

24/11/2014

Spain

markit

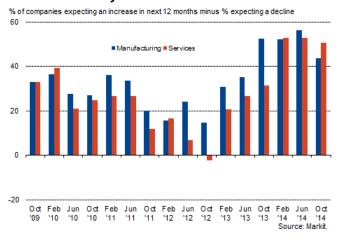
Business outlook remains positive despite eurozone concerns

- Spanish sentiment above EU average
- Further jobs growth expected
- Slowdown in eurozone threatens outlook

Spanish companies generally foresee continuing growth in activity over the coming year, according to Markit's latest Business Outlook Survey. Service sector optimism remains particularly robust, while sentiment among manufacturers has dipped, primarily reflecting worries about the wider eurozone economy.

The composite net balance for business activity across Spain's manufacturing and services sectors is +49% in October. Although this is the lowest for a year, the dip in sentiment is only slight and optimism remains relatively strong. Efficient business practices, the launch of new products and entry into new markets are all expected to provide opportunities for growth going forward.

Business Activity outlook



Sentiment among Spanish firms remains well above the EU average in October, with only the UK and Republic of Ireland seeing stronger optimism regarding overall business activity.

Threats to the outlook mainly centre around the possibility of stagnation or worse in the eurozone and the knock-on effect this would have on the Spanish economy. Looking at the outlook data, the three largest euro area nations – Germany, France and Italy – have all seen optimism weaken since the summer.

Threats to the Manufacturing Outlook



Companies see little sign of inflationary pressure over the next 12 months, with companies unlikely to be able to raise charges as a result of competitive pressures. Weak cost inflation is also forecast, particularly in the manufacturing sector where the net balance has fallen to the lowest since June 2012.

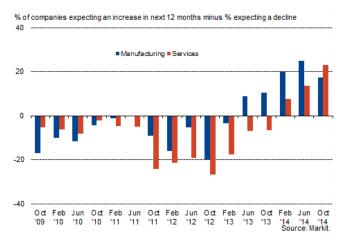
Input Prices outlook



There is mixed news on the employment front in the latest survey. While both sectors forecast job creation over the coming year, the net balance in manufacturing has fallen while services optimism has risen to the highest since April 2007. This divergence likely reflects the heightened nervousness at manufacturing firms regarding the outlook for the eurozone, making them less likely to predict growth of staffing levels.



Employment outlook



Overall, the survey suggests that Spanish firms are optimistic that the economic recovery can continue over the next 12 months, provided that it isn't thrown off course by a period of stagnation or a renewed downturn in the rest of the euro area.

For more information on global business outlook data please contact economics@markit.com.

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