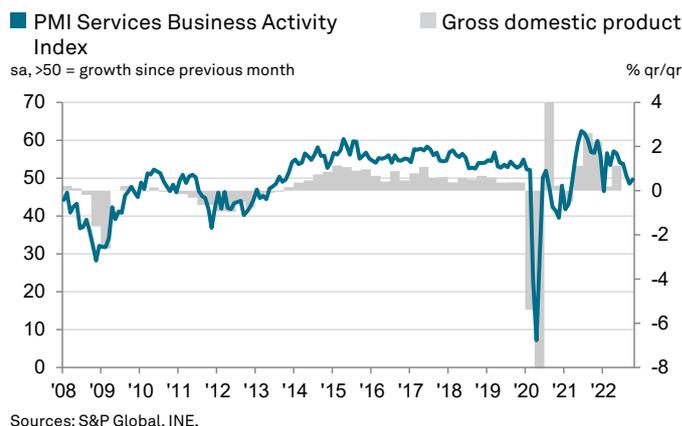
Paul Smith, Economics Directors at S&P Global Market Intelligence, said:

“Against a backdrop of elevated inflation and unusually high levels of uncertainty in the economic outlook, activity in the Spanish service sector understandably remained under downward pressure during October. New business was again down as clients continued to place on ice any previous plans to increase their own spending and investments.

“The net impact was falling levels of output and new business, heaping further stress on business operations at a time of rising costs and challenges in passing these on to clients at a time of falling market demand. Not surprisingly, companies subsequently remain hesitant when thinking about future activity, with confidence in the outlook again subdued heading towards year end.”

fact, the rate of inflation hit a four-month high amid reports of increased supplier charges, higher wages being paid and a rise in utility bills. Energy, electricity, and fuel charges were frequently mentioned to have increased in price. Firms signalled little choice but to increase their own prices over the month, and average output charges rose again as a result. As with costs, the pace of inflation picked up over the month, reaching the highest level since July – and remaining well above its historical average.

With again little sign of an easing of inflationary pressures, which have led to considerable budgetary pressures for businesses and households, confidence in the outlook remains understandably subdued. Although firms are hoping that planned new products and projects will support activity over the next 12 months, overall confidence in the future was again well below par. Firms pointed to an unusually uncertain outlook, with worries over recession and inflation remaining uppermost in their minds during October.



S&P Global Spain Composite PMI®

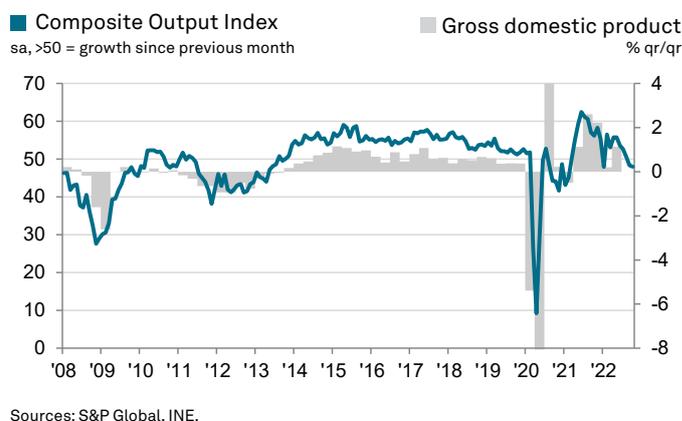
Activity in private sector declines for second month in a row

Spain’s private sector economy remained inside contraction territory during October, with output falling for a second month in succession. Moreover, the degree to which output fell was the sharpest since January. This was highlighted by the Composite Output Index* which recorded 48.0, down from 48.4 in September.

Although services registered a fall in activity, it was manufacturing where underlying production weakness was centred in October. Latest data showed that goods producers experienced their worst fall in output since May 2020, undermined by a similarly sized fall in new orders.

Amid softening demand and output requirements, private sector employment declined for a second month in a row. This reflected a sharp fall in manufacturing jobs as service providers registered marginal growth. Confidence in the future remained historically subdued across the private sector.

Both input cost and output charge inflation edged slightly lower, though this reflected noticeable slowdowns in manufacturing as prices rose at faster rates in services.



*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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