

News Release

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
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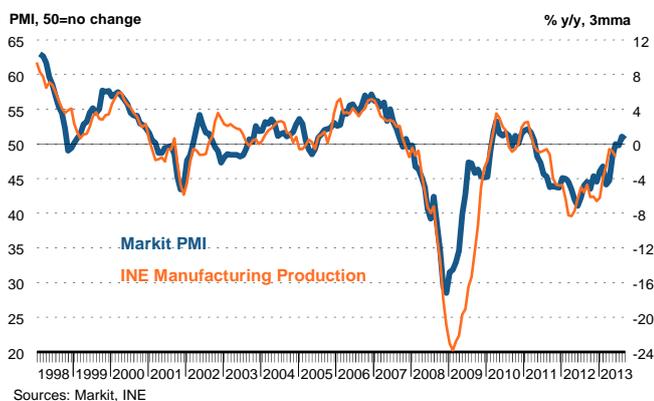
Markit Spain Manufacturing PMI[®]

Manufacturing output grows modestly again in September

Key points:

- Production increases, but at slower pace
- Total new orders rise, supported by strong growth of exports
- Cost inflation recorded for first time in seven months

Historical overview:



Summary:

The tentative recovery in the Spanish manufacturing sector continued in September, with output and new orders each rising modestly over the month. There was little sign of this feeding through to the labour market, however, as employment continued to fall. Inflationary pressures remained relatively weak, despite input costs rising for the first time in seven months.

The seasonally adjusted Markit *Purchasing Managers' Index[®]* (PMI[®]) – a composite indicator designed to measure the performance of the manufacturing economy – remained above the 50.0 no-change mark in September, posting 50.7 from 51.1 in August. Modest improvements in operating conditions have now been recorded in two

successive months, following 27 months in which business conditions failed to strengthen.

Manufacturing output rose in September, although the rate of expansion was only slight and weaker than in August. Growth was in line with higher new orders, which increased for the fourth month running. New export orders rose sharply again amid signs of improvement in export markets. The rate of expansion was little-changed from August's 32-month high.

Despite rising new business, panellists reported that order book volumes remained weak, thereby leading them to deplete outstanding business. Backlogs of work fell at a modest pace that was slightly faster than seen in August.

Employment also continued to decline. The rate of job cuts in September was solid, albeit slower than in the previous month.

Although input prices increased in September, ending a six-month sequence of falling costs, the rate of inflation was only slight. Meanwhile, competitive pressures led manufacturers to lower their output prices.

According to respondents, the rise in input prices partly reflected supply shortages of raw materials. Supply problems were also a factor with regards to suppliers' delivery times, which lengthened markedly during September.

Purchasing activity rose for the second month running, but the rate of expansion was only marginal as panellists reported a reluctance to build stocks. Pre-production inventories were depleted sharply over the month as stocks were used to help meet production requirements.

Stocks of finished goods were also reduced at manufacturers during September, and at a solid pace that was the sharpest since March.

Respondents indicated that the fall in stocks reflected deliveries of orders to clients.

Comment:

Commenting on the Spanish Manufacturing PMI[®] survey data, Andrew Harker, senior economist at Markit and author of the report, said:

“The September manufacturing PMI for Spain confirms the picture of gradual improvement seen in the third quarter of the year, supported again by solid growth of exports. It remains to be seen whether this stabilisation can be translated into a period of expansion or whether the sector will slip back into contraction again. With domestic demand remaining weak, much seems to depend on the ability of manufacturers to continue generating strong export sales.”

-Ends-

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Notes to Editors:

The Spain Manufacturing PMI[®] (*Purchasing Managers' Index*[®]) is produced by Markit Economics. The report features original survey data collected from a representative panel of around 400 companies based in the Spanish manufacturing sector. The panel is stratified by Standard Industrial Classification (SIC) group, based on the industry contribution to GDP.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact economics@markit.com.

The Manufacturing *Purchasing Managers' Index*[®] (PMI[®]) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times Index inverted so that it moves in a comparable direction.

The *Purchasing Managers' Index*[®] (PMI[®]) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries (including the European Central Bank) use the data to help make interest rate decisions. PMI surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

About Markit

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About PMIs

Purchasing Managers' Index® (*PMI*®) surveys are now available for 32 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. To learn more go to www.markit.com/economics.

About AERCE

The Spanish Association of Purchasing Managers and Supply. Established in 1981, it encompasses approximately 1600 members, distributed across ten sections. AERCE represents Spain in the International Federation of Purchasing and Supply Management (I.F.P.S.M).

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