

**Purchasing Managers' Index®**  
**MARKET SENSITIVE INFORMATION**  
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## Markit Spain Manufacturing PMI®

### Manufacturing growth continues to ease at end of Q1 2017

#### Key findings:

- Slower rises in output, new orders and employment recorded
- Business confidence remains elevated
- Cost inflation at 71-month high

Data collected March 13-24

Although the Spanish manufacturing sector remained comfortably inside growth territory at the end of the first quarter of the year, there were further signs of a slowdown as output, new orders and employment all rose at weaker rates. There was a pick-up in inflationary pressures, however, with input costs increasing to the greatest extent since April 2011.

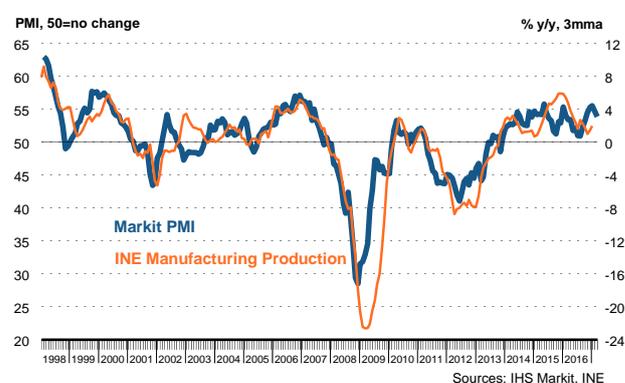
The headline Markit Spain Manufacturing PMI® is a composite single-figure indicator of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates overall improvement of the sector.

The PMI dropped for the second month running in March, posting 53.9 from 54.8 in February. Although still signalling a solid monthly improvement in the health of the sector, the latest strengthening of business conditions was the weakest since last October.

Manufacturing output rose markedly in March, extending the current sequence of expansion to 40 months. However, the rate of growth eased for the third month running and was the slowest since October 2016.

New orders also increased at a weaker pace, but stronger client demand continued to support an overall expansion. New export orders rose sharply, but to the least extent in five months.

#### Markit Spain Manufacturing PMI v Official data



Backlogs of work continued to rise in line with higher new orders, but the rate of accumulation in March was modest. Companies made further efforts to increase their capacity by taking on extra staff. However, as was the case with output and new orders, the rate of job creation eased.

The rate of input cost inflation quickened to the fastest in nearly six years during March, having accelerated for the seventh month running. Among the items reported as being up in price were cotton, paper, plastics, steel, fuel and other oil-related products.

The rate of output price inflation also picked up as firms passed on higher cost burdens to clients. The latest rise in charges was the second-fastest since April 2011 (behind only January 2017).

There was evidence of raw material supply shortages in March as a lack of stocks at suppliers contributed to lengthening delivery times. The deterioration in vendor performance was the most marked in seven months.

Purchasing activity rose solidly in response to higher sales volumes, but the rate of growth eased at the end of the first quarter. The expansion led to

a slight increase in stocks of purchases, while post-production inventories also rose.

Business confidence remained elevated and well above the average for the near five-year series history. Optimism regarding the prospects for new order growth was the main factor supporting positive sentiment.

### Comment

Commenting on the PMI data, Andrew Harker, Senior Economist at IHS Markit said:

*“While the Spanish manufacturing sector remained in growth territory during March, rates of expansion in both output and new orders eased for the third month running, thereby suggesting some loss of*

*momentum during the first quarter of the year.*

*“Weaker growth potentially reflects the impact of building inflationary pressures. Both input costs and output prices rose at rates rarely surpassed over the past six years, testing the resilience of customer demand. However, firms remain confident that output will continue to rise over the coming year on the back of new order growth, suggesting they are comfortable in passing through higher cost burdens to clients.”*

-Ends-

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### Note to Editors:

The Spain Manufacturing *PMI*<sup>®</sup> (*Purchasing Managers' Index*<sup>®</sup>) is produced by 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.

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@ihsmarkit.com](mailto:economics@ihsmarkit.com).

The Manufacturing *Purchasing Managers' Index*<sup>®</sup> (*PMI*<sup>®</sup>) 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*<sup>®</sup> (*PMI*<sup>®</sup>) 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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Purchasing Managers' Index® (PMI®) surveys are now available for over 30 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/product/pmi](http://www.markit.com/product/pmi).

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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).

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