

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

Output growth eases to nine-month low

Key findings:

- Slower growth of output and new orders
- Employment rises at solid pace
- Sharp increase in input costs amid higher oil prices

Data collected May 11-23

There were further signs of growth easing in the Spanish manufacturing sector during May, with weaker increases in output and new orders recorded. That said, the rate of job creation accelerated and business confidence remained elevated. Meanwhile, the rate of input cost inflation was sharp and output prices rose at the fastest pace since January.

The headline IHS Markit Spain Manufacturing PMI® – a composite single-figure indicator of manufacturing performance – dipped to 53.4 in May from 54.4 in April. Although signalling a solid strengthening in the health of the sector, the rate of improvement was the weakest since August last year. Business conditions have strengthened on a monthly basis throughout the past four-and-a-half years.

Production has also risen throughout the past 54 months. The latest expansion was solid, but the slowest since last August. Higher output reflected work on new product lines and increasing new business.

Although new orders continued to rise, the rate of growth eased to a nine-month low in May. Total new business has increased continuously since August 2016. Meanwhile, strength in other European markets enabled firms to secure greater volumes of new export orders. The rate of expansion ticked up from April's 18-month low.

IHS Markit Spain Manufacturing PMI v Official data



The rate of backlog accumulation eased for the second month running in May amid slower new order growth. The weaker rise in sales was also behind an increase in stocks of finished goods, the ninth in as many months.

In contrast to a number of other variables, employment rose at a faster pace over the month amid higher output requirements. The rate of job creation was marked, extending the current sequence of rising staffing levels to 53 months.

Input prices continued to rise sharply, with the rate of inflation little-changed from the previous month. Higher oil prices reportedly fed through to increases in costs for fuel and plastics, while higher metal prices were also mentioned. The passing on of higher input costs to clients resulted in a solid increase in output prices, and the sharpest since January.

Shortages of raw materials resulted in a further lengthening of suppliers' delivery times during May. The rate of deterioration eased from the substantial

pace seen in April, but remained marked nonetheless.

Purchasing activity rose solidly amid higher output requirements, with the rate of growth quickening from April's 18-month low. On the other hand, firms lowered their pre-production inventories for the first time in nine months.

Manufacturers remained confident that output will rise over the coming year, with sentiment broadly in line with the previous month. Predictions of higher new orders and increases in operating capacity supported confidence.

Comment

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

“The latest Spain Manufacturing PMI reinforces the impression that growth peaked around the turn of the year. Recent months have seen the sector move into a lower gear, but increases in output and new orders remained solid in May. The latest

employment data provide some cause for optimism, with the rate of job creation rebounding. This suggests that firms are still optimistic that output requirements will continue to improve in coming months, a finding backed up by continued optimism regarding the year-ahead outlook.”

-Ends-

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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).

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