

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

Weakest rise in output since August 2017

Key findings:

- Output growth eases again in June
- Rate of expansion in new orders ticks up
- Fastest rise in output prices since January 2017

Data collected June 12-22

Spanish manufacturing business conditions continued to improve at the end of the second quarter of 2018, although the rate of growth in the sector remained muted relative to earlier in the year. Output increased at the weakest pace in ten months, but the rate of growth in new orders accelerated. The rate of input cost inflation quickened for the second month running, leading to a marked rise in output prices that was the fastest since January 2017.

The headline IHS Markit Spain Manufacturing PMI[®] – a composite single-figure indicator of manufacturing performance – was unchanged at 53.4 in June, signalling a solid monthly improvement in the health of the manufacturing sector, but one that was the joint-weakest in ten months. Operating conditions have now strengthened in each of the past 55 months.

Although manufacturing output continued to expand during June, the rate of growth eased to the weakest in ten months. Where production increased, panellists often linked this to higher new orders.

There were signs of new order growth stabilising. After easing in the previous three months, the pace of increase ticked up in June. Meanwhile, new export orders rose at the weakest pace since October 2016.

IHS Markit Spain Manufacturing PMI v Official data



With new orders continuing to increase, firms experienced a further accumulation of backlogs of work. That said, the rise in outstanding business in June was only marginal.

As was the case with output, employment rose at a solid but reduced pace in June. Those panellists that took on extra staff linked this to higher output requirements.

Support for output growth was also a factor leading to higher purchasing activity, while efforts to accumulate stocks were also mentioned. As a result, stocks of purchases increased, following a fall in May. Some panellists reported having raised inventories in order to guard against raw material supply shortages.

Stock shortages at suppliers led to a further lengthening of delivery times, with the rate of deterioration in vendor performance slightly stronger than in May.

Input costs increased sharply, with the rate of inflation at a four-month high. Panellists indicated

that rises in oil prices led to increased costs for related inputs such as petrol and plastics. Higher steel prices were also reported.

With input prices rising at a marked pace, manufacturers increased their charges accordingly. Moreover, the rate of output price inflation was the fastest since January 2017.

The weakening of business confidence since the start of the year continued in June, with sentiment dipping for the fourth time in the past five months. That said, expectations of new order growth meant that firms were still optimistic that output will increase over the coming year.

Comment

Commenting on the PMI data, Andrew Harker, Associate Director at IHS Markit said:

“Growth in the Spanish manufacturing sector has clearly moderated since the start of the year as the sharp rates of expansion seen then have proved

unsustainable. That said, the health of the sector continues to improve, and a pick-up in the rate of new order growth during June provides some optimism that rates of expansion may settle around the current solid levels.”

-Ends-

For further information, please contact:

IHS Markit

Andrew Harker, Associate Director
Telephone +44-1491-461-016
Email andrew.harker@ihsmarkit.com

Joanna Vickers, Corporate Communications
Telephone +44-207-260-2234
E-mail joanna.vickers@ihsmarkit.com

Note to Editors:

The Spain Manufacturing *PMI*® (*Purchasing Managers' Index*®) is produced by IHS Markit. 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 GDP and company workforce size.

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.

IHS 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 IHS Markit. Please contact economics@ihsmarkit.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.

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About PMI

Purchasing Managers' Index[®] (PMI[®]) surveys are now available for over 40 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 <https://ihsmarkit.com/products/pmi.html>.

About AERCE

AERCE is the Spanish Association of Purchasing and Supply Management. Founded in 1981 has 1,000 members, representing more than 10,000 related professionals, which include the most important companies in the country, institutions and professionals belonging to various industrial sectors, services and the public sector.

AERCE is a member of the International Federation of Purchasing and Supply Management (IFPSM).

AERCE

BARCELONA

Rambla Catalunya 120, 1^o 1^a

08008 Barcelona - Spain

MADRID

Paseo de la Castellana 121, 7^o D

28046 Madrid - Spain

Tel: +34 934 510 960

e-mail: info@aerce.org

website: www.aerce.org

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